PRESS RELEASE

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Greece's exit from the international bailout programme:

Greek companies are experiencing a revival - more competitive and less indebted

- **Multiple signs of an economic recovery**
- **Reforms have helped to clean up public accounts, restore Greece's credibility and strengthen confidence**
- **The crisis has resulted in companies cleaning up their balance sheets**
- **"Zombie" companies continue to survive, due to insufficiencies in the regulatory framework on bankruptcies**
- **Weak domestic demand is continuing to limit the recovery**
- **Companies are improving their margins and focussing on exports**

The return to growth is far from removing the stigmata of the crisis

With its exit from the European bailout programme, Greece is looking forward to closure on eight successive years of crises. For the first time since 2008, GDP grew for four consecutive quarters. Growth in 2017 reached +1.4%, driven by investment and dynamic external demand. A further development of +2% is forecast for 2018, despite the eurozone undergoing a slight slowdown. Greek households and businesses are anticipating these economic improvements, as confirmed by figures from the PMI purchasing managers' index and the confidence indicator produced by the European Commission's Directorate-General for Economic and Financial Affairs. The PMI registered an average of 54 points during the first half of 2018, following on from 2017, when it crossed the threshold figure of 50 points (which indicates economic expansion).

This long-awaited recovery came at the cost of deep fiscal adjustments and a severe internal devaluation which was even more marked than in Spain and Portugal. Between 2008 and 2015, Greece lost 25% of its GDP, investment contracted by 60% and the unemployment rate reached 28%. Some sectors, such as textiles, furniture and cardboard, saw their added value fall by more than 70%. On the corporate side, turnover collapsed by a third and the investment rate fell by almost 49%. Microentreprises and SMEs, which employ over 60% of labour force, were the most vulnerable and around 250,000 SMEs went bankrupt during the period.

Business insolvencies remain an underestimated problem. The available data does not take into account the commonly-used pre-insolvency procedures and the judicial process of liquidation is slow. These inefficiencies are encouraging the survival of insolvent and unprofitable "zombie" companies, of which Greece has the highest share among OECD countries.

The risk of corporate default is consequently weighing on the profitability of banks. Despite their recapitalisation in 2015, Greek banks are still recording high rates of non-performing loans.

Greek companies are more competitive and export-oriented

Fiscal consolidation and internal devaluation have helped to reduce the twin deficits that caused the crisis. Public accounts have been posting primary surpluses since 2016 and the current account has been in balance since 2015. Fiscal and financial credibility has been restored and uncertainties have been considerably reduced, allowing the country to make its return to international debt markets.

There have also been significant improvements on the business side. The contraction in wage levels has helped improve the country's cost competitiveness vis-à-vis its European partners, adding fresh dynamism to exports, which grew by 27% between 2008 and 2017. This has been particularly beneficial for medium-sized and large companies in certain manufacturing industries - such as oil refining and pharmaceuticals.

One of the signals of a more sustained recovery has been the margin rate of Greek companies, which has been improving since the second quarter of 2016 and above the European average. While weak domestic demand is currently limiting the pace of recovery, 2019 should see a rapid improvement in corporate profitability ratios and an acceleration in investments.

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