

# EY Attractiveness Survey: Cyprus 2020



## Executive Summary

FDI is of paramount importance for the development of any economy, even more so for a relatively small economy with limited natural resources and capital, like that of Cyprus. Especially during the current recession brought about by the COVID-19 pandemic, FDI may spark economic recovery and help transform the Cypriot economy.

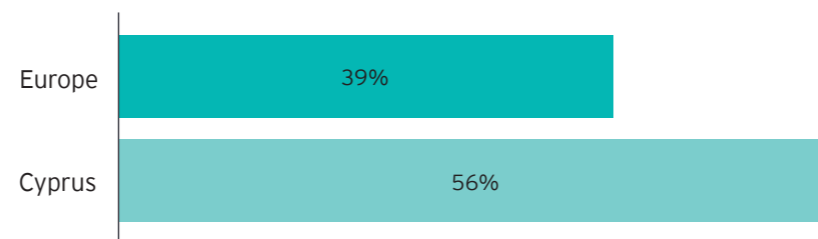
Cyprus has experienced healthy FDI inflows prior the pandemic, with FDI neared 29% of Cyprus's GDP in 2019 as FDI inflows amounted to €6 billion, almost doubling from 2018 as a result of the improvement in the country's macroeconomic outlook.

Drilling down to the first Cyprus's Attractiveness Survey, one of the most striking findings is the persistent differentiation in the responses between established and non-established companies; with the former having a significantly more positive view of Cyprus as an investment destination. By contrast, companies with no prior activities locally were more negative about their views of Cyprus. A possible explanation is that established investors are de facto more aware of the local environment and its conduciveness to FDI.

Nonetheless, when participants in general were asked to assess whether their perception of Cyprus as a location where their company might establish or develop activities, has changed over the past year; close to one in four respondents indicated that they feel the situation has improved, compared to 10% who stated that it has deteriorated. The results are stronger among companies already established in Cyprus, reporting an improvement perception of 42%.

Investors' perceptions are considerably more positive when it comes to assessing the future prospects for Cyprus' attractiveness over the next three years, when the COVID-19 pandemic is expected to pass. More than half of the overall sample believe the country's attractiveness will improve during this period, with 29% feeling that it will improve significantly.

→ Percentage of those expecting attractiveness to improve over the next three years



## Introduction

We are proud to present the first Attractiveness Survey for Cyprus, which is part of EY's broader Foreign direct investment (FDI) Attractiveness program. In challenging times like these, the importance of FDI for local economies becomes even higher and governments are seeking ways to attract and facilitate such investments.

In this context, our survey seeks to explore what drives businesses to invest in particular countries, how investors perceive Cyprus's comparative strengths and weaknesses as an investment destination and what governments can do to influence their decisions. The survey also examines how the pandemic may influence investors' priorities and what new trends it has set in motion.

We intend to repeat this survey at regular intervals in the coming years, to monitor changes in perceptions and identify policy changes and areas of improvement, to keep pace with the rapidly evolving business environment.

One thing that emerges clearly from EY's Attractiveness Survey for Europe, is that investment decisions in the coming years will be driven by a number of mega-trends set in motion by the pandemic. These include a move to reshore and nearshore supply chains, an acceleration of technology adoption and a renewed focus on sustainability. These could create substantial opportunities for Cyprus to attract Foreign Direct Investment, provided we decipher investors' messages correctly, build on our strengths and think creatively.

Against a background of global economic pessimism, our survey paints an overall positive picture about Cyprus's attractiveness. If we build on our strengths, act decisively to deal with the obstacles identified by investors and adapt swiftly to the new normal, the investment climate can only improve.

Based on the results from the Attractiveness Survey, EY has come up with a series of recommendations, which we hope will spark a constructive debate on the changes we need to implement to improve the country's attractiveness.



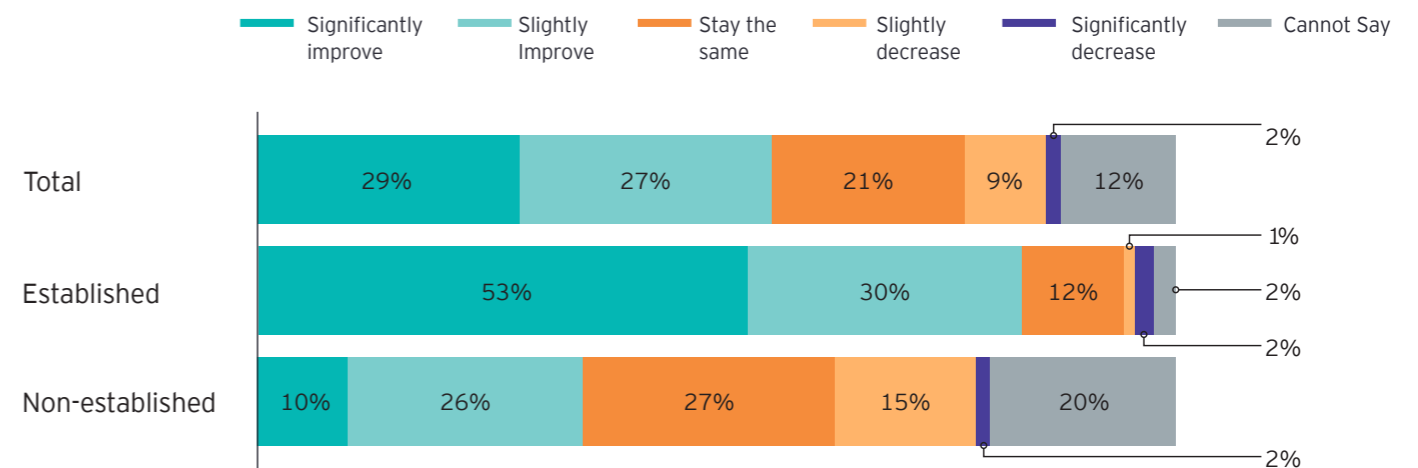
**David Barker**  
Country Managing Partner,  
EY Cyprus, CESA Corporate  
Finance Leader for Strategy  
and Transaction Services



**Stelios Demetriou**  
Partner and Head of Strategy  
and Transactions Services,  
EY Cyprus

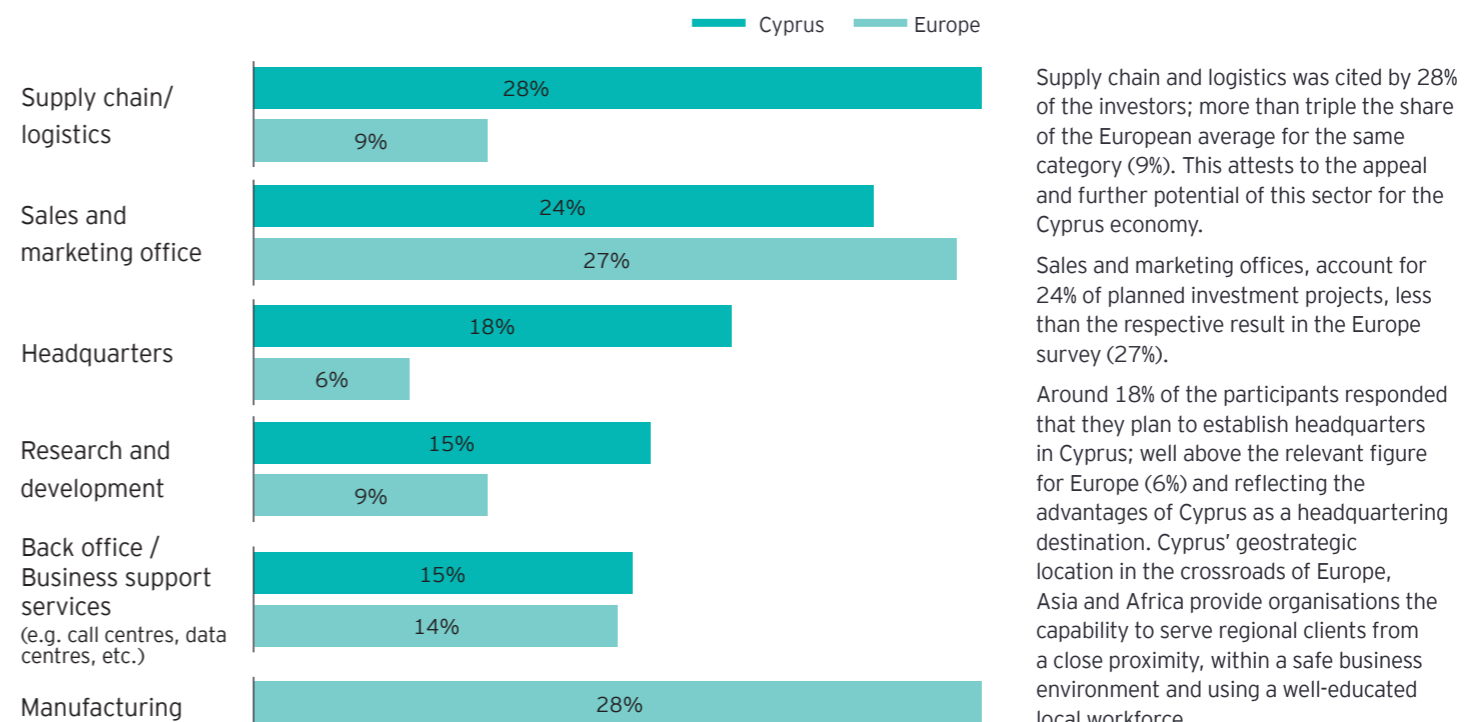
Investors in general feel that Cyprus's attractiveness has not changed dramatically over the past year but remain relatively optimistic about the future.

→ How in your opinion will Cyprus's attractiveness evolve over the next three years/ after the COVID-19 pandemic has passed?



When asked what type of investment activities they are considering for Cyprus, participants presented a rather balanced portfolio, though quite different from other surveyed countries.

→ Type of investment project



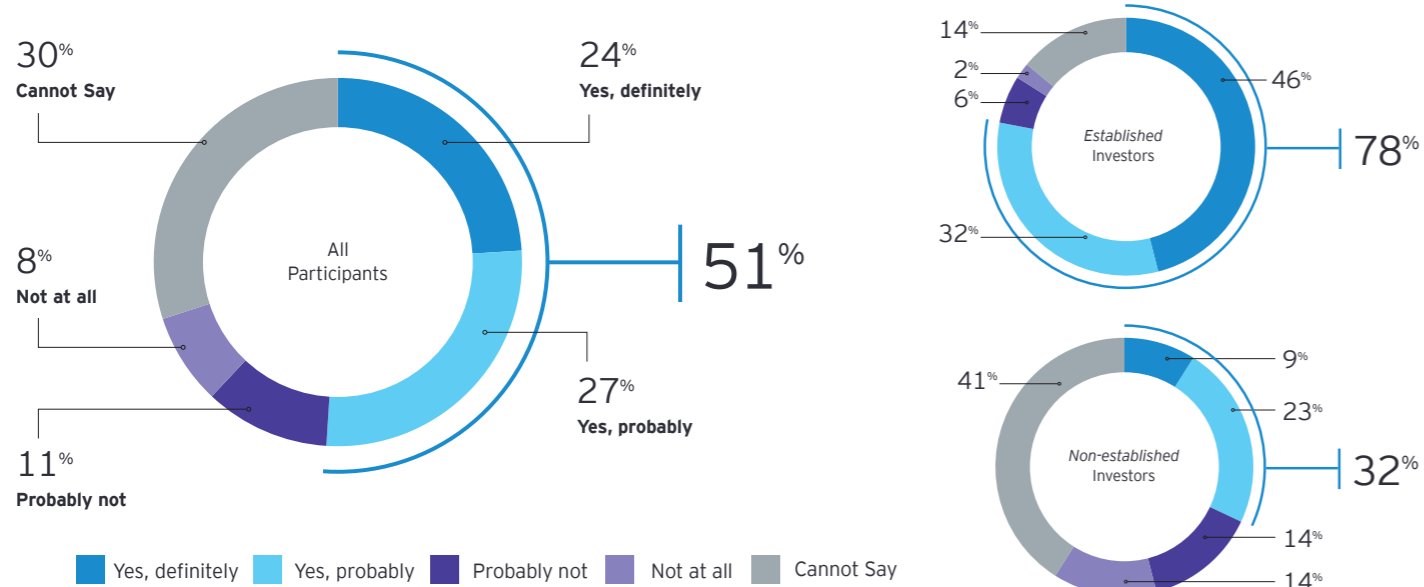
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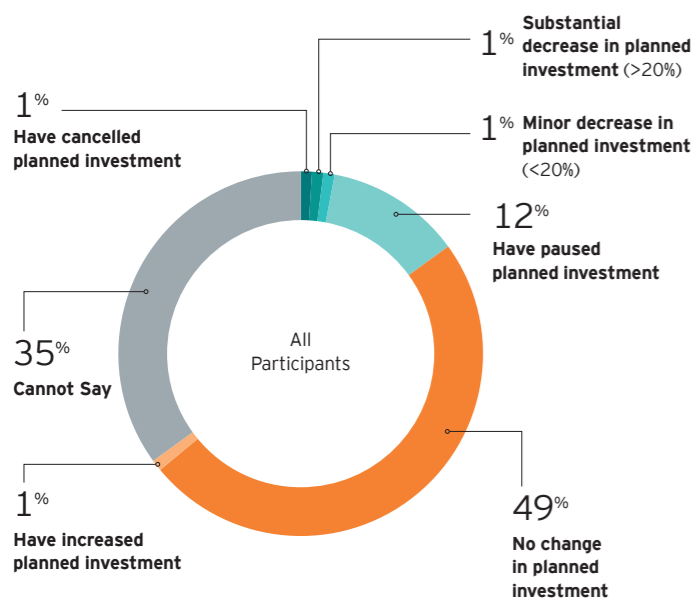
### A country attractiveness policy that appears effective to familiar investors.

Participants were also asked whether they consider that Cyprus currently implements an attractiveness policy that appeals to international investors. About half gave a positive reply, while 19% responded negatively. Once again, established players were overwhelmingly positive (78%) while non-established were much less enthusiastic (32%). From the respondents 30% expressed no view on the matter; the great majority of which again related to non-established companies, reinforcing the lack of awareness conclusion.

→ Percentage of those who think that Cyprus currently implements an attractiveness policy that appeals to international investors

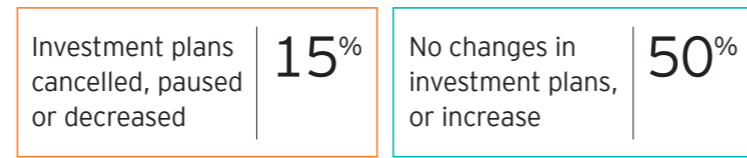


→ Percentage of those who have changed their plans for investment in Cyprus as a result of the COVID-19 pandemic



### Investors appear largely undeterred by COVID-19.

Participants were asked to report whether they had changed their plans for investment in Cyprus as a result of the COVID-19 pandemic.



The pandemic seems to not have impacted investor's plans for Cyprus to a dramatic extent. Almost half of the total replied that they had made no changes in their planned investments, while 12% said they have paused their plans. A small minority said they had either cancelled/downscaled/increased planned investments, while 35% of the participants were not in a position to respond (possibly due to the COVID-19 uncertainty).

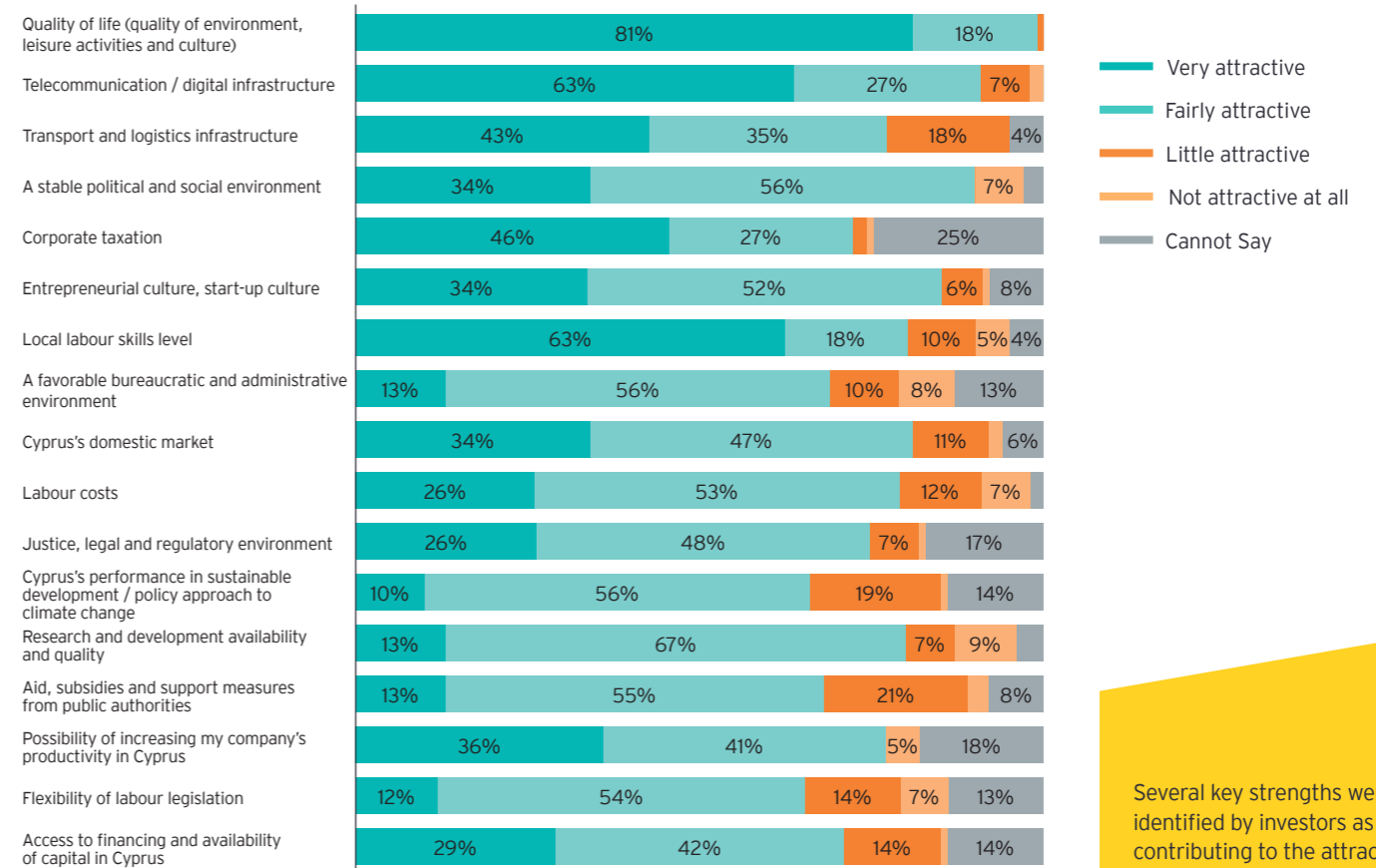
### In assessing the Cyprus's strengths and weaknesses in terms of investment attractiveness...

Investors' answers highlight the country's key strengths as an investment destination and areas to further develop in order to improve attractiveness.

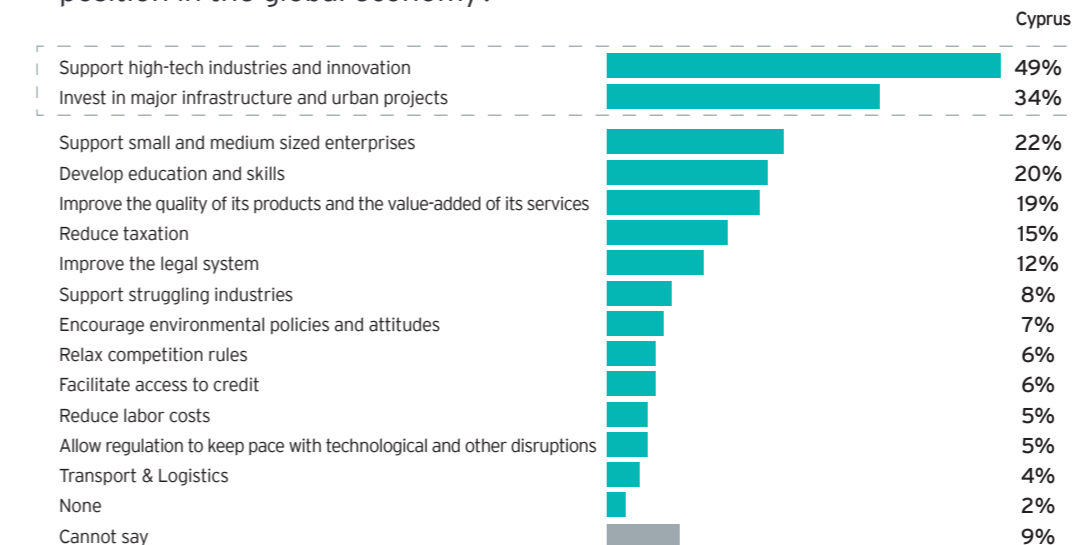
For this question we drill down to the results of the more educated established investors category, in order to facilitate the analysis and drawing of conclusions.

→ How do you rank Cyprus's attractiveness with regard to each of the below criteria?

#### Answers from established investors.



→ Which areas should Cyprus concentrate on, to maintain its competitive position in the global economy?



Several key strengths were identified by investors as contributing to the attractiveness of Cyprus as an investment destination. At the same time, however, respondents drew attention to several areas where there is considerable scope for further improvement.

Detailed information and analysis of the findings of the first EY Attractiveness Survey for Cyprus, as well as the respective conclusions and recommendations, can be found in the full report.