



CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH AND STATISTICS DIVISION

ECONOMIC RESEARCH DEPARTMENT



MONETARY POLICY REPORT

APRIL 2007



CENTRAL BANK OF CYPRUS
ECONOMIC RESEARCH AND STATISTICS DIVISION
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Monetary Policy Report

April 2007

The Monetary Policy Report (MPR) is drafted by the Central Bank's Economic Research Department in preparation for the meetings of the Monetary Policy Committee (MPC), and summarises current economic developments in Cyprus. The MPR appears about eight times a year. Of these eight issues, four are more extensive and comprehensive than the others.

The Greek version of the MPR as well as the English version of the statistical tables are available on the Bank's website on the same day as the MPC meeting. The entire English version of the MPR is posted on the Bank's website during the following month. The English edition of the more extensive version is also available in printed form.

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ECONOMIC RESEARCH AND STATISTICS DIVISION

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Contents

| | |
|--|-----------|
| 1. INTRODUCTION | 1 |
| 2. ECONOMIC DEVELOPMENTS | 3 |
| 2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES | 3 |
| 2.2 MONETARY DEVELOPMENTS | 13 |
| 2.3 INFLATION..... | 26 |
| 2.4 PRODUCTION, DEMAND AND THE LABOUR MARKET | 28 |
| 2.5 PUBLIC FINANCES | 32 |
| 2.6 EXTERNAL TRANSACTIONS | 33 |
| 2.7 PROJECTIONS FOR 2006 AND PROSPECTS FOR 2007 | 35 |
| Boxes | |
| 1. Effective exchange rate indices of the Cyprus pound | 10 |
| 2. Liquidity conditions and monetary policy operations | 21 |
| 3. ANNEX | 37 |

Symbols, conventions and abbreviations

1. The following symbols are used:

| | | | |
|--------|---------------------------|-----------|----------------|
| - | no figures to be expected | CYP and £ | Cyprus pound |
| n.y.a. | not yet available | € | euro |
| 0 | nil or negligible | \$ | US dollar |
| Q | quarter | ST£ | pound sterling |
| p | provisional | ¥ | Japanese yen |

2. Thousands, millions and billions are separated by a dot (.) and decimals are separated by a comma (,). In some cases the totals in the tables may not add up due to rounding.

| | |
|----------|--|
| 3. CBC | Central Bank of Cyprus |
| CCIs | Co-operative Credit Institutions |
| CPI | Consumer Price Index |
| CSE | Cyprus Stock Exchange |
| Cystat | Statistical Service of the Republic of Cyprus |
| CYTA | Cyprus Telecommunications Authority |
| EAC | Electricity Authority of Cyprus |
| ECB | European Central Bank |
| Eurostat | Statistical Office of the European Communities |

1. INTRODUCTION

The world economy continues to grow steadily, while inflation worldwide remains primarily dependent on developments in oil prices. The risks regarding the macroeconomic environment are primarily focused on a possible rise in energy prices, increased protectionist measures and geopolitical uncertainty. In the US, the slowdown in the real estate market does not appear to have affected the wider economy for the time being due to persistently robust consumer expenditure. In the euro area, economic growth continues at satisfactory rates, while in Japan moderate rates of economic activity have led analysts to believe that the risk of deflation reappearing may not be completely negligible. In China, the economy continues to grow rapidly registering a historically high trade surplus.

During their recent meetings on 8 and 21 March, respectively, the Bank of England and the US Federal Reserve decided to maintain their official interest rates unchanged. In contrast, the Bank of Japan and the ECB decided to increase their official interest rates, with the former increasing them to 0,5% and the latter to 3,75% on 21 February and 8 March, respectively. The monetary authority of China raised the minimum reserves requirement on 28 February as well as the official interest rate on 28 March, within the framework of its policy for controlling excess liquidity.

As regards domestic monetary developments, the growth rates of money supply and credit to the private sector continued to be high. Despite this, there was a small slowdown in February compared with the previous month. The Monetary Policy Committee of the CBC maintained the reference rate unchanged during its meeting on 23 February. On 12 March the Committee announced an increase in the marginal lending facility rate from 4,50% to 4,75%, and in the overnight deposit rate from 2,5% to 2,75%. The latter move followed an increase in official ECB interest rates as well as the decision to gradually re-establish the 100 basis points margin which, according to euro area practice, exists between the main refinancing rate and the other two official interest rates. It is stressed that the reference rate used in pricing loans in Cyprus pounds (repo rate) remained unchanged.

Inflation fell to 1,45% in February 2007, which was below the previous month's rate of 1,64%. This reflects mainly the recent decrease in the international price of oil, the further decrease in the price of imported products and the small acceleration in the price of agricultural products.

Despite being at lower levels than in 2006, borrowing in foreign currency accounted for 43,4% of total credit advanced during the 12 month period to February 2007. This, in conjunction with currency outflows, contributed to the limiting of excess bank liquidity.

As far as external transactions are concerned, the number of tourists visiting Cyprus in the first two months of 2007 was down by 5% compared with a decrease of 8% in the corresponding period of 2006. As far as revenue from abroad is concerned, a decrease of 7,1% was recorded in January 2007 compared with a 2,4% increase in January 2006.

According to provisional Cystat figures, in January 2007 total imports (cif) fell by 1,4% compared with an increase of 26,7% in the corresponding period of 2006. Exports of goods rose by 8,3% in January 2007 compared with an increase of 39,5% in 2006.

According to the consolidated accounts of the Central Government and the Social Security Funds, total revenue and grants during January 2007 reached £267,2 million while total expenditure and net lending reached £238,7 million. Consequently, a budget surplus

of £28,5 million, or 0,32% of GDP, was registered compared with the surplus of £15,8 million, or 0,19% of GDP, in the corresponding period of 2006.

The turnover volume index of retail trade rose by 6,2% in 2006 compared with 4,8% in the previous year. In January 2007 this index increased to 5,1% compared with an increase of 7,1% in the corresponding month of 2006. In the labour market, unemployment as a percentage of the economically active population reached 3,9% in the first two months of 2007, compared with 4,1% in the corresponding period of 2006. In the construction sector there were mixed developments. The sale of cement and the volume of building permits decelerated in 2006, but in the first two months of 2007 the sale of cement rose by 9,9% compared with a 3,3% rise in the corresponding period of 2006. At the same time manufacturing displayed a decline.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International economic developments

In the **US**, despite the slowdown in the real estate market, economic growth remained at satisfactory levels, due to strong consumer expenditure (**Tables 1 and 2**, pp. 4 & 5). Notwithstanding this development, analysts believe that the property market will probably affect negatively the economy, provided that subprime mortgages continue to rise. Inflationary pressures are still seen as limited in the short term, while the economy's medium term prospects indicate a continuation of moderate GDP growth and a low price level. The latest data for US inflation indicate an increase of 2,4% in February 2007, compared with 3,6% during the same month of the previous year. Despite these developments, the US Federal Reserve is concerned that inflationary pressures will not be as contained as originally expected. Unemployment was 4,5% in February 2007 compared with 4,8% in the same month of 2006.

In the **euro area** recent ECB estimates for GDP growth are between 2,1% and 2,9% for 2007 and between 1,9% and 2,9% for 2008. External demand continues to support economic activity, while the higher VAT rate introduced in Germany on 1 January 2007, does not appear to have had a negative impact on economic activity. The risks for economic growth are seen as balanced in the short term while there seem to be downside risks in the long term due to the possibility of an increase in oil prices, geopolitical

uncertainty and increased protectionist measures observed in a number of countries of the euro area. Inflation in February reached 1,8% compared with 2,3% in the same month of the previous year. The revised ECB predictions for inflation in 2007 are between 1,5% and 2,1%, while for 2008 they lie between 1,4% and 2,6%.

In the **United Kingdom** economic growth appears to be steady, based on domestic demand. Analysts anticipate that economic activity in the short term will continue at the same pace, with strong investment expenditures but limited exports. Inflation in February reached 2,8% compared with 2,2% in the same month of 2006, and continues to be above the target rate of 2,5%. Unemployment was 5,5% in the period November 2006 – January 2007 compared with 5,1% in the same period of the previous year.

In **Japan** the rate of economic growth remains stable while inflation is still at very low levels, with some analysts warning that the risk of deflation reappearing has not completely vanished. Economic activity is mainly based on private investment expenditure, exports and private consumption. Inflation in January was virtually nil while in the same month of 2006 it registered -0,1%. Unemployment was 4% in January compared with 4,5% in the same month of the preceding year.

Table 1**GDP projections ⁽¹⁾***(annual percentage change)*

| | The Economist Poll of forecasters ⁽²⁾ | | | Lehman Brothers Global Weekly Economic Outlook ⁽³⁾ | | | International Monetary Fund World Economic Outlook ⁽⁴⁾ | | | European Commission Economic Forecasts ⁽⁵⁾ | | |
|-----------|--|------|------|---|-----------|------|---|-----------|------------|---|------|--|
| | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 | 2006 | 2007 | 2006 | 2007 | 2008 | |
| World | | | | 2,9 | 2,3 | 2,2 | 5,1 (4,9) | 4,9 (4,7) | 5,1 (4,6) | 4,6 (4,3) | 4,7 | |
| Euro area | 2,7 | 2,3 | 2,2 | 2,8 (2,7) | 2,2 (1,7) | 1,7 | 2,4 (2,0) | 2,0 (1,9) | 2,6 (2,1) | 2,1 (1,8) | 2,2 | |
| USA | 3,4 | 2,6 | 2,9 | 3,3 (3,4) | 2,3 (2,7) | 2,5 | 3,4 | 2,9 (3,3) | 3,4 (3,2) | 2,3 (2,7) | 2,8 | |
| Japan | 2,1 | 2,2 | 2,3 | 2,2 | 2,2 (1,9) | 2,5 | 2,7 (2,8) | 2,1 | 2,7 (2,8) | 2,3 (2,4) | 2,1 | |
| UK | 2,7 | 2,7 | 2,6 | 2,7 | 2,4 (2,3) | 2,2 | 2,7 (2,5) | 2,7 | 2,7 (2,4) | 2,6 (2,8) | 2,4 | |
| China | | | | 10,7 | 9,8 (9,6) | 9,8 | 10,0 | 10,0 | 10,4 (9,5) | 9,8 (9,0) | 9,7 | |

(1) Figures in parentheses indicate the corresponding projection in the previous Monetary Policy Report, in case of change. In the case of the International Monetary Fund and European Commission, the figures indicate the projections in April 2006.

(2) The Economist, 8 March 2007.

(3) Lehman Brothers Global Weekly Economic Monitor, 23 March 2007.

(4) International Monetary Fund, World Economic Outlook, September 2006.

(5) European Commission, Economic Forecasts, Autumn 2006.

In **China**¹ economic growth continues at a rapid pace. In 2006 GDP grew by 10,7% based mainly on exports and private consumption. The trade surplus reached a historical high of \$204,8 billion during the twelve month period to February 2007. The Central Bank of China raised its official interest rate to 6,39% for the third consecutive time in a year. In addition it increased the minimum reserve requirement by 50 basis points to 10%, due to the rapid credit expansion. Inflation rose to 2,7% in February compared with 0,9% in the same month of 2006.

All three selected stock market indices presented in **Chart 1** (p. 5) declined towards the end of February, due to the impact of China's stock market on international markets and the winding up of yen carry trades. In spite

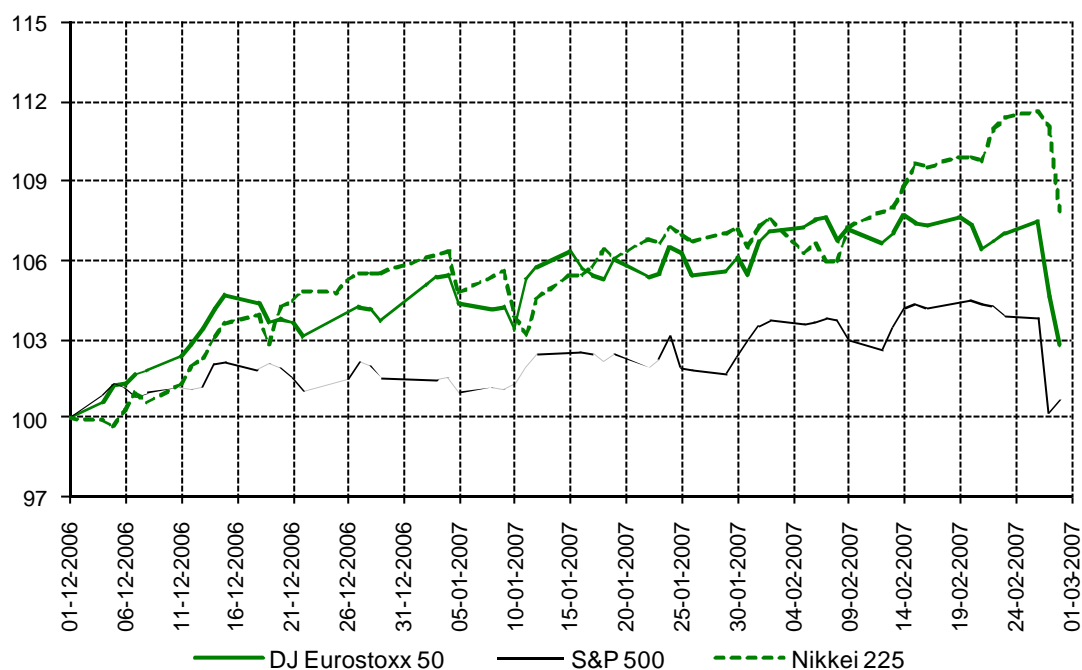
of these developments, the downward trend in equities did not continue. During March markets recovered as a result of positive expectations regarding company profits and healthy economic data. During the period December 2006 – February 2007, the Eurostoxx 50 index rose by 2,8%, the S&P 500 index rose by 0,7% and the Nikkei 225 index rose by 7,9%.

The average daily price of **Brent crude** rose with its average daily price reaching \$57,5 per barrel in February, compared with \$53,6 per barrel in January. As at 28 March the average daily price was \$61,3 per barrel. The main factors pushing oil prices upwards in the last few weeks were the cold weather conditions, the strong demand in the northern hemisphere as well as the decrease in production by OPEC.

1. It has been decided to dedicate part of international economic developments to China due to the rapid growth it has exhibited in recent years and the importance it maintains in world trade.

Chart 1
Selected international stock market indices

(1 December 2006 = 100, daily data)



Source: Bloomberg.

Table 2
Main economic indicators

(percentage change year-on-year)

| | GDP | | | | Industrial production January (annual) | Retail sales January (annual) | Unemployment January (annual) | Inflation ⁽²⁾ February (annual) |
|-----------|----------------------------|----------|----------------------------|----------|--|-------------------------------------|-------------------------------------|--|
| | 2006 (Q3) | | 2006 (Q4) | | | | | |
| | (quarterly) ⁽¹⁾ | (annual) | (quarterly) ⁽¹⁾ | (annual) | | | | |
| UK | 2,7 | 2,7 | 3,2 | 3,0 | 0,4 | 3,2 | 5,5 ⁽³⁾ | 2,8 |
| Japan | 0,8 | 1,6 | 4,8 | 2,1 | 4,3 | -0,8 | 4,0 | 0,0 ⁽⁴⁾ |
| USA | 2,0 | 3,0 | 2,2 | 3,1 | 3,4 ⁽⁵⁾ | 2,6 | 4,5 ⁽⁵⁾ | 2,4 |
| Euro area | 2,0 | 2,7 | 3,6 | 3,3 | 3,7 | -0,1 | 7,4 | 1,8 |
| China | | 10,7 | | 10,4 | 14,7 ⁽⁶⁾ | 14,6 ⁽⁶⁾ | 9,8 ⁽⁶⁾ | 2,7 |

Source: The Economist, 22 March 2007.

(1) Percentage change on previous quarter at an annualised rate.

(2) Based on the consumer price index.

(3) November 2006 - January 2007.

(4) January 2007.

(5) February 2007.

(6) December 2006.

International currencies

During the first 26 days of March 2007, the dollar recorded marginal fluctuations relative to the euro, but with a downward trend over the past six months. More specifically, the dollar reached \$1,33 per euro on 26 March compared with \$1,32 on 1 March and \$1,27 on 2 October 2006. The dollar was affected by two factors: (i) the decision of the US Federal Reserve to keep interest rates unchanged; and (ii) comments by Alan Greenspan, former Governor of the US Federal Reserve, that the problems faced by financial institutions with mortgage lending could be transferred to other sectors of the economy. As a result, the markets have revised their expectations regarding US monetary policy, and expectations are that US interest rates are less likely to be reduced in the near future. The euro benefited from statements by ECB officials, who suggested that eurozone interest rates are likely to increase in the future, following the recent increase in interest rates by 25 basis points on 8 March.

During the period under review, sterling did not show significant fluctuations against the euro, reaching ST£0,68 per euro.

As far as the yen is concerned, marginal fluctuations were reported relative to the euro reaching ¥156,85 to the euro on 26 March compared with ¥156,21 on 1 March.

The fluctuations of the aforementioned currencies during the last six years are shown in **Chart 2** (p.7).

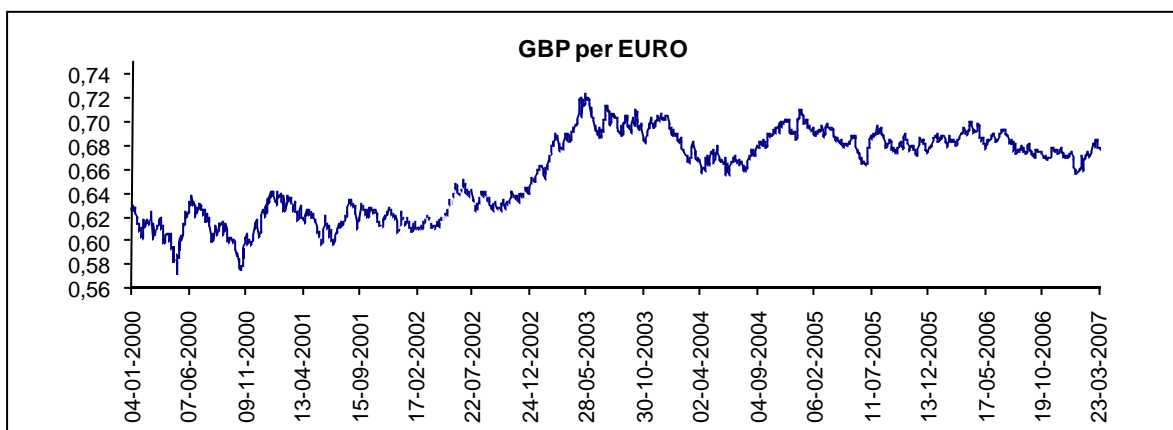
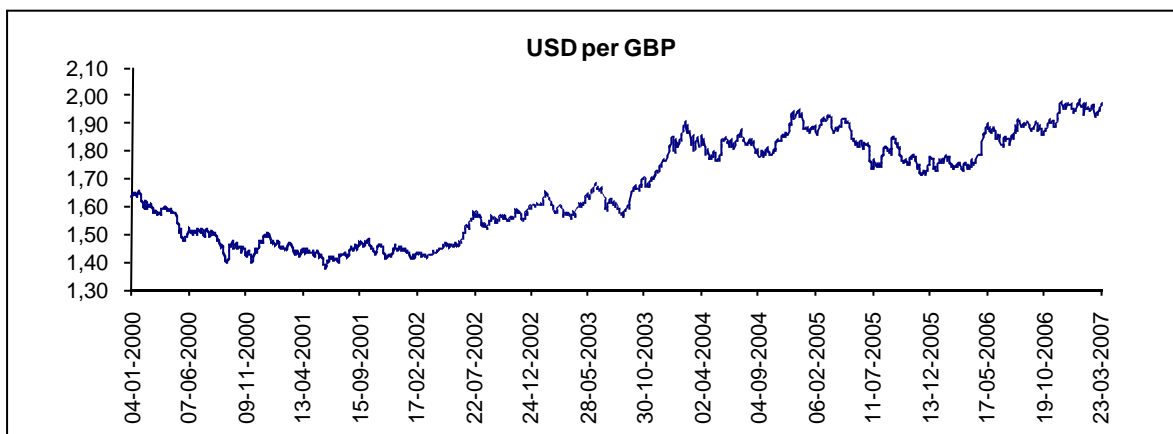
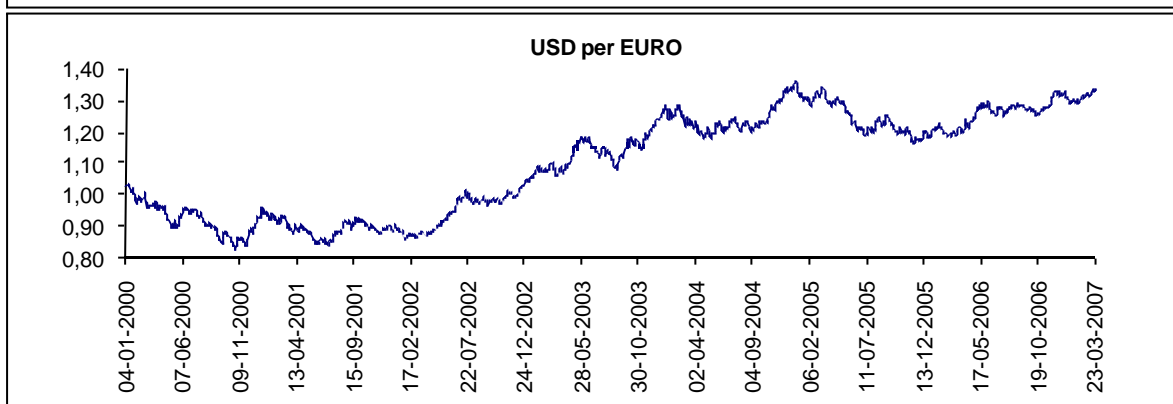
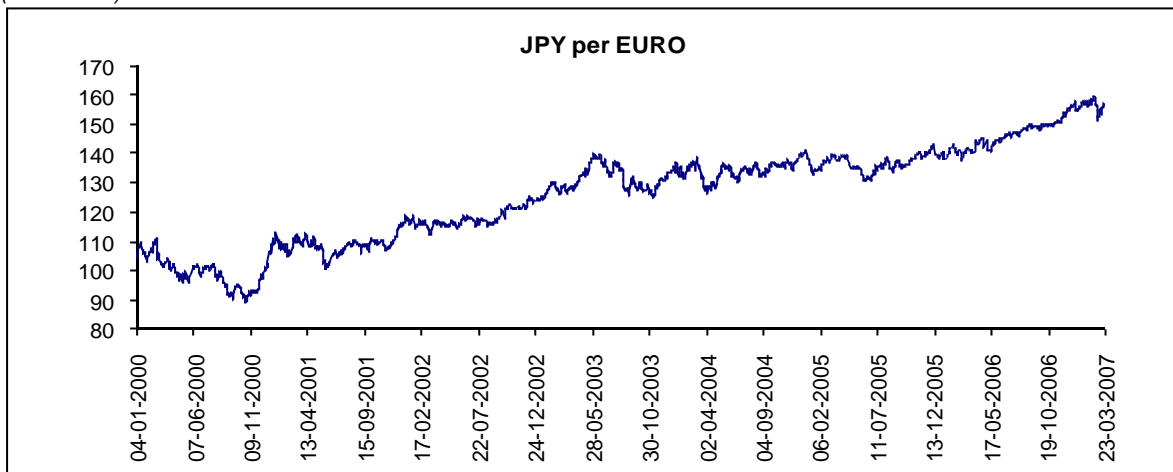
Cyprus pound

Since the beginning of the year the Cyprus pound has recorded a stable but gradual weakening relative to the euro. During the period under review the Cyprus pound recorded a marginal weakening reaching £1,7227 per euro (**Chart 3** p.8). Reflecting the fluctuations of foreign currencies during the period under review, the Cyprus pound recorded marginal strengthening relative to the dollar reaching \$2,2857 on 26 March compared with \$2,2816 on 1 March (**Chart 4** p.9). During the period under review there was marginal strengthening against sterling, reaching ST£1,1662 on 26 March compared with ST£1,1621 on March (**Chart 4**, p.9).

Chart 2

Major international currencies

(middle rate)

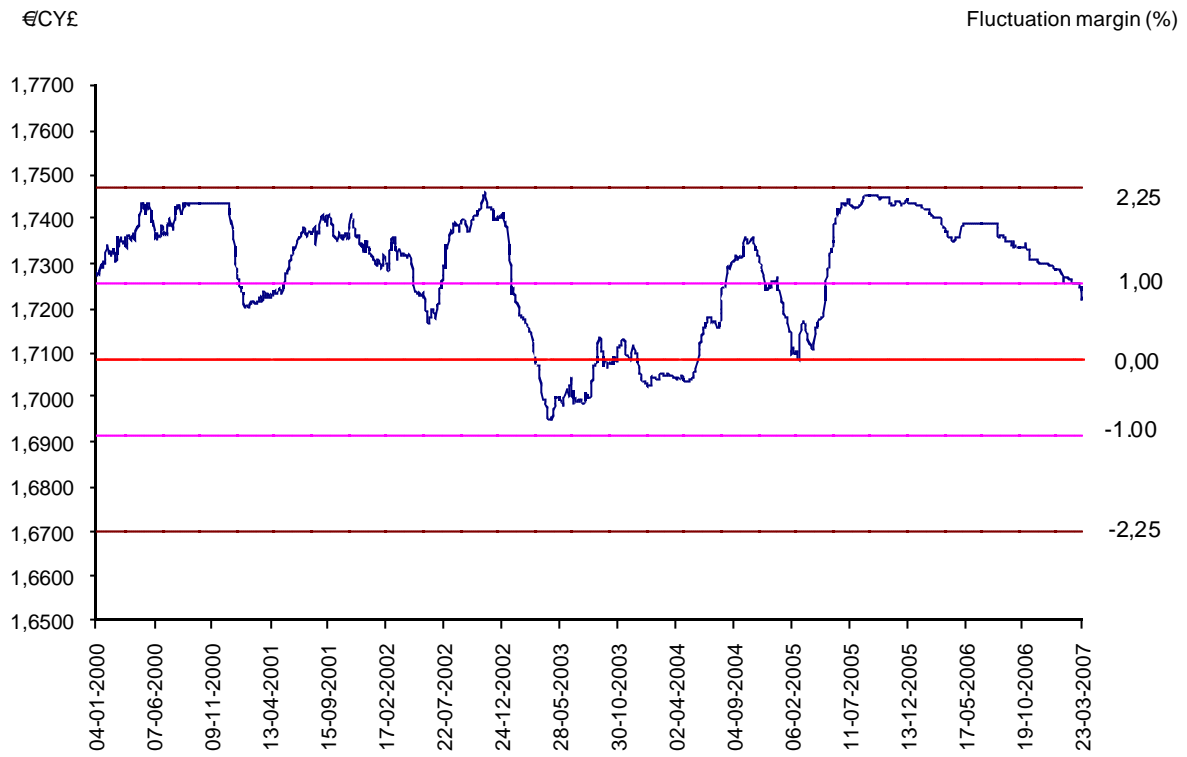


Source: Central Bank of Cyprus.

Chart 3

Exchange rate of the euro against the Cyprus pound

(middle rate fixing)

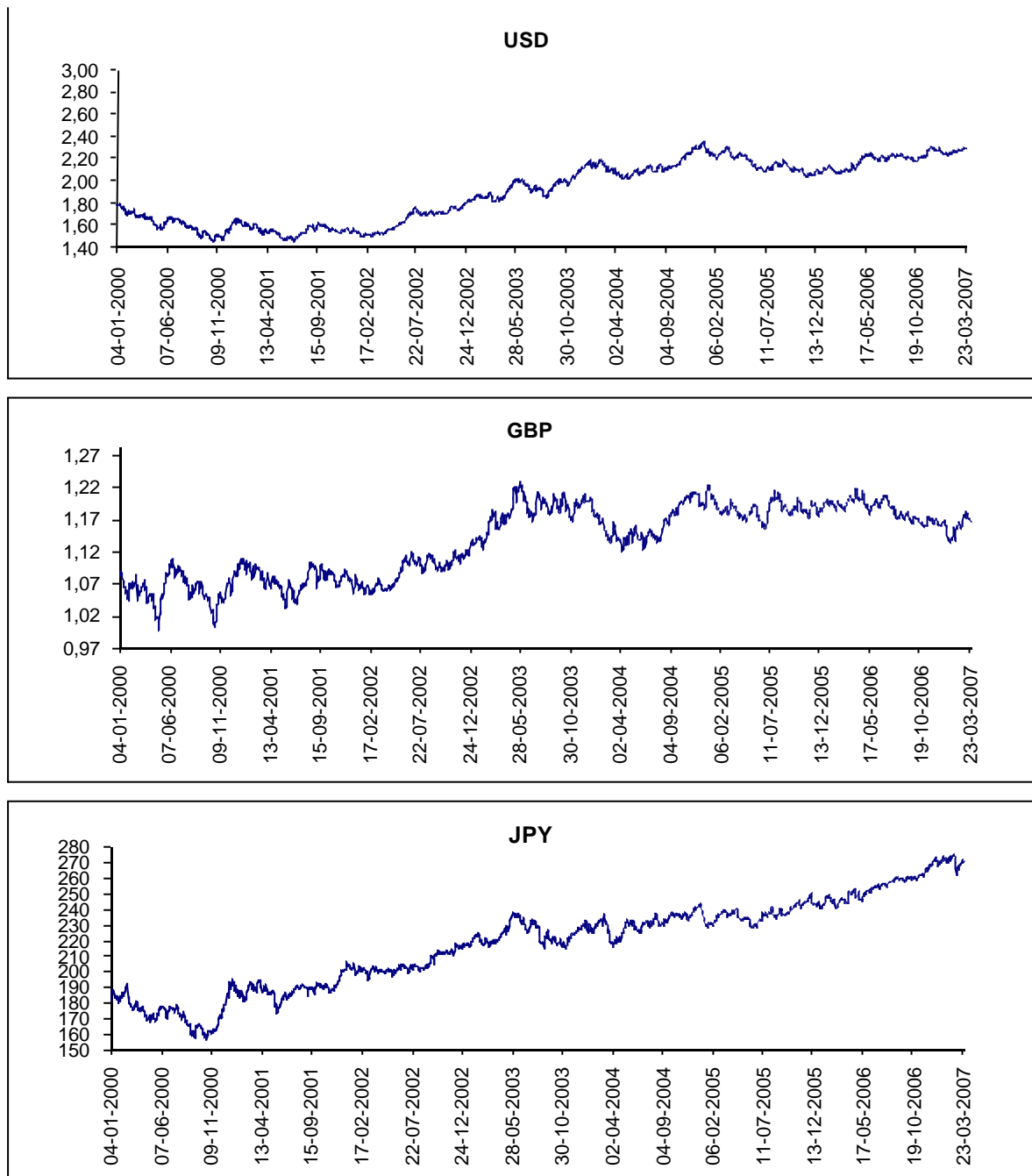


Source: Central Bank of Cyprus.

Note: The official fluctuation margins of the Cyprus pound against the euro are set equal to $\pm 15\%$.

Chart 4

Cyprus pound against major international currencies
(middle rate)



Source: Central Bank of Cyprus.

BOX 1**Effective exchange rate indices of the Cyprus pound**

Effective exchange rate indices reflect the average fluctuation of a currency relative to the currencies of its trading partners. The effective exchange rate expressed in real terms represents the deflated value of the corresponding nominal effective exchange rate, where the deflator can be either the consumer price index or any other price or cost variable such as unit labour cost.

The chart below illustrates the monthly nominal and real effective exchange rates of the Cyprus pound from January 1992 to August and October 2006, respectively. An upward trend of the overall index reflects an appreciation of the domestic currency in real or nominal terms, thus indicating weakening of the competitiveness for exported products.

The real effective exchange rate of the Cyprus pound, REER IMF, shown in the chart below is calculated by the International Monetary Fund (IMF) and is a third country competition weighted index, taking into account 19 countries. The weights are estimated using data on trade and tourism for the years 1988 – 1991 (for the data until 1994) and 1999 - 2001 (for the data from 1995 onwards), and the consumer price index is used to deflate the series. Using 2000=100 as the base year, REER IMF reached 112,33 units in October 2006. Due to the time lag in reporting, the CBC calculates its own index based on the IMF index, using 8 instead of 19 countries. The CBC index, REER CBC, shown in the chart follows the IMF index very closely. The most recent available data for this index, with the base year 2000=100, are for October 2006 in real terms. The REER CBC index averaged 112,69 units in January 2007 whereas the index in nominal terms reached 110,18 units in February 2007.

The outlook indicated by the nominal index differs from the one indicated by the real index. The sharper appreciation observed in real terms is primarily attributable to the higher inflation recorded in Cyprus compared with other European countries, largely as a result of the progressive increase in VAT from 10% to 15% during 2002 and 2003 as well as increases in other consumption taxes (particularly those on petroleum products).

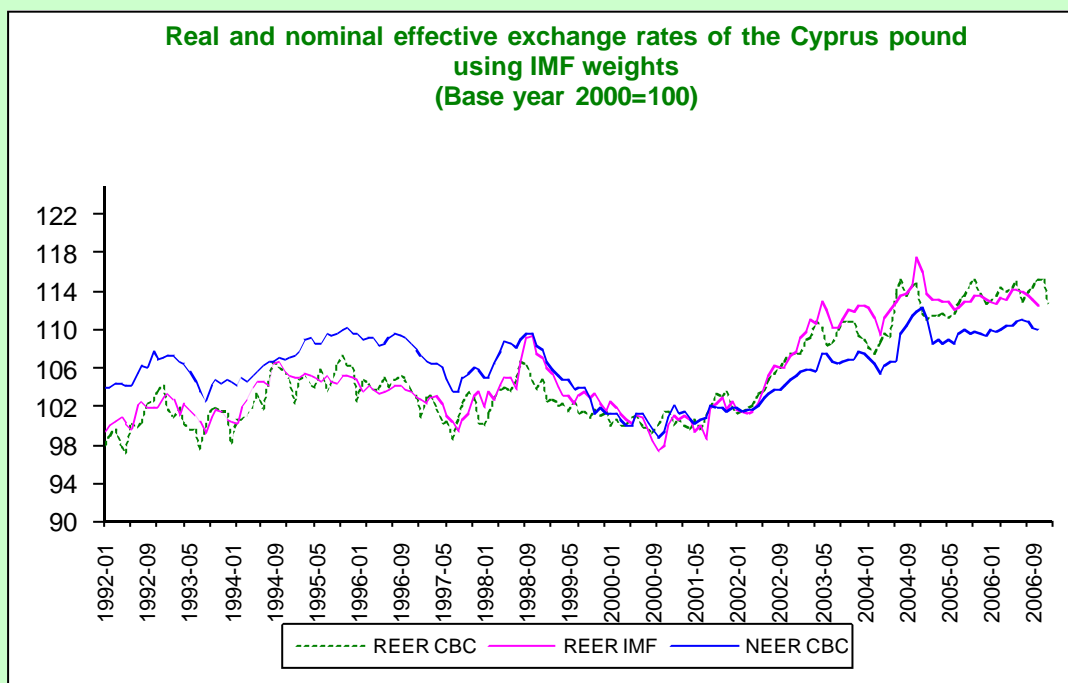
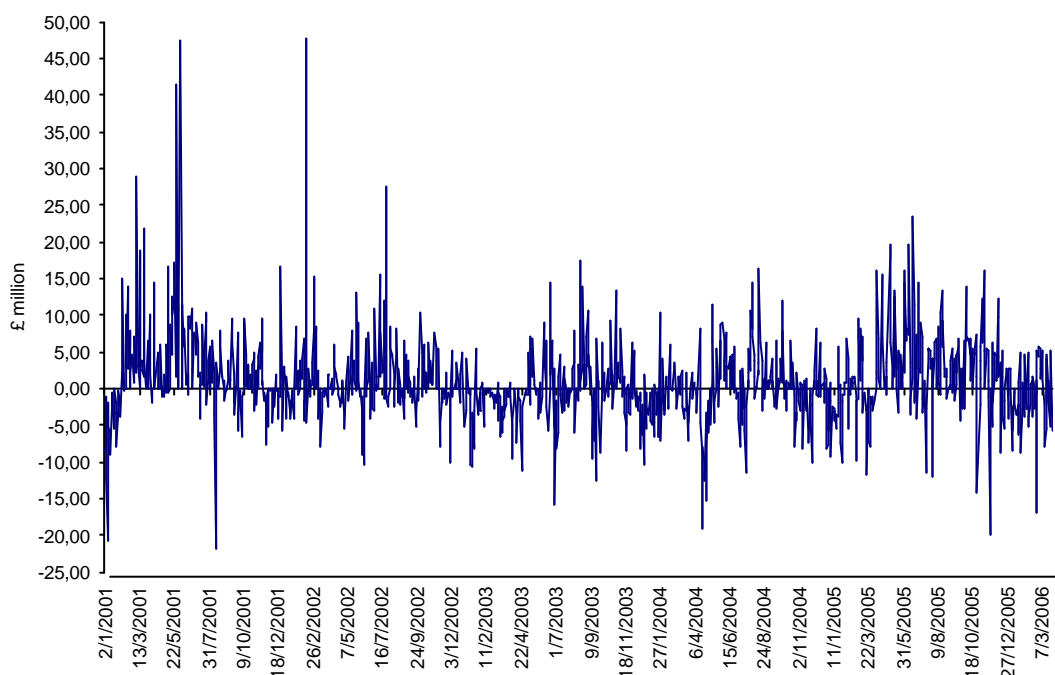


Table 3 (p.12) illustrates the CBC’s total foreign currency transactions until 26 March 2007 on the basis of their transaction dates. The corresponding daily total transactions in foreign currency by the CBC from 2001 until today are illustrated in **Chart 5**

below. During the period under review, net outflows of £244,51 million were recorded compared with net outflows of £48,36 million in the corresponding period of 2006.

Chart 5

Daily purchases/sales of foreign exchange by the Central Bank of Cyprus from/to domestic banks



Source: Central Bank of Cyprus.

Note: Purchases of foreign exchange by the Central Bank of Cyprus are shown with a positive sign.

Table 3

Domestic foreign exchange market: purchases and sales by the Central Bank of Cyprus

| Period | Foreign currency per Cyprus pound (period average) | | | Purchases(+)/Sales(-) of foreign exchange by the Central Bank (based on transaction date) | | | |
|-------------|---|--------|----------|---|--------|----------|-------------------------------------|
| | | | | In foreign currency (million) | | | In Cyprus pounds (million) |
| | Euro | USD | Sterling | Euro | Dollar | Sterling | |
| Yearly | | | | | | | |
| 2001 | 1,7314 | 1,5602 | 1,0805 | 755,82 | 242,99 | 76,39 | 663,30 |
| 2002 | 1,7383 | 1,6445 | 1,0934 | 321,55 | 64,75 | 53,05 | 273,13 |
| 2003 | 1,7122 | 1,9361 | 1,1844 | -259,75 | 1,30 | 19,50 | -134,01 |
| 2004 | 1,7187 | 2,1357 | 1,1663 | -91,40 | 15,75 | 25,70 | -25,52 |
| 2005 | 1,7310 | 2,1574 | 1,1858 | 899,55 | 29,30 | 37,30 | 560,68 |
| 2006 | 1,7350 | 2,1826 | 1,1844 | 1024,25 | 0,40 | 4,40 | 593,65 |
| Quarterly | | | | | | | |
| 2004 Q1 | 1,7060 | 2,1348 | 1,1604 | -155,75 | 2,00 | 30,20 | -64,23 |
| 2004 Q2 | 1,7099 | 2,0579 | 1,1401 | -19,05 | 6,50 | 1,10 | -7,49 |
| 2004 Q3 | 1,7271 | 2,1107 | 1,1612 | 199,60 | 4,95 | -19,20 | 101,02 |
| 2004 Q4 | 1,7317 | 2,2394 | 1,2033 | -116,2 | 2,3 | 13,6 | -54,82 |
| 2005 Q1 | 1,7161 | 2,2496 | 1,1902 | -161,1 | 10,5 | 30,1 | -64,1 |
| 2005 Q2 | 1,7297 | 2,1785 | 1,1742 | 518,15 | 22,3 | 4,40 | 312,86 |
| 2005 Q3 | 1,7443 | 2,1278 | 1,1928 | 250,45 | -3,55 | -0,10 | 141,83 |
| 2005 Q4 | 1,7440 | 2,0737 | 1,1861 | 292,05 | 0,5 | 2,90 | 170,09 |
| 2006 Q1 | 1,7407 | 2,0930 | 1,1947 | -85,05 | 1,70 | 0,60 | -47,47 |
| 2006 Q2 | 1,7379 | 2,1830 | 1,1962 | 631,05 | 0,00 | 2,00 | 364,75 |
| 2006 Q3 | 1,7383 | 2,2116 | 1,1891 | 284,85 | -0,15 | 1,80 | 152,29 |
| 2006 Q4 | 1,7316 | 2,2345 | 1,1658 | 154,90 | -0,15 | 0,00 | 89,18 |
| 2006 | | | | | | | |
| January | 1,7429 | 2,1102 | 1,1960 | -79,95 | -0,30 | 0,00 | -46,01 |
| February | 1,7411 | 2,098 | 1,1896 | -8,45 | 0,00 | 0,60 | -4,34 |
| March | 1,7382 | 2,0894 | 1,1984 | 3,35 | 2,00 | 0,00 | 2,88 |
| April | 1,7356 | 2,1247 | 1,2059 | 159,45 | -0,15 | 2,00 | 93,46 |
| May | 1,7388 | 2,2216 | 1,1881 | 326,40 | 0,00 | 0,00 | 187,73 |
| June | 1,7392 | 2,2027 | 1,1946 | 145,20 | 0,15 | 0,00 | 83,56 |
| July | 1,7392 | 2,2061 | 1,1963 | 113,65 | -1,00 | 0,00 | 64,89 |
| August | 1,7366 | 2,2260 | 1,1759 | 26,00 | 0,00 | 0,00 | 14,94 |
| September | 1,7346 | 2,2093 | 1,1714 | 183,70 | -0,15 | 1,80 | 107,36 |
| October | 1,7339 | 2,1876 | 1,1667 | 210,40 | 0,0 | 0,00 | 121,33 |
| November | 1,7310 | 2,2300 | 1,1666 | -81,50 | -0,15 | 0,00 | -47,18 |
| December | 1,7298 | 2,2860 | 1,1640 | 26,00 | 0,00 | 0,00 | 15,03 |
| 2007 | | | | | | | |
| January | 1,7288 | 2,2478 | 1,1474 | -142,40 | -2,00 | 2,00 | -81,55 |
| February | 1,7266 | 2,2556 | 1,1526 | -143,00 | 0,00 | 2,20 | -80,91 |
| March* | 1,7251 | 2,2803 | 1,1732 | -141,50 | 0,00 | 0,00 | -82,05 |

*Figure until 26 March 2007.

Source: Central Bank of Cyprus.

2.2 MONETARY DEVELOPMENTS

The banking system in Cyprus consists of the domestic banks, the co-operative credit institutions (CCIs) and the former international banking units (IBUs) ². Although there are updated figures for commercial banks, data for CCIs are available with a delay of approximately three months. For this reason, in the analysis that follows it is mainly commercial bank data that are described as they are readily available, whereas in the case of CCIs our comments are based on estimates or preliminary data. Following the complete liberalisation of capital movements, the former IBUs are free to provide credit to Cypriots.

Analysis of monetary aggregates

During February there was a slight slowdown both in the rate of growth of M2 and credit to the private sector (**Charts 6 and 7** respectively, p.14). At the same time, foreign exchange outflows which began in January persisted while the increase in foreign currency loans was limited. Nevertheless, these still make up more than 40% of total new credit.

According to provisional data, the annual rate of growth of the total money supply M2C³,

which includes deposits in domestic banks and CCIs, was 13,2% in February compared with 13,3% in January 2007 and 11,6% in February 2006. Credit to the private sector by commercial banks and the CCIs grew by 15% in February 2007, compared with 7,9% in the same month of 2006.

M2 grew by 14% in February, a slightly lower rate than the 14,2% in January but higher than the 12,9% registered in February 2006. According to the three-month moving average, the rate of growth of M2 during the period December 2006 – February 2007 decelerated to 14,4% compared with 14,7% in the period November 2006 – January 2007.

Table 4 (p.15) presents the annual percentage change of components and factors affecting total money supply. Regarding the components of M2, the narrow money aggregate M1 registered an annual increase of 19,9% in February, compared with 25,2% in January and 24,8% in February 2006. The slowdown in M1 growth resulted from the decrease in local currency demand deposits. Quasi - money rose by 12,7% in February compared with 11,9% in January and 10,6% in February 2006. The acceleration in quasi-money growth and the simultaneous slowdown in M1 growth indicate a switch from demand deposits towards time deposits, especially those with a duration of up to three months. At the end of February, quasi-money accounted for 81,4% of M2 while M1 accounted for 18,6%.

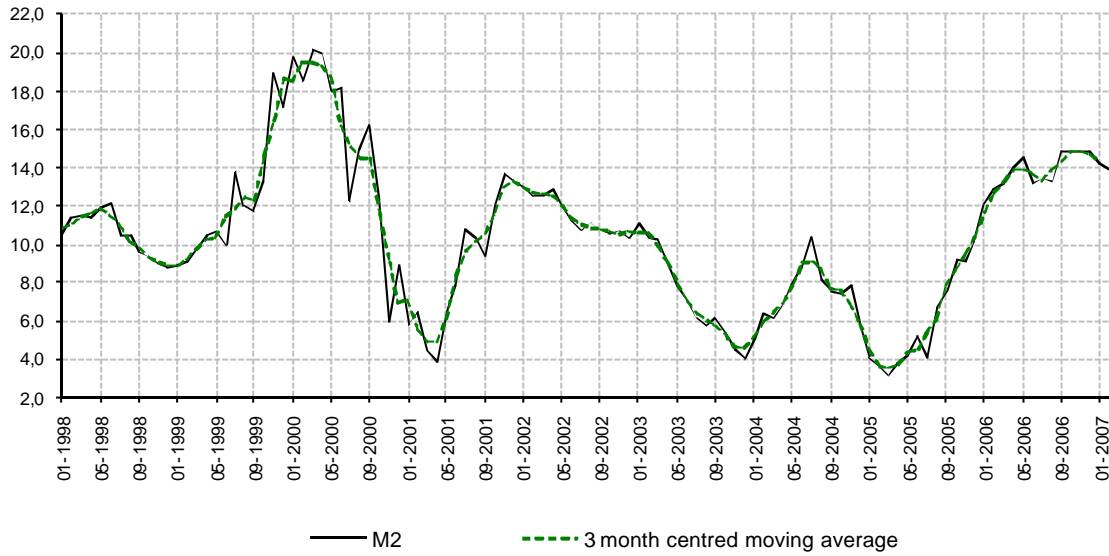
2. It should be noted that since 1 January 2006 the term International Banking Units has ceased to be used. Upon introduction of the new monthly balance sheet for monetary and financial institutions (MFIs) the data from IBUs will be consolidated with the local MFIs.

3. The monetary aggregate M2C should be treated with caution since the co-operative credit institutions are not supervised by the Central Bank of Cyprus and, in addition, the automation undertaken by the Co-operative Computers Society (SEM) Ltd, does not yet cover all the co-operative credit institutions.

Chart 6

M2 growth

(annual percentage change, monthly data)

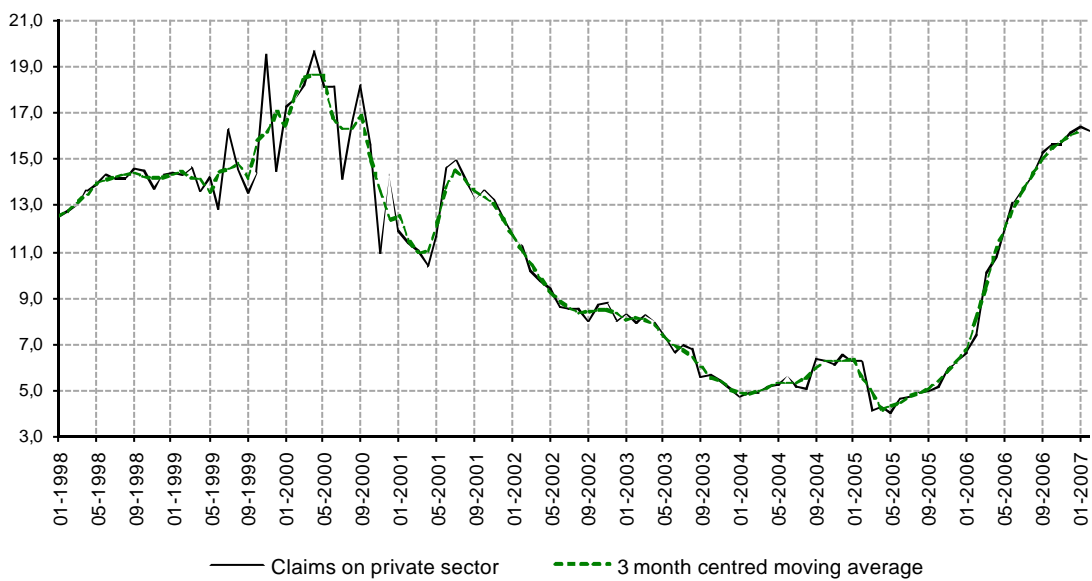


Source: Central Bank of Cyprus.

Chart 7

Growth of claims on private sector

(annual percentage change, monthly data)



Source: Central Bank of Cyprus.

Table 4

Main monetary indicators

| | Outstanding amount as a percentage of M2 ⁽¹⁾ | Annual percentage change | | | |
|--------------------------------|---|--------------------------|--------------|--------------|--------------|
| | | 2006 Jan. | 2006 Feb. | 2007 Jan. | 2007 Feb. |
| Money supply (M1) | 18,6 | 17,8 | 24,8 | 25,2 | 19,9 |
| Currency in circulation | 4,8 | 7,6 | 7,3 | 7,7 | 8,3 |
| Demand deposits | 13,8 | 22,7 | 33,4 | 32,6 | 24,6 |
| Quasi-money | 81,4 | 11,0 | 10,6 | 11,9 | 12,7 |
| Total money supply (M2) | 100,0 | 12,1 | 12,9 | 14,2 | 14,0 |
| Claims on private sector | | 6,6 | 7,4 | 16,4 | 16,2 |
| of which in foreign currency | | 32,0 | 36,6 | 57,8 | 52,1 |
| Claims on public sector | | 24,9 | 25,0 | 15,0 | 13,1 |

Source: Central Bank of Cyprus.

(1) As at the end of the last month available.

The annual rate of growth of residents' local currency deposits rose by 11,9% in February, compared with 13,1% in January and 9,5% in February 2006. At the same time, the annual rate of growth of residents' foreign currency deposits was 32,5% in February, compared with 25,7% in January and 52,9% in February of the previous year. In February 2007 there was a move from local currency demand deposits to deposits in euro. This was the result of the conversion of local currency deposits into euro in view of the impending fixing of the exchange rate between the Cyprus pound and the euro in the summer of 2007.

The acceleration in the growth of M2 was mainly a result of the increase in credit to the private sector. In particular, credit to the private sector rose at an annual rate of 16,2% in February compared with 16,4% in January and 7,4% in February 2006. The three-month moving average of credit growth was 16,2% during the period December 2006 – February 2007, compared with 16% in the period November 2006 – January 2007. In addition, credit to the public sector slowed down to 13,1% in February compared with 15% in January and 25% in February 2006, due to the issues of government securities in February 2007.

Table 5
Bank credit by sector⁽¹⁾

| | Outstanding amount as a percentage of total ⁽²⁾ | Annual percentage change | | | |
|---|--|--------------------------|-----------|-----------|-----------|
| | | 2006 Jan. | 2006 Feb. | 2007 Jan. | 2007 Feb. |
| Public institutions and corporations ⁽³⁾ | 2,84 | 12,3 | 7,3 | 8,4 | 8,0 |
| Agriculture | 0,91 | -6,5 | -5,5 | 0,5 | 1,3 |
| Mining | 0,23 | 1,6 | 5,5 | 0,7 | -2,8 |
| Manufacturing | 4,47 | 0,3 | 0,8 | 1,4 | 0,9 |
| Transport and communications | 1,13 | -13,2 | -3,5 | 33,1 | 32,9 |
| Foreign and domestic trade | 12,81 | 0,6 | -0,6 | -2,5 | -1,1 |
| Building and construction | 19,07 | 10,5 | 11,8 | 28,2 | 26,8 |
| Tourism | 7,81 | -2,1 | -1,7 | 6,8 | 7,6 |
| Personal and professional loans | 50,70 | 12,3 | 14,0 | 24,6 | 24,3 |
| Bills discounted: local | 0,02 | -7,9 | 24,1 | 1,2 | -21,0 |
| foreign | 0,01 | 14,1 | -14,8 | -32,5 | -10,3 |
| Total | 100,00 | | | | |

Source: Central Bank of Cyprus.

(1) This refers to loans in local and foreign currency, given to residents and non-residents of Cyprus.

(2) As at the end of the last month available.

(3) Including government loans.

The breakdown of bank credit by sector of economic activity (**Table 5**) shows that personal/professional loans rose by 24,3% in February, compared with 24,6% in January and 14% in February 2006. Credit to the construction sector rose at an annual rate of 26,8% in February, compared with 28,2% in January and 11,8% in February of the previous year.

During the same period, growth of credit to public corporations and institutions, including the government, was 8% compared with 8,4% in the 12 months to January and 7,3% in the 12 months to February 2006.

The largest share of total outstanding amounts at the end of February was accounted for

by personal/professional loans with 50,7%, followed by credit to the construction sector with 19,1% and foreign and domestic trade with 12,8%.

Foreign currency lending to residents by domestic banks rose by €669,1 million in the 12 months to February 2007, compared with a rise of £344,6 million in the same period of the previous year. The share of new foreign currency loans to total new loans given in the 12 months to February 2007 was 43,4%, compared with 52,6% in the same period of 2006.

As a result, the share of new foreign currency loans to total loans outstanding at the end of February 2007 was 17,7%, compared with

Table 6

Claims on private sector ⁽¹⁾

| | 2004 | 2005 | 2006 | 2006 Feb. | 2007 Jan. | 2007 Feb. |
|--|---------|---------|----------|--------------|--------------|--------------|
| <i>(outstanding amounts at end of period, CYP million)</i> | | | | | | |
| Foreign currency loans to residents | 909,9 | 1.205,8 | 1.896,9 | 1.285,1 | 1.932,1 | 1.954,2 |
| Claims on private sector | 8.843,7 | 9.390,8 | 10.902,0 | 9.513,5 | 10.963,3 | 11.054,7 |
| Share % | 10,3 | 12,8 | 17,4 | 13,5 | 17,6 | 17,7 |
| <i>(12 month change, CYP million)</i> | | | | | | |
| Foreign currency loans to residents | 111,0 | 295,8 | 691,2 | 344,6 | 707,8 | 669,1 |
| Claims on private sector | 541,7 | 547,1 | 1.511,2 | 655,5 | 1.542,6 | 1.541,2 |
| Share % | 20,5 | 54,1 | 45,7 | 52,6 | 45,9 | 43,4 |

Source: Central Bank of Cyprus.

(1) From domestic banks.

13,5% at the end of February 2006 (**Table 6**). At the end of January 2007, 54,2% of foreign currency loans was accounted for by euros, 37,4% by Swiss francs, 4,8% by dollars and 2,4% by yen, compared with 66,8%, 22,4%, 7,7% and 2%, respectively, at the end of February 2006.

The rise in lending in Swiss francs is due to the low interest rates in this currency. It appears that borrowers have been disregarding the exchange rate risk associated with such transactions, even though the exchange rate between the Swiss franc and the Cyprus pound has historically exhibited strong fluctuations. In fact, at the beginning of March the Swiss franc appreciated against the Cyprus pound by 1,8% within a period of just a few days. This was the result of investors' preference for Swiss francs following a fall in share values during the period in question. According to provisional data covering medium and long-term lending in foreign currency during 2006, 39,5% of new loans was used for

refinancing⁴, 22,6% for the purchase of fixed assets and 14,2% was used in the local construction sector. The respective figures for the same period of 2005 were 55,1%, 16,3% and 9%.

Domestic expenditure by holders of Cypriot credit cards rose at an annual rate of 23,3% in February 2007, thus reflecting, to an extent, the growth in monetary aggregates registered during this period. In February 2006 this type of expenditure rose by 15,2%, while during the first two months of 2007 it rose by 17,2% compared with 15,4% in the same month of the preceding year.

Expenditure by Cypriot cardholders abroad rose at an annual rate of 37,5% in February, compared with 39,6% in the same month of the previous year. During the period January – February 2007, this type of expenditure rose by 40,2%, compared with 40,6% in the same

4. Refinancing refers to the repayment of existing loans in Cyprus pounds or the conversion of existing foreign currency loans into a different currency.

Table 7**Credit card transactions**

| | 2005 | 2006 | February | | Jan.-Feb. | |
|--|---------|---------|----------|--------|-----------|---------|
| | | | 2006 | 2007 | 2006 | 2007 |
| Foreign cardholder spending in Cyprus | | | | | | |
| Value (CYP thousand) | 244.609 | 256.958 | 10.117 | 10.949 | 20.467 | 21.843 |
| Annual % change | 5,1 | 5,0 | 6,3 | 8,2 | 9,2 | 6,7 |
| Local cardholder spending in Cyprus | | | | | | |
| Value (CYP thousand) | 659.486 | 769.917 | 49.973 | 61.621 | 107.775 | 126.285 |
| Annual % change | 11,4 | 16,7 | 15,2 | 23,3 | 15,4 | 17,2 |
| Local cardholder spending abroad | | | | | | |
| Value (CYP thousand) | 244.131 | 332.497 | 23.324 | 32.068 | 46.889 | 65.728 |
| Annual % change | 25,2 | 36,2 | 39,6 | 37,5 | 40,6 | 40,2 |

Source: JCC Payment Systems.

period of the preceding year. Finally, foreign cardholders' expenditure in Cyprus rose at an annual rate of 8,2% in February 2007, compared with 6,3% in the same month of 2006. During the first two months of the current year, this type of expenditure rose by 6,7% compared with a rise of 9,2% in the same period of the previous year (**Table 7**).

Co-operative Credit Institutions (CCIs)⁵

During February, local currency deposits with CCIs amounted to 39,1% of total deposits (in CCIs and domestic banks), compared with 37,8% in the same month of 2006. In February 2007 the share of CCI loans in local currency was estimated at 30,1%, virtually unchanged when compared with that of February 2006. Deposits with CCIs are estimated to have increased by 15,2% in the 12 months to

February 2007, compared with 10,2% in the same period to February 2006. Loans in Cyprus pounds given by CCIs are estimated to have increased by 11,6% in February 2007, compared with 8,8% in the same month of 2006.

Money market

During February and March there was a decrease in surplus bank liquidity⁶. The increase in government deposits due to government bond issues and foreign exchange outflows, which are reflected in the decrease in net foreign assets (**Table 8** p.19), were the main factors affecting negatively surplus liquidity. In particular, the large issue of government bonds was partly a result of the convergence of domestic interest rates with those in the EU.

5. The data for the CCIs are estimated by the Central Bank based on a sample of 210 CCIs, which make up about 96% of total deposits and loans.

6. Box 2 on page 21 presents the liquidity conditions for the period 9 November 2006 – 14 March 2007. Any differences in the amounts are due to the different periods being analysed.

Table 8

Banking system's liquidity position

(CYP million, period averages of daily positions)

| | Liquidity - providing factors | | | | | Liquidity - absorbing factors | | | | | | Credit institutions current accounts (MRA) | Base money (6+7+9+12) |
|-----------|---|-------------------------------------|----------------------------------|-------------------------------------|---|-------------------------------|--|-------------------|-------------------------|---|---------------------|--|--------------------------|
| | Net assets in gold and foreign currency (NFA) | Monetary policy operations | | | | Deposit facility (overnight) | Other liquidity-absorbing operations (additional, special & S.M.E. dep.) | Rev-repos & depos | Currency in circulation | Central govern. deposits (net) ⁽¹⁾ | Other factors (net) | | |
| | | Main refinancing operations (repos) | Long-term refinancing operations | Marginal lending facility (lombard) | Other liquidity-providing operations (swap) | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 2005 Mar. | 1.432,9 | 0,0 | 0,0 | 0,3 | 0,0 | 25,2 | 79,3 | 28,4 | 524,0 | -48,4 | 178,9 | 646,2 | 1.274,8 |
| Apr. | 1.361,7 | 0,0 | 0,0 | 0,1 | 0,0 | 63,7 | 79,3 | 17,3 | 537,7 | -191,8 | 208,2 | 647,7 | 1.328,1 |
| May | 1.395,2 | 0,0 | 0,0 | 0,0 | 0,0 | 33,4 | 79,3 | 72,9 | 554,6 | -204,1 | 210,1 | 648,9 | 1.316,3 |
| June | 1.510,9 | 0,0 | 0,0 | 6,2 | 0,1 | 36,2 | 79,7 | 68,3 | 568,4 | -114,8 | 224,1 | 655,2 | 1.339,6 |
| July | 1.571,9 | 0,0 | 0,0 | 0,4 | 0,0 | 31,9 | 79,6 | 88,1 | 586,5 | -62,2 | 182,6 | 665,8 | 1.363,8 |
| Aug. | 1.596,2 | 0,0 | 0,0 | 0,0 | 0,0 | 37,7 | 79,4 | 93,5 | 587,6 | -58,1 | 185,2 | 670,8 | 1.375,5 |
| Sep. | 1.638,9 | 0,0 | 0,0 | 0,0 | 0,0 | 87,5 | 79,4 | 198,7 | 579,4 | -119,0 | 200,2 | 612,7 | 1.359,1 |
| Oct. | 1.712,1 | 0,0 | 0,0 | 7,3 | 0,0 | 55,1 | 79,3 | 168,1 | 579,7 | -12,5 | 231,5 | 618,1 | 1.332,3 |
| Nov. | 1.772,0 | 0,0 | 0,0 | 0,0 | 0,0 | 181,7 | 79,3 | 173,7 | 566,4 | -41,3 | 246,6 | 565,6 | 1.393,1 |
| Dec. | 1.830,5 | 0,0 | 0,0 | 0,0 | 0,0 | 198,5 | 79,3 | 227,7 | 594,8 | -130,6 | 277,8 | 583,0 | 1.455,7 |
| 2006 Jan. | 1.840,4 | 0,0 | 0,0 | 0,0 | 0,0 | 190,5 | 0,1 | 333,5 | 579,2 | -148,0 | 223,8 | 661,1 | 1.430,9 |
| Feb. | 1.796,1 | 0,0 | 0,0 | 0,0 | 0,0 | 174,0 | 0,0 | 302,9 | 562,2 | -154,2 | 236,9 | 674,3 | 1.410,5 |
| Mar. | 1.792,1 | 0,0 | 0,0 | 0,9 | 0,0 | 238,8 | 0,1 | 256,1 | 564,8 | -210,2 | 265,8 | 677,6 | 1.481,2 |
| Apr. | 1.845,7 | 0,0 | 0,0 | 0,0 | 0,0 | 183,3 | 0,0 | 138,7 | 594,7 | -32,1 | 266,1 | 695,1 | 1.473,1 |
| May | 1.993,9 | 0,0 | 0,0 | 0,0 | 0,0 | 233,0 | 0,0 | 269,7 | 603,8 | -78,0 | 271,3 | 694,2 | 1.531,0 |
| June | 2.066,8 | 0,0 | 0,0 | 0,0 | 0,0 | 237,5 | 0,0 | 417,3 | 618,9 | -176,4 | 272,0 | 697,4 | 1.553,8 |
| July | 1.974,6 | 0,0 | 0,0 | 5,7 | 0,0 | 132,6 | 0,2 | 431,0 | 633,6 | -133,8 | 211,6 | 705,1 | 1.471,5 |
| Aug. | 2.007,3 | 0,0 | 0,0 | 13,7 | 0,0 | 100,0 | 0,0 | 477,4 | 636,3 | -127,0 | 225,7 | 708,6 | 1.444,9 |
| Sep. | 2.073,3 | 0,0 | 0,0 | 0,5 | 0,0 | 155,9 | 0,0 | 500,0 | 625,3 | -171,5 | 245,2 | 718,9 | 1.500,1 |
| Oct. | 2.182,6 | 0,0 | 0,0 | 0,0 | 0,0 | 244,4 | 0,1 | 538,1 | 622,9 | -230,0 | 262,9 | 744,3 | 1.611,7 |
| Nov. | 2.247,0 | 0,0 | 0,0 | 0,0 | 0,0 | 260,7 | 0,0 | 580,0 | 609,8 | -233,7 | 277,9 | 752,1 | 1.622,7 |
| Dec. | 2.195,8 | 0,0 | 0,0 | 0,0 | 0,0 | 294,7 | 0,0 | 564,5 | 643,4 | -352,0 | 278,5 | 766,7 | 1.704,9 |
| 2007 Jan. | 2.181,3 | 0,0 | 0,0 | 0,0 | 0,0 | 288,9 | 0,0 | 645,2 | 636,5 | -413,7 | 240,9 | 783,5 | 1.708,8 |
| Feb. | 2.109,9 | 0,0 | 0,0 | 0,0 | 0,0 | 204,6 | 0,0 | 525,0 | 616,0 | -314,7 | 270,7 | 808,3 | 1.628,9 |
| Mar. | 1.993,9 | 0,0 | 0,0 | 0,0 | 0,0 | 152,7 | 0,0 | 290,6 | 616,3 | -164,4 | 279,3 | 819,4 | 1.588,4 |

Source: Central Bank of Cyprus.

(1) The negative sign of net central government deposits is due to the inclusion of the government loan amounting to €961,1 million. Following the prohibition of public sector financing by the Central Bank in July 2002, outstanding claims of the Central Bank of Cyprus on the government were converted into a loan with a maturity of 30 years, the repayment of which will commence in 2007.

At the latest auction for the acceptance of deposits held on 29 March 2007, £150 million was absorbed at an average interest rate of 3,52%. Total bids amounted to £248 million.

As shown in **Table 9**, during February auctions were held in two, five and ten year government bonds. The respective average yields were 4,03%, 4,24% and 4,47%. The respective yields of previous auctions were 3,51% (July 2006),

4,22% (January 2007) and 4,37% (January 2007), respectively. The large increase in the yield on two year bonds is due to the fact that no auctions were held in September 2006, when the CBC raised its official interest rates.

The interbank overnight interest rate decreased to 3,1% in February compared with 3,35% in January.

Table 9**Interest rates**

(percent per annum, period averages)

| | 2004 | 2005 | 2006 | 2006 Feb. | 2006 Dec. | 2007 Jan. | 2007 Feb. |
|-------------------------------|------|------|------|--------------|--------------|--------------|--------------|
| Interbank (1 day) | 3,92 | 3,27 | 2,90 | 2,48 | 3,37 | 3,35 | 3,10 |
| Acceptance of deposits | 3,89 | 3,28 | 3,00 | 2,53 | 3,83 | 3,83 | 3,70 |
| Treasury bills (13 weeks) | 4,21 | 4,26 | 2,56 | - | - | 3,60 | 3,56 |
| Treasury bills (52 weeks) | 4,77 | 4,29 | 2,89 | - | - | - | - |
| Development stocks (2 years) | 5,14 | 4,74 | 3,40 | 3,36 | - | - | 4,03 |
| Development stocks (5 years) | 5,92 | 5,68 | 3,84 | 3,67 | - | 4,22 | 4,24 |
| Development stocks (10 years) | 6,07 | 5,17 | 4,12 | - | - | 4,37 | 4,47 |
| Development stocks (15 years) | 6,31 | 5,61 | - | - | - | - | - |

Source: Central Bank of Cyprus.

BOX 2

Liquidity conditions and monetary policy operations

This box reviews the CBC's liquidity management from 9 November 2006 to 14 March 2007. Figure 1 summarises the liquidity absorption and provision through monetary policy operations, while Figure 2 presents the developments in the main short-term interest rates.

Liquidity conditions in the banking system

The net liquidity impact of the autonomous factors, i.e. the factors not related to monetary policy operations, resulted in a decrease in the liquidity position of the banking system.

Monetary policy operations and interest rates

The CBC conducted nine Liquidity Absorbing Operations (LAOs) through auctions for the acceptance of deposits.

Open market operations

(CYP million; interest rates in percentages per annum)

| Operation | Date of settlement | Date of maturity | Bids (amount) | Allotment (amount) | Bid-cover ratio | Weighted average allotment rate | Running for (...) days |
|-----------|--------------------|------------------|---------------|--------------------|-----------------|---------------------------------|------------------------|
| LAO | 09/11/2006 | 23/11/2006 | 824,0 | 580,0 | 1,42 | 3,88 | 14 |
| LAO | 23/11/2006 | 07/12/2006 | 842,0 | 580,0 | 1,45 | 3,89 | 14 |
| LAO | 07/12/2006 | 21/12/2006 | 886,0 | 530,0 | 1,67 | 3,87 | 14 |
| LAO | 21/12/2006 | 04/01/2007 | 1034,0 | 600,0 | 1,72 | 3,76 | 14 |
| LAO | 04/01/2007 | 18/01/2007 | 889,0 | 650,0 | 1,37 | 3,84 | 14 |
| LAO | 18/01/2007 | 01/02/2007 | 916,0 | 650,0 | 1,41 | 3,84 | 14 |
| LAO | 01/02/2007 | 15/02/2007 | 1023,5 | 600,0 | 1,71 | 3,69 | 14 |
| LAO | 15/02/2007 | 01/03/2007 | 789,0 | 450,0 | 1,75 | 3,71 | 14 |
| LAO | 01/03/2007 | 15/03/2007 | 579,5 | 350,0 | 1,66 | 3,50 | 14 |

Source: Central Bank of Cyprus.

The LAOs were carried out through variable rate tenders with a maximum bid rate of 4,50%. The absorbed liquidity ranged between £350 million and £650 million, whereas the weighted average allotment rate remained within the range of 3,50% and 3,89%. The ratio of the amount bid to the volume allotted, ranged between 1,37 and 1,75 with an average of 1,57, while the number of participating counterparties varied between 7 and 11.

Standing facilities

(period averages of daily recourse in CYP million)

| Period | Deposit facility | Marginal lending facility |
|-------------------------|------------------|---------------------------|
| 09/11/2006 - 22/11/2006 | 248,3 | 0,0 |
| 23/11/2006 - 06/12/2006 | 210,4 | 0,0 |
| 07/12/2006 - 20/12/2006 | 262,7 | 0,0 |
| 21/12/2006 - 03/01/2007 | 386,5 | 0,0 |
| 04/01/2007 - 17/01/2007 | 260,5 | 0,0 |
| 18/01/2007 - 31/01/2007 | 333,2 | 0,0 |
| 01/02/2007 - 14/02/2007 | 131,6 | 0,0 |
| 15/02/2007 - 28/02/2007 | 277,5 | 0,0 |
| 01/03/2007 - 14/03/2007 | 26,9 | 0,0 |

Source: Central Bank of Cyprus.

In view of the aforementioned liquidity conditions during the above periods, averages of daily recourse to the deposit facility ranged between £26,9 million and £386,5 million. In contrast, there was no recourse to the marginal lending facility.

Figure 1. Monetary policy operations

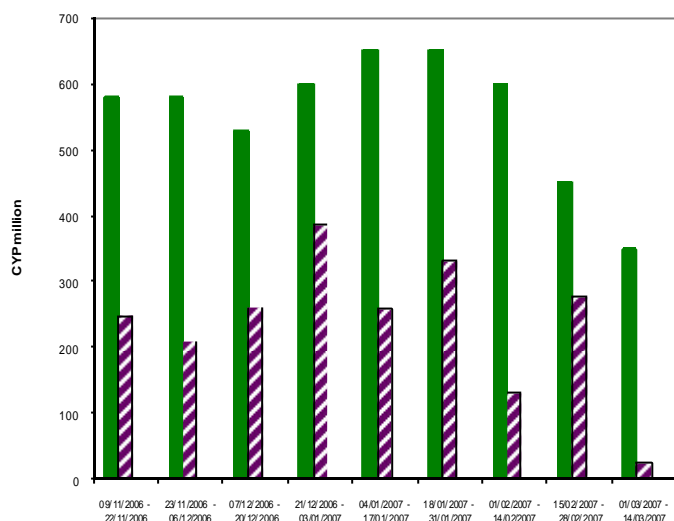
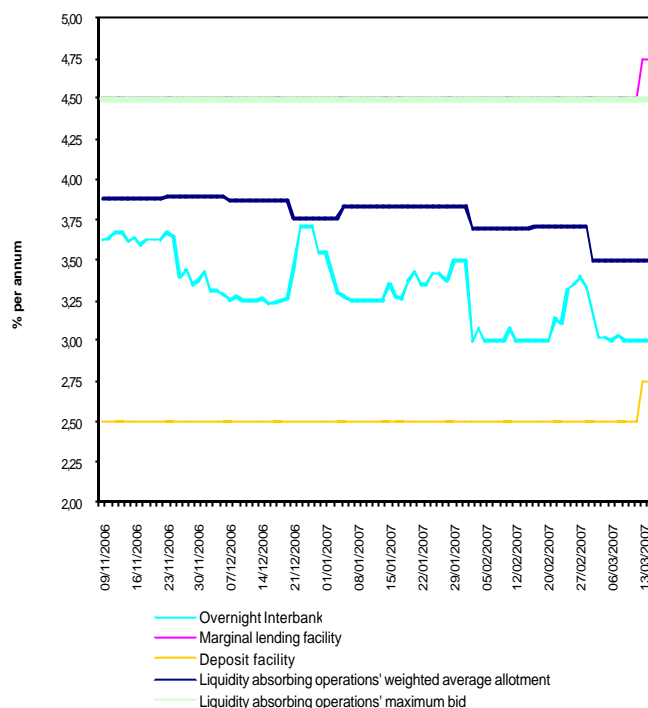


Figure 2. Interest rates



Overnight interbank interest rate

(percent per annum)

| Period | Minimum rate | Maximum rate | Average rate |
|-------------------------|--------------|--------------|--------------|
| 09/11/2006 - 22/11/2006 | 3,59 | 3,67 | 3,64 |
| 23/11/2006 - 06/12/2006 | 3,29 | 3,67 | 3,42 |
| 07/12/2006 - 20/12/2006 | 3,23 | 3,28 | 3,25 |
| 21/12/2006 - 03/01/2007 | 3,30 | 3,70 | 3,56 |
| 04/01/2007 - 17/01/2007 | 3,25 | 3,35 | 3,27 |
| 18/01/2007 - 31/01/2007 | 3,35 | 3,50 | 3,42 |
| 01/02/2007 - 14/02/2007 | 3,00 | 3,08 | 3,02 |
| 15/02/2007 - 28/02/2007 | 3,00 | 3,40 | 3,18 |
| 01/03/2007 - 14/03/2007 | 3,00 | 3,03 | 3,01 |

Source: Central Bank of Cyprus.

During the period under review the overnight interbank interest rate ranged between 3,00% and 3,70%. The average rate stood at around 3,31%.

Table 10 provides a comparison between domestic and EU long-term interest rates. Most recent data refer to the latest 12 month moving average to February 2007 and show that

domestic long-term real interest rates exceeded the corresponding euro area rates by 26 basis points.

Table 10

Inflation and interest rates in Europe and Cyprus – February 2007

(latest 12-month average)

| | Inflation (HICP) | Long-term interest rates | Long-term real interest rates |
|-------------------------------|-------------------|--------------------------|-------------------------------|
| | (%) | (%) | (%) |
| Austria | 1,70 | 3,91 | 2,21 |
| Belgium | 2,20 | 3,92 | 1,72 |
| Czech Republic | 1,90 | 3,85 | 1,95 |
| Denmark | 1,80 | 3,92 | 2,12 |
| Estonia ⁽¹⁾ | 4,50 | 4,36 | -0,14 |
| Finland | 1,30 | 3,90 | 2,60 |
| France | 1,80 | 3,91 | 2,11 |
| Germany | 1,70 | 3,87 | 2,17 |
| Greece ⁽²⁾ | 3,50 | 3,83 | 0,33 |
| Hungary | 5,10 | 7,16 | 2,06 |
| Ireland | 2,70 | 3,86 | 1,16 |
| Italy | 2,20 | 4,16 | 1,96 |
| Latvia | 6,60 | 4,37 | -2,23 |
| Lithuania | 3,90 | 4,20 | 0,30 |
| Luxembourg | 2,60 | 4,00 | 1,40 |
| Malta | 2,40 | 4,31 | 1,91 |
| Netherlands | 1,60 | 3,89 | 2,29 |
| Poland | 1,40 | 5,28 | 3,88 |
| Portugal | 3,00 | 4,03 | 1,03 |
| Slovakia | 3,90 | 4,51 | 0,61 |
| Slovenia | 2,60 | 3,95 | 1,35 |
| Spain | 3,30 | 3,90 | 0,60 |
| Sweden | 1,60 | 3,80 | 2,20 |
| United Kingdom ⁽¹⁾ | 2,40 | 4,53 | 2,13 |
| Eurozone | 2,10 | 3,95 | 1,85 |
| EU -25 ⁽³⁾ | 2,30 | 3,88 | 1,58 |
| Cyprus | 2,10 | 4,21 | 2,11 |

Sources: Eurostat and European Central Bank.

(1) Data for January 2007.

(2) Data for July 2006.

(3) Data for August 2006.

International and domestic official interest rates

At their recent meetings, the US Federal Reserve and the Bank of England left their interest rates unchanged. In contrast, the ECB raised its official interest rates by 25 basis points. The CBC also left its interest rates unaltered at its meeting on 23 February 2007 (**Table 11**). On 12 March 2007, the Monetary Policy Committee of the CBC announced an increase of 25 basis points in the marginal lending facility rate, from 4,50% to

4,75%, as well as in the overnight deposit rate from 2,50% to 2,75%. This decision was made on purely technical grounds in an effort to establish the 100 basis points margin between the three official interest rates, as is currently the practice in the Eurosystem. It should be stressed that the repo rate, which is the reference rate for the pricing of loans in Cyprus pounds, remained unchanged.

Table 11

Selected official interest rates

(percent per annum, changes in percentage points)

| | | change |
|--|------|--------|
| European Central Bank | | |
| <i>(8 March 2007)</i> | | |
| Minimum bid rate on the main refinancing operations | 3,75 | 0,25 |
| Interest rate on the marginal lending facility | 4,75 | 0,25 |
| Interest rate on the deposit facility | 2,75 | 0,25 |
| Bank of England | | |
| <i>(8 March 2007)</i> | | |
| Rate paid on commercial bank reserves | 5,25 | - |
| Federal Reserve | | |
| <i>(21 March 2007)</i> | | |
| Federal funds rate | 5,25 | - |
| Discount rate | 6,25 | - |
| Central Bank of Cyprus | | |
| <i>(12 March 2007)</i> | | |
| Minimum bid rate on the main refinancing operations | 4,50 | - |
| Maximum bid rate on the liquidity absorbing operations | 4,50 | - |
| Interest rate on the marginal lending facility | 4,75 | 0,25 |
| Interest rate on the deposit facility | 2,75 | 0,25 |

Sources: European Central Bank, Bank of England, Federal Reserve and Central Bank of Cyprus.

Cyprus Stock Exchange

The main and parallel market index exhibited a downward trend towards the end of January, which was partly reversed at the beginning of February and continued on a mixed path until the end of the month. Developments in the banking sector, particularly the sale of the 8,3% share held by Piraeus Bank Ltd in the Bank of Cyprus Public Company Ltd to Marfin Popular Bank Public Co Ltd, was at the forefront of the financial sector. The banking sector attracted the largest interest from investors.

The index fluctuated between 4.194,8 and 4.380,8, reaching a monthly average of 4.310,1. During the first two months of the year, the average value of the index was 4.296,2. The average daily value of transactions decreased to £8,1 million compared with £15,5 million in

January. The average daily volume of transactions also decreased to 2.691 in February, compared with 4.134 in the previous month. The companies with the largest volume of transactions were Marfin Popular Bank Public Co Ltd and Bank of Cyprus, accounting for 25,8% and 27,4% of the total volume, respectively.

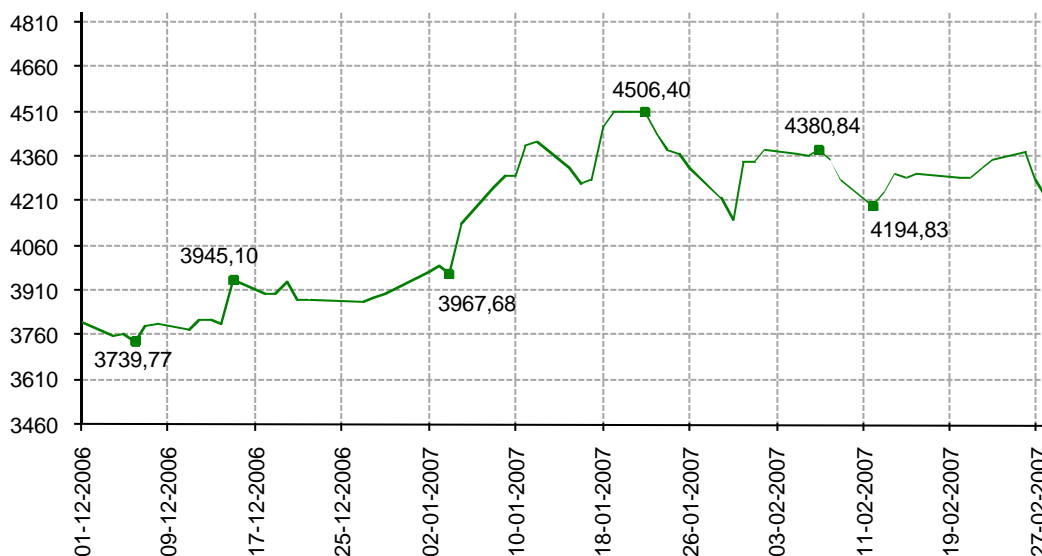
At the last meeting of the Stock Exchange in February, most sectoral indices declined compared with the previous month's closing, with the exception of the indices for the alternative market, investment companies and hotels.

An analysis of the purchases/sales of listed shares by non-residents is shown in the Annex (Table 13, p. 45).

Chart 8

Cyprus Stock Exchange - main and parallel market index

(daily data, 3/9/2004=1000)



Source: Central Bank of Cyprus.

2.3 INFLATION

In February 2007 the consumer price index exhibited a deceleration registering an increase of 1,45%, compared with 1,64% in the previous month. As **Table 12** (p. 27) shows, the decrease in the rate of inflation in February (compared with January) largely reflects the further decrease in the price of oil and imported products – mainly cars – as well as the small deceleration in the price of agricultural products.

For the first two months of the year, inflation reached 1,55%. More specifically, domestic product prices rose by 4,18%, petroleum product prices fell by 2,93%, and imported product prices fell by 3,03%. Finally, the prices of services fell by 3,01%.

As illustrated analytically in **Table 12** (p. 27), in the category of domestic products a further fall was observed in the price of electricity which decreased by 1,17% year-on-year in February, compared with a 4,61% year-on-year decrease in January 2007. At the same time, an acceleration was observed in the prices of domestic industrial products while the prices of agricultural products decreased slightly and rose by 11,59% in February, compared with an increase of 12,55% in the previous month. It should be noted that the prices of domestic products significantly influence inflation. In the

first two months of the year their contribution to inflation was 0,9 percentage points (see Annex, **Table 10**, p.43). The prices of petroleum products declined by 4,68% compared with a decrease of 1,15% in January, due to the decrease in international oil prices.

The prices of imported products (excluding petroleum) decreased by 3,13% in February 2007 compared with a fall of 2,92% in the previous month. More specifically, the price of motor vehicles decreased by 10,24% compared with a decrease of 9,88% in January. This was due to the decrease of excise duties in November 2006. At the same time, a decrease of 0,74% was registered in the prices of other imported products. Finally, the prices of services rose by 3,07% in February compared with 2,96% in January 2007. The biggest increases in the prices of services were recorded in the transport, education, health, insurance and restaurants sectors.

The Harmonised Index of Consumer Prices (HICP) recorded an increase of 1,2% in February compared with 1,4% in January. It should be noted that until February 2007, the 12 month moving average of HICP remained at 2,1%, which is below the 2,9% reference value of the relevant Maastricht criterion for this month.

Table 12
Percentage change in CPI by economic category

 February 2006/2005
 Weights 2005=100

| | 2004 | 2005 | 2006 | February 2006/ 2005 | January 2007/ 2006 | February 2007/ 2006 | Weights | | |
|-----------------------------|--------------|--------------|--------------|---------------------------|--------------------------|---------------------------|---------------|---------------------------------------|---------------------------------------|
| | | | | | | | 1998=100 | 2005=100 (For the year 2006) | 2005=100 (For the year 2007) |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 2,64 | 1,64 | 1,45 | 100,00 | 100,00 | 100,00 |
| A Domestic products | 2,95 | 1,79 | 4,35 | 3,94 | 4,08 | 4,27 | 36,69 | 28,60 | 28,98 |
| A.1 Agricultural | 3,32 | 1,34 | 6,51 | 0,78 | 12,55 | 11,59 | 7,93 | 6,92 | 6,93 |
| A.2 Industrial | 3,36 | 1,14 | 2,47 | 2,71 | 2,13 | 2,27 | 22,91 | 19,24 | 19,29 |
| A.3 Electricity | -3,13 | 11,51 | 13,10 | 25,17 | -4,61 | -1,17 | 1,52 | 2,44 | 2,76 |
| B Petroleum products | 17,18 | 14,82 | 8,09 | 15,06 | -1,15 | -4,68 | 4,33 | 6,44 | 6,63 |
| C Imported products | -5,55 | -2,47 | -1,14 | -1,72 | -2,92 | -3,13 | 22,20 | 25,31 | 24,62 |
| C1 Motor vehicles | -13,50 | -2,42 | -1,38 | 0,21 | -9,88 | -10,24 | 9,43 | 6,15 | 5,41 |
| C2 Other imported | -0,39 | -2,49 | -1,07 | -2,35 | -0,58 | -0,74 | 12,77 | 19,16 | 19,21 |
| D Services | 3,23 | 3,34 | 2,57 | 2,63 | 2,96 | 3,07 | 41,11 | 39,65 | 39,77 |
| HICP | 1,9 | 2,1 | 2,2 | 2,3 | 1,4 | 1,2 | | | |

For purposes of comparison, **Table 13** shows the latest available monthly data on inflation in Cyprus, the euro area and other developed economies as well as forecasts during 2007. As explained in more detail on page 36, inflation in Cyprus during 2007 is expected to register a deceleration compared with last year due to the reduction in excise duties on cars and the stabilisation in the price of oil.

Table 13
Inflation: Cyprus and other countries

(annual percentage change in consumer prices)

| | Inflation rate | Month | Forecast for 2007 ⁽¹⁾ |
|-------------|-------------------|-------|-------------------------------------|
| Austria | 1,7 | Sept | 1,8 |
| Belgium | 1,8 | Oct | 1,9 |
| Canada | 0,2 | Sept | 2,1 |
| Cyprus | 2,5 | Nov | 1,6 ⁽²⁾ |
| Euro area | 1,8 | Oct | 1,9 |
| France | 1,0 | Oct | 1,7 |
| Germany | 1,6 | Oct | 1,5 |
| Italy | 1,8 | Oct | 2,0 |
| Japan | - | Sept | 0,6 |
| Netherlands | 1,5 | Oct | 1,9 |
| Spain | 2,4 | Oct | 2,8 |
| Sweden | 2,0 | Oct | 1,8 |
| Switzerland | - | Oct | 1,2 |
| UK | 2,8 | Oct | 2,0 |
| USA | 2,4 | Sept | 2,3 |

 (1) Source: *The Economist*, 23 March 2007

(2) Source: Central Bank of Cyprus.

2.4 PRODUCTION, DEMAND AND THE LABOUR MARKET

Production

In the services sector of the economy there was an increase of 5% in tourist arrivals in the first two months of 2007, compared with 8% in the same period of 2006. In the first month of 2007 tourist revenue fell by 7,1% compared with an increase of 2,4% in the same month of 2006. In the secondary sectors of the economy, manufacturing exhibited a decrease of 1% in

2006 compared with a decrease of 0,6% in 2005 (**Table 14** and **Chart 9**). In the construction sector, the volume index of building permits rose by 2,7% in 2006 compared with an increase of 13,3% in 2005. In the first two months of 2007, sales of cement increased by 9,9% compared with a decrease of 3,3% in the corresponding period of 2006.

Table 14

Manufacturing production volume index

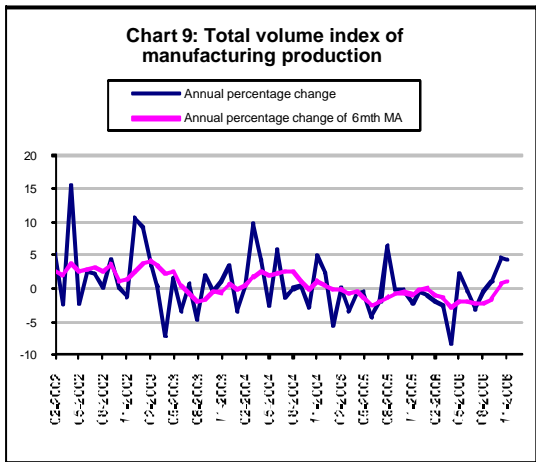
(percentage change by category)

| | Dec. 05/04 | Dec. 06/05 | Jan-Dec. 05/04 | Dec. 06/05 |
|--|---------------|---------------|-------------------|---------------|
| General index | 1,0 | -1,6 | -0,6 | -1,0 |
| Food products, beverages & tobacco | -4,9 | -6,5 | 0,2 | -6,6 |
| Textiles & textile products | -10,1 | -1,6 | -7,7 | -12,1 |
| Leather & leather products | -31,9 | -24,5 | -42,4 | -27,3 |
| Wood & wood products | 7,0 | -6,2 | 0,60 | -3,0 |
| Paper, paper products, publishing & printing | -4,0 | -1,4 | -3,1 | 3,2 |
| Refined petroleum products | -19,4 | -36,0 | -89,1 | -1,2 |
| Chemicals, chemical products & man-made fibres | -15,3 | 1,2 | -0,3 | 6,3 |
| Rubber & plastic products | 10,1 | -5,1 | -3,1 | 1,1 |
| Other non-metallic mineral products | 10,2 | 3,7 | 3,6 | 0,8 |
| Basic metals & fabricated metal products | 4,3 | 3,9 | -5,0 | 6,1 |
| Machinery & equipment n.e.c. | 35,2 | -0,5 | 11,8 | -3,9 |
| Electrical & optical equipment | 32,5 | 25,1 | 4,9 | 25,9 |
| Transport equipment | 15,6 | 9,4 | -2,1 | 7,6 |
| Manufacturing n.e.c. | 7,1 | -2,1 | 0,2 | 1,2 |

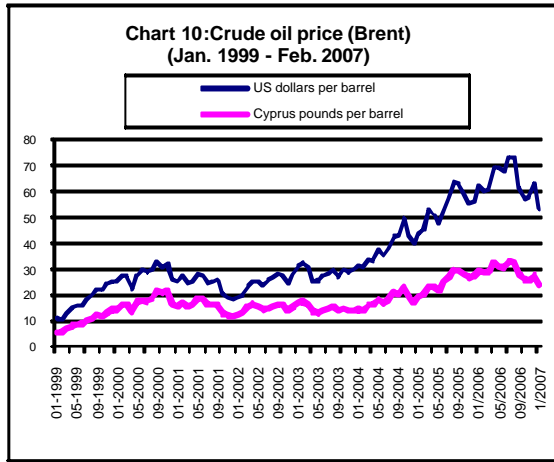
Source: Cystat.

Charts 9-13

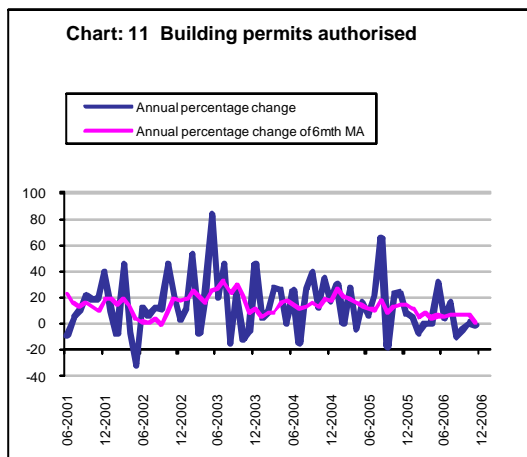
Selected Economic Indicators



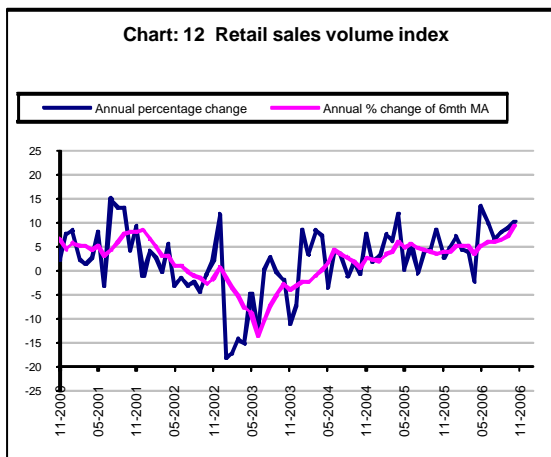
Source: Cystat.



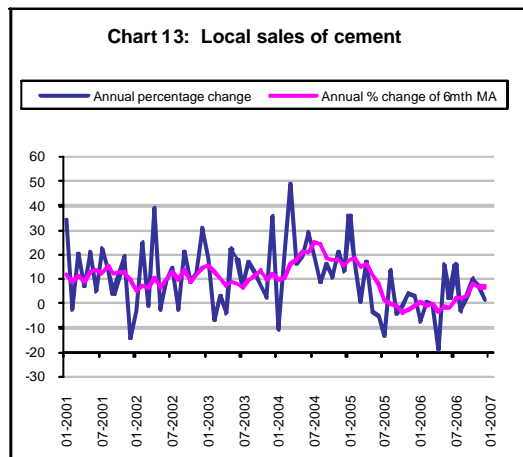
Source: Reuters.



Source: Cystat.



Source: Cystat.



Source: Cystat.

Consumption

The turnover volume of retail trade from which the sales of motor vehicles are excluded, exhibited a rise of 6,2% in 2006. For the first month of 2007, the index rose by 5,1% compared with a 7,1% increase in the same

month of 2006. Due to the reduction in excise taxes in November 2006, car registrations exhibited an increase of 26,6% in the first two months of 2007.

Table 15

Turnover volume index of retail trade

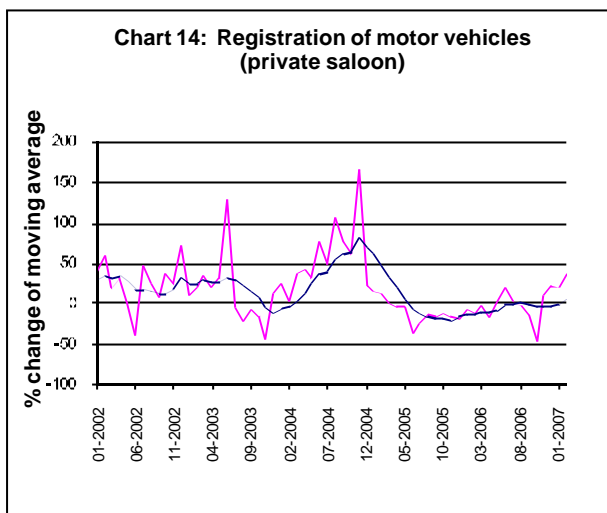
(percentage change by category)

| | Jan. 06/05 | Jan. 07/06 | Jan-Dec. 05/04 | Jan.-Dec. 06/05 |
|--|---------------|---------------|-------------------|--------------------|
| General index | 7,12 | 5,05 | 4,80 | 6,18 |
| Retail sale in non-specialised stores with food, beverages or tobacco predominating | 5,85 | 3,35 | 9,65 | 6,69 |
| Other retail sale in non-specialised stores | 2,54 | 6,28 | 1,78 | 3,82 |
| Retail sale of food, beverages and tobacco in specialised stores | 0,80 | -0,30 | 7,88 | 4,52 |
| Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles | 26,80 | 10,40 | 14,88 | 14,90 |
| Retail sale of textiles, clothing, footwear and leather goods | 4,56 | 10,60 | 4,17 | 7,17 |
| Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods hardware, paints and glass | 12,5 | 11,5 | 6,64 | 8,91 |
| Retail sale of books, newspapers and stationery and other retail sale in specialised stores | 1,80 | -1,70 | -4,37 | 2,60 |
| Retail sale of second-hand goods in stores | 2,90 | -32,90 | -11,05 | -25,60 |
| Retail sale not in stores | 19,35 | -8,31 | 2,51 | 1,47 |

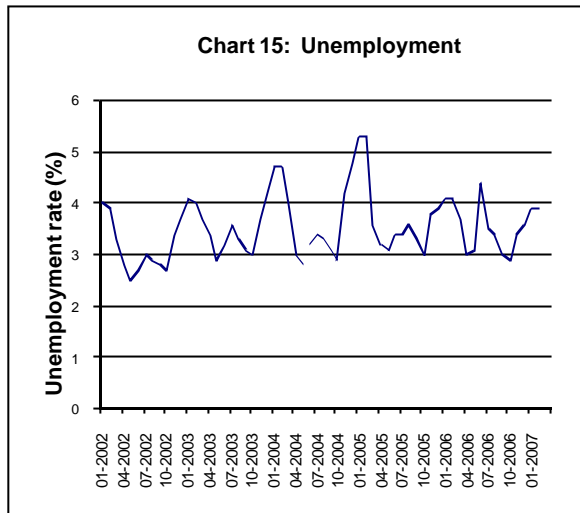
Source: Cystat.

Charts 14-15

Selected economic indicators



Source: Cystat.



Source: Cystat.

Labour market

The most recent data on unemployment in the Labour Force Survey cover the period until the fourth quarter of 2006. According to the Survey, unemployment fluctuated at around 4,2% in the fourth quarter of 2006, thus for the whole of 2006 average unemployment reached 4,5% compared with 5,5% in 2005. The decrease in unemployment reflects, to a certain extent, the deceleration in the inflow of foreign workers.

The most recent data for the number of registered unemployed are those of February 2007. These show that the number of registered unemployed fell by 3,1% while unemployment as a percentage of the economically active population, fluctuated at around 3,9% compared with 4,1% in February 2006.

For the first two months of 2007, the number of registered unemployed fell by 2,6% compared with a decrease of 16,7% in the same period of 2006. Unemployment as a percentage of the economically active population fluctuated at around 3,9% compared with 4,1% in the corresponding period of the previous year.

Confidence indicators

The trends in the confidence indicators⁷ are, to a certain extent, consistent with the overall picture of the economy as presented in this report. In the first two months of 2007, the construction confidence indicator exhibited fluctuations.

7. The European Commission publishes monthly confidence indicators for consumer, industry, construction and retail trade in the EU member states, and in accession countries. The released data refer to the end of each month and are based on surveys conducted by the national statistics institutions and harmonised by the European Commission.

Fluctuations were also observed in the services confidence indicators, while the consumer confidence indicator remained negative⁸. During the same period, the retail sales confidence indicator also remained negative despite the increase registered in February 2007, while the industrial confidence indicator exhibited an increase during the period January – February 2007.

2.5 PUBLIC FINANCES

According to the consolidated accounts of the Central Government and the Social Security Funds, total revenue and grants during January 2007 reached £267,2 million, while total expenditure and net lending reached £238,7 million. Consequently, a budget surplus of £28,5 million, or 0,32% of GDP, was registered compared with the surplus of £15,8 million, or 0,19% of GDP, in the corresponding month of 2006.

More analytically, public revenue rose by 25% mainly due to the 23,9% increase in tax revenues. Direct tax revenues rose by 35,7% reaching £104,2 million, while revenues from indirect taxation rose by 21,9% and reached £117,2 million. A major reason for this rise is the increase in VAT receipts. Moreover, the high level of activity in the construction and property sector has also contributed to the increase in receipts.

The increase in tax receipts is also apparent from Inland Revenue Department data, covering the first two months of 2007. More specifically, revenue from corporation tax rose by 75% in January 2006, reaching £31,9 million. This, to a certain extent, is due to the increased profitability of domestic banks. Additionally, revenue from capital gains tax increased by 118% due to the booming construction and property sector.

Public expenditure during January 2007 rose by 17,1% compared with January 2006, thus reaching £238,7 million. Expenditure on wages and salaries rose by 6,3% while expenditure on 'other current transfers', which includes grants to semi-governmental organisations, local authorities, pensioners and students rose by 69,6% reaching £61,1 million. This is due to a base effect caused by transfers to semi-governmental organisations in early 2007.

Despite the fact that it is too early to draw conclusions about the state of public finances for 2007, the CBC is of the view that as part of the fiscal consolidation strategy, revenues over and above expected levels should not be used to finance further increases in expenditures. Instead these revenues should be used to further reduce the fiscal deficit and public debt thus benefiting the whole economy. Additionally, fiscal consolidation will lead to a reduction in the risk premium on government loans and thus allow it to borrow money at more favourable interest rates.

8. It should be noted that although the consumer confidence indicator has been negative for several years, it is not consistent with observed consumer spending which has been increasing.

2.6 EXTERNAL TRANSACTIONS

Goods

An overview of the trade balance for January 2007 is given in **Table 16** (page 34) which is based on preliminary data published by Cystat. Since May 2004, the collection of data on intra EU-trade has been undertaken using a new methodology introduced by Eurostat for all EU countries.

During January 2007, the value of total imported of goods recorded a decrease of 1,5% compared with an increase of 26,8% recorded in the same month of 2006. The value of total exports of goods recorded a 7,6% increase in January 2007 compared with a 40,5% increase in January 2006.

As a result of the above, the trade balance registered a marginal improvement, reaching £179,7 million during the period under review, compared with a deficit of £187,9 million in the corresponding period of 2006.

Tourism

Tourist arrivals, shown in **Table 17** (page 35) decreased by 5% in the period January – February 2007 compared with a 8% decrease in the corresponding period of 2006.

Revenue from tourism decreased by 7,1% in January 2007 compared with a 2,4% increase in the corresponding month of 2006.

Balance of payments

Table 14 in the Annex (p.46) presents preliminary data on the balance of payments for 2006. This data reveals a worsening of the current account deficit. The deficit in 2006 reached £495,9 million compared with £440,5 million in the same period of 2005. This is mainly the result of the worsening of the trade deficit due to the 9,9% increase in imported goods (fob).

The surplus recorded by services reached £1.954,5 million in 2006 compared with £1.756,6 million in 2005. The difference is due to the positive performance of the financial services and other business services sectors. The services surplus, excluding tourism, registered an even larger increase reaching £1.302,4 million in 2006 compared with £1.107,7 million in 2005.

As far as the income account is concerned, a net deficit of £238,1 million was recorded in 2006 compared with a deficit of £274,1 million in 2005.

Table 16

Trade Balance Data

(CYP million)

| Period | TOTAL TRADE | | EXTRA-EU TRADE | | INTRA-EU TRADE | | |
|-------------|-------------------------------------|---------------------------------------|------------------------|------------------------|-------------------|---------------------|-------|
| | Total Imports/ Arrivals (cif) | Total Exports/ Dispatches (fob) | Total Imports (cif) | Total Exports (fob) | Arrivals (cif) | Dispatches (fob) | |
| 2000 | 2.402,0 | 591,9 | 1.140,9 | 364,5 | 1.261,1 | 227,4 | |
| 2001 | 2.528,7 | 627,9 | 1.208,8 | 376,5 | 1.320,0 | 251,4 | |
| 2002 | 2.486,6 | 511,3 | 1.140,9 | 240,9 | 1.345,8 | 270,4 | |
| 2003 | 2.304,1 | 476,8 | 992,8 | 198,3 | 1.311,3 | 278,5 | |
| 2004 | 2.679,3 | 548,0 | 921,7 | 202,5 | 1.757,6 | 345,5 | |
| 2005 | 2.966,8 | 719,2 | 952,9 | 224,3 | 1.965,4 | 447,8 | |
| 2006 | 3.183,0 | 641,8 | 1.073,8 | 224,6 | 2.110,1 | 417,7 | |
| 2006 | January | 247,5 | 59,6 | 81,3 | 13,8 | 166,2 | 45,8 |
| | February | 238,2 | 57,2 | 83,3 | 17,1 | 154,2 | 40,1 |
| | March | 284,2 | 66,1 | 91,6 | 22,5 | 192,5 | 43,6 |
| | April | 252,0 | 53,4 | 86,5 | 21,1 | 165,5 | 32,3 |
| | May | 280,4 | 55,1 | 93,2 | 16,2 | 187,2 | 38,9 |
| | June | 312,0 | 52,6 | 121,7 | 17,3 | 190,1 | 35,3 |
| | July | 263,4 | 52,7 | 81,7 | 17,7 | 181,7 | 35,0 |
| | August | 259,4 | 43,2 | 98,8 | 18,6 | 160,5 | 24,5 |
| | September | 281,5 | 52,8 | 97,7 | 22,1 | 183,7 | 30,7 |
| | October | 269,2 | 45,3 | 73,7 | 17,1 | 195,6 | 28,2 |
| | November | 279,5 | 62,7 | 80,5 | 23,9 | 194,6 | 38,8 |
| | December | 259,6 | 51,0 | 88,8 | 17,1 | 170,1 | 33,8 |
| 2007 | January(p) | 243,8 | 64,1 | 93,7 | 13,6 | 150,1 | 50,5 |
| | Jan. - Dec. 2005 | 2.966,8 | 719,1 | 973,1 | 221,6 | 1.993,7 | 497,6 |
| | Jan - Dec. 2006 (p) | 3.226,8 | 650,7 | 1.079,0 | 224,6 | 2.147,5 | 426,2 |
| | Jan.2005 | 195,2 | 42,4 | 62,9 | 14,6 | 132,3 | 27,8 |
| | Jan. 2006 | 247,5 | 59,6 | 81,3 | 13,8 | 166,2 | 45,8 |
| | Jan. 2007 | 243,8 | 64,1 | 93,7 | 13,6 | 150,1 | 50,5 |
| | % change Jan. - Dec 2006/2005 (p) | 8,8 | -9,5 | 10,9 | 1,3 | 7,7 | -14,3 |
| | % change Jan. 2005/2006 (p) | 26,8 | 40,4 | 29,4 | -5,5 | 25,6 | 64,5 |
| | % change Jan. 2006/2007 (p) | -1,5 | 7,6 | 15,2 | -1,5 | -9,7 | 10,4 |

P :Provisional data

Source :Cvstat.

Note: Care should be taken when comparing data for May 2004 onwards with pre-May 2004 data due to methodological changes resulting from accession to the EU. Figures are not strictly comparable since data prior to May 2004 for intra-EU and extra-EU trade on arrivals/imports are recorded by country of origin while for dispatches/exports by country of final destination, whereas data for May 2004 onwards for intra-EU trade on arrivals are recorded by country of consignment and for dispatches by country of dispatch. Intra-EU trade refers to trade with EU 25 Member States, while extra-EU trade refers to trade with third countries. "Arrivals" denote goods within the European Union which enter the statistical territory of Cyprus and "Dispatches" denote goods which leave the statistical territory of Cyprus in order to enter another Member State. Data on countries and territories not specified and stores and provisions prior to May 2004 are included in extra-EU trade.

Table 17
Tourist arrivals⁽¹⁾

(number of persons)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | % change 2003/2002 | % change 2004/2003 | % change 2005/2004 | % change 2006/2005 | % change 2007/2006 |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| January | 63.553 | 64.214 | 54.067 | 59.529 | 56.504 | 58.894 | 54.875 | 51.848 | 10,1 | -5,1 | 4,2 | -6,8 | -5,5 |
| February | 87.243 | 83.569 | 71.950 | 77.972 | 75.705 | 72.600 | 66.151 | 63.098 | 8,4 | -2,9 | -4,1 | -8,9 | -4,6 |
| March | 135.487 | 137.578 | 138.625 | 91.634 | 111.946 | 137.075 | 107.071 | | -33,9 | 22,2 | 22,4 | -21,9 | |
| April | 221.785 | 237.228 | 180.481 | 169.891 | 191.251 | 183.561 | 206.548 | | -5,9 | 12,6 | -4,0 | 12,5 | |
| May | 299.355 | 324.901 | 279.070 | 231.527 | 261.646 | 284.132 | 283.513 | | -17,0 | 13,0 | 8,6 | -0,2 | |
| June | 302.011 | 322.835 | 293.192 | 262.100 | 264.799 | 282.652 | 280.164 | | -10,6 | 1,0 | 6,7 | -0,9 | |
| July | 362.299 | 373.385 | 327.404 | 318.143 | 305.978 | 338.972 | 341.443 | | -2,8 | -3,8 | 10,8 | 0,7 | |
| August | 356.686 | 371.536 | 301.724 | 325.390 | 305.926 | 336.587 | 314.872 | | 7,8 | -6,0 | 10,0 | -6,5 | |
| September | 329.964 | 329.400 | 306.731 | 287.358 | 303.506 | 302.833 | 296.532 | | -6,3 | 5,6 | -0,2 | -2,1 | |
| October | 300.597 | 269.744 | 275.840 | 271.980 | 278.976 | 292.273 | 283.046 | | -1,4 | 2,6 | 4,8 | -3,2 | |
| November | 133.500 | 107.454 | 111.327 | 123.800 | 114.048 | 104.822 | 95.682 | | 11,2 | -7,9 | -8,1 | -8,7 | |
| December | 93.722 | 74.887 | 77.822 | 83.919 | 78.723 | 75.656 | 71.022 | | 7,8 | -6,2 | -3,9 | -6,1 | |
| Jan. - Feb. | 150.796 | 147.783 | 126.017 | 137.501 | 132.209 | 131.494 | 121.026 | 114.946 | 9,1 | -3,8 | -0,5 | -8,0 | -5,0 |
| Jan.-Dec. | 2.592.480 | 2.621.844 | 2.418.233 | 2.303.243 | 2.349.008 | 2.470.057 | 2.400.919 | | -4,8 | 2,0 | 5,2 | -2,8 | |

Source: Cystat.

(1) Arrivals of same-day visitors are not included.

Table 18
Receipts from tourism⁽¹⁾

(CYP million)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | % change 2004/2003 | % change 2005/2004 | % change 2006/2005 | % change 2007/2006 |
|-------------|-------|--------|--------|--------|-------|--------|--------|------|-----------------------|-----------------------|-----------------------|-----------------------|
| January | - | 24,9 | 21,6 | 25,6 | 21,8 | 20,7 | 21,2 | 19,7 | -15,0 | -5,0 | 2,4 | -7,1 |
| February | - | 29,1 | 28,9 | 31,4 | 25,4 | 23,5 | 23,1 | | -19,1 | -7,5 | -1,7 | |
| March | - | 49,7 | 59,2 | 37,8 | 42,1 | 47,6 | 38,9 | | 11,2 | 13,2 | -18,3 | |
| April | - | 89,9 | 77,0 | 67,1 | 72,1 | 62,0 | 74,5 | | 7,4 | -14,0 | 20,2 | |
| May | - | 139,1 | 119,5 | 92,5 | 99,5 | 105,4 | 111,9 | | 7,6 | 5,9 | 6,2 | |
| June | 122,9 | 157,4 | 139,3 | 114,8 | 109,3 | 113,3 | 117,7 | | -4,8 | 3,7 | 3,9 | |
| July | 162,7 | 192,0 | 160,7 | 152,4 | 135,1 | 140,1 | 155,0 | | -11,4 | 3,7 | 10,6 | |
| August | 173,7 | 205,0 | 153,8 | 165,3 | 148,1 | 161,3 | 155,0 | | -10,4 | 8,9 | -3,9 | |
| September | 161,9 | 176,3 | 157,4 | 134,1 | 141,2 | 137,9 | 140,9 | | 5,3 | -2,3 | 2,2 | |
| October | 135,1 | 130,2 | 128,0 | 112,4 | 115,9 | 120,5 | 122,9 | | 3,1 | 4,0 | 2,0 | |
| November | 54,1 | 48,8 | 51,4 | 48,7 | 43,1 | 43,1 | 37,6 | | -11,5 | 0,0 | -12,8 | |
| December | 36,2 | 29,2 | 35,6 | 32,9 | 28,8 | 30,3 | 28,8 | | -12,4 | 5,2 | -5,0 | |
| Jan. | | 24,9 | 21,6 | 25,6 | 21,8 | 20,7 | 21,2 | 19,7 | -15,0 | -5,0 | 2,4 | -7,1 |
| Jan. - Dec. | | 1271,6 | 1132,3 | 1015,0 | 982,3 | 1005,7 | 1027,5 | | -3,2 | 2,4 | 2,2 | |

Source: Cystat.

(1) Receipts from same-day visitors are not included.

2.7 PROJECTIONS FOR 2006 AND PROSPECTS FOR 2007

According to the provisional data compiled by Cystat for 2006, the real rate of growth of GDP reached 3,8%. As the price of oil remained at high levels, the growth rate was slightly restrained. Public consumption grew by 2,4% compared with 3,4% in 2005, while gross fixed capital formation rose by 5,2%. External demand

decelerated, exhibiting a growth rate of 2,1% compared with 4,7% the year before. As regards the labour market, the rise in real GDP led to a stabilisation in the number of registered unemployed while inflation remained relatively low despite the rise in oil prices.

The current account deficit is expected to have reached 6% of GDP, thus registering a small increase relative to 2005. This is mainly as a result of the increase in the international price of oil and the significant increase of the value of imported consumer goods.

The fiscal deficit in 2006 was 0,5% of GDP lower than the target level. The main reason behind this favourable development was the higher than anticipated tax revenues. However, these were partly used to finance additional expenditures. As a result of the increased revenues, there is scope for the fiscal targets in the coming year to be revised and made more ambitious. Specifically, the target deficit of 1,6% of GDP for 2007 should be revised downwards.

In 2007 GDP is expected to register a marginal increase compared with 2006. Private consumption is expected to remain at the same level as in 2006, while public consumption, fixed capital investments and imports are expected to decelerate.

As a result of the positive economic environment in the EU, exports are expected to increase. Provided the increase of foreign workers in Cyprus remains at the same level as in 2006, unemployment is expected to register a marginal decrease.

Inflation in 2007 is expected to decelerate significantly due to recent fall in excises on cars and the stabilisation of oil prices. The latter will also help to reduce the deficit in the current account of the balance of payments.

A matter of concern is the high growth rate of monetary aggregates. However, if we take into account the impact of the low base effect arising from 2005, recent data and other relevant developments, such as the reduction in excess liquidity, it is possible that the growth of monetary aggregates will slowdown in 2007.

Finally, the budget deficit is expected to be kept at low levels, which is vital for Cyprus's entry into the euro area. The risk of public expenditure exceeding the target level, as was the case in 2006, will need to be contained.

3. ANNEX

Table 1**Monetary aggregates and counterparts***(outstanding amounts at end of period, CYP thousand)*

| | 2006 Jan. | 2006 Feb. | 2007 Jan. | 2007 Feb. |
|--------------------------------|------------------|-------------------|-------------------|-------------------|
| Money supply (M1) | 1.733.378 | 1.779.615 | 2.170.376 | 2.133.999 |
| Currency in circulation | 511.888 | 507.873 | 551.227 | 550.014 |
| Demand deposits | 1.118.373 | 1.150.570 | 1.406.483 | 1.360.625 |
| Deposits in foreign currency | 103.117 | 121.172 | 212.666 | 223.360 |
| Quasi-money | 8.266.140 | 8.281.930 | 9.251.648 | 9.333.016 |
| Saving deposits | 359.928 | 360.496 | 435.967 | 431.696 |
| Time deposits | 6.904.178 | 6.946.420 | 7.639.575 | 7.672.340 |
| Deposits in foreign currency | 1.002.034 | 975.014 | 1.176.106 | 1.228.980 |
| Total money supply (M2) | 9.999.518 | 10.061.545 | 11.422.024 | 11.467.015 |
| Net foreign assets | 1.896.033 | 1.808.165 | 2.962.947 | 2.918.783 |
| Claims on private sector | 9.420.667 | 9.513.484 | 10.963.252 | 11.054.726 |
| of which in foreign currency | 1.224.381 | 1.285.070 | 1.932.133 | 1.954.152 |
| Claims on public sector | 2.189.274 | 2.207.525 | 2.518.515 | 2.496.772 |
| Unclassified items | -3.506.456 | -3.467.629 | -5.022.690 | -5.003.266 |

*Source: Central Bank of Cyprus.***Table 2****Bank credit by sector⁽¹⁾***(outstanding amounts at the end of period, CYP thousand)*

| | 2006 Jan. | 2006 Feb. | 2007 Jan. | 2007 Feb. |
|---|-------------------|-------------------|-------------------|-------------------|
| Public institutions and corporations ⁽²⁾ | 314.688 | 313.533 | 340.967 | 338.733 |
| Agriculture | 107.413 | 106.951 | 107.942 | 108.361 |
| Mining | 28.525 | 28.604 | 28.722 | 27.797 |
| Manufacturing | 526.520 | 528.295 | 533.935 | 533.075 |
| Transport and communications | 91.597 | 101.389 | 121.957 | 134.702 |
| Foreign and domestic trade | 1.556.257 | 1.542.506 | 1.518.077 | 1.526.179 |
| Building and construction | 1.755.184 | 1.791.365 | 2.250.259 | 2.272.095 |
| Tourism | 861.217 | 864.544 | 920.102 | 930.104 |
| Personal and professional loans | 4.788.903 | 4.861.938 | 5.967.417 | 6.041.245 |
| Bills discounted: local | 2.664 | 3.419 | 2.695 | 2.702 |
| foreign | 2.264 | 1.714 | 1.529 | 1.538 |
| Total | 10.035.232 | 10.144.258 | 11.793.602 | 11.916.531 |

*Source: Central Bank of Cyprus.**(1) This refers to loans in local and foreign currency, given to residents and non-residents of Cyprus.**(2) Including government loans.*

Table 3
Official interest rates

(percent per annum)

| Date of monetary policy decision | Deposit facility | Open market operations | | | Marginal lending facility | |
|----------------------------------|------------------|-----------------------------|--------------------------------|--|---------------------------|------|
| | | Main refinancing operations | Liquidity absorbing operations | | | |
| | | Repo operations | Reverse repo operations | Acceptance of deposits operations ⁽¹⁾ | | |
| | | Minimum bid rate | Maximum bid rate | Maximum bid rate | | |
| 2001 | 10 Aug. | 3,50 | 5,00 | 5,00 | - | 6,50 |
| | 18 Sep. | 3,00 | 4,50 | 4,50 | - | 6,00 |
| | 02 Nov. | 2,50 | 4,00 | 4,00 | 4,00 | 5,50 |
| 2002 | 13 Dec. | 2,50 | 3,75 | 3,75 | 3,75 | 5,00 |
| 2003 | 04 Apr. | 2,50 | 3,50 | 3,50 | 3,50 | 4,50 |
| 2004 | 30 Apr. | 3,50 | 4,50 | 4,50 | 4,50 | 5,50 |
| 2005 | 25 Feb. | 3,25 | 4,25 | 4,25 | 4,25 | 5,25 |
| | 20 May | 2,75 | 3,75 | 3,75 | 3,75 | 4,75 |
| | 09 Jun. | 2,25 | 3,25 | 3,25 | 3,25 | 4,25 |
| 2006 | 01 Sep. | 2,50 | 4,50 | 4,50 | 4,50 | 4,50 |
| 2007 | 12 Mar. | 2,75 | 4,50 | 4,50 | 4,50 | 4,75 |

Source: Central Bank of Cyprus.

(1) The first operation for the acceptance of deposits was conducted on 9 October 2001 with a maximum bid rate of 4,50%.

Table 4
Open market operations allotted through tenders – liquidity absorbing operations ⁽¹⁾

(CYP million, interest rates in percent per annum)

| Date of settlement | Bids (amount) | Allotment (amount) | Variable rate tenders | | | | Running for (...) days | |
|--------------------|---------------|--------------------|-----------------------|---------------------------------|------------------------|------------------------|------------------------|----|
| | | | Maximum bid rate | Weighted average allotment rate | Minimum allotment rate | Maximum allotment rate | | |
| 2006 | 05 Jan. | 533,5 | 300,0 | 3,25 | 2,46 | 2,44 | 2,49 | 14 |
| | 19 Jan. | 604,0 | 380,0 | 3,25 | 2,41 | 2,39 | 2,43 | 14 |
| | 02 Feb. | 544,0 | 300,0 | 3,25 | 2,37 | 2,36 | 2,37 | 14 |
| | 16 Feb. | 477,0 | 300,0 | 3,25 | 2,71 | 2,32 | 3,25 | 14 |
| | 02 Mar. | 414,0 | 250,0 | 3,25 | 2,58 | 2,46 | 2,69 | 14 |
| | 16 Mar. | 508,5 | 280,0 | 3,25 | 2,69 | 2,46 | 3,00 | 14 |
| | 30 Mar. | 260,5 | 110,0 | 3,25 | 2,43 | 2,43 | 2,44 | 14 |
| | 13 Apr. | 366,0 | 140,0 | 3,25 | 2,39 | 2,38 | 2,41 | 14 |
| | 27 Apr. | 434,5 | 220,0 | 3,25 | 2,36 | 2,34 | 2,37 | 14 |
| | 11 May | 536,0 | 280,0 | 3,25 | 2,35 | 2,33 | 2,35 | 14 |
| | 25 May | 691,0 | 320,0 | 3,25 | 2,32 | 2,26 | 2,33 | 14 |
| | 08 Jun. | 627,5 | 400,0 | 3,25 | 2,31 | 2,29 | 2,32 | 14 |
| | 22 Jun. | 622,5 | 520,0 | 3,25 | 2,78 | 2,30 | 3,22 | 14 |
| | 06 Jul. | 552,0 | 400,0 | 3,25 | 2,84 | 2,31 | 3,14 | 14 |
| | 20 Jul. | 553,0 | 430,0 | 3,25 | 3,13 | 2,78 | 3,17 | 14 |
| | 03 Aug. | 707,0 | 480,0 | 3,25 | 3,06 | 2,85 | 3,09 | 14 |
| | 17 Aug. | 687,0 | 480,0 | 3,25 | 3,03 | 2,95 | 3,05 | 14 |
| | 31 Aug. | 687,5 | 500,0 | 3,25 | 3,00 | 2,96 | 3,02 | 14 |
| | 14 Sep. | 727,5 | 500,0 | 4,50 | 3,88 | 3,29 | 3,94 | 14 |
| | 28 Sep. | 803,0 | 500,0 | 4,50 | 3,89 | 3,65 | 3,94 | 14 |
| | 12 Oct. | 829,0 | 550,0 | 4,50 | 3,89 | 3,79 | 3,91 | 14 |
| 26 Oct. | 930,5 | 580,0 | 4,50 | 3,87 | 3,69 | 3,93 | 14 | |
| 09 Nov. | 824,0 | 580,0 | 4,50 | 3,88 | 3,78 | 3,92 | 14 | |
| 23 Nov. | 842,0 | 580,0 | 4,50 | 3,89 | 3,79 | 3,91 | 14 | |
| 07 Dec. | 886,0 | 530,0 | 4,50 | 3,87 | 3,79 | 3,90 | 14 | |
| 21 Dec. | 1.034,0 | 600,0 | 4,50 | 3,76 | 3,65 | 3,80 | 14 | |
| 2007 | 04 Jan. | 889,0 | 650,0 | 4,50 | 3,84 | 3,50 | 3,97 | 14 |
| | 18 Jan. | 916,0 | 650,0 | 4,50 | 3,84 | 3,74 | 3,94 | 14 |
| | 01 Feb. | 1.023,5 | 600,0 | 4,50 | 3,69 | 3,67 | 3,69 | 14 |
| | 15 Feb. | 789,0 | 450,0 | 4,50 | 3,71 | 3,48 | 3,88 | 14 |
| | 01 Mar. | 579,5 | 350,0 | 4,50 | 3,50 | 3,44 | 3,57 | 14 |
| | 15 Mar. | 492,0 | 250,0 | 4,50 | 3,45 | 3,39 | 3,47 | 14 |
| | 29 Mar. | 248,0 | 150,0 | 4,50 | 3,52 | 3,34 | 3,59 | 14 |

Source: Central Bank of Cyprus.

(1) Since 9 October 2001, open market operations for the absorption of liquidity have been conducted through auctions for the acceptance of deposits (depos).

Table 5

Money market interest rates

(percent per annum, period averages)

| | Cyprus | | | | | Euro area | | | | |
|-----------|--------------------|-------------------|------------------|---------------------|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| | Overnight deposits | 2-7 days deposits | 1-month deposits | 1-6 months deposits | 6-12 months deposits | Overnight deposits (EONIA) | 1-month deposits (EURIBOR) | 3-month deposits (EURIBOR) | 6-month deposits (EURIBOR) | 12-month deposits (EURIBOR) |
| 2006 Jan. | 2,51 | 3,07 | 3,12 | 3,07 | - | 2,33 | 2,39 | 2,51 | 2,65 | 2,83 |
| Feb. | 2,48 | 2,90 | 2,98 | 4,33 | 3,38 | 2,35 | 2,46 | 2,60 | 2,72 | 2,91 |
| Mar. | 2,52 | 2,84 | 3,02 | 2,97 | 3,35 | 2,52 | 2,63 | 2,72 | 2,87 | 3,11 |
| Apr. | 2,53 | 2,80 | 2,95 | 3,64 | 3,35 | 2,63 | 2,65 | 2,79 | 2,96 | 3,22 |
| May | 2,48 | 3,23 | 3,22 | 3,44 | 3,55 | 2,58 | 2,69 | 2,89 | 3,06 | 3,31 |
| June | 2,49 | 2,95 | 2,97 | 3,26 | - | 2,70 | 2,87 | 2,99 | 3,16 | 3,40 |
| July | 2,79 | 3,08 | 3,23 | 3,53 | - | 2,81 | 2,94 | 3,10 | 3,29 | 3,54 |
| Aug. | 2,86 | 3,04 | 3,25 | 3,67 | - | 2,97 | 3,09 | 3,23 | 3,41 | 3,62 |
| Sep. | 3,46 | 3,79 | 3,73 | 3,76 | - | 3,04 | 3,16 | 3,34 | 3,53 | 3,72 |
| Oct. | 3,67 | 4,16 | 4,09 | 4,45 | - | 3,28 | 3,35 | 3,50 | 3,64 | 3,80 |
| Nov. | 3,58 | 3,95 | 4,02 | 4,24 | - | 3,33 | 3,42 | 3,60 | 3,73 | 3,86 |
| Dec. | 3,37 | 4,16 | 4,02 | 4,01 | - | 3,50 | 3,64 | 3,68 | 3,79 | 3,92 |
| 2007 Jan. | 3,35 | 4,11 | 4,18 | 3,77 | - | 3,56 | 3,62 | 3,75 | 3,89 | 4,06 |
| Feb. | 3,10 | 3,96 | 4,13 | 4,00 | 4,00 | | | | | |

Sources: Central Bank of Cyprus and European Central Bank.

Table 6

Commercial bank interest rates^(1,2)

(percent per annum)

| | Lending rates | | | | | Deposit rates | | |
|-----------|--------------------------------------|----------------------------|-------------------------|--------------------------------------|--------------|------------------|--------------------------------|---------------------------------------|
| | Enterprises: overdraft within limits | Enterprises: secured loans | Personal: secured loans | Housing: loans secured by assignment | Credit cards | Current accounts | 3 month notice - over CYP5.000 | 1 year fixed deposits - over CYP5.000 |
| 2005 Jan. | 7,92 | 7,92 | 8,55 | 7,30 | 11,50 | 0,66 | 4,47 | 4,32 |
| Feb. | 7,90 | 7,91 | 8,60 | 7,30 | 11,67 | 0,67 | 4,39 | 4,36 |
| Mar. | 7,61 | 7,63 | 8,38 | 6,76 | 11,83 | 0,65 | 4,37 | 4,38 |
| Apr. | 7,61 | 7,63 | 8,38 | 6,76 | 11,75 | 0,64 | 4,30 | 4,38 |
| May | 7,18 | 7,20 | 7,97 | 6,33 | 11,83 | 0,55 | 4,04 | 4,07 |
| June | 6,69 | 6,70 | 7,58 | 5,76 | 12,00 | 0,39 | 3,47 | 3,88 |
| July | 6,69 | 6,70 | 7,47 | 5,76 | 12,00 | 0,42 | 3,47 | 3,85 |
| Aug. | 6,70 | 6,69 | 7,49 | 5,74 | 12,00 | 0,45 | 3,47 | 3,82 |
| Sep. | 6,69 | 6,69 | 7,49 | 5,74 | 12,00 | 0,46 | 3,47 | 3,79 |
| Oct. | 6,69 | 6,68 | 7,29 | 5,74 | 12,00 | 0,47 | 3,47 | 3,75 |
| Nov. | 6,69 | 6,68 | 7,29 | 5,72 | 12,00 | 0,46 | 3,48 | 3,72 |
| Dec. | 6,69 | 6,68 | 7,28 | 5,71 | 12,00 | 0,45 | 3,47 | 3,68 |
| 2006 Jan. | 6,67 | 6,67 | 7,28 | 5,71 | 12,00 | 0,46 | 3,48 | 3,63 |
| Feb. | 6,65 | 6,65 | 7,27 | 5,71 | 12,00 | 0,45 | 3,48 | 3,59 |
| Mar. | 6,64 | 6,65 | 7,27 | 5,69 | 12,00 | 0,47 | 3,48 | 3,57 |
| Apr. | 6,64 | 6,64 | 7,28 | 5,69 | 12,00 | 0,48 | 3,48 | 3,55 |
| May | 6,64 | 6,63 | 7,28 | 5,68 | 12,00 | 0,47 | 3,48 | 3,52 |
| June | 6,65 | 6,62 | 7,28 | 5,68 | 12,00 | 0,43 | 3,48 | 3,43 |
| July | 6,65 | 6,62 | 7,28 | 5,68 | 12,00 | 0,46 | 3,47 | 3,42 |
| Aug. | 6,64 | 6,62 | 7,29 | 5,68 | 12,00 | 0,46 | 3,47 | 3,42 |
| Sep. | 6,88 | 6,81 | 7,51 | 5,84 | 12,17 | 0,55 | 3,64 | 3,58 |
| Oct. | 6,89 | 6,81 | 7,50 | 5,84 | 12,17 | 0,51 | 3,65 | 3,58 |
| Nov. | 6,88 | 6,81 | 7,48 | 5,84 | 12,17 | 0,50 | 3,65 | 3,58 |
| Dec. | 6,88 | 6,80 | 7,48 | 5,84 | 12,17 | 0,51 | 3,65 | 3,58 |
| 2007 Jan. | 6,90 | 6,81 | 7,63 | 5,92 | 12,17 | 0,54 | 3,65 | 3,58 |
| Feb. | 6,91 | 6,81 | 7,66 | 5,92 | 12,17 | 0,53 | 3,65 | 3,57 |

Source: Domestic banks.

(1) Reported as at end of month.

(2) Data refer to the average of the representative interest rates as defined by the three largest banks.

Table 7

Interest rates – European monetary financial institutions

(percent per annum, outstanding amounts as at end-of-period)

1. Interest rates on euro-denominated deposits by euro area residents

| | Deposits from households | | | | | Deposits from non-financial corporations | | |
|-----------|--------------------------|----------------------|--------------|-------------------------------------|---------------|--|----------------------|--------------|
| | Overnight | With agreed maturity | | Redeemable at notice ⁽¹⁾ | | Overnight | With agreed maturity | |
| | | Up to 2 years | Over 2 years | Up to 3 months | Over 3 months | | Up to 2 years | Over 2 years |
| 2005 Dec. | 0,71 | 2,01 | 3,15 | 1,97 | 2,30 | 1,02 | 2,30 | 3,41 |
| 2006 Jan. | 0,73 | 2,05 | 3,11 | 2,00 | 2,32 | 1,05 | 2,32 | 3,47 |
| Feb. | 0,74 | 2,09 | 3,13 | 1,97 | 2,34 | 1,08 | 2,38 | 3,47 |
| Mar. | 0,76 | 2,16 | 3,01 | 1,98 | 2,37 | 1,14 | 2,48 | 3,46 |
| Apr. | 0,79 | 2,21 | 3,01 | 2,00 | 2,42 | 1,16 | 2,53 | 3,51 |
| May | 0,79 | 2,27 | 3,05 | 2,00 | 2,48 | 1,18 | 2,59 | 3,52 |
| Jun. | 0,81 | 2,34 | 3,08 | 2,04 | 2,53 | 1,22 | 2,72 | 3,53 |
| Jul. | 0,81 | 2,43 | 3,03 | 2,08 | 2,58 | 1,24 | 2,80 | 3,57 |
| Aug. | 0,85 | 2,52 | 3,05 | 2,23 | 2,63 | 1,32 | 2,93 | 3,64 |
| Sep. | 0,86 | 2,59 | 3,08 | 2,26 | 2,68 | 1,36 | 3,00 | 3,68 |
| Oct. | 0,90 | 2,69 | 3,10 | 2,30 | 2,75 | 1,45 | 3,15 | 3,80 |
| Nov. | 0,91 | 2,78 | 3,05 | 2,30 | 2,81 | 1,49 | 3,22 | 3,79 |

2. Interest rates on euro-denominated loans by euro area residents

| | Loans to households | | | | | | Loans to non-financial corporations | | |
|-----------|---|--------------------------|--------------|--|--------------------------|--------------|-------------------------------------|--------------------------|--------------|
| | Lending for house purchase, with maturity | | | Consumer credit and other loans, with maturity | | | With maturity | | |
| | Up to 1 year | Over 1 and up to 5 years | Over 5 years | Up to 1 year | Over 1 and up to 5 years | Over 5 years | Up to 1 year | Over 1 and up to 5 years | Over 5 years |
| 2005 Dec. | 4,54 | 4,14 | 4,52 | 7,89 | 6,77 | 5,62 | 4,35 | 3,84 | 4,24 |
| 2006 Jan. | 4,62 | 4,14 | 4,50 | 7,99 | 6,78 | 5,60 | 4,42 | 3,88 | 4,26 |
| Feb. | 4,59 | 4,17 | 4,54 | 7,97 | 6,78 | 5,68 | 4,49 | 3,95 | 4,31 |
| Mar. | 4,60 | 4,15 | 4,52 | 8,06 | 6,80 | 5,73 | 4,53 | 3,98 | 4,31 |
| Apr. | 4,63 | 4,16 | 4,52 | 8,10 | 6,73 | 5,75 | 4,59 | 4,05 | 4,34 |
| May | 4,63 | 4,16 | 4,52 | 8,10 | 6,70 | 5,71 | 4,64 | 4,10 | 4,36 |
| June | 4,67 | 4,20 | 4,55 | 8,10 | 6,75 | 5,73 | 4,72 | 4,19 | 4,40 |
| July | 4,68 | 4,21 | 4,57 | 8,15 | 6,71 | 5,82 | 4,81 | 4,27 | 4,45 |
| Aug. | 4,72 | 4,23 | 4,60 | 8,21 | 6,72 | 5,82 | 4,85 | 4,33 | 4,48 |
| Sep. | 4,81 | 4,27 | 4,62 | 8,31 | 6,81 | 5,86 | 4,93 | 4,40 | 4,53 |
| Oct. | 4,89 | 4,29 | 4,65 | 8,36 | 6,81 | 5,88 | 5,07 | 4,51 | 4,57 |
| Nov. | 4,98 | 4,33 | 4,68 | 8,35 | 6,81 | 5,91 | 5,14 | 4,59 | 4,63 |

Source: European Central Bank.

(1) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating member states combined.

Table 8

Interest rate announcements in 2007

| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. |
|---------------------------------------|----------------------|-------------------|----------------------|------|-----|-------|------|------|------|-------|------|------|
| European Central Bank ⁽¹⁾ | 11 3,50 | 8 3,50 | 8 3,75 | 12 | 10 | 6 | 5 | | 6 | 4 | 8 | 6 |
| Bank of England ⁽²⁾ | 11 5,25 | 8 5,25 | 8 5,25 | 5 | 10 | 7 | 5 | 2 | 6 | 4 | 8 | 6 |
| Federal Reserve ⁽³⁾ | 30/31 5,25 | | 20/21 5,25 | | 9 | 27/28 | | 7 | 18 | 30/31 | | 11 |
| Central Bank of Cyprus ⁽⁴⁾ | 12 4,50 | 23 4,50 | 12 4,50 | 13 | 18 | | 6 | | 7 | 19 | | 7 |

(1) Minimum bid rate on the main refinancing operations.

(2) Rate paid on commercial bank reserves.

(3) Federal funds rate.

(4) Bid rate on the main refinancing operations (repo rate).

Table 9

Percentage change in CPI by economic category

February 2007/2006

| | 2004 | 2005 | 2006 | | | | | | | Weights | | |
|-----------------------------|--------------|--------------|--------------|---------------------------|--------------------------|---------------------------|------------------------------|----------------------|---------------------------|---------------|---------------------------------------|---------------------------------------|
| | | | | February 2006/ 2005 | January 2007/ 2006 | February 2007/ 2006 | Jan. - Feb. 2006/ 2005 | January 2007/2006 | Jan. - Feb. 2007/ 2006 | 1998=100 | 2005=100 (For the year 2006) | 2005=100 (For the year 2007) |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 2,64 | 1,64 | 1,45 | 2,44 | 1,64 | 1,55 | 100,00 | 100,00 | 100,00 |
| A Domestic products | 2,95 | 1,79 | 4,35 | 3,94 | 4,08 | 4,27 | 4,03 | 4,08 | 4,18 | 36,69 | 28,60 | 28,98 |
| A.1 Agricultural | 3,32 | 1,34 | 6,51 | 0,78 | 12,55 | 11,59 | 0,79 | 12,55 | 12,07 | 7,93 | 6,92 | 6,93 |
| A.2 Industrial | 3,36 | 1,14 | 2,47 | 2,71 | 2,13 | 2,27 | 2,55 | 2,13 | 2,20 | 22,91 | 19,24 | 19,29 |
| A.3 Electricity | -3,13 | 11,51 | 13,10 | 25,17 | -4,61 | -1,17 | 27,55 | -4,61 | -2,93 | 1,52 | 2,44 | 2,76 |
| B Petroleum products | 17,18 | 14,82 | 8,09 | 15,06 | -1,15 | -4,68 | 14,85 | -1,15 | -2,93 | 4,33 | 6,44 | 6,63 |
| C Imported products | -5,55 | -2,47 | -1,14 | -1,72 | -2,92 | -3,13 | -1,78 | -2,92 | -3,03 | 22,20 | 25,31 | 24,62 |
| C1 Motor vehicles | -13,50 | -2,42 | -1,38 | 0,21 | -9,88 | -10,24 | 0,13 | -9,88 | -10,06 | 9,43 | 6,15 | 5,41 |
| C2 Other imported | -0,39 | -2,49 | -1,07 | -2,35 | -0,58 | -0,74 | -2,41 | -0,58 | -0,66 | 12,77 | 19,16 | 19,21 |
| D Services | 3,23 | 3,34 | 2,57 | 2,63 | 2,96 | 3,07 | 2,16 | 2,96 | 3,01 | 41,11 | 39,65 | 39,77 |
| HICP | 1,9 | 2,1 | 2,2 | 2,3 | 1,4 | 1,2 | 2,2 | 1,4 | 1,3 | | | |

Table 10

Weighted contribution to the total percentage change in CPI by economic category (%)

February 2007/2006

| | 2004 | 2005 | 2006 | | | | | | | Weights | | |
|-----------------------------|--------------|--------------|--------------|---------------------------|--------------------------|---------------------------|-----------------------------|-----------------------|-----------------------------|---------------|------------------------------------|------------------------------------|
| | | | | February 2006/ 2005 | January 2007/ 2006 | February 2007/ 2006 | Jan.- Feb. 2006/ 2005 | Jan. 2007/ 2006 | Jan.- Feb. 2007/ 2006 | 1998=100 | 2005=100 (For the year 2006) | 2005=100 (For the year 2007) |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 2,64 | 1,64 | 1,45 | 2,44 | 1,64 | 1,55 | 100,00 | 100,00 | 100,00 |
| A Domestic products | 1,98 | 1,58 | 1,25 | 1,12 | 1,18 | 1,25 | 1,15 | 1,18 | 1,21 | 36,69 | 28,60 | 28,98 |
| A.1 Agricultural | 0,27 | 0,11 | 0,45 | 0,06 | 0,90 | 0,82 | 0,06 | 0,90 | 0,86 | 7,93 | 6,92 | 6,93 |
| A.2 Industrial | 0,78 | 0,27 | 0,47 | 0,52 | 0,41 | 0,43 | 0,49 | 0,41 | 0,42 | 22,91 | 19,24 | 19,29 |
| A.3 Electricitv | -0,07 | 0,23 | 0,32 | 0,55 | -0,13 | -0,04 | 0,60 | -0,13 | -0,08 | 1,52 | 2,44 | 2,76 |
| B Petroleum products | 0,99 | 0,97 | 0,52 | 0,90 | -0,08 | -0,32 | 0,88 | -0,08 | -0,20 | 4,33 | 6,44 | 6,63 |
| C Imported products | -1,04 | -0,43 | -0,29 | -0,44 | -0,72 | -0,74 | -0,45 | -0,72 | -0,74 | 22,20 | 25,31 | 24,62 |
| C1 Motor vehicles | -1,00 | -0,15 | -0,08 | 0,01 | -0,61 | -0,55 | 0,01 | -0,61 | -0,62 | 9,43 | 6,15 | 5,41 |
| C2 Other imported | -0,04 | -0,28 | -0,20 | -0,45 | -0,11 | -0,13 | -0,46 | -0,11 | -0,12 | 12,77 | 19,16 | 19,21 |
| D Services | 1,35 | 1,41 | 1,02 | 1,05 | 1,18 | 1,23 | 0,86 | 1,18 | 1,20 | 41,11 | 39,65 | 39,77 |

Table 11

Percentage change in the consumer price index by category of goods and services

February 2007/2006

| | Years | | | February 2006/2005 | January 2007/2006 | February 2007/2006 | Jan.- Feb. 2006/2005 | January 2007/2006 | Jan.- Feb. 2007/2006 | Weights | |
|---|-------------|-------------|-------------|-----------------------|----------------------|-----------------------|-------------------------|----------------------|-------------------------|---------------|---------------|
| | 2004 | 2005 | 2006 | | | | | | | 2005=100 | 1998=100 |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 2,45 | 1,64 | 1,45 | 2,45 | 1,64 | 1,55 | 100,00 | 100,00 |
| Food & non-alcoholic beverages | 3,97 | 1,59 | 4,80 | 2,14 | 6,77 | 6,47 | 2,14 | 6,77 | 6,62 | 17,50 | 18,20 |
| Alcoholic beverages & tobacco | 10,57 | 0,23 | 0,49 | 0,00 | 0,49 | 0,96 | 0,00 | 0,49 | 0,72 | 2,21 | 1,78 |
| Clothing & footwear | -0,79 | -2,24 | -0,32 | 2,51 | -1,09 | -1,14 | 2,51 | -1,09 | -1,11 | 8,93 | 8,22 |
| Housing, water, electricity & gas | 4,19 | 5,41 | 4,90 | 7,67 | 1,36 | 1,36 | 7,67 | 1,36 | 1,36 | 15,87 | 21,27 |
| Furnishings, household equipment & supplies | -0,45 | 0,58 | 0,13 | 1,16 | 0,24 | -0,31 | 1,16 | 0,24 | -0,04 | 6,78 | 7,08 |
| Health | 3,72 | 0,36 | 1,31 | -6,28 | 3,80 | 4,86 | -6,28 | 3,80 | 4,33 | 5,03 | 4,92 |
| Transport | -3,06 | 3,79 | 2,87 | 5,14 | -2,89 | -4,16 | 5,14 | -2,89 | -3,53 | 15,99 | 17,42 |
| Communications | -8,48 | -10,34 | -1,83 | -4,93 | 1,19 | 1,27 | -4,93 | 1,19 | 1,23 | 3,94 | 1,79 |
| Recreation & culture | 2,26 | 1,06 | -0,33 | -1,44 | 0,27 | -0,16 | -1,44 | 0,27 | 0,06 | 6,33 | 5,88 |
| Education | 3,96 | 5,21 | 4,68 | 4,55 | 4,89 | 4,89 | 4,55 | 4,89 | 4,89 | 2,87 | 2,33 |
| Restaurants & hotels | 4,69 | 3,30 | 2,18 | 1,63 | 2,05 | 3,05 | 1,63 | 2,05 | 2,55 | 7,57 | 6,07 |
| Miscellaneous goods & services | 5,16 | 3,83 | 2,23 | 2,24 | 2,22 | 2,05 | 2,24 | 2,22 | 2,13 | 6,98 | 5,04 |

Source: Cystat.

Table 12

Weighted contribution to the total change in the consumer price index by category of goods and services (%)

February 2007/2006

| | Years | | | February 2006/2005 | January 2007/2006 | February 2007/2006 | Jan.- Feb. 2006/2005 | January 2007/2006 | Jan.- Feb. 2007/2006 | Weights | |
|---|-------------|-------------|-------------|-----------------------|----------------------|-----------------------|-------------------------|----------------------|-------------------------|---------------|---------------|
| | 2004 | 2005 | 2006 | | | | | | | 2005=100 | 1998=100 |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 2,65 | 1,64 | 1,45 | 2,45 | 1,64 | 1,55 | 100,00 | 100,00 |
| Food & non-alcoholic beverages | 0,76 | 0,31 | 0,82 | 0,41 | 1,21 | 1,16 | 0,38 | 1,21 | 1,18 | 17,50 | 18,20 |
| Alcoholic beverages & tobacco | 0,28 | 0,01 | 0,01 | 0,00 | 0,01 | 0,02 | 0,00 | 0,01 | 0,02 | 2,21 | 1,78 |
| Clothing & footwear | -0,05 | -0,14 | -0,03 | 0,20 | -0,09 | -0,09 | 0,20 | -0,09 | -0,09 | 8,93 | 8,22 |
| Housing, water, electricity & gas | 0,93 | 1,22 | 0,76 | 1,17 | 0,22 | 0,22 | 1,20 | 0,22 | 0,22 | 15,87 | 21,27 |
| Furnishings, household equipment & supplies | -0,03 | 0,04 | 0,01 | 0,10 | 0,02 | -0,02 | 0,08 | 0,02 | 0,00 | 6,78 | 7,08 |
| Health | 0,20 | 0,02 | 0,06 | -0,36 | 0,19 | 0,24 | -0,34 | 0,19 | 0,21 | 5,03 | 4,92 |
| Transport | -0,51 | 0,59 | 0,45 | 0,84 | -0,47 | -0,68 | 0,81 | -0,47 | -0,57 | 15,99 | 17,42 |
| Communications | -0,10 | -0,11 | -0,07 | -0,01 | 0,05 | 0,05 | -0,20 | 0,05 | 0,05 | 3,94 | 1,79 |
| Recreation & culture | 0,12 | 0,06 | -0,02 | -0,09 | 0,02 | -0,01 | -0,09 | 0,02 | 0,00 | 6,33 | 5,88 |
| Education | 0,10 | 0,13 | 0,13 | 0,13 | 0,14 | 0,14 | 0,13 | 0,14 | 0,14 | 2,87 | 2,33 |
| Restaurants & hotels | 0,31 | 0,23 | 0,16 | 0,11 | 0,16 | 0,23 | 0,13 | 0,16 | 0,19 | 7,57 | 6,07 |
| Miscellaneous goods & services | 0,28 | 0,21 | 0,15 | 0,13 | 0,16 | 0,14 | 0,16 | 0,16 | 0,15 | 6,98 | 5,04 |

Source: Cystat.

Table 13

Cyprus Stock Exchange: purchase and sale of listed shares by non-residents ⁽¹⁾

(CYP thousand)

| Geographic origin of non-resident investors | Purchase of listed shares by non-residents | | | | | | | Sale of listed shares by non-residents | | | | | | |
|---|--|----------------|-----------------|-----------------|------------------|-----------------|-----------------|--|----------------|----------------|-----------------|------------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 | | | 2007 | | 2004 | 2005 | 2006 | | | 2007 | |
| | | | Oct. | Nov. | Dec. | Jan. | Feb. | | | Oct. | Nov. | Dec. | Jan. | Feb. |
| EUROPE | 7.416,2 | 7.395,9 | 41.626,0 | 51.614,9 | 100.441,4 | 59.206,2 | 17.139,6 | 1.199,3 | 3.461,1 | 5.275,4 | 18.885,2 | 242.077,9 | 53.283,0 | 12.743,0 |
| EU-25 | 6.064,4 | 6.805,2 | 37.615,0 | 49.587,2 | 100.212,9 | 56.386,5 | 15.750,8 | 3.710,1 | 2.980,4 | 2.715,5 | 18.055,4 | 241.789,6 | 50.696,8 | 12.445,0 |
| Greece | 5.519,5 | 5.667,5 | 31.313,8 | 45.833,3 | 13.215,3 | 16.581,0 | 6.711,1 | 3.328,1 | 2.269,5 | 2.190,5 | 15.157,8 | 232.950,4 | 37.686,3 | 6.645,1 |
| United Kingdom | 265,2 | 238,2 | 6.175,8 | 2.361,5 | 48.726,2 | 36.588,5 | 7.651,2 | 182,5 | 390,6 | 392,2 | 2.717,0 | 5.518,6 | 8.648,9 | 4.199,6 |
| Other European countries | 1.351,8 | 590,7 | 4.010,9 | 2.027,7 | 228,5 | 2.819,7 | 1.388,8 | 228,6 | 480,7 | 2.560,0 | 829,8 | 288,3 | 2.586,2 | 298,1 |
| Russian Federation | 1.131,5 | 405,4 | 6,4 | 383,0 | 121,5 | 280,5 | 119,1 | 59,3 | 279,7 | 16,9 | 389,0 | 122,1 | 415,9 | 291,5 |
| AFRICA | 415,8 | 51,4 | 513,5 | 2.583,8 | 2.618,0 | 1.086,5 | 1.468,5 | 295,7 | 90,1 | 22,6 | 2.289,9 | 107,2 | 1.480,7 | 249,5 |
| North African countries | 0,9 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 1,8 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Other African countries | 414,9 | 51,4 | 513,5 | 2.583,8 | 2.618,0 | 1.086,5 | 1.468,5 | 295,7 | 88,3 | 22,6 | 2.289,9 | 107,2 | 1.480,7 | 249,5 |
| South Africa | 56,7 | 0,0 | 0,0 | 173,7 | 42,8 | 298,2 | 0,0 | 0,0 | 7,6 | 3,6 | 171,6 | 30,9 | 292,3 | 20,5 |
| AMERICA | 888,6 | 429,3 | 11.251,5 | 16.079,7 | 78.173,0 | 6.316,4 | 3.474,4 | 1.643,7 | 1.232,7 | 1.793,1 | 5.391,7 | 2.001,6 | 7.529,9 | 13.661,2 |
| North American countries | 635,6 | 84,1 | 8.487,5 | 12.427,3 | 71.565,3 | 3.714,1 | 1.170,1 | 80,0 | 33,2 | 262,7 | 3.173,0 | 992,1 | 6.594,5 | 11.877,6 |
| Canada | 0,7 | 2,2 | 0,0 | 0,3 | 0,0 | 48,0 | 5,8 | 51,3 | 0,0 | 6,1 | 205,9 | 7,4 | 78,7 | 22,8 |
| United States of America | 634,9 | 81,9 | 8.487,5 | 12.427,0 | 71.565,3 | 3.666,1 | 1.164,3 | 28,7 | 33,2 | 256,6 | 2.967,1 | 984,8 | 7.529,9 | 13.661,2 |
| Central American countries | 253,0 | 345,2 | 2.764,0 | 3.652,4 | 6.607,7 | 2.602,3 | 2.304,4 | 1.563,7 | 1.199,4 | 1.530,4 | 2.218,7 | 1.009,5 | 935,5 | 1.783,6 |
| South American countries | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| ASIA | 61,7 | 267,3 | 13,1 | 5.043,9 | 1.389,3 | 4.196,3 | 2.394,5 | 12,2 | 229,2 | 642,8 | 329,0 | 4.241,9 | 3.613,2 | 2.883,5 |
| West Asia | 17,0 | 204,7 | 13,1 | 0,0 | 0,0 | 23,8 | 18,4 | 12,2 | 168,9 | 642,8 | 54,8 | 70,3 | 243,4 | 205,0 |
| Other Asian countries | 44,8 | 62,6 | 0,0 | 5.043,9 | 1.389,3 | 4.172,5 | 2.376,1 | 0,0 | 60,3 | 0,0 | 274,2 | 4.171,7 | 3.369,9 | 2.678,5 |
| OCEANIA | 18,5 | 0,0 | 0,0 | 0,0 | 0,0 | 7,8 | 54,7 | 8,2 | 0,0 | 0,0 | 0,0 | 0,0 | 75,7 | 58,3 |
| Total | 8.800,8 | 8.143,9 | 53.404,1 | 75.322,3 | 182.621,8 | 70.813,2 | 24.531,7 | 5.898,5 | 5.013,0 | 7.734,0 | 26.895,9 | 248.428,7 | 65.982,5 | 29.595,6 |

Source: Cyprus Stock Exchange.

(1) Purchase of shares included in the central securities depository as well as shares not included in the central securities depository.

Table 14

Balance of payments

(CYP million)

| ITEMS | Q1/2006 | | | Q2/2006 | | | Q3/2006 | | | Q4/2006 | | | Q1-Q4/2006 | | |
|--|---------|---------|--------|---------|---------|--------|---------|---------|----------|---------|---------|--------|------------|---------|----------|
| | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET |
| CURRENT ACCOUNT | 1.109,1 | 1.319,7 | -210,6 | 1.385,5 | 1.437,1 | -51,6 | 1.619,5 | 1.434,8 | 184,7 | 1.246,0 | 1.664,3 | -418,4 | 5.360,1 | 5.856,0 | -495,9 |
| GOODS, SERVICES AND INCOME | 1.004,1 | 1.247,6 | -243,6 | 1.294,5 | 1.376,7 | -82,2 | 1.518,9 | 1.354,8 | 164,1 | 1.180,7 | 1.603,8 | -423,1 | 4.998,1 | 5.582,9 | -584,8 |
| GOODS AND SERVICES | 801,7 | 1.026,7 | -225,0 | 1.054,5 | 1.074,5 | -20,0 | 1.287,3 | 1.091,8 | 195,5 | 830,4 | 1.127,6 | -297,2 | 3.973,9 | 4.320,6 | -346,7 |
| GOODS | 182,8 | 705,9 | -523,1 | 161,1 | 765,0 | -603,9 | 148,7 | 745,7 | -597,0 | 158,3 | 735,4 | -577,2 | 650,9 | 2.952,0 | -2.301,2 |
| SERVICES | 618,9 | 320,8 | 298,1 | 893,4 | 309,5 | 583,9 | 1.138,6 | 346,1 | 792,5 | 672,1 | 392,2 | 280,0 | 3.323,1 | 1.368,6 | 1.954,5 |
| Transport | 190,0 | 145,0 | 45,0 | 227,8 | 122,4 | 105,4 | 252,9 | 109,9 | 143,0 | 109,6 | 125,7 | -16,2 | 780,2 | 503,1 | 277,1 |
| Travel | 101,7 | 97,3 | 4,4 | 321,0 | 98,8 | 222,2 | 467,3 | 137,8 | 329,6 | 211,6 | 115,7 | 95,9 | 1.101,6 | 449,5 | 652,1 |
| Communications services | 7,5 | 11,9 | -4,4 | 7,4 | 18,0 | -10,6 | 9,2 | 14,5 | -5,3 | 16,4 | 14,2 | 2,2 | 40,5 | 58,6 | -18,1 |
| Construction services | 17,5 | 2,5 | 15,0 | 24,5 | 2,6 | 21,9 | 20,0 | 2,8 | 17,3 | 31,8 | 2,9 | 28,8 | 93,8 | 10,8 | 83,0 |
| Insurance services | 15,4 | 11,2 | 4,2 | 14,1 | 7,0 | 7,0 | 13,0 | 8,3 | 4,6 | 10,8 | 8,9 | 1,9 | 53,2 | 35,4 | 17,8 |
| Financial services | 31,7 | 6,2 | 25,4 | 31,6 | 16,1 | 15,5 | 38,3 | 15,1 | 23,2 | 49,6 | 23,5 | 26,1 | 151,2 | 60,9 | 90,2 |
| Computer and information services | 24,2 | 4,5 | 19,8 | 23,7 | 3,2 | 20,6 | 30,8 | 3,0 | 27,9 | 8,9 | 5,2 | 3,6 | 87,7 | 15,9 | 71,9 |
| Royalties and licence fees | 3,1 | 3,0 | 0,1 | 0,2 | 1,7 | -1,5 | 4,1 | 5,6 | -1,6 | 0,1 | 17,5 | -17,3 | 7,5 | 27,8 | -20,2 |
| Other business services | 177,4 | 22,9 | 154,4 | 197,1 | 26,6 | 170,5 | 257,1 | 32,4 | 224,7 | 172,9 | 53,1 | 119,7 | 804,5 | 135,1 | 669,4 |
| Personal, cultural and recreational services | 6,5 | 6,9 | -0,4 | 4,2 | 6,6 | -2,4 | 5,2 | 7,2 | -2,0 | 8,7 | 9,6 | -0,9 | 24,6 | 30,2 | -5,6 |
| Government services, n.i.e. | 44,0 | 9,5 | 34,4 | 41,8 | 6,6 | 35,2 | 40,6 | 9,4 | 31,2 | 51,8 | 15,7 | 36,1 | 178,2 | 41,3 | 136,9 |
| Services not allocated | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| INCOME | 202,3 | 220,9 | -18,6 | 239,9 | 302,1 | -62,2 | 231,6 | 263,1 | -31,5 | 350,3 | 476,2 | -125,9 | 1.024,2 | 1.262,3 | -238,1 |
| Compensation of employees | 4,3 | 24,0 | -19,7 | 3,8 | 15,2 | -11,4 | 3,3 | 23,7 | -20,4 | 4,5 | 21,2 | -16,7 | 15,8 | 84,0 | -68,2 |
| Investment Income | 198,0 | 196,9 | 1,1 | 236,1 | 286,9 | -50,8 | 228,3 | 239,4 | -11,1 | 345,9 | 455,0 | -109,2 | 1.008,3 | 1.178,3 | -169,9 |
| Direct investment income | 38,7 | 91,7 | -52,9 | 85,3 | 170,3 | -85,0 | 59,4 | 115,5 | -56,1 | 128,6 | 302,0 | -173,5 | 312,0 | 679,5 | -367,5 |
| Portfolio investment income | 40,1 | 36,2 | 3,8 | 47,7 | 33,8 | 13,9 | 53,5 | 54,1 | -0,6 | 85,2 | 55,6 | 29,6 | 226,5 | 179,7 | 46,8 |
| Other investment income | 119,3 | 69,0 | 50,2 | 103,1 | 82,8 | 20,2 | 115,4 | 69,7 | 45,6 | 132,1 | 97,4 | 34,7 | 469,8 | 319,0 | 150,8 |
| CURRENT TRANSFERS | 105,0 | 72,1 | 33,0 | 91,0 | 60,4 | 30,6 | 100,7 | 80,0 | 20,6 | 65,3 | 60,5 | 4,7 | 362,0 | 273,0 | 88,9 |
| General government | 38,7 | 32,4 | 6,3 | 25,6 | 13,2 | 12,5 | 39,8 | 25,4 | 14,4 | 17,5 | 10,2 | 7,3 | 121,6 | 81,1 | 40,4 |
| Other sectors | 66,4 | 39,7 | 26,7 | 65,4 | 47,3 | 18,1 | 60,9 | 54,6 | 6,2 | 47,8 | 50,3 | -2,6 | 240,4 | 191,9 | 48,5 |
| CAPITAL AND FINANCIAL ACCOUNT | | | 289,2 | | | 101,6 | | | -235,7 | | | 402,7 | | | 557,9 |
| Capital Account | 7,7 | 11,2 | -3,5 | 7,9 | 5,6 | 2,2 | 6,9 | 5,2 | 1,7 | 8,9 | 7,6 | 1,3 | 31,3 | 29,6 | 1,7 |
| Financial Account | | | 292,7 | | | 99,4 | | | -237,4 | | | 401,4 | | | 556,2 |
| Direct Investment | | | 87,6 | | | 74,7 | | | 32,6 | | | 153,7 | | | 348,7 |
| Abroad | | | -51,3 | | | -69,2 | | | -107,7 | | | -107,8 | | | -336,0 |
| In Cyprus | | | 138,9 | | | 143,9 | | | 140,4 | | | 261,5 | | | 684,7 |
| Portfolio Investment | | | -90,5 | | | 80,8 | | | -414,3 | | | 151,9 | | | -272,1 |
| Assets | | | -386,0 | | | -398,7 | | | -839,8 | | | -650,2 | | | -2.274,7 |
| Liabilities | | | 295,5 | | | 479,5 | | | 425,5 | | | 802,1 | | | 2.002,6 |
| Financial Derivatives | | | 1,6 | | | 1,5 | | | -6,4 | | | 1,6 | | | -1,7 |
| Other Investment | | | 226,0 | | | 133,0 | | | 219,3 | | | 363,5 | | | 941,8 |
| Assets | | | -285,4 | | | -543,7 | | | -1.295,4 | | | -230,9 | | | -2.355,4 |
| Liabilities | | | 511,4 | | | 676,7 | | | 1.514,7 | | | 594,4 | | | 3.297,2 |
| Official Reserve Assets | | | 68,0 | | | -190,6 | | | -68,6 | | | -269,3 | | | -460,5 |
| NET ERRORS AND OMISSIONS | | | -78,6 | | | -50,0 | | | 51,0 | | | 15,7 | | | -62,0 |

Table 15

Public finances summary: central government and social security fund ⁽¹⁾

| | Jan 2006 | Jan 2007 | Change |
|--|--------------|--------------|-------------|
| | CYP million | | |
| Total revenue and grants | 219,8 | 267,2 | 47,4 |
| Direct taxes | 76,7 | 104,2 | 27,5 |
| Income tax | 38,0 | 64,5 | 26,5 |
| Other direct taxes | 38,8 | 39,7 | 0,9 |
| Indirect taxes | 96,2 | 117,2 | 21,0 |
| Value added tax | 47,3 | 55,8 | 8,5 |
| Excise taxes | 33,0 | 28,7 | -4,3 |
| Import duty | 5,3 | 5,1 | -0,2 |
| Social security contributions | 21,5 | 19,6 | -1,9 |
| Non-tax revenue | 18,8 | 25,5 | 6,7 |
| Foreign grants | 6,5 | 0,7 | -5,8 |
| Total expenditure and net lending | 204,0 | 238,7 | 34,7 |
| Current expenditure | 200,7 | 234,7 | 34,0 |
| Goods and services | 14,1 | 14,0 | -0,1 |
| Wages and salaries | 61,6 | 65,5 | 3,9 |
| Pensions and gratuities | 14,0 | 15,6 | 1,6 |
| Social pensions | 2,3 | 2,4 | 0,1 |
| Other current transfers ⁽²⁾ | 36,0 | 61,1 | 25,1 |
| Unallocable expenses ⁽³⁾ | 2,3 | 5,7 | 3,4 |
| Social security funds payments | 28,1 | 30,4 | 2,3 |
| Subsidies | 0,6 | 1,4 | 0,8 |
| Interest | 41,6 | 38,5 | -3,1 |
| Capital expenditure | 3,3 | 4,1 | 0,8 |
| Investment | 3,3 | 4,1 | 0,8 |
| Capital transfers | 0,0 | 0,0 | 0,0 |
| Net lending | 0,0 | 0,0 | 0,0 |
| Fiscal surplus (+)/deficit(-) | 15,8 | 28,5 | 12,7 |
| <i>As % of GDP</i> | <i>0,2</i> | <i>0,3</i> | |

Source: CYSTAT

(1) The figures are prepared on a cash basis methodology. Therefore, they are not identical with the figures submitted officially by Cystat to Eurostat as these refer to general government finances and are compiled on an accrual basis.

(2) Includes transfers to semi-governmental organisations, local authorities, pensioners and students.

(3) Includes only expenditure on military equipment.