Press Release

Euler Hermes analysis: Greece makes Odyssey progress, still some seas to cross

ATHENS, GREECE - 12 FEBRUARY 2016 – Euler Hermes, the worldwide leader in trade credit insurance, held this week its 2016 International Trade Observatory summit in Athens. Vassili Christidis, CEO of Euler Hermes Greece, and Ana Boata, European economist at Euler Hermes, shared their analysis of latest economic data and outlined key elements that could help drive Greece out of recession.

Global growth should remain below +3% in 2016 and 2017, due to the diverging trend between emerging markets (expected to bottom out at +3.8% this year after turbulence in 2015) and advanced economies that should register a limited pick-up in growth this year (+2%). Global trade is expected to improve, but slowly, in 2016 (+0.9% in value and +3.6% in volume) as the price effect will remain a drag due to the end of cheap dollar, the fall in commodity prices and lackluster global demand.

“The global economic environment in the next months will remain sluggish,” said Ana Boata. “The limited 2016 global GDP growth reflects the economic slowdown in China, continued financial market volatility, further rate hikes in the United States, the fall in commodity prices, the uncertainties of the global political landscape and the expected business insolvencies increase: +1% worldwide this year, the first increase since 2009. The ingredients for a marked global economic recovery in 2016 are still absent. However, 2016 seems to be Eurozone’s year, as in most countries growth is picking-up, albeit moderately, and the region should register +1.7% growth, the highest pace since 2007.”

Highlighting the economic scenario in Greece, Boata said that growth should return to positive territory in the second half of 2016, as capital controls are expected to be significantly eased by then. However, GDP should remain negative in 2016 (-1%) as several factors have weakened the Greek economy:

- capital controls have been a significant drag on trade flows (now at 2005 levels) and cancelled the positive effects of lower oil prices in the retail sector;
- the weakness of the domestic banking sector has limited private sector financing availability and kept interest rates high (>5% for small-medium enterprises (SMEs)) compared to the rest of the Eurozone.

All in all, private sector recovery is still lagging, with firms’ turnover on the downside and profitability lower due to the combined lack of financing and increasing fiscal burden. Overall, business insolvencies are expected to increase for the ninth consecutive year by +5% in 2016, after +10% in 2015.

“Deteriorating economic prospects in emerging markets slowed Greek export diversification while the Eurozone has only just entered in a timid recovery phase,” added Vassili Christidis. “Export remains an option, but selectivity will be pivotal when looking for new opportunities.”

Opportunity #1: Increasing logistics capacities to boost export/import
The Piraeus port privatization and EUR350 million of planned investments in the coming five years suggest new export/import business opportunities, notably with Asia. This will help Greece confront Mediterranean competition and take advantage of its favorable geographic position.

Fraport, the German company which won the bid to lease 14 Greek regional airports, is pledged to invest EUR330 million to upgrade terminals in the first four years and a total of EUR1.4 billion over the next four decades.

Opportunity #2: Iran’s comeback means additional demand for Greek exporters
Lifting international sanctions should have a marked impact on trade, with exports and imports both potentially increasing by +20% in 2016, and imports increasing by a further +13% in 2017. There will be opportunities for Greek exporters with Iranian automotive, food, metal, machinery and equipment markets. Further, Greek refineries were already a major buyer of Iranian crude oil prior to the sanctions, equal to 26% of Greek crude oil imports.

Opportunity #3: **Tourism is and will remain a key asset**
Representing 8% of GDP in 2015 with over 26 million visitors, tourism remains one of the main assets for economic growth. Reliably traditional tourists are from Northern Europe (France, Germany, the Netherlands, the UK) and other EU members such as Italy but newcomers are rising, e.g. Bulgaria, Poland and Romania.

Greece		weight	2014	2015	2016	2017
GDP		100%	0.7	-0.4	-1.0	2.0
Consumer Spending		69%	0.7	0.5	-0.7	1.5
Public Spending		21%	-2.4	0.8	-1.2	-0.4
Investment		12%	-2.6	-4.2	-0.3	3.4
Stocks	*	1%	1.4	-2.2	-0.8	0.9
Exports		30%	7.4	-5.3	-9.2	9.0
Imports		33%	7.8	-10.4	-11.0	10.1
Net exports	*	-3%	-0.3	1.8	0.6	-0.3
Current account	**		-1	1	1	-1
Current account (% of GDP)			*-0.6*	*0.5*	*0.8*	*-0.3*
Employment			0.7	1.9	0.7	1.0
Unemployment rate			26.5	25.0	24.5	23.8
Inflation			-1.4	-1.1	0.0	0.5
General government balance	**		-8	-8	-6	-5
General government balance (% of GDP)			*-4.3*	*-4.5*	*-3.5*	*-3.0*
Public debt (% of GDP)			178.6	187.9	202.1	201.8
Nominal GDP	**		177	175	175	179

Change over the period, unless otherwise indicated:
*contribution to GDP growth
**EUR bn

Source: Euler Hermes

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Established in 1995, Euler Hermes Greece employs 50 people at its Athens headquarters and Thessaloniki office. It serves the market with a range of trade credit insurance solutions and debt collection services. Greece is part of the Euler Hermes Mediterranean Countries, Middle East and Africa region.