



FOUNDATION FOR ECONOMIC
& INDUSTRIAL RESEARCH

The Greek Economy: Trends and Prospects

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Economic and Commercial
Diplomats Club of Greece

meeting

Tuesday February 27, 2024 at 12:00 - 13:00



The Economic and Commercial Diplomats Club of Greece
Athens, 27.02.2024

Short-term GDP dynamics: strong (but weakening) recovery

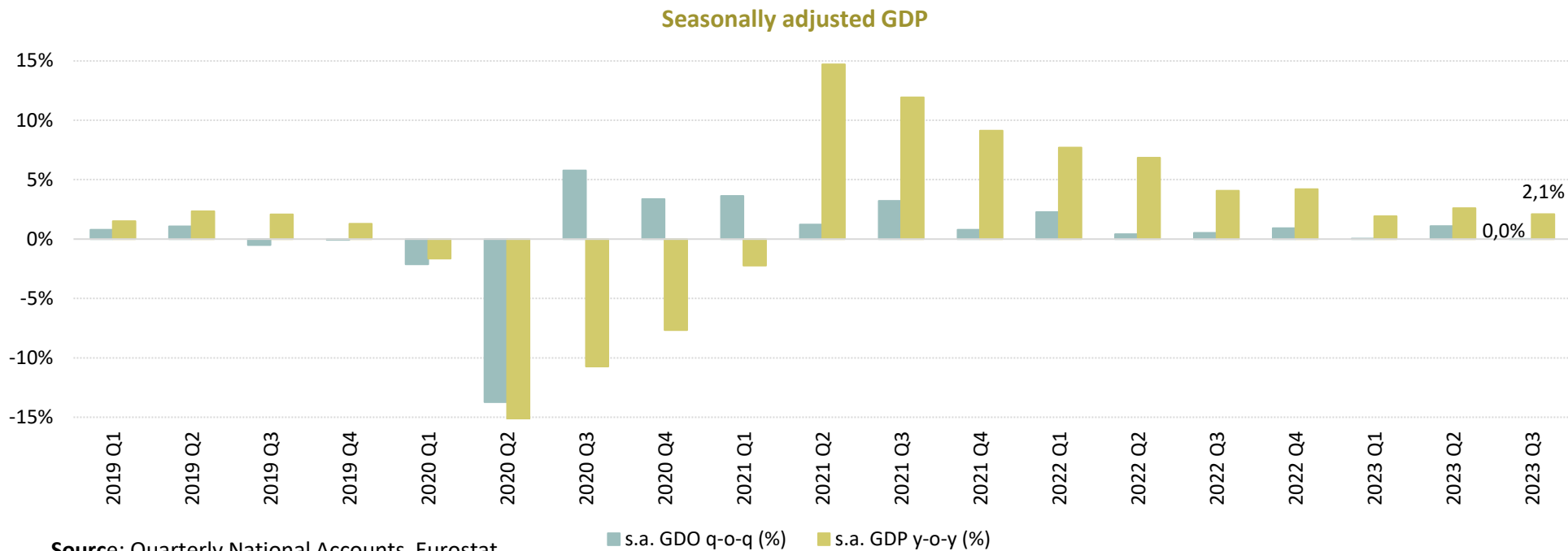
Consumption slowdown
(private +0.9% y/y,
public -0.7% y/y)

Significant investment boost
(+8.9%y/y, fixed
investments +4.9% y/y)

Recovery of exports services
(+2.9% y/y, goods
-1.1%y/y)

Higher increase in imports
(goods +3.4%y/y,
services +0.8% y/y)

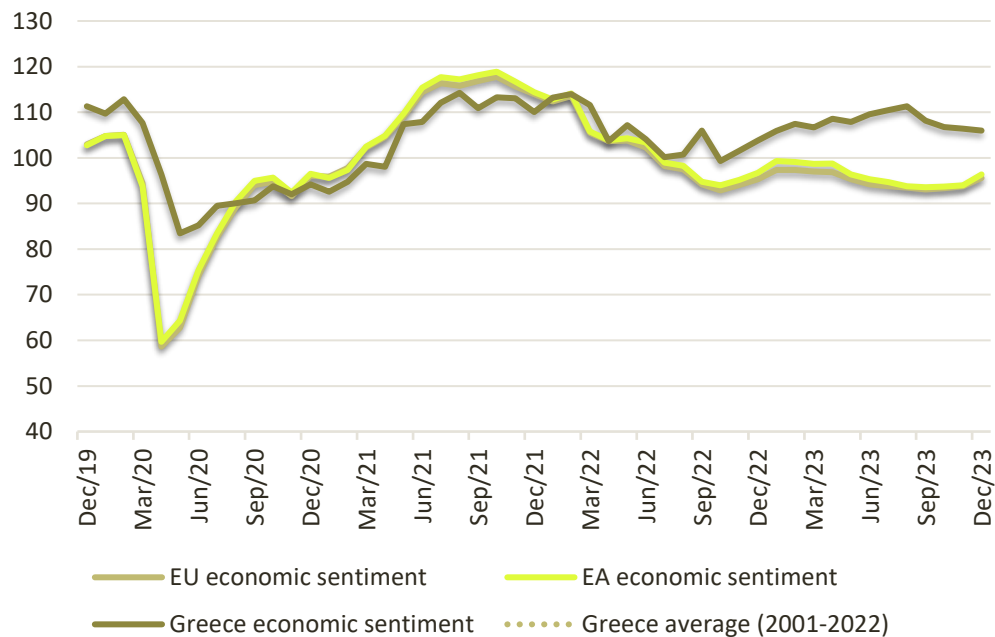
Consistently high extroversion
(82% of GDP)



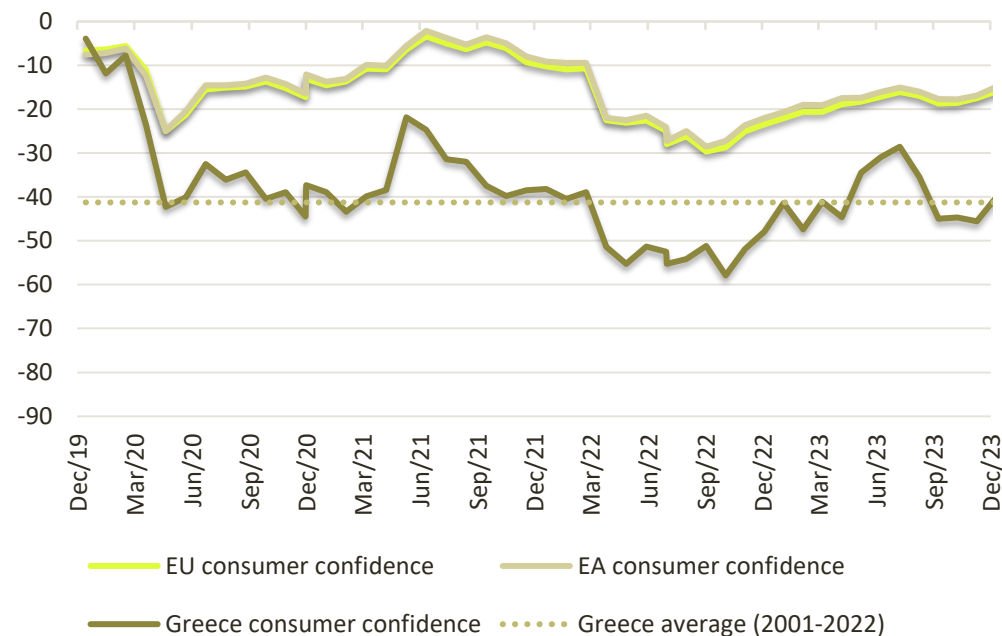
- Real GDP y/y growth of 2.1% in 2023 Q3, milder than 2.6% in the previous quarter.
- GR growth rate remains significantly above EZ average (0.5%).

Economic Sentiment and Consumer Confidence

Economic sentiment deteriorated at the end of 2023, mainly due to business expectations in Industry...



...while consumer confidence improved slightly.



Sources: European Commission, IOBE

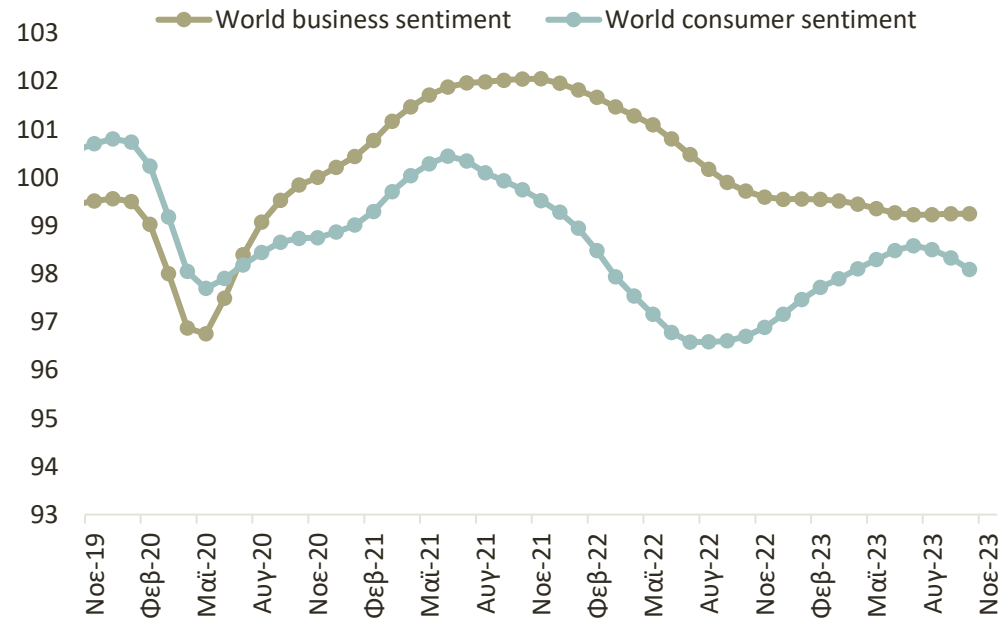
The economic sentiment index weakened marginally in December to 106.0 points, compared to 106.4 points in November and 103.8 points a year ago.

The consumer confidence index improved slightly in December and stood at -40.3 points. against -45.6 in November, slightly higher than last year's level (-47.9 points).

Global economic activity and trade

Systematic decline of world business sentiment since mid-2021

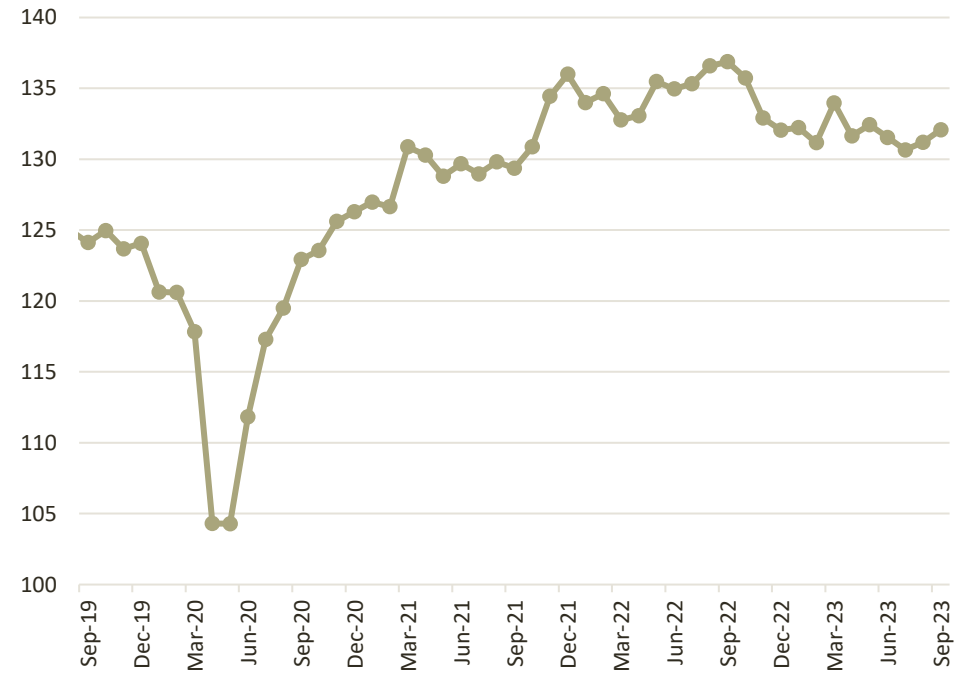
OECD World Sentiment Indicators
(Long-term average = 100)



Source: OECD

International trade volume growth momentum has halted since mid-2022

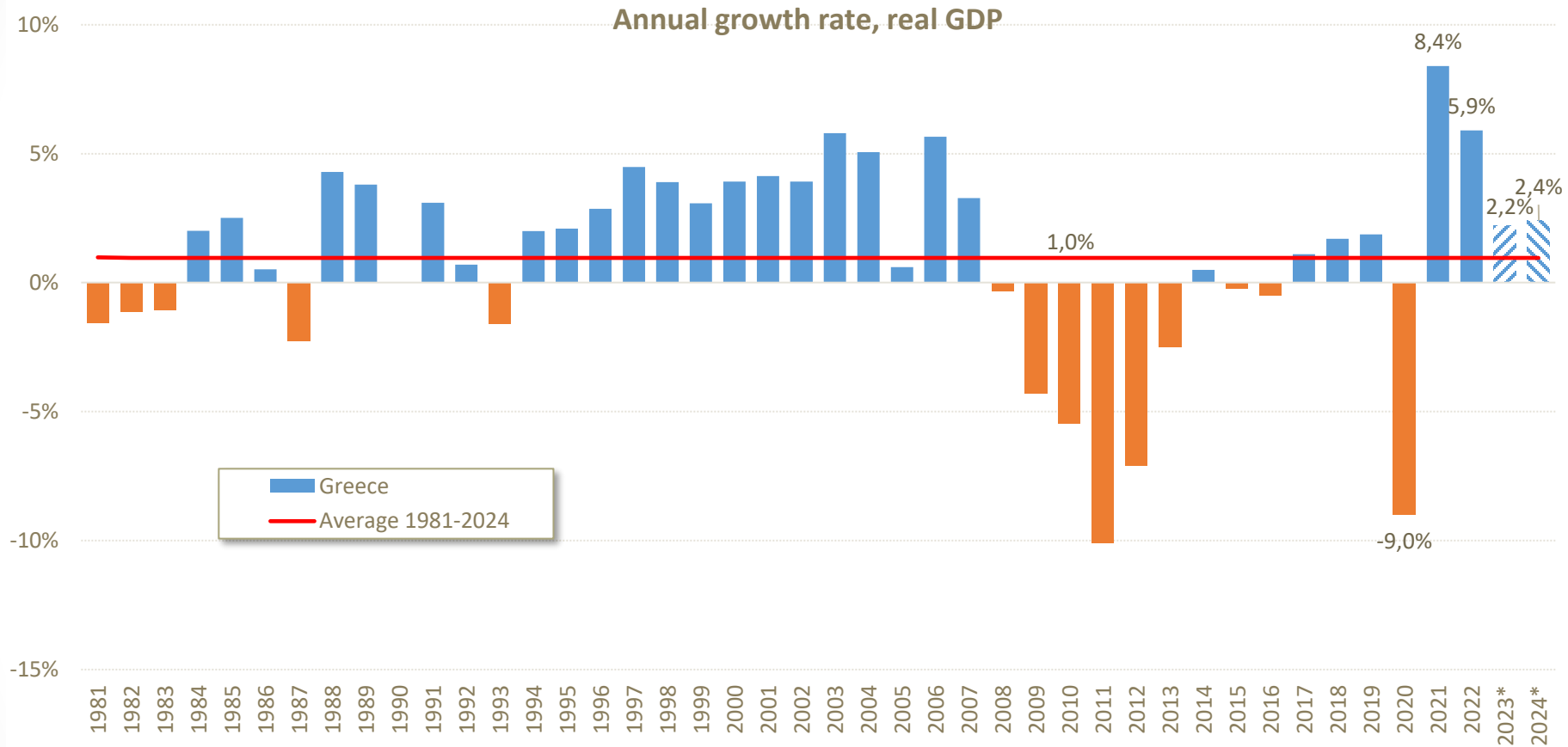
Volume Indicator of Global Trade
(seasonally adjusted data, 2010=100)



Source: CPB Netherlands Bureau for Economic Policy Analysis

LONGER TERM VIEW

Long term growth dynamics and prospects

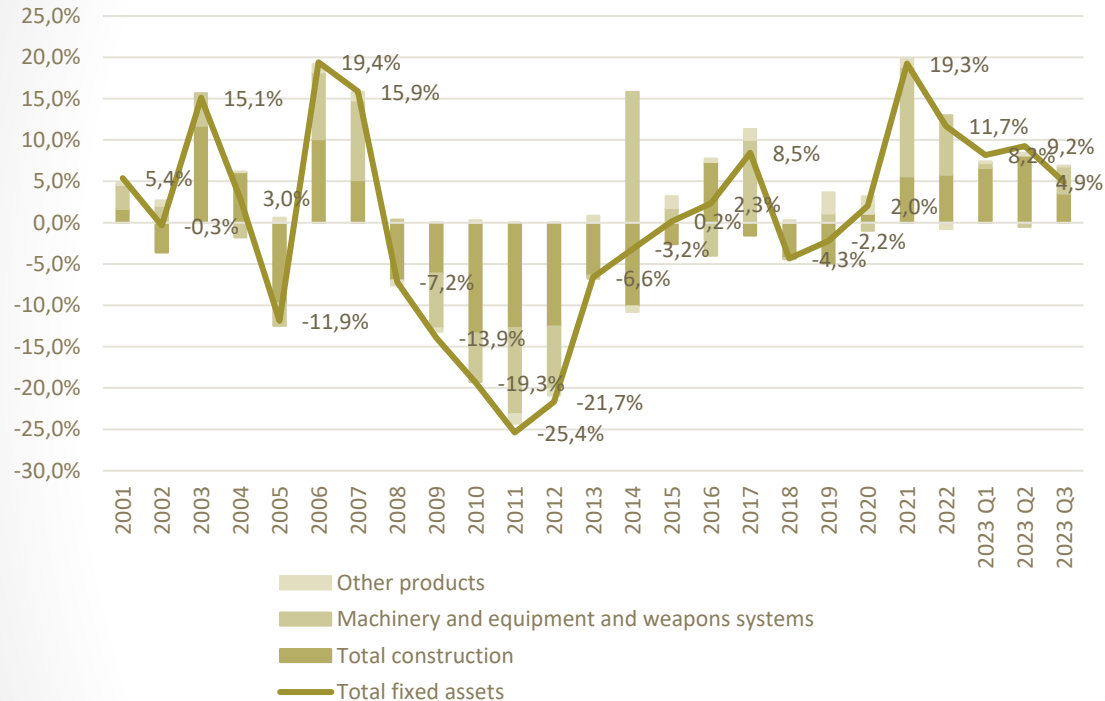


Sources: Eurostat

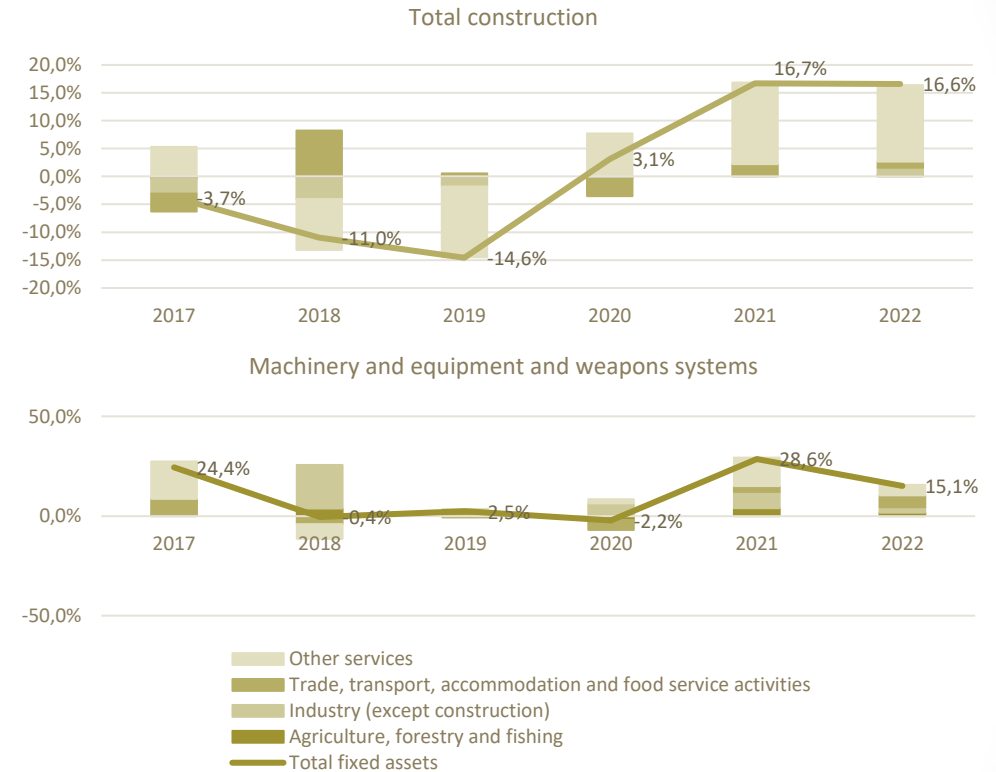
Note. The estimate for 2023 and forecast for 2024 relies upon IOBE (January 2024).

Evolution of the investment mix in Greece: large contribution of fixed investments in Total construction

y-o-y % s.a. fixed investments growth and contributions



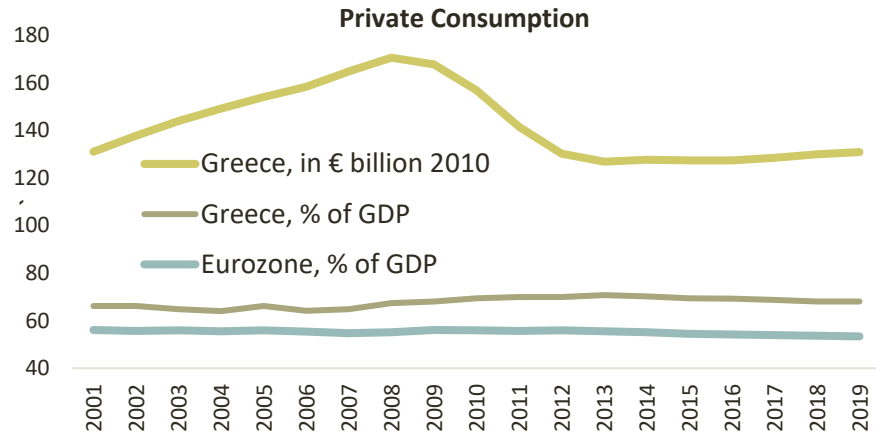
y-o-y % s.a. fixed investments growth and contributions per production sector



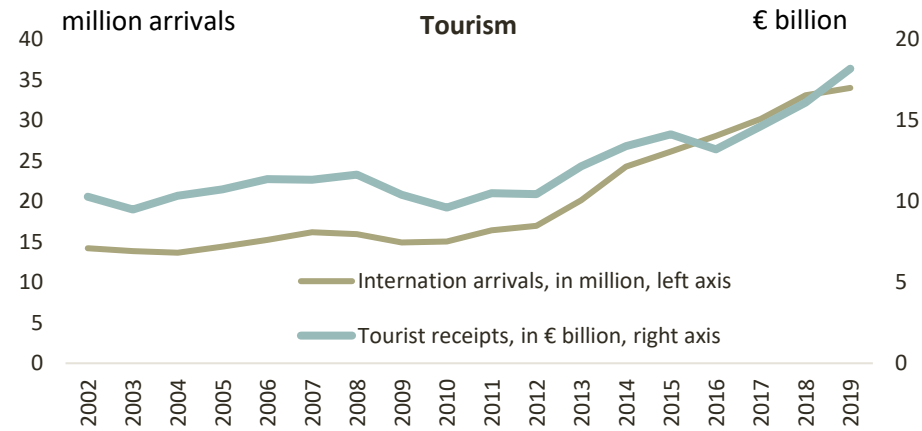
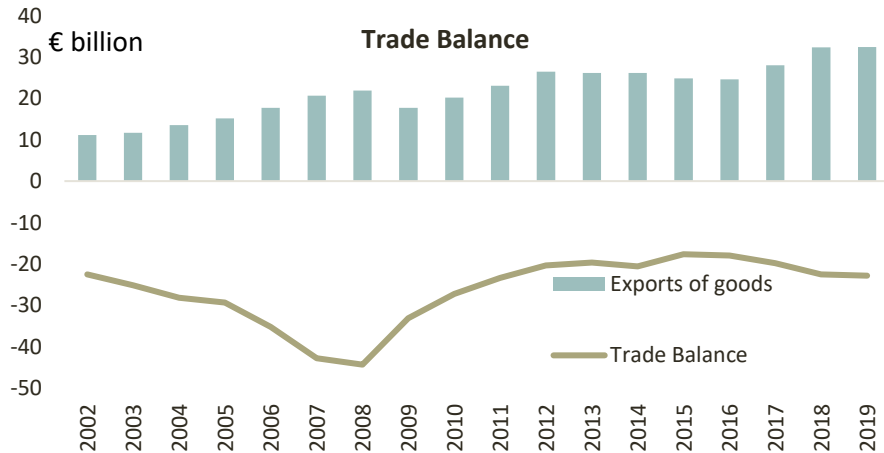
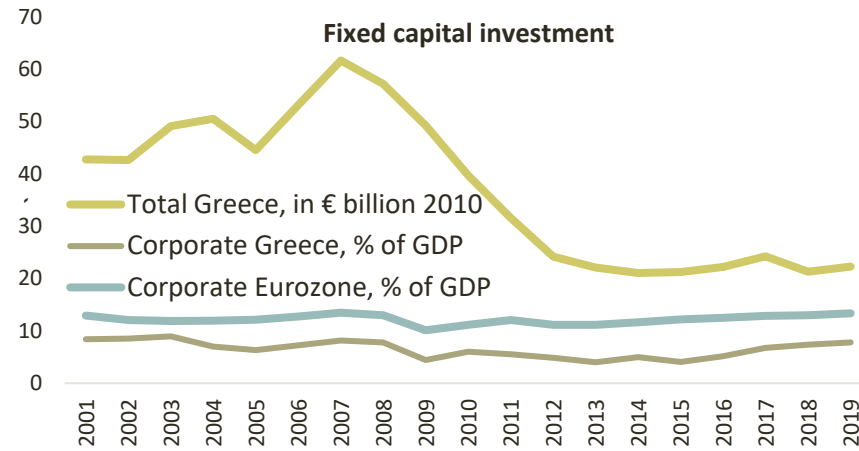
- Following a decade of very low investment flows, **fixed capital formation has been gradually recovering since the mid-2020s**, supported by European funds and the stabilization of the political and wider domestic economic framework.
- The mix of recent fixed investment is focused on **total construction**, with **machinery and equipment** follows.
- The recovery of fixed investment in the period 2017-2022 was in turn supported by **businesses in tertiary sector**, followed by industry and less by the primary sector.

Key trends 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

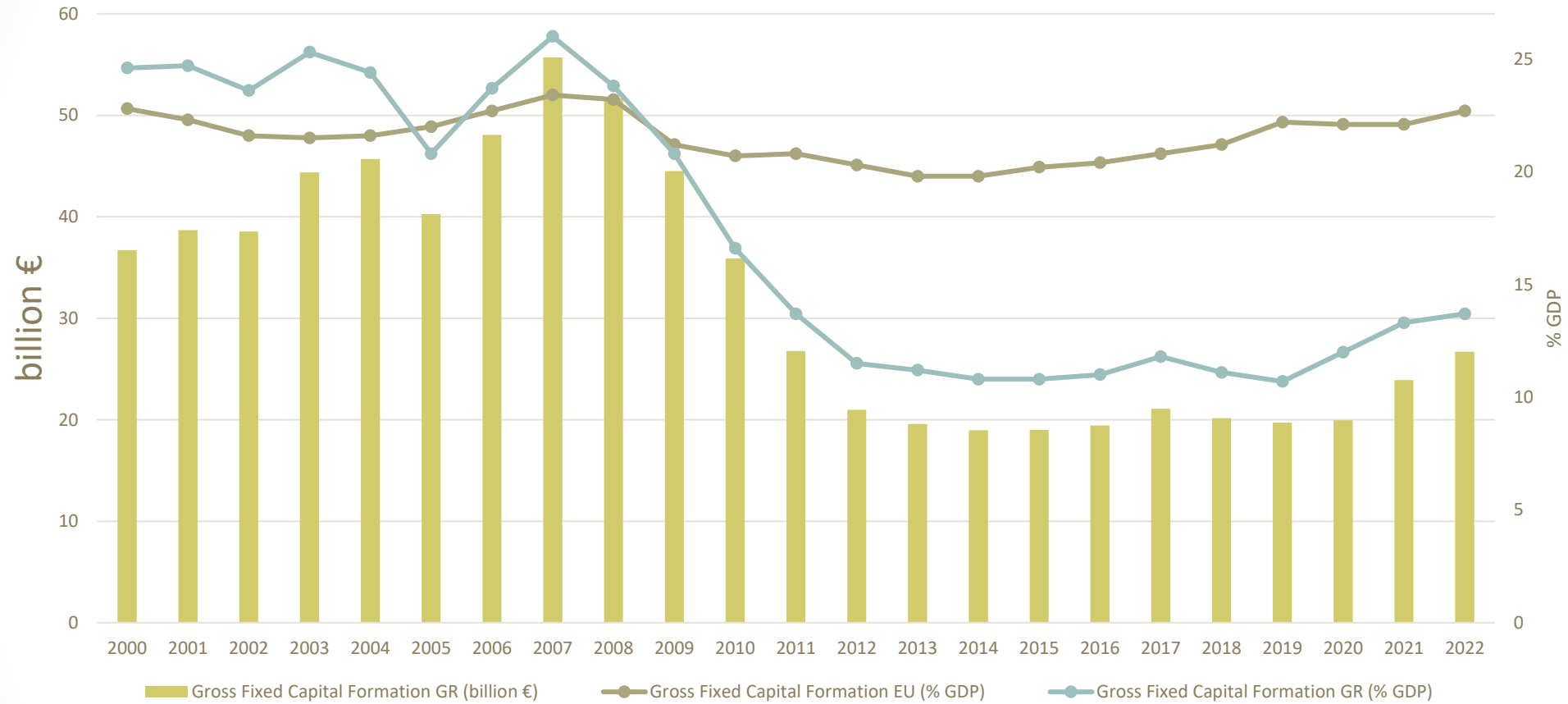


- The value of goods exports has more than tripled in two decades, but the trade balance remains in deficit

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

Sources: ELSTAT, Eurostat, Bank of Greece

Investment Gap and Opportunities



Source: Eurostat, Data Processing: IOBE

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

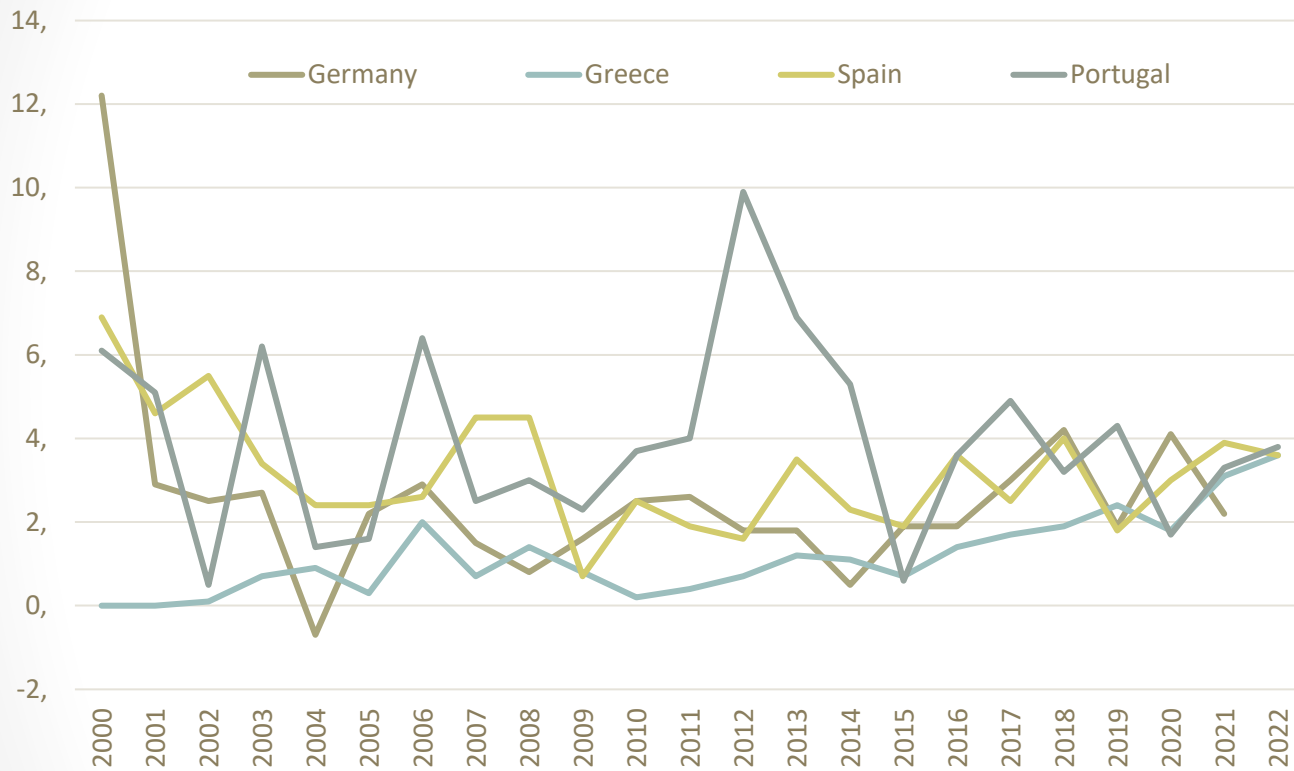
EU-9: EU countries comparable in terms of population to Greece: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Hungary, Netherlands, Sweden.

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

Source: 'Pissarides Report', 2021

LOOKING AHEAD

Foreign Direct Investment (% GDP)

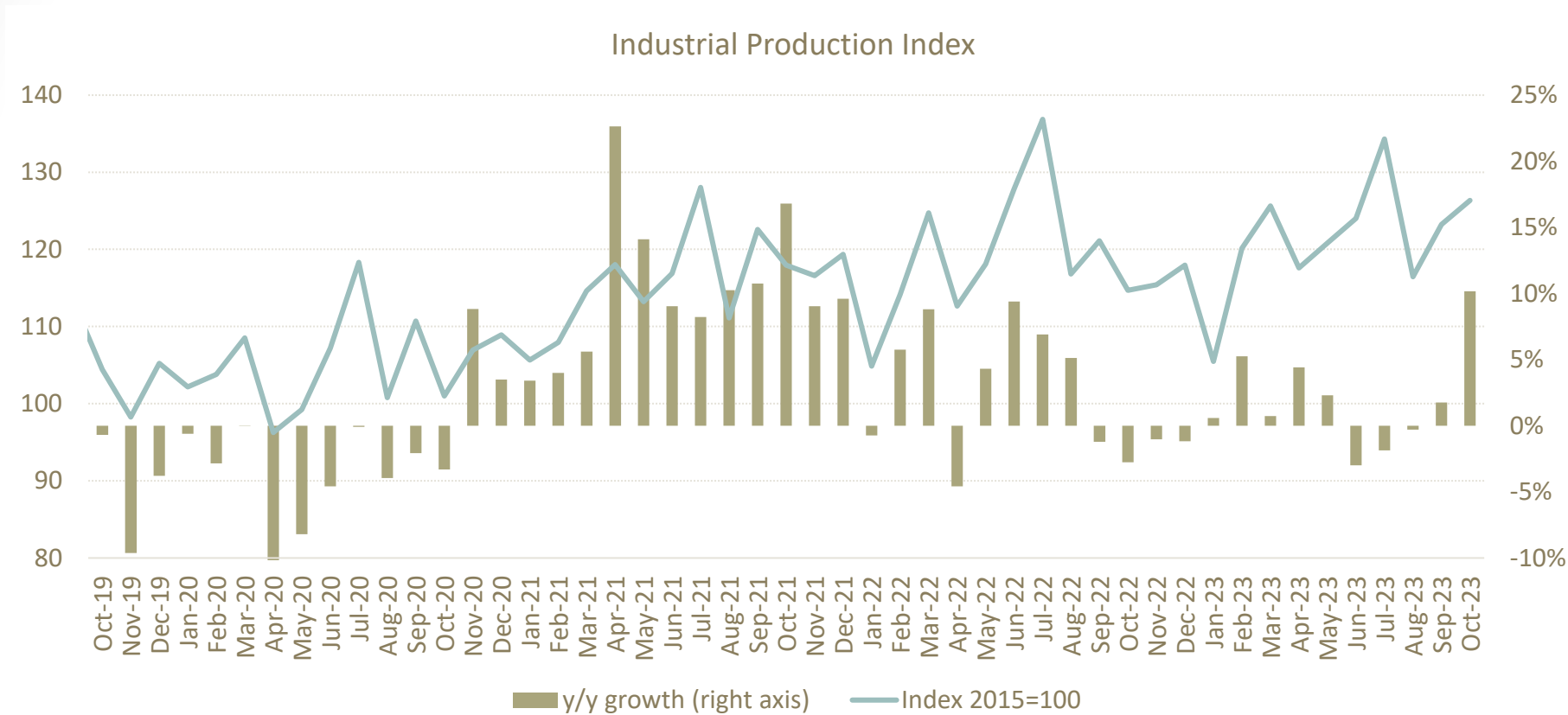


Source: Eurostat

FDI (% GDP)			
	2002-2008	2009-2016	2017-2022
Germany	1.7%	1.8%	2.8%
Greece	0.9%	0.8%	2.4%
Spain	3.6%	2.3%	3.1%
Portugal	3.1%	4.5%	3.5%

FDI has been recovering in Greece lately, after a long period of under-performance compared to EU peers.

Industrial Production momentum has decelerated during 2023

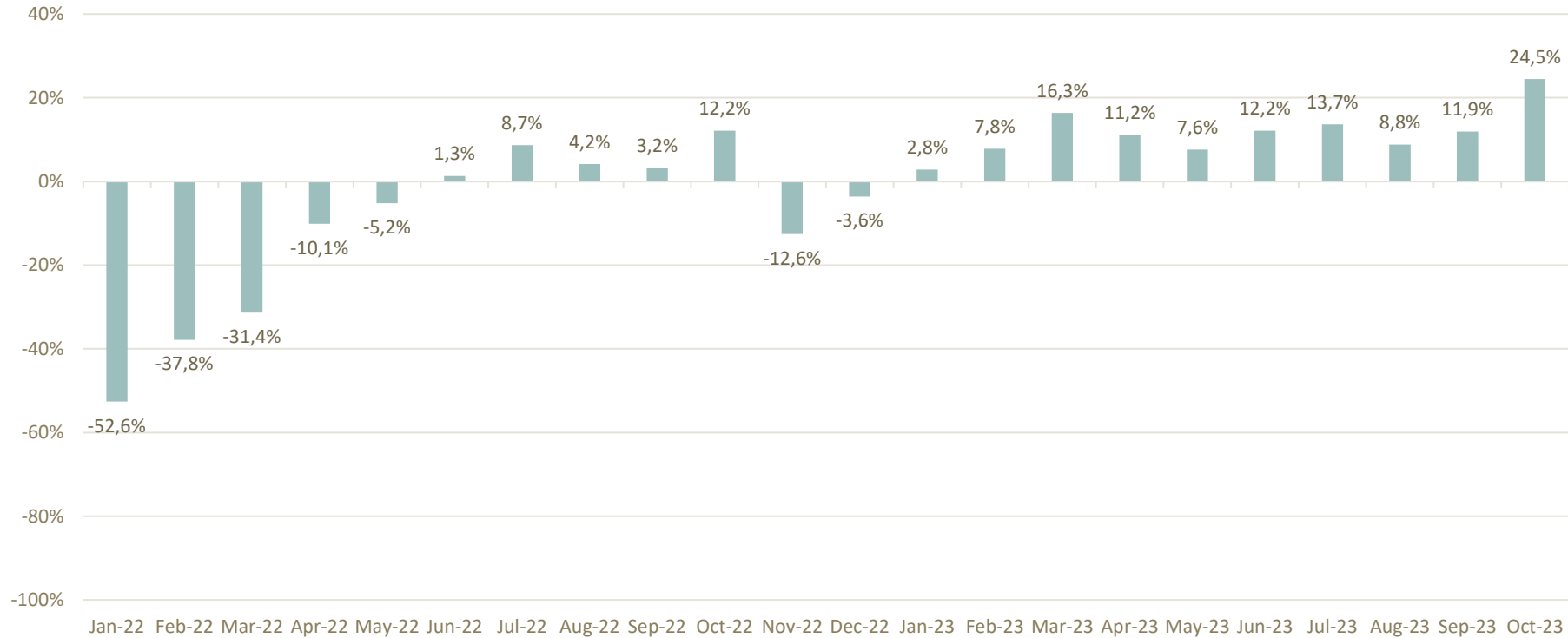


Source: ELSTAT

High annual increase in industrial production in October (10.2%) 2023, driven by electricity and manufacturing.

Tourism has shown a strong rebound in 2023

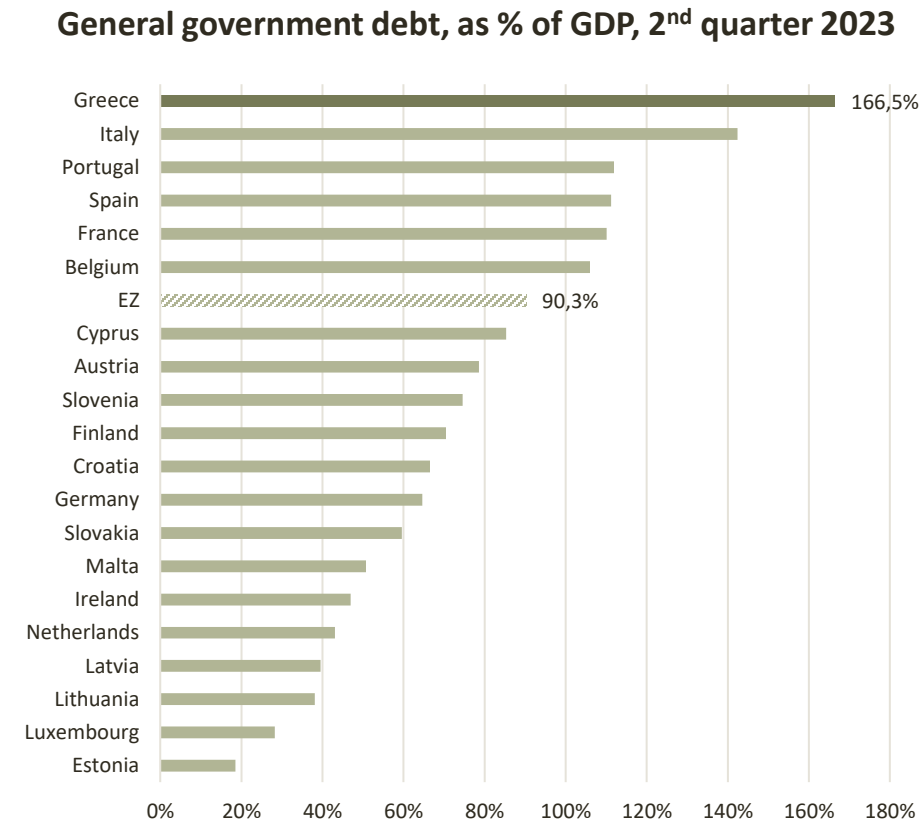
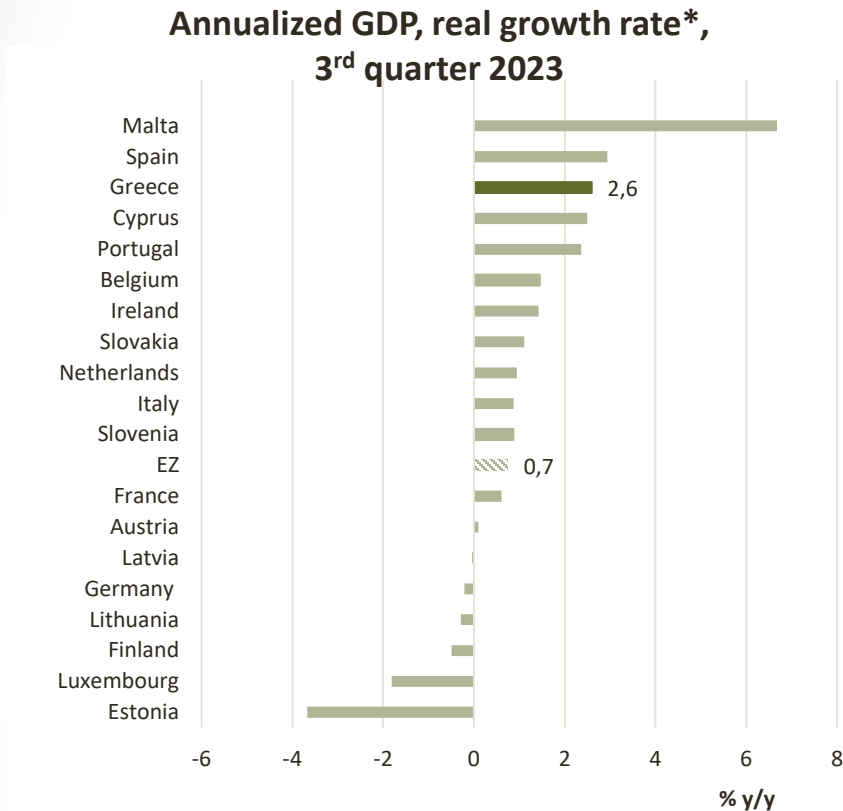
Changes in international arrivals in Athens (% change compared to 2019)



Source: INSETE

During 2023, international arrivals at airports have been outperforming the 2019 record performance.

Greece has been outperforming the Euro Area average growth rate in 2023, while remains an outlier of public debt burden



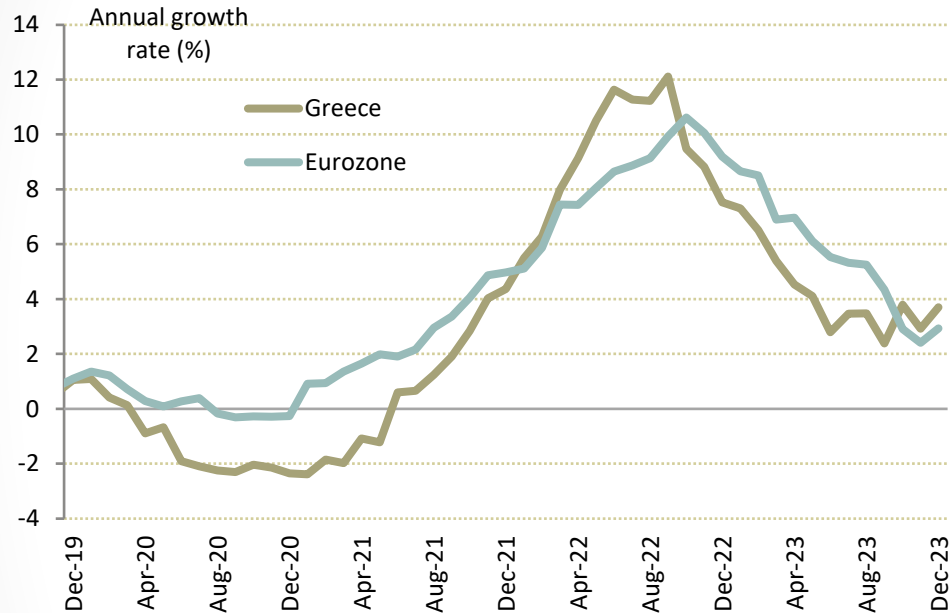
(*) Growth rate of annualized GDP (moving average of 4 quarters, until 3rd quarter 2023)

Source: Eurostat

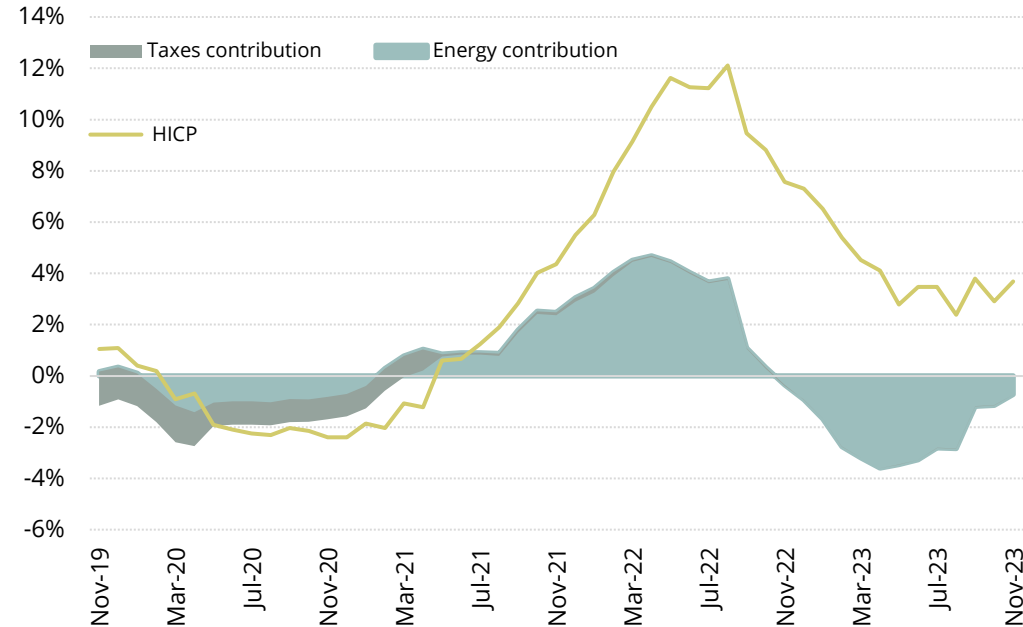
- Greece recorded the 3rd highest annual growth in the euro area in the 3rd quarter 2023, almost 2.0 p.p. above the Euro area.
- Greece still has, by far the highest public debt as a percentage of GDP.

De-escalation of inflation (CPI) in 2023 to 3.5%, from 9.6% last year: decrease in prices of energy goods, persistently high rise in food

Harmonised Index of Consumer Prices (HICP)



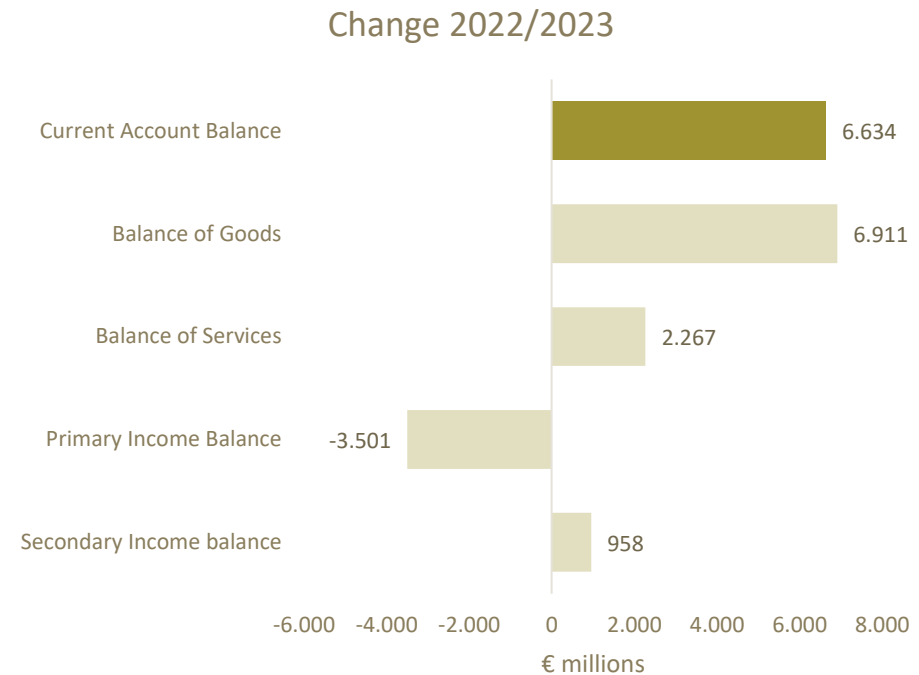
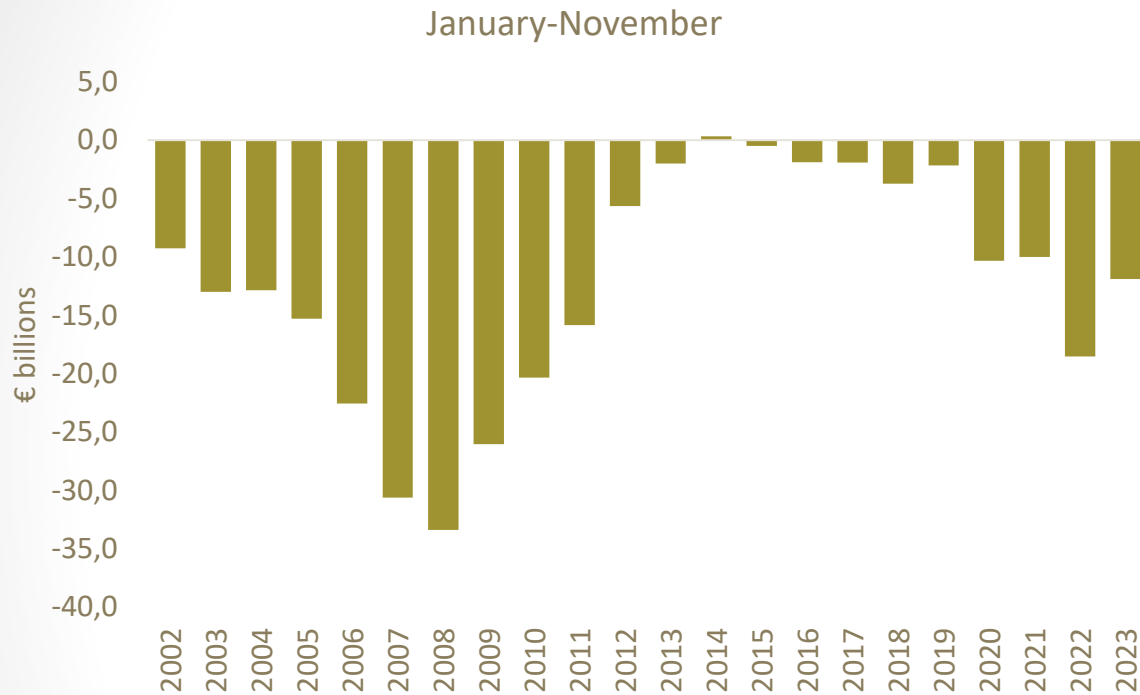
HICP in Greece and impact of energy goods' prices and changes in taxation



Source: Eurostat

- **Euro area:** Inflation decelerates in 2023, at 5.5% from 8.4% a year ago.
- **Greece:** Annual growth rate of domestic CPI, at 3.5% in December 2023, from 3.0% in November last year.
 - For 2023: HICP annual growth rate at 4.2%, against 9.3% in 2022, due to the increase in non-energy goods (6.5%). The effect of energy goods was negative (-2.3%), while the effect of indirect taxes was zero.

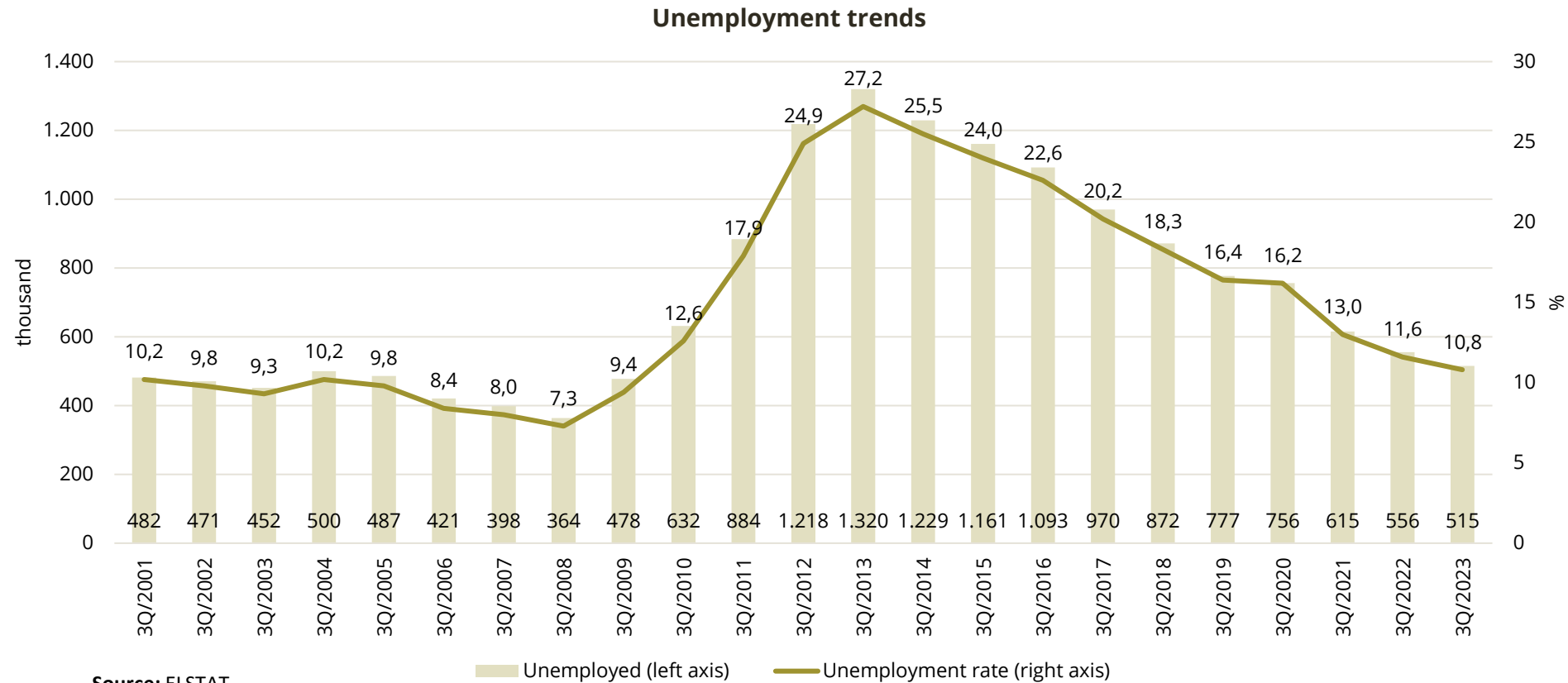
Improvement in the current account deficit in the first 11 months of 2023, to €11.9 billion, compared to €18.5 billion in 2022



Source: BoG

- Significant de-escalation of the deficit in the balance of goods by €6.9 bil., with a drop in exports and a greater decline in imports.
- 90% of the balance improvement is due to fuels.
- Improvement in the surplus of services, with a boost in receipts from Tourism by €2.7 bil., and a decrease in transport receipts by €2.3 bil. Historically high level of tourism receipts at €20.1 bil.
- Deterioration in primary incomes, due to income outflow (profits, interest, dividends).
- Improvement in the balance of secondary incomes.

The unemployment rate declines (at a decelerating rate)



- The unemployment rate dropped to 10.8% in 2023 Q3, from 11.6% in 2022 Q3 and 13.0% in 2021 Q3.
- The construction sector has been the driving force of employment growth, partially offset by Trade services.

IOBE macroeconomic forecasts (Jan 2024)

Estimate for 2023 (real y/y growth)

- GDP: \approx 2.2%
- Private consumption: \approx 1.3%
- Public consumption: \approx 0.9%
- Investments (Fixed): \approx 3.2% (7.3%)
- Exports: \approx 2.3%
- Imports: \approx 1.1%

- Unemployment rate: \approx 11.2%
(in % of labor force)
- Inflation rate: \approx 4.2%

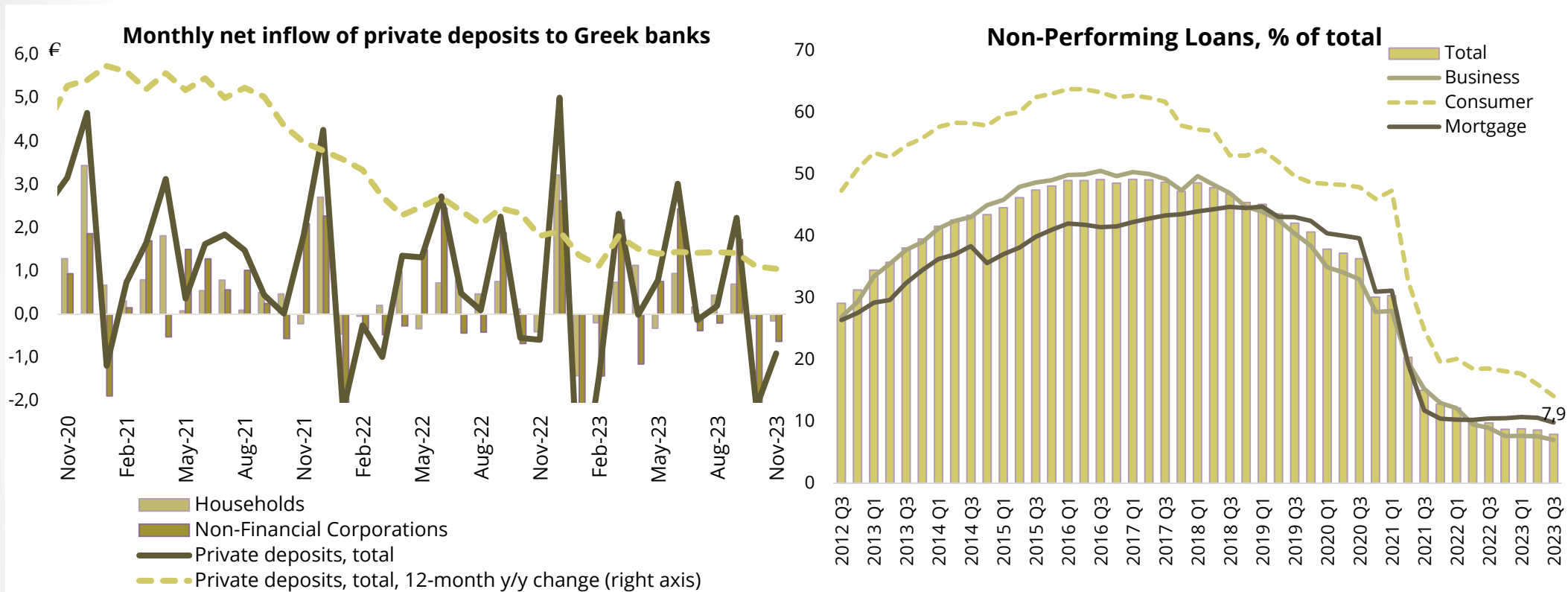
Forecast for 2024 (real y/y growth)

- GDP: \approx 2.4%
- Private consumption: \approx 1.3%
- Public consumption: \approx -0.8%
- Investments (Fixed): \approx 10.8% (11.0%)
- Exports: \approx 2.6%
- Imports: \approx 2.2%

- Unemployment rate: \approx 10.5%
(in % of labor force)
- Inflation rate: \approx 2.8%

FINANCE

Systemic banks' NPL ratios dropped further in 2023...

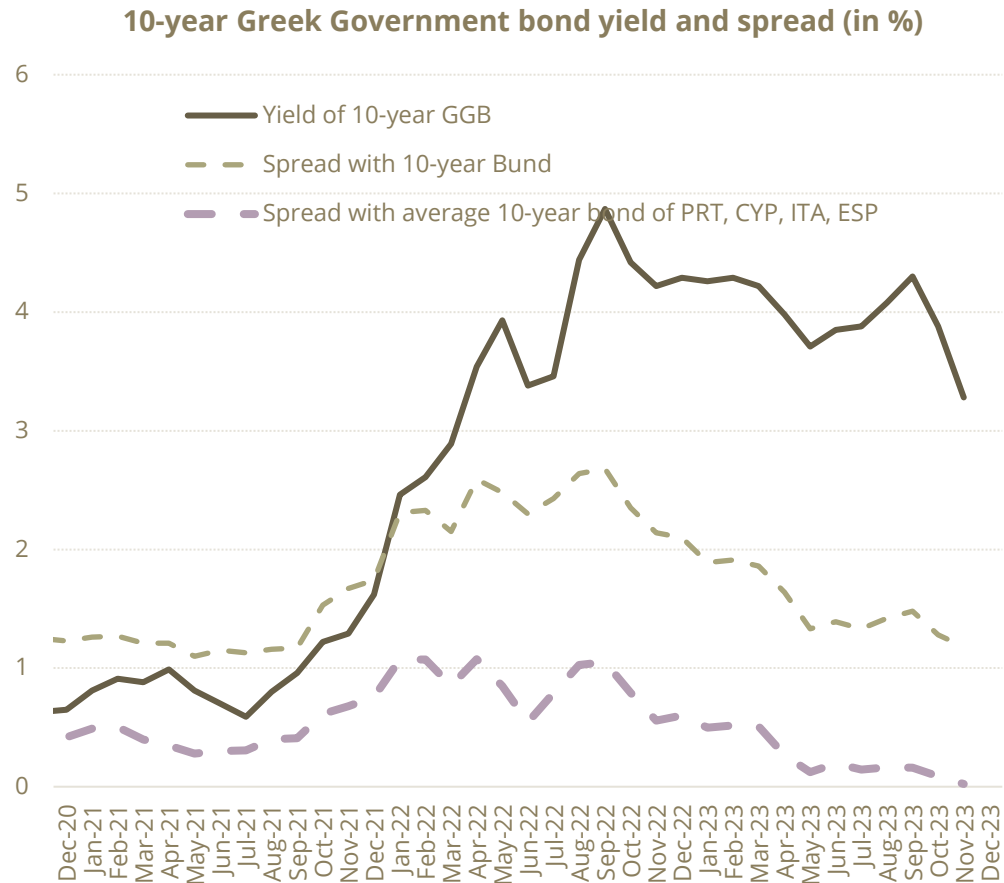
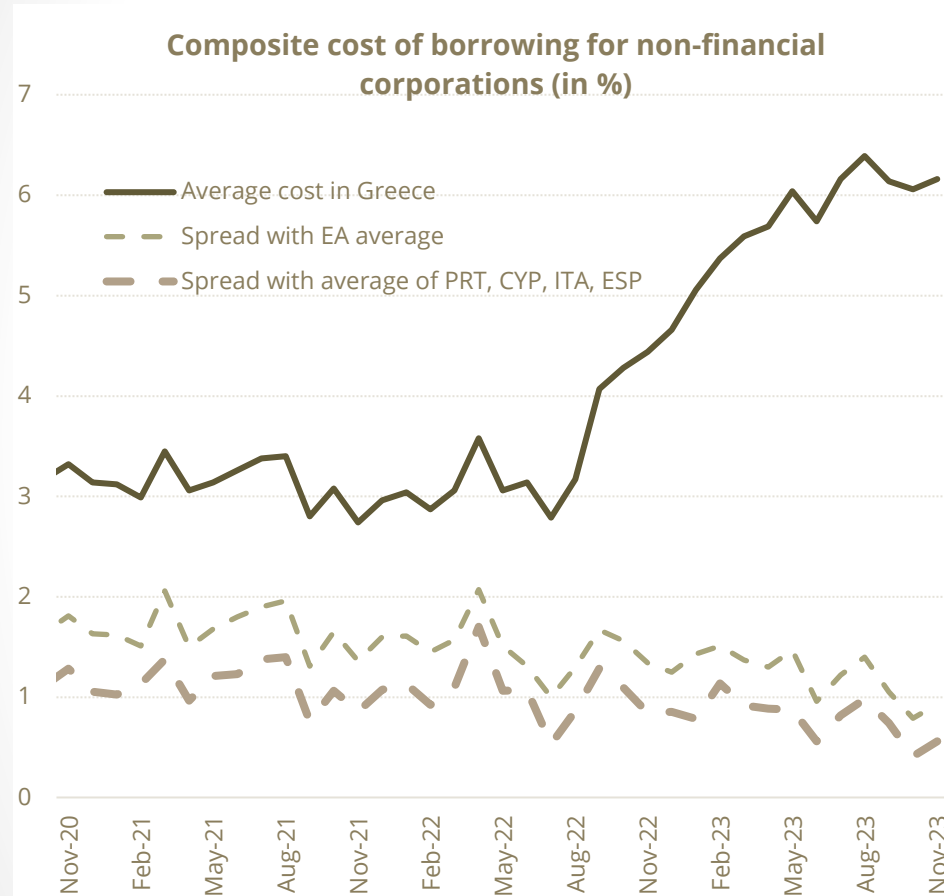


Source: Bank of Greece. * On-balance sheet loans (before provisions) for all Greek banks on a non-consolidated level

...yet, at a decelerating rate, while there remains a large chunk of “red loans” off-balance sheets of the banks.

- The growth trend of private sector deposits has been moderately positive following a significant boost during the pandemic.
- NPL ratio has dropped to 7.9% in 2023 Q3, which is a 14-year low. Significant decline during 2020-22 due to securitizations with state guarantees (Hercules programme).

The cost of new funding for the public sector has slightly eased in end-2023, while the spread with EU peers has narrowed...



Source: ECB

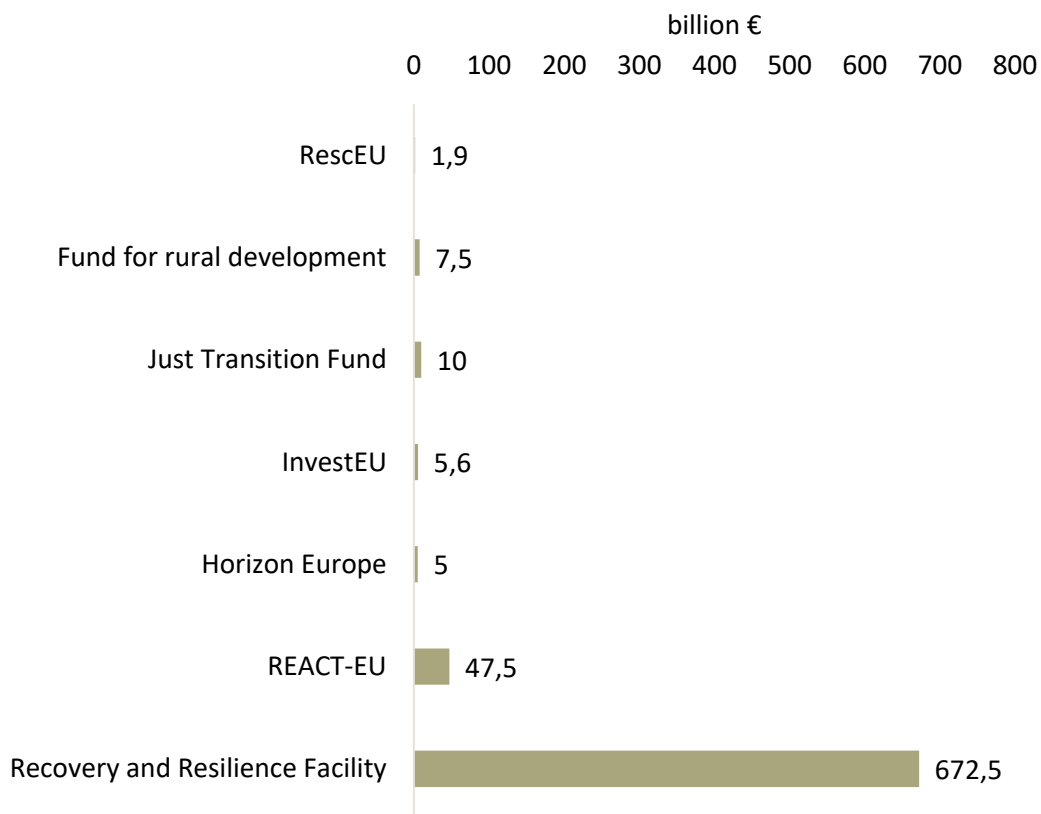
...inter alia affected by the recovery of investment grade rating for the Greek sovereign during 2013, after 13 years. The borrowing cost for the private corporates has increased during 2023, at higher levels than for Euro Area peers.

The EU recovery plan – 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 mainly supports **investments in green growth and digital transition.**
- RRF resources stem from **borrowing funds** through 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 RRF 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. €7.6 billion have been disbursed up to August 2022.**

Pan-EU Distribution of NextGenerationEU budget



WRAP UP

Assessment (1)

Positive domestic trends

- Gradual GDP convergence with European average
- Easing unemployment, gradual but slow coverage of investment gap
- Restoring investment confidence, lower spread on public funding cost
- Strong momentum in tourism and real estate, recovery of FDI

Pre-conditions for stronger growth ahead

- Short-term: significant boost of productive investments
- Long-term: change in the structural features of the economy

Mixed trends in the global environment

- “Smooth landing” for the global economy, strong investment sentiment
- Challenges stemming from higher interest rates and inflation, geopolitical tensions, bipolar trends, EU lagging in growth momentum

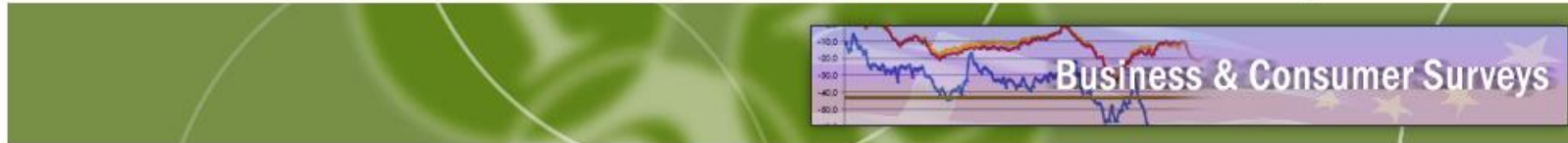
Assessment (2)

External challenges for the Greek economy

- Slowdown of trade partners, high cost of money, risks for capital markets, global trade rebalancing and green transition

Internal challenges and imbalances

- Labor market: structural unemployment, mismatch between supply and demand
- Product and services markets: intensity of competition, barriers to entry, imported inflation
- Informal economy: incentives towards the formal economy, e.g. through tax and social security systems
- Sectoral diversification of production base: manufacturing as complementary driving force to tourism and construction
- Public sector efficiency, focus on health and education systems
- Boosting extroversion and investments as drivers for long-term growth
- Opportunity for timely and effective use of RRF resources



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....

[Read more...](#)

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

Monthly bulletin of trends in the Greek industry sector..

[Read more...](#)

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

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

[Read more...](#)

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The Foundation for Economic & Industrial Research (IOBE) is a private, non-profit, public-benefit research organisation.

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](#)



Press Office

NOVEMBER

Business and Consumer Surveys

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

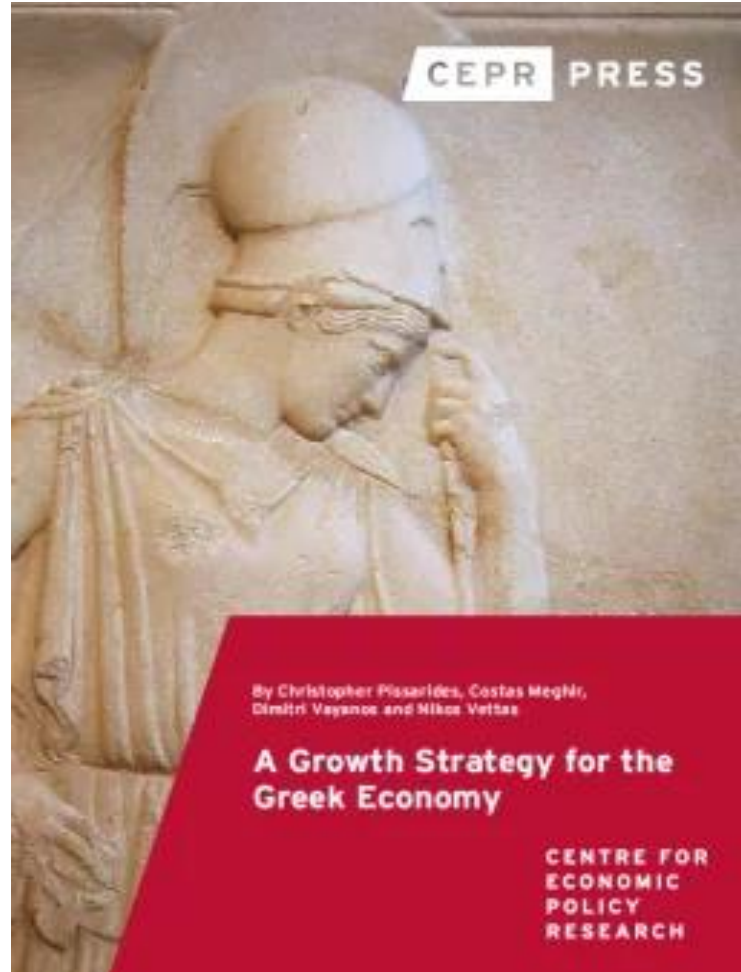
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[More announcements...](#)

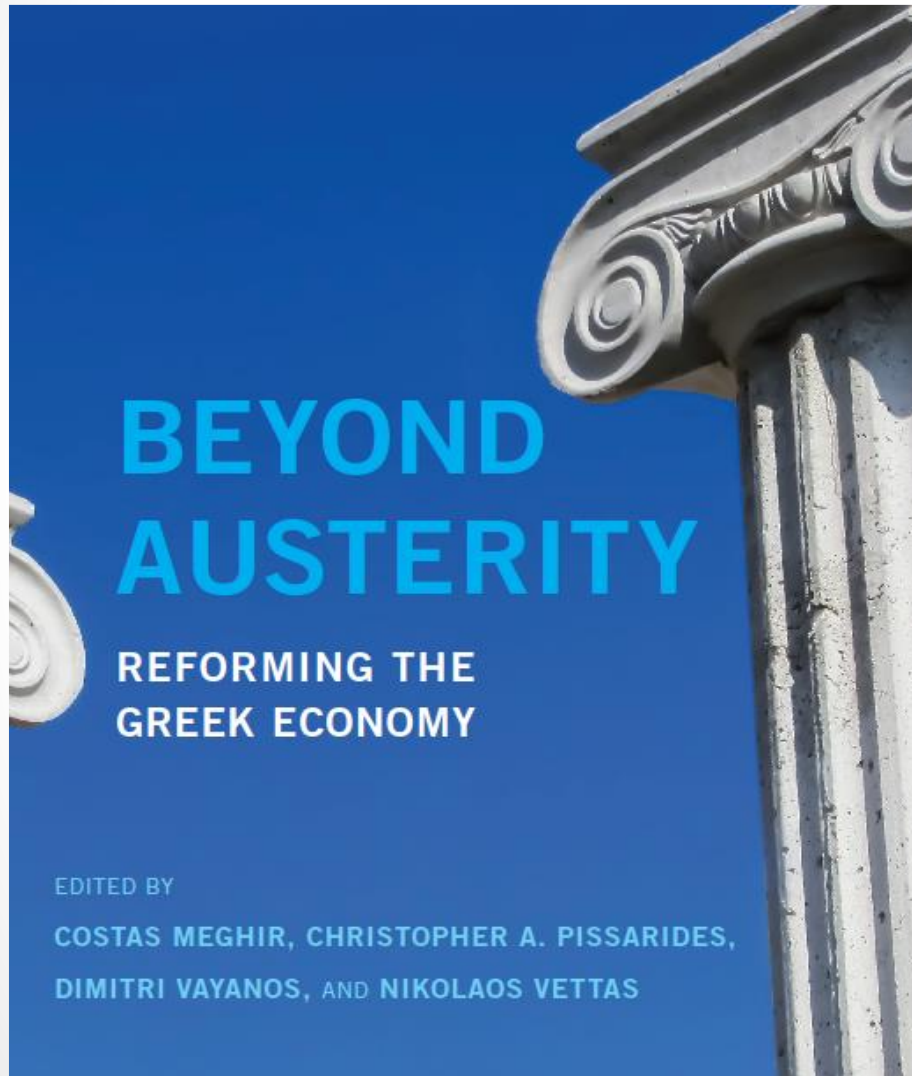


Growth 'plan'

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



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