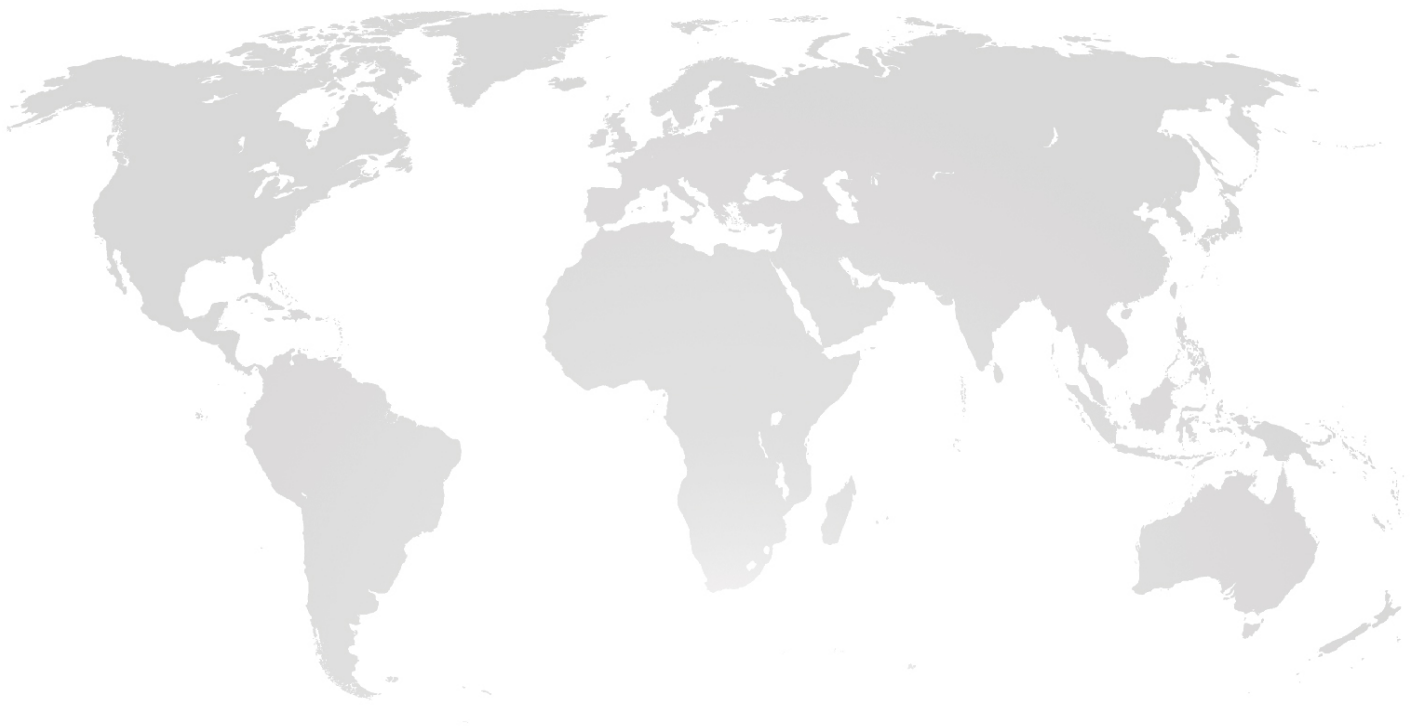


Country Insight Snapshot

Greece

August 2016





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.



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 significantly receded following the August 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 economic recovery struggles to take hold, but labour market conditions improve amid a gradual relaxation of capital controls.

CREDIT ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

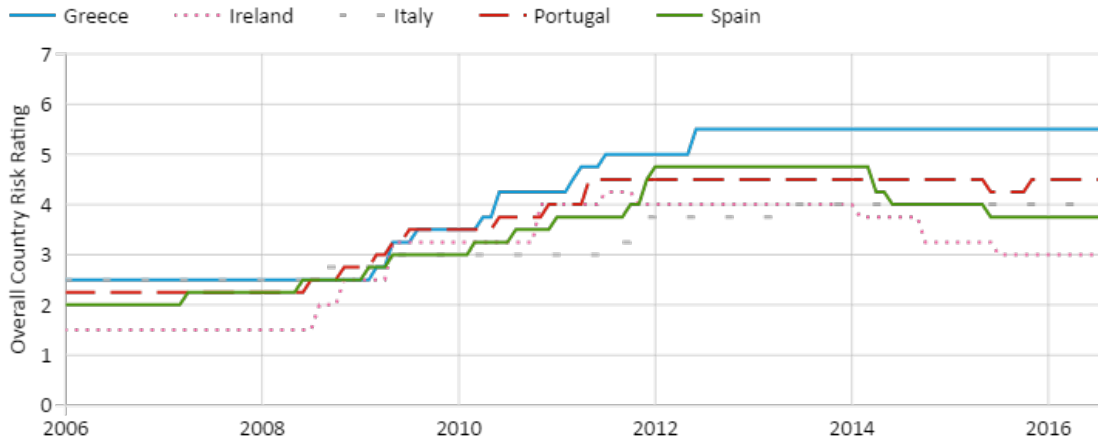


Key Development has had a neutral impact on the outlook.



KEY INDICATORS

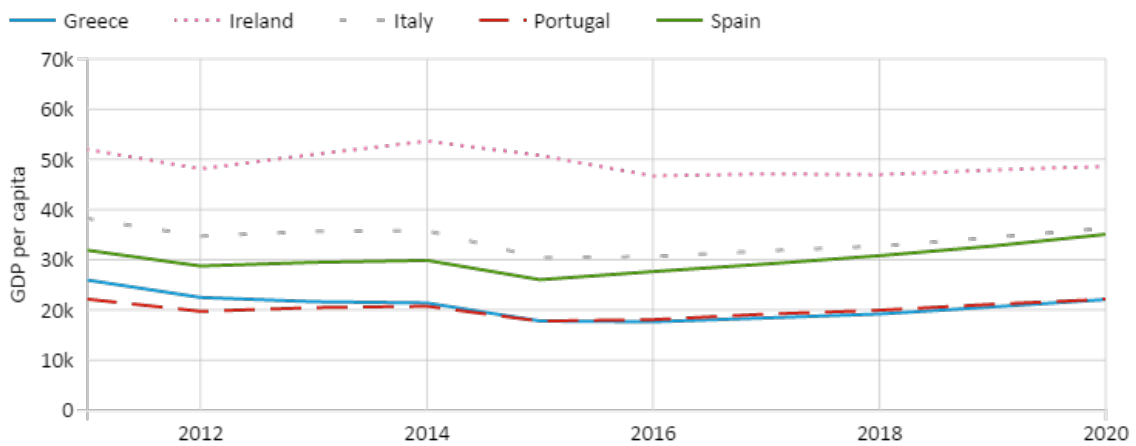
Rating History and Comparison



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	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-2.1	-2.2	1.0	0.1	0.8	0.9	0.9	0.8
Govt balance, % GDP	-13.0	-3.6	-7.2	-3.5	-2.8	-2.4	-2.0	-1.8
Inflation, annual avge %	-0.9	-1.4	-1.1	-0.1	1.0	1.5	1.8	2.0
Real GDP Growth, %	-4.3	0.7	-0.3	-0.8	1.5	2.0	2.2	2.5
Unemployment, %	27.5	26.6	25.0	23.5	23.3	23.0	22.5	22.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The ongoing reduction in bank lending to the private sector is being partially offset by lower credit demand from households and firms. The latest figures from the Bank of Greece reveal that credit to the private sector shrank by 3.4% y/y in Q2, after falling by 5.3% y/y in Q1. Credit to non-financial corporations fell by 2.9% y/y, while lending to households contracted by 3.8% y/y; consumer credit shrank by 2.1% y/y and credit for house purchases slid by 4.3% y/y. Overall, negative credit growth will continue to impinge on credit risk and payment performance; business failures and payment risks will remain high in the 2016-17 period. Following the introduction of capital controls in June, we recommend CiA terms when dealing with Greece-based companies.

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

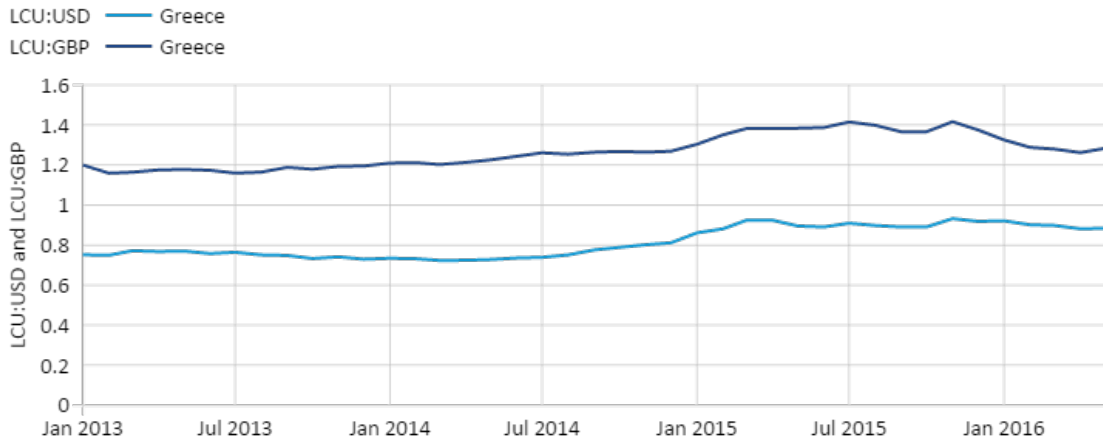
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



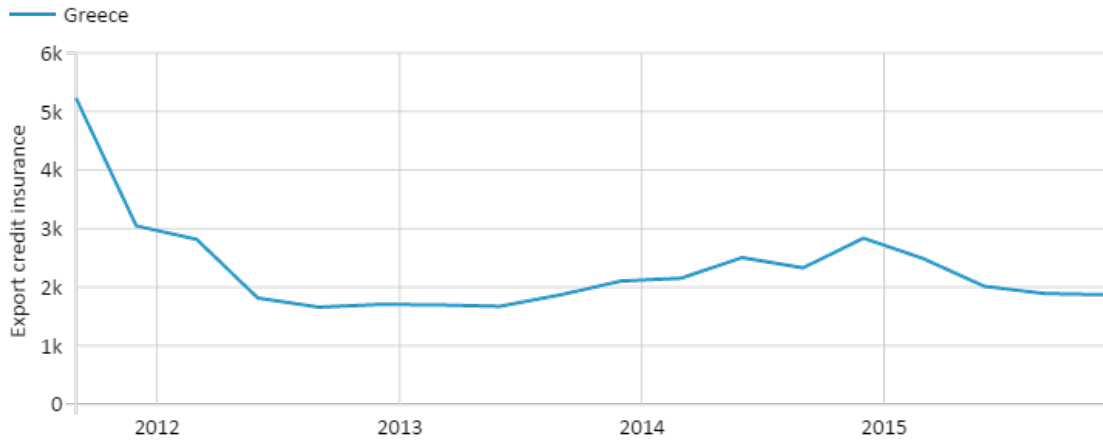
Exchange Rate



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

Recessionary conditions persist

Economic recovery is struggling to take hold in Greece, as structural deficiencies constrain full-economic potential, while post-Brexit uncertainty constrains investors and weighs on consumer and business confidence. Indeed, high-frequency and leading indicators show that a reverse in the downward economic trend is yet to materialise. Retail sales (a good proxy for the health of the broader economy) dropped by 6.4% y/y in May, as lower fuels, lubricants, apparel, footwear and supermarkets sales pulled the headline index down. Activity in the important manufacturing sector also shrank in July, with Markit's Purchasing Managers' Index (PMI) dropping by 1.7 points to 48.7, well below the 50-point threshold that separates a sectoral expansion from a contraction. A twenty-third consecutive month of decrease in new orders was the main factor behind the lower PMI reading, according to Markit. That said, survey figures from Markit reveal that new exports orders grew in July on account of higher demand for Greek exports from France, Lebanon and Bulgaria. Moreover, in spite of a contraction in sectoral activity, the rate of job creation was the highest since 2007, as good producers continued to increase their workforce in July.

Against this backdrop, unemployment decreased further in April: the unemployment rate fell to 23.3%, down from 23.7% in March and 25.3% in April 2015, according to the Hellenic Statistical Authority. Youth unemployment also declined, coming in at 47.4%, down from 51.7% the same month as last year. The regional breakdown shows that Epirus-Western Macedonia recorded the highest unemployment rate (27.6%), followed by Thessaly-Central Greece (26.9%). Meanwhile, consumer prices fell for the 40th consecutive month in June, declining by 0.7% y/y, largely on account of a big drop in housing and transport prices, down by 4.4% y/y and by 4.7% y/y, respectively. Producer prices also fell in June, dropping by 7.8% y/y. Looking ahead, we expect inflation to remain close to zero in 2016 before rising (albeit only gradually) again next year, when the impact of lower oil prices starts to dissipate and the economic recovery accelerates.

FX Risk

Capital controls eased further

In July, the government further eased capital controls that had to be imposed in June 2015 in order to avoid the collapse of the domestic banking sector. The cash withdrawal limit has been raised to EUR840 every two weeks, up from the previous cap of EUR420. Furthermore, depositors are now allowed to withdraw money for loan repayments, while the limit for funds transferred from foreign bank accounts to existing ones in Greece has been raised to 30% of the amount transferred, up from the previous 10%. This is welcome news for the Greek banking sector and the Greek business environment as a whole: despite being necessary to stem the outflow of funds from Greek banks and, thus prevent a financial meltdown, capital controls harm sectors such as tourism and retail sales as well as commercial activity and industry.



COUNTRY PROFILE AND STATISTICS

Overview

Greece is a Mediterranean country between Europe, Asia and Africa. The country 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. Since the restoration of democracy in 1974, politics has been dominated by a socialist and a centre-right party. The parties are controlled by several family dynasties, which has tended to encourage patronage and cronyism. The trade union movement, which has Socialist Party ties, and the Greek Orthodox Church are also highly influential.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Alexis TSIPRAS
Capital	Athens
Timezone	GMT +02-00
Official language	Greek
Population (millions)	11
GDP (USD billions)	194.8
GDP per capita (USD)	17,783
Life expectancy (years)	81
Literacy (% of adult pop.)	97.5
Surface area (sq km)	131,957

Source : UNPOP

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	-8.9	-6.6	-4.3	0.7	-0.3
Nominal GDP in USDbn	289	250	239	235	195
Nominal GDP in local currency (bn)	208	194	180	177	176
GDP per Capita in USD	25,934	22,476	21,631	21,366	17,783
Population (year-end, m)	11.2	11.1	11.1	11.0	11.0
Exchange rate (yr avge, USD-LCU)	0.72	0.78	0.75	0.75	0.9
Current Account in USDbn	-28.8	-9.4	-4.9	-5.1	2.0
Current Account (% of GDP)	-9.9	-3.8	-2.1	-2.2	1.0
FX reserves (year-end, USDbn)	316.7	332.5	331.0	327.6	333.9
Import Cover (months)	1.2	1.3	1.3	1.3	1.5
Inflation (annual avge, %)	3.1	1.0	-0.8	-1.4	-1.1
Govt Balance (% GDP)	-10.2	-8.8	-13.0	-3.6	-7.2

Source : Various sources/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	-0.8	1.5	2.0	2.2	2.5
Nominal GDP in USDbn	192	200	209	223	239
Nominal GDP in local currency (bn)	174	178	185	192	201
GDP per Capita in USD	17,621	18,398	19,186	20,573	22,064
Population (year-end, m)	10.9	10.9	10.9	10.9	10.8
Exchange rate (yr avge, USD-LCU)	0.9	0.89	0.89	0.86	0.84
Current Account in USDbn	0.2	1.7	1.9	1.9	1.9
Current Account (% of GDP)	0.1	0.8	0.9	0.9	0.8
FX reserves (year-end, USDbn)	352.9	367.3	386.0	405.6	426.3
Import Cover (months)	1.5	1.5	1.4	1.4	1.3
Inflation (annual avge, %)	-0.1	1.0	1.5	1.8	2.0
Govt Balance (% GDP)	-3.5	-2.8	-2.4	-2.0	-1.8

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Greece	Ireland	Italy	Portugal	Spain
Income per Capita (USD)	17,783	50,779	30,346	17,759	26,009
Country Population (m)	11	4.7	59.8	10.8	46.1
Internet users (% of population)	63.2	79.7	62	64.6	76.2
Real GDP Growth (% p.a., 2016 - 2025)	0.5 - 3	2 - 4.5	0.5 - 2	1 - 2.5	1.5 - 3

Source : Haver Analytics/Dun & Bradstreet



LINKS

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