

SPRING 2008 ECONOMIC OUTLOOK FOR CYPRUS: ANSWERS FROM OEB

MAIN FORECAST

	2007	2008	2009
Real GDP growth	4.4	4.1	4.0
Consumer price inflation	2.2	2.5	2.0
Unemployment rate	4.2	4.0	3.9
Employment growth	1.9	1.8	1.8

Components of aggregate demand

Annual % change	2007	2008	2009
Private consumption	4.9	4.2	4.0
Public consumption	2.2	4.2	4.2
Investment (Gross fixed capital formation)	8.0	4.5	4.2
Exports	1.6	2.7	3.3
Imports	3.3	3.1	3.5

ECONOMIC SENTIMENT

	Positive	Negative	Unchanged		
Trend in business climate over the next 6 months	Industry				
	Services				
Trend in profitability over the next 6 months	Industry				
	Services				
Investment intentions over the next 6 months	Industry				
	Services				
Driving force behind investment decisions in the next 6 months	Replacement	Extension	Rationalisation	Innovation	
	Same	Up	Same	Up	
Trend in consumer confidence over the next 6 months	Positive	Negative	Unchanged		
		yes			
Overall trend in employment over the next 6 months	Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months	
	Same	Same	Same	Same	
Over the next 6 months, cost/access to finance will be...	Higher / more difficult	Same	Lower / less difficult		
		Cost	Access		
Financial market turmoil has affected companies' investment decisions negatively ...	to a large extent	to some extent	to a limited extent	not at all	
			yes		

EXCHANGE RATE DEVELOPMENTS

	Dollar per euro
Where will the EUR/USD stand in October 2008 ?	na

POLICY MIX

	Not necessary, situation is satisfactory	Excellent	Satisfactory	Neither satisfactory nor unsatisfactory	Unsatisfactory	Deteriorating
Progress towards medium-term budgetary objective is...			yes			
Monetary policy is...	Tight, appropriate for the euro area	Tight	Appropriate	Loose	Loose, appropriate for the euro area	
			yes			
Focus on elements of the ECB analysis underlying its current policy stance is...	Above-target inflation	Downside risks to growth over medium term	Inflation pressures from high oil and commodity prices	Upside risks to wage inflation	Risks related to credit market turbulences	Risks of further euro appreciation
	na	na	na	na	na	na
Consistency between fiscal and monetary policies	Adequate	Inadequate				
	yes					