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 active role in the developing supply chains of tomorrow, transitioning to a circular economy and focusing on sustainability, as well as enhancing and effectively utilizing the country's most valuable asset: its human capital. This new growth model will give Greece the opportunity to capitalize on the opportunities arising today, in order to find its rightful place on the global investment map.

To make that happen, however, we should keep on moving further down the path of bold reforms in critical sectors of the economy. Simply put, we need imagination in our strategic planning and determination in implementing it.

Panos Papazoglou
Country Managing Partner
EY in Greece

Executive summary

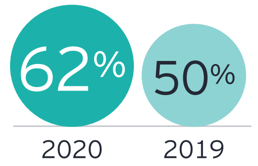
Foreign Direct Investment (FDI) will be crucial for economic recovery in the post-COVID-19 era. However, in terms of attracting investment, Greece's performance in the past decades has been disappointing. Based on figures provided by the EY European Investment Monitor (EIM), an extensive database compiled 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.

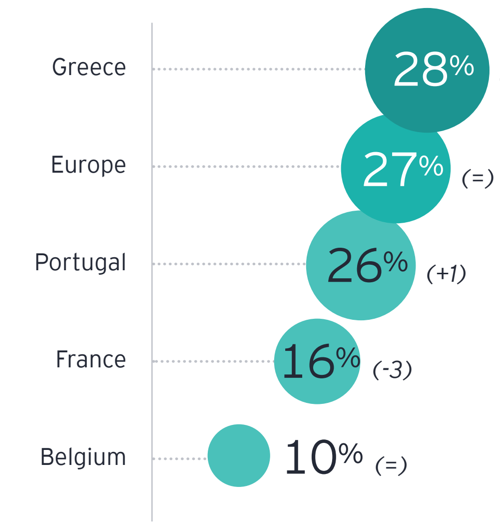
38% of investors report that their perception of Greece as a country where their company might establish or develop activities has improved over the last year; an encouraging figure, even though it has declined compared to last year's 47%. Additionally, 62% of investors, compared to 50% last year, believe 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.

29th
in terms of FDI projects attracted (2019)
up from 35th in 2018



believe the country is currently implementing an attractiveness policy that attracts international investors

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

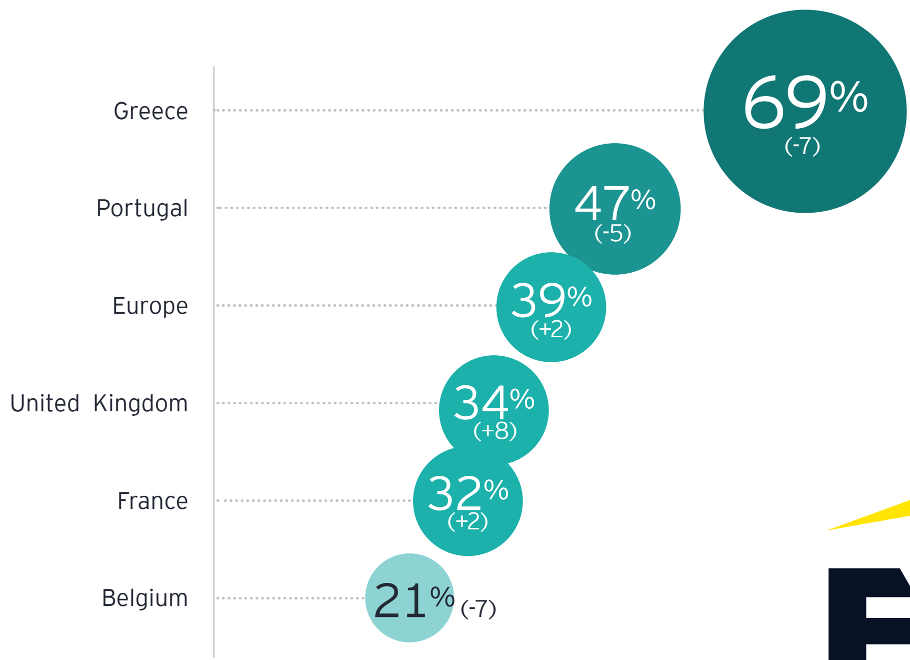


plan to invest in Greece over the next year

say their perception of Greece as an investment destination has improved over the last year

among companies already established in Greece

... as is optimism about the country's potential



believe the country's attractiveness will improve over the next three years

Building a better working world

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% =

Tourism as a driver of growth ↓	2020	2019
	52%	69%

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%

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.

At the same time, investors argue that Greece must focus on supporting high-tech industries and innovation (first most popular choice this year, accounting for 38% of respondents, up from 25% last year), reducing taxation (second-most popular choice, accounting for 36% - down from 49% last year), improving the legal system (33%) and developing education and skills (31%).

81% (-2)

Quality of life

remains the main element of the country's attractiveness

65% (+27)

Stable political and social environment

emerges as a key attractiveness element

56% (+14)

Policies for climate change and sustainability

a marked improvement in perceptions around the country's performance

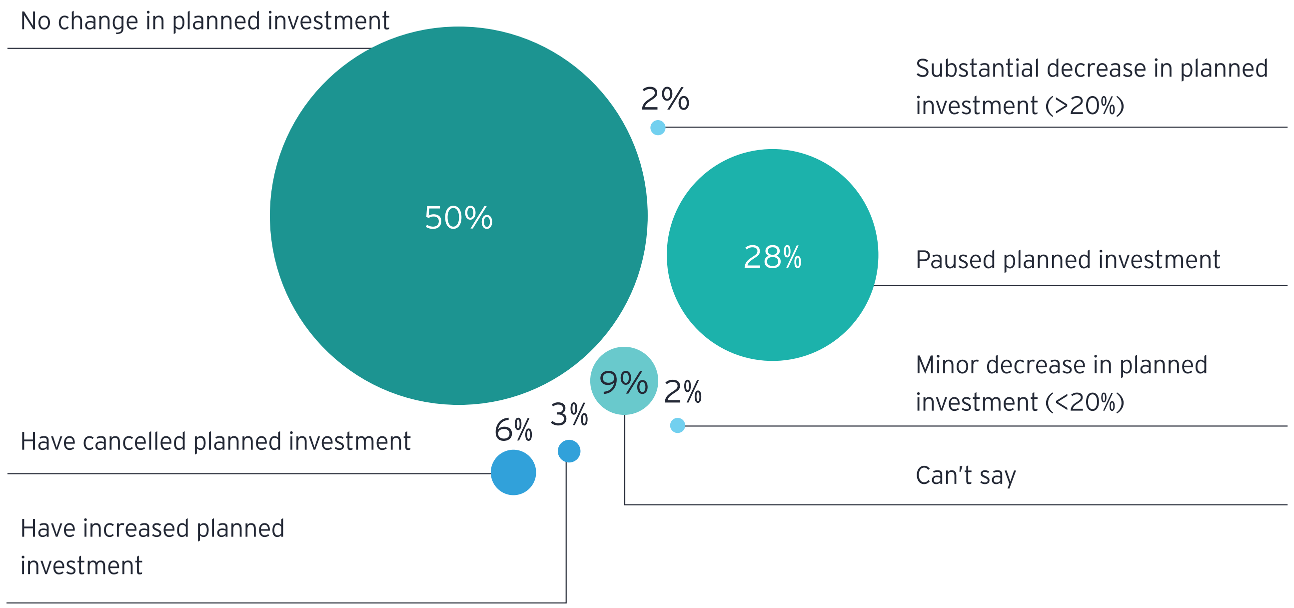
Support high-tech industries and innovation	38%
Reduce taxation	36%
Improve the legal system	33%
Develop education and skills	31%

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

... 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.



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