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Cyprus tourism shows positive signs of growth

Tourism has returned to the island nation, setting the stage for continued growth in the years ahead.

The great development of tourism in the last two decades is a global phenomenon. For Cyprus, the growth rates were much higher, 10.1% and 17.2% respectively, a significant achievement given that the development of tourism in the Mediterranean during the same period was lower than in the rest of the world, according to the Statistical Service of Cyprus.

During the period of 2011 through 2013, tourism in Cyprus recorded encouraging results with a number of indicators showing positive signs, thus recovering the ground lost the previous years. In 2013, Cyprus attracted 2.4 million visitors coming mainly from United Kingdom (891,223 visitors) and Russia (608,581 visitors), according to CYSTAT. In absolute numbers, the performance of the U.K. market in 2013 was the worst since 1997 when Cyprus attracted about 846,000 British tourists.

The Russian market, in contrast, has been a driving force in the tourism industry with tourist arrivals from this market surpassed 600,000 in 2013, a figure that represented 20% of total tourist arrivals and consolidated the Russian market as the second most important source of inbound tourism, according to National Tourism Strategy 2011-2015 for Cyprus.

In 2014, Cyprus as a tourism destination attracted a satisfactory number of visitors compared to the previous year. The island attracted 2.3 million visitors between January to October 2014, according to CYSTAT.

Economic impact of tourism

Despite difficulties, tourism is still one of the most important sectors of the Cypriot economy.

The share of the hotel and restaurants sector within Cyprus' gross domestic product is about 11%; if taking into account the product in other

sectors of the economy due to tourism, then the share is more than one-fifth of the economy, according to CYSTAT. Cyprus has a large trade deficit as it imports far more goods than it exports. The deficit is covered by a large part of the foreign exchange generated by tourism.

Tourism is also an important source of employment. It is estimated that 25% of new jobs created in the economy of Cyprus in the period after 1980 were a result of increased tourism. According to CYSTAT, tourism generated a similar contribution in regards to investment, especially in construction. However, tourist arrivals for August 2014 alone reached an increase of 5.6%, and revenue the month of July reached €321.2 million (\$394.4 million).

Analysis of tourists' preferences and satisfaction

According to Horwath HTL research, Cyprus scores high in reviews of Mediterranean tourist destinations unlike destinations such as Turkey and Tunisia, which are also among the countries that offer tourist packages at low prices and have a low cost of living and are assessed comparatively low by tourists. Tourists' evaluations show the popularity of Cyprus' hospitality sector.

Regarding the preferences of tourists between different areas in Cyprus, the free area of Famagusta is the first choice of tourists (especially the British and Scandinavians). The choice of accommodation data demonstrated qualitative differences between the regions of origin of tourists. The British tend to choose high-quality accommodation, and this preference is accentuated with increasing per-capita income. Tourists' choices in relation to the prices of accommodation indicate that the reduction of prices tends to have a negative impact on the qualitative composition of tourism, especially because it leads to an increase in demand for lower-quality accommodation.

Based on Horwath HTL's customer satisfaction surveys:

- Approximately one out of two travelers who visited Cyprus during 2013 have visited the island more than once. The vast majority are satisfied with their stay in Cyprus, a trend that remains stable over time;
- Evaluation received for overall experience with accommodation, as well as the other individual characteristics, is "positive" or "very positive," while security takes the highest score. The second highest score relates to appearance/state of building, furniture and fittings, facilities and equipment, etc.;
- The vast majority gives either "positive" or "very positive" evaluation for public transport. Taxis and cars are the most popular choices for travelers who did not use buses during their stay in Cyprus.

Indisputably, nightlife on the island leaves visitors satisfied, regarding both variety and quality. A majority of travelers are also satisfied with the region's value for money, with positive estimates increasing during the years 2012 through 2013.

One in two travelers wants to visit Cyprus again, the research shows. This percentage has increased considerably during the years 2010 and 2013. Greater chance of recurrence of their visit is expressed by Greeks and British, with Russians following, especially during the last three to four years.

Major development

Investment in mixed-used developments such as casinos, luxury marinas and theme parks are part of a wider objective to upgrade Cypriot tourism. There is a clear scope to extend the tourist season beyond the popular summer months and focusing on special interest areas such as environment, sports, nautical and agriculture, conferences and theme parks.

The Cypriot government in 2014 completed the first phase of the procedure for granting a license for a resort casino with specifications of the same standards as those of the largest casinos around the world. It is expected that this casino resort will reduce the seasonality and increase tourist arrivals starting from 2016.

A major luxury marina project is being developed in Cyprus' coastal city of Limassol, with thousands of visitors expected this season. More marinas are planned for Paphos, Ayia Napa and Larnaca, providing residential and retail investment opportunities. The Cypriot government also is encouraging the development of a Scientific Technological Park, and the Ministry of Energy, Commerce, Industry & Tourism has already put together a proposal for its construction and operation.

Cyprus also has four 18-hole international-standard golf courses, and the government has awarded permits to bring the total number to 11, turning the island into a golf destination choice.

During the period 2014 through 2020, Cyprus will be granted €955 million (\$1.2 billion) from the Structural & Cohesion Funds in context to the European Union Cohesion Policy. It is expected that the tourism sector will benefit from this funding in order to encourage actions for strengthening competitiveness, supporting investments and encouraging synergies for upgrading and promoting Cypriot tourism in a difficult economic environment.

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