



SPRING 2010 REFORM BAROMETER - CYPRUS

1. SUMMARY TABLE

<u>Cyprus</u>				Rank among 29 **			Relative Gap	
	2008	2009	Change	2008	2009	Change	EU 5 top performers 2009	Gap to EU 5 top performers 2009
GDP per capita (Purchasing Power Parity - PPP)	23244	22548	-3.0%	17	17	0	LU, IE, NL, AT, BE	-34%
GDP per capita (€ at 2000 prices)	16496	16220	-1.7%	16	17	-1	LU, DK, SE, IE, UK	-53%
Labour Utilisation (Annual hours worked per capita)	927	934	0.7%	2	1	1	CY, SI, GR, CZ, PL	6%
Annual hours worked per person employed	1860	1900	2.2%	12	6	6	GR, HU, PL, SI, CZ	-6%
Employment as % of labour force (100-unemployment rate)	96.4	94.4	-2.0	5	6	-1	NL, DK, AT, CY, LU	-1
Labour participation (labour force as % of active population)	73.6	73.4	-0.2	13	12	1	NL, DK, SE, DE, UK	-6
Dependency ratio (working age population as % of total population)	70.2	70.9	0.7	4	3	1	SK, PL, CY, CZ, RO	0
Labour Productivity (GDP per hour worked, in PPP)	25.1	24.1	-3.8%	18	18	0	LU, BE, NL, FR, DE	-44%
Labour Productivity (GDP per hour worked, € at 2000 prices)	17.8	17.3	-2.4%	17	17	0	LU, SE, BE, DK, FR	-63%
Capital deepening (capital stock per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	IE, FR, LU, AT, SE	N/A
Total Factor Productivity (level of economic efficiency per hour worked)*	N/A	N/A	N/A	N/A	N/A	N/A	LU, UK, DK, SE, BE	N/A
Corporate Investment (private investment excluding non-residential, % GDP)	12.3	8.6	-3.7	15	20	-5	BE, RO, AT, DK, SK	-4.5
Current Account Balance (as % GDP)	-18.0	-11.6	6.3	28	28	0	LU, SE, LV, DE, EE	-18.0
Export market share measured in volume relative to main 35 trading partners (from 2000)	-11.9	-12.0	-0.1	24	25	-1	RO, LT, HU, CZ, PL	-66.7
Unit labour Costs relative to main 35 trading partners (from 2000)	3.4	2.5	-0.9	12	10	2	DE, PL, AT, SE, GR	9.6
Government gross debt (as % GDP)	48.4	53.2	4.8	17	15	2	EE, LU, BG, RO, LT	35.3
Net lending/net borrowing of general government (as % GDP)	0.9	-3.5	-4.4	7	10	-3	BG, DK, SE, LU, FI	-1.5
Required budgetary adjustment related to ageing (as % GDP)	N/A	4.7	N/A	N/A	24	N/A	PL, EE, HU, BG, SE	4.6
Public Investment (as % total public expenditure)	7.5	8.0	0.5	13	13	0	BG, RO, EE, CZ, PL	-8.3
Tax burden (as % GDP)	38.3	36.2	-2.2	17	16	1	LV, RO, IE, SK, LT	8.3

Note: Labour utilisation and productivity are a product of its sub-components.

* Rank refers to EU15 ** EU 27, Norway and Switzerland

2. PRIORITIES FOR REFORM: ANSWERS FROM OEB (CYPRUS)

	1. Priority areas	2. Concrete Recommendations	3. Are the proposed recommendations already in the agenda of your Government?	
			Yes	No
Priority 1	Orientation and sustainability of public finances	Reduction of government payroll by increasing the productivity of civil servants, reduction of starting salaries by 25%, no pay rise for three years, no hiring for the next five years.		No
Priority 2	Business Environment - Regulatory barriers to entrepreneurship	Reduction of administrative burden, bureaucracy and simplification of procedures	Yes	
Priority 3	Financial markets and access to finance	Reduction of the interest rates and better utilisation of the funds received from Europe		No
Priority 4	Wage bargaining and wage setting policies	No pay rises for the next three years in the public sector and to reduce starting salaries (govt sector) by 25%		No
Priority 5	Active labour market policies	Suggestions to combat the prospective increase in unemployment by utilising the surplus of the Redundancy Fund to subsidise businesses for hiring registered unemployed people	Yes	