



CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH DEPARTMENT

Monetary Policy Report

December 2006



Central Bank of Cyprus

Economic Research Department

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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. 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
ECB	European Central Bank
Eurostat	Statistical Office of the European Communities

1. INTRODUCTION

The world economy continues to grow at a satisfactory pace, despite the slowdown of the US economy. Inflation in several countries is decreasing due to the fall in oil prices. In the euro area the economy is registering steady growth despite the fact that in Germany, France and Italy, GDP growth slowed down during the third quarter of 2006. In Japan the economy is still growing satisfactorily and analysts expect a gradual increase in the official interest rates of the Bank of Japan. In addition, markets expect a rise in the official interest rates of the ECB in December while some analysts anticipate a further rise of 25 basis points around mid - 2007.

Inflation fell to 1,43% in October 2006 compared with 2,38% in the previous month. This reflects, mainly, the recent decrease in the international price of oil as well as the further decrease in the price of imported products and the deceleration in the price of electricity.

M2 grew by 14,9% in October, unchanged from September but significantly higher than the 9,3% registered in October 2005. It is noted that the low growth in M2 in 2005 was partly a result of the tax amnesty in place at the time. Credit growth also continued at high levels, reaching 15,5% in October compared with 5,2% in the same month of the previous year.

Foreign currency lending maintained its high share, accounting for more than 50% of the total amount of credit given out in the 12 months to October 2006. At the same time, during October and November surplus liquidity conditions persisted in the money market.

As far as the external transactions are concerned, the number of tourists that visited Cyprus in the first 10 months of 2006 was down by 2,4%, compared with an increase of 6,2% recorded in the corresponding period of 2005. Nevertheless, due to the rise in per capita expenditure, revenue from tourism recorded an increase of 3,2% in the first nine months of 2006, compared with a 2,2% increase in the first nine months of 2005.

Provisional data published by Cystat reported a 14,7% increase in total imports (cif) in the first nine months of 2006, compared with a 9,5% increase recorded in the corresponding period of 2005. This significant increase is partly the result of the increase in the international price of oil, the purchase of a £31,7 million aeroplane by Eurocypria as well as the significant increase in the imports of consumer goods. Total exports recorded a decrease of 6,4% in the first nine months of 2006, compared with an increase of 27,9% recorded in the corresponding period of 2005. The notable decrease in exports in 2006 was mainly due to the base effect from the significant increase recorded in re-exports in 2005. As a result, the trade deficit increased to £1.942,8 million in the first nine months of 2006, relative to £1.600,7 million in the corresponding period of 2005.

The turnover volume index of retail trade rose by 6,7% in the first nine months of 2006 compared with 4,6% in the corresponding period of the previous year. In the labour market, unemployment as a percentage of the economically active population, reached 3,4% in

the first 10 months of 2006, compared with 3,7% in the corresponding period of 2005. In the construction sector there was a deceleration in the sales of cement and the volume of building permits in the first eight and ten months, respectively, of 2006. At the same time, manufacturing displayed a decline.

In accordance with the preliminary financial accounts published by Cystat and relating to the general government sector (which includes the central government and the semi governmental

organisations), during the third quarter of 2006 total revenue amounted to £2.529,4 million and total expenditure £2.532,7 million, thus registering a 10,3% and 10,7%, respectively, compared with the corresponding period of the previous year. The fiscal deficit increased to £5,5 million or 0,4% of GDP compared with £5,4 million or 0,07% of GDP for the corresponding period of 2005. Overall, it appears that the deficit will be contained at around 2% of GDP in 2006, which is in line with the government target.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International economic developments

In the **US** the real estate market continues to exhibit a slowdown, thus affecting third quarter growth. More specifically, GDP grew by 2,9% compared with 3,5% in the previous quarter. The slack in the property market has, as yet, not influenced consumption expenditures. Inflation rose to 2,1% in September, compared with 4,7% in the same month 2005. Despite the Federal Reserve's concern about inflationary pressures, analysts believe that inflation will probably recede in the medium term, mainly due to the drop in the price of oil, the general slowdown of the economy and the lagged influence of interest rate rises. Unemployment rose to 4,4% in October, compared with 4,9% in the same month of the preceding year.

In the **euro area** GDP during the third quarter grew by 2,6%, compared with 2,4% in the previous quarter. The economy is expected to show signs of a slowdown in 2007 mainly due to the restrictive fiscal policy and the rise in the VAT rate in Germany. Inflation in October reached 1,6%, compared with 1,7% in September and 2,5% in October 2005. Markets expect that the Governing Council of the ECB will raise official interest rates by 25 basis points at its next meeting on 7 December 2006. Unemployment was at 7,8% in September, compared with 8,5% in the same month of 2005.

In the **UK**, GDP for the third quarter grew by 2,8%, compared with 2,6% in the previous quarter. Retail sales data point towards limited consumption expenditures during the third quarter. Unemployment was 5,6%, during the

period July – September, compared with 4,7% in the same period of 2005. Inflation in October rose to 2,4%, compared with 2,3% in the same month of the previous year.

In **Japan** economic activity continued at a satisfactory pace. The annual rate of GDP growth was 2,7% in the third quarter, compared with 2,5% in the previous quarter. Improved retail sales, corporate profits and investment expenditures fed analysts' expectations regarding the economic potential of the country. Inflation in September reached 0,6%, compared with -0,3% in the same month of the preceding year, while unemployment remained virtually unchanged at 4,2% compared with 4,3% in September 2005.

Turning to the selected **stock market indices** presented in Chart 1, all three indices registered a rise in October. More specifically, the DJ Eurostoxx 50 index rose by 3,3%, the S&P 500 index rose by 3,5% and the Nikkei 225 ended the month 0,9% higher than the level at the beginning of October. During the period August - October, the indices in question rose by 7,5%, 8,4% and 6,2%, respectively. Equities in the US were positively affected by profit announcements and the fall in oil prices. In Europe, share values gained from the steady growth rates observed in the third quarter and strong M&A activity.

The average daily price of **Brent crude** decreased to \$57,4 per barrel in October, from \$61,6 per barrel in September. Until 20

November the average daily price was \$56,5 per barrel. The easing of geopolitical pressures, the diminishing probability of hurricane activity in the Gulf of Mexico and improved conditions in supply and demand in the oil market pushed

downwards the price of oil. Despite these developments, markets anticipate an increase in oil prices in the medium term due to geopolitical imbalances and trade protectionist measures.

Table 1

GDP projections⁽¹⁾

(annual percentage change)

	The Economist Poll GDP forecasts ⁽²⁾			Lehman Brothers Weekly Outlook - GDP ⁽³⁾			International Monetary Fund World Economic Outlook ⁽⁴⁾			European Commission Economic Forecasts ⁽⁵⁾		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
World				2,5	3,0 (2,9)	2,2 (2,3)	4,9 (4,8)	5,1 (4,9)	4,9 (4,7)	4,9 (4,6)	5,1 (4,6)	4,6 (4,3)
Euro area	1,4	2,6 (2,5)	1,9 (1,8)	1,5	2,7 (2,6)	1,5 (1,4)	1,3	2,4 (2,0)	2,0 (1,9)	1,4 (1,3)	2,6 (2,1)	2,1 (1,8)
USA	3,6	3,3 (3,4)	2,3 (2,4)	3,2	3,3 (3,4)	2,5 (2,7)	3,2 (3,5)	3,4	2,9 (3,3)	3,2 (3,5)	3,4 (3,2)	2,3 (2,7)
Japan	2,6	2,7 (2,8)	2,1	2,7 (2,6)	2,8 (2,6)	2,4 (2,7)	2,6 (2,7)	2,7 (2,8)	2,1	2,6 (2,7)	2,7 (2,8)	2,3 (2,4)
UK	1,7	2,6	2,4	1,9	2,6 (2,5)	2,3 (2,2)	1,9 (1,8)	2,7 (2,5)	2,7	1,9 (1,8)	2,7 (2,4)	2,6 (2,8)

(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, 16 November 2006.

(3) Lehman Brothers Global Weekly Economic Monitor, 17 November 2006.

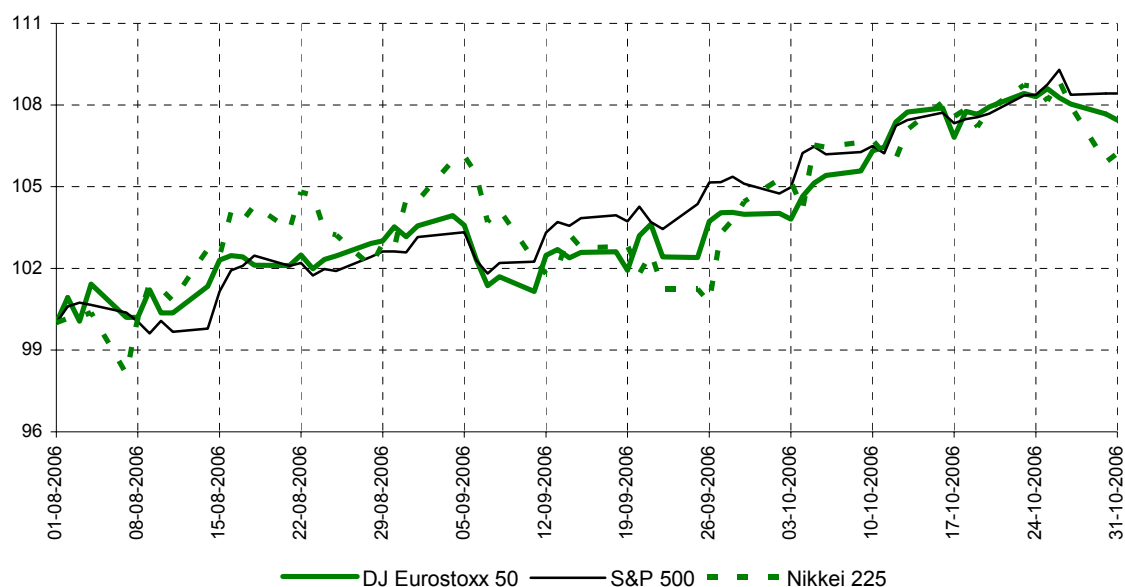
(4) International Monetary Fund, World Economic Outlook, September 2006.

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

Chart 1

Selected international stock market indices

(1 August 2006 = 100, daily data)



Source: Bloomberg.

Table 2**Main economic indicators***(percentage change year-on-year)*

	GDP				Industrial production September (annual)	Retail sales September (annual)	Unemployment September (annual)	Inflation ⁽²⁾ September (annual)
	2006 (Q2)		2006 (Q3)					
	(quarterly) ⁽¹⁾	(annual)	(quarterly) ⁽¹⁾	(annual)				
UK	2,8	2,6	2,8	2,8	0,4	3,2	5,6 ⁽³⁾	2,4 ⁽⁴⁾
Japan	1,0	2,5	2,0	2,7	5,2	0,3 ⁽⁵⁾	4,2	0,6
USA	2,6	3,5	1,6	2,9	5,6	6,1	4,4 ⁽⁴⁾	2,1
Euro area	3,6	2,4	2,0	2,6	3,3	1,4	7,8	1,6 ⁽⁴⁾

Source: *The Economist*, 16 November 2006.

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

(2) Based on the consumer price index.

(3) July - September 2006.

(4) October 2006.

(5) August 2006.

International currencies

During the period 16 October – 16 November 2006, the dollar weakened reaching 128 cents per euro on 16 November 2006 compared with 125 cents per euro on 16 October. Based on recent economic data, the majority of market analysts suggest that the US economy is heading towards a soft landing. At the same time the US Federal Reserve, through its October monetary policy decision, affirmed that its main concern is inflation and not the economic slowdown.

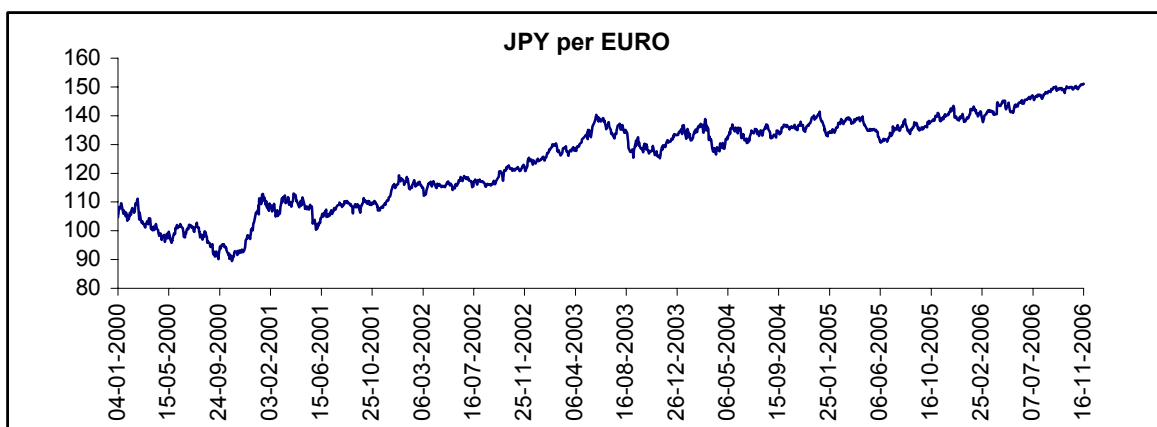
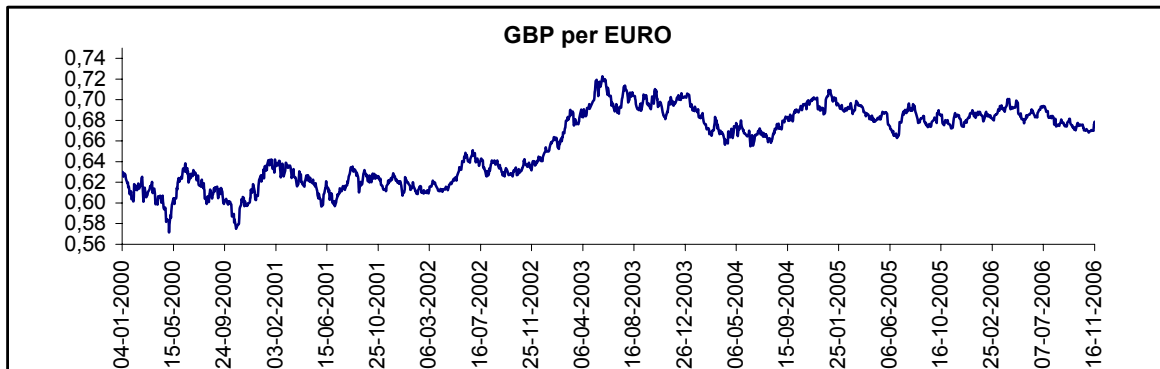
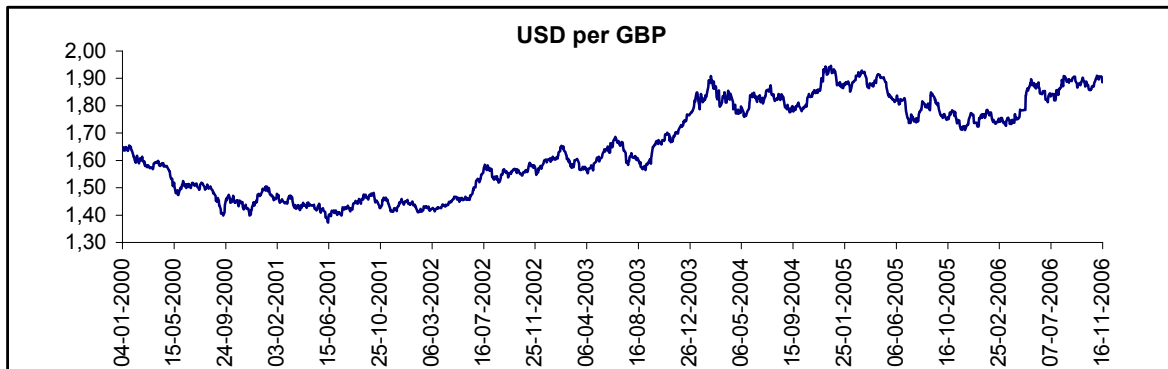
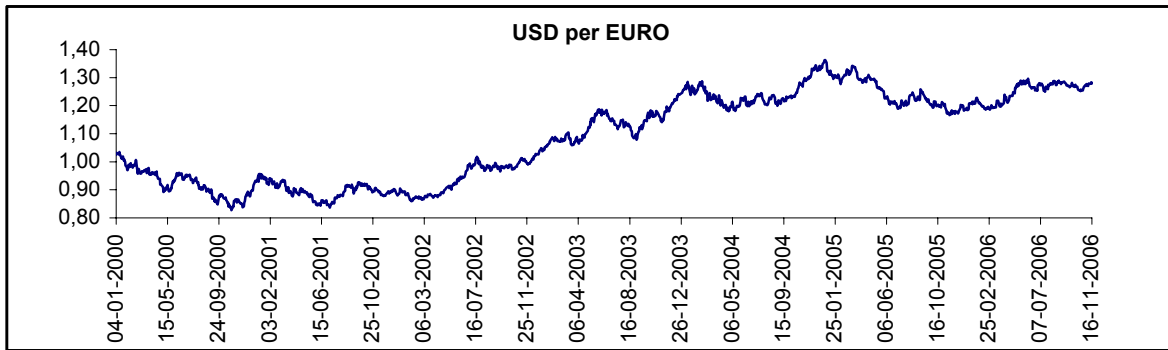
The euro was influenced by the announcement of the ECB's President, Jean-Claude Trichet, during the G20 meeting on 18-19 November, that the ECB is still cautious about any possible inflationary pressures in the eurozone. This announcement has strengthened market expectations for a further increase in European interest rates in December.

During the period under consideration, sterling did not report significant fluctuations relative to the euro. On 16 November, sterling was stable at 68 pence to the euro. At the same time, sterling was supported by the interest rate increase on 10 November.

The Japanese yen recorded weakening during the period under consideration reaching ¥151,11 per euro on 16 November, compared with ¥149,95 per euro on 16 October. The Bank of Japan maintained its official interest rates unchanged on 31 October 2006. It is worth noting that since the beginning of the year the yen has weakened.

The fluctuations of the aforementioned currencies during the last six years are shown in Chart 2.

Chart 2
Major international currencies
 (middle rate)



Cyprus pound

During the period 1 January – 16 November 2006, the Cyprus pound recorded a continuous marginal weakening relative to the euro. More specifically, during the period 16 October – 16 November the Cyprus pound reached €0,5777 per euro. Reflecting the fluctuations of foreign currencies during the period under consideration, the Cyprus pound registered marginal weakening relative to the dollar reaching \$2,2112 on 16 November compared with \$2,1728 on 16 October 2006.

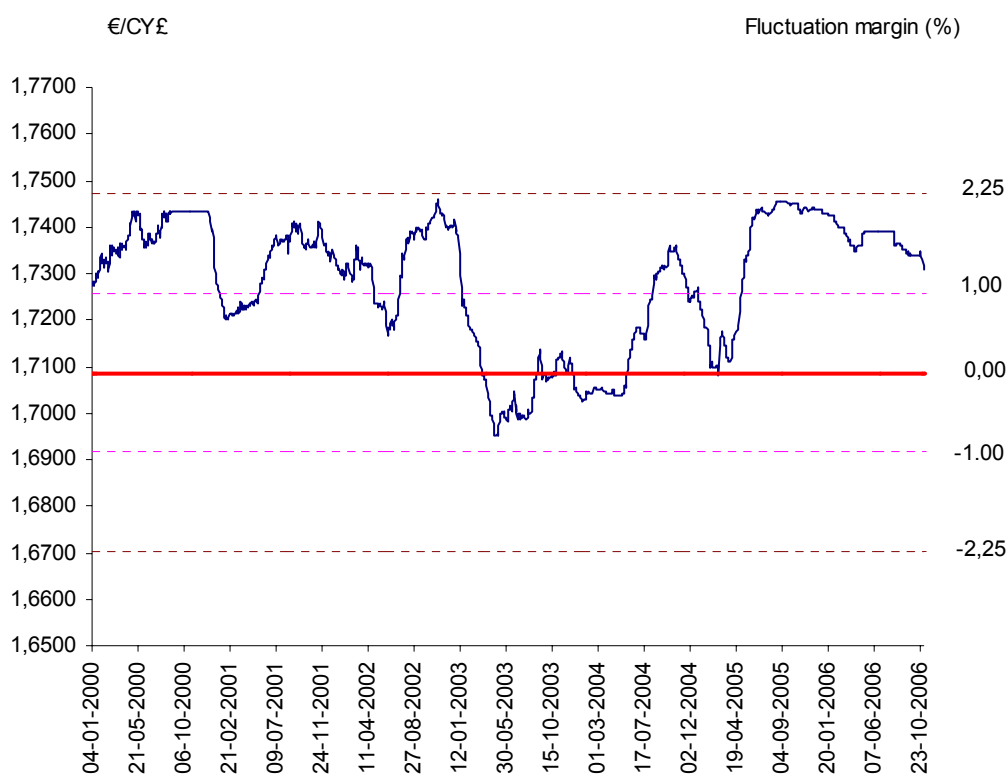
During the same period the Cyprus pound appreciated marginally against sterling, reaching ST£1,1730 on 16 November, compared with ST£1,1666 on 16 October.

The fluctuations of the Cyprus pound against the euro, dollar, sterling and yen during the past six years are shown in Charts 3 & 4.

Chart 3

Exchange rate of the euro against the Cyprus pound

(middle rate fixing)

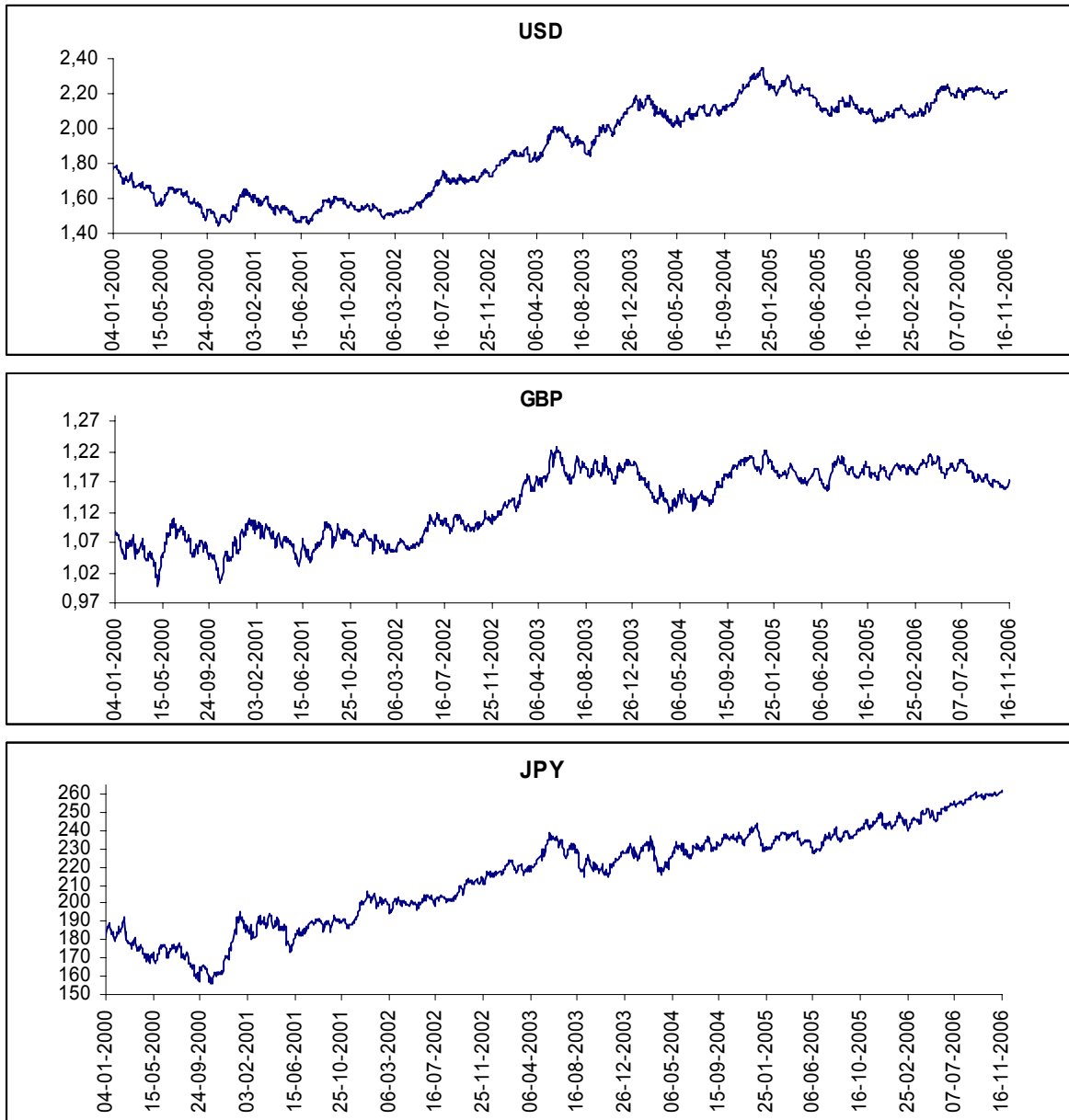


Source: Central Bank of Cyprus.

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

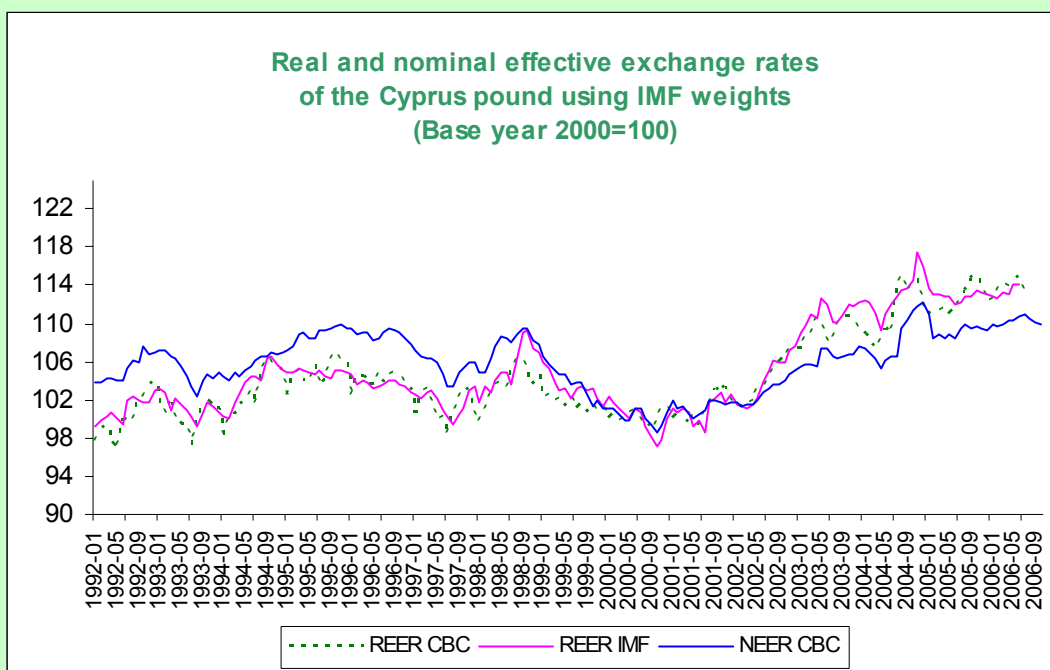
Effective exchange rate indices of the Cyprus pound

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 114,18 units in June 2006. Due to the time lag in reporting, the Central Bank of Cyprus calculates its own index based on the IMF index, using 8 instead of 19 countries. The Central Bank of Cyprus 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 August 2006 in real terms and October 2006 in nominal terms. The REER CBC index averaged 114,4 units in August 2006 whereas the index in nominal terms reached 109,9 units in October 2006.

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).



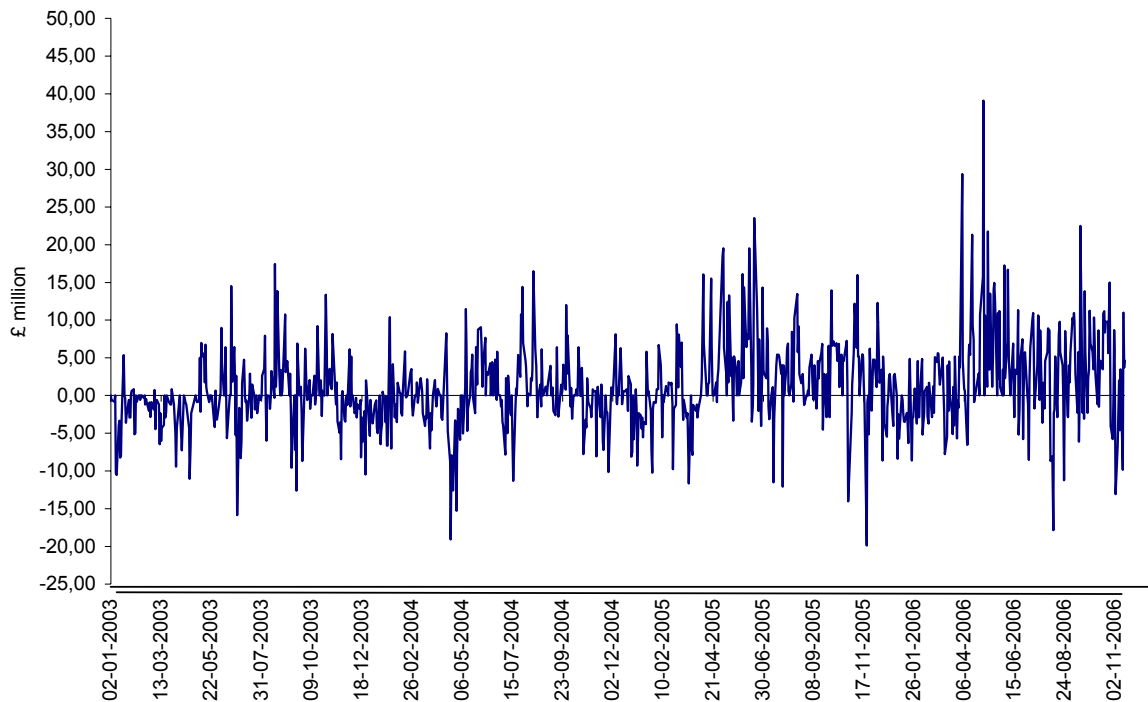
Sources: Central Bank of Cyprus and International Monetary Fund

Table 3 illustrates the Central Bank's total foreign currency transactions until 16 November 2006 on the basis of their transactions date. The corresponding daily total transactions in foreign currency by the Central Bank from 2001 until 2 November 2006 are illustrated in Chart 5. During the period 1 October – 16 November 2006, net inflows of £125,01 million were

recorded compared with net inflows of £151,79 million in the corresponding period of 2005. For the period 1 January – 16 November 2006 net inflows of £629,48 million were recorded, compared with a net inflow of £542,38 million in the corresponding period of 2005.

Chart 5

Daily purchases / sale 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 Cyprus per 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	USD	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	1,7335	2,1574	1,1858	899,55	29,30	37,3	560,68
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
2005							
January	1,7189	2,2561	1,2009	-100,60	0,00	10,90	-49,46
February	1,7149	2,2324	1,1828	-18,00	0,00	12,30	-0,11
March	1,7145	2,2602	1,1868	-42,50	10,05	6,90	-14,53
April	1,7159	2,2208	1,1722	91,35	20,75	4,40	66,32
May	1,7312	2,1958	1,1852	175,45	0,05	0,00	101,53
June	1,7419	2,1189	1,1653	251,35	1,50	0,00	145,01
July	1,7432	2,0992	1,1992	49,00	0,00	0,00	28,10
August	1,7453	2,1395	1,1831	134,05	-3,40	0,00	75,27
September	1,7445	2,1447	1,1960	67,40	-0,15	-0,10	38,46
October	1,7447	2,0961	1,1892	140,30	0,80	0,00	80,78
November	1,7437	2,0558	1,1845	95,15	-0,15	0,90	55,24
December	1,7438	2,0691	1,1845	56,60	-0,15	2,00	34,07
2006							
January	1,7429	2,1102	1,1960	-79,95	-0,30	0,00	-46,01
February	1,7411	2,0798	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	0,00	0,00	121,33
November*	1,7314	2,2142	1,1637	6,50	-0,15	0,00	3,68

*Figure until 16 November, 2006.

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 international banking units (IBUs). 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, IBUs are free to provide credit to Cypriots¹.

Analysis of monetary aggregates

In October M2 growth remained at the same high levels as September. Credit to the private sector rose by 15,5%. At the same time foreign exchange inflows persisted, mainly as a result of the increase in loans in foreign currency. Consequently, surplus bank liquidity prevailed in the money market.

According to provisional data, the annual growth rate of total money supply M2C², which includes deposits with banks and CCIs, reached 13,9% in October, compared with 13,6% in September 2006 and 9% in October 2005. The annual growth of credit to the private

sector given out by banks and CCIs accelerated to 14,4% in October 2006, compared with 6,4% in the same month of 2005.

Based on domestic bank data, the annual rate of growth of M2 remained unchanged at 14,9% in October compared with September but significantly higher than the 9,3% registered in October 2005. The three-month moving average of M2 accelerated to 14,4% during the period August to October, compared to 13,9% in the period July – September 2006.

Table 4 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 25% in October, compared with 26,8% in September 2006 and 20,3% in October of the previous year. The rise in M1 was a result of the rise in demand deposits in local currency. Quasi - money rose by 12,8% in October, slightly lower than the 12,5% observed in September 2006 while higher than the 7,2% of October 2005. The marked difference between this year's and last year's growth rates is due to the substantial increase in time deposits in local currency in 2006. At the end of October, quasi-money accounted for 81% of M2 while M1 accounted for 19%.

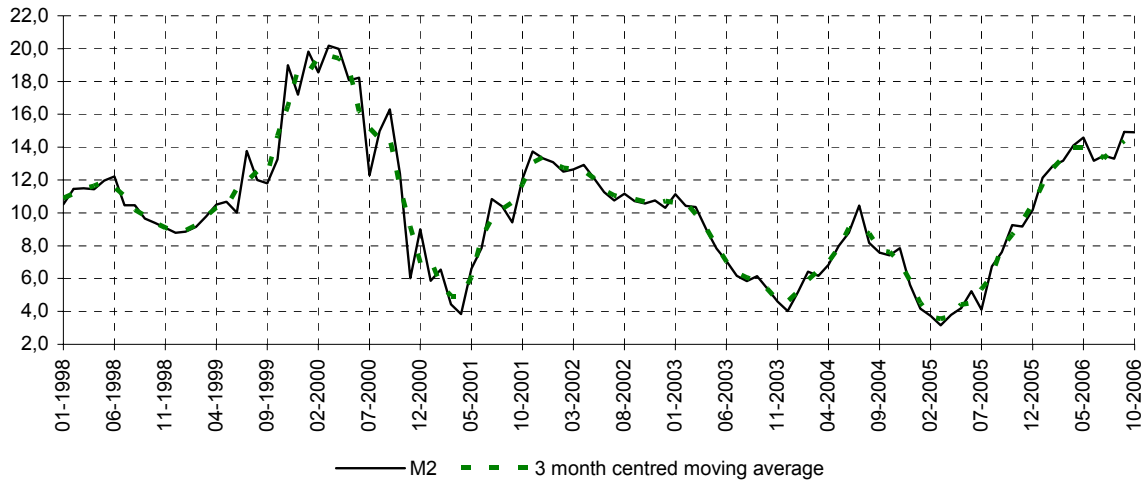
1. It should be noted that since 1 January 2006 the term "International Banking Units" (IBUs) has ceased to be used. Upon introduction of the new monthly balance sheet for monetary and financial institutions (MFIs) the data from IBUs will be consolidated with the local MFIs.

2. 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)

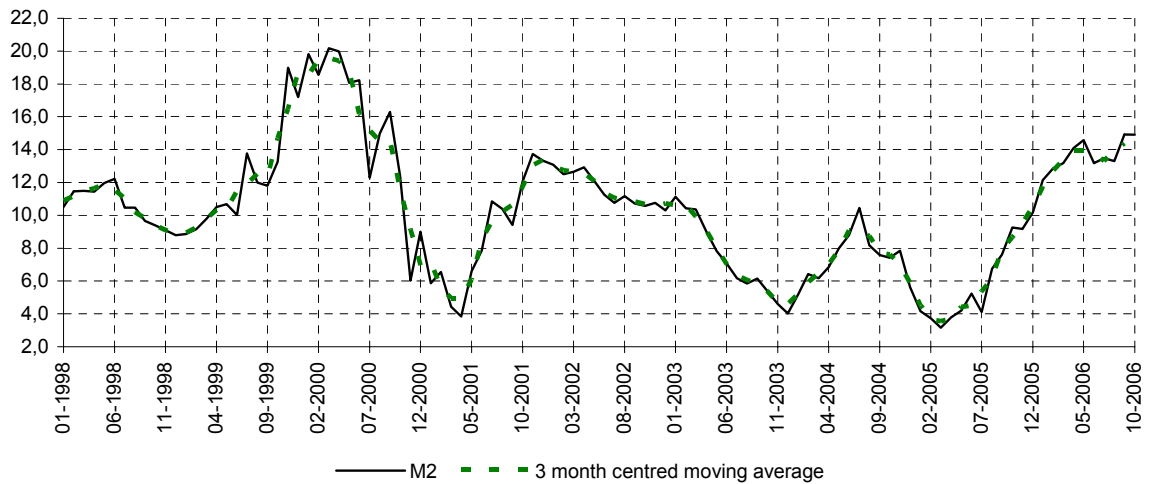


Source: Central Bank of Cyprus.

Chart 7

Growth of claims on private sector

(annual percentage change, monthly data)



Source: Central Bank of Cyprus.

The annual rate of growth of residents' deposits in local currency rose by 13,8% in October 2006, compared with just 4,9% in the same month of 2005 which had partly been a result of payment of taxes under the amnesty scheme.

At the same time, the annual rate of growth of resident deposits in foreign currency was 27% in October 2006, markedly lower than the 60,6% registered in the same month of the preceding year.

The acceleration in M2 growth was mainly due to the increase in credit to the private sector. Credit to the private sector rose at an annual rate of 15,5% in October, compared with 15,2% in September. In the same months of 2005 the registered growth rates were 5% and 5,2%, respectively. The three-month moving average of credit growth was 15% during the period August – October, compared with 14,4% in the period July – September. In addition, credit to

the public sector rose by 20,4% in October as a result of the government's preference for domestic borrowing rather than foreign borrowing. In the same month of the previous year, credit to the public sector had risen by 1,6%.

The breakdown of bank credit by sector of economic activity (Table 5) shows that in the year to October personal/professional loans rose by 24,5%, compared with 23,5% in September and 10,3% in October 2005. Credit to the construction sector rose at an annual rate of 23,3% in October, compared with 23,5% in September 2006 and 9,3% in October 2005.

During the same period, credit to public corporations and institutions including the government, grew by 10%, compared with 11,2% in the 12 months to September and 7,2% in the 12 months to October 2005.

Table 4
Main monetary indicators

	Outstanding amount as a percentage of M2 ⁽¹⁾	Annual percentage change			
		2005 Sep.	2005 Oct.	2006 Sep.	2006 Oct.
Money supply (M1)	19,0	16,0	20,3	26,8	25,0
Currency in circulation	5,1	9,2	8,9	6,8	8,0
Demand deposits	13,9	19,5	26,1	36,5	32,6
Quasi-money	81,0	6,0	7,2	12,5	12,8
Total money supply (M2)	100,0	7,6	9,3	14,9	14,9
Claims on private sector		5,0	5,2	15,2	15,5
of which in foreign currency		22,0	25,2	64,2	64,0
Claims on public sector		2,3	1,6	22,7	20,4

Source: Central Bank of Cyprus.

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

The largest share of total outstanding amounts at the end of August was maintained by personal/professional loans with 50,4%, followed by credit to the construction sector with 18,4% and foreign and domestic trade with 13,3%.

Foreign currency lending to residents by domestic banks rose by £708 million, in the twelve months to October 2006, compared with a rise of £222,6 million in the same period to October 2005. The share of new foreign currency loans to total new loans given out in the 12 months to October 2006 was 50,4%, compared with 50,2% in the same period of 2005. The share of new foreign currency loans to total loans outstanding at the end of October

2006, was 17,4%, compared with 12,2% at the end of October 2005 (Table 6). At the end of October 2006, 56,6% of foreign currency loans was accounted for by euros, 34,7% by Swiss to total loans outstanding at the end of October 2006. At the end of francs, 6% by dollars and 1,8% by yen, compared with 66,2%, 21,3%, 8,8% and 2,5%, respectively, at the end of October 2005. It is noted that 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.

Table 5
Bank credit by sector ⁽¹⁾

	Outstanding amount as a percentage of total ⁽²⁾	Annual percentage change			
		2005 Sep.	2005 Oct.	2006 Sep.	2006 Oct.
Public institutions and corporations ⁽³⁾	2,97	7,7	7,2	11,2	10,0
Agriculture	0,93	-2,1	-9,3	-9,9	-1,1
Mining	0,25	7,3	5,5	0,2	-1,2
Manufacturing	4,75	1,2	-1,8	3,0	1,9
Transport and communications	1,00	-21,6	-17,6	16,5	22,8
Foreign and domestic trade	13,32	-2,2	-1,1	-1,0	-3,1
Building and construction	18,40	9,2	9,3	23,5	23,3
Tourism	7,94	-2,1	-2,4	6,0	7,2
Personal and professional loans	50,41	11,8	10,3	23,5	24,5
Bills discounted: local	0,03	-15,3	-17,4	7,0	22,5
foreign	0,02	-20,1	-30,2	22,0	19,3
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.

Table 6
Claims on private sector ⁽¹⁾

	2003	2004	2005	2005 Oct.	2006 Sep.	2006 Oct.
<i>(outstanding amounts at end of period, CYP million)</i>						
Foreign currency loans to residents	799,0	909,9	1.205,8	1.105,4	1.753,2	1.813,4
Claims on private sector	8.302,0	8.843,7	9.390,8	9.046,0	10.404,9	10.451,8
Share %	9,6	10,3	12,8	12,2	16,9	17,4
<i>(12 month change, CYP million)</i>						
Foreign currency loans to residents	13,8	111,0	295,8	222,6	685,3	708,0
Claims on private sector	397,9	541,7	547,1	443,2	1.372,8	1.405,8
Share %	3,5	20,5	54,1	50,2	49,9	50,4

Source: Central Bank of Cyprus.

(1) From domestic banks.

According to provisional data covering medium and long-term lending in foreign currency, during the period January – September 2006, 44,5% of new loans was used for refinancing³, 22,5% for the purchase of fixed assets and 11,9% was used in the local construction sector. The respective figures for the same period of 2005 were 44,8%, 21,3% and 7,7%.

Domestic expenditure by holders of Cypriot credit cards rose at an annual rate of 12,6% in October 2006, compared with 20,2% in the same month of 2005. During the first ten months of 2006 this type of expenditure rose by 16,6%, compared with 11,1% in the same period of the previous year.

Expenditure by Cypriot cardholders abroad rose at an annual rate of 40,7% in October, compared with 38,1% in the same month of the previous year. During the period January – October 2006 this type of expenditure rose by 36,5% compared with 22,1% in the same period of the preceding year. Finally, foreign card holders' expenditure in Cyprus rose by 2,9% in October 2006, compared with 8,2% in the same month of 2005. During the first ten months of the current year this type of expenditure rose by 5,1%, compared with a rise of 5,7% in the same period of the previous year (Table 7).

3. 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

	2004	2005	October		Jan.-Oct.	
			2005	2006	2005	2006
Foreign cardholder spending in Cyprus						
Value (CYP thousand)	232.671	244.609	30.192	31.064	216.940	227.982
Annual % change	8,6	5,1	8,2	2,9	5,7	5,1
Local cardholder spending in Cyprus						
Value (CYP thousand)	591.912	659.486	54.717	61.633	522.044	608.865
Annual % change	12,3	11,4	20,2	12,6	11,1	16,6
Local cardholder spending abroad						
Value (CYP thousand)	195.009	244.131	24.117	33.923	196.474	268.186
Annual % change	9,3	25,2	38,1	40,7	22,1	36,5

Source: JCC Payment Systems.

Co-operative Credit Institutions (CCIs)⁴

During October local currency deposits with CCIs amounted to 38,2% of total deposits (in CCIs and banking institutions), compared with 37,4% in the same month of 2005. In October 2006 the share of CCI loans in local currency was estimated at around 30%, compared with 29,6% in the same month of 2005. Deposits with CCIs are estimated to have increased by 15% in the 12 months to October 2006, compared with 6,5% in the same period to October 2005. Loans in Cyprus pounds are estimated to have increased by 10,8% in October 2006, compared with 9,5% in the same month of 2005. It is noted that the largest part of CCI loans consist of housing loans.

Money market

During October and November there was an increase in surplus bank liquidity⁵. The increase in the average daily value of net foreign assets

was the main factor that affected surplus liquidity positively. In particular, during October the decrease in government deposits and the increase in net foreign assets added to excess liquidity (Table 8).

At the latest auction for the acceptance of deposits held in November, £580 million was absorbed at an average interest rate of 3,89%. Total bids amounted to £842 million.

4. 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.

5. The box on page 22 presents the liquidity conditions for the period 28 September – 8 November 2006. 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 & depots	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
2004 Oct.	1.393,1	0,0	0,0	0,0	0,0	24,3	79,4	121,1	529,0	-192,1	185,5	645,8	1.278,6
Nov.	1.376,0	0,0	0,0	0,0	0,0	15,8	79,3	82,2	516,3	-144,9	184,1	643,2	1.254,6
Dec.	1.441,6	0,0	0,0	10,0	0,0	12,9	79,3	0,0	543,5	-29,0	201,9	642,9	1.278,6
2005 Jan.	1.419,9	0,0	0,0	0,6	0,0	50,7	79,6	114,2	537,8	-142,3	139,9	640,8	1.308,8
Feb.	1.425,9	0,0	0,0	0,6	0,3	11,4	79,4	55,0	520,7	-36,0	149,0	647,3	1.258,8
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

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 on the government were converted into a loan with a maturity of 30 years, the repayment of which will commence in 2007.

As shown in Table 9, during October auctions were held in five and ten year government bonds. The respective average yields were 4,11% and 4,26%.

The interbank overnight interest rate rose to 3,67% in October, compared with 3,46% in September.

Table 9
Interest rates

(percent per annum, period averages)

	2003	2004	2005	2005 Oct.	2006 Aug.	2006 Sep.	2006 Oct.
Interbank (1 day)	3,35	3,92	3,27	2,85	2,86	3,46	3,67
Acceptance of deposits	3,45	3,89	3,28	2,90	3,05	3,50	3,89
Treasury bills (13 weeks)	3,51	4,21	4,26	-	-	-	-
Treasury bills (52 weeks)	3,70	4,77	4,29	-	-	-	-
Development stocks (2 years)	3,83	5,14	4,74	-	-	-	-
Development stocks (5 years)	4,49	5,92	5,68	-	-	-	4,11
Development stocks (10 years)	4,70	6,07	5,17	-	-	-	4,26
Development stocks (15 years)	4,81	6,31	5,61	-	-	-	-

Source: Central Bank of Cyprus.

BOX 2**Liquidity conditions and monetary policy operations**

This box reviews the Central Bank of Cyprus (CBC) liquidity management from 28 September to 8 November 2006. 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 an increase in the liquidity position of the banking system.

Monetary policy operations and interest rates

The CBC conducted three 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	28/09/2006	12/10/2006	803,0	500,0	1,61	3,89	14
LAO	12/10/2006	26/10/2006	829,0	550,0	1,51	3,89	14
LAO	26/10/2006	09/11/2006	930,5	580,0	1,60	3,87	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 £500 million and £580 million, whereas the weighted average allotment rate remained within the range of 3,87% and 3,89%. The ratio of the amount bid to the volume allotted, ranged between 1,51 and 1,61 with an average of 1,57, while the number of participating counterparties varied between 9 and 10.

Standing facilities

(period averages of daily recourse in CYP million)

Period	Deposit facility	Marginal lending facility
28/09 - 11/10/2006	266,4	1,1
12/10 - 25/10/2006	202,9	0,0
26/10 - 08/11/2006	299,3	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 £202,9 million and £299,3 million. This is in contrast to the very limited recourse to the marginal lending facility for which the respective period averages ranged between zero and £1,1 million.

Figure 1. Monetary policy operations

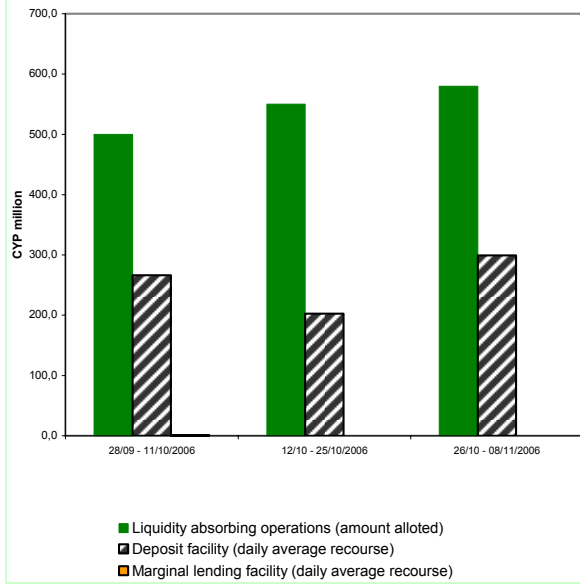
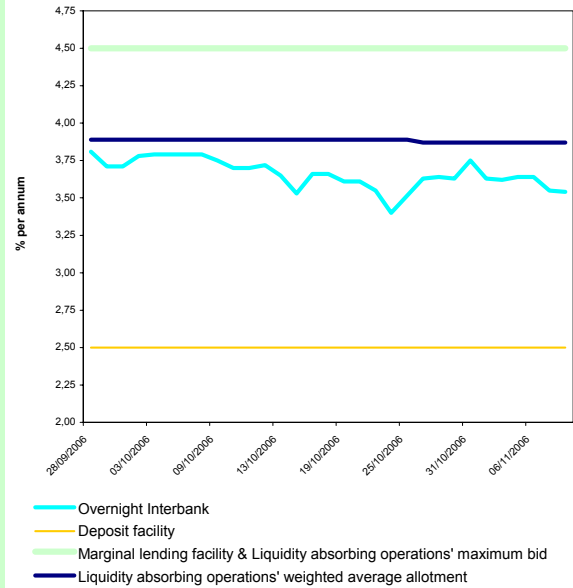


Figure 2. Interest rates



Overnight interbank interest rate

(percent per annum)

Period	Minimum rate	Maximum rate	Average rate
28/09 - 11/10/2006	3,70	3,81	3,76
12/10 - 25/10/2006	3,40	3,72	3,60
26/10 - 08/11/2006	3,54	3,75	3,63

Source: Central Bank of Cyprus.

During the period under review the overnight interbank interest rate ranged between 3,40% and 3,81%. The average rate stood at around 3,66%.

Table 10 provides a comparison between domestic and European long-term interest rates. The most recent data refer to the latest 12 month average until October 2006 and show that domestic long-

term real interest rates exceeded the corresponding euro area rates by 34 basis points, compared with 38 basis points in the 12 months to September 2006.

Table 10**Inflation and interest rates in Europe and Cyprus - October 2006***(latest 12-month average)*

	Inflation (HICP) (%)	Long-term interest rates (%)	Long-term real interest rates (%)
Austria	1,70	3,74	2,04
Belgium	2,40	3,76	1,36
Czech Republic	2,20	3,77	1,57
Denmark	1,90	3,75	1,85
Estonia ⁽²⁾	4,30	4,09	-0,21
Finland	1,20	3,71	2,51
France	1,90	3,74	1,84
Germany	1,90	3,71	1,81
Greece ⁽¹⁾	3,50	3,83	0,33
Hungary	3,50	7,11	3,61
Ireland	2,60	3,69	1,09
Italy	2,30	3,98	1,68
Latvia	6,70	3,91	-2,79
Lithuania	3,50	3,99	0,49
Luxembourg	3,20	3,81	0,61
Malta	3,10	4,33	1,23
Netherlands	1,70	3,72	2,02
Poland	1,20	5,25	4,05
Portugal	3,10	3,85	0,75
Slovakia	4,30	4,32	0,02
Slovenia	2,50	3,81	1,31
Spain	3,70	3,73	0,03
Sweden	1,50	3,66	2,16
United Kingdom	2,20	4,35	2,15
Eurozone	2,30	3,78	1,48
EU -25 ⁽³⁾	2,30	3,88	1,58
Cyprus	2,30	4,12	1,82

Sources: Eurostat and European Central Bank.

(1) Data for July 2006.

(2) Data for September 2006.

(3) Data for August 2006.

International and domestic official interest rates

At their recent meetings, the ECB and the US Federal Reserve left their interest rates unchanged. In contrast, the Bank of England

raised its official interest rates by 25 basis points. The Central Bank of Cyprus also left its interest rates unaltered at its meeting on 20 October 2006 (Table 11).

Table 11

Selected official interest rates

(percent per annum, changes in percentage points)

		change
European Central Bank		
<i>(2 November 2006)</i>		
Minimum bid rate on the main refinancing operations	3,25	-
Interest rate on the marginal lending facility	4,25	-
Interest rate on the deposit facility	2,25	-
Bank of England		
<i>(9 November 2006)</i>		
Rate paid on commercial bank reserves	5,00	0,25
Federal Reserve		
<i>(25 October 2006)</i>		
Federal funds rate	5,25	-
Discount rate	6,25	-
Central Bank of Cyprus		
<i>(20 October 2006)</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	4,50	-
Interest rate on the deposit facility	2,50	-

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

Cyprus Stock Exchange (CSE)

The common platform between the Athens Stock Exchange and the CSE has started functioning since 30 October 2006. Listed securities, excluding government and corporate bonds as well as government treasury bills, are traded in euro. The main and parallel market index continued its upward trend in October, with the banking sector capturing most of the investors' interest. The index fluctuated between 2.941 and 3.476,8 reaching a monthly average of 3.224,7. During the first ten months of the year the average value of the index was 2,579,6. The average daily value of transactions rose to £10,9 million compared with £4,6 million in September.

The average daily volume of transactions rose to 3.751 in October, compared with 2.566 in the previous month. The companies with the largest volume of transactions were Laiki Bank and Bank of Cyprus, accounting for 36,5% and 21,8% of the total volume, respectively.

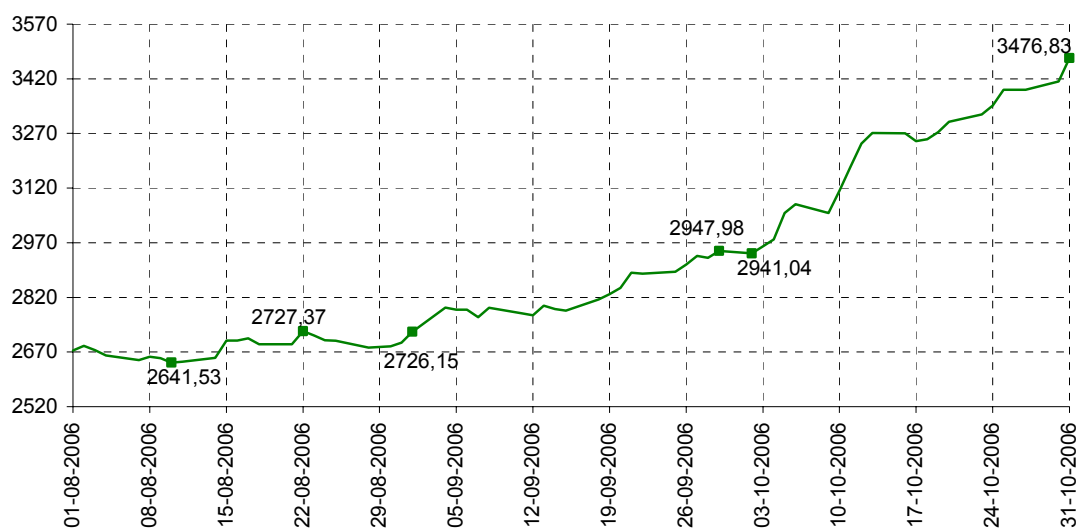
At the last meeting of the month, the sectoral index of banks and hotels rose compared with the previous month's closing.

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

Chart 8

Cyprus Stock Exchange - main and parallel market index

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



Source: Cyprus Stock Exchange.

2.3 INFLATION⁽⁶⁾

In October 2006 the consumer price index exhibited a significant deceleration registering an increase of 1,4% compared with 2,4% in the previous month. As table 12 shows, the decrease in the rate of inflation in October (compared with September) reflects the deceleration in the prices of petroleum products, electricity and services.

For the first ten months of the year, inflation reached 2,7%. More specifically, domestic product prices rose by 4,6%, petroleum product prices by 9,7% and services prices by 2,5%, while imported product prices fell by 0,82%.

In the category of domestic products a deceleration was observed in the price of electricity which rose by 4,6% in October 2006 compared with a 6,3% rise in September 2006. At the same time, an acceleration was observed in the prices of domestic industrial products and agricultural products which rose by 2,7% and 7,2% respectively, compared with 2,6% and 6,4% in the previous month.

The prices of petroleum products declined by 6,4% compared with a decrease of 0,8% in September. This was due to the recent significant decrease in the international oil prices.

The prices of imported products (excluding petroleum) decreased by 1,2% in October compared with a rise of 0,2% in September 2006. More specifically, the prices of motor vehicles decreased by 1,3% compared with an increase of 0,09% in September. At the same time, a decrease of 1,2% was registered in the prices of other imported products.

Finally, the prices of services rose by 2,7% in October compared with 3,2% in September 2006.

The deceleration in the prices of rents, transport, services, medical care and restaurants contributed significantly to the above development

The Harmonised Index of Consumer Prices (HICP) recorded an increase of 1,7% in October compared with 2,2% in September. The HICP 12 month moving average until October 2006 was 2,3%, which is lower than the 2,8% reference value of the Maastricht criterion for the specific month.

Table 13

Inflation: Cyprus and other countries

(annual percentage change in consumer prices)

	Inflation rate	Month	Forecast for 2006 ⁽¹⁾
Austria	1,4	Sept	1,7
Belgium	1,2	Oct	2,2
Canada	0,7	Sept	2,2
Cyprus	1,4	Oct	2,6
Euro area	1,6	Oct	2,2
France	1,1	Oct	1,8
Germany	1,1	Oct	1,7
Italy	1,8	Oct	2,2
Japan	0,6	Sept	0,3
Netherlands	0,9	Oct	1,6
Spain	2,5	Oct	3,5
Sweden	1,3	Oct	1,4
Switzerland	0,3	Oct	1,2
UK	2,4	Oct	2,3
USA	2,1	Sept	3,4

(1) Source: *The Economist*, 17 November 2006

(2) Source: *Central Bank of Cyprus*.

For purposes of comparison, Table 13 shows the latest available monthly data on inflation in Cyprus, the euro area and other industrial countries as well as forecasts for 2006. Inflation in 2006 is expected to register a marginal increase compared with 2005, while in 2007 it is expected to decelerate due to the stabilisation in the price of oil.

6. Figures for inflation have been rounded to one decimal place.

Table 12**Percentage change in CPI by economic category**

January – October 2006/2005

Weights 2005=100

	2003	2004	2005	October 2005/ 2004	September 2006/ 2005	October 2006/ 2005	Weights	
							1998=100	2005=100
GENERAL INDEX	4,14	2,28	2,56	3,07	2,38	1,43	100,00	100,00
A Domestic products	6,21	2,95	1,79	2,76	3,88	3,94	36,69	28,60
A.1 Agricultural	4,54	3,32	1,34	6,91	6,43	7,20	7,93	6,92
A.2 Industrial	6,46	3,36	1,14	-0,01	2,59	2,65	22,91	19,24
A.3 Electricity	10,20	-3,13	11,51	19,01	6,33	4,60	1,52	2,44
B Petroleum products	14,16	17,18	14,82	17,49	-0,84	-6,37	4,33	6,44
C Imported products	-2,38	-5,55	-2,47	-1,96	0,23	-1,24	22,20	25,31
C1 Motor vehicles	-8,31	-13,50	-2,42	-1,92	0,09	-1,28	9,43	6,15
C2 Other imported	1,81	-0,39	-2,49	-1,97	0,28	-1,23	12,77	19,16
D Services	4,38	3,23	3,34	2,97	3,20	2,69	41,11	39,65
HICP	4,0	1,9	2,1	2,2	2,2	1,7		

Source: Cystat

2.4 PRODUCTION, DEMAND AND THE LABOUR MARKET

The growth rate of real GDP reached 3,6% in the first six months of 2006, compared with 3,7% in the same period of 2005. More specifically, private consumption registered an increase of 3,6% compared with an increase of 6,1% in the first six months of 2005. Public consumption rose by 11,3% in the first six months of 2006 compared with 0,4% in the corresponding period of 2005, mainly due to some ad-hoc payments which do not reflect the public expenditure trend for the rest of the year. These payments include election expenses, as well as purchases of medical equipment, pharmaceuticals and infrastructure maintenance. Registered unemployment as a percentage of the economically active population rose by 3,4% in the first ten months of 2006, compared with 3,7% in the same period of 2005.

Production

In the services sector, tourist arrivals registered a decrease of 2,4% in the first ten months of 2006 compared with an increase of 6,2% in the respective period of 2005. Receipts from tourism rose by 3,2% in the first nine months of the year compared with 2,2% in the same period of 2005. In the secondary sectors, the volume index of manufacturing production index fell by 2% in the first eight months of 2006, compared with a decrease of 1,7% in the corresponding period of 2005.

In the construction sector, the volume index of building permits rose by 5,2% in the first eight months of 2006, compared with 16,7% in the same period of 2005. At the same time, cement sales rose by 2% in the first ten months of 2006, compared with an increase of 3,3% in the corresponding period of 2005.

Table 14

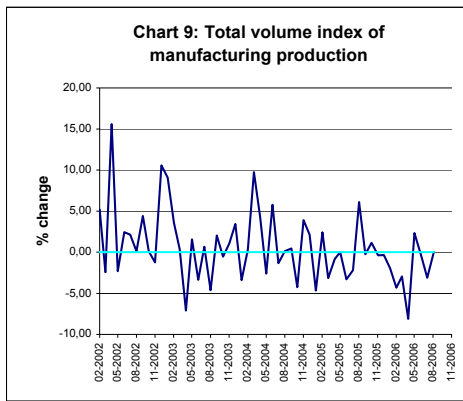
Manufacturing production volume index

	Aug 05/04	Aug 06/05	Jan-Aug 05/04	Jan.-Aug 06/05
General index	6,4	-0,5	-1,7	-2,0
Food products, beverages & tobacco	8,1	-6,9	2,2	-8,6
Textiles & textile products	-9,4	3,8	-9,0	-17,0
Leather & leather products	10,6	-30,9	-48,9	-23,0
Wood & wood products	-15,5	-18,6	-2,10	-0,67
Paper, paper products, publishing & printing	2,0	7,0	-4,9	4,1
Refined petroleum products	-6,3	-40,0	-92,8	-0,7
Chemicals, chemical products & man-made fibres	3,0	15,3	1,7	4,7
Rubber & plastic products	2,0	3,8	-6,4	1,9
Other non-metallic mineral products	28,3	2,6	3,6	-0,2
Basic metals & fabricated metal products	-3,8	10,0	-8,5	3,6
Machinery & equipment n.e.c.	-4,7	-7,7	2,2	0,2
Electrical & optical equipment	-12,0	48,4	-0,7	22,9
Transport equipment	15,7	8,4	-3,7	6,9
Manufacturing n.e.c.	14,6	-1,8	-4,5	0,7

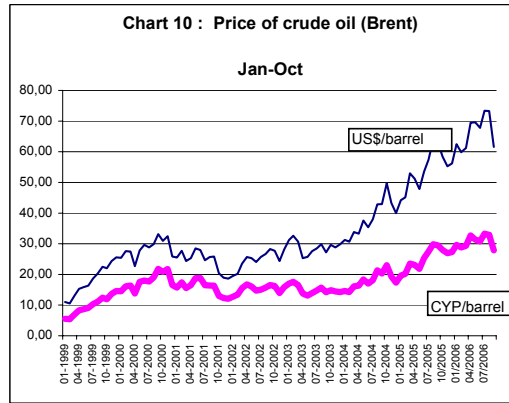
Source: Cystat.

(percentage change by category)

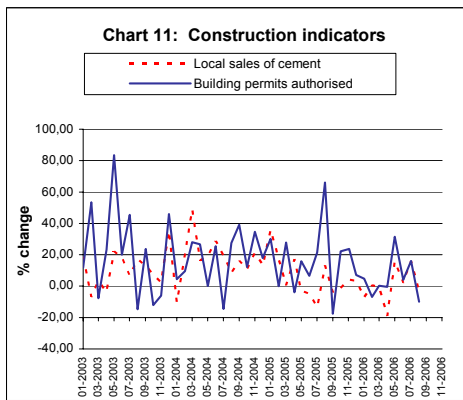
Charts 9 -12
Selected economic indicators (A)



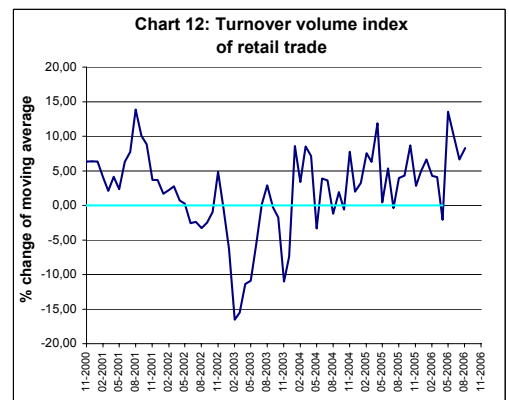
Source: Cystat.



Source: Reuters.



Source: Cystat.



Source: Cystat.

Consumption

The turnover volume index of retail trade from which the sales of motor vehicles are excluded, exhibited a rise of 8,2% in September compared with 4,3% in September 2005. For the first nine

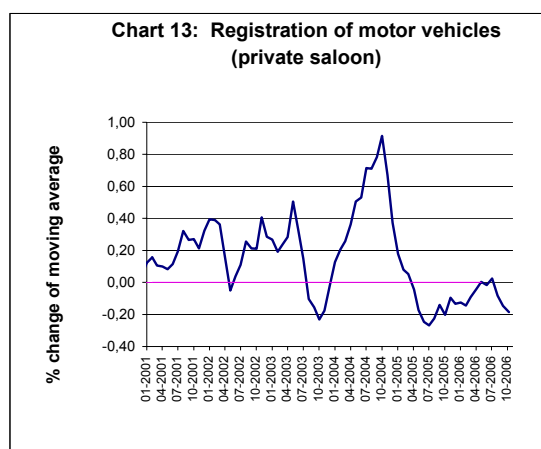
months of the year, the index rose by 6,7% compared with 4,6% increase in the same period of 2005.

Table 15
Turnover volume index of retail trade

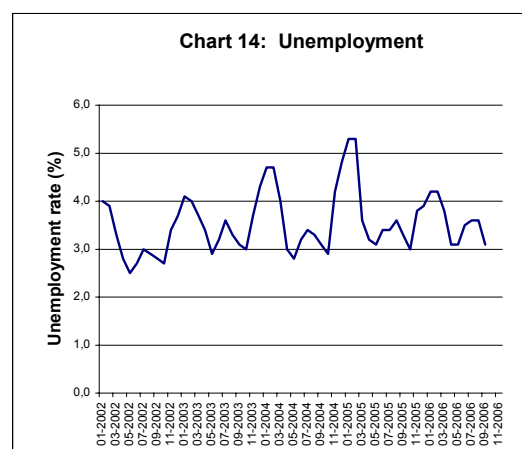
(percentage change by category)

	Sept 05/04	Sept 06/05	Jan-Sept 05/04	Jan.-Sept 06/05
General index	4,3	8,2	4,6	6,7
Retail sale in non-specialised stores with food, beverages or tobacco predominating	5,7	6,8	10,3	7,4
Other retail sale in non-specialised stores	-0,9	6,9	2,1	2,4
Retail sale of food, beverages and tobacco in specialised stores	11,1	15,8	9,8	12,5
Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles	15,5	18,3	17,9	14,4
Retail sale of textiles, clothing, footwear and leather goods	14,1	4,2	2,9	6,6
Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods	6,8	12,6	7,0	9,4
Retail sale of books, newspapers and stationery and other retail sale in specialised stores	-3,5	6,4	-6,4	1,1
Retail sale of second-hand goods in stores	-26,2	-36,4	-20,7	81,6
Retail sale not in stores	-1,1	-9,0	-0,9	-85,8

Source: Cystat.

Charts 13 -14
Selected economic indicators (B)


Source: Cystat.



Source: Cystat.

Due to the reduction in excise taxes that took place in November 2003, saloon car registrations exhibited a fall of the order of 17,2% in 2005. The reduction in car registrations continued in the first ten months of 2006 and reached 8,1%. Despite the above decline in car registrations, private consumption in general continued an upward trend during 2006. Demand for saloon cars is expected to increase due to the recent reduction in excise taxes.

As already mentioned, the credit card consumption of Cypriots and foreigners in Cyprus exhibited a significant increase and rose by 16,6% and 5,1% respectively, in the period January – October 2006 compared with an increase of 11,1% and 5,7%, respectively, in the same period of 2005.

Labour market

The most recent data concerning unemployment based on the Labour Force Survey cover the period until the first six months of 2006. According to the Survey, unemployment fluctuated at around 5,9% in the first three months of the year and 4,1% in the second quarter of 2006. The decrease in unemployment reflects, to a certain extent, the deceleration in the inflow of foreign workers in Cyprus as compared with the previous years as well as seasonality. As far as the number of registered unemployment is concerned, an increase of 0,7% was recorded in October 2006 while the unemployment rate, as a percentage of the economically active population, reached 2,9% compared with 3% in October 2005.

In the first ten months of 2006, the number of registered unemployed fell by 2,3% compared with an increase of 8,3% in the same period of 2005, while unemployment as a percentage of the economically active population fluctuated at around 3,4% compared with 3,7% in the corresponding period of 2005.

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 ten months of 2006, the construction confidence indicator exhibited a negative movement, which is consistent with the deceleration of the volume index of building permits and cement sales.

The positive trend observed in the services confidence indicator during the period January-October 2006, partly reflects the weak performance of the tourism sector in the first months of 2006.

In the first ten months of 2006, the consumer confidence indicator remained negative. These negative indicators are not consistent with observed consumer spending fluctuations. During the same period, the retail sales confidence indicator also remained negative despite the increase registered in August.

During the period January-October 2006 the industrial confidence indicators registered 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.

2.5 PUBLIC FINANCES

According to preliminary financial accounts published by Cystat and relating to the general government sector, during the third quarter of 2006 total revenue amounted to £2.529,4 million and total expenditure to £2.532,7 million, thus registering a fiscal deficit of £3,3 million or 0,04% of GDP. In comparison with the corresponding third quarter of 2005, public revenue increased by 10,3% and public expenditure by 10,7%.

As regards expenditure, compensation of employees increased by 9%, mainly as a result of the 2,9% COLA increase, as well as the granting of 2% contractual salary increases to public service employees as from 1 January 2006. Reductions of 4,3% were recorded in capital formation relating to expenditure towards buildings, roads etc. A reduction of 86% in subsidies and a 50% reduction in capital transfers were also recorded. Intermediate consumption increased by 51,2%, mainly due to operational office expenses, while interest paid rose by 13,4%. Social transfers also increased by 6,3% and they include household and old-age financial assistance.

As regards revenues, there were there were two major reductions of 41% and 95% relating to property income and capital transfers respectively. These reflect the 2005 proceeds arising from the tax amnesty legislation (£98 million) and the dividend payment from CYTA (£35 million), respectively. On the other hand, current taxes on income and wealth rose by 25%, while taxes on production and imports rose by 14,5%. These include VAT receipts which registered a 14,7% increase as well as import and excise duties.

At the same time, the preliminary consolidated accounts of the Ministry of Finance, which cover the central government and the social security funds for the third quarter of 2006 have also been published. These indicate that public revenue reached £2.208,7 million and public expenditure 205,7 million, thus recording a £3 million surplus. However, if we exclude the 2005 temporary receipts totalling £133 million, the fiscal situation is significantly improved by 1,7 percentage points.

More analytically, and excluding the one-off receipt received during the corresponding period of 2005, total tax revenue increased by 15,6% with direct tax revenue accelerating by 30,7%. This was mainly the result of a 75,6% increase in the increased proceeds from land and survey fees and a 105,7% increase in capital gains taxes as a result of the booming construction sector. Indirect taxes also increased by 9,7%, out of which VAT receipts increased by 11%. This was partly due to the enhanced tax collection ability of the VAT department. It is noted that as a result of the increase in VAT from 5% to 8% on hotel and restaurant receipts, these proceeds are anticipated to increase even further during the last quarter of 2006.

A reduction of 20,5% was recorded in the proceeds from import duties partly due to a freeze in car sales in anticipation of duty reductions. Non-tax revenue was reduced by 4,3% since during the corresponding period of 2005 an amount of £35 million had been received from CYTA, in the form of a dividend payment.

On the expenditure side, an increase of 6,3% was registered, mainly as a result of significant payments effected towards goods and services

(24,1%), other current transfers (12,5%) and wages and salaries (8,9%).

In particular, the observed acceleration in goods and services is the result of purchases for medical supplies, elections expenses and public buildings maintenance. Out of current transfers, the most significant change relates to the 10% increase in the government's contributions toward the EU budget.

2.6 EXTERNAL TRANSACTIONS

Goods

An overview of the trade balance for the period January-September 2006 is given in Table 16 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 European countries.

During the period January-September 2006, the value of total imports of goods recorded a significant increase of 14,7%, compared with an increase of 9,5% recorded in the corresponding period of 2005. The increase in the value of imports is mainly the result of the significant increase in the international price of oil, the imports of consumer goods and the purchase of a £31,7 million aeroplane by Eurocypria. Imports, excluding oil imports and the aeroplane purchase, recorded a 10,7% increase.

Total exports of goods recorded a 6,4% decrease during the period January – September 2006 compared with a 27,9% increase in the corresponding period of 2005. The significant decrease in exports compared with the previous year is mainly due to the significant increase in re-exports registered in 2005.

As a result of the above, the trade balance deteriorated registering a deficit of £1.942,8 million during the period January – September 2006 compared with a deficit of £1.600,7 million in the corresponding period of 2005.

Tourism

Tourist arrivals, shown in Table 17, decreased by 2,4% in the period January – October 2006, compared with a 6,2% increase in the corresponding period of 2005. In October, tourist arrivals decreased by 3,2% compared with a 4,8% increase in October 2005.

Revenue from tourism increased by 3,5% in the period January – September 2006, compared with a 2,2% increase in the corresponding period of 2005, indicating an increase in per capita expenditure. In September revenue from tourism recorded a 2,2% increase, compared with a 2,3% decrease in September 2005.

Balance of payments

Table 14 of the Annex presents preliminary data regarding the balance of payments for the first six months of 2006. This data, which was compiled by the Central Bank, reveals a worsening of the current account deficit compared with the same period in 2005.

The current account deficit in the first six months of 2006, based on preliminary data, reached £337,5 million compared with £108,1 million in the same period of 2005.

This is mainly the result of the worsening of the trade deficit due to the significant increase in the imports of goods (fob) that recorded an increase of 19% in the first six months of 2006, compared to the corresponding period of 2005.

The service surplus reached £807,8 million in the first six months of 2006, compared with £785,6 million in the corresponding period of 2005. The difference is a cause of the positive performance by the “financial services” and “other business services” sectors. The services surplus, excluding tourism, reached £578,3 million in the first six months of 2006 compared with £573,2 million in the first six months of 2005.

As far as the income account is concerned, a net deficit of £27,9 million was recorded in the first six months of 2006, compared with a surplus of £14,6 million in the corresponding period of 2005.

As already stated before, the significant increase in the value of imports was due to: a) increased domestic demand (reflected in the acceleration of retail sales); b) the increase in the price of oil; and c) the purchase of an aircraft by Eurocypria.

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
2005						
January	195,2	42,4	62,9	14,6	132,3	27,8
February	214,9	46,8	76,5	18,6	138,5	28,2
March	256,5	57,9	74,0	22,5	182,5	35,4
April	230,7	59,8	78,1	18,6	152,6	41,3
May	239,0	56,1	74,5	16,0	164,5	40,1
June	234,7	56,7	85,3	18,9	149,4	37,8
July	239,5	58,7	78,6	18,9	160,9	39,8
August	221,0	52,8	64,8	17,3	156,2	35,5
September	270,5	69,9	94,8	15,4	175,7	54,5
October	283,5	72,5	93,9	16,2	189,6	56,3
November	307,9	88,5	115,1	27,7	192,8	60,9
December	273,3	56,9	74,6	17,0	198,8	40,0
2006						
January	247,3	52,0	80,8	13,8	166,5	38,2
February	237,1	49,0	83,3	17,1	153,6	31,9
March	283,1	65,5	91,3	22,5	191,8	43,0
April	251,2	51,5	86,5	21,1	164,9	30,4
May	278,0	50,7	92,5	16,2	185,5	34,6
June	342,6	51,7	152,5	17,3	190,1	34,4
July	254,2	52,2	81,7	17,7	172,4	34,5
August	259,2	43,6	98,8	18,6	160,4	26,0
September*	258,7	52,7	91,5	22,1	167,2	30,6
Jan. - Sept 2003	1.705,6	369,3	751,5	152,3	954,1	217,0
Jan. - Sept 2004	1.920,3	392,1	700,4	139,0	1.219,9	253,0
Jan. - SEPT 2005	2.102,0	501,3	689,5	160,8	1.412,6	340,4
Jan - Sept 2006 (p)	2.411,9	469,1	859,6	166,4	1.552,1	303,9
% change Jan. - Sept 2004/2003	12,6	6,2	-6,8	-8,7	27,9	16,6
% change Jan. - Sept 2005/2004	9,5	27,9	-1,6	15,7	15,8	34,5
% change Jan. - Sept 2006/2005 (p)	14,7	-6,4	24,7	3,5	9,9	-10,7

Source :Cystat.

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 arrivals¹
 (number of persons)

	2000	2001	2002	2003	2004	2005	2006	% change 2003/2002	% change 2004/2003	% change 2005/2004	% change 2006/2005
January	63.553	64.214	54.067	59.529	56.504	58.894	54.875	10,1	-5,1	4,2	-6,8
February	87.243	83.569	71.950	77.972	75.705	72.600	66.151	8,4	-2,9	-4,1	-8,9
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		-1,4	2,6	4,8	
November	133.500	107.454	111.327	123.800	114.048	104.822		11,2	-7,9	-8,1	
December	93.722	74.887	77.822	83.919	78.723	75.656		7,8	-6,2	-3,9	
Jan. - Dec.	2.686.202	2.696.731	2.418.233	2.303.243	2.349.008	2.470.057		-4,8	2,0	5,2	
Jan-Oct.	2.458.980	2.514.390	2.229.084	2.095.524	2.156.237	2.289.579	2.234.215	-6,0	2,9	6,2	-2,4

Source: Cystat.

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

Table 18
Receipts from tourism¹
 (CYP million)

	2000	2001	2002	2003	2004	2005	2006	% change 2004/2003	% change 2005/2004	% change 2006/2005
January	-	24,9	21,6	25,6	21,8	20,7	21,2	-15,0	-5,0	2,4
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	
October	135,1	130,2	128,0	112,4	115,9	120,5		3,1	4,0	
November	54,1	48,8	51,4	48,7	43,1	43,1		-11,5	0,0	
December	36,2	29,2	35,6	32,9	28,8	30,3		-12,4	5,2	
Jan. - Dec.	-	1.271,6	1.132,4	1.015,0	982,3	1.005,7		-3,2	2,4	
Jan. - Sept.		1063,4	917,3	821,1	794,5	811,8	838,1	-3,2	2,2	3,2

Source: Cystat.

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

2.7 ESTIMATIONS FOR 2006 AND PROSPECTS FOR 2007

In 2006 the real rate of growth is expected to fluctuate at around the 2005 level. As the price of oil remained at high levels, the growth rate was slightly restrained. In the first six months of 2006 the growth rate of real GDP reached 3,6% compared with 3,7% in the same period of 2005. However, for the remainder of the year domestic demand is expected to play a major role, due to the anticipated improvement in the international environment, mainly in the European Union. As regards the labour market, the rise in real GDP is expected to lead to a stabilisation in the number of registered unemployed, provided that the inflow of foreign workers in Cyprus does not change significantly.

Inflation during 2006 is expected to register a marginal increase of 2,6% compared with 2005 partly because of the significant increase in the price of oil. The continuation of competition in the retail trade sector, following Cyprus's accession to the EU, as well as monetary developments had a significant impact on the inflation rate. Inflation was also affected by the increase in the prices of agricultural products until October 2006. If this continues for the rest of the year inflation in this sector will rise significantly.

Even with the optimistic scenario of oil prices remaining at around \$66 per barrel, the HICP is expected to remain at 2,5%.

Up until October 2006, the 12 month moving average HICP was around 2,3% compared with the relevant Maastricht criterion of 2,8% for October 2006.

In 2006 the balance of payments deficit is expected to rise slightly compared with 2005, mainly as a result of the increase in the price of oil

internationally compared with the previous year as well as the purchase of a new £31,7 million aeroplane by Eurocypria.

The public finance prospects are clearly positive and in line with the government's eurozone target. Nevertheless, it should be stressed out that the government should continue to fully adhere to the implementation of structural fiscal measures.

In accordance with the estimates of the Ministry of Finance, the 2006 fiscal deficit is expected to fluctuate at around 2% of GDP and the 2006 public debt at around 65% of GDP. The government's goals seem to be feasible, despite the higher than initially anticipated expenditure which, however, has been counterbalanced by similarly higher revenues. Hence, it is believed that the medium term viability of public finances is well safeguarded.

In 2007 GDP is expected to register a marginal increase compared with 2006. External consumption is expected to remain at the same level as in 2005, 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 that the increase of foreign workers in Cyprus remains at the same level as in 2006, unemployment is expected to register a marginal decrease.

At the same time the rate of inflation is expected to decelerate significantly, due to the reduction in the excise taxes and the stabilisation in the price of oil which will also influence positively the balance of payments.

3. ANNEX

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

	2005 Sep.	2005 Oct.	2006 Sep.	2006 Oct.
Money supply (M1)	1.639.274	1.679.998	2.078.833	2.100.457
Currency in circulation	534.198	518.122	570.443	559.627
Demand deposits	977.544	1.008.454	1.292.579	1.344.631
Deposits in foreign currency	127.532	153.422	215.811	196.199
Quasi-money	7.898.138	7.958.922	8.881.863	8.975.302
Saving deposits	335.298	337.548	400.573	407.391
Time deposits	6.686.983	6.720.535	7.370.843	7.425.417
Deposits in foreign currency	875.857	900.839	1.110.447	1.142.494
Total money supply (M2)	9.537.412	9.638.920	10.960.696	11.075.759
Net foreign assets	1.698.725	1.762.732	1.915.125	1.995.234
Claims on private sector	9.032.118	9.045.987	10.404.894	10.451.775
of which in foreign currency	1.067.946	1.105.413	1.753.236	1.813.396
Claims on public sector	1.975.967	1.984.638	2.424.348	2.389.766
Unclassified items	-3.169.398	-3.154.437	-3.783.671	-3.761.016

Source: Central Bank of Cyprus.

Table 2**Bank credit by sector ⁽¹⁾***(outstanding amounts at end of period, CYP thousand)*

	2005 Sep.	2005 Oct.	2006 Sep.	2006 Oct.
Public institutions and corporations ⁽²⁾	299.730	300.920	333.320	331.000
Agriculture	113.125	104.290	101.927	103.093
Mining	28.544	28.397	28.597	28.058
Manufacturing	530.045	519.230	545.840	529.077
Transport and communications	90.955	90.365	105.993	110.925
Foreign and domestic trade	1.527.506	1.531.533	1.512.260	1.484.203
Building and construction	1.651.156	1.662.929	2.039.629	2.049.773
Tourism	831.645	824.796	881.568	884.225
Personal and professional loans	4.488.494	4.510.676	5.544.594	5.616.197
Bills discounted: local	2.384	2.456	2.551	3.009
foreign	1.702	1.562	2.077	1.863
Total	9.565.286	9.577.154	11.098.356	11.141.423

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

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

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)
2005 Sep.	2,55	2,91	2,83	-	-	2,09	2,12	2,14	2,17	2,22
Oct.	2,85	2,99	2,87	3,98	-	2,07	2,12	2,20	2,27	2,41
Nov.	2,62	2,84	2,90	5,75	-	2,09	2,22	2,36	2,50	2,68
Dec.	2,51	2,85	2,95	3,31	-	2,28	2,41	2,47	2,60	2,78
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	-					

Sources: Central Bank of Cyprus and European Central Bank.

Table 6**Commercial bank interest rates** ^(1,2)

(percentages per annum)

	Lending rates					Deposit rates		
	Enterprises: overdraft within limits	Enterprises: secured loans	Personal: secured loans	Housing: loans secured by assignment of life policy	Credit cards	Current accounts	3 month notice - over CYP5.000	1 year fixed deposits - over CYP5.000
2004 Oct.	7,92	7,92	8,55	7,30	11,50	0,66	4,44	4,18
Nov.	7,92	7,92	8,55	7,30	11,50	0,64	4,44	4,21
Dec.	7,92	7,92	8,55	7,30	11,50	0,63	4,44	4,21
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

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 Aug.	0,68	1,92	3,18	1,98	2,31	0,97	2,10	3,46	
Sep.	0,69	1,92	3,19	1,98	2,29	0,97	2,12	3,56	
Oct.	0,69	1,93	3,17	1,97	2,27	0,97	2,12	3,40	
Nov.	0,70	1,96	3,15	2,00	2,27	1,00	2,16	3,43	
Dec.	0,71	2,01	3,15	1,97	2,30	1,02	2,30	3,41	
2006 Jan.	0,73	2,05	3,10	2,00	2,32	1,05	2,32	3,47	
Feb.	0,74	2,09	3,12	1,97	2,34	1,08	2,38	3,47	
Mar.	0,76	2,16	3,00	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	3,04	2,00	2,48	1,18	2,59	3,52	
June	0,81	2,34	3,07	2,03	2,52	1,22	2,72	3,53	
July	0,81	2,43	3,02	2,08	2,57	1,24	2,80	3,57	

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 Aug.	4,52	4,24	4,59	7,92	6,86	5,60	4,25	3,80	4,28
Sep.	4,49	4,23	4,59	7,91	6,85	5,67	4,25	3,78	4,26
Oct.	4,49	4,19	4,57	7,92	6,80	5,64	4,24	3,77	4,24
Nov.	4,48	4,17	4,53	7,86	6,77	5,66	4,29	3,79	4,25
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	4,69	4,21	4,55	8,10	6,75	5,73	4,72	4,19	4,40
July	4,70	4,21	4,57	8,15	6,82	5,82	4,81	4,27	4,45

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 2006**

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
European Central Bank ⁽¹⁾	12 2,25	2 2,25	2 2,50	6 2,50	4 2,50	8 2,75	6 2,75	3 3,00		5 3,25	2 3,25	7
								31 3,00				
Bank of England ⁽²⁾	12 4,50	9 4,50	9 4,50	6 4,50	4 4,50	8 4,50	6 4,50	3 4,75	7 4,75	5 4,75	9 5,00	7
Federal Reserve ⁽³⁾	31 4,50		28 4,75		10 5,00	28/29 5,25		8 5,25	20 5,25	24/25 5,00		12
Central Bank of Cyprus ⁽⁴⁾	13 4,25	24 4,25		7 4,25	19 4,25		7 4,25		1 4,50	20 4,50		1

(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

January-October 2006/2005

	2003	2004	2005	October	September	October	Jan.- Oct.	Jan.-	Jan.-	Weights	
				2005/ 2004	2006/ 2005	2006/ 2005	2005/ 2004	Sept. 2006/ 2005	Oct. 2006/ 2005	1998=100	2005=100
GENERAL INDEX	4,14	2,28	2,56	3,07	2,38	1,43	2,59	2,88	2,73	100,00	100,00
A Domestic products	6,21	2,95	1,79	2,76	3,88	3,94	1,71	4,65	4,58	36,69	28,60
A.1 Agricultural	4,54	3,32	1,34	6,91	6,43	7,20	1,53	5,66	5,82	7,93	6,92
A.2 Industrial	6,46	3,36	1,14	-0,01	2,59	2,65	1,16	2,60	2,60	22,91	19,24
A.3 Electricity	10,20	-3,13	11,51	19,01	6,33	4,60	9,00	18,49	16,92	1,52	2,44
B Petroleum products	14,16	17,18	14,82	17,49	-0,84	-6,37	15,40	11,76	9,73	4,33	6,44
C Imported products	-2,38	-5,55	-2,47	-1,96	0,23	-1,24	-2,65	-0,77	-0,82	22,20	25,31
C1 Motor vehicles	-8,31	-13,50	-2,42	-1,92	0,09	-1,28	-2,63	0,44	0,27	9,43	6,15
C2 Other imported	1,81	-0,39	-2,49	-1,97	0,28	-1,23	-2,66	-1,17	-1,17	12,77	19,16
D Services	4,38	3,23	3,34	2,97	3,20	2,69	3,46	2,51	2,53	41,11	39,65
HICP	4,0	1,9	2,1	2,2	2,2	1,7	2,1	2,5	2,4		

Source: Cystat.

Table 10**Weighted contribution to the total percentage change in CPI by economic category**

January-October 2006/ 2005

		2003	2004	2005	October 2005/	September 2006/	October 2006/	Jan.- Oct. 2005/	Jan.- Sept. 2006/	Jan.- Oct. 2006/	Weights	
					2005/	2006/	2006/	2005/	2006/	2006/	1998=100	2005=100
					2004	2005	2005	2004	2005	2005		
GENERAL INDEX		4,14	2,28	2,56	3,07	2,38	1,43	2,59	2,88	2,73	100,00	100,00
A	Domestic products	2,79	1,98	1,58	0,93	1,12	1,14	0,58	1,32	1,30	36,69	28,60
A.1	Agricultural	0,37	0,27	0,11	0,56	0,46	0,51	0,13	0,39	0,40	7,93	6,92
A.2	Industrial	1,47	0,78	0,27	0,00	0,49	0,51	0,27	0,50	0,50	22,91	19,24
A.3	Electricity	0,20	-0,07	0,23	0,33	0,17	0,12	0,18	0,44	0,40	1,52	2,44
B	Petroleum products	0,74	0,99	0,97	1,22	-0,06	-0,44	1,01	0,75	0,63	4,33	6,44
C	Imported products	-0,48	-1,04	-0,43	-0,33	0,06	-0,31	-0,46	-0,20	-0,21	22,20	25,31
C1	Motor vehicles	-0,69	-1,00	-0,15	-0,12	0,01	-0,08	-0,16	0,03	0,02	9,43	6,15
C2	Other imported	0,21	-0,04	-0,28	-0,22	0,05	-0,23	-0,30	-0,22	-0,22	12,77	19,16
D	Services	1,83	1,35	1,41	1,25	1,26	1,05	1,47	1,00	1,01	41,11	39,65

Source: Cystat.

Table 11
Percentage change in the consumer price index by category of goods and services (%)

January-October 2006/ 2005

	Years			October 2005/ 2004	September 2006/ 2005	October 2006/ 2005	Jan.- Oct. 2005/ 2004	Jan.- Sept. 2006/ 2005	Jan.- Oct. 2006/ 2005	Weights	
	2003	2004	2005							2005=100	1998=100
GENERAL INDEX	4,14	2,28	2,56	3,07	2,38	1,43	2,59	2,88	2,73	100,00	100,00
Food & non-alcoholic beverages	5,11	3,97	1,59	3,88	4,98	5,27	1,63	4,55	4,63	17,50	18,20
Alcoholic beverages & tobacco	24,22	10,57	0,23	-1,05	1,17	1,29	0,35	0,42	0,51	2,21	1,78
Clothing & footwear	1,19	-0,79	-2,24	-3,74	0,83	-1,88	-2,64	0,09	-0,13	8,93	8,22
Housing, water, electricity & gas	5,04	4,19	5,41	6,34	3,02	2,13	5,33	5,99	5,58	15,87	21,27
Furnishings, household equipment & supplies	3,59	-0,45	0,58	0,80	-0,39	-0,66	0,68	0,32	0,22	6,78	7,08
Health	5,66	3,72	0,36	-0,51	3,66	3,72	0,69	0,50	0,82	5,03	4,92
Transport	0,35	-3,06	3,79	5,38	0,82	-1,85	3,72	4,69	4,01	15,99	17,42
Communications	-7,16	-8,48	-10,34	-12,39	-0,10	-0,16	-9,93	-2,36	-2,14	3,94	1,79
Recreation & culture	3,55	2,26	1,06	-0,70	0,79	0,55	1,41	-0,64	-0,52	6,33	5,88
Education	4,02	3,96	5,21	4,51	5,00	4,89	5,41	4,61	4,64	2,87	2,33
Restaurants & hotels	5,31	4,69	3,30	2,59	2,90	1,96	3,56	2,30	2,26	7,57	6,07
Miscellaneous goods & services	5,50	5,16	3,83	3,51	3,21	2,44	3,82	2,14	2,17	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 (%)**

January-October 2006/ 2005

	Years			October	September	October	Jan.-	Jan.-	Jan.-	Weights	
	2003	2004	2005	2005/ 2004	2006/ 2005	2006/ 2005	Oct. 2005/ 2004	Sept. 2006/ 2005	Oct. 2006/ 2005	2005=100	1998=100
GENERAL INDEX	4,14	2,28	2,56	3,07	2,38	1,43	2,59	2,88	2,73	100,00	100,00
Food & non-alcoholic beverages	0,97	0,76	0,31	0,74	0,88	0,92	0,32	0,78	0,79	17,50	18,20
Alcoholic beverages & tobacco	0,54	0,28	0,01	-0,03	0,03	0,03	0,01	0,01	0,01	2,21	1,78
Clothing & footwear	0,08	-0,05	-0,14	-0,26	0,07	-0,18	-0,16	0,01	-0,01	8,93	8,22
Housing, water, electricity & gas	1,10	0,93	1,22	1,43	0,49	0,34	1,20	0,93	0,86	15,87	21,27
Furnishings, household equipment & supplies	0,23	-0,03	0,04	0,05	-0,03	-0,04	0,04	0,02	0,01	6,78	7,08
Health	0,30	0,20	0,02	-0,03	0,18	0,18	0,04	0,03	0,04	5,03	4,92
Transport	0,06	-0,51	0,59	0,84	0,13	-0,30	0,58	0,74	0,62	15,99	17,42
Communications	-0,09	-0,10	-0,11	-0,12	0,00	-0,01	-0,10	-0,09	-0,08	3,94	1,79
Recreation & culture	0,19	0,12	0,06	-0,04	0,05	0,03	0,08	-0,04	-0,03	6,33	5,88
Education	0,10	0,10	0,13	0,12	0,14	0,14	0,14	0,13	0,13	2,87	2,33
Restaurants & hotels	0,35	0,31	0,23	0,18	0,22	0,15	0,24	0,17	0,17	7,57	6,07
Miscellaneous goods & services	0,29	0,28	0,21	0,19	0,22	0,17	0,21	0,15	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					2004	2005	2006				
			May	June	July	Aug.	Sep.			May	June	July	Aug.	Sep.
EUROPE	7.416,2	7.395,9	6.436,9	14.458,3	958,1	26.718,8	6.138,7	1.199,3	3.461,1	2.220,6	1.474,1	2.465,1	2.114,4	2.731,2
EU-25	6.064,4	6.805,2	3.367,4	13.348,1	926,7	26.561,9	4.372,8	3.710,1	2.980,4	1.688,2	816,9	1.767,7	2.077,7	2.273,9
Greece	5.519,5	5.667,5	2.294,2	13.136,1	848,6	25.493,0	3.531,2	3.328,1	2.269,5	1.229,9	630,5	1.608,2	1.595,5	1.994,4
United Kingdom	265,2	238,2	295,8	149,2	11,4	75,0	76,3	182,5	390,6	316,6	74,0	138,6	274,8	272,5
Other European countries	1.351,8	590,7	3.069,5	1.110,1	31,4	156,8	1.765,9	228,6	480,7	532,3	657,3	697,4	36,6	457,4
Russian Federation	1.131,5	405,4	49,3	5,3	19,3	19,5	0,9	59,3	279,7	51,2	39,6	46,5	34,3	78,1
AFRICA	415,8	51,4	21,3	13,4	2,8	7,7	1.414,1	295,7	90,1	28,4	0,0	0,0	6.210,6	0,3
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	21,3	13,4	2,8	7,7	1.414,1	295,7	88,3	28,4	0,0	0,0	6.210,6	0,3
South Africa	56,7	0,0	7,9	0,0	0,0	0,0	0,0	0,0	7,6	0,0	0,0	0,0	0,0	0,3
AMERICA	888,6	429,3	1.180,1	3.440,4	12.983,6	2.586,5	1.702,0	1.643,7	1.232,7	942,7	668,9	551,0	19.107,0	1.243,0
North American countries	635,6	84,1	24,6	6,0	1.079,0	87,5	148,0	80,0	33,2	10,8	20,8	74,5	1.187,9	276,0
United States of America	634,9	81,9	10,5	6,0	1.078,5	87,3	142,4	28,7	33,2	10,8	14,9	74,5	1.185,8	276,0
Canada	0,7	2,2	14,1	0,0	0,5	0,2	5,6	51,3	0,0	0,0	5,9	0,0	2,1	0,0
Central American countries	253,0	345,2	1.155,5	3.434,4	11.904,6	2.499,0	1.554,0	1.563,7	1.199,4	931,9	648,1	476,5	17.919,2	967,0
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	11,2	0,0	0,0	19,2	20,9	12,2	229,2	88,2	4,3	0,0	54,1	8,9
West Asia	17,0	204,7	11,2	0,0	0,0	17,4	20,9	12,2	168,9	43,1	4,3	0,0	54,1	8,9
Other Asian countries	44,8	62,6	0,0	0,0	0,0	1,7	0,0	0,0	60,3	45,1	0,0	0,0	0,0	0,0
OCEANIA	18,5	0,0	0,0	0,0	0,0	0,0	28,2	8,2	0,0	0,0	0,0	0,0	0,0	19,0
Total	8.800,8	8.143,9	7.649,5	17.912,0	13.944,5	29.332,1	9.303,9	5.898,5	5.013,0	3.279,8	2.147,4	3.016,1	27.486,1	4.002,5

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)

CATEGORIES	2005 (Q1) (Prov.)			2005 (Q2) (Prov.)			2006 (Q1) (Prov.)			2006 (Q2) (Prov.)		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
CURRENT ACCOUNT	936,2	1.116,0	-179,9	1.173,0	1.101,2	71,8	1.031,9	1.256,8	-224,9	1.276,0	1.388,6	-112,6
Goods, services and income	857,9	1.054,4	-196,5	1.107,6	1.046,6	61,0	940,5	1.184,8	-244,2	1.177,8	1.328,2	-150,4
Goods and services	713,6	907,7	-194,1	975,6	931,5	44,0	771,9	1.024,3	-252,4	987,3	1.101,6	-114,2
Goods	147,2	610,1	-463,0	172,7	645,4	-472,7	166,5	703,7	-537,2	152,9	790,2	-637,3
Services	566,4	297,5	268,9	802,8	286,1	516,7	605,3	320,6	284,7	834,5	311,4	523,1
Transport	176,1	129,5	46,6	211,1	129,9	81,2	185,1	144,8	40,3	208,8	124,5	84,3
Travel	108,0	100,4	7,5	297,7	92,8	204,8	100,5	97,3	3,3	305,0	98,7	206,3
Communications services	3,1	9,2	-6,1	2,1	10,3	-8,2	7,5	11,9	-4,4	7,2	18,0	-10,8
Construction services	20,2	0,7	19,5	20,6	0,9	19,7	17,5	2,5	15,0	24,5	2,6	21,9
Insurance services	4,5	9,2	-4,7	6,3	7,3	-1,1	15,4	11,2	4,2	14,1	6,9	7,2
Financial services	23,2	2,8	20,5	28,2	6,9	21,3	31,7	6,2	25,5	41,2	16,1	25,1
Computer and information services	27,9	6,2	21,7	27,2	3,3	23,9	19,2	4,5	14,8	23,7	3,2	20,6
Royalties and licence fees	4,2	1,4	2,9	0,1	1,0	-0,9	2,1	3,0	-0,9	0,2	1,7	-1,5
Other business services	156,2	22,7	133,5	163,6	18,6	145,0	175,7	22,9	152,9	163,8	26,6	137,2
Personal, cultural and recreational services	3,6	6,0	-2,4	3,6	6,6	-3,0	6,5	6,8	-0,3	4,2	6,6	-2,4
Government services, n.i.e.	39,4	9,5	29,9	42,5	8,6	34,0	44,0	9,5	34,4	41,8	6,6	35,2
Income	144,3	146,7	-2,4	132,0	115,1	17,0	168,7	160,5	8,2	190,5	226,7	-36,2
Compensation of employees	4,1	22,8	-18,7	3,7	21,7	-18,0	4,3	24,0	-19,7	3,8	15,2	-11,4
Investment income	140,2	123,9	16,2	128,4	93,4	35,0	164,4	136,5	27,9	186,7	211,4	-24,8
Current transfers	78,2	61,6	16,6	65,4	54,6	10,8	91,4	72,1	19,3	98,2	60,4	37,8
General government	32,1	30,8	1,3	27,6	21,3	6,2	38,7	32,4	6,3	25,6	13,2	12,5
Other sectors	46,1	30,8	15,3	37,8	33,3	4,5	52,7	39,7	13,0	72,6	47,3	25,3
Capital and financial account			166,4			-84,5			277,4			189,5
Capital account	14,5	4,1	10,4	15,0	5,9	9,1	7,7	11,2	-3,5	37,9	10,6	27,2
Financial account			156,0			-93,6			280,9			162,3
Direct investment			13,6			-8,4			60,5			55,9
Abroad			-31,2			-28,8			-36,1			-29,0
In Cyprus			44,8			20,3			96,6			84,9
Portfolio investment			312,1			216,7			-90,8			169,6
Assets			-131,2			-173,1			-386,0			-428,7
Liabilities			443,3			389,8			295,2			598,3
Financial derivatives			-4,1			-3,5			1,6			1,3
Other investment			-219,2			-140,1			241,6			126,1
Assets			-873,6			-189,4			-269,4			-448,5
Liabilities			654,4			49,3			511,0			574,6
Reserve assets			53,6			-158,3			68,0			-190,6
NET ERRORS AND OMISSIONS			13,5			12,7			-52,4			-76,9

Sources: Central Bank of Cyprus and Cystat.

Table 15
Accounts of general government (analysis of expenditure and revenue)⁽¹⁾

	Jan-Sept 2005	Jan-Sept 2006	Change
	<i>CYP million</i>		<i>(CYP million)</i>
EXPENDITURE			
Intermediate consumption	202,1	305,6	103,5
Capital formation	180,9	173,1	-7,8
Compensation of employees	808,6	881,2	72,6
Other taxes on productions	0,3	0,3	0,0
Subsidies	5,7	0,8	-4,9
Interest paid	214,5	243,3	28,8
Social benefits	646,3	687,3	41,0
Other current transfers	203,9	228,0	24,1
Capital transfers	26,3	13,1	-13,2
Total expenditure	2.288,6	2.532,7	244,1
REVENUE			
Market output & output for own final use	158,6	195,3	36,7
Taxes on production and imports	952,9	1.090,9	138,0
<i>of which VAT</i>	560,2	642,5	82,3
Property income	58,8	34,7	-24,1
Current taxes on income, wealth, etc	515,7	644,5	128,8
Social contributions	429,6	461,5	31,9
Other current transfers	103,2	98,7	-4,5
Capital transfers	75,2	3,8	-71,4
Total revenue	2.294,0	2.529,4	235,4
Surplus (+) / Deficit (-)	5,4	-3,3	-8,7

Source: Cystat.