



CENTRAL BANK OF CYPRUS
EUROSYSTEM

ECONOMIC BULLETIN

DECEMBER 2015

NICOSIA - CYPRUS



1

Introduction

2

Macroeconomic
Developments and
Projections

3

Statistical Annex

Published by the:
ECONOMIC RESEARCH DEPARTMENT

Edited by the:
Publications Section, Economic Research Department

© **CENTRAL BANK OF CYPRUS, 2015**

Address	80 Kennedy Ave 1076 Nicosia Cyprus
Postal Address	P.O. Box 25529 1395 Nicosia Cyprus
Telephone	+357 22714100
Website	http://www.centralbank.gov.cy

Design and Interactive pdf:	FBRH CONSULTANTS Ltd, www.fbrh.eu
--	---

*All rights reserved.
Reproduction for educational and non-commercial purposes is permitted
provided that the source is acknowledged.*

ISSN (online) 1986 -1060



CENTRAL BANK OF CYPRUS
EUROSYSTEM

**ECONOMIC
BULLETIN**
DECEMBER 2015

NICOSIA - CYPRUS



1

Introduction

2

Macroeconomic
Developments and
Projections

3

Statistical Annex

CONTENTS

Introduction	8
Macroeconomic Developments and Projections	9
1. International Environment: main developments	10
1.1 External developments	10
1.2 Monetary developments in the euro area	14
2. Domestic Environment: main developments	16
2.1 Domestic Prices, Monetary Aggregates, and MFI Interest Rates	16
3. Domestic Competitiveness and the Balance of Payments	25
4. Domestic Demand, Production and the Labour Market	29
5. Domestic Fiscal Developments and Prospects	38
6. Macroeconomic Forecasts for the Cyprus Economy	40
Statistical Annex	46
Explanatory notes for Statistical Annex	47
Technical Notes	61

Note: The cut-off date for data in this *Bulletin* is 16 November 2015.

TABLES AND CHARTS

TABLES

A.1	Inflation in Cyprus (HICP)	17
A.2	Summary of the October 2015 BLS results	20
A.3	Loans to domestic households	21
A.4	Deposits of domestic households	21
A.5	Cyprus MFI interest rates on euro-denominated loans (new business) to euro area households	23
A.6	Cyprus MFI interest rates on euro-denominated loans (new business) to euro area non-financial corporations	23
A.7	Cyprus MFI interest rates on euro-denominated deposits (new business) by euro area residents	24
A.8	Balance of Payments (main categories)	27
A.9	Tourism	29
A.10	Business and consumer surveys: confidence indicators	30
A.11	Real estate sector	32
A.12	Accounts of general government	40
A.13	HICP projections	41
A.14	National accounts projections in real terms	42

CHARTS

A.1	GDP in selected countries	11
A.2	Inflation in selected countries	12
A.3	Selected exchange rates against the euro	13
A.4	Closing prices of oil (Brent)	13
A.5	Official interest rates	14
A.6	Inflation in the euro area	14
A.7	ECB reference rates and EONIA	15
A.8	M3 and credit to the private sector: euro area	15
A.9	Consumer price index	17
A.10	Inflation in Cyprus	17
A.11	Loans to the domestic private sector	20
A.12	Deposits of the domestic private sector	21
A.13	Deposits of non-residents: Cyprus	22
A.14	MFI interest rates on euro-denominated housing loans (new business) to euro area households	22
A.15	MFI interest rates on euro-denominated loans (new business) up to €1 million to euro area non-financial corporations	22
A.16	MFI interest rates on euro-denominated deposits (new business) by euro area households	24
A.17	MFI interest rates on euro-denominated deposits (new business) by euro area non-financial corporations	25
A.18	Nominal compensation per employee by sector	25

TABLES AND CHARTS

A.19	Productivity and real compensation per employee	25
A.20	Unit labour costs: Cyprus and the euro area	26
A.21	Real and nominal effective exchange rates (IMF weights)	26
A.22	Tourist arrivals and receipts	29
A.23	(a) Quarterly GDP growth (expenditure categories)	30
	(b) Quarterly GDP growth (expenditure categories)	30
A.24	Retail sales (excluding motor vehicles)	31
A.25	Credit card spending	31
A.26	Registration of motor vehicles	31
A.27	Lending criteria and interest rate on housing loans	32
A.28	House and apartment price indices	33
A.29	Unemployment and employment	33
A.30	Registered unemployment	38
A.31	Unemployment by duration	38
A.32	Budget and primary balances of the general government	39
A.33	Total revenue and expenditure of the general government	39
A.34	General government consolidated gross debt	40
A.35	Real GDP fan chart	43
A.36	HICP fan chart	44
A.37	HICP excluding energy fan chart	45

BOX

1	Wage and price setting practices of Cypriot companies during the period 2010-2013 (WDN third wave)	34
---	--	----

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	GDP	Gross Domestic Product
CA	Current Account	HICP	Harmonised Index of Consumer Prices
CBC	Central Bank of Cyprus	MF	International Monetary Fund
CCB	Cooperative Central Bank	LFS	Labour Force Survey
CPI	Consumer Price Index	MFI	Monetary Financial Institutions
CTO	Cyprus Tourism Organisation	MoU	Memorandum of Understanding
Cystat	Statistical Service of the Republic of Cyprus	NEER	Nominal Effective Exchange Rate
EBRD	European Bank for Reconstruction and Development	NFCs	Non-Financial Corporations
ECB	European Central Bank	NPLs	Non-Performing Loans
EER	Effective Exchange Rate	PNFS	Private Non-Financial Sector
EIB	European Investment Bank	REER	Real Effective Exchange Rate
EONIA	Euro Overnight Index Average	SDW	Statistical Data Warehouse
ESA	European System of Accounts	SPEs	Special Purpose Entities
ESI	Economic Sentiment Indicator	UK	United Kingdom
		US	United States of America
		WDN	Wage Dynamics Network

Introduction

The long period of recession that weighed down the island's economy from mid-2011 until the end of 2014 has now begun to be steadily reversed. GDP has been following an upward trend, while the general economic outlook and prospects have so far been more positive than the initial forecasts of the country's international lenders. However, the recovery is still fragile due to the high unemployment rate and the level of non-performing loans (NPLs) in the banking sector. The appropriate policy framework to address both of these problems has been devised and is now in place, with the first positive results recorded in recent months. More specifically, a gradual reduction in unemployment has been observed while a stabilisation of the previously rising level of NPLs has also been observed. A reduction in the level of NPLs is expected in the near future due to the significant increase in the restructuring of loans. The reduction in the level of NPLs is expected to release resources in the banking system for the financing of real economic activity. At the same time, the implementation of policies that will accelerate GDP growth need to be intensified so that both unemployment and NPLs are further reduced in a sustainable manner.

The upward trend in economic activity is confirmed by the positive growth of GDP for the first three quarters of 2015. This positive growth is the first to be recorded since 2011Q2 and is reflected in many other sub-indicators

of economic activity, such as the Economic Sentiment Indicator (ESI). Even though the ESI has occasionally been affected by the uncertainty caused by the Greek crisis, it has shown a significant overall improvement during 2015. In addition, fiscal imbalances have been reduced considerably, creating the necessary conditions for GDP growth in the near future. At the same time, the rapid consolidation and restructuring of the banking sector continued, with the ultimate aim, as mentioned above, being the effective tackling of NPLs and the reduction of household and non-financial corporate debt. This will enable banks to fully regain their role as providers of credit for the financing of economic activity. One encouraging result of these positive developments was the gradual upgrades of Cyprus's credit ratings by the major rating agencies and the government's successful access to international markets. Both the recent upgrades by the rating agencies as well as the successful issuance of ten-year government bonds in international markets in late October, show that the country has now embarked on a sustainable path to recovery as well as restoring credibility in the markets. Of course, there is still a long way to go for the full restoration of the country's credibility and the upgrade of its bonds to investment grade by credit rating agencies. Therefore, efforts to restructure the economy and strengthen growth should not be relaxed, particularly in view of the uncertain global economic environment and the broader geopolitical developments.

Macroeconomic Developments and Projections



1. International Environment: main developments

- *Global economic growth was negatively affected by the recent financial turmoil in the major emerging economies and by the on-going economic and geopolitical tensions.*
- *Worsening economic climate in China led to volatility in the stock and foreign exchange markets.*
- *Global inflation declined further, mainly due to the significant fall in the international oil price.*
- *Major central banks kept their interest rates at historically low levels.*
- *Euro area credit recorded positive growth for the first time since 2012.*

1.1 External developments

GDP growth¹

Global economic activity remained moderate in 2015. Trade, financial markets and foreign exchange markets were negatively affected by a series of events including the worsening of the economic climate in Greece and developments associated with Greek government debt negotiations in the summer of 2015. The markets were also negatively affected by the recent crisis in China that took place in August 2015. More analytically, the stock market crisis in China led to general instability in the international markets amid concerns related to the prospects of the Chinese economy, the world's second largest economy. In early July 2015, the Shanghai stock market fell by 30% within three weeks, as many Chinese companies filed

1. GDP projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (7 November 2015), the European Commission (*European Economic Forecasts*, Autumn 2015) and the IMF (*World Economic Outlook*, October 2015).

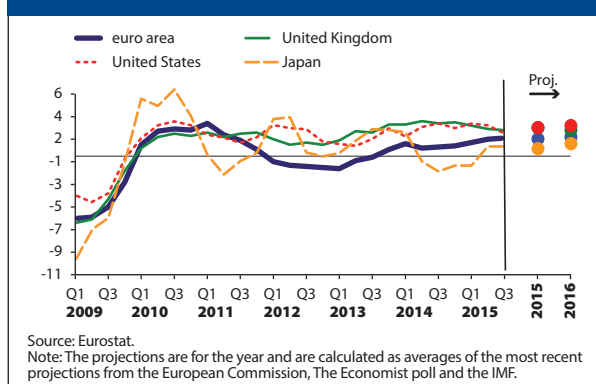
for a trading halt in an attempt to mitigate their losses. The Chinese authorities took immediate actions to deal with the above developments, including a cut in China's key interest rate and a 1,9% devaluation of the yuan against the dollar on 11 August 2015. Nevertheless, on 24 August 2015 the Shanghai stock index recorded its biggest drop since 2007 (8,5%), the effects of which continue to negatively impact global economic activity.

In general, the increase in stock market volatility and the continued decline in commodity prices had a greater impact on developing economies than the developed ones. More analytically, GDP growth decelerated in emerging economies mainly due to the continued decrease in the international oil price and the subsequent decrease in commodity prices. In particular, the decrease in the oil price, along with the stock market crisis in China, mainly affected the commodity-exporting countries. The result was reduced capital flows to emerging markets and downward pressure on the emerging market currencies.

The developed countries, including the euro area, recorded an increase in economic activity, albeit smaller than the emerging economies. It is worth mentioning that interest rates remained at low levels, despite market expectations of a possible increase in the US base rate. The annual GDP growth rate in the euro area stood at 1,6% in 2015Q3 (**Chart A.1**). Forecasts by international organisations and analysts for 2015 and 2016 remained basically unchanged at 1,5% and 1,7%, respectively.

Nevertheless, economic growth in developed countries was restrained by the adverse external developments and the continuation of the economic and geopolitical uncertainty in emerging markets. Specifically, a currency war was triggered shortly after the devalua-

CHART A.1 GDP in selected countries



tion of the yuan. This phenomenon, coupled with the modification of the Chinese exchange rate mechanism by the Chinese Central Bank in order to increase the flexibility of the Chinese exchange rate, adversely affected all major currencies including the euro.

With regard to the euro area, external demand has decreased, mainly due to the adverse international developments. Concurrently, domestic developments, such as the deleveraging of loans, the low investment growth rate, the prolonged period of low inflation and the high, albeit improved, unemployment level continue to constrain growth.

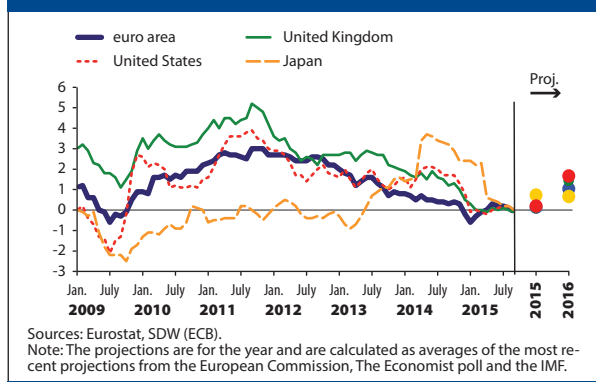
In the US, GDP growth rate slowed down to 2,0% during 2015Q3 compared with 2,7% in 2015Q2, mainly due to reduced foreign trade and low external demand. International organisations and analysts estimate that GDP growth in 2015 and 2016 will be around 2,5% and 2,7%, respectively (**Chart A.1**, p. 11).

Economic activity in the UK maintained its strong momentum, with GDP growth stabilising at 2,3% in 2015Q3 compared with 2,4% in 2015Q2. International organisations and analysts project GDP growth to be around 2,5% and 2,3% in 2015 and 2016, respectively (**Chart A.1**, p. 11).

Inflation²

Global inflation declined further during the second half of 2015, mainly due to significantly excess global capacity, the sharp decrease in the international price of oil and the subsequent drop in global energy prices (**Chart A.2**). In accordance with the projections of international organisations and analysts, the rate of inflation in the euro area, the UK and the

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



2. Inflation projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (7 November 2015), the European Commission (*European Economic Forecasts*, Autumn 2015) and the IMF (*World Economic Outlook*, October 2015).

US is expected to remain marginally positive in 2015 and to increase further in 2016.

Exchange rates

The effective exchange rate of the euro against major currencies recorded some fluctuations during 2015. Since August 2015 and up until 13 November 2015 (latest available data) the euro weakened, mainly on the back of the adverse effects stemming from the recent crisis in China. Overall, between 2 January 2015 and 13 November 2015, the euro weakened by 10,2%, 9,8% and 8,7% against the dollar, sterling and the yen, respectively. The overall weakening of the euro can partly be explained by the continuation of ECB's expansionary monetary policy measures (**Chart A.3**).

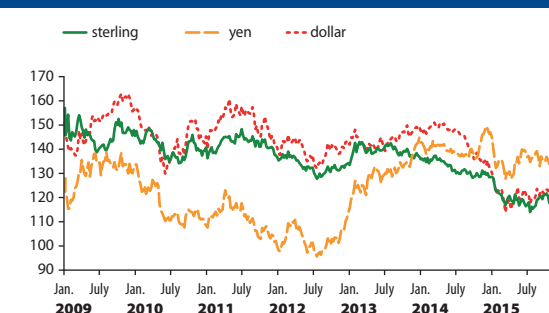
Oil

Despite the temporary increase recorded in May 2015, the price of Brent crude oil reverted back to its downward trend (**Chart A.4**). More specifically, the closing price of Brent crude recorded an annual drop of 35,9% (from \$63,46 per barrel on 14 November 2014 to \$40,66 per barrel on 13 November 2015). This decrease benefited the oil-importing countries to some degree, through the increase in disposable income and the subsequent increase in private consumption.

International official interest rates

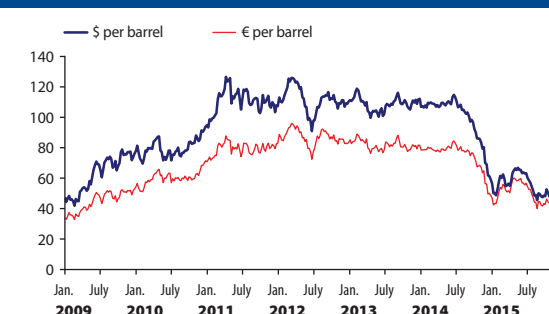
In 2015 the major central banks continued to adopt an expansionary monetary policy through the implementation of both standard and non-standard monetary policy measures. As such, the ECB, the US Federal Reserve and the Bank of England maintained their key interest

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.

rates at historically low levels, namely at 0,05%, 0,25% and 0,50%, respectively (**Chart A.5**). It is worth mentioning that despite market expectations of an imminent increase in the US base rate in mid-September 2015, the Federal Open Market Committee decided against it as a result of the global economic uncertainty caused by the Chinese stock market crisis. In response, euro area government bond yields recorded a decrease in October 2015, while the dollar's strengthening in the currency markets was confined to some extent.

1.2 Monetary developments in the euro area

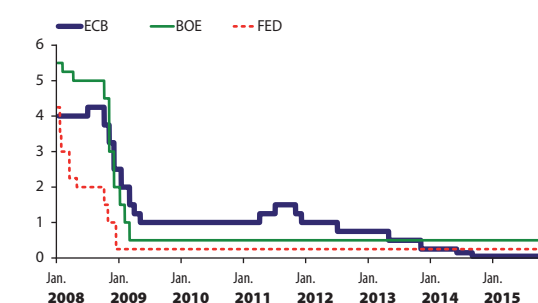
Inflation

According to the latest available data, the inflation rate in the euro area stood at 0,1% in October 2015 compared with -0,1% in September 2015 (**Chart A.6**). Inflation in the euro area continues to be negatively impacted by the fall in oil prices. In contrast, the increase in some unprocessed food and services prices exerted upward pressure on the overall level of inflation. In consequence, the inflation rate excluding energy increased slightly to 1,2% from 1,0% in September 2015, thus remaining within the levels recorded since the end of 2013.

Reference rates and ECB interventions

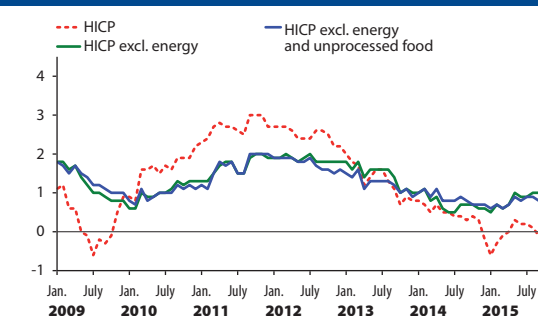
The ECB kept its key interest rates unchanged during the first ten months of 2015 to 0,30%, 0,05% and -0,20% for the main refinancing operations rate, the marginal lending facility rate and the deposit facility rate, respectively. The interbank overnight rate (EONIA) continued to remain at negative levels since mid-

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



Sources: ECB, Fed, BoE.

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



Source: Eurostat.

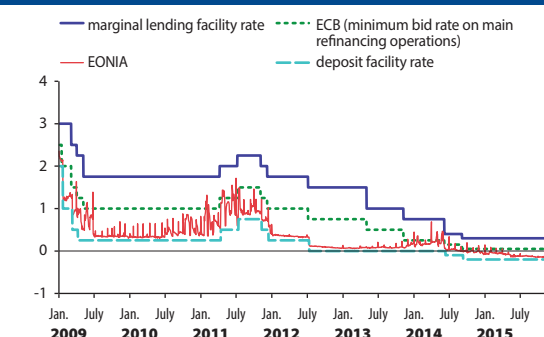
2014, in response to the ECB's introduction of a negative deposit facility rate and the implementation of non-standard monetary policy measures. On 13 November 2015, the EONIA rate stood at -0,13% (**Chart A.7**). The ECB continued to support money markets through standard liquidity-providing operations and non-standard measures, such as the Asset Purchase Programme and the Targeted Longer-Term Refinancing Operations, with the aim of effectively addressing the prolonged period of low inflation in the euro area.

Credit expansion

For the first time since 2012, credit expansion (loans and securities) to euro area residents recorded positive growth. More specifically, in September 2015 credit expansion reached 0,7% (**Chart A.8**). This positive 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. Analytically, the annual growth of loans to NFCs reached 0,1% at the end of 2015Q3 compared with -0,3% at the end of 2015Q2 and -2,2% at the end of 2014Q3. The annual growth rate of loans to households also increased and reached 1,1% at the end of 2015Q3 compared with 0,7% at the end of 2015Q2 and 0% at the end of the 2014Q3. Nevertheless, the consolidation of bank balance sheets and the need for further deleveraging in some economic sectors and banking jurisdictions continue to hinder credit growth dynamics in the euro area.

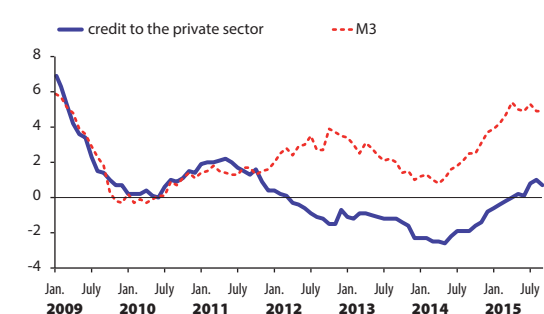
According to the results of the October 2015 Bank Lending Survey, participating banks expect credit standards for loans to enterprises to ease in 2015Q4 compared with

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



Source: Bloomberg.

CHART A.8 M3 and credit to the private sector: euro area
(annual change %, seasonally adjusted data)



Source: SDW (ECB).

2015Q3. In contrast, credit standards for loans to households for housing purposes are expected to tighten, whereas those for consumption and other lending purposes are expected to ease. Meanwhile, net demand for loans to households and enterprises is expected to record a further increase during 2015Q4 compared with 2015Q3.

2. Domestic Environment: main developments

- *Cyprus recorded the highest deflation rate in the euro area in October 2015.*
- *A small increase in new credit was recorded in the first nine months of 2015. The reduction of NPLs is still considered to be the biggest challenge for the recovery of the Cyprus financial sector.*
- *A considerable amount of deposit inflows was recorded, particularly by NFCs.*
- *New business lending and deposit interest rates continued to record historical low levels in 2015Q3. Currently, these are no longer considered to be the highest in the euro area.*
- *Steady GDP recovery over the first nine months of 2015.*
- *Reduction in unemployment reflecting the recovery path of the domestic economy.*
- *Significant improvement in tourism over the summer months.*
- *Continuation of correction in public finances.*

2.1 Domestic Prices, Monetary Aggregates, and MFI Interest Rates

Prices

During the first ten months of 2015, overall inflation in Cyprus was on average lower than in the euro area. It is worth noting that in Oc-



1
Introduction

2
Macroeconomic
Developments and
Projections

3
Statistical Annex

tober 2015, Cyprus recorded the highest deflation among the euro area countries. This fall in the overall price level was attributed to the ongoing significant reductions in energy prices compared with last year, as well as the downward adjustments in the prices of various goods and services in the most important categories of the Harmonised Index of Consumer Prices (HICP) (Table A.1). This internal devaluation is an indication that the Cyprus economy is adjusting to a swifter recovery in domestic economic activity, though a continuation of the deflationary period would not be desirable.

The inflation path in Cyprus is mainly affected by the secondary effects of the fall in oil prices on other goods and services, as well as by the structural changes in the domestic economy, such as the downward adjustment in domestic wages. The interaction of lower nominal wages on one hand and lower prices in domestic goods and services on the other, increases the competitiveness of the economy, thus achieving one of the main objectives of the MoU.

More analytically, domestic inflation as measured by the Consumer Price Index (CPI) continued to exhibit a negative trend in the first ten months of 2015, reaching -2,2% compared with -1,5% in the corresponding period of 2014. HICP also exhibited a negative growth of -1,7% during the period January – October 2015, compared with -0,2% in the corresponding period of 2014 (Chart A.9). During this period, negative average inflation was registered in all components of the HICP, apart from the food categories.

For the period under review, HICP excluding energy decreased to -0,3% compared with a marginal increase of 0,1% in the corresponding period of 2014 (Chart A.10). At the

TABLE A.1 Inflation in Cyprus (HICP)

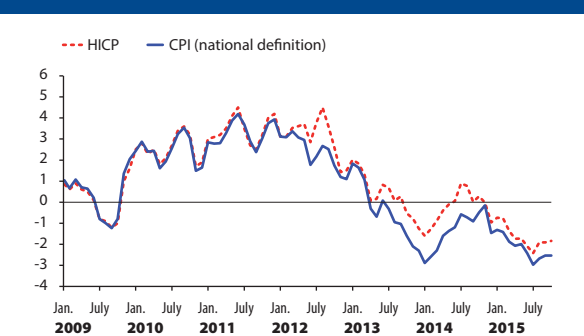
	Weights ⁽¹⁾	Annual percentage change				
		Jan.-Oct. 2014	Jan.-Oct. 2015	Oct. 2014	Sep. 2015	Oct. 2015
HICP	1.000,0	-0,2	-1,7	0,3	-1,9	-1,8
Unprocessed food	70,4	-2,6	0,4	-2,1	-0,9	1,5
Processed food	175,6	0,5	0,2	0,5	-0,1	-0,4
Energy	83,5	-2,9	-14,7	-0,2	-16,6	-18,4
Services	461,9	0,4	-0,2	0,7	-0,2	-0,1
Non-energy industrial goods	208,6	-0,7	-1,2	-0,2	-1,0	-0,8
HICP excluding energy	916,5	0,1	-0,3	0,3	-0,4	-0,2
HICP excluding energy and food	670,5	0,2	-0,5	0,5	-0,4	-0,3

Source: Cystat.

(1) Based on the weight for 2015.

CHART A.9 Consumer price index

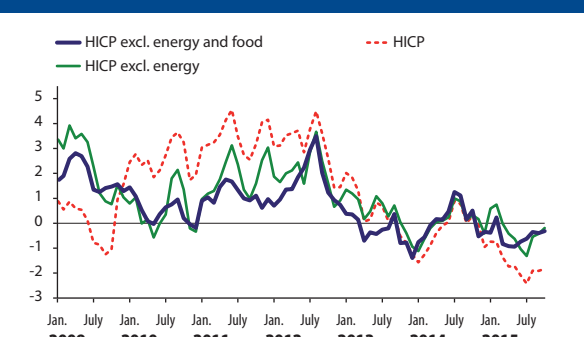
(annual change, %)



Source: Cystat.

CHART A.10 Inflation in Cyprus

(annual change, %)



Source: Eurostat.

same time, inflation excluding energy and food (which together represent approximately 33% of the HICP) reached -0,5% during the period January-October 2015 compared with a positive growth rate of 0,2% in the corresponding period of 2014. This continuous negative trend in core inflation was primarily due to price reductions recorded in the most important categories of services inflation, especially in the tourism related categories, on the back of the oil price reduction and the downward adjustment in domestic wages. Prices of non-energy industrial goods also experienced reductions.

Monetary aggregates^{3,4}

The recovery of the domestic financial sector continued at a slow but steady pace in 2015Q3, registering positive annual growth rates in both loans and deposits to the domestic private sector. On the positive side, the following developments, among other things⁵, were observed:

- Positive growth rate in the domestic economy as from 2015Q1.
- Significant fall in lending rates for the main categories of loans.
- Co-financing of SMEs through the European Investment Bank (EIB) and the Euro-

3. For a detailed explanation of the methodology and technical analysis of monetary aggregates, see the Technical Notes on [p. 61](#).

4. In January 2014, the Statistics Department of the CBC began revising the data on deposits and loans so that monthly transactions and annual percentage changes include the adjustment resulting from currency changes. The inclusion of such a revaluation means that trading and annual percentage changes in loans and deposits in foreign currency will not be affected by fluctuations in exchange rates. This revision significantly improves the accuracy of the data, giving information to users regarding the effective annual percentage change in the monetary aggregates, in line with the methodology applied by the ECB. It should be noted that the outstanding balances are not affected by this revision.

5. For more details see *Economic Bulletin*, June 2015.

pean Bank for Reconstruction and Development (EBRD).

- Decoupling of the Cyprus and Greek economies during the recent crisis in Greece. This was reflected by the different yields on government bonds in the two countries.

Despite the abovementioned positive developments, both domestic banks and the highly leveraged private non-financial sector (PNFS) continue their effort for further deleveraging and balance sheet restructuring, through the acceleration in loan restructurings and the successful management of NPLs.

The aforementioned effort is considered the biggest challenge faced by the domestic financial sector. It should be noted that, although there has not been a significant reduction in the level of NPLs, the current stabilisation in their level should be considered as a positive sign. Moreover, the adoption of the foreclosures and insolvency laws by parliament in April 2015, has led to a substantial acceleration of the restructuring of arrears loans in the domestic banking system.

As a result, new lending has been observed, albeit in small volumes. A key factor for more pronounced credit growth in the near future is the successful restructuring of arrears loans, which will lead both to a gradual decrease in the level of NPLs and to the reduction in the very high debt of domestic enterprises and households to more sustainable levels.

Regarding deposits, recent data continue to record stabilisation of the banking sector. The increasing trend in NFCs deposits is worth mentioning as it can be interpreted as a sign of restoration of confidence in the Cypriot banking sector. These positive developments are thus expected to contribute significantly to the further recovery of the domestic economy.



As regards the October 2015 Bank Lending Survey (BLS) results, the participating banks recorded unchanged credit standards for all loan categories in 2015Q3. During 2015Q4 credit standards for all loan categories are also expected to remain unchanged. Moreover, during 2015Q3 net demand for loans by enterprises recorded an increase whereas net demand for loans by households remained unchanged. Regarding 2015Q4, net demand for loans by households is expected to increase, whilst net demand for loans by enterprises is expected to remain unchanged (Table A.2).

Analytically, loans to the private sector (excluding special purpose entities “SPEs”, Chart A.11) recorded a positive growth rate of 0,6% at end-September 2015 compared with 0,1% at end-June 2015 and -1,8 % at the end of 2014Q3. This development was mainly due to the small increase in new lending to SMEs since the beginning of 2015.

Specifically, the growth rate of loans to domestic NFCs (excluding SPEs) registered an increase of 0,7% in September 2015 compared with 0,3% in June 2015 and a decrease of -0,6% in September 2014 (Chart A.11). The EIB and EBRD co-financed funds as well as the lower lending rates compared with the corresponding period of 2014, were the main factors that contributed to the small increase in new lending to SMEs. It should also be noted that the vast majority of domestic NFCs, are SMEs and are dependent on bank lending as their small size limits access to other significant sources of external financing.

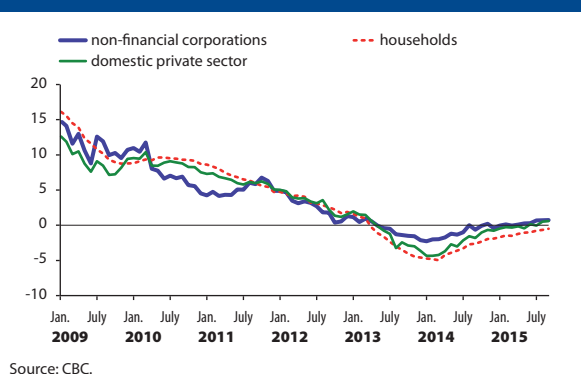
On the other hand, loans to domestic households recorded negative growth, albeit at a decreasing trend, reaching -0,5% at the end of 2015Q3 (Chart A.11) compared with -1% at the end of 2015Q2 and -2,6% at the end of 2014Q3. As a result, all sub-categories of loans

TABLE A.2 Summary of the October 2015 BLS results

Summary of results	Cyprus		euro area	
	2015Q3	2015Q4 (expectations)	2015Q3	2015Q4 (expectations)
Credit standards for loans				
Enterprises	Unchanged	Unchanged	Easing	Easing
Households				
- Housing loans	Unchanged	Unchanged	Tightening	Tightening
- Consumer credit and other lending	Unchanged	Unchanged	Easing	Easing
Demand for loans				
Enterprises	Increase	Unchanged	Increase	Increase
Households				
- Housing loans	Unchanged	Increase	Increase	Increase
- Consumer credit and other lending	Unchanged	Increase	Increase	Increase

Note: The above results list the changes that occurred in the last three months (in this case 2015Q3), and the changes that are expected for the next three months (i.e. 2015Q4). The measure used for the statistical analysis of this research was the diffusion index.

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



to households, apart from the “other lending” category which recorded a positive growth rate, continued to register less negative growth rates (Table A.3).

To sum up, the domestic private sector continues to be in the process of loan repayments and balance sheet restructuring largely on account of the existing macroeconomic conditions prevailing in the domestic economy.

With regard to deposits, the annual growth rate of deposits of the domestic private sector (excluding SPEs) recorded an increase of 1,2% in September 2015 compared with 0,1% in June 2015 and a decrease of 3,5% in September 2014 (Chart A.12). Meanwhile, a positive development for the stabilisation of the banking sector is considered to be the small inflow of deposits recorded by domestic households in September 2015, the first since February 2013 (Table A.4). Furthermore, deposits of domestic NFCs have continued to record increases in their growth rates since May 2014.

With regard to total deposits of non-residents (including SPEs), an outflow of NFC deposits was observed during 2015Q2, amid the uncertainty caused in the markets from the crisis in Greece. Following the agreement reached between Greece and its economic partners, this trend has been halted. As a result, the aforementioned deposits recorded less negative annual growth rates, of the order of -4,2% at the end of 2015Q3 compared with -14,6% at the end of 2015Q2 and -5,9% at end-September 2014 (Chart A.13, p. 22).

MFI interest rates

In the first nine months of 2015, there was, on average, a sizeable decline in most lending rates in Cyprus compared with the corresponding period in 2014, with 2015Q3 recording

TABLE A.3 Loans to domestic households ^{(1),(2)}

	Outstanding balance as % of total ⁽³⁾	Annual percentage change					
		2014 June	2014 Sep.	2014 Dec.	2015 Mar.	2015 June	2015 Sep.
Domestic households	100,0	-3,6	-2,6	-1,9	-1,5	-1,0	-0,5
1. Consumer credit	13,1	-8,3	-5,7	-3,7	-2,5	-1,7	-0,7
2. Lending for house purchase	54,0	-4,2	-3,2	-2,5	-2,2	-1,8	-1,6
3. Other lending	32,9	-0,6	-0,3	-0,3	0,1	0,5	1,3

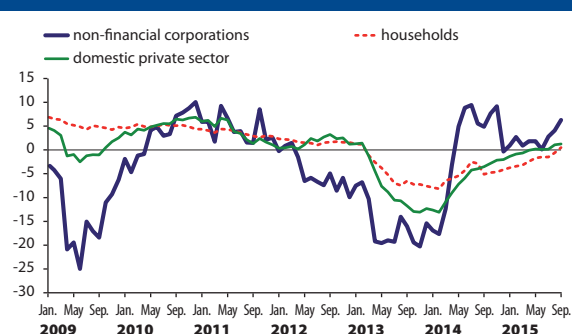
Source: CBC.

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



Source: CBC.

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

	Outstanding balance as % of total ⁽³⁾	Annual percentage change					
		2014 June	2014 Sep.	2014 Dec.	2015 Mar.	2015 June	2015 Sep.
Domestic households	100,0	-4,3	-5,1	-4,1	-3,2	-1,5	0,5
Overnight	20,9	17,6	3,8	0,7	-1,8	3,1	8,2
With agreed maturity	73,7	-8,6	-5,6	-3,7	-1,5	-0,8	-0,1
up to 2 years	70,8	-8,2	-4,9	-2,9	-0,6	0,1	0,7
over 2 years	2,8	-15,1	-18,7	-18,3	-19,6	-17,3	-17,0
Redeemable at notice	5,5	-7,2	-20,7	-20,9	-23,9	-22,3	-15,5
up to 3 months	4,0	-6,1	-11,9	-18,5	-19,6	-18,3	-11,0
over 3 months	1,4	-9,8	-35,7	-26,3	-33,0	-31,2	-25,9

Source: CBC.

(1) Sectoral classification is based on ESA 2010.

(2) Including non-profit institutions serving households.

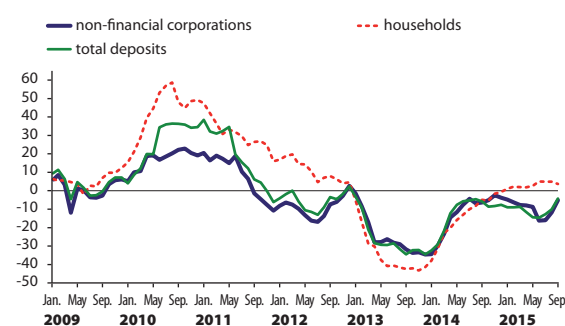
(3) As at the end of the last month available. Figures may not add up due to rounding.

historical low lending rates. This development followed the revised decision of the CBC (February 2015) aimed at reducing the maximum deposit interest rate⁶ with effect as of March 2015. As a result, the gap with the corresponding rates in the euro area narrowed considerably at the end of 2015Q3 compared with the beginning of the year and with the corresponding period of last year. Hence, domestic lending rates are no longer the highest in the euro area. Indicatively, in September 2015, the spread between the equivalent domestic and euro area rates for housing loans and NFCs loans reached 129 and 172 basis points, respectively (Chart A.14 and A.15).

More analytically, at the domestic level, the average interest rate on new euro denominated loans from Cypriot MFIs to euro area households with an initial rate fixation of up to one year to euro area NFCs, decreased significantly during 2015Q3 compared with the beginning of 2015 and especially with the same period last year. For instance, in September 2015 the average interest rate on housing loans to households reached 3,36%, recording a decline of 109 basis points from February 2015 (Table A.5, p. 23). For the same period, the average rate on new loans to NFCs of up to €1 million stood at 4,51%, registering a reduction of 124 basis points from February 2015 (Table A.6, p. 23). It should be noted that new business lending rates also include the level of interest charged by banks on restructured performing loans to households and NFCs.

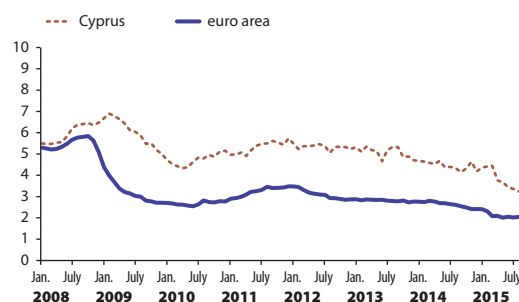
The targeted reduction of the existing level of NPLs, the continued intensification of the restructuring of loans as well as the continuation of the successful implementation of the MoU are factors that are expected to contribute, *inter alia*, to a further reduction in domestic lending rates in the near future.

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



Source: CBC.

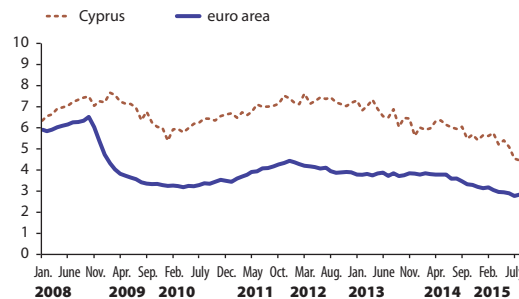
CHART A.14 MFI interest rates on euro-denominated housing loans (new business) to euro area households⁽¹⁾ (% per annum, period averages)



Source: SDW (ECB).

(1) With floating rate and up to 1 year initial rate fixation.

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)



Source: SDW (ECB).

(1) With floating rate and up to 1 year initial rate fixation.

6. For more details see *Economic Bulletin*, June 2015.

In the first nine months of 2015, deposit rates offered by Cyprus MFIs to households and NFCs (Table A.7, p. 24) recorded, on average, significant reductions compared with the corresponding period of 2014, mainly on the back of the revised decision of the CBC⁷ (February 2015). As a result, during 2015Q3 domestic deposits rates stood at historically low levels. Indicatively, in September 2015, the average interest rate on new deposits for households with an agreed maturity of up to one year decreased to 1,52%, while the corresponding rate for NFCs for the same reference period stood at 1,57%.

In addition, as shown in Charts A.16 (p. 24) and A.17 (p. 25), the difference between deposit interest rates in Cyprus and the respective euro area rates has narrowed since the beginning of the year. As a consequence, in September 2015, the spread between the equivalent rates on households and NFCs was contained to 85 and 132 basis points, respectively.

Summing up, the significant decrease in lending rates for both households and NFCs, which has been recorded since March 2015, is considered a key factor for the recovery of the domestic financial system. Specifically, this is expected to contribute, *inter alia*, to the intensification of the restructuring of loans and the management of NPLs, accelerate the deleveraging efforts of the already highly leveraged PNFS as well as support investment growth and aid in the recovery of economic activity through low-interest bearing credit.

Labour Costs

Despite the modest recovery in economic activity, labour costs recorded a further decrease during the first half of 2015 compared with the corresponding period of 2014. The year-

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

		Floating rate and up to 1 year initial rate fixation			
		Lending for			
		Bank overdrafts ⁽²⁾	Consumer Credit	house purchase	Other lending
2014	June	6,94	5,74	4,40	4,51
	July	6,90	5,50	4,34	5,15
	Aug.	6,84	5,66	4,15	4,17
	Sep.	6,80	5,59	4,31	4,01
	Oct.	6,79	5,72	4,63	5,01
	Nov.	6,77	5,30	4,19	4,29
	Dec.	6,76	5,67	4,36	4,70
2015	Jan.	6,77	5,46	4,41	3,49
	Feb.	6,73	5,35	4,45	3,30
	Mar.	5,58	4,69	3,76	4,32
	Apr.	5,77	4,84	3,68	5,14
	May	5,84	4,37	3,44	4,52
	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

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)

		Floating rate and up to 1 year initial rate fixation		
		Bank overdrafts ⁽¹⁾	Other loans up to € 1 million	Other loans over € 1 million
2014	June	6,29	6,02	5,50
	July	6,49	5,95	4,99
	Aug.	6,37	6,05	5,37
	Sep.	6,34	5,48	5,21
	Oct.	6,31	5,67	4,92
	Nov.	6,30	5,42	5,63
	Dec.	6,34	5,64	6,61
2015	Jan.	6,32	5,61	5,22
	Feb.	6,25	5,75	5,04
	Mar.	5,54	5,21	4,28
	Apr.	5,55	5,40	3,80
	May	5,53	5,09	4,31
	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

Source: CBC.

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

7. See footnote 4, p. 18.

on-year growth rate of compensation per employee reached -1% over the first six months of 2015, compared with -5% over the first six months of 2014 (**Chart A.18, p. 25**). More specifically, public and private sector compensation per employee recorded a decline of 1% and 0,9%, respectively. The former is mainly the result of the change in the composition of the public sector workforce. More specifically, there was a decrease in the number of highly-paid employees which affected the average salary and gratuity. In the case of the private sector, the decline is due to general reductions. As regards the sectoral breakdown, reductions were recorded in all sectors. In the tertiary sector, which consists entirely of services and accounts for 83% of total employment, compensation per employee declined by 1% over the first half of 2015, compared with a decline of 5,9% over the corresponding period of the previous year (**Chart A.18, p. 25**).

Real compensation per employee recorded a marginal increase of 0,4% over the first half of 2015, compared with a decrease of 3,4% over the corresponding period of the previous year. This reflects the reduction in nominal compensation per employee but also the relatively larger price decreases. Productivity, which is calculated as the change in real GDP per person employed, recorded a year-on-year increase of 0,6% over the first half of 2015, compared with an increase of 0,1% over the first half of 2014 (**Chart A.19, p. 25**).

Unit labour costs, determined by the reduction in nominal compensation per employee and productivity change, dropped by 1,6% over the first half of 2015 compared with a decrease of 5,2% over the corresponding period of 2014 (**Chart A.20, p. 26**). This strengthened the recovery progress and conse-

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

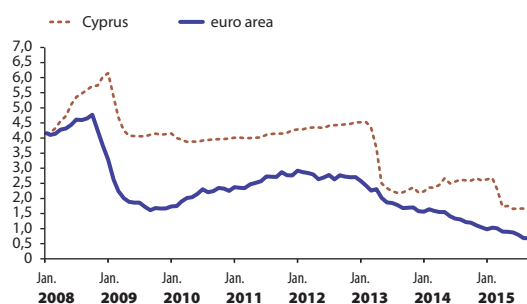
		Households ⁽¹⁾			Non-financial corporations	
		With agreed maturity			With agreed maturity	
		Overnight ⁽²⁾	Up to 1 year	Over 1 and up to 2 years	Overnight ⁽²⁾	Up to 1 year
2014	June	0,52	2,56	3,29	0,37	2,39
	July	0,49	2,62	3,21	0,38	2,66
	Aug.	0,50	2,60	3,13	0,37	2,58
	Sep.	0,49	2,59	3,03	0,36	2,53
	Oct.	0,48	2,67	3,05	0,34	2,49
	Nov.	0,48	2,59	3,10	0,36	2,53
	Dec.	0,47	2,63	3,17	0,31	2,54
2015	Jan.	0,46	2,67	3,08	0,32	2,57
	Feb.	0,45	2,30	1,40	0,35	2,27
	Mar.	0,41	1,73	1,95	0,31	1,57
	Apr.	0,31	1,75	2,10	0,24	1,72
	May	0,23	1,65	2,16	0,23	1,63
	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

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)



Sources: SDW, CBC.

(1) With agreed maturity up to 1 year.

quently improved the productivity and competitiveness of the Cypriot economy. In contrast, unit labour costs in the euro area recorded an increase of 0,9% over the first six months of 2015, compared with an increase of 1% over 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. Therefore, it is important for an economy in the medium and long term to maintain such costs low so as to improve competitiveness and employment opportunities.

3. Domestic Competitiveness and the Balance of Payments

Effective exchange rate

Chart A.21 (p. 26) shows the effective exchange rate (EER) of the euro in Cyprus, the nominal (NEER) and real (REER) index of EER, as calculated by the International Monetary Fund (IMF)⁸. Both indices record a depreciating trend, despite a slight appreciation recorded in May and June 2015. In general, the path followed by the REER index was in line with the trend followed by the euro. This mainly reflected domestic developments, notably the negative inflation recorded in 2015, which was lower compared to all our euro area partners.

The REER, the inflation rate and unit labour costs are important measures of the competitiveness of the Cypriot economy. For example, higher unit labour costs and higher REER in Cyprus compared to competing countries suggest that domestic exports will be less competitive with regards to price. In general, inflation is related to, among other factors,

8. The effective exchange rate index of the euro in Cyprus in real terms (REER) is calculated by taking into account trade relations between Cyprus and its 19 main partners (countries).

CHART A.17 MFI interest rates on euro-denominated deposits (new business) by euro area non-financial corporations⁽¹⁾

(% per annum, period averages)

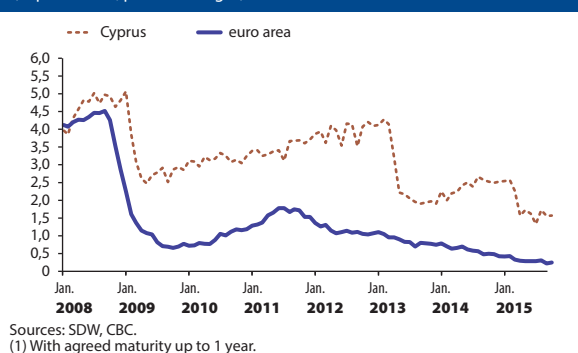


CHART A.18 Nominal compensation per employee by sector

(annual change, %)

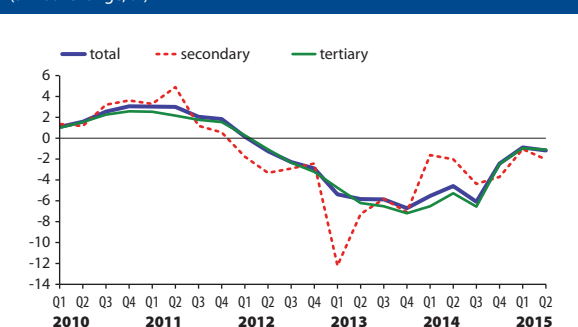
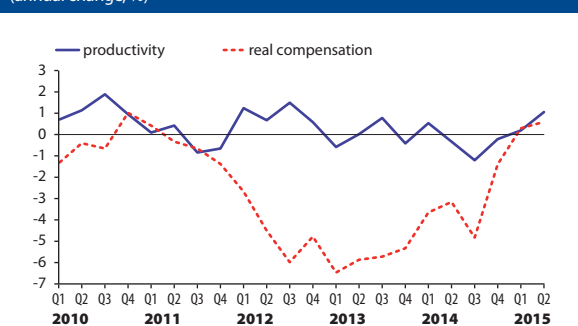


CHART A.19 Productivity and real compensation per employee

(annual change, %)



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 in both the public and private sectors have reduced unit labour costs in the whole economy, while the depreciating trend of the euro is helping to improve competitiveness of Cyprus as well as the recovery of the economy, in the medium term. One of the sectors that seems to be significantly affected both by the reduction in unit labour costs as well as by the depreciating trend of the euro is tourism (see Tourism, p. 28).

Balance of payments

The reporting of external trade statistics has been substantially altered in light of new methodological and statistical changes⁹. These statistics, especially for exports and imports of goods, are not solely representative of developments in the domestic economy due to the inclusion of the economic transfer of mobile transport equipment by ship-owning special purpose entities (SPEs) registered in Cyprus, since these transactions do not affect nor are affected by domestic developments.

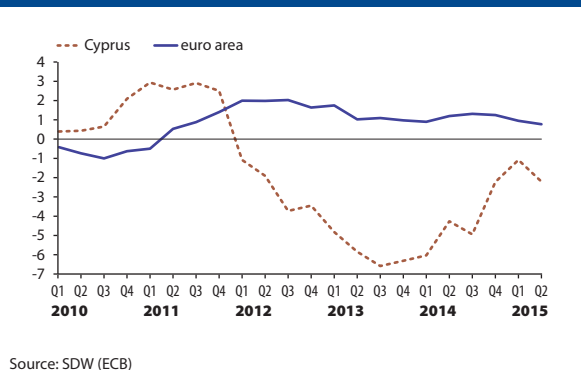
The current account (CA) for the first half of 2015 recorded a deficit of €752,9 million compared with a deficit of €444,5 million in the first half of 2014 (Table A.8, p. 27). However, excluding the transactions of ships, the CA deficit recorded only a marginal deterioration in the first half of 2015 compared with the first half of 2014.

More analytically, the trade deficit worsened, reaching €1.500,2 million in the first half of 2015 compared with a deficit of €1.099,3

9. With the introduction of the ESA 2010 and BPM 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. 51 of the December 2014 *Economic Bulletin*.

CHART A.20 Unit labour costs: Cyprus and the euro area

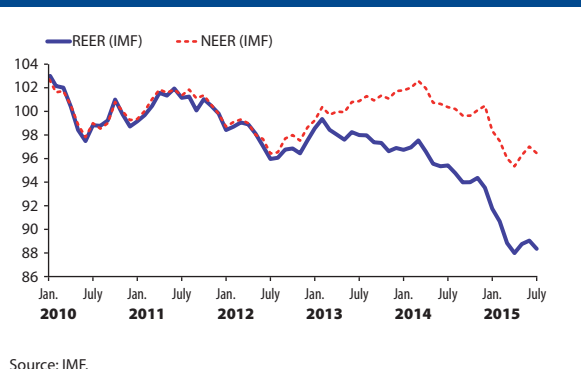
(annual change, %)



Source: SDW (ECB)

CHART A.21 Real and nominal effective exchange rates (IMF weights)

(Base year 2010=100)



Source: IMF.

million in the first half of 2014 (Table A.8). The worsening of the deficit was due to the increase in imports of goods and the reduction in exports of goods. Excluding the transactions of ships, imports of goods decreased marginally, while exports of goods fell by a greater extent mainly due to reductions in re-exports compared with the first half of 2014. As a result, the trade deficit excluding the transactions of ships, increased by much less in the period under review relative to the figures that include the transactions of ships. As far as merchanting is concerned, revenue in the first half of the year reached €111,4 million compared with €143,2 million in the corresponding period of 2014.

The surplus of the services account recorded a moderate decrease in the first half of 2015 compared with the first half of 2014. This can be attributed to the increase in imports of services, which was partly offset by the increase in exports of services.

Exports of services increased by 3,1% (€105,1 million) in the first half of 2015. Large increases were observed in important categories reflecting the recovery of confidence in the Cypriot banking system and the sustained confidence in the quality of domestic services. Specifically, an increase of 15,5% (€120,1 million) and 116,8% (€58,4 million) was recorded in the categories of financial services and other business services, respectively. The sub-category of professional and management consulting services (including income from legal and accounting services) increased by 172,0% (€58,1 million). Income from travelling, which includes revenues from tourism and transport services, decreased in the first half of the year by 5,9% (€48,9 million) and 4,8% (€54,9 million), respectively. However, available data on tourism up to Q3

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

	Jan.-June 2014	Jan.-June 2015	Change
Current account balance	-444,5	-752,9	-308,4
Goods and services balance	128,5	-343,8	-472,3
Trade balance	-1.099,3	-1.500,2	-400,9
Exports of goods	1.602,7	1.405,8	-196,9
Imports of goods	2.702,0	2.906,0	204,0
Services balance	1.227,8	1.156,4	-71,4
Exports of services	3.364,1	3.469,2	105,1
<i>of which:</i>			
Transport	1.137,8	1.082,9	-54,9
Travel	829,2	780,3	-48,9
Insurance and pension services	8,2	18,8	10,6
Financial services	776,0	896,1	120,1
Telecommunications, computer and information services	488,1	517,1	29,0
Other business services	50,0	108,4	58,4
Imports of services	2.136,3	2.312,8	176,5
<i>of which:</i>			
Transport	624,4	624,0	-0,4
Travel	414,3	434,8	20,5
Insurance and pension services	64,9	66,6	1,7
Financial services	331,7	468,8	137,1
Telecommunications, computer and information services	406,4	360,5	-45,9
Other business services	198,0	244,0	46,0
Primary income (net)	-352,4	-182,9	169,5
Secondary income (net)	-220,5	-226,3	-5,8

Source: CBC.

indicate that the total receipts for 2015 will increase significantly.

Imports of services recorded a significant increase of 8,3% (€176,5 million), reflecting increases in most categories, with the largest being observed in financial services (41,3% €137 million) and other business services (23,2% €46 million), while travel spending rose by 4,9% (€20,5 million). A decrease of 11,3% (€45,9 million) was recorded in the category of telecommunications, computer and information services.

In the primary income account (which mainly includes income from employment and investment) a significant improvement was recorded, due to the increase in revenues and reduction of expenses from foreign direct investment. The deficit of the secondary income account (which mainly includes current transfers) recorded a slight deterioration primarily due to the increase in government contributions to European Funds.

The financing of the current account deficit in the first half of 2015, was due to liquidations of securities by the banking sector and to the issuance of government bonds.

Tourism

The tourism sector proved to be one of the most important pillars of the Cypriot economy, both during the financial crisis as well as during the period of economic recovery. 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, the first nine months of 2015 recorded an increase in tourist arrivals of 7,4% while revenues from tourism

in the first eight months of the year recorded an increase of 0,5%. As a consequence, the per capita expenditure of tourists during the first eight months of 2015 recorded a decrease of 5,4% (Table A.9 and Chart A.22). This was despite the 1,8% increase in daily per capita expenditure and is attributed to the decrease in the average length of stay i.e, from 10,6 to 9,9 days. The trend in tourist arrivals in 2015 is so far very encouraging, especially during the summer months, as significant increases have been recorded compared with the corresponding summer months of 2014. Specifically, arrivals increased by 18,7% from the UK in the first nine months of 2015, by 53,5% from Israel and by 17,9% from Lebanon while significant increases in the number of tourists from other mainly European countries were also recorded. A significant decrease of 19,2% was recorded in arrivals from Russia, the second largest country of origin. However, this reduction was offset by an increase in arrivals from other countries. In general, the course of tourism appears very encouraging and it is expected that the year will end with highly positive growth rates in both arrivals and revenue, especially after the dissipation of the negative base effect related to the large decrease of tourists from Russia in the summer of 2015.

4. Domestic Demand, Production and the Labour Market

Quarterly National Accounts

The Cyprus economy registered a significant year-on-year growth of 0,7% over the first half of 2015 compared with a contraction of 2,5% over the corresponding period of 2014, thus pointing to the onset of the economic recovery. According to analytical data for the first

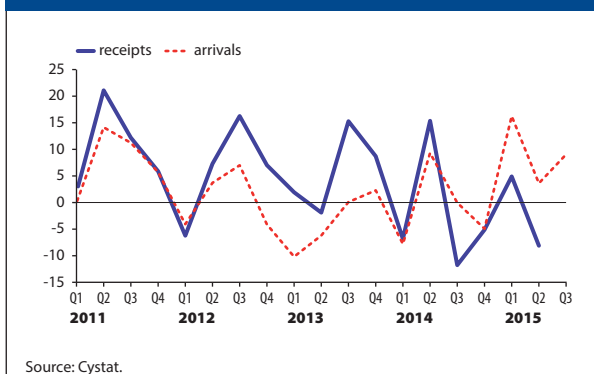
TABLE A.9 Tourism

	Tourist arrivals (thous.)	Tourist receipts (€ million)	Expenditure per person (€)
2013 ⁽¹⁾	2.405,4	2.082,4	865,7
2014	2.441,2	2.023,4	828,9
annual % change	1,5	-2,8	-4,3
2014 Jan.- Aug.	1.734,9	1.424,2	820,9
2015 Jan.- Aug.	1.842,7	1.431,5	776,8
annual % change	6,2	0,5	-5,4
2014 Jan.- Sep.	2.051,5	-	-
2015 Jan.- Sep.	2.203,6	-	-
annual % change	7,4	-	-

Source: Cystat.

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

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



Source: Cystat.

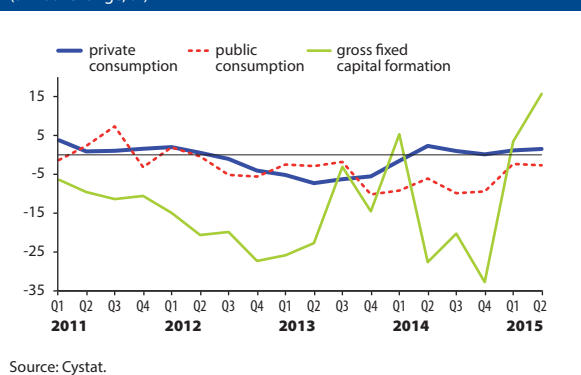
half of 2015 (Charts A.23 (a) and A.23 (b)), GDP growth is being driven by the improvement in private consumption, due to the stabilisation in the economic environment and the recovery of confidence, as well as the increase in gross fixed capital formation¹⁰. Public consumption and exports of goods and services registered year-on-year reductions. As regards the sectoral breakdown, the sectors of retail and wholesale trade, financial intermediation, professional, scientific and technical activities recorded positive growth rates.

Based on recent preliminary data, annual GDP growth of 2,3% was recorded in 2015Q3. This improvement was mainly due to positive growth observed in manufacturing, retail and wholesale trade, hotels and restaurants, transport, professional, scientific and technical activities, administrative and support activities as well as financial intermediation.

Recent economic indicators show the steady recovery path of domestic demand as captured in the overall GDP figures for the first nine months of the year. Specifically, the Economic Sentiment Indicator (ESI) (Table A.10) rose to 107,5 in October 2015, reaching the highest point in recent years. The turnover index of retail trade (Chart A.24, p. 31) recorded a significant improvement in the first eight months of the year, while notable rises were observed in the sub-indices of services, with the indicators relating to consulting and professional services recording the most substantial increases. The same recovery path is evident in revenues collected from indirect taxation, registering an improvement over the first nine months of 2015. At the same time, a significant improvement was observed over the first nine months of 2015 in credit cardholders' spending in Cyprus,

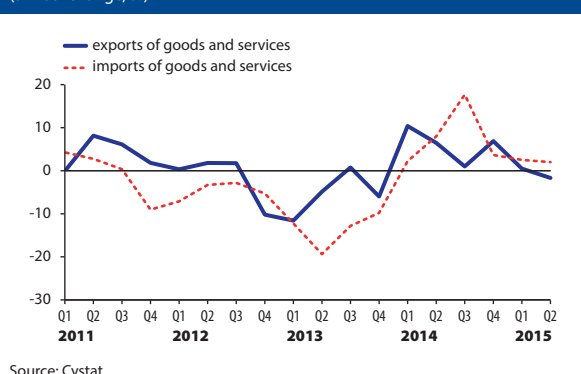
10. With the introduction of statistical methods ESA2010 and BPM6, gross fixed capital formation includes transfer of economic ownership, mobile transport equipment and operations of ship owning companies.

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.

TABLE A.10 Business and consumer surveys: confidence indicators

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

	2014 Dec.	2015 Mar.	2015 June	2015 Sep.	2015 Oct.
ESI	103,2	102,6	104,1	104,6	107,5
Industry	-11	-8	-6	-9	-5
Services	11	12	7	11	10
Consumer	-20	-32	-20	-13	-9
Retail trade	-11	-12	-11	-9	-11
Construction	-50	-44	-45	-38	-43

Source: European Commission.
Note: Seasonally adjusted data.

excluding the categories of government and oil, registering a year-on-year increase of 1,7%. Foreign credit cardholders' spending in Cyprus recorded a year-on-year increase of 8,3% (**Chart A.25**). Also, motor vehicle registrations continued their upward trend, recording an annual increase of 11,6% over the first eight months of 2015 (**Chart A.26**).

A significant recovery was also recorded in the tourism sector with very significant increases both in terms of arrivals and receipts, especially during the summer months. The improved performance of the tourism sector followed the successful efforts of the Cyprus Tourism Organisation (CTO) to penetrate into new markets (after the Russian crisis) and to address the reduced level of arrivals in the second half of 2014.

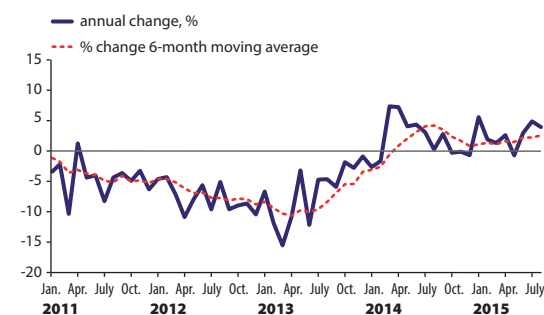
At the same time, lending to the domestic private sector exhibited a slight recovery up to September 2015 as a result of the granting of new loans by banking institutions. It is noted that new lending remains limited mainly due to the continued efforts of both private and banking sectors to deleverage and correct their balance sheets.

However, the index of production in the construction sector continues to fluctuate at very low levels despite the fact that other indicators have started to point to some preliminary signs of stabilisation in the sector. The law related to the issuance of Cypriot passports to foreign nationals who invest in Cyprus is expected to give a significant boost to the recovery of the real estate sector.

Real Estate Market

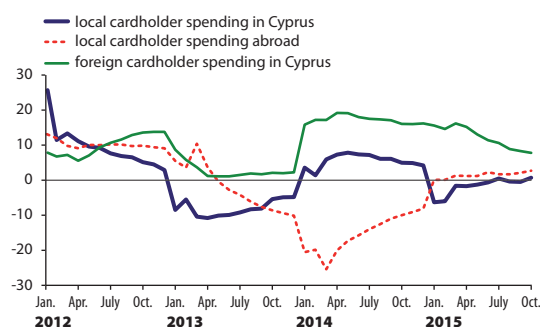
Positive developments have recently been observed in the real estate market after a prolonged period of recession, supporting the

CHART A.24 Retail sales (excluding motor vehicles)



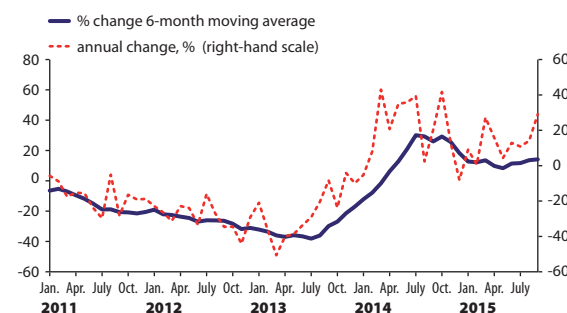
Source: Cystat.

CHART A.25 Credit card spending
(cumulative annual % change from January)



Source: JCC Payments System Ltd.

CHART A.26 Registration of motor vehicles



Source: Cystat.

view that the sector has started to stabilise. Construction activity in Cyprus exhibited signs of stabilisation, while the demand for properties has shown signs of an increasing trend.

Construction activity, as measured by the index of production in construction published by Cystat, exhibited signs of stabilisation, although it continued to stand at low levels. Specifically, it recorded an average of 40 in the first half of 2015, compared with an average of 44 in the first half of 2014. This index also recorded a smaller year-on-year decrease in 2015Q2 (4%), compared with previous quarters, supporting the view of stabilisation in the sector. In addition, local sales of cement (Table A.11) recorded a year-on-year increase for a second consecutive quarter (2015Q3 6,8%, 2015Q2 0,1%). The increasing trend in local sales of cement continued in October 2015 as well, recording a year-on-year increase of 2,7%. At the same time, the reduction in oil prices along with the low construction activity led to a decrease in the price of construction materials. Specifically, the price index of construction materials, which is published by Cystat, recorded a year-on-year decrease of 3,2% during 2015Q3.

As regards demand for properties, there was an increase from both local and foreign buyers (Table A.11). In addition, the reduction in interest rates on mortgages and the unchanged criteria for housing loans, as recorded in the CBC's Bank Lending Survey (Chart A.27), are expected to contribute to a further increase in demand for housing loans.

As a result of the increased demand for properties and the small growth of the Cypriot economy, residential property prices appear to have stabilised. Specifically, according to the CBC's residential property price index (houses and apartments), during

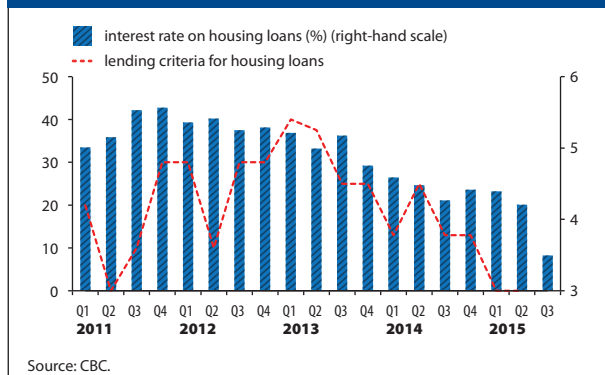
TABLE A.11 Real estate sector

(annual change, %, unless otherwise stated)

	Jan.-Oct. 2014	Jan.-Oct. 2015	Oct. 2014	Sep. 2015	Oct. 2015
Local sales of cement	-17,1	-1,3	-12,0	3,6	2,7
Sales contracts (total)	23,7	7,8	21,0	3,2	23,5
Sales contracts (locals)	23,5	8,0	7,9	-1,9	36,4
Sales contracts (foreigners)	24,1	7,3	64,8	15,9	-5,1
Building sentiment indicator (average of index)	-49,6	-44,1	-52,2	-38,3	-42,5
Property price expectations for the next 3 months (average of index)	-28,7	-22,0	-24,5	-18,8	-16,7
Price index of construction materials (Period: Jan - Sept 2014 and 2015)	1,5	-2,4	-0,1	-2,9	n/a

Sources: Cystat, DLS, European Commission.

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



Source: CBC.

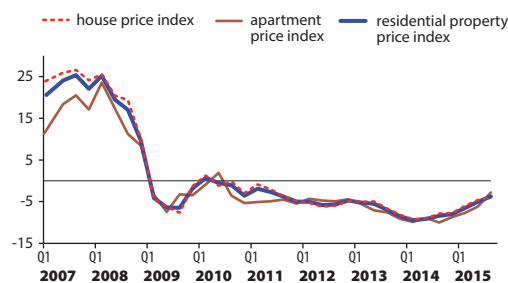
2015Q2 and 2015Q3 prices recorded marginal quarterly declines of 0,4% and 0,3%, respectively (**Chart A.28**).

Evidence related to the prospects of the construction sector indicate a stable path in the short term. The number of authorised building permits recorded a marginal annual decrease of 0,6% in the first eight months of 2015, while the building sentiment indicator, which is published in the Business and Consumer Surveys of the European Commission, stood at -42,5 in October 2015, compared with -52,2 in October 2014. A less negative picture is also shown by the index of property price expectations for the next three months, which stood at -16,7 in October 2015 compared with -24,5 in October 2014. The index of the intention to purchase or build a house in the next 12 months was also less negative, reaching -89,9 in 2015Q3 compared with -92,8 in 2014Q3.

Labour Market

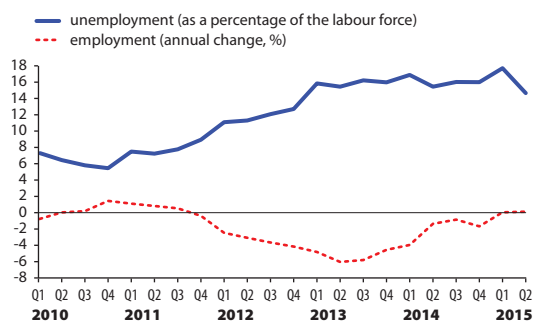
In line with the economic recovery observed in the first half of 2015, employment recorded an annual increase of 0,1% compared with a decrease of 2,7% in the corresponding period of last year (**Chart A.29**). Total working hours registered an annual decrease of 0,1% over the first six months of 2015, compared with a decrease of 3,4% in the first six months of 2014. Therefore, hours worked per employee declined by 0,2% over the first half of 2015 compared with a 0,5% decrease over the first half of 2014. In line with the marginal increase in employment, unemployment as a percentage of the labour force reached 16,2% over the period under review, according to data from the Labour Force Survey (LFS) (**Chart A.29**). It should be noted that the unemploy-

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



Source: CBC.

CHART A.29 Unemployment and employment



Source: Cystat (LFS).

Box 1: Wage and price setting practices of Cypriot companies during the period 2010-2013 (WDN third wave)

The Wage Dynamics Network (WDN) is a research network consisting of economists from the ECB and the national central banks (NCBs) of the EU, which studies via the use of surveys the features and sources of wage and labour cost dynamics. These variables are relevant for monetary policy as they directly affect inflation. The work of the network is intended to contribute to a better understanding of the monetary transmission mechanism, especially in euro area member states. The third wave of WDN (henceforth WDN3) carries on from the previous wave conducted in 2009, again via the use of a harmonised questionnaire across a large number of EU NCBs, covering the period 2010-2013. For Cyprus, this period is particularly important since it includes the year in which the crisis peaked.

The Cypriot survey net sample consists of 182 companies with a response rate close to 11% covering companies with three or more employees in nine sectoral groupings¹. The random sample was selected from the Business Register of the Cyprus Statistical Service, which was updated in the summer of 2014. The survey was conducted between December 2014 and March 2015.

Companies were asked to respond on the impact on their activities, caused by various demand and finance shocks related to the economic environment during the period 2010-2013. As a consequence of th-

ese shocks, a significant proportion of companies initially proceeded with price cuts, which were subsequently followed by labour cost reduction strategies and wage-setting changes.

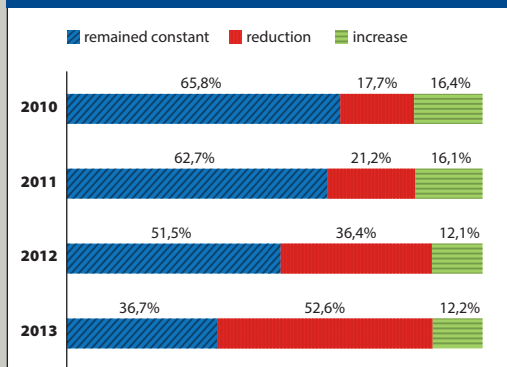
Changes in the level of demand, the volatility / uncertainty of demand and the ability of customers to pay and meet their contractual obligations were some of the most important negative shocks that affected Cypriot enterprises. Furthermore, the survey revealed that there has been a structural shift in demand from small size firms to larger ones. As expected, the construction sector bore the brunt of the negative impact compared to other sectors across all types of shocks. Assessing the perception of firms as regards the duration of the shocks that affected them strongly, only a few firms consider these to be transitory and most of them consider the shocks to have a medium- to long-term effect. Regarding financing costs, these appeared to be the most difficult to reduce and they were also considered as having the most long-lasting impact.

Contrary to what was expected, the survey revealed that financial constraints, such as availability of credit to finance working capital, new investment or debt restructuring, were not important for 40% of the respondents, mainly large firms. This unexpected result may be explained by the fact that the questionnaire relates to the availability of all kinds of credit, not only bank credit. As such, it might be the case that adverse financial conditions for some firms (in particular larger firms), were probably not relevant due to the availability of funds from other sources, for in-

1. NACE Rev 2. Sectors: manufacturing (sector C), construction (sector F), market services (sectors H,I,J), financial intermediation (sector K) and business services (sectors L,M,N).

CHART 1 Companies that changed the prices of their main product / service

(%)

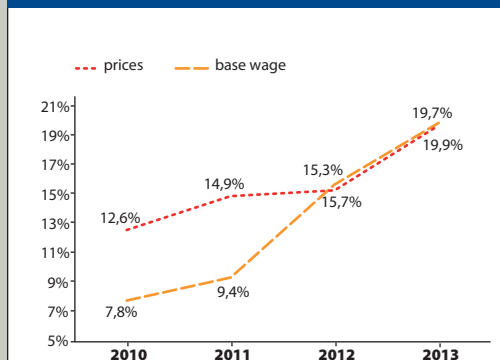


Source: CBC.

Note: Figures in 2013 add up to more than 100% as some companies implemented a dual pricing policy regime, which was reflected in their responses.

CHART 2 Average reduction of base wage and prices of main product / service

(%)



Source: CBC.

stance revenues emanating from the shift in demand from small to larger firms, as indicated by the survey. On the contrary, some large firms were possibly granted new lending but with limitations. In addition, the aforementioned percentage most likely includes firms that did not seek to take out a loan in case their firm specific circumstances allowed it. This view is supported by the results of the CBC Bank Lending Survey (BLS) covering the period under review, which point to both tight credit conditions and low demand. Financing constraints were most relevant for micro and very small businesses (3-4 and 5-19 employees, respectively) in the construction and business services sectors.

An increase was recorded in the number of firms which reduced prices during the period 2010-2013, with the share of respondent firms reducing prices increasing significantly from 17,7% in 2010 to 52,6% in 2013, a result which is reflected in inflation developments (**Chart 1**). Alongside the in-

crease in the number of firms proceeding with price reductions, an increase in the size of the average price reduction was recorded as well, from 12,6% in 2010 to 19,7% in 2013 (**Chart 2**). Further analysis in terms of firm size, indicates that very small firms reduced prices by a greater extent than larger firms in order to remain competitive.

A significant proportion of firms reported that they decreased total costs (46,8% of respondents), mainly via wage setting changes and partly through layoffs. Additionally, the former method of adjustment was more widely used by smaller firms in order to remain competitive. According to national accounts data covering the above-mentioned period, the average wage decreased overall by 5,2%. Firms also achieved labour cost savings by changing their labour force composition. In comparison with the second wave, the results of WDN3 point to a shift from higher skilled to lower skilled workers.

In terms of the sub-components of the

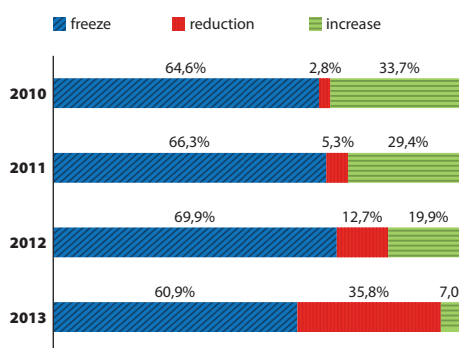
labour cost reduction, the most important declines were recorded in base wages, flexible wage components and number of permanent employees. The decrease in the workforce is evident from the decline in the average company size (the issue of survival bias² should be noted) from about 22 employees in 2010 to 19 in 2013, as per WDN3 results. In terms of nationality, WDN3 data point to the exodus of EU nationals from the Cypriot labour market, a finding that is consistent with LFS data.

Focusing on base wages as a mechanism for curbing total costs, there has been a significant increase in the number of companies cutting base wages from 2,8% in 2010 to 35,8% in 2013. At the same time, there has been a significant decrease in the number of companies granting wage increases from 33,7% in 2010 to 7% in 2013. Additionally, other than the increase in the number of companies cutting wages, there has been an increase in the percentage of workers affected by this policy from 62,6% in 2010 to 84% in 2013. It should also be noted that among those companies that have pursued a policy of freezing wages (60,9% of respondents in 2013), this policy has been applied almost universally to all workers (**Chart 3**). The rapid adjustment of wages in response to the contraction in demand is in line with the observed declines in prices over the abovementioned period. Companies initially responded by cutting prices more than wages (at least until 2011). As from 2012, given the challenging economic environment, firms increased the average wage reduction, broadly matching the cut in prices.

Overall, the WDN3 micro data corroborate

CHART 3 Companies that changed their base wage

(%)



Source: CBC.

Note: Figures for 2011, 2012 and 2013 add up to more than 100% as some companies implemented multiple wage setting policies in a given year, as reflected in their responses.

rate national accounts data, which show that cost adjustments during the period under consideration took place through both wages and employment.

To sum up, the key findings of the survey are as follows: First, the main shock to firms' activity related to changes in the level and volatility of demand. As a response to the crisis, firms proceeded with various labour cost reduction strategies. Second, over the period 2010-2013, there was a shift in demand from smaller to larger firms, despite the fact that, on average, small firms responded by decreasing prices more than larger firms. Third, the negative impact due to financing conditions appeared relatively limited over the entire sample. However, financial constraints proved important for smaller firms in the construction and market services sectors. Finally, it emerges that, in general, companies initially responded by cutting prices more than wages. In 2012 they increased the average wage cut, broadly matching the

2. Survival bias relates to the fact that companies which have ceased to trade are not included in the surveys, hence skewing results.

cut in prices. During the period 2010-2013, there was an increase in the number of companies implementing both wage and price reductions as well as in the magnitude of the average wage and price cuts.

The WDN3 results demonstrate both the difficulties faced by Cypriot companies as well as their flexibility in responding to shocks, via cuts in wages and prices. This rapid adjustment to shocks assisted businesses in terms of financing their activities via their own funds in order to minimise any financial constraints. Thus, the speedy and profound adjustment of both wages and prices via this process of internal devaluation helped, at least partially towards the correction of macroeconomic imbalances, despite the immediate social cost. Thus, the Cypriot economy was able to adapt to the unprecedented decisions of the Eurogroup in March 2013, namely the restructuring and substantial downsizing of the banking sector and the extensive bail-in of uninsured depositors.

ment rate registered a significant drop in 2015Q2 reaching 14,7%, compared with 17,7% in 2015Q1. While the unemployment path can partly be attributed to seasonal factors, it is also an indication of the correction in the labour market due to an increase in economic activity. At the same time, registered unemployment data confirm the correction observed in the labour market.

The most recent data published by Cystat available up to October 2015 shows a significant drop in registered unemployment. Specifically, the registered unemployed in October 2015 (Chart A.30) recorded a year-on-year decrease of 10,4% compared with the corresponding month of 2014 (from 41.300 people to 37.000 people). Regarding the breakdown between Cypriots and non-Cypriots, registered unemployment of Cypriots fell by 11,9% (3.968 people) in October 2015, while registered unemployment of non-Cypriots fell by 4,4% (350 people). In periods of economic crisis with sustained high levels of unemployment, it is important to monitor the duration of unemployment as well (Chart A.31). According to LFS data, the unemployment rate with a maturity of equal or greater to six months shows signs of deceleration from the historically high rate of 11,1% recorded in 2014Q1, reaching 9,7% in 2015Q2 and 10,5% in 2015Q1. According to the latest registered unemployment figures from Cystat, the number of registered unemployed with a duration of six months and over decreased by 834 people in October 2015 compared with the corresponding month of the previous year.

5. Domestic Fiscal Developments and Prospects

The general government budget deficit as a

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

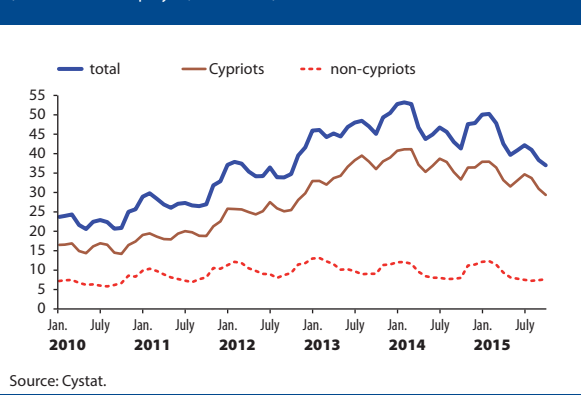
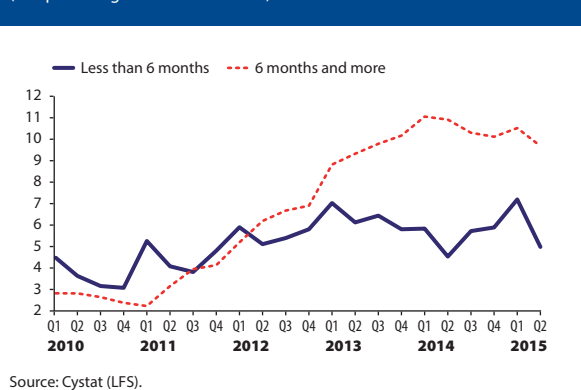


CHART A.31 Unemployment by duration
(as a percentage of the labour force)



percentage of GDP reached 0,3% in 2014 (Chart A.32), excluding the inclusion of the recapitalisation of the Cooperative Central Bank (CCB) amounting to €1,5 billion or 8,6% of GDP. As regards the first nine months of 2015, the strong fiscal performance continues to exceed expectations, as general government accounts registered a budget surplus of 0,6% of GDP compared with a surplus of 1,2% 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 2015, compared with a surplus of 3,3% over the corresponding period of the previous year.

In terms of public revenue, the annual drop of 2,2% (Chart A.33 and Table 12, p. 40) during the first nine months of the year was mainly owing to the decline in the category “Current taxes on income, wealth etc” by 6,9% (€86,5 million). This was primarily due to the extension of the deadline for the payment of the immovable property tax until 30 November. Therefore, this revenue is expected to be collected in 2015Q4. As regards developments in public expenditure for the period January – September 2015 (Chart A.33 and Table 12, p. 40), no change compared with the corresponding period of the previous year was recorded, despite the fluctuations registered in the different sub-categories. More specifically, “Other current expenditure” registered an increase of 20,6% (€52,1 million) due to the increase in Cyprus’s contribution to the EU budget, while social transfers declined by 2,2% (€40,2 million), due to lower spending on unemployment benefits and redundancy payments, resulting from the improvement in the labour market.

The general government consolidated gross debt-to-GDP ratio reached 108,2% in

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

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

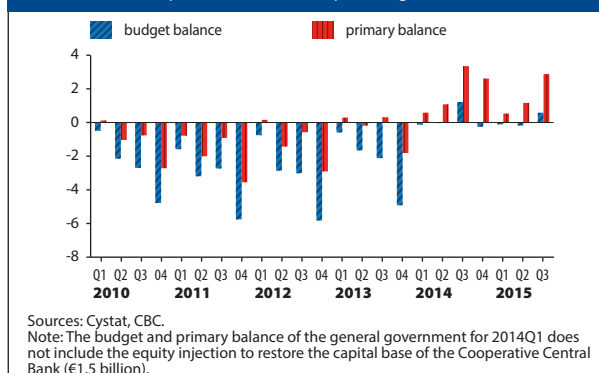
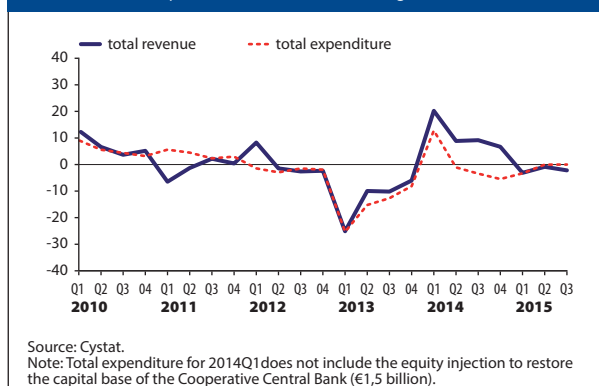


CHART A.33 Total revenue and expenditure of the general government

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



2014. According to the latest available data from Cystat, public debt stood at 110% at the end of 2015Q3 (**Chart A.34**). This development is due to a negative deficit–debt adjustment and the unfavourable difference between the average interest rate for servicing the public debt and the rate of economic growth (interest-growth differential), and despite a primary surplus of 2,9%. Regarding more recent developments, the government issued a 10-year €1 billion bond at the end of October, which is the third issuance after the start of the economic adjustment programme in 2013. A significant portion of this will be used to exchange or repay past debt with a higher interest rate, and the rest will be used to strengthen the liquidity of the government.

6. Macroeconomic Forecasts for the Cyprus Economy

This section analyses the updated forecasts of the CBC as produced within the context of the Eurosystem projections.

Prices: HICP

Inflation in 2015 is expected to be negative, reaching -1,6% from -0,3% in 2014 (**Table A.13**, p. 41). This is primarily driven by the continued decline in oil prices as well as the continued downward price adjustments in non-energy industrial goods. Inflation excluding energy is thus projected to be negative at -0,3% in 2015.

As for 2016, inflation is projected to register an increase of 0,2%. This development is driven mainly by the expected small recovery in GDP, which in turn is expected to have a positive impact in prices. HICP excluding energy is expected to reach 0,4% in 2016.

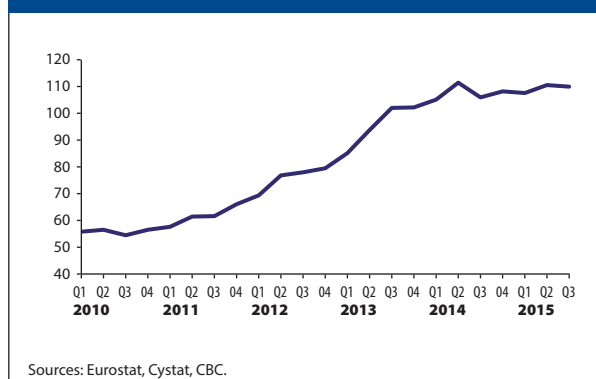
Following the recovery path in economic

TABLE A.12 Accounts of general government

	Jan.-Sep. 2014 (€ million)	Jan.-Sep. 2015 (€ million)	Change %
EXPENDITURE			
Intermediate consumption	450,8	417,3	-7,4
Compensation of employees	1.580,3	1.555,9	-1,5
Social transfers	1.858,8	1.818,6	-2,2
Interest	370,5	399,5	7,8
Subsidies	54,4	56,9	4,6
Other current expenditure	253,1	305,2	20,6
Gross fixed capital formation	189,3	193,7	2,3
Other capital expenditure ⁽¹⁾	75,4	85,4	13,3
Total expenditure	4.832,6	4.832,5	0,0
Total expenditure as a % of GDP	27,8	27,8	
REVENUE			
Taxes on production and imports	1.888,9	1.902,5	0,7
Current taxes on income, wealth, etc.	1.254,6	1.168,1	-6,9
Social contributions	1.144,1	1.161,1	1,5
Other current resources	191,0	208,8	9,3
Sales	335,8	334,6	-0,4
Capital transfers received	2,0	3,7	85,0
Property income	228,2	154,5	-32,3
Total revenue	5.044,6	4.933,3	-2,2
Total revenue as a % of GDP	29,0	28,4	
Surplus (+) / Deficit (-)	212,0	100,8	
Surplus (+) / Deficit (-) % of GDP	1,2	0,6	

Sources: Cystat, CBC.
(1) Does not include equity injection to restore the capital base of the Cooperative Central Bank (€1,5 billion).

CHART A.34 General government consolidated gross debt (as a percentage of GDP)



activity up until 2017, inflation is projected somewhat higher at 1,1% in 2017, while inflation excluding energy is expected to be 0,8%.

Compensation, productivity and the labour market

Following the encouraging recent preliminary GDP data for the first nine months of 2015, a stronger improvement in the labour market is also expected. Specifically, with the envisaged further improvement in the economic environment over the second half of 2015, employment is expected to record positive growth rates, reaching 0,2% in 2015. Further positive growth rates are expected to be recorded in employment in 2016 and 2017, reaching 1,3% and 1,7% respectively, affected mainly by the improvement in the domestic economy. In line with the above, the LFS unemployment rate is expected to register a decrease to 15,4% in 2015, down from 16,1% in 2014, while further improvement is expected to be recorded in 2016 and 2017, to 14,4% and 13,1%, respectively. The expected path of the unemployment rate over the projection horizon is milder than the forecasts of international lenders, mainly due to the flexibility demonstrated by the Cypriot labour market in the form of wage adjustments, the significant reduction in the number of foreign workers in Cyprus as well as the anticipated recovery in employment.

Compensation per employee is expected to register an annual decrease of 1,1% in 2015, mainly due to the change in the composition of the public sector labour force (a decrease in the number of highly-paid employees that has a subsequent impact on the average wage and average gratuity) and the general reductions in the private sector. A marginal

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

	2014	2015f	2016f	2017f
HICP	-0,3	-1,6	0,2	1,1
HICP excluding energy	0,0	-0,3	0,4	0,8

Sources: Cystat, CBC.

decline is expected for 2016, reaching -0,3%. In 2017 the growth in compensation per employee is expected to accelerate, reaching 2%, driven mainly by the improvement in the domestic economy and the subsequent improvement in the labour market as well as the increase in wages.

Unit labour costs, following the development in compensation per employee, are expected to decrease by 2,4% in 2015 and to record a further reduction of 1% in 2016. In 2017, unit labour costs are expected to exhibit positive growth rates reaching 1,1% mainly due to the improvement in domestic demand and the subsequent improvement in the labour market and wage growth.

National accounts

On the basis of available data and in conjunction with leading economic indicators, the Cyprus economy is expected to register positive growth of 1,6% in 2015 (**Table A.14**).

In particular, private consumption is expected to record an increase of 2,4% in 2015, mainly reflecting the increase in disposable income due to declines in energy prices, but also on account of lower interest rates and the reduction in unemployment. As regards public consumption, this is expected to contract by 2,3% mainly due to the reduction of gratuity payments related to retirements as well as the ongoing reduction in public sector employment. Gross fixed capital formation is expected to exhibit a recovery of around 17% in 2015, mainly reflecting the transfer of economic ownership of mobile transport equipment by ship owning special purpose entities and, to a lesser extent, the realisation of specific infrastructure projects. At the same time, the increase in new loans already granted is ex-

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

	2014	2015f	2016f	2017f
GDP	-2,5	1,6	2,0	2,7
Private consumption	0,6	2,4	2,1	2,0
Public consumption	-9,0	-2,3	-3,4	0,3
Gross fixed capital formation	-18,0	17,0	7,2	6,1
Exports of goods and services	-0,5	2,7	3,7	3,3
Imports of goods and services	2,0	3,6	2,5	2,8

Sources: Cystat, CBC.

pected to further support the process of economic recovery. Exports of goods and services are expected to record an annual increase of 2,7%, mainly driven by the increase in revenues from tourism, which has been positively affected both by the devaluation of the euro and the efforts of the CTO to attract tourists from new markets. Meanwhile, geopolitical developments in the region are expected to give a significant boost to winter tourism in Cyprus. At the same time, imports of goods and services are expected to record an increase of 3,6% in 2015.

A further recovery in GDP of around 2,0% is expected in 2016. In particular, private consumption is expected to increase by 2,1%, while gross fixed capital formation is expected to increase by 7,2%, due to specific projects from the Cypriot banking system as well as via the use of European funds. A decrease of 3,4% is expected to be recorded in government consumption, mainly due to the continued decline in public sector employment. An annual increase is expected in exports and imports (3,7% and 2,5%, respectively).

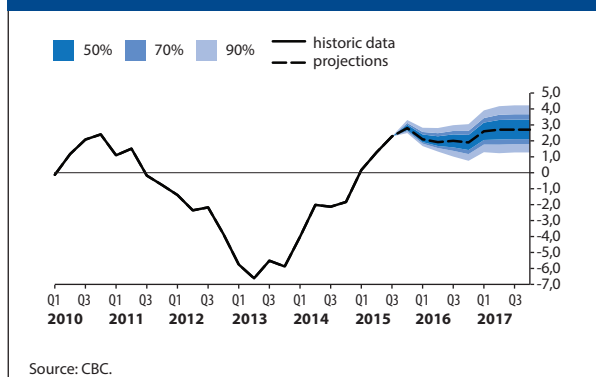
In 2017 the Cyprus economy is expected to register further significant improvement, growing by 2,7%, reflecting the positive performance of both domestic demand and exports.

Risk assessment of macroeconomic forecasts¹¹

The balance of risks related to the course of the Cyprus economy GDP seems to be marginally tilted to the upside for 2015 (**Chart A.35**). In particular, possible further restoration of confidence is expected to positively influence the course of the domestic economy, especially via its effect on private consumption.

11. For further information regarding the methodology of the risk assessment of macroeconomic projections, see *Economic Bulletin*, June 2015, p. 67.

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



The same applies in the case of extending the tourist season during the winter months, given the preliminary information on bookings.

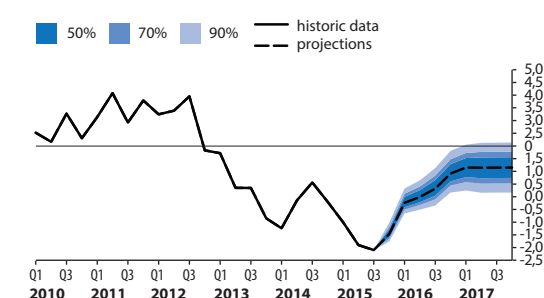
For 2016–2017, upward risks are regarded as being predominant on the basis of a more rapid recovery in the domestic economy as well as on account of an increase in the implementation of investment projects both by the government and the private sector. The sectors likely to be affected positively are those of energy and related services, the tourism sector (benefiting from the construction of the casino and the launching of new air transport carriers services), and other business services.

However, there are significant downside risks mainly related to the fragile geopolitical developments in the Mediterranean region. If such developments materialise, they could have a negative impact on developments in the services sectors, such as tourism and other business and financial services.

Regarding HICP (**Chart A.36**), risks for 2015 are balanced given the short period remaining until the end of the year. For 2016–2017, the most significant upside risks relate to the possibility of better than expected developments in the domestic economic environment, as well as the possibility of higher oil prices and / or depreciation of the euro against the dollar. Additionally, any impact from the current fragile economic environment in Russia and Greece is likely to have a smaller negative impact on the domestic economy than initially envisaged.

On the other hand, the most significant downside risk to inflation relates to the possibility of a potential deterioration in the external demand for services (given the economic environment in Russia). There is also a downside risk to inflation from possible further deterioration in credit standards for loans.

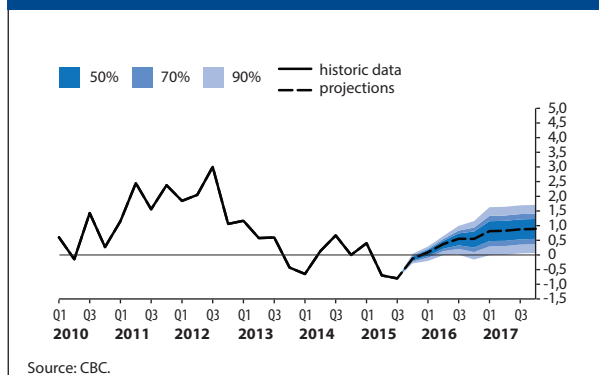
CHART A.36 HICP fan chart
(annual change, %)



Source: CBC.

Weighing up these risks, any deviations upwards regarding the modal projections for HICP and HICP excluding energy (**Chart A.37**) are expected to have a greater statistical probability of being realised.

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



Statistical Annex

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 2005 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 with opposite signs. **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.

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

	USD/EUR	GBP/EUR	JPY/EUR
Average for January	1,1630	0,7671	137,6268
Average for February	1,1354	0,7404	134,8670
Average for March	1,0829	0,7234	130,3282
Average for April	1,0818	0,7231	129,2868
Average for May	1,1157	0,7220	134,8019
Average for June	1,1235	0,7209	138,9545
Average for July	1,0998	0,7069	135,6235
Average for August	1,1145	0,7154	137,1100
Average for September	1,1237	0,7329	134,9432
Average for October	1,1220	0,7317	134,8095
Average for November (until 16 Nov.)	1,0815	0,7098	132,3091
Average for Jan.-November (until 16 Nov.)	1,1143	0,7274	134,7066
Closing rate on 31/12/2014	1,2098	0,7765	144,8500
Closing rate on 16/11/2015	1,0686	0,7030	131,6300
Highest exchange rate vs. the euro	1,2104	0,7848	144,9400
	1 Jan.	6 Jan.	1 Jan.
Lowest exchange rate vs. the euro	1,0496	0,6945	126,9500
	13 Mar.	17 July	13 Apr.
% appreciation (+)/depreciation (-) of the currency vs. the euro from closing rate on 31/12/2014 to closing rate on 16/11/2015	-11,7%	-9,5%	-9,1%

Source: Bloomberg.

TABLE B.2 Percentage change in CPI by economic category

										Weights	
	2012	2013	2014	October 2014/13	September 2015/14	October 2015/14	Jan.-Oct. 2014/13	Jan.-Sep. 2015/14	Jan.-Oct. 2015/14	2005=100 (for 2008-2010)	2005=100 (for 2011 - 2015)
GENERAL INDEX	2,39	-0,40	-1,35	-0,49	-2,53	-2,53	-1,47	-2,14	-2,18	100,00	100,00
A Domestic products	6,70	-1,57	-3,41	-1,69	-5,01	-5,54	-3,90	-3,80	-3,98	28,98	20,52
A.1 Agricultural	-1,29	-1,02	-3,65	-3,05	-2,11	0,39	-4,29	0,05	0,09	6,93	5,96
A.2 Industrial	3,39	1,36	-0,14	-0,01	-0,65	-1,25	-0,26	-0,32	-0,42	19,29	11,37
A.3 Electricity	27,23	-8,72	-11,21	-4,32	-20,56	-25,43	-12,31	-18,53	-19,23	2,76	3,19
B Petroleum products	7,94	3,31	0,27	1,39	-15,84	-16,26	1,18	-13,23	-13,52	6,63	5,50
C Imported products	-0,55	-0,17	-0,58	-0,38	-0,54	-0,18	-0,58	-0,67	-0,62	24,62	31,74
C1 Motor vehicles	-0,64	-0,01	-3,07	-3,43	-1,20	-0,71	-2,95	-1,59	-1,50	5,41	6,48
C2 Other imported products	-0,54	-0,20	-0,06	0,24	-0,41	-0,08	-0,09	-0,48	-0,44	19,21	25,26
D Services	0,96	-0,49	-0,94	-0,19	0,08	0,15	-1,06	-0,10	-0,08	39,77	42,24
HICP	3,1	0,4	-0,3	0,3	-1,9	-1,8	-0,2	-1,6	-1,7		

Source: Cystat.

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

	2012	2013	2014	October 2014/13	September 2015/14	October 2015/14	Jan.-Oct. 2014/13	Jan.-Sep. 2015/14	Jan.-Oct. 2015/14	Weights	
										2005=100 (for 2008-2010)	2005=100 (for 2011 - 2015)
GENERAL INDEX	2,39	-0,40	-1,35	-0,49	-2,53	-2,53	-1,47	-2,14	-2,18	100,00	100,00
A Domestic products	1,58	-0,39	-0,83	-0,41	-1,20	-1,33	-0,95	-0,90	-0,95	28,98	20,52
A.1 Agricultural	-0,09	-0,06	-0,23	-0,20	-0,13	0,03	-0,27	0	0,01	6,93	5,96
A.2 Industrial	0,42	0,17	-0,02	0	-0,08	-0,16	-0,03	-0,04	-0,05	19,29	11,37
A.3 Electricity	1,24	-0,49	-0,58	-0,21	-0,98	-1,20	-0,65	-0,87	-0,90	2,76	3,19
B Petroleum products	0,54	0,24	0,02	0,10	-1,22	-1,22	0,09	-1,02	-1,04	6,63	5,50
C Imported products	-0,15	-0,04	-0,15	-0,10	-0,14	-0,05	-0,15	-0,17	-0,16	24,62	31,74
C1 Motor vehicles	-0,03	0	-0,14	-0,15	-0,05	-0,03	-0,13	-0,07	-0,07	5,41	6,48
C2 Other imported products	-0,15	-0,05	-0,02	0,05	-0,09	-0,02	-0,02	-0,13	-0,12	19,21	25,26
D Services	0,41	-0,21	-0,40	-0,08	0,04	0,06	-0,45	-0,04	-0,03	39,77	42,24

Source: Cystat.

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

	2012	2013	2014	October 2014/13	September 2015/14	October 2015/14	Jan.-Oct. 2014/13	Jan.-Sep. 2015/14	Jan.-Oct. 2015/14
GENERAL INDEX	2,39	-0,40	-1,35	-0,49	-2,53	-2,53	-1,47	-2,14	-2,18
Food and non-alcoholic beverages	0,82	0,22	-1,45	-1,40	-1,47	-0,56	-1,75	-0,28	-0,31
Alcoholic beverages and tobacco	3,19	8,58	2,59	3,05	2,23	1,86	2,43	2,10	2,08
Clothing and footwear	-2,75	-2,73	2,08	3,08	-0,47	0,59	2,16	-0,39	-0,27
Housing, water, electricity and gas	11,33	-3,99	-5,58	-2,68	-9,50	-10,96	-5,97	-8,59	-8,83
Furnishings, household equipment and supplies	0,08	-1,09	-2,05	-1,02	-0,51	-0,94	-2,39	-0,57	-0,61
Health	0,56	-2,50	-1,31	-0,38	0,02	0,45	-1,54	0,36	0,37
Transport	3,08	2,21	0,99	1,53	-5,44	-5,87	1,43	-5,03	-5,12
Communications	1,08	0,97	1,48	1,93	-0,96	-0,90	1,39	0,60	0,45
Recreation and culture	0,65	-0,11	-1,31	-1,21	-1,09	-1,20	-1,29	-1,41	-1,39
Education	2,41	-0,74	-3,51	-2,09	-0,95	0,53	-3,86	-1,56	-1,35
Restaurants and hotels	1,06	0,39	-1,38	-1,05	0,40	0,30	-1,39	0,12	0,14
Miscellaneous goods and services	0,35	0,86	-1,12	-0,94	-0,13	-0,59	-1,14	-0,47	-0,48

Source: Cystat.

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

	2012	2013	2014	October 2014/13	September 2015/14	October 2015/14	Jan.-Oct. 2014/13	Jan.-Sep. 2015/14	Jan.-Oct. 2015/14
GENERAL INDEX	2,39	-0,40	-1,37	-0,49	-2,53	-2,53	-1,47	-2,14	-2,18
Food and non-alcoholic beverages	0,14	0,04	-0,26	-0,25	-0,26	-0,10	-0,31	-0,05	-0,05
Alcoholic beverages and tobacco	0,07	0,19	0,06	0,07	0,06	0,05	0,06	0,05	0,05
Clothing and footwear	-0,18	-0,17	0,13	0,21	-0,03	0,04	0,13	-0,02	-0,02
Housing, water, electricity and gas	1,56	-0,60	-0,83	-0,38	-1,35	-1,54	-0,88	-1,21	-1,24
Furnishings, household equipment and supplies	0,01	-0,07	-0,14	-0,07	-0,03	-0,06	-0,16	-0,04	-0,04
Health	0,04	-0,18	-0,09	-0,03	0	0,03	-0,11	0,02	0,03
Transport	0,42	0,31	0,14	0,22	-0,79	-0,85	0,21	-0,74	-0,75
Communications	0,04	0,04	0,06	0,07	-0,04	-0,03	0,05	0,02	0,02
Recreation and culture	0,04	-0,01	-0,08	-0,07	-0,06	-0,07	-0,08	-0,08	-0,08
Education	0,10	-0,03	-0,15	-0,08	-0,04	0,02	-0,16	-0,06	-0,05
Restaurants and hotels	0,09	0,03	-0,13	-0,09	0,04	0,03	-0,13	0,01	0,01
Miscellaneous goods and services	0,03	0,07	-0,09	-0,08	-0,01	-0,05	-0,09	-0,04	-0,04

Source: Cystat.

TABLE B.6 Percentage change in prices of services

	October 2014/13	September 2015/14	October 2015/14	Jan.-Oct. 2014/13	Jan.-Sep. 2015/14	Jan.-Oct. 2015/14
GENERAL INDEX	-0,49	-2,53	-2,53	-1,47	-2,14	-2,18
Rents	-4,48	-1,00	-0,53	-6,42	-1,40	-1,31
Maintenance of houses	-1,20	-1,85	-1,57	-1,73	-2,07	-2,02
Transport	4,09	4,30	1,86	3,96	1,92	1,92
Communications	2,59	-0,34	-0,34	1,93	1,34	1,17
Insurance	-0,09	0,27	0,30	-0,89	0	0,03
Public services	9,18	0,88	0,61	9,29	0,72	0,71
Education	-2,09	-0,95	0,53	-3,86	-1,56	-1,35
Medical care	-0,49	0,71	1,29	-1,95	0,85	0,89
Restaurants and coffee shops	-1,03	0,34	0,19	-1,43	0,10	0,11
Personal and household services	-0,55	-0,47	-0,46	-1,25	-0,68	-0,66
Total services	-0,19	0,08	0,15	-1,06	-0,10	-0,08

Source: Cystat.

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

	October 2014/13	September 2015/14	October 2015/14	Jan.-Oct. 2014/13	Jan.-Sep. 2015/14	Jan.-Oct. 2015/14
GENERAL INDEX	-0,49	-2,53	-2,53	-1,47	-2,14	-2,18
Rents	-0,13	-0,03	-0,01	-0,18	-0,04	-0,04
Maintenance of houses	-0,03	-0,05	-0,04	-0,04	-0,05	-0,05
Transport	0,11	0,12	0,05	0,11	0,06	0,05
Communications	0,10	-0,01	-0,01	0,07	0,05	0,04
Insurance	0	0,01	0,01	-0,02	0	0
Public services	0,12	0,01	0,01	0,12	0,01	0,01
Education	-0,08	-0,04	0,02	-0,16	-0,06	-0,05
Medical care	-0,03	0,04	0,07	-0,10	0,04	0,05
Restaurants and coffee shops	-0,09	0,03	0,02	-0,13	0,01	0,01
Personal and household services	-0,05	-0,04	-0,04	-0,11	-0,06	-0,06
Total services	-0,08	0,04	0,06	-0,45	-0,04	-0,03

Source: Cystat.

TABLE B.8 Balance of payments
(€ million)

	2014 Q1-Q2 (prov)			2015 Q1-Q2 (prov)		
	Credit	Debit	Balance / Net	Credit	Debit	Balance / Net
1. Current account	7.846,4	8.291,0	-444,5	7.484,9	8.237,8	-752,9
Goods and Services	4.966,8	4.838,3	128,3	4.875,0	5.218,8	-343,8
Goods	1.602,7	2.702,0	-1.099,4	1.405,8	2.906,0	-1.500,2
General merchandise on a balance of payments basis	1.459,4	2.702,0	-1.242,6	1.294,4	2.906,0	-1.611,6
Net exports of goods under merchandising	143,2		143,2	111,4		111,4
Non-monetary gold	0	0	0	0	0	0
Services	3.364,1	2.136,3	1.227,7	3.469,2	2.312,8	1.156,4
Manufacturing services on physical inputs owned by others	11,5	0	11,5	7,7	0,9	6,8
Maintenance and repair services not included elsewhere (n.i.e.)	3,6	21,4	-17,7	2,4	0,5	2,0
Transport	1.137,8	624,4	513,4	1.082,9	624,0	458,9
Travel	829,2	414,3	414,9	780,3	434,8	345,5
Construction	11,4	2,3	9,1	9,8	2,3	7,4
Insurance and pension services	8,2	64,9	-56,7	18,8	66,6	-47,8
Financial services	776,0	331,7	444,3	896,1	468,8	427,3
Charges for the use of intellectual property n.i.e.	0,7	28,3	-27,6	3,3	60,9	-57,6
Telecommunications, computer, and information services	488,1	406,4	81,7	517,1	360,5	156,6
Other business services	50,0	198,0	-148,1	108,4	244,0	-135,6
Personal, cultural and recreational services	15,9	17,0	-1,1	16,8	21,8	-5,0
Government goods and services n.i.e.	31,7	27,5	4,2	25,6	27,7	-2,1
Services not allocated	0	0	0	0	0	0
Primary income	2.761,2	3.113,6	-352,4	2.477,7	2.660,6	-182,9
Compensation of employees	24,9	35,6	-10,7	23,4	30,4	-6,9
Investment income	2.670,3	3.069,0	-398,7	2.389,6	2.620,7	-231,1
Direct investment	1.561,2	1.836,9	-275,7	1.645,1	1.731,8	-86,7
Portfolio investment	381,6	446,7	-65,1	227,1	284,6	-57,5
Other investment	727,4	785,4	-58,0	517,2	604,3	-87,1
Reserve assets	0,1		0,1	0,2		0,2
Other primary income	66,0	9,0	57,0	64,7	9,5	55,2
Secondary income	118,5	339,0	-220,5	132,2	358,5	-226,3
General government	43,9	100,2		35,7	129,5	
Other sectors	74,6	238,8		96,5	229,0	
2. Capital account	70,1	1,2	68,8	26,6	0	26,6
	Assets	Liabilities	Net	Assets	Liabilities	Net
3. Financial account	-1.879,2	-1.122,5	-756,7	1.719,6	1.843,0	-123,4
Direct investment	781,9	916,5	-134,6	2.993,9	1.485,2	1.508,7
Equity and Investment Funds shares/units	728,9	110,2		3.025,4	2.510,4	
Debt instruments	53,0	806,3		-31,5	-1.025,2	
Portfolio investment	-1.580,7	946,3	-2.527,0	-1.542,7	1.213,7	-2.756,4
Equity and investment fund shares	-280,9	321,0		-238,5	11,4	
Debt securities	-1.299,8	625,4		-1.304,2	1.202,3	
Financial derivatives (other than reserves) and employee stock options	-76,4	-85,8	9,3	-268,6	-499,4	230,9
Other investment	-977,7	-2.899,5	1.921,8	544,5	-356,5	901,1
of which						
Currency and deposits	1.627,5	-3.201,1		-2.033,2	14,0	
Loans	-2.680,6	238,6		2.585,2	-353,1	
Reserve assets	-26,3			-7,5		
4. Net errors and omissions			-381			602,9

Source: CBC.

TABLE B.9 International investment position: June 2015 (provisional)
(€ million)

	ASSETS	LIABILITIES	NET
Financial account	199.317,9	223.507,0	-24.189,0
Direct investment	118.515,3	125.362,2	-6.846,9
Equity and Investment Funds shares/units	109.151,4	113.106,4	
Debt instruments	9.363,9	12.255,8	
Portfolio investment	11.726,7	12.176,6	-449,9
Equity and investment fund shares	4.891,5	2.626,7	
Equity securities	3.354,8	1.405,7	
Central bank	0	0	
Other MFIs	C	C	
General government	0	0	
Other sectors	S	S	
Investment fund shares	1.536,7	1.221,0	
Central bank	0		
Other MFIs	C	0	
General government	0		
Other sectors	S	1.221,0	
Debt securities	6.835,2	9.549,9	
Short-term	394,9	359,8	
Central bank	0	0	
Other MFIs	C	C	
General government	0	0	
Other sectors	S	C	
Long-term	6.440,3	9.190,1	
Central bank	1.359,6	0	
Other MFIs	2.275,0	295,0	
General government	0	3.351,6	
Other sectors	2.805,7	5.543,5	
Financial derivatives (other than reserves) and employee stock options	10.526,0	9.828,3	697,7
Central bank	0	0	
Other MFIs	37,8	75,8	
General government	0	0	
Other sectors	10.488,1	9.752,4	
Other investment	57.782,5	76.139,9	-18.357,5
Other equity	390,1	0	
Currency and deposits	19.162,8	26.606,0	
Central bank	173,8	1.292,1	
Other MFIs	6.823,1	25.314,0	
General government	24,3	0	
Other sectors	12.141,5	0	
Loans	34.525,3	42.530,2	
Central bank	0	0	
Other MFIs	14.818,2	0	
General government	338,8	10.446,8	
Other sectors	19.368,3	32.083,4	
Insurance, pension schemes, and standardised guarantee schemes	243,8	643,3	
Trade credits and advances	3.087,8	5.384,9	
Other accounts receivable/payable	372,7	869,8	
SDRs		105,7	
Reserve assets	767,6		

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.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
2011	January	44.442	-3,3	-3,3	29,8	0,3	0,3
	February	62.294	12,7	5,5	36,9	8,8	4,9
	March	98.964	-4,7	0,3	66,4	1,2	3,0
	April	199.762	43,0	17,6	136,7	53,6	23,6
	May	267.487	3,7	11,7	187,1	13,5	19,3
	June	300.817	9,3	10,9	220,0	12,6	17,0
	July	359.104	17,3	12,6	274,4	18,7	17,5
	August	337.013	10,8	12,2	267,0	10,7	16,0
	September	304.260	5,2	11,1	235,8	6,9	14,4
	October	259.863	7,5	10,6	188,8	7,6	13,6
	November	92.878	0,3	10,2	64,8	3,8	13,2
	December	65.339	6,8	10,1	41,6	1,7	12,9
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	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 Gross domestic product 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	3.082,7	449,8	2.038,8	665,5	185,4	1.542,7	1.799,5
	Q2	3.407,4	469,5	1.906,3	780,1	141,5	2.118,8	2.008,8
	Q3	3.385,3	503,1	1.846,3	639,9	-15,7	2.393,6	1.981,8
	Q4	3.308,0	648,5	2.081,2	724,1	-137,0	1.948,9	1.957,6
2003	Q1	3.178,3	499,3	2.076,7	635,1	315,4	1.449,9	1.798,1
	Q2	3.456,5	519,3	1.986,6	762,0	164,0	1.913,0	1.888,3
	Q3	3.474,9	537,9	1.886,5	678,2	-93,2	2.453,5	1.988,0
	Q4	3.441,9	785,4	2.168,5	770,4	-360,5	2.075,9	1.997,8
2004	Q1	3.324,1	514,1	2.213,1	669,1	124,6	1.696,4	1.893,2
	Q2	3.603,0	567,4	2.102,1	794,9	114,1	2.084,9	2.060,4
	Q3	3.621,6	580,4	2.100,7	697,2	-85,5	2.386,2	2.057,4
	Q4	3.595,8	708,1	2.316,7	803,4	40,4	1.921,3	2.194,1
2005	Q1	3.479,0	518,2	2.315,1	706,4	234,6	1.689,3	1.984,6
	Q2	3.713,9	565,0	2.209,2	811,3	-36,4	2.141,7	1.976,8
	Q3	3.760,6	529,4	2.128,6	752,8	-32,1	2.481,0	2.099,1
	Q4	3.737,8	823,7	2.375,3	895,3	-26,0	1.942,9	2.273,4
2006	Q1	3.632,5	574,3	2.400,9	873,0	144,6	1.773,9	2.134,2
	Q2	3.900,3	627,0	2.310,4	990,2	-46,1	2.205,9	2.187,1
	Q3	3.919,0	603,6	2.249,4	915,0	-234,2	2.605,3	2.220,0
	Q4	3.903,1	802,8	2.504,4	1.054,9	34,3	1.774,4	2.267,7
2007	Q1	3.803,3	603,2	2.584,7	937,6	148,6	1.763,1	2.233,9
	Q2	4.070,1	595,2	2.501,5	1.081,5	116,9	2.153,3	2.378,3
	Q3	4.115,8	637,3	2.484,0	995,6	-269,4	2.791,1	2.522,8
	Q4	4.117,2	857,3	2.861,5	1.118,1	-217,4	2.093,5	2.595,8
2008	Q1	3.983,3	593,9	2.833,8	1.096,3	211,9	1.796,1	2.548,7
	Q2	4.249,9	612,8	2.754,8	1.209,8	107,7	2.135,1	2.570,3
	Q3	4.262,9	760,5	2.758,9	1.075,4	-61,0	2.623,3	2.894,2
	Q4	4.193,2	877,9	2.914,1	1.122,1	-344,8	2.094,8	2.470,9
2009	Q1	3.994,0	638,9	2.689,7	982,6	8,3	1.869,2	2.194,8
	Q2	4.153,9	633,7	2.572,5	1.046,3	30,4	1.993,8	2.122,8
	Q3	4.130,6	664,2	2.549,3	877,7	148,3	2.203,1	2.312,0
	Q4	4.070,1	1.090,2	2.710,9	970,8	-483,6	1.953,7	2.171,9
2010	Q1	3.988,9	657,1	2.658,4	894,6	163,6	1.801,5	2.186,2
	Q2	4.202,5	649,5	2.591,7	999,8	158,0	2.024,6	2.221,1
	Q3	4.216,5	657,7	2.586,7	867,7	262,5	2.200,6	2.358,8
	Q4	4.167,9	1.019,9	2.824,0	915,9	-362,8	2.204,1	2.433,2
2011	Q1	4.036,7	647,3	2.761,8	838,5	260,4	1.808,1	2.279,4
	Q2	4.254,9	664,3	2.614,6	904,2	164,7	2.189,4	2.282,3
	Q3	4.203,0	705,9	2.613,6	769,1	145,9	2.335,5	2.367,1
	Q4	4.124,5	987,5	2.867,9	819,0	-580,8	2.244,4	2.213,6
2012	Q1	3.985,9	660,0	2.816,7	713,3	99,5	1.813,9	2.117,4
	Q2	4.151,3	661,7	2.628,8	717,9	121,2	2.228,9	2.207,2
	Q3	4.109,7	669,6	2.585,9	616,5	161,8	2.376,6	2.300,7
	Q4	3.976,0	932,4	2.751,5	595,4	-222,0	2.015,4	2.096,7
2013	Q1	3.771,9	643,6	2.670,8	529,1	182,9	1.603,8	1.858,3
	Q2	3.901,5	642,6	2.437,4	554,8	-74,3	2.120,6	1.779,5
	Q3	3.901,3	657,5	2.424,2	597,5	-166,7	2.394,8	2.006,0
	Q4	3.779,3	837,5	2.599,1	508,9	-169,9	1.895,0	1.891,4
2014	Q1	3.642,1	584,4	2.629,0	557,2	0,9	1.770,4	1.899,8
	Q2	3.835,8	603,4	2.493,5	401,7	0,8	2.258,0	1.921,6
	Q3	3.821,5	592,7	2.447,9	476,4	246,8	2.418,5	2.360,8
	Q4	3.708,2	758,6	2.602,4	342,4	-59,9	2.025,6	1.960,9
2015	Q1	3.650,9	570,8	2.658,7	576,2	14,1	1.779,0	1.947,9
	Q2	3.880,9	587,2	2.531,6	464,7	36,9	2.220,4	1.959,9

Source: Cystat.

TABLE B.12 Gross domestic product by category of expenditure at current prices
(€ 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	2.720,7	387,7	1.843,9	584,6	156,1	1.434,3	1.685,9
2002 Q2	3.015,2	405,3	1.746,2	685,7	109,2	1.961,2	1.892,3
2002 Q3	3.028,9	440,2	1.690,1	563,6	-22,7	2.216,0	1.858,3
2002 Q4	3.034,8	575,4	1.948,2	637,5	-90,1	1.800,4	1.836,5
2003 Q1	2.935,5	461,5	1.964,2	574,9	271,4	1.347,5	1.684,1
2003 Q2	3.256,9	485,3	1.896,7	691,4	173,4	1.784,1	1.774,0
2003 Q3	3.280,1	512,4	1.768,8	617,7	-59,5	2.313,0	1.872,3
2003 Q4	3.282,7	753,3	2.101,0	703,1	-355,8	1.975,2	1.894,1
2004 Q1	3.178,4	490,2	2.111,7	630,4	109,8	1.628,3	1.792,0
2004 Q2	3.467,1	542,1	2.020,6	757,8	97,1	2.021,6	1.972,1
2004 Q3	3.525,8	556,7	2.014,4	671,5	-65,2	2.336,2	1.987,7
2004 Q4	3.560,6	686,8	2.301,4	779,3	44,6	1.896,8	2.148,2
2005 Q1	3.431,2	514,9	2.270,2	700,9	212,2	1.679,7	1.946,6
2005 Q2	3.691,5	564,3	2.201,8	808,1	-46,3	2.136,5	1.972,8
2005 Q3	3.770,1	528,6	2.127,9	754,5	-16,8	2.478,6	2.102,7
2005 Q4	3.798,6	828,6	2.428,4	902,3	-9,0	1.960,1	2.311,8
2006 Q1	3.690,0	590,6	2.423,8	899,9	141,8	1.799,3	2.165,4
2006 Q2	4.003,3	643,7	2.380,4	1.026,7	-48,7	2.245,7	2.244,4
2006 Q3	4.054,9	623,0	2.322,1	953,8	-231,8	2.662,4	2.274,5
2006 Q4	4.088,4	830,5	2.611,2	1.104,1	35,3	1.842,3	2.335,0
2007 Q1	4.002,2	634,9	2.668,7	994,5	142,4	1.852,8	2.291,2
2007 Q2	4.359,5	629,7	2.656,4	1.156,1	117,4	2.274,6	2.474,8
2007 Q3	4.468,7	678,1	2.659,4	1.072,4	-269,4	2.958,7	2.630,5
2007 Q4	4.497,5	916,8	3.108,7	1.217,9	-223,5	2.240,4	2.762,9
2008 Q1	4.418,7	661,1	3.072,3	1.231,5	228,3	1.960,8	2.735,3
2008 Q2	4.775,5	683,2	3.084,6	1.379,4	116,4	2.326,3	2.814,5
2008 Q3	4.823,4	861,2	3.119,4	1.238,4	-79,1	2.859,6	3.176,2
2008 Q4	4.751,3	992,0	3.274,4	1.280,8	-352,2	2.270,6	2.714,4
2009 Q1	4.449,5	740,3	2.947,2	1.112,5	8,8	2.018,6	2.377,9
2009 Q2	4.696,7	736,7	2.898,7	1.175,9	25,7	2.181,6	2.321,8
2009 Q3	4.639,9	756,6	2.858,8	978,4	149,9	2.395,3	2.499,1
2009 Q4	4.637,0	1.229,5	3.078,5	1.071,1	-516,7	2.125,8	2.351,3
2010 Q1	4.532,5	758,8	2.984,6	1.013,3	174,3	1.979,6	2.378,0
2010 Q2	4.829,8	754,1	2.978,3	1.137,7	197,1	2.237,9	2.475,4
2010 Q3	4.860,8	772,9	2.994,3	985,0	313,6	2.399,4	2.604,4
2010 Q4	4.839,9	1.191,5	3.271,9	1.023,2	-425,5	2.478,5	2.699,7
2011 Q1	4.636,8	775,3	3.181,5	937,9	253,3	2.040,0	2.551,1
2011 Q2	5.000,3	800,2	3.105,0	1.006,3	226,2	2.456,3	2.593,7
2011 Q3	4.957,4	860,7	3.107,7	859,0	191,8	2.600,4	2.662,2
2011 Q4	4.892,3	1.188,7	3.430,8	911,0	-682,4	2.556,4	2.512,1
2012 Q1	4.664,2	793,2	3.338,4	789,6	56,7	2.089,6	2.403,2
2012 Q2	4.994,3	794,4	3.228,2	799,4	166,9	2.556,9	2.551,5
2012 Q3	4.971,8	803,8	3.195,5	690,3	226,2	2.705,7	2.649,8
2012 Q4	4.781,0	1.102,6	3.356,7	664,7	-220,8	2.301,2	2.423,4
2013 Q1	4.454,9	737,2	3.202,3	591,9	170,9	1.903,7	2.151,2
2013 Q2	4.632,6	732,4	2.994,3	620,9	-55,7	2.441,9	2.101,2
2013 Q3	4.615,1	745,1	2.991,3	661,6	-174,6	2.721,1	2.329,5
2013 Q4	4.416,6	945,5	3.124,8	557,6	-176,7	2.143,2	2.177,8
2014 Q1	4.150,4	631,2	3.090,7	618,5	-76,0	2.052,7	2.166,6
2014 Q2	4.479,1	653,9	3.018,4	414,5	-12,9	2.606,9	2.201,6
2014 Q3	4.548,5	638,3	2.980,5	518,4	309,0	2.759,9	2.657,6
2014 Q4	4.328,8	827,4	3.095,8	343,7	-28,3	2.284,7	2.194,5
2015 Q1	4.149,4	612,1	3.088,7	651,3	-34,6	2.017,1	2.185,2
2015 Q2	4.484,2	631,2	3.010,5	506,8	65,1	2.511,2	2.240,7

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		
2012	January	82,6	96,4	-4,6	-4,6	
	February	79,2	93,3	-4,3	-4,6	
	March	82,7	90,9	-7,2	-5,2	
	April	83,8	89,2	-10,9	-6,2	
	May	85,4	88,4	-8,0	-6,9	
	June	91,7	84,2	-5,6	-6,8	
	July	95,8	86,4	-9,6	-7,7	
	August	92,7	88,7	-5,1	-7,7	
	September	88,1	89,6	-9,6	-8,1	
	October	85,4	89,8	-9,0	-7,8	
	November	82,1	89,3	-8,6	-7,9	
	December	104,8	91,5	-10,4	-8,8	
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	75,1	85,6	-2,6	-3,1	
	February	68,6	82,3	-1,7	-2,6	
	March	75,0	81,0	7,4	-0,6	
	April	80,1	80,4	7,2	0,9	
	May	86,0	81,5	4,1	2,0	
	June	84,1	78,2	4,4	3,1	
	July	94,1	81,3	3,1	4,1	
	August	88,6	84,7	0,2	4,2	
	September	85,2	86,4	2,8	3,5	
	October	83,6	86,9	-0,3	2,4	
	November	79,7	85,9	-0,1	1,7	
	December	103,2	89,1	-0,7	0,8	
2015	January	79,3	86,6	5,6	1,1	
	February	69,9	83,5	1,9	1,4	
	March	76,0	82,0	1,3	1,1	
	April	82,2	81,7	2,6	1,6	
	May	85,4	82,7	-0,7	1,5	
	June**	86,6	79,9	3,0	2,2	
	July**	98,7	83,1	4,9	2,2	
	August*	92,1	86,8	4,0	2,6	
Percentage change by category						
	Weights	August 2014/2013	August 2015/2014	Jan.-Aug. 2014/2013	Jan.-Aug. 2015/2014	
General index (GI) (1+2+3)		100,00	0,24	3,95	2,72	2,86
(1) Retail sale of automotive fuel in specialised stores		11,60	-6,06	1,52	-3,71	4,29
General index excluding automotive fuel (GI-(1)) (2+3)		88,40	1,02	4,23	3,56	2,73
(2) Retail sale of food products (2.1+2.2)		35,88	-0,71	1,47	2,99	0,56
of which						
(2.1) Retail sale in non-specialised stores with food, beverages or tobacco predominating		29,75	-0,81	1,32	2,59	-0,38
(2.2) Retail sale of food, beverages and tobacco in specialised stores		6,13	-0,31	2,48	4,65	4,74
(3) Retail sale of non food products (except automotive fuel) (3.1+3.2+3.3+3.4)		52,52	2,63	6,89	4,19	4,90
of which						
(3.1) Other retail sale in non-specialised stores		11,36	-29,73	-4,90	-33,26	-8,73
(3.2) Retail trade of textiles, clothing and footwear		9,50	2,41	1,46	5,74	-2,30
(3.3) Retail sale of electrical goods and furniture		12,93	5,43	19,89	12,65	14,77
(3.4) Retail sales of computer equipment, books and other		13,62	10,44	5,24	8,33	6,46
(4) Food beverages and tobacco and other retail trade in non-specialised stores (2.1)+(3.1)		46,51	-3,48	0,85	-0,78	-0,93
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	n/a	n/a	n/a
October	45.170	2,69	4,70	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	
2012	January	75,00	75,00	-10,07	-9,84	-10,07
	February	80,00	77,50	-8,88	-10,50	-9,46
	March	84,60	79,87	-12,24	-10,51	-10,46
	April	85,50	81,28	-5,63	-9,88	-9,24
	May	94,00	83,82	-8,47	-9,20	-9,07
	June	88,80	84,65	-12,60	-9,71	-9,71
	July	94,20	86,01	-7,37	-9,25	-9,35
	August	60,20	82,79	-6,52	-8,99	-9,10
	September	84,60	82,99	-11,88	-8,92	-9,42
	October	85,30	83,22	-6,26	-9,02	-9,11
	November	82,30	83,14	-9,46	-9,20	-9,14
	December	75,80	82,53	-17,70	-10,02	-9,86
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	57,80	57,80	-5,40	-2,06	-5,40
	February	62,40	60,10	-3,85	-1,94	-4,60
	March	69,40	63,20	0,73	-1,92	-2,72
	April	74,40	66,00	5,08	-0,77	-0,64
	May	80,00	68,80	2,56	0,61	0,09
	June	81,20	70,87	4,91	0,97	0,97
	July	88,10	73,33	6,92	2,96	1,95
	August	54,80	71,01	3,79	4,09	2,12
Percentage change by category			August 2014/13	August 2015/2014	Jan.-Aug. 2014/13	Jan.-Aug. 2015/2014
General index			-5,0	3,8	-1,4	2,1
Manufacture of food products, beverages and tobacco products			-3,9	0,2	-0,5	4,4
Manufacture of textiles, wearing apparel and leather products			-28,8	9,9	0,4	-1,4
Manufacture of wood and products of wood and cork, except furniture			-39,4	11,1	-12,3	7,3
Manufacture of paper products and printing			-0,8	1,4	5,6	-0,6
Manufacture of refined petroleum products, chemicals and chemical products and pharmaceutical products and preparations			13,5	11,5	2,0	7,1
Manufacture of rubber and plastic products			-15,3	-11,6	1,6	-8,8
Manufacture of other non-metallic mineral products			-11,1	18,3	-15,5	1,1
Manufacture of basic metals and fabricated metal products			-27,5	20,2	-7,4	-2,7
Manufacture of electronic and optical products and electrical equipment			-17,1	-26,8	1,7	-16,1
Manufacture of machinery and equipment, motor vehicles and other transport equipment			15,6	11,3	9,3	15,2
Manufacture of furniture, other manufacturing and repair and installation of machinery and equipment			-7,7	-0,6	14,0	-12,5
Source: Cystat.						

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

	2013		2014				2015	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Labour force	434.504	433.176	431.089	431.626	436.202	439.039	435.544	427.228
Employed	364.010	363.990	358.287	364.964	366.307	368.772	358.401	364.585
By type of employment:								
Full time	319.321	314.740	304.256	311.866	318.562	317.334	305.968	314.469
Part time	44.689	49.249	54.031	53.097	47.745	51.438	52.433	50.116
By sector of employment:								
Primary sector	12.935	12.104	14.563	15.469	16.531	18.058	15.284	15.490
Secondary sector	60.510	61.874	59.825	59.337	60.560	61.156	58.286	57.142
Tertiary sector	290.565	290.012	283.899	290.158	289.216	289.558	284.831	291.953
Employees	301.327	297.143	288.646	298.268	304.354	306.236	298.797	310.141
Unemployed								
By unemployment duration:								
Less than 12 months	42.768	39.881	40.577	33.258	35.995	36.436	43.892	33.476
12 months and above	27.725	29.306	32.225	33.405	33.900	33.832	33.249	29.166
Labour force (% of the population)								
Total	63,5	63,4	63,2	63,3	64,1	64,4	64,5	63,4
Male	70,6	70,3	69,3	69,3	69,9	69,4	69,3	68,0
Female	57,2	57,2	57,7	58,0	58,8	59,8	60,3	59,3
Employment (% of the population)								
Total	53,2	53,3	52,5	53,6	53,8	54,1	53,1	54,1
Male	59,0	58,3	57,1	57,6	58,2	57,7	56,7	57,9
Female	48,1	48,8	48,4	49,9	49,9	50,8	49,8	50,7
Unemployment (% of the labour force)								
Total	16,2	16,0	16,9	15,4	16,0	16,0	17,7	14,7
Male	16,5	17,2	17,6	16,8	16,8	16,7	18,1	14,9
Female	16,0	14,6	16,1	13,9	15,2	15,1	17,3	14,4

Source: Cystat (LFS).

Technical Notes



1

Introduction

2

Macroeconomic
Developments and
Projections

3

Statistical Annex

Technical notes

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 without a physical presence in Cyprus, known as 'brass plates', from non-residents to residents. The effect of this change is excluded from the monetary and financial statistics series presented in Section A of this publication, which reports local data or residents excluding organisations and businesses without a physical presence in Cyprus. For purposes of normalisation and comparability of monetary time series, data have been further processed by the Economic Research Department of the CBC.

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 changes adjusted for reclassifications and revaluations, 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.

In January 2014, the Statistics Department of the CBC proceeded with a revision of the deposits and loans being published so that monthly transactions and annual percentage changes include the adjustment resulting from currency changes. With the inclusion of such a revaluation, trading and annual percentage changes in loans and deposits in foreign currency will not be affected by fluctuations in exchange rates. This revision significantly improves the accuracy of the data, giving information to users regarding the effective annual percentage change in the monetary aggregates, in line with the methodology applied by the ECB. It should be noted that the outstanding balances are not affected by this revision.

Balance of payments

The present statistical collection system adopted as of June 2014, is based on the methodology of the 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 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 of the special purpose entities that are registered / incorporated in Cyprus in all external statistics produced and published, 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.

More details on the methodology of compiling the balance of payments is available in **Box 1**, pp. 34-37 and on the website of the CBC.