

CareEdge Global assigns Long Term Foreign Currency Rating of BB+ (Unsolicited) to Hellenic Republic Greece

Credit Profile

The aftermath of the sovereign debt crisis in Greece (2009-2018) has resulted in a lasting impact marked by high unemployment and high public debt. Their external position is characterized by high external debt levels. The sovereign also grapples with challenges arising from governance and a lack of reliable statistical institutions. However, in the last few years, the economy has demonstrated positive developments in the fiscal parameters and enhanced economic growth prospects, along with improvements in the banking sector. Greece benefits from support from the European Union and 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 of these funds and the effective utilization of the same to gauge the tangible impacts on economic growth, job creation, and investment.

Strengths

- Low debt rollover risk with Euro 15.7 bn cash buffer
- Ultra long maturity profile of government debt
- High GDP per capita

Weaknesses

- Unemployment and ageing problems
- Vulnerability to climate changes and disasters
- High government and external debt
- High Negative NIIP

Key Monitorables

- Downward trajectory of government debt

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% 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 at 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 149% of GDP from 2024-28, supported by relatively higher nominal GDP growth, primary surplus and fiscal measures undertaken to strengthen revenue base. Greece benefits from a favorable debt profile, with a large portion held by official bodies. Moreover, the government debt is characterized by low fixed interest rates, extended maturities, and generous grace periods.

External Position & Linkages

Greece's external profile is weakened with large external debt levels of 256% of GDP in 2023, and sizable negative net international investment position of 143.1% of GDP (2023). Greece current account deficit remain elevated at 6.9% of GDP in 2023, despite rising tourism receipts, and is projected to widen further in 2024 with Q1 at 8% 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, as 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 and Monetary Union (EMU). Inflation has fallen to 4.2% in 2023, from 9.3% in 2022. Inflation is expected to remain in control in the near term with 2.7% inflation in July 2024 (marginally above ECB's target of 2%). Bank non-performing loans (NPLs) decreased significantly from 45% in 2018 to 6.6% in 2023, attributable to a securitization strategy (the Hercules Asset Protection Scheme) and a comprehensive insolvency law reform but remain above the euro average. Greek banks benefitted strongly from European Central Bank funding, with 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 digitalization initiatives and other ongoing reforms enhance its institutional position. 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	250	260
GDP Per Capita (Constant-PPP)	USD	29,067	29,659	26,911	29,275	31,549	32,219	32,892	33,544
Real GDP Growth	%	1.7	1.9	-9.3	8.4	5.6	2.0	2.0	1.9
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	-10.5	-7.5	-2.4	-1.6	-0.9	-0.9
Revenue/GDP	%	49.7	48.0	49.7	50.2	50.5	47.1	46.8	47.0
Expenditure/GDP	%	48.9	48.1	60.2	57.7	52.9	48.8	47.7	47.8
GG Gross Debt/GDP	%	190.7	185.5	213.2	201.1	179.5	168.8	158.8	152.0
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	2.7	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

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long Term Foreign Currency (Unsolicited)	BB+	October 3, 2024

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Criteria Applied

CareEdge Sovereign Rating Methodology

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CIN-U66190GJ2024PLC151103