



BUSINESS AND CONSUMER SURVEYS

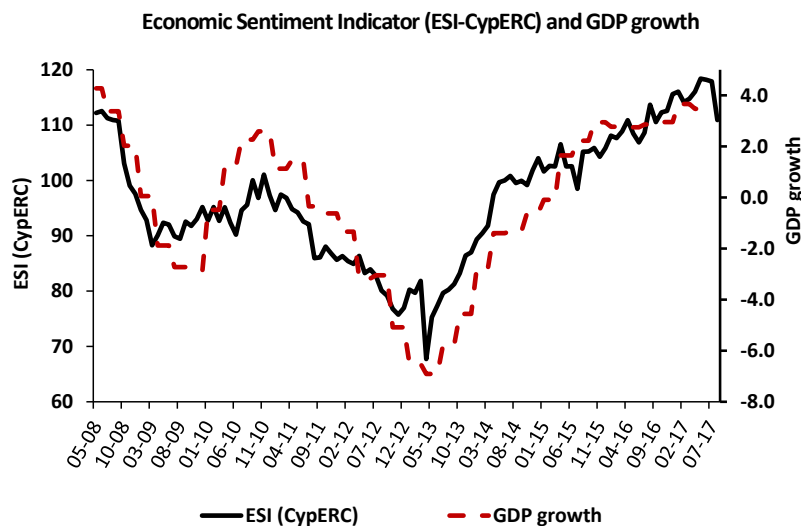
ECONOMICS RESEARCH CENTRE
UNIVERSITY OF CYPRUS



August 2017

SUMMARY

- Economic sentiment in Cyprus deteriorated in August 2017 as the Economic Sentiment Indicator (ESI-CypERC) decreased by 7 points compared with July 2017. The decline resulted mainly from the weakening of business confidence in services. The deterioration in economic confidence in construction and industry as well as among consumers had a smaller impact on ESI-CypERC.
- The Services Confidence Indicator fell sharply due to firms' less optimistic assessments of recent business conditions (i.e. business situation and demand over the last three months) and downward revisions of demand expectations. The deterioration in services confidence was primarily driven by the less positive responses recorded in August in the sub-sectors of financial services and activities auxiliary to financial and insurance services. Also, the downward revisions of demand expectations in the subsectors of hotels, warehousing and support activities for transportation had a large negative effect on services confidence.
- The Retail Trade Confidence Indicator remained unchanged as the improvement in firms' assessments concerning past sales was offset by the deterioration in respondents' views on current stock volumes and future sales.
- The Construction Confidence Indicator decreased slightly due to downward revisions of firms' future employment plans.
- The Industry Confidence Indicator declined as a result of the deterioration in firms' assessments of the stock of finished products and the downward revision of production expectations
- The Consumer Confidence Indicator decreased marginally as consumers were less optimistic about their future financial situation and their future savings.



Note: The weights used in the calculation of the Economic Sentiment Indicator constructed by the Economics Research Centre (ESI CypERC) reflect the contribution of each sector to the GDP of Cyprus.

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Difference between the percentage of positive and negative responses (balance)¹ and ESI (CypERC)

| Month | 2016 | | | | | 2017 | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| ECONOMIC SENTIMENT INDICATOR (ESI CypERC)² | 113.7 | 110.6 | 112.3 | 112.6 | 115.6 | 116.1 | 114.2 | 114.8 | 116.1 | 118.4 | 118.2 | 117.9 | 110.9 |
| SERVICES | | | | | | | | | | | | | |
| Services Confidence Indicator ³ | 27 | 20 | 21 | 20 | 28 | 30 | 26 | 26 | 31 | 36 | 37 | 35 | 17 |
| Business situation, past 3 months ⁴ | 23 | 16 | 14 | 19 | 30 | 27 | 28 | 23 | 30 | 35 | 36 | 34 | 14 |
| Turnover (demand), past 3 months ⁴ | 20 | 20 | 16 | 21 | 15 | 27 | 26 | 25 | 33 | 37 | 44 | 34 | 15 |
| Expected turnover (demand), next 3 months ⁴ | 38 | 22 | 33 | 21 | 40 | 36 | 25 | 31 | 31 | 36 | 32 | 38 | 23 |
| Employment, past 3 months | 3 | 1 | 2 | -2 | -4 | -6 | -1 | -1 | 6 | 2 | 6 | 2 | 1 |
| Expected employment, next 3 months | -1 | -1 | 1 | -5 | -4 | 11 | 4 | 3 | 5 | 4 | 6 | 3 | 4 |
| Expected selling prices, next 3 months | 1 | -3 | 2 | 4 | -1 | 0 | 7 | 3 | 0 | 3 | 4 | 4 | 0 |
| RETAIL TRADE | | | | | | | | | | | | | |
| Retail Trade Confidence Indicator ³ | 3 | 0 | 4 | 6 | 9 | 9 | 5 | 5 | 6 | 7 | 7 | 6 | 6 |
| Business activity (sales), past 3 months ⁴ | -3 | -8 | -6 | -6 | -2 | 8 | 8 | 3 | -3 | 1 | 8 | 6 | 11 |
| Stock of goods ⁴ | 6 | 2 | -5 | -4 | -6 | 0 | 7 | 7 | 8 | 0 | 5 | 6 | 9 |
| Expected business activity (sales), next 3 months ⁴ | 19 | 10 | 12 | 22 | 21 | 19 | 14 | 19 | 29 | 18 | 16 | 19 | 15 |
| Orders placed with suppliers, next 3 months | 1 | -6 | -4 | 8 | 3 | 3 | 2 | 9 | 10 | 9 | 11 | 4 | 4 |
| Expected employment, next 3 months | -1 | 1 | -2 | -1 | 0 | 0 | 0 | -3 | 1 | 1 | -1 | 0 | 1 |
| Expected selling prices, next 3 months | 3 | 3 | 2 | 6 | 4 | -3 | 3 | 1 | 5 | 7 | 6 | 2 | 8 |
| CONSTRUCTION | | | | | | | | | | | | | |
| Construction Confidence Indicator ³ | -32 | -24 | -26 | -28 | -27 | -25 | -23 | -29 | -24 | -27 | -28 | -25 | -26 |
| Building activity, past 3 months | 3 | 12 | -6 | 11 | 5 | 8 | 2 | -4 | 4 | 10 | 6 | -1 | 8 |
| Current overall order books ⁴ | -62 | -51 | -59 | -56 | -54 | -53 | -53 | -60 | -58 | -56 | -58 | -54 | -52 |
| Expected employment, next 3 months ⁴ | -2 | 2 | 6 | 1 | -1 | 3 | 7 | 1 | 10 | 2 | 2 | 4 | 1 |
| Expected selling prices, next 3 months | 0 | 0 | -4 | 2 | -2 | -3 | 3 | 4 | 4 | 3 | 6 | 2 | 3 |
| INDUSTRY | | | | | | | | | | | | | |
| Industrial Confidence Indicator ³ | 8 | -2 | -2 | 3 | 0 | 0 | 4 | 10 | 7 | 3 | 3 | 6 | 4 |
| Production, past 3 months | 6 | 13 | 3 | 7 | 6 | 6 | 12 | 12 | 17 | 22 | 11 | 4 | 10 |
| Current overall order books ⁴ | -25 | -32 | -40 | -39 | -39 | -39 | -32 | -18 | -27 | -22 | -21 | -15 | -12 |
| Current export order books | 5 | -14 | -30 | -36 | -44 | -40 | -20 | -19 | -30 | -33 | -18 | -26 | -20 |
| Stock of finished products ⁴ | -26 | -11 | -18 | -29 | -16 | -21 | -16 | -17 | -18 | -17 | -17 | -18 | -11 |
| Expected production, next 3 months ⁴ | 24 | 15 | 15 | 18 | 22 | 19 | 27 | 33 | 28 | 15 | 12 | 16 | 11 |
| Expected employment, next 3 months ⁵ | -1 | 1 | -1 | -1 | -2 | -1 | -1 | 0 | 8 | 6 | 12 | -2 | 1 |
| Expected selling prices, next 3 months | 5 | 0 | 2 | -1 | 0 | 4 | -4 | 1 | 3 | 1 | 2 | -3 | -7 |
| CONSUMERS | | | | | | | | | | | | | |
| Consumer Confidence Indicator ³ | -7 | -6 | -3 | -1 | -1 | -1 | -3 | -2 | -3 | 1 | -1 | -1 | -2 |
| Financial situation of household, past 12 months | -13 | -14 | -11 | -13 | -15 | -12 | -8 | -8 | -9 | -7 | -8 | -3 | -7 |
| Expected financial situation of household, next 12 months ⁴ | 1 | -2 | 2 | 7 | 5 | 5 | 2 | 2 | 2 | 6 | 4 | 4 | 1 |
| General economic situation in Cyprus, past 12 months | 5 | 6 | 8 | 8 | 9 | 14 | 16 | 14 | 14 | 16 | 18 | 16 | 19 |
| Expected general economic situation in Cyprus, next 12 months ⁴ | 14 | 15 | 18 | 19 | 20 | 20 | 18 | 16 | 18 | 16 | 19 | 17 | 22 |
| Consumer prices, past 12 months | -7 | -13 | -17 | -18 | -17 | -7 | -10 | -5 | -13 | -9 | -15 | -20 | -15 |
| Expected consumer prices, next 12 months | -17 | -15 | -14 | -14 | -16 | -10 | -5 | -7 | -9 | -8 | -11 | -12 | -11 |
| Expected unemployment in Cyprus, next 12 months ^{4,5} | -6 | -5 | -11 | -9 | -11 | -14 | -6 | -11 | -8 | -16 | -12 | -12 | -14 |
| Major purchases at present | -28 | -30 | -24 | -23 | -23 | -16 | -20 | -24 | -24 | -15 | -20 | -13 | -17 |
| Major purchases intentions, next 12 months | -38 | -30 | -24 | -22 | -26 | -28 | -29 | -26 | -26 | -25 | -29 | -27 | -29 |
| Savings at present | -19 | -23 | -18 | -13 | -21 | -23 | -21 | -21 | -13 | -11 | -11 | -14 | -15 |
| Savings intentions, next 12 months ⁴ | -49 | -43 | -43 | -41 | -40 | -43 | -39 | -35 | -41 | -35 | -37 | -39 | -44 |
| Statement on the current financial condition of household | 6 | 5 | 9 | 9 | 6 | 7 | 8 | 10 | 10 | 10 | 13 | 14 | 10 |

Notes:

¹ Positive responses refer to increase/improvement/ above normal/very or fairly likely, while the opposite holds for negative responses. Data are seasonally adjusted.

² The weights used in the calculation of the Economic Sentiment Indicator reflect the contribution of each sector to the GDP of Cyprus.

³ The calculation of the confidence (composite) indicator is described in http://ec.europa.eu/economy_finance/indicators/business_consumer_surveys/userguide_en.pdf.

⁴ The responses to this question are used in the calculation of the confidence (composite) indicator for each survey.

⁵ Following a suggestion by the European Commission, the responses to this question are not adjusted for seasonality.



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The Economics Research Centre (CypERC) of the University of Cyprus is an independent, non-profit organization with the aim of promoting scientific knowledge in economics, especially in matters concerning Cyprus.

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