

2022 SME COUNTRY FACTSHEET'S EVIDENCE BACKGROUND DOCUMENT




Cyprus

This document faithfully reproduces evidence from various relevant sources, thus providing SME-focused “pure facts” in the form of concise facts. This factual information arises from national evidence, data and insights, such as the SME-relevant recent national studies, surveys, publications, policy measures, etc. (including those published only in the national language) as well as relevant international studies and other relevant sources, indicators and statistics.





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Factual SME-related evidence	Source
KEY NOWCASTS & FORECASTS  KEY NOWCASTS & FORECASTS	
SMEs in Cyprus grew strongly in 2021, slightly outperforming large firms. SME value added and employment increased by 10.2% and 1.4% in 2021, compared to growth rates of 7.5% and 0.9% for large enterprises.	Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.
In the <i>construction</i> ecosystem, SMEs significantly outperformed large firms in 2021. SMEs grew by 11.1% in terms of value added and by 2.0% in terms of employment, while value added of large firms increased by 3.3% and employment even dropped by 1.2%.	Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.
Both the <i>retail</i> and <i>proximity, social economy, and civil security</i> ecosystems recovered in 2021, with strong growth rates of SME value added, at 12.3% and 10.4% respectively. At the same time, SME employment also grew slightly by 0.4% and 1.6%, respectively.	Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.
Based on data from early 2022, it was expected that SME value added and SME employment in Cyprus would continue to grow strongly by 8.2% and 3.8% respectively, but the war in Ukraine will affect these estimates.	Estimates and forecasts produced by JRC, based on figures from the Structural Business Statistics Database, provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database and forecasts from the AMECO database.
SMEs in Cyprus accounted for 82.1% of employment and 76.4% of value added in 2021, well above the corresponding EU averages of 64.4% and 51.8%.	Estimates produced by JRC, based on figures from the Structural Business Statistics Database as well as provisional data for 2020-2021 from the National Accounts Database and the Short-Term Business Statistics Database.
ENVIRONMENTAL ASPECTS OF SUSTAINABILITY  ENVIRONMENTAL ASPECTS OF SUSTAINABILITY	
According to the Eurobarometer on SMEs and the environment, Cypriot SMEs are worse than the EU average in the percentage of SMEs that have taken resource efficiency measures (15.1% vs 29.1%), have benefited from public support measures for their resources-efficiency actions (40.5% vs 46%), and taken resource-efficiency measures (83.7% vs 89.3%).	Eurobarometer survey of SMEs and the environment, 2022: https://europa.eu/eurobarometer/surveys/detail/2287
<p>According to the latest results of a Statistical Service study, the overall spending on environmental protection operations in industry is anticipated to be €119.6 million, or 0.54% of GDP. By environmental domain, expenditures on air pollution reduction totalled €92.6 million, waste monitoring, treatment, and disposal totalled €16.2 million, waste water treatment totalled €9.3 million, and other actions totalled €1.5 million, (including noise and vibration abatement, soil and ground water protection, and protection of natural resources and biodiversity).</p> <p>This level of investment has placed Cypriot SMEs exactly at the EU average in terms of SMEs that offer green products or services (31.6%) and SMEs with a turnover share of more than 50% generated by green products or services (23.3%).</p>	<p>Survey Results: Environmental Protection Expenditures in Industrial Enterprises, Statistical Service of Cyprus, 2021. https://tinyurl.com/mry8af7u</p> <p>Eurobarometer survey of SMEs and the environment, 2022: https://europa.eu/eurobarometer/surveys/detail/2287</p>

SOCIAL ASPECTS OF SUSTAINABILITY		 SOCIAL ASPECTS OF SUSTAINABILITY
In December 2020, the Parliament of Cyprus approved legislation for the foundation of social enterprises. This established a legal framework under which certain organizations, such as companies, cooperatives and other legal entities, can be registered as social enterprises. However, no social enterprise has been established in 2021, as provisions and conditions regarding the process of establishment have not yet been approved by the Parliament.	Interview: Officer Mr. Marinos Anistos, Cooperative Companies Service, Cyprus, 2021 https://tinyurl.com/2p9b54x3	
DIGITALISATION		 DIGITALISATION
The Strategic Plan 2020-2025 mandates that 23% of the funding schemes will contribute to the digital transformation (as part of the Recovery and Resilience Plan). In total, €350 million has been allocated for e-governance, €23 million for digital skills development, €58 million for broadband networks and €40 million for smart cities.	Project report and Strategic Planning 2020-2025, Deputy Ministry of Research, Innovation and Digital Policy. Strategic planning, 2021. https://tinyurl.com/2p9ymr3a	
The results of the 2021 survey on information and communication technologies (ICT) usage and e-commerce in enterprises, showed that 6.7% of all enterprises with 10 or more employed persons in Cyprus have an internet connection with speeds higher than 1 Gbit/s, 7.9% have internet connection speeds between 500 Mbit/s – 1 Gbit/s and 30.2% have internet connection speeds between 100 - 500 Mbit/s. Moreover, in 2021, 50.3% of enterprises with ten or more employed persons bought Cloud Computing services, compared to 34.6% in 2020. The main use of cloud computing services in enterprises is for e-mail (41.9%), for security software applications (35.8%), for office software (34.4%) and for storage of files (30.3%). Nevertheless, the percentage of Cypriot SMEs (14.5) selling online is still marginally below the EU average of 17.5%.	Information Communication Technologies (ICT) Usage and E-Commerce in Enterprises, Statistical Service of Cyprus, 2021. https://tinyurl.com/yc22jwhu Eurostat, Community survey on ICT usage and eCommerce in enterprises, 2020: http://ec.europa.eu/eurostat/web/products-datasets/-/isoc_ec_eseln2	
INNOVATION		 INNOVATION
SMEs in Cyprus outperform the EU average in terms of the percentage introducing new product innovations (48% vs 29%), introducing business process innovations (66% vs 40%) and collaborating other innovative SMEs (42% vs 12%).	Community Innovation Survey, 2020, http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en	
According to the results of the Statistical Service's study on scientific research and experimental development, overall R&D expenditure in Cyprus in 2019 was around €164.4 million, or 0.74% of Gross Domestic Product. Within the business enterprise sector, the information and communication sector accounted for the majority of R&D activity, accounting for €40.7 million in total R&D expenditure, while the manufacturing sector	Latest Figures: Research and Development Activity in Cyprus, Statistical Service of Cyprus, 2021. https://tinyurl.com/2p8whs2v Public Procurement Team - Single Market Scoreboard, 2020: http://ec.europa.eu/internal_market/scoreboard/	

<p>(and particularly manufacturers of basic pharmaceutical products and preparations, as well as computer, electronic, and optical products and electrical equipment) contributed €22.2 million.</p> <p>SMEs in Cyprus are also very active in terms of both bids and participation in public tenders, outperforming the EU average in both categories at 84% (EU: 68%) and 40% (EU: 31%).</p>	<p>Flash Eurobarometer "Businesses' attitudes towards corruption in the EU", 2020: https://data.europa.eu/euodp/data/dataset/</p>
SKILLS  SKILLS	
<p>The biggest needs of SMEs in human resources concern specialized staff with developed soft skills but also needs in specific areas. In addition, 54% of SMEs stated that they expect local universities to bring in interns who are graduates with practical experience, while an additional 45% stated that they expect to develop more practical courses.</p>	<p>IMR/University of Nicosia research: The challenges, problems and needs of SMEs, InBusinessNews, 2021. https://tinyurl.com/5n7k6ww3</p>
ADMINISTRATIVE BURDEN  ADMINISTRATIVE BURDEN	
<p>The vast majority of companies consider the most important challenges that the Cypriot economy faces are bureaucracy, the limited range of digital services provided by the state, the inefficiency of the public sector and local authorities.</p> <p>However, around half (49%) of the Cypriots participating in the survey consider fast-changing legislation and policies are a problem for doing business compared with an EU average of 67%.</p>	<p>Cyprus chamber of commerce and industry survey "CCCI research on the effects of the next day of the pandemic and Lockdowns", Cyprus chamber of commerce and industry survey "CCCI research on the effects of the next day of the pandemic and Lockdowns", 2021. https://tinyurl.com/3b93acsh</p> <p>Flash Eurobarometer "Businesses' attitudes towards corruption in the EU", 2019: https://data.europa.eu/euodp/data/dataset/survey482</p>
REGULATORY OBSTACLES  REGULATORY OBSTACLES	
ACCESS TO FINANCE  ACCESS TO FINANCE	
<p>The highest percentage of EU SMEs which used a credit line and overdraft in the past 6 months of 2021, are in Cyprus (52%) while less than 10% made use of bank loans. The survey also revealed that less than 5% of Cypriot SMEs made use of grants or subsidized bank loans and almost 0% issued equity.</p>	<p>Analytical Report 2021: Survey on the access to finance of enterprises (SAFE), Panteia, European Commission, 2021. https://tinyurl.com/ycxk9rj5</p>
LATE PAYMENTS  LATE PAYMENTS	
ACCESS TO MARKETS  ACCESS TO MARKETS	
<p>Exports of domestically produced products, including stores and provisions, in August 2021 were €107.5 million compared to €102.5 million in August 2020, an increase of 4.9%. Domestic exports of industrial products in August 2021</p>	<p>Foreign Trade Statistics, Statistical Service of Cyprus, 2021. https://tinyurl.com/2p8ukfu5</p>

<p>were €102.1 million compared to €96.3 million in August 2020, whilst domestic exports of agricultural products in August 2021 were €4.1 million compared to €4.0 million in August 2020.</p>	
START-UP ENVIRONMENT  START-UP ENVIRONMENT	
<p>The available budget of the New Business Activity Grant Scheme, amounting to €30 million, has been covered by 516 applications. Due to the huge interest that has been observed, the YEEB has decided that it will continue to accept applications from interested parties until December 31, 2021, which it will consider as runners-up in the order of their submission, depending on the savings that will result from the evaluation of applications. received within the budget. The Plan is included in the TH.ALEIA Programme 2021-2027 and is co-financed by the European Regional Development Fund (ERDF) of the EU and the Republic of Cyprus.</p>	<p>Announcement, Ministry of Energy, Trade and Industry, 2021. https://tinyurl.com/2p82nvwn</p>
SCALE-UP ENVIRONMENT  SCALE-UP ENVIRONMENT	
IMPACT OF THE COVID-19 CRISIS  IMPACT OF THE COVID-19 CRISIS	
<p>The main past, present and future problems identified by companies in the Cyprus Chamber of Commerce survey following the COVID-19 pandemic is the lack of liquidity as well as the timely and efficient collection of debts. Paying rent, servicing loans and paying staff salaries were low on the list of problems they faced and this is mainly due to state support for employees and businesses, as well as instalment suspension.</p> <p>At the same time, the survey showed that the pandemic has accelerated the digitization of services and processes, further developed e-commerce and brought about permanent changes in business operation, by adopting flexible forms of work and spectacular increase of online meetings and events, utilizing modern technologies.</p>	<p>Cyprus Chamber of Commerce and Industry survey "CCCI research on the effects of the next day of the pandemic and Lockdowns", Cyprus Chamber of Commerce and Industry, 2021. https://tinyurl.com/3b93acsh</p>
NATIONAL RECOVERY AND RESILIENCE PLAN  NATIONAL RECOVERY AND RESILIENCE PLAN	
<p>The Cyprus Recovery and Resilience Plan (RRF) will see €1.2 billion allocated to Cyprus for the period 2021-2026 by the EU Recovery and Resilience Mechanism.</p>	<p>Directorate General for European Programmes, Coordination and Development (DG EPCD) https://tinyurl.com/2p9a6r3h</p>
<p>The policy axis "Rapid transition to a Green Economy" (€447.6 million) seeks to make a significant contribution to the green transition and environmental sustainability, through the achievement of national targets for climate neutrality, energy efficiency and renewable energy sources. It also promotes reforms in the fields of climate and energy, sustainable</p>	<p>Recovery and Resilience Plan, Directorate General for European Programmes, Coordination and Development (DG EPCD), 2021. https://tinyurl.com/2p9a6r3h</p>

transport, water resources management and the wider environment.	
The "Strengthening the resilience and competitiveness of the economy" (€422.3 million) policy axis aims to improve the competitiveness and resilience of the Cypriot economy. In addition to the other axes, it includes measures that contribute to the promotion of a new model of development and international competitiveness of the Cypriot economy, based on the results of the relevant study of the Cyprus Economy and Competitiveness Council.	Recovery and Resilience Plan, Directorate General for European Programmes, Coordination and Development (DG EPCD), 2021. https://tinyurl.com/2p9a6r3h
The main goal of the "Towards a digital age" (€89.4 million) axis is to bridge differences and to ensure the digital transformation of Cyprus occurs without exclusions with adequate access to communication infrastructure for all citizens. This is broken down into "upgrading infrastructure for connectivity" and "promotion of e-government" both of which will directly benefit the day-to-day operations of SMEs.	Recovery and Resilience Plan, Directorate General for European Programmes, Coordination and Development (DG EPCD), 2021. https://tinyurl.com/2p9a6r3h
The "Employment, social protection, education and human resources" (€172.9 million) axis focuses on the development of the required skills and competencies in the existing and future workforce, so that it responds effectively to the demands and trends of the modern labour market, according to its current and future needs, including those arising from the green and digital transition.	Recovery and Resilience Plan, Directorate General for European Programmes, Coordination and Development (DG EPCD), 2021. https://tinyurl.com/2p9a6r3h
NATIONAL INDUSTRIAL ECOSYSTEMS*  NATIONAL INDUSTRIAL ECOSYSTEMS	
For the period of January – August 2021, revenue from tourism is estimated at €777 million compared to €235.6 million in the corresponding period of 2020, recording an increase of 229.8% and a decrease of 58,2% compared to January-August 2019 (€1.856,8 million).	Revenue from Tourism, Statistical Service of Cyprus, 2021. https://tinyurl.com/3ashfh2y
During the period January-September 2021, increases relative to the corresponding period of 2020 were observed in the index of accommodation and food service activities (54.6%), of administrative and support service activities (12.6%), of information and communication (9.1%) and of professional, scientific and technical activities (3.1%).	Turnover Value Index in Services, Statistical Service of Cyprus, 2021. https://tinyurl.com/mrxzb82
For the period January-September 2021, the Industrial Turnover Index recorded an increase of 12.1% compared to the corresponding period of the previous year.	Industrial Turnover Index, Statistical Service of Cyprus, 2021. https://tinyurl.com/yzmhu8yv
OTHER RELEVANT TOPICS  OTHER RELEVANT TOPICS	

* "National industrial ecosystems" refer to the national aspects of the industrial ecosystems as defined by the EC.

<https://op.europa.eu/en/publication-detail/-/publication/6355326c-ae95-11eb-9767-01aa75ed71a1/language-en>