Responding to the Coronavirus Crisis  
Update on Cyprus (06/04/20)

**EBRD Policy Comparator**

<table>
<thead>
<tr>
<th>Financial Sector</th>
<th>Direct support to firms</th>
<th>Payment holidays</th>
<th>Temporary controls</th>
<th>Support to individuals</th>
<th>Increased social benefits</th>
<th>Health</th>
<th>External Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy rate</td>
<td>Liquidity increased</td>
<td>Wage subsidies</td>
<td>Rent</td>
<td>Prices</td>
<td>Exports</td>
<td>Social security</td>
<td>Public works</td>
</tr>
<tr>
<td>Prudential req. loosed</td>
<td></td>
<td>Taxes social sec. deferred</td>
<td>Utilities</td>
<td>Loans</td>
<td>Universal transfers</td>
<td>Enhanced sick leave</td>
<td>Additional spending</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loan subsidies</td>
<td>Prudential req.</td>
<td>Subsidies</td>
<td>Self-employed</td>
<td>Enhanced unemp. benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Guarantees</td>
<td>Suspended inspections/audits</td>
<td>Rent</td>
<td>Reimbursed consumers</td>
<td>Low income households</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inspections/ audits suspended</td>
<td>Prudential req.</td>
<td>Subsidies</td>
<td>Peninsers</td>
<td>Public works</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>EU aid</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Extra</td>
</tr>
</tbody>
</table>

**Economic channels of disruption**  
Tourism, shipping, and private consumption

- Severe lockdown (schools and all non-essential businesses, as well as borders, closed) causing sharp downturn to the economy.
- Tourism (22% of GDP) heavily hit, as is the associated real estate sector, with the extent of the recession in 2020 highly dependent on the duration of travel and other restrictions in the UK and Russia, which account for half of annual tourist arrivals.
- Shipping sector (7% of GDP) will also be an important channel of disruption for the economy.

**Selected crisis impact indicators**

**EBRD GDP growth outlook (April 2020)**  
2020: recession  
2021: strong recovery  
[new forecasts out on May 13 2020]

**Economic sentiment**  
March ESI 101.4  
(March 2020): down 10.4 points m/m

**Cyprus stock exchange general index**  
48.42  
(April 06 2020): down 22.2% m/m

**Crisis response measures to date**

**Support for healthcare, workers and businesses**

- EUR 700 million support package (3% of GDP), with specific support to the health sector, the tourism and shipping sectors.
- Business receive deferred payment of taxes and social security contributions.
- In some cases, households supported by leave allowances and workers by unemployment allowances; temporary reduction of VAT rates.
- Fiscal EU deficit targets relaxed for 2020.
- Eligible for ECB’s Pandemic Emergency Purchase Programme of EUR 750 billion.

**Selected crisis response indicators**

- **Total support to salaries, households and students**: €370 million
- **Payment holidays for loans**: 9 months for individuals, public-law entities, self-employed persons and corporations not behind their payments as of Feb.29th 2020
- **VAT reduction**: VAT reduction on goods and services from 19% to 17% for 2 months and from 9% to 7% for 3 months
- **Committed external assistance**: Cyprus eligible for wider EU support, including EUR 37 billion from the Cohesion Fund and EUR 8 billion mobilized by EIB and the EU for working capital

**Key short-term priorities**

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals.