



Cyprus

Overview

EIB INVESTMENT SURVEY

2020

EIB Group survey on investment
and investment finance 2020
Country overview

Cyprus

EIB Group survey on investment and investment finance 2020.

Country overview: Cyprus

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment and Investment Finance, which has been administered since 2016, is a unique, annual survey of some 13 500 firms. It covers firms in all European Union Member States and also includes a sample of firms in the United Kingdom and 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. The EIBIS, which uses a stratified sampling methodology, is representative across all 27 EU Member States, the United Kingdom 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

The series of reports provide an overview of data collected for the 27 EU Member States, the United Kingdom and the United States. The reports 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 European Investment Bank

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

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Disclaimer

The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

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Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organisations. Its around 200 research staff in London and Brussels focus on public service and policy issues. Its research makes a difference for decision makers and communities.

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EIBIS 2020 – Cyprus

KEY RESULTS

Investment Dynamics

With the COVID-19 crisis affecting the economy, investment in Q2 2020 is 34% below the pre-COVID 19 level at end-2019. COVID-19 has affected firms' investment strategies for 2020 with more than half of firms (51%) with investment plans planning to invest less because of COVID-19.

Investment Focus

Around three in ten (29%) firms, with investment plans for the current financial year, plan to abandon or delay at least some of their investments as a result of COVID-19 (58%), in line with the EU average (35%). However, the share of firms planning to continue with a reduced scale/scope is in line with the EU average (21% versus 18%).

The most frequently cited long term impact of COVID-19 is expected to be the increased use of digital technologies (55%). Manufacturing firms are the least likely to cite this as a long term impact (29%).

Investment Needs and Priorities

More than seven in ten firms believe their investment over the last three years was about the right amount (72%), in line with EIBIS 2019 (73%) but below the EU average (80%).

Two-thirds of firms in Cyprus (66%) were operating at or above full capacity in 2019, broadly in line with EIBIS 2019 and the EU average (57% and 61% respectively).

Innovation Activities

Around one-third of all firms (33%) claim to have developed or introduced new products, processes or services as part of their investment activities. This includes 15% of firms claiming innovations new to the country or global market.

Just over half of firms in Cyprus (54%) have implemented, either fully or partially, at least one digital technology, below the EU average (63%).

Drivers and Constraints

Firms in Cyprus are much less optimistic about the overall economic climate compared to EIBIS 2019 (-68% versus +6%) and are now well below the EU net balance (-56%).

The proportion of firms in Cyprus citing long terms barriers to their investment activities is higher than the EU average on almost every measure. Availability of skilled staff (89%) is perceived as a barrier by an

increasing number of firms, up eight percentage points on EIBIS 2019. Whilst availability of finance (61%) is now perceived much less of a barrier than in EIBIS 2019 (73%) but remains well above the EU average (48%).

Investment Finance

Internal funds accounted for the highest share of investment funding in 2019 (65%), in line with EIBIS 2019 and the EU average (61% and 62% respectively).

Nine in ten firms in Cyprus (90%) report generating a profit in the last financial year 2019, broadly in line with EIBIS 2019 (83%) but above the EU average (80%).

Access to Finance

Firms that were using external finance in 2019 are on balance satisfied with the amount, cost, maturity, collateral and type of finance received. The highest levels of dissatisfaction recorded among firms in Cyprus is with the collateral requirements (7%). One in ten firms in Cyprus (10%) could be considered as external finance constrained in 2019, above the EU average (6%).

Energy Efficiency

The share of firms that have invested in measures to improve their energy efficiency (38%) is in line with EIBIS 2019 (42%) but is below the EU average (47%).

The average share of investment in measures to improve energy efficiency by firms in Cyprus is in line with the EU average (13% versus 12%).

Climate Change

Almost one quarter of firms (24%) feel their business has been majorly impacted by climate change and the related changes in weather patterns, and a further two in five (41%) report a minor impact. These levels are in line with the EU average (23% and 35% respectively).

Firms in Cyprus are expecting the transition towards a low-carbon economy to be positive for their reputation (+16%), but to have a negative impact on their supply chain (-6%) and market demand (-12%) in the next five years.

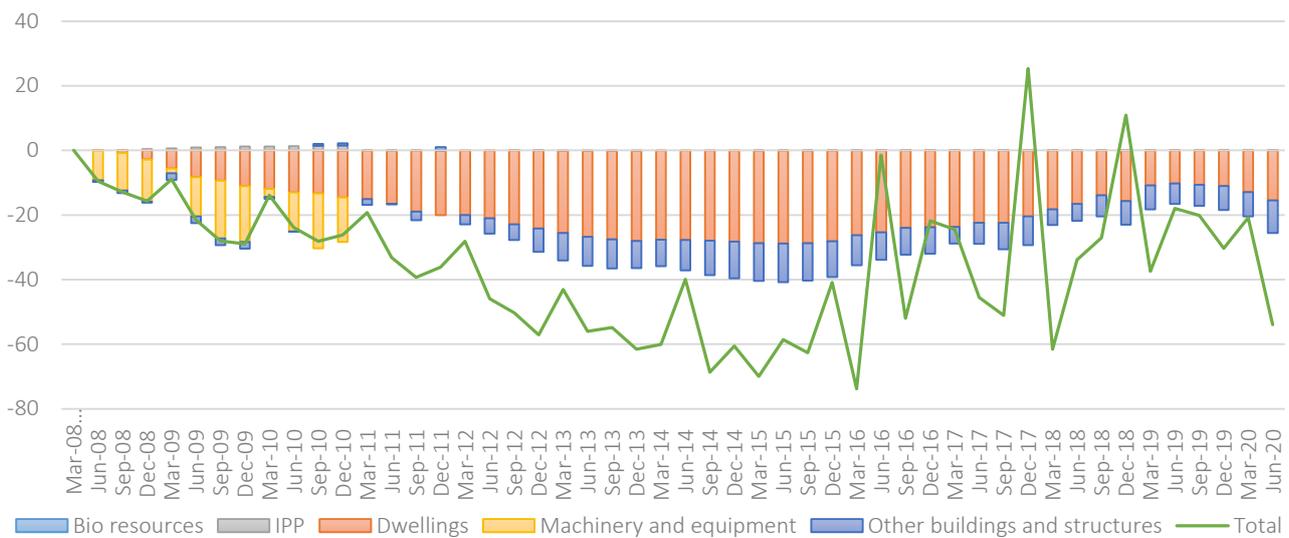
Just over half of all firms in Cyprus (53%) have already invested or plan to invest in the next three years in measures to tackle the impact of weather events and reduction in carbon emissions. This is below the EU average (67%).

Investment Dynamics

INVESTMENT DYNAMICS BY ASSET TYPE

With the COVID-19 crisis abruptly affecting the economy, investment in Q2 2020 dropped by 34% relative to the pre-COVID 19 level at the end of 2019.

Investment has declined steeper relative to the path witnessed during the first quarters of the global financial crisis. At that time however, the deepest decline was only reached several years afterwards.



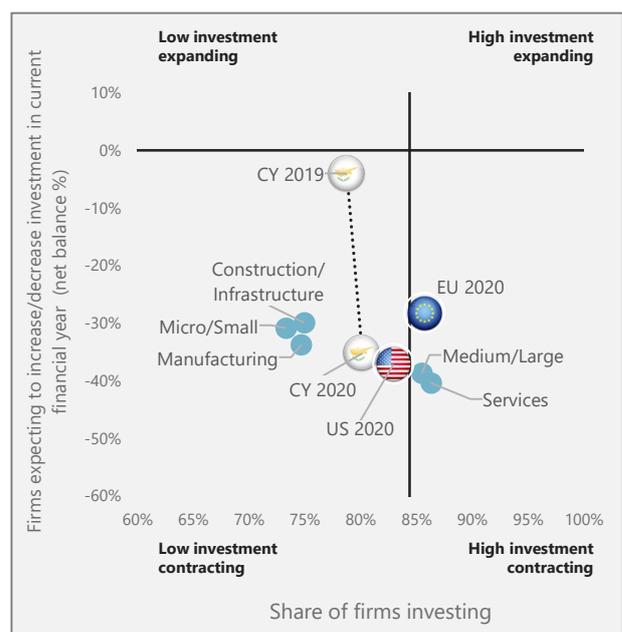
The graph shows the evolution of total Gross Fixed Capital Formation (in real terms); by asset type. The data has been indexed to equal 0 in 2008. Source: Eurostat.

INVESTMENT CYCLE

Cyprus remains within the 'low investment contracting' quadrant on the investment cycle. However, in comparison to EIBIS 2019, more firms expect to decrease rather than increase (negative net balance of firms) investment in the current financial year, revealing more pessimistic views, even when compared with the EU average.

Firms in the services sector are more likely to invest in the current financial year on balance than firms in other sectors.

Larger firms continue to have a high share of firms investing, but also present the highest share of firms expected to decrease rather than increase investments in the current financial year.



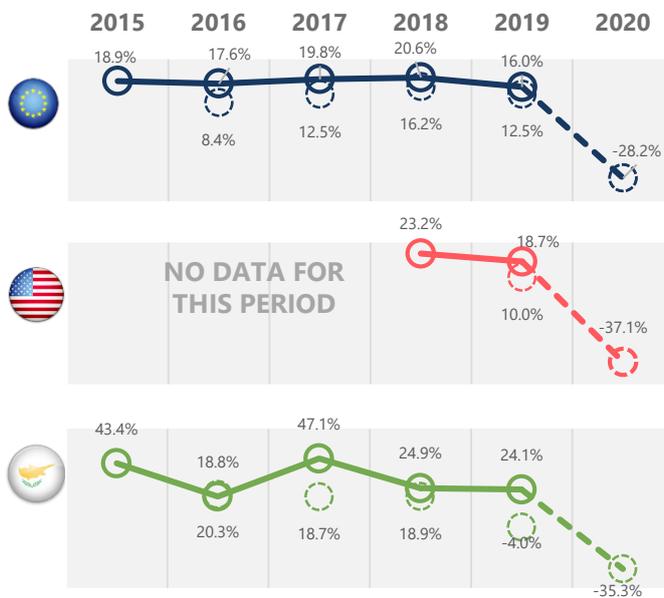
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for 2016.

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

Investment Dynamics

EVOLUTION OF INVESTMENT EXPECTATIONS

Realised/expected change in investment



The forecasted negative investment expectations did not materialise in Cyprus, with 2019 being almost in line with the previous year (24%).

Along with the EU, the outlook for 2020 is particularly negative (-35%) at the lowest level of the past half a decade.



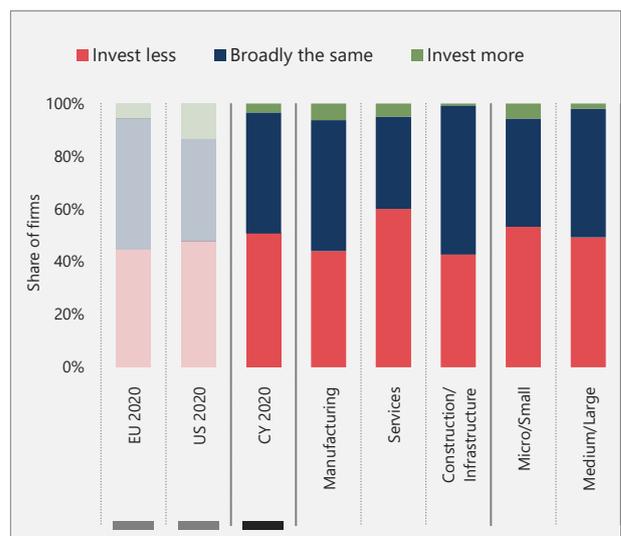
'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

Base: All firms

IMPACT OF COVID-19 ON INVESTMENT

COVID-19 has affected firms' investment strategies for 2020 with more than half of firms (51%), who had investment plans for the current financial year, investing less than planned, slightly above the EU average (45%).

Firms in the services sector are more affected by COVID-19 than firms in the other sectors, with three fifths (60%) of service sector firms stating they will invest less due to COVID-19.



Q. Have your company's overall investment expectations for 2020 changed due to coronavirus?

Base: All firms with investment plans for the current financial year (excluding don't know/refused responses)

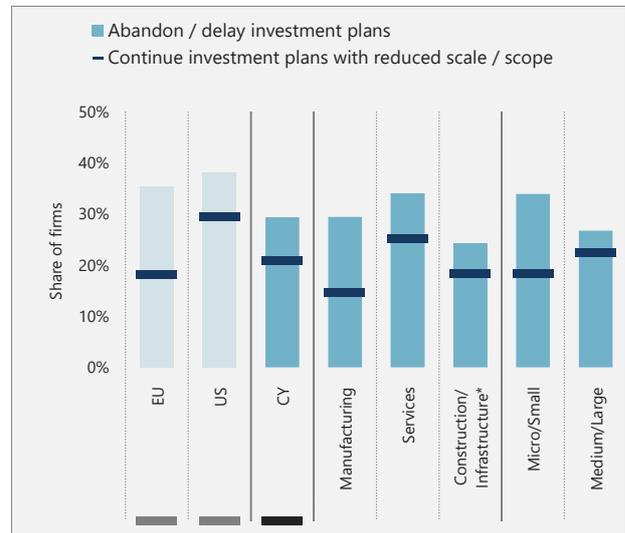
Investment Focus

ACTIONS AS A RESULT OF COVID-19

Around three in ten (29%) firms, with investment plans for the current financial year, plan to abandon or delay at least some of their investments as a result of COVID-19, this is similar to the EU average (35%).

However, the share of firms planning to continue with at least some of their plans with a reduced scale/scope is in line with the EU average (21% versus 18%).

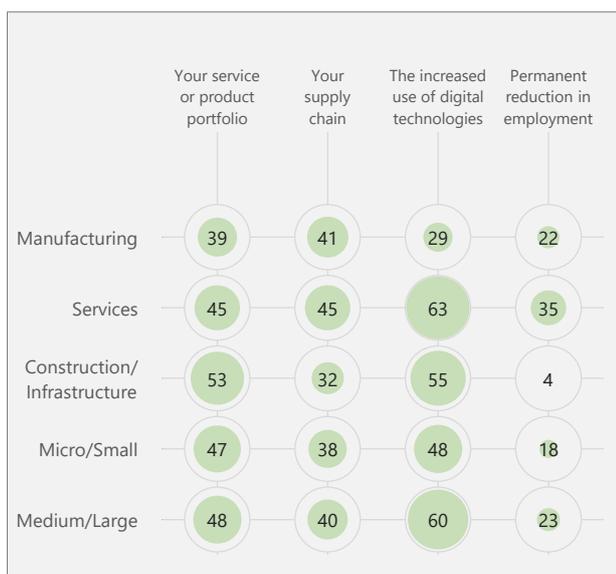
The share of firms changing their investment plans is broadly similar across all sectors and sizes of firms.



Q. You said you will invest less due to coronavirus. Can I just check which of the following actions will your company undertake?

Base: All firms with investment plans for the current financial year (excluding don't know/refused responses) * Caution very small base size less than 30

LONG TERM IMPACT OF COVID-19 BY SECTOR AND SIZE



The most frequently cited long-term impact of COVID-19 is expected to be the increased use of digital technologies (55%), especially among firms in services (63%). Manufacturing firms are the least likely to cite this as a long term impact (29%).

Just under a half of firms in Cyprus (47%) expect changes to their service or product portfolio, with consistent reported levels across the sectors and by size of firm.

One in five firms (21%) expect a permanent reduction in employment levels, increasing to almost one in three within the services sector (35%).

Q. Do you expect the coronavirus outbreak to have a long-term impact on any of the following?

Base: All firms

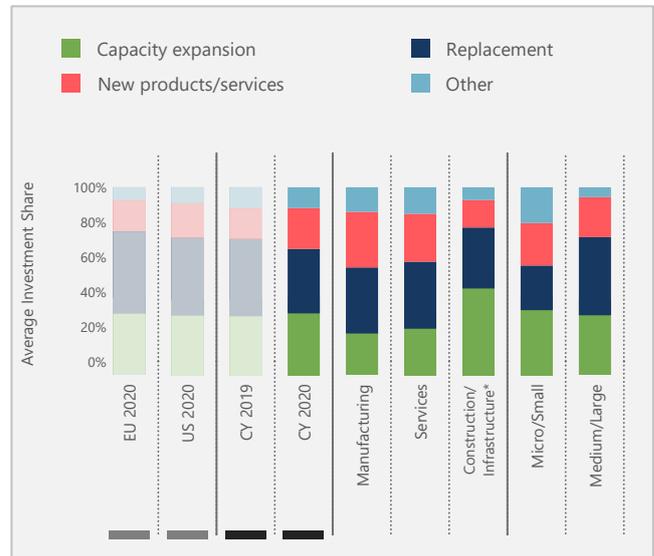
Investment Focus

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

As in previous years, the largest share of investment was for the purpose of replacing buildings and equipment (37%) in 2019. This is broadly in line with EIBIS 2019 (44%) but below the EU average (47%).

The share of investment for replacement was higher for larger firms rather than smaller firms (45% versus 26%).

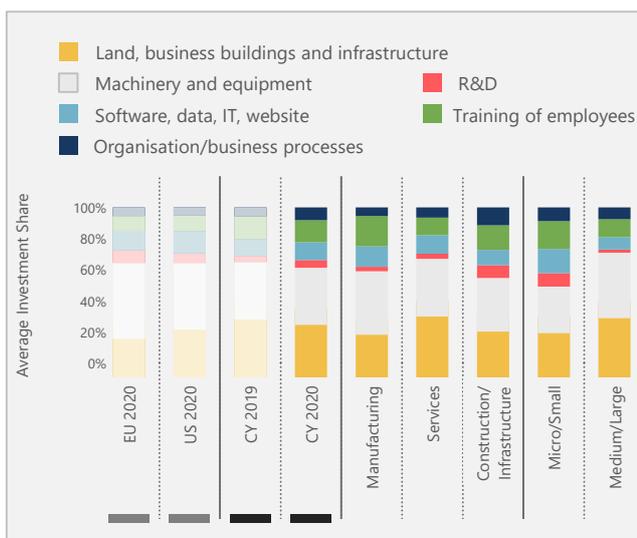
Capacity expansion investment was highest among firms in the construction/infrastructure sectors (42%).



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) * Caution very small base size less than 30

INVESTMENT AREAS



Out of the six investment areas considered, the highest share of investment in Cyprus was in machinery and equipment (37%), followed by land, business buildings and infrastructure (24%) and training of employees (14%). The pattern is in line with the EIBIS 2019 findings.

Firms in Cyprus invested a higher share in land than their EU peers (16%).

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?

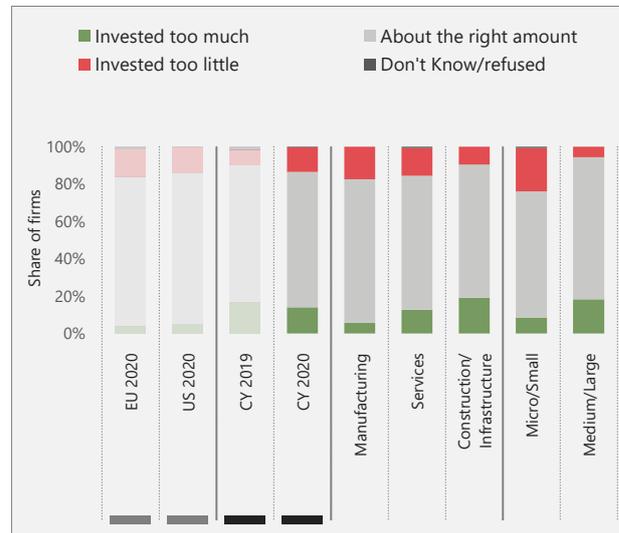
Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

Investment Needs and Priorities

PERCEIVED INVESTMENT GAP

More than seven in ten firms believe their investment over the last three years was about the right amount (72%), in line with EIBIS 2019 (73%) and the EU average (80%).

Construction and Infrastructure firms (19%) and medium and large firms (18%) reported they have invested too much, whilst micro and smaller firms think they have invested too little (23%).



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)

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY



Full capacity is the maximum capacity attainable under normal conditions e.g. company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.

Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

Two-thirds of firms in Cyprus (66%) were operating at or above full capacity, broadly in line with EIBIS 2019 and the EU average (57% and 61% respectively).

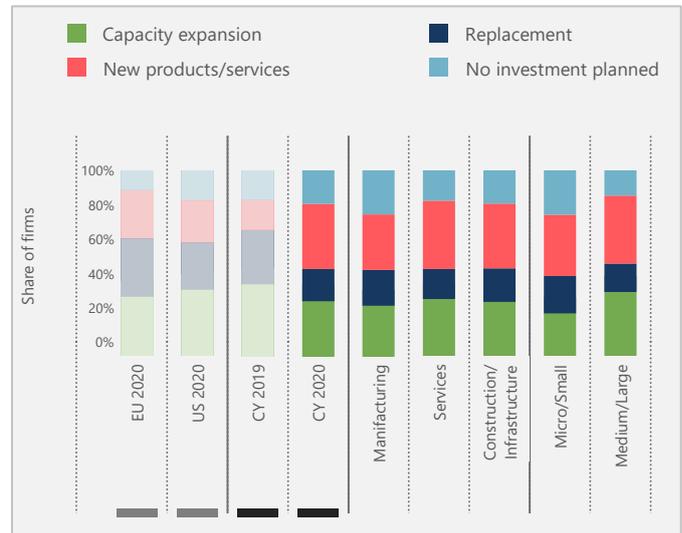
All sectors and sizes of firm are at similar levels.

Investment Needs and Priorities

FUTURE INVESTMENT PRIORITIES (% of firms)

Looking ahead to the next three years, developing or introducing new products, processes or services has become the most commonly cited investment priority among firms (38%). This is more than double the share reported in EIBIS 2019 (17%) and well above the EU average (28%).

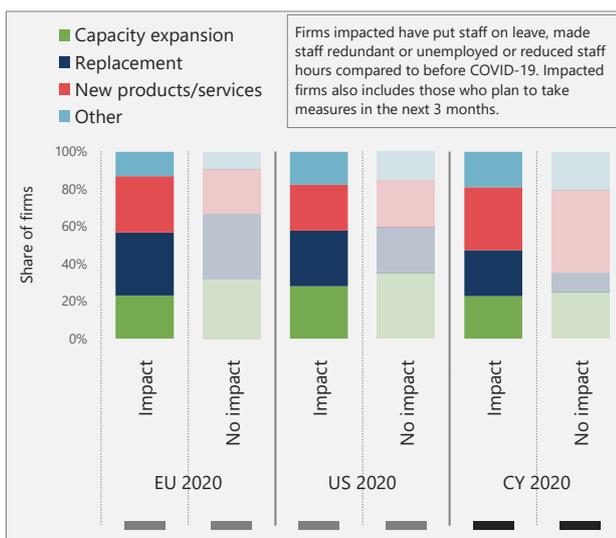
This priority is consistently mentioned across all sectors and by size of firm in Cyprus (ranging from 33% to 40%).



Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing 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)

COVID-19 IMPACT ON PRIORITIES



Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Q. Thinking about the impact of coronavirus, have you had to put staff temporarily on leave, make staff redundant or unemployed or reduce the number of hours they work compared to before the coronavirus pandemic?

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

Firms in Cyprus which have been impacted by COVID-19 are more likely to have been prioritising investment in developing or introducing new products, processes or services (34%), in line with the EU average (30%).

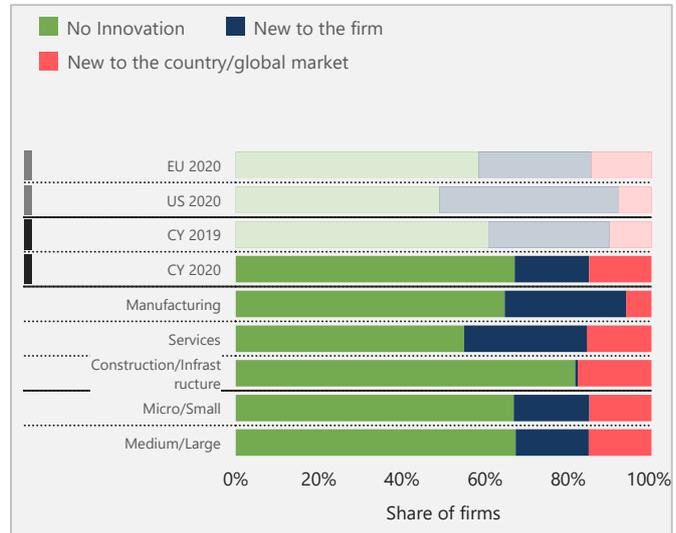
They were less likely than firms in the EU to have planned to invest in replacing buildings and equipment (25% versus 34%).

Innovation Activities

INNOVATION ACTIVITY

Around one-third of all firms (33%) claim to have developed or introduced new products, processes or services as part of their investment activities. This includes 15% of firms claiming innovations new to the country or global market.

This share of all firms is in line with EIBIS 2019 (39%), but below the EU average (42%).

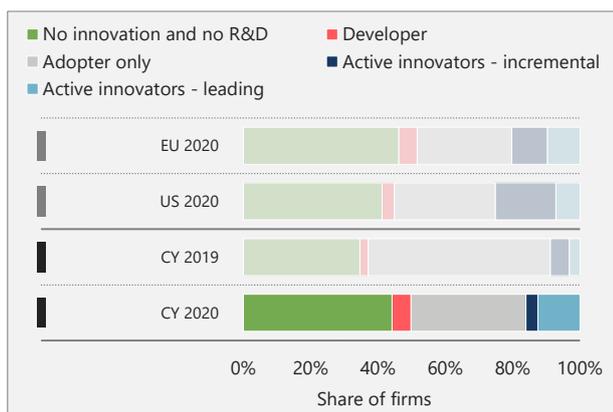


Q. What proportion of total investment was for developing or introducing new products, processes, services?

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



When firms' innovation and research and development behaviour is profiled more widely, 16% of firms in Cyprus are classified as 'active innovators', and a further 6% of firms are 'developers'.

This has increased since EIBIS 2019 (9% and 3%, respectively), but is in line with the EU average (20% and 6%, respectively).

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)

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'.

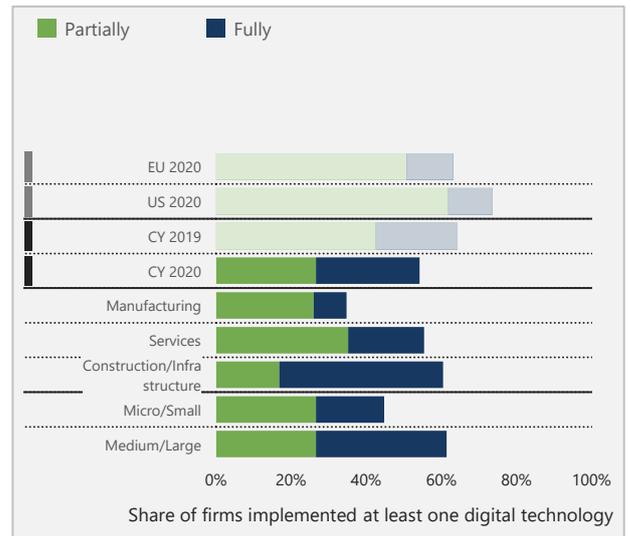
Innovation Activities

IMPLEMENTATION OF DIGITAL TECHNOLOGIES

Just over half of firms in Cyprus (54%) have implemented, either fully or partially, at least one digital technology, below the EU average (63%).

Manufacturing firms are less likely to have implemented at least one digital technology compared to services firms (35% versus 55% respectively).

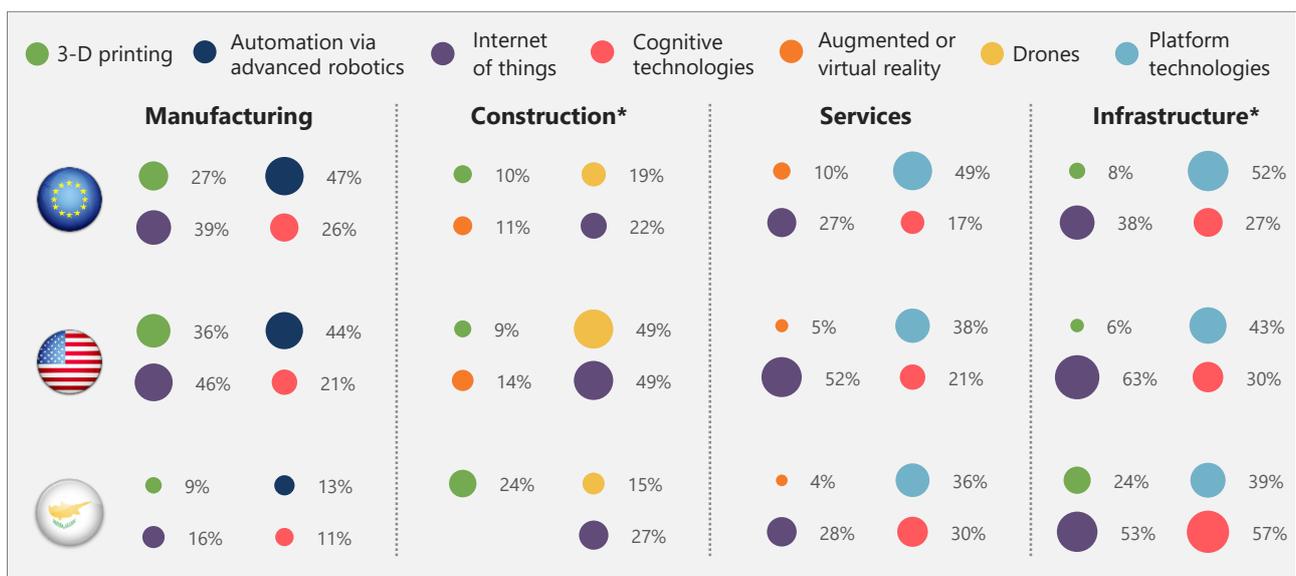
Fewer manufacturing firms in Cyprus have implemented any of the technologies asked about compared with the EU average.



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)

DIGITAL TECHNOLOGIES BY SECTOR



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)
*Caution very small base size less than 30

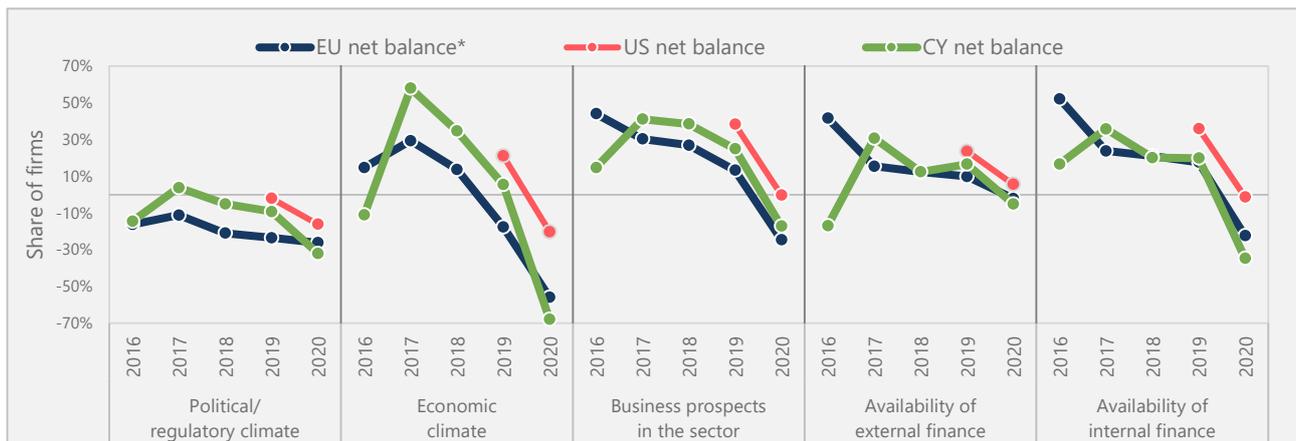
Reported shares combine implemented the technology 'in parts of business' and 'entire business organised around it'

Drivers And Constraints

SHORT TERM FIRM OUTLOOK

More firms in Cyprus expect a deterioration rather than an improvement across all five short-term outlooks.

Firms in Cyprus are much less optimistic about the overall economic climate compared to EIBIS 2019 (-68% versus +6%) and are now well below the EU net balance (-56%).



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

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

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

Base: All firms

Firms in Cyprus are consistently more negative than positive about most aspects of the short-term outlooks.

There are some key differences by sector or size.

Firms in the construction/infrastructure sectors are not as pessimistic about their business prospects than firms in the manufacturing and services sectors (0% versus -32% and -27% respectively).

Firms in the services sector are more pessimistic about the availability of external finance than firms in the other sectors (-16% versus +8% and +3%).

Smaller firms and those in the manufacturing sector are slightly less pessimistic (although still negative) about the political/regulatory climate than other firms.

Drivers And Constraints

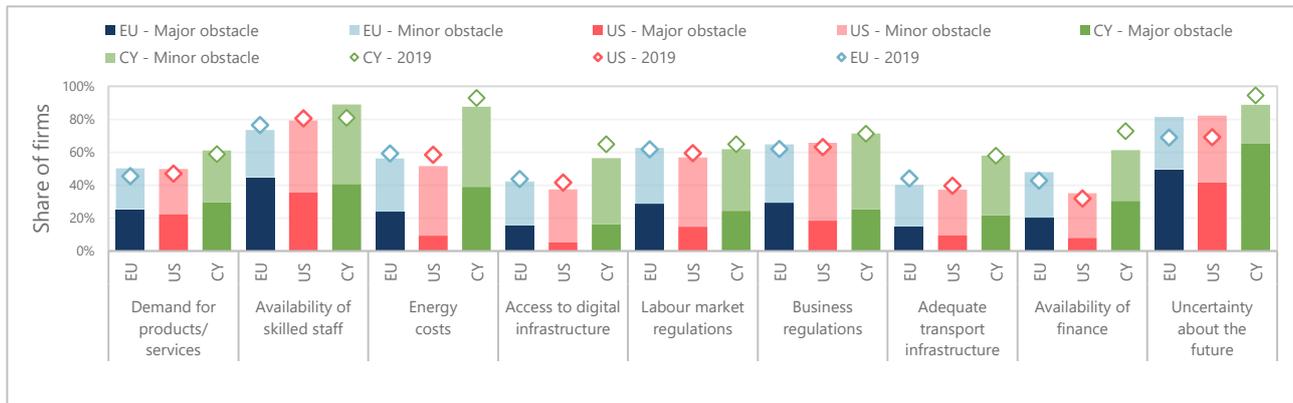
LONG TERM BARRIERS TO INVESTMENT

The proportion of firms in Cyprus citing long-term barriers to their investment activities is higher than the EU average on almost every measure.

Availability of skilled staff (89%) is perceived as a barrier by an increasing number of firms, up eight

percentage points on EIBIS 2019 and higher than the EU average (74%).

Availability of finance (61%) is now perceived much less of a barrier than in EIBIS 2019 (73%) but remains well above the EU average (48%).



Q. Thinking about your investment activities in Cyprus, 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



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

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

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

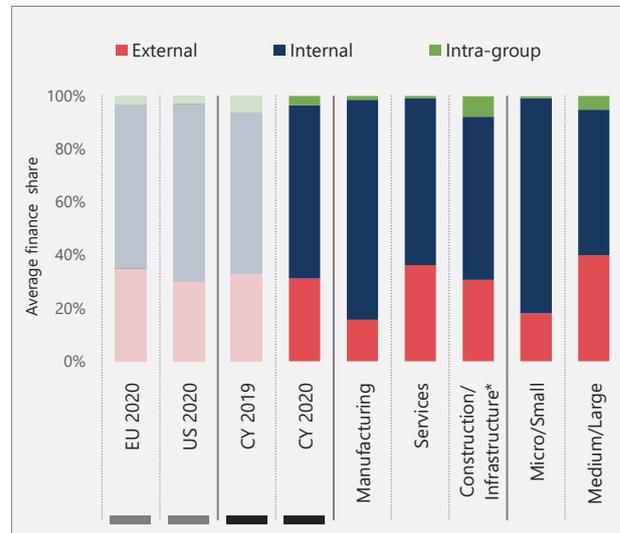
Investment Finance

SOURCE OF INVESTMENT FINANCE

Internal funds accounted for the highest share of investment funding (65%), in line with EIBIS 2019 and the EU average (61% and 62%, respectively).

Medium and large firms report a higher share of external finance than micro and small firms (40% versus 18%), very similar to the proportions in EIBIS 2019.

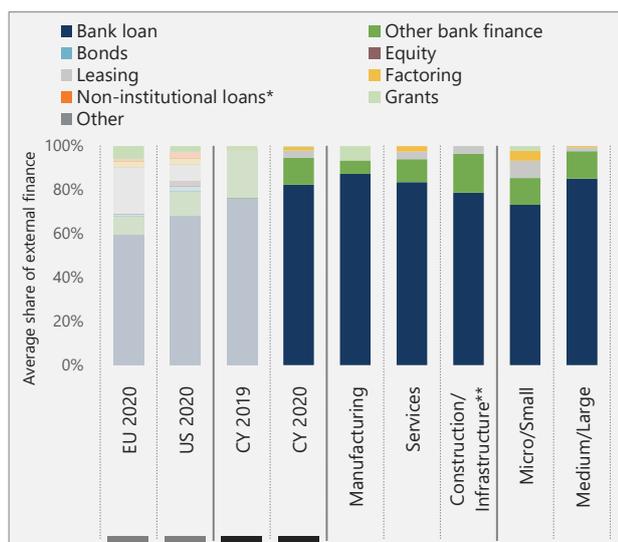
Firms in the services sector also report a higher share of external finance than those in the manufacturing sector (36% versus 16%).



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) * Caution very small base size less than 30

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES



Bank loans continued to make up the highest share of external finance (82%) in the last financial year, in line with EIBIS 2019 (76%), but well above the EU average (59%).

Other types of bank finance remained as the second highest share of external finance (12%).

Q. Approximately what proportion of your external finance does each of the following represent?

*Loans from family, friends or business partners

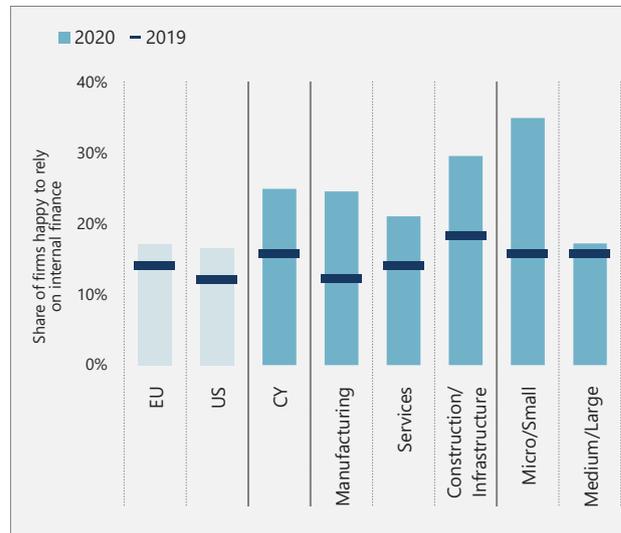
Base: All firms who used external finance in the last financial year (excluding don't know/refused responses) ** Caution very small base size less than 30

Investment Finance

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT

A quarter of all firms in Cyprus (25%) were happy to use internal funds or did not have a need for external finance. This is broadly similar to both EIBIS 2019 (16%) and the EU average (17%), but slightly above that observed in EIBIS 2019.

The increase can be noted across all sectors and particularly so among smaller firms (35%, more than double the share in EIBIS 2019).



Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn't need the finance

Base: All firms

SHARE OF PROFITABLE FIRMS



Nine in ten firms in Cyprus (90%) report generating a profit in the last financial year, broadly in line with EIBIS 2019 (83%), and above the EU average (80%).

Specifically, 25% of firms claim to be highly profitable, defined as generating a profit level at least 10% of firm turnover. This is more than the EU average (16%). Manufacturing sector firms are more likely to be highly profitable than service sector firms (39% versus 14%).

Q. Taking into account all sources of income in the last financial year, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turnover of 10% or more

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

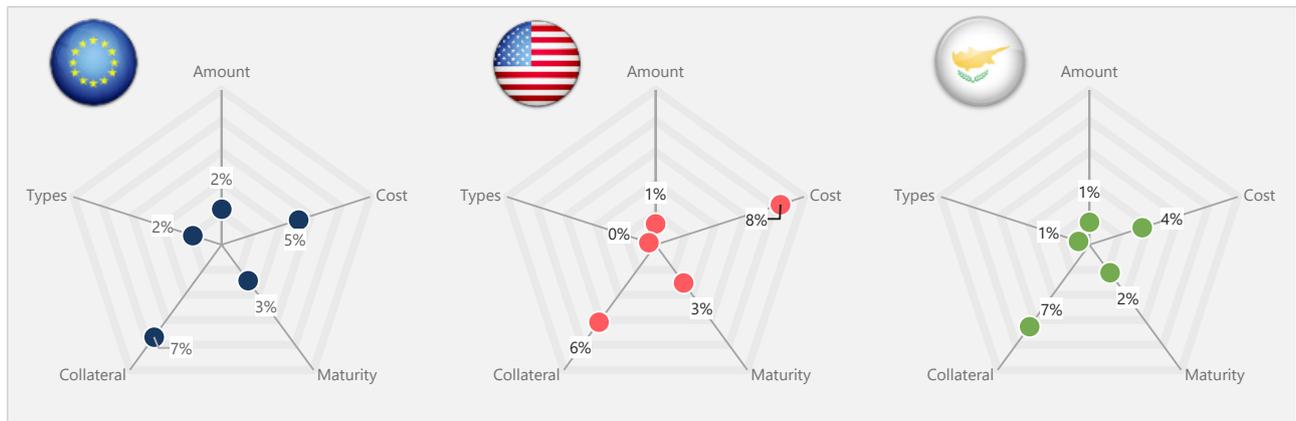
Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Firms using external finance in the past financial year are on balance satisfied with the amount, cost, maturity, collateral and type of finance received.

The highest levels of dissatisfaction recorded among firms in Cyprus is with the collateral requirements (7%), at par with the EU average.

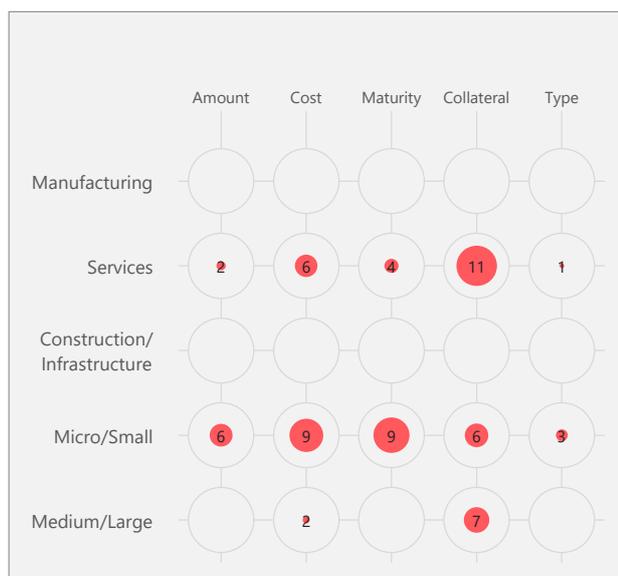
Share of dissatisfied firms



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 (%)



Overall dissatisfaction levels are low, with the highest levels of dissatisfaction mentioned regarding the collateral requirements.

Levels of dissatisfaction with the collateral requirements are higher for firms in the service sector (11%).

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

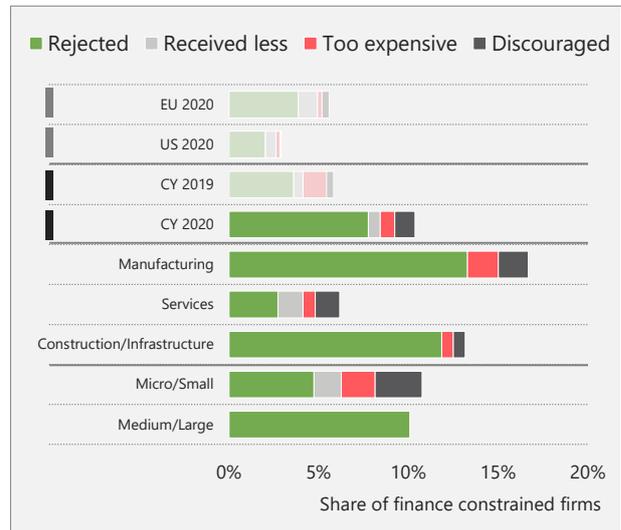
Base: All firms who used external finance in the last financial year (excluding don't know/ refused responses)

Access To Finance

SHARE OF FINANCE CONSTRAINED FIRMS

One in ten firms in Cyprus (10%) could be considered as financially constrained in 2019, above the EU average (6%).

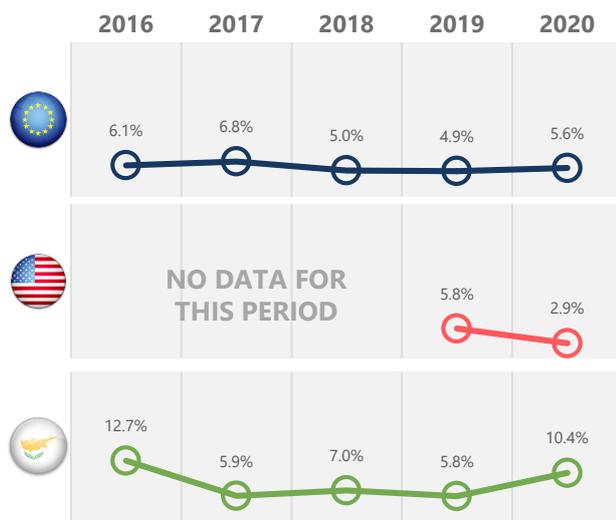
Smaller and larger firms have a similar overall level of financial constraints (11% and 10% respectively), but for larger firms it is completely due to being rejected.



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

FINANCING CONSTRAINTS OVER TIME



The share of finance constrained firms in Cyprus in 2019 was at its highest level since EIBIS 2016 and at double the rate recorded in the EIBIS 2019.

Base: All firms

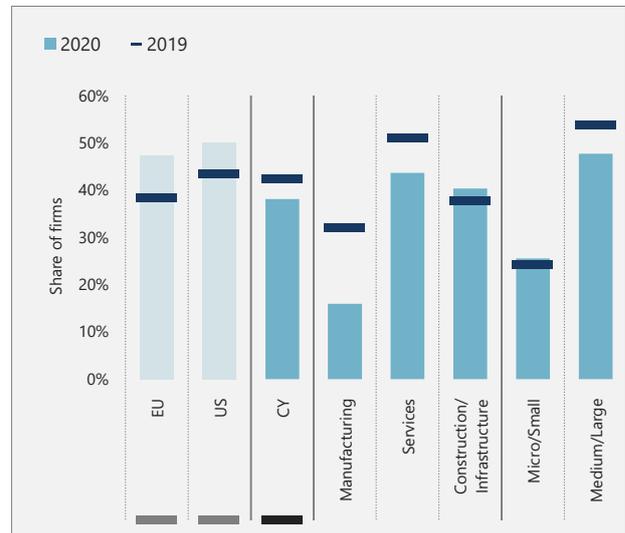
Energy Efficiency

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY

The share of firms that have invested in measures to improve their energy efficiency (38%) is broadly similar to EIBIS 2019 (42%) and the EU average (47%).

The share of firms in the manufacturing sector who are investing in measures to improve energy efficiency has halved since EIBIS 2019 (16%, down from 32%) and is now much lower than the other sectors.

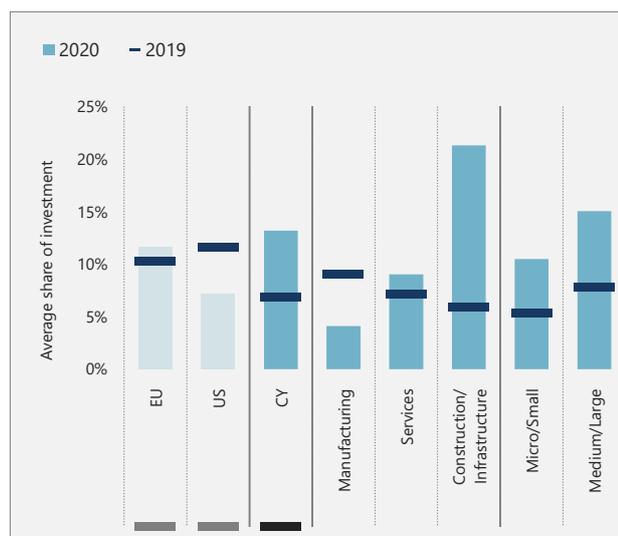
Larger firms (48%) are also far more likely to invest than smaller firms (26%).



Q. What proportion of 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



The average share of investment in measures to improve energy efficiency by firms in Cyprus was in line with the EU average (13% versus 12%), slightly above that witnessed in EIBIS 2019.

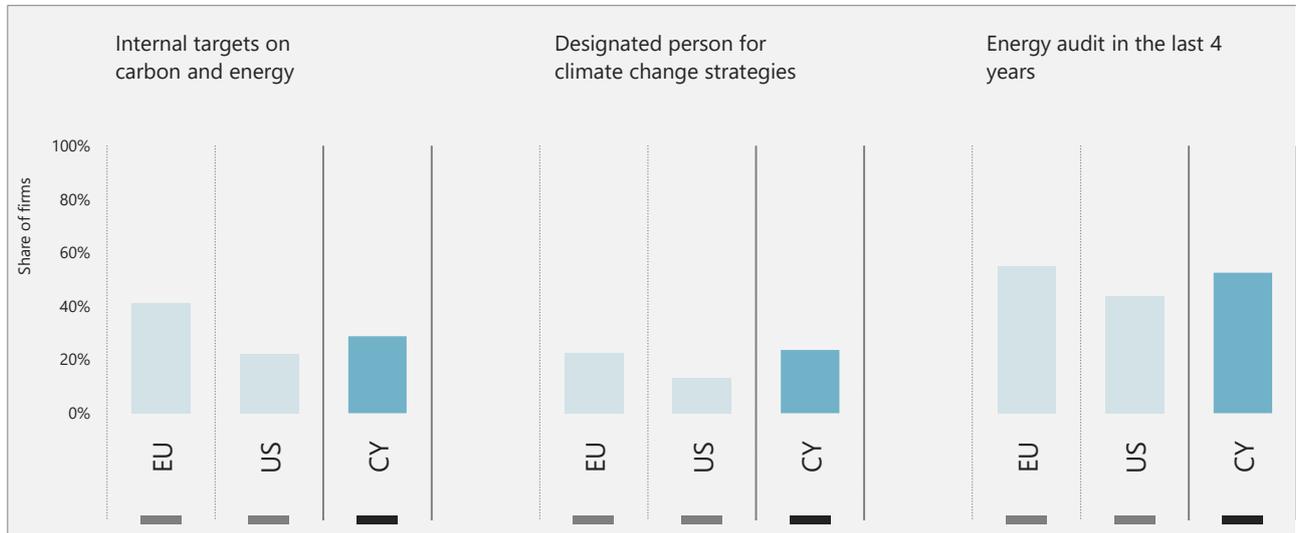
Firms in the construction and infrastructure sectors have greatly increased their share on investment (21%) relative to EIBIS 2019, whilst manufacturing firms have decreased their share to 4%.

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

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

Energy Efficiency

ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT



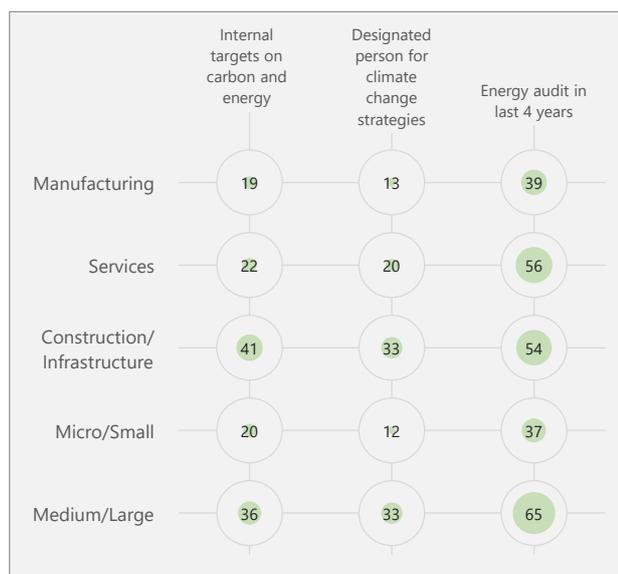
Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?

Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?

Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

ENERGY TARGETS, MANAGEMENT AND INTERNAL AUDIT BY SECTOR AND SIZE



Firms in Cyprus are less likely than EU firms to have set internal targets yet (29% versus 41%), but are in line with the EU average for having a designated person for climate changes strategies (24% versus 23%) and for having had an energy audit in the last 4 years (53% versus 55%).

In comparison to the other sectors, firms in the construction/infrastructure sectors are slightly more likely to have set targets (41%) and to have a designated person in place (33%).

Medium and large firms are slightly more likely to have these energy efficiency measures in place than micro and small firms.

Q. In 2019 and under normal conditions, did your company set and monitor internal targets on carbon emissions and energy consumption?

Q. In 2019 and under normal conditions, did your company have a designated person responsible for defining and monitoring climate change strategies?

Q. And can I check, in the past four years has your company had an energy audit? By this, I mean an assessment of the energy needs and efficiency of your company's building or buildings

Base: All firms

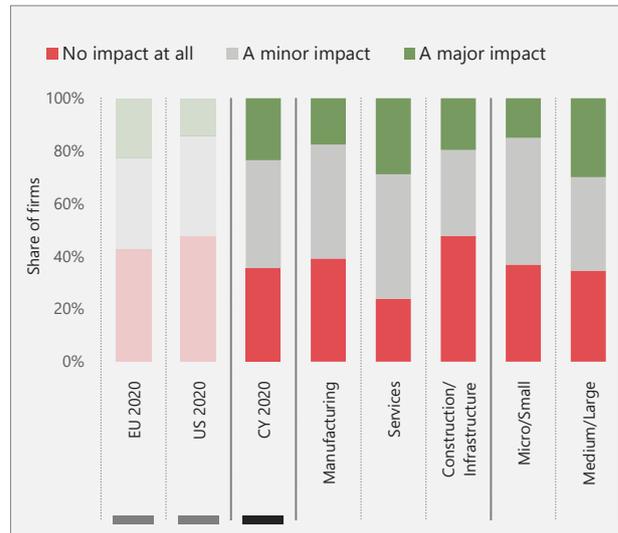
Climate Change

CLIMATE CHANGE IMPACT

Almost one quarter of firms (24%) feel their business has been majorly impacted by climate change and the related changes in weather patterns, and a further two in five (41%) report a minor impact. These levels are in line with the EU average (23% and 35%, respectively).

Three quarters of services sector firms (76%) have been impacted in some manner – 29% in a major way and 47% in a minor way.

Although the overall level is consistent, larger firms tend to be impacted more in a major way, smaller firms in a minor way.



Q, Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?

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

REDUCTION IN CARBON EMISSIONS OVER NEXT FIVE YEARS BY SECTOR AND SIZE (NET IMPACT %)



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

Q. What impact will the transition to a reduction of carbon emissions have on the following aspects of your business over the next five years?

Base: All firms

Firms in Cyprus are expecting the transition towards a low-carbon future to be positive for their reputation (+16%), but to have a negative impact on their supply chain (-6%) and market demand (-12%) in the next five years.

Services firms believe that this transition will negatively affect their supply chain more than firms in other sectors (-29% versus between -2 and +19%), while medium and large firms expect a more positive impact than micro and small firms on their reputation (+9% versus +21%).

*Net balance is the share of firms seeing positive impact minus the share of firms seeing a negative impact

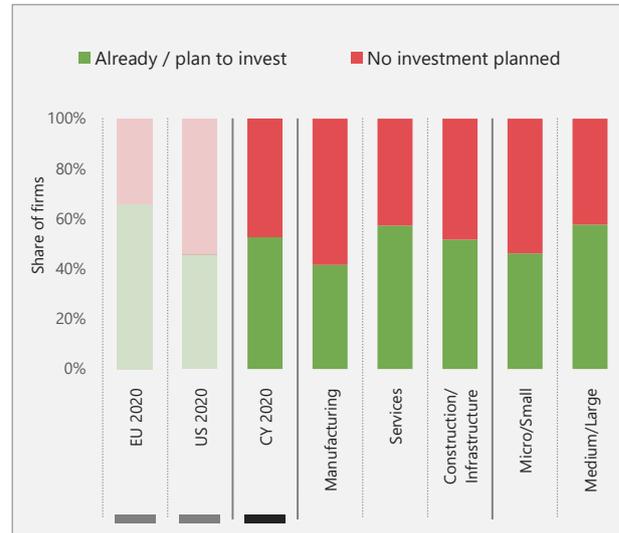
Climate Change

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

Just over half of all firms in Cyprus (53%) have already invested or plan to invest in the next three years in measures to tackle the impact of weather events and reduction in carbon emissions. This is below the EU average (67%).

Uncertainty about the regulatory environment and taxation is the biggest barrier to investment in this area (77%), followed by the cost of these activities (74%).

Firms in the services sector cite uncertainty about regulatory environment and taxation (87%) and about new technologies (78%) to help tackle the impact as barriers slightly more than firms in the other sectors.



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

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

BARRIERS TO INVESTING IN ACTIVITIES TO TACKLE CLIMATE CHANGE BY SECTOR AND SIZE



Q. To what extent is the following an obstacle to investing in activities to tackle weather events and emissions reduction? Is it a major obstacle, minor obstacle or not at obstacle at all?

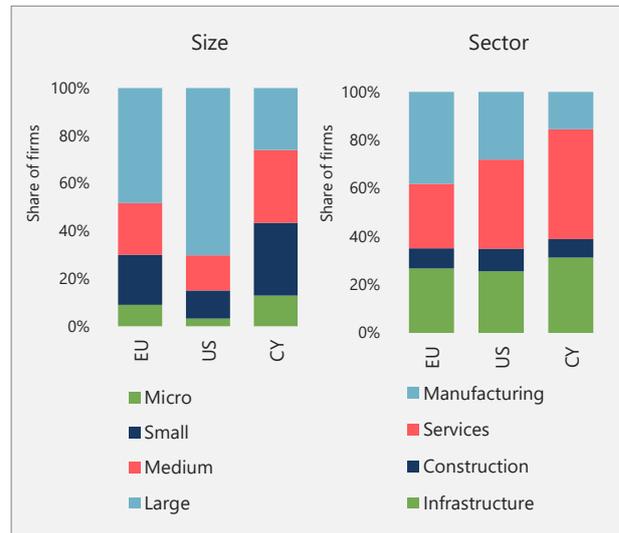
Base: All firms (data not shown for those who said not at obstacle at all / don't know / refused)

Profile of Firms

CONTRIBUTION TO VALUE ADDED

There is a fairly even split between small (30%), medium (31%) and large (26%) firms for the greatest share of value-added in Cyprus. Whilst the share of small and medium firms is greater in Cyprus than the EU, the share of large firms is twenty two percentage points lower.

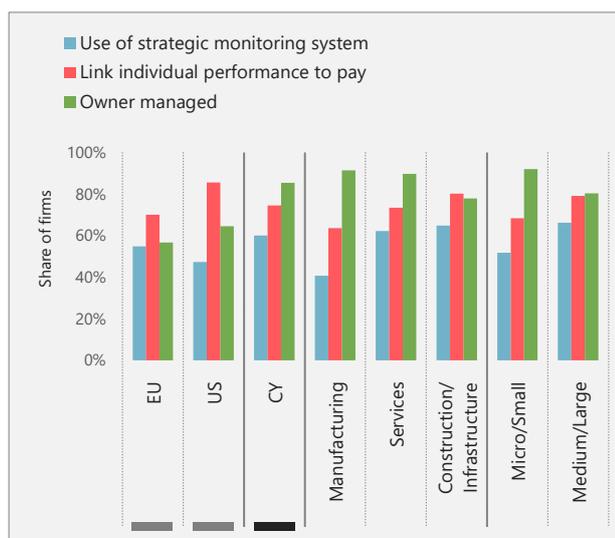
The services sector contribute to the highest share of value-added across the sectors (46%), much higher than the EU average (27%). Conversely, firms in the manufacturing sector contribute the least in Cyprus (15%), well below the EU average (38%).



The charts reflect the relative contribution to value-added by firms belonging to a particular size class / sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+

Base: All firms

FIRM MANAGEMENT



Six in ten firms in Cyprus (60%) report using a formal strategic monitoring system, a decrease of twenty two percentage points on EIBIS 2019 and now more in line with the EU average (55%).

Three-quarters of firms (75%) link individual performance to pay, in line with EIBIS 2019 (74%) and the EU average (70%).

More than four fifths (85%) of firms in Cyprus report being owned or controlled by their CEO or a member of the CEO's family, well above the EU average (57%).

Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm's current performance against a series of strategic key performance indicators) (b) link individual performance with pay?
Q. Does the CEO/ company head of your firm own or control the firm, or have a family member that owns/controls it?

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

EIBIS 2020 – 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	Manuf vs Const/Infras	Micro/Small vs Medium/Large
	(11971)	(800)	(180)	(58)	(83)	(38)	(129)	(51)	(11971 vs 180)	(58 vs 38)	(129 vs 51)
10% or 90%	1.1%	3.5%	6.0%	6.8%	7.5%	12.2%	5.7%	9.6%	6%	13.9%	11.1%
30% or 70%	1.7%	5.3%	9.1%	10.4%	11.5%	18.6%	8.7%	14.7%	9.2%	21.3%	17.0%
50%	1.9%	5.8%	9.9%	11.3%	12.6%	20.3%	9.5%	16.0%	10.1%	23.2%	18.5%

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).
SME	Firms with between 5 and 249 employees.
Large firms	Firms with at least 250 employees.
EIBIS 2019	The previous wave of the EIB Investment Survey, with interviews carried out between April-July 2019.
EIBIS 2020	The current wave of the EIB Investment Survey, with interviews carried out between May-August 2020.

Note : the EIBIS 2020 overview refers interchangeably to 'the past/last financial year' or to '2019'. Both refer to results collected in EIBIS 2020, where the question is referring to the past financial year, with the majority of the financial year in 2019 in case the financial year is not overlapping with the calendar year 2019.

EIBIS 2020 – Country Technical Details

The country overview presents selected findings based on telephone interviews with 180 firms in Cyprus (carried out between May and August 2020).

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

Base definition and page reference	EU 2020/2019	US 2020/2019	CY 2020/2019	Manufacturing	Services	Construction/ Infrastructure	Micro/Small	Medium/Large
All firms, p. 3, p. 4, p. 6, p. 10, p.11, p. 13, p. 15, p. 16, p. 17, p. 18, p. 19, p. 20	11971/12071	800/803	180/180	58	83	38	129	51
All firms (excluding don't know/refused responses), p. 2	11634/11417	748/711	178/167	57	83	37	129	49
All firms with investment plans for the current financial year (excluding don't know/refused responses), p. 3 (bottom), p. 4 (top)	9606/NA	643/NA	134/NA	40	61	33	91	43
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (top)	10138/9716	682/624	129/113	44	60	24	90	39
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5 (bottom)	9874/9506	683/620	156/129	51	74	30	112	44
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	11949/12042	799/802	180/178	58	83	38	129	51
All firms (excluding don't know/refused responses), p. 7 (top)	11727/11757	787/775	178/176	57	83	37	128	50
All firms (excluding don't know/refused responses), p. 7 (bottom)	11608/0	780/0	177/0	57	82	37	127	50
All firms (excluding don't know/refused responses), p. 8 (top)	11720/11770	769/772	173/173	55	79	38	125	48
All firms (excluding don't know/refused responses), p. 8 (bottom)	9039/8380	600/516	113/91	38	55	19	80	33
All firms (excluding don't know/refused responses), p. 9	11938/11937	799/800	180/178	58	83	38	129	51
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 12	9255/9008	648/587	145/127	47	71	26	104	41
All firms who used external finance in the last financial year (excluding don't know/ refused responses), p. 12	4354/4369	314/252	55/62	12	34	9	32	23
All firms (excluding don't know/refused responses), p. 13	10711/10490	637/605	139/137	37	68	33	95	44
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 14*	4310/4292	314/245	54/62	12	34	8	32	22
All firms (excluding don't know/refused responses), p. 18	11898/NA	794/NA	180/NA	58	83	38	129	51
All firms (excluding don't know/refused responses), p. 19	11739/NA	772/NA	173/NA	55	83	34	123	50
All firms (excluding don't know/refused responses), p. 20*	11740/11627	777/762	174/171	56	81	36	125	49



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Cyprus

Overview

EIB INVESTMENT SURVEY

2020