

# Responding to the Coronavirus Crisis

## Update on Cyprus (23/04/20)



### EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
*	*	*		*				*									*			*	

### 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 and travel (13.8% 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  
[new forecasts out on May 13 2020] 2021: strong recovery

**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 869 million support package (4,3% 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.29<sup>th</sup> 2020  
(months)

**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

To learn more about EBRD's support to Cyprus visit: <https://www.ebrd.com/ebd-in-cyprus.html>

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