

Major recent developments in Cyprus

Cyprus Macroeconomic Developments

- Cyprus' Real GDP recorded a positive rate of growth of 3.3% in the 1st quarter of 2017, and 2.9% in the 4th quarter of 2016. Growth is expected to reach the 2.7% in 2017 and 2.5% in 2018 (IMF's June projections).
- Unemployment reached 11.6% in April 2017. It is expected to reach 11.8% in 2017 and 10.7% in 2018 (IMF's June projections).
- Inflation (HICP) averaged at 0.9% in May 2017. HICP is expected to be in the area of 1.5% in 2017 and 1.4% in 2018.
- Arrivals of tourists have recorded an increase of 20%, for the period January – April 2017, compared to the corresponding period of 2016.
- For January – March 2017, revenue from tourism is estimated to have increased by 14% compared to January – March of 2016.
- Property sales have recorded an increase of 17% during January – May 2017 (2,767 property sales) compared to the corresponding period of 2016.
- In January – May 2017 the total registrations of motor vehicles increased by 34% to 17,769 from 13,295 in the corresponding period of 2016.

Cyprus Fiscal Developments

Developments in public finances continue to exceed expectations.

- **General government budget balance (GGBB)**, also known as Fiscal Balance, stands at €189.9 million (surplus) from January – April 2017 compared to a surplus of €99.4 million in January – April 2016.
- **General government primary balance (GGPB)**, also known as Primary Balance, during January – April 2017, GGPB stood at €292.5 million (surplus) compared to a surplus of €200 million for January – April 2016.

Cyprus Public Debt and Financing:

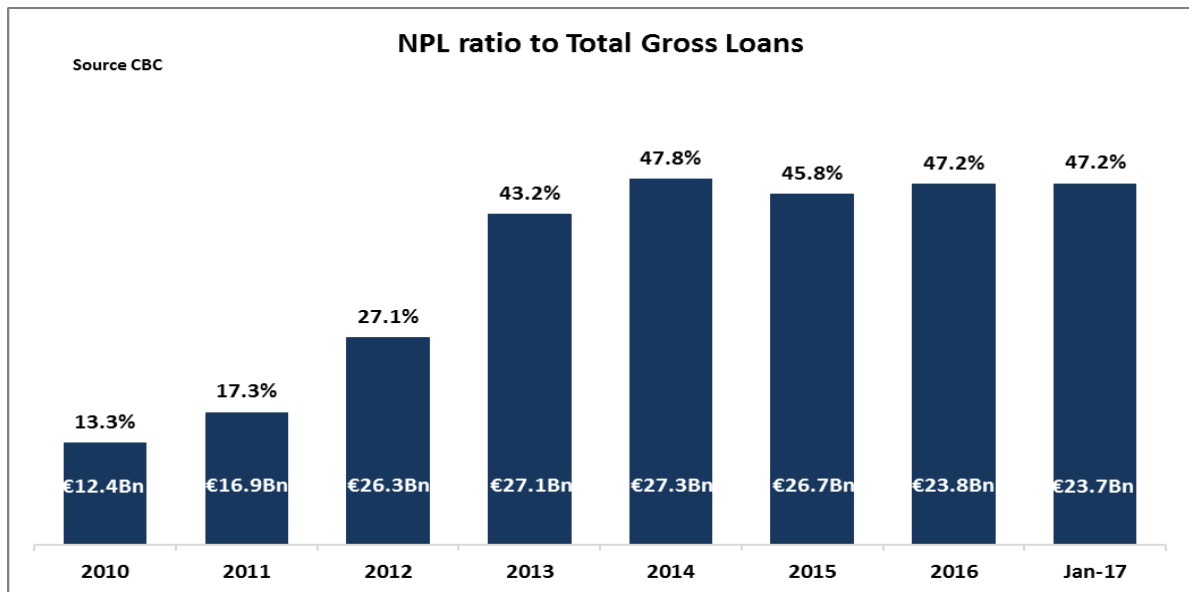
The General Government Debt reached €19.3 billion in April 2017 with the debt to GDP ratio reaching 107.8%. Debt to GDP is predicted to decrease to 106.8% by the end of 2017.

- Cyprus is BB+/B1/BB-/BB (low) rated by S&P/Moody's/Fitch/DBRS agencies, with stable outlook by S&P and DBRS, and positive outlook by Moody's and Fitch. On the 2nd of June 2017, DBRS upgraded the Republic of Cyprus's long-term foreign and local currency issuer ratings from B to BB (low) and changed the trend from Positive to Stable. DBRS also confirmed the short-term foreign and local currency issuer ratings at R-4 and maintained the Stable trend.
- Treasury Bills auction of 13-week duration beginning of June 2017 had an average yield of -0.05% and a bid to cover ratio of 1:1.89.

Banking Sector

- Deposits in the banking system are on an upward trend during the recent months. However they recorded a slight decrease in April 2017, reaching the amount of €49.2 billion, compared to €49.6 billion in March 2017 and €49.0 billion as at the end of 2016.
- The amount of Loans is decreasing. The outstanding amount of loans reached €54.6 billion in April 2017 compared to €55.2 billion in December 2016.
- Restructurings reached €13.6 billion in January 2017 (€14.6 billion on 31/12/2015, and €13.5 billion on 31/12/2014). Data shows that 72% of fixed-term loan restructurings undertaken, abide by the new repayment schedule agreed as part of the restructuring.
- The outstanding amount of Cyprus banks on ECB's Open Market Operations, amount to €0.91 billion as at end April 2017, down from its peak of €13.6 billion in September 2012.
- The NPLs (Exhibit 1) are on a downward trend (even though they're still in high levels) and amount to €23.7 billion as at January 2017 compared to €26.7 billion in December 2015. However, Cyprus Banking NPLs ratio has increased from 45.8% as at end 2015 to 47.2% as at January 2017, mainly due to the decrease of outstanding loans from €60.2 billion as at end 2015 to €52.2 billion in January 2017.

Exhibit 1: NPL ratio to Total Gross Loans



- Total New Lending for the period January – April 2017 has increased by 85% compared to the period of January – April 2016. Corporation loans increased by 101%, Consumption loans by 77% and Housing loans by 43%.

Table 1: New Loans (excluding renegotiation)

New Loans (excluding Renegotiation) Amounts in € millions	2009	2010	2011	2012	2013	2014	2015	2016	Jan-Apr 2016	Jan-Apr 2017	%Δ Jan - Apr 2016/17
Corporations Loans	4,953	4,398	3,734	3,253	3,122	1,414	1,158	1,479	375	752	101%
Consumption Loans	1,273	764	693	547	267	89	78	112	31	55	77%
Housing Loans	2,098	3,017	1,907	1,518	1,399	480	268	543	136	195	43%
Total	8,324	8,179	6,334	5,318	4,788	1,983	1,504	2,134	542	1,002	85%

- In 2016, tourist arrivals increased at a rate of 19.8% compared to 2015. An increase of 48.9% was recorded in tourist arrivals from Russia, a 10.5% increase from Germany, a 9.8% increase from the UK, an 11.2% increase from Greece and a 50.9% from Israel.

Exhibit 2: Tourist Arrivals and % change to previous year

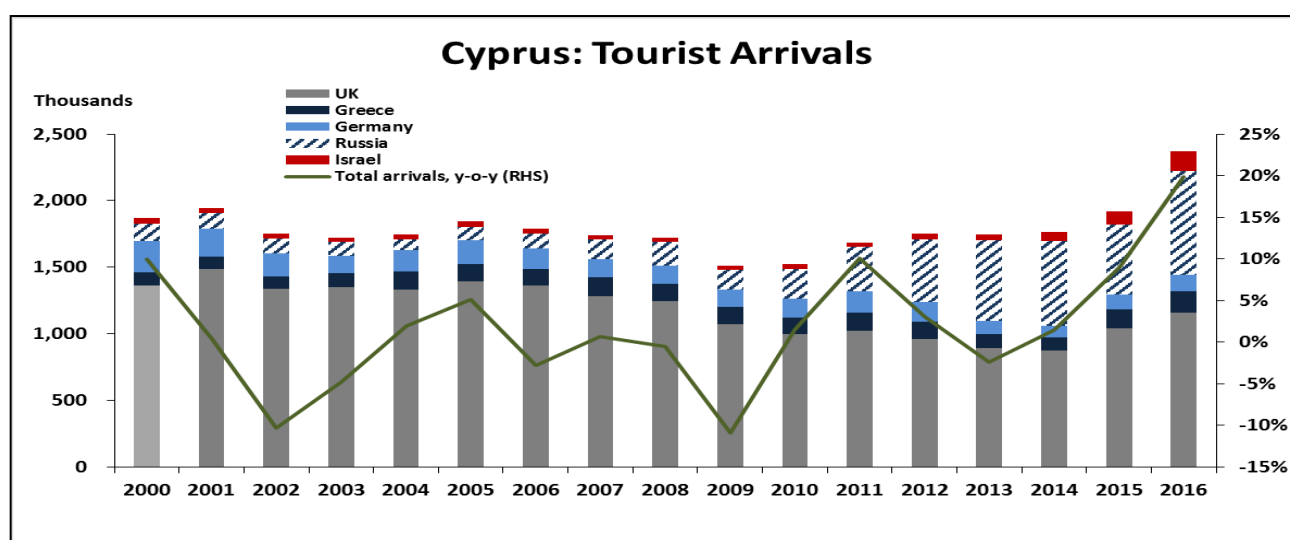


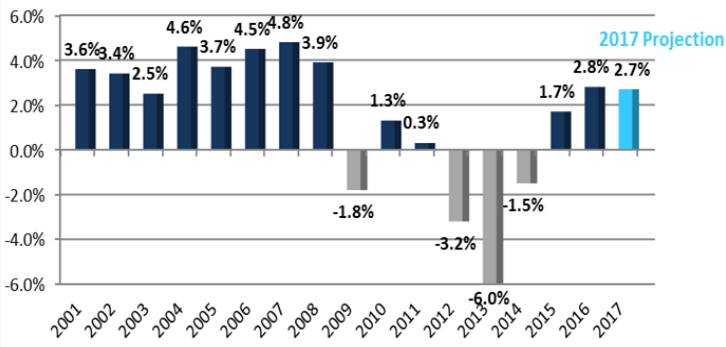
Table 2: Major Microeconomics Indicators 2016 Actuals Figures and 2017/18 Projections.

	2016 (Actuals)	2017 (Projections)*	2018 (Projections)*
<i>Real GDP</i>	2.80%	2.70%	2.50%
<i>Consumer Prices</i>	-1.20%	1.50%	1.40%
<i>Unemployment</i>	13.30%	11.80%	10.70%
<i>Debt to GDP</i>	107.8%	106.80%	105.10%
<i>General Government Balance</i>	-0.30%	0.60%	-0.20%
<i>General Government Primary Balance</i>	2.30% €531.9 million	3.00%	2.30%

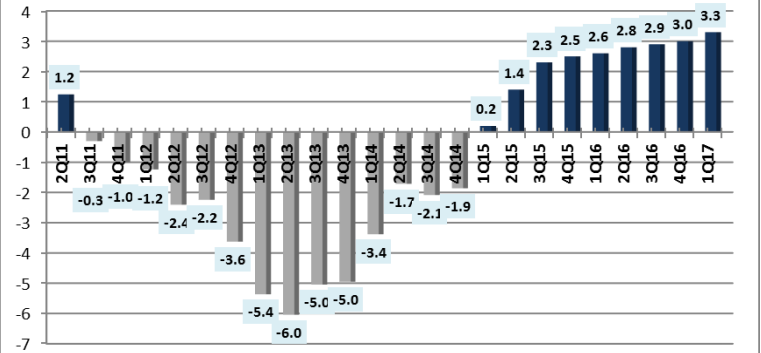
* IMF'S June 2017, Projections

Appendix 1 offers a graphical presentation of the key Cyprus Economy figures.

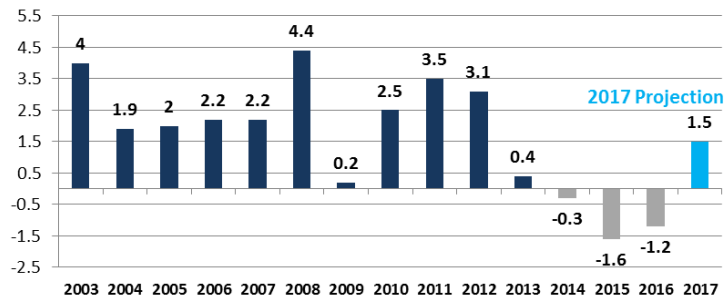
Real Growth (%)



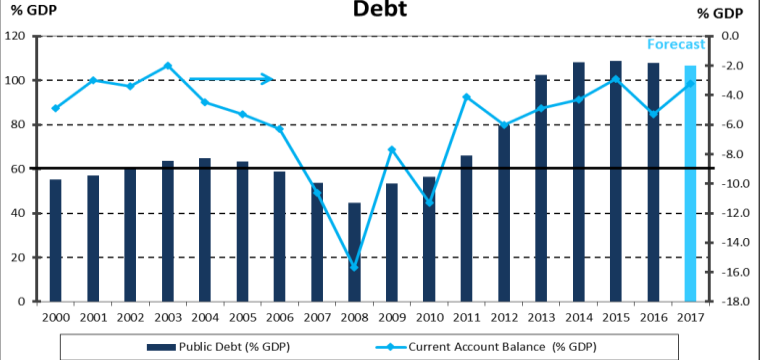
Quarterly Real GDP Growth Rate %



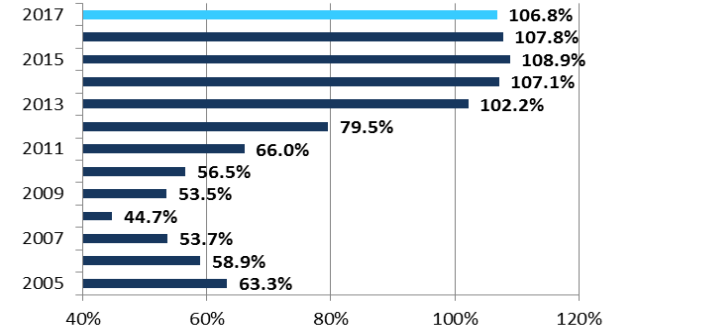
HICP, Change Compared with Corresponding Previous Year's period



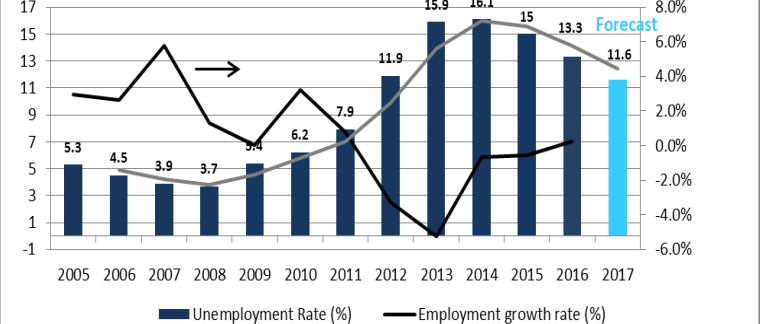
General Government Current Account Balance and Debt



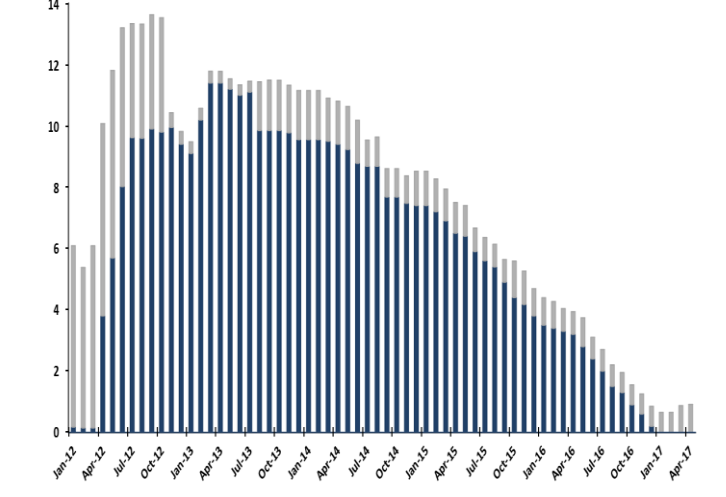
Public Debt as a % of GDP



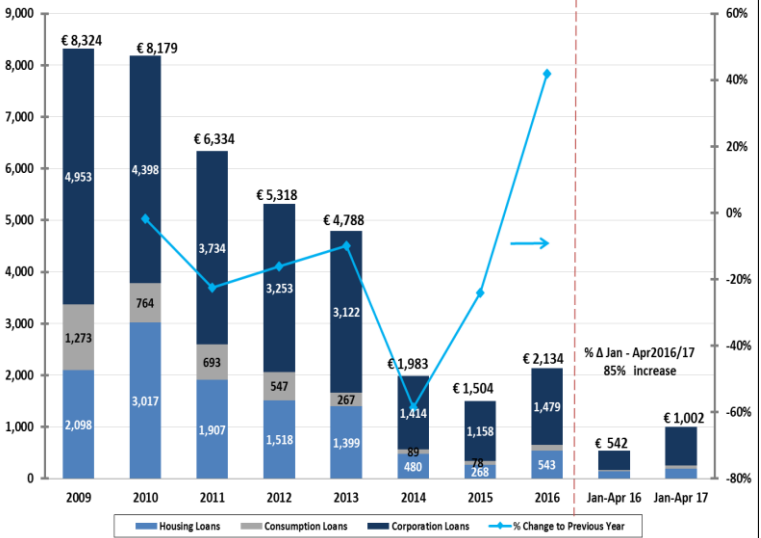
Unemployment Rate and Employment Growth Rate (%)



EUR bn



New Lending and % change to Previous Year





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