

CareEdge Global has assigned a 'Stable' outlook to the credit rating of Hellenic Republic (Greece)

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge BB+' (Unsolicited)

Issuer rating

CareEdge BB+/ Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of Hellenic Republic (Greece) while reaffirming the Long-Term Foreign Currency rating of 'CareEdge BB+ (Unsolicited)'.

Greece's credit profile benefits from the support of the European Union. Over the last few years, the economy has demonstrated enhanced economic growth prospects, positive developments on the fiscal front and improvements in the banking sector. This is a reversal from the aftermath of the sovereign debt crisis in Greece (2009-2018) which has resulted in high unemployment and high public debt. However, the external position is characterised by high external debt levels. The sovereign also grapples with challenges arising from governance and lack of reliable statistical institutions.

Greece is presently receiving the support of EUR 31 billion from the NextGenerationEU fund till 2026 in the form of grants and loans to facilitate economic recovery, foster green and digital transitions, and enhance social resilience. It is crucial to monitor the disbursement and effective utilization of these funds to gauge their tangible impacts on economic growth, job creation, and investment.

Rating Outlook: Stable

The stable outlook reflects Greece's sustained economic growth, which continues to exceed the Eurozone average, and expectations of a gradual reduction in the government debt-to-GDP ratio, supported by ongoing fiscal consolidation efforts. Improvements in the banking sector are reducing financial vulnerabilities, while the effective use of NextGenerationEU funds is expected to drive investment and support economic growth. Greece's favourable debt structure and substantial cash buffer support its ability to manage external shocks and maintain economic stability. These factors, combined with the government's continued reform efforts, underpin Greece's stable outlook.

Upside scenario

Stronger-than-expected growth and faster fiscal consolidation leading to a sustained and significant reduction in the general government debt to GDP ratio would support a positive outlook. Continued improvements in the banking sector and robust reform implementation would further translate into a possibility of revising the outlook to positive.

Downside scenario

Failure to maintain fiscal discipline or materialisation of contingent liabilities could strain public finances and hinder debt reduction. External shocks that hinder economic growth, along with any deterioration of external position could weaken Greece's outlook. Furthermore, a lower-than-expected implementation of NextGenerationEU projects or reforms would undermine the country's economic progress.

Key Rating Drivers

Economic Structure & Resilience

Greece's economic structure is supported by a strong tourism sector, which has rebounded from the pandemic-related fall but is still vulnerable to climate risks. The economy recorded a high unemployment rate of around 11% in 2023. The super-aged population is a notable concern in the sovereign, with almost 23% of its population aged 65 and above. Greece has recorded real GDP growth in the range of 1-2% since 2017, excluding the pandemic years, and is projected to grow at 2.3% in 2024, led by private consumption, investment, and tourism. The utilization of the NextGenerationEU Fund is likely to positively impact Greece's economic trajectory. However, rising climate risks, driven by extreme weather events, threaten Greece's economic growth prospects.

Fiscal Strength

Greece's fiscal profile is weak, with gross general government (GG) debt averaging 189% of GDP from 2019-23. The super-aged population structure limits the fiscal space, with rising expenditure towards social benefits. However, GG debt is expected to come down to 142% of GDP by 2028, supported by relatively higher nominal GDP growth, primary surplus and fiscal measures undertaken to strengthen the revenue base. Greece benefits from a favourable debt profile, with a large portion held by official bodies. Moreover, government debt is characterised by low fixed interest rates, extended maturities, and generous grace periods.

External Position & Linkages

Greece's external profile is weak, with large external debt levels of 256% of GDP in 2023 and a sizable negative net international investment position of 143.1% of GDP (2023). Greece's current account deficit (CAD) remains elevated at 6.9% of GDP in 2023, despite rising tourism receipts, and is projected to remain elevated in 2024 at 6.5% of GDP. The economy has been observing an increase in FDI inflows due to the improving economic environment. FDI as a percentage of GDP has improved to an average of ~3% in 2022 and 2023, compared to an average of ~1.8% observed in 2017 and 2018.

Monetary & Financial Stability

Greece benefits from the support of the Euro as part of the European Economic and Monetary Union (EMU). Inflation fell to 4.2% in 2023 from 9.3% in 2022. Inflation is expected to remain in control in the near term, with 2.4% inflation in Q4 2024 (marginally above the ECB's target of 2%). Bank non-performing loans (NPLs) decreased significantly from 45% in 2018 to 6.6% in 2023. This is attributable to a securitisation strategy (the Hercules Asset Protection Scheme)

and a comprehensive insolvency law reform, but the ratio remains above the euro average. Greek banks benefitted strongly from European Central Bank funding, which has aided in the cleaning up of banks' balance sheets and profitability of the banking sector.

Institutions & Quality of Governance

Greece has effective regulatory mechanisms and has proactively addressed challenges by introducing reforms in recent years. The sovereign has been working towards structural reforms pertaining to tax administration to tackle problems related to tax evasion, demonstrating a commitment to enhance the efficiency and effectiveness of the overall legal and fiscal frameworks. Reforms undertaken to enhance transparency through digitalisation initiatives and other ongoing reforms enhance its institutional position. On the other hand, judicial proceedings take a long time to resolve court cases, and the issue is being addressed through comprehensive reforms aimed at expediting judicial proceedings.

Greece – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	212	205	188	215	218	238	253	265
GDP Per Capita (Constant-PPP)	USD	32,447	33,108	30,041	32,680	35,218	36,084	37,018	37,857
Real GDP Growth	%	1.7	1.9	-9.3	8.4	5.6	2.0	2.3	2.0
GFCF/GDP	%	11.1	10.7	12.1	13.3	13.7	13.9	-	-
Gross Domestic Savings/GDP	%	11.0	10.8	6.7	9.9	11.4	11.9	-	-
Exports (G&S)/GDP	%	39.0	40.1	32.1	40.9	49.1	44.9	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.0	63.8	63.6	63.4	63.3	63.3	63.2	63.1
Old-Age (65+) Population (% Share in Total)	%	21.6	21.9	22.2	22.5	22.8	23.1	23.5	23.9
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	0.8	-0.1	-10.6	-7.5	-2.5	-0.9	-1.0	-0.9
Revenue/GDP	%	49.6	48.0	49.6	50.2	50.6	48.9	47.6	47.7
Expenditure/GDP	%	48.9	48.1	60.2	57.7	53.1	49.9	48.6	48.6
GG Gross Debt/GDP	%	190.7	185.5	213.2	201.1	179.6	168.9	159.0	152.9
GG External Debt (by Creditor)/GG Gross Debt	%	84.4	84.8	78.1	74.2	70.4	70.0	-	-
Interest/Revenue	%	7.2	6.5	6.4	5.5	5.3	-	-	-
External Indicators									
Current Account Balance/GDP	%	-3.6	-2.2	-7.3	-7.1	-10.7	-6.9	-6.5	-5.3
FDI, Net Inflows/GDP	%	1.9	2.4	1.8	2.9	3.7	2.1	-	-
Outstanding FII Liabilities/GDP	%	25.2	31.6	26.7	25.4	22.6	27.4	-	-
NIIP/GDP	%	-144.1	-154.6	-187.3	-165.6	-145.2	-143.1	-	-
Foreign Exchange Reserves	USD Billion	7.6	8.5	11.9	14.5	12.1	13.6	-	-
Import Cover	Months	1.1	1.2	2.0	1.7	1.1	1.4	-	-
External Debt/GDP	%	223.1	245.4	322.2	292.6	268.2	256.4	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.8	0.5	-1.3	0.6	9.3	4.2	2.9	2.1
Exchange Rate (Average)	LC per USD	0.8	0.9	0.9	0.8	0.1	0.9	-	-
Non-Performing Loans/Total Gross Loans	%	45.4	40.6	30.1	12.8	8.7	6.6	-	-
Private debt, loans and debt securities/GDP	%	119.1	110.4	125.1	120.8	99.0	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating (Long Term Foreign Currency)	Unsolicited	CareEdge BB+/ Stable	February 03, 2025
Issuer Rating (Long Term Foreign Currency)	Unsolicited	CareEdge BB+	October 03, 2024

Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

Analytical Contacts

Amya Parmar
amyaparmar@careedgeglobal.com

Shruti Ramakrishnan
shruti.r@careedgeglobal.com

Kiran Kavala
kiran.kavala@careedgeglobal.com

Media Contact

Mradul Mishra
mradul.mishra@careedge.in

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Unit No. 06, 11 T-2, Block-11, GIFT SEZ, Gift City, Gandhi Nagar, Gujarat – 382355
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