



CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH AND STATISTICS DIVISION

ECONOMIC RESEARCH DEPARTMENT

MONETARY POLICY REPORT

JULY 2007



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

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

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Symbols, conventions and abbreviations

1. The following symbols are used:

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

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

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

1. INTRODUCTION

This report is the first to be issued after the historical fixing of the conversion rate between the Cyprus pound and the euro on 10 July 2007. The conversion rate, which is the same as the rate at which the Cyprus pound joined ERM II, i.e. €1=£0,585274, marks the beginning of a new era for the Cyprus economy. Adopting a strong, common European currency opens up new opportunities for the island.

The global economy continues to grow at a steady rate, with the level of prices dependent on developments in the oil market. In the euro area, the further increase in oil prices has fuelled concerns that inflation will be higher than 2%. At the same time, price increases in the UK remain higher than the desired levels, with expectations for further hikes in interest rates during this year. In addition, analysts regard the UK real estate market as overvalued. In contrast, the slowdown in the US property market continues, with the expectations of construction companies reaching their lowest levels for 16 years. Consumer expenditure is projected to slow down, while there has been a decrease in consumer confidence and a slowdown in factory production. In Japan the economy is expected to continue expanding at the same pace, although the risk of deflation remains. In China the economy continues to grow at a very rapid pace, which is reflected in the country's large trade surplus.

During their recent meetings on, respectively, 7 and 28 June, the Bank of England and the Federal Reserve both decided to maintain their official interest rates unchanged. In contrast, the ECB announced an increase in its official rate to 4% on 6 June 2007. The Bank of Japan kept its official interest rate unchanged at 0,5%, thus maintaining the lowest cost of borrowing among

the G7 economies. This has resulted in investors increasing their positions in the carry trade.

Regarding domestic monetary developments, both growth in the money supply and credit to the private sector remain at high levels. In the monetary sector, M2 grew at a high rate in May mainly due to the persistent increase in credit to the private sector. Borrowing in foreign currency, despite being at lower levels compared with the previous year, continues to hold a significant share of total credit (31,4%) granted in the 12 months to May 2007.

The Monetary Policy Committee (MPC) of the CBC maintained the repo rate unchanged during its meeting on 18 May. On 6 June the MPC announced an increase in the marginal lending facility rate and the overnight deposit rate by 25 basis points, to 5% and 3%, respectively. The latter move followed an increase in official ECB interest rates and was in order to gradually re-establish the 100 basis points margin which, according to euro area practice, exists between the main refinancing rate and the other two official interest rates. It is stressed that the reference rate used in pricing loans in Cyprus pounds (repo rate) remained unchanged. Consequently, this decision had no effect on borrowing costs.

Inflation rose to 2,20% in May 2007, which was above the previous month's rate of 1,77%. This reflects mainly the increase in the price of agricultural products, domestic industrial products and services.

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

According to provisional Cystat figures, total imports (cif) increased by 7,8% in the first four months of 2007, compared with an increase of 13,9% in the corresponding period of 2006. Exports of goods fell by 9,5% in the first four months of 2007 compared with an increase of 14,1% in the corresponding period of 2006. Figures for the first quarter of 2007 show that the decrease in exports is due to the deterioration of re-exports, while at the same time exports of domestically produced goods increased by 7,9% year-on-year in the first quarter of 2007.

The turnover volume index of retail trade rose by 5,9% in the first four months of 2007 compared with 2,9% in the same period of the previous year. In April 2007 this index increased by 2,3%

compared with a fall of 2,6% in the corresponding month of 2006. In the labour market, unemployment as a percentage of the economically active population reached 3,4% in the first five months of 2007, compared with 3,6% in the corresponding period of 2006. In the secondary sector, the sale of cement rose by 10,9% in the first five months of 2007 compared with a 2,3% fall in the corresponding period of 2006. At the same time the volume of building permits rose by 8,5% in the first three months of the year compared with a fall of 0,7% in the same period of 2006. Finally, the volume index of manufacturing production rose by 2,5% in the first four months of 2007 compared with a fall of 3,4% in the corresponding period of 2006.

New data covering the general and/or central government has not been published. According to the most recent figures of the Inland Revenue Department (IRD), covering the period January-May 2007, there were continued strong increases in various tax revenues. The total revenues of the IRD during the first five months of 2007 reached £377,4 million compared with £254,1 million for the corresponding period of 2006, thus registering a significant increase of 48%.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International developments

In the **euro area**, recent projections for GDP growth lie between 2,3% and 2,7% for 2007, while a mild slowdown is anticipated for 2008. During 2007 investment is expected to surpass the levels of 2006, exceeding by a substantial amount the historical average. Although unemployment fell to its lowest level in the last 25 years, wage increases have been limited and, as a result, increases in household income have been contained. Household consumption during 2007 is expected to surpass 2006 only slightly, despite positive data for the second quarter. In May 2007 inflation was 1,9% compared with 2,4% in the same month of the previous year, while analysts predict that inflation in 2007 and 2008 will be around 2%. The recent rise in oil prices, however, increases concerns that inflation might exceed 2%. Analysts anticipate that the ECB will raise its official interest rate by a further 25 basis points in September.

In the **UK** GDP growth is expected to reach 2,8% in 2007 and slowdown slightly during 2008. The real estate market is influenced by strong demand for housing loans. Analysts believe that property prices are 15% higher in real terms than normal. Inflation in May reached 2,5%, unchanged from May 2006, remaining above the formal target of 2%. Analysts also believe that the Bank of England will further raise its official interest rate during this year. Unemployment reached 5,5% during the period February - April 2007, compared with 5,4% in the same period of the preceding year. In May

2007 it reached its lowest level since September 2005. Salaries increased by 3% in the three months to May, slightly lower than the increase during the three months to April, while retail sales in May rose more than was anticipated.

In the **US** analysts believe that the official interest rate will remain unchanged during the rest of 2007. Despite the lower than anticipated rate of GDP growth, inflation is predicted to remain above the level the Federal Reserve desires for 2007. In fact, the Fed has expressed concern that inflationary pressures will not moderate as expected by the markets. Latest data on US inflation show a 0,7% rise in May compared with 0,5% in the same month of the previous year. Unemployment was 4,5% in May 2007, virtually unchanged from May 2006. Non-performing housing loans are expected to negatively influence the real estate market. In particular, the data for June indicate that the expectations of building contractors in the US reached their lowest level in the last 16 years. Consumer expenditure is predicted to slowdown since the increase in income is offset by reduced property prices. In May core CPI increased by less than anticipated, while there was a decrease in consumer confidence and a slowdown in factory production. In contrast, the producer price index increased by 4,1% in May, compared with 3,2% in the previous month and the 3,6% anticipated by the markets, thus leading US interbank interest rates on the upside.

In **Japan** economic growth is expected to continue throughout 2007, though the risk of deflation still remains. Inflation in April was nil while there was a 0,1% deflation in the same month of 2006. Unemployment reached 3,8% in

April compared with 4,1% in the same month of the previous year.

In **China** the economy continues to grow at a rapid pace. During the first quarter of 2007, GDP increased by 11,1% compared with 10,4% in the fourth quarter of 2006. The same trends continued in April as well. Retail sales rose by 15,5% in the 12 months to April 2007, industrial production increased by 17,4%, and capital investment by 25,5%. The trade surplus increased by 89% at an annualised rate during the first four months of 2007, thus reflecting the increasing dependence of the economy on exports. The Bank of China is expected to raise at least once more its official interest rate by 50 basis points, since excess liquidity is likely to continue as a result of the large trade surplus and net capital inflows. Inflation rose by 3,4% in May compared with 1,4% in the same month of 2006.

Chart 1 (p.5) presents the Eurostoxx 50, S&P 500 and Nikkei 225 **share indices**. All the indices rose as a result of positive corporate profits. During the period March – May 2007, the Eurostoxx 50 index rose by 8,2%, the S&P 500 index by 9,1% and the Nikkei 225 index by 2,4%.

The average daily price of **Brent crude** remained at the relatively high level of \$67,1 per barrel in May, compared with \$67,7 per barrel in April and \$61,9 per barrel in March. Oil prices recently registered a rise due to, among other things, unstable weather conditions, strong demand in the northern hemisphere, limited supplies by OPEC and geopolitical uncertainty.

Table 1

GDP projections⁽¹⁾

(annual percentage change)

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

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

(2) The Economist, 7 June 2007.

(3) Lehman Brothers Global Weekly Economic Monitor, 29 June 2007.

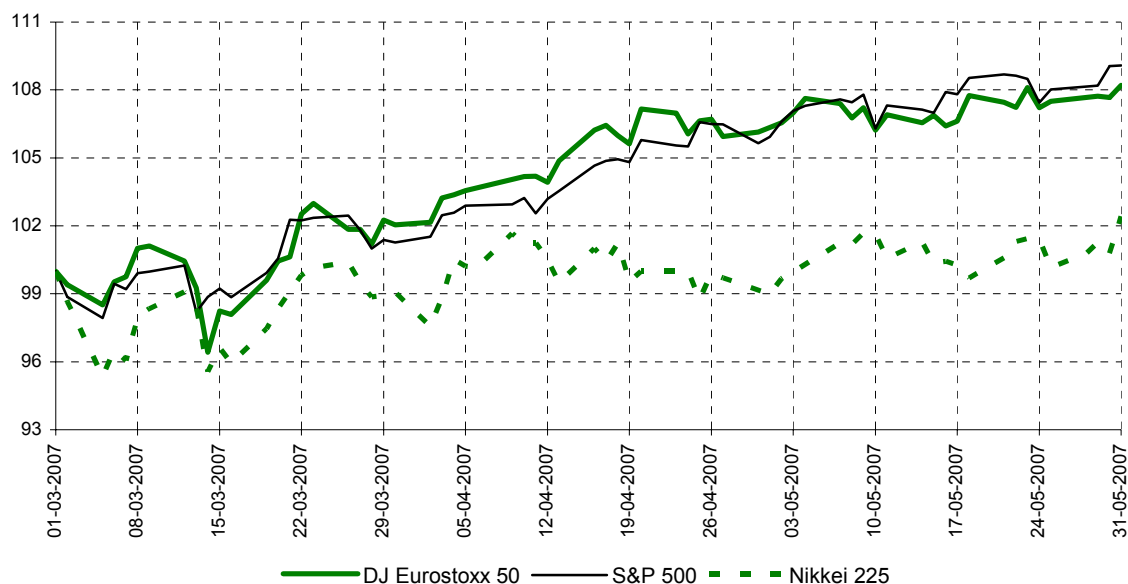
(4) International Monetary Fund, World Economic Outlook, April 2007.

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

Chart 1

Selected international stock market indices

(1 March 2007 = 100, daily data)



Source: Bloomberg.

Table 2

Main economic indicators

(percentage change year-on-year)

	GDP				Industrial production May (annual)	Retail sales April (annual)	Unemployment April (annual)	Inflation ⁽²⁾ May (annual)
	2006 (Q4)		2007 (Q1)					
	(quarterly) ⁽¹⁾	(annual)	(quarterly) ⁽¹⁾	(annual)				
UK	3,2	3,0	2,9	2,9	0,4 ⁽³⁾	3,9 ⁽⁴⁾	5,5 ⁽⁵⁾	2,5
Japan	5,5	2,3	3,3	2,6	3,7	0,0	3,8	0,0 ⁽³⁾
USA	2,2	3,1	0,6	1,9	1,6	3,2	4,5 ⁽⁴⁾	2,7
Euro area	3,6	3,3	2,4	3,0	2,8 ⁽³⁾	1,6	7,1	1,9
China	n/a	10,4	n/a	11,1	18,1	15,3 ⁽⁶⁾	9,5 ⁽⁷⁾	3,4

Source: *The Economist*, 28 June 2007.

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

(2) Based on the consumer price index.

(3) April 2007.

(4) May 2007.

(5) February - April 2007.

(6) March 2007.

(7) December 2006.

International currencies

The value of the dollar relative to the euro was €0,743 on 28 June 2007 compared with €0,744 on 1 June 2007. However, during this period the euro/dollar exchange rate fluctuated between €0,739 and €0,754 per dollar. During the last six months, the dollar has continued its downward trend relative to the euro (on 28 December 2006 the euro was about \$0,04 lower compared with its value on 28 June 2007).

The dollar was affected by comments by the Chairman of the Federal Reserve who stated that the continued deceleration of the housing market is an obstacle to US economic growth. The dollar benefited by the substantial increase in the yields on US 10-year bonds in mid-June. The Fed, as expected, kept interest rates unchanged during its last meeting, while the statement accompanying the decision didn't reveal the future direction of monetary policy.

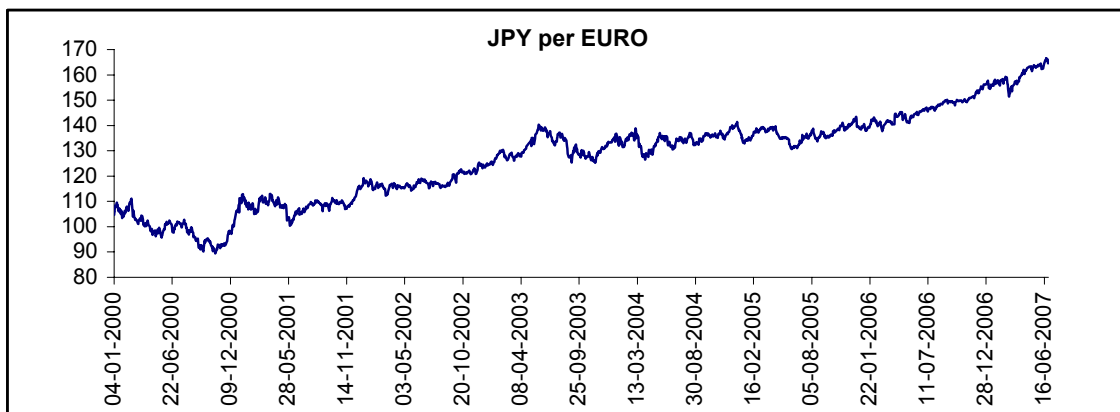
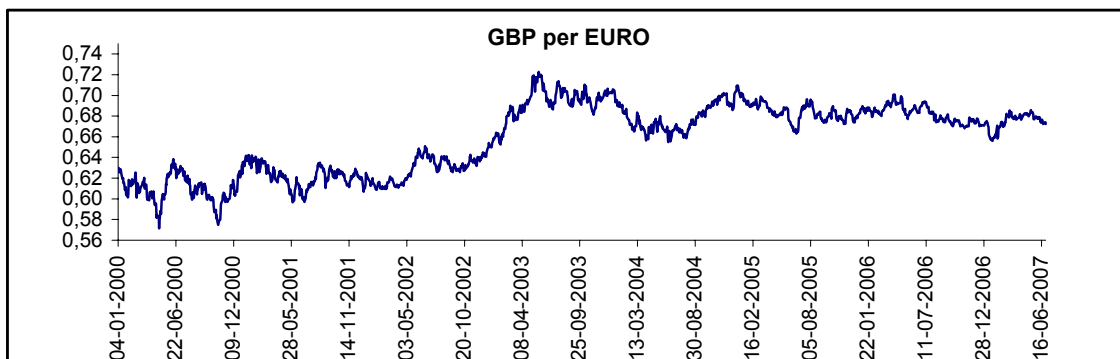
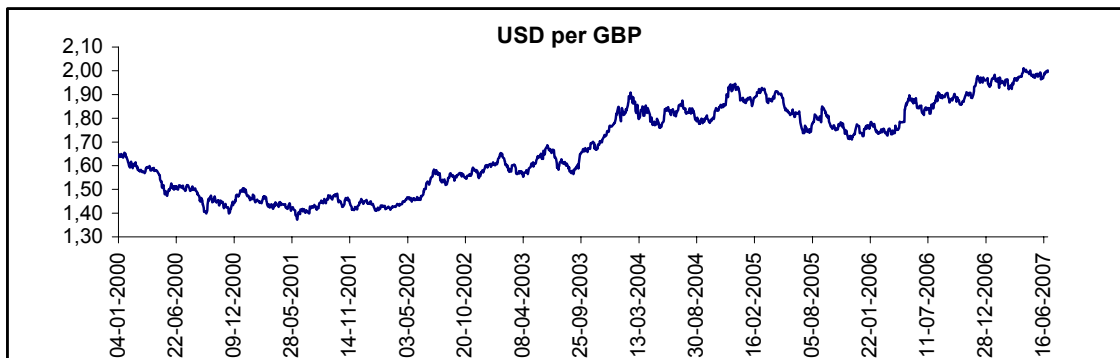
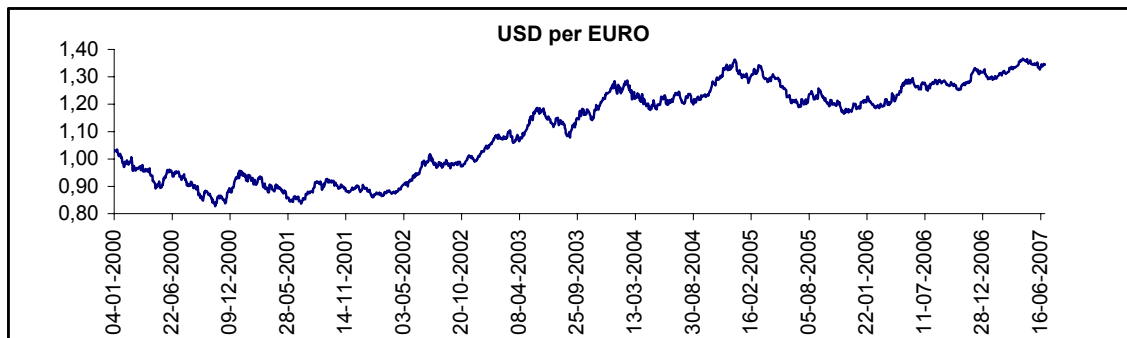
The ECB, as expected, increased its interest rate by 25 basis points, to 4%. The accompanying statement didn't give any clues on the outlook for interest rate movements beyond 2007.

During the period under review, sterling strengthened slightly relative to the euro. The exchange rate on 28 June 2007 was ST£0,672 per euro compared with ST£0,679 on 1 June 2007. The Bank of England kept its interest rate unchanged during its last meeting, but the market is expecting an increase at the next Monetary Policy Committee meeting. These expectations result from a statement by the Governor of the Bank of England which referred to future interest rate increases and also by the fact that during its last meeting, four out of nine members of the Monetary Policy Committee voted for a 25 basis points increase in interest rates.

Chart 2

Major international currencies

(middle rate)



Source: Central Bank of Cyprus.

During the same period, the yen recorded a slight fall against the euro, reaching ¥165,54 per euro on 28 June compared with ¥163,82 on 1 June.

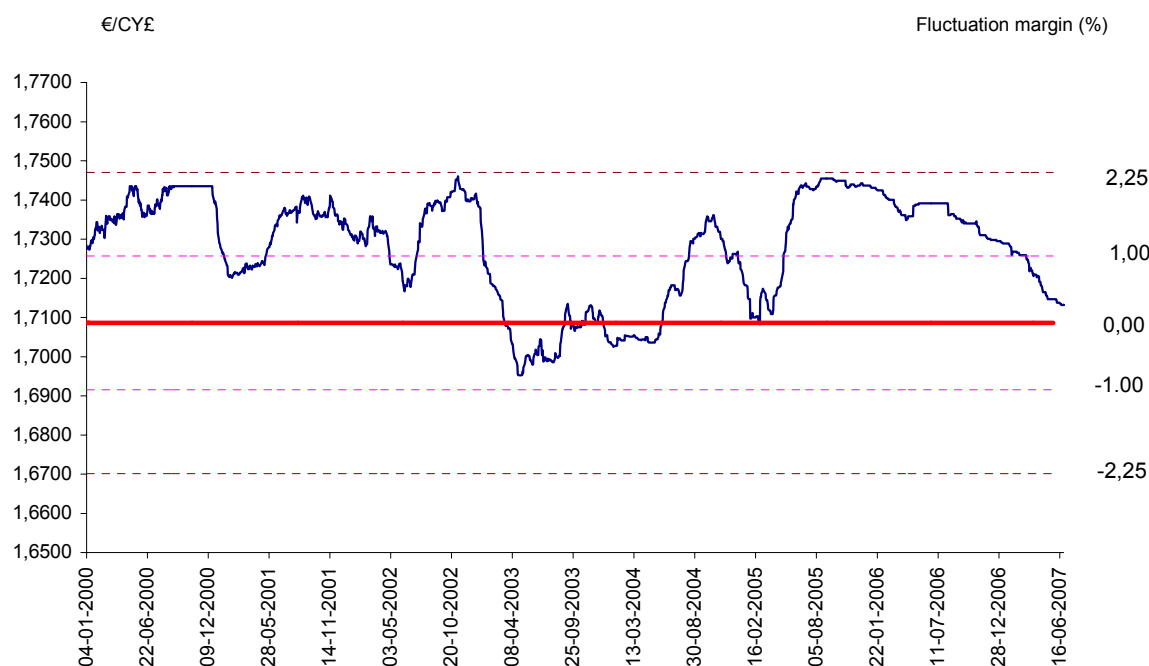
The fluctuations of the aforementioned currencies during the last six years are shown in **Chart 2** (p. 7).

Cyprus pound

Since the beginning of the year the Cyprus pound has recorded a stable but gradual weakening relative to the euro. During the period under review the pound recorded a marginal weakening reaching €1,7132 per pound (**Chart 3** below).

Reflecting the fluctuations of foreign currencies during the period under review, the pound recorded a marginal strengthening against the dollar reaching \$2,3047 on 28 June compared with \$2,3036 on 1 June (**Chart 4**, p.9). During the period under review there was a marginal weakening against sterling, reaching ST£1,1517 on 28 June compared with ST£1,1644 on 1 June (**Chart 4**, p.9).

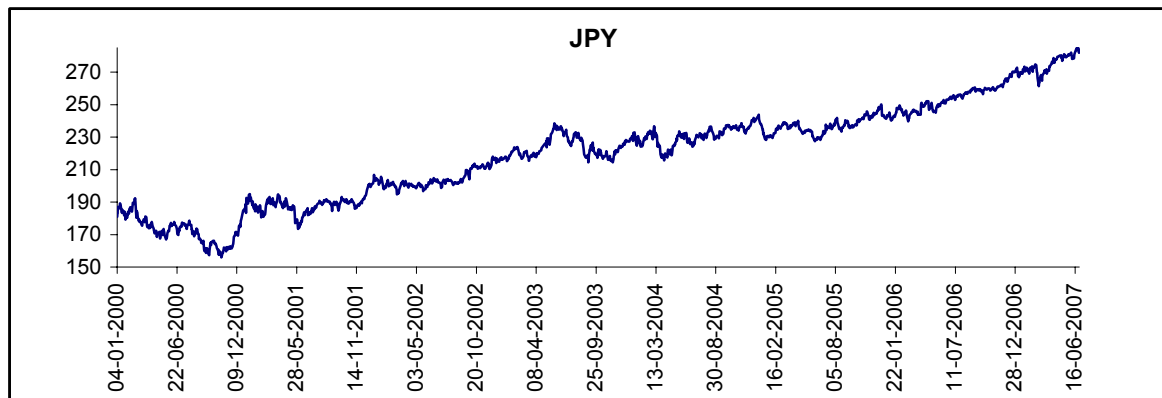
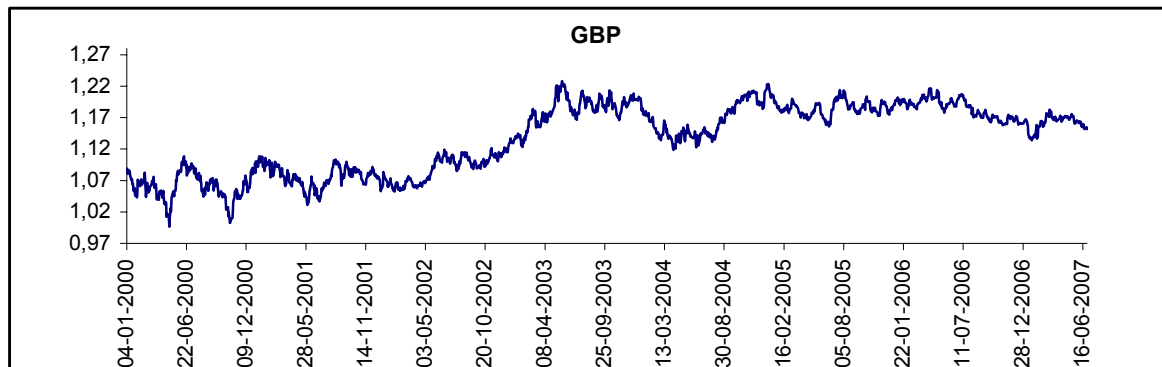
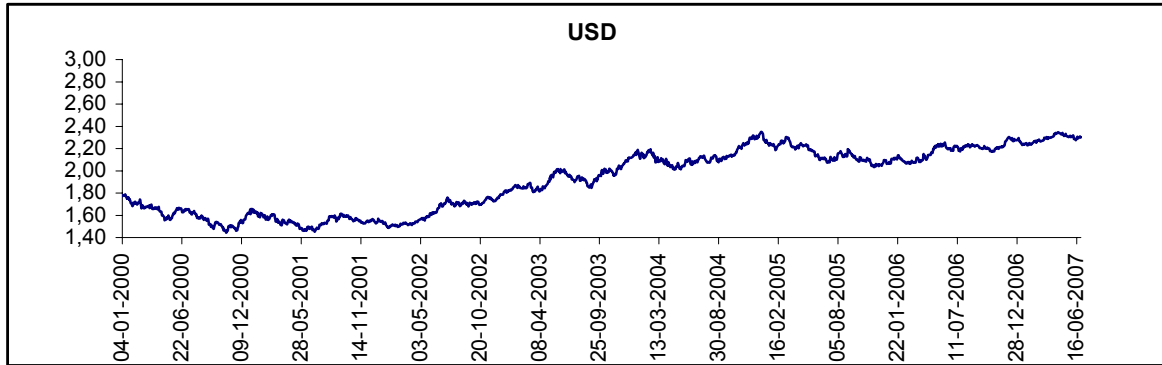
Chart 3
Exchange rate of the euro against the Cyprus pound
(middle rate fixing)



Source: Central Bank of Cyprus.

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

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



Source: Central Bank of Cyprus.

BOX 1

Effective exchange rate indices of the Cyprus pound

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

The chart below illustrates the monthly nominal and real effective exchange rates of the Cyprus pound from January 1992 to April and May 2007, respectively. An upward trend of the overall index reflects an appreciation of the domestic currency in real or nominal terms, thus indicating weakening of the competitiveness for exported products.

The real effective exchange rate of the Cyprus pound, REER IMF, shown in the chart below is calculated by the International Monetary Fund (IMF) and is a third country competition weighted index, taking into account 19 countries. The weights are estimated using data on trade and tourism for the years 1988 – 1991 (for the data until 1994) and 1999 - 2001 (for the data from 1995 onwards), and the consumer price index is used to deflate the series. Using 2000=100 as the base year, REER IMF reached 112,19 units in January 2007. Due to the time lag in reporting, the CBC calculates its own index based on the IMF index, using 8 instead of 19 countries. The CBC index, REER CBC, shown in the chart follows the IMF index very closely. The most recent available data for this index, with the base year 2000=100, are for April 2007 in real terms and May 2007 in nominal terms. The REER CBC index averaged 115,01 units in April 2007 whereas the index in nominal terms reached 111,04 units in May 2007.

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

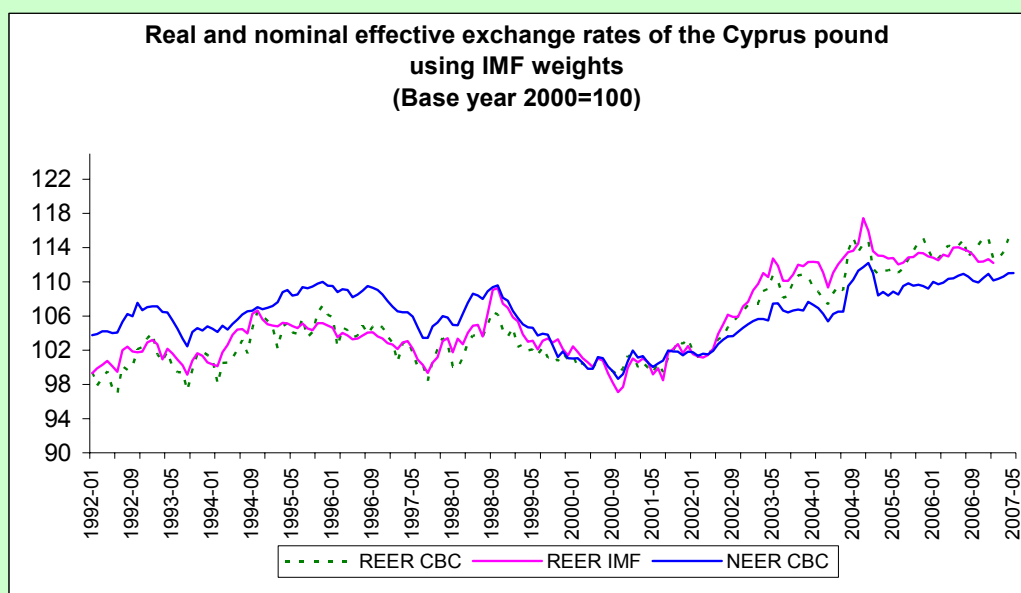
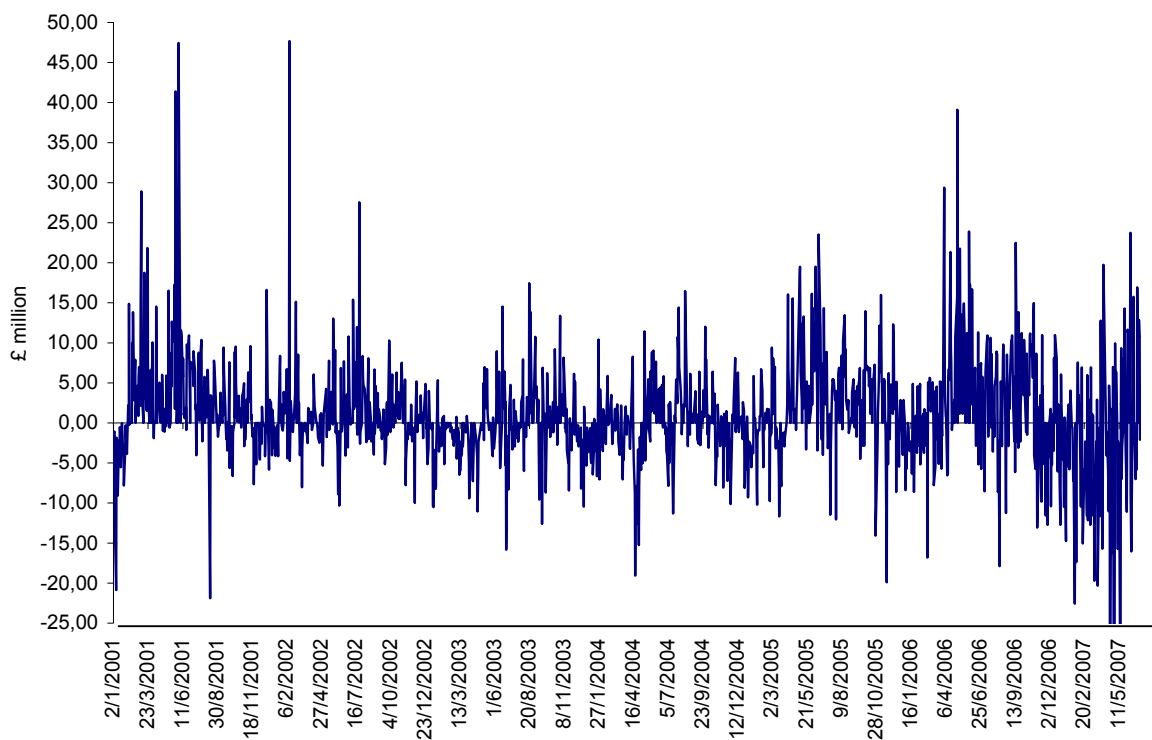


Table 3 (p.12) illustrates the CBC’s total foreign currency transactions until 28 June 2007 on the basis of their transaction dates. The corresponding daily total transactions in foreign currency by the CBC from 2001 until today are illustrated in **Chart 5** below.

Reflecting the marginal weakening of the Cyprus pound during the period under review, net outflows of £337,95 million were recorded compared with net inflows of £306,35 million in the corresponding period of 2006.

Chart 5

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



Source: Central Bank of Cyprus.

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

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

Period	Foreign currency Cyprus per pound (period average)			Purchases(+)/Sales(-) of foreign exchange by the Central Bank (based on transaction date)			
				In foreign currency (million)			In Cyprus pounds (million)
	Euro	USD	Sterling	Euro	USD	Sterling	
Yearly							
2001	1,7314	1,5602	1,0805	755,82	242,99	76,39	663,30
2002	1,7383	1,6445	1,0934	321,55	64,75	53,05	273,13
2003	1,7122	1,9361	1,1844	-259,75	1,30	19,50	-134,01
2004	1,7187	2,1357	1,1663	-91,40	15,75	25,70	-25,52
2005	1,7335	2,1574	1,1858	899,55	29,30	37,3	560,68
2006	1,7350	2,1826	1,1844	1024,25	0,40	4,40	593,65
Quarterly							
2004 Q1	1,7060	2,1348	1,1604	-155,75	2,00	30,20	-64,23
2004 Q2	1,7099	2,0579	1,1401	-19,05	6,50	1,10	-7,49
2004 Q3	1,7271	2,1107	1,1612	199,60	4,95	-19,20	101,02
2004 Q4	1,7317	2,2394	1,2033	-116,2	2,3	13,6	-54,82
2005 Q1	1,7161	2,2496	1,1902	-161,1	10,5	30,1	-64,1
2005 Q2	1,7297	2,1785	1,1742	518,15	22,3	4,40	312,86
2005 Q3	1,7443	2,1278	1,1928	250,45	-3,55	-0,10	141,83
2005 Q4	1,7440	2,0737	1,1861	292,05	0,5	2,90	170,09
2006 Q1	1,7407	2,0930	1,1947	-85,05	1,70	0,60	-47,47
2006 Q2	1,7379	2,1830	1,1962	631,05	0,00	2,00	364,75
2006 Q3	1,7383	2,2116	1,1891	284,85	-0,15	1,80	152,29
2006 Q4	1,7316	2,2345	1,1658	154,90	-0,15	0,00	89,18
2006							
January	1,7429	2,1102	1,1960	-79,95	-0,30	0,00	-46,01
February	1,7411	2,0798	1,1896	-8,45	0,00	0,60	-4,34
March	1,7382	2,0894	1,1984	3,35	2,00	0,00	2,88
April	1,7356	2,1247	1,2059	159,45	-0,15	2,00	93,46
May	1,7388	2,2216	1,1881	326,40	0,00	0,00	187,73
June	1,7392	2,2027	1,1946	145,20	0,15	0,00	83,56
July	1,7392	2,2061	1,1963	113,65	-1,00	0,00	64,89
August	1,7366	2,2260	1,1759	26,00	0,00	0,00	14,94
September	1,7346	2,2093	1,1714	183,70	-0,15	1,80	107,36
October	1,7339	2,1876	1,1667	210,40	0,00	0,00	121,33
November	1,7310	2,2300	1,1666	-81,50	-0,15	0,00	-47,18
December	1,7298	2,2860	1,1640	26,00	0,00	0,00	15,03
2007							
January	1,7288	2,2478	1,1474	-142,40	-2,00	2,00	-81,55
February	1,7266	2,2556	1,1526	-143,00	0,00	2,20	-80,91
March	1,7245	2,2831	1,1727	-140,30	0,00	0,00	-81,47
April	1,7197	2,3257	1,1678	-250,00	0,00	0,00	-145,49
May	1,7152	2,3176	1,1688	-0,50	0,00	0,00	-0,29
June*	1,7138	2,2978	1,1579	90,20	0,00	0,00	51,76

*Figure until 28 June 2007.

Source: Central Bank of Cyprus

2.2 MONETARY DEVELOPMENTS

The banking system in Cyprus consists of the domestic banks, the co-operative credit institutions (CCIs) and the international banking units (IBUs). Although there are updated figures for commercial banks, data for CCIs are available with a delay of approximately three months. For this reason, in the analysis that follows it is mainly commercial bank data that are described as they are readily available, whereas in the case of CCIs our comments are based on estimates or preliminary data. Following the complete liberalisation of capital movements, IBUs are free to provide credit to Cypriots¹.

Analysis of monetary aggregates

During May, M2 continued to grow at a fast rate, mainly because of the continuous increase in credit to the private sector (**Charts 6 and 7**, p.14). At the same time, the increase in foreign currency loans persisted, with the share of new foreign currency loans to total loans outstanding at the end of May 2007 constituting 18,2% of total credit.

According to provisional data, the annual rate of growth of the total money supply M2C², which includes deposits in domestic banks and CCIs, was 17% in May, compared with 16,1% in April 2007 and 12,7% in May 2006. Credit to the private sector by commercial banks and the CCIs grew by 19,5% in May 2007, compared with 11,1% in the same month of 2006.

M2 grew by 18,4% in May, compared with 17,5% in April and 14,6% in May 2006. According to the three-month moving average, the rate of growth of M2 during the period March – May 2007 accelerated to 17,7%, compared with 16,2% in the period February – April 2007.

Table 4 (p. 16) presents the annual percentage change of components and factors affecting total money supply. Regarding the components of M2, the narrow money aggregate M1 registered an annual increase of 26,1% in May, compared with 26,7% in April 2007 and 27,8% in May 2006. The slowdown in M1 growth emanated mainly from the demand deposits in local currency. Quasi-money rose by 16,7% in May, compared with 15,6% in April 2007 and 12% in May 2006. The acceleration in quasi-money growth and the simultaneous slowdown in M1 growth indicate a switch from demand deposits towards time deposits, especially those with duration of up to three months. At the end of May, quasi-money accounted for 80,4% of M2, while M1 accounted for 19,6% of total money supply.

The annual rate of growth of residents' deposits in local currency rose by 10% in May, compared with 10,8% in April 2007 and 12,9% in May 2006. At the same time, the annual rate of growth of resident deposits in foreign currency was 88,9% in May, compared with 80,3% in April 2007 and 35,6% in May 2006, partly as a result of the forthcoming adoption of the euro in January 2008.

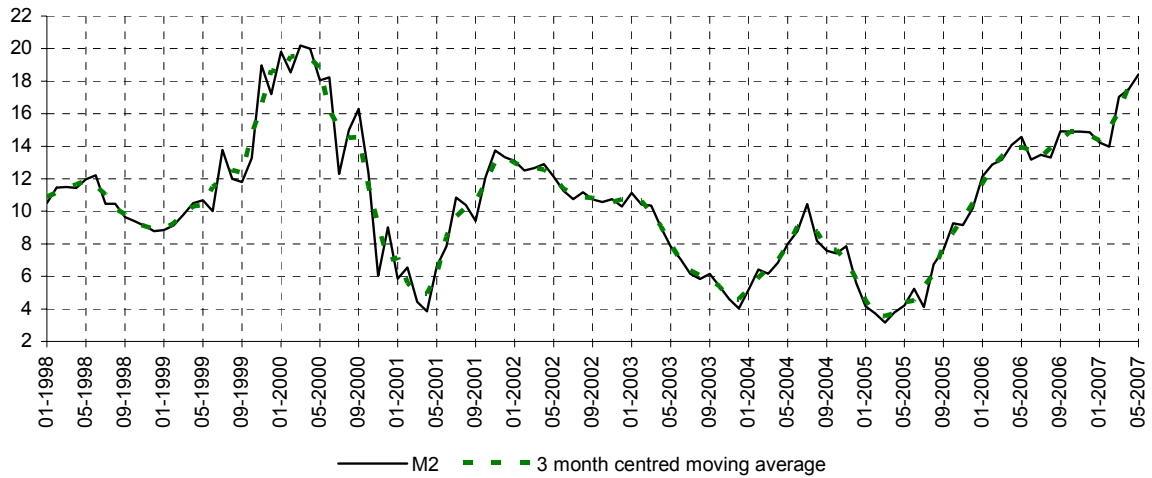
1. It should be noted that since 1 January 2006 the term "International Banking Units" (IBUs) has ceased to be used. Upon introduction of the new monthly balance sheet for monetary and financial institutions (MFIs), the data from IBUs will be consolidated with the local MFIs.

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

Chart 6

M2 growth

(annual percentage change, monthly data)

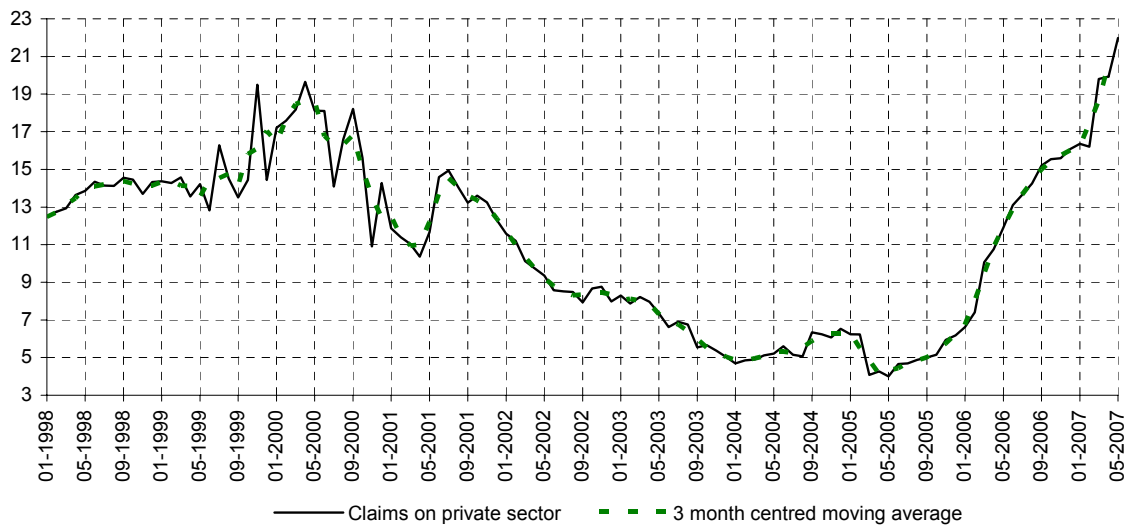


Source: Central Bank of Cyprus.

Chart 7

Growth of claims on private sector

(annual percentage change, monthly data)



Source: Central Bank of Cyprus.

The acceleration in the growth of M2 was mainly a result of the increase in credit to the private sector, which grew by 22% in May. Credit had risen by 19,9% in April 2007 and 11,9% in May 2006. The three-month moving average of credit growth was 20,6% during the period March - May 2007, compared with 18,6% in the period February - April 2007. In addition, credit to the public sector rose by only 1% in May, compared with 3,5% in April 2007 and 18,3% in May 2006.

The breakdown of bank credit by sector of economic activity (**Table 5**, p.16) shows that personal/professional loans rose by 29,9% in May, compared with 28,3% in April 2007 and 20,3% in May 2006. Credit to the construction sector rose at an annual rate of 32,7% in May, compared with 31,9% in April 2007 and 17,4% in May 2006. A substantial increase was also noted in credit towards the transport and communications sector, mainly because of the loan granted to Cyprus Airways.

During the same period, credit to public corporations and institutions, including the government, was 37,8%, compared with 33,8% in the 12 months to April 2007 and 12,4% in the 12 months to May 2006.

The largest share of total outstanding amounts at the end of May 2007 was maintained by personal/professional loans with 50,9%, followed by credit to the construction sector with 19,4% and foreign and domestic trade with 12,4%.

Foreign currency lending to residents by domestic banks rose by £679,8 million in the 12 months to May 2007, compared with a rise of £532,8 million in the same period of the previous year. The share of new foreign currency loans to total new loans given in the 12 months to May 2007 was 31,4%, compared with 50,8% in the

same period of 2006. The share of new foreign currency loans to total loans outstanding at the end of May 2007 was 18,2%, compared with 15,3% at the end of May 2006 (**Table 6**, p. 17). At the end of April 2007, 52,3% of foreign currency loans was accounted for by euros, 37,7% by Swiss francs, 4,5% by dollars and 2,1% by yen, compared with 64,6%, 26%, 6,6% and 1,7%, respectively, at the end of April 2006. It is noted that the rise in lending in Swiss francs is due to the low interest rates in this currency. It appears that borrowers have been disregarding the exchange rate risk associated with such transactions, even though the exchange rate between the Swiss franc and the Cyprus pound has historically exhibited strong fluctuations.

Domestic expenditure by holders of Cypriot credit cards rose at an annual rate of 20,3% in May 2007, compared with 26,8% in May 2006. In the first five months of 2007, this expenditure rose by 21,1%, compared with 16,2% in the same period of 2006.

Expenditure by Cypriot cardholders abroad rose at an annual rate of 44% in May 2007, compared with 42,9% in the same month of the previous year. During the period January - May 2007, this type of expenditure rose by 36,9%, compared with 38,2% in the same period of the preceding year.

Foreign cardholders' expenditure in Cyprus rose at an annual rate of 2,6% in May 2007, compared with 9,1% in the same month of 2006, thus partly reflecting the reduced income from the tourism sector. During the first five months of the current year, this type of expenditure rose by 2,8% compared with a rise of 8% in the same period of 2006 (**Table 7**, p. 17).

Table 4
Main monetary indicators

	Outstanding amount as a percentage of M2 ⁽¹⁾	Annual percentage change			
		2006 Apr.	2006 May	2007 Apr.	2007 May
Money supply (M1)	19,6	26,1	27,8	26,7	26,1
Currency in circulation	4,8	6,1	9,3	5,1	7,9
Demand deposits	14,8	37,1	37,1	35,8	33,4
Quasi-money	80,4	11,8	12,0	15,6	16,7
Total money supply (M2)	100,0	14,1	14,6	17,5	18,4
Claims on private sector ⁽²⁾		10,8	11,9	19,9	22,0
of which in foreign currency		43,6	54,4	47,2	45,0
Claims on public sector		20,2	18,3	3,5	1,0

Source: Central Bank of Cyprus.

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

(2) In March 2007 certain municipality loans held with CCIs and other institutions not included in the monetary aggregates, were repayed with new loans from domestic banks. Adjusting for this, the growth rates for April and May 2007 is 18,7% and 20,8% respectively.

Table 5
Bank credit by sector ⁽¹⁾

	Outstanding amount as a percentage of total ⁽²⁾	Annual percentage change			
		2006 Apr.	2006 May	2007 Apr.	2007 May
Public institutions and corporations ⁽³⁾	3,40	12,1	12,4	33,8	37,8
Agriculture	0,87	-6,6	-5,9	3,7	6,0
Mining	0,22	1,0	1,9	0,1	1,1
Manufacturing	4,13	-0,4	0,7	0,5	0,6
Transport and communications	1,24	-2,8	-1,3	28,4	57,3
Foreign and domestic trade	12,40	0,6	0,2	0,7	5,4
Building and construction	19,43	16,1	17,4	31,9	32,7
Tourism	7,35	2,0	3,4	7,7	7,0
Personal and professional loans	50,92	18,5	20,3	28,3	29,9
Bills discounted: local	0,02	24,1	-0,2	-26,6	-19,6
foreign	0,01	-22,9	-24,8	26,2	2,3
Total	100,00				

Source: Central Bank of Cyprus.

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

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

(3) Including government loans.

Table 6
Claims on private sector ⁽¹⁾

	2004	2005	2006	2006 May	2007 Apr.	2007 May
<i>(outstanding amounts at end of period, CYP million)</i>						
Foreign currency loans to residents	909,9	1.205,8	1.896,9	1.511,5	2.067,1	2.191,3
Claims on private sector	8.843,7	9.390,8	10.901,2	9.848,2	11.717,9	12.012,6
Share %	10,3	12,8	17,4	15,3	17,6	18,2
<i>(12 month change, CYP million)</i>						
Foreign currency loans to residents	111,0	295,8	691,2	532,8	662,7	679,8
Claims on private sector	541,7	547,1	1.510,4	1.048,0	1.947,7	2.164,4
Share %	20,5	54,1	45,8	50,8	34,0	31,4

Source: Central Bank of Cyprus.

(1) From domestic banks.

Table 7
Credit card transactions

	2005	2006	May		Jan.-May	
			2006	2007	2006	2007
Foreign cardholder spending in Cyprus						
Value (CYP thousand)	244.609	256.958	26.856	27.563	81.062	83.346
Annual % change	5,1	5,0	9,1	2,6	8,0	2,8
Local cardholder spending in Cyprus						
Value (CYP thousand)	659.486	769.917	60.543	72.805	283.296	342.932
Annual % change	11,4	16,7	26,8	20,3	16,2	21,1
Local cardholder spending abroad						
Value (CYP thousand)	244.131	332.497	25.894	37.275	123.606	169.265
Annual % change	25,2	36,2	42,9	44,0	38,2	36,9

Source: JCC Payment Systems.

Co-operative Credit Institutions (CCIs)³

During May 2007, local currency deposits with CCIs amounted to 39,3% of deposits in CCIs and domestic banks, compared with 37,7% in May 2006. In May 2007, the share of CCI loans in local currency loans was estimated at 28,8%, compared with 29,8% in May 2006. The reduction in the share of CCI loans is partly due to the preference of Cypriots for foreign currency loans, which are only offered by commercial banks. Deposits with CCIs are estimated to have risen by 7,6% in the 12 months to May 2007, compared with 10,2% in the same period to May 2006. Loans in Cyprus pounds given out by CCIs are estimated to have increased by 17,9% in May 2007, compared with 6,9% in the same month of 2006.

Money Market

During April and May, there was a decrease in excess bank liquidity⁴. The increase in government deposits, partly due to issues of government bonds in April, as well as the reduction in net foreign assets, were the main factors which affected negatively surplus liquidity (**Table 8**, p. 19).

At the latest auction for the acceptance of deposits held on 21 June 2007, £70 million was absorbed at an average interest rate of 3,59%. Total bids amounted to £147 million.

As shown in **Table 9** (p. 20), during June 2007 auctions were held in treasury bills with a maturity of 13 weeks and in ten year government bonds. None of the bids submitted was accepted due to low interest rates.

The interbank overnight interest rate increased to 4,06% in June from 3,86% in May 2007 due to the fall in surplus liquidity.

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

4. The box on pages 21 and 22 presents the liquidity conditions for the period 15 March – 20 June 2007. Any differences in the amounts are due to the different periods being analysed.

Table 8
Banking system's liquidity position

(CYP million, period averages of daily positions)

	Liquidity - providing factors					Liquidity - absorbing factors						Credit institutions current accounts (MRA)	Base money (6+7+9+12)
	Net assets in gold and foreign currency (NFA)	Monetary policy operations				Deposit facility (overnight)	Other liquidity-absorbing operations (additional, special & S.M.E. dep.)	Rev-repos & depos	Currency in circulation	Central govern. deposits (net) ⁽¹⁾	Other factors (net)		
		Main refinancing operations (repos)	Long-term refinancing operations	Marginal lending facility (lombard)	Other liquidity providing operations (swap)								
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005 May	1.395,2	0,0	0,0	0,0	0,0	33,4	79,3	72,9	554,6	-204,1	210,1	648,9	1.316,3
June	1.510,9	0,0	0,0	6,2	0,1	36,2	79,7	68,3	568,4	-114,8	224,1	655,2	1.339,6
July	1.571,9	0,0	0,0	0,4	0,0	31,9	79,6	88,1	586,5	-62,2	182,6	665,8	1.363,8
Aug.	1.596,2	0,0	0,0	0,0	0,0	37,7	79,4	93,5	587,6	-58,1	185,2	670,8	1.375,5
Sep.	1.638,9	0,0	0,0	0,0	0,0	87,5	79,4	198,7	579,4	-119,0	200,2	612,7	1.359,1
Oct.	1.712,1	0,0	0,0	7,3	0,0	55,1	79,3	168,1	579,7	-12,5	231,5	618,1	1.332,3
Nov.	1.772,0	0,0	0,0	0,0	0,0	181,7	79,3	173,7	566,4	-41,3	246,6	565,6	1.393,1
Dec.	1.830,5	0,0	0,0	0,0	0,0	198,5	79,3	227,7	594,8	-130,6	277,8	583,0	1.455,7
2006 Jan.	1.840,4	0,0	0,0	0,0	0,0	190,5	0,1	333,5	579,2	-148,0	223,8	661,1	1.430,9
Feb.	1.796,1	0,0	0,0	0,0	0,0	174,0	0,0	302,9	562,2	-154,2	236,9	674,3	1.410,5
Mar.	1.792,1	0,0	0,0	0,9	0,0	238,8	0,1	256,1	564,8	-210,2	265,8	677,6	1.481,2
Apr.	1.845,7	0,0	0,0	0,0	0,0	183,3	0,0	138,7	594,7	-32,1	266,1	695,1	1.473,1
May	1.993,9	0,0	0,0	0,0	0,0	233,0	0,0	269,7	603,8	-78,0	271,3	694,2	1.531,0
June	2.066,8	0,0	0,0	0,0	0,0	237,5	0,0	417,3	618,9	-176,4	272,0	697,4	1.553,8
July	1.974,6	0,0	0,0	5,7	0,0	132,6	0,2	431,0	633,6	-133,8	211,6	705,1	1.471,5
Aug.	2.007,3	0,0	0,0	13,7	0,0	100,0	0,0	477,4	636,3	-127,0	225,7	708,6	1.444,9
Sep.	2.073,3	0,0	0,0	0,5	0,0	155,9	0,0	500,0	625,3	-171,5	245,2	718,9	1.500,1
Oct.	2.182,6	0,0	0,0	0,0	0,0	244,4	0,1	538,1	622,9	-230,0	262,9	744,3	1.611,7
Nov.	2.247,0	0,0	0,0	0,0	0,0	260,7	0,0	580,0	609,8	-233,7	277,9	752,1	1.622,7
Dec.	2.195,8	0,0	0,0	0,0	0,0	294,7	0,0	564,5	643,4	-352,0	278,5	766,7	1.704,9
2007 Jan.	2.181,3	0,0	0,0	0,0	0,0	288,9	0,0	645,2	636,5	-413,7	240,9	783,5	1.708,8
Feb.	2.109,9	0,0	0,0	0,0	0,0	204,6	0,0	525,0	616,0	-314,7	270,7	808,3	1.628,9
Mar.	1.992,6	0,0	0,0	0,0	0,0	145,2	0,0	285,5	616,3	-163,0	279,9	828,7	1.590,2
Apr	1.888,7	0,0	0,0	0,0	0,0	64,7	0,0	110,0	642,6	-39,2	290,5	820,1	1.527,4
May	1.828,8	0,0	0,0	11,3	0,0	15,7	0,1	42,9	648,0	-4,9	288,8	849,4	1.513,2

Source: Central Bank of Cyprus.

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

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

	2004	2005	2006	2006 June	2007 Apr.	2007 May	2007 June
Interbank (1 day)	3,92	3,27	2,90	2,49	3,62	3,86	4,06
Acceptance of deposits	3,89	3,28	3,00	2,49	3,49	3,47	3,79
Treasury bills (13 weeks)	4,21	4,26	2,56	2,46	-	-	-
Treasury bills (52 weeks)	4,77	4,29	2,89	2,79	-	-	-
Development stocks (2 years)	5,14	4,74	3,40	3,32	-	-	-
Development stocks (5 years)	5,92	5,68	3,84	3,87	4,24	-	-
Development stocks (10 years)	6,07	5,17	4,12	4,03	4,44	-	-
Development stocks (15 years)	6,31	5,61	-	-	-	-	-

Source: Central Bank of Cyprus.

BOX 2
Liquidity conditions and monetary policy operations

This box reviews the Central Bank of Cyprus (CBC) liquidity management from 15 March to 20 June 2007. Figure 1 summarises the liquidity absorption and provision through monetary policy operations, while figure 2 presents the developments in the main short-term interest rates.

Liquidity conditions in the banking system

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

Monetary policy operations and interest rates

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

Open market operations

(CYP million; interest rates in percentages per annum)

Operation	Date of settlement	Date of maturity	Bids (amount)	Allotment (amount)	Bid-cover ratio	Weighted average allotment rate	Running for (...) days
LAO	15/03/2007	29/03/2007	492,0	250,0	1,97	3,45	14
LAO	29/03/2007	12/04/2007	248,0	150,0	1,65	3,52	14
LAO	12/04/2007	26/04/2007	242,0	100,0	2,42	3,47	14
LAO	26/04/2007	10/05/2007	204,0	50,0	4,08	3,34	14
LAO	10/05/2007	24/05/2007	40,0	40,0	1,00	3,29	14
LAO	24/05/2007	07/06/2007	40,0	40,0	1,00	3,98	14
LAO	07/06/2007	21/06/2007	134,0	80,0	1,68	3,88	14

Source: Central Bank of Cyprus.

The LAOs were carried out through variable rate tenders with a maximum bid rate of 4,50%. The absorbed liquidity ranged between £40 million and £250 million, whereas the weighted average allotment rate remained within the range of 3,29% and 3,98%. The ratio of the amount bid to the volume allotted, ranged between 1,00 and 4,08 with an average of 1,97, while the number of participating counterparties varied between 2 and 8.

Standing facilities

(period averages of daily recourse in CYP million)

Period	Deposit facility	Marginal lending facility
15/03/2007 - 28/03/2007	202,0	0,0
29/03/2007 - 11/04/2007	114,1	0,0
12/04/2007 - 25/04/2007	55,4	0,0
26/04/2007 - 09/05/2007	73,1	0,0
10/05/2007 - 23/05/2007	7,5	14,3
24/05/2007 - 06/06/2007	16,0	10,7
07/06/2007 - 20/06/2007	0,0	0,0

Source: Central Bank of Cyprus.

In view of the aforementioned liquidity conditions during the above periods, averages of daily recourse to the deposit facility ranged between zero and £202 million. In contrast, there was limited recourse to the marginal lending facility for which the respective period averages ranged between zero and £14,3 million.

Figure 1. Monetary policy operations

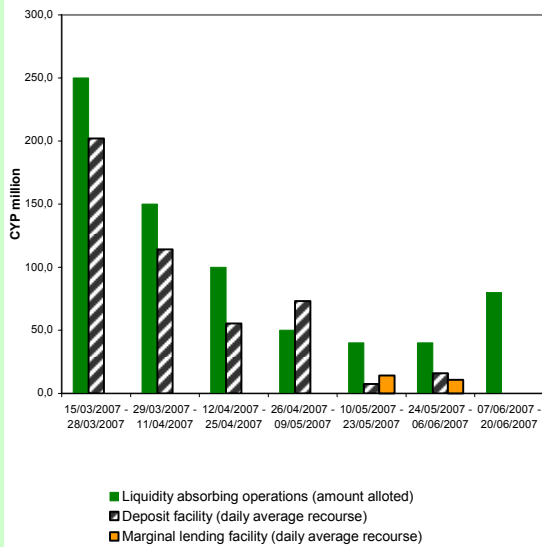
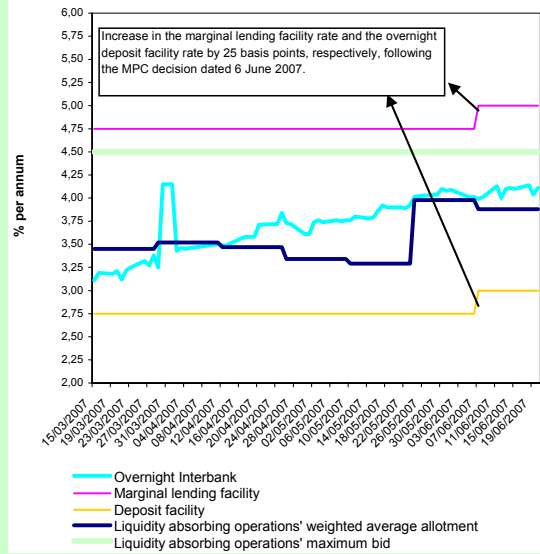


Figure 2. Interest rates



Overnight interbank interest rate
(percent per annum)

Period	Minimum rate	Maximum rate	Average rate
15/03/2007 - 28/03/2007	3,11	3,38	3,23
29/03/2007 - 11/04/2007	3,25	4,15	3,61
12/04/2007 - 25/04/2007	3,49	3,84	3,63
26/04/2007 - 09/05/2007	3,61	3,76	3,72
10/05/2007 - 23/05/2007	3,76	3,92	3,85
24/05/2007 - 06/06/2007	4,01	4,10	4,04
07/06/2007 - 20/06/2007	3,99	4,14	4,07

Source: Central Bank of Cyprus.

During the period under review the overnight interbank interest rate ranged between 3,11% and 4,15%. The average rate stood at around 3,74%.

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

long-term real interest rates exceeded the corresponding euro area rates by 38 basis points.

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

(latest 12-month average)

	Inflation (HICP)	Long-term interest rates	Long-term real interest rates
	(%)	(%)	(%)
Austria	1,70	3,96	2,26
Belgium	2,10	3,97	1,87
Czech Republic	1,90	3,87	1,97
Denmark	1,80	3,96	2,16
Estonia	4,70	4,64	-0,06
Finland	1,30	3,96	2,66
France	1,70	3,95	2,25
Germany	1,70	3,92	2,22
Greece ⁽¹⁾	3,50	3,83	0,33
Hungary	6,20	7,12	0,92
Ireland	2,80	3,91	1,11
Italy	2,10	4,19	2,09
Latvia	7,00	4,65	-2,35
Lithuania	4,20	4,26	0,06
Luxembourg	2,50	4,06	1,56
Malta	1,80	4,34	2,54
Netherlands	1,60	3,94	2,34
Poland	1,60	5,34	3,74
Portugal	2,80	4,08	1,28
Slovakia	3,50	4,53	1,03
Slovenia	2,60	4,05	1,45
Spain	3,00	3,95	0,95
Sweden	1,60	3,83	2,23
United Kingdom	2,60	4,65	2,05
Eurozone	2,00	4,00	2,00
EU -25	2,20	4,33	2,13
Cyprus	1,90	4,28	2,38

Sources: Eurostat and European Central Bank.

(1) Data for July 2006.

International and domestic official interest rates

At their recent meetings, the US Federal Reserve and the Bank of England left their interest rates unchanged. In contrast, the ECB raised its official interest rates by 25 basis points. The CBC also left its interest rates unaltered at its meeting on 18 May 2007 (**Table 11**, below). On 6 June 2007, the Monetary Policy Committee of the CBC announced an increase of 25 basis points on the marginal lending facility rate, from 4,75% to 5%, as well as on the overnight deposit rate, from 2,75% to 3%.

This decision was made on clearly technical grounds, as part of the effort to establish the 100 basis points margin between the three official interest rates, which is the current practice in the Eurosystem. It is underlined that the repo rate, which is the reference rate for the pricing of loans in Cyprus pounds, remained unchanged.

Table 11
Selected official interest rates

(percent per annum, changes in percentage points)

		change
European Central Bank		
<i>(6 June 2007)</i>		
Minimum bid rate on the main refinancing operations	4,00	0,25
Interest rate on the marginal lending facility	5,00	0,25
Interest rate on the deposit facility	3,00	0,25
Bank of England		
<i>(7 June 2007)</i>		
Rate paid on commercial bank reserves	5,50	-
Federal Reserve		
<i>(28 June 2007)</i>		
Federal funds rate	5,25	-
Discount rate	6,25	-
Central Bank of Cyprus		
<i>(6 June 2007)</i>		
Minimum bid rate on the main refinancing operations	4,50	-
Maximum bid rate on the liquidity absorbing operations	4,50	-
Interest rate on the marginal lending facility	5,00	0,25
Interest rate on the deposit facility	3,00	0,25

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

Cyprus Stock Exchange (CSE)

The main and parallel market index of the CSE exhibited an upward trend during the last two months, with the banking sector accounting for a predominant share in stocks purchased, partly as a result of banks' positive financial results.

In May 2007 the index fluctuated between 4.369,6 and 4.774,3, reaching a monthly average of 4.578,2. During the first five months of the year, the average value of the index was 4.333,6. The average daily value of transactions increased to £11,5 million, compared with £8,9 million in the previous month. On the other hand, the average daily volume of transactions decreased to 2.984 in May, compared with 3.010 in the previous month. The companies with the largest volume of transactions were the Bank of Cyprus Plc and the Hellenic Bank Plc, accounting for 21,5% and 15,1% of the total volume, respectively.

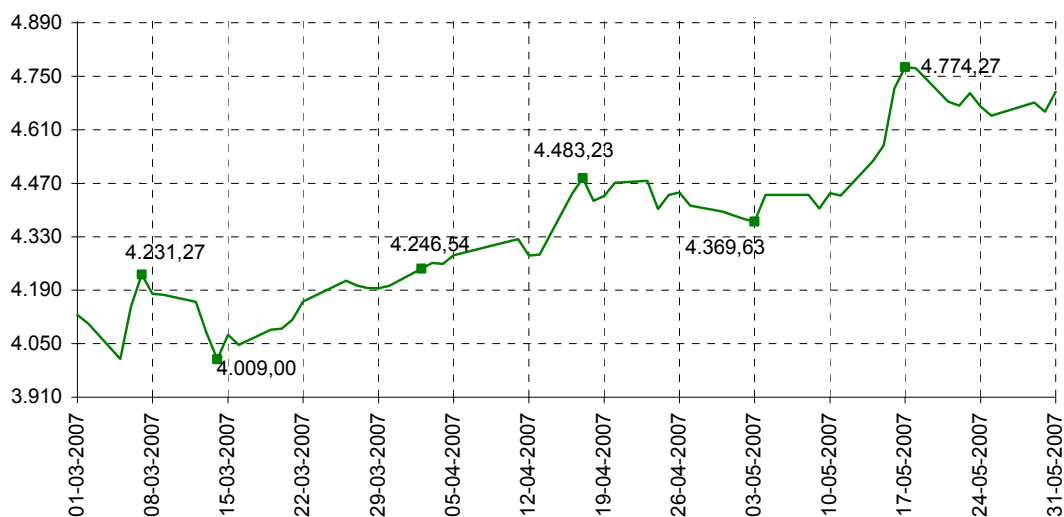
At the closing of the last meeting in May, most sectoral indices rose compared with the previous month's closing, with the exception of the Hotels' Index.

An analysis of the purchases / sales of listed shares by non-residents is shown in the Annex (**Table 13**, p. 48).

Chart 8

Cyprus Stock Exchange – main and parallel market index

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



Source: Cyprus Stock Exchange.

2.3 INFLATION

In May 2007 the consumer price index exhibited an acceleration registering an increase of 2,20% compared with 1,77% in the previous month. As **Table 12** (p. 27) shows, the increase in the rate of inflation in May (compared with April) largely reflects the acceleration in the price of agricultural products, domestic industrial products and services.

For the first five months of the year, inflation reached 1,72%. More specifically, domestic product prices rose by 4,02%, petroleum product prices fell by 1,49% and imported product prices fell by 2,70%. Finally, the prices of services rose by 3,14%.

As illustrated in **Table 12** (p. 27), in the category of domestic products a further fall was observed in the price of electricity which decreased by 7,57% year-on-year in May, compared with a 7,89% year-on-year decrease in April 2007. At the same time, an acceleration was observed in the prices of domestic industrial products while the prices of agricultural products rose by 12,32% in May, compared with an increase of 10,24% in the previous month. It should be noted that the prices of domestic agricultural products significantly influence inflation. In the first five months of the year their contribution to inflation was 0,8 percentage points (see Annex, **Table 10**, p. 45). The prices of petroleum products declined by 0,02% compared with a decrease of 0,86% in April. The slowdown in the fall of petroleum product prices reflects the upward trend in oil prices since February 2007.

The prices of imported products (excluding petroleum) decreased by 2,33% in May 2007 compared with a fall of 2,39% in the previous month. More specifically, the price of motor vehicles decreased by 10,92% compared with a

decrease of 10,48% in April. This was due to the reduction of excise taxes in November 2006. At the same time, an increase of 0,44% was registered in the prices of other imported products. Finally, the prices of services rose by 3,45% in May compared with 3,19% in April 2007. The biggest increases in the prices of services were recorded in the transport, education, health, insurance and restaurants sectors.

The Harmonised Index of Consumer Prices (HICP) recorded an increase of 1,9% in May compared with 1,6% in April. It should be noted that until May 2007, the 12 month moving average of HICP remained at 1,9%, which is below the 2,9% reference value of the relevant Maastricht criterion.

For purposes of comparison, **Table 13** (p. 28) shows the latest available monthly figures for inflation in Cyprus, the euro area and other developed economies, as well as forecasts during 2007. As explained in more detail on page 36, inflation in Cyprus for 2007 is expected to register a deceleration compared with last year due to the reduction in excise duties on cars and the stabilisation in the price of oil.

Table 12
Percentage change in consumer price index by economic category

May 2007/2006

Weights 2005=100

	2006	May 2006/2005	April 2007/2006	May 2007/2006	Weights		
					1998=100	2005=100 (for 2006)	2005=100 (for 2007)
GENERAL INDEX	2,49	3,13	1,77	2,20	100,00	100,00	100,00
A Domestic Products	4,35	5,39	3,81	4,63	36,69	28,60	28,98
A.1 Agricultural	6,51	9,68	10,24	12,32	7,93	6,92	6,93
A.2 Industrial	2,47	2,12	3,14	3,63	22,91	19,24	19,29
A.3 Electricity	13,10	20,70	-7,89	-7,57	1,52	2,44	2,76
B Petroleum Products	8,09	15,87	-0,86	-0,02	4,33	6,44	6,63
C Imported Products	-1,14	-1,63	-2,39	-2,33	22,20	25,31	24,62
C1 Motor vehicles	-1,38	-0,23	-10,48	-10,92	9,43	6,15	5,41
C2 Other imported	-1,07	-2,07	0,23	0,44	12,77	19,16	19,21
D Services	2,57	2,63	3,19	3,45	41,11	39,65	39,77
HICP	2,2	2,5	1,6	1,9			

Source: Cystat.

Table 13**Inflation: Cyprus and other countries***(annual percentage change in consumer prices)*

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

*(1) Source: The Economist, 28 June 2007**(2) Source: Central Bank of Cyprus.***2.4 PRODUCTION, DEMAND AND THE LABOUR MARKET****Production**

In the first quarter of 2007, real GDP grew by 3,8%. In the services sector, there was a decrease of 5,1% in tourist arrivals in the first five months of 2007, compared with a decrease of 2,5% in the same period of 2006. In the first four months of 2007 tourist revenue fell by 1,8% compared with an increase of 2,5% in the same period of 2006. In the secondary sectors of the economy, manufacturing exhibited an increase of 2,5% in the first four months of 2007 compared with a decrease of 3,4% in the same period of 2006 (**Table 14** p. 29 and **Chart 9** p. 30). In the construction sector, the volume of building permits rose by 8,5% in the first quarter of 2007 compared with a decrease of 0,7% in the same period of 2006. In the first five months of 2007, sales of cement increased by 10,9% compared with a decrease of 2,3% in the corresponding period of 2006.

Consumption

The turnover volume of retail trade from which the sales of motor vehicles are excluded, exhibited a rise of 3,9% in the first four months of 2007 compared with a 2,9% increase in the same period of 2006. In April this index rose by 2,3% compared with a fall of 2,6% in the same period of 2006. Due to the reduction in excise taxes in November 2006, car registrations exhibited an increase of 36,6% in the first five months of 2007. As far as credit card spending is concerned, by both Cypriots and foreigners in Cyprus, there was an increase of 21,1% and 2,8% respectively in the period January-May 2007, compared with an increase of 21,1% and 2,8% respectively in the same period of 2006.

Labour market

The most recent data on unemployment in the Labour Force Survey cover the first quarter of 2007. According to the survey, unemployment was recorded at 4,8% in the first quarter of 2007 compared with 5,9% in the first quarter of 2006. Employment has increased to 369.000 in the first quarter of 2007 compared with 351.000 and 344.000 in the first quarter of 2006 and 2005 respectively.

The most recent data for the number of registered unemployed are those of May 2007. These show that the number of registered unemployed fell by 5,2% while unemployment as a percentage of the economically active population, fluctuated at around 2,8% compared with 3% in May 2006.

For the first five months of 2007, the number of registered unemployed fell by 3,1% compared with a decrease of 5,9% in the same period of 2006.

Table 14
Manufacturing production volume index

(percentage change by category)

	April 06/05	April 07/06	Jan.-April 06/05	Jan .- April 07/06
General index	-8,4	4,0	-3,4	2,5
Food products, beverages & tobacco	-16,0	1,5	-10,7	-0,3
Textiles & textile products	-23,1	-0,8	-18,6	-8,2
Leather & leather products	-33,8	-1,3	-26,3	-0,8
Wood & wood products	0,1	3,2	7,20	-5,0
Paper, paper products, publishing & printing	0,3	-2,0	1,4	1,0
Refined petroleum products	33,3	-31,3	7,4	-21,6
Chemicals, chemical products & man-made fibres	-2,4	9,8	3,0	9,4
Rubber & plastic products	-16,6	1,6	-3,1	5,0
Other non-metallic mineral products	-10,0	13,4	-4,5	8,2
Basic metals & fabricated metal products	-4,2	4,0	0,6	5,3
Machinery & equipment n.e.c.	-3,8	-5,4	2,7	-0,8
Electrical & optical equipment	5,1	6,9	11,9	12,2
Transport equipment	-7,3	21,2	6,0	16,5
Manufacturing n.e.c.	6,0	1,5	0,8	2,8

Source: Cystat.

Table 15
Turnover volume index of retail trade

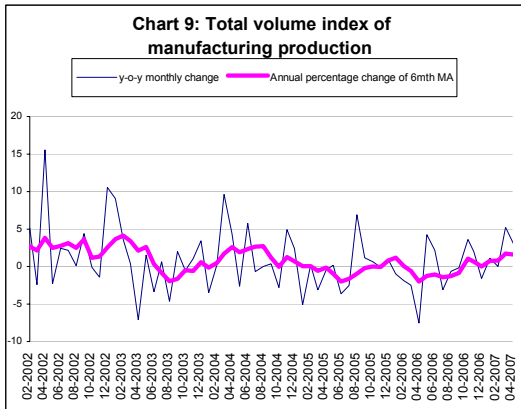
(percentage change by category)

	April 06/05	April 07/06	Jan.-April 06/05	Jan.-April 07/06
General index	-2,6	2,3	2,9	5,9
Retail sale in non-specialised stores with food, beverages or tobacco predominating	-0,4	-1,5	4,0	3,9
Other retail sale in non-specialised stores	-6,0	-3,2	-1,1	3,0
Retail sale of food, beverages and tobacco in specialised stores	-2,2	-10,7	-0,8	-2,0
Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles	3,5	8,4	14,0	12,0
Retail sale of textiles, clothing, footwear and leather goods	-1,2	-7,4	2,6	7,0
Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods hardware, paints and glass	-1,0	14,1	5,7	11,6
Retail sale of books, newspapers and stationery and other retail sale in specialised stores	-9,9	10,9	-1,5	5,2
Retail sale of second-hand goods in stores	-19,9	-53,7	-8,5	-41,2
Retail sale not in stores	3,0	4,6	11,0	6,3

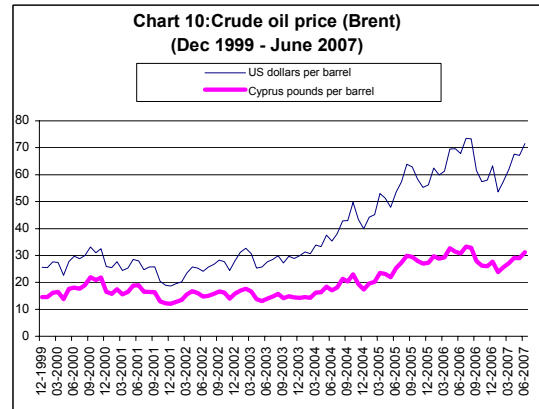
Source: Cystat.

Charts 9 - 13

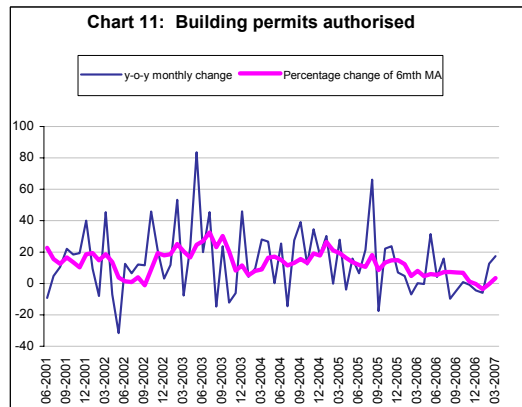
Selected economic indicators



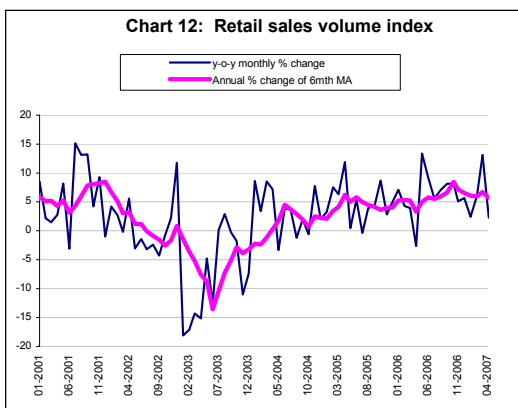
Source: Cystat.



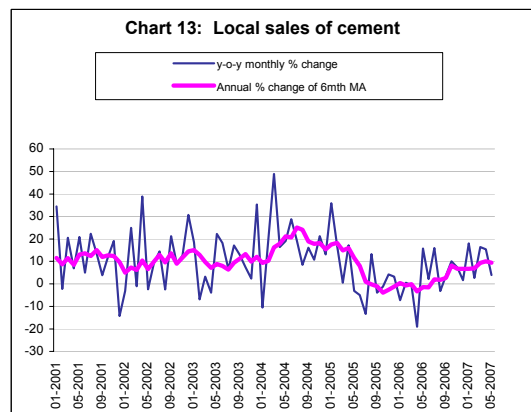
Source: Reuters.



Source: Cystat.



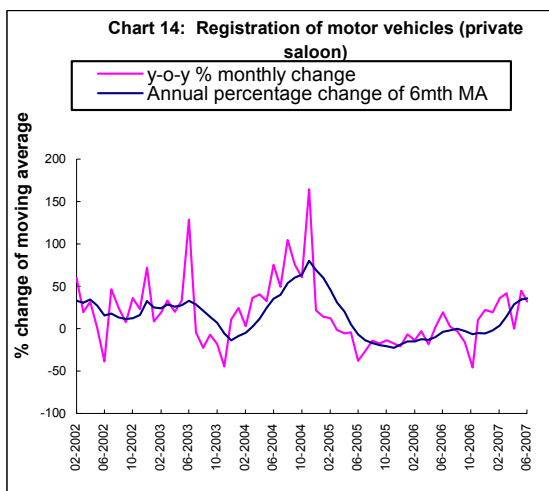
Source: Cystat.



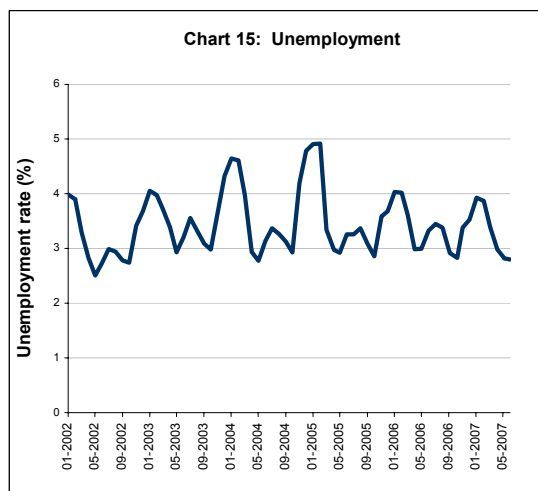
Source: Cystat.

Charts 14 -15

Selected economic indicators



Source: Cystat.



Source: Cystat.

Unemployment as a percentage of the economically active population fluctuated at around 3,4%, compared with 3,6% in the corresponding period of the previous year. The data indicate that the reduction in registered unemployment during the first five months of 2007 is due to the increase of the economically active population and the decrease of the number of unemployed, compared with the respective period of 2006.

Confidence indicators

The trends in the confidence indicators⁵ are, to a certain extent, consistent with the overall picture of the economy as presented in this report. In the first five months of 2007, the construction confidence indicator exhibited fluctuations.

Fluctuations were also observed in the services confidence indicators, while the consumer

confidence indicator remained negative⁶. During the same period, the retail sales confidence indicator increased, while the industrial confidence indicator exhibited fluctuations during the period January – May 2007.

2.5 PUBLIC FINANCES

New data covering the general and/or central government has not been published. According to the most recent figures of the Inland Revenue Department (IRD), covering the period January-May 2007, there were continued strong increases in various tax revenues. The total revenues of the IRD during the first five months of 2007 reached £377,4 million compared with £254,1 million for the corresponding period of 2006, thus registering a significant increase of 48%.

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

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

More specifically, during the first five months of 2007 the receipts from corporate taxation increased by 64% compared with the corresponding period of 2006. This is largely due to the increased profitability of companies, especially international business companies. Receipts from capital gains tax registered an increase of 177% which is the result of the strong performance of the construction and property sector. Revenue from income tax also increased by 17% during the first five months of 2007 compared to the corresponding five month period of 2006, due to the expansion of the tax base, the increases in earnings and employment. On the expenditure side of the budget, there is no newer information apart from the first quarter figures for general government which were presented in the previous Report. Those figures pointed to a significant increase in government expenditure which however is covered over and above by the increases in revenues.

As a matter of policy, it is recommended that the unexpected increases in public revenues be used for further fiscal consolidation rather than funding increased expenditure. This is deemed necessary in order to ensure the long run sustainability of public finances. It should also be remembered that according to calculations by the government and the European Commission, the island's ageing population will greatly increase the pressure on public finances.

2.6 EXTERNAL TRANSACTIONS

Goods

An overview of the trade balance for the first four months of 2007 is given in **Table 16** (p. 35) which is based on preliminary data published by Cystat. Since May 2004, the

collection of data on intra EU-trade has been undertaken using a methodology introduced by Eurostat for all EU countries.

During the period January-April 2007, the value of total imports of goods recorded an increase of 7,8% compared with an increase of 13,9% in the same period of 2006. A substantial increase was observed in the imports of vehicles, due to the reduction of the consumption tax at the end of 2006.

The value of total exports of goods recorded a 9,5% decrease in the first four months of 2007 compared with a 14,1% increase in the same period in 2006. The fall in the export of goods is due to the reduction of re-exports. According to data for the first quarter of 2007, re-exports decreased by 22,4% while exports of domestically produced goods increased by 7,9%.

As a result of the above, the trade balance registered further deterioration, reaching a deficit of £889,3 million during the first four months of 2007, compared with a deficit of £785,7 million in the corresponding period of 2006.

Tourism

Tourist arrivals, shown in **Table 17** (p. 36) decreased by 5,1% in the period January – May 2007 compared with a 2,5% decrease in the corresponding period of 2006.

Revenue from tourism decreased by 1,8% in the first four months of 2007 compared with a 2,5% increase in the corresponding month of 2006.

In contrast to total revenue from tourism, expenditure per head has increased by 4,4% in the first four months of 2007 compared with a 6,6% increase in the corresponding period of 2006.

Balance of Payments

Table 14 in the Annex (p.49) presents preliminary data on the balance of payments for the first quarter of 2007. This data reveals a worsening of the current account deficit compared with the first quarter of 2006.

Based on preliminary data, the current account deficit in the first quarter of 2007 was £267,5 million compared with £210,6 million in the same period of 2006. This is mainly the result of the 3,8% increase in imported goods (fob) and the 12,2% decrease in exports in the first quarter of 2007 compared with the same period in 2006. A significant part of the deterioration of the trade deficit is due to the large increase in car imports.

The surplus recorded by services reached £299,5 million in the first quarter of 2007 compared with £298,1 million in the same period in 2006. The main changes in the services account were the improvement of financial services and government services and the decrease in the other business services. The services surplus, excluding tourism, registered an improvement of about £10 million in the first quarter of 2007 compared with 2006.

As far as the income account is concerned, a net deficit of £30,6 million was recorded in the first quarter of 2007 compared with a deficit of £18,6 million in the first quarter of 2006.

2.7 PROSPECTS FOR 2007

Real GDP growth is expected to display a marginal increase compared with 2006. More specifically, the increase in private consumption will fluctuate around the same level as in 2006, while gross fixed capital formation and imports are expected to decelerate. As a result of the positive economic environment in the EU, exports are expected to increase.

The above developments, combined with an expected slowdown of the inflow of foreign workers in Cyprus, are expected to lead to a decrease in the unemployment rate, a prospect that is supported by the current data.

As far as public finances are concerned, the general government figures for the first quarter of 2007, along with the path followed by government revenues during the first five months of 2007, indicate that the target fiscal deficit of 1,4% for 2007 is likely to be achieved. It should be stressed however that in order to ensure the long run sustainability of public finances, the unexpected increases in government revenues should be used for further fiscal consolidation rather than financing increased expenditures.

Inflation in 2007 is expected to decelerate significantly due to the reduction in excise taxes on cars in November 2006 and the stabilisation of the international price of oil. The expected preservation of oil prices at levels lower than last year will also positively influence the current account balance. It must be noted that even though oil prices decreased in the first five months of 2007 compared with the same period in 2006, from February and on, an increasing trend is visible. As a result the expected positive influence of oil prices on

the current account balance might be weaker or may even have a negative impact.

A continuity source of concern is the high growth rate of monetary aggregates. However, through the recent reduction in excess liquidity it is possible to alleviate the pressures for further borrowing.

Table 16
Trade balance data

(CYP million)

Period	TOTAL TRADE		EXTRA-EU TRADE		INTRA-EU TRADE	
	Total Imports/ Arrivals (cif)	Total Exports/ Dispatches (fob)	Total Imports (cif)	Total Exports (fob)	Arrivals (cif)	Dispatches (fob)
2000	2.402,0	591,9	1.140,9	364,5	1.261,1	227,4
2001	2.528,7	627,9	1.208,8	376,5	1.320,0	251,4
2002	2.486,6	511,3	1.140,9	240,9	1.345,8	270,4
2003	2.304,1	476,8	992,8	198,3	1.311,3	278,5
2004	2.679,3	548,0	921,7	202,5	1.757,6	345,5
2005	2.966,8	719,2	952,9	224,3	1.965,4	447,8
2006	3.226,8	650,7	1.073,8	224,6	2.110,1	417,7
2006						
January	247,5	59,6	80,0	13,2	167,5	46,3
February	238,2	57,2	80,4	16,6	157,9	40,1
March	284,2	66,1	86,6	18,7	197,6	47,4
April	252,0	53,4	81,4	20,5	170,7	32,9
May	280,4	55,1	91,5	15,8	188,9	39,3
June	312,0	52,6	116,2	16,6	196,8	36,0
July	263,4	52,7	79,9	17,1	183,5	35,6
August	259,4	43,2	85,9	17,8	173,5	26,4
September	281,5	52,8	91,8	21,7	189,6	31,1
October	269,2	45,3	72,8	16,3	196,5	28,2
November	279,5	59,8	80,5	23,9	201,1	36,8
December	259,6	53,0	88,8	17,1	175,4	36,8
2007						
January	266,2	65,9	96,8	13,6	169,4	52,4
February	245,8	44,0	59,3	15,3	186,5	28,6
March	288,1	52,8	81,5	17,8	206,4	35,0
April(p)	302,0	51,0	90,7	13,5	211,3	37,5
Jan. - Dec. 2005	2.966,8	719,1	973,1	221,6	1.993,7	497,6
Jan - Dec. 2006	3.226,8	650,7	1.029,1	213,6	2.198,9	431,9
Jan.-April 2005	897,3	207,0	291,4	74,3	605,8	132,7
Jan.-April 2006	1021,9	236,2	328,4	69,0	693,6	167,2
Jan.-April 2007(p)	1102,1	213,8	328,4	60,2	773,5	153,5
% change Jan. - Dec 2006/2005	8,8	-9,5	5,8	-3,6	10,3	-13,2
% change Jan.-April 2005/2006	13,9	14,1	12,7	-7,1	14,5	26,0
% change Jan.-April 2006/2007 (p)	7,8	-9,5	0,0	-12,8	11,5	-8,2

P :Provisional data

Source :Cystat.

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

Table 17**Tourist arrivals⁽¹⁾**
(number of persons)

	2000	2001	2002	2003	2004	2005	2006	2007	% change 2003/2002	% change 2004/2003	% change 2005/2004	% change 2006/2005	% change 2007/2006
January	63.553	64.214	54.067	59.529	56.504	58.894	54.875	51.848	10,1	-5,1	4,2	-6,8	-5,5
February	87.243	83.569	71.950	77.972	75.705	72.600	66.151	63.098	8,4	-2,9	-4,1	-8,9	-4,6
March	135.487	137.578	138.625	91.634	111.946	137.075	107.071	104.316	-33,9	22,2	22,4	-21,9	-2,6
April	221.785	237.228	180.481	169.891	191.251	183.561	206.548	189.310	-5,9	12,6	-4,0	12,5	-8,3
May	299.355	324.901	279.070	231.527	261.646	284.132	283.513	273.058	-17,0	13,0	8,6	-0,2	-3,7
June	302.011	322.835	293.192	262.100	264.799	282.652	280.164	282.465	-10,6	1,0	6,7	-0,9	0,8
July	362.299	373.385	327.404	318.143	305.978	338.972	341.443		-2,8	-3,8	10,8	0,7	
August	356.686	371.536	301.724	325.390	305.926	336.587	314.872		7,8	-6,0	10,0	-6,5	
September	329.964	329.400	306.731	287.358	303.506	302.833	296.532		-6,3	5,6	-0,2	-2,1	
October	300.597	269.744	275.840	271.980	278.976	292.273	283.046		-1,4	2,6	4,8	-3,2	
November	133.500	107.454	111.327	123.800	114.048	104.822	95.682		11,2	-7,9	-8,1	-8,7	
December	93.722	74.887	77.822	83.919	78.723	75.656	71.022		7,8	-6,2	-3,9	-6,1	
Jan - June	1.109.434	1.170.325	1.017.385	892.653	961.851	1.018.914	998.322	964.095	-12,3	7,8	5,9	-2,0	-3,4
Jan - Dec	2.686.202	2.696.731	2.418.233	2.303.243	2.349.008	2.470.057	2.400.919		-4,8	2,0	5,2	-2,8	

Source: Cystat.

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

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

	2000	2001	2002	2003	2004	2005	2006	2007	% change 2004/2003	% change 2005/2004	% change 2006/2005	% change 2007/2006
January	-	24,9	21,6	25,6	21,8	20,7	21,2	19,7	-15,0	-5,0	2,4	-7,1
February	-	29,1	28,9	31,4	25,4	23,5	23,1	22,6	-19,1	-7,5	-1,7	-2,2
March	-	49,7	59,1	37,8	42,1	47,6	38,9	40,1	11,1	13,2	-18,3	3,1
April	-	89,9	77,0	67,1	72,1	62,0	74,5	72,4	7,4	-14,0	20,2	-2,8
May	-	139,1	119,5	92,5	99,5	105,4	111,9		7,6	5,9	6,2	
June	122,9	157,4	139,3	114,8	109,3	113,3	117,7		-4,8	3,7	3,9	
July	162,7	192,0	160,7	152,4	135,1	140,1	155,0		-11,4	3,7	10,6	
August	173,7	205,0	153,8	165,3	148,1	161,3	155,0		-10,4	8,9	-3,9	
September	161,9	176,3	157,4	134,1	141,2	137,9	140,9		5,3	-2,3	2,2	
October	135,1	130,2	128,0	112,4	115,9	120,5	122,9		3,1	4,0	2,0	
November	54,1	48,8	51,4	48,7	43,1	43,1	37,6		-11,5	0,0	-12,8	
December	36,2	29,2	35,6	32,9	28,8	30,3	28,8		-12,4	5,2	-5,0	
Jan - April		193,6	186,6	162,0	161,3	153,8	157,7	154,8	-0,4	-4,7	2,5	-1,8
Jan - Dec		1.271,6	1.132,3	1.015,0	982,3	1.005,7	1.027,5		-3,2	2,4	2,2	

Source: Cystat.

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

3. ANNEX

Table 1
Monetary aggregates and counterparts

(outstanding amounts at end of period, CYP thousand)

	2006 Apr.	2006 May	2007 Apr.	2007 May
Money supply (M1)	1.834.017	1.918.595	2.322.815	2.419.231
Currency in circulation	547.657	549.874	575.610	593.175
Demand deposits	1.171.865	1.238.486	1.429.979	1.477.064
Deposits in foreign currency	114.495	130.235	317.226	348.992
Quasi-money	8.420.118	8.508.855	9.730.531	9.928.864
Saving deposits	376.543	384.704	446.470	454.023
Time deposits	7.106.805	7.164.841	7.705.466	7.766.200
Deposits in foreign currency	936.770	959.310	1.578.595	1.708.641
Total money supply (M2)	10.254.135	10.427.450	12.053.346	12.348.095
Net foreign assets	1.797.564	1.858.996	2.823.901	2.836.386
Claims on private sector	9.770.217	9.848.204	11.717.929	12.012.583
of which in foreign currency	1.404.486	1.511.499	2.067.148	2.191.301
Claims on public sector	2.248.694	2.255.018	2.326.423	2.277.923
Unclassified items	-3.562.340	-3.534.768	-4.814.907	-4.778.797

Source: Central Bank of Cyprus.

Table 2
Bank credit by sector⁽¹⁾

(outstanding amounts at end of period, CYP thousand)

	2006 Apr.	2006 May	2007 Apr.	2007 May
Public institutions and corporations ⁽²⁾	322.482	320.743	431.555	441.835
Agriculture	106.639	106.335	110.582	112.744
Mining	28.429	28.215	28.457	28.528
Manufacturing	535.858	533.987	538.359	537.087
Transport and communications	102.723	102.918	131.927	161.872
Foreign and domestic trade	1.563.598	1.529.577	1.574.668	1.612.697
Building and construction	1.859.435	1.903.707	2.452.483	2.525.987
Tourism	899.548	893.215	968.405	955.762
Personal and professional loans	5.005.265	5.096.851	6.419.724	6.621.452
Bills discounted: local	3.610	3.335	2.649	2.683
foreign	1.667	1.863	2.103	1.906
Total	10.429.254	10.520.746	12.660.912	13.002.553

Source: Central Bank of Cyprus.

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

(2) Including government loans.

Table 3
Official interest rates

(percentage per annum)

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

Source: Central Bank of Cyprus.

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

(2) Following the Monetary Policy Committee's decision on 1 September 2006, the main refinancing operations rate (repo) replaced the marginal lending facility rate (Lombard), which had been used since 1 January 2001, for the purpose of pricing local currency bank loans.

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

(CYP million, interest rates in percent per annum)

Date of settlement	Bids (amount)	Allotment (amount)	Variable rate tenders				Running for (...) days	
			Maximum bid rate	Weighted average allotment rate	Minimum allotment rate	Maximum allotment rate		
2006	14 Sep.	727,5	500,0	4,50	3,88	3,29	3,94	14
	28 Sep.	803,0	500,0	4,50	3,89	3,65	3,94	14
	12 Oct.	829,0	550,0	4,50	3,89	3,79	3,91	14
	26 Oct.	930,5	580,0	4,50	3,87	3,69	3,93	14
	09 Nov.	824,0	580,0	4,50	3,88	3,78	3,92	14
	23 Nov.	842,0	580,0	4,50	3,89	3,79	3,91	14
	07 Dec.	886,0	530,0	4,50	3,87	3,79	3,90	14
	21 Dec.	1.034,0	600,0	4,50	3,76	3,65	3,80	14
2007	04 Jan.	889,0	650,0	4,50	3,84	3,50	3,97	14
	18 Jan.	916,0	650,0	4,50	3,84	3,74	3,94	14
	01 Feb.	1.023,5	600,0	4,50	3,69	3,67	3,69	14
	15 Feb.	789,0	450,0	4,50	3,71	3,48	3,88	14
	01 Mar.	579,5	350,0	4,50	3,50	3,44	3,57	14
	15 Mar.	492,0	250,0	4,50	3,45	3,39	3,47	14
	29 Mar.	248,0	150,0	4,50	3,52	3,34	3,59	14
	12 Apr.	242,0	100,0	4,50	3,47	3,39	3,49	14
	26 Apr.	204,0	50,0	4,50	3,34	3,34	3,34	14
	10 May	40,0	40,0	4,50	3,29	3,29	3,29	14
	24 May	40,0	40,0	4,50	3,98	3,98	3,98	14
	07 Jun.	134,0	80,0	4,50	3,88	3,84	3,92	14
	21 Jun.	147,0	70,0	4,50	3,59	3,59	3,59	14

Source: Central Bank of Cyprus.

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

Table 5**Money market interest rates***(percent per annum, period averages)*

	Cyprus					Euro area				
	Overnight deposits	2-7 days deposits	1-month deposits	1-6 months deposits	6-12 months deposits	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)
2006 May	2,48	3,23	3,22	3,44	3,55	2,58	2,69	2,89	3,06	3,31
June	2,49	2,95	2,97	3,26	-	2,70	2,87	2,99	3,16	3,40
July	2,79	3,08	3,23	3,53	-	2,81	2,94	3,10	3,29	3,54
Aug.	2,86	3,04	3,25	3,67	-	2,97	3,09	3,23	3,41	3,62
Sep.	3,46	3,79	3,73	3,76	-	3,04	3,16	3,34	3,53	3,72
Oct.	3,67	4,16	4,09	4,45	-	3,28	3,35	3,50	3,64	3,80
Nov.	3,58	3,95	4,02	4,24	-	3,33	3,42	3,60	3,73	3,86
Dec.	3,37	4,16	4,02	4,01	-	3,50	3,64	3,68	3,79	3,92
2007 Jan.	3,35	4,11	4,18	3,77	-	3,56	3,62	3,75	3,89	4,06
Feb.	3,10	3,96	4,13	4,00	4,00	3,57	3,65	3,82	3,94	4,09
Mar.	3,18	3,94	4,04	3,99	-	3,69	3,84	3,89	4,00	4,11
Apr.	3,62	3,95	3,95	4,05	4,20	3,82	3,86	3,98	4,10	4,25
May	3,86	4,09	4,12	3,88	-	3,79	3,92	4,07	4,20	4,37
June	4,06	4,17	4,22	4,27	-					

Source: Central Bank of Cyprus and European Central Bank.

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

(percentages per annum)

	Lending rates					Deposit rates		
	Enterprises: overdraft within limits	Enterprises: secured loans	Personal: secured loans	Housing: loans secured by assignment of life policy	Credit cards	Current accounts	3 month notice - over CYP5.000	1 year fixed deposits - over CYP5.000
2005 May	7,18	7,20	7,97	6,33	11,83	0,55	4,04	4,07
June	6,69	6,70	7,58	5,76	12,00	0,39	3,47	3,88
July	6,69	6,70	7,47	5,76	12,00	0,42	3,47	3,85
Aug.	6,70	6,69	7,49	5,74	12,00	0,45	3,47	3,82
Sep.	6,69	6,69	7,49	5,74	12,00	0,46	3,47	3,79
Oct.	6,69	6,68	7,29	5,74	12,00	0,47	3,47	3,75
Nov.	6,69	6,68	7,29	5,72	12,00	0,46	3,48	3,72
Dec.	6,69	6,68	7,28	5,71	12,00	0,45	3,47	3,68
2006 Jan.	6,67	6,67	7,28	5,71	12,00	0,46	3,48	3,63
Feb.	6,65	6,65	7,27	5,71	12,00	0,45	3,48	3,59
Mar.	6,64	6,65	7,27	5,69	12,00	0,47	3,48	3,57
Apr.	6,64	6,64	7,28	5,69	12,00	0,48	3,48	3,55
May	6,64	6,63	7,28	5,68	12,00	0,47	3,48	3,52
June	6,65	6,62	7,28	5,68	12,00	0,43	3,48	3,43
July	6,65	6,62	7,28	5,68	12,00	0,46	3,47	3,42
Aug.	6,64	6,62	7,29	5,68	12,00	0,46	3,47	3,42
Sep.	6,88	6,81	7,51	5,84	12,17	0,55	3,64	3,58
Oct.	6,89	6,81	7,50	5,84	12,17	0,51	3,65	3,58
Nov.	6,88	6,81	7,48	5,84	12,17	0,50	3,65	3,58
Dec.	6,88	6,80	7,48	5,84	12,17	0,51	3,65	3,58
2007 Jan.	6,90	6,81	7,63	5,92	12,17	0,54	3,65	3,58
Feb.	6,91	6,81	7,66	5,92	12,17	0,53	3,65	3,57
Mar.	6,89	6,80	7,67	5,92	12,17	0,53	3,65	3,57
Apr.	6,89	6,79	7,67	5,92	12,17	0,48	3,66	3,57
May	6,87	6,78	7,67	5,93	12,17	0,47	3,66	3,58

Source: Domestic banks.

(1) Reported as at end of month.

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

Table 7**Interest rates – European monetary financial institutions***(percent per annum, outstanding amounts as at end-of-period)***1. Interest rates on euro-denominated deposits by euro area residents**

	Deposits from households					Deposits from non-financial corporations		
	Overnight	With agreed maturity		Redeemable at notice ⁽¹⁾		Overnight	With agreed maturity	
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years
2006 May	0,79	2,27	3,05	2,00	2,48	1,18	2,59	3,57
Jun.	0,81	2,34	3,08	2,04	2,53	1,22	2,72	3,57
Jul.	0,81	2,43	3,03	2,08	2,58	1,24	2,80	3,61
Aug.	0,85	2,52	3,05	2,23	2,63	1,32	2,93	3,69
Sep.	0,86	2,59	3,08	2,26	2,68	1,36	3,00	3,69
Oct.	0,90	2,69	3,10	2,30	2,75	1,45	3,15	3,80
Nov.	0,91	2,78	3,05	2,30	2,81	1,49	3,24	3,80
Dec.	0,92	2,89	3,05	2,38	2,87	1,51	3,42	3,88
2007 Jan.	0,98	2,99	3,06	2,35	2,98	1,61	3,45	3,91
Feb.	1,00	3,07	3,12	2,35	3,07	1,64	3,49	3,92
Mar.	1,02	3,16	3,05	2,39	3,14	1,71	3,61	3,93
Apr.	1,04	3,23	3,06	2,42	3,20	1,75	3,68	3,93

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

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
2006 May	4,63	4,16	4,52	8,10	6,70	5,71	4,64	4,10	4,36
June	4,67	4,20	4,55	8,10	6,75	5,73	4,72	4,19	4,40
July	4,68	4,21	4,57	8,15	6,71	5,82	4,81	4,27	4,45
Aug.	4,72	4,23	4,60	8,21	6,72	5,82	4,85	4,33	4,48
Sep.	4,82	4,27	4,62	8,31	6,81	5,87	4,93	4,40	4,53
Oct.	4,90	4,29	4,65	8,36	6,81	5,88	5,07	4,51	4,57
Nov.	4,98	4,33	4,68	8,34	6,81	5,91	5,14	4,59	4,63
Dec.	5,01	4,34	4,70	8,43	6,81	5,93	5,23	4,66	4,68
2007 Jan.	5,05	4,38	4,72	8,55	6,84	5,95	5,30	4,76	4,77
Feb.	5,11	4,46	4,79	8,67	6,95	5,96	5,37	4,83	4,83
Mar.	5,14	4,46	4,79	8,64	6,88	5,95	5,43	4,89	4,84
Apr.	5,19	4,48	4,80	8,69	6,91	5,99	5,49	4,94	4,88

Source: European Central Bank.

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

Table 8
Interest rate announcements 2007

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

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

(2) Rate paid on commercial bank reserves.

(3) Federal funds rate.

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

Table 9**Percentage change in consumer price index by economic category (%)**

May 2007/2006

											Weights		
		2004	2005	2006	May 2006/2005	April 2007/2006	May 2007/2006	Jan. - May 2006/2005	Jan. - Apr. 2007/2006	Jan. - May 2007/2006	1998=100	2005=100 (for 2006)	2005=100 (for 2007)
GENERAL INDEX		2,28	2,56	2,49	3,13	1,77	2,20	2,84	1,59	1,72	100,00	100,00	100,00
A	Domestic products	2,95	1,79	4,35	5,39	3,81	4,63	4,77	3,87	4,02	36,69	28,60	28,98
A.1	Agricultural	3,32	1,34	6,51	9,68	10,24	12,32	4,88	10,74	11,05	7,93	6,92	6,93
A.2	Industrial	3,36	1,14	2,47	2,12	3,14	3,63	2,41	2,52	2,74	22,91	19,24	19,29
A.3	Electricity	-3,13	11,51	13,10	20,70	-7,89	-7,57	24,77	-4,63	-5,22	1,52	2,44	2,76
B	Petroleum products	17,18	14,82	8,09	15,87	-0,86	-0,02	14,02	-1,89	-1,49	4,33	6,44	6,63
C	Imported products	-5,55	-2,47	-1,14	-1,63	-2,39	-2,33	-1,29	-2,79	-2,70	22,20	25,31	24,62
C1	Motor vehicles	-13,50	-2,42	-1,38	-0,23	-10,48	-10,92	0,33	-10,27	-10,40	9,43	6,15	5,41
C2	Other imported	-0,39	-2,49	-1,07	-2,07	0,23	0,44	-1,81	-0,32	-0,17	12,77	19,16	19,21
D	Services	3,23	3,34	2,57	2,63	3,19	3,45	2,41	3,07	3,14	41,11	39,65	39,77
HICP		1,9	2,1	2,2	2,5	1,6	1,9	2,4	1,4	1,5			

Source: Cystat.

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

May 2007/2006

											Weights		
		2004	2005	2006	May 2006/2005	April 2007/2006	May 2007/2006	Jan.- May 2006/2005	Jan.- Apr. 2007/2006	Jan.- May 2007/2006	1998=100	2005=100 (for 2006)	2005=100 (for 2007)
	GENERAL INDEX	2,28	2,56	2,49	3,13	1,77	2,20	2,84	1,59	1,72	100,00	100,00	100,00
A	Domestic products	1,98	1,58	1,25	1,52	1,12	1,35	1,36	1,12	1,16	36,69	28,60	28,98
A.1	Agricultural	0,27	0,11	0,45	0,63	0,73	0,86	0,34	0,77	0,78	7,93	6,92	6,93
A.2	Industrial	0,78	0,27	0,47	0,41	0,60	0,70	0,46	0,48	0,53	22,91	19,24	19,29
A.3	Electricity	-0,07	0,23	0,32	0,48	-0,24	-0,23	0,55	-0,12	-0,14	1,52	2,44	2,76
B	Petroleum products	0,99	0,97	0,52	1,00	-0,06	0,00	0,86	-0,13	-0,10	4,33	6,44	6,63
C	Imported products	-1,04	-0,43	-0,29	-0,42	-0,58	-0,56	-0,33	-0,69	-0,66	22,20	25,31	24,62
C1	Motor vehicles	-1,00	-0,15	-0,08	-0,01	-0,56	-0,58	0,02	-0,63	-0,63	9,43	6,15	5,41
C2	Other imported	-0,04	-0,28	-0,20	-0,41	0,04	0,08	-0,35	-0,06	-0,03	12,77	19,16	19,21
D	Services	1,35	1,41	1,02	1,04	1,26	1,36	0,96	1,22	1,25	41,11	39,65	39,77

Source: Cystat.

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

May 2007/2006

	Years										Weights	
				May	April	May	Jan.- May	Jan.- Apr.	Jan.- May			
	2004	2005	2006	2006/2005	2007/ 2006	2007/ 2006	2006/2005	2007/2006	2007/2006	2005=100	1998=100	
GENERAL INDEX	2,28	2,56	2,49	3,13	1,77	2,20	2,84	1,59	1,72	100,00	100,00	
Food & non-alcoholic beverages	3,97	1,59	4,80	6,28	6,58	7,33	4,14	6,36	6,55	17,50	18,20	
Alcoholic beverages & tobacco	10,57	0,23	0,49	-1,07	2,86	3,07	-0,34	1,33	1,67	2,21	1,78	
Clothing & footwear	-0,79	-2,24	-0,32	-2,84	0,40	1,16	0,29	-0,47	-0,13	8,93	8,22	
Housing, water, electricity & gas	4,19	5,41	4,90	6,40	0,01	0,86	7,08	0,88	0,87	15,87	21,27	
Furnishings, household equipment & supplies	-0,45	0,58	0,13	-0,24	-0,15	0,03	0,48	-0,22	-0,17	6,78	7,08	
Health	3,72	0,36	1,31	1,66	6,91	7,63	-1,78	5,24	5,72	5,03	4,92	
Transport	-3,06	3,79	2,87	5,56	-2,34	-2,04	4,99	-3,01	-2,81	15,99	17,42	
Communications	-8,48	-10,34	-1,83	0,97	1,28	1,22	-1,89	1,25	1,25	3,94	1,79	
Recreation & culture	2,26	1,06	-0,33	-1,01	-0,23	-0,45	-1,21	-0,09	-0,16	6,33	5,88	
Education	3,96	5,21	4,68	4,55	4,89	4,89	4,55	4,89	4,89	2,87	2,33	
Restaurants & hotels	4,69	3,30	2,18	2,41	2,57	2,92	1,99	2,66	2,71	7,57	6,07	
Miscellaneous goods & services	5,16	3,83	2,23	1,71	2,45	2,37	1,91	2,22	2,25	6,98	5,04	

Source: Cystat.

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

May 2007/ 2006

	Years									Weights	
	2004	2005	2006	May 2006/2005	April 2007/2006	May 2007/2006	Jan.- May 2006/2005	Jan.- Apr. 2007/2006	Jan.- May 2007/2006	2005=100	1998=100
GENERAL INDEX	2,28	2,56	2,49	3,13	1,77	2,20	2,84	1,59	1,72	100,00	100,00
Food & non-alcoholic beverages	0,76	0,31	0,82	1,07	1,17	1,29	0,72	1,12	1,15	17,50	18,20
Alcoholic beverages & tobacco	0,28	0,01	0,01	-0,02	0,06	0,07	-0,01	0,03	0,04	2,21	1,78
Clothing & footwear	-0,05	-0,14	-0,03	-0,27	0,04	0,10	0,03	-0,04	-0,01	8,93	8,22
Housing, water, electricity & gas	0,93	1,22	0,76	1,01	0,00	0,14	1,10	0,14	0,14	15,87	21,27
Furnishings, household equipment & supplies	-0,03	0,04	0,01	-0,02	-0,01	0,00	0,03	-0,01	-0,01	6,78	7,08
Health	0,20	0,02	0,06	0,08	0,34	0,38	-0,09	0,26	0,28	5,03	4,92
Transport	-0,51	0,59	0,45	0,89	-0,38	-0,33	0,78	-0,48	-0,45	15,99	17,42
Communications	-0,10	-0,11	-0,07	0,04	0,05	0,05	-0,07	0,05	0,05	3,94	1,79
Recreation & culture	0,12	0,06	-0,02	-0,06	-0,01	-0,03	-0,08	-0,01	-0,01	6,33	5,88
Education	0,10	0,13	0,13	0,13	0,14	0,14	0,13	0,14	0,14	2,87	2,33
Restaurants & hotels	0,31	0,23	0,16	0,18	0,19	0,22	0,15	0,20	0,20	7,57	6,07
Miscellaneous goods & services	0,28	0,21	0,15	0,12	0,17	0,16	0,13	0,15	0,16	6,98	5,04

Source: Cystat.

Table 13**Cyprus Stock Exchange: purchase and sale of listed shares by non-residents⁽¹⁾***(CYP thousand)*

Geographic origin of non-resident investors	Purchase of listed shares by non-residents							Sale of listed shares by non-residents						
	2005	2006	2007					2005	2006	2007				
			Jan.	Feb.	Mar.	Apr.	May			Jan.	Feb.	Mar.	Apr.	May
EUROPE	7.395,9	257.715,8	59.206,2	17.139,6	14.763,2	16.001,1	22.009,3	3.461,1	282.799,6	53.283,0	12.743,0	26.607,5	22.036,2	20.822,2
EU-25	6.805,2	242.454,5	56.386,5	15.750,8	14.335,2	15.221,9	21.171,7	2.980,4	275.945,2	50.696,8	12.445,0	26.333,8	21.593,3	20.191,5
Greece	5.667,5	140.748,9	16.581,0	6.711,1	6.614,6	7.693,4	14.304,0	2.269,5	260.812,4	37.686,3	6.645,1	22.395,7	8.532,8	17.704,4
United Kingdom	238,2	58.345,6	36.588,5	7.651,2	6.501,2	7.070,3	5.257,1	390,6	10.088,4	8.648,9	4.199,6	3.379,2	12.336,4	1.361,2
Other European countries	590,7	15.261,3	2.819,7	1.388,8	428,0	779,2	837,5	480,7	6.854,4	2.586,2	298,1	273,7	442,9	630,7
Russian Federation	405,4	1.029,9	280,5	119,1	94,7	17,8	0,3	279,7	1.220,2	291,5	124,4	127,1	116,4	107,7
AFRICA	51,4	7.252,2	1.086,5	1.468,5	755,3	374,0	169,4	90,1	8.722,4	1.480,7	249,5	428,0	384,4	242,7
North African countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,8	0,0	0,0	0,0	0,0	5,7	0,0
Other African countries	51,4	7.252,2	1.086,5	1.468,5	755,3	374,0	169,4	88,3	8.722,4	1.480,7	249,5	428,0	378,7	242,7
South Africa	0,0	232,6	298,2	0,0	108,1	90,6	59,9	7,6	220,4	292,3	20,5	0,0	87,5	133,2
AMERICA	429,3	128.783,8	6.316,4	3.474,4	1.872,1	5.874,1	7.182,1	1.232,7	32.988,8	7.529,9	13.661,2	21.253,2	5.253,2	11.908,6
North American countries	84,1	94.136,8	3.714,1	1.170,1	884,0	1.242,9	1.008,3	33,2	6.193,4	6.594,5	11.877,6	19.831,1	3.815,9	7.349,2
United States of America	81,9	94.115,1	3.666,1	1.164,3	870,5	1.242,9	1.006,2	33,2	5.957,0	6.515,8	11.854,8	19.818,5	3.783,3	7.348,2
Canada	2,2	21,7	48,0	5,8	13,5	0,0	2,1	0,0	236,5	78,7	22,8	12,6	32,5	0,9
Central American countries	345,2	34.647,0	2.602,3	2.304,4	988,1	4.631,2	6.173,9	1.199,4	26.795,3	935,5	1.783,6	1.422,0	1.437,3	4.559,5
South American countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
ASIA	267,3	6.523,5	4.196,3	2.394,5	347,0	9,3	7,8	229,2	5.446,5	3.613,2	2.883,5	37,3	507,1	50,3
West Asia	204,7	86,1	23,8	18,4	2,3	9,3	0,0	168,9	955,4	243,4	205,0	37,3	507,1	50,3
Other Asian countries	62,6	6.437,4	4.172,5	2.376,1	344,7	0,0	7,8	60,3	4.491,1	3.369,9	2.678,5	0,0	0,0	0,0
OCEANIA	0,0	28,2	7,8	54,7	11,6	78,8	18,8	0,0	19,0	75,7	58,3	38,1	35,3	48,3
Total	8.143,9	400.303,5	70.813,2	24.531,7	17.749,2	22.337,2	29.387,5	5.013,0	329.976,3	65.982,5	29.595,6	48.364,1	28.216,1	33.072,2

Source: Cyprus Stock Exchange.

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

Table 14
Balance of payments

(CYP million)

CATEGORIES	2006 (Annual) (Prov.)			2006 (Q1) (Prov.)			2007 (Q1) (Prov.)		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
CURRENT ACCOUNT	5.360,1	5.856,0	-495,9	1.109,1	1.319,7	-210,6	1.160,4	1.427,9	-267,5
Goods, services and income	4.998,1	5.582,9	-584,8	1.004,1	1.247,6	-243,6	1.056,9	1.360,1	-303,2
Goods and services	3.973,9	4.320,6	-346,7	801,7	1.026,7	-225,0	820,8	1.093,4	-272,6
Goods	650,9	2.952,0	-2.301,2	182,8	705,9	-523,1	160,5	732,6	-572,1
Services	3.323,1	1.368,6	1.954,5	618,9	320,8	298,1	660,3	360,8	299,5
Transport	780,2	503,1	277,1	190,0	145,0	45,0	197,4	148,5	48,9
Travel	1.101,6	449,5	652,1	101,7	97,3	4,4	101,5	106,2	-4,8
Communications services	40,5	58,6	-18,1	7,5	11,9	-4,4	19,1	22,2	-3,1
Construction services	93,8	10,8	83,0	17,5	2,5	15,0	24,7	4,9	19,8
Insurance services	53,2	35,4	17,8	15,4	11,2	4,2	9,5	8,5	1,0
Financial services	151,2	60,9	90,2	31,7	6,2	25,4	44,9	7,5	37,4
Computer and information services	87,7	15,9	71,9	24,2	4,5	19,8	24,1	5,1	19,1
Royalties and licence fees	7,5	27,8	-20,2	3,1	3,0	0,1	2,6	1,9	0,8
Other business services	804,5	135,1	669,4	177,4	22,9	154,4	178,2	41,8	136,5
Personal, cultural and recreational services	24,6	30,2	-5,6	6,5	6,9	-0,4	8,1	7,3	0,8
Government services, n.i.e.	178,2	41,3	136,9	44,0	9,5	34,4	50,1	7,0	43,1
Income	1.024,2	1.262,3	-238,1	202,3	220,9	-18,6	236,1	266,7	-30,6
Compensation of employees	15,8	84,0	-68,2	4,3	24,0	-19,7	3,9	26,0	-22,1
Investment income	1.008,3	1.178,3	-169,9	198,0	196,9	1,1	232,2	240,7	-8,5
Current transfers	362,0	273,0	88,9	105,0	72,1	33,0	103,6	67,8	35,8
General government	121,6	81,1	40,4	38,7	32,4	6,3	34,1	19,7	14,4
Other sectors	240,4	191,9	48,5	66,4	39,7	26,7	69,5	48,1	21,4
Capital and financial account			557,9			289,2			203,2
Capital account	31,3	29,6	1,7	7,7	11,2	-3,5	1,8	5,9	-4,1
Financial account			556,2			292,7			207,2
Direct investment			348,7			87,6			76,2
Abroad			-336,0			-51,3			-87,1
In Cyprus			684,7			138,9			163,3
Portfolio investment			-272,1			-90,5			-201,0
Assets			-2.274,7			-386,0			-737,6
Liabilities			2.002,6			295,5			536,6
Financial derivatives			-1,7			1,6			2,8
Other investment			941,8			226,0			-196,4
Assets			-2.355,4			-285,4			-639,7
Liabilities			3.297,2			511,4			443,3
Reserve assets			-460,5			68,0			525,6
NET ERRORS AND OMISSIONS			-62,0			-78,6			64,3

Sources: Central Bank of Cyprus and Cystat.

Table 15
Tax receipts by Inland Revenue Department

TAXES	Jan-May 2007 CYP	Jan-May 2006 CYP	Change CYP	Change (%)
INCOME TAX:				
Employees	99.101.558	84.788.212	14.313.346	17
Self-employed	7.139.475	8.037.200	-897,725	-11
Legal persons/companies (Corporation tax)	55.212.500	33.574.015	21.638.485	64
IMMOVABLE PROPERTY TAX	1.543.909	1.368.872	175,037	13
CAPITAL GAINS TAX	100.360.993	36.222.516	64.138.477	177
SPECIAL CONTRIBUTION TO DEFENCE FUND	85.453.718	67.988.473	17.465.245	26
STAMP DUTY	16.415.444	11.169.373	5.246.071	47
PENALTIES	10.466.603	9.798.192	668,411	7
OTHER TAXES	1.675.361	1.185.668	489,693	41
TOTAL RECEIPTS	377.369.561	254.132.521	123.237.040	48

Source: Inland Revenue Department