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**COUNTRY  
REPORT**

Cyprus

**October 2024**

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### For further information

International Relations & Regional Policy Division

SEV Hellenic Federation of Enterprises

T. +30 211 5006 152

E. [ir@sev.org.gr](mailto:ir@sev.org.gr)

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## 1. General information: Cyprus

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### Geography

Cyprus, officially the Republic of Cyprus, is an island country in the eastern Mediterranean Sea. It is geographically a part of West Asia, but its cultural ties and geopolitics are overwhelmingly Southeast European. Cyprus is the third largest and third-most populous island in the Mediterranean. It is east of Greece, north of Egypt, south of Turkey, and west of Lebanon and Syria. Its capital and largest city is Nicosia. The northeast portion of the island is de facto governed by the self-declared Turkish Republic of Northern Cyprus.

- Capital city: Nicosia.

### Population

- Total Population: 1,360,307 (August 2024)
- Cyprus ranks number 157 in the list of countries (and dependencies) by population.
- The population density in Cyprus is 147 per Km<sup>2</sup> (381 people per mi<sup>2</sup>).

**Ethnic Origins:** Greek Cypriots, Turkish Cypriots, Armenian Cypriots, Maronite Cypriots

**Religion:** 72.3% Christianity, 25.0% Islam, 1.9% no religion, 0.8% other.

**Official Language:** Greek, Turkish

**Government:** Unitary presidential republic

**President:** Nikos Christodoulides

**President of the House of Representatives:** Annita Demetriou

**National Currency:** Euro (EUR)

### Overview

Geographically, Cyprus is a central plain with mountains to the north and south. The government system is a republic; the chief of state and head of government is the president. Cyprus has a market economy system in which the prices of goods and services are determined in a free price system. Cyprus is a member of the European Union (EU). Despite joining the EU as a de facto divided island, the whole of Cyprus is EU territory. Turkish Cypriots who have, or are eligible for, EU travel documents are EU citizens. EU law is suspended in areas where the Cypriot government (Government of the Republic) does not exercise effective control.

## 2. Economy

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### 2.1. Economic and Political Overview

Cyprus is an open free-market economy primarily based on services. After enduring the impact of the global financial crisis and the exposure of the national banking system, the country's economy underwent a recovery in recent years, largely driven by domestic demand and tourism until the abrupt halt caused by the COVID-19 pandemic. However, Cyprus' GDP rebounded to its pre-pandemic level as early as 2021, with continued growth observed in 2022 and 2023 (at 5.6% and 2.2%, respectively). While private consumption remained robust last year, supported by real wage increases and sustained employment expansion, non-tourism services experienced lower external demand. In 2024 and 2025, real GDP is forecasted to

increase by 2.7% and 3%, respectively. Domestic demand is expected to persist as the primary driver of real GDP growth, bolstered by automatic wage indexation for approximately half of the employees covered by collective agreements in both the public and private sectors, thereby maintaining their purchasing power. Moreover, significant investment initiatives in real estate, healthcare, transport, and tourism, partially backed by the Recovery and Resilience Facility, will contribute to growth. However, the contribution of net exports is projected to remain subdued due to economic uncertainty in Cyprus' primary trading partners and heightened import demand driven by investments.

Regarding public finances, the IMF estimated a general government budget surplus of 1.3% of GDP in 2023. Despite extending support measures to mitigate the effects of high prices and anticipated fiscal costs from the Mortgage-to-Rent scheme, the IMF anticipates a continued surplus for this year and 2025, slightly exceeding 1% of GDP. The public debt-to-GDP ratio, standing at 78.6% in 2023, has benefited from ongoing economic expansion and is expected to follow a downward trend, decreasing to 66.8% by 2025. HICP inflation decelerated to 3.9% in 2023, down from 8.1% in 2022, primarily due to reduced energy prices. HICP inflation is forecasted to ease to 2.4% in 2024 and further to 2.1% in 2025, reflecting the anticipated ongoing decline in energy and other commodity prices. Conversely, wage indexation is expected to exert upward pressure on HICP inflation excluding energy and food. The unemployment rate stood at 6.7% in 2023 (down from 6.8% one year earlier) and is anticipated to gradually decrease in 2024 and 2025, driven by economic expansion and the implementation of the EU's RRP (to 6.4% and 6.1%, respectively – IMF). Despite recent improvements in the service, skilled industry, and agricultural sectors, 16.7% of the population remains at risk of poverty or social exclusion (CyStat). The World Bank estimated Cyprus' GDP per capita (PPP) at USD 49,931 in 2022.

*Table 1: (Cyprus Economic Forecasts - 2022-2026 Outlook)*

Main Indicators	2022	2023	2024	2025	2026
GDP (billions USD)	29.27	32.19	34.22	35.94	37.81
GDP (Constant Prices, Annual % Change)	5.1	2.5	2.7	2.9	3.0
GDP per Capita (USD)	32,357	34,957	37,149	38,665	40,356
General Government Balance (in % of GDP)	1.3	1.8	1.7	1.7	1.7
General Government Gross Debt (in % of GDP)	85.6	77.4	70.7	65.1	60.0
Inflation Rate (%)	8.1	3.9	2.3	2.0	2.0
Unemployment Rate (% of the Labour Force)	6.8	6.1	5.9	5.7	5.5
Current Account (billions USD)	-2.32	-2.99	-2.93	-3.07	-3.22
Current Account (in % of GDP)	-7.9	-9.3	-8.6	-8.5	-8.5

Source: IMF – World Economic Outlook Database, October 2021

## 2.2. Structure of the Economy

In the past two decades, the foundation of the Cypriot economy has transitioned from agriculture to light manufacturing and, significantly, services. Presently, the agricultural sector contributes around 1.6% of GDP and employs 2% of the active population (World Bank, latest data available). The agricultural sector contends with a very dry climate, with only 13% of the land being arable (125,000 ha - FAO). Major crops include wine grapes, potatoes, and fruits. Mineral resources are limited, consisting mostly of copper, pyrites, chrome, asbestos, and gypsum.

Industry (mainly industrial food-processing, paper, chemical products, textiles, metal products, and petroleum refining) accounts for 12.1% of GDP (including construction) and employs approximately 17% of the active population. The government targets to double the industry's share of GDP by 2030. The manufacturing sector is relatively underdeveloped, estimated to represent nearly 5% of GDP (World Bank, latest data available). According to Statistics Cyprus, the annual average variation of industrial production in the period January-November 2023 was estimated at +2.5%. Significant improvements were observed in electronic and optical products manufacturing (+28.6%), electrical equipment production, machinery, motor vehicles, and transport equipment (+13.0%), basic metals and fabricated metal products manufacturing (+10.9%), and textiles, apparel, and leather goods production (+10.0%). Conversely, declines were registered in furniture manufacturing and machinery/equipment repair/installation (-7.6%), electricity supply (-1.6%), and rubber/plastic products manufacturing (-0.1%).

Cyprus' economy primarily relies on the tertiary sector, which contributes 74.3% of GDP and employs 80% of the active population. Tourism and maritime transportation serve as the twin pillars of the Cypriot economy. After reaching an all-time high of tourists in 2019 (almost 4 million), the number of arrivals from January to November 2023 reached 3,722,022, marking a substantial increase of 20.4% compared to the corresponding period in 2022, nearing pre-pandemic levels. Cyprus boasts the eleventh-largest shipping fleet globally and the third-largest in the European Union. However, offshore activities are typically led by foreign-capital companies based in Cyprus, conducting their commercial operations exclusively outside the country, benefiting from significant tax advantages. Finance and real estate have traditionally been among the most critical services. In the banking sector, Cyprus hosts 29 authorized credit institutions, comprising six local institutions, three subsidiaries of EU banks, one subsidiary of a foreign bank from a non-EU country, five branches of banks from EU Member States, 13 branches of banks from non-EU Member States, and one representative office (EBF).

*Table 2: Breakdown of Economic Activity By Sector*

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	2.8	17.9	79.2
Value Added (in % of GDP)	1.7	13.5	72.4
Value Added (Annual % Change)	0.8	0.2	6.6

Source: World Bank, Latest Available Data. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

### 2.3. Investment

In recent years, Cyprus has been recognized as one of the top destinations for foreign direct investment due to its rapid economic recovery and favorable business environment. However, the outbreak of the COVID-19 pandemic led to a sharp decline in FDI inflows to Cyprus. According to UNCTAD's World Investment Report 2023, FDI inflows amounted to USD 4.9 billion in 2022, marking a return to positive flows after two consecutive years of negative trends. The total stock of FDI in 2022 was USD 58.2 billion, representing 204.7% of GDP, a notable decrease from the previous year's figure of USD 425 billion in 2021. The financial and insurance activities sector is the primary recipient of FDI in Cyprus, accounting for approximately 99% of the total stock. Other sectors that attract FDI include transport and storage, real estate, tourism, pharmaceuticals, and energy. The main FDI partners for Cyprus are the Russian Federation, Luxembourg, the Netherlands, Germany, and the United Kingdom. Inward FDI stock from the euro area and the European Union (excluding the UK) collectively represents a significant portion, with percentages standing at 29.2% and 30.8%, respectively.

Cyprus has actively sought FDI in various sectors, including financial intermediation, large-scale projects, tourism infrastructure, and privatizations. Efforts have also been made to attract investment in newer sectors such as film production, investment funds, education, research & development, information technology, and regional headquarters. The country's stable and secure EU environment in a turbulent region makes it an attractive base for regional headquarters and support services. While Cyprus does not have a mandatory foreign investment screening mechanism, there are ownership limitations and licensing restrictions for non-EU investors in specific sectors like private land ownership, media, and construction. Additionally, challenges persist, including a small domestic market, ongoing recovery efforts in the banking sector following the 2009 crisis, tensions between Turkish and Cypriot factions on the island, and dependency on Russia and the UK as export markets and sources of financing. Despite these challenges, Cyprus maintains a strong position in global indices, ranking 28th on the Global Innovation Index 2023 and 17th out of 184 countries on the latest Index of Economic Freedom.

Table 3: Foreign Direct Investment - UNCTAD, 2022

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow (million USD)	-24,451	-35,744	4,913
FDI Stock (million USD)	490,88	425,018	58,262
Number of Greenfield Investments*	6	15	24
Value of Greenfield Investments (million USD)	160	229	363

Source: UNCTAD, Latest available data

### **Strong points for FDI in Cyprus:**

The country's strong points are:

- A strong business-friendly environment with one of the lowest corporate tax rates in Europe (12.5%, the lowest in Europe together with Ireland).
- Membership in the European Union and the eurozone.
- A strategic geographical position at the crossroads of three continents, offering access to markets in Europe, the Middle East and the Maghreb.
- A multilingual, experienced and low-cost workforce.
- High-quality transport and telecommunications infrastructure, particularly in the ports sector.
- A particularly developed tertiary sector: tourism, international business and financial services, maritime transport, etc.
- An attractive lifestyle in a secure, neat and healthy environment, with a high standard of living.
- A business-friendly environment, solid regulation, legal system aligned with British common law.

### **Weaknesses in the economy of Cyprus:**

- The weak attraction of its internal market with a population of around 1.2 million inhabitants (World Bank, 2019 latest data available).
- High public debt (118.4% of GDP in 2020, *IMF*) and significant external debt linked to bank deposits of many non-residents.
- A banking sector still weakened by the 2009 crisis, despite numerous reforms imposed by the EU, the IMF, and the ECB.
- Heavy reliance on Russia and the United Kingdom as export markets and sources of funding.
- The division of the island since 1974 and the difficulties to reach an agreement between the Turks and the Cypriots could have in the long term a negative impact on the attractiveness of the country.
- Excessive dependence on the service sector (84% of total output), especially tourism, finance, and housing.

### **Government Measures to Motivate or Restrict FDI:**

The Cypriot government has created a positive environment for business as proven by its 54th place in the 2020 Doing Business ranking of countries where it is easy to do business. The government's liberal policies have promoted investment development. Some key points of the country's appeal are:

- The possibility of 100% foreign shareholding in almost all sectors of the economy.
- One of the lowest corporate tax rates in the European Union (12.5%).
- An attractive tax environment (Cyprus has signed double-taxation treaties with over 50 countries).
- Cost of establishment and business development very competitive for companies.

The country manages to create an attractive environment for investors by strengthening weaknesses in its economy. For example, since 2013, the government has been restructuring the country's banking sector. This, combined with the recapitalization, enabled it to avoid bankruptcies and improve stability. Likewise, progress has been made to modernize and make its legal, accounting and banking services more efficient.

## 2.4. Taxation

**Company Tax:** 12.5%

**Tax Rate for Foreign Companies:** Profits from activities of a permanent establishment situated outside Cyprus are completely exempt from taxes. In other cases, tax is paid only on income coming from activities done in Cyprus. Tax resident companies are taxed on their worldwide income. A company is resident in Cyprus if its management and control is exercised in the country.

**Capital Gains Taxation:** Capital gains from the sale of listed shares are fully tax-exempt. Capital gains from the disposal of immovable property situated in Cyprus and from the disposal of shares in an unlisted company that owns, directly or indirectly, immovable property situated in Cyprus are taxed at 20%. Gains from the disposal of shares in a company that indirectly owns immovable property in Cyprus and obtains at least 50% of its revenue from such property are also taxed at 20%.

**Main Allowable Deductions and Tax Credits:** Depreciation of tangible and intangible assets is tax-deductible at rates ranging from 3% to 100% (real estate, equipment, industrial buildings and hotels acquired between 2012 and 2018 are eligible for accelerated depreciation rates). Goodwill can be amortised for tax purposes. Start-up fees are generally not deductible. Interest charges and bad debts are deductible. Donations to charitable organisations are fully deductible. Donations to political parties can give rise to a deduction of up to EUR 50,000. Profits from the exploitation of intellectual property rights are deductible up to 80% whereas profits deriving from the disposal of such rights are fully deductible. Employer contributions to approved funds on employees' salaries are fully deductible. The expenditure related to scientific research and development (R&D) that is undertaken by a business entity and is economically owned by the entity, including any resulting intangible assets, is eligible for tax deduction under IT Law. If the expenditure is of a capital nature, it can be amortized over its useful economic life for a maximum period of 20 years. Additionally, for expenditures incurred in the years 2022, 2023, and 2024, an additional allowance of 20% of the incurred expenditure is granted. However, this allowance cannot be claimed simultaneously with the 80% allowance on net profit under the Cyprus nexus IP regime (i.e., it cannot be claimed alongside the New Cyprus IP Box). Furthermore, the entity has the option to waive the claim for this additional allowance, either partially or in its entirety, for each tax year. Fines and penalties are not deductible whereas unrecovered VAT is tax-deductible. Business entertainment expenses are deductible up to 1% of the gross income or EUR 17,086 (whichever is



lower). Tax losses can be carried forward up to five years. The carryback of losses is not permitted.

**Other Corporate Taxes:** Social security contributions payable by the employer amount to 10% of salary (with rates expected to go up gradually until it reaches 10.7% by 2039 - the maximum amount of remuneration on which contributions are payable is 60,060 for 2023). Employers also pay a contribution equivalent to 2% of the salary to the Social Cohesion Fund. In some cases, employers are required to pay an 8% contribution to the Holiday Fund, 0.5% contribution to the Industrial Training Fund and 1.2% to the Redundancy Fund. Self-employed individuals contribute at 15.6%, calculated on notional income (varies according to the profession).

The property tax was abolished on 1 January 2017, but property transfer taxes are payable according to the value of the property. They amount to EUR 2,550 (or 3% of the value) for any property valued at EUR 85,000 or less. The rate increases to 5% for real estate worth between EUR 85,001 and EUR 170,000, and to 8% for any value above EUR 170,000. These fees are reduced by 50% if the property is exempt from VAT. No rights apply if the property is subject to VAT. Mortgage registration fees are 1% of the market value of the property.

A 0.4% levy is imposed on the sale proceeds from all disposals of immovable property which is within the current control of the Republic. The levy also applies to disposals of shares of a company which is the owner of such immovable property, to the extent that the buyer of the shares assumes control of such company.

The capital contribution when setting up a company is EUR 105 and 0.6% of the nominal value of the authorised capital. Stamp duties are capped at EUR 20,000 per document and apply to any transaction involving property situated in Cyprus or a deed signed in Cyprus. Resident companies are subject to a special defensive contribution of 17% on dividends, 3% or 30% on interest income and 3% on rental income.

Credit institutions established in Cyprus and their foreign branches are subject to a 0.15% tax on certain deposits of money. Companies also pay a lump-sum fee of EUR 350 per year, capped at EUR 20,000 per group.

### 3. Buying and Selling

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#### 3.1. Marketing opportunities

**Consumer Profile:** Cyprus has a population of around 1.2 million people, with a GDP per capita estimated at USD 29,550 in 2021 by the IMF (around USD 6,000 lower than pre-crisis and the “Troika” economic bailout program levels).

Even though the whole of the island is part of the EU, the implementation of the European legislation has been suspended in the area administered by Turkish Cypriots, known locally as the “Turkish Republic of Northern Cyprus” (TRNC), until political conditions permit the reunification of the island. The economy of the TRNC is market-based and it represents roughly one-fifth the size of Cyprus’. In this part of the island, consumer habits are more like those of Turkey.

**Consumer Behavior:** Consumers’ behavior has changed following the economic crisis. In fact, in recent years consumers have become more discerning, with people making more cautious and practical decisions about their purchases. Nowadays, price

is the main factor driving consumers buying process. In general, many companies are family-owned and Cypriots are attached to locally based products, although international brand names have successfully entered the market. Foreign brand names are particularly appealing to young generations. Advertising methods for the local market have become sophisticated and the choice of available media is closer to that of other developed countries.

### 3.2. Internet and Ecommerce

**Internet access:** Cyprus has a relatively small population of around 1.17 million, of whom 79% use the internet. It is estimated that in 2017 69% of individuals in Cyprus accessed the internet daily or more frequently, with 74% connecting at least once a week (Statista). 88% of Cypriots connect through mobile phones, compared to 69% who use laptops and just 37% who use tablets (Cyprusnewsreport). Cyprus ranks 21st among the 28 EU nations on the European Commission's latest digital scoreboard, the Digital Economy and Society Index (Desi) 2018. However, according to the EU Commission report only 43% of Cypriots possess at least basic levels of digital skills (a level which is lower than the EU average). The most popular web search engines in Cyprus are Google (96.5%), Bing and Yahoo (1.9% and 0.8% respectively).

**E-commerce market:** Data from Eurostat shows that only 24% of Cypriots aged between 16 and 74 made online purchases in 2017 (the EU 27 average is 48%). Web-based trade remains relatively small in Cyprus, but is growing steadily: most companies have their own websites, and online banking is becoming increasingly popular. However, according to the Desi report, only 34% of individuals in Cyprus are currently using e-banking services and 39% shop online. The main e-shops on the island are Amazon, eBay and BestBuyCyprus. Amazon remains the most popular cross-border webshop in Cyprus. Cypriot consumers buy online to find products that are not available in brick and mortar shops. Price convenience is also one of the main drivers when shopping online. Cyprus has one of the highest percentage of Facebook users in Europe, estimated at 94%. Instagram counts 610,000 users, with over 80% of them being between 18 and 44 years old. Mobile is the preferred platform for internet and social media users.

**3.3. Distribution:** The retail sector is one of the most important clusters of the Cypriot economy, representing 27.4% of Cyprus's GDP. While the retail market in Cyprus was growing slowly but surely over the years, this incremental growth was sharply halted when the economy of Cyprus found itself in a recession in 2009. Actually, the Cypriot retail market's shrinking was partly the result of the economic crisis in Greece and the significant economic ties that Cyprus has with Greece. The Cypriot retail sector has also experienced a decline due to the Cypriot bailout agreement which led to the 'haircut' on bank savings in March of 2013. All clusters of the retail sector were affected: the retail of textiles and clothing experienced a decrease of 6.4%; the retail of electrical goods a 15% decrease; the retail of computer equipment and books a decrease of 6.3%. The fashion retail sector has also experienced dramatic consequences.

Most imported products and services are handled through agents and distributors. While most agent agreements may not be exclusive, most distributor agreements

are. In some cases, a distributor may obtain an agreement to represent a company in both Cyprus and Greece and sometimes in countries of Eastern Europe as well. There are several major local and European supermarket chains and a few department stores. Most companies in Cyprus are relatively small, family-owned and operated firms, although there are some notable exceptions. Big companies representing several brands have their own distribution centers based out of industrial areas of the major cities. All products to Cyprus are shipped through Limassol port, which is operated by the Cyprus Ports Authority.

**Market share:** According to one of the main Cypriot retailers, there are nearly 3,000 distribution points (ranging from grocery stores to hypermarkets) in Cyprus. Two types of distribution channels are booming in Cyprus:

- chain stores like Metro or Marks & Spencers.
- franchises, which have been very successful in recent years. Large American fast-food chains, international car rental companies, major clothing brands have established a presence in Cyprus through franchising. The same goes for mass retailers, especially the Carrefour Group.

The main players in the retail sector in Cyprus are AlphaMega, E&S, Metro, Kkolias and Lidl.

### 3.4. Customs

**International Conventions:** Member of the World Trade Organization (WTO).

Party to the Kyoto Protocol.

Party to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.

Party to the Montreal Protocol on Substances That Deplete the Ozone Layer

Party to the International Coffee Agreement.

**International Economic Cooperation:** Cyprus is a member of the European Union, the United Nations, the Council of Europe, the World Trade Organization, the World Bank, the Commonwealth and the International Monetary Fund. It is also well represented by diplomatic missions in foreign countries.

**Non-Tariff:** In accordance with its European Union membership since May, 1st of 2004, Cyprus applies the European Union trade policy like antidumping or anti-subsidy measures. The European Union import regime applies to Cyprus. If Cyprus has adopted the main part of the EU regulations on May, 1st of 2004, some transitional measures have been granted to the country regarding some EU rules like the freedom of movement for workers or cabotage inside some countries.

While the European Union has a rather liberal foreign trade policy, some products need import licenses. There are some restrictions, especially on farm products, following the implementation of the CAP (Common Agricultural Policy): the application of compensations on import and export of farm products, aimed at favoring the development of agriculture within the EU, implies a certain number of control and regulation systems for the goods entering the EU territory.

Some products entering Cyprus must be "CE" marked in respect of the European Directives adopted based on the New Approach and the Global Approach. For further information, please consult the Guide to the Implementation of Directives based on New Approach and Global Approach.

**Customs Duties and Taxes on Imports:** Trade with Cyprus is totally free from customs duties, provided that the country of origin of the goods is one of the other 25 EU Member States. For the non-European countries, the applicable rate should be checked at the following website about EU Customs. You can also consult the Cyprus Integrated Tariff System.

The duties for non-European countries are relatively low, especially for manufactured goods (4.2% on average for the general rate), however textile, clothing items (high duties and quota system) and food-processing industry sectors (average duties of a 17.3% and numerous tariff quotas, PAC) still have protective measures.

**Customs Classification:** Since its accession to the European Union on May, 1st of 2004, Cyprus has adopted the EU Common External Tariff.

When the country of origin of the goods exported to Cyprus is not part of the European Union, customs duties are calculated Ad valorem on the CIF value of the goods, in accordance with the Common Customs Tariff (CCT). In order to get exhaustive regulations and customs tariffs regarding their products, exporters shall refer to the TARIC code and its database, which includes all applicable customs duties and all customs trade policy measures for all the goods. For further information, please consult the information document published by the European Commission about the impact of EU enlargement on customs policy.

**Import Procedures:** No customs duties are levied when industrial goods and agricultural products originating from one of the 27 EU Member States arrive on the Cyprus market. Trade between the EU and Cyprus consist of inter-community exchanges (acquisitions and deliveries). Only the VAT needs to be paid in the country of consumption of the product. Systematic controls of the goods at the borders are removed and carried outside the border if the country is concerned, subject to the rules applicable to certain sensitive goods. It is important to remember that the application of the European legal framework (acquis communautaire) is suspended in the north part of the country.

However, when intra-Community goods enter the Cyprus market, the exporter must necessarily fill a Trade of Goods Statement (DEB) or Intrastat declaration. As part of the "SAFE" standards set forth by the World Customs Organization (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community eCustoms Programme, has been in effect since 1 January 2011. Since then, operators are required to file an Entry Summary Declaration (ENS) with the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

Cypriot Customs requires the following documents for clearing products originating from non-EU countries: delivery order for the goods; an invoice; and a packing list. Various other documents according to the nature of each import will be required; please visit the Cyprus Customs and Excise Department's website for more information.

### 3.5. Transport

**Main Useful Means of Transport:** The main mean of transport used for the traffic of goods in the country is the sea. The multi-purpose ports of Limassol and Larnaca are the country's main sea gateways for seaborne cargo and passenger traffic. Both ports have become important regional warehouse and distribution centres.

**Ports:** The Cyprus Ports Authority

**Airports:** Larnaca International Airport.  
Paphos International Airport.

**Sea Transport Organizations:** Republic of Cyprus Maritime Centre.

**Air Transport Organizations:** Department of Civil Aviation.

**Road Transport Organizations:** Department of Road Transport.

### 3.6. Suppliers

**Industrial and Manufacturing Profile:** The industry accounts for less than 20% of GDP. Cyprus has gradually moved from being an exporter of minerals and agricultural products in the seventies to an exporter of manufactured products in the eighties and finally to an international business center nowadays.

Oil and gas exploration and all the energy sector is an interesting field of the economy where tenders are organized. The health sector is also developing as many projects are currently under way to modernize the system.

#### Multi-sector Directories:

- AngloInfo Cyprus - Cyprus business directory.
- CCCI Members Directory - Directory of companies in Cyprus.
- Cyprus IS - Business directory of Cypriot companies.
- Cyprus Yellow Pages - Cyprus's business directory by category.
- Cyta - Cyprus's Yellow Pages.

## 4. International Trade (doing business)

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### 4.1. Imports - Exports

The geographical location of Cyprus (being a bridge between West and East), along with its good airlines and telecommunications infrastructure, has enabled the country to turn itself into an important regional and international business centre. The country's foreign trade represents 190% of GDP (World Bank) and is mainly oriented towards the EU. In 2022, Cyprus primarily imported mineral fuels and oils (EUR 2,626.5 million), vessels (EUR 1,302.4 million), electrical machinery and materials (EUR 630.4 million), motor cars, other vehicles, and parts (EUR 626.0 million), and other machinery, boilers, appliances, and their parts (EUR 580.9 million). The key products of domestic origin exported from Cyprus in 2022 included mineral fuels and oils (EUR 455.9 million), pharmaceutical products (EUR 336.5 million), halloumi cheese (EUR 284.5 million), waste and scrap (paper, glass, metal) (EUR 87.0 million), and potatoes (EUR 42.4 million – data CyStat).

In 2022, intra-EU imports comprised 60.8% of the total, down from 65.1% in 2021, while extra-EU imports accounted for 39.2%, up from 34.9% in 2021. In 2022, intra-EU exports constituted 26.0%, down from 27.4% in 2021, while extra-EU exports made

up 74.0%, up from 72.6% in 2021. The primary partner countries for imports in 2022 were Greece (EUR 2,640.9 million), Italy (EUR 1,183.9 million), China (EUR 898.2 million), Israel (EUR 835.9 million), and Germany (EUR 600.5 million). For exports of domestic goods, the main partner countries were Lebanon (EUR 287.3 million), the United Kingdom (EUR 204.8 million), Greece (EUR 121.0 million), and Israel (EUR 81.6 million - data CyStat).

Cyprus' trade balance is traditionally in deficit because the country has to import extensively in order to satisfy domestic demand (particularly, for energy supplies). In 2022, the country exported USD 4.3 billion worth of goods, importing USD 12 billion (+11.6% and +16.5% y-o-y, respectively). However, Cyprus is a net service exporter (USD 21.2 billion in 2022 against USD 15.1 billion in imports). According to the provisional 2023 data from CyStat, total goods imports amounted to EUR 12,764.2 million, up from EUR 11,470.0 million in 2022, marking an 11.3% increase. Total goods exports for January to December 2023 were EUR 4,189.5 million, indicating a 0.5% decrease. The trade deficit was EUR 8,574.7 million in 2023, compared to EUR 7,261.2 million in 2022.

*Table 4: Cyprus' Foreign Trade Indicators*

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	148.5	152.0	164.2	170.3	183.4
Trade Balance (million USD)	-5,303	-5,18	-4,842	-5,12	-6,203
Trade Balance (Including Service) (million USD)	366	260	-332	803	-144
Imports of Goods and Services (Annual % Change)	4.3	9.5	3.2	9.0	18.8
Exports of Goods and Services (Annual % Change)	7.2	8.7	2.2	13.6	13.7
Imports of Goods and Services (in % of GDP)	73.6	75.5	82.8	83.7	91.9
Exports of Goods and Services (in % of GDP)	75.0	76.5	81.4	86.6	91.5

Source: World Bank; Latest available data

*Table 5: Cyprus' Foreign Trade Values*

Foreign Trade Values	2019	2020	2021	2022	2023
Imports of Goods (million USD)	9,127	8,761	10,397	12,205	13,987
Exports of Goods (million USD)	3,453	3,063	3,905	4,363	4,453
Imports of Services (million USD)	10,946	12,494	15,602	16,56	16,603
Exports of Services (million USD)	16,399	17,004	21,957	22,919	23,957

Source: World Bank; Latest available data

**Table 6: Cyprus' Foreign Trade Forecasts**

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	-1.5	0.7	1.8	2.3	2.7
Volume of imports of goods and services (Annual % change)	5.1	-2.9	2.0	2.4	2.7

Source: IMF, World Economic Outlook; Latest available data

## 4.2. Greece – Cyprus Trade Relations

The total value of Greek exports to Cyprus in 2023 reached €3,3 billion, slightly increased by 1,3% compared to 2022 and presenting an important increase of 29% compared to 2021. At the same time, the total value of imports from Cyprus in 2023 amounted to €622 million (versus €560 million in 2022), showing an increase of 11% compared to 2022 and a remarkable increase of 35% compared to 2021. Our main export categories to Cyprus are mineral fuels, machinery and transport equipment and chemical and related products.

**Table 7: Value of Greek Imports from Cyprus (Eurostat, 2024)**

IMPORTS - Value in Euro (€)	2021	2022	2023
Food and Live Animals	81.386.317	102.593.338	108.683.292
Beverages and Tobacco	7.199.376	8.008.769	9.598.283
Crude Materials, Inedible, Except fuels	39.963.889	47.517.333	38.572.010
Mineral Fuels, Lubricants and Related Materials	746.030	3.256.352	85.685.382
Animal and Vegetable, Oils, Fats and Waxes	1.615.850	6.894.421	13.746.479
Chemical and Related Products, N.E.S.	97.375.692	92.810.496	96.838.646
Manufactured Goods Classified Chiefly by Material	16.126.851	20.935.809	20.874.860
Machinery and Transport Equipment	156.109.706	189.730.848	152.443.877
Miscellaneous Manufactured Articles	60.022.106	87.947.194	95.246.423
Commodities and Transactions not Classified Elsewhere in the SITC	160.315	291.951	260.604
<b>Total</b>	<b>460.706.132</b>	<b>559.986.511</b>	<b>621.949.856</b>

Table 8: Value of Greek Exports to Cyprus (Eurostat, 2024)

EXPORTS - Value in Euro (€)	2021	2022	2023
Food and Live Animals	317.746.349	393.830.236	435.419.574
Beverages and Tobacco	56.206.569	64.342.274	73.534.412
Crude Materials, Inedible, Except fuels	23.374.505	28.882.839	25.022.449
Mineral Fuels, Lubricants and Related Materials	579.070.319	850.154.000	914.220.088
Animal and Vegetable, Oils, Fats and Waxes	11.447.109	15.750.531	11.511.028
Chemical and Related Products, N.E.S.	374.567.000	450.863.889	492.257.095
Manufactured Goods Classified Chiefly by Material	302.833.490	359.139.970	342.019.826
Machinery and Transport Equipment	528.365.829	606.195.553	584.823.827
Miscellaneous Manufactured Articles	363.955.494	487.640.655	419.957.436
Commodities and Transactions not Classified Elsewhere in the SITC	6.100.177	4.039.176	4.324.167
<b>Total</b>	<b>2.563.666.841</b>	<b>3.260.839.123</b>	<b>3.303.089.902</b>

### 4.3. Leading Sectors for Exporters

**Information Communication Technology (ICT):** The ROC wants to position itself as a regional hub for innovation, research, and ICT, serving the entire Eastern Mediterranean and acting as a gateway between Europe, the Middle East, and North Africa. It is making efforts to improve its ICT and cybersecurity infrastructure and promote the digital transformation of both the private and public sectors. To this end, the ROC established a Deputy Ministry of Research, Innovation, and Digital Policy (DMRIDP) in February 2020 to coordinate and lead the effort. Prior to that, in February 2019, the ROC appointed its first Chief Scientist and in April 2018 it established the Digital Security Authority (DSA). The DSA is responsible for cybersecurity and oversees the National Computer Security Incident Response Team (CSIRT). The Office of the Commissioner of Electronic Communications and Postal Regulations (OCECPR) oversees all electronic communications regulations in the ROC. COVID-19 working conditions accelerated digital transformation in the private sector and prioritized e-government, e-learning, and e-justice projects for both funding and execution. The ROC pledged to use a large portion of the EU Resilience and Recovery Fund available to Cyprus to implement digitalization projects and has assigned over



\$300 million to the DMRIDP to do so. To support the development of start-ups and innovative projects, the ROC established a start-up visa regime, an IP regime, a tax relaxation scheme, and other incentives. In 2022, the ROC ranked 27th out of 132 economies in the Global Innovation Index. For more detailed information, interested companies can contact the DMRIDP or the Cyprus Investment Promotion Agency (Invest Cyprus). Under a municipal reform plan scheduled to begin in 2024, major ROC municipalities intend to implement several smart city solutions.

**Energy:** The Republic of Cyprus (ROC), located at the crossroads of Europe, Africa, and the Middle East, offers opportunities for energy and energy-sector service providers in the areas of consulting, environmental assessment, offshore hydrocarbon exploration and exploitation, supply of natural gas for domestic use, and basing of auxiliary energy services for the wider region. Currently the island is powered almost exclusively by heavy fuel oil and limited renewable energy sources. The government is making efforts to import natural gas for domestic use. The ROC is planning to increase its deployment of renewable energy and add storage capabilities to meet EU Green Deal goals and to avoid significant EU carbon emission penalties (please see separate section on renewable energy). It is also proceeding with the construction of a liquified natural gas (LNG) import plant with a Floating Storage and Regasification Unit (FSRU). Exploration and exploitation of natural gas deposits in the ROC's Exclusive Economic Zone (EEZ) have resumed this year and are expected to continue into next year. In 2014, the Republic of Cyprus ended the state-owned Electricity Authority of Cyprus's (EAC) monopoly on electricity generation and distribution. Promoting competition remains difficult given the small size of the domestic market. The Cyprus Energy Regulatory Authority (CERA), in cooperation with the Transmission System Operator (TSO) and other energy stakeholders, is working to alleviate competition constraints in the power generation sector. Although new market rules for the Competitive Energy Market (CEM) are already partially implemented, CERA announced full implementation will likely occur in 2023.

### **Renewable Energy Sources (RES)**

**Republic of Cyprus:** The Republic of Cyprus (ROC) seeks to expand the share of renewable energy sources (RES) in the country's energy mix. Meeting EU mandated reductions in carbon emissions will require increased investment in RES power generation, both at the commercial scale and individual building scale, and a major transformation of road transportation. The ROC government has allocated 41% of its \$1.2 billion Recovery and Resilience Plan (RRP) funds to secure Cyprus's green transition with the necessary reforms and investments to achieve climate objectives. It plans to introduce green taxation, finance various support schemes to implement energy efficiency measures and renewable energy investments, contribute to the EuroAsia Interconnector project that will connect Cyprus' currently stand-alone grid to the EU electricity network, and promote sustainable and green mobility to help it achieve its EU-mandated RES targets. The ROC produces 157.5 MW of electricity from wind, 317.8 MW from solar (with 192.8 MW added in the last year), and 14.1 MW from biomass sources. The ROC anticipates a minimum additional capacity of 167.5 MW to be installed by 2023 but wants to raise total RES penetration in the electricity sector by an additional 1,000 MW, mostly through solar power. However, storage technologies will be of paramount importance to stabilize the grid, and to surpass that

number until 2030, as the ROC anticipates that without them, it will face significant costs to the energy system.

Under EU-mandated targets, the ROC was required to increase its total energy consumption drawn from RES to 13% by 2020. Cyprus achieved 13.8% by the end of 2018 and has now reached 16.8%. By 2030, the ROC must increase that number to 23%. Moreover, it will have to increase transport sector numbers from 7.3 to 14%, which will be the ROCs biggest challenge and will require considerable investments to create the necessary infrastructure for RES-propelled transport. The ROC has introduced programs for electric vehicles (EV) and has 18 double charging stations throughout the island. As part of its RRP, the government has allocated funds for its Department of Electromechanical Services to add 1,000 charging stations in the near future. The initial plan is to install 10 fast-charging stations on highways and public roads.

ROC consumer electricity prices are higher than the EU average. The ROC has incentivized use of RES in the ROC's energy mix through government supported programs.

**Area Administered by Turkish Cypriots:** The Turkish Cypriot community passed the "Renewable Energy Resources Law" in 2014, which aims to reduce use of fossil fuels and allow use of alternative energies. The approval and passage of the "law" has drawn the attention of both local businesspeople interested in establishing companies based on RES, as well as household consumers who are interested in using renewable energy. The "Renewable Energy Council" under the "Ministry of Economy and Energy" can provide further information.

**Oil and Gas Exploration & Exploitation:** There is one confirmed gas field in the ROC's EEZ progressing to exploitation, Chevron/Shell/NewMed Energy consortium's 'Aphrodite' in Block 12, totaling offshore deposits of an estimated 4.5 trillion cubic feet (tcf). Ten of 13 blocks within the ROC's EEZ are currently licensed. Licensed operators, including ExxonMobil/Qatar Petroleum and ENI/TOTAL resumed exploration efforts in their respective blocks, following a COVID-19-related hiatus, and official results are expected in 2024. Experts predict the ROC will become a natural gas exporter in the near future and expect additional discoveries of hydrocarbon reserves as a result of ongoing exploration in the ROC's EEZ. For more information on other licensed blocks in the ROC's EEZ for exploration, and details from previous licensing rounds, please visit the Ministry of Energy, Commerce, and Industry's Hydrocarbons Service. Note: the ROC is the sole internationally recognized government on the island, and only the ROC can assert maritime claims from the territory of Cyprus.

**Distressed Assets:** Despite considerable progress in recent years, banks in the ROC still had the EU's highest percentage of non-Performing Loans (NPLs) at 9.0% of all loans as of April 2023. Cypriot banks are striving to reduce NPLs further, either by selling their portfolios of NPLs or using recently amended insolvency and foreclosure frameworks. Since 2013, the two largest banks on the island by market share, Bank of Cyprus and Hellenic Bank, have reduced their exposure to NPLs through loan restructuring and securitization.

**Shipping:** The ROC's shipping registry is the third-largest flag in Europe and the island is a global leader in ship management. Despite the Turkish embargo on ROC flagged and managed ships calling on Turkish ports, Cyprus shipping offers new opportunities for economic and commercial engagement.

### Health

**Republic of Cyprus:** The ROC implemented its National Health System (NHS - Greek acronym GESY) on June 1, 2020, offering both outpatient and inpatient care services. GESY is managed by the Health Insurance Organization (HIO), the single purchaser of services from both the public and private healthcare sectors. GESY reduced out-of-pocket payments, long waiting lists for medical procedures, access inequalities, and the overall inefficiency of the previous system. The ROC does not have a domestic medical equipment manufacturing industry, and approximately 75% of all medical equipment is imported, mainly from EU countries. It does, however, host a large generic pharmaceuticals manufacturing industry.

**Area Administered by Turkish Cypriots:** Turkish Cypriot health "authorities" are attempting to harmonize health "legislation" with EU standards. They follow World Health Organization international health regulations and have worked with counterparts in the ROC to address global issues such as Ebola and COVID-19. Turkish Cypriots received vaccines and medical equipment from the Republic of Cyprus, acquired by the ROC through the EU's centralized purchasing program during the COVID 19 pandemic. Turkish Cypriots also received significant medical supplies and vaccines from Türkiye during the pandemic.

### Travel and Tourism

**Republic of Cyprus:** Travel and tourism-related activities generate approximately 20% of ROC GDP. Tourist arrivals and tourism-related revenue are gradually returning to pre-COVID-19 numbers. Projects involving hotel brands not currently in the Cyprus market are expected to proceed as planned, some through investment funds. The most recent addition to the hospitality sector was Ramada by Wyndham. Tourism infrastructure is being upgraded and the Deputy Ministry of Tourism is re-evaluating the country's tourism strategy to pursue new markets. An integrated resort casino - Europe's largest – opened its doors in July 2023. A \$1.2 billion Larnaca marina and port redevelopment is currently under construction. Although primarily a "sun and sea" destination, Cypriot government and tourism industry officials seek to diversify investment into new sectors such as medical, sports, or wellness tourism. Cyprus offers many advantages in this area, including a strategic location, expanding air connectivity, mild Mediterranean climate, existing high-standard hospitals, clinics with internationally educated doctors, and near-universal use of the English language.

## 5. Accessing the local market

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To navigate the Cypriot market, companies often work through a local partner. The Embassy's Political/Economic Section represents the Department of Commerce's Commercial Service and offers many services aimed at assisting companies wishing to enter the Cyprus market.

## 6. Business Culture and Communication

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**Business Customs:** The conventional business dress code in Cyprus usually calls for a suit and tie for men and conservative attire for women. More casual wear is usually worn in the summer and when entertaining business guests, depending on the venue. It is considered a courtesy for businesspeople to host business lunches or dinners while discussing possible cooperation. Business cards are traditionally exchanged at business meetings and gifts are acceptable in the private sector and to a lesser extent in the public sector.

**Travel Advisory:** Cyprus enjoys one of the lowest crime rates in Europe, good hygienic conditions, and a modern array of goods and services.

## 7. Useful contacts

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### Embassy of Greece in Cyprus

**Address:** 8-10, Vryonos Avenue, 1096 Nicosia (P.O.Box 21799, 1513 Nicosia)  
Cyprus

**E-mail:** [gremb.nic@mfa.gr](mailto:gremb.nic@mfa.gr)

**Tel.:** (+357) 22445111

**Fax:** (+357) 22680649

**Emergency Tel.:** (+357) 22445111 / Auto answering machine for non working days / hours.

**Emergency Tel.:** (+357) 97700529 / For non working days/hours.

**Minister Plenipotentiary:** Ioannis Papameletiou

## 8. Sources

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- European Commission
- Euromonitor International
- Fitch Solutions: BMI Research
- IMF
- OECD
- Societe Generale
- Statista
- The World Bank Group
- TradingEconomics
- UNCTAD
- StandardTrade
- Doingbusiness
- U.S. Department of Commerce, International Trade Administration
- World Economic Forum

### **Financial Institutions**

- Eurobank: Export Gate

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