Cyprus
Overview
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EIB Investment Survey Country Overview: Cyprus
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About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment, 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 firms face, such as climate change and digital transformation. 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 EIB
The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The department and its team of 40 economists is headed by Debora Revoltella, director of economics.

Main contributors to this publication
Emmanouil Davradakis, Julie Delanote, Irene Rizzoli.

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EIBIS 2021 shows that firms in Cyprus are becoming more optimistic for 2021, with more firms expecting to increase investment than to decrease it. This represents a substantial positive shift from EIBIS 2020. On average, firms in Cyprus spent a half of their investment on replacing buildings and equipment, up from 37% in EIBIS 2020. The largest share of investment went into machinery and equipment (40%).

Impact of COVID-19

COVID-19 had a strong impact on Cypriot firms, with 46% of them reporting a decline in sales compared to the beginning of 2020 (in line with the EU average). In terms of investment, firms in Cyprus tended to be less impacted by COVID-19 than those across the EU, as only 17% revised their investment plans downwards, against an EU average of 26%. The majority of firms in Cyprus (83%) report COVID-19 to have no impact on their investment plans.

When asked about the short-term actions due to COVID-19, digitalisation stood out with 44% of firms saying that they have taken action or made investment to become more digital, in line with the EU average (46%).

Investment Needs and Priorities

COVID-19 will undeniably have a long-term impact on needs and priorities. Again, digitalisation stands out, with the largest share of firms (53%) expecting an increased use of digital technologies in the long-term, in line with the EU average (55%).

Irrespective of the firm size, the share of firms at or above full capacity has declined since EIBIS 2020 (44% versus 66%). The majority of Cypriot firms do not perceive gaps in terms of investment. Despite the difficult circumstances, 70% of firms report having invested about the right amount over the last three years, while 11% felt they invested too much, much higher than among EU firms (2%).

Innovation Activities

Innovation activity remained stable: 36% of firms developed or introduced new products, processes or services as part of their investment activities in 2020, which is broadly in line with what was reported in EIBIS 2020 and the EU average. Three-quarters of firms (74%) have implemented at least one of the advanced digital technologies they were asked about (especially big data, platforms, robotics and drones), an increase from what was reported in EIBIS 2020 (54%).

Drivers and Constraints

Firms remain, on balance, pessimistic about the political and regulatory climate and the availability of internal finance. Nevertheless, expectations for the overall economic climate have turned positive again, as well as the perception of business prospects in the sector and the availability of internal finance.

Uncertainty about the future is cited as the main long-term barrier to investment (mentioned by 94% of the firms), followed by energy costs (86%) and business regulation (84%). Levels of concern in all three areas exceed the EU average.

Investment Finance

Access to finance conditions in Cyprus are more worrisome than in the rest of the EU, as 14% of Cypriot firms are finance-constrained and the trend is rising since EIBIS 2019. In addition, levels of dissatisfaction with external finance abundantly exceed the EU average, particularly in terms of cost, collateral requirement and available amount.

As a result of the COVID-19 crisis, 16% of firms increased their debt. Public support to most affected businesses was relevant: 61% of the firms have received some form of financial help, in line with the EU average (56%). Subsidies and other support which do not need to be paid back were the main forms of financial support in response to COVID-19 (49%, compared to 36% across the EU).

Climate Change and Energy Efficiency

A sizeable share of firms in Cyprus perceives the effect of climate change: 60% of firms think that climate change is having an impact on their business, broadly in line with EIBIS 2020 (64%) and the EU average (58%). Cypriot firms are starting to internalize the risks associated with the transition to net zero, with more firms considering the transition to stricter climate standards and regulations as an opportunity rather than a risk for their business over the next five years (40% and 20%, respectively).

The proportion of firms who have already invested to tackle the impacts of climate change has fallen from 23% in EIBIS 2020 to 13%, but there appears to be an upward trend in terms of the percentage that are planning to invest, standing at 40%, 5% higher than in EIBIS 2020. As well as investing in climate change, a quarter (24%) of firms invested in energy efficiency in 2020. Finally, 41% of firms report having set and monitored internal targets on carbon emissions and energy consumption, comparable to the EU average (46%).

Firm management, gender balance and employment

Asked about several management practices, 91% of firms strove for gender balance in 2020, well above the EU average (60%). Seven in ten firms (69%) linked individual performance to pay and 63% used a strategic business monitoring system – broadly in line with the EU averages. Overall, firms in Cyprus experienced a 12% drop in employment, while it remained unchanged in the EU. Medium and large firms were more affected than micro and small firms.
Investment Dynamics and Focus

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

After the COVID-19-related drag, investment dynamics have improved and investment has bounced back to the pre-COVID levels, with investment in Q2 2021 displaying a significant improvement: 11% above the pre-crisis levels and 61% above investment in the same quarter of the previous year. Total investment in Q3 2021 dropped slightly again, but still remained above pre-pandemic levels. Private sector investment, suffering substantially due to COVID-19, led the recovery in investment in 2021.

INVESTMENT CYCLE AND EVOLUTION OF INVESTMENT EXPECTATIONS

EIBIS 2021 shows that firms in Cyprus became more optimistic for 2021, with more firms expecting to increase investment than to decrease it. This represents a substantial positive shift from EIBIS 2020.

Medium/large firms and those in the manufacturing sector have the most positive outlook for investment in 2020, while construction and infrastructure firms still hold a negative investment outlook.

The forecasted negative investment expectation was not as severe as predicted in EIBIS 2020, with investment expectations even bouncing back to positive.

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 EIBIS 2021.

Base: All firms
### Investment Dynamics and Focus

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

On average, firms in Cyprus spent a half of their investment on replacing buildings and equipment in 2020. This proportion of firms has risen by thirteen percentage points from 37% in EIBIS 2020 and is in line with the EU average. About 21% of the firms invested in new products and services and 13% in capacity expansion.

The data suggests that replacement was more of an investment priority for medium/large firms and those in the service sector. Instead, investment in new products and services was more of a priority for micro/small firms and those in the construction/infrastructure sector.

**INVESTMENT AREAS**

Out of the six investment areas considered, the largest share of investment in 2020 by Cypriot firms went into machinery and equipment (40%), followed by software, data, IT and website activities (23%), and land, business buildings and infrastructure (17%). Compared to EIBIS 2020, investment in software, data, IT and website activities doubled, signalling the endeavour of Cypriot firms to become more digital.

Investment activities varied depending on the sector and size of the business. Firms in the manufacturing sector and medium/large firms invested the most in machinery and equipment. Instead, construction/infrastructure firms and micro/small firms invested the most in intangibles.
Impact of COVID-19

IMPACT OF COVID-19 ON SALES

COVID-19 hit firms in various ways. When asked about the impact on sales, nearly half of all firms in Cyprus (46%) report their sales have declined compared to the beginning of 2020, in line with the EU average. In contrast, 22% of firms in Cyprus have experienced an increase, in line with the EU average.

The data suggest that micro/small firms have suffered a larger decline in sales than medium/large firms. Almost a third of medium/large firms experienced increased sales.

![Bar chart showing impact of COVID-19 on sales](chart)

Q. What has been the impact so far of the COVID-19 pandemic on your company’s sales or turnover compared to the beginning of 2020?

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

SHORT-TERM ACTIONS AS A RESULT OF COVID-19

In Cyprus, about half (52%) of the firms have taken at least one short-term action or made investments in response to COVID-19, broadly in line with the EU average (57%), but much lower than in the US (74%).

The most commonly cited action is a shift towards becoming more digital (44%), followed by shortening supply chains (19%) and the development of new products (15%).

The data suggest that medium/large firms are more likely to have taken short-term action in response to COVID-19 than micro/small firms, particularly in the areas of becoming more digital and shortening supply chains.

![Bar chart showing short-term actions](chart)

Q. As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?

Base: All firms (excluding don’t know/refused responses)
Impact of COVID-19

IMPACT OF COVID-19 ON INVESTMENT

Overall firms in Cyprus tended to be less impacted by COVID-19 than those across the EU. When asked about whether they made any changes to their investment expectation during the pandemic, 83% of Cypriot firms report no change, a higher share than the EU average (71%).

No firms reported an upward revision of their investment plans, while 17% revised their investment plans downwards.

There are no significant variations by sector or size of firm.

DIFFERENCES IN IMPACT OF COVID-19 ON INVESTMENT

In Cyprus, the impact of COVID-19 on investment was limited, with the majority of firms reporting unchanged investment expectations, regardless of the impact COVID-19 had on their sales.

Irrespective of the impact of COVID-19 on sales, the share of firms that revised downwards their investment plans is lower in Cyprus relative to the EU.

Q. Has your company taken any of the following actions as a result of the COVID-19 pandemic?

Q. You mentioned revising your investment plans due to the COVID-19 pandemic. Did you revise them upward or downward?

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

Q. Do you expect the COVID-19 outbreak to have a long-term impact on any of the following?

Q. What has been the impact so far of the COVID-19 pandemic on your company’s sales or turnover compared to the beginning of 2020? Has it...

Base: All firms (excluding don’t know/refused responses)
Investment Needs and Priorities

PERCEIVED INVESTMENT GAP

The majority of Cypriot firms do not perceive major investment gaps. In spite of the difficult circumstances, 70% of firms believe that their investment activities over the last three years have been in line with their needs, which is broadly in line with the share reported in EIBIS 2020.

A much smaller proportion of firms (16%) report that they invested too little and 11% believe they invested too much.

Firms in Cyprus are more likely than EU firms to feel that they invested too much over the past three years (11% versus 2%, respectively) and are less likely to feel they invested about the right amount (70% versus 82%).

Manufacturing and medium/large firms are more likely to feel they invested too much over the past three years, while firms in services and construction/infrastructure on average feel that they invested the right amount.

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

Irrespective of the firm size, the share of firms at or above full capacity has declined since EIBIS 2020 (44% versus 66%) and has become aligned with the EU average (49%).

The highest share of firms operating at or above full capacity in 2020 were among the manufacturing sector (57%) and this is similar to EIBIS 2020 (58%).

Smaller proportions of firms in the services and construction/infrastructure sectors operated at or above full capacity compared to EIBIS 2020.

Full capacity is the maximum capacity attainable 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?

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

FUTURE INVESTMENT PRIORITIES (% of firms)

Developing or introducing new products, processes or services and replacing existing buildings and equipment are the most commonly cited investment priorities for the next three years among firms in Cyprus (36% and 33%, respectively) while 14% mention capacity expansion as their priority. The proportion of firms prioritising replacement has almost doubled since EIBIS 2020 (19%), while the proportion of firms mentioning capacity expansion has dropped from 24%.

Compared to the EU average, firms in Cyprus are much less likely to prioritise capacity expansion and are more likely to introduce new products/services.

Construction/infrastructure firms and medium/large firms tend to be more likely to prioritise replacement than other businesses.

COVID-19 will undeniably have a long-term impact on firms’ needs and priorities, as reported by 73% of Cypriot firms. This is in line with the rest of the EU (72%), but slightly higher than what was reported in EIBIS 2020 (69%).

The most commonly anticipated long-term impact is the increased use of digital technologies (53%), similar to the EU average (55%).

Firms in Cyprus are more likely than EU firms to think that COVID-19 will have a long-term impact on their service or product portfolio (39% versus 23%, respectively) and on their supply chain (41% versus 28%, respectively).

Q. Do you expect the COVID-19 outbreak to have a long-term impact on any of the following?

Base: All firms
Innovation Activities

INNOVATION ACTIVITY

Overall 36% of firms developed or introduced new products, processes or services as part of their investment activities in 2020, which is broadly in line with what was reported in EIBIS 2020 (33%) and the EU average (36%). Among them, 19% developed or introduced new products, processes or services that were new to the firm, while 16% claim to have undertaken innovation that is new to the country or world.

Firms in the service sector and micro/small firms in Cyprus were less likely to have innovated. Manufacturing firms innovated mostly through introducing products new to the firm and construction/infrastructure firms mostly innovated through introducing products new to the country/world.

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

A fifth of firms (19%) in Cyprus can be classified as ‘active innovators’, that is firms that invested heavily in research and development and introduced a new product, process or service. The overall proportion of active innovators is in line with EIBIS 2020 (16%) and with the average for the EU. Contrary to EIBIS 2020, a greater proportion of this group is made up of firms that introduced products, processes or services that are new to the local context (incremental innovators), instead of leading innovators.

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. ‘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.

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

IMPLEMENTATION OF ADVANCED DIGITAL TECHNOLOGIES

Overall, 74% of Cypriot firms have implemented at least one advanced digital technology, an increase from EIBIS 2020 (54%).

Medium/large firms are more likely than micro/small firms to have implemented at least one advanced digital technology (89% versus 54%, respectively).

Among the advanced digital technologies, Cypriot firms implement mostly drones, platforms and robotics. Some technologies such as big data, virtual reality and drones were even more widely implemented in Cyprus than in the EU.

IoT technology is implemented by 27% of firms, similar to 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)

Reported shares combine implemented the technology ‘in parts of business’ and ‘entire business organised around it’.

Overall, 74% of Cypriot firms have implemented at least one advanced digital technology, an increase from EIBIS 2020 (54%).

Medium/large firms are more likely than micro/small firms to have implemented at least one advanced digital technology (89% versus 54%, respectively).

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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)
Drivers And Constraints

SHORT-TERM FIRM OUTLOOK

More Cypriot firms expect the political and regulatory climate to deteriorate than improve in the next twelve months, but the outlook is improving compared to 2020. This is in line with firms across the EU. Cypriot firms are less optimistic relative to their EU peers with regards to the availability of internal finance. Nevertheless, expectations for the overall economic climate, business prospects in the sector and availability of external finance have turned more positive again.

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

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

Base: All firms

SHORT-TERM FIRM OUTLOOK BY SECTOR AND SIZE (NET BALANCE %)

With the exception of the manufacturing sector and medium/large firms, firms are consistently more negative than positive with regards to political/regulatory climate and internal finance.

Construction/infrastructure firms are more negative than positive across all factors, with the exception of the economic climate, where they tend towards a more optimistic outlook.

Micro/small firms are less optimistic than medium/large firms across all business areas put forward for consideration.

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

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

Base: All firms
Drivers And Constraints

LONG-TERM BARRIERS TO INVESTMENT

Overall, Cypriot firms seem to perceive more obstacles to investment in 2021 than in 2020, with the exception of availability of skilled staff. Moreover, firms in Cyprus are more likely than EU firms to cite nearly all factors asked about as a barrier to investment. The exceptions to this are the availability of staff with the right skills and labour market regulations for which the share of firms reporting this to be an obstacle is in line with the EU average. Uncertainty about the future is cited as the main long-term barrier to investment (94%), which is broadly in line with EIBIS 2020 (89%) but above the EU average (73%). The other two long-term barriers mostly cited by Cypriot firms are energy costs (86%) and business regulations (84%). This finding is consistent across all sectors and sizes of firms.

<table>
<thead>
<tr>
<th>Factor</th>
<th>EU - Major obstacle</th>
<th>EU - Minor obstacle</th>
<th>CY - Major obstacle</th>
<th>CY - Minor obstacle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand for products/services</td>
<td>84</td>
<td>93</td>
<td>94</td>
<td>76</td>
</tr>
<tr>
<td>Availability of skilled staff</td>
<td>71</td>
<td>83</td>
<td>90</td>
<td>62</td>
</tr>
<tr>
<td>Energy costs</td>
<td>61</td>
<td>78</td>
<td>48</td>
<td>64</td>
</tr>
<tr>
<td>Access to digital infrastructure</td>
<td>71</td>
<td>82</td>
<td>83</td>
<td>58</td>
</tr>
<tr>
<td>Labour market regulations</td>
<td>77</td>
<td>71</td>
<td>89</td>
<td>60</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Demand for products/services</th>
<th>Availability of skilled staff</th>
<th>Energy costs</th>
<th>Digital infrastructure</th>
<th>Labour regulations</th>
<th>Business regulations</th>
<th>Transport infrastructure</th>
<th>Availability of finance</th>
<th>Uncertainty about the future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>84</td>
<td>93</td>
<td>94</td>
<td>76</td>
<td>84</td>
<td>83</td>
<td>71</td>
<td>75</td>
<td>94</td>
</tr>
<tr>
<td>Services</td>
<td>71</td>
<td>83</td>
<td>90</td>
<td>62</td>
<td>74</td>
<td>80</td>
<td>72</td>
<td>57</td>
<td>92</td>
</tr>
<tr>
<td>Construction/Infrastructure</td>
<td>61</td>
<td>78</td>
<td>48</td>
<td>64</td>
<td>88</td>
<td>55</td>
<td>70</td>
<td>96</td>
<td></td>
</tr>
<tr>
<td>Micro/Small</td>
<td>71</td>
<td>82</td>
<td>83</td>
<td>58</td>
<td>73</td>
<td>79</td>
<td>65</td>
<td>80</td>
<td>92</td>
</tr>
<tr>
<td>Medium/Large</td>
<td>77</td>
<td>71</td>
<td>89</td>
<td>60</td>
<td>71</td>
<td>87</td>
<td>66</td>
<td>53</td>
<td>95</td>
</tr>
</tbody>
</table>

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)
Investment Finance

SOURCE OF INVESTMENT FINANCE

Firms in Cyprus continued to fund the majority of their investment in 2020 through internal financing (80%) which is a larger share than what was reported in EIBIS 2020 and higher than the EU average (65% and 63%, respectively).

External finance made up the remainder of the used funding (20%), with intra-group finance accounting for less than 1% of investment. These figures are lower than the EU average and what was reported in EIBIS 2020.

Construction/infrastructure firms tend to be more likely to have financed investment from external sources than firms in other sectors.

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)

**SOURCE OF INVESTMENT FINANCE**

<table>
<thead>
<tr>
<th>Source of Finance</th>
<th>EU 2021</th>
<th>CY 2020</th>
<th>CY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loan</td>
<td>58%</td>
<td>56%</td>
<td>56%</td>
</tr>
<tr>
<td>Other bank finance</td>
<td>20%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Leasing</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Non-institutional loans*</td>
<td>7%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Bonds</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Grants</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES

In 2020, bank loans continued to make up the largest share of external finance (58%) used for investment activities, and this is in line with the EU average (56%), but this proportion has shrunk since EIBIS 2020.

Other bank finance accounted for the second highest share of external finance (20%), followed by leasing (12%), factoring (7%) and grants (4%).

Manufacturing and service firms’ external finances appear to have been sourced almost exclusively from banks, whereas construction/infrastructure firms sourced from a more varied pool, with the largest share being some form of bank finance. Medium/large firms resorted mostly to non-bank loans financing (54%), unlike micro/small firms (28%).
Investment Finance

ACTIONS TAKEN AS A RESULT OF COVID-19

In response to the pandemic, firms in Cyprus have increased their debt position (16%), at par with their EU peers. Yet, a slightly higher share of Cypriot firms raised equity from current owners compared to the EU average (9% against 5%).

Public support was substantial in Cyprus, as 61% of the firms report that they have received financial support in response to COVID-19, either via a bank or other finance provider or government-backed finance. This is in line with the EU average (56%).

Subsidies or other financial support that do not need to be paid back in the future made up the largest share of financial support (49%), followed by deferral of payments (24%).

The share of firms receiving subsidies or financial support that they do not need to pay back is higher in Cyprus than the EU average.
Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Cypriot firms' levels of dissatisfaction with external finance vary broadly according to the aspect considered. Firms in Cyprus are considerably more dissatisfied with the cost of finance compared to the EU average (23% against 5% respectively). Moreover, Cypriot firms are significantly more dissatisfied with the amount received (12%) and the collateral required (16%) than the EU average (2% and 6% respectively). Instead, their levels of dissatisfaction with the type of external finance received and the time to repayment are in line with what was reported by the rest of EU 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 (%)

Manufacturing firms are the least likely to express dissatisfaction regarding all aspects of financial support, while construction/infrastructure firms tend to be the most dissatisfied, particularly regarding the cost of finance.

Collateral is the biggest issue for micro/small firms with 36% expressing dissatisfaction. In contrast, for medium/large firms, the cost of finance and the amount available receive the highest levels of dissatisfaction (38% and 21%, respectively).

Q. How satisfied or dissatisfied are you with …?

*Caution small base size

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

Financial constraints seem to be a problem of increasing importance: 14% of all firms in Cyprus can be considered financially constrained in terms of external finance, a slightly higher share compared to EIBIS 2020 (10%) and considerably higher than the EU average of 5%.

Manufacturing firms are the most likely to be financially constrained in terms of external finance, as almost 35% of them report having been rejected after asking for external finance or being discouraged from applying in the first place.

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 (excluding don’t know/refused responses)

FINANCING CONSTRAINTS OVER TIME

There has been an increasing trend of financially constrained firms: the share has started rising again since EIBIS 2019.

Base: All firms (excluding don’t know/refused responses)
Climate Change and Energy Efficiency

IMPACT OF CLIMATE CHANGE – PHYSICAL RISK

A sizeable share (60%) of firms in Cyprus think that climate change is having an impact on their business, broadly in line with what was reported in EIBIS 2020 (64%) and the EU average (58%).

Firms in the construction/infrastructure sector tend to be less likely to think that climate change is impacting their business. Instead, manufacturing firms are the most likely ones to perceive the effect of weather events on their business, although they mainly consider the impact as minor.

Medium and large firms are also slightly more likely than micro and small firms to perceive the impact of climate change (66% against 54%).

IMPACT OF CLIMATE CHANGE – RISKS ASSOCIATED WITH THE TRANSITION TO A NET ZERO EMISSION ECONOMY OVER THE NEXT FIVE YEARS

On average, 60% of the firms in Cyprus internalise the transition to a net zero economy. While a fifth of firms (20%) see the transition to stricter climate standards and regulations as a risk to their business, a far greater share (40%) see this as an opportunity. This represents a more optimistic outlook than the EU, where 28% of firms see the transition as an opportunity.

Service firms appear to be the least optimistic about the impact of the transition to stricter climate standards and regulations, with 31% perceiving this as a risk.
Climate Change and Energy Efficiency

INVESTMENT PLANS TO TACKLE CLIMATE CHANGE IMPACT

About one in ten (13%) firms have already invested to tackle the impacts of weather events and to deal with the process of reduction in carbon emissions, a lower share compared to what was reported in EIBIS 2020 (23%). The outlook on investment to tackle climate change is improving, with 40% of firms planning to invest, 5% more than in EIBIS 2020. In comparison to the rest of the EU (43%), the share of Cypriot firms who have already invested is lower, while the share of firms in Cyprus that are planning to invest is slightly below the EU average (47%).

Until now, manufacturing firms have paved the way in terms of investment, but they tend to be slightly less likely to be planning to invest compared with service and construction/infrastructure sectors.

SHARE OF FIRMS INVESTING IN MEASURES TO IMPROVE ENERGY EFFICIENCY AND SHARE OF TOTAL INVESTMENT

Investment in energy efficiency had a low diffusion among Cypriot firms. 24% of firms invested in measures to improve energy efficiency in 2020, a lower share compared to the share of firms that invested in 2019 (38%) and lower than the EU average (38%). The overall share of total investment given over to energy efficiency measures by firms in Cyprus stands at 4%.

The proportion of firms investing is greatest - and has increased - in the manufacturing sector (35%) and among medium/large firms (37%).
Firm management, climate targets, gender balance and employment

FIRM MANAGEMENT, CLIMATE TARGETS AND GENDER BALANCE

Asked about several management practices, 91% of the firms report having striven for gender balance in their business in 2020, well above the EU average (60%).

Regarding the use of strategic monitoring systems (63%) and the link of individual performance to pay (69%) Cypriot firms are in line with the EU averages (55% and 67% respectively).

In terms of environment, 41% of the firms report having set and monitored internal targets on carbon emissions and energy consumption, which is similar to the EU average (46%).

Medium/large firms made more progress on the setting and monitoring of internal targets for carbon emissions/energy consumption than micro/small firms.

Q. How many people does your company employ either full or part time at all its locations, including yourself?

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

CHANGE IN EMPLOYMENT DURING COVID-19

COVID-19 had a strong impact on employment in Cyprus, which decreased by 12% compared to the pre-pandemic period. The negative effect of the pandemic was much stronger in Cyprus compared to the EU average. Medium and large firms suffered a 12% decrease in employment, and they were more impacted than micro and small firms, which experienced only a 2% reduction in employment.

Q. How many people did your company employ either full or part time at all its locations at the beginning of 2020, before the COVID-19 pandemic?

Base: All firms (excluding don’t know/refused responses)
EIBIS 2021 – 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.

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>US</th>
<th>CY</th>
<th>Manufacturing</th>
<th>Services</th>
<th>Construction/Infrastructure</th>
<th>Micro/Small</th>
<th>Medium/Large</th>
<th>EU vs CY</th>
<th>Manufacturing vs Construction/Infrastructure</th>
<th>Micro/Small vs Medium/Large</th>
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<tbody>
<tr>
<td>10% or 90%</td>
<td>1.1%</td>
<td>3.5%</td>
<td>6.9%</td>
<td>14.1%</td>
<td>10.0%</td>
<td>12.1%</td>
<td>5.4%</td>
<td>11.6%</td>
<td>6.9%</td>
<td>18.5%</td>
<td>12.8%</td>
</tr>
<tr>
<td>30% or 70%</td>
<td>1.7%</td>
<td>5.3%</td>
<td>10.5%</td>
<td>21.5%</td>
<td>15.3%</td>
<td>18.4%</td>
<td>8.2%</td>
<td>17.7%</td>
<td>10.6%</td>
<td>28.2%</td>
<td>19.5%</td>
</tr>
<tr>
<td>50%</td>
<td>1.8%</td>
<td>5.8%</td>
<td>11.5%</td>
<td>23.5%</td>
<td>16.7%</td>
<td>20.1%</td>
<td>9.0%</td>
<td>19.4%</td>
<td>11.6%</td>
<td>30.8%</td>
<td>21.3%</td>
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</tbody>
</table>

**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).

**Services sector**
Based on the NACE classification of economic activities, firms in group F (Construction).

**Construction/Infrastructure sector**
Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food Construction/Infrastructure 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.

Note: the EIBIS 2021 country overview refers interchangeably to ‘the past/last financial year’ or to ‘2020’. Both refer to results collected in EIBIS 2021, where the question is referring to the past financial year, with the majority of the financial year in 2020 in case the financial year is not overlapping with the calendar year 2020.
The country overview presents selected findings based on telephone interviews with 182 firms in Cyprus (carried out between March and July 2021).

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

<table>
<thead>
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<tr>
<td>All firms, p. 2, p. 6, p. 7, p. 10, p. 11</td>
<td>11920/11971</td>
<td>802</td>
<td>182/180</td>
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<td>82</td>
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<tr>
<td>All firms (excluding 'Company didn’t exist three years ago' responses), p. 6</td>
<td>11930/11971</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 2</td>
<td>11620/11634</td>
<td>768</td>
<td>180/178</td>
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<td>80</td>
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<td>141</td>
<td>39</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 4</td>
<td>11860/NA</td>
<td>800</td>
<td>180/NA</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 4 (bottom)</td>
<td>11919/NA</td>
<td>802</td>
<td>182/NA</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 5 (top)</td>
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<td>181/180</td>
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<td>39</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 5 (bottom)</td>
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<td>766</td>
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<td>All firms (excluding don’t know/refused responses), p. 7 (top)</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 7 (bottom)</td>
<td>11648/11720</td>
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<td>173/173</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 8 (top)</td>
<td>8780/9039</td>
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<td>All firms (excluding don’t know/refused responses), p. 8 (bottom)</td>
<td>11891/11938</td>
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<td>All firms (excluding don’t know/refused responses), p. 12 (top)</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 12 (bottom)</td>
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<td>All firms (excluding don’t know/refused responses), p. 15 (bottom)</td>
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<td>All firms (excluding don’t know/refused responses), p. 16 (top)</td>
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<td>All firms (excluding don’t know/refused responses), p. 16 (bottom)</td>
<td>11384/NA</td>
<td>783</td>
<td>164/NA</td>
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<td>36</td>
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<tr>
<td>All firms who have invested in the last financial year (excluding don’t know/refused responses), p. 3 (top)</td>
<td>9670/10138</td>
<td>674</td>
<td>113/129</td>
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<tr>
<td>All firms who have invested in the last financial year (excluding don’t know/refused responses), p. 3 (bottom)</td>
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<td>140/156</td>
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<td>130/145</td>
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<td>58</td>
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<tr>
<td>All firms who have invested in the last financial year (excluding don’t know/refused responses), p. 17</td>
<td>11920/11971</td>
<td>802</td>
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<td>142</td>
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<tr>
<td>All firms who used external finance in the last financial year (excluding don’t know/refused responses), p. 12</td>
<td>4003/4354</td>
<td>284</td>
<td>46/55</td>
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<td>15</td>
<td>16</td>
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<tr>
<td>All firms who used external finance in the last financial year (excluding don’t know/refused responses), p. 14*</td>
<td>3964/4310</td>
<td>281</td>
<td>45/54</td>
<td>14</td>
<td>14</td>
<td>15</td>
<td>34</td>
<td>11</td>
</tr>
</tbody>
</table>
Cyprus Overview

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