FDI is of paramount importance for the development of any economy, even more so for a relatively small economy with limited natural resources and capital, like that of Cyprus. Especially during the current recession brought about by the COVID-19 pandemic, FDI may spark economic recovery and help transform the Cypriot economy.

Cyprus has experienced healthy FDI inflows prior the pandemic, with FDI nearing 29% of Cyprus’s GDP in 2019 as FDI inflows amounted to €6 billion, almost doubling from 2018 as a result of the improvement in the country’s macroeconomic outlook.

Drilling down to the first Cyprus’s Attractiveness Survey, one of the most striking findings is the persistent differentiation in the responses between established and non-established companies: with the former having a significantly more positive view of Cyprus as an investment destination. By contrast, companies with no prior activities locally were more negative about their views of Cyprus. A possible explanation is that established investors are de facto more aware of the local environment and its conduciveness to FDI.

Nonetheless, when participants in general were asked to assess whether their perception of Cyprus as a location where their company might establish or develop activities, has changed over the past year; close to one in four respondents indicated that they feel the situation has improved, compared to 10% who stated that it has deteriorated. The results are stronger among companies already established in Cyprus, reporting an improvement perception of 42%.

Investors’ perceptions are considerably more positive when it comes to assessing the future prospects for Cyprus’ attractiveness over the next three years, when the COVID-19 pandemic is expected to pass. More than half of the overall sample believe the country’s attractiveness will improve during this period, with 29% feeling that it will improve significantly.

When asked what type of investment activities they are considering for Cyprus, participants presented a rather balanced portfolio, though quite different from other surveyed countries.

Supply chain and logistics was cited by 28% of the investors; more than triple the share of the European average for the same category (9%). This attests to the appeal and further potential of this sector for the Cyprus economy.

Sales and marketing offices, account for 24% of planned investment projects, less than the respective result in the Europe survey (27%).

Around 18% of the participants responded that they plan to establish headquarters in Cyprus; well above the relevant figure for Europe (6%) and reflecting the advantages of Cyprus as a headquarters destination. Cyprus’ geostrategic location in the crossroads of Europe, Asia and Africa provide organisations the capability to serve regional clients from a close proximity, within a safe business environment and using a well-educated local workforce.
EY Attractiveness Survey: Cyprus 2020

Executive Summary

A country attractiveness policy that appears effective to familiar investors.

Participants were asked whether they consider that Cyprus currently implements an attractiveness policy that appeals to international investors. About half gave a positive reply, while 19% responded negatively. Once again, established players were overwhelmingly positive (78%) while non-established were much less enthusiastic (32%). From the respondents 30% expressed no view on the matter; the great majority of which again related to non-established companies, reinforcing the lack of awareness conclusion.

Percentage of those who think that Cyprus currently implements an attractiveness policy that appeals to international investors

- 32% of All Participants
- 41% of Established Investors (Yes, definitely)
- 14% of Established Investors (Yes, probably)
- 24% of Established Investors (No, not at all)
- 11% of Established Investors (Not at all)
- 6% of Established Investors (It's not clear)
- 14% of Non-established Investors (Yes, definitely)
- 27% of Non-established Investors (Yes, probably)
- 14% of Non-established Investors (No, not at all)
- 5% of Non-established Investors (Not at all)
- 27% of Non-established Investors (It's not clear)

In assessing the Cyprus’s strengths and weaknesses in terms of investment attractiveness...

Investors appear largely undeterred by COVID-19.

Participants were asked to report whether they had changed their plans for investment in Cyprus as a result of the COVID-19 pandemic. A small minority said they had either cancelled/downscaled/increased planned investments, while 35% of the participants were not in a position to respond (possibly due to the COVID-19 uncertainty).

Percentage of those who have changed their plans for investment in Cyprus as a result of the COVID-19 pandemic

- 27% of All Participants
- 15% of Established Investors
- 14% of Established Investors (Have cancelled)
- 15% of Established Investors (Have paused)
- 11% of Established Investors (Have increased)
- 35% of Established Investors (Cannot say)

In assessing the Cyprus’s strengths and weaknesses in terms of investment attractiveness...

Which areas should Cyprus concentrate on, to maintain its competitive position in the global economy?

- Support high-tech industries and innovation
- Invest in major infrastructure and urban projects
- Support small and medium sized enterprises
- Develop education and skills
- Improve the quality of its products and the value-added of its services
- Reduce taxation
- Improve the legal system
- Support struggling industries
- Encourage environmental policies and attitudes
- Reduce competition rules
- Facilitate access to credit
- Reduce labor costs
- Allow regulation to keep pace with technological and other disruptions
- Transport & Logistics
- None
- Cannot say

Answers from established investors.

Investors’ answers highlight the country’s key strengths as an investment destination and areas to further develop in order to improve attractiveness. For this question we drill down to the results of the more educated established investors category, in order to facilitate the analysis and drawing of conclusions.

Several key strengths were identified by investors as contributing to the attractiveness of Cyprus as an investment destination. At the same time, however, respondents drew attention to several areas where there is considerable scope for further improvement.

Detailed information and analysis of the findings of the first EY Attractiveness Survey for Cyprus, as well as the respective conclusions and recommendations, can be found in the full report.