

Newsletter issue 11 – June 2007

The 11th issue of 'Economics Research' contains articles on poverty in Cyprus, the efficiency of Cypriot banks and the use of official unemployment statistics for Cyprus.

In Cyprus, the poverty ratio is highest among households where the head is a pensioner or a single parent. Other significant factors that increase the probability of a household being poor are low education, non-participation in the labour market (the inactive and unemployed) and the number of children in the family. In the context of social policies designed to tackle poverty, measures should primarily focus on promoting increased participation in the labour market, targeting the unemployed, inactive individuals, especially single mothers or mothers of young children and people close to retirement age. In addition, the need for life-long learning awareness should be further enhanced, along with the promotion of tertiary education, and measures for the increased welfare of elderly pensioners should be taken by increasing social pension in the short-run and ensuring the sustainability and adequacy of pension schemes in the long-run.

The efficiency of Cypriot banks has been examined using econometric techniques and compared to that of UK and Greek banks. The main results suggest that the average cost of Cypriot commercial banks is close to that of Greek but higher than the average cost of UK commercial banks, albeit the latter difference declines over time. In addition, Cypriot (and UK) commercial banks operate in positive economies of scale, so that they can improve their competitiveness by further expansion. As far as technological progress is concerned, Cypriot banks appear to be at the same level as the UK ones, while the Greek banks have demonstrated a higher rate of technological progress.

The three unemployment variables that are available from official statistics are used to estimate various well established economic theories. All three variables estimate a negative relation between unemployment and vacant jobs and the GDP growth rate. The unemployment rate derived from the Labour Force Survey (LFS) is the only measure that reports a negative relationship between unemployment and wages. Results indicate that the LFS rate gives results that are in line with theory.