

# Some thoughts on the Recovery Plan for Greece, its growth prospects and the EU context

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# Initial thoughts

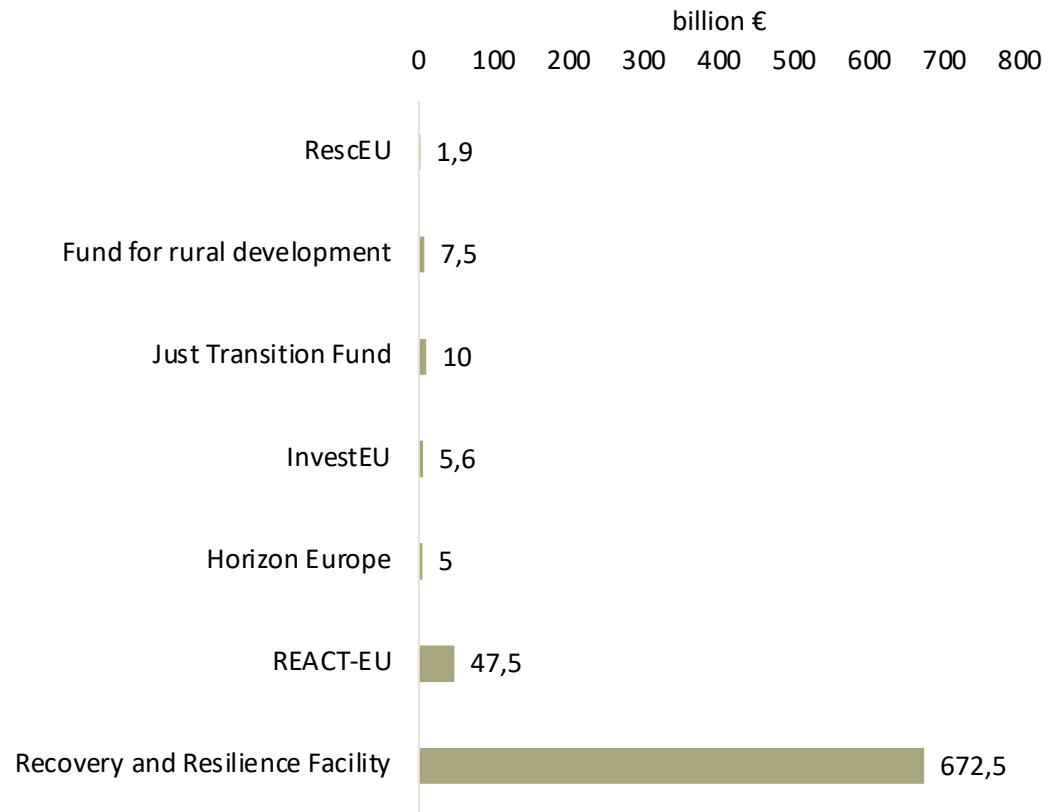
- Strong coordination and signaling role.
- Investment and reforms.
- Monitoring, incentives and uncertainty.
- Adding up?
- Insiders versus new blood.
- Different needs – Greece.

# The EU recovery plan from the pandemic – A vital opportunity

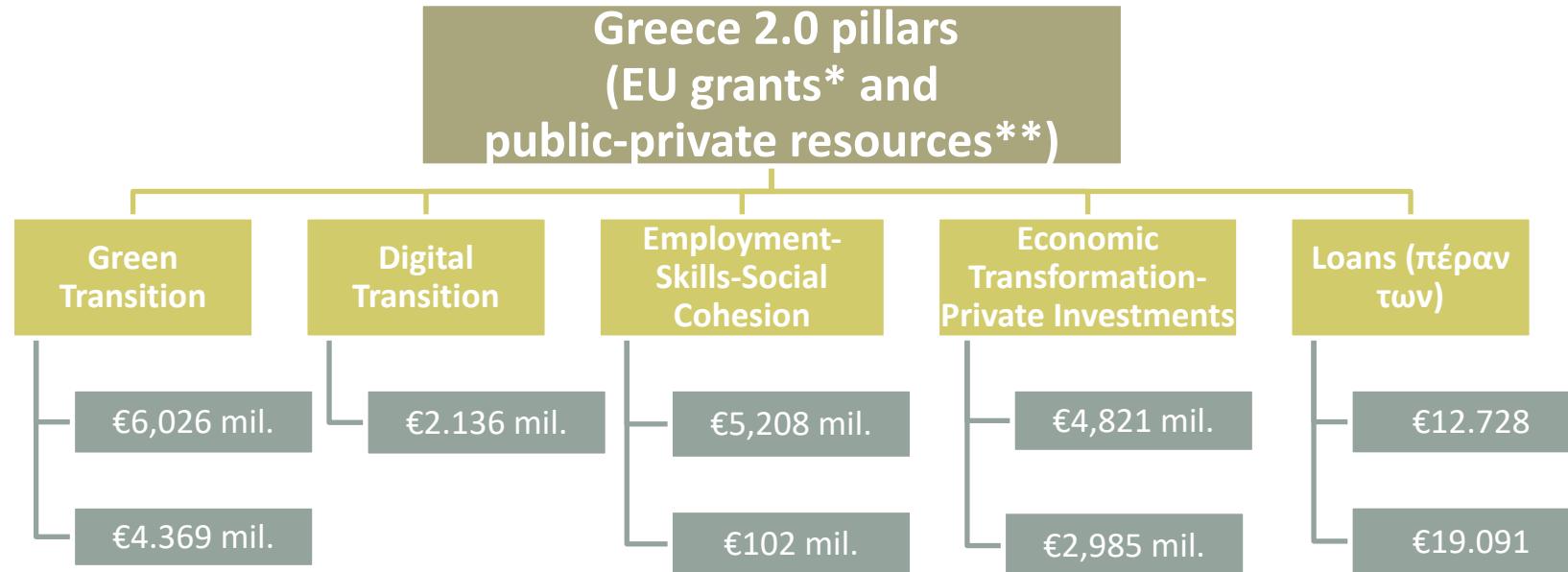
*It combines the Multiannual Financial Framework (MFF) 2021-2027, of €1,074.3 billion, and an emergency financing instrument "NextGenerationEU" (NGEU), of €750 billion*

- 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 31<sup>st</sup>, 2023. Relevant **payments** will be made by **December 31<sup>st</sup>, 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



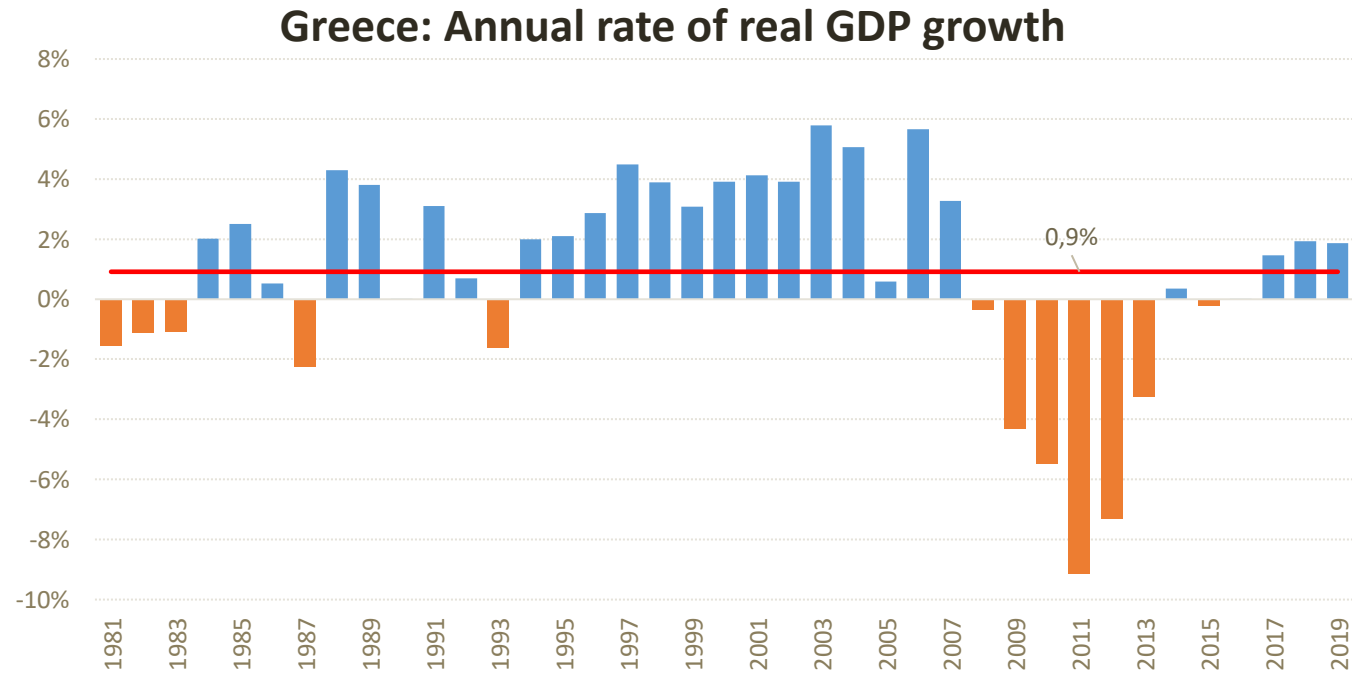
# The Greek Recovery and Resilience Plan (Greece 2.0)



- **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**

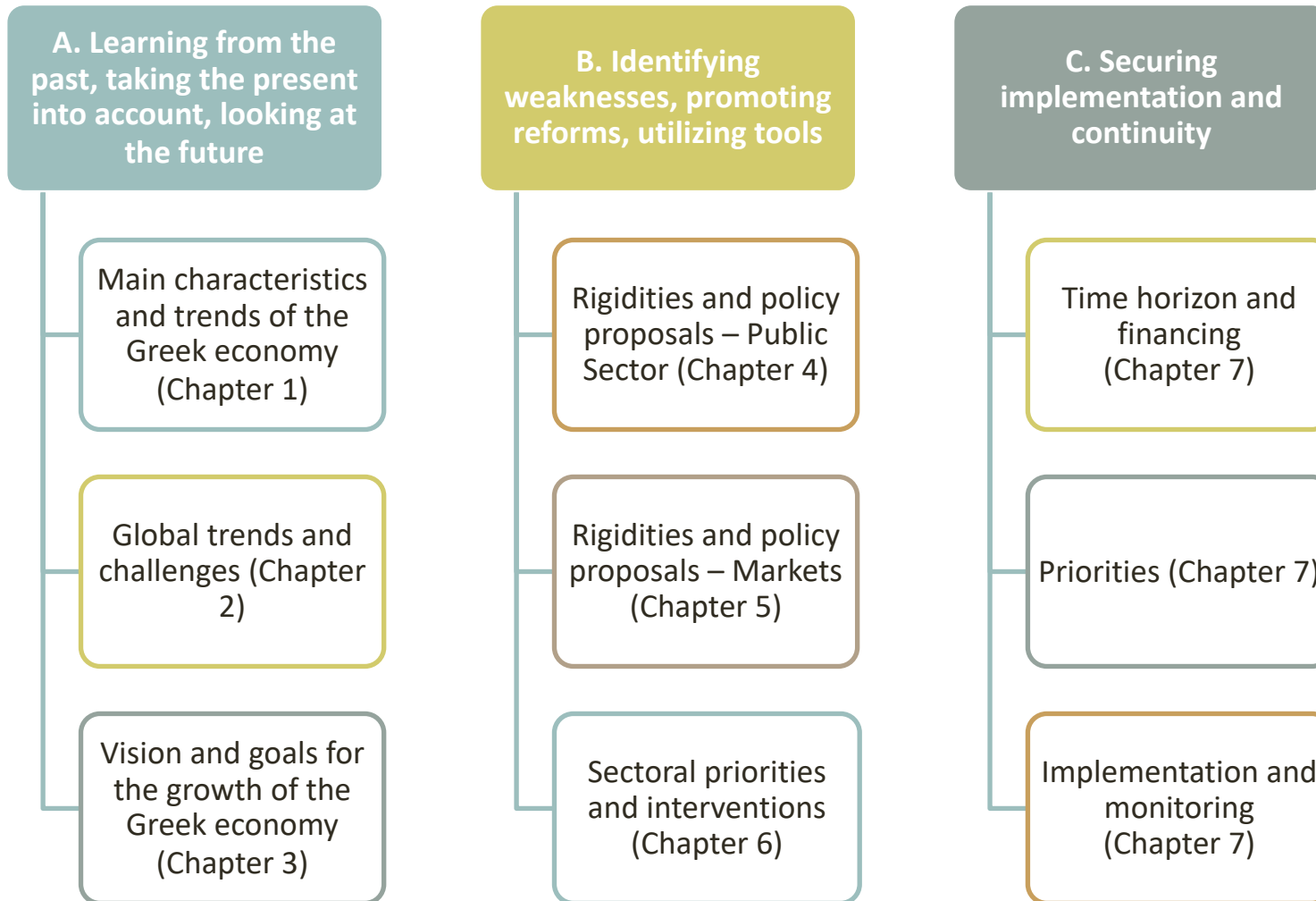
\*NextGenerationEU budget, \*\*Greece 2.0 estimations  
Source: Greek Recovery and Resilience Plan (Greece 2.0)

# Long term growth dynamics and prospects

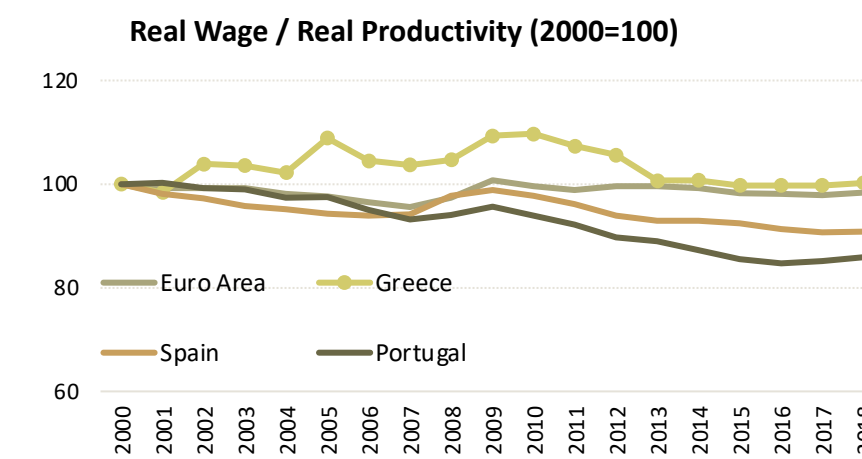
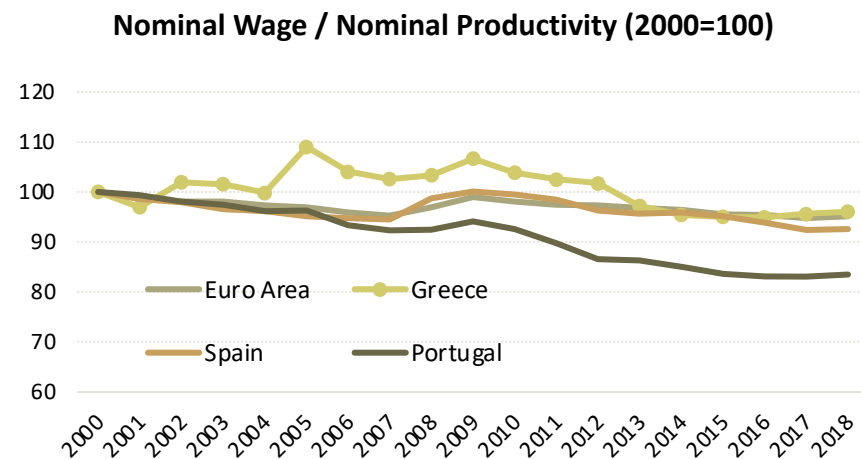
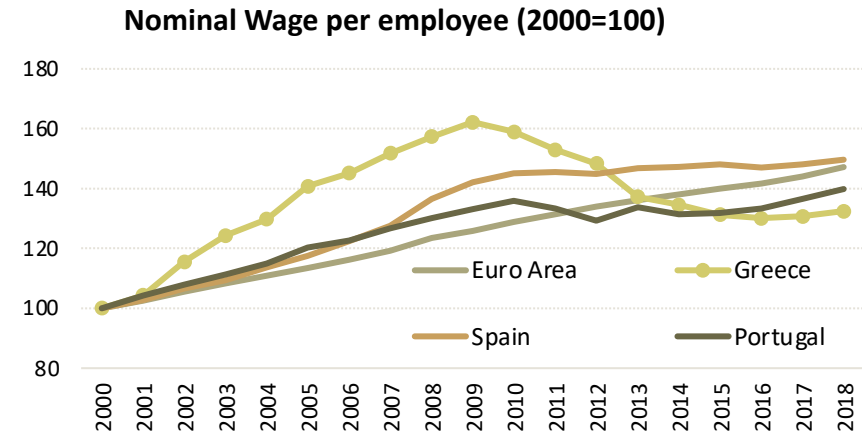
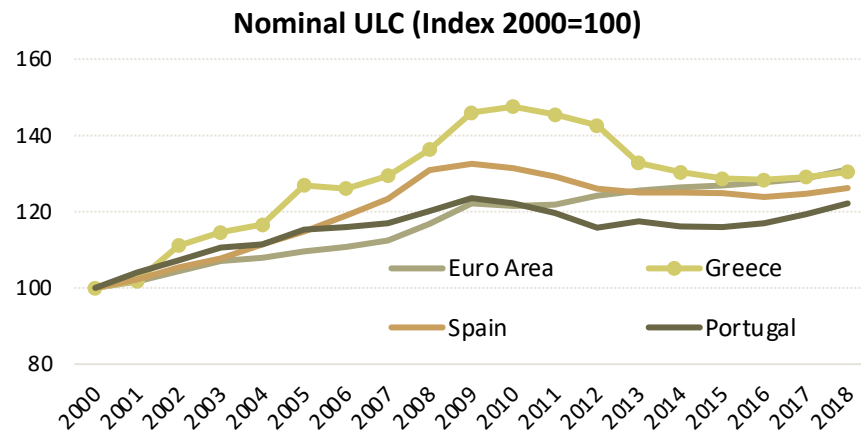


Sources: Eurostat, Ameco

# Structure of the Growth Plan Report



# 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.

## Exporting sectors

	Exports as a % of GDP, Greece, 2019	Exports as a % of GDP, EU-9, 2019
Total exports	<b>37.2</b>	<b>65.5</b>
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

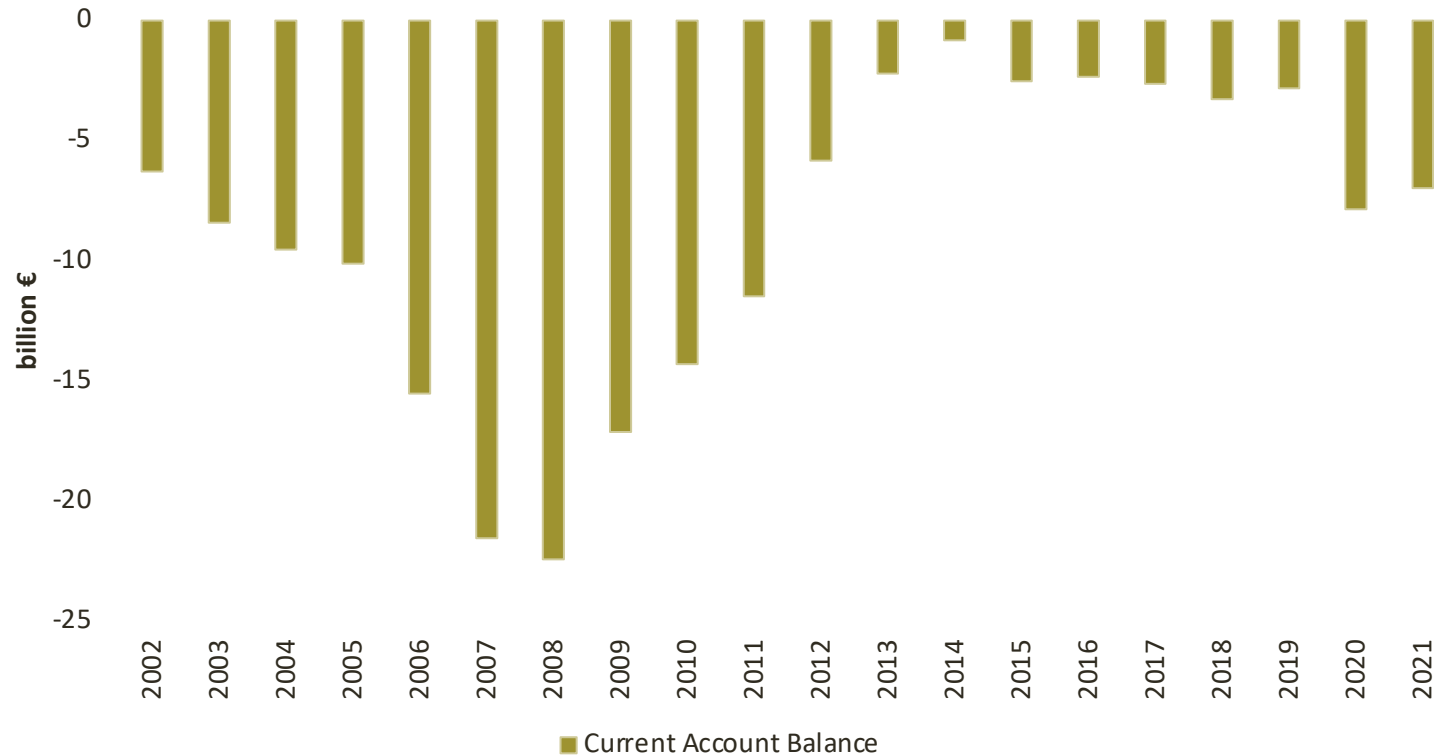
EU-9: EU countries comparable in terms of population to Greece: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Hungary, Netherlands, Sweden.

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



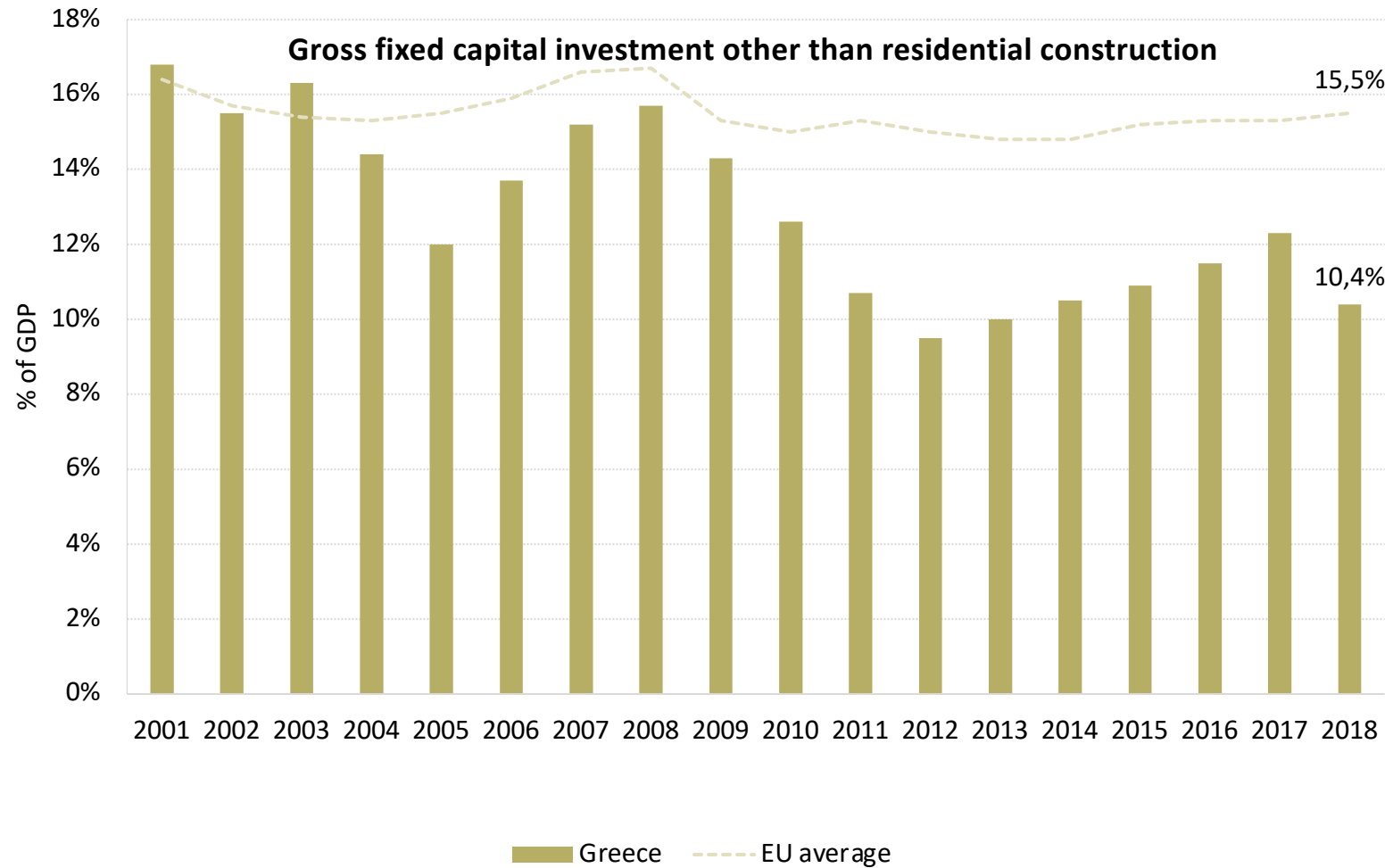
# Current Account

- Shrinkage of the Current Account Balance in the first seven months of 2021, to €7 billion from € 7.9 billion in 2020. It came from an improvement in the Services Balance surplus, despite the widening of the deficit in the Balance of Goods.



Source: Bank of Greece

# Investment Gap and Opportunities



## Positive scenario

### Employment rate growth

- Reduction of unemployment: 17.2% → 7.0%
- Increase of the participation rate in the labor market: Women and age groups 20-24 and 55-64 → EU average
- Decrease of the working age population by 7.5%.

### Labor productivity growth

- Increase in Total Factor Productivity (TFP): 1% annually.
  - Achievable target – observed during the period 1995-2002.
- Increase of productive investments (public and private): 12.3% of GDP → 17.5% (EU average).

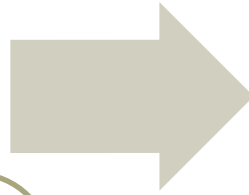
## Macroeconomic balance: 2020-2030

	2019	Status quo	Positive scenario
Real GDP growth (annual %, 2020-2030)	1.9	1.7	3.5
Employment growth (annual %, 2020-2030)		0.2	1.0
Labor productivity growth (annual %, 2020-2030)		1.5	2.5
Exports as a % of GDP (2030)	37.2	44.5	50.5
GDP per capita as a % of the EU average (2030)	67.0	68.0	81.0
Unemployment rate (% , 2030)	17.0	9.0	7.0

## 2020-2030: Two sub-periods

### First half of the decade

- Significant growth potential from:
  - European and national public funds.
    - Investment in infrastructure.
    - Reforms for increasing productivity and participation in the labor market.
    - Leverage of private funds (e.g. PPP, Development Bank)
  - Reduction of unemployment and investment gap.



### Second half of the decade

- Growth potential mainly from private funds.
  - Fewer European funds and increased public debt refinancing requirements.
  - Attracting investments and human capital.
  - Critically important to implement the actions to strengthen the economy during the first half of the decade.

## Final remarks

- Europe vs. the world
- Core and periphery
- Old and new economy
- New fiscal rules in Europe
  
- How Greece can grow?