Introduction

As the coronavirus pandemic threatens to drag both the global and Greek economy to a new, deeper recession, the need for boosting Foreign Direct Investment (FDI) is as imperative as ever. On the other hand, COVID-19 pandemic seems to have halted some planned investments in the short-term, while, at the same time, bringing about changes in the global investment map and supply chains, which give rise to new challenges, but also new opportunities for Greece – now, next and beyond.

One year after the launch of the first EY Attractiveness Survey Greece, its second edition captures the status of FDI in Greece for the past year – and beyond COVID-19 crisis – presenting the views of global investors on the attractiveness of the country and its strong and weak points, and puts on the table a series of recommendations for strengthening the country’s investment climate.

Based on the survey’s findings, but also on our daily interaction with foreign investors, our recommendations put forward the creation of a new growth model, that will be based on reinvigorating industrial production, boosting the country’s extroversion, incorporating digital technology and innovation, pursuing a more dynamic, level of willingness to invest in the near future remains the highest in Europe …

Executive summary

Foreign Direct Investment (FDI) will be crucial for economic recovery in the post-COVID-19 era. However, in terms of attracting investment, Greece’s performance in the past decade has been disappointing. Based on figures provided by the EY European Investment Monitor (EIM), an extensive database compiled by EY teams, which monitors greenfield investment projects (i.e. those that create new infrastructure and jobs), Greece accounted for 0.34% of European FDI in 2019, a disproportionately small share, considering its population and GDP.

However, Greece has improved its performance and was ranked 29th in 2019, up from 35th in 2018, also improving on the 32nd place it held on average, during the past decade. Greece has also improved in some qualitative indices, like the participation of the critical sector of digital technology in total FDI, which reached 15% for the last three years, not far from the European average of 19% for the same period.

Looking forward, investors’ attitude towards Greece remains positive, as reported in last year’s survey, in spite of the country’s poor performance over the years. Moreover, even though the pandemic outbreak forced investors to adopt a “wait and see” approach, several significant indices are improving, especially among those who have already invested in Greece. On the other hand, investors who have not, as of yet, invested in Greece remain cautious, with an increased percentage of them not providing an answer on the issue.

38% of investors report that their perception of Greece as a country where their company might establish or develop activities has improved over the last year; an encouraging figure, even though it has declined compared to last year’s 47%. Additionally, 62% of investors, compared to 50% last year, believe Greece is currently following an attractive investment policy, indicating that investors believe the continued improvement of the country’s image to be a result of a clear attractiveness policy, rather than being attributed to changed circumstances and the termination of a period of political and economic turbulence. Moreover, 69% of investors believe that Greece’s image will continue to improve over the next three years, while 28% are planning to invest in the country in the coming year. These percentages are, by far, the highest recorded among European countries where similar surveys have been conducted in 2020.

Despite a slight decline in Greece’s investment dynamic, level of willingness to invest in the near future remains the highest in Europe …

… as is optimism about the country’s potential

Panos Papazoglou
Country Managing Partner
EY in Greece

62% (+2)
believe the country is currently implementing an attractiveness policy that attracts international investors

69% (+7)
believe the country’s attractiveness will improve over the next three years

29th
in terms of FDI projects attracted (2019)
up from 35th in 2018
The rise of manufacturing diversifies the investment mix

With regard to the type of planned investments, the increased participation of manufacturing projects (26% from 9% last year) is a positive development. At the same time, the percentage of investors that name tourism as the main driver of growth in the coming years, has shrunk from 69% to 52%.

What type of investment project are you planning?

1. Sales & marketing office 30% ↓
2. Manufacturing 26% ↑
3. Supply chain & logistics 19% ↓

Several assets differentiate Greece from global competition

Quality of life, telecommunications / digital infrastructure and the level of local labor skills, are seen as the main elements of the country's attractiveness, while for a growing number of companies, Greece's performance in sustainable development and the country's policy approach to climate change, as well as the steady socio-political environment, are also positive considerations.

- **Quality of life** remains the main element of the country's attractiveness 81% (-2)
- **Stable political and social environment** emerges as a key attractiveness element 65% (+27)
- **Policies for climate change and sustainability** a marked improvement in perceptions around the country's performance 56% (+14)

Investors consider the country's response to the COVID-19 crisis as very effective ...

The investment community credits Greece for the level of success in addressing the public healthcare crisis (77%), the speed of digitalization of the Greek State in response to the crisis (73%), and the weight and impact of the Greek stimulus package (72%). 41% state that this has positively impacted their view of Greece as an investment destination.

Views on Greece's performance in managing the COVID-19 crisis

- Addressing the public healthcare crisis 77%
- Speed of the digitalization of the Greek state 73%
- Weight and impact of stimulus package 72%

... and investment plans have not been drastically altered

In conclusion, the pandemic seems to have had an impact on foreign investors' plans about Greece, yet not to a dramatic extent, as 50% will not be altering their investment plans, 28% state that they have paused their plans temporarily, 4% report a decrease in planned investment, 3% an increase, and 6% say they have cancelled their plans altogether.

<table>
<thead>
<tr>
<th>Plans for Investment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change in planned investment</td>
<td>50%</td>
</tr>
<tr>
<td>Substantial decrease in planned investment (&gt;20%)</td>
<td>2%</td>
</tr>
<tr>
<td>Paused planned investment</td>
<td>28%</td>
</tr>
<tr>
<td>Minor decrease in planned investment (&lt;20%)</td>
<td>9%</td>
</tr>
<tr>
<td>Can't say</td>
<td>2%</td>
</tr>
<tr>
<td>Have increased planned investment</td>
<td>6%</td>
</tr>
<tr>
<td>Have cancelled planned investment</td>
<td>3%</td>
</tr>
</tbody>
</table>

Two out of three investors (67%) say they would be more willing to invest in the country if Greece overcomes the issues that currently act as disincentives for investment. The positive answers reach 83% among investors that have already invested in Greece.

67% reply that they would be more willing to invest in the country or proceed to further investments, if Greece overcame the obstacles they identified.

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