



BUSINESS AND CONSUMER SURVEYS

ECONOMICS RESEARCH CENTRE
UNIVERSITY OF CYPRUS

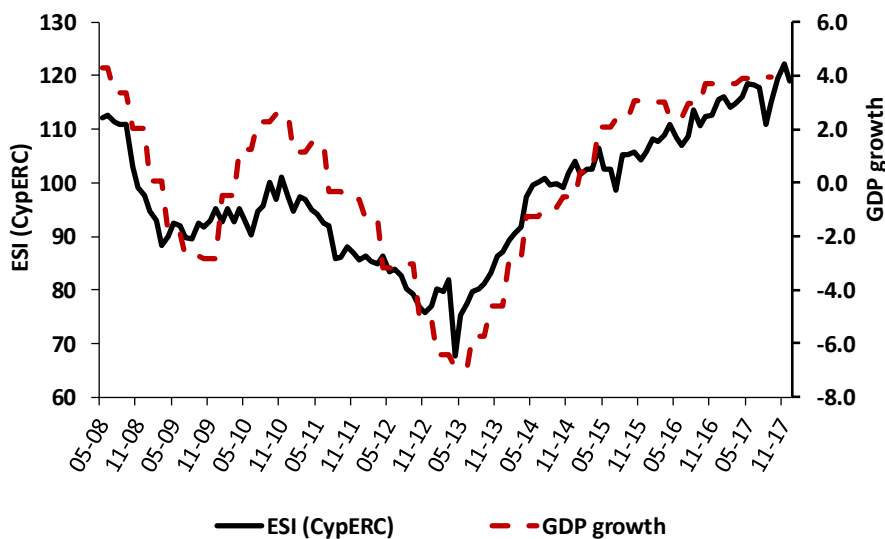


December 2017

SUMMARY

- Economic sentiment in Cyprus deteriorated as the Economic Sentiment Indicator (ESI-CypERC) decreased in December 2017 by 3.4 points compared with November 2017; the decline resulted from the worsening of business confidence in services and construction, and the weakening of consumer confidence.
- The Services Confidence Indicator declined due to firms' less optimistic views on recent business situation and downward revisions in turnover expectations.
- The Retail Trade Confidence Indicator rose as a result of improved assessments of recent sales and current stock volumes, and upward revisions in sales expectations.
- The Construction Confidence Indicator decreased marginally due to downward revisions in employment expectations.
- The Industry Confidence Indicator remained unchanged as firms' more pessimistic assessments of current orders and future production plans were offset by improved assessments of their stocks of finished products.
- The Consumer Confidence Indicator decreased as a result of consumers' less favourable responses regarding their future financial conditions and the future economic conditions in Cyprus, including labour market conditions.

Economic Sentiment Indicator (ESI-CypERC) and GDP growth



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 | | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| ECONOMIC SENTIMENT INDICATOR (ESI CypERC)² | 115.6 | 116.1 | 114.2 | 114.8 | 116.1 | 118.4 | 118.2 | 117.9 | 110.9 | 115.0 | 119.5 | 122.3 | 118.9 |
| SERVICES | | | | | | | | | | | | | |
| Services Confidence Indicator ³ | 28 | 30 | 26 | 26 | 31 | 36 | 37 | 35 | 17 | 26 | 37 | 45 | 37 |
| Business situation, past 3 months ⁴ | 30 | 27 | 28 | 23 | 30 | 35 | 36 | 34 | 14 | 15 | 26 | 34 | 24 |
| Turnover (demand), past 3 months ⁴ | 15 | 27 | 26 | 25 | 33 | 37 | 44 | 34 | 15 | 15 | 30 | 41 | 42 |
| Expected turnover (demand), next 3 months ⁴ | 40 | 36 | 25 | 31 | 31 | 36 | 32 | 38 | 23 | 48 | 56 | 60 | 44 |
| Employment, past 3 months | -4 | -6 | -1 | -1 | 6 | 2 | 6 | 2 | 1 | 1 | 3 | 8 | 6 |
| Expected employment, next 3 months | -4 | 11 | 4 | 3 | 5 | 4 | 6 | 3 | 4 | 11 | 12 | 7 | 10 |
| Expected selling prices, next 3 months | -1 | 0 | 7 | 3 | 0 | 3 | 4 | 4 | 0 | 2 | -8 | -3 | -5 |
| RETAIL TRADE | | | | | | | | | | | | | |
| Retail Trade Confidence Indicator ³ | 9 | 9 | 5 | 5 | 6 | 7 | 7 | 6 | 6 | 6 | 8 | 6 | 10 |
| Business activity (sales), past 3 months ⁴ | -2 | 8 | 8 | 3 | -3 | 1 | 8 | 6 | 11 | 2 | 6 | 10 | 13 |
| Stock of goods ⁴ | -6 | 0 | 7 | 7 | 8 | 0 | 5 | 6 | 9 | 3 | 7 | 11 | 3 |
| Expected business activity (sales), next 3 months ⁴ | 21 | 19 | 14 | 19 | 29 | 18 | 16 | 19 | 15 | 20 | 24 | 19 | 20 |
| Orders placed with suppliers, next 3 months | 3 | 3 | 2 | 9 | 10 | 9 | 11 | 4 | 4 | 9 | 16 | 9 | 8 |
| Expected employment, next 3 months | 0 | 0 | 0 | -3 | 1 | 1 | -1 | 0 | 1 | 0 | 1 | 0 | 1 |
| Expected selling prices, next 3 months | 4 | -3 | 3 | 1 | 5 | 7 | 6 | 2 | 8 | 6 | 9 | 9 | 8 |
| CONSTRUCTION | | | | | | | | | | | | | |
| Construction Confidence Indicator ³ | -27 | -25 | -23 | -29 | -24 | -27 | -28 | -25 | -26 | -26 | -28 | -23 | -24 |
| Building activity, past 3 months | 5 | 8 | 2 | -4 | 4 | 10 | 6 | -1 | 8 | 6 | -4 | 7 | 3 |
| Current overall order books ⁴ | -54 | -53 | -53 | -60 | -58 | -56 | -58 | -54 | -52 | -56 | -59 | -47 | -47 |
| Expected employment, next 3 months ⁴ | -1 | 3 | 7 | 1 | 10 | 2 | 2 | 4 | 1 | 3 | 2 | 1 | -2 |
| Expected selling prices, next 3 months | -2 | -3 | 3 | 4 | 4 | 3 | 6 | 2 | 3 | 9 | 7 | 14 | -1 |
| INDUSTRY | | | | | | | | | | | | | |
| Industrial Confidence Indicator ³ | 0 | 0 | 4 | 10 | 7 | 3 | 3 | 6 | 4 | 3 | 8 | 9 | 9 |
| Production, past 3 months | 6 | 6 | 12 | 12 | 17 | 22 | 11 | 4 | 10 | 9 | 4 | 18 | 20 |
| Current overall order books ⁴ | -39 | -39 | -32 | -18 | -27 | -22 | -21 | -15 | -12 | -22 | -17 | -6 | -9 |
| Current export order books | -44 | -40 | -20 | -19 | -30 | -33 | -18 | -26 | -20 | -18 | -22 | 8 | -23 |
| Stock of finished products ⁴ | -16 | -21 | -16 | -17 | -18 | -17 | -17 | -18 | -11 | -12 | -16 | -5 | -16 |
| Expected production, next 3 months ⁴ | 22 | 19 | 27 | 33 | 28 | 15 | 12 | 16 | 11 | 21 | 25 | 28 | 19 |
| Expected employment, next 3 months ⁵ | -2 | -1 | -1 | 0 | 8 | 6 | 12 | -2 | 1 | 3 | 5 | 6 | 0 |
| Expected selling prices, next 3 months | 0 | 4 | -4 | 1 | 3 | 1 | 2 | -3 | -7 | 0 | -2 | 1 | -6 |
| CONSUMERS | | | | | | | | | | | | | |
| Consumer Confidence Indicator ³ | -1 | -1 | -3 | -2 | -3 | 1 | -1 | -1 | -2 | -1 | -1 | 2 | -1 |
| Financial situation of household, past 12 months | -15 | -12 | -8 | -8 | -9 | -7 | -8 | -3 | -7 | -7 | -6 | -5 | -5 |
| Expected financial situation of household, next 12 months ⁴ | 5 | 5 | 2 | 2 | 2 | 6 | 4 | 4 | 1 | 3 | 6 | 6 | 4 |
| General economic situation in Cyprus, past 12 months | 9 | 14 | 16 | 14 | 14 | 16 | 18 | 16 | 19 | 18 | 18 | 18 | 18 |
| Expected general economic situation in Cyprus, next 12 months ⁴ | 20 | 20 | 18 | 16 | 18 | 16 | 19 | 17 | 22 | 21 | 18 | 20 | 15 |
| Consumer prices, past 12 months | -17 | -7 | -10 | -5 | -13 | -9 | -15 | -20 | -15 | -15 | -12 | -12 | -9 |
| Expected consumer prices, next 12 months | -16 | -10 | -5 | -7 | -9 | -8 | -11 | -12 | -11 | -9 | -10 | -6 | -11 |
| Expected unemployment in Cyprus, next 12 months ^{4,5} | -11 | -14 | -6 | -11 | -8 | -16 | -12 | -12 | -14 | -10 | -5 | -17 | -10 |
| Major purchases at present | -23 | -16 | -20 | -24 | -24 | -15 | -20 | -13 | -17 | -19 | -16 | -18 | -15 |
| Major purchases intentions, next 12 months | -26 | -28 | -29 | -26 | -26 | -25 | -29 | -27 | -29 | -31 | -28 | -27 | -21 |
| Savings at present | -21 | -23 | -21 | -21 | -13 | -11 | -11 | -14 | -15 | -17 | -15 | -18 | -18 |
| Savings intentions, next 12 months ⁴ | -40 | -43 | -39 | -35 | -41 | -35 | -37 | -39 | -44 | -37 | -33 | -34 | -34 |
| Statement on the current financial condition of household | 6 | 7 | 8 | 10 | 10 | 10 | 13 | 14 | 10 | 12 | 13 | 13 | 12 |

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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This bulletin publishes results from Business and Consumer Surveys conducted in Cyprus as part of the Joint Harmonised European Union Programme of Business and Consumer Surveys. This bulletin reflects only the authors' views and the European Commission is not responsible for any use that may be made of the information it contains.

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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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