

### At a Glance

Tourism is one of the leading industries in Cyprus and is seen taking on more economic importance by the end of 2014 as international visits rise. In 1H2014, the total arrivals reached 979,835 and the forecasts suggest that they will reach 2.6mn by the end of 2014. The contribution of to the Cypriot GDP is significant, with its revenue representing 3% of the country's GDP for the first quarter of the year (€118.5mn). As the forecasts indicate, 2014 will be a record year with the tourism generating an estimated €2.6bn in revenue (7.8% YOY increase, c.17% of the country's GDP).

In the midst of a prolonged economic recession, the tourism sector could stimulate the Cyprus economy, create new jobs and enhance economic activity. Over the last couple of years, the construction of tourism development projects such as new marinas and golf courses, helped steadily increase the tourist arrivals. Upcoming projects (e.g. Integrated Casino Resort), are expected to further upgrade the Cyprus tourist product and provide additional momentum to the tourist industry.

### Tourism Highlights

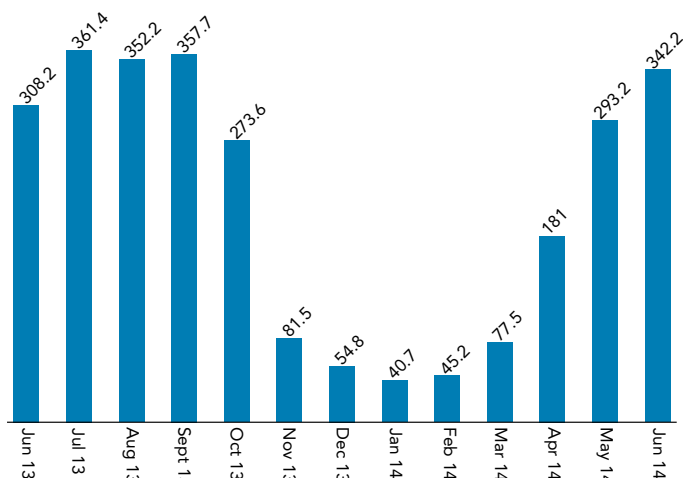
	2011	2012	2013	1Q2014	2Q2014
Tourist Arrivals (mn)	2.39	2.46	2.41	0.16	0.82
Income from Tourists (€bn)	1.75	1.93	2.09	0.12	N/A
Income from Tourism (% of GDP)	9.80	10.90	12.70	3.00	N/A
Gross Occupancy Rate (%)	44.30	48.90	43.90	N/A	N/A
Tourist Beds in Operation	87,082	86,744	87,102	87,094	87,218

Source: CyStat, CTO

### Tourist Arrivals

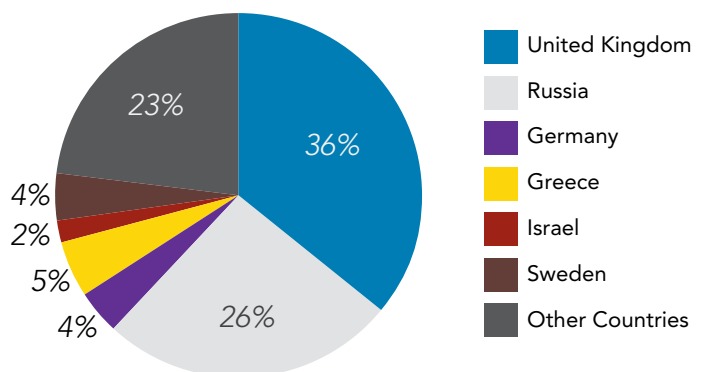
In the first semester of 2014, the total tourist arrivals were 6% or 55,700 ahead YoY, reaching a total of 979,835. The annual increase in the total arrivals for the first 6 months of the year, is mainly a result of the increased arrivals from Russia, Israel and United Kingdom.

Tourist Arrivals (000's)



Source: Cystat (2014)

Share of Total Arrivals (1H2014)



## Hotel Price per Night

The increase in tourist arrivals in the last few years was facilitated in no small part by the availability of a wide range of hotel and B&B accommodations with services and facilities to suit the needs of a broad spectrum of the tourist market. The prices of the hotels in Cyprus vary according to the facilities offered by each hotel and address all market segments (Table 1).

Table 1: Hotel Room Prices

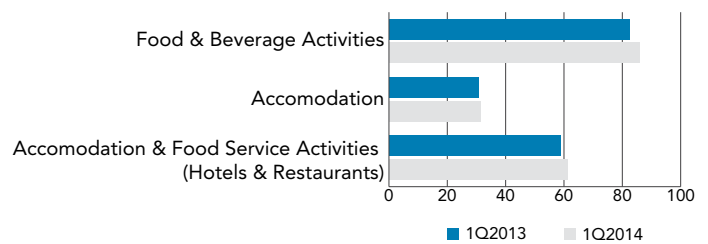
	1 ★	2 ★	3 ★	4 ★	5 ★
Max Average price for a single bedroom/night	€55	€74	€110	€200	€344
Max Average price for a double bedroom/night	€87	€111	€134	€278	€478
Lunch Price	€8	€10	€15	€23	€28
Dinner Price	€8	€10	€17	€28	€38

Source: Cyprus Tourism Organisation, 2014

## Profitability Indices <sup>1</sup>

In 1Q2014, the annual turnover value index in the hospitality and food service sector increased considerably. Indicatively, the sector of the food and beverage activities grew by 4.4% or by 3.6 units YoY, whereas the sector of the accommodation and the food service activities sector increased by 3.9% or 2.3 units. For the 1Q2014, the accommodation sector recorded a slighter increase of 2.3% or 0.7 units compared with the corresponding period of 2013.

Turnover Value Index (2010=100)

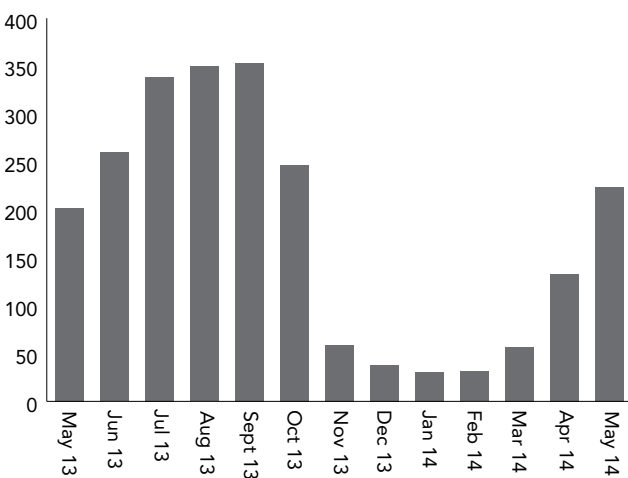


Source: Cystat (2014)

## Income from Tourism

Cyprus' earnings from tourism rose in the first five months of 2014 compared to the same period of 2013. The country earned €475.5mn between January and May compared to €437.7mn over the same period last year. Amongst the countries with the highest share of total arrivals in Cyprus, the ones that on average contributed most for the first five months of 2014 were Russia, Germany and United Kingdom

Income from Tourism (mn €'s)



Source: Cystat (2014)

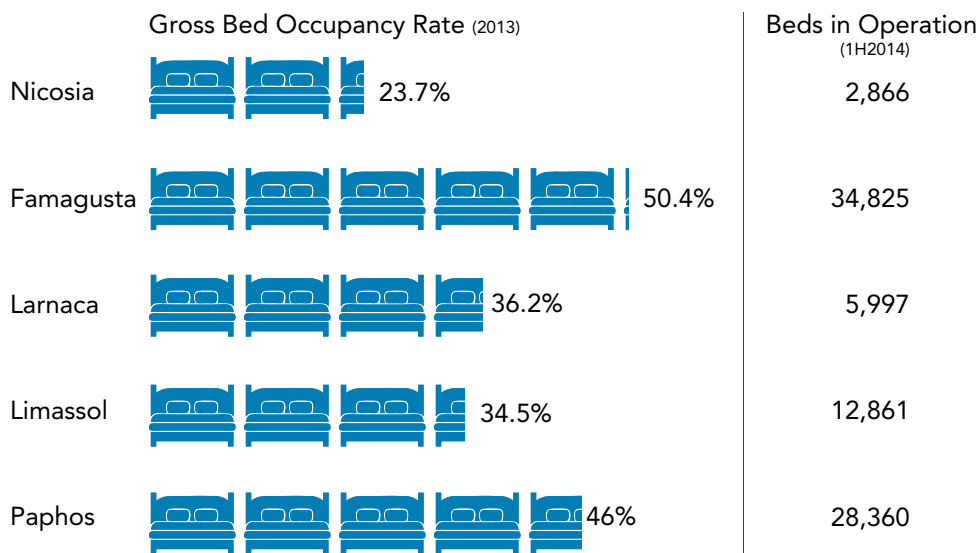
Average Per Person Spending (€'s)  
First Five Months of 2014



<sup>1</sup> Cyprus Statistical Service (CyStat) releases the turnover value indices for the Accommodation and Food Service Sector. They reflect the monthly and quarterly changes of turnover in Accommodation and Food Service Activities. Monthly turnover figures are collected on a quarterly basis for each enterprise that participates in the survey. The survey is on a sampling basis and concerns the enterprises that they are activated in the Accommodation and Food Service Sector.

## Capacity and Occupancy Rates

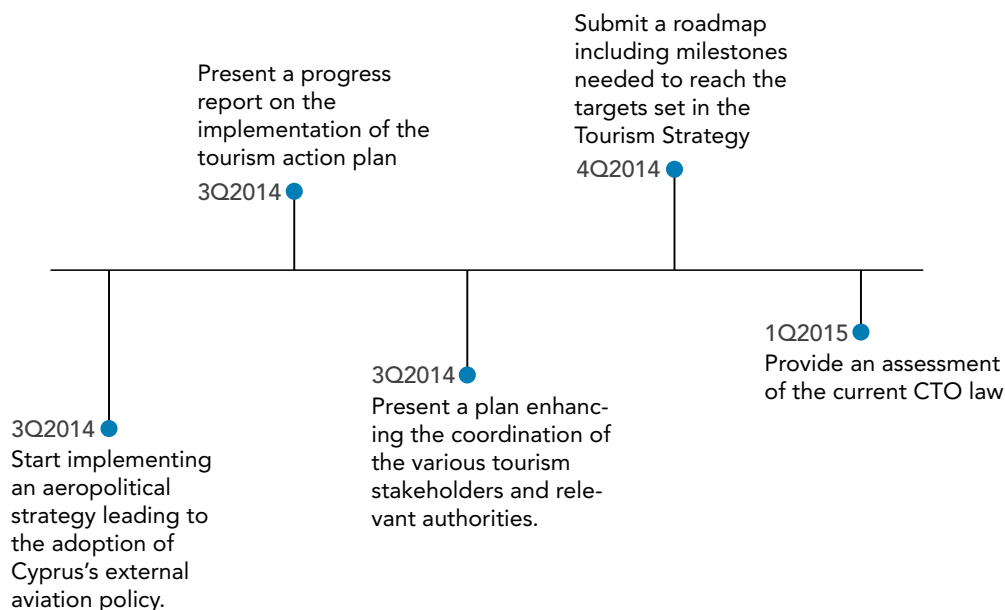
As of the end of 1H2014, the districts with the highest capacity of beds were Famagusta (34,825) and Paphos (28,360), and the district with the lowest bed capacity was Nicosia (2,866). Also, the districts with the highest gross occupancy rates for 2013 were Famagusta (50.4%) and Paphos (46.0%) and the district with the lowest one was Nicosia (23.7%). The number of tourist beds in operation declined from 2004 until 2012, mainly due to the withdrawal of the lower quality beds, which has also contributed to the stabilisation of the gross occupancy rates.



## Economic importance of tourism for Cyprus

The tourist industry, which accounted for about one eighth of the county's GDP for 2013 (12.7%). The tourism sector was one of the key factors that helped decrease the contraction of the economy by 5.4% well below the 6% contraction forecast included the third Troika review of the Cyprus MoU (Memorandum of Understanding). In 2014, the tourism revenue is expected to further boost the economic activity, with the GDP contraction expected at 4.2%.

### Timeline of Planned Reforms Based on the MoU



## Recent Developments

### Casino Legislation

The Government is preparing a bill relating to the necessary procedures for the licensing and operation of an integrated casino resort in Cyprus. The bill provides for a granting of a casino license for 30 years and the casino location will be decided by the interested investors. Amongst the major goals of the initiative is the upgrading of the Cyprus tourist product. The growth in tourist arrivals, the expansion of their stay time and the increase of the per capita income are the main expected outputs. In addition, the initiative aims to extend the tourism period, ideally throughout the year, thereby addressing the seasonality issue of the Cyprus tourism market.

The Parliament is expected to pass the law in September 2014 and, within eight months, the Ministry of Energy, Commerce, Industry and Tourism will grant the license in an open licensing procedure. The casino licenses are expected to be granted in early 2015.

### Open Skies

An "Open Skies" policy in aviation is also pursued. Cyprus has already agreed an Open Skies policy with Russia and Ukraine and, as a result, expects a further increase in the number of tourists from these two countries (depending on the circumstances that will prevail as a result of the turbulence in Ukraine and the devaluation of the Ruble).

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