

COUNTRY PROFILE:**HELLENIC REPUBLIC****DATED:****JUNE 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	1B	No Restrictions

Recent Political Highlights

- ❑ The New Democracy (ND) Government, which has an absolute majority of two seats in parliament with President Karolos Papoulias since March 2005, is likely to remain in office until the next election set for February 2010. Head of Government is Prime Minister Konstandinos Karamanlis.
- ❑ The Government is expected to remain pro-EU. It will support the accession to the EU of countries in the western Balkans and conditionally support Turkey's bid.
- ❑ Prime Minister Karamanlis has used his authority to push through a pension reform package but the weakened position of the Government means that the implementation of the reforms may be delayed.
- ❑ The previous ND Government introduced legislation to reform state-sector companies and the public administration, but was reluctant to implement these reforms effectively. The newly elected ND has been expected to make more effort but it has only a small majority and recent setbacks suggest that implementation will be delayed.

Recent Economic Highlights

- ❑ Greece has a population of 10.7m that is expected to grow at 0.2% in 2008.
- ❑ Greece exceeded the EU's Growth and Stability Pact budget deficit criteria of no more than 3% of GDP from 2001 to 2006, but finally met the criteria in 2007. Albeit declining, public debt, inflation and unemployment are above the euro-zone average.
- ❑ The general Government deficit declined from 7.9% of GDP in 2004 to an estimated 2.4% in 2007. Government planned to eliminate the deficit by 2010, but The Economist expects limited progress towards this goal. The EU expects the budget deficit to be 2.7% of GDP this year.
- ❑ Based on the estimates of energy demand, Greece is likely to incur a shortage of 800mw of energy over the coming months. Authorities are seeking to import energy from Bulgaria, Albania, Turkey and Macedonia.
- ❑ Following a month of negotiations to privatise the Hellenic Telecommunications Organisation, Government has decided to dispose of 3% of its stake to Deutsche Telekom, where both parties would hold 25% plus one share.
- ❑ The Economist expects GDP growth to fall to 2.6% in 2008 from 4% in 2007 before recovering to 3.1% in 2009 and 3.3% in 2010.
- ❑ Inflation is expected to rise to 3.9% this year from 2.9% in 2007 before falling to 2.8% in 2009 and 2.5% in 2010. With inflation estimated to have reached a ten-year high of 4.6% during May, the Development Minister Christos Folias announced a list of measures to stabilise rising food prices. He requested lists of potential price cuts from 40 representatives in the food industry.
- ❑ The National Bank of Greece, the country's biggest bank, is withstanding the global trend of a downturn in banking and has recorded a 25% rise in attributable profit year-on-year to €423m. Profits were boosted by strong loan growth in Turkey and southeast Europe. The bank has rejected rumours that it is considering a cooperation with Hungary's OTP Bank or Austria's Erste Bank.
- ❑ Greece's Piraeus Port (OLP) will name China's Cosco Pacific as the preferred bidder in a tender to run and upgrade its facilities. Cosco, the world's fifth largest container port operator, offered €4.3bn to operate two of the ports commercial docks for up to 35 years. The amount will be paid over the duration of the contract and Cosco will invest a further €620m to upgrade the docks.
- ❑ Athena SA, the Greek builder controlled by J&P Avax SA, signed two contracts in the UAE worth a total of €107m. Athena will expand port facilities at Fujairah with a budget of €97m. The company also has a €10m project for a ship-lifting system at the Al-Jazeera port. J&P Avax, Greece's second largest construction company, owns 81% of Athena.

Latest Trade Developments

- ❑ Major exports: food and beverages, manufactured goods, petroleum products, chemicals and textiles.
- ❑ Major imports: machinery, transport equipment, fuels and chemicals.
- ❑ Main trading partners: Germany, Italy, Russia, France, Netherlands, South Korea, Bulgaria, UK, Cyprus, Turkey, US and Spain.
- ❑ Relations with Turkey are expected to improve from the 1990s but tensions and obstacles to any rapid improvement remain. The prospects for a peace agreement in Cyprus have increased due to the election as President Demetris Christofias, who is committed to re-launching peace talks with the Turkish Republic of Northern Cyprus (TRNC).
- ❑ South African exports to Greece totaled R641m in 2007 from R738m in 2006 and R38m in January 2008.

Lily Maharaj – Economic Services