



CENTRAL BANK OF CYPRUS
EUROSYSTEM

ECONOMIC BULLETIN

DECEMBER 2016

NICOSIA - CYPRUS



1

Introduction

2

Macroeconomic
Developments and
Projections

3

Statistical Annex

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ABBREVIATIONS

| | | | |
|--------|--|----------|--|
| BLS | Bank Lending Survey | EU | European Union |
| BoE | Bank of England | Eurostat | Statistical Office of the European Union |
| BPM | Balance of Payments and International Investment Position Manual | FED | Federal Reserve |
| CA | Current Account | FOMC | Federal Open Market Committee |
| CBC | Central Bank of Cyprus | GDP | Gross Domestic Product |
| CCB | Cooperative Central Bank | HICP | Harmonised Index of Consumer Prices |
| CPI | Consumer Price Index | | |
| CTO | Cyprus Tourism Organisation | IMF | International Monetary Fund |
| Cystat | Statistical Service of the Republic of Cyprus | LFS | Labour Force Survey |
| EBRD | European Bank for Reconstruction and Development | MFIs | Monetary Financial Institutions |
| ECB | European Central Bank | MoU | Memorandum of Understanding |
| EER | Effective Exchange Rate | NEER | Nominal Effective Exchange Rate |
| EIB | European Investment Bank | NFCs | Non-Financial Corporations |
| EONIA | Euro Overnight Index Average | NPLs | Non-Performing Loans |
| ESA | European System of Accounts | PNFS | Private Non-Financial Sector |
| ESI | Economic Sentiment Indicator | REER | Real Effective Exchange Rate |
| ESM | European Stability Mechanism | SDW | Statistical Data Warehouse |
| | | SPEs | Special Purpose Entities |
| | | UK | United Kingdom |
| | | US | United States of America |

Introduction

The economic recovery that started in 2015 and the gradual healing of problems left behind by the economic crisis, continued in the second half of this year. However, major problems persist, such as the high level of non-performing loans and government debt as well as the high level of unemployment which, although greatly reduced, remains at unprecedented levels. Generally, progress has been recorded on a number of fronts. The prospects are encouraging, both for the banking sector, which is now on healthier foundations, and for the broader economy, which is characterised by markedly improved indicators, accelerating domestic demand and positive economic expectations.

Economic activity in Cyprus increased by 2,8% in real terms in the first nine months of 2016 compared with 1,3% in the corresponding period of 2015. This increase reflects the expansion in domestic investment and private consumption but also in exports, mainly tourist services, which registered a significant increase.

According to the December 2016 CBC projections, real GDP for the entire 2016 is expected to grow by 2,8%. GDP growth is expected to fluctuate around the same level in 2017 as well. Further growth of around 3% is expected in 2018 and 2019, mainly reflecting the expected strength in private consumption, investment and net exports. The positive performance and prospects of the economy are partly the result of the improvements in competitiveness, owing to the structural changes that have taken place in the last few years.

The labour market was affected positively by the aforementioned positive economic developments, albeit with some time lag. More specifically, the unemployment rate fell to 12,1% in 2016Q2 compared with 14,1% in the previous quarter and 14,6% in 2015Q2.

Inflation continues to remain negative for the third consecutive year. In particular, during the period January-October 2016, the harmonised rate of inflation fluctuated at around -1,4%. If we exclude energy, negative inflation is limited to -0,5%. It should be noted that the negative inflation in 2016 is partly due to lower oil prices and the respective categories of energy as well as the downward adjustments in the prices of various products and services in the most important categories of the HICP. This internal devaluation took place through substantial reductions of wages in recent years.

Inflation is expected to turn positive in 2017 (0,9%), mainly due to the continued increase in domestic consumption and GDP, a small expected increase in wages and other external developments such as the expected higher oil prices.

With regard to the financial sector, financial institutions in Cyprus continue to benefit greatly from the structural reforms of the past three years, mostly by correcting the fundamental weaknesses of the past. This positive development contributed significantly to the improvement of confidence in the banking sector. This is reflected, *inter alia*, in the continuous gradual increase of deposits from both residents and non-residents. At the same time, the growth rate of loans to the domestic private sector remains negative despite the increase in new bank lending, reflecting the banking and

private sector's continued effort to deleverage their balance sheets. In the medium-term, new lending is expected to record a further increase in line with the economic outlook and the results of the October 2016 *Banking Lending Survey*, 2016, with credit growth gradually returning to positive levels.

The improvement of the country's economy and of the banking system in particular, is reflected in the sovereign upgrading by the international rating agencies and the significant reduction of ELA. Nevertheless, the management of non-performing loans, which remain at a high level, constitutes the most important challenge facing the banking sector. To deal with this problem, the CBC has contributed substantially to a series of measures so as to provide strong incentives to both banks and borrowers to undertake sustainable restructuring of non-performing debts.

These measures, combined with a substantial improvement in the economic climate, have led to a gradual decrease in the level of non-performing loans. The continuing decline is expected to encourage new lending, thus enhancing the growth dynamic in the economy.

The country's gradual return to sustainable growth rates, full employment and restoration of economic confidence should continue to be the main priorities of policies implemented. The full implementation of the objectives set, both for the banking system and the economy as a whole, requires the support of all economic agents and, most importantly, the avoidance of populist measures that burdened the economy so much in the past. If we remain committed to the successful reforms and structural changes we have imple-

mented in recent years, then better days are ahead of us, both for the economy as a whole as well as for each individual citizen.

Macroeconomic Developments and Projections



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1. International Environment: main developments

- Global economic activity decelerated in the first ten months of 2016, amid increased uncertainty in international markets.
- Concerns about the global economic activity amplified following the UK referendum results and the presidential elections in the US.
- Global inflation remained at low levels, despite a small recovery in oil prices over the last months.
- All major central banks continued their expansionary monetary policy stance, in view of the adverse international developments.
- The euro area continued recording positive credit growth during 2016Q3.

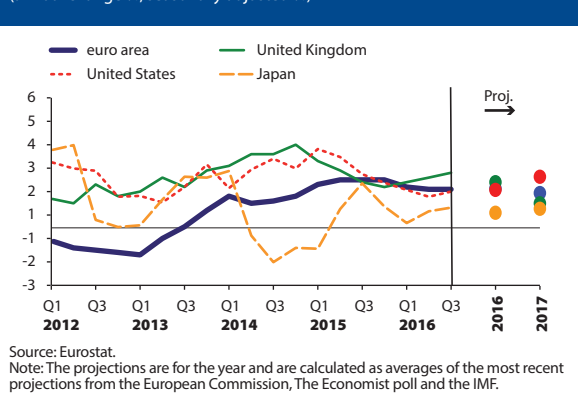
1.1 External developments

GDP growth¹

After a series of adverse developments, global economic activity slowed down during the first ten months of 2016. Global markets continued to be volatile as a result of the referendum in favour of the UK leaving the EU (Brexit), the recent unexpected results of the presidential elections in the US, the continued terrorist attacks and the increased flow of refugees from the Middle East (**Box 1**, p. 13).

In the euro area, annual GDP growth decelerated to 1,6% during the first nine months of 2016 compared with 2% that prevailed since 2015Q2 (**Chart A.1**). The euro area economy was significantly affected both by the adverse external and domestic developments

CHART A.1 GDP in selected countries
(annual change %, seasonally adjusted %)



1. GDP projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (12 November 2016), the European Commission (European Economic Forecast, Autumn 2016) and the IMF (World Economic Outlook, October 2016).

that continue to constrain the economy's growth dynamics. More specifically, the euro area is still faced with a prolonged period of low inflation and low investment, an increased need for further loan deleveraging and a high, albeit improved, unemployment level. At the same time, the ECB's expansionary monetary policy and exceptionally low interest rates continue as a response to the aforementioned downside risks.

In the US, GDP growth for 2016 recorded a significant slowdown, in contrast to the remarkable acceleration that was recorded in 2015. More specifically, in 2016Q3, GDP growth slowed to 1,5% compared with 2,2% in the corresponding quarter of last year. This mainly reflects the weakening of the manufacturing sector as well as lower capital spending and investment (excluding the energy and housing sectors). The main factors behind these developments were the strengthening of the US dollar that followed the outcome of the referendum in the UK, the deterioration of external demand and trade as well as the increasing uncertainty in anticipation of the presidential elections.

A similar slowdown in economic growth was recorded in Japan, reflecting reduced foreign demand and investment. On the other hand, economic activity in the UK maintained its momentum with real GDP growing by 2,3% in 2016Q3 compared with 1,9% in 2015Q3. The country's growth dynamics were not particularly affected by the June referendum - although there was a short-term sharp decline in both UK government bond yields and sterling - partly because of the immediate measures taken by the Bank of England. More

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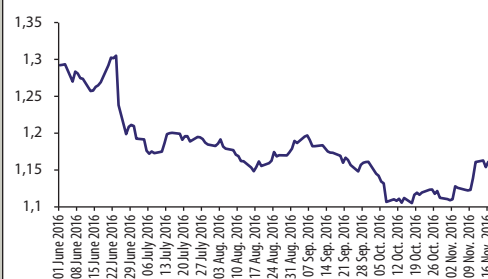
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Box 1: Expected impact on the Cyprus economy from the UK decision to leave the European Union

On 23 June 2016, the citizens of the United Kingdom voted 51,9% in favour of exiting the European Union (Brexit). On 2 October, Teresa May, who replaced David Cameron as Prime Minister, announced her intention to activate the provisions of Article 50 of the Treaty of the European Union in 2017, and subsequently launch the UK exit process. The process is expected to be completed about two years after its initiation. In the analysis which follows, we first examine the potential impact of Brexit on the UK and the EU before turning to the effects on the Cypriot economy, in light of the current major economic and trade relations between Cyprus and the UK.

Overall, the effects are expected to occur mainly through the devaluation of the pound against the euro and to a lesser extent through the impact on business sentiment. Brexit is not expected to have a significant overall impact on the GDP of Cyprus, even though individual sectors may be affected, albeit to a manageable degree. The tourism sector is expected to be affected to some extent, while other trade sectors, including imports of goods, are expected to register a smaller impact. In general, any negative effect on exports, especially tourism, is expected to be largely offset through the positive impact of cheaper imports from the UK. Furthermore, the possible bilateral agreements between the UK and Cyprus may further limit the impact on the domestic economy.

CHART 1 Sterling to euro exchange rate (daily data)



Source: SDW (ECB).

Expected impact on the UK and the EU

The economic effects of Brexit both in the UK itself and in other EU countries are most likely to occur through two channels: the exchange rate between the pound and the euro and the impact on consumer and investor confidence.

As shown in **Chart 1**, the pound has depreciated significantly against the euro, from £0,77 per euro on 1 June 2016 to £0,86 per euro on 18 November 2016. The possibility of a further depreciation would additionally reduce the purchasing power of British consumers, thereby reducing their overall spending on imported goods. In contrast, a positive impact on the UK's medium-term export performance could result from the improvement in competitiveness, conditional on inflation not increasing.

Furthermore, Brexit could also have an impact on the euro vis-à-vis other international currencies, against which it is likely to depreciate. Such a development would have a positive impact on European exports to third countries, thus containing the negative im-

TABLE 1 Cyprus and UK trade relations 2014-2016
(€ million)

| | 2014 | 2015 | Jan.- June 2015 | Jan.- Oct. 2016 |
|--------------------------------------|--------------|--------------|--------------------|--------------------|
| Exports of goods and services | 1,510 | 1,984 | 723 | 842 |
| Exports of goods | 169 | 168 | 72 | 73 |
| Exports of services | 1,341 | 1,816 | 651 | 769 |
| <i>of which:</i> | | | | |
| Travel | 714 | 910 | 259 | 347 |
| Imports of goods and services | 1,101 | 1,212 | 608 | 461 |
| Imports of goods | 421 | 448 | 255 | 157 |
| Imports of services | 680 | 764 | 353 | 304 |

Source: SDW (ECB).

part from the reduction in trade with the UK.

Brexit could potentially have a negative impact on business and consumer confidence both in the EU and the UK, limiting or reducing investment spending. Nevertheless, the effects to-date appear negligible. There is, however, a strong possibility that a significant part of banking operations conducted today in the City of London, will be transferred to other financial centres within the euro area, with all the positive developments implied for the host countries. Nevertheless, everything will ultimately depend on whether Brexit proceeds smoothly and without major conflicts as well on the details of the final agreement.

Potential impacts on the Cyprus economy

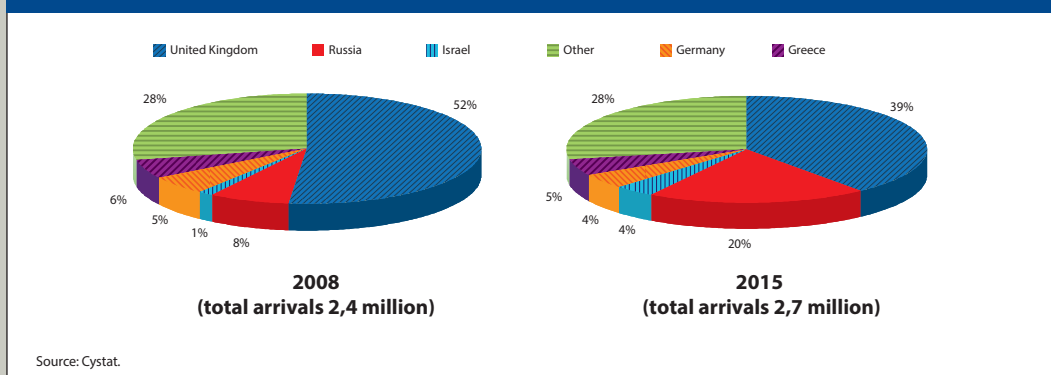
Table 1 presents the overall picture of Cypriot imports and exports to the UK from

2014 to 2016H1. As shown in Table 1, revenue from exports of services increased in 2015 as a result of the increase in tourism revenue and income from transport services as well as in other services categories. Data until 2016H1, show that total exports continue to increase, while total imports appear to have been decreasing as a result of the reduction in imports of goods.

Even though data availability following the Brexit decision is limited, it appears that trade relations between Cyprus and the UK remain unaffected. The extent of the depreciation of the pound should have a positive short-term effect on imports of goods reflecting the negative price effect, with a corresponding positive impact on Cyprus GDP¹. In the medium term, the decline in the value of exports to the UK will be offset, at least to some extent, by the lower cost of imports due to the depreciation of the pound. Since the details of any trade agreement between

1. The omission of the positive impact on Cypriot imports from the devaluation of the British pound explains why other estimates (e.g. by Fitch Ratings <https://www.fitchratings.com/site/pr/1004519>), indicate that Cyprus is more vulnerable to Brexit.

CHART 2 Tourist arrivals per country
(% of total)



the EU and the UK are still uncertain, concrete conclusions about the future cannot be drawn.

As shown in **Table 1** (p. 14), travel services (which mainly include revenues from tourism) constitute around 50% of total exports of services to the UK. However, the share of British tourists in total arrivals has been decreasing since 2008 (**Chart 2**). Specifically, the share stood at around 52% in 2008 and dropped to 39% by 2015.

The aforementioned downward trend reflects both the reduction in the number of tourist arrivals from the UK as well as the comparatively larger increase in arrivals from other countries. As shown in **Chart 2**, country shares in overall arrivals in Cyprus during the period 2008 – 2015 have changed significantly, with the UK (from 52% to 39%), Russia (from 8% to 20%) and Israel (1% to 4%) recording the largest change. The diversification of arrivals and, as a consequence, the shifting of focus away from a single market, helps in absorbing shocks from exogenous events and creates a more constant flow of tourist revenue.

Moreover, as already mentioned, the depreciation of the euro relative to other currencies is expected to increase the purchasing power of tourists outside the euro area (e.g. Russia, Israel, Lebanon) with a consequent increase in tourism revenue in Cyprus.

Evidence of this diversification emerged in 2015, when a 17,6% reduction in arrivals from Russia was largely offset by increases from other countries. In fact, overall total tourism arrivals for the year increased by about 9%. A similar response is expected to take place in the case of a drop in arrivals or spending by British tourists, following the depreciation of the pound. However, early bookings for 2017 suggest that arrivals from the UK will remain at about the same level. Therefore, the impact on tourism is expected to be small and manageable, given the flexibility shown by the tourism sector in Cyprus. This conclusion is strengthened by the fact that the purchasing power of British tourists is also expected to deteriorate in other attractive destinations for the British, both within as well as outside the euro area.

In relation to possible effects on the banking sector, it is noted that since the financial crisis in 2013, the exposure of Cypriot banks in the UK has declined significantly, with only one Cypriot bank maintaining a subsidiary in the UK. In addition, based on the most recent data, the assets and liabilities of UK clients in Cypriot banks are proportionate to each other, standing at around 4-5% of the total assets and liabilities. Therefore, any change in the exchange rate between the pound and the euro is expected to have only a moderate impact since the positive effect on liabilities will cancel out the negative effect on assets.

Concluding comments

The overall impact on the Cypriot economy from the Brexit decision is expected to be marginally negative and manageable, despite the share of the British in total tourist arrivals. This conclusion is based on both the flexibility the tourism sector has exhibited over the years as well as the partial offset of the impact from the reduction of exports of services to the UK from the decline in the cost of imports of goods and services.

At the same time, it should be noted that Brexit could also present opportunities, since the full participation of Cyprus in the EU and the euro area, our legal system based on English law, the low taxation environment, our geo-strategic geographical position and high quality of human capital are likely to attract companies that want to maintain access to the European Economic

Area. Therefore, both the private and public sector should be prepared to exploit any potential medium-term opportunities.

analytically, private consumption remained stable with consumer confidence showing signs of recovery by early September. However, taking into account the imminent decisions on trade and financial relations between the UK and the EU as well as the limited macroeconomic information since June 2016, uncertainty in both the UK and the global markets will remain high until the completion of the exit process.

As regards the developing economies, the commodity-exporting countries continue to deal with the negative effects of low prices in basic raw materials, while capital outflows have decreased mainly due to the more stable exchange rates of these countries compared with the developed economies. At the same time, concerns about China's economic developments and its possible effects in global markets have retreated as a result of China's quantitative easing measures.

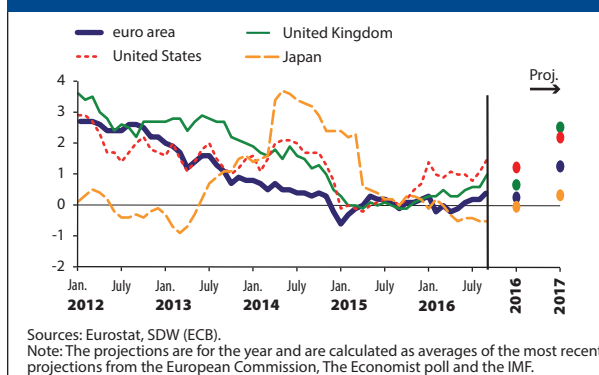
The risks to global economic activity continue to be on the downside. Overall, GDP growth in 2017 is expected to continue recording a gradual slowdown in all major economies except in the US and Japan, which are expected to see a recovery.

Inflation²

Global inflation recorded a small increase during 2016H2, mainly due to the increase in oil prices recorded in 2016Q3 (**Chart A.2**). However, core inflation continued to remain at low levels mainly due to the significant excess global capacity arising from subdued economic activity as well as the historical low oil price

2. Inflation projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (12 November 2016), the European Commission (European Economic Forecast, Autumn 2016) and the IMF (World Economic Outlook, October 2016).

CHART A.2 Inflation in selected countries
(annual change, %)



and the consequent low energy prices. According to the projections of international organisations and analysts, the rate of inflation in the euro area, the UK and the US is expected to follow a downward trend in 2016, while increasing in 2017.

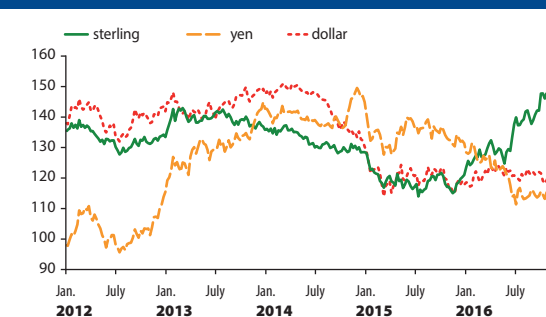
Exchange rates

The exchange rate of the euro against major currencies recorded some fluctuations during 2016 (Chart A.3). This mainly reflects the increased uncertainty in global markets due to the many adverse developments taking place in the year, with first and foremost the UK referendum on Brexit. More specifically, between 1 January 2016 and 18 November 2016, the euro weakened by 2,3% and 10,5% against the dollar and the yen, respectively, but strengthened against sterling by 16%.

Oil

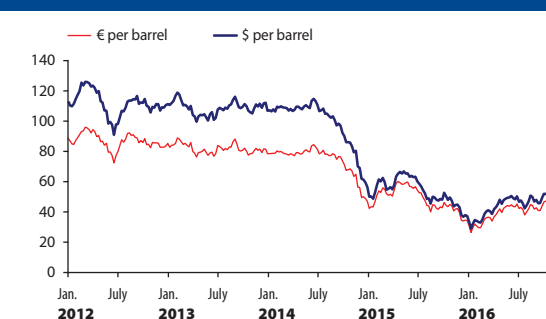
In early 2016, the price of Brent crude oil recorded the largest drop in the last ten years reaching \$28,94 per barrel. However, in 2016Q2 it increased by nearly 80%, reaching \$50,54 per barrel on 10 June 2016 (Chart A.4). This sharp increase was driven by the unexpected agreement on a cut in oil production by members of OPEC. Despite this increase, the oil price is still considered to be at low levels compared with previous years. According to the latest data, on 18 November 2016 the closing price of Brent crude oil stood at \$46,14 per barrel (from \$44,66 per barrel on 20 November 2015).

CHART A.3 Selected exchange rates against the euro
(weekly data, 2000=100)



Source: Bloomberg.
Note: A higher(lower) index level represents a nominal appreciation (depreciation) of the euro against the other currencies.

CHART A.4 Closing prices of oil (Brent)
(weekly data)



Source: Bloomberg.

International official interest rates

The major central banks continued their expansionary monetary policy in the course of 2016. The ECB did not proceed with further interest rates cuts after March 2016, but continued to support economic activity through its non-standard measures. More specifically, the ECB and the Federal Reserve maintained their key interest rates at 0,00% and 0,50%, respectively (**Chart A.5**). On the other hand, following the UK referendum on 4 August 2016, the Bank of England proceeded with an interest rate cut of 25 basis points (from 0,50% to 0,25%) as well as with other quantitative easing measures in order to contain any possible negative market reactions following the UK referendum results.

1.2 Monetary developments in the euro area

Inflation

According to the latest available data, the inflation rate in the euro area stood at 0,5% in October 2016 compared with 0,4% in September 2016 (**Chart A.6**). This small increase was mainly due to the recent increase in the oil price (see [p. 18](#)). Looking ahead, based on current energy futures prices, euro area inflation is likely to remain at low positive levels, mainly due to a base effect from energy prices. In the medium term, however, the ECB's expansionary monetary policy measures are expected to contribute to a recovery in euro area inflation. The future outlook for HICP inflation has

CHART A.5 Official interest rates
(% per annum)

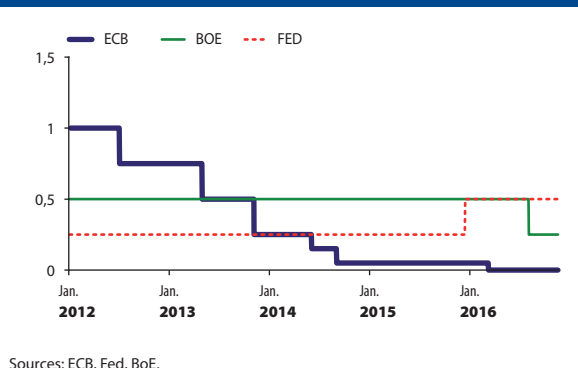
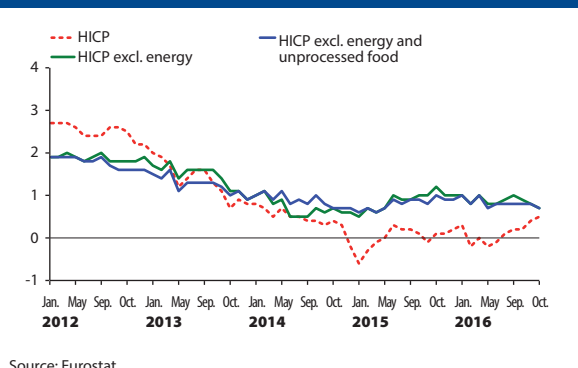


CHART A.6 Inflation in the euro area
(annual change, %)



been revised upwards, reflecting mainly the increase in oil prices, with international organisations and analysts expecting the euro area inflation rate to reach 0,3% in 2016 and increase further to 1,3% in 2017.

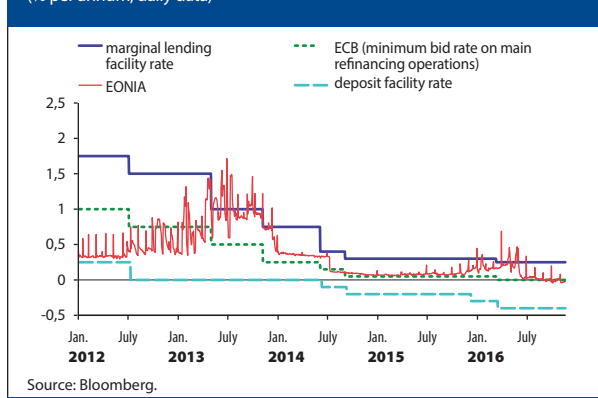
Reference rates and ECB interventions

As was previously mentioned, the ECB kept its main refinancing operations rate, marginal lending facility rate and deposit facility rate at 0,25%, 0% and -0,40%, respectively, which are unchanged since March 2016. The inter-bank overnight rate (EONIA) has continued to remain at negative levels since mid-2014, owing to the continued ECB interventions to increase liquidity in the markets. On 18 November 2016, the EONIA stood at -0,36% (**Chart A.7**). The ECB continued to support money markets through standard liquidity-providing operations and non-standard measures, such as the asset purchase programme, with the aim of effectively addressing the prolonged period of low inflation in the euro area.

Credit expansion

Credit expansion (loans and securities) to the euro area private sector has continued to record positive growth rates since May 2015. This development reflects the improvement in the growth of loans to both non-financial corporations (NFCs) and households as well as the positive impact from the ECB's expanded asset purchase programme, the gradual decrease of the euro area lending rates and the subsequent increased demand for new loans.

CHART A.7 ECB reference rates and EONIA
(% per annum, daily data)



Nevertheless, the continued efforts for bank balance-sheet consolidation and the high level of non-performing loans in some member states, continued to hinder credit growth dynamics in the euro area.

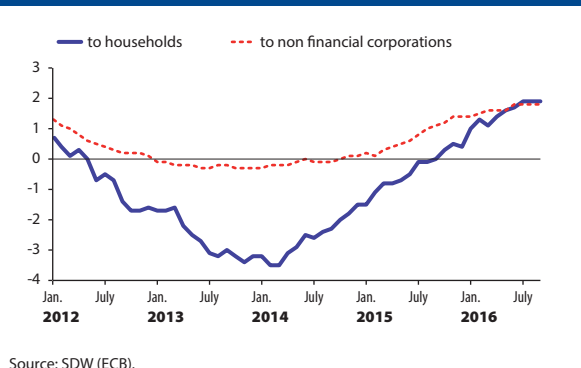
Analytically, the annual growth of loans to NFCs remained stable at 1,8% at the end of 2016Q3 compared with the end of 2016Q2, but it increased compared with 2015Q3 (1,1%) (**Chart A.8**). The annual growth of loans to households also increased and reached 1,9 % at the end of 2016Q3 compared with 1,7% at the end of 2016Q2 and 0% at the end of 2015Q3.

According to the results of the October 2016 Bank Lending Survey, participating banks expect credit standards for loans to enterprises to remain unchanged in 2016Q4 compared with 2016Q3. In contrast, credit standards for loans to households are expected to ease. Meanwhile, net demand for loans to households and enterprises is expected to further increase during 2016Q4 compared with 2016Q3.

2. Domestic Environment: main developments

- *Cyprus continued to have the highest rate of deflation in the euro area.*
- *Increased provision of new loan contracts amid historically low domestic interest rates.*
- *Continued deleveraging of existing private sector loans, despite the increase in new loan contracts, due to increased loan restructurings and repayments.*
- *Continued inflows of deposits, especially by domestic NFCs.*

CHART A.8 Credit to the private sector: euro area
(annual change %, seasonally adjusted data)



Source: SDW (ECB).

- Gradual reduction in the level of NPLs since February 2015.
- Stabilisation of interest rates after the sharp downward trend recorded over the past 18 months.
- Further GDP growth, with continued growth in domestic demand, including the tourism sector which registered historically high levels in terms of tourist arrivals in 2016.
- Further signs of deceleration in unemployment, which nevertheless remains at high levels.
- Continuation of the fiscal consolidation path.
- Expectation of continued healthy growth.

2.1 Domestic Prices, Monetary Aggregates and MFI Interest Rates

Inflation

In the first ten months of 2016, Cyprus continued to record the highest average deflation in the euro area, mainly due to the continuing low energy prices and the downward adjustment in prices of various products and services in the main categories of the HICP (**Table A.1**). It should be noted that the internal devaluation in recent years, namely the improvement in Cyprus competitiveness via the reduction in wages, has enabled the domestic economy to recover more rapidly than was expected. A more detailed analysis is contained in **Box 2**, p. 23.

In general, the main factors that contributed to the continued negative trend in domestic inflation were the continued low oil prices, which substantially reduced the cost of imports, and

TABLE A.1 Inflation in Cyprus (HICP)

| | Weights ⁽¹⁾ | Annual percentage change | | | |
|--------------------------------|------------------------|--------------------------|----------------|-----------|-----------|
| | | Jan.-Oct. 2015 | Jan.-Oct. 2016 | Oct. 2015 | Oct. 2016 |
| HICP | 1000 | -1,7 | -1,4 | -1,8 | -1,0 |
| Unprocessed food | 73,85 | 0,4 | 2,0 | 1,5 | -4,2 |
| Processed food | 176,5 | 0,2 | -0,3 | -0,4 | 0,5 |
| Energy | 74,6 | -14,7 | -11,5 | -18,4 | -2,6 |
| Services | 460,27 | -0,2 | -1,2 | -0,1 | -0,2 |
| Non-energy industrial goods | 214,78 | -1,2 | 0 | -0,8 | -1,0 |
| HICP excluding energy | 925,4 | -0,3 | -0,5 | -0,2 | -0,9 |
| HICP excluding energy and food | 675,04 | -0,5 | -0,9 | -0,3 | -0,9 |

Source: Cystat.

(1) Based on the weights for 2016.

Box 2: Negative inflation in Cyprus

It is widely agreed that limited increases and minor fluctuations in prices generally have a positive impact on a country's economy, as they contribute to an environment of stability and confidence. The medium-term objective of the ECB's monetary policy is the maintenance of an inflation rate in the euro area at levels below but close to 2% annually.

The problems that arise when there are excessive price increases are well known. These include the loss of economic competitiveness and the purchasing power of wages as well the undermining of economic stability due to increased uncertainty. However, it is not necessarily true that the greater the extent to which prices of goods and services are restrained or reduced, the better for the economy. Hence, the ECB's target refers to inflation below but close to 2%.

Under certain conditions, the persistent reductions in the prices of goods and services, can hurt the economy. For example, in a subdued economic environment, a prolonged decline in prices may discourage consumption and investment as a result of the decision of consumers to postpone major purchases of goods and services, especially if they expect further price reductions. Thus, a self-sustaining vicious cycle of price reductions and economic activity is created¹.

However, there are cases when negative inflation does not result in the self-sustaining interactions between consumption and the price level mentioned above. Examples include, price decreases caused by temporary external factors, such as oil prices in international markets, or the prices of fruit and vegetables that depend primarily on weather conditions. There are also cases of price reductions caused by structural changes in the economy that can lead to price adjustments, potentially contributing to an increase in competitiveness and economic activity. Examples include lower prices arising from the greater use of technology in production or falling prices owing to increased competition in certain sectors, as a result of market liberalisation, or price falls associated with a reduction in production costs which, in turn, result from wage restraint.

Given persistent price developments since 2014, it is important to assess the negative inflation in Cyprus and the potential risk of deflation, based on an analysis of the aforementioned factors. Specifically, this Box presents an initial investigation of inflation by category in order to better understand the impact of price developments on the domestic economy, but also to assess further developments in the price level. The question is to what extent exogenous developments or structural factors are responsible for the

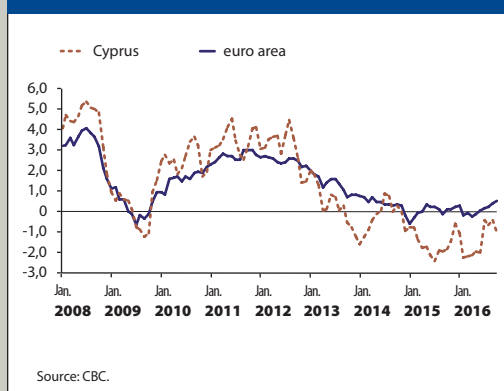
1. Another noteworthy negative effect of lower prices is that this leads to an increase in the real value of public and private debt, which burdens borrowers, including the government.

recent inflation path in Cyprus. It is also important to investigate if negative inflation has been influenced by developments in relation to the interaction of consumption and prices during the crisis period, which would raise concerns about the existence of a self-sustaining vicious cycle of price reductions.

Prior to 2014, the Cyprus economy recorded low inflation which was close to that of the average euro area inflation but, as expected, with larger monthly fluctuations (**Chart 1**). During the peak of the economic crisis, 2013-2014, and following the implementation of measures to reduce public spending and consolidate the banking sector, there was a significant increase in unemployment was in conjunction with a decline in GDP and subdued and / or negative inflation. During the same period, wage cuts were recorded, which reduced the cost of production and, in conjunction with other external factors, contributed significantly to the maintenance of negative inflation that persists today.

Specifically, **Table 1** (p. 25) shows the weighted impact of each sub-category on the total change of the HICP in Cyprus for the period 2010-2016, focusing on product categories affected by external factors. As is evident from the following analysis, inflation in Cyprus was significantly affected by external factors. Specifically, the category of energy recorded significant negative growth rates in the period 2014-2016. This exerted a considerable negative contribution on the change in the HICP, caused mainly by reductions in oil prices. In con-

CHART 1 Harmonised Index of Consumer Prices (index)



trast, during the period 2010-2012, increases in oil prices in international markets as well as increases in taxes on petroleum products, imposed mainly in the context of Cyprus's economic adjustment programme, caused significant increases in inflation.

In contrast, the sub-category of unprocessed foods, even though it registered large fluctuations on a monthly basis, recorded small changes on an annual basis, except for the period 2011-2012, where the increases in the unprocessed food sub-category contributed 0,3 percentage points to annual inflation. Processed foods also had a positive contribution on inflation during the 2011-2014 period, mainly affected by the imposition of additional indirect taxes.

In 2016 the sub-category of services was affected by a specific external factor and, in particular, developments in passenger air transport due to increased competition among airlines operating in Cyprus. This change in the aviation sector, which

TABLE 1 Weighted effect on total change of HICP index by category (%)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Jan.- Oct. 2016 |
|--|------------|------------|-------------|-------------|-------------|-------------|--------------------|
| HICP 2,63,5 | 3,1 | 0,4 | -0,3 | -1,5 | -1,4 | | |
| 1. Unprocessed food ⁽¹⁾ | 0,1 | 0,3 | 0,3 | 0,1 | -0,1 | 0,1 | 0,1 |
| 2. Processed foods ⁽¹⁾ | 0,0 | 0,6 | 0,2 | 0,5 | 0,1 | 0,0 | -0,1 |
| 3. Non-energy industrial goods | 0,0 | 0,4 | -0,1 | -0,2 | -0,2 | -0,2 | 0,0 |
| 4. Energy ⁽¹⁾ | 1,7 | 1,5 | 1,4 | 0,0 | -0,4 | -1,4 | -0,9 |
| 5. Services | 0,3 | 0,5 | 1,2 | 0,0 | 0,2 | -0,1 | -0,5 |
| of which: | | | | | | | |
| 5a. Passenger transport by air | - | - | - | - | - | - | -0,5 |
| 6. Effect of indirect taxes from HICP category excl. energy and food ⁽²⁾ | 0,0 | 0,1 | 0,5 | 0,3 | 0,2 | 0,0 | 0,0 |
| Total impact of external factors ⁽³⁾ | 1,8 | 2,5 | 2,5 | 0,8 | -0,2 | -1,3 | -1,3 |
| HICP excl. the contribution of energy, food, indirect taxes and air passenger transport | 0,8 | 1,0 | 0,6 | -0,5 | -0,1 | -0,2 | -0,1 |

Sources: Cystat, CBC calculations.
Notes:
(1) Includes impact of new indirect taxes.
(2) It includes taxes on production and imports in the categories of inflation excluding energy and food
(3) It includes the effect of energy, food, indirect taxes and air passenger transport (rows 1,2,4,5a kai 6).

is considered structural, led to a negative contribution to inflation of around 0,5 percentage points in 2016, which is not expected to continue to the same extent in the future.

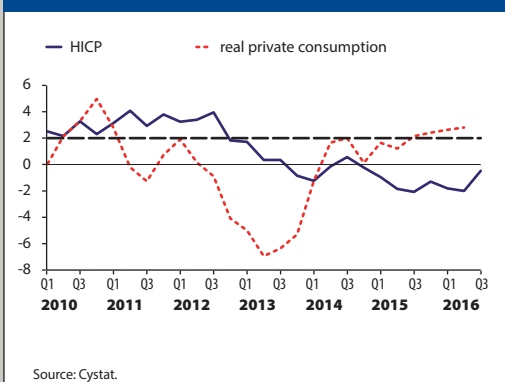
The remaining categories of HICP, other than the sub-category of unprocessed food and air passenger transport, were significantly affected by a number of additional indirect taxes. As shown in **Table 1**, the effect of indirect taxes on the HICP excluding energy and food, which is presented separately, reached its highest level in 2012 and 2013. The effect of indirect taxes on the HICP is classified, according to standard practice, under exogenous factors influencing HICP.

Taking into account the effect of the aforementioned factors, the "underlying" inflation measure², namely the measure that excludes exogenous and transitory effects, had the lowest value in 2013 at -0,5% (**Table 1**). Since then, it has followed a trend close to zero. The trajectory of this inflation measure, reflects the recession that the economy experienced during 2012-2013.

In fact, the underlying inflation measure after 2013, when it fluctuated around zero and well below the 2% target set by the ECB, seems to have been influenced by the path of wages which, mainly as a result of the economic adjustment programme, suffered significant reductions up to 2016Q1. This led to a decrease in production costs

2. In this case, the underlying inflation rate is calculated as the HICP excluding the contribution of energy, food, indirect tax and air passenger transport.

CHART 2 Prices and consumption
(annual change, %)

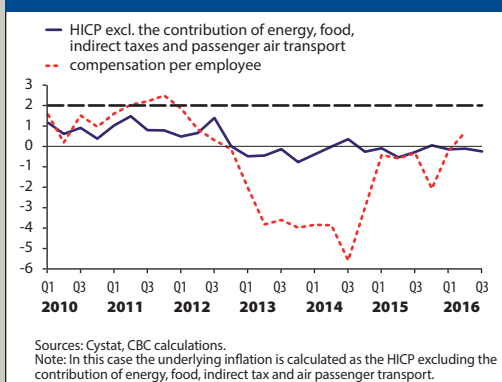


thus restraining or pushing product prices downwards.

The impact of wage reductions on prices below the monetary policy target can be characterised as an 'internal devaluation', where wage cuts result in an increase in competitiveness and hence a decline in domestic product prices. This process of internal devaluation presents a difficult political choice in countries trying to improve their competitiveness. At the same time, it constitutes a policy substitute for devaluating a country's currency, especially in a monetary union where member states do not have an independent monetary policy.

Chart 2 illustrates the quarterly fluctuations of harmonised inflation, together with the rate of change in private consumption. As can be deduced from the chart as well as from the correlation coefficient during the crisis period, there is no significant correlation between consumption and inflation, which is a clear indication of the absence of a negative cycle between consumption and inflation.

CHART 3 Prices and wages
(annual change, %)

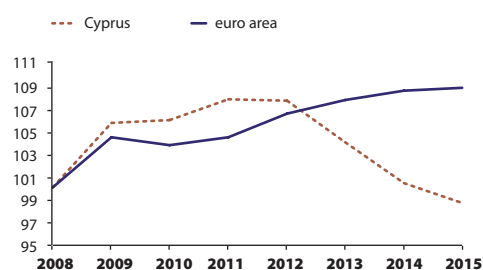


By contrast, there is a significant correlation between wage changes and subdued underlying inflation (0,7) for the period between the 2010Q1 and 2016Q2 (**Chart 3**).

The effect of wage reductions on the competitiveness of Cypriot products is reflected in the change of unit labour costs in Cyprus (compared with the corresponding EU indicator) shown in **Chart 4** (p. 27). This chart highlights the importance of reducing production costs, which is reflected in the path of inflation.

Given the above, it can be deduced that the negative inflation in Cyprus over the last two years is mostly related to external factors and the reduction in production costs rather than to a self-sustaining vicious cycle of price and consumption reductions. It is also expected that, while wage reductions have begun to be reversed, the economy will return in 2017 to a more normal operating environment, with positive underlying inflation. This view is supported by the already observed increases in oil prices, which will lead to

CHART 4 Unit Labour Costs
(index)

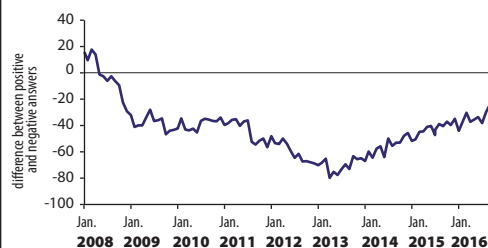


Sources: CBC, SDW (ECB).

more positive changes in the HICP. It is also supported by the sentiment of households for the coming quarters, as shown by confidence indicators (**Chart 5**), according to which an increase in major purchases (e.g. furniture, electronic / electrical equipment) is expected.

In conclusion, based on the CBC estimates published in this *Bulletin* (p. 49), the economy in 2017 is expected to record positive inflation, affected mainly by the ongoing recovery of domestic demand, in particular new investments, private consumption and the expected increase in wages. This forecast is also influenced by the expected unwinding of the negative factors which affected inflation last year as well as by the assumption that no other external factors will influence the CPI negatively.

CHART 5 Household expectations for future major purchases in the next 12 months



Source: European Commission.
Note: Seasonally adjusted data.

their secondary effects on domestic prices, as well as the structural changes in the domestic economy, such as the downward adjustment in domestic wages followed by lower production costs. At the same time, the entry of new air carriers in the market and the resulting increased competition, has led to lower air transport prices compared with the respective period of 2015. This reinforced the downward trend in inflation. Overall, all the above resulted in an increase in supply, resulting in a reduction in the general level of prices.

Analytically, in the first ten months of 2016 domestic inflation based on the Consumer Price Index (CPI) remained negative at -1,6%, but less negative compared with the corresponding period of 2015 when it reached -2,2%. HICP inflation fluctuated at slightly less negative levels recording a decrease of -1,4% in the first ten months of 2016 compared with -1,7% in the corresponding period of 2015 (**Chart A.9**). Note that, during this period, negative inflation was recorded in the categories of energy, services and processed food, while non-energy industrial goods inflation remained unchanged. On the other hand, positive inflation was recorded by the unprocessed food category, amid bad weather conditions in early summer of 2016.

Inflation excluding energy in the first ten months of 2016 recorded a decrease of 0,5% compared with -0,3% in the corresponding previous ten months (**Chart A.10**). Similarly, excluding food and energy (which in total represent about 33% of the overall HICP), inflation stood at -0,9% in the period under review compared with -0,5% in the corresponding period of the previous year (**Chart A.10**). The deterioration

CHART A.9 Consumer price index
(annual change, %)

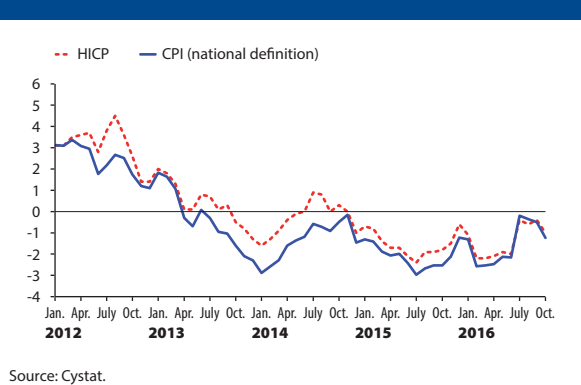
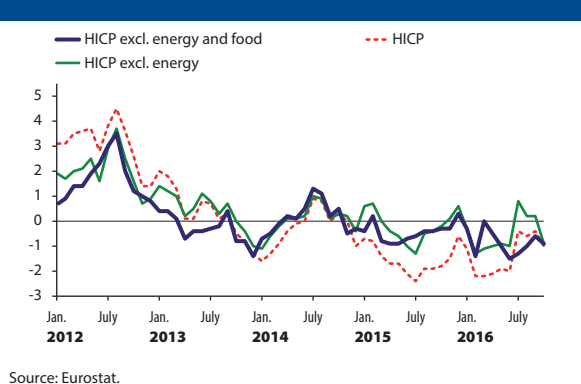


CHART A.10 Inflation in Cyprus (HICP)
(annual change, %)



of domestic core inflation was mainly attributed to reduced services prices, mainly lower air transport prices (see also **Box 1**, p. 13).

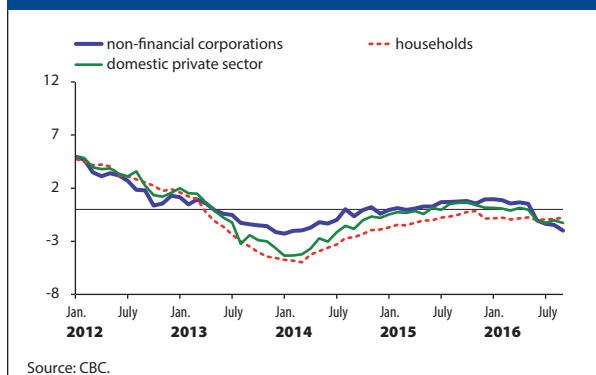
Monetary aggregates³

The economic recovery of the domestic financial sector continued in 2016Q3. The confidence of depositors, both of non-residents and, especially, residents, in the island's banking sector has been restored to a large extent, evidenced by the continuous positive annual growth in domestic private sector deposits. Deleveraging continued, with loans to the domestic private sector in 2016Q3 registering negative annual growth rates. At the same time, however, there was an increase in new loan contracts to both domestic households and NFCs. This development is in line with the significant pickup in economic activity and the presence of a historically low interest rate environment that has encouraged the continued demand for new loans by the domestic private sector.

Considering the above, net lending to the domestic private sector (**Chart A.11**) at the end of September 2016 recorded an annual growth rate of -1,3% compared with -1,1% at the end of June 2016 and 0,6% at the end of 2015Q3, due to higher net repayments, following the acceleration in the number of successful loan restructurings.

In particular, the annual growth rate of loans to domestic NFCs (excluding special purpose entities - SPEs) fell to -2% in September 2016, from -1% in June 2016 and 0,7% in September 2015 (**Chart A.11**). Regarding households, the annual growth rate

CHART A.11 Loans to the domestic private sector
(annual change, %)



3. For a detailed explanation of the methodology and technical analysis of monetary aggregates, see the Technical Notes on p. 74.

of loans to domestic households was also negative and stood at -0,8% at the end of 2016Q3 compared with -1% at the end of 2016Q2 and -0,5% at the end of 2015Q3 (**Chart A.11**, p. 29 and **Table A.2**). Negative annual growth rates were also recorded by all the sub-categories of loans to households (**Table A.3**).

At the same time, according to the October 2016 *Bank Lending Survey*, credit standards for loans to both households and NFCs remained unchanged in 2016Q3 compared with the previous quarter. In contrast, net demand for loans by households and NFCs have continued to increase since early 2015. Looking forward, a further increase in net demand by all loan categories is expected by the participating banks for 2016Q4, while credit standards are expected to remain unchanged in all loan categories (**Table A.3**).

As regards deposits, the continued inflow of deposits, particularly by residents (excluding SPEs), is in large part the result of a restoration of investors' confidence in the Cyprus banking system. The positive developments in the banking sector are expected to contribute significantly to a further recovery of the domestic economy. Specifically, the deposits of the domestic private sector in September 2016 recorded an annual increase of 6,8% compared with 5,5% in June 2016 and 1,2% in September 2015 (**Chart A.12**).

In detail, the annual growth rate of domestic household deposits stood at 2,4% at the end of 2016Q3 compared with 1,5% at the end of 2016Q2 and 0,5% at the end of 2015Q3 (**Chart A.12** and **Table A.4**, p. 31). At the same time, deposits of domestic

TABLE A.2 Loans to domestic households (1),(2)

| | Outstanding balance as % of total (3) | Annual percentage change | | | | | |
|-------------------------------|---|--------------------------|--------------|--------------|--------------|--------------|--------------|
| | | 2015 June | 2015 Sep. | 2015 Dec. | 2016 Mar. | 2016 June | 2016 Sep. |
| Domestic households | 100,0 | -1,0 | -0,5 | -0,9 | -0,9 | -1,0 | -0,8 |
| 1. Consumer credit | 12,6 | -1,7 | -0,7 | -0,8 | -0,5 | -0,8 | -0,5 |
| 2. Lending for house purchase | 55,3 | -1,8 | -1,6 | -1,9 | -1,7 | -1,2 | -0,9 |
| 3. Other lending | 32,1 | 0,5 | 1,3 | 0,7 | 0 | -0,7 | -0,7 |

Source: CBC.

(1) Sectoral classification is based on ESA 2010.

(2) Including non-profit institutions serving households.

(3) As at the end of the last month available. Figures may not add up due to rounding.

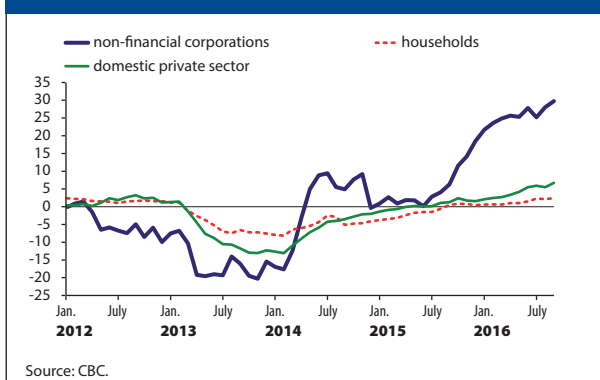
TABLE A.3 Summary of the October 2016 BLS results

| | Cyprus | | Euro area | |
|-------------------------------------|-----------|--------------------------|-------------------|--------------------------|
| | 2016Q3 | 2016Q4 (expectations) | 2016Q3 | 2016Q4 (expectations) |
| Credit standards for loans | | | | |
| =Enterprises | Unchanged | Unchanged | Broadly unchanged | Tightening |
| Households | | | | |
| - Housing loans | Unchanged | Unchanged | Easing | Easing |
| - Consumer credit and other lending | Unchanged | Unchanged | Easing | Broadly unchanged |
| Demand for loans | | | | |
| Enterprises | Increase | Increase | Increase | Increase |
| Households | | | | |
| - Housing loans | Increase | Increase | Increase | Increase |
| - Consumer credit and other lending | Increase | Increase | Increase | Increase |

Sources: CBC, SDW (ECB).

Note: The above results list the changes that occurred in the last three months (in this case the 2016Q3), and the changes that are expected for the next three months (i.e. 2016Q4). Recall that the measure used for the statistical analysis of this research was the diffusion index.

CHART A.12 Deposits of the domestic private sector
(annual change, %)



NFCs recorded an annual growth of 29,8% in September 2016 compared with 27,8% in June 2016 and 6,3% in September 2015. Although the annual growth rate of NFC deposits has increased, one should note that the stock of the sector's deposits is still relatively low.

A recovery in total deposits of non-residents (including SPEs) is also evident, as positive annual growth rates have been continuously recorded since February 2016. In particular, the annual growth rate of non-residents deposits (including SPEs) stood at 0,5% in September 2016 compared with 5% in June 2016 and -4,2% in September 2015 (Chart A.13). It should be noted that the significant fluctuations that are often recorded by this sector are not only related to the large amount of deposits but also to the short period of time these remain in the banking sector.

Despite these positive signs, the banking sector is still faced with the very high level of NPLs, although significant progress has been made in the past two years. With legislative reforms providing an incentive for both lenders and borrowers to accelerate sustainable restructurings, the first positive results are already visible. Latest available data show a continuation of the downward trend in the level of NPLs that started in February 2015. In particular, from December 2014 up to August 2016 (latest available data) the level of NPLs decreased by €2,8 billion, whilst the rate and amount of restructured loans increased significantly. The successful resolution of this issue is expected to fully restore investors' confidence and to reduce the additional bur-

TABLE A.4 Deposits of domestic households ^{(1),(2)}

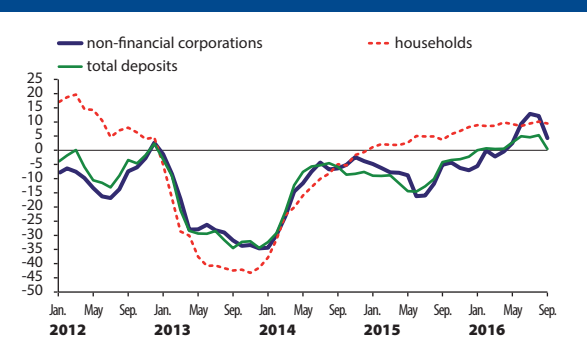
| | Outstanding balance as % of total ⁽³⁾ | Annual percentage change | | | | | |
|-----------------------------|--|--------------------------|--------------|--------------|--------------|--------------|--------------|
| | | 2015 June | 2015 Sep. | 2015 Dec. | 2016 Mar. | 2016 June | 2016 Sep. |
| Domestic households | 100,0 | -1,5 | 0,5 | 0,4 | 0,6 | 1,5 | 2,4 |
| Overnight | 22,3 | 3,1 | 8,2 | 8,4 | 9,1 | 8,6 | 8,8 |
| With agreed maturity | 72,0 | -0,8 | -0,1 | -1,2 | -1,6 | -0,8 | 0,2 |
| up to 2 years | 69,2 | 0,1 | 0,7 | -0,5 | -1,2 | -0,3 | 0,2 |
| over 2 years | 2,8 | -17,3 | -17,0 | -15,2 | -10,9 | -11,3 | -0,7 |
| Redeemable at notice | 5,7 | -22,3 | -15,5 | -6,6 | 0,1 | 6,1 | 7,7 |
| up to 3 months | 4,4 | -18,3 | -11,0 | -1,6 | 4,3 | 11,0 | 12,7 |
| over 3 months | 1,3 | -31,2 | -25,9 | -18,9 | -11,0 | -7,0 | -6,5 |

Source: CBC.

(1) Sectoral classification is based on ESA 2010.

(2) Including non-profit institutions serving households.

(3) As at the end of the last month available. Figures may not add up due to rounding.

CHART A.13 Deposits of non-residents: Cyprus
(annual change, %)


Source: CBC.

den on banks' capital and profitability. This would allow for an increase in the supply of loans to the private sector, with positive consequences for the financial system and the economy as a whole.

Interest rates

The interest rate environment in Cyprus has stabilised after the sharp downward trend observed over the last 18 months. Domestic interest rates remain at historically low levels, largely due to the microprudential measures taken by the CBC to reduce the deposit interest rates, coupled with the accommodative monetary policy that is being followed by the ECB. As a result, the spreads between the domestic and the corresponding euro area interest rates narrowed considerably relative to their long-term averages. Indicatively, at the end of September 2016, the lending rate spread stood at 118 and 162 basis points for housing and NFC loans, respectively, compared with 129 and 173 basis points in September 2015 (**Chart A.14** and **A.15**).

Average lending rates in Cyprus for new euro denominated loans settled at low levels during the last quarter, both for households and NFCs. In September 2016, the average interest rate for housing loans, consumer and other loans to households stood at 2,97%, 4,39% and 3,84%, respectively (**Table A.5, p. 33**). For the same period, the cost of new lending to NFCs for amounts up to €1 million and over €1 million was at 3,97% and 3,86%, respectively (**Table A.6, p. 33**). It should be noted that the lending rates partly reflect the lower

CHART A.14 MFI interest rates on euro-denominated housing loans (new business) to euro area households⁽¹⁾
(% per annum, period averages)

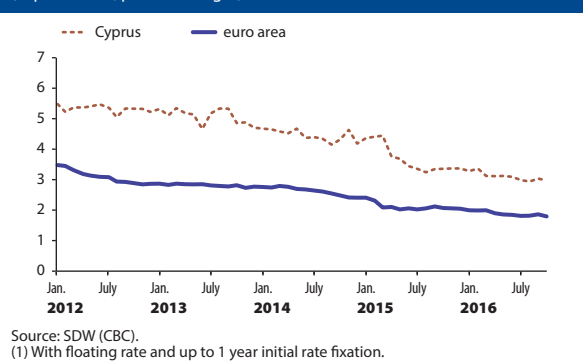
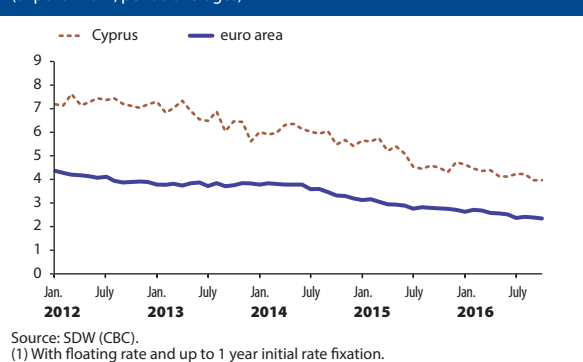


CHART A.15 MFI interest rates on euro-denominated loans (new business) up to €1 million to euro area non-financial corporations⁽¹⁾
(% per annum, period averages)



interest rates offered by banks in their restructured performing loan portfolio.

Deposit rates also remained relatively stable during the period under review (Table A.7, p. 34). In particular, the average new deposit rate for households with an agreed maturity of up to one year stood 1,49% in September 2016, from 1,54% at the beginning of the year, while the rate for NFCs stood at 1,23% from 1,33% at the beginning of the year. The average new deposit rate for households with an agreed maturity between one and two years stood at 2,14% compared with 1,97% at the beginning of the year. As shown in Charts A.16 (p. 34) and A.17 (p. 35), the spreads between deposit rates in Cyprus and euro area households and NFCs did not record substantial changes, standing at 97 and 111 basis points, respectively. The relatively higher domestic rates over average euro area rates supported bank liquidity via deposits, which remain the main form of funding of the banking system.

In summary, the domestic interest rate regime has stabilised to a large extent and is expected to remain at generally low levels as the ECB continues with its expansionary monetary policy stance. The favourable interest rate environment also appears to be helping in the management of the existing loan contracts between banks and the private sector, and is expected to act as a catalyst in the efforts for private sector deleveraging and bank balance sheet improvement.

TABLE A.5 Cyprus MFI interest rates on euro-denominated loans (new business) to euro area households ⁽¹⁾
(% per annum, period average)

| | | Bank overdrafts ⁽²⁾ | Floating rate and up to 1 year initial rate fixation | | |
|------|------|--------------------------------|--|----------------------------|---------------|
| | | | Consumer Credit | Lending for house purchase | Other lending |
| 2015 | June | 5,78 | 4,57 | 3,36 | 4,47 |
| | July | 5,72 | 4,38 | 3,24 | 4,29 |
| | Aug. | 5,68 | 4,80 | 3,35 | 4,06 |
| | Sep. | 5,63 | 4,38 | 3,36 | 4,44 |
| | Oct. | 5,62 | 4,56 | 3,37 | 4,06 |
| | Nov. | 5,60 | 4,33 | 3,37 | 4,31 |
| | Dec. | 5,57 | 4,58 | 3,28 | 4,17 |
| 2016 | Jan. | 5,56 | 4,43 | 3,37 | 4,62 |
| | Feb. | 5,55 | 4,38 | 3,12 | 4,34 |
| | Mar. | 5,52 | 4,47 | 3,11 | 3,91 |
| | Apr. | 5,49 | 4,36 | 3,13 | 4,38 |
| | May | 5,49 | 4,49 | 3,09 | 4,14 |
| | June | 5,46 | 4,47 | 2,99 | 3,91 |
| | July | 5,44 | 4,01 | 2,94 | 3,98 |
| | Aug. | 5,46 | 4,34 | 3,04 | 3,85 |
| | Sep. | 5,42 | 4,39 | 2,97 | 3,84 |

Source: CBC.

(1) Including non-profit institutions serving households.

(2) For this instrument category, new business refers to end-of-period.

TABLE A.6 Cyprus MFI interest rates on euro-denominated loans (new business) to euro area non-financial corporations
(% per annum, period average)

| | | Bank overdrafts ⁽¹⁾ | Floating rate and up to 1 year initial rate fixation | |
|------|------|--------------------------------|--|------------------------------|
| | | | Other loans up to € 1 million | Other loans over € 1 million |
| 2015 | June | 5,48 | 4,54 | 4,57 |
| | July | 5,46 | 4,45 | 4,33 |
| | Aug. | 5,41 | 4,58 | 3,56 |
| | Sep. | 5,34 | 4,51 | 4,27 |
| | Oct. | 5,31 | 4,31 | 4,43 |
| | Nov. | 5,27 | 4,74 | 3,88 |
| | Dec. | 5,25 | 4,63 | 4,06 |
| 2016 | Jan. | 5,21 | 4,46 | 3,72 |
| | Feb. | 5,17 | 4,36 | 3,88 |
| | Mar. | 5,12 | 4,39 | 3,30 |
| | Apr. | 5,08 | 4,14 | 4,61 |
| | May | 5,04 | 4,12 | 3,84 |
| | June | 4,97 | 4,23 | 3,76 |
| | July | 4,93 | 4,23 | 3,71 |
| | Aug. | 4,90 | 3,96 | 3,88 |
| | Sep. | 4,88 | 3,97 | 3,86 |

Source: CBC.

(1) For this instrument category, new business refers to end-of-period.

Labour costs

Labour costs exhibited a marginal increase in 2016H1 compared with the corresponding period of 2015, in the context of continuing labour market adjustment. Specifically, nominal total wages and social contributions per worker (compensation per employee) increased by 0,2% in 2016H1 compared with a decrease of 0,5% in the corresponding period of 2015 (**Chart A.18**, p. 35). This development resulted from an annual increase of 2% in compensation per private sector employee due to increases observed in specific sectors⁴, which was largely offset by the annual reduction of 3,7% recorded in compensation per public employee. This development in the public sector compensation per employee is due to the reduction in gratuity payments related to staff retirements that are associated with lower wage benefits in conjunction with the continued freeze of general and indexed wage increases until end-2016. As regards the sectoral breakdown, the marginal increase in nominal compensation per employee is explained by developments in the tertiary sector. This sector accounts for about 83% of total employment, with the relevant compensation per employee remaining unchanged in 2016H1. An annual change of -2,2% and 2,2% was observed in nominal compensation per employee in the primary and secondary sectors, respectively, in the period under review.

Real compensation per employee registe-

4. These sectors are those of financial and insurance activities, wholesale and retail trade, transport, accommodation and food service activities, construction, professional, scientific and technical activities and administrative and support service activities.

TABLE A.7 Cyprus MFI interest rates on euro-denominated deposits (new business) by euro area residents
(% per annum, period average)

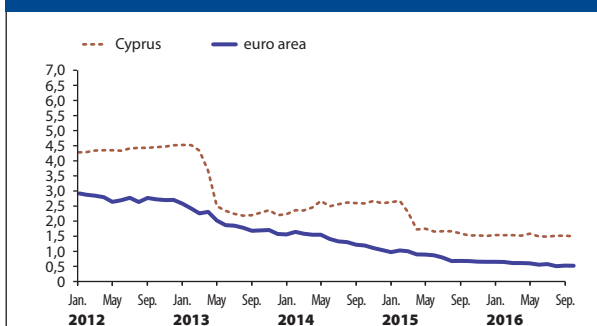
| | | Households ⁽¹⁾ | | | Non-financial corporations | |
|------|------|---------------------------|--------------|--------------------------|-----------------------------------|-----------------------------------|
| | | With agreed maturity | | | With agreed maturity up to 1 year | |
| | | Overnight ⁽²⁾ | Up to 1 year | Over 1 and up to 2 years | Overnight ⁽²⁾ | With agreed maturity up to 1 year |
| 2015 | June | 0,23 | 1,66 | 2,35 | 0,23 | 1,33 |
| | July | 0,22 | 1,66 | 2,12 | 0,23 | 1,72 |
| | Aug. | 0,21 | 1,59 | 2,12 | 0,21 | 1,56 |
| | Sep. | 0,21 | 1,52 | 2,04 | 0,19 | 1,57 |
| | Oct. | 0,21 | 1,53 | 2,03 | 0,19 | 1,45 |
| | Nov. | 0,21 | 1,51 | 2,09 | 0,18 | 1,53 |
| 2016 | Dec. | 0,21 | 1,54 | 1,97 | 0,19 | 1,49 |
| | Jan. | 0,19 | 1,54 | 1,97 | 0,18 | 1,33 |
| | Feb. | 0,19 | 1,53 | 1,80 | 0,16 | 1,36 |
| | Mar. | 0,19 | 1,52 | 1,73 | 0,15 | 1,36 |
| | Apr. | 0,19 | 1,58 | 1,78 | 0,16 | 1,51 |
| | May | 0,19 | 1,49 | 2,14 | 0,17 | 1,34 |
| | June | 0,18 | 1,49 | 2,08 | 0,16 | 1,45 |
| | July | 0,18 | 1,51 | 2,07 | 0,14 | 1,39 |
| | Aug. | 0,18 | 1,52 | 2,14 | 0,15 | 1,30 |
| | Sep. | 0,18 | 1,49 | 2,14 | 0,14 | 1,23 |

Source: CBC.

(1) Including non-profit institutions serving households.

(2) For this instrument category, new business refers to end-of-period.

CHART A.16 MFI interest rates on euro-denominated deposits (new business) by euro area households⁽¹⁾
(% per annum, period averages)



Source: SDW (CBC).

(1) With agreed maturity up to 1 year

red an annual increase of 2% in 2016H1, compared with 1,2% in the corresponding period of 2015, mainly reflecting the decline in the general price level. Productivity, measured as the change in real GDP per person employed, recorded an annual increase of 0,6% in 2016H1, compared with an increase of 0,4% in the corresponding period of the previous year (Chart A.19).

Unit labour costs, determined by the ratio of the change in nominal compensation per employee to productivity change, recorded an annual decrease of 0,4% in 2016H1, following a reduction of 1% in the corresponding period of the previous year (Chart A.20, p. 36). In contrast, unit labour costs in the euro area recorded an increase of 0,7% in 2016H1, compared with an increase of 0,2% in the corresponding period of the previous year. Unit labour costs is an important indicator of competitiveness for an economy and reflects the cost of labour per unit of output. The unit labour costs index reveals that it has been lower for Cyprus than for the euro area since 2012, which demonstrates the improvement in competitiveness of the Cyprus economy due to the significant reduction in nominal compensation per employee, with a consequent reduction in the prices of goods and services. In particular, the unit labour costs index was 12 percentage points below the respective euro area index in 2015. This development is entirely attributable to the reduction in nominal compensation per employee recorded in 2015 compared with an increase observed in the euro area.

CHART A.17 MFI interest rates on euro-denominated deposits (new business) by euro area non-financial corporations⁽¹⁾
(% per annum, period averages)

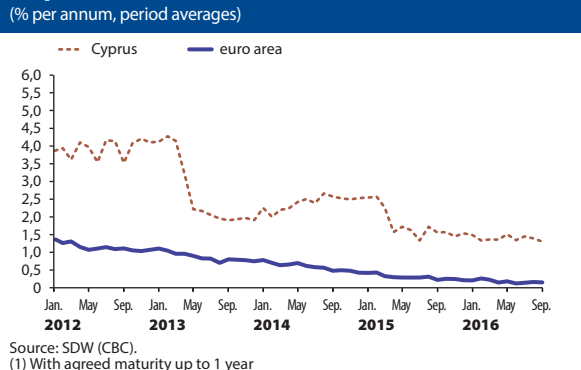


CHART A.18 Nominal compensation per employee by sector
(annual change, %)

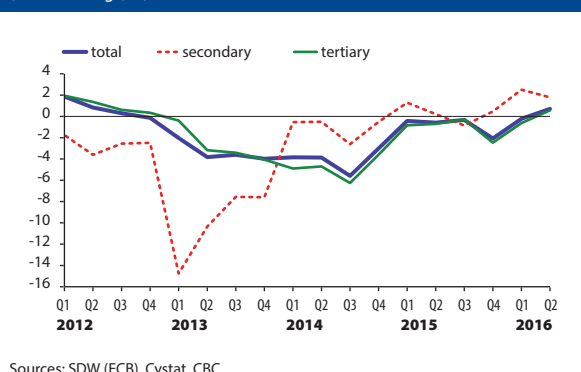
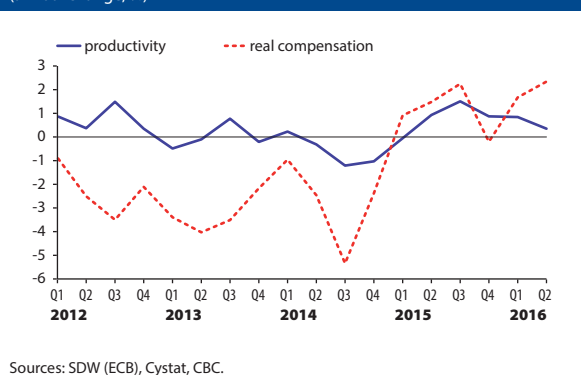


CHART A.19 Productivity and real compensation per employee
(annual change, %)



2.2 Domestic Competitiveness and the Balance of Payments

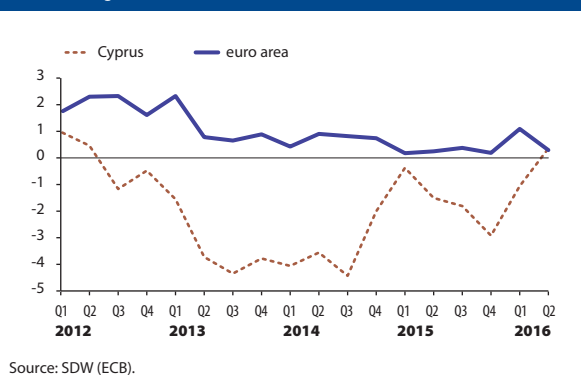
Effective exchange rate

Chart A.21 shows the effective exchange rate (EER) of the euro in Cyprus in nominal (NEER) and real (REER⁵) terms, as calculated by the International Monetary Fund (IMF). In 2016H1, the NEER index strengthened, while the REER index stabilised at low levels, relative to the recent past few months. Overall, in 2016 the trend of the REER index as well as the widening gap between the NEER and REER index was mainly attributed to domestic developments, specifically to the lower inflation recorded in Cyprus compared with its trading partners.

The REER index, the inflation rate and unit labour costs are important measures of the competitiveness of an economy. For example, higher unit labour costs and higher REER in Cyprus compared with competing countries suggest that domestic exports may be less price competitive. In general, inflation is related to, among other factors, both variables mentioned above and therefore also reflects the degree of competitiveness of the Cypriot economy. The adoption of measures affecting salaries and other benefits both in the public and private sectors have reduced unit labour costs for the whole economy, while the stabilisation of the REER index at low levels has improved the competitiveness of Cyprus and supported the recovery of the economy in the medium term. Tourism is

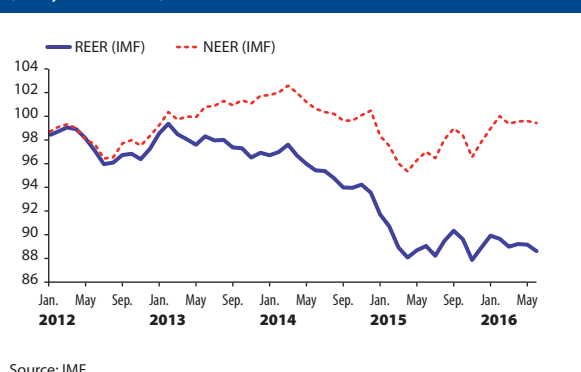
5. The effective exchange rate index in Cyprus in real terms (REER) is calculated by taking into account the trade relations between Cyprus and its 26 main trading partners (countries).

CHART A.20 Unit labour costs: Cyprus and the euro area
(annual change, %)



Source: SDW (ECB).

CHART A.21 Real and nominal effective exchange rates (IMF weights)
(Base year 2010=100)



Source: IMF.

one of the sectors that have been affected the most by the reduction in unit labour costs as well as by the stabilisation of the REER index for the euro (see Tourism, p. 40).

Balance of payments

The reporting of external trade statistics has been substantially altered in light of the new methodological and statistical changes⁶. These statistics, especially in the case for exports and imports of goods, do not reflect the economic fundamentals of the domestic economy as a result of the inclusion of the economic transfer of mobile transport equipment by the ship owning SPEs registered in Cyprus. These transactions do not affect nor are affected by domestic developments.

The current account recorded a deficit of €409,1 million (or 4,8% of GDP) compared with a deficit of €444,8 million (or 5,2% of GDP) in 2015H1 (Table A.8). However, excluding the transactions of ships, the 2016H1 current account deficit worsened.

More specifically, the trade deficit of goods worsened, reaching €1.691,9 million in 2016H1 compared with a deficit of €1.521,6 million in the corresponding period of the previous year. The widening of the trade deficit of goods was mainly due to the increase of imports of goods and more specifically to the import of one yacht valued at €563,4 million in May 2016. Excluding the transactions of ships, the trade deficit of goods worsened further, as a result of the import of the yacht. As far as merchan-

TABLE A.8 Balance of payments (main categories)
(€ million)

| | Jan. - June 2015 | Jan. - June 2016 | Change |
|-----------------------------------|---------------------|---------------------|---------------|
| Current account balance | -444,8 | -409,1 | 35,7 |
| Goods and services balance | -130,1 | 60,6 | 190,7 |
| Trade balance | -1.521,6 | -1.691,9 | -170,3 |
| Exports of goods | 1.417,8 | 1.397,2 | -20,6 |
| Imports of goods | 2.939,4 | 3.089,1 | 149,7 |
| Services balance | 1.391,5 | 1.752,5 | 361,0 |
| Exports of services | 3.730,4 | 3.896,2 | 165,8 |
| of which: | | | |
| Transport | 1.150,5 | 1.154,2 | 3,7 |
| Travel | 779,7 | 886,3 | 106,6 |
| Insurance and pension services | 18,8 | 44,0 | 25,2 |
| Financial services | 1.095,2 | 1.070,2 | -25,0 |
| Other business services | 111,4 | 103,6 | -7,8 |
| Imports of services | 2.338,9 | 2.143,7 | -195,2 |
| of which: | | | |
| Transport | 613,1 | 657,5 | 44,4 |
| Travel | 425,8 | 465,5 | 39,7 |
| Insurance and pension services | 52,7 | 62,6 | 9,9 |
| Financial services | 388,9 | 364,8 | -24,1 |
| Other business services | 308,6 | 166,9 | -141,7 |
| Primary income (net) | -70,5 | -269,0 | -198,5 |
| Secondary income (net) | -244,1 | -200,7 | 43,4 |

Source: CBC.

6. With the introduction of the ESA 2010 and BMP 6 statistical methods, total imports and exports of Cyprus include, among other things, the economic transfer of mobile transport equipment and activities of ship owning SPEs. More information is provided in Box 1, p. 13 in the December 2014 Economic Bulletin.

ting is concerned, revenues amounted to €81,7 million in 2016H1, €29,7 million lower than in the corresponding period of 2015.

The surplus of the services account in 2016H1 increased significantly and reached €1.752,5 million, compared with €1.391,5 million in 2015H1, as a result of the increase in exports as well as the decrease in imports of services.

Exports of services increased by 4,4% (or €165,8 million) in 2016H1, reflecting developments in the travel category (which includes revenues from tourism). Revenue from tourism recorded a significant increase of 13,7% (or €106,6 million) in 2016H1. The revenues from tourism are expected to continue to record increases in 2016H2 (see Tourism, p. 40). Increases were also recorded in the category of insurance and pension services as well as in telecommunications, computer and information services. Nevertheless, small decreases of the order of 2,3% (or €25 million) and 7% (or €7,8 million) were recorded in the categories of financial services and other business services, respectively.

Imports of services decreased by 8,3% (or €195,2 million), mainly driven by the decreases recorded in the categories of other business services (45,9% or €141,7 million), the charges for the use of intellectual property (67,7% or €56,8 million) and, to a lesser extent, to decreases in financial services (6,2% or €24,1 million). It should be noted that increases were recorded in the categories of transport and travel - 7,2% (or €44,4 million) and 9,3% (or €39,7 million), respectively.

In the period under review, the primary income account (which mainly includes income from employment and investment) recorded



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a larger deficit, of the order of €269 million compared with €70,5 million in the corresponding period of 2015. This development was mainly driven by the category of foreign direct investments, as the amount of interest received decreased while at the same time the amount of interest paid increased. The deficit in the secondary income (which mainly includes current transfers) improved, mostly due to the decrease in the government contribution to European funds. The current account deficit in 2016H1 was mainly financed by private sector borrowing.

The net international investment position (IIP) of Cyprus has been negatively affected by the implementation of the new statistical standards in 2014, i.e. the European System of Accounts, 2010 (ESA 2010) and the Balance of Payments and International Investment Position Manual of the IMF, sixth edition (BPM6).

More specifically, the deterioration in the IIP was triggered by the adoption of the methodological changes and the implementation of the new statistical standards as well as the inclusion of the economic transfer of mobile transport equipment of ship owning companies. These companies, i.e. SPEs, have significant financial liabilities and in particular loans which are mainly used for the purchase of ships. While these loans impact directly on net IIP, the respective real assets (ships) do not, thus creating an imbalance in the figures reported. Most importantly, SPEs are not considered to present an immediate risk to the domestic economy.

In 2015 there was a significant improvement in net IIP. More specifically, the net IIP in 2015 was negative at €23 billion or 130,3% of

GDP. In 2016H1 the net IIP amounted to -€21,5 billion or -119,8% of GDP. Excluding the transactions of ship owning SPEs, the net IIP in 2015 registered an improvement of 75 percentage points and amounted to -€9,7 billion or -55,2% of GDP, while in 2016H1 the improvement was 73 percentage points and the IIP amounted to -€8,4 billion or -46,7% of GDP, which is close to the threshold of the European Commission. The significant improvement in net IIP was mostly driven by the drop in liabilities due to price changes.

Tourism

The tourism sector proved to be one of the most important pillars of the Cyprus economy. Efforts to penetrate into new markets, particularly in other European countries as well as countries of the Middle East and Asia, seem to have been successful, while the promotion of new types of tourism products continues. According to available data, in the first ten months of 2016 tourist arrivals increased significantly by 20,3% relative to 7,4% in the corresponding period of the previous year. Also revenues from tourism until August 2016 increased by 13,3%. As a consequence, the per capita expenditure of tourism decreased by 4,7% during the first eight months of 2016 (Table A.9 and Chart A.22). This is attributed to the decrease of 1,2% in daily per capita expenditure rather than the decrease in the average length of stay from 9,9 to 9,5 days.

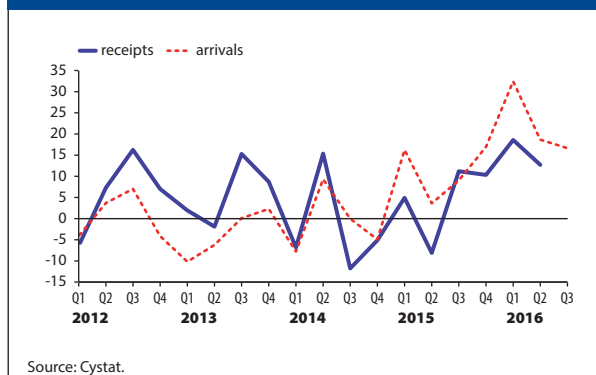
Arrivals for October confirmed to a large extent that the efforts made to extend the tourist season and eliminate seasonality, have been successful. At the same time, the external

TABLE A.9 **Tourism**

| | Tourist arrivals (thous.) | Tourist receipts (€ million) | Expenditure per person (€) |
|------------------|------------------------------|---------------------------------|-------------------------------|
| 2014 | 2.441,2 | 2.023,4 | 828,9 |
| 2015 | 2.659,4 | 2.112,1 | 794,2 |
| annual % change | 8,9 | 4,4 | -4,2 |
| 2015 Jan. - Aug. | 1.842,7 | 1.431,5 | 776,9 |
| 2016 Jan. - Aug. | 2.196,0 | 1.625,6 | 740,2 |
| annual % change | 19,2 | 13,6 | -4,7 |
| 2015 Jan. - Oct. | 2.473,0 | - | - |
| 2016 Jan. - Oct. | 2.974,4 | - | - |
| annual % change | 20,3 | - | - |

Source: Cystat.

CHART A.22 **Tourist arrivals and receipts**
(annual change, %)



Source: Cystat.

environment, such as political developments in Turkey, had a positive impact on tourist arrivals. More specifically, in the first ten months of 2016, arrivals from Russia increased by 20,7%, 48% from Israel and 11,8% from the UK. Increases were also registered by almost all of the European countries. Based on the tourist performance so far, it is likely that 2016 will be a record year for tourist arrivals, probably exceeding three million people.

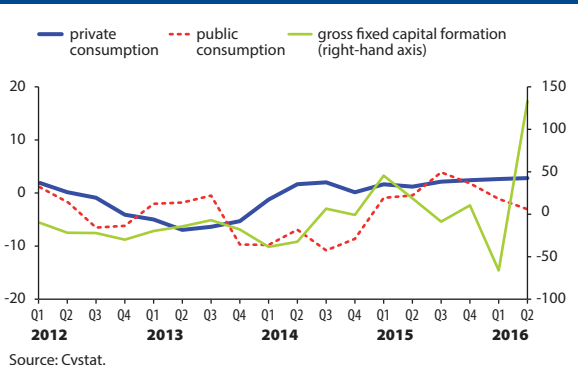
2.3 Domestic Demand, Production and the Labour Market

Quarterly national accounts

The Cyprus economy recorded positive growth of 2,7% in 2016H1 compared with 0,8% in the corresponding period of 2015. More recent preliminary data for 2016Q3 point to year-on-year growth of 2,9%, with growth reaching 2,8% in the first nine months of 2016. Specifically, the growth recorded in 2016H1 (Chart A.23(a) and A.23(b)) is attributable to an improvement across all GDP expenditure sub-categories, except for public consumption. It should be noted that the 2,7% increase in private consumption was mainly driven by the stabilisation of the economic environment and the restoration of confidence in the Cyprus economy. Most importantly, exports of goods and services increased by 5,5%, with historically high levels recorded in the tourism sector (see Tourism, p. 40). Excluding the transactions of ships⁷, exports of goods and servi-

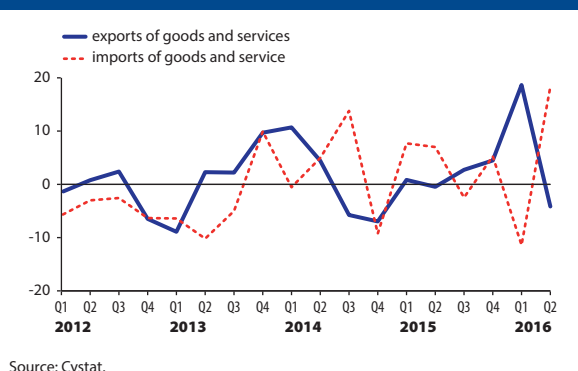
7. With the introduction of the ESA 2010 and BPM 6 statistical methods, total exports and imports of Cyprus as well as gross fixed capital formation include, among other things, the economic transfer of mobile transport equipment and activities of ship-owning SPEs, which affect the GDP expenditure sub-categories but due to the statistical recording do not affect the GDP growth rate.

CHART A.23(a) Quarterly GDP growth (expenditure categories)
(annual change, %)



Source: Cystat.

CHART A.23(b) Quarterly GDP growth (expenditure categories)
(annual change, %)



Source: Cystat.

ces recorded an even greater increase. With respect to imports, an increase of 3,7% was recorded in the period under consideration which, however, includes the import of a yacht with a nominal value of €563 million. Excluding the transactions of ships (see footnote 7), imports increased to a greater extent. Gross fixed capital formation rose by 18,5%, mainly as a result of the positive performance recorded in the investment category of transport equipment and, in particular, due to the purchase of the aforementioned yacht.

As regards economic growth from the production side, the most significant contributions in 2016H1 emanated from the sectors of wholesale and retail trade, transport, accommodation and food service activities (which together contributed 1,1 percentage points to GDP), professional, scientific and technical activities (with a contribution of 0,4 percentage points) as well as construction (with a contribution of 0,4 percentage points). At the same time, a negative contribution arose from the sector of financial and insurance activities of the order of 0,3 percentage points, attributable to loan deleveraging within the context of the ongoing restructuring of the banking sector and the adjustment of private sector balance sheets. In light of more recent preliminary data, the acceleration in growth over 2016Q3 was also attributable to the aforementioned sectors.

The most recent economic indicators confirm the ongoing recovery in domestic demand. Specifically, the Economic Sentiment Indicator increased from 106,7 in December 2015 to 112,3 in October 2016, reaching a level similar to that observed in July 2008 (**Table A.10**). The

TABLE A.10 Business and consumer surveys: confidence indicators

(for sub-indices: difference between percentage of positive answers and percentage of negative answers)

| | 2015 Dec. | 2016 Mar. | 2016 June | 2016 Sep. | 2016 Oct. |
|--------------|--------------|--------------|--------------|--------------|--------------|
| ESI | 106,7 | 108,9 | 109,9 | 110,1 | 112,3 |
| Industry | -4 | -3 | 2 | -2 | -2 |
| Services | 8 | 20 | 10 | 20 | 21 |
| Consumer | -10 | -14 | -7 | -6 | -3 |
| Retail trade | -2 | -5 | -6 | 0 | 4 |
| Construction | -30 | -28 | -28 | -24 | -27 |

Source: European Commission.
Note: Seasonally adjusted data.

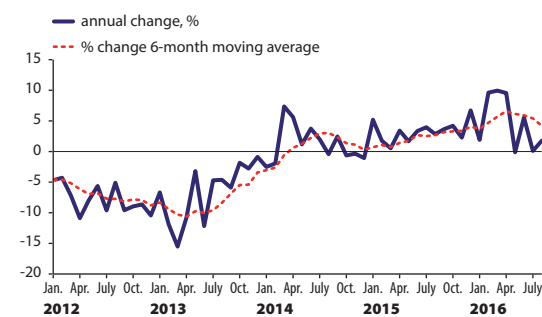
turnover index of retail trade recorded a significant improvement of 4,5% in the first eight months of the year (**Chart A.24**). A notable increase was observed in the sub-indices of consulting and professional services. Also, registrations of motor vehicles continued their upward trend, increasing by 31,4% in the first nine months of 2016, compared with the corresponding period of 2015 (**Chart A.25**).

Regarding credit card expenditure, spending by Cypriot cardholders in Cyprus rose by 6,2% in the first nine months of 2016, compared with the corresponding period of the previous year. It is worth mentioning that when spending for oil purchases and government services is excluded, the relevant credit card spending registered an even greater increase (8,7%). Spending by foreign credit cardholders in Cyprus rose by 12,1% (**Chart A.26**) reflecting the positive developments in the tourism sector (**Chart A.22, p. 40**).

The confidence index in the construction sector has been improving, reaching its highest point in October 2016 since December 2008. The production index in the construction sector, although still fluctuating at very low levels, shows the first signs of stabilisation, with the sector recording positive rates of change as from 2015Q3 (see Real estate market, p. 44).

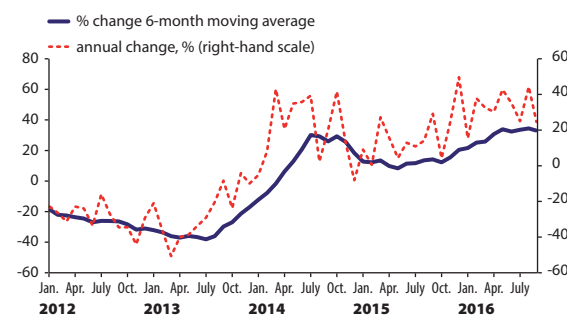
As previously stated, there has been a significant recovery in the tourism sector, registering large increases both in terms of arrivals and receipts (see Tourism, p. 40). The professional services sector data available for 2016 relating to new company registrations in Cyprus, reveal the comparative advantage that Cyprus has in providing relevant services (an

CHART A.24 Retail sales (excluding motor vehicles)



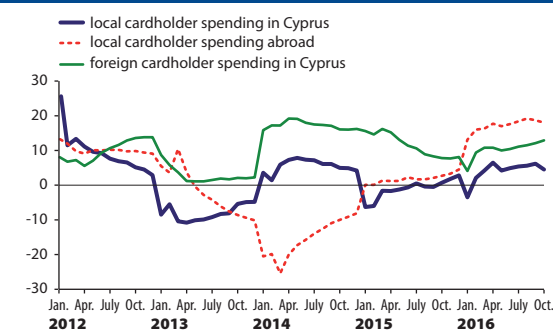
Source: Cystat.

CHART A.25 Registration of motor vehicles



Source: Cystat.

CHART A.26 Credit card spending
(cumulative annual % change from January)



Source: JCC Payments System Ltd.

increase of 23,4% was recorded in the first nine months of 2016).

At the same time, new lending by the banking sector to the domestic private sector recorded a significant increase up until September 2016. However, growth remains in negative territory, attributable mainly to the ongoing efforts of both the private and banking sectors to deleverage and adjust their balance sheets (see Monetary aggregates, p. 29).

Real estate market

The real estate market in Cyprus is gradually stabilising, while construction activity is recovering from very low levels. Demand for properties is on an upward trend, something which contributes to the slowdown of the decreases observed in property prices. Nevertheless, there are still challenges that need to be addressed in the market, such as the further reduction of non-performing loans and the management of the portfolio of properties that have come into the ownership of the banks.

Demand for properties, proxied by the sales contracts deposited at the Department of Lands and Surveys, is on an increasing trend. Specifically, for the period January – October 2016, the total demand for properties recorded an annual increase of 32,2% (Table A.11). This increase reflected annual increases from both locals and foreigners (37,4% and 18,1%, respectively). It is noted that the above figures include the debt-to-asset swaps between banks and borrowers. Demand for new loans is supported by the ongoing reduction in the interest rates throughout the period January

TABLE A.11 Real estate sector
(annual change, %, unless otherwise stated)

| | Jan.-Oct. 2015 | Jan.-Oct. 2016 | Oct. 2015 | Sep. 2016 | Oct. 2016 |
|--|-------------------|-------------------|--------------|--------------|--------------|
| Local sales of cement | -1,3 | 28,0 | 2,7 | 33,4 | 17,3 |
| Sales contracts (total) | 7,8 | 32,2 | 23,5 | 44,4 | 36,9 |
| Sales contracts (locals) | 8,0 | 37,4 | 36,4 | 63,6 | 4,0 |
| Sales contracts (foreigners) | 8,3 | 18,1 | -5,1 | 34,4 | 45,0 |
| Building sentiment indicator (average of index) | -44,1 | -27,8 | -42,5 | -24,2 | -26,5 |
| Property price expectations for the next 3 months (average of index) | -22,0 | -5,0 | -18,8 | -0,2 | -3,7 |
| Price index of construction materials (Period: Jan. - Sep. 2015 and 2016) | -2,4 | -2,2 | -3,3 | -1,1 | n/a |

Sources: Cystat, DLS, European Commission.

– October 2016 and the fact that the lending criteria for house purchases are unchanged, as recorded in the CBC's *Bank Lending Survey* (**Chart A.27**).

As regards the supply side, construction activity continued to increase. According to the index of production in construction, which is published by the Cyprus Statistical Service (Cystat), in 2016Q2 construction activity recorded an annual increase of 10,9%, which was the fourth consecutive annual increase following seven years of decreases. Local sales of cement also increased on an annual basis by 28% in the period January – October 2016. At the same time, for the period January – September 2016, the annual reduction in the price index of construction materials by 2,2% will be beneficial for the recovery of construction activity.

Residential property prices, as recorded by the CBC residential property price index (RPPI), exhibited signs of stabilisation in 2016Q2. Specifically, in 2016Q2 prices decreased marginally by 0,6% on a quarterly basis, which is a smaller decrease compared with the 0,8% that was recorded in the previous quarter. The fact that in the last few quarters the RPPI exhibited either stabilisation or small decreases on a quarterly basis, reflects the positive trend of the sector. The index decreased by 1,7% on an annual basis in 2016Q2 (**Chart A.28**).

As regards the prospects of the construction sector, various indicators point to cautious optimism for an increase in construction activity since activity is still at low levels. Specifically, the number of authorised building permits, which is considered to be a leading indicator for the construction activity, recor-

CHART A.27 Lending criteria and interest rate on housing loans

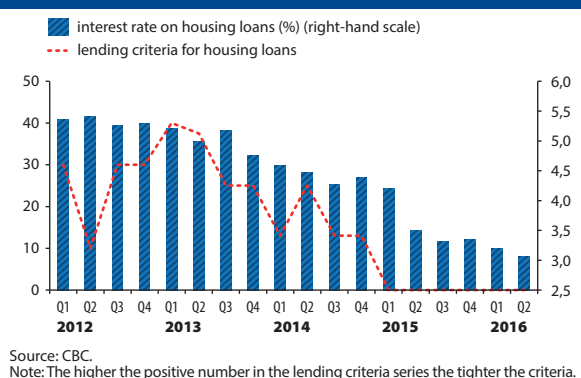
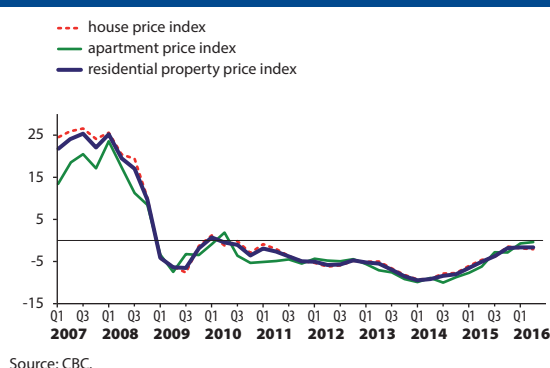


CHART A.28 House and apartment price indices (annual change, %)

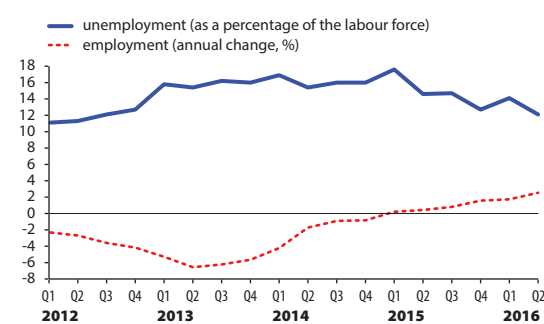


ded an annual increase of 4,5% in the period January – August 2016. During the same period there were also increases in the number of authorised building permits for dwellings (7,4%), offices (2,1%) and for the division of plots (8,2%). Furthermore, the building sentiment indicator, which is published in the Business and Consumer Surveys of the European Commission, averaged -27,3 during the period January – October 2016 compared with -44,1 in the same period in 2015 (**Table A.11**, p. 44). The indicator of expectations for property prices in the next three months was also less negative in the first ten months of 2016 (on average -5) compared with the same period in 2015 (on average -22). The indicator of employment expectations in the construction sector was on average 0,1 during the period January – October 2016, compared with -6,4 in the same period in 2015. As a result of the positive developments observed in all of the above indicators and the deceleration recorded in the negative growth of the RPPI, then we would expect residential property prices to increase, albeit marginally, in the near future.

Labour market

In line with the growth in GDP, employment recorded an annual increase of 2,1% in 2016H1 compared with an increase of 0,3% in the corresponding period of the previous year (**Chart A.29**). Total hours worked also registered an increase of 2,2% in 2016H1 compared with an increase of 0,2% in 2015H1. As such, hours worked per person employed remained unchanged over 2016H1 compared with a mar-

CHART A.29 Unemployment and employment



Source: Cystat (LFS).

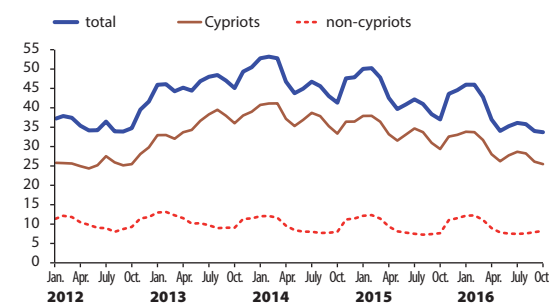
ginal decrease of 0,1% in the corresponding period of the previous year.

An improvement was also recorded in unemployment as a percentage of the labour force on the basis of the *Labour Force Survey* (LFS), reaching 13,1% in 2016H1 compared with 16,1% in the corresponding period of the previous year. It should be noted that in 2016Q2 the unemployment rate decreased significantly, reaching 12,1% compared with 14,6% in 2015Q2 and 14,1% in 2016Q1 (**Chart A.29, p. 46**). According to the LFS, the rate of youth unemployment fell to 26,8% in 2016Q2 compared with 31,7% in the corresponding quarter of 2015.

The reduction in unemployment is confirmed by the number of registered unemployed (**Chart A.30**), for which monthly data up to October 2016 is available. In particular, the number of registered unemployed in October 2016 registered an annual decline of 8,9% compared with the corresponding month of 2015 (from 37.000 to 33.700 registered unemployed).

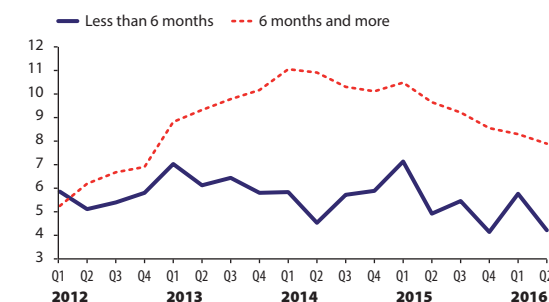
In times of economic crisis with prolonged high levels of unemployment, it is very important to monitor the duration of unemployment (**Chart A.31**). According to LFS data, the unemployment rate with a duration of six months and over decreased to 7,9% in 2016Q2, compared with a rate of 9,7% in the corresponding period of the previous year. According to the latest registered unemployment figures from Cystat, the number of registered unemployed with a duration of six months and over decreased to 1.729 people in October 2016 compared with the corresponding month of the previous year, which is in line with LFS data.

CHART A.30 Registered unemployment
(number of unemployed, thousands)



Source: Cystat.

CHART A.31 Unemployment by duration
(as a percentage of the labour force)



Source: Cystat (LFS).

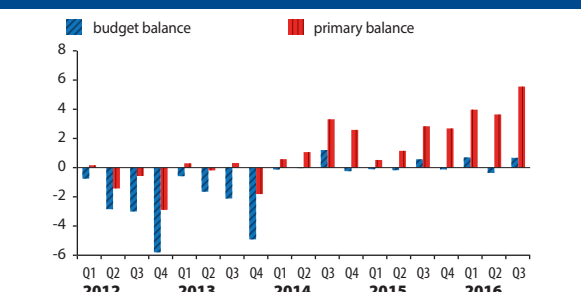
2.4 Domestic Fiscal Developments

The general government accounts recorded a marginal deficit of 0,1% of GDP in 2015, excluding the recapitalisation of the Cooperative Central Bank (CCB) amounting to €175 million (**Chart A.32**). As regards the first nine months of 2016, fiscal performance continued to remain strong, as general government accounts registered a budget surplus of 0,8% of GDP, compared with a surplus of 0,6% over the corresponding period of the previous year. Moreover, the primary balance as a percentage of GDP registered a surplus of 2,9% during January – September 2016, compared with a surplus of 2,8% over the corresponding period of the previous year (**Chart A.32**).

Public revenues for the first nine months of 2016 recorded an increase of 0,7% (**Chart A.33** and **Table 12, p. 49**) relative to the corresponding period of 2015, owing to positive developments in the categories of “Current taxes on income, wealth etc” and “Social contributions” (**Table 12, p. 49**), which stem from the noticeable improvements observed in the labour market and in the economy in general. It is worth mentioning that this increase was occurred despite the decline of 23,3% in “Property income” (**Table 12, p. 49**), which reflects the lower CBC dividend to the government. Finally, it should be noted that a decrease in public revenues by approximately 0,4% of GDP is expected in the final quarter of the year, as a result of the extensive 75 percentage point reduction of the immovable property tax, enacted by Parliament in July.

CHART A.32 Budget and primary balances of the general government

(cumulative for the period as from Q1 as a percentage of GDP)

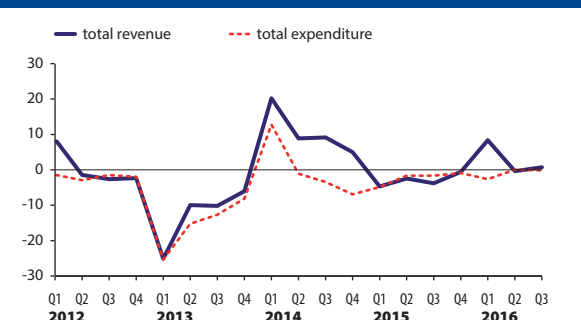


Sources: Cystat, CBC.

Note: The budget and primary balance of the general government for the 2014Q1 includes the equity injection to restore the capital base of the Cooperative Central Bank (€1,5 billion).

CHART A.33 Total revenue and expenditure of the general government

(cumulative for the period as from Q1, annual change, %)



Source: Cystat.

Note: Total expenditure for the 2014Q1 includes the equity injection to restore the capital base of the Cooperative Central Bank (€1,5 billion).

As regards public expenditure, a very small decline of 0,1% of GDP was recorded during the period January - September 2016 (**Chart A.33, p. 48** and **Table 12**), despite the fluctuations registered in the different subcategories. More specifically, the 4,3% increase in “social transfers”, primarily due to increased redundancy payments, was offset by reductions of 38,1% in “other capital expenditure”. This was the result of lower obligations for government guarantees, while at the same time, further reductions of 2% were recorded in “Compensation of employees”.

The general government consolidated gross debt-to-GDP ratio reached 107,5% in 2015. According to the latest available data from Cystat, public debt stood at 109,6% at the end of 2016Q3 (**Chart A.34**). It's noteworthy that this increase occurred despite a primary surplus ratio of 2,9% for the period (**Chart A.32, p. 48**). The rise in public debt was due to increased stocks of government deposits, as the €1 billion bond issuance that took place in July had still not been fully utilised for the refinancing of pre-existing debt.

3. Macroeconomic Forecasts for the Cyprus Economy

This section analyses the updated CBC forecasts⁸ prepared within the context of the Eurosystem projections. The 2016 GDP projection has been revised slightly upwards compared with the CBC forecast published in the June 2016 *Economic Bulletin*, with economic growth expected to hover at around 3%

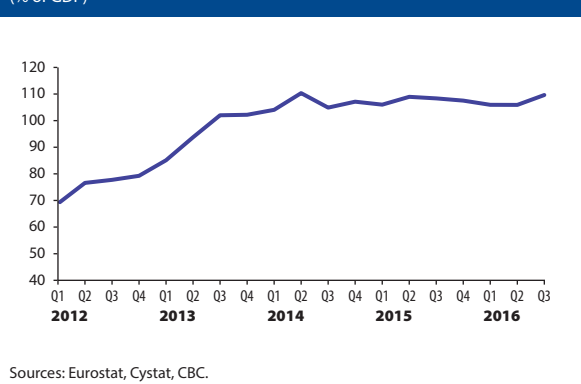
8. On the basis of the common assumptions adopted by the Eurosystem.

TABLE A.12 Accounts of general government

| | Jan.- Sep. 2015 (€ million) | Jan.- Sep. 2016 (€ million) | Change % |
|--|-----------------------------------|-----------------------------------|-------------|
| EXPENDITURE | | | |
| Intermediate consumption | 417,3 | 406,2 | -2,7 |
| Compensation of employees | 1.555,9 | 1525,2 | -2,0 |
| Social transfers | 1.736,1 | 1811,3 | 4,3 |
| Interest | 399,4 | 381,8 | -4,4 |
| Subsidies | 56,9 | 60,2 | 5,8 |
| Other current expenditure | 305,3 | 283,8 | -7,0 |
| Gross fixed capital formation | 193,7 | 221,5 | 14,4 |
| Other capital expenditure | 85,4 | 52,9 | -38,1 |
| Total expenditure | 4.750,0 | 4.742,9 | -0,1 |
| Total expenditure as a % of GDP | 26,9 | 26,4 | |
| REVENUE | | | |
| Taxes on production and imports | 1.904,1 | 1.933,7 | 1,6 |
| Current taxes on income, wealth, etc | 1.168,1 | 1.204,9 | 3,2 |
| Social contributions | 1.081,6 | 1.116,4 | 3,2 |
| Other current resources | 208,8 | 183,3 | -12,2 |
| Sales | 333,0 | 330,0 | -0,9 |
| Capital transfers received | 3,7 | 2,1 | - |
| Property income | 154,5 | 118,5 | -23,3 |
| Total revenue | 4.853,8 | 4.888,9 | 0,7 |
| Total revenue as a % of GDP | 27,5 | 27,2 | |
| Surplus (+) / Deficit (-) | 103,8 | 146,0 | |
| Surplus (+) / Deficit (-) % of GDP | 0,6 | 0,8 | |

Sources: Cystat, CBC.

CHART A.34 General government consolidated gross debt (% of GDP)



Sources: Eurostat, Cystat, CBC.

in the period 2017-2019. Recent economic indicators, particularly in relation to the tourism sector, as well as recent preliminary GDP data exhibit a more positive trend than expected. As regards inflation, gradual increases in prices over the coming years are projected. This reflects the projected ongoing recovery of the Cyprus economy, the expected increase in oil prices in international markets as well as the projected decline in other exogenous factors that contributed to the decline in prices in 2016.

Prices: HICP

In 2016 inflation in Cyprus is expected to remain negative, reaching -1,2% compared with -1,5% in 2015 (**Table A.13**), mainly attributed to the continuing reduction in the prices of certain goods and services as well as in the price of oil. Inflation excluding energy is projected to be negative, reaching -0,5% in 2016 from -0,2% in 2015. Prices excluding energy and food are expected to record negative change of around 0,8% in 2016, in addition to the fall of -0,4% in 2015, reflecting reduced costs (mainly wages, salaries, energy and rents) for businesses.

Over the period 2017-2019, inflation is expected to reach 0,9%, 1,5% and 1,6%, in each of the respective years, influenced mainly by the domestic economic recovery and the rebound of energy prices, with the latter expected to rise as a result of the very low base. Excluding energy, inflation is projected to reach around 0,5%, 1,3% and 1,4% in 2017, 2018 and 2019.

TABLE A.13 HICP projections
(annual change, %)

| | 2016f | 2017f | 2018f | 2019f |
|-----------------------|-------|-------|-------|-------|
| HICP | -1,2 | 0,9 | 1,5 | 1,6 |
| HICP excluding energy | -0,5 | 0,5 | 1,3 | 1,4 |

Sources: Cystat, CBC.

Compensation, productivity and the labour market

Following the recent encouraging GDP figures for the first nine months of 2016, further improvement in the labour market is expected. Employment is expected to continue to record positive growth rates in 2016, following the positive growth recorded since 2015Q1. Specifically, an increase of 2,1%, is expected in 2016 compared with an increase of 0,8% in 2015, reflecting the projected further improvement in the economic climate and company profits. Employment is expected to record annual growth of 2%, 2,2% and 2,1%, in 2017, 2018 and 2019, respectively.

In line with the above, the unemployment rate, as defined by the LFS, is expected to register a further decline in 2016 reaching 12,8%, down from 14,9% in 2015. Further improvement is expected to be recorded in 2017 and 2018, reaching 10,7% and 8,8%, respectively, with a further reduction to 6,9% in 2019. The unemployment rate has followed a more moderate path than the Troika's successive projections, mainly due to the significant reduction in the number of foreign workers, the ongoing recovery in employment and the wage flexibility demonstrated by the Cypriot labour market. However, it is expected to remain at levels higher than the average unemployment rate recorded in the period prior to the crisis.

Nominal compensation per employee is expected to record an increase of 0,3% in 2016 compared with a decline of 0,5% in 2015, due to small increases granted in specific areas of the private sector in line with the GDP recovery path. In the public sector, compensation

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per employee is expected to decline due to the reduction in gratuity payments related to retirements, a trend that is reflected in the data relating to the period January-September 2016, in conjunction with the continuing freeze of general and indexed wage increases until end-2016. It should be noted that replacing conscripts with professional soldiers in the National Guard as from end-2016 is expected to lead to a minor increase in compensation per public sector employee, with the most significant impact observed in 2017. For the period 2017-2019, further increases in nominal compensation per employee by 1,6%, 1,9% and 2,2% for each of the respective years are expected. These developments are mainly due to improved conditions in the domestic economy as well as the subsequent improvement in the labour market leading to growth in private sector wages. The increase in compensation per employee in the public sector reflects the granting of general and indexed wage increases in view of the expiration of the period over which the complete freeze of public wages and pensions has been in place. Note that the non-renewal of the special contribution, introduced in the form of a tax at the beginning of the financial crisis in 2012, will affect positively net wages as of 2017 for both the public and the private sectors. More generally, the increase in wages is expected to affect positively both private consumption and the savings of households, which used their accumulated savings to smooth their consumption over the crisis years.

Unit labour costs are, following the developments in compensation per employee, expected to record a further reduction of 0,4%

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in 2016 following a decline of 1,5% in 2015. Growth of 0,8%, 1% and 1,3% is projected in 2017, 2018 and 2019, respectively.

National accounts

Based on the latest preliminary figures for the first nine months of 2016, GDP registered a year-on-year increase of 2,8%. The better-than-expected path of economic recovery reflects developments across almost all of the main productive sectors. On the basis of available data and in conjunction with leading economic indicators, the Cyprus economy is projected to exhibit a recovery of 2,8% in 2016 overall (Table A.14).

Specifically, real private consumption is expected to record a further increase of 2,5% in 2016 following a 1,9% rise in 2015, mainly reflecting the increase in disposable income, the reduction in interest rates, tax concessions (such as the reduction in immovable property taxation) as well as the increase in employment. As regards public consumption, a 0,5% contraction is expected, in addition to the 0,6% decline in 2015, due to the reduction in intermediate consumption and in gratuity payments related to retirements. Gross fixed capital formation, which has reached historically low levels, is expected to record a 19,2% increase in 2016, largely due to the significant one-off investments in transport equipment (import of a yacht), but also attributable to the implementation of specific development projects by the public and, more importantly, private sectors. Exports of goods and services, which remained unchanged in 2015, are expected

TABLE A.14 National accounts projections in real terms
(annual change, %)

| | 2016f | 2017f | 2018f | 2019f |
|-------------------------------|-------|-------|-------|-------|
| GDP | 2,8 | 2,8 | 3,1 | 3,0 |
| Private consumption | 2,5 | 2,1 | 2,1 | 2,1 |
| Public consumption | -0,5 | 1,6 | 1,2 | 2,0 |
| Gross fixed capital formation | 19,2 | 1,3 | 7,4 | 6,5 |
| Exports of goods and services | 4,4 | 2,6 | 3,4 | 3,4 |
| Imports of goods and services | 5,1 | 1,1 | 3,0 | 3,1 |

Sources: Cystat, CBC.

to record an increase of 4,4% in 2016, driven mainly by the increase in revenues from tourism, telecommunications, computer and information services as well as transport. The improvement in competitiveness, partly due to the significant reduction in wages, production costs as well as in the overall operating costs of businesses in recent years, have contributed to the strong performance of exports. Tourism is expected to record significant increases both in terms of arrivals and revenue, as evidenced by the available data and by information regarding hotel occupancy in the last few months of the year. At the same time, tourism is expected to benefit from the depreciation of the euro which is likely to attract arrivals from countries outside the euro area, such as Russia. At the same time, imports of goods and services are expected to record an increase of 5,1% in 2016, down from an annual increase of 2,1% in 2015, both driven by the import of a yacht and the price of energy.

At the same time, the observed increase in new loan contracts is expected to support the economic recovery while the successful completion of the economic adjustment programme for Cyprus in March 2016 has strengthened, to some extent, investor confidence. Furthermore, the recent upgrades of the sovereign rating by the main credit rating agencies, has assisted the gradual return to the markets. The continued consolidation of the financial sector should also be noted, with the latest available data on the level of NPLs demonstrating a significant decrease) a development which is expected to provide a further boost to the economy.

With the positive dynamics described above, it is expected that GDP will record a further recovery of 2,8%, 3,1% and 3% in 2017, 2018 and 2019, respectively. In particular, private consumption is expected to record an annual increase of 2,1% in all years over the period 2017-2019, reflecting the recovery in disposable income. An annual increase of 1,3% is expected in gross fixed capital formation in 2017, due to a 2016 base effect attributable to the significant investments in transport equipment that largely offset the significant investments in development projects. Further growth of 7,4% and 6,5% is foreseen in 2018 and 2019. The significant private investments that started and are expected to be completed in the coming years include the two marinas in Larnaca and Ayia Napa, the expansion of the terminal for the management and storage of petroleum products at Vasiliko as well as other investments with financing from the European Investment Bank and the European Bank for Reconstruction and Development. Annual increases of 1,6%, 1,2% and 2% are expected to be recorded in public consumption in the period 2017-2019, due to the end of the wage freeze at the end of 2016, increases in public employment and the increase in intermediate consumption.

Exports and imports are expected to increase by 2,6% and 1,1% in 2017. Exports are foreseen to increase further by 3,4% in 2018 and 2019, while imports are projected to record an annual increase of 3% and 3,1% in 2018 and 2019, driven by developments in energy prices.

Risk assessment of economic forecasts⁹

The forecasts for GDP (Table A.14, p. 53) and HICP (Table A.13, p. 50) are considered to form the baseline scenario. The confidence intervals associated with the baseline scenario forecasts are outlined in Charts A.35 and A.36, respectively. The confidence interval concerning the baseline forecast for HICP excluding energy is shown in Chart A.37. The risks to the GDP forecast are considered to be balanced, while for HICP risks are considered to be tilted marginally to the downside as elaborated below.

In relation to GDP, downside risks relate to a possible deterioration in external demand for services, as a consequence of the unfavourable economic situation that is expected to prevail in the UK following the result of the referendum of 23 June 2016 and in particular after the activation of Article 50 of the EU Treaty. In addition, downside risks relate to a possible deterioration in domestic credit conditions. Finally, slower than expected progress in reducing the high level of non-performing loans could negatively affect economic activity.

In relation to upward risks, an increase in net new loans beyond expectations could contribute further to the economic recovery and in particular private investment. Among these private investment projects, the construction of the casino stands out (not included in the baseline forecast) and the operation of five smaller satellite casinos in 2017 that are expected to contribute to the diversification of the tourism product. Regarding public investments, the implementation of several new infrastructure projects and other ventures benefiting from co-financing may lead to a

CHART A.35 Real GDP fan chart
(annual change, %)

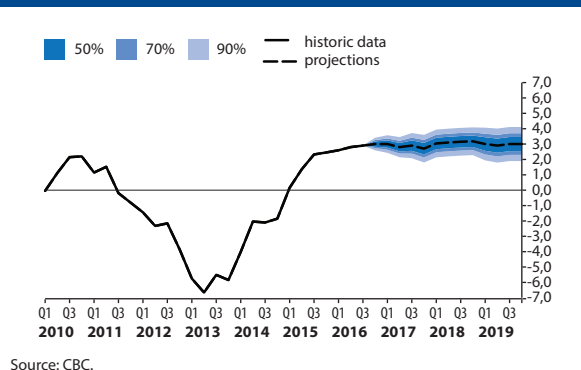


CHART A.36 HICP fan chart
(annual change, %)

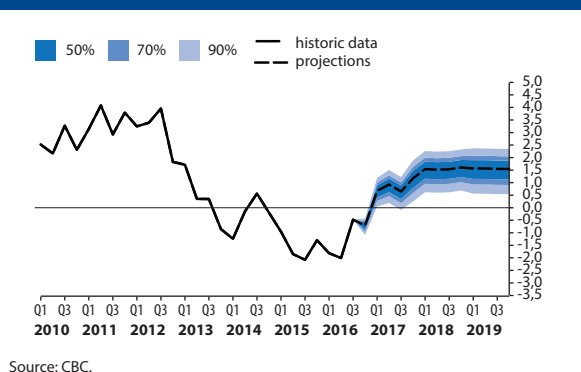
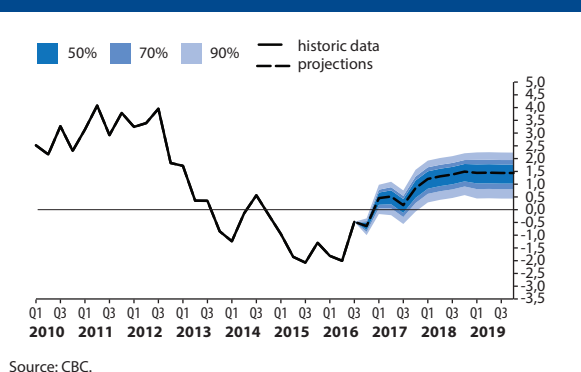


CHART A.37 HICP excluding energy fan chart
(annual change, %)



9. For further information regarding the methodology of the risk assessment of macroeconomic projections, see *Economic Bulletin*, June 2015, p. 55.

further economic boost. Upside risks may also arise from possible geopolitical developments in the Mediterranean region which could have a positive impact on tourism prospects by increasing the number of tourist arrivals. Finally, the exploration of new fields in the Cyprus Exclusive Economic Zone related to the discovery of possible gas fields could lead to higher revenues both directly and indirectly through increased economic activity.

With respect to inflation, the main downside risks relate to a possible deterioration in external demand for services. At the same time, the potential for further reductions in the price of oil, in conjunction with higher prices passed through to other goods and services as well as secondary effects, could exert downward pressure on the general price level. In addition, downside risks relate to a deterioration of domestic credit conditions.

The main upside risks relate to a better than expected improvement in domestic economic prospects, possible geopolitical developments in the Mediterranean region that may positively impact both the demand for and prices of the tourism product, higher than expected oil prices and the possible devaluation of the euro against the dollar.



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Explanatory notes for Statistical Annex

The statistical annex contains data on, mostly, the domestic economy and, where possible, longer time series than in the main body of the *Bulletin*. In the notes below, there is aggregate information on the aforementioned data, including explanations for both the subcategories and the sources of the data. The most recent data are, in general, preliminary and thus may need to be revised in future editions of the *Bulletin*.

Table B.1 shows the bilateral exchange rates of selected currencies against the euro. The source of the data is Bloomberg.

Tables B.2-B.7 refer to the Consumer Price Index (CPI), which is published on a monthly basis by Cystat with 2015 as the base year. **Table B.2** shows both the national CPI and the HICP. Even though the two indices exhibit similar fluctuations, they differ in two respects. First, the expenditures of charitable institutions (i.e. nursing homes, religious organisations, etc.) and foreign tourists are included in the HICP but not in the national CPI. The second difference concerns imputed rents, which were included in the national CPI until 2005 but not in the HICP. Since January 2006, only part of the imputed rents is included in the national CPI.

Tables B.2 and B.3 show the percentage change in the CPI by economic category and the corresponding weighted

contribution to the total change in the CPI by economic category, respectively. **Tables B.4 and B.5** present the percentage change in the CPI by category of goods and services and the corresponding weighted contribution to the total change in the CPI by category of goods and services, respectively. **Tables B.6 and B.7** show the percentage change in the CPI for prices of services and the corresponding weighted contribution to the percentage change in prices of services, respectively.

Table B.8 presents the balance of payments of Cyprus which records the transactions between residents and non-residents. The balance of payments is divided into the current account and the capital and financial account which, because of the double entry principle, must be equal. **Table B.9** shows the international investment position of Cyprus, namely the assets and liabilities of residents over non-residents. The data for **Tables B.8 and B.9** are collected and compiled by the CBC and are based on the IMF's methodology ("BPM6").

Table B.10 shows tourist arrivals and revenue from tourism as published by Cystat and based on the results of the monthly Passenger Survey.

Table B.11 shows GDP by category of expenditure at constant 2005 market prices calculated using the chain linking method, while **Table B.12** shows GDP by category of expenditure at current market

prices. The data for GDP are prepared by Cystat and are based on the concepts and methodology of the European System of Accounts (ESA 2010). Provisional data are based on the last available indicators, until the results of various economic surveys are finalised.

Table B.13 shows the turnover volume index of retail trade which uses the EU's new version of the statistical classification of economic activities, NACE Rev. 2, as published by Cystat with 2010 as the base year.

Table B.14 shows construction indicators as published by Cystat. Specifically, it shows the total area of building permits authorised by the municipal authorities and the district administration offices as well as the sales of cement in metric tons.

Table B.15 presents the index of manufacturing production, which shows the monthly change in volume production in the sectors of mining and quarrying, manufacturing industries, electricity, gas and water supply, i.e. sectors B, C, D and E of the EU's new statistical classification of economic activities, NACE Rev. 2. This index is published by Cystat with 2010 as the base year.

Table B.16 shows key indicators of the labour market in Cyprus based on the Labour Force Survey (LFS), which is published by Cystat. The LFS is conducted in all EU member states, based on the Regulation 577/98 of the EU Council.

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TABLE B.1 Exchange rates of selected currencies against the euro

| | USD/EUR | GBP/EUR | JPY/EUR |
|--|---------|---------|----------|
| Average for January | 1,0866 | 0,7546 | 128,5595 |
| Average for February | 1,1104 | 0,7759 | 127,3167 |
| Average for March | 1,1142 | 0,7817 | 125,8357 |
| Average for April | 1,1340 | 0,7923 | 124,2524 |
| Average for May | 1,1298 | 0,7780 | 123,1323 |
| Average for June | 1,1242 | 0,7918 | 118,5627 |
| Average for July | 1,1064 | 0,8415 | 115,1652 |
| Average for August | 1,1205 | 0,8552 | 113,5117 |
| Average for September | 1,1213 | 0,8529 | 114,1850 |
| Average for October | 1,1024 | 0,8938 | 114,4824 |
| Average for November (until 18 Nov.) | 1,0893 | 0,8763 | 115,8700 |
| Average for Jan-November (until 18 Nov.) | 1,1136 | 0,8157 | 120,1811 |
| Closing rate on 31/12/2015 | 1,0862 | 0,7370 | 130,6400 |
| Closing rate on 18/11/2016 | 1,0602 | 0,8552 | 117,3100 |
| Highest exchange rate vs. the euro | 1,1534 | 0,9118 | 131,7400 |
| | 2 May | 11 Oct. | 1 Feb. |
| Lowest exchange rate vs. the euro | 1,0602 | 0,7325 | 111,1100 |
| | 18 Nov. | 5 Jan. | 8 July |
| % appreciation (+)/depreciation (-) of the currency vs. the euro from closing rate on 31/12/2015 to closing rate on 18/11/2016 | -2,4% | 16,0% | -10,2% |

Source: Bloomberg.

TABLE B.2 Percentage change in CPI by economic category

| | 2013 | 2014 | 2015 | October 2015/14 | September 2016/15 | October 2016/15 | Jan.-Oct. 2015/14 | Jan.-Sep. 2016/15 | Jan.-Oct. 2016/15 | Weights |
|-----------------------------|--------------|--------------|---------------|--------------------|----------------------|--------------------|----------------------|----------------------|----------------------|---------------|
| GENERAL INDEX | -0,40 | -1,35 | -2,10 | -2,53 | -0,50 | -1,24 | -2,18 | -1,58 | -1,55 | 100,00 |
| A Domestic products | -1,57 | -3,41 | -3,95 | -5,54 | 0,02 | -2,61 | -3,98 | -2,96 | -2,92 | 20,52 |
| A.1 Agricultural | -1,02 | -3,65 | 0,96 | 0,39 | 7,87 | -5,74 | 0,09 | 2,43 | 1,57 | 5,96 |
| A.2 Industrial | 1,36 | -0,14 | -0,48 | -1,25 | 0,26 | 0,28 | -0,42 | -0,76 | -0,65 | 11,37 |
| A.3 Electricity | -8,72 | -11,21 | -20,14 | -25,43 | -14,98 | -6,99 | -19,23 | -20,33 | -19,09 | 3,19 |
| B Petroleum products | 3,31 | 0,27 | -13,25 | -16,26 | -5,04 | -1,32 | -13,52 | -10,26 | -9,41 | 5,50 |
| C Imported products | -0,17 | -0,58 | -0,57 | -0,18 | 0,07 | -1,22 | -0,62 | -0,02 | -0,15 | 31,74 |
| C1 Motor vehicles | -0,01 | -3,07 | -1,28 | -0,71 | 0,43 | -0,69 | -1,50 | -0,17 | -0,22 | 6,48 |
| C2 Other imported products | -0,20 | -0,06 | -0,42 | -0,08 | -0,02 | -1,36 | -0,44 | 0,02 | -0,13 | 25,26 |
| D Services | -0,49 | -0,94 | -0,01 | 0,15 | -0,61 | -0,59 | -0,08 | -0,94 | -0,91 | 42,24 |
| HICP | 0,4 | -0,3 | -1,6 | -1,8 | -0,4 | -1 | -1,7 | -1,4 | -1,4 | |

Source: Cystat.

TABLE B.3 Weighted contribution to the total percentage change in CPI by economic category (%)

| | 2013 | 2014 | 2015 | October 2015/14 | September 2016/15 | October 2016/15 | Jan.-Oct. 2015/14 | Jan.-Sep. 2016/15 | Jan.-Oct. 2016/15 | Weights |
|-----------------------------|--------------|--------------|--------------|--------------------|----------------------|--------------------|----------------------|----------------------|----------------------|---------------|
| GENERAL INDEX | -0,40 | -1,35 | -2,10 | -2,53 | -0,5 | -1,24 | -2,18 | -1,58 | -1,55 | 100,00 |
| A Domestic products | 1,58 | -0,39 | -0,83 | -1,33 | 0 | -0,53 | -0,95 | -0,61 | -0,60 | 20,52 |
| A.1 Agricultural | -0,09 | -0,06 | -0,23 | 0,03 | 0,47 | -0,35 | 0,01 | 0,14 | 0,09 | 5,96 |
| A.2 Industrial | 0,42 | 0,17 | -0,02 | -0,16 | 0,03 | 0,03 | -0,05 | -0,09 | -0,07 | 11,37 |
| A.3 Electricity | 1,24 | -0,49 | -0,58 | -1,20 | -0,49 | -0,21 | -0,90 | -0,66 | -0,62 | 3,19 |
| B Petroleum products | 0,54 | 0,24 | 0,02 | -1,22 | -0,27 | -0,07 | -1,04 | -0,57 | -0,52 | 5,50 |
| C Imported products | -0,15 | -0,04 | -0,15 | -0,05 | 0,02 | -0,39 | -0,16 | -0,01 | -0,05 | 31,74 |
| C1 Motor vehicles | -0,03 | 0 | -0,14 | -0,03 | 0,03 | -0,04 | -0,07 | -0,01 | -0,01 | 6,48 |
| C2 Other imported products | -0,15 | -0,05 | -0,02 | -0,02 | -0,01 | -0,35 | -0,10 | 0 | -0,03 | 25,26 |
| D Services | 0,41 | -0,21 | -0,40 | 0,06 | -0,26 | -0,25 | -0,03 | -0,40 | -0,38 | 42,24 |

Source: Cystat.

TABLE B.4 Percentage change in the CPI by category of goods and services

| | 2013 | 2014 | 2015 | October 2015/14 | September 2016/15 | October 2016/15 | Jan.-Oct. 2015/14 | Jan.-Sep. 2016/15 | Jan.-Oct. 2016/15 |
|---|--------------|--------------|--------------|--------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| GENERAL INDEX | -0,40 | -1,35 | -2,10 | -2,53 | -0,50 | -1,24 | -2,18 | -1,58 | -1,55 |
| Food and non-alcoholic beverages | 0,22 | -1,45 | -0,05 | -0,56 | 3,25 | -2,04 | -0,31 | 0,20 | -0,03 |
| Alcoholic beverages and tobacco | 8,58 | 2,59 | 1,84 | 1,86 | 1,23 | 1,37 | 2,07 | 1,35 | 1,36 |
| Clothing and footwear | -2,73 | 2,08 | -0,28 | 0,59 | 1,13 | -2,79 | -0,28 | 1,57 | 1,09 |
| Housing, water, electricity and gas | -3,99 | -5,58 | -9,01 | -10,96 | -4,52 | -1,90 | -8,83 | -6,70 | -6,23 |
| Furnishings, household equipment and supplies | -1,09 | -2,05 | -0,59 | -0,94 | -1,01 | -0,83 | -0,61 | -0,78 | -0,79 |
| Health | -2,50 | -1,31 | 0,40 | 0,45 | 1,47 | 1,33 | 0,37 | 0,98 | 1,01 |
| Transport | 2,21 | 0,99 | -4,88 | -5,87 | -3,78 | -3,46 | -5,12 | -5,66 | -5,45 |
| Communications | 0,97 | 1,48 | 0,33 | -0,90 | -0,54 | -0,50 | 0,45 | -0,65 | -0,63 |
| Recreation and culture | -0,11 | -1,31 | -1,33 | -1,20 | -0,92 | -0,83 | -1,39 | -1,15 | -1,12 |
| Education | -0,74 | -3,51 | -1,07 | 0,53 | 0,69 | 0,52 | -1,35 | 0,36 | 0,38 |
| Restaurants and hotels | 0,39 | -1,38 | 0,23 | 0,30 | 0,35 | 0,52 | 0,14 | 0,33 | 0,35 |
| Miscellaneous goods and services | 0,86 | -1,12 | -0,42 | -0,59 | -0,09 | 0,51 | -0,48 | -0,27 | -0,20 |

Source: Cystat.

TABLE B.5 Weighted contribution to the total percentage change in the CPI by category of goods and services

(%)

| | 2013 | 2014 | 2015 | October 2015/14 | September 2016/15 | October 2016/15 | Jan.-Oct. 2015/14 | Jan.-Sep. 2016/15 | Jan.-Oct. 2016/15 |
|---|--------------|--------------|--------------|--------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| GENERAL INDEX | -0,40 | -1,35 | -2,10 | -2,53 | -0,50 | -1,24 | -2,18 | -1,58 | -1,55 |
| Food and non-alcoholic beverages | 0,22 | -1,45 | -0,05 | -0,10 | 0,52 | -0,33 | -0,05 | 0,03 | 0 |
| Alcoholic beverages and tobacco | 8,58 | 2,59 | 1,84 | 0,05 | 0,03 | 0,03 | 0,05 | 0,03 | 0,03 |
| Clothing and footwear | -2,73 | 2,08 | -0,28 | 0,04 | 0,09 | -0,26 | -0,02 | 0,13 | 0,09 |
| Housing, water, electricity and gas | -3,99 | -5,58 | -9,01 | -1,54 | -0,56 | -0,23 | -1,24 | -0,83 | -0,77 |
| Furnishings, household equipment and supplies | -1,09 | -2,05 | -0,59 | -0,06 | -0,08 | -0,06 | -0,04 | -0,06 | -0,06 |
| Health | -2,50 | -1,31 | 0,40 | 0,03 | 0,10 | 0,09 | 0,03 | 0,06 | 0,07 |
| Transport | 2,21 | 0,99 | -4,88 | -0,85 | -0,57 | -0,52 | -0,75 | -0,87 | -0,83 |
| Communications | 0,97 | 1,48 | 0,33 | -0,03 | -0,02 | -0,02 | 0,02 | -0,03 | -0,03 |
| Recreation and culture | -0,11 | -1,31 | -1,33 | -0,07 | -0,06 | -0,05 | -0,08 | -0,07 | -0,07 |
| Education | -0,74 | -3,51 | -1,07 | 0,02 | 0,03 | 0,02 | -0,05 | 0,01 | 0,01 |
| Restaurants and hotels | 0,39 | -1,38 | 0,23 | 0,03 | 0,03 | 0,04 | 0,01 | 0,03 | 0,03 |
| Miscellaneous goods and services | 0,86 | -1,12 | -0,42 | -0,05 | -0,01 | 0,04 | -0,04 | -0,02 | -0,02 |

Source: Cystat.

TABLE B.6 Percentage change in prices of services

| | October 2015/14 | September 2016/15 | October 2016/15 | Jan.-Oct. 2015/14 | Jan.-Sep. 2016/15 | Jan.-Oct. 2016/15 |
|---------------------------------|--------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| GENERAL INDEX | -2,53 | -0,50 | -1,24 | -2,18 | -1,58 | -1,55 |
| Rents | -0,53 | -0,34 | -0,27 | -1,31 | -0,62 | -0,59 |
| Maintenance of houses | -1,57 | 1,11 | 1,51 | -2,02 | 1,00 | 1,05 |
| Transport | 1,86 | -12,54 | -13,79 | 1,92 | -14,64 | -14,56 |
| Communications | -0,34 | -0,11 | -0,11 | 1,17 | -0,22 | -0,21 |
| Insurance | 0,30 | 0,04 | 0 | 0,03 | 0,23 | 0,21 |
| Public services | 0,61 | -2,18 | -2,32 | 0,71 | -2,40 | -2,39 |
| Education | 0,53 | 0,69 | 0,52 | -1,35 | 0,36 | 0,38 |
| Medical care | 1,29 | 1,73 | 1,51 | 0,89 | 1,63 | 1,62 |
| Restaurants and coffee shops | 0,19 | 0,33 | 0,50 | 0,11 | 0,27 | 0,30 |
| Personal and household services | -0,46 | -0,05 | 0,37 | -0,66 | -0,40 | -0,32 |
| Total services | 0,15 | -0,61 | -0,59 | -0,08 | -0,94 | -0,91 |

Source: Cystat.

TABLE B.7 Weighted contribution to the percentage change in prices of services
(%)

| | October 2015/14 | September 2016/15 | October 2016/15 | Jan.-Oct. 2015/14 | Jan.-Sep. 2016/15 | Jan.-Oct. 2016/15 |
|---------------------------------|--------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| GENERAL INDEX | -2,53 | -0,50 | -1,24 | -2,18 | -1,58 | -1,55 |
| Rents | -0,01 | -0,01 | -0,01 | -0,04 | -0,01 | -0,01 |
| Maintenance of houses | -0,04 | 0,03 | 0,04 | -0,05 | 0,03 | 0,02 |
| Transport | 0,05 | -0,37 | -0,42 | 0,05 | -0,37 | -0,41 |
| Communications | -0,01 | 0 | 0 | 0,04 | 0,01 | 0,01 |
| Insurance | 0,01 | 0 | 0 | 0 | 0 | 0 |
| Public services | 0,01 | -0,03 | -0,03 | 0,01 | -0,03 | -0,04 |
| Education | 0,02 | 0,03 | 0,02 | -0,05 | 0,01 | 0 |
| Medical care | 0,07 | 0,08 | 0,07 | 0,05 | 0,07 | 0,05 |
| Restaurants and coffee shops | 0,02 | 0,03 | 0,04 | 0,01 | 0,01 | 0,02 |
| Personal and household services | -0,04 | 0 | 0,03 | -0,06 | -0,05 | -0,01 |
| Total services | 0,06 | -0,26 | -0,25 | -0,03 | -0,34 | -0,36 |

Source: Cystat.

TABLE B.8 Balance of payments
(€ million)

| | Q1-Q2 2015 (prov.) | | | Q1-Q2 2016 (prov.) | | |
|---|--------------------|--------------------|-----------------|--------------------|--------------------|-----------------|
| | Credit | Debit | Balance/ Net | Credit | Debit | Balance/ Net |
| 1. Current account | 7.065,2 | 7.510,0 | -444,8 | 7.613,7 | 8.022,9 | -409,1 |
| Goods and Services | 5.148,2 | 5.278,3 | -130,4 | 5.293,4 | 5.232,8 | 60,6 |
| Goods | 1.417,8 | 2.939,4 | -1.521,6 | 1.397,2 | 3.089,1 | -1.691,9 |
| General merchandise on a balance of payments (BOP) basis | 1.306,3 | 2.939,4 | -1.633,0 | 1.315,5 | 3.089,1 | -1.773,6 |
| Net exports of goods under merchandising | 111,4 | | 111,4 | 81,7 | | 81,7 |
| Non-monetary gold | 0 | 0 | 0 | 0 | 0 | 0 |
| Services | 3.730,4 | 2.338,9 | 1.391,4 | 3.896,2 | 2.143,7 | 1.752,5 |
| Manufacturing services on physical inputs owned by others | S | S | 0 | S | S | 6,1 |
| Maintenance and repair services not included elsewhere (n.i.e.) | C | S | -20,9 | C | S | -1,9 |
| Transport | 1.150,5 | 613,1 | 537,4 | 1.154,2 | 657,5 | 496,7 |
| Travel | 779,7 | 425,8 | 353,9 | 886,3 | 465,5 | 420,8 |
| Construction | 9,8 | 2,3 | 7,4 | 8,5 | 2,7 | 5,8 |
| Insurance and pension services | 18,8 | 52,7 | -33,9 | 44,0 | 62,6 | -18,7 |
| Financial services | 1.095,2 | 388,9 | 706,3 | 1.070,2 | 364,8 | 705,4 |
| Charges for the use of intellectual property n.i.e. | C | S | -83,3 | C | C | -27,1 |
| Telecommunications, computer, and information services | C | S | S | 585,3 | 341,2 | 244,1 |
| Other business services | 111,4 | 308,6 | -197,3 | 103,6 | 166,9 | -63,3 |
| Personal, cultural and recreational services | 10,1 | 48,7 | -38,6 | 6,7 | 27,9 | -21,2 |
| Government goods and services n.i.e. | 25,6 | 25,6 | 0 | 28,1 | 22,2 | 5,9 |
| Services not allocated | 0 | 0 | 0 | 0 | 0 | 0 |
| Primary income | 1.784,9 | 1.855,3 | -70,5 | 2.133,9 | 2.402,9 | -269,0 |
| Compensation of employees | 22,7 | 30,3 | -7,6 | 20,2 | 27,4 | -7,2 |
| Investment income | 1.697,5 | 1.815,5 | -118,0 | 2.061,9 | 2.365,4 | -303,5 |
| Direct investment | 825,9 | 762,8 | 63,1 | 1.256,2 | 1.170,5 | 85,7 |
| Portfolio investment | 227,8 | 257,9 | -30,1 | 237,1 | 265,9 | -28,8 |
| Other investment | 643,5 | 794,8 | -151,3 | 568,3 | 929,1 | -360,8 |
| Reserve assets | 0,2 | | 0,2 | 0,4 | | 0,4 |
| Other primary income | 64,7 | 9,5 | 55,2 | 51,9 | 10,2 | 41,7 |
| Secondary income | 132,2 | 376,3 | -244,1 | 186,4 | 387,1 | -200,7 |
| General government | 35,7 | 129,5 | | 32,9 | 78,9 | |
| Other sectors | 96,5 | 246,8 | | 153,4 | 308,2 | |
| 2. Capital account | 26,6 | 0 | 26,6 | 34,7 | 0 | 34,7 |
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| 3. Financial account | -432,1 | -896,1 | 463,9 | -217,9 | 88,9 | -306,8 |
| Direct investment | 6.449,0 | 3.408,4 | 3.040,6 | 1.822,7 | 1.677,2 | 145,5 |
| Equity and Investment Funds shares/units | 5.727,7 | 4.225,1 | | 1.990,7 | 823,1 | |
| Debt instruments | 721,3 | -816,7 | | -168,0 | 854,1 | |
| Portfolio investment | -1.336,1 | 1.784,0 | -3.120,0 | -503,8 | 893,8 | -1.397,6 |
| Equity and investment fund shares | -386,4 | 776,6 | | -286,4 | 221,3 | |
| Debt securities | -949,7 | 1.007,4 | | -217,4 | 672,4 | |
| Financial derivatives (other than reserves) and employee stock options | -4.358,3 | -4.328,6 | -29,7 | -879,4 | -1.378,4 | 498,9 |
| Other investment | -1.179,3 | -1.759,8 | 580,5 | -643,7 | -1.103,7 | 460,0 |
| of which: | | | | | | |
| Currency and deposits | 695,8 | -1.019,7 | | 1.598,7 | -5.648,0 | |
| Loans | -2.910,9 | -956,6 | | -2.234,2 | C | |
| Reserve assets | -7,5 | | | -13,7 | | |
| 4. Net errors and omissions | | | 882,1 | | | 67,6 |

Source: CBC.

C denotes primary confidentiality (i.e. the number of statistical units under a cell is less than 3 or the dominance of one or two units in the data cell is larger or equal to 90%).

S denotes secondary confidentiality (i.e. cell is not primary confidential, but it is suppressed in order to prevent observations flagged as "primary confidential" to be indirectly deduced).

TABLE B.9 Annual international investment position 2016 Q2 (provisional)
(€ million)

| | ASSETS | LIABILITIES | NET |
|---|------------------|------------------|------------------|
| Financial account | 228.002,4 | 249.490,9 | -21.488,5 |
| Direct investment | 161.497,0 | 160.616,8 | 880,2 |
| Equity and Investment Funds shares/units | 146.942,7 | 145.615,7 | |
| Debt instruments | 14.554,3 | 15.001,0 | |
| Portfolio investment | 12.071,3 | 13.464,9 | -1.393,6 |
| Equity and investment fund shares | 4.622,8 | 4.147,7 | |
| Equity securities | 3.008,6 | 2.437,8 | |
| Central bank | 0 | 0 | |
| Other MFIs | 15,5 | C | |
| General government | 0 | 0 | |
| Other sectors | 2.993,1 | S | |
| Investment fund shares | 1.614,2 | 1.709,9 | |
| Central bank | 0 | | |
| Other MFIs | 0 | 0 | |
| General government | 0 | | |
| Other sectors | S | 1.709,9 | |
| Debt securities | 7.448,5 | 9.317,1 | |
| Short-term | 652,4 | 475,7 | |
| Central bank | 0 | 0 | |
| Other MFIs | C | S | |
| General government | 0 | 0 | |
| Other sectors | S | C | |
| Long-term | 6.796,1 | 8.841,4 | |
| Central bank | 2.884,1 | 0 | |
| Other MFIs | 1.771,1 | 29,3 | |
| General government | 0 | 3.199,4 | |
| Other sectors | 2.140,9 | 5.612,8 | |
| Financial derivatives (other than reserves) and employee stock options | 3.532,5 | 3.178,8 | 353,7 |
| Central bank | 0 | 0 | |
| Other MFIs | S | S | |
| General government | 0 | 0 | |
| Other sectors | C | C | |
| Other investment | 50.081,8 | 72.230,5 | -22.148,6 |
| Other equity | 414,9 | 0 | |
| Currency and deposits | 24.325,8 | 19.316,0 | |
| Central bank | 4.950,9 | 229,4 | |
| Other MFIs | 4.589,5 | 19.086,7 | |
| General government | 13,2 | 0 | |
| Other sectors | 14.772,2 | 0 | |
| Loans | 21.764,2 | 48.158,9 | |
| Central bank | 0 | 0 | |
| Other MFIs | 10.815,8 | 0 | |
| General government | 338,8 | 11.255,7 | |
| Other sectors | 10.609,6 | 36.903,2 | |
| Insurance, pension schemes, and standardised guarantee schemes | 17,6 | 539,4 | |
| Trade credits and advances | 1.978,7 | 3.394,7 | |
| Other accounts receivable/payable | 1.580,6 | 654,1 | |
| SDRs | | 167,3 | |
| Reserve assets | 819,7 | | |

Source: CBC.

C denotes primary confidentiality (i.e. the number of statistical units under a cell is less than 3 or the dominance of one or two units in the data cell is larger or equal to 90%).

S denotes secondary confidentiality (i.e. cell is not primary confidential, but it is suppressed in order to prevent observations flagged as "primary confidential" to be indirectly deduced).

TABLE B.10 Tourist arrivals and receipts from tourism

| Year | Month | Tourist arrivals | | | Receipts from tourism | | |
|------|------------------------|--------------------|---------------|-------------------|-----------------------|---------------|-------------------|
| | | Number of tourists | % change | | € million | % change | |
| | | | Previous year | Cumulative period | | Previous year | Cumulative period |
| 2012 | January | 47.610 | 7,1 | 7,1 | 30,0 | 0,7 | 0,7 |
| | February | 55.420 | -11,0 | -3,5 | 32,3 | -12,5 | -6,6 |
| | March ⁽¹⁾ | 94.300 | -4,7 | -4,1 | 62,5 | -5,9 | -6,2 |
| | April | 189.648 | -5,1 | -4,1 | 114,6 | -16,2 | -11,3 |
| | May | 276.781 | 3,5 | -1,1 | 214,3 | 14,5 | -0,7 |
| | June | 329.977 | 9,7 | 2,2 | 254,5 | 15,7 | 4,6 |
| | July | 371.453 | 3,4 | 2,6 | 301,5 | 9,9 | 6,1 |
| | August | 363.573 | 7,9 | 3,6 | 312,1 | 16,9 | 8,5 |
| | September | 335.352 | 10,2 | 4,6 | 289,9 | 22,9 | 10,8 |
| | October | 261.997 | 0,8 | 4,1 | 211,5 | 12,0 | 11,0 |
| | November | 84.020 | -9,5 | 3,6 | 62,8 | -3,1 | 10,4 |
| | December | 54.772 | -16,2 | 3,0 | 41,6 | 0 | 10,2 |
| 2013 | January ⁽²⁾ | 42.286 | -11,2 | -11,2 | 28,5 | 3,0 | 3,0 |
| | February | 42.327 | -23,6 | -17,9 | 32,7 | -12,4 | -5,0 |
| | March | 92.620 | -1,8 | -10,2 | 66,0 | 5,6 | 0,3 |
| | April | 162.439 | -14,3 | -12,2 | 110,4 | -3,7 | -1,6 |
| | May | 276.244 | -0,2 | -7,2 | 202,1 | -5,7 | -3,5 |
| | June | 308.219 | -6,6 | -7,0 | 259,8 | 2,1 | -1,5 |
| | July | 361.442 | -2,7 | -5,8 | 338,6 | 12,3 | 2,6 |
| | August | 352.215 | -3,1 | -5,3 | 349,5 | 12,0 | 4,8 |
| | September | 357.635 | 6,7 | -3,3 | 353,4 | 21,9 | 7,9 |
| | October | 273.587 | 4,4 | -2,5 | 246,6 | 16,6 | 8,9 |
| | November | 81.542 | -2,9 | -2,5 | 59,2 | -5,7 | 8,4 |
| | December | 54.813 | 0,1 | -2,4 | 37,6 | -9,6 | 8,0 |
| 2014 | January | 40.675 | -3,8 | -3,8 | 30,7 | -0,6 | -0,6 |
| | February | 45.227 | 6,9 | 1,5 | 31,3 | 10,6 | 4,7 |
| | March | 77.533 | -16,3 | -7,8 | 56,5 | -14,4 | -5,4 |
| | April | 180.998 | 11,4 | 1,4 | 132,9 | 20,4 | 6,7 |
| | May | 293.181 | 6,1 | 3,5 | 224,1 | 10,9 | 8,6 |
| | June | 342.221 | 11,0 | 6,0 | 303,2 | 16,7 | 11,6 |
| | July | 381.955 | 5,7 | 5,9 | 321,2 | -5,1 | 6,2 |
| | August | 373.086 | 5,9 | 5,9 | 324,3 | -7,2 | 2,8 |
| | September | 316.602 | -11,5 | 2,8 | 273,4 | -22,6 | -2,4 |
| | October | 251.453 | -8,1 | 1,5 | 217,1 | -12,0 | -3,6 |
| | November | 81.437 | -0,1 | 1,4 | 65,0 | 9,9 | -3,2 |
| | December | 56.863 | 3,7 | 1,5 | 43,7 | 16,2 | -2,8 |
| 2015 | January | 41.799 | 2,8 | 2,8 | 28,4 | -7,5 | -7,5 |
| | February | 50.709 | 12,1 | 7,7 | 30,9 | -1,3 | -4,4 |
| | March | 97.479 | 25,7 | 16,2 | 65,0 | 15,0 | 4,9 |
| | April | 201.495 | 11,3 | 13,7 | 130,5 | -1,8 | 1,4 |
| | May | 307.449 | 4,9 | 9,6 | 217,1 | -3,1 | -0,8 |
| | June | 336.967 | -1,5 | 5,7 | 259,0 | -14,6 | -6,1 |
| | July | 414.527 | 8,5 | 6,5 | 342,1 | 6,5 | -2,4 |
| | August | 392.272 | 5,1 | 6,2 | 358,5 | 10,5 | 0,5 |
| | September | 360.899 | 14,0 | 7,4 | 321,1 | 17,4 | 3,2 |
| | October | 269.363 | 7,1 | 7,4 | 225,0 | 3,6 | 3,3 |
| | November | 108.093 | 32,7 | 8,2 | 81,9 | 25,9 | 4,0 |
| | December | 78.348 | 37,8 | 8,9 | 52,6 | 20,4 | 4,4 |
| 2016 | January | 48.607 | 16,3 | 16,3 | 29,1 | 2,5 | 2,5 |
| | February | 65.988 | 30,1 | 23,9 | 37,6 | 21,7 | 12,5 |
| | March | 137.013 | 40,6 | 32,4 | 80,7 | 24,5 | 18,7 |
| | April | 225.575 | 12,0 | 21,9 | 137,9 | 5,7 | 12,0 |
| | May | 364.943 | 18,7 | 20,5 | 244,7 | 12,7 | 12,4 |
| | June | 413.114 | 22,6 | 21,2 | 301,0 | 16,2 | 13,7 |
| | July | 482.132 | 16,3 | 19,8 | 402,2 | 17,6 | 14,9 |
| | August | 458.132 | 16,9 | 19,2 | 392,2 | 9,4 | 13,6 |
| | September | 421.201 | 16,7 | 18,8 | n/a | n/a | n/a |
| | October | 357.194 | 32,6 | 20,3 | n/a | n/a | n/a |

Source: Cystat.

(1) Data for March 2012 are based on Cystat estimations.

(2) Data for January 2013 are based on Cystat estimations.

TABLE B.11 GDP by category of expenditure at constant 2005 prices, chain linking method
(€ million)

| Year /Quarter | Gross domestic product | General government consumption | Private consumption | Gross fixed capital formation | Changes in inventories | Exports of goods and services | Imports of goods and services |
|---------------|------------------------|--------------------------------|---------------------|-------------------------------|------------------------|-------------------------------|-------------------------------|
| 2002 Q1 | 3.092,9 | 448,4 | 2.059,2 | 661,4 | 165,4 | 1.558,6 | 1.800,0 |
| 2002 Q2 | 3.367,4 | 468,2 | 1.905,9 | 724,7 | 162,8 | 2.112,3 | 2.006,5 |
| 2002 Q3 | 3.395,2 | 502,3 | 1.838,0 | 644,1 | 10,2 | 2.379,7 | 1.979,2 |
| 2002 Q4 | 3.330,1 | 651,9 | 2.063,7 | 786,2 | -163,2 | 1.953,5 | 1.962,0 |
| 2003 Q1 | 3.190,9 | 496,5 | 2.091,7 | 633,3 | 300,6 | 1.460,3 | 1.791,6 |
| 2003 Q2 | 3.420,8 | 516,6 | 1.991,2 | 707,7 | 180,4 | 1.912,1 | 1.887,2 |
| 2003 Q3 | 3.484,1 | 536,0 | 1.883,9 | 679,1 | -66,0 | 2.439,8 | 1.988,7 |
| 2003 Q4 | 3.460,3 | 792,7 | 2.148,2 | 830,7 | -386,9 | 2.080,2 | 2.004,7 |
| 2004 Q1 | 3.346,8 | 511,5 | 2.225,0 | 667,3 | 128,5 | 1.701,2 | 1.886,8 |
| 2004 Q2 | 3.565,8 | 567,6 | 2.108,3 | 737,6 | 132,5 | 2.082,5 | 2.062,7 |
| 2004 Q3 | 3.639,0 | 579,3 | 2.101,6 | 698,6 | -59,5 | 2.375,4 | 2.056,5 |
| 2004 Q4 | 3.628,5 | 711,5 | 2.296,0 | 868,9 | 21,4 | 1.929,9 | 2.199,1 |
| 2005 Q1 | 3.503,1 | 515,6 | 2.326,5 | 704,2 | 240,8 | 1.698,5 | 1.982,4 |
| 2005 Q2 | 3.679,2 | 563,7 | 2.213,6 | 755,8 | -14,3 | 2.137,7 | 1.977,3 |
| 2005 Q3 | 3.779,0 | 526,5 | 2.134,4 | 755,8 | -6,6 | 2.466,8 | 2.098,0 |
| 2005 Q4 | 3.769,4 | 830,5 | 2.353,7 | 958,4 | -49,0 | 1.952,0 | 2.276,2 |
| 2006 Q1 | 3.654,4 | 572,3 | 2.408,9 | 864,8 | 158,1 | 1.779,9 | 2.129,6 |
| 2006 Q2 | 3.864,3 | 626,2 | 2.310,0 | 927,6 | -11,5 | 2.199,3 | 2.187,3 |
| 2006 Q3 | 3.935,5 | 601,4 | 2.259,1 | 921,5 | -213,5 | 2.588,2 | 2.221,2 |
| 2006 Q4 | 3.942,8 | 807,8 | 2.487,8 | 1.128,8 | -2,8 | 1.792,0 | 2.270,8 |
| 2007 Q1 | 3.825,7 | 600,3 | 2.599,2 | 928,0 | 150,4 | 1.779,7 | 2.231,8 |
| 2007 Q2 | 4.029,1 | 593,2 | 2.511,5 | 1.023,0 | 127,5 | 2.158,4 | 2.384,5 |
| 2007 Q3 | 4.140,0 | 636,7 | 2.490,4 | 1.000,0 | -235,3 | 2.770,5 | 2.522,3 |
| 2007 Q4 | 4.161,6 | 862,7 | 2.836,3 | 1.193,3 | -230,9 | 2.092,3 | 2.592,1 |
| 2008 Q1 | 4.021,7 | 591,2 | 2.848,7 | 1.195,8 | 195,1 | 1.738,9 | 2.548,0 |
| 2008 Q2 | 4.213,9 | 609,6 | 2.759,4 | 1.134,3 | 227,5 | 2.195,7 | 2.712,6 |
| 2008 Q3 | 4.282,2 | 762,0 | 2.753,6 | 1.044,6 | 104,1 | 2.639,9 | 3.021,9 |
| 2008 Q4 | 4.228,5 | 882,4 | 2.873,7 | 1.142,5 | -173,8 | 2.169,2 | 2.665,4 |
| 2009 Q1 | 4.025,5 | 637,7 | 2.689,3 | 1.099,9 | 26,2 | 1.852,8 | 2.280,4 |
| 2009 Q2 | 4.120,1 | 631,2 | 2.579,2 | 983,0 | 82,0 | 2.095,5 | 2.250,9 |
| 2009 Q3 | 4.152,5 | 661,3 | 2.563,9 | 852,2 | 86,5 | 2.401,6 | 2.413,0 |
| 2009 Q4 | 4.108,6 | 1.096,6 | 2.701,2 | 962,0 | -306,6 | 2.017,2 | 2.361,8 |
| 2010 Q1 | 4.023,8 | 649,5 | 2.690,9 | 1.011,3 | 175,1 | 1.809,4 | 2.312,4 |
| 2010 Q2 | 4.166,2 | 639,9 | 2.634,4 | 931,7 | 226,2 | 2.149,5 | 2.415,4 |
| 2010 Q3 | 4.241,6 | 648,5 | 2.648,3 | 832,5 | 170,9 | 2.446,5 | 2.505,0 |
| 2010 Q4 | 4.198,8 | 1.024,6 | 2.835,5 | 923,8 | -258,7 | 2.321,8 | 2.648,2 |
| 2011 Q1 | 4.070,0 | 642,2 | 2.766,0 | 931,9 | 264,1 | 1.825,5 | 2.359,7 |
| 2011 Q2 | 4.229,5 | 661,2 | 2.628,9 | 832,8 | 164,7 | 2.310,3 | 2.368,3 |
| 2011 Q3 | 4.233,7 | 703,9 | 2.614,6 | 756,9 | 3,1 | 2.621,7 | 2.466,6 |
| 2011 Q4 | 4.164,7 | 992,9 | 2.856,1 | 833,1 | -465,4 | 2.331,8 | 2.383,7 |
| 2012 Q1 | 4.011,2 | 650,1 | 2.818,7 | 843,1 | 124,5 | 1.798,8 | 2.224,1 |
| 2012 Q2 | 4.131,1 | 650,1 | 2.633,0 | 650,9 | 166,0 | 2.328,1 | 2.297,0 |
| 2012 Q3 | 4.142,2 | 658,0 | 2.591,4 | 589,2 | 22,0 | 2.684,7 | 2.403,2 |
| 2012 Q4 | 4.005,0 | 931,6 | 2.739,3 | 584,2 | -197,6 | 2.180,4 | 2.233,0 |
| 2013 Q1 | 3.780,4 | 637,0 | 2.677,9 | 676,6 | 232,2 | 1.638,6 | 2.081,8 |
| 2013 Q2 | 3.856,1 | 638,4 | 2.450,1 | 558,0 | -108,8 | 2.381,4 | 2.063,0 |
| 2013 Q3 | 3.914,1 | 654,8 | 2.426,6 | 548,1 | -176,5 | 2.744,0 | 2.282,8 |
| 2013 Q4 | 3.770,8 | 841,2 | 2.594,0 | 479,0 | -80,9 | 2.392,1 | 2.454,6 |
| 2014 Q1 | 3.628,6 | 574,7 | 2.644,4 | 416,6 | 249,8 | 1.813,8 | 2.070,7 |
| 2014 Q2 | 3.777,5 | 594,3 | 2.490,7 | 377,6 | -6,6 | 2.487,0 | 2.165,5 |
| 2014 Q3 | 3.831,9 | 584,0 | 2.475,2 | 584,3 | 199,8 | 2.586,2 | 2.597,6 |
| 2014 Q4 | 3.701,0 | 768,4 | 2.597,3 | 475,2 | -137,8 | 2.225,7 | 2.227,9 |
| 2015 Q1 | 3.634,4 | 569,4 | 2.687,9 | 606,2 | 172,1 | 1.828,8 | 2.230,0 |
| 2015 Q2 | 3.829,2 | 591,6 | 2.520,7 | 448,3 | 110,4 | 2.475,6 | 2.317,4 |
| 2015 Q3 | 3.920,8 | 606,8 | 2.528,3 | 533,6 | 128,7 | 2.656,9 | 2.533,5 |
| 2015 Q4 | 3.791,8 | 782,5 | 2.660,0 | 524,9 | -155,9 | 2.325,4 | 2.345,1 |
| 2016 Q1 | 3.728,9 | 563,1 | 2.758,6 | 205,2 | 7,9 | 2.169,8 | 1.975,8 |
| 2016 Q2 | 3.939,8 | 573,6 | 2.591,6 | 1.044,3 | 99,6 | 2.372,9 | 2.742,1 |

Source: Cystat.

TABLE B.12 GDP by category of expenditure at current prices
(€ million)

| | | Gross domestic product | General government consumption | Private consumption | Gross fixed capital formation | Changes in inventories | Exports of goods and services | Imports of goods and services |
|---------------|----|------------------------------|--------------------------------------|------------------------|-------------------------------------|---------------------------|-------------------------------------|-------------------------------------|
| Year /Quarter | | | | | | | | |
| 2002 | Q1 | 2.721,6 | 386,5 | 1.864,2 | 582,6 | 134,7 | 1.441,2 | 1.687,7 |
| | Q2 | 2.974,7 | 404,2 | 1.747,0 | 636,9 | 119,0 | 1.960,0 | 1.892,3 |
| | Q3 | 3.025,2 | 439,5 | 1.683,5 | 567,2 | -19,2 | 2.210,0 | 1.855,8 |
| | Q4 | 3.085,3 | 578,3 | 1.933,7 | 691,5 | -81,9 | 1.800,8 | 1.837,2 |
| 2003 | Q1 | 2.936,9 | 459,0 | 1.979,3 | 575,7 | 252,8 | 1.355,1 | 1.685,1 |
| | Q2 | 3.217,9 | 482,8 | 1.903,1 | 642,8 | 178,9 | 1.785,5 | 1.775,2 |
| | Q3 | 3.284,7 | 510,5 | 1.766,7 | 619,0 | -46,0 | 2.305,7 | 1.871,1 |
| | Q4 | 3.323,1 | 760,2 | 2.081,7 | 756,9 | -356,1 | 1.973,4 | 1.893,0 |
| 2004 | Q1 | 3.206,7 | 487,8 | 2.123,2 | 630,8 | 124,9 | 1.632,7 | 1.792,8 |
| | Q2 | 3.425,3 | 542,3 | 2.027,1 | 702,7 | 106,2 | 2.021,1 | 1.974,1 |
| | Q3 | 3.540,1 | 555,6 | 2.015,7 | 672,3 | -48,0 | 2.330,2 | 1.985,6 |
| | Q4 | 3.595,1 | 690,1 | 2.281,9 | 841,2 | 30,5 | 1.898,9 | 2.147,6 |
| 2005 | Q1 | 3.451,2 | 512,2 | 2.282,6 | 698,5 | 220,0 | 1.685,1 | 1.947,2 |
| | Q2 | 3.656,2 | 563,0 | 2.205,6 | 752,3 | -25,8 | 2.135,2 | 1.974,0 |
| | Q3 | 3.781,1 | 525,7 | 2.132,1 | 757,2 | -4,4 | 2.471,9 | 2.101,4 |
| | Q4 | 3.842,0 | 835,5 | 2.408,0 | 966,2 | -19,0 | 1.962,7 | 2.311,4 |
| 2006 | Q1 | 3.698,9 | 588,5 | 2.434,4 | 890,8 | 147,4 | 1.802,8 | 2.165,1 |
| | Q2 | 3.957,9 | 642,8 | 2.381,4 | 961,0 | -24,2 | 2.242,3 | 2.245,4 |
| | Q3 | 4.056,1 | 620,7 | 2.329,4 | 960,3 | -233,8 | 2.654,0 | 2.274,5 |
| | Q4 | 4.165,8 | 835,6 | 2.592,3 | 1.182,0 | 39,7 | 1.850,5 | 2.334,3 |
| 2007 | Q1 | 4.011,9 | 631,8 | 2.685,2 | 983,2 | 139,8 | 1.865,9 | 2.294,1 |
| | Q2 | 4.309,4 | 627,7 | 2.664,7 | 1.091,0 | 126,1 | 2.280,7 | 2.480,7 |
| | Q3 | 4.483,2 | 677,5 | 2.661,4 | 1.076,6 | -251,5 | 2.947,9 | 2.628,8 |
| | Q4 | 4.570,5 | 922,6 | 3.082,0 | 1.301,7 | -211,8 | 2.232,0 | 2.755,9 |
| 2008 | Q1 | 4.441,6 | 658,1 | 3.094,4 | 1.342,7 | 206,3 | 1.876,8 | 2.736,7 |
| | Q2 | 4.730,3 | 679,6 | 3.099,4 | 1.288,4 | 243,4 | 2.387,5 | 2.968,0 |
| | Q3 | 4.858,2 | 862,8 | 3.124,1 | 1.203,8 | 87,5 | 2.895,8 | 3.315,7 |
| | Q4 | 4.791,7 | 997,0 | 3.232,8 | 1.308,5 | -180,6 | 2.360,1 | 2.926,1 |
| 2009 | Q1 | 4.479,3 | 738,9 | 2.951,3 | 1.250,9 | 39,3 | 1.973,0 | 2.474,1 |
| | Q2 | 4.666,8 | 734,0 | 2.904,3 | 1.101,6 | 91,8 | 2.301,0 | 2.465,8 |
| | Q3 | 4.682,2 | 753,6 | 2.863,8 | 947,1 | 99,6 | 2.627,2 | 2.609,1 |
| | Q4 | 4.654,1 | 1.236,7 | 3.063,9 | 1.059,1 | -354,8 | 2.197,9 | 2.548,7 |
| 2010 | Q1 | 4.556,1 | 750,1 | 3.026,3 | 1.154,5 | 168,4 | 1.968,6 | 2.511,7 |
| | Q2 | 4.778,2 | 743,0 | 3.024,9 | 1.057,8 | 247,3 | 2.397,7 | 2.692,5 |
| | Q3 | 4.899,3 | 762,0 | 3.050,6 | 941,4 | 233,8 | 2.684,3 | 2.772,9 |
| | Q4 | 4.884,3 | 1.197,0 | 3.279,3 | 1.027,8 | -280,1 | 2.593,5 | 2.933,2 |
| 2011 | Q1 | 4.673,4 | 769,2 | 3.191,8 | 1.058,8 | 263,8 | 2.036,2 | 2.646,3 |
| | Q2 | 4.990,0 | 796,5 | 3.123,6 | 925,4 | 238,7 | 2.603,7 | 2.698,0 |
| | Q3 | 4.992,9 | 858,3 | 3.104,2 | 840,2 | 35,3 | 2.941,8 | 2.786,8 |
| | Q4 | 4.890,8 | 1.194,8 | 3.414,1 | 916,5 | -576,1 | 2.647,2 | 2.705,7 |
| 2012 | Q1 | 4.693,4 | 781,0 | 3.343,7 | 951,8 | 90,3 | 2.050,0 | 2.523,5 |
| | Q2 | 4.938,2 | 780,1 | 3.235,8 | 721,4 | 168,9 | 2.685,0 | 2.653,1 |
| | Q3 | 4.993,3 | 790,0 | 3.197,9 | 653,8 | 39,9 | 3.081,3 | 2.769,6 |
| | Q4 | 4.843,9 | 1.102,5 | 3.340,5 | 642,2 | -156,3 | 2.497,4 | 2.582,5 |
| 2013 | Q1 | 4.365,7 | 731,5 | 3.221,4 | 773,3 | 123,4 | 1.921,3 | 2.405,2 |
| | Q2 | 4.663,8 | 730,1 | 3.017,5 | 625,6 | -21,8 | 2.744,1 | 2.431,8 |
| | Q3 | 4.631,3 | 745,0 | 2.991,6 | 599,8 | -163,9 | 3.120,1 | 2.661,3 |
| | Q4 | 4.403,7 | 953,5 | 3.104,8 | 512,9 | -76,8 | 2.736,3 | 2.827,1 |
| 2014 | Q1 | 4.123,2 | 623,0 | 3.088,6 | 442,2 | 247,2 | 2.082,7 | 2.360,4 |
| | Q2 | 4.400,6 | 646,2 | 3.023,4 | 394,7 | -49,1 | 2.875,7 | 2.490,3 |
| | Q3 | 4.538,5 | 631,2 | 3.043,6 | 658,5 | 196,6 | 2.959,5 | 2.950,9 |
| | Q4 | 4.331,1 | 841,2 | 3.088,7 | 508,3 | -111,3 | 2.519,6 | 2.515,3 |
| 2015 | Q1 | 4.118,2 | 612,9 | 3.097,8 | 685,4 | 220,0 | 2.043,0 | 2.540,9 |
| | Q2 | 4.410,6 | 638,5 | 2.997,5 | 484,9 | 140,5 | 2.827,7 | 2.678,6 |
| | Q3 | 4.530,2 | 653,0 | 3.030,5 | 590,7 | 101,3 | 3.001,0 | 2.846,3 |
| | Q4 | 4.361,7 | 850,5 | 3.103,9 | 568,1 | -111,6 | 2.565,1 | 2.614,3 |
| 2016 | Q1 | 4.121,0 | 600,2 | 3.120,2 | 170,4 | -25,5 | 2.428,0 | 2.172,3 |
| | Q2 | 4.462,8 | 615,2 | 3.032,5 | 1.230,2 | 56,0 | 2.584,0 | 3.055,1 |

Source: Cystat.

TABLE B.13 Turnover volume index of retail trade

| Year / Month | Volume | 6-month moving average | % change | |
|--------------|--------|---------------------------|------------------|---------------------------|
| | | | previous year | 6-month moving average |
| 2013 January | 77,1 | 88,4 | -6,7 | -8,3 |
| February | 69,8 | 84,5 | -11,9 | -9,4 |
| March | 69,9 | 81,5 | -15,5 | -10,3 |
| April | 74,7 | 79,7 | -10,8 | -10,6 |
| May | 82,6 | 79,8 | -3,2 | -9,8 |
| June | 80,6 | 75,8 | -12,2 | -10,0 |
| July | 91,3 | 78,1 | -4,7 | -9,6 |
| August | 88,4 | 81,2 | -4,6 | -8,4 |
| September | 82,9 | 83,4 | -5,9 | -6,9 |
| October | 83,8 | 84,9 | -1,8 | -5,5 |
| November | 79,8 | 84,5 | -2,8 | -5,4 |
| December | 103,9 | 88,3 | -0,9 | -3,4 |
| 2014 January | 75,2 | 85,7 | -2,5 | -3,1 |
| February | 68,4 | 82,3 | -1,9 | -2,6 |
| March | 75,0 | 81,0 | 7,4 | -0,6 |
| April | 78,9 | 80,2 | 5,6 | 0,6 |
| May | 83,6 | 80,8 | 1,2 | 1,3 |
| June | 83,6 | 77,5 | 3,8 | 2,2 |
| July | 93,1 | 80,4 | 2,0 | 2,9 |
| August | 88,0 | 83,7 | -0,4 | 3,0 |
| September | 84,9 | 85,4 | 2,5 | 2,3 |
| October | 83,3 | 86,1 | -0,6 | 1,4 |
| November | 79,5 | 85,4 | -0,3 | 1,1 |
| December | 102,8 | 88,6 | -1,1 | 0,3 |
| 2015 January | 79,1 | 86,3 | 5,2 | 0,7 |
| February | 69,6 | 83,2 | 1,8 | 1,1 |
| March | 75,4 | 81,6 | 0,5 | 0,7 |
| April | 81,6 | 81,3 | 3,4 | 1,4 |
| May | 85,0 | 82,3 | 1,7 | 1,8 |
| June | 86,4 | 79,5 | 3,3 | 2,7 |
| July | 96,8 | 82,5 | 4,0 | 2,5 |
| August | 90,5 | 86,0 | 2,8 | 2,7 |
| September | 88,0 | 88,1 | 3,7 | 3,2 |
| October | 86,8 | 88,9 | 4,2 | 3,3 |
| November | 81,3 | 88,3 | 2,3 | 3,4 |
| December | 109,7 | 92,2 | 6,7 | 4,0 |
| 2016 January | 80,6 | 89,5 | 1,9 | 3,7 |
| February | 76,3 | 87,1 | 9,6 | 4,7 |
| March | 82,9 | 86,3 | 9,9 | 5,7 |
| April | 89,4 | 86,7 | 9,6 | 6,6 |
| May | 84,9 | 87,3 | -0,1 | 6,1 |
| June | 91,2 | 84,2 | 5,6 | 5,9 |
| July | 96,9 | 86,9 | 0,1 | 5,4 |
| August** | 92,1 | 89,6 | 1,8 | 4,2 |

| Percentage change by category | Στάθμιση | August 2015/2014 | August 2016/2015 | Jan.-Aug. 2015/2014 | Jan.-Aug. 2016/2015 |
|---|---------------|---------------------|---------------------|------------------------|------------------------|
| General index (GI) (1+2+3) | 100,00 | 2,84 | 1,77 | 2,87 | 4,50 |
| (1) Retail sale of automotive fuel in specialised stores | 11,60 | 1,52 | 10,89 | 4,36 | 4,35 |
| General index excluding automotive fuel (GI-(1)) (2+3) | 88,40 | 3,03 | 0,76 | 2,72 | 4,55 |
| (2) Retail sale of food products (2.1+2.2) | 35,88 | 0,64 | -2,19 | 0,60 | 1,64 |
| of which | | | | | |
| (2.1) Retail sale in non-specialised stores with food, beverages or tobacco predominating | 29,75 | -0,19 | -0,66 | -0,49 | 2,52 |
| (2.2) Retail sale of food, beverages and tobacco in specialised stores | 6,13 | 4,09 | -8,33 | 5,17 | -2,00 |
| (3) Retail sale of non food products (except automotive fuel) (3.1+3.2+3.3+3.4) | 52,52 | 5,42 | 3,39 | 4,98 | 7,36 |
| of which | | | | | |
| (3.1) Other retail sale in non-specialised stores | 11,36 | -5,88 | -12,50 | -8,92 | -8,80 |
| (3.2) Retail trade of textiles, clothing and footwear | 9,50 | 3,73 | 7,78 | -0,12 | 5,00 |
| (3.3) Retail sale of electrical goods and furniture | 12,93 | 13,05 | 3,76 | 12,93 | 8,28 |
| (3.4) Retail sales of computer equipment, books and other | 13,62 | 4,82 | 15,29 | 6,80 | 8,48 |
| (4) Food beverages and tobacco and other retail trade in non-specialised stores (2.1)+(3.1) | 46,51 | -0,60 | -1,45 | -1,00 | -1,84 |

Source: Cystat.

* Provisional.

** Revised data.

TABLE B.14 Construction indicators

| Year / Month | | Sales of cement (volume) | | | Building permits authorised (volume) | | |
|--------------|-----------|--------------------------|------------------|----------------------------|--------------------------------------|------------------|----------------------------|
| | | Total (m.ton) | % change | | Area (sq.met) | % change | |
| | | | Previous year | 6- month moving average | | Previous year | 6- month moving average |
| 2012 | January | 60.071 | -33,44 | -22,84 | 127.078 | -24,02 | -14,05 |
| | February | 65.372 | -33,71 | -25,49 | 141.435 | -30,91 | -17,20 |
| | March | 58.865 | -49,99 | -31,48 | 148.715 | -44,24 | -26,20 |
| | April | 68.304 | -21,66 | -32,92 | 106.275 | -39,18 | -28,52 |
| | May | 83.946 | -29,94 | -32,93 | 134.085 | -25,85 | -28,04 |
| | June | 72.496 | -34,86 | -34,54 | 124.830 | -28,24 | -33,02 |
| | July | 84.914 | -24,83 | -33,00 | 142.702 | -23,61 | -32,81 |
| | August | 34.748 | -23,32 | -32,14 | 97.744 | -24,88 | -32,23 |
| | September | 63.198 | -36,33 | -29,21 | 116.257 | -47,03 | -32,28 |
| | October | 73.426 | -24,05 | -29,49 | 126.546 | -29,99 | -30,77 |
| | November | 69.252 | -25,50 | -28,73 | 143.762 | -6,50 | -28,05 |
| | December | 46.257 | -42,46 | -29,53 | 90.437 | -57,72 | -33,87 |
| 2013 | January | 48.860 | -18,66 | -29,27 | 109.957 | -13,47 | -33,21 |
| | February | 42.615 | -34,81 | -30,55 | 164.902 | 16,59 | -27,46 |
| | March | 47.907 | -18,62 | -27,74 | 87.251 | -41,33 | -25,14 |
| | April | 51.629 | -24,41 | -28,04 | 85.812 | -19,25 | -23,46 |
| | May | 42.220 | -49,71 | -32,97 | 74.157 | -44,69 | -29,72 |
| | June | 47.624 | -34,31 | -31,34 | 63.687 | -48,98 | -25,13 |
| | July | 54.311 | -36,04 | -34,02 | 81.682 | -42,76 | -30,14 |
| | August | 21.299 | -38,70 | -34,29 | 53.809 | -44,95 | -40,82 |
| | September | 45.077 | -28,67 | -35,68 | 63.022 | -45,79 | -41,52 |
| | October | 49.957 | -31,96 | -36,89 | 113.123 | -10,61 | -39,44 |
| | November | 44.597 | -35,60 | -33,96 | 80.237 | -44,19 | -39,41 |
| | December | 38.864 | -15,98 | -31,65 | 67.192 | -25,70 | -36,01 |
| 2014 | January | 31.957 | -34,59 | -30,97 | 65.564 | -40,37 | -35,31 |
| | February | 40.210 | -5,64 | -27,05 | 77.633 | -52,92 | -37,92 |
| | March | 38.299 | -20,06 | -25,72 | 58.870 | -32,53 | -36,00 |
| | April | 37.674 | -27,03 | -24,44 | 57.330 | -33,90 | -40,36 |
| | May | 38.789 | -8,13 | -19,21 | 66.760 | -9,97 | -35,78 |
| | June | 39.252 | -17,58 | -19,47 | 66.307 | 4,11 | -33,00 |
| | July | 46.060 | -15,19 | -16,07 | 64.129 | -21,49 | -29,86 |
| | August | 17.878 | -16,06 | -17,75 | 47.060 | -12,54 | -19,25 |
| | September | 40.230 | -10,75 | -16,13 | 70.103 | -11,24 | -11,96 |
| | October | 43.987 | -11,95 | -13,16 | 70.071 | -38,06 | -14,47 |
| | November | 38.903 | -12,77 | -13,91 | 77.428 | -3,50 | -13,27 |
| | December | 39.408 | 1,40 | -10,88 | 63.668 | -5,24 | -14,51 |
| 2015 | January | 27.941 | -12,57 | -10,10 | 80.398 | 22,63 | -7,73 |
| | February | 29.185 | -27,42 | -12,37 | 97.685 | 25,83 | -1,59 |
| | March | 40.029 | 4,52 | -10,02 | 71.301 | 21,12 | -0,45 |
| | April | 35.476 | -5,83 | -8,92 | 44.318 | -22,70 | 6,88 |
| | May | 38.053 | -1,90 | -6,95 | 90.760 | 35,95 | 13,93 |
| | June | 42.340 | 7,87 | -5,82 | 73.588 | 10,98 | 16,71 |
| | July | 49.192 | 6,80 | -2,50 | 89.551 | 39,64 | 19,48 |
| | August | 20.398 | 14,10 | 3,46 | 41.428 | -11,97 | 14,01 |
| | September | 41.683 | 3,61 | 3,30 | 69.398 | -1,01 | 10,05 |
| | October | 45.170 | 2,69 | 4,70 | 76.820 | 9,63 | 14,86 |
| | November | 49.097 | 26,20 | 9,53 | 64.285 | -16,97 | 5,05 |
| | December | 44.733 | 13,51 | 10,51 | 81.584 | 28,14 | 7,80 |
| 2016 | January | 34.165 | 22,28 | 12,91 | 69.327 | -13,77 | -1,44 |
| | February | 47.726 | 63,53 | 19,54 | 73.880 | -24,37 | -5,24 |
| | March | 52.079 | 30,10 | 24,39 | 88.196 | 23,70 | -1,40 |
| | April | 49.568 | 39,72 | 31,49 | 47.896 | 8,07 | -2,21 |
| | May | 43.887 | 15,33 | 29,54 | 84.673 | -6,71 | -0,57 |
| | June | 51.342 | 21,26 | 30,86 | 91.380 | 24,18 | -0,59 |
| | July | 55.101 | 12,01 | 27,93 | 90.829 | 1,43 | 2,07 |
| | August | 30.652 | 50,27 | 25,34 | 69.081 | 66,75 | 14,87 |
| | September | 55.606 | 33,40 | 25,98 | n/a | n/a | n/a |
| | October | 52.965 | 17,26 | 22,26 | n/a | n/a | n/a |

Source: Cystat.

TABLE B.15 Volume index of manufacturing production

| Year / Month | Index | | % change | | |
|---|---------|------------|------------------|--------------------------|---------------------|
| | Monthly | Cumulative | Previous year | 6 - month moving average | Cumulative period |
| 2013 | | | | | |
| January | 66,20 | 66,20 | -11,73 | -10,80 | -11,73 |
| February | 67,10 | 66,65 | -16,13 | -12,13 | -14,00 |
| March | 66,90 | 66,73 | -20,92 | -13,63 | -16,44 |
| April | 74,90 | 68,78 | -12,40 | -14,74 | -15,38 |
| May | 75,30 | 70,08 | -19,89 | -16,63 | -16,39 |
| June | 74,40 | 70,80 | -16,22 | -16,36 | -16,36 |
| July | 83,80 | 72,66 | -11,04 | -16,07 | -15,53 |
| August | 55,60 | 70,53 | -7,64 | -15,06 | -14,81 |
| September | 74,60 | 70,98 | -11,82 | -13,54 | -14,47 |
| October | 74,60 | 71,34 | -12,54 | -13,57 | -14,28 |
| November | 68,90 | 71,12 | -16,28 | -12,82 | -14,46 |
| December | 68,50 | 70,90 | -9,63 | -11,69 | -14,09 |
| 2014 | | | | | |
| January | 61,10 | 61,10 | -7,70 | -11,25 | -7,70 |
| February | 64,90 | 63,00 | -3,28 | -10,56 | -5,48 |
| March | 68,90 | 64,97 | 2,99 | -8,27 | -2,65 |
| April | 70,80 | 66,43 | -5,47 | -6,95 | -3,42 |
| May | 78,00 | 68,74 | 3,59 | -3,28 | -1,91 |
| June | 77,40 | 70,18 | 4,03 | -0,87 | -0,87 |
| July | 82,40 | 71,93 | -1,67 | 0 | -1,00 |
| August | 52,80 | 69,54 | -5,04 | -0,14 | -1,40 |
| September | 74,90 | 70,13 | 0,40 | -0,52 | -1,19 |
| October | 73,50 | 70,47 | -1,47 | 0,16 | -1,22 |
| November | 65,30 | 70,00 | -5,22 | -1,30 | -1,57 |
| December | 70,70 | 70,06 | 3,21 | -1,50 | -1,19 |
| 2015 | | | | | |
| January | 56,70 | 56,70 | -7,20 | -2,33 | -7,20 |
| February | 63,10 | 59,90 | -2,77 | -2,04 | -4,92 |
| March | 70,20 | 63,33 | 1,89 | -1,82 | -2,51 |
| April | 74,80 | 66,20 | 5,65 | -0,57 | -0,34 |
| May | 79,20 | 68,80 | 1,54 | 0,61 | 0,09 |
| June | 81,60 | 70,93 | 5,43 | 1,07 | 1,07 |
| July | 88,20 | 73,40 | 7,04 | 3,32 | 2,05 |
| August | 56,00 | 71,23 | 6,06 | 4,58 | 2,43 |
| September | 76,60 | 71,82 | 2,27 | 4,61 | 2,41 |
| October | 74,90 | 72,13 | 1,90 | 3,99 | 2,36 |
| November | 73,80 | 72,28 | 13,02 | 5,82 | 3,26 |
| December | 76,50 | 72,63 | 8,20 | 6,29 | 3,68 |
| 2016 | | | | | |
| January | 61,60 | 61,60 | 6,39 | 6,00 | 6,39 |
| February | 72,20 | 66,90 | 14,97 | 7,55 | 10,85 |
| March | 79,30 | 71,03 | 13,94 | 9,50 | 11,98 |
| April | 83,00 | 74,03 | 11,11 | 11,17 | 11,74 |
| May | 83,00 | 75,82 | 3,75 | 9,38 | 9,88 |
| June | 86,40 | 77,58 | 6,01 | 9,14 | 9,14 |
| July | 88,10 | 79,09 | 0,11 | 7,75 | 7,60 |
| August | 61,10 | 76,84 | 10,49 | 7,08 | 7,88 |
| Percentage change by category | | | August 2015/2014 | August 2016/2015 | Jan.-Aug. 2015/2014 |
| General index | | | 6,06 | 8,57 | 2,43 |
| Manufacture of food products, beverages and tobacco products | | | 1,29 | 12,60 | 4,53 |
| Manufacture of textiles, wearing apparel and leather products | | | -16,31 | 25,64 | -2,23 |
| Manufacture of wood and products of wood and cork, except furniture | | | 43,33 | 20,16 | 8,62 |
| Manufacture of paper products and printing | | | 10,87 | 7,99 | 1,06 |
| Manufacture of refined petroleum products, chemicals and chemical products and pharmaceutical products and preparations | | | 11,50 | -6,73 | 7,30 |
| Manufacture of rubber and plastic products | | | -9,60 | 25,94 | -7,40 |
| Manufacture of other non-metallic mineral products | | | 37,35 | -3,68 | 0,86 |
| Manufacture of basic metals and fabricated metal products | | | 15,27 | 14,53 | -2,34 |
| Manufacture of electronic and optical products and electrical equipment | | | -43,02 | 27,45 | -18,18 |
| Manufacture of machinery and equipment, motor vehicles and other transport equipment | | | 14,44 | -15,34 | 20,69 |
| Manufacture of furniture, other manufacturing and repair and installation of machinery and equipment | | | -3,37 | 22,86 | -14,30 |
| | | | | | 10,51 |

Source: Cystat.

TABLE B.16 Labour market indicators based on the Labour Force Survey (LFS)

| | 2014 | | 2015 | | | | 2016 | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Labour force | 436.202 | 439.039 | 435.544 | 427.228 | 420.317 | 414.469 | 409.599 | 41.813 |
| Employed | 366.307 | 368.772 | 358.401 | 364.585 | 358.178 | 361.448 | 352.017 | 370.743 |
| By type of employment: | | | | | | | | |
| Full time | 318.562 | 317.334 | 305.968 | 314.469 | 313.393 | 310.904 | 300.944 | 318.567 |
| Part time | 47.745 | 51.438 | 52.433 | 50.116 | 44.785 | 50.544 | 51.072 | 52.176 |
| By sector of employment: | | | | | | | | |
| Primary sector | 16.531 | 18.058 | 15.284 | 15.490 | 13.062 | 12.903 | 13.526 | 13.666 |
| Secondary sector | 60.560 | 61.156 | 58.286 | 57.142 | 58.237 | 59.458 | 58.964 | 62.568 |
| Tertiary sector | 289.216 | 289.558 | 284.831 | 291.953 | 286.879 | 289.087 | 279.527 | 294.509 |
| Employees | 304.354 | 306.236 | 298.797 | 310.141 | 309.640 | 311.305 | 300.151 | 316.885 |
| Unemployed | | | | | | | | |
| By unemployment duration: | | | | | | | | |
| Less than 12 months | 35.995 | 36.436 | 43.892 | 33.476 | 34.405 | 27.630 | 33.872 | 27.308 |
| 12 months and above | 33.900 | 33.832 | 33.249 | 29.166 | 27.734 | 25.390 | 23.711 | 23.731 |
| Labour force (% of the population) | | | | | | | | |
| Total | 64,1 | 64,4 | 64,5 | 63,4 | 62,7 | 61,9 | 60,3 | 61,9 |
| Male | 69,9 | 69,4 | 69,3 | 68,0 | 68,0 | 66,9 | 65,2 | 67,3 |
| Female | 58,8 | 59,8 | 60,3 | 59,3 | 58,0 | 57,5 | 55,9 | 57,0 |
| Employment (% of the population) | | | | | | | | |
| Total | 53,8 | 54,1 | 53,1 | 54,1 | 53,5 | 54,0 | 51,8 | 54,4 |
| Male | 58,2 | 57,7 | 56,7 | 57,9 | 58,4 | 57,9 | 56,2 | 59,3 |
| Female | 49,9 | 50,8 | 49,8 | 50,7 | 49,0 | 50,5 | 47,9 | 50,0 |
| Unemployment (% of the labour force) | | | | | | | | |
| Total | 16,0 | 16,0 | 17,7 | 14,7 | 14,8 | 12,8 | 14,1 | 12,1 |
| Male | 16,8 | 16,7 | 18,1 | 14,9 | 14,1 | 13,4 | 13,9 | 11,9 |
| Female | 15,2 | 15,1 | 17,3 | 14,4 | 15,5 | 12,1 | 14,3 | 12,3 |

Source: Cystat (LFS).

Technical Notes



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Statistical Annex

(A) Domestic monetary aggregates

All monetary aggregates' data exclude the CBC.

On 1 July 2008, a new definition of residents of Cyprus entered into force (Statistical Purposes Directive, 2008). As a result, MFIs reclassified a large number of organisations or customers' businesses with limited or no physical presence in Cyprus, known as 'special purpose entities (SPEs), from non-residents to residents. The effect of this change is excluded from the monetary and financial statistics series presented in this publication, which reports domestic residents data excluding SPEs. For purposes of normalisation and comparability of monetary time series, data have been further processed by the CBC's Economic Analysis and Research Department.

The calculation of annual percentage changes is based on the methodology used by the ECB. More specifically, the growth of monetary aggregates is calculated based on the monthly differences in outstanding amounts adjusted for amounts that do not arise from transactions, such as reclassifications/other adjustments, revaluation adjustments and exchange rate adjustments, so as to reflect changes due to net transactions.

The above methodology has been adopted since the December 2009 edition of the *Economic Bulletin*. In previous editions of the *Bulletin*, the growth rate of monetary variables was calculated as the annual percentage change of outstanding balances at the end

of the period. Details of the methodology can be found in the *Monetary and Financial Statistics*, published by the Statistics Department of the CBC, which is available on the CBC website.

(B) Balance of Payments

The present statistical collection system adopted as of June 2014, is based on the methodology of International Monetary Fund (BPM6), which has also been adopted by the EU, as well as on additional requirements and the level of detail required by both the Statistical Service (Eurostat) and the European Central Bank (ECB).

The adoption of BPM6 by the external statistics of the Cyprus took place in June 2014. In October 2014 was the first publication of the data. The published data for BoP, IIP and external debt cover the period from 2008 to date.

The application of new manuals provided the opportunity to adopt broader changes and revisions to improve the coverage and quality of the statistics of the external sector. Specifically, in addition to the incorporation in all external statistics produced and published of the special purpose entities that are registered / incorporated in Cyprus, the CBC has also upgraded the collection systems and compiling statistics of the external sector, giving greater emphasis to the application of new research and the use of available administrative sources.

(C) National Accounts

In June 2014 Cystat implemented the new statistical standards for the historical data series since 1995. The ESA 2010 replaces ESA 1995 and is based on the System of National Accounts (ESA) 2008 which is in the process of being implemented worldwide. The aim is to adapt the national accounts to the current economic environment, advances in methodology and changing user needs. Regarding the sectoral classification, ESA 2010 provides a clearer separation between non-financial corporations and corporations that are not directly engaged in the non-financial activities. In particular, holding companies of non-financial corporations and other so-called captive financial institutions as well as certain Special Purpose Entities (SPEs) are now classified under a new category. In parallel, the investment funds sector is now separated from the remaining part of other financial intermediaries and insurance companies are shown separately from pension funds. The ESA 2010 has also adopted changes to the financial accounts.

More details on the methodology of compiling the balance of payments and the national accounts are available in the Box1 p.51 of the December 2014 *Economic Bulletin* and on the website of the CBC.