



Latest Economic Indicators:

Economic growth: Annual: 2003: 2,0%, 2004: 3,7%, 2nd quarter 2005: 3,5% (compared to same quarter of 2004).

Budget Deficit (% of GDP): 2004: 4,2%, 2005: 2,8%(f/c).

Public Debt (% of GDP): 2003: 69,8%, 2004: 71,9%.

Tourist arrivals: 2004: +2,0%, Jan- October 2005: +6,2%.

Income from tourism: 2004: -3,2%, Jan- October 2005: +2,4%.

Inflation: 2004: 2,28%, January-November 2005: 2,61% (yoy). Harmonized ICP- January- October 2,1% (yoy), 12-month HICP (October): 2,3%.

Unemployment: 2004: 3,6%, October 2005: 3,0%. Household survey Q2: 5,4% (Eurostat seasonally adjusted imputed unemployment rate for September: 6,4%).

Industrial Production: 2004: +0,9%, Jan-Sep 2005: +0,9%, Manufacturing (Sep 2005): -0,2% yearly change.

Retail Sales (volume): 2004: +2,2%, January- August 2005: +5,0%.

Private car registrations (saloon): 2004: +50,4%, Jan- Oct 2005: -11,2%.

Building permits (area): 2004: +16,4%, Jan-Aug 2005: +16,7%.

Cement sales (local, volume): 2004: +18,0%, Jan-Oct 2005: +3,30%.

Trade deficit: 2004: deficit increase by 16,6% (at CY€2,13 bln.). Jan- Sep 2005: deficit increase by 3,6% (at CY £1,583 billion).

Total Imports (incl. EU): 2004: +16,2% (at CY€2,67 bln.). Jan- Sep 2005: +7,7% (at CY £2,068 billion).

Total Exports (incl. EU): 2004: +14,9% (at CY€548 mln.). Jan- Sep 2005: +23,5% (at CY £484,3 million).

Credit advances to the private sector: 2004: 6,5%. October 2005: +6,9% (after adjusting the headline 5,2% figure for increases in debt write-offs during March 2005).

Interest rates: Decision of 2nd December, 2005: The interest rates on the marginal lending facility (Lombard) and the deposit facility (Overnight Deposit Facility) remained unchanged at 4,25% and 2,25% respectively. In the statement accompanying the decision, the Monetary Policy Committee said it took the increase of Euro interest rates by a quarter point to 2,25% into serious consideration. The



Committee was more or less content with the economic growth picture as well as with the growth of credit expansion. The Committee noted the small drop in the rate of November inflation, while it stressed the need for fiscal discipline and moderation in wage increases, as well as the need for structural reforms. The Committee also expressed concern about the borrowing in foreign currency by local residents, which was putting upward pressure on the Cyprus Pound.

Forecasts 2006:

Based on the government's Convergence Program, the budget speech, outside sources as well as some of our own estimates and forecasts, the following table was drafted concerning the final figures for 2005 and the forecasts for 2006¹.

FORECASTS TABLE

	2004	2005	2006
GDP Growth	3,7%	3,9%	3,9%
Inflation	2,3%	2,4%	2,5%
Unemployment	3,6%	3,6%	3,4%
Budget Deficit (% GDP)	-4,2%	-2,8%	-2,0%
Public Debt (%GDP)	74,9%	71,9%	70,0%
Current account deficit (%GDP)	-4,5%	-4,0%	-3,5%
Loans to the private sector	6,5%	6,8%	6,4%
Income From Tourism	-3,2%	3,0%	2,0%
Tourist arrivals	2,0%	5,0%	4,0%

Michalis Florentiades
Research Department
5th December, 2005

¹ The 2006 projections are tentative as more data and forecasts from additional organizations are awaited.

The above research material has been prepared by the Research & Analysis Department of Hellenic Bank Investments Ltd and its contents are for information purposes only. The information or opinions contained in this report have been obtained or compiled from sources that we believe are reliable, but their accuracy, completeness or correctness cannot be guaranteed and are subject to change without notice. Hellenic Bank Investments Ltd does not accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. No part of this document may be reproduced, stored in any retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of Hellenic Bank Ltd or Hellenic Bank Investments Ltd.

**HELLENIC BANK LTD -
Research Department**

Corner Limassol & Athalassa Ave., 6th Floor, P.O. Box 24747, Nicosia 1394, Cyprus
Telephones: +357 22500896 Fax: +357 22500082,

E-mail : research@hellenicbank.com