



CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH AND STATISTICS DIVISION

ECONOMIC RESEARCH DEPARTMENT

MONETARY POLICY REPORT

OCTOBER 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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ECONOMIC RESEARCH AND STATISTICS DIVISION

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Symbols, conventions and abbreviations

1. The following symbols are used:

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

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

3. CBC	Central Bank of Cyprus
CCIs	Co-operative Credit Institutions
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

International developments

The uncertainty in the international money markets, triggered by the crisis in the US subprime loans market, persists albeit in a milder form. In September the ECB, the Bank of England and the Federal Reserve injected more liquidity in the interbank loans market with the aim of reducing pressures in the money market. At the same time, the international economy is still affected by the increases in food and oil prices, which have led to a rise in inflationary pressures.

During their recent meetings on 6 September 2007, the ECB and the Bank of England both decided to maintain their official interest rates unchanged at 4% and 5,75%, respectively. In contrast, on 18 September 2007 the Federal Reserve announced a decrease in its official interest rate from 5,25% to 4,75%. This decision was made for precautionary reasons, following the crisis in the subprime loans market and the on-going liquidity problems.

Domestic developments

The growth rates in the money supply as well as credit to the private sector remain at high levels. As a result, the Monetary Policy Committee of the Central Bank of Cyprus (CBC) maintained its official interest rate unchanged at 4,5% during its last meeting on 10 September 2007. The interest rate on the marginal lending facility and the interest rate on the overnight deposit facility remain unchanged at 5% and 3%, respectively.

M2 growth was strong in August 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 (28,7%) of total credit granted in the 12 months to August 2007.

Inflation rose to 2,47% in August 2007, which was above the previous month's rate of 2,43%. This reflects mainly the increase in the price of agricultural products and the small increase in the price of electricity, a development which was only partially offset by the fall in petroleum product prices in August 2007 compared with August 2006.

As far as external transactions are concerned, the number of tourists visiting Cyprus in the first eight months of 2007 was up by 0,1%, compared with a decrease of 2,4% in the corresponding period of 2006. As regards revenue from tourism, an increase of 2,3% was recorded in the period January-June 2007 compared with a 3,9% increase in the corresponding period of 2006.

According to provisional Cystat figures, total imports (cif) increased by 8,2% in the first seven months of 2007, compared with an increase of 16,6% in the corresponding period of 2006. Exports of goods fell by 2,9% in the first seven months of 2007 compared with an increase of 4,8% in the corresponding period of 2006. According to detailed data for the first half of 2006, the decrease in exports of goods was due to the decrease of re-exports, while exports of domestically produced goods increased by 15,7% year-on-year in the first half of 2007.

The turnover volume index of retail trade rose by 7,6% in the first seven months of 2007 compared with 5,7% in the same period of the previous year. In July 2007 this index increased by 10,4% compared with a rise of 5,6% in the

corresponding month of 2006. In the labour market, unemployment as a percentage of the economically active population reached 3,3% in the first seven months of 2007, compared with 3,5% in the corresponding period of 2006. In the secondary sector, the sale of cement rose by 11% in the first eight months of 2007 compared with a 0,6% rise in the corresponding period of 2006. At the same time the volume of building permits rose by 5,3% in the first six months of the year compared with a rise of 5,6% in the same period of 2006. Finally, the volume index of manufacturing production rose by 3,2% in the first seven months of 2007 compared with a fall of 1,5% in the corresponding period of 2006.

The most recent developments relating to public finances are reflected in the preliminary data for the first six months period of 2007, published by the Ministry of Finance and Cystat and covering semi-governmental organisations as well. According to this data (see **Table 15** in Annex, p. 50) a surplus of £83,2 million or 0,9% of GDP was recorded, compared with a deficit of £60,9 million or 0,7% of GDP in the corresponding 2006 period. This positive outcome is the result of the difference between total public revenue of £1.834,6 million (an increase of 17,8%) and total public expenditure of £1.751,2 million (an increase of 8,2%).

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International developments

The uncertainty in the international money markets, triggered by the crisis in the US subprime loans market, persists albeit in a milder form. In September the ECB, the Bank of England and the Federal Reserve injected more liquidity in the interbank loans market with the aim of reducing pressures in the money market. At the same time, the international economy is still affected by the increases in food and oil prices, which have led to a rise in inflationary pressures.

Euro area

As can be seen from **Tables 1** and **2** (pp. 5 and 6), despite the increased uncertainty emerging from the turmoil in the money markets, the predictions for economic growth in the euro zone are around 2,5% for 2007 and 2,2% for 2008. Unemployment is expected to be lower in 2007 compared with 2006, contributing to the increase in economic growth and increasing expectations for a further rise in European interest rates during the current year. Inflation was 1,8% in August compared with 2,3% in the same month of the previous year. Analysts, however, predict an increase in inflation above 2% until the next meeting of the ECB due, mainly, to the continued rise in oil and food prices, as well as the rapid increase in the money supply. The purchasing managers index declined to 54,3 in August, the lowest point in the last 18 months.

The ECB, following its decision not to increase interest rates on 6 September 2007, announced repos of €75 billion on 12 September, which

aimed at relieving pressures in the money market.

UK

The rate of economic growth is expected to reach 2,9% in 2007, while in 2008 it is expected to be around 2,4%. In August inflation reached 1,8%, down from 2,3% in the corresponding month of 2006. As a result of the decrease in inflationary pressures as well as the turmoil in money markets, analysts do not expect the Bank of England to increase its official interest rate further until November. Moreover, following higher domestic growth rates, unemployment reached 5,4% in the period May-July 2007, compared with 5,6% in the same period last year. Data published on 5 September 2007 show that services increased unexpectedly in August.

As a consequence of the turmoil in the money markets, the financial sector in the United Kingdom was also affected. The rumours for the financing problems encountered by Northern Rock and its subsequent support by the Bank of England caused a lot of concern in the market. At the same time, the data announced by Rightmove have shown that house prices in Britain decreased by 2,6% in August compared with the previous month.

USA

Economic growth is expected to reach 2% in 2007. Inflation was 2% in August 2007, partly as a result of the slowdown in consumer expenditure, the decrease in house prices and the tightness in the credit market. On 6 September 2007, the Federal Reserve injected more liquidity in the interbank loans market, thus decreasing the pressures in the money markets.

However, on 7 September unfavourable labour market data were released. More specifically, there was a decrease in new jobs in August while the estimates for June and July were revised downwards. As a result of the crisis in the subprime loans market and the continuous liquidity problems, the Fed decided to decrease its official interest rate from 5,25% to 4,75% on 18 September.

Japan

Economic growth is expected to be around 2,9% in 2007, while in 2008 it is estimated to experience a marginal slowdown. Unemployment was 3,6% in July 2007 compared with 4,1% in the same month of the previous year. There was no inflation in July 2007 compared with inflation of 0,2% in the same month of 2006. Inflation is expected to increase gradually, partly as a result of the increase in land prices. However, low inflation levels are expected to prevail during the next few months. On 19 September 2007 the Bank of Japan maintained its official interest rate at 0,5%, as anticipated by the markets.

China

The rate of economic growth is increasing at a rapid pace and is expected to be above 10% in 2007, while a mild slowdown is expected for 2008. Industrial production increased by 17,5% in August compared with 15,7% in the same month last year. Inflation increased by 6,5% in August 2007 compared with 1,3% in August 2006, mainly due to the increases in food prices. As a result, on 14 September 2007 the Central Bank of China increased its official interest rates for the fifth consecutive time since March, in an effort to keep inflation at sustainable levels. Finally, the country's large trade surplus

increased by 81% during the period January – July 2007.

Stock market developments

Chart 1 (p. 5) presents the Eurostoxx 50, S&P 500 and Nikkei 225 share indices for the period June - August 2007. After the decline experienced in the first three weeks of August, the three indices increased towards the end of the month as a result of the interventions by the ECB, the Federal Reserve and other central banks. These liquidity injections outweighed, to some extent, the big losses experienced in mid-August. During the period June – August 2007, the Eurostoxx 50, S&P 500, and the Nikkei 225 declined by 5,2%, 4,1% and 7,7%, respectively.

Oil

The average daily price of **Brent crude** remained at the relatively high level of \$71,87 per barrel in August, down from \$77,66 per barrel in July and \$71,58 per barrel in June. Oil prices increased to \$80,17 per barrel on 24 September due to, among other things, increased international demand and geopolitical uncertainty. Moreover, the decision to increase OPEC's daily production by 500.000 barrels as from 1 November 2007 did not stabilise oil prices. Doubts about supplies continue to contribute to high oil prices.

International currencies

Euro

The euro strengthened against the other three main currencies, i.e. the dollar, yen and sterling during the period 20 August and 19 September because of the market's expectations for an interest rate increase by the ECB, something not expected for the other three currencies.

US dollar

The dollar was negatively affected by the 50 basis points reduction of the discount rate by the Fed and by the reduction of the federal funds rate by 50 basis points down to 4,75% on 18 September.

The US currency considerably weakened relative to the euro, reaching \$1,3953 on 19 September compared with \$1,3495 on 20 August (**Chart 2**, p. 7). This was a new record low.

Sterling

Sterling weakened relative to the euro during the period under review, as the euro was recorded at ST£0,6969 on 19 September compared with ST£0,6780 on 20 August. Sterling was undermined by the financial problems that the British banking group Northern Rock was facing, while the subsequent support by the Bank of England caused concerns to the market. Moreover, the fact that during the last meeting of the Bank of England's Monetary Policy Committee no one voted for an increase in rates, together with the decline of residential prices in August, weakened the market's expectations for an increase in interest rates, thus negatively affecting sterling.

Japanese yen

The yen weakened relative to the euro, reaching ¥161,65 per euro on 19 September compared with ¥155,22 on 20 August. The Japanese currency was undermined by the relative reduction of uncertainty in the markets, which increased the carry trade, and also by the resignation of the country's prime minister.

Table 1

GDP Projections⁽¹⁾

(annual percentage change)

	The Economist Poll of forecasters ⁽²⁾		Lehman Brothers Global Weekly Economic Outlook ⁽³⁾		International Monetary Fund World Economic Outlook ⁽⁴⁾		European Commission Economic Forecasts ⁽⁵⁾	
	2007	2008	2007	2008	2007	2008	2007	2008
World			2,2 (2,3)	1,8 (2,1)	4,9	4,9	4,8 (4,6)	4,8 (4,7)
Euro area	2,7	2,3	2,5 (2,6)	1,8 (2,0)	2,3 (2,0)	2,3	2,6 (2,1)	2,5 (2,2)
USA	2,0	2,6	2,0 (1,9)	1,8 (2,1)	2,2 (2,9)	2,8	2,2 (2,3)	2,7 (2,8)
Japan	2,4 (2,6)	2,2 (2,3)	2,0 (2,4)	1,9 (2,1)	2,3 (2,1)	1,9	2,3	2,1
UK	2,9 (2,8)	2,4 (2,3)	3,0	1,7 (2,3)	2,9 (2,7)	2,7	2,8 (2,6)	2,5 (2,4)
China	10,5	9,6	10,8	9,2 (9,5)	10,0	9,5	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, 20 September 2007.

(3) Lehman Brothers Global Weekly Economic Monitor, 21 September 2007.

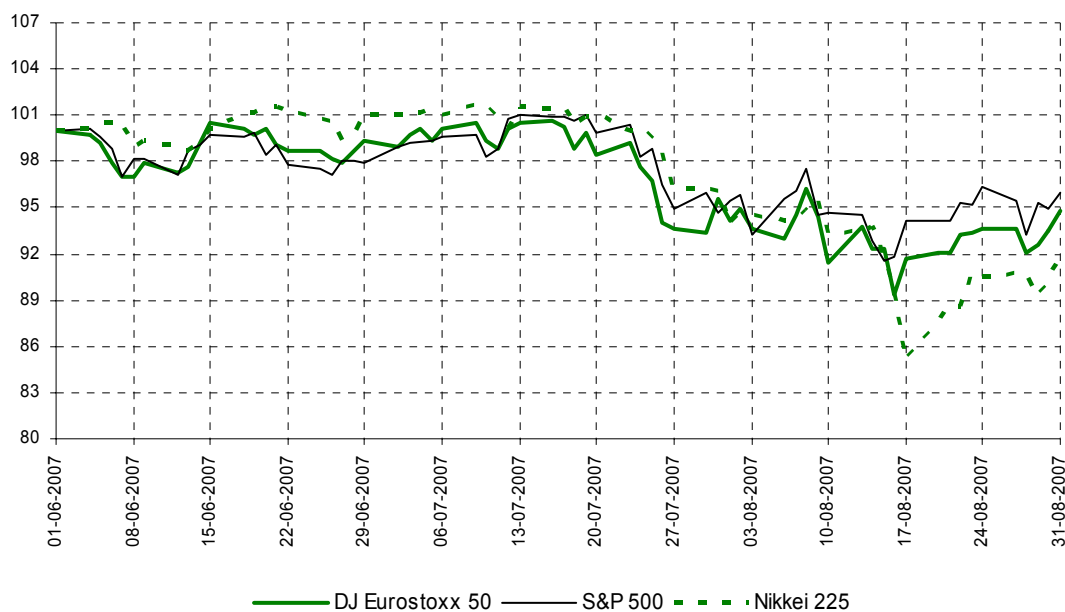
(4) International Monetary Fund, World Economic Outlook, April 2007.

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

Chart 1

Selected international stock market indices

(1 June 2007 = 100, daily data)



Source: Bloomberg.

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

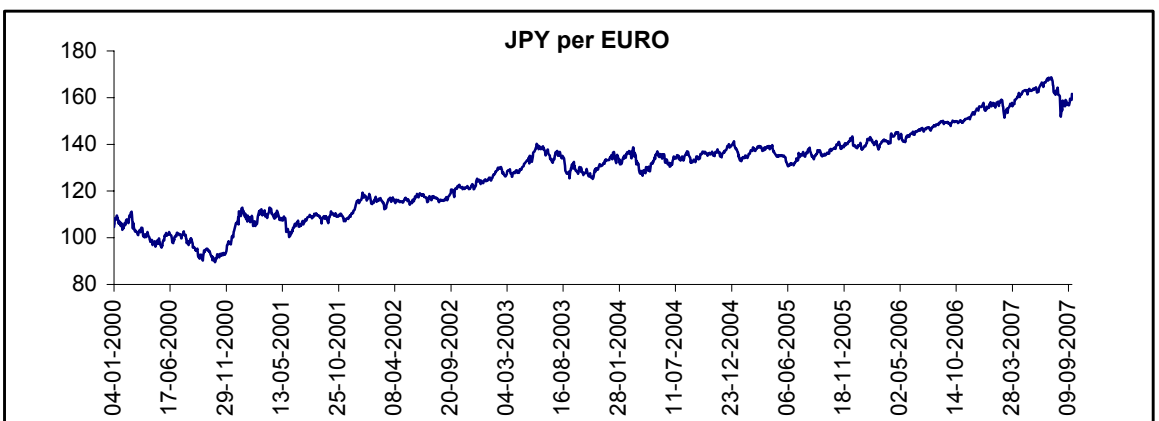
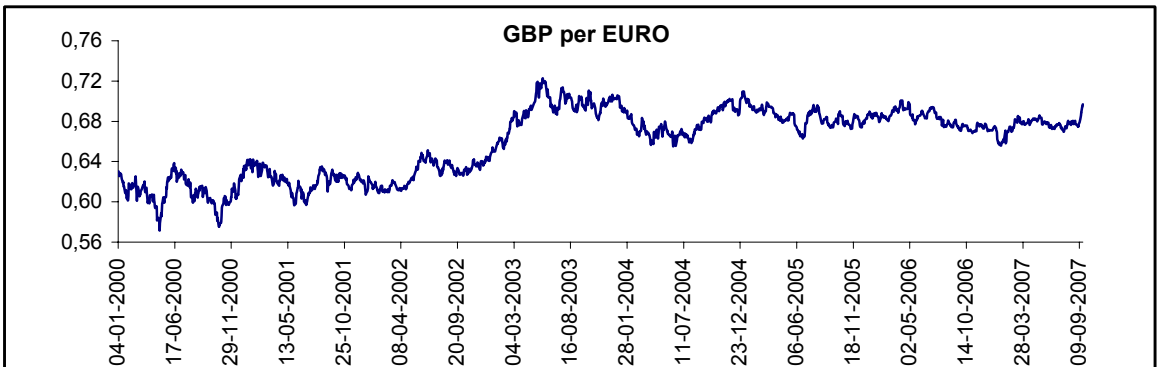
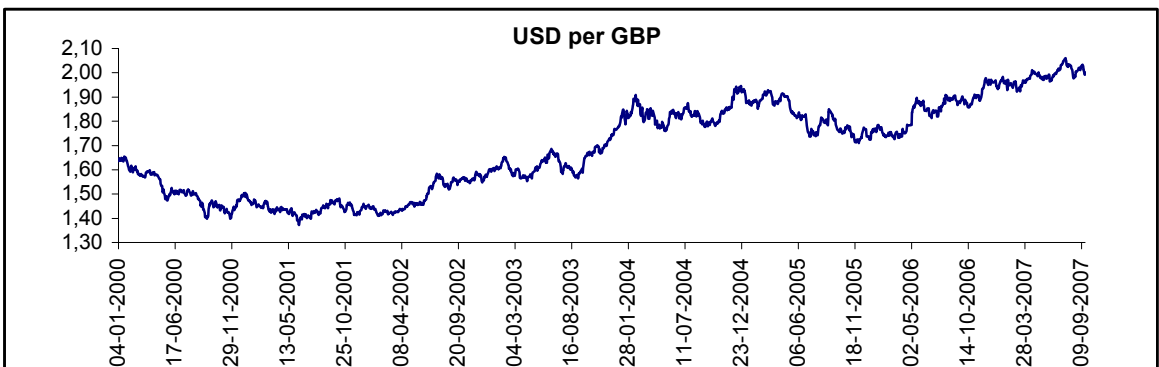
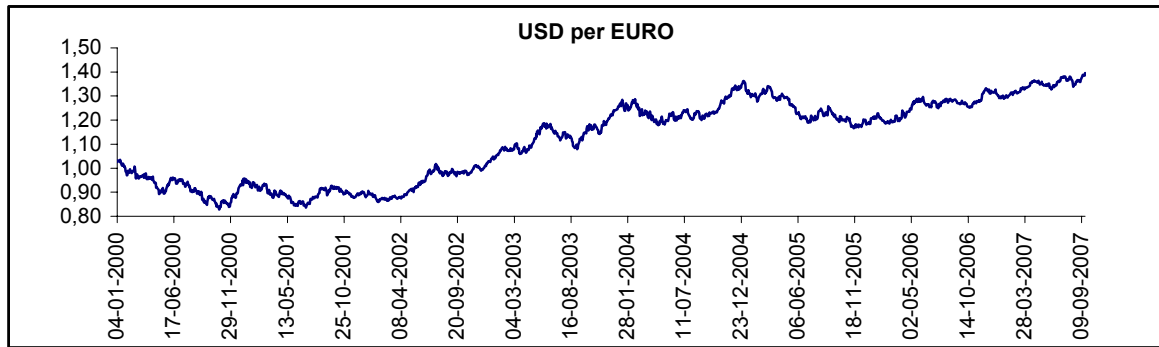
	GDP				Industrial production July (annual)	Retail sales July (annual)	Unemployment July (annual)	Inflation ⁽²⁾ August (annual)
	2007 (Q1)		2007 (Q2)					
	(quarterly) ⁽¹⁾	(annual)	(quarterly) ⁽¹⁾	(annual)				
UK	2,9	2,9	3,3	3,0	0,9	4,9 ⁽³⁾	5,4 ⁽⁴⁾	1,8
Japan	3,3	2,6	-1,2	1,6	3,2	-1,9	3,6	0,0 ⁽⁵⁾
USA	0,6	1,9	4,0	1,9	1,7 ⁽³⁾	3,6	4,6 ⁽³⁾	2,0
Euro area	2,4	3,0	1,2	2,5	3,7	0,5	6,9	1,8
China		11,1		11,9	17,5 ⁽³⁾	15,3 ⁽⁶⁾	9,5 ⁽⁷⁾	6,5

Source: *The Economist*, 20 September.⁽¹⁾ Percentage change on previous quarter at an annualised rate.⁽²⁾ Based on the consumer price index.⁽³⁾ August 2007.⁽⁴⁾ May - July 2007.⁽⁵⁾ July 2007.⁽⁶⁾ March 2007.⁽⁷⁾ December 2006.

Chart 2

Major international currencies

(middle rate)



Source: Central Bank of Cyprus.

Cyprus pound

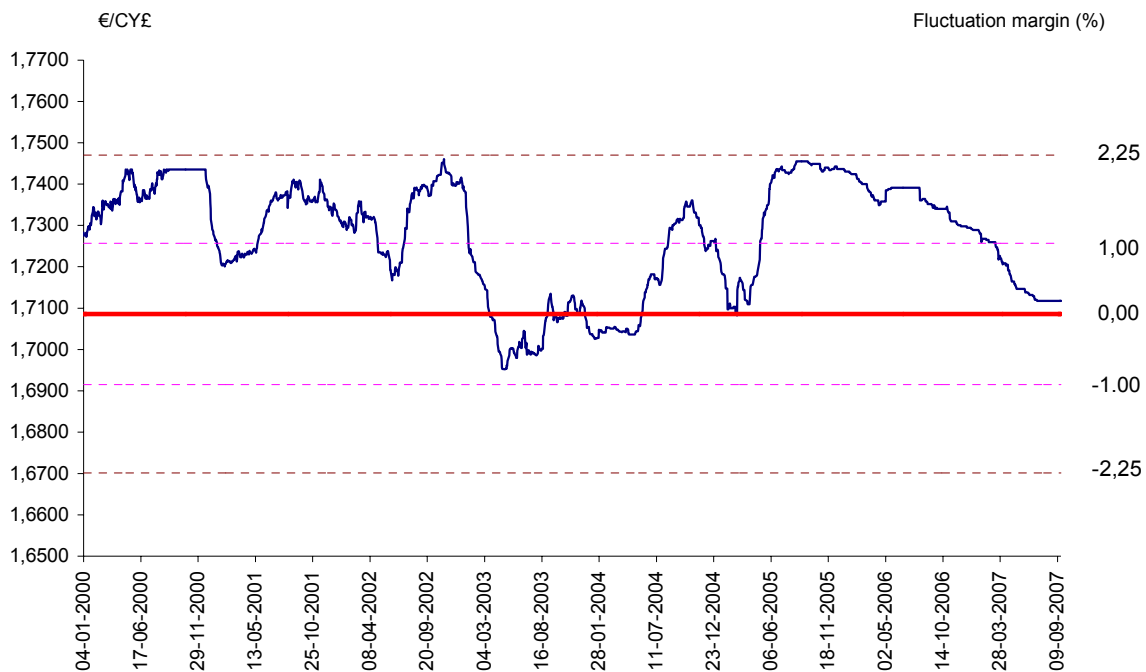
During the period 20 August – 19 September, the pound was stable relative to the euro at €1,7132 per pound. Reflecting the fluctuations of foreign currencies during the period under review, the pound recorded a significant strengthening relative to the dollar reaching \$2,3883 on 19 September compared with \$2,3036 on 20 August.

September compared with ST£1,1623 and ¥265,71, respectively, on 20 August .

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

During the same period, the Cyprus pound strengthened against sterling and the yen, reaching ST£1,1929 and ¥276,70 on 19

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

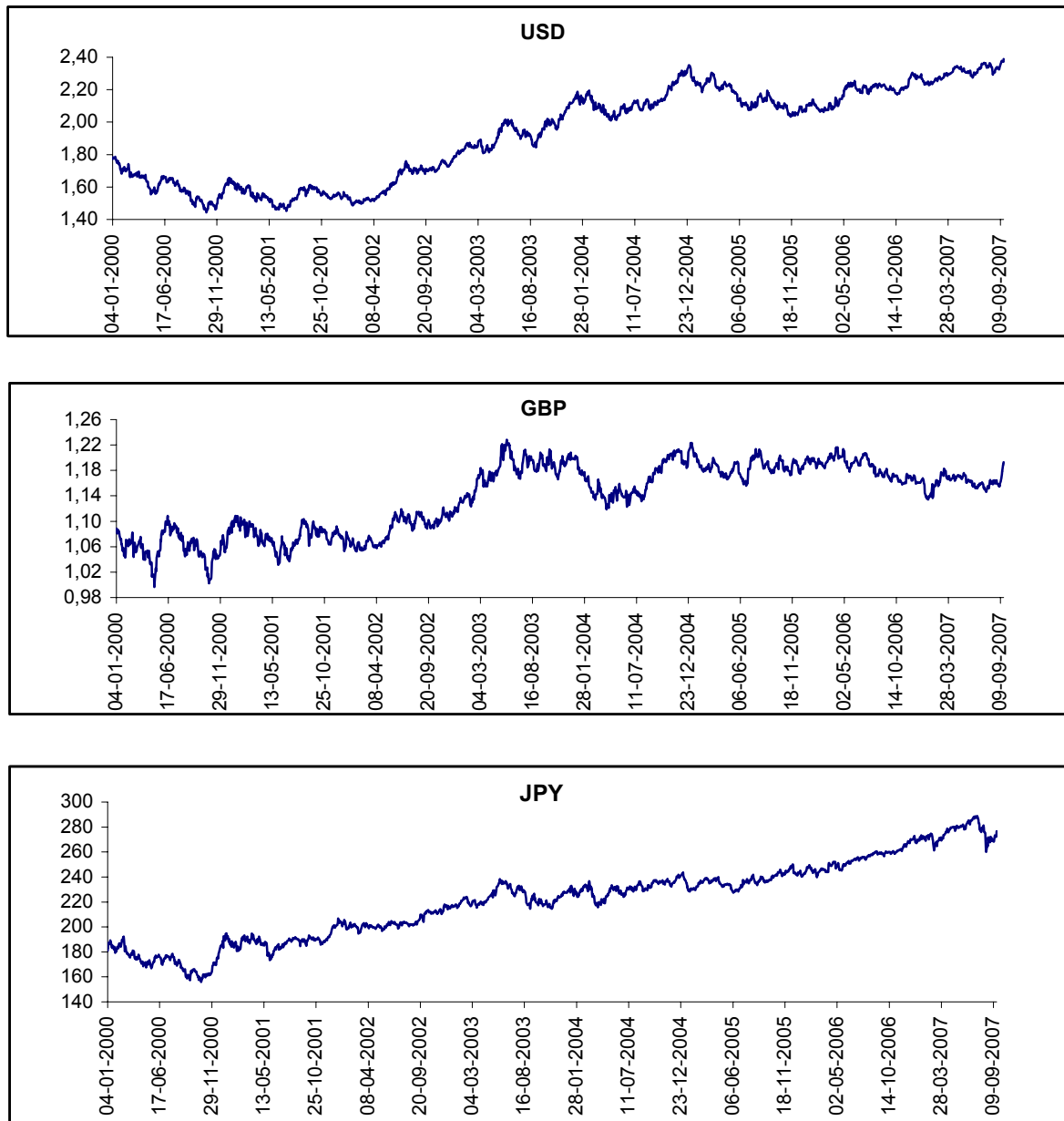


Source: Central Bank of Cyprus.

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)



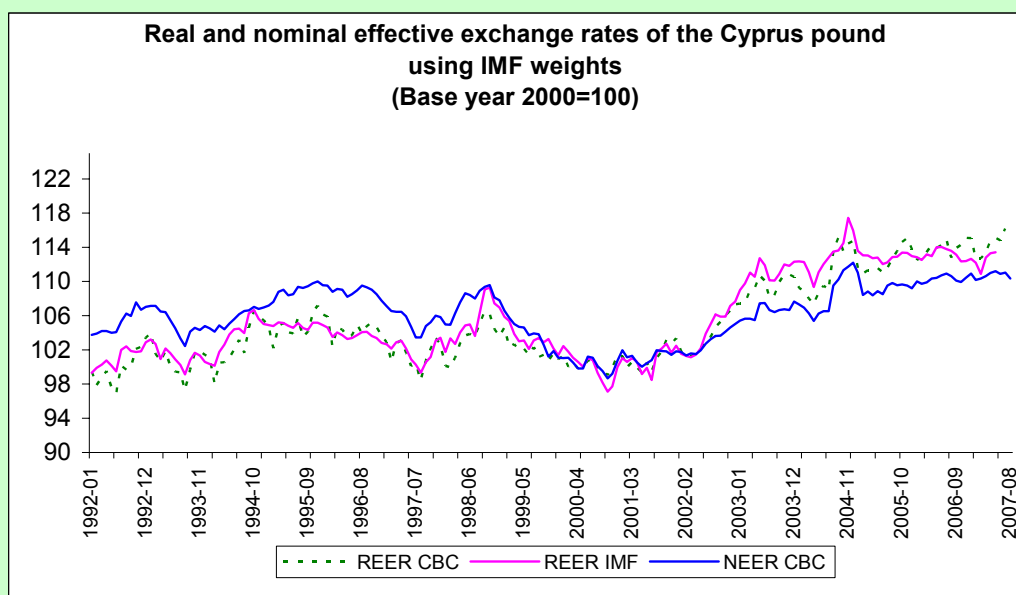
Source: Central Bank of Cyprus.

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 July and August 2007, respectively. An upward trend of the overall index reflects an appreciation of the domestic currency in real or nominal terms, thus indicating weakening of the competitiveness for exported products.



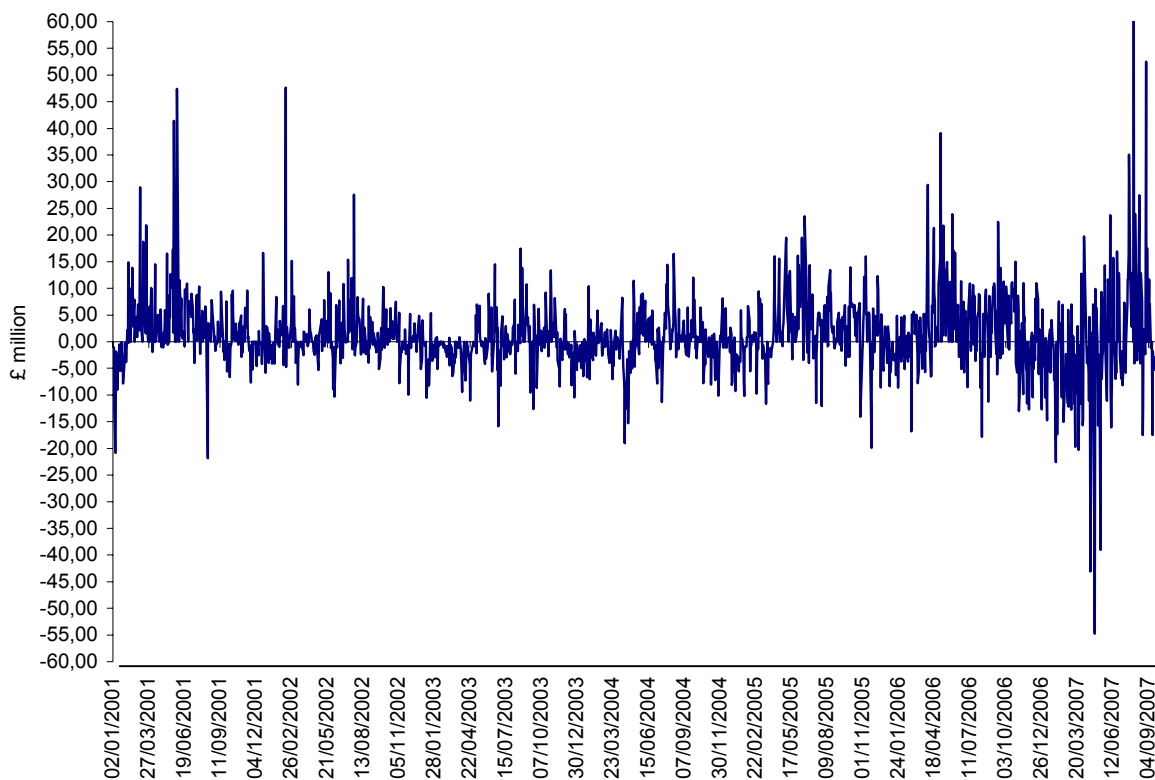
The real effective exchange rate of the Cyprus pound, REER IMF, shown in the chart below is calculated by the International Monetary Fund (IMF) and is a third country competition weighted index, taking into account 19 countries. The weights are estimated using data on trade and tourism for the years 1988 – 1991 (for the data until 1994) and 1999 - 2001 (for the data from 1995 onwards), and the consumer price index is used to deflate the series. Using 2000=100 as the base year, REER IMF reached 113,4 units in May 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 July 2007 in real terms and August 2007 in nominal terms. The REER CBC index averaged 116,17 units in July 2007 whereas the index in nominal terms reached 110,34 units in August 2007.

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

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

During the period 1 January – 19 September 2007, net outflows of £145,57 million were recorded compared with net inflows of £466,32 million in the corresponding period of 2006.

Chart 5
Daily purchases/sales of foreign exchange by the Central Bank of Cyprus from/to domestic banks



Source: Central Bank of Cyprus.

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

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

Period	Foreign currency per Cyprus pound (period average)			Purchases(+)/Sales(-) of foreign exchange by the Central Bank (based on transaction date)			
				In foreign currency (million)			In Cyprus pounds (million)
	Euro	USD	Sterling	Euro	Dollar	Sterling	
Yearly							
2001	1,7314	1,5602	1,0805	755,82	242,99	76,39	663,30
2002	1,7383	1,6445	1,0934	321,55	64,75	53,05	273,13
2003	1,7122	1,9361	1,1844	-259,75	1,30	19,50	-134,01
2004	1,7187	2,1357	1,1663	-91,40	15,75	25,70	-25,52
2005	1,7310	2,1574	1,1858	899,55	29,30	37,30	560,68
2006	1,7350	2,1826	1,1844	1024,25	0,40	4,40	593,65
Quarterly							
2005 Q1	1,7161	2,2496	1,1902	-161,10	10,50	30,10	-64,10
2005 Q2	1,7297	2,1785	1,1742	518,15	22,30	4,40	312,86
2005 Q3	1,7443	2,1278	1,1928	250,45	-3,55	-0,10	141,83
2005 Q4	1,7440	2,0737	1,1861	292,05	0,50	2,90	170,09
2006 Q1	1,7407	2,0930	1,1947	-85,05	1,70	0,60	-47,47
2006 Q2	1,7379	2,1830	1,1962	631,05	0,00	2,00	364,75
2006 Q3	1,7383	2,2116	1,1891	284,85	-0,15	1,80	152,29
2006 Q4	1,7316	2,2345	1,1658	154,90	-0,15	0,00	89,18
2007 Q1	1,7266	2,2622	1,1576	-426,90	-2,00	4,20	-243,93
2007 Q2	1,7159	2,3134	1,1644	-165,80	0,00	-1,00	-97,23
2006							
January	1,7429	2,1102	1,1960	-79,95	-0,30	0,00	-46,01
February	1,7411	2,0980	1,1896	-8,45	0,00	0,60	-4,34
March	1,7382	2,0894	1,1984	3,35	2,00	0,00	2,88
April	1,7356	2,1247	1,2059	159,45	-0,15	2,00	93,46
May	1,7388	2,2216	1,1881	326,40	0,00	0,00	187,73
June	1,7392	2,2027	1,1946	145,20	0,15	0,00	83,56
July	1,7392	2,2061	1,1963	113,65	-1,00	0,00	64,89
August	1,7366	2,2260	1,1759	26,00	0,00	0,00	14,94
September	1,7346	2,2093	1,1714	183,70	-0,15	1,80	107,36
October	1,7339	2,1876	1,1667	210,40	0,00	0,00	121,33
November	1,7310	2,2300	1,1666	-81,50	-0,15	0,00	-47,18
December	1,7298	2,2860	1,1640	26,00	0,00	0,00	15,03
2007							
January	1,7288	2,2478	1,1474	-142,40	-2,00	2,00	-81,55
February	1,7266	2,2556	1,1526	-143,00	0,00	2,20	-80,91
March	1,7251	2,2803	1,1732	-141,50	0,00	0,00	-81,47
April	1,7197	2,3257	1,1678	-250,00	0,00	0,00	-145,49
May	1,7152	2,3176	1,1688	-0,50	0,00	0,00	-0,29
June	1,7137	2,3002	1,1575	84,70	0,00	-1,00	48,55
July	1,7120	2,3475	1,1545	198,00	-0,30	0,00	115,55
August	1,7117	2,3324	1,1602	150,50	0,00	0,00	87,92
September*	1,7117	2,3580	1,1694	-13,50	0,00	0,00	-7,89

*Figure until 19 September 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 former 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, the former IBUs are free to provide credit to Cypriots¹.

Analysis of monetary aggregates

During August M2 continued to grow at a fast rate, mainly because of the continued increase in credit to the private sector (**Charts 6 and 7**, respectively, 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 August 2007 constituting 19% 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 18,5% in August, compared with 18,1% in July 2007 and 12,1% in August 2006. Credit to the private sector by domestic banks and the CCIs grew by 22,5% in August 2007, compared with 13% in the same month of 2006.

1. It should be noted that, since 1 January 2006 the term 'international banking units' 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.

M2 grew by 19,7% in August, which was slightly higher than the 19,6% experienced in July, and significantly higher than the 13,3% experienced in August 2006. According to the three-month moving average, the rate of growth of M2 during the period June – August 2007 accelerated to 19,4%, compared with 18,8% in the period May – July 2007.

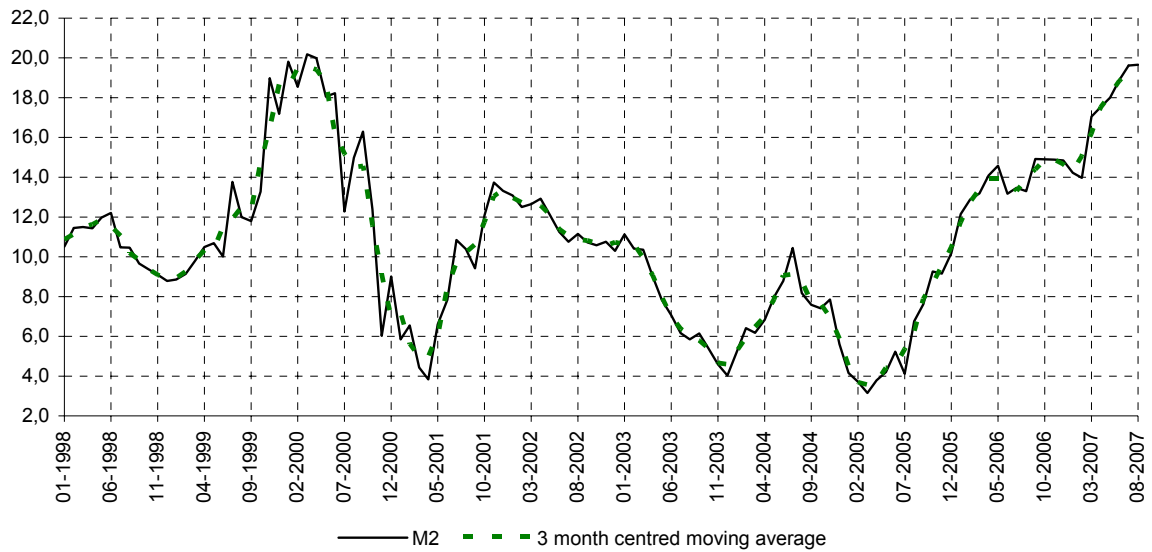
Table 4 (p. 16) presents the annual percentage change of components and factors affecting total money supply. Regarding the components of M2, the narrow money aggregate M1 registered an annual increase of 23,6% in August, compared with 26% in July 2007 and 22,5% in August 2006. The slowdown in M1 growth emanated mainly from demand deposits in local currency. Quasi-money rose by 18,8% in August compared with 18,2% in July 2007 and 11,4% August 2006. The acceleration in quasi-money growth and the simultaneous slowdown in M1 growth indicate a switch from demand deposits towards time deposits. More specifically, the main increase was for deposits of seven days to three months duration. At the end of August, quasi-money accounted for 81% of total money supply while M1 accounted for 19% of total money supply.

The annual rate of growth of residents' local currency deposits rose by 12,2% in August, compared with 11,7% in July 2007 and 12% in August 2006. At the same time, the annual rate of growth of resident foreign currency deposits was 80,2% in August, compared with 86,7% in July 2007 and 27% in August 2006. This development was partly the result of a narrowing in the interest rate gap between euro and Cyprus pound deposits, the forthcoming adoption of the euro on 1 January 2008 and the fact that all transactions on the Cyprus Stock Exchange are undertaken in euros.

Chart 6

M2 growth

(annual percentage change, monthly data)

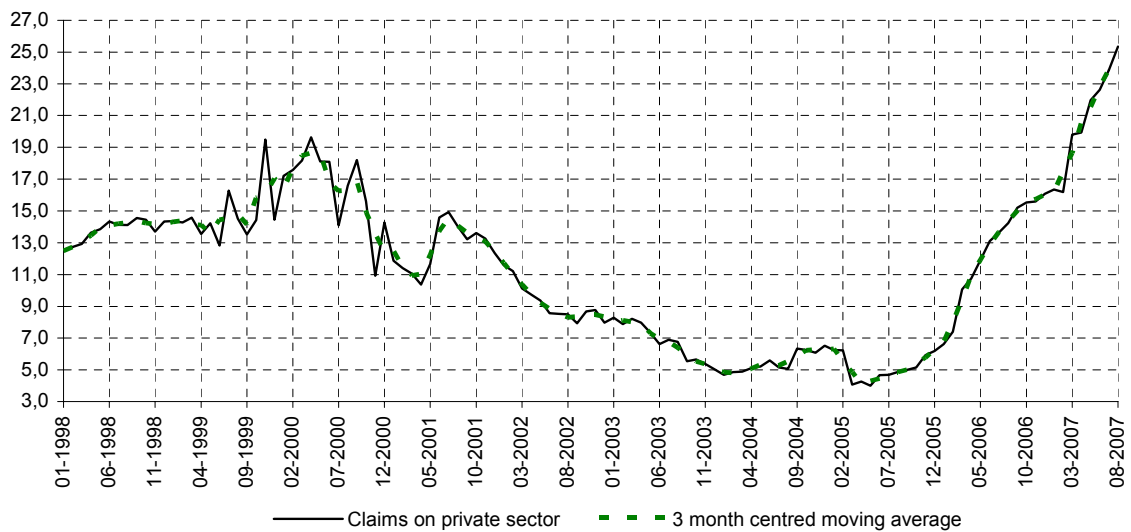


Source: Central Bank of Cyprus.

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 25,3% in August. Credit had risen by 23,9% in July 2007 and 14,2% in August 2006. The three-month moving average of credit growth was 24% during the period June – August 2007, compared with 22,8% in the period May – July 2007. On the other hand, credit to the public sector declined by 8,7% and 6,7% in August and July, respectively, compared with an increase of 23,3% in August 2006.

The breakdown of bank credit by sector of economic activity (**Table 5**, p. 16) shows that personal/professional loans rose by 35,3% in August, compared with 33,8% in July 2007 and 22,7% in August 2006. Credit to the construction sector rose at an annual rate of 39,8% in August, compared with 37,8% in July 2007 and 20,1% in August 2006.

The largest share of total outstanding amounts at the end of August 2007 was maintained by personal/professional loans with 52,2%, followed by credit to the construction sector with 19,8%, foreign and domestic trade with 11,5%, and tourism with 6,8%.

Foreign currency lending to residents by domestic banks rose by £746,7 million in the 12 months to August 2007, compared with a rise of £654 million in the same period of the previous year (**Table 6**, p. 17). The share of new foreign currency loans to total new loans given in the 12 months to August 2007 was 28,7%, compared with 51,2% in the same period of 2006. The share of new foreign currency loans to total loans outstanding at the end of August 2007 was 19%, compared with 16,5% at the end of August 2006.

At the end of July 2007, loans in euro as a percentage of total foreign currency loans reached 54,5%, loans in Swiss francs accounted for 37,4% and loans in dollars accounted for 3,2%, compared with 59,8%, 31,4% and 6,2%, respectively, at the end of July 2006. The increasing share of loans in Swiss francs is attributed to the low interest rates in this currency, as opposed to the steady and continuous rise of euro interest rates in the last two years. It also appears that borrowers have been disregarding the exchange rate risk associated with such transactions, even though the exchange rate between the Swiss franc and the Cyprus pound has historically exhibited fluctuations.

Domestic expenditure by holders of Cypriot credit cards rose at an annual rate of 11,9% in August 2007, compared with 17,7% in August 2006. In the first eight months of 2007, this expenditure rose by 19,2% compared with 16,9% in the same period of 2006.

Expenditure by Cypriot cardholders abroad rose at an annual rate of 35,1% in August, compared with 29,2% in the same month of the previous year. During the period January – August 2007, this type of expenditure rose by 37,8% compared with 35% in the same period of the preceding year.

Table 4**Main monetary indicators**

	Outstanding amount as a percentage of M2 ⁽¹⁾	Annual percentage change			
		2006 Jul.	2006 Aug.	2007 Jul.	2007 Aug.
Money supply (M1)	19,0	22,7	22,5	26,0	23,6
Currency in circulation	4,7	7,6	8,5	6,6	7,1
Demand deposits	14,3	30,3	29,1	34,0	30,2
Quasi-money	81,0	11,5	11,4	18,2	18,8
Total money supply (M2)	100,0	13,5	13,3	19,6	19,7
Claims on private sector ⁽²⁾		13,7	14,2	23,9	25,3
of which in foreign currency		65,2	62,8	39,4	44,0
Claims on public sector		24,7	23,3	-6,7	-8,7

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 July and August 2007 is 22,7% and 24,2%, respectively.

Table 5**Bank credit by sector⁽¹⁾**

	Outstanding amount as a percentage of total ⁽²⁾	Annual percentage change			
		2006 Jul.	2006 Aug.	2007 Jul.	2007 Aug.
Public institutions and corporations ⁽³⁾	3,26	9,1	11,0	38,5	36,1
Agriculture	0,87	-8,1	-8,6	14,4	18,5
Mining	0,20	1,1	2,2	1,4	-1,3
Manufacturing	3,80	1,0	1,8	-0,4	-0,9
Transport and communications	1,51	4,6	5,4	86,6	116,8
Foreign and domestic trade	11,48	-0,4	-2,2	4,2	8,6
Building and construction	19,82	19,0	20,1	37,8	39,8
Tourism	6,83	7,0	6,8	9,5	8,7
Personal and professional loans	52,21	22,1	22,7	33,8	35,3
Bills discounted: local	0,01	-19,9	-20,9	-36,2	-43,0
foreign	0,01	-33,1	-13,4	-23,7	-26,3
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 Aug.	2007 Jul.	2007 Aug.
<i>(outstanding amounts at end of period, CYP million)</i>						
Foreign currency loans to residents	909,9	1.205,8	1.896,9	1.695,5	2.346,4	2.442,2
Claims on private sector	8.843,7	9.390,8	10.901,2	10.252,5	12.666,5	12.850,6
Share %	10,3	12,8	17,4	16,5	18,5	19,0
<i>(12 month change, CYP million)</i>						
Foreign currency loans to residents	111,0	295,8	691,2	654,0	663,7	746,7
Claims on private sector	541,7	547,1	1.510,4	1.278,3	2.440,7	2.598,1
Share %	20,5	54,1	45,8	51,2	27,2	28,7

Source: Central Bank of Cyprus.

(1) From domestic banks.

Foreign cardholders' expenditure in Cyprus rose at an annual rate of 4,9% in August 2007 compared with 0,3% in the same month of 2006, thus partly reflecting the relatively positive picture of the tourist sector. During the first eight months of the current year, this type of expenditure rose by 5,7% compared with a rise of 5,8% in the same period of 2006 (**Table 7**, p.18).

Co-operative Credit Institutions (CCIs)³

During August 2007 local currency deposits with CCIs amounted to 38,8% of deposits in CCIs and domestic banks, compared with 38,1% in August 2006. In August 2007 the share of CCI loans in local currency loans was estimated at 28,5%, compared with 29,7% in August 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 15,2% in the 12 months to August 2007, compared with 12,8% in

the same period to August 2006. Loans in Cyprus pounds given out by CCIs are estimated to have increased by 14,7% in August 2007, compared with 9,3% in the same month of 2006.

Money market

During August 2007, there was an increase in excess bank liquidity⁴. The main factor which positively affected surplus liquidity was the increase in net foreign assets (**Table 8**, p. 19). The CBC held an auction on 13 September 2007 for the acceptance of deposits of 14-day duration at an average interest rate of 4,45%. The minimum and maximum allotment rates were 4,43% and 4,49%, respectively.

Table 9 (p. 20) shows that in August 2007 no auctions were held in either treasury bills or government bonds. The interbank overnight interest rate increased to 4,49% in August, from 4,26% in July 2007.

4. The box on pages 21 and 22 presents the liquidity conditions for the period 21 June 2007 - 12 September 2007. Any differences in the amounts are due to the different periods being analysed.

3. The data for the CCIs are estimated by the Central Bank based on a sample of 199 CCIs, which make up about 98% of total deposits and loans in the co-operative sector.

Table 7
Credit card transactions

	2005	2006	August		Jan.-Aug.	
			2006	2007	2006	2007
Foreign cardholder spending in Cyprus						
Value (CYP thousand)	244.609	256.958	31.988	33.559	167.782	177.271
Annual % change	5,1	5,0	-0,3	4,9	5,8	5,7
Local cardholder spending in Cyprus						
Value (CYP thousand)	659.486	769.917	68.190	76.338	486.029	579.586
Annual % change	11,4	16,7	17,7	11,9	16,9	19,2
Local cardholder spending abroad						
Value (CYP thousand)	244.131	332.497	28.772	38.881	202.816	279.550
Annual % change	25,2	36,2	29,2	35,1	35,0	37,8

Source: JCC Payment Systems.

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)					
1		Main refinancing operations (repos)	Long-term refinancing operations	Marginal lending facility (lombard)	Other liquidity providing operations (swap)							2	3	4	5	6
2005 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			
June	1.892,1	0,0	0,0	0,0	0,0	50,4	0,0	68,7	666,1	-48,1	310,1	844,9	1.561,4			
July	1.930,1	0,0	0,0	25,6	0,0	34,7	0,0	255,4	684,7	-160,7	277,1	864,6	1.583,9			
Aug	2.049,2	0,0	0,0	19,9	0,0	21,9	0,0	361,7	681,4	-163,7	282,0	885,7	1.589,0			

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 Aug.	2007 June	2007 July	2007 Aug.
Interbank (1 day)	3,92	3,27	2,90	2,86	4,06	4,26	4,49
Acceptance of deposits	3,89	3,28	3,00	3,05	3,79	4,37	4,53
Treasury bills (13 weeks)	4,21	4,26	2,56	-	-	-	-
Treasury bills (52 weeks)	4,77	4,29	2,89	-	-	-	-
Development stocks (2 years)	5,14	4,74	3,40	-	-	-	-
Development stocks (5 years)	5,92	5,68	3,84	-	-	-	-
Development stocks (10 years)	6,07	5,17	4,12	-	-	-	-
Development stocks (15 years)	6,31	5,61	-	-	-	-	-

Source: Central Bank of Cyprus.

Table 10 (p. 23) provides a comparison between domestic and EU long-term interest rates. Most recent data refer to the latest 12 month moving average until August 2007 and show that

domestic long-term real interest rates exceeded the corresponding euro area rates by 33 basis points.

BOX 2
Liquidity conditions and monetary policy operations

This box reviews the Central Bank of Cyprus (CBC) liquidity management from 21 June to 12 September 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 an increase 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	21/06/2007	05/07/2007	147,0	70,0	2,10	3,59	14
LAO	05/07/2007	19/07/2007	308,0	280,0	1,10	4,26	14
LAO	19/07/2007	02/08/2007	96,0	80,0	1,20	4,37	14
LAO	19/07/2007	02/01/2008	206,0	206,0	1,00	4,60*	167
LAO	02/08/2007	16/08/2007	219,0	150,0	1,46	4,38	14
LAO	16/08/2007	30/08/2007	169,0	169,0	1,00	4,47	14
LAO	30/08/2007	13/09/2007	140,2	140,2	1,00	4,50	14

* Fixed rate auction

Source: Central Bank of Cyprus.

Six of the LAOs were carried out through variable rate tenders with a maximum bid rate of 4,50%. On 19 July 2007 a fixed rate auction was also conducted with a fixed rate of 4,60% and 167-day duration (date of maturity, 2 January 2008). The amount absorbed was £206 million.

The absorbed liquidity through the variable rate tender auctions (14-day duration) ranged between £70 million and £280 million, whereas the weighted average allotment rate remained within the range of 3,59% and 4,50%. The ratio of the bid amount to the volume allotted, ranged between 1,00 and 2,10 with an average of 1,31, while the number of participating counterparties varied between 2 and 6.

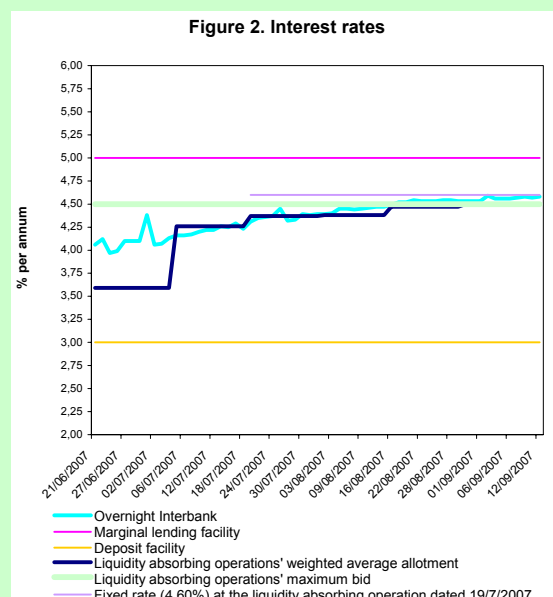
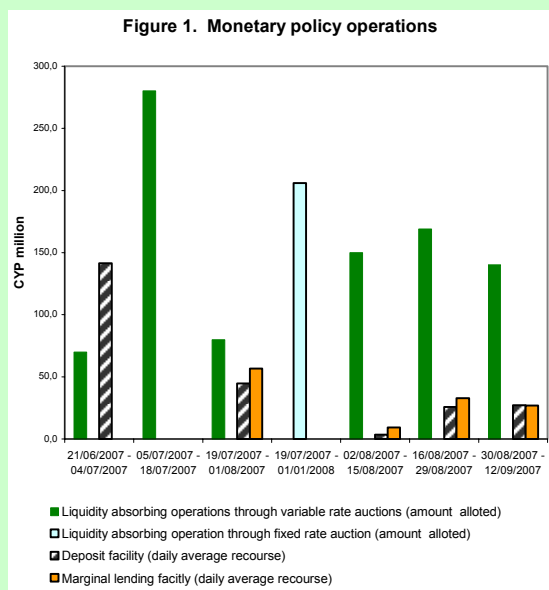
Standing facilities

(period averages of daily recourse in CYP million)

Period	Deposit facility	Marginal lending facility
21/06/2007 - 04/07/2007	141,5	0,0
05/07/2007 - 18/07/2007	0,0	0,0
19/07/2007 - 01/08/2007	44,7	56,6
02/08/2007 - 15/08/2007	3,6	9,3
16/08/2007 - 29/08/2007	25,8	32,9
30/08/2007 - 12/09/2007	27,1	27,0

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 £141,5 million and to the marginal lending facility between zero and £56,6 million.



Overnight interbank interest rate
(percent per annum)

Period	Minimum rate	Maximum rate	Average rate
21/06/2007 - 04/07/2007	3,97	4,38	4,10
05/07/2007 - 18/07/2007	4,16	4,29	4,22
19/07/2007 - 01/08/2007	4,31	4,45	4,37
02/08/2007 - 15/08/2007	4,39	4,47	4,44
16/08/2007 - 29/08/2007	4,49	4,54	4,53
30/08/2007 - 12/09/2007	4,53	4,59	4,56

Source: Central Bank of Cyprus.

During the period under review the overnight interbank interest rate ranged between 3,97% and 4,59%. The average rate stood at around 4,37%.

International and domestic official interest rates

As already mentioned, at their recent meetings on 6 September 2007 the ECB and the Bank of England left their official interest rates unchanged at 4% and 5,75%, respectively. In contrast, the Federal Reserve lowered its official interest rate from 5,25% to 4,75% at its recent meeting on 18 September 2007. This decision was made due to concerns of inherent risks for

the economy's growth, following the crisis in the subprime loans market and the continuous liquidity problems.

On the other hand, the CBC left its interest rates unaltered at its meeting on 10 September 2007 (Table 11, p. 24). More specifically, the minimum bid rate on the main refinancing operations remained at 4,5%, while the marginal lending facility and the overnight deposit facility rates remained at 5% and 3%, respectively.

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

(latest 12-month average)

	Inflation (HICP)	Long-term interest rates	Long-term real interest rates
	(%)	(%)	(%)
Austria	1,70	4,12	2,42
Belgium	1,70	4,14	2,44
Czech Republic	2,00	4,03	2,03
Denmark	1,50	4,11	2,61
Estonia ⁽¹⁾	5,10	4,92	-0,18
Finland	1,30	4,12	2,82
France	1,30	4,12	2,82
Germany	1,70	4,07	2,37
Greece	2,90	4,34	1,44
Hungary	7,70	6,90	-0,80
Ireland	2,60	4,10	1,50
Italy	1,90	4,32	2,42
Latvia	7,70	5,14	-2,56
Lithuania	4,60	4,39	-0,21
Luxembourg ⁽¹⁾	2,10	4,21	2,11
Malta	0,50	4,56	4,06
Netherlands	1,60	4,11	2,51
Poland	1,90	5,35	3,45
Portugal	2,50	4,25	1,75
Slovakia	2,40	4,42	2,02
Slovenia	2,90	4,34	1,44
Spain	2,50	4,12	1,62
Sweden	1,40	3,97	2,57
United Kingdom ⁽¹⁾	2,60	4,87	2,27
Eurozone	1,80	4,15	2,35
EU -25	2,00	4,45	2,45
Cyprus	1,70	4,38	2,68

Source: Eurostat.

(1) Data for July 2007.

Cyprus Stock Exchange (CSE)

After the fall in the first three weeks of August, the main and parallel market index of the CSE increased towards the end of the month. The banking sector accounted for a predominant share in stocks purchased, partly as a result of banks' positive financial results.

More specifically, the financial results for the first six months of the year have shown that the banks' performance was well above analysts expectations as far as operational goals, performance and expansion abroad are concerned.

In August 2007 the aforementioned index fluctuated between 4.619,1 and 4.995,8 (Chart 8, p. 25), reaching a monthly average of 4.862,7. During the first eight months of the year, the average value of the index was 4.533,5. The average daily value of transactions decreased to £8,6 million in August, compared with £13,5 million in July. At the same time, the average

daily volume of transactions decreased to 2.916 in August compared with 4.598 in the previous month. The companies with the largest volume of transactions were Hellenic Bank Plc and Marfin Popular Bank Public Company Ltd, accounting for 19,4% and 18,8% of the total volume, respectively.

2.3 INFLATION

In August 2007 the consumer price index exhibited a marginal acceleration registering an increase of 2,47%, compared with 2,43% in the previous month. As Table 12 (p. 27) shows, the increase in the rate of inflation in August (compared with July) largely reflects the acceleration in the price of agricultural products, as well as the small increase, compared with a fall in the previous month, of the price of electricity.

Table 11

Selected official interest rates

(percent per annum, changes in percentage points)

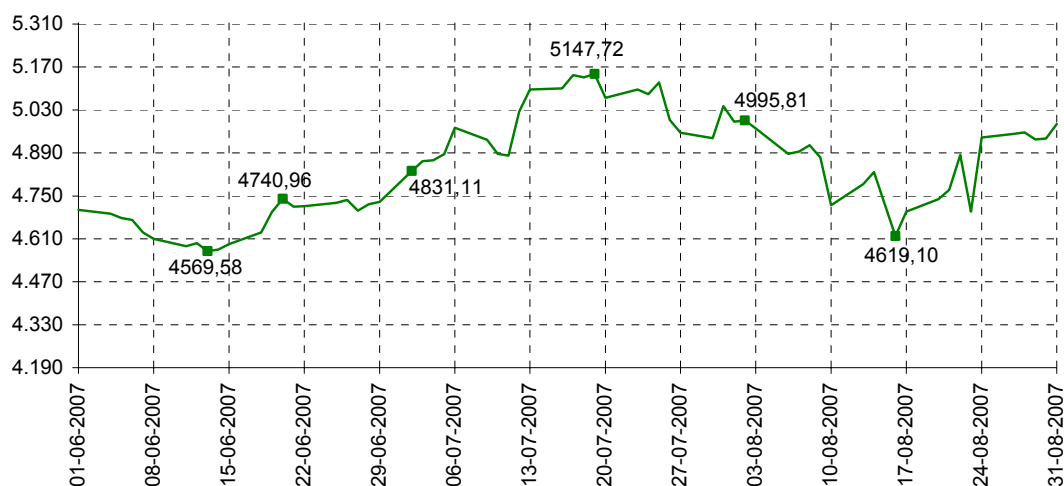
		change
European Central Bank		
<i>(6 September 2007)</i>		
Minimum bid rate on the main refinancing operations	4,00	-
Interest rate on the marginal lending facility	5,00	-
Interest rate on the deposit facility	3,00	-
Bank of England		
<i>(6 September 2007)</i>		
Rate paid on commercial bank reserves	5,75	-
Federal Reserve		
<i>(18 September 2007)</i>		
Federal funds rate	4,75	-0,50
Discount rate	5,25	-0,50
Central Bank of Cyprus		
<i>(10 September 2007)</i>		
Minimum bid rate on the main refinancing operations	4,50	-
Maximum bid rate on the liquidity absorbing operations	4,50	-
Interest rate on the marginal lending facility	5,00	-
Interest rate on the deposit facility	3,00	-

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

Chart 8

Cyprus Stock Exchange - main and parallel market index

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



Source: Cyprus Stock Exchange.

For the first eight months of the year, inflation reached 1,91%. More specifically, domestic product prices rose by 4,09%, petroleum product prices fell by 0,91% and imported product prices fell by 2,53%. Finally, the prices of services rose by 3,37%.

As illustrated in **Table 12** (p. 27), in the category of domestic products a small rise was observed in the price of electricity which increased by 0,47% year-on-year in August, compared with a 2,48% year-on-year decrease in July 2007. At the same time, a small deceleration was observed in the prices of domestic industrial products while the prices of agricultural products rose by 14,42% in August, compared with an increase of 10,25% in the previous month. It should be noted that the prices of domestic agricultural products significantly influence inflation. In the first eight months of the year their contribution to inflation was 0,8 percentage

points (see Annex, **Table 10**, p. 45). This development reflects the increase in the prices of fruit and vegetables due to the summer heatwave. The prices of petroleum products declined by 3,09% due to the base effect of the high prices observed in August 2006.

The prices of imported products (excluding petroleum products) decreased by 2,34% in August 2007, compared with a fall of 2,22% in the previous month. More specifically, the price of motor vehicles decreased by 9,5%. This was due to the reduction of excise taxes in November 2006. At the same time, an increase of 0,07% was registered in the prices of other imported products. Finally, the prices of services rose by 3,86% in August compared with 3,88% in July 2007. The biggest increases in the prices of services were recorded in the education, health, and restaurants sectors.

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

of cement increased by 11% compared with a rise of 0,6% in the corresponding period of 2006.

For purposes of comparison, **Table 13** (p. 27) 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. The deceleration in inflation could have been stronger had there been no significant acceleration in the prices of agricultural products.

2.4 PRODUCTION, DEMAND AND THE LABOUR MARKET

Production

In the first half of 2007, real GDP grew by 3,8% compared with 4% in the first half of 2006. In the services sector, there was an increase of 0,1% in tourist arrivals in the first eight months of 2007, compared with a decrease of 2,4% in the same period of 2006. In the first half of 2007 tourist revenue increased by 2,3% compared with an increase of 3,9% in the same period of 2006.

In the secondary sectors of the economy, manufacturing exhibited an increase of 3,2% in the first seven months of 2007 compared with a decrease of 1,5% in the same period of 2006 (**Table 14**, p. 28 and **Chart 9** p. 29). In the construction sector, the volume of building permits rose by 5,3% in the first half of 2007 compared with a rise of 5,6% in the same period of 2006. In the first eight months of 2007, sales

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

	Weights					
	2006	August 2006/2005	July 2007/2006	August 2007/2006	2005=100 (for 2006)	2005=100 (for 2007) ⁽¹⁾
GENERAL INDEX	2,49	3,10	2,43	2,47	100,00	100,00
A Domestic products	4,35	3,95	4,40	5,57	28,60	28,98
A.1 Agricultural	6,51	3,88	10,25	14,42	6,92	6,93
A.2 Industrial	2,47	3,23	3,23	2,94	19,24	19,29
A.3 Electricity	13,10	9,51	-2,48	0,47	2,44	2,76
B Petroleum products	8,09	11,04	0,60	-3,09	6,44	6,63
C Imported products	-1,14	0,09	-2,22	-2,34	25,31	24,62
C1 Motor vehicles	-1,38	0,81	-9,50	-9,50	6,15	5,41
C2 Other imported	-1,07	-0,14	0,23	0,07	19,16	19,21
D Services	2,57	2,97	3,88	3,86	39,65	39,77
HICP	2,2	2,7	2,3	2,2		

Source: Cystat.

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

Table 13
Inflation: Cyprus and other countries

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

Source: *The Economist*, 20 September 2007 except data for

Cyprus for which the sources are:

(1) Cystat.

(2) Central Bank of Cyprus.

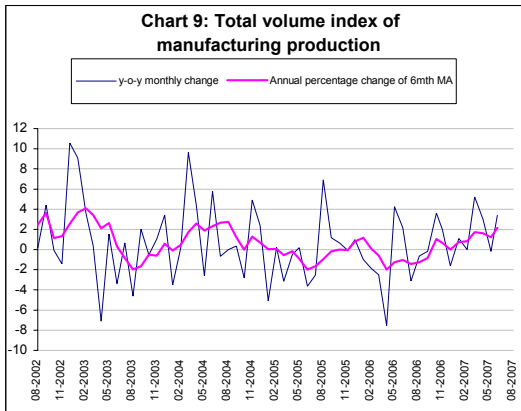
Table 14**Manufacturing production volume index***(percentage change by category)*

	July 06/05	July 07/06	Jan.-July 06/05	Jan .- July 07/06
General index	-1,6	6,6	-1,5	3,2
Food products, beverages & tobacco	-6,6	5,8	-9,8	1,9
Textiles & textile products	-23,6	2,7	-26,3	3,3
Leather & leather products	-21,7	-22,6	-22,2	-5,1
Wood & wood products	-10,4	-7,6	0,5	-2,0
Paper, paper products, publishing & printing	4,4	3,2	4,7	-0,2
Refined petroleum products	3,4	10,0	6,0	-20,6
Chemicals, chemical products & man-made fibres	5,8	16,3	4,8	9,7
Rubber & plastic products	2,8	11,9	2,2	5,5
Other non-metallic mineral products	5,2	12,2	1,8	6,2
Basic metals & fabricated metal products	10,6	5,6	6,9	4,0
Machinery & equipment n.e.c.	-0,3	0,2	4,0	0,7
Electrical & optical equipment	30,5	20,3	24,9	10,0
Transport equipment	12,5	6,4	20,6	3,7
Manufacturing n.e.c.	-10,4	8,1	2,2	2,1

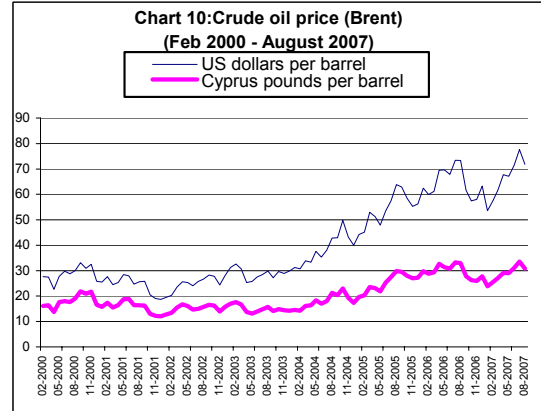
Source: Cystat.

Charts 9 - 13

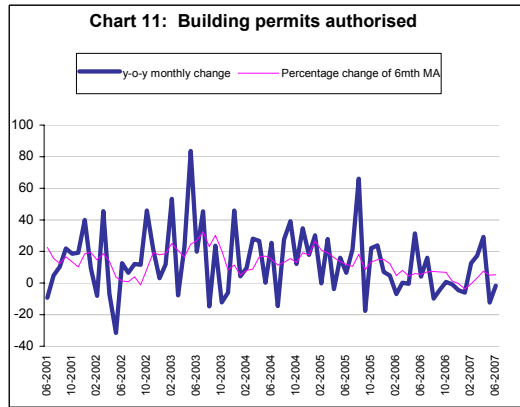
Selected economic indicators



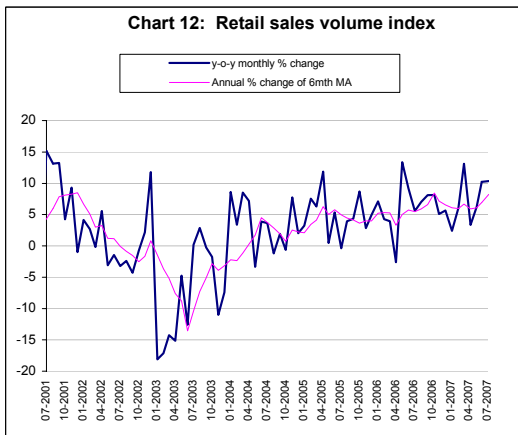
Source: Cystat.



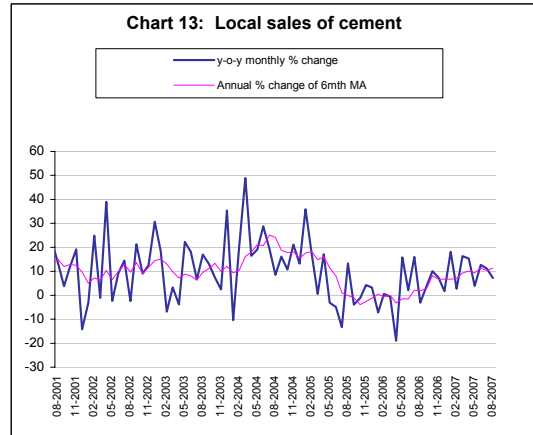
Source: Reuters.



Source: Cystat.



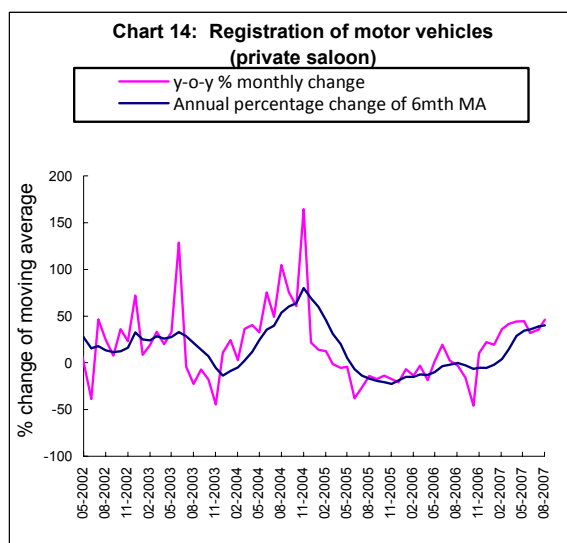
Source: Cystat.



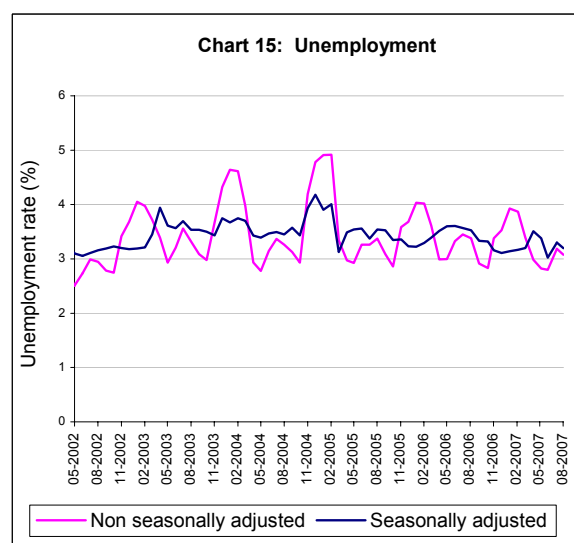
Source: Cystat.

Charts 14 -15

Selected economic indicators



Source: Cystat.



Source: Cystat.

Consumption

The turnover volume of retail trade from which the sales of motor vehicles are excluded, exhibited a rise of 7,6% in the first seven months of 2007 compared with a 5,7% increase in the same period of 2006. In July this index rose by 10,4% compared with a rise of 5,6% in the same period of 2006. Due to the reduction in excise taxes in November 2006, car registrations exhibited an increase of 36,8% in the first eight months of 2007.

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 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 August 2007. These show that the number of registered unemployed fell by 8,3%, while unemployment as a percentage of the economically active population fluctuated at around 3,1% compared with 3,4% in August 2006.

For the first eight months of 2007, the number of registered unemployed fell by 5,7% compared with a decrease of 2,4% in the same period of 2006. Unemployment as a percentage of the economically active population fluctuated at around 3,3%, compared with 3,5% 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.

Table 15
Turnover volume index of retail trade

(percentage change by category)

	July 06/05	July 07/06 ⁽¹⁾	Jan.-July 06/05	Jan.-July 07/06
General index	5,6	10,4	5,7	7,6
Retail sale in non-specialised stores with food, beverages or tobacco predominating	7,7	4,3	7,2	5,5
Other retail sale in non-specialised stores	-0,2	6,7	1,3	5,1
Retail sale of food, beverages and tobacco in specialised stores	9,3	-11,6	4,4	-4,9
Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles	12,8	31,5	14,3	14,9
Retail sale of textiles, clothing, footwear and leather goods	10,9	7,5	5,9	9,3
Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods hardware, paints and glass	5,2	14,6	9,5	10,3
Retail sale of books, newspapers and stationery and other retail sale in specialised stores	0,9	21,4	0,1	11,6
Retail sale of second-hand goods in stores	-31,9	-4,0	80,7	-37,2
Retail sale not in stores	5,4	12,2	4,4	7,4

Source: Cystat.

(1) Provisional data.

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 eight 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 and the industrial confidence indicator exhibited fluctuations during the period January – August 2007.

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.

2.5 PUBLIC FINANCES

The most recent developments relating to public finances are reflected in the published preliminary data for the first six months period of 2007. According to Cystat data (Table 15 in Annex, p. 50) a surplus of £83,2 million or 0,9% of GDP was recorded compared with a deficit of £60,9 million or 0,7% of GDP in the corresponding 2006 period. This positive outcome is the result of the difference between total public revenue of £1.834,6 million (an increase of 17,8%) and total public expenditure of £1.751,2 million (an increase of 8,2%).

More analytically from the public revenue side, the unexpected significant acceleration is mainly due to the enhanced tax receipts. Specifically, current taxes on income, wealth, etc., increased by 35,3%. These include receipts from corporation taxes (an increase of 61,4%) due to the increasing profitability of the former international business companies, as well as to the receipts from capital gains taxes (an increase of 173,3%) as a result of the continuous boom in the property and construction sectors. Apart from the increase in revenue referred to above, increases were also recorded in the indirect taxation categories, mainly in the taxes on production and imports by 16,6%. Of these, VAT receipts were positively influenced by the satisfactory GDP rate of growth, which is partly reflected by increased private consumption. Furthermore, VAT receipts increased as a result of the continuing enhanced collecting ability of the relevant government department. As regards non-taxation receipts, it is noted that during the first six months of 2008 inflows of £7,5 million, £6,4 million and £7,4 million were effected from the Electricity Authority, airport management fees, and the CBC's profits, respectively.

On the public expenditure side, a smaller increase has been observed. Increases in social benefit and other current transfers of 14% and 55% are noted. Current transfers include the following sub-categories: pensions and gratuities (a 16,2% rise due to the gradual extension of the retirement age), educational grants (a 34,8% rise due to training subsidies), semi-governmental organisation grants (a 57,7% rise due to the CTO and Cyprus University grants) and Cyprus's contribution towards the EU Budget, which increased by 19,3%. In contrast, reductions were recorded in defence and capital expenditures. Wages and salaries

registered a small increase of 3,4%, reflecting the 1,2% COLA increase and the 1% pre-agreed contractual salary increase in 2007.

Public debt was contained at 61,9% of GDP during the first six months of 2007 compared with 66,4% in the corresponding 2006 period.

2.6 EXTERNAL TRANSACTIONS

Goods

An overview of the trade balance for the first seven 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-July 2007, the value of total imports of goods recorded an increase of 8,2% compared with an increase of 16,6% 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 2,7% decrease in the first seven months of 2007, compared with a 4,8% 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 half of 2007, re-exports decreased by 14,5% while exports of domestically produced goods increased by 15,7%.

As a result of the above, the trade balance registered further deterioration reaching a deficit of £1.646,4 million during the first seven months of 2007, compared with a deficit of £1.481,1 million in the corresponding period of 2006.

Tourism

Tourist arrivals, shown in **Table 17** (p. 36) increased by 0,1% in the period January – August 2007 compared with a 2,4% decrease in the corresponding period of 2006. There was a substantial 8,1% increase in tourist arrivals in August 2007 compared with a decrease of 6,5% in August 2006.

Revenue from tourism increased by 2,3% in the first six months of 2007 compared with a 3,9% increase in the corresponding month of 2006. Expenditure per head for the first half of 2007 increased by 5,9% compared with a 6,1% 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 half of 2007. The data reveals a worsening of the current account deficit compared with the first half of 2006.

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

The surplus recorded by services reached £874,3 million in the first half of 2007 compared with £886,5 million in the same period in 2006. The main changes in the services account were

the improvement of financial services and a decrease in the other business services. The services surplus, excluding tourism, registered an improvement of £8,1 million in the first half of 2007 compared with 2006.

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

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

2.7 PROSPECTS FOR 2007

Real GDP is expected to display a marginal acceleration in 2007 compared with 2006. More specifically, the growth of private consumption is expected to fluctuate around the 2006 level while gross capital formation and imports are expected to decelerate. As a result of the positive economic environment in the EU, exports are expected to increase.

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 current data.

As far as public finances are concerned, the overall situation appears satisfactory. Developments fall within the parameters specified within the context of both the Convergence Programme 2006-10 and the March 2007 “EDP Notifications” which projected a deficit of 1,4% of GDP for the year 2007.

However, it should be borne in mind that the increased tax receipts are mainly due to the rapid expansion of the construction and property sectors, which is likely to be temporary. Although there are no grounds for doubting the 2007 fiscal outcome, it should be emphasized that any relaxation from the initial targets may easily lead to fiscal deterioration over the medium term.

Despite the historically high prices of agricultural products, inflation in 2007 is expected to decelerate and hover at around 2% due to the reduction in motor vehicle excises in November 2006 and the expected deceleration in oil prices.

The continuing high price of oil is expected to negatively influence the current account balance, even though its effect is expected to be mitigated by the weakening of the dollar relative to the Cyprus pound. At the same time, increased demand continues to negatively affect the current account balance, which renders possible a further increase of the deficit in 2007.

Finally, a continuing source of concern is the high growth rate of monetary aggregates.

Table 16
Trade balance data

(CYP million)

Period	TOTAL TRADE		EXTRA-EU TRADE		INTRA-EU TRADE		
	Total imports/ arrivals	Total exports/ dispatches	Total imports	Total exports	Arrivals	Dispatches	
	(cif)	(fob)	(cif)	(fob)	(cif)	(fob)	
2000	2.402,0	591,9	1.140,9	364,5	1.261,1	227,4	
2001	2.528,7	627,9	1.208,8	376,5	1.320,0	251,4	
2002	2.486,6	511,3	1.140,9	240,9	1.345,8	270,4	
2003	2.304,1	476,8	992,8	198,3	1.311,3	278,5	
2004	2.679,3	548,0	921,7	202,5	1.757,6	345,5	
2005	2.966,8	719,2	952,9	224,3	1.965,4	447,8	
2006	3.226,8	650,7	1.073,8	224,6	2.110,1	417,7	
2006	January	247,5	59,6	80,0	13,2	167,5	46,3
	February	238,2	57,2	80,4	16,6	157,9	40,1
	March	284,2	66,1	86,6	18,7	197,6	47,4
	April	252,0	53,4	81,4	20,5	170,7	32,9
	May	280,4	55,1	91,5	15,8	188,9	39,3
	June	312,0	52,6	115,1	16,6	196,8	36,0
	July	263,4	52,7	79,9	17,1	183,5	35,6
	August	259,4	43,2	85,9	17,8	173,5	25,4
	September	281,5	52,8	91,8	21,7	189,6	31,1
	October	269,2	45,3	72,8	16,3	196,5	28,9
	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	305,2	52,8	90,9	13,5	214,3	39,3
	May	299,7	59,8	88,7	15,4	211,0	44,4
	June	316,0	60,7	93,5	17,7	222,5	42,9
	July (p)	310,3	49,0	104,8	16,9	205,5	32,1
	Jan. - Dec. 2005	2.966,8	719,1	973,1	221,6	1.993,7	497,6
	Jan. - Dec. 2006	3.226,8	650,7	1.028,0	213,6	2.198,9	431,9
	Jan. - July 2005	1.610,5	378,5	529,9	128,1	1.080,6	250,4
	Jan. - July 2006	1.877,7	396,7	614,9	118,5	1.262,8	277,6
	Jan. - July 2007 (p)	2.031,4	385,0	615,6	110,2	1.415,6	274,6
	% change Jan. - Dec 2006/2005	8,8	-9,5	5,6	-3,6	10,3	-13,2
	% change Jan. - July 2005/2006	16,6	4,8	16,0	-7,5	16,9	10,9
	% change Jan. - July 2006/2007 (p)	8,2	-2,9	0,1	-7,0	12,1	-1,1

P :Provisional data

Source :Cystat.

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

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

	2000	2001	2002	2003	2004	2005	2006	2007	% change 2004/2003	% change 2005/2004	% change 2006/2005	% change 2007/2006
January	63.553	64.214	54.067	59.529	56.504	58.894	54.875	51.848	-5,1	4,2	-6,8	-5,5
February	87.243	83.569	71.950	77.972	75.705	72.600	66.151	63.098	-2,9	-4,1	-8,9	-4,6
March	135.487	137.578	138.625	91.634	111.946	137.075	107.071	104.316	22,2	22,4	-21,9	-2,6
April	221.785	237.228	180.481	169.891	191.251	183.561	206.548	189.310	12,6	-4,0	12,5	-8,3
May	299.355	324.901	279.070	231.527	261.646	284.132	283.513	273.058	13,0	8,6	-0,2	-3,7
June	302.011	322.835	293.192	262.100	264.799	282.652	280.164	282.465	1,0	6,7	-0,9	0,8
July	362.299	373.385	327.404	318.143	305.978	338.972	341.443	352.423	-3,8	10,8	0,7	3,2
August	356.686	371.536	301.724	325.390	305.926	336.587	314.872	340.534	-6,0	10,0	-6,5	8,1
September	329.964	329.400	306.731	287.358	303.506	302.833	296.532		5,6	-0,2	-2,1	
October	300.597	269.744	275.840	271.980	278.976	292.273	283.046		2,6	4,8	-3,2	
November	133.500	107.454	111.327	123.800	114.048	104.822	95.682		-7,9	-8,1	-8,7	
December	93.722	74.887	77.822	83.919	78.723	75.656	71.022		-6,2	-3,9	-6,1	
Jan - August	1.828.419	1.915.246	1.646.513	1.536.186	1.573.755	1.694.473	1.654.637	1.657.052	2,4	7,7	-2,4	0,1
Jan - Dec	2.686.202	2.696.731	2.418.233	2.303.243	2.349.008	2.470.057	2.400.919		2,0	5,2	-2,8	

Source: Cystat.

*(1) Arrivals of same-day visitors are not included.***Table 18****Receipts from tourism⁽¹⁾***(CYP million)*

	2000	2001	2002	2003	2004	2005	2006	2007	% change 2004/2003	% change 2005/2004	% change 2006/2005	% change 2007/2006
January	-	24,9	21,6	25,6	21,8	20,7	21,2	19,7	-15,0	-5,0	2,3	-7,1
February	-	29,1	28,9	31,4	25,4	23,5	23,1	22,6	-19,1	-7,5	-1,8	-2,2
March	-	49,7	59,1	37,8	42,1	47,6	38,9	40,1	11,1	13,2	-18,3	3,1
April	-	89,9	77,0	67,1	72,1	62,0	74,5	72,4	7,4	-14,0	20,1	-2,8
May	-	139,1	119,5	92,5	99,5	105,4	111,9	119,8	7,6	5,9	6,1	7,1
June	122,9	157,4	139,3	114,8	109,3	113,3	117,7	121,4	-4,8	3,7	3,9	3,2
July	162,7	192,0	160,7	152,4	135,1	140,1	155,0		-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 - June		490,1	445,4	369,3	370,1	372,5	387,1	395,9	0,2	0,6	3,9	2,3
Jan - Dec		1.271,6	1.132,3	1.015,0	982,3	1.005,7	1.027,4		-3,2	2,4	2,2	

Source: Cystat.

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

3. ANNEX

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

	2006 Jul.	2006 Aug.	2007 Jul.	2007 Aug.
Money supply (M1)	1.987.861	1.973.543	2.504.419	2.439.547
Currency in circulation	581.574	562.585	619.950	602.503
Demand deposits	1.285.600	1.265.632	1.552.618	1.507.865
Deposits in foreign currency	120.687	145.326	331.851	329.179
Quasi-money	8.655.223	8.751.261	10.226.749	10.394.216
Saving deposits	395.902	396.386	467.210	466.934
Time deposits	7.215.552	7.275.567	7.917.857	8.049.924
Deposits in foreign currency	1.043.769	1.079.308	1.841.682	1.877.358
Total money supply (M2)	10.643.084	10.724.804	12.731.168	12.833.763
Net foreign assets	1.668.394	1.802.200	3.158.449	3.085.524
Claims on private sector	10.225.840	10.252.463	12.666.503	12.850.580
of which in foreign currency	1.682.720	1.695.526	2.346.423	2.442.229
Claims on public sector	2.457.841	2.453.089	2.292.843	2.239.486
Unclassified items	-3.708.991	-3.782.948	-5.386.627	-5.341.827

*Source: Central Bank of Cyprus.***Table 2****Bank credit by sector⁽¹⁾***(outstanding amounts at the end of period, CYP thousand)*

	2006 Jul.	2006 Aug.	2007 Jul.	2007 Aug.
Public institutions and corporations ⁽²⁾	323.146	337.144	447.556	458.845
Agriculture	105.876	103.029	121.092	122.126
Mining	27.939	28.663	28.333	28.304
Manufacturing	538.154	539.572	535.942	534.528
Transport and communications	103.462	98.229	193.009	212.997
Foreign and domestic trade	1.541.857	1.487.202	1.606.251	1.614.760
Building and construction	1.978.184	1.995.334	2.726.164	2.788.592
Tourism	896.117	884.342	981.665	961.644
Personal and professional loans	5.381.273	5.429.626	7.197.669	7.345.405
Bills discounted: local	2.651	2.285	1.692	1.303
foreign	1.872	1.721	1.428	1.268
Total	10.900.531	10.907.147	13.840.801	14.069.772

*Source: Central Bank of Cyprus.**(1) This refers to loans in local and foreign currency, given to residents and non-residents of Cyprus.**(2) Including government loans.*

Table 3
Official interest rates
 (percent per annum)

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

Source: Central Bank of Cyprus.

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

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

Table 4
Open market operations allotted through tenders – liquidity absorbing operations ⁽¹⁾
 (CYP million, interest rates in percent per annum)

Date of settlement	Bids (amount)	Allotment (amount)	Variable rate tenders				Running for (...) days	
			Maximum bid rate	Weighted average allotment rate	Minimum allotment rate	Maximum allotment rate		
2006	14 Sep.	727,5	500,0	4,50	3,88	3,29	3,94	14
	28 Sep.	803,0	500,0	4,50	3,89	3,65	3,94	14
	12 Oct.	829,0	550,0	4,50	3,89	3,79	3,91	14
	26 Oct.	930,5	580,0	4,50	3,87	3,69	3,93	14
	09 Nov.	824,0	580,0	4,50	3,88	3,78	3,92	14
	23 Nov.	842,0	580,0	4,50	3,89	3,79	3,91	14
	07 Dec.	886,0	530,0	4,50	3,87	3,79	3,90	14
	21 Dec.	1.034,0	600,0	4,50	3,76	3,65	3,80	14
2007	04 Jan.	889,0	650,0	4,50	3,84	3,50	3,97	14
	18 Jan.	916,0	650,0	4,50	3,84	3,74	3,94	14
	01 Feb.	1.023,5	600,0	4,50	3,69	3,67	3,69	14
	15 Feb.	789,0	450,0	4,50	3,71	3,48	3,88	14
	01 Mar.	579,5	350,0	4,50	3,50	3,44	3,57	14
	15 Mar.	492,0	250,0	4,50	3,45	3,39	3,47	14
	29 Mar.	248,0	150,0	4,50	3,52	3,34	3,59	14
	12 Apr.	242,0	100,0	4,50	3,47	3,39	3,49	14
	26 Apr.	204,0	50,0	4,50	3,34	3,34	3,34	14
	10 May	40,0	40,0	4,50	3,29	3,29	3,29	14
	24 May	40,0	40,0	4,50	3,98	3,98	3,98	14
	07 Jun.	134,0	80,0	4,50	3,88	3,84	3,92	14
	21 Jun.	147,0	70,0	4,50	3,59	3,59	3,59	14
	05 Jul.	308,0	280,0	4,50	4,26	3,54	4,50	14
	19 Jul.	96,0	80,0	4,50	4,37	4,26	4,48	14
	19 Jul.	206,0	206,0					167
	02 Aug.	219,0	150,0	4,50	4,38	4,25	4,47	14
16 Aug.	169,0	169,0	4,50	4,47	4,35	4,50	14	
30 Aug.	140,2	140,2	4,50	4,50	4,43	4,50	14	
13 Sep.	11,0	11,0	4,50	4,45	4,43	4,49	14	

Source: Central Bank of Cyprus.

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

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

	Cyprus					Euro area				
	Overnight deposits	2-7 days deposits	1-month deposits	1-6 months deposits	6-12 months deposits	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)
2006 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	-	3,96	4,10	4,15	4,28	4,51
July	4,26	4,24	4,31	4,38	-	4,06	4,11	4,22	4,36	4,56
Aug.	4,49	4,59	4,48	4,46	-	4,05	4,31	4,54	4,59	4,67

Sources: Central Bank of Cyprus and European Central Bank.

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

(percent per annum)

	Lending rates					Deposit rates		
	Enterprises: overdraft within limits	Enterprises: secured loans	Personal: secured loans	Housing: loans secured by assignment of life policy	Credit cards	Current accounts	3 month notice - over CYP5.000	1 year fixed deposits - over CYP5.000
2005 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
June	6,86	6,78	7,65	5,93	12,17	0,47	3,66	3,60
July	6,86	6,78	7,65	5,94	12,17	0,44	3,66	3,61
Aug.	6,86	6,77	7,65	5,95	12,17	0,45	3,66	3,61

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 Aug.	0,85	2,52	3,05	2,23	2,63	1,32	2,93	3,68
Sep.	0,86	2,59	3,08	2,26	2,68	1,36	3,00	3,69
Oct.	0,90	2,69	3,10	2,30	2,75	1,45	3,15	3,80
Nov.	0,91	2,78	3,05	2,30	2,81	1,49	3,24	3,80
Dec.	0,92	2,89	3,05	2,38	2,87	1,51	3,42	3,88
2007 Jan.	0,98	2,99	3,06	2,35	2,98	1,61	3,45	3,91
Feb.	1,00	3,07	3,12	2,35	3,07	1,64	3,49	3,92
Mar.	1,02	3,16	3,05	2,39	3,14	1,71	3,61	3,93
Apr.	1,04	3,23	3,06	2,42	3,20	1,75	3,67	3,93
May	1,06	3,30	3,03	2,43	3,25	1,78	3,72	3,96
June	1,08	3,39	3,04	2,42	3,32	1,77	3,87	3,99
July	1,10	3,49	3,02	2,45	3,40	1,81	3,92	4,00

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 Aug.	4,72	4,23	4,60	8,19	6,71	5,82	4,85	4,33	4,48
Sep.	4,82	4,27	4,62	8,30	6,81	5,87	4,93	4,40	4,53
Oct.	4,90	4,29	4,65	8,35	6,81	5,88	5,07	4,51	4,57
Nov.	4,98	4,33	4,68	8,33	6,81	5,91	5,14	4,59	4,63
Dec.	5,01	4,34	4,70	8,41	6,81	5,93	5,23	4,66	4,68
2007 Jan.	5,05	4,38	4,72	8,53	6,83	5,95	5,30	4,76	4,77
Feb.	5,11	4,46	4,79	8,66	6,95	5,96	5,37	4,83	4,83
Mar.	5,14	4,45	4,79	8,62	6,88	5,95	5,43	4,90	4,84
Apr.	5,14	4,48	4,80	8,67	6,96	5,97	5,50	4,94	4,87
May	5,16	4,48	4,82	8,71	6,95	5,97	5,50	4,98	4,90
June	5,21	4,53	4,86	8,68	6,94	6,01	5,62	5,09	4,96
July	5,29	4,55	4,89	8,80	6,96	6,09	5,69	5,15	5,01

Source: European Central Bank.

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

Table 8
Interest rate announcements in 2007

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

August 2007/2006

											Weights		
	2004	2005	2006	August 2006/2005	July 2007/2006	August 2007/2006	Jan. - Aug. 2006/2005	Jan. - Jul. 2007/2006	Jan. - Aug. 2007/2006	1998=100	2005=100 (for 2006)	2005=100 (for 2007) ⁽¹⁾	
GENERAL INDEX	2,28	2,56	2,49	3,10	2,43	2,47	2,95	1,84	1,91	100,00	100,00	100,00	
A Domestic products	2,95	1,79	4,35	3,95	4,40	5,57	4,76	3,88	4,09	32,36	28,60	28,98	
A.1 Agricultural	3,32	1,34	6,51	3,88	10,25	14,42	5,56	9,98	10,54	7,93	6,92	6,93	
A.2 Industrial	3,36	1,14	2,47	3,23	3,23	2,94	2,60	2,89	2,90	22,91	19,24	19,29	
A.3 Electricity	-3,13	11,51	13,10	9,51	-2,48	0,47	20,23	-4,94	-4,25	1,52	2,44	2,76	
B Petroleum products	17,18	14,82	8,09	11,04	0,60	-3,09	13,54	-0,58	-0,91	4,33	6,44	6,63	
C Imported products	-5,55	-2,47	-1,14	0,09	-2,22	-2,34	-0,90	-2,56	-2,53	22,20	25,31	24,62	
C1 Motor vehicles	-13,50	-2,42	-1,38	0,81	-9,50	-9,50	0,49	-10,22	-10,13	9,43	6,15	5,41	
C2 Other imported	-0,39	-2,49	-1,07	-0,14	0,23	0,07	-1,35	-0,04	-0,03	12,77	19,16	19,21	
D Services	3,23	3,34	2,57	2,97	3,88	3,86	2,43	3,30	3,37	41,11	39,65	39,77	
HICP	1,9	2,1	2,2	2,7	2,3	2,2	2,7	1,7	1,7				

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

Source : Cystat.

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

August 2007/2006

											Weights		
		2004	2005	2006	August 2006/2005	July 2007/2006	August 2007/2006	Jan.- Aug. 2006/2005	Jan.- July 2007/2006	Jan.- Aug. 2007/2006	1998=100	2005=100 (for 2006)	2005=100 (for 2007) ⁽¹⁾
GENERAL INDEX		2,28	2,56	2,49	3,10	2,43	2,47	2,95	1,84	1,91	100,00	100,00	100,00
A	Domestic products	0,99	0,60	1,25	1,13	1,28	1,63	1,35	1,12	1,18	32,36	28,60	28,98
A.1	Agricultural	0,27	0,11	0,45	0,27	0,70	1,02	0,38	0,70	0,74	7,93	6,92	6,93
A.2	Industrial	0,78	0,27	0,47	0,62	0,62	0,56	0,50	0,56	0,50	22,91	19,24	19,29
A.3	Electricity	-0,07	0,23	0,32	0,25	-0,08	0,01	0,47	-0,13	-0,12	1,52	2,44	2,76
B	Petroleum products	0,99	0,97	0,52	0,75	0,05	-0,23	0,85	-0,04	-0,06	4,33	6,44	6,63
C	Imported products	-1,04	-0,43	-0,29	0,02	-0,52	-0,54	-0,23	-0,63	-0,62	22,20	25,31	24,62
C1	Motor vehicles	-1,00	-0,15	-0,08	0,05	-0,51	-0,50	0,03	-0,62	-0,61	9,43	6,15	5,41
C2	Other imported	-0,04	-0,28	-0,20	-0,03	0,04	-0,01	-0,26	-0,01	-0,05	12,77	19,16	19,21
D	Services	1,35	1,41	1,02	1,19	1,56	1,55	0,97	1,31	1,34	41,11	39,65	39,77

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

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

August 2007/2006

	Years									Weights	
	2004	2005	2006	August 2006/2005	July 2007/2006	August 2007/2006	Jan.- Aug. 2006/2005	Jan.- July 2007/2006	Jan.- Aug. 2007/2006	2005=100	1998=100
GENERAL INDEX	2,28	2,56	2,49	3,10	2,43	2,47	2,95	1,84	1,91	100,00	100,00
Food & non-alcoholic beverages	3,97	1,59	4,80	4,09	6,31	7,86	4,50	6,16	6,37	17,50	18,20
Alcoholic beverages & tobacco	10,57	0,23	0,49	2,08	0,93	0,92	0,33	1,49	1,42	2,21	1,78
Clothing & footwear	-0,79	-2,24	-0,32	0,56	2,13	1,09	0,00	0,30	0,39	8,93	8,22
Housing, water, electricity & gas	4,19	5,41	4,90	4,44	1,66	2,34	6,37	1,02	1,19	15,87	21,27
Furnishings, household equipment & supplies	-0,45	0,58	0,13	0,33	-0,03	0,16	0,41	-0,03	-0,01	6,78	7,08
Health	3,72	0,36	1,31	3,40	6,41	6,41	0,11	5,91	5,98	5,03	4,92
Transport	-3,06	3,79	2,87	5,28	-1,41	-3,20	5,20	-2,26	-2,38	15,99	17,42
Communications	-8,48	-10,34	-1,83	-0,59	1,27	1,24	-2,64	1,25	1,25	3,94	1,79
Recreation & culture	2,26	1,06	-0,33	0,30	1,30	1,01	-0,82	0,03	0,16	6,33	5,88
Education	3,96	5,21	4,68	4,57	4,87	4,87	4,56	4,88	4,88	2,87	2,33
Restaurants & hotels	4,69	3,30	2,18	2,82	4,43	4,68	2,22	3,02	3,23	7,57	6,07
Miscellaneous goods & services	5,16	3,83	2,23	2,27	2,13	2,17	2,01	2,29	2,27	6,98	5,04

Source: Cystat.

Table 12

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

August 2007/2006

	Years									Weights	
	2004	2005	2006	August 2006/2005	July 2007/2006	August 2007/2006	Jan.- Aug. 2006/2005	Jan.- July 2007/2006	Jan.- Aug. 2007/2006	2005=100	1998=100
GENERAL INDEX	2,28	2,56	2,49	3,10	2,43	2,47	2,95	1,84	1,91	100,00	100,00
Food & non-alcoholic beverages	0,76	0,31	0,82	0,72	1,12	1,41	0,79	1,09	1,13	17,50	18,20
Alcoholic beverages & tobacco	0,28	0,01	0,01	0,05	0,02	0,02	0,01	0,03	0,03	2,21	1,78
Clothing & footwear	-0,05	-0,14	-0,03	0,04	0,17	0,08	0,00	0,03	0,03	8,93	8,22
Housing, water, electricity & gas	0,93	1,22	0,76	0,72	0,27	0,38	1,00	0,17	0,19	15,87	21,27
Furnishings, household equipment & supplies	-0,03	0,04	0,01	0,02	0,00	0,01	0,03	0,00	0,00	6,78	7,08
Health	0,20	0,02	0,06	0,17	0,32	0,32	0,01	0,29	0,30	5,03	4,92
Transport	-0,51	0,59	0,45	0,86	-0,23	-0,53	0,83	-0,37	-0,39	15,99	17,42
Communications	-0,10	-0,11	-0,07	-0,02	0,05	0,05	-0,11	0,05	0,05	3,94	1,79
Recreation & culture	0,12	0,06	-0,02	0,02	0,08	0,06	-0,05	0,00	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	0,22	0,34	0,36	0,17	0,23	0,24	7,57	6,07
Miscellaneous goods & services	0,28	0,21	0,15	0,16	0,15	0,15	0,14	0,16	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				
			Apr.	May	June	July	Aug.			Apr.	May	June	July	Aug.
EUROPE	7.395,9	257.715,8	16.001,1	22.009,3	2.518,2	2.870,3	1.449,4	3.461,1	282.799,6	22.036,2	20.822,2	1.122,5	1.669,4	1.310,4
EU-25	6.805,2	242.454,5	15.221,9	21.171,7	2.497,2	2.800,2	1.416,5	2.980,4	275.945,2	21.593,3	20.191,5	1.098,4	1.635,9	1.276,2
Greece	5.667,5	140.748,9	7.693,4	14.304,0	886,6	977,2	583,2	2.269,5	260.812,4	8.532,8	17.704,4	657,9	954,0	687,9
United Kingdom	238,2	58.345,6	7.070,3	5.257,1	1.457,8	1.464,3	662,2	390,6	10.088,4	12.336,4	1.361,2	421,9	606,7	548,9
Other European countries	590,7	15.261,3	779,2	837,5	21,0	70,1	32,9	480,7	6.854,4	442,9	630,7	24,1	33,6	34,2
Russian Federation	405,4	1.029,9	17,8	0,3	1,0	1,0	1,0	279,7	1.220,2	116,4	107,7	2,3	8,5	2,1
AFRICA	51,4	7.252,2	374,0	169,4	10,8	52,2	4,7	90,1	8.722,4	384,4	242,7	16,8	80,8	102,8
North African countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,8	0,0	5,7	0,0	0,0	0,1	0,1
Other African countries	51,4	7.252,2	374,0	169,4	10,8	52,2	4,7	88,3	8.722,4	378,7	242,7	16,8	80,7	102,7
South Africa	0,0	232,6	90,6	59,9	4,7	13,7	2,5	7,6	220,4	87,5	133,2	10,8	18,1	9,8
AMERICA	429,3	128.783,8	5.874,1	7.182,1	164,0	597,1	556,5	1.232,7	32.988,8	5.253,2	11.908,6	237,8	282,0	913,9
North American countries	84,1	94.136,8	1.242,9	1.008,3	58,9	221,0	123,5	33,2	6.193,4	3.815,9	7.349,2	62,3	91,4	122,5
United States of America	81,9	94.115,1	1.242,9	1.006,2	58,8	220,8	123,5	33,2	5.957,0	3.783,3	7.348,2	62,3	88,8	118,1
Canada	2,2	21,7	0,0	2,1	0,1	0,1	0,0	0,0	236,5	32,5	0,9	0,0	2,6	4,4
Central American countries	345,2	34.647,0	4.631,2	6.173,9	105,2	376,2	433,0	1.199,4	26.795,3	1.437,3	4.559,5	175,6	190,6	791,4
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	9,3	7,8	1,2	1,3	0,7	229,2	5.446,5	507,1	50,3	26,5	4,6	0,0
West Asia	204,7	86,1	9,3	0,0	0,0	1,2	0,1	168,9	955,4	507,1	50,3	26,5	2,7	0,0
Other Asian countries	62,6	6.437,4	0,0	7,8	1,2	0,1	0,6	60,3	4.491,1	0,0	0,0	0,0	1,9	0,0
OCEANIA	0,0	28,2	78,8	18,8	2,4	3,1	10,1	0,0	19,0	35,3	48,3	1,3	15,6	24,7
Total	8.143,9	400.303,5	22.337,2	29.387,5	2.696,6	3.524,1	2.021,4	5.013,0	329.976,3	28.216,1	33.072,2	1.404,9	2.052,3	2.351,8

Source: Cyprus Stock Exchange.

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

Table 14
Balance of payments

(CYP million)

CATEGORIES	2006 (Annual) (Prov.)			2006 (Q1) (Prov.)			2006 (Q2) (Prov.)			2007 (Q1) (Prov.)			2007 (Q2) (Prov.)		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
CURRENT ACCOUNT	5.353,7	5.850,1	-496,4	1.091,4	1.254,9	-163,5	1.358,5	1.343,5	15,0	1.160,4	1.427,9	-267,5	1.501,3	1.565,7	-64,4
Goods, services and income	4.969,4	5.562,8	-593,4	986,4	1.182,8	-196,4	1.259,6	1.275,8	-16,2	1.056,9	1.360,1	-303,2	1.404,5	1.495,4	-90,9
Goods and services	3.977,5	4.319,9	-342,4	804,0	1.026,7	-222,7	1.056,0	1.073,8	-17,8	820,8	1.093,4	-272,6	1.063,0	1.173,7	-110,7
Goods	650,8	2.952,0	-2.301,2	182,8	705,9	-523,1	161,1	765,0	-603,9	160,5	732,6	-572,1	173,5	859,1	-685,6
Services	3.326,6	1.367,9	1.958,8	621,2	320,8	300,4	894,9	308,8	586,1	660,3	360,8	299,5	889,5	314,6	574,9
Transport	774,3	502,4	271,9	190,0	145,0	45,0	227,7	121,7	106,0	197,4	148,5	48,9	210,0	105,3	104,8
Travel	1.101,5	449,5	651,9	101,5	97,3	4,3	321,0	98,8	222,2	101,5	106,2	-4,8	326,7	115,7	211,0
Communications services	42,9	58,6	-15,7	9,9	11,9	-2,0	7,4	18,0	-10,6	19,1	22,2	-3,1	7,1	8,1	-1,0
Construction services	93,8	10,8	83,0	17,5	2,5	15,0	24,5	2,6	21,9	24,7	4,9	19,8	22,5	3,1	19,4
Insurance services	53,2	35,4	17,8	15,4	11,2	4,2	14,1	7,0	7,0	9,5	8,5	1,0	10,3	5,0	5,4
Financial services	147,2	60,9	86,2	31,7	6,2	25,4	30,6	16,1	14,5	44,9	7,5	37,4	44,0	18,3	25,6
Computer and information services	94,4	15,9	78,5	24,2	4,5	19,8	23,8	3,2	20,6	24,1	5,1	19,1	22,5	2,3	20,2
Royalties and licence fees	7,5	27,8	-20,2	3,1	3,0	0,1	0,2	1,7	-1,5	2,6	1,9	0,8	0,5	1,2	-0,8
Other business services	806,7	135,1	671,6	177,4	22,9	154,4	198,5	26,6	171,9	178,2	41,8	136,5	189,7	29,3	160,4
Personal, cultural and recreational services	24,6	30,2	-5,6	6,5	6,9	-0,4	4,2	6,6	-2,4	8,1	7,3	0,8	8,4	14,5	-6,1
Government services, n.i.e.	180,6	41,3	139,3	44,0	9,5	34,4	42,9	6,6	36,2	50,1	7,0	43,1	47,8	11,8	36,0
Income	992,0	1.242,9	-250,9	182,4	156,1	26,3	203,6	202,0	1,6	236,1	266,7	-30,6	341,6	321,7	19,9
Compensation of employees	16,1	86,0	-69,9	4,3	24,5	-20,1	3,9	15,7	-11,8	3,9	26,0	-22,1	4,1	18,0	-13,9
Investment income	975,8	1.156,9	-181,0	178,0	131,6	46,4	199,7	186,3	13,4	232,2	240,7	-8,5	337,5	303,7	33,8
Current transfers	384,3	287,3	96,9	105,0	72,1	33,0	98,9	67,6	31,2	103,6	67,8	35,8	96,7	70,3	26,5
General government	143,9	95,4	48,5	38,7	32,4	6,2	33,5	20,4	13,1	34,1	19,7	14,4	33,9	16,7	17,2
Other sectors	240,4	191,9	48,5	66,4	39,7	26,7	65,4	47,3	18,1	69,5	48,1	21,4	62,9	53,6	9,3
Capital and financial account			580,6			183,0			59,0			203,2			96,2
Capital account	45,4	30,3	15,1	7,7	11,2	-3,5	15,7	6,4	9,4	1,8	5,9	-4,1	5,9	8,5	-2,6
Financial account			565,5			186,5			49,7			207,2			98,8
Direct investment			297,7			-16,9			67,9			76,2			74,1
Abroad			-392,5			-61,4			-31,2			-87,1			-70,4
In Cyprus			690,2			44,4			99,0			163,3			144,6
Portfolio investment			-345,2			-90,5			160,8			-201,0			409,7
Assets			-2.205,0			-386,0			-338,7			-737,6			-248,2
Liabilities			1.859,8			295,5			499,5			536,6			657,9
Financial derivatives			8,3			1,6			1,5			2,8			-0,9
Other investment			1.065,2			224,3			10,1			-196,4			-105,4
Assets			-2.337,9			-285,4			-548,9			-639,7			-2.241,5
Liabilities			3.403,1			509,7			559,0			443,3			2.136,1
Reserve assets			-460,5			68,0			-190,6			525,6			-278,7
NET ERRORS AND OMISSIONS			-84,2			-19,5			-74,0			64,3			-31,8

Sources: Central Bank of Cyprus and Cystat.

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

	Jan-June. 2006	Jan-June. 2007	Change
<i>CYP million</i>			
EXPENDITURE			
Intermediate consumption	204,3	191,9	-12,4
Capital formation	118,0	98,4	-19,6
Compensation of employees	573,1	609,1	36,0
Other taxes on productions	0,2	1,0	0,8
Subsidies	0,7	0,6	-0,1
Interest paid	122,2	114,9	-7,3
Social benefits	455,5	519,2	63,7
Other current transfers	136,8	212,0	75,2
Capital transfers	7,3	4,1	-3,2
Total expenditure	1618,1	1751,2	133,1
REVENUE			
Market output & output for own final use	110,8	132,4	21,6
Taxes on production & imports	713,4	831,6	118,2
<i>of which VAT</i>	423,1	470,8	47,7
Property income	19,4	38,7	19,3
Current taxes on income, wealth, etc	348,7	471,8	123,1
Social contributions	297,5	327,5	30,0
Other current transfers	64,4	28,0	-36,4
Capital transfers	3,0	4,4	1,4
Total revenue	1557,2	1834,4	277,2
Surplus (+) / Deficit (-)	-60,9	83,2	

Source: Cystat.