

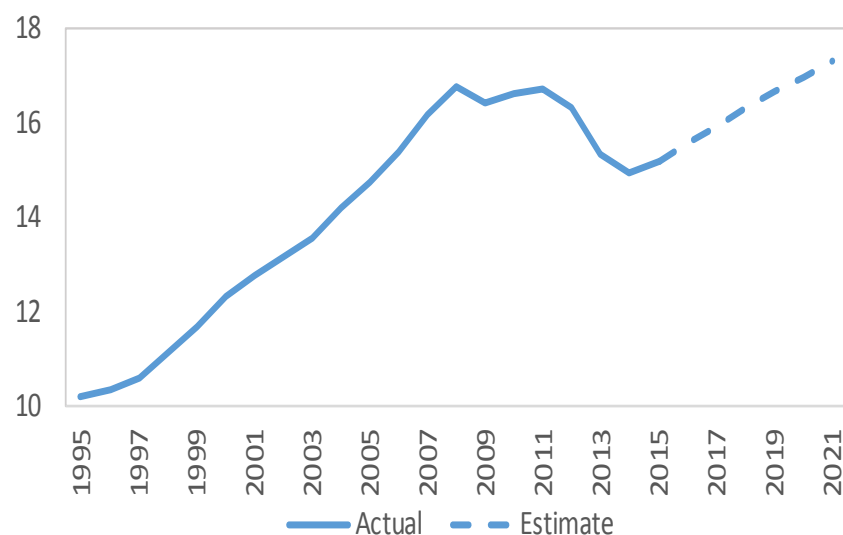
Cyprus – Showing Signs of Growth? Implementing Reforms



Vincenzo Guzzo
Resident Representative in Cyprus

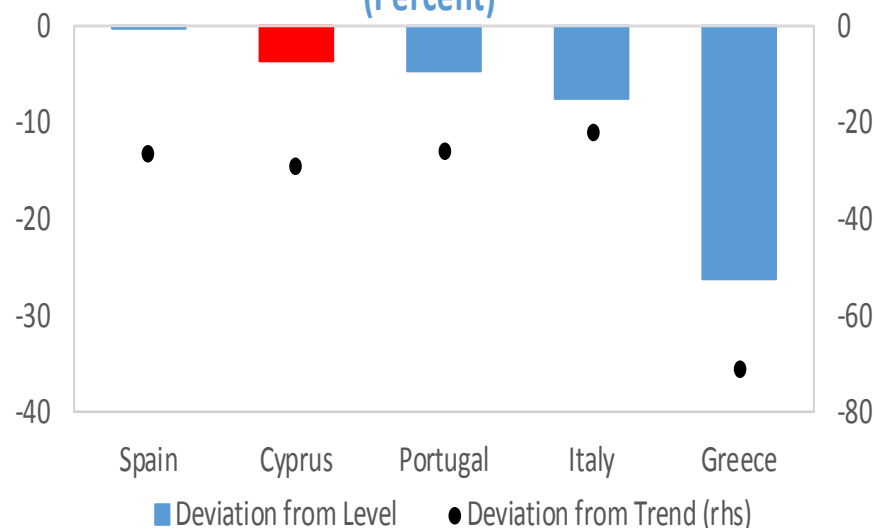
Growth momentum is significant

Cyprus: GDP (€ billion)



Source: CySTAT, IMF staff estimates

Deviation from Pre-Crisis Level and Trend (Percent)

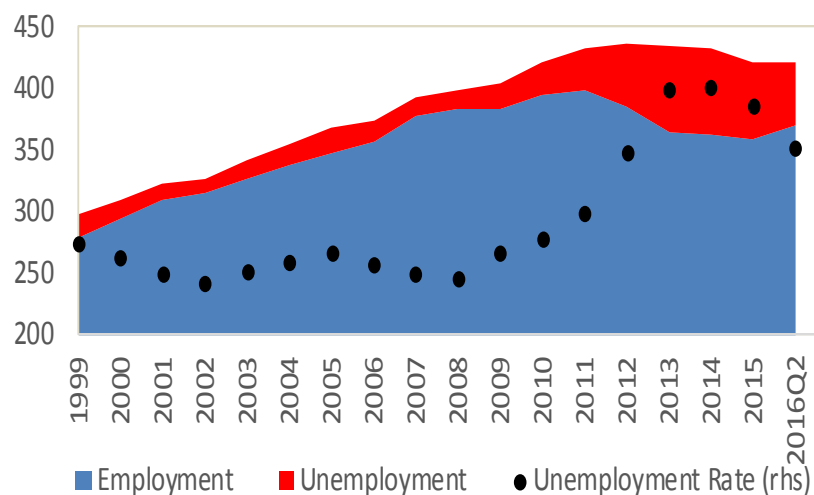


Source: IMF staff estimates

Note: data are percentage differences of IMF World Economic Outlook estimates for 2016 from pre-crisis levels and trends. Levels are 2007 data. Trends are linear regression trends fitted using data for 1996-2005.

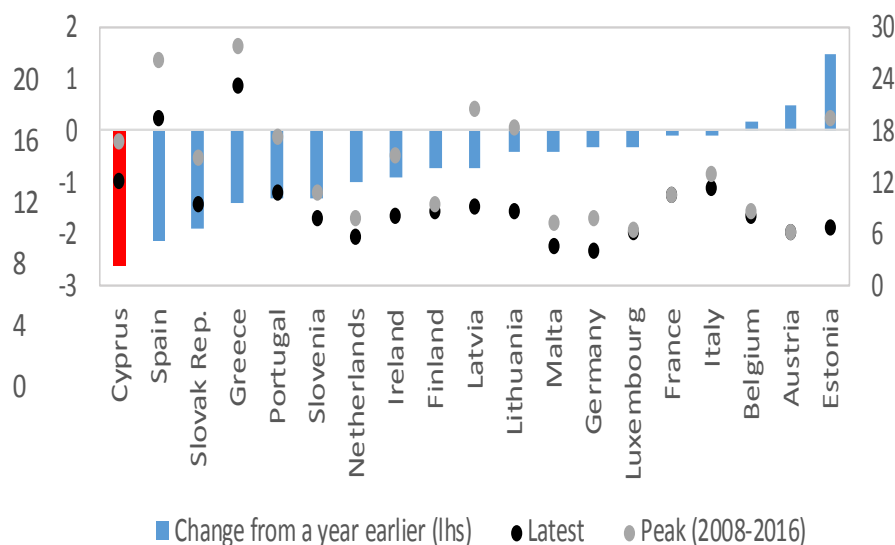
Jobs are being created

Cyprus: Labor Force (thousands) and Unemployment Rate (Percent of Labor Force)



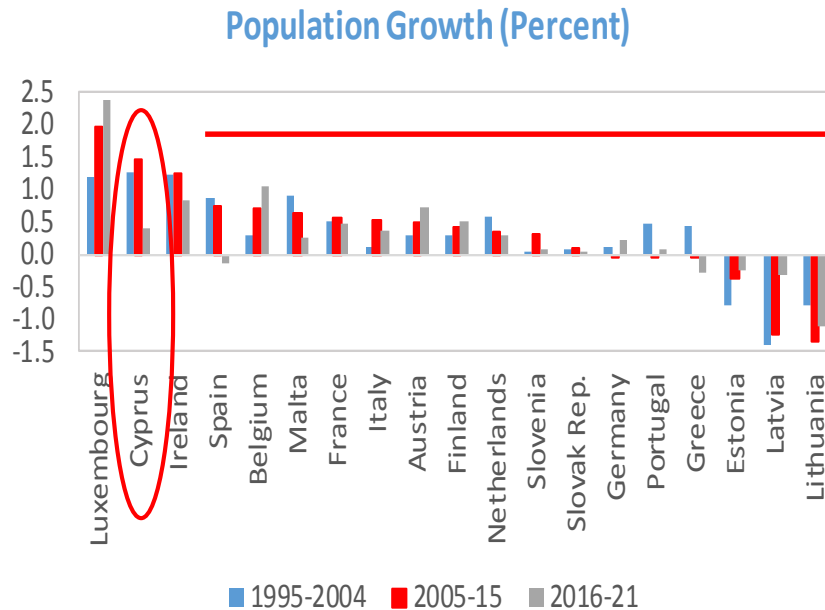
Source: CySTAT

Unemployment Rate (Percent of Labor Force)

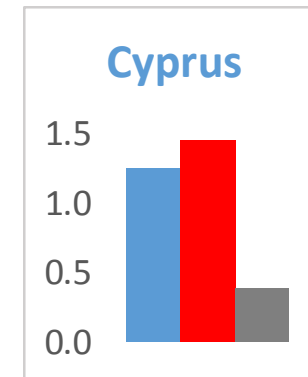


Source: Eurostat, IMF staff estimates

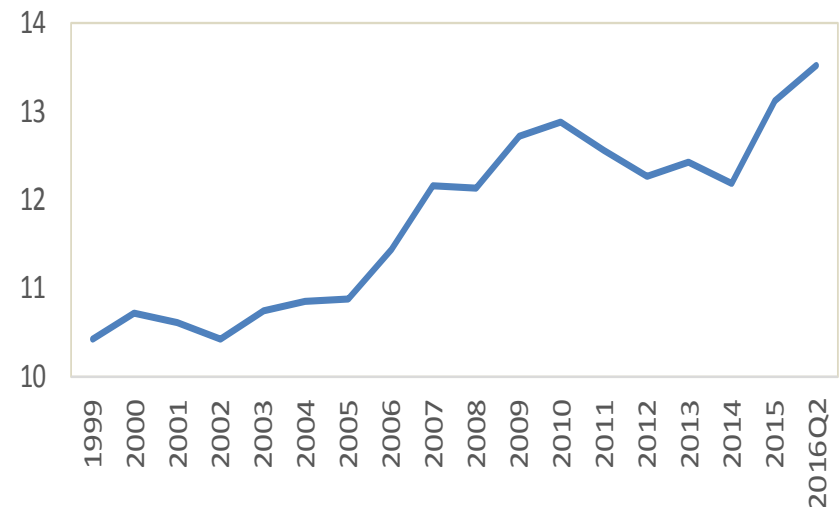
Demographics are not favorable



Source: IMF staff estimates



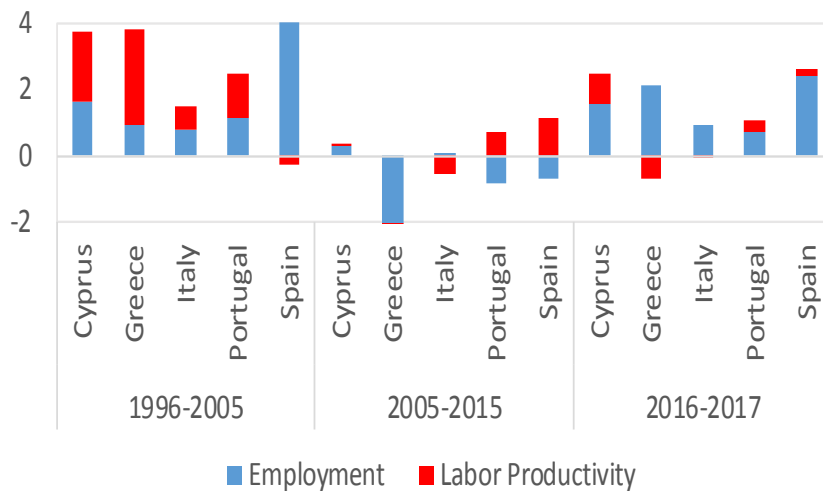
Cyprus: Share of Workers Aged 55-64
(Percent of Labor Force)



Source: CySTAT

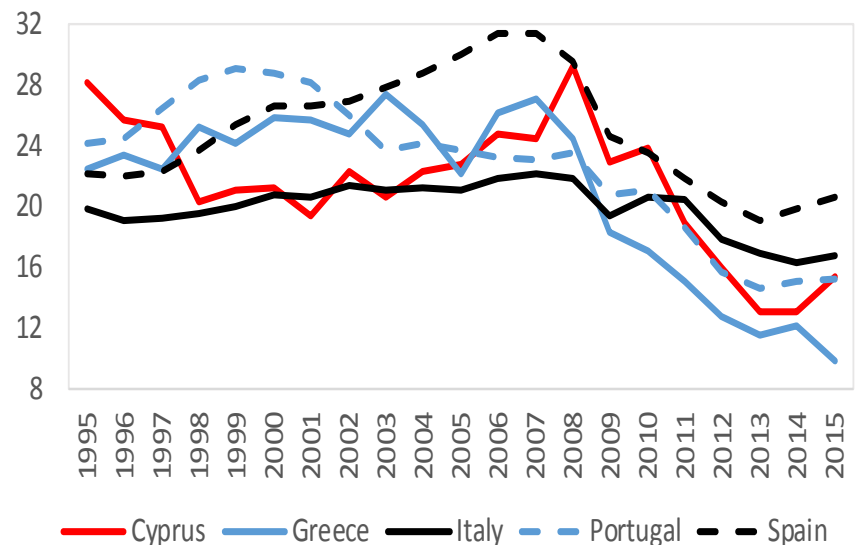
Productivity is weak

Employment and Labor Productivity
(Percent Change)



Source: IMF staff estimates

Total Investment (Percent of GDP)



Source: IMF staff estimates

Policy priorities for Cyprus

- i. Repair bank balance sheets addressing NPLs and strengthening operational efficiency to support new lending
- ii. Commit to credible medium-term fiscal consolidation to generate space for productive public investment
- iii. Eliminate product and labor market distortions to ensure efficient allocation of factors of production
- iv. Promote policies that encourage investment in R&D and foster innovation to sustain long-term potential growth

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Thank you