



CENTRAL BANK OF CYPRUS
EUROSYSTEM

Explanatory note on External Statistics Data: December 2022

DATA FOR THE THIRD QUARTER OF 2022 (2022 Q3)

CURRENT ACCOUNT

The current account recorded a deficit of €435,7 million in 2022 Q3, compared with a deficit of €132,8 million in the same quarter of 2021 (see Table 1). The deterioration in the current account deficit resulted from the increase in goods trade deficit (from -€1.053,7 million to -€1.563,6 million) and, to a much lesser extent, the secondary income (from €9,4 million to -€68,1 million). The aforementioned developments were partly offset by increased surplus in services (from €1.502,6 million to €1.713,7 million) and decreased deficit in primary income (from -€591,0 million to -€517,8 million). It is worth mentioning that the developments in 2021 Q3 were affected by the COVID-19 pandemic.

Table 1. Current Account

(€ million)	Q3 2021			Q3 2022			%Δbalance*
	Credit	Debit	Balance	Credit	Debit	Balance	
Current account	11.564,3	11.697,1	-132,8	10.735,6	11.171,3	-435,7	↓ -228,1%
Goods	897,0	1.950,7	-1.053,7	1.035,0	2.598,6	-1.563,6	↓ -48,4%
Services	4.596,5	3.093,9	1.502,6	5.447,6	3.734,0	1.713,7	↑ 14,1%
<i>of which:</i>							
Transport	876,9	555,3	321,6	918,1	707,5	210,5	↓ -34,5%
Travel	860,2	261,0	599,3	1.207,1	410,4	796,7	↑ 32,9%
Financial services	1.300,1	790,6	509,5	1.272,3	799,0	473,3	↓ -7,1%
Telecommunications, computer, and information services	943,6	743,9	199,7	1.402,0	1.088,7	313,3	↑ 56,9%
Other business services	337,7	532,3	-194,6	320,7	506,8	-186,0	↑ 4,4%
Primary income	5.833,2	6.424,2	-591,0	4.071,4	4.589,2	-517,8	↑ 12,4%
Compensation of employees	19,8	32,3	-12,5	20,1	28,0	-7,8	↑ 37,2%
Direct investment	5.465,6	6.032,4	-566,8	3.734,1	4.151,6	-417,5	↑ 26,3%
Portfolio investment	191,6	227,7	-36,1	136,0	229,0	-93,0	↓ -157,6%
Other investment	148,7	121,2	27,5	175,3	164,9	10,4	↓ -62,2%
Reserve assets	0,5		0,5	0,6		0,6	↑ 19,2%
Other primary income	7,0	10,6	-3,6	5,2	15,7	-10,5	↓ -188,0%
Secondary income	237,7	228,2	9,4	181,6	249,7	-68,1	↓ -823,1%

Source: Central Bank of Cyprus

Note: *%ΔBalance is defined as the % change in the balance of Q3 2022 over the corresponding balance of Q3 2021.

More details of the changes recorded in the main categories of the current account are given below:

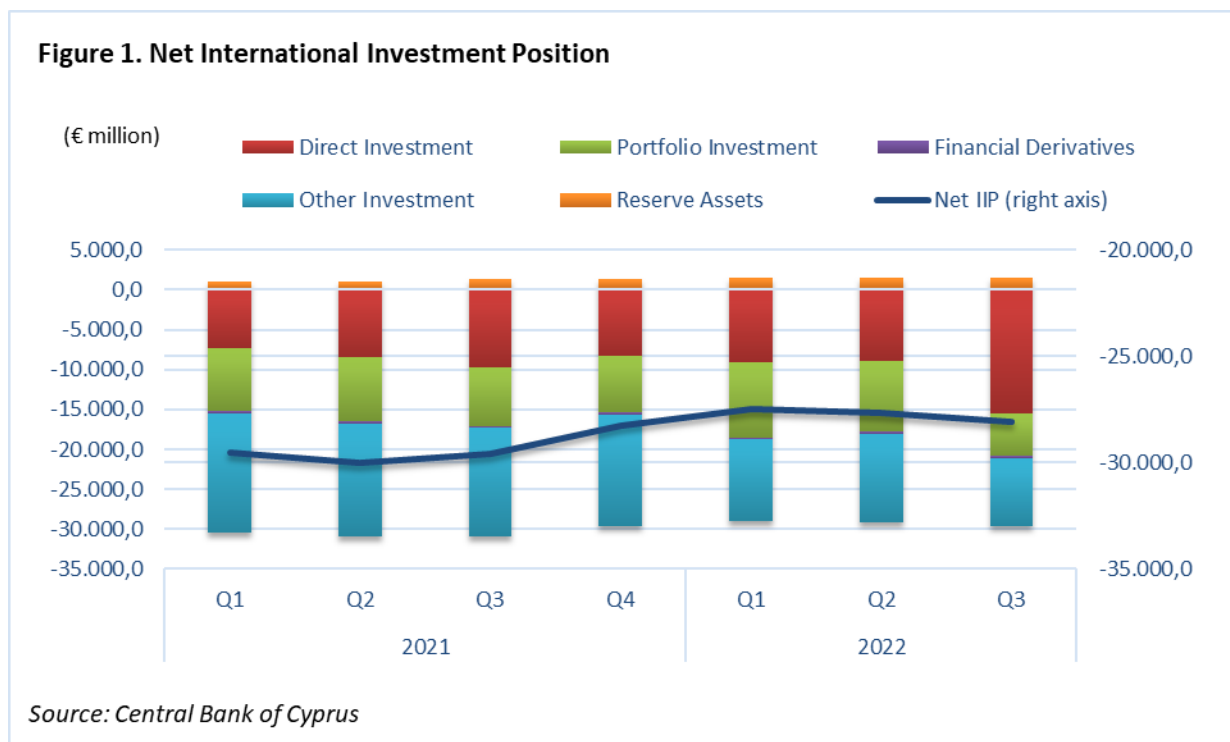
- **Goods** - Imports remained consistently higher than exports. The trade deficit in 2022 Q3 increased, following a greater increase in imports of goods compared with exports. The increase in imports was exclusively attributed to the developments in general merchandise driven, at least to a certain extent, by the prolong Russia-Ukraine war and the subsequent soaring in energy prices. Imports in movable equipment (i.e. vessels, yachts and airplanes) recorded a marginal decrease. The increase in the exports side resulted from the increase in both movable equipment and general merchandise. As regards the latter, the recorded increase was more pronounced. Finally, net exports of goods under merchanting registered a decrease of the order of 8,4%.

- *Services* - The increase in the surplus of *services* resulted mainly from *travel* and, to a lesser extent, *telecommunications, computer and information services, other business services and personal, cultural and recreational services*. *Transport and financial services*, on the other hand, recorded decreases.
- *Primary income* - The shrinkage in the deficit of *primary income* was associated with the developments in *direct investment income*, while *portfolio investment income, other investment income and other primary income partly mitigated the aforementioned positive development*.
- *Secondary income* - The deficit of *secondary income* was mainly associated with an increase in net EU funds contributed by the Cypriot government. Additionally, net payments of the other sectors recorded increase during the period under review.

INTERNATIONAL INVESTMENT POSITION

The *international investment position* recorded a net liability position of €28.063,5 million at the end of 2022 Q3, compared with a respective position of €27.642,0 million in the previous quarter (see Figure 1 and Table 2).

This small deterioration was mainly due to the decrease in *direct investment* and to a lesser extent in *financial derivatives*. On the other hand, *portfolio investment, other investment and reserve assets* increased and thus, mitigated the above decreases.



In parallel, the slight deterioration in the net *international investment position* in 2022 Q3 was, mainly, driven by negative net other volume changes, which were partially offset by positive net transactions (see Table 2).

Table 2. International Investment Position

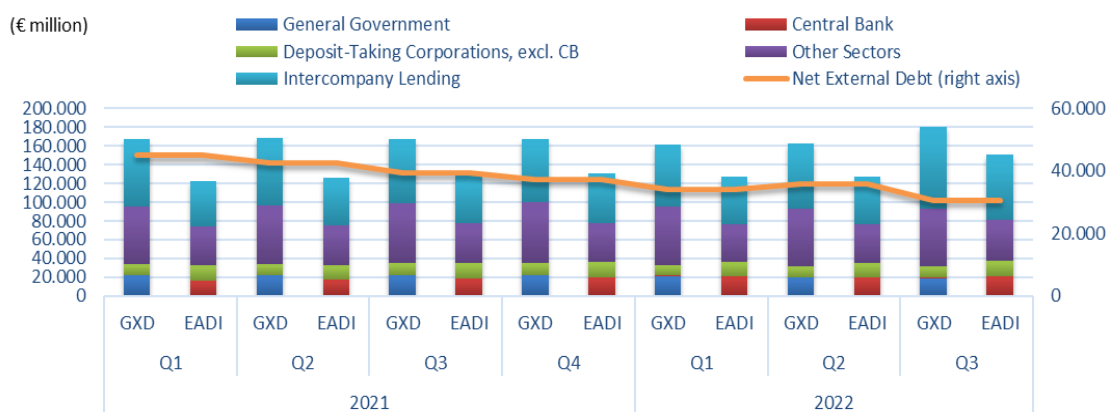
(€ million)	2022 Q2	2022 Q3				
	Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	Amounts outstanding
Net	-27.642,0	540,8	-61,2	-20,3	-880,8	-28.063,5
Direct investment	-8.877,4	-3.727,3	-141,9	392,9	-3.216,0	-15.569,8
Portfolio investment	-8.939,0	2.643,9	-4,6	-443,0	1.477,0	-5.265,7
Financial derivatives	-318,9	-65,7	0,0	46,9	14,7	-323,1
Other investment	-11.022,8	1.625,0	58,0	0,1	843,9	-8.495,8
Reserve assets	1.516,2	64,9	27,3	-17,2	-0,4	1.590,9
Assets	461.504,8	23.696,7	78,7	-1.037,6	13.301,3	497.543,9
Direct investment	374.163,9	19.749,1	-764,1	-147,9	10.854,8	403.855,8
Portfolio investment	22.661,8	2.502,9	522,7	-944,5	1.376,6	26.119,4
Financial derivatives	639,8	-89,0	0,0	71,9	-5,5	617,2
Other investment	62.523,1	1.468,7	292,8	0,1	1.075,8	65.360,6
Reserve assets	1.516,2	64,9	27,3	-17,2	-0,4	1.590,9
Liabilities	489.146,7	23.155,9	139,9	-1.017,3	14.182,2	525.607,4
Direct investment	383.041,3	23.476,4	-622,2	-540,8	14.070,8	419.425,6
Portfolio investment	31.600,8	-141,0	527,3	-501,5	-100,4	31.385,1
Financial derivatives	958,7	-23,2	0,0	25,1	-20,2	940,4
Other investment	73.545,9	-156,3	234,8	0,0	231,9	73.856,4

Source: Central Bank of Cyprus

EXTERNAL DEBT

The *gross external debt* significantly increased to €181.011,0 million in 2022 Q3, compared with €162.924,4 million in 2022 Q2. *External assets in debt instruments* increased to €150.365,3 million, up from €127.207,7 million in 2022 Q2. Consequently, *net external debt (gross external debt less external assets in debt instruments)* decreased by €5.071,0 million to €30.645,7 million in 2022 Q3 (see Figure 2).

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)

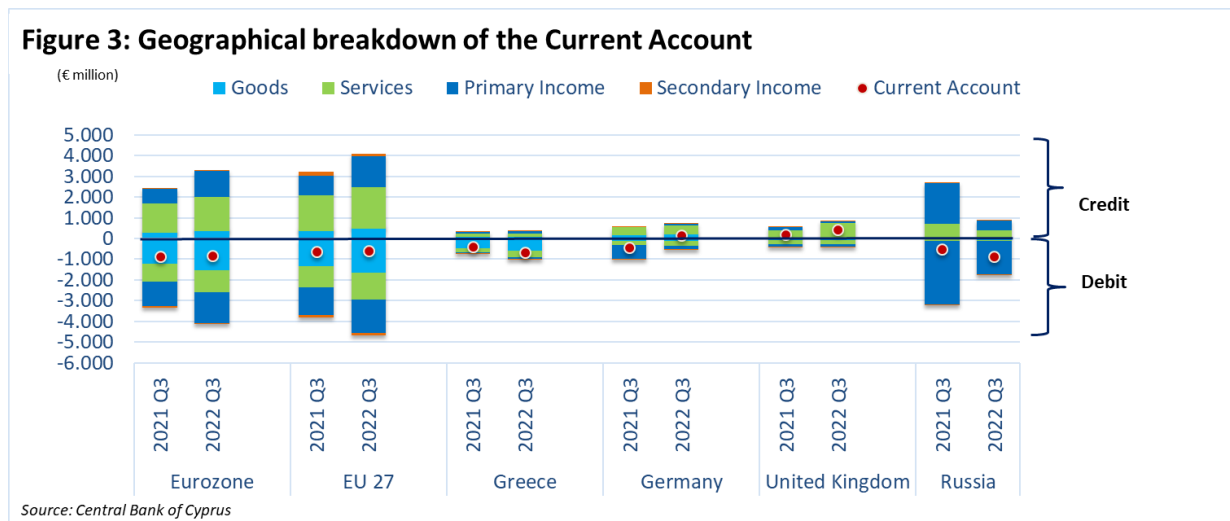
More analytically, as regards:

- *Gross external debt* – The increase in the *gross external debt* largely resulted from a debt increase in all institutional sectors except General Government. Large increases were also recorded in direct investment intercompany lending.
- *External assets in debt instruments* – The increase of *external assets in debt instruments* resulted from an increase in all sectors, mainly by the *Central Bank* and *Other Sectors*.

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 2022 Q3, Cyprus recorded bilateral surpluses vis-à-vis Germany (€176,5 million, up from -€435,3 million a year earlier) and the United Kingdom (€434,1 million, up from €197,8 million). On the other hand, bilateral deficits in the current account were recorded vis-à-vis Greece (-€657,5 million, up from -€385,3 million) and Russia (-€865,9 million, up from -€490,9 million). As regards bilateral data vis-à-vis the European Union, a deficit of -€586,1 million was recorded in 2022 Q3 (from a deficit of -€617,2 million in 2021 Q3) and a deficit of -€826,5 million was recorded vis-à-vis the Eurozone in the same quarter (from a deficit of -€881,1 million in 2021 Q3).

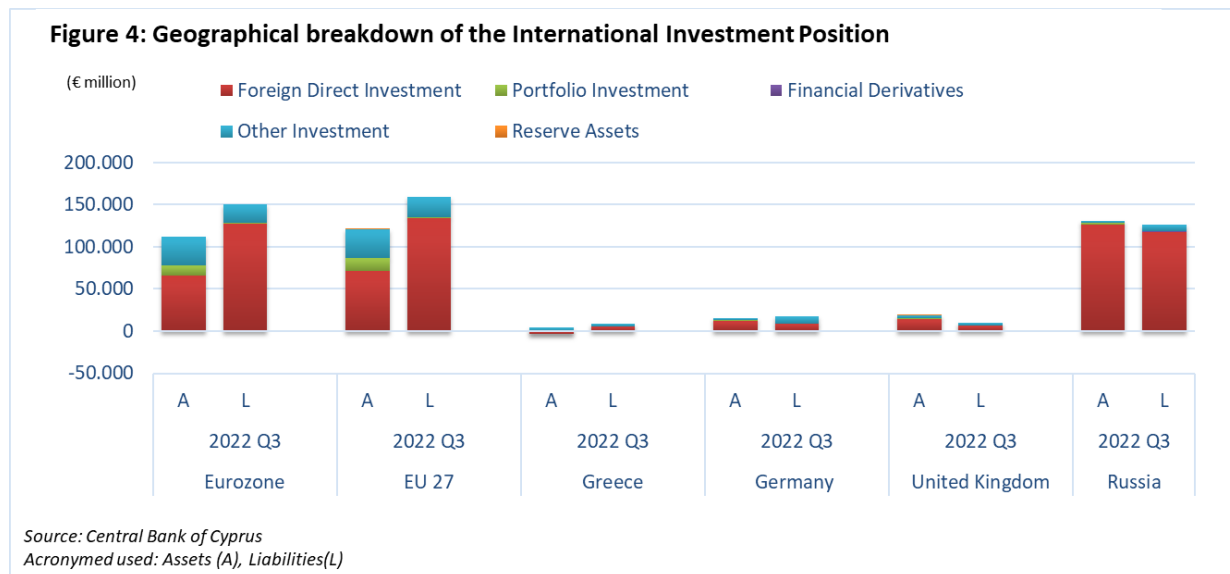


Geographical breakdown of the International Investment Position¹

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 stood at €131.043,5 million and liabilities at €126.483,9 million (net position of €4.559,6 million). With regard to the European Union, stock assets were recorded at €121.223,7 million and stock liabilities at €159.028,4 million (net position of -€37.804,7 million).

As regards direct investment, the main category of IIP, Russia recorded the highest net position at €8.881,3 million while European Union recorded a negative net position of -€62.452,0 million.

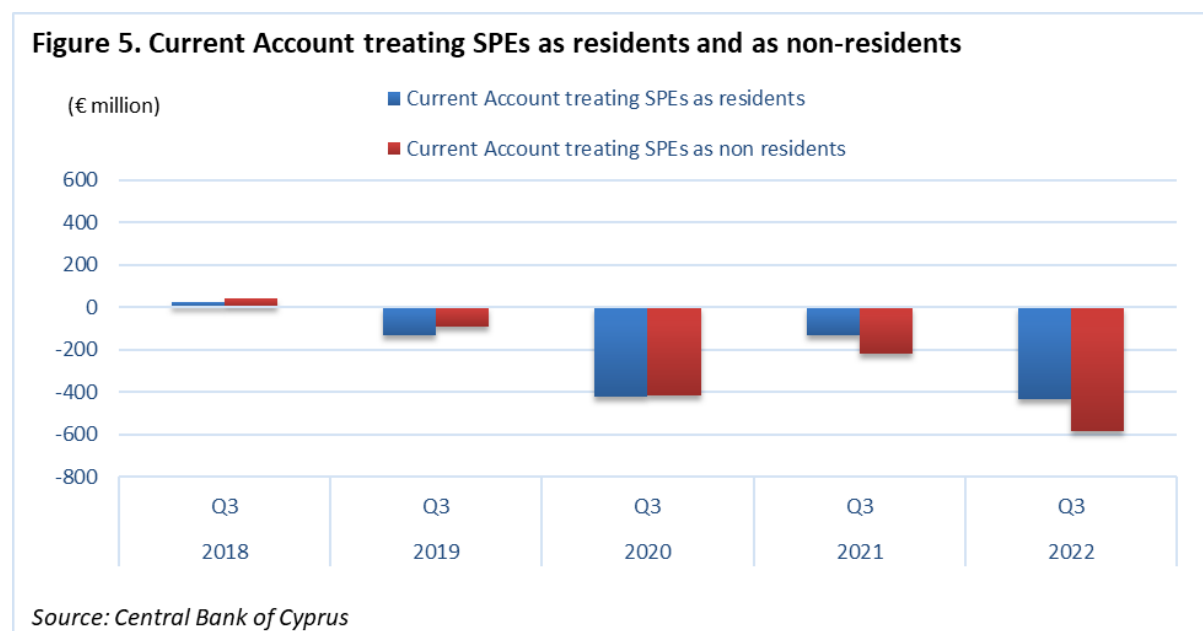
¹Certain data on IIP (especially portfolio liabilities) are not able to be classified to a specific counterpart country. In particular, a share of around 16% on total assets and 18% on total liabilities in 2022 Q3 was not able to be allocated to a certain country.



DATA ADJUSTED FOR THE IMPACT OF SPES

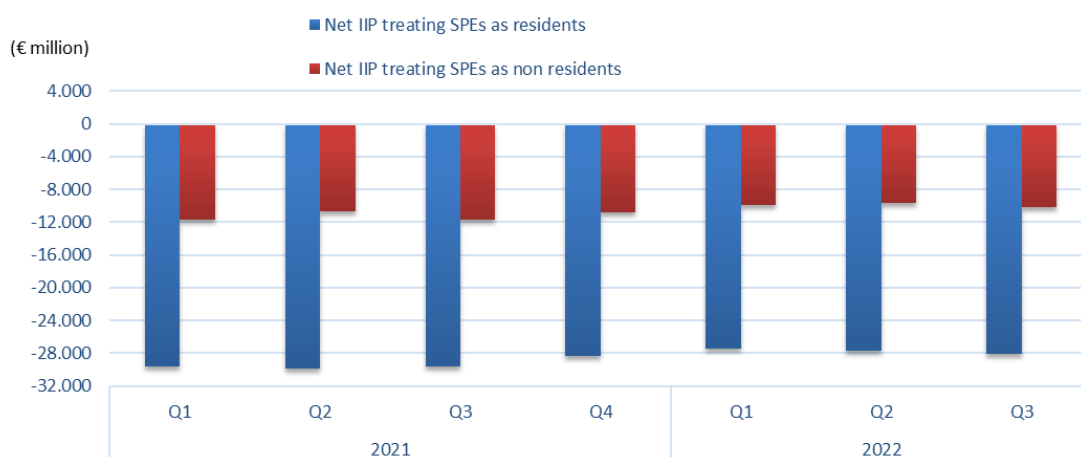
In order to present external statistics in a more objective manner, the main figures are also adjusted for the impact of special purpose entities (SPEs), i.e. by classifying the said entities as non-residents.

The *current account*, adjusted for the impact of SPEs, recorded a substantial deterioration in 2022 Q3, reaching a deficit of €583,1 million, compared with a deficit of €216,2 million in 2021 Q3 (see Figure 5).



The *international investment position*, adjusted for the impact of SPEs, recorded a net liability position of €10.164,1 million at the end of 2022 Q3, compared with a net liability position of €9.649,6 million, at the end of the previous quarter (see Figure 6).

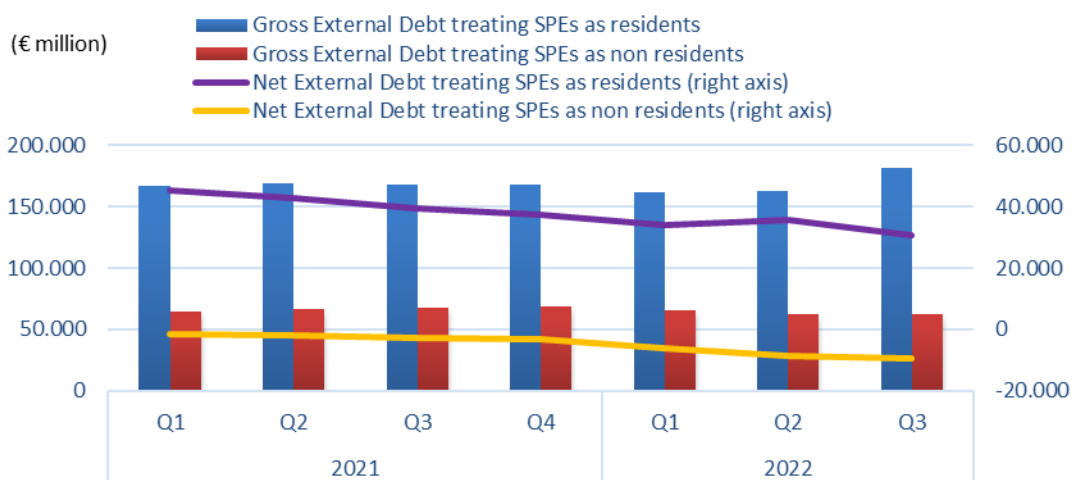
Figure 6. Net International Investment Position treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus

The *gross external debt*, adjusted for the impact of SPEs, amounted to €62.725,5 million in 2022 Q3, up from €62.653,1 million a quarter earlier, while the corresponding *net external debt* indicator increased to -€9.392,1 million (up by €866,0 million), compared with -€8.526,1 million in 2022 Q2 (see Figure 7).

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



Source: Central Bank of Cyprus