

**HELLENIC REPUBLIC (GREECE)**  
**MARCH 2008**

**CREDIT GUARANTEE COUNTRY PROFILE:**

IES/02: ATTACHMENT N

Country Rating	S/T Business Cycle Indicator	S/T Political Indicator	Debt Recovery
1B	→	→	Debt recovery might be better suited to the use of a good collection agent.

Credit Guarantee Experience

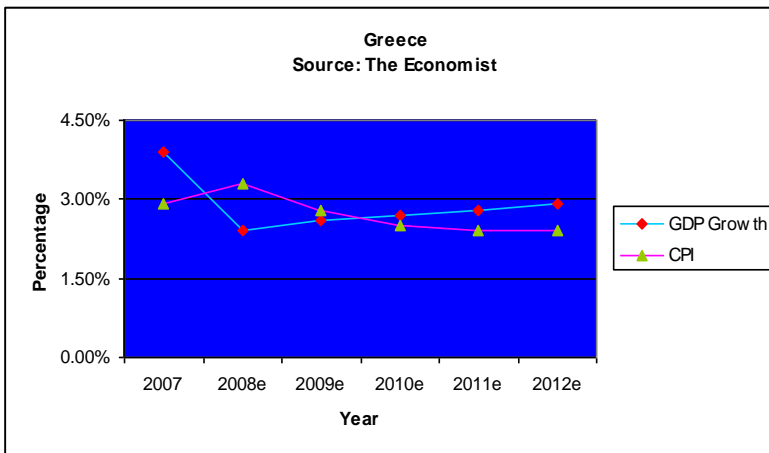
We are open for cover in this market without any restrictions. We have reasonable exposure with good underwriting experience. Exporters need to be aware that the market is not without payment problems and as such should be prudent and exercise caution when dealing on open account terms.

Political Highlights

- ❑ Greece is a parliamentary republic whose legal system is based on codified Roman law. Chief of state since March 2005 has been President Karolos Papoulias. The cabinet is appointed by the president on the recommendation of the prime minister. The president is elected by parliament for a five-year term. According to the Greek Constitution, presidents may only serve two terms. The next election is scheduled for 2010.
- ❑ Since Macedonia's independence in 1991, its name has been the subject of a bitter dispute with Greece as Macedonia is already the name of a northern Greek region and Greeks are irate that the former Yugoslav republic has linked its heritage to Greece. Macedonia's membership of the EU and Nato could be jeopardised as Greece has the power of veto.

Recent Economic Highlights

- ❑ Greece has a population of 11 million with an estimated population growth rate of 0.3% in 2007. Life expectancy at birth is over 80, and median ages are moving up steadily through the 40 to 50 range.
- ❑ According to the National Statistical Service of Greece, the economy grew by 3.6% in the fourth quarter of 2007. Investments fell by 3.5% and exports grew by 8% over the same quarter of 2006. GDP growth averaged 3.8% in 2007 and is expected to be lower this year.



- ❑ Since the introduction of the common currency, Greece has not had an inflation rate which falls within the ECB's much vaunted 2% target since gaining membership in 2001. The 2.9% rate of inflation in 2007 is still stubbornly above the 2% target. The rate of inflation has gradually started to come down from 2006's 3.6% due to monetary tightening by the Bank of Greece. However, in 2008 inflation is likely to rise.
- ❑ General Government deficit fell from a peak of 7.8% of GDP in 2004 (the year of the Olympic Games) to 2.6% in 2006, but is estimated to have subsequently risen in 2007. Government assured that it will eliminate the deficit by 2010. The Economist expects limited progress on reducing the deficit, given the expenditure commitments made in the election campaign and a likely slowdown in revenue growth.
- ❑ While noting the progress made by some EU countries, The Centre for European Reform published the names of Greece and Italy as the villains of reform. Greece has been classed as a 'villain' more times than any other country across various indicators, as it is slow to adopt new technologies and shortcomings in the education system mean that this is unlikely to change soon. Greek Governments have consistently been among the slowest in the EU to liberalise product markets and the country has one of the least favourable regulatory environments for business in the EU.
- ❑ In February, Prime Minister Costas Karamanlis announced pension reforms to restrict early retirement schemes, unify over 150 pension funds into fewer than ten and create a long-term fund. The retirement age will remain the same. The Economist believes that the weakened position of the Government means that its pension reform plans are at risk of being watered down and even implementation of administrative reforms are expected to face strong resistance.
- ❑ The EU's Court of Justice ruled that Greece has illegally ignored an EU order to recover millions of euros in aid it gave to the ailing Olympic national airline. Olympic was to pay Government €130m last November and the court charged that Greece had not fulfilled

its obligations to take back the handouts from Olympic Airlines and its predecessor Olympic Airways thereby giving the airline an unfair advantage over competitors. Greece is preparing to appeal the court's decision.

- ❑ The National Bank of Greece, the country biggest lender, saw net profit grow 70% last year, cashing in on robust retail credit extension and the buyout of Turkey's Finansbank. It stated that its performance in 2007 serves to reinforce its expectations for dynamic growth in the group's business in Greece and the wider region of southeast Europe and Turkey. Greek banks have been riding the wave of retail credit expansion.
- ❑ Greece looks set to become one of the top tourist destinations for 2008. The Association of Greek Tourist Enterprises anticipates tourist arrivals to reach 19.4m by 2010.

#### Trade Developments

- ❑ Main exports: food and beverages, manufactured goods, petroleum products, chemicals and textiles.
- ❑ Main agricultural products: machinery, transport equipment, fuels and chemicals.
- ❑ Main industries: Germany, Italy, Bulgaria, UK, Cyprus, Turkey, France, US, Spain, Russia, Netherlands and South Korea.
- ❑ A Greek technology company Intracom Holdings and Syria signed an agreement under which Greece would build a back-up wireless telecommunications network. The project will cost €40m and will take 22 months to build. Intracom will build a national wireless network that provides public institutions with emergency and disaster communications and a substitute communication should land and cellular telecommunication stop functioning.
- ❑ Trade relations between Greece and the United States will advance greatly when the 17<sup>th</sup> consecutive exhibition by the name of Hermes Expo 2008 is launched in April. Almost every region of Greece is represented in this annual gathering of business giants.
- ❑ A British property development company is planning five exclusive holiday villages, a string of luxury hotels, three golf courses and a marina in one of the most remote and ecologically fragile areas of Greece. The £800m project is strongly backed by the Greek Government and the local monastery that owns the land. International environmentalists claim that the development would do immense and permanent damage to that part of Crete. Britain sees this as an opportunity to create a sustainable tourism industry in the country and to create jobs.
- ❑ Greece and Iran are currently expanding their economic and commercial ties. The two parties are discussing economic cooperation and other fields for bilateral cooperation between the two countries.
- ❑ SA's exports to Greece totaled R288m in 2005, R738m in 2006 and R566m in the year to November 2007.

*Researched and Compiled by Lily Maharaj, Economic Services - Credit Guarantee Insurance*