Shape the future
with confidence

Future realized

EY Attractiveness Survey Cyprus

Fourth edition | September 2026

The better the question.
The better the answer.
The better the world works.

Contents

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Foreword

> “Cyprus’s ability to adapt quickly to changing international conditions remains a key element of its economic resilience.

The Cypriot economy is operating in a complex and evolving external environment, where geopolitical tensions, supply chain disruptions, rising protectionism, energy market volatility and higher financing costs reshape global investment decisions.

For a small, open economy such as Cyprus, these developments present both challenges and opportunities. They increase exposure to external pressures and also reinforce the need for quicker adaptation, stronger resilience and a more targeted growth strategy.

Despite the pressures, the country continues to demonstrate solid resilience. The economy recorded one of the highest growth rates in the Eurozone in 2025, reaching 3.8%, while inflation remained relatively contained and the labor market continued to operate close to full employment. The medium-term outlook also remains positive, with economic growth projected by the IMF to continue rising by around 3%.

In the area of Foreign Direct Investment (‘FDI’), the picture is more nuanced. While investment activity across Europe continues to face significant headwinds, including a 25% decline in greenfield projects between 2024 and 2025, Cyprus has demonstrated relative resilience in attracting international capital, with FDI stock remaining elevated and approaching its recent peak in 2022.

At the same time, the composition of investment activity continues to diversify. Traditional sectors, including financial and professional services, real estate, and tourism, continue to play an important role. Concurrently, sectors such as ICT, energy, education and healthcare are also becoming increasingly prominent within the investment landscape.

Artificial intelligence and digital transformation are becoming key drivers of competitiveness globally. Businesses are called upon to leverage technology not only to reduce costs, but also to improve decision-making, enhance productivity and create new sources of value. For Cyprus, this necessitates investment in digital and AI infrastructure, technology skills development, access to capital and a regulatory framework that enables innovation with responsibility and trust.

In this new environment, the challenge for Cyprus is to convert resilience into sustainable competitiveness. By leveraging its strategic location, EU membership, international partnerships and available European funding opportunities, the country can shape a more competitive investment proposition, with a focus on technology, talent, infrastructure and sustainable growth.

The 2026 EY Country Attractiveness survey for Cyprus arrives at a moment of unusual contrast: the global FDI environment is more fragmented than at any point in our recent record, yet investor confidence in Cyprus has held at one of the strongest levels we have recorded. Around 83% of the survey participants described Cyprus as an attractive FDI location and 67% plan to enter or expand their presence in the market. In a world where capital and talent move to destinations that offer stability, agility and good governance, Cyprus's small-state characteristics can act as a competitive advantage. Further supported by its EU and Eurozone membership, its role as an Eastern Mediterranean bridge and the successful H1 2026 EU Council Presidency. The opportunity now is to convert trust and resilience into transformation and increased transaction volumes.

The fourth edition of the EY Cyprus Attractiveness Survey aims to contribute to this discussion by capturing the perceptions of the international investment community, the opportunities emerging for Cyprus and the areas where further progress is required to attract quality investment activity in the years ahead.

RONALD ATTARD

Country Managing Partner,
EY Cyprus & Malta

Risk Management Leader,
EY Europe Central Region

Foreword

> "Despite its economic resilience, Cyprus's FDI attractiveness depends on structural reforms, technology adoption and a more agile, investor-focused environment.

It is with great pleasure that we present the fourth edition of the EY Cyprus Attractiveness Survey. This year's report is published at a time of heightened uncertainty, but also of significant opportunities for the Cypriot economy. In the following pages, we capture the international investment community's current perception of Cyprus and highlight the key priorities for further strengthening its attractiveness as an investment destination. Through our Country Attractiveness survey, we aim to both highlight the country's key strengths and, at the same time, identify areas where further progress is required.

This year's edition presents a picture of resilience and gradual progression, confirming that Cyprus continues to offer significant advantages as an investment destination. At the same time, however, strengthening its competitiveness requires continuous effort and targeted interventions. More focus on structural reforms, technology adoption and a more agile business environment are needed.

The favorable tax regime, the country's strategic location, access to EU markets and strong professional services remain important advantages. Moreover, the stable economic environment, increased domestic demand and familiar legal and corporate framework are recognized by investors as key factors that facilitate investment activity.

The survey highlights five critical areas that will shape the next chapter of Cyprus's competitiveness as an investment destination: technology, talent, sustainability, taxation and the banking sector. Participants point to the need for further investment in technology and AI infrastructure, an agile workforce with technology skills and more government support. At the same time, improving access to capital, simplifying regulatory and administrative processes, reducing energy costs and enhancing the efficiency of the public sector remain key priorities.

Investors are becoming more demanding. In a world shaped by artificial intelligence, geopolitical fragmentation and the race for talent, traditional advantages alone are no longer sufficient, and investors increasingly favor jurisdictions that can combine trust, innovation and execution. Progress across these five areas will ultimately determine whether Cyprus remains merely attractive – or becomes strategically indispensable – as an investment destination in Europe over the coming decade.

The Cypriot government appears to recognize investors' concerns and has already introduced initiatives to address them. However, in an environment that continues to be affected by geopolitical tensions and rapid technological change, the need for targeted interventions remains pressing. The presentation of the survey results is complemented by recommendations for key areas of development, which can serve as a starting point for meaningful dialogue among the relevant stakeholders.

STELIOS DEMETRIOU

EY Parthenon Service Line Leader

M&A Leader for EY Eastern and Southeastern Europe & Central Asia

External viewpoint

NICOS CHRISTODOULIDES

President of the Republic of Cyprus

"This is the Cyprus we are building: trusted in a complex region and competitive in the economy of the future.

Foreign Direct Investment is a key pillar of Cyprus' economic growth model and an essential driver of innovation, productivity and job creation. Our objective is not simply to attract more investment, but to attract investment that strengthens strategic sectors, creates high-quality jobs, broadens our productive base and contributes to sustainable, long-term growth.

Over recent years, we have intensified our efforts to position Cyprus as a competitive and trusted destination for international business and investment. Through targeted economic missions and direct engagement with business leaders and investors in the United States, India, the Middle East and Canada, we are advancing a clear proposition: Cyprus is a reliable European partner in a complex and strategically important region.

Situated at the crossroads of Europe, the Middle East and North Africa, Cyprus combines the institutional certainty of the European Union and the Eurozone with strong regional relationships, diplomatic credibility and the agility to respond effectively to changing conditions. This enables our country to serve not only as a gateway between markets, but also as a platform for cooperation, connectivity and regional operations.

This role is underpinned by strong economic fundamentals, sovereign credit ratings firmly within the A category, and a stable and predictable business environment. At the same time, Cyprus is building a more modern, diversified and future-focused economy. Through our Vision 2035 strategy, we are implementing a broad reform agenda aimed at enhancing competitiveness, accelerating digital transformation, improving the efficiency of public administration and strengthening the country's innovation ecosystem.

We are particularly focused on sectors in which Cyprus has established or emerging strengths, including technology, financial services, shipping, energy, healthcare, light industry, research and innovation. Our ambition is to create an environment in which international companies can establish, innovate and scale, using Cyprus as a European base with access to regional and global markets.

We also recognize that investment decisions are increasingly shaped not only by markets and regulation, but by access to talent and quality of life. Cyprus brings these elements together. It offers a highly educated, multilingual and internationally minded workforce, a safe and welcoming society, modern infrastructure and an attractive environment in which people can live, work, study, invest and commit for the long term.

Through initiatives such as Minds in Cyprus, we are strengthening our links with highly skilled Cypriots abroad and creating new pathways for talent, entrepreneurship and investment to contribute to the country's future development. Attracting investment and attracting talent are part of the same national effort: to build an ecosystem in which skills, ideas, capital and innovation reinforce one another.

This is the Cyprus we are building: trusted in a complex region, competitive in the economy of the future, and able to attract the people, ideas and investment that drive progress.

A country that offers Stability with Perspective; and stands as a European Hub with Global Reach.

Executive summary

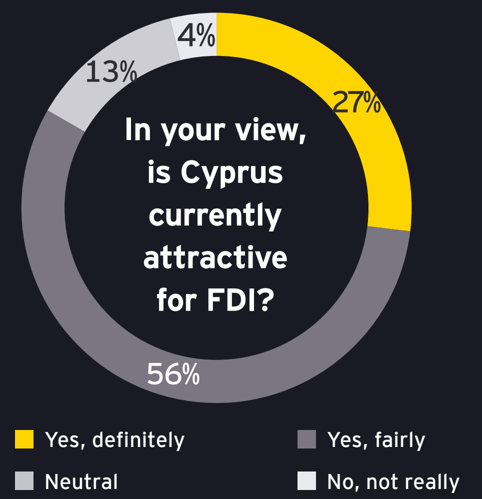
01 | Current attractiveness

Resilience amid headwinds: sentiment stays positive, anchored in core fundamentals

After a period of decline amid geopolitical tensions and macroeconomic pressure, Cyprus's Foreign Direct Investment ('FDI') stock is recovering, reaching c.€82b in 2025. This represents an increase from the c.€75b in 2024[1], though still short of the c.€83.3b peak recorded in 2022.

Inward stock remains concentrated in the country's traditional strengths, with financial services (43%) and real estate (25%) accounting for the bulk of activity and ICT (17%) growing and firmly established in third place – a sign that Cyprus's emerging technology base is beginning to reshape its investment profile.

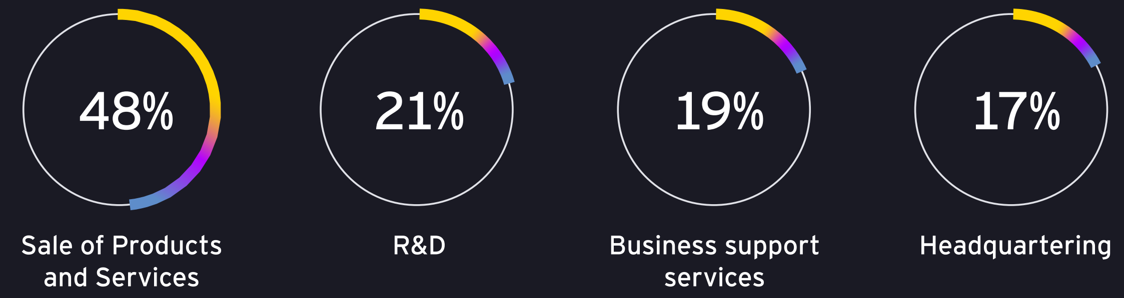
Investment sentiment remains positive, driven by core fundamentals. Overall, 83% of the investors consider Cyprus attractive in terms of FDI. Cyprus's appeal is underpinned by its favorable tax regime, high quality of life and the stable political and social environment.



Source: EY Attractiveness Survey for Cyprus, 2026.

Types of operations linked to investors' decision to enter or expand their presence in Cyprus

Cyprus continues to attract investors primarily for core commercial activities, with almost half (48%) citing the sale of products and services as their planned focus. Beyond this, the survey points to a broader and more sophisticated investment profile, with notable interest in R&D, headquartering and business support services.

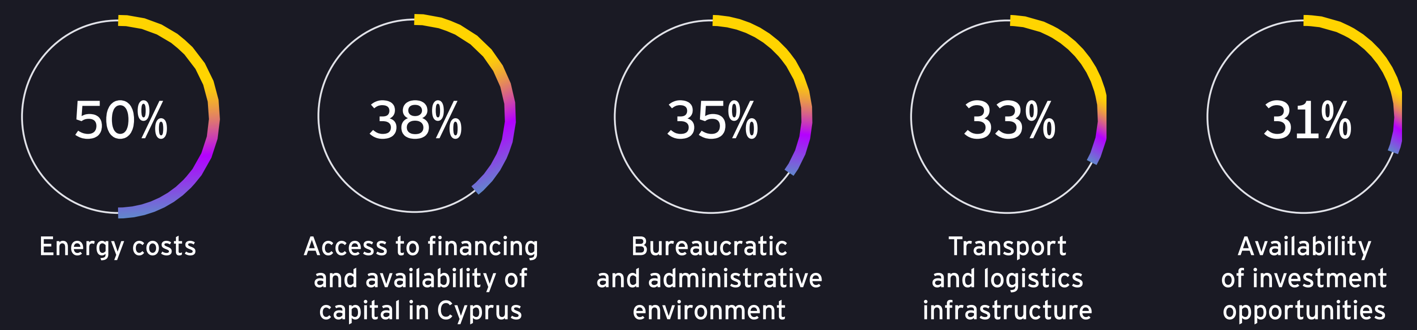


Source: EY Attractiveness Survey for Cyprus, 2026.

Areas where Cyprus is currently considered as attractive by investors

Source: EY Attractiveness Survey for Cyprus, 2026.

Areas where Cyprus is considered less attractive as an investment destination

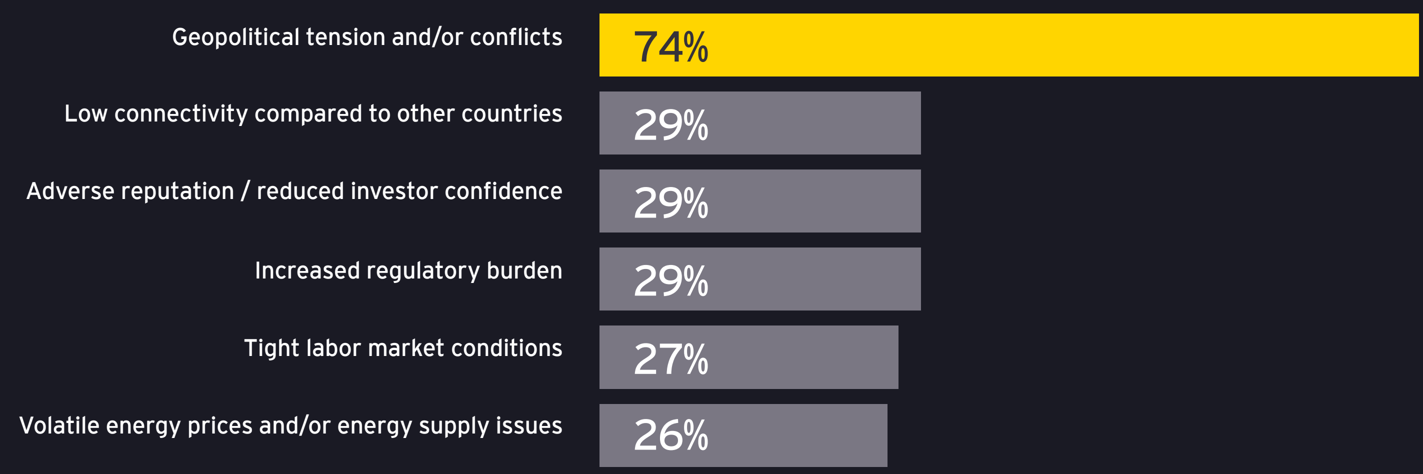


Source: EY Attractiveness Survey for Cyprus, 2026.

Main risks to Cyprus's FDI attractiveness over the next three years

74% of respondents remain most concerned about geopolitical tensions and conflicts

Geopolitical tension and conflicts remain the dominant concern (74%), reflecting Cyprus's regional exposure, while country-specific challenges – low connectivity, adverse reputation, increased regulatory burden, tight labor market conditions and volatile energy prices – continue to weigh on sentiment.



Source: EY Attractiveness Survey for Cyprus, 2026.

[1] **Source:** Central Bank of Cyprus

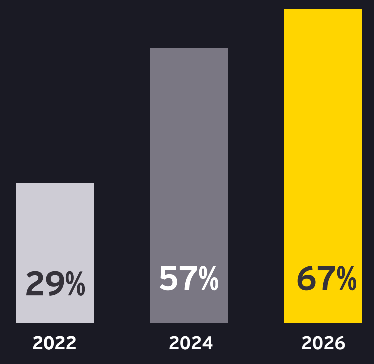
Executive summary

02 | Future attractiveness

Momentum builds: investors confident in Cyprus's improving attractiveness

The positive sentiment is also mirrored in investment appetite, with 67% of participating investors planning to enter the market or, where already present, expand their existing operations – an increase on previous years.

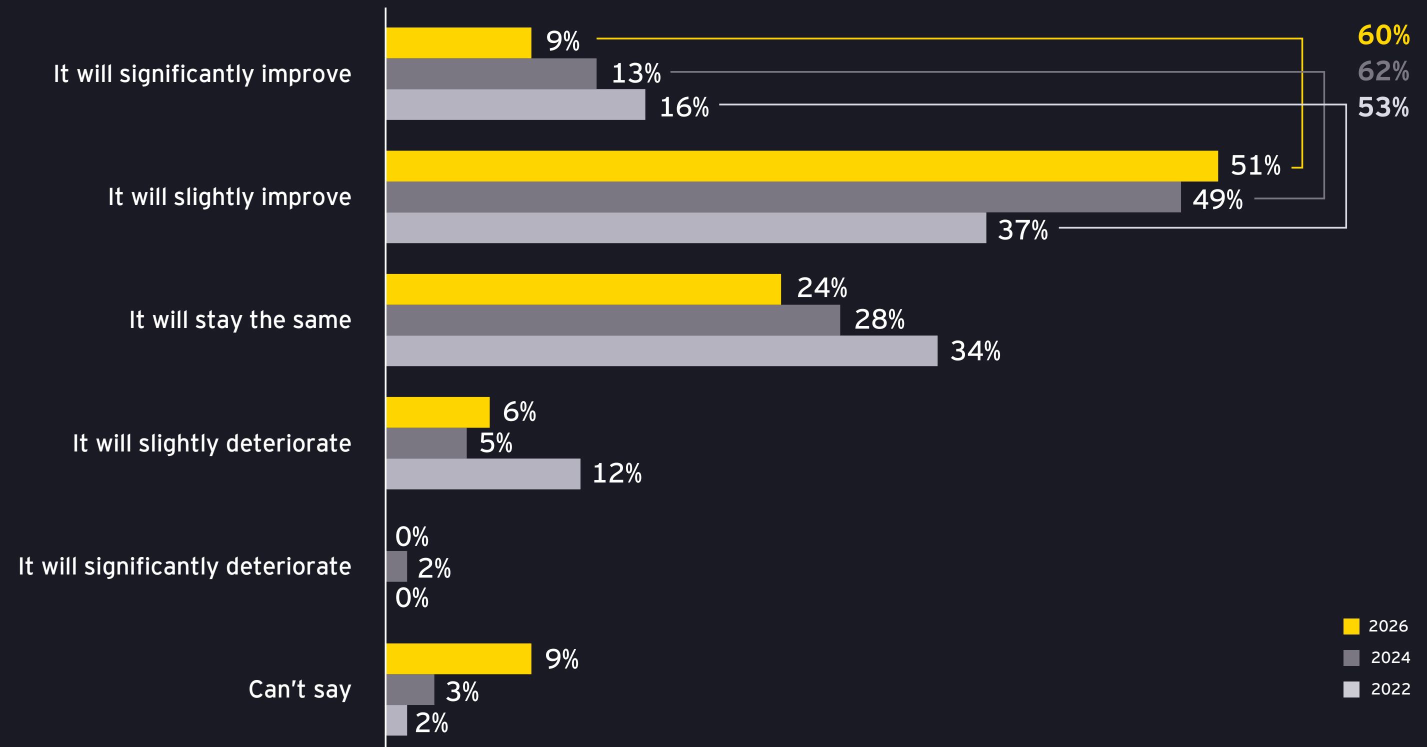
Participants planning to enter or expand their current operations in Cyprus



Source: EY Attractiveness Survey for Cyprus, 2022, 2024, 2026.

Expectations for Cyprus's FDI attractiveness evolution over the next three years

More than half of investors (60%) expect Cyprus's FDI attractiveness to improve over the next three years, underpinned by confidence in economic fundamentals, the pro-business environment and the tax regime, as well as anticipated tailwinds such as Schengen accession and expanding international trade linkages.



Source: EY Attractiveness Survey for Cyprus, 2022, 2024, 2026.

Sectors expected to lead Cyprus's long-term growth

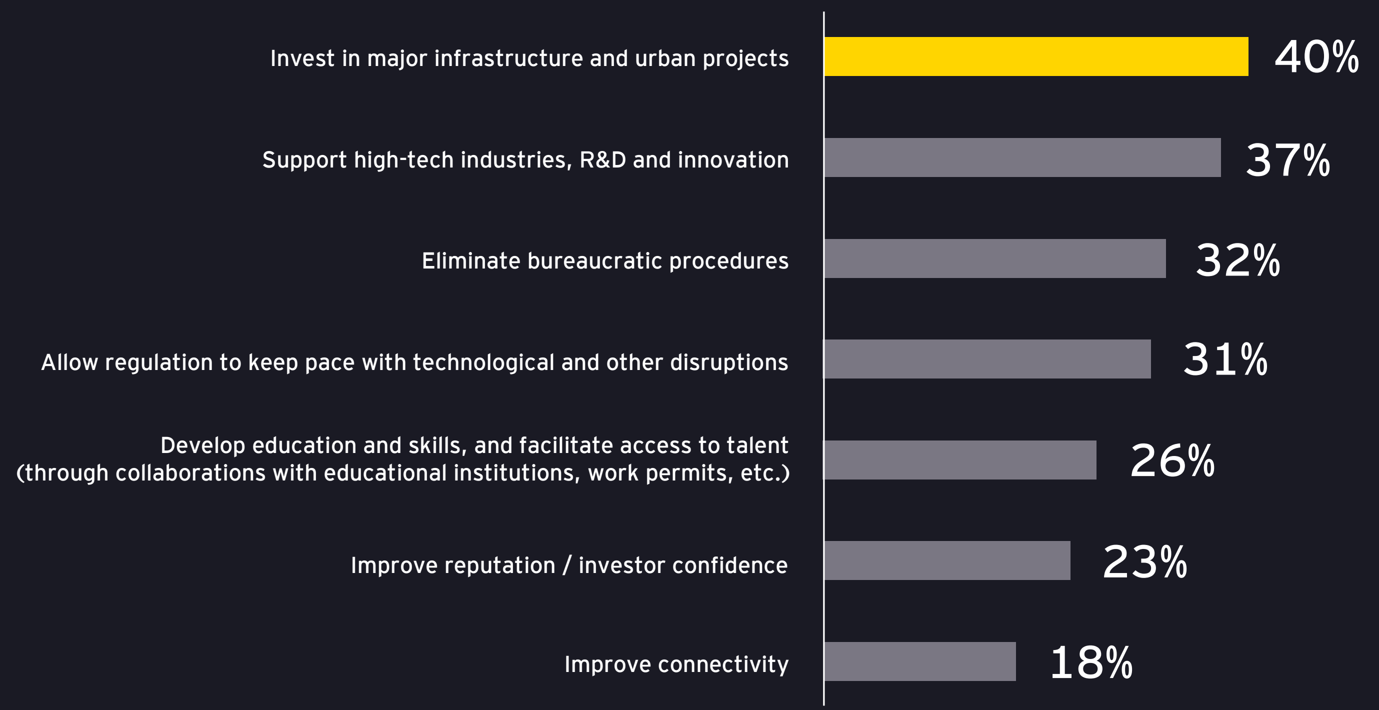
Traditional sectors like Real Estate and Tourism remain core, with ICT and fin-tech also identified by investors as key engines of future growth.

23%	14%	14%	11%
Real estate, infrastructure and construction	Tourism and leisure	ICT and telecoms	Payments and FinTech

Source: EY Attractiveness Survey for Cyprus, 2026.

Focus areas where Cyprus should concentrate its efforts in order to maintain its competitiveness based on investors

Investors suggest prioritization of major infrastructure projects (transport, logistics, electricity, digital and AI), followed by a need for stronger support for high-tech industries, R&D and innovation, elimination of bureaucracy and a more agile and forward-looking regulatory framework, combined with better access to talent and skills and improved connectivity.



Source: EY Attractiveness Survey for Cyprus, 2026..

Executive summary

03 | Competitiveness enablers

Five levers define the next chapter: Technology, Talent, Tax, Banking and Sustainability

Key areas for development under each competitiveness enabler

Strengthening specific local capabilities under key competitiveness enablers is critical to enhancing Cyprus's long-term FDI attractiveness.

Technology	Availability of venture capital and other forms of financing	Further support by government bodies and regulatory authorities	Availability of workforce with technology skills
Talent	Supply of labor/ workforce availability	Cooperation between Academic and Business world	Ability to reskill and train people throughout their careers
Banking	Elimination of lengthy customer onboarding processes and KYC procedures	Speed and efficiency of transaction processing	Lending product availability
Taxation	Degree of digitalization of tax authority systems	Simplicity of compliance processes	Availability of sectoral tax credits or tax incentives
Sustainability	Higher penetration of renewables in the power supply	Availability of funding to finance sustainability projects	Regulation that supports sustainable businesses

04 | Global shift and trade outlook

Rebalancing under uncertainty

Europe repositions, AI accelerates

The world is entering a new phase of capital allocation, shaped by geopolitics, technological disruption (particularly AI), energy security, talent availability and regulatory changes.

Amidst these shifts, Europe's FDI activity has fallen to a 10-year low, with greenfield projects down 25%[2]. Investment is also migrating from traditional sectors toward strategic areas such as AI, defense, low-carbon energy and digital infrastructure. AI-related FDI in Europe surged 96% year-on-year[3], yet Europe – like Cyprus – is still not widely seen as a leading destination for AI innovation. Simpler regulation, stronger digital skills, better infrastructure, access to capital for scale-ups and support for champions are cited as key enablers in the case of both.

Confidence in Europe's long-term prospects nonetheless remains firm, with 60% of investors expecting its attractiveness to improve over three years. Investors identify market scale, infrastructure quality, a skilled base, deep innovation and R&D capacity as structural strengths that, underpinned by rules-based governance, continue to differentiate the region in a volatile world [4].

The challenge for Europe now is not simply to attract capital but to reposition itself and convert confidence into actual projects. Europe needs to make investment easier to deploy, Flexibility, strategic autonomy, investments in talent, innovation and AI, are key.

For Cyprus, the opportunity lies in positioning as an agile EU platform within this rebalancing, where its scale becomes an advantage. For this to happen decision-making needs to be faster, regulation clearer and infrastructure priorities delivered.

[2] **Source:** Global Investment Trends Monitor, No.50 (UNCTAD).
[3] **Source:** EY European Investment Monitor (EIM), 2026.
[4] **Source:** EY Europe Attractiveness Survey 2026.

The Cypriot economy

The Cypriot economy

Key facts and figures

Area

9,251 km²

Population[5]

0.98 million

22% foreign, of which **10%** are other **EU citizens**

Languages

Greek and **English** are widely spoken

Key milestones

2004

EU Member State

2008

Eurozone member and adoption of the euro

GDP per capita 2025[6]

€36.8k

(3.3% increase since 2024), ranked #11 in the EU

Political system

Presidential Democratic Republic

with a written constitution

Legal and judicial system

based on the UK system,

aligned with EU Directives

Tax regime

15%

corporation tax rate

Wide range of

Double Tax Treaties

General absence

of withholding taxes on dividend and interest payments to non-Cyprus tax residents

Favorable

Intellectual Property and Tonnage Tax regime

Leading industries[7]

- **Tourism and leisure**
- **Wholesale and retail**
- **Financial and insurance services**
- **ICT**
- **Real estate**

Indices

#44 IMD Competitiveness 2025

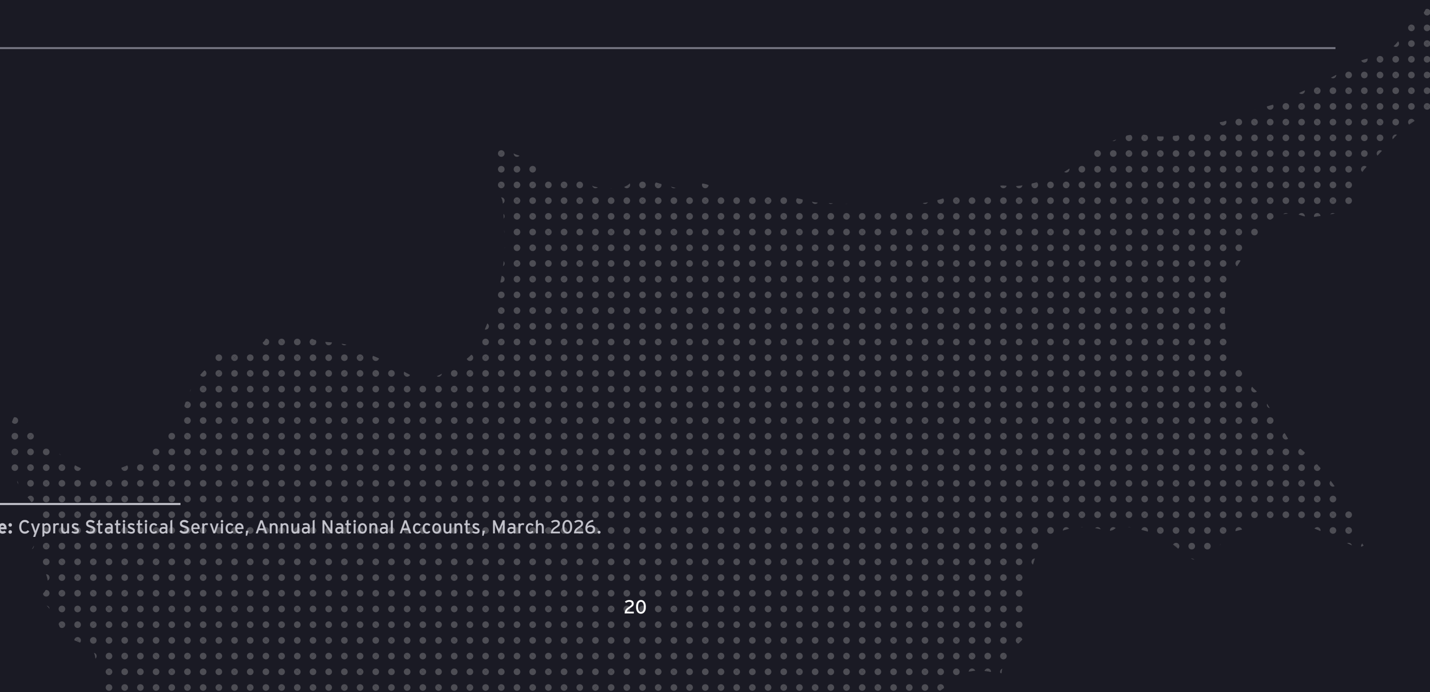
(of 69 economies)

#24 Greenfield FDI Performance Index 2025

(of 105 economies)

Ratings

Moody's	Fitch	S&P
A3 Investment grade	**A-** Investment grade	**A-** Investment grade
Stable	**Positive**	**Positive**



[5] **Source:** Cyprus Statistical Service, Demographic Statistics 2024, December 2025.

[6] **Source:** Cyprus Statistical Service, Annual National Accounts, March 2026; European Commission, March 2026.

[7] **Source:** Cyprus Statistical Service, Annual National Accounts, March 2026.

Historic macroeconomic performance

The Cypriot economy

continued expanding in 2025, with real GDP growth reaching 3.8%, consistently above the EU average. Growth was driven by solid domestic demand, robust tourism and real estate, a strong financial services sector, a growing ICT industry and stable wholesale and retail trade.

Economic activity

had previously been disrupted by the outbreak of the COVID-19 pandemic in 2020, when real GDP contracted by 3.2%. Government support measures helped stabilize real household disposable income, although the unemployment rate reached 7.6% and gross government debt increased to 113.6% of GDP.

A strong recovery

followed in 2021-2022, supported by the return of tourism, pent-up consumer demand and the expansion of the ICT sector. The war in Ukraine, however, pushed inflation to 8.1% and prompted higher interest rates across the Euro area.

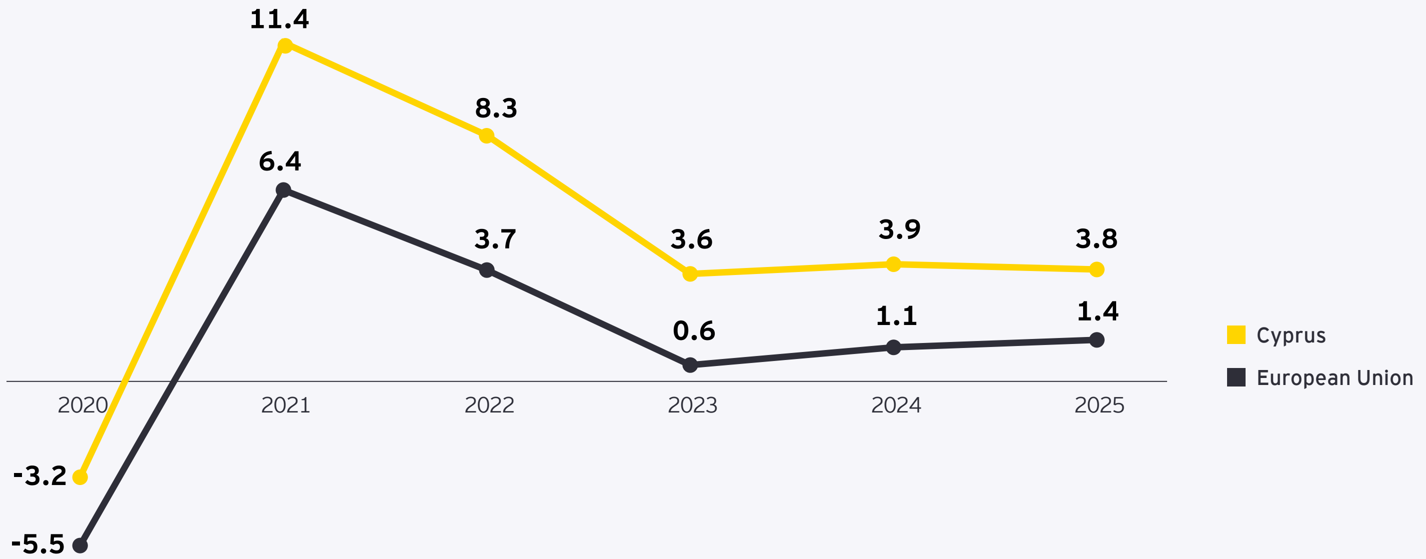
In 2023,

growth moderated as higher financing costs and the lagged effects of sanctions on Russia-related activity weighed on activity; even so, tourism and ICT continued to expand and inflation eased to 3.9%.

During 2024,

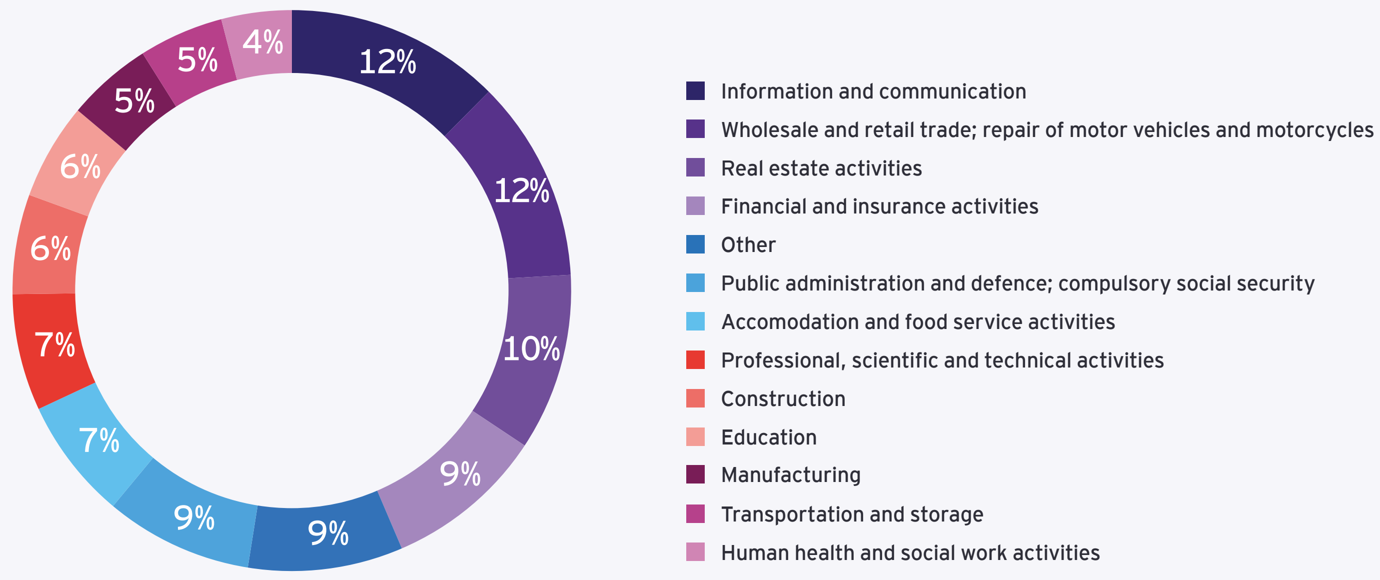
real GDP increased by 3.9%, significantly above the EU average of 1.1%, while the unemployment rate declined to 4.9% and government debt fell to 65.1% of GDP.

GDP real annual growth %, 2020 - 2025



Source: IMF World Economic Outlook, April 2026

Contribution of key sectors to GDP, 2025[8]



Source: Cyprus Statistics Service, Annual National Accounts, March 2026.

Main economic indicators, 2020 - 2025

Indicator	2020	2021	2022	2023	2024	2025
GDP (€'b), constant prices	22.4	24.9	27.0	28.0	29.1	30.2
Real DI of households, growth %	1.8	3.6	0.5	3.9	6.6	7.1
Inflation rate, %	(1.1)	2.3	8.1	3.9	2.3	0.8
Unemployment rate,%	7.6	7.2	6.3	5.8	4.9	4.4
Gross gov. debt (% of GDP)	113.6	96.5	80.3	71.1	62.8	55.3
Interest rates on corporate loans, %	3.0	2.9	3.2	5.4	5.7	4.4

Source: Oxford Economics, April 2026; IMF World Economic Outlook, April 2026.

8 The exact contribution of the tourism sector is not apparent from the adjacent chart, as it is reported within different categories. Based on the World Travel and Tourism Council the total contribution of tourism was estimated at 13.1% of GDP, which equals to c.€4.2b in 2024.

Macroeconomic outlook

Despite disruption from regional conflicts in the Middle East, Cyprus's real GDP is expected to grow 3% in 2026, though higher oil prices are projected to lift inflation to 2.6% by year-end, weighing on disposable income and consumption.

Looking further ahead, the IMF projects sustained annual growth of 3% between 2027 and 2031 – more than double the 1.4% EU average – supported by a resilient labor market, with unemployment holding around 4.7%, and a marked strengthening of the public finances, as gross government debt falls to 32.1% by 2031.

Despite regional tensions, Cyprus's GDP is forecast to grow by

3%

Main economic indicators, 2026E-2031F

Indicator	2026E	2027F	2028F	2029F	2030F	2031F
GDP (€'b), constant prices	31.1	32.0	32.9	33.9	34.9	36.0
Real GDP growth, %	3.0	3.0	3.0	3.0	3.0	3.0
Real DI of households, growth %	3.6	2.2	2.1	2.1	2.2	1.9
Unemployment rate, %	4.5	4.7	4.7	4.7	4.7	4.7
Inflation rate, %	2.6	1.6	2.0	2.0	2.0	2.0
Gross gov. debt (% of GDP)	50.9	46.6	42.4	38.7	35.1	32.1

Source: IMF World Economic Outlook, April 2026; Oxford Economics, April 2026.

External viewpoint

MAKIS KERAVNOS
Minister of Finance

“Cyprus continues to outperform the EU average, with GDP growth reaching 3.8% in 2025, underpinned by strong economic fundamentals and fiscal resilience.

The Cypriot economy continues to demonstrate strong resilience despite heightened global uncertainty, supported by sound economic fundamentals and responsible fiscal management. GDP growth reached 3.8% in 2025 and is expected to increase by around 2.7% in 2026, significantly above the EU average. The labor market remains resilient, with unemployment expected to hover at around 4.5% in 2026, consistent with full-employment conditions. Cyprus also maintains a strong fiscal position, with a projected budget surplus of approximately 2.3% of GDP in 2026, while public debt is expected to decline from 55% of GDP in 2025 to around 42% by 2028. The banking sector has further strengthened, with strong capital and liquidity positions, improved asset quality and enhanced profitability, supporting financial stability and economic growth.

Cyprus remains an attractive destination for Foreign Direct Investment (FDI), benefiting from its strategic location, highly skilled workforce, stable business environment, modern infrastructure and robust legal and regulatory framework. The Government is prioritising productive and knowledge-intensive investment, including technology, innovation, financial services, headquartering activities and green and digital investments.

A broad reform agenda focused on tax reform, digital transformation, innovation, regulatory simplification, skills development and improved access to finance, aims to reinforce Cyprus' position as a modern international business and investment hub.

Section 1
Perception

About this survey

EY Country Attractiveness Surveys are conducted by the EY organization worldwide across multiple locations. This is the fourth survey for Cyprus, following the previous edition carried out in 2024. It captures the views of the global investment community on Cyprus's attractiveness as a destination for FDI, assessing comparative strengths and areas for improvement, outlining investors' intentions and current perceptions, and tracking progress achieved in recent years. Further details on survey design are provided in the **Methodology section****.**

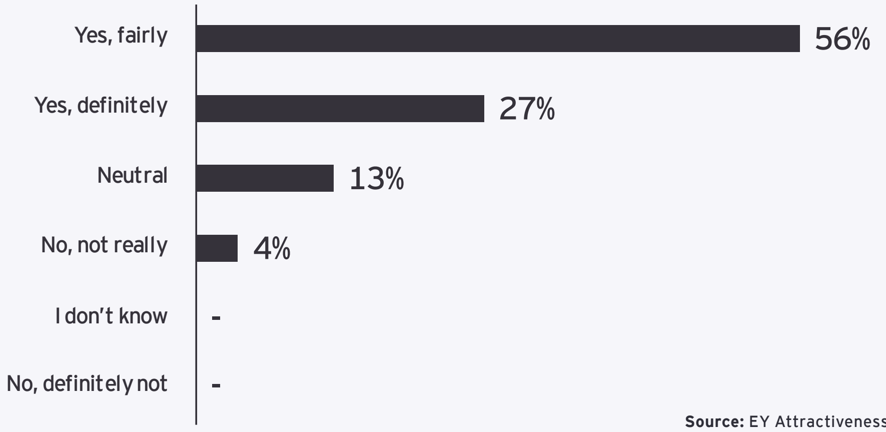
Current attractiveness

In a volatile world, Cyprus's appeal as a stable EU base stands out

The great majority of survey participants view Cyprus as **attractive in terms of FDI**, with 83% expressing a positive assessment.

Negative sentiment is limited to a small minority, comprising primarily larger organisations (revenue exceeding €1.5b).

In your view, is Cyprus currently attractive for foreign direct investment (FDI)?

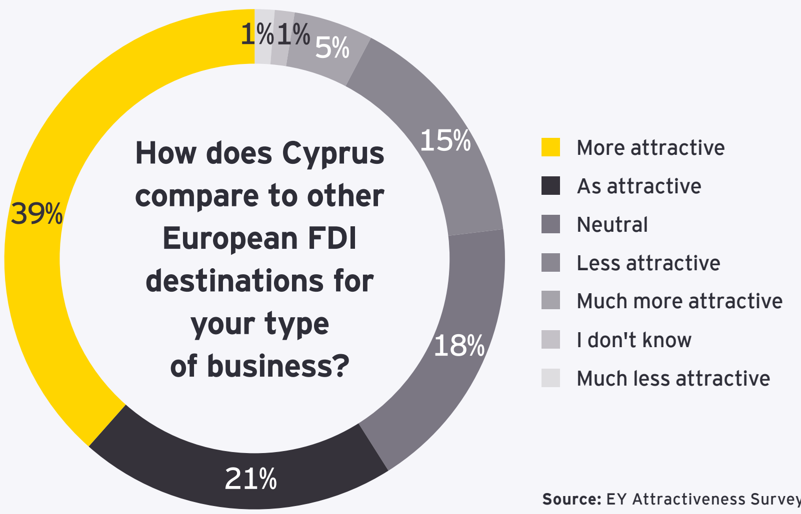


Source: EY Attractiveness Survey for Cyprus, 2026.

The majority of the investors

also perceive Cyprus as attractive as – or more attractive than – other European destinations

The positive sentiment remains when comparing Cyprus with other European destinations for the participants' specific sector of activity. Results vary across sectors, with more positive responses concentrated among participants in **consumer**, **maritime/shipping**, **high-tech** and **RHC** sectors, while less favorable views come primarily from **financial services** and **energy**.



Source: EY Attractiveness Survey for Cyprus, 2026.

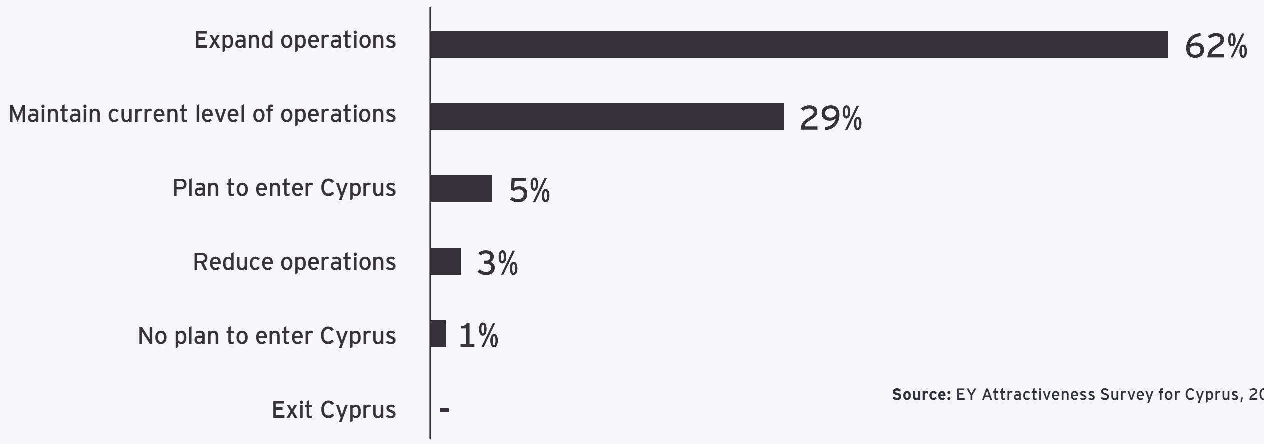
The positive perception

is further reflected in investment appetite

When asked about their investment plans for Cyprus over the next 12 months, 62% of respondents indicated plans to **expand operations**, while a further 29% **plan to at least maintain current activity**.

Also, half of the participants not currently operating in Cyprus plan to **enter the market**. Only a small number intend to **reduce their local operations**.

What are your company's investment plans in Cyprus over the next 12 months?



Source: EY Attractiveness Survey for Cyprus, 2026.

Expansion

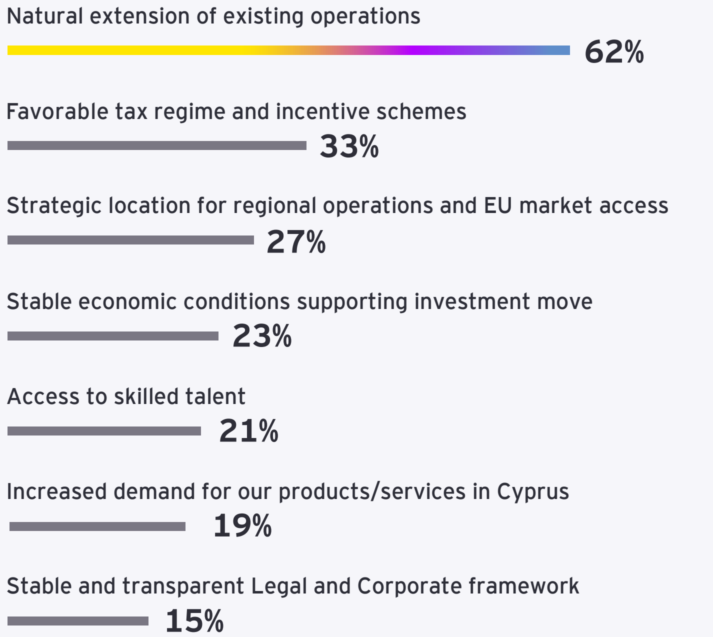
is driven by the natural extension of existing operations combined with Cyprus's traditional strengths

For participants planning to expand, the key driver is the **natural extension of existing operations** (62%). The **favorable tax regime** remains a key factor, while the **strategic location serving regional operations and providing EU-market access** was also cited, especially by those entering for the first time and by non-EU investors historically leveraging Cyprus as an EU gateway.

Stable economic conditions, **access to skilled talent** and **increased domestic demand** complete the puzzle. The **common-law legal and the corporate framework** continue to act as an enabler, creating a predictable and familiar environment that is valued by the international investment community.

Main reasons for expanding operations in Cyprus

Participants were asked to select up to three answers



Source: EY Attractiveness Survey for Cyprus, 2026.

A small number

of participants are driven away by regulatory and administrative burden

A small number (3%) of the participants already present in the local market are considering downsizing. Such moves were primarily linked to **regulatory and administrative burden**, along with a **broader strategic reallocation of activities to other markets**, a **perceived deterioration of the policy environment** and the **need for closer proximity to key markets/clients**.

Investor interest

remains focused on core commercial functions; R&D continues to gain traction

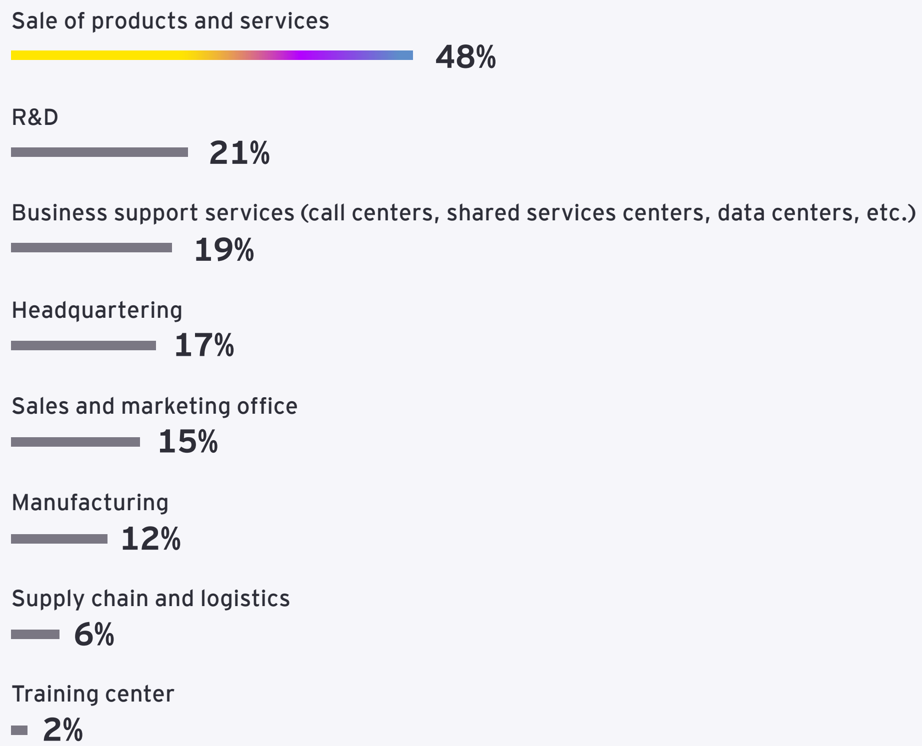
Investor interest remains focused on commercial and business-support activities. Nearly half of respondents (48%) identified **sales and market expansion** as their primary investment priority, while **business support services** and **headquartering activities** also ranked highly, reinforcing Cyprus's position as a regional business hub. **R&D** also continues to attract interest, with 21% of investors planning related activities; demonstrating an interest in higher-value activities, supporting Cyprus's ambition to strengthen its innovation ecosystem.

By contrast, **manufacturing and supply chain** and **logistics investments** have become less prominent compared to our 2024 Country Attractiveness survey. This mirrors wider European trends, where manufacturing FDI declined by 14% in 2025, with a growing share of industrial investment being redirected to other regions such as the United States. Attracting large-scale industrial and logistics projects remains a challenge not only for Cyprus, but for Europe more broadly.

> Sales and market expansion identified by 48% of respondents as their top invetsment priority

If your company is entering Cyprus or expanding its presence in Cyprus, which types of operations does this investment involve?

Participants were asked to select up to three answers



Source: EY Attractiveness Survey for Cyprus, 2026.

Stability

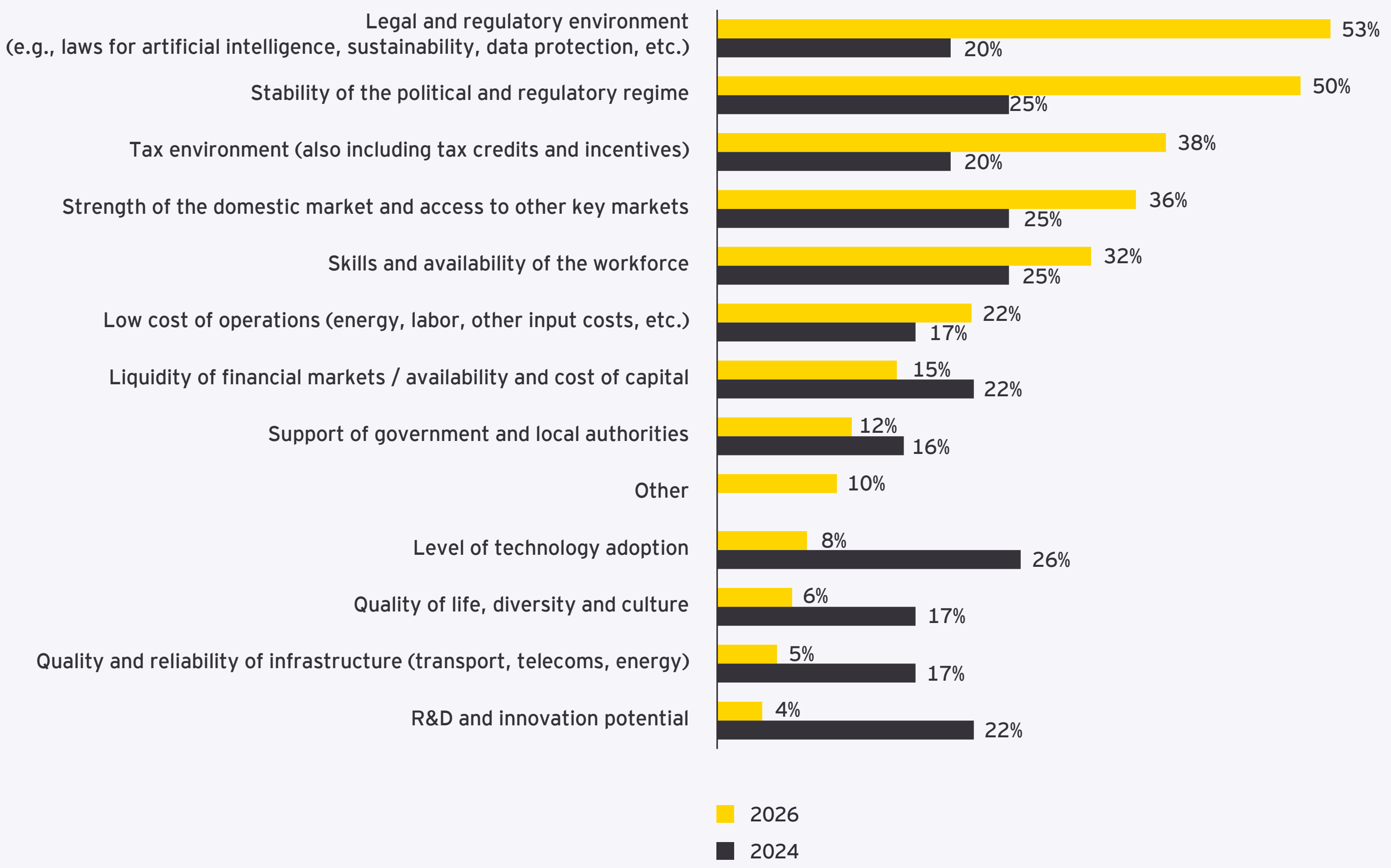
and a favorable legal and regulatory environment remain key for FDI decisions

When asked which factors matter most when selecting an overall FDI destination, participants ranked the **legal and regulatory framework** (53%) and **political and regulatory stability** (50%) at the top – **both recording significant increases** compared to our 2024 survey. These were followed by the **tax environment**, **strength of the domestic market** and **access to key markets and skills** and **availability of the workforce**. **Low cost of operations** (22%) also climbed higher in the list.

Investor priorities are shifting: legal certainty and stability now outweigh tax and other factors as the dominant considerations. While subtle, this represents a strategically important change. In an increasingly fragmented global environment, investors are recalibrating towards jurisdictions that can credibly guarantee clear rules, predictability and continuity. Sustaining investor confidence going forward will depend not only on the strength of Cyprus's fundamentals, but also on its ability to safeguard stability and credibility.

Which factors are the most important when choosing a country to invest in?

Participants were asked to select up to three answers



Source: EY Attractiveness Survey for Cyprus, 2024 and 2026.

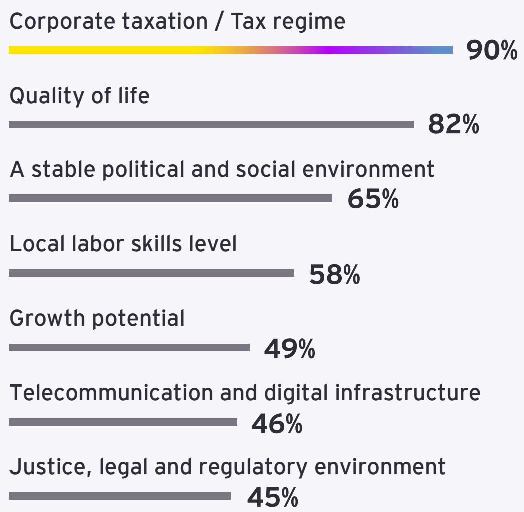
Attractiveness scoreboard:

where Cyprus scores highest and lowest

Investors were also asked to assess Cyprus's FDI attractiveness across specific drivers. The **tax regime** ranks as the most attractive factor for Cyprus, followed by **quality of life**, **political and social stability** and overall local labour skills. The importance of political and social stability is again amplified in a fractured world where geopolitical tensions rise.

> 90% of respondents view the tax regime as Cyprus's most attractive factor

Most attractive factors – very & fairly attractive (%)

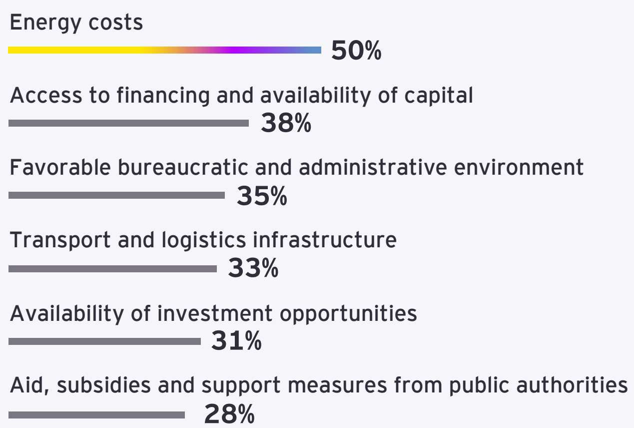


Source: EY Attractiveness Survey for Cyprus, 2026.

Conversely, **energy costs**, **access to financing** and the **bureaucratic and administrative environment** top the list of less attractive factors. Notably, bureaucracy also featured among the top concerns in 2024, whereas energy costs and access to capital were not rated as highly last time. Energy independence and sustainability have become pressing priorities at a European level, following the energy disruptions caused by the conflicts in Ukraine and the Middle East.

> 50% of respondents ranked energy costs among the least attractive aspects of doing business in Cyprus

Least attractive factors – not at all & little attractive (%)



Source: EY Attractiveness Survey for Cyprus, 2026.

Geopolitical tensions

and conflicts remain the number one threat

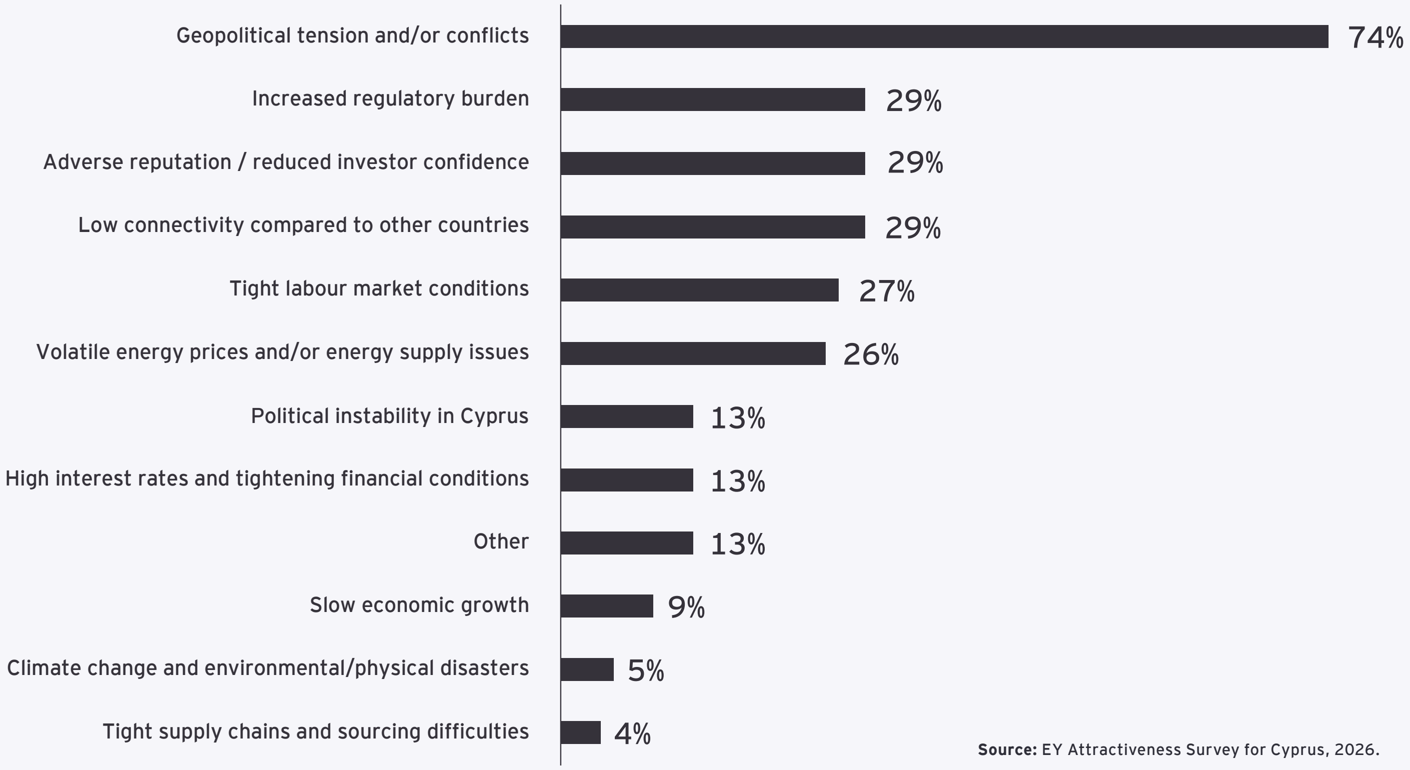
Geopolitical tension and conflicts (74%) were identified as the most significant risk for Cyprus over the next three years, reflecting the country's geographic positioning and its exposure to developments in the wider region. A second tier of risks – **low connectivity, adverse reputation/ reduced investor confidence** and **increased regulatory burden** (each 29%) – is followed by **tight labor market conditions** (27%) and **volatile energy prices/supply issues** (26%). Additional risks cited by participants under "Other" included the absence of developed capital markets, the infant stage of AI adoption, and the rising cost of living and real estate prices.

Cyprus's geography cuts both ways. Regional conflict is redirecting Middle-Eastern demand westward, potentially positioning Cyprus as an EU relocation and relative safe-haven platform, yet the same exposure brings cost pressures and supply-chain friction across key sectors.

Two further imminent developments, highlighted by participants, reinforce this pull. The EU-India trade agreement lowers barriers with one of the world's largest markets and strengthens Cyprus's positioning as an EU gateway for Indian companies across different sectors (services, shipping, technology, logistics, etc.) while the imminent Schengen accession accelerates the cross-border movement of people and services and deepens the EU-integration story.

On reputation, Cyprus has invested materially in restoring international perceptions following historical challenges. A key part of this effort was the recent engagement through Invest Cyprus of the consulting firm KREAB to develop a brand framework from strategy into practice – a process now entering its execution phase. The country's successful EU Presidency further provided a once-in-a-decade opportunity to reset the narrative and reinforce Cyprus's standing on the international stage.

What are the three main risks affecting Cyprus's attractiveness over the next three years?



Source: EY Attractiveness Survey for Cyprus, 2026.

viewpoint

FAMKE KRUMBMÜLLER
EY EMEIA Leader,
Geostrategic Business Group

"Cyprus has an opportunity to position itself as a strategic gateway for regional investments.

Geopolitics has become one of the most influential factors shaping global FDI decisions. In the environment of geostrategic competition, investors are increasingly prioritising resilience, economic security, and geopolitical risk management over traditional considerations of cost and efficiency. Rising trade barriers, greater state intervention, competition for strategic technologies, and heightened regional tensions are prompting businesses to reassess where they invest and operate.

For a small EU economy such as Cyprus, these developments present both challenges and opportunities. On one hand, the island's proximity to the Middle East may increase geopolitical risk, particularly given ongoing regional conflicts, disruptions to regional trade routes, and broader uncertainty across the region.

Cyprus's position at the crossroads of Europe, the Middle East and Asia could strengthen its attractiveness as investors seek stable, EU-based locations with access to regional markets. Cyprus has an opportunity to position itself as a strategic gateway for regional investments. Success, however, will depend on maintaining political stability, strengthening economic competitiveness, and clearly communicating Cyprus' role as a secure and reliable entry point into a more fragmented and geopolitically complex world.

Key investor takeaways

01

Current Attractiveness perception

Investors are sending a clear message: confidence is strong. The fundamentals are solid and the outlook positive – 83% rate Cyprus as an attractive FDI destination – but expectations have shifted.

There's a growing recognition that certainty and stability now matter more than traditional factors like taxation. In an increasingly fragmented world, investors are recalibrating towards jurisdictions that can credibly guarantee clear rules, predictability and continuity – dimensions on which Cyprus is well positioned.

Investor focus is shifting towards higher-value activity. Core commercial functions – sales, business support and headquartering – still dominate, but R&D and knowledge-intensive activities are gaining ground, while manufacturing and logistics recede in line with wider European trends.

Cyprus's appeal rests on proven, durable strengths. Taxation remains important, rated attractive by the great majority of investors, closely matched by quality of life. Political and social stability deepens the case. Together, these form a well-established value proposition.

The constraints are structural. Energy costs are the clearest drag, followed by access to financing and a bureaucratic burden that continues to weigh on the day-to-day investor experience. A need for more investment in infrastructure, a larger pipeline of investment opportunities and a higher level of public support complete the picture.

Geopolitical tension is the number-one risk, reflecting Cyprus's exposure to a volatile region – yet the same geography is expected by some investors to redirect Middle-Eastern demand westward, positioning the country as a potential EU relocation and relative safe-haven platform. Beyond geopolitics, a cluster of second-tier concerns comes into focus: weak connectivity, reputational pressure on investor confidence, and a growing regulatory burden. Tight labor market conditions and volatile energy prices complete the picture.

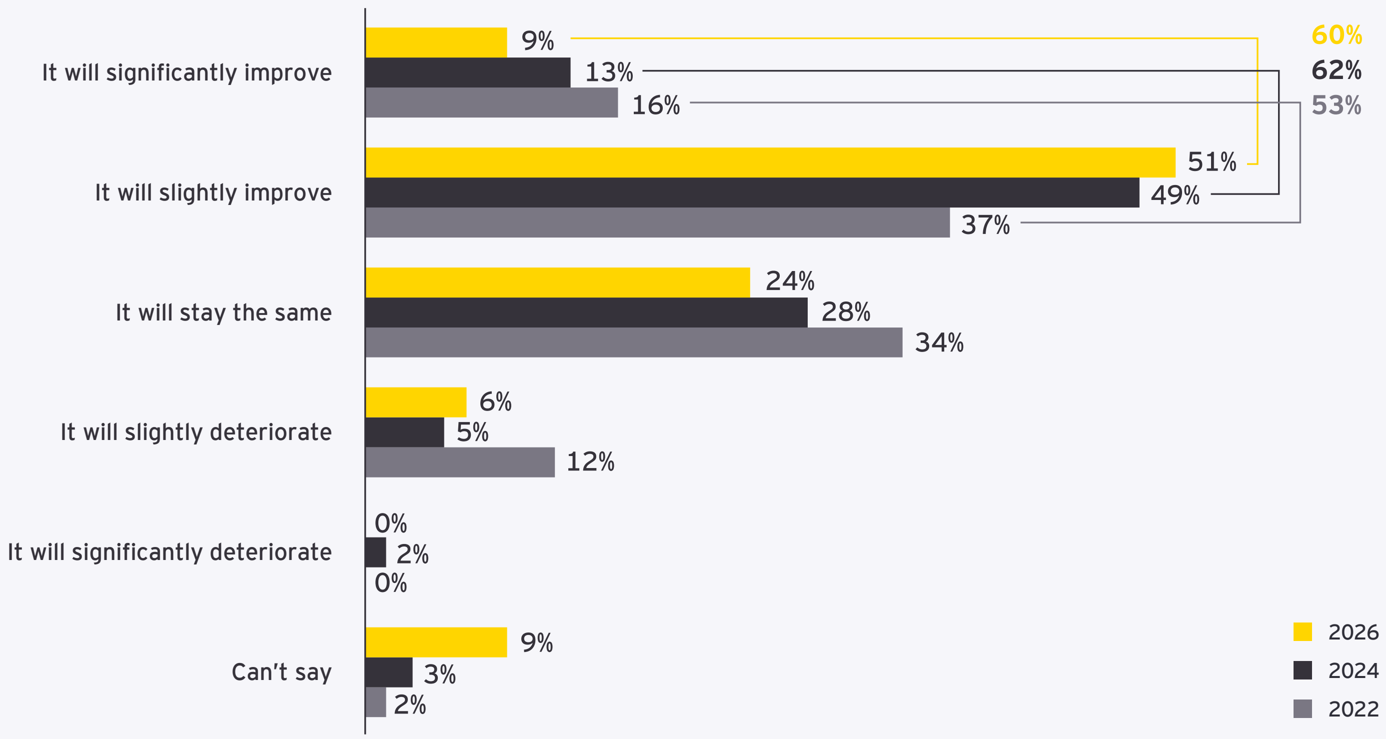
Future attractiveness

Investors' sentiment towards the country's outlook is also positive

More than half of participants (60%) feel that **Cyprus's FDI attractiveness will improve, slightly or significantly, over the next three years**. Positive expectations are attributed to the current state of the local economy and to specific developments such as Cyprus's accession to the Schengen Treaty and opportunities created by new EU trade cooperations (e.g., the EU-India agreement). Participants also cited the government's pro-business stance, and the country's fundamentals (favorable tax regime, stability, etc.).

By contrast, 24% of the investors expect attractiveness to remain unchanged, reflecting a view that recent growth has already been significant and is now expected to stabilize. Also, while geopolitical developments are seen by some as an opportunity, they are seen by others as a key source of uncertainty, with 9% unable to assess the outlook on this basis. A small minority expect a slight deterioration, due to hindrances such as bureaucracy and slow legal proceedings.

How do you expect Cyprus's FDI attractiveness to evolve over the next three years?



Source: EY Attractiveness Survey for Cyprus, 2022, 2024 and 2026.

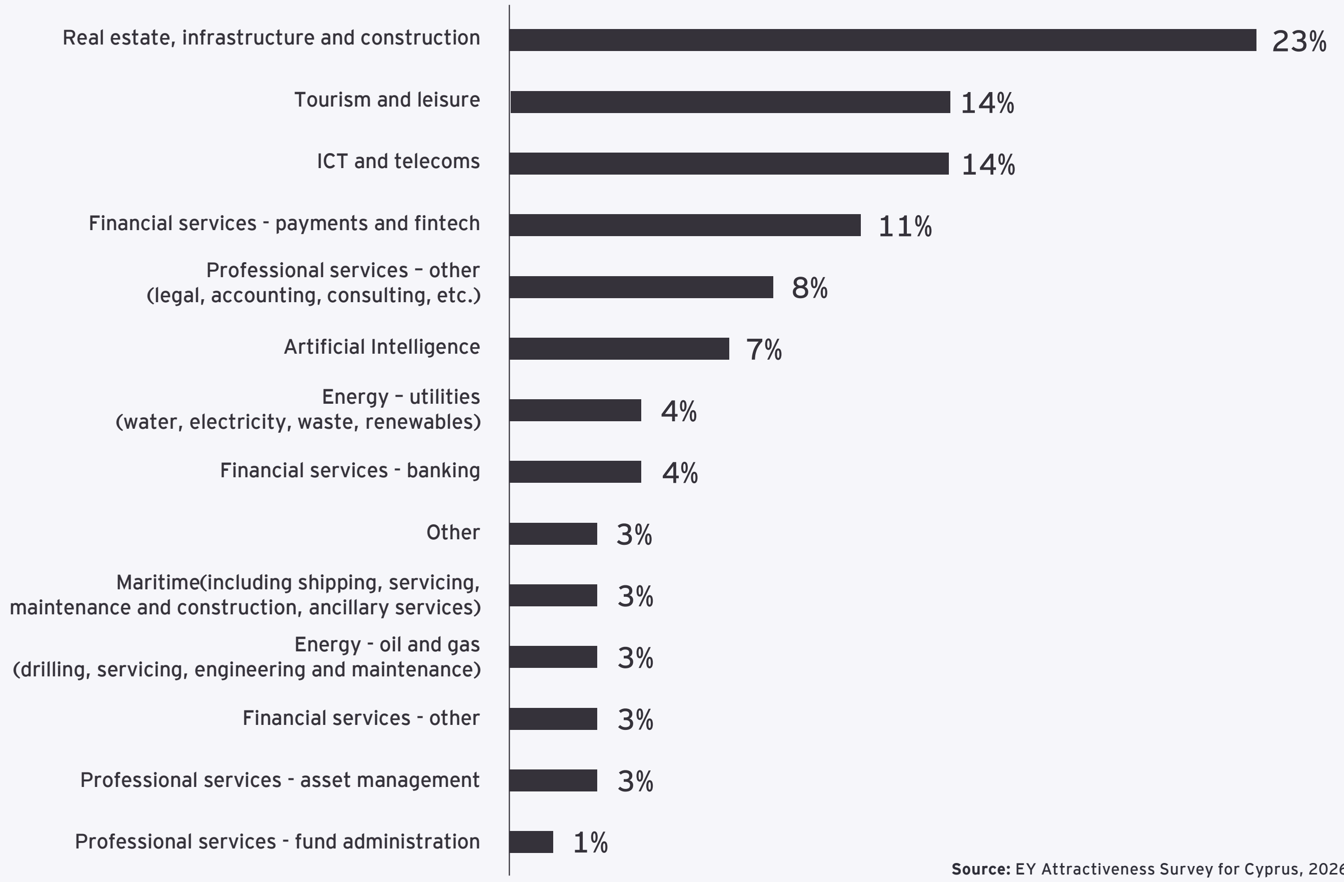
Traditional strong sectors:

Real estate, Hospitality and ICT are expected to keep driving growth

Participants view **real estate and construction** as the main driver of Cyprus's future economic growth, with potential upside from Schengen accession and demand from foreign nationals now based in the Middle East seeking accommodation westwards. **Tourism and leisure** is also expected to remain strong, following a record 2025 (c.14% of GDP) and supported by the 2035 National Tourism Strategy. **ICT and telecoms** complete the top spots – with ICT being the fastest-growing sector locally (c.15% average growth over the last decade, now representing >10% of GDP).

Despite the rapid rise of AI around the globe, the specific sector does not feature prominently among expected growth drivers for Cyprus, with investors citing limited AI infrastructure, a shortage of local expertise and high energy costs. Defense was similarly noted as an emerging but relatively unexploited opportunity, with the government now developing a National Defense Industry Strategy to build local capabilities, especially in defense tech (drones, cyber security, surveillance, etc.). Further scope to scale is tied to EU procurement programs and funding instruments such as SAFE and the European Defense Fund.

In your opinion, which main business sector will drive Cyprus' growth in the coming years?



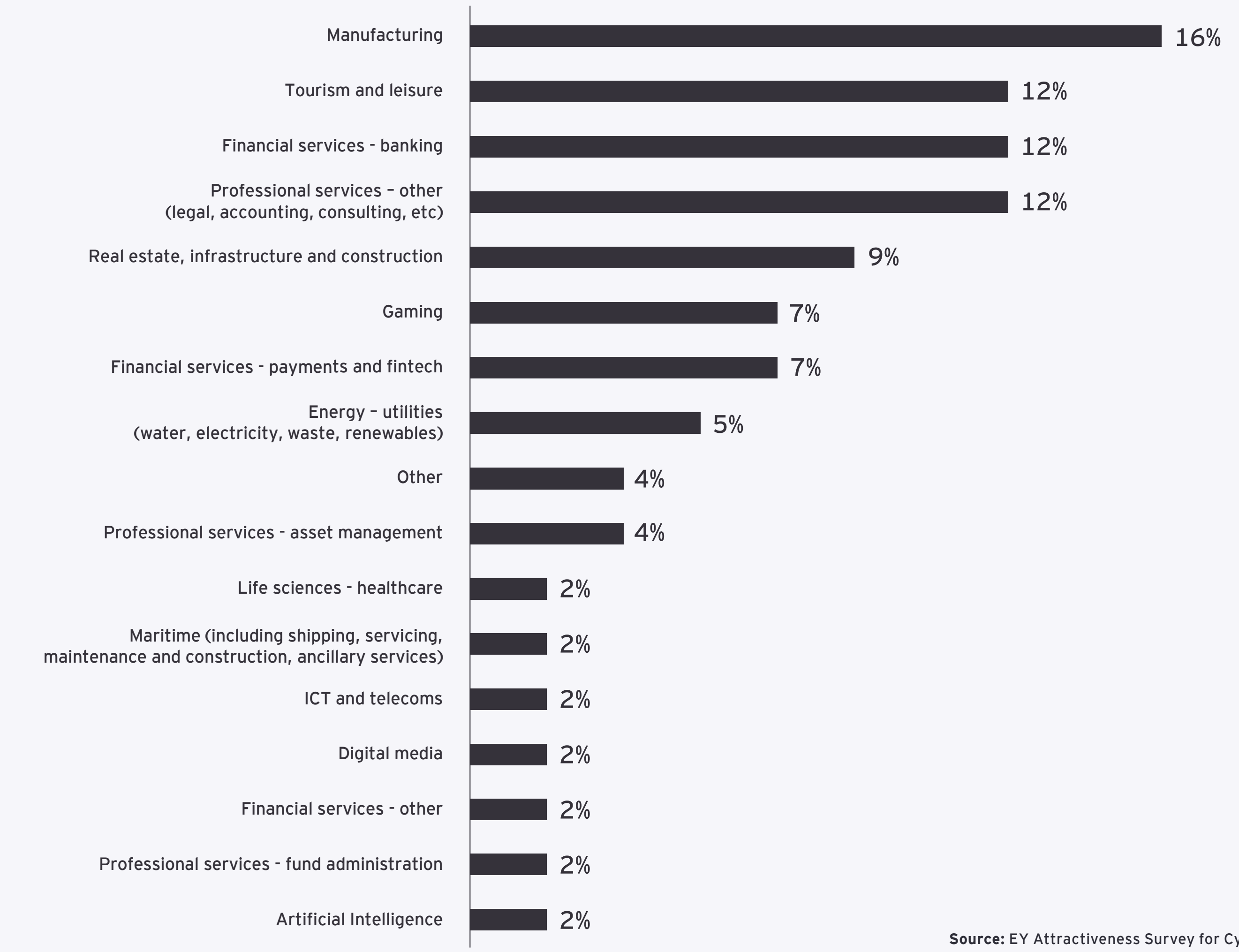
Source: EY Attractiveness Survey for Cyprus, 2026.

Manufacturing,

together with financial and professional services, is seen as most at risk of decline

Manufacturing tops the list of sectors most at risk based on survey participants, reflecting concerns over high energy costs, lack of workforce and the absence of sector incentives. Despite being a key growth driver, **tourism and leisure** is also seen by some of the participants as at risk, linked to shorter-term geopolitical disruption and connectivity constraints. **Financial services** and **professional services** were also identified as at risk, primarily due to technology advancements and the emergence of neobanks.

Which sector has the highest risk of decline in Cyprus?



Source: EY Attractiveness Survey for Cyprus, 2026.

Areas

where Cyprus should concentrate its efforts based on participants

Participants were further asked to share their views on the areas where Cyprus should focus its efforts in order to retain its FDI competitiveness. The top priority identified is the **need for further investment in major infrastructure projects** (40%). Areas identified for such investment include transportation, logistics, digital networks, electricity networks and AI infrastructure. This comes at a time when a number of large infrastructure contracts have been either terminated or face delays (Great Sea Interconnector, LNG terminal, the Larnaca port and marina redevelopment, Paphos-Polis highway, etc.).

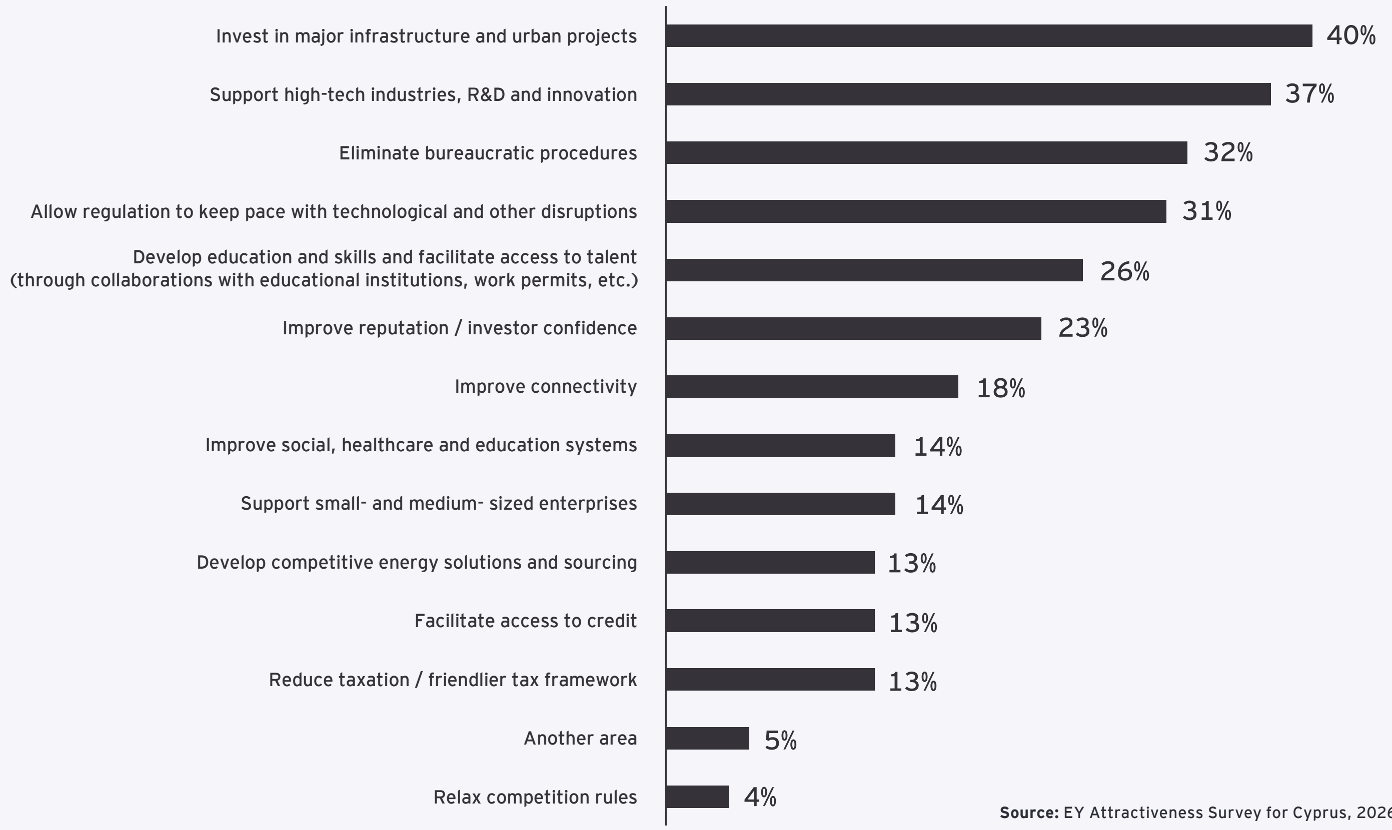
Closely behind infrastructure sits the call for a **stronger support of high-tech industries, R&D and innovation** (37%); despite existing incentives and the progress achieved, investors believe more remains to be done.

They also reiterate the **need to cut bureaucracy** (32%) – simplifying administrative processes and accelerating the speed at which applications are processed by the authorities.

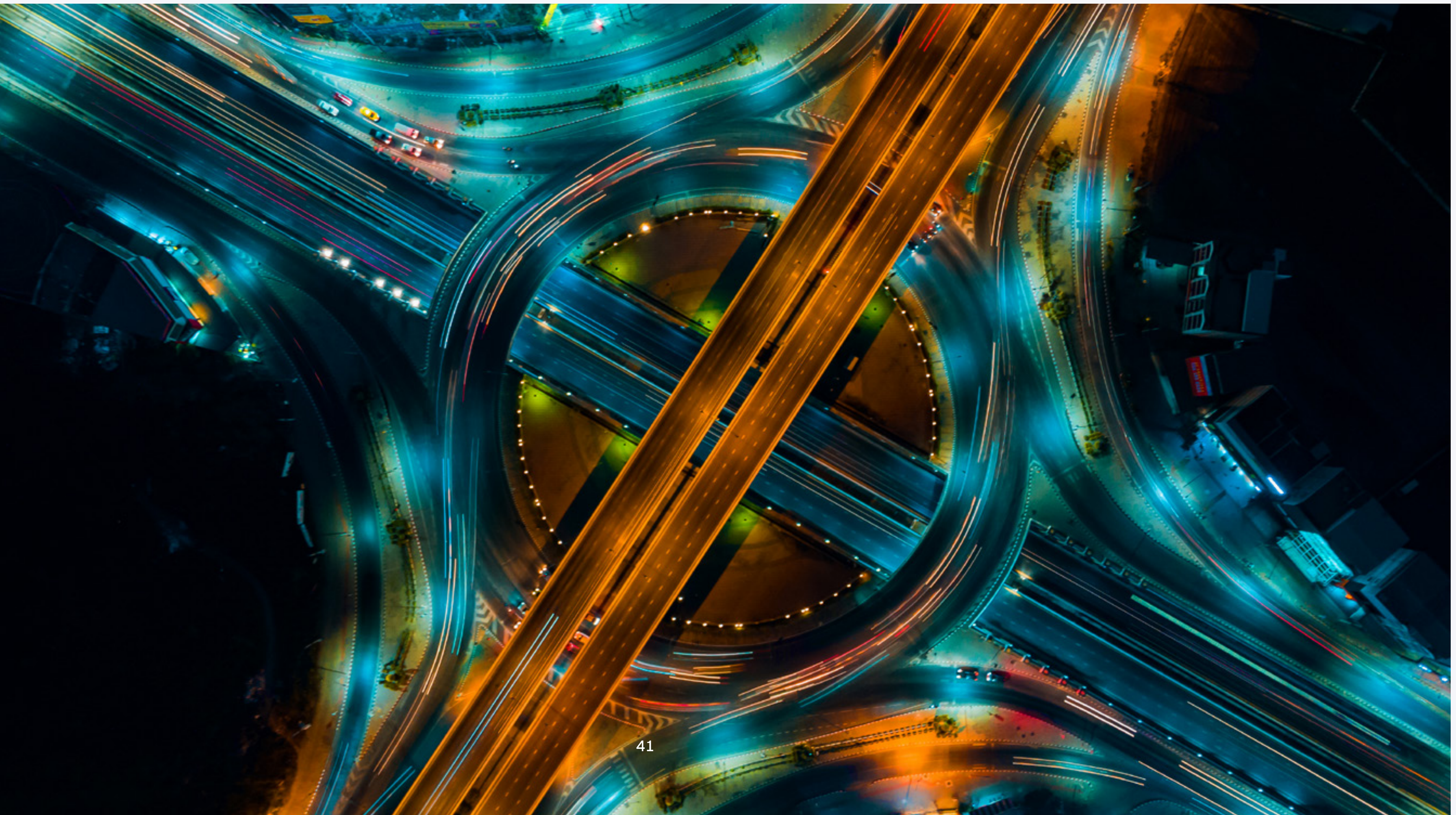
A more **agile, forward-looking regulatory framework** is another key priority (31%), with investors viewing the ability of regulation to keep pace with technological and market developments as critical. Investors do acknowledge that much of this challenge stems from Brussels and is felt across the wider EU, a handicap also flagged in the EY European Attractiveness Survey. Investors further underlined the **importance of improving connectivity** (18%) to support their operations and international positioning. The **need to develop education and employee skillsets** as well as **ease access to talent** (26%) completes the list, targeting persistent labor shortages, particularly in specialized fields.

Where should Cyprus concentrate its efforts to maintain its competitive position as an FDI destination?

Participants were asked to select up to three answers



Source: EY Attractiveness Survey for Cyprus, 2026.



40% identify major infrastructure investment as the top priority

37% prioritize support for high-tech industries, R&D and innovation

32% request elimination of bureaucratic procedures

02

Key investor takeaways

Future Attractiveness perception

Investors remain optimistic about Cyprus's trajectory, anchored in proven sectors and imminent tailwinds such as Schengen and new EU trade links. The long-term test will be whether Cyprus can convert this confidence into capacity.

Traditional pillars are expected to keep driving growth – real estate, tourism and ICT/fintech remain the anchors, while AI and defense emerge as longer-term opportunities still held back by infrastructure and talent gaps.

Future competitiveness will hinge on delivery, not legacy. Investors want sharper focus on major infrastructure, high-tech, R&D and innovation and lighter bureaucracy.

Competitiveness enablers

Beyond immediate perceptions, investors weigh the fundamentals that underpin long-term competitiveness. This year's survey examined five such enablers in depth — technology, talent, sustainability, taxation and banking.

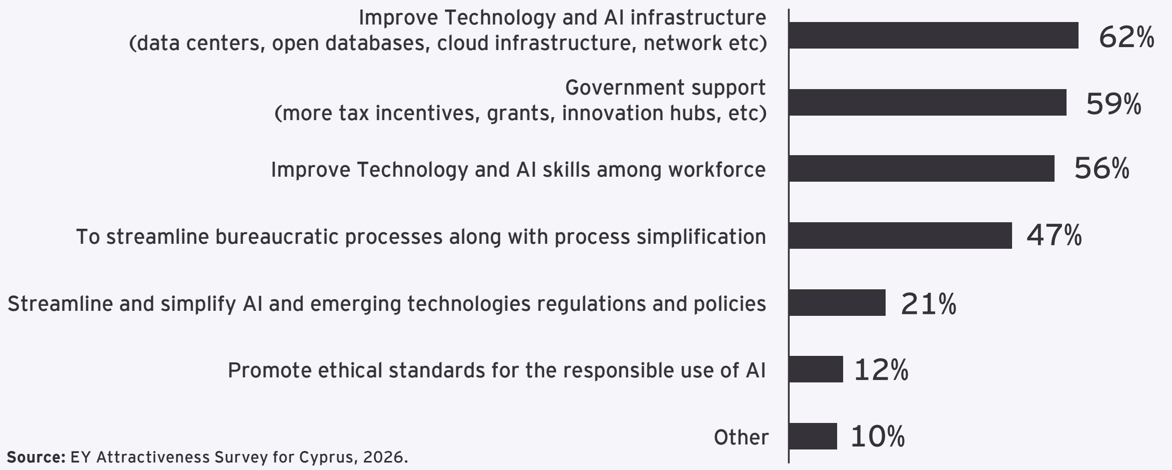
Technology:

need for more investment in technology and AI infrastructure, increased government support and better technology skills among the workforce

In the area of technology, participants identified the need for **deeper investment in technology and AI infrastructure** (62%), followed by **stronger government support** through incentives and grants (59%) and **improved technology and AI skills across the workforce** (56%). **Streamlining bureaucratic processes** (47%) was again flagged.

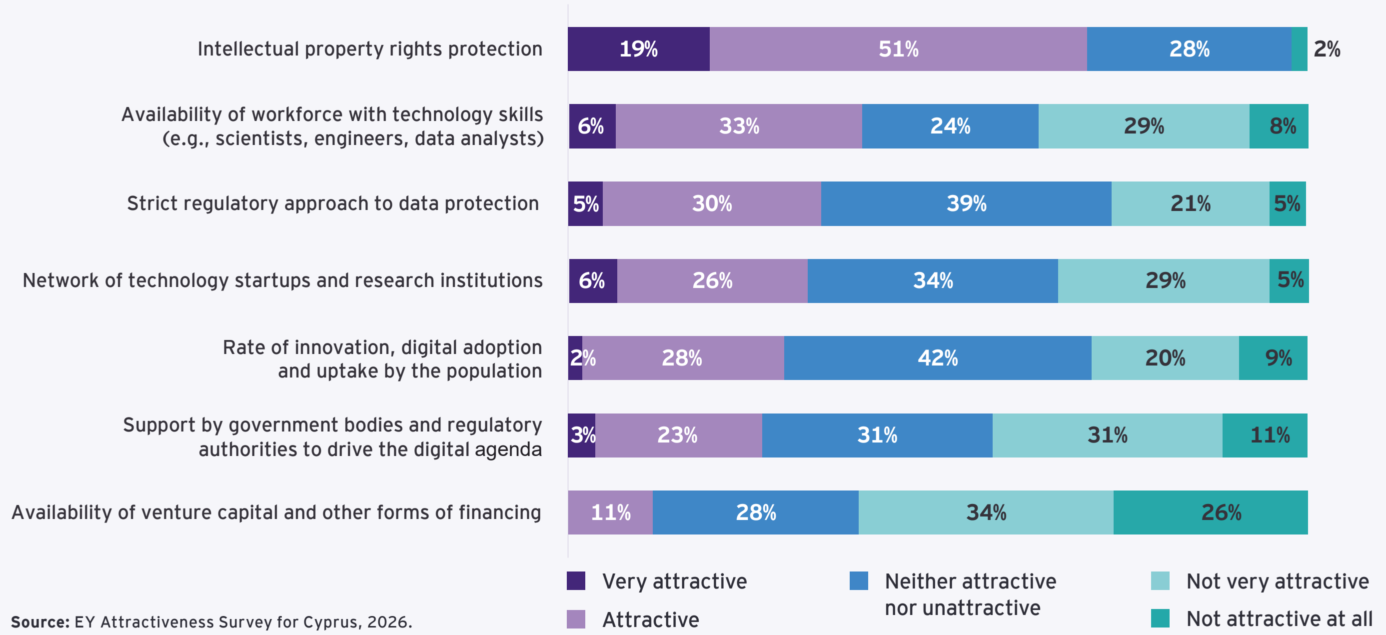
How should Cyprus improve its attractiveness as a location for AI investment, innovation and technology?

Participants were asked to select up to three answers



Source: EY Attractiveness Survey for Cyprus, 2026.

How does Cyprus perform across the following technology-related factors?



Source: EY Attractiveness Survey for Cyprus, 2026.

On specific technology-related factors, Cyprus performs better on **IP-rights protection and technology skillsets**, reflecting the relocation of high-skilled professionals to the island through targeted incentives.

The **availability of venture capital and other financing**, together with **government and regulatory support for the digital agenda**, stand out as the key areas for improvement.

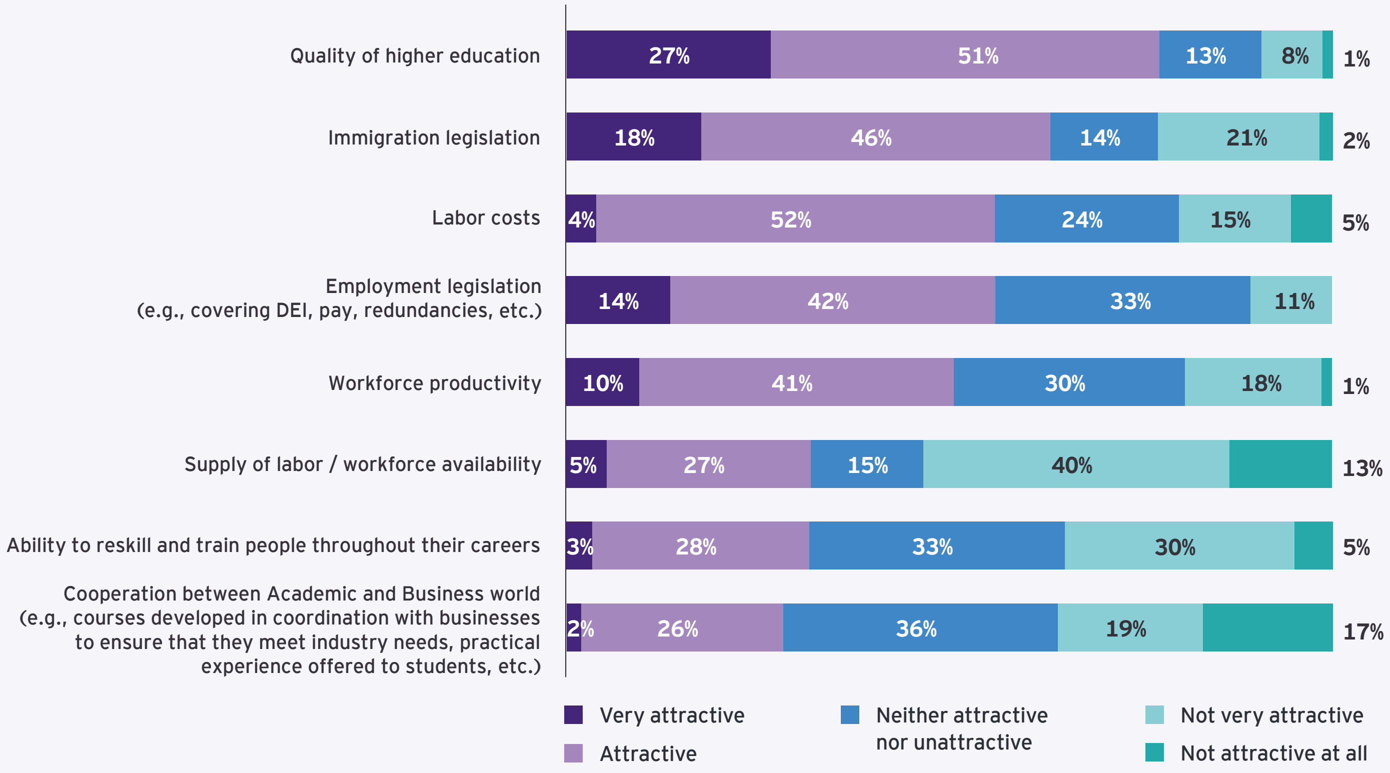
Notably, some investors still cite the availability of a **technology-skilled workforce** as a constraint – a sign that, despite the influx of talent from abroad, labor shortages in the sector still persist.

Talent:

staff shortages and reskilling are the key areas to address

Participants rate Cyprus positively on the **quality of higher education**, **overall labor costs** and both its **immigration and labor legislation**. On the areas for improvement, the talent scorecard points to **workforce availability** as the single biggest challenge, followed by **insufficient collaboration between academia and business** and **limited capacity to reskill and train people** throughout their careers.

How does Cyprus perform across the following talent-related factors?



Source: EY Attractiveness Survey for Cyprus, 2026.

78% of respondents rate Cyprus favourably for the quality of its higher education

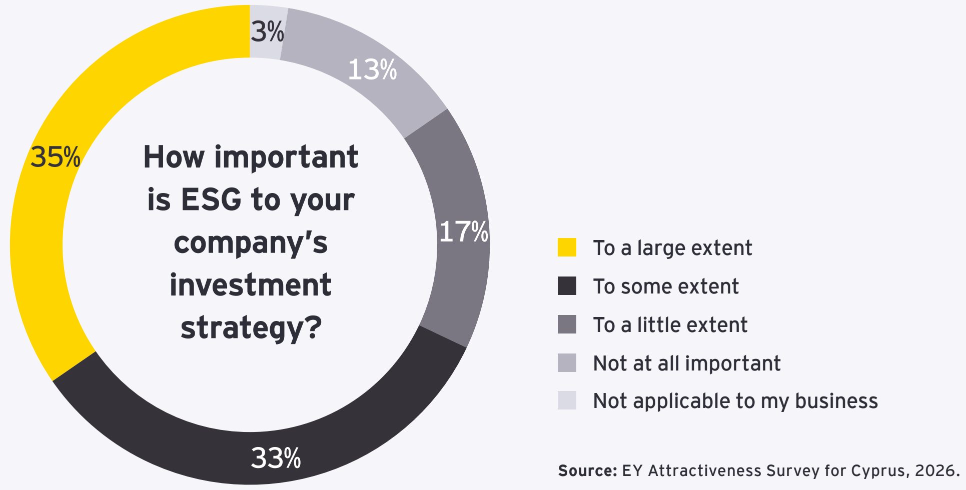
64% give a positive rating to Cyprus' s immigration legislation

53% of respondents rate Cyprus as unattractive in terms of workforce availability

Sustainability:

ESG remains relevant, with RES penetration cited as the top priority

When asked about the relevance of ESG in their investment strategy, **68% of participants still consider it important** to a large or some extent in their investment decision making.



Source: EY Attractiveness Survey for Cyprus, 2026.

60%

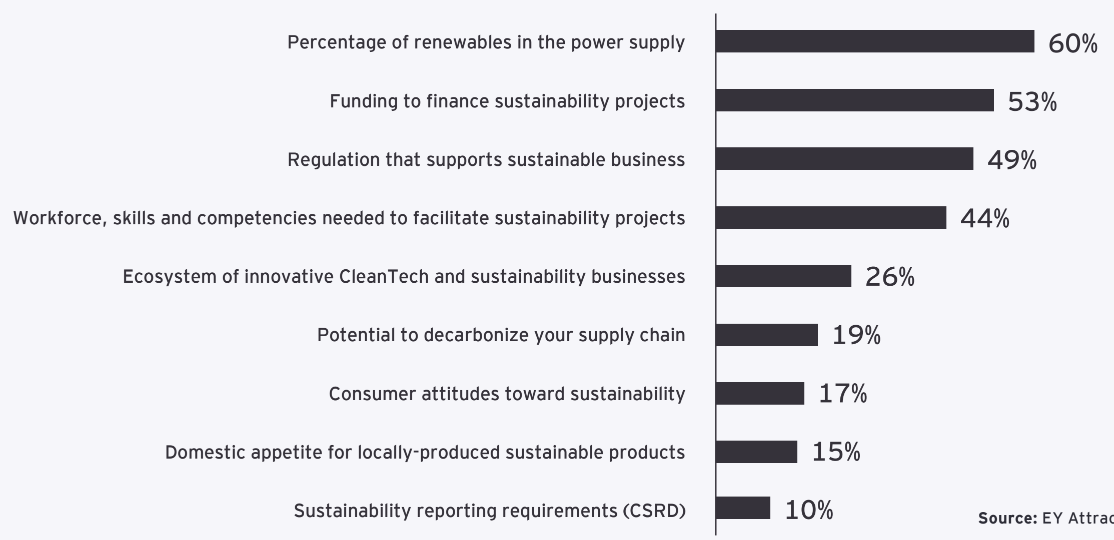
prioritize increased penetration of renewable energy sources

In terms of sustainability factors to improve competitiveness, investors prioritize **increased penetration of Renewable Energy Sources** (60%). Structural constraints, such as limited grid capacity and lack of storage, continue to restrain renewable integration.

The **availability of funding for sustainability projects** (53%), **regulation that supports sustainable business** (49%) and the **development of a workforce with the necessary skills** (44%) follow.

In which sustainability related factors should Cyprus concentrate in order to improve its FDI attractiveness?

Participants were asked to select up to three answers



Source: EY Attractiveness Survey for Cyprus, 2026.

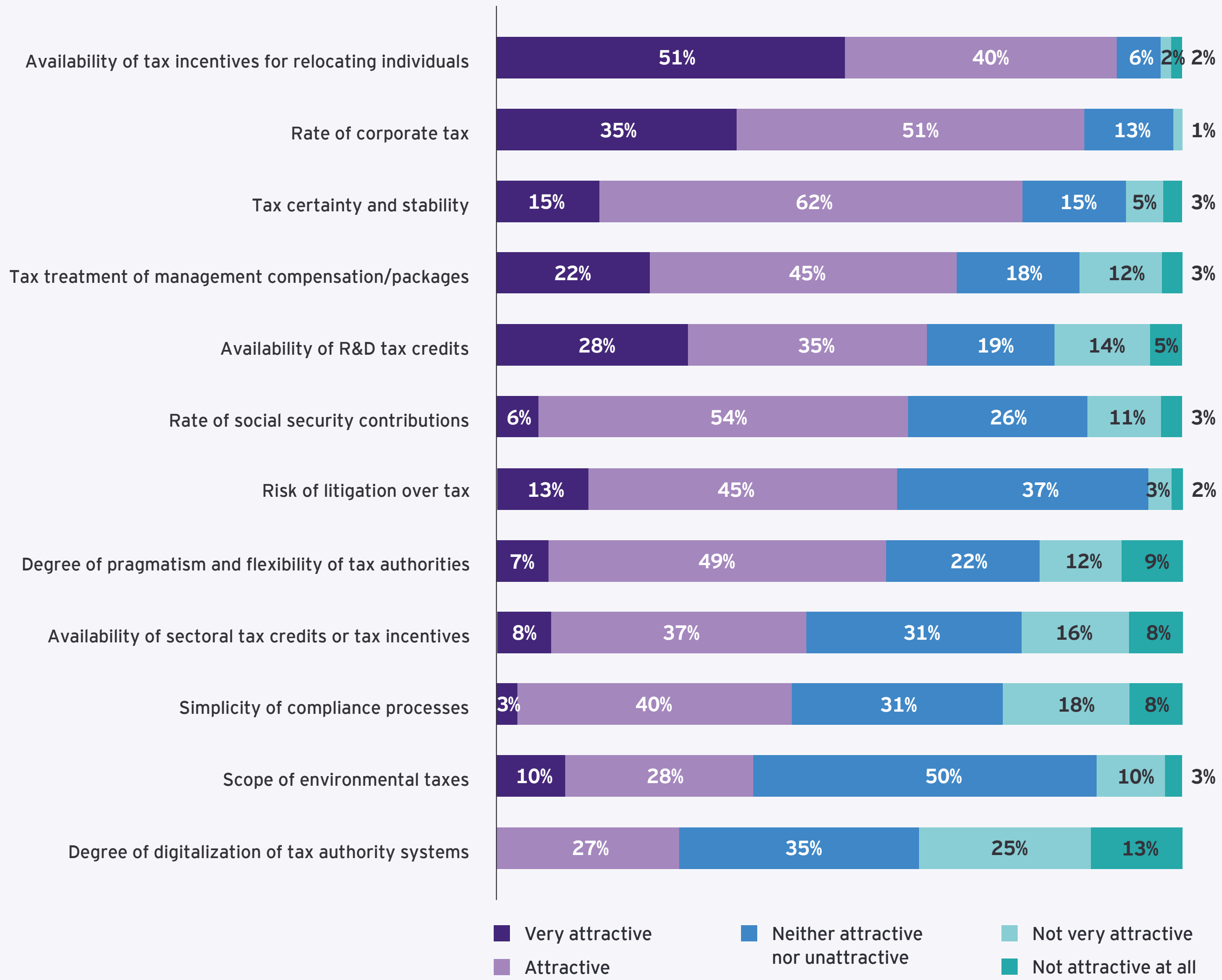
Taxation:

still favorable despite the corporation tax rate increase; digitalization is the top priority

Participants consider Cyprus's tax system attractive overall. Among the most attractive factors are the **availability of tax incentives for relocating individuals**, the **tax treatment of management compensation** and **the certainty/stability of the system**.

Despite the increase to 15%, the **corporate tax rate** also remains high on the list. Areas to develop include the **degree of digitalization of tax-authority systems**, the **simplicity of compliance processes** and the **flexibility of tax authorities**.

How does Cyprus perform across the following tax-related factors?



Source: EY Attractiveness Survey for Cyprus, 2026.

2026 Tax Reform

The 2026 Tax Reform represents a broader effort to modernize Cyprus's tax system, with several changes that carry direct relevance for investors

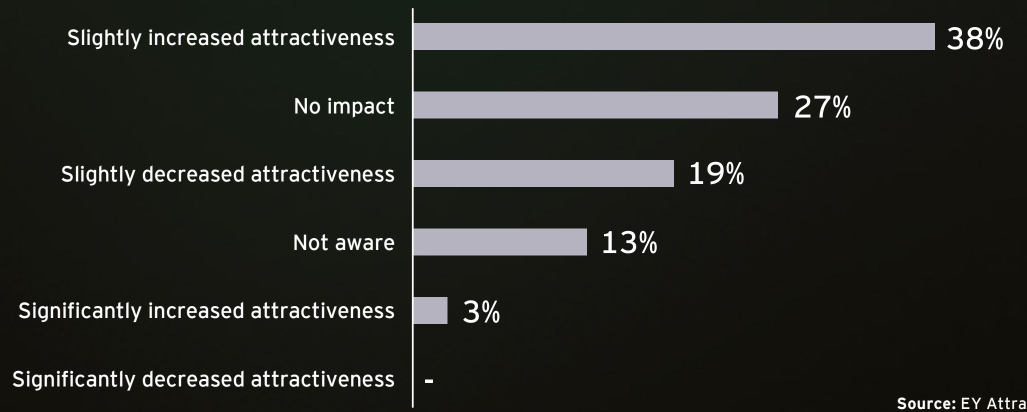
Long-standing provisions, including the deemed dividend distribution rules and stamp duty, have been abolished as part of a wider drive towards simplification, reducing administrative complexity and compliance costs for businesses operating on the island. At the same time, the reduction in dividend-related tax rates for Cyprus tax-resident shareholders supports a more balanced, fair and competitive framework, improving investors' after-tax returns. The modest increase in the corporate tax rate to 15% brings Cyprus into closer alignment with European and global standards and, importantly, provides greater certainty and stability for long-term investment planning.

On personal taxation, the widening of income tax bands and the introduction of targeted reliefs mark another positive step, enhancing Cyprus's attractiveness as a destination for relocating talent and high-skilled professionals, a key consideration for investors in people-intensive sectors such as ICT and financial services. Enhanced and newly introduced deductions further incentivize energy-efficient upgrades, aligning with wider ESG priorities.

Lastly, well-established features of the Cypriot tax regime, such as the notional interest deduction, the IP Box regime and the tonnage tax system, have been retained. Their continuity reaffirms confidence in their effectiveness and preserves the incentives that have historically underpinned Cyprus's appeal to international investors.

The positive impact of the reform is also reflected in our survey, with the **majority of investors considering that the reform had a positive – and to a lesser degree neutral – impact on the country's FDI attractiveness**.

In your view, to what extent has the recent Cyprus Tax Reform affect Cyprus's FDI attractiveness?



Source: EY Attractiveness Survey for Cyprus, 2026.

viewpoint

SOTIRIS MARKIDES
Tax Commissioner of Cyprus

> "The modernization of the Cyprus Tax Department marks a new era of public service founded on innovation, efficiency, and trust.

The modernization of the Cyprus Tax Department marks a new era of public service founded on innovation, efficiency, and trust. Through digital transformation and simplified procedures, the Cyprus Tax Department is becoming faster, more efficient, more transparent, and more accessible to both citizens and businesses, ultimately delivering higher-quality services to taxpayers.

The Tax For All (TFA) platform, which is being progressively developed, enables taxpayers to seamlessly complete declarations, payments, and requests online within a secure and user-friendly environment, significantly reducing bureaucracy and improving efficiency. Advanced digital tools further enhance accuracy, strengthen compliance, and support informed decision-making.

A fundamental driver of this transformation is the Department's strategic investment in its people. The experience and dedication of long-serving employees, combined with a new generation of skilled and forward-looking professionals, are driving this change. Continuous professional development and adaptability are fostering a more agile, responsive, and service-oriented culture, shaping an organization that is increasingly citizen-focused.

By combining technology, human talent, and high-quality services, the Cyprus Tax Department is evolving into a modern institution that strengthens trust, promotes confidence, supports economic growth, and delivers a superior taxpayer experience.

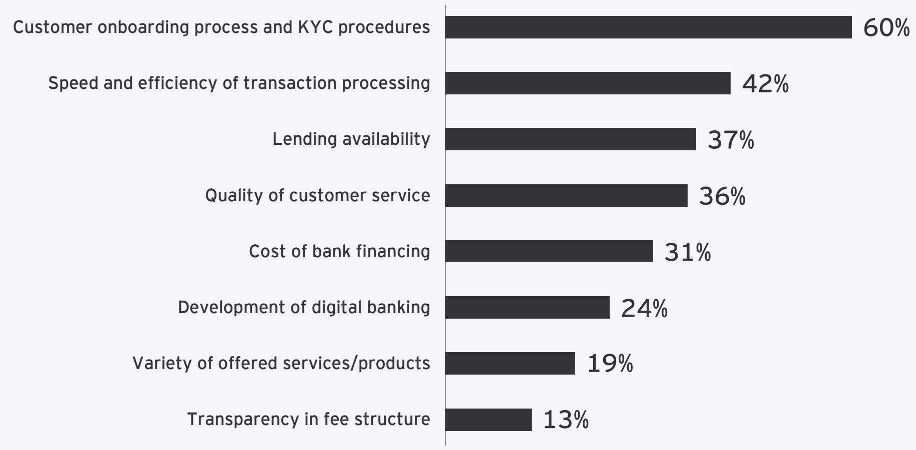
Banking:

pain points that can be turned into a competitive advantage

For international investors, banks are critical enablers of market entry, operational continuity and growth. The ease with which investors can open accounts, move funds, access financing and resolve issues, shape the practical experience of doing business in a jurisdiction. Participants identified banking as an area with impediments that can be turned into opportunities.

The most frequently cited issue was the **customer onboarding process and KYC procedures** (60%), followed by the **speed and efficiency of transaction processing** (42%), **lending availability** (37%) and **quality of customer service** (36%).

To increase Cyprus's attractiveness for FDI, which aspects of the local banking and financing industry should be improved?
Participants were asked to select up to three answers



Source: EY Attractiveness Survey for Cyprus, 2026.

60%
cite customer onboarding and KYC procedures as the main banking challenge

42%
identify transaction speed and efficiency as another key area for improvement

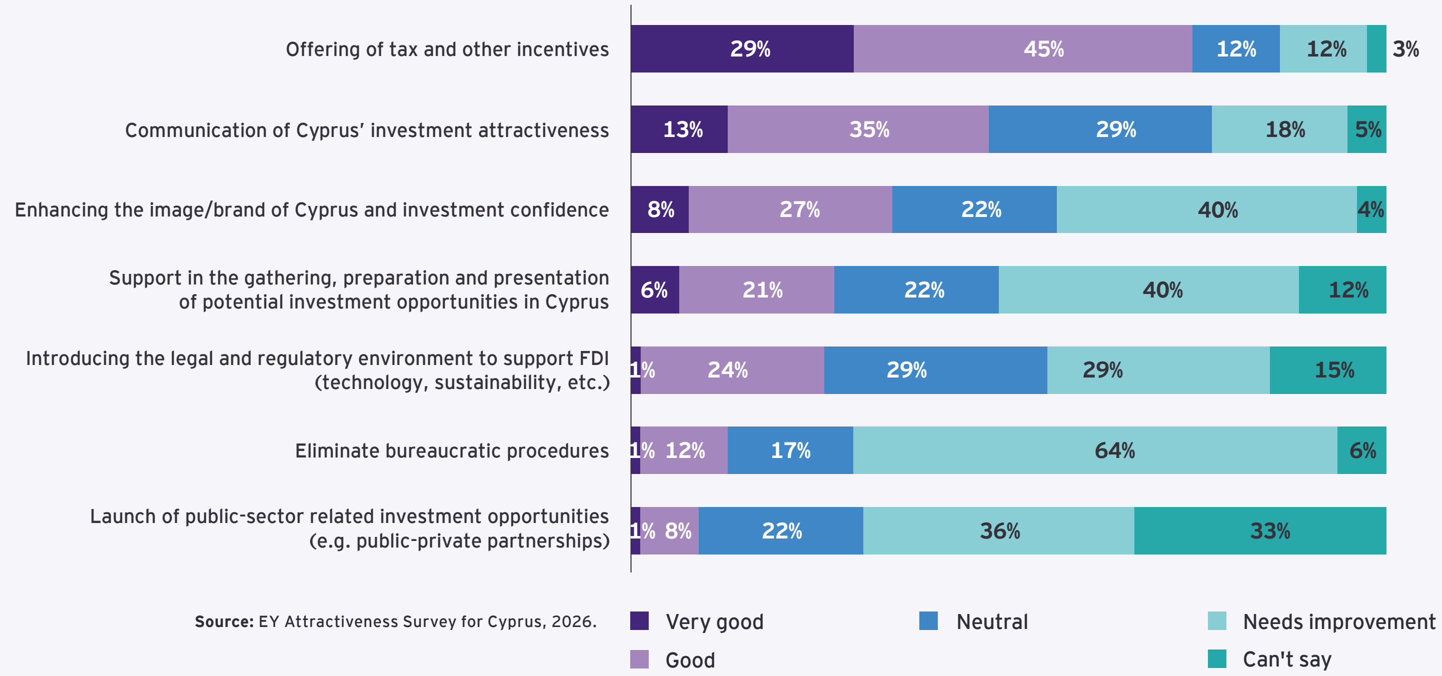
37%
of respondents identified lending availability as another area for development

Government efforts:

more needed on PPPs, bureaucracy and investor confidence

The majority of participants feel the Government is doing a good job in **offering tax and other incentives**, and almost half consider it effective in **communicating Cyprus's overall investment attractiveness**. On the areas for improvement, **eliminating bureaucratic procedures** topped the list, followed by **enhancing Cyprus's image and investor confidence** – an area addressed by the Government through the engagement of KREAB advisors to strengthen the country's image. This momentum can be accelerated by moving the KREAB brand framework from strategy into execution – training stakeholders, publishing investor-ready materials and driving a consistent narrative. Investors also pointed to the **need to better gather and present investment opportunities** and to launch more **Public-Private Partnership opportunities**.

How would you evaluate the following efforts by the Cypriot government to improve the country's attractiveness for foreign investment?



Source: EY Attractiveness Survey for Cyprus, 2026.

74% of the respondents view the Government's tax and investment incentives positively

48% consider the Government effective in promoting Cyprus's investment attractiveness

64% of the respondents request more efforts in the elimination of bureaucracy

Key investor takeaways

03

Competitiveness enablers

Talent has become a defining constraint. Investors rate the quality of higher education, labor costs and immigration legislation positively, but workforce availability is now the single biggest gap – compounded by a need for more academia-business cooperation and reskilling capacity.

Technology needs sustained investment to keep pace. The majority of the investors call for deeper investment in AI and Technology infrastructure and for stronger government support. Cyprus scores well on IP-rights protection. Availability of Venture Capital/other forms of financing remains remains a weak link. Investors also call for more Government support.

Taxation remains a core strength. The system is seen as attractive overall, led by relocation incentives, the treatment of management compensation and its certainty and stability. The 15% corporate rate still ranks well, and most investors view the 2026 reform as a net positive; digitalization and simpler compliance are the main gaps.

Sustainability and banking are pain points to convert into advantage. ESG matters to 68% of investors, with renewable penetration identified as the top priority but held back by grid and storage limits.

In banking, onboarding and KYC friction is the most-cited barrier, followed by transaction processing speed, lending availability and quality of customer service.

Investors see Cyprus's enablers as fundamentally sound but unevenly developed. Competitiveness will depend on how quickly Cyprus can deepen its talent base, further enhance banking and tax administration, and translate sustainability ambition into grid and storage capacity.

MARIOS TANNOUSIS
CEO of Invest Cyprus

“Cyprus has emerged as one of Europe’s fastest-rising investment destinations, combining stability, strategic location, and long-term growth potential.

viewpoint

Cyprus has emerged as one of Europe's fastest-rising investment destinations, combining the certainty of EU membership with a strategic location at the crossroads of Europe, the Middle East and North Africa. Strong economic fundamentals, investment-grade sovereign ratings, a transparent common law legal system and a highly skilled, multilingual workforce provide investors with a stable platform for long-term growth.

More than 2,000 international companies have established or expanded their presence on the island over the past three years, bringing with them over 20,000 highly skilled professionals. Investor interest is accelerating from the United States, India, Israel, Australia, the Gulf region and the United Kingdom, reflecting Cyprus's growing reputation as a gateway to European and regional markets.

Supported by Vision 2035, competitive incentives and a pro-business regulatory environment, Cyprus offers attractive opportunities across technology, AI, fintech, digital infrastructure, investment funds, shipping, renewable energy, and research and innovation.

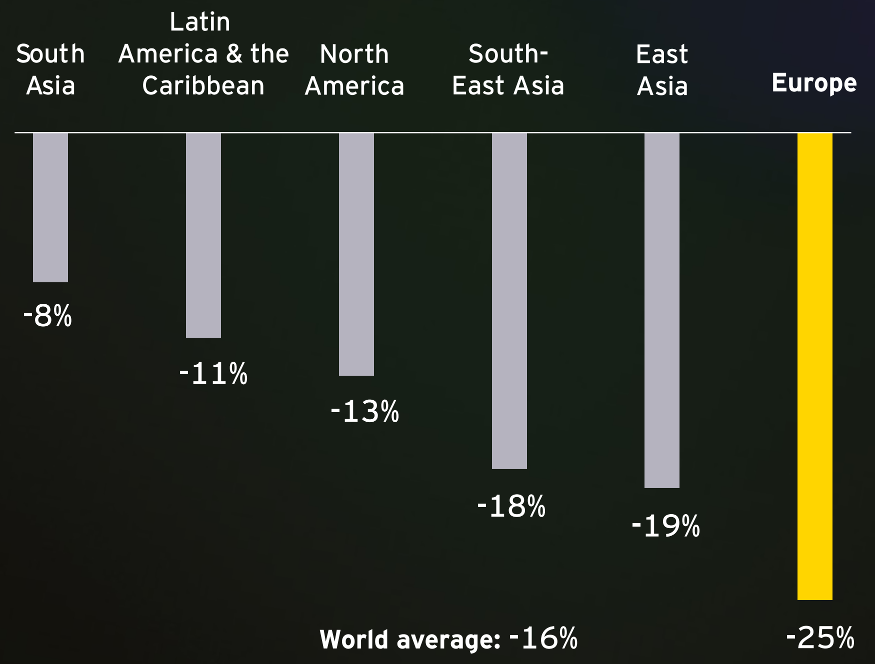
Invest Cyprus plays a central role in promoting investment, advocating reforms and supporting investors throughout their journey. Through targeted international partnerships and investor engagement, we are strengthening Cyprus's position as a destination for sustainable, high-value foreign direct investment.

Global shifts and trade outlook

Europe is repositioning – and Cyprus is exposed to the same forces

FDI activity across Europe is contracting, with the decline more pronounced than in other regions globally.

Change in the number of foreign greenfield investment projects across different regions between 2024 and 2025:

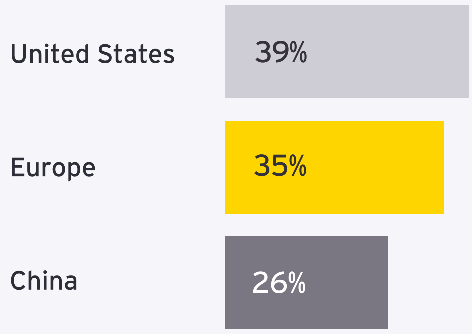


Source: Global Investment Trends Monitor, No.50 (UNCTAD[9]), EY EIM, 2026.

The dynamics are also reflected in the overall sentiment of the investment community, as recorded in EY's European Attractiveness Survey. A comparison of investors' current assessment and also against their three-year outlook reveals a clear divergence between Europe, the United States and China, underscoring the relative competitive pressures Europe faces in attracting future investment.

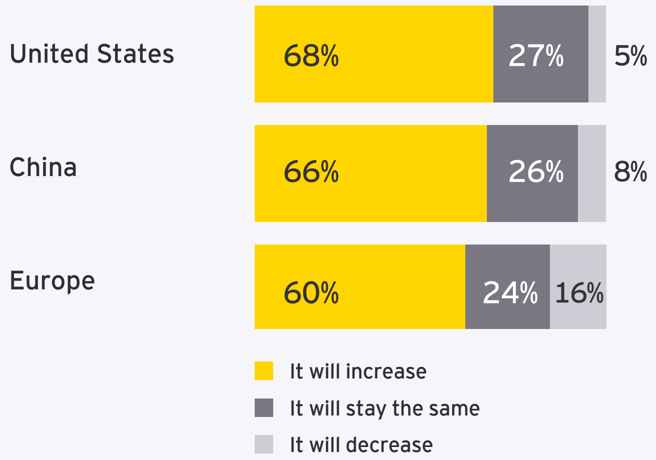
[9] United Nations Conference on Trade and Development

Which of the following regions are most attractive for foreign investment?



Source: EY Attractiveness Survey for Cyprus, 2026.

How do you expect the attractiveness of these locations to evolve over the next three years?



Europe

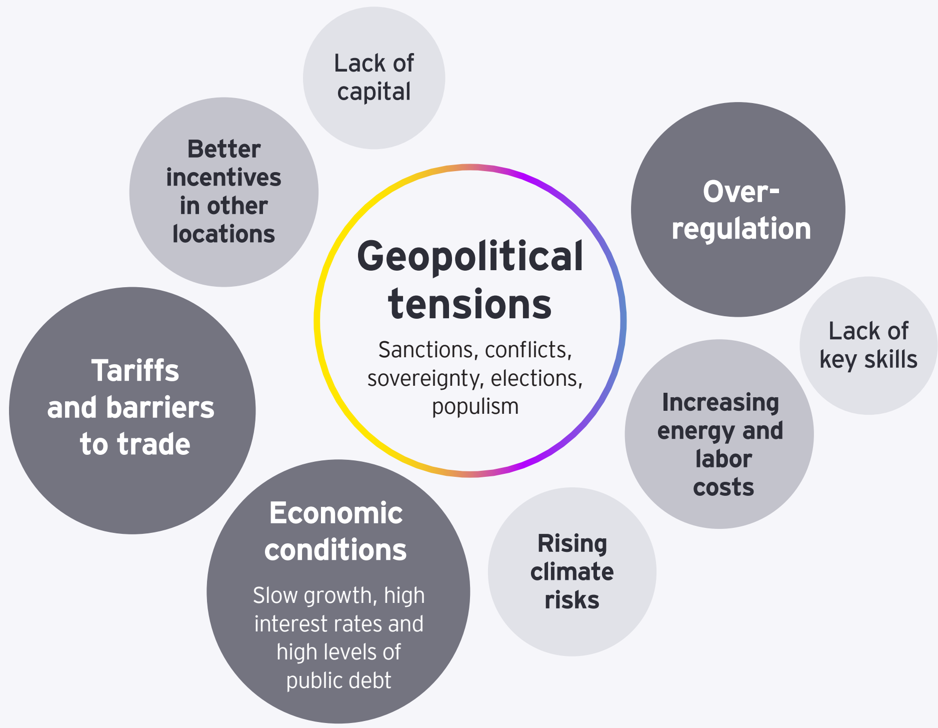
is currently confronted with a range of significant challenges that impact its stability and growth

Long-term competitiveness challenges, such as **high energy costs** and **'over-regulation'**, were cited by participants in the EY European Attractiveness Survey 2026 as a risk. Around 41% of the participants also pinpointed **geopolitical tension and conflicts** as first among the top-three risks to Europe's future attractiveness. **Weakening macroeconomic conditions** rank as the second most significant risk, while **tariffs and other barriers to trade** follow in third place.

41%

cite geopolitical tensions and conflicts as the top threat to Europe's attractiveness

Top risks for Europe's attractiveness

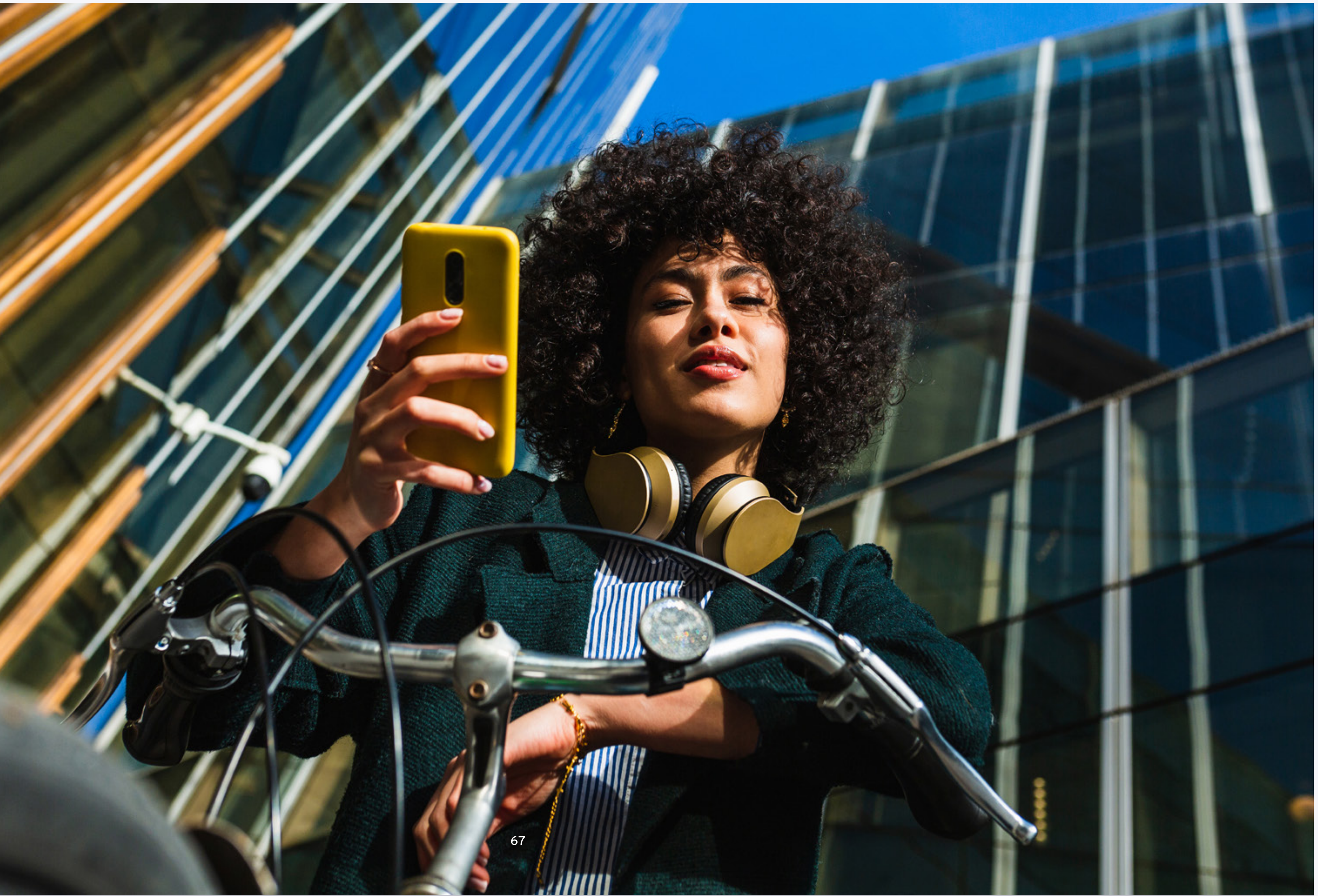


Note: Bubble size represents the relative importance of each risk based on respondent rankings.
Source: Global Investment Trends Monitor, No.50 (UNCTAD), EY EIM, 2026.

AI accelerates,

but Europe – and Cyprus – must reposition

Based on the 2026 EY European Investment Monitor, AI-related FDI in Europe rose by 96% year on year, yet most survey participants still view Europe as comparing less favorably with other regions, such as the US, for **AI investment, innovation and deployment**. Investors ranked the **streamlining and simplification of AI regulation** as the single most important enabler to enhance Europe's attractiveness, followed by **strengthening digital and technology-related skills across the workforce** and **improving technology infrastructure** (such as data centers) – a pattern equally evident in Cyprus. Beyond these priorities, participants also emphasized the importance of **improving access to capital for AI scale-ups**, **supporting entrepreneurial ecosystems**, and **nurturing local technology champions**.



Overall confidence

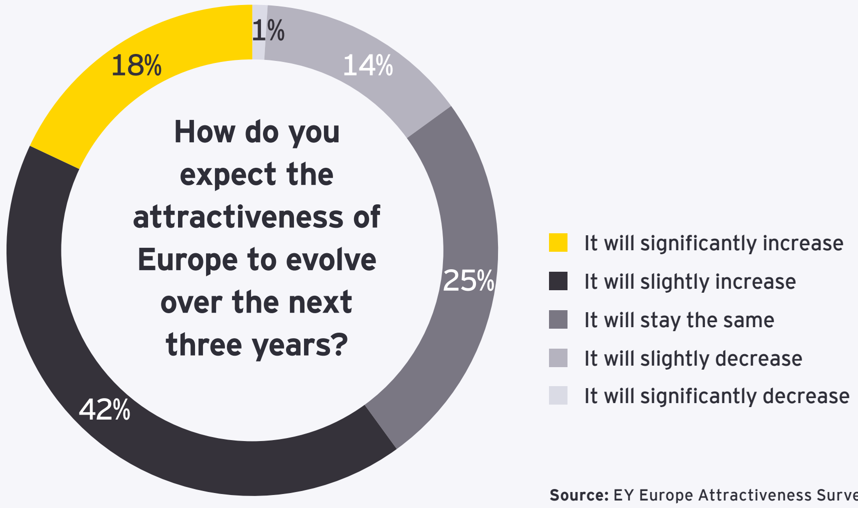
in Europe's long-term attractiveness remains strong; Europe's fundamental advantages enable it to maintain and possibly enhance its global attractiveness.

Confidence in Europe's long-term attractiveness remains firmly intact. Around 54% of investors plan to **establish or expand operations in Europe over the coming year** – down from 59% in 2025 and 72% in 2024, yet still signalling sustained commitment. Looking further ahead, 60% expect the **region's attractiveness to improve over the next three years**, citing market scale, infrastructure quality, a skilled talent base and a deep capacity for innovation and R&D. These structural strengths, underpinned by rules-based governance, continue to differentiate Europe even in an increasingly volatile global environment, with investors confident that policymakers will deliver the reforms needed to restore competitiveness.

Europe's challenge, however, is shifting from preserving its traditional advantages to actively repositioning itself, as capital moves away from higher-cost legacy sectors towards strategic areas such as **AI**, **defense**, **low-carbon energy** and **digital infrastructure**. Five forces will shape the region's future appeal – **geopolitics**, **sustainability and energy**, **strategic autonomy in critical industries**, **innovation and AI**, and **financing for transformation.** Success will also depend on faster decision-making, simpler execution and deeper integration.

60%

expect Europe's attractiveness to improve over the next three years



Source: EY Europe Attractiveness Survey 2026.

Key takeaways

Global shifts and outlook

Europe's FDI slowdown is not a loss of relevance, but a warning that competitiveness now depends on speed, cost and execution.

Europe's challenge is no longer simply to attract capital, but to make investment easier to deploy. Regulation, permitting, energy costs and access to talent will determine whether investor confidence translates into actual projects.

AI is creating a new investment race – but infrastructure and energy are key. Without data-center capacity, digital skills, reliable power and access to capital, ambition will not convert into investable projects.

Europe is still an anchor. Investors still value Europe's scale, governance and talent. Geopolitical fragmentation increases the value of trusted jurisdictions.

Cyprus can benefit from its EU credentials, regional proximity and stability, provided it continues to strengthen governance, reputation and execution capacity.

For Cyprus, the opportunity lies in positioning as an agile EU platform within this rebalancing. Its scale can be an advantage if decision-making is faster, regulation is clearer and infrastructure priorities are delivered.

Section 2

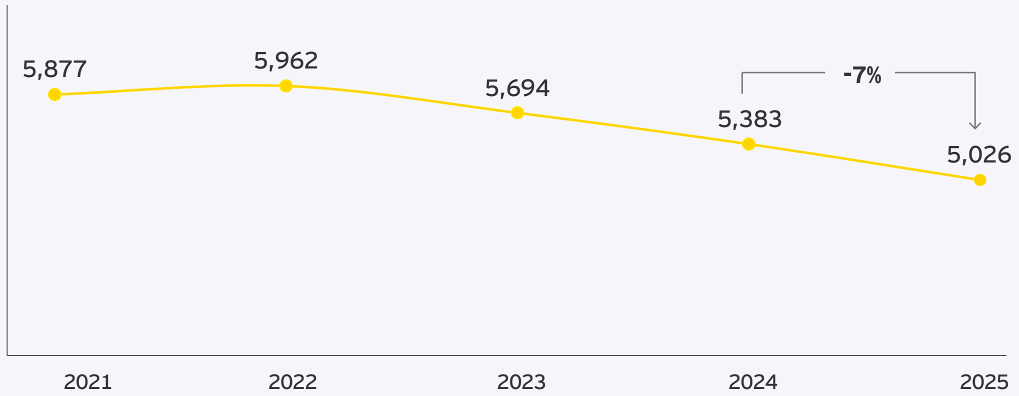
FDI trends

European FDI trends

Overall, FDI activity in Europe declined by 7% in 2025, reaching a 10-year low

Although FDI declined globally, the fall in Europe was more pronounced, caused by a combination of weak economic growth, geopolitical volatility and uncertainty about global trade.

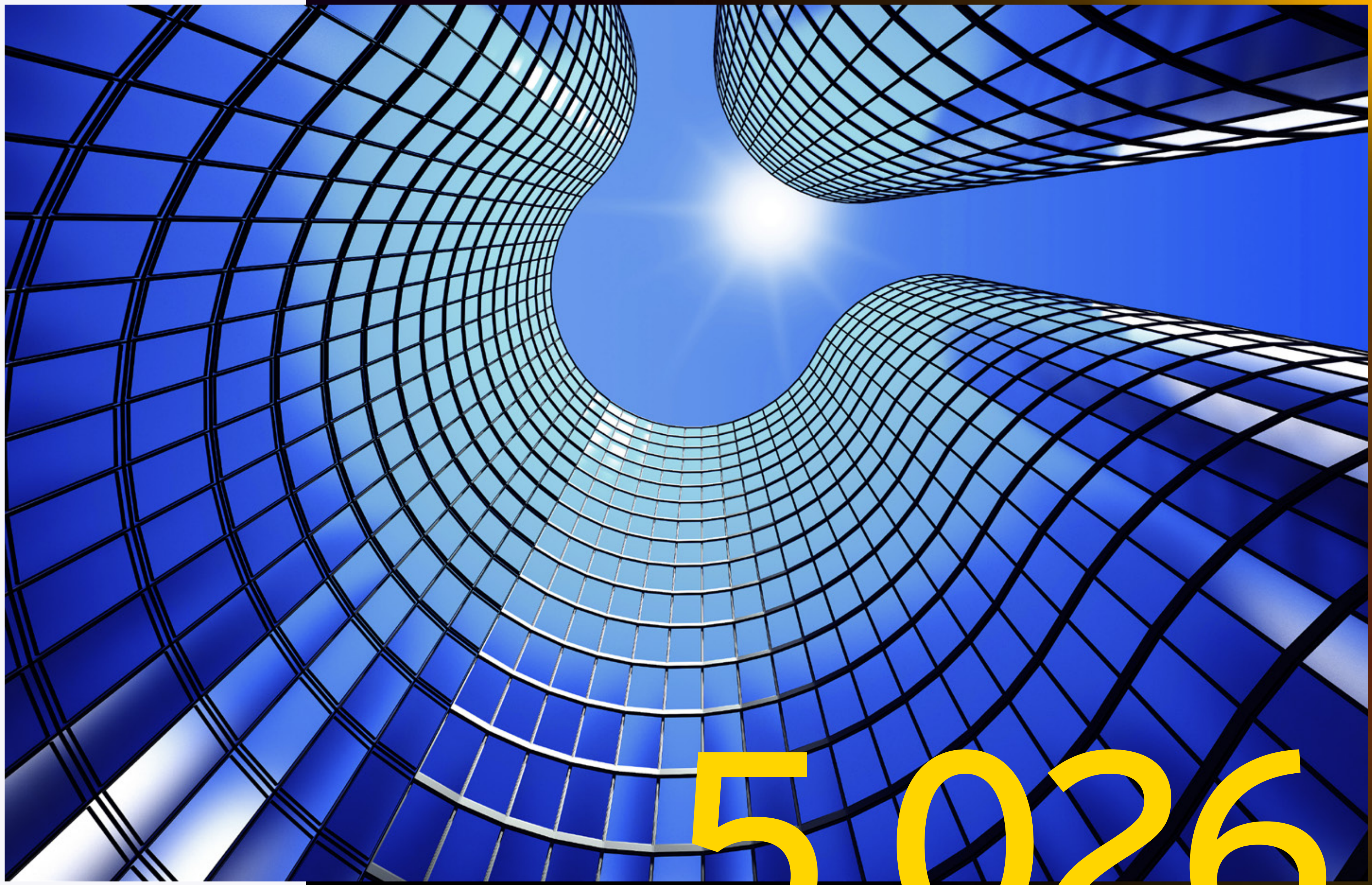
Number of FDI projects announced in Europe between 2021 and 2025



Source: EY European Investment Monitor (EIM), 2026.

South and Central Europe stands out as a bright spot

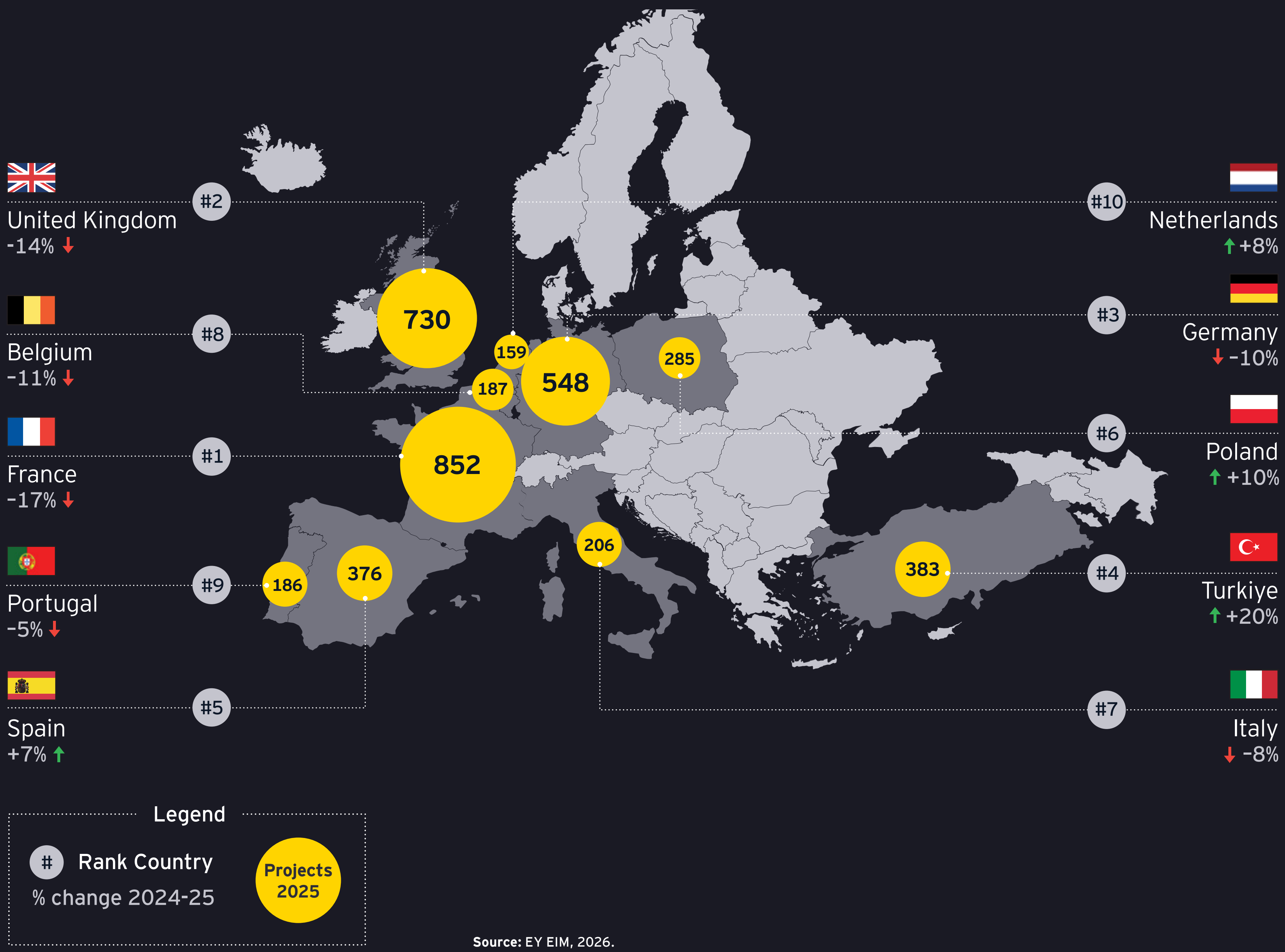
Although the number of FDI projects declined in the west (France 17% decrease, the UK 14% and Germany 10%), **South and Central European countries recorded an increase**. This divergence may point to a partial shift in Europe's investment landscape, as investors increasingly look beyond traditional core markets towards economies offering greater cost competitiveness, agility and untapped growth potential. For smaller and more dynamic markets such as Cyprus, this rebalancing represents an opportunity to capture a larger share of the FDI redirected within the region.



5,026

FDI projects announced in Europe in 2025

Top 10 European countries for foreign investment in 2025, by number of projects



Source: EY EIM, 2026.

Project volumes declined across leading sectors

FDI projects in traditional industrial sectors reached new lows, reflecting high exposure to rising production costs, volatile input prices, intense international competition (notably lower energy prices in competing destinations) and weaker domestic demand.

In contrast to the Software and IT services sector that grew by only 8% (historically the largest sector for FDI in Europe), AI sector increased by 96%. Europe is still developing its ecosystem for AI innovation. While AI related FDI is rising significantly, most of the survey participants indicated that Europe currently compares less favorably with other regions for AI investment.

Breakdown of FDI projects in Europe in 2025, by sector

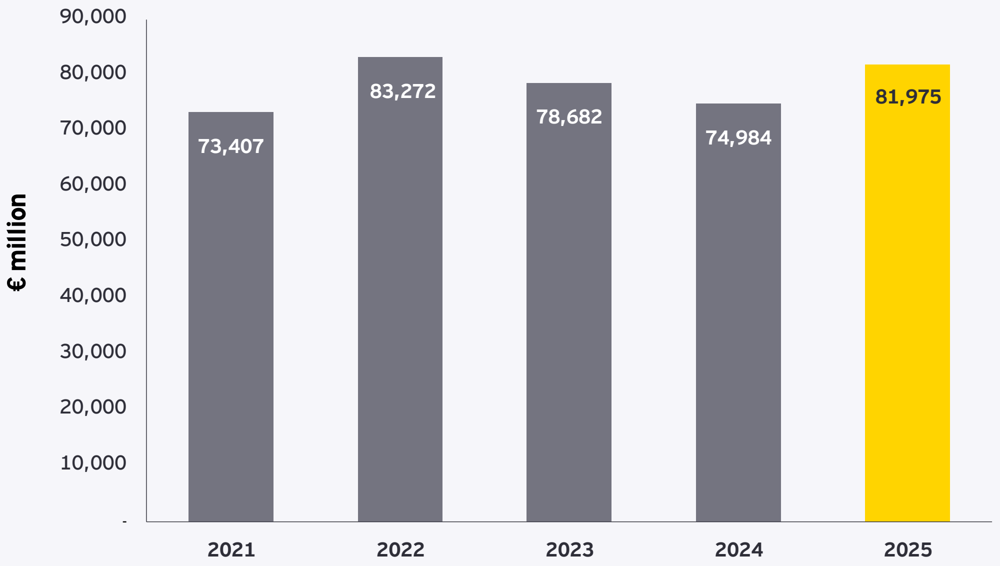
#	Sectors	Number of FDI projects in 2025	Vs. average 2022-24
1	Software & IT Services	857	+8% ↑
2	Business Services and Pro. Services	716	+4% ↑
3	Machinery & equipment	439	-3% ↓
4	Finance	355	+21% ↑
5	Transportation & logistics	352	-14% ↓
6	Agri-food	283	-1% ↓
7	Electronics	265	-13% ↓
8	Health	258	-15% ↓
9	Automotive	230	-8% ↓
10	Chemicals, Plastics & Rubber	217	-11% ↓
	Others	1,054	-22% ↓
	Total	**5,026**	**-12%** ↓

Source: EY EIM, 2026.

Cyprus FDI trends

According to the latest data from the Central Bank of Cyprus, inward FDI stock reached c.€82b in 2025, recovering from c.€75b in 2024 but still short of the c.€83b peak recorded in 2022

Inward FDI stock levels in Cyprus



Source: Central Bank of Cyprus.

FDI stock by sector

In terms of sector breakdown, **financial services** (42%) and **real estate** (25%) dominate, with **ICT** now firmly third at 17%. These three sectors hold the large majority of foreign capital, with the residual "Other" category – professional and technical services, trade and manufacturing – making up the balance. The mix is reflective of the service-based economy.

Financial and insurance activities	Real estate activities	Information and communication	Other
42%	25%	17%	16%

Note: "Other" comprises primarily of professional, scientific and technical activities, wholesale and retail trade, and manufacturing.
Source: Central Bank of Cyprus.

ICT is the fastest-growing sector in Cyprus, with an average growth rate of c.15% over the last decade and an estimated GDP contribution of c.15%. Based on information released by Techisland [10], Cyprus now ranks first in the EU for ICT growth over 2016-2025 and third for ICT's share of gross value added, at 12.5% against an EU average of 5.6%. The inflow has been broad-based, spanning fintech, trading platforms, gaming and software development, and has been reinforced by the relocation of international technology firms and high-skilled professionals. These moves have been supported by different incentives such as the IP Box regime, the introduction of a non-dom tax status, exemptions for relocating talent and issue of fast-track visas. The sector's current inward FDI stock level share of 17% is clear evidence that Cyprus's emerging technology base is beginning to alter the country's investment profile.

[10] TechIsland is Cyprus's largest technology association – a non-profit established in 2021 and representing over 390 member companies with the mission of positioning Cyprus as a leading tech and innovation hub.

Section 3

Moving forward

FDI is one of the cornerstones of a thriving economy

It sustains growth, supports job creation, strengthens know-how, accelerates technology transfer and contributes to the transformation of local industries and communities. In a rapidly evolving global environment, Cyprus must continually assess its FDI proposition and refine its strategy to remain competitive. Drawing on both the survey findings and our ongoing engagement with investors, we set out suggestions for FDI attractiveness enhancement across five themes.

01 Generate – shaping the future workforce

Reform talent and education

Survey findings for both Cyprus and Europe show that **access to a highly skilled workforce** remains a key driver of investment decisions. For Cyprus, the **supply of labor and the ability to reskill and train people throughout their careers** stand out as areas needing improvement. Despite high tertiary-education attainment, investors continue to flag gaps in basic and digital skills, which weigh on competitiveness versus EU peers.

Labor-supply challenges are even more acute in labor-intensive sectors that do not enjoy relaxed immigration policies, such as healthcare. State-level action is needed, including a review of **labor and immigration policies to support timely approvals** for sectors facing acute shortages. Over the longer term, a more coordinated effort is required to raise awareness of career opportunities in sectors with persistent gaps and to create clearer pathways between education and employment. **Closer collaboration between government, employers and educational institutions** will be important to ensure curricula evolve in line with changing workforce needs and emerging skills requirements.

Cyprus must shift toward a **culture of continuous learning and skills-based workforce development**, distinguishing formal education from **ongoing reskilling**. In the current environment, the half-life of technical skills can be as low as two years, and of social/inter-personal skills 2.5–5 years[11]. Practical, easy-to-adopt measures include:

- More targeted state interventions via relevant institutions (e.g., HRDA);
- Greater flexibility and incentives for universities to cooperate with the business community;
- Incentives for employers to reskill their workforce and for employees to use micro-learning on the go;
- Subsidising in-demand training (especially digital and foundational skills), or outcome-based grants tied to recognized credentials;
- Paid training leave/time-off entitlements, with streamlined reimbursement for SMEs;
- Scaling flexible delivery – modular, evening/weekend and distance-learning programs for working adults.

[11] EY Megatrends Report

02 Build – infrastructure for competitiveness

Fast-track strategic infrastructure projects

Investors have identified the **need for more public-sector-related investment opportunities**, such as Public-Private Partnerships (PPPs), to deliver important infrastructure across transport and logistics, energy and digital connectivity (including modern port and road infrastructure, electricity grids and storage, data centers, LNG infrastructure, etc.). Standardised PPP models (e.g., Design-Build-Finance-Operate) can fast-track delivery, reduce pressure on public finances and transfer specialized know-how. To increase the chances of success, the Government needs to:

- Strengthen the PPP framework to accelerate delivery;
- Create a central PPP unit to support ministries in identifying, preparing and implementing projects;
- Improve the bankability of PPP projects (e.g., clear tariff/fee regimes);
- Strengthen procurement and contract management with performance-based KPIs and independent dispute resolution;
- Build and communicate a clear pipeline of PPP projects to give investors visibility;
- Address technical, legal, environmental and financial issues so tenders reach the market "investment-ready";
- Blend EU and national funds with other instruments to lower the cost of capital;
- Strengthen delivery governance with milestone-based reporting and transparent publication of progress.

Improve international connectivity

Investors continue to highlight the **need to strengthen connectivity** between Cyprus, Europe and beyond. Larnaca and Paphos, operated by Hermes Airports under a public-private concession, recorded a milestone c.13m passengers in 2025, but these are primarily driven by charter flights and low-cost carriers, limited by seasonality. Air connectivity can be improved through:

- Airport infrastructure upgrades – Hermes' Phase II works are expected to add capacity of c.12.4m passengers at Larnaca and c.5m at Paphos by 2027;
- Transparent, non-discriminatory airline incentive schemes (new-route incentives, winter-route support, etc.) in line with EU state-aid rules;
- Strategic route development to underserved and high-potential markets, stronger links to key European hubs, and, where necessary, Public Service Obligations for strategic routes.

03 Enhance – investor experience

Simplify administrative and regulatory processes

Safeguarding Cyprus's competitiveness requires a **more agile, business-oriented and innovation-friendly regulatory approach**, together with **simpler administrative procedures. Digital transformation** is central: since the establishment of the Deputy Ministry of Research, Innovation and Digital Policy (DMRID) in 2020, Cyprus has advanced e-Government, citizen digital services, electronic signatures and a Digital Citizen app. There is room to accelerate further by:

- Enhancing interoperability between government systems and platforms;
- Continuing to modernize legacy infrastructure for scalability and faster deployment;
- Embedding a citizen-first, business-friendly mindset across public-sector processes;
- Expanding training and technology upskilling across the public sector;
- Encouraging wider adoption of digital services;
- Continuing to modernize the legislative framework to fully support digital processes (e.g., e-signatures, digital identities).

In parallel, a **more structured, investor-centric "one-stop" servicing model** should cover the whole investment cycle, from assessment and structuring to licensing and implementation, with clear service-level targets, case ownership and transparent process maps. The Government has already introduced the Business Facilitation Unit, a positive step. In order to maximize its impact and utilization, more awareness needs to be created. with targeted promotion and a clearer positioning with a stronger integration with the different governmental platforms.

Improving the Ease of Banking

Investors are seeking a **banking environment that is more seamless, responsive and aligned with the pace of international business**. The prominence of onboarding and KYC suggests first contact with the system can feel overly complex, while concerns around transaction processing, service quality and lending availability extend to the day-to-day operating experience. Banks have an opportunity to enhance competitiveness through the overall client journey – streamlining onboarding and KYC, improving communication on documentation, investing in digital workflows and strengthening relationship management. For regulators and industry bodies, greater consistency in compliance practices, digital modernization and sustained dialogue with the investor community can translate feedback into practical improvements.

04 Engage – capturing the AI opportunity

Advancing Cyprus's AI and digital infrastructure agenda

Global momentum behind AI investment continues to accelerate, with EY research identifying 306 FDI projects in AI in Europe in 2025; a 96% year-on-year increase. Investment is increasingly concentrating in locations with advanced infrastructure, strong talent pools and access to capital. However, Europe is still not widely perceived as a leading environment for AI innovation. Similar challenges are evident in Cyprus, where investors also cite shortages in AI-related skills and high energy costs as key constraints. Against this backdrop, Cyprus has a timely opportunity to strengthen its position within Europe's emerging AI and sovereign digital infrastructure landscape, supported by its recent participation in the European AI ecosystem through Pharos-CY[12], its growing digital infrastructure capabilities and its strategic location linking Europe, the Middle East and Asia. The recent signing of a strategic MOU with Testorrent[13] is a positive step in this direction. These are elements that could facilitate the creation of a credible platform for attracting AI, cloud, high-performance computing and other data-intensive investments.

To capture a meaningful share of future AI-driven investment flows, Cyprus should focus on building a differentiated value proposition centered on trusted AI, regulated digital workloads and sovereign-compliant infrastructure, rather than competing directly with larger hyperscale markets. This will require coordinated action to **simplify regulation** in digital and AI domains, invest in **scalable infrastructure**, strengthen **energy resilience**, **accelerate AI skills development**, improve **access to funding and innovation support**, and introduce **targeted incentives** for high-value technology projects. A clear policy agenda around infrastructure, talent, capital and regulatory agility, could enhance Cyprus's appeal as a location for AI, research, cloud and digital infrastructure investment.

05 Change – sustainable growth by design

Reduce energy costs through sustainable solutions

Energy costs in Cyprus are among the highest in Europe due to structural, geographic and economic factors. The country generates most of its electricity from diesel (more than 75% of the energy mix), all imported and subject to global price volatility and subject to high transportation costs (given Cyprus's Island nature and lack of pipeline connections). Diversification has been slow: the LNG terminal at Vasiliko contract has been terminated prior to completion, RES penetration stands at only c.24% (constrained by grid and storage limitations), and there are no electricity interconnections, with the Great Sea Interconnector facing repeated delays.

In the short term, the Government can offer reliefs and incentives to ease cost pressures (e.g., VAT reductions, sector subsidies, incentives for energy efficiency and self-generation, grants for solar PV with battery storage). In the longer term, structural change is needed – **completing the relevant infrastucture**, accelerating **battery storage solutions**, and working with European counterparts to deliver the **electricity interconnection**. Dedicated EU funds (e.g., REPowerEU) can support these actions.

Accelerate tax system modernization and digitalization

Accelerating the digitalization of the tax system can improve compliance, efficiency and transparency while enhancing investment attractiveness. Cyprus already demonstrates progress through the implementation of Tax For All (TFA) framework and planned real-time reporting. To maximise impact, the continued automation of internal processes needs to continue, which would allow skilled personnel to move toward higher-value activities such as taxpayer support, risk analysis and targeted audits. Fully automated issuance of electronic tax certificates and efficient, independent resolution of tax disputes would also materially improve certainty and transactional efficiency.

Alongside administrative modernization, targeted, growth-oriented incentives can support strategic sectors. Building on the broad range of existing incentives (tonnage tax, IP Box, R&D super-deductions), consideration could be given to:

- Introducing refundable, volume-based R&D tax credits, claimable even where the company is loss-making;
- Strengthening and extending green energy and sustainability incentives (renewable-energy patents, carbon-capture, etc.);
- Leveraging technology incentives to accommodate AI, machine learning, blockchain, quantum computing and cybersecurity;
- Expanding the IP Box regime to explicitly include AI- and data-driven assets (algorithms, models, proprietary computational know-how);
- Employee-focused measures – reliefs for qualifying R&D personnel, reductions in ancillary employment costs, and incentives for training, upskilling and relocation.

[12] Pharos-CY is Cyprus's AI Factory Antenna, established under the European High Performance Computing Joint Undertaking (EuroHPC) framework. The project commenced in April 2026 and its objective is to provide Cypriot researchers, startups, SMEs, corporates and public-sector entities with access to: large-scale AI infrastructure, High-performance computing (HPC), AI development tools, AI training programs, and AI-related support services. Rather than building its own large-scale AI supercomputing facility, Cyprus can leverage Pharos-CY to connect local players to Europe's broader AI infrastructure network.

[13] In October 2025, the Research and Innovation Foundation signed a strategic memorandum of understanding with Tenstorrent under which the company is set to open an office in Cyprus in 2026, the first AI chip company of its calibre to do so. The agreement targets four areas: advancing AI and semiconductor design capabilities and Cyprus's participation in Europe's open hardware and RISC-V ecosystem; building sovereign compute infrastructure aligned with the EU AI Act; academic collaboration and workforce development in AI, microelectronics and high-performance computing. It also aims at public–private cooperations to accelerate commercialisation across energy, health, maritime and defense.

Conclusion

The path forward for Cyprus is filled with both opportnuities and challenges

This year's survey confirms a picture of resilience and gradual progression: sentiment is positive, appetite to expand is rising, and the fundamentals – tax, quality of life, stability – remain genuine strengths. The task now is to convert resilience into sustainable competitiveness.

By simplifying administrative process and eliminating bureaucracy, capturing the AI investment wave, fast-tracking strategic infrastructure, reforming talent and education, modernizing banking and tax administration, reducing energy costs sustainably and improving connectivity, Cyprus can strengthen its proposition and secure quality investment in the years ahead.

Methodology

The field research was conducted by Ernst & Young Cyprus Ltd (EY Cyprus) during February and March 2026.

A sample of 80 foreign investors was selected and invited to participate in an online interview process facilitated by Partners of EY Cyprus. The interviews were conducted with senior representatives and decision-makers within the participating organisations. These companies originate from 23 countries and operate across 11 distinct sectors. Around 92% of the investors surveyed currently maintain business operations in Cyprus. Further characteristics of the sample are outlined below.

Participants' Country of origin

Participants' Global sales turnover

Band	No of Participants
Less than €150m	24%
Between €150m and €1.5b	46%
More than €1.5b	29%

Participants' Global number of employees

Band	No of Participants
Less than 49 employees	13%
Between 50 and 249 employees	17%
Between 250 and 999 employees	13%
Between 1,000 and 4,999 employees	29%
Above 5,000 employees	28%

About the EY Attractiveness program

EY Attractiveness Surveys are carried out across the globe by the EY organization for different locations. They explore the views and perceptions of the global investment community regarding specific countries or regions regarding their attractiveness as a Foreign Direct Investment destination.

The surveys highlight the comparative advantages and weaknesses of each FDI destination, present the intent and current perception of international investors, and also track the progress achieved in recent years. More importantly, they help identify areas where improvement is needed in order to maintain and further enhance the destination's competitiveness in attracting FDI.

A two-step approach is followed, whereby survey results are combined with the views of representative panels of international and local leaders and decision makers in order to present a more complete picture.

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