

Major recent developments in Cyprus

Cyprus Macroeconomic Developments

- Cyprus' Real GDP growth rate is expected to grow by 1.5% in 2016 and 2% in 2017-2020 (IMF January 2016 projections). The GDP growth rate in real terms during the second and first quarters of 2016 are positive and are estimated at 2.9% and 2.7% over the corresponding quarters of 2015. The increase of the GDP growth rate is mainly attributed to the sectors: "Hotels and Restaurants", "Professional, Scientific and Technical Activities", "Retail and Wholesale Trade", "Manufacturing", "Construction" and "Transport". Negative growth rates were recorded by the "Financial Service Activities".
- Unemployment is at 11.7% in June 2016 (2016 IMF January 2016 projection at 14.5%).
- Inflation (HICP) for July 2016 was -0.4% and -2% in June 2016 (2016 IMF January 2016 projection at 0.6%).
- Arrivals of tourists have recorded an increase of 20%, for the period January – July 2016, compared to the corresponding period of 2015.
- For the period January – May 2016, revenue from tourism is estimated at €530.2 million compared to €471.9 million in the corresponding period of 2015, recording an increase of 12.4%.
- Property sales (3,637 property sales during January to July 2016) have recorded an increase of 28% during the first 7 months of 2016 compared to the corresponding period of 2015. However, part of this increase is due to the exchange of assets between clients and banks (no data available).
- In January – June 2016 the total registrations (16,506 registrations of new and used motor vehicles) of motor vehicles increased by 32.4% compared to the correspondent period of 2015.

Cyprus Fiscal Developments

Developments in public finances continue to exceed expectations.

- **General government budget balance (GGBB)**, also known as Fiscal Balance, recorded a deficit of €43.7 million from January – June 2016 compared to a deficit of €31.2 million in January – June 2015.
- **General government primary balance (GGPB)**, also known as Primary Balance, during January-June 2015 GGPB recorded a surplus of €202.5 million compared to a surplus of €180.3 million for January-June 2016.

Cyprus Public Debt and Financing:

The General Government Debt has reached €18.8 billion (around 108% of GDP) as at June 2016 compared to €18.7 billion in December 2015, and it is projected to fall to below 90% of GDP in 2020.

- Cyprus is BB-/B1/B+ rated by S&P/Moody's/Fitch agencies.
- Treasury Bills auction of 13-week duration at end of July had an average yield of 0.63% and a bid to cover ratio of 1.45.

Banking Sector

- Deposits in the banking system have stabilized with deposits standing at €47 billion as at June 2016.
- Loans are still on a downward trend. The outstanding amount of loans reached €54.4 billion in June 2016.
- The outstanding amount of Cyprus banks on ECB's Open Market Operations and ELA amount to €3.1 billion (€ 0.7 billion and € 2.4 billion respectively) as at end June 2016, down from its peak of €13.6 billion in September 2012).
- Total New Lending for the period January – June 2016 increased by 42% as compared to the period of January – June 2015. Corporation loans increased by 21%, Consumption loans by 39% and Housing loans by 160%.

New Loans (excluding Renegotiation) Amounts in € millions	2010	2011	2012	2013	2014	2015	%Δ, H1		
							2015 H1	2016 H1	2015 - 2016
Corporations Loans	4,398	3,734	3,253	3,122	1,414	1,158	506	610	21%
Consumption Loans	764	693	547	267	89	78	36	50	39%
Housing Loans	3,017	1,907	1,518	1,399	480	268	91	237	160%
Total	8,179	6,334	5,318	4,788	1,983	1,504	633	897	42%

Cyprus' Major Challenges and Economic Forecasts

- The UK has voted to leave the European Union (EU), “Brexit” on the 23rd of June 2016. Although the process will be long, Cyprus is expected to be one of the EU countries that will be affected the most by “Brexit” as a result of its close links with the UK. The UK is Cyprus' second biggest trading recipient (Cyprus' exports to the UK account to 9% of its total exports as of 2015). The devaluation of the GBP, should make these exports more expensive and thus less attractive. Furthermore, Cyprus' economy is significantly dependent on tourism. As the recent devaluation of the GBP increases the travel costs for British tourists (which account to approximately 37% of the total tourist arrivals in Cyprus), tourism from the UK could be negatively impacted as well.

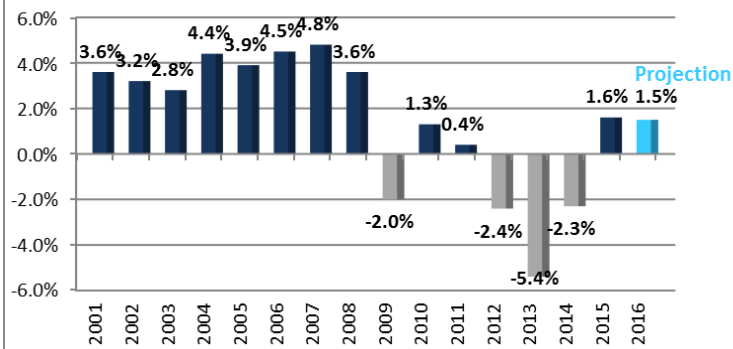
Appendix 1 offers a graphical presentation of the key Cyprus Economy figures.

	2015 (Actuals)	2016 (Projections)*	2017 (Projections)*
<i>Real GDP</i>	1.6%	1.5%	2
<i>Consumer Prices</i>	-1.6%	0.6%	1.3%
<i>Unemployment</i>	15.7%	14.5%	13.2%
<i>Debt to GDP</i>	109%	99.8%	95.7%
<i>General Government Balance</i>	-1.5% € 257.5 million (€ 82.5 +€ 175 million)	0.0%	0.8%
<i>General Government Primary Balance</i>	€ 466.5 million 2.7%	2.5%	3%

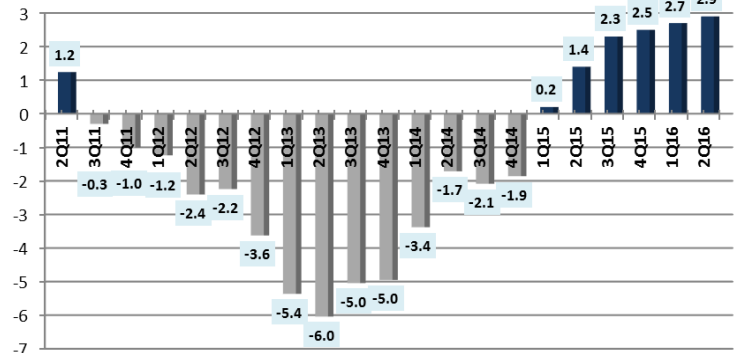
* IMF'S January 2016, Projections

Appendix 1

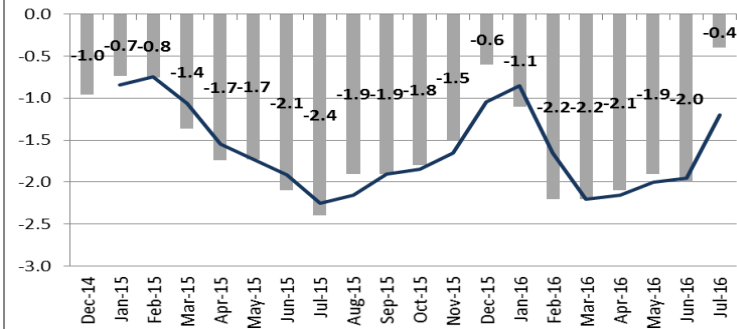
Real Growth (%)



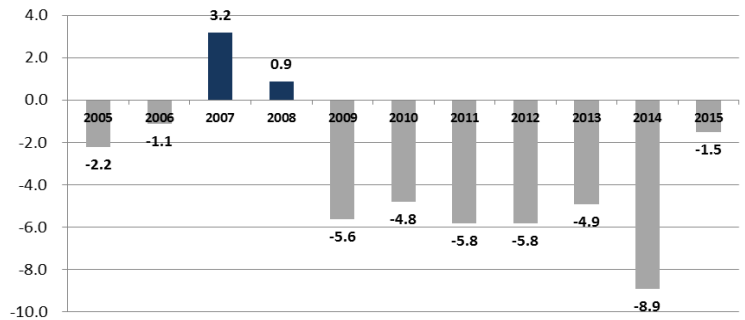
Quarterly Real GDP Growth Rate %



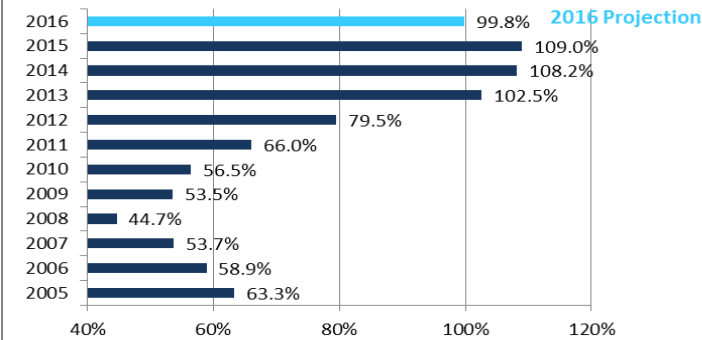
HICP, % Change Compared with Corresponding Month of 2015 & 2014



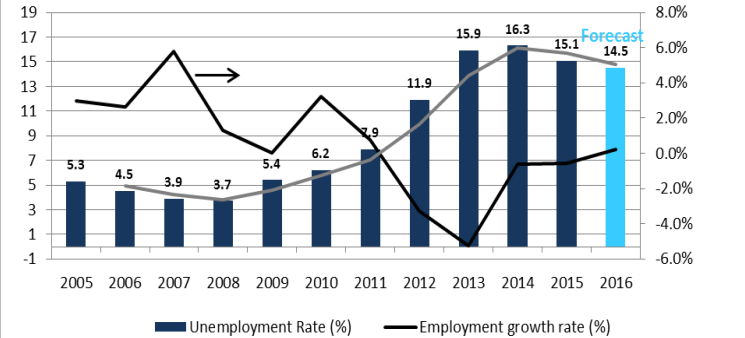
General Government balance, Surplus/(Deficit) % of GDP



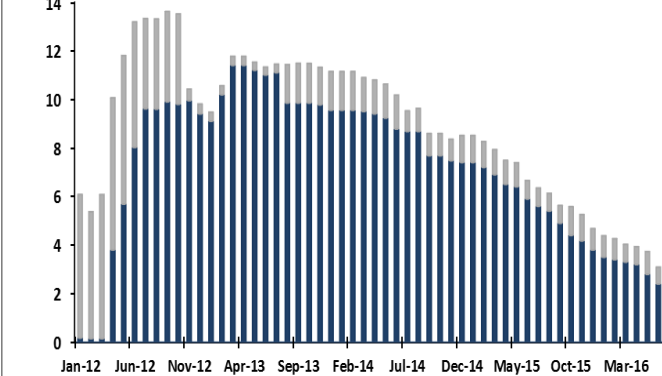
Public Debt as a % of GDP



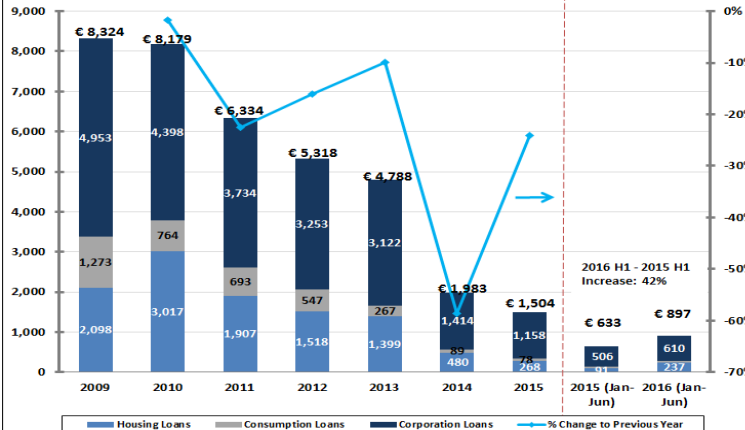
Unemployment Rate and Employment Growth Rate (%)



EUR bn



New Lending and % change to Previous Year





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