



CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH DEPARTMENT

MONETARY POLICY REPORT

JULY 2005



CENTRAL BANK OF CYPRUS
ECONOMIC RESEARCH DEPARTMENT

MONETARY POLICY REPORT

JULY 2005

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, 2005
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

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/nqcontent.cfm?a_id=661

CONTENTS

1. INTRODUCTION	1
2. ECONOMIC DEVELOPMENTS	3
2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES	3
2.2 MONETARY DEVELOPMENTS	13
2.3 INFLATION.....	27
2.4 DOMESTIC ECONOMY.....	29
2.5 EXTERNAL TRANSACTIONS	36
BOXES	
1. Effective exchange rate indices of the Cyprus pound	12
2. Liquidity conditions and monetary policy operations	21
3. ANNEX	40

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. Decimals are separated by a comma (,). In some cases the totals in the tables may not add up due to rounding.

3. CCIs	Co-operative Credit Institutions
CSE	Cyprus Stock Exchange
Cystat	Statistical Service of the Republic of Cyprus
ERM II	Exchange Rate Mechanism II
Eurostat	Statistical Office of the European Communities
IBUs	International Banking Units
IMF	International Monetary Fund
MPC	Monetary Policy Committee

1. INTRODUCTION

On 20 June Sweden's Riksbank decreased its official interest rate by 50 basis points. This provided support to those arguing for a decrease in the euro area's interest rates. However, inflationary pressures in the euro area for the medium and long-run continue, mainly as a result of persistently high oil prices and the strong growth of credit to the private sector as well as money supply. At the same time political developments such as the rejection of the European Constitution by France and the Netherlands as well as the failure to reach consensus on the Community budget for the period 2007-2013, are an obstruction to further European integration and have an effect on market prospects. Most monetary authorities outside the Eurosystem, with the exception of the US Federal Reserve which raised its federal funds rate by 25 basis points on 30 June, maintained a cautionary stance at their recent meetings.

On the domestic scene, the main development was the decrease in the Central Bank's official rate by 50 basis points on 9 June which was decided by an extraordinary meeting of the Monetary Policy Committee. This move followed the equivalent decrease in interest rates which had taken place on 20 May.

Inflation decelerated to 2,5% in May 2005, compared with 3,1% in the previous month and 1,5% in May 2004. For the first five months of 2005, inflation reached 2,8% compared with 1,2% in the same period of 2004. This acceleration reflects, to a large extent, the dissipation of the impact of the reduction in excise taxes on motor vehicles in November 2003 as well as the increase in oil prices.

In the monetary sector, the annual growth rate of credit to the private sector by domestic banks was 4,1% in May, compared with 5,2% in the same month of 2004. M2 grew by 5,1%, compared with 8% in the same month of the previous year. The domestic currency deposits of residents rose by 1,6% in May, compared with 4,6% in the corresponding month of 2004, while the annual growth rate of foreign currency deposits exhibited a slowdown compared with the same month of the previous year. Surplus liquidity conditions in the money market continued to prevail both during May and June.

For the first five months of the year, tourist arrivals increased by 5,6%, compared with an increase of 10,5% during the corresponding period of 2004. At the same time, receipts from tourism fell by 0,6% in the first five months of 2005, compared with an increase of 2,5% during the corresponding period of 2004.

As regards external trade, provisional data indicate that total imports fell by 1,4% in the first four months of 2005, compared with an increase of 20,8% in the same period of 2004. This significant decrease is attributed mainly to external factors such as the reduction in motor vehicle imports as well as to the significant increase in imports of goods in April 2004, which was a result of the problems encountered by customs soon after EU accession. Meanwhile, total exports increased significantly by 28,7% compared with an increase of 2,9% in 2004. As a result of these developments, the trade deficit reached £679,8 million, compared with £737,1 million in the same period of 2003.

As regards private consumption, the turnover volume index of retail trade increased by 6,4% in the period January – February 2005, compared with an increase of 6,8% in the corresponding period of 2004. In the labour market, the unemployment rate, as a percentage of the economically active population, reached 4,1% in the first four months of 2005, compared with 3,8% in the corresponding period of 2004. In the secondary sectors of the economy, mixed developments were recorded. Manufacturing production fell in the first quarter of 2005, while the performance of the construction sector remained encouraging. In particular, the volume index of building permits and cement sales increased in the first quarter of 2005.

According to preliminary data published by Cystat and covering the general government sector for the period January – March 2005, public revenue reached £828,8 million and public expenditure £715 million, thus registering

increases of 36,2% and 8,8%, respectively, over the corresponding quarter of the previous year. As a result, a fiscal surplus of £113,8 million or 1,5% of GDP was recorded compared with a fiscal deficit of £48,9 million or 0,68% of GDP in the corresponding quarter of 2004.

The improvement in public finances is also apparent from recent Ministry of Finance data covering the consolidated accounts of the central government and the social insurance funds for the first four months of 2005. More specifically, the improved situation in public finances is mainly the result of the tax amnesty proceeds of £68 million and the £35 million dividend payment from the Cyprus Telecommunications Authority. If these two amounts are excluded, the fiscal deficit would have broadened during the first four months of 2005, registering 0,8% of GDP compared with 0,4% in the corresponding period of last year.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International economic developments

On 30 June, in a largely anticipated move, the **US** Federal Reserve further increased its federal funds rate by 25 basis points. The Fed's accompanying statement about inflationary pressures during recent months as well as strong economic activity, created expectations in the markets that the restrictive monetary policy would persist. However, inflation was 2,8% in May which is lower than the 3,5% registered in April 2005 and the 3,1% in May 2004. The fall in inflation was mainly attributed to the decrease in energy prices. In May unemployment reached 5,1%, compared with 5,6% in the same month of 2004. In the same month, the main US stock market indices, the Dow Jones, S&P 500 and Nasdaq, exhibited a rise of 2,7%, 3% and 7,6%, respectively.

Market worries regarding the future course of the euro and the **euro area's economy** in general have intensified. The prevailing uncertainty in the EU following the rejection of the proposed constitutional treaty by France and the Netherlands as well as the lack of consensus among member states on the Community's fiscal budget for the period 2007-2013, initiated the euro's depreciation. Despite the aforementioned developments, unemployment remained virtually unchanged in April at 8,9%. Inflation in May also remained unaltered at 2% compared with April, but lower than the 2,5% registered in May 2004.

On 2 June the European Central Bank (ECB) maintained its cautionary stance, leaving its official interest rate unchanged. Nonetheless

pressure on the ECB, mainly from the three largest European countries, has intensified, especially following Sweden's Riksbank decision on 20 June to cut its interest rate by 50 basis points. The Riksbank's decision was based on the downward revision for GDP growth in 2005 and the very low rate of inflation of 0,1% registered in May 2005. However, economic conditions in the euro area are markedly different. Inflationary pressures are being fuelled in the medium and long-run by the high price of oil and the strong growth of credit to the private sector as well as the growth in the money supply (especially M1). On the other hand, the restrained growth in wage increases in the euro area seems to be acting as a counterbalancing force to the short-term effect of rising oil prices on inflation. In May the largest European stock exchange indices registered gains. More specifically, Germany's DAX, France's CAC 40 and Italy's BCI rose by 6,6%, 5,3% and 2,8%, respectively.

In the **UK** inflation rose to 1,9% in May 2005, compared with 1,5% in the same month of 2004, remaining below the Bank of England's target of 2%. In the period February-April unemployment was 4,7%, compared with 4,8% in the same period of the previous year. GDP growth for the first quarter of 2005 is estimated at around 2,7% thus supporting projections for growth in the order of 2,5% - 3% for the whole year. On 9 June the Bank of England decided to leave its interest rates unchanged, while for the first time since July 2003 two members of the Bank's Monetary Policy Committee voted for a

decrease in interest rates. The markets have already factored in their expectations for a decrease in interest rates at the beginning of July. The main reason for this is the slowdown in household expenditure during recent months which is regarded as the driving force of economic growth. In May the FTSE 100 share index rose by 3,4%.

In **Japan** GDP for the first quarter of 2005 grew by 1,3%. Growth is expected to be lower for the rest of the year mainly due to the small increase in Japanese exports that are dependent on conditions in the Chinese market. The CPI remained unchanged in April while in the same month of 2004 it had registered a decline of 0,4%. Unemployment was 4,4% in April, compared with 4,7% in the same month of 2004.

The Nikkei 225 share index rose by 2,4% in May.

The average price of Brent crude decreased to \$47,90 per barrel in May, compared with \$51,25 in April. In June it reached \$53,51 per barrel, mainly as a result of terror alerts in Nigeria.

The rise in oil prices is expected to persist despite the increase in daily production by OPEC. The reasons for this are: the modest rise in production mainly due to the limited number of oil refineries; the continuing demand for energy in the Chinese economy; and the uncertainty in the international oil market stemming from the possibility of industrial action in certain oil-exporting companies in Norway.

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

	The Economist Poll GDP forecasts ⁽²⁾			Lehman Brothers Weekly Outlook - GDP ⁽³⁾			International Monetary Fund World Economic Outlook ⁽⁴⁾			European Commission Economic Forecasts ⁽⁵⁾		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
World				3,2	2,5 (2,2)	2,1 (2,0)	5,1 (5,0)	4,3	4,4	5,0	4,2	4,1 (4,2)
Euro area	1,8	1,4 (1,5)	1,8 (1,9)	1,7 (1,8)	1,3	1,3	2,0 (2,2)	1,6 (2,2)	2,3	2,0 (2,1)	1,6 (2,0)	2,1 (2,2)
USA	4,3	3,5 (3,7)	3,2	4,4	3,6 (3,4)	3,1 (3,0)	4,4 (4,3)	3,6 (3,5)	3,6	4,4	3,6 (3,0)	3,0 (2,9)
Japan	3,0	1,4 (1,1)	1,8 (1,9)	2,7 (2,6)	1,5 (0,5)	1,0 (0,8)	2,6 (4,4)	0,8 (2,3)	1,9	2,7 (4,2)	1,1 (2,1)	1,7 (2,3)
UK	3,0	2,4 (2,5)	2,1 (2,2)	3,1	2,3 (2,4)	1,9	3,1 (3,4)	2,6 (2,5)	2,6	3,1 (3,3)	2,8	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 the European Commission, the figures indicate the projections in September 2004 and October 2004, respectively.

⁽²⁾ The Economist, 18 June 2005.

⁽³⁾ Lehman Brothers Global Weekly Economic Monitor, 17 June 2005.

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

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

Table 2
Major share indices

(closing prices)

	2004		2005		
	31 Dec.	29 Apr.	31 May	% change	
				Jan.-May	May
USA					
Dow Jones	10.783,0	10.192,5	10.467,5	-2,9	2,7
S&P 500	1.211,9	1.156,9	1.191,5	-1,7	3,0
Nasdaq	2.175,4	1.921,7	2.068,2	-4,9	7,6
Germany					
DAX	4.256,1 ⁽¹⁾	4.184,8	4.460,6	4,8	6,6
France					
CAC 40	3.821,2	3.911,7	4.120,7	7,8	5,3
Italy					
BCI	1.475,1	1.480,7	1.522,4	3,2	2,8
UK					
FTSE 100	4.814,3	4.801,7	4.964,0	3,1	3,4
Japan					
Nikkei 225	11.488,8 ⁽¹⁾	11.008,9 ⁽²⁾	11.276,6	-1,8	2,4

Source: Reuters.

(1) Closing date 30 December 2004.

(2) Closing date 28 April 2005.

Table 3
Main economic indicators

(percentage change year-on-year)

	GDP				Industrial production April (annual)	Retail sales April (annual)	Unemployment April (annual)	Inflation ⁽²⁾ May (annual)
	2004 (Q4)		2005 (Q1)					
	(quarterly) ⁽¹⁾	(annual)	(quarterly) ⁽¹⁾	(annual)				
UK	2,9	2,9	2,0	2,7	-1,9	1,3 ⁽³⁾	4,7 ⁽⁴⁾	1,9
Japan	0,5	0,8	4,9	1,3	0,6	0,7 ⁽⁵⁾	4,4	0,0 ⁽⁶⁾
USA	3,8	3,9	3,5	3,7	3,1	5,3	5,1 ⁽³⁾	2,8
Euro area	0,8	1,8	2,0	1,3	-0,1 ⁽⁵⁾	-0,9	8,9	2,0

Source: The Economist, 18 June 2005.

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

(2) Based on the consumer price index.

(3) May 2005.

(4) February-April 2005.

(5) March 2005.

(6) April 2005.

International currencies

The euro reached 121 cents against the dollar on 30 June 2005, compared with 123 cents on 1 June 2005. The appreciation of the dollar against the euro reflects the satisfactory performance of the US economy as indicated by the comments of the Chairman of the Federal Reserve, Alan Greenspan. As a result, the market is expecting a continuation of the Fed's tight monetary policy, with a possible reduction in interest rates. Furthermore, the euro was also affected by the recent rejection of the constitutional treaty by France and Netherlands.

On 30 June 2005 sterling was at 0,67 pence to a euro, while on 1 June 2005 it was at 0,68 pence. In June the yen registered a marginal appreciation relative to the euro compared with the previous few months. On 30 June, the yen reached ¥133,27 to a euro, compared with ¥133,18 on 1 June. Chart 1 depicts the fluctuation of international currencies during the last five years.

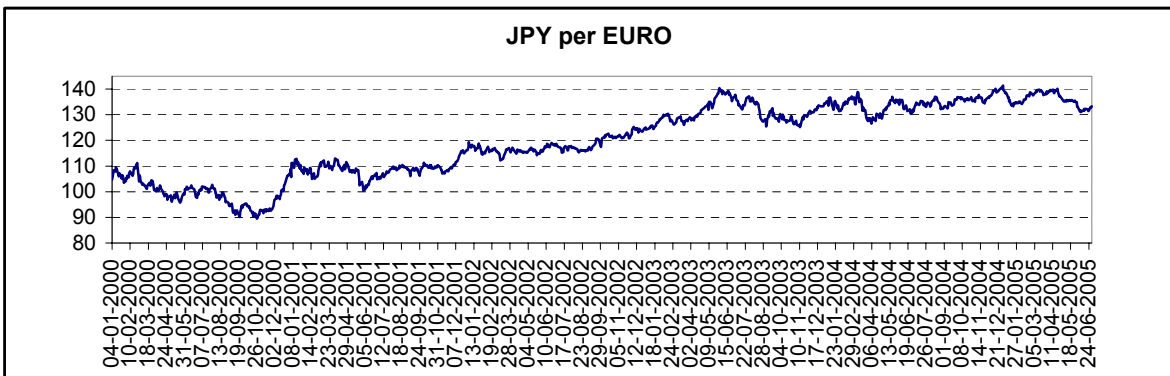
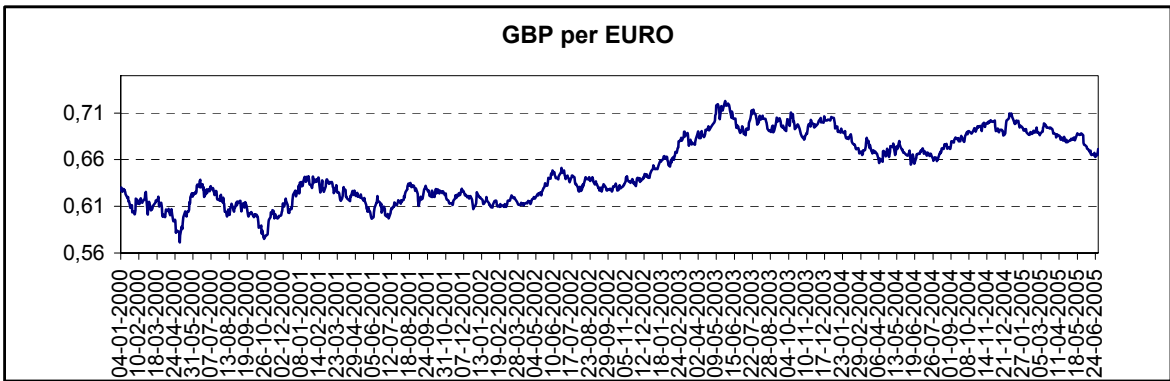
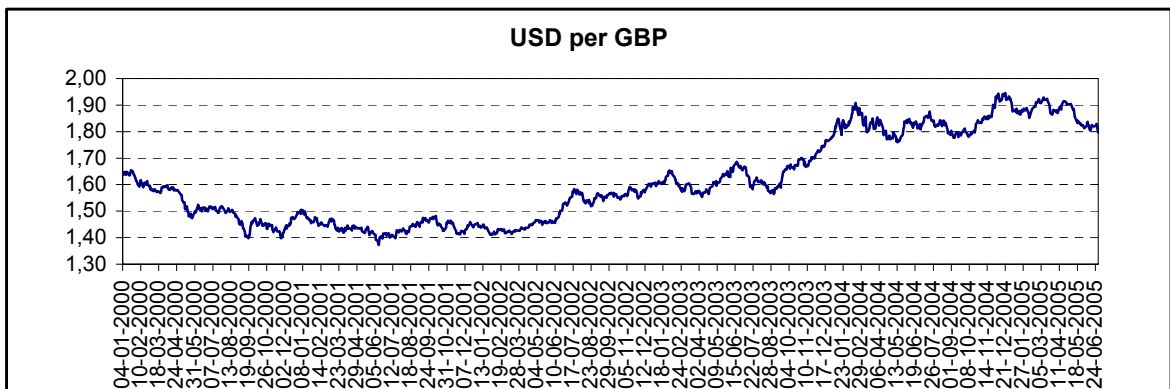
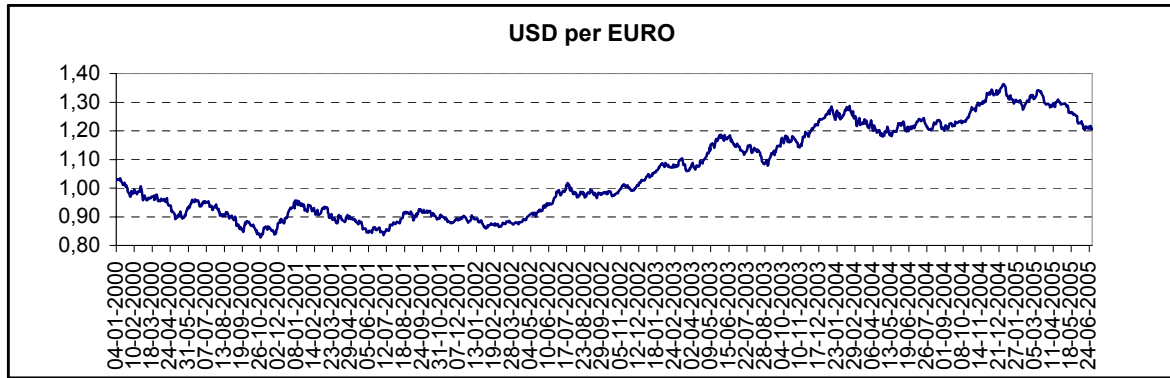
Cyprus pound

The Cyprus pound registered a marginal appreciation vis-à-vis the euro over the month of June 2005, reaching €1,7437 on 30 June 2005 compared with €1,7389 on 1 June 2005. Reflecting fluctuations in international currencies during this period, the Cyprus pound weakened against the dollar reaching \$2,1026 on 30 June 2005 compared with \$2,1309 on 1 June 2005.

During the same period, the Cyprus pound weakened against sterling, reaching ST£1,1590 on 30 June 2005 while on 1 June 2005 it was ST£1,1751.

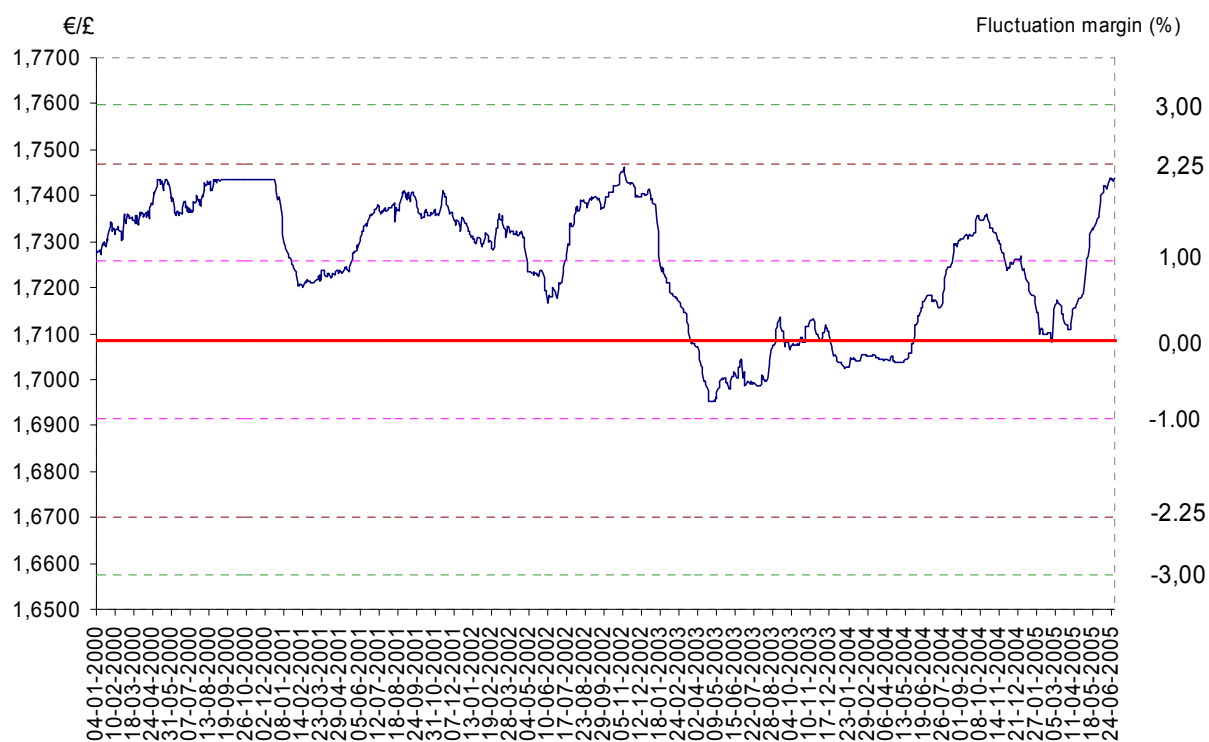
Charts 2A and 2B depict recent fluctuations in the value of the Cyprus pound against the euro, dollar, sterling and yen.

Chart 1
Major international currencies
 (middle rate)



Source: Central Bank of Cyprus.

Chart 2A
Exchange rate of the euro against the Cyprus pound
 (middle rate, fixing)

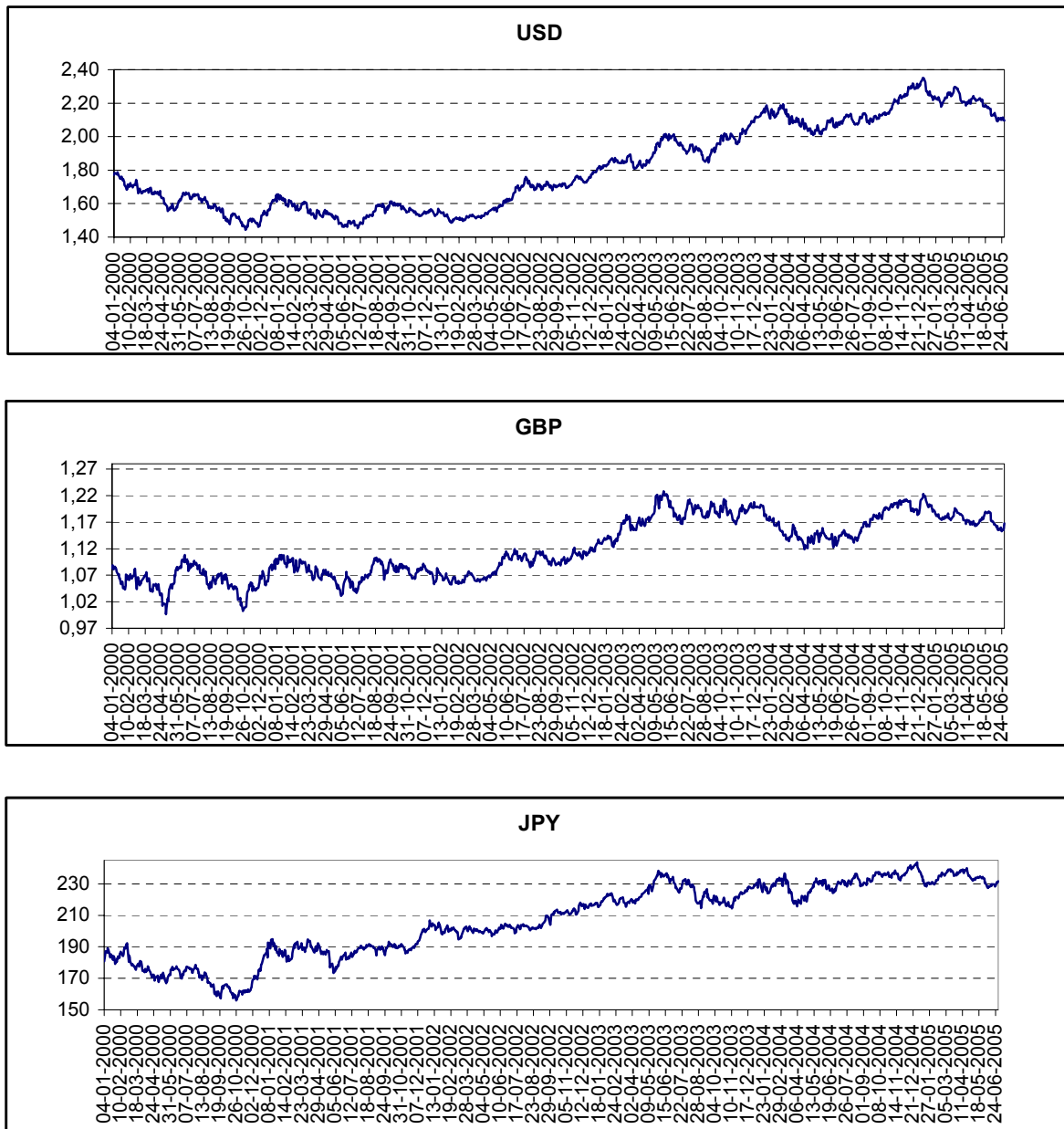


Source: Central Bank of Cyprus.

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

Chart 2B

Cyprus pound against major international currencies
(middle rate)



Source: Central Bank of Cyprus.

Table 4 shows the Central Bank's foreign currency transactions until 30 June 2005 on the basis of the transaction dates. The daily transactions in foreign currency between the Central Bank and the domestic banks, from 2001 until now, are illustrated in Chart 3.

In June 2005 capital inflows of £145,01 million were recorded, compared with net inflows of £56,90 million in the corresponding month of 2004. From 1 January 2005 to 30 June 2005 capital inflows of £248,76 million were recorded, compared with outflows of £71,72 million during the corresponding period of 2004.

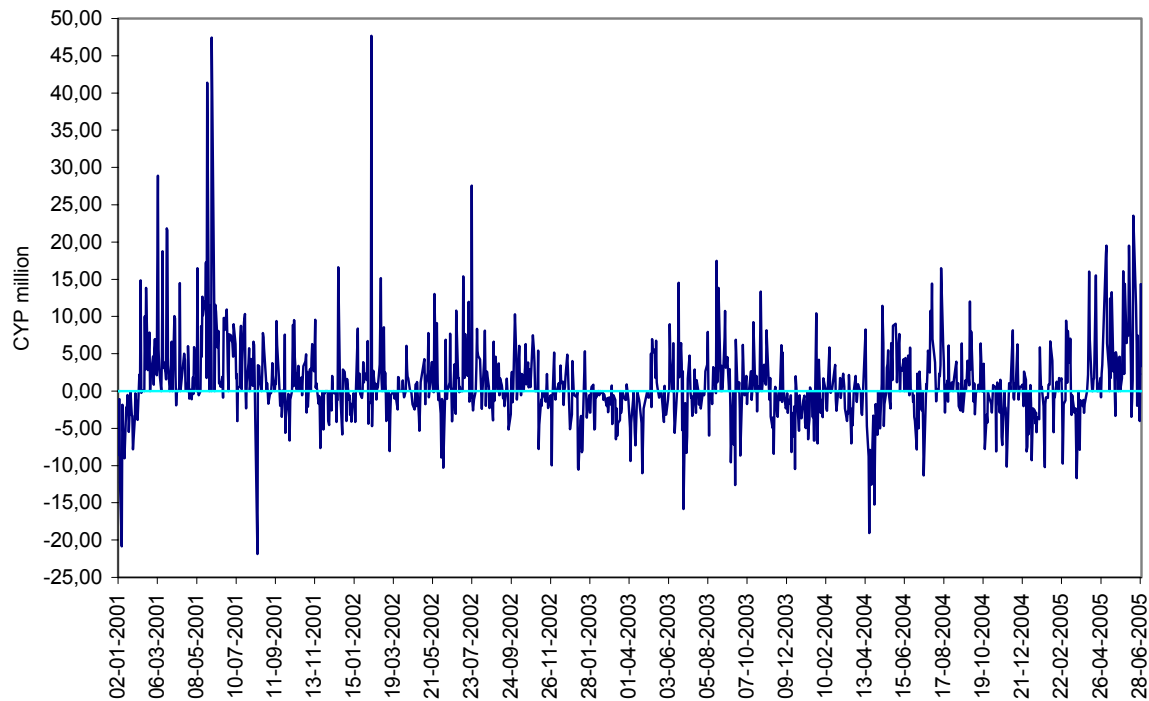
Table 4**Domestic foreign exchange market: purchases and sales by the Central Bank of Cyprus**

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	
Yearly							
2001	1,7314	1,5602	1,0805	437,31	155,24	70,72	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	-134,02
Quarterly							
2003 Q1	1,7240	1,8505	1,1539	-201,80	1,61	0,00	-116,28
2003 Q2	1,7050	1,9358	1,1963	-56,20	1,75	1,00	-33,09
2003 Q3	1,7073	1,9208	1,1927	50,60	0,45	0,30	30,01
2003 Q4	1,7123	2,0373	1,1948	-52,35	1,35	18,20	-14,66
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	-7,50
2003							
January	1,7328	1,8419	1,1392	-96,25	-0,40	0,00	-55,73
February	1,7230	1,8570	1,1535	-37,25	-0,70	0,00	-22,00
March	1,7154	1,8532	1,1707	-68,30	2,35	0,00	-38,55
April	1,7050	1,8457	1,1749	-108,30	-1,40	0,00	-64,26
May	1,7038	1,9728	1,2148	23,10	-0,35	1,00	14,21
June	1,7063	1,9890	1,1991	29,00	0,00	0,00	16,96
July	1,7026	1,9366	1,1919	-33,30	0,00	0,10	-19,47
August	1,7053	1,9073	1,1940	88,30	0,05	-0,20	51,57
September	1,7132	1,9226	1,1936	-4,40	0,40	0,40	-2,08
October	1,7118	2,0038	1,1950	42,95	0,00	7,90	31,68
November	1,7144	2,0062	1,1878	-28,80	1,35	8,30	-9,07
December	1,7106	2,1005	1,2012	-66,50	0,00	2,00	-37,27
2004							
January	1,7051	2,1497	1,1799	-83,20	-0,20	9,70	-40,62
February	1,7064	2,1595	1,1555	-23,55	0,00	11,00	-4,25
March	1,7066	2,0954	1,1457	-49,00	2,20	9,50	-19,36
April	1,7058	2,0416	1,1355	-161,15	0,00	1,00	-93,62
May	1,7068	2,0483	1,1471	49,95	0,00	0,00	29,22
June	1,7171	2,0838	1,1402	92,15	6,50	0,10	56,90
July	1,7190	2,1083	1,1454	54,70	5,40	-23,70	13,64
August	1,7290	2,1063	1,1574	78,00	-0,30	4,50	48,99
September	1,7332	2,1175	1,1809	66,90	-0,15	0,00	38,49
October	1,7363	2,1681	1,2007	-23,10	-0,15	2,50	-11,31
November	1,7320	2,2346	1,2084	-85,20	3,35	4,40	-44,14
December	1,7269	2,3156	1,2007	-7,90	-0,90	6,70	0,63
2005							
January	1,7189	2,2561	1,2009	100,60	0,00	10,90	-49,46
February	1,7149	2,2324	1,1828	-18,00	0,00	12,30	-0,11
March	1,7145	2,2602	1,1868	-42,50	10,05	6,90	-14,53
April	1,7159	2,2208	1,1722	91,35	20,75	4,40	66,32
May	1,7312	2,1958	1,1852	175,45	0,05	0,00	101,53
June	1,7419	2,1189	1,1653	251,35	1,50	0,00	145,01

Source: Central Bank of Cyprus.

Chart 3

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.

BOX 1

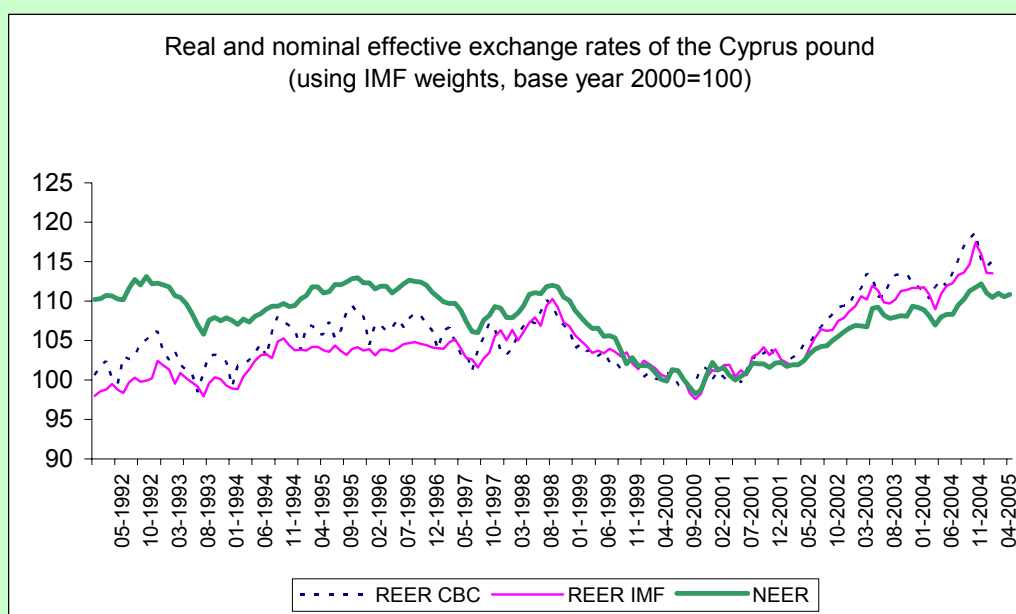
Effective exchange rate indices of the Cyprus pound

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 May 2005. 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 Chart 2B 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 and the consumer price index is used to deflate the series. Using 2000=100 as the base year, REER IMF reached 113,5 units in February 2005. Due to the time lag in reporting, the Central Bank of Cyprus calculates its own index, based on the IMF index, using 8 instead of 19 countries. The Central Bank of Cyprus index, REER CBC, shown in the chart follows the IMF index very closely. The most recent available data for this index, with a base year 2000=100, are for April 2005 in real terms and May 2005 in nominal terms. In the first four months of 2005 the REER CBC index averaged 115 displaying a deceleration compared with the last quarter of 2005.

The outlook indicated by the nominal index is different 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 the rate of VAT from 10% to 15% during 2002 and 2003 as well as increases in other consumption taxes (particularly those on petroleum products). More recent data pertaining to May 2005, place the index at 110,8 units, thus showing a decrease compared with the last quarter of 2004.



Sources: Central Bank of Cyprus and International Monetary Fund.

2.2 MONETARY DEVELOPMENTS

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

The main development in the monetary sector was the additional cut in the Central Bank of Cyprus's official interest rate. The 50 basis points decrease was decided at an extraordinary meeting of the Monetary Policy Committee (MPC) on 9 June 2005. This was the second consecutive decrease after May when an equivalent reduction had been decided. As a result, the marginal lending facility rate now stands at 4,25%. The decision of the MPC was taken after large foreign exchange inflows were observed leading to a marked appreciation in the value of the Cyprus pound. The fall in inflation during May and the decrease in the yields on government securities were additional factors taken into consideration by the MPC.

According to provisional data, the annual growth rate of total money supply M2C¹, which includes the deposits with banks and CCIs, reached 6,7% in May, compared with 8,6% in the same month of 2004. Total domestic bank and CCI deposits of Cypriot residents, excluding the deposits of CCIs with the Co-operative Central Bank, rose by 6,6% in May, compared with 8,3% in the same month of the previous year. Total credit rose by 6,2%, compared with 6,6% in the same period of 2004.

Based on domestic bank data, the rate of M2 growth accelerated both in April and May, compared with March. The growth rate of M2 in the current year is quite low compared with last year, mainly due to the slowdown in credit to the public sector. The annual growth of credit also accelerated in April, and by May it reached the levels of March, but lower than the respective levels of the previous year. In the money market surplus liquidity conditions prevailed during both May and June.

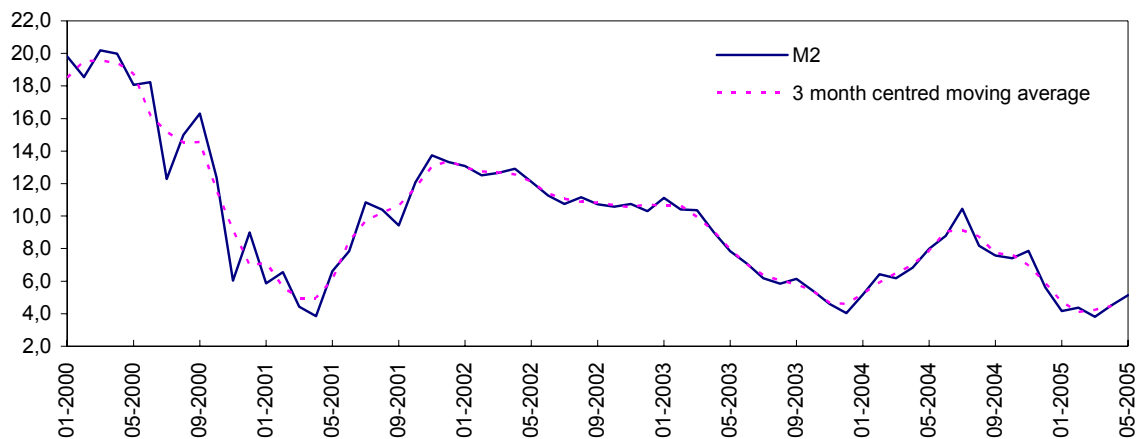
The annual growth rate of total money supply (M2) was 5,1% in May, compared with 8% in May 2004. The three-month moving average shows that in the period March – May 2005, M2 grew by 4,5% from 4,2% in the period February – April. In May credit to the private sector grew by 4,1% compared with 4,3% in April (Table 5). In April and May 2004 the respective growth rates were 5,1 % and 5,2%.

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

Chart 4

M2 growth

(annual percentage change, monthly data)

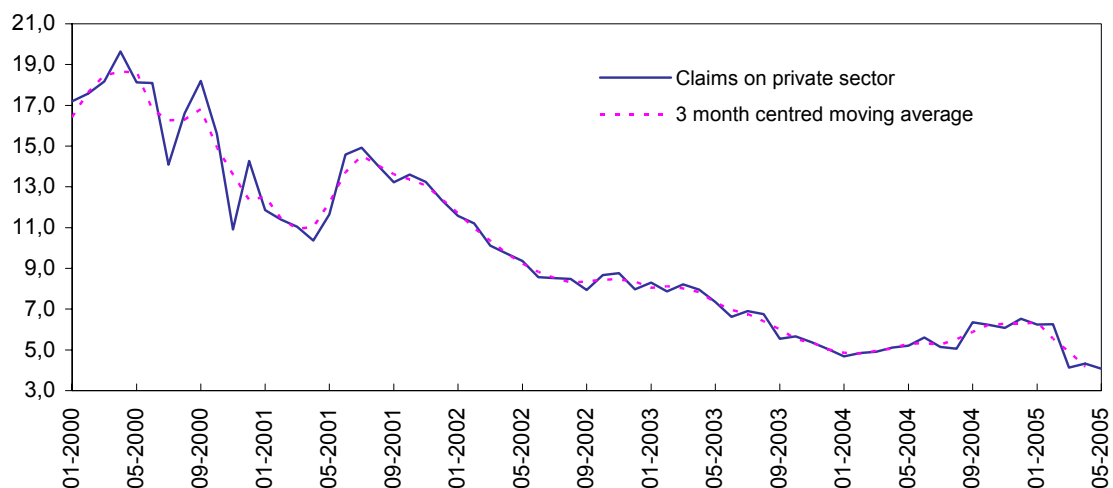


Source: Central Bank of Cyprus.

Chart 5

Growth of claims on private sector

(annual percentage change, monthly data)



Source: Central Bank of Cyprus.

Table 5
Main monetary indicators

(annual percentage change)

	2001	2002	2003	2004	2004 May	2005 Apr.	2005 May
Money supply (M1)	1,1	2,6	32,6	10,6	33,3	9,0	10,1
Total money supply (M2)	13,3	10,3	4,0	5,6	8,0	4,5	5,1
Claims on private sector	12,3	8,0	5,0	6,5	5,2	4,3 ⁽¹⁾	4,1 ⁽¹⁾

Source: Central Bank of Cyprus.

(1) 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.

The three-month moving average of credit to the private sector decelerated to 4,2% in the period March – May compared with 4,9% in the period February – April.

Table 6 presents the factors affecting M2. As can be seen from the table, net repayments of credit to the private sector were registered during the period January-May². In the same period, credit to the public sector reached lower levels than those in the previous year. This outcome is consistent with the general contractionary fiscal policy of the government. More specifically, during the first five months of the year net repayments from the private sector reached £37,4 million, compared with net credit of £160,1 million in the same period of the previous year. Credit to the public sector rose by £111,6 million, compared with a rise of £225,9 million registered in the same period of the previous year.

Net foreign assets registered a significant increase, in contrast with the decrease observed during the first five months of 2004. In particular, net foreign assets rose by £50,6 million, compared with a decrease of £71 million in the same period of 2004. Unclassified items also rose by £85,9 million, compared with a decrease of £75,3 million in the first five months of 2004.

Regarding the constituents of M2 in the first five months of 2005, M1 decreased by £3,2 million while quasi-liquidity rose by £213,9 million, compared with a rise of £4,3 million and £235,4 million, respectively, in the first five months of 2004. A notable development was the rise in long-term foreign currency deposits by residents which exhibited a rise of £175,8 million in the first five months of 2005, compared with a rise of £141,5 million in the same period of 2004.

2. A marked slowdown in credit growth has been observed since March due to debt write-offs by certain banking institutions, the largest part of which affected the personal-professional loans category. If we ignore these write offs, then the growth rates in April and May 2005 were 6,1% and 5,8%, respectively.

Table 6**Factors affecting total money supply***(change, CYP thousand)*

	May 2005	Jan. - May		Apr. 2004/2005	May 2004/2005
		2004	2005		
Foreign assets (net)	92.840	-70.985	50.586	391.651	438.899
Claims on private sector	-20.028	160.116	-37.369	365.874	344.702
Claims on public sector	34.772	225.854	111.551	-212.590	-227.979
Unclassified items	23.592	-75.326	85.850	-153.309	-107.251
Total money supply (M2)	131.176	239.659	210.618	391.626	448.371
Money supply (M1)	52.547	4.269	-3.230	120.882	138.912
Currency in circulation	-13.154	2.273	-10.788	57.584	33.355
Demand deposits	65.701	1.996	7.558	63.298	105.557
Quasi-money	78.629	235.390	213.848	270.744	309.459

Source: Central Bank of Cyprus.

The breakdown of bank credit by sector of economic activity (Table 7) shows that during the period January – May 2005, net repayments were effected in the personal-professional loans category³, while the construction sector absorbed the largest part of new credit. More specifically, personal-professional loans decreased by £8 million in the period January – May 2005, compared with an increase of £105,1 million in the same period of 2004. In addition, new loans in the construction sector amounted to £32,4 million during the period under review, compared with £75,3 million in the same period of 2004.

In the foreign and domestic trade sector there were net repayments of £35,7 million, compared with new loans of £17,3 million in the same period of the previous year. In the tourism sector there were net repayments of £14,9 million, compared with new loans of £3,1 million in the first five months of 2004. During the same period new credit to public institutions and corporations (including the government) rose by £5,5 million, compared with a rise of £6,5 million in the previous year.

3. See footnote 2, page 15.

Table 7
Bank credit by sector

	January - May	
	2004	2005
	change CYP' 000	change CYP' 000
Public institutions and corporations ⁽¹⁾	6.451	5.489
Agriculture	1.584	-3.846
Mining	-2.717	450
Manufacturing	-12.399	6.061
Transport and communications	-5.575	-2.758
Foreign and domestic trade	17.277	-35.728
Building and construction	75.291	32.356
Tourism	3.107	-14.875
Personal and professional loans	105.055	-7.954
Bills discounted: local	-115	355
foreign	-273	452
Total	187.686	-19.998

Source: Central Bank of Cyprus.

(1) Including government loans.

Loans in foreign currency by local banks to Cypriot residents rose in May 2005 by £2,1 million, compared with £10,3 million in the previous month. The share of foreign currency loans to total loans remained virtually unchanged at 11,2% in May, compared with 11,1% in April and 9,8% in May 2004 (Table 8). At the end of April 2005, the share of loans in euro reached 68,3%, in dollars 9,1%, in yen 2,4% and in Swiss francs 18,5%.

According to data covering medium and long-term lending in foreign currency, in the period January – March 2005, 22,3% of new loans were used in the construction sector in Cyprus, compared with 2,9% in the same period of the previous year. In addition, 57,4% was used for refinancing⁴ compared with 81,8% in 2004, and

8,2% for purchase of fixed assets, compared with 6% in the previous year.

According to provisional balance of payments data referring to residents' lending by banks abroad, in the period January – March net credit amounted to £34,3 million, compared with net repayments of £8,6 million in the same period of the previous year.

Net repayments in foreign currency by international banking units reached £1 million in the first quarter of 2005, compared with £7,4 million in the same period of 2004.

In May 2005 domestic expenditure by Cypriots through credit cards rose by 3%, compared with 9,7% in the same month of 2004. During the whole five month period this type of expenditure

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

Table 8**Claims on private sector ⁽¹⁾***(change, CYP million)*

	2005 Mar.	2005 Apr.	2005 May
Foreign currency loans to residents	28,6	10,3	2,1
Claims on private sector	-64,6	29,6	-20,0

(end of period balances, CYP million)

	2002	2003	2004	2004 May	2005 Apr.	2005 May
Foreign currency loans to residents	785,2	799,0	909,9	831,2	983,2	985,4
Claims on private sector	7904,1	8302,0	8844,2	8462,1	8826,8	8806,8
Share %	9,9	9,6	10,3	9,8	11,1	11,2

*Source: Central Bank of Cyprus.**(1) From local banks.*

rose by 10,2%, compared with a rise of 14,1% in the same period of 2004. Expenditure of Cypriots abroad through the use of credit cards rose by 18,1% in May 2005, compared with an increase of 2,4% in the same month of the previous year.

During the period January – May 2005, credit card expenditure rose by 19,1%, compared with a rise of 6,6% in the same period of the previous year. Foreign credit card holders spent 10,3% more in May 2005, compared with 5,2% in the same month of the previous year. During the first five months of 2005 this type of expenditure rose by 4,8%, compared with a rise of 13,3% in the same period of 2004.

Co-operative Credit Institutions (CCIs)⁵

During May local currency deposits with CCIs amounted to 37,6% of total deposits (in CCIs and banking institutions), compared with 36,9% in the same month of 2004. In May 2005 the share of

CCI loans in local currency was estimated at around 29,7%, compared with 27,9% in May of the previous year. Deposits with CCIs are estimated to have increased by 5,8% in May 2005, compared with 11,2% in the same month of 2004. Local currency deposits with commercial banks (excluding CCI deposits with the Co-operative Central Bank) grew by 2,7% in May 2005, compared with an increase of 2,4% in the same month of 2004.

Regarding CCI loans, these are estimated to have risen by 11,7% in May 2005, compared with a rise of 10,6% in the same month of 2004.

Money market

Both during May and June surplus liquidity conditions prevailed in the money market. Table 9 presents the factors affecting bank liquidity⁶. The increase in the average daily value of net foreign assets and the decrease in the

5. The data for the CCIs are estimated by the Central Bank based on a sample of 205 CCIs, which make up about 96% of total deposits and loans.

6. The box on page 21 presents the liquidity conditions for the period 17 March - 15 June 2005. Any differences in the amounts are due to the different periods being analysed.

Table 9
Banking system's liquidity position

(CYP million, period averages of daily positions)

	Liquidity - providing factors					Liquidity - absorbing factors						Credit institutions current accounts (MRA)	Base money (6+7+9+12)
	Net assets in gold and foreign currency (NFA)	Monetary policy operations				Deposit facility (overnight)	Other liquidity-absorbing operations (additional & S.M.E. dep.)	Rev-repos & depos	Currency in circulation	Central govern. deposits (net) ¹⁾	Other factors (net)		
1		2	3	4	5							6	7
2003 May	1.112,4	0,0	0,0	3,2	0,0	13,4	79,4	152,3	438,8	-315,7	214,8	532,6	1.064,2
June	1.095,7	0,0	0,0	1,6	0,0	9,9	79,3	136,7	447,1	-309,6	204,0	529,8	1.066,1
July	1.075,1	0,0	0,0	0,0	0,0	27,6	79,3	117,7	462,2	-332,7	193,2	527,8	1.096,9
Aug.	1.104,4	0,0	0,0	0,0	0,0	24,0	79,3	146,8	471,3	-343,6	196,6	530,0	1.104,6
Sep.	1.144,1	0,0	0,0	2,6	0,0	14,0	79,7	174,5	465,9	-302,2	184,8	530,0	1.089,6
Oct.	1.079,8	0,0	0,0	0,3	0,0	23,0	79,4	123,6	467,2	-330,6	185,2	532,3	1.101,9
Nov.	1.122,7	0,0	0,0	0,6	0,0	31,2	79,3	107,7	461,5	-286,9	199,2	531,4	1.103,4
Dec.	1.173,1	0,0	0,0	4,8	0,0	17,8	79,5	47,4	496,3	-217,9	222,7	532,1	1.125,7
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

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.

average value of government deposits were the main factors that affected positively surplus liquidity. More specifically, net foreign assets rose to £1.395,2 million in May from £1.361,7 million in April. The average daily value of government deposits with the Central Bank reached £757 million in May, down from £769,3 million in the previous month. In contrast, the increase in the currency in circulation affected negatively surplus liquidity.

As a result of the excess liquidity conditions, two auctions for the acceptance of deposits were held in May whereby £50 million and £120 million were absorbed, respectively. At the most recent auction on 30 June, the average interest rate decreased to 2,64%, reflecting, in part, the decrease in the official interest rate on 9 June.

Table 10 depicts the decrease in yields on all government securities that was observed in June, compared with the yields in April, when the most recent auctions had been held. It is noted that all the auctions in June were held

before the cut in the official interest rate on 9 June. During the month under review no auctions were held on two-year government bonds.

The average interest rate on 13-week treasury bills decreased to 3,95% from 4,28% in April, and the rate on 52-week treasury bills fell to 4,4% from 4,91%. The average yield on 5-year government bonds fell to 4,84% in June from 5,87% in April, and the rate on 10-year bonds declined to 4,84% from 5,84%. Finally, the average interest rate on 15-year government bonds decreased to 5,04% from 6,17% in April. The marked fall in yields on government securities partly reflects market expectations of a gradual decline in the interest rate differential between Cyprus and the EU.

The interbank overnight interest rate fell to 3,11% in June from 3,47% in May and 3,83% in April, partly reflecting the decreases in the official interest rate that had taken place on 20 May and 9 June.

Table 10

Interest rates

(percent per annum, period averages)

	2002	2003	2004	2004 June	2005 Apr.	2005 May	2005 June
Interbank (1day)	3,42	3,35	3,92	4,22	3,83	3,47	3,11
Repos	-	-	-	-	-	-	-
Reverse repos/depos	3,91	3,45	3,89	-	3,89	3,71	3,17
Treasury bills (13 weeks)	4,02	3,51	4,21	4,74	4,28	-	3,95
Treasury bills (52 weeks)	4,30	3,70	4,76	5,27	4,91	-	4,40
Development stocks (2 years)	4,56	3,83	5,14	5,81	5,04	-	-
Development stocks (5 years)	5,07	4,49	5,93	6,36	5,87	-	4,84
Development stocks (10 years)	5,37	4,70	6,07	6,58	5,84	-	4,84
Development stocks (15 years)	5,60	4,81	6,31	7,05	6,17	-	5,04

Source: Central Bank of Cyprus.

BOX 2

Liquidity conditions and monetary policy operations

This box reviews the Central Bank's liquidity management from 17 March to 15 June 2005. Figure 1 summarises the liquidity absorption and provision through monetary policy operations, while figure 2 presents the developments of the main short-term interest rates.

Liquidity conditions in the banking system

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

Monetary policy operations and interest rates

The Central Bank conducted six liquidity absorbing operations (LAOs) through auctions for the acceptance of deposits.

Open market operations

(CYP million; interest rates in percent per annum)

Operation	Date of settlement	Date of maturity	Bids (amount)	Allotment (amount)	Bid-cover ratio	Weighted average allotment rate	Running for (...) days
LAO	17/03/2005	31/03/2005	82,0	50,0	1,64	3,95	14
LAO	31/03/2005	14/04/2005	90,0	40,0	2,25	3,89	14
LAO	05/05/2005	19/05/2005	101,0	50,0	2,02	3,84	14
LAO	19/05/2005	02/06/2005	164,0	120,0	1,37	3,65	14
LAO	02/06/2005	09/06/2005	223,0	140,0	1,59	3,23	7
LAO	09/06/2005	16/06/2005	141,0	60,0	2,35	3,60	7

Source: Central Bank of Cyprus.

The LAOs were carried out through variable rate tenders with a maximum bid rate of 4,25% for the first four auctions and 3,75% for the last two auctions of the period under review. The absorbed liquidity ranged between £40 million and £140 million, whereas the weighted average allotment rate remained within the range of 3,23% and 3,95%. The ratio of the amount bid to the volume allotted, ranged between 1,37 and 2,35 with an average of 1,87, while the number of participating counterparties varied between 3 and 6.

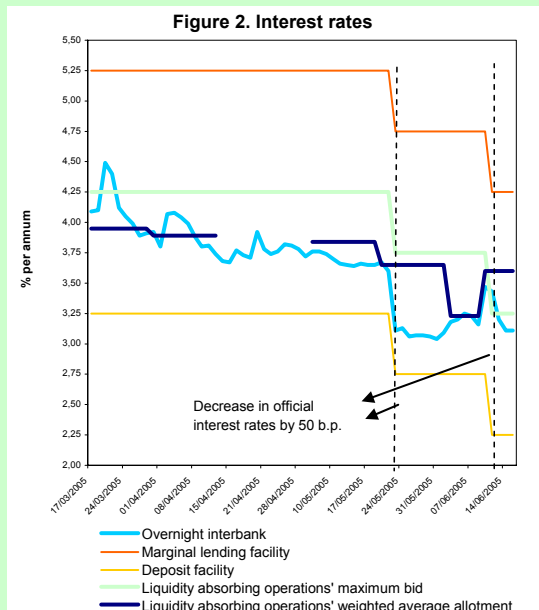
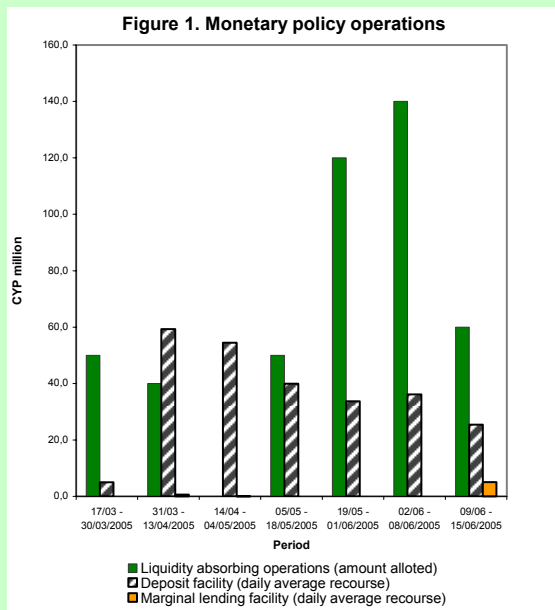
Standing facilities

(period averages of daily recourse in CYP million)

Period	Deposit facility	Marginal lending facility
17/03 - 30/03/2005	5,0	0,0
31/03 - 13/04/2005	59,3	0,6
14/04 - 04/05/2005	54,5	0,1
05/05 - 18/05/2005	39,9	0,0
19/05 - 01/06/2005	33,7	0,0
02/06 - 08/06/2005	36,2	0,0
09/06 - 15/06/2005	25,4	5,1

Source: Central Bank of Cyprus.

In view of the aforementioned liquidity conditions during the above periods, averages of daily recourse to the deposit facility ranged between £5 million and £59,3 million. This is in contrast to the very limited recourse to the marginal lending facility for which the respective average recourse ranged between zero and £5,1 million.



Overnight interbank interest rate
(percent per annum)

Period	Minimum rate	Maximum rate	Average rate
17/03 - 30/03/2005	3,89	4,49	4,12
31/03 - 13/04/2005	3,74	4,08	3,91
14/04 - 04/05/2005	3,67	3,92	3,76
05/05 - 18/05/2005	3,64	3,76	3,69
19/05 - 01/06/2005	3,04	3,67	3,19
02/06 - 08/06/2005	3,16	3,25	3,20
09/06 - 15/06/2005	3,11	3,47	3,26

Source: Central Bank of Cyprus.

During the period under review the overnight interbank interest rate ranged between 3,04% and 4,49%. The average rate stood at around 3,59%. On 20 May and 9 June 2005, the Monetary Policy Committee decided to reduce official interest rates by 50 basis points, on each occasion.

Table 11 provides a comparison between domestic and European long-term interest rates. The most recent data refer to May and show that domestic long-term real interest rates exceeded the corresponding European rates by 161 basis points, compared with 158 basis points in the previous month. More specifically, domestic long-term real interest rates in May decreased to 3,59% from 3,64% in April, mainly due to the

rise in inflation. The respective European rates fell to 1,98% in May compared with 2,06% in April, due to the decrease in nominal interest rates. It is noted that during May no auctions were held on 10-year government bonds, thus the domestic long-term interest rate in May does not reflect the decrease in the official interest rate that had taken place on 20 May 2005.

Table 11
Inflation and interest rates in Europe and Cyprus – May 2005

(latest 12-month average)

	Inflation (HICP) (%)	Long-term interest rates (%)	Long-term real interest rates (%)
Austria	2,30	3,86	1,56
Belgium	2,20	3,88	1,68
Czech Republic	2,20	4,30	2,10
Denmark	1,10	4,03	2,93
Estonia ⁽¹⁾	4,30	4,20	-0,10
Finland	0,30	3,88	3,58
France	2,20	3,85	1,65
Germany	1,90	3,79	1,89
Greece	3,20	4,00	0,80
Hungary	5,30	7,66	2,36
Ireland	2,30	3,80	1,50
Italy	2,20	3,99	1,79
Latvia	7,00	4,45	-2,55
Lithuania	2,60	4,15	1,55
Luxembourg	3,60	3,86	0,26
Malta	2,50	4,69	2,19
Netherlands	1,30	3,83	2,53
Poland	4,00	6,36	2,36
Portugal	2,40	3,86	1,46
Slovakia	5,00	4,46	-0,54
Slovenia	3,20	4,25	1,05
Spain	3,30	3,85	0,55
Sweden	0,90	4,06	3,16
United Kingdom	1,50	4,81	3,31
Eurozone	2,20	3,86	1,66
EU -25	2,20	4,18	1,98
Cyprus	2,60	6,19	3,59

Source: Eurostat.

(1) Data for April 2005.

International and domestic official interest rates

The ECB and the Bank of England maintained their official interest rates unchanged at their recent meetings. In contrast, the US Federal Reserve raised for the ninth consequent time its federal funds rate by 25 basis points. On 20 May the Central Bank of Cyprus reduced its official interest rate by 50 basis points. At an extraordinary meeting on 9 June, a further equivalent decrease was decided.

As a result of the above, the interest rate differential between domestic and European official interest rates declined to 125 basis points both for the marginal lending facility rate and the deposit facility rate (Table 12).

Table 12

International official interest rates

(percent per annum, changes in percentage points)

		change
European Central Bank		
<i>(2 June 2005)</i>		
Minimum bid rate on the main refinancing operations	2,00	-
Interest rate on the marginal lending facility	3,00	-
Interest rate on the deposit facility	1,00	-
Bank of England		
<i>(9 June 2005)</i>		
Repo rate	4,75	-
Federal Reserve		
<i>(30 June 2005)</i>		
Federal funds rate	3,25	+0,25
Discount rate	4,25	+0,25
Central Bank of Cyprus		
<i>(9 June 2005)</i>		
Minimum bid rate on the main refinancing operations	3,25	-0,50
Maximum bid rate on the liquidity absorbing operations	3,25	-0,50
Interest rate on the marginal lending facility	4,25	-0,50
Interest rate on the deposit facility	2,25	-0,50

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

Cyprus Stock Exchange (CSE)

During May the all-share CSE index exhibited marginal fluctuations. In particular, the index rose slightly during the first fortnight of May and declined during the second half of the month (Chart 6). The index fluctuated between 85,3 and 86,5 units with its monthly average reaching 85,9 units. For the period January-May, the index reached an average of 84,5 units, 0,3% higher than the same period of 2004.

The average daily value of transactions was slightly reduced to £0,3 million from £0,4 million in April. The average daily volume of

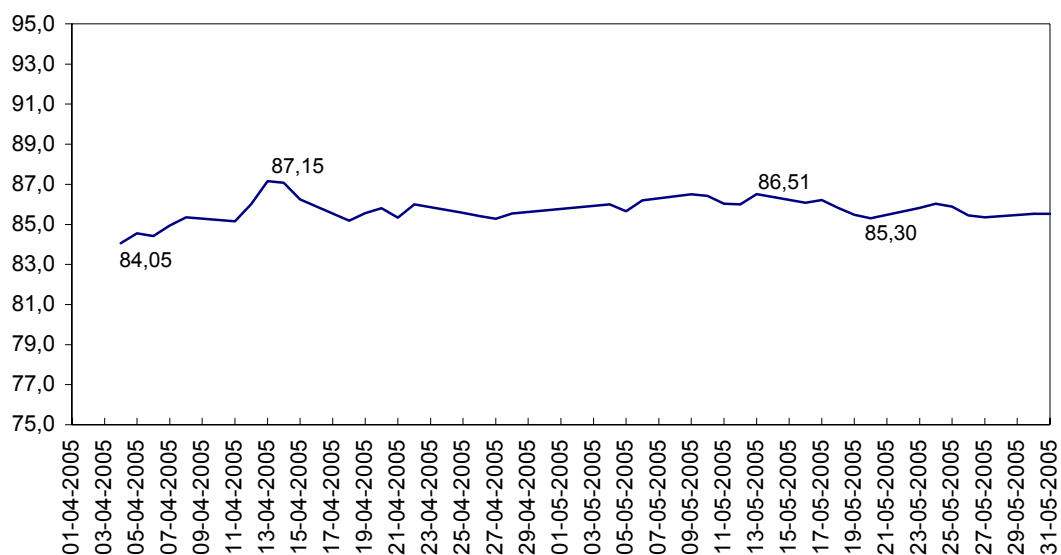
transactions also decreased to 422 in May from 461 in the previous month. The companies with the largest volume of transactions were Bank of Cyprus and Laiki Bank, with respective shares of 24,7% and 12,5%.

At the last meeting of the month, the main indices as well as the sectoral index of banks and hotels exhibited a fall compared with the previous month's closing.

Chart 6

Cyprus Stock Exchange (CSE) General Index

(daily data, 29/3/1996=100)



Source: Cyprus Stock Exchange.

Table 13 shows that in May the net outflows by non-residents from the stock market were very similar to those of April. More specifically,

purchases of shares on the CSE reached £0,1 million in May while sales amounted to £0,2 million.

Table 13

Investments by non-residents on the Cyprus stock market

(CYP thousand)

	2003	2004	2005				
	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Purchases	495	244	235	804	218	73	92
Sales	358	527	482	606	324	172	195
Net investments	137	-283	-247	198	-106	-99	-103

Source: Cyprus Stock Exchange.

2.3 INFLATION

In May 2005 prices recorded an increase of 2,45%, compared with 3,08% in the previous month and 1,49% in May 2004. As Table 14 shows the reduction in the rate of inflation in May compared with April, reflects the fall in the prices of agricultural products and the deceleration in the prices of industrial non-petroleum products, fuel and services. In contrast, the price of electricity displayed an increase.

For the first five months of the year, inflation reached 2,83% compared with 1,20% in the corresponding period of 2004. This acceleration reflects the dissipation of the impact of the reduction in excise taxes on cars which took place in November 2003, as well as the acceleration in the prices of services, especially rents, government services, education, restaurant and personal services. A more detailed analysis of inflation by economic origin is given in Tables 7 to 10 in the annex.

A noticeable development that took place in May 2005, was the fall in agricultural product prices by 3,49% as against an increase of 0,16% in the

previous month (Table 14). At the same time, a deceleration was observed in the prices of local industrial non-oil products and fuel while electricity prices accelerated, reflecting the rise in the price of oil (Table 14).

The prices of imported goods exhibited a further decline of 1,89% in May 2005, following a 2,62% reduction in April. In particular, the prices of motor vehicles fell by 1,99% compared with a reduction of 2,40% in April.

The prices of services increased by 3,60% in May compared with a rise of 3,99% in April. This small price deceleration is mainly attributed to the deceleration in prices in the services sector.

Finally, it is noted that rents (the most significant category of services), which constitutes an important indicator of the property market's performance, recorded a rise of 4,11% in the first five months of 2005 compared with a rise of 3,05% in the corresponding five months of 2004.

Table 14

Percentage change in the consumer price index by economic origin

		2003	2004	May 2004/2003	April 2005/2004	May 2005/2004
	All items	4,14	2,28	1,49	3,08	2,45
A	Domestic Goods	7,30	5,03	3,35	4,63	3,10
A.1	Agricultural	4,54	3,32	1,50	0,16	3,49
A.2	Industrial	7,90	6,09	4,73	5,72	4,45
A.2.1	<i>Industrial, non-oil</i>	6,46	3,36	3,43	2,09	1,24
A.2.2	<i>Fuel and gas</i>	14,16	17,18	9,98	19,66	16,63
A.3	Electricity and water	10,20	-3,13	-8,69	-6,88	10,17
B	Imported Goods	-2,38	-5,55	-6,60	-2,62	-1,89
B.1	Motor vehicle	8,31	-13,65	-15,18	-2,40	-1,99
B.2	Other imported goods	1,81	-0,39	1,07	-2,74	-1,84
C	Services	4,38	3,23	3,42	3,99	3,60

Source: Cystat.

For comparison purposes Table 15 shows the latest available monthly data on inflation in Cyprus, the euro area and other industrial countries, as well as forecasts for 2005.

In 2005 inflation will greatly depend on developments in the oil market. Assuming that the price of oil increases significantly (by about 30% in Cyprus pounds terms) and there is no significant change in the exchange rate, inflation is expected to be around 2,5% - 3,0%. This forecast is also based on the assumption that there will be a small acceleration in overall economic activity and that the prices of agricultural products will follow a normal trend.

Table 15
Inflation: Cyprus and other countries
(annual percentage change in consumer prices)

	Inflation rate	Month	Forecast for 2005 ⁽¹⁾
Austria	2,3	May	2,1
Belgium	2,5	May	2,0
Canada	2,4	April	2,1
Cyprus	2,5	May	2,5 ⁽²⁾
Denmark	1,5	May	1,4
Euro area	2,0	May	1,8
France	1,5	May	1,6
Germany	1,7	May	1,4
Italy	1,9	May	1,9
Japan	0,0	April	-0,1
Spain	3,1	May	2,9
Sweden	0,1	May	0,7
Switzerland	1,0	May	1,2
UK	1,9	May	1,9
USA	2,8	May	2,9

(1) Source: *The Economist*, 18 June 2005.

(2) Source: Central Bank of Cyprus.

2.4 DOMESTIC ECONOMY

According to quarterly figures published by Cystat, the growth rate of real GDP reached 3,9% in the first quarter of 2005, compared with 3,7% in the same quarter of 2004. Tourist arrivals rose in the first five months of the year. However, tourism receipts up to May recorded a small reduction. In the labour market, unemployment, as a percentage of the economically active population, reached 4,1% in the first five months of 2005, compared with 3,8% in the corresponding period of 2004. Real GDP growth in 2005 is forecast to be around 4%. This forecast is based on the assumption of a revival in tourism, private consumption and exports.

Production

In the services sector, tourist arrivals registered an increase of 5,6% in the first five months of 2005, compared with an increase of 10,5% in the same period of 2004. At the same time, receipts from tourism fell by 0,6% compared with a rise of 2,5% in the corresponding period of 2004.

In the secondary sectors, the overall picture is mixed. During the first quarter of 2005, the construction sector continued its positive course while manufacturing production fell.

More specifically, the volume index of building permits increased by 12,5% in the first two months of 2005, compared with an increase of 7,3% in 2004. During the first four months of 2005, local sales of cement increased by 15,4% compared with an increase of 18,8% in the same period of the previous year.

The volume index of manufacturing production fell by 1,9% in the first quarter of 2005, compared with an increase of 2,3% in the corresponding period of 2004. It should be noted that the growth rate of the volume index of manufacturing (Table 16) has been adversely affected by the termination of oil refining as from 1 May 2004.

Table 16

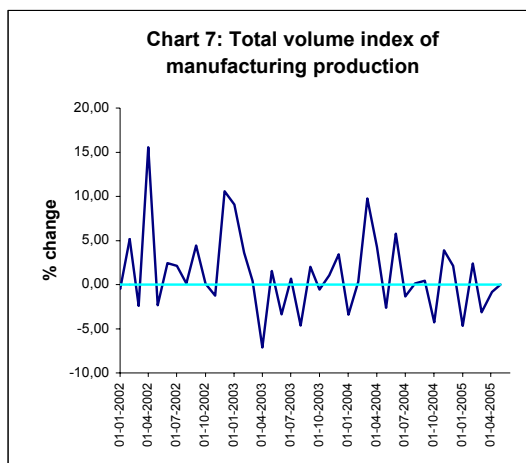
Manufacturing production volume index

(percentage change by category)

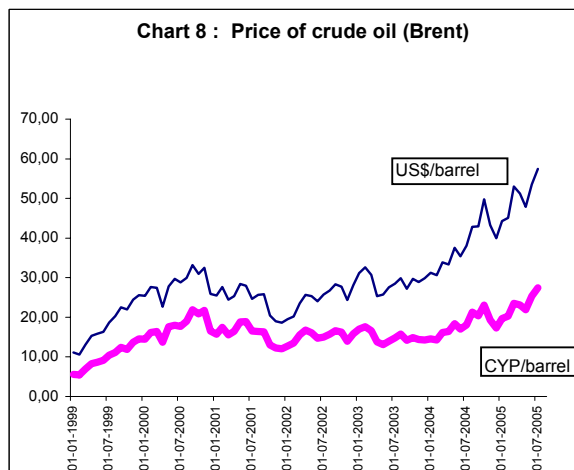
	Mar. 04/03	Mar. 05/04	Jan.-Mar. 04/03	Jan.-Mar. 05/04
General index	9,7	-3,1	2,3	-1,9
Food products, beverages & tobacco	12,0	0,2	3,6	1,1
Textiles & textile products	-9,4	-12,5	-6,9	-21,1
Leather & leather products	11,4	-54,4	-25,6	-38,9
Wood & wood products	19,7	5,3	10,3	2,8
Paper, paper products, publishing & printing	3,1	-1,7	0,0	2,1
Refined petroleum products	-26,1	-96,7	-4,4	-97,0
Chemicals, chemical products & man-made fibres	9,1	-2,7	4,3	0,6
Rubber & plastic products	18,7	-9,0	2,8	-7,9
Other non-metallic mineral products	16,4	-0,4	3,7	7,9
Basic metals & fabricated metal products	10,2	-3,4	3,0	-1,0
Machinery & equipment n.e.c.	7,8	1,3	1,1	1,5
Electrical & optical equipment	-2,9	-11,3	-11,3	-10,6
Transport equipment	-17,9	7,2	-22,5	2,4
Manufacturing n.e.c.	4,9	-4,1	-1,8	-3,7

Source: Cystat.

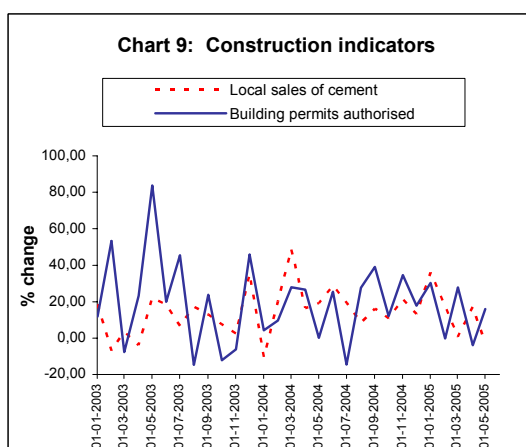
Charts 7-10



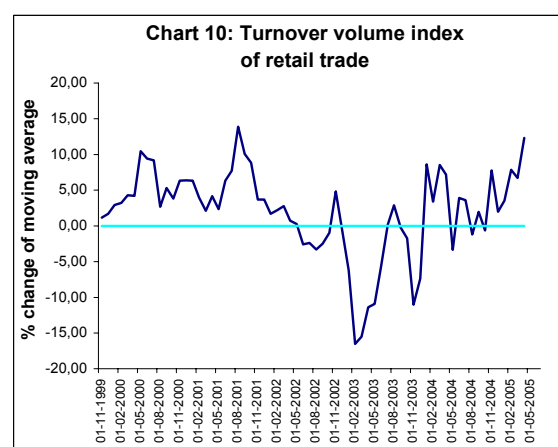
Source: Cystat.



Source: Reuters.



Source: Cystat.



Source: Cystat.

Consumption

The turnover volume index of retail trade registered a rise of 6,4% in the period January-February 2005, compared with an increase of 6,8% in the corresponding period of 2004. In addition, according to the “Business and Consumer Survey Results” of the European

Committee, the purchasing intentions of Cypriot consumers for the next 12 months are not clear. The intentions were positive for the last quarter of 2004 while for the first five months of 2005 the index showed significant fluctuations.

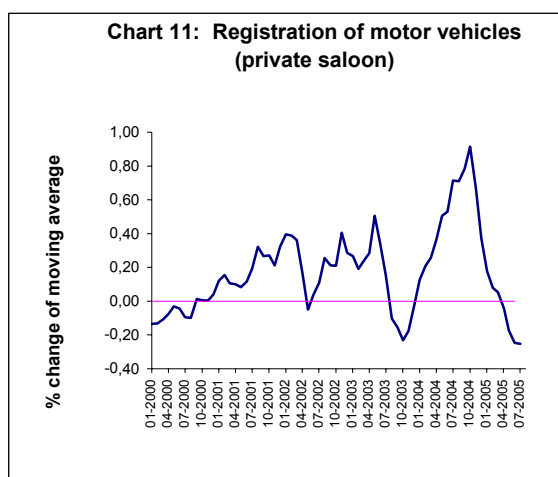
Table 17
Turnover volume index of retail trade

(percentage change by category)

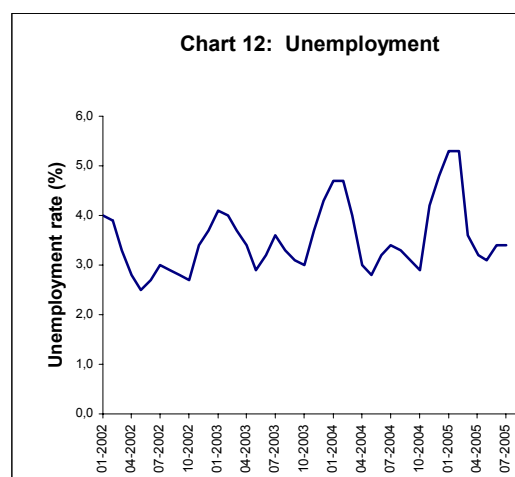
	Feb. 04/03	Feb. 05/04	Jan.- Feb. 04/03	Jan.- Feb. 05/04
General index	5,59	8,71	6,84	6,35
Retail sale in non-specialised stores with food, beverages or tobacco predominating	1,26	14,90	3,20	11,95
Other retail sale in non-specialised stores	1,89	14,50	5,19	10,78
Retail sale of food, beverages and tobacco in specialised stores	14,00	-0,31	11,59	3,57
Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles	17,80	11,70	12,56	21,54
Retail sale of textiles, clothing, footwear and leather goods	22,99	1,06	15,93	1,09
Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods				
hardware, paints and glass	10,77	12,58	11,72	9,34
Retail sale of books, newspapers and stationery and other retail sale in specialised stores	2,45	-3,52	4,27	-4,10
Retail sale of second-hand goods in stores	12,27	-32,47	0,30	-30,37
Retail sale not in stores	-29,26	23,26	-13,22	-3,84

Source: Cystat.

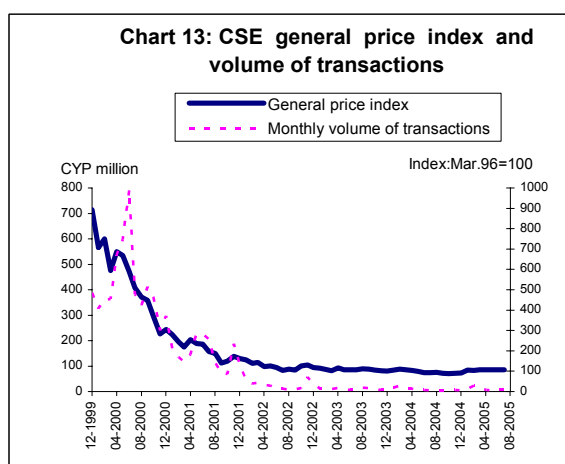
Charts 11-14



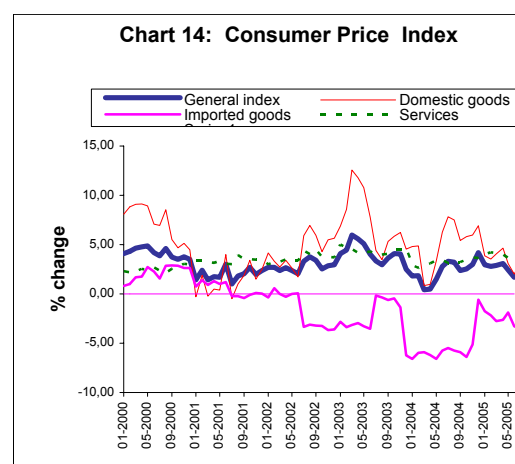
Source: Cystat.



Source: Cystat.



Source: CSE.



Source: Cystat.

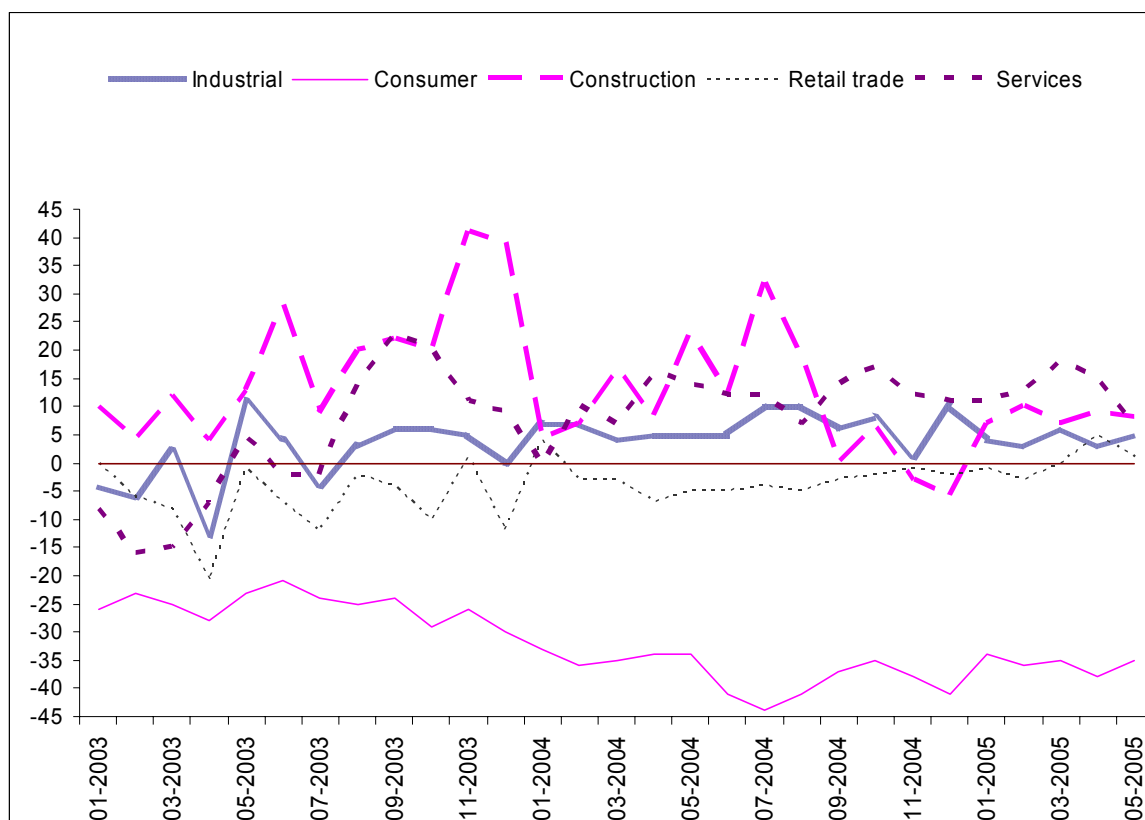
Due to the reduction in excise taxes for cars that took place in November 2003, registrations of private saloon cars, which provides another important indicator of consumer expenditure, exhibited a fall in March, April and May of the order of 1,4%, 5,4% and 4,3%, respectively.

For the first five months of 2005, car registrations increased on average by 2,6% compared with an increase of 26,8% in the corresponding period of the previous year.

Chart 15

Confidence indicators

(balances, seasonally adjusted)



Source: European Commission.

Confidence indicators

Chart 15 tracks the movement of confidence indicators for the Cyprus economy since May 2001, when the European Commission first started publishing them⁷. The trends in these indicators are generally consistent with the overall picture of the economy presented in this report.

In particular, the construction confidence indicator registered an overall positive trend in the first five months of 2005. This development is consistent with the positive performance of the

construction sector as reflected by the volume index of building permits and cement sales. The fluctuations observed in the services confidence indicator in the same period reflects the uncertainty prevailing in the tourism sector.

In the first five months of 2005, the consumer confidence indicator was not in line with the acceleration in retail sales and the performance of many other economic indicators. The retail sales confidence indicator exhibited some signs of recovery during the same period. Finally, the

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

industrial confidence indicator registered large fluctuations.

Labour market

In May 2005 the number of registered unemployed increased by 8,6% while the unemployment rate, as a percentage of the economically active population, fluctuated at around 3,1%, compared with 2,8% in the corresponding month of the previous year. For the first five months of 2005, the number of registered unemployed increased by 8,6% compared with an increase of 7% in the corresponding five months of 2004. The unemployment rate rose to 4,1% from 3,8% in the corresponding period of 2004.

Public finances

According to preliminary data published by Cystat and covering the general government sector for the period January – March 2005, public revenue reached £828,8 million and public expenditure £715 million. As percentages of GDP, these represented increases of 36,2% and 8,8%, respectively.

As regards the preliminary consolidated accounts of the Ministry of Finance, which cover only the central government and social insurance funds and exclude local authorities, revenue and expenditure for the period January – April 2005 amounted to £891,5 million and £837,6 million, respectively. As a result, a fiscal surplus of £53,8 million or 0,7% of GDP was recorded, compared with a deficit of £25,5 million or 0,4% of GDP in the corresponding period of 2004.

This improvement in public finances is mainly due to the tax amnesty proceeds of £68 million and the dividend receipt of £35 million from the Cyprus Telecommunications Authority. However, if we exclude these two amounts a fiscal deficit of 0,8% of GDP would have been recorded, compared with 0,4% in the corresponding period of 2004.

More analytically, the 18,1% increase in public revenue is mainly due to the increase in revenue emanating from tax receipts which were 16,3% higher compared with last year. This was largely due to the tax amnesty proceeds which is reflected in the 154,8% increase in other direct taxes. However, the reduction of 2,8% in income tax proceeds is a cause of concern since, at this stage, the anticipated broadening of the tax base as a result of the tax amnesty procedures does not seem to have been achieved. Indirect taxes recorded a reduction of 1,1%. This was largely due to the 43,9% fall in the proceeds from import duties as a result of the adoption of the common external tariffs in May 2004. The non-tax revenue registered a marginal increase of 12,9%, which includes the dividend payment from the Cyprus Telecommunications Authority.

As regards public expenditure, an increase of 7,4% was registered during the first four months of 2005 compared with 2004. This small increase can be mainly explained by significant reductions in subsidies and defence expenditure. Capital expenditure, on the other hand,

registered a 60% increase which is attributed to the acceleration in the completion process for approved investment projects.

Despite the encouraging figures referred to above, which cover only the first four months of the current year, it is estimated that the fiscal deficit as a percentage of GDP will fall to below 3%. This is based on the assumption that the government will not deviate from its action plan aimed at achieving fiscal consolidation. The successful participation of Cyprus in ERM II calls for increased efforts in implementing fiscal corrective measures, while the government is expected to undertake additional measures, if deemed necessary. Following Cyprus's participation in ERM II, the necessity for

implementing structural measures in order to ensure the medium and long-term sustainability of public finances, is emphasized.

On 23 June 2005 the House of Representatives approved the Bill submitted by the Ministry of Finance for the gradual extension of the retirement age in the public sector from 60 to 63. This measure will be implemented within the context of the agreement reached with the civil servants' union, PASYDY, and is only binding on public sector employees. It excludes the employees of semi-governmental organisations (which were initially included in the government proposal) since their unions have expressed strong opposition. Therefore, the issue of the extension of the retirement age in the education and semi-governmental sectors is still pending.

Table 18

Accounts of general government (analysis of expenditure and revenue)

	Jan.-Mar. 2004	Jan.-Dec. 2004	Jan.-Mar. 2005	Jan.-Mar. 2005/2004
	<i>(CYP million)</i>			<i>% change</i>
EXPENDITURE				
Intermediate consumption	52,7	318,0	58,3	10,6
Capital formation	30,4	254,2	55,0	80,9
Compensation of employees	251,8	1122,1	264,4	5,0
Other taxes on production	0,1	0,2	0,1	0,0
Subsidies	12,4	81,4	2,1	-83,1
Interest paid	101,5	244,0	71,8	-29,3
Social benefits	158,3	839,5	193,7	22,4
Other current transfers	39,9	249,5	68,1	70,7
Capital transfers	10,2	64,4	1,5	-85,3
Total expenditure	657,3	3173,2	715,0	8,8
REVENUE				
Market output & output for own final use	48,6	190,1	51,5	6,0
Taxes on production and imports	272,6	1165,3	307,4	12,8
<i>of which VAT</i>	163,2	666,4	181,8	11,4
Property income	1,3	65,5	41,0	
Current taxes on income, wealth, etc	144,3	665,7	194,7	34,9
Social contributions	128,2	613,9	137,1	6,9
Other current transfers	12,1	145,1	26,1	115,7
Capital transfers	1,3	21,3	71,0	
Total revenue	608,4	2866,9	828,8	36,2
Surplus (+) / Deficit (-)	-48,9	-306,3	113,8	

Source: Cystat.

2.5 EXTERNAL TRANSACTIONS

Goods

An overview of the trade balance is given in Table 19 for the first four months of 2005, in line with the preliminary data published by Cystat. It should be noted that since May 2004, the collection of data which refers to trade with EU countries (intra-EU) has been produced using a new methodology introduced by Eurostat. For this reason and until this method is improved, data will only be available for total imports and exports without the breakdowns.

During the first four months of 2005, total imports declined by 1,4%, compared with a large increase of 20,8% in the corresponding period of 2004. This reduction is partly due to exogenous factors, such as the reduction in car imports. As far as the increase in 2004 is concerned, this was due to car dealers importing a larger than average number of cars in anticipation of bottlenecks and problems with customs clearance procedures at ports during the few months leading up to EU accession.

During the first four months of 2005, total exports recorded a significant increase of 28,7% compared with a rise of 2,9% in the corresponding period of 2004. This was largely due to the increase in re-exports. As a result of the above, the trade balance showed a significant improvement, registering a deficit of £679,8 million during the first four months of 2005 compared with a deficit of £737,1 million in the corresponding period of 2004.

Tourism

Tourist arrivals increased by 8,6% in May 2005 (Table 20) compared with an increase of 13% in the corresponding month of 2004. For the period January-May 2005, an increase of 5,6% was recorded compared with an increase of 10,5% in the same period of the previous year.

Tourism receipts recorded an increase of 5,9% in May 2005, compared with a rise of 7,6% in the corresponding month of 2004. During the first five months of 2005, receipts fell by 0,6% compared with a rise of 2,5% in the same period of the previous year.

Balance of payments

Table 13 of the Annex presents preliminary data relating to the balance of payments for the first quarter of 2005. This data, which was collected by the Central Bank of Cyprus, reveals a worsening of the current account deficit, although an improvement is expected in the following quarters, partly due to the anticipated slowdown in the imports of goods.

As regards the services account, a net surplus of £207,7 million was registered in the first quarter of 2005, compared with £292,9 million in the corresponding quarter of 2004. Part of this difference is attributed to a statistical readjustment of data as well as to the negative developments in a number of sectors. More specifically, the surplus recorded in the travel account reached £4 million during the first quarter of 2005, compared with a surplus of £50,3 million in the corresponding period of

2004. This partly reflects the negative course of tourism in the first quarter. The services surplus, excluding tourism, reached £203,7 million in the first quarter of 2005 compared with £242,6 million in 2004. It should be noted that the anticipated marginal improvement in the balance of payments for 2005 remains uncertain. This is partly due to the continuing upward trend in the price of oil and partly due

to the possible deterioration of the travel account. As far as the latter is concerned, there may be consequences resulting from the credit facilities offered by tourist agents to residents travelling abroad, as well as a possible decline in tourist arrivals for this year.

Table 19**Trade balance data**

(CYP million)

Period	TOTAL TRADE		EXTRA-EU TRADE		INTRA-EU TRADE	
	Total Imports/ Arrivals (cif)	Total Exports/ Dispatches (fob)	Total Imports (cif)	Total Exports (fob)	Arrivals (cif)	Dispatches (fob)
2000	2402,0	591,9	1140,9	364,5	1261,1	227,4
2001	2528,7	627,9	1208,8	376,5	1320,0	251,4
2002	2486,6	511,3	1140,9	240,9	1345,8	270,4
2003	2304,1	476,8	992,8	198,3	1311,3	278,5
2004						
January	176,9	28,5	85,7	12,7	91,2	15,8
February	159,4	33,5	60,7	13,0	98,7	20,5
March	241,7	50,9	97,7	16,9	144,0	34,0
April	316,8	44,7	138,6	15,2	178,2	290,5
May	169,0	56,3	47,0	14,2	122,0	42,1
June	225,1	47,3	70,6	16,4	154,5	30,9
July	221,2	45,5	66,8	16,4	154,4	29,1
August	197,6	35,7	65,1	11,7	132,4	24,0
September	212,7	49,6	68,2	22,5	144,5	27,1
October	238,2	55,7	56,6	24,3	181,6	31,5
November	256,8	52,7	78,6	24,3	178,2	28,5
December	263,9	47,5	86,1	15,0	177,9	32,6
2005						
January	193,1	43,3	62,9	14,4	130,2	29,0
February	209,0	46,8	76,5	18,1	132,5	28,7
March	255,2	61,3	74,0	22,8	181,2	38,5
April ^(p)	225,4	51,5	77,9	19,0	147,5	320,5
Jan. - Apr. 2003	740,6	153,2	318,2	61,6	422,4	91,7
Jan. - Apr. 2004	894,8	157,7	382,7	57,9	512,1	99,9
Jan. - Apr. ^(p) 2005	882,7	202,9	291,3	74,2	591,4	128,7
% change 2004/2003	20,8	2,9	20,3	-6,0	21,2	9,0
% change 2005/2004	-1,4	28,7	-23,9	28,3	15,5	28,9

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 Cyp,rus 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 sotres and provisions prior to May 2004 are included in extra-EU trade.

Table 20
Tourist arrivals ⁽¹⁾

(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	<i>n.y.a.</i>	-10,6	1,0	<i>n.y.a.</i>
July	362.299	373.385	327.404	318.143	305.978	<i>n.y.a.</i>	-2,8	-3,8	<i>n.y.a.</i>
August	356.686	371.536	301.724	325.390	305.926	<i>n.y.a.</i>	7,8	-6,0	<i>n.y.a.</i>
September	329.964	329.400	306.731	287.358	303.506	<i>n.y.a.</i>	-6,3	5,6	<i>n.y.a.</i>
October	300.597	269.744	275.840	271.980	278.976	<i>n.y.a.</i>	-1,4	2,6	<i>n.y.a.</i>
November	133.500	107.454	111.327	123.800	114.048	<i>n.y.a.</i>	11,2	-7,9	<i>n.y.a.</i>
December	93.722	74.887	77.822	83.919	78.723	<i>n.y.a.</i>	7,8	-6,2	<i>n.y.a.</i>
Jan. - Dec.	2.686.202	2.696.731	2.418.233	2.303.243	2.349.008	<i>n.y.a.</i>	-4,8	2,0	<i>n.y.a.</i>
Jan. - May	807.423	847.490	724.193	630.553	697.052	736.262	-12,9	10,5	5,6

Source: Cystat.

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

Table 21
Receipts from tourism ⁽¹⁾

(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	<i>n.y.a.</i>	-4,8	<i>n.y.a.</i>
July	162,7	192,0	160,7	152,4	135,1	<i>n.y.a.</i>	-11,4	<i>n.y.a.</i>
August	173,7	205,0	153,8	165,3	148,1	<i>n.y.a.</i>	-10,4	<i>n.y.a.</i>
September	161,9	176,3	157,4	134,1	141,2	<i>n.y.a.</i>	5,3	<i>n.y.a.</i>
October	135,1	130,2	128,0	112,4	115,9	<i>n.y.a.</i>	3,1	<i>n.y.a.</i>
November	54,1	48,8	51,4	48,7	43,1	<i>n.y.a.</i>	-11,5	<i>n.y.a.</i>
December	36,2	29,2	35,6	32,9	28,8	<i>n.y.a.</i>	-12,4	<i>n.y.a.</i>
Jan. - Dec.	-	1.271,6	1.132,4	1.015,0	982,3	<i>n.y.a.</i>	-3,2	<i>n.y.a.</i>
Jan. - May	-	332,7	306,2	254,5	260,8	259,2	2,5	-0,6

Source: Cystat.

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

ANNEX

Table 1
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		
		Minimum bid rate	Maximum bid rate	Maximum bid rate		
2001	10 Aug.	3,50	-	5,00	-	6,50
	18 Sep.	3,00	-	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.

Table 2
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		
2004	07 Oct.	146,0	120,0	4,50	4,21	4,09	4,29	14
	21 Oct.	163,0	145,0	4,50	4,21	4,10	4,27	14
	04 Nov.	147,0	145,0	4,50	4,25	4,14	4,31	14
2005	05 Jan.	210,0	180,0	4,50	4,29	4,15	4,45	15
	20 Jan.	95,0	70,0	4,50	4,38	4,19	4,43	14
	03 Feb.	78,5	40,0	4,50	4,21	4,19	4,40	14
	17 Feb.	100,0	70,0	4,50	4,14	4,13	4,16	14
	17 Mar.	82,0	50,0	4,25	3,95	3,84	3,99	14
	31 Mar.	90,0	40,0	4,25	3,89	3,88	3,93	14
	05 May	101,0	50,0	4,25	3,84	3,83	3,85	14
	19 May	164,0	120,0	4,25	3,65	3,62	3,73	14
	02 June	223,0	140,0	3,75	3,23	3,00	3,74	7
	09 June	141,0	60,0	3,75	3,60	3,12	3,75	7
	16 June	88,5	30,0	3,25	2,60	2,60	2,60	14
30 June	159,5	110,0	3,25	2,64	2,56	2,90	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 3**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	1-month deposits	3-month deposits	6-month deposits	12-month deposits
2004	May	4,73	4,51	4,91	5,08	4,88	2,02	2,06	2,09	2,14	2,30
	June	4,22	4,41	4,67	5,20	5,20	2,03	2,08	2,11	2,19	2,40
	July	4,15	4,42	5,15	-	5,20	2,07	2,08	2,12	2,19	2,36
	Aug.	4,16	4,30	4,75	5,25	-	2,04	2,08	2,11	2,17	2,30
	Sep.	4,11	4,39	4,56	5,33	5,50	2,05	2,08	2,12	2,20	2,38
	Oct.	4,10	4,45	4,69	-	-	2,11	2,09	2,15	2,19	2,32
	Nov.	4,20	4,44	4,83	5,38	-	2,09	2,11	2,17	2,22	2,33
	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	5,10	4,83	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	-	4,47	4,45	2,07	2,10	2,13	2,14	2,19
	June	3,11	3,49	3,31	3,75	-					

Sources: Central Bank of Cyprus and European Central Bank.

Table 4
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 CYP5000	1 year fixed deposits - over CYP5000
2003 Apr.	6,77	6,74	7,13	6,18	10,50	0,45	3,33	3,68
May	6,66	6,68	7,10	6,18	10,50	0,45	3,34	3,64
June	6,76	6,72	7,20	6,18	10,50	0,45	3,33	3,60
July	6,97	6,98	7,40	6,30	10,50	0,42	3,34	3,57
Aug.	6,92	6,90	7,40	6,30	10,50	0,40	3,34	3,55
Sep.	6,92	6,90	7,40	6,30	10,50	0,46	3,34	3,52
Oct.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,50
Nov.	6,92	6,90	7,53	6,30	10,50	0,42	3,35	3,48
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

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 5
Interest rates - European monetary financial institutions

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	
2004 Apr.	0,70	1,90	3,31	1,96	2,57	0,87	2,07	4,03	
May	0,71	1,89	3,27	1,94	2,56	0,86	2,07	4,04	
June	0,70	1,88	3,28	1,96	2,55	0,87	2,09	4,03	
July	0,70	1,89	3,26	1,94	2,55	0,86	2,09	4,03	
Aug.	0,72	1,90	3,24	1,95	2,53	0,87	2,10	3,99	
Sep.	0,72	1,90	3,22	2,00	2,52	0,90	2,12	3,97	
Oct.	0,72	1,90	3,27	2,00	2,52	0,89	2,10	3,89	
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.	0,73	1,90	3,23	1,98	2,49	0,92	2,13	3,68	
Feb.	0,74	1,91	3,25	1,97	2,49	0,92	2,13	3,65	
Mar.	0,74	1,90	3,22	1,97	2,47	0,93	2,09	3,69	

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 Apr.	4,86	4,75	5,02	8,27	7,20	5,87	4,43	4,01	4,58
May	4,87	4,73	4,99	8,22	7,14	5,83	4,41	3,99	4,54
June	4,83	4,72	4,97	8,14	7,15	5,90	4,43	4,00	4,54
July	4,84	4,64	4,94	8,16	7,10	5,85	4,43	4,00	4,52
Aug.	4,81	4,61	4,91	8,17	7,06	5,86	4,42	3,97	4,51
Sep.	4,82	4,58	4,90	8,06	7,13	5,85	4,45	3,99	4,52
Oct.	4,69	4,54	4,88	8,05	7,07	5,80	4,41	3,97	4,48
Nov.	4,67	4,52	4,86	7,94	6,98	5,82	4,40	3,96	4,48
Dec.	4,72	4,50	4,83	7,95	7,01	5,80	4,34	3,97	4,44
2005 Jan.	4,66	4,45	4,79	8,08	6,96	5,77	4,42	3,90	4,41
Feb.	4,62	4,45	4,76	8,07	7,02	5,76	4,40	3,92	4,46
Mar.	4,68	4,38	4,78	8,10	6,97	5,77	4,38	3,91	4,40

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 6

Interest rate announcements in 2005

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
European Central Bank ⁽¹⁾	13 2,00	3 2,00	3 2,00	7 2,00	4 2,00	2 2,00	7	4	1	6	3	1
Bank of England ⁽²⁾	13 4,75	10 4,75	10 4,75	7 4,75	9 4,75	9 4,75	7	4	8	6	10	8
Federal Reserve ⁽³⁾		1/2 2,50	22 2,75		3 3,00	29/30 3,25		9	20		1	13
Central Bank of Cyprus ⁽⁴⁾	14 5,50	25 5,25		8 5,25	20 4,75	9 4,25 (unscheduled meeting)	8		2	21		2

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

(2) Repo rate.

(3) Federal funds rate.

(4) Interest rate on the marginal lending facility.

Table 7
Percentage change in the consumer price index by economic origin(%)

(2002-2005)

	Yearly			Quarterly			May	Apr.	May	Jan.-	Jan.-	Jan.-	Weights
	2002	2003	2004	2004 III	2004 IV	2005 I	2004/ 2003	2005/ 2004	2005/ 2004	May 2004/ 2003	Apr. 2005/ 2004	May 2005/ 2004	
GENERAL INDEX	2,81	4,14	2,28	2,95	3,24	2,88	1,49	3,08	2,45	1,20	2,93	2,83	100,00
A LOCAL GOODS	4,35	7,30	5,03	6,92	6,23	3,81	3,35	4,63	3,10	2,93	4,01	3,83	36,69
A.1 Agricultural	1,79	4,54	3,32	5,04	4,95	2,82	1,50	0,16	-3,49	0,76	2,15	1,03	7,93
A.2 Industrial	5,62	7,90	6,09	8,05	7,05	4,33	4,73	5,72	4,45	4,20	4,68	4,63	27,24
A.2.1 industrial non-petroleum	4,55	6,46	3,36	3,79	3,30	1,87	3,43	2,09	1,24	3,21	1,93	1,79	22,91
A.2.2 fuel and gas	10,57	14,16	17,18	25,71	22,53	13,59	9,98	19,66	16,63	8,15	15,11	15,41	4,33
A.3 Electricity	-2,26	10,20	-3,13	-0,66	-0,39	0,27	-8,69	6,88	10,17	-5,97	1,92	3,57	1,52
B IMPORTED GOODS	-1,69	-2,38	-5,55	-5,72	-4,04	-2,23	-6,60	-2,62	-1,89	-6,25	-2,33	-2,24	22,20
B.1 Motor vehicles	-5,07	-8,31	-13,65	-14,38	-8,80	-1,81	-15,18	-2,40	-1,99	-15,50	-1,96	-1,96	9,43
B.2 Other	0,85	1,81	-0,39	-0,08	-1,04	-2,46	-1,07	-2,74	-1,84	-0,23	-2,53	-2,39	12,77
C SERVICES	3,67	4,38	3,23	3,20	3,59	4,13	3,42	3,99	3,60	2,98	4,09	3,99	41,11
HICP	2,8	4,0	1,9	2,5	2,8	2,5	1,2	2,8	2,0	0,9	2,5	2,4	-
Core inflation	2,5	2,5	2,5	2,6	2,6	2,4	2,5	2,3	1,9	2,3	2,4	2,3	-
Euro area inflation	2,3	2,1	2,1	2,2	2,3	2,0	2,4	2,1		1,9	2,1	-	-

Source: Cystat.

Table 8
Weighted contribution to the total change in the consumer price index by economic origin(%)

(2002-2005)

	Yearly			Quarterly			Apr.	May	Apr.	Jan.-	Jan.-	Jan.-	Weights 1998=100
	2002	2003	2004	2004 III	2004 IV	2005 I	2004/ 2003	2005/ 2004	2005/ 2004	May 2004/ 2003	April 2005/ 2004	May 2005/ 2004	
GENERAL INDEX	2,81	4,14	2,28	2,95	3,24	2,88	1,49	3,08	2,45	1,20	2,93	2,83	100,00
A LOCAL GOODS	1,64	2,79	1,98	2,68	2,48	1,52	1,33	1,86	1,25	1,15	1,61	1,53	36,69
A.1 Agricultural	0,15	0,37	0,27	0,38	0,41	0,24	0,12	0,01	-0,29	0,06	0,18	0,09	7,93
A.2 Industrial	1,53	2,22	1,77	2,31	2,08	1,28	1,39	1,72	1,35	1,22	1,39	1,38	27,24
A.2.1 industrial non-petroleum	1,02	1,47	0,78	0,87	0,79	0,44	0,81	0,50	0,30	0,74	0,45	0,42	22,91
A.2.2 fuel and gas	0,51	0,74	0,99	1,43	1,30	0,84	0,58	1,22	1,05	0,48	0,94	0,96	4,33
A.3 Electricity	-0,05	0,20	-0,07	-0,01	-0,01	0,00	-0,18	0,13	0,19	-0,13	0,04	0,07	1,52
B IMPORTED GOODS	-0,35	-0,48	-1,04	-1,08	-0,75	-0,39	-1,25	-0,46	-0,33	-1,19	-0,41	-0,40	22,20
B.1 Motor vehicles	-0,46	-0,69	-1,00	-1,07	-0,63	-0,11	-1,13	-0,15	-0,12	-1,16	-0,12	-0,12	9,43
B.2 Other	0,10	0,21	-0,04	-0,01	-0,12	-0,28	-0,12	-0,31	-0,21	-0,03	-0,29	-0,27	12,77
C SERVICES	1,52	1,83	1,35	1,36	1,50	1,75	1,41	1,68	1,51	1,24	1,73	1,69	41,11

Source: Cystat.

Table 9**Percentage change in the consumer price index by category of goods and services (%)***(2002-2005)*

	Yearly			Quarterly			May	Apr.	May	Jan.-	Jan.-	Jan.-	Weights 1998=100
	2002	2003	2004	2004 III	2004 IV	2005 I	2004/ 2003	2005/ 2004	2005/ 2004	May 2004/ 2003	Apr. 2005/ 2004	May 2005/ 2004	
GENERAL INDEX	2,81	4,14	2,28	2,95	3,24	2,88	1,49	3,08	2,45	1,20	2,93	2,84	100,00
Food & non-alcoholic beverages	4,58	5,11	3,97	4,93	4,24	2,57	2,97	1,42	-0,45	2,91	2,28	1,74	18,20
Alcoholic beverages & tobacco	13,32	24,22	10,57	13,60	2,23	1,44	14,03	1,56	-0,09	13,30	1,47	1,16	1,78
Clothing and footwear	-3,46	1,19	-0,79	-0,61	1,26	-2,40	-1,75	-0,06	-0,96	-2,01	-1,82	-1,65	8,22
Housing, water, electricity and gas	4,08	5,04	4,19	4,86	5,23	4,72	2,85	5,50	5,59	3,21	4,91	5,05	21,27
Furnishings, household equipment and supplies	0,81	3,59	-0,45	-0,80	0,24	0,30	-1,13	0,06	0,49	-0,46	0,24	0,29	7,08
Health	4,70	5,66	3,72	3,02	3,83	2,09	4,78	0,24	0,83	3,88	1,63	1,47	4,92
Transport	0,39	0,35	-3,06	-1,49	0,68	3,38	-5,21	5,07	4,08	-6,55	3,80	3,86	17,42
Communications	-8,81	-7,16	-8,48	-9,37	-10,88	-9,87	-8,58	-9,44	-9,57	-6,48	-9,77	-9,73	1,79
Recreation & culture	2,20	3,55	2,26	3,00	2,91	2,42	1,55	2,33	2,77	1,55	2,40	2,47	5,88
Education	5,71	4,02	3,96	3,83	5,51	5,60	3,25	5,60	5,60	3,25	5,60	5,60	2,33
Restaurants & hotels	3,97	5,31	4,69	5,21	5,35	4,95	4,91	4,66	3,33	3,90	4,88	4,57	6,07
Miscellaneous goods and services	5,49	5,50	5,16	4,59	4,90	4,53	6,55	4,58	4,09	5,40	4,54	4,45	5,04

Source: Cystat.

Table 10
Weighted contribution to the total change in the consumer price index by category of goods and services (%)

(2002-2005)

	Yearly			Quarterly			May	Apr.	May	Jan.-	Jan.-	Jan.-	Weights
	2002	2003	2004	2004 III	2004 IV	2005 I	2004/ 2003	2005/ 2004	2005/ 2004	May 2004/ 2003	Apr. 2005/ 2004	May. 2005/ 2004	
GENERAL INDEX	2,81	4,14	2,28	2,95	3,24	2,88	1,49	3,08	2,45	1,20	2,93	2,84	100,00
Food & non-alcoholic beverages	0,86	0,97	0,76	0,94	0,82	0,51	0,57	0,28	-0,09	0,56	0,45	0,34	18,20
Alcoholic beverages & tobacco	0,27	0,54	0,28	0,36	0,06	0,04	0,36	0,05	0,00	0,35	0,04	0,03	1,78
Clothing and footwear	-0,25	0,08	-0,05	-0,04	0,09	-0,15	-0,12	0,00	-0,07	-0,13	-0,11	-0,10	8,22
Housing, water, electricity and gas	0,88	1,10	0,93	1,08	1,16	1,06	0,63	1,23	1,25	0,71	1,10	1,13	21,27
Furnishings, household equipment and supplies	0,05	0,23	-0,03	-0,05	0,02	0,02	-0,07	0,00	0,03	-0,03	0,02	0,02	7,08
Health	0,25	0,30	0,20	0,17	0,21	0,12	0,25	0,01	0,05	0,21	0,09	0,08	4,92
Transport	0,07	0,06	-0,51	-0,24	0,10	0,52	-0,86	0,78	0,63	-1,09	0,58	0,59	17,42
Communications	-0,13	-0,09	-0,10	-0,11	-0,12	-0,11	-0,10	-0,10	-0,10	-0,07	-0,10	-0,10	1,79
Recreation & culture	0,12	0,19	0,12	0,16	0,16	0,13	0,08	0,13	0,15	0,08	0,13	0,13	5,88
Education	0,14	0,10	0,10	0,10	0,14	0,15	0,08	0,14	0,14	0,08	0,14	0,14	2,33
Restaurants & hotels	0,26	0,35	0,31	0,35	0,36	0,34	0,33	0,32	0,23	0,26	0,33	0,31	6,07
Miscellaneous goods and services	0,28	0,29	0,28	0,25	0,26	0,25	0,34	0,25	0,22	0,28	0,25	0,24	5,04

Source: Cystat.

Table 11**Cyprus Stock Exchange: purchase of listed shares by non-residents⁽¹⁾***(CYP thousand)*

Geographic origin of non-resident investors	2003	2004	2004							2005					
			June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
EUROPE	5.014,2	7.416,2	439,3	1.054,2	628,5	302,4	239,0	341,3	224,2	220,6	721,2	200,0	65,4	83,8	92,3
EU-25	4.977,4	6.064,4	427,5	634,7	239,8	186,4	49,5	229,8	112,7	184,4	682,0	129,3	43,2	36,5	50,4
Greece	4.101,0	5.519,5	413,1	616,0	224,3	117,7	37,1	220,0	107,6	161,5	670,5	117,2	12,3	12,6	41,2
United Kingdom	678,7	265,2	10,3	0,3	0,3	0,2	3,4	1,0	2,6	4,9	7,0	9,7	18,1	11,8	5,8
Other European countries	36,8	1.351,8	11,8	419,5	388,6	116,0	189,5	111,5	111,5	36,2	39,3	70,7	22,2	47,3	42,0
Russian Federation	17,9	1.131,5	5,9	379,5	333,6	101,4	161,0	78,5	71,3	24,1	23,9	38,6	15,0	40,6	25,1
AFRICA	284,1	415,8	3,7	2,0	11,6	4,1	5,6	5,0	2,5	0,8	30,4	5,3	0,0	0,2	5,3
North African countries	0,0	0,9	0,0	0,0	0,0	0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other African countries	284,1	414,9	3,7	2,0	11,6	3,2	5,6	5,0	2,5	0,8	30,4	5,3	0,0	0,2	5,3
South Africa	0,5	56,7	0,0	0,7	11,6	3,2	2,9	0,0	0,7	0,0	0,0	1,0	0,0	0,0	0,0
AMERICA	303,0	888,6	26,2	0,0	0,0	19,4	92,2	15,2	10,4	11,0	12,6	2,3	4,6	0,8	0,0
North American countries	129,7	635,6	0,0	0,0	0,0	6,1	8,9	3,4	0,0	0,0	0,0	0,0	0,0	0,8	0,0
United States of America	125,7	634,9	0,0	0,0	0,0	6,1	8,9	3,4	0,0	0,0	0,0	0,0	0,0	0,2	0,0
Canada	4,0	0,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,6	0,0
Central American countries	173,3	253,0	26,2	0,0	0,0	13,2	83,2	11,8	10,4	11,0	12,6	2,3	4,6	0,0	0,0
South American countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
ASIA	24,1	61,7	0,0	20,2	7,3	1,7	5,4	19,5	6,9	3,0	39,9	10,1	3,2	7,2	7,4
West Asia	23,3	17,0	0,0	3,2	3,8	0,8	3,6	4,8	0,0	0,0	4,6	1,9	0,0	0,7	6,0
Other Asian countries	0,8	44,8	0,0	16,9	3,5	0,9	1,8	14,6	6,9	3,0	35,3	8,1	3,2	6,5	1,4
OCEANIA	26,8	18,5	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
Total	5.652,2	8.800,8	469,2	1.076,3	647,4	327,7	342,2	381,0	244,0	235,4	804,2	217,8	73,2	92,0	105,1

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 12
Cyprus Stock Exchange: sale of listed shares by non-residents⁽¹⁾

(CYP thousand)

Geographic origin of non-resident investors	2003	2004	2004						2005						
			June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
EUROPE	1.199,3	3.938,7	129,1	177,1	93,8	117,6	651,9	502,2	349,5	323,6	524,8	321,2	153,8	117,6	82,9
EU-25	1.149,8	3.710,1	81,4	173,0	65,0	115,0	603,5	472,8	292,6	311,5	518,2	243,9	125,5	50,4	54,2
Greece	879,3	3.328,1	73,8	164,0	45,5	96,6	602,2	459,0	283,4	132,7	490,0	173,4	122,2	40,3	42,6
United Kingdom	216,1	182,5	7,6	7,6	7,5	12,2	1,4	0,9	4,7	155,5	20,4	47,6	1,9	5,6	11,6
Other European countries	49,5	228,6	47,7	4,1	28,8	2,7	48,3	29,4	56,8	12,1	6,7	77,3	28,3	67,2	28,6
Russian Federation	3,5	59,3	15,0	0,0	0,0	0,5	10,4	17,4	16,1	8,5	3,4	63,9	10,3	27,0	11,7
AFRICA	17,1	295,7	0,0	2,6	22,5	0,0	0,0	0,0	0,0	0,0	32,8	0,0	0,0	9,5	2,3
North African 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	0,0
Other African countries	17,1	295,7	0,0	2,6	22,5	0,0	0,0	0,0	0,0	0,0	32,8	0,0	0,0	9,5	2,3
South Africa	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
AMERICA	21,6	1.643,7	10,4	455,2	407,2	182,7	182,6	164,0	177,8	156,3	35,8	1,4	8,5	0,0	33,2
North American countries	3,7	80,0	0,0	5,8	0,0	0,1	5,8	0,0	67,3	11,8	0,0	0,0	0,0	0,0	0,0
United States of America	3,7	28,7	0,0	3,5	0,0	0,1	3,8	0,0	21,3	11,8	0,0	0,0	0,0	0,0	0,0
Canada	0,0	51,3	0,0	2,3	0,0	0,0	2,0	0,0	46,0	0,0	0,0	0,0	0,0	0,0	0,0
Central American countries	18,0	1.563,7	10,4	449,4	407,2	182,6	176,8	164,0	110,5	144,5	35,8	1,4	8,5	0,0	33,2
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	0,0
ASIA	14,6	12,2	0,0	1,3	0,0	5,4	0,0	2,2	0,0	2,3	13,0	1,9	9,2	68,3	20,1
West Asia	14,6	12,2	0,0	1,3	0,0	5,4	0,0	2,2	0,0	0,0	13,0	1,9	7,8	60,3	0,0
Other Asian countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,3	0,0	0,0	1,4	8,0	20,1
OCEANIA	0,0	8,2	0,0	0,0	0,0	0,0	0,0	8,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total	1.252,6	5.898,5	139,4	636,1	523,6	305,7	834,5	676,7	527,2	482,2	606,4	324,5	171,5	195,4	138,5

Source: Cyprus Stock Exchange.

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

Table 13**Balance of payments**

(CYP million)

CATEGORIES	2003			2004			2004			2005		
	Annual			Annual ^(p)			Q1 ^(p)			Q2 ^(p)		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
CURRENT ACCOUNT	3.624,2	3.858,3	-234,1	4.003,8	4.422,6	-418,8	765,0	907,9	-142,9	827,3	1.066,3	-239,0
Goods, services and income	3.427,0	3.734,5	-307,5	3.725,8	4.227,9	-502,1	718,3	875,1	-156,9	749,2	1.034,5	-285,3
Goods and services	3.176,3	3.285,7	-109,4	3.426,6	3.682,7	-256,1	669,5	791,0	-121,4	683,7	916,2	-232,6
Goods	494,1	2.111,2	-1.617,1	549,4	2.441,0	-1.891,5	112,6	526,9	-414,3	151,6	591,8	-440,2
Services	2.682,2	1.174,5	1.507,7	2.877,2	1.241,7	1.635,4	557,0	264,1	292,9	532,1	324,4	207,7
Transport	631,2	571,9	59,3	677,7	525,2	152,5	149,8	131,1	18,7	152,7	146,3	6,4
Sea transport	397,2	373,7	23,4	500,4	309,9	190,4	114,4	83,8	30,6	119,0	103,0	16,0
Air transport	231,2	179,6	51,6	168,5	205,4	-36,9	30,9	45,9	-15,0	33,0	42,3	-9,2
Other transportation	2,8	18,6	-15,8	8,8	9,9	-1,1	4,4	1,4	3,0	0,7	1,1	-0,4
Travel	1.039,7	325,7	714,0	1.054,4	377,2	677,2	107,6	57,3	50,3	104,9	100,9	4,0
Business travel	52,4	8,1	44,3	56,0	13,3	42,7	11,9	3,4	8,5	0,9	1,8	-1,0
Personal travel	987,4	317,7	669,7	998,4	363,8	634,6	95,7	53,9	41,8	104,0	99,1	5,0
Communications services	25,5	34,5	-9,0	16,5	36,6	-20,1	2,7	8,0	-5,3	3,2	9,2	-6,0
Construction services	79,3	7,6	71,7	68,4	6,9	61,5	25,7	1,2	24,4	20,2	0,7	19,5
Insurance services	17,6	23,9	-6,3	20,9	33,3	-12,4	3,5	9,5	-6,0	4,4	9,1	-4,6
Financial services	97,0	23,4	73,7	105,4	51,2	54,2	25,0	6,4	18,6	29,2	12,0	17,1
Computer and information services	47,7	19,1	28,7	115,3	15,3	100,0	16,4	3,1	13,3	17,5	6,2	11,3
Royalties and licence fees	7,8	20,0	-12,2	8,3	25,0	-16,7	1,2	7,7	-6,5	1,2	1,4	-0,1
Other business services	543,2	61,3	481,8	642,5	105,6	536,9	184,9	23,8	161,1	156,8	22,7	134,0
Personal, cultural and recreational services	5,1	11,5	-6,4	11,6	22,7	-11,1	1,9	5,2	-3,2	3,6	6,4	-2,8
Government services, n.i.e.	188,0	75,4	112,6	156,3	42,8	113,5	38,3	10,8	27,5	38,4	9,5	28,9
Income	250,6	448,8	-198,1	299,2	545,1	-246,0	48,7	84,2	-35,4	65,5	118,3	-52,8
Compensation of employees	48,4	44,1	4,3	14,3	79,5	-65,2	3,1	10,8	-7,8	3,8	18,1	-14,3
Investment income	202,3	404,7	-202,4	284,9	465,7	-180,8	45,7	73,3	-27,6	61,7	100,2	-38,5
Current transfers	197,3	123,8	73,4	278,0	194,7	83,3	46,7	32,7	13,9	78,2	31,8	46,3
General government	25,0	1,4	23,7	85,9	61,3	24,6	3,8	0,5	3,3	32,1	0,9	31,2
Other sectors	172,2	122,5	49,8	192,1	133,4	58,8	42,9	32,2	10,6	46,1	31,0	15,1
Capital and financial account			210,0			410,6			150,9			269,4
Capital account	21,3	10,8	10,4	86,0	27,1	58,9	9,1	4,4	4,7	13,5	14,1	-0,5
Financial account			199,6			351,7			146,2			269,9
Direct investment			251,9			242,0			43,7			79,4
Abroad			-271,1			-295,1			-31,3			-44,2
In Cyprus			523,0			537,1			75,0			123,6
Portfolio investment			147,5			501,8			335,3			311,1
Assets			-253,8			-889,9			-118,7			-132,4
Liabilities			401,3			1.391,7			454,0			443,5
Financial derivatives			8,6			-21,2			-6,8			-4,1
Other investment			-319,6			-191,6			-305,1			-170,1
Assets			-1.252,2			-1.383,9			-260,6			-884,4
Liabilities			932,6			1.192,3			-44,5			714,3
Reserve assets			111,2			-179,3			79,1			53,6
NET ERRORS AND OMISSIONS			24,0			8,1			-8,0			-30,3

