

# Post-Programme Surveillance Report - Cyprus, Autumn 2022

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This report by the European Commission, published on 22 November 2022, presents the findings of the 13th post-programme surveillance mission to Cyprus and identifies remaining challenges.

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"This report summarises the main findings from the 13th post-programme surveillance (PPS) mission for Cyprus, which took place from 26-28 September 2022. The mission was conducted by European Commission staff, in liaison with staff from the European Central Bank (ECB). The institutions held several hybrid meetings with the Cypriot authorities and major banks. Staff from the European Stability Mechanism (ESM) participated in the meetings on aspects related to the ESM's early warning system. Staff from the International Monetary Fund (IMF) also joined under the framework of a staff visit."



**"The Cypriot economy surpassed growth expectations in the first half of the year, but the outlook points to a weakening growth momentum.** Real GDP growth reached 6.3% in the first half of 2022, compared with the same period of 2021. This was mainly driven by domestic demand and supported by a rebound in tourism. Buoyant private consumption was supported by an increase in employment and accumulated savings during the pandemic period. Investment was boosted by the entry of foreign companies, while construction put a drag on investment growth. It also benefits from the implementation of the Cyprus Recovery and Resilience Plan. In the first three quarters of 2022, the tourism sector outperformed expectations and recovered most of the ground lost by the pandemic with arrivals and revenues reaching almost 80% and 90% of the 2019 levels, respectively, with 2019 having been a record year. However, high energy prices, combined with a general weakening of the EU economy negatively affect the economic outlook. Whereas real GDP growth for 2022 is forecast to reach 5.6%, for 2023 it is expected to decelerate to 1%. Inflation is expected to remain elevated over the coming years, declining gradually from the peak of 8% in 2022. The labour market has performed well with unemployment falling on the back of robust growth. Significant downside risks to the

growth outlook remain, mainly due to the uncertainty regarding the economic repercussions of the Russian invasion of Ukraine."

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