CENTRAL BANK OF CYPRUS

EUROSYSTEM

Explanatory note on External Statistics Data: October 2021

DATA REVISION FOR THE YEARS 2017-2020 AND THE FIRST QUARTER OF 2021 (2021 Q1)

The Statistics Department of the Central Bank of Cyprus (CBC), in the context of routine revisions, has released revised external statistics data (balance of payments, international investment position and external debt) for the years 2017, 2018, 2019, 2020 and the 2021 Q1.

The revision of data was deemed necessary due to:

- Updated information on SPEs, collected from financial statements that are available with a considerable time lag.
- Incorporation of new or additional information in the compilation process as well as adjustments of information arising from methodological, conceptual and classification changes, in an effort to reduce/correct errors and omissions.
- Revised imports of FISIM (financial intermediation services indirectly measured) emanating from updated data of:
  - External Reference Rate
  - Financial SPEs (mainly loans (stocks) and interest), as extracted from updated information included in their financial statements).
  - Investment firms (as extracted from their financial statements)
  - Other non-financial corporations and households (due to better coverage and revised data received from reporting entities).
- Integration/adjustment of data of new entities identified during the ongoing process of reference sample alignment between the CBC and the Cyprus Statistical Service.
- Revised financial account data mainly due to the incorporation of entities identified through mirror data and international databases (e.g. ADIMA).
- Adoption of the results of surveys carried out by the Cyprus Statistical Service (e.g. expenditure of Cypriots travelling abroad).

As a result of the aforementioned revisions, current account deficits for 2017 and 2018 changed slightly (improvement for 2017 and deterioration for 2018), while the deficits for 2019, 2020 and 2021 Q1 recorded a notable improvement. Net international investment data worsened as a result of the revisions in 2017, 2018 and 2020 while 2019 and 2021 Q1 recorded improvements. External debt revised upwards for all periods under review in contrast to net external debt which revised downwards (with the exception of 2017).

Table 1. Main revisions of External Statistics indicators

	Data treating SPEs as residents		Data treating SPEs as non-residents	
	Data prior to revision	Revised data	Data prior to revision	Revised data
Current Account				
2017	-1.069,1	**-1.024,4**	-333,1	**-288,4**
2018	-842,1	**-857,7**	-647,8	**-663,4**
2019	-1.406,0	**-1.308,4**	-1.510,0	**-1.334,8**
2020	-2.476,4	**-2.177,2**	-2.384,5	**-2.092,5**
2021 Q1	-922,0	**-804,9**	-706,0	**-624,4**
International Investment Position				
2017	-26.789,5	**-27.560,1**	-9.260,7	**-10.037,7**
2018	-26.953,8	**-27.142,9**	-9.226,8	**-9.422,3**
2019	-27.252,4	**-26.715,8**	-8.980,0	**-8.454,0**
2020	-29.446,0	**-29.447,0**	-10.837,4	**-10.839,5**
2021 Q1	-30.145,1	**-29.240,0**	-11.208,6	**-10.304,7**
External Debt				
2017	207.312,0	**207.463,4**	59.908,4	**61.513,8**
2018	192.932,9	**193,281,0**	56.657,3	**57.864,3**
2019	189.212,0	**194.036,1**	60.572,6	**62.306,1**
2020	189.307,3	**190.427,0**	59.769,4	**61.395,8**
2021 Q1	192.088,2	**192.487,7**	62.132,7	**61.866,9**
Net External Debt				
2017	96.059,8	**96.373,1**	203,5	**1.219,1**
2018	84.208,5	**78.700,8**	-1.820,3	**-1.180,9**
2019	80.210,0	**68.551,7**	-998,7	**-895,0**
2020	76.886,2	**65.463,9**	-869,8	**-946,2**
2021 Q1	77.712,8	**64.830,7**	-450,3	**-2.146,7**

Source: Central Bank of Cyprus

In relation to data adjusted for the impact of SPEs (i.e. treating SPEs as non-residents), the revisions in the current account balance and net international investment position resembled the corresponding revisions in data treating SPEs as residents. External debt worsened for the years 2017, 2018, 2019 and 2020 while a small improvement was recorded in 2021Q1. Finally, net external debt was revised upwards in 2017, 2018 and 2019 while a downward revision was recorded in 2020 and 2021Q1

DATA FOR THE SECOND QUARTER OF 2021 (2021 Q2)

CURRENT ACCOUNT

The current account recorded a deficit of €648,6 million in 2021 Q2, compared with a deficit of €139,0 million in the same quarter of 2020 (see Table 2). The deterioration in the current account deficit resulted from the decrease of goods (from -€586,7 million to -€1.108,3 million) and primary income (from -€236,4 million to -€366,5 million). The aforementioned adverse developments were partly offset by surplus in services (from €789,9 million to €918,5 million) and by lower deficits in secondary income (from -€105,9 million to -€92,4 million). It is worth mentioning that the developments in the period under review, especially in services, were greatly affected by the COVID-19 pandemic.

Table 2. Current Account

(€ million)	Q2 2020			Q2 2021			%Δbalance*
	Credit	Debit	Balance	Credit	Debit	Balance	
Current account	**8.383,1**	**8.522,1**	**-139,0**	**7.748,9**	**8.397,5**	**-648,6**	**-366,5%**
Goods	**840,8**	**1.427,5**	**-586,7**	**765,1**	**1.873,3**	**-1.108,3**	**-88,9%**
Services	**3.127,7**	**2.337,8**	**789,9**	**3.731,3**	**2.812,8**	**918,5**	**16,3%**
of which:							
Transport	738,3	412,5	325,9	773,1	481,6	291,5	-10,5%
Travel	59,0	81,3	-22,4	282,2	169,2	113,0	605,1%
Financial services	1.310,2	850,1	460,2	1.381,4	884,8	496,6	7,9%
Telecommunications, computer, and information services	631,7	564,2	67,5	893,4	817,7	75,7	12,0%
Other business services	182,7	269,1	-86,4	172,8	299,5	-126,7	-46,7%
Primary income	**4.284,6**	**4.521,0**	**-236,4**	**3.120,1**	**3.486,6**	**-366,5**	**-55,0%**
Compensation of employees	18,5	25,1	-6,6	15,2	19,6	-4,3	34,6%
Direct investment	3.931,8	4.001,2	-69,4	2.780,4	3.038,9	-258,5	-272,3%
Portfolio investment	127,8	246,0	-118,1	106,8	243,2	-136,3	-15,4%
Other investment	202,0	224,9	-23,0	162,6	160,3	2,3	110,0%
Reserve assets	0,6		0,6	0,5		0,5	-22,1%
Other primary income	3,9	23,7	-19,8	54,5	24,6	29,9	250,8%
Secondary income	**130,0**	**235,9**	**-105,9**	**132,4**	**224,8**	**-92,4**	**12,7%**

Source: Central Bank of Cyprus
Note: *%ΔBalance is defined as the % change in the balance of Q2 2021 over the corresponding balance of Q2 2020.

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 2021 Q2 increased, following a significant increase in imports (increase in both, general merchandise and imports of movable equipment (i.e. vessels, yachts and airplanes)) and a decrease in exports (associated with an increase in exports of general merchandise while exports of movable equipment decreased).

- *Services* - The increase in the surplus of *services* mainly resulted from the increase in *travel* and, to a lesser extent, *financial services and telecommunications, computer and information services.* The above were partly offset by the worsening in *transport* and *other business services*.

- *Primary income* - The widening in the deficit of *primary income* was mainly associated with the developments in *direct investment income* (positively correlated with the developments in the services account) and, to a lesser extent, *portfolio investment income.* These were partly mitigated by the improvement in other investment income and other primary income.

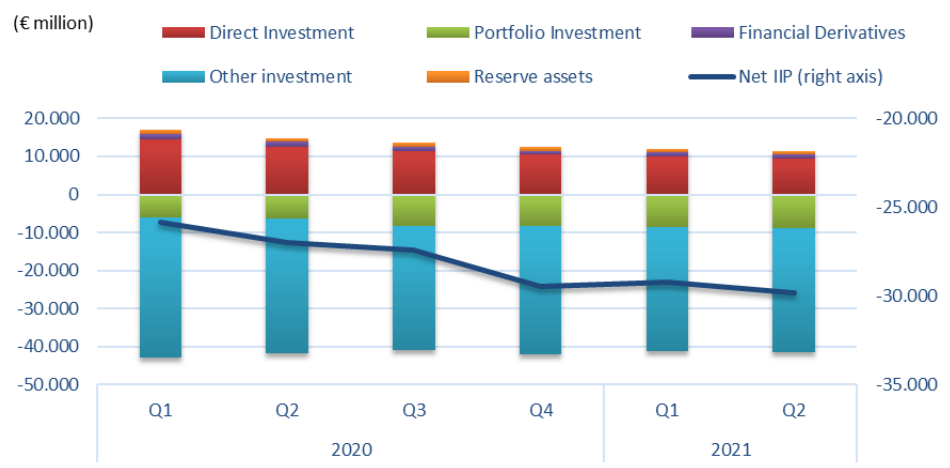
- *Secondary income* - The small shrinkage of the deficit of *secondary income* was mainly associated with an increase in the payments of other sectors.

INTERNATIONAL INVESTMENT POSITION

The *international investment position* recorded a net liability position of €29.809,9 million at the end of 2021 Q2, compared with a respective position of €29.240,0 million in the previous quarter (see Figure 1 and Table 3).

This small deterioration was mainly due to the decreases recorded in *direct investment and, to a much lesser extent, portfolio investment* and *other investment. These* decreases were marginally compensated by improvements in *financial derivatives* and *reserves.*

Figure. 1 Net International Investment Position



Source: Central Bank of Cyprus

In parallel, the slight deterioration in the net *international investment position* in 2021 Q2 was driven by negative net transactions and net exchange rate revaluations, which were partially offset, mainly by positive net price changes and net other volume changes (see Table 3).

Table 3. International Investment Position

(€ million)	2021 Q1	2021 Q2				
	Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	Amounts outstanding
Net	-29.240,0	-1.155,6	-702,9	442,3	846,4	-29.809,9
Direct investment	10.019,4	-769,1	-548,4	136,2	671,9	9.509,9
Portfolio investment	-8.661,1	-339,1	143,7	290,0	-152,3	-8.718,7
Financial derivatives	1.016,1	13,5	0,0	-3,8	0,0	1.025,9
Other investment	-32.575,4	-56,2	-295,0	0,0	326,6	-32.600,0
Reserve assets	961,1	-4,7	-3,2	19,9	0,0	973,1
Assets	512.219,5	619,1	-1.951,2	1.021,1	1.017,4	512.926,0
Direct investment	423.106,7	-129,8	-1.527,7	310,4	770,8	422.530,4
Portfolio investment	24.214,6	245,3	-0,1	681,2	-8,3	25.132,6
Financial derivatives	2.286,8	41,8	0,0	9,5	0,0	2.338,1
Other investment	61.650,3	466,5	-420,1	0,0	255,0	61.951,7
Reserve assets	961,1	-4,7	-3,2	19,9	0,0	973,1
Liabilities	541.459,5	1.774,7	-1.248,2	578,8	171,1	542.735,8
Direct investment	413.087,3	639,3	-979,3	174,3	98,8	413.020,5
Portfolio investment	32.875,7	584,4	-143,9	391,2	143,9	33.851,4
Financial derivatives	1.270,7	28,3	0,0	13,3	0,0	1.312,3
Other investment	94.225,8	522,7	-125,0	0,0	-71,7	94.551,7

Source: Central Bank of Cyprus

EXTERNAL DEBT

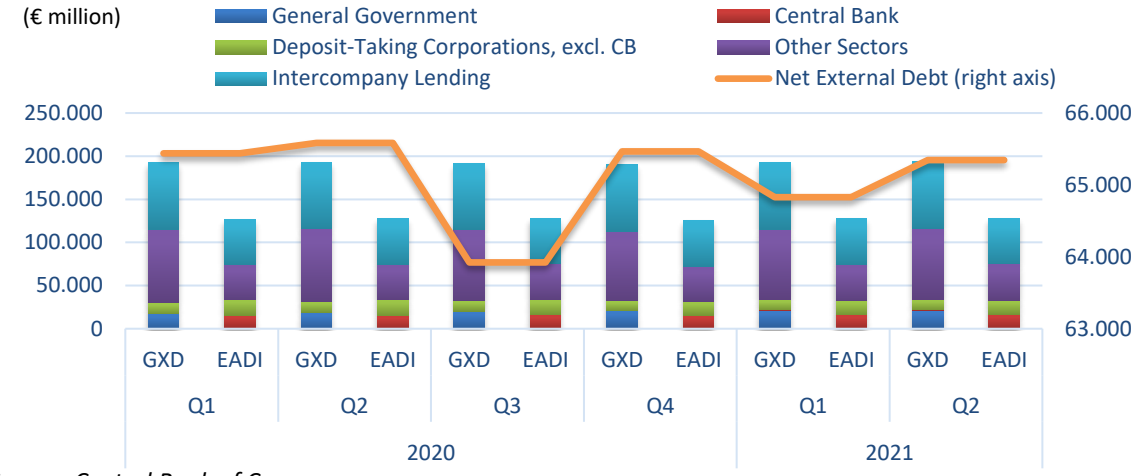
The *gross external debt* increased slightly to €193.271,5 million in 2021 Q2, compared with €192.487,7 million in 2021 Q1. *External assets in debt instruments* increased to €127.925,5 million, up from €127.657,0 million in 2021 Q1. Consequently, *net external debt* (*gross external debt* less *external assets in debt instruments*) increased by €515,3 million to €65.346,0 million in 2021 Q2 (see Figure 2).

More analytically, as regards:

- *Gross external debt* – The rise in the *gross external debt* largely resulted from a debt increase of all sectors, with the most prominent increases recorded in *Other sectors* and *Intercompany Lending*.

- *External assets in debt instruments* – The slight increase of *external assets in debt instruments* resulted from an increase in debt instruments mainly held by the *Central Bank* and, to a lesser degree, *Other Sectors and General Government*. The decline in debt instruments held by *Deposit Taking Corporations (except the Central Bank)* and *Intercompany Lending*, on the other hand, mitigated the abovementioned increase.

Figure 2. External Debt by sector



Source: Central Bank of Cyprus

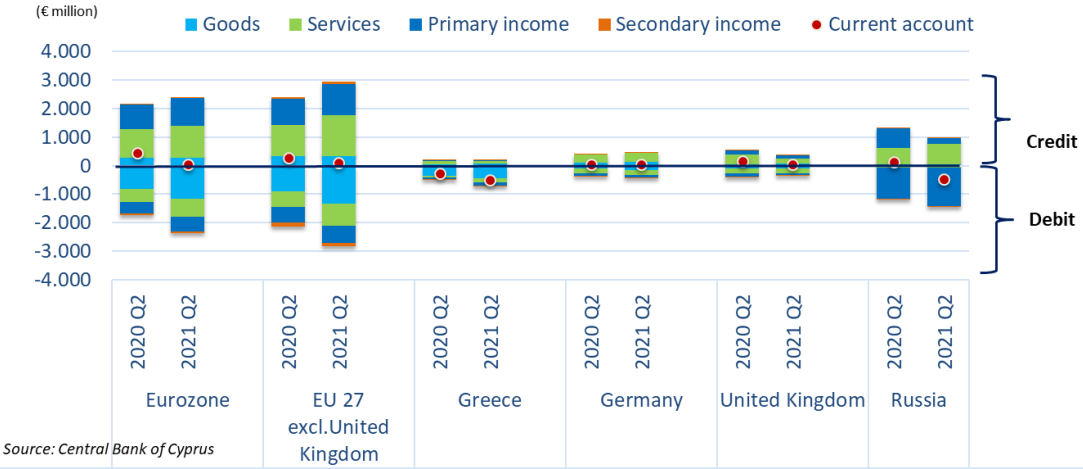
Acronyms used: Gross External Debt (GXD), External Assets in Debt Instruments (EADI), Central Bank (CB)

GEOGRAPHICAL BREAKDOWN OF MAIN EXTERNAL INDICATORS

Geographical breakdown of the Current Account

Data on the main geographic counterparts of the Cyprus' current account (see Figure 3) present that in 2021 Q2, Cyprus recorded bilateral surpluses vis-à-vis Germany (€41,5 million, down from €45,1 million a year earlier) and the United Kingdom (€30,3 million, down from €147,6 million). On the other hand, bilateral deficits in current account were recorded vis-à-vis Greece (-€496,6 million, up from -€275,9 million) and Russia (-€457,9 million, down from €142,3 million), among others. As regards bilateral data vis-à-vis the European Union (excl. UK), a surplus of €95,2 million was recorded in 2021 Q2 (from a surplus of €270,0 million in 2020 Q2) and a surplus of €50,7 million was recorded vis-à-vis the Eurozone in the same quarter (from a surplus of €447,7 million in 2020 Q2).

Figure 3: Geographical breakdown of the Current Account

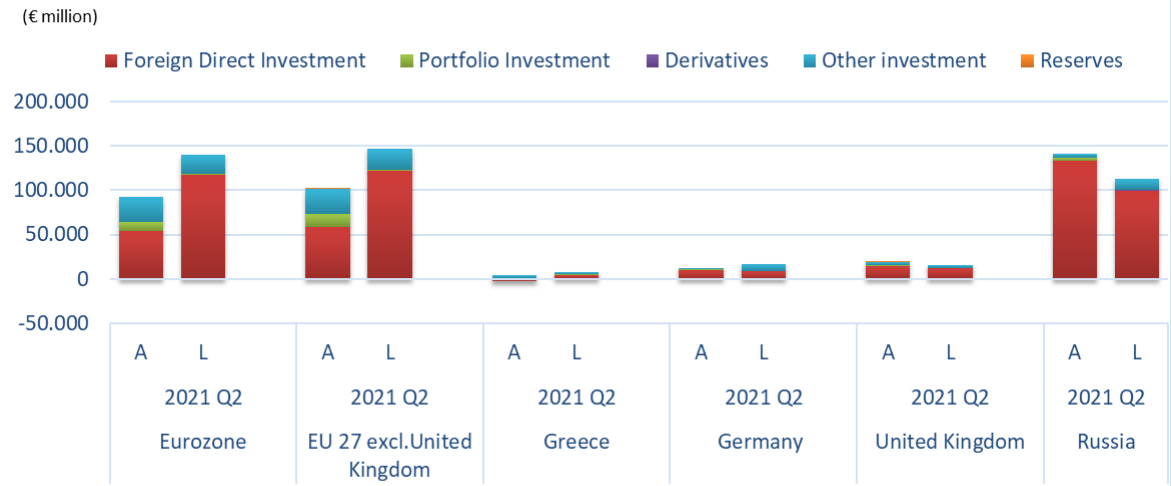


Source: Central Bank of Cyprus

Geographical breakdown of the International Investment Position[1]

As shown in Figure 4, the largest assets and liabilities stocks of Cyprus vis-à-vis an individual country, were recorded with Russia. In particular, stock assets with Russia were recorded at €140.851,2 million and liabilities at €112.585,9 million (net position of €28.265,3 million). With regard to the European Union (excl. UK), stock assets were recorded at €101.363,7 million and stock liabilities at €146.449,9 million (net position of -€45.086,2 million).
As regards direct investment, the main category of IIP, Russia recorded the highest net position at €33.713,1 million while European Union (excl. UK) recorded a negative net position of -€63.153,9 million.

Figure 4: Geographical breakdown of the International Investment Position



Source: Central Bank of Cyprus
Acronymed used: Assets (A), Liabilities(L)

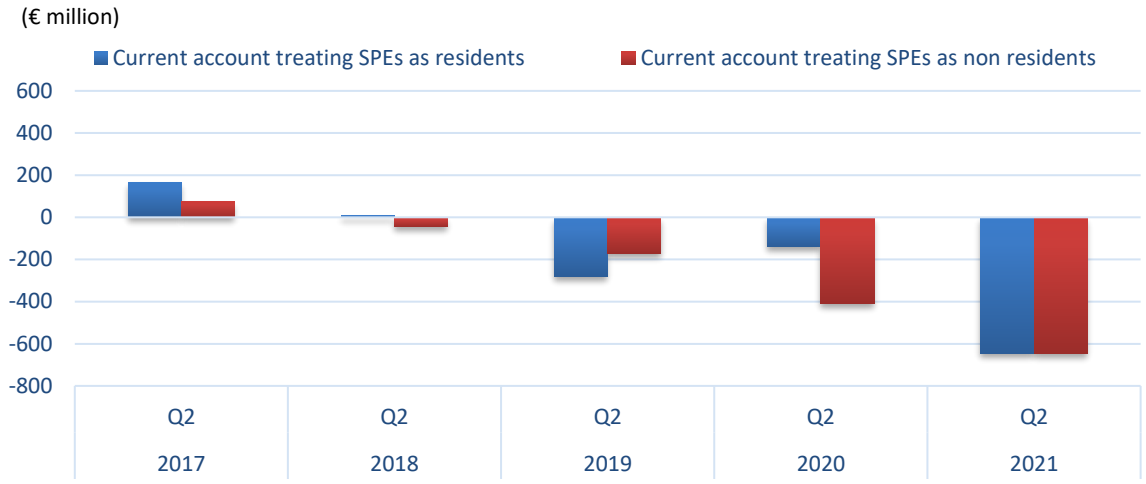
DATA ADJUSTED FOR THE IMPACT OF SPES

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 moderate deterioration in 2021 Q2, reaching a deficit of €645,5 million, compared with a deficit of €409,6 million in 2020 Q2 (see Figure 5).

[1] Certain data on IIP (especially portfolio liabilities) are not able to be classified to a specific counterpart country. In particular, a share of around 13% on total assets and 16% on total liabilities in 2021 Q2 was not able to be allocated to a certain country.

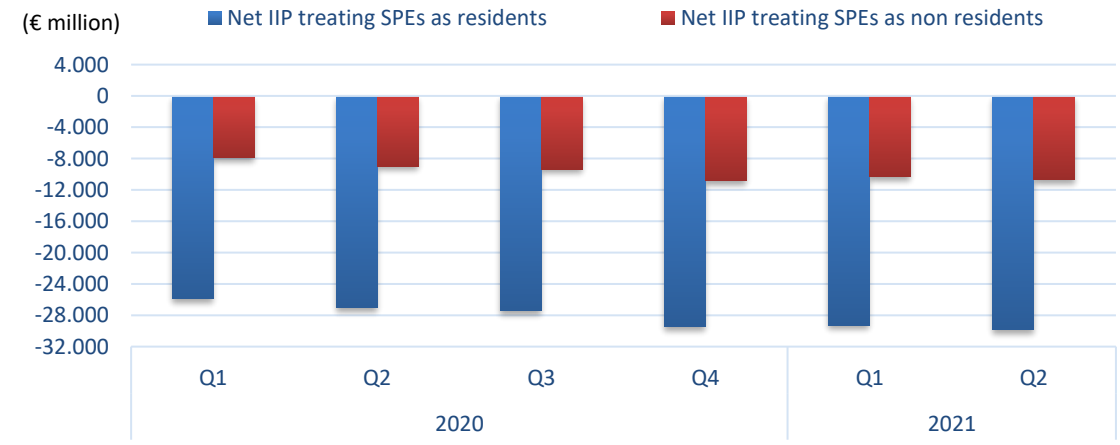
Figure 5. Current account treading SPEs as residents and as non-residents



Source: Central Bank of Cyprus

The *international investment position*, adjusted for the impact of SPEs, recorded a net liability position of €10.664,1 million at the end of 2021 Q2, compared with a net liability position of €10.304,7 million, at the end of the previous quarter (see Figure 6).

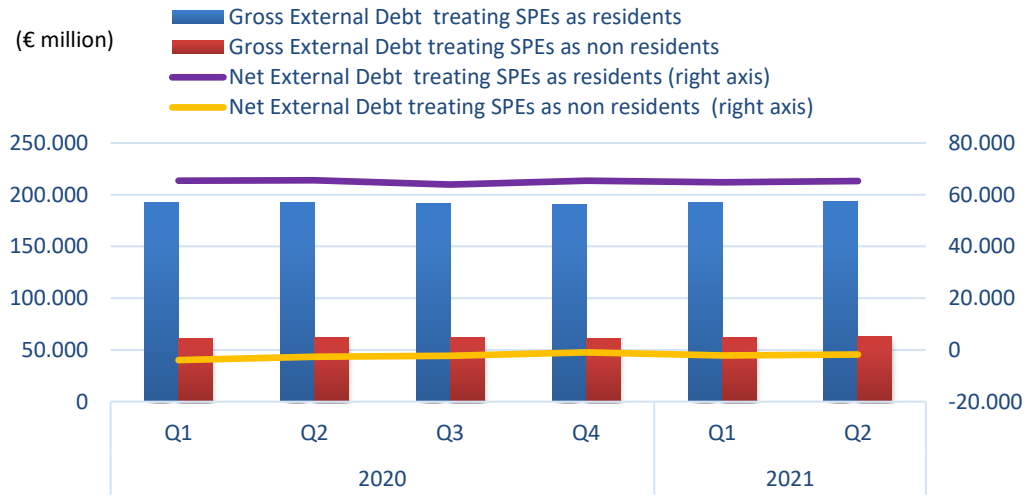
Figure 6. Net IIP treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus

The *gross external debt*, adjusted for the impact of SPEs, amounted to €62.630,2 million in 2021 Q2, up from €61.866,9 million a quarter earlier, while the corresponding *net external debt* indicator significantly increased to -€1.786,2 million (up by €360,5 million), compared with -€2.146,7 million in 2021 Q1 (see Figure 7).

Figure 7. External debt treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus