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CHARTING GREECE'S COMEBACK STORY

By Teona Gelashvili

Once known for its financial turbulence, the Greek economy is showing strong growth. Bahas, Gramatidis & Partners Managing Partner Marios Bahas and Drakopoulos Partner Mika Lalaouni discuss key sectors and major drivers of the turnaround.



Greece's Economic Comeback

In the face of global challenges, Greece's economy has shown remarkable resilience. "Amid the geopolitical crises in Ukraine and the Middle East and their impact on the international economic environment, the Greek economy remains resilient," Lalaouni notes. "It is noteworthy that, in 2023, Greece recorded the second-largest improvement in fiscal fundamentals at the Euro area level. According to the latest OECD Economic Outlook (May 2024), growth is projected to continue at 2.0% in 2024 before picking up to 2.5% in 2025." This projection, she highlights, "reflects the country's continued efforts to support the market through improvements in all key economic indicators."

Bahas further emphasizes this transformation: "The current market situation in Greece represents a significant improvement compared to previous years. Following a severe financial crisis, the Greek economy has recovered substantially." According to him, "In recent years, there have been positive GDP growth rates, contrasting with the negative growth during the crisis. The investment climate has become much more favorable, with increased levels of both foreign and domestic investment. Unemployment rates have fallen – though they remain higher than the European Union average. Business confidence has improved significantly, with more companies being established and existing ones expanding their operations."

Lalaouni underscores recent trends in foreign investment, noting that "according to UN Trade and Development's 2024

World Investment Report, FDI inflows to Greece reached USD 8.451 billion in 2022 (the highest FDI inflow since 2002) compared to USD 6.32 billion in 2021 and USD 3.21 billion in 2020." Moreover, Lalaouni highlights the strength of the labor market, stating it "remained strong in 2023 with the unemployment rate falling to 11.1% from 12.4% in 2022." However, Lalaouni also points out challenges in the economy, mentioning that "annual Harmonised Index of Consumer Prices (HICP) inflation decreased to 4.2% (from 9.3% in 2022) mainly due to the decrease in energy prices, however, prices of processed foods, and non-energy industrial goods and services remained very high in 2023 and contributed negatively to inflation rates. Still, the HICP inflation is 'expected to decline more gradually in 2024 and 2025 to 2.7% and 2.0%, respectively,' according to the European Commission's macroeconomic forecast."

The Sectors Shaping the Future

As Greece continues to recover, some sectors are playing a pivotal role in its economic resurgence. "Several key sectors are driving the economic boom in Greece," Bahas notes. "The tourism sector continues to be a major growth driver due to the increasing number of visitors each year. The real estate market is also growing significantly, with substantial investment in both residential and commercial properties, driven in part by the Golden Visa program. Additionally, the renewable energy sector is expanding rapidly, particularly in wind and solar power. The technology sector – especially in terms of startups – is attracting significant venture capital, further boosting economic growth. Moreover, the shipping industry continues



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Greece's commitment to reforms over the past decade along with the achievement of its key fiscal targets rebuilt trust and attracted foreign investors.

to be a world leader, contributing significantly to the overall economy.”

“Private consumption, goods and services exports, and investment remained the key drivers of GDP growth which grew by 2.0% in 2023 compared to 2022, according to the Financial Stability Review of the Bank of Greece,” Lalaoui adds. “In particular, in early 2024 Greece attracted direct investments mainly from Germany, France, Italy, and China (Hong Kong in particular) with a focus on manufacturing, telecommunications, transportation, and real estate.”

High-value projects are further underscoring this momentum. Bahas points to the Hellinikon Project, “a multi-billion euro redevelopment initiative in Athens that is transforming the former airport site into a modern urban area with commercial and residential spaces.” The privatization of the ports of Igoumenitsa, Heraklion, and Volos, according to Lalaoui, amounted to “EUR 84.2 million, EUR 80 million, and EUR 51 million respectively.”

In addition to these developments, significant investments from major companies signal confidence in Greece's future.

“Microsoft has announced plans to establish a data center region in Greece,” Bahas states, “representing a significant investment in the country's technology infrastructure.” Furthermore, Bahas notes that “Cosco Shipping continues to invest heavily in the Port of Piraeus, expanding its capacity and facilities and establishing it as a key logistics hub.”

Eldorado Gold is also making strides, with Bahas adding that the company is “investing in gold mining operations, contributing to the growth of the mining sector.” Additionally, “numerous international hotel chains and property developers have also made significant investments in the tourism sector, further boosting economic growth,” he reports.

Lalaoui says that the recent IPO of AIA in Greece attracted significant interest. “The offering of 90 million AIA shares to investors both in Greece and abroad,” she reports, “resulted in a commencement trading price of EUR 8.20 per share, at the upper end of the price range.” This debut, according to her, underscores a growing confidence in Greece's economic outlook.

What's Driving the Growth?

Bahas emphasizes that several key factors have contributed to the positive shift in the Greek market outlook: “Political stability has improved investor confidence and fostered a more predictable business environment. Economic reforms have led to better fiscal stability and economic performance. Continued financial support from the European Union has been instrumental in stabilizing and growing the economy. Sustained growth in tourism has had a positive multiplier effect on other sectors such as retail, hospitality, and transportation.” In addition, he notes, “investments in infrastructure, including the modernization of ports and airports, have significantly improved connectivity and trade, further contributing to the positive market outlook.”

Moreover, Lalaoui highlights that “investment, supported by the disbursements of the EU Recovery and Resilience Fund and by the continuous improvement of banks' health, is one of the main growth drivers of the Greek economy and is expected to remain as such in the coming years.” Further, she stresses, “export of goods and services contributes significantly to the growth rates,” while consumption “will pick up in 2024 as real wage increases, employment gains, and strong tourism inflows support incomes and spending.”

Lalaoui concludes that “Greece's commitment to reforms over the past decade along with the achievement of its key fiscal targets rebuilt trust and attracted foreign investors.” ●