

Cyprus performance in the Global Competitiveness Report. Strengths and Weaknesses

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What is the Global Competitiveness Report?

- ▶ Is the world's leading global monitor of the competitive condition of economies
- ▶ Evaluates the potential for sustained economic growth of 139 economies worldwide and ranks them accordingly
- ▶ Assesses the comparative strengths and weaknesses of the major economies of the world

The Global Competitiveness Index

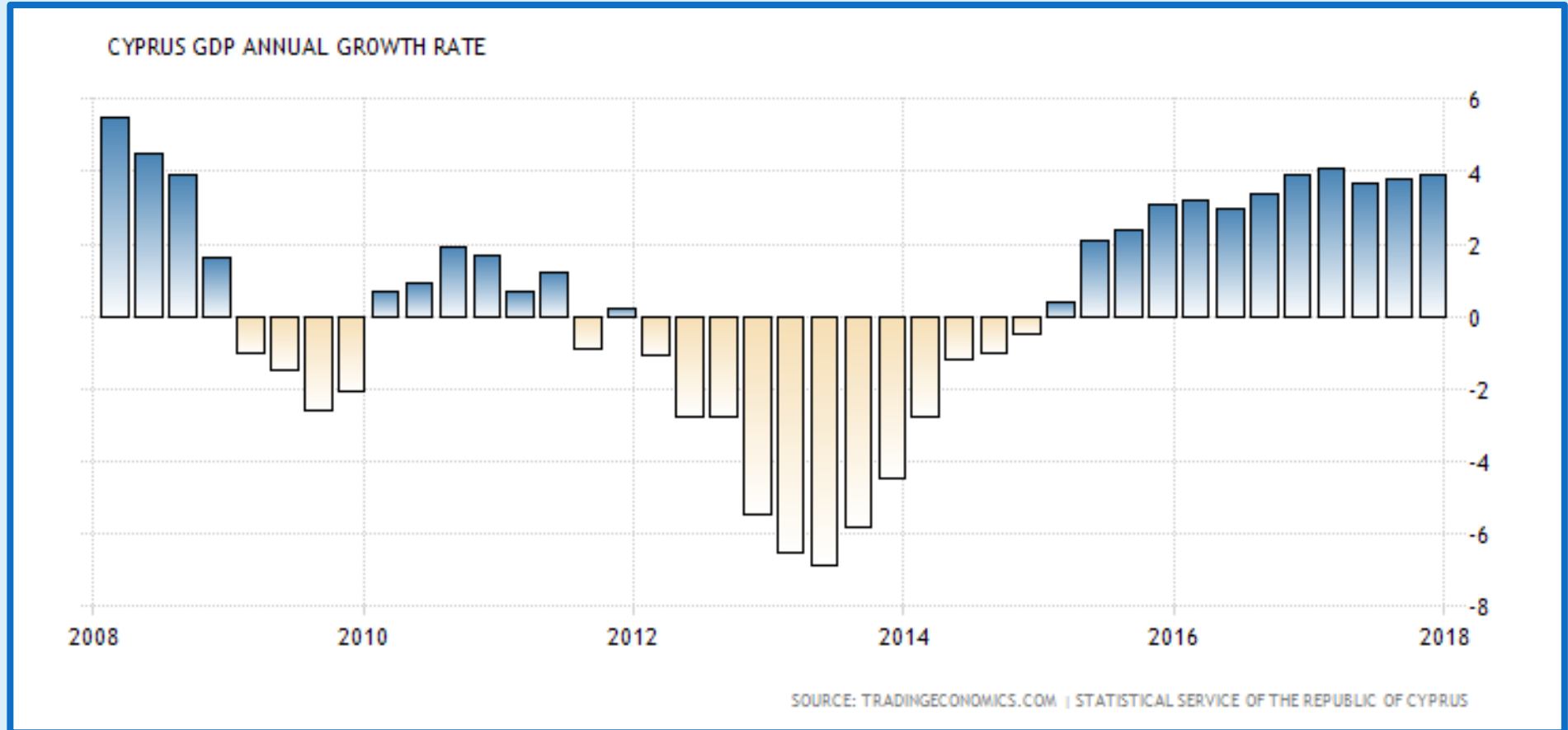
Based on two sources:

- Annual Executive Opinion Survey
- Publicly available data

Produced by 12 pillars and three sub indices

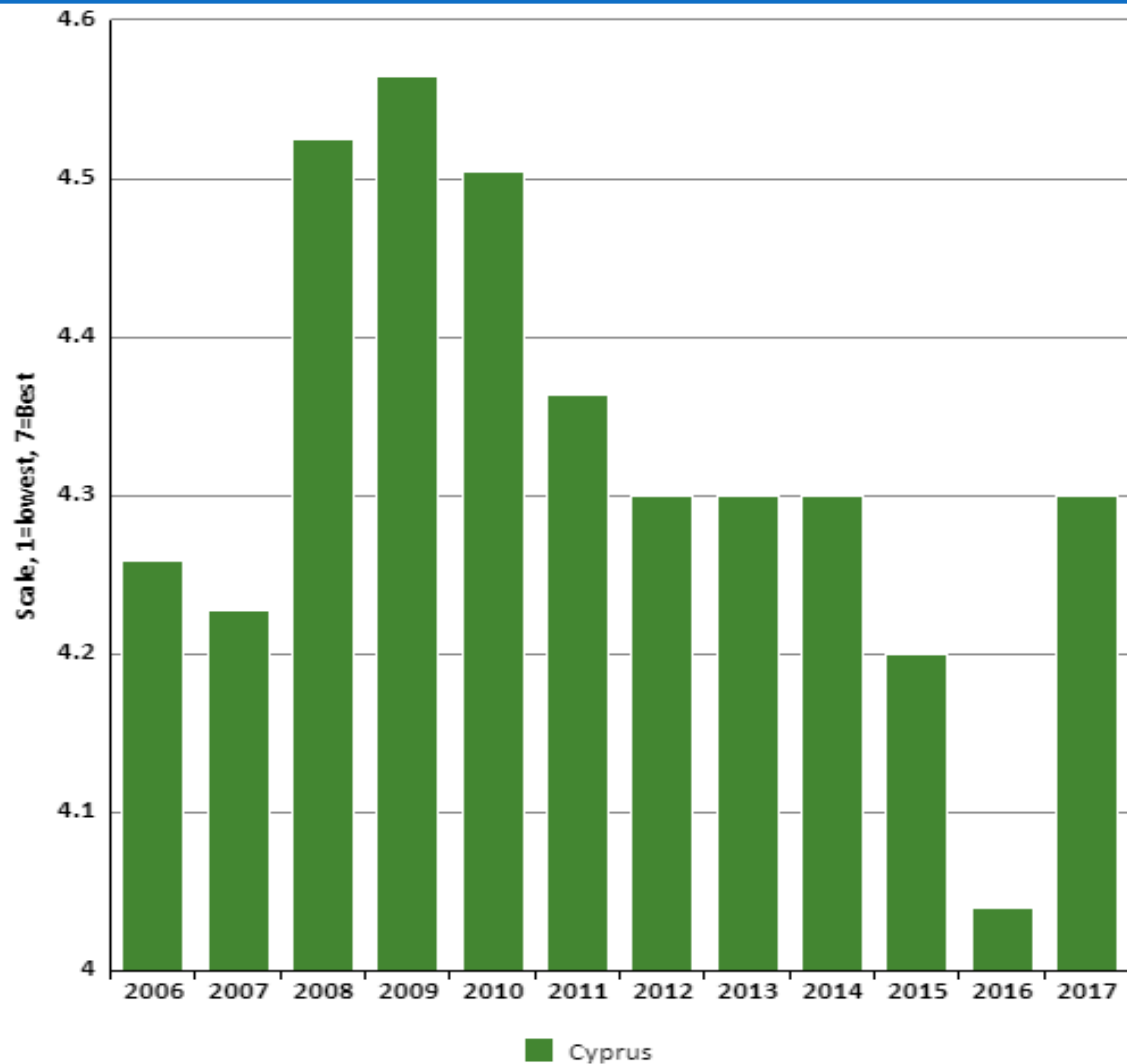
- A. Basic Requirements (Institutions, Infrastructure, Macroeconomics, Health and Primary Education)
- B. Efficiency Enhancers (Higher Education, Goods Market, Labour Market, Financial Markets, Technological Readiness, Market Size)
- C. Innovation and Sophistication Factors (Business Sophistication, Innovation)

Cyprus GDP Performance

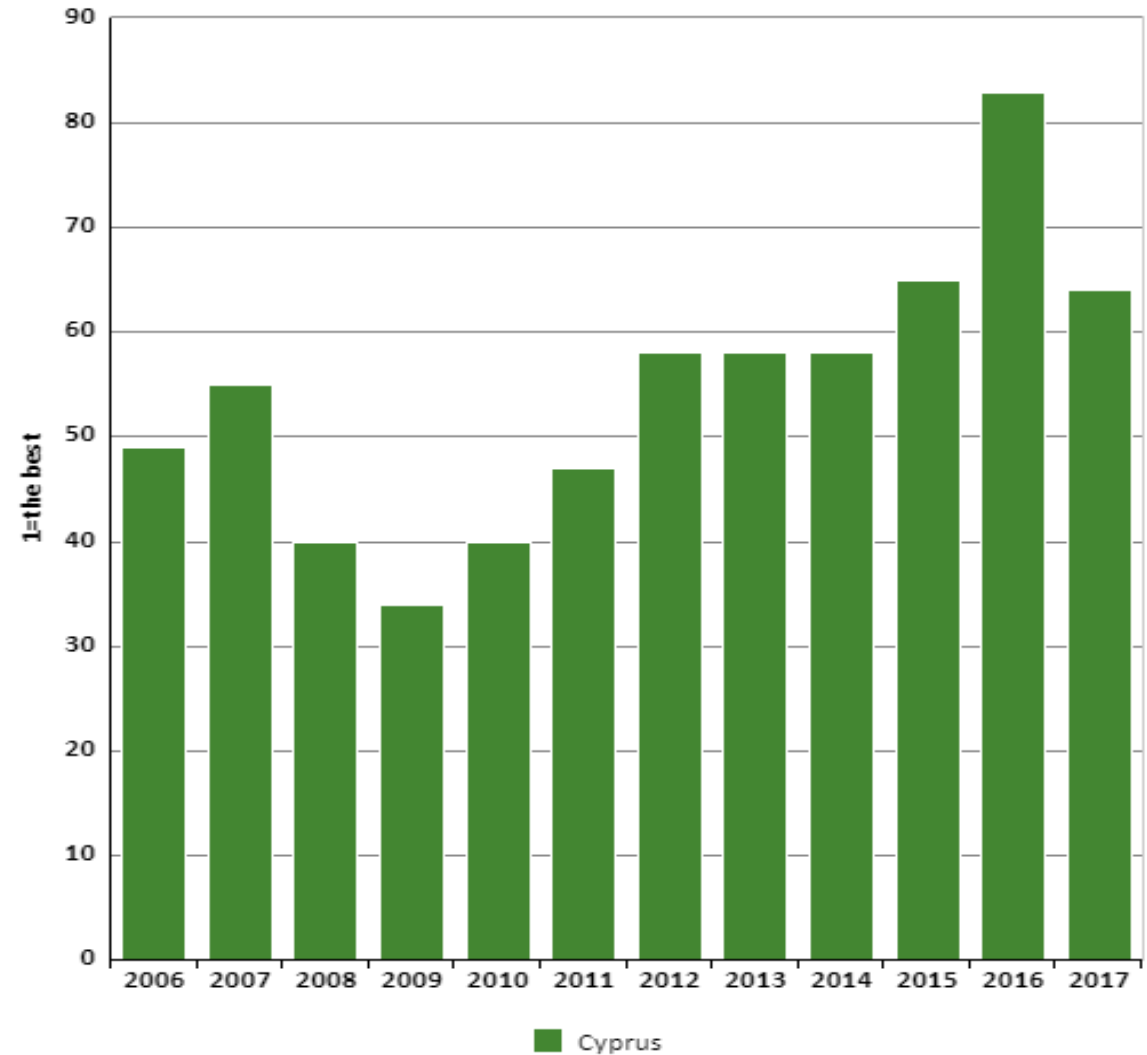


Cyprus Overall GCI Performance

Score:



Rank:

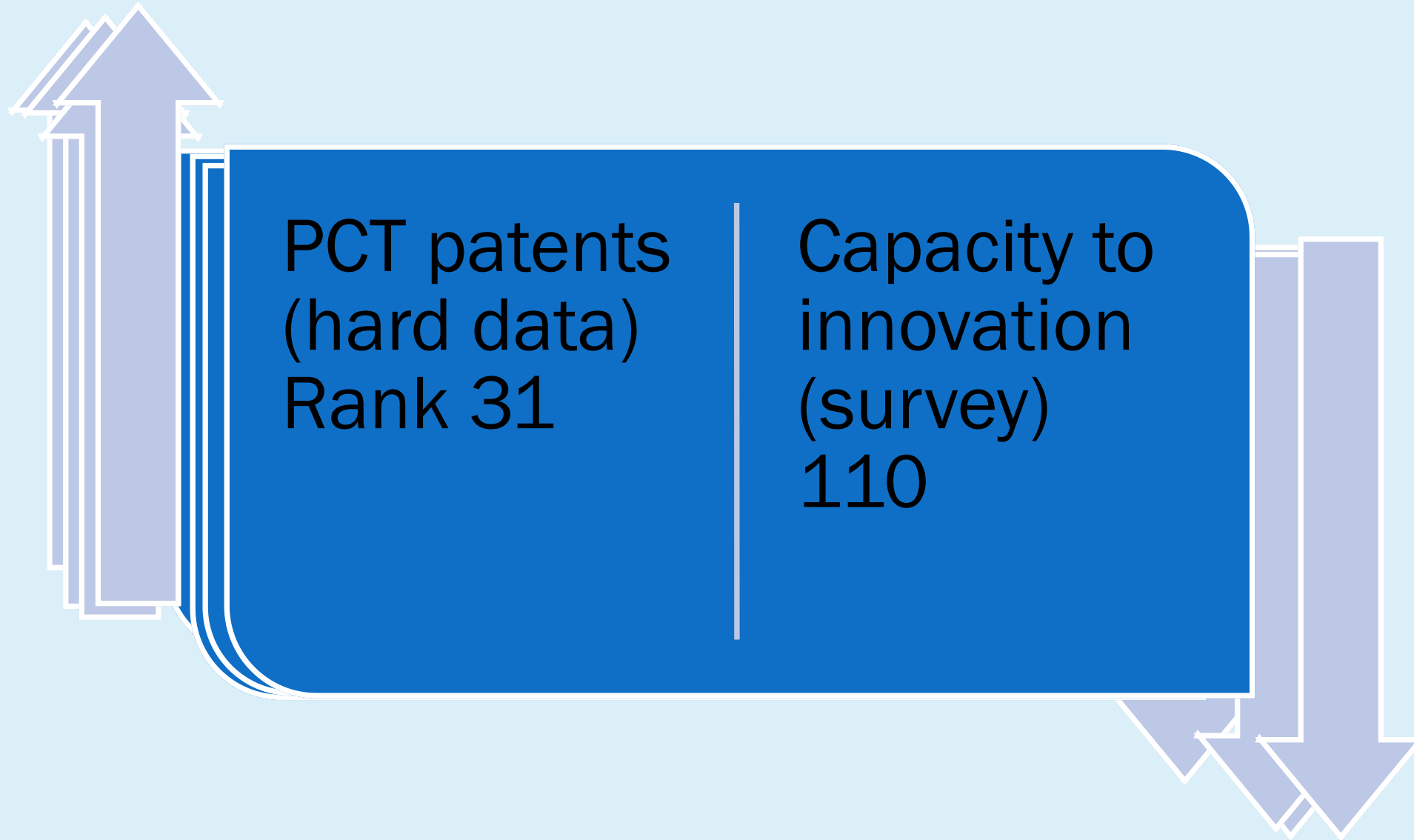


Comparing Cyprus' GCI and GDP Performance

- Cyprus is ranked much lower in GCI than its per capita GDP position
 - *Cyprus per capita GDP rank (2017) : 31*
 - *Cyprus GCI rank (2017) :64*
- GCI seems to be a lagging indicator
 - *It falls after the fall in GDP and recovers after the economy has recovered*

First Explanation

- Cypriot respondents to EOS systematically tend to be frugal in their marks. This is evidenced by juxtaposing hard data rankings with survey rankings.




Second Explanation

- Methodology directly penalizes small states

See 10th pillar **Market Size** *Cyprus Rankings 2017*



 10th pillar: Market size	109
10.01 Domestic market size index	114
10.02 Foreign market size index	95
10.03 GDP (PPP) PPP \$ billions	110
10.04 Exports % GDP	24

Competitive Strengths and Weaknesses

- Three best performing pillars
 - *Infrastructure (rank 30)*
 - *Goods market efficiency (rank 25)*
 - *Technological readiness (rank 32)*
- Three worst performing pillars
 - *Market size (rank 109)*
 - *Financial market development (rank 108)*
 - *Macroeconomic environment (rank 97)*

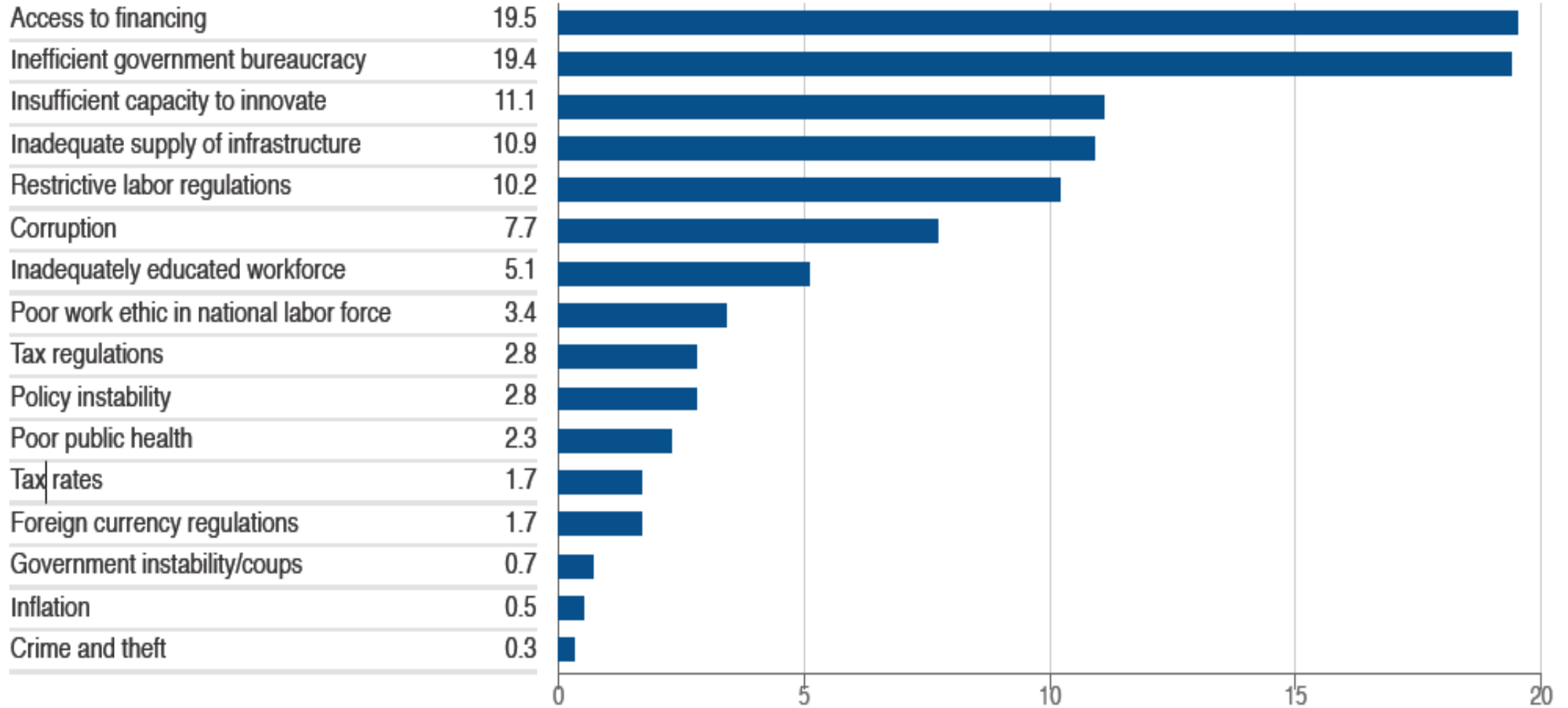
Banking sector blues

 10th pillar: Market size	109	2.9	
10.01 Domestic market size index	114	2.6	
10.02 Foreign market size index	95	3.9	
10.03 GDP (PPP) PPP \$ billions	110	29.7	
10.04 Exports % GDP	24	58.6	

In 2013 Cyprus experienced an unprecedented banking crisis with confiscation of deposits and imposition of capital controls. Its banking sector still suffers from a very high percentage of non performing loans (around 50% of total loans)

Most problematic factors for doing business

Source: World Economic Forum, Executive Opinion Survey 2017



The tourism sector-A bright spot

- Tourist arrivals and revenues have increased considerably during the last four years.
- Generally, Mediterranean countries are ranked much higher on the WEF specialised index for Hospitality and Tourism.
- However, probably because the index is a by-product of the EOS survey (+ some hard data), in the case of Cyprus, it mirrors the GCI scores, in spite of the fact that tourism is performing well

Year	GCI Rank	Travel and Tourism index rank	Tourist arrivals (millions)
2012	58	26	2.47
2014	58	36	2.44
2016	83	51	3.19