

## **Major recent developments in Cyprus**

### ***Cyprus Macroeconomic Developments***

- Cyprus' Real GDP growth rate is expected to grow by 2.8% in 2016 and by 2.2% in 2017 (IMF's October projections). The actual growth during Q1, Q2 and Q3 2016 was 2.6%, 2.8% and 2.9% respectively.
- Unemployment is at 12% in October 2016 (2016 IMF projection at 13.0%).
- Inflation (HICP) for November 2016 was -0.8% and -1.0% in October 2016 (2016 IMF projection at -1%).
- Arrivals of tourists have recorded an increase of 20%, for the period January – October 2016, compared to the corresponding period of 2015.
- For the period January – September 2016, revenue from tourism is estimated at €1,962.7 million compared to €1,752.6 million in the corresponding period of 2015, recording an increase of 12%.
- Property sales (5,929 property sales during January – November 2016) have recorded an increase of 33.6% during the 11 months of 2016 compared to the corresponding period of 2015.
- In January – October 2016 the total registrations of motor vehicles increased by 30% to 27,946, from 21,450 in the corresponding period of 2015.

### ***Cyprus Fiscal Developments***

Developments in public finances continue to exceed expectations.

- **General government budget balance (GGBB)**, also known as Fiscal Balance, stands at €138.2 million (surplus) from January - October 2016 compared to a surplus of €78.4 million in January – October 2015.
- **General government primary balance (GGPB)**, also known as Primary Balance, during January - October 2016 GGPB stood at €539.1 million (surplus) compared to a surplus of €489.3 million for January-October 2015.

### ***Cyprus Public Debt and Financing:***

The General Government Debt has slightly decreased to €19.4 billion as at September 2016 compared to €19.1 billion in 2015, and it is projected to fall to 94.6% of GDP by 2020.

- Cyprus is BB/B1/BB- rated by S&P/Moody's/Fitch agencies.
- Treasury Bills auction of 13-week duration beginning of December had an average yield of 0.17% and a bid to cover ratio of 1:3.97.

### ***Banking Sector***

- Deposits in the banking system are on an upward trend during the recent months. They recorded an increase of €0.6 billion in October 2016, reaching the amount of €48.3 billion.
- The amount of Loans is decreasing. The outstanding amount of loans reached €54.0 billion in October 2016.
- The NPLs are on a downward trend (even though they're still in high levels) and amount to €24.6 million as at August 2016 compared to €27.0 million in August 2015. However, Cyprus

Banking NPLs ratio has increased from 45.8% as at end 2015 to 49.0% as at August 2016 mainly due to the decrease of outstanding loans from €62.8 billion as at end 2015 to €54.4 billion in June 2016.

- The outstanding amount of Cyprus banks on ECB's Open Market Operations and ELA, amount to €1.6 billion (€ 0.7 billion and € 0.9 billion respectively) as at end October 2016, down from its peak of €13.6 billion in September 2012).
- Total New Lending for the period January – September 2016 has increased by 34% compared to the period of January – September 2015. Corporation loans increased by 17%, Consumption loans by 33% and Housing loans by 116%.

New Loans (excluding Renegotiation) Amounts in € millions	2010	2011	2012	2013	2014	2015	2015	2016	% Δ , 9 months
							(9 months)	(9 months)	2015 - 2016
Corporations Loans	4,398	3,734	3,253	3,122	1,414	1,158	828	971	17%
Consumption Loans	764	693	547	267	89	78	58	77	33%
Housing Loans	3,017	1,907	1,518	1,399	480	268	168	363	116%
<b>Total</b>	<b>8,179</b>	<b>6,334</b>	<b>5,318</b>	<b>4,788</b>	<b>1,983</b>	<b>1,504</b>	<b>1,054</b>	<b>1,411</b>	<b>34%</b>

#### ***DBRS Rating Agency Announcement on Cyprus and ECB's Decision***

- DBRS changed Cyprus trend to positive from stable, and affirmed B rating, on the 2<sup>nd</sup> of December.
- The ECB has decided on the 8<sup>th</sup> of December to continue its purchases under the asset purchase programme (APP) at the current monthly pace of €80 billion until the end of March 2017. From April 2017, the net asset purchases are intended to continue at a monthly pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.

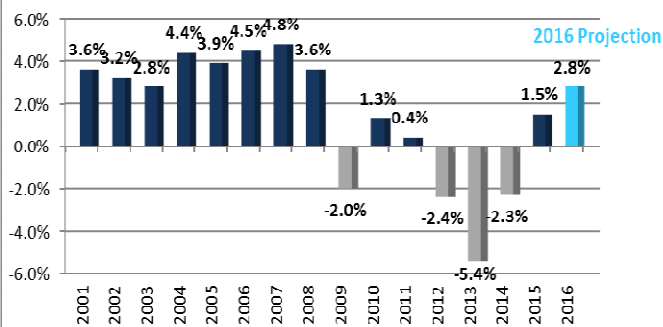
**Appendix 1** offers a graphical presentation of the key Cyprus Economy figures.

	2015 (Actuals)	2016 (Projections)*	2017 (Projections)*
<i>Real GDP</i>	1.5%	2.8%	2.2
<i>Consumer Prices</i>	-1.6%	-1.0%	0.5%
<i>Unemployment</i>	14.9%	13.0%	11.6%
<i>Debt to GDP</i>	108.9%	106.7%	105.3%
<i>General Government Balance</i>	-1.4% € 257.5 million	-0.5%	0.6%
<i>General Government Primary Balance</i>	€ 466.5 million 1.4%	2.0%	1.9%

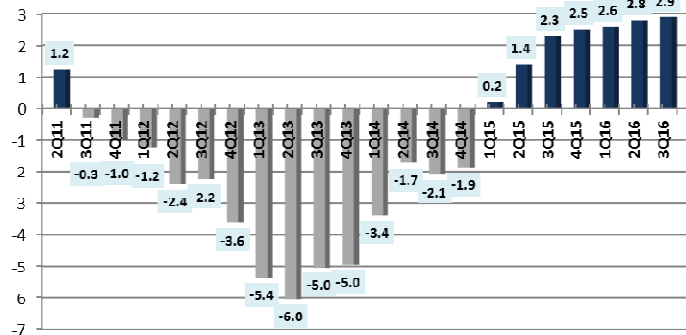
\* IMF'S October 2016, Projections

## Appendix

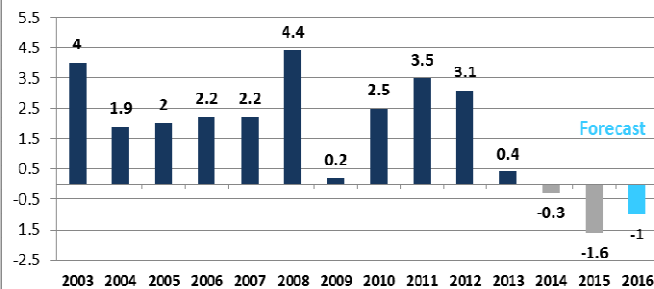
### Real Growth (%)



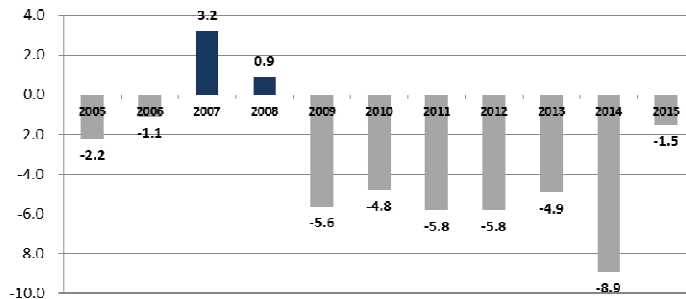
### Quarterly Real GDP Growth Rate %



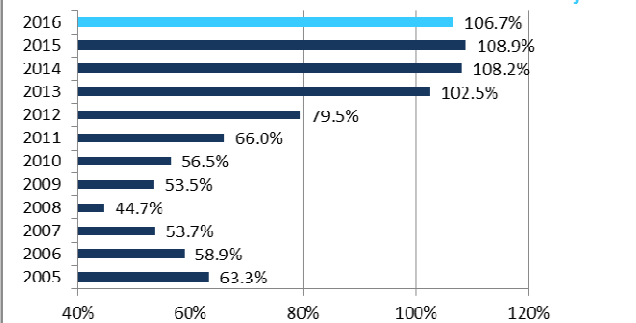
### HICP, Change Compared with Corresponding Previous Year's period



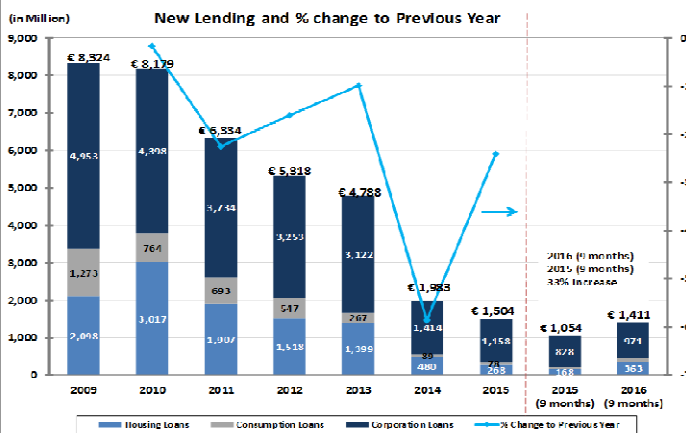
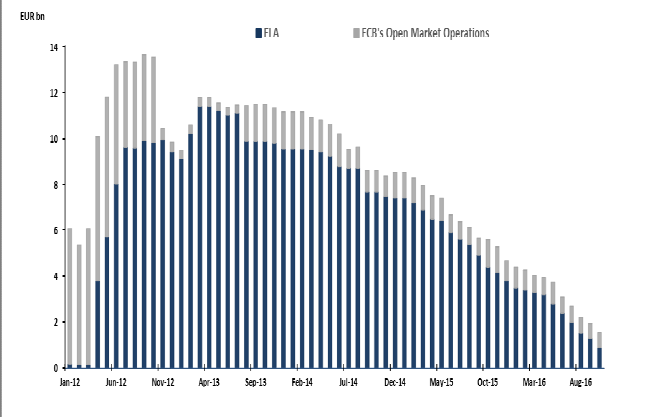
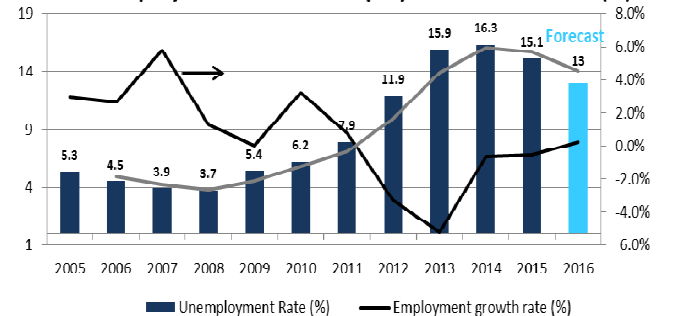
### General Government balance, Surplus/(Deficit) % of GDP



### Public Debt as a % of GDP



### Unemployment Rate and Employment Growth Rate (%)





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