

**COUNTRY PROFILE:**  
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**HELLENIC REPUBLIC (GREECE)**  
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IES/02: ATTACHMENT A

***Recent Political Highlights***

- ❑ Chief of state since March 2005 has been President Karlos Papoulias. The president is elected for a five-year term and is eligible for a second term. The next election is scheduled for February 2010.

***Recent Economic Highlights***

- ❑ Greece has a population of 10.7m people with an expected population growth rate of 0.1% in 2009.
- ❑ The economy remains an important domestic political issue and while the ruling Democracy Government has had some success in improving economic growth and reducing the budget deficit, Athens faces long-term challenges pursuing economic reforms, in particular social security reform and privatisation.
- ❑ European Union and Monetary Affairs Commissioner Joaquin Almunia expects the Greek economy to tip into recession this year for the first time in fifteen years due to the prevailing global economic crisis. The €250bn economy is forecast to shrink at an annual pace of 0.9% this year from an earlier forecast of a 0.2% expansion. The economy contracted 1.2% quarter-on-quarter in the first three months of 2009. Decelerating private consumption, lower investment and a significant drop in exports are weighing heavily on the economy. Shrinking international trade volumes and the deteriorating competitiveness of the Greek economy are likely to result in significant decline of exports and receipts from tourism and shipping are expected to be subdued. Tourism and shipping are key parts of the economy, accounting for 17% and 7% of annual output respectively. Growth will be higher than the anticipated 4% contraction of the 16-member eurozone. The economy is expected to recover marginally by 0.1% in 2010. The growth outlook for Greece is the second best in the eurozone, after Cyprus. Government has announced a €2.5bn programme aimed at stemming rising jobless numbers.
- ❑ The Commission also warned that Greece's chronically poor public finances will deteriorate with the deficit rising to 5% of GDP and the debt burden rising above 100% of GDP this year. Gross debt is projected to reach 10% of GDP in 2010 from 97.7% in 2008. The country's central banker urged Greece to dump its consumption-driven growth model and adopt a new long-term strategy to correct its high public debt and twin deficits. It is the second-most indebted country in the eurozone after Italy. Current account deficit rose to 14.5% of GDP in 2008, highlighting eroding competitiveness.
- ❑ Fitch Ratings has revised the outlooks on Greece's local and foreign currency issuer default ratings to negative from stable on the back of a widening deficit. Fitch says the fact that fiscal deterioration occurred despite strong economic growth, raises longer term concerns about fiscal consolidation and public debt sustainability in a more difficult global economic environment. Standard & Poors has lowered its credit rating on seven Greek and Cypriot banks on the back of a negative outlook.
- ❑ Prime Minister Kostas Karamanlis believes that the tourism industry can emerge from the storm stronger than before by turning the current crisis into an opportunity, but entrepreneurs demanded greater continuity and coordination of the various ministries involved in the implementation of policies affecting tourism. They fear that delays in the launch of this year's promotion campaign for Greek tourism and the December 2008 riots in major Greek cities had done more damage to the industry than the global crisis.
- ❑ Greece's dominant electricity utility, the Public Power Corporation (PPC) wants Government to impose charges on rivals. PPC's faces rising competition from rivals entering the power generation and supply business as Greece opens up its energy market to comply with EU laws. PPC has urged Government to ask rivals to turn over part of their revenues to the power utility as compensation for its costs to run the power grid and provide cheap electricity to some clients.
- ❑ Greek renewable energy company Terna Energy plans to invest €1.5bn in wind-power capacity by 2012. The country is battling to reduce its green power shortfall in a bid to meet EU directives. New wind-farm planning laws have removed bureaucratic hurdles to make investments more attractive. Terna Energy plans a total capacity of 1,200 MW in Greece and abroad by 2012. The company currently has 142 MW wind farm capacity in Greece and a further capacity of 6.5 MW from a small hydroelectric plant.

***Latest Trade Developments***

- ❑ Main export commodities: food and beverages, manufactured goods, petroleum products, chemicals and textiles.
- ❑ Main import commodities: machinery, transport equipment, fuels and chemicals.
- ❑ Major trading partners: Germany, Italy, Cyprus, Bulgaria, UK, Romania, France, US, Russia, China and The Netherlands.
- ❑ Greece and Bulgaria are to sign a bilateral agreement regarding a series of energy cooperation matters with the neighbouring country and in particular the construction of a natural gas pipeline linking Komotini in north eastern Greece with Haskovo in Bulgaria.
- ❑ SA's exports to the Greece totaled R628m in 2007, R1.33bn in 2008 and R104m in the year to February 2009.

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