Successful market issuance of new 10-year bond

For the first time since the economic crisis Cyprus borrowed from the primary market through the sale of a 10-year Eurobond as announced by the Ministry of Finance on 27 October 2015. According to the Minister of Finance Harris Georgiades, "the Republic of Cyprus succeeded in issuing a ten-year bond and drawing one billion euro with the lowest interest rate that the Republic has ever secured for a ten-year bond."

The Minister further remarked that "today, we had a successful issuing of a ten-year bond for the Republic of Cyprus and we have drawn one billion euro with an interest rate of 4.25%. It is the lowest interest rate that the Republic of Cyprus has ever secured for a ten-year bond, and 450 million from the one billion euro will be used immediately for the exchange of bonds that mature in the period 2019-2020, while the rest, of about 550 million, will strengthen the liquid assets of the state and will help in the management of the public debt for the immediate following period, in other words, the period after the exit of Cyprus from the support program. What I want to stress is that the creditworthiness of the Republic of Cyprus has essentially been restored. I would not use the term ‘definitely’, because in economy, as we have learned, there is nothing definite if it is not supported by a prudent and credible policy. We must, of course, continue this policy which we have pursued in the last two years and which has contributed to the restoration of credibility toward the economy of our country".
A relevant press release issued on 27 October 2015 by the Public Debt Management Office notes that “The Republic of Cyprus, rated BB- (positive) by Standard and Poor’s, B3 (stable) by Moody’s, B+ (positive) by Fitch and BL (stable) by DBRS, launched its second syndicated transaction of the year following a May 2022 benchmark in the first half of the year. The new EUR 1.0bn 10 year Reg S registered benchmark (due 4 November 2025) has a 4.25% coupon and was priced at par. Barclays, Goldman Sachs International, HSBC and Nomura were mandated as joint bookrunners on the transaction.”

As pointed out, “The objectives of the transaction were in line with the stated Public Debt Management Strategy of the Republic of Cyprus to build out an international bond yield curve, manage refinancing risk by smoothing out the debt maturity profile, enhance investor relations and expand the existing investor base.”

Moreover, according to the same press release, “the success of this transaction represents a vote of confidence by the international bond market in the continued economic recovery of the Republic of Cyprus.” It is also noted that international demand was substantial, with UK based investors accounting for 62% of the final allocations, while fund managers and bank treasuries / private banks showed strong support accounting for 52% and 23% of the final allocations, respectively.

Commenting on the developments, President Anastasiades pointed out that:

“The Cypriot economy is emerging out of its most challenging period to date. The last two years are a prime example of what can be achieved with vision, detailed planning and prudence. Hard work and the common effort of the public and the private sector can turn an economy in distress towards stability and prosperity”, while also noting that “after almost four years of contraction, we are witnessing a return to positive economic growth from the beginning of this year, a growth that is projected to be maintained. The results are already visible. Last week, Fitch Ratings upgraded Cyprus’ economy by two notches, with a positive outlook, pointing out the positive fiscal performance and the return to growth. We were successful in entering the credit markets today and I congratulate the Minister of Finance.”

Fitch Ratings Agency upgrades Cyprus

On 25 September 2015, ratings agency Standard and Poor’s raised Cyprus’ sovereign rating to BB - also placing the country’s outlook to positive, pointing out that “the upgrade reflects our view of the benefits to economic and financial stability from the removal of capital controls in April 2015, in line with our last outlook statement alongside stronger-than-expected outcomes and outlook for fiscal consolidation and economic growth.”

On 24 October 2015, another rating agency, Fitch Ratings also upgraded Cyprus’ long term foreign and local currency issuer default ratings (IDRs) to ‘B+’ up from ‘B-’ with a positive outlook. In its relevant press release the international rating agency says that “Cyprus has established a track record of fiscal consolidation and over-performance on its fiscal targets,” also noting that its projections for Cyprus are “a deficit of 1% of GDP for 2015 and surpluses of 0.2% and 1% for 2016 and 2017, respectively.”

At the same time, Fitch Ratings forecasts the general government gross debt (GGGD) “to peak at less than 108% of GDP this year, before falling to around 100% in 2017”.This, it points out, “compares with a peak of over 130% projected by Fitch in June 2013.”

In a written statement issued on 24 October 2015, the Government Spokesman Nikos Christodoulides mentioned that:

“The Government welcomes the double upgrading of the financial and credit ability of our country by the Rating Agency, Fitch. This development is the result of the collective effort on the part of the Government, the Parliament, the social partners but, mainly, of the Cypriot people. The prudent and consistent economic policy and the effort for reform and modernization bring about results and are internationally recognized. This great effort must continue, with the same persistence and commitment for the full restoration of the Cypriot economy, at all times for the benefit of the citizens.”