



**CENTRAL BANK OF CYPRUS**  
**ECONOMIC RESEARCH DEPARTMENT**

**CONCISE**  
**MONETARY POLICY REPORT**

**FEBRUARY 2006**



**CENTRAL BANK OF CYPRUS**  
**ECONOMIC RESEARCH DEPARTMENT**

**CONCISE**  
**MONETARY POLICY REPORT**

**FEBRUARY 2006**

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.

© CENTRAL BANK OF CYPRUS, 2006  
ECONOMIC RESEARCH DEPARTMENT

Address:

80 Kennedy Avenue  
1076 Nicosia  
Cyprus

Postal Address:

P.O. Box 25529  
CY-1395 Nicosia  
Cyprus

Telephone:

+357-22714433

Website:

<http://www.centralbank.gov.cy>

E-mail:

[erdept@centralbank.gov.cy](mailto:erdept@centralbank.gov.cy)

Fax:

+357-22378155

Telex:

2424, 2228

*All rights reserved.*

*Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.  
Available, in PDF format at [www.centralbank.gov.cy/ngcontent.cfm?a\\_id=661](http://www.centralbank.gov.cy/ngcontent.cfm?a_id=661)*

# CONTENTS

<b>Introduction</b> .....	<b>1</b>
<b>International economic developments</b> .....	<b>2</b>
<b>Cyprus pound</b> .....	<b>3</b>
<b>Monetary developments</b> .....	<b>3</b>
<b>Cyprus Stock Exchange</b> .....	<b>4</b>
<b>Domestic economy</b> .....	<b>5</b>
<b>Prospects for 2005 and 2006</b> .....	<b>8</b>
<b>Tables and charts</b> .....	<b>10</b>

## 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. CCI	Co-operative Credit Institutions
CPI	Consumer Price Index
CSE	Cyprus Stock Exchange
Cystat	Statistical Service of the Republic of Cyprus
ECB	European Central Bank



## **Introduction**

The end of 2005 saw the major economies showing a steady expansion, with the US and Japan ahead of the euro area. Analysts are cautiously optimistic regarding the prospects for the world economy during the first quarter of 2006. At the same time upside risks to inflation remain due to the rise in oil prices. The ECB and the Bank of England left their official interest rates unchanged during their recent meetings while the US Federal Reserve raised the federal funds rate by 25 basis points.

As regards domestic developments, inflation, measured with a new base year (2005=100) and with a revised composition, reached 2,3% in January 2006 compared with 2% in December 2004 (1998=100). Price increases were recorded for electricity, clothing, transportation, education and food. In contrast, the prices of communications, health, recreation and culture recorded a fall.

Tourist arrivals increased by 5,2% in 2005 compared with a 2% increase in 2004. Revenue from tourism increased by 2,4% compared with a 3,2% decrease recorded in 2004. Therefore, a 3% decrease was reported in per capita expenditure.

The trade deficit increased to £2.246,4 million compared with £2.131,3 million recorded in 2004. This worsening of the deficit was the result of the significant increase in the value of oil imports.

As regards private consumption, the year-on-year increase in the turnover volume index of trade was 8,11% higher in October 2005, which was 0,6% lower than in the corresponding month of 2004. During the first ten months of 2005, the retail sales volume index increased by 4,8%

compared with a 3% increase in the corresponding period of 2004. In the labour market, unemployment as a percentage of the economically active population fluctuated at around 4,3% in January 2006, compared with 5,3% in the corresponding month of 2005. The increase in the number of unemployed, which reached 3,7% in 2005 compared with 3,6% in 2004, was mainly the result of an increase in the labour force arising, in large part, from an increase in foreign (mainly European) labour.

In the secondary sectors of the economy, mixed developments were recorded. The manufacturing volume index decreased during the period January-November 2005, mainly due to the closure of the Dhekelia oil refinery in May 2004, while the performance of the construction sector continued its upward trend with, however, some signs of deceleration. Indicative of this was the deceleration in the volume index of authorised building permits, as well as the local sales of cement during 2005.

In the monetary sector, the annual growth rate of credit to the private sector by domestic banks increased by 6,2% in December 2005, compared with 6,5% in December 2004. The annual growth of M2 reached 10,3% in December, compared with 9,2% in November 2005 and 5,6% in December of the preceding year. At the same time surplus liquidity conditions prevailed in the money market during the period under review.

In accordance with the preliminary consolidated accounts of the Ministry of Finance, which cover the central government and the social security funds, the fiscal balance recorded a surplus of 0,01% of GDP for the period January-November

2005. This compares with a deficit of 1,5% of GDP for the corresponding period of 2004. This favourable development on the fiscal front, is largely the result of temporary measures, such as the tax amnesty. Re-adjusting the fiscal balance by excluding the proceeds from these measures, the surplus is transformed into a deficit of 1,2% of GDP. The above figures do not include the deterioration of the deficit by 1,3% of GDP which will result from the realisation of the announced social support measures (0,3% of GDP) and the adoption by the House of Representatives of the supplementary budget (1% of GDP). Consequently, it is estimated by the Ministry of Finance that the fiscal deficit for 2005 will hover at around 2,1%-2,3% of GDP, while previous estimates were placing it as high as 2,9%.

### *International economic developments*

In the **US** unemployment was 4,7% in January, the lowest figure since July 2001. Productivity fell by 0,6%, the first fall since the first quarter of 2001. GDP grew by 3,5% in 2005, lower than the 4,2% in 2004, due to the slowdown in consumption and investment expenditures as well as the acceleration in the growth of imports. Despite inflation being under control and wage increases contained, possible shortages in the labour market may eventually lead to wage rises. Inflation was 3,4% in December, compared with 3,3% in the same month of the previous year. During its meeting on 31 January 2006, the US Federal Open Market Committee raised the official interest rate by 25 basis points to 4,5%, hinting that its restrictive monetary policy might continue in order to maintain the balance between economic growth and inflationary pressures.

In the **euro area** provisional data from Eurostat on GDP growth in the last quarter of 2005 show

restrained growth of 0,3%, compared with the previous quarter and 1,7% compared with the same quarter in 2004. Consumer confidence has improved and inflationary pressures remain. At its meeting on 2 February 2006, the ECB maintained its official interest rate unaltered hinting that a rise may follow soon. Analysts believe that a rise will take place in March. Unemployment was 8,4% in December, compared with 8,8% in the same month of 2004. Inflation rose to 2,4% in January, from 1,9% in the same month of the previous year.

In the **UK**, the annual growth rate of GDP for the fourth quarter of 2005 was 2,4%, compared with 1,6% in the preceding quarter. Unemployment was 5% during the period September – November, compared with 4,7% in the same period of 2004. Inflation rose to 2% in December, compared with 1,6% in the same month of the previous year. In the real estate market, activity intensified leading to a rise in prices of 5,5% in December. During its meeting on 9 February 2006, the Bank of England left its official interest rate unchanged at 4,5%.

In **Japan**, economic growth continues based on domestic demand and exports. Industrial production rose for the fifth consecutive month due to the domestic and foreign demand for electronic goods and motor vehicles. In December the CPI decreased slightly by 0,1%, while in the same month of the previous year it had risen by 0,2%. Despite these figures, there are indications that deflation is slowly receding. Notwithstanding government pressure, the Bank of Japan has repeated that there must be incontrovertible evidence that the situation of positive inflation is permanent before it decides to abandon its zero interest rate policy. Analysts believe that such a change in monetary policy will occur in the middle of the current year.

Chart 1 depicts the Nikkei 225, S&P 500 and Eurostoxx 50 **share indices**. The Nikkei 225 and Eurostoxx 50 indices rose by around 3% since the end of December and the S&P 500 rose by 2,5% during the same period. Corporate profit announcements positively affected the US and European markets.

The average price of **Brent crude** was \$62,51 per barrel in January, compared with \$56,21 per barrel in December. By mid-February it reached around \$62 per barrel. The oil price rose due to geopolitical uncertainty as a result of: (i) strained diplomatic relations between the US and Iran because of the latter's decision to develop a nuclear programme; (ii) attacks against oil companies in Nigeria; and (iii) Al-Qaida's threat to strike again against the West. In contrast, the increase in US oil inventories partly caused a fall in the oil price during February. At the same time, President Bush announced a plan for developing and using alternative sources of energy in an attempt to halt the economy's "addiction" to oil.

### **Cyprus pound**

In January and during the first days of February 2006, the Cyprus pound exhibited minor fluctuations relative to the euro, reaching 57,40 cents to the euro. Reflecting the fluctuations of foreign currency fluctuations during the period under review, the Cyprus pound reached \$2,1098 on 31 January, 2006 and \$2,0860 on 10 February 2006 compared with \$2,0653 on 2 January 2006. During the same period the Cyprus pound recorded marginal fluctuations relative to sterling, reaching £1,1908 on 31 January 2006 and £1,1934 on 10 February 2006 compared with £1,1978 on 2 January 2006.

Table 3 illustrates the Central Bank's total foreign currency transactions until 10 February 2006 on the basis of their transaction dates. The corresponding daily total transactions in foreign currency by the Central Bank from 2001 until 10 February 2006, are illustrated in Chart 5. In the period of January 2006 to 10 February 2006 December, net outflows of £57,61 were recorded compared with net outflows of £42,60 in the corresponding period of 2005.

### **Monetary developments**

The annual rate of growth of **M2** was 10,3% in December, up from 9,2% in November 2005 and 5,6% in the same month of the previous year. (Table 4). The increase in net foreign assets and the rise in credit to the private sector were the main factors that influenced positively the growth rate of money supply in December 2005. In addition, credit to the public sector increased because of the government's preference for domestic borrowing. According to provisional data, the annual growth rate of total money supply **M2C**<sup>1</sup>, which includes the deposits with banks and CCIs, reached 10,4% in December 2005, compared with 9,3% in November and 6,8% in December 2004. **Credit to the private sector** rose by 6,2%<sup>2</sup> in December 2005, compared with 5,9% in the previous month and 6,5% in December 2004.

---

<sup>1</sup> The monetary aggregate M2C should be treated with caution since the co-operative credit institutions are not supervised by the Central Bank of Cyprus and, in addition, the automation undertaken by the Co-operative Computers Society (SEM) Ltd, does not yet cover all the co-operative credit institutions.

<sup>2</sup> A marked slowdown in credit growth has been observed since March due to debt write-offs by one of the major commercial banks, the largest part of which affected the personal-professional loans category. The adjusted growth rates in November and December reached 7,7% and 7,9%, respectively. It is noted that this is not a final debt write-off but adjustments based on international accounting standards.



**Loans** to the construction sector rose by 10,2% year-on-year to December 2005, while personal – professional loans increased by 11,6% during the same period (Table 6). At the same time there was a decrease of 3,3% in loans to the tourism sector while there was no noted change in loans to the trade sector.

**Loans to residents in foreign currency** rose by £300 million in the 12 months to December 2005, compared with a rise of £236,5 million in the preceding 12 month period and £111 million in the 12 months to December 2004 (Table 8). The share of new credit in foreign currency to total credit was 54,5% in the 12 months to December, compared with 46,3% in the 12 months to November 2005 and 20,5% in the 12 months to December 2004. As a result, the share of these loans to total amount of credit outstanding at the end of December 2005 was 12,9%, compared with 10,3% at the end of December 2004. Loans in euro absorbed 67,5% of the total, while loans held in Swiss francs and dollars absorbed 21,4% and 7,9% of the total, respectively. The corresponding shares at the end of 2004 were 69,7%, 16,5% and 8,4%.

Residents' **deposits** in Cyprus pounds grew by 7% year-on-year to December 2005, compared with 2,3% in the same period of the previous year. At the same time residents' deposits in foreign currency continued to increase. More specifically, in absolute numbers they rose by £338,7 million year-on-year to December 2005, compared with an increase of £255 million in the same period of 2004.

Surplus liquidity conditions prevailed in the **money market** during December. A main factor contributing to this was the maturity of the Small

and Medium Size Enterprises (SME) scheme. As a result the Central Bank intervened in the money market via auctions for the acceptance of deposits. At the most recent auction held on 16 February, the Central Bank absorbed £300 million at an average interest rate of 2,71%.

Turning to **government securities** (Table 14), there was one auction in ten-year government bonds in January 2006 with an average yield of 3,96%, compared with 4,08% in the previous month. In addition there were auctions held in 13 and 52-week treasury bills, with average yields 2,67% and 2,95%, respectively. The average yields which resulted from the preceding auctions were 3,95% (June 2005) and 3,12% (December 2005), respectively. During February 2006 auctions were held in two-year and five-year government bonds. The average yields were 3,36% and 3,67%, respectively. The previous auction in two-year bonds had been held in July, with an average yield of 4,03%, and in five-year bonds in June, with an average yield of 4,84%.

The average overnight interbank rate was 2,51% in January 2006, compared with 4,25% in January 2005.

### **Cyprus Stock Exchange (CSE)**

The main and parallel market index of the **Cyprus Stock Exchange** (Chart 7) rose further in January, closing at 2.147,2 mainly due to increased investor interest in the shares of the largest banks. The index fluctuated between 1.730,6 and 2.147,2. Both the average daily volume and value of transactions increased. More specifically, the average daily volume reached 1.895 transactions, compared with 986 in the preceding month and the average daily value

was £3,1 million, compared with £1,7 million in December 2005.

Regarding non-residents' investments in the Cyprus stock market, the latest data refer to January 2006. Net inflows amounting to £1,4 million were observed, compared with £1,7 million registered in December (Table 20).

### ***Domestic economy***

In December 2005 inflation registered a fall and reached 2%, compared with 2,9% in the previous month. This development was mainly due to the fall in the prices of agricultural products. At the same time, car prices fell further. In contrast there was a small acceleration in electricity, fuel and gas prices.

As a result of the above developments, inflation rose to 2,6% during the whole of 2005, while the HICP increased by 2% in the first 11 months of 2005.

Tourist arrivals decreased by 3,9% in December 2005, compared with a 6,2% decrease reported in

the corresponding month of 2004. In 2005 tourist arrivals increased by 5,2% compared with 2% in 2004. Revenue from tourism increased by 5,2% in December 2005, compared with a 12,4% decrease in December 2004. For the whole year of 2005 revenue from tourism increased by 2,4% compared with a 3,2% decrease reported in 2004. It should be noted that these figures do not include the expenditure of tourists owning holiday homes in Cyprus.

Table 27 presents preliminary data relating to the trade deficit for the whole of 2005, as published by Cystat. The value of total imports increased by 8,9%, compared with a 16,3% increase recorded in 2004. This deceleration is due to the base effect resulting from the significant increase in car imports in 2004, following the reduction in excise duties in November 2003. The deceleration resulted despite the significant increase in the price of oil. As a result, the trade deficit deteriorated to £2.246,4 million in 2005, compared with a deficit of £2.131,3 million in 2004. It should be noted, however, that the significant increase in total exports of goods was not sufficient so as to offset the significant increase in imports of goods.

## BOX 1

## CPI Revision

In January 2006, Cystat revised the base, weights and products of the CPI . The base year of the new index is 2005. This revision reflects the current consumption expenditures of the general public. In the table below, the 12 categories of the CPI are shown with the old and revised weights.

	Weights 2005=100	Weights 1998=100
<b>GENERAL INDEX</b>	<b>100,00</b>	<b>100,00</b>
Food and non-alcoholic beverages	17,50	18,20
Alcoholic beverages and tobacco	2,21	1,78
Clothing and footwear	8,93	8,22
Housing, water, electricity and gas	15,87	21,27
Furnishings, household equipment and supplies	6,78	7,08
Health	5,03	4,92
Transport	15,99	17,42
Communications	3,94	1,79
Recreation and culture	6,33	5,88
Education	2,87	2,33
Restaurants and hotels	7,57	6,07
Miscellaneous goods and services	6,98	5,04

Six hundred and ninety products are included in the revised CPI, compared with 525 in the old CPI. The revision of the product weights will take place more often (perhaps every year).

Source: Cystat.

As regards private consumption, the turnover volume index of retail trade rose by 8,1% in October 2005 compared with the corresponding month of 2004. During the first ten months of 2005, the index recorded an increase of 4,8% compared with 3% in the corresponding period of 2004. However, the index does not include the registration of new cars, which recorded a 12,8% reduction in 2005. Consequently, the rise in private consumption in 2005 might be less than the rise in the turnover index of retail trade.

In the **labour market** the number of registered unemployed fell by 16,5% in the first month of 2005, compared with an increase of 14,1% in the corresponding period of 2004, while unemployment as a percentage of the economically active population fluctuated at around 4,3%, compared with 5,3% in the first month of 2004. In the secondary sectors of the economy, mixed developments were recorded. The manufacturing index volume dropped during the first 11 months of 2005, while the construction sector continued its upward trend with, however, some signs of a deceleration. Indicative of this is the deceleration in the volume index of authorised building permits as well as the local sales of cement during within 2005. The increase in real GDP was 3,9%, 3,6% and 3,8% during the first, second and third quarters of 2005, compared with 3,8%, 4,2% and 3,8% in the corresponding quarters of 2004.

In the secondary sectors of the economy, mixed developments were recorded. In the first 11 months of 2005, there was a decline in manufacturing, while activity in the construction sector remained buoyant. Indicative of this was the deceleration in the volume of authorised building permits and the sales of cement. More specifically, the sales of cement rose by 3,4% in 2005, compared with 18% in 2004, while the

volume of building permits rose by 13,9% for the first 11 months of 2005, compared with an increase of 16,3% for the corresponding period of the previous year.

In accordance with the preliminary consolidated accounts of the Ministry of Finance, which cover the central government and the social security funds, the fiscal balance recorded a surplus of the magnitude of 0,01% of GDP for the period January-November 2005, compared with a deficit of 1,5% of GDP for the corresponding period of 2004. However, re-adjusting the fiscal balance by excluding the proceeds from temporary measures, such as the tax amnesty, the surplus is transformed into a deficit of 1,2% of GDP.

The figures until November do not include the recent deterioration of the deficit by 1,3% of GDP, which resulted from the implementation of the announced social support measures (0,3% of GDP) and the supplementary budget (1% of GDP) voted by the House of Representatives. Taking into account the deterioration of the fiscal balance during the last month of each year by around 2%, as a result of supplementary budgets, the Ministry of Finance estimates that the deficit for 2005 will be around 2,1%-2,3% of GDP. This is lower than previous Ministry estimates which placed the deficit initially at 2,9% of GDP and later in the Convergence Programme 2005-2009 at around 2,5% of GDP.

Analytically, the fiscal situation for the first 11 months of 2005 relative to the corresponding period of 2004 is presented as follows:

**Total revenue** increased by 15,6% with **tax revenues** increasing by 14,4%. However, with the exclusion of the tax amnesty receipts, this increase is readjusted to 9,1%. More specifically, direct tax revenues increased by 30,2%, with the

increase dropping to 11,2% if the tax amnesty receipts are deducted. Indirect tax revenues rose by 8,4%, even though they were negatively affected by the reduction in revenue from import duties (-52,1%). Proceeds from excises increased by only 5,8%, partly due to the reduction of excises on motor vehicles. VAT proceeds increased by 17,7%, which in turn is due to the recovery in economic activity fuelled by increased private consumption and, post 1 May 2004, due to the fact that VAT is now paid at the point of consumption rather than at the point of importation and it is imposed on products that previously had a zero rate.

The contributions to the Social Security Fund increased by 8,1% and the **non-tax revenues** rose by 24,3%. **Total public expenditure** rose by 10%. Expenditure on **wages and salaries** increased by only 4,1% reflecting zero salary increases, the incorporation of a relatively smaller increase of the COLA index, the reduction in the rate of growth of permanent employees, as well as the employment of a smaller number of temporary staff.

**Subsidies** recorded a reduction of 8,1%, while **current transfers**<sup>3</sup> increased by 10,2%. With the realisation of the two packages of social support measures and of the supplementary budget, the rate of growth of this latter category of expenditure is expected to accelerate. Lastly, **capital expenditure** recorded an increase of 22,1% due to the acceleration in the rate of completion of approved government projects.

Despite the fact that the budget deficit during 2005 has been reduced to below 3%, there is no room for complacency, since the improvement is

largely due to temporary measures. Consequently, the adoption of structural measures which will reinforce the medium and long-term viability of public finances is paramount. This favours the strict adherence to the fiscal consolidation, as set out in the Convergence Programme 2005-2009, which includes the adoption of structural measures.

The continuation of the fiscal consolidation efforts constitutes a major priority for ensuring the smooth transition of the Cypriot economy towards eurozone membership in January 2008.

### Prospects for 2005 and 2006

In 2005 real growth is expected to fluctuate at around the 2004 level. It is estimated that the growth of domestic demand has been adversely affected by the slowdown in private consumption and fixed capital formation. In contrast, there was a small increase in public consumption compared with a reduction in 2004. At the same time, external demand has accelerated, partly reflecting the positive developments in the tourism sector.

As regards the labour market, unemployment rose to 3,7% in 2005, compared with 3,6% in 2004, mainly due to the increased presence of foreign workers originating, to a large extent, from EU countries as well as Turkish Cypriots.

As regards public finances, the fiscal deficit fell below 2,9% of GDP and the public debt began to decline.

In 2005 the current account deficit remained at around 5,7%, as in 2004.

Inflation during 2005 reached 2,6% due to the developments in the oil market. This development also reflects the reduction in the prices of

<sup>3</sup> Current transfers consist of pensions and gratuities, social pension, other current transfers such as child benefit, student grants, public aid, housing and health contributions, and grants to semi-governmental organisations, local authorities and the EU budget.

pharmaceutical products, which are government controlled, and the continuation of the reduction in telecommunications prices.

In addition the prices of imported and industrial products, excluding oil products, experienced a slowdown. This can be partly attributed to the gradually increasing competition in the imported goods sector and, consequently, in the total traded goods sector, following EU accession.

In 2006 GDP is expected to grow at about the same rate as in 2005. External demand will play a major role due to the expected improvement in the international environment.

The rate of unemployment is expected to fluctuate at around the same level as in 2005, provided that the number of foreign workers remains roughly the same.

The rate of inflation is also expected to remain at the 2005 level, provided that oil prices do not increase significantly. In addition, the actual rate of inflation will be influenced by the new competitive environment that has prevailed post-EU accession.

In accordance with the 2005 updated Convergence Programme, the fiscal deficit is expected to decline to around 2% of GDP, thus satisfying the relative Maastricht criterion. The Convergence Programme aims to contain public expenditure and to improve the efficiency of the tax collecting departments.

The goal of reducing the fiscal deficit to around 2% of GDP is feasible. The government's commitment as regards the restraining of expenditure, is crucial to the attainment of the 2006 fiscal projections. This commitment, constitutes a major challenge to the government because the results will, to a great extent, determine Cyprus's accession to the eurozone and, more generally, the future state and robustness of the Cyprus economy.

In 2006 a small improvement of the current account deficit is expected, as a result of the further recovery in the tourist sector in conjunction with the expected improvement of the external economic environment and the stabilisation of oil prices.

**TABLES & CHARTS**

**Table 1****GDP projections***(annual percentage change) <sup>(1)</sup>*

	The Economist Poll GDP forecasts <sup>(2)</sup>			Lehman Brothers Weekly Outlook - GDP <sup>(3)</sup>			International Monetary Fund World Economic Outlook <sup>(4)</sup>			European Commission Economic Forecasts <sup>(5)</sup>		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
World				3,2	2,6 (2,7)	2,6	5,1	4,3	4,3 (4,4)	5,2 (5,0)	4,3 (4,2)	4,3 (4,1)
Euro area	1,8	1,4 (1,3)	1,9 (1,8)	1,8	1,4	1,5	2,0	1,2 (1,6)	1,8 (2,3)	2,1 (2,0)	1,3 (1,6)	1,9 (2,1)
USA	4,3	3,6	3,3	4,2	3,5 (3,7)	3,2 (3,5)	4,2 (4,4)	3,5 (3,6)	3,3 (3,6)	4,2 (4,4)	3,5 (3,6)	3,2 (3,0)
Japan	3,0	2,6 (2,4)	2,5 (2,2)	2,7	2,7 (2,5)	3,1 (2,7)	2,7 (2,6)	2,0 (0,8)	2,0 (1,9)	2,7	2,5 (1,1)	2,2 (1,7)
UK	3,0	1,7	2,1	3,2	1,8 (1,6)	1,8 (1,7)	3,2 (3,1)	1,9 (2,6)	2,2 (2,6)	3,2 (3,1)	1,6 (2,8)	2,3 (2,8)

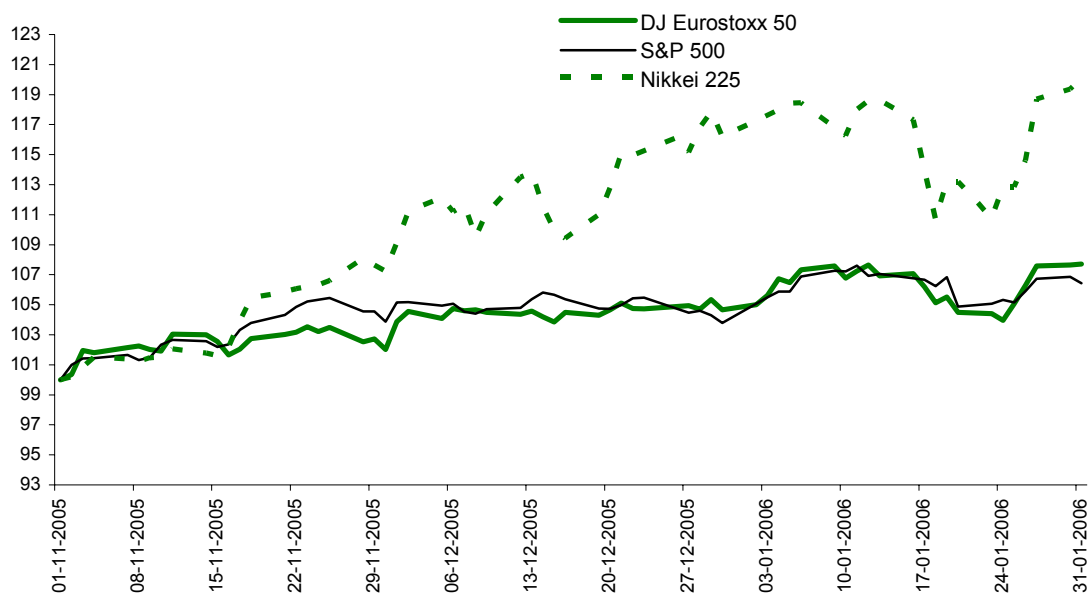
(1) Figures in parentheses indicate the corresponding projection in the previous Monetary Policy Report, in case of change. In the case of the International Monetary Fund and European Commission, the figures indicate the projections in April 2005 and March 2005, respectively.

(2) The Economist, 11 February 2006.

(3) Lehman Brothers Global Weekly Economic Monitor, 10 February 2006.

(4) International Monetary Fund, World Economic Outlook, September 2005.

(5) European Commission, Economic Forecasts, Autumn 2005.

**Graph 1****Selected international stock market indices***(1 November 2005 = 100, daily data)*

Source: Bloomberg.



**Table 2****Main economic indicators**

(percentage change year-on-year)

	GDP				Industrial production December (annual)	Retail sales December (annual)	Unemployment December (annual)	Inflation <sup>(2)</sup> December (annual)
	2005							
	(quarterly) <sup>(1)</sup>	(annual)	(quarterly) <sup>(1)</sup>	(annual)				
UK	1,6 (Q3)	1,7 (Q3)	2,4 (Q4)	1,7 (Q4)	-2,7	4,0	5,0 <sup>(3)</sup>	2,0
Japan	3,3 (Q2)	1,4 (Q2)	1,0 (Q3)	2,9 (Q3)	3,8	0,9 <sup>(4)</sup>	4,4	-0,1
USA	4,3(Q3)	3,7 (Q3)	1,1 (Q4)	3,1 (Q4)	2,8	4,4	4,7 <sup>(5)</sup>	3,4
Euro area	1,2 (Q2)	1,1 (Q2)	2,6 (Q3)	1,6 (Q3)	2,6 <sup>(4)</sup>	0,8	8,4	2,4 <sup>(5)</sup>

Source: The Economist, 11 February 2006.

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

(2) Based on the consumer price index.

(3) September-November 2005.

(4) November 2005.

(5) January 2006.

**Graph 2****Exchange rate of the euro against the Cyprus pound**

(middle rate fixing)



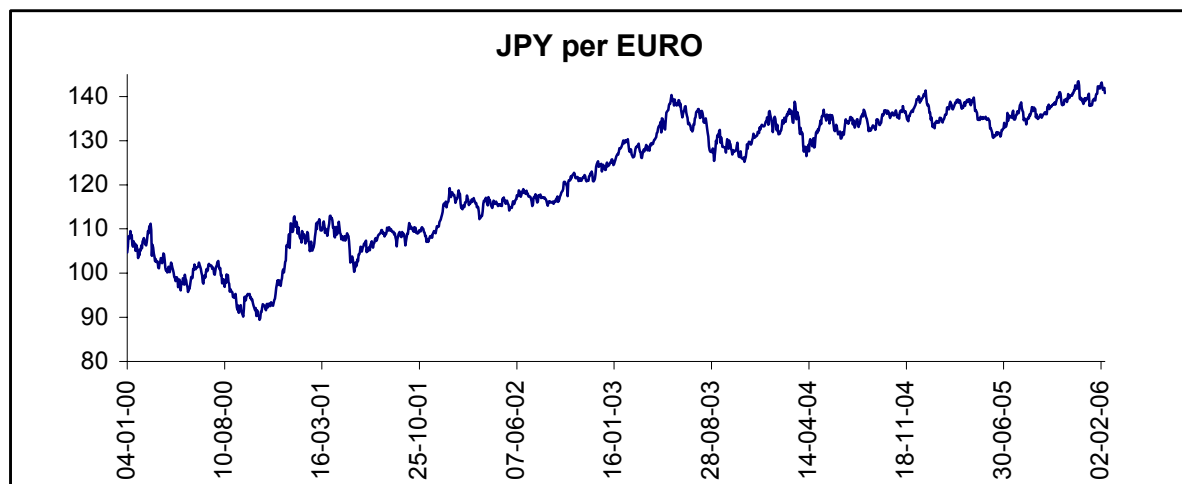
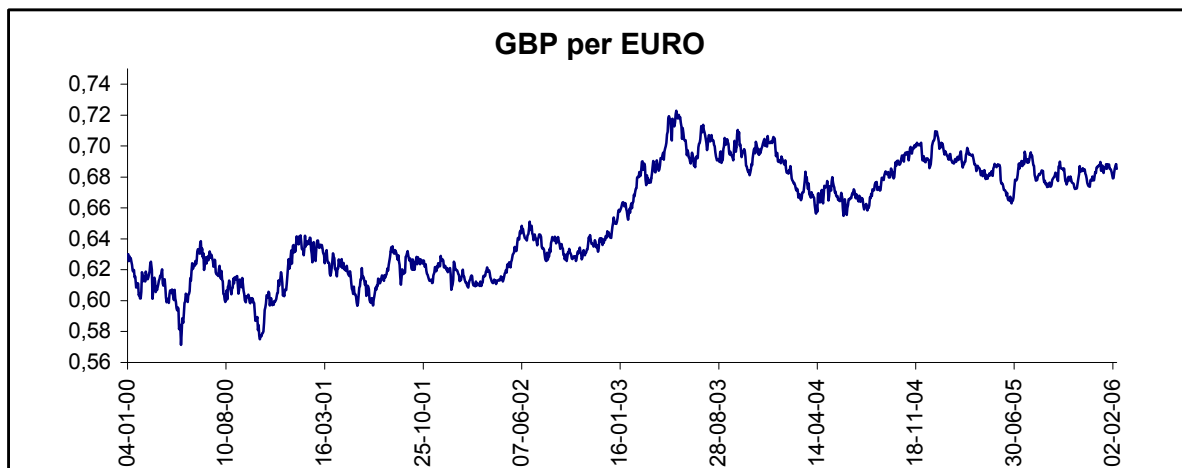
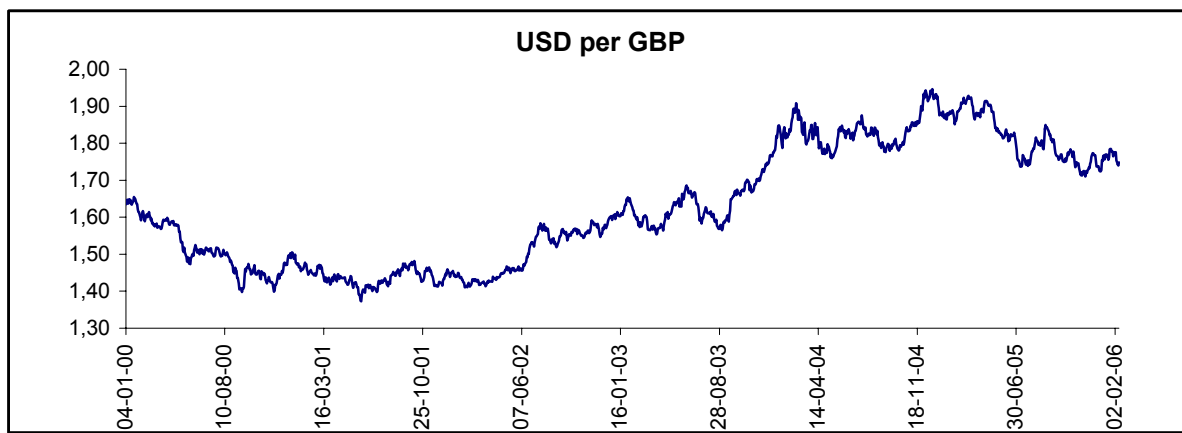
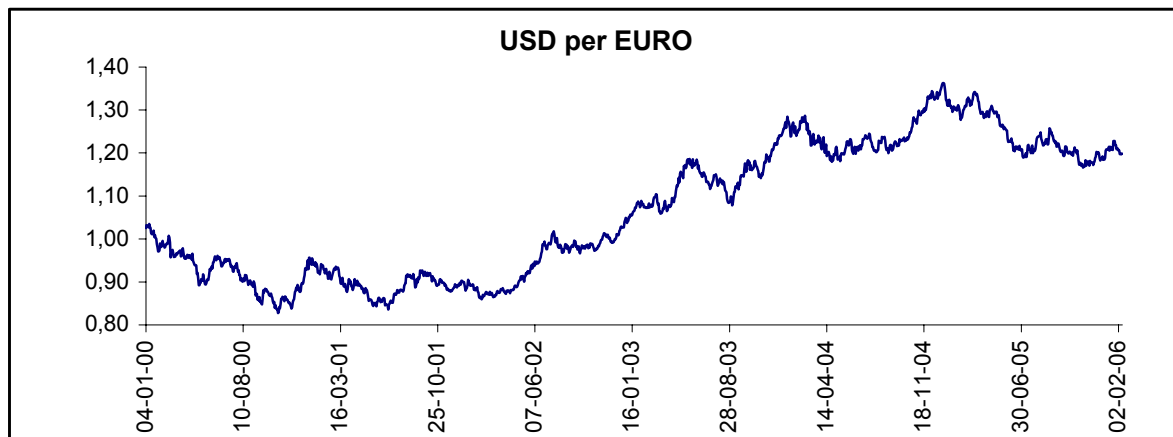
Source: Central Bank of Cyprus.

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

**Graph 3**

**Major international currencies**

(middle rate)

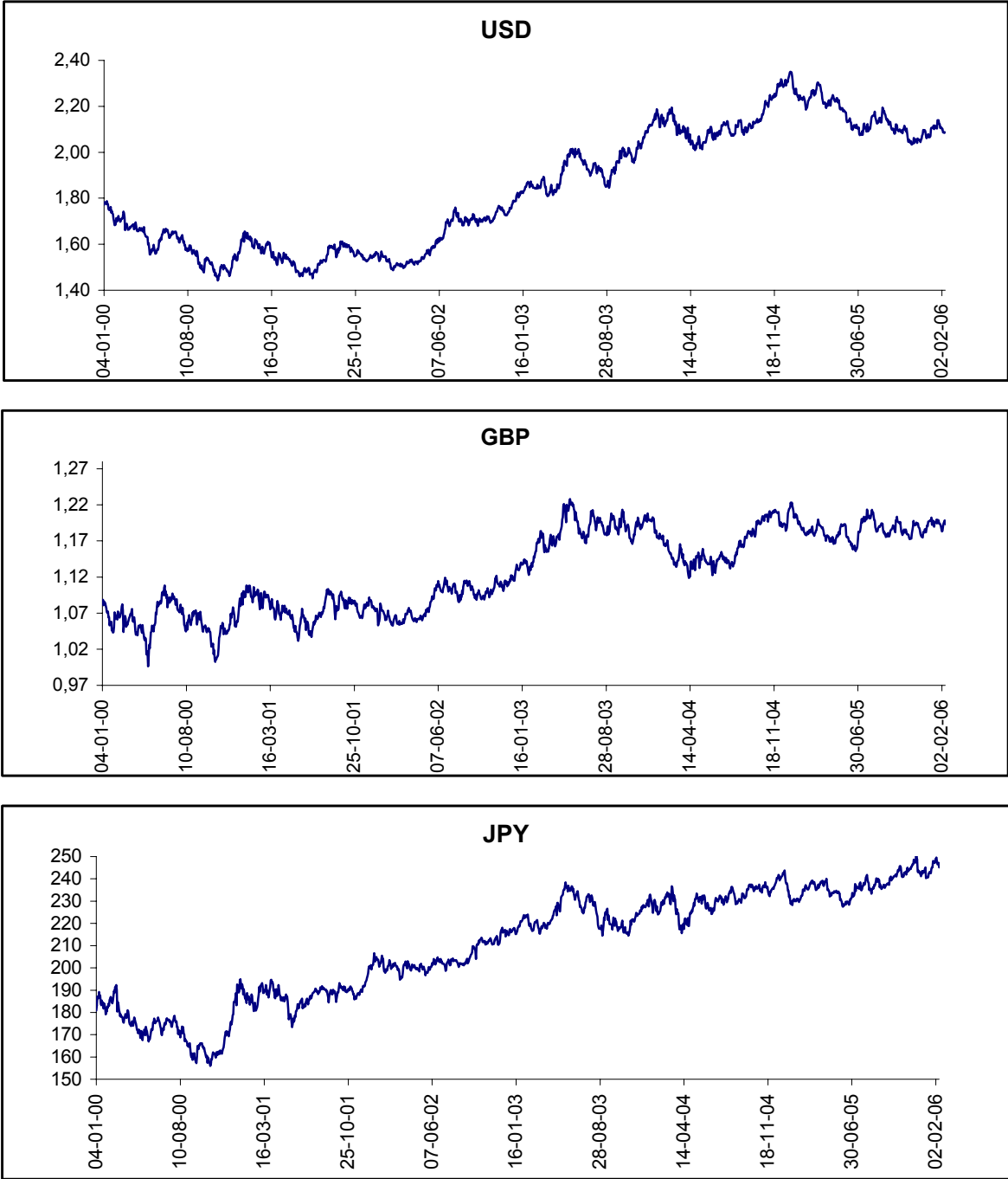


Source: Central Bank of Cyprus.

**Graph 4**

**Cyprus pound against major international currencies**

(middle rate)



Source: Central Bank of Cyprus.

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

Period	Average exchange rate intervention 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	USD	Sterling	
<u>Yearly</u>							
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	1,7121	1,9378	1,1849	-259,75	5,16	19,50	-134,01
2004	1,7187	2,1357	1,1663	-91,40	15,75	25,70	-25,52
<u>Quarterly</u>							
2004 Q1	1,7060	2,1348	1,1604	-155,75	2,00	30,20	-64,23
2004 Q2	1,7099	2,0579	1,1401	-19,05	6,50	1,10	-7,49
2004 Q3	1,7271	2,1107	1,1612	199,60	4,95	-19,20	101,02
2004 Q4	1,7317	2,2394	1,2033	-116,2	2,3	13,6	-54,82
2005 Q1	1,7161	2,2496	1,1902	-161,1	10,5	30,1	-64,1
2005 Q2	1,7297	2,1785	1,1742	518,15	22,3	4,40	312,86
2005 Q3	1,7443	2,1278	1,1928	250,45	3,55	-0,10	141,83
2005 Q4	1,7440	2,0737	1,1861	292,05	0,5	2,90	170,09
<u>2005</u>							
January	1,7189	2,2561	1,2009	-100,60	0,00	10,90	-49,46
February	1,7149	2,2324	1,1828	-18,00	0,00	12,30	-0,11
March	1,7145	2,2602	1,1868	-42,50	10,05	6,90	-14,53
April	1,7159	2,2208	1,1722	-91,35	20,75	4,40	-66,32
May	1,7312	2,1958	1,1852	175,45	0,05	0,00	101,53
June	1,7419	2,1189	1,1653	251,35	1,50	0,00	145,01
July	1,7432	2,0992	1,1992	49,00	0,00	0,00	28,10
August	1,7453	2,1395	1,1831	134,05	-3,40	0,00	75,27
September	1,7445	2,1447	1,1960	67,40	-0,15	-0,10	38,46
October	1,7447	2,0961	1,1892	140,30	0,80	0,00	80,78
November	1,7437	2,0558	1,1845	95,15	-0,15	0,90	55,24
December	1,7438	2,0691	1,1845	56,60	-0,15	2,00	34,07
<u>2006</u>							
January	1,7429	2,1102	1,1960	-79,95	-0,30	0,00	-46,01
February <sup>(1)</sup>	1,7420	2,0929	1,1908	-20,20	0,00	0,00	-11,60

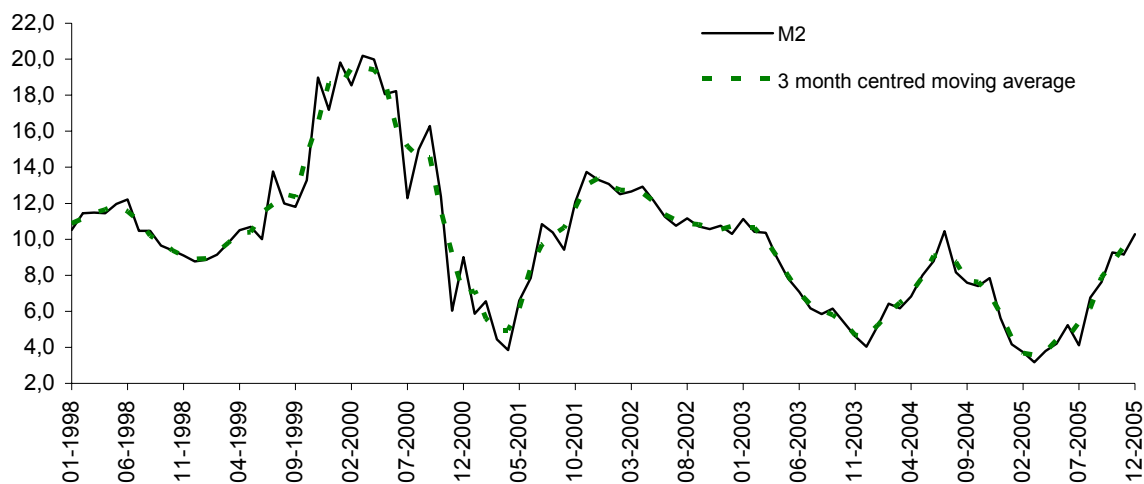
Source: Central Bank of Cyprus.

(1) Figures until 10 February 2006.

## Graph 5

## M2 growth

(annual percentage change, monthly data)

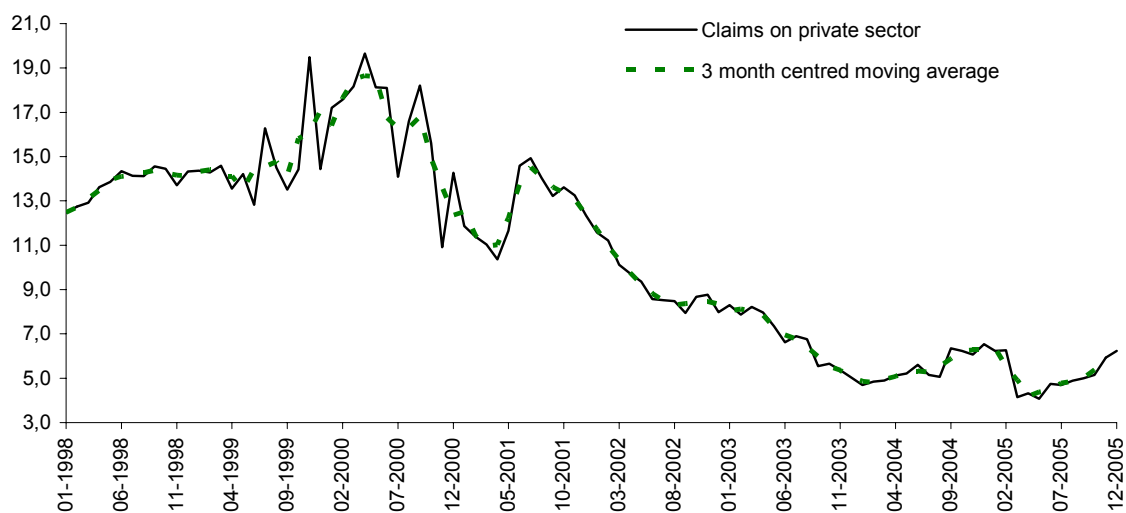


Source: Central Bank of Cyprus.

## Graph 6

## Growth of claims on private sector

(annual percentage change, monthly data)



Source: Central Bank of Cyprus.

**Table 4**
**Main monetary indicators**

(annual percentage change)

	Outstanding amount as a percentage % of M2 <sup>(1)</sup>	Annual percentage change			
		2004 Nov.	2004 Dec.	2005 Nov.	2005 Dec.
<b>Money supply (M1)</b>	<b>18,3</b>	<b>19,6</b>	<b>10,6</b>	<b>13,2</b>	<b>19,1</b>
Currency in circulation	5,6	11,5	9,9	9,8	8,2
Demand deposits	12,7	23,7	11,0	14,7	24,7
<b>Quasi-money</b>	<b>81,7</b>	<b>5,8</b>	<b>4,7</b>	<b>8,4</b>	<b>8,5</b>
<b>Total money supply (M2)</b>	<b>100,0</b>	<b>7,9</b>	<b>5,6</b>	<b>9,2</b>	<b>10,3</b>
Claims on private sector <sup>(2)</sup>		6,1	6,5	5,9	6,2
of which in foreign currency		19,2	13,9	26,0	33,0
Claims on public sector		-7,7	-6,0	13,1	17,3

Source: Central Bank of Cyprus.

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

(2) In March 2005 the banks wrote off a number of old loans, for which provisions had already been made. As a result the growth of claims on the private sector was reduced. Adjusting for the above, the growth rates for November and December 2005 are 7,7% and 7,9%, respectively.

**Table 5****Monetary aggregates and counterparts***(outstanding amounts at end of period, CYP thousand)*

	2004 Nov.	2004 Dec.	2005 Nov.	2005 Dec.
<b>Money supply (M1)</b>	<b>1.483.332</b>	<b>1.523.513</b>	<b>1.678.464</b>	<b>1.815.115</b>
Currency in circulation	464.986	513.653	510.386	555.855
Demand deposits	885.038	921.236	1.057.809	1.141.363
Deposits in foreign currency	133.308	88.624	110.269	117.897
<b>Quasi-money</b>	<b>7.372.657</b>	<b>7.448.045</b>	<b>7.988.514</b>	<b>8.079.510</b>
Saving deposits	303.203	319.645	339.673	361.699
Time deposits	6.496.626	6.534.826	6.738.558	6.814.808
Deposits in foreign currency	572.828	593.574	910.283	903.003
<b>Total money supply (M2)</b>	<b>8.855.989</b>	<b>8.971.558</b>	<b>9.666.978</b>	<b>9.894.625</b>
Net foreign assets	1.223.174	1.153.152	1.723.826	1.794.823
Claims on private sector	8.599.435	8.844.186	9.110.058	9.394.994
of which in foreign currency	908.428	909.944	1.144.956	1.209.973
Claims on public sector	1.788.721	1.794.577	2.022.879	2.104.166
Unclassified items	-2.755.341	-2.820.357	-3.189.785	-3.399.358

*Source: Central Bank of Cyprus.*

**Table 6**  
**Bank credit by sector<sup>(1)</sup>**

	Outstanding amount as a percentage % of total <sup>(2)</sup>	Annual percentage change			
		2004 Nov.	2004 Dec.	2005 Nov.	2005 Dec.
Public institutions and corporations <sup>(3)</sup>	3,18	6,1	4,5	9,1	13,3
Agriculture	1,08	3,1	4,7	-9,9	-8,2
Mining	0,29	-7,9	-7,8	5,5	5,6
Manufacturing	5,26	-4,3	-2,9	-0,7	0,1
Transport and communications	0,99	-19,1	-20,0	-6,9	-7,8
Foreign and domestic trade	15,61	-4,4	-2,7	-0,1	-0,3
Building and construction	17,56	16,1	15,3	10,7	10,2
Tourism	8,52	3,7	3,4	-1,7	-3,3
Personal and professional loans	47,48	13,0	12,8	10,0	11,6
Bills discounted: local	0,03	-31,0	-26,8	-11,7	-16,0
foreign	0,02	-26,1	-36,5	-34,3	-22,0
<b>Total</b>	<b>100,00</b>				

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 7**  
**Bank credit by sector<sup>(1)</sup>**

(outstanding amounts at end of period, CYP thousand)

	2004 Nov.	2004 Dec.	2005 Nov.	2005 Dec.
Public institutions and corporations <sup>(2)</sup>	281.021	279.971	306.615	317.258
Agriculture	115.377	116.866	103.985	107.256
Mining	26.577	27.239	28.031	28.768
Manufacturing	514.718	524.283	511.093	524.692
Transport and communications	100.144	107.000	93.274	98.671
Foreign and domestic trade	1.534.616	1.561.706	1.532.382	1.556.982
Building and construction	1.538.682	1.588.622	1.703.839	1.751.427
Tourism	844.312	878.604	829.859	849.618
Personal and professional loans	4.134.659	4.243.179	4.549.003	4.735.802
Bills discounted: local	2.822	2.987	2.491	2.508
foreign	2.187	2.024	1.437	1.578
<b>Total</b>	<b>9.095.115</b>	<b>9.332.481</b>	<b>9.662.009</b>	<b>9.974.560</b>

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 8****Claims on private sector <sup>(1)</sup>**

	2002	2003	2004 Dec.	2005 Nov.	2005 Dec.
<i>(outstanding amounts at end of period, CYP million)</i>					
Foreign currency loans to residents	785,2	799,0	909,9	1145,0	1210,0
Claims on private sector	7904,1	8302,0	8844,2	9110,1	9395,0
Share %	9,9	9,6	10,3	12,6	12,9
<i>(12 month change, CYP million)</i>					
Foreign currency loans to residents	52,1	13,8	111,0	236,5	300,0
Claims on private sector	584,0	397,9	542,2	510,6	550,8
Share %	8,9	3,5	20,5	46,3	54,5

Source: Central Bank of Cyprus.

(1) From local banks.

**Table 9****Credit card transactions**

	2004	2005	January	
			2005	2006
<b>Foreign cardholder spending in Cyprus</b>				
Value (CYP thousand)	232.671	244.609	9.227	10.350
Annual % change	8,6	5,1	1,2	12,2
<b>Local cardholder spending in Cyprus</b>				
Value (CYP thousand)	591.912	659.486	50.049	57.802
Annual % change	12,3	11,4	8,1	15,5
<b>Local cardholder spending abroad</b>				
Value (CYP thousand)	195.009	244.131	16.648	23.565
Annual % change	9,3	25,2	11,6	41,5

Source: JCC Payment Systems.

**Table 10**
**Banking system's liquidity position**

(£ million, period averages of daily positions)

	Liquidity - providing factors					Liquidity - absorbing factors						Credit institutions current accounts (MRA)	Base money (6+7+9+12)
	Net assets in gold and foreign currency (NFA)	Monetary policy operations				Deposit facility (overnight)	Other liquidity-absorbing operations (additional, special & S.M.E. dep.)	Rev-repos & depos	Currency in circulation	Central govern. deposits (net) <sup>(1)</sup>	Other factors (net)		
1		2	3	4	5							6	7
2004 Jan.	1.214,1	0,0	0,0	0,0	0,0	55,4	79,3	151,9	491,2	-290,8	192,9	534,2	1.160,1
Feb.	1.185,3	0,0	0,0	0,0	0,0	22,2	79,4	169,0	477,0	-304,4	194,2	547,9	1.126,5
Mar.	1.151,2	0,0	0,0	2,2	0,0	17,4	79,6	140,3	478,6	-313,8	199,7	551,5	1.127,2
Apr.	1.121,0	0,0	0,0	0,7	0,0	29,7	79,3	93,3	503,7	-365,8	226,1	555,2	1.168,0
May	1.038,5	0,0	0,0	6,0	0,2	8,0	79,3	0,0	509,8	-416,2	223,1	640,6	1.237,7
June	1.108,4	0,0	0,0	0,0	0,0	32,9	79,4	0,0	519,6	-374,9	214,7	636,8	1.268,6
July	1.340,1	0,0	0,0	0,0	0,0	42,1	79,5	61,2	533,4	-190,3	175,0	639,4	1.294,3
Aug.	1.499,7	0,0	0,0	0,0	0,0	44,5	79,4	151,6	536,1	-140,6	185,9	642,9	1.302,8
Sep.	1.429,8	0,0	0,0	2,0	0,0	31,9	79,3	162,7	531,1	-208,9	191,0	644,6	1.286,9
Oct.	1.393,1	0,0	0,0	0,0	0,0	24,3	79,4	121,1	529,0	-192,1	185,5	645,8	1.278,6
Nov.	1.376,0	0,0	0,0	0,0	0,0	15,8	79,3	82,2	516,3	-144,9	184,1	643,2	1.254,6
Dec.	1.441,6	0,0	0,0	10,0	0,0	12,9	79,3	0,0	543,5	-29,0	201,9	642,9	1.278,6
2005 Jan.	1.419,9	0,0	0,0	0,6	0,0	50,7	79,6	114,2	537,8	-142,3	139,9	640,8	1.308,8
Feb.	1.425,9	0,0	0,0	0,6	0,3	11,4	79,4	55,0	520,7	-36,0	149,0	647,3	1.258,8
Mar.	1.432,9	0,0	0,0	0,3	0,0	25,2	79,3	28,4	524,0	-48,4	178,9	646,2	1.274,8
Apr.	1.361,7	0,0	0,0	0,1	0,0	63,7	79,3	17,3	537,7	-191,8	208,2	647,7	1.328,1
May	1.395,2	0,0	0,0	0,0	0,0	33,4	79,3	72,9	554,6	-204,1	210,1	648,9	1.316,3
Jun.	1.510,9	0,0	0,0	6,2	0,1	36,2	79,7	68,3	568,4	-114,8	224,1	655,2	1.339,6
Jul.	1.571,9	0,0	0,0	0,4	0,0	31,9	79,6	88,1	586,5	-62,2	182,6	665,8	1.363,8
Aug.	1.596,2	0,0	0,0	0,0	0,0	37,7	79,4	93,5	587,6	-58,1	185,2	670,8	1.375,5
Sep.	1.638,9	0,0	0,0	0,0	0,0	87,5	79,4	198,7	579,4	-119,0	200,2	612,7	1.359,1
Oct.	1.712,1	0,0	0,0	7,3	0,0	55,1	79,3	168,1	579,7	-12,5	231,5	618,1	1.332,3
Nov.	1.772,0	0,0	0,0	0,0	0,0	181,7	79,3	173,7	566,4	-41,3	246,6	565,6	1.393,1
Dec.	1.830,5	0,0	0,0	0,0	0,0	198,5	79,3	227,7	594,8	-130,6	277,8	583,0	1.455,7
2006 Jan.	1.840,4	0,0	0,0	0,0	0,0	190,5	0,1	333,5	579,2	-148,0	223,8	661,1	1.430,9

Source: Central Bank of Cyprus.

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

**Table 11****Inflation and interest rates in Europe and Cyprus - December 2005***(latest 12-month average)*

	Inflation ( HICP)	Long-term interest rates	Long-term real interest rates
	(%)	(%)	(%)
Austria	2,10	3,39	1,29
Belgium	2,50	3,43	0,93
Czech Republic	1,60	3,51	1,91
Denmark	1,70	3,40	1,70
Estonia <sup>(1)</sup>	4,10	4,01	-0,09
Finland	0,80	3,35	2,55
France	1,90	3,41	1,51
Germany	1,90	3,35	1,45
Greece	3,50	3,59	0,09
Hungary	3,50	6,60	3,10
Ireland	2,20	3,33	1,13
Italy	2,20	3,56	1,36
Latvia	6,90	3,88	-3,02
Lithuania	2,70	3,70	1,00
Luxembourg	3,80	3,37	-0,43
Malta	2,50	4,56	2,06
Netherlands	1,50	3,37	1,87
Poland	2,20	5,22	3,02
Portugal	2,10	3,44	1,34
Slovakia	2,80	3,52	0,72
Slovenia	2,50	3,81	1,31
Spain	3,40	3,39	-0,01
Sweden	0,80	3,38	2,58
United Kingdom	2,10	4,46	2,36
Eurozone	2,20	3,42	1,22
EU -25	2,20	3,70	1,50
<b>Cyprus</b>	<b>2,00</b>	<b>5,16</b>	<b>3,16</b>

Sources: Eurostat and European Central Bank.

*(1) Data for November 2005.*

**Table 12**

**Selected official interest rates**

*(percent per annum, changes in percentage points)*

		change
<b>European Central Bank</b>		
<i>(2 February 2006)</i>		
Minimum bid rate on the main refinancing operations	2,25	-
Interest rate on the marginal lending facility	3,25	-
Interest rate on the deposit facility	1,25	-
<b>Bank of England</b>		
<i>(9 February 2006)</i>		
Repo rate	4,50	-
<b>Federal Reserve</b>		
<i>(31 January 2006)</i>		
Federal funds rate	4,50	+0,25
Discount rate	5,50	+0,25
<b>Central Bank of Cyprus</b>		
<i>(13 January 2006)</i>		
Minimum bid rate on the main refinancing operations	3,25	-
Maximum bid rate on the liquidity absorbing operations	3,25	-
Interest rate on the marginal lending facility	4,25	-
Interest rate on the deposit facility	2,25	-

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

**Table 13****Official interest rates***(percent per annum, period averages)*

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 <sup>(1)</sup>		
		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

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

**Table 14**

**Interest rates**

(percent per annum, period averages)

	2003	2004	2005	2005 Jan.	2005 Nov.	2005 Dec.	2006 Jan.
Interbank (1 day)	3,35	3,92	3,27	4,25	2,62	2,51	2,51
Acceptance of deposits	3,45	3,89	3,28	4,31	2,79	2,51	2,45
Treasury bills (13 weeks)	3,51	4,21	4,26	4,56	-	-	2,67
Treasury bills (52 weeks)	3,70	4,77	4,29	5,04	-	3,12	2,95
Development stocks (2 years) <sup>(1)</sup>	3,83	5,14	4,74	-	-	-	-
Development stocks (5 years) <sup>(1)</sup>	4,49	5,92	5,68	6,05	-	-	-
Development stocks (10 years) <sup>(1)</sup>	4,70	6,07	5,17	6,12	-	4,08	3,96
Development stocks (15 years) <sup>(1)</sup>	4,81	6,31	5,61	-	-	-	-

Source: Central Bank of Cyprus.

(1) Due to statistical reasons, in January 2006 the yields on development stocks were revised from 2003 onwards based on the ISMA 6.3 formula.

**Table 15**  
**Open market operations allotted through tenders - liquidity absorbing operations <sup>(1)</sup>**

(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	
2005 14 Jul.	151,5	70,0	3,25	2,62	2,60	2,67	14
28 Jul.	122,0	80,0	3,25	2,62	2,58	2,78	14
11 Aug.	122,0	80,0	3,25	2,69	2,65	2,72	14
25 Aug.	209,0	140,0	3,25	2,73	2,61	3,24	7
01 Sep.	317,2	200,0	3,25	2,65	2,60	2,72	14
15 Sep.	327,5	200,0	3,25	2,57	2,56	2,59	14
29 Sep.	303,0	180,0	3,25	2,53	2,52	2,55	14
13 Oct.	290,0	200,0	3,25	3,22	2,58	3,25	14
27 Oct.	150,0	50,0	3,25	2,55	2,47	2,59	14
10 Nov.	417,5	250,0	3,25	2,91	2,48	3,12	14
24 Nov.	396,5	180,0	3,25	2,53	2,50	2,54	14
08 Dec.	411,0	200,0	3,25	2,48	2,48	2,49	14
22 Dec.	455,5	300,0	3,25	2,54	2,43	3,25	14
2006 05 Jan.	533,5	300,0	3,25	2,46	2,44	2,49	14
19 Jan.	604,0	380,0	3,25	2,41	2,39	2,43	14
02 Feb.	544,0	300,0	3,25	2,37	2,36	2,37	14

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 16**

**Money market interest rates**

(percent per annum, period averages)

	Cyprus					Euro area				
	Overnight deposits	2-7 days deposits	1-month deposits	1-6 months deposits	6-12 months deposits	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)
2004 Dec.	4,73	4,82	5,00	5,55	-	2,05	2,17	2,17	2,21	2,30
2005 Jan.	4,25	4,42	4,83	4,44	-	2,08	2,11	2,15	2,19	2,31
Feb.	4,38	4,53	4,60	-	5,18	2,06	2,10	2,14	2,18	2,31
Mar.	4,16	4,43	4,63	4,89	5,15	2,06	2,10	2,14	2,19	2,34
Apr.	3,83	4,14	4,55	-	5,15	2,08	2,10	2,14	2,17	2,27
May	3,47	4,10	-	4,30	5,10	2,07	2,10	2,13	2,14	2,19
June	3,11	3,49	3,31	3,75	-	2,06	2,10	2,11	2,11	2,10
July	2,70	3,12	2,85	3,44	-	2,07	2,11	2,12	2,13	2,17
Aug.	2,75	3,01	2,90	-	4,10	2,06	2,11	2,13	2,16	2,22
Sep.	2,55	2,91	2,83	-	-	2,09	2,12	2,14	2,17	2,22
Oct	2,85	2,99	2,87	3,98	-	2,07	2,12	2,20	2,27	2,41
Nov.	2,62	2,84	2,90	5,75	-	2,09	2,22	2,36	2,50	2,68
Dec.	2,51	2,85	2,95	3,31	-	2,28	2,41	2,47	2,60	2,79
2006 Jan.	2,51	3,07	3,12	3,07	-					

Sources: Central Bank of Cyprus and European Central Bank.



**Table 17****Bank Interest rates***(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 CYP5000	1 year fixed deposits - over CYP5000
2003 Dec.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,45
2004 Jan.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,43
Feb.	6,92	6,90	7,53	6,30	10,50	0,45	3,35	3,42
Mar.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,43
Apr.	6,92	6,90	7,53	6,30	10,50	0,42	3,35	3,40
May	7,92	7,90	8,53	7,30	11,50	0,69	4,41	3,88
June	7,92	7,90	8,53	7,30	11,50	0,66	4,42	4,04
July	7,92	7,90	8,53	7,30	11,50	0,66	4,43	4,08
Aug.	7,92	7,90	8,53	7,30	11,50	0,67	4,61	4,11
Sep.	7,92	7,92	8,55	7,30	11,50	0,66	4,44	4,14
Oct.	7,92	7,92	8,55	7,30	11,50	0,66	4,44	4,18
Nov.	7,92	7,92	8,55	7,30	11,50	0,64	4,44	4,21
Dec.	7,92	7,92	8,55	7,30	11,50	0,63	4,44	4,21
2005 Jan.	7,92	7,92	8,55	7,30	11,50	0,66	4,47	4,32
Feb.	7,90	7,91	8,60	7,30	11,67	0,67	4,39	4,36
Mar.	7,61	7,63	8,38	6,76	11,83	0,65	4,37	4,38
Apr.	7,61	7,63	8,38	6,76	11,75	0,64	4,30	4,38
May	7,18	7,20	7,97	6,33	11,83	0,55	4,04	4,07
June	6,69	6,70	7,58	5,76	12,00	0,39	3,47	3,88
July	6,69	6,70	7,47	5,76	12,00	0,42	3,47	3,85
Aug.	6,70	6,69	7,49	5,74	12,00	0,45	3,47	3,82
Sep.	6,69	6,69	7,49	5,74	12,00	0,46	3,47	3,79
Oct.	6,69	6,68	7,29	5,74	12,00	0,47	3,47	3,75
Nov.	6,69	6,68	7,29	5,72	12,00	0,46	3,48	3,72
Dec.	6,69	6,68	7,28	5,71	12,00	0,45	3,47	3,68
2006 Jan.	6,67	6,67	7,28	5,71	12,00	0,46	3,48	3,63

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 18****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 <sup>(1)</sup>		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
2004 Nov.	0,73	1,90	3,26	2,01	2,51	0,90	2,12	3,86
Dec.	0,73	1,92	3,24	2,00	2,52	0,90	2,16	3,77
2005 Jan.	0,74	1,91	3,23	1,98	2,49	0,93	2,12	3,73
Feb.	0,74	1,92	3,26	1,97	2,49	0,93	2,11	3,70
Mar.	0,74	1,92	3,22	1,96	2,47	0,94	2,09	3,71
Apr.	0,74	1,93	3,22	1,95	2,45	0,95	2,10	3,57
May	0,75	1,92	3,19	1,97	2,43	0,95	2,11	3,50
June	0,69	1,92	3,22	2,17	2,38	0,91	2,10	3,54
July	0,68	1,91	3,18	2,15	2,34	0,94	2,11	3,49
Aug.	0,69	1,92	3,18	2,03	2,31	0,96	2,10	3,51
Sep.	0,69	1,91	3,19	2,02	2,29	0,96	2,11	3,53
Oct.	0,69	1,93	3,17	1,96	2,27	0,97	2,12	3,48

**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
2004 Nov.	4,67	4,52	4,86	7,94	6,98	5,82	4,40	3,96	4,48
Dec.	4,78	4,50	4,83	7,94	7,01	5,80	4,35	3,97	4,44
2005 Jan.	4,78	4,45	4,79	8,07	6,97	5,77	4,41	3,90	4,41
Feb.	4,74	4,45	4,76	8,06	7,03	5,76	4,39	3,92	4,46
Mar.	4,75	4,41	4,78	8,07	6,97	5,77	4,38	3,91	4,40
Apr.	4,69	4,38	4,74	8,02	6,94	5,76	4,34	3,86	4,37
May	4,63	4,36	4,71	8,00	6,87	5,74	4,33	3,85	4,35
June	4,62	4,33	4,67	7,92	6,93	5,72	4,32	3,85	4,35
July	4,57	4,29	4,63	7,89	6,86	5,70	4,30	3,82	4,29
Aug.	4,54	4,24	4,60	7,96	6,86	5,73	4,25	3,80	4,28
Sep.	4,52	4,23	4,59	7,94	6,85	5,70	4,25	3,78	4,26
Oct.	4,50	4,19	4,58	7,95	6,80	5,70	4,24	3,77	4,25

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 19****Interest rate announcements in 2006**

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
European Central Bank <sup>(1)</sup>	12 <b>2,25</b>	2 <b>2,25</b>	2	6	4	8	6	3	14	5	2	7
Bank of England <sup>(2)</sup>	12 <b>4,50</b>	9 <b>4,50</b>	9	6	4	8	6	3	7	5	9	7
Federal Reserve <sup>(3)</sup>	31 <b>4,50</b>		28		10	28/29		8	20	24		12
Central Bank of Cyprus <sup>(4)</sup>	13 <b>4,25</b>	24		7	19		7		1	20		1

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

(2) Repo rate.

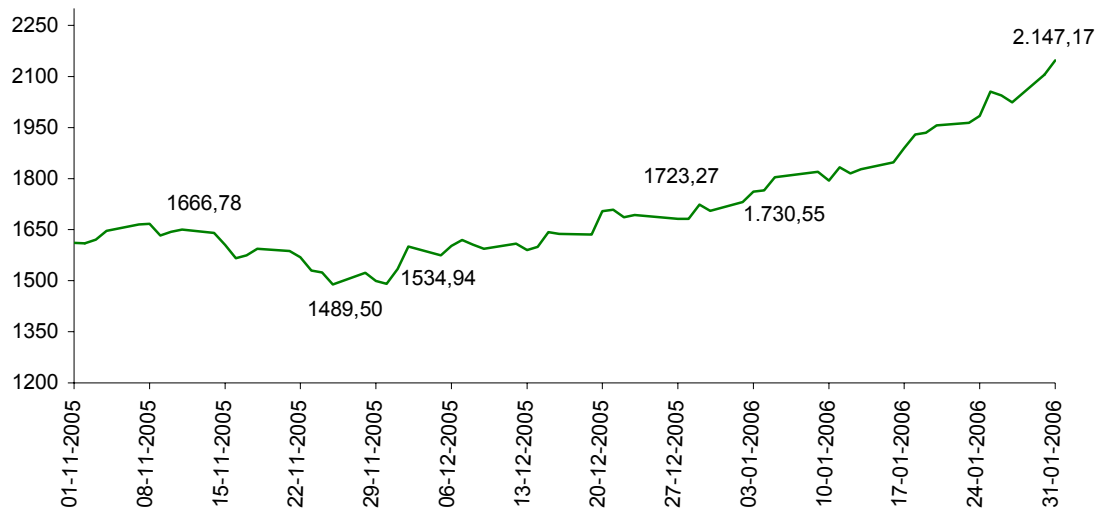
(3) Federal funds rate.

(4) Interest rate on the marginal lending facility.

**Graph 7**

**Cyprus Stock Exchange general index**

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



Source: Cyprus Stock Exchange.

**Table 20****Cyprus Stock Exchange: purchase of listed shares by non-residents<sup>(1)</sup>***(CYP thousand)*

Geographic origin of non-resident investors	Purchase of listed shares by non-residents							Sale of listed shares by non-residents						
	2004	2005	2005				2006 Jan.	2004	2005	2005				2006 Jan.
			Sep.	Oct.	Nov.	Dec.				Sep.	Oct.	Nov.	Dec.	
<b>EUROPE</b>	<b>7.416,2</b>	<b>7.395,9</b>	<b>770,8</b>	<b>704,2</b>	<b>2.005,9</b>	<b>2.248,0</b>	<b>2.118,1</b>	<b>1.199,3</b>	<b>3.461,1</b>	<b>266,2</b>	<b>390,0</b>	<b>237,6</b>	<b>567,5</b>	<b>872,1</b>
EU-25	6.064,4	6.805,2	734,0	651,3	1.931,5	2.143,4	1.951,1	3.710,1	2.980,4	197,3	342,1	177,8	552,2	692,5
Greece	5.519,5	5.667,5	331,7	628,1	1.761,7	1.758,5	1.633,9	3.328,1	2.269,5	172,3	168,5	166,6	463,6	629,2
United Kingdom	265,2	238,2	125,2	11,4	14,0	5,5	40,3	182,5	390,6	3,5	1,2	10,0	68,4	46,5
Other European countries	1.351,8	590,7	36,8	52,9	74,4	104,6	167,0	228,6	480,7	68,9	47,8	59,8	15,3	179,6
Russian Federation	1.131,5	405,4	21,9	39,3	35,5	100,8	64,2	59,3	279,7	30,6	36,1	36,9	15,3	159,5
<b>AFRICA</b>	<b>415,8</b>	<b>51,4</b>	<b>0,0</b>	<b>3,9</b>	<b>0,0</b>	<b>1,0</b>	<b>0,0</b>	<b>295,7</b>	<b>90,1</b>	<b>10,3</b>	<b>1,7</b>	<b>0,0</b>	<b>30,5</b>	<b>36,1</b>
North African countries	0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,8	0,0	0,0	0,0	0,0	0,0
Other African countries	414,9	51,4	0,0	3,9	0,0	1,0	0,0	295,7	88,3	10,3	1,7	0,0	30,5	36,1
South Africa	56,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	7,6	5,2	0,0	0,0	2,5	0,3
<b>AMERICA</b>	<b>888,6</b>	<b>429,3</b>	<b>95,9</b>	<b>51,5</b>	<b>129,7</b>	<b>105,1</b>	<b>269,9</b>	<b>1.643,7</b>	<b>1.232,7</b>	<b>115,8</b>	<b>34,7</b>	<b>741,3</b>	<b>69,6</b>	<b>70,7</b>
North American countries	635,6	84,1	1,6	8,7	7,8	65,1	190,0	80,0	33,2	0,0	6,4	7,8	0,0	1,1
United States of America	634,9	81,9	0,0	8,7	7,8	65,1	189,4	28,7	33,2	0,0	6,4	7,8	0,0	0,9
Canada	0,7	2,2	1,6	0,0	0,0	0,0	0,6	51,3	0,0	0,0	0,0	0,0	0,0	0,2
Central American countries	253,0	345,2	94,3	42,8	121,9	39,9	79,9	1.563,7	1.199,4	115,8	28,3	733,5	69,6	69,6
South American countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>ASIA</b>	<b>61,7</b>	<b>267,3</b>	<b>11,5</b>	<b>3,0</b>	<b>6,7</b>	<b>0,0</b>	<b>1,3</b>	<b>12,2</b>	<b>229,2</b>	<b>14,5</b>	<b>23,8</b>	<b>12,7</b>	<b>2,5</b>	<b>4,1</b>
West Asia	17,0	204,7	9,7	3,0	6,3	0,0	1,3	12,2	168,9	14,5	0,9	11,2	2,5	4,1
Other Asian countries	44,8	62,6	1,8	0,0	0,4	0,0	0,0	0,0	60,3	0,0	22,9	1,5	0,0	0,0
<b>OCEANIA</b>	<b>18,5</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>8,2</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total</b>	<b>8.800,8</b>	<b>8.800,8</b>	<b>878,2</b>	<b>762,5</b>	<b>2.142,3</b>	<b>2.354,1</b>	<b>2.389,3</b>	<b>5.898,5</b>	<b>5.013,0</b>	<b>406,8</b>	<b>450,2</b>	<b>991,6</b>	<b>670,2</b>	<b>983,0</b>

Source: Cyprus Stock Exchange.

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

**Table 21**
**Percentage change in the consumer price index by economic origin (%)**

2002-2005

	Yearly				Quarterly			Dec.	Nov.	Dec.	Jan.-	Jan.-	Jan.-	Weights
	2002	2003	2004	2005	2005 II	2005 III	2005 IV	2004/ 2003	2005/ 2004	2005/ 2004	2004/ 2003	2005/ 2004	2005/ 2004	
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>2,28</b>	<b>2,56</b>	<b>2,41</b>	<b>2,32</b>	<b>2,64</b>	<b>4,20</b>	<b>2,87</b>	<b>1,99</b>	<b>2,28</b>	<b>2,61</b>	<b>2,56</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>4,35</b>	<b>7,30</b>	<b>5,03</b>	<b>3,90</b>	<b>3,25</b>	<b>4,29</b>	<b>4,27</b>	<b>6,90</b>	<b>4,92</b>	<b>2,61</b>	<b>5,03</b>	<b>4,02</b>	<b>3,90</b>	<b>36,69</b>
A.1 Agricultural	1,79	4,54	3,32	1,34	-2,22	2,19	2,55	10,44	6,51	-5,77	3,32	1,98	1,34	7,93
A.2 Industrial	5,62	7,90	6,09	4,12	4,38	4,17	3,61	6,34	3,29	3,57	6,09	4,17	4,12	27,24
A.2.1 industrial non-petroleum	4,55	6,46	3,36	1,14	1,57	0,44	0,67	3,71	1,00	1,02	3,36	1,15	1,14	22,91
A.2.2 fuel and gas	10,57	14,16	17,18	14,82	14,96	16,94	13,79	17,02	11,14	12,72	17,18	15,01	14,82	4,33
A.3 Electricity	-2,26	10,20	-3,13	11,51	8,78	14,59	22,40	0,78	23,37	24,83	-3,13	10,30	11,51	1,52
<b>B IMPORTED GOODS</b>	<b>-1,69</b>	<b>-2,38</b>	<b>-5,55</b>	<b>-2,47</b>	<b>-2,60</b>	<b>-3,36</b>	<b>-1,70</b>	<b>-0,59</b>	<b>-1,75</b>	<b>-1,39</b>	<b>-5,55</b>	<b>-2,57</b>	<b>-2,47</b>	<b>22,20</b>
B.1 Motor vehicles	-5,07	-8,31	-13,65	-2,42	-2,61	-3,71	-1,57	0,16	-1,71	-1,09	-13,65	-2,55	-2,42	9,43
B.2 Other	0,85	1,81	-0,39	-2,49	-2,59	-3,16	-1,76	-0,99	-1,76	-1,55	-0,39	-2,58	-2,49	12,77
<b>C SERVICES</b>	<b>3,67</b>	<b>4,38</b>	<b>3,23</b>	<b>3,34</b>	<b>3,69</b>	<b>2,74</b>	<b>2,82</b>	<b>3,62</b>	<b>2,74</b>	<b>2,74</b>	<b>3,23</b>	<b>3,40</b>	<b>3,34</b>	<b>41,11</b>
<b>HICP</b>	<b>2,8</b>	<b>4,0</b>	<b>1,9</b>	<b>2,1</b>	<b>2,1</b>	<b>1,6</b>	<b>1,9</b>	<b>3,9</b>	<b>2,0</b>	<b>1,4</b>	<b>1,9</b>	<b>2,0</b>	<b>2,1</b>	
<b>Core inflation</b>	<b>2,5</b>	<b>2,5</b>	<b>2,5</b>		<b>1,5</b>	<b>1,0</b>		<b>2,6</b>	<b>1,6</b>		<b>2,5</b>	<b>1,7</b>		
<b>Euro area inflation</b>	<b>2,3</b>	<b>2,1</b>	<b>2,1</b>		<b>2,1</b>	<b>2,3</b>		<b>2,4</b>						

Source: Cystat.

**Table 22****Weighted contribution to the total change in the consumer price index by economic origin (%)**

2002-2005

	Yearly				Quarterly			Dec.	Nov.	Dec.	Jan.-	Jan.-	Jan.-	Weights 1998=100
	2002	2003	2004	2005	2005 II	2005 III	2005 IV	2004/ 2003	2005/ 2004	2005/ 2004	Jan.- Dec. 2004/ 2003	Jan.- Nov. 2005/ 2004	Jan.- Dec. 2005/ 2004	
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>2,28</b>	<b>2,56</b>	<b>2,41</b>	<b>2,32</b>	<b>2,64</b>	<b>4,20</b>	<b>2,87</b>	<b>1,99</b>	<b>2,28</b>	<b>2,61</b>	<b>2,56</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>1,64</b>	<b>2,79</b>	<b>1,98</b>	<b>1,58</b>	<b>1,31</b>	<b>1,73</b>	<b>1,75</b>	<b>2,77</b>	<b>2,01</b>	<b>1,07</b>	<b>1,98</b>	<b>1,62</b>	<b>1,58</b>	<b>36,69</b>
A.1 Agricultural	0,15	0,37	0,27	0,11	-0,18	0,18	0,20	0,86	0,54	-0,50	0,27	0,16	0,11	7,93
A.2 Industrial	1,53	2,22	1,77	1,24	1,32	1,26	1,11	1,89	1,01	1,09	1,77	1,26	1,24	27,24
A.2.1 industrial non-petroleum	1,02	1,47	0,78	0,27	0,37	0,10	0,16	0,89	0,24	0,24	0,78	0,27	0,27	22,91
A.2.2 fuel and gas	0,51	0,74	0,99	0,97	0,95	1,15	0,95	1,01	0,77	0,84	0,99	0,99	0,97	4,33
A.3 Electricity	-0,05	0,20	-0,07	0,23	0,17	0,29	0,44	0,02	0,46	0,49	-0,07	0,20	0,23	1,52
<b>B IMPORTED GOODS</b>	<b>-0,35</b>	<b>-0,48</b>	<b>-1,04</b>	<b>-0,43</b>	<b>-0,45</b>	<b>-0,58</b>	<b>-0,29</b>	<b>-0,10</b>	<b>-0,30</b>	<b>-0,23</b>	<b>-1,04</b>	<b>-0,45</b>	<b>-0,43</b>	<b>22,20</b>
B.1 Motor vehicles	-0,46	-0,69	-1,00	-0,15	-0,16	-0,23	-0,09	0,01	-0,10	-0,06	-1,00	-0,16	-0,15	9,43
B.2 Other	0,10	0,21	-0,04	-0,28	-0,29	-0,35	-0,19	-0,11	-0,19	-0,17	-0,04	-0,29	-0,28	12,77
<b>C SERVICES</b>	<b>1,52</b>	<b>1,83</b>	<b>1,35</b>	<b>1,41</b>	<b>1,55</b>	<b>1,17</b>	<b>1,18</b>	<b>1,53</b>	<b>1,15</b>	<b>1,15</b>	<b>1,35</b>	<b>1,44</b>	<b>1,41</b>	<b>41,11</b>

Source: Cystat.

**Table 23**
**Percentage change in the consumer price index by category of goods and services (%)**

2002 - 2005

	Yearly				Quarterly			Dec.	Nov.	Dec.	Jan.-	Jan.-	Jan.-	Weights 1998=100
	2002	2003	2004	2005	2005 II	2005 III	2005 IV	2004/ 2003	2005/ 2004	2005/ 2004	2004/ 2003	2005/ 2004	2005/ 2004	
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>2,28</b>	<b>2,56</b>	<b>2,41</b>	<b>2,31</b>	<b>2,64</b>	<b>4,19</b>	<b>2,87</b>	<b>1,99</b>	<b>2,28</b>	<b>2,61</b>	<b>2,56</b>	<b>100,00</b>
Food & non-alcoholic beverages	4,58	5,11	3,97	<b>1,59</b>	0,06	1,50	2,25	6,32	4,03	-1,16	3,97	1,85	1,59	18,20
Alcoholic beverages & tobacco	13,32	24,22	10,57	<b>0,23</b>	0,79	-0,72	-0,57	2,19	-0,57	-0,10	10,57	0,26	0,23	1,78
Clothing & footwear	-3,46	1,19	-0,79	<b>-2,24</b>	-0,67	-4,49	-1,39	1,36	-0,10	-0,35	-0,79	-2,41	-2,24	8,22
Housing, water, electricity & gas	4,08	5,04	4,19	<b>5,41</b>	5,35	5,59	5,98	5,22	5,68	5,92	4,19	5,36	5,41	21,27
Furnishings, household equipment & supplies	0,81	3,59	-0,45	<b>0,58</b>	0,26	1,43	0,32	0,99	0,13	0,05	-0,45	0,63	0,58	7,08
Health	4,70	5,66	3,72	<b>0,36</b>	0,47	-0,08	-1,03	3,98	-1,29	-1,29	3,72	0,51	0,36	4,92
Transport	0,39	0,35	-3,06	<b>3,79</b>	3,28	3,93	4,55	3,70	3,81	4,45	-3,06	3,73	3,79	17,42
Communications	-8,81	-7,16	-8,48	<b>-10,34</b>	-7,56	-11,52	-12,39	-10,76	-12,39	-12,39	-8,48	-10,15	-10,34	1,79
Recreation & culture	2,20	3,55	2,26	<b>1,06</b>	2,50	0,00	-0,69	2,85	-0,72	-0,64	2,26	1,21	1,06	5,88
Education	5,71	4,02	3,96	<b>5,21</b>	5,60	5,32	4,33	5,60	4,24	4,24	3,96	5,30	5,21	2,33
Restaurants & hotels	3,97	5,31	4,69	<b>3,30</b>	3,67	2,39	2,21	5,46	2,14	1,88	4,69	3,43	3,30	6,07
Miscellaneous goods & services	5,49	5,50	5,16	<b>3,83</b>	4,17	2,86	3,78	4,85	3,75	4,08	5,16	3,81	3,83	5,04

Source: Cystat.



**Table 24****Weighted contribution to the total change in the consumer price index by category of goods and services (%)**

2002 - 2005

	Yearly				Quarterly			Dec.	Nov.	Dec.	Jan.-	Jan.-	Jan.-	Weights 1998=100
	2002	2003	2004	2005	2005 II	2005 III	2005 IV	2004/ 2003	2005/ 2004	2005/ 2004	Dec. 2004/ 2003	Nov. 2005/ 2004	Dec. 2005/ 2004	
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>2,28</b>	<b>2,56</b>	<b>2,41</b>	<b>2,31</b>	<b>2,64</b>	<b>4,19</b>	<b>2,87</b>	<b>1,99</b>	<b>2,28</b>	<b>2,61</b>	<b>2,56</b>	<b>100,00</b>
Food & non-alcoholic beverages	0,86	0,97	<b>0,76</b>	<b>0,31</b>	0,01	0,29	0,43	1,22	0,78	-0,23	0,76	0,36	0,31	18,20
Alcoholic beverages & tobacco	0,27	0,54	<b>0,28</b>	<b>0,01</b>	0,02	-0,02	-0,02	0,06	-0,02	0,00	0,28	0,01	0,01	1,78
Clothing & footwear	-0,25	0,08	<b>-0,05</b>	<b>-0,14</b>	-0,05	-0,27	-0,10	0,10	-0,01	-0,02	-0,05	-0,15	-0,14	8,22
Housing, water, electricity & gas	0,88	1,10	<b>0,93</b>	<b>1,22</b>	1,20	1,27	1,35	1,16	1,28	1,33	0,93	1,21	1,22	21,27
Furnishings, household equipment & supplies	0,05	0,23	<b>-0,03</b>	<b>0,04</b>	0,02	0,09	0,02	0,06	0,01	0,00	-0,03	0,04	0,04	7,08
Health	0,25	0,30	<b>0,20</b>	<b>0,02</b>	0,03	0,00	-0,06	0,22	-0,07	-0,07	0,20	0,03	0,02	4,92
Transport	0,07	0,06	<b>-0,51</b>	<b>0,59</b>	0,51	0,62	0,70	0,56	0,59	0,67	-0,51	0,58	0,59	17,42
Communications	-0,13	-0,09	<b>-0,10</b>	<b>-0,11</b>	-0,08	-0,12	-0,12	-0,12	-0,12	-0,12	-0,10	-0,10	-0,11	1,79
Recreation & culture	0,12	0,19	<b>0,12</b>	<b>0,06</b>	0,13	0,00	-0,04	0,15	-0,04	-0,03	0,12	0,07	0,06	5,88
Education	0,14	0,10	<b>0,10</b>	<b>0,13</b>	0,14	0,14	0,11	0,14	0,11	0,11	0,10	0,14	0,13	2,33
Restaurants & hotels	0,26	0,35	<b>0,31</b>	<b>0,23</b>	0,25	0,17	0,15	0,37	0,15	0,13	0,31	0,23	0,23	6,07
Miscellaneous goods & services	0,28	0,29	<b>0,28</b>	<b>0,21</b>	0,23	0,16	0,21	0,26	0,20	0,22	0,28	0,21	0,21	5,04

Source: Cystat.

**Table 25**
**Tourist arrivals<sup>1</sup>**

(number of persons)

	2000	2001	2002	2003	2004	2005	% change 2003/2002	% change 2004/2003	% change 2005/2004
January	63.553	64.214	54.067	59.529	56.504	58.894	10,1	-5,1	4,2
February	87.243	83.569	71.950	77.972	75.705	72.600	8,4	-2,9	-4,1
March	135.487	137.578	138.625	91.634	111.946	137.075	-33,9	22,2	22,4
April	221.785	237.228	180.481	169.891	191.251	183.561	-5,9	12,6	-4,0
May	299.355	324.901	279.070	231.527	261.646	284.132	-17,0	13,0	8,6
June	302.011	322.835	293.192	262.100	264.799	282.652	-10,6	1,0	6,7
July	362.299	373.385	327.404	318.143	305.978	338.972	-2,8	-3,8	10,8
August	356.686	371.536	301.724	325.390	305.926	336.587	7,8	-6,0	10,0
September	329.964	329.400	306.731	287.358	303.506	302.833	-6,3	5,6	-0,2
October	300.597	269.744	275.840	271.980	278.976	292.273	-1,4	2,6	4,8
November	133.500	107.454	111.327	123.800	114.048	104.822	11,2	-7,9	-8,1
December	93.722	74.887	77.822	83.919	78.723	75.656	7,8	-6,2	-3,9
Jan. - Dec.	2.686.202	2.696.731	2.418.233	2.303.379	2.348.928	2.470.057	-4,8	2,0	5,2

Source: Cystat.

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

**Table 26**
**Receipts from tourism<sup>1</sup>**

(CYP million)

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

Source: Cystat.

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

**Table 27****Trade balance data***(CYP million)*

Period	TOTAL TRADE		EXTRA-EU TRADE		INTRA-EU TRADE	
	Total Imports/ Arrivals (cif)	Total Exports/ Dispatches (fob)	Total Imports (cif)	Total Exports (fob)	Arrivals (cif)	Dispatches (fob)
<b>2000</b>	2401,95	591,86	1140,89	364,47	1261,07	227,40
<b>2001</b>	2528,72	627,91	1208,75	376,49	1319,97	251,42
<b>2002</b>	2486,61	511,28	1140,86	240,92	1345,75	270,36
<b>2003</b>	2304,08	476,80	992,78	198,32	1311,26	278,48
<b>2004</b>	2679,31	548,03	921,73	202,50	1757,57	345,53
<b>2005</b>	2918,37	672,02	952,95	224,26	1965,40	447,78
<b>2005</b> January	193,12	43,33	62,87	14,37	130,25	28,96
February	208,98	46,79	76,46	18,10	132,52	28,70
March	255,17	61,33	73,99	22,79	181,18	38,54
April	223,57	50,64	78,11	18,98	145,45	31,67
May	238,57	56,18	74,51	16,76	164,06	39,42
June	235,26	56,98	85,32	20,13	149,95	36,85
July	237,14	55,49	78,61	19,60	158,54	35,89
August	215,17	50,28	64,48	18,22	150,69	32,06
September	268,62	64,52	93,07	18,26	175,54	48,26
October	271,30	65,33	86,13	17,18	185,17	48,15
November	298,80	68,30	105,10	27,50	193,70	40,80
December	272,70	52,90	74,30	14,40	198,40	38,50
Jan. - Dec. 2003	2304,08	476,80	992,78	198,32	1311,26	278,48
Jan. - Dec. 2004	2679,31	548,03	921,73	202,50	1757,57	345,53
Jan. - Dec. 2005 (p)	2918,37	672,02	952,95	224,26	1965,40	447,78
% change 2004/2003	16,29	14,94	-7,16	2,11	34,04	24,08
% change 2005/2004 (p)	8,92	22,62	3,39	10,75	11,82	29,59

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 28**
**Manufacturing production volume index**

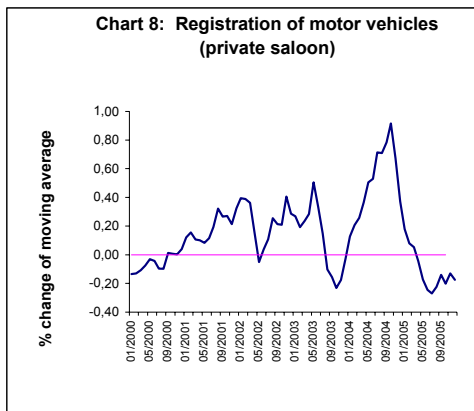
(percentage change by category)

	October 04/03	October 05/04	Jan.-Oct. 04/03	Jan.-Oct. 05/04
<b>General index</b>	<b>-0,62</b>	<b>8,05</b>	<b>2,96</b>	<b>4,84</b>
1.Retail sale in non-specialised stores with food, beverages or tobacco predominating	9,33	7,02	4,42	9,66
2.Other retail sale in non-specialised stores	0,90	0,45	1,96	1,48
3.Retail sale of food, beverages and tobacco in specialised stores	3,52	4,09	1,54	7,64
4.Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles	7,43	21,24	9,94	18,27
5.Retail sale of textiles, clothing, footwear and leather goods	-6,02	22,50	7,84	4,47
6.Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods hardware, paints and glass	1,9	8,33	11,81	7,36
7.Retail sale of books, newspapers and stationery and other retail sale in specialised stores	-10,99	5,86	-6,81	-5,22
8.Retail sale of second-hand goods in stores	21,4	0,87	5,10	-16,31
9.Retail sale not in stores	-25,82	12,19	-10,66	0,33

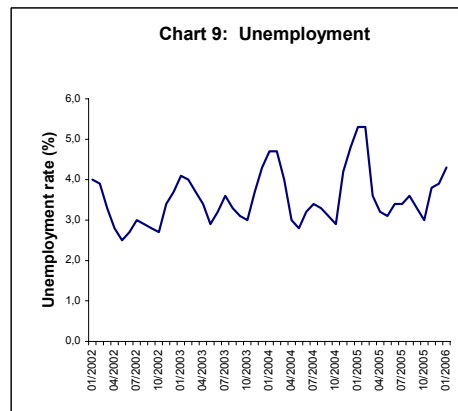
Source: Cystat.

**Graph 8-11**

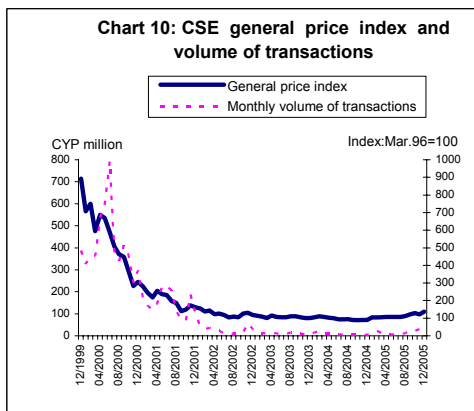
**Selected economic indicators**



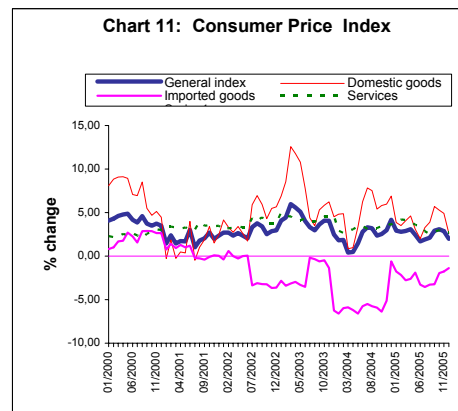
Source: Cystat.



Source: Cystat.



Source: CSE.



Source: Cystat.

**Table 29**

**Manufacturing production volume index**

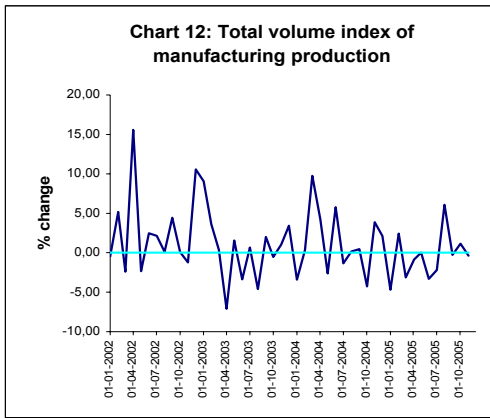
(percentage change by category)

	November 04/03	November 05/04	Jan.-Nov. 04/03	Jan.-Nov. 05/04
General index	5,0	-1,5	1,4	-1,0
Food products, beverages & tobacco	4,4	-5,2	-2,0	1,9
Textiles & textile products	-12,4	-4,8	-12,1	-7,7
Leather & leather products	-24,1	-15,3	-22,3	-33,3
Wood & wood products	33,3	3,7	23,2	0,0
Paper, paper products, publishing & printing	2,8	2,8	0,5	-2,4
Refined petroleum products	-95,6	-10,0	-65,6	-89,9
Chemicals, chemical products & man-made fibres	10,7	-12,5	7,9	-2,8
Rubber & plastic products	-6,4	0,8	-2,3	-3,5
Other non-metallic mineral products	14,2	-1,3	6,6	1,4
Basic metals & fabricated metal products	6,7	1,2	5,7	-3,2
Machinery & equipment n.e.c.	6,1	3,5	6,9	-2,1
Electrical & optical equipment	-13,6	16,2	-5,1	-7,7
Transport equipment	6,5	11,4	-9,8	2,9
Manufacturing n.e.c.	-5,1	4,8	-0,8	1,1

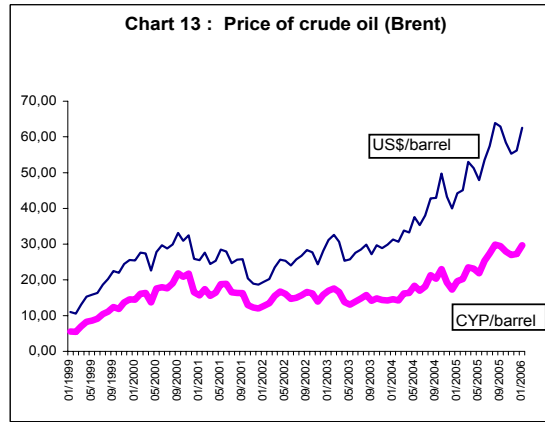
Source: Cystat.

**Graph 12-15**

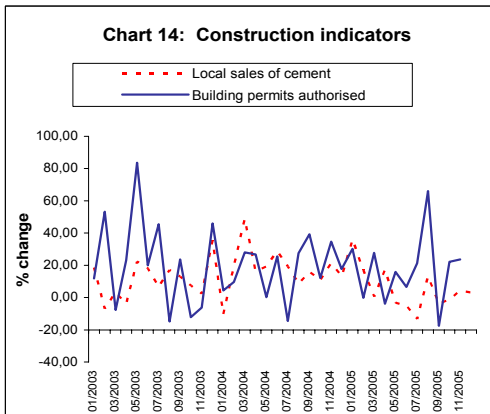
**Selected economic indicators**



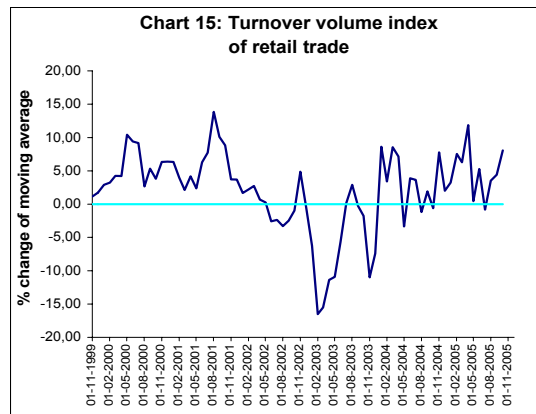
Source: Cystat.



Source: Reuters.



Source: Cystat.



Source: Cystat.

**Table 30**  
**Balance of payments**  
 (CYP million)

CATEGORIES	2004 (Annual) (P)			2005 (Q1) (P)			2005 (Q2) (P)			2005 (Q3) (P)		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
<b>CURRENT ACCOUNT</b>	4.038,1	4.454,4	-416,3	827,3	1.066,3	-239,0	1.081,7	1.059,8	22,0	1.263,2	1.202,3	60,9
<b>Goods, services and income</b>	3.760,1	4.259,7	-499,6	749,2	1.034,5	-285,3	1.014,5	1.010,8	3,8	1.186,6	1.140,7	45,9
<b>Goods and services</b>	3.458,6	3.673,0	-214,4	683,7	916,2	-232,6	936,4	951,8	-15,4	1.109,4	1.032,1	77,3
<b>Goods</b>	541,0	2.440,3	-1.899,3	151,6	591,8	-440,2	164,6	639,0	-474,5	170,3	679,2	-508,9
<b>Services</b>	2.917,6	1.232,7	1.684,9	532,1	324,4	207,7	771,8	312,7	459,1	939,1	352,9	586,3
Transport	676,6	523,1	153,5	152,7	146,3	6,4	187,5	147,1	40,4	196,9	133,2	63,6
Sea transport	499,2	307,8	191,4	119,0	103,0	16,0	135,6	93,4	42,1	135,0	76,3	58,7
Air transport	168,6	205,4	-36,8	33,0	42,3	-9,2	51,1	52,5	-1,5	60,9	56,6	4,3
Other transportation	8,8	9,9	-1,1	0,7	1,1	-0,4	0,9	1,2	-0,3	1,0	0,3	0,7
Travel	1.054,4	378,2	676,2	104,9	100,9	4,0	296,6	92,8	203,8	458,9	133,4	325,6
Business travel	56,0	13,3	42,7	0,9	1,8	-1,0	0,2	1,9	-1,7	0,2	2,0	-1,8
Personal travel	998,4	364,8	633,6	104,0	99,1	5,0	296,5	90,9	205,6	458,7	131,4	327,3
Communication services	16,5	36,6	-20,1	3,2	9,2	-6,0	2,1	10,3	-8,2	5,4	11,4	-6,0
Construction services	68,4	6,9	61,5	20,2	0,7	19,5	20,4	0,9	19,5	18,3	0,8	17,4
Insurance services	20,9	33,3	-12,4	4,4	9,1	-4,6	6,2	7,3	-1,1	8,0	8,1	-0,1
Financial services	104,6	46,8	57,8	29,2	12,0	17,1	28,2	6,9	21,3	30,9	19,0	11,9
Computer and information services	112,4	11,7	100,7	17,5	6,2	11,3	19,1	2,8	16,3	21,4	3,8	17,7
Royalties and licence fees	8,3	25,0	-16,7	1,2	1,4	-0,1	0,1	1,0	-0,9	2,2	6,5	-4,3
Other business services	687,5	105,5	582,0	156,8	22,7	134,0	167,5	28,4	139,0	165,7	22,1	143,6
Personal, cultural and recreational services	11,6	22,7	-11,1	3,6	6,4	-2,8	3,6	6,7	-3,1	5,2	5,4	-0,2
Government services, n.i.e.	156,3	42,8	113,5	38,4	9,5	28,9	40,6	8,6	32,0	26,1	9,1	17,0
<b>Income</b>	301,5	586,7	-285,2	65,5	118,3	-52,8	78,1	59,0	19,1	77,2	108,6	-31,4
Compensation of employees	14,3	79,2	-64,9	3,8	18,1	-14,3	3,4	13,7	-10,3	3,1	8,0	-4,9
Investment income	287,2	507,6	-220,3	61,7	100,2	-38,5	74,8	45,3	29,4	74,1	100,7	-26,5
<b>Current transfers</b>	278,0	194,7	83,3	78,2	31,8	46,3	67,2	49,0	18,2	76,5	61,6	15,0
General government	85,9	61,3	24,6	32,1	0,9	31,2	29,0	15,6	13,5	26,5	23,9	2,7
Other sectors	192,1	133,4	58,8	46,1	31,0	15,1	38,2	33,4	4,7	50,0	37,7	12,3
<b>Capital and financial account</b>			434,5			269,4			-52,6			-32,1
<b>Capital account</b>	86,1	27,1	59,0	13,5	14,1	-0,5	14,5	5,9	8,6	8,2	5,2	3,0
<b>Financial account</b>			375,5			269,9			-61,1			-35,1
Direct investment			215,8			79,4			26,7			69,3
Abroad			-289,9			-44,2			-47,9			-41,0
In Cyprus			505,7			123,6			74,6			110,3
Portfolio investment			551,8			311,1			-32,3			-54,6
Assets			-839,9			-132,4			-178,2			-233,1
Liabilities			1.391,7			443,5			145,9			178,5
Financial derivatives			-21,2			-4,1			-3,5			-0,4
Other investment			-191,6			-170,1			106,3			-56,8
Assets			-1.383,9			-884,4			-39,0			-1.007,7
Liabilities			1.192,3			714,3			145,3			950,9
Reserve assets			-179,3			53,6			-158,3			7,4
<b>NET ERRORS AND OMISSIONS</b>			-18,2			-30,3			30,6			-28,8

Sources: Central Bank of Cyprus and Cystat.



**Table 31****Public finances summary: central government and social security fund <sup>(1)</sup>**

	Jan.- Nov. 2005	Jan.- Nov. 2004	Jan.-Nov. 05/04
	<i>million</i>		<i>% Change</i>
<b>Total revenue and grants</b>	<b>2.529,9</b>	<b>2.189,0</b>	<b>15,6</b>
Direct taxes	673,7	517,7	30,2
Income tax	400,0	365,1	9,6
Other Direct taxes	273,7	152,6	79,3
Indirect taxes	1.083,3	999,2	8,4
Value added tax	621,9	528,5	17,7
Excise taxes	303,8	287,1	5,8
Import duty	25,9	54,1	-52,1
Social security contributions	378,7	350,5	8,1
Non-tax revenue	314,1	252,7	24,3
Foreign grants	80,1	69,0	16,2
<b>Total expenditure and net lending</b>	<b>2.529,2</b>	<b>2.299,0</b>	<b>10,0</b>
Current expenditure	2.365,0	2.164,5	9,3
Goods and services	182,0	157,5	15,5
Wages and salaries	701,7	673,2	4,2
Pensions and gratuities	146,9	145,1	1,2
Social pensions	24,8	23,9	3,8
Other current transfers <sup>(2)</sup>	516,5	419,4	23,2
Unallocable expenses <sup>(3)</sup>	13,2	48,1	-72,6
Social security funds payments	418,9	361,9	15,8
Subsidies	43,8	47,7	-8,1
Interest	317,2	287,8	10,2
Capital expenditure	164,2	134,5	22,1
Investment	164,2	134,5	22,1
Capital transfers	0,0	0,0	
Net lending	0,0	0,0	
<b>Fiscal surplus (+)/deficit(-)</b>	<b>0,7</b>	<b>-109,9</b>	
<i>As % of GDP</i>	<i>0,01</i>	<i>-1,51</i>	

Source: Ministry of Finance

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

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

(3) Includes only expenditure on military equipment.