

European Department

Rebalancing – Repositioning the Cypriot Financial Services Sector

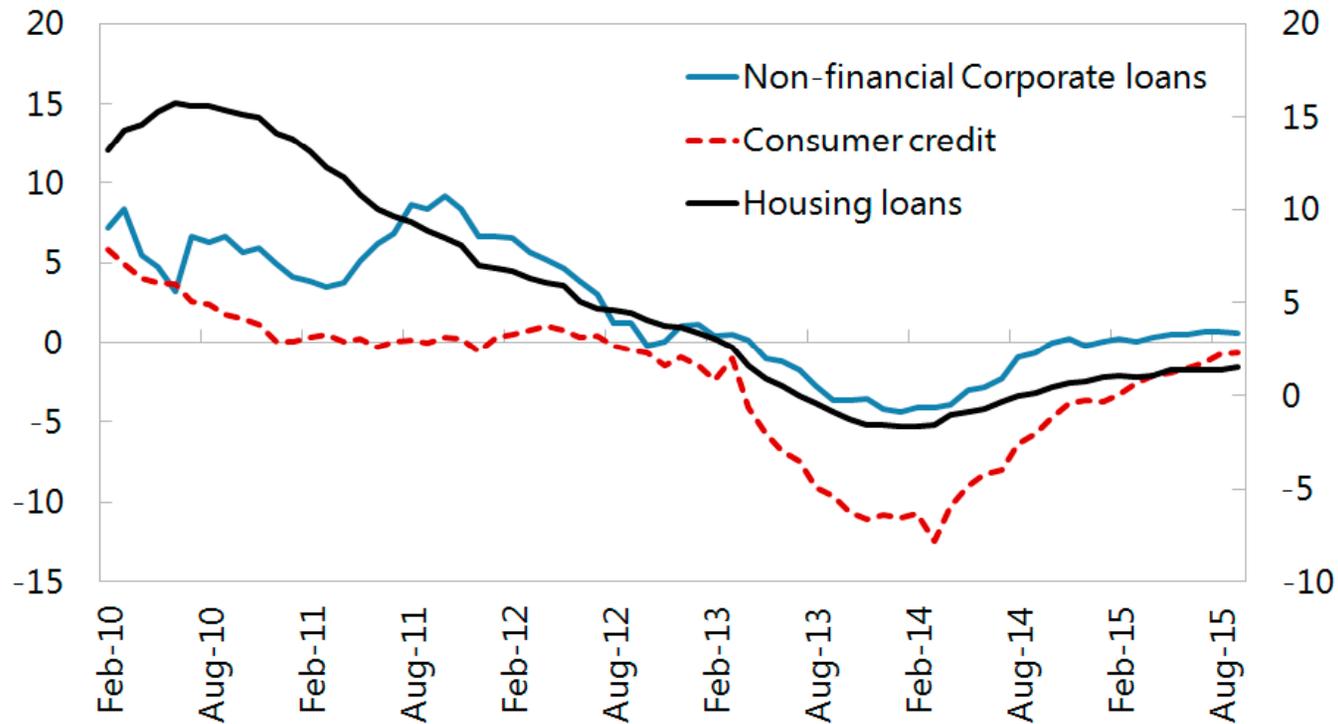


Vincenzo Guzzo
Resident Representative in Cyprus

Credit conditions have started stabilizing

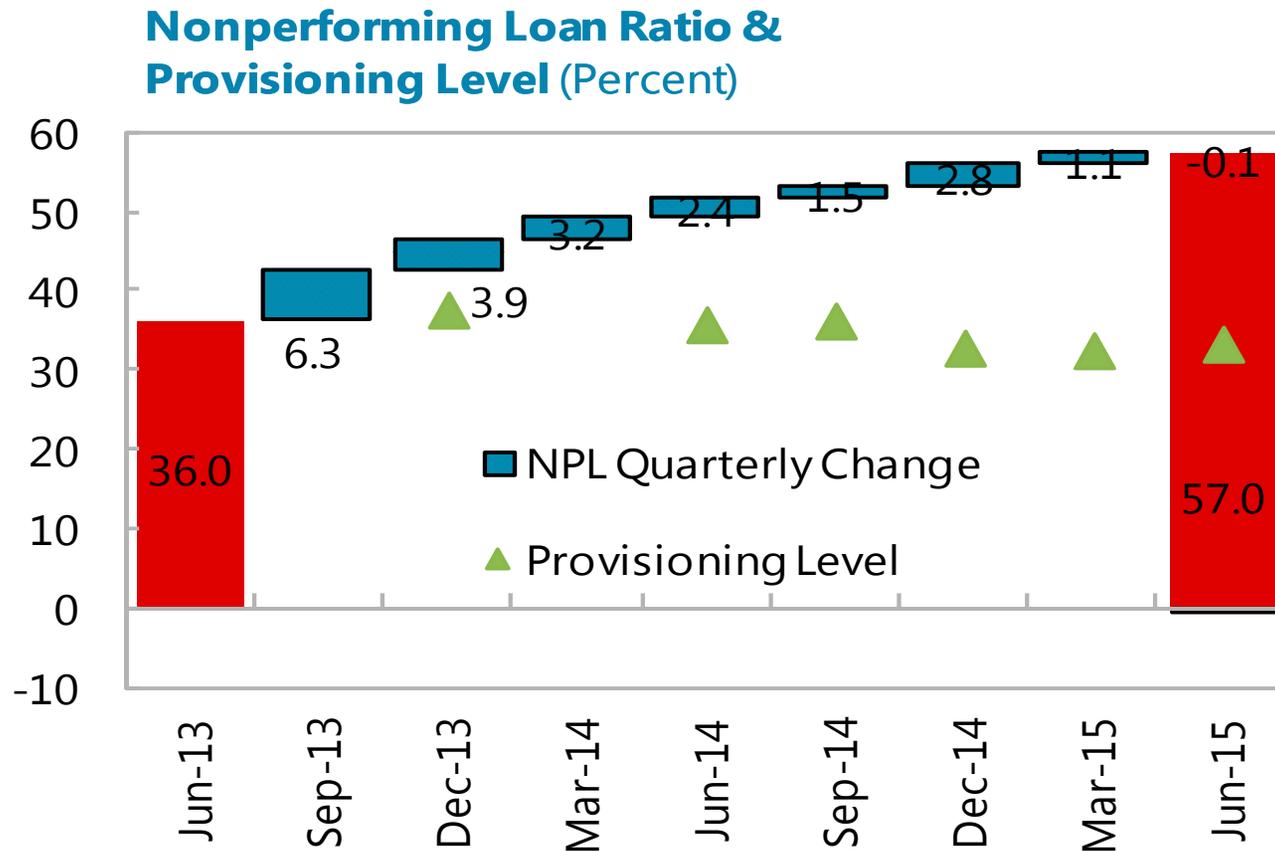
Credit to Private Sector—Residents

(Percent; y-o-y)



Sources: Haver and IMF staff estimates

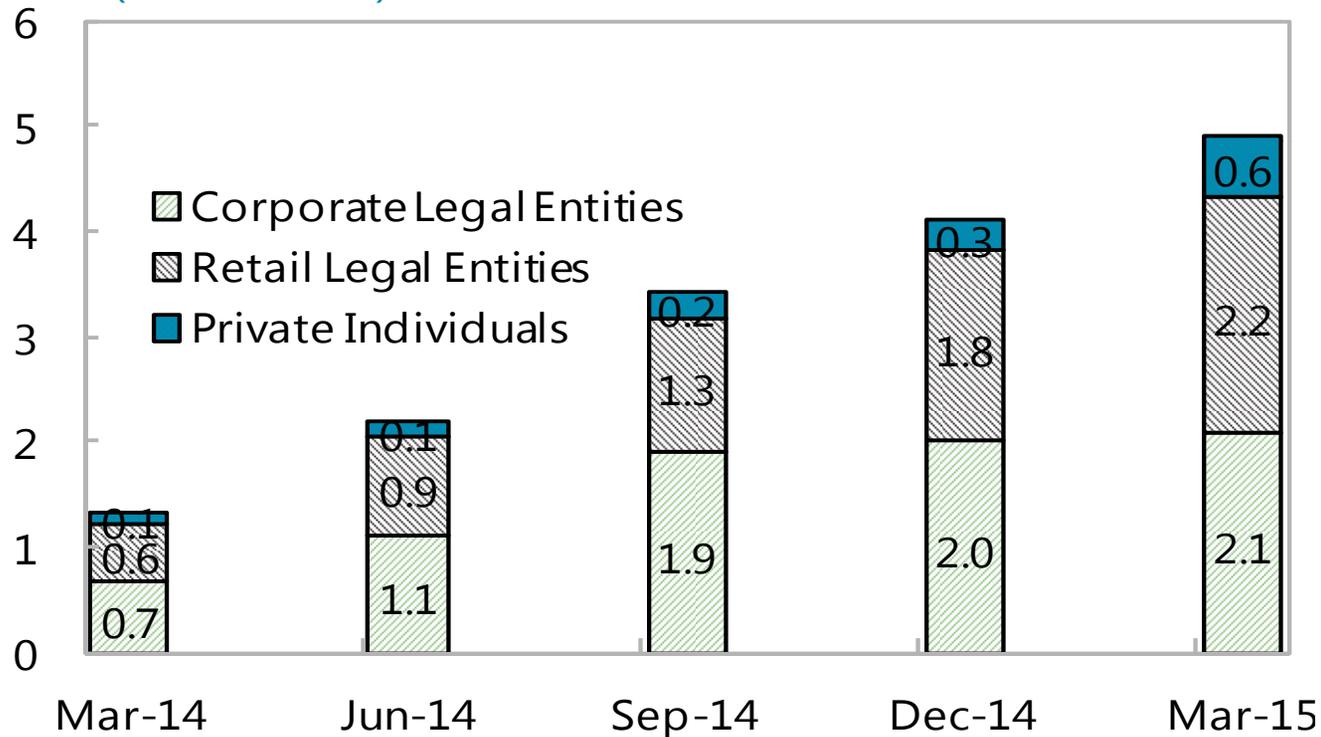
Credit constraints may become binding, unless the NPL problem is addressed



Sources: CBC and IMF staff estimates

The pace of NPL restructurings has accelerated, but still a fraction

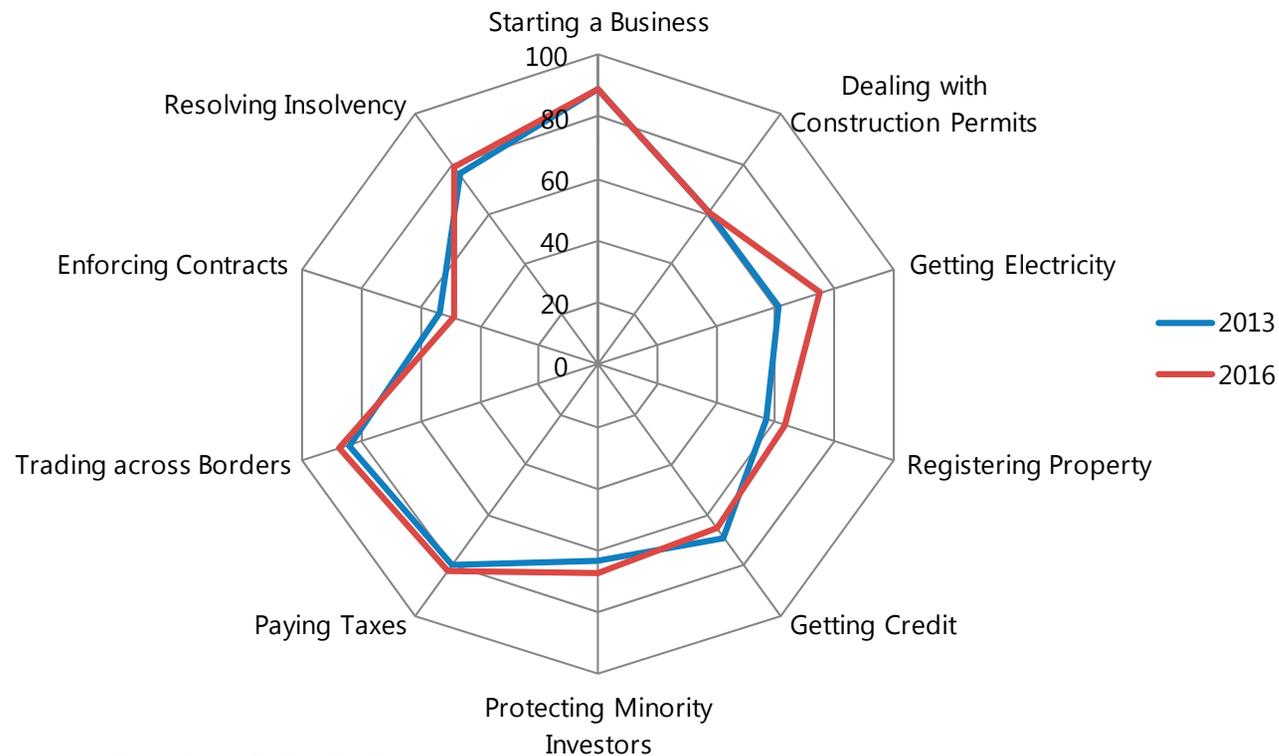
Evolution of Restructured Loans by Counterparty
(EUR Billions)



Sources: CBC and IMF staff estimates

The reform agenda should not stop

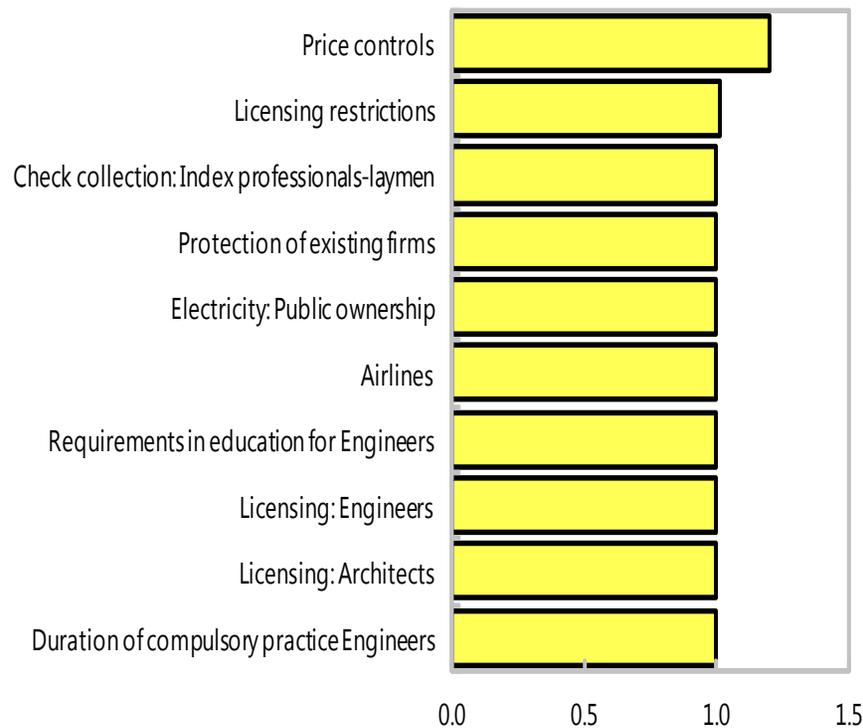
Distance to Frontier



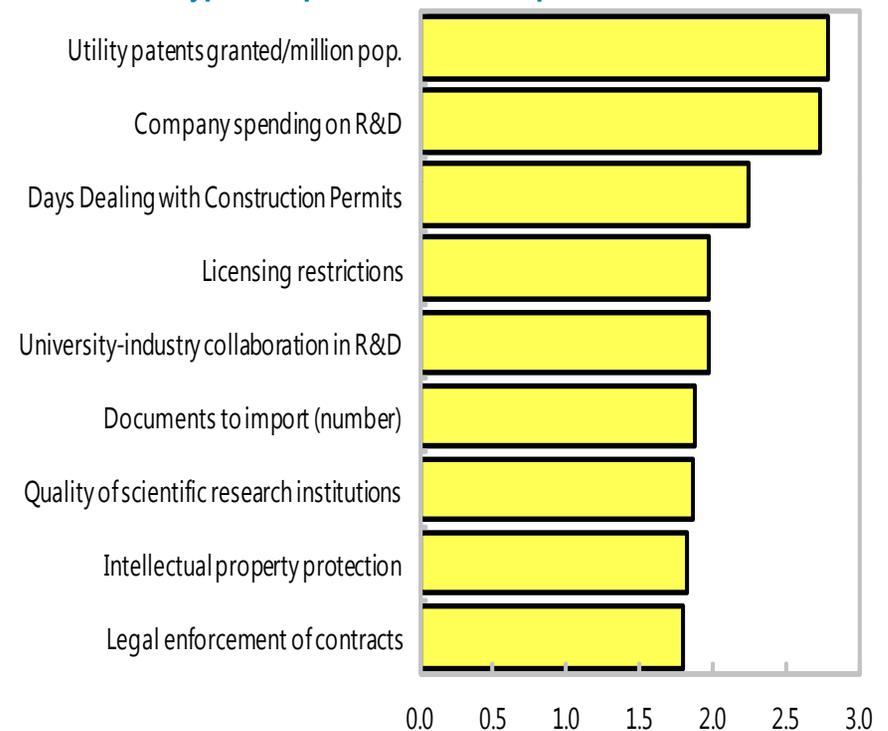
Source: World Bank Doing Business

Focus should be on areas where lags are widest and impact on growth is largest

Cyprus: Top 10 Indicators: Relative Distance from Best Practice 1/



Cyprus: Top 10 Indicators: Impact on Growth



Sources: IMF staff estimates based on data from OECD, World Bank Doing Business, Economic Freedom of the World, and World Economic Freedom databases.

1/ Relative distance is defined as the difference between Cyprus' index and that of the top 5 in the world, divided by Cyprus's index.

Rebalancing – Repositioning the Cypriot Financial Services Sector

Thank you