The Greek Economy

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Editorial Policy

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The Foundation for Economic and Industrial Research (IOBE) is a private, non-profit, public benefit research organisation. Its purpose is to promote research on current problems and prospects of the Greek Economy and its sectors and to generate reliable information, analysis and proposals for action that can be of value to policy makers.

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Foreword

IOBE publishes its third first bulletin on the Greek economy for 2021, as part of its series overviewing the Greek economy. The current period is, like the previous ones, particularly critical for the Greek, but also for the global economy. The health crisis continues with significant intensity, while new challenges are possible in the near future, as the autumn period begins, now with low progress in vaccinations domestically. Moreover, the faster-than-expected recovery of the global economy and arrhythmias in the supply of energy products and basic goods trigger a sharp rise in their prices. At present, the effects of the increases are more pronounced in industry and households, but as prices remain high, problems may extend to production, supply chains and employment. Domestically, developments regarding the launch and implementation of the Recovery Fund projects, along with the accompanying reforms, will be most important. As every IOBE quarterly bulletin, this report includes four chapters and an appendix with key structural indicators, in the context of the quantitative monitoring of the Lisbon Strategy. The bulletin starts with a text on the conditions for the transition from recovery to strong growth. The rest of the report is structured as follows:

The first section is a brief overview of the report, which presents its key points, which are analysed in detail in the following sections. The second section focuses on the general economic conditions, including: i) an analysis of the global economic environment in the second quarter of 2021, as well as the outlook for both the rest of the year and 2022, based on the most recent IMF report, ii) an outline of the economic sentiment in Greece in the third quarter of this year, based on data from the latest IOBE business and consumer surveys, iii) an assessment of the implementation of the General Government Budget for the period January-August of this year iv) an outline of the developments in the domestic financial system between June-August this year.

The third section focuses on the performance of the Greek economy mainly in the second quarter of 2021. At first, the macroeconomic environment is mapped over the same quarter and forecasts for the whole 2021 and next year are made, taking into account all the available data on the effects of the pandemic, both domestically and internationally. Developments in key productive sectors in the second quarter of this year are recorded, while the export performance of the Greek economy in the seven months of January-July is presented. Next, the developments in the labour market in the second quarter of 2021 are processed. The trend in inflation in the eight months of January-August this year is then analysed, while the section is completed with the assessment of the balance of payments for the period January-July.

The fourth section of the report includes the presentation of a study on the role that the Infrastructure and Construction Industry can play in the recovery of the Greek economy. . At a methodological level, this report refers to and is based on data available until 10/10/2021. IOBE's next quarterly bulletin on the Greek economy will be published in late January 2022.

THE NEW NORMAL OF THE PANDEMIC AND THE CONDITIONS FOR TRANSITION FROM RECOVERY TO STRONG GROWTH

The Greek economy is at the top of a particularly strong wave of recovery, following last year's particularly deep recession and amid a general positive trend in the global economy. It is important to analyse the characteristics of the current course of the economy, in particular as a basis for its prospects in the coming year and beyond. These prospects are generally positive, but the level of growth and whether it will have characteristics that make it sustainable in the medium term remain under question. The bulletin focuses on key features of the current course of the economy. The picture is composed of separate key factors.

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The pandemic is still ongoing

First, the pandemic is still ongoing. The human losses every day are too high to be ignored or considered part of a normality. The number of new cases, largely due to the low degree of acceptance of the vaccination program, raises concerns for the coming period in combination with the chronic weaknesses of the health system in the country. New outbreaks of the health problem cannot be ruled out, nor can the need for new measures to address them. The central scenario, however, is to gradually alleviate the problem and constraints over the next year worldwide, but not to eliminate it. The course will not be the same in all countries and those who are more dependent on international domestic mobility like ours have every reason to insist even more on reducing the problem.

Secondly, the recovery of the Greek economy this year is strong, with real GDP growth that can be expected in the range of 8-8.5%, after its contraction by 9% last year. Both this year's recovery and last year's recession are among the strongest in the Eurozone, reflecting the strong participation of sectors directly affected by the pandemic, such as tourism, retail and transport. As it has a large share of GDP, the dynamics of consumption is the one that mainly determines its course and the current recovery is based mainly on a large increase in both private and public consumption. Noteworthy, however, is the continued rise in exports of goods that covers part of a critical gap for the Greek economy.

Thirdly, next year there is a prospect of GDP growth, at a rate estimated at 4%. However, in the event that there is a new outbreak of the health problem, which will also slow down the economic recovery in the international environment, or a delay and obstacles to the smooth financing of the economy, the prospect of growth will be limited to 2.5%. In any case, as the initial dynamics of the exit from the pandemic become weaker, attention must be paid to the more medium-term trends in the economy as they were formed before the onset of the pandemic and whether they are changing.

Higher growth rates, above 3% on average over the next decade, can only be achieved by increasing productivity

Fourthly, the course of the economy over the next decade will depend both on a number of critical factors in the international environment and on domestic economic policy. The long-term trend of the Greek economy, with pre-pandemic data, was for annual growth of about 1%. This pace can be significantly enhanced in the next 2 or 3 years by the positive situation and in particular through the reduction of unemployment and the investment gap. But even if the positive effect of the Recovery Fund and the inflow of other resources are taken into account, the final effect - using only more capital and labour - will weaken to 2% on average over the decade. Higher growth rates in a decade, above 3% on average, can only be achieved by increasing productivity and further attracting productivity, a development that will require substantial reforms in the markets and the public sector. Such a development will be necessary for the convergence of our economy with the average of the euro area and for it to be placed on a positive trajectory that will not allow financing crises in the foreseeable future.

Fiscal bal essential systemati of the Gr economy

Fifthly, both for next year and in the medium term, the role of fiscal rebalancing is crucial. The pandemic and the measures necessary to address it have led to particularly deep budget deficits and expanding public borrowing from abroad. Household and business support policies were a key factor in mitigating the recession last year and boosted the recovery this year. However, they will have to be reversed to zero deficit this year and with reasonable primary surpluses of 1% thereafter. Fiscal rebalancing is inherent in the systematic growth for the Greek economy and must be achieved with an appropriate mix of political revenues and expenditures, primarily in the interest of the country and secondarily due to the European fiscal rules that will eventually be shaped.

Sixth, one issue that comes to the fore is the strong rise in prices for certain goods and the prospect of inflation. The reversal of deflation towards systematic inflation levels in Europe in the coming period will come as no surprise and as long as they remain low, it may be a favourable condition for easier management of accumulated public and private debts, by reducing their real weight, and thus for a smooth transition of monetary and fiscal policy towards a new normality. But both the pressures caused by the supply shortfall in relation to demand and the damage to global supply chains and those on energy markets, which are also related to the need for measures to tackle climate change, create pressures with increased costs for households and businesses. In this regard, measures to strengthen the productive base by increasing investment and new production capacity, as well as intensifying competition in the markets, can and should play a critical role in terms of price formation domestically. In addition, the degree of price-driven inflation will depend on the policies of governments internationally, which may find themselves in periods of relative weakness in the coming years. Finally, it is crucial that the relative sizes in the periphery and the center of the Eurozone do not signal deviations in competitiveness.

Seventh, the state budget for the new year moves within the framework set by these forces. At its base it is the assumption that the economy will have almost fully recovered at the end of next year and will return to its level before the most recent pandemic crisis. It is also estimated that the budget deficit will be largely eliminated, mainly with growth leading to an increase in tax revenues. It is recognised, however, that growth will be mitigated by the deterioration of the trade balance, as the competitiveness deficit remains.

Eighth, with the pandemic, our economy was one of those with large trade deficits, mainly due to the collapse of inbound tourism. The decrease in imports and the increase in exports of goods alleviated, to a certain extent, the blow. Now, the strong rise in consumption that accompanies the recovery causes an increase in imports, which is expected to be even stronger for next year. In addition, there is an additional concern for the energy markets where if the rise in prices is not reversed, it will lead to painful pressures, not only directly on households and businesses, but also on the overall trade balance - our country is now importing a very large part of energy needed, a situation that is not expected to improve any time soon.

n deficits

Overall, the central point of attention can be none other than the course of twin deficits. Both fiscal and trade, they expressed the deep ten-year crisis and were corrected through a particularly painful economic, political, and social process, with declining incomes and prosperity. As much as their sharp deterioration due to the pandemic crisis was expected, their correction as soon as possible, this time in a context of growth rather than recession, is necessary.

The positive course of the economy can be affected by a number of significant external risks. An extension of the pandemic, in ways that may not be expected. Accelerated increases in the prices of energy and imported raw materials. Market disruptions that will increase the cost of financing the relatively more vulnerable economies, such as our economy.

Along with the above, which are mainly exogenous, another central risk for the next period will be if the strong current wave of recovery and liquidity does not lead to the creation of strong foundations for strong medium-term growth. This would not only have a medium-term but also an immediate effect by reversing positive expectations. Our economy has a long way to go before the European average - to be firmly on a positive trajectory, the precondition is to strengthen the productive base, with job growth, investment and productivity.

Necessary change of incentives in the Greek economy

In an economy, households, businesses and investors are driven by incentives. These can lead, indicatively, to innovative entrepreneurship or parasitic to the state function. In productive investments or occasional consumption. In strengthening human capital or the informal economy. Motivations are shaped by the set of measures and policies in place, their credibility in the long run and how they are implemented and perceived by society. For the gradual but necessary change of incentives in the Greek economy, it is therefore crucial the continuity of the new policy measures over time and the consistency between them. Other, stronger economies can now move forward with only marginal adjustments, but not ours. If, in practice, the new European and other funding simply strengthens the previous structure, and does not break with the system of closed markets and an inefficient public sector, growth will be temporary. There should be optimism for the economy, but it is directly proportional to the willingness and ability to support structural change.

1 BRIEF OVERVIEW

Strong recovery of the global economy in 2021, despite the rapid rise in energy prices

The trend in global economic activity changed dramatically in the second quarter of 2021. In the period April-June this year, OECD countries experienced a particularly strong recovery, by 13.1%, compared to a marginal recession in the previous quarter (-0.3%), while it compensated last year's recession at the start of the pandemic by 11.6%. This development came from the lifting of the majority of public health protection measures. GDP growth in the most developed economies (G7) reached 12.9% in the first quarter, compared with -0.6% in the previous quarter and 11.9% in the same quarter of last year. In the 20 largest OECD economies, the recovery in the second quarter was much milder, 4.0%, slightly stronger than in the previous quarter (3.5%). A year earlier GDP in these countries fell by 8.8%. The onset of the recovery earlier in these countries stems from China, which grew at a rate of 18.3% in the first quarter this year, which slowed to 7.9% in the following quarter, while, based on recent data, the Chinese economy grew by 4.9% in the July - September quarter. Among the most developed countries, the largest change in GDP rate compared to the previous quarter was recorded in the United Kingdom (+23.6% from -5.8%), Italy (+17.2%, compared to -0.8%) and France (+18.7%, from +1.5%). On the other hand, the smallest change was recorded in Japan (+7.7%, from -1.3%). India's economy grew at a rate of 20.9% in the second quarter, but after a 23.3% recession in the same quarter last year, while in the first quarter this year it recorded a mild recovery (+1.6%). In Latin America, Argentina's economy recovered sharply (19.6%), almost covering last year's losses (19.9%), following GDP growth of 2.5% a quarter ago, while similar developments occurred in Brazil (+12.4%, up from -10.8% last year). In Russia, GDP growth was mild compared to other countries (8.1%), more than offsetting last year's losses.

The strong recovery in the second quarter is composed of positive effects from several factors. The most important of these are the support interventions in the strongest and largest of the developing economies, the gradual lifting of the protection measures earlier than in the second quarter of last year, but also the low level of comparison that had formed in the second quarter of last year due to its sharp contraction. activity at the beginning of the pandemic.

The upward momentum in the spring quarter will probably be tempered in the next one by the spread of the Delta mutation. Its effects are expected to be asymmetric between states, mainly affecting developing countries with low vaccination coverage, as well as a limited "fiscal space". However, turbulence has also re-emerged in some developed economies, in particular due to problems in their supply networks by the affected emerging economies.

The rapid recovery, disruptions in international value chains, continued supportive monetary policy by many central banks, and other restrictions on commodity production (e.g. OPEC+ oil cuts, Hurricane Inda impact in the Gulf of Mexico) are the main causes of the rapid rise in prices of energy products and other commodities. These trends are hampering international trade and global development. On the other hand, developing countries with significant production of such products will show a significant acceleration in the current half of the year, most likely in early 2022.

The international pandemic recession since the late summer, despite the earlier spread of the Delta mutation, raises expectations of avoiding a re-imposition of public health protection measures, thanks to continued vaccination progress, albeit at a declining rate, and use of diagnostic tools (self-tests). At the same time, the functioning of economies is gradually normalised. However, there is a risk of new outbreaks of the pandemic as we enter the autumn.

Regarding prices, initiatives are being taken to normalise the energy market, e.g. by exploiting strategic oil reserves from the US and China, while the OPEC+ countries have committed to continue the slight expansion of their production until December. These developments are expected to significantly weaken the rise in oil prices at least in the coming period. For the whole of 2022, international organizations and institutes predict a slight decline in its price.

However, once the mild contraction of monetary policy begins, corresponding growth effects on financing costs are expected. These may not be symmetrical between countries, based on factors such as the level of their public debt, the potential risks they face from unemployment.

Consisting of the trends during the current year and the expected and possible developments that were analysed, is the forecast for recovery of the world economy this year with a rate in the range of 5.5-6.0% and its slight slowdown in the next (4.0- 4.5%).

Particularly strong recovery in the second quarter of 2021

The GDP trend of the Greek economy experienced a strong change in the second quarter of 2021, as from a decline of 2.3% in the previous quarter, it exhibited a strong growth of 16.2% in the following quarter. This increase exceeded the extended recession a year earlier, by 13.9%. In the first half of this year, GDP was higher by 6.3% than last year.

In terms of trends in GDP components in the first half of this year, domestic consumption widened by 4.9%, while a year earlier it had shrunk by 5.4%. The increase came mainly from the increase in private consumption by 4.0%, in contrast to its contraction last year by 6.9%. This development is due to a strong increase in the second quarter, by 13.2%, since in the previous quarter private consumption was on a downward trajectory. Public consumption expanded by 7.1%, compared with a slight decline in the same period last year (-0.7%). Its expansion was slightly milder in the April-June quarter than in the previous quarter (6.1% versus 8.1%).

Investment expanded in the January-June six months this year by 16.8%, faster than a year earlier (+3.1%). The increase came by 55% from a widening of fixed capital formation, which amounted to 11.8%, while the rest of the increase was due to a widening of inventories. Investment growth has escalated sharply between the first two quarters this year, from 10% to 35%.

Regarding the trends in fixed capital categories in the initial six-month period, they were upwards in all except housing, which showed a slight decline. The strongest reinforcement in absolute terms was presented by the Mechanical Equipment-Weapon Systems (+€355 million or +14.9%), reflecting the impact of the supply of fighter aircraft, as well as the Transport Equipment, due to the opposite dynamics of vehicle sales from last year. During the same period last year, stabilizing trends prevailed in the first category (-0.50%), while the second showed a sharp decline in investment (-53.6%). Investments in ICT Equipment followed by an increase (+€288 million or +28.7%), after a slight decrease a year earlier (-0.9%) and those in Other Constructions (+€190 million or +7.9%), following their expansion by 6.0% in the first half of 2020. The smallest increase was recorded in Agricultural machinery (+€1 million or +2.7%), following a similar trend a year earlier (+1.4%). As already mentioned, the gross formation in Housing decreased, to a small extent, by €4 million or 0.5%. This trend is opposite to their rise of 27.0% last year, which was then the highest among the categories of fixed capital.

Regarding the developments in the external balance of the economy, the gradual lifting of restrictions on international travel during the second quarter, was reflected in the change in the trend in services exports from a strong downward (-34.4%) to a strong upward (+28.8%). Subsequently, in the first half of 2021, services exports were 13.0% less than last year, following a much stronger decline at the time (-29.9%). Therefore, the increase in total exports came from the rise in exports of products. This export segment recorded an acceleration in growth, reaching 17.1%, from 8.7% in the first quarter, reflecting the effects of the start of the recovery on the global and European economies. As a result, exports of goods expanded by 12.8%, exceeding last year's marginal losses by 0.3%. In the first half of the year, exports rose by 3.4%, covering a small part of last year's shrinkage (-21.0%).

On the import side, there was a trend shift between the first two quarters this year, from bearish to strong upward, in both parts. This was stronger on the side of service imports (+11.1% from -24.6%). However, similar developments in demand for imports of goods (+19.7% from -2.1%), were the ones that led to the increase of total imports in the six months of January-June this year by 3.4%, partially offsetting the strong losses of 15.0%. Overall, the external balance deficit widened in the first half of this year compared to the same period last year from €3.2 billion. at €5.0 billion. (+54,1%).

On the import side, there was a trend reversal between the first two quarters of this year, from declining to sharply rising, on both sides. This was stronger on the services imports side (+11.1% from -24.6%). However, similar developments in demand for imports of products (+19.7% from -2.1%), were the ones that led to the increase of total imports in the six months of January-June of this year by 8.4%, offsetting last year's losses by 7.0%. Overall, the external balance deficit widened in the first half of this year compared to the same period last year from €3.2 billion to €5.0 billion (+54,1%).

Strong recovery in Greece in 2021; last year's losses will be regained within 2022

The developments around the pandemic, in Greece and internationally, which are mostly mildly positive, mainly determine the data and trends in the economy and society in the current period. However, in some important aspects of the health crisis, progress has slowed down significantly, e.g. in vaccination rates. In addition, in recent months a particularly important issue for the functioning and recovery of the global economy has arisen, which is related to the rapid rise in prices for energy products and other basic goods. Some countries have already taken interventions to mitigate these effects, and interventions are already planned at transnational level, e.g. by the EU.

Positive developments include: a) mild improvement of epidemiological data in the recent two months or quarter in the majority of countries, but at levels that do not allow complacency, (b) the completion of vaccination in the majority of the population, c) the start of the allocation of funds from the Recovery Fund in Europe. Especially with regard to trends in epidemiological data, an indication of their improvement, which is linked to progress in the vaccination process, is the decline in the proportion of victims to cases. On the other hand, slowing down is undergoing in the rate of vaccination.

As for the increases in energy prices, the average price of Brent oil was 63.4% higher in the eight months of January-August this year than a year earlier and the average price of non-fuel goods increased by 31.8%. At present, the impact of the increases is more pronounced on industry and households. But as long as prices remain high, the impact will widen on production, supply chains and employment.

The positive dynamics of recent months do not imply the completion of the health crisis. Despite the appearance a few months ago of the Delta mutation, the pandemic is currently in a phase of mild decline in most countries. Nevertheless, it is still not possible to estimate when harnessing and severely limiting it will be achieved. After all, entering autumn can be a source of challenges to deal with it, as climatic conditions favour its spread, as well as the transfer of activities from open to closed areas (e.g. catering, sports), the lifelong operation of schools, with the vast majority of students not being vaccinated.

During the second quarter of this year, while public health protection measures were gradually lifted, although the third phase of the pandemic was in progress, the recession turned in many countries and economic zones into a strong recovery: In the OECD countries, GDP grew by 13.0%, instead of a recession of 0.3% in the first quarter of this year and a decline of 11.6% in the second quarter of last year, while in the EU the product expanded by 13.2%, instead of a recession 1.3% a quarter earlier and falling 13.6% a year earlier. The U.S. rebounded in the April-June 2021 quarter at a rate of 12.2%, instead of marginal GDP growth of 0.5% at the end of last year. In China's economy, where the health crisis began, growth slowed in the second quarter to 7.9%, from 18.3% in the previous quarter and a 6.5% recession in the same period last year.

Among the factors that have a significant impact on the global economy in recent times is the rise in energy prices. In the nine months of January-September this year, the average price of Brent oil was 36.7% higher compared to the same period last year. Over the same period, the price of natural gas Henry Hub rose by 93.2% compared to 2020. Their significant increase is mainly due to the strong demand created by the strong recovery worldwide. However, price support is also exerted by a number of other supply-side factors. OPEC + countries gradually lift production restrictions they decided on in April 2020. Prolonged winter in the northern hemisphere this year has reduced gas reserves in the countries of central and northern Europe. In the US, the particularly hot summer, especially in the northwest, has led to unprecedented demand for air conditioning and gas consumption, reducing its reserves for the coming winter. At the end of August, Hurricane Inda shut off more than 90 percent of offshore gas production in Mexico, and activity on oil rigs is gradually recovering.

The lifting of restrictions on international travel seems to have had a strong positive impact on international tourism in June-August. This development took place at a time when the importance of revenues from international tourism for revenues from exports of services was very high before the health crisis, around 62.0-64.0%. According to the latest data, the decline in international arrivals at the country's airports weakened significantly in the June-August quarter compared to their level in 2019, at 33.6%, compared to an average contraction of 91.6% in the April-May quarter. During the summer months, international arrivals at Athens International Airport fell by 47.7% from their level the year before (from 78.6% in the same quarter of 2020). The decline in AIA was much smaller than last year and in September, -38.4% from -72.3%. In total in the eight months of this year, international arrivals at all airports were 53.8% less than in 2019.

IOBE macroeconomic forecasts are based on alternative assumptions for factors that are judged to affect the key macroeconomic variables from time to time and in the medium term. The most important factors for this year are, as in 2020, the evolution of the health crisis, in Greece and internationally, especially in the Eurozone, as well as the size of policy interventions to halt its effects. These are currently expected to be included in the parameters of macroeconomic forecasts in 2022. The parameters already include the cost of energy, which is a key productive factor of enterprises, mainly in industry, as well as a basic category of goods for households. However, its strong upward trend in recent times and the strong momentum it has acquired, have upgraded the importance and effects of energy costs in the forecasting process. The activity of the Tourism sector, whose contribution to the GDP of Greece is much higher compared to other countries, was closely correlated last year with the trend of the health crisis. For this reason, alternative forecast scenarios should include assumptions about the size of turnover in this area. As the dynamics of the pandemic are strong in the recent quarter but at the same time quite stable, a forecast scenario has been formed for the current year, which is similar to the basic scenario of the previous bulletin. According to this, and thanks to the progress in vaccination and the use of self-tests, no new strong "resurgence" of the pandemic is expected until the end of 2021, without ruling out smaller, temporary outbreaks at the local level. International tourism has shown a significant escalation since the middle of summer and the tourist season will be longer than 2020, until the beginning of the fourth quarter. Subsequently, revenues from international tourism services will increase from last year, in the region of 50% of their level in 2019, probably slightly higher compared to 24% in 2020 (+€3.9 billion to €5.0 billion) . The health crisis effects will be mitigated thanks to the setup of the European Recovery Fund, whose resources will flow from the second half of the year, in line with the relevant target in the 2021 Budget (€5.5 billion). Significant support, more than expected in the budget and generally expected at the beginning of this year, has been received by businesses and households from policy interventions. As for the GDP trend in the Eurozone, it is supposed to be in the area of current forecasts, with a recovery rate higher than forecast last winter (IMF: 5.0%). The rise in energy prices will slow marginally in the last quarter, but remains particularly strong (average Brent 2021 oil rise: +66-68%).

The baseline scenario for next year is also based on the assumption that no major new pandemic outbreaks will occur, although smaller, temporary outbreaks may occur locally. The gradual, almost continuous improvement of the health data will allow a new extension of the tourist season, mainly towards spring, while it will significantly stimulate the international tourist traffic in the quarter June-August. According to these data, revenues from international tourism services will increase compared to 2021, reaching the area of

80-85% of their level in 2019, an increase that corresponds to an increase from this year by €5.9 billion to €6.8 billion. Positive health developments internationally will allow a significant recovery to continue in the Eurozone. This will be mitigated by the new rise in prices, which, however, will be much milder than this year (average Brent oil rise 2022: 5-7%). As a result of these effects, it will be that eurozone growth will be in the area of current forecasts, perhaps even a little higher (IMF: 4.3%). As far as the inflows under the ERF are concerned, it is assumed that the target will be achieved in the Preliminary Draft State Budget for 2022 (subsidies of €3.2 billion, loans of €2.0 billion).

The main difference of the alternative scenario for 2022 from the basic one lies in the foreseen health developments. In particular, new escalations of the pandemic are expected, e.g. from the appearance of new mutations in the virus. However, their intensity will be much milder than in the past, e.g. in the third lockdown in February-March this year, mainly thanks to the vaccination of the majority of the population, the use of self-tests. Then the protection measures within the country will be clearly milder and targeted (e.g. traffic restriction for some hours at night, reduction of people inside the stores, click inside, closure of entertainment centres, restrictions on travel between prefectures). Abroad, the restrictions are not expected to be generalized and will be imposed according to the health data of each country, as during the summer months. The reintroduction of restrictive regulations will have a deterrent effect on tourism, however, the industry is not expected to be suspended, nor will travel from abroad be banned. That being said, international tourism revenues will expand compared to 2021, but milder than in the baseline scenario, reaching 65-70% of their level the year before last, i.e. around €3.2 to €4.0 billion more than this year. The new fluctuations of the health crisis will also mitigate the recovery momentum in the Eurozone. On the other hand, they will greatly weaken this year's inflationary pressures. That said, growth in the Eurozone will be below recent forecasts, in the range of 4.3%. Regarding the Recovery Plan, the case is made for its untimely and / or inefficient implementation, due to the untimely implementation of the reforms related to investments and / or inefficient use of resources.

Analytically, in terms of recent and expected developments regarding the pandemic domestically, the vaccination process continues, but at a declining pace since the end of June. Nevertheless, by mid-October about 64% of the country's population over the age of 10 had been fully vaccinated. Following the outbreak of new cases in the period from the appearance of the Delta mutation until the end of August, their number shows relative stability, at a high level. However, the daily positive rate of tests is declining, indicating that the relatively constant number of cases corresponds to an ever-increasing number of tests. Moreover, it has been below the EU average since mid-September. Also, the daily number of victims is declining since the beginning of August, which is at levels much lower than those of last winter.

From these trends in the epidemiological characteristics, a gradual but significant improvement has emerged since early September. It is quite possible that this is related to the level of vaccination domestically, but also to the utilization of the possibilities of detecting the virus, especially self-tests. As long as the pandemic does not show an adverse turn, e.g. a new mutation, this improvement will probably continue. Recent positive developments in the country's epidemiological characteristics are considered to have had a deterrent effect on the reintroduction of restrictive measures in the operation of businesses, but also on the activities of citizens, extending to the whole country, which were lifted until the beginning of last July.

They also allow the extension of the tourist season. Safeguards remain in place, both open and closed, in which vaccinated and unvaccinated people can be found (e.g. workplaces, shops, entertainment venues, gyms). In early October, all restrictions on movement, as well as on entertainment in open and enclosed spaces of pure use by people who have completed their vaccination, were experimentally lifted for the fully vaccinated and for a period of two weeks. The lifting of restrictions also applies to the "red" areas, i.e. to those where restrictive measures have been imposed. In the event that there is no deterioration of the health situation in the country or in many areas, this development will significantly serve the normalization of social life and economic activity.

Regarding the measures for international passenger traffic in Greece, the ban on entry by air of third-country nationals other than the countries of the European Union and the Schengen Agreement continued. During July and August, the number of countries whose citizens and permanent residents are exempted from this ban increased. In particular, their number rose from 26 in June to 32 in early July, to 34 at the end of the same month, to 35 in early August and to 36 a month later. This development is considered to have contributed to the highest tourist traffic already recorded and will continue to serve its rise in the coming months of the tourist season.

As for land travel, from July 1 all border stations of the country are open. Admission requires a negative COVID-19 molecular test (PCR) up to 72 hours prior to arrival. If these regulations do not stop in the fall, they will mainly stimulate tourism in Northern Greece (winter tourism, city break). An additional source of income for Tourism compared to last year was the income from the cruise, an activity which has been allowed since May 14.

Despite the lifting of the restrictive measures due to the pandemic in the period May-June, most interventions to support businesses and households continued during the summer months. However, due to the lifting of the moratorium on most of the activities in which it was imposed in the winter, the number of beneficiaries was significantly reduced. The support interventions that were maintained included the special purpose compensation for employees suspended from work, the coverage of their social security contributions based on the nominal salary, the reduction of rent on the commercial properties of affected businesses, as well as on the properties of employees suspended from work, and the compensation of the owners of these properties. The program of covering 100% of social security contributions continued for six months for 100 thousand new jobs in the private sector. Especially in the context of the interventions announced at TIF, the extension of the "GEFYRA" household loan instalment subsidy program for three months with a 40% coverage of loan instalments, the extension of the insurance contribution subsidy program for 100,000 new jobs with an additional 50,000 jobs in 2022 and the extension of the SYN-ERGASIA program until the end of 2021 were announced. On the other hand, the suspension of payment of regulated tax and insurance debts of companies was completed, as well as the suspension of payment of regulated tax debts of their employees. Moreover, no other repayable advance programme has been implemented, while in addition it has been announced at the TIF and the reduction of the refund rate for all its programmes has been legislated.

As has been pointed out in previous IOBE bulletins on the Greek economy, the continuation of policy interventions due to the pandemic, mitigates the economic consequences of the suspension of activities. As these restrictions were lifted for most activities, the scope of support measures and their tonnage effect was reduced. In any case, the implementation of the measures further burdened the budget balance. According to estimates in the Preliminary Draft of the State Budget for 2022, the total amount this year will reach €16.75 billion. In the Explanatory Report of the State Budget for 2021, their budget was €4.54 billion, while another €3 billion was €3 billion. were available for the same purpose as allocation appropriations. Therefore, the recent estimate for support interventions this year is more than double the budget target.

With regard to developments in funding figures, which can have a decisive role in halting the effects of the pandemic, especially on investments, banks in Greece continue to expand the use of the ECB's financial instruments for the supply of liquidity, which have emerged in response to the extraordinary circumstances, i.e. the Pandemic Emergency Purchase Programme (PEPP), with a budget of €1.85 trillion, and the extraordinary operations for longer-term refinancing due to the pandemic (PELTROs). In addition, the terms of targeted longer-term refinancing operations (TLTRO III) have gradually eased. In this context of financial capabilities, the liquidity of Greek banks by the Eurosystem through long-term refinancing operations reached €34.6 billion in the period April 2020 - August 2021 and totalled €46.91 billion at the end. In the recent period, since the previous IOBE report on the Greek economy, it has expanded slightly, by €2.4 billion. Regarding the exploitation of the Pandemic Securities Purchase Programme, the ECB has purchased €32.2 billion of securities from Greece until the beginning of October, of which €6.5 billion in the four months of June-September this year. Therefore, the availability of funds from the ECB's banking system to, among other things, to provide financing to businesses is high.

Lending is also favoured by the rapid increase in private sector deposits (households and non-financial corporations). Following their strong expansion in 2020, deposits rose further in the first four months of this year by €4.92 billion or 3.0%. In the next four months, the growth accelerated slightly and reached €5.8 billion or 3.5% of their level at the end of last year. Compared to the same period last year, they were higher by €21.4 billion or 14.2%. The new rise in the May-September period came mainly from most corporate deposits, by €4.2 billion (+14.5% compared to a year ago), while household deposits expanded by €1.54 billion (+12.7%).

In addition to the trends just mentioned, which favour credit expansion by banks, the current weakening of uncertainty over the severity of the health crisis may contribute to this at the end of this year and the next, if it continues. On the other hand, the further deferment of payment of bank loan instalments, at most until the end of 2021, as well as the temporary subsidy of a percentage of the loan instalment (Bridge/"GEFYRA" I and II programmes), do not allow the real dynamics in non-performing loans (NPLs) to emerge. The suspension of activity in many sectors from November 2020, which continued in most of them until the end of April this year, exerted additional pressures on the business turnover and household incomes, affecting the ability to service their lending. Subsequently, it is now possible for banks to default on their liabilities when the moratoriums are completed. According to the Bank of Greece, the balance of moratorium loans at the end of 2020 was €4.1 billion, as the suspension period had expired for 85% of the loans subject to this scheme before the end of the year. However, since then it has been possible to further suspend payments, which has again extended the loans under this regime. In addition, the Bridge II Program was implemented. In its Monetary Policy Report 2020-2021, the Bank of Greece expresses the view that "banks should review the adequacy of their credit risk forecasts and in particular the ability to repay loans from borrowers affected by the pandemic, given that state support measures distort the real picture".

Regarding the evolution of non-performing loans (NPLs), the most recent data relate to the second quarter of 2021. Based on these, NPLs recorded an unprecedented decline in the specific period compared to the previous quarter, by €17.9 billion or 37.9% and amounted to €29.4 billion or 20.3% of total loans. A year earlier they reached €61.0 billion or 37.2% of loans. The strongest contraction of NPLs occurred in business (-€8.6 billion or -31.0%) and mortgages (-€6.5 billion or -48.2%. It was achieved through portfolio transfers and securitisations. Following these developments, the level of NPLs is around €77.8 billion or 72.6% lower than the March 2016 maximum.

Under these developments in the banking system, the provision of bank credit to non-financial corporations at a high rate continues in the period January-August of this year. However, there is a significant de-escalation in this period of time, from 10.3% in January this year to 2.4% in August. Over the same period, the pace of credit contraction to households was stable, in the range of 2.5%. The average growth rate of loans to non-financial corporations in May-August was 4.3%, compared to 8.8% in the first four months of the year, while credit shrinkage to households continued at an average rate of 2.6% in recent of the two periods and 2.5% in the previous one. In the entire private sector in the period May-August there was an average credit expansion of 1.2%, compared to a rate of 3.0% in the first four months of 2021. The smaller growth of loans in the business sector is mainly related to the strong escalation of lending to the General Government, with the relative average rate standing at 60.8% in the recent four-month period and 78.5% in the previous quarter, both the highest over time. Subsequently, the interconnection of the banking system with the government increased significantly. This trend raises uncertainty about banks' financing priorities and, more broadly, whether significant additional liquidity is utilised for productive purposes.

Despite the slowdown in corporate credit expansion, financial assistance from the ECB and the prolonged rapid expansion of deposits will help to keep it going until the end of this year, albeit at a declining pace. An additional source of capital for banks will be the loan arm of the Recovery Fund, amounting to a maximum of €12.7 billion. A business agreement has already been concluded with the European Investment Bank (EIB) to use up to €5 billion of these loans. In addition, an invitation has been published for the participation of commercial credit institutions. According to the Preliminary Draft of the State Budget of 2022, for this year it is estimated disbursement to international and commercial credit institutions amounting to €1.5 billion and for 2022 an amount of €2 billion. While these positive developments are taking place, funding barriers remain on the business and household side. These relate to their existing debt obligations, in particular their arrears. To address this issue, incentives are planned for mergers and acquisitions, as such corporate transformations between SMEs are included in the five eligibility criteria for access to Recovery Fund loans.

As far as the regular state financing of investments is concerned, through the Public Investment Program, in the period January-August its reinforcement reached €5.7 billion, far exceeding the relevant target in the 2021 Budget (€3.352 billion) and to a lesser extent the corresponding last year's capital disbursements (€5.18 billion). However, a significant portion of this, €2.195 billion or 38.5%, concerned pandemic aid, mainly in the form of a repayable advance (€1.1 billion). Excluding these, PIP expenditures in the January-May period were €3.51 billion. Therefore, they (the PIP expenditures) again exceeded the target in this year's budget, which did not incorporate extraordinary transfers. Taking into account the dynamics presented by the provision of resources through the PIP until September, it is estimated that the support of investment projects through the PIP will exceed its level in 2020 (€6.37 billion). For the 2022, the Preliminary Draft of the State Budget provides for the allocation of resources amounting to €7.45 billion through the PIP. These do not include Expenditure under the Recovery and Sustainability Plan, as well as emergency interventions due to the health crisis. Subsequently, a stronger contribution of regular public investments to investment activity is expected.

Regarding the developments in the field of privatizations-concessions, the strong uncertainty in the initial six months of this year about the dynamics of the pandemic had a negative impact on HRADF's activity and investment interest. Regarding the developments in the field of privatizations-concessions, the strong uncertainty in the initial six months of this year about the dynamics of the pandemic had a negative impact on HRADF's activity and investment interest. Given the procedures required for the formal completion of the tenders for Egnatia Odos and DEPA Infrastructure, it is considered that their price or part of it will not be collected this year. This makes it particularly difficult to meet the revenue target for 2021. On the other hand, the relevant receipts are postponed to next year, leading to HRADF's revenues which will be the highest over time. Nevertheless, following the low degree of completion of privatizations this year and last year, their low impact on investment activity is intensifying.

Taking into account for the realization of macroeconomic forecasts mainly the recent and possible developments regarding the COVID-19 pandemic, e.g. the recent slight improvement in epidemiological data internationally, the vaccination coverage of the population and the slowdown in the vaccination process, the faster recovery of the world economy, the larger-than-expected rise in international tourism, the clearly higher than originally planned It is estimated that the particularly strong recovery of household consumption expenditures in the second quarter of this year will continue at high, slightly milder rates in the second half of 2021. The expansion of private consumption will be supported by a sharp decline in unemployment. The large accumulation of savings by households, amounting to almost €15.6 billion since the beginning of the health crisis, it can fuel the boost of their consumption from the last two quarters of this year. Under these effects, it is predicted that the increase in private consumption will be in the range of 5.0-5.5%.

In 2022, it is now likely that there will be no new strong outbreak of the pandemic, with possible temporary outbreaks at the local level (baseline forecast scenario). Subsequently, the economy is expected to operate with the existing, relatively few restrictions, possibly some additional at times. This development will stimulate private consumption so directly, with the continuous, living operation of sectors in which it was suspended at the end of last year and this year and in which a significant part of private consumption takes place (Retail, Tourism, Catering, Arts -Entertainment, Transport, etc.), as well as indirectly, from the expansion of employment and the creation of income. Jobs will be created by most investments, e.g. in sectors of industry with high export performance, in Tourism, as well as from the largest contribution of the public sector to the investment activity (expansion of PIP, Recovery Fund). Household consumption spending will continue to be supported by their fairly high savings during the pandemic. On the other hand, the rise in prices due to energy products will have a deterrent effect on the growth of private consumption. The boost from the emergency support measures due to the pandemic will be much smaller. A result of these effects on real disposable income and consumer mood is expected to be a further expansion of household consumption, by 3.5% to 4.5%.

The alternative scenario differs from the baseline scenario in terms of health developments, which in this case would be more unfavourable. However, as there is no expected re-lockdown or suspension of a significant part of the economy, nor a ban on entry into the country, but some targeted restrictions, there will be no significant barriers to private consumption, nor will there be a significant change in consumer sentiment. However, mainly due to a cautiousness towards potential adverse developments, companies will recruit less. Boosting investment activity would be softer than the baseline scenario, as well as expanding international tourism, mitigating job and income creation from these factors. The rise in prices will also be smaller, which may turn into a slight fall during the year, following their sharp rise this year. In addition, some of the measures to support businesses and households will be reinstated, maintaining a larger part of this year's fiscal stimulus. Subsequently, household consumption expenditure is expected to remain on a growth trajectory, with a slower pace than in the baseline scenario (+1.5 - +2.5%).

On the consumption side by the public sector, the expansion of exceptional expenditure due to COVID-19, e.g. for staff, for ICT infrastructure and equipment, for the supply of vaccines and tests, for the increase of ICUs, etc., will continue to stimulate its consumer demand, at least during the current half of 2021. On the other hand, the technical effect of its much higher level a year earlier, compared to that in the first half of 2020 (base result), will act on the expansion of public consumption expenditure in this period of time. In addition, they will not be paid to retirees retroactively this year, as in the fourth quarter last year. Taking into account the effects of the above factors that affect public consumption, it is expected that the average expansion this year will reach 6.0-6.5%.

The expected weakening of the pandemic in 2022 will reduce the needs it creates in logistics, while the supply of vaccines will move to lower levels. However, next year is planned to expand employment in the public sector, with 15.8 thousand recruitments to fill regular staff positions, under the rule one recruitment for each departure. The strengthening of employment will mitigate the reduction of public consumption expenditure, resulting in a range of 3.0-4.0%. If the pandemic recovers, in which case additional related necessary actions arise, the decline in consumer revenues will be less (-1.5 to -2.5%).

In terms of investment, the highest corporate bank lending since last year, which continues at a declining pace, has already made it possible for a large number of companies to make investments this year, as has been emphasized in previous IOBE reports on the Greek economy. As the current gradual improvement of epidemiological data continues, for the rest of 2021 and next year, pandemic warnings will decline significantly, favouring the implementation of many of these investment plans. Companies from Manufacturing activities, the demand of which is either related to the health crisis, or have shown resilience to it (e.g. pharmaceuticals, electronics, plastics), are considered the most likely to expand their investment activity. The strong recovery of international tourism this year, which under the assumptions of the basic macroeconomic scenario will continue and will escalate in 2022 will reheat its investment activity. This will also apply to the renovation of real estate for Airbnb.

The completion or significant weakening in the next year of the positive effects of emergency support interventions due to the pandemic, will be offset by the implementation of the national Recovery and Resilience Plan (Greece 2.0), under the European Recovery Fund (NextGenerationEU). 48 projects have already been included in the Recovery and Resilience Fund (RRF) for implementation, with a budget of €2.76 billion. Although Greece has covered the first 12 milestones that were prerequisites for the first tranche from the RRF, amounting to €3.5 billion, following the advance payment of its resources in August (€4 billion), there is a delay in submitting a request for the receipt of the instalment. Due to the delay, this part of them is expected to be disbursed next February, so they will be available in early 2022. The target for next year's support measures is in the range of €5.7 billion, while the RRF loan arm will also be activated. However, if there are significant delays in the implementation of the Plan investments or deficiencies in their planning, for example, due to the untimely implementation of the reforms related to the investments and / or inefficient use of its resources, the importance of the Recovery Fund for investment activity will be limited.

The slight acceleration of the implementation of the PIP in the eight months of this year is expected to continue in the rest of 2021, leading to a slight overrun of expenditures last year (€6.37 billion). Taking into account the higher than the 2021 aid target of the EDP for the next year (€7.45 against €6.75 billion), the fact that the NSRF 2021-2027 starts, but also the experience of implementing the program in the past, It is estimated that its expenditures will probably increase slightly in 2022, to around €7 billion, providing correspondingly greater support to investment activity.

The sub-implementation of the privatization-privatization program, due to the effects of the pandemic, results in their small contribution to the investment activity this year, probably next year, given the long maturation period required for projects of this scale. However, the recent completion of the concession of Hellinikon, Egnatia Odos, DEPA Infrastructure, HEDNO, creates very important medium-term prospects for investments, economic activity in general, as well as for employment.

Taking into account these effects, it is estimated that the recovery of investments this year will be in the region of 18.5-20%. Next year, they will be added to these effects primarily those of the use of resources by the ERF and the significant growth of tourism in 2021 which will escalate. Subsequently, the expansion of investments this year will expand compared to this year, between 23-26%. A new escalation of the health crisis will restrain the growth of investment activity in the range of 16-19%.

In the external sector of the economy, in the field of exports, the strong dynamics of exports of services, mainly due to the recovery of international tourism, will be the one that will mainly determine the change in total exports this year, possibly in 2022. This development has also favoured the provision of international transport services. As far as exports of goods are concerned, their significant strengthening will continue to be supported by the strong recovery in the euro area. The rise will be mitigated by the sharp escalation of prices of energy goods and other commodities, mainly in the last quarter of 2021 and the first quarter of next year. Subsequently, their gradual weakening is expected, which in the case of the alternative scenario for the new year, may turn into marginal anti-inflation in the second half of the year. Taking into account the, mostly positive trends in the factors presented and related to the export demand, but also the dynamics of slight improvement of the epidemiological data, it is estimated that in 2021 the increase of the total exports was in the range of 10.5-11, 5 '%. Its continuation next year will be at a slightly milder pace than this year in the baseline scenario, in the range of 8.5-10%. If there is a "resurgence" of the health issue, the increase in the new year will be slightly lower than in the baseline scenario, in the range of 5.5-7.0%.

The strengthening of domestic demand, as well as of exports of products this year, already have a strong growth footprint on imports of goods. In addition to imports of products, imports of transport services are strongly strengthened. These trends will continue until the end of 2021 and 2022. May be affected on both sides of imports by strong rise in international prices of energy goods and commodities. Domestic demand for travel services seems to be stronger than expected this year, possibly due to the scepticism about the health situation outside Greece. Unless the current trend of mild weakening of the pandemic is not strongly reversed for a long time, the travels of the country's residents abroad are expected to escalate significantly from this winter, being an additional source of pressure on the external balance. More broadly, the increase in imports is projected to be greater than that of exports this year and next year, leading to a deterioration of the external balance. Specifically, taking into account the above factors, it is predicted that imports will expand this year by 11.0% to 12.5%, an increase which will show a slight slowdown next year, in the area of 9.5-11% under the baseline scenario. Their reinforcement will be lower under the alternative development scenario (6.5-8%).

From the process of estimating the trends in the components of GDP this year and next year, which for 2022 were based on different scenarios for the developments related to the COVID-19 pandemic in Greece and internationally, as well as other determinants of GDP (international tourism, inflation, etc.) corresponding forecasts emerged for the change of the domestic product. According to them, in 2021, in which a new significant outbreak of the pandemic is not expected by the end of the year, while temporary outbreaks are possible in places, with stronger than originally predicted recovery of the Eurozone and greater strengthening of international tourism, but also higher inflation, the Greek economy will grow at a rate of 8.0-8.5%. In 2022, under similar health conditions, with a boost in investment from the Recovery and Resilience Fund, but also far fewer interventions to support businesses and households than this year, the strong recovery will continue, at a rate of 4.0%. Should there be a significant new deterioration in health, strong, "horizontal" restrictive measures are not expected again, but mild, targeted public health interventions, as well as more support measures. However, the new rise in tourism and growth in the Eurozone will be milder than in the baseline scenario, shaping GDP growth in the region of 2.0-2.5%.

State Budget: January-August targets achieved, with extraordinary revenues

According to the State Budget execution data, in the period January-August this year, its deficit reached €10.5 billion, against a target in the Medium Term Fiscal Policy Framework (MTFPF) 2022-2025 for a deficit of €13.5 billion and a deficit of €9.7 billion a year ago. The primary result of the State Budget in the same period was a deficit, by €6.4 billion, compared to a deficit of €5.5 billion a year ago and against a deficit target for the same period in the MTFPF of €9.4 billion. The overshooting of the target came mainly from the revenue side of the State Budget, Specifically, these exceeded by €2.45 billion the relevant target, slightly less than was the overshooting of the provision for transfers (+€2.85 billion). The increased transfer revenue came mainly from the collection of an advance of €2,310 million from the Recovery and Resilience Fund, which was expected to be collected in September, as well as revenues from ANFA's €644 million, which were not collected in July were provided for in MPS 2022-2025. Excluding these, revenues fell short of the target by €500 million in the eight months.

On the expenditure side of the State Budget, the excess against the target in the eight-month period reached €514 million, resulting in €45.2 billion. This development is mainly due to the restraint of Public Investment Program expenditures by €292 million, as well as the fewer transfers, by €137 million. On the other hand, expenditures for the acquisition of assets exceeded the relevant target by €771 million and relate to armaments programs.

Preliminary Draft State Budget 2022

According to the Draft State Budget for 2022, the primary balance of the General Government next year according to the Enhanced Surveillance methodology will be in deficit, by €1.66 billion or 0.9% of GDP, against a deficit of €13.0 billion or 7.7% of GDP. The primary balance will be in deficit and according to ESA, by €2.02 billion or 1.1% of GDP. The overall result of the State Budget is projected to be in deficit in 2022 by €9.66 billion, or 5.2%, from a deficit of €20.6 billion or 11.7% of GDP this year. The reduction of the State Budget deficit is mainly due to the reduction of primary expenditures (excluding interest payments) by €6.33 billion, from fewer transfers (-€7.88 billion). Net income is expected to increase by €4.60 billion, primarily from higher taxes on goods and services (+€2.2 billion) and income taxes (+€1.93 billion). Given the projected deficit in the State Budget, the smallest deficit at General Government level will come from the surplus of legal entities (€1.93 billion from €2.75 billion this year) and the surplus of Social Security Institutions (€1.04 billion, from €442 million).

Unemployment fell in 2021 mainly from pandemic jobs; further decrease next year, from sectors with suspended operations in the past

Although the developments in economic activity are reflected in a time lag in the labour market, the strengthening of employment in the quarter April-June compared to last year was significant (+1.9% or +71.3 thousand). This was the first quarterly expansion of employment in the pandemic. However, it is not entirely or largely due to the decline in unemployment, as half of the new employees (35.5 thousand) came from the inactive population, expanding the workforce. Unemployment then fell more sharply, by 0.9 percentage points, to 15.8%. Overall in the first half the number of unemployed decreased compared to a year earlier by an average of 17.8 thousand or 2.3% and that of the employed by 78 thousand or 2.0%. The unemployment rate stood at 16.5%, unchanged from the first half of 2020, while then it was falling by 1.6 percentage points.

At sectoral level, most jobs compared to the first quarter of last year were created in the sectors of Public Administration-Defence-Compulsory Social Security (+52.2 thousand or +15.5%), Human Health Activities (+25, 1 thousand or +9.5%), of Scientific-technical activities (+23.7 thousand or +10.7%) and of Agriculture-Forestry-Fisheries (+18.0% or +4.2%), with trends in the first and second sectors considered to reflect emergencies in services created by the health crisis. On the other hand, the largest decrease in jobs was recorded in Education (-15.7 thousand or -4.7%), in Water Supply-Waste Management (-11.1 thousand or -39.9%) and in Administrative-Support Activities (-6.1 thousand or -7.2%).

In the field of expected trends in employment and unemployment, the developments related to the health crisis are the most decisive ones this year, as well as last year. If this factor does not show new fluctuations in 2022, it will be succeeded in terms of the importance of their impact on the labour market by the strengthening of consumer demand, the further strengthening of Tourism and investment, while the impact of high inflation will be smaller. If there is no new outbreak of the pandemic in the last quarter of this year and within the next year, then most companies in the Retail, Tourism, Catering, Arts and Entertainment sectors, which were severely affected by the pandemic, are expected to operate, with positive effects on their employment from the gradual normalization of socio-economic conditions. The strengthening of consumer demand will be mitigated at the end of 2021 and at the beginning of 2022 by the strong inflation, which will gradually weaken within the next year. In the case of the alternative scenario, no significant restrictions will be placed on the operation of the companies again. However, mainly due to caution in the face of potential adverse developments, companies will make fewer recruitments. In addition, consumer demand will increase more slowly, as consumer sentiment will weaken. But inflation will also be milder, which may be reversed during the second half, so real income will be less restricted.

The Eurozone's faster-than-expected recovery earlier this year will boost export demand more than expected, supporting employment in export sectors, mainly industry. The equally strong growth of the Eurozone projected for next year, if the pandemic does not recover, will continue to boost exports and employment. If the health crisis escalates again, GDP growth is expected to slow down slightly, and correspondingly the rise in demand for Greek exports, and therefore support for employment.

The increase of investments, in export sectors of industry and in Tourism, but mainly by utilizing the resources of the Recovery Fund, as well as from the start of investments in important privatizations, such as Hellinikon, will significantly stimulate the creation of jobs next year, among others industries, in Construction.

The public sector will act as a boost to domestic employment in 2022. Recruitment has already been planned next year to fill regular staff positions in the public sector (15.8 thousand), under the rule of one recruitment for each departure.

Taking into account the above effects on the labour market, the estimate for the unemployment rate in 2021 is revised for the better in the region of 15.6%. As far as 2022 is concerned, in the baseline scenario the unemployment rate is expected to be in the region of 14.3%, while in the alternative scenario it is expected to be in the range of 14.9%.

Consumer price rise this year, from strong energy cost growth and a decline in the negative impact of indirect taxes

In the period January - September 2021, there was on average a slight increase in prices compared to a year ago, with the average rate of change of the National Consumer Price Index (CPI) reaching 0.2%, from a decline of 1.0 % a year ago. Among the categories of products and services, the largest increase was recorded in Transport (7.8%) and Housing (4.7%), reflecting the significant increase in energy prices. The change in Nutrition was smaller, while Education followed with an increase, with 0.9%. On the other hand, the sharpest decrease in prices was recorded in the category of Communications, by 2.5%.

Regarding the expected trends in the main components of the Consumer Price Index for the rest of this year and 2022, on the demand side, unless there is a new outbreak of the pandemic, sectors in which a significant part of domestic consumption takes place and in which it had suspended last fall and winter (Retail, Catering, Tourism), will operate largely in pre-crisis conditions and will increase their employment. Combined with job creation in extroverted industries, as well as more investment, it will increase domestic disposable income, stimulating consumer demand and then prices. But if there is a new pandemic recovery next year, increases in economic activity, employment and income will be milder. However, strong effects on demand are not expected, as protection measures are likely to be mild.

On the energy side, the slight reduction in cuts in daily oil production by OPEC + countries (including Russia), which has been decided to continue until the end of the year, is not enough to offset the rapid increase in demand. from the resurgence of the world economy. The goal of the organization is to completely lift the restrictions by September 2022. Supply-side restrictions will be mitigated by the use of stocks announced by the US and China. In addition, the production of energy products in the Gulf of Mexico will be normalized following the effects of Hurricane Inda. In terms of the expected developments in the field of energy demand, the recent forecasts of international organizations for economic activity this year and 2022 show that it will remain strong, despite inflationary pressures. While the pandemic is disrupting the value chains of developed economies, some developing exporting countries are benefiting from price increases. After that, no de-escalation of energy costs is expected, while a new small increase is possible next year. A "resurgence" of the health crisis is estimated to gently halt the upward trend. Inflationary pressures from energy will be mitigated domestically by household support interventions (subsidies-allowances).

Regarding the expected effect of other indirect tax interventions, the VAT reduction that was in force since June last year for specific goods and services was extended until the first half of 2022. However, as a year has now elapsed since its implementation, no further substantial effect on prices is expected. The deduction of VAT on some other goods and services in the near future (gyms, dance schools, etc.) will have a limited effect on price increases, as it affects a small part of consumer spending. The effect of the reduction of the mobile subscriber fee is expected to be stronger.

Taking into account the above possible trends in the key components of the domestic Consumer Price Index, as well as its rate of change in the nine months of January-

September this year, an average inflation rate for 2021 of 0.6% to 0.8% is forecast. Under the basic scenario of macroeconomic developments for 2022, the stronger demand and the much milder effect of energy costs, will lead to a price increase of 0.3% to 0.5%. But if the pandemic escalates strongly again, it will mitigate consumer sentiment, while the impact of energy goods will likely turn negative. Thereafter, there will be mild deflation, by 0.3% to 0.5%.

Special study: The role of the infrastructure and construction industry for the future of the Greek economy

The development of infrastructure and other construction projects in the coming years is a key priority in all official development policy texts in Greece. The projects will also be supported by the additional European resources of emergency recovery measures, which will lead to significantly increased funding inflows to Greece in the period 2021-2027. The study presents the trends in key figures of the Infrastructure and Construction Industry in Greece. It analyses the obstacles and distortions in the operation of the sector. Below, policy areas are presented to ensure and strengthen the contribution of the Construction sector to the country's development process.

2 ECONOMIC ENVIRONMENT

2.1 Trends and Prospects of the Global Economy

A. The Global Environment

- The global economy was recently estimated to recover at a pace in the region of 5.9% in 2021 (IMF), marginally lower than expected in July (6.0%), despite soaring prices. The forecast for next year is unchanged, at 4.9%.
- The sharp rise in energy prices reflects the strong recovery of the global economy, as well as difficulties in supply chains, following the new outbreak of the pandemic.
- The speed of the recovery varies from country to country according to the extent of fiscal support, the dependence on vulnerable sectors, and the vaccination coverage of the population.
- Uncertainties and challenges still remain, related to the resilience of strong inflationary pressures, the expansion of public debt worldwide following the extended support measures in 2021, as well as inflationary pressures, mainly due to the escalation of energy costs.

The global economy is gradually recovering, but the COVID-19 pandemic continues to hamper economic activity and challenge policymakers. The economies of the OECD countries grew at a rate of 13.1% in the second quarter of the year, after a marginal decline of 0.3% in the previous quarter and a contraction of 11.6% in the second quarter of 2020. The annual GDP growth rate in the most developed economies (G7) stood at 12.9%, compared with a negative rate of 0.6% in the previous quarter and a fall of 11.9% in the relevant quarter of 2020. In the 20 largest OECD economies, the trend in the recovery change rate was much smaller in the second quarter than in the previous quarter, in a recovery of 4.0% from 3.5%, while a year ago there was a recession of 8.8%. The recovery at the beginning of the year is mainly due to very strong GDP growth in China. In trends at the country level, among the most developed, the largest change in GDP rate compared to the previous quarter was recorded in the United Kingdom (+23.6% from -5.8%), France (+18.7% from +1.5%) and Italy (+17.2% from -0.8%). In the major Asian developing economies, China's economy grew in the second quarter this year at a rate of 7.9% from 18.3% a quarter ago. India's economy recorded a strong recovery, up 20.9% from 1.6% in the first quarter of the year. In Latin America, the economies of Argentina and Brazil rebounded at rates of 19.6 and 12.4% respectively, from growth of 2.5% and 2.3% in the previous quarter.

Recovery rates vary between countries, reflecting different effects from new waves of virus spread, the dimension of progress in the vaccination process, but also varying degrees of dependence on pandemic-prone industries (e.g. tourism), as well as interconnection with the strongest economies, e.g. through international trade.

Strong fiscal support measures continue to support economies worldwide, especially the most developed ones. In emerging economies, support is gradually being withdrawn as fiscal space narrows due to relatively limited access to capital markets. In OECD member countries, budget deficits are projected to remain high in 2021. Specifically, in developed economies the budget deficit is projected to reach 8.8% of GDP on average in 2021 from 10.8% in 2020. By contrast, in developed economies it is projected to reach 6.6% of GDP from 9.6 % the last year.

The developments around the health issue that support the improvement of economic and social conditions are the wide availability of vaccines, the increased ability to carry out diagnostic tests (e.g. self-tests) and the progress in the discovery of drugs against the novel coronavirus. Moreover, the adaptation to the conditions of the pandemic by businesses and households has helped the global economy to perform better despite the restrictive measures in place.

Vaccines have been proven effective both in protecting against the negative effects of COVID-19 and in limiting the transmission of the virus. However, uncertainty as to the evolution of the pandemic remains due to the limited access to vaccines in the poorest countries and the reluctance of a significant proportion of the population in many countries to be vaccinated. While the infectivity of the virus remains strong, there is also a risk of new contagious mutations occurring that may limit the effectiveness of vaccines and prolong the duration of the pandemic.

An important factor of concern related to the speed of the economic recovery is the rise in commodity prices, especially metals and energy commodities. Strong demand recovery, weak financial conditions, supply-side disruptions and weather conditions have led to significant increases in raw materials and energy costs. This also threatens to delay the energy transition to cleaner forms of energy.

Price pressures are expected to ease in most countries by 2022, as supply manages to match high demand, but uncertainty is strong about the outlook for inflation. Access to vaccines remains the most important factor on the path to recovery worldwide. It is estimated that most developing countries will have widespread access to vaccines by the end of 2022.

According to the IMF, the rate of change in world GDP in 2021 will be in the region of 5.9%, almost unchanged from last July (6.0%). The above forecast incorporates both the negative effects of supply chain disruptions for developed countries and the deteriorating pandemic conditions for low-income developing countries. For the next year the forecast did not change (4.9%).

Table 2.1 shows the annual GDP changes in 2020 and the IMF's latest forecasts for its annual changes in 2021 and 2022, in the global economy and in selected developed and developing countries.

Table 2.1

Global Environment (annual % GDP growth, in real terms, unless stated otherwise)

Economy	2020	2021		2022	
		Forecast	Difference from previous forecast *	Forecast	Difference from previous forecast *
World	-3.1	5.9	-0.1	4.9	0.0
Developed	-4.5	5.2	-0.4	4.5	0.1
Developing	-2.1	6.4	0.1	5.1	-0.1
USA	-3.4	6.0	-1.0	5.2	0.3
Japan	-4.6	2.4	-0.4	3.2	0.2
Canada	-5.3	5.7	-0.6	4.9	0.4
United Kingdom	-9.8	6.8	-0.2	5.0	0.2
Eurozone	-6.3	5.0	0.4	4.3	0.0
Germany	-4.6	3.1	-0.5	4.6	0.5
France	-8.0	6.3	0.5	3.9	-0.3
Italy	-8.9	5.8	0.9	4.2	0.0
Russia	-3.0	4.7	0.3	2.9	-0.2
Turkey	1.8	9.0	3.2	3.3	0.0
China	2.3	8.0	-0.1	5.6	-0.1
India	-7.3	9.5	0.0	8.5	0.0
Brazil	-4.1	5.2	-0.1	1.5	-0.4
World Trade	-8.2	9.7	0.0	6.7	-0.3

* Difference in percentage points from previous IMF estimates (World Economic Outlook, July 2021))

Source: World Economic Outlook, IMF, October 2021

The following analyses the recent and expected trends in the economies of the most important states and unions of states for 2021 and 2022.

Among the most developed countries, in the US economy in the second quarter of 2021 there was an annual growth rate of 12.2% from 0.5% in the previous quarter and a decline of 9.1% in the second quarter of 2020. For the whole of 2021, growth of 6.0% is forecast, lower than last July's forecast (7.0%) due to the decline in inventories observed in the second quarter, partly reflecting supply-side shocks, but also due to less robust consumption in the third quarter. For 2022, a strong growth rate of 5.2% is also forecast. The US federal government continues to provide strong fiscal support in 2021 to deal with the effects of the pandemic, which will be extended next year. In addition, the recent Senate vote on a draft budget for infrastructure spending, as well as the expected enactment of a social network support package, is expected to have a total footprint of about $ 4 trillion. expenditure over the next decade.

The Eurozone economy grew at a very strong pace in the second quarter of the year (+14.3%), from a recession of 1.2% in the previous quarter and against a contraction of 14.5% in the same quarter of 2020. Fiscal policy is expected to continue to be expansionary this year with government deficits remaining at 2020 levels (7.7% of GDP). Policy interventions will be stepped up this semester, with the launch of the European Recovery Fund and the allocation of its resources to member countries. Thus, for 2021 a recovery of 5.0% is forecast, higher than earlier this year, which will continue next year at a slightly lower rate (+4.3%), bringing GDP back to pre-pandemic levels.

In the UK, following the lifting of coronavirus restrictions, GDP strengthened by 23.6% in the second quarter, from a decline of 5.8% in the previous quarter and a contraction of

21.4% a year ago. For the whole of 2021, strong growth of 6.8% and return to pre-pandemic levels from 2022 is forecast, following a growth of 5.0%.

In Japan, GDP grew by 7.7% in the second quarter of this year, following a 1.3% decline in the previous quarter and a 10.1% contraction a year earlier. The increase in coronavirus cases occurred during the summer months and the ongoing health restrictions are holding back economic activity. A recovery rate of 2.4% is forecast for this year and a slight acceleration for the next few years, to 3.2%.

The current sub-section below presents recent economic trends and economic policy challenges in five developing countries and economic regions, which together generate almost 1/3 of the global GDP.

In detail, as mentioned earlier, China's economy recorded a significant increase in its growth rate in the second quarter of 2021, to 7.9%, from a rate of 18.3% in the previous quarter and 3.2% a year earlier. According to recent data, the Chinese economy grew in the third quarter at a rate of 4.9%, just as a year ago. Export growth remains robust, improving the current account balance, and monetary policy continues to be supportive. On the other hand, fiscal support is gradually being withdrawn and credit growth is more moderate. Significant financial risks remain, in particular from the increased debt of the corporate sector, while the imposition of new regulatory rules by the state is worsening the outlook. Overall, strong growth of 8.0% is estimated for the whole of 2021, while for 2022 it is projected to slow down to 5.6%.

India's economy grew strongly by 20.9% in the second quarter of this year, from 1.6% growth in the previous quarter and a recession of 23.3% a year earlier. Domestic demand was boosted by higher household consumption and increased investment, while the expansion of government spending declined. In the external sector, imports strengthened more than exports, negatively affecting growth. Growth of 9.5% is forecast for the whole of this year, partially replenishing last year's losses (7.3%) and continuing with a slightly lower intensity next year (8.5%).

Russia's gross domestic product increased by 8.1% on an annual basis in the second quarter of the year, following a stagnation in the previous quarter (-0.1%) and a decrease of 5.9% in the corresponding quarter of 2020. Overall this year the Russian economy is projected to grow at a rate of 4.7% this year and 2.9% in 2022.

Turkey's economy recorded strong year-on-year growth in the second quarter of 2021, 21.4% from 7.4% in the previous quarter, up from a 9.1% recession a year ago. For the whole of 2021, the Turkish economy is projected to grow at a rate of 9.0%, while next year its recovery rate will slow to 3.3%. The annual inflation rate remains high (19.6% last September) and the exchange rate of the Turkish lira continues to decline (-16.7% and -12% against the dollar and the euro respectively since the beginning of the year). Nevertheless, the country's central bank cut interest rates by 100 basis points in September, to 18%, expecting inflationary pressures to be temporary.

Of the Latin American countries, the Brazilian economy grew by 12.4% in the second quarter of 2021, from 2.3% in the previous quarter and shrinking by 10.8% in the second quarter of last year. An average recovery rate of 3.7% is forecast for 2021, which will continue to be milder in 2022 (2.5%), covering the losses due to the health crisis.

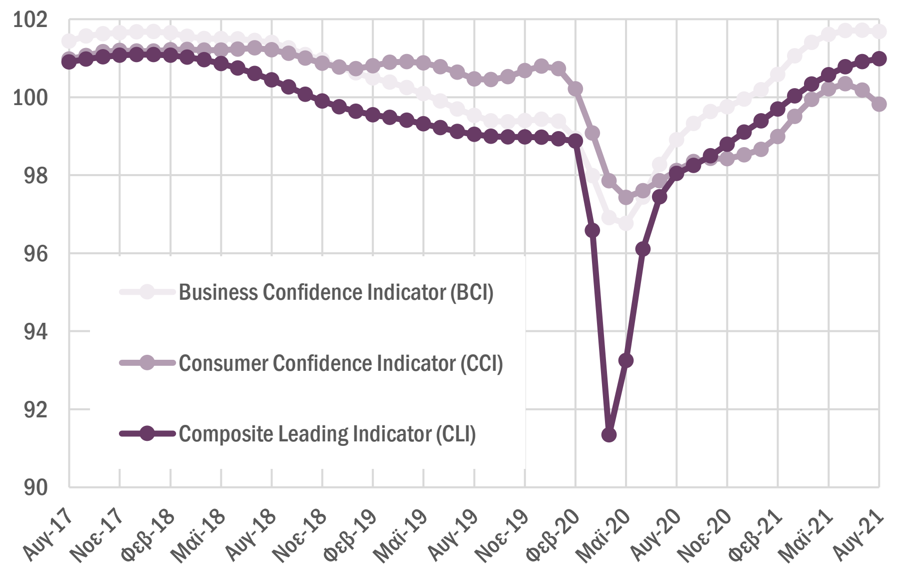
The OECD's composite leading indicator for its member countries remained on track to rise in the third quarter of 2021, marking a gradual slowdown. In August it stood at 100.98 points, a three-year maximum. Similarly, the OECD's business confidence index is close to a three-year peak, despite a marginal decline in August, to 101.68 points. In contrast, the consumer confidence index weakened for the second consecutive month in August, falling to 99.82 points.

Inflation has strengthened significantly in most OECD countries (4.3% last August), as with the lifting of restrictions, demand has returned strong while supply is unable to respond. Commodity prices have also strengthened significantly due to their low base level in the past year. Price pressure is expected to ease in 2022, provided, however, that inflation expectations do not change significantly and wage growth is limited.

Higher-than-expected inflation, combined with the gradual strengthening of employment at pre-pandemic levels, is exercising pressure on monetary policy worldwide to gradually reduce its support over the medium term. In most developed economies, central banks remain committed to maintaining a favourable environment for low interest rates, despite temporary exceedances of inflation targets close to 2%.

Figure 2.1

Economic sentiment indicators and the Composite Leading Indicator for the OECD countries (seasonally adjusted data, long-term average = 100)



A new moderate increase in the economic activity leading indicator and in the OECD's business confidence indicator. A 3-year peak for the former. The consumer confidence indicator declines.

Source: OECD

The Fed, meanwhile, recently revised its US inflation forecast for the US economy this year to 3.7% from 3.0% in June, but said inflationary pressures would be temporary. He also pledged to continue supporting the economic recovery, seeking to significantly reduce unemployment. And the ECB recently reaffirmed its support for the Eurozone, while maintaining its commitment to continue bond purchases at a slightly slower pace than in the first two quarters of the year under the PEPP program, until at least March of 2022.

The volume of global trade is projected to strengthen significantly in 2021 and next year despite supply chain disruptions and ongoing weakness in trade in services. Overall, international trade is forecast to strengthen by 9.7% in 2021 and 6.7% in 2022, after falling by 8.5% last year.

B. The Economies of the EU and the Euro area

- The public health protection measures in the European Union eased in the third quarter of 2021
- Significantly high GDP growth in the EU and the euro area in the second quarter of 2021, 13.8% and 14.4% in the EU and EA respectively, compared to the same quarter last year
- Strengthening of the Economic Climate Index in both zones in the third quarter, at maximum levels over time
- Positive contribution of net exports to growth in the period April – June in the Eurozone and the European Union
- European Commission forecasts within the crisis for a 4.8% recovery in the coming year (July 2021)
- The European recovery fund (NextGenerationEU) was launched, the ECB's PEPP continues to operate

The COVID-19 pandemic and restrictive measures implemented to protect public health across Europe have disrupted the functioning of the EU economy. At the same time, monetary and fiscal policy interventions were carried out to mitigate the impact of protection measures. The impact of the pandemic in 2020 and the first 6 months of 2021 was intense on demand, supply chains, labour supply, industrial production, prices, trade and capital flows. The effects of the health crisis were also determined by the fact that the European economy at this time was relatively vulnerable to a shock, as it had already experienced a significant slowdown in 2019, mainly due to certain structural problems in its industries. In the third quarter of 2021 there is a global economic recovery. However, the rapid spread of the Delta mutation and the threat of new mutations have increased uncertainty about how quickly the pandemic can be overcome.

More broadly, economic policy-making faces significant multidimensional challenges such as sluggish employment growth, rising inflation, food insecurity, and climate change. Especially with regard to inflation, if supply constraints are persistent, then it is expected that the increase in the prices of consumer products will be passed on and the increase in inflation will exceed the forecasts to date. The effects of the pandemic this year and next will depend mainly on the emergence and prevalence of mutations, progress in vaccination and its effectiveness, combined with medical treatments, in halting the COVID-19 pandemic.

To mitigate the effects of the health crisis, the European Commission has from the outset proceeded to implement policy, monetary and fiscal interventions. The most important of these are the European Recovery Fund (NextGenerationEU), with a budget of €1.85 billion and the enhanced EU budget for the period 2021-2027, close to €1.05 trillion. Recent developments in ECB-19 related ECB policy actions are presented at the end of this subsection.

Specifically, regarding economic developments in the second quarter of 2021 in the European Union and the Euro area, both regions saw strong growth, by 13.8% and 14.4% respectively, against a recession of 13.7% in the EU and 14.5% EA a year earlier. According to the European Commission's recent forecast report[1], after a recession of 6.5% in 2020, growth in the euro area is expected to be 4.8% for 2021, while for 2022 a similar GDP growth of 4.5% is projected. For the European Union, after a recession of 6.0% in 2020, growth of 4.8% this year and GDP growth of 4.5% is forecast in 2022.

[1] European Economic Forecasts Summer 2021, European Commission, July 2021

The growth in the economies of the European Union in the period April - June of the current year resulted from the increase of the domestic demand, with the contribution of the investments reaching 3.7% of the GDP, against a negative effect in the previous quarter (1.3%). The contribution of consumer spending reached 6.4%, compared to a negative contribution of 2.6 p.p. of GDP in the first quarter of 2021. The impact of net exports on GDP growth in the second quarter of 2021 was positive, by 2.1%, from 2.2% in the previous quarter. The trends in the structure of growth in the Eurozone economies are similar, with domestic demand being a growth factor (+11.9 p.p. from -3.8 pp in the first quarter of this year). There was a positive contribution of investments compared to the second quarter of last year (3.6% of GDP), compared to a negative impact in the previous quarter (-1.6% of GDP), as well as a particularly positive effect of consumption (+6, 6 a.m.) from a negative effect in the first quarter (-2.9 a.m.). In addition, in this quarter, the contribution of net exports to the Eurozone was positive, 2.5 points, while a quarter earlier it was slightly higher (2.7%).

The structure of GDP components on the expenditure side remains close to the EU-27 and the Eurozone, with consumption accounting for 73.9% and 74.0% of GDP respectively, investment accounting for 22.6% and 22%.1% of GDP, exports 51.8% and 50.3% and imports 48.3% and 46.4% of GDP.

The strongest among the EU countries was the growth in Ireland in the second quarter of this year (annual changes in seasonally adjusted data), at a rate of 21.1%. Next, rank France (18.7%), Hungary and Spain (both 17.6%) and Italy (17.2%). In Greece, growth (16.2%) was higher than the average performance of the EU-27 countries as a whole (13.8%). The countries with the lowest growth were Finland (7.8%), the Czech Republic (8.1%) and Lithuania (8.9%). At the 12-month rolling level, Greece showed a negative growth rate of -0.7%, the fourth worst performance in the EU (1.1%) and the Euro Area (1.2%). The country with the deepest economic contraction, on a twelve-month basis, was Malta (-1.7%), followed by the Czech Republic (1.3%). On the other hand, the country with the strongest positive rolling growth rate in the EU-27 was Ireland (11.9%) followed by Luxembourg (4.4%) and Slovenia (3.2%).

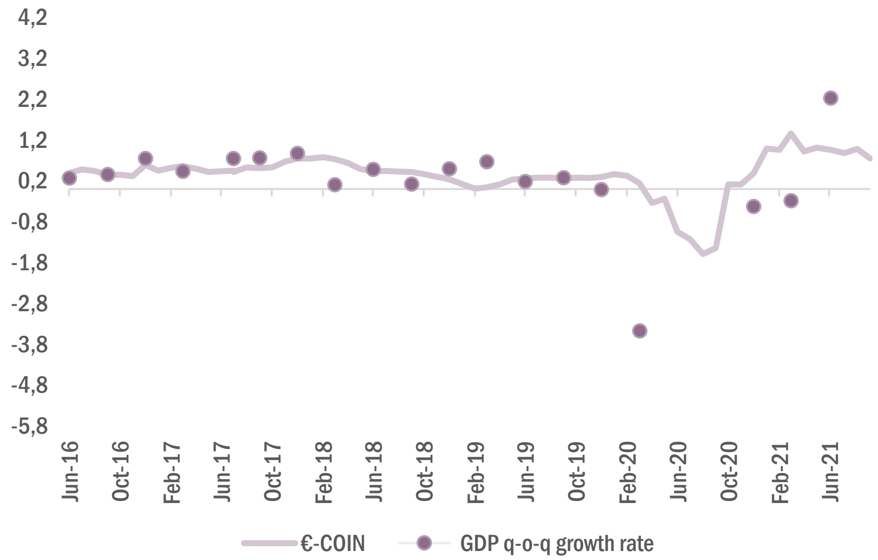
Regarding economic climate trends and key leading indicators on economic activity in the Eurozone and the European Union, the €-COIN index fell in the third quarter of 2021 to 0.87 points, from 0.96 points in the previous quarter, which was its maximum performance over time. It is much higher than the third quarter of last year (-1.42). And the monthly performance of September this year, at 0.75 points, is significantly higher than last September (-1.45) indicating a new GDP growth in the third quarter.

The European Commission's Economic Sentiment Index for the EU-27 and the Eurozone strengthened in the period July – September of this year compared to the previous quarter, by 3.4 and 3.8 points respectively, while for the same period last year it was found 29.2 and 29.6 points higher. Specifically, the index stood at 117.1 and 118.1 points respectively. In September this year, the Economic Sentiment Index stood at 116.6 points in the EU-27 and stood at 117.8 points in the Eurozone, at a level almost identical to the previous month. On the other hand, it stood at 25.1 and 25.5 points higher than it was a year ago. It should be noted that in July the index in the Eurozone reached its peak over time, while it was close to that in the EU.

Figure 2.2

Monthly €-COIN Index & Eurozone GDP*

A slight drop in the €-COIN leading indicator in Q3 2021, remaining positive, which indicates a recovery



*The Centre of Economic Policy Research in collaboration with the Bank of Italy estimates every month the leading indicator of economic activity €-COIN for the Eurozone. The indicator provides a quarterly forecast of GDP growth and is constructed from a range of different data, such as the course of industrial production and of prices, as well as labour market and financial data.

Source: CEPR and Bank of Italy

Table 2.2

Economic Sentiment Index EU-28 & Euro Area (av. 2000-2020=100)

Month	Oct-19	Nov-19	Dec-19	Jan -20	Feb -20	Mar -20	Apr-20	May-20	June-20	Jul-20	Aug -20	Sep -20
EU-27 (2020)	100.4	100.9	101	102.5	103	94.5	67.1	69.4	77.2	83.7	88.4	91.5
Euro area	100.2	100.7	100.9	102.6	103.4	94.1	67.8	70.2	78.1	84.2	89.1	92.3
Μήνας	Oct - 20	Nov - 20	Dec - 20	Jan -21	Feb - 21	Mar - 21	Apr-21	May -21	June - 21	Jul - 21	Aug -21	Sep -21
EU-27 (2020)	91.7	88.6	91.6	91.1	93.1	99.9	109.9	114	117	118	116.6	116.6
Euro area	92.5	89.3	92.4	91.5	93.4	100.9	110.5	114.5	117.9	119	117.6	117.8

*27 countries after 2020

Source: European Commission (DG ECFIN), September 2021

More complete information on the size trends of the Eurozone and EU GDP in the second quarter of 2021, the other macroeconomic variables, as well as the estimated trends in them in the near future is provided in the continuation of this subsection. The forecasts for the period 2020-2021 are presented, as they emerge for the EU and the Eurozone in the most recent forecast report of the European Commission.

Table 2.3

Key macroeconomic figures, EU-27 and the Euro area (annual % change in real terms, unless indicated otherwise)

	EU			Eurozone		
	2020	2021	2022	2020	2021	2022
GDP	-6.0	4.8*	4.5*	-6.5	4.8*	4.5*
Private Consumption	-7.4	2.8	5.9	-8.0	2.7	6.0
Public Consumption	1.3	3.7	0.6	1.3	3.8	0.6
Gross Investment	-7.4	6.2	5.4	-8.2	6.7	5.3
Exports of Goods and Services	-8.7	8.7	6.5	-9.3	8.7	6.5
Imports of Goods and Services	-8.3	8.1	6.8	-9.0	8.0	6.9
Employment	-1.5	0.0	1.0	-1.6	0.0	1.2
Unemployment (% labour force)	7.1	7.6	7.0	7.8	8.4	7.8
Inflation	0.7	2.2*	1.6*	0.3	1.9*	1.4*
Balance of General Government (% GDP)	-6.9	-7.5	-3.7	-7.2	-8.0	-3.8
Debt of General Government (% GDP)	92.4	94.4	92.9	100.0	102.4	100.8
Current Account Balance (% GDP)	3.0	3.1	3.1	3.0	3.1	3.1

*Source: European Economic Forecasts, summer 2021, European Commission, July 2021.
Source: European Economic Forecasts, spring 2021, European Commission, May 2021

In detail, according to Eurostat data for the second quarter of 2021 (annual changes in seasonally adjusted data), private consumption in the European Union increased by 12.2%, when in the previous quarter it declined by 4.9%, while in the same period of 2020 its trend was strongly downward (15.2%). In the Eurozone, household consumption strengthened by 12.6%, from a decline of 5.4% in the previous quarter, while a year earlier it decreased by 16.2%. The European Commission last May forecast a 4.4% reduction in total household consumption in the EU by 2020 and a 2.8% recovery in 2021. For the Eurozone, it predicted a weakening of private consumption by 8.0% last year and a 2.7% expansion next year. At country level, in Germany private consumption was 6.1% higher in the second quarter, while in the previous quarter it fell by 9.1% and in France there was a much larger increase (13.0%). In Italy it strengthened significantly by 14.4%, from a fall of 3.9% a quarter ago, while in Spain it increased by 22.9% while last quarter the decrease reached 6.0%.

Public consumption in the EU and the Eurozone increased in the second quarter of 2021 by 6.7% and 7.1% respectively, from an increase of 2.8% and 2.9% a quarter before. In the same quarter of 2020, public consumption had decreased by 1.6% in the EU and 1.9% in the Eurozone. For 2021, the European Commission expects the growth of public consumption in the EU-27 to escalate primarily due to measures to deal with the effects of the health crisis, to 3.7% from 1.3%, while for the euro area it estimated a similar expansion (3.8%). Next year enlargement will escalate to 5.9% and 6.0% in the EU and EF respectively.

Investments increased in the period April-June 2021 in the EU by 16.7%, while in the previous quarter they fell by 5.5%. Similarly in the Eurozone, the increase was of the order of 16.5%, compared to a significant decrease of 6.5% in the first quarter of this year. In the same quarter of 2020, investments had expanded by 1.1% in the EU and 1.6% in the euro area. The European Commission forecasts 6.2% aid for 2021 in the EU, while expecting a fall of 8.2% next year and a recovery of 6.7% respectively next year in the Eurozone. In the second quarter of 2021, investment in Germany increased by 10.8% after a marginal increase of 0.4% in the previous quarter, while in Italy there was a vertical increase of 32.3%, from a smaller increase of 8.9% in the quarter January - March 2021.

The growth rate of investments in France was at the level of 26.5%, from a smaller increase of 8.9% in the previous quarter.

Strong growth was recorded in exports of goods and services to the EU (24.9%), while in the Eurozone a similar change (24.8%), but against a weak decline, by 0.1% and 0.5% respectively, in the previous quarter and a contraction of 20.7% and 21.0% in the second quarter of 2020. For 2020, the European Commission forecasts a decrease in exports to the EU-27 compared to 2019 by 8.7% and an increase in the following year by 8.7%. For the Eurozone, it expects a contraction of 9.3% for the whole of 2020 and an increase in 2021 also of 8.7%. At country level, exports to Germany increased by 25.3% in the second quarter of 2021, from a decrease of 0.5% in the first quarter of the year. The contraction of exports to France in the quarter April-June this year was 4.3%, down from 9.7%. In Italy there was an increase of 27.7% from a smaller increase of 1.2%. In Greece there was an increase in the second quarter, 22.6%, from a decrease of 10.9% in the first quarter. Exports expanded in Spain, by 38.9%, from a decrease of 7.3% in the first quarter, as well as in Cyprus (15.2%), after a decrease of 7.4% in the first quarter of the year.

Increase in imports in the second quarter of 2021 in the EU compared to the previous quarter, by 21.2% from a negative change of 4.6%. A similar change was observed in EZ, to 20.4% from a fall of 6.1% in the first quarter of 2020. A year earlier, a contraction of 20.0% and 20.7% had been recorded, respectively. For the years 2020 and 2021, the European Commission has forecast a fall of 8.3% for the EU-27 and an increase of 8.1% respectively. For the Eurozone it expects a decrease in 2020 of 9.0% and growth in 2021 of 8.0%. At the country level, imports in Spain increased by 38.4% in the second quarter of 2021, compared to a 3.9% drop in the previous quarter. Similarly, in France they were on an upward trajectory, by 21.8%, from a decrease of 2.5% a quarter ago, while in Italy there was an increase to 30.1% from a smaller rise of 3.0%. Negative rate was recorded in Germany (19.4%), from a decrease of 41.0% in the first quarter of 2021.

Based on the developments in the components of GDP in the Eurozone, the contribution of net exports was positive (2.5%) from slightly lower in the previous quarter also positive change (2.7%). The positive contribution of net exports in the first two quarters came from the simultaneous increase in the contribution of exports, from -0.3% in the first quarter to 11.4% in the period April-June 2020, as well as the less positive effect of imports, from -3.0% in the first quarter to 9.0% in the following. As already mentioned, the contribution of domestic demand was of the order of 11.9% of GDP, from a negative impact in the previous quarter (-3.8%). The largest increase came mainly from private consumption, which had a positive effect, by 6.6% percentage points of GDP, in the second quarter of 2021 while in the first quarter of the same its contribution was negative at 2.9 p.p.

In detail, according to Eurostat data for the second quarter of 2021 (annual changes in seasonally adjusted data), private consumption in the European Union increased by 12.2%, when the previous quarter recorded a fall of 4.9%, while in the same period of 2020 its course was declining (15.2%). In the Eurozone, household consumption increased by 12.6%, from a decrease of 5.4% in the previous quarter, while a year earlier it decreased by 16.2%. The European Commission last May forecast a 7.4% reduction in total household consumption in the EU by 2020 and a 2.8% recovery in 2021. For the Eurozone, it predicted a weakening of private consumption by 8.0% last year and a 2.7% expansion next year. At country level, in Germany private consumption was 6.1% higher in the second quarter, while in the previous quarter it fell by 9.1% and in France there was a much larger increase (13.0%). In Italy it strengthened significantly by 14.4%, from a fall of 3.9% a quarter ago, while in Spain it increased by 22.9% while in the last quarter the decrease was equal to

6.0%. In Greece, private consumption increased by 13.2%, from a decrease in the previous quarter of 3.7% while in the same period last year the decline was of the order of 14.6%.

Public consumption increased in the EU and the euro area in the second quarter of 2021 by 6.7% and 7.1% respectively, from 2.8% and 2.9% strengthening a quarter ago. In the same quarter of 2020, public consumption had decreased by 1.6% in the EU and 1.9% in the Eurozone. For 2021, the European Commission expects the growth of public consumption in the EU-27 to escalate mainly because of the measures to deal with the effects of the health crisis, to 3.7% from 1.3%, while for the Eurozone it estimated similar enlargement (3.8%). Next year enlargement will escalate to 5.9% and 6.0% in the EU and EF respectively. In the second quarter of 2021, there was an increase in public consumption in Greece by 6.1% compared to a year ago when a contraction was observed (2.6%), when in the previous quarter it was increased by 8.1%.

Investments increased in the period April-June 2021 in the EU, by 16.7%, while in the previous quarter there was a decrease (5.5%). Similarly, in the Eurozone, the rise was about 16.5%, compared with a significant decrease of 6.5% in the first quarter of this year. In the relevant quarter of 2020, investments had expanded by 1.1% in the EU and 1.6% in the euro area. The European Commission forecasts a 7.4% contraction in 2020 and a 6.2% increase in 2021 in the EU, while expecting a fall of 8.2% and a 6.7% recovery in the Eurozone respectively. In the second quarter of 2021, investment in Germany increased by 10.8% after a weaker increase of 0.4% in the previous quarter, while in Italy there was a significant increase of 32.3% from a smaller increase of 8.9% in the January quarter. - March 2021. The growth rate of investments in France was at the level of 26.5%, from a smaller increase of 8.9% in the previous quarter. In Greece there was an extremely significant increase in investment, by 37.1%, compared to a negative change of 1.0% in the first quarter of 2021.

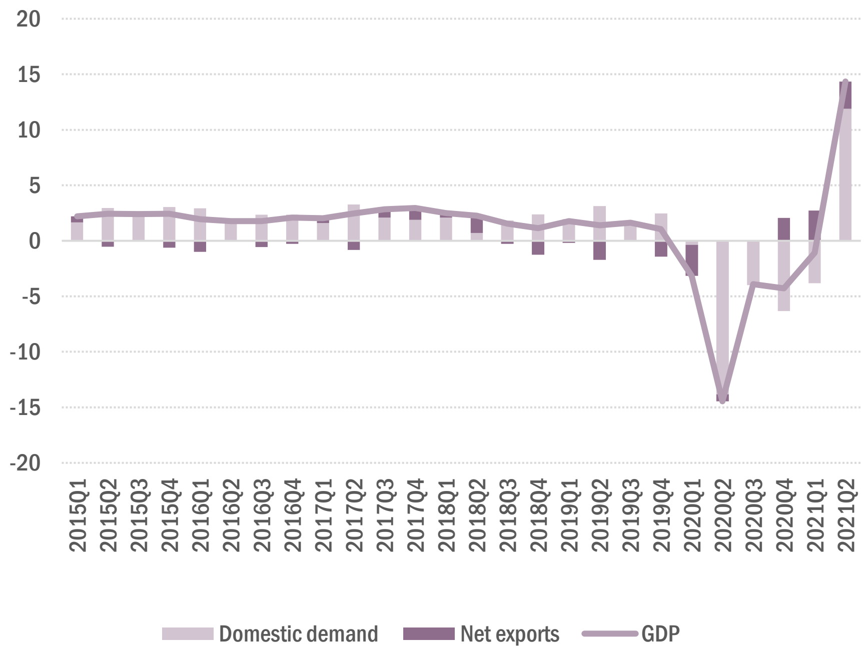
Strong growth was recorded in exports of goods and services to the EU (24.9%), while in the Eurozone a similar change (24.8%), but against a weak decline, by 0.1% and 0.5% respectively, in the previous quarter and a contraction of 20.7% and 21.0% in the second quarter of 2020. For 2020, the European Commission predicted a fall in exports to the EU-27 compared to 2019 of 8.7% and an increase of 8.7% in the following year. For the Eurozone it expects a contraction of 9.3% for the whole of 2020 and growth in 2021 also 8.7%. At country level, exports to Germany increased by 25.3% in the second quarter of 2021, from a decrease of 0.5% in the first quarter of the year. The contraction of exports to France in the quarter this year was 4.3%, down 9.7%. In Italy there was an increase of 27.7% from a smaller increase of 1.2%. In Greece there was an increase in the second quarter, 22.6%, from a decrease of 10.9% in the first quarter. Exports expanded in Spain, by 38.9%, from a decrease of 7.3% in the first quarter, as well as in Cyprus (15.2%), following a decrease of 7.4% in the first quarter of the year.

Increase in imports in the second quarter of 2021 into the EU compared to the previous quarter, to 21.2% from a negative change of 4.6%. A similar change was observed in THE EA, to 20.4% from a fall of 6.1% in the first quarter of 2020. A year earlier, a contraction of 20.0% and 20.7% had been recorded, respectively. For the years 2020 and 2021, the European Commission has forecast a fall of 8.3% for the EU-27 and an increase of 8.1% respectively. For the Eurozone it expects a decrease in 2020 of 9.0% and growth in 2021 of 8.0%. At country level, in the second quarter of 2021 imports in Spain increased by 38.4%, compared to a decrease of 3.9% in the previous quarter. Similarly, in France they were on an upward trajectory, by 21.8%, from a decrease of 2.5% a quarter ago, while in Italy there was an increase to 30.1% from a smaller increase of 3.0%. A negative rate was recorded in Germany (19.4%), from a decrease of 2.8% in the first quarter. In Greece, imports increased by 22.5%, while in the previous quarter they were lower by 3.3%.

Figure 2.3

Eurozone GDP change – Contribution of components to the real annual rate of change (in percentage points)

Positive contribution of net exports to the change in euro area GDP in Q2 2021. Positive impact of domestic demand due to y-o-y growth in private consumption.



Source: Eurostat

Based on developments in GDP components in the euro area, the contribution of net exports was positive (2.5%) from slightly smaller in the previous quarter and also a positive change (2.7%). The positive contribution of net exports in the first second quarter was driven by the simultaneous increase in the contribution of exports, from -0.3% in the first quarter to 11.4% in the period April-June 2021, as well as the lower intensity of the positive effect of imports, from -3.0% in the first quarter to 9.0% in the next quarter. As already mentioned, the contribution of domestic demand was in the order of 11.9% of GDP, from a negative impact in the previous quarter (-3.8%). The largest increase came mainly from private consumption, which had a positive effect of 6.6% of GDP in the second quarter of 2021 while in the first quarter of the same its contribution was negative at 2.9 p.p.

Harmonized inflation index rose in the second quarter of 2021 in the EU and the Eurozone, recording a rate of 2.2% and 1.8% from 1.4% and 1.1% respectively, a quarter earlier. In the second quarter of 2020, harmonized inflation stood at% in the EU and 1.1% in the EC respectively. Overall for 2020, the European Commission recently predicted that inflation will decelerate in the EA to 0.3%, but also in the EU, to 0.7%, well below the ECB's target, in the range of 2.0%, while in 2021 it will return close to its previous levels, to 1.9% and 2.2% respectively.

Employment growth was found in the second quarter of 2021, 1.9% in the EU and 1.8% in the EC from -1.6% and -1.8% respectively, while in the same period of 2020 there was a decline in jobs, by 2.7% and 2.8% respectively. The European Commission predicts a reduction in job creation in the EU for 2020 and stagnation in 2021, by -1.5%, following a rise of 0.9% in 2019. For the Eurozone it also predicted a fall in employment last year, by 1.6%, and stagnation in 2021, from a widening of 1.1% in 2019. Employment growth in the second half of 2021 was recorded in Ireland (5.6%), Hungary (5.2%), Spain (4.5%) and Austria (4.3%). By contrast, employment shrank in Romania (7.5%), while stability was observed in Germany. The change in Greece was one of the smallest observed among EU countries (0.6%).

Unemployment rose in the first quarter of 2021, to 7.8% in the EU and 8.5% in the euro area from 7.2% and 8.0% respectively, in the fourth quarter of 2020. In the first quarter last year it stood at 6.8% in the EU and 7.6% in the EA. For 2020, the European Commission has estimated unemployment rates in the EU-27 and the euro area to rise to 7.1% and 7.8% respectively, from 6.7% and 7.5% respectively in 2019, while for 2021 it expects unemployment rates of 7.6% and 8.4%.

In terms of fiscal performance, the general government deficit in the EU-27 in the first quarter of 2021 was around 8.2% of GDP, while in the fourth quarter of 2020 it was equal to 6.9% of GDP. The European Commission predicts that it will change in 2020 and 2021, to -6.9% and -7.5% of GDP respectively. Regarding the budget deficit on average Eurozone, expects to reach -7.2% of GDP in 2020 and -8.0% in 2021, from -0.6% in 2019. As far as public debt is concerned, it stood at 100.5% of GDP in the euro area countries in the first quarter of this year. It is estimated that on average in 2020, it will increase to 100.0% and next year will be further strengthened to 102.4% of GDP respectively. Government debt, as a percentage of GDP, increased significantly in the fourth quarter of 2020 in many members, with its highest level being recorded in Greece (209.3%), Italy (160.0%), Portugal (137, 2%), Cyprus (125.7%) and Spain (125.2%).

As for the monetary policy framework, due to the COVID-19 epidemic and the related adverse economic effects, it is recalled that the ECB started in mid-March 2020 a series of monetary and credit policy measures aimed at stimulating liquidity. According to a recent announcement by the ECB, the interest rate on major refinancing operations as well as the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively. The budget of the Pandemic Emergency Purchase Program (PEPP) was expanded in December 2020 by €500 billion, reaching €1,850 trillion. Purchases will continue at least until the end of March 2022 and, in any case, until the COVID-19 crisis is over. Net purchases under the asset purchase program (APP) will continue at €20 billion per month. An important fact for Greece is the exception made by the ECB regarding the eligibility of securities in the PEPP, in order to enable the country's participation in it. The measures collectively support the provision of bank loans, in particular by facilitating the conditions under which credit claims are accepted as collateral.

In summary, the economy in Europe, and in particular in the Eurozone, is currently facing a number of challenges. The main ones are:

- Possible treatment of COVID-19 mutations
- Possible need for additional fiscal and monetary measures at collective level, in addition to those taken to deal with the consequences of the second phase
- Sectoral disruptions, with the tourism and transport sectors having been hit harder than the rest by the health crisis
- Input shortages and rising costs are estimated to affect some manufacturing sectors more than expected, but with a temporary impact
- Rising consumer inflation and further signs of price pressures in different parts of the production chain

- The cause of significant regional disparities from the health crisis, which will be felt when it is completed
- Fiscal imbalances from the pandemic emergency programmes
- Implementation of the EU consensus Brexit, the terms of which were agreed at the end of 2020
- Geopolitical tensions in the Middle East and migration flows

2.2 The Economic Environment in Greece

A. Economic Sentiment

- Significant strengthening of the Economic Sentiment Index in Greece in the third quarter of 2021 compared to the immediately preceding quarter (111.3 from 105.1 points.). Stronger improvement compared to the same quarter last year (90.6 points.). The recent level is equivalent to the 2007 average.
- Business expectations strengthened in the recent quarter compared to the previous quarter in all sectors, particularly Construction and Services, while they improved milder in Retail and Manufacturing.
- The Consumer Confidence Index stood lower in the July-September period than in the second quarter of this year, at -35.4 from -27.5 points. At the same time, it is slightly higher than a year earlier (-36.9 points.).

The IOBE business and consumer surveys offer significant indications on the developments of the economy in the past few months, from the perspective of both the enterprises and the consumers. In addition, the indicators used in the surveys constitute leading indicators for various economic variables and can be used to predict near-term developments and even the course of GDP[2].

In the third quarter of this year, the Economic Sentiment Index strengthened again significantly compared to the previous quarter (+6.2 points. As a result of this strengthening, the index is now moving to pre-health crisis levels. In contrast, the Consumer Confidence Index stood 8 points lower than in the previous quarter of this year, at -35.4. It seems that the clearly better tourist season than last year and, more broadly, the continuation of economic and social life without extensive public health measures, despite the outbreak of the new COVID-19 virus mutation, have improved business and household expectations the prospect of a return to pre-pandemic conditions in the near future. Nevertheless, the problem of the pandemic continues with remarkable intensity, while new challenges are possible in the near future, as the autumn period begins with stagnation in the progress of vaccination. In addition, the faster-than-expected recovery of the global economy and difficulties in supply chains worldwide are causing a sharp rise in energy prices. At present, the effects of the increases are more pronounced in industry and households, but as prices remain high, problems may extend to production, supply

[2] Note that since March 2018, the base period of the series presented in the sectoral business sentiment indicators, i.e. the indicators in Manufacturing, Retail Trade, Services and Construction, has changed. In particular, the 2000-2010 period was designated as a new base (= 100). Until February 2018, the indicator was referenced to average values from the 1996-2006 period. The historical series of the indicators are fully revised, in order to ensure that the data series are comparable. As a result, the indicators with the new base period are overall higher compared with those with the older base period. The change in the base period by IOBE has not affected the overall economic sentiment indicator for Greece or any other country.

chains and employment. Domestically, developments regarding the launch and implementation of recovery fund projects, together with the accompanying reforms, will be most important.

In detail, the Economic Sentiment Index in Greece in the July-September quarter was significantly strengthened compared to the previous quarter of 2021, at 111.3 from 105.1 points, while it was significantly higher than the average last year (90.6 points). Its recent level is close to the 2007 average (111.0 units). In Europe, the corresponding average was significantly higher during the period under review compared to the previous one, both in the EU and in the Eurozone. Specifically, the Economic Sentiment Index stood at 117.1 (from 113.7) points in the third quarter of this year in the EU, and at 118.1 (from 114.3) points in the Eurozone.

At the sector level, business expectations in Greece strengthened in all sectors in the recent quarter compared to the previous one and especially in Services and Construction. They recorded a milder improvement in Industry and Retail. On the consumer side, on the other hand, there was a slight deterioration in the consumer confidence index. Compared to the same quarter last year, average indicators improved in all sectors without exception. Analytically:

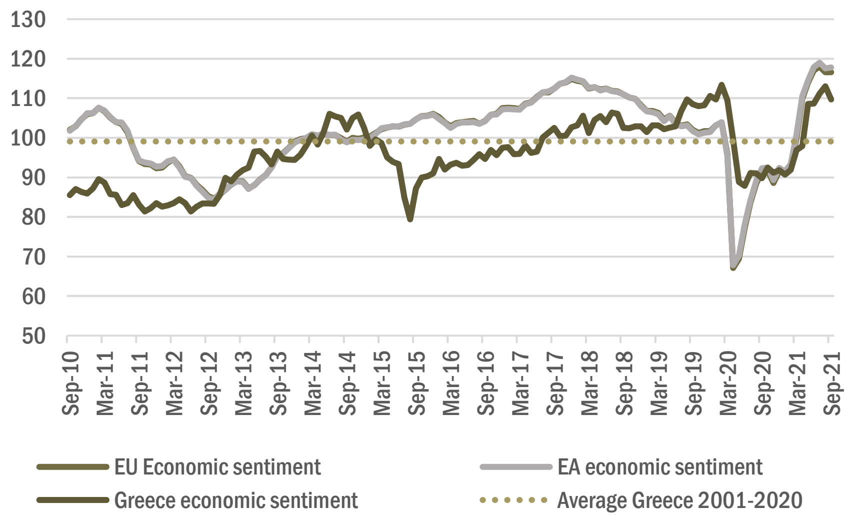
The Consumer Confidence Index in Greece in the July-September quarter this year was lower on average since the second quarter of 2021, at -35.4 from -27.5 points, a level mildly higher than its counterpart a year ago (-36.9 points). The corresponding average index strengthened significantly in the EU, to -5.7 (from -6.5) points, as well as in the Eurozone (-4.6 from -5.5 points). These levels are clearly higher than a year ago (-15.1 and -14.4 units respectively).

Trends in the individual key elements that make up the overall index were mainly downward in the third quarter of 2021 compared to the second quarter. Thus, the ominous forecasts of consumers in Greece for the financial situation of their households in the next 12 months, strengthened significantly, as did those for the economic situation of the country. At the same time, households' estimates of their current situation weakened mildly, as did the intention for major purchases in the coming period, which declined marginally.

More specifically, the percentage of those who are pessimistic about the financial situation of their household in the next 12 months increased significantly, to 38% (from 31% in the previous quarter), while it fell to 8% (from 11%) the percentage of those who state the opposite. At the same time, the percentage of consumers in Greece who make ominous forecasts about the country's economic situation strengthened to 59% (from 54%), with 16% (from 23%) expecting an improvement. As for the intention to save, the percentage of households that do not consider saving as possible in the next 12 months remained at 78-79%, while the percentage of those who consider it possible weakened to 19%. In the forecasts for the development of unemployment, the percentage of those who estimate that the situation will get worse strengthened to 65% (from 59%), with an average of 14% (from 22%) expressing a contrary view. The percentage of consumers reporting to be "running into debt" in the third quarter of 2021 increased marginally, to 7% (from 6%), to the same level as in the corresponding quarter of last year. It also fell slightly to 21% (from 25%) the percentage of respondents who say they are saving little (from 19% in the same quarter of 2020). Finally, the percentage of those who report that they "just make ends meet" increased further to 64% (from 62% in the previous quarter) and the percentage of households that report that they "draw from their savings" remained at 6%, with the corresponding percentage for 2020 to be around 8%.

Figure 2.4

Economic Sentiment Indicators: EU-27, Euro area and Greece (1990-2018=100, seasonally adjusted data)



Source: European Commission, DG ECFIN

The index of business expectations in Industry in the third quarter of 2021 stood at 111.3 (from 105.0 in the second quarter of 2021) points, much higher than the respective performance in 2020 (86.7 points). In the key activity data, the index in the forecasts for the short-term development of production from +27.4 points in the second quarter of 2021 declined mildly in the quarter under review and averaged +23.3 points, while the negative estimates for the level of orders and demand were significantly reduced (to +0.6 from -11.0 points the relevant index). Estimates for stocks of finished products suggest a strong de-escalation (at +1.1 from +11.6 points) while trends in export variables are mixed: the forecasts for the export dynamics of the following quarter improved mildly (+33.4 from +29.6 points), while the current estimates for the sector's exports moved marginally c... from +19.9 points) with estimates for foreign orders and demand s... (+0.2 from -4.4 points). In the employment forecast, the relative a...ance declined slightly to +9.5 (from +14.0) points on average. The u...factory capacity fluctuated slightly upwards, to 78.6% (from 75.0%), w...ecured production of the enterprises weakened slightly, to 4.3 (from 4...ge.

The Economic Sentiment Indicator in the third quarter of this year was significantly stronger quarter-on-quarter, reaching pre-crisis levels

T...ss expectations in Retail trade in the quarter under review was s...han the previous one, at 102.0 points (from 97.9), a much higher p...he respective quarter last year (73.5 points). Of the key variables of the index, the average balance sheet for current sales estimates strengthened significantly to +11 (from -3) points. Of the companies in the sector, 30% believe that its sales have decreased, with 41% (from 36%) estimating the opposite. In terms of projected sales, the index of +25 points fell significantly and stood at +15, with stocks declining significantly (at -1 from +9 points the index). Of the other activity data, the balance of forecasts for orders to suppliers remained unchanged at +17 points, while at the same time, for the employment of the sector, the average forecast balance improves marginally to +12 (from +11) points. Finally, in terms of prices, the relevant balance strengthened significantly (+37 from +25) points, with only 5% of businesses expressing expectations of price de-escalation and 42% (from 26%) predicting the opposite. Strengthening of business expectations was recorded in the third quarter of 2021 in all the examined sectors of Retail trade except the sector of Food-Beverages-Tobacco and Department Stores, where a slight decline was observed.

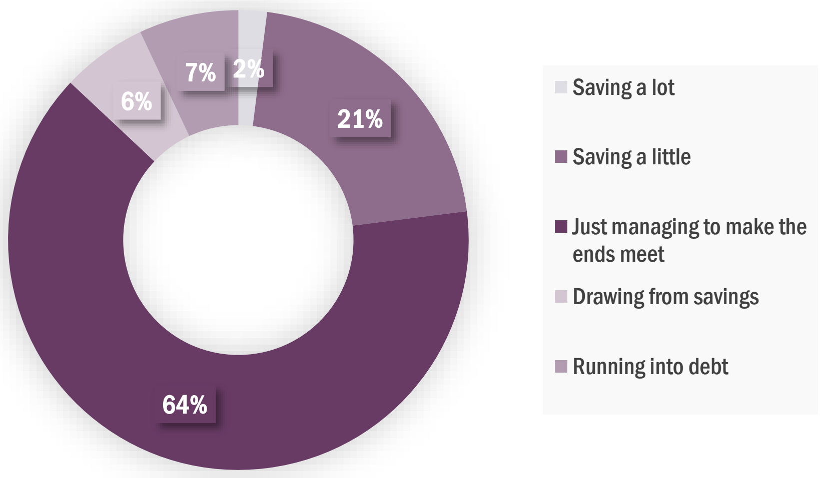
Business expectations in Construction strengthened significantly in the third quarter of 2021, with the relative balance at 144.7 (from 121.9) points on average, a change that was the second largest among the main sectors of activity, after that of the Services. This performance is at a much higher level than in the corresponding quarter of 2020 (only 67.0 units). In the key variables, the sector's employment forecasts improved significantly, with the relative balance from +13 points now at +32 points, and 41% (from 30%) of enterprises expecting more jobs, when 8% (from 17%) expecting them to decline.

The negative forecasts of the companies for the planned works fell marginally (at -28 from -29 points the index), while at the same time the estimates for the current level of the work program improved significantly (at +5 from -36 points the relevant balance) . The months of secured activity of the companies in the sector fell significantly to 9.0, while at the same time the balance in price forecasts remained slightly positive at +2 points, with 22% (from 7%) of companies expecting a reduction in the short term and 25 % (from 9%) increase. Finally, the percentage of companies that report that they do not face obstacles in its operation increased marginally to 16% (from 15%), while of the remaining companies, 33% consider low demand as the most important obstacle, 13% the insufficient financing and a 24% (from 12%) factors such as the general economic situation of the country, capital controls, high taxes, lack of projects, late payment by the state, etc. as the biggest obstacles in its operation. At the sectoral level, business expectations moved strongly upwards in the Private Construction sector, while in the Public Construction sector there was a marginal increase.

Figure 2.5

Consumer survey data on the financial situation of households (July-September 2021)

Q-o-q rise in the percentage of respondents that are just making ends meet (64%). Marginal increase of those indicating that they are running into debt.



Source: IOBE

Table 2.4

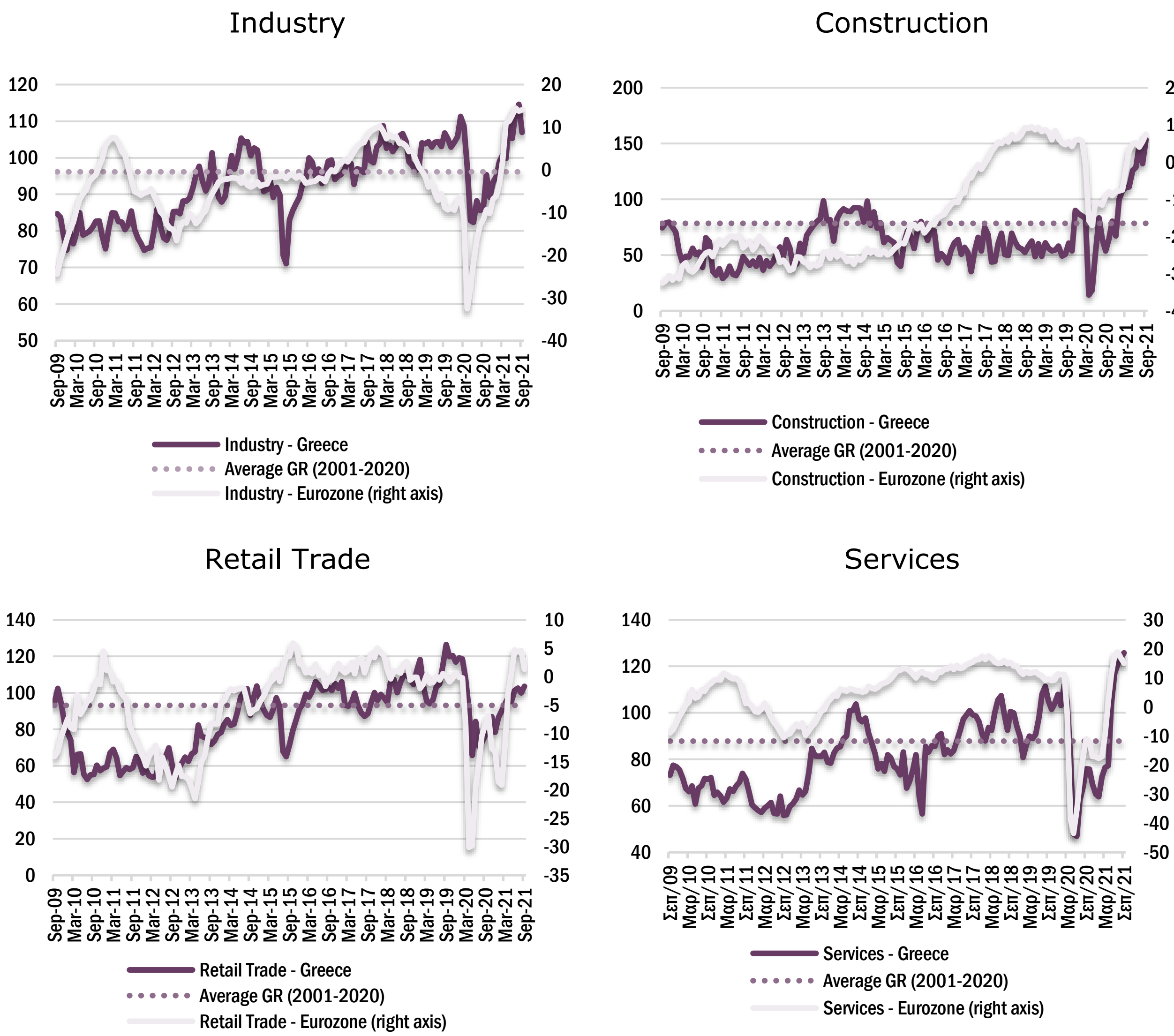
Economic Sentiment Indicators

Time Period	Economic Sentiment Indicator			Business Expectations Index (Greece)				Consumer Confidence Index (Greece)
	EU-27	Eurozone	Greece	Industry	Construction	Retail Trade	Services	
2010	99.3	99.1	86.3	79.9	52.2	61.3	68.1	-56.9
2011	99.8	99.9	84.8	81.1	37.7	60.9	66.1	-70.5
2012	88.0	88.1	83.7	81.4	47.5	59.1	58.8	-73.9
2013	90.8	90.8	93.6	92.6	71.5	72.6	75.3	-69.3
2014	99.6	99.4	102.0	99.7	88.4	92.3	93.3	-52.8
2015	102.9	102.9	91.7	86.3	62.0	83.9	78.2	-50.3
2016	104.2	104.0	94.4	96.1	61.3	101.4	79.3	-62.9
2017	110.4	110.4	98.9	98.1	55.4	94.6	92.7	-58.9
2018	111.5	111.5	103.8	102.8	58.1	104.5	97.0	-44.0
Q1 2019	106.6	106.4	102.6	101.8	56.7	105.8	85.7	-31.1
Q2 2019	104.7	104.4	102.6	103.8	54.8	97.8	92.6	-29.4
Q3 2019	102.8	102.6	108.3	104.8	52.7	115.5	108.2	-11.7
Q4 2019	101.5	101.2	109.0	104.1	68.1	119.1	104.4	-7.1
Q1 2020	101.0	100.8	110.9	108.6	84.9	115.1	106.5	-10.4
Q2 2020	71.4	72.2	92.1	87.6	28.1	80.3	58.6	-31.1
Q3 2020	87.9	88.6	90.6	86.7	67.0	73.5	68.8	-36.9
Q4 2020	90.7	91.4	91.8	92.6	70.7	83.0	70.0	-46.2
Q1 2021	94.7	95.3	93.2	98.2	106.2	90.2	70.9	-43.0
Q2 2021	113.7	114.3	105.1	105.0	121.9	97.9	99.3	-27.5
Q3 2021	117.1	118.1	111.3	111.3	144.7	102.0	123.4	-35.4

Sources: European Commission, DG ECFIN, IOBE

Figure 2.6

Business Confidence Indicators



Source: IOBE

Business expectations strengthened in the third quarter of 2021 compared to the second quarter of 2021 in all sectors, especially in Construction and Services, milder in Retail and Industry.

The index of business expectations in Services in the quarter under review was strongly higher than the previous one, at 123.4 points (from 99.2). At the same time, this performance was much higher compared to that in the corresponding quarter of 2020 (68.8 units) and the highest among the key sectors of activity. Of the key variables, estimates for current demand strengthened significantly, with the relevant index gaining 38 points on average and reaching +44 points. Estimates for the current situation of the company also moved strongly upwards (+45 from +2 points average on average), with the balance sheet in the forecasts for the short-term demand of the companies in the sector strengthening marginally (+41 from +39 points). From the rest of the activity data, the balance of employment forecasts of the respondents recorded a slight improvement, which strengthened by 8 points, to +25 points, while in the prices, the average corporate expectations index strengthened significantly and stood at +5 (from -10) points. Finally, the percentage of respondents who report seamless business operation narrowed marginally to 17% (from 18%) on average, with 24% stating insufficient demand as the main obstacle to its operation, 6% the insufficient working capital and 43% other factors, which are related to the general financial situation, the inability to borrow, the high taxation, late payments, etc. Of the services sectors examined, the sub-indices strengthened significantly in the third quarter of 2021 in all sectors, with the exception of the IT and financial intermediaries.

B. Fiscal Developments and Outlook

- State Budget Balance, Jan-August 2021: deficit of €10,519 million, against a target for a deficit of €13,487 million and a deficit of €9,681 million over the same period in 2020. The target overshot came mainly from some extraordinary revenue (RRF, ANFAs) and secondarily from under-implementation on the expenditure side.
- Primary State Budget Balance January-August 2021: deficit of €6,381 million, against a target for a deficit of €9,405 million and a deficit of €5,484 million in the same period in 2020.
- Increase of both net revenues (+15.4%) and expenditures (+14.4%) of the State Budget compared to last year.

Implementation of the 2021 Budget (January – August)

The implementation of the 2021 budget started with the economy in a state of suspension of operation of a significant part of it, for protecting public health. These conditions were largely maintained in the first four months of this year, with negative effects mainly on the expenditure side, but also on the revenues of the State Budget. However, most of the safeguards were lifted in May-June, allowing for a strong economic recovery in the second quarter, mainly through the resumption of Retail Trade and the resumption of tourism, with the industry making a significant contribution, according to the data. of National Accounts for the second quarter. The lifting of most of the measures, in combination with the progress in vaccinations, in Greece and internationally, is expected to significantly stimulate the Greek economy, through the same sectors and activities, in the coming quarters. In the light of these developments, the GDP forecast has been significantly revised upwards, as analysed in section 3.1 of the bulletin. Understandably, a positive impact from the strong recovery during the current half is expected in public finances, mainly in terms of tax revenues, e.g. from VAT, excise duties.

On the other hand, the resurgence of domestic demand from the second quarter stems in large part from the extensive interventions to support businesses and households. According to the Preliminary Draft of the State Budget for 2022, their amount this year will reach €16.75 billion, compared to a target of €7.55 billion in the 2021 Budget. Much more, particularly high one-off expenditure significantly burdens the fiscal balance. According to Eurostat data released in July 2021, Greece's (non-seasonally adjusted) budget deficit in the first quarter of this year was the highest in the EU (18.1% of GDP), with EU averages (8.2% of GDP) and the Eurozone (9.0% of GDP)[3] being quite lower. Following the fiscal measures taken in 2020, which resulted in a deficit of 9.7% of GDP, the deficit in the first quarter further strengthened the already high government debt, as a percentage of GDP, partly due to the recession. Thus, at the end of the first quarter of this year, the public

[3] Source: Eurostat https://ec.europa.eu/eurostat/documents/2995521/11563195/2-22072021-BP-EN.pdf/c12a5573-c4fc-293a-24f7-2fdfd6bfb5c7?t=1626942083764

debt amounted, according to Eurostat, to 209.3% of GDP, 28.6 percentage points of GDP higher than a year earlier [4].

As for the trends in the State Budget in the eight months, the causes of the deficit are found not only in high expenditures but also in low revenues. In summary, travel barriers and reduced economic activity have led to lower budget revenues than projected. In addition, expenditure was significantly higher than expected due to business and household support measures taken continuously since March 2020, when the coronavirus pandemic began, and then. The arms/defence expenditure in the eight months in relation to the target are clearly increased.

Based on these trends and data, it is deemed necessary to normalize public finances, at pre-health levels, since next year. After all, the Greek State should be prepared to return to an environment with clearly fewer emergency facilities for refinancing its debt. The inflows from the European Recovery Fund can stimulate investments, contributing to the achievement of high growth rates of the Greek economy in the coming years, but also to immediately improve the fiscal balance as it is not certain that they will be available in full in 2021. The medium-term positive fiscal effects of these flows will be stronger through stimulating employment and income. Tax revenues from the activities that were suspended at the beginning of the year will also play an important role.

Balance and primary State Budget Balance.

According to the most recent state budget implementation data, on an amended cash basis, for the period January - August 2021, there is a deficit in its balance of €10,519 million against a deficit target of €13,487 million for this period of time in the explanatory report of the Medium-Term Fiscal Strategy Programme (MTFSP) 2022-2025 and a deficit of €9,681 million in the same period of 2020[5]. The primary balance was a deficit of €6,381 million, compared to a target of a primary deficit of €9,405 million and a primary deficit of €5,484 million over the same period in 2020 (Table 2.7). However, excluding some extraordinary revenue, which is analysed below, as well as under-execution on the expenditure side, the deficit amounts to €14,119 million and the primary deficit to €9,981 million, lagging behind the relevant targets.

The amount of net revenues of the State Budget amounted to €34,686 million, showing an increase of €2,454 million or 7.6% compared to the estimate for this period in the explanatory report of the MTFSP 2022-2025. The highest eight-month revenue comes significantly from the "Transfers" category due to: (a) an advance, in August, from the Recovery and Resilience Fund (RRF) of €2,310 million projected to be received in September, and (b) revenues from ANFA's, amounting to €644 million, collected in July 2021 which were not foreseen in the MTFSP 2022-2025.

Therefore, not including the above amounts, net income is €500 million or 1.6% lower than the estimate in MTFSP 2022-2025. The shortfall was mainly due to the less revenues of the EDP but also to the recording in July of the price received from the sale of Hellinikon as a financial transaction (sale of shares) while it was initially foreseen to be included in the category "Sales of fixed assets" (non-financial transaction).

State Budget expenditures for the period January - August 2021 amounted to €45,205 million, less by €514 million or 1.1% compared to the target (€45,719 million), which is included in the explanatory report of the MTFSP 2022 -2025. The "under-execution" of expenditures of the Regular Budget amounting to €215 million, is mainly due to the deferral of grants to Social Security Funds, amounting to €347 million. Full absorption of the

[4] Source: Eurostat https://ec.europa.eu/eurostat/documents/2995521/11563191/2-22072021-AP-EN.pdf/282c649b-ae6e-3a7f-9430-7c8b6eeeee77?t=1626942865088

[5] Source: State Budget Execution Monthly Bulletin, August 2021, Ministry of Finance, September 2021

relevant funds is expected by the end of the year. By contrast, the payments related to the armament programs of the Ministry of National Defence (category of acquisitions of fixed assets), exceeded the initial target by €760 million, to service the relevant contracts.

Table 2.5

State Budget Implementation: January - August 2021* (million €)

	January-August		% Change	2020	2021 Budget	% Change
	2020	2021				
I. SB NET REVENUE (1+2)	30.050	34.686	15,4	47.364	52.970	11,8
1. Net OB revenue	26.243	28.972	10,4	41.822	46.143	10,3
Less Tax refunds	3.332	*2.824*	*-15,2*	*5.672*	*5.256*	*-7,3*
OB revenue	29.575	31.796	7,5	47.494	51.399	8,2
2. PIP revenue **	3.807	5.714	50,1	5.542	6.827	23,2
II. SB EXPENDITURE (3+4)	39.731	45.205	13,8	70.169	67.811	-3,4
3. OB expenditure	34.544	39.503	14,4	59.522	58.426	-1,8
Primary expenditure SB	30.341	35.187	16,0	54.748	53.916	-1,5
Interest	4.203	4.316	2,7	4.774	4.510	-5,5
4. PIP expenditure	5.187	5.702	9,9	10.647	9.385	-11,9
III. SB Deficit (-)/Surplus (+) (I-II)	-9.681	-10.519		-22.806	-14.841	
% of GDP	*-5,9*	*-6,1*		-14,0	-8,6	
IV. SB Primary Balance	-5.484	-6.381		-18.195	-10.331	
% of GDP	*-3,4*	*-3,7*		-11,2	-6,0	
GDP (at current prices)[6]	162.776	171.934		162.776	171.934	

* According to the way in which revenue and expenditure are presented from 01/01/2019.
** The PIP category also includes the flows of the Recovery and Resilience Fund for 2021.
Source: Monthly State Budget Implementation Bulletin, August 2021, Ministry of Finance, September 2021

Payments concerning the PIP and the Recovery and Resilience Fund, ie outside the Ordinary Budget, were €299 million or 5.0% behind the target. It is pointed out that the expenditures of the Recovery and Resilience Fund are implemented, following procedures commensurate with the national part of the PIP.

Ordinary Budget Revenue

The regular revenues of the Ordinary Budget (TA) in the eight months of January-August this year reached €34,686 million, i.e. it was 15.4% higher compared to last year (Table 2.6). OB net revenues increased by 10.4% while its gross revenues decreased by 7.5%, because tax refunds decreased by 15.4%. The total revenues of the State Budget amounted to €37,510 million, exceeding by €2,365 million or 6.7% the target in the MTFSP 2022-2025.

Tax revenues amounted to €28,716 million, less by €183 million. or 0.6% against the target included in the MTFSP explanatory report 2022-2025. Revenue returns reached €2,824 million, less by €89 million. against the target (€2,912 million). Income tax revenues were similar to last year (+0.6%) while property tax revenues increased considerably, by 25%. Inheritance and donation tax revenues increased by 8.7% compared

[6] The forecast for the annual GDP and the price for the previous year, come from the Explanatory Report of the Budget 2021, Ministry of Finance, November 2020

to last year and revenues from other current taxes were higher by 45.2%, to €1,346 million.

Table 2.6

State Budget Revenue: January -August 2021* (EUR million)

	January - August		% change	2020	2021 Budget	% Chang.
	2020	2021				
Net SB revenue	30.050	34.686	15,4	47.364	52.970	11,8
Net OB revenue	26.243	28.972	10,4	41.822	46.143	10,3
Tax refunds	3.332	*2.824*	*-15,2*	*5.672*	*5.256*	*-7,3*
OB revenue	29.575	31.796	7,5	47.494	51.399	8,2
Income tax, of which:	8.621	8.669	0,6	13.589	15.429	13,5
--Personal	*6.699*	*6.707*	*0,1*	*10.155*	*10.383*	*2,2*
--Corporate	*1.219*	*1.234*	*1,2*	*2.361*	*3.922*	*66,1*
Property tax	572	715	25,0	2.427	2.847	17,3
Taxes on donations, inheritance etc.	115	125	8,7	180	214	18,9
Tariffs	166	186	12,0	245	286	16,7
Taxes on goods and services, of which:	15.798	16.911	7,0	23.945	26.418	10,3
--VAT	*10.022*	*11.128*	*11,0*	*15.008*	*17.492*	*16,6*
--Excise duties	4.248	4.226	*-0,5*	*6.427*	*6.599*	*2,7*
Other production taxes	798	764	-4,3	1.069	1.046	-2,1
Other current taxes	927	1.346	45,2	1.743	2.412	38,4
Social contributions	36	37	2,8	54	54	0,0
Sales of goods and services, of which:	317	392	23,7	507	603	18,9
Other current revenue	1.911	1.599	-16,3	2.731	1.636	-40,1
Sales of fixed assets	5	4	-20,0	8	330	4025,0
PIP Revenue **	3.807	5.714	50,1	5.542	6.827	23,2

* In adjusted cash-based accounting (ESA 2010). According to the new revenue classification in effect since 01/01/2019

** The PIP category also includes the flows of the Recovery and Resilience Fund for 2021.

Source: Monthly State Budget Implementation Bulletin, August 2021, Ministry of Finance, September 2021.

Revenues from customs duties and import taxes increased by 12% compared to a year ago and revenues from taxes on goods and services by 7%, reaching €16,911 million. The increase in tax revenues on goods and services is driven by the increase in VAT revenue (+11%). Excise duties and other excise duties decreased by 0.5% and 4.3% respectively. Revenues from sales of goods and services amounted to 23.7% from €317 million to €392 million. Other current revenues decreased by 16.3%.

In August this year, the total net revenue of the State Budget amounted to €7,717 million and was higher by €3,090 million in relation to the monthly target, mainly due to the collection of the advance payment of €2,310 million from the Recovery and Resilience Fund that was expected to be collected in September, as well as the increased revenues of the EDP. The total revenues of the state budget amounted to €8,049 million, increased against the monthly target by €3.017 million. Tax revenues amounted to €4,342 million, slightly less than the target in the MTFSP explanatory report 2022-2025, by €83 million or 1.9%. The delay is also explained by an extension given for the submission of tax returns to natural and legal persons and the subsequent extension of the payment of the first and second instalment of income tax until September 17, 2021.

Ordinary Budget Expenditure

The expenditure of the State Budget for the period of January - August 2021 was increased compared to the corresponding period of 2020 by €5,474 million, mainly driven by the increased expenditure for measures against the pandemic and the increased payments of armament programs in the part of the Ordinary Budget (Table 2.7).

In detail, the expenditure of the SB increased by 13.8% and that of the OB by 14.4%. The increase in OB expenditure was mainly driven by the increase in its primary expenditure, which increased by 16.0%, reaching €35,187 million, and to a much lesser extent than interest payments, which increased by 2.7%. Employee benefits were at the same level as in 2020, but transfers and social benefits were higher by 14.2% and 79.3% respectively, due to pandemic support measures. Purchases of fixed assets increased sharply, from €208 million to €1921 million. These include payments related to the armaments programs of the Ministry of National Defence. Purchases of goods and services increased from €696 million to €924 million (+32.8%) and other expenses increased by 57.9%. The only category that recorded a decrease and even a large one was the subsidy payments, by 75.8%.

Table 2.7

State Budget Expenditure: January -August 2021* (million €)

	January-August		% change	2020	2021 Budget	% change
	2020	2021				
SB Expenditure (1+2+3)	39,731	45,205	13.8	70,169	67,811	-3.4
OB Expenditure (1+2)	34,544	39,503	14.4	59,522	58,426	-1.8
1.Primary OB Expenditure	30,341	35,187	16.0	54,748	53,916	-1.5
Compensation of employees	8,880	8,874	-0.0	13,335	13,544	1.6
Social benefits	82	147	79.3	137	199	45.3
Transfers	20,390	23,276	14.2	38,751	31,394	-19.0
(of which SSFs)	*12,304*	*12,595*	*2.4*	*21,625*	*20,610*	*-4.7*
Purchase of goods and services	696	924	32.8	1,618	1,251	-22.7
Subsidies	66	16	-75.8	248	80	-67.7
Other current expenditure	19	30	57.9	29	91	213.8
Non allocated expenditure	0	0	-	0	4,709	-
Purchase of fixed assets	208	1,921	823.6	631	2,646	319.3
2. Interest[1] (gross basis)	4,203	4,316	2.7	4,774	4,510	-5.5
3. PIP Expenditure	5,187	5,702	9.9	10,647	9,385	-11.9

*According to the new expenditure classification in force from 01/01/2019

** The PIP category also includes the flows of the Recovery and Resilience Fund for 2021

Source: Monthly State Budget Implementation Bulletin, August 2021, Ministry of Finance, September 2021

Public Investment Programme (PIP)

Revenues from the Public Investment Budget (PIP) amounted to €3,404 million, lagging by €292 million against the target (Table 2.7). Compared to last year, however, they increased by 50.1% because the category includes the flows of the Recovery and Resilience Fund for 2021.

On the payments side of the PIP, these were under the target by €299 million or 5.0%. But they increased by 9.9% compared to last year. This increase for the time being does not incorporate any effect from the Recovery Fund, as they have not yet taken place. However, the expenditure of the PIP includes, as last year, a part of the emergency interventions to support the companies. Specifically, these transfers reached in the period January-August this year €2,195 million, from €1,887 million in the same period last year. Therefore, excluding these extraordinary expenses, PIP payments rose from €3,300 million to €3,507 million.

PDE revenues in August amounted to 1,227 million euros, higher by €735 million against the monthly target.

C. Financial developments

- Eurosystem emergency support measures continue to offer ample and cheap liquidity to Greek banks.
- The stock of private deposits is systematically increasing.
- NPLs recorded an impressive decline of €17.9 billion in the second quarter of 2021, mainly through sales and securitisation of loans.
- The 12-month rate of credit expansion to businesses remains positive, although it is experiencing a sharp slowdown.
- Net household financing continues to shrink.
- The launch of the National Recovery and Resilience Plan creates positive prospects for credit growth in the medium term.
- The average yield on Greek 10-year bonds recorded historic lows below 0.6%.

Since the beginning of the pandemic crisis, the emergency measures supported by the Eurosystem but also by the domestic authorities, have contributed to the banking system operating in very favourable liquidity conditions. At the same time, the launch of the National Recovery and Resilience Plan in the third quarter of 2021 creates opportunities for a medium-term boost to credit towards productive investments. The co-financing role of the banks is crucial for the efficient and timely utilization of the resources of the loan arm of the Recovery Fund for Greece, amounting to €12.7 billion in the period 2021-2026.

The financial crisis due to the pandemic made it difficult to meet the challenges already faced by the domestic banking system. These include banks' weak profitability which continued in the first half of 2021, their weak asset quality, as reflected in the high proportion of Non-Performing Loans (NPLs) and the weak quality of their regulatory capital due to the high share of deferred taxation. Despite the unfavourable economic situation, on the NPLs front, banks made significant progress in the second quarter of 2021, reducing the percentage of NPLs by 10 pp, mainly through sales and securitizations, which led to the largest decrease in NPLs recorded in a quarter.

The investment sentiment towards domestic banks remained positive in mid-2021, with two of them successfully completing share capital increases of a total value of around €2.2 billion, but the banking share price index did not record a further recovery. Thus, after the sharp drop in banks' valuations of 60% at the beginning of the pandemic (March 2020), their shares have recovered only a part of the losses over the last year, at levels about 30% lower than in early 2020.

The risks to the recovery of the real economy and the financial sector remain, both in relation to the uncertainty of possible mutations that may prolong the effects of the health crisis, and in relation to the international inflationary pressures arising from the rise in energy prices. Both risk factors exacerbate the challenges for the domestic banking system, especially in terms of asset quality and short-term profitability prospects.

At the level of the common European monetary policy, the ECB continued to facilitate the provision of liquidity to Greek banks, as well as to stimulate demand for Greek government bonds through the PEPP securities purchase programme. Government bond purchases under the PEPP program cumulatively exceeded €32.1 billion or 19.4% of GDP in the 18-

month period March 2020-September 2021, which is the highest percentage in the Eurozone. [Box 2.1] At the same time, low-cost long-term refinancing operations for banks (e.g. LTROs, PELTROs, TLTROs) provide significant liquidity, as it reached €46.9 billion in the third quarter of the year or 28.3% GDP, which is the third highest among the Eurozone member states.

At national level, the exceptional fiscal measures to support borrowers are being phased down and gradually expire, such as the temporary interest subsidy by the state for informed business loans and for loans to individuals with a mortgage on the first home, the temporary suspension of the instalments of selected loans by the banks, with a maximum duration of up to 9 months, the temporary subsidy of instalments of loans of affected small and medium-sized enterprises. At the same time, banks often provide partial instalment payment and cash facilities for borrowers, with a time horizon until mid-2022.

Among the positive trends in the fundamental size of banks, despite the decline in economic activity, the reduction of NPLs in banks' balance sheets was impressive, which is consistent with their targets for a single-digit reduction in 2022. Also, the return of private deposits continued uninterruptedly in the third quarter of the year. The protagonists of this trend in recent months are businesses, further enhancing the liquidity of the banking system. After six years, the resurgence of bank financing from the capital markets through bond issuance is also noteworthy. In September, two systemic banks issued bonds totalling €1 billion with yields in the range of 2.5%, and with overall offers at quite satisfactory levels.

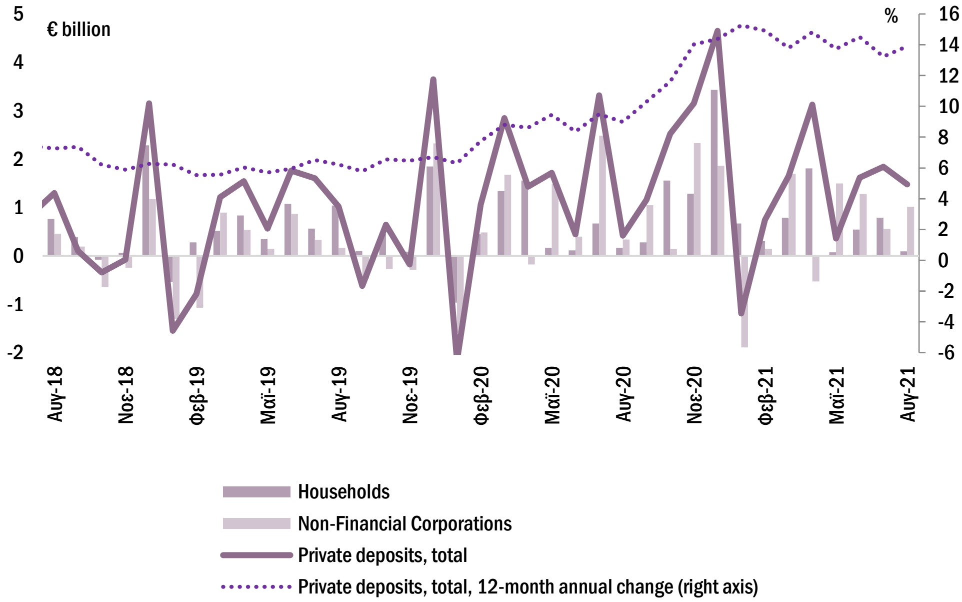
Amid the negative trends, the credit contraction to households continues unabated while the credit expansion to businesses slowed down significantly. The cost of private sector banking financing, although at historically low levels, remains higher compared to European partners, and has recently recorded a slight recovery trend. As a result of the pandemic-in-recession, the banks themselves, the European Supervisory Mechanism SSM, as well as the Bank of Greece, consider it likely that a new "generation" of NPLs will emerge in the near future, with the range of their estimates ranging from up to €10 billion. Compensating to this disorder will continue to be the non-organic reduction of NPLs, mainly through the tools of sales and securitization under the guarantee program by the Greek government that is valid until October 2022 ("Hercules 2").

On the liabilities side of banks, private deposits increased in the period June-August 2021 by €4.9 billion, of which €1.4 billion came from households. The twelve-month rate of change remained high, close to 14%. Amid the pandemic and the growing uncertainty it has caused, since March 2020, private deposits have increased cumulatively by €31.3 billion, of which €16.1 billion comes from households. In 2021, the stock of private deposits exceeded 100% of nominal GDP, for the first time since the beginning of 2010, marking a significant restoration of depositor trust in the banking system.

For the rest of 2021 and 2022, the positive trend in private deposits is expected to slow down. The gradual reduction of the uncertainty regarding the pandemic is expected to lead to a recovery of the momentum for consumption and a relative de-escalation of the momentum for saving, having a restraining effect on the increase of deposits.

Figure 2.7

Monthly net flow of private deposits at Greek banks



Private sector deposit growth continues, reaching €31.3 billion cumulatively as of March 2020.

Source: Bank of Greece

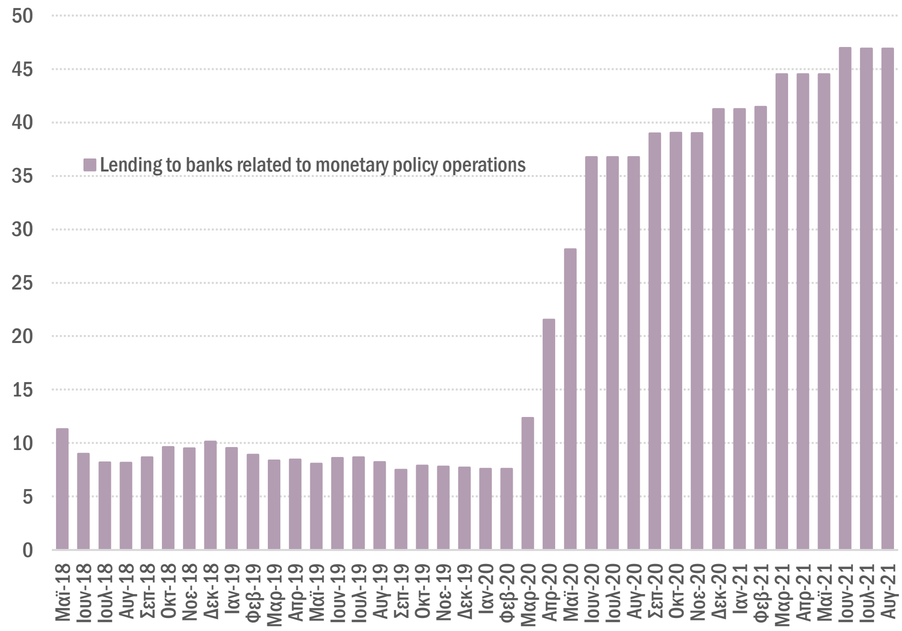
The gradual reduction of the uncertainty regarding the pandemic is expected to lead to a recovery of the momentum for consumption and a relative de-escalation of the momentum for saving, having a restraining effect on the increase of deposits. ECB's emergency package to boost bank liquidity continues to offer Greek banks low-cost liquidity. Eurosystem bank financing during the pandemic crisis increased by at least €39.3 billion from February 2020, including low-cost loans through long-term monetary policy operations (Figure 2.8 and Box 2.1). At the same time, the assets of the domestic banking system that are accepted by the Eurosystem as collateral for monetary policy operations, as reflected in the financial statements of the Bank of Greece, increased during the same period by approximately €44.2 billion. The third part of the banks' liabilities concerns the financing from the capital markets, with bond issues taking place gradually in 2021 with yields in the region of 2.5%, after a long period of crisis where the relative possibility was extremely limited and expensive.

On the banks' assets side, credit expansion to non-financial corporations/institutions (NFIs) slowed significantly in June-August, with the 12-month rate of change remaining positive, around 2.4% in August 2021 (Figure 2.9). At the same time, credit to liberal professionals and sole proprietorships continued to grow at rates above 2%, while the credit contraction to households remained unabated, with an annual growth rate of around -2.6%. As a result, the 12-month rate of change in net financing in the private sector as a whole, excluding loan write-offs, remained positive in the June-August period, by 1.4%, compared to an increase of 2.9% in the first half of the year (Table 2.11). The highest 12-month rate of credit expansion to SMEs in August 2021 was recorded in the sectors of Tourism, Professionals, Agriculture, Real Estate Management, Communication, Shipping, Trade, Transport, Industry and Construction.

Figure 2.8

Long-term financing of the Greek banks from the Eurosystem (billion €)

The Eurosystem provides low-cost liquidity to the Greek banks, with an average balance of around €47 billion between June and August 2021



Source: Bank of Greece

Table 2.11

Domestic Banking Finance per sector (annual % change of flows*)

Quarter / Year	3/20	4/20	1/21	2/21	Jul.21	Aug.21
Total private sector	1.9	2.9	3.4	2.3	1.2	0.8
Households & NPIs	-2.5	-2.4	-2.5	-2.5	-2.6	-2.6
Sole proprietors and unincorporated partnerships	-0.1	1.2	3.2	4.2	2.5	2.2
Non-financial corporations	7.3	9.1	9.8	6.4	4.2	3.2
Agriculture	3.2	3.2	10.6	11.0	8.3	6.9
Industry	9.0	9.7	8.2	1.9	1.4	0.5
Trade	8.3	9.7	10.9	8.5	4.0	3.4
Tourism	9.5	13.7	16.4	16.8	12.4	9.4
Shipping	0.6	9.1	11.2	10.7	4.7	4.3
Construction	-3.8	-2.4	-0.3	-0.2	1.2	0.3
Electricity-gas-water supply	5.4	9.4	7.4	-1.0	3.6	3.1
Transport and logistics	16.2	27.6	22.9	20.2	6.0	3.1
Interest rates on new loans (period average, %)						
Consumer credit	9.71	9.58	9.59	9.77	10.12	10.69
Mortgage credit	2.95	2.80	2.67	2.80	2.77	2.92
Loans to non-financial corporations	3.08	3.17	3.12	3.12	3.31	3.33

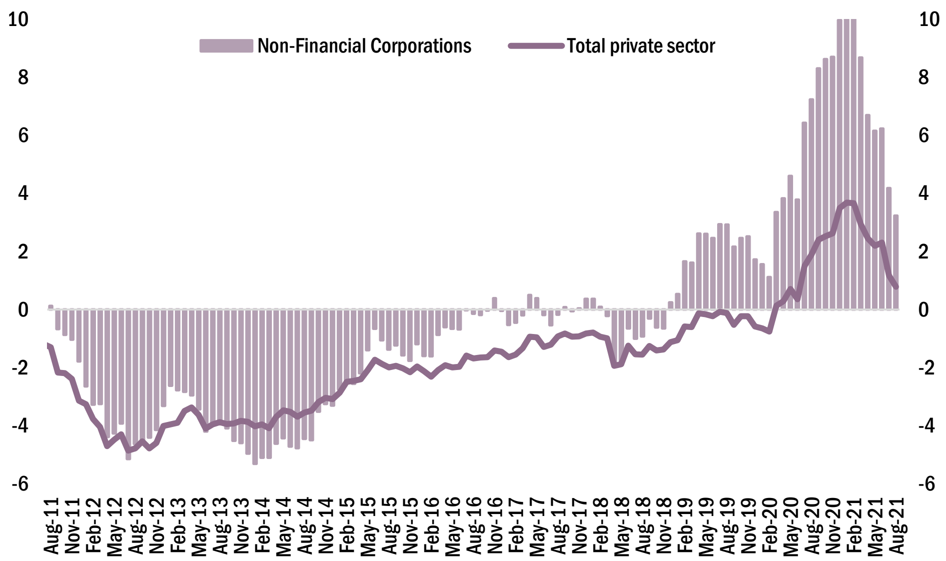
Source: Bank of Greece

* The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans

Both trends in supply and demand for loans, influenced by the pandemic, contribute to these trends in bank financing. On the supply side, measures to stimulate liquidity at home and European level, as well as the rapid decline in NPLs, continue to have a positive effect on NFIs. On the demand side, the de-escalation of uncertainty combined with the launch of the Recovery and Resilience Plan, act positively towards new investments. The Bank of Greece's survey of bank lending in the second quarter of 2021 recorded a significant increase in loan demand, both for short-term loans and large enterprises, but mainly for long-term loans and small and medium-sized enterprises. Credit criteria remained stagnant, also not expected to change in the short term.

Figure 2.9

Bank financing of the domestic private sector 2011-2021 (annual % change of flows*)



Credit growth to corporations continues at a declining pace, offsetting the credit contraction to households

Source: Bank of Greece

* The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans.

During the pandemic, there is an increasing role of the Greek State in absorbing resources of the domestic banking system. On the side of new bank financing, the high annual rate of credit growth to general government continues, which stood at a 12-month rolling basis in August at a rate of 55%. On the banks' asset side, banks have increased their exposure to sovereign debt to €30.4 billion in August 2021 or 9.1% of their total assets, which is the maximum of a decade. Thus, the share of total assets of Greek banks invested in government bonds exceeded the corresponding share of other countries in the south of the Eurozone for the first time since 2012, while it remains significantly higher than the corresponding share for the average of the Eurozone countries. (Chart 2.10).

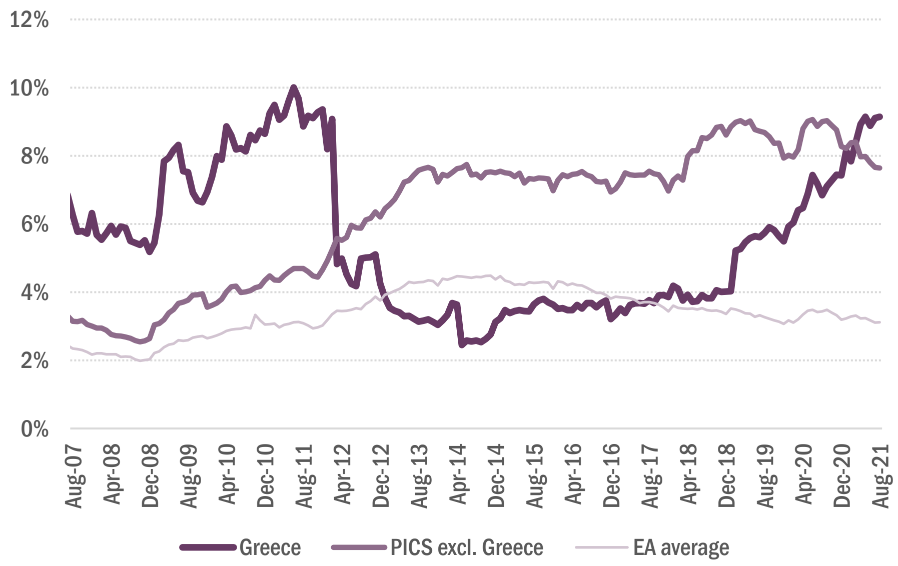
Non-Performing Loans (NPLs) recorded an impressive decrease in the second quarter of 2021 by 10 pp or €17.9 billion[7], which is the largest change recorded in a quarter (Chart 2.11). The decrease is mainly due to non-organic reduction transactions, i.e. sales and securitisations of loans under the Hercules II programme. The total level of NPLs in June 2021 was €29.4 billion or 20.3% of total loans, approximately €77.8 billion or 72.6% lower than the maximum level of March 2016. However, it remains significantly higher than in the rest of the European countries, where it moves to low single digit percentages. In business credit, the percentages of NPLs recorded a large drop in the second quarter of 2021, to 19.5% of the relevant loans, from 27.9% in the previous quarter, as well as in the mortgage portfolios, from 31.1% to 19.3 %. The largest decrease, from 47.3% to 32.8%, was recorded in consumer loans.

Figure 2.10

Banks' government bond holdings over total assets (%)

[7] Data on NRLs that only include on-balance sheet items are presented on an individual basis

The exposure of Greek banks to sovereign bonds is higher than the average of the euro area "south"

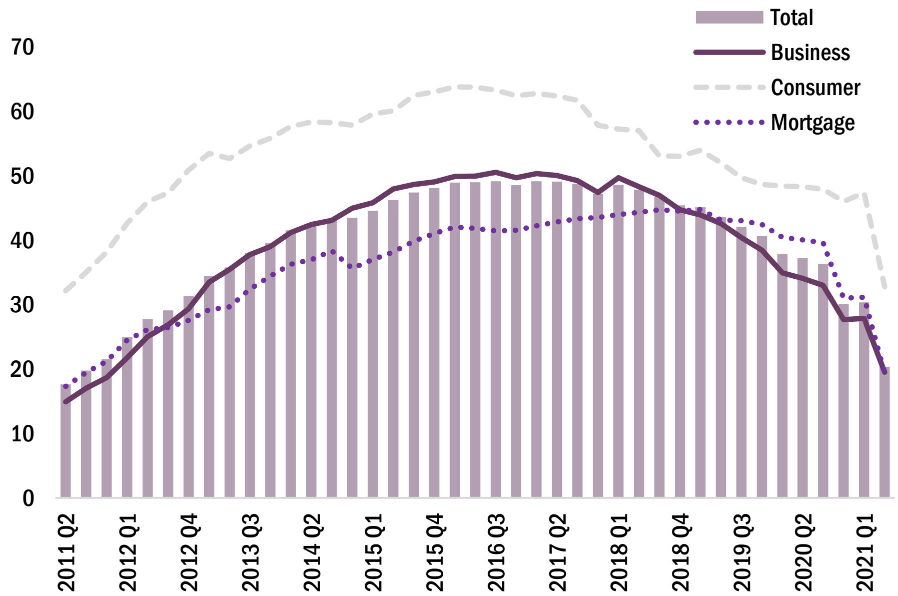


Source: ECB

Figure 2.11

Non-Performing Loans, % of total loans by category*

In Q2 2021, NPLs declined by €17.9 billion, the largest decline recorded in a quarter, mainly with loan sales and securitisations



Source: Bank of Greece

* On-balance-sheet loans (before provisions) for all Greek banks on a non-consolidated level.

The banks have a strategic goal to reduce NPLs to single digits by the end of 2022. During the period of operation of "Hercules I", the non-performing loans of the four systemic banks were reduced by approximately €31 billion, while there is the possibility for NPLs securitizations up to €32 billion through "Hercules II" which was implemented in the second quarter of 2021. Along with the full utilization of the securitization program, it is appropriate to stimulate the organic reduction of NPLs, as some tools to reduce them are still under-utilized, such as auction receipts and collateral liquidation.

In the medium term, the downward trend in NPLs is expected to continue, albeit at a declining pace, driven by further sales and securitization of portfolios which transfer "red" loans off banks' balance sheets. In the short term, the reduction in NPLs will be partially offset by disruptions due to the effects of the health crisis and the cessation of temporary borrower support measures. As for the new credits, the credit contraction in households is expected to continue, while the policy measures starring now the inflows from the European Recovery Fund (€12.7 billion in loans in the period 2021-2026) and the relevant leverage of private investments are expected to significantly enhance business credit expansion.

New deposit rates fell further in June-August 2021, to an all-time low for Non-Financial Institutions (NFIs) and households, to 0.01% and 0.07%, from 0.03% and 0.12% respectively in the whole of 2020. In the same quarter this year, the average interest rate on new loans increased slightly, to 4.1% from 3.9% in the previous quarter, to about 4.9% for individuals, 4.8% for the self-employed and 3.3% for the NFIs. The difference between the average interest rate on loans and deposits (interest rate margin) increased to 4.0%, from 3.8% in the first five months of the year, returning to the average levels of 2020.

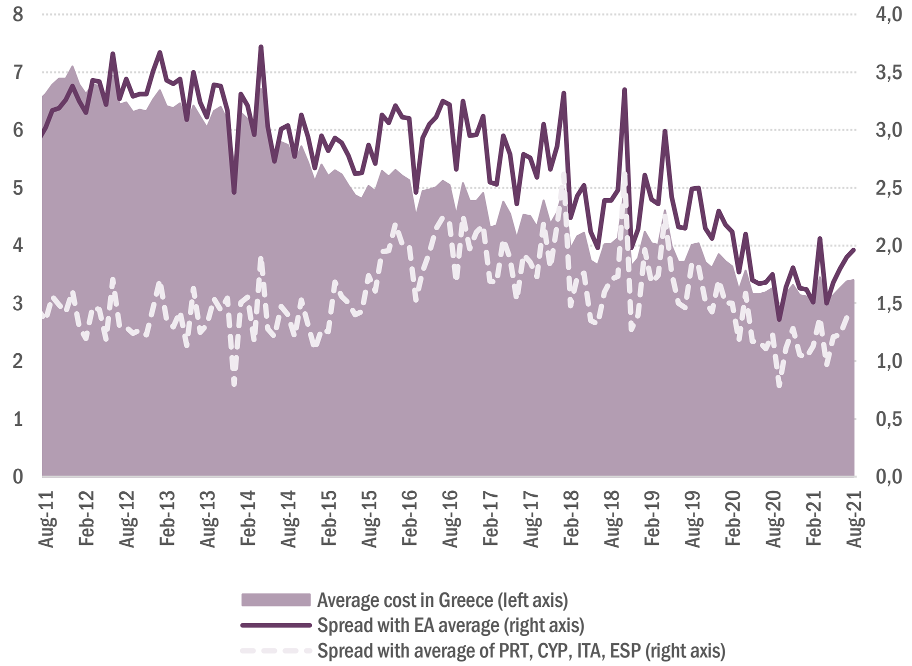
The average cost of new bank financing of private sector NFIs increased to 3.4% in August, compared to 3.2% in the first half of the year and in 2020 as a whole, which is close to the all-time lows (Chart 2.11). Nevertheless, costs still remain significantly higher than in other Eurozone countries. Indicatively, according to the weighted cost index of the ECB bank lending, the cost for non-financial corporations in August 2021 was 1.4% in the Eurozone, 1.6% in Germany, and 2.0% in the countries of the "south" Of the Eurozone (Portugal, Italy, Cyprus, Spain). Subsequently, the spread of borrowing costs for Greek companies in relation to the average of the Eurozone and the average of the "south" widened to 196 b.p. and 144 b.p. respectively. Comparing it with the level before the financial crisis of 2010, the spread of borrowing costs for Greek companies in relation to the average of other countries in the "south" of the Eurozone, remains significantly higher.

Greek government bond yields hit record lows in the third quarter of 2021, under the positive influence of the ECB's ongoing policy of stimulating liquidity (Box 2.1). For the 10-year bond, the average yield fell to 0.59% in August (Figure 2.13). The additional burden on the new cost of 10-year borrowing of the Greek State in relation to the rest of the Eurozone countries marked only a marginal decrease in the third quarter of the year compared to the previous. Thus, it was formed in August at 113 bp and 31 bp in relation to the German bond and the average of the "southern" countries of the Eurozone respectively. Despite the significant improvement compared to the period 2010-2018, the spreads remain significantly higher than their average values in the first decade of the country's accession to the Eurozone (54 points and 2 points respectively).

Figure 2.12

Composite cost of borrowing for non-financial corporations (%)

Interest rates on new private-sector lending increased slightly in June-August, widening the distance from the average borrowing costs in the remaining euro area

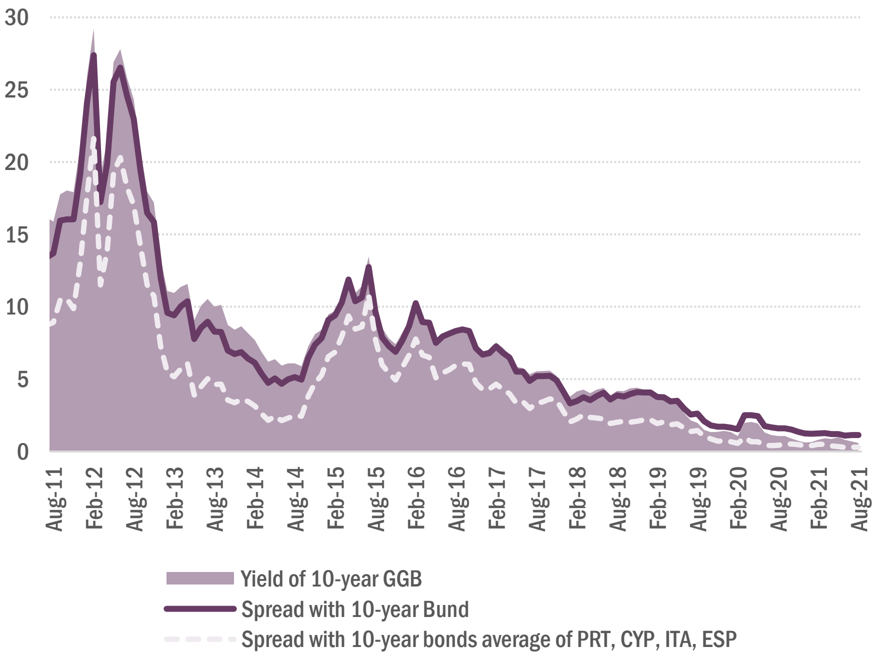


Source: ECB

Figure 2.13

Yield and spread of the 10-year Greek sovereign bond (%)

The yield of the 10-year government bond declined further, recording a historic low in August, below 0.6%



Source: ECB

Following the four successful long-term government debt issues that took place in the first half of 2021, raising a total of €11.5 billion, the Greek government proceeded in September to issue a 5-year and 30-year bond. A some of €1.5 billion and €1.0 billion were raised, respectively, at an interest rate of 0.02% and 1.675%. All editions were overshadowed by particularly high demand. In terms of their qualitative characteristics, the vast majority of buyers were long-term institutional investors. On the other hand, the amount of Greek public debt remains one of the highest internationally as a percentage of GDP, while the current economic crisis has clearly worsened its short-term dynamics. Nevertheless, some of its quality features, such as its high average repayment period, improve its long-term viability outlook.

Box 2.1

ECB's pandemic emergency purchase programme (PEPP) and trends in the credit and government bond markets

Following the global financial crisis caused by the spread of the COVID-19 pandemic in early 2020, the European Central Bank has expanded the use of "non-conventional monetary policy instruments" to stimulate market liquidity. In this context, it launched a Pandemic Emergency Purchase Program (PEPP) in March 2020, targeting both private and mainly government debt securities of Eurozone member countries. For the sole purpose of this program, Greek debt securities became eligible for the first time under an ECB quantitative easing program, with the exception of their continuing low credit rating.

The PEPP program was originally projected to cover securities markets totaling €750 billion (approximately 6.5% of Eurozone annual GDP in 2020) over a two-year period. The total level of purchases was revised to €1.35 trillion in June 2020 (12% of the annual GDP of the Eurozone), and at €1.85 trillion in December 2020 (16% of the annual GDP of the Eurozone). From this purchasing dossier, until the end of September 2021, cumulative net purchases of securities worth €1.41 trillion had been made, i.e. approximately 76.3% of the total budget, of which 96.7% concerned the purchase of government securities and the rest of private securities. As for the duration of the PEPP program, the ECB has announced that net purchases under the program will cease when it considers that the pandemic crisis has been overcome and not earlier than March 2022. Also, the funds from the purchased securities - under the PEPP program - that will expire, will be reinvested, at least until the end of 2023.

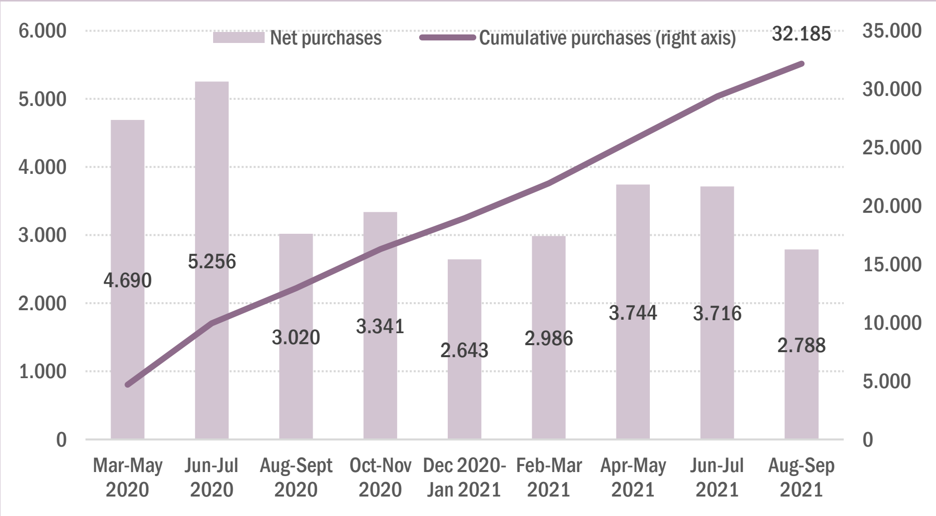
In the case of Greece, the PEPP program led to purchases of Greek government bonds which in the 18-month period March 2020-September 2021 exceeded the cumulative amount of €32.1 billion [Chart 2.14]. This equates to 19.4% of the country's GDP in 2020, which is the highest rate among the Eurozone countries, followed by Portugal, Italy and Spain, which also have high rates. In terms of government debt, PEPP purchases from Greece account for 9% of this, which is clearly lower than the Eurozone average. Greece's accession to the ECB PEPP program increased the average monthly demand for Greek government bonds by approximately €1.8 billion or 1.1% of GDP.

Among a number of factors influencing the demand for government bonds of the Eurozone countries, the ECB PEPP program has helped to increase their price and attractiveness. Countries with a proportionately larger GDP-to-size PEPP program recorded, on average, a larger reduction in their government bond yields compared to pre-pandemic levels. Among the member countries, Greece stands out as the country with the largest proportional PEPP program as well as the largest decrease in the average yield of its government bonds, during a pandemic. Indicatively, in the 18-month period of the pandemic, the average yield of 10-year Greek bonds fell to 1.1% from 3.2% in the two years 2018-2019, while the trading volume in the secondary HDAT market more than tripled.

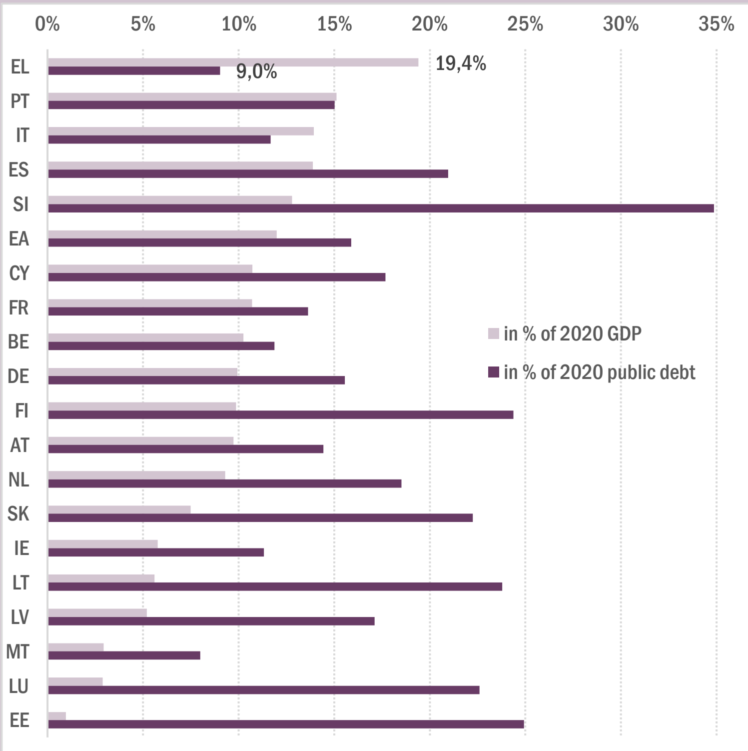
Figure 2.14

Purchases of government bonds through the PEPP, March 2020-September 2021

A. Purchases of Greek government bonds (EUR million)



B. Cumulative purchases by euro area member state



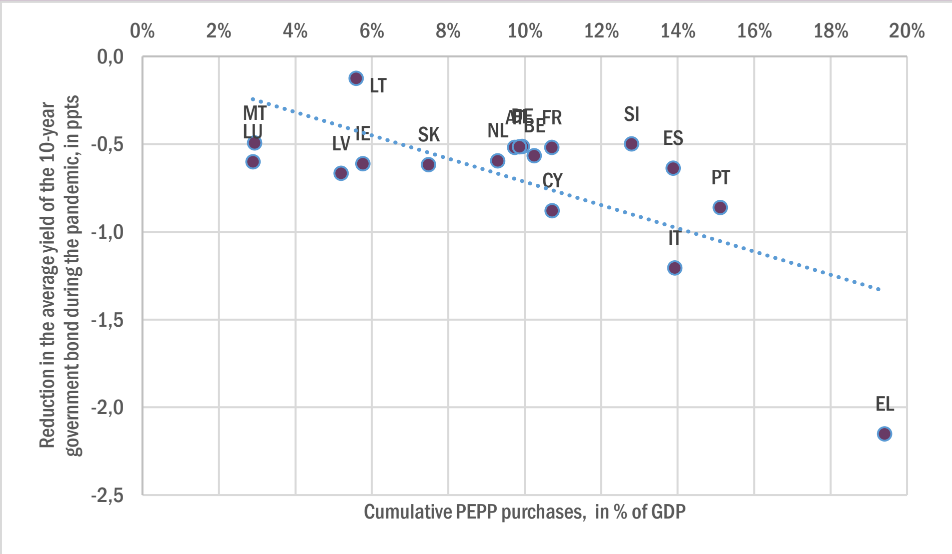
Sources: European Central Bank, Eurostat. Data processing IOBE.

In parallel with the PEPP program, the ECB has facilitated the financing framework for banking institutions. Thus, in early April 2020, the eligibility criteria on the basis of which assets are accepted as collateral for monetary policy operations were relaxed and valuation haircuts were reduced. This development allowed Greek banks to utilize long-term refinancing tools at very low cost. Eurosystem financing of banks with low-cost loans through LTROs long-term monetary policy operations (including TLTROs, PELTROs) increased from €12.3 billion in March 2020 to €46.9 billion in the third quarter 2021 or 28.3% of GDP, a change that shows the third highest use amid Eurozone member countries, at similar levels to Cyprus, Italy and Spain (Chart 2.15B).

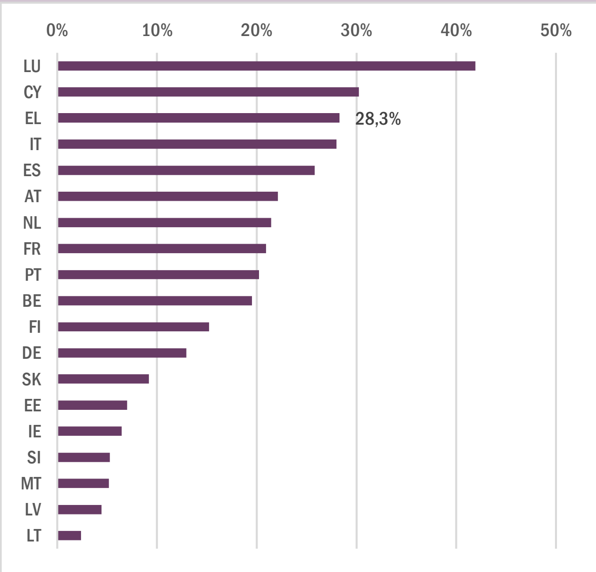
Figure 2.15

ECB emergency measures, government bond yield and credit growth

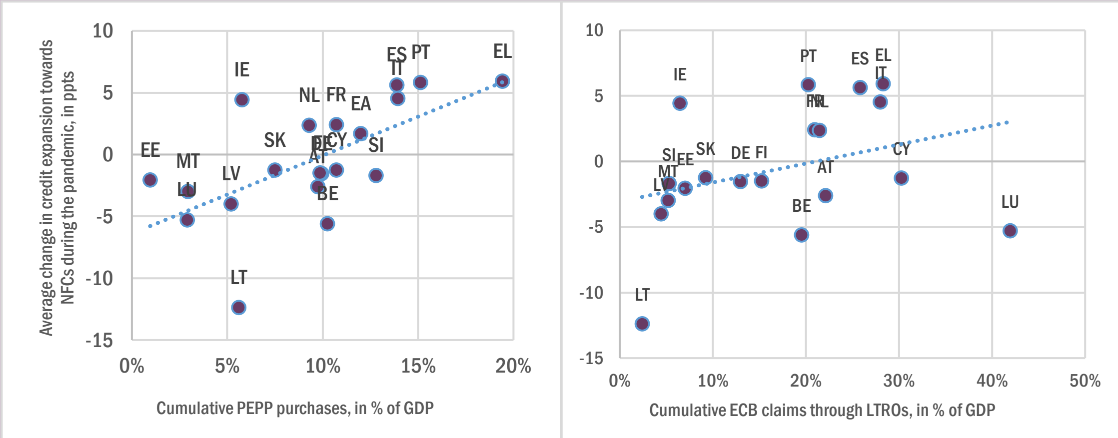
A. Correlation of PEPP size with change in government bond yield by country*



B. Total value of LTROs operations by country, as % of GDP in 2020



C. Correlation of PEPP and LTROs volume with change in credit expansion by country*



Source: European Central Bank. Data processing: IOBE. Note: The average change in government bond yield and credit growth is the average rate in the 18-month period March 2020-Sep.2021 compared to that in 2018-2019.

The direct liquidity facilities of the ECB in the banking system through LTROs, but also indirectly through the PEPP program are expected to have a positive effect on the creditworthiness of European banks, as well as on the prospects of credit expansion to the private sector of each Member State. It is noteworthy that the countries with proportionally larger PEPP program recorded an average and larger increase in the rate of credit expansion to domestic Non-Financial Institutions (NFIs), compared to pre-pandemic levels (Chart 2.15C). Among the member countries, Greece stands out as the country with the largest proportional PEPP program as well as the highest positive change in the rate of credit expansion to NFIs, amid a pandemic. Respectively, countries where the ECB has a proportionally larger amount of LTROs have recorded, on average, a larger increase in the rate of credit expansion.

Undoubtedly, both the attractiveness of Greek government bonds and credit expansion to the private sector are influenced by a variety of factors, in addition to ECB policy interventions. For example, domestic reform policies that shape a country's credibility in the international investment community play a key role. In addition, the credit market is significantly influenced by demand factors, both quantitative and qualitative. In addition to these factors, it appears that the exceptional liquidity support measures implemented by the ECB in 2020 have a positive effect on member countries at least three levels: (a) stimulating demand for government bonds, reducing their yields, (b) reducing financing costs of banks (c) improve the financing prospects of the real economy.

The temporary eligibility of Greece, for the first time after the debt crisis, in the extraordinary "non-conventional" instruments of the ECB, created a positive environment in relation to the trends in the cost of borrowing of the Greek government and the credit market.

In order to maintain the positive trends, it is necessary to strengthen the reform policies that strengthen the country's credibility and accelerate the prospect of upgrading its credit rating by international rating agencies. In this way, Greece will be able to participate as soon as possible in the other "non-conventional" programs of the ECB, even after the expiration of the emergency support measures due to the pandemic. Such a thing can significantly positively affect the recovery prospects of the Greek economy in the medium term.

3 PERFORMANCE AND OUTLOOK

3.1 Macroeconomic Developments

- Abrupt change in the GDP trend in Greece in the second quarter of 2021 compared to the previous quarter - recovery of 16.2%, against a recession of 2.3%. The rise exceeded the drop a year earlier (13.9%).
- In the first half of this year, GDP increased by 6.3%.
- The recovery in the second quarter came mainly from the expansion of private consumption (+13.2%), which a year ago had declined by 14.6%. Milder expansion of public sector consumption (+6.1%, up from -2.6% last year)
- Strong investment expansion (+37.1%), following a rise of 4.2% a year earlier. However, this is mainly (70.0%) driven by an increase in inventories and less by fixed capital formation (+12.9%, from +3.6% in the second quarter of 2020).
- The external balance deteriorated in the second quarter, as imports expanded more - in absolute terms - than exports, while the percentage change of both was similar (22.6% versus 22.5%). The largest year-on-year trend change among the GDP components was recorded in the exports of services (+28.8% versus -52.8%).

Recent macroeconomic developments in Greece

The GDP trend of the Greek economy recorded a strong change in the second quarter of 2021, as from a decline of 2.3% in the previous quarter, it showed a strong growth of 16.2% in the following quarter. This increase exceeded the deep recession from a year earlier (13.9%). In the entire initial half of this year, GDP was 6.3% higher than last year. The unprecedented recovery in the period April-June this year was mainly driven by the expansion of private consumption. Next rank (per higher share-contribution to GDP) exports, both in goods and services. However, the external balance deteriorated as imports expanded further, primarily in goods. The expansion of investment was less than that of household consumption and exports. The expansion of government consumer spending had the least contribution to GDP growth.

With regard to the precise developments in the GDP components in the first half of this year, domestic consumption expanded by 4.9%, while a year earlier it had declined by 5.4%. The increase came mainly from the increase in private consumption by 4.0%, in contrast to its contraction last year by 6.9%. This development was driven by a particularly strong increase in the second quarter, by 13.2%, since in the previous quarter private consumption was on a downward trajectory. Public consumption expanded by 7.1%, compared with a slight decline in the same period of the previous year (-0.7%). Its enlargement, due to ongoing interventions to support households and businesses, was slightly milder in the April-June quarter this year than in the previous quarter (6.1% vs. 8.1%). It could be even more pronounced if a large part of the business support interventions were not recorded in the Public Investment Programme.

Investments expanded in the first half of January-June this year by 16.8%, faster than a year earlier (+3.1%). The increase came by 55% from a widening of fixed capital formation, which amounted to 11.8%, while the rest of the increase was due to a widening of inventories. Investment growth has escalated sharply between the first two quarters this year, from 10% to 35%.

In terms of trends in the fixed capital categories in the first half, they were up in all except housing, which showed a slight decline. The strongest reinforcement in absolute terms was presented by the Mechanical Equipment-Weapon Systems (+€355 million or +14.9%), reflecting the impact of the supply of fighter aircraft, as well as the Transport Equipment, due to the opposite from last year upward dynamics of vehicle sales. During the same period last year, stabilizing trends (-0.50%) prevailed in the first category, while the second showed a sharp decline in investment (-53.6%). Investments in ICT Equipment (+€288 million or +28.7%) followed by an increase, following a mild decline a year earlier (-0.9%) and those in Other Constructions (+€190 million or +7.9%), following their expansion by 6.0% in the first half of 2020. Investments in other products were higher by €142 million or 7.8%, while in the same period last year they decreased by 3.8%. The smallest increase was recorded in Agricultural machinery (+€1 million or +2.7%), following a similar trend a year earlier (+1.4%). As already mentioned, only the gross formation in Housing decreased, to a small extent, by €4 million or 0.5%. This trend is opposite to their rise of 27.0% last year, which was then the highest among the categories of fixed capital.

Regarding the developments in the external balance of the economy, the gradual lifting of restrictions on international travel during the second quarter, was reflected in the change in the trend in services exports from a strong downward (-34.4%) to a strong upward (+28.8%). Subsequently, in the first half of 2021, services exports were 13.0% less than last year, following their much stronger contraction at the time (-29.9%). Therefore, the increase in total exports came from the increase in exports of products, the share of which is considerably higher than that of exports of services in the initial half of each year. This export segment saw an acceleration in growth, reaching 17.1%, from 8.7% in the first quarter, reflecting the effects of the start of the recovery on the global and European economies. As a result, exports of goods expanded by 12.8%, exceeding last year's marginal losses by 0.3%. In the first half of the year, exports rose by 3.4%, covering a small part of their decline last year.

On the import side, there was a trend reversal between the first two quarters of this year, from declining to sharply rising, on both sides. This was stronger on the services imports side (+11.1% from -24.6%). However, similar developments in demand for imports of products (+19.7% from -2.1%), were the ones that led to the increase of total imports in the six months of January-June of this year by 8.4%, offsetting last year's losses by 7.0%. Overall, the external balance deficit widened in the first half of this year compared to the same period last year from €3.2 billion. at €5.0 billion. (+54,1%).

Approaching GDP in terms of production, gross domestic value added expanded by 5.7% in the first half of January-June this year, solely due to its strong strengthening in the second quarter (+14.2%). In eight of the ten main sectors of the Greek economy, activity increased in this period compared to a year ago, while in the remaining two it declined. Reflecting the effects of the high recovery internationally, product growth was stronger in Industry (+10.9%), surpassing last year's decline (-6.7%). The Information-Communication (+10.5%) and Construction (+9.3%) sectors followed on the rise, after a decrease of 1.1% a year ago and a 18% increase, which was the largest at the time, respectively. The lifting of restrictive measures in the operation of businesses and the intense reheating of consumer demand are mainly reflected in the Wholesale - retail trade, transport - storage, hotels - restaurants, which increased by 37.5% in the second quarter and a total of 8.4% in first half, but after a strong contraction of 17.7% a year earlier, which was then the second strongest among the sectors. In professional - scientific - technical - administrative activities the increase in the value of production reached 7.7% (from -9.8% last year) and in public administration-defence-compulsory social security 3.3% (following an increase of 1.2%). The lowest increases were recorded in the Primary sector (+2.1%), compared to stagnation last year (+0.1%) and Real Estate Management (+0.7%), where it offset the decrease in 2020 (-0.6%).

On the other hand, the largest contraction in activity occurred in the initial six months of this year in financial and insurance activities, by 4.6%, which was the only sector that experienced a recession in the April-June quarter (-5.1%). In the Arts-Entertainment sector, the particularly strong decline continued (-22.9%), but at a much milder pace (-1.7%).

Although developments in economic activity are reflected in a time lag in the labour market, the strengthening of employment in the April-June quarter compared to last year was significant (+1.9% or +71.3 thousand). This was the first quarterly expansion of employment in the pandemic. However, it is not entirely or largely due to the fall in unemployment, as half of the new employed (35.5 thousand) came from the non-active population, expanding the labour force. The unemployment rate then fell milder, by 0.9 percentage points, to 15.8%. On the other hand, this increase in employment is not enough to compensate for its strong decline in the first quarter of this year, by 227.5 thousand, which, however, did not lead to an increase in the number of unemployed, as those who lost their employment are shown by the data to have been driven out of the labour force. Overall in the first half the number of unemployed decreased compared to a year earlier by an average of 17.8 thousand or 2.3% and that of the employed by 78 thousand or 2.0%. The unemployment rate stood at 16.5%, unchanged from the initial half of 2020, while at that time it declined by 1.6 percentage points.

At sectoral level, the trends are not largely related to those in the productive activity mentioned above, verifying the time gap between developments in economic activity and those in the labour market. For example, sectors from Industry, Information-Communication, Construction, which recorded the strongest growth in economic activity, are not among those with the most new jobs. Most jobs compared to the first quarter of last year were created in the sectors of Public Administration-Defence-Compulsory Social Security (+52.2 thousand or +15.5%), Human Health Activities (+25.1 thousand or +9.5%), Scientific-Technical Activities (+23.7 thousand or +10.7%) and Agriculture-

Forestry-Fisheries (+18.0% or +4.2%), with trends in the first and second sectors being considered to reflect the service emergencies created by the health crisis. On the other hand, the largest decrease in jobs was recorded in Education (-15.7 thousand or -4.7%), in Water Supply-Waste Management (-11.1 thousand or -39.9%) and in Administrative - support activities (-6.1 thousand or -7.2%).

Anti-inflationary pressures stopped in the second quarter of 2021, after 13 months, while in June there was an inflation rate. On average in the period April-June this year, the General Consumer Price Index increased by 0.3%, compared to a decline by 1.6% in the previous quarter and a decrease of 1.4% in the second quarter last year. The change in the price trend from negative to positive is mainly due to the increase in energy prices. The negative impact on indirect tax prices, due to the vat reduction from 1/6/2020 on certain goods and services, as well as demand, also weakened slightly. Only in two of the 12 categories of products and services that enter the domestic CPI prices increased in the second quarter. Both are affected by the prices of the energy goods. Specifically, the prices of transport services rose by 4.6% and Housing by 3.1%. However, the specific categories showed the strongest decline a year ago, by 4.4% and 7.4%, so this year's trends in the second quarter are due to a "base result". Among the other categories, in Education the prices were the same as last year, when they were slightly higher, by 0.5%. The sharpest drop in prices was recorded in Clothing-Footwear (-1.9%), Communications (-1.6%) and Durable goods - household items (-1.2%). In the last two categories, prices fell a year ago, by 2.3% and 1.2% respectively, while in Clothing-Footwear there was a slight increase (+0.6%). In Hotels-café-restaurants and Food-alcoholic beverages, categories that were affected by the reduction of VAT from June 2020, prices showed a trend of decrease of 1.1% and 0.3% respectively, compared to stability and an increase of 2.0% respectively in the same period last year, i.e. before the changes in VAT.

To sum up, the strong recovery in the second quarter of 2021 came largely from the strengthening of private consumer demand. This development was predicted in the previous IOBE report on the Greek economy, which estimated for the second quarter that "the gradual lifting of the restrictive measures from the beginning of April, starting with retail trade and travel, thanks to advances in vaccinations, more possibilities for detecting the virus and the improvement of epidemiological data. It has significantly rekindled household consumption. Unless adverse developments take place around the health issue, which will reverse these trends, the dynamics of private consumption are expected to be strongly upward in the coming months." Given that the upward momentum in Retail remains particularly strong at the beginning of the third quarter, as will be demonstrated in the next subsection, with the savings propensity of households being well below the same period compared to the first quarter of the year, it is estimated that the strong escalation of their consumer spending will continue at least in the third quarter. While it will be the main cause of the strengthening of domestic demand, it will have a negative impact on the external balance, as will be shown below.

The change in the trend in exports between the first and second quarters was the strongest among the components and was mainly noted in exports of services, with the growth rate in exports of goods also accelerating significantly. The further escalation of international tourism traffic in the third quarter will contribute to the continuation of this momentum in services exports, with its rise throughout the current year moving close to initial expectations. On the other hand, the expansion of exports of goods is likely to continue more gently in the second half of 2021, mainly under the negative impact on international trade of the sharp rise in commodity prices. According to the latest data, the monthly volume of international trade shows stabilising trends from March to July and does not rise further. However, it is at a much higher level than last year.

Table 3.1

Trends in key macroeconomic figures – National Accounts (seasonally adjusted data, 2015 constant prices), provisional data.

Quarter	GDP		Final Consumption		Investment		Exports		Imports	
	million €	Annual rate of change	million €	Annual rate of change	million €	Annual rate of change	million €	Annual rate of change	million €	Annual rate of change
2008	249,918	-0.2%	221,539	2.1%	59,020	-9.2%	58,486	3.7%	89,870	1,1%
2009	239,150	-4.3%	219,992	-0.7%	43,185	-26.8%	47,790	-18.3%	71,708	-20,2%
2010	226,122	-5.4%	207,014	-5.9%	38,613	-10.6%	49,959	4.5%	69,241	-3,4%
2011	194,718	-13.9%	176,046	-15.0%	25,700	-33.4%	47,874	-4.0%	55,606	-19,7%
2012	180,638	-7.2%	163,322	-7.2%	20,380	-20.7%	48,937	2.2%	52,556	-5,5%
2013	176,010	-2.6%	156,585	-4.1%	19,680	-3.4%	49,905	2.0%	50,825	-3,3%
2014	177,323	0.7%	156,778	0.1%	20,512	4.2%	53,663	7.5%	54,285	6,8%
2015	176,115	-0.7%	156,310	-0.3%	21,404	4.3%	56,396	5.1%	58,455	7,7%
2016*	175,251	-0.5%	155,758	-0.4%	22,666	5.9%	56,525	0.2%	59,686	2,1%
2017*	177,489	1.3%	158,291	1.6%	22,211	-2.0%	61096	8.1%	64134	7,5%
2018	180,068	1.5%	159,518	0.8%	23,306	4.9%	66486	8.8%	69218	7,9%
Q1 2019	45,687	1.8%	40,171	0.1%	6,193	14.2%	17287	7.2%	17752	5,4%
Q2 2019	45,972	2.3%	40,416	1.7%	5,330	-9.5%	17460	6.0%	17472	1,9%
Q3 2019	45,702	1.6%	40,440	1.5%	4,914	-12.0%	17687	5.9%	17997	3,2%
Q4 2019	45,683	1.0%	40,863	2.6%	6,296	-1.7%	17000	-1.1%	18198	2,2%
2019	183,044	1.7%	161,889	1.5%	22,734	-2.5%	69434	4.4%	71419	3,2%
Q1 2020	45,487	-0.4%	40,543	0.9%	6,326	2.1%	16909	-2.2%	17915	0,9%
Q2 2020	39,578	-13.9%	35,697	-11.7%	5,553	4.2%	12635	-27.6%	14856	-15,0%
Q3 2020	41,116	-10.0%	40,560	0.3%	6,647	35.3%	13166	-25.6%	17003	-5,5%
Q4 2020	42,555	-6.8%	39,997	-2.1%	5,261	-16.4%	14240	-16.2%	16746	-8,0%
2020	168,736	-7.8%	156,798	-3.1%	23,788	4.6%	56949	-18.0%	66520	-6,9%
Q1 2021	44,460	-2.3%	39,940	-1.5%	6,260	-1.0%	15059	-10.9%	17324	-3,3%
Q2 2021	45,987	16.2%	40,030	12.1%	7,612	37.1%	15489	22.6%	18196	22,5%

* provisional data

Source: Quarterly National Accounts, ELSTAT., September 2021

The improvement in the external balance (in national accountable terms) will be greatly mitigated by the continued expansion of imports. As predicted in the previous IOBE bulletin on the Greek economy, the change in trend in imports in the second quarter was just as strong as exports. However, contrary to what was expected, the change in the second quarter was stronger on the services imports side than on the import side of goods. Nevertheless, dividing the external balance sheet into a balance sheet of products and services, it appears that in the April-June quarter the former deteriorated by about €1 billion (-€927 million) last year, while the latter was unchanged. Thus, despite the relatively smaller expansion of imports of goods, the overall external balance deteriorated because of them. The gap between the two components of rising imports is likely to narrow in the second half of this year, as the decline in products a year ago was small, below 2%.

In terms of investment, if the pandemic does not escalate again, support interventions for businesses and the self-employed registered in them will be limited to the current semester. On the other hand, the inflow of resources from the Resilience and Recovery Facility (RRF) has begun, which will finance investments in the priorities of the relevant plan (Greece 2.0). The strong drop last year in investment in transport, which was the main cause of the decline, has been more than offset, at least in terms of the first half of the year. However, the significant rise in housing investments does not continue this year.

As pointed out in the previous report on the Greek economy, investments are supported by the continued expansion of funding from the banking system to non-financial institutions since last year, which is due, on the one hand, to the consistently high return of deposits to the banking system, and on the other hand to the liquidity it has raised and continues to draw from the ECB's exceptional mechanisms. The next subsection takes over all medium-term macroeconomic forecasts.

Medium-term outlook

- The dynamics of the health crisis, domestically and internationally, the range of measures to support businesses - households, activity in the tourism sector, the use of the Recovery Fund and the pace of recovery in the Eurozone, are the main GDP growth drivers in 2021 and 2022.
- Given the slight improvement in epidemiological data in recent months despite the Delta mutation, there is one scenario of macroeconomic developments for 2021 and two scenarios for next year.
- Revision of the recovery estimates this year to 8.0-8.5%, from 5.0-5.5%, due to stronger growth of international tourism, stronger consumer demand growth, faster recovery of Eurozone.
- Baseline 2022 scenario: growth around 4.0% from a new significant boost in international tourism, continued strong recovery in the Eurozone, strong escalation of investments, despite far fewer support interventions.
- Alternative 2022 scenario: slower growth of 2.0-2.5% due to a new outbreak of the pandemic. Weaker consumer sentiment, slower rise of international tourism, softer growth in Europe.

The developments regarding the pandemic, in Greece and internationally, which are mostly positive, mainly determine the data and trends in the economy and society in the current period. However, in some important aspects of the health crisis, progress has slowed down significantly, e.g. in vaccination rates. In addition, in recent months a particularly important issue has arisen for the functioning and recovery of the global economy, which is related to the rapid increase in the prices of energy products and other commodities. Some countries have already taken interventions to mitigate these effects, and interventions are already planned at transnational level, e.g. by the EU.

Starting from the positive developments, these include: a) the mild improvement of epidemiological data in the last two months or quarter in the majority of countries, but at levels that do not allow complacency, b) the completion of vaccination in the majority of the population, c) the start of the allocation of funds from the Recovery Fund in Europe. Especially with regard to the trends in epidemiological data, an indication of their improvement, which is linked to the progress in the vaccination process, is the decline in the proportion of victims on the cases. On the other hand, there is a slowdown in the rate of vaccination. At the same time, vaccination begins with the third dose of the vaccine in vulnerable groups of the population (immunosuppressed people, the elderly).

As for the increases in energy prices, the average price of Brent oil was 63.4% higher in the eight months of January-August this year than a year earlier and the average price of non-fuel goods increased by 31.8%. At present, the impact of the increases is more pronounced on industry and households. But as long as prices remain high, the impact will widen on production, supply chains and employment. So far domestically, to curb the effects of the increases, the first 300 Kwh consumed by households per month at €30 / Mwh are subsidized for the period October-December 2021, while the budget for the heating allowance to be paid in December has been increased. 2021 by 20%. As long as energy prices remain high, this subsidy is expected to continue and additional measures will be taken. The impact on the consumer price index in Greece is presented in a context in section 3.5 of the bulletin. At European Union level, a "toolbox" is being prepared which the Commission will propose to the Member States to deal with rising prices. Initiatives are also being prepared for gas storage or for joint gas supply, as proposed by France and Spain.

The positive dynamics of recent months do not mean the end of the health crisis. Despite the emergence a few months ago of the Delta mutation, the pandemic is currently in a phase of decline in most countries. However, it is not yet possible to estimate when taming and strong restraint will be achieved. After all, entering autumn can be a source of challenges to deal with it, as climatic conditions favour its spread, as well as the transfer of outdoor activities (e.g. catering, sports), the lifelong operation of schools, with the vast majority of students not being vaccinated. In addition, medicines for coronavirus are still in clinical trials, so it will not be possible in the near future to effectively treat the infection from it in large sections of the population and in vulnerable groups by such means.

In the second quarter of this year, while public health protection measures were gradually lifted, although the third phase of the pandemic was underway, the recession shifted in many countries and economic zones to a strong recovery: In the OECD countries, GDP grew by 13.0%, instead of a recession of 0.3% in the first quarter of this year and a decline of 11.6% in the second quarter of last year, while in the EU the product expanded by 13.2%, instead of a recession 1.3% a quarter earlier and falling 13.6% a year earlier. The U.S. experienced a recovery in the April-June 2021 quarter, at a rate of 12.2%, instead of marginal GDP growth of 0.5% at the end of last year, while a year earlier it was growing (0.3%). In China's economy, where the health crisis began, growth slowed in the second quarter to 7.9%, from 18.3% in the previous quarter and a 6.5% recession in the same period last year. The strongest GDP growth among the most developed countries in the second quarter was recorded in the United Kingdom (22.6%), but after a sharp decline a year ago (-21.4%). The strong recovery momentum is thought to have affected international trade accordingly. The World Trade Organization recently announced that the growth rate of international trade is projected to reach 10.8% in 2021, up from 8.0% forecast last March.[8]

While the spread of the Delta mutation took place in the third quarter, no new initiatives were taken place to support economies and societies, by national governments and multinational bodies. As mentioned in the previous IOBE bulletin, the non-expansion of fiscal policy interventions shows that the strongest developed and developing countries are trying to tame the deterioration of their public finances over the past year and to put their economies back into operation. Monetary policy interventions continue, with particularly low or negative intervention rates by the largest central banks, public and private sector securities purchase programmes, credit lines, etc. However, at the beginning of September, the ECB announced that favourable financing conditions for the European economy can be maintained from now on at a slightly lower rate of net asset purchases under the Pandemic Emergency Securities Purchase Programme than in the previous two quarters. In addition, it stated in its decision that, in order to maintain favourable financing

[8] Press release 889, WTO, October 2021

conditions with asset market flows, the PEPP budget does not need to be exhausted, it will not be fully used. This decision may be partly related to the aim of avoiding the "overheating" of the EU economy and inflationary pressures from providing excess liquidity.

Under the described developments, household and business expectations continued to improve in the third quarter, at a slow pace, moving to higher levels than before the pandemic. The OECD Composite Leading Indicator (CLI), which since January this year is at levels higher than February 2020, continues to rise at least until August, when it reached the highest level since April 2018 (101 points). The European Commission's Economic Sentiment Index for the EU and the Euro area was throughout the initial seven months of 2021, resulting last July at its highest level over time (since 1985) in the Eurozone (119.0 points) and its second highest level in the EU (118.0). The increase in the index since the beginning of 2021 came mainly from the improvement in expectations in Industry and Services, with the Consumer Confidence index recording the smallest improvement among the components of the Economic Climate. Over the next two months, the index fell slightly in both regions, by 1.4 and 1.2 points, respectively, remaining well above the level of the pre-health crisis. It seems that the strong recovery of economic activity and international trade in many large countries of Europe, Latin America and Asia during the second quarter, continued in the next quarter, despite the spread of the new mutation, forming a climate of optimism as to the prospects of economies. On the other hand, the mild weakening of expectations in the EU in the two months of August-September, in particular in Services and Retail Trade, may be a first reflection of the effects of the strong price rises.

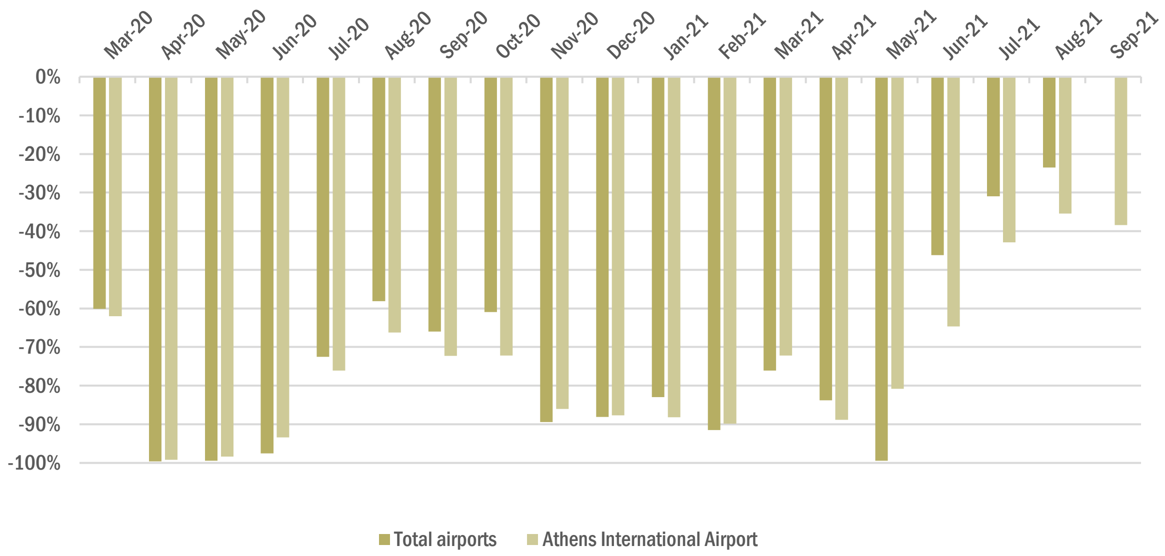
Despite the escalation of the lifting of restrictive measures due to the pandemic since the beginning of May, most business and household support interventions continued during the summer months. However, due to the lifting of the suspension in most of the activities in which it was imposed in the winter, the number of beneficiaries was significantly reduced. The support interventions that were maintained included the special purpose compensation for employees suspended from work, the coverage of their social security contributions based on the nominal salary, the reduction of rent on the commercial properties of affected businesses, as well as on the properties of employees suspended from work, the compensation of the owners of these properties. The program of covering 100% of social security contributions continued for six months for 100 thousand. new jobs in the private sector. Especially in the context of the interventions announced at the TIF to curb the effects of higher energy costs, it was announced the extension of the household loan instalment program "GEFYRA" for three months with 40% coverage on loan instalments, the extension of the insurance subsidy program for 100,000 new jobs with an additional 50,000 jobs in 2022 and the extension of the COOPERATION program until the end of 2021. On the other hand, the suspension of payment of regulated tax and insurance debts of companies was completed, as well as the suspension of payment of regulated tax debts of their employees, as well as the extension of unemployment benefits by 2 months. Also, no other repayable advance program was implemented, while in addition it was announced at the TIF and the reduction of the repayment rate for all its programs has been legislated.

As has been pointed out in previous IOBE reports on the Greek economy, the continuation of policy interventions due to the pandemic, mitigates the economic effects of the suspension of activities. As these restrictions were lifted for most activities, the scope of support measures and their tonnage effect was reduced. Therefore, companies that are no longer supported by them, will have to find through the operation the ways to make up for the benefits they enjoyed. In any case, the implementation of the above has further burdened the fiscal balance. According to estimates in the Preliminary Draft of the State

Budget for 2022, the total amount this year will reach €16.75 billion. In the Explanatory Report of the State Budget for 2021, their budget was €4.54 billion, while another €3 billion was €3 billion were available for the same purpose as allocation appropriations. Therefore, the recent estimate for support interventions this year is more than double the budget target. On the other hand, they are less than their amount in 2020, which, according to the report for 2021, was €23.9 billion.

Figure 3.1

International arrivals at airports (annual % change)



*Year-on-year changes in arrivals

Sources: Civil Aviation Authority, Athens International Airport

The lifting of restrictions on international travel, combined with the tourist season, seems to have had a strong positive impact on international tourist traffic in June-August. This development took place at a time when the importance of revenues from international tourism for revenues from exports of services was particularly high before the health crisis, in the area of 62.0-64.0%. According to the latest data, the decline in international arrivals at the country's airports weakened significantly in the June-August quarter compared to their level in 2019, at 33.6%, compared to an average contraction of 91.6% in the April-May quarter. During the summer months, international arrivals at Athens International Airport fell by 47.7% from their pre-level (from 78.6% in the same quarter of 2020). The decline in AIA was much smaller than last year and in September, -38.4% from -72.3%. In total in the eight months of this year, international arrivals at all airports were 53.8% less than in 2019.

The health crisis has overshadowed other developments in the international environment, which may affect the Greek and European economies in the medium to long term. These include geopolitical issues in the south-eastern Mediterranean and the implementation of the EU consensus Brexit, the terms of which were agreed at the end of 2020. In addition, in mid-November, the Regional Comprehensive Economic Partnership (RCEP) was concluded by 10 countries in Southeast Asia, as well as South Korea, China, Japan, Australia and New Zealand. With this agreement, the largest trade union in the world was achieved. It does not include the United States, which withdrew from a competitive Asia-

Pacific trade pact in 2017. The new agreement is seen as further strengthening China's influence in these areas.

Since the first IOBE bulletin on the Greek economy after the outbreak of the COVID-19 pandemic, macroeconomic forecasts are based on alternative assumptions about factors that are expected to affect key macroeconomic variables over time and in the medium term. The most important factors for this year are, as in 2020, the evolution of the health crisis, in Greece and internationally, especially in the Eurozone, as well as the size of policy interventions to halt its effects. These are currently expected to be included in the parameters of macroeconomic forecasts in 2022. The level of policy interventions will depend, in addition to the pandemic trend, on raising funds from the European Recovery Fund (NextGenerationEU). The parameters already include the cost of energy, which is a key productive factor of enterprises, mainly in industry, as well as a basic category of goods for households. However, its strong upward trend in recent times and the strong momentum it has acquired, have upgraded the importance and effects of energy costs in the forecasting process.

Therefore, in the macroeconomic scenarios, the possible developments in the above factors should be taken into account, in the form of relevant assumptions. As most of the duration of 2021 has passed and any trends in them are stable for a number of months, for the rest of this year a scenario of developments has been formulated. In 2022, various developments in the main parameters are likely, which, because they are related to each other, will not be independent of each other. Given this, two scenarios of developments were formulated.

Under the specific approach for making macroeconomic forecasts, the factors whose changes are expected to affect the macroeconomic variables of the Greek economy are the following:

Box 3.1

Main risks for the macroeconomic forecasts

- Covid-19 pandemic trend domestically and in the Eurozone, taking into account progress in vaccination
- Level of policy interventions in Greece and the Eurozone to address the effects of the crisis, including those on energy costs
- Oil price fluctuations
- Absorption of resources of the European Recovery Fund
- Activity in Tourism

In detail, regarding the recent and expected developments regarding the pandemic domestically, the vaccination process continues, but at a declining rate since the end of June. Nevertheless, by mid-October about 64% of the country's population over 10 years of age had been fully vaccinated. Following the outbreak of new cases in the period from the appearance of the Delta mutation until the end of August, their number shows relative stability, at a high level. However, the daily positive rate of tests is declining, indicating that the relatively constant number of cases corresponds to an ever-increasing number of tests. In addition, it has been lower than the EU average since about mid-September. The daily death toll has also fallen since the beginning of August, to levels well below those of last winter.

From the above trends in the epidemiological characteristics, a gradual but significant improvement has emerged since the beginning of September. It is quite possible that this is related to the level of vaccination at home, but also the utilization of the possibilities of virus detection, especially self-tests, for participation in collective activities and for work in the workplace, but also for education. If the pandemic does not show any adverse effect, e.g. a new mutation, this improvement will probably continue. Recent positive developments in the country's epidemiological characteristics are considered to have had a deterrent effect on the restoration of restrictive measures in the operation of businesses, but also on the activities of citizens, extending to the whole country, which were lifted until the beginning of last July. Safeguards remain in place, both open and closed, in which vaccinated and unvaccinated people can be found (eg workplaces, shops, entertainment venues, gyms). Since then, mild, short-term restrictive measures have been taken in places, based on the epidemiological characteristics of the areas concerned. In fact, at the beginning of October, for the fully vaccinated and for a period of two weeks, all restrictions on traffic, as well as entertainment in open and closed areas of pure use by people who have completed their vaccination were lifted experimentally. The lifting of restrictions also applies to the "red" areas, ie to those where restrictive measures have been imposed. In the event that there is no deterioration of the health situation in the country or in many areas, this development will further highlight the effectiveness of vaccination, as an incentive for the unvaccinated, while contributing to vaccination will serve the normalization of social life and economic activity.

While for the time being there has been no reintroduction of public health protection measures for businesses and citizens that have ceased to apply until the beginning of July, since mid-August employment restrictions have been put in place on certain activities, related to whether the worker has been vaccinated or not. Specifically, as of August 16, those working in aged care units must be vaccinated. Otherwise, they are placed on a suspended work regime. The same applies from 1 September to health workers, in the public and private sectors. In the other sectors, on September 13, those workers who had been vaccinated had to show their vaccination certificate. Those who were not vaccinated on that date and for as long as they remain unvaccinated, should carry out a laboratory rapid test weekly, at their own expense. Especially unvaccinated teachers and academics, employees in Tourism, Catering, television, film, theatrical, musical and dance productions, should perform two laboratory rapid tests per week. The latter obligation also applies to unvaccinated pupils and students, for their entry into educational premises.

With regard to the measures for international passenger movements in Greece, the ban on entry by air into the country of nationals of third countries other than the States of the European Union and the Schengen Agreement continued. During July and August, there was an increase in the number of countries whose citizens and permanent residents are exempt from this ban. Specifically, their number rose from 26 in June to 32 in early July, to 34 towards the end of the same month, to 35 in early August and to 36 a month later. Since then these have not changed and are: Australia, North Macedonia, United Arab Emirates, USA, UK, Israel, Canada, Belarus, Bahrain, New Zealand, South Korea, Qatar, China, Kuwait, Ukraine, Russia, Saudi Arabia, Serbia, Singapore, Bosnia and Herzegovina, Montenegro, Albania, Japan, Japan and Lebanon, Albania, Japan, Lebanon, Azerbaijan, Armenia, Jordan, Moldova, Brunei, San Marino, Andorra, Vatican, Monaco, Turkey, Kosovo and Chinese Taipei. The excluded countries are clearly higher than those a year ago (15 countries). These did not include some of the major tourist and revenue sources, such as the United States, the United Kingdom and Russia. The fewer restrictions compared to 2020 have created conditions for higher tourist traffic this year, but also for a boost in revenues from it. All travellers from abroad must have either a negative molecular (PCR) test up to 72 hours or 48 hours before arrival, or a negative rapid-test or a self-test 24 hours before arrival, or a vaccine certificate, or a COVID-19 disease certificate. Since August 7, it was established that for the return from islands, a vaccination certificate or a certificate of disease or a negative test (PCR/ RAPID / self-test) is required.

As far as land travel is concerned, as of July 1st, all the border stations of the country are open (Evzones, Exohi, Kipi, Nymfea, Ormenio, Promachonas, Kakavia). Entry requires a negative COVID-19 molecular test (PCR) up to 72 hours before arrival. In addition, the maximum allowed entry limit for people per day has been abolished. If these regulations do not stop in the fall, they will mainly stimulate tourism in Northern Greece (winter tourism, city break). An additional source of revenue for Tourism compared to last year was the revenue from the cruise, an activity that has been allowed since May 14.

Interventions to support businesses and households continue, most of them with a high degree of implementation. Under the fifth cycle of the "repayable advance" financial instrument, the aid reached €1.23 billion. to 359.7 mm beneficiaries, not far from the €1.5 billion target. In the sixth round, the percentage of companies that received aid amounted to approximately 40% of the applications, i.e. 286.2 thousand, due to the conditions that led to the rejection of the majority of them, with the aid reaching approximately €500 million. In the program "GEFYRA 2", which provides a subsidy of mortgage instalments, they submitted an application of 42 thousand. Business. According to the Draft State Budget for 2022, the program's expenditure will reach €224 million, compared to a budget of €300 million. As part of the third cycle of the Hellenic Development Bank's COVID-19 guarantee program, guarantees of €220 million were granted, with its budget reaching €250 million. Regarding the program of subsidizing part of the fixed expenditures of 2020, from the budget of €500 million of the program, the estimate for the aid that was finally provided in the Preliminary Draft of the State Budget of 2022 is €444 million. The suspension of payment of bank loan instalments continues, for applications submitted until 31/03/2021 and a maximum suspension period of nine months. For the next year, some extraordinary interventions have already been announced, such as the expansion of the insurance contribution subsidy program, with an additional 50,000 positions, the reduction of the rate of return of all repayable advances, the extension of the VAT deduction for transport, coffee and non-alcoholic drinks, in cinemas and the tourist package until June 2022. So far, the budget for emergency interventions due to the pandemic for next year reaches €2.9 billion and is significantly lower than their estimate for this year (€16.75 billion). Not included in the measures for both these years to mitigate the effects of the increase in energy prices.

As mentioned in the previous IOBE bulletins on the Greek economy, support interventions for households had a deterrent effect on the weakening of consumer demand and subsequently on the reduction of business activity and employment. It is believed that they also partly fuelled its enlargement in the second quarter. A significant part of the liquidity that businesses need in order to maintain their jobs and meet their current obligations has come since the beginning of the pandemic from the extraordinary financial instruments mentioned above. This fact is also reflected in the trend in business expirations in 2020, which were slightly less than in 2019, as presented in section 3.2 of the bulletin volume 2/21 of IOBE. On the other hand, as the completion of the interventions has started or they become more targeted towards their beneficiaries (branches-professions), the support from them will decrease. Adapting to or exiting the pandemic will be the biggest challenge for many households and businesses from this semester to next year. Subsequently, strong pressures are likely to emerge when the majority of aid interventions are lifted, especially in employment and private consumption.

As has also been pointed out in previous IOBE reports on the Greek economy, a part of the interventions to support businesses and the self-employed affect fixed capital formation since last year. As these continued in the eight months of 2021, with approximately €2.2 billion of the relevant aid having come in this period from the Public Investment Program, the support of the formation of fixed capital from this source continues this year as well. Their amount is higher than last year (€1.9 billion), providing more impetus to investment activity. The availability of investment resources from the public sector to business will be stimulated in relation to 2020 and by the European Recovery Fund (NextGenerationEU), primarily through the Resilience and Recovery Mechanism included in it. In early August, €4 billion was disbursed. from the fund, which is the advance payment of the funds allocated to the country (13% of their total). In addition, the technical bulletins of the first 12 projects of the Greek Recovery and Resilience Plan ("Greece 2.0"), with a budget of €1.42 billion, have been approved.

Among the factors that have a significant impact on the global economy in recent times is the rise in the prices of energy products. In the nine months of January-September this year, the average price of Brent oil was 36.7% higher than in the same period last year. In the same period, the price of Henry Hub's natural gas rose by 93.2% compared to 2020. Their significant increase is mainly due to strong demand generated by the strong recovery worldwide. However, price interventions are also exerted by a number of other factors, different in each of the two energy sources. In particular, the prolonged winter this year in the northern hemisphere has reduced gas reserves in the countries of Central and Northern Europe. The flow from Norway was limited due to projects to improve the country's infrastructure. In addition, a fire at a gas processing plant in Siberia has depleted reserves there and replenishing them after a severe winter in Russia has absorbed a significant part of the country's production. In the US, the particularly hot summer, especially in the northwest, has led to unprecedented demand for air conditioning and gas consumption, limiting its reserves for the coming winter. In addition, more than 90% of gas production in the Gulf of Mexico was offline in late August after Hurricane Inda.

On the side of oil price trends in the recent period, after a period of almost uninterrupted rise from mid-April to early July, with the result that it reached over $ 77, then, by the end of the same month, fluctuated between this level and $ 77. In August, its price fell to $ 65.5. Since then, it has been steadily rising, at least until the beginning of October, when it approached $ 79. Therefore, during the summer quarter, the cost of oil did not rise any further. In addition, the price difference decreased compared to the same period last year, compared to that in the second quarter of 2021, however remaining at very high levels, in the region of 70%, from 135%. These trends occurred despite the continued strong recovery worldwide, as well as the impact of Hurricane Inda on oil production in the Gulf of Mexico, with activity on pumping platforms gradually recovering. OPEC + member countries also continued to increase their production slightly. The restriction, which was initially imposed in April 2020, fell further in July by about 440 thousand barrels, to 6.334 million barrels. A further increase in production was recorded in August, September and October (+400 thousand barrels per month).

As for the expected developments in the price of oil, they will be shaped by various, different directions of effects. The global demand trend is estimated to be the most decisive factor, and will depend on the dynamics of the pandemic. As long as its mild recession continues in the recent period and no new outbreaks occur, e.g. new mutations in COVID-19 will make it possible to continue the strong recovery of the world economy in the first half of 2021 and its second half, as well as in 2022, at least in the first half. Subsequently, energy needs will be increased, preventing a significant price decline from current levels. On the other hand, no further significant escalation is expected in the near future, due to developments on the supply side. In particular, the US Department of Energy announced on August 23 the sale of up to 20 million barrels of strategic reserves in order to finance public spending. Deliveries will take place between October 1st and December 15th. In addition, the US government lends strategic reserves to Gulf of Mexico refineries to offset shortages of crude oil. China is also harnessing its strategic reserves for the first time, seeking to reduce domestic oil prices and inflationary pressures. Unless there are new, sharp fluctuations in the pandemic, it is estimated that the policy of gradual, gentle relaxation of the restrictions followed by OPEC+ will not change, which aims to restore its production to pandemic levels within the second half of 2022.

If less positive developments take place, e.g. due to an upsurge in mutations, oil demand will recover more mildly, possibly even declining. In this case, an adjustment of OPEC+ policy is quite possible, e.g. by stabilising its production for some time. Taking into account the above and the small increase in oil prices in the last quarter of 2020 compared to the previous (+3.2%), the rise in the fourth quarter this year is expected to be slightly lower than in the previous one. In the whole year it will be slightly stronger than predicted in the previous report, in the range of 67-68%. In the event of positive developments regarding the pandemic and the global economy in 2022, the price of oil is estimated to rise again mildly, by 5-7%. Under adverse developments the price trend will be reversed to bearish, at a rate that will depend on events.

Taking into account the steady trend of slight improvement in the epidemiological data in Greece and most countries since the beginning of September, despite the outbreak earlier in the summer of the Delta mutation, the vaccination levels of the population domestically and internationally, but also the sharp slowdown, data on fiscal interventions domestically and in the EU and their planning so far for next year, the latest forecasts for the recovery this year and next in the Eurozone (IMF), strong inflationary pressures and their expected development, the assumptions of the forecast scenarios for 2021 and 2022 were formulated. As the dynamics of the pandemic are strong in the recent quarter but at the same time quite stable, a forecast scenario has been formed for the current year, which is similar to the basic scenario of the previous bulletin. According to this, thanks to the progress in vaccination and the utilization of self-tests, no new strong "resurgence" of the pandemic is expected until the end of 2021, without ruling out smaller, temporary outbreaks at the local level. International tourism has shown a significant escalation since the middle of summer and the tourist season will be longer than 2020, until the beginning of the fourth quarter. Subsequently, revenues from international tourism services will increase from last year, in the region of 45-50% of their level in 2019 or slightly higher, compared to 24% in 2020. This increase corresponds to an increase from €3.9 billion to €5.0 billion. The effects of the health crisis will be mitigated by the operation of the European Recovery Fund, whose resources will flow from the second half of Budget of 2021 (€5.5 billion) to be exceeded. Significant support, more than expected in the budget and generally expected at the beginning of this year, has been received by businesses and households from policy interventions. As far as the GDP trend in the Eurozone is concerned, it is supposed to be in the area of the current forecasts, with a recovery rate higher than projected last winter (IMF: 5.0%). The rise in energy prices will slow marginally in the last quarter, but remains particularly strong (average Brent 2021 oil rise: +66-68%).

The baseline scenario for next year is also based on the assumption that no major new pandemic outbreaks will occur, although smaller, temporary outbreaks may occur locally. This will be achieved by the contribution of vaccination to the protection of the population worldwide and in Greece, thanks to the additional dose of the vaccine, but the completion of the preparation of drugs for the treatment of the virus. The gradual, almost continuous improvement of the health data, will allow a new extension of the tourist season, mainly towards spring, while it will significantly stimulate the international tourist traffic in the quarter June-August. According to these data, revenues from international tourism services will increase compared to 2021, reaching the area of 80-90% of their level in 2019, an increase that corresponds to an increase from this year by €5.9 billion to €7.7 billion. Positive health developments internationally will allow a significant recovery to continue in the euro area. This will be mitigated by the new rise in prices, which, however, will be much milder than this year (average Brent oil rise 2022: 5-7%). Recommended for these effects will be a growth rate of the Eurozone to be in the area of current relative forecasts, perhaps a little higher (IMF: 4.3%). Regarding the inflows under the ERF, it is assumed that the goal will be achieved in the Preliminary Draft of the State Budget for 2022 (grants of €3.2 billion, loans of €2.0 billion).

The main difference between the alternative scenario for 2022 and the baseline scenario lies in the projected health developments. In particular, new escalations of the pandemic are expected, e.g. from the emergence of new mutations of the virus. They can happen during the winter. However, their intensity will be much milder than in the past, e.g. that in the third lockdown in the period February-March this year, thanks mainly to the vaccination of the majority of the population, the use of self-tests. Then the protection measures within the country will be clearly milder, probably different for vaccinated and non-vaccinated (e.g. restriction of movement for a few hours at night, reduction of people inside the shops, click inside, closure of nightclubs, restrictions on movement between counties). As for abroad, the restrictions are not expected to be generalized and will be imposed depending on the health data of each country, as in the summer months, but in a larger number of them. The reintroduction of restrictive regulations will have a restrictive effect on tourism, but it is not expected that the sector will be suspended, nor will travel from abroad be banned. According to these data, international tourism revenues will expand compared to 2021, but milder than in the baseline scenario, reaching 65-70% of their level last year, i.e. about €3.2 to €4.0 billion more than this year. The new fluctuations of the health crisis will also mitigate the dynamics of recovery in the Eurozone. On the other hand, they will greatly weaken this year's inflationary pressures. That being the situation, growth in the euro area will be below recent forecasts, at 4.3%. As far as the Recovery Plan is concerned, it is assumed that it is not implemented in a timely and/or effective manner, due to the non-timely implementation of the reforms related to investments and/or the non-effective use of resources.

Moving on to presenting developments in funding figures that can play a key role in halting the impact of the pandemic, in particular on investment, banks in Greece continue to expand the use of the ECB's liquidity-raising potential that emerged in response to the extraordinary circumstances. The most important financial instrument of these is the Pandemic Emergency Purchase Programme, with a "file" of interventions in the markets totalling €1.85 trillion. By early October this year, the ECB had bought €1.40 billion worth of securities from all countries. Other liquidity facilities by the ECB to contain the effects of the pandemic are the extraordinary longer-term refinancing operations (PELTRO), with an interest rate of 25 points lower than the average main refinancing rate (MRO) during such an operation. In December 2020, the ECB announced four additional extraordinary refinancing operations due to the pandemic, one per quarter of 2021, with a maturity of one year. In addition, the terms of the targeted longer-term refinancing operations (TLTRO III) were gradually relaxed, resulting in the eligible loans of Greek banks from the programme reaching €92 billion, while their lending limit rose from 30% to 50% of them. Funds through TLTRO III are raised at a negative interest rate of 1% for the first year and 0.50% for the next. The validity of these terms was extended from December 2020 to June 2022 with the total amount that counterparties are entitled to borrow expanding from 50% to 55% of the balance of their eligible loans. Since the previous IOBE report, no new liquidity interventions have been adopted by the ECB, nor have the characteristics, conditions and terms of the existing ones been modified. However, as already mentioned, following its Governing Council meeting on 9 September, the ECB announced that favourable financing conditions for the European economy can be maintained from now on at a slightly lower rate of net asset purchases under the PEPP, without making any clarifications.

In this context of financial capabilities, the liquidity of Greek banks from the Eurosystem, excluding the PATF, reached €34.6 billion in the period April 2020 - August 2021 and amounted to a total of €46.91 billion in the end. In the recent period, since the previous IOBE bulletin on the Greek economy, it expanded slightly, by €2.4 billion. Regarding the exploitation of the Pandemic Securities Purchase Programme, the ECB has purchased €32.2 billion of securities from Greece until the beginning of October, of which €6.5 billion. in the four months of June-September this year. Therefore, the availability of funds from the ECB banking system to provide financing to businesses, among other objectives, is high, taking into account recent developments.

Lending is also favoured by the rapid increase in private sector deposits (households and non-financial corporations/institutions). Following their strong expansion in 2020 by 13.6% or €19.3 billion, deposits rose further in the first four months of this year by €4.92 billion or 3.0%. Over the next four months, the rise accelerated slightly to €5.8 billion. or 3.5% of their level at the end of the previous year. Compared to the same period last year, they were higher by €21.4 billion or 14.2%, which highlights the acceleration of their growth this year. The new rise in the May-September period came mainly from most corporate deposits, by €4.2 billion (+14.5% compared to a year ago), while household deposits expanded by €1.54 billion (+12.7%).

In addition to the trends just mentioned, which favour credit expansion by banks, the current weakening of uncertainty over the severity of the health crisis may contribute to that at the end of this year and the next, if it continues. On the other hand, the further deferment of payment of bank loan instalments, at most until the end of 2021, as well as the temporary subsidy of a percentage of the loan instalment (Bridge/GEFYRA, I and II programmes), do not allow the real dynamics in non-performing loans (NPLs) to emerge). The suspension of activity in many sectors from November 2020, which continued in most of them until the end of April this year, put additional pressure on business turnover and household incomes, affecting the ability to service their lending. Subsequently, a recovery in default to banks is now likely when the moratoria are completed. The results of the four systemic banks for 2020 include balances of "red" loans, from loans that were found in a payment moratorium of €3.1 billion. However, banks have formed considerably higher provisions for both moratoria loans and loans from them that may turn into non-performing ones in 2021. According to the Bank of Greece, the balance of moratorium loans at the end of 2020 was €4.1 billion, as the suspension period had expired for 85% of the loans subject to this scheme before the end of the year. However, since then it has been possible to further suspend payments, which has again extended the loans under this regime. In addition, the Bridge II Program was implemented. In the Monetary Policy Report 2020-2021, the Bank of Greece expresses the view that "banks should reconsider the adequacy of their credit risk provisions and in particular the ability to repay loans from borrowers affected by the pandemic, given that government measures distort the real picture."

The decline in uncertainty regarding the evolution of the pandemic, if the trend of its mild weakening continues, will also be the reason why the demand for capital by businesses and households will gradually escalate. The strong recovery in some sectors will also help to stimulate demand. For example, in Industry, where the production index rose sharply in the period January-August this year, on average by 9.5%, after a much milder decline last year (-2.1%). This trend is related to the strong increase in exports of products, with the increase in those outside petroleum products - ships in the same period this year reaching 18.7%, highlighting the high competitiveness of some industrial sectors and facilitating their financing. The recovery of a significant part of last year's losses in Tourism in some regions will also contribute to the greater demand for liquidity from the banking system.

Regarding the evolution of non-performing loans (NPLs), the most recent data relate to the second quarter of 2021. Based on these, NPLs recorded an unprecedented decline in the specific period compared to the previous quarter, by €17.9 billion or 37.9% and amounted to €29.4 billion or 20.3% of total loans. A year earlier they reached €61.0 billion or 37.2% of loans. The strongest contraction of NPLs was recorded in business (-€8.6 billion or -31.0%) and mortgages (-€6.5 billion or -48.2%. It has been achieved through portfolio transfers and securitisations. The most important relevant actions were the sale by Piraeus Financial Holdings of the portfolio of non-performing exposures Sunrise I, with a total gross book value of €7.2 billion and by Alpha Services and Holdings of 51% of the securitisation bonds of medium (mezzanine) and low (junior) repayment priority of the portfolio of non-performing exposures, with a total value of €10.8 billion. Following these developments, the level of NPLs is approximately €77.8 billion or 72.6% lower than the maximum of March 2016.

Following the extensive limitation of NPLs in the April-June quarter, these formed as a percentage of total loans close to the revised target for the end of 2021 (less than 20% of loans). On the other hand, as noted above, in addition to the results from the management of NPLs, their reduction from the second quarter of last year has come from the support interventions of borrowers. As these will gradually be completed by the current half of the year, an increase in non-performing loans is quite possible, especially in the first half of 2022, when many businesses and households will be in a transitional phase, to return to working and living conditions without mitigation measures. The possibility of expanding

NPLs highlights the need to immediately exploit all possibilities to reduce them. A key tool for this purpose is the guarantee program provided by the Greek state "Hercules II". This allows banks to securitize NPLs of up to €32 billion, with €11-12 billion new state guarantees. For the time being, the largest banks have expressed interest in securitizations of loans amounting to €18.6 billion through the new programme. Currently, Alpha Bank is working on cosmos, orbit and sky projects to limit its non-performing exposures. The Cosmos portfolio includes domestic "red" loans, with a gross book value of approximately €3.5 billion. 50% of these are mortgages, 21% consumer, 18% business loans and 11% retail loans. The Sky project concerns a portfolio of Cypriot NPLs with loans with a gross book value of approximately €2.2 billion, which consists of mortgages (53%), large corporate loans (35%), SME loans (7%) and, to a lesser extent, degree, from consumer loans. At the beginning of August, Piraeus Bank received non-binding offers for a portfolio of non-performing and some regulated shipping loans, with a gross book value of approximately €700 million and a total receivable of approximately €800 million (project Dory). It is also in exclusive negotiations for a portfolio of non-performing leasing contracts, with a gross book value of €535 million (project Sunshine).

Despite the significant difficulties in the smooth functioning of the economy due to the successive strong outbreaks of the health crisis, the domestic banking system significantly escalated the provision of loans to businesses in 2020, resulting in credit expansion to the private sector last year, although continued to households. credit shrinkage. However, as mentioned in previous IOBE reports on the Greek economy, the high boost in corporate lending is due in part to emergency liquidity schemes to address the effects of the pandemic, such as TEPIX II and the COVID Business Guarantee Fund, both from the Hellenic Development Bank.

The provision of bank credit to non-financial corporations at a high rate continues in the period January-August of this year. However, it shows a significant de-escalation in this period, as from 10.3% in January to 2.4% in August. During the same period, the rate of credit contraction to households was stable, about 2.5%. The average growth rate of loans to non-financial corporations in the period May-August was 4.3%, compared with a rate of 8.8% in the initial four months of the year, while the credit contraction to households continued at an average rate of 2.6% in the recent of the two periods and 2.5% in the previous period. In the entire private sector in the period May-August there was an average credit expansion of 1.2%, compared to a rate of 3.0% in the first four months of 2021. It is pointed out that the de-escalation towards non-financial corporations is not related to a similar trend in the total financing of the economy by banks, the expansion of which this year is much higher compared to 2020 (eight-month average 15.6%). The smaller increase in loans to the business sector is mainly related to the sharp escalation of lending to the General Government, with the relative average rate reaching 60.8% in the last four months and 78.5% in the previous one, both of which are the highest over time. Subsequently, the interconnection of the banking system with the government increased significantly. This trend raises uncertainty about banks' financing priorities and, more broadly, whether significant additional liquidity is utilized for productive purposes, and raises questions about the degree of interconnection between the banking and public sectors. The de-escalation of business loans is also due to the smaller scope of liquidity programs to deal with the effects of the pandemic.

The provision of liquidity to businesses continues to be done on very favourable terms: the average interest rate on new regular loans to non-financial corporations stood at 3.18% in the four months of May-August, slightly higher than in the previous four months, but there was a new historical minimum level, at least since 2010 (2.88%). The average interest rate of the same category of new loans, but for freelancers, was unchanged in the recent period compared to the previous one, at 4.64%, a level that is also the lowest at least since 2010. In new consumer loans to households, the corresponding average interest rate stood at 10.14%, higher than earlier this year (January-April average: 9.54%). Current levels are the highest since the same period in 2011, i.e. the last decade.

The lower interest rates on bank lending to businesses and freelancers in 2021 are also related to the sharp de-escalation of lending rates of the Greek government. As has been mentioned in previous IOBE bulletins, this trend stems on one hand from the evolution of Greece's credit rating and on the other hand from the ECB's monetary policy measures mentioned above. Under these favourable conditions and after the confirmation of the credit rating of Greece in the investment grade BB by Fitch, the Greek government proceeded at the end of last January to issue a 10-year bond. With it raised €3.5 billion, with a yield of 0.807%. Demand was particularly strong, with offers exceeding the issue by 9 times. In mid-March, the 30-year bond issue raised bids of €26 billion and finally raised €2.5 billion, at an interest rate of 1.95%. At the beginning of May, the Greek government issued a 5-year bond, with bids exceeding €20 billion, while €3 billion was raised, with an interest rate of 0.17%. A month later, it continued with a 10-year bond, with which it raised 2.5 billion, at a yield of 0.888%, in conditions of particularly high demand (€29 billion). In the June-August quarter, the average interest rate on the 10-year bond was declining, with the result that in August it reached its all-time low (0.59). Taking advantage of this trend, the Greek State proceeded at the beginning of September to reissue a 5-year and 30-year bond. Bids reached €9.3 billion for the first bond and €9.6 billion for the second. €1.5 billion and €1.0 billion were raised, respectively, with interest rates of 0.02% and 1.675%. As a result of these issues, €14.0 billion has been raised this year from the capital markets, exceeding the relevant target in the 2021 budget (€12.0 billion). At the end of September, Moody's did not change Greece's credit rating (Ba3). The rating agency estimated in the relevant report that the country's return to significant primary surpluses will significantly reduce the debt burden, although even after normalization its level will remain high.

However, it is again noted that the very good sentiment in the financial markets is not compatible with the remaining uncertain medium-term economic prospects from the impact of the novel coronavirus and especially with the strong impact of its response on public finances. According to the Stability Programmes adopted by the European Commission this year, in many EU countries the public deficit will be as high as last year. Such a development again entails a significant burden on public debt, which for countries where it is already high, may make it disproportionately difficult for some period to refinance it. In addition, there is a possibility that international financial conditions will change and deteriorate, especially when COVID-19 has steadily subsided and emergency liquidity support interventions by the largest central banks internationally are reduced considerably.

Despite the slowdown in credit expansion to businesses, financial facilities from the ECB and the prolonged rapid expansion of deposits will help to continue it until the end of this year, albeit at a declining pace. Extensive restrictions on NPLs provide significant degrees of lending to banks in lending in the coming years. In terms of available resources, an additional source will be the loan arm of the Recovery Fund, amounting to a maximum of €12.7 billion. A business agreement has already been reached with the European Investment Bank (EIB) to use up to €5 billion of these loans, while a corresponding agreement is being prepared with the European Bank for Reconstruction and Development (EBRD) for co-financing private investment. In addition, an invitation has been published for the participation of commercial credit institutions. According to the Preliminary Draft of the State Budget of 2022, for this year it is estimated disbursement to international and commercial credit institutions amounting to €1.5 billion and for 2022 amounting to €2 billion. While these positive developments are taking place, which create corresponding prospects for the provision of credit, on the part of businesses and households, financing barriers remain. These relate to their existing debt obligations, especially their arrears. The most important case is the fact that the prerequisite for the inclusion of SMEs in the pan-European Recovery Fund programs is that they have access to bank financing, i.e. that they can be evaluated positively by the banks. This financing clause excludes from new resources the many over-indebted enterprises domestically. In an effort to address this issue, incentives are being planned for mergers and acquisitions, as such corporate transformations between SMEs are included in the five eligibility criteria for access to Recovery Fund loans.

Especially for larger non-financial corporations, the possibilities of access to finance outside the banking system, i.e. from the capital markets, and more broadly their prospects, seem to be improving in the recent period, based on the evolution of the General Index (GI) of the Athens Stock Exchange. From the end of last October until mid-April, the index was constantly rising, with the exception of January. As a result, it rose during this period from 569.5 points to 902.4 points (+332.9 points or +58.5%). From then until the end of June it hovered around the last level, periodically approaching the area of 920 units, in which it was before the pandemic. In July, the General Index recorded a small, temporary correction, up to 833.2 points (19/7). Then, and until the beginning of October, it returned to its range of fluctuation in the period April-June. The relative stability of around 900 units for a semester shows that the stock market has assimilated these levels. On the other hand, at present, it seems that there are no factors that will push the General Index upwards. One of them may be the tenders for the first 12 projects that were included in the Recovery Fund, with a total budget of €1.42 billion.

Investor confidence in the prospects of larger domestic companies is reflected in the activity in corporate bond issues. In the last seven months, at the beginning of March, a new issue of Tier II bond was made by Alpha Bank, amounting to €500 million, with a coupon of 5.5% and offers exceeding €1 billion. In mid-March, Motor Oil raised €200 million in a seven-year bond loan, with an interest rate of 1.9%, while the issue was covered 5.1 times. PPC raised €100 million at the end of March, following the issuance of a bond of 650 million with an interest rate of 3.875% in February and the offers reaching €3 billion. At the end of April, Mytilineos proceeded to issue a €500 million bond, with a maturity of 5.5 years, with an interest rate of 2.25% and an oversubscription almost four times. In mid-July, PPC proceeded with the issuance of seven-year bonds with a Sustainability Clause of €500 million, at an interest rate of 3.375%. The initial target of the issue was €350 million and it was exceeded by 6.5 times the bids. In September, Eurobank issued a 6.5-year bond worth €500 million with a yield of 2.375%, with bids reaching €825 million. In the middle of the same month, Alpha Bank proceeded with the issuance of a high preferred bond (senior preferred), amounting to €500 million. The final interest rate stood at 2.625%, with bids exceeding €1 billion. This was the first issue of such a securities issued by the systemic bank after June 2014 with the aim of meeting the minimum equity and eligible liabilities (MREL). Intralot is expected to issue a €244 million bond shortly.

Regarding the possibilities of financing enterprises from the public sector, as has been pointed out in previous IOBE bulletins on the Greek economy, the European Recovery Fund (ERF-NextGenerationEU) will be the most important additional source of investment capital in the coming years. Greece may receive from the ERF in the period 2021-2026 up to €18.2 billion in grants and up to €12.7 billion in loans, i.e. a total of €30.9 billion. However, together with the domestic funds that will be mobilised, the total capital resources that will be allocated for investments in the context of the implementation of the Recovery and

Resilience Plan, may reach €57.5 billion. The Explanatory Report of the State Budget for 2021 predicted that the resources to be raised from the ERF this year will be approximately €5.5 billion. Following the approval of the Greek Sustainability and Recovery Plan in June, it was announced that €8 billion is expected to be disbursed within the current year. Half of these funds were disbursed with the advance of the ERF in early August. On the other hand, there are delays in submitting the request for the first instalment, amounting to 3.5 billion in grants and loans. For the next year, the draft budget estimates an disbursement of €3.2 billion from the grant arm and €2.0 billion from the loan arm. Regarding the implementation of the actions of the program, until October 1, 2021, 38 actions with a total budget of €2.66 billion had been included in the Public Investments Program. and is scheduled by the end of 2021 to include actions with a total budget of more than €5.5 billion. Given that the absorption rate of ERF funds is among the factors influencing the assumptions of the alternative macroeconomic scenarios, if it is close to the above estimates and projections, it will contribute to the realisation of the 2021 scenario and the baseline scenario for 2022.

Regarding the regular government investment financing, through the Public Investment Program, the relevant target set in the draft is €6.75 billion excluding transfers due to COVID-19. In the period January-August, the aid of the PIP reached €5.7 billion, far exceeding the relevant target in the Budget of 2021 (€3.352 billion) and to a lesser extent the corresponding last year's disbursements of funds (€5.18 billion). However, a significant part of this, €2.195 billion or 38.5%, related to aid due to the pandemic, mainly in the form of a repayable advance (€1.1 billion). Excluding these, PIP expenditure was €3.51 billion in the period January-May. Therefore, they again exceeded the target in this year's budget, which did not incorporate extraordinary transfers. Taking into account the dynamics presented by the provision of funds through the PIP until September, as well as the fact that the Programming Period 2014-2020 is nearing completion, it is estimated that the support of investment projects through the PIP will exceed its level in 2020 (€6.37 billion).

For the 2022, the Preliminary Draft of the State Budget foresees the allocation of resources amounting to €7.45 billion through the PIP. These do not include the costs under the Recovery and Sustainability Plan, as well as emergency interventions due to the health crisis. Subsequently, a stronger contribution of regular public investments to investment activity is expected.

Regarding the support of the liquidity of businesses by the State through the payment by the State of overdue obligations, based on the most recent data, their amount at the end of August this year (not including tax refunds) reached €1.8 billion, from €1.23 billion. at the end of last year[9]. In the meantime, they found themselves higher (€1.95 billion, March 2021) and then lower than the recent level (€1.76 billion, July 2021), suggesting the repayment of part of them and the creation of new ones. No information is provided in the budget implementation sheets on the amount of arrears made since the beginning of the year, so that the relevant public sector revenues can be calculated. The Preliminary Draft State Budget for 2022 states that in April 2021 a new plan for the clearance of arrears was drawn up. Indicatively, new actions and measures adopted by some bodies to reduce their accumulated overdue liabilities are presented. Also, the evolution of all arrears until July this year is presented. However, no targets are reported for their level at the end of 2021 or 2022. Given the above, no substantial de-escalation of arrears is expected by the end of this year and a secure forecast for the coming one is not feasible. However, the level of

[9] Source: General Government Monthly Data Bulletin – August 2021, General Accounting Office of the State, October 2021

overdue debts is now much lower than in the past, until 2016 (€3.7 billion at the end of the year).

As estimated in previous IOBE bulletins on the Greek economy, the implementation of the privatization program will be behind the target for another year, due to the unused investment environment. In the Explanatory Report of the State Budget for 2021, the target of privatization revenues was €1.79 billion, of which €1.47 billion it was expected to come from tenders that will be completed this year and €321 million. either from tenders for which binding offers have been submitted and the expected first disbursement will take place in the current year, or from instalments of completed transactions of previous years. The largest part of the second amount was, for another year, the expected first instalment of the price from the sale of Hellinikon S.A. (€300 million). The level of the revenue target, which does not significantly exceed their maximum level in 2017 (€1.37 billion), combined with the fact that last year many tendering procedures were launched (DEPA Infrastructure, DEPA Commercial, ports of Alexandroupolis, Igoumenitsa and Kavala, Egnatia Odos, etc.), was considered by previous reports to make it possible to achieve or approach it, since the economic climate domestically showed a tendency to continuously improve, perspective closely linked to the evolution of COVID-19. However, in the event that the uncertainty about the dynamics of the pandemic remained intense, it was considered that it would have a negative impact on HRADF's (TAIPED) activity and especially on the investment interest.

The economic environment for most of the first half of this year was more relevant to the second of the above scenarios of developments in the field of privatization, which was reflected in the relevant actions. At the end of January, the tendering process for the concession of Kalamaria marina began. At the end of March, investors were pre-selected for the ports of Alexandroupolis and Kavala, as well as for the area of the natural gas field "South Kavala". At the beginning of April, two binding offers were submitted for the concession of Egnatia Odos and the tender process for the utilization of the Heraklion Port Authority began, while at the end of the same month, seven investment schemes qualified for the binding phase for the utilization of the Port Authority. Towards the end of June, the first privatization process was completed this year, which concerned the sale and transfer of Hellinikon S.A., with HRADF (TAIPED) receiving the first part of the relevant price of €915 million, amounting to €300 million. In August, TAIPED accepted the binding offer of GEK TERNA S.A. – EGIS PROJECTS S.A., for the concession of Egnatia Odos and three of its vertical roads, with the payment of a one-off price of €1.5 billion. The tender dossier was submitted to the Court of Auditors for pre-contractual audit. The Greek State estimates that it will receive more than €850 million from the operation of the motorway during its transfer. In September, the improved binding offer of ITALGAS SpA for 100% of DEPA Infrastructure, amounting to 733 million, was accepted and it emerged as the preferred investor. The tender dossier will be submitted to the Court of Auditors for pre-contractual audit. It is not known when some of the price will be collected. Six investment schemes were pre-selected for the phase of submitting binding bids for the Kalamaria marina and nine investment schemes submitted an expression of interest for the Heraklion Port Authority. Finally, at the beginning of October, the transfer of an additional 16% of PPA SA was completed. to COSCO SHIPPING, for a price of €88 million, plus accrued interest of €11.87 million.

Therefore, although several tender procedures are underway and two very important ones have recently been completed (Egnatia Odos, DEPA Infrastructure), nevertheless the revenues from privatizations until the beginning of October are those that come from Hellenic SA. Given the procedures required for the formal completion of the tenders for Egnatia Odos and DEPA Infrastructure, it is considered that their price or part of it will not be collected this year. This makes it very difficult to reach the revenue target for 2021. On the other hand, the relevant receipts are postponed to the next year, leading to revenues of TAIPED which will be the highest over time. Nevertheless, following the not-high degree of completion of privatizations this year and last year, their low impact on investment activity is exacerbated. The preliminary draft budget for the following year does not include privatization planning.

In the external sector of the economy, the lifting in the second quarter of restrictions or bans on cross-border passenger movements due to the pandemic, reversed the intense pressures on exports of services and subsequently on GDP. More broadly, the opening up of economies further escalated demand for exports of goods, which continued their strong upward momentum in the initial half of the year last year. On the other hand, the same developments led to a strong increase in imports of products, due on the one hand to the strong escalation of consumer demand since the opening of the Retail Trade, but also to the high import content of exports of goods. Previously, the current subsection presented the available data on international tourism traffic in the third quarter this year, which show signs of a strong strengthening compared to last year, as well as a shortfall compared to 2019 less than expected earlier in 2021. That being said, it is now likely that the tourist season will be extended from last year, reaching at least until the end of October, with a similar impact on revenues. The weakening of the health crisis in important export destinations will continue to stimulate their demand for Greek products.

In detail, regarding the recent developments in the export and import flows of key categories of products and services, according to the most recent available data of the Balance of Payments of the Bank of Greece, exports of goods, at current prices, continued to expand strongly in the May-July quarter, by 40.9% (+€2.89 billion), following an increase of 32.6% in the previous quarter. The increase came mainly (56.9%) from exports outside fuels-ships, which strengthened by 28.7% (+€1.64 billion), slightly faster than in the February-April quarter (+25.9%). The rest of the increase in exports of products came from the much higher exports of fuels (+94.1% or +€1.24 billion), due to the large increase in their international prices, as previously analysed. Exports of ships, whose weight in total exports of products is very small, amounted by €8.0 million or 25.5%, slower than a quarter earlier (+59.7%). Therefore, the particularly significant increase in exports of goods did not come mainly from higher prices. Despite the strong increase in exports of products, the stronger strengthening of imports in the May-July quarter (+43.6% or +€4.88 billion), which came primarily (85.0%) from most imports of non-fuel-ships goods (+31.9% or +€2.98 billion), and fuel imports (+39.2% or +€1.91 billion), led to a widening of the goods deficit from last year by 48.1% or €1.99 billion, at €6.14 billion.

The widening of the goods balance deficit during the period considered May-July was offset by the widening of the services surplus. Exports of services were 80.4% higher than a year ago (+€4.23 billion), following a marginal increase of 2.2% in the previous quarter February-April. Their rise was mainly (59.1%) from the provision of travel services (+€2.5 billion or +310.7%), in contrast to their vertical decline a quarter earlier (-69.3%). Transport services contributed 29% of the increase as they expanded by €1.23 billion (+35.9%), much faster than in the previous quarter (+3.7%). Other services had the smallest share in the increase in exports of services, amounting to €500.8 million (+48.6%), continuing their increase by 18.0% a quarter earlier. Demand for imported services also increased in the May-July quarter, lower relative and absolute intensity than that for services exports (+56.6% or +€2.1 billion), but much faster than in the previous quarter (+10.6%). The increase was mainly due to the enhanced domestic demand for transport (+60.9% or +€1.47 billion), with the contribution of other services to the increase to follow (+39.7% or +€460.8 million .). Domestic demand for tourism services strengthened sharply, but from its very low level last year (+€172.7 million or +120.0%). However, a quarter earlier its trend was completely different (-66.2%). As a result of the changes in the two main components of the services balance in the May-June quarter, it was the strong expansion of its surplus, by 138.3% or by €2.12 billion. As a consequence of this positive development, the deficit of the total balance of goods and services declined marginally over the same period, by 5.0% or €130.1 million. compared to a year earlier, at €2.48 billion.

The most recent trends in parts of the economic activity domestically, as well as in the short-term economic indicators, at the end of the first quarter and at the beginning of the second quarter, seem to escalate the upward trends both in terms of production and demand. Analytically, on the supply side of the economy, the growth of industrial production remained strong in the July-August quarter this year, at 8.9%, compared to an increase of 13.6% in the previous two months, partly due to the low comparison base a year ago. At the level of key industrial sectors, the strong escalation came mainly from Manufacturing, where production expanded by 6.1%, compared to an increase of 12.4% earlier this year. The contribution of Electricity Generation to the strong increase was also significant, with the growth rate reaching 21.7%, almost as much as a quarter earlier (22.4%). Water Supply recorded the smallest increase in the product, by 1.8%, similar to that in the period April-May 1.3%. Mining – Quarries was the only sector with a decline, albeit mild, when in the previous quarter it strengthened strongly (+20.0%). Building activity escalated further in the May-July quarter covered by the new data compared to the previous report, as it increased by 68.6% in terms of surface area and by 59.5% in terms of volume, with the increase in permits being milder (+29.1%). In the previous two months this year the corresponding changes were 33.2%, 36.0% and 19.9% respectively.

On the side of the figures that reflect the sentiment and the moods on the demand side of the domestic economy, the retail volume index (seasonally adjusted) showed a strengthening of 7.8% in July, following a particularly strong rise of 21.6% in the second quarter. This primarily arises from the unprecedented strengthening in April, by 38.8%, as in the next two months the increase stood at 15.0%.

Taking into account for the realization of macroeconomic forecasts mainly the recent and possible developments regarding the COVID-19 pandemic, e.g. the recent slight improvement in epidemiological data internationally, the vaccination coverage of the population and the slowdown in the vaccination process, the faster recovery of the world economy, the larger-than-expected rise in international tourism, the clearly higher than originally planned It is estimated that the particularly strong recovery of household consumption expenditures in the second quarter of this year will continue at high, but at a slower pace in the second half of 2021. The expansion of private consumption will be supported by a sharp decline in unemployment. The large accumulation of savings by households, amounting to almost €15.6 billion. since the beginning of the health crisis, it can fuel the boost in their consumption in the last two quarters of this year. Income tax reliefs (insurance contributions, social solidarity contribution) are an additional factor in stimulating the consumption potential of the private sector this year. Under these influences, it is predicted that the increase in private consumption will be in the region of 5.0-5.5%.

In 2022, it is now likely that there will be no new strong outbreak of the pandemic, with possible temporary outbreaks at the local level (baseline forecast scenario). Subsequently, the economy is expected to operate with the existing, relatively few restrictions, possibly some additional at times. This development will stimulate private consumption in two ways, both directly, with the continuous, face-to-face operation of sectors in which a suspension of operation was imposed at the end of last year and this year and in which a significant part of private consumption (Retail, Tourism, Catering, Arts-Entertainment, Transport, etc.) takes place, as well as indirectly, by the expansion of employment and income generation in them, as over time their contribution to employment is high. Jobs will be created by most investments, e.g. in sectors of industry with high export performance, in Tourism, as well as the largest contribution of the public sector to investment activity (expansion of PIP, Recovery Fund). Household consumption spending will continue to be supported by their fairly high savings during the pandemic. On the other hand, the rise in prices due to energy products will hold back the growth of private consumption, especially in the first half of next year, but this will gradually weaken. Inflationary pressures on consumption will be mitigated by interventions to support households (electricity and gas consumption subsidies, increased heating allowance) and new tax reliefs (e.g. reduction of mobile subscribers' charges). The impetus from the emergency support measures due to the pandemic will be much smaller. Composed of these effects on disposable real income and consumer disposition is expected to be the new expansion of household consumption, by 3.5% to 4.5%.

The alternative scenario differs from the baseline scenario in terms of health developments, which in this case would be more unfavourable. However, as it is not expected to impose a re-lockdown or suspension of operation of a significant part of the economy, nor a ban on entry into the country, but some targeted restrictions (e.g. traffic restriction for some hours at night, reduction of people inside stores, click inside, closure of nightclubs, restrictions on travel between prefectures), no significant barriers to private consumption, no significant diversification of consumer sentiment. However, due mainly to the warnings against potential adverse developments, companies will make fewer recruitments. The strengthening of the investment activity will be milder than the basic scenario, as well as the expansion of the international tourism, mitigating the creation of jobs and income from these factors. There will also be a smaller rise in prices, which is likely to develop into a mild fall during the year, following their strong increase this year. In addition, some of the measures to support businesses and households will be reinstated, maintaining a larger part of this year's fiscal stimulus. Subsequently, household consumption expenditure is expected to remain on an upward trajectory, at a slower pace than the baseline scenario (+1.5 - +2.5%).

On the consumption side by the public sector, the expansion of extraordinary expenditures due to COVID-19, mainly for staff, for ICT infrastructure and equipment, for the supply of vaccines and tests, for the increase of ICUs, etc., will continue to stimulate its consumer demand, at least in the current half of 2021. In addition, emergencies arose to deal with the disasters caused by the large fires of summer, in Evia and Attica. On the other hand, the technical result of their clearly higher level one year earlier, compared to the one in the first half of 2020 (base result) will have a restraining effect on the expansion of public consumption expenditures during this period. In addition, they will not be paid back this year to pensioners retroactively, as in the fourth quarter last year. Taking into account the effects of the above factors that affect public consumption, it is expected that its average expansion this year will reach 6.0-6.5%.

The expected weakening of the pandemic in 2022 will reduce the needs it creates in logistics, while the supply of vaccines will move to lower levels. However, next year is planned to expand employment in the public sector, with 12.0 thousand recruitments to fill regular staff positions, under the rule one recruitment for each departure, while there will be about 3.8 thousand additional Recruitment of regular staff in the Ministries of National Defence, Environment and Energy, Climate Crisis and Civil Protection, in the National School of Public Administration and Local Government and in OSY and STASY. The increase in employment will mitigate the reduction of public consumption expenditures, resulting in the area of 3.0-4.0%. If the pandemic recovers, then additional related needs will arise, the reduction of consumer income will be less (-1.5 to -2.5%).

In terms of investment, the highest corporate bank lending since last year, which continues at a declining pace, has already made it possible for a large number of companies to make investments this year, as has been emphasized in previous IOBE bulletins on the Greek economy. If the current gradual improvement of epidemiological data continues, for the rest of 2021 and next year, most likely with temporary sharp fluctuations, the pandemic caution will subside significantly, favouring the implementation of many of these investment plans. Companies from Manufacturing activities, the demand of which is either related to the health crisis, or have shown resilience to it (e.g. pharmaceuticals, electronics, plastics), are considered the most likely to expand their investment activity. The strong recovery of international tourism this year, which under the assumptions of the basic macroeconomic scenario will continue and will escalate in 2022 will reheat its investment activity. This will also be about renovating properties for Airbnb. The industry will make more investments in the case of the alternative macroeconomic scenario, however these will be less and will be realized in areas of the country with a strong tourism recovery this year and signs of its continuation next year.

The implementation of "Hercules II" will contribute substantially to the coverage of any negative developments in banks' assets from the pandemic, such as an expansion of NPR, but also more broadly, to their extensive containment, as already shown by the relevant actions of banking institutions and their results in the second quarter of this year. Credit growth will then be favoured in 2022. As far as deposits are concerned, their upward trend is expected to continue in the remainder of 2021 and at least at the beginning of next year, but milder. The trend of a significant escalation in consumption will act as a halt to their enlargement.

As pointed out in IOBE bulletins, aid from emergency actions to address the effects of the pandemic on businesses and the self-employed (e.g. repayable advance, business guarantee fund, loan interest and working capital subsidy), although not related to investments, are partly reflected in investment expenditures in GDP, as they are available under the Public Investment Program. In the eight months of this year, this type of expenditure reached €2.2 billion, compared to €1.89 billion a year earlier, so it is likely that the impetus from this factor in the formation of fixed capital will be slightly higher this year. However, the planning of such actions in the Preliminary Draft of the State Budget of 2022 for the next year is negligible, therefore, for the time being, their positive effects are not expected to continue next year. Understandably, in the event of a relapse of the pandemic (alternative forecast scenario), some of these measures will be re-implemented in a much smaller range of industries and activities over the last two years.

The completion or significant weakening in the next year of the positive effects of emergency support interventions due to the pandemic, will be offset by the implementation of the national Recovery and Resilience Plan (Greece 2.0), under the European Recovery Fund (NextGeneration EU). resources to be leveraged for investment projects deemed eligible for support. 48 projects have already been included in the Recovery and Resilience Fund (RRF) for implementation, with a budget of €2.76 billion. Although Greece has met the first 12 milestones that were prerequisites for the first tranche of the RRF, amounting to €3.5 billion, following the advance of its resources in August (€4 billion), there is still a delay in submitting a request to take the dose. Due to the delay, this part of them is expected to be disbursed next February, so they will be available early in 2022. The target for next year's aid is in the region of €5.7 billion, while the RRF loan arm will also be activated. However, if there are significant delays in the implementation of the Plan investments or shortcomings in their planning, for example, due to the untimely implementation of the investment-related reforms and / or inefficient use of its resources, the importance of the Recovery Fund for investment activity will be limited.

The slight acceleration of the implementation of the EDP in the eight months of this year is expected to continue in the rest of 2021, leading to a slight overrun of expenditures last year (€6.37 billion). Taking into account the higher than for 2021 aid target of the PDE for the next year (€7.45 against €6.75 billion), the fact that the NSRF 2021-2027 starts, but also the experience of implementation of the program in the past, It is estimated that its expenditures will probably increase slightly in 2022, to approximately €7 billion, providing correspondingly greater support to investment activity.

The large-scale sub-implementation of the privatization-privatization program in 2020, which continues more leniently this year, due to the effects of the pandemic, results in their small contribution to investment activity this year, probably next year, given the long period maturation required for projects of this scale. However, the recent completion of the concession of Hellinikon, Egnatia Odos, DEPA Infrastructure, HEDNO (DEDDIE), creates very important medium-term prospects for investments, economic activity in general, as well as for employment.

As can be seen from the trends in relative short-term indicators set out earlier, construction projects show significant support since the beginning of this year, which escalated in the second quarter. This has already been reflected in the formation of fixed capital in GDP and is expected to continue in the coming quarters. Construction activity will be significantly stimulated next year by investments in the tourism sector, as already mentioned, including the renovation of properties for Airbnb. In the event of a new escalation of the health crisis, investments in Tourism in 2022 will be moderated to a mild extent.

Taking into account these effects, mainly of the strong credit expansion to companies and the continuing upward dynamics of exports of goods from last year, which determines the investment decisions in the Industry, it is estimated that the investment recovery this year will be in the range of 18.5-20% . Next year, will be added to these effects primarily those of the utilization of resources from the RRF and the significant growth of tourism in 2021 which will escalate. Subsequently, the expansion of investments this year will widen compared to this year, between 23-26%. A new escalation of the health crisis will hold back the rise in investment activity in the region of 16-19%.

In the external sector of the economy, on the export side, the strong dynamics of exports of services, mainly due to the recovery of international tourism, will be the one that will determine primarily the change of total exports this year, possibly in 2022. This development has also favoured the provision of international transport services. As far as exports of goods are concerned, their significant strengthening will continue to be supported by the strong recovery in the euro area. The rise will be mitigated by the sharp escalation of prices of energy goods and other commodities, mainly in the last quarter of 2021 and the first quarter of next year. Subsequently, their gradual weakening is expected, which in the case of the alternative scenario for the new year, may turn into marginal anti-inflation in the second half of the year. Taking into account the mostly positive trends in the factors presented and related to the export demand, but also the dynamics of slight improvement of the epidemiological data, it is estimated that in 2021 the increase of the total exports was in the range of 10.5-11, 5 '%. Its continuation next year will be at a slightly slower pace than this year in the baseline scenario, in the area of 8.5-10%. If there is a "resurgence" of the health issue, the increase in the new year will be slightly smaller than in the baseline scenario, in the range of 5.5-7.0%.

The strengthening of the domestic demand, but also of the exports of products during the current year, already have a strong growth imprint in the imports of products. In addition to imports of products, imports of transport services are strongly supported. These trends will continue until the end of 2021 and 2022. They may be affected on both sides of imports by the strong rise in international prices of energy products and commodities. Domestic demand for travel services seems to be stronger than expected this year, possibly due to the scepticism about the health situation outside Greece. Unless the current trend of mild weakening of the pandemic is strongly reversed for a long time, the trips of the country's residents abroad are expected to escalate significantly from this winter, being an additional source of pressure on the external balance.

Otherwise, e.g. a new outbreak of the pandemic, as foreseen in the alternative forecast scenario for 2022, the increase would be sluggish. More broadly, the increase in imports is projected to be greater than that of exports this year and next year, leading to a deterioration in the external balance. Specifically, taking into account the above factors, it is projected that imports will expand this year by 11.0% to 12.5%, a rise that will show a slight slowdown next year, in the region of 9.5-11% under the baseline scenario. Their strengthening would be smaller under the alternative scenario of developments (6.5-8%).

Table 3.2

Domestic Expenditure and Gross Domestic Product – European Commission estimates (at constant 2015 market prices)

	2019	2020	2021	2022
Annual Percentage Change				
Gross Domestic Product	1.9	-8.2	4.3*	6.0*
Private Consumption	1.9	-5.2	2.5	3.3
Public Consumption	1.2	2.7	2.2	-2.3
Gross Fixed Capital Formation	-4.6	-0.6	12.9	15.1
Exports of Goods and Services	4.8	-21.7	9.1	14.8
Imports of Goods and Services	3.0	-6.8	6.3	6.8
Employment	1.2	-1.3	0.4	0.7
Compensation of Employees per capita	1.0	0.0	1.3	2.0
Real Unit Labour Cost	0.2	9.2	-2.0	-3.0
Harmonised Index of Consumer Prices	0.5	-1.3	-0.4*	0.5*
Contribution to real GDP growth				
Final Domestic Demand	1.0	-3.1	3.7	3.7
Net Exports	0.7	-5.8	0.4	2.3
Inventories	1.0	0.7	0.0	0.0
As a percentage of GDP				
General Government Balance	1.1	-9.7	-10.0	-3.2
Current Account Balance	-2.2	-7.8	-7.6	-5.3
General Government Gross Debt	180.5	205.6	208.8	201.5
In percentage terms				
Unemployment (% of the labour force)	17.3	16.3	16.3	16.1

*Source: European Economic Forecast, summer 2021, European Commission, July 2021

Source: European Economic Forecast, spring 2021, European Commission, May 2021

The estimation process for the trends in GDP components this year and next year, which for 2022 were based on different scenarios for the developments regarding the COVID-19 pandemic in Greece and internationally, as well as other GDP determinants (international tourism, inflation, etc.), resulted in corresponding forecasts for the change of domestic product. According to them, in 2021, in which no new significant outbreak of the pandemic is expected until the end of the year, while it is possible that it will be locally, temporary outbreaks, with a stronger than initially projected recovery in the Eurozone and a greater strengthening of international tourism traffic, as well as higher inflation, the Greek economy will grow at a rate in the region of 8.0-8.5%. In 2022, under similar health conditions, which will favour the further escalation of tourism and the continuation of the strong growth of the Eurozone, with a boost in investments from the Recovery and Sustainability Fund, but also far fewer interventions to support businesses and households than this year, the strong recovery will continue, with a rate in the area of 4.0%. In the event of a new significant deterioration in health, strong, "horizontal" restrictive measures are not expected again, but mild, targeted public health interventions, as well as more support measures. However, the new rise in tourism and growth in the Eurozone will be milder than in the baseline scenario, shaping GDP growth in the region of 2.0-2.5%.

In the field of employment and unemployment trends, developments related to the health crisis are the most decisive of these, as they were last year. If this factor does not show new fluctuations in 2022, it will be succeeded in terms of the importance of their impact on the labour market by the strengthening of consumer demand, the further strengthening of Tourism and investments, while the impact of high inflation will be less. If there is no new outbreak of the pandemic in the last quarter of this year and within the next year, then most companies in the Retail, Tourism, Catering, Arts and Entertainment sectors, which were severely affected by the pandemic, are expected to to operate, with positive effects on their employment from the gradual normalization of socio-economic conditions. The strengthening of consumer demand will be moderated at the end of 2021 and at the beginning of 2022 by strong inflation, which will gradually weaken over the next year. In the case of the alternative scenario, no significant restrictions on the operation of the undertakings will be placed again. However, mainly due to a cautiousness towards potential adverse developments, companies will recruit less. In addition, consumer demand will increase more mildly as consumer mood weakens. But inflation will also be milder, which may be reversed during the second half of the year, so real income will be less limited.

Table 3.3

Comparison of forecasts for selected economic indicators for the years 2021 – 2022 2021 (at constant market prices, annual % changes)

	MinFin		EU		IOBE			IMF		OECD	
	2021	2022	2021	2022	2021	2022**	2022***	2021	2022	2021	2022
GDP	6.1	4.5	4.3*	6.0*	8.0-8.5	4.0	2.0-2.5	6.5	4.6	3.8	5.0
Private Consumption	2.9	2.9	2.5	3.3	5.0-5.5	3.5-4.5	1.5-2.5	:	:	1.6	3.0
Public Consumption	4.1	-2.8	2.2	-2.3	6.0-6.5	-3.0 - -4.0	-1.5 - -2.5	:	:	2.1	-1.4
Gross Fixed Capital Formation	11.1	23.4	12.9	15.1	18-20	23 -26	16-19	:	:	11.5	20.0
Exports	14.0	11.1	9.1	14.8	10.5-11.5	8.5 – 10	5.5-7.0	:	:	4.9	13.3
Imports	6.6	8.9	6.3	6.8	11.0-12.5	9.5-11	6.5 – 8.0	:	:	1.5	9.1
Harmonised Index of Consumer Prices (%)	0.0	0.8	-0.4*	0.6*	0.6-0.8	0.3 - 0.5	-0.3 - -0.5	-0.1	0.4	0.2	1.2
Unemployment (% of labour force)	16.0	14.3	16.3	16.1	15.6	14.3	14.9	15.8	14.6	15.9	15.6

General Government Balance (% GDP)	-10.0	-3.6	-10.0	-3.2	:	:	:	-10.2	-4.3	-10.1	3.7
Current Account Balance (% GDP)	:	:	-7.6	-5.3	:	:	:	-7.4	-5.1	-6.5	-5.2

* European Economic Forecast, summer 2021, European Commission, July 2021

** Basic IOBE scenario, *** Alternative IOBE scenario

Sources: Draft State Budget 2022, Ministry of Finance, October 2021 – European Economic Forecast, spring 2021, European Commission, May 2021 - The Greek Economy 03/21, IOBE, October 2021 – World Economic Outlook, IMF, October 2021 - Fiscal Monitor, IMF, October 2021 - Economic Outlook 109, OECD, May 2021

The eurozone's faster-than-expected recovery earlier this year will boost export demand more than expected, supporting employment in export sectors, mainly from industry. The equally strong growth in the eurozone projected for next year, if the pandemic does not recover, will continue to boost exports and employment. If the health crisis presents a new outbreak, GDP growth is expected to slow down mildly, and correspondingly the increase in demand for Greek exports, hence the support for employment.

The increase of investments in export sectors of industry and in Tourism, but mainly by utilizing the resources of the Recovery Fund, as well as by starting investments in significant privatizations, such as in Hellinikon, will significantly stimulate the creation of jobs in the coming year, among other sectors, in Construction.

The public sector will act as a boost to domestic employment in 2022. Recruitment has already been planned next year to fill regular staff positions in the public sector (15.8 thousand), under the rule of one recruitment for each departure.

Taking into account the above effects on the labour market, the estimate for the unemployment rate in 2021 is revised for the better in the region of 15.6%. As far as 2022 is concerned, in the baseline scenario the unemployment rate is expected to be in the region of 14.3%, while in the alternative scenario it is expected to be in the range of 14.9%.

Regarding the expected trends in the main components of the Consumer Price Index in the rest of the current year and in 2022, starting from demand, if there is no new outbreak of the pandemic, it will allow activity under pre-crisis conditions in sectors affected by the quarantines and in which a significant part of domestic consumption is taking place (Retail Trade, Catering, Tourism), as well as increasing their employment. Combined with the creation of jobs in outward-looking activities in industry, as well as from more investment, domestic disposable income will increase, stimulating consumer demand and then prices. But if there is a new recovery of the pandemic next year, the growth in economic activity, employment and income will be milder. However, no strong impact on demand is expected, as the protection measures are likely to be mild, as mentioned above.

On the energy effects side, the mild reduction in cuts in daily oil production by OPEC+ member countries (including Russia), which has been decided to continue until the end of the year, is not sufficient to cover the rapid increase in its demand from the revival of the global economy. The agency aims to fully lift restrictions by September 2022. However, if it deems it necessary, he has said he will review his policy. 'One possible reason could be the strong continuation of the rise in prices. Supply-side restrictions will be mitigated by the use of inventories announced by the US and China. Regarding the expected developments on the energy demand side, the recent forecasts of international organizations for economic activity this year and in 2022 indicate that it will remain strong, despite inflationary pressures. The latest IMF forecasts are virtually no different from previous ones, with global GDP growth this year estimated at 5.9%, and for the coming year milder, yet high (+4.9%). Therefore, no de-escalation of energy costs is expected, and a new small rise in time is likely. A "resurgence" of the health crisis is estimated to have mildly halted the upward trend.

As regards the expected impact of the remaining indirect taxation interventions, the VAT reduction in force since June last year for specific goods and services was extended until the first half of 2022. However, as a year has now elapsed since its implementation, no further substantial effect on prices is expected. The deduction of VAT on some other goods and services in the near future (gyms, dance schools, etc.) will have a limited effect on the increase in prices, as it affects a small part of consumer spending. Stronger is expected to be the result of the reduction of the mobile subscribers' fee.

Taking into account the above possible trends in the main components of the domestic Consumer Price Index, as well as its growth rate in the nine months of January-September this year, an average inflation rate for 2021 of 0.6% to 0.8% is projected. Under the baseline scenario of macroeconomic developments for 2022 stronger demand and a much milder impact of energy costs would lead to a price increase of 0.3% to 0.5%. But if the pandemic escalates strongly again, it will mitigate consumer sentiment, while the impact of energy goods will likely turn negative. Thereafter, there will be mild deflation, by 0.3% to 0.5%.

3.2 Developments and Prospects in Key Sectors of the Economy

- Increase in industrial production by 8.9% in January-August 2021, when in the corresponding period of 2020 it increased marginally by 0.9%.
- Strengthening of Construction in the first half of 2021 by 4.7% instead of losses of 18.8% in 2020.
- 9.2% increase in the volume of Retail Trade in the first eight months of 2021, compared to a decrease of 4.1% a year ago.
- Turnover increase in twelve of the thirteen sub-sectors of Services during the second quarter.

Industry

In August 2021, the industrial production index strengthened by 10.1%, when in the same month of 2021 it fell by 3.9%. Overall, in the eight months of 2021 the index increased by 8.9%, when in the corresponding period of 2020 it increased marginally by 0.9%.

During the same period, the industrial producer price index increased by 6.7%, when in the same period last year it decreased by 6.9%. The increase is due more to the increase in prices of exported products (+147%, instead of a decline of 15.1% last year) and less to the prices of products available in the domestic market (+6.7% instead of a decrease of 4.2% in 2020).

Industry turnover in the first seven months of 2021 seems to be recovering by 19.1%, instead of losses of 14.4% a year ago.

In the Eurozone in the seven months of 2021, for which data are available, industrial production increased at a rate of 11.2%, almost offsetting the losses of the same period of 2020 (-11.9%).

All the main sectors of the Greek industry moved better than last year in the period January - August this year. More specifically, the largest increase was recorded in the production of Electricity Supply (+17.7% instead of -9.7% in 2020), followed by Manufacturing

(+7.8% instead of -2.4%) and Mining (+5.5% instead of -3.4%). Production in Water Supply improved marginally (+1.1% instead of +0.9% in 2020).

In the Mining-Quarrying sectors, production in Coal and Lignite Mining - Crude Oil and Natural Gas Pumping increased by 46.3% instead of a vertical decline of 78.2% a year ago. There was also an increase in Other Mines and Quarries (+16.7%, from -11.3% in 2020), while production in Mining was reduced (-14.4% instead of +34.9% a year earlier).

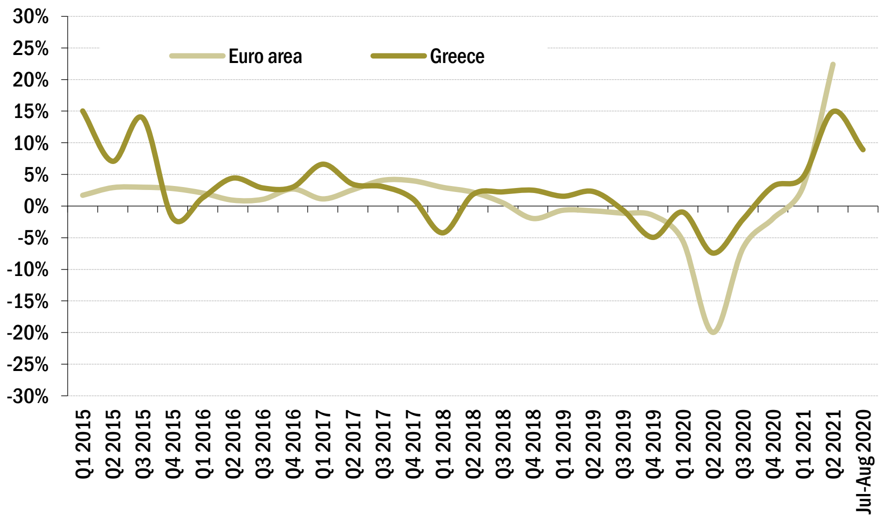
In Manufacturing, among its main sectors for the Greek economy, the production of Medicines increased by 13.8% following a similar increase of 13.5% in 2020. This was followed by an increase in the production of Basic Metals (+3.9% instead of -6.6%) and Food, whose production increased by 2.1%, instead of a similar decrease in the same period of 2020 (-2.0%) .

Production increased in most of the other branches of Manufacturing. Analytically, the construction of Electrical equipment increased by 26.3% (instead of -8.8% last year) and was followed by an increase in the production of Computers (+23.9% then +6.2%) and the construction of Other Transport Equipment (+20.9% instead of +3.7%). The production of Leather Goods increased by 18.0% instead of a vertical drop of 38.8%, last year. Next were the clothing sectors (+16.8% instead of -31.3%), the construction of Machinery and Equipment (+16.0 instead of -9.5%), the Distillery (+12.7% instead of -13, 3%) and Tobacco products (+11.9% then +2.9%).

The Output was strengthened in all five main groups of industrial products. Analytically, production increased in Capital goods by 15.9% (instead of marginal losses of 0.9% in 2020), in Durable Consumer Goods (+14.6% instead of -10.9%), in Energy (+10.6%) % instead of -6.8%), followed by Intermediate Goods (+8.4% instead of -3.3%) and Non-Durable Consumer Goods (+7.2% instead of -1.3%).

Figure 3.2

Industrial Production Index in Greece and in the Euro area (year-on-year % change)



Stronger industrial production by 9.5% in the first eight months of 2021 against a 3.8% decline in the same period last year

Sources: ELSTAT, Eurostat

Construction

In the second quarter of 2021, the production index in the Construction sector increased by 14.6%, instead of losses of 27.9% in the same period of 2020. In the first half of this year, the index strengthened by 4.7% instead of losses of 18.8% a year ago. In the sub-indices over the same period, the production of Construction projects increased by 4.3% instead of losses of 11.2% last year. Respectively, the index of Civil Engineering projects increased by 4.9%, instead of a strong decrease of 23.5% a year ago.

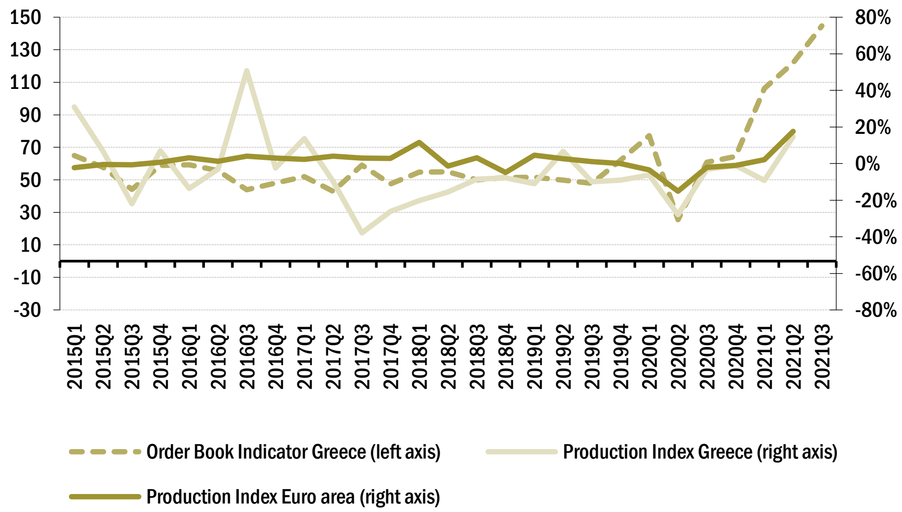
In the Eurozone in the first half of 2021, the production index in Construction increased by 9.3%, almost offsetting the losses of the first half of 2020 (-9.3%).

From the data of construction activity in the seven months of 2021 there is an increase of 31.1% in terms of the number of licenses, more than double the increase of the same period of 2020 (+15.7%). Much more intense increase compared to last year is recorded both in surface terms (+55.8% instead of +18.9%), as well as in volume terms (+47.1% then +20.6%).

Figure 3.3

Production Index in Construction and Building Activity Index

Production growth in Construction in Greece by 4.7% in the first half of this year, against a decrease of 18.8% a year ago



Source: ELSTAT

Retail Trade

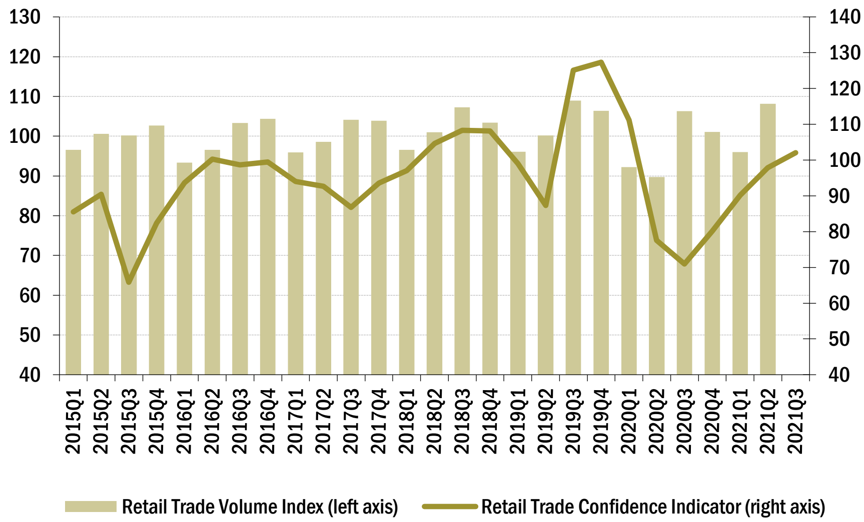
The volume index in the Retail sector in the eight months of January-August this year increased by 9.2% instead of a decrease of 4.1% a year earlier. The volume of work was increased in 7 out of 8 sub-sectors of the. The largest increase was recorded in Pharmaceuticals - Cosmetics (+24.7% then +12.0% last year), followed by Furniture and Electrical Items (+22.7% instead of -1.8% in 2020), Food - Beverages - Tobacco (+14.8% instead of -13.1%), Books - Stationery (+13.3% instead of losses 3.5%), Department Stores (+5.9% instead of -11.9%) and the Big Food Stores (+2.9%, from +5.6%). Losses compared to 2020 were recorded in the sales volume of Fuels and Lubricants (-2.8% following a decline -11.8%).

Expectations in the Retail sector in the nine months of January-September this year, as reflected in the precursors of the IOBE Business and Consumer Surveys, strengthened compared to the corresponding period a year earlier. The relevant indicator increased by 7.1 points, against a decrease of 16.8 points a year ago.

In terms of activities, expectations in the nine months of 2021 deteriorated mainly in Department Stores (-39.0 units, instead of a decrease of 0.7 units in the same period of 2020) and in Food - Beverages - Tobacco (-35.8 units instead of an increase of 6, 7 units in 2020). By contrast, expectations were strongly strengthened in Vehicles - Spare Parts (+39.9 units instead of -48.0 units last year), in Fabrics - Clothing - Footwear (+28.2 units instead of -21.6 units last year) and in Items Home Appliances (+27.7 units instead of 15.3 units a year ago).

Figure 3.4

Volume Index in Retail Trade (2010=100) and Business Confidence Indicator in Retail Trade (1996-2006=100)



9.2% increase in the volume of retail trade in the first eight months of 2021, compared with a fall of 4.1% a year ago. A further significant y-o-y improvement in expectations in Q3.

Sources: ELSTAT, IOBE

Table 3.4

Volume Index in Retail Trade, annual changes

Category of Retail Trade Stores	Volume Index (2010=100)				
	Jan. - Aug. 2019	Jan. - Aug. 2020	Jan. - Aug. 2021	Change 2020/2019	Change 2021/2020
Overall Index	99.5	95.4	104.2	-4.1%	9.2%
Overall Index (excluding automotive fuels and lubricants)	100.3	98.5	108.9	-1.8%	10.5%
Store Categories					
Supermarkets	103.8	109.6	112.8	5.6%	2.9%
Department Stores	90.5	79.7	84.4	-11.9%	5.9%
Automotive Fuels	93.2	82.2	79.9	-11.8%	-2.8%
Food – Drink – Tobacco	84.4	73.3	84.2	-13.1%	14.8%
Pharmaceuticals – Cosmetics	97.0	108.6	135.4	12.0%	24.7%

Clothing – Footwear	107.6	86.9	104.7	-19.2%	20.5%
Furniture – Electric Equipment – H. Appliances	109.6	107.6	132.1	-1.8%	22.7%
Books – Stationary	116.1	112.1	127.0	-3.5%	13.3%

Source: ELSTAT

In particular, the expectations for the Cars - Vehicles reached 137.4 points in the third quarter of 2021, overcompensating the losses of 2020 (-43.3 points), as in the corresponding period of 2019 the index was at 129.6 points. The balance of current sales returned to the levels of almost 2019, at 38 units, compared to -67 units last year, with a significant increase in the percentage of those who estimated increased sales, and a decline in businesses that reported reduced sales. On the stock side, there is a large percentage of those who consider them as low, as the shocks in the supply chains also affect the car industry, exhausting the stocks. The balance of orders recovered and exceeded the levels of 2019, with the positive sign reaching 32 points, compared to 11 points last year, with the stabilization of those who estimate increased orders and a vertical decrease of those who expect a decline in the next period. In the balance sheet for sales expectations, estimates improved, but did not return fully compared to the previous year, with the balance being at 22 points, compared to 13 last year and 37 points in 2019. On the employment side, strong signs of stabilization remain.

Table 3.5

Business Expectations Indices in Retail Trade (1996-2006=100)

	Ιαν.-Σεπτ. 2019	Ιαν.-Σεπτ. 2020	Ιαν.-Σεπτ. 2021	Μεταβ. 2020/2019	Μεταβ. 2021/2020
Food-Drinks-Tobacco	99.9	106.6	70.8	6.7	-35.8
Textiles - Clothing – Footwear	81.7	60.1	88.3	-21.6	28.2
Household Appliances	77.3	62.0	89.7	-15.3	27.7
Vehicles-Spare Parts	128.4	80.4	120.3	-48.0	39.9
Department Stores	103.8	103.1	64.1	-0.7	-39.0
Total Retail Trade	106.4	89.6	96.7	-16.8	7.1

Source: IOBE

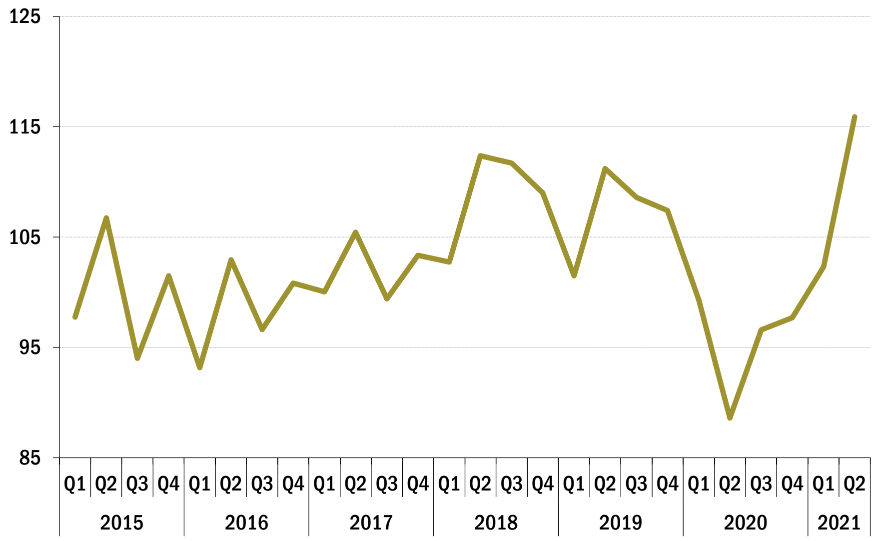
Wholesale

In the first half of 2021, the turnover index in the Wholesale Trade increased at a rate of 16.1% against a decrease of 11.7% in the corresponding period of 2020.

Figure 3.5

Turnover Index in Wholesale Trade

Wholesale turnover increase in the first half of 2021 by 16.1%, compared to a decrease of 11.7% a year ago.



Source: ELSTAT

Services

In the first half of 2021, turnover declined in just one of the 13 service segments compared to the first half of 2020.

The largest increase was recorded in the Data Processing and Information Services (+38.4% instead of an increase of +3.6% last year), followed by the Office Services (+32.6% instead of -11.2%) and the Services of Architects and Engineering (+29.2% compared to -1.4% a year ago). Next are the increase of the Advertising services (+25.5% instead of -17.2%), the Publishing Activities (+24.7% instead of -12.9% in 2020), the IT services (12.0%, from +2.7%), Legal and Accounting services (+12.8% instead of -2.7%), Telecommunications (+8.7% instead of -1.8%) and Courier activities (+8.6%) instead of -1.5%).

By contrast, worse than in the previous year, the activity in the Services of Services in Buildings and Outdoors started (+1.9% instead of an increase of 13.2% in 2020).

Table 3.6

Turnover Indexes in Services (2010=100)

Service sector	% Change. Q1 2020	% Change. Q1 2021
Publishing activities	-12.9%	24.7%
Architects and Engineers	-1.4%	29.2%
Data and Information service activities	3.6%	38.4%
Security and investigation activities	-7.2%	9.6%
Telecommunications	-1.8%	8.7%
Advertising and market research	-17.2%	25.5%
Postal and courier activities	-1.5%	8.6%
Computer programming, consultancy and related activities	2.7%	12.0%

Other professional, scientific and technical activities	-16.4%	13.0%
Legal, accounting and management consultancy activities	-2.7%	12.8%
Office administrative, office support and other business support activities	-11.2%	32.6%
Employment activities	1.2%	18.9%

Source: ELSTAT

According to the recent trends in the leading activity indicators of the IOBE Business and Consumer Surveys, whose values refer to the nine months of 2021, the expectations improved in all four examined branches of Services, while the general index of the sector strengthened by 19.8 points, instead of falling 17.5 points a year ago.

The relevant industry index improved in Hotels - Restaurants (+33.5 points instead of -35.6 points in 2020) and in Business services (+27.0 points instead of -21.4). The services of Financial Institutions followed by an increase (+10.2 points instead of -9.5 points in 2020) and the services of IT (+5.7 instead of -6.3).

Figure 3.6

Turnover Index in Telecommunications (branch 61)

Higher turnover in telecommunications in the first half of 2021 by 8.7%, against a reduction of 1.8% a year ago

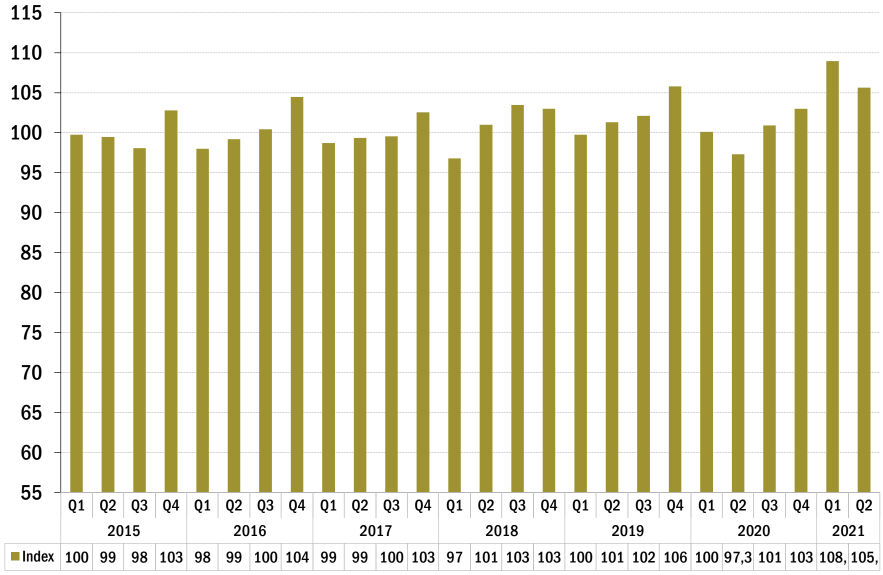
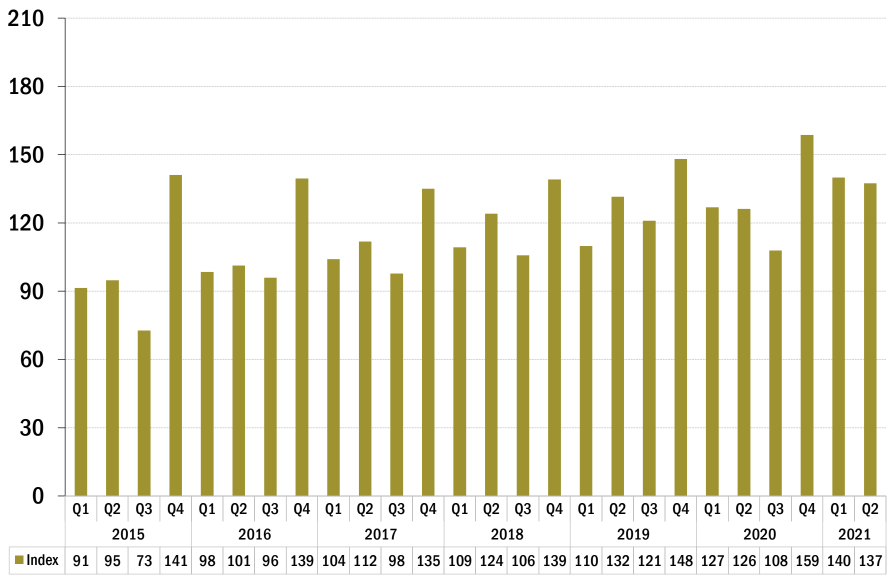


Figure 3.7

Turnover Index in Computer Programming, Consultancy and Related Activities (branch 62)

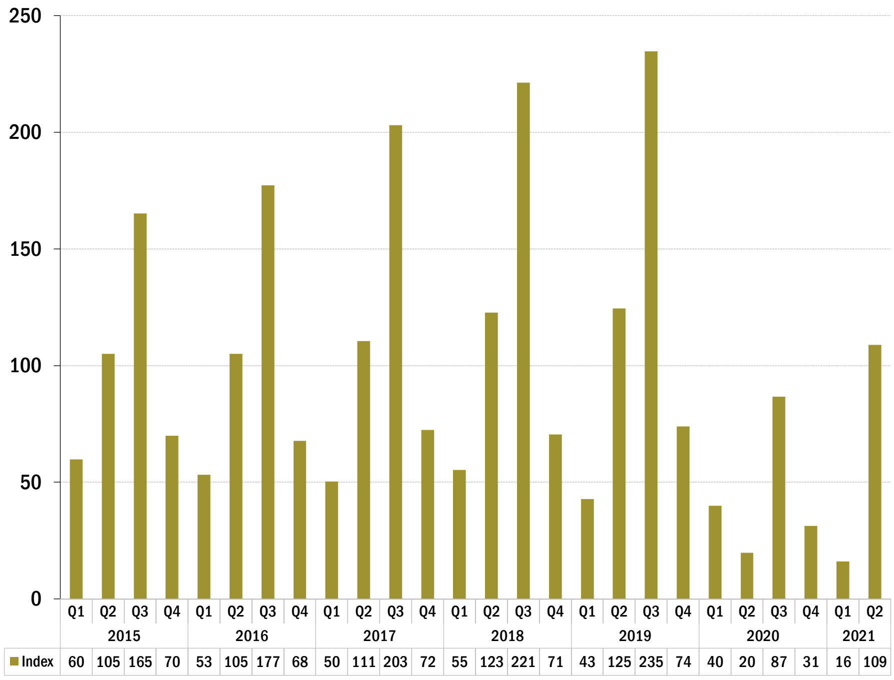
Increase of turnover by 12.0 % in IT services in the first half of 2021 against a decrease of 2.7% a year ago



Source: ELSTAT

Figure 3.8

Turnover Index in Tourism (Accommodation and Food Services Activities, branches 55 & 56)



Improvement in the first half of 2021 in Tourism, 9.7% increase over 2020

Source: ELSTAT

Table 3.7

Sector Indices of Business Sentiment in Services (1998-2006=100)

	Jan.-Sept. 2019	Jan.-Sept. 2020	Jan.-Sept. 2021	Change % 20-'19	Change % 21-'20
Hotels – Restaurants – Travel Agencies	100	64.4	97.9	-35.6%	52.02%
Financial Intermediation	117.8	108.3	118.5	-8.1%	9.42%
Other Business Services	94.6	73.2	100.2	-22.6%	36.89%
Information Services	89.4	83.1	88.8	-7.0%	6.86%
Total Services	95.5	78	97.8	-18.3%	25.38%

3.3 Export Performance of the Greek Economy.

- Goods' exports growth in the seven months of 2021, at a rate of 24.7%. Similarly, increased exports excluding petroleum products (+17.9%)
- Trade deficit increase by 17.4% compared to 2020, to €12.4 billion.
- Among the goods categories, the largest increase was recorded in fuel exports and raw materials.
- Increase in demand mainly from the countries of the Eurozone (+18.1% or +€1.4 billion) and the Middle East & N. Africa (+57.3% or €1.0 billion).
-

Exports of goods stood at €22.1 billion in the seven months of 2021, compared to €17.7 billion. in 2020, recording an increase of 24.7%. Similarly, excluding oil-ship exports, other exports increased by 17.9% to €16.3 billion, from €13.8 billion in 2020. Imports in the period January-July of the current year increased by 22.0% and amounted to €34.5 billion, from €28.3 billion a year earlier. As a result of the above trends in the key components of the external balance, the trade deficit was €1.8 billion higher than last year (+17.4%), to €12.4 billion, from €10.5 billion. Subsequently, the value of exports of goods of the Greek economy in the first seven months of 2021 corresponded to 64.1% of its imports, while a year earlier it reached 62.7%.

Figure 3.9

Total export activity and exports of goods except for fuels and ships (current prices, % change)

Exports excluding petroleum products - ships formed in the period January-July this year at €16.3 billion, 17.9% higher than a year ago

Source: ELSTAT. Data processing: IOBE

Analytically, exports of Agricultural Products increased by 13.0% in the seven months of January-July this year, to €4.4 billion, from €3.9 billion in 2020, while Fuel exports increased by 48.8%, resulting in €5.8 billion, up from €3.9 billion in 2020. Exports of the two specific categories correspond to 46.1% of domestic exports this year, from 43.9% a year earlier. The increase in Agricultural Goods was mainly driven by a 34.6% increase in demand for Oils-Fats of Animal or Vegetable Origin, the value of which stood at €454.3 million, from €337.5 million in 2020, strengthening their share of total exports from 1.9% in 2020 to 2.7% in 2021. In the Food-Livestock category, which represents approximately 77.1% of Agricultural Products exports, exports increased by 10.0%, to €3.4 billion from €3.1 billion. In Beverages and tobacco products, which represent 12.7% of the exports of

Agricultural Products, the demand in the seven months of 2021 amounted to €561.3 million, 17.7% higher than in 2020 (€477.0 million).

Exports of Industrial Products were enhanced in the seven months January-July 2021 (+18.4%), with their value reaching €10.6 billion, from €9.0 billion last year. This development came mainly from the increase in exports of Chemicals and related, by 16.2%, resulting from €3.0 billion to €3.4 billion. On the other hand, there was an increase in international demand for Various Industrial Goods by 15.5%, with their value reaching €1.6 billion. Also, exports of Transportation Machinery and Material increased by 19.8% (to €2.2 billion from €1.8 billion), while at the same time, exports of Industrial Goods Sorted by Raw Material increased (+21, 0%, to €3.5 billion).

Finally, exports of Raw Materials increased by 47.6% to €1.0 billion, from €679.6 million a year earlier, while exports of Items and transactions not classified by category increased by 4, 5%, from €278.0 million in the seven months of 2020 to €290.5 million a year later.

In terms of export trends by geographical area, they increased to the Eurozone countries by 18.1%, approaching €9.2 billion in the period January-July 2021, from €7.8 billion in the same period of 2020, as a result of which 41.5% of the exports of Greek products were directed to them last year. Towards the EU-27 there was an increase of 18.5% or €1.9 billion, with exports to this region reaching €12.2 billion, from €10.3 billion a year earlier. Among the Eurozone countries that absorb the largest share of Greek exports, there was a significant expansion to France, by 18.4%, from €1.0 billion to €1.2 billion, and then to Germany, by 19.6%, from €1.4 billion to €1.7 billion. Exports to their most important destination, Italy, showed a significant increase, by 13.2%, resulting in €2.2 million in the seven months of 2021 from €1.9 billion in the corresponding period of 2020.

Table 3.8

Exports per one-digit category at current prices, January – December (million €)*

Product	Value		% Change	% Share	
	2021	2020	21/20	2021	2020
AGRICULTURAL PRODUCTS	4,431.0	3,920.7	13.0%	20.0%	22.1%
Food and Live Animals	3,415.5	3,106.2	10.0%	15.4%	17.5%
Beverages and Tobacco	561.3	477.0	17.7%	2.5%	2.7%
Animal and vegetable oils and fats	454.3	337.5	34.6%	2.1%	1.9%
RAW MATERIALS	1,002.9	679.6	47.6%	4.5%	3.8%
Non-edible Raw Materials excluding Fuels	1,002.9	679.6	47.6%	4.5%	3.8%
FUELS	5,754.4	3,866.3	48.8%	26.0%	21.8%
Mineral fuels, lubricants, etc	5,754.4	3,866.3	48.8%	26.0%	21.8%
INDUSTRIAL PRODUCTS	10,638.2	8,988.0	18.4%	48.1%	50.7%
Chemicals and Related Products	3,439.4	2,958.7	16.2%	15.6%	16.7%
Manufactured goods classified chiefly by raw material	3,455.3	2,856.1	21.0%	15.6%	16.1%
Machinery and transport equipment	2,175.5	1,815.4	19.8%	9.8%	10.2%
Miscellaneous manufactured articles	1,567.9	1,357.8	15.5%	7.1%	7.7%
Other and transactions not classified by category	290.5	278.0	4.5%	1.3%	1.6%
TOTAL EXPORTS	22,116.9	17,732.6	24.7%	100.0%	100.0%

* Provisional Data

Source: Eurostat

Among the rest of the European Union, to which total exports increased by 19.8% or €497 million, reaching €3.0 billion, Bulgaria continued to be the main export destination, with an increase in outflows. products to it in relation to 2020 by 11.0% or €100.9 million. Positive developments were noted to two other countries from this group which absorb a significant share of Greek exports, Romania and Poland, to which exports increased by 21.5% or €138.9 million, to €784.6 million, and by 25.9% or €87.3 million, to €424.8 million respectively.

The rest of Europe recorded an increase in demand for Greek exports by 20.1%, from €3.0 billion in 2020 to €3.6 billion in 2021. It was manifested primarily to Turkey, by 22.7%, from €789.6 million to €969.2 million, and secondarily to the United Kingdom, by 6.0%, resulting in exports increasing from €626.0 million in the period January - July 2020 to €663.5 million in the corresponding period of 2021.

Exports to North American countries moved up 30.7% from €832.6 million in 2020 to €1.1 billion a year later, mainly due to an increase in exports to the US by 36.9 %, from €662.5m. last year to €907.0 million in 2021, and to Canada by 21.8% or 18.6 million. By contrast, exports to Mexico declined (-8.8%).

Exports to the Middle East and North Africa increased by 57.3% to €2.9 billion from €1.8 billion, mainly due to the increase in exports to Libya (+104.8 %), where exports in the seven months of 2021 amounted to €524.6 million, compared to €256.2 million a year earlier, but also to Tunisia (+156.7%) recording an increase of €198.3 million in 2021 compared to 2020. Also, to a major export destination in the Middle East, Lebanon, exports increased by 72.7% to €638.8 million, while to the United Arab Emirates increased by 26.0% to €162.6 million. Similarly, to Saudi Arabia they increased by 35.5%, to €255.9 million.

The flow of Greek exports to Oceania increased by 12.9%, with their value in the period January-July 2021 reaching €146.0 million from €129.3 million a year earlier. The rise was due to a similar trend towards Australia, to which exports increased by 8.7% to €128.0 million this year. Similarly, there was an increase towards New Zealand (+55.7%).

Table 3.9

Exports by destination, January -December 2021 (million €)*

ECONOMIC UNIONS – GEOGRAPHIC REGION	EXPORTS		% CHANGE
	2021	2020	21/20
EU (27)	12,187.7	10,284.5	18.5%
Euro Area	9.,177.4	7,771.1	18.1%
North America	1,088.4	832.6	30.7%
BRICS	708.8	642.6	10.3%
Middle East & North Africa	2,873.1	1,826.7	57.3%
Oceania	146.0	129.3	12.9%
Central-Latin America	157.3	128.9	22.0%
Asia	1,642.1	1,188.8	38.1%

* Provisional Data

Source: Eurostat

Exports to the markets of Central-Latin American countries showed a strong increase of 22.0% in the first seven months of this year, with their value amounting to €157.3 million from €128.9 million respectively period in 2020. The increase in exports to the countries of this region is mainly due to the vertical increase in demand for Greek products from

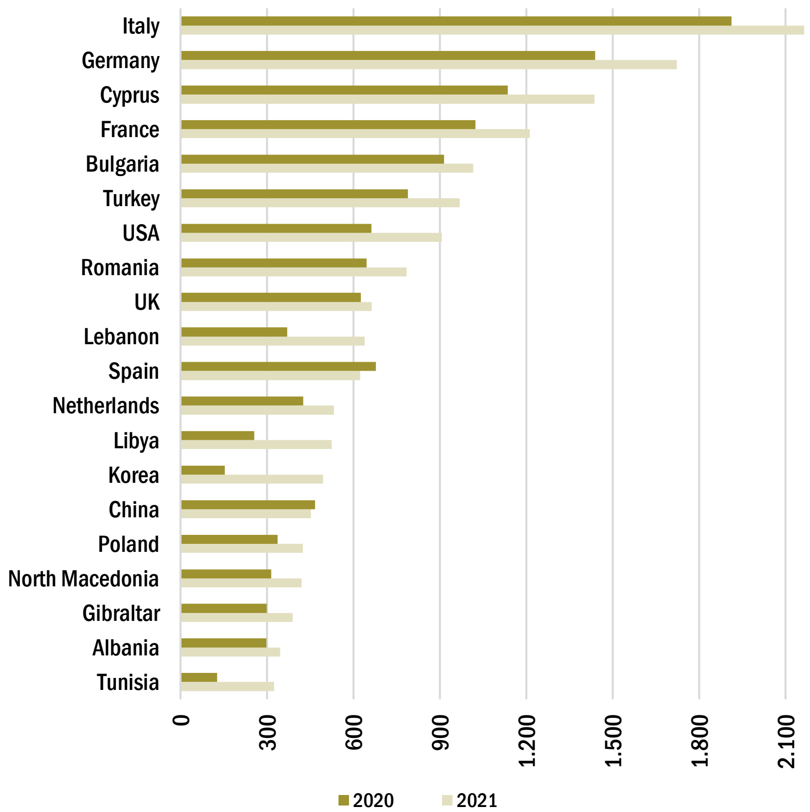
Brazil, by 132.4%, which formed their value at €35.0 million from €15.1 million a year earlier.

International demand for Greek goods increased in Asian countries, to which exports increased by 38.1% last year, to €1.6 billion from €1.2 billion in 2020. This development is mainly due to the vertical increase, by 222.7%, to South Korea, from €153.5 million in the first seven months of 2020 to €495.4 million in 2021, as well as by 224.3% to Singapore, from €59.9 million last year to €194.1 million a year later. By contrast, there was a decline in demand from China (-3.1%, to €453.1 million from €467.4 million in 2020) and Japan (-27.9%, to €156.5 million. from €217.3 million in 2020).

To sum up, Greece's exports of products recorded a significant increase in the seven months of 2021 by 24.7% compared to the previous year. The increase is mainly due to petroleum products, reflecting the rapid rise in their international prices in this period (+48.8%),, but also to the demand for products from some of the other categories of goods. Along with the upward trajectory of Greek exports, there is an increase in the trade deficit, which amounted to €12.4 billion. The continuation of the strong export momentum that has developed until the end of the year will depend mainly on the rapid increase in commodity prices, which affects their demand as well as the particularly increased transport costs.

Figure 3.10

Countries with the largest share in the exports of Greek goods, January - July 2021 (million €)



The highest growth of the exports of goods in the first seven months of 2021 in absolute terms - to South Korea (+€341,9 million). The largest fall - to Japan (-€60.7 million). Italy's share of exports remains the largest.

Source: Eurostat. Data processing: IOBE

3.4 Employment – Unemployment

- Reduction of the unemployment rate to 15.8% in the second quarter of 2021 from 16.7% a year earlier. It came from an increase in employment (+71.3 thousand people) mainly from the reduction of the inactive population (-48.9 thousand people), not from a decrease in the unemployed (-22.4 thousand people)
- The non-seasonally adjusted unemployment rate narrowed in August 2021 to 13.4% from 16.0% in August 2020. The lowest for this period of the year since 2011.
- Highest employment growth in public administration (+52.2 thousand people), human health activities (+25.1 thousand people), professional, scientific and technical activities (+23.7 thousand people) and the primary sector (+18.0 thousand people).
- Largest reduction of employment in Education (-15.7 thousand people) and in Water Supply, sewage treatment (-11.1 thousand people).
- Unemployment fell to around 15.6% in 2021. In 2022, in the baseline scenario the unemployment rate is expected to be around 14.3%, while in the alternative scenario it is expected to be around 14.9%.
- Increase of the seasonally adjusted wage cost index by 3.0% in 2020, following its rise by 0.7% in 2019

According to the Labour Force Survey of ELSTAT, the unemployment rate in the second quarter of this year declined by 0.9 percentage points compared to the second quarter of 2020 and stood at 15.8% from 16.7%. The number of unemployed decreased by 35.8 thousand people or by 4.7%, falling to 732.5 thousand, while the number of employed increased by 1.9% or by 71.3 thousand people, to 3,915.3 thousand from the 3,844.0 thousand. The decrease in the unemployment rate came from the increase in employment (+71.3 thousand people), mainly due to the reduction of the inactive population (-48.9 thousand people), not from a decrease in the unemployed (-22.4 thousand people). It is noted that the non-seasonally adjusted unemployment rate was reduced in August 2021 to 13.4% from 16.0% in August 2020, which is the lowest for this period of the year since 2011.

Regarding the evolution of unemployment in the Eurozone in the second quarter 2021, in eight countries the relative percentage decreased from last year, in one it was unchanged and in 10 it increased. First, in the Eurozone as a whole, the unemployment rate rose in the second quarter. this year to 7.9% from 7.3% in the second quarter of 2020. The highest unemployment rate after Greece is found in Spain, where in this period it was unchanged from last year (15.3%). The largest increase in the unemployment rate occurred in Ireland, resulting in an increase of 7.3% from 5.1%, 2 percentage points, followed by an increase in the unemployment rate in Italy where it stood at 9.6% from 7.7%. Malta, on the other hand, has the lowest unemployment rate, falling to 3.5% in the second quarter of 2021 from 4.6% in the same quarter last year, followed by Germany with a similar unemployment rate (3.6% from 3.8%). The strongest decline in the unemployment rate occurred in Lithuania, with a result from 8.6% to 7.4%. Finally, in the other large economy of the Eurozone, France, the unemployment rate in the period under review rose to 7.6% from 6.8%, while in Cyprus at 8.4% also 6.8%.

Regarding the evolution of gender-based unemployment in Greece, it is declining for men, while it has remained stable for women. Analytically, the unemployment rate for men was reduced by 1.7 percentage points, to 12.4% from 14.1%, while for women both the second trimester last year as well as the second quarter this year amounted to 19.9%. As a result of the above, over the same period the difference between the unemployment rates of men and women increased from 5.8 to 7.5 percentage points. In the Eurozone, the unemployment rate for men rose between the second quarter 2020 and second quarter 2021 from 7.2% to 7.5% and was 0.8 percentage points lower than the unemployment rate for women, which rose faster, to 8.3%, from 7.4%.

As for the evolution of the unemployment rate based on age, it is smaller as the age increases. In addition, the second quarter of 2021 increased in four age categories and decreased in two. Specifically, the highest unemployment rate and its largest increase are found in people aged 15-19, where it rose to 51.8% from 32.5% in the second quarter of 2020. The following is the unemployment rate in the age group 20-24 years, in which the second quarter this year increased marginally compared to the same period last year and stood at 36.6% from 36.4%. The same was the increase in the unemployment rate of people aged 25-29, where the unemployment rate rose to 26.7% from 26.5%. By contrast, in the age groups 30-44 and 45-64 years, unemployment decreased by the same percentage (1.1 percentage points). In the first from 16.2% to 15.1% and in the second from 13.2% to 12.1%. Finally, among people aged 65 and over, the unemployment rate increased from 8.5% to 9.2%.

As for the duration of unemployment, the percentage of the long-term unemployed decreased by 5.2 percentage points, to 61.0% in the second quarter of 2021 from 66.2% in the same quarter of 2020. In the same period, the number of long-term unemployed was reduced by 10.9% or 55.7 thousand people and amounted to 453.1 thousand.

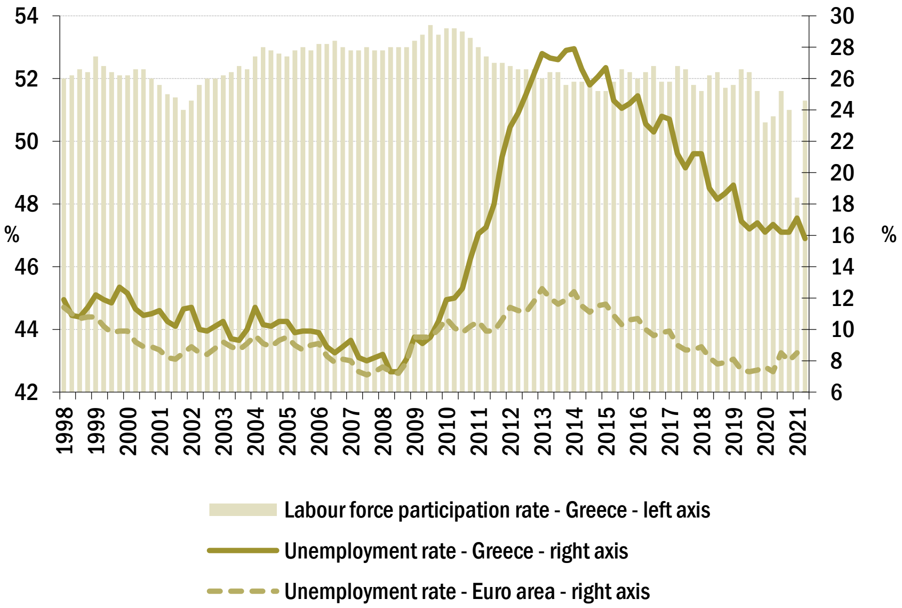
As for the trend of unemployment based on the level of education, the lower the level of education increases over time. The second quarter by 2021 in four categories of education the unemployment rate decreased and in the remaining three it increased. The strongest decrease in the unemployment rate is found in people with a high school diploma and in people with a high school diploma. In the former, the unemployment rate decreased by 2.6 percentage points (from 19.6% to 17.0%) and in the latter by 2.5 percentage points (to 18.0% from 20.5%). Followed by milder reductions in unemployment rates for people with a degree in Higher Technical Vocational Education (from 17.5% to 16.0%) and in the category of education that has the lowest unemployment rates over time, i.e. people with a PhD or Postgraduate degree (from 7.2% to 6.4%). On the other hand, the strongest rise in unemployment is found in the category that has the highest unemployment rates over time, i.e. people who attended some elementary school or did not go to school at all, as the relative rate rose to the second quarter of 2021 to 46.7% from 45.1% in the same period last year. Finally, marginal, by only 0.1 percentage points, was the increase in the unemployment rate among those with a high school diploma (from 18.2% to 18.3%) and among those with a Higher Education degree (from 12.1% to 12.2%).

In relation to the regional dimension of unemployment, in eight regions of the country the unemployment rate decreased in the second quarter this year, it increased to four and to one was unchanged. In the former, the strongest decline in employment occurred in the region of Western Greece where the unemployment rate was reduced to 18.5% in the second quarter 2021 from 22.2% in the second quarter of 2020. Next rank the regions of North Aegean, Central Greece and Central Macedonia, where during the same period the unemployment rate was reduced by 2.6 (from 15.9% to 13.3%), 2.4 (from 19.7% to 17.3 %) and 2.3 (from 18.8% to 16.5%) percentage points, respectively. In Attica, a region that has the lowest unemployment rate in the second quarter this year, it stood at 12.8% from 13.7% a year earlier (down 0.9 percentage points). On the other hand, the strongest increase in unemployment is located in the region of Eastern Macedonia-Thrace, where the relative percentage rose by 4.0 percentage points to 19.8% from 15.8%, followed by an increase in the region of Western Macedonia, where amounted to 3.7 percentage points, reaching 21.6%. Finally, in the South Aegean, that is, in the region where the second quarter this year has the highest unemployment rate, it was at the same level as the second quarter of last year (26.6%).

Figure 3.11

Labour force participation and unemployment rates

Reduction of unemployment in Greece in the second quarter of 2021 to 15.8% from 16.7% one year earlier. In the Euro area, it increased to 7.9% from 7.3%.



Sources: ELSTAT – Labour Force Survey, Eurostat

As for the development of employment based on position in the profession, in two categories it increased and in one fell. In the category of the self-employed, employment increased by 2.7% or by 30.0 thousand people (from 1,109.1 thousand in the second quarter of 2020 to 1,139.1 thousand in the second quarter of 2021), while in the category of employees increased by 44.5 thousand people or by 1.7% (to 2,656.5 thousand from 2,612.0 thousand). Finally, during the same period, the number of people employed as assistants in the family business was reduced to 119.6 thousand people from 122.9 thousand (a decrease of 3.3 thousand people or by 2.7%).

Regarding the evolution of employment in the various professional categories, the second tr. This year, the largest increase in absolute size is found in Persons practicing scientific, artistic and related professions where the number of employees increased by 55.4 thousand people or by 7.2%, reaching 829.8 thousand, followed by similar Special increase of the Specialized farmers, stockbreeders, foresters and fishermen (+25.6 thousand or 6.6%, to 411.2 thousand) and the Specialized craftsmen and practicing related technical professions (+25.5 thousand or +7.7%, at 356.8 thousand). On the other hand the strongest decrease, by 36.6 thousand people, was recorded in the professional category with the largest number of employees, namely employees in the provision of services and salesmen in shops and flea markets (-4.1% or -36.6 thousand, at 855.5 thousand).

With regard to employment status, the number of part-time employees was reduced in the second quarter of 2021 compared to the same period last year by 10.6% or by 37.5 thousand people, falling to 316.5 thousand. By contrast, the number of people with full-time status increased by 3.1% or by 108.9 thousand people, reaching 3,594.0 thousand.

In terms of the employment trend at the level of key sectors, it increased in two and in one in the period April-June this year. The biggest increase in absolute sizes in the second trimester. 2021 took place in the tertiary sector, where the number of employees increased to 2,889.5 thousand from 2,834.9 thousand a year ago (+54.6 thousand or +1.9%). In the primary sector, the number of employees amounted to 444.4 thousand in the second quarter. this year from 426.4 thousand in the same period last year showing an increase of 4.2%. Finally, during the same period, employment in the secondary sector was reduced by 0.2% or by 1.3 thousand people and amounted to 581.4 thousand employees.

At the level of sectors of economic activity, in 12 there was a decrease in employment in the second quarter. of 2021 and in nine rise. The strongest decline in employment in absolute terms occurred in the Education sector where the number of employees was reduced by 15.7 thousand people or by 4.7%, to 320.5 thousand, while the water supply sector is declining; wastewater treatment where employment was reduced by 11.1 thousand people or by 39.9%, to 16.7 thousand. In the most populous sector of the Greek economy, the Wholesale-Retail trade, the number of employees decreased to 700.2 thousand in the second quarter. 2021 from 704.7 thousand a year ago (-0.6%), while in the sector of accommodation and catering services the number of employees was reduced to 316.9 thousand from 321.1 thousand (-1, 3%). On the other hand, the sector with the strongest increase in employment was the Public Administration sector, where the increase reached 15.5% or 52.2 thousand people and their total employment 388.8 thousand. Next, but with a much lower rise, are the branches of Human Health and Social Welfare Activities and Professional, Scientific and Technical Activities. In the first, employment increased by 25.1 thousand people or 9.5%, to 288.2 thousand and in the second by 23.7 thousand people or 10.7%, to 245.7 thousand. Finally, the growth of employment in the primary sector was remarkable, by 18.0 thousand people or by 4.2%, to 444.4 thousand, while employment in Manufacturing increased in the period under review by 1.3% or 4.9 thousand people, reaching 379.4 thousand.

In conclusion, from the employment data at sectoral level, it appears that its rise in the second quarter of 2021 compared to the same period last year came mainly from its rise in the following sectors:

- Public administration (52.2 thousand employed),
- Human health and social care activities (+25.1 thousand employees), as a result of the recruitment of health personnel due to the health crisis
- Professional, scientific and technical activities (+23.7 thousand employees) and
- Primary sector (+18.0 thousand employed) despite its fall in:
- Education (-15.7 thousand employed) and
- Water supply, wastewater treatment (-11.1 thousand employees).

As for the trend of the seasonally adjusted wage cost index for the entire Greek economy, it showed an increase for the sixth consecutive quarter. Specifically, the second trimester. this year amounted to 2.5% compared to the same quarter last year, at 112.7 points.

Figure 3.12

Seasonally adjusted wage cost index and percentage point change

Increase in the seasonally adjusted wage cost index in Q2 2021 by 2.5% year on year

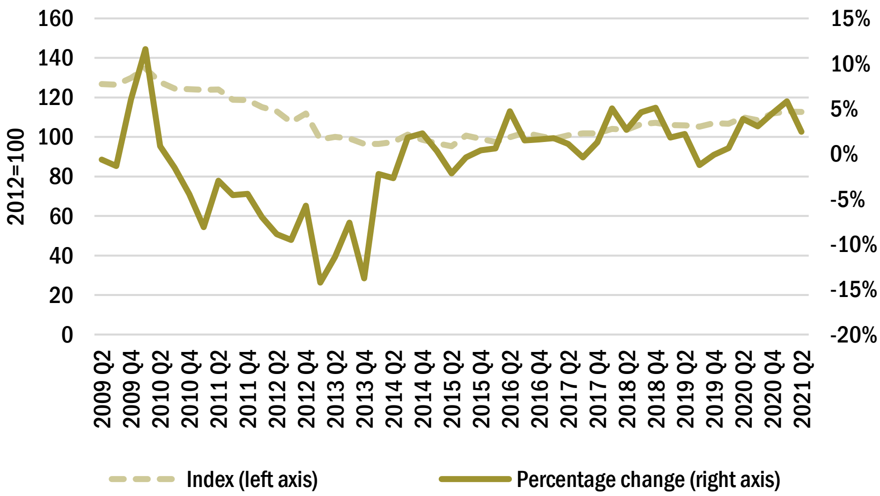


Table 3.10

Population aged 15 years and over by employment status (in thousands)

Reference period	Total	% of Population	Employed	Percentage (%) of the labour force	Unemployed	Percentage (%) of the labour force
2015	9,246.6	52.0	3,610.7	75.1	1,197.0	24.9
2016	9,212.8	52.1	3,673.6	76.5	1,130.9	23.5
2017	9,176.9	52.1	3,752.7	78.6	1,027.1	21.5
2018	9,140.2	51.9	3,828.0	80.7	915.0	19.3
2019	9,103.5	52.0	3,911.0	82.7	818.9	17.3
Q1 2020	9,083.8	50.6	3,852.6	83.8	745.1	16.2
Q2 2020	9,080.5	50.8	3,844.0	83.3	768.3	16.7
Q3 2020	9,077.3	51.6	3,926.8	83.8	756.4	16.2
Q4. 2020	9,074.2	51.0	3,878.5	83.8	750.1	16.2
2020	9,079.0	51.0	3,878.5	83.7	755.0	16.3
Q1 2021	9,070.8	48.2	3,625.1	82.9	745.4	17.1
Q2 2021	9,067.1	51.3	3,915.3	84.2	732.5	15.8

Source: ELSTAT, Labour Force Survey

Medium-term outlook

During the summer season, economic activity in the country was greatly normalized as the majority of the strong restrictions imposed due to the health crisis were gradually abolished or eased, such as in hyperlocal-inter-regional movements, the mandatory rate of teleworking in the public and private sectors, the appointments in the Retail Trade, the suspension of operation in catering, Tourism, open cultural sites (theatres, concerts). It should be noted that since the beginning of October, the restrictions on Catering and Entertainment in stores for the purely vaccinated, even in areas with a high epidemiological load, have been completely lifted, as well as the ban on traffic in them for the fully vaccinated. Also, the school year started and continues with live lessons. At the same time, the vaccination coverage of the population is expanding, although at a declining rate since the end of June, with the result that by the beginning of October, 64% of the population of the country over 10 years old has been fully vaccinated. The daily positive rate of tests is declining and is lower than the EU average around mid-September. Also, the daily number of victims has been declining since the beginning of August, which is at levels much lower than those of last winter, for a similar number of cases.

Therefore, despite the lifting or easing of most of the restrictions for about four months, the epidemiological data show a tendency of slight improvement in the recent period, a development which can be attributed to the progress in vaccination, the use of self-tests, etc. This trend is the opposite of that of a year ago and creates expectations that the economy will continue to operate with the current, low-intensity restrictions (e.g. number of customers per square meter) as well as with local restrictions, in case of significant deterioration of epidemiological data. In addition, it is the main assumption in the macroeconomic forecast scenario of IOBE for 2021 and the basic scenario for 2022. Instead, the alternative 2022 forecast scenario is based on new, strong pandemic outbreaks. However, their effects will not be as strong as those of previous outbreaks, thanks to advances in vaccination, the use of self-tests, etc. In such cases, few but clearly targeted public health protection measures are expected (eg traffic restriction for a few hours at night, reduction of people inside the shops, click inside, closure of entertainment centres, targeted restrictions on travel between prefectures) .

As mentioned in previous IOBE bulletins, the trend in unemployment in 2021 will depend, in addition to the dynamics of the health crisis, domestically and internationally, and on the pace of recovery in the Eurozone, which significantly affects exports, on the range of support measures. businesses and households against the pandemic, from the activity in the Tourism sector and the degree of implementation of the Recovery Fund, which will determine the level of investment activity. To these factors has recently been added the evolution of inflation, following its significant acceleration worldwide by the sharp rise in prices for energy products. These factors determine the assumptions of macroeconomic forecast scenarios for 2022.

In terms of the expected effects of the pandemic, if there is no new strong resurgence in the last quarter of the year and within 2022, then most companies in the retail, tourism, catering, arts and entertainment sectors, which were affected in largely suspended due to the pandemic, are expected to operate, with positive effects on their employment from the gradual normalization of socio-economic conditions. The strengthening of consumer demand will be mitigated at the end of 2021 and at the beginning of 2022 by the strong inflation, which will gradually weaken within the next year. But transfers, both due to inflationary pressures and partly due to the pandemic, will curb this effect. In the case of the alternative scenario, no significant restrictions will be placed on the operation of the businesses again. However, mainly due to caution in the face of potential adverse developments, companies will make fewer recruitments. In addition, consumer demand will increase more slowly, despite the recovery of some business and household support measures, as consumer sentiment weakens. But inflation will also be milder, possibly reversing during the second half, so real income will be less restricted.

Especially in terms of tourism developments, the rise in activity this year will be stronger than expected earlier this year, due to its significant escalation in the third quarter and the expansion of the tourist season. The decline in international arrivals at the country's airports weakened significantly in the June-August quarter compared to their level in 2019, at 33.6%, compared to an average contraction of 91.6% in the two months April-May. Overall, revenues from international tourism are expected to reach 50% of their level in 2019, probably slightly higher. Then the boost in employment will be greater. For 2022, the basic scenario envisages further significant expansion of revenues, in the area of 80-90% of 2019, with a corresponding, strong positive impact on employment. Enhancement of international tourism and employment in the sector is also foreseen in the case of the alternative scenario, since it is not expected to be suspended, nor to travel from abroad, but travel restrictions will probably be imposed based on the epidemiological data of each country. Then, the tourist season will be extended from last year, because it will start earlier in June, with tourist receipts amounting to milder, at 65-70% of their level of the year before last.

Faster than expected earlier this year will be the recovery of the Eurozone, which will be in the region of 5.0%, according to the latest IMF forecast, compared to a previous forecast of 4.4%. Therefore, the increase in export demand will be stronger than expected, supporting employment in export sectors, mainly industry. An equally significant recovery (4.3%) is forecast for next year, a rate that is also the premise of the key macroeconomic scenario, so the significant boost from exports to employment will continue. If the pandemic recovers, GDP growth is expected to slow slightly, in the range of 3.0-3.5% and respectively the demand for Greek exports from the region which is the main export constraint of the country.

The increase in investment in export-oriented sectors of industry and tourism, but mainly the use of RRF resources, as well as the start of investments in significant privatisations, as in Hellinikon, will significantly boost job creation in the coming year in Construction, among other sectors.

In addition to the above, the public sector will be stimulated in domestic employment in 2022, first through the temporary employment programs of OAED. Regarding these, the JMD is expected soon, which will concern the new community service program for 25,000 positions of beneficiaries in municipalities, regions and other public bodies. In addition, there are plans for 12.0 thousand recruitments next year to fill regular staff positions in the State, under the rule one recruitment for each departure, while there will be about 3.8 thousand additional recruitments of regular staff in the Ministries of National Defence, Environment and Energy, Climate Crisis and Civil Protection, at the National School of Public Administration and Local Government and at OSY and STASY.

Taking into account the above effects on the labour market, the estimate for the unemployment rate in 2021 is revised to improve in the region of 15.6%. Regarding 2022, in the basic scenario the unemployment rate is expected to be in the region of 14.3%, while in the alternative scenario in the range of 14.9%.

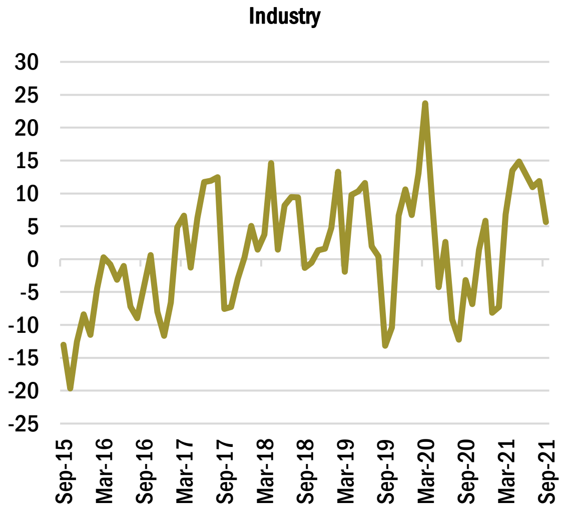
According to the latest data of the IOBE Business and Consumer Surveys, in the quarter July-September 2021 in relation to the second quarter of the year, there is an improvement in the forecasts for the short-term employment prospects in all sectors except Industry, while in Retail trade forecasts remained almost unchanged. Compared to the same period in 2020, there was a significant increase in Construction and Services, a milder one in Industry, while a sharp decline was observed in Retail trade. In more detail:

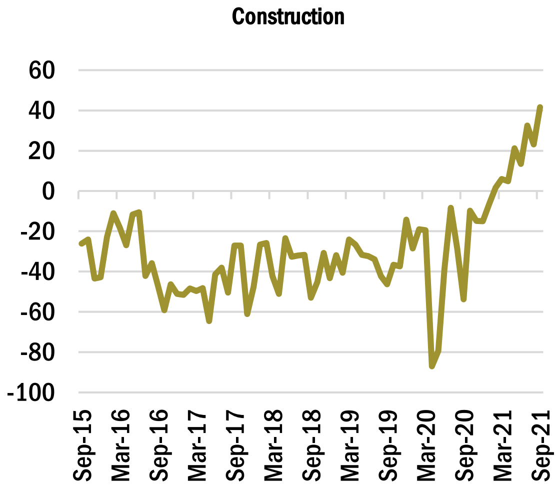
In Industry, the average balance of the previous quarter from +14 points in the second quarter of 2021, fell slightly and stood at +9 points. Compared to the same period last year, the average quarterly index is higher by about 18 points. In the quarter under review, the proportion of industrial enterprises that predict a fall in their employment in the coming period is at 4%, as in the previous quarter, while the percentage of those who expect an increase in the number of their jobs weakens to 13% (from 18%). However, the vast majority of enterprises in the sector (83%) foresee stability in terms of employment.

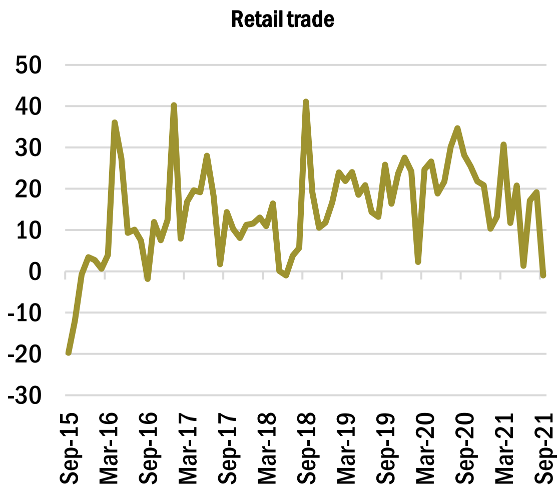
In Construction, the relevant forecasts suggest a strong improvement in the sector's employment balance, which strengthened significantly from +13 points to +32 points, at a much higher level compared to the same period in 2020 (+63 points). In the quarter under review, only 8% (out of 17%) of companies in the sector forecast fewer jobs, while 41% (up from 30%) is the proportion of respondents expecting employment to rise. At the level of individual sectors, the slight improvement of the relevant index in Public Works (+16 from +4 points) is accompanied by a significant strengthening of the index in Private Construction (+47 from +24 points).

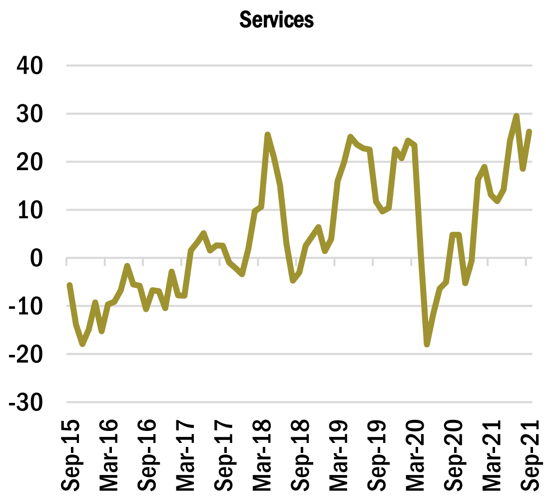
Figure 3.13

Employment expectations (difference between positive and negative responses)









Source: IOBE

During the July-September 2021 quarter, compared to the previous quarter, there was an improvement in the forecasts for the short-term employment prospects in all sectors except Industry, while in Retail the forecasts remained almost unchanged.

The retail employment forecast index strengthened marginally in the second quarter of this year compared to the previous quarter, to +12 points (from +11), a performance significantly lower than last year's (-19 points)). Only 2% of businesses in the sector expect job losses, while 14% (from 13%) predict employment growth, with those expecting stability to be at 83% (up from 85%) of the total. In the individual sectors examined, there is a significant decrease in the relative balance in the household equipment sector and milder in the Vehicle-Spare Parts sector, while on the contrary there is a significant increase in the Textiles-Clothing-Footwear sector and a slight improvement in Department Stores. In the Food and Beverage sector, the relevant balance remains unchanged.

In the Services, the relevant forecasts in the examined quarter indicate a slight improvement compared to the previous quarter, and even greater than in the corresponding period of last year. Thus, the relative balance of the second quarter of 2021 strengthened by 8 points to +25 points in the examined quarter, while compared to the corresponding period of 2020 it improved by 27 points. Of the sector's businesses, 4% (from 3% in the previous quarter) expect employment to decline, with the percentage of those predicting growth at 29% (from 20% in the previous quarter). At the sectoral level, the trend is strongly upward in the various business activities and in the Intermediate

Financial Institutions sector, milder in land transport, while it is significantly downward in Hotels-Restaurants and the IT sector.

3.5 Consumer and Producer Prices

- Inflation of 0.2% in the first nine months of 2021, against a deflation of 1.0% a year ago. Negative effect on prices from indirect taxes and demand.
- HICP change rate with fixed taxes and without energy -0.7% in the first eight months of 2021, from 1.1% a year ago
- Overall in 2021, CPI is expected to strengthen on average by 0.6-0.8%, due to stronger demand, and strong price growth in energy products.
- For 2022, unless there is a new outbreak of the pandemic and general restrictive measures, inflation is forecast to be marginal, at 0.3% to 0.5%, due to stronger demand and a likely slight rise in energy prices.
- In the event of new outbursts of the pandemic in winter (e.g. new mutations of the virus), the change in the Consumer Price Index is predicted to reach -0.3% to -0.5% in 2022, driven by a decline in demand and a reduction in indirect taxes.

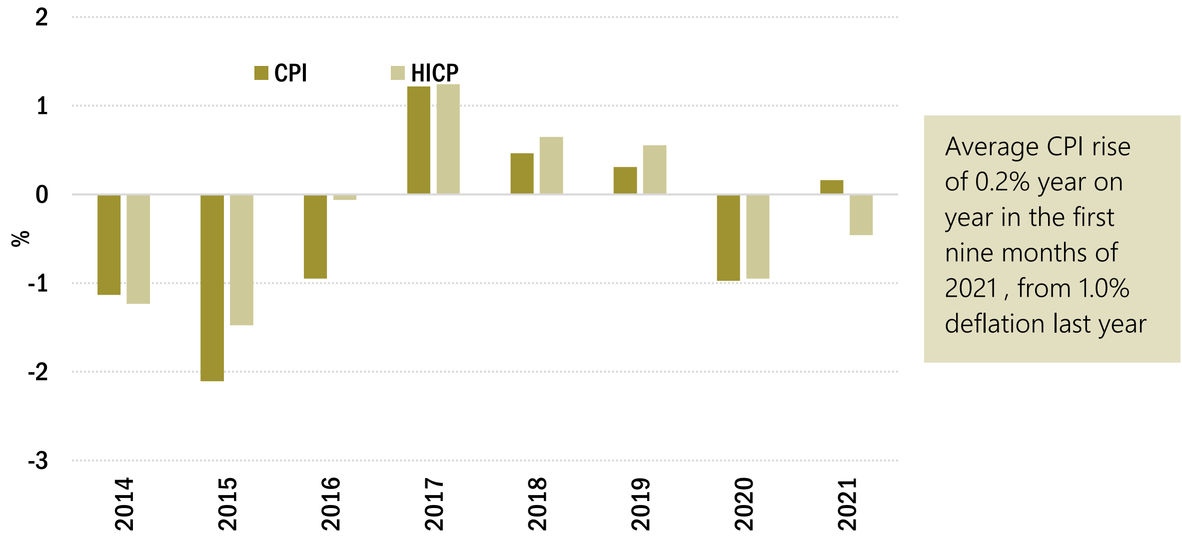
Recent developments

In the period January - September 2021, there is an average slight increase in prices compared to a year ago, with the average rate of change of the National Consumer Price Index (NCI) being 0.2%, from a decline of 1.0 % a year ago. The Harmonized Consumer Price Index (CPI) recorded a decline for the second consecutive year, by 0.5% in the nine months of this year, from a weakening of 0.9% in the corresponding period last year. In September 2021 the domestic CPI increased marginally, to 2.2% from 1.9% in the previous month, while in the same month of 2020 it fell by 2.0%.

Regarding the effects of the HICP components on its trend in the period January - August, for which data are available, the decline of the harmonized index, by 0.8%, as in the eight months of 2020, is due to both indirect taxes and in domestic consumer demand, as the change in the index with fixed taxes and without energy goods was negative, by 0.7%. Therefore, it seems that domestic demand also had a significant negative effect on price changes. The impact of taxation on prices in the period January-August of this year was negative and more intense, by 0.6 percentage points, from 1.2 percentage points in the respective period of 2020.

Figure 3.14

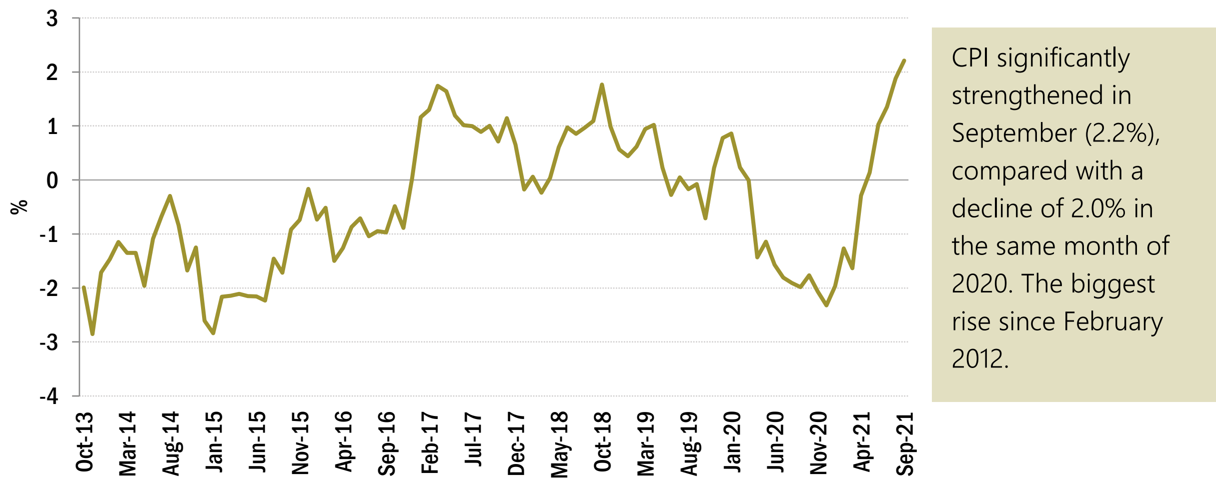
Annual change in the domestic CPI and the HICP in Greece (January - September)



Source: ELSTAT. Data processing IOBE

Figure 3.15

CPI in Greece (annual percentage change per month)



Source: ELSTAT. Data processing IOBE

Regarding the developments in the prices of energy goods and their impact on the HICP, the average international oil price in the period January - August of this year marked a strong increase compared to the same period in 2020. In particular, the average price of Brent crude oil in the eight months of 2021 stood at $ 66.9 / barrel, from $ 41.2 / barrel a year ago, an increase of 62.5%[10]. The strengthening of the average exchange rate of the

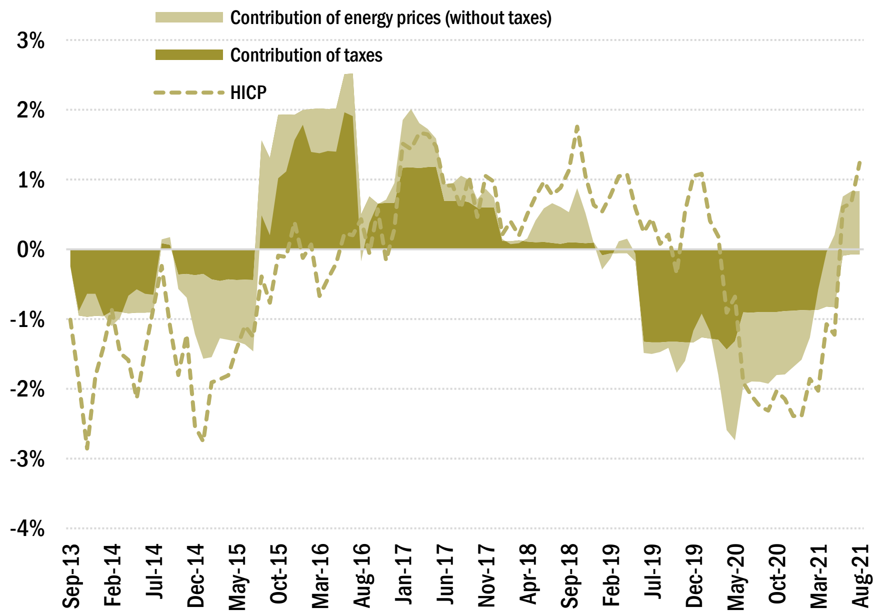
[10] Average period prices based on Europe Brent Spot Price. Source: EIA, US Energy Information Administration https://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm

euro against the dollar in the same period, by 7.2%, to 1.20 against 1.12, mitigated the rise in the price of oil in euros, with its average price reaching €55, 9 / barrel, 51.6% higher than last year. The strengthening of the price of oil, which is a key component of energy costs, explains the positive average effect of energy prices on the rate of change of prices domestically in the period January - August of this year, by 0.5%, from a negative effect. 0.7% a year ago.

Figure 3.16

Annual rate of HICP change in Greece and impact of energy product prices and tax changes

Negative tax impact on prices in January-October 2021, by 0.6 pp, compared with a stronger impact last year (-1.2 pp.)



Source: Eurostat. Data processing IOBE

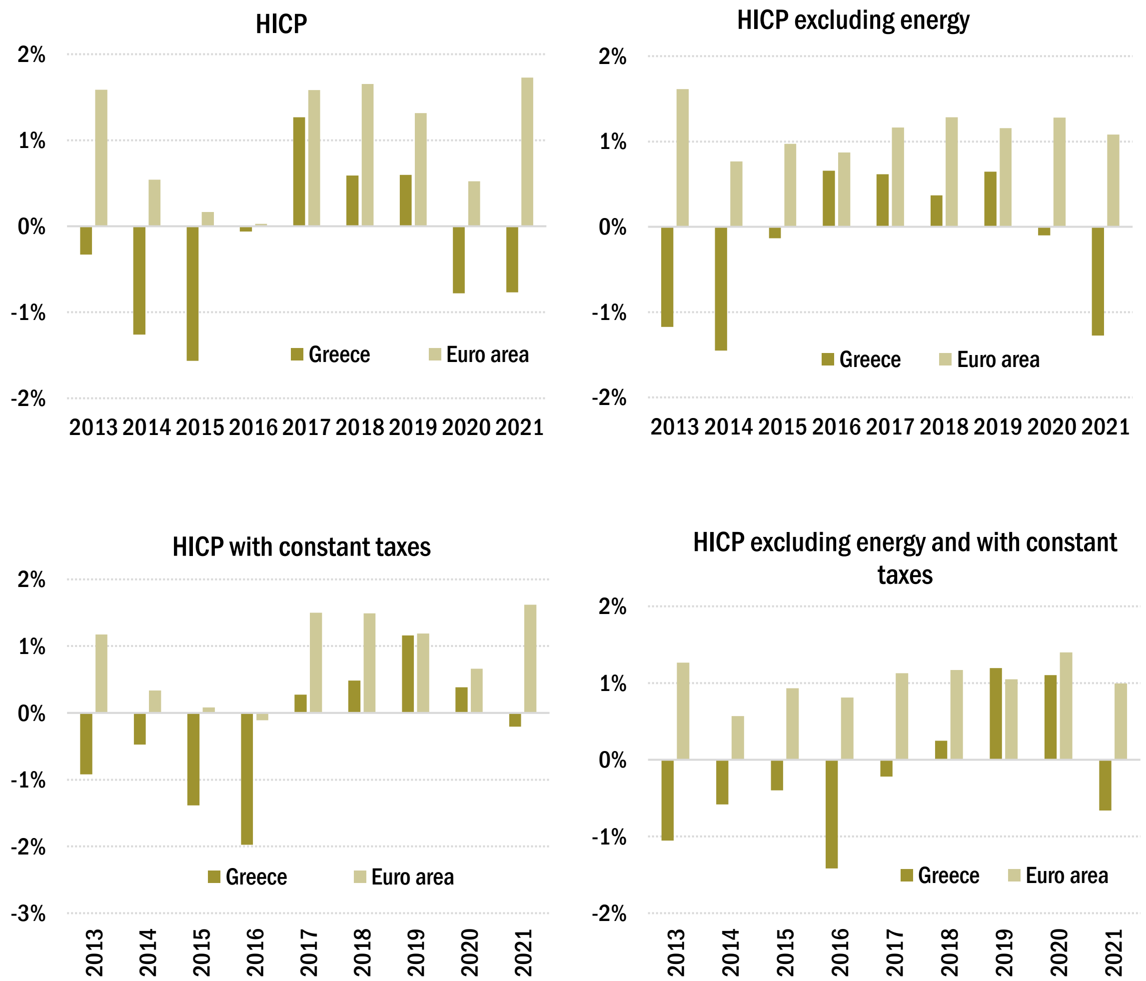
The decline in the price level in Greece based on the HICP in the eight months of this year, in contrast to its average in the Eurozone which is high, ranks the country in last place among the eurozone countries. Also, Greece is the only country with deflation. The average change of the HICP in the euro area was positive (1.7% from 0.5% last year). Portugal (0.3%) and Malta (0.4%) are at a slightly higher level of change than Greece. Domestic demand seems to have been the main driver of price growth in the Eurozone, as the price index with fixed taxes and excluding energy goods increased by 1.0% in the period January - August 2021 compared to the same period of 2020, when it increased by 1.4%.

Regarding the trends in the categories of products and services included in the General Price Index, the largest increase in the period January – September of this year was recorded in Transport and Housing, reflecting the significant increase in the prices of energy goods. The rise in prices for the Transport category was 7.8% from a sharp decline of 7.9% a year ago, while in the Housing category it was 4.7% from a weakening of 6.0% in the first nine months of 2020. The change in the Nutrition was smaller, where there was an increase of 3.1% from a milder increase of 2.4% a year ago, while Education followed an increase, with 0.9% from 0.6% a year ago. The categories of Durable Goods and Hotels showed mild positive changes, by 0.6% and 0.5%, respectively, from a decline of 1.0% in both in the nine months of the previous year. Prices in Health and Alcoholic Beverages - Tobacco were almost unchanged, from a decline of 1.2% and almost stability respectively a year ago. The lowest decrease was recorded in the categories of Leisure and Clothing -

footwear, by 0.4%, and 0.5% respectively, after a decrease of 1.2% and stability a year earlier. Slightly higher was the decline in prices of other goods (-0.8%) compared to a decrease of 1.5% in the corresponding period of 2020. The sharpest decrease in prices was recorded in the category of Communications, by 2.5%, compared to a decline of 2.4% a year ago.

Figure 3.17

Annual HICP change in Greece and the Euro area (January - August)



Source: Eurostat. Data processing IOBE

Price decrease domestically in the first eight months of 2021, driven by the negative impact of indirect taxes and consumer demand (0.6 and 0.7 percentage points, respectively)

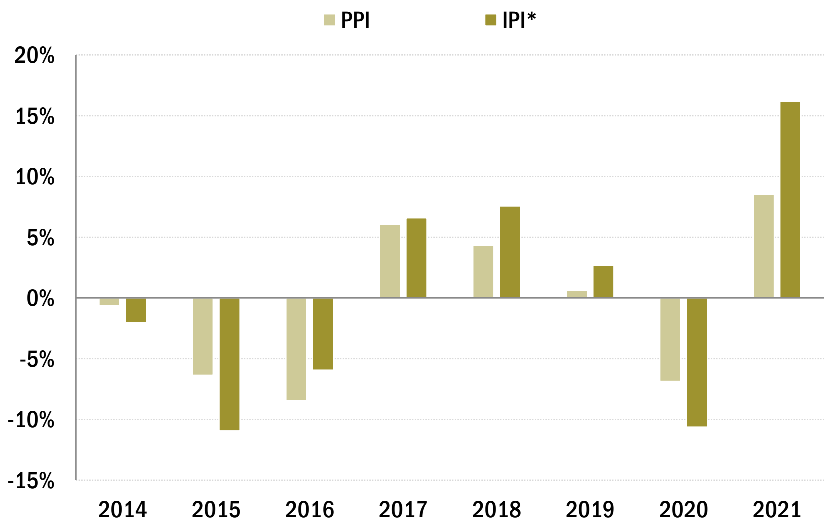
Regarding the price trends on the production side, in the period January – August 2021, for which data are available, the General Index of Producer Prices (GIPP), domestic and external market as a whole, recorded an increase of 8.5% compared to its level in the same period a year earlier. In detail, the GIPP excluding energy, strengthened in the eight months of 2021 by 36.3%, compared to a sharp decline in the corresponding period of 2020 (-30.5%). Regarding the trends in the prices of industrial products, the largest increase was recorded by Crude oil and natural gas, and Coal and lignite, with 53.8% and 42.7%, followed by a decrease of 25.1% and an increase of 17.4 %, respectively, one year ago. A significant increase in producer prices was also recorded in petroleum refining products, by 35.8%, compared to a decline of 32.7% in the same period of 2020. At a much lower level of positive change followed the Electrical Equipment, with 14.7%, compared to a decrease of 2.7% a year ago. Milder trends in producer prices rose were recorded in Base metals (+8.7%_ versus a decline of 1.4% in the eight months of 2020, but also in Ores, (+5.2%), compared to a decline of 3.5% a year ago. On the other hand, the trend in producer prices in computers was downward, as much as a year ago (-3.5%). Milder was the weakening in Tobacco Products, by 2.8% following a marginal strengthening in 2020 (0.2%). Producer prices also fell in pharmaceuticals, by 1.1% compared to a decrease of 1.6% a year ago.

Regarding the evolution of the General Import Price Index (GIPI) in the period January-July this year, for which data are available, showed a significant increase, by 16.2%, compared to a decline of 11.0% a year ago. Significantly lower than domestic levels, the strengthening of the same index at the Eurozone level (+7.0%), compared to a weakening (-5.4%) in the corresponding period of 2020, stood at a significantly lower level than the domestic one. The strong rise in import prices ranks Greece in second place in terms of their strengthening among ten Eurozone countries for which data are available for this period, with Lithuania leading the rise (20.8%). It should be noted that in all Eurozone countries for which data are available, import prices have increased in the period under review compared to a year ago, a trend which mainly reflects the increasing effect of the sharp rise in energy prices.

Figure 3.18

Annual change of PPI and IPI in Greece (January - August)

Rise in import prices (16.2%) in January-July 2021, mainly due to a positive effect of energy prices. Moderate increase in producer prices (+8.5 % in the first eight months of 2021).



Source: ELSTAT. Data processing IOBE

*Data for January-July

Among the sub-categories of imported products, the largest increase in the seven months of 2021 was recorded in crude oil prices, by 57.4%, mainly due to the positive impact of the prices of energy goods, compared to a decrease of 29.7% in the corresponding period of 2020. Slightly softer was the support for Petroleum Refining Products, 41.9%, from a decline of 33.3% in the same period of 2020. Upward trends are found in the Electricity Supply, by 14.4%, and the Basic Metals, by 13.2%, from a weakening of 5.3% and 5.4%, respectively in the same period 2020. By contrast, a decline in prices was recorded in the period January - July of this year in Pharmaceuticals, by 5.5%, and in Tobacco Products, by 3.5%, followed by a rise of 0.5% and a decline of 1.4% respectively. year ago.

Box 3.2

Effects of prices on energy commodities on consumer prices

In the current period there is a significant rise in prices worldwide, which is mainly the source of the increase in the prices of energy products. It not only has a direct effect on the prices of certain categories of goods and services, such as the cost of transport, electricity, but also indirectly, as energy is one of the main factors of production, with the result that an increase in its prices spreads to all products and services, depending on its use in their production. The purpose of the following analysis is to present the trends in energy prices, in the current period and over time, to examine the correlations between their fluctuations and trends in prices of individual important categories of products and services of the HICP, but also to present the overall impact of such changes on the consumer price index trend.

The significant increase in energy prices in 2021 stems mainly from the strong demand created by the strong recovery worldwide. However, price support is also exerted by a number of other, conjunctural factors. In particular, the prolonged winter this year in the northern hemisphere has limited gas reserves in the countries of central and northern Europe. In the U.S., the particularly hot summer, especially in the northwest, led to unprecedented air conditioning demand and natural gas consumption. In addition, oil and gas production in the Gulf of Mexico was hit hard in late August by Hurricane Ida and its restoration has not been completed. Oil prices have been affected over time by OPEC + countries (including Russia) through adjustments in their production. In April 2020, they decided to cut their production by 9.7 million barrels per day in the May-June period, a reduction that extended to July. After this month, the reduction in production gradually subsides. In July 2021, OPEC + members decided to increase their daily production by 400 thousand per month from August, until the then existing limit of 5.8 million barrels per day is exhausted. Subsequently, unless unexpected, the adjustment process will be completed in September 2022.

In detail, regarding the evolution of the prices of energy products this year, during the period January – September, the price of Brent oil reached an average of $67.87 per barrel, recording an increase of 64.8% compared to the same period of the previous year (Chart 1). In September, the price of Brent stood at $ 74.48 per barrel (+82.1% compared to the same month last year). Corresponding price increases are noted in the price of natural gas. In particular, in the period January - July the price of natural gas (US Natural Gas *) was 96.7% higher than a year ago, approaching $ 7.8 per million Btu **. In July, the price of gas stood at $ 9.35 per million Btu, up from $ 4.54 per million Btu in the corresponding month of the previous year.

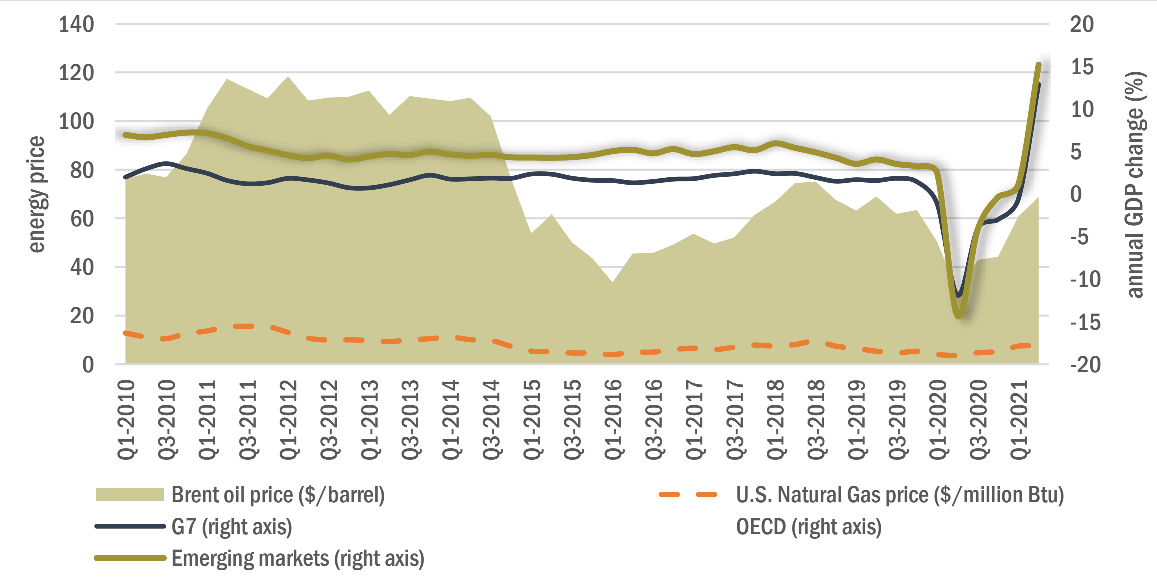
Examining the most significant fluctuations in energy commodity prices since 2010 and their correlation with price changes domestically, in 2011 the international oil price rose 39.9% compared to a year earlier, exceeding $ 111.2 per barrel, following a rise of 29.3% in 2010. An upward trend was recorded in 2011 in the price of natural gas, by 27.4%, with its price reaching $ 15.01 per million Btu from $ 11.8 per million Btu in 2010. The rise in the price of natural gas in 2010 it stood at 32.5% compared to 2009. Global economic activity continued to recover despite significant increases in energy prices in both 2010 and 2011. In both years there was a strong domestic increase in prices in the Housing and Transport categories, which are included in the Harmonized Index of Consumer Prices (HICP) and are affected by the prices of energy goods more than other.

* This is a composite price that is generated daily by Bloomberg and includes prices for different categories of liquefied natural gas in Mont Belvieu, Texas, weighted by the corresponding production volume of each product category, as stated in the EIA-816, "Monthly Natural Gas Liquid Report" US Department of Energy, Energy Information Administration

** Btu is the energy needed to heat 1 pound of water in order to raise its temperature by 1 degree Fahrenheit

Figure 3.19

Evolution of prices of energy products and rate of economic growth



Source: U.S. Energy Information Administration, OECD

Specifically, in 2010 the housing price index recorded an increase of 7.4% compared to a year ago, which escalated further in 2011 (+8.3%, Chart 2). In Transport, price increases in 2010 and 2011 reached 3.7% and 2.6% respectively. The rise in prices in both Transport and Housing was among the strongest among the HICP categories. During this period, the HICP without taxes also showed a significant increase, which highlights its correlation with the above trends. Specifically, in 2010 its rate of change was 1.4% and the following year at a slightly lower level, 1.2% the following year, from just 1.1% in 2009.

In order to examine the correlations between the changes in the prices of energy goods with the evolution of prices in other basic consumer products, the trends in the producer price index of the industries that produce them, for the internal market were examined. These indicators were preferred over indices for the same product categories entering the HICP, as the latter are also influenced by factors other than production costs, such as indirect taxes, consumer demand, while the former are more dependent on energy costs. In the two years 2010-2011, a sharp increase, clearly higher than the inflation rate, presented the producer costs in Electrical equipment (such as household appliances, electrical equipment, lighting), by 10.4% and 9.4% respectively (Chart 3). Significant increase was recorded in 2011 in the production costs of Paper Products (+3.7%) and Food-Beverage (+2.9%), faster than the HICP. Trends in the cost of production of Clothing and Furniture changed between the two years and were quite mild.

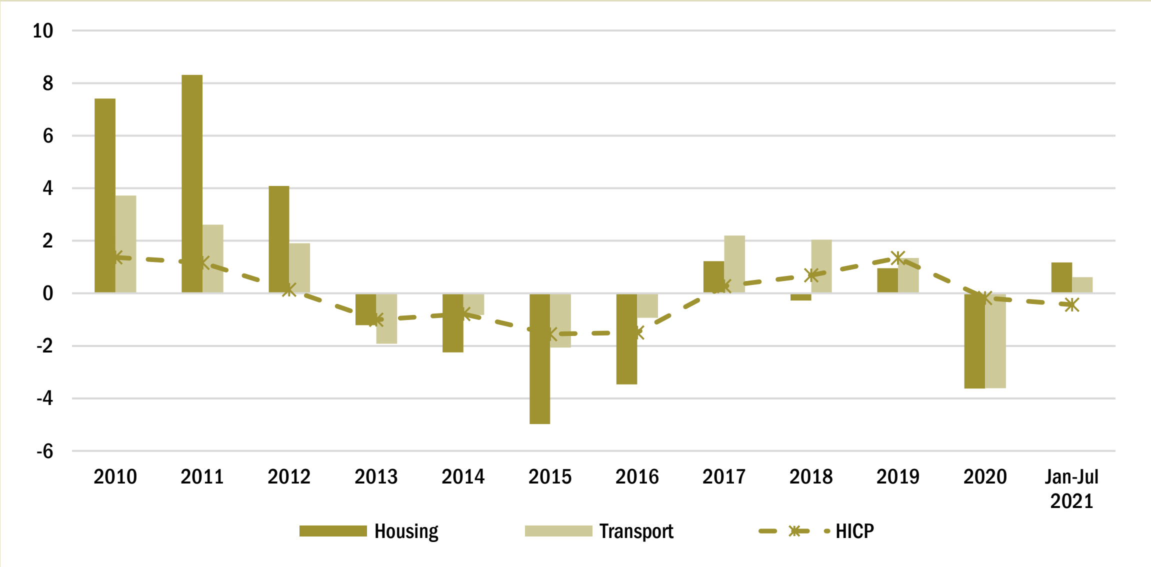
On the other hand, producer prices for pharmaceutical products declined successively, by 9.3% and 6.7%, respectively, so it seems that they were not affected by the particularly high energy costs.

In 2015, there was a sharp decline in the price of Brent oil compared to the previous year, by an average of 47.1%, resulting in $ 52.4 per barrel. The weakening of the price of oil continued in 2016, by -16.8%, reaching $43.5 per barrel. In 2016, the price of natural gas stood at $ 5.0 per million Btu, marking a marginal increase of 0.8% compared to a year ago, then, however, a significant decrease, 48.3% in 2015. However, the sharp decline in the prices of energy goods does not limit global output. Similar trends prevailed during the same period in the price index of the housing and transport categories. In 2015, the rate of change in housing and transport prices stood at -5.0% and -2.1%, respectively, while in 2016 there was a price decline in the two categories of 3.5% and 0.9% respectively. The decline in housing prices for both years was the strongest among the HICP categories. At the same time, the HICP without taxes recorded a significant but milder decline, with its rate of change reaching -1.6% in 2015 and -1.5% in 2016. In the industries that produce mostly consumer goods, the domestic producer price index related to the Production of Electrical Equipment fell sharply in 2016, by 4.9%, however a year earlier it had increased by

2.4%. The cost index for Paper Products declined slightly lower by 1.1% in 2015, followed by a further weakening of 1.8% a year later. Milder was the fall in the cost index in Pharmaceuticals, by 0.9% and 2.4%, respectively, while a marginal downward trend was recorded in Food-Beverages in both years. Trends in the cost of production of Clothing and Furniture have changed again between the two years, from a slight rise to stability.

Figure 3.20

Changes in HICP, Housing and Transport (excluding taxes)



Source: Eurostat

Housing and Transportation prices fell by 3.6% in 2020 in both categories, marking the strongest falls among the HICP categories. On the other hand, in the period January-August of this year they recorded a slight increase (Housing: 1.6%, Transport: 1.1%), with no other HICP product category recording an increase. Last year and in the eight months of this year, the changes of the HICP without taxes were much milder, as it was unchanged and decreased marginally (-0.2%). But without the effect of these categories, its tendency would be clearly negative, as will emerge from the following analysis.

There was a significant decline in global economic activity in 2020, mainly due to reduced demand, while in the first eight months of this year, global output recorded a significant recovery.

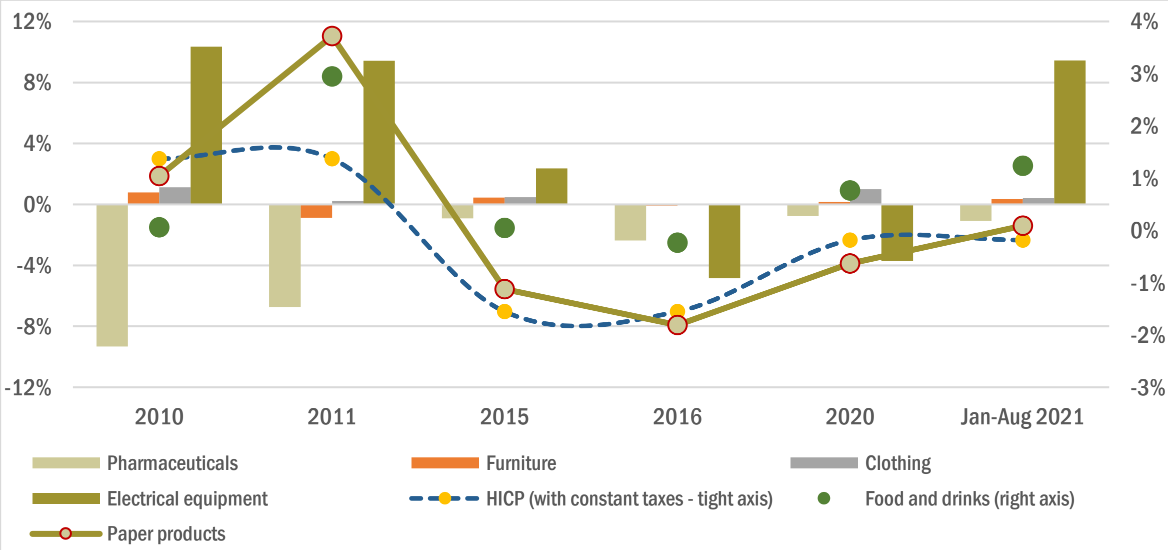
In terms of price trends in industrial sectors - producers mainly of consumer goods, in 2020 there was a significant decline in electrical equipment, by 3.7%, while the weakening was the weakening in Pharmaceuticals, -0.8%, and in Paper (-0.6%).

On the other hand, Food-beverages, Clothing and Furniture recorded a mild rise, possibly as a result of increased consumer demand last year for specific product categories. The period January – August this year recorded a significant strengthening of the index in the Production of Electrical Equipment (+9.4%), with Food-Beverages following (+1.2%). Lower increases were recorded in the other product categories (Clothing, Paper Products and Furniture). However, in all cases the price trend was opposite to that of the HICP, highlighting the increasing effect on producer prices of factors other than consumer demand and indirect taxation. By contrast, the producer price index in Pharmaceuticals fell by 1.1%, again showing that it has no obvious effect on the cost of energy goods.

The analysis concludes by presenting the overall impact of energy commodity prices on the change in the harmonised index of consumer prices, excluding the effect of taxes. Analytically, in the two years 2010-2011, when the HICP increased by 1.4% and 1.1% respectively, the higher prices of energy goods resulted in a positive effect of 0.9 and 1.2 percentage points of the HICP (Chart 4). Therefore, without this effect, the index would either increase marginally or decline.

Figure 3.21

Change in the Producer price index, internal market, consumer goods



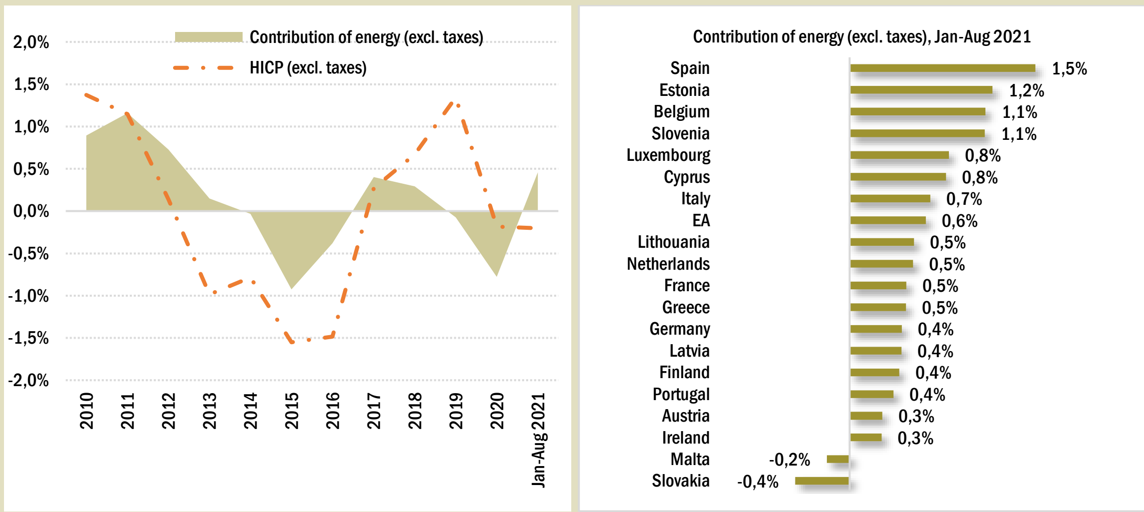
Source: Eurostat

In the two-year period 2015-2016, when the HICP without taxes declined by 1.6% and 1.5% and there had been a decline in the prices of energy goods internationally, this had a negative impact on the change in the index by 0.9 and 0.4 percentage points. Therefore, the fall in prices in 2015 would have been much smaller had it not been for a fall in energy goods, while a year later it would have moderated to a small extent. The impact of the price of energy goods last year on the HICP excluding taxes was marginally negative, by 0.2 percentage points. However, with the exception of that, the HICP excluding taxes would not have had the same intensity of decline in 2020 and would be unchanged. In the period January – August this year, the strengthening of the prices of energy goods has a mild positive impact of 0.5 percentage points, holding the HICP's decline to -0.2%. Therefore, the impact of energy commodity prices on the HICP explains a significant part of its trend, whenever it has changed sharply since 2010. An exception, for the time being, seems to be the case for the eight months this year, with the effect of energy prices on the HICP not being in the same direction as its overall trend. The impact of energy prices in Greece this year is slightly lower than average. of the Eurozone (0.5 vs. 0.6 pp index).

Summarizing, from the presentation of the trends in the international prices of basic energy products, in the prices of product categories and services that are directly affected by them, but also in the production costs of industries that mostly produce consumer products, it appears that most of them exist significant effects whenever there is a sharp change in energy prices. However, it seems that there are exceptions, such as the Pharmaceuticals sector, whose trend in production costs shows no signs of correlation with international energy prices. The effects on the prices of consumer product sectors and product-service categories related to energy goods have a significant impact on the rate of change of the HICP as a whole. As a result, the trend of the HICP in times of sharp fluctuations in energy prices on the one hand coincides with them, on the other hand is mainly or to a large extent determined by their intensity. Another conclusion that emerges from the above is that, in order to mitigate the impact of the current rapid increase of energy goods on households, in addition to interventions to support them directly, sectors that produce basic consumer products (food, non-alcoholic beverages, clothes, electrical equipment, etc.) can be supported with appropriately designed measures.

Figure 3.22

Contribution of energy prices to HICP (excluding taxes) in Greece and the Euro area countries



Source: Eurostat

Medium-term outlook

Examining the trends in the key components of the domestic Consumer Price Index in the eight months of January-August of this year, it emerged that its decline is a result of the negative impact of indirect taxes and domestic demand. Despite the gradual lifting of restrictions since the beginning of April and the acceleration of vaccinations until at least June and their decreasing increase since then, adverse health developments, mainly from the new mutation of the virus, have maintained much of the uncertainty in households created by successive lockdowns. However, in recent times the impact on consumer prices of another of the main factors influencing them, the prices of energy goods, has escalated significantly. As will be shown below, it is mainly due to the faster-than-expected recovery of many economies, with China, which is the world's second-largest oil consumer after the US, leading the way in GDP growth. The conditions on the production side have also contributed to the strong increase, e.g. due to the restrictions imposed by OPEC +, which are gradually being lifted, as well as some negative conjunctures last winter and summer (e.g. Hurricane Inda in the USA). Many countries, including Greece, have already taken steps to curb these inflationary pressures. It is quite possible that more will be taken, while initiatives at the level of associations of states (e.g. European Commission) are expected. In any case, the evolution of the health crisis in the rest of this year and 2022, will remain one of the most important factors that will shape prices, mainly through its effects on domestic demand.

In detail, regarding the expected impact of indirect taxation interventions, the VAT reduction in force since June last year for specific goods and services was extended until the first half of 2022. However, as a year has now elapsed since its implementation, no further substantial effect on prices is expected. The deduction of VAT on some other goods and services in the near future (gyms, dance schools, etc.) will have a limited backing effect on the increase in prices from the period in which it will be applied, as it concerns a small part of consumer spending. The effect of the reduction of the mobile (telephony) subscriber fee is expected to be stronger.

Regarding the expected effects of demand, a relevant development is that the suspension of the solidarity contribution and the reduction of social security contributions were extended to 2022. However, as they apply from this year onwards, there will be no change in disposable income and therefore in consumer demand, and therefore in prices. Small income support will come from the further reduction of ENFIA. However, the most significant impact on consumer demand in Greece is expected to come from the use of part of their deposits, which have accumulated since the beginning of the pandemic (+€15.6 billion), for consumer purposes, as uncertainty on its evolution continues to decline. In the event of a new escalation of the pandemic, e.g. during the winter, consumer intentions will strengthen softer, as strong, "horizontal" restrictive measures on the operation of businesses and socio-economic life are not expected to be re-imposed.

On the expected developments in energy costs and their expected effects on inflation, which are mainly related to the trend in oil prices, OPEC + (including Russia), following the April agreement, which provided for a reduction in production cuts decided in early September to extend cuts at the same rate until December 2021, including Saudi Arabia, which has agreed to reduce its voluntary cuts. Specifically, after increasing daily production by 441,000 barrels in July, it was decided to extend the increase in daily production to the same extent as July until December of this year. Nevertheless, OPEC+ will review the conditions every month, which allows it either to halt or expand the increase of its daily production, if it considers that its level is not in line with the demand for oil, and the general economic developments.

In addition, on the supply side, talks between the US and Iran on a nuclear deal could lead to the easing of energy sanctions and the resurgence of IRAN's oil production and exports in the global market. In early September, Iran announced plans to boost its oil production and exports in the coming months despite U.S. sanctions on its crude oil sales. But this does not seem to be the case immediately. It is recalled that Iran's daily production level fell below 500,000 barrels for most of 2019 and 2020, resulting in a huge blow to the Iranian economy, as well as to its trading partners (Lebanon, Syria, Afghanistan).

Hurricane Ida, which hit Central America in early September and caused damage to platforms, pipelines and processing hubs, significantly limited production for weeks, offsetting the increase in daily oil production from the OPEC+ countries. To prevent shortages of crude oil, the US government is lending strategic reserves to refineries in the Gulf of Mexico. In addition, the US Department of Energy announced in early August the sale of up to 20 million barrels of strategic reserves in order to finance public spending. Deliveries will be made between October 1 and December 15 of this year.

Under these developments, the international price of Brent oil stood at $74.5/barrel in September 2021 from $70.7/barrel in August of the same year. In the nine months of January-September this year, the international oil price stood at $67.8/barrel from $41.2/barrel a year ago, recording a rise of 64.8%.

As for the expected developments in oil demand, the dynamics of the COVID-19 pandemic seems to be steadily weakening at the end of the third quarter in most countries, despite the rise of the Delta mutation at the beginning. The progress made in vaccination, which has covered more than 60% of the population in many countries, as well as the extensive use of self-tests, have so far allowed the non-reintroduction of public health protection measures lifted during last spring, the reduction of uncertainty and the revival of demand. Nevertheless, new escalations of the pandemic crisis remain possible, from new mutations of the virus, as well as from slowing vaccination or limited access to vaccines in developing countries. However, if such an eventuality takes place, the protective measures are quite likely not to be as strict as in the past, mainly thanks to the penetration of vaccines into the population and as a not small part of the population is already ill.

The prospects for a recovery in global demand this year and next are also the result of recent macroeconomic forecasts. According to IMF forecasts[11], for 2021, global GDP is expected to rise to the range of 5.9%, which will offset the estimated decline for 2020 (-3.1%), while a global recovery of 4.9% is expected for next year. It should be noted that these forecasts are not substantially different from those of the agency last July, despite the significant increase in inflation since then. World oil consumption is expected to increase by an average of 5.0 million barrels per day in 2021, reaching 97.4 million barrels [12]. Analysts estimate that even after these additions to daily oil production, demand is expected to be particularly strong, as the lifting of restrictions on activities and transport will lead to much higher consumption, resulting in higher prices. Nevertheless, the sharp rise in prices does not seem to have a deterrent effect on global economic activity.

In these circumstances, and taking into account the most recent forecasts of international organizations[13], It is estimated that the average price of oil in 2021 will reach $ 68.6 / barrel from $ 41.7 / barrel in 2020, recording an increase of 64.5%. The euro / dollar exchange rate this year is expected to average 1.19, 4.2% higher than in 2020[14]. Subsequently, the average price of oil in euro will reach €57.7/barrel, recording an increase of 57.9% compared to last year. Indicatively, as to the possible effects of such a strong rise in inflation, a corresponding increase in the price of oil in the past had occurred in 2011 and had had a positive impact on the change in the GICP of 1.2 percentage points in the index.

If the mild recession of the pandemic continues in the recent period and no new outbreaks occur, it will be possible to continue the strong recovery of the global economy in 2022. Demand for energy products will be high, preventing a substantial price decline from current levels. On the demand side, according to international analysts, global oil consumption is expected to expand in 2022, to an average of 101 million barrels per day, returning to the same levels as in 2019[15]. In addition, it is estimated that the policy of mild easing of restrictions pursued by OPEC+ will not change. Taking into account the above, in the event of a continuation of the current health conditions in 2022, the price of oil is estimated to rise again mildly, by 5-7% compared to 2021. Indicatively, as to the possible effects of such a rise in inflation, a corresponding increase in the price of oil in the past had occurred in 2012, having an increasing effect on the change in the GICP of 0.5 pp in the index.

In the event, however, of an escalation of the pandemic, e.g. due to an upsurge in mutations, oil demand will recover more mildly, possibly even declining. In this case, it is quite possible to adjust the policy of OPEC+, e.g. by stabilising its production for some time. Under these developments, the price trend is expected to be downward, at a rate that will depend on events.

The expected inflationary effects of the particularly high energy costs are intended to be addressed domestically by a number of interventions. Specifically, the public expenditure for heating allowance to be given in December 2021, will be 20% higher than last year. In addition, for the 4th quarter of 2021, a subsidy is provided for the entire population of the first 300 Kwh in the amount of 30 €/ Mwh, with the subsidy also applicable to low voltage business tariffs. Regarding natural gas, a 15% discount is provided, as well as an increase in the allowance for households, from 36% to 68% depending on the family members. In addition, the minimum allowance is €100 from €80, while the maximum subsidy amount is increased to €750 from €650 last year. These measures, which will be extended at least

[11] IMF, World Economic Outlook, October 2021
[12] Short-Term Energy Outlook, US Energy Information Administration, September 2021
[13] Short-Term Energy Outlook, US Energy Information Administration, September 2021
[14] Macroeconomic projections, ECB, September 2021
[15] EIA, Short term Energy Outlook, September 2021

to the beginning of 2022, are expected to partially stem inflationary pressures in energy prices.

Taking into account all the above and provided that there is no new outbreak of the pandemic by the end of the year, but possibly smaller, temporary outbreaks, at the local level, household consumption is expected to strengthen from 5.0% to 5.5% in 2021 compared to the previous year. The strengthening of consumption will come from the revival of activity and employment in sectors that have been hit hard by the pandemic crisis and in which a large part of domestic consumer demand is taking place (Retail, Catering, Entertainment-Entertainment, Tourism). An important stimulus will be to boost consumer sentiment, since the decline of uncertainty.

Then, under the macroeconomic scenario of this report for 2021, taking into account the expected trends in the other key components of the domestic Consumer Price Index (indirect taxes, energy goods), as well as the deflation of 2020 (1.2%), it is forecasted that the General Consumer Price Index will increase in 2021 by 0.6% to 0.8% compared to 2020, due to the strengthening of demand and the strong rise in prices of energy products.

As for next year, and in the event that there is no new outbreak of the pandemic and generalised restrictive measures, household consumption is expected to strengthen from 3.5% to 4.5% in 2022 (baseline macroeconomic scenario). The boost in consumption will come from a new boost in employment and a further improvement in consumer sentiment. Taking into account the expected trends in the other key components of the domestic Consumer Price Index, as well as the expected inflation of 2021 (0.6-0.8%), it is predicted that the General Consumer Price Index will slightly increase in 2022, of the order of 0.3% to 0.5%, due to the strengthening of demand and the new slight rise in prices of energy products.

Finally, in the case of new escalations of the pandemic in winter, due to new mutations of the virus, however milder than in the past, thanks to vaccination, the use of self-tests (alternative macro forecast scenario), household consumption is expected to increase more mildly. 1.5% to 2.5% in 2022, due to smaller expansion of employment and improvement of consumer mood. In combination with the expected trends in the other key components of the domestic Consumer Price Index mentioned above, it is projected that its growth rate will be in 2022 at -0.3% to -0.5% compared to 2021, due to the milder growth in demand and indirect taxes.

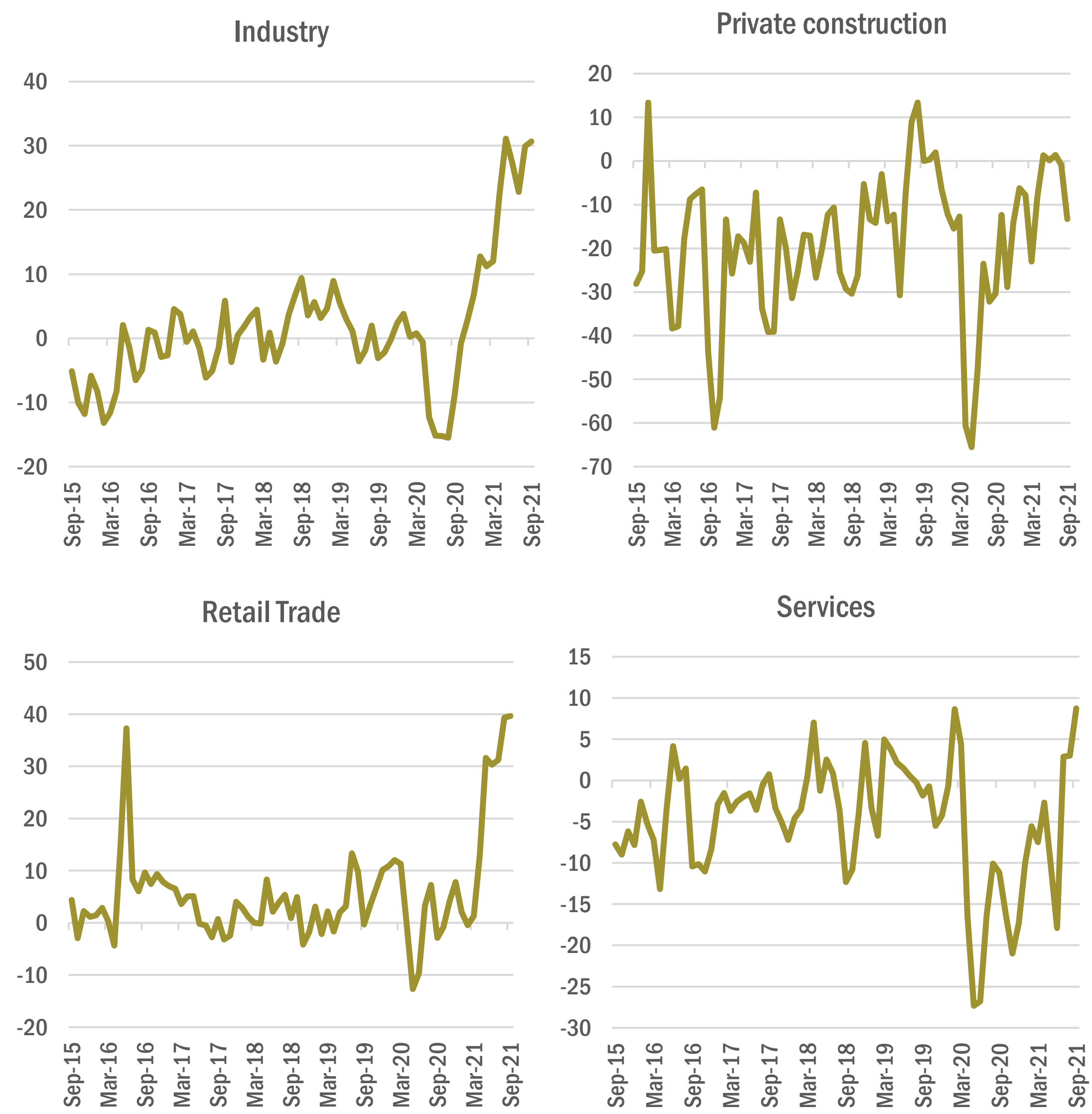
Important information on the evolution of prices in the coming period is also provided by the results of the monthly Business and economic Surveys of the economic situation of IOBE, which are precursor indications for their development on the supply side.

Trends in price changes forecasts are mainly upwards in the third quarter of 2021 compared to the second quarter of this year, with the relative balance increasing significantly in Services and Retail trade, marginally in Industry, while declining moves only in Private Construction. Compared to the corresponding quarterly period last year, expectations for price developments recorded a strong positive change in all sectors, stronger in Industry, felt in Construction and Retail trade, while the change in Services was smaller. Analytically:

In Industry, the forecasts of price developments in the third quarter of the year were at a marginally higher level than in the previous quarter. Specifically, the index strengthened by 1 point in the quarter under review to +28 points, while it moved 41 points higher than in the corresponding quarter of 2020. Of the sector's businesses, 3% expect prices to fall in the short term, while the percentage of those who predict a rise is maintained at 30%, with the remaining 67% expecting stability.

Figure 3.23

Price expectations over the coming quarter (difference between positive and negative answers)



Source: IOBE

Trends in price changes forecasts are mainly upwards in the third quarter of 2021 compared to the second quarter of this year, with the relative balance increasing significantly in Services and Retail trade, marginally in Industry, while it declined only in Private Construction.

In Retail Trade, the balance of +25 points in the prices of enterprises in the sector in the previous quarter strengthened by 12 points, while at the same time it was found 34 points higher than in the respective period of 2020. Of the sector's businesses, 5% (from just 1%) expect prices to fall in the short term, while the percentage of those who predict growth is significantly strengthened to 42% (from 26%), with the remaining 53% (from 73%) expecting stability. In the individual retail sectors, changes in price forecasts in the third quarter of 2021 compared to the immediately preceding quarter were upwards in all sub-sectors under review except for the marginal decline in Vehicles-Spare Parts and the mild weakening in Department Stores .

The average forecasting index of the change in prices in Services in the quarter under review improved significantly compared to the previous quarter and stood at +5 (from -10) points, while at the same time it moved at a much higher level compared to the corresponding average performance of the third quarter 2020 (+17 points). In the current quarter, 4% (from 17%) of businesses in the sector expect a price decrease and 9% (from just 6%). In the sub-sectors examined, the relative indicator strengthened mildly in most, with the exception of financial intermediaries where it declined mildly.

Finally, in the private construction sector, the negative balance of -2 points of the previous quarter strengthened marginally, to -4 points, having on the contrary changed strongly upwards compared to the corresponding level of 2020 (+24 points). Moreover, 14% (from 5%) of companies in the sector predict a fall in the sector's prices, while the percentage of those expecting a rise is around 9% (from just 3%), with 77% (from 92%) predicting price stability.

3.6 Balance of Payments

- Contraction of the current account deficit in the seven months of January-July 2021, with a relatively higher increase in exports versus imports
- Improvement in the balance of services and primary incomes, deterioration in the balance of goods

Current Account

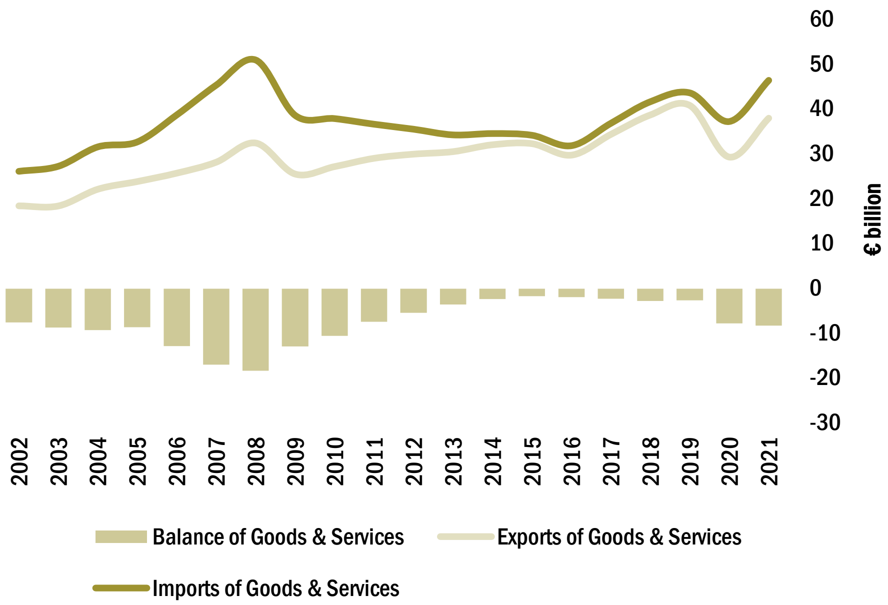
In the seven months of January-July this year, the Current Account (CA) showed a deficit of €7.0 billion, compared to a deficit of €7.9 billion in 2020. The reduction in the deficit is driven by the significant improvement in the balances of Services and Primary Incomes, offsetting the deterioration in the balance of Goods.

Analytically, the Goods Account deficit amounted to €13.1 billion in the first seven months, increased by €2.1 billion compared to last year, due to the much larger increase in imports compared to exports. Exports increased to €21.6 billion, (€5.0 billion).)[16], with a significant boost in fuel (+52%), due to the particularly strong increase in international oil prices in the initial seven months of 2021, after their sharp decline a year earlier. It is noted that Brent prices are up from last year by 71.3% in the first seven months of 2021, compared to their fall then by 40.6%. At the same time, however, fuel imports increased, for the same reasons, with the result that the fuel balance remained almost stable compared to last year, at €2.4 billion. In terms of exports, the most significant increase came from other goods, with an increase of €3.1 billion in the seven months, while in Ships the percentage increase was significant, by 31.2%, with transactions in the first seven months reaching €64 million. In the exports of other goods, a large increase was recorded, among others, in the sectors of Basic Metals (+€376 million), with a significant increase in the prices of metals internationally (aluminium +45.2%, nickel +43.9%, etc.), Food (+€325 million), Electrical Equipment (+€216 million), Drugs (+€207 million) and Chemicals (+€187 million). Imports increased to €37.7 billion (€7.0 billion), with increases primarily in the Computer Manufacturing (+510 million), Basic Metals (+€473 million) and Vehicle Manufacturing (+€471) sectors. million). The deficit of the Balance of Goods without fuel and ships amounted to €10.7 billion in the seven months, widening by €2.0 billion compared to 2020.

[16] The amounts in brackets represent the absolute change in relation to the corresponding period of the previous year, unless otherwise stated.

Figure 3.24

Imports-Exports of Goods and Services (January - July) 2002-2021

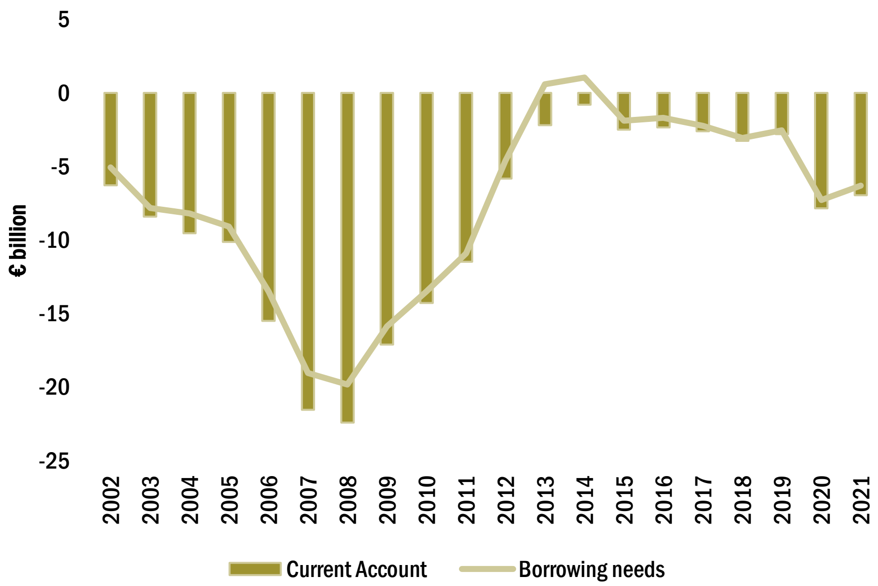


Widening of deficit in the goods and services account in the first seven months to €8.4 billion, against €7.9 billion in 2020

Source: Bank of Greece - Data processing IOBE

Figure 3.25

Current Account (January - July), 2002-2021



At €7.0 billion the current trade balance deficit in January-July, from €7.9 billion in 2020

Source: Bank of Greece - Data processing IOBE

The surplus in the Services Account extended to €4.7 billion in the seven months of the year, showing an increase of €1.6 billion compared to last year, with a strong boost from the strengthening of receipts from Tourism, mainly in July, and from Transport. In detail, total receipts from Services amounted to €16.2 billion, increased by 30% compared to 2020, making up for almost half of the losses of 2020, mainly fuelled by the recovery of tourism receipts. Receipts from Travel Services more than doubled in the seven months of 2021 compared to 2020, with an increase of 139.7%, reaching €3.4 billion, but not exceeding 1/3 of their level in 2019. During the same period, the number of travellers increased by 51.4%, i.e. less than the increase in revenues, with the result that the average expenditure per traveller increased by 23%. Transport Services increased by 11.9%, to €9.6 billion, which is the highest level recorded for this period of the year since 2002, while receipts from Other Services reached €3.2 billion, with increase 30.3%. Total service payments stood at €11.5 billion, up 22.9% from last year. Payments for Travel Services decreased by 23.0% to €420 million, payments for Transport Services increased by 26.4% to €7.7 billion, while payments for Other Services reached €3.5 billion, with an expansion of 24.4%.

In the Primary Income Account, there was a surplus in the seven months of 2021 and a significant one, by €1.2 billion, compared to a deficit of €246 million in 2020. Receipts increased to €4.9 billion, from €4.2 billion in 2020, while payments fell to €3.7 billion from €4.4 billion. Analytically, earnings from work fell slightly to €114 million, receipts from investments increased by 21.2% to €2.1 billion, while other primary income (subsidies and taxes on production) increased by 13, 5%, to €2.6 billion. Payments from income from work decreased to €727 billion (-12.1%), from investments decreased by 20.6% to €2.6 billion, while to other primary incomes there was a strong increase of 13.9%, at €333 million.

The surplus in the Secondary Income Account weakened slightly in the first seven months of this year, to €307 million, compared to €324 million in 2020, with receipts and payments remaining at the same level as last year, at €2.5 billion and €2.2 billion respectively.

Capital Account

The capital balance surplus[17] increased to €666 million, compared to €570 million in 2020, with a significant increase in receipts by €538.7 million and payments by €442.6 million.

Finally, the Current and Capital Account, which reflects the relationship between the lender or borrower of an economy and abroad, was in deficit, at €6.3 billion, compared to €7.3 billion in 2020.

Financial Account

The Balance of Financial Transactions was in deficit in the seven months of 2021, at €5.4 billion, compared to €7.4 billion in 2020.

In the individual accounts, residents' net receivables from direct investments from abroad increased by €726m, while net liabilities to non-residents (non-residents' investments in the country) increased by €2.8 billion.

In the category of portfolio investments, residents' claims vis-à-vis abroad increased by €16.2 billion, as according to the BoG there was an increase in residents' investments in foreign bonds and treasury bills by €14.5 billion. The increase of liabilities by €2.2 billion. are due to the strengthening of non-residents' investments in shares of Greek companies

[17] The capital balance shows capital transfers, i.e. unilateral receipts and payments between residents and non-residents linked to fixed capital investments. Capital transfers mainly comprise part of the transfers (receipts) from the Community budget of the European Union to the General Government (receipts from the Structural Funds – with the exception of the European Social Fund – and from the Cohesion Fund under the CSFs).

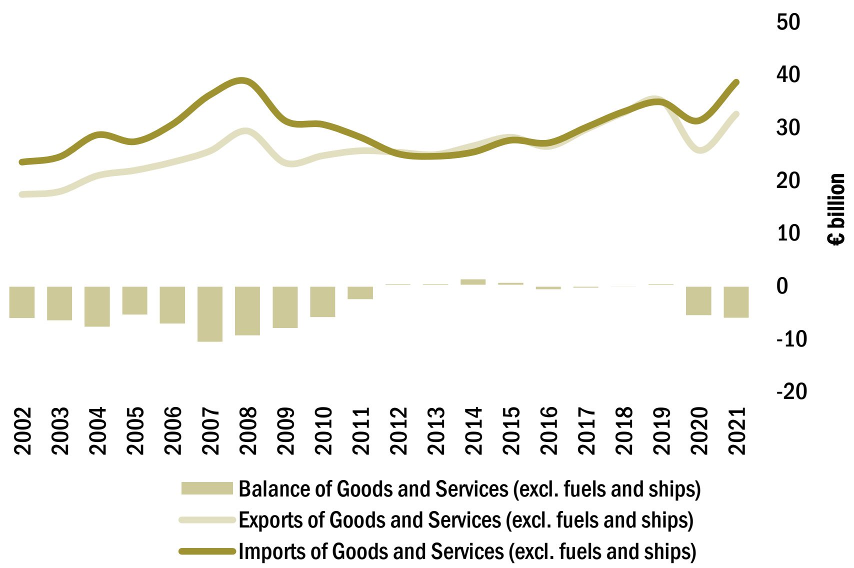
by €1.3 billion and the increase of non-residents' holdings of bonds and treasury bills by €938 million.

In the category of other investments, claims from residents vis-à-vis abroad increased by €2.4 billion, as they increased by €2.6 billion loans granted to non-residents. Liabilities increased by €19.4 billion, reflecting an increase of €12.2 billion of deposits and repos of non-residents in Greece and loan obligations to non-residents by €5.7 billion.

Finally, the country's foreign reserves stood at €9.4 billion at the end of July 2021, at the same level as in 2020.

Figure 3.26

Imports-Exports of Goods excluding fuel and ships (January - July), 2002-2021



Expansion of the deficit in the balance of goods and services excluding fuel to €6.0 billion, from €5.6 billion a year ago

Source: Bank of Greece - Data processing IOBE

Table 3.11 Balance of payments (€ million)

		January - July			July		
		2019	2020	2021	2019	2020	2021
I	CURRENT ACCOUNT (I.A + I.B + I.C + I.D)	-2,807.5	-7,858.2	-6,968.8	1.332.6	-797.3	538.1
	GOODS AND SERVICES ACCOUNT (I.A + I.B)	-2,806.5	-7,936.7	-8,448.4	2.032.3	-703.7	229.5
I.A	GOODS ACCOUNT (I.A.1 - I.A.2)	-13,611.2	-11,002.7	-13,103.8	-2.009.4	-1,595.7	-2,234.2
	Oil balance	-3,002.5	-2,277.3	-2,383.4	-402.1	-251.6	-672.6
	Trade balance excluding oil	-10,608.7	-8,725.4	-10,720.4	-1.607.3	-1,344.2	-1,561.6
	Ships balance	-115.6	-64.8	-31.3	-14.6	1.6	-1.1
	Trade balance excluding ships	-13,495.7	-10,938.0	-13,072.5	-1.994.7	-1,597.3	-2,233.1
	Trade balance excluding oil and ships	-10,493.2	-8,660.6	-10,689.1	-1.592.6	-1,345.8	-1,560.5
I.A.1	Exports of Goods	19,248.3	16,693.1	21,630.5	3.033.1	2,651.9	3,467.0
	Oil	5,532.7	3,468.2	5,270.7	897.0	552.9	803.7
	Ships (sales)	52.3	48.6	63.7	3.8	19.8	9.9
	Goods excluding oil and ships	13,663.4	13,176.3	16,296.1	2.132.4	2,079.2	2,653.5
I.A.2	Imports of Goods	32,859.6	27,695.8	34,734.3	5.042.5	4,247.6	5,701.3
	Oil	8,535.2	5,745.6	7,654.0	1.299.0	804.5	1,476.3
	Ships (buying)	167.9	113.3	95.0	18.4	18.2	11.0
	Goods excluding oil and ships	24,156.5	21,836.9	26,985.2	3.725.0	3,424.9	4,214.0
I.B	SERVICES ACCOUNT (I.B.1-I.B.2)	10,804.8	3,066.1	4,655.4	4.041.7	892.1	2,463.8
I.B.1	Receipts	21,422.4	12,454.3	16,195.7	5.717.6	2,227.2	4,620.0
	Travel	9,116.5	1,411.7	3,383.5	3.702.8	677.9	2,275.3
	Transportation	9,750.0	8,555.8	9,571.7	1.616.9	1,192.9	1,691.1
	Other services	2,555.8	2,486.9	3,240.5	397.9	356.4	653.6
I.B.2	Payments	10,617.6	9,388.3	11,540.3	1.675.9	1,335.1	2,156.2
	Travel	1,567.1	545.1	419.5	230.4	67.7	137.8
	Transportation	6,317.7	6,067.7	7,666.8	1.023.3	873.0	1,471.1
	Other services	2,732.9	2,775.4	3,454.0	422.2	394.4	547.4
I.C	PRIMARY INCOME ACCOUNT (I.C.1-I.C.2)	-460.7	-245.8	1,172.5	-615.7	-546.0	-364.8
I.C.1	Receipts	4,115.4	4,189.1	4,864.0	443.7	403.1	521.0
	From work (wages. compensation)	148.8	122.6	113.6	23.2	18.3	16.5
	From investments (interest. dividends. profit)	1,696.4	1,755.9	2,127.8	284.2	249.0	363.2
	Other primary income	2,270.2	2,310.6	2,622.5	136.3	135.8	141.3
I.C.2	Payments	4,576.1	4,434.9	3,691.5	1.059.4	949.1	885.8
	From work (wages. compensation)	821.4	827.3	727.2	120.8	117.3	108.0
	From investments (interest. dividends. profit)	3,464.8	3,314.9	2631.0	911.6	812.6	757.9
	Other primary income	289.8	292.7	333.2	27.1	19.2	19.9
I.D	SECONDARY INCOME ACCOUNT (I.D.1-I.D.2)	459.7	324.3	307.0	-84.0	452.3	673.4
I.D.1	Receipts	2,323.9	2,465.2	2,486.2	174.1	892.0	915.5
	General government	1,503.7	1,518.2	1,621.9	45.4	793.3	794.8
	Other sectors	820.1	947.0	864.3	128.7	98.7	120.7
I.D.2	Payments	1,864.2	2,140.9	2,179.1	258.1	439.7	242.1
	General government	1,166.4	1,166.5	1,372.0	153.7	108.8	112.6
	Other sectors	697.8	974.4	807.2	104.4	330.9	129.5
II	CAPITAL ACCOUNT (II.1-II.2)	260.9	569.8	665.9	-17.2	-23.9	-48.4
II.1	Receipts	574.9	770.2	1,309.0	26.7	5.9	28.8
	General government	453.6	655.6	1,045.3	0.8	0.6	19.9
	Other sectors	121.3	114.6	263.6	25.9	5.4	8.9
II.2	Payments	314.0	200.4	643.0	43.9	29.8	77.2
	General government	2.0	2.7	2.6	0.3	0.4	0.4
	Other sectors	312.0	197.8	640.4	43.6	29.4	76.8
	BALANCE OF CURRENT AND CAPITAL ACCOUNT (I+II)	*-2,546.6*	*-7,288.4*	*-6,302.9*	*1.315.4*	*-821.2*	*489.7*
III	FINANCIAL ACCOUNT (III.A+III.B+III.C+III.D)	-2,358.7	-7,365.8	-5,406.1	1.030.1	-519.1	446.8
III.A	DIRECT INVESTMENT*	-2,270.6	-1,685.5	-2,023.7	-350.3	-336.7	-491.1
	Assets	291.4	430.9	726.3	159.1	57.1	-49.8
	Liabilities	2,562.0	2,116.4	2,750.0	509.4	393.8	441.3
III.B	PORTFOLIO INVESTMENT*	-1,041.6	37,335.3	13,963.1	-224.3	8,870.9	3,714.7
	Assets	3,160.6	28,231.3	16,201.4	-1.027.5	8,064.9	3,054.7
	Liabilities	4,202.2	-9,104.1	2,238.3	-803.1	-806.0	-660.1
III.C	OTHER INVESTMENT*	1,220.5	-43,687.9	-16,956.8	1.513.8	-9,207.3	-2,836.8
	Assets	-4,538.4	1,202.3	2,450.2	355.5	-1,149.5	680.8
	Liabilities	-5,758.9	44,890.2	19,407.0	-1.158.3	8,057.8	3,517.6
	(Loans of general government)	-1,796.4	-210.0	-1,423.1	-581.8	46.8	-152.3
III.D	CHANGE IN RESERVE ASSETS**	-267.0	672.3	-388.8	91.0	154.0	60.0
IV	BALANCE ITEMS (I +II +IV +V = 0)	187.9	-77.3	896.8	-285.3	302.1	-42.9
	RESERVE ASSETS (STOCK)***				7,000	9,385	9,393

Source: Bank of Greece

* (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, increases in demand are presented with a positive sign while the decrease in receivables is displayed with a negative sign. Similarly, the increase in liabilities is captured with a positive sign, while the reduction of liabilities with a negative sign.

** (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, the increase in foreign reserves is now presented with a positive sign, while the reduction of foreign exchange reserves with a negative sign.

* * * Reserve assets, as defined by the European Central Bank, include only monetary gold, the "reserve position" in the IMF, "Special Drawing Rights" and the claims of the Bank of Greece in foreign currency from residents of countries outside the euro area. Conversely, they do not include claims in euro from residents of countries outside the euro area, claims in foreign currency and in euros from residents of euro area countries and the participation of the Bank of Greece in the capital and the reserve assets of the ECB.

4 THE ROLE OF INFRASTRUCTURE AND CONSTRUCTION INDUSTRY FOR THE FUTURE OF THE GREEK ECONOMY[18]

- The Construction and Infrastructure Industry designs and implements a number of projects that contribute decisively to the enhancement of the productivity of the economy, the sustainable development and the quality of life of the citizens.
- The development of infrastructure and other construction projects in the coming years is a key priority in all official development policy texts in Greece. The projects will also be supported by the additional European resources of the exceptional recovery measures, which will lead to particularly increased inflows of funding to Greece in the period 2021-2027.
- The full use of funding resources in projects and reforms that will be key to the sustainable development of the Greek economy, is a significant challenge for the administrative machinery of the country.
- A necessary condition for the Infrastructure and Construction Industry to contribute substantially and effectively to the development of the Greek economy in the coming years, is the removal of obstacles and distortions, so that the required infrastructure can be built on time, with competitive cost, technical quality and adequacy.

[18] The chapter is based on a recent study by IOBE on the role of the Infrastructure and Construction Industry in the recovery of the Greek economy after the current health crisis. The full text as well as a presentation of the study are available here: http://iobe.gr/research_dtl.asp?RID=233

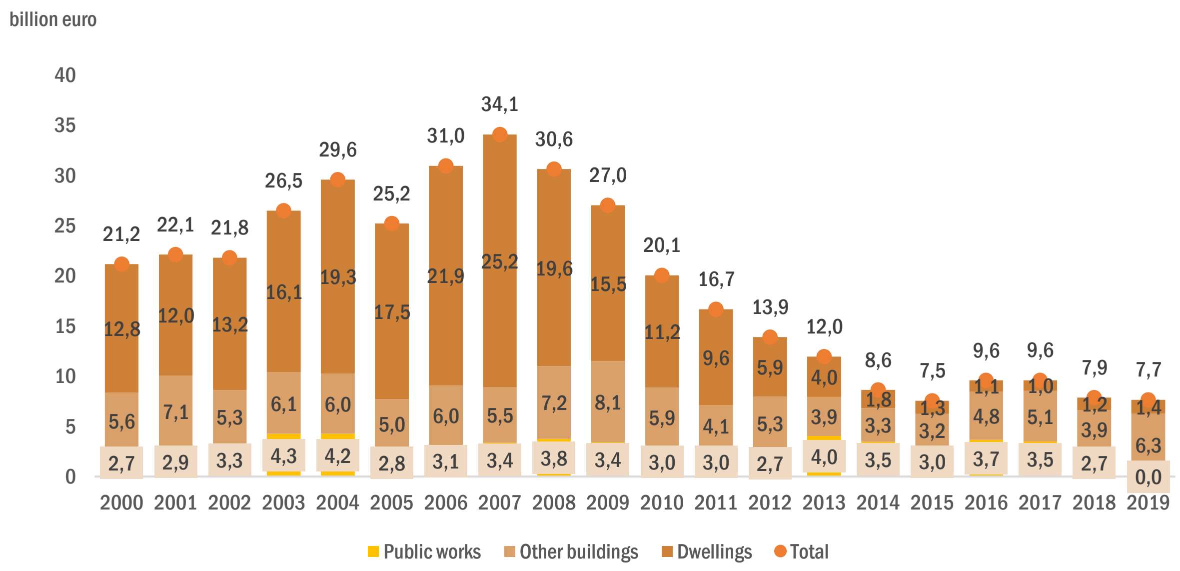
4.1 Key Figures and Trends of the Infrastructure and Construction Industry in Greece

In 2018, approximately 60,000 companies were active in the Construction sector in Greece, a decrease of about 53,000 compared to 2009 (-47%). The vast majority of companies in the Construction sector in Greece (96.8% in 2018) are very small companies (sole proprietorships, self-employed - companies with less than 10 employees). In the remaining sectors of the Infrastructure and Construction Industry, more than 85,000 enterprises were active in 2018, mainly in the Services sector, which mainly includes architectural and design activities.

The production value of the Construction sector reached €7.3 billion in 2019. It strengthened slightly after 2017, but compared to 2008 it has declined by 79.1%. Moreover, the operating surplus and gross income of the Construction sector was at a long-term low in the three-year period 2017-2019 (just €273 million in 2019 or 3.7% of the production value), following a continuous downward trend since the end of the 2000s.

Figure 4.1

Investment expenditure for construction projects by category, 2000-2019



Source: Eurostat, National Accounts, State Budgets and Annual Reports. IOBE estimates. *The amounts of the Public Investment Programme (PIP) relate only to the construction and maintenance of public works and not to the total expenditure of the PIP. In 2019, other investments include investments through the PIP.

Overall, the Construction sector (including Mining, the building materials industry and the trade and services sectors related to Construction) contributed 4.1% of the total gross value added of the Greek economy in 2019, compared to 13.2% in 2006. In 2019, the Construction sector employed approximately 150 thousand employees and in the other sectors of the Infrastructure and Construction Industry, 127 thousand employees.

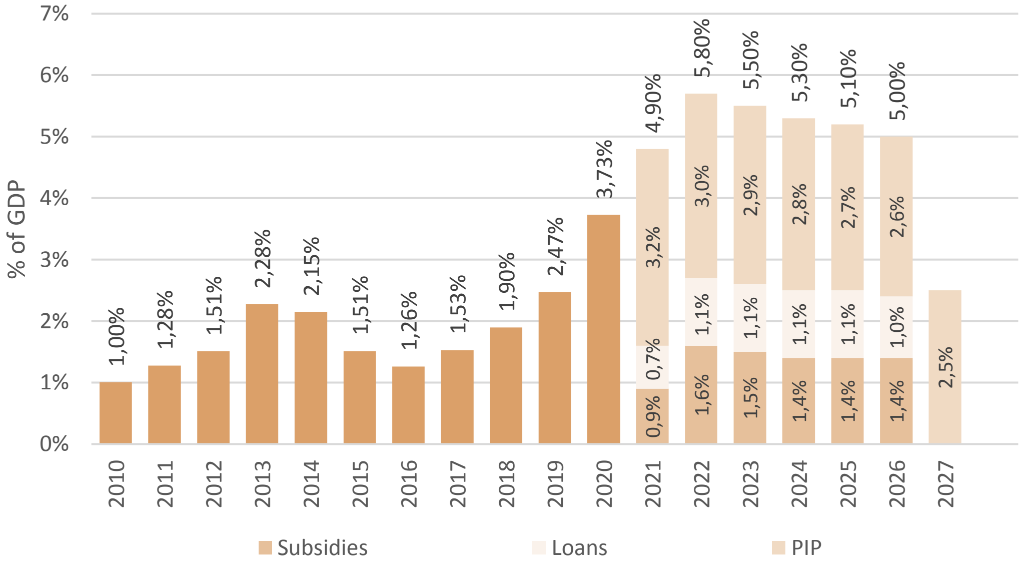
Total investment expenditure on construction projects decreased from €34.1 billion in 2007 to just €7.7 billion in 2019 - i.e. below ¼ the 2007 level (Chart 4.1). The largest shortfall has been in recent years in housing investment, which accounted for 0.7% of GDP in 2019 (EU28 average: 5.1%), compared to 10.8% in 2007. Investment in other construction in 2019 stood at 3.3% (EU28 average: 5.4%).

Business expectations in Construction in Greece were negative for a long period and in deviation from the EU average. The imminent activation of the Recovery and Resilience Fund's resources pushed the industry's expectations into positive territory in April 2021, for the first time since the end of 2008. Additional European funds from the exceptional recovery measures will lead to particularly increased inflows of funding to Greece in the period 2021-2027. Greece's estimated potential funding for the period 2021-2027 is expected to exceed €70 billion, with 46% of it, corresponding to €32 billion, coming from the emergency recovery measures.

The annual absorption of European funds by Greece in the decade 2010-2019 amounted from 1% to 2.5% of GDP (Chart 4.2). The increased inflow from the additional resources of the Recovery Fund will require a particularly significant increase in annual absorption to a level of more than 5% of GDP. It is therefore an important challenge for the country's administrative mechanism to fully absorb these resources in projects and reforms that will be crucial for the sustainable development of the Greek economy.

Figure 4.2

EU funding resources as % of GDP, 2010-2027



Source: IOBE analysis

4.2 National development strategy priorities and potential contribution of the Infrastructure and Construction Industry

In the new environment, as shaped by the drastic changes that the pandemic has brought to the economy and society, combined with the economic policy response to creating a credible counterweight to the deep recession, the Construction and Infrastructure Industry is called upon to play a leading role in which must respond adequately and effectively.

The development of infrastructure and other construction projects is a key priority in all official development policy texts in Greece, in areas such as transport infrastructure, supply chain, energy and communication, road safety and urban mobility, green development and digital upgrades, digital technologies and systems, waste management, energy upgrading of buildings, de-lignification, the development of circular economy systems and the strengthening of basic tourism infrastructure, with an emphasis on the protection of the natural and cultural environment. It therefore follows that, in combination with the existence of additional financial resources from the EU that will support the growth of the Greek economy in the coming years, the role and potential contribution of the Infrastructure and Construction Industry for the implementation of the required projects is crucial and important.

However, official development strategy texts do not constitute a national long-term strategic plan for Infrastructure, which systematically reflects the needs for infrastructure and contributes to the proper planning of projects. Thus, despite the positive situation for the coming years, at least in terms of adequacy of project funding, it should be noted that the lack of strategic planning and central government for infrastructure in Greece, combined with the fact that the flow of irregular fluctuations, as has been observed in the past, does not contribute to the creation of a safer environment for companies in the industry to shape their business planning with better information and better use of their potential.

4.3 Obstacles and distortions in the operation of the Infrastructure and Construction Industry

The Construction sector faces a variety of obstacles and distortions arising from the economic and regulatory environment in which it operates. Insufficient demand has been the main obstacle to the development of the Construction sector in previous years, while financing difficulties have a significant impact on construction activity in Greece. More generally, however, Greece has a lower quality index in the infrastructure sector compared to other countries, lagging behind mainly in terms of planning, financial capacity and public procurement procedures.

There are important issues related to public infrastructure projects, such as the lack of a unified national strategic plan for Infrastructure, the shrinking public investment program (PIP), problems in the bidding and award system, the stagnation and the declining number of public works, the Inadequate control and supervision mechanisms in public works (costs, technical perfection), the focus of the tendered works on construction costs and not on quality, maintenance and management costs, late payments and lack of business liquidity.

The significant reduction in the number of new projects has led to fierce competition in the auctioning of works and a significant increase in the percentage of discounts. These are accompanied by problems such as lengthy completion procedures, dubious construction quality of projects and unfair competition in healthy businesses. The auctioning of projects within a healthy and safe system is of great importance for the construction sector, but also for the national economy, taking into account the strategic importance of the sector for the increase of the potential for economic growth and the implementation of projects in the coming period.

Problems with public procurement legislation have led to the reform of the regulatory framework to simplify and clarify provisions, reduce bureaucracy and administrative burdens for contracting authorities and economic operators, and increase the efficiency of public procurement and enforcement procedures. extending the use of electronic tools (e-procurement), increasing transparency and tackling problems such as the issue of too low tenders and excessive adherence to formality over the substance of tenders. In this context, reforms were introduced such as the strengthening of the design-construction system, the treatment of COPs in projects, the private supervision of projects, the arbitration of disputes, the modernization and digitization of procedures, the unified system of technical specifications and pricing of technical works and are in the right direction. However, it is necessary to quickly implement several administrative acts that will allow the implementation of the new regulations, so that both the public administration and the construction industry are familiar with the new data and to identify and correct any problems that may arise in practice.

4.4 Fields of intervention

The opportunities for the development of the Infrastructure and Construction Industry and the maximization of its contribution to the Greek economy in the coming years are real, important and necessary to be exploited. Despite the fact that efforts have been made towards removing obstacles and distortions, there is still room for additional interventions to facilitate such an objective. The main directions for ensuring and enhancing the contribution of the construction sector to the development process of our country include the following:

- Building confidence in the Infrastructure and Construction Industry for current and future construction activity, by providing a timely and proportionate response to the current crisis and selecting projects and reforms that will have a sustainable effect over time.
- Coordination between the Government, the Regions and the Infrastructure and Construction Industry for the implementation of infrastructure projects under the Recovery Fund and other financing tools.
- Reduction of time for licensing and funding, in order to accelerate the completion of projects.
- Strengthening public-private partnerships - Transparency in contracts and attracting more private capital in infrastructure - Further exploitation of PPPs (public-private-partnerships) through innovations in design and funding, such as the introduction of Model Proposals on terms that will make them cost-effective.
- A balanced approach to the use of PPPs for the development of public infrastructure that takes into account the best techno-economic solutions for each project, as well as the existing size structure of design and construction enterprises (very small size), providing an object of activity to small enterprises in the sector as well
- Providing incentives for the gradual increase of the size of micro-enterprises in the sector, in order to improve their productivity, know-how and potential in undertaking projects in Greece and abroad.
- Strengthening the capacity of public bodies (contracting authorities) to design and monitor projects.
- Development of a National System of Technical Specifications and Billing of Works to smooth out problems that exist in the public procurement system (e.g. improvement in the preparation and monitoring of project budgets and identification of abnormally low tenders).
- Further interventions to improve the public procurement system, such as expansion of digitalisation, standardization of procedures and contracts, introduction of multiple objective evaluation criteria, assurance of reliable studies, etc.
- Establishment of an Infrastructure Council and a Special Infrastructure Service.

- Drafting of a long-term National Strategic Infrastructure Plan, using the National Strategic Transport Plan. Setting priorities and specialising funding resources for critical infrastructure projects.
- Other interventions, such as revision of the institutional framework for interventions required in modernization projects, replacement of operation and maintenance of existing buildings, digitization of procedures with public electronic system, promotion of digitization, new technologies and use of building information models (B) in the Building Information Models of Constructions, implementation of actions to promote the extroversion of the Greek construction and design industry and determination of needs and skills of the workforce.

APPENDIX

Table 1: GDP Rate of Change

	Annual data (%)							
	2013	2014	2015	2016	2017	2018	2019	2020
Austria	0.0	0.7	1.0	2.0	2.4	2.6	1.4	-6.7
Belgium	0.5	1.6	2.0	1.5	1.9	1.5	1.4	-6.3
Bulgaria	0.3	1.9	4.0	3.8	3.5	3.1	3.4	-4.2
France	0.6	1.0	1.1	1.1	2.3	1.8	1.5	-7.9
Germany	0.4	2.2	1.5	2.2	2.6	1.3	0.6	-4.6
Denmark	0.9	1.6	2.3	3.2	2.8	2.2	2.8	-2.1
Czech Republic	0.0	2.3	5.4	2.5	5.2	3.2	2.3	-5.8
EU 27	0.0	1.6	2.3	2.0	2.8	2.1	1.5	-5.9
Greece	-2.7	0.7	-0.4	-0.5	1.3	1.6	1.9	-9.0
Estonia	1.3	3.0	1.8	3.2	5.5	4.4	5.0	-3.0
Euro area	-0.2	1.4	2.0	1.9	2.6	1.8	1.3	-6.3
Ireland	1.2	8.6	25.2	2.0	9.1	8.5	5.6	5.9
Spain	-1.4	1.4	3.8	3.0	3.0	2.4	2.0	-10.8
Italy	-1.8	0.0	0.8	1.3	1.7	0.9	0.3	-8.9
Croatia	-0.5	-0.1	2.4	3.5	3.1	2.7	2.9	-8.0
Cyprus	-6.6	-1.8	3.2	6.4	5.2	5.2	3.1	-5.2
Latvia	2.3	1.1	4.0	2.4	3.3	4.0	2.1	-3.6
Lithuania	3.6	3.5	2.0	2.5	4.3	3.9	4.3	-0.1
Luxembourg	3.7	4.3	4.3	4.6	1.8	3.1	2.3	-1.8
Malta	5.5	7.6	9.6	3.9	8.0	5.2	4.9	-8.3
Netherlands	-0.1	1.4	2.0	2.2	2.9	2.4	1.7	-3.8
Hungary	1.9	4.2	3.8	2.1	4.3	5.4	4.6	-4.7
Poland	1.1	3.4	4.2	3.1	4.8	5.4	4.5	-2.5
Portugal	-0.9	0.8	1.8	2.0	3.5	2.8	2.2	-8.4
Romania	3.8	3.6	3.0	4.7	7.3	4.5	4.2	-3.9
Slovakia	0.7	2.6	4.8	2.1	3.0	3.8	2.3	-4.4
Slovenia	-1.0	2.8	2.2	3.2	4.8	4.4	3.2	-4.2
Sweden	1.2	2.7	4.5	2.1	2.6	2.0	1.3	-2.8
Finland	-0.9	-0.4	0.5	2.8	3.3	1.5	1.1	-2.9

Table 2: General Government Debt as % of GDP

	Annual data (%)							
	2013	2014	2015	2016	2017	2018	2019	2020
Austria	81.3	84	84.9	82.9	78.3	74	70.4	83.9
Belgium	105.5	107	105.2	104.9	101.7	99.8	98.6	114.1
Bulgaria	17.1	27.1	26	29.3	25.3	22.3	20.4	25
France	93.4	94.9	95.6	98	98.3	98.1	98.1	115.7
Germany	78.7	75.7	72.1	69.2	65.3	61.9	59.8	69.8
Denmark	44	44.3	39.8	37.2	35.8	33.9	33.2	42.2
Czech Republic	44.9	42.2	40	36.8	34.7	32.6	30.8	38.1
EU 27	92.6	92.8	90.9	90	87.8	85.8	84.1	98
Greece	177.4	178.9	175.9	178.5	176.2	181.2	176.6	205.6
Estonia	10.2	10.6	10	10.2	9.3	8.4	8.4	18.2
Euro area	86.4	86.6	84.7	84	81.6	79.6	77.8	90.7
Ireland	119.9	104.4	76.7	73.8	67.7	63.5	58.8	59.5
Spain	95.8	100.7	99.3	99.2	98.6	97.6	95.5	120
Italy	132.5	135.4	135.3	134.8	134.1	134.8	134.8	155.8
Croatia	81.2	84.7	84.3	80.8	77.8	74.7	73.2	88.7
Cyprus	104	109.2	107.5	103.4	93.9	100.6	95.5	118.2
Latvia	40.3	41.6	37.3	40.9	39.3	37.2	36.9	43.5
Lithuania	38.7	40.6	42.6	39.7	39.1	33.8	36.3	47.3
Luxembourg	23.7	22.7	22	20.1	22.3	21	22.1	24.9
Malta	68.4	63.4	58	55.5	50.3	45.6	43.1	54.3
Netherlands	67.7	67.8	64.6	61.9	56.9	52.4	48.6	54.5
Hungary	77.4	76.8	76.2	75.5	72.9	70.2	66.3	80.4
Poland	56	50.8	51.3	54.3	50.6	48.8	46	57.5
Portugal	131.4	132.9	131.2	131.5	126.1	122	117.7	133.6
Romania	37.6	39.2	37.8	37.3	35.1	34.7	35.2	47.3
Slovakia	54.7	53.5	51.9	52	51.3	49.4	48	60.6
Slovenia	70	80.3	82.6	78.7	74.1	70.4	66.1	80.8
Sweden	40.4	45.1	43.9	42.2	40.8	38.8	35.1	39.9
Finland	56.2	59.8	63.6	63.2	61.3	59.6	59.4	69.2

Table 3: General government balance as % of GDP

	Annual data (%)							
	2013	2014	2015	2016	2017	2018	2019	2020
Austria	-2	-2,7	-1	-1,5	-0,8	0,2	0,7	-8,9
Belgium	-3,1	-3,1	-2,4	-2,4	-0,7	-0,8	-1,9	-9,4
Bulgaria	-0,4	-5,4	-1,7	0,1	1,1	2	2,1	-3,4
France	-4,1	-3,9	-3,6	-3,6	-2,9	-2,3	-3	-9,2
Germany	0	0,6	0,9	1,2	1,2	1,9	1,4	-4,2
Denmark	-1,2	1,1	-1,2	0,1	1,8	0,7	3,7	-1,1
Czech Republic	-1,2	-2,1	-0,6	0,7	1,5	0,9	0,3	-6,2
EU 27	-2,9	-2,4	-1,9	-1,3	-0,8	-0,4	-0,6	-6,9
Greece	-13,2	-3,6	-5,6	0,5	0,7	1	1,5	-9,7
Estonia	0,2	0,7	0,1	-0,5	-0,8	-0,6	-0,3	-4,9
Euro area	-3	-2,5	-2	-1,5	-1	-0,5	-0,6	-7,2
Ireland	-6,2	-3,6	-2	-0,7	-0,3	0,1	0,4	-5,0
Spain	-7	-5,9	-5,2	-4,3	-3	-2,5	-2,8	-11,0
Italy	-2,9	-3	-2,6	-2,4	-2,4	-2,2	-1,6	-9,5
Croatia	-5,3	-5,3	-3,3	-1	0,8	0,2	0,4	-7,4
Cyprus	-5,8	-8,7	-1	0,3	2	-3,7	1,7	-5,7
Latvia	-1,2	-1,6	-1,4	0,2	-0,8	-0,8	-0,2	-4,5
Lithuania	-2,6	-0,6	-0,3	0,2	0,5	0,6	0,3	-7,4
Luxembourg	0,8	1,3	1,3	1,8	1,3	3,1	2,2	-4,1
Malta	-2,4	-1,7	-1	1	3,3	1,9	0,5	-10,1
Netherlands	-2,9	-2,2	-2	0	1,3	1,4	1,7	-4,3
Hungary	-2,6	-2,8	-2	-1,8	-2,5	-2,1	-2	-8,1
Poland	-4,2	-3,6	-2,6	-2,4	-1,5	-0,2	-0,7	-7,0
Portugal	-5,1	-7,4	-4,4	-1,9	-3	-0,4	0,2	-5,7
Romania	-2,1	-1,2	-0,6	-2,6	-2,6	-2,9	-4,3	-9,2
Slovakia	-2,9	-3,1	-2,7	-2,5	-1	-1	-1,3	-6,2
Slovenia	-14,6	-5,5	-2,8	-1,9	0	0,7	0,5	-8,4
Sweden	-1,4	-1,5	0	1	1,4	0,8	0,5	-3,1
Finland	-2,5	-3	-2,4	-1,7	-0,7	-0,9	-1,1	-5,4

Table 4: Percentage of Population in Poverty or Social Exclusion * (see. p. 171)

	Annual data (%)							
	2013	2014	2015	2016	2017	2018	2019	2020
Austria	18.8	19.2	18.3	18.0	18.1	17.5	16.9	17.5
Belgium	20.8	21.2	21.1	20.9	20.6	20.0	19.5	18.9
Bulgaria	48.0	40.1	41.3	40.4	38.9	32.8	32.5	32.1
France	18.1	18.5	17.7	18.2	17.0	17.4	17.9	18.2
Germany	20.3	20.6	20.0	19.7	19.0	18.7	17.4	24.0
Denmark	18.3	17.9	17.7	16.8	17.2	17.4	16.3	15.9
Czech Republic	14.6	14.8	14.0	13.3	12.2	12.2	12.5	11.9
EU 27	24.6	24.5	23.8	23.7	22.5	21.6	21.1	:
Greece	35.7	36.0	35.7	35.6	34.8	31.8	30	28.9
Estonia	23.5	26.0	24.2	24.4	23.4	24.4	24.3	23.3
Euro area	23.1	23.5	23.1	23.1	22.1	21.6	21.1	:
Ireland	29.9	27.7	26.2	24.4	22.7	21.1	:	:
Spain	27.3	29.2	28.6	27.9	26.6	26.1	25.3	26.4
Italy	28.5	28.3	28.7	30.0	28.9	27.3	:	:
Croatia	29.9	29.3	29.1	27.9	26.4	24.8	23.3	23.2
Cyprus	27.8	27.4	28.9	27.7	25.2	23.9	22.3	21.3
Latvia	35.1	32.7	30.9	28.5	28.2	28.4	27.3	:
Lithuania	30.8	27.3	29.3	30.1	29.6	28.3	26.3	24.8
Luxembourg	19.0	19.0	18.5	19.8	21.5	21.9	20.6	20.9
Malta	24.6	23.9	23.0	20.3	19.3	19.0	20.1	19.0
Netherlands	15.9	16.5	16.4	16.7	17.0	16.7	16.5	16.3
Hungary	34.8	31.8	28.2	26.3	25.6	19.6	18.9	17.8
Poland	25.8	24.7	23.4	21.9	19.5	18.9	18.2	17.3
Portugal	27.5	27.5	26.6	25.1	23.3	21.6	21.6	19.8
Romania	41.9	40.3	37.4	38.8	35.7	32.5	31.2	30.4
Slovakia	19.8	18.4	18.4	18.1	16.3	16.3	16.4	14.8
Slovenia	20.4	20.4	19.2	18.4	17.1	16.2	14.4	15.0
Sweden	18.3	18.2	18.6	18.3	17.7	18.0	18.8	17.9
Finland	16.0	17.3	16.8	16.6	15.7	16.5	15.6	16.0

Table 5: Inflation

	Annual data (%)			January - August			Change (%)	
	2018	2019	2020	2019	2020	2021	2021/20	2020/19
Austria	2.1	1.5	1.4	1.6	1.5	2.4	0.9	0.0
Belgium	2.3	1.3	0.4	1.6	0.5	1.7	1.3	-1.2
Bulgaria	2.6	2.5	1.2	2.6	1.6	1.6	0.0	-1.0
France	2.1	1.3	0.5	1.3	0.8	1.2	0.5	-0.6
Germany	1.9	1.4	0.4	1.5	0.8	2.4	1.5	-0.6
Denmark	0.7	0.7	0.3	0.8	0.3	1.5	1.2	-0.5
Czech Republic	2.0	2.6	3.3	2.4	3.5	3.0	-0.5	1.0
EU 27	1.8	1.4	0.7	1.5	0.9	2.0	1.1	-0.6
Greece	0.8	0.5	-1.3	0.6	-0.8	-0.8	0.0	-1.4
Estonia	3.4	2.3	-0.6	2.5	-0.3	2.5	2.8	-2.8
Euro area	1.8	1.2	0.3	1.3	0.5	1.7	1.2	-0.8
Ireland	0.7	0.9	-0.5	0.9	-0.1	1.0	1.1	-1.0
Spain	1.7	0.8	-0.3	1.0	-0.1	1.9	2.0	-1.1
Italy	1.2	0.6	-0.1	0.8	0.1	1.2	1.1	-0.8
Croatia	1.6	0.8	0.0	0.8	0.1	2.1	1.9	-0.6
Cyprus	0.8	0.6	-1.1	0.8	-1.0	1.0	2.0	-1.8
Latvia	2.6	2.7	0.1	3.0	0.4	2.0	1.6	-2.6
Lithuania	2.5	2.2	1.1	2.4	1.4	3.3	1.9	-0.9
Luxembourg	2.0	1.7	0.0	1.9	0.2	2.6	2.3	-1.6
Malta	1.7	1.5	0.8	1.6	1.0	0.4	-0.6	-0.6
Netherlands	1.6	2.7	1.1	2.7	1.2	1.8	0.6	-1.4
Hungary	2.9	3.4	3.4	3.5	3.6	4.7	1.2	0.1
Poland	1.2	2.1	3.7	1.9	3.7	4.5	0.9	1.7
Portugal	1.2	0.3	-0.1	0.4	0.1	0.3	0.2	-0.3
Romania	4.1	3.9	2.3	4.0	2.6	3.0	0.5	-1.5
Slovakia	2.5	2.8	2.0	2.6	2.3	2.6	0.3	-0.4
Slovenia	1.9	1.7	-0.3	1.7	0.0	1.3	1.2	-1.7
Sweden	2.0	1.7	0.7	1.8	0.8	1.9	1.1	-1.0
Finland	1.2	1.1	0.4	1.2	0.5	1.4	1.0	-0.8

Table 6: GDP per Capita (in PPS, EE-27 =1)

	Annual data (%)							
	2013	2014	2015	2016	2017	2018	2019	2020
Austria	1.10	1.11	1.11	1.12	1.13	1.13	1.13	1.14
Belgium	1.12	1.12	1.11	1.12	1.13	1.13	1.13	1.12
Bulgaria	0.94	0.92	0.94	0.96	0.99	1.01	1.03	1.05
France	1.13	1.13	1.12	1.12	1.12	1.11	1.09	1.09
Germany	1.07	1.07	1.08	1.08	1.08	1.09	1.10	1.12
Denmark	10.20	10.23	10.16	10.20	10.03	9.96	9.96	9.88
Czech Republic	17.72	17.73	18.00	18.11	18.11	18.23	18.58	18.95
EU 27	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Greece	0.88	0.85	0.85	0.85	0.84	0.83	0.83	0.81
Estonia	0.72	0.74	0.75	0.76	0.78	0.80	0.81	0.80
Euro area	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.06
Ireland	1.12	1.14	1.13	1.14	1.16	1.16	1.19	1.17
Spain	0.94	0.92	0.92	0.93	0.92	0.93	0.94	0.92
Italy	1.02	1.03	1.03	1.01	1.00	1.00	1.00	0.99
Croatia	4.96	4.95	4.89	4.87	4.87	4.90	4.90	4.80
Cyprus	0.95	0.95	0.92	0.90	0.90	0.90	0.90	0.91
Latvia	0.69	0.69	0.69	0.70	0.71	0.72	0.74	0.72
Lithuania	0.61	0.62	0.62	0.63	0.65	0.66	0.68	0.68
Luxembourg	1.24	1.23	1.23	1.23	1.24	1.24	1.26	1.28
Malta	0.80	0.82	0.83	0.84	0.85	0.86	0.86	0.86
Netherlands	1.11	1.13	1.13	1.15	1.14	1.15	1.17	1.16
Hungary	173.26	180.63	184.37	190.13	196.61	203.17	210.42	221.55
Poland	2.44	2.47	2.46	2.50	2.54	2.58	2.61	2.67
Portugal	0.81	0.81	0.81	0.82	0.84	0.85	0.85	0.85
Romania	2.23	2.27	2.31	2.30	2.35	2.45	2.53	2.56
Slovakia	0.68	0.68	0.68	0.72	0.74	0.74	0.75	0.79
Slovenia	0.82	0.83	0.83	0.83	0.83	0.84	0.84	0.83
Sweden	11.92	12.18	12.32	12.70	12.76	12.98	13.06	13.12
Finland	1.26	1.27	1.26	1.27	1.26	1.26	1.27	1.26

Table 7: Average Labour Productivity (euro per hour of work, EE-27 =100

	Annual data							
	2013	2014	2015	2016	2017	2018	2019	2020

Austria	117.3	116.8	117.3	117.5	116.3	116.5	115.5	114.4
Belgium	130.2	131.2	131.6	130.7	129.7	129.2	129.1	126.3
Bulgaria	42.9	44	44.5	45.7	46	47.1	48.6	50.3
France	116.8	116.1	115.7	115.3	114.9	115.3	116.7	114.8
Germany	104.3	106.3	105.3	105.9	105.7	105.1	103.6	103.5
Denmark	115.5	115.5	114.9	114.8	116	116.7	116.9	121.9
Czech Republic	76.8	79.3	79.9	79.9	81.4	83.8	85.3	86.7
EU 27	100	100	100	100	100	100	100	100
Greece	87.2	86.4	83.5	81.5	80.6	80.5	78.5	69.7
Estonia	73.8	75.4	72.4	73	74.2	76.7	78.7	82.7
Euro area	107.5	107.6	107.3	107.2	106.9	106.4	105.7	105
Ireland	143	146.5	188.6	182.3	187	195.1	196.9	218.4
Spain	103.4	103.3	102.2	101.8	101.5	99.6	98.2	95.7
Italy	109.4	107.7	106.6	108.1	107.4	106.4	104.9	102.8
Croatia	73.5	70.8	70.7	72	71.9	72.7	72.1	71.1
Cyprus	86	84	84.9	87.1	85.5	85.3	83.7	82.7
Latvia	62.6	64.7	64.4	64.8	66.7	68.6	68.7	71.9
Lithuania	74.1	74.4	72.8	71.8	75	76	77.5	82.5
Luxembourg	163.8	169.7	169.6	170.8	166	164.6	162	163.3
Malta	89.7	91.5	95.2	95.9	94.1	94.4	93.5	90.6
Netherlands	115.4	113.5	112.8	110.5	110.5	109.8	108	111.6
Hungary	73.1	71.4	70.9	67.4	67.7	70	71.6	71.4
Poland	74.1	73.8	74.5	74	74.9	76.7	80.1	82
Portugal	79.9	79	78.3	77.9	75.8	75.1	76.1	74.4
Romania	56.2	56.7	58.6	63.1	66.1	68.7	72.6	74.6
Slovakia	84.1	84.3	83.5	77	75.7	76.2	76.2	75
Slovenia	81.1	81.5	80.6	80.8	81.7	82.1	81.9	83.4
Sweden	115.9	115.2	116.7	113.4	112.9	111.6	112.2	115.6
Finland	108.3	107.7	107.6	108.1	109	107.9	106.6	110.5

Table 8: Employment Rate for People aged 20-64 (*)

	Annual data (%)			Q2			Change (%)	
	2018	2019	2020	2018	2019	2020	2020/19	2019/18
Austria	76.2	76.8	75.5	71.0	69.6	70.5	-1.3	0.7
Belgium	69.7	70.5	70.0	75.7	72.2	72.7	-0.5	0.8
Bulgaria	72.4	75.0	73.4	71.8	70.8	73.3	-1.6	2.6
France	71.3	71.6	71.4	80.5	:	79.4	-0.2	0.3
Germany	79.9	80.7		78.3	77.4	79.0		0.8
Denmark	77.5	78.3	77.8	80.2	79.4	79.2	-0.5	0.8
Czech Republic	79.9	80.3	79.7	73.2	71.6	73.0	-0.6	0.4
EU 27	72.3	73.1	72.4	61.9	60.5	62.3	-0.7	0.8
Greece	59.5	61.2	61.1	79.3	77.3	78.0	-0.1	1.7
Estonia	79.5	80.2	78.8	72.7	70.9	72.4	-1.4	0.7
Euro area	71.9	72.6	71.7	74.8	71.4	74.1	-0.9	0.8
Ireland	74.1	75.1	73.4	68.2	63.7	67.4	-1.8	1.0
Spain	67	68.1	65.7	64.0	62.0	62.7	-2.3	1.0
Italy	63	63.5	62.6	66.4	67.1	68.3	-1.0	0.6
Croatia	65.2	66.7	66.9	76.6	75.2	75.2	0.2	1.5
Cyprus	73.9	75.7	75.0	77.2	76.8	75.1	-0.8	1.8
Latvia	76.8	77.4	77.0	78.4	76.4	77.0	-0.4	0.5
Lithuania	77.8	78.2	76.7	73.2	71.9	74.5	-1.6	0.4
Luxembourg	72.1	72.8	72.1	76.9	76.3	78.0	-0.6	0.7
Malta	75.5	77.2	77.4	80.1	79.6	82.3	0.6	1.3
Netherlands	79.2	80.2	80.0	75.2	74.0	78.6	-0.2	0.9
Hungary	74.4	75.3	75.1	73.1	72.7	75.1	-0.3	0.9
Poland	72.2	73.0	73.6	76.1	73.5	76.0	0.5	0.9
Portugal	75.4	76.2	74.7	71.6	70.4	67.5	-1.5	0.8
Romania	69.9	70.9	70.8	73.0	71.7	74.0	-0.2	1.1
Slovakia	72.4	73.4	72.5	77.1	74.9	76.8	-0.9	0.9
Slovenia	75.4	76.5	75.6	82.4	80.7	81.1	-0.9	1.0
Sweden	82.4	82.1	80.8	77.5	75.9	77.4	-1.3	-0.3
Finland	76.3	77.2	76.5	76.9	74.3	74.9	-0.8	0.9

(*) % of employed people between 20 and 64 in relation to their total population

Table 9: Employment Rate of Persons Aged 55-64(*)

	Annual data (%)			Q2			Change (%)	
	2018	2019	2020	2018	2019	2020	2020/2019	2019/2018
Austria	54.0	54.5	54.7	54.2	54.2	55.0	0.2	0.5
Belgium	50.3	52.1	53.3	52.3	53.5	54.4	1.2	1.8

Bulgaria	60.7	64.4	64.2	65.0	64.0	64.6	-0.2	3.7
France	52.3	53.0	53.8	53.1	53.6	55.7	0.7	0.8
Germany	71.4	72.7		72.3	:	71.5		1.3
Denmark	69.2	71.3	71.4	72.1	71.4	71.7	0.1	2.1
Czech Republic	65.1	66.7	68.2	66.7	68.1	68.4	1.5	1.6
EU 27	57.8	59.1	59.6	59.1	59.2	60.2	0.5	1.3
Greece	41.1	43.2	44.6	43.6	43.9	48.4	1.4	2.1
Estonia	68.9	72.5	72.0	71.3	69.9	69.0	-0.5	3.5
Euro area	58.8	60.0	60.2	60.0	59.8	60.8	0.2	1.3
Ireland	60.4	61.8	61.8	61.3	61.1	61.2	0.0	1.4
Spain	52.2	53.8	54.7	53.9	53.7	55.4	0.9	1.7
Italy	53.7	54.3	54.2	54.8	54.0	53.5	0.0	0.6
Croatia	42.8	44.0	45.5	45.0	45.3	48.4	1.5	1.2
Cyprus	60.9	61.1	61.0	62.4	61.0	62.2	-0.2	0.2
Latvia	65.4	67.3	68.6	67.0	69.4	68.1	1.2	1.9
Lithuania	68.5	68.4	67.6	69.4	66.8	69.4	-0.8	-0.1
Luxembourg	40.5	43.1	44.0	42.6	43.0	47.7	0.9	2.7
Malta	50.2	51.6	52.9	50.3	52.7	54.7	1.8	0.9
Netherlands	67.7	69.7	71.0	69.3	70.7	71.7	1.3	2.0
Hungary	54.4	56.7	59.6	56.1	58.8	62.2	2.9	2.3
Poland	48.9	49.6	51.8	49.2	50.6	53.8	2.3	0.6
Portugal	59.2	60.4	60.8	60.3	59.3	63.8	0.4	1.2
Romania	46.3	47.8	48.5	48.1	48.2	43.6	0.7	1.5
Slovakia	54.2	57.0	58.3	57.1	58.1	59.7	1.3	2.8
Slovenia	47.0	48.6	50.5	49.7	51.5	55.0	1.8	1.6
Sweden	78.0	77.7	77.6	77.9	77.2	76.8	-0.1	-0.3
Finland	65.4	66.8	67.5	66.6	66.7	68.2	0.7	1.3

(*) % of employed people between 55 and 64 in relation to their total population

Table 10: Change in Employment (persons aged over 15)

	Annual data (%)			Q2		
	2018	2019	2020	2019	2020	2021
Austria	1.3	0.9	-1.3	0.8	-3.1	0.9
Belgium	2.4	1.5	-0.6	3.1	-1.8	1.4
Bulgaria	-0.1	2.2	-3.6	2.8	-5.9	-0.2
France	0.8	0.2	-0.6	0.3	-1.8	3.6
Germany	0.4	1.0		1.0	:	:
Denmark	1.5	1.5	-0.9	1.2	-1.7	2.1
Czech Republic	1.0	0.1	-1.2	0.0	-1.5	-0.8
EU 27	1.1	0.9	-1.4	0.8	-2.5	1.5
Greece	1.9	2.0	-1.2	2.3	-3.1	1.6
Estonia	0.7	0.6	-2.2	-0.1	-3.7	-0.2
Euro area	1.2	1.0	-1.5	1.1	-2.5	1.9
Ireland	2.6	2.7	-1.5	2.1	-3.9	5.2
Spain	2.6	2.3	-3.1	2.3	-6.2	5.5
Italy	0.6	0.4	-2.0	0.2	-3.6	0.5
Croatia	1.7	1.2	-1.2	0.0	-0.4	1.1
Cyprus	5.4	3.5	0.3	3.2	0.3	1.8
Latvia	1.3	-0.3	-2.1	-0.8	-1.8	-3.9
Lithuania	1.4	0.0	-2.0	0.5	-2.5	0.7
Luxembourg	3.1	3.2	1.0	5.3	-0.2	5.8
Malta	8.1	5.5	2.7	6.8	2.2	2.8
Netherlands	2.0	1.7	-0.1	1.9	-0.7	4.8
Hungary	0.9	0.6	-1.4	0.4	-2.7	4.8
Poland	0.3	-0.2	-0.3	-0.6	-1.5	1.9
Portugal	2.2	0.8	-2.1	0.6	-3.7	3.2
Romania	0.2	0.3	-1.6	0.2	-3.2	-6.0
Slovakia	1.2	0.4	-2.1	0.6	-2.6	1.4
Slovenia	2.0	0.8	-0.5	1.4	-2.4	0.7
Sweden	1.6	0.6	-1.5	0.5	-2.2	0.5
Finland	2.6	0.9	-1.5	0.6	-2.8	2.4

Table 11: Unemployment Rate – Total Population

	Annual data (%)			Q2			Change (%)	
	2018	2019	2020	2018	2019	2020	2021/20	2020/19
Austria	4.9	4.5	5.4	4.5	5.7	6.5	0.8	1.2
Belgium	6.0	5.4	5.6	5.3	4.9	6.1	1.2	-0.4
Bulgaria	5.2	4.2	5.1	4.3	6.0	5.6	-0.4	1.7

France	9.0	8.4	8.0	8.1	6.8	7.6	0.8	-1.3
Germany	3.4	3.1	3.8	3.1	3.8	3.6	-0.2	0.7
Denmark	5.1	5.0	5.6	4.7	5.2	4.7	-0.5	0.5
Czech Republic	2.2	2.0	2.6	1.9	2.4	3.0	0.6	0.5
EU 27	7.2	6.7	7.1	6.6	6.7	7.2	0.5	0.1
Greece	19.3	17.3	16.3	16.9	16.7	15.8	-0.9	-0.2
Estonia	5.4	4.4	6.8	5.1	7.1	6.9	-0.2	2.0
Euro area	8.1	7.5	7.8	7.4	7.3	7.9	0.6	-0.1
Ireland	5.8	5.0	5.7	5.4	5.1	7.3	2.2	-0.3
Spain	15.3	14.1	15.5	14.0	15.3	15.3	0.0	1.3
Italy	10.6	10.0	9.2	9.8	7.7	9.6	1.9	-2.1
Croatia	8.5	6.6	7.5	6.1	6.5	8.0	1.5	0.4
Cyprus	8.4	7.1	7.6	6.5	6.8	8.4	1.6	0.3
Latvia	7.4	6.3	8.1	6.4	8.6	7.9	-0.7	2.2
Lithuania	6.2	6.3	8.5	6.2	8.6	7.4	-1.2	2.4
Luxembourg	5.6	5.6	6.8	5.3	6.4	5.5	-0.9	1.1
Malta	3.7	3.6	4.3	3.6	4.6	3.5	-1.1	1.0
Netherlands	3.8	3.4	3.8	3.3	3.8	4.0	0.2	0.5
Hungary	3.7	3.4	4.3	3.3	4.6	4.1	-0.5	1.3
Poland	3.9	3.3	3.2	3.2	3.1	3.5	0.4	-0.1
Portugal	7.1	6.5	6.9	6.3	5.6	6.7	1.1	-0.7
Romania	4.2	3.9	5.0	3.8	5.4	5.1	-0.3	1.6
Slovakia	6.5	5.8	6.7	5.7	6.6	6.9	0.3	0.9
Slovenia	5.1	4.5	5.0	4.2	5.2	4.4	-0.8	1.0
Sweden	6.4	6.8	8.3	7.1	9.1	9.9	0.8	2.0
Finland	7.4	6.7	7.8	7.7	8.9	9.0	0.1	1.2

Table 12: Unemployment Rate among Men

	Annual data (%)			Q2			Change (%)	
	2018	2019	2020	2019	2020	2021	2021/20	2020/19
Austria	5.0	4.6	5.5	4.5	5.9	6.6	0.7	1.4
Belgium	6.3	5.7	5.7	5.6	5.1	5.9	0.8	-0.5
Bulgaria	5.7	4.5	5.4	4.5	6.1	5.6	-0.5	1.6
France	9.0	8.5	8.1	8.2	7.2	7.7	0.5	-1.0
Germany	3.8	3.5	4.2	3.4	4.2	4.0	-0.2	0.8
Denmark	4.9	4.8	5.3	4.8	4.7	4.7	0.0	-0.1
Czech Republic	1.8	1.7	2.2	1.6	2.2	2.4	0.2	0.6
EU 27	7.0	6.4	6.8	6.4	6.6	6.8	0.2	0.2
Greece	15.4	14.0	13.6	13.7	14.1	12.4	-1.7	0.4
Estonia	5.4	4.1	7.0	4.7	6.8	7.4	0.6	2.1
Euro area	7.8	7.2	7.5	7.2	7.2	7.5	0.3	0.0
Ireland	5.8	5.2	5.6	5.6	5.1	7.4	2.3	-0.5
Spain	13.7	12.5	13.9	12.5	14.1	13.4	-0.7	1.6
Italy	9.8	9.1	8.4	9.1	7.2	8.7	1.5	-1.9
Croatia	7.7	6.2	7.5	5.3	6.1	7.8	1.7	0.8
Cyprus	8.1	6.3	7.6	6.4	7.0	7.5	0.5	0.6
Latvia	8.4	7.2	9.1	8.0	10.2	9.3	-0.9	2.2
Lithuania	6.9	7.1	9.3	6.8	9.7	7.7	-2.0	2.9
Luxembourg	5.3	5.7	6.6	5.3	6.7	5.1	-1.6	1.4
Malta	3.8	3.4	4.2	3.3	4.3	4.0	-0.3	1.0
Netherlands	3.7	3.4	3.7	3.3	3.8	4.0	0.2	0.5
Hungary	3.5	3.4	4.1	3.4	4.4	4.1	-0.3	1.0
Poland	3.9	3.0	3.1	3.2	3.2	3.6	0.4	0.0
Portugal	6.7	5.9	6.6	5.9	5.6	6.5	0.9	-0.3
Romania	4.7	4.3	5.3	4.1	5.6	5.2	-0.4	1.5
Slovakia	6.1	5.6	6.4	5.7	6.7	7.0	0.3	1.0
Slovenia	4.6	4.0	4.4	3.8	4.5	3.5	-1.0	0.7
Sweden	6.5	6.7	8.3	7.0	9.1	9.8	0.7	2.1
Finland	7.4	7.2	8.0	8.2	9.0	9.8	0.8	0.8

Table 13: Unemployment Rate among Women

	Annual data (%)			Q2			Change (%)	
	2018	2019	2020	2019	2020	2021	2021/20	2020/19
Austria	4.7	4.4	5.2	4.4	5.4	6.4	1.0	1.0
Belgium	5.6	4.9	5.4	5.0	4.7	6.3	1.6	-0.3
Bulgaria	4.7	3.9	4.8	3.9	5.7	5.6	-0.1	1.8
France	9.1	8.4	8.0	7.9	6.4	7.5	1.1	-1.5
Germany	2.9	2.7	3.4	2.8	3.4	3.2	-0.2	0.6
Denmark	5.3	5.3	6.0	4.6	5.7	4.7	-1.0	1.1
Czech Republic	2.8	2.4	3.0	2.3	2.6	3.7	1.1	0.3

EU 27	7.5	7.0	7.3	6.9	6.8	7.5	0.7	-0.1
Greece	24.2	21.5	19.8	20.9	19.9	19.9	0.0	-1.0
Estonia	5.3	4.8	6.6	5.5	7.4	6.3	-1.1	1.9
Euro area	8.5	7.9	8.1	7.8	7.4	8.3	0.9	-0.4
Ireland	5.7	4.7	5.7	5.2	5.1	7.2	2.1	-0.1
Spain	17.0	16.0	17.4	15.8	16.7	17.4	0.7	0.9
Italy	11.8	11.1	10.2	10.7	8.4	10.9	2.5	-2.3
Croatia	9.4	7.2	7.6	7.0	6.9	8.2	1.3	-0.1
Cyprus	8.8	8.0	7.6	6.7	6.6	9.5	2.9	-0.1
Latvia	6.4	5.4	7.1	4.7	6.9	6.4	-0.5	2.2
Lithuania	5.4	5.5	7.7	5.5	7.4	7.1	-0.3	1.9
Luxembourg	5.9	5.5	7.0	5.4	5.9	6.0	0.1	0.5
Malta	3.5	4.0	4.4	4.0	5.0	2.8	-2.2	1.0
Netherlands	4.0	3.4	4.0	3.3	3.8	4.0	0.2	0.5
Hungary	4.0	3.5	4.5	3.2	4.9	4.2	-0.7	1.7
Poland	3.9	3.6	3.3	3.3	3.1	3.5	0.4	-0.2
Portugal	7.5	7.2	7.1	6.7	5.6	7.0	1.4	-1.1
Romania	3.5	3.4	4.7	3.3	5.1	4.9	-0.2	1.8
Slovakia	7.0	6.0	7.1	5.7	6.6	6.9	0.3	0.9
Slovenia	5.7	5.0	5.6	4.7	5.9	5.4	-0.5	1.2
Sweden	6.2	7.0	8.3	7.2	9.1	10.0	0.9	1.9
Finland	7.3	6.2	7.5	7.1	8.7	8.1	-0.6	1.6

Table 14: Long-Term Unemployment Rate (*)

	Annual data (%)						Change (%)	
	2018	2019	2020	2019	2020	2021	2021/20	2020/19
Austria	28.9	25.1	24.5	8.4	11.7	11.6	-0.1	3.3
Belgium	48.7	43.5	41.6	13.6	15.3	18.9	3.6	1.7
Bulgaria	58.4	56.6	45	10.7	18.3	15.5	-2.8	7.6
France	41.6	40	36.5	19.1	21.0	18.2	-2.8	1.9
Germany	40.9	37.8	29.6	5.4	8.1	7.1	-1.0	2.7
Denmark	19.1	16.4	16.4	8.2	10.8	8.7	-2.1	2.6
Czech Republic	30.5	30	22.1	5.7	7.2	7.2	0.0	1.5
EU 27	44.4	41.4	35.4	15.1	17.1	17.4	0.3	2.0
Greece	70.3	70.1	66.5	33.6	36.0	38.2	2.2	2.4
Estonia	24.9	20	17.1	14.1	18.4	19.1	0.7	4.3
Euro area	46.4	43.5	37.5	15.7	17.5	17.6	0.1	1.8
Ireland	36.3	32.1	23.6	15.7	16.6	21.1	4.5	0.9
Spain	41.7	37.8	32.1	33.1	39.6	38.4	-1.2	6.5
Italy	58.1	56	51.5	28.4	24.7	29.3	4.6	-3.7
Croatia	40.2	35.8	28.1	9.7	19.8	22.7	2.9	10.1
Cyprus	31.7	29.1	28.1	14.9	17.8	17.0	-0.8	2.9
Latvia	41.6	38	27.3	15.1	18.2	16.7	-1.5	3.1
Lithuania	32.2	30.6	29	10.2	21.1	19.4	-1.7	10.9
Luxembourg	24.7	22.8	25.5	17.5	23.3	16.2	-7.1	5.8
Malta	48.1	25.1	25.5	9.1	11.1	10.6	-0.5	2.0
Netherlands	36.6	30.3	23.2	6.3	9.5	9.3	-0.2	3.2
Hungary	38.5	31.9	26.2	10.8	14.7	13.3	-1.4	3.9
Poland	26.9	21.6	20	10.4	9.5	13.3	3.8	-0.9
Portugal	43.7	42.6	33.3	18.1	19.9	23.7	3.8	1.8
Romania	44.1	42.4	29.9	15.0	15.4	17.6	2.2	0.4
Slovakia	61.8	58.2	47.8	14.6	18.5	20.0	1.5	3.9
Slovenia	42.9	43	38.8	6.5	15.6	14.2	-1.4	9.1
Sweden	17.2	13.7	13.9	23.5	30.0	30.0	0.0	6.5
Finland	21.8	17.6	15.4	22.5	28.2	23.9	-4.3	5.7

(*) % long term unemployed (12 months or more) as a % of total unemployed

Table 15: Unemployment Rate among Youth 15-24 years old

	Annual data (%)			Q2			Change (%)	
	2018	2019	2020	2019	2020	2021	2021/20	2020/19
Austria	9.4	8.5	10.5	8.4	11.7	11.6	-0.1	3.3
Belgium	15.8	14.2	15.3	13.6	15.3	18.9	3.6	1.7
Bulgaria	12.7	8.9	14.2	10.7	18.3	15.5	-2.8	7.6
France	20.8	19.5	20.2	19.1	21.0	18.2	-2.8	1.9
Germany	6.2	5.8	7.5	5.4	8.1	7.1	-1.0	2.7
Denmark	10.5	10.1	11.6	8.2	10.8	8.7	-2.1	2.6
Czech Republic	6.7	5.6	8.0	5.7	7.2	7.2	0.0	1.5
EU 27	16.0	15.0	16.8	15.1	17.1	17.4	0.3	2.0
Greece	39.9	35.2	35.0	33.6	36.0	38.2	2.2	2.4

Estonia	11.8	11.1	17.9	14.1	18.4	19.1	0.7	4.3
Euro area	16.8	15.6	17.4	15.7	17.5	17.6	0.1	1.8
Ireland	13.8	12.5	15.3	15.7	16.6	21.1	4.5	0.9
Spain	34.3	32.5	38.3	33.1	39.6	38.4	-1.2	6.5
Italy	32.2	29.2	29.4	28.4	24.7	29.3	4.6	-3.7
Croatia	23.7	16.6	21.1	9.7	19.8	22.7	2.9	10.1
Cyprus	20.2	16.6	18.2	14.9	17.8	17.0	-0.8	2.9
Latvia	12.2	12.4	14.9	15.1	18.2	16.7	-1.5	3.1
Lithuania	11.1	11.9	19.6	10.2	21.1	19.4	-1.7	10.9
Luxembourg	14.2	17.0	23.2	17.5	23.3	16.2	-7.1	5.8
Malta	9.1	9.3	10.7	9.1	11.1	10.6	-0.5	2.0
Netherlands	7.2	6.7	9.1	6.3	9.5	9.3	-0.2	3.2
Hungary	10.2	11.4	12.8	10.8	14.7	13.3	-1.4	3.9
Poland	11.7	9.9	10.8	10.4	9.5	13.3	3.8	-0.9
Portugal	20.3	18.3	22.6	18.1	19.9	23.7	3.8	1.8
Romania	16.2	16.8	17.3	15.0	15.4	17.6	2.2	0.4
Slovakia	14.9	16.1	19.3	14.6	18.5	20.0	1.5	3.9
Slovenia	8.8	8.1	14.2	6.5	15.6	14.2	-1.4	9.1
Sweden	17.4	20.1	23.9	23.5	30.0	30.0	0.0	6.5
Finland	17.0	17.2	21.4	22.5	28.2	23.9	-4.3	5.7

(*) For the exact definition of the index see here:

http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=DSP_GLOSSARY_NOM_DTL_VIEW&StrNom=CODED2&StrLanguageCode=EN&IntKey=16664385&RdoSearch=BEGIN&TxtSearch=&CboTheme=36940331&IsTer=TERM&IntCurrentPage=4&ter_valid=0

http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=DSP_GLOSSARY_NOM_DTL_VIEW&StrNom=CODED2&StrLanguageCode=EN&IntKey=27697382&RdoSearch=BEGIN&TxtSearch=&CboTheme=36940331&IsTer=TERM&IntCurrentPage=44&ter_valid=0