

The distributional consequences of the Cypriot crisis

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Executive Summary

The economic crisis affecting Cyprus is likely to have considerable impact on the income distribution. Our analysis provides an early assessment of the potential distributional shifts. Using microsimulation techniques we take into account austerity measures that affect wages, taxes, social benefits and contribution rates. The analysis also accommodates for the impact of unemployment rise on the income distribution. We focus on policy changes introduced over the period 2009-2012 and we extend the analysis further in 2013 and 2014, thus taking into account a number of measures that have been announced in the framework of the Memorandum of Understanding agreement. Our aim is to obtain the ceteris paribus impact of the crisis on inequality and poverty, as well as to estimate how the burden of austerity has been shared across certain population groups.