



# CENTRAL BANK OF CYPRUS

EUROSYSTEM

## Explanatory note on External Statistics – April 2023

The current note aims to provide an overview of the main developments in External Statistics<sup>1</sup> of Cyprus for 2022, with an emphasis on developments in selected macroeconomic indicators.

### I. BALANCE OF PAYMENTS (Table 1 and Figure 1)

#### I.1 Current and Capital Accounts

The Current Account deficit increased further to €2.463,3 million in 2022 or 9,1% of the country's GDP, compared with a deficit of €1.638,2 million in 2021, or 6,8% of the country's GDP (see Table 1 and Figure 2). The increase in the Current Account deficit resulted from the deterioration of the deficit in *Goods* (from €4.317,8 million to €5.883,5 million) and the increase in the deficit of *Primary Income* (from €2.029,2 million to €2.145,8 million). The aforementioned developments were partly offset by the improved surplus in *Services* (from €5.019,5 million in 2021 to €5.782,2 million in 2022), and the reduced deficit of *Secondary Income* (from €310,7 million to €216,2 million).

Table 1. The Balance of Payments

(€ million)	2021			2022			%Δbalance*
	Credit	Debit	Balance	Credit	Debit	Balance	
<b>Current account</b>	<b>43.668,0</b>	<b>45.306,2</b>	<b>-1.638,2</b>	<b>40.620,7</b>	<b>43.084,0</b>	<b>-2.463,3</b>	↓ -50,4%
<b>Goods</b>	<b>3.589,7</b>	<b>7.907,5</b>	<b>-4.317,8</b>	<b>4.570,2</b>	<b>10.453,7</b>	<b>-5.883,5</b>	↓ -36,3%
<b>Services</b>	<b>17.214,7</b>	<b>12.195,2</b>	<b>5.019,5</b>	<b>20.146,4</b>	<b>14.364,2</b>	<b>5.782,2</b>	↑ 15,2%
<i>of which:</i>							
Transport	3.359,8	2.037,4	1.322,4	3.584,8	2.520,9	1.063,9	↓ -19,5%
Travel	1.782,0	748,4	1.033,6	2.742,7	1.288,3	1.454,4	↑ 40,7%
Financial services	5.507,2	3.204,2	2.303,0	5.506,2	3.308,5	2.197,6	↓ -4,6%
Telecommunications, computer, and information services	3.936,0	3.047,7	888,3	5.573,0	4.021,9	1.551,1	↑ 74,6%
Other business services	1.492,6	2.246,2	-753,6	1.395,6	2.368,7	-973,1	↓ -29,1%
<b>Primary Income</b>	<b>22.179,1</b>	<b>24.208,3</b>	<b>-2.029,2</b>	<b>15.174,9</b>	<b>17.320,7</b>	<b>-2.145,8</b>	↓ -5,7%
Compensation of employees	73,0	106,1	-33,1	71,2	95,7	-24,6	↑ 25,8%
Direct investment	20.856,6	22.675,5	-1.818,8	13.702,1	15.483,3	-1.781,2	↑ 2,1%
Portfolio investment	571,2	895,0	-323,8	531,5	939,4	-407,8	↓ -26,0%
Other investment	608,7	478,8	129,9	793,4	724,8	68,6	↓ -47,2%
Reserve assets	1,9		1,9	2,2		2,2	↑ 13,7%
Other primary income	67,7	53,0	14,7	74,5	77,4	-2,9	↓ -119,8%
<b>Secondary Income</b>	<b>684,5</b>	<b>995,2</b>	<b>-310,7</b>	<b>729,2</b>	<b>945,4</b>	<b>-216,2</b>	↑ 30,4%
<b>Capital account</b>	<b>204,8</b>	<b>102,9</b>	<b>102,0</b>	<b>205,7</b>	<b>153,3</b>	<b>52,4</b>	↓ -48,6%
<b>Financial Account</b>	<b>-26.587,4</b>	<b>-25.519,5</b>	<b>-1.067,9</b>	<b>2.153,4</b>	<b>3.773,1</b>	<b>-1.619,7</b>	↓ -51,7%
Direct investment	-33.992,9	-29.623,8	-4.369,1	2.906,4	11.049,1	-8.142,6	↓ -86,4%
Portfolio investment	2.628,6	3.483,6	-855,1	1.511,6	-328,1	1.839,7	↑ 315,2%
Financial derivatives	-64,4	38,7	-103,2	-858,2	-685,1	-173,1	↓ -67,7%
Other investment	4.485,1	581,9	3.903,1	-1.553,2	-6.262,7	4.709,5	↑ 20,7%
Reserve assets	356,3		356,3	146,8		146,8	↓ -58,8%
<b>Net Errors and Omissions</b>			<b>468,3</b>			<b>791,2</b>	↑ 69,0%

Source: Central Bank of Cyprus

Note: \*%ΔBalance is defined as the % change in the balance of 2022 over the corresponding balance of 2021

<sup>1</sup> External Statistics – namely Balance of Payments, International Investment Position and External Debt Statistics – that measure all economic transactions and all financial positions between residents and non-residents.



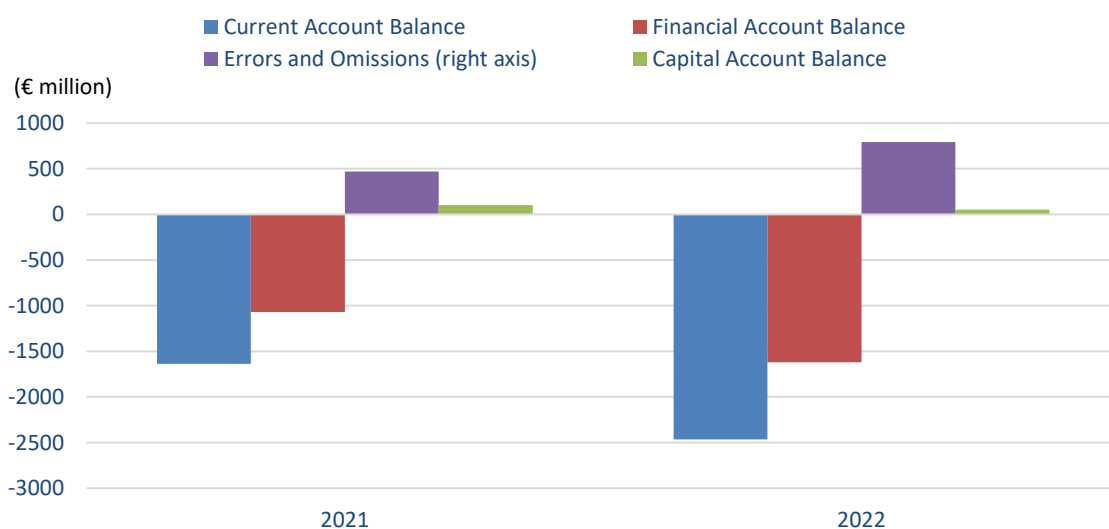
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More details of the changes recorded in the main categories of the Current Account are given below:

- **Goods** - Imports remained consistently higher than exports. The trade deficit in 2022 increased, as the increase in imports outweighed the positive developments in exports. The increase in imports was mainly attributed to the developments in general merchandise driven, at least to a certain extent, by the soaring energy prices in 2022. Imports in movable equipment (i.e. vessels, yachts and airplanes) expanded as well, albeit to a lesser extent. The increase in the exports side mainly resulted from the increase in general merchandise and to a lesser extent from increases in movable equipment. In parallel, net exports of goods under merchanting registered a remarkable increase of €209 million.
- **Services** - The increase in the surplus of *Services* resulted mainly from positive developments in *telecommunications, computer and information services* (associated with the influx of ICT companies in the context of the incentives for international/regional headquartering) and, to a lesser extent, from *travel*. The said increases were partially offset mainly by decreases in *other business services, financial services* and *transport*. The latter is positively correlated with the expansion of imports of goods as well as the increases in the number of Cypriots travelling abroad.
- **Primary Income** – The widening in the deficit of *Primary Income* was mainly associated with decreases recorded in *portfolio investment income* and to a lower degree in other investment income. This was mitigated by the increase recorded in *direct investment income*.
- **Secondary Income** – The shrinkage of the deficit of *Secondary Income* was mainly associated with an increase of funds received by the government from the EU and a decrease of the payments of the government. These developments were partially offset by a decrease in the net receipts of other sectors.

**Figure 1**  
The Balance of Payments



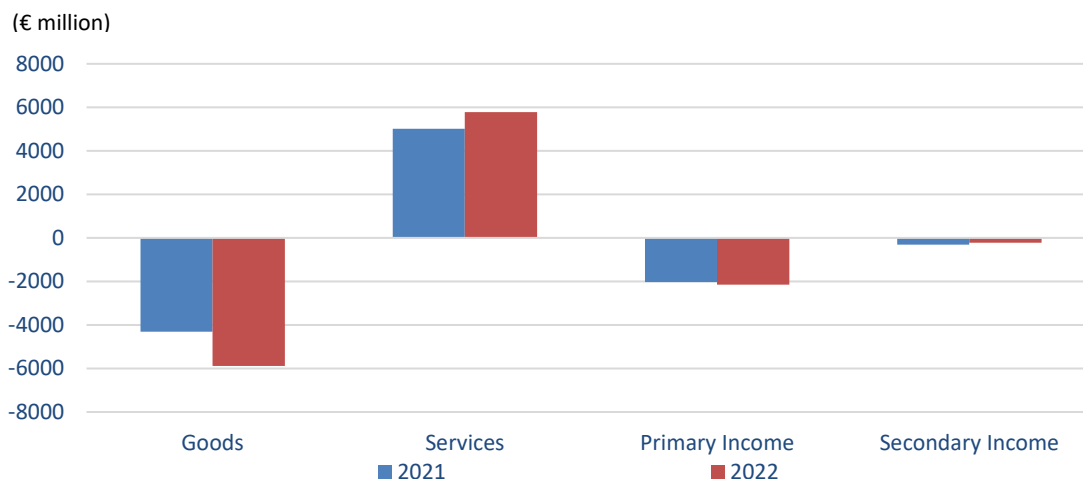
Source: Central Bank of Cyprus



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**Figure 2**  
The Current Account



Source: Central Bank of Cyprus

The Capital Account recorded a surplus of €52,4 million in 2022, compared with a surplus of €102,0 million in 2021. The decrease in the said surplus was mainly the result of *Gross acquisitions/disposals of non-produced non-financial assets*, reflecting the increased carbon dioxide emissions.

### I.2. Financial Account

The Financial Account recorded a net inflow of €1.619,7 million in 2022, compared with the a net inflow of €1.067,9 million in 2021 (see Table 1 and Figure 3). In 2022, there was a net increase of financial assets held abroad by residents of Cyprus by €2.153,4 million. At the same time, a net increase of the assets that non-residents hold in Cyprus by €3.773,1 million, was also recorded. Cyprus was a net recipient of *Direct Investments* in 2022 with net inflows of €8.142,6 million. Specifically, Cyprus residents invested €2.906,4 million in foreign assets, while non-residents increased their investments by €11.049,1 million in Cyprus. During the previous year 2021, Cyprus residents disinvested €33.992,9 million from foreign assets, while non-residents disinvested €29.623,8 million from their assets in Cyprus.

*Portfolio Investment* recorded a net outflow of €1.839,7 million in 2022, compared with the net inflow of €855,1 million in 2021. Specifically, non-residents net purchases of Cyprus' equity and debt securities decreased by €328,1 million in 2022 compared with an increase of their purchases of €3.483,6 in 2021. What is more, residents net purchases of foreign equity and debt securities increased by €1.511,6 million in 2022, compared with an increase of €2.628,6 million in 2021. More specifically, concerning debt securities, residents increased their net purchases of foreign assets from €719,2 million in 2021 to €2.641,5 million in 2022. Over the same period, non-residents decreased their net purchases of Cyprus debt securities from €2.363,2 million in 2021 to €150,1 million in 2022.

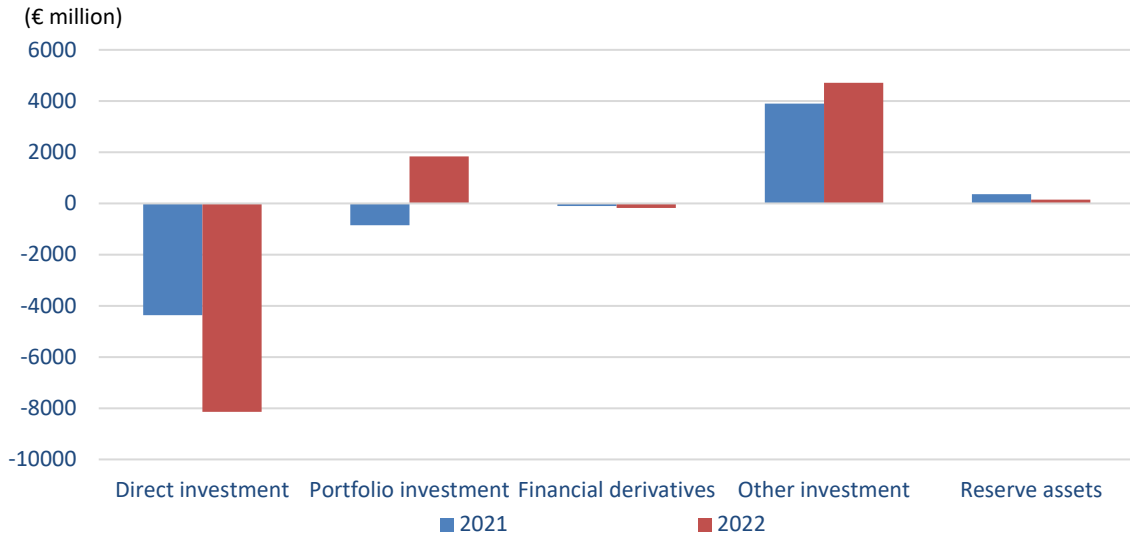
*Financial Derivatives* recorded a net inflow of €173,1 million in 2022 compared to a net inflow of €103,2 million in 2021.

Both, *Other Investment assets and liabilities* decreased by €1.553,2 and €6.262,7 million respectively in 2022, thus recording a net outflow of €4.709,5 million. Reserve assets increased to €146,8 million in 2022 compared with an increase of €356,3 million in 2021.



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**Figure 3**  
The Financial Account

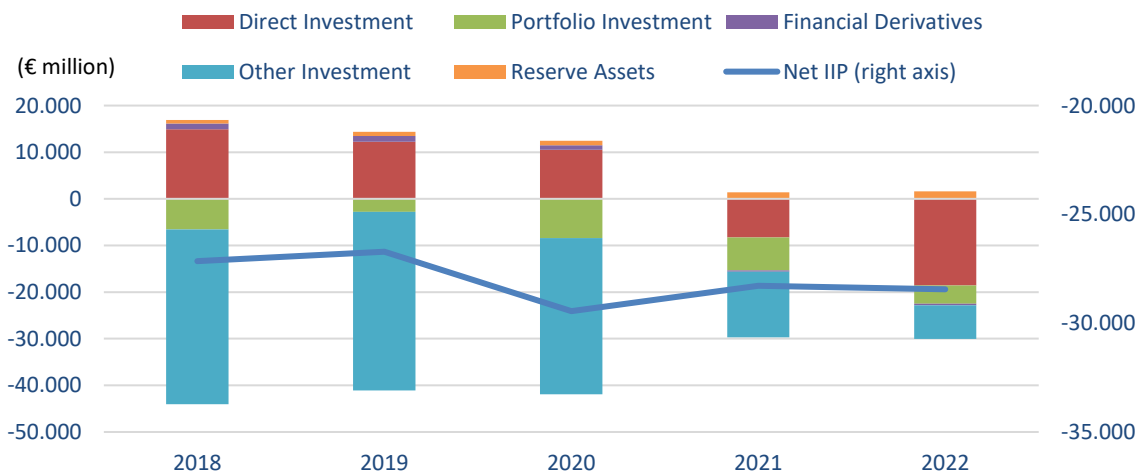


Source: Central Bank of Cyprus

**II. INTERNATIONAL INVESTMENT POSITION**

Cyprus’ financial liabilities with the rest of the world remained significantly higher than the foreign assets owned by its resident and thus the *International Investment Position* recorded a net liability position of €28.439,5 million in 2022, compared with a respective position of €28.282,4 million, in 2021 (see Figure 4 and Table 2).

**Figure 4**  
Net International Investment Position



Source: Central Bank of Cyprus



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This small deterioration in 2022 was mainly the result of the increase of the net liability position of *Direct Investments* and to a lesser extent of the increase of the net liability position of *Financial Derivatives*.

On the other hand, net liability positions of *Portfolio Investments* and *Other Investments*, as well as the Reserve Assets, positively impacted the net *International Investment Position*, thus mitigating the above mentioned deterioration.

In parallel, the slight deterioration in the net *International Investment Position* of 2022 was driven by negative transactions and net exchange rate revaluations. Those changes were partially offset by positive net price changes and positive net other volume changes (see Table 2).

**Table 2. International Investment Position**

(€ million)	2021	2022				
	Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	Amounts outstanding
<b>Net</b>	-28.282,4	-1.619,7	-1.521,2	320,3	2.663,4	-28.439,5
Direct investment	-8.280,1	-8.142,6	-1.096,1	-953,6	-100,0	-18.572,5
Portfolio investment	-7.087,3	1.839,7	-1.399,8	1.132,3	1.581,5	-3.933,7
Financial derivatives	-237,8	-173,1	0,0	106,2	-11,2	-315,8
Other investment	-14.101,1	4.709,5	958,3	0,5	1.193,2	-7.239,6
Reserve assets	1.423,9	146,8	16,5	34,8	-0,1	1.621,9
<b>Assets</b>	468.796,1	2.153,4	-3.649,3	879,2	23.208,1	491.387,4
Direct investment	374.948,7	2.906,4	-4.289,7	3.079,3	21.254,6	397.899,4
Portfolio investment	27.411,9	1.511,6	-610,3	-2.424,7	-422,6	25.465,8
Financial derivatives	1.179,0	-858,2	0,0	189,2	25,0	535,0
Other investment	63.832,6	-1.553,2	1.234,2	0,5	2.351,2	65.865,3
Reserve assets	1.423,9	146,8	16,5	34,8	-0,1	1.621,9
<b>Liabilities</b>	497.078,4	3.773,1	-2.128,2	558,9	20.544,7	519.826,9
Direct investment	383.228,8	11.049,1	-3.193,5	4.032,9	21.354,6	416.471,9
Portfolio investment	34.499,2	-328,1	789,5	-3.557,0	-2.004,1	29.399,4
Financial derivatives	1.416,7	-685,1	0,0	83,0	36,2	850,8
Other investment	77.933,7	-6.262,7	275,8	0,0	1.158,0	73.104,9

Source: Central Bank of Cyprus

### III. EXTERNAL DEBT

The *gross External Debt* decreased to €167.649,7 million in 2022, compared with €168.002,7 million in 2021. Furthermore, *external assets in debt instruments* increased to €152.293,4 million from €130.872,1 million in 2021. Consequently, *net External Debt (gross external debt less external assets in debt instruments)* decreased by €21.774,3 million to €15.356,3 million in 2022 (see Figure 5).

More analytically, as regards:

- *Gross External Debt* – The decrease in the *gross External Debt* resulted from a debt decrease of the categories of *Other Sectors, General Government and Deposit Taking Corporations except the Central Bank*. The aforementioned decreases were mitigated to a very large degree by the increase recorded in intercompany lending.

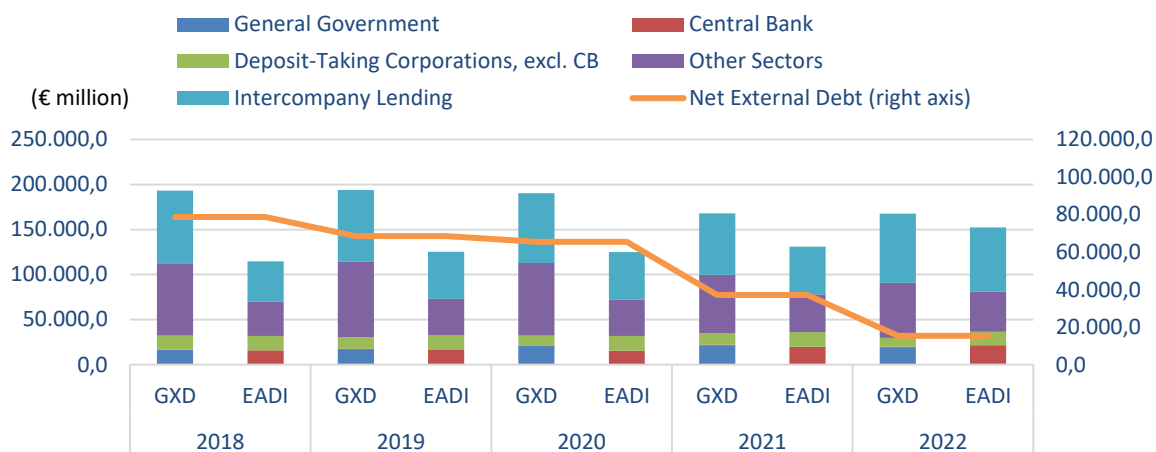


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- *External assets in debt instruments* - The increase of external assets in debt instruments resulted from increases mainly in the *Intercompany Lending*, *Other Sectors*, the *Central Bank*, and the *General Government*. The decrease recorded by the category of *Deposit-Taking Corporations*, except the *Central Bank*, partly outweighed the above increases.

**Figure 5**  
External Debt by Sector



Acronyms used: Gross External Debt (GXD), External Assets in Debt Instruments (EADI), Central Bank (CB)  
Source: Central Bank of Cyprus

## IV. GEOGRAPHICAL BREAKDOWN OF MAIN EXTERNAL INDICATORS

### IV. 1. Geographical breakdown of the Current Account<sup>2</sup>

Data on the main geographic counterparts of the Cyprus' current account (see Figure 6) show that in 2022, Cyprus recorded bilateral surpluses vis-à-vis the USA (€1.063,8 million, up from €881,6 million the previous year), Germany (€608,9 million, up from a deficit of €235,8 million a year earlier) and the United Kingdom (€624,9 million, up from €214,8 million). On the other hand, bilateral deficits in current account were recorded vis-à-vis Russia (€2.431,0 million, up from a deficit of €4.565,0 million a year ago) and Greece (€2.581,2 million compared with a deficit of €1.728,8 million in 2021). As regards bilateral data vis-à-vis the European Union (excl. UK), a deficit of €1.498,7 million was recorded in 2022 (from a deficit of €106,2 million in 2021), as well as, a deficit of €2.597,6 million was recorded vis-à-vis the Eurozone in the year 2022 (from a deficit of €789,8 million in 2021).

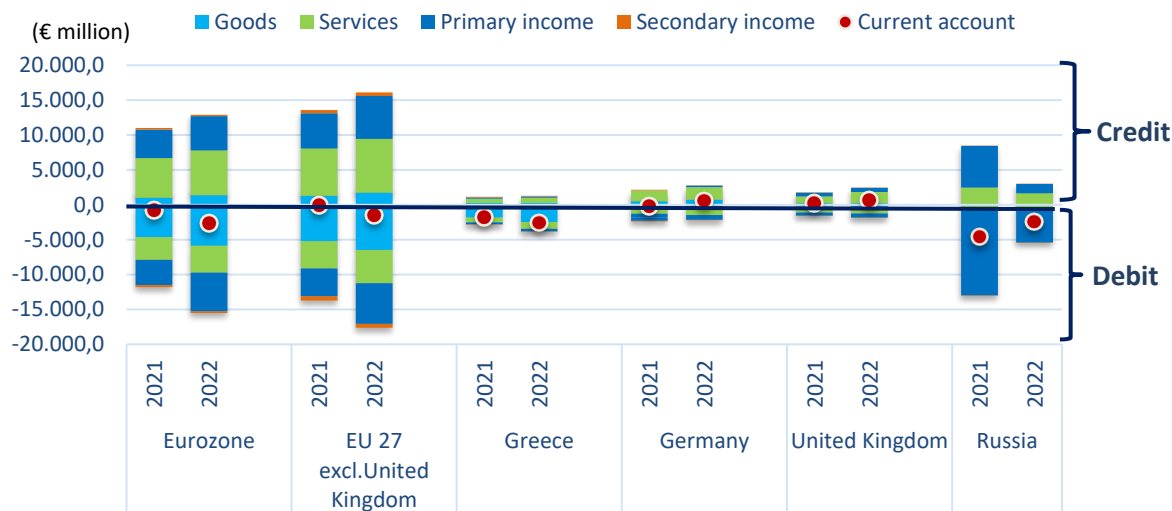
<sup>2</sup> A part of *Primary Income* payable (in particular *Portfolio Investment Income*) is not broken down at a country level according to the current methodological standards.



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**Figure 6**  
Geographical breakdown of the Current Account



Source: Central Bank of Cyprus

### IV.2. Geographical breakdown of the International Investment Position<sup>3</sup>

As shown in Figure 7, the largest assets and liabilities stocks of Cyprus vis-à-vis an individual country, continued to be recorded with Russia, reflecting the fact that Cyprus hosts a large number of SPEs with Russian origin. In particular, stock assets with Russia stood at €125.599,2 million and liabilities at €126.076,4 million (net position of -€477,2 million). With regards to the European Union (excl. UK), stock assets stood at €114.199,0 million and stock liabilities at €158.892,6 million (net position of -€44.693,5 million).

As regards direct investment, the main category of the IIP, United Kingdom recorded the highest net position which stood at €7.295,3 million while European Union (excl. UK) recorded a negative net position of €70.100,4 million.

<sup>3</sup> Certain data on International Investment Position (especially Portfolio Liabilities) are not able to be classified to a specific counterpart country. In particular, a share of around 17% on total assets and 16% on total liabilities in 2022 were not able to be allocated to a certain country.

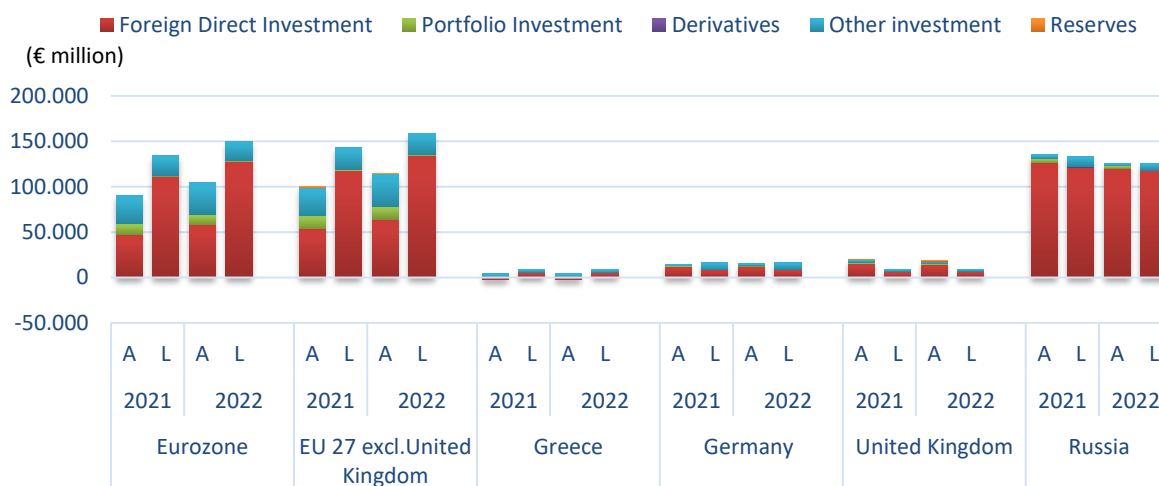


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**Figure 7**

Geographical breakdown of the International Investment Position



Acronyms used: Assets (A), Liabilities (L)

Source: Central Bank of Cyprus

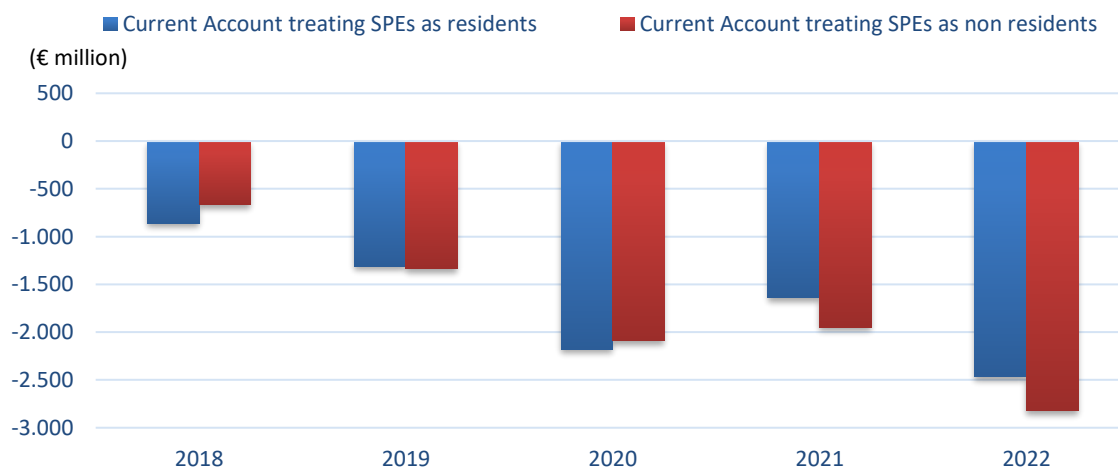
## V. DATA ADJUSTED FOR THE IMPACT OF SPES

In order to present external statistics in a more objective manner, the main figures are also adjusted for the impact of special purpose entities (SPES), i.e. by classifying them as non-residents.

The *Current Account*, adjusted for the impact of SPEs, recorded a substantial deterioration in 2022, reaching a deficit of €2.819,9 million or 10,4% of GDP, compared with a deficit of €1.946,5 million in 2021 or 8,1% of GDP (see Figure 8). The said development, as mentioned before, resulted almost exclusively from the deterioration of the deficit in *Goods*.

**Figure 8**

Current Account treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus





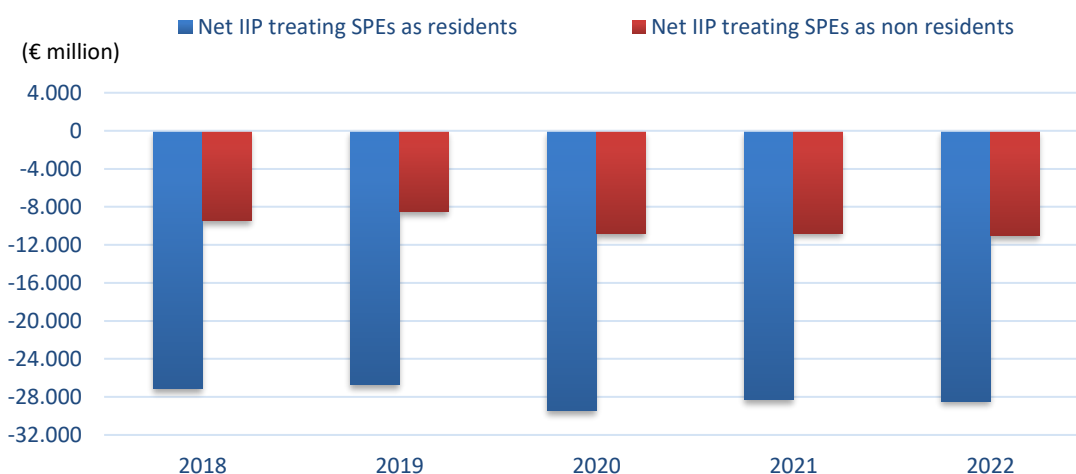
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The *International Investment Position*, adjusted for the impact of SPEs, recorded a net liability position of €11.037,3 million in 2022, compared with a net liability position of €10.759,2 million, in 2021 (see Figure 9), thus recording a slight deterioration. It is worth mentioning that the significant gap between net *International Investment Position* treating SPEs as residents and the one treating SPEs as non-residents, is primarily connected to debt associated with ship-owning SPEs, which is obtained from non-domestic sources.

**Figure 9**

Net International Investment Position treating SPEs as residents and as non-residents

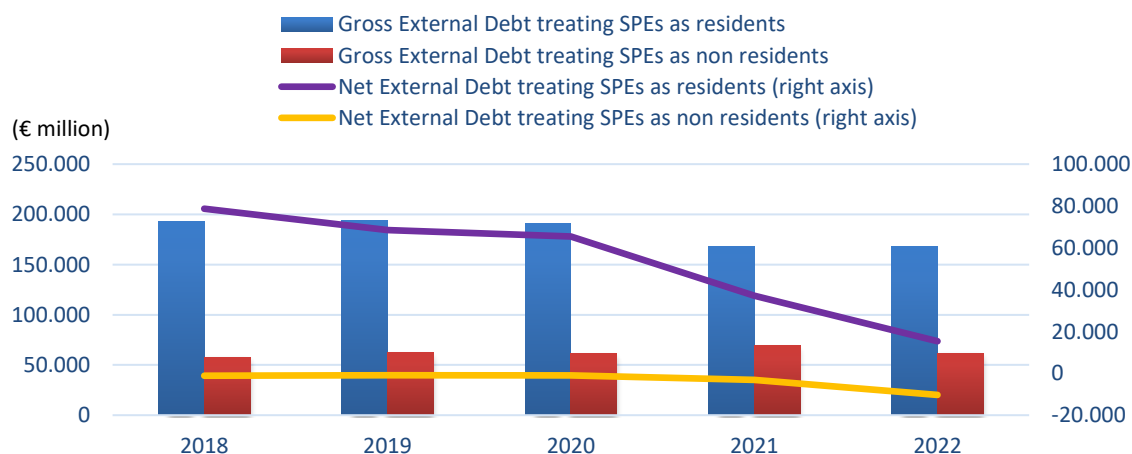


Source: Central Bank of Cyprus

The *gross External Debt*, adjusted for the impact of SPEs, amounted to €61.856,7 million in 2022, down from €69.108,3 million a year earlier, while the corresponding *net External Debt* indicator decreased further to -€10.311,2 million (a change of €7.200,0 million), compared with -€3.111,3 million in 2021 (see Figure 10).

**Figure 10**

External Debt treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus