

# 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. Eurosystem support, alongside EU fiscal 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 Covid crisis. This anchors debt sustainability and creates fiscal space.

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

**Structural reforms:** Banks have continued to substantively curtail formerly-elevated non-performing loans (NPLs) – reaching a 7.0% system-wide average (on a consolidated basis) by Q1 2024. Nevertheless, banking-system resilience remains challenged by moderate capital adequacy, a low average quality of available bank capital and strong sovereign-bank linkages although the government expects to fully divest from the systemic banks by end-2024.

**Rating challenges:** i) still very high government debt outstanding, representing a continued credit vulnerability during reappraisals of regional fiscal risks in markets; ii) the gradual weakening of the strong structure of Greek debt; iii) political and policy risk – such as after future elections and as straight-jackets on Greek policy making are taken off; iv) banking-sector vulnerabilities; and v) structural economic vulnerabilities, such as moderate growth potential and climate-change risk.

### Foreign currency

Long-term issuer rating/Outlook

**BBB-/Positive**

Senior unsecured debt

**BBB-/Positive**

Short-term issuer rating/Outlook

**S-2/Stable**

### Local currency

Long-term issuer rating/Outlook

**BBB-/Positive**

Senior unsecured debt

**BBB-/Positive**

Short-term issuer rating/Outlook

**S-2/Stable**

**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	<b>BBB-</b>
Public finance risk	20%	bbb-			+ 2/3	
External economic risk	10%	c			+ 1/3	
Financial stability risk	10%	bbb+			0	
ESG risk	Environmental factors	5%	[+1]	[-0]	- 1/3	
	Social factors	7.5%			- 1/3	
	Governance factors	12.5%	bbb+			
<b>Sovereign Quantitative Model (SQM)****</b>		<b>bbb-</b>			<b>-1</b>	
<b>Additional considerations</b>					<b>0</b>	

\*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. \*\*\*\*The final SQM indicative rating is determined at rating-committee level. For details, please see Scope’s [Sovereign Rating Methodology](#). Source: Scope Ratings.

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### Credit strengths and challenges

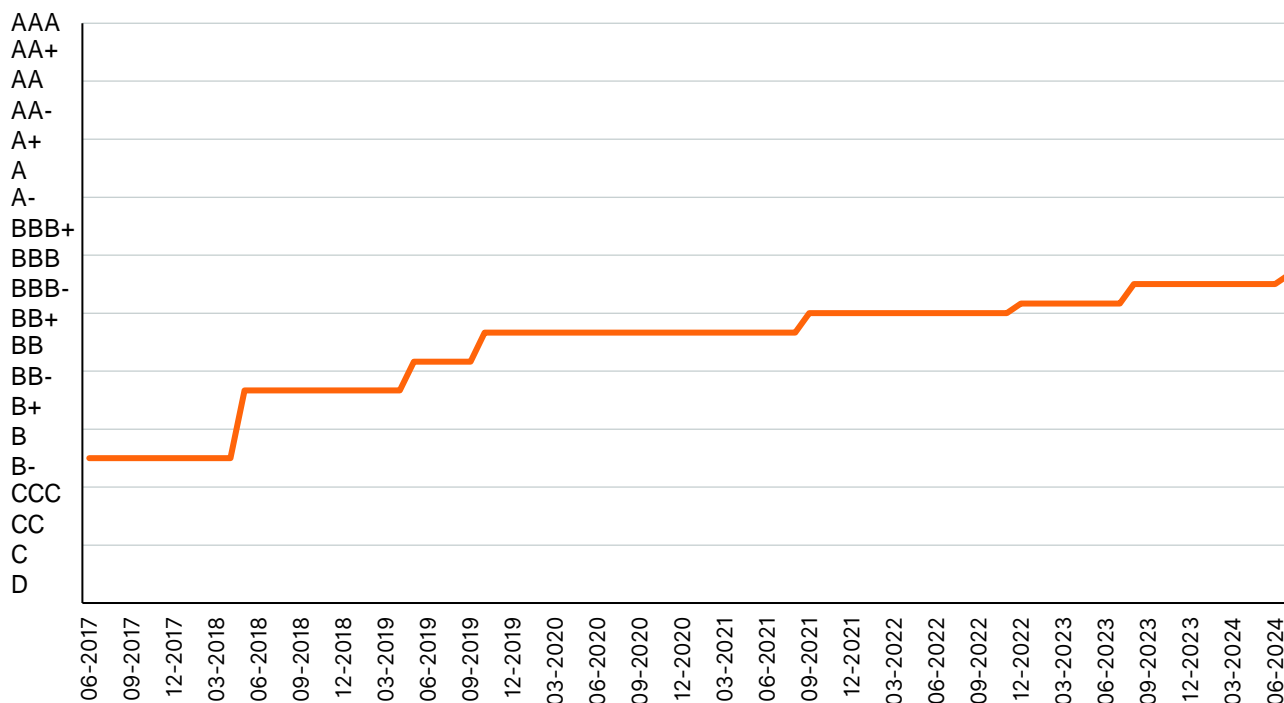
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>Strengthened European institutional support, via the Eurosystem and the EU</li> <li>Declining government debt alongside primary budget surpluses</li> <li>Strong structure of the public debt</li> <li>Structural reforms; NPL reduction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

### Outlook and rating triggers

The Positive Outlook on long-term ratings reflects Scope’s view that risks to the ratings are tilted to the upside.

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

Figure 2: Rating history<sup>1</sup>



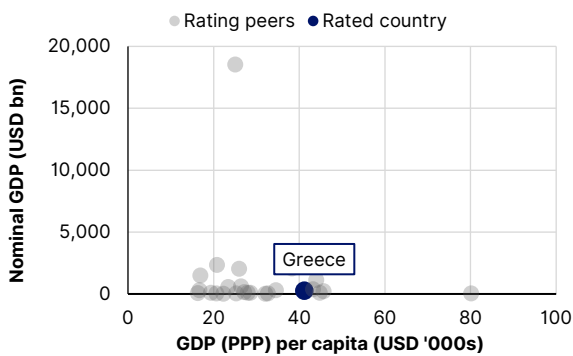
<sup>1</sup>Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

### Domestic economic risk

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

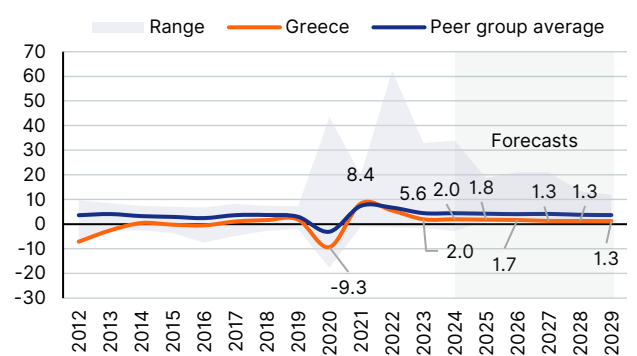
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential and outlook	Weak	-1/3	Long-run economic growth potential remains comparatively weak but is improving; growth outperformance since the Covid-19 recovery; low investment and innovation, although gradual shift towards more competitive export-oriented sectors
	Monetary policy framework	Neutral	0	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	Elevated structural unemployment; limited economic diversification; rigidities of the labour market

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



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

Figure 4: Real GDP growth, %



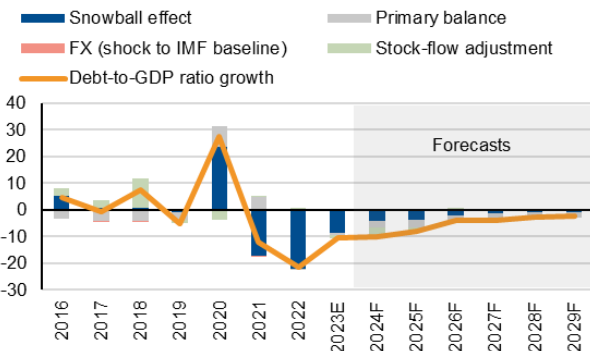
Source: IMF WEO, Scope Ratings forecasts

### Public finance risk

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

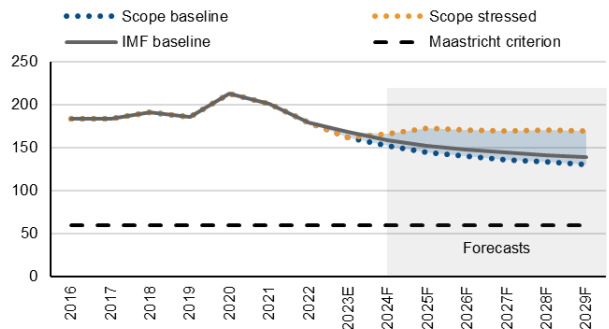
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb-	Fiscal policy framework	Strong	+1/3	Ambitious fiscal targets and record of prudent fiscal policy making since the Kyriakos Mitsotakis government; re-achievement of meaningful primary fiscal surpluses; continued post-bailout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

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



Source: IMF WEO, Scope Ratings forecasts  
\*Sovereign Quantitative Model.

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



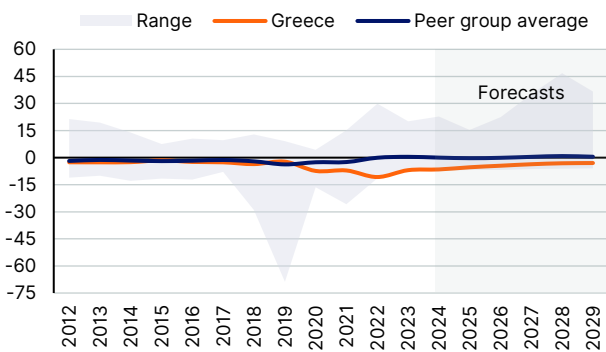
Source: IMF WEO, Scope Ratings forecasts

## External economic risk

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

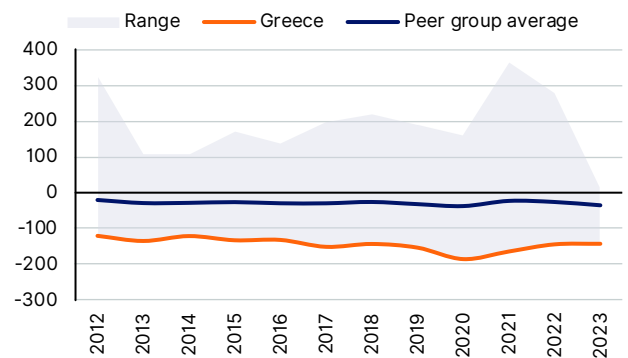
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
C	Current account resilience	Neutral	0	Current account sensitive to changes of foreign tourism; significant current-account deficit
	External debt structure	Strong	+1/3	Elevated external debt, but very long maturity and in the form of euro (local currency)-denominated sovereign debt owed mainly 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



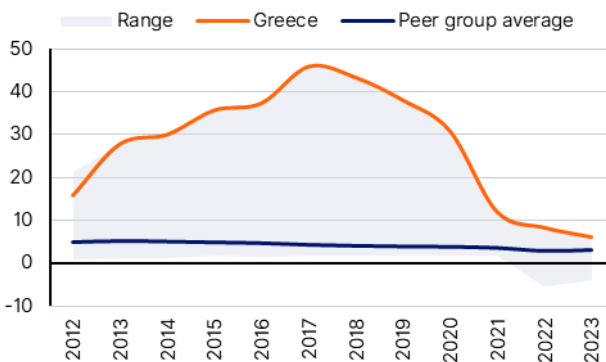
Source: IMF, Scope Ratings

## Financial stability risk

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

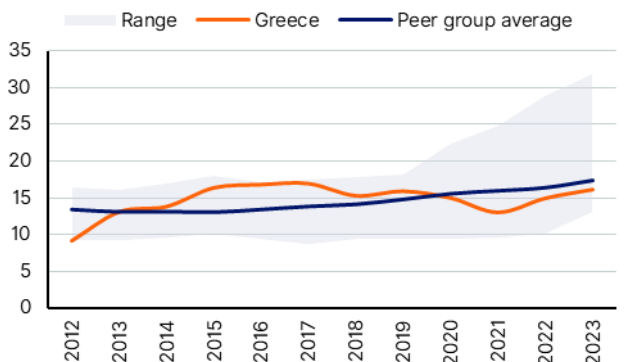
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Banking sector performance	Neutral	0	Improved profitability, poor asset quality and moderate capitalisation; sharp reductions in NPLs although NPL level remains comparatively high, strengthened liquidity
	Financial 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 economies of sovereign peers; strong bank interconnectedness with the sovereign although being gradually reduced

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

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



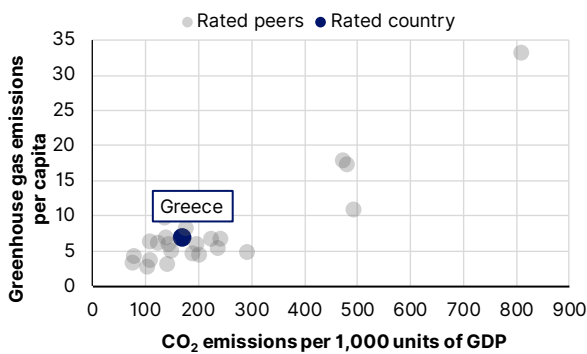
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

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

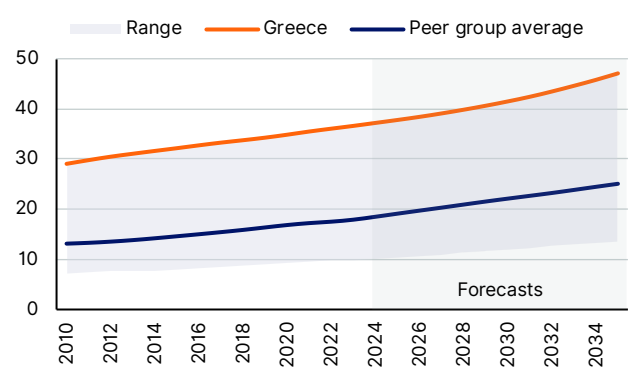
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Environmental factors	Weak	-1/3	High exposure to natural-disaster risk linked to climate change; ambitious decarbonisation objectives; low share of renewables in the aggregate energy mix
	Social factors	Weak	-1/3	Adverse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

Figure 11: CO<sub>2</sub> emissions per capita/GDP (2022), mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

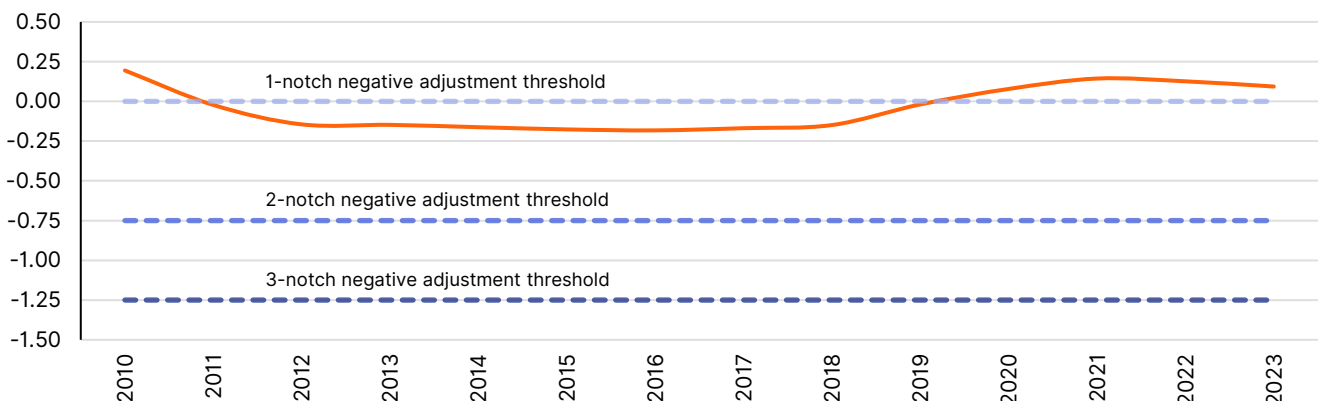
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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 14: WB Political Stability & Absence of Violence/Terrorism index, Greece, 3-year moving average



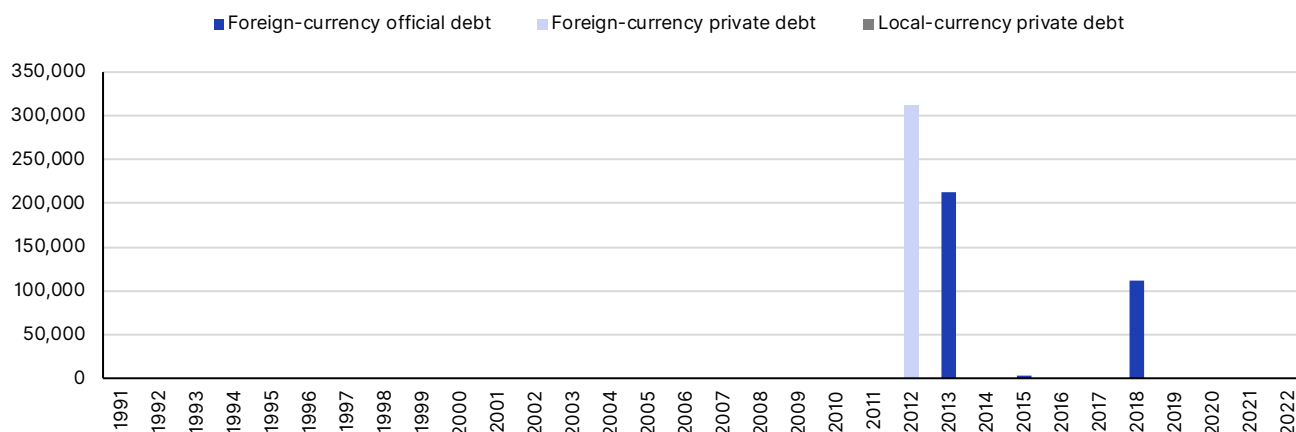
Source: WB, Scope Ratings

### Additional considerations

No adjustment was applied to the rating from additional considerations.

### Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



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 II. 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
Serbia
Türkiye

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

### Appendix III. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bps) as of 12 July 2024

65.3

## Appendix IV. 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	29.7	30.8	28.4	32.3	37.2	39.4
	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	10.8
Public Finance	Public debt, % of GDP	IMF	190.7	185.5	213.2	201.1	179.5	168.8
	Net interest payment, % of government revenue	IMF	6.8	6.3	6.0	5.0	4.9	5.9
	Primary balance, % of GDP	IMF	4.2	2.9	-7.5	-5.0	0.1	1.1
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	-
	NIIP, % of GDP	IMF	-144.1	-154.6	-187.3	-165.6	-145.2	-
Financial Stability	NPL ratio, % of total loans	IMF	42.0	36.4	27.0	9.2	8.2	-
	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	-
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	212.6	192.8	180.4	172.3	170.5	-
	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	-
	Political stability, index	WB	0.2	0.2	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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