

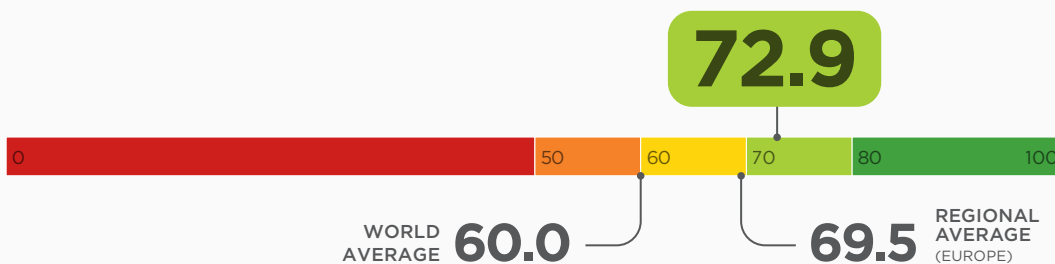
CYPRUS

Cyprus's economic freedom score is 72.9, making its economy the 23rd freest in the 2022 *Index*. Cyprus is ranked 16th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Cyprus's economic growth turned negative in 2020 but rebounded in 2021. A five-year trend of expanding economic freedom has continued. Led by score increases in the rule of law, Cyprus has recorded a 5.0-point overall gain of economic freedom since 2017 and has risen to the lower half of the "Mostly Free" category. Scores for **tax burden** and **monetary freedom** are good, but **government spending** and **financial freedom** exhibit weaknesses.

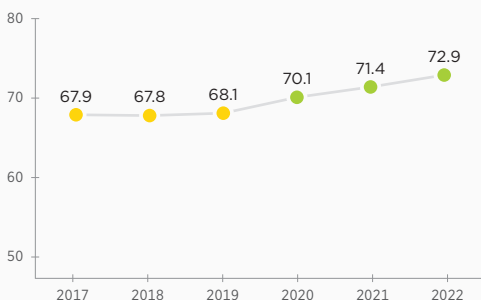
IMPACT OF COVID-19: As of December 1, 2021, 598 deaths had been attributed to the pandemic in Cyprus, and the government's response to the crisis ranked 69th among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.1 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +5.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.2 million

GDP (PPP):
\$35.5 billion
-5.1% growth in 2020
5-year compound annual growth 3.0%
\$40,107 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
-1.1%

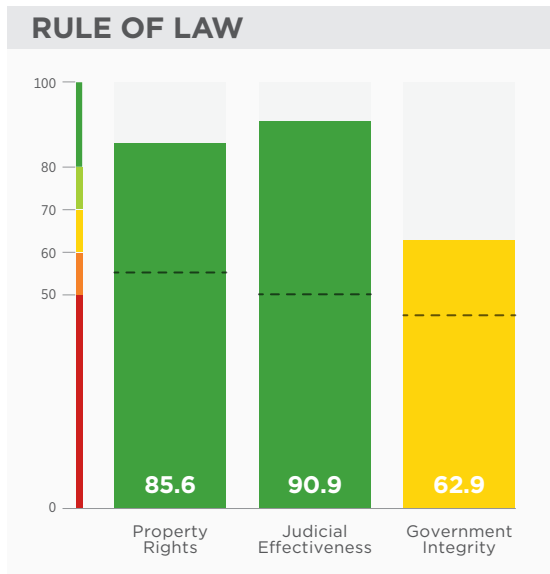
FDI INFLOW:
-\$3,647.0 million

PUBLIC DEBT:
118.2% of GDP

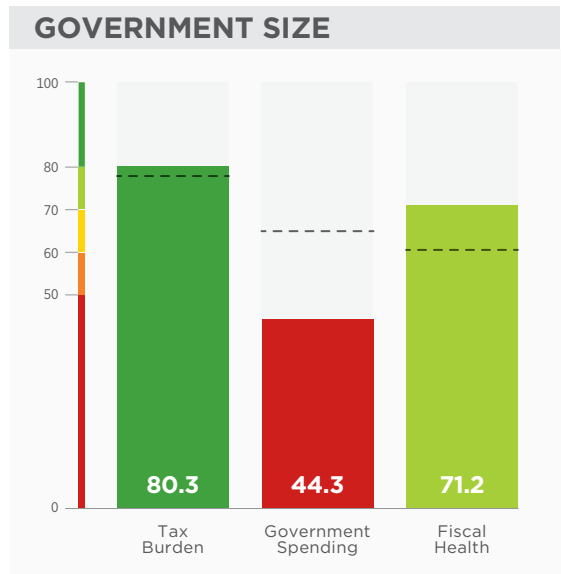
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Cyprus gained independence from the United Kingdom in 1960. Tensions between the Greek majority and the Turkish minority led to repeated episodes of violence, and a U.N. buffer zone has separated the Greek Cypriot Republic of Cyprus from the Turkish Republic of Northern Cyprus since 1974. The Republic of Cyprus joined the European Union in 2004. Reunification talks brokered by the U.N. resumed in April 2021 after a four-year hiatus but ended inconclusively. Disputes over offshore hydrocarbon resources remain unresolved, and tensions continue to flare up on a regular basis. Center-right Cyprus President Nicos Anastasiades won a second five-year term in 2018. Services such as tourism, finance, shipping, and real estate account for more than 80 percent of GDP.

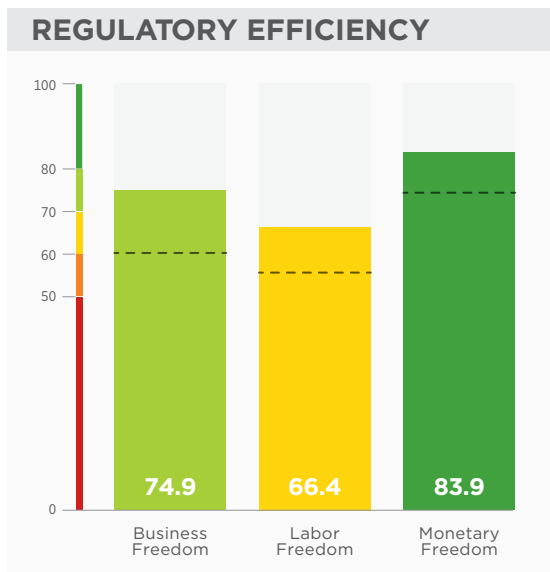
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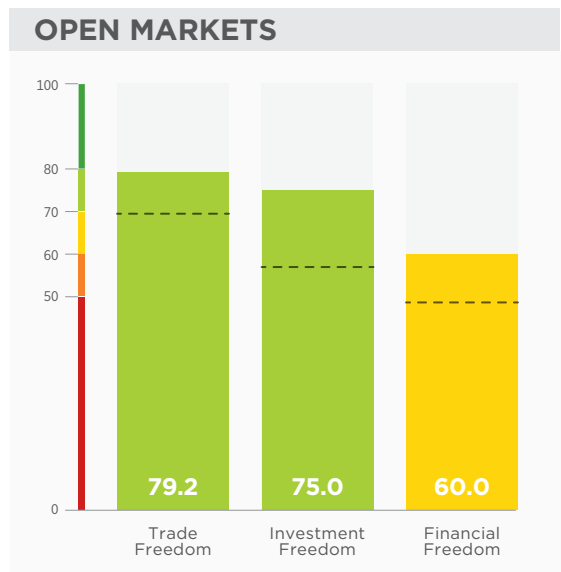
Property rights are generally respected in Cyprus, but property registration and the enforcement of contracts are not efficient. In the Republic of Cyprus, an independent and impartial judiciary that operates under British traditions and upholds due process retains high levels of public trust. Recent high-profile corruption cases have highlighted the risk of corruption in the Cypriot banking sector, public procurement, and land administration sector.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 12.5 percent. The overall tax burden equals 24.2 percent of total domestic income. Government spending has amounted to 43.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 118.2 percent of GDP.



It is easier to start a business in Cyprus than it is in many other countries, but there are numerous sector-specific procedures. Minority investors are well protected. Enforcing contracts and dealing with construction permits can be an involved process. Obtaining permits for non-EU staff can be a chore. In 2021, the European Union and the government funded two new subsidy schemes to benefit the manufacturing and housing sectors.



As a member of the EU, Cyprus has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Cyprus has an additional nine country-specific nontariff barriers. Facilitated by openness to investment, efforts to restructure the banking sector have enabled a relatively rapid return to international credit markets.