

## Key messages:

- GDP growth revised upwards, 4,2% for 2017 (projected 4.0% for 2018)
- Increase of public debt by 2.35 bil. euros (12.5% of GDP) to 110% of GDP in order to inject liquidity to state controlled Cyprus Cooperative Bank. To fall to 104.2% by the end of 2018.
- Primary surpluses projected to be over 5.0% of GDP with available cash buffers expected to reduce public debt to below 100% of GDP by the end of 2019.

## Macroeconomic outlook

The economy of Cyprus expanded by 4.2% in real terms in 2017 and GDP reached the pre-crisis levels. For 2018-2019 it is expected to expand further by 4.0% and 3.9% respectively. The positive outlook is primarily driven by consumption and the increased activity in the construction, services and tourism sectors. Employment is expected to increase by 3.8% and unemployment to fall to 8.5% in 2018 from over 16% during the crisis. Inflation is expected to remain close to 1%.

## Short-term fiscal outlook

The favourable macroeconomic environment has contributed to the over performance of the fiscal targets and the compliance with the national and the European fiscal frameworks. Primary balance expected to be close to 5% of GDP in 2018 on stronger than expected revenue.

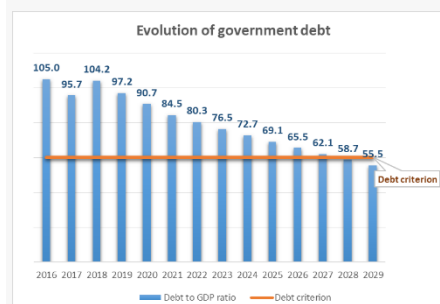
## Fiscal framework and national fiscal rules

The MTO has been set at 0% and no deviation is expected over the short to medium term. Debt is expected to decline at a higher than required rate on strong government revenue and GDP growth rates.

Chart 1: Labour market development



Chart 2: Evaluation of government debt



## Key indicator forecast

		2017	2018 f	2019 f	2020 f	2021 f
Real GDP growth rate	[% y-to-y]	4.2	4.0	3.8	3.4	3.0
Output gap	[%]	0.5	1.9	2.7	3.2	3.7
GG Structural balance	[% of GDP]	4.3	1.9	1.7	1.2	0.9
GG balance	[% of GDP]	1.5	2.9	3.1	2.9	2.8
GG debt	[% of GDP]	96.1	104.2	97.2	90.8	84.6
GG revenue	[% of GDP]	39.4	39.7	39.4	38.9	38.5
GG expenditure	[% of GDP]	37.9	36.9	36.3	36.0	35.7

Source: Draft budgetary plan 2019