



CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH AND STATISTICS DIVISION

ECONOMIC RESEARCH DEPARTMENT

MONETARY POLICY REPORT

DECEMBER 2007



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

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

Notice to Readers

Following an amendment of the *Central Bank of Cyprus Laws 2002–2007*, resulting from the pending adoption of the euro on 1 January 2008, the Monetary Policy Committee will be abolished as from the aforementioned date. Consequently, this will be the last Monetary Policy Report to be issued by the Central Bank of Cyprus in its present form.

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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. CBC | Central Bank of Cyprus |
| CCIs | Co-operative Credit Institutions |
| CSE | Cyprus Stock Exchange |
| Cystat | Statistical Service of the Republic of Cyprus |
| ECB | European Central Bank |
| Eurostat | Statistical Office of the European Communities |

1. INTRODUCTION

International developments

The turmoil in the international money markets, triggered by the crisis in the US subprime loans market, continues to affect the US as well as other developed economies. As a result, and combined with the increases in oil prices, the international economy is slowing down, with simultaneous and accelerating inflationary pressures.

During their recent meetings on 8 November 2007, the ECB and the Bank of England decided to maintain their official interest rates unchanged at 4% and 5,75%, respectively. In contrast, on 31 October 2007 the US Federal Reserve announced a further decrease in its official interest rate from 4,75% to 4,5%. This decision was made in order to alleviate the economic consequences emerging from the crisis in the subprime loans market, which continues to negatively affect the US economy.

Domestic developments

The growth rates in the money supply as well as credit to the private sector remain at high levels. As a result, the Monetary Policy Committee of the Central Bank of Cyprus (CBC) maintained its official interest rate unchanged at 4,5% during its last meeting on 12 November 2007. The interest rate on the marginal lending facility and the interest rate on the overnight deposit facility remain unchanged at 5% and 3%, respectively.

M2 growth was strong in October mainly due to the persistent increase in credit to the private sector. Borrowing in foreign currency, despite being at lower levels compared with the previous year, continues to hold a significant share (30%)

of total credit granted in the 12 months to October 2007.

Inflation rose to 2,99% in October 2007, which was above the previous month's rate of 2,63%. This reflects mainly the acceleration in the price of petroleum products, electricity, domestic industrial products and services. A rise was recorded by the price of imported products, excluding cars, compared with a fall in the previous month.

As far as external transactions are concerned, the number of tourists visiting Cyprus in the first ten months of 2007 was up by 0,6%, compared with a decrease of 2,4% in the corresponding period of 2006. As regards revenue from tourism, an increase of 7% was recorded in the period January-September 2007 compared with a 3,2% increase in the corresponding period of 2006.

According to provisional Cystat figures, total imports (cif) increased by 9,8% in the first nine months of 2007, compared with an increase of 15,1% in the corresponding period of 2006. Exports of goods fell by 2,9% in the first nine months of 2007 compared with a decrease of 1,7% in the corresponding period of 2006. According to detailed data for the first eight months of 2007, the decrease in exports of goods was due to the decrease of re-exports, while exports of domestically produced goods increased by 16,6% year-on-year in the first half of 2007.

The turnover volume index of retail trade rose by 7,5% in the first nine months of 2007 compared with 6,2% in the same period of the previous year. In September 2007 this index increased by 4,7% compared with a rise of 8,1% in the corresponding month of 2006.

Reflecting the strong economic activity, unemployment continued its downward trend. Registered unemployed as a percentage of the economically active population reached 3,1% in the first nine months of 2007, compared with 3,4% in the corresponding period of 2006.

In the secondary sector, the sale of cement rose by 10,8% in the first ten months of 2007 compared with a 2,1% rise in the corresponding period of 2006. At the same time the volume of building permits rose by 5,7% in the first eight months of the year compared with a rise of 5,2% in the same period of 2006. Finally, the volume index of manufacturing production rose by 3,2% in the first eight months of 2007, compared with a fall of 1,5% in the corresponding period of 2006.

Provisional data published by Cystat for the period January-September 2007, indicate a Government surplus of 3,4% of GDP compared with a deficit of 0,2% of GDP registered for the corresponding nine month period of 2006. Total receipts and expenditures rose by 18,9% and 6,1%, respectively, reaching £3.007,3 million and £2.700,9 million, resulting in a surplus of £306,4 million.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International developments

World economic growth is still affected by the turmoil in the international money markets, triggered by the crisis in the US subprime loans market last August. At the same time, the persistent rises in oil prices have increased inflationary pressures internationally.

Euro area

As can be seen from **Tables 1 and 2** (p. 6), the predictions for economic growth in the euro area are around 2,6% for 2007, while in 2008 economic growth is expected to be at the lower level of around 2%. Unemployment was 7,3% on an annual basis in September 2007, compared with 7,8% in the same month of the previous year. Inflation increased substantially in October 2007, reaching 2,6% compared with 1,6% in the corresponding month of the previous year, mainly due to increased oil and food prices.

The President of the ECB, Jean-Claude Trichet, in his speech after the ECB meeting on 8 November 2007 and the decision not to increase interest rates, repeated the ECB's commitment to contain inflation. On the other hand, the slow-down in economic growth in the euro area has led analysts to the view that official interest rates will remain unaltered in the subsequent months.

UK

Economic growth is expected to reach 3,1% in 2007, while in 2008 it is expected to be around 2,1%. Moreover, inflation in October was 2,1%, compared with 1,8% in September and 2,4% in October 2006. As a consequence of weak growth and inflationary pressures, analysts

predict a reduction in the official interest rate, aimed at boosting economic growth in the UK. This scenario was supported by the release of data showing an unexpected decrease in house prices by 0,5% in October, while retail sales were also reduced by 0,1% on an annual basis. Furthermore, unemployment was 5,4% during the period July - September 2007, a 0,2% reduction compared with the corresponding period last year.

USA

Economic growth is expected to reach 2% in 2007, while in 2008 a further slight worsening is anticipated, with economic growth reaching around 1,9%. Inflation increased by 2,8% in September 2007, compared with 2,1% in the same month of the previous year. In addition, retail sales increased marginally by 0,2% on a monthly basis in October, while for the same month the Producer Index increased by only 0,1% on a monthly basis. Moreover, unemployment reached 4,7% in October, compared with 4,4% in the same month of the previous year.

As a result of the weak data for the US economy, the Federal Reserve decided on 31 October 2007 to reduce further its official interest rate, from 4,75% to 4,5%. Furthermore, the Chairman of the Federal Reserve, Ben Bernanke, stressed that a further slowdown of the US economy is expected during both the fourth quarter of 2007 and the first quarter of 2008. He also referred to the possibility of a further worsening of the economy, especially the banking sector, as a result of the subprime loans crisis. These comments strengthened the view of further interest rate cuts in the near future, with the aim of supporting US growth.

Mr Bernanke also announced that in an effort to reinforce transparency regarding monetary policy, the Federal Reserve will conduct more frequent, long-term predictions for the country's economy. These forecasts will be available to the public.

Japan

Economic growth is expected to be around 1,9% in 2007, while in 2008 it is anticipated to reach 1,7%. Unemployment reached 4% in September 2007, compared with 4,2% in the same month of the previous year. The Consumer Price Index fell by 0,2% in September 2007, remaining at roughly the same levels as in the previous months and the corresponding month of the preceding year. The Bank of Japan left its official interest rate unaltered at 0,5% during its last meeting on 11 October 2007, as anticipated by the markets. This decision is supported by the precautionary attitude followed recently by central banks, as a result of the uncertainty which prevails in the markets and also stemming from concerns for the Japanese economy after the US subprime loans crisis.

China

The pace of economic growth is accelerating and is anticipated to reach around 11,4% in 2007, while in 2008 it is predicted to experience a small slowdown reaching 10%. Exports of goods and investment expenditures remain the main pillars of economic growth in China. Industrial production increased by 17,9% in October 2007 compared with 14,7% in the same month of the previous year. Inflation increased by 6,5% in October 2007 compared with 6,2% in September. As a result, the Peoples' Bank of China increased its minimum reserve requirement by a further 50 basis points, reaching 13,5%. This is the ninth time that the

minimum reserve requirement has been increased in the current year.

Stock market developments

Chart 1 (p. 6) presents the Eurostoxx 50, S&P 500 and Nikkei 225 share indices for the period 1 August - 21 November 2007. After the losses experienced in August, all three indices increased during September and October, partly as a result of the interventions by the ECB, the Federal Reserve and other central banks to increase liquidity in the market. However, during the first three weeks of November, all three indices declined since they were affected by the persistent increases in oil prices and the pressures on banks due to concerns stemming from the subprime loans crisis.

More specifically, during the period 1 August - 21 November 2007, the Eurostoxx 50 declined by 1%, S&P 500 declined by 3,4% and the Nikkei 225 declined by 12,1%.

Oil

The average daily price of **Brent crude** remained at the relatively high level of \$82,48 per barrel in October, compared with \$77,77 per barrel in September and \$71,87 per barrel in August. Oil prices increased further, reaching \$95,53 per barrel on 22 November 2007, the highest level to date and representing a 66,7% increase since the beginning of the current year. The main reasons for the persistent increases in oil prices are, among other things, the increased international demand and geopolitical uncertainty. In particular, doubts regarding the adequacy of supplies continue to contribute to high oil prices, given the rapid economic growth experienced by China and India.

International currencies

Euro

The euro strengthened against the dollar and sterling during the period 2 October - 23 November while at the same time it weakened relative to the yen. The market's expectations for a widening in the interest rate differential between the ECB's interest rate and UK and USA rates led to the strengthening of the euro against sterling and the dollar. On the other hand, the decrease in the carry trade involving the Japanese currency led to a weakening of the euro relative to the yen.

US dollar

The dollar continues to be undermined by the crisis in the subprime loans market, with the market expecting more banks to record losses on mortgage loans. Citigroup, the largest US bank, has already predicted additional losses amounting to \$11 billion. The market's expectations for a further reduction in US interest rates also contributed to the weakening of the dollar. These expectations are based on the downward revisions by the IMF and the Fed for US growth in 2008.

The US currency considerably weakened against the euro, reaching \$1,4809 on 23 November compared with \$1,4169 on 2 October (**Chart 2**, p. 7). The closing price of the dollar relative to the euro on 22 November at \$1,4831 was a new record low.

Sterling

Sterling was recorded at ST£0,7191 relative to the euro on 23 November compared with ST£0,6780 on 2 October. The weakening of sterling is due to the fact that the market expects the Bank of England to lower its interest rate in

order to stimulate economic growth in the UK. The downward revision of economic growth in the UK for 2008 by the IMF and the National Institute of Economic and Social Research contributed to this. Moreover, the statement by the Governor of the Bank of England that he expects several months to elapse before normality is restored to the banking system, further undermined sterling.

Japanese yen

As far as the yen is concerned, it was recorded at ¥159.79 per euro on November 23 compared with ¥163.92 per euro on 2 October. The strengthening of the yen relative to the euro was a result of the increased uncertainty in the financial markets which led to a reduction in the carry trade.

Table 1

GDP Projections⁽¹⁾

(annual percentage change)

| | The Economist Poll of forecasters ⁽²⁾ | | Lehman Brothers Global Weekly Economic Outlook ⁽³⁾ | | International Monetary Fund World Economic Outlook ⁽⁴⁾ | | European Commission Economic Forecasts ⁽⁵⁾ | |
|-----------|--|-----------|---|-----------|---|------------|---|-------------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| World | | | 2,5 | 2,0 (2,1) | 5,2 (4,9) | 4,8 (4,9) | 5,1 (4,8) | 4,7 (4,8) |
| Euro area | 2,6 | 2,0 (2,1) | 2,6 (2,5) | 1,8 | 2,5 (2,3) | 2,1 (2,3) | 2,6 (2,6) | 2,2 (2,5) |
| USA | 2,0 | 2,1 (2,2) | 2,1 (2,0) | 2,0 (1,8) | 1,9 (2,2) | 1,9 (2,8) | 2,1 (2,2) | 1,7 (2,7) |
| Japan | 2,0 | 1,8 (1,9) | 1,7 (1,9) | 1,4 (1,9) | 2,0 (2,3) | 1,7 (1,9) | 1,9 (2,3) | 1,9 (2,1) |
| UK | 3,0 (2,9) | 2,1 | 3,1 | 1,7 | 3,1 (2,9) | 2,3 (2,7) | 3,1 (2,8) | 2,2 (2,5) |
| China | 11,5 | 10,0 | 11,3 (11,1) | 9,5 (9,2) | 11,5 (10,0) | 10,0 (9,5) | 11,2 (10,5) | 10,3 (10,4) |

(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 the European Commission, the figures in parentheses indicate the projections in April 2007.

(2) The Economist, 15 November 2007.

(3) Lehman Brothers Global Weekly Economic Monitor, 16 November 2007.

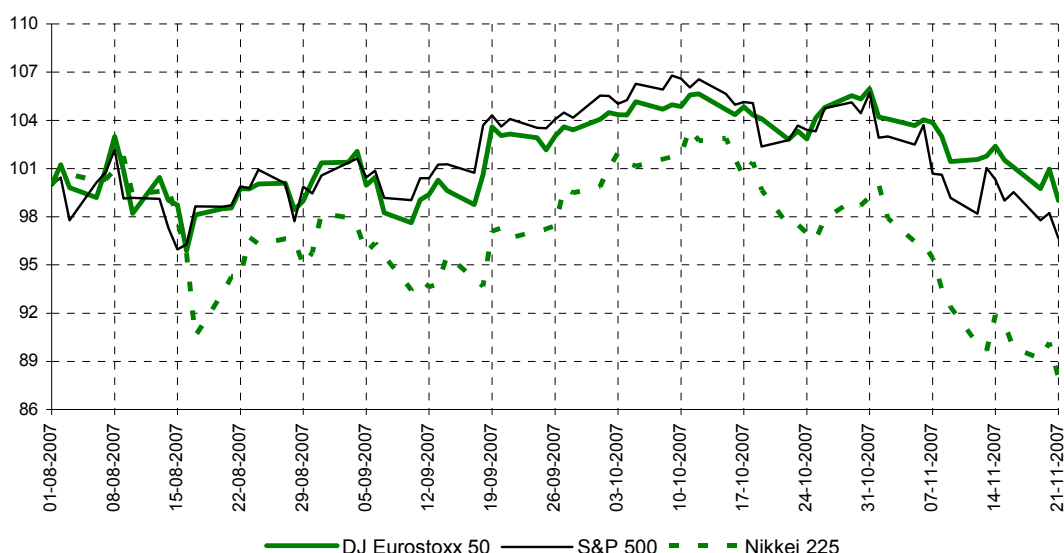
(4) International Monetary Fund, World Economic Outlook, October 2007.

(5) European Commission, Economic Forecasts, Autumn 2007.

Chart 1

Selected international stock market indices

(1 August 2007 = 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⁾ October (annual) |
|-----------|----------------------------|----------|----------------------------|----------|--|---------------------------------------|---------------------------------------|---|
| | 2007 (Q2) | | 2007 (Q3) | | | | | |
| | (quarterly) ⁽¹⁾ | (annual) | (quarterly) ⁽¹⁾ | (annual) | | | | |
| UK | 3,3 | 3,1 | 3,2 | 3,3 | -0,3 | 6,3 | 5,4 ⁽³⁾ | 2,1 |
| Japan | -1,2 | 1,6 | 2,6 | 2,1 | 0,8 | 0,7 | 4,0 | -0,2 ⁽⁴⁾ |
| USA | 3,8 | 1,9 | 3,9 | 2,6 | 1,9 | 4,7 | 4,7 ⁽⁵⁾ | 2,8 ⁽⁴⁾ |
| Euro area | 1,3 | 2,5 | 2,8 | 2,6 | 3,5 | 1,6 | 7,3 | 2,6 |
| China | | 11,5 | | 11,5 | 17,9 ⁽⁵⁾ | 15,3 ⁽⁶⁾ | 9,5 ⁽⁷⁾ | 6,5 |

Source: The Economist, 15 November 2007.

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

(2) Based on the consumer price index.

(3) July - September 2007.

(4) September 2007.

(5) October 2007.

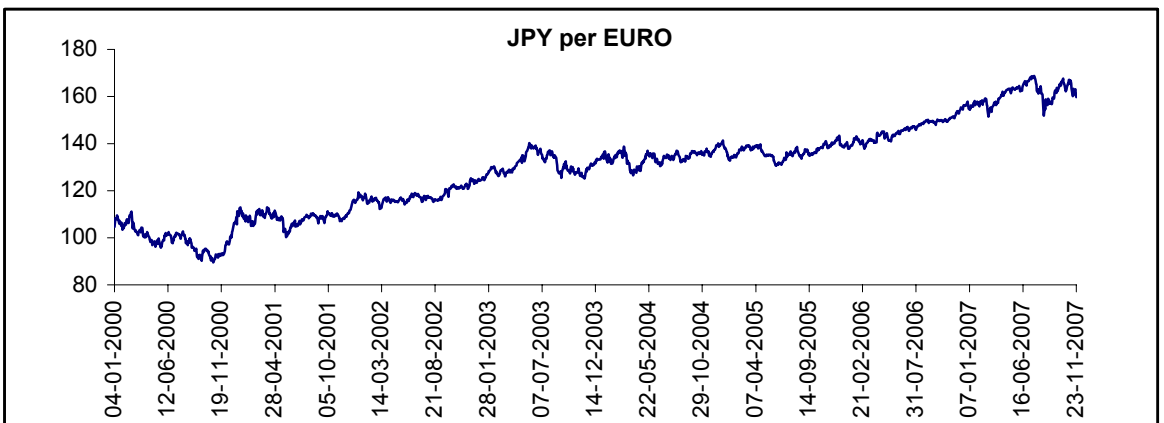
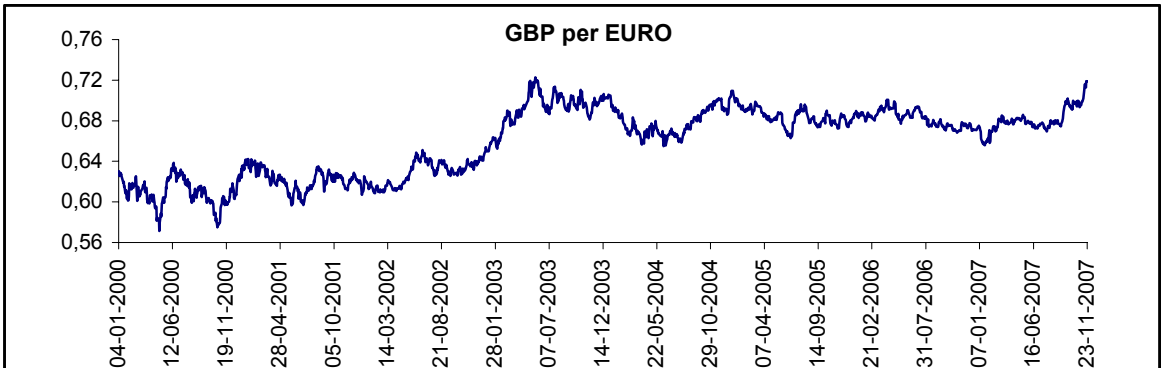
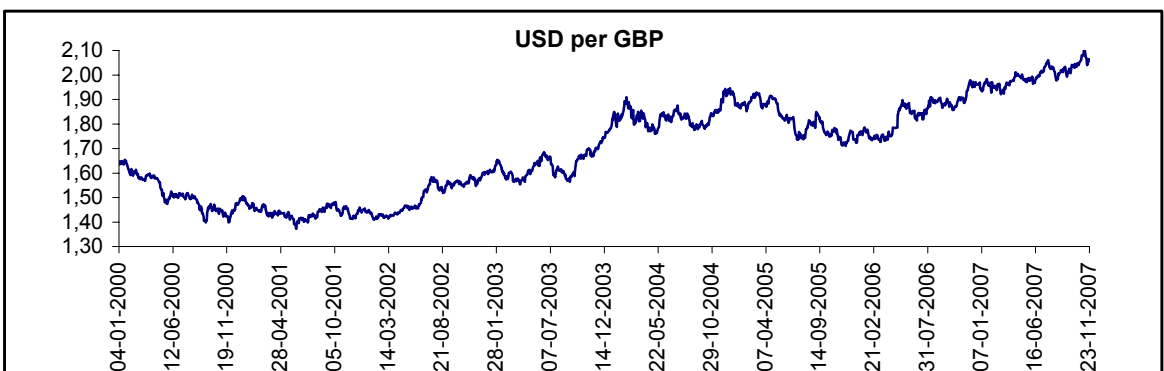
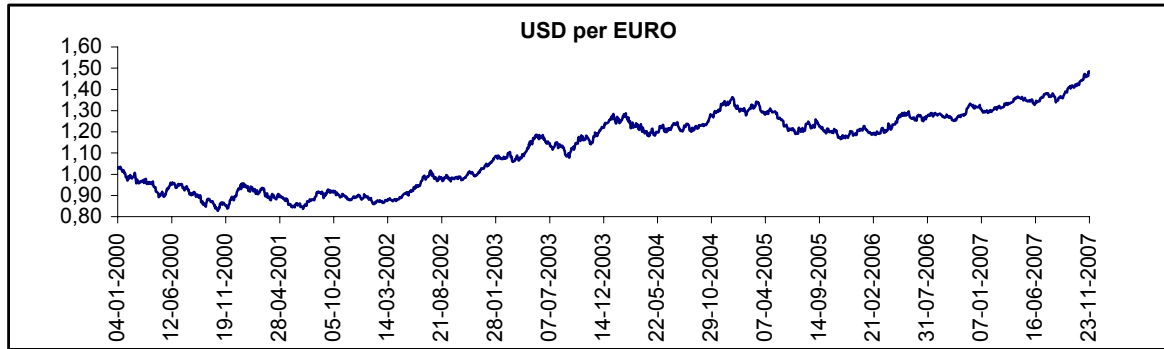
(6) March 2007.

(7) December 2006.

Chart 2

Major international currencies

(middle rate)



Source: Central Bank of Cyprus.

Cyprus pound

During the period 2 August – 23 November, the pound was stable relative to the euro at €1,7117 per pound. Reflecting the fluctuations of foreign currencies during the period under review, the pound recorded a significant strengthening relative to the dollar reaching \$2,5349 on 23 November compared with \$2,4254 on 2 October.

ST£1,1882 and ¥280,58, respectively, on 2 October.

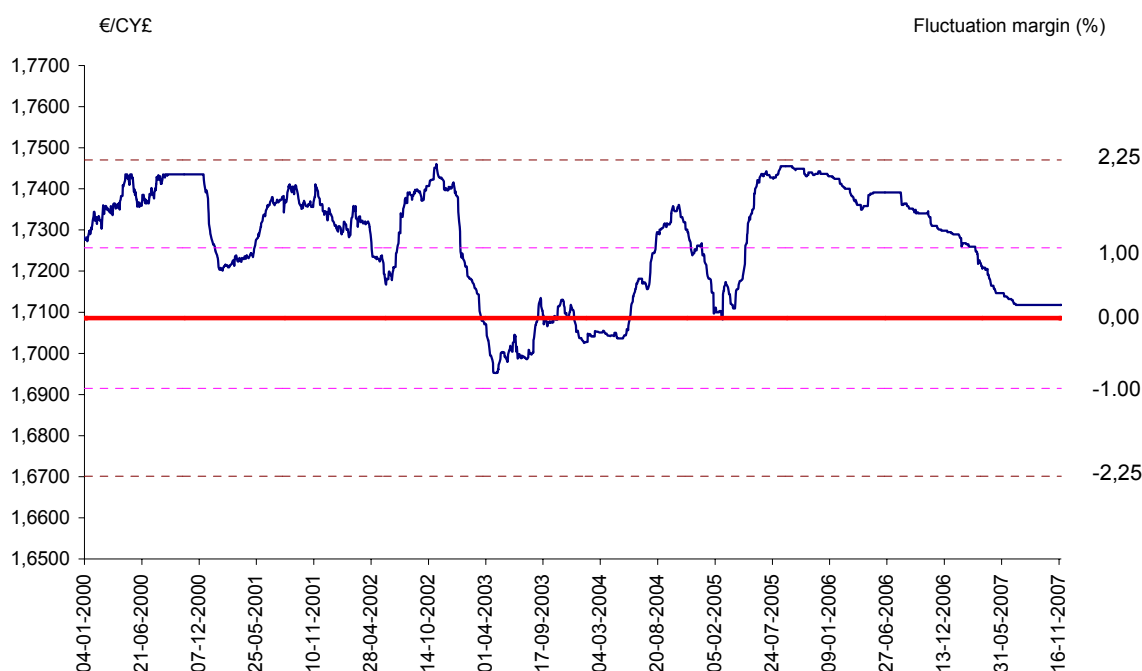
The recent currency fluctuations of the Cyprus pound relative to the four main currencies are shown in **Charts 3** and **4**, pp. 8 and 9.

During the same period, the Cyprus pound strengthened against sterling while it weakened relative to the yen, reaching ST£1,2309 and ¥273,52 on 23 November compared with

Chart 3

Exchange rate of the euro against the Cyprus pound

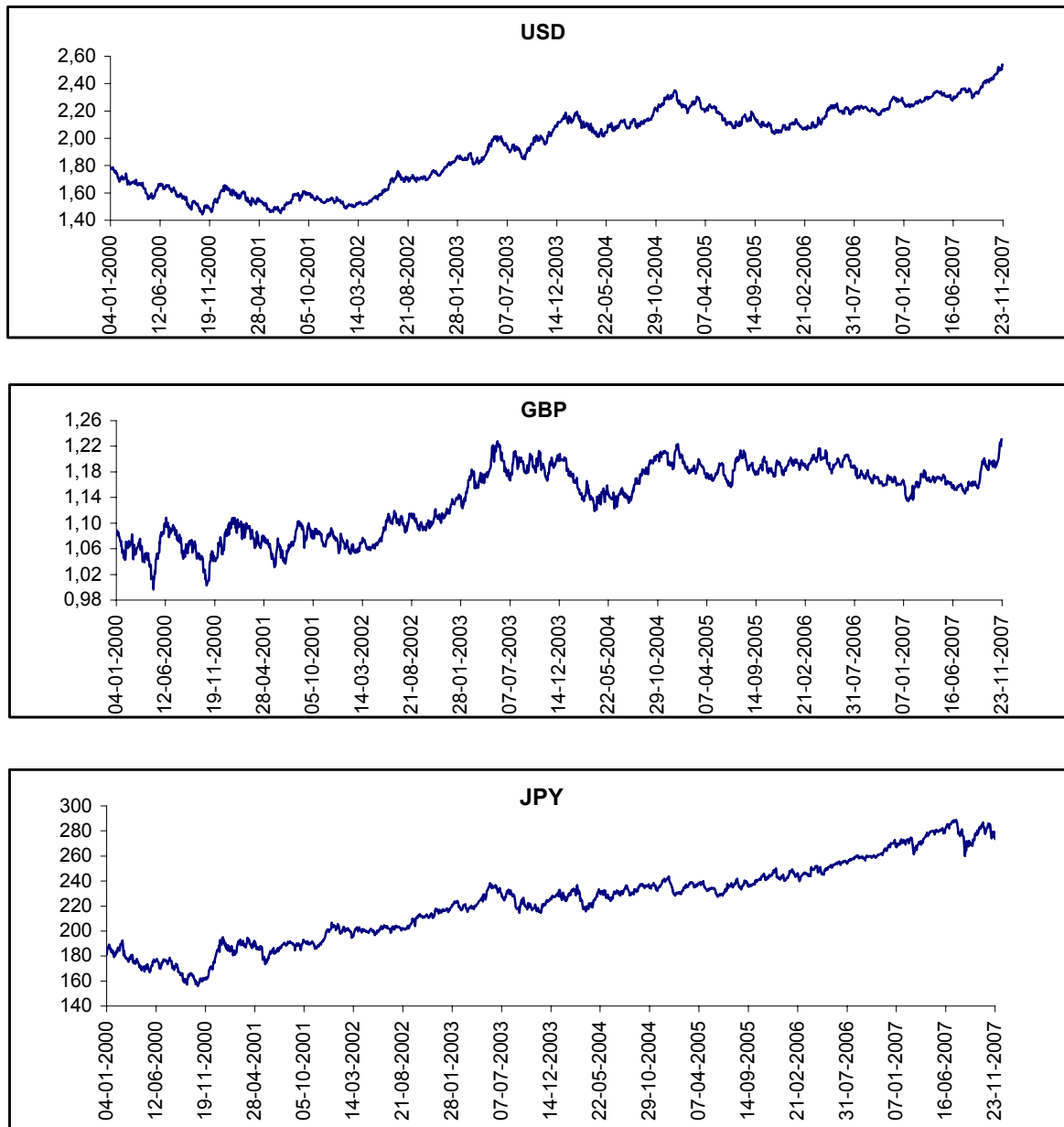
(middle rate fixing)



Source: Central Bank of Cyprus.

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

Chart 4
Cyprus pound against major international currencies
(middle rate)



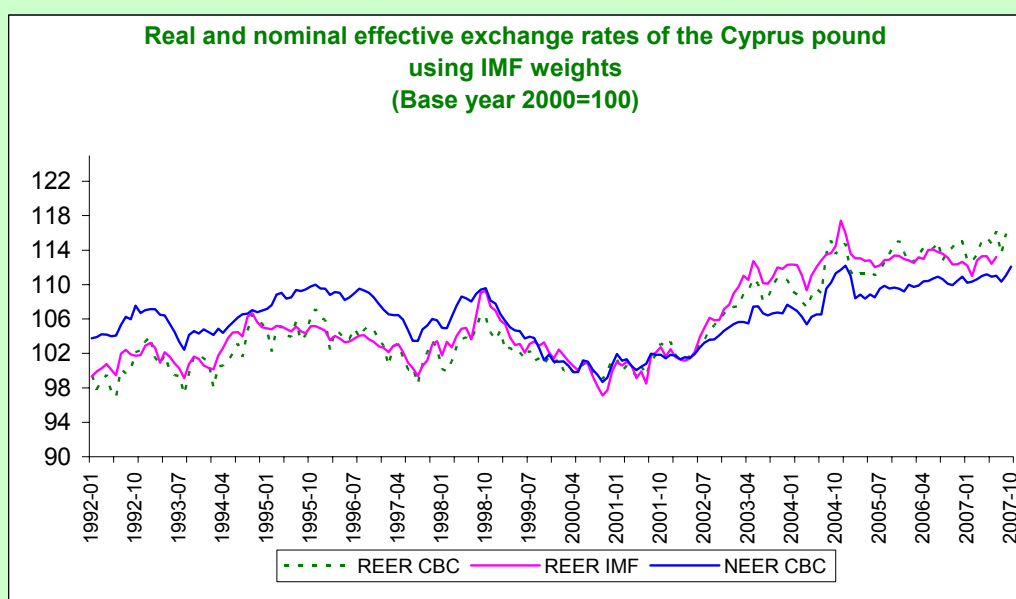
Source: Central Bank of Cyprus.

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 September and October 2007, 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 113,2 units in July 2007. Due to the time lag in reporting, the CBC calculates its own index based on the IMF index, using 8 instead of 19 countries. The CBC index, REER CBC, shown in the chart follows the IMF index very closely. The most recent available data for this index, with the base year 2000=100, are for September 2007 in real terms and October 2007 in nominal terms. The REER CBC index averaged 115,91 units in September 2007 whereas the index in nominal terms reached 112,09 units in October 2007.

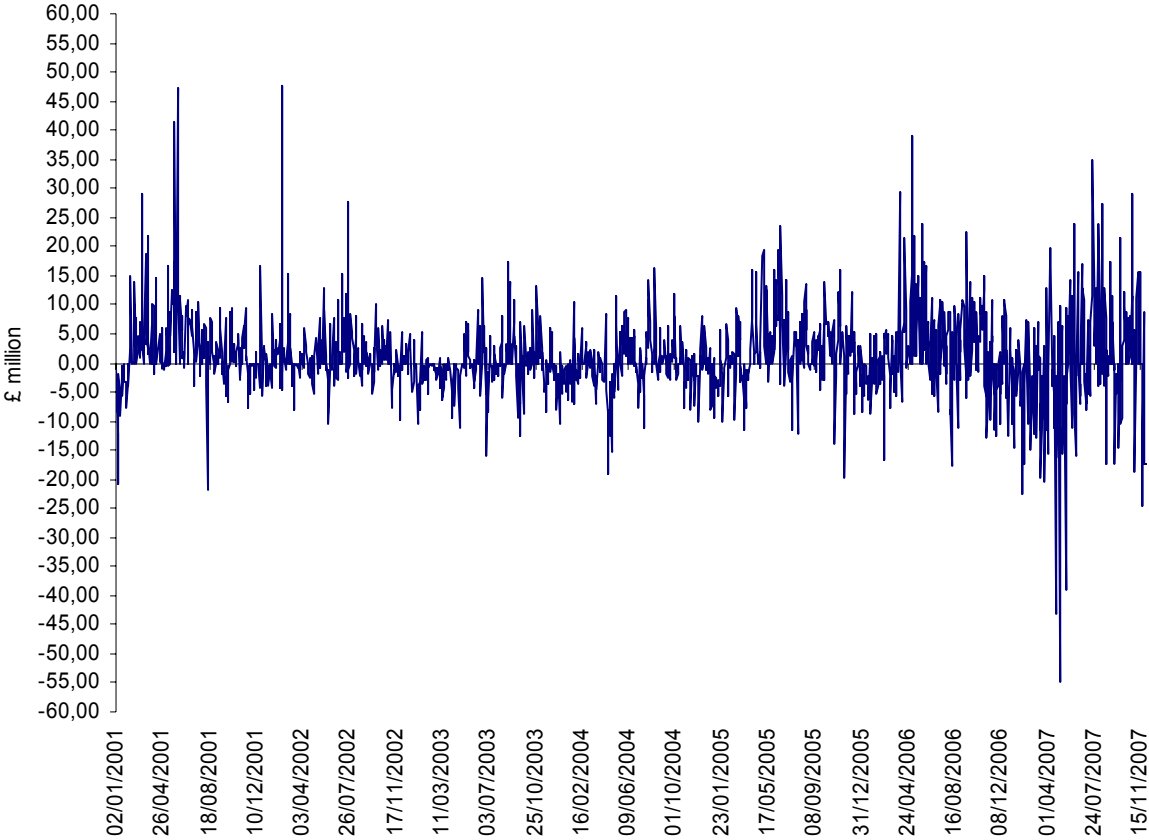
The outlook indicated by the nominal index differs from the one indicated by the real index. The sharper appreciation observed in real terms is primarily attributable to the higher inflation recorded in Cyprus compared with other European countries, largely as a result of the progressive increase in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

Table 3 (p.12) illustrates the CBC’s total foreign currency transactions until 19 September 2007 on the basis of their transaction dates. The corresponding daily total transactions in foreign currency by the CBC from 2001 until today are illustrated in **Chart 5** below.

During the period 1 January – 23 November 2007, net outflows of £80,20 million were recorded compared with net inflows of £600,01 million in the corresponding period of 2006.

Chart 5

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



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

Table 3**Domestic foreign exchange market: purchases and sales by the Central Bank of Cyprus**

| Period | Foreign currency per Cyprus pound (period average) | | | Purchases(+)/Sales(-) of foreign exchange by the Central Bank (based on transaction date) | | | |
|------------------|---|--------|----------|---|--------|----------|----------------------------------|
| | | | | In foreign currency (million) | | | In Cyprus pounds (million) |
| | Euro | USD | Sterling | Euro | Dollar | Sterling | |
| Yearly | | | | | | | |
| 2001 | 1,7314 | 1,5602 | 1,0805 | 755,82 | 242,99 | 76,39 | 663,30 |
| 2002 | 1,7383 | 1,6445 | 1,0934 | 321,55 | 64,75 | 53,05 | 273,13 |
| 2003 | 1,7122 | 1,9361 | 1,1844 | -259,75 | 1,30 | 19,50 | -134,01 |
| 2004 | 1,7187 | 2,1357 | 1,1663 | -91,40 | 15,75 | 25,70 | -25,52 |
| 2005 | 1,7310 | 2,1574 | 1,1858 | 899,55 | 29,30 | 37,30 | 560,68 |
| 2006 | 1,7350 | 2,1826 | 1,1844 | 1024,25 | 0,40 | 4,40 | 593,65 |
| Quarterly | | | | | | | |
| 2005 Q1 | 1,7161 | 2,2496 | 1,1902 | -161,10 | 10,50 | 30,10 | -64,10 |
| 2005 Q2 | 1,7297 | 2,1785 | 1,1742 | 518,15 | 22,30 | 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 | 0,50 | 2,90 | 170,09 |
| 2006 Q1 | 1,7407 | 2,0930 | 1,1947 | -85,05 | 1,70 | 0,60 | -47,47 |
| 2006 Q2 | 1,7379 | 2,1830 | 1,1962 | 631,05 | 0,00 | 2,00 | 364,75 |
| 2006 Q3 | 1,7383 | 2,2116 | 1,1891 | 284,85 | -0,15 | 1,80 | 152,29 |
| 2006 Q4 | 1,7316 | 2,2345 | 1,1658 | 154,90 | -0,15 | 0,00 | 89,18 |
| 2007 Q1 | 1,7266 | 2,2622 | 1,1576 | -426,90 | -2,00 | 4,20 | -243,93 |
| 2007 Q2 | 1,7159 | 2,3134 | 1,1644 | -165,80 | 0,00 | -1,00 | -97,23 |
| 2006 | | | | | | | |
| January | 1,7429 | 2,1102 | 1,1960 | -79,95 | -0,30 | 0,00 | -46,01 |
| February | 1,7411 | 2,0980 | 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 | 1,7310 | 2,2300 | 1,1666 | -81,50 | -0,15 | 0,00 | -47,18 |
| December | 1,7298 | 2,2860 | 1,1640 | 26,00 | 0,00 | 0,00 | 15,03 |
| 2007 | | | | | | | |
| January | 1,7288 | 2,2478 | 1,1474 | -142,40 | -2,00 | 2,00 | -81,55 |
| February | 1,7266 | 2,2556 | 1,1526 | -143,00 | 0,00 | 2,20 | -80,91 |
| March | 1,7251 | 2,2803 | 1,1732 | -141,50 | 0,00 | 0,00 | -81,47 |
| April | 1,7197 | 2,3257 | 1,1678 | -250,00 | 0,00 | 0,00 | -145,49 |
| May | 1,7152 | 2,3176 | 1,1688 | -0,50 | 0,00 | 0,00 | -0,29 |
| June | 1,7137 | 2,3002 | 1,1575 | 84,70 | 0,00 | -1,00 | 48,55 |
| July | 1,7120 | 2,3475 | 1,1545 | 198,00 | -0,30 | 0,00 | 115,55 |
| August | 1,7117 | 2,3324 | 1,1602 | 150,50 | 0,00 | 0,00 | 87,92 |
| September | 1,7118 | 2,3781 | 1,1790 | -47,50 | 0,00 | 0,00 | -27,75 |
| October | 1,7118 | 2,4351 | 1,1915 | 155,00 | -0,15 | 0,00 | 90,49 |
| November* | 1,7118 | 2,5060 | 1,2089 | -9,00 | 0,00 | 0,00 | -5,26 |

Source: Central Bank of Cyprus.

*Figure until 23 November 2007

2.2 MONETARY DEVELOPMENTS

The banking system in Cyprus consists of the domestic banks, the co-operative credit institutions (CCIs) and the former international banking units (IBUs). Following the complete liberalisation of capital movements, the former IBUs are free to provide credit to Cypriots¹.

Although there are updated figures for commercial banks, data for the 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 the CCIs our comments are based on estimates or preliminary data.

Analysis of monetary aggregates

During October M2 experienced a marginal increase in its growth rate compared with the previous month. The main reason for this increase is the acceleration in credit to the private sector (**Charts 6 and 7**, p. 15). At the same time, the increase in foreign currency loans persisted, with the share of new foreign currency loans to total loans outstanding at the end of October 2007 constituting 20,1% of total credit.

According to provisional data, the annual rate of growth of the total money supply M2C², which includes deposits in domestic banks and CCIs, was 17,7% in October, compared with 17,5% in September 2007 and 13,4% in October 2006.

1. It should be noted that upon introduction of the new monthly balance sheet for monetary and financial institutions (MFIs), the data from the former IBUs will be consolidated with the local MFIs.

2. The monetary aggregate M2C should be treated with caution since the CCIs 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 CCIs.

Credit to the private sector by domestic banks and the CCIs grew by 24,8% in October 2007, compared with 14,2% in the same month of 2006.

M2 grew by 18,5% in October, which was slightly higher than the 18,4% experienced in September, and significantly higher than the 14,5% experienced in October 2006. According to the three-month moving average, the rate of growth of M2 during the period August – October 2007 increased by 18,9%, compared with 19,2% in the period July – September 2007.

Table 4 (p. 14) 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 16,7% in October, compared with 20,3% in September 2007 and 24,3% in October 2006. The slowdown in M1 growth emanated mainly from demand deposits in local currency and currency in circulation. Quasi-money rose by 18,9% in October, compared with 18% in September 2007 and 12,4% in October 2006. The acceleration in quasi-money growth and the simultaneous slowdown in M1 growth indicate a switch from demand deposits towards time deposits. At the end of October, quasi-money accounted for 81,4% of total money supply while M1 accounted for 18,6% of total money supply.

The annual rate of growth of residents' local currency deposits rose by 10% in October, compared with 10,7% in September 2007 and 13,8% in October 2006. At the same time, the annual rate of growth of resident foreign currency deposits was 87% in October, compared with 82% in September 2007 and 23,1% in October 2006. This development was

partly the result of a narrowing in the interest rate gap between euro and Cyprus pound deposits, the forthcoming adoption of the euro on 1 January 2008 and the fact that, since 30 October 2006, all transactions on the Cyprus Stock Exchange are undertaken in euro.

The acceleration in the growth of M2 was mainly a result of the increase in credit to the private sector, which grew by 27,3% in October,

compared with 25,8% in September 2007 and 15,5% in October 2006. The three-month moving average of credit growth was 26,2% during the period August – October 2007, compared with 25% in the period July – September 2007. On the other hand, credit to the public sector declined by 11,5% and 9,9% in October and September, respectively, compared with an increase of 20,4% in October 2006.

Table 4
Main monetary indicators

| | Outstanding amount as a percentage of M2 ⁽¹⁾ | Annual percentage change | | | |
|---|---|--------------------------|--------------|---------------|--------------|
| | | 2006 Sept. | 2006 Oct. | 2007 Sept. | 2007 Oct. |
| Money supply (M1) | 18,6 | 22,2 | 24,3 | 20,3 | 16,7 |
| Currency in circulation | 4,3 | 6,8 | 8,0 | 3,4 | -0,1 |
| Demand deposits | 14,4 | 29,6 | 31,6 | 27,1 | 22,9 |
| Quasi-money | 81,4 | 12,3 | 12,4 | 18,0 | 18,9 |
| Total money supply (M2) | 100,0 | 14,0 | 14,5 | 18,4 | 18,5 |
| Claims on private sector ⁽²⁾ | | 15,2 | 15,5 | 25,8 | 27,3 |
| of which in foreign currency | | 64,2 | 64,0 | 44,4 | 47,2 |
| Claims on public sector | | 22,7 | 20,4 | -9,9 | -11,5 |

Source: Central Bank of Cyprus.

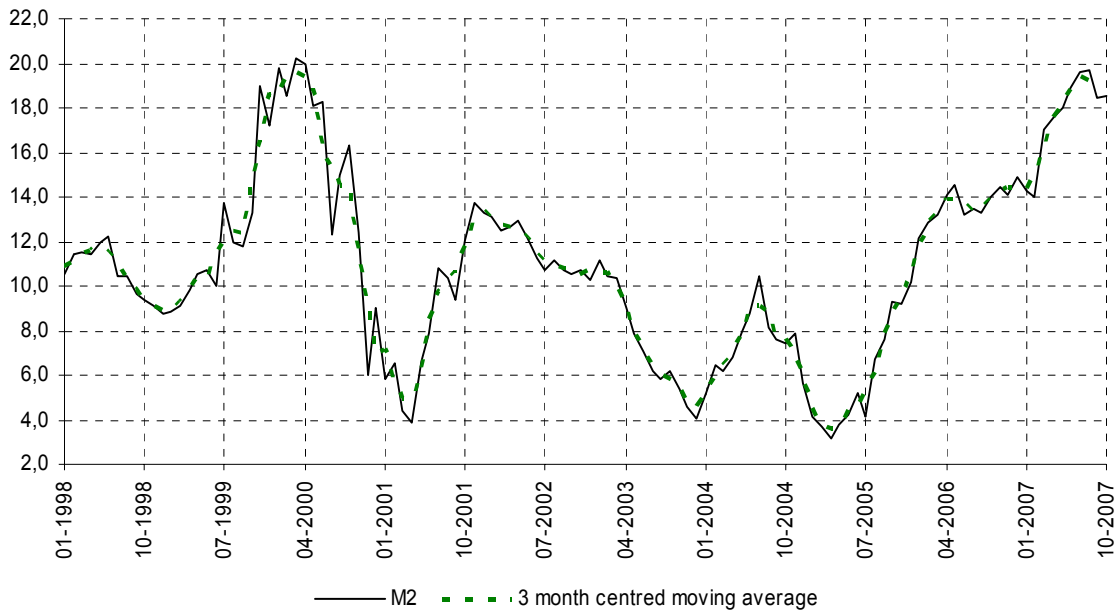
(1) As at the end of the last month available.

(2) In March 2007 certain municipality loans held with CCIs and other institutions not included in the monetary aggregates, were repayed with new loans from domestic banks. Adjusting for this, the growth rates for September and October 2007 is 24,7% and 26,2%, respectively.

Chart 6

M2 growth

(annual percentage change, monthly data)

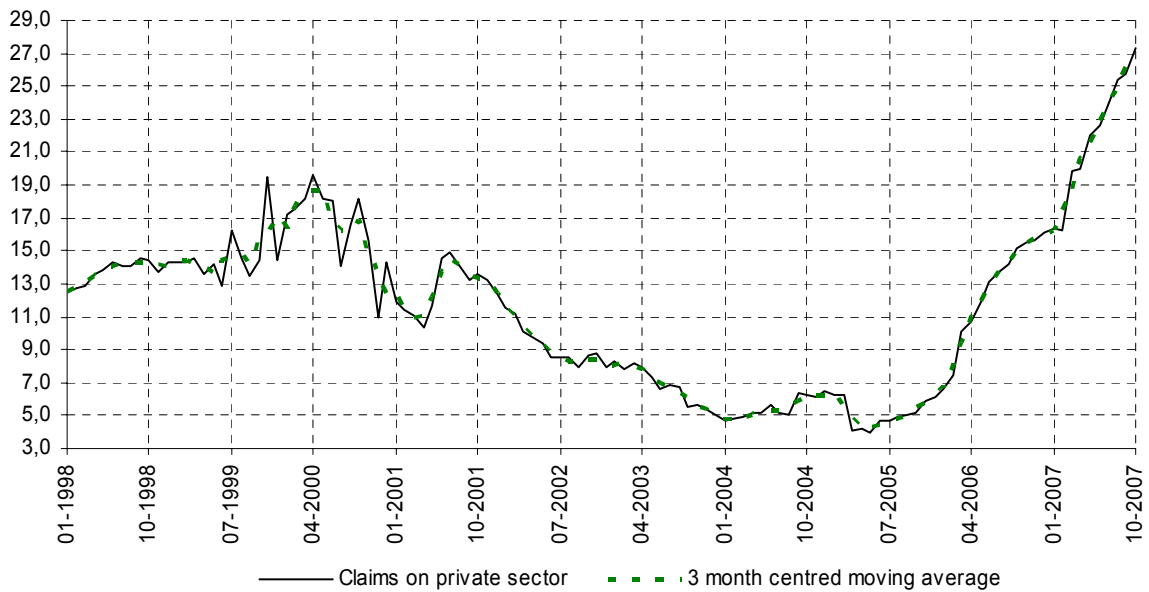


Source: Central Bank of Cyprus.

Chart 7

Growth of claims on private sector

(annual percentage change, monthly data)



Source: Central Bank of Cyprus.

The breakdown of bank credit by sector of economic activity (**Table 5**, p. 17) shows that personal/professional loans rose by 40,1% in October, compared with 35,8% in September 2007 and 24,5% in October 2006. Credit to the construction sector rose at an annual rate of 40,4% in October, compared with 40% in September 2007 and 23,3% October 2006. With respect to the rest of the main sectors, credit to the foreign and domestic trade sector rose by 11% in October, compared with an increase of 11,1% in September 2007 and a decrease of 3,1% in October 2006. Finally, credit to the tourism sector rose by 15,5% in October, compared with 9,3% in September 2007 and 7,2% in October 2006.

The largest share of total outstanding amounts at the end of October 2007 was maintained by personal/professional loans with 53%, followed by credit to the construction sector with 19,4%, foreign and domestic trade with 11,1% and tourism with 6,9%.

Foreign currency lending to residents by domestic banks rose by €856,2 million in the 12 months to October 2007, compared with a rise of €708 million in the same period of the previous year (**Table 6**, p. 17). The share of new foreign currency loans to total new loans given in the 12 months to October 2007 was 30%, compared with 50,4% in the same period of 2006. The share of new foreign currency loans to total loans outstanding at the end of October 2007 was 20,1%, compared with 17,4% at the end of October 2006.

At the end of September 2007, loans in euro as a percentage of total foreign currency loans reached 55,6%, loans in Swiss francs accounted for 35,6%, loans in dollars accounted for 3,6% and loans in yen accounted for 4,3%, compared with 57,8%, 33,8%, 5,8% and 1,7%,

respectively, at the end of September 2006. The increasing share of loans in Swiss francs is attributed to the low interest rates in this currency, as opposed to the steady and continuous rise of euro interest rates in the last two years. It also 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 fluctuations.

Domestic expenditure by holders of Cypriot credit cards rose at an annual rate of 16,7% in October 2007, compared with 12,6% in October 2006. In the first ten months of 2007, this expenditure rose by 17,8% compared with 16,6% in the same period of 2006.

Expenditure by Cypriot cardholders abroad rose at an annual rate of 36,7% in October, compared with 40,7% in the same month of the previous year. During the period January – October 2007, this type of expenditure rose by 37%, compared with 36,5% in the same period of the preceding year.

Foreign cardholders' expenditure in Cyprus rose at an annual rate of 8,4% in October 2007, compared with 2,9% in the same period of 2006. During the first ten months of the current year, this type of expenditure rose by 5,5% compared with a rise of 5,1% in the same period of 2006 (**Table 7**, p. 18).

Table 5
Bank credit by sector⁽¹⁾

| | Outstanding amount as a percentage of total ⁽²⁾ | Annual percentage change | | | |
|---|--|--------------------------|--------------|---------------|--------------|
| | | 2006 Sept. | 2006 Oct. | 2007 Sept. | 2007 Oct. |
| Public institutions and corporations ⁽³⁾ | 3,57 | 11,2 | 10,0 | 47,3 | 60,1 |
| Agriculture | 0,85 | -9,9 | -1,1 | 21,0 | 22,0 |
| Mining | 0,20 | 0,2 | -1,2 | -1,6 | 3,3 |
| Manufacturing | 3,67 | 3,0 | 1,9 | 0,8 | 3,1 |
| Transport and communications | 1,41 | 16,5 | 22,8 | 100,2 | 88,7 |
| Foreign and domestic trade | 11,09 | -1,0 | -3,1 | 11,1 | 11,0 |
| Building and construction | 19,37 | 23,5 | 23,3 | 40,0 | 40,4 |
| Tourism | 6,87 | 6,0 | 7,2 | 9,3 | 15,5 |
| Personal and professional loans | 52,96 | 23,5 | 24,5 | 35,8 | 40,1 |
| Bills discounted: local | 0,01 | 7,0 | 22,5 | -44,6 | -52,3 |
| foreign | 0,01 | 22,0 | 19,3 | -47,8 | -49,1 |
| 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⁾

| | 2004 | 2005 | 2006 | 2006 Oct. | 2007 Sept. | 2007 Oct. |
|--|---------|---------|----------|--------------|---------------|--------------|
| <i>(outstanding amounts at end of period, CYP million)</i> | | | | | | |
| Foreign currency loans to residents | 909,9 | 1.205,8 | 1.896,9 | 1.813,4 | 2.531,2 | 2.669,6 |
| Claims on private sector | 8.843,7 | 9.390,8 | 10.901,2 | 10.451,8 | 13.088,6 | 13.307,2 |
| Share % | 10,3 | 12,8 | 17,4 | 17,4 | 19,3 | 20,1 |
| <i>(12 month change, CYP million)</i> | | | | | | |
| Foreign currency loans to residents | 111,0 | 295,8 | 691,2 | 708,0 | 777,9 | 856,2 |
| Claims on private sector | 541,7 | 547,1 | 1.510,4 | 1.405,8 | 2.683,7 | 2.855,4 |
| Share % | 20,5 | 54,1 | 45,8 | 50,4 | 29,0 | 30,0 |

Source: Central Bank of Cyprus.

(1) From domestic banks.

Table 7
Credit card transactions

| | 2005 | 2006 | October | | Jan.-Oct. | |
|--|---------|---------|---------|--------|-----------|---------|
| | | | 2006 | 2007 | 2006 | 2007 |
| Foreign cardholder spending in Cyprus | | | | | | |
| Value (CYP thousand) | 244.609 | 256.958 | 31.064 | 33.684 | 227.982 | 240.538 |
| Annual % change | 5,1 | 5,0 | 2,9 | 8,4 | 5,1 | 5,5 |
| Local cardholder spending in Cyprus | | | | | | |
| Value (CYP thousand) | 659.486 | 769.917 | 61.633 | 71.930 | 608.865 | 717.223 |
| Annual % change | 11,4 | 16,7 | 12,6 | 16,7 | 16,6 | 17,8 |
| Local cardholder spending abroad | | | | | | |
| Value (CYP thousand) | 244.131 | 332.497 | 33.923 | 46.378 | 268.186 | 367.443 |
| Annual % change | 25,2 | 36,2 | 40,7 | 36,7 | 36,5 | 37,0 |

Source: JCC Payment Systems.

Co-operative Credit Institutions (CCIs)³

During October 2007 local currency deposits with CCIs amounted to 38,6% of deposits in CCIs and domestic banks, compared with 38% in October 2006. In October 2007 the share of CCI loans in local currency loans was estimated at 28,4%, compared with 29,8% in October 2006. The reduction in the share of CCI loans is partly due to the preference of Cypriots for foreign currency loans, which are only offered by commercial banks. Deposits with CCIs are estimated to have risen by 13,9% in the 12 months to October 2007, compared with 14,3% in the same period to October 2006. Loans in Cyprus pounds given out by CCIs are estimated to have increased by 15,5% in October 2007, compared with 10,1% in the same month of 2006.

Money market

During October 2007, there was a decrease in excess bank liquidity.⁴ The main factor which negatively affected surplus liquidity was the increase in government deposits (Table 8, p. 19). Consequently, during the period from October to 21 November 2007, no auctions were held for the acceptance of deposits by the CBC.

3. The data for the CCIs are estimated by the Central Bank based on a sample of 172 CCIs, which make up about 99% of total deposits and loans in the co-operative sector.

4. The box on pages 21 and 22 presents the liquidity conditions for the period 13 September - 7 November 2007. Any differences in the amounts are due to the different periods being analysed.

Table 8
Banking system's liquidity position

(CYP million, period averages of daily positions)

| | Liquidity - providing factors | | | | | Liquidity - absorbing factors | | | | | | Credit institutions current accounts (MRA) | Base money (6+7+9+12) |
|-----------|---|-------------------------------------|----------------------------------|-------------------------------------|---|-------------------------------|--|-------------------|-------------------------|---|---------------------|--|------------------------------|
| | Monetary policy operations | | | | | Deposit facility (overnight) | Other liquidity-absorbing operations (additional, special & S.M.E. dep.) | Rev-repos & depos | Currency in circulation | Central govern. deposits (net) ⁽¹⁾ | Other factors (net) | | |
| | Net assets in gold and foreign currency (NFA) | Main refinancing operations (repos) | Long-term refinancing operations | Marginal lending facility (lombard) | Other liquidity providing operations (swap) | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 2005 Oct. | 1.712,1 | 0,0 | 0,0 | 7,3 | 0,0 | 55,1 | 79,3 | 168,1 | 579,7 | -12,5 | 231,5 | 618,1 | 1.332,3 |
| Nov. | 1.772,0 | 0,0 | 0,0 | 0,0 | 0,0 | 181,7 | 79,3 | 173,7 | 566,4 | -41,3 | 246,6 | 565,6 | 1.393,1 |
| Dec. | 1.830,5 | 0,0 | 0,0 | 0,0 | 0,0 | 198,5 | 79,3 | 227,7 | 594,8 | -130,6 | 277,8 | 583,0 | 1.455,7 |
| 2006 Jan. | 1.840,4 | 0,0 | 0,0 | 0,0 | 0,0 | 190,5 | 0,1 | 333,5 | 579,2 | -148,0 | 223,8 | 661,1 | 1.430,9 |
| Feb. | 1.796,1 | 0,0 | 0,0 | 0,0 | 0,0 | 174,0 | 0,0 | 302,9 | 562,2 | -154,2 | 236,9 | 674,3 | 1.410,5 |
| Mar. | 1.792,1 | 0,0 | 0,0 | 0,9 | 0,0 | 238,8 | 0,1 | 256,1 | 564,8 | -210,2 | 265,8 | 677,6 | 1.481,2 |
| Apr. | 1.845,7 | 0,0 | 0,0 | 0,0 | 0,0 | 183,3 | 0,0 | 138,7 | 594,7 | -32,1 | 266,1 | 695,1 | 1.473,1 |
| May | 1.993,9 | 0,0 | 0,0 | 0,0 | 0,0 | 233,0 | 0,0 | 269,7 | 603,8 | -78,0 | 271,3 | 694,2 | 1.531,0 |
| June | 2.066,8 | 0,0 | 0,0 | 0,0 | 0,0 | 237,5 | 0,0 | 417,3 | 618,9 | -176,4 | 272,0 | 697,4 | 1.553,8 |
| July | 1.974,6 | 0,0 | 0,0 | 5,7 | 0,0 | 132,6 | 0,2 | 431,0 | 633,6 | -133,8 | 211,6 | 705,1 | 1.471,5 |
| Aug. | 2.007,3 | 0,0 | 0,0 | 13,7 | 0,0 | 100,0 | 0,0 | 477,4 | 636,3 | -127,0 | 225,7 | 708,6 | 1.444,9 |
| Sep. | 2.073,3 | 0,0 | 0,0 | 0,5 | 0,0 | 155,9 | 0,0 | 500,0 | 625,3 | -171,5 | 245,2 | 718,9 | 1.500,1 |
| Oct. | 2.182,6 | 0,0 | 0,0 | 0,0 | 0,0 | 244,4 | 0,1 | 538,1 | 622,9 | -230,0 | 262,9 | 744,3 | 1.611,7 |
| Nov. | 2.247,0 | 0,0 | 0,0 | 0,0 | 0,0 | 260,7 | 0,0 | 580,0 | 609,8 | -233,7 | 277,9 | 752,1 | 1.622,7 |
| Dec. | 2.195,8 | 0,0 | 0,0 | 0,0 | 0,0 | 294,7 | 0,0 | 564,5 | 643,4 | -352,0 | 278,5 | 766,7 | 1.704,9 |
| 2007 Jan. | 2.181,3 | 0,0 | 0,0 | 0,0 | 0,0 | 288,9 | 0,0 | 645,2 | 636,5 | -413,7 | 240,9 | 783,5 | 1.708,8 |
| Feb. | 2.109,9 | 0,0 | 0,0 | 0,0 | 0,0 | 204,6 | 0,0 | 525,0 | 616,0 | -314,7 | 270,7 | 808,3 | 1.628,9 |
| Mar. | 1.992,6 | 0,0 | 0,0 | 0,0 | 0,0 | 145,2 | 0,0 | 285,5 | 616,3 | -163,0 | 279,9 | 828,7 | 1.590,2 |
| Apr. | 1.888,7 | 0,0 | 0,0 | 0,0 | 0,0 | 64,7 | 0,0 | 110,0 | 642,6 | -39,2 | 290,5 | 820,1 | 1.527,4 |
| May | 1.828,8 | 0,0 | 0,0 | 11,3 | 0,0 | 15,7 | 0,1 | 42,9 | 648,0 | -4,9 | 288,8 | 849,4 | 1.513,2 |
| June | 1.892,1 | 0,0 | 0,0 | 0,0 | 0,0 | 50,4 | 0,0 | 68,7 | 666,1 | -48,1 | 310,1 | 844,9 | 1.561,4 |
| July | 1.930,1 | 0,0 | 0,0 | 25,6 | 0,0 | 34,7 | 0,0 | 255,4 | 684,7 | -160,7 | 277,1 | 864,6 | 1.583,9 |
| Aug. | 2.049,2 | 0,0 | 0,0 | 19,9 | 0,0 | 21,9 | 0,0 | 361,7 | 681,4 | -163,7 | 282,0 | 885,7 | 1.589,0 |
| Sep. | 2.083,0 | 0,0 | 0,0 | 19,2 | 0,0 | 53,0 | 0,1 | 267,2 | 659,2 | -85,3 | 294,6 | 913,3 | 1.625,6 |
| Oct. | 2.079,6 | 0,0 | 0,0 | 67,0 | 0,0 | 71,3 | 0,0 | 206,0 | 645,0 | 22,3 | 311,3 | 890,7 | 1.607,0 |

Source: Central Bank of Cyprus.

(1) The negative sign of net central government deposits is due to the inclusion of the government loan amounting to €961,1 million. Following the prohibition of public sector financing by the Central Bank in July 2002, outstanding claims of the Central Bank of Cyprus on the government were converted into a loan with a maturity of 30 years, the repayment of which will commence in July 2008.

Table 9**Interest rates***(percent per annum, period averages)*

| | 2004 | 2005 | 2006 | 2006 Oct. | 2007 Aug. | 2007 Sep. | 2007 Oct. |
|-------------------------------|------|------|------|--------------|--------------|--------------|--------------|
| Interbank (1 day) | 3,92 | 3,27 | 2,90 | 3,67 | 4,49 | 4,55 | 4,55 |
| Acceptance of deposits | 3,89 | 3,28 | 3,00 | 3,89 | 4,53 | 4,58 | 4,60 |
| Treasury bills (13 weeks) | 4,21 | 4,26 | 2,56 | - | - | - | - |
| Treasury bills (52 weeks) | 4,77 | 4,29 | 2,89 | - | - | - | - |
| Development stocks (2 years) | 5,14 | 4,74 | 3,40 | - | - | - | - |
| Development stocks (5 years) | 5,92 | 5,68 | 3,84 | 4,11 | - | - | - |
| Development stocks (10 years) | 6,07 | 5,17 | 4,12 | 4,26 | - | 4,60 | - |
| Development stocks (15 years) | 6,31 | 5,61 | - | - | - | - | - |

Source: Central Bank of Cyprus.

Table 9 shows that in October 2007 no auctions were held in either treasury bills or government bonds. The interbank overnight interest rate remained at 4,55% during both October and September, compared with 4,49% in August 2007.

Table 10 (p. 23) provides a comparison between domestic and EU long-term interest rates. Most recent data refer to the latest 12 month moving average until October 2007 and show that domestic long-term real interest rates exceeded the corresponding euro area rates by 28 basis points.

BOX 2
Liquidity conditions and monetary policy operations

This box reviews the Central Bank of Cyprus (CBC) liquidity management from 13 September to 7 November 2007. Figure 1 summarises the liquidity absorption and provision through monetary policy operations, while Figure 2 presents the developments in the main short-term interest rates.

Liquidity conditions in the banking system

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

Monetary policy operations and interest rates

The CBC conducted only one Liquidity Absorbing Operation (LAO) through an auction 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 | 13/09/2007 | 27/09/2007 | 11,0 | 11,0 | 1,00 | 4,45 | 14 |

Source: Central Bank of Cyprus.

The LAO was carried out through a variable rate tender with a maximum bid rate of 4,50%. Following the maturity of this operation on 27 September 2007 and until the end of the period under review, no other open market operation was carried out due to balanced liquidity conditions.

Standing facilities

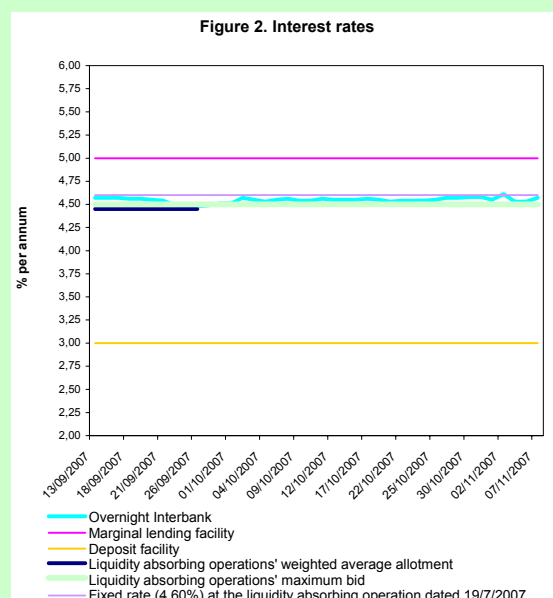
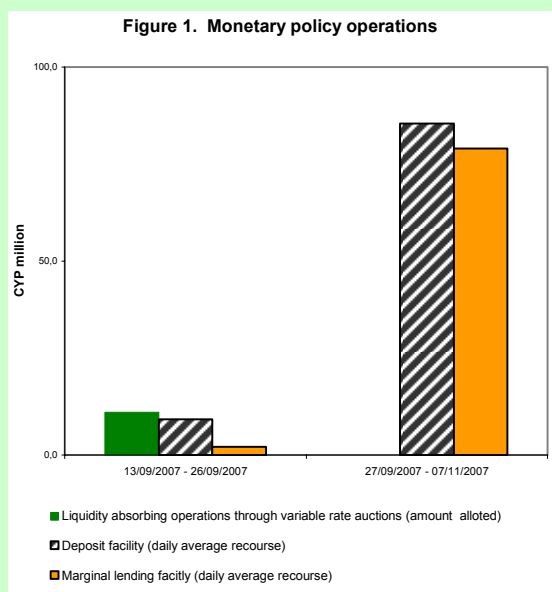
(period averages of daily recourse in CYP million)

| Period | Deposit facility | Marginal lending facility |
|-------------------------|------------------|---------------------------|
| 13/09/2007 - 26/09/2007 | 9,2 | 2,1 |
| 27/09/2007 - 07/11/2007 | 85,5 | 79,0 |

Source: Central Bank of Cyprus.

Despite the aforementioned, mainly, balanced liquidity conditions, average recourse to the deposit facility during the above periods ranged between £9,2 million and £85,5 million, and average recourse to the marginal lending facility between £2,1 million and £79 million.

BOX 2 (continued)



Overnight interbank interest rate
(percent per annum)

| Period | Minimum rate | Maximum rate | Average rate |
|-------------------------|--------------|--------------|--------------|
| 13/09/2007 - 26/09/2007 | 4,47 | 4,57 | 4,54 |
| 27/09/2007 - 07/11/2007 | 4,49 | 4,61 | 4,55 |

Source: Central Bank of Cyprus.

During the period under review the overnight interbank interest rate ranged between 4,47% and 4,61%. The average rate stood at around 4,55%.

International and domestic official interest rates

As already mentioned, at their recent meetings on 8 November 2007 the ECB and the Bank of England left their official interest rates unchanged at 4% and 5,75%, respectively. In contrast, the Federal Reserve lowered further its official interest rate from 4,75% to 4,5% at its recent meeting on 31 October 2007. This decision was made due to concerns about

inherent risks for the economy's growth, following the crisis in the subprime loans market in August 2007.

On the other hand, the CBC left its interest rates unaltered at its meeting on 12 November 2007 (Table 11, p. 24). More specifically, the minimum bid rate on the main refinancing operations remained at 4,5%, while the marginal lending facility and the overnight deposit facility rates remained at 5% and 3%, respectively.

Table 10
Inflation and interest rates in Europe and Cyprus – October 2007

(latest 12-month average)

| | Inflation (HICP) | Long-term interest rates | Long-term real interest rates |
|------------------------|-------------------|--------------------------|-------------------------------|
| | (%) | (%) | (%) |
| Austria | 1,90 | 4,21 | 2,31 |
| Belgium | 1,70 | 4,24 | 2,54 |
| Czech Republic | 2,30 | 4,14 | 1,84 |
| Denmark | 1,50 | 4,20 | 2,70 |
| Estonia ⁽¹⁾ | 5,60 | 5,17 | -0,43 |
| Finland | 1,50 | 4,21 | 2,71 |
| France | 1,40 | 4,22 | 2,82 |
| Germany | 2,00 | 4,15 | 2,15 |
| Greece | 2,90 | 4,42 | 1,52 |
| Hungary | 7,80 | 6,76 | -1,04 |
| Ireland | 2,80 | 4,20 | 1,40 |
| Italy | 1,90 | 4,41 | 2,51 |
| Latvia | 8,90 | 5,25 | -3,65 |
| Lithuania | 5,20 | 4,47 | -0,73 |
| Luxembourg | 2,30 | 4,46 | 2,16 |
| Malta | 0,30 | 4,65 | 4,35 |
| Netherlands | 1,60 | 4,20 | 2,60 |
| Poland | 2,20 | 5,38 | 3,18 |
| Portugal | 2,40 | 4,34 | 1,94 |
| Slovakia | 2,10 | 4,42 | 2,32 |
| Slovenia | 3,30 | 4,44 | 1,14 |
| Spain | 2,60 | 4,22 | 1,62 |
| Sweden | 1,50 | 4,06 | 2,56 |
| United Kingdom | 2,40 | 5,02 | 2,62 |
| Eurozone | 1,90 | 4,24 | 2,34 |
| EU -25 | 2,10 | 4,47 | 2,37 |
| Cyprus | 1,80 | 4,42 | 2,62 |

Source: Eurostat.

(1) Data for September 2007.

Table 11

Selected official interest rates

(percent per annum, changes in percentage points)

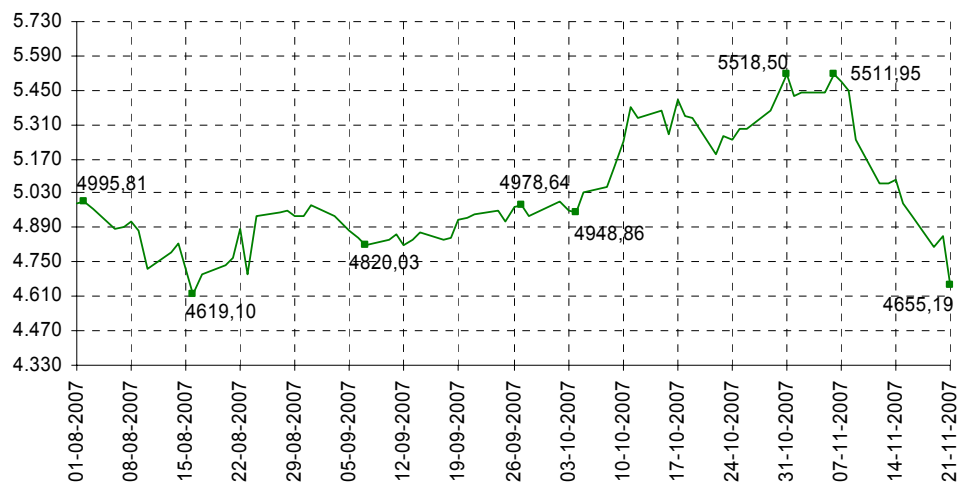
| | | change |
|--|------|--------|
| European Central Bank | | |
| <i>(8 November 2007)</i> | | |
| Minimum bid rate on the main refinancing operations | 4,00 | - |
| Interest rate on the marginal lending facility | 5,00 | - |
| Interest rate on the deposit facility | 3,00 | - |
| Bank of England | | |
| <i>(8 November 2007)</i> | | |
| Rate paid on commercial bank reserves | 5,75 | - |
| Federal Reserve | | |
| <i>(31 October 2007)</i> | | |
| Federal funds rate | 4,50 | -0,25 |
| Discount rate | 5,00 | -0,25 |
| Central Bank of Cyprus | | |
| <i>(12 November 2007)</i> | | |
| Minimum bid rate on the main refinancing operations | 4,50 | - |
| Maximum bid rate on the liquidity absorbing operations | 4,50 | - |
| Interest rate on the marginal lending facility | 5,00 | - |
| Interest rate on the deposit facility | 3,00 | - |

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

Chart 8

Cyprus Stock Exchange - main and parallel market index

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



Source: Cyprus Stock Exchange.

Cyprus Stock Exchange (CSE)

The main and parallel index of the CSE increased during September and October 2007. The banking sector continued to account for a predominant share in stocks purchased, mainly due to the banks' positive financial results in the third quarter.

However, by 21 November the index experienced a significant decline, since it was affected by the persistent increases in oil prices and the strong euro, which undermines European exports. The losses increased further as a result of the decline experienced in the US stock market, with banks under pressure, mainly due to uncertainties relating to the subprime loans crisis.

More specifically, in November 2007 the aforementioned index fluctuated between 4.655,2 and 5.512, reaching a monthly average of 5.164,6. During the period from 1 January to 21 November 2007, the average value of the index was 4.678,1.

An analysis of the purchases / sales of listed shares by non-residents is shown in the Annex (**Table 13**, p. 49).

2.3 INFLATION

In October 2007 the consumer price index exhibited a marginal acceleration registering an increase of 2,99%, compared with 2,63% in the previous month. As **Table 12** (p. 26) shows, the increase in the rate of inflation in August (compared with July) largely reflects the acceleration in the price of petroleum products, electricity, domestic industrial products and services as well as the small increase, compared with a fall in the previous month, of the price of imported products, excluding cars. For the first ten months of the year, inflation reached 2,09%. More specifically, domestic product prices rose by 4,06%, petroleum product prices by 0,49% and

imported product prices fell by 2,36%. Finally, the prices of services rose by 3,49%.

As illustrated in **Table 12** (p. 26), in the category of domestic products a rise was observed in the price of electricity which increased by 4,5% year-on-year in October, compared with a 3,44% year-on-year increase in September 2007. At the same time, an acceleration was observed in the prices of domestic industrial products while the prices of agricultural products decelerated significantly and rose by 0,4% in October, compared with an increase of 9,52% in the previous month. It should be noted that the prices of domestic agricultural products significantly influence inflation. In the first ten months of the year their contribution to inflation was 0,7 percentage points (see Annex, **Table 10**, p. 46). This development reflects the increase in the prices of fruit and vegetables due to the summer heatwave. The prices of petroleum products rose by 9,31% compared with 3,36% in September.

The prices of imported products (excluding petroleum products) decreased by 0,75% in October 2007, compared with a fall of 2,62% in the previous month. More specifically, the price of motor vehicles decreased by 8,98%. This was due to the reduction of excise taxes in November 2006. At the same time, an increase of 1,49% was registered in the prices of other imported products. Finally, the prices of services rose by 4,04% in October compared with 3,83% in September 2007. The biggest increases in the prices of services were recorded in the education, health, restaurants and transportation sectors.

The Harmonised Index of Consumer Prices (HICP) recorded an increase of 2,7% in October compared with 2,3% in September. It should be noted that until October 2007, the 12 month moving average HICP remained at 1,9%.

Table 12**Percentage change in consumer price index by economic category (%)**

October 2007/2006

Weights 2005=100

| | 2006 | October 2006/2005 | September 2007/2006 | October 2007/2006 | 1998=100 | 2005=100 (for 2006) | 2005=100 (for 2007) |
|-----------------------------|--------------|----------------------|------------------------|----------------------|---------------|------------------------|------------------------|
| GENERAL INDEX | 2,49 | 1,43 | 2,63 | 2,99 | 100,00 | 100,00 | 100,00 |
| A Domestic Products | 4,35 | 3,94 | 4,84 | 3,03 | 32,36 | 28,60 | 28,98 |
| A.1 Agricultural | 6,51 | 7,20 | 9,52 | 0,41 | 7,93 | 6,92 | 6,93 |
| A.2 Industrial | 2,47 | 2,65 | 3,10 | 3,69 | 22,91 | 19,24 | 19,29 |
| A.3 Electricity | 13,10 | 4,60 | 3,44 | 4,51 | 1,52 | 2,44 | 2,76 |
| B Petroleum Products | 8,09 | -6,37 | 3,36 | 9,31 | 4,33 | 6,44 | 6,63 |
| C Imported Products | -1,14 | -1,24 | -2,62 | -0,75 | 22,20 | 25,31 | 24,62 |
| C1 Motor vehicles | -1,38 | -1,28 | -8,92 | -8,98 | 9,43 | 6,15 | 5,41 |
| C2 Other imported | -1,07 | -1,23 | -0,81 | 1,49 | 12,77 | 19,16 | 19,21 |
| D Services | 2,57 | 2,69 | 3,83 | 4,04 | 41,11 | 39,65 | 39,77 |
| HICP | 2,2 | 1,7 | 2,3 | 2,7 | | | |

Source: Cystat.

For purposes of comparison, **Table 13** opposite shows the latest available monthly figures for inflation in Cyprus, the euro area and other developed economies as well as forecasts during 2007. As explained in more detail on page 36, inflation in Cyprus for 2007 is expected to register a marginal fall compared with last year or to remain at the same level.

Table 13**Inflation: Cyprus and other countries**

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

Source: *The Economist*, 17 November 2007, except data for Cyprus for which the sources are:

(1) Cystat.

(2) Central Bank of Cyprus.

2.4 PRODUCTION, DEMAND AND THE LABOUR MARKET

Production

In the first nine months of 2007, real GDP grew by 4,1% compared with 3,9% in the first nine months of 2006.

In the services sector, there was an increase of 0,6% in tourist arrivals in the first ten months of 2007, compared with a decrease of 2,4% in the same period of 2006. In the first nine months of 2007 tourist revenue increased by 7% compared with an increase of 3,2% in the same period of 2006.

In the secondary sectors of the economy, manufacturing exhibited an increase of 3,2% in the first eight months of 2007 compared with a decrease of 1,5% in the same period of 2006 (**Table 14**, p. 27 and **Chart 9** p. 28). In the construction sector, the volume of building permits rose by 5,7% in the first eight months of 2007 compared with a rise of 5,2% in the same period of 2006. In the first ten months of 2007, sales of cement increased by 10,8% compared with a rise of 2% in the corresponding period of 2006.

Table 14

Manufacturing production volume index

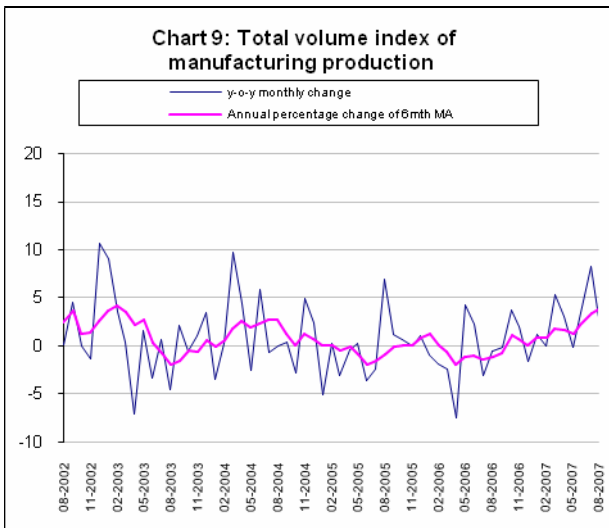
(percentage change by category)

| | August 06/05 | August 07/06 | Jan.-Aug. 06/05 | Jan.- Aug. 07/06 |
|--|-----------------|-----------------|--------------------|---------------------|
| General index | -1,0 | 3,3 | -1,5 | 3,2 |
| Food products, beverages & tobacco | -9,6 | 1,8 | -9,8 | 1,9 |
| Textiles & textile products | -7,4 | -9,8 | -24,6 | 1,9 |
| Leather & leather products | -19,8 | -15,4 | -22,1 | -5,6 |
| Wood & wood products | -28,8 | 3,0 | -0,9 | -1,8 |
| Paper, paper products, publishing & printing | 5,1 | -1,3 | 4,7 | -0,3 |
| Refined petroleum products | -40,0 | 33,3 | 0,9 | -17,2 |
| Chemicals, chemical products & man-made fibres | 17,5 | 9,8 | 6,0 | 9,7 |
| Rubber & plastic products | 6,0 | -0,6 | 2,5 | 4,9 |
| Other non-metallic mineral products | 4,5 | 7,3 | 2,1 | 6,3 |
| Basic metals & fabricated metal products | 19,9 | 4,7 | 7,6 | 4,1 |
| Machinery & equipment n.e.c. | 14,2 | 4,9 | 4,8 | 1,0 |
| Electrical & optical equipment | 44,9 | 25,8 | 26,3 | 11,2 |
| Transport equipment | 13,5 | 3,0 | 20,1 | 3,6 |
| Manufacturing n.e.c. | 5,5 | 3,6 | 2,4 | 2,2 |

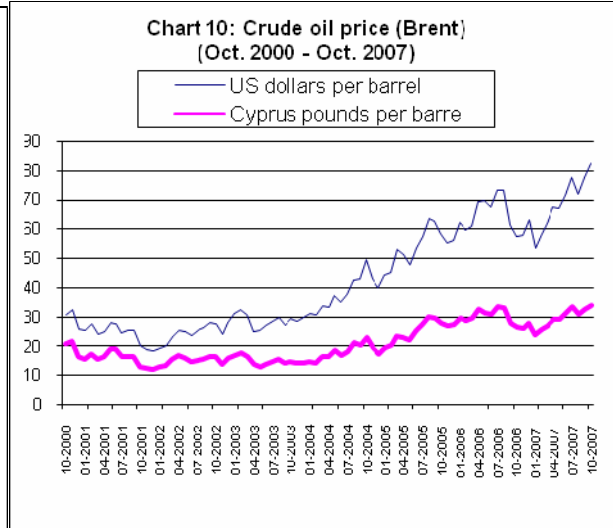
Source: Cystat.

Charts 9 - 13

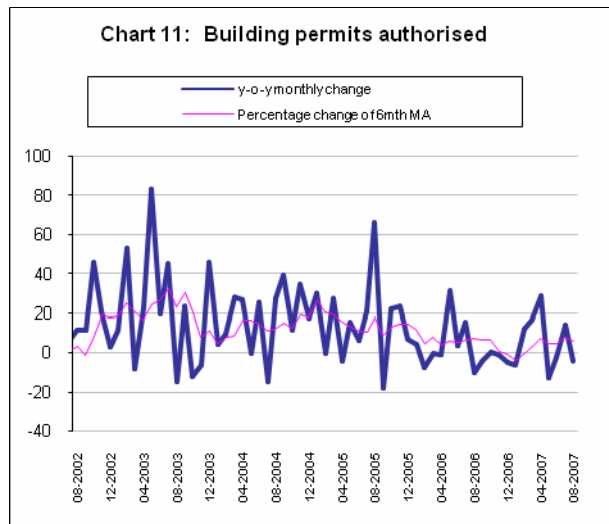
Selected economic indicators



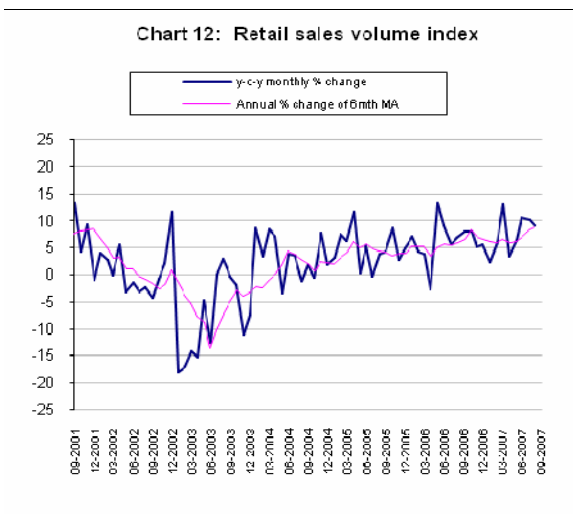
Source: Cystat.



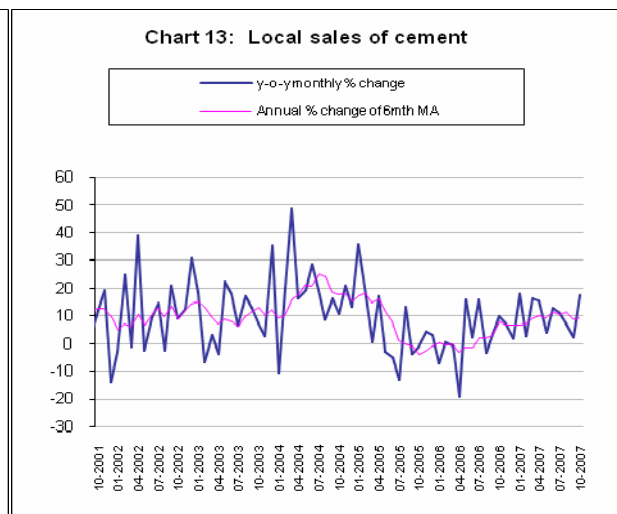
Source: Reuters.



Source: Cystat.



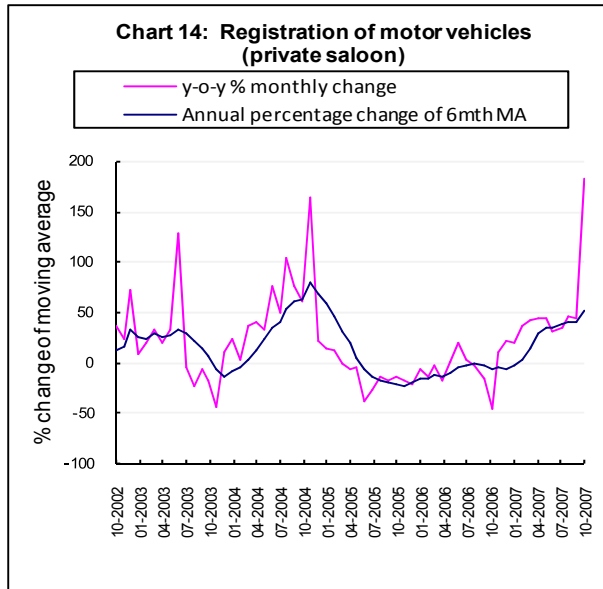
Source: Cystat.



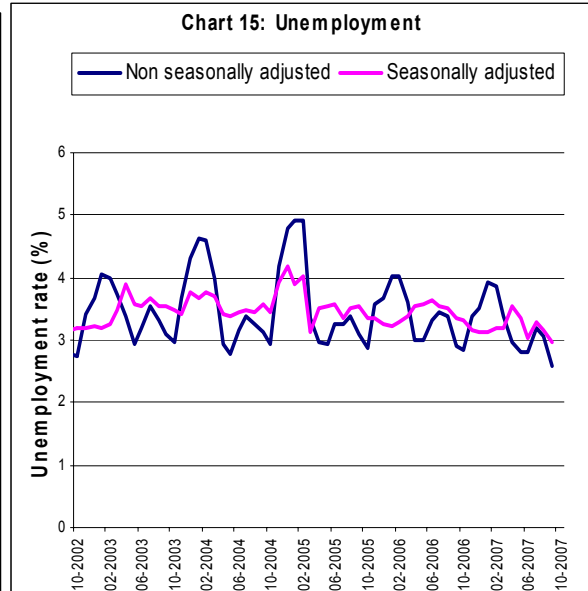
Source: Cystat.

Charts 14 -15

Selected economic indicators



Source: Cystat.



Source: Cystat.

Consumption

The turnover volume of retail trade from which the sales of motor vehicles are excluded, exhibited a rise of 7,5% in the first nine months of 2007 compared with a 6,2% increase in the same period of 2006. In September this index rose by 4,7% compared with a rise of 8,1% in the same period of 2006. Due to the reduction in excise taxes in November 2006, car registrations exhibited an increase of 45% in the first ten months of 2007.

unemployment during the first ten months of 2007 is due to the increase of the economically active population and the decrease of the number of unemployed, compared with the respective period of 2006.

Labour market

The most recent data on unemployment in the Labour Force Survey cover the first half of 2007. According to the survey, unemployment was recorded at 4,1% in the first half of 2007 compared with 5% in the first half of 2006. Employment increased to 374.000 in the first half of 2007 compared with 354.000 and 346.000 in the first half of 2006 and 2005 respectively.

The most recent data for the number of registered unemployed are those of October 2007. These show that the number of registered unemployed fell by 8,3%, while unemployment as a percentage of the economically active population fluctuated at around 2,6%, compared with 2,8% in October 2006.

For the period January – October 2007, the number of registered unemployed fell by 6,8% compared with a decrease of 1,8% in the same period of 2006. Unemployment as a percentage of the economically active population fluctuated at around 3,1%, compared with 3,4% in the corresponding period of the previous year. The data indicate that the reduction in registered

Table 15
Turnover volume index of retail trade

(percentage change by category)

| | September 06/05 | September 07/06 ⁽¹⁾ | Jan.-Sept. 06/05 | Jan.-Sept. 07/06 |
|---|--------------------|-----------------------------------|---------------------|---------------------|
| General index | 8,1 | 4,7 | 6,2 | 7,5 |
| Retail sale in non-specialised stores with food, beverages or tobacco predominating | 10,5 | 3,4 | 7,8 | 5,4 |
| Other retail sale in non-specialised stores | 6,9 | 1,3 | 2,4 | 4,4 |
| Retail sale of food, beverages and tobacco in specialised stores | 3,5 | -5,8 | 5,0 | -5,3 |
| Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles | 18,3 | 11,9 | 14,5 | 16,0 |
| Retail sale of textiles, clothing, footwear and leather goods | 4,5 | 10,5 | 6,3 | 9,2 |
| Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods hardware, paints and glass | 12,4 | 1,6 | 9,4 | 9,5 |
| Retail sale of books, newspapers and stationery and other retail sale in specialised stores | 5,1 | 11,0 | 0,9 | 12,5 |
| Retail sale of second-hand goods in stores | -36,4 | -10,4 | -14,5 | -46,5 |
| Retail sale not in stores | -9,0 | 6,4 | 4,9 | 7,8 |

Source: Cystat.

(1) Provisional data.

2.5 PUBLIC FINANCES

Provisional data published by Cystat for the period January – September 2007, indicate a government surplus of 3,4% of GDP compared with a deficit of 0,2% of GDP for the corresponding nine month period of 2006. Total receipts and expenditures rose by 18,9% and 6,1% respectively, reaching £3.007,3 million and £2.700,9 million, thus resulting in a surplus of £306,4 million.

More analytically, the following developments are noted.

On the revenue side, receipts from current taxes on income and wealth, which includes taxes on capital, increased by 35%. The continued strong performance of the construction and property sectors increased the revenues from capital gains taxation by 155%. For the same reason, the receipts from fees paid to the Land and Registry Department rose by 92,6% reaching £41,6 million compared with £21,6 million in the corresponding period of 2006. It should be noted that the 2006 figures had already registered a significant increase compared with previous years. Receipts from corporate taxation increased by 62% reflecting the increased profitability of companies, especially in the financial services sector. Receipts from taxes on production and imports rose by 14,2%, with VAT receipts increasing by 14,2% and reaching £735 million, largely due to the accelerated rate of GDP growth, especially private consumption, as well as increases in construction investment.

On the expenditure side, the increases in the various categories were smaller. More specifically, expenditure on the emoluments of employees rose by 6,1% reaching £934,8 million. Other current transfer expenditure, which

includes transfers to organisations to cover operational costs, rose by 28,4%, reaching £292,8 million. Social transfers, which includes transfers to low income households, rose by 13,9% reaching £782,6 million.

Public debt during the first nine months of 2007 reached 60,1% of GDP compared with 66,1% for the corresponding period of 2006.

The huge increases in public revenue are in part due to factors of a temporary nature since they stem largely from the increased tax receipts due to the boom in the construction and property sector. Consequently, the public finance outcomes are more favourable than the initial targets⁵ of the government with a fiscal surplus looking very probable for 2007. It should be stressed that unanticipated increases in revenues should not be used to cover extra increases in expenditures. Moreover, the unanticipated fiscal surplus should not lead to complacency.

2.6 EXTERNAL TRANSACTIONS

Goods

An overview of the trade balance for the first nine months of 2007 is given in **Table 16** (p. 35) 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 methodology introduced by Eurostat for all EU countries.

During the period January-September 2007, the value of total imports of goods recorded an increase of 9,8% compared with an increase of 15,1% in the same period of 2006. A substantial increase was observed in the imports of

5. In the 2006-2010 Convergence Programme a deficit of 1,6% of GDP and a debt of 60,5% of GDP were projected, which in October 2007 were revised to 1% of GDP and 60,5% of GDP, respectively.

vehicles, due to the reduction of the consumption tax at the end of 2006.

The value of total exports of goods recorded a 2,9% decrease in the first nine months of 2007, compared with a 1,7% decrease in the same period in 2006. The fall in the export of goods is due to the reduction of re-exports. According to data for the first eight months of 2007, re-exports decreased by 14,3% while exports of domestically produced goods increased by 16,6%.

As a result of the above, the trade balance registered further deterioration reaching a deficit of £2.177 million during the first nine months of 2007, compared with a deficit of £1.925,9 million in the corresponding period of 2006.

Tourism

Tourist arrivals, shown in **Table 17** (p. 36), increased by 0,6% in the period January – October 2007 compared with a 2,4% decrease in the corresponding period of 2006. In October 2007 a decrease of 2,8% was recorded in tourist arrivals compared with a decrease of 3,2% in October 2006.

Revenue from tourism increased by 7% in the first nine months of 2007 compared with a 3,2% increase in the corresponding month of 2006. Expenditure per head for the first nine months of 2007 increased by 5,9% compared with a 5,7% increase in the corresponding period of 2006.

Balance of payments

Table 14 in the Annex (p. 50) presents preliminary data on the balance of payments for the first half of 2007. The data reveal a worsening of the current account deficit compared with the first half of 2006.

The current account deficit in the first half of 2007 was £331,9 million compared with £148,5 million in the same period of 2006. The deterioration of the current account is mainly the result of the worsening of the trade deficit. Specifically, imported goods (fob) recorded an increase of 8,2% in the first half of 2007 and exports decreased by 2,9% during the same period because of the decrease in re-exports. A significant part of the deterioration of the trade deficit is due to the large increase in car imports.

The surplus recorded by services reached £874,3 million in the first half of 2007 compared with £886,5 million in the same period in 2006. The main changes in the services account were the improvement of financial services and a decrease in other business services. The services surplus, excluding tourism, registered an improvement of £8,1 million in the first half of 2007 compared with 2006.

As far as the income account is concerned, a net deficit of £10,8 million was recorded in the first half of 2007 compared with a surplus of £27,8 million in the first quarter of 2006.

Current transfers during the first half of 2007 were recorded at similar levels to the same period in 2006. In particular, a surplus of £62,2 million was recorded in the first half of 2007 compared with a £64,2 million surplus in the corresponding period of 2006.

2.7 ESTIMATES FOR 2007 AND PROSPECTS FOR 2008

Real GDP is expected to display a marginal acceleration in 2007 compared with 2006. More specifically, the growth of private consumption is expected to fluctuate at around the 2006 level while gross capital formation and imports are

expected to decelerate. As a result of the positive economic environment in the EU, exports are expected to increase.

Public finances

A fiscal surplus is expected for 2007. The Ministry of Finance projection for a fiscal deficit of 0,7% of GDP for 2008 in the 2006-2010 Convergence Programme, is expected to be revised in light of the fiscal outcome of 2007.

Public finances in 2007 were favourably affected by the strong performance of the construction and property sector, with government receipts increasing by larger than anticipated amounts. Despite this, serious medium and long-term challenges and risks to public finances exist. Especially worrying is the issue of the sustainability of the Social Security Fund due to the ageing of the population. Many studies have highlighted the seriousness of the issue for Cyprus. Structural measures which will ensure the long-term sustainability of the Social Security Fund need to be adopted.

External transactions

The continuing high prices of oil are expected to negatively influence the current account, although this influence is expected to be moderated by the weakening of the dollar relative to the Cyprus pound. At the same time, increased demand continues to affect negatively the current account, which renders a further increase of the current account deficit above 6% of GDP possible.

Regarding the projections for the balance of payments for 2008, imports of goods and services are expected to decelerate, mainly due to the reduction of vehicle imports. On the other

hand, exports of goods and services are expected to accelerate due to the reversal of the current negative trend of re-exports and also the expected continuance of the positive trend of services. These will also help in the improvement of the current account compared with 2007.

Inflation

Despite the historically high prices of agricultural products, the HICP in 2007 is expected to remain at around 2,1% due, among other things, to the reduction in excise taxes on cars in November 2006. In 2008 inflation is expected to accelerate due to the expected rise in VAT on a number of products and the high prices of oil and agricultural products. The high growth rates in monetary aggregates will also contribute to the higher inflation rate.

Table 16**Trade balance data**

(CYP million)

| Period | TOTAL TRADE | | EXTRA-EU TRADE | | INTRA-EU TRADE | |
|-------------------------------------|----------------------------|------------------------------|------------------|------------------|----------------|------------|
| | Total Imports/ Arrivals | Total Exports/ Dispatches | Total Imports | Total Exports | Arrivals | Dispatches |
| | (cif) | (fob) | (cif) | (fob) | (cif) | (fob) |
| 2000 | 2.402,0 | 591,9 | 1.140,9 | 364,5 | 1.261,1 | 227,4 |
| 2001 | 2.528,7 | 627,9 | 1.208,8 | 376,5 | 1.320,0 | 251,4 |
| 2002 | 2.486,6 | 511,3 | 1.140,9 | 240,9 | 1.345,8 | 270,4 |
| 2003 | 2.304,1 | 476,8 | 992,8 | 198,3 | 1.311,3 | 278,5 |
| 2004 | 2.679,3 | 548,0 | 921,7 | 202,5 | 1.757,6 | 345,5 |
| 2005 | 2.966,8 | 719,2 | 952,9 | 224,3 | 1.965,4 | 447,8 |
| 2006 | 3.226,8 | 650,7 | 1.073,8 | 224,6 | 2.110,1 | 417,7 |
| 2006 | | | | | | |
| January | 247,5 | 59,6 | 80,0 | 13,2 | 167,5 | 46,3 |
| February | 238,2 | 57,2 | 80,4 | 16,6 | 157,9 | 40,1 |
| March | 284,2 | 66,1 | 86,6 | 18,7 | 197,6 | 47,4 |
| April | 252,0 | 53,4 | 81,4 | 20,5 | 170,7 | 32,9 |
| May | 280,4 | 55,1 | 91,5 | 15,8 | 188,9 | 39,3 |
| June | 312,0 | 52,6 | 115,1 | 16,6 | 196,8 | 36,0 |
| July | 263,4 | 52,7 | 79,9 | 17,1 | 183,5 | 35,6 |
| August | 259,4 | 43,2 | 85,9 | 17,8 | 173,5 | 25,4 |
| September | 281,5 | 52,8 | 91,8 | 21,7 | 189,6 | 31,1 |
| 2007 | | | | | | |
| January | 266,2 | 65,9 | 96,8 | 13,6 | 169,4 | 52,3 |
| February | 245,8 | 44,0 | 59,3 | 15,3 | 186,5 | 28,6 |
| March | 288,1 | 52,8 | 81,7 | 17,8 | 206,4 | 35,0 |
| April | 305,1 | 52,8 | 91,5 | 13,5 | 214,3 | 39,3 |
| May | 301,0 | 59,8 | 90,1 | 15,4 | 211,0 | 44,4 |
| June | 330,0 | 60,7 | 107,5 | 17,7 | 222,5 | 42,9 |
| July | 321,1 | 49,9 | 105,1 | 17,1 | 216,0 | 32,8 |
| August | 304,9 | 44,4 | 104,1 | 15,0 | 200,8 | 29,6 |
| September(p) | 292,6 | 47,9 | 91,3 | 16,1 | 201,3 | 31,8 |
| Jan. - Dec. 2005 | 2.966,8 | 719,1 | 973,1 | 221,6 | 1.993,7 | 497,6 |
| Jan. - Dec. 2006 | 3.226,8 | 650,7 | 1.028,0 | 213,6 | 2.198,9 | 431,9 |
| Jan. - Sept. 2005 | 2.102,0 | 501,3 | 689,5 | 160,8 | 1.412,6 | 340,4 |
| Jan. - Sept. 2006 | 2.418,5 | 492,6 | 792,6 | 158,0 | 1.626,0 | 334,1 |
| Jan. - Sept. 2007 (p) | 2.654,8 | 478,2 | 827,5 | 141,5 | 1.828,1 | 336,7 |
| % change Jan. - Dec 2006/2005 | 8,8 | -9,5 | 5,6 | -3,6 | 10,3 | -13,2 |
| % change Jan. - Sept. 2005/2006 | 15,1 | -1,7 | 15,0 | -1,7 | 15,1 | -1,9 |
| % change Jan. - Sept. 2006/2007 (p) | 9,8 | -2,9 | 4,4 | -10,5 | 12,4 | 0,8 |

P :Provisional data

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 arrivals⁽¹⁾**
(number of persons)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | % change 2004/2003 | % change 2005/2004 | % change 2006/2005 | % change 2007/2006 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------|-----------------------|-----------------------|-----------------------|
| January | 63.553 | 64.214 | 54.067 | 59.529 | 56.504 | 58.894 | 54.875 | 51.848 | -5,1 | 4,2 | -6,8 | -5,5 |
| February | 87.243 | 83.569 | 71.950 | 77.972 | 75.705 | 72.600 | 66.151 | 63.098 | -2,9 | -4,1 | -8,9 | -4,6 |
| March | 135.487 | 137.578 | 138.625 | 91.634 | 111.946 | 137.075 | 107.071 | 104.316 | 22,2 | 22,4 | -21,9 | -2,6 |
| April | 221.785 | 237.228 | 180.481 | 169.891 | 191.251 | 183.561 | 206.548 | 189.310 | 12,6 | -4,0 | 12,5 | -8,3 |
| May | 299.355 | 324.901 | 279.070 | 231.527 | 261.646 | 284.132 | 283.513 | 273.058 | 13,0 | 8,6 | -0,2 | -3,7 |
| June | 302.011 | 322.835 | 293.192 | 262.100 | 264.799 | 282.652 | 280.164 | 282.465 | 1,0 | 6,7 | -0,9 | 0,8 |
| July | 362.299 | 373.385 | 327.404 | 318.143 | 305.978 | 338.972 | 341.443 | 352.423 | -3,8 | 10,8 | 0,7 | 3,2 |
| August | 356.686 | 371.536 | 301.724 | 325.390 | 305.926 | 336.587 | 314.872 | 340.534 | -6,0 | 10,0 | -6,5 | 8,1 |
| September | 329.964 | 329.400 | 306.731 | 287.358 | 303.506 | 302.833 | 296.532 | 315.437 | 5,6 | -0,2 | -2,1 | 6,4 |
| October | 300.597 | 269.744 | 275.840 | 271.980 | 278.976 | 292.273 | 283.046 | 275.103 | 2,6 | 4,8 | -3,2 | -2,8 |
| November | 133.500 | 107.454 | 111.327 | 123.800 | 114.048 | 104.822 | 95.682 | | -7,9 | -8,1 | -8,7 | |
| December | 93.722 | 74.887 | 77.822 | 83.919 | 78.723 | 75.656 | 71.022 | | -6,2 | -3,9 | -6,1 | |
| Jan - Oct | 2.458.980 | 2.514.390 | 2.229.084 | 2.095.524 | 2.156.237 | 2.289.579 | 2.234.215 | 2.247.592 | 2,9 | 6,2 | -2,4 | 0,6 |
| Jan - Dec | 2.686.202 | 2.696.731 | 2.418.233 | 2.303.243 | 2.349.008 | 2.470.057 | 2.400.919 | | 2,0 | 5,2 | -2,8 | |

Source: Cystat.

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

Table 18**Receipts from tourism⁽¹⁾**
(CYP million)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | % change 2004/2003 | % change 2005/2004 | % change 2006/2005 | % change 2007/2006 |
|-----------|-------|---------|---------|---------|-------|---------|---------|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| January | - | 24,9 | 21,6 | 25,6 | 21,8 | 20,7 | 21,2 | 19,7 | -15,0 | -5,0 | 2,3 | -7,1 |
| February | - | 29,1 | 28,9 | 31,4 | 25,4 | 23,5 | 23,1 | 22,6 | -19,1 | -7,5 | -1,8 | -2,2 |
| March | - | 49,7 | 59,1 | 37,8 | 42,1 | 47,6 | 38,9 | 40,1 | 11,1 | 13,2 | -18,3 | 3,1 |
| April | - | 89,9 | 77,0 | 67,1 | 72,1 | 62,0 | 74,5 | 72,4 | 7,4 | -14,0 | 20,1 | -2,8 |
| May | - | 139,1 | 119,5 | 92,5 | 99,5 | 105,4 | 111,9 | 119,8 | 7,6 | 5,9 | 6,1 | 7,1 |
| June | 122,9 | 157,4 | 139,3 | 114,8 | 109,3 | 113,3 | 117,7 | 121,4 | -4,8 | 3,7 | 3,9 | 3,2 |
| July | 162,7 | 192,0 | 160,7 | 152,4 | 135,1 | 140,1 | 155,0 | 168,1 | -11,4 | 3,7 | 10,6 | 8,4 |
| August | 173,7 | 205,0 | 153,8 | 165,3 | 148,1 | 161,3 | 155,0 | 179,1 | -10,4 | 8,9 | -3,9 | 15,5 |
| September | 161,9 | 176,3 | 157,4 | 134,1 | 141,2 | 137,9 | 140,9 | 154,0 | 5,3 | -2,3 | 2,2 | 9,3 |
| October | 135,1 | 130,2 | 128,0 | 112,4 | 115,9 | 120,5 | 122,9 | | 3,1 | 4,0 | 2,0 | |
| November | 54,1 | 48,8 | 51,4 | 48,7 | 43,1 | 43,1 | 37,6 | | -11,5 | 0,0 | -12,8 | |
| December | 36,2 | 29,2 | 35,6 | 32,9 | 28,8 | 30,3 | 28,8 | | -12,4 | 5,2 | -5,0 | |
| Jan - Sep | | 1063,4 | 917,3 | 821,1 | 794,5 | 811,8 | 838,1 | 897,1 | -3,2 | 2,2 | 3,2 | 7,0 |
| Jan - Dec | | 1.271,6 | 1.132,3 | 1.015,0 | 982,3 | 1.005,7 | 1.027,4 | | -3,2 | 2,4 | 2,2 | |

Source: Cystat.

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

3. ANNEX

Table 1
Monetary aggregates and counterparts

(outstanding amounts at end of period, CYP thousand)

| | 2006 Sept. | 2006 Oct. | 2007 Sept. | 2007 Oct. |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| Money supply (M1) | 2.002.975 | 2.088.564 | 2.410.064 | 2.438.135 |
| Currency in circulation | 570.443 | 559.627 | 589.987 | 559.200 |
| Demand deposits | 1.292.579 | 1.344.631 | 1.486.835 | 1.464.240 |
| Deposits in foreign currency | 139.953 | 184.306 | 333.242 | 414.695 |
| Quasi-money | 8.868.257 | 8.946.615 | 10.464.609 | 10.639.177 |
| Saving deposits | 400.573 | 407.391 | 466.650 | 469.476 |
| Time deposits | 7.370.843 | 7.425.417 | 8.080.788 | 8.157.222 |
| Deposits in foreign currency | 1.096.841 | 1.113.807 | 1.917.171 | 2.012.479 |
| Total money supply (M2) | 10.871.232 | 11.035.179 | 12.874.673 | 13.077.312 |
| Net foreign assets | 1.832.630 | 1.961.822 | 3.210.219 | 3.477.753 |
| Claims on private sector | 10.404.894 | 10.451.775 | 13.088.638 | 13.307.192 |
| of which in foreign currency | 1.753.236 | 1.813.396 | 2.531.160 | 2.669.561 |
| Claims on public sector | 2.424.348 | 2.389.766 | 2.185.522 | 2.115.462 |
| Unclassified items | -3.790.640 | -3.768.184 | -5.609.706 | -5.823.095 |

Source: Central Bank of Cyprus.

Table 2
Bank credit by sector⁽¹⁾

(outstanding amounts at the end of period, CYP thousand)

| | 2006 Sept. | 2006 Oct. | 2007 Sept. | 2007 Oct. |
|---|-------------------|-------------------|-------------------|-------------------|
| Public institutions and corporations ⁽²⁾ | 333.320 | 331.000 | 491.071 | 529.891 |
| Agriculture | 101.927 | 103.093 | 123.327 | 125.735 |
| Mining | 28.597 | 28.058 | 28.150 | 28.972 |
| Manufacturing | 545.840 | 529.077 | 550.076 | 545.719 |
| Transport and communications | 105.993 | 110.925 | 212.231 | 209.367 |
| Foreign and domestic trade | 1.512.260 | 1.484.203 | 1.679.565 | 1.647.478 |
| Building and construction | 2.039.629 | 2.049.773 | 2.855.623 | 2.877.378 |
| Tourism | 881.568 | 884.225 | 963.175 | 1.021.141 |
| Personal and professional loans | 5.544.594 | 5.616.197 | 7.531.355 | 7.867.954 |
| Bills discounted: local | 2.551 | 3.009 | 1.414 | 1.436 |
| foreign | 2.077 | 1.863 | 1.084 | 948 |
| Total | 11.098.356 | 11.141.423 | 14.437.071 | 14.856.019 |

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⁾ | 2,50 | 4,50 | 4,50 | 4,50 | 4,50 |
| 2007 | 12 Mar. | 2,75 | 4,50 | 4,50 | 4,50 | 4,75 |
| | 06 Jun. | 3,00 | 4,50 | 4,50 | 4,50 | 5,00 |

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%.⁽²⁾ Following the Monetary Policy Committee's decision on 1 September 2006, the main refinancing operations rate (repo) replaced the marginal lending facility rate (Lombard), which had been used since 1 January 2001, for the purpose of pricing local currency bank loans.**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 | 14 Sep. | 727,5 | 500,0 | 4,50 | 3,88 | 3,29 | 3,94 | 14 |
| | 28 Sep. | 803,0 | 500,0 | 4,50 | 3,89 | 3,65 | 3,94 | 14 |
| | 12 Oct. | 829,0 | 550,0 | 4,50 | 3,89 | 3,79 | 3,91 | 14 |
| | 26 Oct. | 930,5 | 580,0 | 4,50 | 3,87 | 3,69 | 3,93 | 14 |
| | 09 Nov. | 824,0 | 580,0 | 4,50 | 3,88 | 3,78 | 3,92 | 14 |
| | 23 Nov. | 842,0 | 580,0 | 4,50 | 3,89 | 3,79 | 3,91 | 14 |
| | 07 Dec. | 886,0 | 530,0 | 4,50 | 3,87 | 3,79 | 3,90 | 14 |
| | 21 Dec. | 1.034,0 | 600,0 | 4,50 | 3,76 | 3,65 | 3,80 | 14 |
| 2007 | 04 Jan. | 889,0 | 650,0 | 4,50 | 3,84 | 3,50 | 3,97 | 14 |
| | 18 Jan. | 916,0 | 650,0 | 4,50 | 3,84 | 3,74 | 3,94 | 14 |
| | 01 Feb. | 1.023,5 | 600,0 | 4,50 | 3,69 | 3,67 | 3,69 | 14 |
| | 15 Feb. | 789,0 | 450,0 | 4,50 | 3,71 | 3,48 | 3,88 | 14 |
| | 01 Mar. | 579,5 | 350,0 | 4,50 | 3,50 | 3,44 | 3,57 | 14 |
| | 15 Mar. | 492,0 | 250,0 | 4,50 | 3,45 | 3,39 | 3,47 | 14 |
| | 29 Mar. | 248,0 | 150,0 | 4,50 | 3,52 | 3,34 | 3,59 | 14 |
| | 12 Apr. | 242,0 | 100,0 | 4,50 | 3,47 | 3,39 | 3,49 | 14 |
| | 26 Apr. | 204,0 | 50,0 | 4,50 | 3,34 | 3,34 | 3,34 | 14 |
| | 10 May | 40,0 | 40,0 | 4,50 | 3,29 | 3,29 | 3,29 | 14 |
| | 24 May | 40,0 | 40,0 | 4,50 | 3,98 | 3,98 | 3,98 | 14 |
| | 07 Jun. | 134,0 | 80,0 | 4,50 | 3,88 | 3,84 | 3,92 | 14 |
| | 21 Jun. | 147,0 | 70,0 | 4,50 | 3,59 | 3,59 | 3,59 | 14 |
| | 05 Jul. | 308,0 | 280,0 | 4,50 | 4,26 | 3,54 | 4,50 | 14 |
| | 19 Jul. | 96,0 | 80,0 | 4,50 | 4,37 | 4,26 | 4,48 | 14 |
| | 19 Jul. | 206,0 | 206,0 | | | | | 167 |
| 02 Aug. | 219,0 | 150,0 | 4,50 | 4,38 | 4,25 | 4,47 | 14 | |
| 16 Aug. | 169,0 | 169,0 | 4,50 | 4,47 | 4,35 | 4,50 | 14 | |
| 30 Aug. | 140,2 | 140,2 | 4,50 | 4,50 | 4,43 | 4,50 | 14 | |
| 13 Sep. | 11,0 | 11,0 | 4,50 | 4,45 | 4,43 | 4,49 | 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 average)*

| | Cyprus | | | | | Euro area | | | | |
|-----------|--------------------|-------------------|------------------|---------------------|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| | Overnight deposits | 2-7 days deposits | 1-month deposits | 1-6 months deposits | 6-12 months deposits | Overnight deposits (EONIA) | 1-month deposits (EURIBOR) | 3-month deposits (EURIBOR) | 6-month deposits (EURIBOR) | 12-month deposits (EURIBOR) |
| 2006 Sep. | 3,46 | 3,79 | 3,73 | 3,76 | - | 3,04 | 3,16 | 3,34 | 3,53 | 3,72 |
| Oct. | 3,67 | 4,16 | 4,09 | 4,45 | - | 3,28 | 3,35 | 3,50 | 3,64 | 3,80 |
| Nov. | 3,58 | 3,95 | 4,02 | 4,24 | - | 3,33 | 3,42 | 3,60 | 3,73 | 3,86 |
| Dec. | 3,37 | 4,16 | 4,02 | 4,01 | - | 3,50 | 3,64 | 3,68 | 3,79 | 3,92 |
| 2007 Jan. | 3,35 | 4,11 | 4,18 | 3,77 | - | 3,56 | 3,62 | 3,75 | 3,89 | 4,06 |
| Feb. | 3,10 | 3,96 | 4,13 | 4,00 | 4,00 | 3,57 | 3,65 | 3,82 | 3,94 | 4,09 |
| Mar. | 3,18 | 3,94 | 4,04 | 3,99 | - | 3,69 | 3,84 | 3,89 | 4,00 | 4,11 |
| Apr. | 3,62 | 3,95 | 3,95 | 4,05 | 4,20 | 3,82 | 3,86 | 3,98 | 4,10 | 4,25 |
| May | 3,86 | 4,09 | 4,12 | 3,88 | - | 3,79 | 3,92 | 4,07 | 4,20 | 4,37 |
| June | 4,06 | 4,17 | 4,22 | 4,27 | - | 3,96 | 4,10 | 4,15 | 4,28 | 4,51 |
| July | 4,26 | 4,24 | 4,31 | 4,38 | - | 4,06 | 4,11 | 4,22 | 4,36 | 4,56 |
| Aug. | 4,49 | 4,59 | 4,48 | 4,46 | - | 4,05 | 4,31 | 4,54 | 4,59 | 4,67 |
| Sep. | 4,55 | 4,75 | 4,64 | 4,60 | - | 4,03 | 4,43 | 4,74 | 4,75 | 4,72 |
| Oct. | 4,55 | 4,71 | 4,71 | 4,64 | 4,90 | | | | | |

Sources: Central Bank of Cyprus and European Central Bank.

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

| | Lending rates | | | | | Deposit rates | | |
|-----------|--|-------------------------------|----------------------------|--|--------------|---------------------|---|---|
| | Enterprises: overdraft within limits | Enterprises: secured loans | Personal: secured loans | Housing: loans secured by assignment of life policy | Credit cards | Current accounts | 3 month notice - over CYP5.000 | 1 year fixed deposits - over CYP5.000 |
| 2005 Oct. | 6,69 | 6,68 | 7,29 | 5,74 | 12,00 | 0,47 | 3,47 | 3,75 |
| Nov. | 6,69 | 6,68 | 7,29 | 5,72 | 12,00 | 0,46 | 3,48 | 3,72 |
| Dec. | 6,69 | 6,68 | 7,28 | 5,71 | 12,00 | 0,45 | 3,47 | 3,68 |
| 2006 Jan. | 6,67 | 6,67 | 7,28 | 5,71 | 12,00 | 0,46 | 3,48 | 3,63 |
| Feb. | 6,65 | 6,65 | 7,27 | 5,71 | 12,00 | 0,45 | 3,48 | 3,59 |
| Mar. | 6,64 | 6,65 | 7,27 | 5,69 | 12,00 | 0,47 | 3,48 | 3,57 |
| Apr. | 6,64 | 6,64 | 7,28 | 5,69 | 12,00 | 0,48 | 3,48 | 3,55 |
| May | 6,64 | 6,63 | 7,28 | 5,68 | 12,00 | 0,47 | 3,48 | 3,52 |
| June | 6,65 | 6,62 | 7,28 | 5,68 | 12,00 | 0,43 | 3,48 | 3,43 |
| July | 6,65 | 6,62 | 7,28 | 5,68 | 12,00 | 0,46 | 3,47 | 3,42 |
| Aug. | 6,64 | 6,62 | 7,29 | 5,68 | 12,00 | 0,46 | 3,47 | 3,42 |
| Sep. | 6,88 | 6,81 | 7,51 | 5,84 | 12,17 | 0,55 | 3,64 | 3,58 |
| Oct. | 6,89 | 6,81 | 7,50 | 5,84 | 12,17 | 0,51 | 3,65 | 3,58 |
| Nov. | 6,88 | 6,81 | 7,48 | 5,84 | 12,17 | 0,50 | 3,65 | 3,58 |
| Dec. | 6,88 | 6,80 | 7,48 | 5,84 | 12,17 | 0,51 | 3,65 | 3,58 |
| 2007 Jan. | 6,90 | 6,81 | 7,63 | 5,92 | 12,17 | 0,54 | 3,65 | 3,58 |
| Feb. | 6,91 | 6,81 | 7,66 | 5,92 | 12,17 | 0,53 | 3,65 | 3,57 |
| Mar. | 6,89 | 6,80 | 7,67 | 5,92 | 12,17 | 0,53 | 3,65 | 3,57 |
| Apr. | 6,89 | 6,79 | 7,67 | 5,92 | 12,17 | 0,48 | 3,66 | 3,57 |
| May | 6,87 | 6,78 | 7,67 | 5,93 | 12,17 | 0,47 | 3,66 | 3,58 |
| June | 6,86 | 6,78 | 7,65 | 5,93 | 12,17 | 0,47 | 3,66 | 3,60 |
| July | 6,86 | 6,78 | 7,65 | 5,94 | 12,17 | 0,44 | 3,66 | 3,61 |
| Aug. | 6,86 | 6,77 | 7,65 | 5,95 | 12,17 | 0,45 | 3,66 | 3,63 |
| Sept. | 6,85 | 6,77 | 7,65 | 5,95 | 12,17 | 0,44 | 3,66 | 3,64 |
| Oct. | 6,84 | 6,77 | 7,63 | 5,97 | 12,08 | 0,51 | 3,66 | 3,67 |

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 |
| 2006 Sep. | 0,86 | 2,59 | 3,08 | 2,26 | 2,68 | 1,36 | 3,00 | 3,69 |
| Oct. | 0,90 | 2,69 | 3,10 | 2,30 | 2,75 | 1,45 | 3,15 | 3,80 |
| Nov. | 0,91 | 2,78 | 3,05 | 2,30 | 2,81 | 1,49 | 3,24 | 3,80 |
| Dec. | 0,92 | 2,89 | 3,05 | 2,38 | 2,87 | 1,51 | 3,42 | 3,88 |
| 2007 Jan. | 0,98 | 2,99 | 3,06 | 2,35 | 2,98 | 1,61 | 3,45 | 3,91 |
| Feb. | 1,00 | 3,07 | 3,12 | 2,35 | 3,07 | 1,64 | 3,49 | 3,92 |
| Mar. | 1,02 | 3,16 | 3,05 | 2,39 | 3,14 | 1,71 | 3,61 | 3,93 |
| Apr. | 1,04 | 3,23 | 3,06 | 2,42 | 3,20 | 1,75 | 3,67 | 3,93 |
| May | 1,06 | 3,30 | 3,03 | 2,43 | 3,25 | 1,78 | 3,72 | 3,96 |
| June | 1,08 | 3,39 | 3,04 | 2,42 | 3,32 | 1,77 | 3,87 | 3,99 |
| July | 1,10 | 3,49 | 3,02 | 2,45 | 3,40 | 1,81 | 3,92 | 4,00 |
| Aug. | 1,15 | 3,58 | 3,02 | 2,53 | 3,46 | 1,87 | 4,03 | 4,09 |

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 |
| 2006 Sep. | 4,82 | 4,27 | 4,62 | 8,30 | 6,81 | 5,87 | 4,93 | 4,40 | 4,53 |
| Oct. | 4,90 | 4,29 | 4,65 | 8,35 | 6,81 | 5,88 | 5,07 | 4,51 | 4,57 |
| Nov. | 4,98 | 4,33 | 4,68 | 8,33 | 6,81 | 5,91 | 5,14 | 4,59 | 4,63 |
| Dec. | 5,01 | 4,34 | 4,70 | 8,41 | 6,81 | 5,93 | 5,23 | 4,66 | 4,68 |
| 2007 Jan. | 5,05 | 4,38 | 4,72 | 8,53 | 6,83 | 5,95 | 5,30 | 4,76 | 4,77 |
| Feb. | 5,11 | 4,46 | 4,79 | 8,66 | 6,95 | 5,96 | 5,37 | 4,83 | 4,83 |
| Mar. | 5,14 | 4,45 | 4,79 | 8,62 | 6,88 | 5,95 | 5,43 | 4,90 | 4,84 |
| Apr. | 5,14 | 4,48 | 4,80 | 8,67 | 6,96 | 5,97 | 5,50 | 4,94 | 4,87 |
| May | 5,16 | 4,48 | 4,82 | 8,71 | 6,95 | 5,97 | 5,50 | 4,98 | 4,90 |
| June | 5,21 | 4,53 | 4,86 | 8,68 | 6,94 | 6,01 | 5,62 | 5,09 | 4,96 |
| July | 5,29 | 4,57 | 4,89 | 8,80 | 6,96 | 6,06 | 5,70 | 5,15 | 5,00 |
| Aug. | 5,36 | 4,59 | 4,90 | 8,85 | 7,00 | 6,07 | 5,76 | 5,24 | 5,04 |

Source: European Central Bank.

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

Table 8
Interest rate announcements in 2007

| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. |
|---------------------------------------|----------------------|-------------------|----------------------|-------------------|-------------------|----------------------|-------------------|-------------------|-------------------|----------------------|-------------------|------|
| European Central Bank ⁽¹⁾ | 11 3,50 | 8 3,50 | 8 3,75 | 12 3,75 | 10 3,75 | 6 4,00 | 5 4,00 | 2 4,00 | 6 4,00 | 4 4,00 | 8 4,00 | 6 |
| Bank of England ⁽²⁾ | 11 5,25 | 8 5,25 | 8 5,25 | 5 5,25 | 10 5,50 | 7 5,50 | 5 5,75 | 2 5,75 | 6 5,75 | 4 5,75 | 8 5,75 | 6 |
| Federal Reserve ⁽³⁾ | 30/31 5,25 | | 20/21 5,25 | | 9 5,25 | 27/28 5,25 | | 17 5,25 | 18 4,75 | 30/31 4,50 | | 11 |
| Central Bank of Cyprus ⁽⁴⁾ | 12 4,50 | 23 4,50 | 12 4,50 | 13 4,50 | 18 4,50 | 6 4,50 | 17 4,50 | | 10 4,50 | 8 4,50 | 12 4,50 | 10 |

(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 consumer price index by economic category (%)
 October 2007/2006

| | Weights | | | | | | | | | | | |
|-----------------------------|--------------|--------------|--------------|----------------------|------------------------|----------------------|--------------------------|---------------------------|--------------------------|---------------|------------------------|---------------------------------------|
| | 2004 | 2005 | 2006 | October 2006/2005 | September 2007/2006 | October 2007/2006 | Jan. - Oct. 2006/2005 | Jan. - Sept. 2007/2006 | Jan. - Oct. 2007/2006 | 1998=100 | 2005=100 (for 2006) | 2005=100 (for 2007) ⁽¹⁾ |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 1,43 | 2,63 | 2,99 | 2,73 | 2,00 | 2,09 | 100,00 | 100,00 | 100,00 |
| A Domestic products | 2,95 | 1,79 | 4,35 | 3,94 | 4,84 | 3,03 | 4,58 | 4,18 | 4,06 | 32,36 | 28,60 | 28,98 |
| A.1 Agricultural | 3,32 | 1,34 | 6,51 | 7,20 | 9,52 | 0,41 | 5,82 | 10,42 | 9,34 | 7,93 | 6,92 | 6,93 |
| A.2 Industrial | 3,36 | 1,13 | 2,47 | 2,65 | 3,10 | 3,69 | 2,60 | 2,92 | 3,00 | 22,91 | 19,24 | 19,29 |
| A.3 Electricity | -3,13 | 11,51 | 13,10 | 4,60 | 3,44 | 4,51 | 16,92 | -3,39 | -2,59 | 1,52 | 2,44 | 2,76 |
| B Petroleum products | 17,18 | 14,82 | 8,09 | -6,37 | 3,36 | 9,31 | 9,73 | -0,44 | 0,49 | 4,33 | 6,44 | 6,63 |
| C Imported products | -5,55 | -2,47 | -1,14 | -1,24 | -2,62 | -0,75 | -0,82 | -2,54 | -2,36 | 22,20 | 25,31 | 24,62 |
| C1 Motor vehicles | -13,50 | -2,42 | -1,38 | -1,28 | -8,92 | -8,98 | 0,27 | -10,00 | -9,90 | 9,43 | 6,15 | 5,41 |
| C2 Other imported | -0,39 | -2,49 | -1,07 | -1,23 | -0,81 | 1,49 | -1,17 | -0,32 | -0,13 | 12,77 | 19,16 | 19,21 |
| D Services | 3,23 | 3,34 | 2,57 | 2,69 | 3,83 | 4,04 | 2,53 | 3,42 | 3,49 | 41,11 | 39,65 | 39,77 |
| HICP | 1,9 | 2,1 | 2,2 | 1,7 | 2,3 | 2,7 | 2,4 | 1,8 | 1,9 | | | |

Source : Cystat

(1) The weights for 2007 were updated as a result of the change in the taxes of motor vehicles.

Table 10**Weighted contribution to the total percentage change in consumer price index by economic category (%)**

October 2007/2006

| | | Weights | | | | | | | | | | | |
|----------------------|---------------------------|--------------|--------------|--------------|----------------------|------------------------|----------------------|-------------------------|--------------------------|-------------------------|---------------|------------------------|---------------------------------------|
| | | 2004 | 2005 | 2006 | October 2006/2005 | September 2007/2006 | October 2007/2006 | Jan.- Oct. 2006/2005 | Jan.- Sept. 2007/2006 | Jan.- Oct. 2007/2006 | 1998=100 | 2005=100 (for 2006) | 2005=100 (for 2007) ⁽¹⁾ |
| GENERAL INDEX | | 2,28 | 2,56 | 2,49 | 1,43 | 2,63 | 2,99 | 2,73 | 2,00 | 2,09 | 100,00 | 100,00 | 100,00 |
| A | Domestic products | 0,99 | 0,60 | 1,25 | 1,14 | 1,43 | 0,91 | 1,30 | 1,21 | 1,18 | 32,36 | 28,60 | 28,98 |
| A.1 | Agricultural | 0,27 | 0,11 | 0,45 | 0,51 | 0,71 | 0,03 | 0,40 | 0,74 | 0,66 | 7,93 | 6,92 | 6,93 |
| A.2 | Industrial | 0,78 | 0,27 | 0,47 | 0,51 | 0,59 | 0,72 | 0,50 | 0,56 | 0,58 | 22,91 | 19,24 | 19,29 |
| A.3 | Electricity | -0,07 | 0,23 | 0,32 | 0,12 | 0,11 | 0,14 | 0,40 | -0,09 | -0,07 | 1,52 | 2,44 | 2,76 |
| B | Petroleum products | 0,99 | 0,97 | 0,52 | -0,44 | 0,24 | 0,62 | 0,63 | -0,03 | 0,03 | 4,33 | 6,44 | 6,63 |
| C | Imported products | -1,04 | -0,43 | -0,29 | -0,31 | -0,62 | -0,18 | -0,21 | -0,62 | -0,58 | 22,20 | 25,31 | 24,62 |
| C1 | Motor vehicles | -1,00 | -0,15 | -0,08 | -0,08 | -0,46 | -0,46 | 0,02 | -0,60 | -0,60 | 9,43 | 6,15 | 5,41 |
| C2 | Other imported | -0,04 | -0,28 | -0,20 | -0,23 | -0,15 | 0,28 | -0,22 | -0,06 | -0,02 | 12,77 | 19,16 | 19,21 |
| D | Services | 1,35 | 1,41 | 1,02 | 1,05 | 1,53 | 1,60 | 1,01 | 1,36 | 1,38 | 41,11 | 39,65 | 39,77 |

Source: Cystat.

(1) The weights for 2007 were updated as a result of the change in the taxes of motor vehicles.

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

October 2007/2006

| | Years | | | | | | | | | Weights | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|
| | Years | | | October | September | October | Jan.- Oct. | Jan.- Sept | Jan.- Oct. | 2005=100 | 1998=100 |
| | 2004 | 2005 | 2006 | 2006/2005 | 2007/2006 | 2007/2006 | 2006/2005 | 2007/2006 | 2007/2006 | | |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 1,43 | 2,63 | 2,99 | 2,73 | 2,00 | 2,09 | 100,00 | 100,00 |
| Food & non-alcoholic beverages | 3,97 | 1,59 | 4,80 | 5,27 | 6,57 | 2,99 | 4,63 | 6,40 | 6,04 | 17,50 | 18,20 |
| Alcoholic beverages & tobacco | 10,57 | 0,23 | 0,49 | 1,29 | 1,28 | 0,71 | 0,51 | 1,40 | 1,33 | 2,21 | 1,78 |
| Clothing & footwear | -0,79 | -2,24 | -0,32 | -1,88 | -2,72 | 3,28 | -0,13 | 0,04 | 0,39 | 8,93 | 8,22 |
| Housing, water, electricity & gas | 4,19 | 5,41 | 4,90 | 2,13 | 2,82 | 3,32 | 5,58 | 1,37 | 1,57 | 15,87 | 21,27 |
| Furnishings, household equipment & supplies | -0,45 | 0,58 | 0,13 | -0,66 | 1,05 | 1,02 | 0,22 | 0,11 | 0,20 | 6,78 | 7,08 |
| Health | 3,72 | 0,36 | 1,31 | 3,72 | 6,36 | 6,68 | 0,82 | 6,02 | 6,09 | 5,03 | 4,92 |
| Transport | -3,06 | 3,79 | 2,87 | -1,85 | -0,84 | 1,36 | 4,01 | -2,21 | -1,86 | 15,99 | 17,42 |
| Communications | -8,48 | -10,34 | -1,83 | -0,16 | 1,18 | 1,24 | -2,14 | 1,24 | 1,24 | 3,94 | 1,79 |
| Recreation & culture | 2,26 | 1,06 | -0,33 | 0,55 | 1,20 | 1,34 | -0,52 | 0,27 | 0,38 | 6,33 | 5,88 |
| Education | 3,96 | 5,21 | 4,68 | 4,89 | 4,33 | 5,06 | 4,64 | 4,82 | 4,84 | 2,87 | 2,33 |
| Restaurants & hotels | 4,69 | 3,30 | 2,18 | 1,96 | 5,96 | 6,16 | 2,26 | 3,54 | 3,80 | 7,57 | 6,07 |
| Miscellaneous goods & services | 5,16 | 3,83 | 2,23 | 2,44 | 3,04 | 3,25 | 2,17 | 2,36 | 2,45 | 6,98 | 5,04 |

Source: Cystat.

Table 12**Weighted contributions to the total change in the consumer price index by category of goods and services (%)**

October 2007/2006

| | Years | | | | | | | | | Weights | |
|---|-------------|-------------|-------------|----------------------|------------------------|----------------------|-------------------------|--------------------------|-------------------------|---------------|---------------|
| | 2004 | 2005 | 2006 | October 2006/2005 | September 2007/2006 | October 2007/2006 | Jan.- Oct. 2006/2005 | Jan.- Sept. 2007/2006 | Jan.- Oct. 2007/2006 | 2005=100 | 1998=100 |
| GENERAL INDEX | 2,28 | 2,56 | 2,49 | 1,43 | 2,63 | 2,99 | 2,73 | 2,00 | 2,09 | 100,00 | 100,00 |
| Food & non-alcoholic beverages | 0,76 | 0,31 | 0,82 | 0,92 | 1,19 | 0,54 | 0,79 | 1,12 | 1,06 | 17,50 | 18,20 |
| Alcoholic beverages & tobacco | 0,28 | 0,01 | 0,01 | 0,03 | 0,03 | 0,02 | 0,01 | 0,03 | 0,03 | 2,21 | 1,78 |
| Clothing & footwear | -0,05 | -0,14 | -0,03 | -0,18 | -0,23 | 0,30 | -0,01 | 0,00 | 0,03 | 8,93 | 8,22 |
| Housing, water, electricity & gas | 0,93 | 1,22 | 0,76 | 0,34 | 0,46 | 0,53 | 0,86 | 0,22 | 0,25 | 15,87 | 21,27 |
| Furnishings, household equipment & supplies | -0,03 | 0,04 | 0,01 | -0,04 | 0,07 | 0,07 | 0,01 | 0,01 | 0,01 | 6,78 | 7,08 |
| Health | 0,20 | 0,02 | 0,06 | 0,18 | 0,32 | 0,33 | 0,04 | 0,30 | 0,30 | 5,03 | 4,92 |
| Transport | -0,51 | 0,59 | 0,45 | -0,30 | -0,13 | 0,21 | 0,62 | -0,36 | -0,30 | 15,99 | 17,42 |
| Communications | -0,10 | -0,11 | -0,07 | -0,01 | 0,04 | 0,05 | -0,08 | 0,05 | 0,05 | 3,94 | 1,79 |
| Recreation & culture | 0,12 | 0,06 | -0,02 | 0,03 | 0,07 | 0,08 | -0,03 | 0,02 | 0,02 | 6,33 | 5,88 |
| Education | 0,10 | 0,13 | 0,13 | 0,14 | 0,13 | 0,15 | 0,13 | 0,14 | 0,14 | 2,87 | 2,33 |
| Restaurants & hotels | 0,31 | 0,23 | 0,16 | 0,15 | 0,45 | 0,46 | 0,17 | 0,26 | 0,28 | 7,57 | 6,07 |
| Miscellaneous goods & services | 0,28 | 0,21 | 0,15 | 0,17 | 0,21 | 0,23 | 0,15 | 0,16 | 0,17 | 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 | | | | | | |
|---|--|------------------|-----------------|----------------|----------------|----------------|----------------|--|------------------|-----------------|----------------|----------------|----------------|--------------|
| | 2005 | 2006 | 2007 | | | | | 2005 | 2006 | 2007 | | | | |
| | | | May | June | July | Aug. | Sep. | | | May | June | July | Aug. | Sep. |
| EUROPE | 7.395,9 | 257.715,8 | 22.009,3 | 2.518,2 | 2.870,3 | 1.449,4 | 822,6 | 3.461,1 | 282.799,6 | 20.822,2 | 1.122,5 | 1.669,4 | 1.310,4 | 596,8 |
| EU-25 | 6.805,2 | 242.454,5 | 21.171,7 | 2.497,2 | 2.800,2 | 1.416,5 | 806,6 | 2.980,4 | 275.945,2 | 20.191,5 | 1.098,4 | 1.635,9 | 1.276,2 | 567,4 |
| Greece | 5.667,5 | 140.748,9 | 14.304,0 | 886,6 | 977,2 | 583,2 | 455,3 | 2.269,5 | 260.812,4 | 17.704,4 | 657,9 | 954,0 | 687,9 | 434,5 |
| United Kingdom | 238,2 | 58.345,6 | 5.257,1 | 1.457,8 | 1.464,3 | 662,2 | 250,8 | 390,6 | 10.088,4 | 1.361,2 | 421,9 | 606,7 | 548,9 | 126,8 |
| Other European countries | 590,7 | 15.261,3 | 837,5 | 21,0 | 70,1 | 32,9 | 16,0 | 480,7 | 6.854,4 | 630,7 | 24,1 | 33,6 | 34,2 | 29,3 |
| Russian Federation | 405,4 | 1.029,9 | 0,3 | 1,0 | 1,0 | 1,0 | 0,8 | 279,7 | 1.220,2 | 107,7 | 2,3 | 8,5 | 2,1 | 0,6 |
| AFRICA | 51,4 | 7.252,2 | 169,4 | 10,8 | 52,2 | 4,7 | 2,3 | 90,1 | 8.722,4 | 242,7 | 16,8 | 80,8 | 102,8 | 14,5 |
| North African countries | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 1,8 | 0,0 | 0,0 | 0,0 | 0,1 | 0,1 | 0,3 |
| Other African countries | 51,4 | 7.252,2 | 169,4 | 10,8 | 52,2 | 4,7 | 2,3 | 88,3 | 8.722,4 | 242,7 | 16,8 | 80,7 | 102,7 | 14,2 |
| South Africa | 0,0 | 232,6 | 59,9 | 4,7 | 13,7 | 2,5 | 1,8 | 7,6 | 220,4 | 133,2 | 10,8 | 18,1 | 9,8 | 12,1 |
| AMERICA | 429,3 | 128.783,8 | 7.182,1 | 164,0 | 597,1 | 556,5 | 605,1 | 1.232,7 | 32.988,8 | 11.908,6 | 237,8 | 282,0 | 913,9 | 146,6 |
| North American countries | 84,1 | 94.136,8 | 1.008,3 | 58,9 | 221,0 | 123,5 | 124,6 | 33,2 | 6.193,4 | 7.349,2 | 62,3 | 91,4 | 122,5 | 91,6 |
| United States of America | 81,9 | 94.115,1 | 1.006,2 | 58,8 | 220,8 | 123,5 | 124,6 | 33,2 | 5.957,0 | 7.348,2 | 62,3 | 88,8 | 118,1 | 91,5 |
| Canada | 2,2 | 21,7 | 2,1 | 0,1 | 0,1 | 0,0 | 0,0 | 0,0 | 236,5 | 0,9 | 0,0 | 2,6 | 4,4 | 0,1 |
| Central American countries | 345,2 | 34.647,0 | 6.173,9 | 105,2 | 376,2 | 433,0 | 480,5 | 1.199,4 | 26.795,3 | 4.559,5 | 175,6 | 190,6 | 791,4 | 55,1 |
| 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 | 267,3 | 6.523,5 | 7,8 | 1,2 | 1,3 | 0,7 | 0,0 | 229,2 | 5.446,5 | 50,3 | 26,5 | 4,6 | 0,0 | 2,2 |
| West Asia | 204,7 | 86,1 | 0,0 | 0,0 | 1,2 | 0,1 | 0,0 | 168,9 | 955,4 | 50,3 | 26,5 | 2,7 | 0,0 | 2,2 |
| Other Asian countries | 62,6 | 6.437,4 | 7,8 | 1,2 | 0,1 | 0,6 | 0,0 | 60,3 | 4.491,1 | 0,0 | 0,0 | 1,9 | 0,0 | 0,0 |
| OCEANIA | 0,0 | 28,2 | 18,8 | 2,4 | 3,1 | 10,1 | 8,9 | 0,0 | 19,0 | 48,3 | 1,3 | 15,6 | 24,7 | 12,8 |
| Total | 8.143,9 | 400.303,5 | 29.387,5 | 2.696,6 | 3.524,1 | 2.021,4 | 1.438,8 | 5.013,0 | 329.976,3 | 33.072,2 | 1.404,9 | 2.052,3 | 2.351,8 | 772,9 |

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 | 2006 (Annual) (Prov.) | | | 2006 (Q1) (Prov.) | | | 2006 (Q2) (Prov.) | | | 2007 (Q1) (Prov.) | | | 2007 (Q2) (Prov.) | | |
|--|--------------------------|---------|----------|----------------------|---------|--------|----------------------|---------|--------|----------------------|---------|--------|----------------------|---------|----------|
| | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET |
| CURRENT ACCOUNT | 5.353,7 | 5.850,1 | -496,4 | 1.091,4 | 1.254,9 | -163,5 | 1.358,5 | 1.343,5 | 15,0 | 1.160,4 | 1.427,9 | -267,5 | 1.501,3 | 1.565,7 | -64,4 |
| Goods, services and income | 4.969,4 | 5.562,8 | -593,4 | 986,4 | 1.182,8 | -196,4 | 1.259,6 | 1.275,8 | -16,2 | 1.056,9 | 1.360,1 | -303,2 | 1.404,5 | 1.495,4 | -90,9 |
| Goods and services | 3.977,5 | 4.319,9 | -342,4 | 804,0 | 1.026,7 | -222,7 | 1.056,0 | 1.073,8 | -17,8 | 820,8 | 1.093,4 | -272,6 | 1.063,0 | 1.173,7 | -110,7 |
| Goods | 650,8 | 2.952,0 | -2.301,2 | 182,8 | 705,9 | -523,1 | 161,1 | 765,0 | -603,9 | 160,5 | 732,6 | -572,1 | 173,5 | 859,1 | -685,6 |
| Services | 3.326,6 | 1.367,9 | 1.958,8 | 621,2 | 320,8 | 300,4 | 894,9 | 308,8 | 586,1 | 660,3 | 360,8 | 299,5 | 889,5 | 314,6 | 574,9 |
| Transport | 774,3 | 502,4 | 271,9 | 190,0 | 145,0 | 45,0 | 227,7 | 121,7 | 106,0 | 197,4 | 148,5 | 48,9 | 210,0 | 105,3 | 104,8 |
| Travel | 1.101,5 | 449,5 | 651,9 | 101,5 | 97,3 | 4,3 | 321,0 | 98,8 | 222,2 | 101,5 | 106,2 | -4,8 | 326,7 | 115,7 | 211,0 |
| Communications services | 42,9 | 58,6 | -15,7 | 9,9 | 11,9 | -2,0 | 7,4 | 18,0 | -10,6 | 19,1 | 22,2 | -3,1 | 7,1 | 8,1 | -1,0 |
| Construction services | 93,8 | 10,8 | 83,0 | 17,5 | 2,5 | 15,0 | 24,5 | 2,6 | 21,9 | 24,7 | 4,9 | 19,8 | 22,5 | 3,1 | 19,4 |
| Insurance services | 53,2 | 35,4 | 17,8 | 15,4 | 11,2 | 4,2 | 14,1 | 7,0 | 7,0 | 9,5 | 8,5 | 1,0 | 10,3 | 5,0 | 5,4 |
| Financial services | 147,2 | 60,9 | 86,2 | 31,7 | 6,2 | 25,4 | 30,6 | 16,1 | 14,5 | 44,9 | 7,5 | 37,4 | 44,0 | 18,3 | 25,6 |
| Computer and information services | 94,4 | 15,9 | 78,5 | 24,2 | 4,5 | 19,8 | 23,8 | 3,2 | 20,6 | 24,1 | 5,1 | 19,1 | 22,5 | 2,3 | 20,2 |
| Royalties and licence fees | 7,5 | 27,8 | -20,2 | 3,1 | 3,0 | 0,1 | 0,2 | 1,7 | -1,5 | 2,6 | 1,9 | 0,8 | 0,5 | 1,2 | -0,8 |
| Other business services | 806,7 | 135,1 | 671,6 | 177,4 | 22,9 | 154,4 | 198,5 | 26,6 | 171,9 | 178,2 | 41,8 | 136,5 | 189,7 | 29,3 | 160,4 |
| Personal, cultural and recreational services | 24,6 | 30,2 | -5,6 | 6,5 | 6,9 | -0,4 | 4,2 | 6,6 | -2,4 | 8,1 | 7,3 | 0,8 | 8,4 | 14,5 | -6,1 |
| Government services, n.i.e. | 180,6 | 41,3 | 139,3 | 44,0 | 9,5 | 34,4 | 42,9 | 6,6 | 36,2 | 50,1 | 7,0 | 43,1 | 47,8 | 11,8 | 36,0 |
| Income | 992,0 | 1.242,9 | -250,9 | 182,4 | 156,1 | 26,3 | 203,6 | 202,0 | 1,6 | 236,1 | 266,7 | -30,6 | 341,6 | 321,7 | 19,9 |
| Compensation of employees | 16,1 | 86,0 | -69,9 | 4,3 | 24,5 | -20,1 | 3,9 | 15,7 | -11,8 | 3,9 | 26,0 | -22,1 | 4,1 | 18,0 | -13,9 |
| Investment income | 975,8 | 1.156,9 | -181,0 | 178,0 | 131,6 | 46,4 | 199,7 | 186,3 | 13,4 | 232,2 | 240,7 | -8,5 | 337,5 | 303,7 | 33,8 |
| Current transfers | 384,3 | 287,3 | 96,9 | 105,0 | 72,1 | 33,0 | 98,9 | 67,6 | 31,2 | 103,6 | 67,8 | 35,8 | 96,7 | 70,3 | 26,5 |
| General government | 143,9 | 95,4 | 48,5 | 38,7 | 32,4 | 6,2 | 33,5 | 20,4 | 13,1 | 34,1 | 19,7 | 14,4 | 33,9 | 16,7 | 17,2 |
| Other sectors | 240,4 | 191,9 | 48,5 | 66,4 | 39,7 | 26,7 | 65,4 | 47,3 | 18,1 | 69,5 | 48,1 | 21,4 | 62,9 | 53,6 | 9,3 |
| Capital and financial account | | | 580,6 | | | 183,0 | | | 59,0 | | | 203,2 | | | 96,2 |
| Capital account | 45,4 | 30,3 | 15,1 | 7,7 | 11,2 | -3,5 | 15,7 | 6,4 | 9,4 | 1,8 | 5,9 | -4,1 | 5,9 | 8,5 | -2,6 |
| Financial account | | | 565,5 | | | 186,5 | | | 49,7 | | | 207,2 | | | 98,8 |
| Direct investment | | | 297,7 | | | -16,9 | | | 67,9 | | | 76,2 | | | 74,1 |
| Abroad | | | -392,5 | | | -61,4 | | | -31,2 | | | -87,1 | | | -70,4 |
| In Cyprus | | | 690,2 | | | 44,4 | | | 98,0 | | | 163,3 | | | 144,6 |
| Portfolio investment | | | -345,2 | | | -90,5 | | | 160,8 | | | -201,0 | | | 409,7 |
| Assets | | | -2.205,0 | | | -386,0 | | | -338,7 | | | -737,6 | | | -248,2 |
| Liabilities | | | 1.859,8 | | | 295,5 | | | 499,5 | | | 536,6 | | | 657,9 |
| Financial derivatives | | | 8,3 | | | 1,6 | | | 1,5 | | | 2,8 | | | -0,9 |
| Other investment | | | 1.065,2 | | | 224,3 | | | 10,1 | | | -196,4 | | | -105,4 |
| Assets | | | -2.337,9 | | | -285,4 | | | -548,9 | | | -639,7 | | | -2.241,5 |
| Liabilities | | | 3.403,1 | | | 509,7 | | | 559,0 | | | 443,3 | | | 2.136,1 |
| Reserve assets | | | -460,5 | | | 68,0 | | | -190,6 | | | 525,6 | | | -278,7 |
| NET ERRORS AND OMISSIONS | | | -84,2 | | | -19,5 | | | -74,0 | | | 64,3 | | | -31,8 |

Sources: Central Bank of Cyprus and Cystat.

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

| | Jan-Sept 2007 | Jan-Sept 2006 | Change |
|---|------------------|------------------|---------------|
| <i>CYP million</i> | | | |
| EXPENDITURE | | | |
| Intermediate consumption | 296,1 | 305,6 | 9,5 |
| Capital formation | 159,9 | 173,1 | 13,2 |
| Compensation of employees | 934,8 | 881,2 | -53,6 |
| Other taxes on production | 1,8 | 0,3 | -1,5 |
| Subsidies | 0,8 | 0,8 | 0,0 |
| Interest paid | 227,8 | 243,3 | 15,5 |
| Social benefits | 782,6 | 687,3 | -95,3 |
| Other current transfers | 292,8 | 228,0 | -64,8 |
| Capital transfers | 4,3 | 13,1 | 8,8 |
| Total expenditure | 2.700,9 | 2.532,7 | -168,2 |
| REVENUE | | | |
| Market output & output for own final use | 204,1 | 195,3 | -8,8 |
| Taxes on production and imports | 1.302,9 | 1.090,9 | -212,0 |
| <i>of which VAT</i> | 734,0 | 642,5 | -91,5 |
| Property income | 49,6 | 34,7 | -14,9 |
| Current taxes on income, wealth, etc | 870,0 | 644,5 | -225,5 |
| Social contributions | 529,8 | 461,5 | -68,3 |
| Other current transfers | 45,2 | 98,7 | 53,5 |
| Capital transfers | 5,7 | 3,8 | -1,9 |
| Total revenue | 3.007,3 | 2.529,4 | -477,9 |
| Surplus (+) / Deficit (-) | 306,4 | -3,3 | |
| Surplus (+) / Deficit (-) % of GDP | 3,40 | -0,2 | |

Source: Cystat.