

## Major recent developments in Cyprus

### *Cyprus Macroeconomic Developments*

- Cyprus' Real GDP growth rate flash estimate for 2016 is 2.8%. Growth is expected to reach the 2.2% in 2017 (IMF's October projections).
- Unemployment reached the level of 13.3% in 2016 (2017 IMF projection at 11.6%). Unemployment is expected to decrease to 11.6% in 2017.
- Inflation (HICP) averaged at -1.2% in 2016 (2016 IMF projection at -1%). HICP is expected to be in the area of 0.5% in 2017.
- Arrivals of tourists have recorded an increase of 20%, for the period January – December 2016, compared to the corresponding period of 2015. An increase of 49% was recorded in tourist arrivals from Russia, a 15% increase from Greece, and an 11% increase from the UK and Germany.
- For the period January – November 2016, revenue from tourism is estimated at €2,312.5 million compared to €2,059.5 million in the corresponding period of 2015, recording an increase of 12.3%.
- Property sales (7,063 property sales during January – December 2016) have recorded an increase of 43% during 2016 compared to 2015.
- In January – December 2016 the total registrations of motor vehicles increased by 31% to 33,805, from 27,735 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 €88.2 million (deficit) from January - December 2016 compared to a deficit of €225.9 million in January – December 2015.
- **General government primary balance (GGPB)**, also known as Primary Balance, during January - December 2016 GGPB stood at €531.9 million (surplus) compared to a surplus of €489.3 million for January - December 2015.

### *Cyprus Public Debt and Financing:*

The General Government Debt reached €19.7 billion in November 2016 exhibiting an increase by €0.7 billion since the start of the year. The increase has been diverted mainly to the accumulation of cash reserves.

- Cyprus is BB/B1/BB- rated with positive outlook by S&P/Moody's/Fitch agencies. The announcements of the next review of the Cyprus economy shall take place on the 17<sup>th</sup>, 24<sup>th</sup> of March and 21<sup>st</sup> of April by S&P, Moody's and Fitch rating agencies respectively.
- Treasury Bills auction of 13-week duration beginning of February 2017 had an average yield of -0.01% and a bid to cover ratio of 1:3.24.

### Banking Sector

- The capital position has been strengthened in 2016. CET1 capital ratio of the Cypriot banking sector reached 16.0% on 30/09/2016 (15.6% on 31/12/2015 and 14.2% on 31/12/2014).
- Deposits in the banking system are on an upward trend during the recent months. They recorded an increase of €3 billion during 2016, reaching the amount of €49 billion.
- The amount of Loans is decreasing. The outstanding amount of loans reached €55.2 billion in December 2016 compared to €62.8 billion in December 2015.
- The NPLs are on a downward trend (even though they're still in high levels) and amount to €24.1 billion as at October 2016 compared to €26.7 billion at the end of 2015. However, Cyprus Banking NPLs ratio has increased from 45.8% as at end 2015 to 48.5% as at October 2016 mainly due to the decrease of outstanding loans from €62.8 billion as at end 2015 to €55.2 billion in December 2016.
- Restructurings reached €13.6 billion in September 2016 (€14.2 billion on 31/12/2015, and €12.9 billion on 31/12/2014). Data shows that over 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 and ELA, amount to €0.85 billion (€ 0.65 billion and € 0.2 billion respectively) as at end December 2016, down from its peak of €13.6 billion in September 2012). ELA obtained by Bank of Cyprus was fully repaid in January 2017.
- Total New Lending for the period January – December 2016 has increased by 42% compared to the period of January – December 2015. Corporation loans increased by 28%, Consumption loans by 44% and Housing loans by 103%.

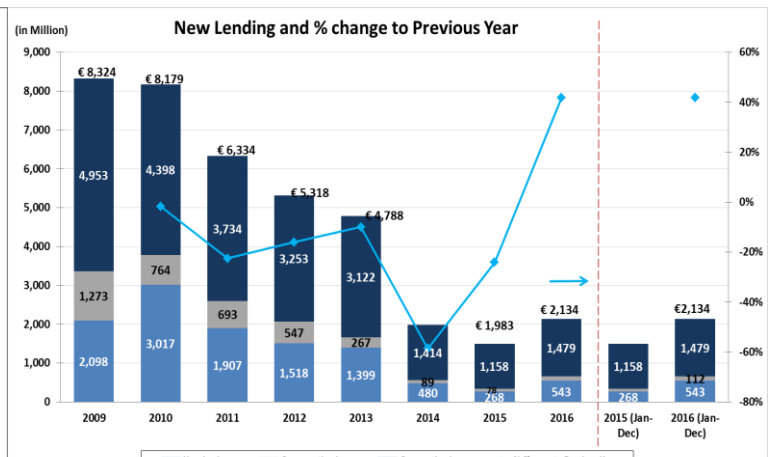
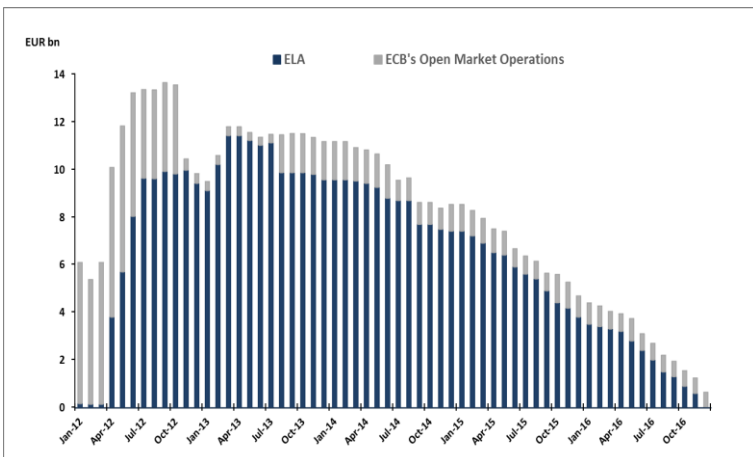
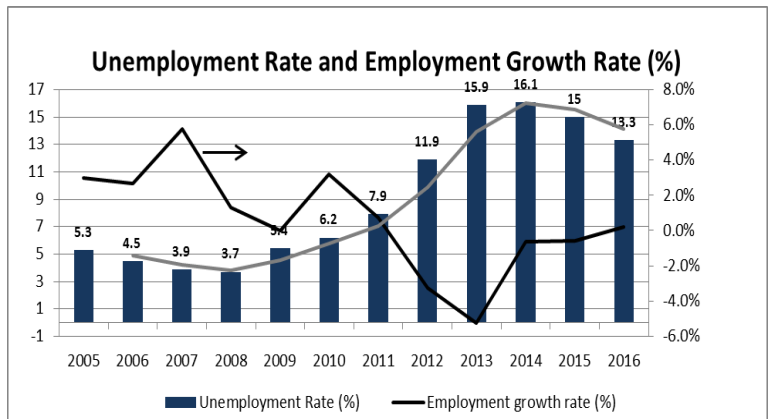
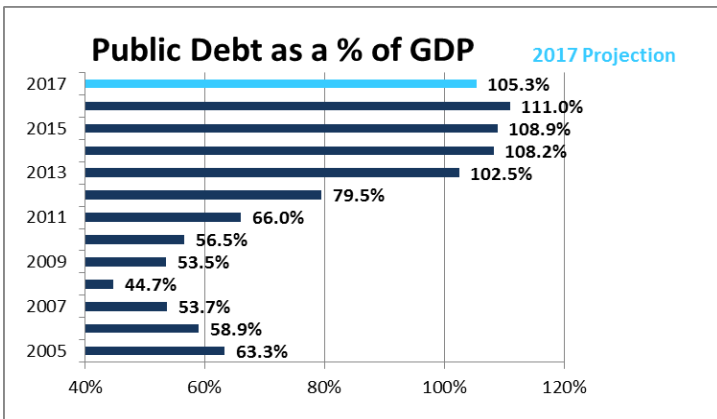
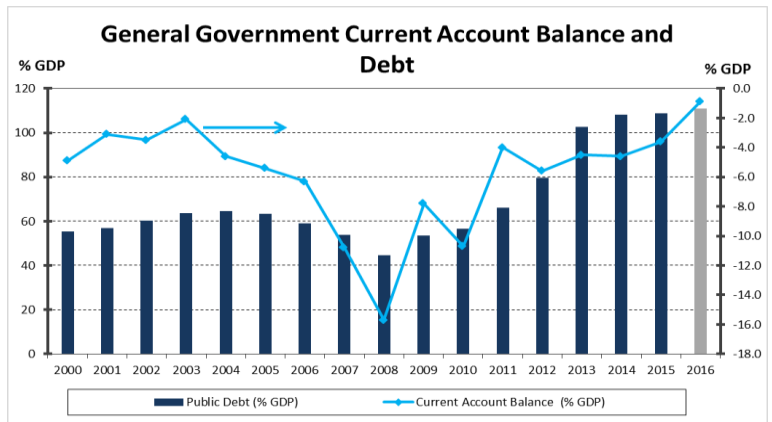
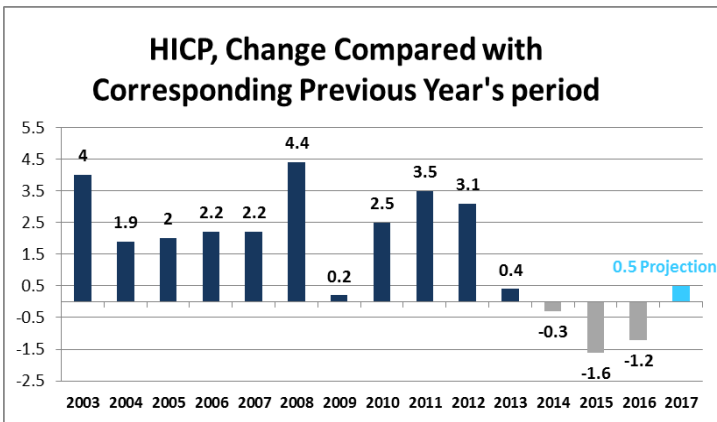
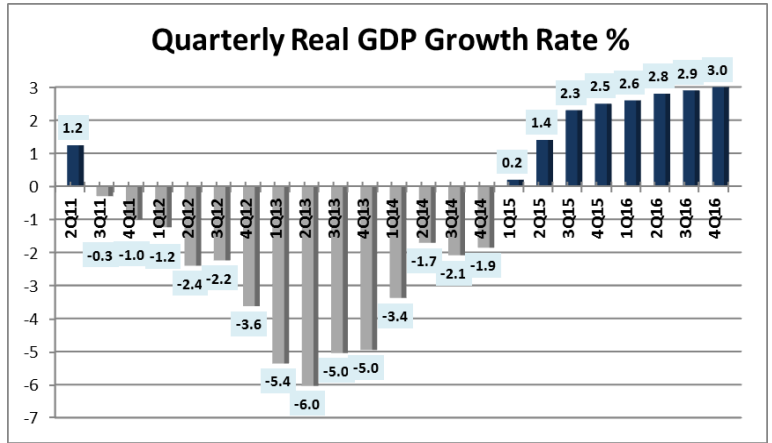
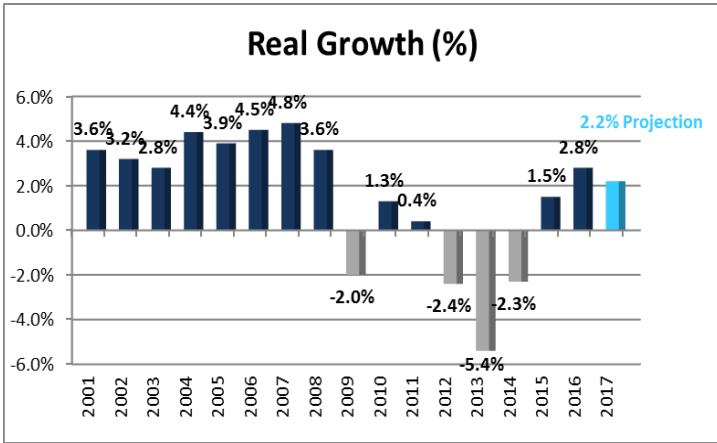
<b>New Loans (excluding Renegotiation)</b> Amounts in € millions	2009	2010	2011	2012	2013	2014	2015	2016	%Δ 2016-2015
Corporations Loans	4,953	4,398	3,734	3,253	3,122	1,414	1,158	1,479	28%
Consumption Loans	1,273	764	693	547	267	89	78	112	44%
Housing Loans	2,098	3,017	1,907	1,518	1,399	480	268	543	103%
<b>Total</b>	<b>8,324</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>2,134</b>	<b>42%</b>

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

	2015 (Actuals)	2016	2017 (Projections)*
<i>Real GDP</i>	1.5%	2.8% (Flash Estimate)	2.2%
<i>Consumer Prices</i>	-1.6%	-1.2%	0.5%
<i>Unemployment</i>	14.9%	13.3%	11.6%
<i>Debt to GDP</i>	108.9%	111% (Estimate)	105.3%
<i>General Government Balance</i>	-1.4% € 257.5 million	-0.5%	0.6%
<i>General Government Primary Balance</i>	€ 489.3 million	€531.9 million	1.9%

\* IMF'S October 2016, Projections

## Appendix





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