



Cyprus

Overview

EIB INVESTMENT SURVEY

2022

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Cyprus

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EIB Investment Survey Country Overview 2022: Cyprus

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment, which has been administered since 2016, is a unique, annual survey of some 13 000 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United States.

The survey collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face, such as climate change and digital transformation. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Member States and the United States, as well as across four classes of firm size (micro to large) and four main economic sectors (manufacturing, construction, services and infrastructure). The survey is designed to build a panel of observations, supporting the analysis of time-series data. Observations can also be linked back to data on firm balance sheets and profit and loss statements. The EIBIS was developed by the EIB Economics Department. It is managed by the department with the support of Ipsos MORI.

About this publication

These reports provide an overview of data collected for the 27 EU Member States and the United States. They are intended to provide a snapshot of the data. For the purpose of these publications, data are weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

Download the findings of the EIB Investment Survey for each EU country or explore the data portal at www.eib.org/eibis.

About the Economics Department of the EIB

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The department and its team of 40 economists is headed by Debora Revoltella, director of economics.

Main contributors to this publication

Emmanouil Davradakis, Julie Delanote, Francisca de Novais e Silva.

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EIBIS 2022 – Cyprus Overview

KEY RESULTS

Investment Dynamics and Focus

EIBIS 2022 shows that on average, at the time of interviews (April-July 2022), Cypriot firms were exiting from COVID-19 in a reasonable shape, but a level of caution about the future has come into their plans and actions. The share of firms in Cyprus having invested in 2021 was lower than in 2020 (68%, down from 78%), and below pre-pandemic shares (of around 80%). Cypriot firms were almost evenly divided in their expectations on investment for the whole of 2022, with more firms expecting to increase rather than decrease investment (net balance of 3%).

Investment Needs and Priorities

Whilst the majority of firms did not signal major investment gaps, with 69% of them claiming their investment activities over the last three years as having been the right amount, 17% believed they had invested too much which is far higher than the EU average (3%). Looking ahead to the next three years, investment in replacement remains the main priority for firms' investment (28% of firms), however around a third of firms say they have no investment planned in this time (33%, vs. 16% in EIBIS 2021 and 11% across the EU as a whole).

Covid-19 Impact

The pandemic was a major shock for Cypriot firms and continues to have an impact. Whilst 28% of firms never saw a year-on-year sales loss due to COVID-19 and at time of the interview, a half of firms in Cyprus expected higher sales in 2022 than before the pandemic, on the other side of the spectrum, more than half of firms (59%) experienced losses in 2020 and/or 2021, with 27% of firms not expecting to recover from the pandemic-era loss of business in 2022.

Overall, roughly 70% of EU firms have received some form of financial support in response to COVID -19, mostly in the form of subsidies or some type of financial support that does not need to be paid back (55%).

Firms' Transformation, Innovation and Digitalisation

Around half of firms have taken action as a result of COVID-19, most commonly becoming more digital (38%) or developing new products or services (31%). On average, 60% of firms in Cyprus used at least one advanced digital technology, not far off what is reported across the EU as a whole (69%). However, the level of adoption is lower in Cyprus, with just 24% having adopted multiple technologies compares with 42% across the EU as a whole.

The period of repeated shocks is having an effect on firms' innovation. Just under a third (29%) of Cypriot firms developed or introduced new products, processes or services as part of their investment activities. Innovation that develops products, processes or services that are new to either the country or global market has decreased from 16% in EIBIS 2021 to just 3% of firms in Cyprus in EIBIS 2022.

International Trade

The vast majority (93%) of firms in Cyprus have faced international trade-related disruptions since 2021. Nearly as many see the Russia-Ukraine conflict and/or COVID-19 as creating obstacles to international trade. Overall, among firms facing disruptions due to international trade, around two thirds (66%) report having taken actions to mitigate the impact of these disruptions.

Drivers and Constraints

At the time of interviews, firms were already expecting a deterioration in the economic (declining from 12% to -30%) and political/regulatory climate (declining from -6% to -33%).

Looking at long-term impediments to investment, availability of skilled staff (90%), uncertainty about the future (89%) and energy costs (88%) are the most frequently mentioned constraints.

EIBIS 2022 – Cyprus Overview

Investment Finance

The share of Cypriot firms considered financially constrained is higher than across the EU as a whole, at 9% (vs. 6%). This represents, however, a slight decrease on the 14% seen in EIBIS 2021.

Climate Change and Energy Efficiency

Around 52% of Cypriot firms see themselves as affected by physical climate change risks, with a similar proportion (51%) having taken actions for building resilience against the physical risks to the firm. This was most commonly the purchase of insurance (39%), a higher share than across the EU as a whole (10%).

The share of EU firms seeing the transition to stricter climate standards and regulations as a risk or an opportunity remained fairly balanced (28% and 21%, respectively), with 50% of Cypriot firms continuing to expect no impact from the transition. About 78% of Cypriot firms have already taken actions with the aim to reduce Greenhouse Gas (GHG) emissions, lower than the 88% share of EU firms as a whole.

Looking at investment in climate change more broadly, just 13% of firms in Cyprus have already invested, far lower than the 53% seen across the EU as a whole. Furthermore, just 30% of Cypriot firms have plans to invest in climate change over the next three years, compared to 51% in the EU.

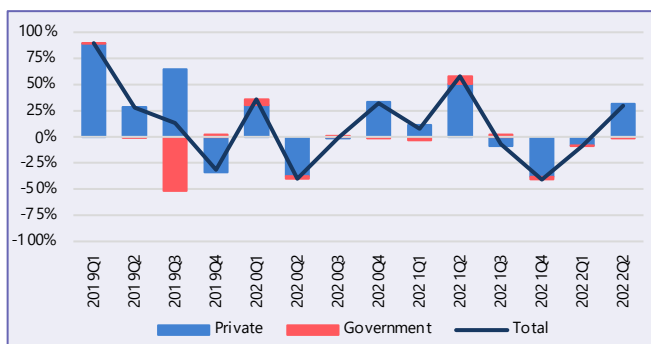
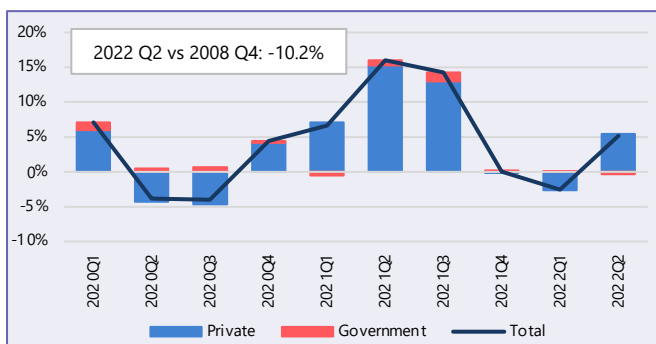
Firm Management, Gender Balance and Employment

In 2021, more than half (55%) of Cypriot firms used a strategic monitoring system, in line with the 51% across the EU. However, when it comes to striving for gender balance, Cypriot firms are forging ahead of the EU with 93% (versus 58%) saying they strive for gender balance, a figure that is stable across all sizes and sectors of business.

Investment dynamics and focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

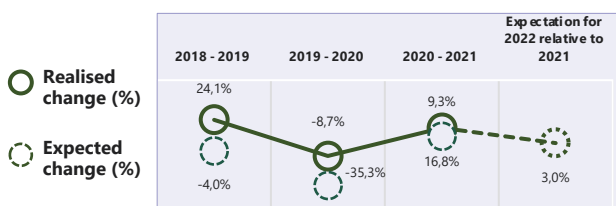
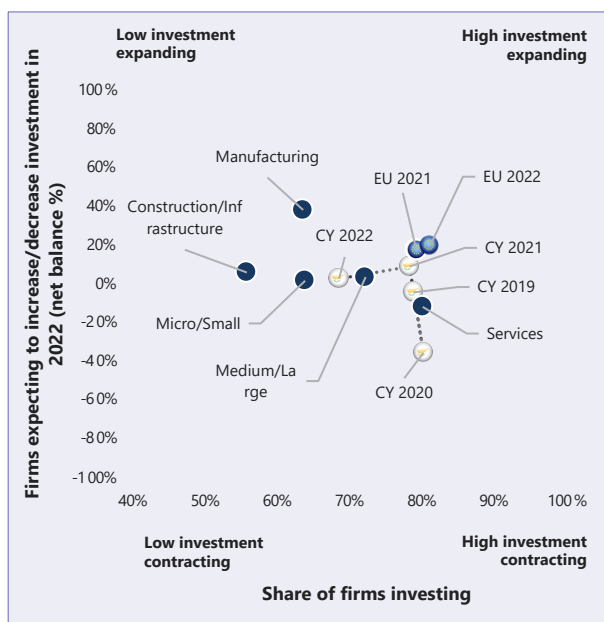
- Following the drop in aggregate investment in Q2 2020 to a level of roughly -4% relative to Q4 2019, aggregate investment in Cyprus surged, having reached a level 16% higher than the pre-pandemic one in Q2 2021. This strong recovery was mainly driven by the strong rebound in private sector investment.
- During the second half of 2021, aggregate investment sharply declined, having subsequently fallen below its pre-pandemic level coming into 2022 (-2.5% in Q1 2022 relative to the level in Q4 2019). However, in Q2 2022, aggregate investment stood once again above the pre-pandemic level (+5% relative to Q4 2019), yet again led by the private sector investment.



The LHS chart shows the evolution of total gross fixed capital formation (GFCF) by institutional sector, in real terms and non seasonally nor calendar adjusted. The nominal GFCF source data was transformed into four-quarter sums and deflated using the implicit deflator for total GFCF (2015=100 euro). The four-quarter sum of total GFCF in 2019Q4 is normalised to 0. The RHS chart shows the y-o-y % change in total real GFCF by institutional sector. The implicit deflator for total GFCF (2015=100 euro) was used for deflating the nominal GFCF source data. Source: Eurostat, authors' own calculations.

INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

- The share of firms in Cyprus having invested in 2021 (68%) was lower than in 2020 (78%) and below levels seen across the EU as a whole (81%).
- More firms are expecting to increase rather than decrease investment, less than in EIBIS 2021, but still more than seen pre-pandemic and during the first year of the pandemic.
- Firms in the manufacturing sector are the most likely to expect to increase rather than decrease their investment.



'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

Base for expected and realised change: All firms

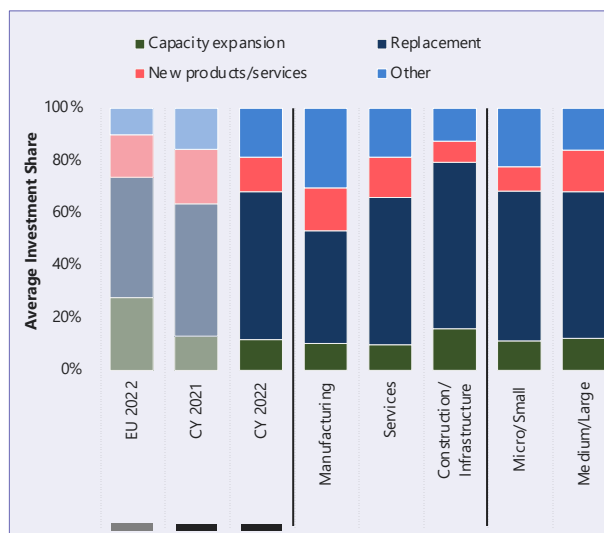
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

Base for share of firms investing: All firms (excluding don't know/refused responses)

Investment dynamics and focus

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)

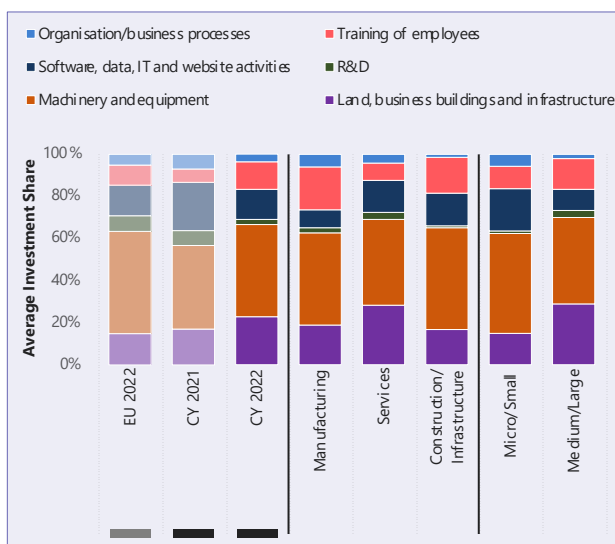
- On average, firms in Cyprus spent 56% of their investment in replacement in 2021, almost in line with what was reported in EIBIS 2021 (50%) for the previous financial year.
- Investment in capacity expansion accounted for just 12% of investment, lower than the EU average (28%).
- Investment in new products and services accounted for 13% of the total expenditure, spending in this area was higher in the manufacturing sector and lower in construction and infrastructure sectors.



Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

INVESTMENT AREAS



- On average, investment in intangible assets (such as in R&D, software, training or business processes) accounted for about 33% of investment. This was slightly lower than in EIBIS 2021 (43%), but in line with the EU average (37%).
- Investment activities vary depending on the size of the business. Medium and large businesses spend more of their investment on tangible assets, in particular land, buildings and infrastructure (29%).

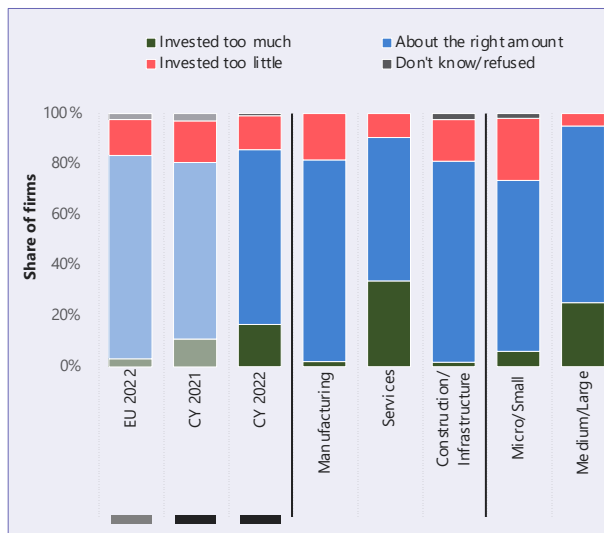
Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Investment needs and priorities

PERCEIVED INVESTMENT GAP

- Firms do not perceive major gaps in terms of investment. Despite difficult circumstances, just over two thirds of firms across Cyprus (69%) believe their investment activities over the last three years were about the right amount. This is lower than the share reported by EU firms as a whole (80%).
- About 17% of firms in Cyprus believe they invested too much over the last three years, far higher than the EU average (3%). This figure was particularly high for medium and large firms (25%) and those in the services sector (34%).
- Around 13% of firms believe they invested too little.

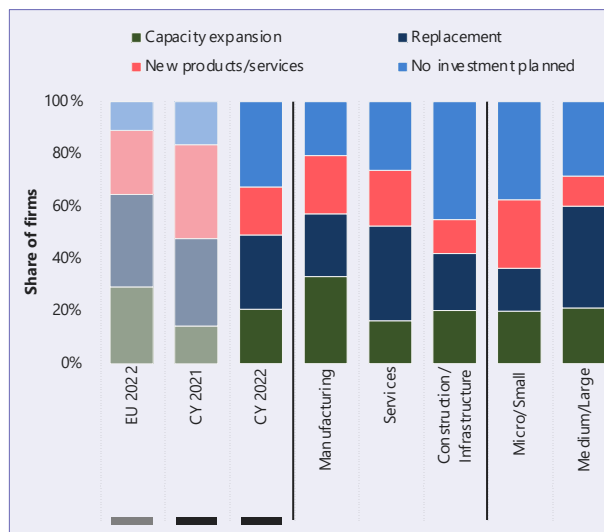


Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Base: All firms (excluding 'Company didn't exist three years ago' responses)

FUTURE INVESTMENT PRIORITIES

- Investment in replacement is the most commonly cited priority for the next three years by Cypriot firms (28%). About 21% are prioritising investment in capacity expansion, and 18% in new products or services.
- The share of firms with no investment planned has doubled since EIBIS 2021, from 16% to 33%. This figure is three times higher than that of EU peers (11%).
- Firms in the construction and infrastructure sectors are particularly likely to say they have no investment planned (45%), as are micro and small firms (38%).

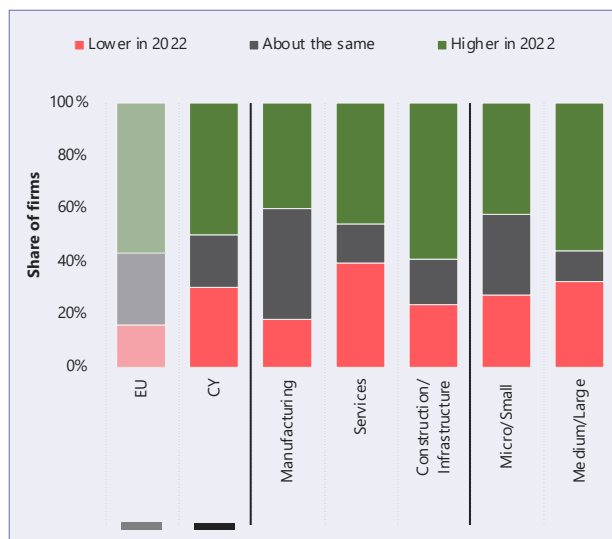


Q. Looking ahead to the next three years, which is your investment priority (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms (excluding don't know/refused responses)

Impact of COVID-19

IMPACT OF COVID-19 ON SALES OR TURNOVER BY END OF 2022 COMPARED TO 2019



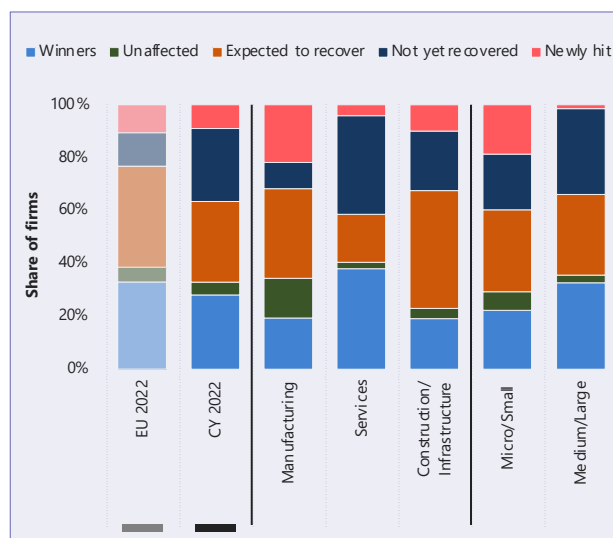
- Asked about the persistent impact of COVID-19 on sales, around 30% of firms in Cyprus expected sales to be lower in 2022 compared to 2019, whereas 50% expected them to be higher.
- That outlook is less positive than in the EU as a whole, where just 16% of firms expected 2022 sales to be lower than 2019 levels.
- Outlook is particularly negative in the services sector where 39% expected lower sales in 2022.
- Medium and large firms are the most positive in their outlook: 56% expected higher sales in 2022 compared with just 42% of micro and small firms.

Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

Base: All firms (excluding don't know/refused responses)

IMPACT ON FIRMS' SALES OR TURNOVER AND EXPECTED RECOVERY

- About 58% of firms in Cyprus were negatively impacted by COVID-19. Nevertheless, 31% expected to recover in 2022, returning to at least their 2019 sales level.
- About 27% of firms have not yet recovered from the pandemic in terms of sales, more than double the proportion seen across the EU as a whole (13%). This is an issue for the services sector in particular.
- Just under 10% of Cypriot firms expected a sales drop in 2022, back to or below pre-pandemic levels, in spite of not having experienced any year on year sales decline during the COVID-19 crisis (newly hit firms).



Q. Compared to 2019, before the pandemic started, did your companies sales and turnover in 2020 decline, increase or stay the same?

Q. Compared to 2020, did your companies sales and turnover in 2021 decline, increase or stay the same?

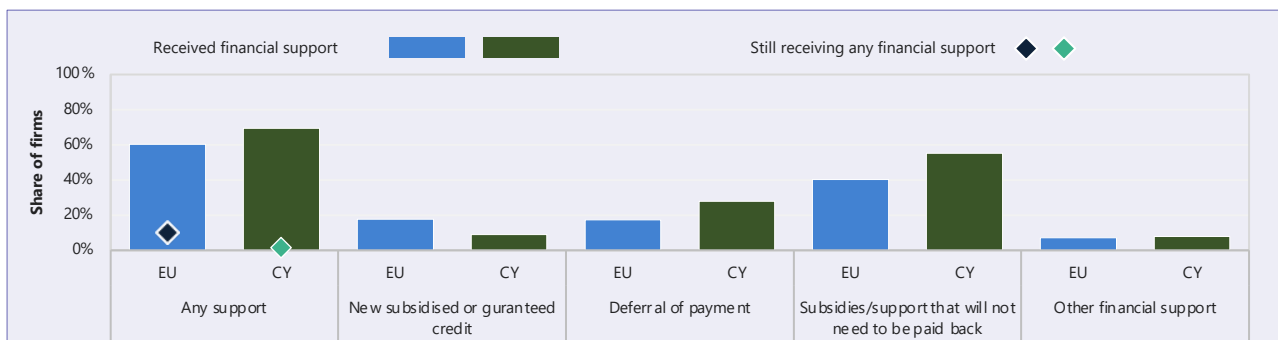
Q. Compared to 2019, do you expect your sales or turnover in 2022 to be higher, lower or about the same?

Base: All firms (excluding don't know/refused responses)

Impact of COVID-19

FINANCIAL SUPPORT RECEIVED IN RESPONSE TO COVID-19

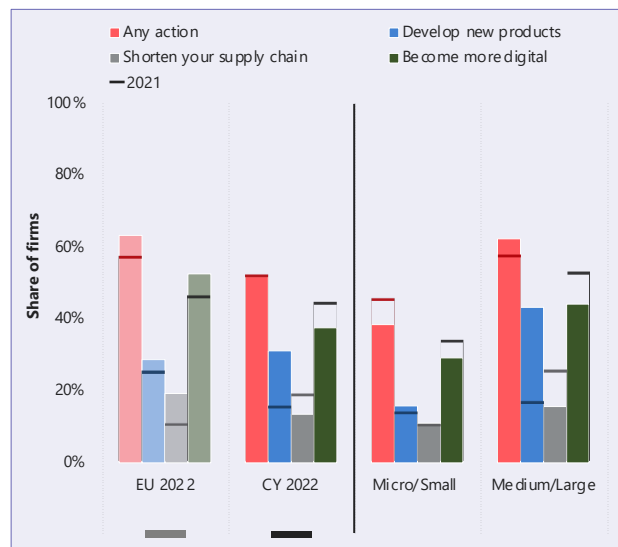
- Overall, about 70% of Cypriot firms have received some form of financial support in response to COVID-19.
- The most frequent type of support received by firms in Cyprus is subsidies or another type of financial support that did not need to be paid back (55%), followed by deferral of payment (28%). The share of firms receiving each of these is higher than the EU average.
- Just 2% of firms are still receiving financial support, slightly lower than the EU average (10%).



Q. Since the start of the pandemic, have you received any financial support?
Q. Are you still receiving (any of) this financial support?

Base: All firms (excluding don't know/refused responses)

ACTIONS AS A RESULT OF COVID-19



- Around 52% of firms in Cyprus report having taken at least one short term action as a result of COVID-19, slightly lower than 63% across the EU as a whole.
- This was most commonly becoming more digital (cited by 38% of firms) or developing new products, services or processes (31%).
- The 38% firms reporting they had become more digital in response to their pandemic was lower than the 53% seen across the EU as a whole
- Medium and large firms are more likely to have taken action than micro and small firms, this is particularly the case for developing new products and services (43% versus 16%).

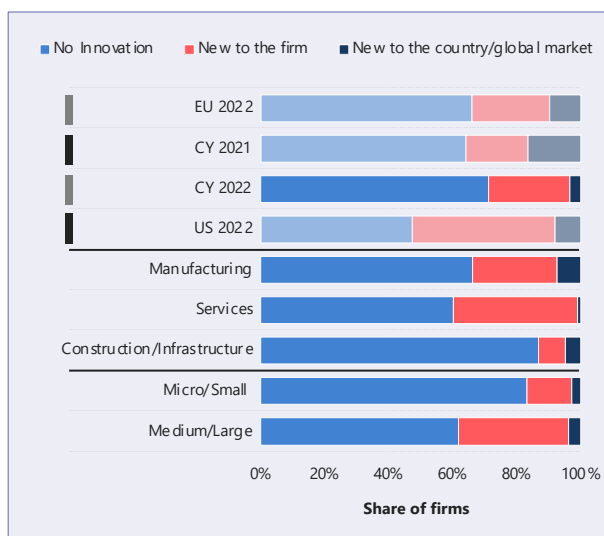
Q. As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

Base: All firms (excluding don't know/refused responses)

Innovation activities

INNOVATION ACTIVITY

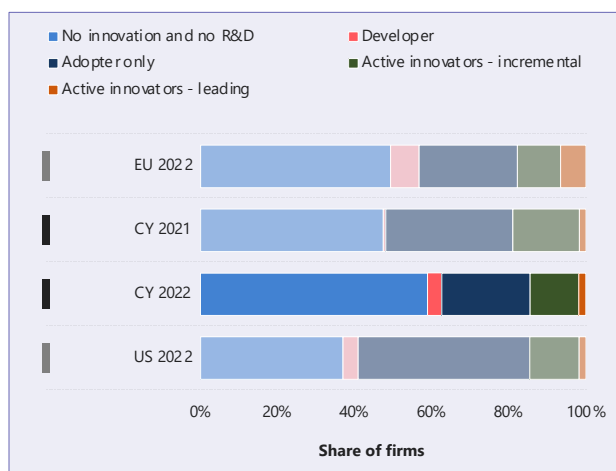
- Just under one third of firms in Cyprus (29%) developed or introduced new products, processes or services as part of their investment activities in 2021, similar to the share seen across the EU as a whole (34%).
- Just 3% of firms, however, report in EIBIS 2022 that they developed or introduced products, processes or services that were new to either the country or global market. This is lower than the 16% reported in EIBIS 2021.
- Medium and large firms (38%) are particularly likely to have engaged in innovation activities, as are firms in the services (40%) and manufacturing sectors (34%).



- Q. What proportion of total investment was for developing or introducing new products, processes, services?
Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Base: All firms (excluding don't know/refused responses)

INNOVATION PROFILE



- Q. What proportion of total investment was for developing or introducing new products, processes, services?
Q. Were the products, processes or services new to the company, new to the country, new to the global market?
Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

Base: All firms (excluding don't know/refused responses)

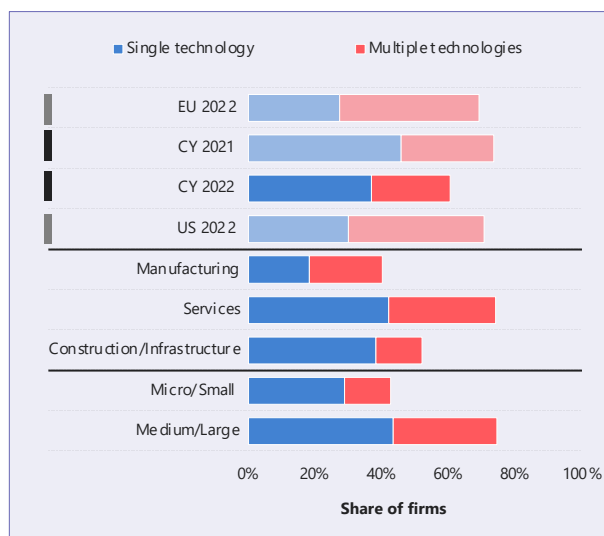
- Only 15% of Cypriot firms can be classified as active innovators – that is, firms that invested significantly in research and development and introduced a new product, process or service. This is slightly lower than level seen in EIBIS 2021 (19%) but roughly in line with the share of firms across the EU as a whole (18%).
- Among active innovators more Cypriot firms are incremental innovators (13%) than leading innovators (2%).

The 'No innovation and no R&D' group comprises firms that did not introduce any new products, processes or services in the last financial year. The 'Adopter only' introduced new products, processes or services but without undertaking any of their own research and development effort. 'Developers' are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. 'Incremental' and 'Leading innovators' have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are 'new to the firm'; for leading innovators these are new to the country/world'.

Innovation activities

USE OF ADVANCED DIGITAL TECHNOLOGIES

- Overall, 60% of firms in Cyprus used at least one advanced digital technology, roughly in line with the EU average (69%). Firms in the EU were, however, more likely to have adopted multiple technologies (42%) compared with firms in Cyprus alone (24%).
- Adoption of advanced digital technology was more common in the services sector (74%) and among medium and large businesses (75%).
- Firms in Cyprus are less likely than the EU average to have adopted 3D printing, virtual reality, robotics or drones.



EIBIS 2022

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

EIBIS 2021

Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Base: All firms (excluding don't know/refused responses)

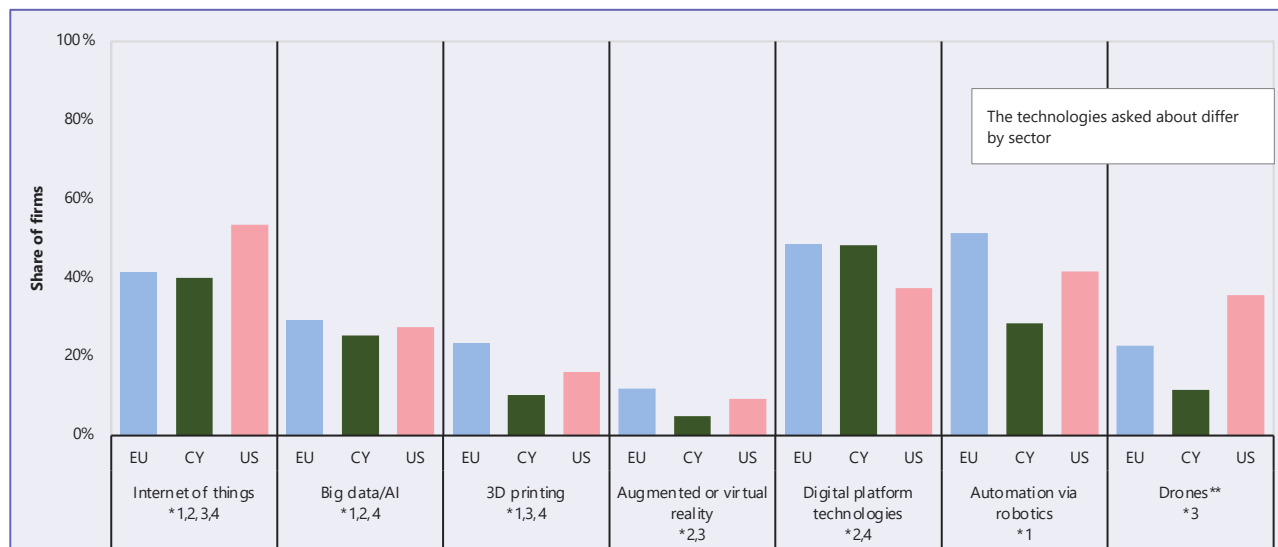
Please note: question wording and definitions changed between 2021 and 2022, comparisons between the two waves should not be made.

Reported shares combine used the technology 'in parts of business' and 'entire business organised around it'

Single technology is where firms have used one of the technologies asked about.

Multiple technologies is where firms have used more than one of the technologies asked about

ADVANCED DIGITAL TECHNOLOGIES



* Sector: 1 = Asked of Manufacturing firms, 2 = Asked of Services firms, 3 = Asked of Construction firms, 4 = Asked of Infrastructure firms

Q. To what extent, if at all, are each of the following digital technologies used within your business? Please say if you do not use the technology within your business?

Base: All firms (excluding don't know/refused responses);

Sample size CY: Manufacturing (38); Construction (22); Services (96); Infrastructure (21).

**Caution very small base size less than 30

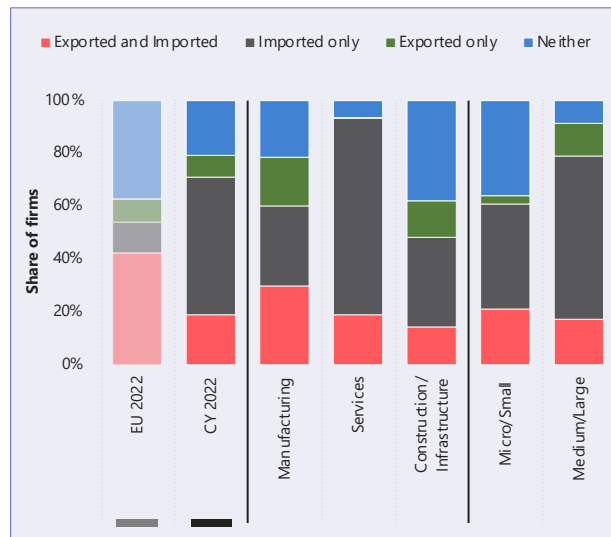
Reported shares combine used the technology 'in parts of business' and 'entire business organised around it'

Please note: question wording changed between 2021 and 2022, comparisons between the two waves should not be made.

International trade

ENGAGEMENT IN INTERNATIONAL TRADE

- Overall, almost eight in ten (79%) Cypriot firms are involved in international trade, with 52% of firms only importing goods or services and 8% only exporting.
- The share of Cypriot firms involved in international trade is higher than across the EU as a whole (79% versus 63%), this is particularly the case for the importing of goods and services.
- Medium and large firms are more commonly involved in international trade than micro/small firms (92% versus 64%).
- Firms in the services sector are most likely to be involved in importing (74%).

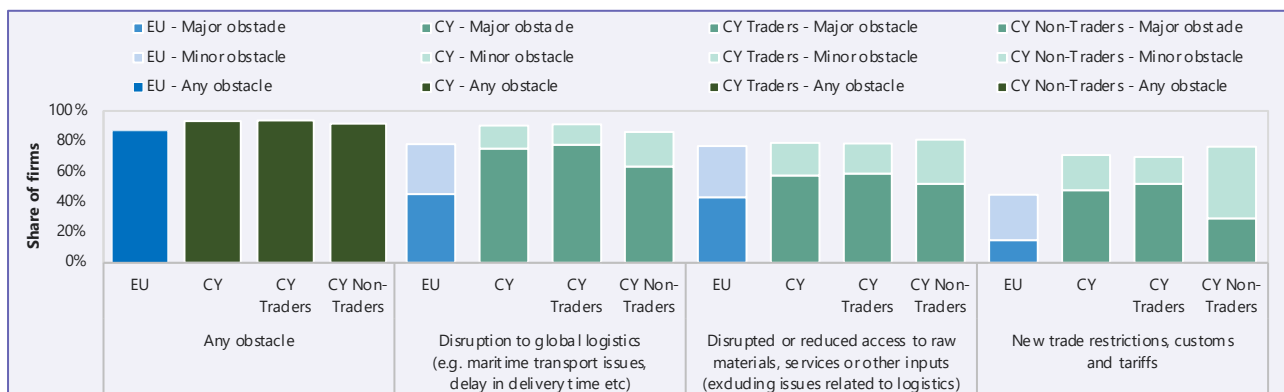


Q. In 2021, did your company export or import goods and/or services?

Base: All firms (excluding don't know/refused responses)

DISRUPTIONS RELATED TO INTERNATIONAL TRADE

- The vast majority of firms in Cyprus face disruptions due to international trade (93%).
- Disruptions to global logistics presented a major obstacle to 75% of firms in Cyprus and affected 90% of firms overall, higher than across the EU as a whole (78%).
- Firms in Cyprus are also more likely to be affected by new trade restrictions, customs and tariffs than the EU average (71% versus 45%).
- Whilst disruptions affected both traders and non-traders in Cyprus, traders are more likely to have experienced them as a major obstacle.



Any obstacle combines 'minor' and 'major' obstacles into one category

Q. Since 2021, did any of the following present an obstacle to your business's activities?

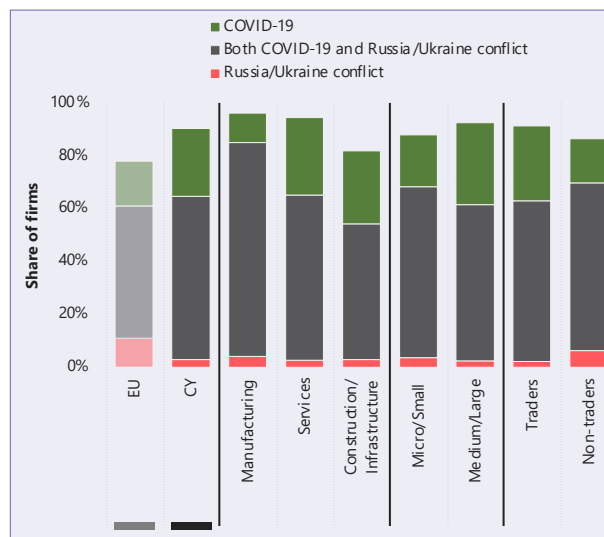
Base: "Any obstacle" - All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles)

Base: Individual obstacles - All firms (excluding those who said don't know/refused/not applicable)

International trade

EXTERNAL FACTORS IMPACTING INTERNATIONAL TRADE

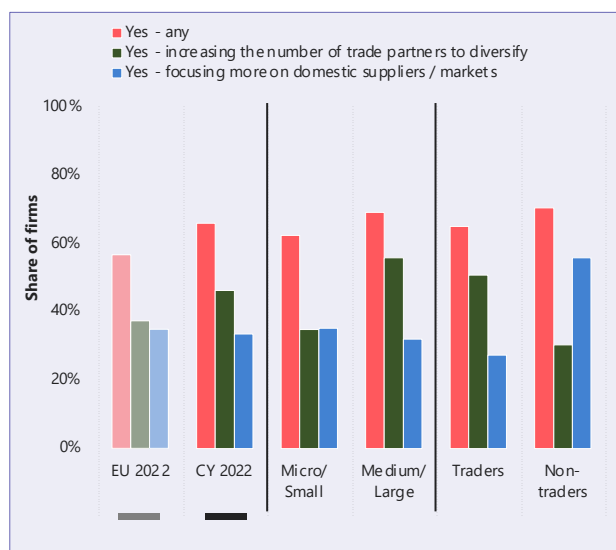
- Around 90% of firms in Cyprus state they were impacted by at least one of the external factors impacting international trade, slightly higher than the 78% seen across the EU as a whole.
- Around 62% of firms state that both the Russia-Ukraine conflict and COVID-19 contributed to the international trade obstacles faced, versus 50% of EU firms as a whole.
- Just 3% report international trade being affected by the Russia Ukraine conflict solely, whereas 26% report an impact of the COVID-19 pandemic only.



Q. You have just said that you experienced (an obstacle/obstacles) to your business activities since 2021. Did Covid-19 and/or the Russia-Ukraine conflict, including the sanctions imposed by the International community, contribute to this in anyway?

Base: All firms (excluding don't know/refused responses)

ACTIONS TO MITIGATE INTERNATIONAL TRADE DISRUPTIONS



- Overall, two-thirds of firms in Cyprus have taken actions to mitigate the impact of international trade disruptions. This is slightly higher than across the EU as a whole (66% versus 57%).
- The most common action taken in Cyprus is increasing the number of trade partners to diversify (46%). While 33% report they are focusing more on domestic suppliers and markets.
- Medium/large businesses are more likely to be increasing their number of trade partners, as are traders (56% and 51%, respectively).
- Non-traders more commonly report focusing more on domestic suppliers and markets (56%).

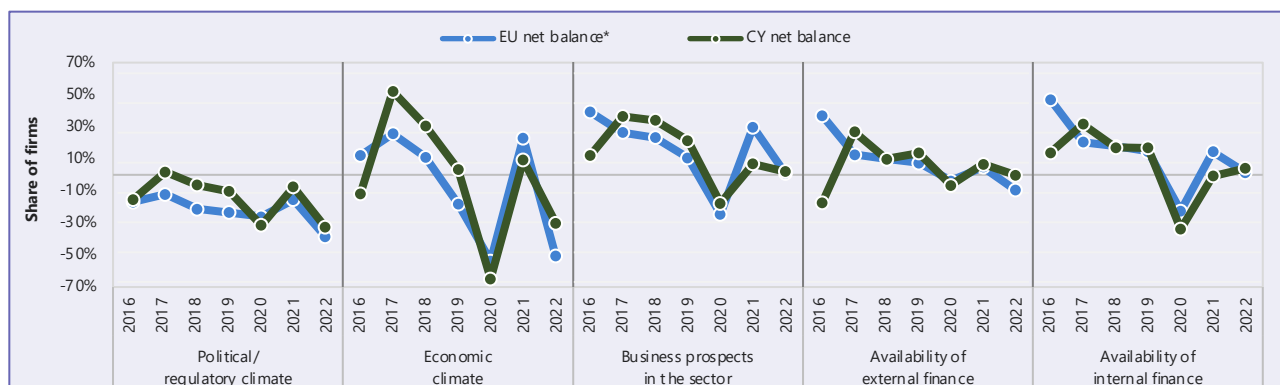
Q. Is your company taking any actions to mitigate the impact of these disruptions?

Base: All firms facing disruption (excluding don't know/refused responses)

Drivers and constraints

SHORT-TERM FIRM OUTLOOK

- In spite of the upward trend in the outlook last year, firms are again more pessimistic about the investment conditions for the next year. This is in line with the pattern seen across the EU.
- Economic climate expectations have turned negative again in net terms, declining from 12% to -30%. This is, however, more positive than the economic climate outlook across the EU as a whole (-53%).
- Expectations for the political and regulatory climate have also fallen (from -6% to -33%), however the outlook is more positive than in previous years regarding the availability of internal finance (from +1% to +6%).

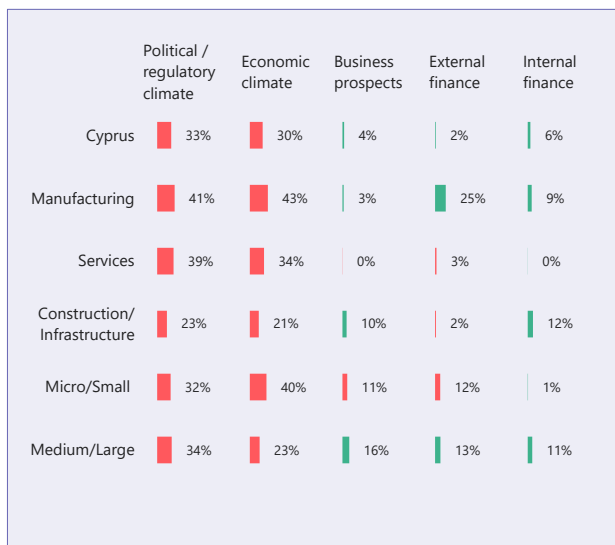


Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?

*Net balance is the share of firms seeing improvement minus the share of firms seeing a deterioration

Base: All firms

SHORT-TERM FIRM OUTLOOK BY SECTOR AND SIZE (net balance %)



Please note: green figures are positive, red figures are negative

- Firms are currently more negative than positive about the economic climate and the political/regulatory climate across all sizes and sector of business.
- When it comes to the prospects for internal finance, however, firms across the economy, on balance, expect an overall improvement.
- Prospects for external finance are more positive in the manufacturing sector than in other sectors.
- As far as size is concerned, more medium/large firms are positive about their business and external/internal financing prospects compared with micro and small firms.

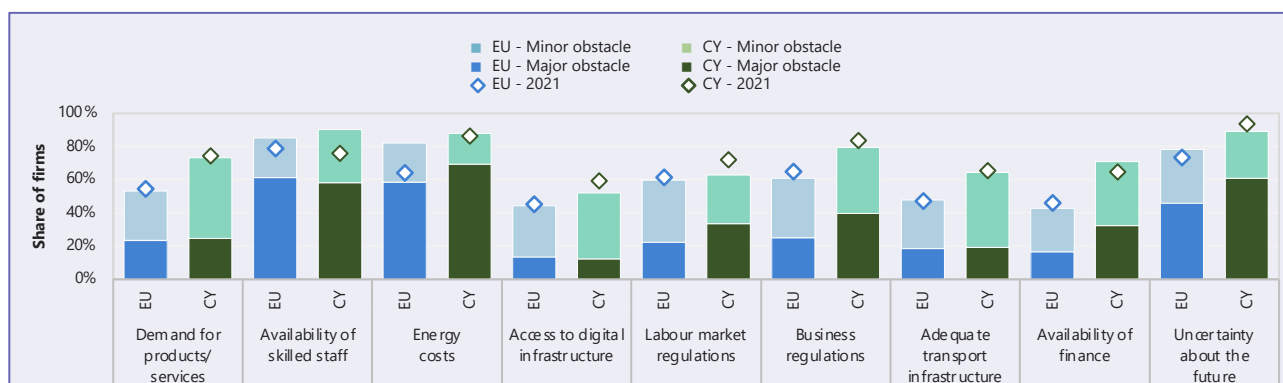
Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

Base: All firms

Drivers and constraints

LONG-TERM BARRIERS TO INVESTMENT

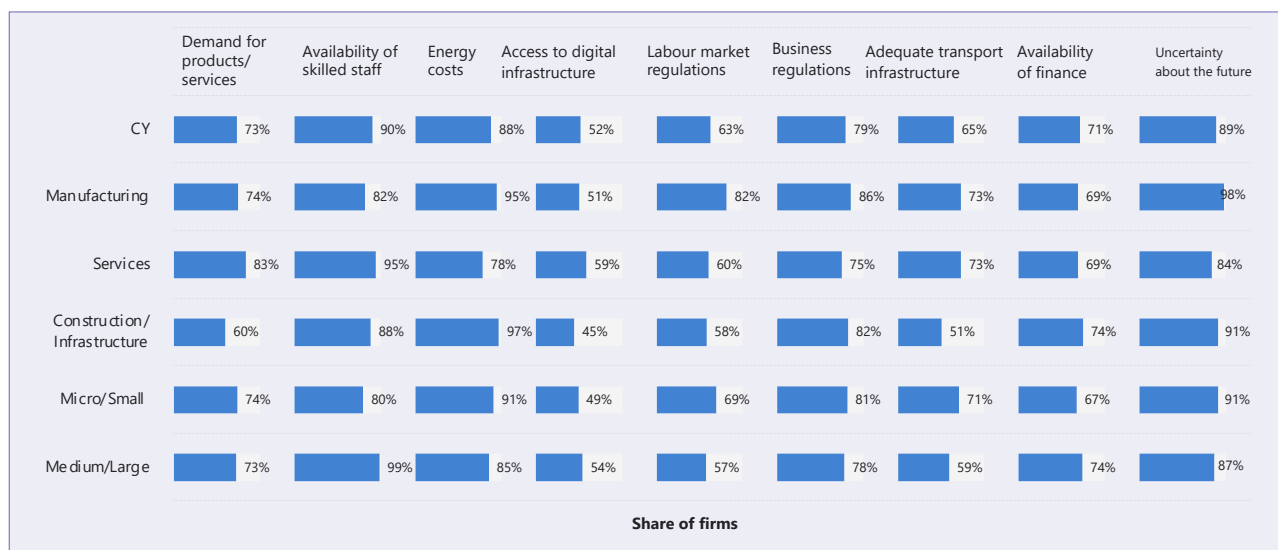
- The most frequently mentioned long-term barriers to investment in Cyprus are availability of skilled staff (90%, an increase from 76% in EIBIS 2021), uncertainty about the future (89%) and energy costs (88%).
- Compared to the EU average, a higher share of Cypriot firms report the following obstacles:
 - Uncertainty about the future (89% versus 78%);
 - Business regulations (79% versus 61%);
 - Demand for products or services (73% versus 53%);
 - Availability of finance (71% versus 43%);
 - Adequate transport infrastructure (65% versus 48%).



Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

LONG-TERM BARRIERS BY SECTOR AND SIZE



Reported shares combine 'minor' and 'major' obstacles into one category

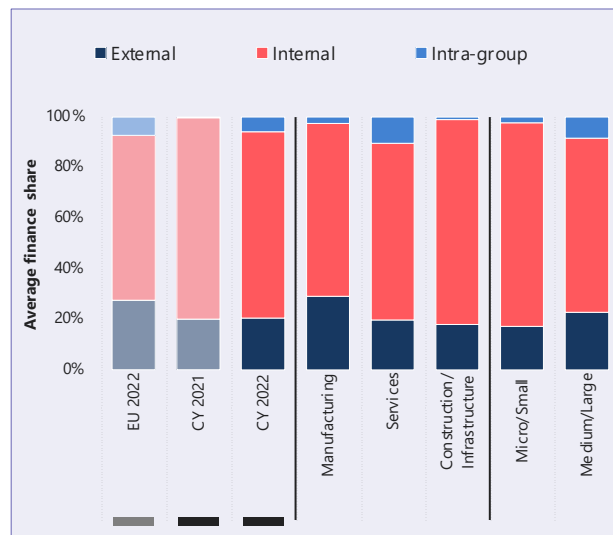
Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

Access to finance

SOURCE OF INVESTMENT FINANCE

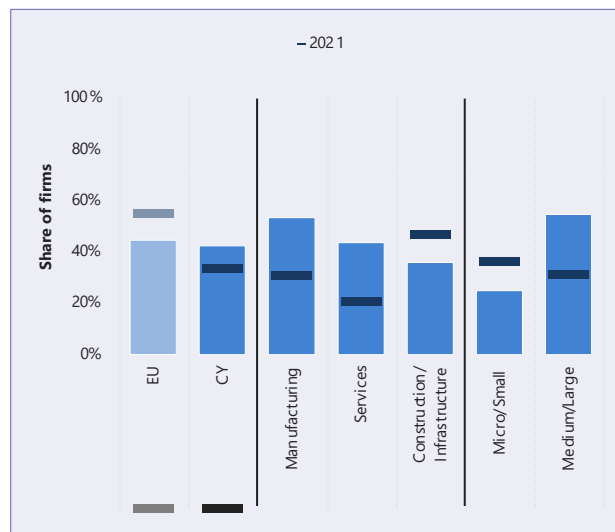
- Internal financing still accounted for the largest share of finance for EU firms in EIBIS 2022 (74%), followed by external finance (20%). The use of intra-group financing made up, on average, 6% of the overall investment in Cypriot firms.
- This was broadly in line with the pattern seen across the EU as a whole.
- Sources of finance differ across different sizes of organisation, with micro/small firms (81%) more likely to rely on internal financing, and medium/large firms more likely to benefit from intragroup funding (8%).



Q. What proportion of your investment was financed by each of the following?

Base: All firms who invested in the last financial year (excluding don't know/refused responses)

USE OF EXTERNAL FINANCE



- Around 42% of firms in Cyprus, who invested in the last financial year, had financed some of their investment through external finance. This was a higher share than in EIBIS 2021 (33%).
- The manufacturing sector had the highest share of firms who used external finance in the last financial year (53%).
- Medium/large firms are more likely to have used external finance than micro/small firms, this is in contrast to 2021 where the level was broadly the same.

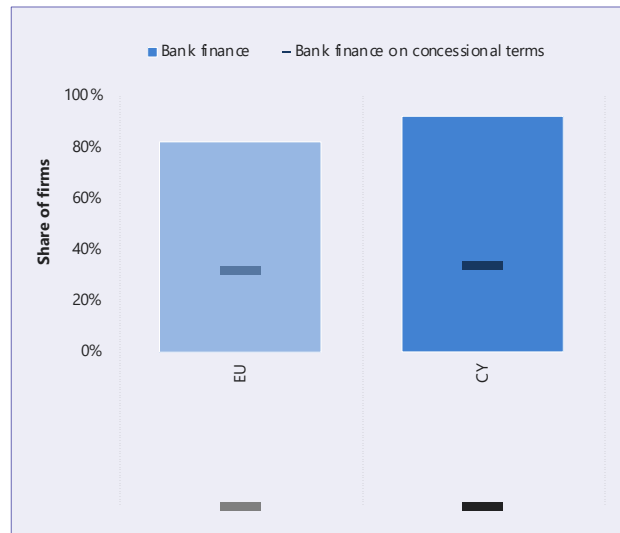
Q. Approximately what proportion of your investment in the last financial year was financed by each of the following

Base: All firms who invested in the last financial year (excluding don't know/refused responses)

Access to finance

ACCESS TO BANK FINANCE AND CONDITIONS

- The vast majority (92%) of firms who used external finance received bank finance, slightly higher than the EU average (82%).
- About 34% of Cypriot firms using external finance received bank finance on concessional terms.
- This is in line with the share of firms across the EU as a whole (32%).

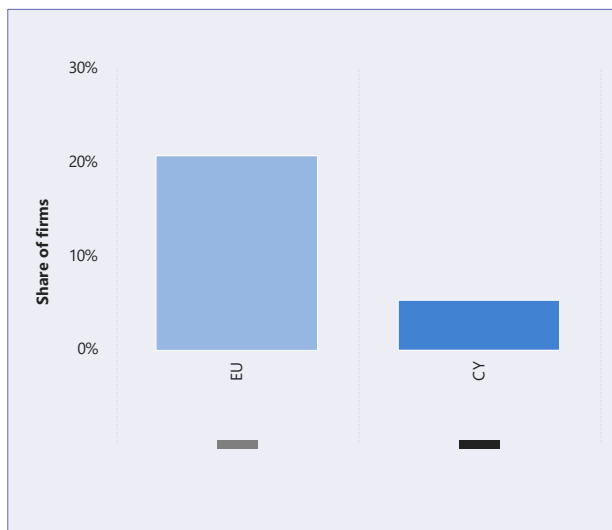


Q. Which of the following types of external finance did you use for your investment activities in the last financial year?

Q. Was any of the bank finance you received on concessional terms (e.g. subsidised interest rates, longer grace period to make debt payments)?

Base: All firms who used external finance (excluding don't know/refused responses)

SHARE OF FIRMS WITH FINANCE FROM GRANTS



- About 5% of Cypriot firms using external finance received grants. This compares to 21% across the EU as a whole.

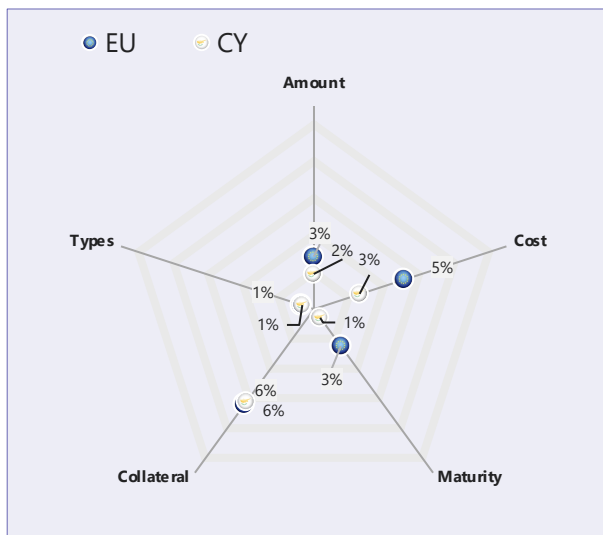
Q. What proportion of your total investment in your last financial year was financed by grants?

Base: All firms using external finance (excluding don't know/refused responses)

Access to finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED (% of firms)

- A small share of Cypriot firms that used external finance in 2021 are dissatisfied with the finance conditions received.
- Cypriot firms are most dissatisfied with the collateral requirements (6%), this is in line with views of EU firms as a whole.



Q. How satisfied or dissatisfied are you with ...?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

DISSATISFACTION BY SECTOR AND SIZE (% of firms)

	Amount	Cost	Maturity	Collateral	Type
CY	2%	3%	1%	6%	1%
Manufacturing**	0%	4%	0%	8%	0%
Services*	2%	4%	1%	6%	1%
Construction/ Infrastructure**	2%	0%	0%	5%	0%
Micro/Small	8%	11%	3%	25%	3%
Medium/Large**	0%	0%	0%	0%	0%

- Overall dissatisfaction levels are low across all sectors of the Cypriot economy.
- A higher share of micro/small firms are dissatisfied with the collateral requirements, the cost of finance, and the amount received than the total across Cyprus as a whole.

Q. How satisfied or dissatisfied are you with ...?

Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

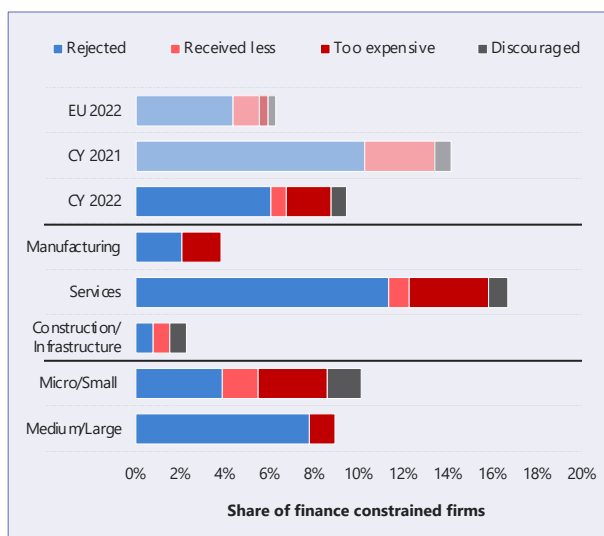
**Caution very small base size less than 30

**Caution extremely small base size less than 20

Access to finance

SHARE OF FINANCE CONSTRAINED FIRMS

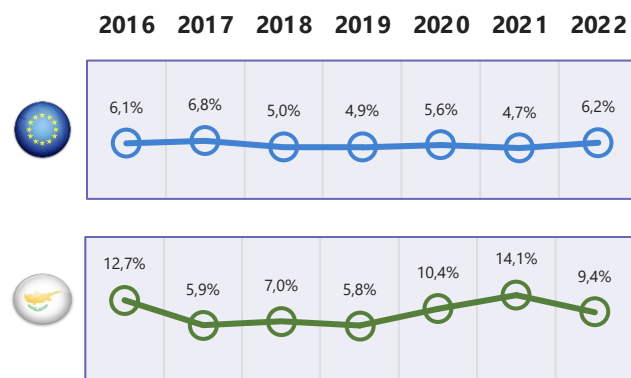
- The share of financially constrained firms in Cyprus (9.4%) is slightly higher than the levels being seen across the EU as a whole (6.2%).
- The main constraint reported by Cypriot firms is rejection (6.0%), followed by finance being too expensive (2.0%).
- Service sector firms are the most finance constrained (16.7%).
- Medium/large firms are most likely to report being rejected (8.9%).



Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

Base: All firms (excluding don't know/refused responses)

FINANCING CONSTRAINTS OVER TIME



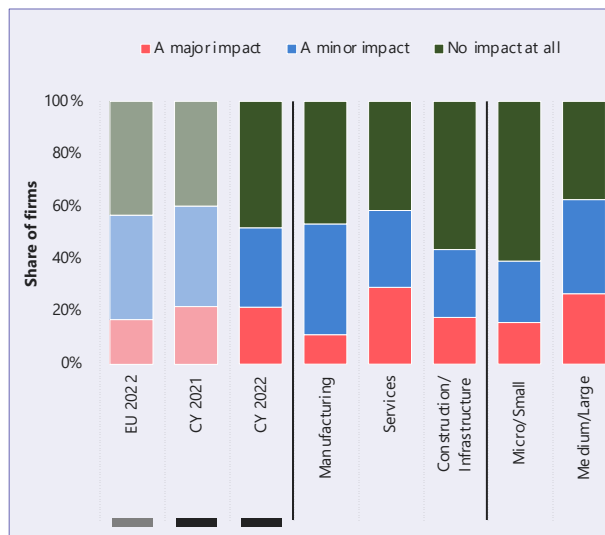
- The proportion of finance constrained firms in Cyprus has decreased slightly since EIBIS 2021, from 14.1% to 9.4%.
- This is in contrast to the trend in the EU as a whole, where there has been a slight increase in the proportion of finance constrained firms (from 4.7% to 6.2%).

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

- Around half of firms in Cyprus (52%) report that weather events are currently having an impact on their business.
- This is in line with findings across the EU as a whole (57%).
- Medium/large firms are more likely to report an impact than micro/small firms (63% versus 39%).
- Service sector firms had the highest share of firms who said that climate change was having a major impact on their business (29%).

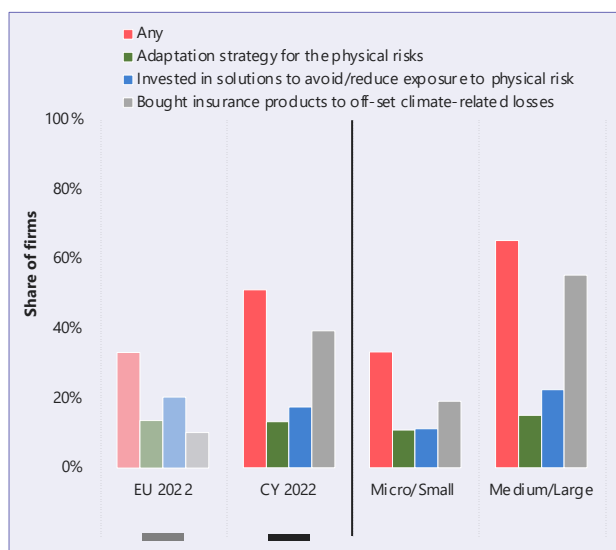


Q. Thinking about the impact of climate change on your company, such as losses due to extreme climate events, including droughts, flooding, wildfires or storms or changes in weather patterns due to progressively increasing temperature and rainfall. What is the impact, also called physical risk, of this on your company?

Please note: question wording changed between 2021 and 2022. Comparisons should be treated with caution.

Base: All firms (excluding don't know/refused responses)

BUILDING RESILIENCE TO PHYSICAL RISK



- Over half of firms in Cyprus (51%) have already developed or invested in measures for building resilience to physical risks caused by climate change. This is higher than across the EU as a whole (33%).
- Cypriot firms have mainly invested in buying insurance products to offset climate-related losses, a higher share than across the EU as a whole (39% versus 10%).
- In addition, 18% have invested in solutions to avoid or reduce exposure to physical risks, and 13% have developed an adaptation strategy for physical climate risks.

Q. Has your company developed or invested in any of the following measures to build resilience to the physical risks to your company caused by climate change?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

IMPACT OF CLIMATE CHANGE – RISKS ASSOCIATED WITH THE TRANSITION TO A NET ZERO EMISSION ECONOMY OVER THE NEXT FIVE YEARS

- In Cyprus, half of firms (50%) do not yet see the climate transition as a risk or an opportunity. This is slightly higher than in the EU as a whole (39%).
- The share of firms within Cyprus seeing the transition at a risk or an opportunity over the next five years is fairly balanced (28% versus 21%, respectively).
- Firms in the construction and infrastructure sectors are less likely to see an opportunity in the transition to a net zero economy than firms from other sectors.
- Medium/large firms are more likely to see a risk than micro/small firms.

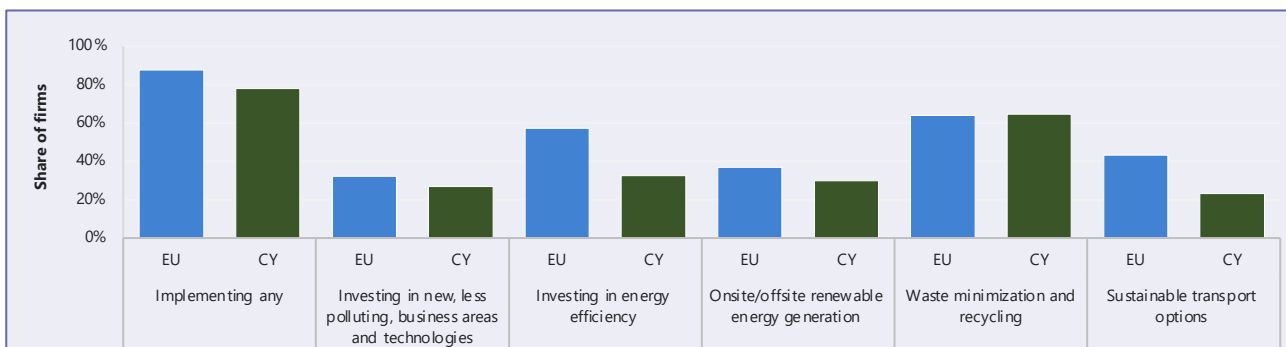


Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

Base: All firms (excluding don't know/refused responses)

ACTIONS TO REDUCE GHG EMISSIONS

- 78% of firms in Cyprus have taken actions in order to reduce Greenhouse Gas (GHG) emissions, fewer than in the EU as a whole (88%).
- The main action taken by firms in Cyprus is waste minimization and recycling (64%).
- A lower share of firms in Cyprus than the EU average have taken action regarding investing in energy efficiency (32% versus 57%) or sustainable transport options (23% versus 43%).



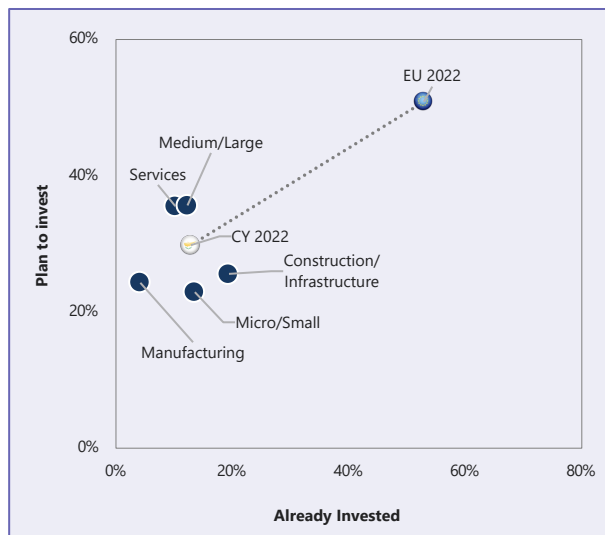
Q. Is your company investing or implementing any of the following, to reduce Greenhouse Gas (GHG) emissions?

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

- In Cyprus just 13% of firms have already invested in tackling the impacts of weather events and dealing with the process of reducing carbon emissions. This is far lower than across the EU, where 53% of firms have already made such investments.
- 30% of Cypriot firms have plans to invest in these areas in the next three years, again lower than the 51% seen across the EU.
- The construction/infrastructure sector has the highest share of firms who have already invested (19%). Conversely, service sector firms are most likely to be planning to invest over the next three years (36%).



EIBIS 2021

Q. Now thinking about investments to tackle the impacts of weather events and to deal with the process of reduction in carbon emissions, which of the following applies?

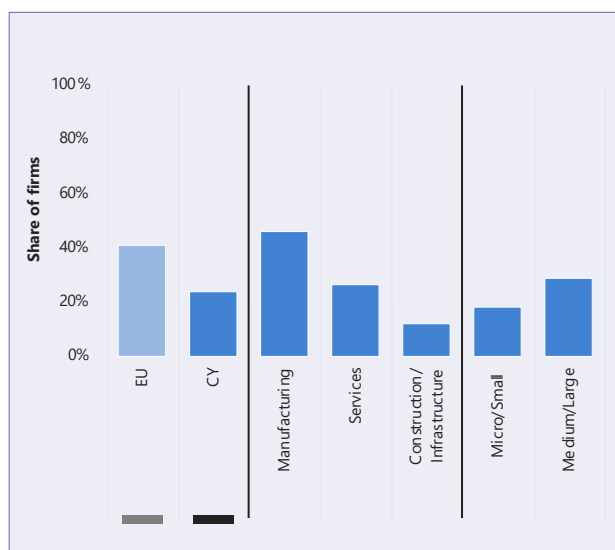
EIBIS 2022

Q. Which of the following applies to your company regarding investments to tackle the impacts of weather events and to help reduce carbon emissions?

Please note: question change and an additional answer option was included in 2022, this may have influenced the data. Treat comparison to previous waves with caution.

Base: All firms (excluding don't know/refused responses)

CLIMATE CHANGE TARGETS FOR OWN GREENHOUSE GAS EMISSIONS



- Almost a quarter of firms (24%) report that they set and monitor targets for their own Greenhouse Gas emissions, lower than the 41% seen across the EU.
- The manufacturing sector has the highest share of firms who set and monitor targets for Greenhouse Gas emissions (46%).
- Medium/large firms are more likely to set targets than micro small firms (29% versus 18%).

Q. Does your company... set and monitor targets for its own Greenhouse Gas (GHG) emissions

Base: All firms (excluding don't know/refused responses)

Climate change and energy efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

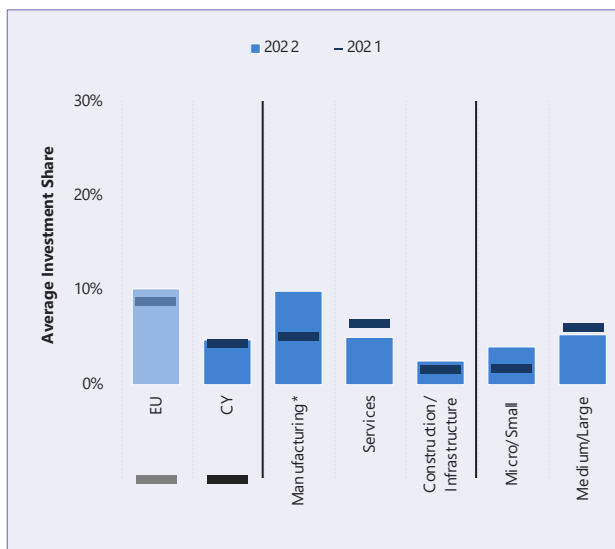
- Around one quarter (24%) of firms in Cyprus have invested in measures to improve energy efficiency in 2021. This is in line with levels seen for 2020 (in EIBIS 2021), but far lower than the EU average (40%).
- Among Cypriot firms, those in the construction/infrastructure sector were least likely to be investing in energy efficiency (11%)
- By size, medium/large firms are more likely to be investing in energy efficiency than micro/small firms.



Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms

AVERAGE SHARE OF INVESTMENT IN MEASURES TO IMPROVE ENERGY EFFICIENCY



- Overall the average share of investment in measures to improve energy efficiency within Cyprus was 5%, in line with EIBIS 2021, but lower than the EU average (10%).
- Firms in the manufacturing sector (10%) spent a higher share of their investment on energy efficiency than those in the other sectors.

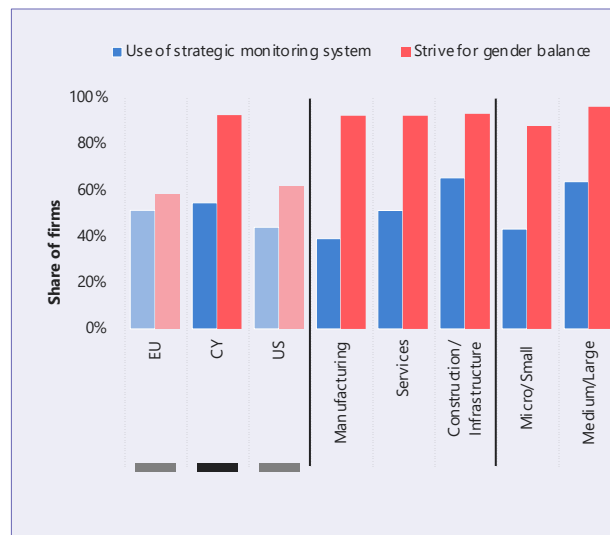
Q. What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

Base: All firms who have invested in the last financial year (excluding don't know/refused responses)
*Caution very small base size less than 30

Firm management, gender balance and employment

FIRM MANAGEMENT AND GENDER BALANCE

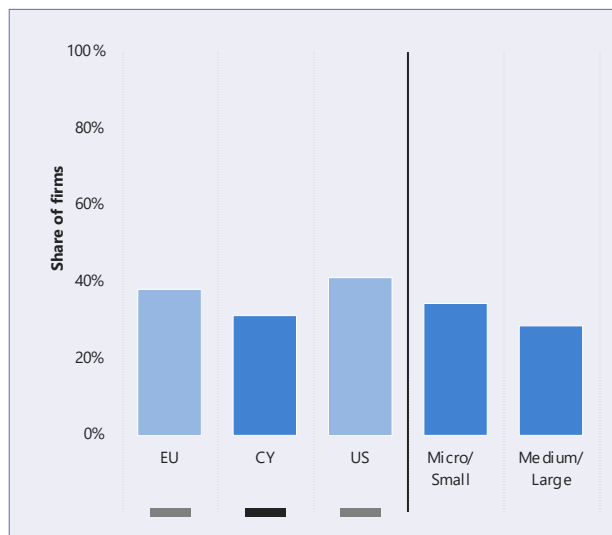
- More than half of firms in Cyprus (55%) make use of a strategic monitoring system, in line with the EU as a whole (51%).
- When it comes to striving for gender balance, a far higher proportion of firms in Cyprus do so compared with the EU as a whole (93% versus 58%).
- Among Cypriot firms, those in the construction/infrastructure sector tend to use a strategic monitoring system more than those in other sectors.
- The vast majority of Cypriot firms across all sizes and sectors of the economy report that they strive for gender balance.



Q Does your company...?

Base: All firms (excluding don't know/refused responses)

FIRMS WHO HAVE INCREASED EMPLOYEE NUMBERS SINCE 2019



- About 31% of firms in Cyprus have increased their employment since 2019.
- This is broadly in line with the EU, where about 38% of firms have done so.

Q. How many people does your company employ either full or part time at all its locations, including yourself?

Q. How many people did your company employ either full or part time at all its locations at the beginning of 2019, before the COVID-19 pandemic?

Base: All firms (excluding don't know/refused/did not exist in 2019 responses)

EIBIS 2022 – Country technical details

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

The final data are based on a sample, rather than the entire population of firms in Cyprus, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU	US	CY	Manufacturing	Services	Construction/ Infrastructure	Micro/ Small	Medium/ Large	EU vs CY: (12021 vs 181)	Manufacturing: vs Construction/ Infrastructure	Micro/Small vs Medium/Large
	(12021)	(800)	(181)	(38)	(97)	(43)	(140)	(41)	(12021 vs 181)	(38 vs 43)	(140 vs 41)
10% or 90%	1.1%	4.1%	6.3%	9.0%	10.2%	10.3%	5.2%	10.5%	6.4%	13.7%	11.7%
30% or 70%	1.7%	6.2%	9.6%	13.8%	15.5%	15.8%	7.9%	16.1%	9.7%	20.9%	17.9%
50%	1.8%	6.8%	10.5%	15.0%	17.0%	17.2%	8.6%	17.6%	10.6%	22.8%	19.5%

GLOSSARY

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Manufacturing sector	Based on the NACE classification of economic activities: firms in group C (Manufacturing).
Construction sector	Based on the NACE classification of economic activities: firms in group F (Construction).
Services sector	Based on the NACE classification of economic activities: firms in group G (wholesale and retail trade) and group I (accommodation and food Services activities).
Infrastructure sector	Based on the NACE classification of economic activities: firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
Micro/Small	Firms with between 5 and 49 employees.
Medium/Large	Firms with at least 50 employees or more employees.

Note: the EIBIS 2022 country overview refers interchangeably to 'the past/last financial year' or to '2021'. Both refer to results collected in EIBIS 2022, where the question is referring to the past financial year, with the majority of the financial year in 2021 in case the financial year is not overlapping with the calendar year 2021.

EIBIS 2022 – Country technical details

The country overview presents selected findings based on telephone interviews with 181 firms in Cyprus (carried out between April and July 2022).

BASE SIZES (*Charts with more than one base; due to limited space, only the lowest base is shown)

Base definition and page reference	EU 2022/2021	US 2022	CY 2022/2021	Manufacturing	Services	Construction/ Infrastructure	Micro/Small	Medium/Large
All firms, p. 3, p.12, p.13, p. 21 (top)	12021/11920	800	181/182	38	97	43	140	41
All firms who have invested in the last financial year (excluding don't know/refused responses), p.4 (top)	9704/9670	668	136/113	29	75	30	102	34
All firms who have invested in the last financial year (excluding don't know/refused responses), p.4 (bottom)	9501/9523	668	145/140	31	80	32	111	34
All firms (excluding 'Company didn't exist three years ago' responses), p. 5 (top)	11735/11648	778	180/173	37	97	43	139	41
All firms (excluding don't know/refused responses), p. 5 (bottom)	11814/11765	780	180/180	38	96	43	140	40
All firms (excluding don't know/refused responses), p. 6 (top)	11810/NA	795	176/NA	36	95	42	136	40
All firms (excluding don't know/refused responses), p. 6 (bottom)	11725/NA	784	175/NA	36	94	42	135	40
All firms (excluding don't know/refused responses), p. 7 (top)	11945/11857	762	179/182	38	95	43	138	41
All firms (excluding don't know/refused responses), p. 7 (bottom)	11989/11891	796	180/182	38	96	43	139	41
All firms (excluding don't know/refused responses), p. 8 (top)	11735/11648	778	180/173	37	97	43	139	41
All firms (excluding not applicable/don't know/refused responses to all 3 questions), p. 8 (bottom)	8728/8780	615	131/100	28	72	29	98	33
All firms (excluding don't know/refused responses), p. 9	11980/NA	800	180/NA	38	96	43	139	41
All firms (excluding don't know/refused responses), p. 10 (top)	11975/NA	798	179/NA	37	96	43	138	41
All firms (excluding those who said don't know/refused/not applicable responses to all three international trade obstacles) p. 10 (bottom)	11382/NA	790	179/NA	38	97	41	139	40
All firms (excluding don't know/refused responses), p. 11 (top)	9339/NA	680	168/NA	36	93	36	131	37
All firms facing trade disruptions (excluding don't know/refused responses), p. 11 (bottom)	9265/NA	707	167/NA	36	93	35	130	37
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 14	10051/8675	665	143/130	30	78	33	109	34
All firms who used external finance (excluding don't know/ refused responses), p. 15 (top)	4107/4059	275	48/46	14	24	10	32	16
All firms who used external finance (excluding don't know and refused) p. 15 (bottom)	4155/4100	280	48/46	14	24	10	32	16
All firms who used external finance in the last financial year (excluding don't know/refused responses) , p. 16	3988/3964	270	41/45	11	23	7	28	13
All firms (excluding don't know/refused responses), p. 17	11504/11518	715	173/176	37	93	40	134	39
All firms (excluding don't know/refused responses), p. 18 (top)	11911/11849	790	180/181	38	96	43	140	40
All firms (excluding don't know/refused responses), p. 18 (bottom)	11909/NA	784	180/NA	38	96	43	139	41
All firms (excluding don't know/refused responses), p. 19 (top)	11172/11384	759	169/164	36	90	40	131	38
All firms (excluding don't know/refused responses), p. 19 (bottom)	11964/NA	794	179/NA	38	95	43	138	41
All firms (excluding don't know/refused responses), p. 20 (top)	11685/NA	763	174/NA	36	93	42	135	39
All firms (excluding don't know/refused responses), p. 20 (bottom)	11712/NA	783	178/NA	36	96	43	138	40
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 21 (bottom)*	9752/9617	677	141/141	28	77	34	107	34
All firms (excluding don't know/refused responses) p. 22 (top)	11696/11616	785	179/180	38	95	43	139	40
All firms (excluding don't know/refused/did not exist in 2019 responses) p. 22 (bottom)	11662/11718	783	178/177	38	96	41	137	41






European
Investment Bank

Economics Department
economics@eib.org
www.eib.org/economics

Information Desk
+352 4379-22000
info@eib.org

European Investment Bank
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
+352 4379-1
www.eib.org

-  twitter.com/EIB
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Cyprus

Overview

EIB INVESTMENT SURVEY

2022