

Press Release

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EY Attractiveness Survey Greece 2020: Despite the COVID-19 pandemic, investors' positive attitude toward Greece is re-affirmed, but there is still room for improvement

- ▶ **Greece ranks 29th among European countries, in terms of number of foreign direct investment (FDI) in 2019, up from last year's 35th position**
- ▶ **62% of respondents believe that Greece is implementing an investment policy that makes the country attractive**
- ▶ **38% of respondents estimate that the country's attractiveness as an investment destination has improved during the past year, and 69% expect attractiveness to further improve over the next three years**
- ▶ **28% of respondents are planning to invest in Greece within the next year, compared to 27% planning to invest in Europe overall**
- ▶ **The perceived successful management of the COVID-19 pandemic, has improved the way investors view the country, according to 41% of respondents**
- ▶ **Intended investment in manufacturing increases significantly, accounting for 26% of all planned FDI, compared to 9% last year**
- ▶ **Quality of life (81%), telecommunications / digital infrastructure (69%), and local labor skills level (66%), are seen as the country's key assets by respondents**
- ▶ **The stable political and social environment (65%), and the country's performance in sustainable development and policy approach to climate change (56%), are among Greece's rising attractive assets in the respondents' view**
- ▶ **Supporting high-tech industries and innovation (38%), reducing taxation (36%), improving the legal system (33%), and developing education and skills (31%), are considered top priorities for the improvement of Greece's attractiveness according to respondents**

According to **EY Attractiveness Survey Greece 2020 (Survey)**, the positive predisposition of international investors toward Greece is re-affirmed, despite the negative psychological climate generated by the COVID-19 pandemic. The majority of respondents recognize that the country is currently implementing an effective policy for attracting international investors, but it still



expects interventions in major areas, for the investment climate to further improve. These are some of the findings of the second major survey by EY teams in Greece on the country's attractiveness as an investment destination, which was conducted through telephone interviews by the CSA Institute, between May 22 and June 9, 2020.

The Survey, which is an autonomous part of the wider *EY Attractiveness program*, which produces in-depth studies for Europe and a large number of European countries, as well as other regions and countries outside Europe, analyzes the country's investment performance in recent years, and records the investor community's views on the country's strengths and weaknesses as an investment destination, based on a sample of 203 executives of large, foreign businesses, of which 55% (111) already have an investment presence in Greece.

The Survey was officially presented by **Mr. Panos Papazoglou**, Managing Partner, Ernst & Young (Hellas) Certified Auditors Accountants SA, during the opening session of the 3rd InvestGR Forum 2020: Greece in the Pole Position, which took place digitally on Wednesday, July 15, 2020.

Greece's participation in European FDI remains low, but improves slightly

According to the *EY European Investment Monitor (EIM)*, an extensive database processed by EY teams, Greece absorbed 0.34% of European FDI in 2019, a percentage which is disproportionately small considering the country's population and GDP, but noted a 69% increase, compared to 2018. This puts Greece in the 29th place for 2019, compared to 35th in 2018 – a marked improvement over the 32nd place it held on average, during the past decade. A positive development is the fact that the participation of the critical sector of digital technology in total FDI projects has increased, reaching 15% over the last three years, not far from the European average (19%) over the same period.

The country is still considered an attractive destination by investors

Despite the “wait and see” mindset brought about by the COVID-19 pandemic, the attitude of the investor community toward the country, according to the Survey, seems to remain cautiously positive and has even improved in specific crucial indices, especially among those companies which have already invested in Greece. While negative answers from investors not yet active in the country have significantly decreased overall, the percentage of those not



expressing an opinion on several issues has increased, something that highlights the potential need for a more aggressive campaign to inform the investor community of the strides made during the last years, with companies already operating in Greece potentially acting as ambassadors.

Despite the impact of the COVID-19 pandemic, a sizeable percentage of respondents believe that the country's image as a possible investment destination has improved (even though this percentage is lower than last year: 38% compared to 48%), while two out of three respondents (69%) expect the country's attractiveness to further improve in the next three years. It is worth noting that the percentage is significantly higher than that of respondents expressing similar views in relation to other European countries, according to similar surveys this year. At the same time, 62% of respondents (50% last year) believe that the country is currently pursuing an investment policy that attracts international investors.

Investment disposition toward Greece remains positive, driven mainly by companies already present in the country

Twenty-eight percent (28%) of participants state that they plan to invest in Greece within the next year, compared to 26% in Portugal, 16% in France, and 10% in Belgium. However, these investment plans come almost exclusively from companies already established in Greece, as among those who do not have a presence in the country, the percentage is limited to 5%.

While in terms of planned investments, sales and marketing offices remain in the first place, albeit with a reduced rate (30% of participants compared to last year's 40%), there is an important increase in the participation of manufacturing, which stands second in this year's ranking, at 26%, up from a mere 9% last year. This increase seems the result of a trend toward a greater diversification of the country's production model and leads to cautious optimism for a more balanced growth, an estimate supported by the fact that the percentage of those who believe that tourism will remain the main driving force of growth for the Greek economy in the coming years, has dropped from 69% to 52% of respondents.

Strengths and weaknesses of the country's attractiveness

The most important elements of the country's attractiveness are, once again, quality of life (81%), telecommunications / digital infrastructure (69%), and the local labor skills level (66%),



according to the Survey. There is also a marked increase in the number of respondents who recognize the stable political and social environment (65% from 38%), and the country's performance in sustainable development and its policy approach to climate change (56% from 42%), as additional attractive elements of Greece. Bureaucracy and the rigid administrative environment, taxation and access to funding, remain among the country's less attractive features in the respondents' view.

According to the Survey, in order to further improve its attractiveness, the country needs to focus on specific areas, such as supporting high-tech industries and innovation (first choice this year, at 38%), reducing taxation (36%) – which saw an improvement relative to last year, following a number of positive interventions, though further progress may still be needed – improving the legal system (33%) and developing education and skills (31%).

Two out of three respondents (67%) state that they would be more willing to invest in the country if the issues identified in the Survey were addressed. This view reached 83% among investors who are already established in Greece.

The successful response to the COVID-19 pandemic is acknowledged

The sample of the investor community who responded to the Survey seems to acknowledge the country's choices during the pandemic, as 77% positively assess its response to the health crisis, 73% the speed of digitalization of the Greek state, and 72% the measures taken to support the economy, while 41% note that the country's performance during this period has improved their perception of Greece as an investment destination.

Nonetheless, the COVID-19 pandemic appears to be affecting plans to invest in Greece, but not to a dramatic extent, as 50% of respondents state that they will not alter their plans, 28% say that they will temporarily pause them, 4% say they will limit them, 3% will enhance them and 6% state that they will cancel them altogether.

The Survey also includes a viewpoint by Prime Minister, **Kyriakos Mitsotakis**, on the importance of foreign investments for Greece, as well as the changes that need to be made in order for the country to improve its attractiveness as an investment destination. Additionally, Minister of Finance, **Christos Staikouras**, Minister of Development and Investments, **Adonis**



Georgiadis, and Minister of State and Digital Governance, **Kyriakos Pierrakakis**, also weigh in on the matter, along with **Mr. Georgios Filiopoulos**, Chief Executive Officer of Enterprise Greece, **Mr. Socrates Lazarides**, Chief Executive Officer of the Athens Exchange Group, **Mr. Athanasios Savvakis**, President of the Federation of Industries of Greece, **Mr. Nikos Vettas**, Director General of the Foundation for Economic and Industrial Research (IOBE), and Professor at the Athens University of Economics and Business, and **Mr. Panos Tsakloglou**, Professor at the Athens University of Economics and Business, who also share their views.

The potential need for a new growth model

During the presentation of the Survey, **Mr. Panos Papazoglou**, Managing Partner, Ernst & Young (Hellas) Certified Auditors Accountants SA, stated: *“It is questionable whether the growth model we relied on during the past decades is still viable in the current conditions and in view of the new challenges we are facing. The country should consider a new outward-looking model, based on the integration of digital technologies, the transition to a circular economy and sustainability, and the strengthening and effective utilization of one of the country’s most valuable asset: its human capital. Innovation looks as a key component of this new model, as it lies at the heart of emerging technologies and the new clean forms of energy, and is directly linked to the upgrade of education and skills of the human capital. Today, EY teams are putting on the table a series of proposals to help the country find a suitable place on the global investment map”.*

EY recommendations to improve the country’s attractiveness as an investment destination, focus on strengthening the circular economy and sustainability, setting innovation and digital technologies as top priorities alongside upgrading the skills of the human capital, streamlining the judiciary procedures, strengthening and modernizing the logistics sector, adapting the work environment to the new reality arising from the COVID-19 pandemic, supporting the growth of small- and medium-sized enterprises and, finally, running an effective campaign to familiarize the investor community with the changes taking place within the country.

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