

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:

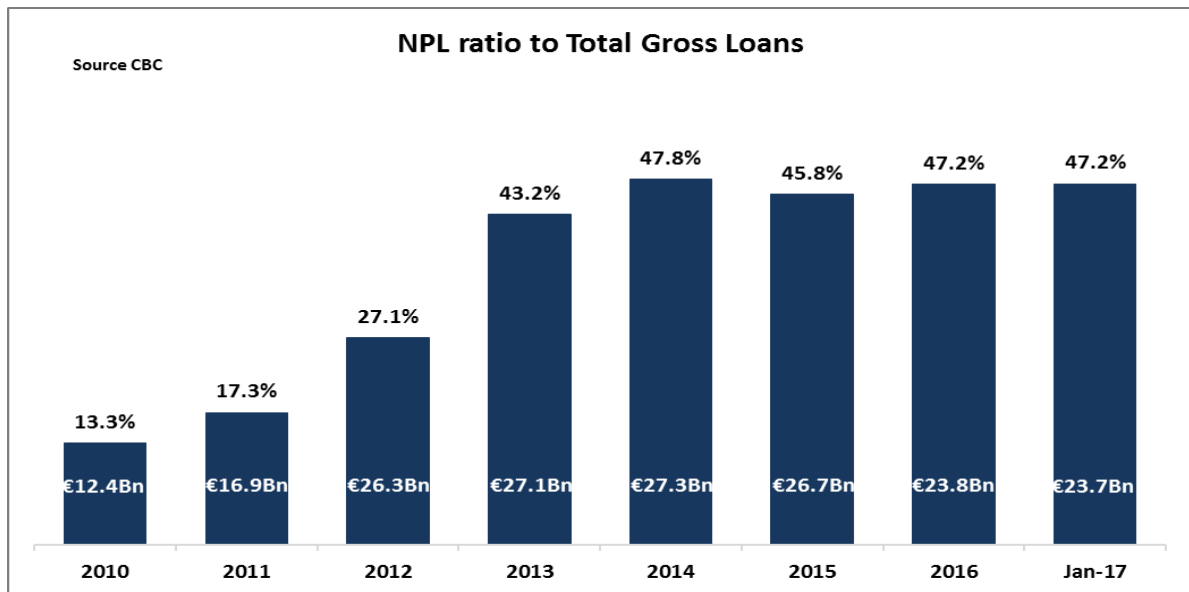
The General Government Debt reached €19.3 billion in April 2017 with the debt to GDP ratio reaching 107.8%. Debt to GDP is predicted to decrease to 106.8% by the end of 2017.

- 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

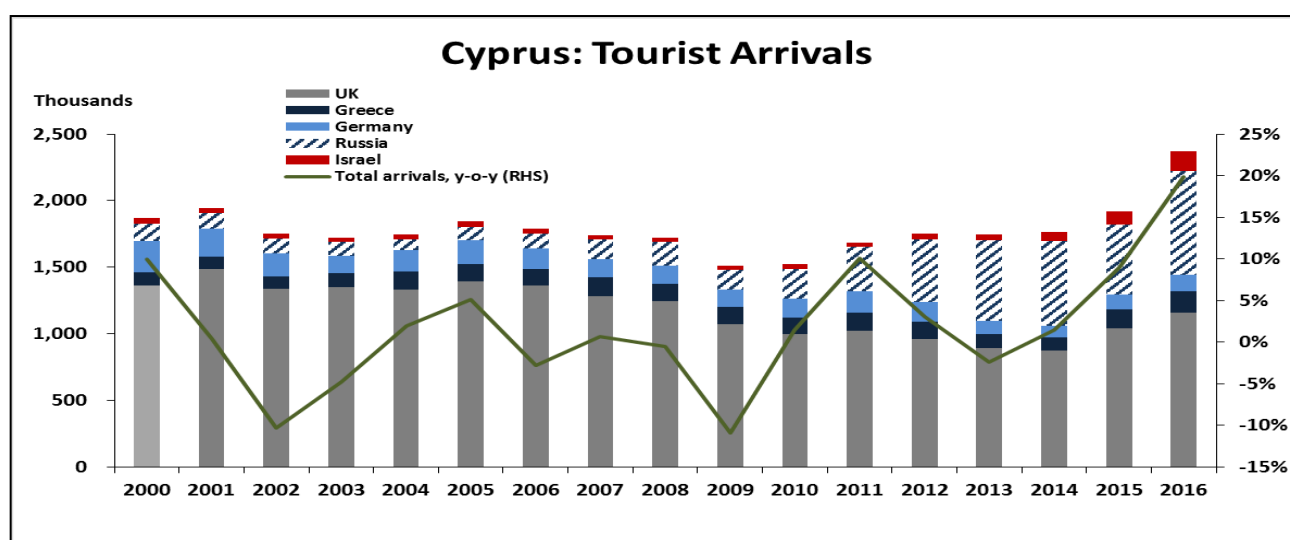


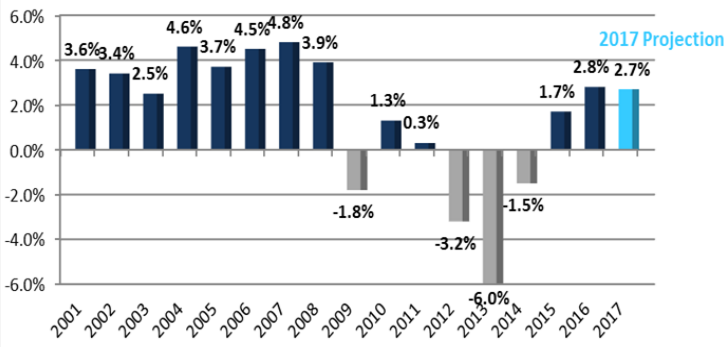
Table 2: Major Microeconomics Indicators 2016 Actuals Figures and 2017/18 Projections.

	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%

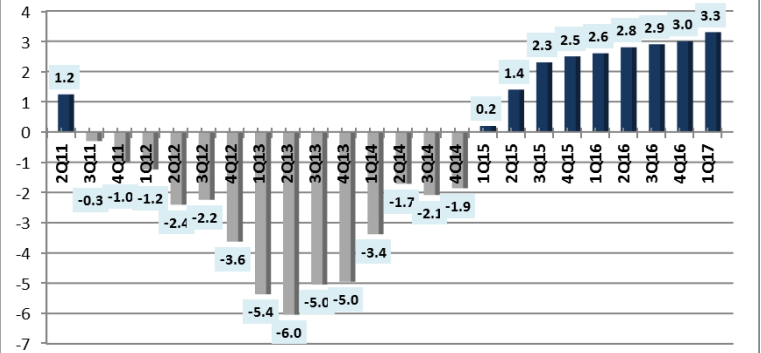
* IMF'S June 2017, Projections

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

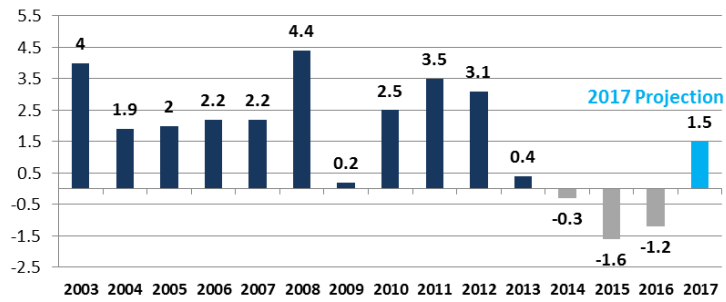
Real Growth (%)



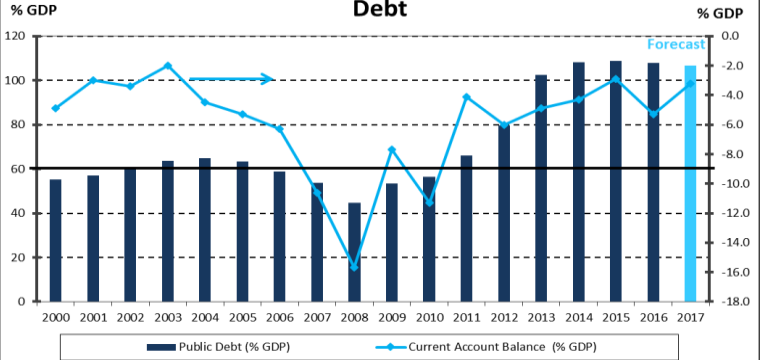
Quarterly Real GDP Growth Rate %



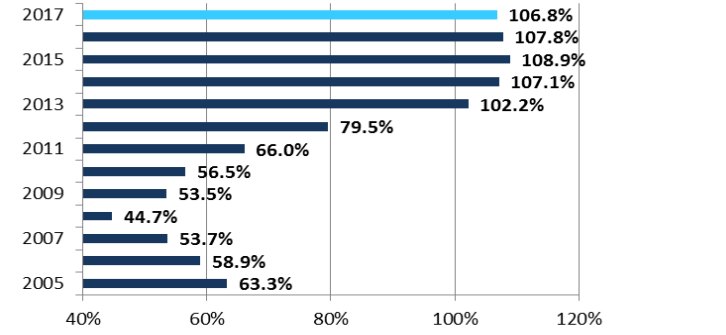
HICP, Change Compared with Corresponding Previous Year's period



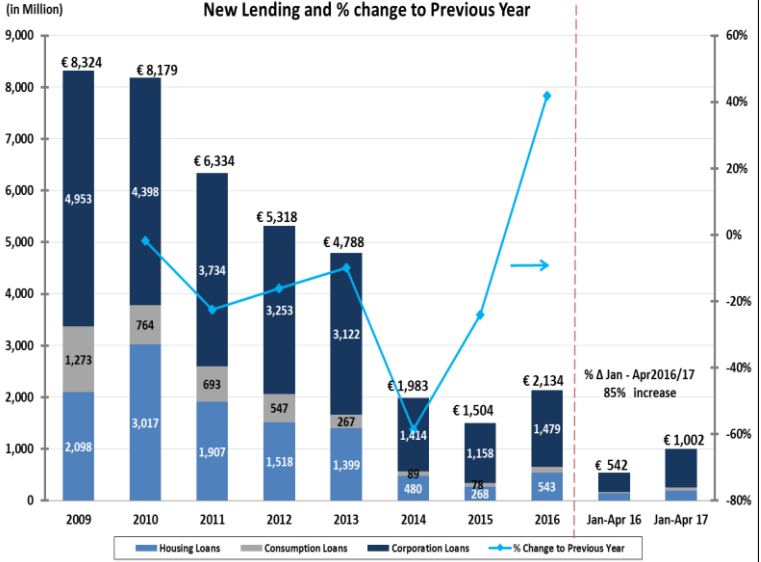
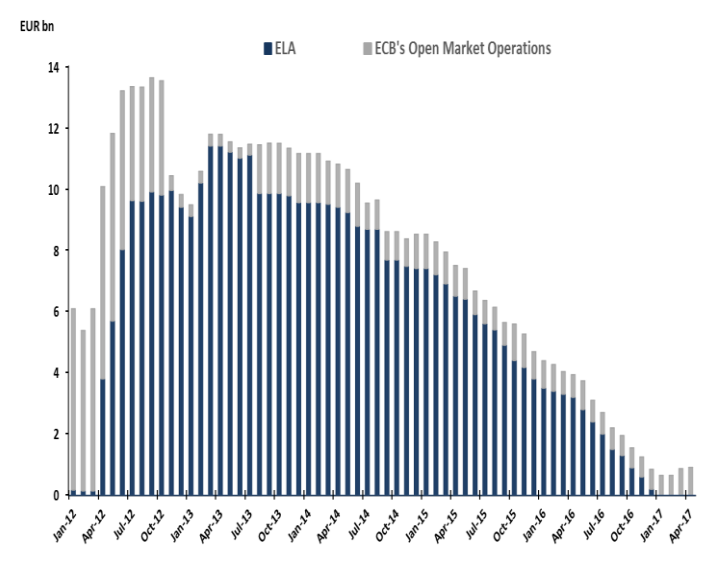
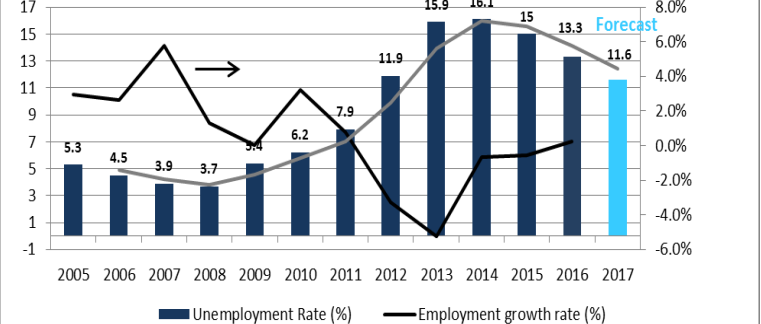
General Government Current Account Balance and Debt



Public Debt as a % of GDP



Unemployment Rate and Employment Growth Rate (%)





USB BANK PLC

Treasury & Correspondent Banking P.O. Box 28510, 2080 Nicosia, Cyprus Telephone 22883344
The content of the current publication is exclusively informative and does not intend to influence or encourage specific actions. In addition to that, it is by no means binding for USB Bank PLC.