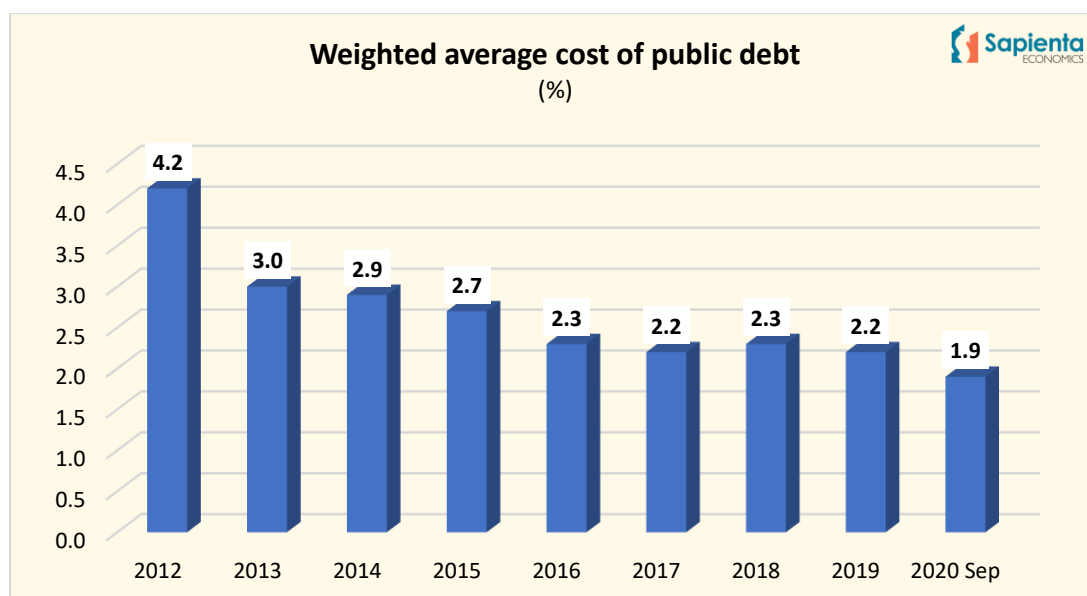


Shortened executive summary

28 February 2021

- **Political analysis and outlook.** The UN-led five-party meeting has been set for end-April and the UK has proposed an adapted governance model.
- **Sectoral policies, reforms and energy.** The Israel-Egypt pipeline deal has raised concerns domestically but may yet be good for Aphrodite exports. Parliament is rushing to implement anti-corruption laws ahead of the election in May.
- **Fiscal performance and forecast.** The government estimates that fiscal support for Covid-19 will amount to €2.6bn (11% of GDP) in 2021-23. Another €1bn bond was issued in February.
- **Banking sector.** Bank of Cyprus reported a loss of €172m in 2020. KEDIPES seems set to be the official bad bank but we expect asset management companies to continue managing commercial real estate.
- **Macroeconomic trends and forecast.** Cystat “flash” estimates indicate that real GDP declined by 4.8% in 2020. We have revised up our growth forecast to 2.1% in 2021.
- **Economy of northern Cyprus*.** Covid-19 case rates have been falling rapidly. Turkey has pledged more infrastructure support. Treasury bills have become a regular feature of budgetary policy.

*Areas not under the effective control of the government of the Republic of Cyprus.



This is the shortened executive summary of Sapienta Country Analysis Cyprus. Each month we analyze politics including the Cyprus problem, natural gas developments, structural reforms, fiscal and debt sustainability, banking-sector stability and macroeconomic trends. Each report comes with a medium-term GDP and fiscal forecast. We also cover political and economic developments in northern Cyprus. To find out more, visit the Analysis Cyprus page on our website www.sapientaeconomics.com.