

Responding to the Coronavirus Crisis

Update on Cyprus (19/11/20)



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)
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Economic channels of disruption

Tourism, shipping, and private consumption

- Severe lockdown (schools and all non-essential businesses, as well as borders, closed) from March up until May 4th has caused sharp downturn to the economy. Since then, lockdown measures have gradually been lifted. Some of the reopening measures were partially reversed since August to control the surge in daily new cases.
- Tourism and travel (13.8% of GDP in 2019) heavily hit. January to August 2020, tourist arrivals in Cyprus were down by more than 80% relative to the same period a year previously, as lockdown and quarantine measures in key source countries took a major toll on the sector.
- Shipping sector (7% of GDP) is also an important channel of disruption for the economy.

Selected crisis impact indicators

EBRD GDP growth outlook 2020: - 7.5 %
(Sept. 2020) 2021: 4.0 %

Economic sentiment October ESI 80.7
(October 2020): (down 0.7 points m/m)

Cyprus stock exchange general index 47.52
(Nov. 19th 2020) (up 9.61% m/m)

Crisis response measures to date

Support for healthcare, workers and businesses

- EUR 899 million support package (4,5% of GDP), with specific support to the health, tourism and shipping sectors.
- Business receive deferred payment of taxes and social security contributions as well as guarantees on financing of credit facilities, SME funding schemes
- 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 1,350 bn

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