

# Cyprus hospitality sector 2022 - A year in review

KPMG Cyprus' Hospitality newsletter  
March 2023 issue



This month's edition of KPMG Cyprus' Hospitality newsletter provides an overview of the Cyprus' hospitality and tourism sector performance during the year 2022. The sector's 2022 results proved that the tough days of the pandemic are now a past, noting a strong recovery and achieving 80% of the record breaking 2019 tourist arrivals.

Our newsletter highlights some key performance indicators of the sector such as tourist arrivals, revenue, expenditure per tourist and forthcoming developments, while the effects of the war in Ukraine continue to impact the hospitality sector in Cyprus.

## Evolution of tourist arrivals and associated revenue

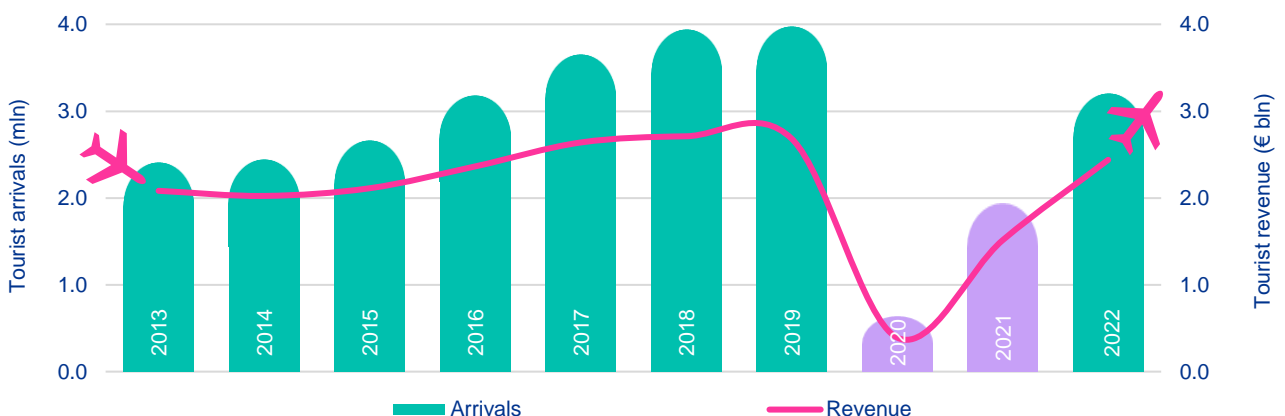
### 2022 tourist arrivals and associated revenue trend

Despite the unfortunate event of the war in Ukraine which resulted in the loss of the Ukrainian and the Russian markets, with the latter being the second biggest market of tourism for the island, tourist arrivals in 2022 reached 3,2 million. Compared to the previous year's arrivals, tourist arrivals in 2022 recorded a 65% increase reaching 80% of the tourist arrivals recorded in 2019 which was a record year for the island's tourist arrivals.

As estimated by the Deputy Ministry of Tourism, the 20% shortfall in tourist arrivals compared to 2019 can be attributed to the estimated loss of c.800.000 tourist arrivals from the Russian and Ukrainian markets, showing that aside the war, Cyprus' hospitality and tourism sector have successfully recovered from the pandemic.

Remarkably, revenue from tourism for 2022 amounts to €2,4 billions, only 9% less than the revenue from tourism obtained in 2019. Compared to the previous year's revenue from tourism, an increase of 61% was achieved in 2022, setting strong an anticipated upwards trend for the future.

### Evolution of tourist arrivals and associated revenue 2013 - 2022



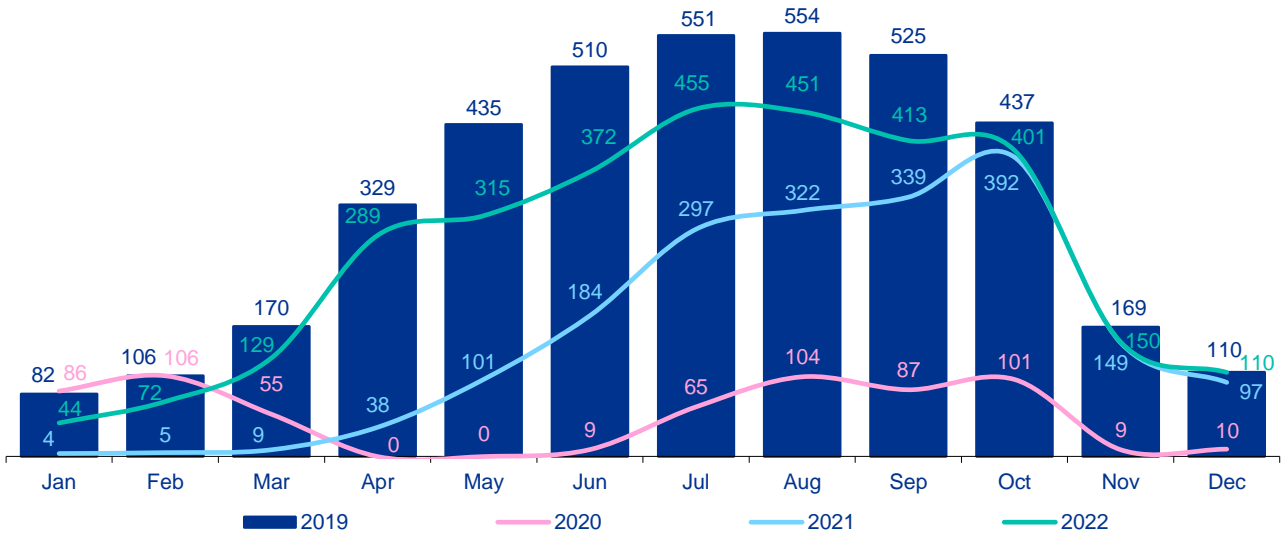
Source: Cyprus Statistical Service

## Seasonality trend

The island's high season for tourism has traditionally been during the months of April to October, with the peak season being during the months of July, August and September.

As the world returns to pre-pandemic norms, Cyprus' seasonality trend has proved to be one of those trends that have not changed as a result of the COVID-19 outbreak. Following the lift of the travel restrictions which significantly affected Cyprus' flow of tourists during the two years of the pandemic, 2020 and 2021, this year's seasonality trend of tourist arrivals followed a similar pattern to 2019.

Monthly tourist arrivals trend 2019 – 2022 (in thousand)



Source: Cyprus Statistical Service

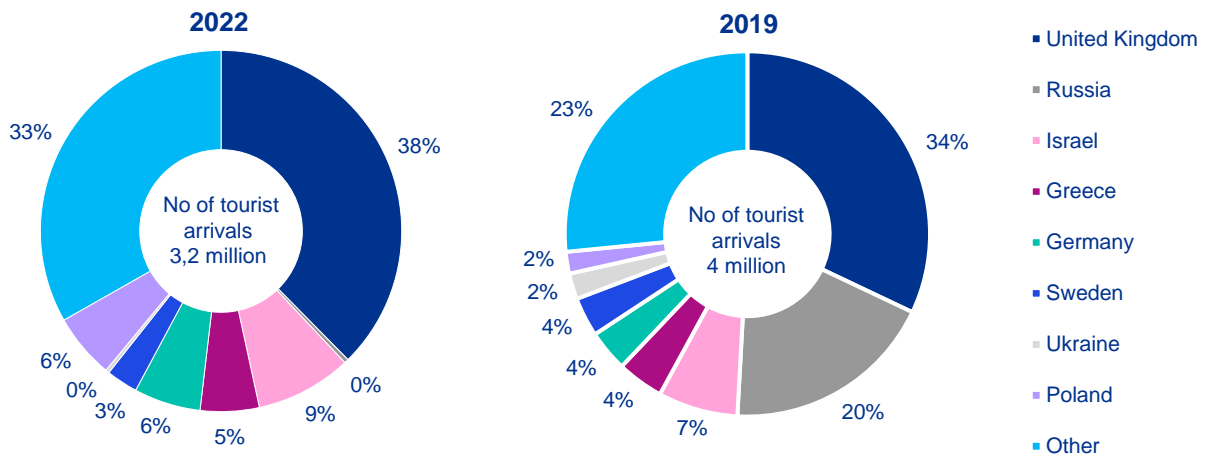
## 2022 key source markets of tourism and purpose of visit

### Main markets of tourist arrivals

As illustrated in the charts below, the war resulted in the distortion of Cyprus' key source markets of tourism. More specifically, the Russian and Ukrainian markets which entailed c.22% of the tourist arrivals in 2019 were a shortfall for 2022 arrivals. However, part of the loss was offset by arrivals from other markets such as Germany which noted an increase of c.30% (c.50.000 visitors) and Poland which noted an increase of c.133% (c.110.000 visitors) compared to 2019.

Notably, a decrease of c.10% (c.120.000 visitors) from Cyprus' main source market, United Kingdom, was noted during the year, perhaps because of the strong effects the UK is facing due to the rising inflation and the increased cost of travelling.

Share of main markets of tourists  
2022 vs 2019



Source: Cyprus Statistical Service

## Purpose of visit

Holidays have historically been the main purpose of travel in Cyprus as visitors come to the island for its beautiful sandy beaches, vibrant nightlife, rich culture, natural beauty etc. This year was no different, as in 2022 holidays have been once again the main purpose of travel in Cyprus, reaching to 81% of total visits. Visiting friends and relatives accounted for 13% of total visits, followed by business purposes at 6%.



Source: Cyprus Statistical Service

## Expenditure per tourist



€760  
per tourist

Regardless of the lower number of tourist arrivals and revenue from tourism recorded in 2022 compared to pre-pandemic years, an increased expenditure per tourist was noted in 2022, amounting to €760 per tourist.

The expenditure per tourist seen in 2022 translates to a 13% increase compared to the €675 spending per tourist recorded in 2019, indicating that the island's tourism is shifting towards a better quality of tourism with higher spending visitors.

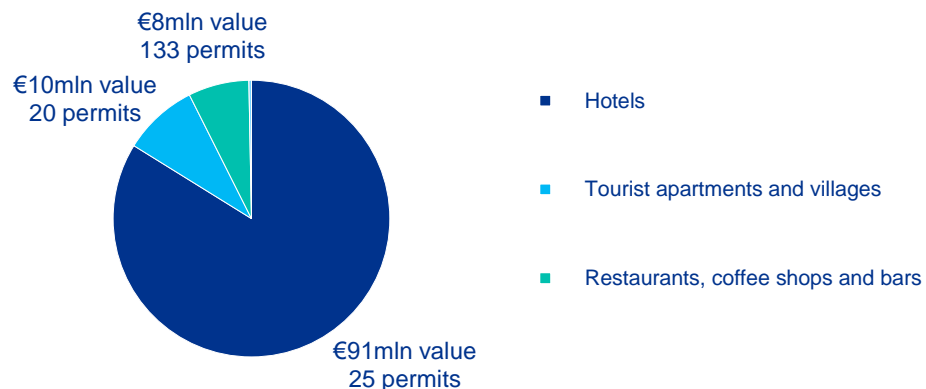
## Sector development

### Building permits issued by type of project

During the period January to November 2022, 180 new building permits related to the hospitality sector were issued of which 74% relate to restaurants, coffee shops and bars, 14% to hotel developments, 11% to tourist apartments and villages and 1% to other tourist accommodation.

The total value of the newly issued building permits relating to hotels and other similar buildings reached €109 million with hotels accounting for 84% of the total value, followed by the tourist apartments and villages at 9% and restaurants, coffee shops and bars at 7%.

Building permits issued by type of project  
Jan - Nov 2022



Source: Cyprus Statistical Service

## Upcoming hotel developments

Cyprus' hospitality sector has repeatedly proven to be one of the most resilient sectors of the island even during unprecedented times like the Covid-19 pandemic, geopolitical and economic crises and other unfavorable happenings around the world. For that reason, the sector successfully retains the investors' interest and demonstrates continual growth with new hotel developments expected to enter the hospitality market of the island soon and more hotel developments being under study. An indication of some upcoming hotel developments expected to enter the market in 2023 is provided below.



Source: Press releases and other publicly available information

## On a final note

The loss of the island's second largest market of tourism, the Russian market, and the lessening of the island's largest market of tourism, the UK market, does not necessarily mean the sector is in crisis. On the contrary, the successful exploitation of alternative markets and the increased expenditure per tourist achieved in 2022 point towards a higher tourism quality and the decrease of the sector's dependence on the UK and Russian markets. Moreover, the current substantial developments in the sector allow for a greater exploitation of opportunities, setting an even brighter future for Cyprus' hospitality and tourism sector.

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