



ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ &
ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ

The Greek Economy between crises and opportunities: structure and outlook for the future

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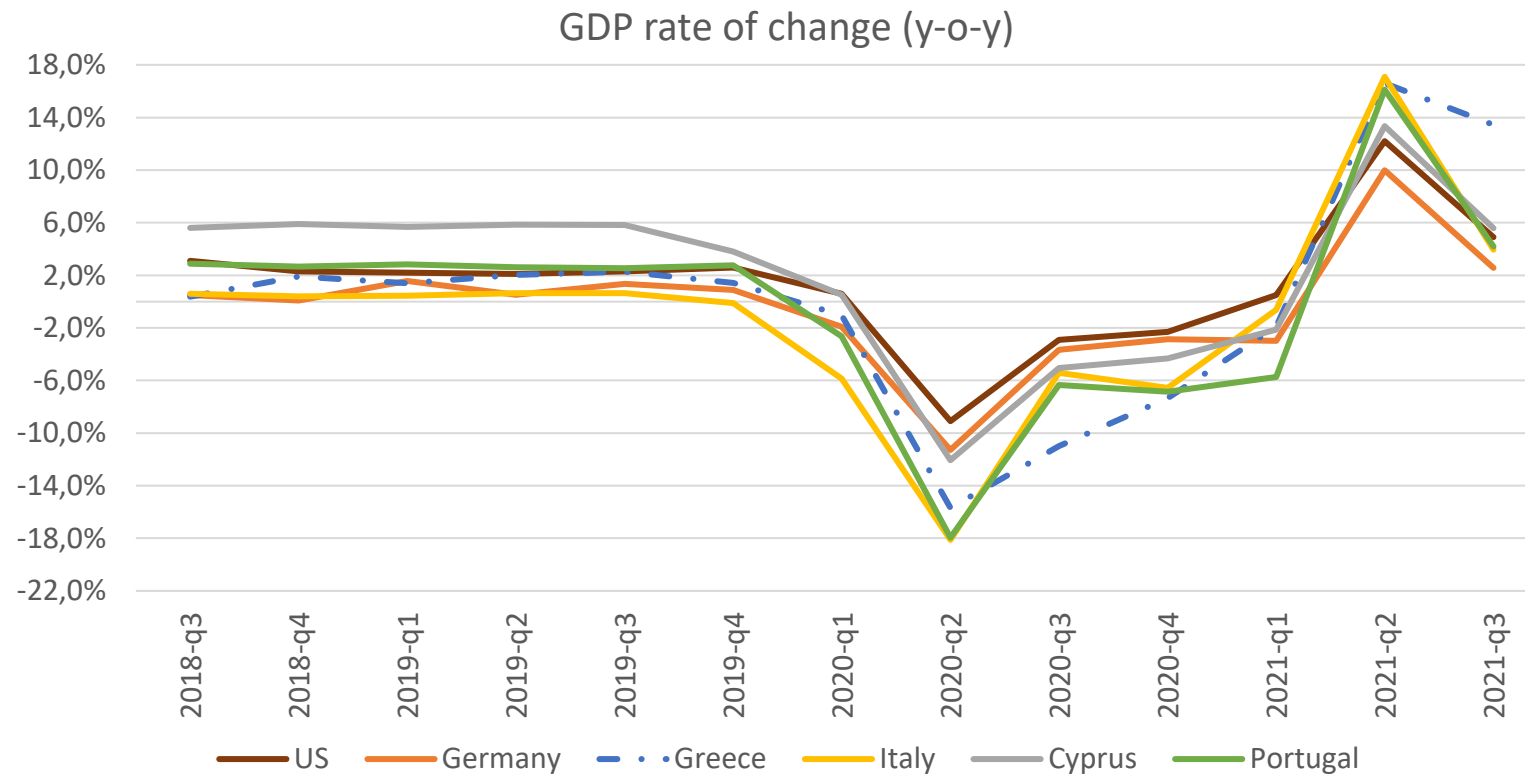
Athens, 14 December 2021

Current trends

- Strong recovery in global economy in 2021 and high growth in certain sectors and regions.
- In Europe, recovery slowdown in third quarter (4.1% from 13.8%) – improving forecasts for 2021 and 2022.
- Greece growing faster than the EU average (16.6%) – counterbalancing the deep contraction last year.
- Growth dynamics that reflect its structure: large share of consumption and of sectors such as tourism, retail trade, transport, and hospitality.
- Significant increase in exports of both goods and services.
- Return of twin deficits: fiscal and balance of payments

GDP dynamics

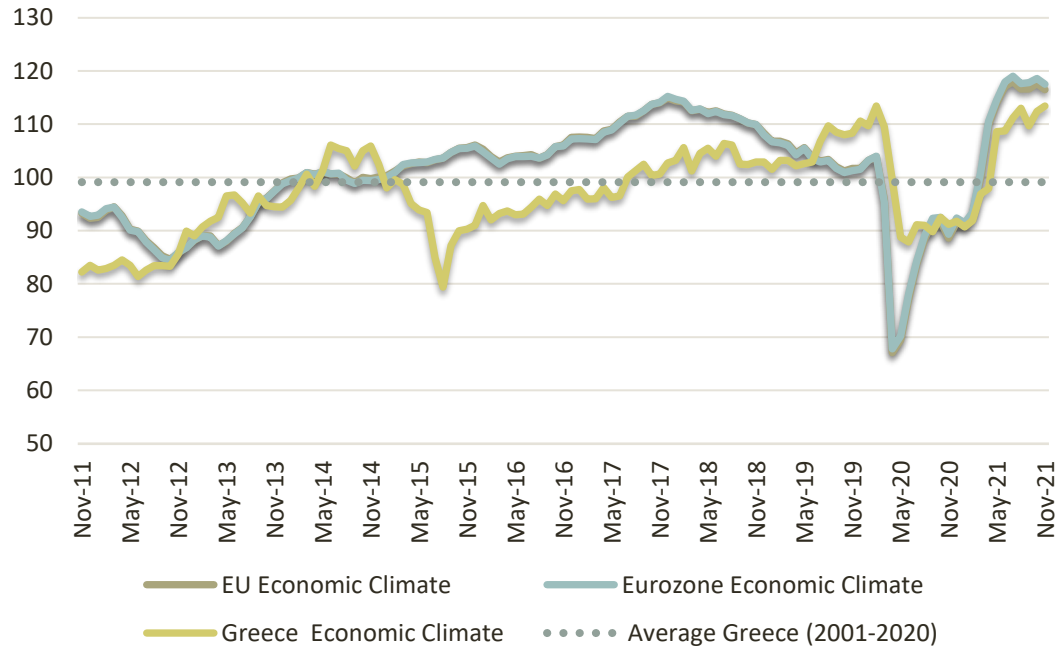
- Strong GDP growth of 13.4% in 2021-q3, by 13.4%, following a steep recovery of 16.6% in the previous quarter. Average growth rate of 8.9% in the first three quarters of 2021.
- Mainly from the sharp increase in exports (+48.6%), primarily of services (+84.6%), as well as higher private consumption (+ 8.6%).
- The strongest recovery in the Eurozone in 2021-q3 (average +3.9%)



Source: Quarterly Annual Accounts, Eurostat

Greece: Economic Climate and Consumer Confidence

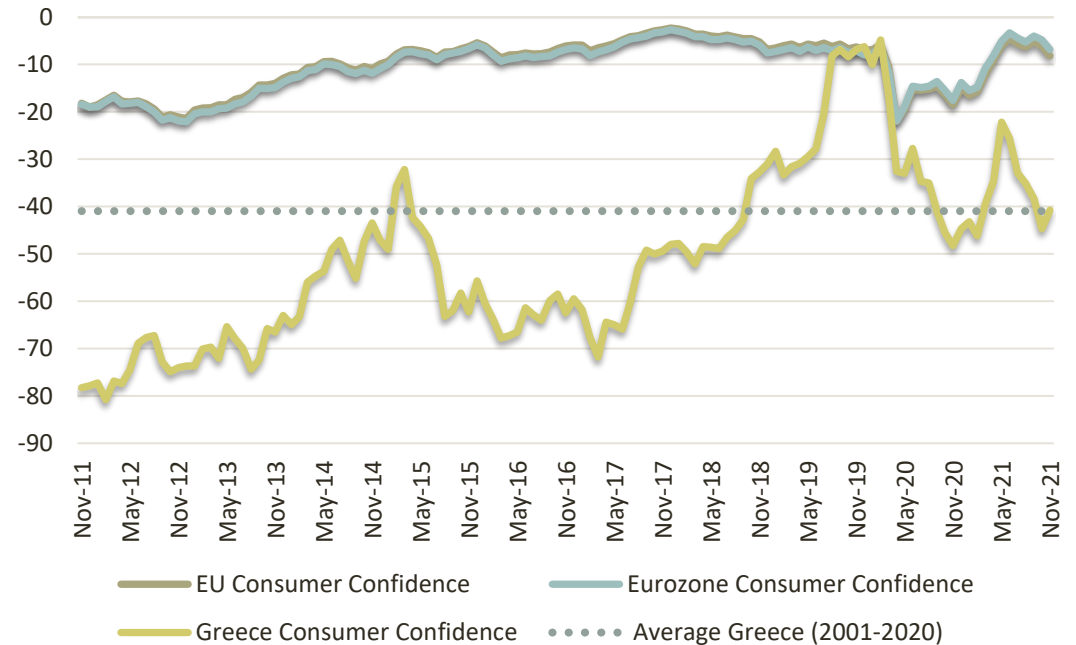
The economic climate index continued increasing in November; 22.2 points higher compared to November 2020, at pre-crisis levels



Sources: European Commission, IOBE

The economic climate index stood at 113.4 points in November, up from 112.4 points in the previous month and 91.2 points a year ago.

Small consumer confidence rise in November, after a continuous decline in the June-October period

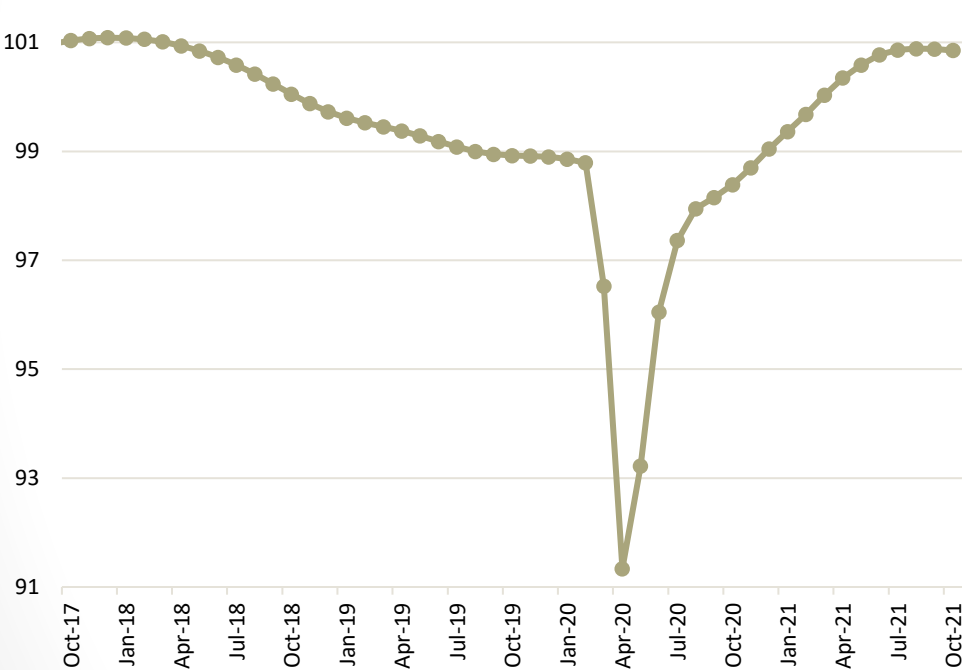


The consumer confidence index rose in November, reaching -40.2 points, from -44.7 points in the previous month. This level was higher than that in November 2020 (-48.3 points).

Strong global economic activity and trade

Small decline of the CLI in October, after a 17-month continuous increase

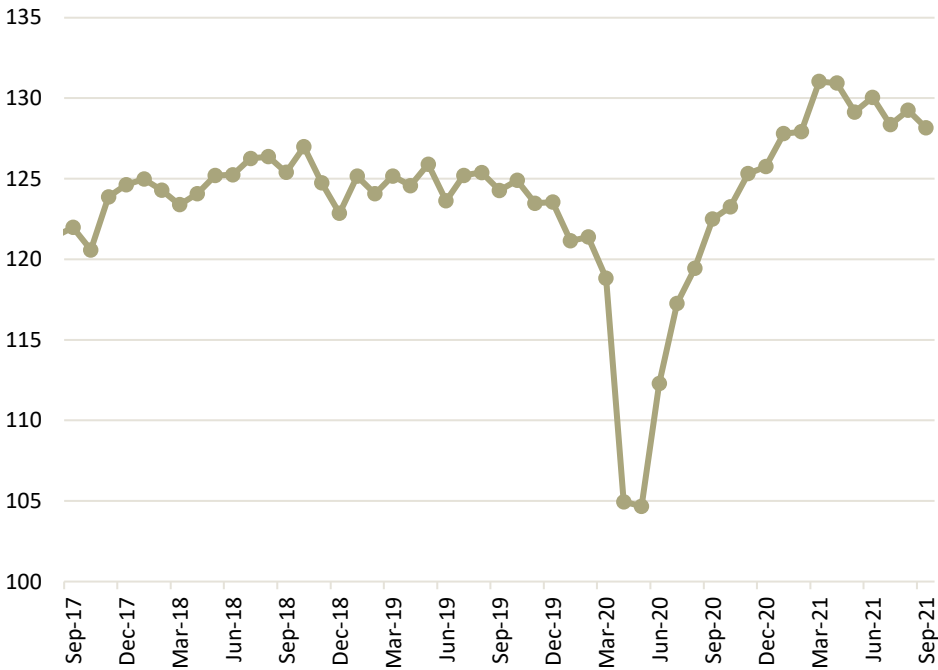
OECD Composite Leading Indicator (CLI)
(Long-term average = 100)



Source: OECD

Small fluctuations in international trade volume since May. Monthly decline of 0.8% in September. At a higher level compared to a year ago (+4.7%).

Volume Indicator of Global Trade
(seasonally adjusted data, 2010=100)

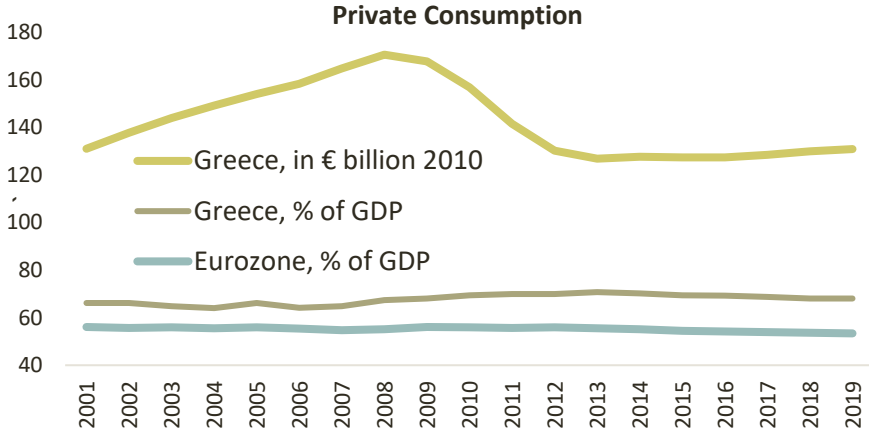


Source: CPB Netherlands Bureau for Economic Policy Analysis

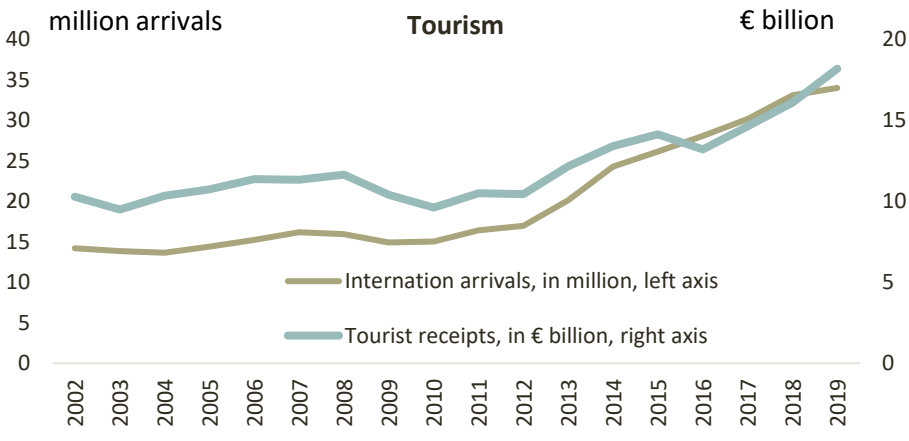
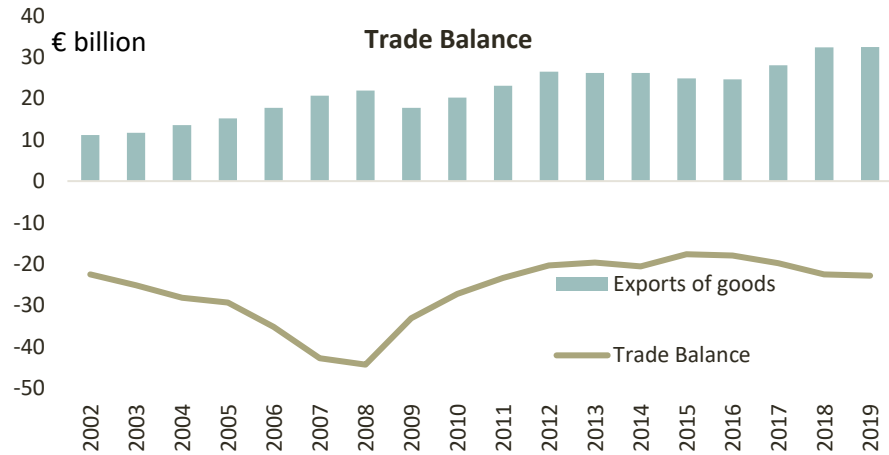
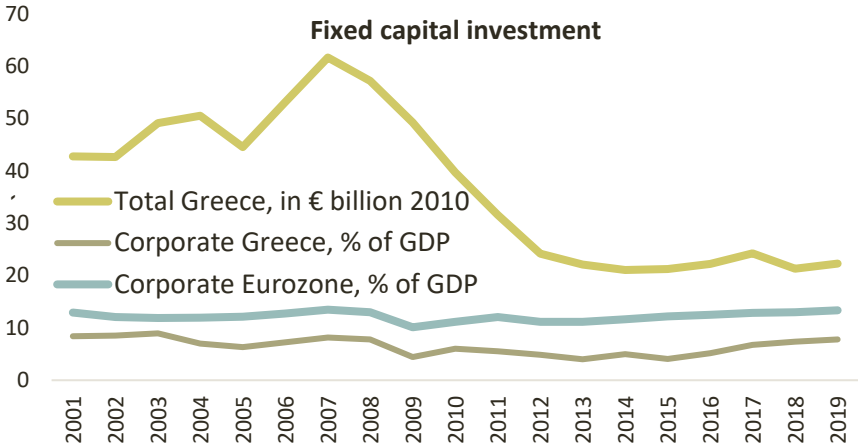
LONGER TERM VIEW

Challenges and improvement in the Greek economy since 2001

- Private consumption still constitutes a significant share of GDP, higher than the Eurozone average



- Fixed corporate investment has systematically been below the Eurozone average as a percentage of GDP

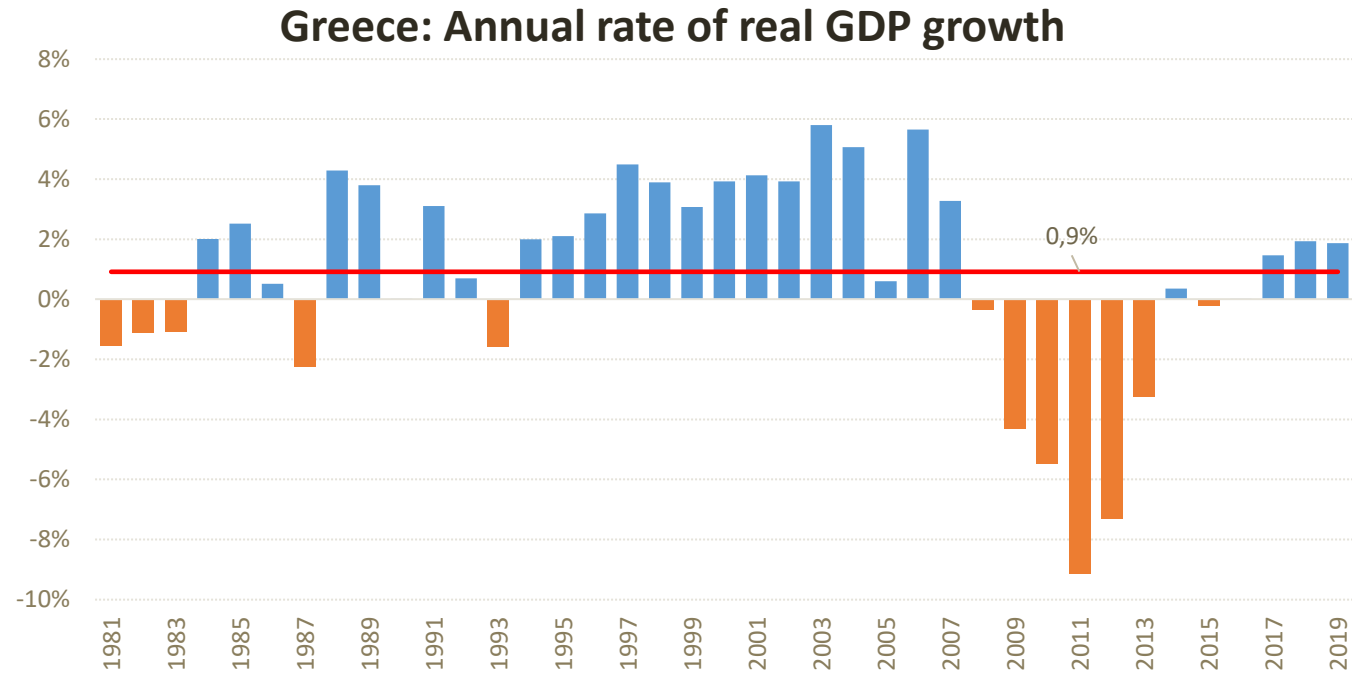


- The value of goods exports has more than tripled in two decades, but the trade balance remains in deficit

- Revenues from tourism have more than doubled in the last decade, significantly easing the effects of the crisis

Sources: ELSTAT, Eurostat, Bank of Greece

Long term growth dynamics and prospects

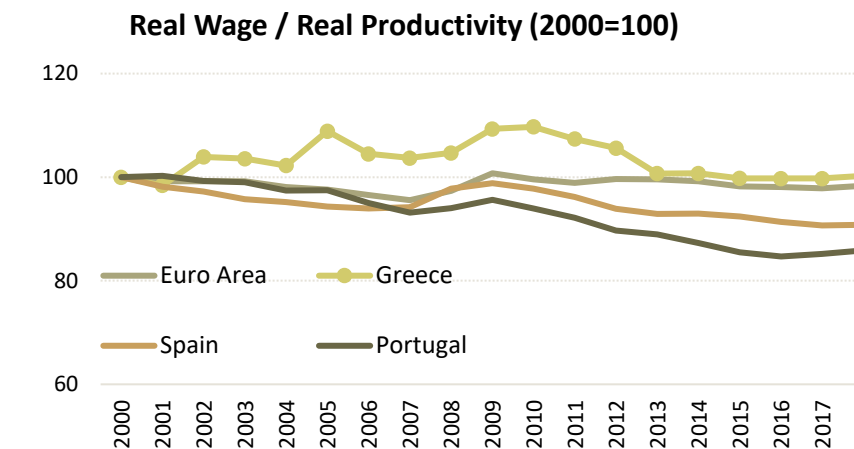
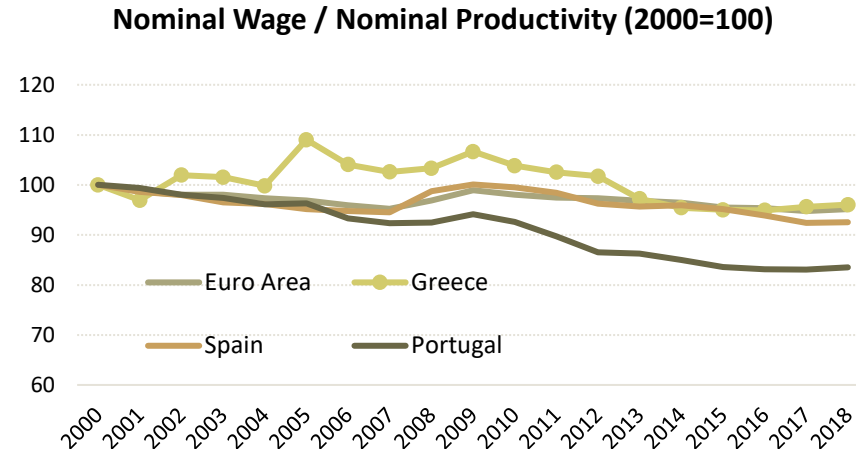
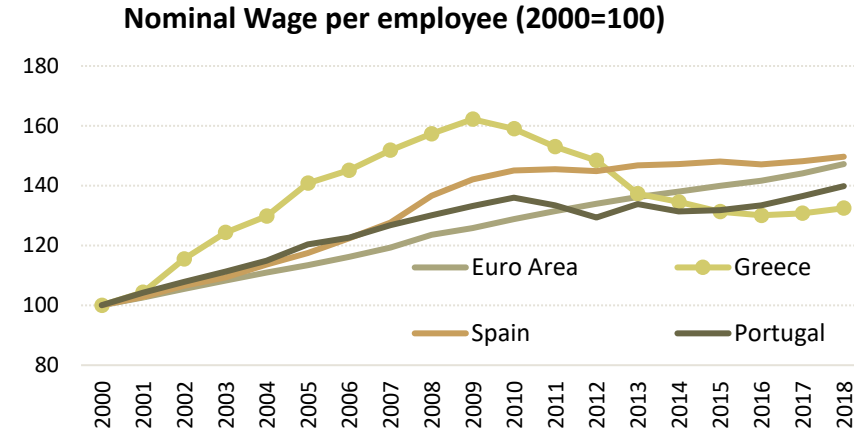
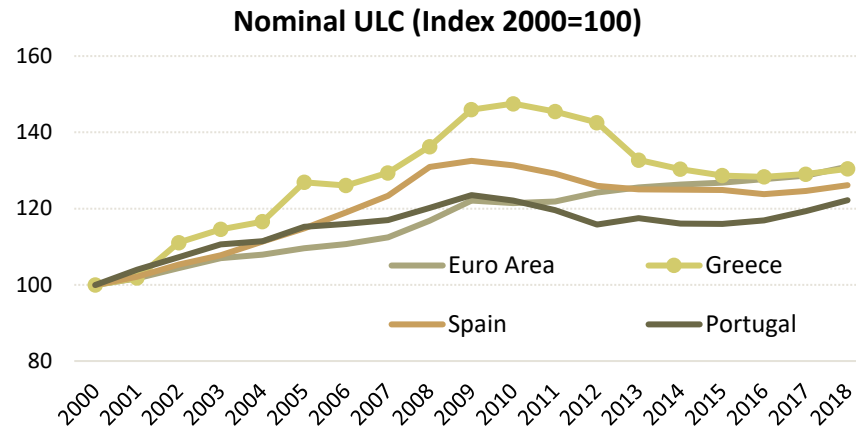


Sources: Eurostat, Ameco

Instances of weak performance of the Greek economy

- Low participation of the factors of production.
 - Labor (25th in the EU by % of the population that was employed or was seeking employment in 2019).
 - Capital (27th in the EU in business fixed investment as a % of GDP in 2019).
- Low productivity (22nd in the EU in labor productivity in 2017).
- Poor performance in innovation (20th in the EU in the European Innovation Scoreboard in 2020).
- Low trade intensity (23rd in the EU in imports + exports as a % of GDP in 2019).
- Inadequate welfare state (3rd in the EU in risk of poverty and social exclusion in 2018).

Wages in Greece grew faster than productivity in the pre-2008 period



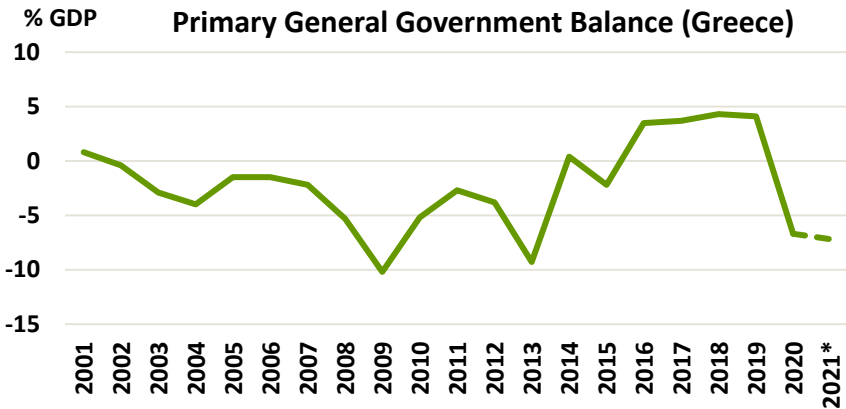
Source: Ameco. Note: Nominal ULC is defined as the ratio of compensation per employee to real GDP per person employed. Wage is defined as gross wage per employee. Productivity is defined as GDP per person employed.

- This is inter alia reflected through Greece ULC trends compared to its peers during 2000-2010.
 - A significant adjustment has taken place during 2010-2018.

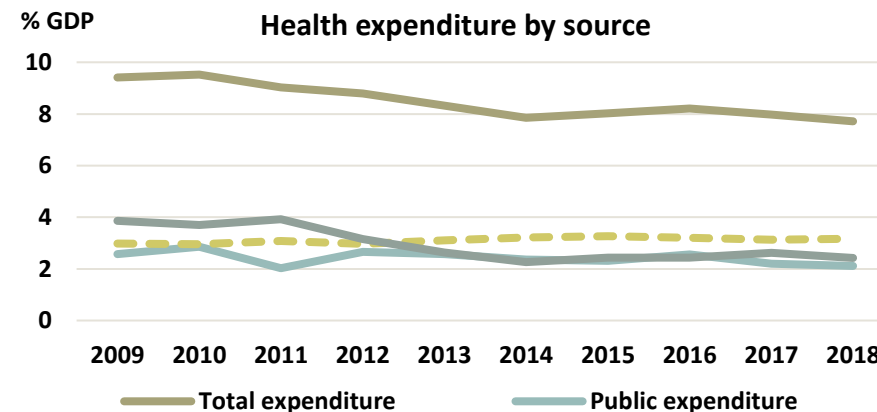
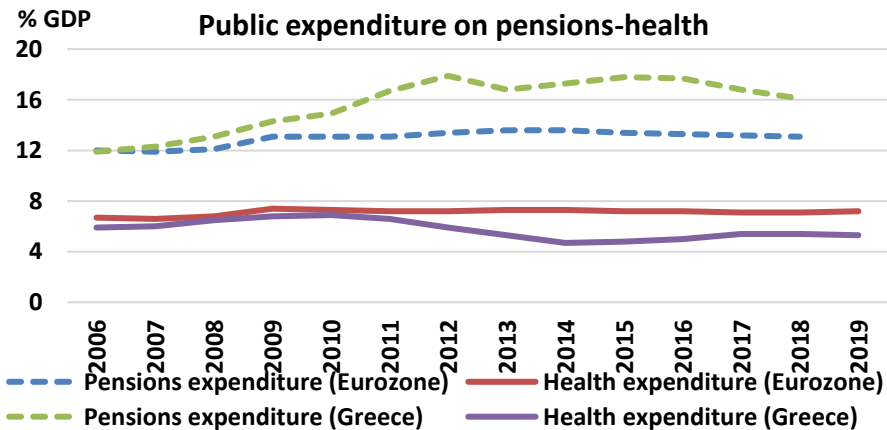
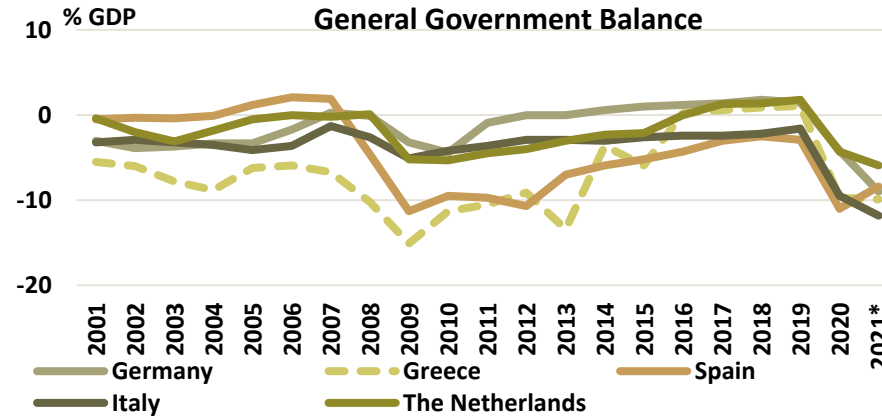
Convergence to the "core" of the Eurozone, for fiscal balance.

Systematically high pension expenditures, low health expenditures.

- Fiscal adjustment was effective, but with disproportionate weight between revenue and expenditure



- Since 2017, Greece has been at the average of Eurozone's "core", in terms of the General Government Balance



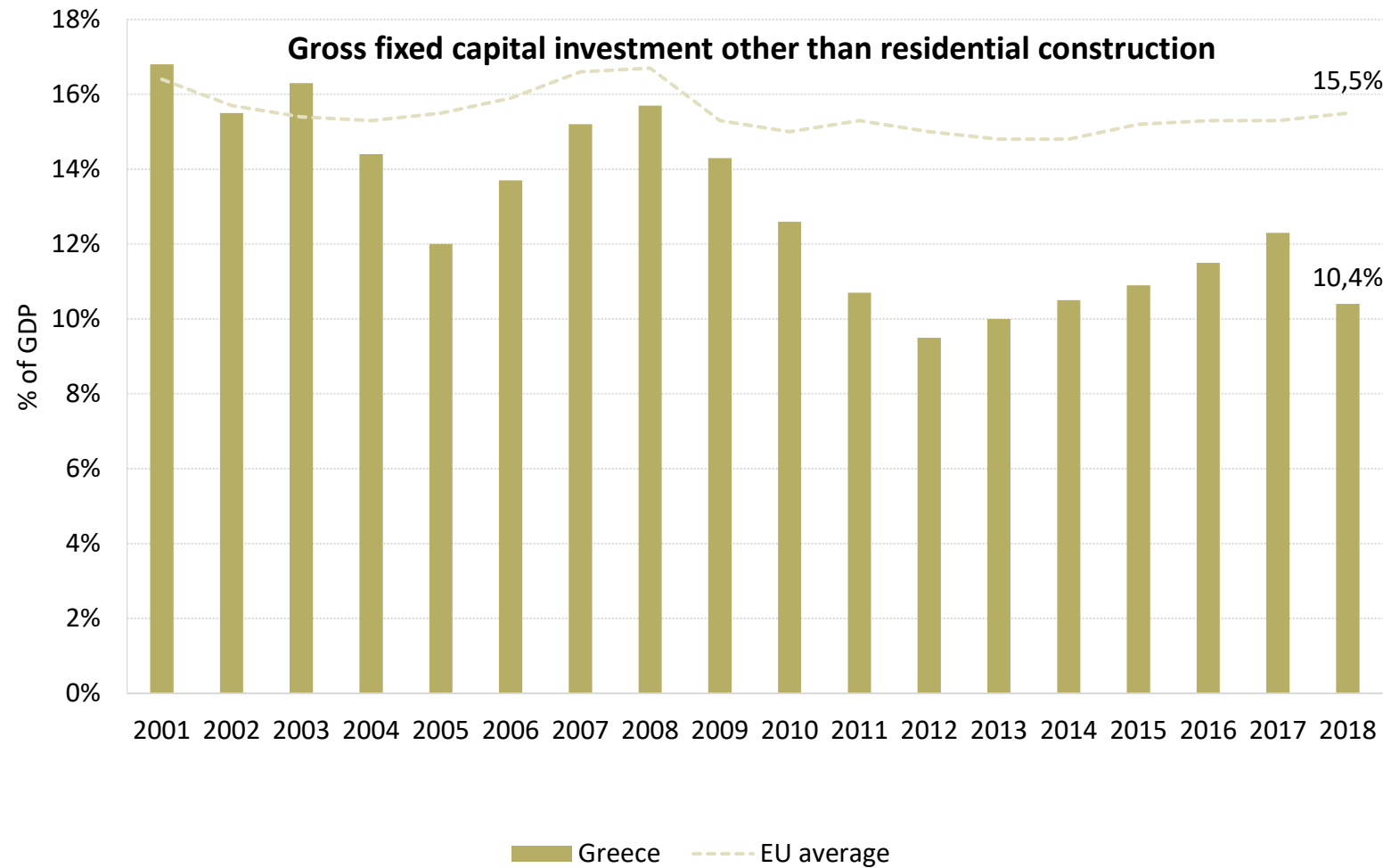
- Higher pension spending over time compared to Eurozone and lower health spending, as % of GDP

- Public health spending determines the trend of total health spending

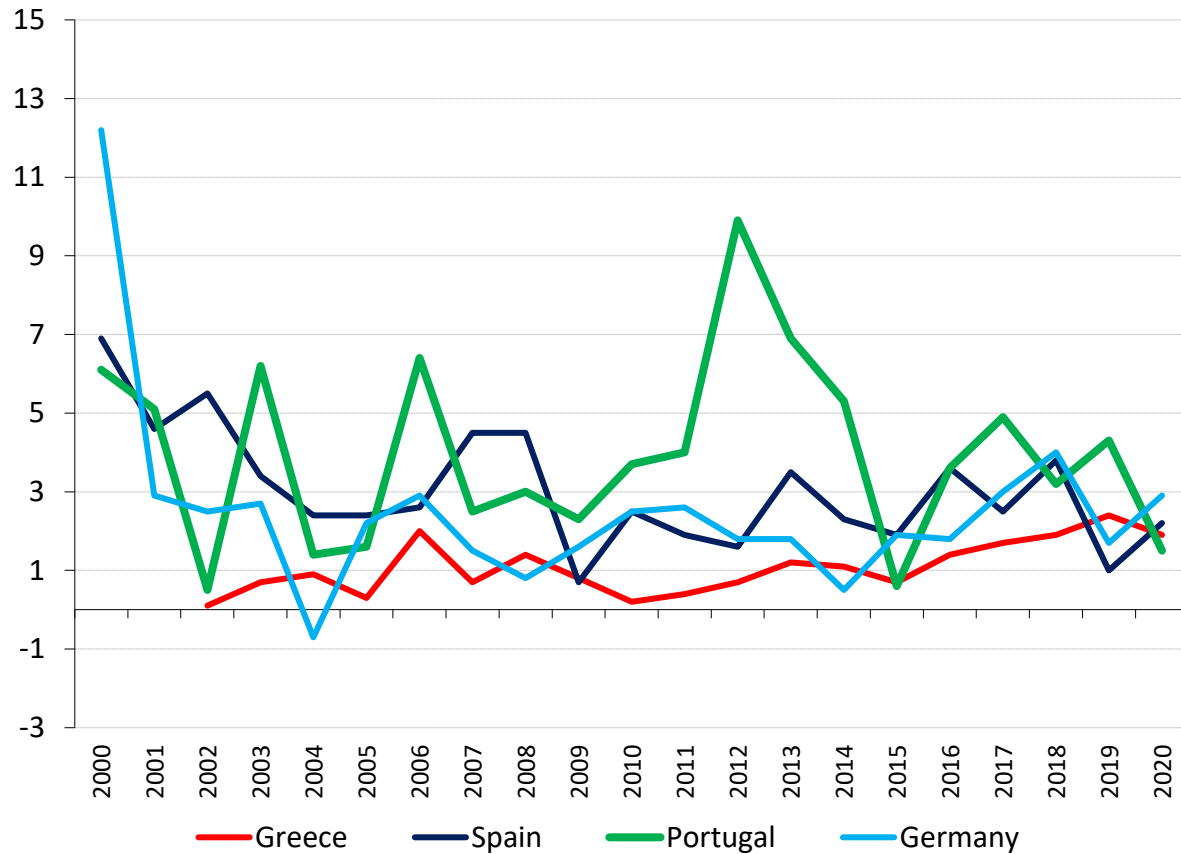
* Forecasts: Stability Programme 2021

Source: Eurostat

Investment Gap and Opportunities



Foreign Direct Investment (% GDP)



Source: Eurostat

FDI (% GDP)		
	2002-2008	2009-2019
Germany	1.7%	2.1%
Greece	0.9%	1.1%
Spain	3.6%	2.3%
Portugal	3.7%	4.4%

Exporting sectors

	Exports as a % of GDP, Greece, 2019	Exports as a % of GDP, EU-9, 2019
Total exports	37.2	65.5
Agricultural products, food and raw materials	4.4	6.4
Petroleum products	6.3	3.0
Industrial products	9.2	38.2
Transportation (mainly sea transport)	7.5	4.5
Tourism	7.8	4.0
Other services (health, education, IT etc.)	2.0	9.3

EU-9: EU countries comparable in terms of population to Greece: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Hungary, Netherlands, Sweden.

Significant lag in exports, particularly in exports of industrial products.

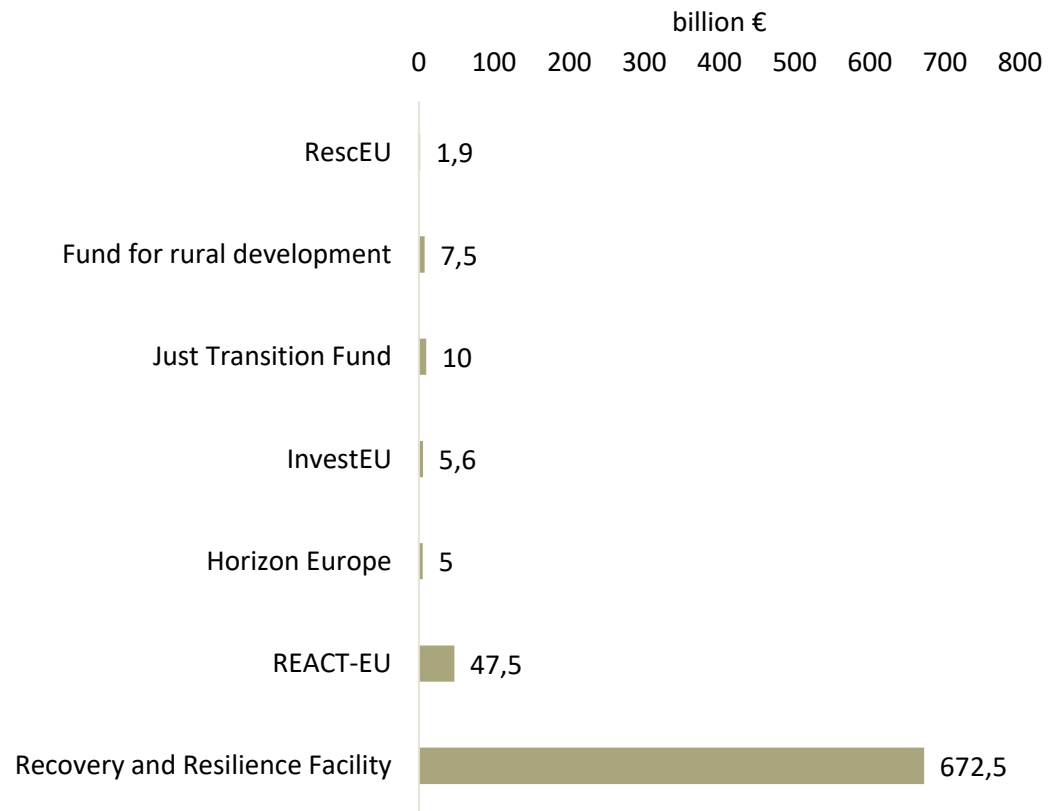
LOOKING AHEAD - SECTORS

The EU recovery plan from the pandemic – A vital opportunity

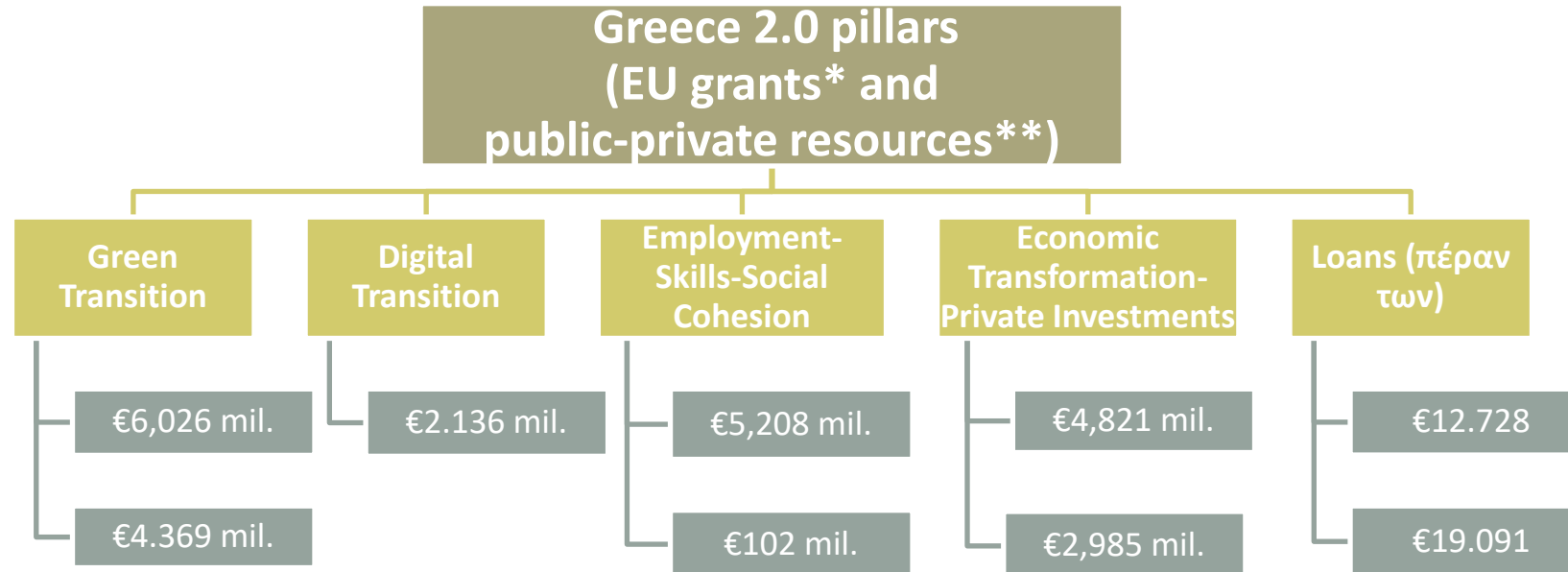
It combines the Multiannual Financial Framework (MFF) 2021-2027, of €1,074.3 billion, and an emergency financing instrument "NextGenerationEU" (NGEU), of €750 billion

- The package will mainly support **investments in green growth and digital transition.**
- ERF resources will come from **borrowing funds** from the capital markets; **borrowing will stop by the end of 2026.**
- The loan funds can be used **for loans totaling up to €360 billion and grants of up to €390 billion.**
- **Legal commitments** for ERF programs are due by December 31st, 2023. Relevant **payments** will be made by **December 31st, 2026.**
- **In total, Greece is expected to receive €30.9 billion from NextGenerationEU, of which €18.2 billion are designated for grants and €12.7 billion are designated for loans. €8 billion to be disbursed in 2021.**

Pan-EU Distribution of NextGenerationEU budget



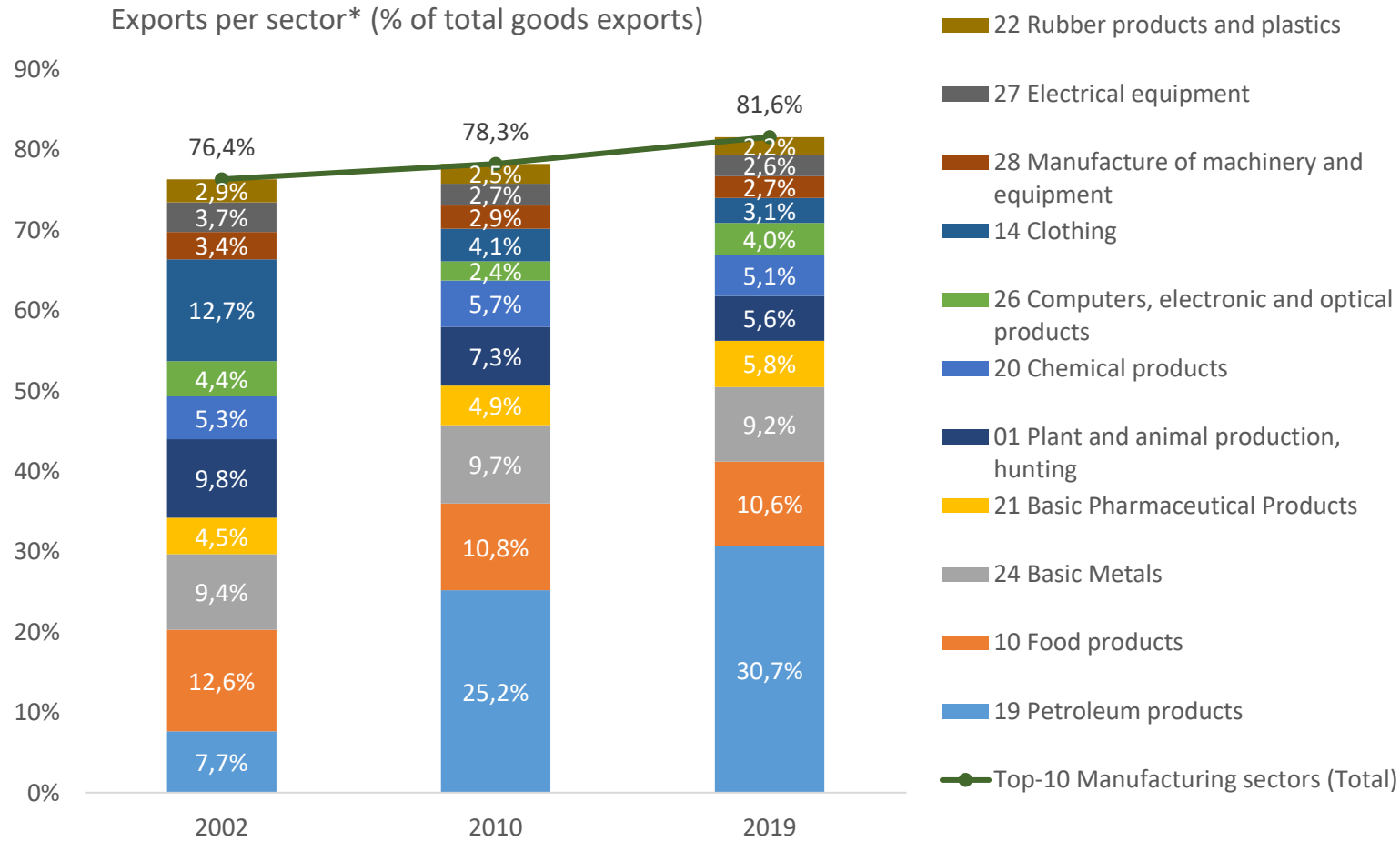
The Greek Recovery and Resilience Plan (Greece 2.0)



- **Total grants: €18,191 mil. from the EU, €7,457 mil. from public resources**
- **Total loans: €12,728 mil. from the EU, €19,091 mi. from private funds**
- **Total resources (estimated): €57,467 mil. during 2021-2026**

*NextGenerationEU budget, **Greece 2.0 estimations
Source: Greek Recovery and Resilience Plan (Greece 2.0)

Greek exports of goods. Petroleum products, food, pharmaceuticals, etc.



* 2-digit NACE Rev.2 sectors. Source: Eurostat, International Trade by CPA

Sector contribution to Gross Value Added and Employment

Sector	€ mil.	%
Agricultural sector	6,673	4.2
Industry	23,402	14.9
Constructions	3,700	2.3
Trade	16,542	10.5
Transports - Storage	10,994	7.0
Tourism	10,710	6.8
Communications	5,447	3.5
Financial services	6,466	4.1
Real estate activities	26,987	17.1
Other business services	8,203	5.2
Public sector	31,941	20.3
Other services	6,462	4.1
Total	157,526	100.0

Sector	1000 persons	%
Agricultural sector	463	11.2
Industry	388	9.4
Constructions	202	4.9
Trade	830	20.0
Transports - Storage	196	4.7
Tourism	358	8.6
Communications	88	2.1
Financial services	81	2.0
Real estate activities	8	0.2
Other business services	356	8.6
Public sector	890	21.5
Other services	286	6.9
Total	4.146	100.0

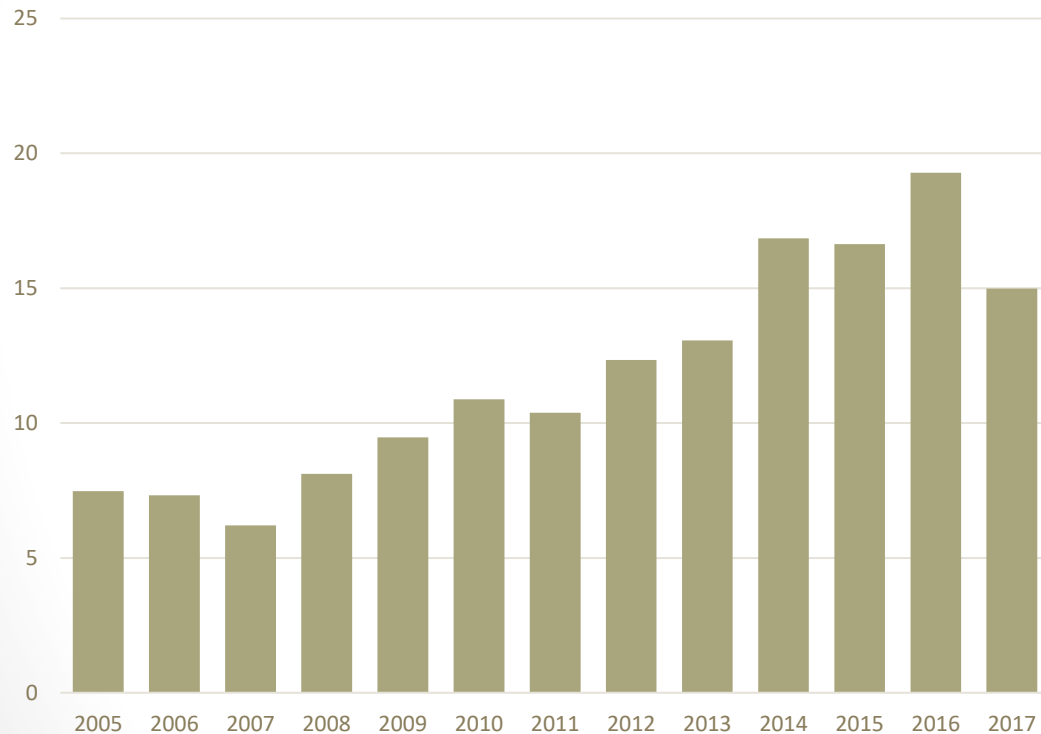
Source: Eurostat

Participation of Manufacturing in domestic investment increasing

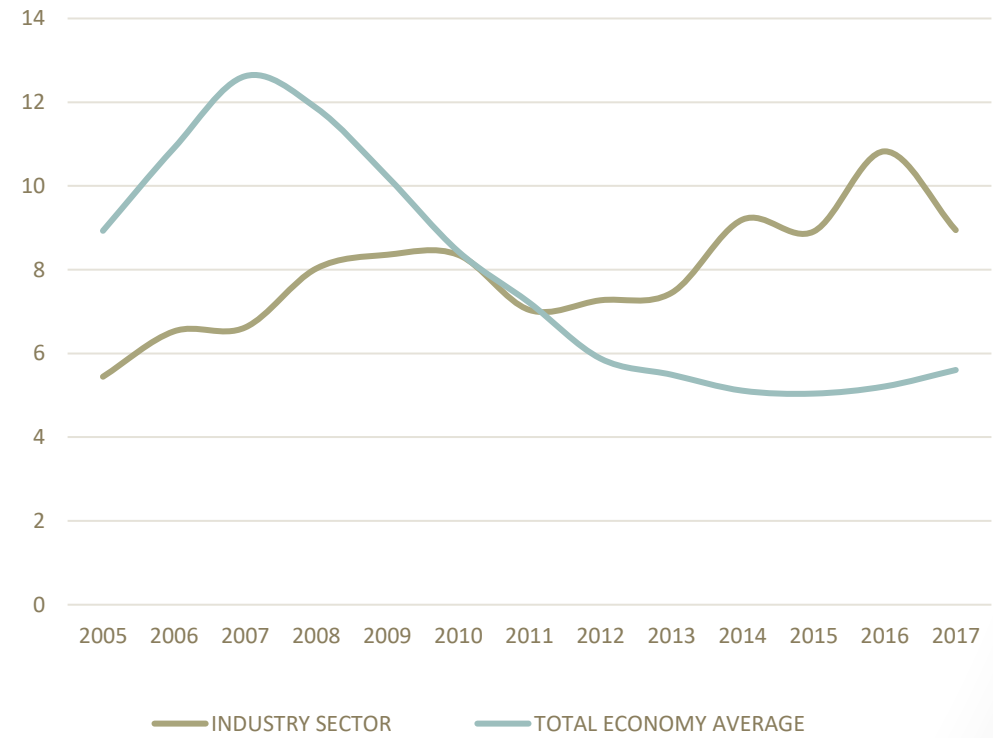
15.0% of investments in 2017 were made by businesses in Manufacturing (from 8.1% in 2008)

Since 2012, Manufacturing has been investing more per employee than the Greek economy average

Gross fixed capital formation in the Industry sector, % of Greek economy total



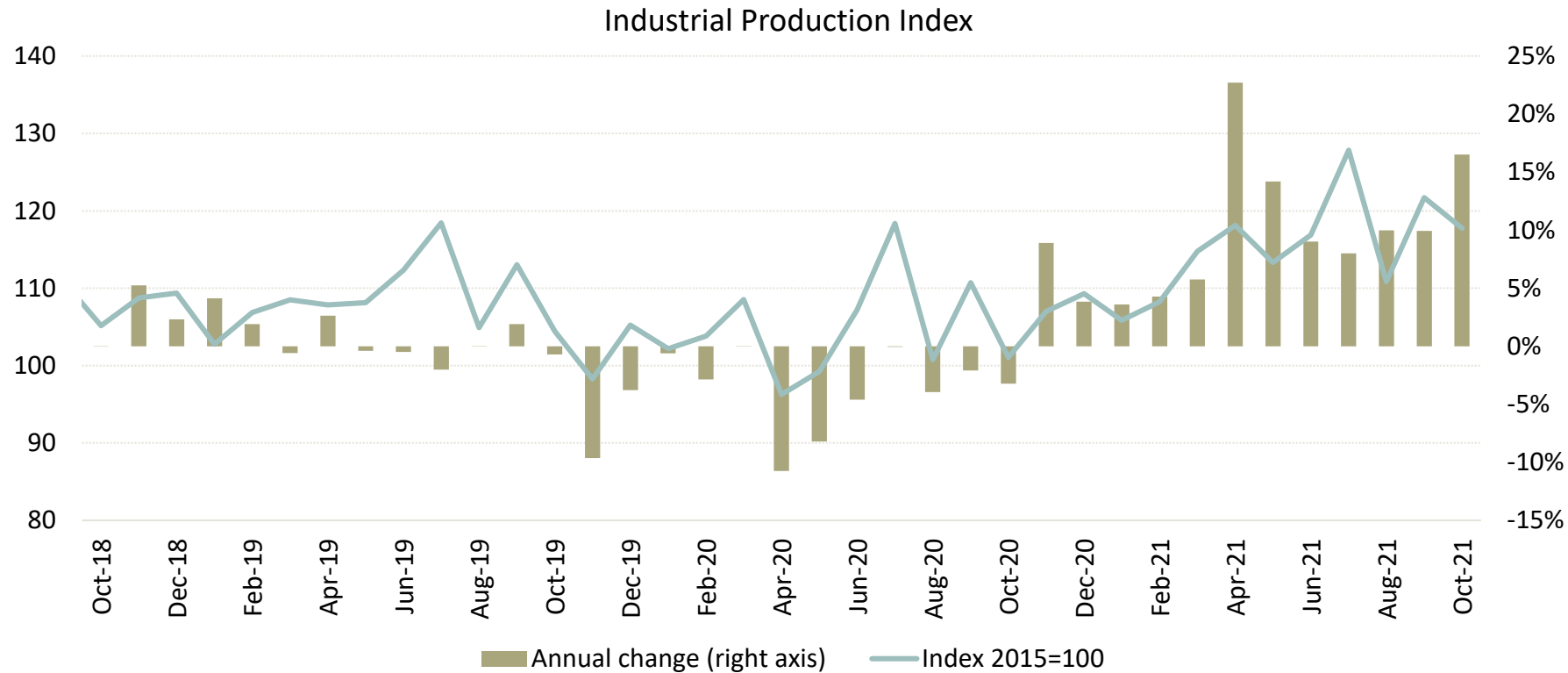
Investments per employee (thousand € per person)



Source: Eurostat, National Accounts

Industrial Production

- Average increase of 10.2% in the first ten months of 2021. Strong increase in Computers and electronic products (+25.3%, after a +2.7% a year ago), in Pharmaceutical products (+14.1%, following a +14.3%), in Metallic Products (+16.3%, after a +1.2%) and mild increase in Food processing (+3.5%, against a -2.5% in 2020).



Source: ELSTAT

Prospects in the Constructions sector are reinforced by the need to improve the infrastructure

ROADS

RAILWAY INFRASTRUCTURE

PORTS

INFRASTRUCTURE FOR THE
AGRICULTURAL SECTOR

INFRASTRUCTURE FOR THE
INDUSTRY SECTOR

INFRASTRUCTURE FOR
TOURISM – CULTURE

RENEWABLE ENERGY
SOURCES –
INTERCONNECTIONS –
NETWORKS QUALITY –
ENERGY EFFICIENCY

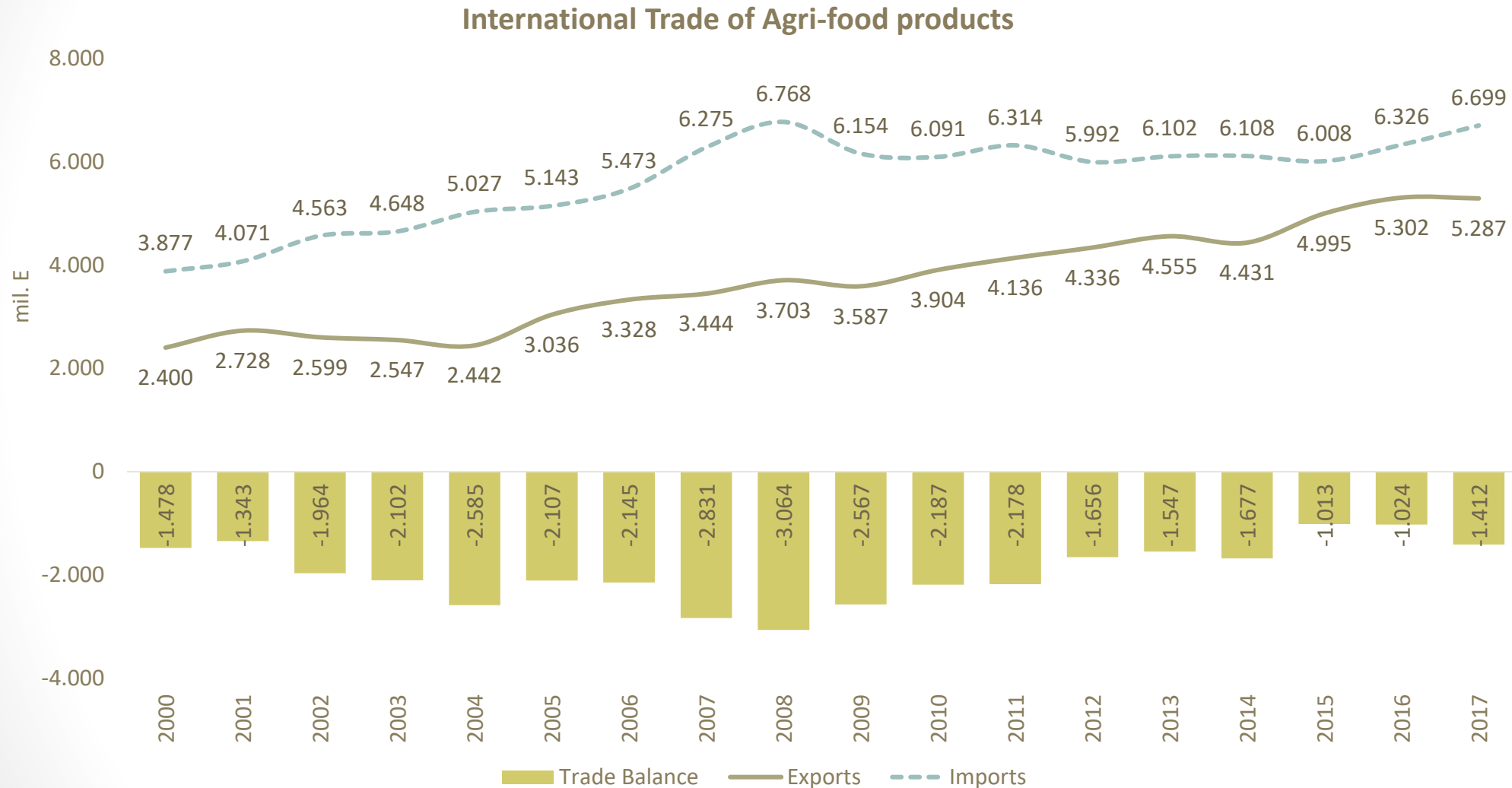
PUBLIC INFRASTRUCTURE
FOR HEALTH – EDUCATION

WASTE MANAGEMENT –
CIRCULAR ECONOMY

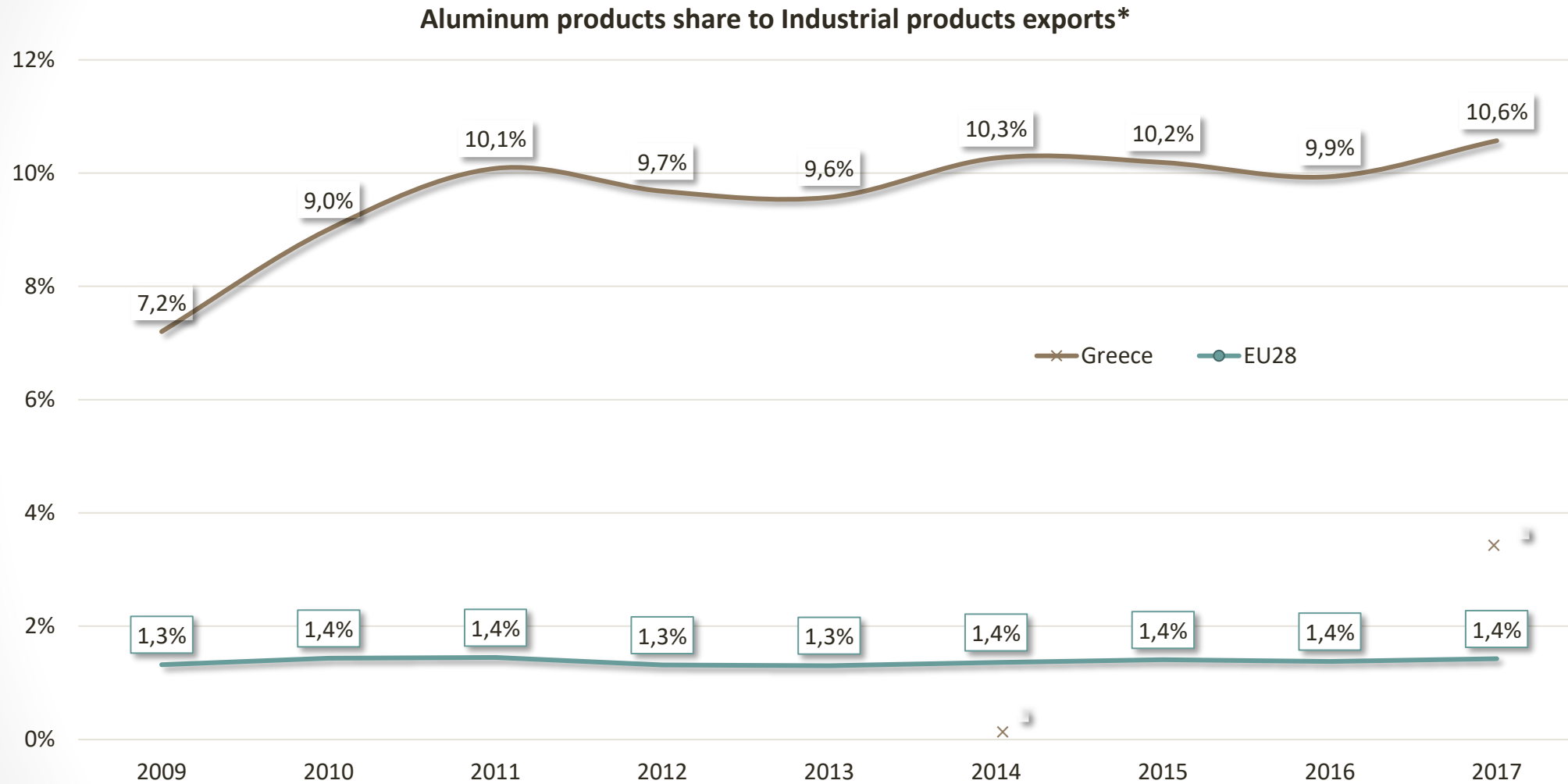
Prospects

- Creation or replacement of old infrastructure with new ones, of increased quality, sustainability and capacity
- Ability to mobilize economic growth and "unlock" significant private investments
- Contributing to the government's strategic objectives - Cohesion Policy Investment Priorities 2021-2027 (Low Carbon Green Europe - A more interconnected Europe - A Europe closer to the people)

Total agri-food exports have increased significantly over the last decade, narrowing the relative trade deficit



Aluminum products have a high share in Greece's export trade



Source: International Trade, (ComExt database), Eurostat, Data processing: IOBE

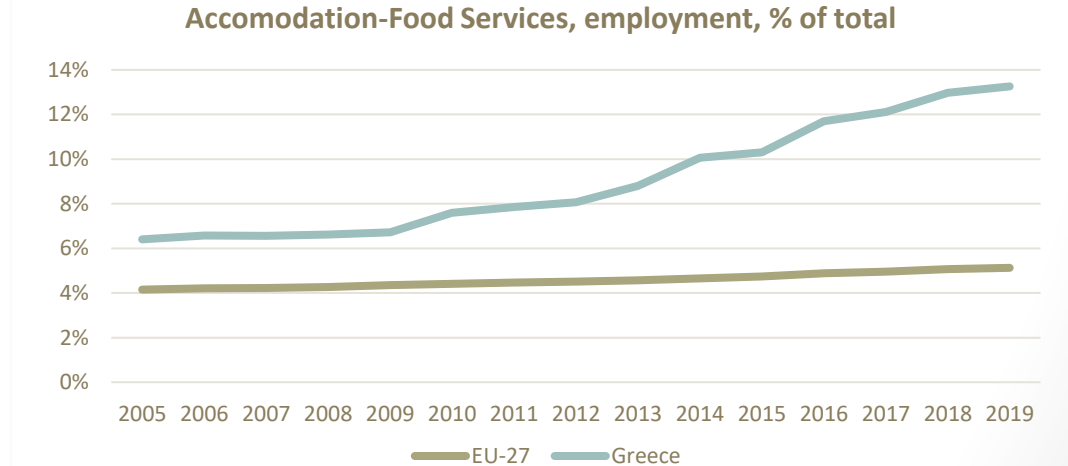
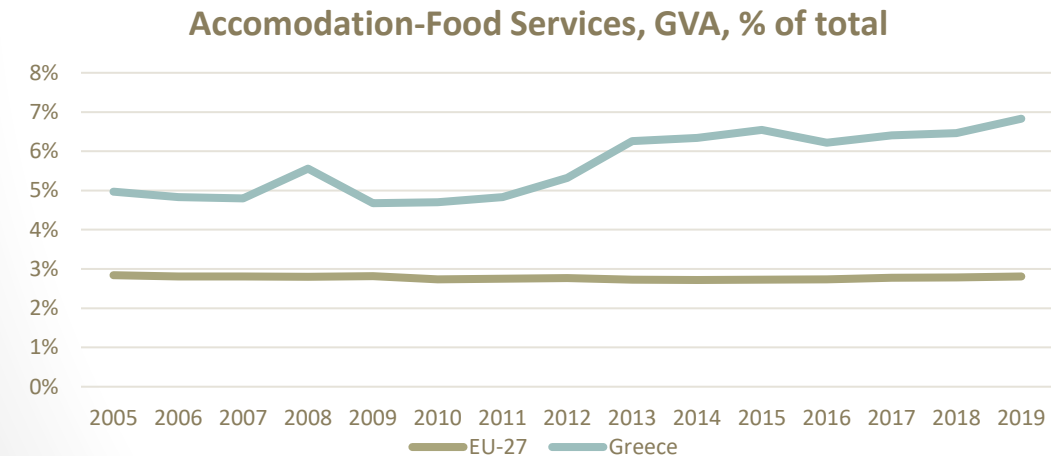
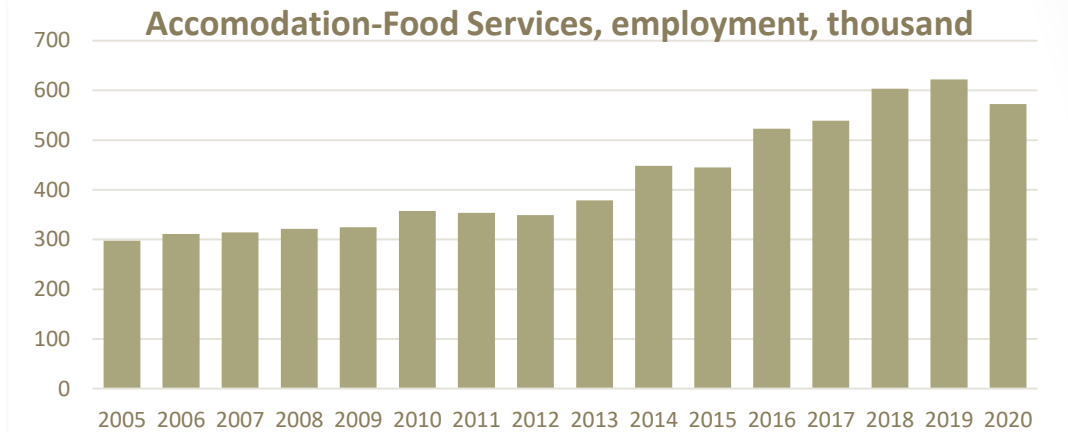
* Note: Industrial products include Manufacturing products and Mining & Quarrying products. Petroleum products are excluded

Tourism has increased participation in the economic figures of Greece

GVA generated by Accommodation services and Food services exceeded € 11.0 billion in 2019, reaching the all-time high level of 2008



More than 572 thousand are employed in Accommodation and Food services



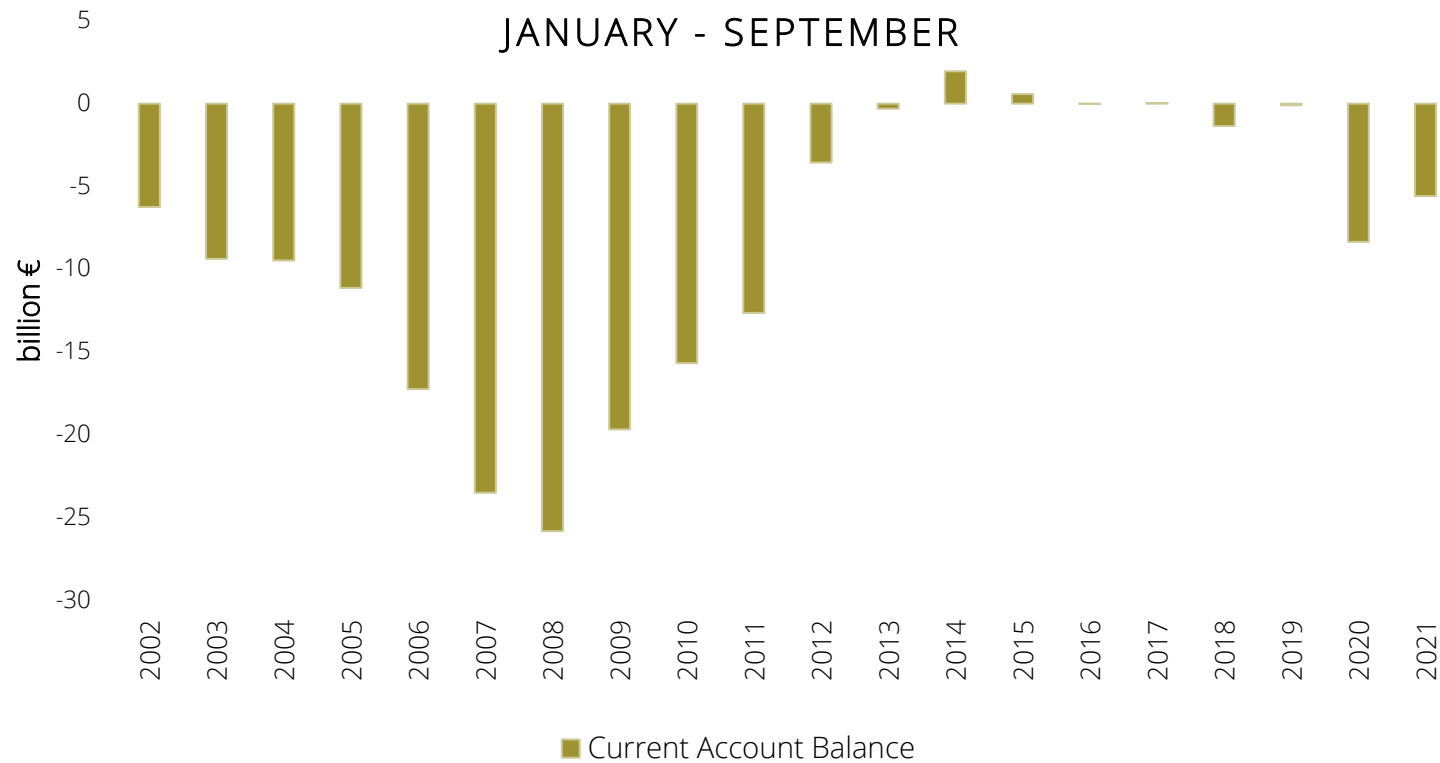
Direct participation of Accommodation - Food services to total GVA of the Greek economy (2019): 6.8% compared to 2.8% in the EU-27

Sector's share to domestic employment (2019): 13.3% compared to 6.4% in 2005 and 5.1% in 2019 in the EU-27.

BIG PICTURE - AGGREGATING

Current Account Balance

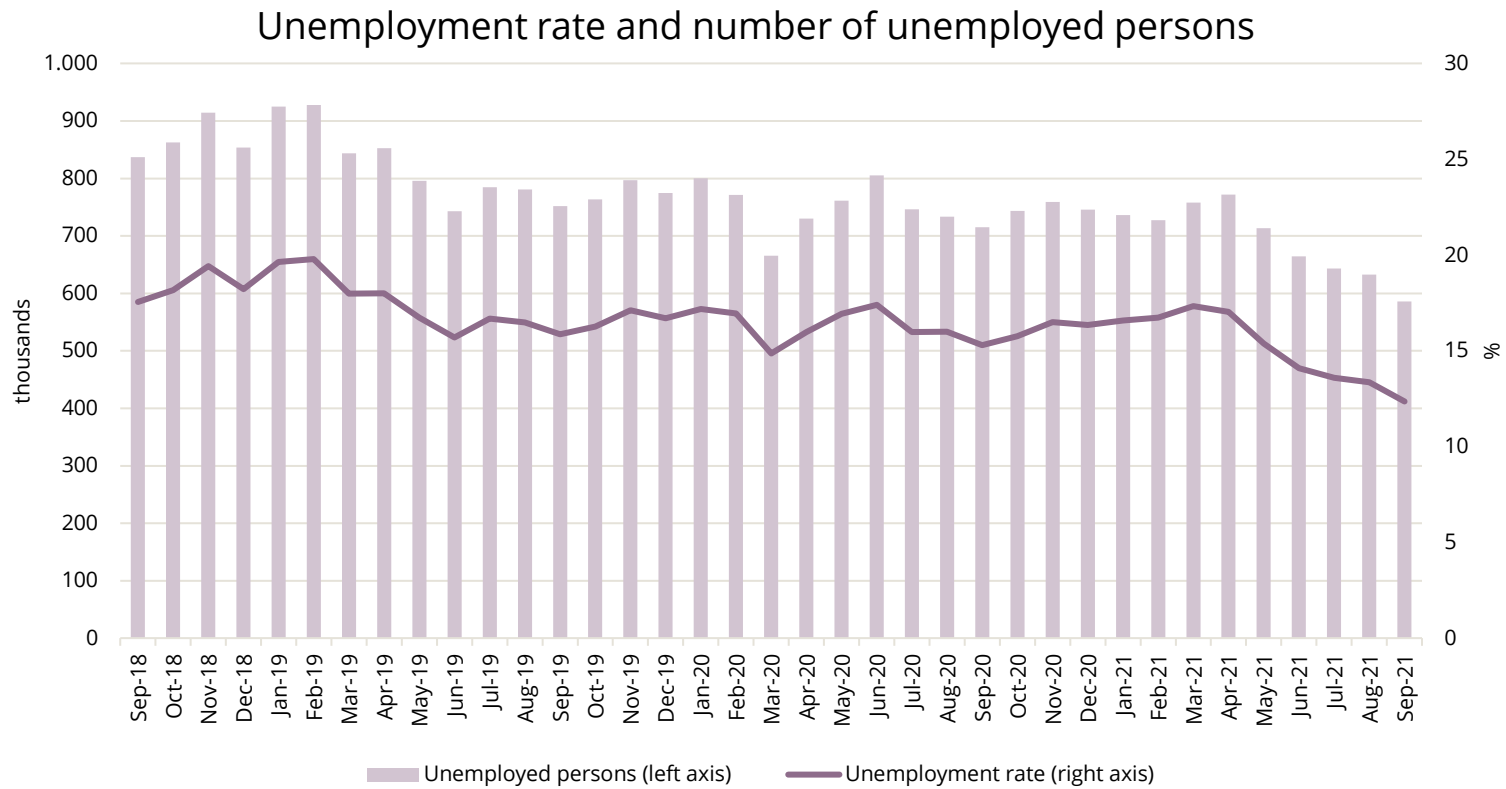
- Shrinkage of the Current Account Balance in the first nine months of 2021, to €5.6 billion from €8.4 billion in 2020. It came from an improvement in the Services Balance surplus and the Primary income surplus, despite the widening of the deficit in the Balance of Goods.



Source: Bank of Greece

Decline in unemployment

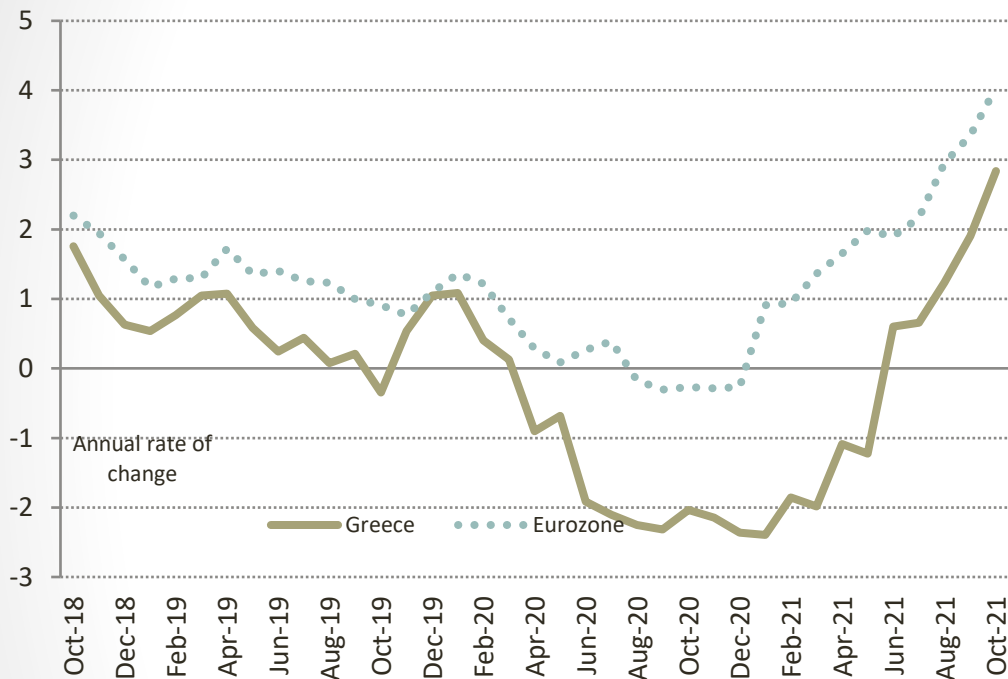
- The non-seasonally adjusted unemployment rate was lower in September by 2.9 percentage points compared to September 2020 (13.6%). It is the lowest for this period of the year since 2011.
- The decrease in the unemployment rate from last year came from the strong rise in employment (+207.1 thousand), which significantly reduced the inactive population (-108.6 thousand).



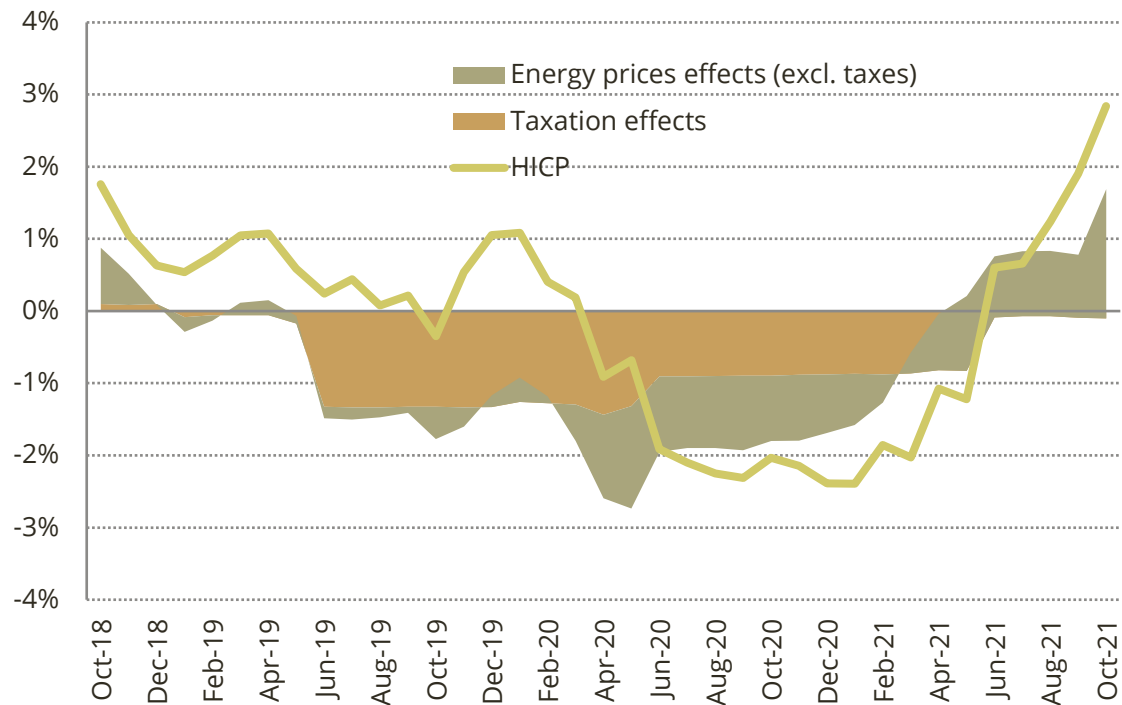
Source: ELSTAT

Inflation sharply rising...

Harmonised Index of Consumer Prices (HICP)



HICP in Greece and impact of energy goods' prices and changes in taxation

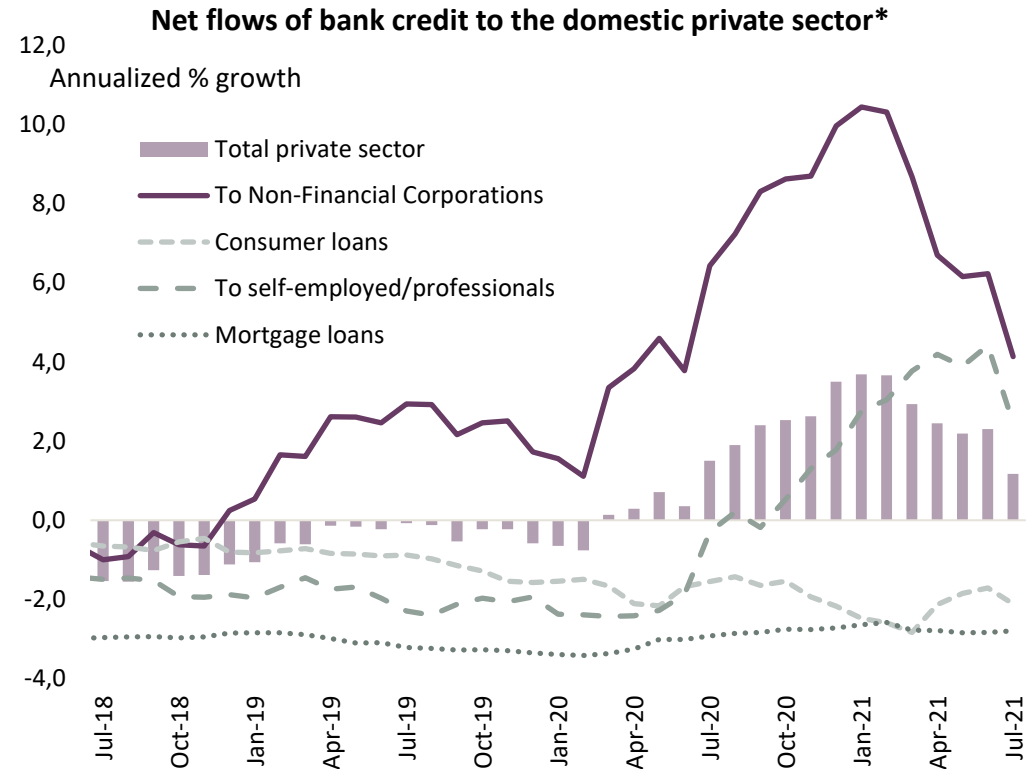
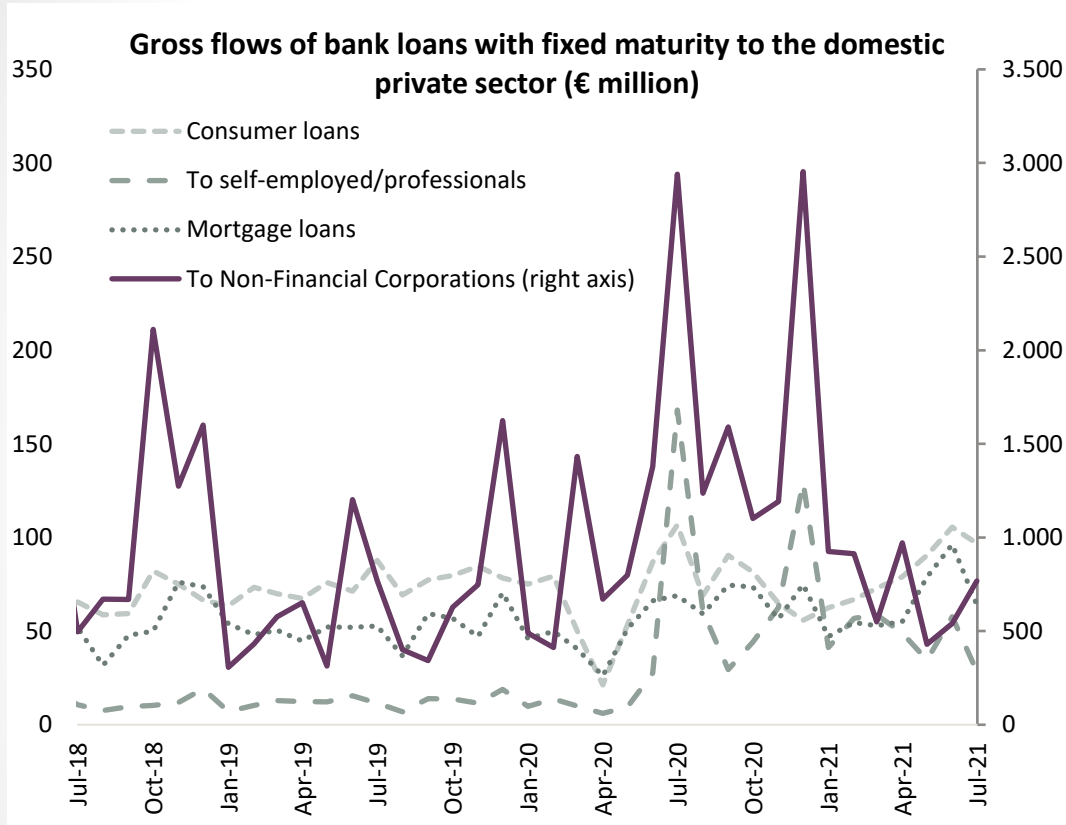


Sources: ELSTAT, Eurostat

- ... From an increase in energy prices (+2.6 percentage points impact on the HICP since December 2020), a strengthening of consumer demand (+1.3 p.p.) and a decline in the deflationary effects of indirect taxes (+1.3 p.p.)
- Inflation of 2.8% in October 2021. Average anti-inflation rate of 0.1% in the period January-October, compared to a fall in the HICP of 1.1% a year ago.

FINANCE

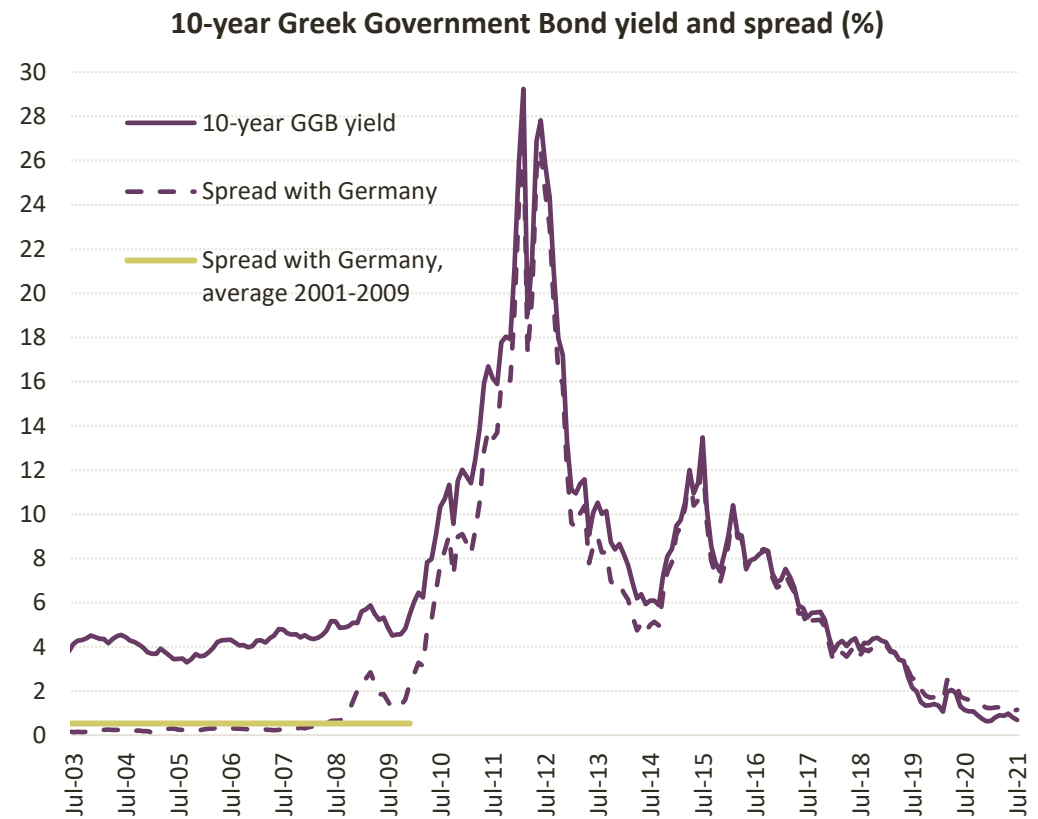
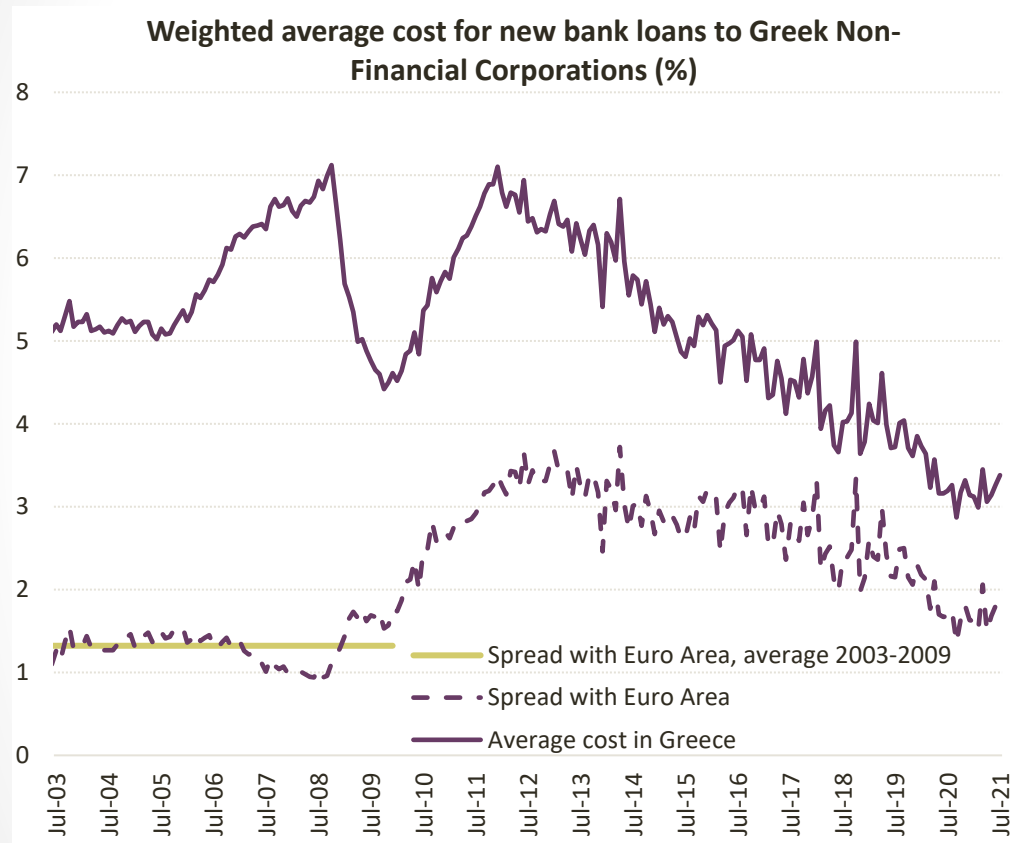
Bank loans to the private sector



Source: Bank of Greece, Net Flows correspond to flows after correcting for writeoffs, exchange rates and statistical reclassifications..

- The total amount of gross new bank loans to Non-Financial Corporations (NFCs) during the pandemic era (March 2020- July 2021) exceeded €20.4 billion.
- Conversely, net funding towards household continues to shrink.
- The recovery of NFCs funding continues to be facilitated by domestic guarantee programs as well as by the extraordinary liquidity enhancing instruments put in place by the ECB.

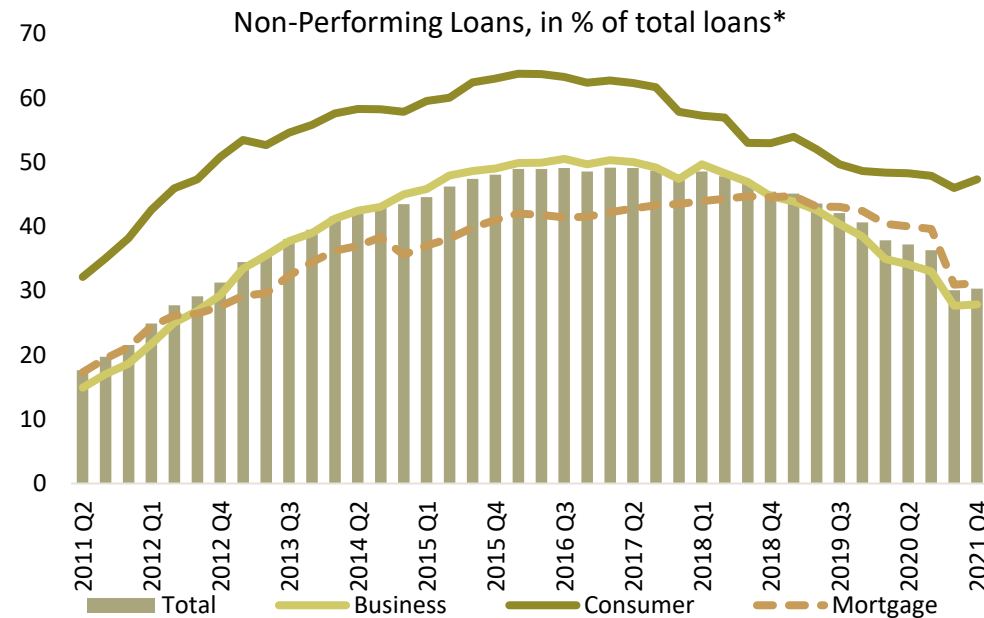
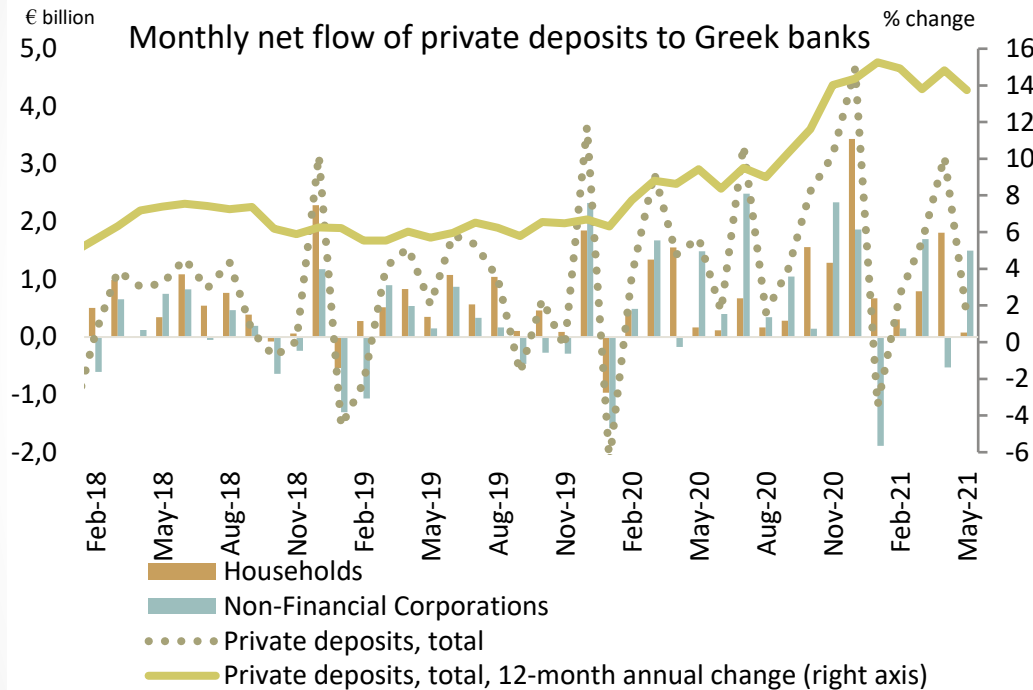
The cost of new funding continues to drop for both the public and private sectors...



Source: ECB

...however, it remains higher than the Eurozone average, while the spread is higher compared to the pre-crisis period, especially for the private sector

Improvement of structural characteristics in the banking sector

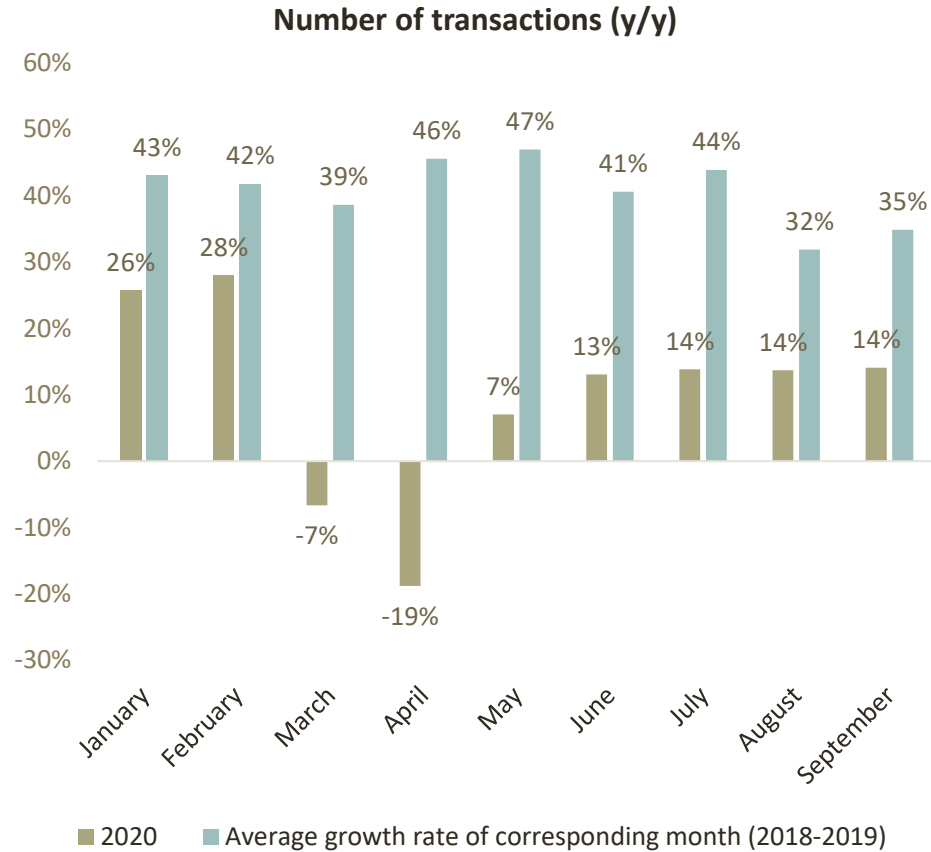
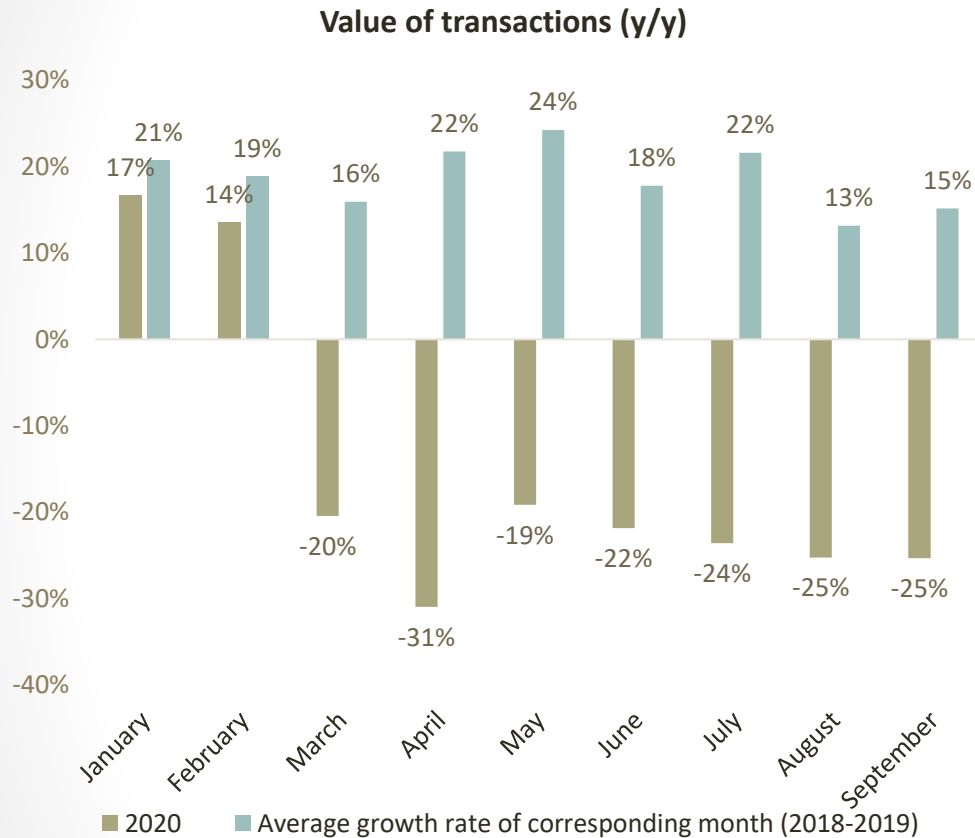


* On-balance sheet loans (before provisions) for all Greek banks on a non-consolidated level

Source: Bank of Greece

- Average private sector (households and non-financial corporations) deposits increase by 9.6%
- NPL stock down by 31.1% in 2020. At 30.2% of total loans in end-2020, from 46.1% in 2016 Q3
- Significant decline in the NPL stock due to sales under the State guarantee scheme for loan securitisations (Hercules programme). Small contributions from writeoffs, loan restructuring, recovery of arrears etc.

During the pandemic crisis, increased frequency of cards payments...



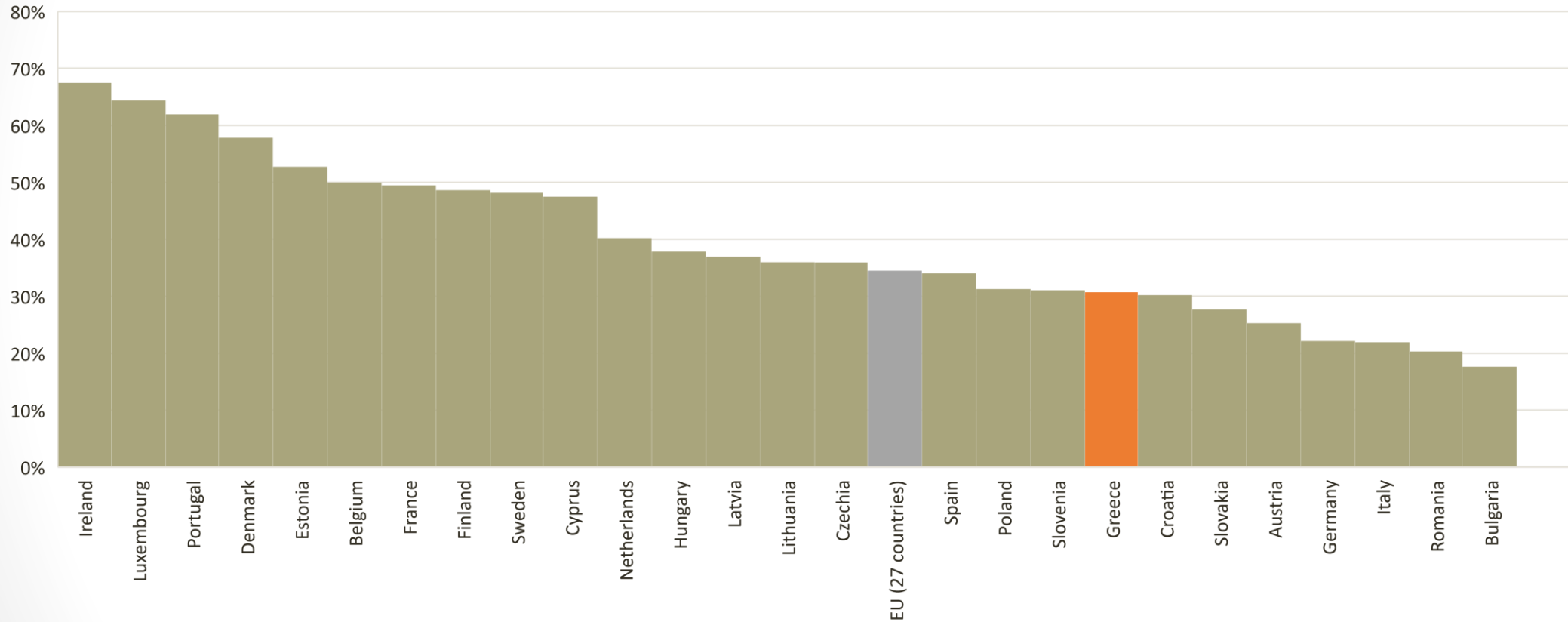
Sources: Mastercard, Data processing: IOBE (2021).

Note: Prepaid cards and on-line card transactions are not included.

...but through lower value transactions, which led to lower average value of transaction to about 2/3 of its pre-crisis level

Despite rapid expansion, cards use in Greece below the EU average

Value of card transactions across EU27 countries, in % of total consumption, 2020



Sources: ECB, Eurostat, Data processing: IOBE

Note: Card transactions correspond to cards issued in each country

WRAP UP

Policy priorities and measures

- Tax and social security reform actions – lower burden on labor and capital
- Investment facilitation via lower finance cost and reduced regulation
- Stronger corporate governance and incentives for mergers
- Digital infrastructure and transformation
- Training programs and employment support

Foundation for Economic & Industrial Research – IOBE

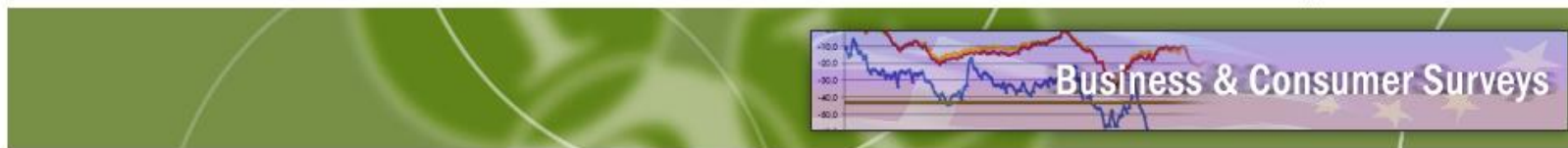
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Online conference
Greece & the EU Recovery & Resilience Facility
How can “Greece 2.0” transform the Coronavirus crisis into an opportunity?
29 & 30 September 2021

Financial Data of Oil and Oil Products for 2020

The study attempts to assess the prevailing trend in the wholesale trade of petroleum products sector in Greece, based on the latest available financial data of the members of the Hellenic Petroleum Marketing Companies Association (SEEPE) in 2020. In addition to the key data, profitability indicators are presented both for the industry as a whole and for each company in the sample....

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Bulletin of Trends in the Greek Industry Sector(October 2021)

Monthly bulletin of trends in the Greek industry sector..

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Bulletin of Trends in the Greek Industry Sector (September 2021)

Monthly bulletin of trends in the Greek industry sector...

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It was established in 1975 with the dual purpose of promoting research on current problems and prospects of the Greek economy and its sectors and of generating reliable info... [Read More](#)

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Business and Consumer Surveys

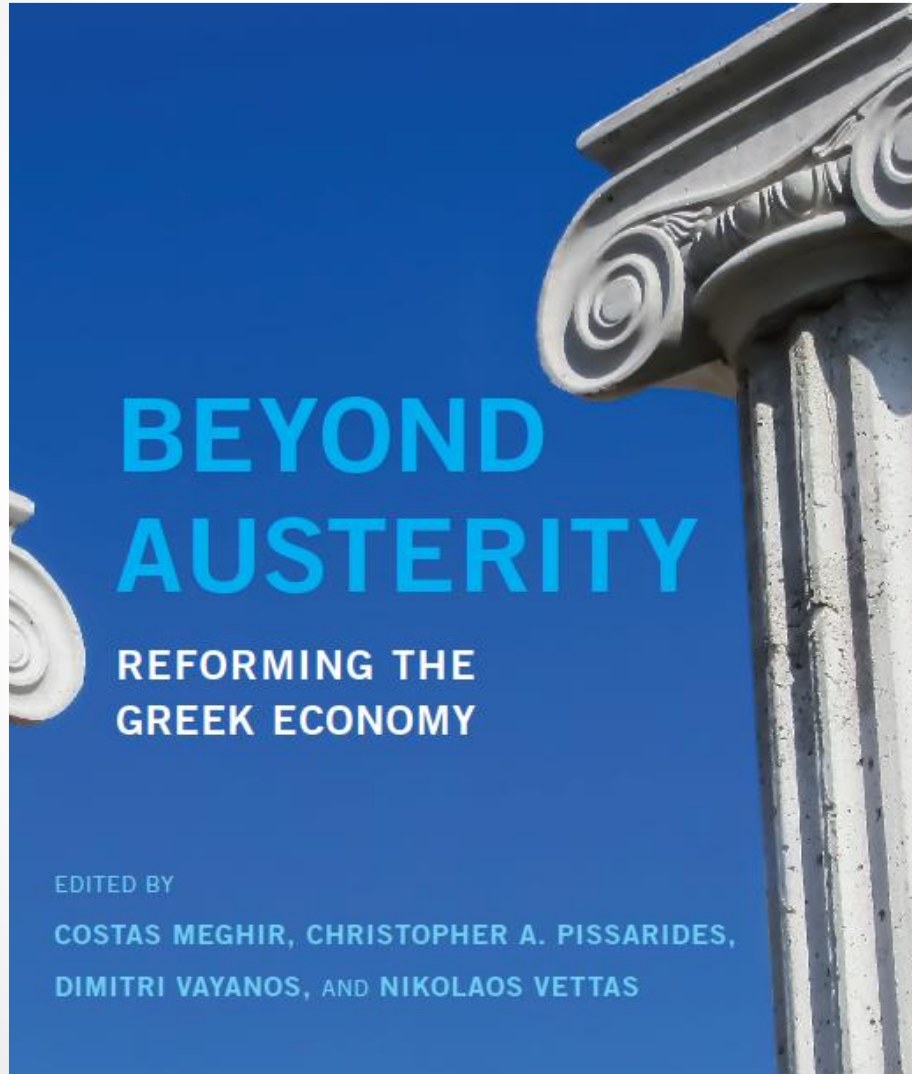
Next report of Business and Consumer Surveys concerning October results, will be released on November 1, 2021.

...

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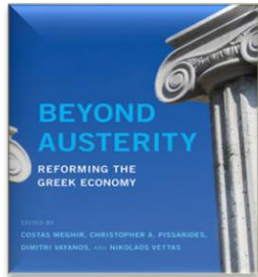
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Beyond Austerity: Reforming the Greek Economy (MIT Press, 2017)



- *Beyond Austerity: Reforming the Greek Economy* (MIT Press, 2017)
 - <https://mitpress.mit.edu/books/beyond-austerity>
- Economic institutions and resulting incentives, across wide range of areas
 - Pre-crisis situation
 - Changes during crisis
 - Policy proposals going forward
- Collective effort of Greek economists in Greece and diaspora

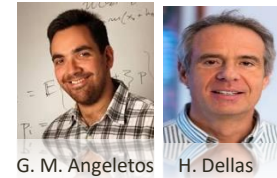
Beyond Austerity: Reforming the Greek Economy



1. The Greek Economy



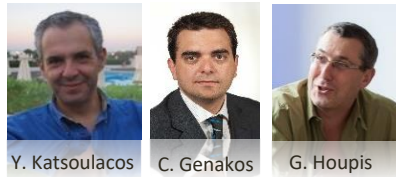
2. Greece and the Euro



3. Trade Balance



4. Product Markets



5. Privatizations



6. Labor Market



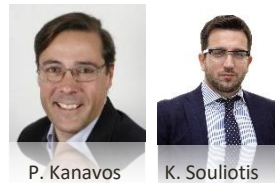
7. Financial System



8. Education



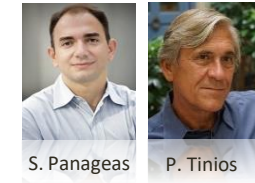
9. Healthcare



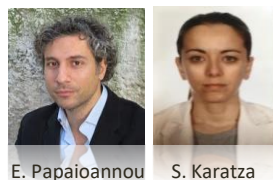
10. Taxation



11. Pensions



12. Justice System



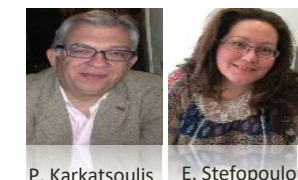
13. Corruption



14. Public Administration I



15. Public Administration II



Growth 'plan'

- Pissarides report (committee Chaired by Sir Christopher Pissarides), [synopsis](#)