

# Country Insight Snapshot

## Greece

July 2017



Written 07 July 2017

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## OVERVIEW

**OVERALL COUNTRY RISK RATING:** DB5c

**High risk** : Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high return transactions only.

R

**Rating Outlook:** Stable 

## CORE OUTLOOK


- + The tourism industry is expected to continue to grow in the medium term.
- + The short-term risk of Greece leaving the euro zone has receded significantly following the August 2016 agreement with its creditors.
- Still-poor labour market conditions, low wages, ongoing private sector deleveraging and EU-mandated fiscal discipline will constrain household consumption.
- The rapidly-ageing population and low labour participation rates will have long-term implications for the supply of workers, the social security system and public finances.

## KEY DEVELOPMENT

The economy is likely to have expanded further in Q2, but a fall in output for durables and non-durables hints at a still-challenging business environment.

### CREDIT ENVIRONMENT OUTLOOK


R

**Trend:** Stable 

Key Development has had a positive impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK


A

**Trend:** Stable 

Key Development has had a positive impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK


A

**Trend:** Stable 

Key Development has had a positive impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK

R

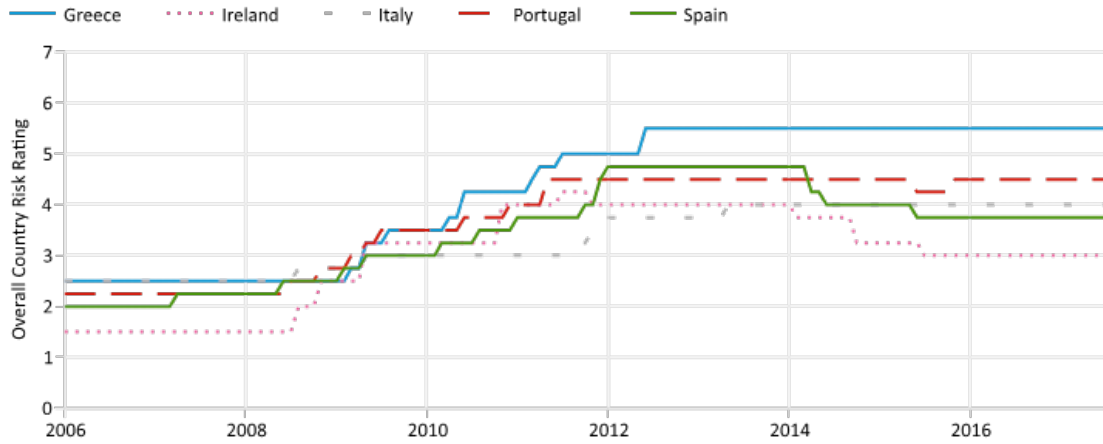
**Trend:** Stable 

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

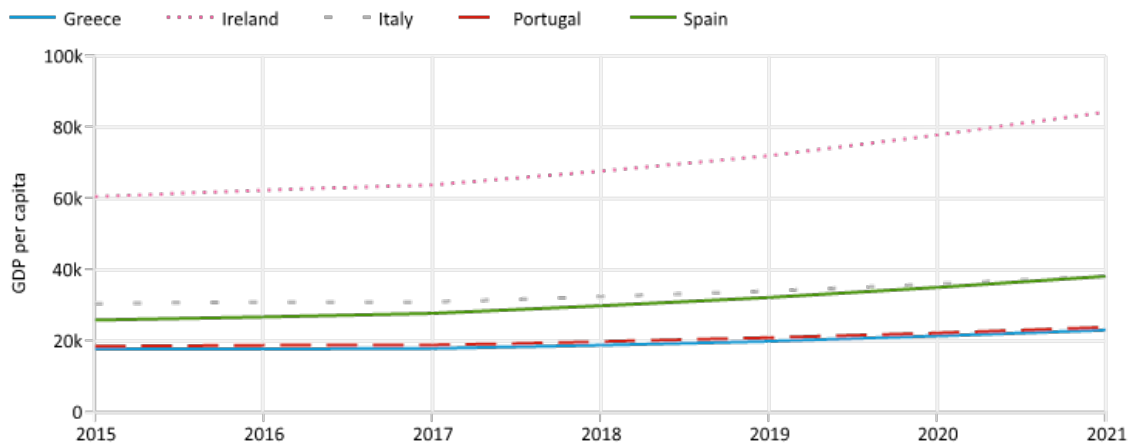
### Rating History and Comparison



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

### Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics



## Economic Indicators

Indicator	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	-1.7	0.1	-0.6	0.9	0.9	0.9	0.8	0.8
Govt balance, % GDP	-3.7	-5.9	0.7	0.8	0.8	1.0	1.5	1.7
Inflation, annual avge %	-1.4	-1.1	0.0	1.0	1.5	1.8	2.0	2.2
Real GDP Growth, %	0.4	-0.3	-0.1	1.0	1.5	2.0	2.5	2.5
Unemployment, %	26.5	25.0	23.5	22.5	21.8	21.5	21.0	20.5

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

In the World Bank's recently published *Doing Business 2017* report, Greece finished in 61st place (out of 190 countries surveyed), compared to 60th last year. According to the World Bank, paying taxes is now more costly than it was in 2015, as a result of an increase in the corporate tax rate. On a more positive note, Greece made enforcing contracts easier by amending its rules of civil procedure to introduce tighter rules on adjournments, imposing deadlines for key court events and limiting the recourses that can be lodged during enforcement proceedings. Overall, Greece ranks reasonably well in the trading across borders and protecting minority investors categories (29th and 42nd respectively). In line with the overall stability in its ranking, the country still scores poorly in terms of registering property (141st), enforcing contracts (133rd), and getting credit (82nd).

## TRADE TERMS AND TRANSFER SITUATION

### Minimum Terms: CLC

*The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.*

### Recommended Terms: CiA

*Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### Usual Terms: 30-120 days

*Normal period of credit associated with transactions with companies in the stated country.*

### Local Delays: 1-4 months

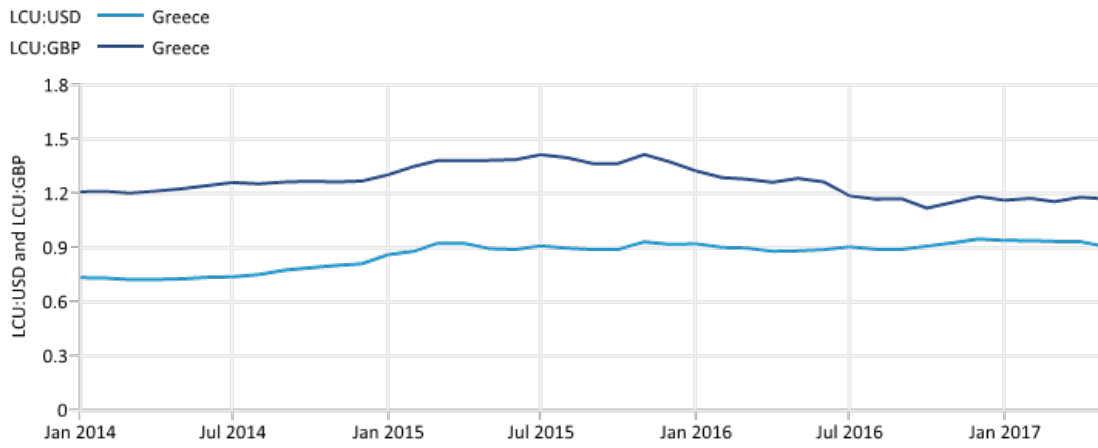
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### FX/Bank Delays: 1-3 months

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



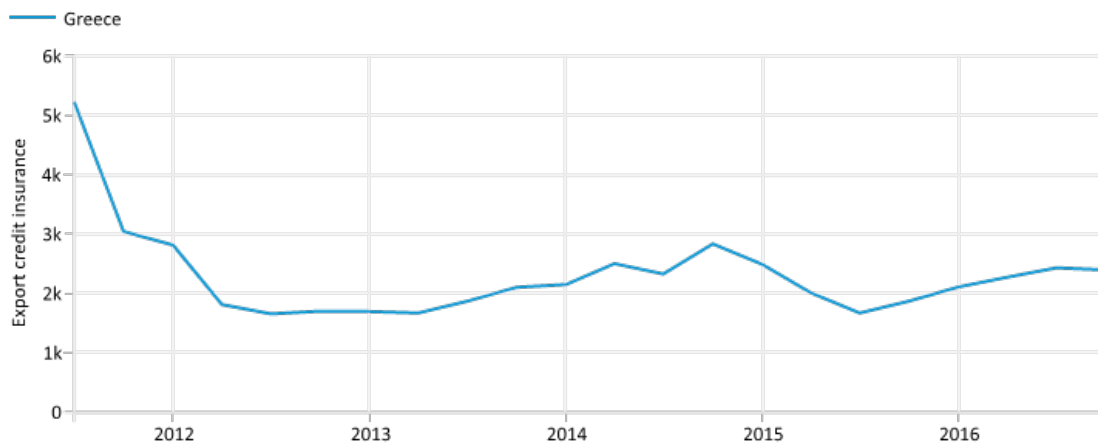
## Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

*LCU (local currency unit) = euro*

## Credit Conditions



Source : Export Credit Agencies

*Insured export credit exposures, USDm*



## RISKS AND OPPORTUNITIES

### Short-Term Economic Outlook

#### ***Growth in Q2 likely***

After growing in Q1, the Greek economy is likely to have expanded further in the second quarter - as positive data from coincident and leading indicators suggest. Indeed, industrial production (which tends to be well-correlated to real GDP) went up by 2.6% y/y in April: the breakdown by main industrial groups reveals that a 5.4% y/y increase in intermediate goods more than offset a 0.5% y/y drop in durables and a 3.6% y/y decline in non-durables. The breakdown by industry shows that activity in the manufacturing and mining sectors expanded by 1.4% y/y and by 18% y/y, respectively. Over the same period, retail sales volume increased by 2.8% y/y. A slow but constant improvement in labour market conditions is the main factor behind the ongoing recovery in overall domestic conditions: the unemployment rate edged down further in March, standing at 22.5%. That said, unemployment still remains at an unsustainable level, while the drop in durables and non-durables testifies to the still-challenging macroeconomic environment.

As such, we only expect modest growth in 2017: stronger domestic demand and, to a lesser extent, the stimulatory impact of higher external demand will support the economic expansion. The growth pace is likely to accelerate in 2018, on the back of lower unemployment, with positive knock-on effects on household purchasing power and thus consumer spending. That said, ongoing uncertainty around the bailout talks and continued bailout-mandated fiscal austerity will keep risks tilted toward the downside. Indeed, the Greek government has already implemented more than 100 of the 140 'prior actions' demanded by its creditors in exchange for much-needed bailout money (including additional pension cuts and tax hikes).

### Market Potential

#### ***Manufacturing activity expands***

Data from Markit reveals that business conditions in the Greek manufacturing sector improved in June on account of increased new orders and output. June's expansion was signalled by the seasonally adjusted IHS Markit *Greece Manufacturing Purchasing Managers' Index* (PMI), which rose above the 50.0 no-change threshold. At 50.5 in June, up from 49.6 in May, the latest figure signalled the first improvement in Greek manufacturing sector conditions since August last year. Bolstered by higher client demand, Greek manufacturers raised their staffing numbers for the second successive month in June, according to Markit. Meanwhile, inflation slowed in May. The harmonised index of consumer prices rose by 1.5% y/y, down from 1.7% y/y growth in April; lower prices for food and clothing and footwear combined to pull the headline inflation index down. That said, higher core inflation and producer prices (up by 1.1% y/y and 3.9% y/y respectively) hint at rising inflationary pressures ahead: against a backdrop of still-high unemployment and stagnant nominal wages, the prospect of higher prices is an additional downside risk to growth as inflation eats into household purchasing power and real disposable incomes.



## COUNTRY PROFILE AND STATISTICS

### Overview

Greece is a Mediterranean country situated between Europe, Asia and Africa, and has land borders with Albania, Bulgaria, Macedonia and Turkey. It joined the EU in 1981, and is working to improve relations with Turkey, with which it has had a troubled relationship in the past.

After the restoration of democracy in 1974, Greek political life was dominated for almost four decades by the centre-right New Democracy and the centre-left Pan-Hellenic Socialist Movement. However, the debt crisis and the resulting fiscal adjustment have had a profound impact on the political scene, leading to the splintering of the major political parties and the creation of new political formations, culminating in the anti-establishment Syriza party taking power in 2015.

### Key Facts

Key Fact	Detail
Head of government	Prime Minister Alexis TSIPRAS
Capital	Athens
Timezone	GMT +02-00
Official language	Greek
Population (millions)	10.9
GDP (USD billions)	194.2
GDP per capita (USD)	17,784
Life expectancy (years)	80.8
Literacy (% of adult pop.)	95.3
Surface area (sq km)	131,957

Source : Various sources/Dun & Bradstreet

### Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	-6.6	-4.3	0.4	-0.3	-0.1
Nominal GDP in USDbn	250	239	236	195	194
Nominal GDP in local currency (bn)	194	180	178	175	176
GDP per Capita in USD	22,476	21,631	21,446	17,764	17,784
Population (year-end, m)	11.1	11.1	11.0	11.0	10.9
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.9	0.9
Current Account in USDbn	-9.4	-4.9	-3.9	0.2	-1.2
Current Account (% of GDP)	-3.8	-2.1	-1.7	0.1	-0.6
FX reserves (year-end, USDbn)	332.5	331.0	327.6	333.9	344.4
Import Cover (months)	1.3	1.3	1.3	1.5	1.5
Inflation (annual avge, %)	1.0	-0.8	-1.4	-1.1	0.0
Govt Balance (% GDP)	-8.9	-13.1	-3.7	-5.9	0.7

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	1.0	1.5	2.0	2.5	2.5
Nominal GDP in USDbn	195	205	216	232	249
Nominal GDP in local currency (bn)	179	184	191	200	209
GDP per Capita in USD	17,915	18,829	19,935	21,435	23,086
Population (year-end, m)	10.9	10.9	10.9	10.8	10.8
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.9	0.8
Current Account in USDbn	1.7	1.9	1.9	1.9	1.9
Current Account (% of GDP)	0.9	0.9	0.9	0.8	0.8
FX reserves (year-end, USDbn)	358.4	376.7	395.9	416.0	432.9
Import Cover (months)	1.5	1.5	1.5	1.4	1.3
Inflation (annual avge, %)	1.0	1.5	1.8	2.0	2.2
Govt Balance (% GDP)	0.8	0.8	1.0	1.5	1.7

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Greece	Ireland	Italy	Portugal	Spain
Income per Capita (USD)	17,764	60,514	30,511	18,497	25,876
Country Population (m)	11.0	4.7	59.8	10.8	46.1
Internet users (% of population)	66.8	80.1	65.6	68.6	78.7
Real GDP Growth (% p.a., 2017 - 2026)	0.5 - 3.0	2.0 - 4.5	0.5 - 2.0	1.0 - 2.5	1.5 - 3.0

Source : Various sources/Dun & Bradstreet





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