



BUSINESS AND CONSUMER SURVEYS

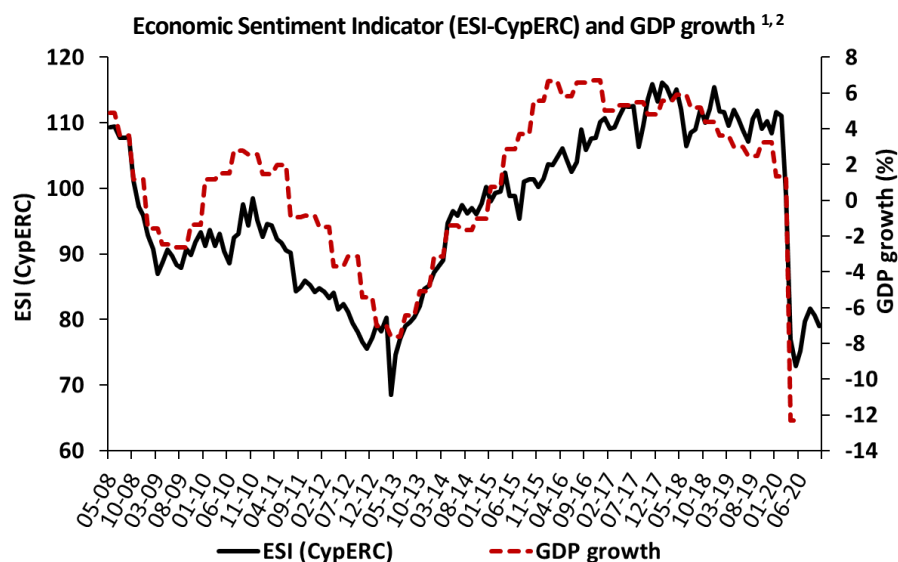
ECONOMICS RESEARCH CENTRE
UNIVERSITY OF CYPRUS



October 2020

SUMMARY

- In October 2020, economic sentiment in Cyprus deteriorated as the Economic Sentiment Indicator (ESI-CypERC) decreased by 1.6 points compared with September 2020. The decrease in the ESI-CypERC resulted from weaker business confidence in services, retail trade and, to a smaller degree, in industry.
- The decrease in the Services Confidence Indicator resulted from the deterioration of firms' views on their past business situation and downward revisions in demand expectations.
- The Retail Trade Confidence Indicator declined due to firms' more pessimistic views on their sales over the next three months.
- The increase in the Construction Confidence Indicator was driven by an improvement in firms' assessments of the levels of order books and upward revisions in employment expectations.
- The Industry Confidence Indicator decreased marginally due to downward revisions in production expectations, despite improved assessments of the current level of stocks of finished products.
- The Consumer Confidence Indicator remained unchanged as the upward revisions in consumers' expectations about their financial conditions were offset by the downward revisions in their expectations about the general economic conditions in the country.



Notes:

¹ 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.

² GDP growth: GDP (in real terms, adjusted for seasonality and working days) is compared to the same quarter of the previous year (Source: Statistical Service of Cyprus).

The Economics Research Centre of the University of Cyprus (CypERC) and RAI Consultants Ltd participate in the Joint Harmonised European Union Programme of Business and Consumer Surveys. CypERC acknowledges funding from the European Union, the Ministry of Finance and the University of Cyprus for conducting the project "Business and Consumer Surveys" in Cyprus.

Co-funded by
the European Union





BUSINESS AND CONSUMER SURVEYS

ECONOMICS RESEARCH CENTRE UNIVERSITY OF CYPRUS



Indicators and balances ¹

| Month | 2019 | | | 2020 | | | | | | | | | |
|---|-------|-------|-------|-------|-------|------|------|------|------|------|------|------|------|
| | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| ECONOMIC SENTIMENT INDICATOR (ESI CypERC)² | 109.1 | 110.2 | 108.4 | 111.7 | 111.0 | 98.9 | 77.0 | 72.9 | 75.2 | 79.7 | 81.6 | 80.6 | 79.0 |
| SERVICES | | | | | | | | | | | | | |
| Services Confidence Indicator ³ | 26 | 29 | 24 | 32 | 29 | 6 | -48 | -64 | -63 | -50 | -43 | -44 | -49 |
| Business situation, past 3 months ⁴ | 30 | 33 | 31 | 38 | 44 | 29 | -27 | -53 | -60 | -63 | -59 | -34 | -51 |
| Turnover (demand), past 3 months ⁴ | 26 | 30 | 28 | 33 | 24 | 25 | -31 | -58 | -70 | -62 | -55 | -53 | -45 |
| Expected turnover (demand), next 3 months ⁴ | 22 | 24 | 13 | 26 | 20 | -37 | -88 | -81 | -59 | -26 | -15 | -45 | -51 |
| Employment, past 3 months | 2 | -10 | -9 | 3 | -6 | -4 | -5 | -10 | -17 | 2 | 9 | -5 | -1 |
| Expected employment, next 3 months | 5 | -2 | -7 | 1 | 11 | -4 | -7 | -4 | -2 | 7 | -4 | 4 | 11 |
| Expected selling prices, next 3 months | 10 | 1 | 3 | 1 | 5 | -7 | -28 | -26 | -18 | -15 | -10 | -7 | -14 |
| Uncertainty: difficulty predicting business situation ^{5,6} | | -10 | | | | | | 45 | 63 | 40 | 59 | 48 | 32 |
| RETAIL TRADE | | | | | | | | | | | | | |
| Retail Trade Confidence Indicator ³ | -4 | -6 | -5 | -4 | -2 | -5 | -25 | -35 | -29 | -31 | -25 | -25 | -28 |
| Business activity (sales), past 3 months ⁴ | -18 | -17 | -14 | -22 | -12 | -7 | -26 | -48 | -52 | -53 | -54 | -51 | -50 |
| Stock of goods ⁴ | -1 | -2 | 2 | 3 | 0 | 1 | -10 | -1 | -18 | -12 | -21 | -19 | -19 |
| Expected business activity (sales), next 3 months ⁴ | 6 | -2 | 2 | 14 | 6 | -8 | -61 | -58 | -54 | -51 | -43 | -43 | -52 |
| Orders placed with suppliers, next 3 months | -4 | -6 | 2 | 6 | 0 | -5 | -50 | -51 | -52 | -48 | -41 | -42 | -49 |
| Expected employment, next 3 months | -1 | 1 | -2 | 1 | 2 | 2 | -2 | 0 | -1 | 0 | -2 | -1 | 1 |
| Expected selling prices, next 3 months | 1 | 8 | 11 | 15 | 8 | 8 | -6 | -2 | 0 | 2 | 3 | 5 | 2 |
| Uncertainty: difficulty predicting business situation ^{5,6} | | 46 | | | | | | 57 | 53 | 57 | 60 | 71 | 76 |
| CONSTRUCTION | | | | | | | | | | | | | |
| Construction Confidence Indicator ³ | -2 | 0 | 2 | -5 | 1 | -9 | -9 | -13 | -13 | -18 | -14 | -18 | -11 |
| Building activity, past 3 months | 24 | 29 | 19 | 25 | 21 | 13 | -5 | -48 | -39 | -33 | -8 | -15 | -9 |
| Current overall order books ⁴ | -13 | -12 | -7 | -20 | -14 | -18 | -22 | -27 | -31 | -37 | -27 | -32 | -22 |
| Expected employment, next 3 months ⁴ | 9 | 12 | 11 | 11 | 15 | -1 | 3 | 1 | 5 | 1 | -2 | -3 | -1 |
| Expected selling prices, next 3 months | 11 | 19 | 16 | 12 | 16 | 10 | -9 | -8 | -6 | 8 | 6 | -4 | 2 |
| Uncertainty: difficulty predicting business situation ^{5,6} | | 11 | | | | | | 60 | 53 | 46 | 44 | 38 | 52 |
| INDUSTRY | | | | | | | | | | | | | |
| Industrial Confidence Indicator ³ | 9 | 10 | 8 | 10 | 10 | 3 | -43 | -36 | -28 | -28 | -24 | -28 | -29 |
| Production, past 3 months | 18 | 23 | 20 | 20 | 22 | 24 | -21 | -66 | -63 | -66 | -56 | -59 | -61 |
| Current overall order books ⁴ | -18 | -8 | -16 | -14 | -6 | -11 | -65 | -73 | -67 | -60 | -61 | -61 | -62 |
| Current export order books | -14 | -13 | -1 | -19 | -2 | -6 | -83 | -45 | -21 | -60 | -66 | -51 | -70 |
| Stock of finished products ⁴ | -12 | -7 | -8 | -22 | -20 | -15 | -10 | -32 | -20 | -9 | -14 | -13 | -18 |
| Expected production, next 3 months ⁴ | 31 | 30 | 32 | 21 | 16 | 5 | -75 | -67 | -38 | -31 | -26 | -37 | -44 |
| Expected employment, next 3 months ⁵ | 9 | 7 | 6 | 4 | 6 | 4 | -5 | -2 | -1 | 0 | -1 | -1 | -2 |
| Expected selling prices, next 3 months | 3 | 4 | 3 | 6 | 10 | 1 | -1 | -1 | -3 | 6 | -1 | -1 | -1 |
| Uncertainty: difficulty predicting business situation ^{5,6} | | 15 | | | | | | 61 | 53 | 51 | 49 | 62 | 60 |
| CONSUMERS | | | | | | | | | | | | | |
| Consumer Confidence Indicator ³ | -9 | -7 | -7 | -6 | -4 | -23 | -33 | -29 | -24 | -21 | -31 | -29 | -29 |
| Financial situation of household, past 12 months ⁴ | -5 | -2 | -2 | -3 | -4 | -2 | -1 | -8 | -14 | -13 | -17 | -15 | -15 |
| Expected financial situation of household, next 12 months ⁴ | -1 | -1 | 3 | 3 | 4 | -16 | -27 | -17 | -8 | -5 | -15 | -12 | -10 |
| General economic situation in Cyprus, past 12 months | 2 | 9 | 9 | 7 | 7 | 20 | 15 | -2 | -25 | -32 | -44 | -44 | -49 |
| Expected general economic situation in Cyprus, next 12 months ⁴ | -3 | -1 | 1 | 2 | 2 | -37 | -54 | -45 | -30 | -25 | -48 | -43 | -45 |
| Consumer prices, past 12 months | 3 | -2 | 1 | 5 | 12 | -1 | -3 | -7 | -13 | -13 | -16 | -18 | -19 |
| Expected consumer prices, next 12 months | 0 | -5 | 3 | 4 | 4 | -3 | -8 | -16 | -17 | -16 | -13 | -17 | -19 |
| Expected unemployment in Cyprus, next 12 months ⁵ | -1 | -6 | -6 | -5 | -5 | 42 | 63 | 59 | 51 | 51 | 66 | 60 | 57 |
| Major purchases at present | -18 | -11 | -7 | -8 | -7 | -45 | -55 | -41 | -35 | -30 | -39 | -42 | -32 |
| Major purchases intentions, next 12 months ⁴ | -27 | -24 | -28 | -24 | -20 | -35 | -48 | -46 | -42 | -40 | -44 | -45 | -45 |
| Savings at present | -33 | -30 | -22 | -29 | -28 | -30 | -35 | -29 | -28 | -20 | -19 | -16 | -24 |
| Savings intentions, next 12 months | -46 | -47 | -38 | -43 | -40 | -47 | -44 | -35 | -35 | -39 | -28 | -28 | -40 |
| Statement on the current financial condition of household | 13 | 13 | 19 | 15 | 15 | 13 | 12 | 15 | 17 | 15 | 16 | 21 | 19 |
| Uncertainty: difficulty predicting household's financial situation ^{5,6} | | -5 | | | | | | -1 | 4 | 7 | 7 | 4 | 6 |

Notes: ¹ The balance is the difference between the percentage of positive responses and the percentage of negative responses. Positive responses refer to "increase", "improvement", "above normal", "very likely", "fairly likely", etc., while negative responses refer to "decrease", "deterioration", "below normal", "not at all likely", "not likely", etc. 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 and https://ec.europa.eu/info/files/revised-consumer-confidence-indicator_en. ⁴ The responses to this question are used in the calculation of the confidence (composite) indicator for each survey. ⁵ The responses to this question are not adjusted for seasonality. ⁶ The balance is the difference between the percentage of respondents who state that the future business situation (or household financial situation) is difficult to predict, and the percentage of respondents who state the opposite. The data for 2019 refer to the average of the balances over the period May – August.



Economics Research Centre

University of Cyprus

P.O. box 20537, 1678 Nicosia, CYPRUS

Telephone: 22893660, Fax: 22895027

Email: erc@ucy.ac.cy

Website: www.erc.ucy.ac.cy

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.

* Christiana Anaxagorou (email: anaxagorou.christiana@ucy.ac.cy)

* Marianna Charalambous (email: charalambous.a.marianna@ucy.ac.cy)

* Efi Kalorkoti (email: kalorkoti.efi@ucy.ac.cy)

* Nicoletta Pashourtidou (email: n.pashourtidou@ucy.ac.cy)

The material in this document can be copied, distributed, transmitted and otherwise disseminated, but the source must be acknowledged.