



CENTRAL BANK OF CYPRUS

EUROSYSTEM

Press release – External Statistics 2019

31 March 2020

This press release incorporates the publication of data for the fourth quarter of 2019, as well as, revisions of data for the first three quarters of 2019, which resulted from the inclusion of additional, newly available information.

With the exception of the Foreign Direct Investment (FDI) figures for assets and liabilities in both, the financial account and the international investment position, the said revisions did not significantly alter the figures/trends previously released/published.

CURRENT ACCOUNT

The *current account* recorded a deficit of €1.473,5 million in 2019, compared with a deficit of €931,2 million in 2018 (see Table 1). The increase in the *current account* deficit resulted from larger deficits in *primary income* (from -€744,4 million to -€1.170,6million), *trade in goods* (from -€4.672,9 million to -€4.714,2 million) and *lower surplus in the services account* (from €4.839,1 million to €4.683,4million). The aforementioned adverse developments were partly offset by a decrease in the deficit of *secondary income* (from -€353,0 million to -€272,1 million).

Table 1
Current Account

(€million)	2018			2019			
	Credit	Debit	Balance	Credit	Debit	Balance	%ΔBalance*
Current account	35.845,5	36.776,6	-931,2	26.152,8	27.626,3	-1.473,5	↓ -58,2%
Goods	3.608,3	8.281,2	-4.672,9	3.032,9	7.747,2	-4.714,2	↓ -0,9%
Services	11.836,2	6.997,1	4.839,1	12.321,7	7.638,3	4.683,4	↓ -3,2%
Transport	3.113,3	1.822,5	1.290,8	3.125,7	1.914,8	1.210,9	↓ -6,2%
Travel	2.939,5	1.316,3	1.623,1	2.912,3	1.337,1	1.575,2	↓ -3,0%
Financial services	2.992,4	1.386,8	1.605,6	3.018,3	1.388,6	1.629,7	↑ 1,5%
Other business services	225,7	629,5	-403,8	279,0	592,4	-313,4	↑ 22,4%
Primary income	19.917,4	20.661,8	-744,4	10.241,8	11.412,5	-1.170,6	↓ -57,3%
Compensation of employees	52,5	60,6	-8,1	56,9	65,9	-9,0	↓ -11,4%
Direct investment	18.020,7	17.789,7	231,0	8.338,9	8.717,9	-379,0	↓ -264,1%
Portfolio investment	688,4	726,4	-38,0	833,2	682,7	150,4	↑ 496,2%
Other investment	1.083,0	2.042,5	-959,6	934,7	1.896,8	-962,1	↓ -0,3%
Secondary income	483,5	836,4	-353,0	556,4	828,4	-272,1	↑ 22,9%

*%ΔBalance is defined as the % change in the balance of 2019 to the corresponding change in the balance of 2018

Source: Central Bank of Cyprus

More specifically:

- Concerning *goods*, imports remained consistently higher than exports. The trade deficit in 2019 widened, following a noticeable decrease in exports mainly associated with decreases in exports of movable equipment (i.e. ships, yachts and airplanes).

- The decrease in the surplus of *services* resulted from decreases in net receipts of all the main categories of the said account.
- The widening in the deficit of *primary income* was exclusively associated with the developments in *direct investment income* (from a net receivable balance of €231,0 million, to a net payable balance of €379,0 million).
- Regarding *portfolio investment income*, this recorded an improvement, thus mitigating the abovementioned decrease.
- The shrinkage of the deficit of *secondary income* was mainly associated with a reduction in amounts contributed to the EU budget for 2019, compared with the corresponding amounts of 2018.

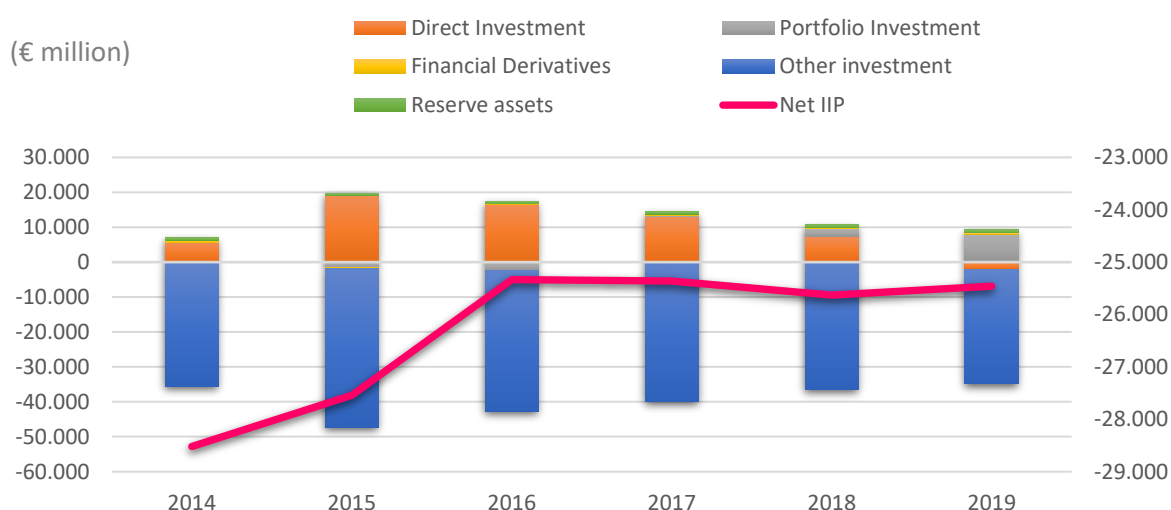
INTERNATIONAL INVESTMENT POSITION

The *international investment position* recorded a net liability position of €25.459,5 million in 2019, compared with €25.631,1 million in 2018 (see Chart 1 and Table 2).

This small improvement was mainly due to the increases recorded in *portfolio investment* (€8.055,5 million, up from €2.237,9 million) and, to a much lesser extent, in “*other*” investment and reserves. These increases were compensated, to a large degree, by deteriorations mainly in *direct investment* (-€2.043,0 million, down from €7.357,9 million) and, to some extent, *financial derivatives*.

Chart 1

Net International Investment Position



Source: Central Bank of Cyprus

In parallel, the slight increase in the *net international investment position* in 2019 was driven by positive net exchange rate revaluations and net price changes, which were partially offset by negative net transactions and net other volume changes (see Table 2).

Table 2
International Investment Position

(€million)	2018	2019				Amounts outstanding
	Amounts outstanding	Transactions	Exchange rate changes	Price changes	Other volume changes	
Net	-25.631,1	-970,1	1.853,4	888,0	-1.599,8	-25.459,5
Direct investment	7.357,9	-9.106,8	1.386,8	-237,4	-1.443,6	-2.043,0
Portfolio investment	2.237,9	0,0	776,8	1.048,6	-74,6	8.055,5
Financial derivatives	329,6	0,0	0,0	-30,1	-2,2	319,1
Other investment	-36.366,9	0,0	-315,6	0,5	-78,8	-32.711,3
Reserve assets	810,4	0,0	5,5	106,4	-0,6	920,2
Assets	486.185,0	14.878,7	2.085,1	3.042,6	-5.117,7	501.073,8
Direct investment	406.724,8	12.067,6	1.322,4	1.250,8	-4.703,7	416.661,8
Portfolio investment	19.672,5	2.727,9	819,1	1.639,7	-71,4	26.387,6
Financial derivatives	1.660,8	-53,9	0,0	45,2	-2,6	1.230,9
Other investment	57.316,5	1.289,3	-61,9	0,5	-339,4	55.873,3
Reserve assets	810,4	0,0	5,5	106,4	-0,6	920,2
Liabilities	511.816,1	15.848,8	231,7	2.154,6	-3.517,9	526.533,3
Direct investment	399.366,9	21.174,3	-64,4	1.488,1	-3.260,1	418.704,8
Portfolio investment	17.434,6	31,6	42,3	591,2	3,1	18.332,1
Financial derivatives	1.331,2	-23,1	0,0	75,3	-0,3	911,8
Other investment	93.683,4	-2.848,0	253,8	0,0	-260,6	88.584,6

Source: Central Bank of Cyprus

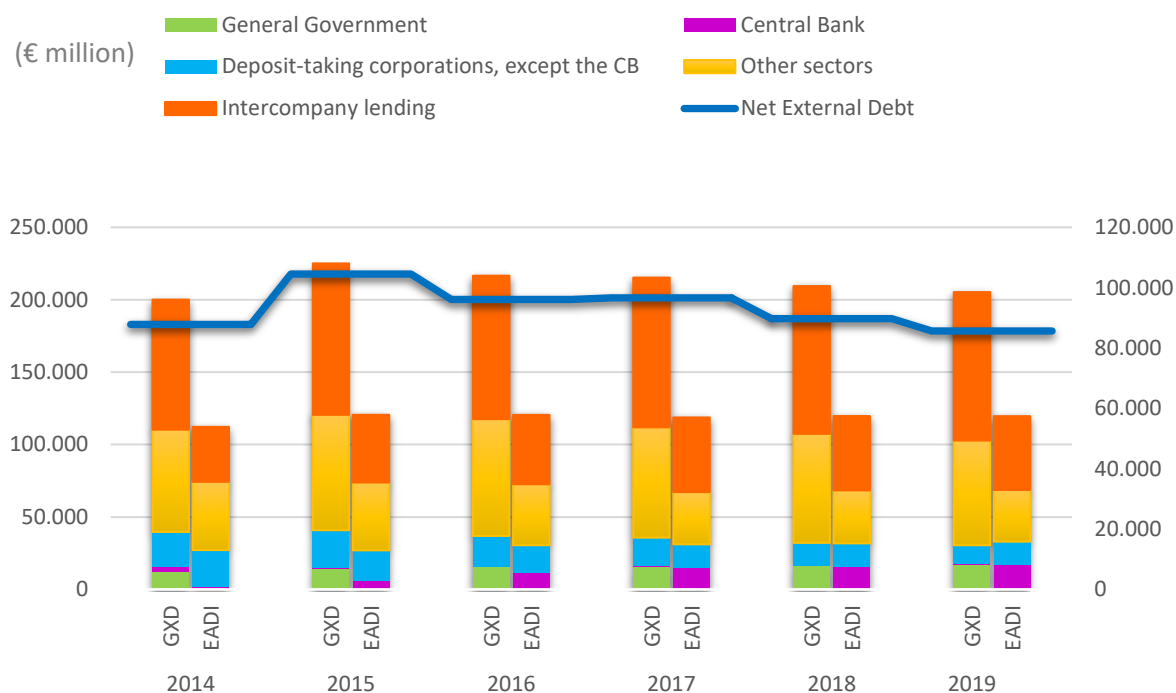
EXTERNAL DEBT

The *gross external debt* has dropped to €205.302,8 million in 2019 (935,6% of GDP), compared with €209.455,2 million (990,9% of GDP) in 2018. *External assets* in debt instruments declined marginally to €119.652,5 million, down from €119.740,5 million in 2018. The *net external debt* (*gross external debt less external assets in debt instruments*) decreased by €4.064,3 million to €85.650,4 million, over 2019 (see Chart 2).

More analytically:

- The decline observed in the *gross external debt* resulted, primarily, from the decrease in debt of *Deposit-taking corporations (except the Central Bank)*, but also from lower debt of “*other*” sectors. These changes were partly compensated by the increase in the *General Government’s* and *Central Bank’s* debt, as well as, the increase in *intercompany lending*.
- The slight decrease of *external assets in debt instruments* was mostly due to the decline in debt instruments held by “*other*” sectors and, to a lesser extent, by *intercompany lending*. The increases in debt instruments held by the *General Government*, *Central Bank* and *Deposit-taking corporations (except the Central Bank)*, on the other hand, almost cancelled out the abovementioned decrease.

Chart 2
External Debt by sector



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

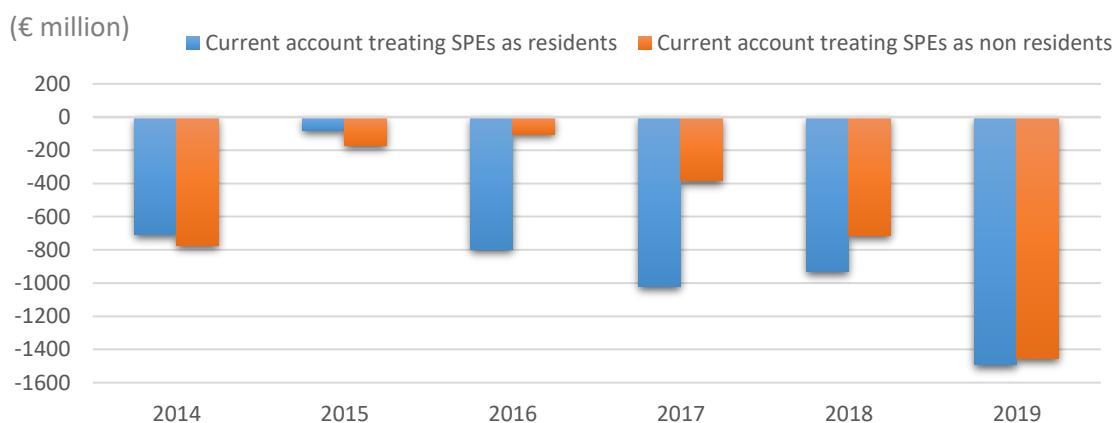
Source: Central Bank of Cyprus

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 significant deterioration in 2019, reaching a deficit of €1.438,2 million, up from a deficit of €715,8 million in 2018 (see Chart 3).

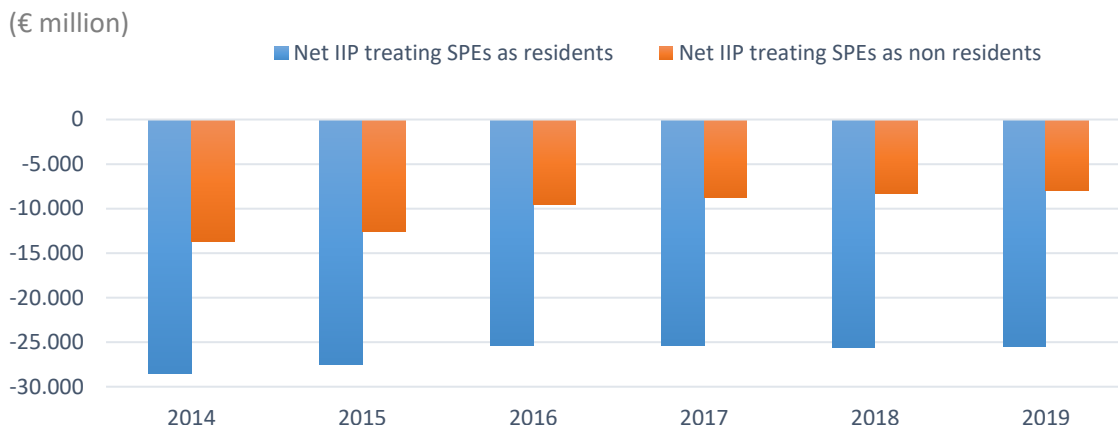
Chart 3
Current account treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus

The *international investment position*, adjusted for the impact of SPEs, recorded a net liability position of €8.000,5 million at the end of 2019, compared with net liabilities of €8.350,1 million, at the end of the previous year (see Chart 4).

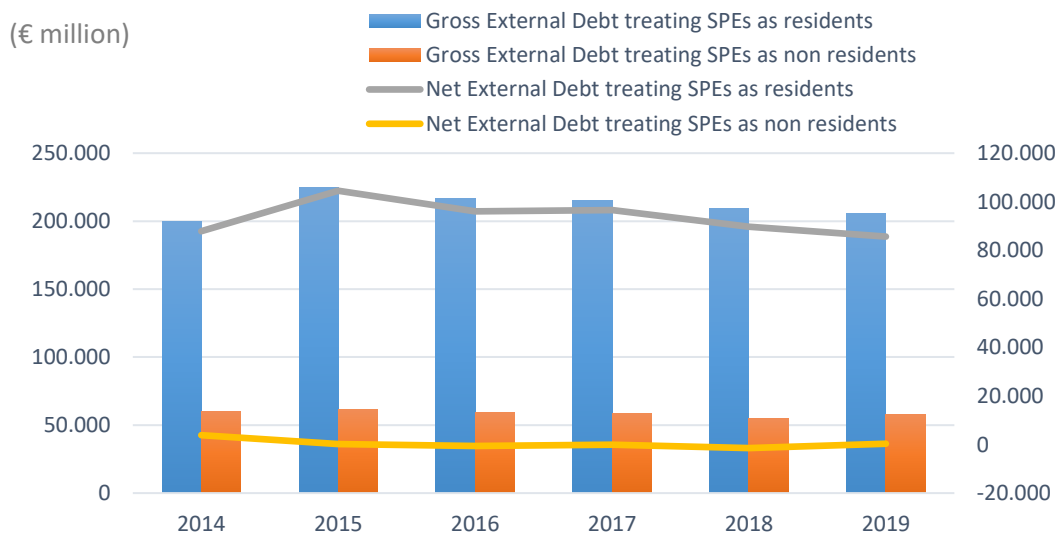
Chart 4
Net IIP treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus

The *gross external debt*, adjusted for the impact of SPEs, amounted to €57.759,7 million in December 2019, up from €54.809,5 million a year earlier, while the corresponding net external debt indicator increased to €282,0 million (up by €1.742,4 million), compared with -€1.460,4 million in 2018 (see Chart 5).

Chart 5
External debt treating SPEs as residents and as non-residents



Source: Central Bank of Cyprus