

Greece: Looking ahead with optimism

Hellenic Fund and Asset Management Association

September 21, 2023



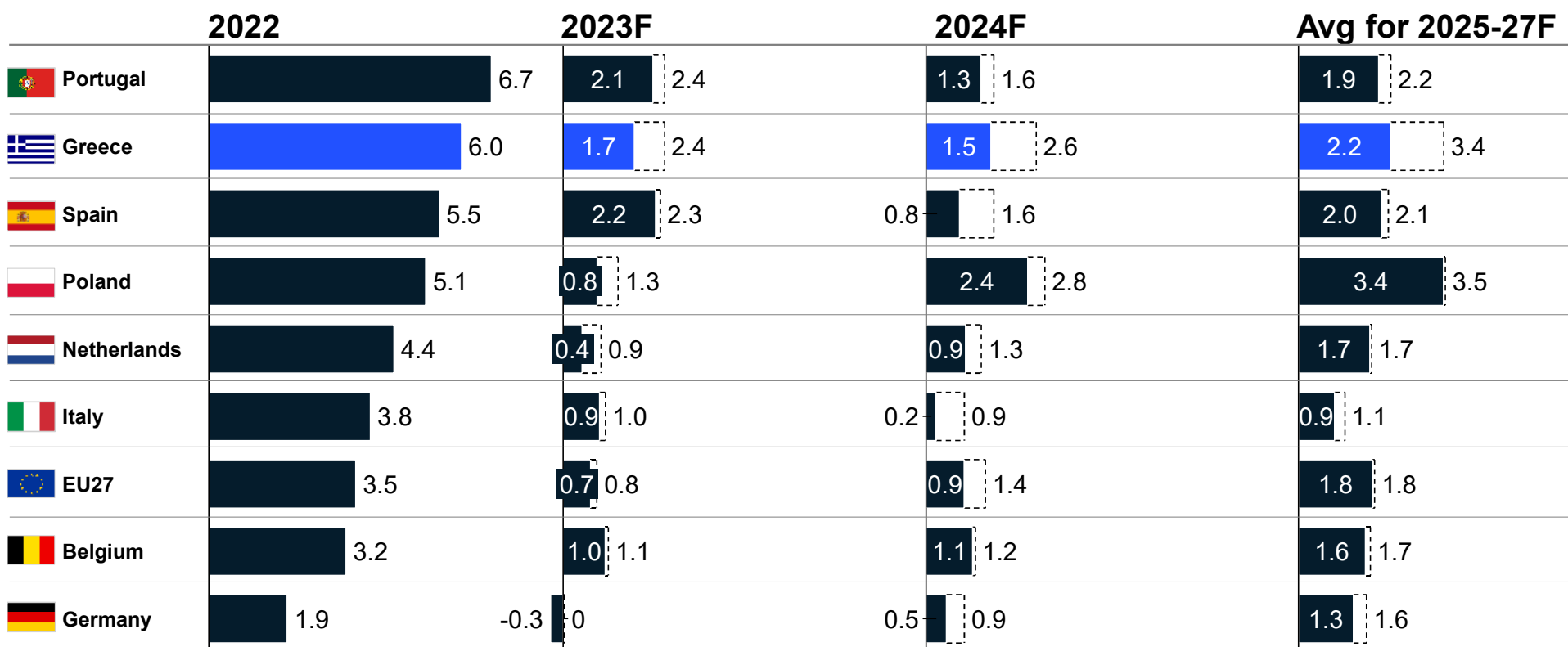
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Greek economy is expected to continue showing resilience and outperform peers in the coming years

Real GDP forecasts; % change YoY

■ Low end □ High end



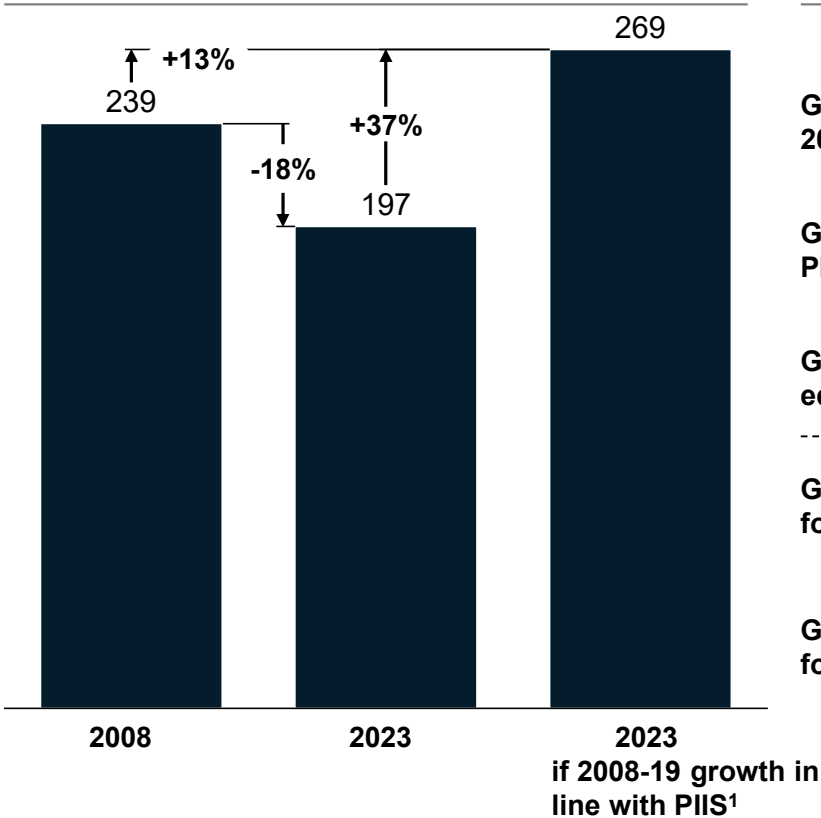
Source: Economist Intelligence Unit, IHS Markit, Greek Ministry of finance 2023 Stability program, European Commission Spring 2023 forecast

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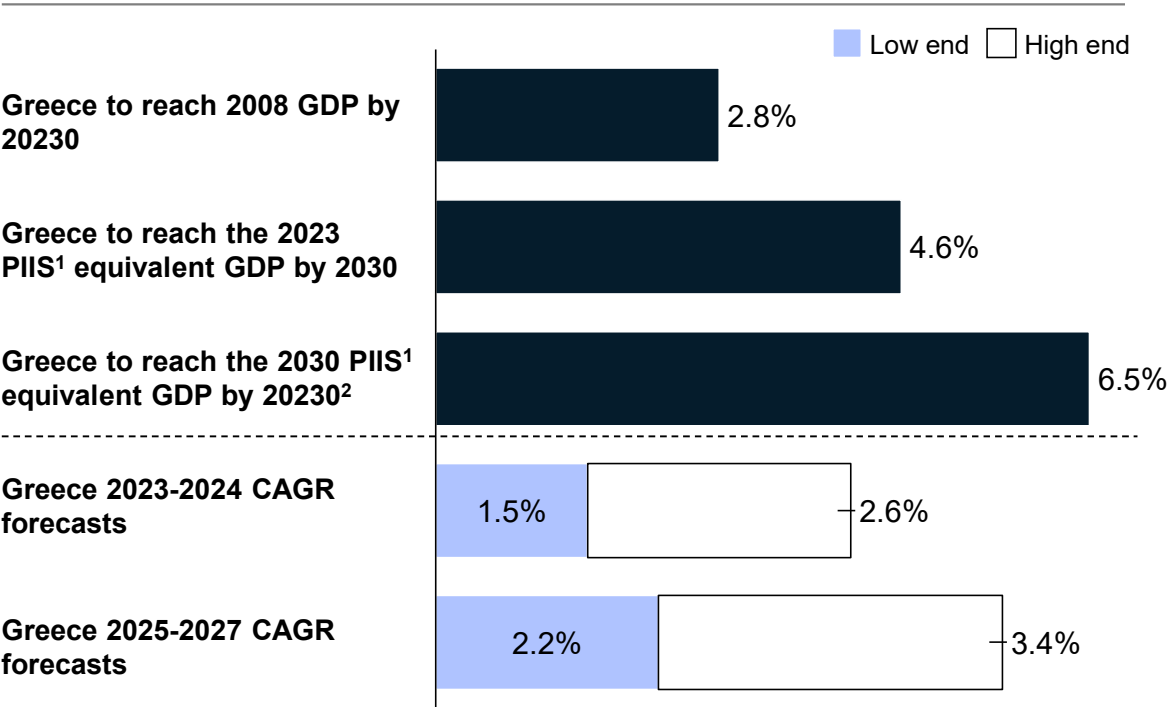
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The Greek economy needs to grow by at least 2.8% p.a. to reach pre-crisis GDP by 2030; at 4.6% to reach PIIS equivalent 2023 levels

Greek GDP, EUR constant prices



2023-30 CAGR implied, %



Source: AMECO, EIU, IHS

1. Portugal, Italy, Ireland, Spain

2. Assuming PIIS will grow at 1.8% in period 2023-2030, which is the average forecasted EU growth rate for period 2025-27

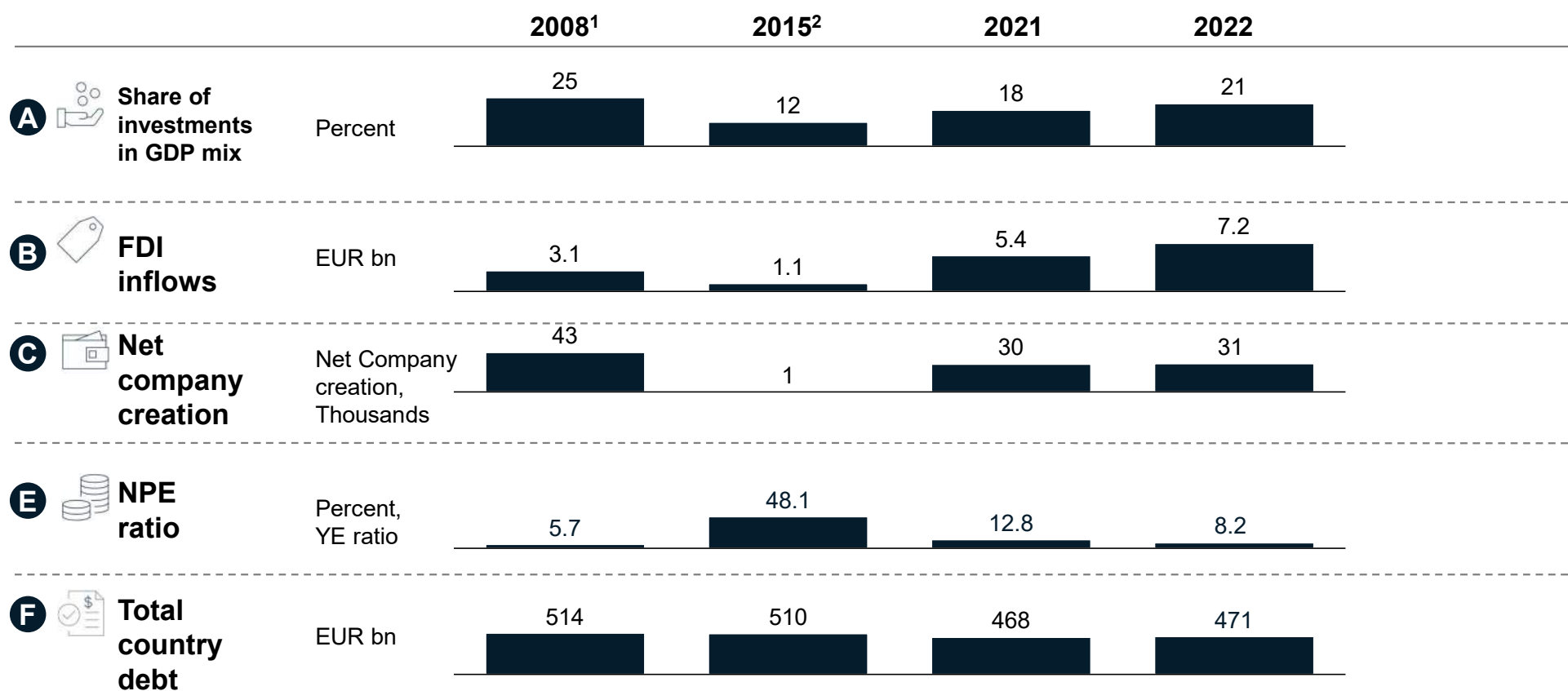
One step before the investment grade

INDICATIVE

● Rating or Outlook upgrade



Future growth is supported by improving fundamentals



1.Pre-financial crisis year; 2.Years with high impact from financial crisis 6m 2022

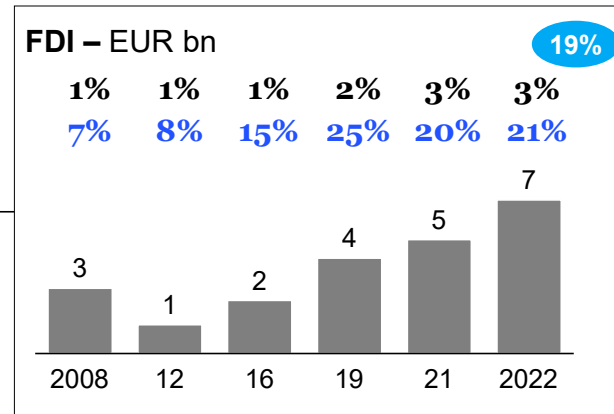
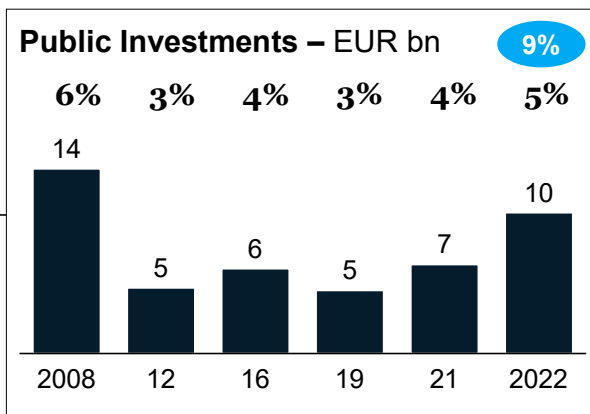
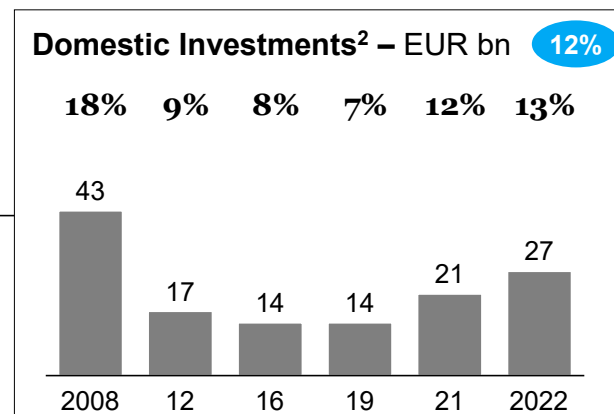
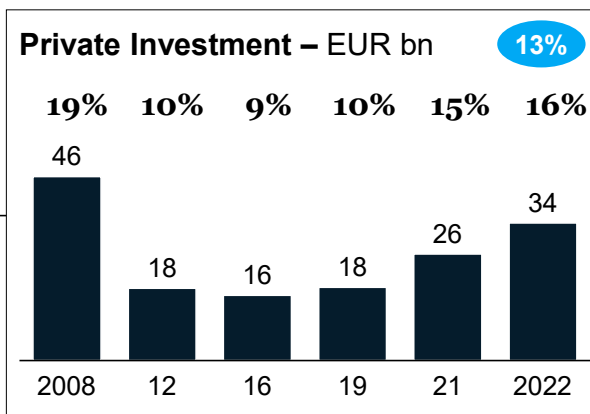
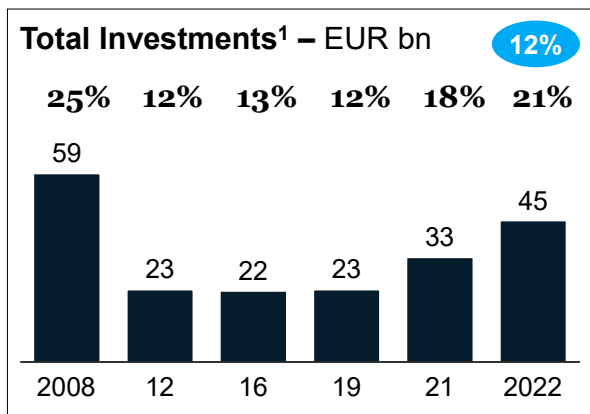
Source: European Commission, Bank of Greece, AMECO, Eurostat, EIU, Press, Team analysis

Positive investment trajectory and FDI momentum which currently represents more than 20% of private investments

% 2016-22 CAGR

% of GDP

FDI as % of private investments



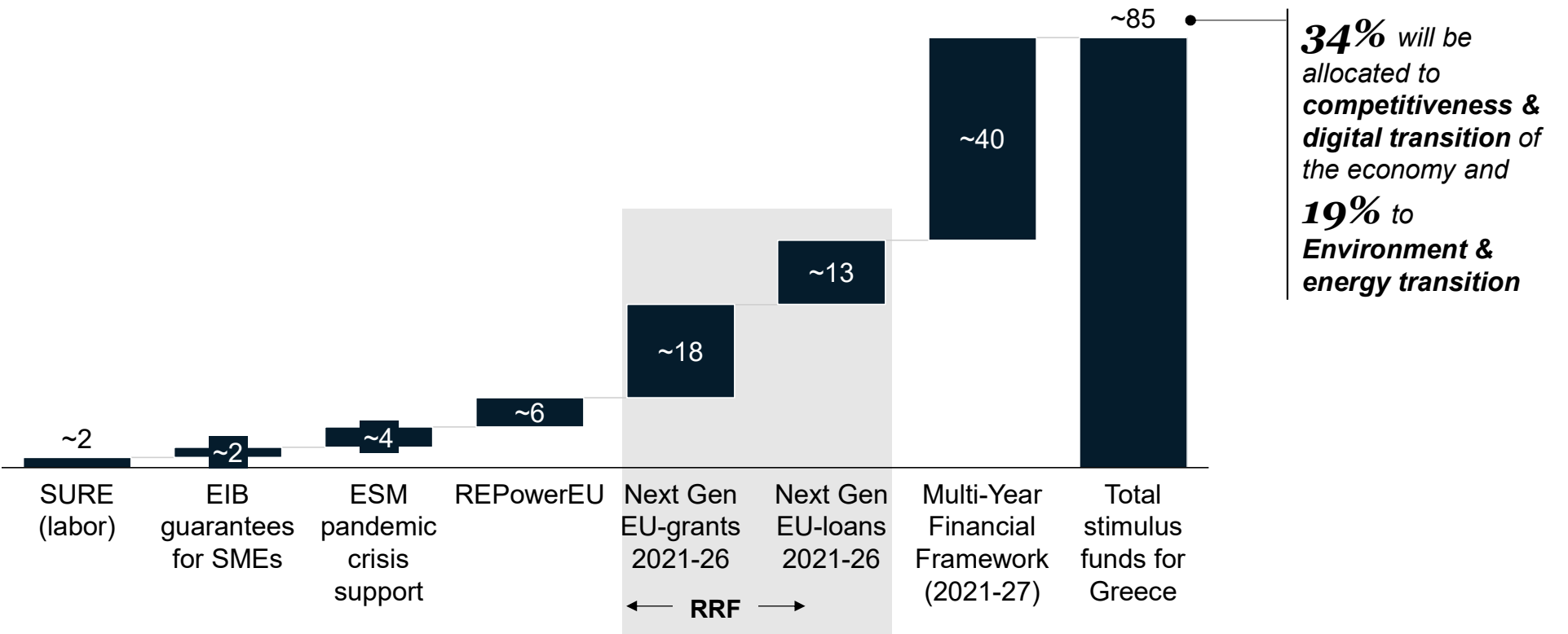
1. Gross capital formation = Gross fixed capital formation + (Changes in inventories + Acquisitions less disposals of valuables)
2. Estimate (due to variance in methodologies calculated as Private investment minus FDI -as reported by BoG)

Significant funding from Europe is expected to further fuel growth; estimated EU funding of ~EUR 85 bn

Greece's share from EU funds for 2021-27; EUR bn

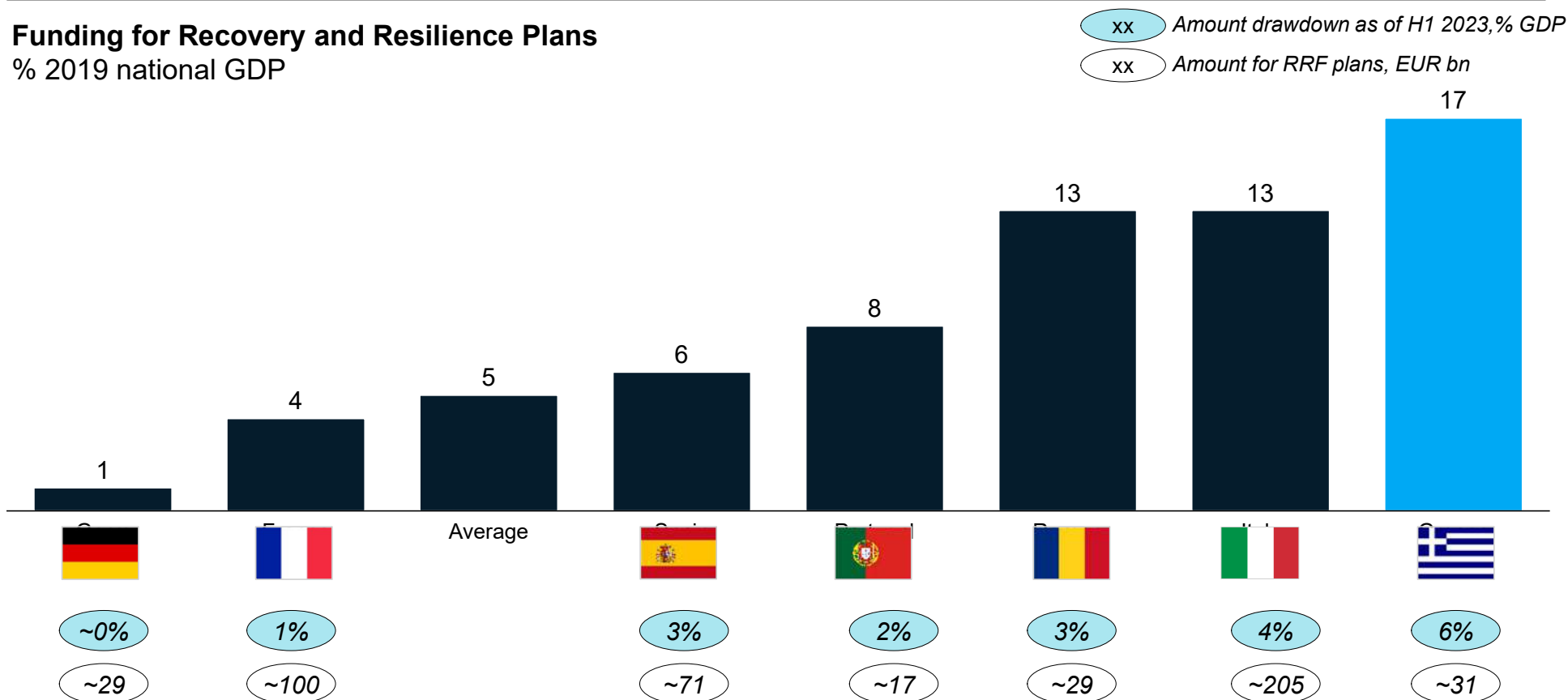
Not exhaustive

Recovery and Resilience Facility (RRF); detailed next



Greece is set to receive the highest share of RRF funding as % GDP compared to other EU countries

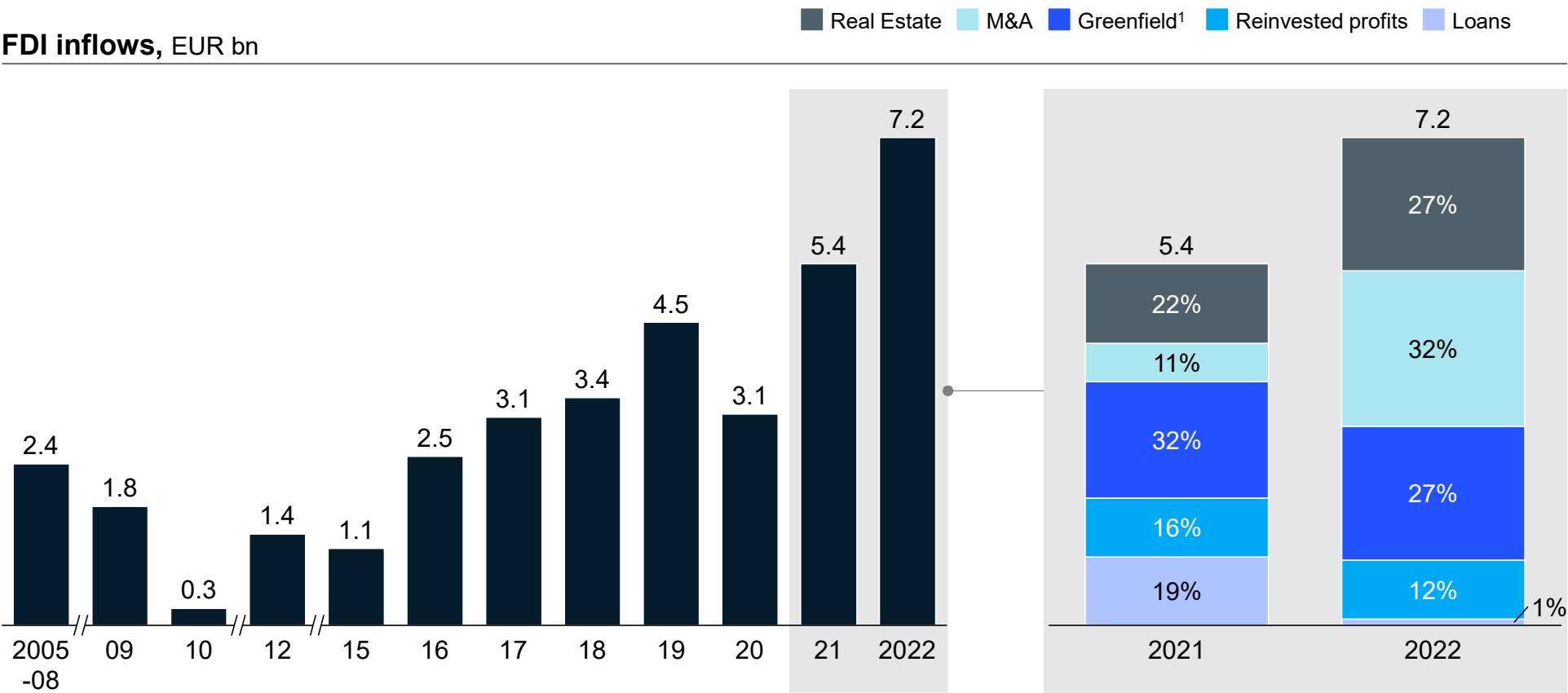
Funding for Recovery and Resilience Plans % 2019 national GDP



1. Excluding the additional 5bn funds requested as loans and 0.8bn grants tied to the REPowerEU in end of August

Source: National Recovery and Resilience Plans; adjustments currently in progress, European Commission, Press search

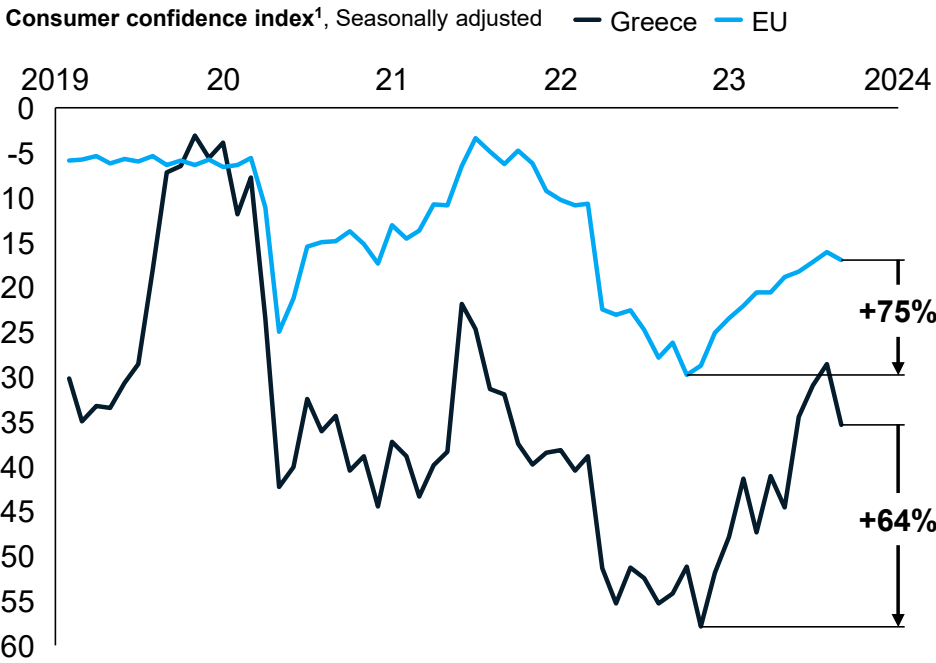
Going froward Greece needs to make an effort to increase FDI in new business projects which have a much higher growth multiplier



1. Creation of new productive investments or participation in equity capital increases

Consumption has remained robust despite a fall in consumer sentiment fueled by inflationary pressures and global uncertainty

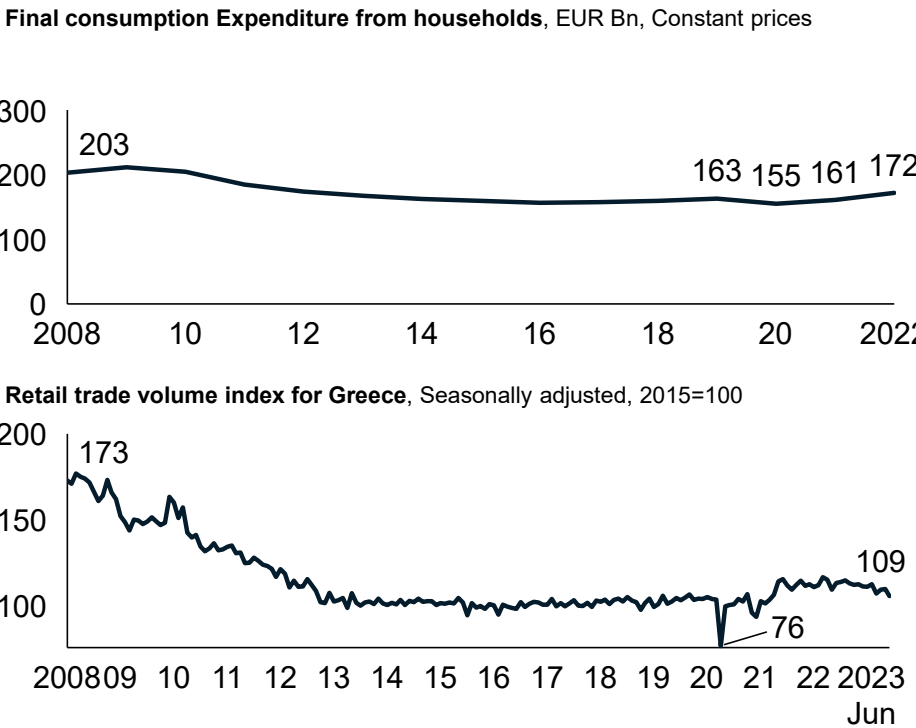
Inflation and overall global economic uncertainty in 2022 have taken their toll on consumer confidence in Greece, despite it being less affected than peers. Partial recovery in the first half of 2023



1. Difference between the percentages of respondents giving positive and negative replies in a series of questions organized around four topics: households' financial situation, the general economic situation, savings and intentions with regard to major purchases

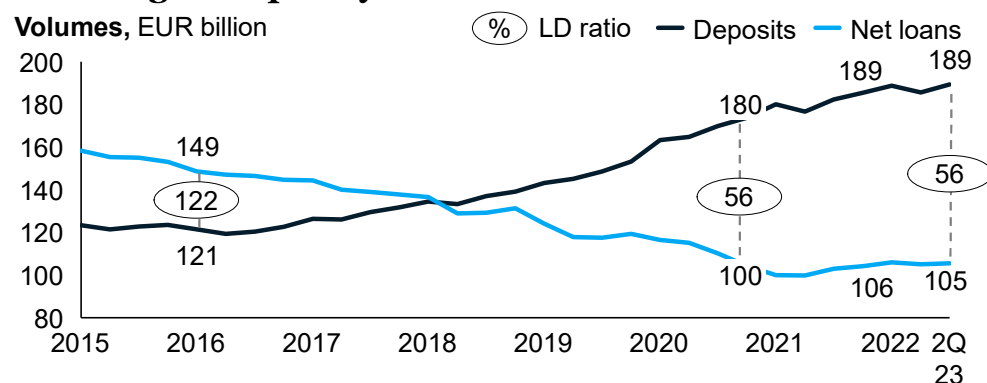
Source: Eurostat, Elstat

Still, consumer consumption has remained robust and continues slow recovery towards pre crisis levels

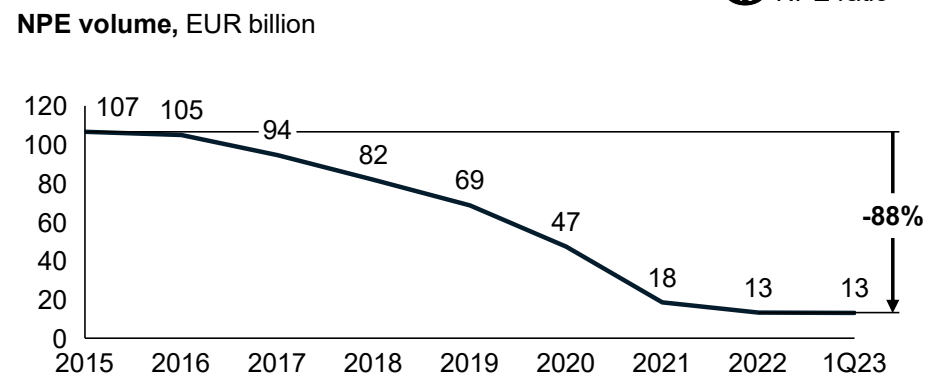


The banking sector has regained its stability and resilience

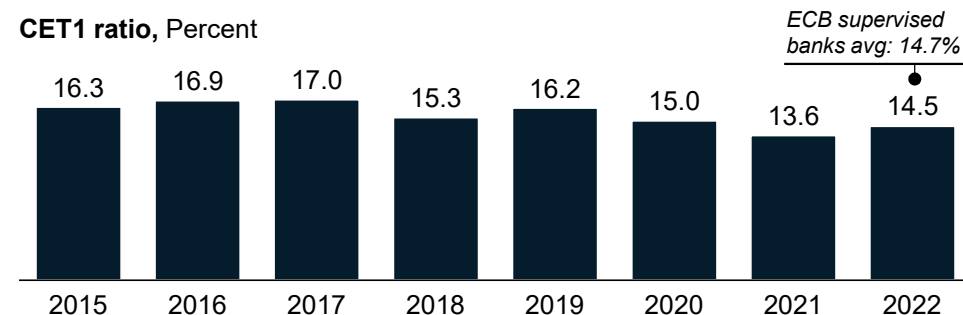
Inflow of deposits combined with loan deleveraging has led to higher liquidity



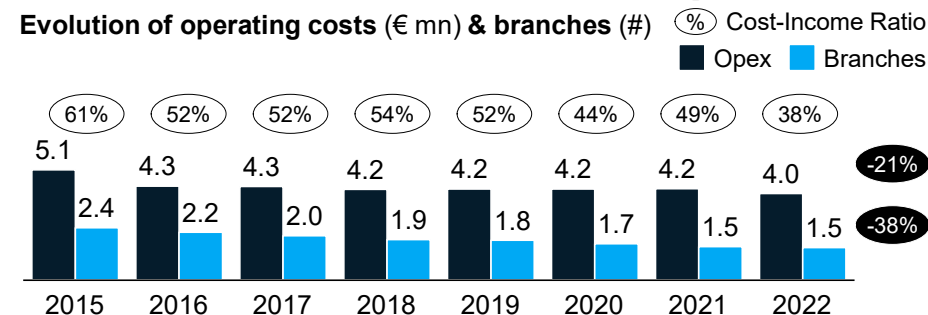
Sharp decrease of NPEs as a result of NPL sales and securitizations



Banks remain sufficiently capitalized and in line with EU peers, despite decline due to aggressive NPE reduction

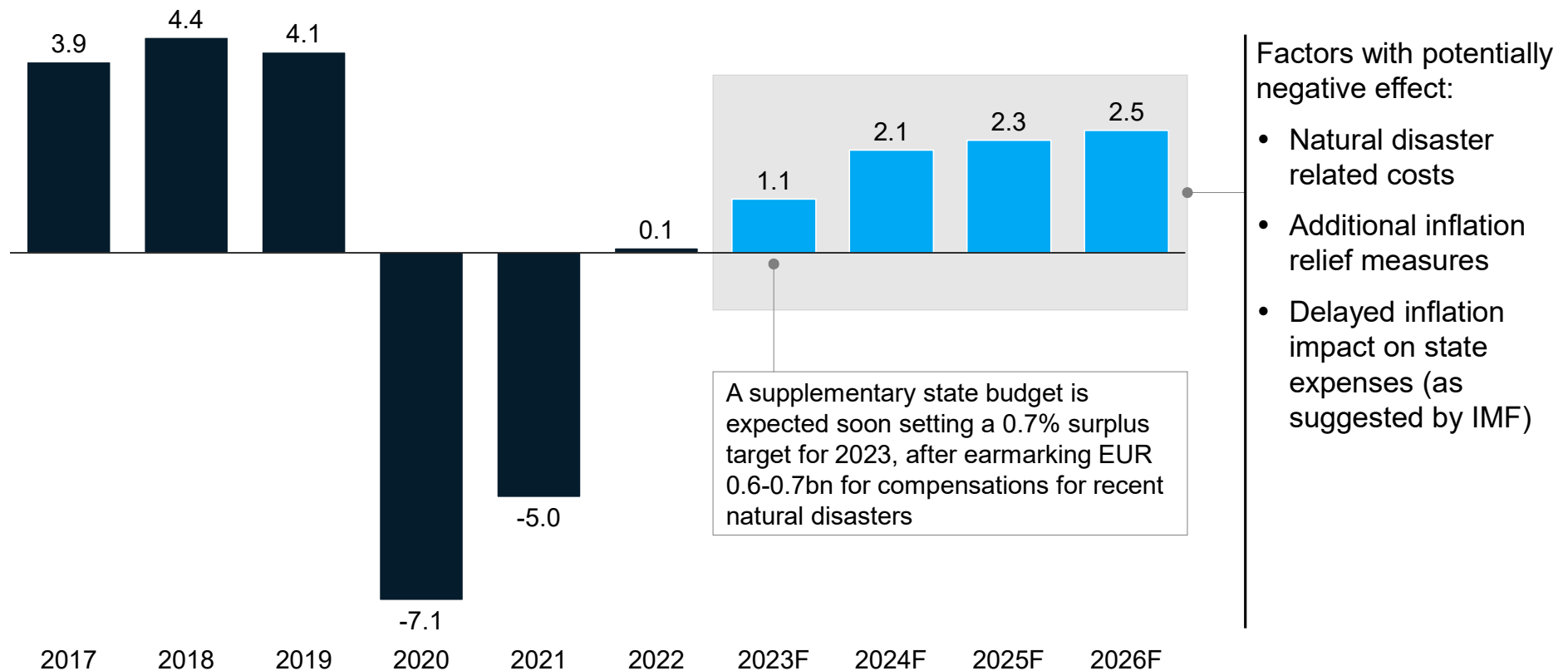


Cost containment and network rationalization of network improving profitability



Fiscal flexibility remains a critical stability factor

Primary balance evolution and targets as per 2023-2026 Stability program, % of GDP



Some headwinds growth

We need to tackle the:

- **Inflation** which is decelerating but remains high, disproportionately affecting a significant portion of Greeks (Greece is still at the tail in terms of the % of population unable to heat up their homes)
- **Trade deficit** which has grown during the pandemic almost to double digits and is expected to gradually be contained, yet remain meaningful
- **Structural barriers to competitiveness** and productivity while further **doubling down on digitization**

We need to watch out and:

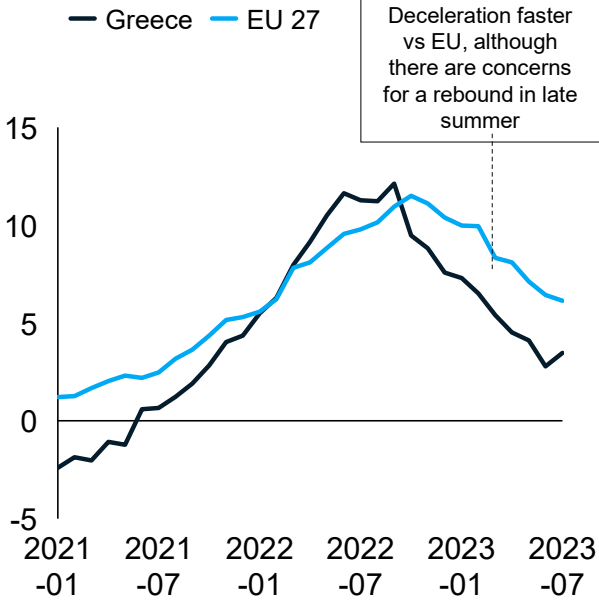
- **Maintain fiscal flexibility** in light of the stricter targets and potential cost increases driven by natural disasters, additional inflation relief programs and delayed inflation impact on state expenses
- **Maintain high level of real economy absorption for RRF and ESPA funds**
- **Boost FDI** and **direct it towards new projects** across sectors and development of infrastructures

Inflation in Greece expected to decelerate faster than EU and to reach <2% after 2024

Food has become the main driver for inflation in 2023 as energy prices began falling

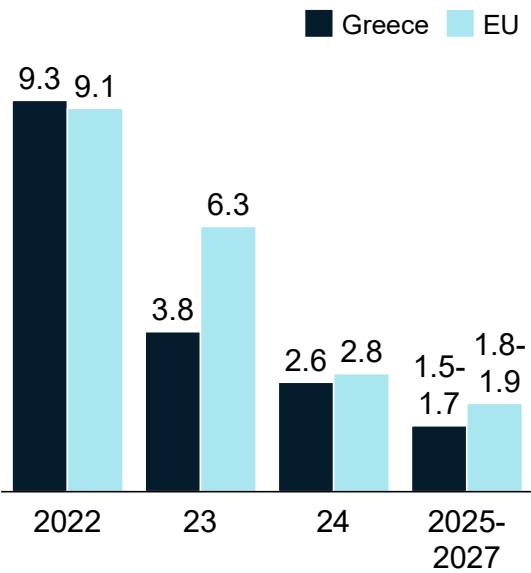
Inflation appears to have peaked

Consumer price index, % change yoy



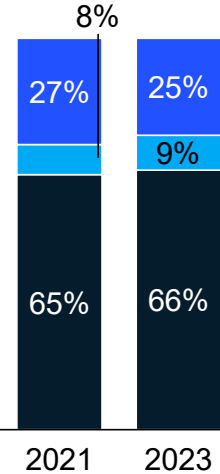
Still, it is expected to remain at elevated levels until 2024 and then to fall and stay below the 2% mark

Consumer Price index, % change yoy

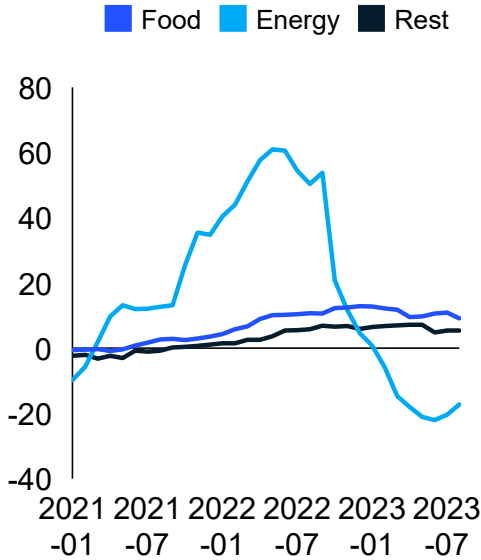


Inflation in 2022 was mostly driven by the meteoric rise in energy prices, while in 2023, it is food prices that are leading the way

Consumer price index composition, %



Consumer price index subcomponents, % change yoy



Trade deficit has jumped to -8% during the pandemic and is projected to remain high in the following years

Net Exports of goods and services, Billion EUR, current prices

