Best's Country Risk Report

Greece

CRT-4

August 22, 2019

Region: Europe

Country Risk Criteria Procedures

Guide to Best's Country Risk Tiers

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Greece is a CRT-4 country with a moderate level of economic risk and high levels of political and financial system risk. Greece's economy was essentially in a recession from 2008 to 2017 owing the country's debt crisis. It has returned to growth, but GDP remains below its 2008 level.
- For 2019, Greece's economy is estimated to grow 2.4%, with 1.1% inflation. GDP is up from 2018, at 2.1%, as is inflation, at 0.8%. The medium term outlook for Greece is for annual growth of around 1%.
- AM Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. Notable exceptions are many of the Eastern European countries such as Belarus, Romania, and Ukraine.

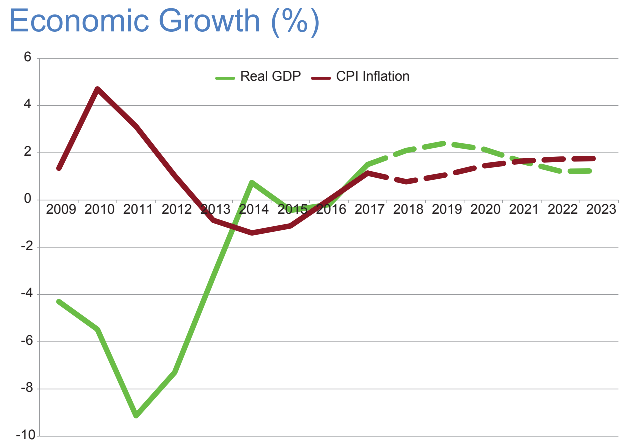
Vital Statistics 2018		
Nominal GDP	USD bn	219.10
Population	mil	10.7
GDP Per Capita	USD	20,408
Real GDP Growth	%	2.1
Inflation Rate	%	0.8
United Nations Estimates		
Literacy Rate	%	97.1
Urbanization	%	78.7
Dependency Ratio	%	52.9
Life Expectancy	Years	81.4
Median Age	Years	43.3
Insurance Statistics		
Insurance Regulator	The Bank of Greece	
Premiums Written (Life)	USD mil	2,119
Premiums Written (Non-Life)	USD mil	2,360
Premiums Growth	%	4.0
Regional Comparison		
	Country Risk Tier	
Greece	CRT-4	
Bosnia and Herzegovina	CRT-5	
Italy	CRT-2	
Poland	CRT-2	
Slovenia	CRT-2	
Turkey	CRT-4	

Source: IMF, UN, Swiss Re, Axco and AM Best

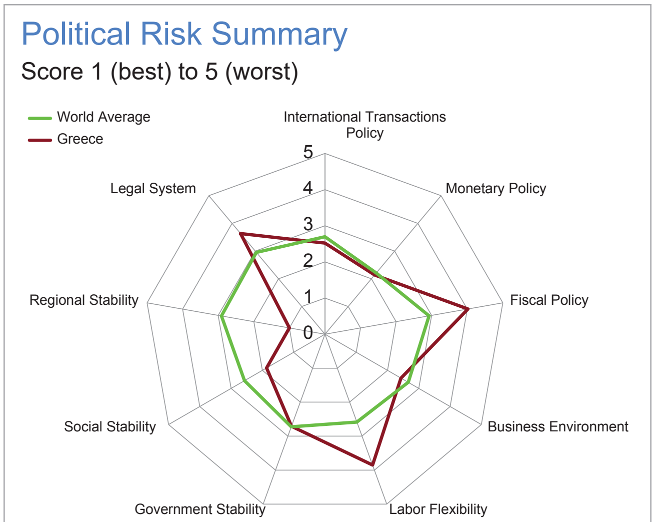
- **Country Risk Tier 1** (CRT-1) Very Low Level of Country Risk
- **Country Risk Tier 2** (CRT-2) Low Level of Country Risk
- **Country Risk Tier 3** (CRT-3) Moderate Level of Country Risk
- **Country Risk Tier 4** (CRT-4) High Level of Country Risk
- **Country Risk Tier 5** (CRT-5) Very High Level of Country Risk

Regional Summary: Western Europe

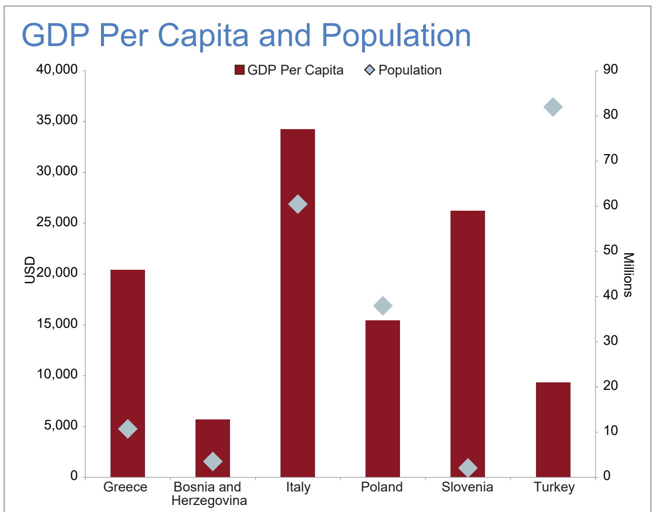
- Composed of 28 countries, the EU accounts for slightly over a fifth of the world's GDP. The IMF predicts that GDP for the region will be 18.71 trillion euros in 2019, largely flat from 18.75 trillion euros in 2018.
- Uncertainty about Britain's exit from the EU lingers, weighing on regional growth prospects. A decision on Brexit is due in October, with a "no deal" Brexit remaining a possibility.
- Growth in Western Europe has stagnated; impediments include weakness in the region's manufacturing sectors, along with heightened trade tensions, and a general worldwide economic slowdown.
- The European Central Bank (ECB) ended its unprecedented quantitative easing program in December 2018. However, the ECB has signaled that further stimulus could be forthcoming if economic softness persists.



Source: IMF World Economic Outlook and AM Best



Source: AM Best



Source: IMF and AM Best

Economic Risk: Moderate

- Since the economic crisis, Greece's public sector, once a driver of the country's economy, is being increasingly privatized. However, the persistent indebtedness of many state-owned enterprises, particularly in the energy sector, makes their privatization outlook uncertain.
- GDP in 2019 is projected to be around USD 220 billion, below Greece's all time high of USD 356 billion in 2008. Over the past decade, about a third of the country's wealth has been lost.
- The unemployment rate in Greece remains extremely high, estimated at about 18.5% for 2019. However, this is down from the all-time high during the crisis of about 27.5% in 2013.
- During the crisis, Greece participated in three bailout programs, receiving a total of USD 330 billion in loans from the EU, the ECB, and the IMF. The final bailout program officially ended in 2018.
- Still in recovery from the crisis and the accompanying austerity measures, Greece is vulnerable to external headwinds. Fostering a supportive business environment remains a challenge; ranking 100 out 190 countries, Greece is one of the worse eurozone performers in the Doing Business Index.

Political Risk: High

- The election on July 7, 2019 saw a shift in power from the Coalition of the Radical Left to the New Democracy party (ND). The ND now holds a majority (158) of the 300 seats in congress. Kyriakos Mitsotakis of the ND will be the country's new prime minister.
- Former Prime Minister Alexis Tsipras (Syriza party) lost the snap election due to the loss in popularity that came with passing stern measures to appease international creditors. These included budget cuts and an increase in privatization. However, Tsipras' government was able to delay implementing the planned pension reform.
- As part of its bailout, the Greek government committed to several austerity measures regarding fiscal policy. Greece had been targeting maintaining a budget surplus of 3.5% of GDP until 2022, but this is likely to be renegotiated by the new government.

Financial System Risk: High

- Since 2010, the Bank of Greece has been the regulator of the insurance and banking industries.
- The banking sector is challenged by a high number of non-performing exposures, which constitute approximately 47% of outstanding loans. This exposure is a detriment to the balance sheets of banks and has an over-arching effect in the financial sector as a whole.
- The insurance market is relatively small and undeveloped compared to the rest of the eurozone.