



CENTRAL BANK OF CYPRUS

EUROSYSTEM

Explanatory note on External Statistics – April 2024

The current note aims to provide an overview of the main developments in External Statistics¹ of Cyprus for the Year 2023, 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 to €3.607,2 million in 2023, compared with a deficit of €2.202,7 million in 2022 (see Table 1 and Figure 2), which corresponds to 12,1% and 7,9% of Cyprus's annual GDP, respectively. The increase in the Current Account deficit resulted from the deterioration of the deficits of *Goods* and those of *Primary* and *Secondary Incomes*. In particular, the increase in the deficit of *Goods* (from €5.973,1 million to €7.115,2 million), the deterioration of the deficit in *Primary Income* (from €2.087,7 million in 2022 to €3.010,7 million in 2023) and, the increase in the deficit of *Secondary Income* (from €203,4 million in 2022 to €322,7 million in 2023), contributed to the increase of the deficit. The aforementioned developments were partly offset by the increased surplus of *Services* (from €6.061,5 million to €6.841,5 million).

Table 1. The Balance of Payments

(€ million)	2022			2023			%ΔBalance*
	Credit	Debit	Balance	Credit	Debit	Balance	
Current account	50.360,1	52.562,9	-2.202,7	51.088,5	54.695,6	-3.607,2	↓ -63,8%
Goods	4.581,5	10.554,6	-5.973,1	4.346,4	11.461,6	-7.115,2	↓ -19,1%
Services	21.817,2	15.755,7	6.061,5	22.287,3	15.445,8	6.841,5	↑ 12,9%
<i>of which:</i>							
Transport	3.952,9	2.693,1	1.259,8	4.185,4	2.970,5	1.214,9	↓ -3,6%
Travel	2.737,3	1.295,2	1.442,0	3.306,1	1.668,9	1.637,3	↑ 13,5%
Financial services	5.243,8	3.170,4	2.073,4	4.688,8	2.835,5	1.853,3	↓ -10,6%
Telecommunications, computer, and information services	6.894,7	4.504,1	2.390,6	7.090,8	4.268,0	2.822,8	↑ 18,1%
Other business services	1.688,3	3.205,0	-1.516,7	1.645,2	2.641,3	-996,1	↑ 34,3%
Primary Income	23.223,2	25.310,8	-2.087,7	23.681,9	26.692,6	-3.010,7	↓ -44,2%
Compensation of employees	73,5	105,3	-31,8	72,3	109,2	-36,9	↓ -15,9%
Direct investment	21.427,5	23.997,5	-2.570,0	21.049,5	24.787,5	-3.738,0	↓ -45,4%
Portfolio investment	531,1	603,7	-72,6	474,0	545,1	-71,1	↑ 2,0%
Other investment	1.128,8	535,7	593,1	2.007,9	1.177,0	830,9	↑ 40,1%
Reserve assets	2,2		2,2	2,7		2,7	↑ 26,3%
Other primary income	60,2	68,6	-8,5	75,5	73,9	1,7	↑ 119,7%
Secondary Income	738,3	941,7	-203,4	772,9	1.095,6	-322,7	↓ -58,7%
Capital account	206,3	153,3	53,0	139,5	146,9	-7,3	↓ -113,8%
	Assets	Liabilities	Net	Assets	Liabilities	Net	
Financial Account	-8.858,7	-6.863,0	-1.995,7	-12.840,9	-9.962,9	-2.878,0	↓ -44,2%
Direct investment	-7.495,5	950,2	-8.445,7	-12.065,4	-8.316,3	-3.749,1	↑ 55,6%
Portfolio investment	1.600,1	452,1	1.148,0	1.212,2	-1.932,0	3.144,2	↑ 173,9%
Financial derivatives	-863,3	-699,0	-164,2	-173,0	-101,8	-71,2	↑ 56,7%
Other investment	-2.196,8	-7.566,2	5.369,5	-1.810,1	387,2	-2.197,3	↓ -140,9%
Reserve assets	96,8		96,8	-4,6		-4,6	↓ -104,8%
Net Errors and Omissions			154,0			736,4	↑ 378,1%

Source: Central Bank of Cyprus

Note: *%ΔBalance is defined as the % change in the balance of 2023 over the corresponding balance of 2022

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



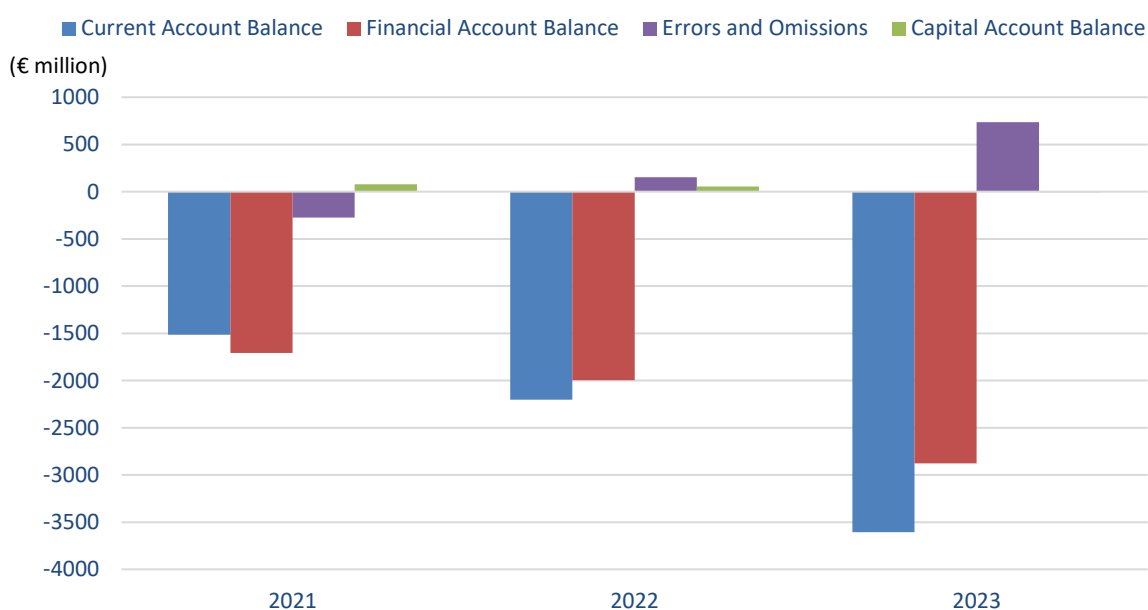
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More details of the changes recorded in the main categories of the Current Account are given below:

- **Goods** - Imports remained consistently higher than exports. The trade deficit in the 2023 increased, mainly due to the increase in imports and to a lesser extent, by the decrease in exports. The increase in imports was attributed to the increase in both the imports of movable equipment (mainly ships) and imports of other general merchandise. On the export side, movable equipment increased marginally, while the rest types of goods included under general merchandise recorded decreases. As regards the item of net exports of goods under merchanting, this registered a decrease of €24,6 million (from €880,0 million in 2022 to €855,4 million in 2023).
- **Services** - The increase in the surplus of *Services* of the order of €780,0 million resulted mainly from positive developments in *travel, other business services, telecommunications, computer and information*. The said increases were partially offset by decreases mainly in the categories of *Charges for the use of intellectual property n.i.e*, *financial services* and, to a lesser extent, from *Transport and Manufacturing services on physical inputs owned by others*.
- **Primary Income** – The increase of the deficit of *Primary Income* was mainly associated with decreases recorded in *Direct Investment income*, which is negatively correlated with the development in the *Services Account* and more specifically with the attributable profits of the foreign owned resident companies, and to a lower degree with *Compensation of employees*. Those trends were mitigated by the increase recorded in *other primary income* and *other investment income*. The latter is mainly due to higher interest received by monetary and other depository taking institutions.
- **Secondary Income** – The widening of the deficit of *Secondary Income* was mainly associated with a decrease of net funds received by the government from the EU.

Figure 1
The Balance of Payments



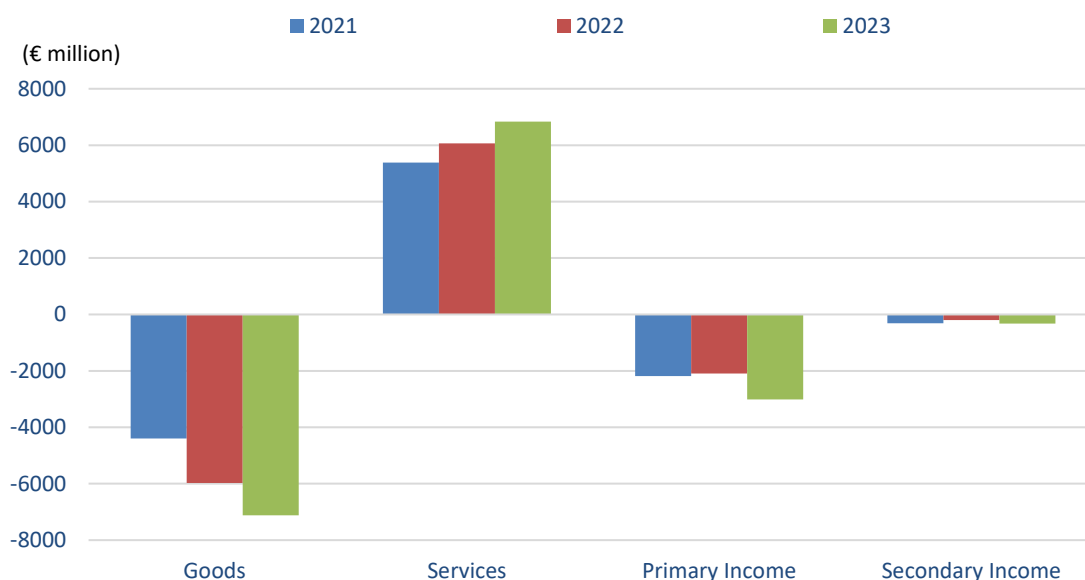
Source: Central Bank of Cyprus



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Figure 2
The Current Account



Source: Central Bank of Cyprus

The Capital Account recorded a deficit of €7,3 million in 2023, compared with a surplus of €53,0 million in 2022. The said development is mainly the result of lower investment grants received by the EU during the year under review.

I.2. Financial Account

The Financial Account recorded a deterioration with a net inflow of €2.878,0 million in 2023, compared with a net inflow of €1.995,7 million in 2022 (see Table 1 and Figure 3) and thus contributing positively to the financing of the current account². The aforementioned situation in the Net Financial Account in 2023, was mainly attributed to the considerable net inflow of the categories of *Direct Investment* and of *Other Investment while Portfolio Investment* recorded net outflows which only mitigated the net inflows mentioned above. *Reserve assets* recorded a marginal net inflow balance during 2023.

As regards *Direct Investments*, the net inflow recorded in 2023 resulted from the decrease in net asset transactions by €12.065,4 million in combination with a decrease in net liabilities transactions by €8.316,3 million (total net inflows of €3.749,1 million). The category of *Portfolio Investment* recorded the only net outflows for 2023 with €3.144,2 million. In particular, net asset transactions increased by €1.212,2 million while net liabilities transactions decreased by €1.932,0 million.

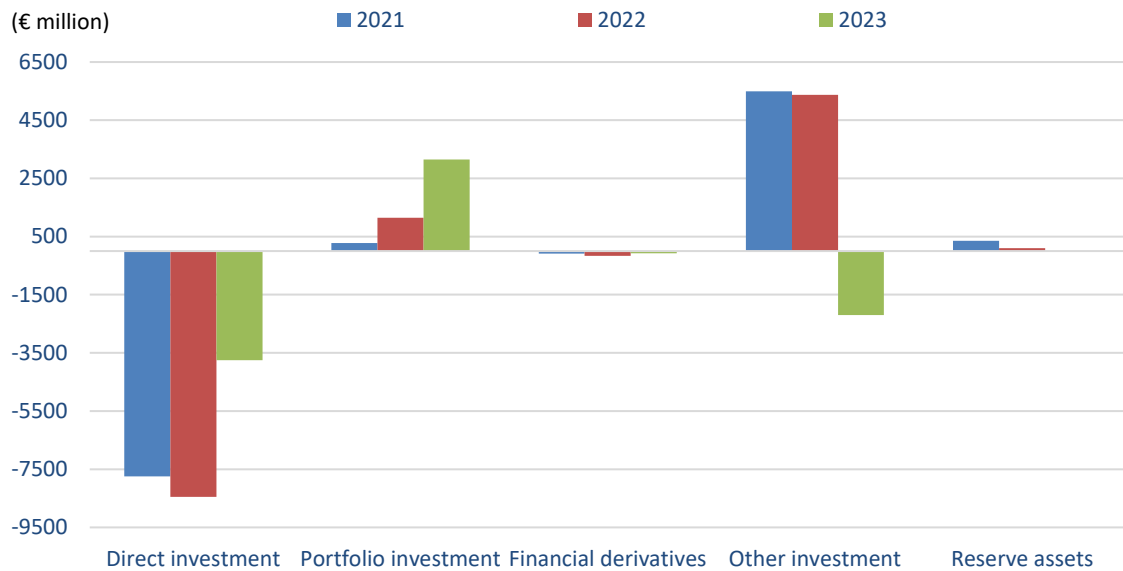
Regarding the category of *Other Investment*, this recorded a decrease in net asset transactions by €1.810,1 million while net liabilities transactions increased by €387,2 million. Finally, *Financial Derivatives* and *Reserve assets* both recorded net inflows of €71,2 million and €4,6 million in 2023 compared with a net inflow of €164,2 million and an outflow of €96,8 million in 2022, respectively.

² The negative flow of financial transactions contributes positively to the financing of the current account deficit and vice versa. Concerning sign convention a positive sign represents an increase and a negative sign denotes a decrease in the asset or the liability.



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Figure 3
The Financial Account

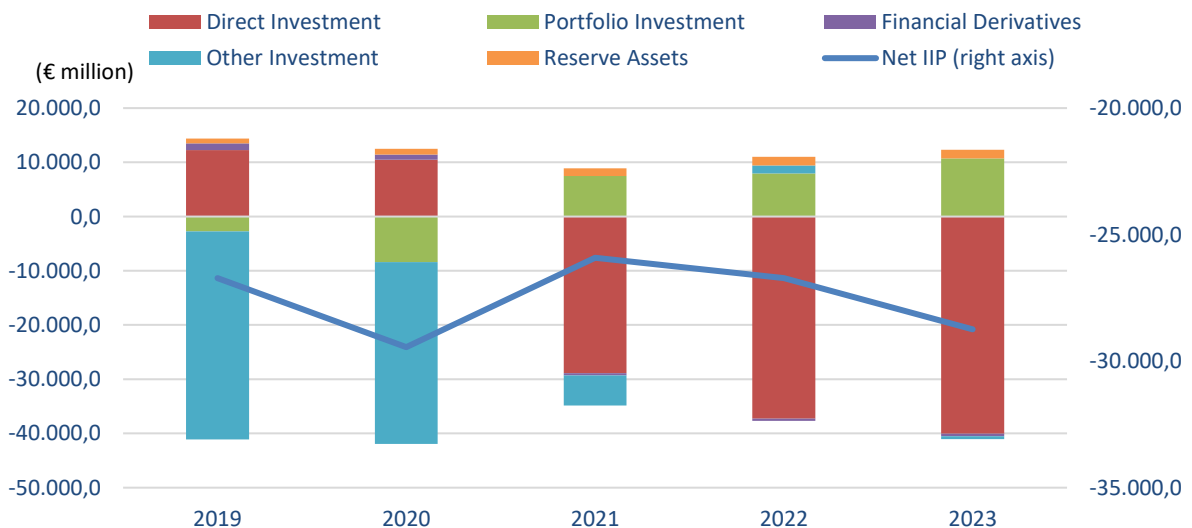


Source: Central Bank of Cyprus

II. INTERNATIONAL INVESTMENT POSITION

Cyprus’ financial liabilities with the rest of the world remained significantly higher than the foreign financial assets owned by its residents and thus the *International Investment Position* recorded a net liability position of €28.743,3 million in 2023, compared with a respective position of €26.713,5 million, in 2022 (see Figure 4 and Table 2).

Figure 4
Net International Investment Position



Source: Central Bank of Cyprus



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The deterioration of the IIP in 2023 was mainly the result of the deterioration in *Direct Investment* and *Other Investment* and, to a much lesser extent, *Derivatives*. The decreases in the aforementioned categories were mitigated mainly by the improvement in *Portfolio Investment* and, to a lesser extent, *Reserves*.

In parallel, the deterioration in the net *International Investment Position* of 2023 was driven by negative *transactions*, negative *price changes* and to a lesser extent by negative *exchange rate changes*. The aforementioned changes were partially offset by positive *other volume changes* (see Table 2).

Table 2. International Investment Position

(€ million)	2022	2023				
	Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	Amounts outstanding
Net	-26.713,5	-2.878,0	-242,6	-1.501,6	2.592,4	-28.743,3
Direct investment	-37.271,0	-3.749,1	-566,0	-1.417,4	2.974,7	-40.028,7
Portfolio investment	7.962,9	3.144,2	-12,3	-158,8	-228,0	10.708,0
Financial derivatives	-433,3	-71,2	0,0	-4,2	-0,6	-509,3
Other investment	1.455,2	-2.197,3	359,9	1,1	-154,0	-535,1
Reserve assets	1.572,7	-4,6	-24,2	77,7	0,3	1.621,8
Assets	475.033,3	-12.840,9	-393,8	2.735,5	4.595,5	469.129,7
Direct investment	382.097,4	-12.065,4	-271,6	834,7	5.314,1	375.909,3
Portfolio investment	25.519,1	1.212,2	-245,2	1.766,4	-101,4	28.151,0
Financial derivatives	528,5	-173,0	0,0	55,6	0,1	411,2
Other investment	65.315,6	-1.810,1	147,2	1,1	-617,5	63.036,3
Reserve assets	1.572,7	-4,6	-24,2	77,7	0,3	1.621,8
Liabilities	501.746,8	-9.962,9	-151,2	4.237,1	2.003,2	497.873,0
Direct investment	419.368,4	-8.316,3	294,4	2.252,1	2.339,4	415.937,9
Portfolio investment	17.556,1	-1.932,0	-232,9	1.925,2	126,6	17.443,0
Financial derivatives	961,8	-101,8	0,0	59,8	0,7	920,5
Other investment	63.860,4	387,2	-212,7	0,0	-463,5	63.571,5

Source: Central Bank of Cyprus

III. EXTERNAL DEBT

The *gross External Debt* increased to €171.696,6 million in 2023, compared with €169.326,4 million in 2022. Furthermore, *external assets in debt instruments* increased to €154.615,2 million from €147.388,9 million in 2022. Consequently, *net External Debt (gross external debt less external assets in debt instruments)* decreased by €4.857 million to €17.081,4 million in 2023 (see Figure 5).

More analytically, as regards:

- *Gross External Debt* – The increase in the *gross External Debt* mainly resulted from a debt increase of *Intercompany lending*, and to a lesser extent the increase in the categories of *Central Bank* and *General Government*. The aforementioned increases were mitigated by the decrease recorded in the categories of *Other Sectors* and of *Deposit Taking Corporations*.
- *External assets in debt instruments* - The increase of external assets in debt instruments resulted from the increases in *Intercompany Lending* and *Deposit-Taking Corporations*, except the *Central*

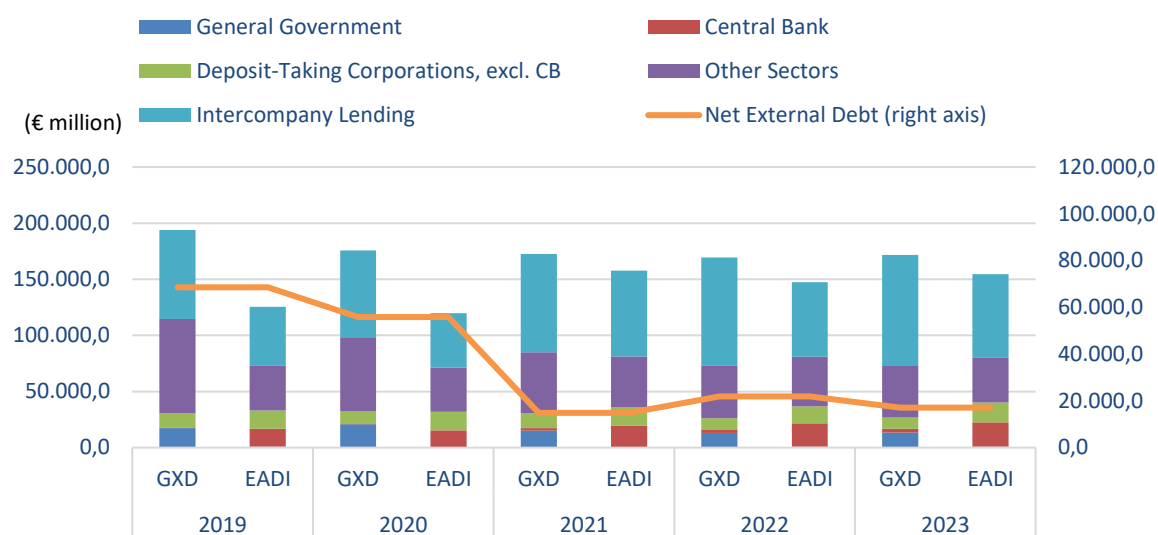


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Bank, the Central Bank and the General Government. The decrease recorded in the category of Other Sectors, only partly moderated the above increases.

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 Account³

Data on the main geographic counterparts of the Cyprus' current account (see Figure 6) show that in 2023, Cyprus recorded bilateral surpluses vis-à-vis Germany (€401,8 million, down from €739,3 million a year earlier), the United Kingdom (€39,3 million, up from a surplus of €743,1 million a year earlier) and Russia (€126,1 million, down from a surplus of €1.466,7 million a year earlier). On the other hand, bilateral deficits in the current account were recorded vis-à-vis Greece (€2.938,8 million compared with a deficit of €2.629,3 million in 2022) and the USA (€572,7 million, down from a deficit of €749,5 million a year earlier).

As regards bilateral data vis-à-vis the Eurozone, a surplus of €2.978,7 million was recorded in 2023 down from €3.570,2 million a year earlier. In parallel a surplus of €8.308,8 million was recorded vis-à-vis the European Union (excl. UK) down from €9.062,8 million a year earlier.

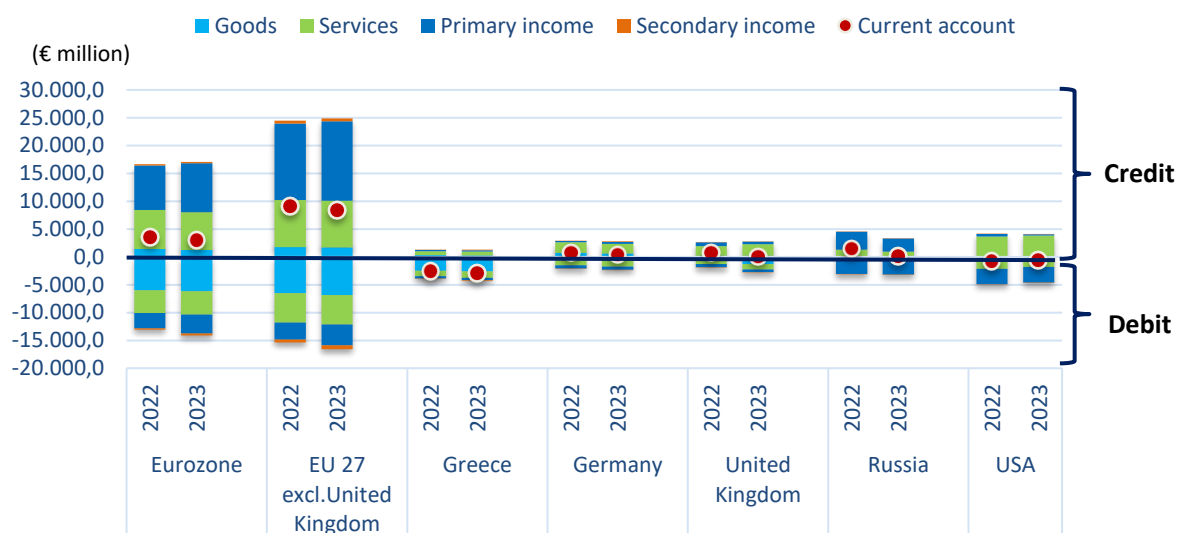
³ A part of *Primary Income* payable (in particular *Portfolio Investment Income*) is not broken down at a country level according to the current methodological standards.



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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 Position⁴

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 €94.268,9 million and liabilities at €87.019,8 million (net position of €7.249,1 million). With regards to the European Union (excl. UK), stock assets stood at €140.527,8 million and stock liabilities at €159.704,4 million (negative net position of €19.176,5 million).

As regards direct investment, the main category of the IIP, United Kingdom recorded a net position at €6.068,4 million and Russia recorded a net position at €8.601,4, while European Union (excl. UK) recorded a negative net position of €46.343,3 million.

⁴ 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 20,9% in total assets and 16,4% in total liabilities in 2023 were not able to be allocated to a certain country.

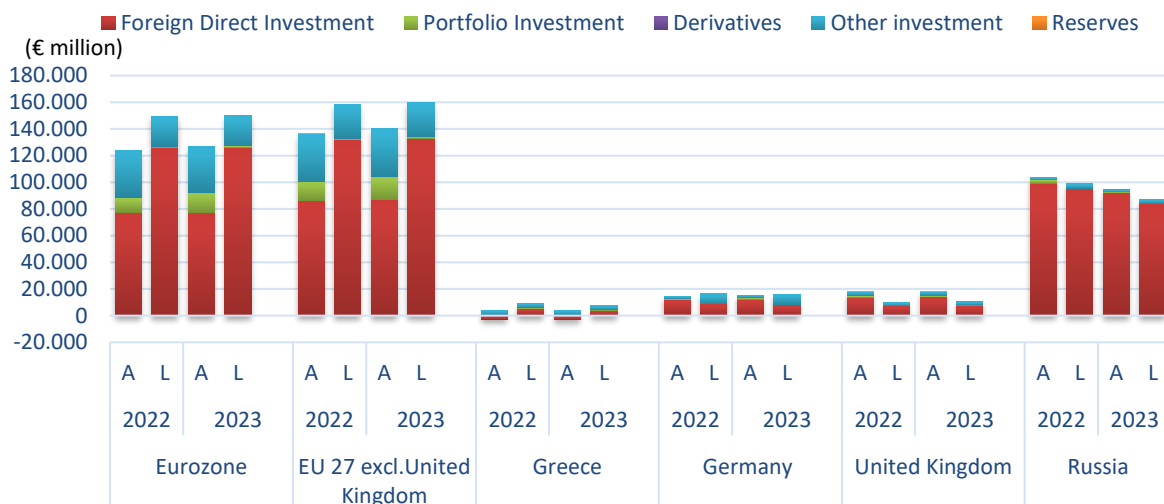


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Figure 7

Geographical breakdown of the International Investment Position



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

Source: Central Bank of Cyprus

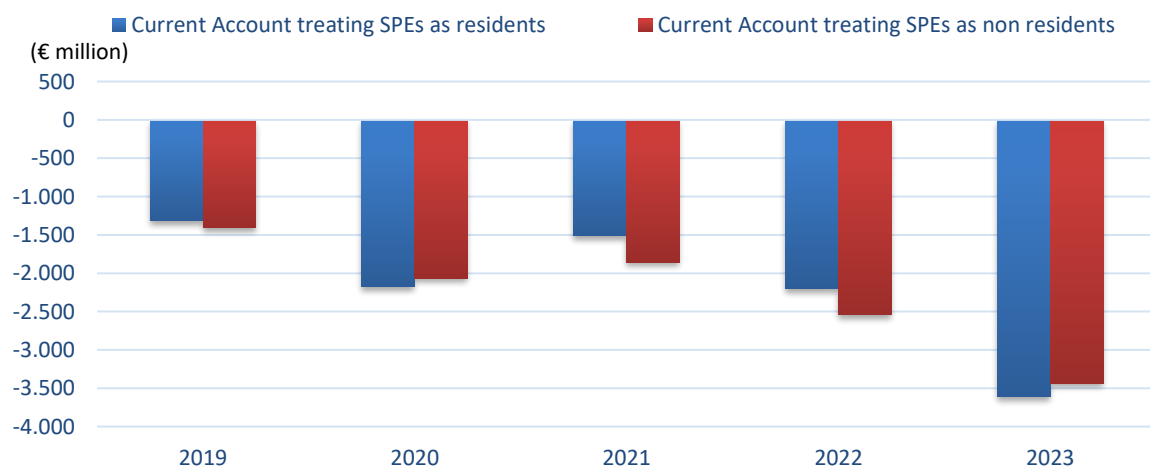
V. DATA ADJUSTED FOR THE IMPACT OF SPES

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 deterioration in 2023, recording a deficit of €3.434,2 million, compared with a deficit of €2.540,9 million in 2022 (see Figure 8) which corresponds to 11,5% and 9,2% of Cyprus's annual GDP, respectively. The said development, as mentioned before, resulted mainly from the deterioration of the deficit in *Goods* and in *Primary Income*. Furthermore, the deterioration of the deficit in *Secondary Income* increased the deterioration of the *Current Account*.

Figure 8

Current Account treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus



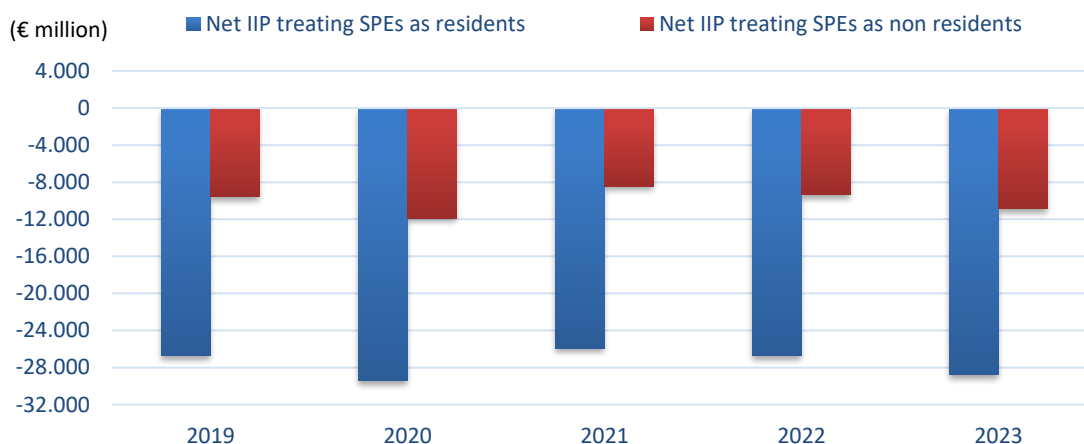
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The *International Investment Position*, adjusted for the impact of SPEs, recorded a net liability position of €10.847,3 million in 2023, compared with a net liability position of €9.359,1 million, in the previous year (see Figure 9), thus recording a 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 ship-owning SPEs. This is due to the fact that these companies own real assets (i.e. ships) which are not included in IIP since they are not financial assets while their financing is mainly obtained from non-domestic sources which is included in IIP.

Figure 9

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

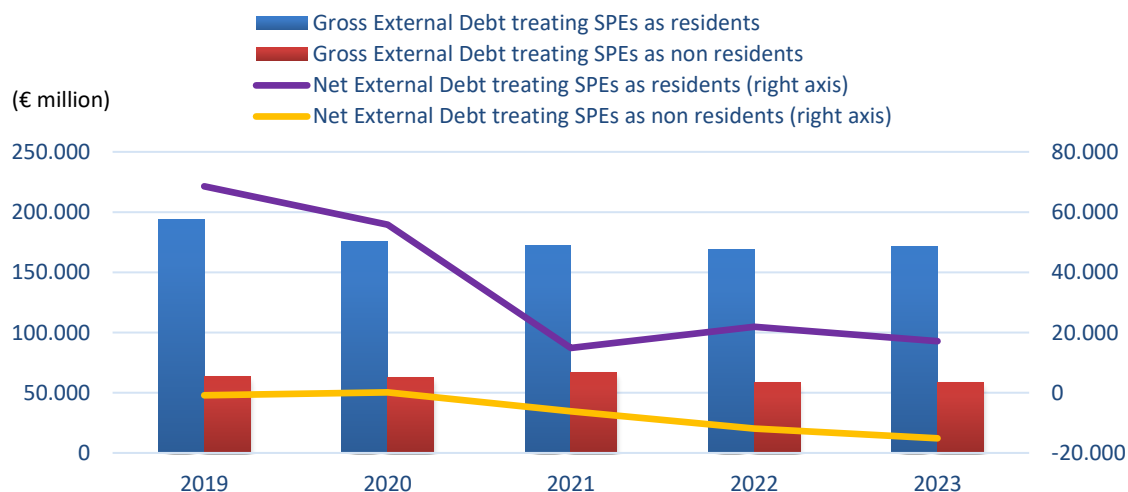


Source: Central Bank of Cyprus

The *gross External Debt*, adjusted for the impact of SPEs, amounted to €58.448,5 million in 2023, slightly up from €58.444,7 million in the previous year, while the corresponding *net External Debt* indicator was recorded at -€15.141,3 million, down from -€11.861,7 million the previous quarter (see Figure 10).

Figure 10

External Debt treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus