

Hellenic Republic

Rating report

Rating rationale

Strengthened European institutional support: Supportive monetary- and fiscal-policy measures have been sizeably enhanced for Greece since the Covid-19 crisis. Ongoing Eurosystem support, alongside EU support from the EU Recovery Fund, are fundamental to anchoring Greek market access – and represent a sea change after Greece’s extended exclusion from ECB monetary operations and facilities before the pandemic crisis. This anchors debt sustainability and creates fiscal space.

Enhanced fiscal dynamics: A strong reduction is underway in the public-debt ratio and general government deficit since 2020, supported by robust economic recovery, elevated inflation, alongside prudent fiscal policy driving a return to meaningful primary budgetary surpluses. The favourable fiscal dynamics are furthermore anchored by past significant improvements of the government-debt structure – such as the low average interest costs of the outstanding debt entering the cost-of-living crisis.

Structural reforms: Banks have continued to substantively curtail formerly elevated non-performing loans (NPLs) – reaching a 4.6% system-wide average (on a non-consolidated basis) by Q3 of this year. Nevertheless, banking-system resilience remains challenged by the moderate although improving capital adequacy, the low average quality of available bank capital and still-strong sovereign-bank links even as the government anticipates fully sunsetting the Hellenic Financial Stability Fund (HFSF) by the end of this year and plans to accelerate the amortisations of deferred tax credits (DTCs).

Rating challenges: i) the still elevated government debt outstanding, representing a continued credit vulnerability during phases of reappraisal of euro-area fiscal risks in capital markets; ii) the gradual weakening of Greece’s favourable sovereign debt structure as Greece increasingly relies on capital markets for financing and accelerates the early repayments of its bailout loans; iii) political and policy risks medium run, especially as enhanced EU monitoring on Greek policy making is mostly removed; iv) banking-sector vulnerabilities; and v) structural economic vulnerabilities, such as moderate economic-growth potential and climate-change risks.

Foreign currency

Long-term issuer rating/Outlook

BBB/Stable

Senior unsecured debt

BBB/Stable

Short-term issuer rating/Outlook

S-2/Stable

Local currency

Long-term issuer rating/Outlook

BBB/Stable

Senior unsecured debt

BBB/Stable

Short-term issuer rating/Outlook

S-2/Stable

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Figure 1: Greece’s sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
	Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk	35%	a	EUR	Greece	- 2/3	BBB
Public finance risk	20%	bbb-			2/3	
External economic risk	10%	c			0	
Financial stability risk	10%	aa-			1/3	
ESG risk	Environmental factors	5%	[+1]	[-0]	- 1/3	
	Social factors	7.5%			- 1/3	
	Governance factors	12.5%	bbb+			
Sovereign Quantitative Model	bbb				+0	
Additional considerations					0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF’s Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank’s Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope’s [Sovereign Rating Methodology](#). Source: Scope Ratings.

Credit strengths and challenges

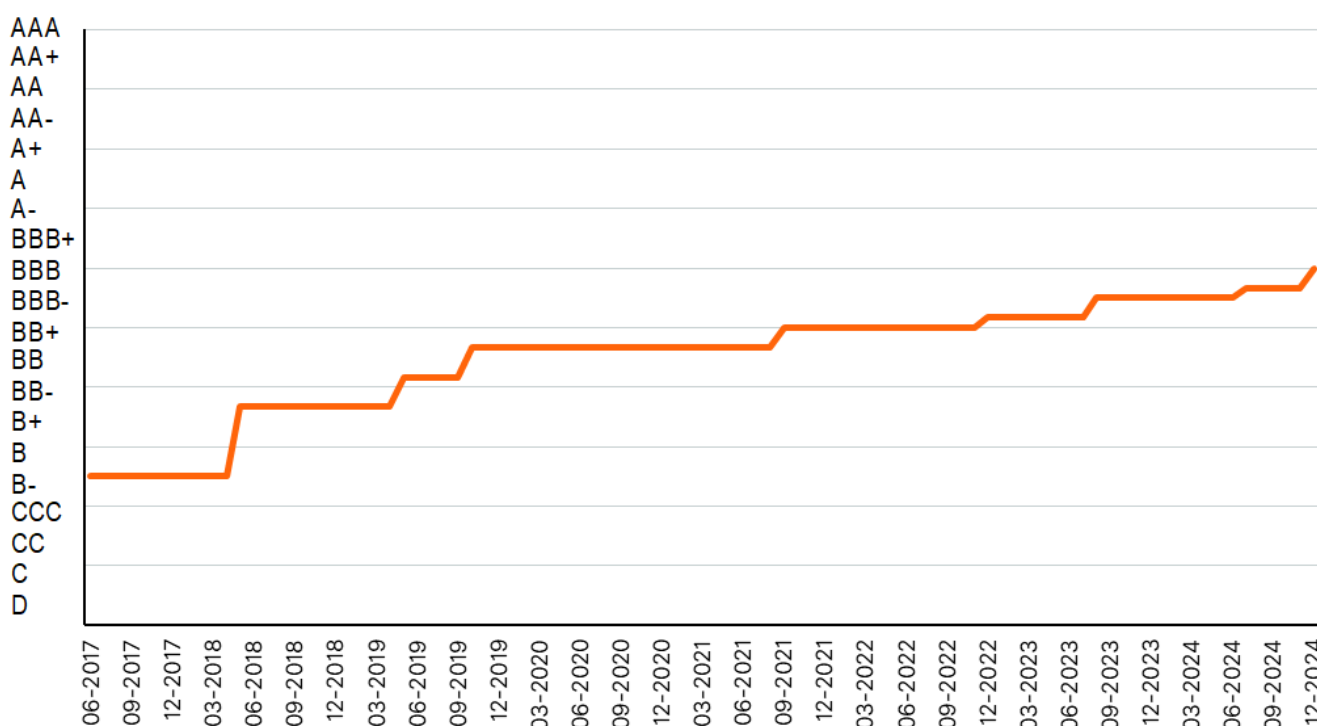
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Strengthened European institutional support, via the Eurosystem and the EU Declining government debt alongside primary budget surpluses The strong structure of the public debt Structural reforms; NPL reductions, bank privatisations and DTC reductions 	<ul style="list-style-type: none"> A very high government debt stock A gradual weakening of the strong structure of government debt Political and policy risks medium- to long-run Banking-system vulnerabilities Moderate economic-growth potential; environmental challenges

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> Sustained decline in the public-debt ratio Strengthened economic growth potential; strengthened economic sustainability Banking-sector risks are further curtailed 	<ul style="list-style-type: none"> Impediments to the declines in the public debt and/or significant weakening of the structure of government debt Banking sector risks re-intensify Macroeconomic sustainability weakens Eurosystem support for Greece weakens and/or financing conditions deteriorate

Figure 2: Rating history



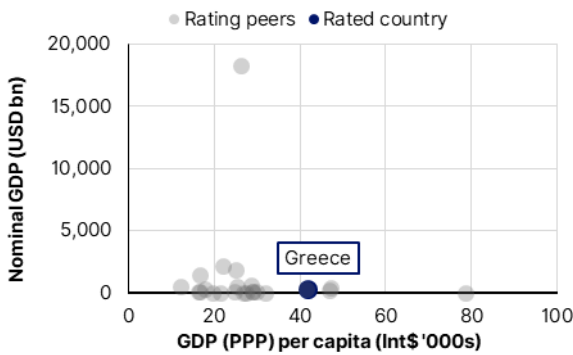
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Greece's Domestic Economic Risk

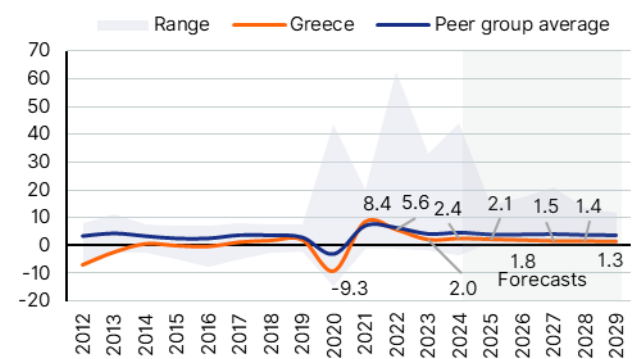
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential and outlook	Weak	-1/3	Long-run economic growth potential remains comparatively weak but is improving; growth out-performance since the pandemic-crisis recovery; low but improving investment and innovation; a gradual shift towards more competitive export-oriented sectors
	Monetary policy framework	Neutral	0	The ECB is a highly credible and effective central bank; ECB policy innovations and Greece's enhanced access to the Eurosystem anchor Greek markets
	Macroeconomic stability and sustainability	Weak	-1/3	Declining unemployment although structural unemployment remains elevated; limited economic diversification; rigidities of the labour market

Figure 3: Nominal GDP and GDP per capita (2024)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



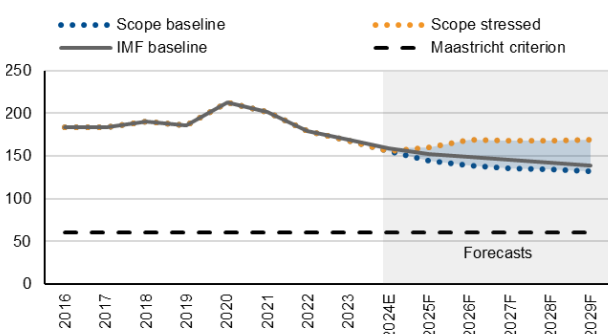
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Greece's Public Finance Risk

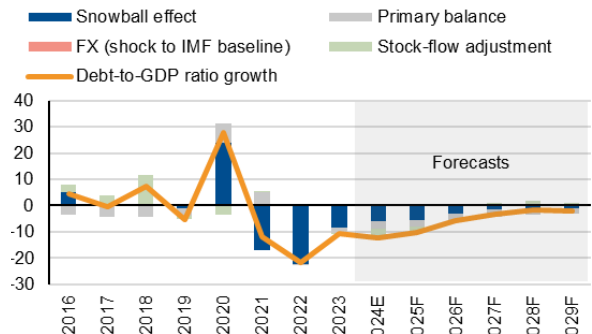
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb-	Fiscal policy framework	Strong	+1/3	Ambitious fiscal targets and a record of prudent fiscal policy making since the Kyriakos Mitsotakis government; out-performance of meaningful primary fiscal surpluses; continued post-bailout surveillance although bail-out budgetary straight-jackets have been largely removed
	Long-term debt trajectory	Neutral	0	A very-high public debt ratio but continued decline anticipated; benignly only a moderate rise in debt even under a stressed debt-sustainability scenario
	Debt profile and market access	Strong	+1/3	A strong structure of government debt and meaningful cash cushion, but the debt structure is weakening; rising interest payments; strengthened access to the Eurosystem and EU financing; strengthened market access and reduced sovereign credit spreads

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO and Scope Ratings forecasting

Figure 6: Debt-to-GDP forecasts, % of GDP



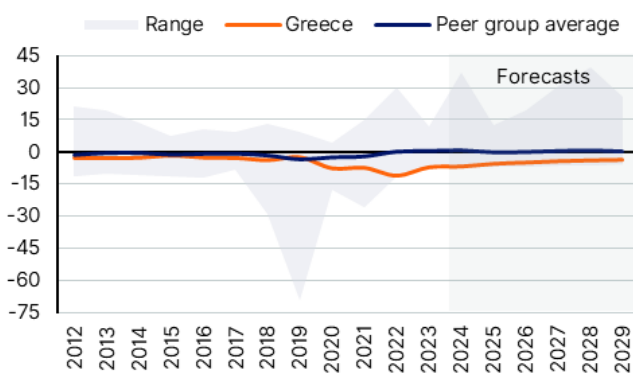
Source: IMF WEO, Scope Ratings forecasts

External economic risk

Overview of Scope's assessments of Greece's External Economic Risk

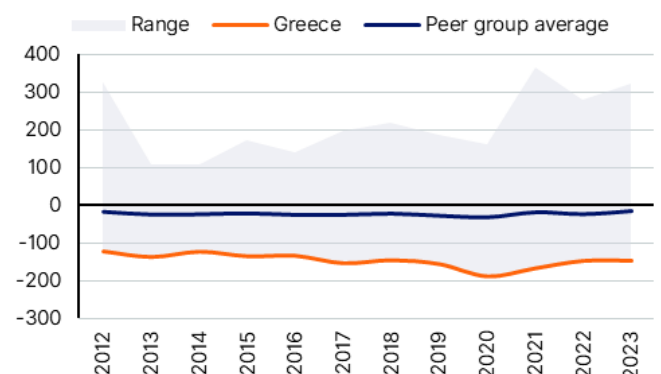
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
C	Current account resilience	Weak	-1/3	The current account is sensitive to changes in foreign tourism; significant structural current-account deficits; the current-account deficit has increased due to economic out-performance and ongoing investment
	External debt structure	Strong	+1/3	Elevated external debt, but very long maturity and in the form of euro (local currency)-denominated sovereign debt owed mainly back to the official sector
	Resilience to short-term external shocks	Neutral	0	Benefits from euro-area membership

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



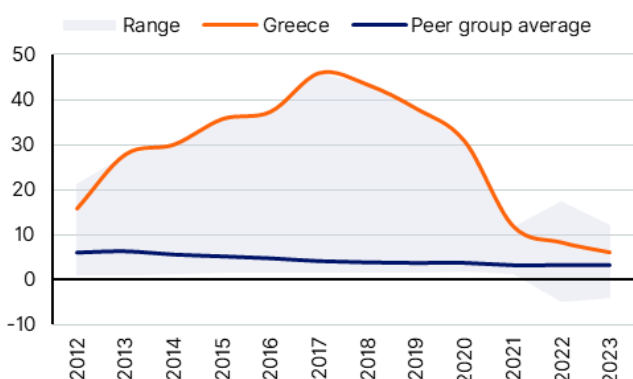
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Greece's Financial Stability Risk

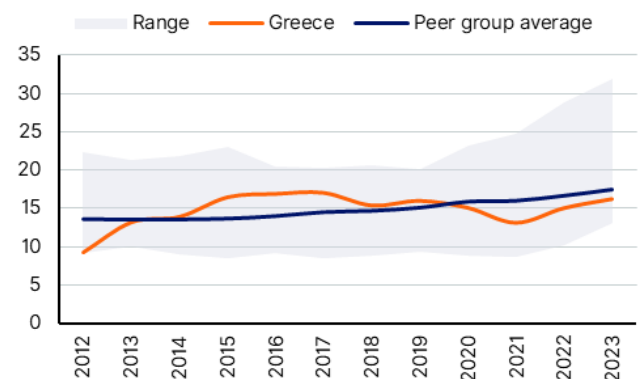
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Banking sector performance	Neutral	0	Improved profitability; poor although improving asset quality and moderate capitalisation levels; sharp reductions in the reported NPLs although non-performing private debt remains high; strengthened liquidity
	Financial sector oversight and governance	Strong	+1/3	Effective oversight by the Bank of Greece and the ECB as part of Banking Union
	Financial imbalances	Neutral	0	Moderate private debt; no credit-growth imbalances such as those of the economies of sovereign peers; still-strong bank interconnectedness with the sovereign although being gradually reduced; sunsetting of the HFSF by end of 2024

Figure 9: NPLs, % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



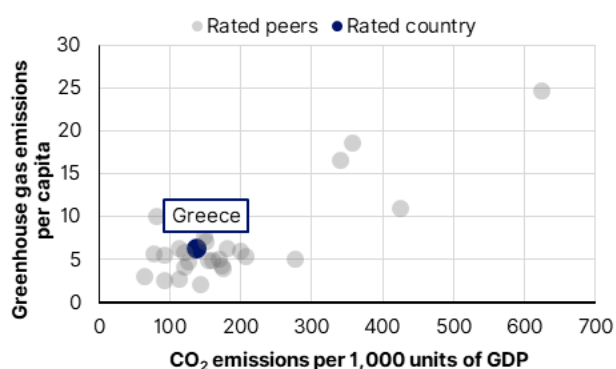
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Greece's ESG Risk

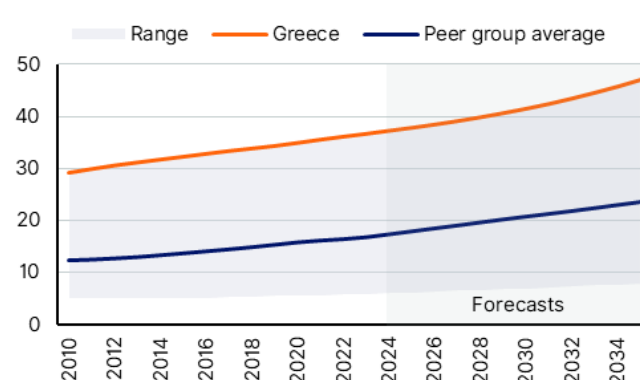
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Environmental factors	Weak	-1/3	High exposures to natural-disaster risks linked to climate change; ambitious decarbonisation objectives; a low share of renewables in the aggregate energy mix
	Social factors	Weak	-1/3	Adverse demographics; moderate educational outcomes but long healthy life expectancies; inequalities between the Greek regions and elevated poverty
	Governance factors	Strong	+1/3	Comparatively stable political conditions under the Mitsotakis government; drop in the support for the government in European elections and longer-run political risks

Figure 11: CO₂ emissions per GDP, mtCO₂e (2023)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

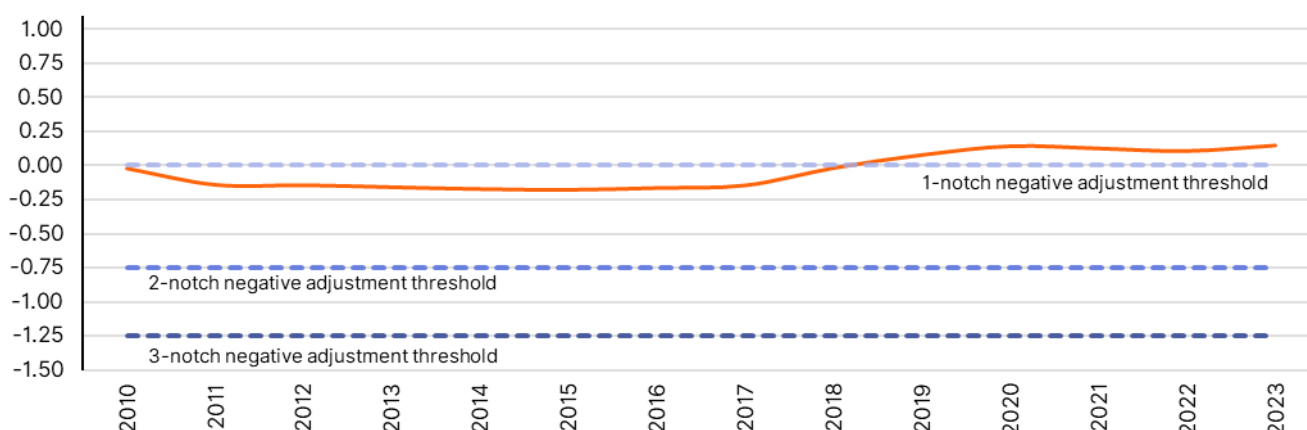
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Greece, three-year moving average



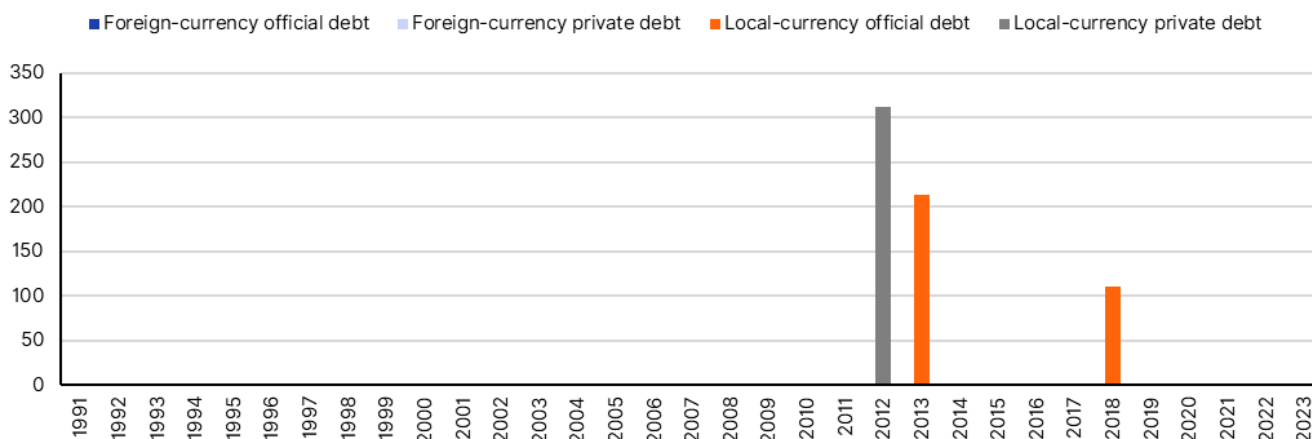
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign debt in default by type, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada-Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
China
Georgia
Hungary
Romania
Serbia
Türkiye

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bps) as of 29 November 2024	60.4

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	29.6	31.6	29.0	32.7	37.7	40.0
	Nominal GDP, USD bn	IMF	212	205	188	215	218	238
	Real growth, %	IMF	1.7	1.9	-9.3	8.4	5.6	2.0
	CPI inflation, %	IMF	0.8	0.5	-1.3	0.6	9.3	4.2
	Unemployment rate, %	WB	19.2	17.0	15.9	14.7	12.4	11.0
Public Finance	Public debt, % of GDP	IMF	190.7	185.5	213.2	201.2	179.6	168.9
	Net interest payment, % of government revenue	IMF	6.8	6.3	6.0	5.0	4.9	5.7
	Primary balance, % of GDP	IMF	4.2	2.9	-7.6	-5.0	0.0	1.9
External Economic	Current-account balance, % of GDP	IMF	-3.6	-2.2	-7.3	-7.1	-10.7	-6.9
	Total reserves, months of imports	WB	1.0	1.1	1.8	1.6	1.1	1.2
	NIIP, % of GDP	IMF	-144.1	-154.6	-187.3	-165.6	-146.0	-
Financial Stability	NPL ratio, % of total loans	IMF	43.4	38.1	30.8	11.9	8.2	6.0
	Tier 1 ratio, % of risk-weighted assets	IMF	15.8	14.9	14.6	13.7	12.6	14.1
	Credit to the private sector, % of GDP	WB	91.7	81.0	82.5	57.1	52.6	50.2
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	191.0	173.5	162.7	155.3	149.1	137.5
	Income share of bottom 50%, %	WID	20.8	21.1	21.2	20.4	20.5	-
	Labour-force participation rate, %	WB	66.9	67.0	66.0	66.5	68.7	-
	Old-age dependency ratio, %	UN	33.8	34.3	34.9	35.5	36.0	36.6
	Composite governance indicators*	WB	0.3	0.4	0.4	0.5	0.4	0.4
	Political stability, index	WB	0.0	0.1	0.1	0.1	0.1	0.1

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodology

[Sovereign Rating Methodology, January 2024](#)

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