



ECONOMY

11 December 2018

The Economy of Cyprus - Looking Ahead

Main indicators		2016	2017	2018 f	2019 f	2020 f	2021 f
Real GDP (%)	↑	4,8%	4,2%	4,0%	3,8%	3,4%	3,0%
Unemployment rate (LFS)	↓	12,9%	11,1%	8,5%	7,0%	6,3%	5,5%
Public debt (% of GDP)	↓	105%	96%	104%	97%	91%	85%
Fiscal Balance (% of GDP)	↑	0,3%	1,8%	3,0%	2,9%	2,8%	2,7%

Source: Ministry of Finance

Note: "f" denotes forecasts by the Ministry of Finance. Forecasts are based on assumptions and there can be no assurance that any such forecasts will be realised. Forecasts are subject to revisions from time to time.

2019 State Budget - What lies ahead for the economy of Cyprus

Addressing the Plenary of the House of Representatives in view of the parliamentary debate on the 2019 state budget the Finance Minister of the Republic of Cyprus Mr Harris Georgiades referred to the current state of the economy of Cyprus. The Minister pointed out that 2018 marks the 4th consecutive year of recovery and growth in the country's economy, while highlighting that Cyprus is currently one of the fastest growing economies in the EU, with an average annual growth rate of 4% since 2015.

The Minister reminded the significant ground lost during the long and

protracted recession that preceded in the period 2009-2014, leading, inter alia, to increased unemployment, widening inequalities, insecurity and uncertainty. Mr Georgiades added that the unemployment rate has already been drastically reduced and limited to 7.5%, while there has also been a gradual increase in disposable income and private consumption, as well as a significant improvement in the indicators of social inequality and income distribution.

According to Minister Georgiades, *"It is indisputable that economic activity has been revived and new investments have been promoted. It is a fact that the economy has stabilized, that confidence has been restored, that our country is standing on its feet again. And to the extent that one can predict, we estimate that positive growth rates will continue in the medium term."*

Moreover, he pointed out that this stability of the economy has led to successive upgrades from rating agencies and Cyprus' return to investment grade in September 2018, sending a positive signal to the international investment community and acting as a shield for the Cypriot economy at a time of intense global uncertainty.

Stressing the importance of the European context, within which Cyprus operates as a state and as an economy, Minister Georgiades assured that Cyprus will work within this context to ensure economic stability and growth prospects, working in particular towards the completion of the Banking Union, a difficult and demanding process that will however, guarantee financial stability in the EU, as well as in our own country.

The Minister also reiterated Cyprus' commitment to tackling money laundering, stressing that *"we will definitely and irrevocably clean up the name of Cyprus from any blotches of the past and we will strongly support the European initiatives and the Action Plan to strengthen the framework against money laundering in the European banking system."*

Also underlying Cyprus' determination to maintain its compliance with the common fiscal rules as a prerequisite for macroeconomic stability and growth, he noted that since 2016 the country has been running a surplus budget, which for this year is estimated at 3%, further remarking that *"in this way we have ensured the sustainability of public debt, as confirmed by our upgrades and our easy access to international markets."*

Stressing that the promotion of reforms and changes in the structures and processes of the state and the economy

must be a national objective, the Finance Minister outlined a policy framework providing for 13 reforms. These include the privatisation of the Cyprus Telecommunications Authority (Cyta), the Cyprus Stock Exchange and the State Lottery, the Local Administration Reform, the implementation of the National Health Plan, the reform in the insurance sector and that of the governance of the Central Bank of Cyprus.

According to the Minister, all these *"comprise a concrete, ambitious but also achievable plan which, if implemented, will change our country, modernize the structures and processes in the State, strengthen competitiveness and expand the production base of our economy. And in this way, we will maintain and broaden our growth momentum."*

Minister Georgiades further stated that the set aim is perfectly feasible, under conditions, of course, that include maintaining macroeconomic stability, sustainable management of public finances and proper functioning of the financial system. Maintaining a favorable environment for entrepreneurship and investment and improving competitiveness through a continuous reform effort, is always necessary.

Concluding, he remarked that the 2019 State Budget serves exactly this purpose, since it is a *"budget that ensures stability implementing new projects, new policies and important reforms. It is a budget without new taxes and charges. It is a budget that will maintain our country in growth rates and strengthen social cohesion."*