



Significant Events:

- The Republic of Cyprus on the 9th of March 2016 successfully exited the economic adjustment program that it has been under since March 2013 with the overwhelming support of the creditors (IMF, EU, ECB) who praised the significant improvement exhibited by the Republic in all areas of the economy, especially regarding public finances.
- According to the Flash Estimate compiled by the Statistical Service (CYSTAT), the GDP growth rate in real terms during the first quarter of 2016 is positive and estimated at +2.6% over the corresponding quarter of 2015. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at +2.7%.
The increase of the GDP growth rate is mainly attributed to the sectors: "Hotels and Restaurants", "Professional, Scientific and Technical Activities", "Retail and Wholesale Trade", "Manufacturing", "Construction" and "Transport". Negative growth rates were recorded by the "Financial Service Activities" and the "Household Activities with Employed Persons".

Macroeconomic Environment:

- In the 4th quarter of 2015, GDP (in seasonally adjusted terms) recorded a positive rate of growth of 2.7% compared with a positive rate of growth of 2.3% in the 3rd quarter of 2015 on an annual basis. The increase of the GDP growth rates is mainly attributed to the sectors of hotels and restaurants, professional, scientific and technical activities, retail and wholesale trade, manufacturing, construction, transport, as well as, the financial services activities while from the expenditure side it was mainly due to consumption and investment. For 2015 as a whole, real GDP recorded a positive rate of growth of the order of 1.6% compared to 2014.
- Having regard that, the business operating environment is exhibiting signs of rebound given that lending to non-financial corporations has turned marginally positive and interest rates are in decline, we expect growth to continue and accelerate further in 2016.
- The economic sentiment indicator by CypERC increased by 1.2 points in March 2016 compared to February 2016. This increase is due to a further improvement of the business climate in services and, to a lesser extent, to enhancement of consumer's economic confidence.
- Exports of goods decreased by 57.5% in January 2016 compared to January 2015, mainly due to the transfer of economic ownership of mobile transport equipment, with total value of €158.6 mn in January 2015.
- In January-February 2016 tourist arrivals increased by 23.9% compared to January-February 2015. An increase of 49.7% was recorded in tourist arrivals from Russia, a 25.5% increase from Germany, a 23.8% increase from the UK and a 16.9% increase from Greece.
- Inflation (HICP) for February 2016 stood at -2.2% compared to -1.1% in January 2016. For 2016 so far it stands at -1.6%.
- Labour Force Survey (LFS) unemployment, in monthly seasonally adjusted terms, decreased to 15.3% in January 2016 compared to 16.3% in January 2015. The most affected segment of the population is youth, although it has been on a downward trend since January 2014. Particularly challenging is also the increase in long-term unemployed.
- Compensation per employee in 2015 declined by around 1% compared to 2014, contributing to a decline of nominal unit labour cost and improving costs competitiveness further. The observed wage adjustment is expected to help containing the upward pressure on unemployment

Banking Sector:

- NPLs decreased in absolute terms during 2015 (reduced over €1 bn in 2015, down to €27.306 mn on 31/12/2015, from €28.383 mn on 31/12/2014)
- Restructurings have increased by nearly €0.5bn in 2015 (€14.554 mn on 31/12/2015, increased from €13.493 mn on 31/12/2014).
- Viable restructurings are at a high level, reaching 81% for restructuring taking place over the past 2 years (2014 and 2015). In addition, during December 2015 there was a migration of restructured loans from the category of non-performing to performing facilities, totalling €336 million following the successful completion of the observance period.
- Deposits in the banking system have been on a rising trend since the second half of the year 2015 with deposits increasing from €44.51 billion in June 2015 to €46.13 billion in January 2016.

Cooperative Credit Institutions:

The CCB has announced on the 29th of February 2016, the final results for 2015 as well as the Key Performance Indicators (KPIs) regarding the progress on the implementation of the restructuring plan. All the relevant documents were published at the CCB website. The link for the website is the following:

http://www.ccb.coop.com.cy/userfiles/f8ce1af3-1709-4976-a785-1a5a8d552da1/Mh_elegmenes_enopoihmenes_katastaseis_31.12.2015.pdf

http://www.ccb.coop.com.cy/userfiles/f8ce1af3-1709-4976-a785-1a5a8d552da1/Kyrioi_deiktes_apodoshs_31%2012%202015.pdf

Regarding the results of 2015, the Central Cooperative Bank (CCB) announced a 2015 loss of €167.4mln due to increased provisions, compared with a €41.2mln profit the previous year. The CCB had recorded a €60.6mln profit in the Q4 2015. The CCB had managed to limit the €228mln loss incurred in the first nine months of the year due to one-off provisions worth €527mln and full compliance with regulatory demands. During 2015, co-ops had to absorb close to €700mln in new provisions and capital. The CCB's capital adequacy ratio was 15.6 per cent at the end of 2015. The ratio of loans with over 90 days delay has dropped to the lowest point of the year – 50.9 per cent. Loan restructures in Q4 reached €444mln with the total for the year being €1.03bln, involving some 40,000 people. At the end of 2015, the CCB had €12.7bln in deposits versus €12.8bln in loans. Total provisions reached €3.5bln

Fiscal Developments – January-February 2016:

- General government budget balance (GGBB) was in surplus during the first two months of 2016 of about €39.2 mn (0.2% of GDP) compared to a surplus of €3.4 mn during the same period of the year before. General government primary balance (GGPB) was in surplus during the period

under review, of about €94.9 mn (0.5% of GDP) compared to a surplus of €71.1 mn (0.4% of GDP) during January-February 2015.

- Total revenue exhibited a positive rate of growth of the order of 1.3% during January-February 2016, reaching €1,013 mn compared to €1,000 mn the year before. Taxes on production and imports exhibited a positive rate of growth of the order of 1.5% and social contributions increased by 2.6%, reflecting the improved economic performance.
- Total expenditure reached €974 mn during January-February 2016, compared to €997 mn the year before, exhibiting a decline of the order of 2.3%. Intermediate consumption and compensation of employees exhibited a decline of the order of 9.2% and 5.8% respectively, whereas social transfers increased by 11.8% compared to the year before.

Public debt and financing:

- Yields in the government bond market remained relatively stable throughout the period February to April 2016
- With the exit from the economic adjustment program, bonds of the Republic of Cyprus have not been eligible for ECB operations (Quantitative easing and monetary policy operations). Despite of this the effect on the yields of the bonds of the Republic has not been significant and the market remains stable at a higher level while part of the increases in yields can be explained by the general increase in yields of the European periphery countries.
- Yields in the treasury bills market have been re-adjusted in the last two months with 13 week weighted average yield rising from 0.54% in February to 0.79% in April.

Contacts:

Public Debt Management Office, Ministry of Finance, Nicosia 1439, Cyprus
pdm@mof.gov.cy ; www.mof.gov.cy/pdmo ; Tel: +357 22 601182 ; Fax: +357 22 602749

Links:

Macroeconomic monitor:

[http://www.mof.gov.cy/mof/mof.nsf/All/1CF0D908D6B490B4C2257F96002DDA3E/\\$file/Macro%20Monitor%20-%20January%202016.pdf?OpenElement](http://www.mof.gov.cy/mof/mof.nsf/All/1CF0D908D6B490B4C2257F96002DDA3E/$file/Macro%20Monitor%20-%20January%202016.pdf?OpenElement)

Public Debt Quarterly Bulletin:

[http://www.mof.gov.cy/mof/pdmo/pdmo.nsf/All/F0C650FEBD5E4C11C225788D00208D2A/\\$file/CY%20Qrt%20Bulletin%20Q4_2015.pdf](http://www.mof.gov.cy/mof/pdmo/pdmo.nsf/All/F0C650FEBD5E4C11C225788D00208D2A/$file/CY%20Qrt%20Bulletin%20Q4_2015.pdf)

The information has been compiled and verified to the best of our knowledge. The possibility of a factual mistake cannot, however, be excluded.