THE CYPRUS ICT MARKET

Market Size, Structure, Performance, Competitiveness,
Trends and Outlook 2025–2027

SUMMARY REPORT

An independent sector study prepared by IMR/University of Nicosia

November 2026

A summary of the full report, incorporating the Cyprus ICT End-User and Vendor Surveys and senior stakeholder interviews

Sponsored by:
The Cyprus Computer Society

About this summary

This document summarises *The Cyprus ICT Market 2025–2027*, an independent study prepared by IMR/University of Nicosia and sponsored by the Cyprus Computer Society. The full report runs to some 150 pages and sets out the evidence, methodology and source register in detail. This summary is designed to be read on its own by senior readers in government, industry, investment and academia who need the findings, the evidence behind them and their implications, without the full analytical apparatus.

The study measures three things and keeps them apart throughout. **The supply side** is the Cyprus ICT industry: what it produces, employs and exports. **The demand side** is the Cyprus ICT market: what organisations in Cyprus actually spend on technology, which no official body publishes and which this study models from the ground up. **The primary research** is the study's original market research: an End-User Survey of organisations that buy ICT in Cyprus, a Vendor Survey of the ICT providers that serve them, and an in-depth interview programme with senior figures in government, regulation and industry.

Primary research results are always attributed to their source: the End-User Survey or the Vendor Survey (IMR/University of Nicosia, Cyprus ICT End-User and Vendor Surveys 2026), or the named interviewee. All other figures come from official statistics or published research and carry their own sources. Model-generated figures and forecasts are labelled as such. Each section ends with a reference to the chapter of the full report in which the evidence is set out in full.

Acknowledgements

IMR/University of Nicosia extends its sincere thanks to Mr Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy; Mr Demetris Skourides, National Chief Scientist for Research, Innovation and Technology of the Republic of Cyprus; Mr Marios Pieris, Commissioner of Electronic Communications and Postal Regulation, with responsibility for the Digital Security Authority; Mr Theodoros Loukaidis, Director General of the Research and Innovation Foundation (RIF) and Mr George Malekkos, President of the Cyprus Information Technology Enterprises Association (CITEA), as well as the senior executives of Cypriot ICT companies who participated in the interviews, for their time, trust and valuable contribution to this study. Their experience, expertise and strategic perspectives enriched the understanding of the sector’s challenges and prospects, connecting the research findings with market realities and the country’s priorities.

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Executive Summary

Cyprus has built one of the European Union's largest information and communications technology sectors relative to the size of its economy, and has done so in under a decade. It has simultaneously failed to digitise its own domestic enterprise base beyond a basic level. These two facts are not in tension by accident. They are the defining structural feature of the Cyprus technology economy, and this report is organised around explaining them.

> *"Because for me the technology part is not isolated. It fits within the ecosystem we are building."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

The report keeps two different measures apart throughout. **The supply side** is the Cyprus ICT industry: what it produces, employs and exports. On this measure Cyprus is one of the strongest performers in the Union. **The demand side** is the Cyprus ICT market: what organisations in Cyprus actually spend on technology. No official body publishes this figure; we have modelled it from the ground up, and it is roughly two-fifths the size of the sector's output. Confusing the two produces predictable errors. A vendor sizing a Cyprus opportunity from the sector's growth rate will overstate it by a factor of three; an investor reading headline foreign investment figures without adjustment will overstate the sector's real capital base fivefold.

The primary research is the third element and the core of the study. Commissioned by the Cyprus Computer Society, it comprises a survey of organisations that buy ICT in Cyprus, a parallel survey of the providers that serve them, and an interview programme with senior figures from government, regulation and industry. Official statistics show how large the sector is; only the primary research can show what buyers intend to spend on, what they think of their suppliers, where providers are constrained and how policymakers read the market.

A second question runs underneath the first. Technology investment is worth making only insofar as it converts into productivity, and productivity into revenue, growth and wages. Measured against that test, Cyprus's position is more urgent than the headline figures suggest, because the conversion is currently unobserved: according to the End-User Survey, no organisation uses adoption or usage rates as a measure of its technology investments.

The principal findings

1. **Cyprus is a top-tier EU ICT economy on output, and the growth is real.** ICT gross value added reached approximately €4.1bn in 2025, 12.5% of total gross value added against an EU average near 5.6%, after growth of 435% since 2016 against 86% for the EU. In 2020, when the economy contracted by about 3%, the sector grew by roughly 21%.
2. **The domestic market is a fraction of the sector's output.** Our bottom-up model puts addressable ICT expenditure by Cyprus organisations at €1.33–2.15bn in 2025, central estimate €1.70bn (model-generated). Perhaps €800–950m reaches Cypriot ICT firms. Four-fifths of the Cyprus ICT sector does not sell to Cyprus.
3. **Eighty per cent of headline inward foreign investment is special purpose entities.** The Central Bank of Cyprus reports inward FDI stock of €373.62bn for 2024 on the headline basis and €74.98bn excluding special purpose entities. Applied to the widely cited 17% ICT share, only the adjusted basis is interpretable, implying an ICT FDI stock of roughly €12–13bn rather than €63bn.
4. **Cyprus produces more value than it retains.** Net FDI income in 2024 was minus €3.43bn, 9.9% of GDP, worsening from minus €2.62bn in 2023. No published source splits this by sector, so the ICT-specific retention rate is unmeasurable.

5. **Enterprise AI adoption is among the lowest in the Union, and the constraint is execution, not appetite.** 9.27% of Cypriot enterprises used AI in 2025 against an EU average of 19.95%. In the End-User Survey, 83% of organisations are likely to invest in AI in 2026, yet 51% lack AI skills and 50% neither use nor plan to use external AI providers. Cyprus funds AI for government and provides AI infrastructure and advisory access, including through the €6m Pharos-CY instrument; it does not yet fund AI adoption by enterprises, the weakness every source in this study identifies.
6. **Cyprus is not behind on digital: it is shallow on digital, which is a harder problem.** 74.35% of SMEs have reached basic digital intensity against 71.39% in the EU, and 5G coverage is complete. On very high digital intensity Cyprus is twentieth of twenty-seven, on enterprise AI adoption fourth from bottom, on research intensity third lowest. The platform is built and is not being used.
7. **Connectivity is no longer the constraint.** No surveyed organisation expects broadband, 5G or network rollout to affect ICT spending, while 44% expect energy costs to. The binding constraint has moved to adoption, skills and organisational capability.
8. **Cybersecurity regulation converts to spending in 2026, and domestic firms can win it.** NIS2 compliance bites in October 2026, and supervisory evidence from Marios Pieris, Commissioner of Communications, shows the regulated population rising from around 60 to around 520 entities, a near nine-fold expansion, with a six-hour initial notification deadline. We size the Cyprus security market at €90–130m (estimate), structurally local and growing faster than any other segment. In the End-User Survey, 71% name cybersecurity as the capability they most need to strengthen.
9. **Both sides of the market describe the same constraint: capacity, not capability.** Buyers fault providers for slow response times (63%) and delivery delays (52%); only 15% cite lack of expertise. Most vendors report overburdened employees.
10. **The obstacle to transformation is organisational before it is technical.** 57% of organisations name overreliance on traditional culture and work practices, against 31% citing internal expertise shortages. Training alone addresses the smaller barrier.
11. **The talent constraint is specialist and priced.** ICT graduates are 2.8% of all graduates against 4.2% in the EU; Demetris Skourides, National Chief Scientist, estimates roughly 120 graduates a year across data science, analytics and AI. One in four technology workers is a third-country national, and housing costs and the EU's second-highest non-household electricity prices erode retention. Vendors rank salary expectations above availability.
12. **Research is thin, and two policy cliffs converge at the end of 2026.** GERD is 0.65% of GDP against 2.24% in the EU, and government R&D budgets fell 25.6% in 2025. Half of the 62 Digital Decade roadmap measures, €117m of public funding, expire by 31 December 2026 as the Recovery and Resilience Facility enters its final phase. No successor is in public view.

> KEY FINDING **Cyprus has optimised comprehensively for attracting technology activity and barely at all for rooting it. Every leading indicator is a reason to come; most lagging indicators are reasons it would be easy to leave.**

Table 1: The Cyprus ICT market at a glance

Indicator	Cyprus	Comparator	Status
ICT gross value added, 2025	€4.1bn (12.5% of GVA)	EU 5.6%	Estimate
ICT GVA growth 2016–2025	+435%	EU +86%	Estimate
Broad technology sector employment, 2025	48,200; 25.7% third-country nationals	n/a	Estimate
Addressable domestic ICT expenditure, 2025	€1.70bn (range €1.33–2.15bn)	0.41x sector GVA	Model-generated

Indicator	Cyprus	Comparator	Status
Share reaching Cypriot firms	€0.8–0.95bn	n/a	Model-generated
Domestic market forecast, 2030	€2.23bn (5.6% CAGR)	n/a	Forecast, base case
Enterprises using AI, 2025	9.27%	EU 19.95%	Actual
SMEs at basic digital intensity, 2025	74.35%	EU 71.39%	Actual
R&D intensity (GERD), 2024	0.65% of GDP	EU 2.24%	Actual
End-user ICT spending outlook, 2026	Net +47 points	n/a	Primary research

Source: CYSTAT; Eurostat; European Commission Digital Decade reports; KPMG Cyprus 2026; Central Bank of Cyprus; our model; IMR/University of Nicosia, Cyprus ICT End-User Survey 2026.

These findings rest on five independent evidence streams: official statistics from CYSTAT, the Central Bank of Cyprus and Eurostat; desk research across EU and international sources; the End-User Survey; the Vendor Survey; and interviews with senior stakeholders. Where these converge, as they do on connectivity, on the specialist and priced nature of the talent constraint and on compliance-driven security demand, the conclusions are correspondingly strong. Where they diverge, the divergence is reported rather than resolved, and stakeholder estimates are attributed as such and never presented as official statistics. Two further findings deserve emphasis: Cyprus attracts intellectual property ownership more successfully than it generates it, with PCT patent applications at 54.6% of the EU average; and it has startup funding but lacks scale-up capital, so its companies do not fail but succeed elsewhere.

Senior stakeholder evidence frames the ambition of reaching 20% of GDP from technology within a decade. Presented as an assessment of potential rather than a forecast, it would require sustained nominal growth of roughly 9 to 10% a year: above our base case of 8.3% and well below our upside case of 12.0% (tested under Market Outlook).

> OUTLOOK **Cyprus does not need a step change in growth. It needs a decade of sustained execution against four constraints (specialist talent, scale-up capital, energy cost and delivery capacity), none of which is a shortage of demand.**

See the Executive Summary of the full report.

Primary Research Findings

The primary research answers three questions that published sources cannot: what Cypriot organisations intend to buy and why; how the ICT providers that serve them see their own market; and how the senior figures who shape policy and regulation read the sector's position. It was designed and conducted by IMR/University of Nicosia for the Cyprus Computer Society. Each component was analysed on its own before being combined with secondary evidence, and primary results are always labelled with their source throughout the report.

Table 2: The three components of the primary research

Component	Who took part	What it was designed to establish
Cyprus ICT End-User Survey 2026	Organisations that buy and use ICT across finance, professional services, the public sector, trade and industry	Spending intentions, provider reliance and satisfaction, AI, cloud and cybersecurity intent, skills gaps, obstacles
Cyprus ICT Vendor Survey 2026	ICT providers in Cyprus: software, IT services, systems integration	Revenue outlook, customer mix, delivery, talent constraints, funding of client projects
Senior stakeholder interview programme	Senior figures in government, research policy, regulation and industry	Policy and supervisory readings; evidence not published elsewhere

Source: IMR/University of Nicosia. Methodology in section B.6 of Appendix B.

The two surveys used parallel modules so that buyers and suppliers could be compared on the same questions. The interviews were semi-structured, conducted individually and are quoted with attribution.

What buyers told us: the End-User Survey

The End-User Survey is the first direct measure of the Cyprus ICT market from the buyer's side.

Table 3: End-User Survey, principal results

Theme	Result
Spending outlook	56% expect external ICT spending to rise in 2026, 28% no change, 8% a fall: net +47 points
Reliance on providers	64% use external providers at least monthly; software (54%) and cybersecurity (50%) most bought in
Local suppliers	97% use local providers at least some of the time; 33% actively prefer them
Supplier selection	Reliability (78%), price (67%), quality (56%); local presence 15%
Dissatisfaction	Slow response (63%), delivery delays (52%); lack of expertise 15%
Artificial intelligence	83% likely to invest in 2026; 51% AI skills gap; 50% no external route
Cybersecurity	71% top capability to strengthen; 44% very likely to invest, highest of any technology; compliance a top-three internal challenge (58%)
Cloud	88% use cloud; cost and overspending (53%) the leading reservation
Obstacles to transformation	Traditional culture and practices (57%), internal expertise (31%)
How investment is judged	Productivity (44%); return on investment 26%; adoption rates by none

Source: IMR/University of Nicosia, Cyprus ICT End-User Survey 2026. Several questions allowed more than one answer.

> KEY FINDING **Demand for ICT services is growing, open to local providers and concentrated in software and cybersecurity. Buyers intend to invest in AI but lack the skills and the delivery route; their complaint about suppliers is speed, not competence.**

What suppliers told us: the Vendor Survey

The Vendor Survey was designed to be read alongside the End-User Survey rather than as a census of the industry, so its results are reported as the balance of provider responses.

Table 4: Vendor Survey, principal results

Theme	Result
Revenue outlook	Growth expected across providers in 2026, most by 10% or more
Customer base	Banking and finance largest (mean 42.5% of revenue), then professional services (30.5%) and government (22.5%)
Delivery experience	AI a leading investment focus, but few have yet delivered AI or cybersecurity solutions
Talent	Salary expectations the leading obstacle, ahead of availability; AI the leading need
Skills consequences	Most report overburdened employees and reduced innovation
Capability building	Automation and internal training; university collaboration uncommon
Funding of client projects	Private sector a mean 75%, government 21%
Government as stimulus	No provider selected government support as a spending driver

Source: IMR/University of Nicosia, Cyprus ICT Vendor Survey 2026. Means are unweighted.

KEY FINDING **The domestic supplier layer is confident and pointed at the right technologies, but capacity to deliver is the constraint. Providers absorb the talent shortage through employee workload; customers experience it as slow response and delay.**

Where buyers and suppliers agree, and where they do not

Read against each other, the two surveys agree that capacity rather than competence is the bottleneck, that demand is weighted to financial and professional services, and that growth is coming, with suppliers the more optimistic. On AI, both sides intend and neither yet executes. On cybersecurity, demand is ahead of supply: buyers rank it their top priority while providers report limited delivery experience. They disagree on what will drive spending: buyers name cyber attacks (56%) and energy costs (44%); suppliers name supply chains and skills shortages. Each side reports its own constraint.

The interview programme

Interviewees were chosen for their position in the system rather than to form a statistical sample. Positions are as at the time of interview.

Table 5: Senior stakeholders interviewed for this study

Interviewee	Position	Principal themes
Nicodemos Damianou	Deputy Minister of Research, Innovation and Digital Policy	The ecosystem framework and the hub objective; relocation and real activity; the divide between international and Cypriot firms; digital position and AI; public and SME digitalisation; skills, upskilling and Schengen; startup funding and commercialisation; partnerships and strategic priorities
Demetris Skourides	National Chief Scientist	Productivity; AI adoption; synthetic threats; specialist talent; startups
Marios Pieris	Commissioner of Electronic Communications and Postal Regulation, with responsibility for the Digital Security Authority	NIS2 scope and notification; healthcare; cyber workforce; training; cooperation
George Malekkos	President, Cyprus Information Technology Enterprises Association (CITEA)	Domestic ICT capability; SME digitalisation funding; public procurement delay

Interviewee	Position	Principal themes
Senior ICT industry stakeholders	Senior executive of a Cypriot ICT company	Domestic capability; AI; cloud; talent and retention; SME funding

Source: IMR/University of Nicosia, senior stakeholder interview programme 2026.

Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy. The Deputy Minister set out the government's framework, which treats technology not as an isolated sector but as one of three interlocking layers, a technology sector, a startup ecosystem and research and innovation, resting on a strong economy, connectivity infrastructure, public and business digitalisation, skills and a business-friendly environment. The objective is a sustainable transition from a services economy to a knowledge-based one, with Cyprus as a regional technology and innovation hub and, increasingly, a trusted hub for AI solutions. He argued that relocated companies carry out real activity, creating and exporting software and services from Cyprus, and that the perception of Cyprus as a digital laggard no longer holds, while identifying AI, and SME uptake of AI in particular, as the area where Cyprus remains behind. He acknowledged the divide between international and Cypriot firms in competing for talent, but rejected restraining international growth, pointing instead to public and SME digitalisation as markets domestic firms can compete for. He named funding, research commercialisation and internationalisation as the startup ecosystem's main weaknesses, and set out three strategic priorities: closing the skills gap, the digital maturity of SMEs, and the scaling and globalisation of the ecosystem, supported by international partnerships and bilateral relations.

> *"It is not simply headquartering. It is real activity."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

> *"Today we are in a position to talk meaningfully about the objective."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

Demetris Skourides framed technology as a productivity question. He resisted describing Cyprus as generally behind Europe in digital terms while identifying AI as the area where it is behind, describing enterprise adoption as having risen from 3.2% in 2023 to almost 10%. He called cybersecurity a blind spot for Cypriot companies, warned that the country is not prepared for synthetic attacks, synthetic identity, fraud and media, put annual graduate output across data science, analytics and AI at roughly 120, and described a fivefold rise since 2020 in companies entering the innovation ecosystem.

> *"We have already started; we are just before take-off."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

Marios Pieris provided supervisory evidence no published statistic contains: the NIS2-regulated population expanding from around 60 to around 520 entities, a six-hour initial notification, and the exposure of healthcare through legacy medical equipment. He reported around 115 applications for 12 engineer posts at the Digital Security Authority and a free national training programme that had reached approximately 9,500 people, and argued for joint teams with counterpart authorities abroad.

> *"Based on market research, Cyprus needs around 1,900 people to cover its cybersecurity needs."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek)

Industry stakeholders. Senior executives of Cypriot ICT companies, including George Malekkos, President of CITEA, provided the supplier perspective on domestic capability, SME funding and public procurement delay. Their evidence is used where it corroborates or tests the official and statistical record.

> *"The capabilities we have are much greater than what the market believes."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

Interview evidence is used to explain and test the statistics, not to replace them; figures given in interview are attributed and labelled as such.

How the primary research shapes the conclusions

Table 6: Principal conclusions and the evidence behind each

Conclusion	Primary research evidence	Secondary evidence
Domestic market is about two-fifths of sector output	End-User Survey	CYSTAT; bottom-up model
Delivery capacity, not capability, constrains suppliers	Both surveys; industry interview	Enterprise structure data
An AI delivery problem, not an awareness problem	Both surveys; National Chief Scientist; Deputy Minister	Eurostat AI adoption
Cybersecurity is the best-evidenced growth area	End-User Survey; Commissioner of Communications	NIS2 timetable; market sizing
Talent constraint is specialist and priced	Both surveys; National Chief Scientist; Commissioner of Communications	Eurostat vacancy and graduate data
The barrier to transformation is organisational	End-User Survey	Digital Decade indicators
Cyprus is digitally shallow rather than behind	National Chief Scientist; Deputy Minister	Digital Decade, Open Data, GovTech indices
A divide separates international and Cypriot firms	Vendor Survey; Deputy Minister; industry interview	FDI and employment data

Source: IMR/University of Nicosia primary research 2026; secondary sources as cited.

See Primary Research Findings and section B.6 of Appendix B of the full report.

The Market in Context

Cyprus enters 2026 with the strongest macroeconomic position in a generation. GDP reached €34.77bn at current prices in 2024, with real growth of 3.9%; growth averaged 4.7% across 2020–2024 despite a pandemic, an energy shock and sanctions on the economy's largest foreign investor base. Unemployment was 4.2% in February 2026. Forecasts for 2026 range from 2.5% (European Commission) to 3.3% (domestic outlook), a dispersion the report carries into its scenario ranges. Services account for 86.2% of gross value added, and Cyprus has the lowest share of employment in high and medium-high technology sectors in the EU, at 14.6% against 38.1%.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister does not treat technology as an isolated sector. He describes it as one of three interlocking layers, alongside the startup ecosystem and research and innovation, resting on a strong economy, infrastructure, digitalisation and a business-friendly environment. The stated aim is a sustainable transition from a services economy to a knowledge-based one, with Cyprus as a regional technology and innovation hub.**

> *"[…] it is not that the technology sector is simply growing in isolation […] it is part of a plan in which all the layers move forward, and we intervene across the whole pyramid […] so that the transition from an 80+, 85% services economy to a knowledge-based economy can be sustainable."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

ICT's share of gross value added rose from 4.3% in 2013 to 9.6% in 2022 and approximately 12.5% by 2025, following the 2013 banking crisis and accelerating from 2021 with the headquartering strategy.

> KEY FINDING **Cyprus's technology sector is a post-crisis construction, built deliberately through policy in roughly eight years. That is both its principal achievement and the source of its principal vulnerability.**

The report judges digital progress by whether technology converts into productivity, not by adoption alone. Demetris Skourides, National Chief Scientist, put the chain directly.

> *"When you bring technology and translate it into productivity in a country, productivity creates more revenue. More revenue creates economic growth."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

The report finds the chain currently breaks at the adoption-to-integration stage.

ICT gross value added of €4.1bn in 2025 now exceeds total tourism revenue of approximately €3.7bn. Three characteristics define its role: it is **counter-cyclical** (growth of approximately 21% in 2020 while the economy contracted 3%); **externally oriented** (revenue from the domestic market is roughly one-fifth of output, on the report's modelling; the rest is earned abroad); and **mobile**, attracted by tax, regulatory and immigration policy and not anchored by research, supply chains or scale-up capital.

Two macroeconomic channels matter most. Real gross capital formation grew only 0.6% in 2024, so business investment, the channel through which adoption happens, barely moved. The labour channel points the other way: a vacancy rate 47% above its long-run average and a minimum wage rising to €1,000 a month from January 2026 push firms to substitute software for labour. Sector mix caps the market: only financial services is a naturally high technology-intensity buyer, while tourism, construction, real estate and retail sit at the low end of every benchmark.

> STRUCTURAL CONSTRAINT **Cyprus does not have a small domestic technology market because its firms are backward. It has one because its economy is composed of industries that do not buy much technology.**

Government frames ICT as one output of a constructed ecosystem of foundations, technology sector, startups and research, aimed at a regional technology and trusted AI hub. The report accepts the interdependence but tests each layer for measurable output. Research and commercialisation is the layer that fails.

See Chapter 1 of the full report.

Market Size: Supply and Demand

Several figures circulate as the size of the sector: ICT gross value added of €3.59bn (CYSTAT, 2024) and €4.10bn (KPMG Cyprus, 2025); production value of €3.95bn (CYSTAT, 2024); and the broad technology sector's €5.90bn direct contribution (KPMG Cyprus, 2025). The €11.9bn total impact figure is a multiplier estimate and should be treated as advocacy, not a market measure. The report uses national-accounts ICT gross value added as its primary series.

On that series, value added rose from €2.33bn in 2022 to €3.59bn in 2024 (+17.5% nominal and +11.3% real in 2024 alone) and approximately €4.10bn in 2025 (estimate), a near-doubling in three years. In 2022 Cyprus ranked second in the EU, behind Ireland, on ICT's share of business economy value added. Employment is 28,440 in NACE J (2024) and 48,200 in the broad technology sector

(2025), with about 79,000 jobs including indirect effects. The sector is effectively a pure services industry, leaving intellectual property, talent and connectivity as its only anchors. SMEs generate 77.7% of business value added (EU 56.8%), which favours cloud and managed services and means the NIS2 threshold catches a comparatively broad slice of the economy.

No source publishes the size of the domestic ICT market, so the report models it. Subtracting exports from output fails: recorded ICT service exports of approximately €8.4bn in 2024 exceed recorded production value by more than a factor of two, most likely through definitional breadth and re-invoicing. Instead, four segments are sized against their own value added bases using IT intensity benchmarks. The public segment is cross-checked against the Deputy Ministry of Research, Innovation and Digital Policy's total 2026 budget of €172.86m, which equals 62.7% of the modelled €276m public estimate: the ratio expected once line ministries, health, education and local government are added.

Table 7: Supply-side output versus modelled domestic demand, 2025 (€m)

Measure	Central	Range	Share
ICT gross value added (supply)	4,100	n/a	n/a
Rest of business economy	756	613–919	44.4%
ICT sector's own procurement	348	246–492	20.5%
Financial services	321	265–391	18.9%
Public sector	276	207–345	16.2%
Total domestic demand	1,701	1,331–2,147	100%
Reaching Cypriot ICT firms	800–950	n/a	n/a

Source: CYSTAT; KPMG Cyprus 2026; IMR demand model (model-generated estimate; excludes household spending).

The central case implies ICT spending of 4.69% of GDP, marginally above the 3.5–4.5% European norm, and the report recommends citing a range of €1.3–2.1bn. IT services (about 30%) and software including SaaS (about 26%) are growing strongly; communications (22%) is flat and hardware (14%) declining.

> KEY FINDING **Against sector output of €4.1bn, the domestic market feeds roughly one-fifth to one-quarter of the Cyprus ICT sector. Three-quarters or more of it is export-facing.**

With 45–55% of domestic spending leaking to foreign vendors, revenue reaching Cypriot firms is roughly €800–950m; even on the most favourable assumptions it is about €1.08bn. Household telecommunications and devices add an indicative €500–650m but are not an enterprise opportunity.

The End-User Survey supports the model. Sixty-four per cent of organisations use external ICT providers at least monthly and only 7% never do. Software development or customisation (54%) and cybersecurity (50%) are where outside help is most needed (see chart), matching the categories that make up about 56% of the modelled market. Almost all organisations are open to Cypriot providers: 64% use both local and international suppliers, 33% prefer local ones and very few prefer established foreign providers. Fifty-six per cent expect external ICT spending to rise and 8% to fall, a net balance of +47 points, consistent with base-case demand growth of 5.6% and a more conservative signal than the supply side gives (see Market Outlook).

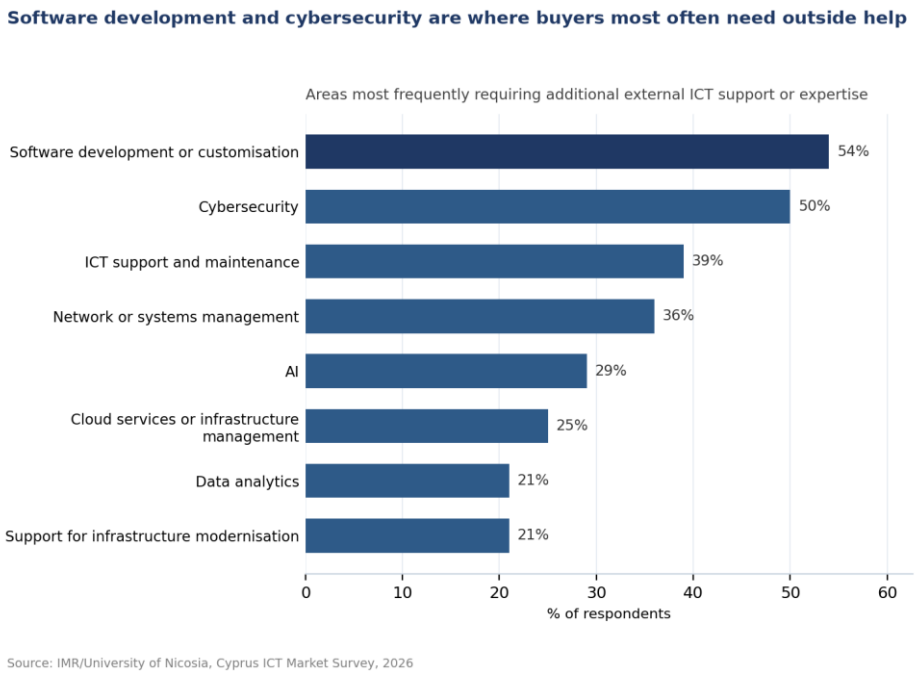


Figure 1. *Software development and cybersecurity are where buyers most often need outside help*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

See Chapters 2 and 3 of the full report.

The Two Cyprus ICT Economies

The supply and demand measures above describe two distinct economies that share a jurisdiction.

> GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister acknowledges the divide between international technology companies and purely Cypriot firms, including the difficulty domestic companies face in competing for skills against well-paying global employers. His position is that the growth of foreign companies should not be stopped. There are, he says, no easy ways in a free market; government's role is to create opportunities, through public and SME digitalisation, that Cypriot firms can compete for.**

Table 8: The export and domestic ICT economies

Dimension	Export economy	Domestic economy
Approximate scale	≈€3.2bn+ of output	≈€0.8–0.95bn to Cypriot firms
Ownership	Predominantly foreign	Predominantly Cypriot
Growth	15%+ historically	GDP + 2–3 points
Workforce	25.7% third-country	Predominantly local
Principal risk	Mobility	Scale
Effective policy lever	Tax, immigration, connectivity	Adoption, procurement, skills

Source: IMR analysis, drawing on CYSTAT, KPMG and Eurostat data.

The separation resolves apparent contradictions. A top-three EU ICT sector sits alongside bottom-five enterprise AI adoption because the sector's customers are abroad. Reported hiring difficulty coexists with vacancy data showing no shortage because the export economy competes at international wages. A 12.5% ICT share coexists with third-lowest research intensity because relocated operations bring delivery capability, not laboratories. Strong gross foreign investment inflows coexist with six consecutive years of net FDI outflows because the export economy attracts genuine inflows while the

legacy holding-structure stock unwinds. World-class connectivity coexists with below-average basic digital skills because infrastructure was built for the export economy.

University of Nicosia analysis by Antonakakis and Lois describes "a powerful enclave of outward oriented services". The modelling agrees: an export economy feeding four-fifths of output, with limited domestic procurement, research linkage and retained profit, is an enclave in the technical sense.

> KEY FINDING **The policy objective for the next phase is not attracting more technology companies. It is increasing the density of connections between those already here and the rest of the Cypriot economy.**

The Vendor Survey confirms the domestic orientation: providers sell mainly to finance, professional services and the state, the same hierarchy modelled independently from value added bases (see ICT Demand by Industry Vertical). The alignment map below sets end-user investment intent against vendor investment focus.

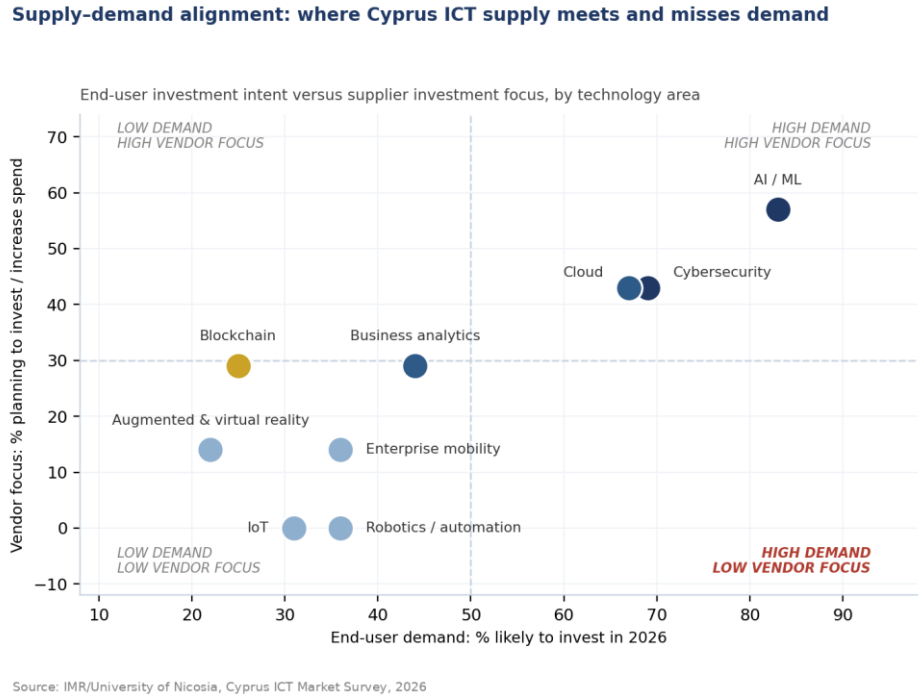


Figure 2. *Supply-demand alignment: where Cyprus ICT supply meets and misses demand*
Source: IMR/University of Nicosia, Cyprus ICT Vendor and End-User Surveys, 2026

AI sits in the high-demand, high-focus quadrant, though neither side can yet execute it; cybersecurity and cloud demand runs ahead of vendor focus. The supply side is pointed in the right direction but lacks capacity to sell enough of the right things.

Policy evidence adds the source with the least incentive to concede the point.

> *"I acknowledge the challenge."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

The Deputy Minister recognised that domestic firms struggle to compete for talent with international employers. The policy answer, to expand the market rather than restrain international firms, is correct on diagnosis but incomplete on remedy. The report identifies four mechanisms: public procurement, compliance-driven managed security (a €90–130m segment), supplier qualification between the two ecosystems, and SME digitalisation grants.

See Chapter 4 of the full report.

What Cyprus Produces and What It Keeps

The Central Bank of Cyprus publishes an adjustment that almost no technology-sector analysis uses. Special purpose entities account for approximately 80% of headline inward FDI stock: €298.64bn of €373.62bn in 2024. Excluding them, inward stock is €74.98bn.

The common claim that ICT represents 17% of inward FDI stock works only on the adjusted basis, implying roughly €12–13bn. On the headline series it would imply €63.5bn, 1.83 times GDP in one sector. Headline-based presentations overstate the real footprint by approximately a factor of five.

The claim that technology attracted more than €2.5bn of new foreign capital in 2024 is defensible only as gross inflow: Invest Cyprus reports gross inflows of €8.5bn, of which roughly €2.6bn is attributed to technology, while the Central Bank records net inward transactions of minus €17.36bn and reinvested earnings of €14.28bn. These are different measures, not contradictions.

> MARKET SIGNAL **The €2.5bn figure is gross inflow, not net capital formation. The accompanying per-capita FDI ranking is unsourced and, on headline data, measures conduit intensity. Cypriot institutions should stop repeating it.**

Six consecutive years of net outflows reflect Russian disinvestment of approximately €50.1bn across 2023–24, against net inflows excluding Russia of approximately €33.1bn (neither figure verified against the Central Bank's geographic tables; used for direction only). The legacy stock is unwinding; flows are not reversing.

The decisive number is a flow. Net FDI income was minus €3.43bn in 2024, equivalent to 9.9% of GDP, as profits from foreign-owned companies are repatriated.

> KEY FINDING **ICT gross value added of €4.1bn is what Cyprus produces, not what it keeps. No source splits net FDI income by sector, making ICT value retention the most important unmeasured quantity in the Cyprus technology economy.**

This is not an argument against attraction, which raises employment, tax revenue, skills and connectivity. It is an argument that headline value added overstates national benefit, and that closing the measurement gap should be a priority for the Central Bank and CYSTAT.

See Chapter 5 of the full report.

Evolution of the Market 2019–2026

ICT gross value added rose from about €0.62bn in 2013 to €2.33bn in 2022 and approximately €4.10bn in 2025. Four turning points changed the trajectory:

- **2013, the banking crisis**, which made diversification a necessity.
- **2020, the pandemic**, when ICT grew 21% against a 3% contraction.
- **January 2022, the headquartering strategy**, which cut relocation from months to weeks: the largest single policy driver.
- **February 2022 onward, the Ukraine war**, which drove relocation into Cyprus while triggering the Russian disinvestment.

Table 9: Structural versus cyclical developments

Development	Assessment
Shift to software, services and cloud	Structural

Development	Assessment
Cybersecurity as mandatory spend	Structural
Third-country talent dependence	Structural
Technology company relocation	Structural but reversible
AI investment cycle (9.27% adoption)	Not yet structural in Cyprus
Post-2021 relocation surge rate	Cyclical
Russian FDI unwinding	Cyclical, largely complete

Source: IMR assessment.

> **STRUCTURAL CONSTRAINT** **Relocation-driven growth is structural in that the firms are here and operating, but reversible in that nothing anchors them. That is the central strategic risk in this report.**

See Chapter 6 of the full report.

The Ecosystem and the Domestic Supplier Layer

Four operators serve the Republic: Cyta, Epic, Cablenet and PrimeTel, whose mobile status is contested. Cyta held approximately 54.2% of mobile connections in 2024 and Epic 34.8%. The domestic IT services layer is fragmented and SME-scale; its addressable domestic revenue of roughly €800–950m limits growth to managed services, vertical specialisation and export. The relocated sector is the largest and least documented part of the ecosystem: no public register identifies its companies.

The domestic supplier layer has also matured.

> *"All these companies are not companies that use old technology. They use modern technology."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

But Cyprus has modern suppliers, not large ones, and SMEs that are above the EU average on basic digital intensity are fifth from bottom on AI adoption at 9.27%. Three gaps are structural: no domestic growth capital above roughly €26m, no functioning technology transfer chain (patents at 54.6% of the EU average), and minimal linkage between the relocated sector and domestic firms.

Industry evidence goes further.

> *"The capabilities we have are much greater than what the market believes."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

The End-User Survey agrees, as the chart below shows. Asked for top-three dissatisfactions, 63% of organisations named slow response times and 52% delivery delays; only 15% cited lack of expertise, and cost ranked third at 37%.

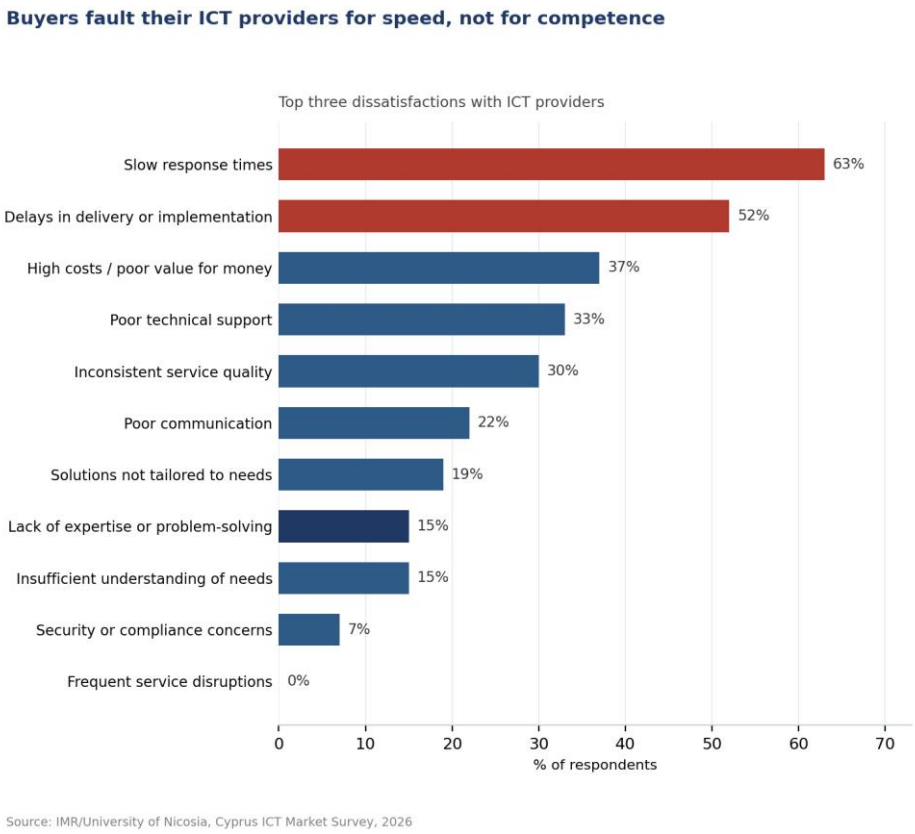


Figure 3. *Buyers fault their ICT providers for speed, not for competence*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

In the Vendor Survey, a majority of vendors reported overburdened employees and project delays from limited expertise; only a minority reported higher costs.

> MARKET SIGNAL **Both surveys, from opposite sides of the market, describe the same bottleneck. The binding constraint on the domestic supplier layer is delivery capacity, not capability.**

The same research shows how buyers choose. As the chart below shows, reliability and service consistency (78%), price (67%) and quality (56%) lead; local presence is named by only 15%, and long-term partnership potential, scalability and customisation receive no selections at all. Some 97% use local suppliers at least sometimes, but proximity is a tie-breaker, not a differentiator.

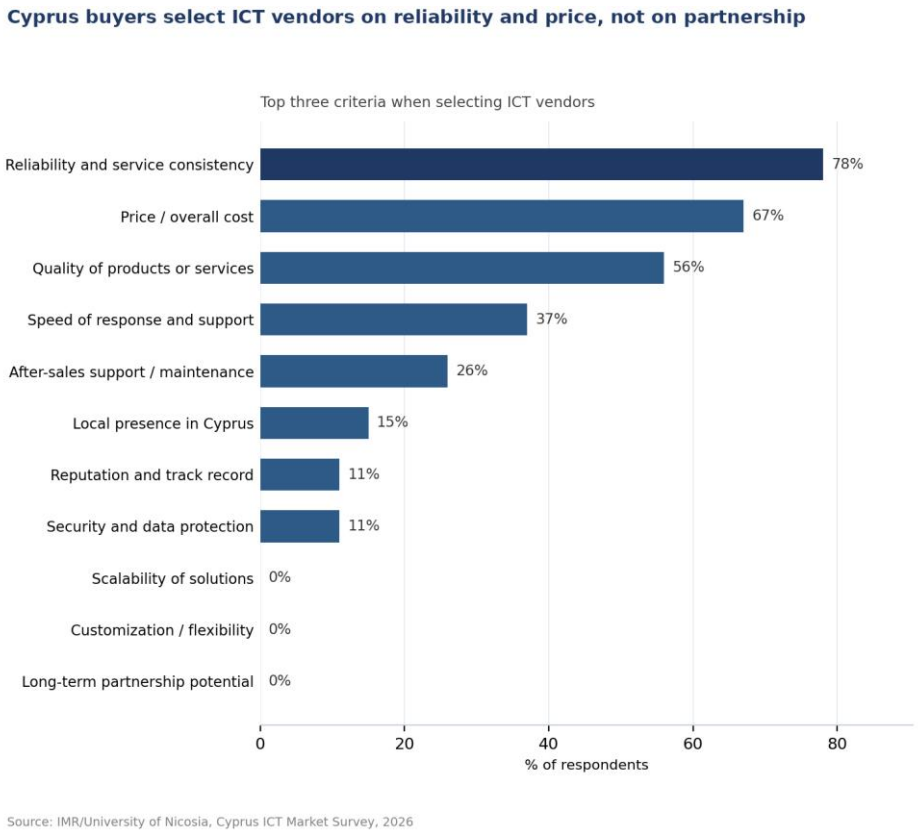


Figure 4. *Cyprus buyers select ICT vendors on reliability and price, not on partnership*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

> STRATEGIC IMPLICATION **Providers leading with partnership language are selling against customers' stated criteria. Demonstrable reliability and delivery speed must come first.**

See Chapter 7 of the full report.

Technology Company Relocation

The Strategy for Attracting Businesses, in force from 2 January 2022, created a fast-track route through the Business Facilitation Unit with expedited permits for third-country staff. Its tax framework survived the 2026 reform: 15% corporate tax, an IP Box rate near 3%, and the Special Defence Contribution on dividends cut from 17% to 5%. Relocated firms come mainly from Russia, Ukraine, Israel, the United States and the United Kingdom, in software, fintech, gaming and regional headquarters rather than research, and one in three technology workers is non-Cypriot (see The ICT Workforce).

> GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister rejects the view that the relocated sector is simply headquartering. He points to real activity, with companies creating services and products in Cyprus and exporting them, mostly software rather than telecommunications. He attributes the attraction not only to tax incentives, which government keeps in place, but to the strength of the economy, the business-friendly environment and a significantly upgraded Invest Cyprus.**

Table 10: Economic impact of relocation

Channel	Evidence	Assessment
Output	ICT GVA €2.33bn to €4.10bn, 2022–2025	Large
Employment	48,200; ~79,000 incl. indirect	Large
Property	Housing costs outpace wages	Adverse
Supplier linkage	No procurement data	Weak
Research linkage	GERD 0.65% of GDP	Minimal
Value retention	Net FDI income −9.9% of GDP	Significant leakage

Source: CYSTAT; KPMG Cyprus 2026; Central Bank of Cyprus; IMR analysis.

STRUCTURAL GAP **The most valuable customers in Cyprus are among the least likely to buy from Cypriot suppliers. Fixing this needs no new funding, only introduction, qualification and visibility.**

Relocation is structural in composition: ICT's share of value added moved from 4.3% to 12.5%. It is not structural in rootedness: the levers are replicable and linkage is minimal. Nicodemos Damianou argued the point directly.

> *"It is not simply headquartering. It is real activity."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

The report accepts this on employment, output and export evidence, while noting that real activity is not rooted activity and coexists with repatriated profit.

OUTLOOK **Under Pillar Two the tax differential is compressing and the UAE offers 9% corporate tax. The second phase must attach local procurement, research links and SME connections to relocation.**

See Chapter 8 of the full report.

Cyprus in the European Digital Economy

Cyprus is routinely benchmarked against Ireland, Luxembourg and Malta, but comparisons with the first two are distorted unless the special purpose entity adjustment set out under What Cyprus Produces and What It Keeps is applied. Eurostat notes that Ireland's ICT share of gross value added, 30.9% in 2023, is "three times higher than the second highest country". The report therefore separates Class A structural peers (Malta, Estonia, Lithuania, Latvia, Slovenia, Portugal, Greece), Class B domicile economies (Ireland, Luxembourg) and Class C strategic references (Israel, Singapore, UAE), never mixing them.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister holds that the perception of Cyprus as a digital laggard does not hold. He cites progress on business digital maturity, public-sector digitalisation and international indices, including the World Bank's GovTech maturity index and the Global Innovation Index. He concedes that Cyprus is not where it wants to be on AI, where uptake by small and medium-sized enterprises remains low.**

> *"The strongest index anyone can look at is the Global Innovation Index, the GII. We have year-on-year progress. We are two places up on the last one, 25th globally. So this is very important for a small market."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Table 11: Cyprus against selected EU comparators

Country	ICT % of GVA	Enterprise AI adoption %	R&D % of GDP
Cyprus	12.5 (2025)	9.27	0.65
Ireland (Class B)	30.9 (2023)	20.0	n/a
Malta	11.7 (2023)	n/a	0.51
Bulgaria	8.1 (2023)	8.55	0.77
Latvia	6.6 (2023)	n/a	0.92
Greece	3.2 (2023)	8.93	n/a
Romania	n/a	5.21	0.46
Denmark	n/a	42.03	3.01
Finland	n/a	37.82	3.22
EU-27 average	5.7 (2023)	19.95	2.24

Source: Eurostat isoc_bde15ag, isoc_eb_ai (2025) and R&D expenditure (2024 provisional); KPMG Cyprus 2026 for the Cyprus ICT share. n/a: confidential, unpublished or not yet retrieved.

KPMG Cyprus places Cyprus third in the EU for ICT contribution at 12.5% of gross value added; on the retrieved Eurostat series it would be second, behind Ireland and ahead of Malta. The ranking is *contested* and is not repeated here as fact.

Three findings hold once the Class B distortion is removed. **Cyprus is a genuine top-two or top-three EU ICT economy on output share**, more than double the EU average, with Malta its true peer. **On enterprise technology adoption it sits with the laggards**: no other member state combines a top-tier ICT output share with bottom-tier AI adoption. **On research intensity it is in the EU's bottom three**, above only Romania and Malta. Because Malta shares both traits, this looks structural to small domicile economies rather than a Cyprus-specific policy failure. Where Cyprus leads is momentum: the EU's fastest-growing startup ecosystem for three consecutive years (StartupBlink), 25th on the Global Innovation Index and four unicorns.

The perception gap, tested

Demetris Skourides, National Chief Scientist, resists the characterisation of Cyprus as generally behind Europe, and Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, calls the perception that Cyprus lags in almost everything digital outdated. The evidence supports them, with a twist. On measures of whether a capability exists, Cyprus is at or above the EU average: 100% 5G coverage (first in the EU), fibre-to-the-premises at 77.1% against 64%, Open Data Maturity of 95% (fifth to sixth of 36 countries assessed), World Bank GovTech Group A, and 74.35% of SMEs at basic digital intensity against 71.39%. On measures of depth it falls to the bottom quartile: 6.87% of SMEs at very high digital intensity against 9.07%, AI adoption at less than half the EU rate, research intensity third lowest. Basic digital skills (49.5% against 55.6%) and ICT graduates (2.8% against 4.2%) also lag.

> *"So the perception people often have, that Cyprus is the laggard in everything to do with digitalisation, does not hold. It does not hold, and the government is making sure,*

through the framework I am describing, the economy, the business-friendly environment, digitalisation, the whole framework, that this becomes a reality."

Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> SIGNATURE INSIGHT **Cyprus is behind on depth, not foundations: it has built the platform and is not yet using it. That is a harder problem than being behind, because there is nothing left to procure.**

The European Commission's 2026 Digital Decade report finds "a strong foundation for its digital transition", with AI its single substantive negative; the targets most at risk by 2030 are enterprise AI adoption and basic digital skills among the over-55s (18.4% in 2023). On cloud Cyprus is mid-range, while Malta ranks third in the EU at 74.9%, a divergence more probably explained by enterprise support policy than by structure.

See Chapter 9 of the full report.

ICT Demand by Industry Vertical

The €1.70bn central market estimate is decomposed across twenty verticals, each sized against its own gross value added base using a vertical-specific IT intensity assumption. These are *model-generated estimates*, not statistics.

Table 12: Modelled ICT spend by vertical, 2025 (selected verticals)

Vertical	Est. spend (€m)	Share	Maturity; direction
Professional, scientific & technical	167	9.8%	Medium-high; growing
Telecom operators	160	9.4%	High; flat
Wholesale & retail trade	159	9.3%	Medium; growing
Central government & public admin	152	8.9%	Medium; growing strongly
Banking	135	7.9%	High; growing strongly
ICT services & software firms	118	7.0%	High; growing
Investment firms, CIFs & forex	93	5.5%	High; growing strongly
Transport, storage & shipping	91	5.4%	Medium; growing
Healthcare (GESY & providers)	72	4.2%	Low-medium; growing
Energy & utilities	28	1.6%	Medium; growing
Total, all twenty verticals	1,701	100%	n/a

Source: Report model, reference year 2025; GVA bases from CYSTAT sector accounts; IT intensity benchmarked to Gartner, Avasant and IDC ranges. Model-generated estimates.

Financial services is the largest block: banking, investment firms, insurance and fintech together represent €321m, or 18.9% of the market, growing fastest under DORA and NIS2. **Government is the largest single institutional buyer**, at €152m, or €276m with health and education, and through procurement friction also a principal bottleneck. **The verticals that dominate the economy do not buy technology**: tourism, construction and real estate generate roughly €6.8bn of gross value added but only €160m of ICT spend, under 10% of the market.

The Vendor Survey corroborates this hierarchy from the supply side: banking and finance accounts for a mean 42.5% of revenue among vendors reporting it, professional services 30.5% and government 22.5%, with tourism, healthcare and construction at the bottom. The exception is telecommunications, at only 6.6% of vendor revenue because operators largely self-supply: modelled market size and addressable opportunity are not the same quantity.

Among the vertical profiles, three stand out. Cyprus has licensed more investment firms than any other EU jurisdiction, and DORA, with CySEC Circular C700, is the single largest identifiable driver of domestic ICT spending growth over 2026–27. Shipping contributed approximately €1.9bn in 2025, yet the whole transport, storage and shipping vertical generates only about €91m of ICT spend, making shipping the clearest under-served domestic vertical given Limassol's maritime expertise. Tourism, with more than 4.5 million arrivals in 2025, carries an estimated €58m of ICT spend on €2.03bn of value added, a 2.5% intensity and among the lowest in the market. Government, with a 2026 Deputy Ministry budget of €172.86m and development spending up 13.8%, is a well-funded, ambitious buyer constrained by procurement velocity and the end-2026 funding cliff rather than by intent.

Of more than 500 incidents handled by the national CSIRT in 2024, finance accounted for 24%, telecommunications, third by modelled spend, 19%, and energy 14% (Digital Security Authority, 2025).

> SIGNATURE INSIGHT **Ranked by spending, energy is the smallest ICT vertical in Cyprus. Ranked by reported cyber incidents, it is the third largest. Cyprus is most exposed where it is not spending most.**

Supervisory evidence assesses healthcare as facing the most significant readiness challenge of any sector entering the expanded regulatory perimeter, because clinical equipment outlives its operating system and is too costly to replace on security grounds alone. Marios Pieris, Commissioner of Communications, offered an illustration.

> *"A CT scanner running on Windows 95: that is a problem."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek)

The sector cannot patch its way to compliance; it needs segmentation, compensating controls and monitoring, a consulting and managed-service specification that very few Cypriot providers hold.

See Chapter 10 of the full report.

Technology Trends: AI, Cloud and Cybersecurity

Artificial intelligence

In 2025, 9.27% of Cypriot enterprises used AI against an EU average of 19.95%; only Greece, Bulgaria, Poland and Romania rank lower, and the EU average rose 6.5 percentage points in a year. The gap is widening in points, but the trajectory is steeper than the level suggests.

> GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister places AI at the centre of policy attention. A new national AI strategy has completed public consultation and is under evaluation, and it positions Cyprus as a trusted hub for AI solutions. He accepts that the AI ecosystem is behind the European average. On cybersecurity, he reports markedly higher business awareness and sees the wider scope of entities treated as important and critical enlarging the market.**

> *"We are not where we want to be in some areas, such as AI [...]. In AI specifically we are low as regards uptake by small and medium-sized enterprises. But, again, the digitalisation of the economy is progressing significantly."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> *"Since 2023, when we were at 3.2% in artificial intelligence, today we are almost at 10%."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

Eurostat confirms the end point at 9.27%; the 2023 starting figure is the interviewee's and is not independently verified. Together they imply a near-tripling in two years, against an EU average that grew by roughly half in a single year. Cyprus is a low-adoption economy moving quickly from a very small base.

> *"We have already started; we are just before take-off."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

Industry evidence frames the technology itself differently.

> *"AI touches everything. There is cybersecurity with AI, ERP with AI, CRM with AI: it is a technology that cuts across every area."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

If AI is horizontal, adoption statistics understate its effect when it arrives inside products organisations were buying anyway. The policy architecture is sound: a National AI Taskforce (January 2025), the Pharos-CY AI Factory Antenna, a committed regulatory sandbox and an "AI in Government" programme. The financing is not: the Pharos-CY grant scheme, cleared on 17 July 2026, covers €6m, 0.15% of annual ICT gross value added; Singapore committed roughly twenty-five times more (S$150m) for a comparable enterprise-compute function; and sovereign AI infrastructure funding has been deferred to 2028.

The End-User Survey explains the divergence between intent and adoption. Combining committed and probable responses, 83% of organisations are likely to invest in AI in 2026, the highest intent recorded for any technology and ahead of cybersecurity (69%) and cloud (67%), as the chart below shows.

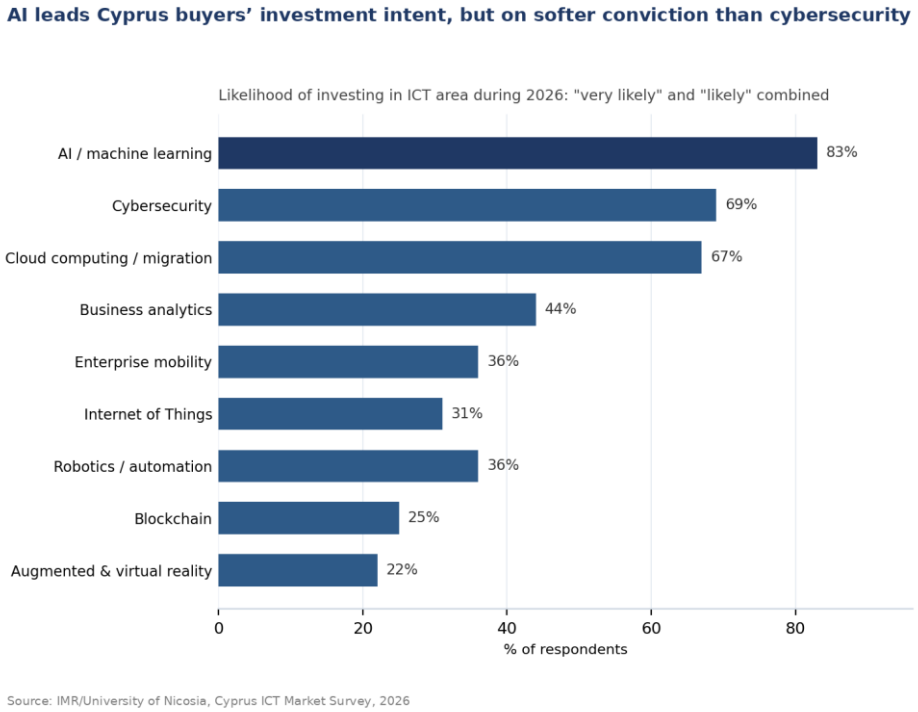


Figure 5. *AI leads Cyprus buyers' investment intent, but on softer conviction than cybersecurity*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

On firm commitment the order reverses: cybersecurity leads at 44% against 28% for AI, so 56% of AI intent sits in the softer probable band. Behind the intent, 51% lack AI skills, the largest deficit in the research, and 50% neither use nor plan to use external providers for AI (next chart). In the Vendor Survey, most vendors name AI as their leading talent need, but only a minority have yet delivered AI solutions.

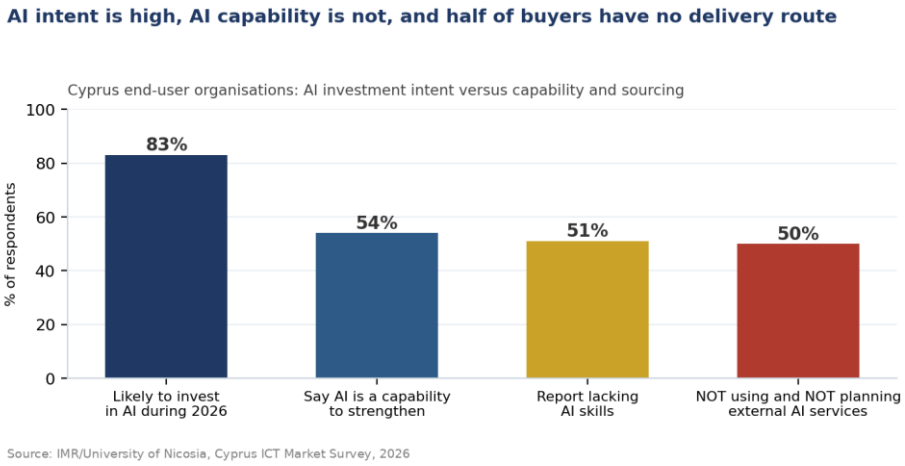


Figure 6. *AI intent is high, AI capability is not, and half of buyers have no delivery route*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

> SUPPLY-DEMAND GAP **Cyprus does not have an AI awareness problem. It has an AI delivery problem: organisations intend to adopt AI, cannot staff it and are not engaging the supplier market.**

Cyprus has completed the awareness stage, is early in adoption, has not reached deployment at scale and is not measuring productivity impact; no surveyed organisation tracks adoption rates as an ICT KPI. AI revenue over 2026–27 will come from the relocated technology sector, financial services and gaming use cases, and government, not from broad SME adoption before 2028. Industry evidence is blunt about what kind of AI business Cyprus can defend.

Generic AI propositions are the least defensible category available to a small ecosystem; domain expertise, hard-to-assemble data and embedded workflow knowledge are not.

> STRUCTURAL CONSTRAINT **Since the binding constraint is execution capability rather than awareness, how AI funding is deployed matters at least as much as how much of it there is.**

Cloud

The European Commission describes Cypriot cloud and data analytics uptake as "well advanced". In the End-User Survey, 88% of organisations use cloud against an EU average of 52.7% of enterprises using paid cloud; this is an upper bound rather than a national estimate, but it confirms cloud as established, with the smallest skills gap of any technology (20%).

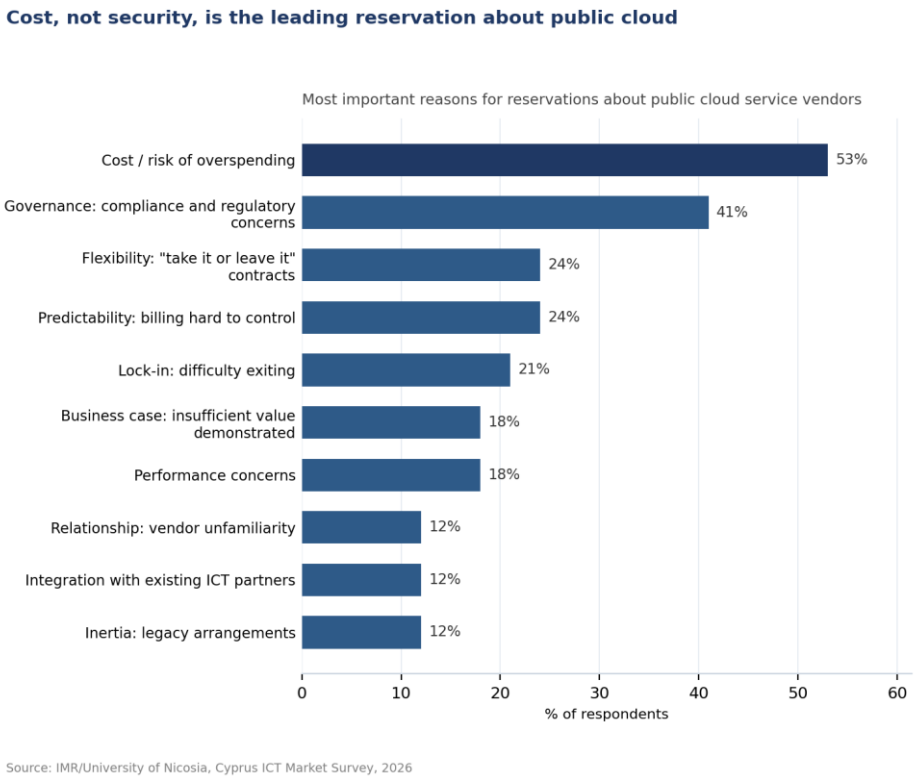


Figure 7. *Cost, not security, is the leading reservation about public cloud*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

As the chart shows, cost and the risk of overspending is the leading reservation at 53%, ahead of governance and compliance at 41%; only 18% question the business case, and cost reduction scored lowest of the benefits actually realised. Adoption is broad but migration partial: 31% still run infrastructure in house.

> MARKET SIGNAL **Cyprus has finished adopting cloud and started auditing it. No vendor identified cloud cost management as a service focus, making it the lowest-difficulty commercial opportunity in this report.**

Cybersecurity

Three regimes bite in 2026: DORA's first genuine enforcement cycle, the NIS2 compliance deadline of October 2026 for entities with 50 or more employees or €10m turnover, and Cyber Resilience Act incident reporting. Marios Pieris, Commissioner of Communications, puts the supervised population at approximately 60 entities rising to approximately 520; a published Digital Security Authority figure gives 70 rising to around 600. The multiple, a little under nine times, is the finding. The report sizes the Cyprus security market at €90–130m, implying in the order of €150,000 to €250,000 per regulated entity once the compliance cycle is fully loaded. Cyprus also requires an initial incident notification within six hours rather than the Directive's 24 (*contested*, resolved in favour of six hours), which cannot be met without round-the-clock detection and is the strongest structural driver of managed detection and response demand.

The regulatory timetable is already registering in business planning. In the End-User Survey, legal and regulatory compliance is named by 58% of organisations among their main internal challenges for 2026, third only to keeping pace with technology (67%) and reducing costs (61%), as the chart below shows. Compliance has become a general management concern, which changes the buying centre, the budget line and the urgency.

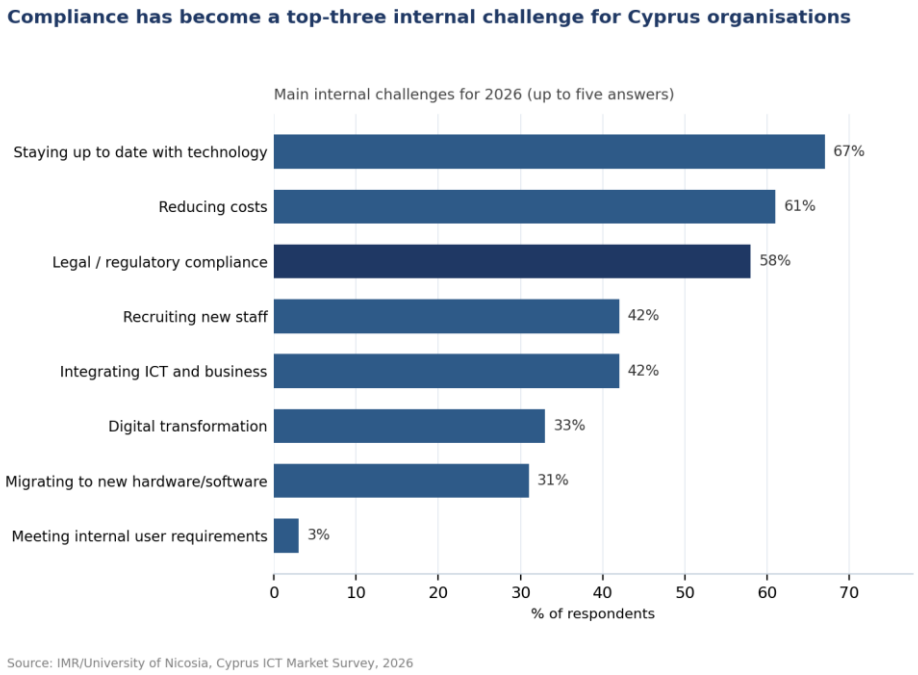


Figure 8. *Compliance has become a top-three internal challenge for Cyprus organisations*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

Looking forward, cybersecurity is the capability most important to strengthen (71%, ahead of AI at 54%; see the next chart), carries the highest firm investment commitment of any technology (44%), and 56% of organisations name the rise in cyber attacks among the main influences on ICT spending, more than any other factor. Four separate questions point the same way.

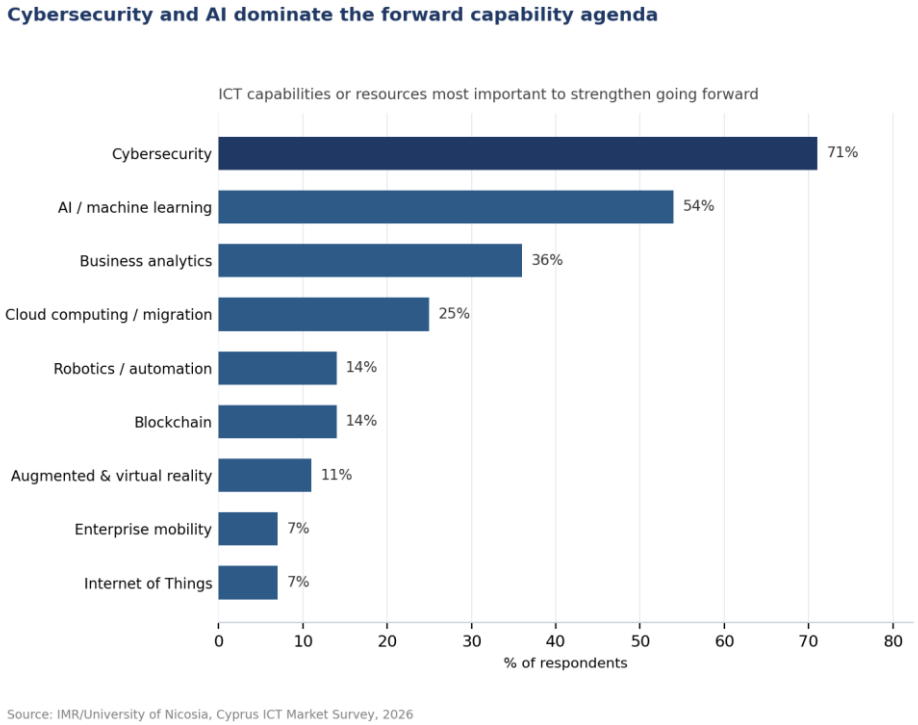


Figure 9. *Cybersecurity and AI dominate the forward capability agenda*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

Yet 43% lack cybersecurity skills and only a minority of vendors have delivered cybersecurity solutions.

> **MARKET SIGNAL** **A €90–130m security market with a statutory deadline and, unlike cloud or AI, structurally local is the clearest commercial opportunity in this study for domestic Cypriot ICT firms.**

Senior stakeholder evidence adds a note of caution against the demand-side optimism.

> *"Cybersecurity is a blind spot for Cypriot companies."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

This is an expert assessment rather than a statistical finding, but it is consistent with the survey evidence above: recognition is high and capability is low. The threat itself is also changing, as generative AI lowers the cost of phishing, impersonation and identity fraud.

> *"Synthetic attacks, synthetic identity, synthetic fraud, synthetic media. We are not prepared for these things."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

The opportunity therefore requires detection and response, identity assurance and sustained staff awareness training; providers selling NIS2 documentation alone will meet the regulation but not the threat. Public funding will not carry compliance: the €1.5m NCC-CY SME scheme, at €20,000–€65,000 per grant, can reach at most one in seven regulated entities. Supervisory evidence also describes a proposition, not announced policy, for a public-private expertise reserve, which the report regards as Cyprus's highest-leverage cybersecurity policy option.

The organisational constraint

Cyprus's adoption gap is usually treated as a skills problem. The End-User Survey shows that framing is incomplete: 57% of organisations name overreliance on traditional culture and work practices as the most serious obstacle to digital transformation, nearly double the 31% citing internal expertise shortages and five times the 11% citing shortages among their partners (see chart). Organisations evaluate ICT mainly on productivity (44%); only 26% use return on investment and none tracks adoption or usage rates, so the barrier they name is the one they do not measure.

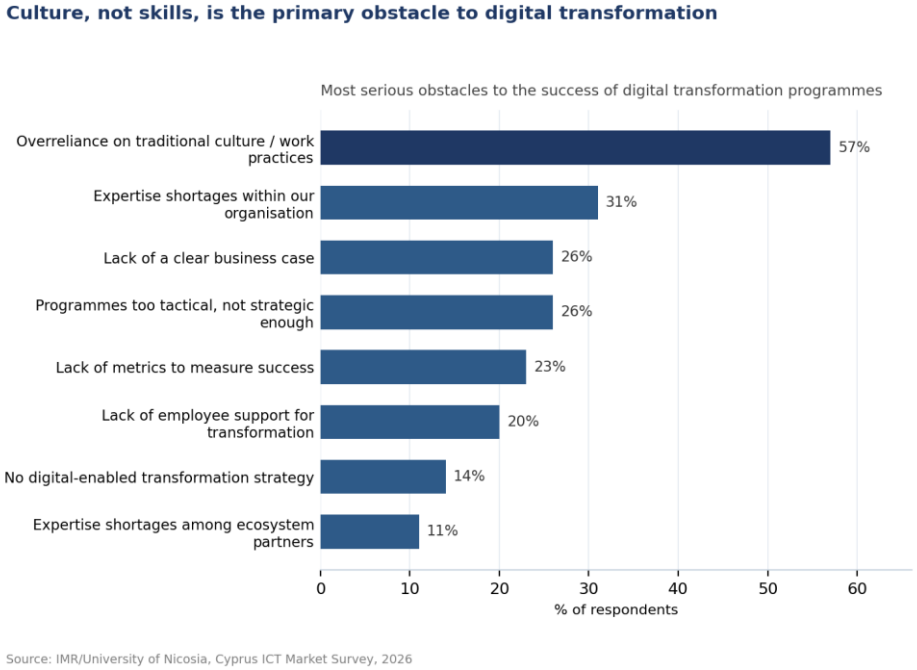


Figure 10. *Culture, not skills, is the primary obstacle to digital transformation*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

> STRUCTURAL CONSTRAINT **This is a change-management problem in a technology costume. Interventions confined to training and subsidised tooling address the 31%, not the 57%.**

Other trends

- **Managed services.** An SME-dominated base, the six-hour notification deadline and expensive specialist skills drive a structural shift to managed services, the most reliable domestic growth vector over 2026–30.
- **Data and automation.** The pipeline from basic digitalisation through cloud and analytics has stalled at AI. Automation is driven by labour scarcity rather than enthusiasm.
- **Emerging technologies.** Estimated edge nodes rose from 9 to 14 between 2024 and 2025 and digital assets form an established niche; quantum has no measurable presence. Cyprus should deepen existing positions rather than pursue breadth.

See Chapter 11 of the full report.

Digital Infrastructure

Domestic connectivity is effectively complete. Cyprus was the first EU member state to reach 100% 5G population coverage, fibre-to-the-premises coverage has been growing at nearly four times the EU rate and stands at 77.1% against 64.0% in the EU. In the End-User Survey no organisation named broadband, 5G or network rollout as a factor in ICT spending, while energy costs were named by 44%, second only to rising cyber attacks.

> *"An important pillar is the infrastructure within the country. It is the technological connectivity infrastructure. […] Coverage, population coverage, not only with 5G but also with high-speed fibre optics."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> MARKET SIGNAL **Cypriot organisations regard the cost of power, not connectivity, as a factor in technology spending. Further infrastructure investment now yields diminishing returns relative to demand-side intervention.**

International connectivity is the genuine strategic asset: approximately 10 subsea systems and 2 cable landing stations, with BlueMed landing at Yeroskipos in October 2025 and the East Med Corridor ready for service in Q1 2026. The European Commission recognises Cyprus as active in submarine cable security and recommends it build technological leadership in secure digital backbone infrastructure. With subsea cable security now an explicit European strategic concern, this is a recognised competence in a scarce field, and Cyprus's geography places it at a genuine chokepoint.

Data centres are the weak link: approximately 18 small facilities across 13 operators and no hyperscaler region, with Cyta's new build entering service in early 2027. The binding constraint is power, with non-household electricity prices second only to Ireland's and the Great Sea Interconnector subject to delay.

> STRUCTURAL CONSTRAINT **Until the energy equation changes, Cyprus's hub proposition is a connectivity and landing-station proposition, not a compute proposition.**

- **Cable landing and transit hub:** strong and improving, the real asset.

- **Subsea cable security:** under-exploited, the highest-return strategic niche in this study.
- **Regional colocation and edge hub:** credible at edge and disaster-recovery scale.
- **Hyperscale and AI compute hub:** not credible and should not be claimed.

Regulator statistics to December 2024 show mobile saturated at 163.5% users to population and 81.5% of fixed connections at 100 Mbps or above. The access-network investment cycle will largely have run its course by 2027–28, and operators are rotating toward data centres, submarine capacity and enterprise services.

See Chapter 12 of the full report.

The ICT Workforce

Cyprus has one of the tightest labour markets in the Union. Unemployment stood at 4.2% in February 2026 and the job vacancy rate at 2.8% in Q1 2026, roughly 47% above its twenty-year average of 1.91%. But the tightness is not where the technology narrative places it. CYSTAT data for Q1 2026 show the highest vacancy rates in arts and recreation (5.1%), construction (4.7%) and hospitality (4.0%); information and communication is not among the highest by rate or by count.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister treats skills as a basic parameter of growth, covering both basic digital skills and ICT specialists, and names closing the skills gap as the first strategic priority. He sees upskilling as a precondition requiring stronger instruments than the pilot run to date, alongside closer business-university cooperation, international talent mobility and Schengen accession, which he says will help a great deal.**

> *"A very important parameter is skills. And I am talking about basic skills, but I am talking about ICT specialists, the tech specialists."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

KEY FINDING **The ICT shortage is a shortage of specific senior and specialist profiles at internationally competitive prices. It is not a shortage of ICT workers in aggregate.**

Three pieces of evidence establish this. First, Cyprus solved the volume problem by importing: of 48,200 people in the broad technology sector in 2025, 12,400 (25.7%) are third-country nationals and 4,100 other EU nationals, so one in three is a foreign national (34.2%). The Business Facilitation Unit cut a two-month process to as little as two weeks. Second, the salary distribution has the shape of adequate junior and scarce senior supply: junior developers earn roughly €28,000–32,000, seniors €70,000–95,000, and senior AI and machine learning engineers €120,000 and above. Third, the pipeline is the binding long-term constraint: ICT graduates are 2.8% of all graduates against an EU average of 4.2%, and expanding access to ICT studies operates on a four-to-five-year lag.

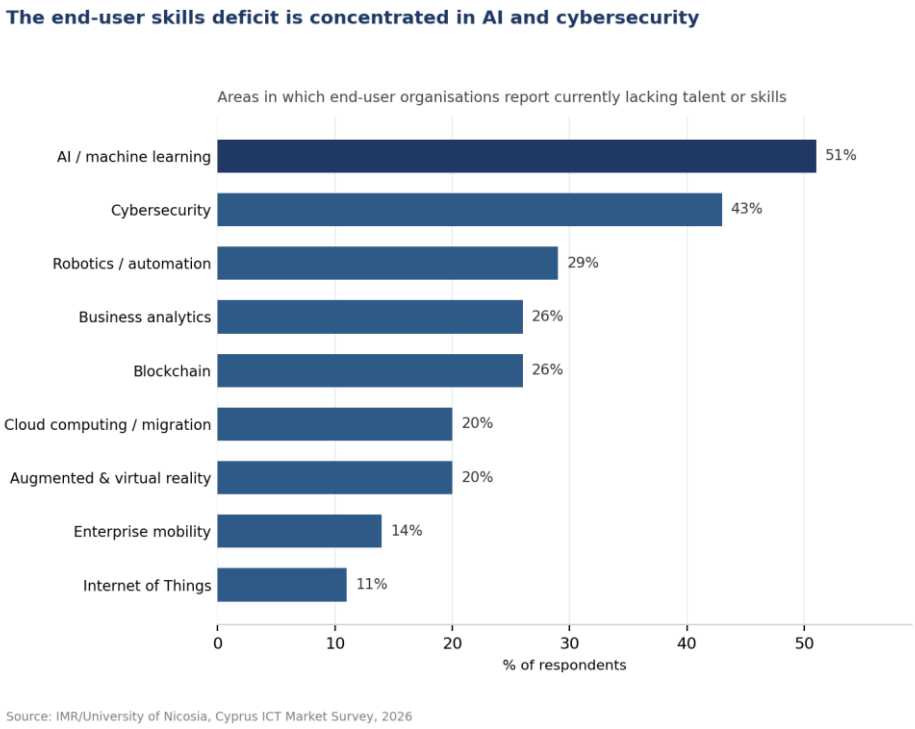


Figure 11. *The end-user skills deficit is concentrated in AI and cybersecurity*
Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026

The End-User Survey locates the deficit precisely (chart above). AI and machine learning is the largest reported gap at 51%, followed by cybersecurity at 43%; cloud registers only 20%, indicating it has become an established internal capability. The two largest gaps match the two technologies attracting the highest investment intent, the configuration most likely to generate external service demand. On the supply side, the Vendor Survey finds salary and benefit expectations the most commonly cited obstacle to maintaining skills, ahead of limited availability and competition from other companies. Most vendors report reduced innovation or competitiveness and overburdened employees, while few report higher costs from outsourcing or hiring.

> STRUCTURAL CONSTRAINT **Talent is the mechanism by which demand fails to convert into delivered revenue. The constraint is absorbed through employee load rather than cost, which degrades delivery speed before margin, exactly the slow response and delay customers already report (see The Ecosystem and the Domestic Supplier Layer). The sector's growth ceiling is set by implementation capacity, not customer appetite.**

Vendors mitigate mainly through automation and internal training; only a minority use internships or graduate recruitment and few collaborate with universities, largely bypassing the education system and, collectively, reinforcing the national research weakness.

Specialist supply and the numbers in circulation

Demetris Skourides, National Chief Scientist, puts annual specialist output across data science, analytics and AI at roughly 120 graduates. The policy implication is that expanding ICT study in general addresses a shortage official data do not show; expanding capacity specifically in data science and AI addresses the one the evidence identifies.

Table 13: Competing measures of the Cyprus technology workforce, 2025

Measure	Value	Source and status
ICT specialists (occupational)	24,700 (4.9% of employment)	Eurostat; official statistic

Measure	Value	Source and status
Broad technology sector (sectoral)	48,200	KPMG Cyprus; private assessment
Third-country nationals in sector	12,400 (25.7%)	KPMG Cyprus
All foreign nationals in sector	16,500 (34.2%)	KPMG Cyprus
Specialist growth, 2015–2025	9.9% a year	Eurostat; robust decade trend
Specialist growth, 2023–2025	Negative; 7.1% below 2023 peak	Eurostat; volatile series
Cybersecurity requirement	Around 1,900 people	Interview estimate; unverified

Source: Eurostat isoc_sks_itspt; KPMG Cyprus; interview evidence for this study, 2026

The figures quoted in policy discussion need care. A stakeholder estimate of "more than 30,000 technology specialists" matches neither published basis, and a cited foreign-national share of 32.3% matches neither the third-country nor the all-foreign figure. The often-repeated 10% annual specialist growth is accurate as a decade average but describes a period that has ended: the series peaked at 26,600 in 2023, fell to 24,200 in 2024 and recovered only to 24,700 in 2025. Any 2026–27 outlook extrapolating 10% growth is extrapolating from a series flat to negative for two years.

Supervisory evidence supplies a number that no official statistic publishes.

> *"Based on market research, Cyprus needs around 1,900 people to cover its cybersecurity needs."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek)

The figure is attributed to the interviewee and treated as an order of magnitude. Against approximately 520 to 600 regulated entities, it implies about three specialists per entity, and roughly 3.9% of the entire technology workforce. Yet, on supervisory evidence, the Digital Security Authority received approximately 115 applications for 12 Digital Security Engineer posts and about 51 for senior posts. Applicant volume is not the constraint; certified, experienced depth is. That is a training-and-progression problem, not a recruitment-marketing one.

SIGNATURE INSIGHT **The security market sized at €90–130m and the requirement of roughly 1,900 specialists are the same fact stated two ways. Cyprus cannot staff that requirement in-house across 520 to 600 organisations; it is arithmetically a managed-services requirement.**

Internationalisation, retention and the cost of living

Remote working has severed the link between where a specialist lives and who employs them. Cypriot firms now compete against international salaries and career paths while carrying a Cypriot cost base, which explains why vendors rank salary expectations above availability. Industry evidence describes qualified adequacy: talent exists, but not enough of it. It also reports employees moving for flexibility, autonomy and work-life balance rather than pay alone.

STRUCTURAL CONSTRAINT **Retention is threatened not by employer practice but by the wage net of rent, energy and basic services. Housing costs have risen faster than wages where technology firms concentrate, and Cyprus has the EU's second-highest non-household electricity prices. This is a housing and energy policy problem presenting as a skills problem.**

Industry evidence describes how the employer's side of the bargain has shifted.

Employers already compete on the total employee value proposition: hybrid working is standard and progression frameworks measurably improve retention, though equity is limited outside relocated firms and startups. The EU Pay Transparency Directive applies from 7 June 2026 and will expose compensation gaps in a market with an unusually wide salary spread. Roles themselves are changing as AI and automation reach routine tasks.

Of the three supply channels, domestic graduates are the weakest, the €24m reskilling envelope targeting 20,000 people is underpowered, and international recruitment works but is most exposed to housing costs and the absence of Schengen membership. Women make up 23.7% of ICT specialists (EU 19.5%), but basic digital skills reach only 49.5% of the population (EU 55.6%) and 18.4% of those aged 55–74. Free cybersecurity training exists at scale; the binding constraint is employer willingness to release staff.

See Chapter 13 of the full report.

Innovation, Startups and Funding

The ecosystem's progress is real. StartupBlink ranks Cyprus the fastest-growing ecosystem in the EU for three consecutive years, 34th globally (up six places), with 62.7% growth and an index valuation of $4.2bn. Cyprus ranks 25th on the Global Innovation Index 2025 and counts four unicorns. Two qualifications apply: the award is EU-specific, so "fastest-growing in Europe" is an overstatement; and the cited fivefold increase measures companies *entering* the ecosystem since 2020, with no published baseline.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister regards a strong startup ecosystem as necessary to sustain the technology sector, and describes its growth as supported by government through the 33East VC fund, Plug and Play Cyprus and recently legislated funding initiatives, with the Research and Innovation Foundation supporting startups from inception to scale-up. He identifies funding, research commercialisation and internationalisation as the ecosystem's principal weaknesses.**

> *"A pillar for us, execution. The pillar is the RIF, the Research and Innovation Foundation, which is chaired by the Chief Scientist [...] they do very good work in structuring the programmes [...] to support the whole journey of startups, from inception to their scale-up [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Two new institutions target the formation layer. 33East reached €35m at second close in 2026 (from €26m in 2025, of which €19m came from the Cyprus Equity Fund) and is the first Cyprus venture fund backed by the European Investment Fund. Plug and Play Cyprus launched in Limassol in April 2026, targeting approximately 60 startups over six programmes. Both are the right interventions and both are too small for the gap, which sits at Series A and above.

The research gap

Gross domestic expenditure on R&D is 0.65% of GDP against an EU 2.24%, third-lowest in the Union, while the government R&D budget fell 25.6% in 2025, from €150.61m to €111.99m, in the year the technology sector reached 16.2% of GDP. No published explanation has been found. Patent applications run at 54.6% of the EU average and designs at 36.0%, yet the composite intellectual assets score sits at 101.8%.

> KEY FINDING **Cyprus attracts intellectual property ownership more successfully than it generates intellectual property. With the IP Box near 3%, it registers IP roughly normally and creates comparatively little. Malta shows the same pattern, suggesting a structural feature of small domicile economies.**

University of Nicosia analysis finds no fully functioning chain from research to market. Industry evidence locates the break after invention rather than before it.

> *"The innovation is there. What needs work is taking it one step further."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

The missing capabilities are international market access, scale-up support, export channels and follow-on support after grants end.

Capital: present at seed, absent at scale

Grants (including THALIA, INNOVATE and DISRUPT), an angel network, crowdfunding and a first EIF-backed seed fund all exist. Series A capacity is thin and Series B effectively absent domestically. Disclosed startup funding was approximately €12m across seven deals in January–April 2026, against a record €85.5m in 2021. The Vendor Survey shows delivery-side project funding is overwhelmingly commercial, with private sources a mean 75% of client project funding. Neither survey asked about access to finance, itself a gap in the evidence base.

> *"I think funding is one of the pain points, one of the things we need to strengthen. Here, in the ecosystem, I think one of the things we lack is funding [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> STRUCTURAL CONSTRAINT **The funding problem is ticket size, not access. Even the largest domestic vehicle, at €26m in total, is roughly the size of a single European Series B round. A company needing €15–40m raises abroad and typically relocates its cap table, board and eventually headquarters. The scale-up gap does not cause Cypriot companies to fail; it causes them to succeed somewhere else.**

The same pattern recurs at the other end of the economy.

> *"SMEs need a push. They need funding in order to invest in Digital Transformation."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

SMEs generate 77.7% of business value added and employ 84.1% of the workforce. Digitalisation schemes exist, but awards are too small, totals too limited and calls frequently delayed. Estonia shows population size is not the explanation. The study's highest-leverage financial recommendation is an EIF-anchored successor fund of €100m or more. The angel investor tax incentive, in place since 2017, is scheduled to expire at end-2026.

See Chapter 14 of the full report.

Government, Policy and Procurement

The policy architecture is substantial: a Digital Decade roadmap of 62 measures worth €0.98bn, a €300m digital component in the Recovery and Resilience Plan, €100m of digital cohesion funding and a 2026 Deputy Ministry budget of €172.86m (+3.2%). But the Digital Strategy for Cyprus 2020–2025

and the Digital Skills National Action Plan 2021–2025 have expired without publicly confirmed successors.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister describes public-sector digitalisation as a pillar that drives the digitalisation of businesses and creates opportunities for technology companies to sell services. He says the focus on digitalisation is intensifying, that the Recovery and Resilience Plan devotes well above the European average to digital, and that SME digitalisation schemes generate further demand, with additional schemes under consideration, mainly for AI.**

> *"The progress, or rather our emphasis, as regards the digitalisation of the public sector. Because it is a pillar that drives the digitalisation of businesses too [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

The 2026 tax reform raised corporate tax from 12.5% to 15% to align with OECD Pillar Two, but every structural attraction survived: the IP Box (now near 3.0%), zero withholding on outbound dividends, the non-domicile regime and notional interest deduction. Loss carry-forward extends to seven years and the Special Defence Contribution on dividends falls to 5% for domiciled residents. With tax differentials compressing across the EU, future advantage rests increasingly on talent, connectivity, regulatory speed and cost of living.

Procurement: the bottleneck

Government is the largest single institutional buyer, at approximately €276m (model estimate), and one of the market's principal constraints. Among vendors with government clients, government contributes a mean 22.5% of revenue, yet in the Vendor Survey government support and incentives was the only one of ten factors no vendor selected as influencing ICT spending. In the End-User Survey, 26% expect it to influence spending, fourth of ten, pointing to programme design and communication rather than budget.

Industry evidence describes procurement as a broken machine: cycles measured in years against technology cycles measured in months. One illustrative account describes an innovation project taking about two and a half years to approve, generating an estimated €500,000 in redesign cost (a single, unverified example).

> *"The public sector is a category of its own. It is a broken machine that different ministers are trying to repair."*
>
> George Malekkos, President of CITEA, interview for this study, 2026

> *"A project we won took two and a half years just to be approved. By then the technology had changed, and we ended up rebuilding it four times. That delay cost us an additional half a million euros."*
>
> George Malekkos, President of CITEA, interview for this study, 2026

STRUCTURAL CONSTRAINT **Procurement duration is a value-destruction mechanism. A cycle long enough for the specified technology to change converts a procurement into a redesign, and the state pays for both. The constraint is procurement velocity and tenders built around legacy specifications, not budget or ambition.**

Innovation procurement and outcome-specified tendering are largely absent. Industry proposes independent implementation structures with government oversight; the diagnosis is supported by

expired strategies, the unconfirmed G-Cloud award and the AI strategy deferring its sovereign infrastructure funding plan to 2028.

Supervisory capacity and the demand channels

The NIS2 supervised population expands from approximately 60 to approximately 520 entities, approximately nine-fold, while the national coordination centre had around six people at the time of interview and the wider Authority plans 24 hires. The Digital Security Authority operates under the Commissioner of Communications, who also regulates telecommunications and posts, so this expansion is added to a standing workload. The risk to the October 2026 deadline is not refusal to comply but a shortage of specialist headcount to process 520 compliance relationships.

Public procurement is also the principal domestic market where Cypriot firms hold structural advantage through local presence, Greek-language delivery and regulatory familiarity, making procurement reform an industrial policy question. The current digital share of the Recovery and Resilience Plan is 30.03%, against an EU minimum of 20%, implying roughly €306–367m tagged digital. The SME digital upgrade scheme (€30m over 2021–2027) saw its first €10m call exhausted the day it opened, the strongest single indicator of latent SME demand, though the number of enterprises supported is not published.

See Chapter 15 of the full report.

The End-2026 Policy Cliff

This finding is time-sensitive and, as far as this study can establish, is not being publicly discussed.

Table 14: What expires or takes effect around end-2026

Item	Scale	Date
Digital Decade roadmap measures	50% of 62 measures; €117m public funding; 16% of total budget allocation	31 Dec 2026
Angel investor tax incentive	In place since 2017, extended twice	End 2026
Digital Strategy 2020–2025	Successor unclear	Already expired
Digital Skills Action Plan 2021–2025	Successor unclear	Already expired
Recovery and Resilience Facility	Final phase; 5th payment partially disbursed	2026
NIS2 compliance	Enforcement begins	Oct 2026
EU AI Act high-risk obligations	Become mandatory	2 Aug 2026

Source: European Commission Digital Decade Country Report 2026; Cyprus financial and legal press; EU regulatory instruments

Four things converge in a single quarter: half the roadmap lapses, the Recovery and Resilience Facility enters its terminal phase with milestones outstanding, the angel incentive at the thinnest point in the capital stack is due to expire, and two compliance regimes impose costs on the SMEs the expiring measures were meant to help.

> OUTLOOK **By the fourth quarter of 2026 Cyprus either has a successor digital programme, a renewed angel incentive and completed RRF milestones, or it enters 2027 with materially less policy capacity than it had in 2025. No successor programme is in public view.**

This is the most immediately actionable finding in the report, and the response leads the immediate priorities under Strategic Priorities. Its core is sequencing: NIS2 enforcement should be paired with SME compliance support, not imposed as support is withdrawn.

See Chapter 16 of the full report.

Cyprus as a Regional Technology Hub

Cyprus credibly offers EU and eurozone membership; a position between Europe, the Middle East and North Africa; approximately ten submarine cable systems, with BlueMed landed and the East Med Corridor entering service; complete 5G and near-complete gigabit coverage; 15% corporate tax with an IP Box near 3%; an English-language business environment; and third-country talent permits in weeks. It does not credibly offer hyperscale compute, given the EU's second-highest electricity prices; deep scale-up capital; a large domestic market, at approximately €1.7bn addressable; or research depth, at 0.65% of GDP.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister holds that Cyprus can now speak meaningfully, and with results, about the hub objective, because the economy, the business environment, digitalisation and the ecosystem layers are in place. He argues that geostrategic position and tax incentives are not enough on their own: the country needs partnerships and international standing, built through bilateral relations driven by the President and the Minister of Foreign Affairs.**

> *"It is driven by the emphasis of the President and the Minister of Foreign Affairs on building such bilateral relations. […] if you do not have a good bilateral relationship with Egypt […] or with India, or with Kazakhstan, where it was the first time we have had such relations […] you cannot simply go and tell them, come, let us cooperate in the technology sector […] we are talking about countries that have enormous strengths, and we can gain a great deal."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Table 15: Testing the hub proposition

Condition	Cyprus	Verdict
Connectivity to major markets	~10 subsea systems; complete 5G	Met, and improving
Regulatory and administrative speed	Company set-up in weeks; MiFID and MiCA authorisation	Met
Talent access	25.7% third-country nationals; 2.8% ICT graduates; no Schengen	Partially met
Capital depth	Largest domestic fund €26m; no Series B	Not met
Research and knowledge base	GERD 0.65%; patents 54.6% of EU average	Not met

Source: IMR analysis.

KEY FINDING **Cyprus is a functioning regional technology platform, not yet a self-reinforcing ecosystem. Connectivity and speed attract activity; capital depth and research capacity determine whether it compounds. Cyprus has built an excellent front door and comparatively little behind it.**

Agility is genuinely available, as the rise in ICT's share of gross value added from 4.3% in 2013 to 12.5% in 2025 shows, but it is applied unevenly: fast in attracting activity, slow in procuring, funding and implementing. Policy attention is likewise uneven across verticals: shipping has a Deputy Ministry and tonnage tax, but the regulated digital-platform cluster, maritime technology, health technology and tokenisation lack proportionate strategies.

Government's own reading of the hub proposition has become more confident.

> *"Today we are in a position to talk meaningfully about the objective."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

The general hub claim is now supportable. The AI hub claim is not, with enterprise AI adoption at 9.27% against an EU 19.95%; the sequence should be to build the measurable position, then make the claim. In cybersecurity, Marios Pieris, Commissioner of Communications, describes how a small state can partially lift its own scale ceiling through operational cooperation with counterpart authorities abroad, rather than dialogue alone.

> *"Let's build team together."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026, describing the intended basis of cooperation with counterpart authorities

For a country that cannot generate specialist depth domestically, borrowed depth is not a second-best arrangement; it is the only one available.

The report recommends four specific propositions in place of a general hub claim:

- **The EU's East Data Gateway:** cable landing and interconnection, the strongest proposition and already partly realised.
- **A subsea cable security and resilience centre:** the highest-return under-exploited niche identified in the study.
- **A regional headquarters and regulated-industry platform:** fintech, forex, gaming, shipping and professional services, which is what Cyprus has actually become.
- **A maritime and shipping technology cluster:** Limassol domain depth, under-served relative to its economic weight.

> MARKET SIGNAL **Cyprus competes for technology investment as a regional business platform, not as a domestic market. The proposition should be marketed accordingly: serve the region and the world from an EU base with fast talent access and excellent connectivity.**

See Chapter 17 of the full report.

Growth Drivers

Drivers are ranked by the product of impact, probability and time horizon.

Table 16: Ranked growth drivers of the Cyprus ICT market

Driver	Impact / probability	Horizon	Rank
Cybersecurity regulation (NIS2, DORA, CRA)	High / Very high	0–24 months	1
Managed services shift	High / High	0–36 months	2
Cloud migration and SaaS substitution	High / High	Continuous	3
Government digitalisation programmes	High / Medium	0–36 months	4
Technology company relocation	High / Medium	Continuous	5
Submarine cable and data gateway build-out	Medium-high / High	24–60 months	6
Financial services digitalisation	Medium-high / High	0–36 months	7
Data centre capacity expansion	Medium / High	12–48 months	8
Fintech and gaming sector growth	Medium / Medium-high	Continuous	9
EU funding (RRF, Cohesion, Digital Europe)	Medium / Medium	0–24 months, then uncertain	10

Driver	Impact / probability	Horizon	Rank
AI adoption by domestic enterprises	High / Low near-term	36–60 months	11
5G enterprise applications	Low-medium / Medium	24–60 months	12

Source: IMR assessment.

Cybersecurity ranks first not because it is the largest driver but because it alone combines near-certain probability with an immediate deadline; statutory obligations with turnover-linked penalties and board liability do not depend on business confidence or budget cycles. AI ranks eleventh because of Cyprus's specifics: adoption at 9.27%, a €6m policy instrument and sovereign infrastructure funding deferred to 2028. For the export economy AI is a first-order driver, but that revenue is booked against foreign customers. EU funding ranks tenth and is falling because of the end-2026 policy cliff.

> KEY FINDING **The only near-certain, near-term driver of domestic ICT demand is regulation. AI is a high-impact but slow-arriving driver in the domestic market, and EU funding is a declining one.**

See Chapter 18 of the full report.

Constraints and Risks

Table 17: Top-ranked constraints and risks

Risk	Impact / probability	Horizon	Rank
Scale-up funding gap	High / Certain: present now	Continuous	1
Housing and cost-of-living erosion of talent proposition	High / High	0–36 months	2
Energy costs constraining infrastructure and industry	High / High	Continuous	3
End-2026 policy cliff	Medium-high / High	0–12 months	4
Research intensity gap	High / Certain	60+ months	5
Public procurement velocity	Medium-high / High	Continuous	6
Enclave risk: weak domestic linkage	High / Medium-high	36–60 months	7
Relocation reversibility / competitor jurisdictions	High / Medium	24–60 months	8
Senior specialist talent scarcity	Medium-high / High	Continuous	9
Geopolitical shock (Middle East, Ukraine)	High / Medium	Unpredictable	10

Source: IMR assessment. Ranks 11–14 appear in the full report.

The funding constraint, tested

The hypothesis that Cyprus has funding mechanisms but too little capital to let firms scale internationally is supported, and the scale-up gap ranks first among the constraints because it is present now. Mechanisms have improved markedly; ticket size has not, with the largest domestic vehicle at €26m (see Innovation, Startups and Funding). The qualitative research adds a strategic dimension: technology matters to Cyprus not only as a fast-growing sector but because it reduces dependence on more geopolitically exposed activity, a horizontal resilience role that justifies treating it as a national economic priority.

Geopolitical exposure, tested

Cyprus is both highly exposed and highly adaptive. Exposure comes from proximity to Middle East conflict, energy isolation and reliance on foreign capital and labour. Yet the economy grew 4.7% on average across 2020–24 through a pandemic, an energy shock and an estimated €50.1bn Russian

disinvestment (unverified), and ICT grew 21% in the year the economy contracted 3%. The qualitative research also identifies reputational amplification: international reporting of regional incidents can make Cyprus itself seem unsafe.

> *"[…] everyone in Europe was talking, and many are still talking, about strategic autonomy, technological sovereignty […] and for many, for quite a few of the member states, it also means isolation. […] you can become isolated, especially in technology, in order to become autonomous. By the time you do it, it's going to be too late."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

RISK FRAMING **Exposure operates partly through perception, which strengthens the diversification argument: a technology sector selling to foreign customers is far less perception-sensitive than tourism.**

The principal constraints

Housing and cost of living is the most under-recognised risk: rents in Limassol and Nicosia rise faster than wages, and because a third of the technology workforce is non-Cypriot and mobile, an uncompetitive package produces a fast response.

Energy acts as a permanent tax on production: non-household electricity prices in H2 2025 were second only to Ireland's in the EU, making data centre economics structurally unattractive. The Great Sea Interconnector cannot responsibly be assumed on a fixed date.

Vendors and customers disagree on what will drive spending. In the End-User Survey, rising cyber attacks rank first (56%) and energy costs second (44%). In the Vendor Survey, supply chain disruptions and ICT skills shortages rank jointly first, each cited by a majority of vendors, with cyber attacks fourth and energy second from bottom (see chart). Vendors give cyber attacks and energy costs far less weight than their customers do, and supply chain disruption far more.

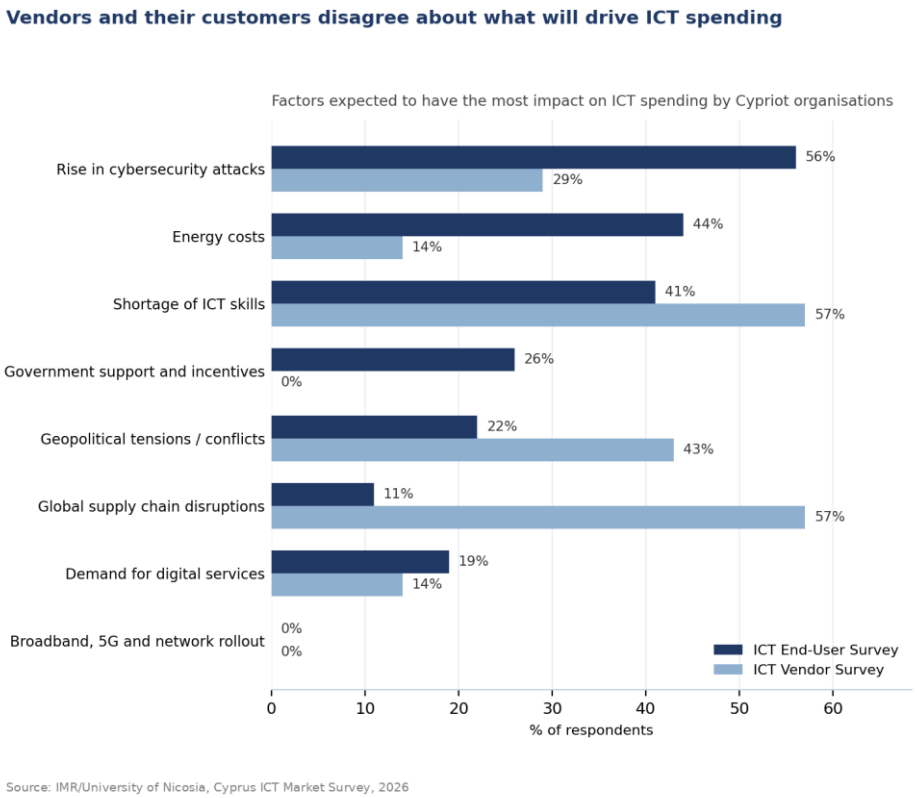


Figure 12. *Vendors and their customers disagree about what will drive ICT spending*
Source: IMR/University of Nicosia, Cyprus ICT Vendor and End-User Surveys, 2026

> MARKET SIGNAL **Vendors are building propositions around their own delivery constraints while customers budget around cyber risk and energy cost. Supplier positioning is misaligned with the two variables customers say will move their spending.**

Public procurement ranks sixth: government is both the largest institutional buyer and a principal bottleneck (see Government, Policy and Procurement).

Relocation reversibility is the genuine tail risk. The activity was attracted by replicable policy levers and has minimal domestic linkage, while Pillar Two compresses the tax differential and competitor jurisdictions are active (see Technology Company Relocation). A reversal would appear as a level shift in output, first visible in employment and FDI data.

SME regulatory burden. NIS2 applies from October 2026 to entities with 50+ employees or €10m+ turnover, with six-hour initial notification and penalties up to €10m or 2% of global turnover. It is both the largest domestic opportunity and a cost shock, arriving in the same quarter that half the Digital Decade support measures expire.

See Chapter 19 of the full report.

SWOT Analysis

Strengths

- ICT at 12.5% of GVA against EU 5.6%; growth of +435% in 2016–2025 against EU +86%.
- First EU state to 100% 5G; FTTP 77.1% against EU 64%; ~10 submarine cable systems.
- 15% corporate tax and ~3% IP Box retained through the 2026 reform.
- Fast talent immigration machinery (BFU); fastest-growing EU startup ecosystem.

- Counter-cyclical resilience: +21% in 2020 while the economy contracted 3%.

Weaknesses

- Small domestic market: ≈€1.7bn addressable, of which ≈€0.8–0.95bn reaches Cypriot firms.
- Third-lowest EU research intensity (GERD 0.65% vs EU 2.24%); GBARD −25.6% in 2025.
- No scale-up capital; bottom-five AI adoption (9.27% vs EU 19.95%).
- Digital skills 49.5% vs EU 55.6%; ICT graduates 2.8% vs EU 4.2%.
- Weak domestic linkage; net FDI income −€3.43bn (−9.9% of GDP).

Opportunities

- Compliance-driven managed security: €90–130m, structurally local.
- EU East Data Gateway and subsea cable security centre.
- Government digitalisation (€276m public sector market).
- Financial compliance technology (DORA) and maritime technology.
- AI adoption from a low base; second-phase headquartering with linkage conditions.

Threats

- Housing costs outpacing wages; the EU's second-highest electricity prices.
- End-2026 policy cliff (50% of roadmap measures, angel incentive, RRF).
- Relocation reversibility and competing jurisdictions.
- Scale-ups leaving to raise capital; a widening AI gap; geopolitical shock.

The strengths are overwhelmingly acquired through policy since 2013, so competing policy can erode them; the weaknesses are structural; the opportunities lie in compliance, connectivity and specialisation, not scale; and the threats are mostly cost threats, which for a mobile sector is the whole game.

> KEY FINDING **Cyprus has executed an attraction strategy exceptionally well and has not yet begun a retention strategy. The strengths get firms through the door; the weaknesses determine whether they build anything inside; the threats determine how long they stay.**

See Chapter 20 of the full report.

Cyprus ICT Competitiveness Index

The index is a qualitative scoring framework, not a computed composite: twelve equally weighted dimensions scored 1–5 against the EU-27 average and structural peers, where 3 denotes parity.

Table 18: Cyprus ICT Competitiveness Index, dimension scores

Dimension	Score	Principal evidence
Digital infrastructure (domestic)	5	100% 5G; FTTP 77.1% vs EU 64%
International connectivity	5	~10 subsea systems; BlueMed; EMC
Internationalisation	5	69.8% extra-EU exports, highest in EU
Market attractiveness	4	15% CIT, ~3% IP Box; BFU speed
Regulatory environment	4	Fast relocation machinery; sandbox committed
Business digitalisation	3	SME basic intensity above EU; advanced adoption low

Dimension	Score	Principal evidence
Human capital	3	ICT specialists 5.0% = EU; skills and graduates below
Public-sector digitalisation	3	UN EGDI 38th; Open Data 95% (fifth to sixth of 36); procurement lagging
Cybersecurity	3	Commission recommends stronger infrastructure resilience
Emerging technology adoption	2	AI 9.27% vs EU 19.95%
Funding environment	2	Scale-up capital absent; largest fund €26m
Research capacity	1	GERD 0.65% vs EU 2.24%; GBARD −25.6%
Overall (unweighted mean)	3.3	Above average

Source: IMR assessment. Qualitative classifications, not computed composites.

The mean of 3.3 is the least informative number. Every dimension scoring 4 or 5 attracts mobile activity; every dimension scoring 1 or 2 (research, scale-up funding, advanced technology absorption) would root it in place.

> KEY FINDING **The profile is bimodal. World-class infrastructure and internationalisation, and above-average market attractiveness, sit directly alongside bottom-of-the-EU research capacity, funding depth and advanced technology adoption. This is the attraction-without-rooting asymmetry of the Executive Summary, measured.**

See Chapter 21 of the full report.

Market Outlook 2026–2030

Scenarios are modelled separately for supply (ICT gross value added) and demand (addressable domestic expenditure). These are model-generated projections, not official forecasts.

> *"I believe that in the coming years the sector has very good prospects of becoming a pillar of the economy. [...] It is going very, very well."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Table 19: Scenario outcomes, 2030 (forecast)

Scenario	ICT GVA 2030 (CAGR)	Domestic market 2030 (CAGR)	Key conditions
Base	€6,107m (8.3%)	€2,234m (5.6%)	Successor programme at reduced scale; NIS2 as scheduled
Upside	€7,223m (12.0%)	€2,522m (8.2%)	Expanded successor; scale-up capital; energy improves
Downside	€4,940m (3.8%)	€1,934m (2.6%)	No successor; light enforcement; relocation stalls

Source: IMR model. Forecast. Base year 2025: ICT GVA €4,100m; domestic market €1,701m.

The gap between the two economies persists in every scenario: in the base case the domestic market to sector output ratio falls from 0.41 to 0.37 by 2030. The downside is not a recession, and the tail risk of relocation reversal is not modelled. Three of the upside's four conditions are policy choices.

In the base case, security grows from ≈€90–130m to ≈€200–260m by 2030 (~14% a year), modelled as recurring resilience expenditure rather than a one-off compliance project, while hardware declines 3.1% a year.

Base case: continuation with friction

A reduced successor programme; RRF milestones met late; NIS2 as scheduled; slower relocation; AI adoption 25–30% by 2030. Cyprus stays top-three in the EU by ICT share, and remains an enclave.

Upside: the second phase begins

An expanded successor programme, an EIF-anchored scale-up fund of €100m or more, AI support well beyond €6m and linkage conditions on relocation incentives. Research intensity begins rising and Cypriot companies scale while keeping Cyprus headquarters: Cyprus stops being a platform and starts being an ecosystem.

Downside: the cliff is not bridged

No successor programme, the angel incentive expires, NIS2 enforcement is light, and housing and energy costs outpace wages. A deceleration from 15% to 4% while still growing is easily mistaken for maturity rather than read as a warning.

> OUTLOOK **The most likely failure mode is not a crisis but a slow deceleration that looks like maturity. The indicators that would reveal it early, net technology in-migration, relocated-firm employment and non-EU work permit issuance, are not currently published.**

The market's own expectations support the base case. The large majority of vendors in the Vendor Survey expect ICT revenue to rise in 2026, against the End-User Survey's more measured net balance of +47 points: vendors are more optimistic than their customers, which is the note of caution, though vendor revenue also includes government and export work. Industry evidence characterised 2025 as a particularly strong year, consistent with official data showing ICT gross value added rising from €3.59bn in 2024 to approximately €4.10bn in 2025.

Tested against the senior stakeholder ambition of ICT reaching 20% of GDP by 2035, on the narrow national accounts basis (ICT currently ≈11.3% of GDP), the required growth is 9.1–10.1% a year: above the base case, well below the upside and considerably below the 435% growth the sector delivered between 2016 and 2025. The ambition is arithmetically achievable but structurally constrained by talent supply, scale-up capital, energy cost and delivery capacity, none of which is a demand problem.

Table 20: Leading indicators to monitor

Indicator	Source	What to watch for
Successor digital strategy	DMRIDP	Published before 31 Dec 2026, or not
Angel investor tax incentive	Ministry of Finance	Extended, or allowed to lapse
Third-country ICT work permits	Ministry of Interior / BFU	Deceleration: earliest sign of relocation stalling
Enterprise AI adoption	Eurostat	Above 15% by 2027 = base; 9–11% = downside
Scale-up fund formation	EIF / government	A vehicle above €100m: clearest upside signal
ICT job vacancy rate	CYSTAT	Rising vacancies: genuine demand growth

Source: IMR analysis.

See Chapter 22 of the full report.

Strategic Priorities

Every recommendation names a responsible stakeholder, a specific action, an objective, a rationale, an expected impact and a timeframe. Recommendations that could not be specified to that standard were omitted.

> *"Look, rather than talking about sectors as such, let me start by saying that there are priorities. One priority is the skills gap [...]. We must close the skills gap, because without it you will not be able to [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Immediate: 0–12 months

- **Deputy Ministry of Research, Innovation and Digital Policy (DMRIDP):** publish a successor digital strategy before 31 December 2026, when half the Digital Decade roadmap measures lapse with no successor in view; and publish a public delivery tracker for the AI and digital strategies, building on a precedent tracker that reported 38 of 50 commitments met in January 2026.
- **Ministry of Finance:** extend the angel investor tax incentive, due to expire at end-2026 at the thinnest point in the capital stack, with an evaluation requirement.
- **DMRIDP and the Digital Security Authority:** launch an SME NIS2 compliance support scheme, since NIS2 bites in October 2026 in the same quarter that support measures lapse.
- **Central Bank of Cyprus:** publish net FDI income and SPE-adjusted FDI stock by sector, closing the most important data gap in the sector.
- **Invest Cyprus and TechIsland:** adopt the SPE-adjusted basis in all ICT investment communication, as headline figures overstate ICT FDI roughly fivefold.
- **Cyprus ICT companies:** build or partner for managed security and MDR capability now, in a €90–130m, structurally local market with a statutory deadline.
- **CYSTAT:** begin publishing ICT turnover by NACE J sub-class, so that segment structure no longer has to be estimated.

Medium term: 1–3 years

- **Government and the EIF:** establish an EIF-anchored scale-up fund of €100m or more; the largest domestic fund, at €26m, is roughly one European Series B round.
- **DMRIDP:** scale AI adoption support materially beyond €6m and fund sovereign AI infrastructure before 2028, the single largest determinant of the 2030 adoption outcome.
- **Government:** attach linkage conditions to relocation incentives (local procurement, university research partnership, Cypriot workforce training) to convert attraction into rootedness.
- **Ministry of Interior and municipalities:** treat housing supply in Limassol and Nicosia as technology-sector infrastructure.
- **Treasury and DMRIDP:** reform ICT procurement towards outcome-based specification and shorter cycles, unlocking the €276m public market.
- **Universities and the Research and Innovation Foundation:** build a technology transfer chain to close the IP-creation gap (patents at 54.6% and designs at 36.0% of the EU average).
- **Ministry of Education:** expand ICT graduate output from 2.8% towards the EU average of 4.2%.
- **Invest Cyprus, DMRIDP and industry:** develop a subsea cable security proposition and a maritime and shipping technology specialisation, both defensible niches.

Structural: 3–5+ years

- **Government:** resolve the energy cost position through interconnection, storage, renewables and efficiency, a precondition for any compute ambition and for industrial competitiveness.
- **Government and RIF:** raise research intensity towards 1.5% of GDP, with business R&D as the primary target.
- **Government:** pursue Schengen accession, identified by industry as a mobility and talent constraint.
- **Government and industry:** reposition the national proposition from tax-led to capability-led as Pillar Two compresses tax differentials.
- **DMRIDP and CYSTAT:** establish an annual Cyprus ICT Statistical Bulletin covering the data gaps identified in the report.

> KEY FINDING **The immediate priorities are cheap and time-critical; the structural ones are expensive and slow. Both sets are needed, and the end-2026 deadlines leave little room for delay.**

See Chapter 23 of the full report.

Conclusions

Where is the market today?

Cyprus has two ICT economies. The first is an export-facing sector of roughly €4.1bn in gross value added, 12.5% of national gross value added against an EU average of 5.6%, grown 435% since 2016, counter-cyclical, predominantly foreign-owned and staffed one-quarter by third-country nationals. The second is a domestic market of approximately €1.7bn in addressable expenditure (model-generated), of which perhaps €800–950m reaches Cypriot firms; it grows with GDP and is dominated by financial services and government. Underneath both sits a measurement problem: 80% of headline inward investment is special purpose entities, and net foreign investment income runs at minus 9.9% of GDP. Cyprus produces more value than it retains.

> *"And the third priority is the scaling and globalisation of the ecosystem. It must not be an isolated ecosystem. We are very, very small. We must make sure that we are a real hub. And that whoever comes to create, it can scale globally."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Where is it heading?

Our base case has ICT gross value added reaching €6.1bn by 2030 at 8.3% a year and the domestic market reaching €2.23bn at 5.6% (forecast). The divergence widens, with the ratio between them falling from 0.41 to 0.37. Cybersecurity is the fastest-growing segment at roughly 14% a year, driven by statutory obligation. AI grows strongly in the export economy and slowly in the domestic one.

What could prevent Cyprus reaching its potential?

Not the factors most often cited. Connectivity is solved, tax survived Pillar Two intact, SME basic digitalisation is above the EU average, and the import machinery for talent works.

> STRUCTURAL CONSTRAINT **The four genuine constraints are scale-up capital, research intensity, energy cost and housing cost. None is a technology problem; all four determine whether a mobile sector stays.**

To these must be added an immediate sequencing risk: half the national digital roadmap, the angel investor incentive and the Recovery and Resilience Facility reach their terminus within the same quarter as two new compliance regimes become enforceable. That convergence is avoidable, and the window is short.

What would allow Cyprus to emerge as a major regional technology hub?

Cyprus already is one, in a specific sense: an EU-based regional platform for technology, fintech, gaming, shipping and professional services, with world-class connectivity, fast talent access and a growing role as the Union's eastern data gateway. The alternatives (hyperscale compute, a large domestic market, a research-led innovation economy) are not supported by the fundamentals. What would elevate it is the transition from attraction to rootedness: increasing the density of connections between the companies already here and the rest of the economy, through local procurement, research linkage, scale-up capital, and the housing and energy conditions that determine whether the people who staff the sector can afford to stay.

The senior stakeholder evidence reaches a conclusion that is optimistic and explicitly conditional, and this report shares both halves. The direction is not in question; the rate is, and it is set by specialist talent, scale-up capital, energy cost and delivery capacity. The measure of success will not be ICT's

share of gross value added but the share of value that remains in Cyprus, the number of Cypriot firms scaling internationally from Cyprus, and whether domestic enterprise adoption catches up with the sector that shares its jurisdiction. None of the three is on track; all three are addressable.

What this report changes

- The special purpose entity adjustment applied to ICT foreign investment for the first time: roughly €12–13bn rather than €63bn.
- The domestic market sized bottom-up at €1.33–2.15bn, with published methodology and a live model.
- The two-economies structure quantified: roughly four-fifths of the sector is export-facing.
- The principal statistical gaps in the sector's evidence base identified and flagged wherever they limit the analysis.
- The expanded cybersecurity regulatory perimeter quantified, and the six-hour Cyprus notification deadline established.
- The breadth-depth asymmetry in Cyprus's digital position measured rather than asserted.

> OUTLOOK **Cyprus is very good at the fast half of technology policy and has barely started the slow half. The next decade will be determined by whether it can be equally good at something much less rewarding in the short term.**

See Chapter 24 of the full report.

About the Cyprus Computer Society (CCS)



The Cyprus Computer Society (CCS) is a professional, independent not-for-profit organization seeking to improve and promote high standards among informatics professionals, in recognition of the impact that informatics has on the economy, society, organizations, and citizens' quality of life. Established in 1984, the CCS has been active in education and training, as well as research and development, through the organization of high-quality events and working groups, collaborations with local and foreign public and private organizations, the implementation of European projects, and active participation in international associations and consortia.

This report signifies the commitment of the CCS to enhance and expand the portfolio of services it offers to the ICT and business community. We envisage that it will prove useful for both foreign investors in the ICT field and the domestic business community.