


**NOVEMBER 2011 ECONOMIC OUTLOOK FOR CYPRUS: ANSWERS FROM OEB**
**MAIN FORECAST**

<i>Annual % change</i>	2011	2012
Real GDP growth	0,5	0,2
Consumer price inflation	3,5	3,0
Unemployment rate	7,3	7,5
Employment growth	-0,7	-0,9
government net lending (% of GDP)	-6,0	-2,8
gross public debt (% of GDP)	65,5	66,6
current account balance (% of GDP)	-7,0	-6,0

**Components of aggregate demand - in real terms**

<i>Annual % change</i>		
Private consumption	3,5	3,9
Public consumption	0,9	0,9
Investment (Gross Fixed Capital Formation)	5,5	3,1
Private non-residential investment	n/a	n/a
Exports	1,5	1,5
Imports	3,3	3,2

**ECONOMIC SENTIMENT**

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
<b>Trend in business climate over the next 6 months</b>	Industry		
	Services		

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
<b>Trend in profitability over the next 6 months</b>			Industry
			Services

	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>
<b>Investment intentions over the next 6 months</b>			Industry		
			Services		

	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
<b>Influence on companies' investment decisions</b>	negative	negative	negative	neutral	positive	positive

	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>
<b>Driving force behind investment decisions in the next 6 months</b>	positive	neutral	positive	neutral

	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>
<b>Overall trend in employment</b>	Down	Down	Down	Same



**ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH**

<i>Compared to 6 months ago, cost/access to finance has been...</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b>	<b>down / easier</b>
<i>for SMEs</i>			Cost Access	
<i>for larger companies (&gt;250 employees)</i>		Cost	Access	

<i>Over the next 6 months, cost /access to finance will be...</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b>	<b>down / easier</b>
<i>for SMEs</i>		Cost	Cost Access	
<i>for larger companies (&gt;250 employees)</i>			Cost Access	

	<i>Consolidation of banking sector balance sheets</i>	<i>Access to capital markets</i>	<i>Encouraging equity financing through tax reforms</i>	<i>Better use of existing EU instruments (including EIB)</i>	<i>Greater potential for Public-Private-Partnerships</i>
<i>Measures to alleviate current financial difficulties for SMEs</i>	Very important effect	Very important effect	Important effect	Important effect	Moderate effect
<i>Measures to alleviate current financial difficulties for midsize and large companies</i>	Very important effect	Very important effect	Important effect	Important effect	Important effect



**POLICY MIX**

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i> yes	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
<i>Consistency between fiscal and monetary policies</i>	<i>adequate</i> yes	<i>inadequate</i>			
<i>Regarding the sustainability of public</i>	excellent committment	satisfactory committment	neither satisfactory nor unsatisfactory yes	unsatisfactory committment	no clear committment creating an extremely
<i>Exit Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficie	unsufficient focus	so far ignored
<i>Tight fiscal rules and more effective institutions</i>	yes				
<i>Greater efficiency of public</i>			yes		
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private</i>		yes			
<i>Reform of pension systems</i>				yes	
<i>Improved efficiency of healthcare sector</i>					yes
<i>Entry Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficie	unsufficient focus	so far ignored
<i>More and better-targeted education and training</i>			yes		
<i>More and better targeted R&amp;D and Prioritisation of infrastructure investments</i>		yes		yes	
<i>Growth enhancing tax reforms</i>			yes		
<i>In 2015, the government deficit will...</i>	respect the 3% limit yes	be in balance yes			