



ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ &
ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ

The Greek Economy 10 Years after the Crisis: Lessons learnt and outlook for the future

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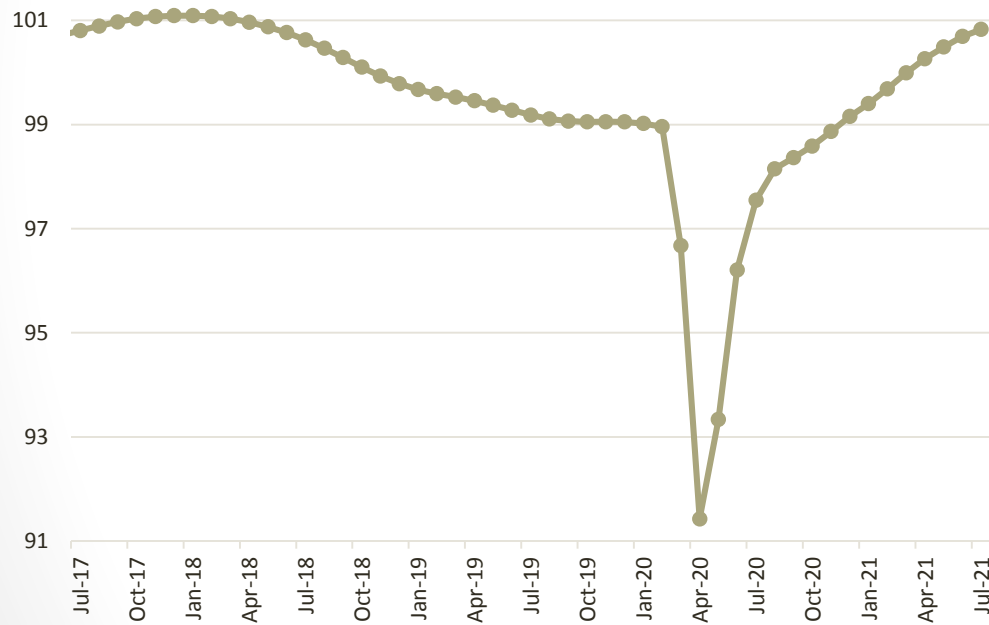
Current trends

- Strong recovery in global economy and growth in certain sectors and regions.
- In Europe, strong recovery in second quarter (13.8%) – improving forecasts for 2021.
- Greece growing faster than the EU average (16.2%) – reversing the deeper contraction last year.
- Growth dynamics, following its structure: large share of consumption and of sectors such as retail trade, transport and tourism.
- Significant increase in exports of goods.
- Return (?) of twin deficits: fiscal and balance of payments

Strong global economic activity and trade

Upward trend of the CLI continued in July, for 15th consecutive month

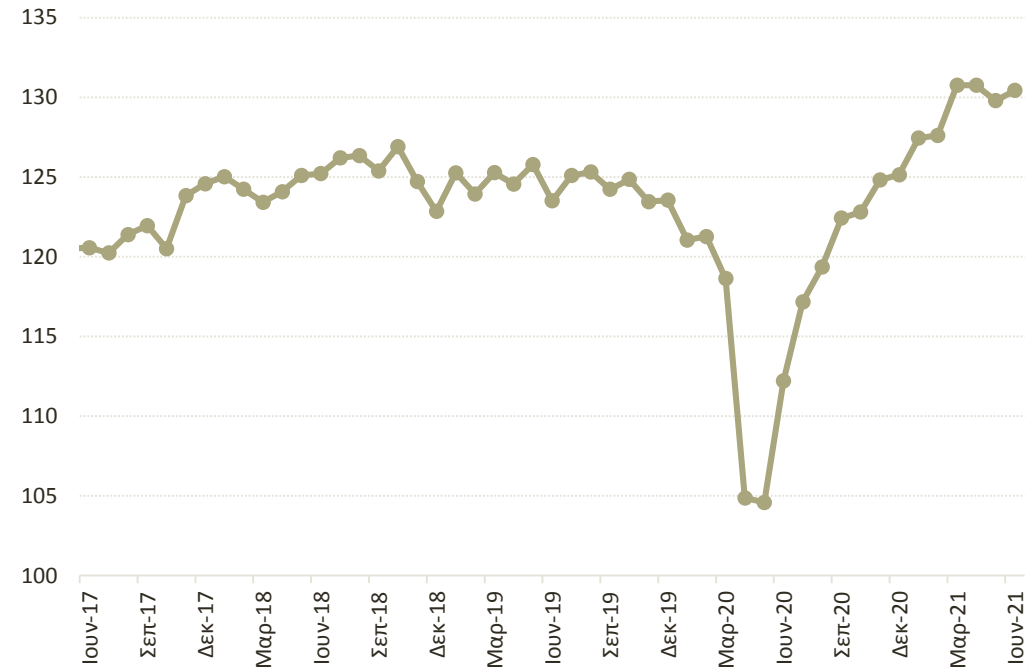
OECD Composite Leading Indicator (CLI)
(Long-term average = 100)



Source: OECD

Small increase in international trade volume in June (+0.5% from May). Stabilizing trends since March, at a much higher level than last year. Average increase of 13.8% in the first half of 2021.

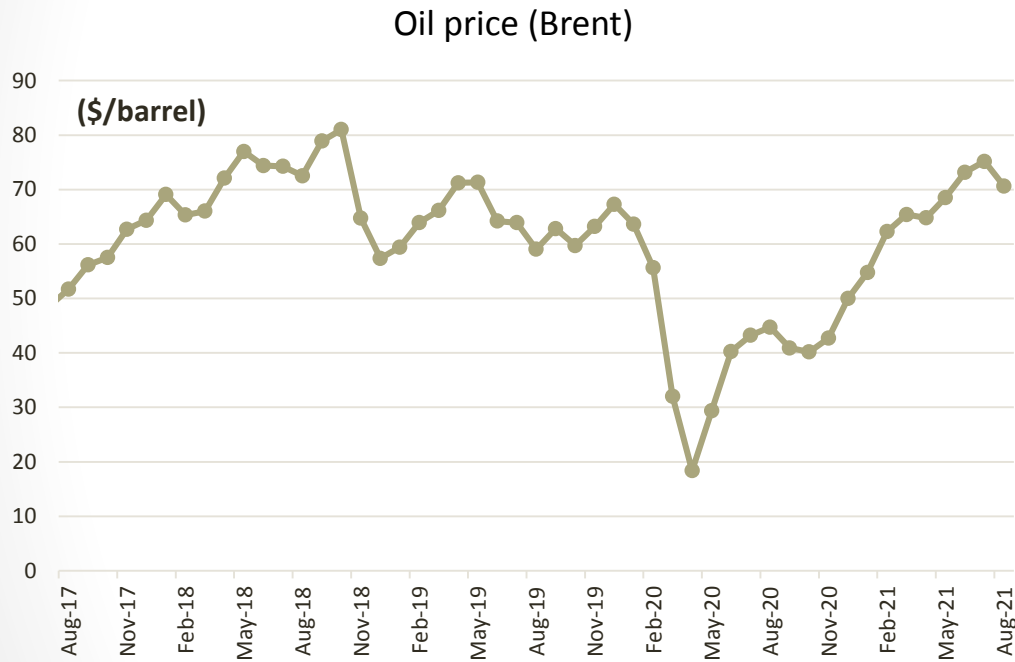
Volume Indicator of Global Trade
(seasonally adjusted data, 2010=100)



Source: CPB Netherlands Bureau for Economic Policy Analysis

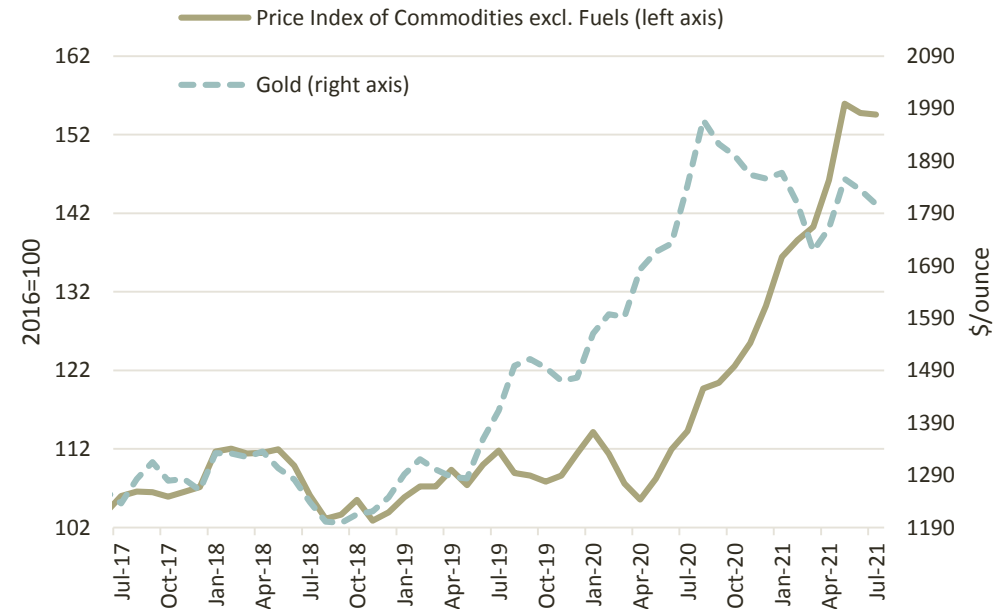
Commodities prices increasing

After an almost continuous strong rise of the oil price for nine months (+ 87.0%), fall by 6.1% in August (\$ 70.6 / barrel)



Source: U.S. Energy Information Administration

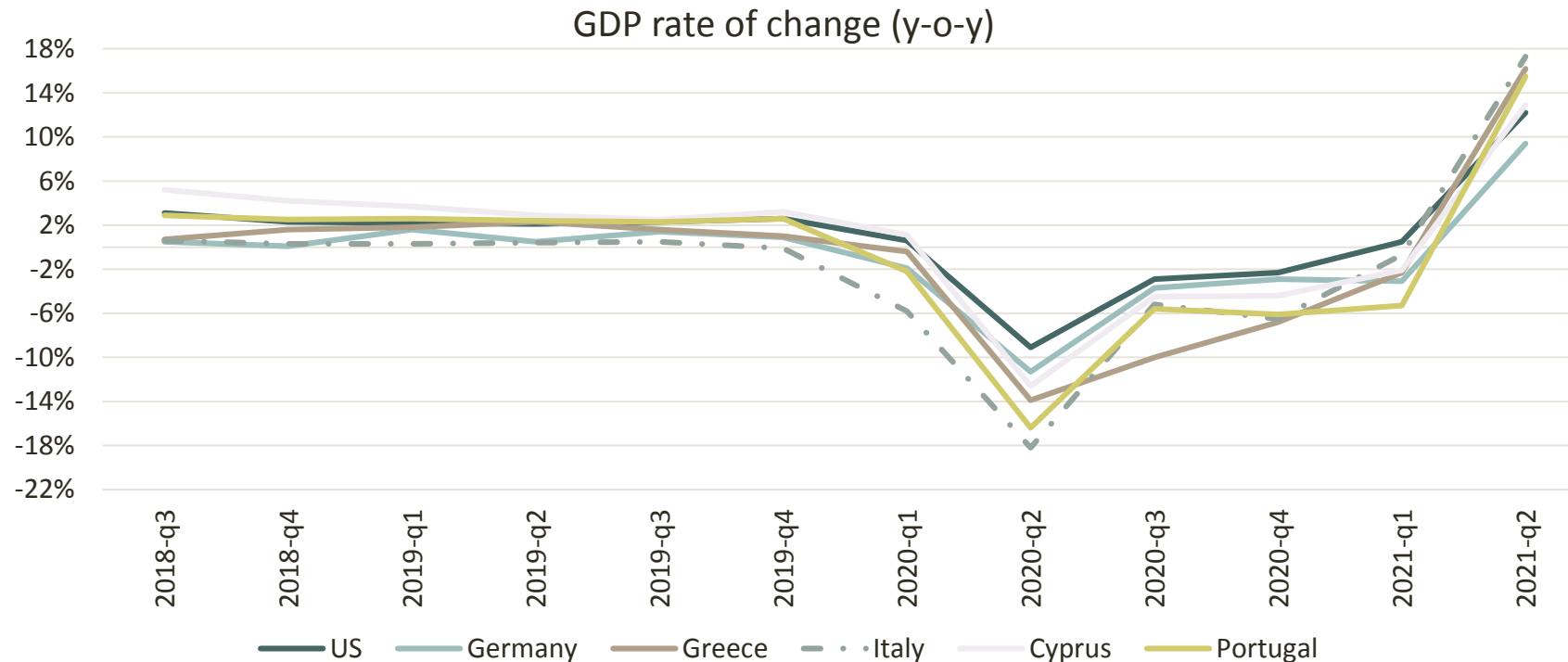
Fluctuations in the price of gold in 2021. Marginal decline in the prices of other commodities since June, after an increase for 1 year (May 2020-May 2021)



Source: IMF, Commodity data portal

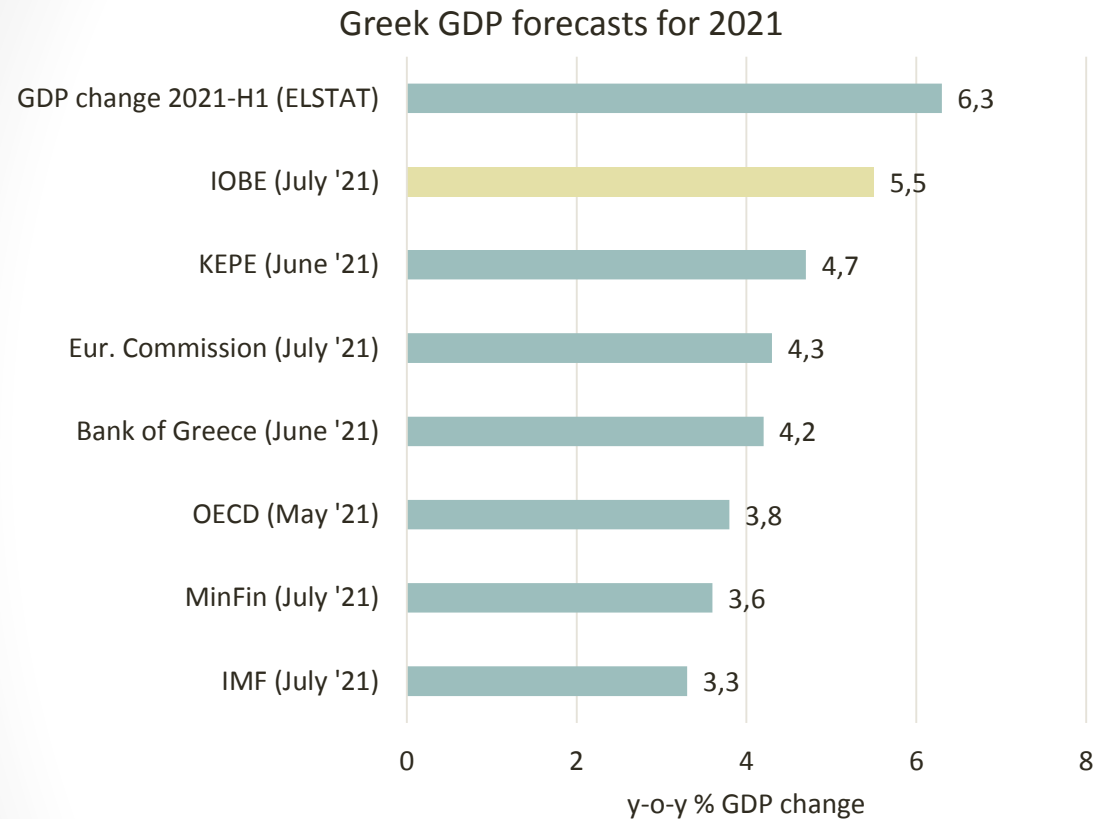
GDP dynamics

- Strong GDP recovery of 16.2% in 2021-q2, from a 2.3% recession in the previous quarter and a 13.9% decline in 2020-q2.
- Mainly from higher private consumption (+13.2%) and exports of both products (+17.1%) and services (+28.8%).
- Stronger recovery domestically than the EU average (+13.8%). Sixth strongest GDP growth in the EU in 2021-q2, behind economies that were severely hit in 2020 by the spread of the pandemic (Italy, France, Spain).



Source: Quarterly Annual Accounts, Eurostat

GDP forecasts for Greece



IOBE forecasts-July 2021 (baseline scenario)

Public Consumption: +3.0% to +4.5%

Public Consumption: +3.5% to +4.5%

Investment: +14% to +17%

Exports: +12% to +15%

Imports: +10% to +13%

GDP change: 5.0% to 5.5%

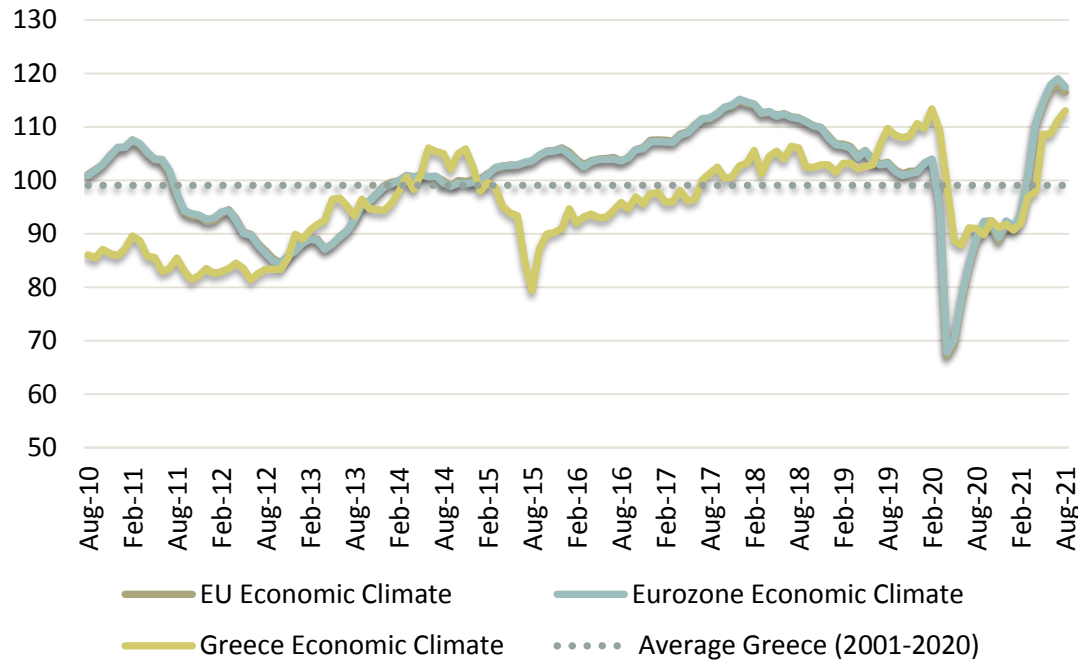
Unemployment: 16.0% to 16.3%

Inflation: 0.3% to 0.6%

Sources: Quarterly National Accounts, ELSTAT, September 2021 – The Greek Economy 02/21, IOBE, July 2021 – Greek Economic Outlook, issue 45, KEPE, June 2021 – European Economic Forecast, summer 2021, European Commission, July 2021 – Monetary Policy-Annual Report, 2020-2021, Bank of Greece, June 2021 - Economic Outlook 109, OECD, May 2021 – Medium-term Fiscal Strategy Framework 2022-2025, Ministry of Finance, July 2021 – Article IV Report, IMF, July 2021

Greece: Economic Climate and Consumer Confidence

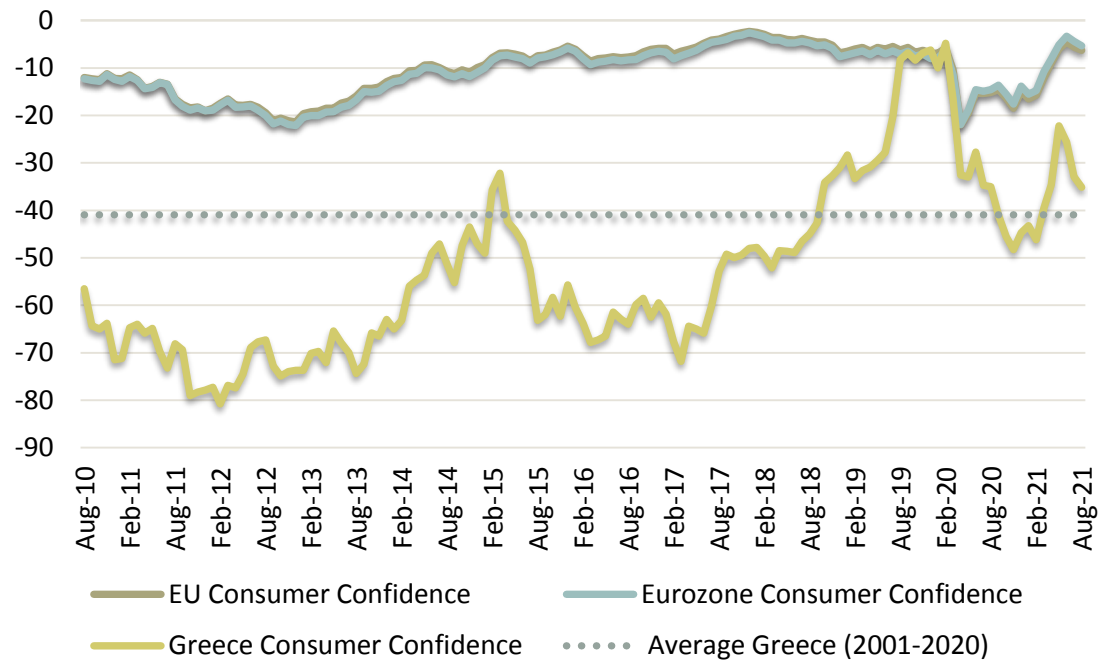
The economic climate index continued increasing in August, for 7th straight month; 22.3 points higher compared to January, at its highest level in the last 18 months.



Sources: European Commission, IOBE

The economic climate index stood at 113.0 points in August, up from 111.2 points in the previous month and 91.0 points a year ago.

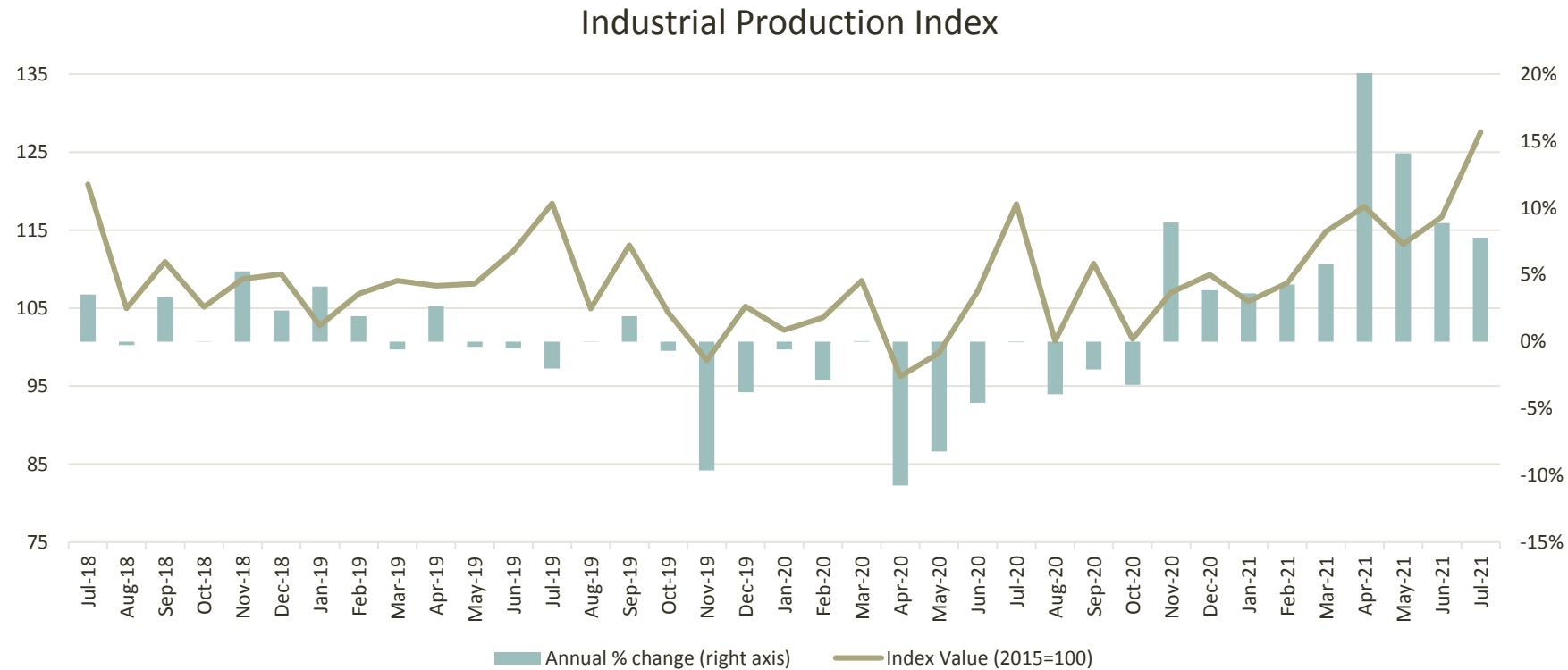
Consumer confidence decline in August for third month, after a significant strengthening in the December-May period (+26.1 points)



The consumer confidence index fell slightly in August and stood at -35.1 points, from -32.9 points in the previous month. This level was the same as in August 2020 (-35.0 points).

Industrial Production

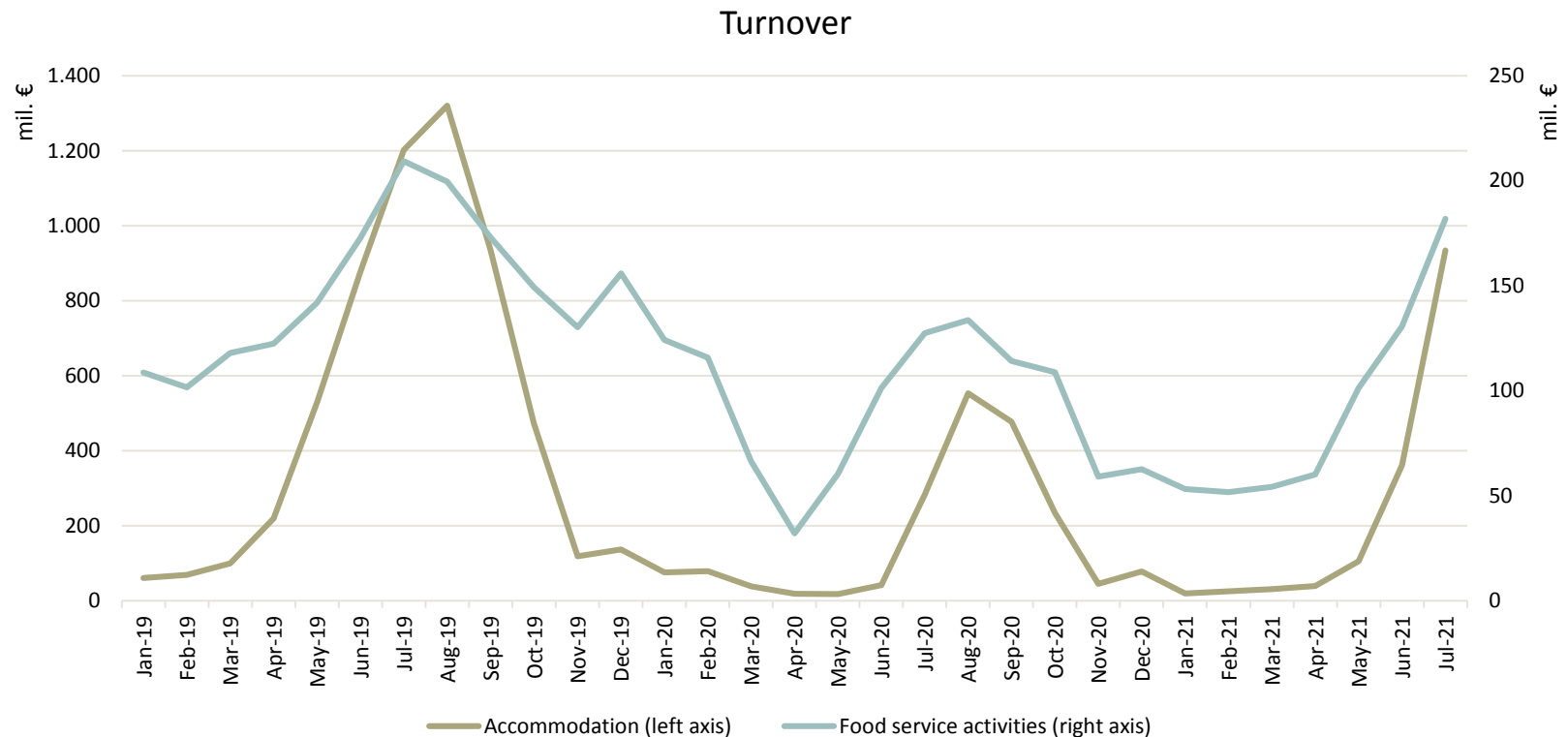
- Average increase of 9.4% in the first seven months of 2021. Strong increase in Pharmaceutical products (+12.2%, after a +15.0% a year ago), increase in Basic Metals (+5.8%, against -8.8%) and mild increase in Food processing (+2.4%, from -2.4% in 2020).



Source: ELSTAT

Turnover in Accommodation and Food Service Activities

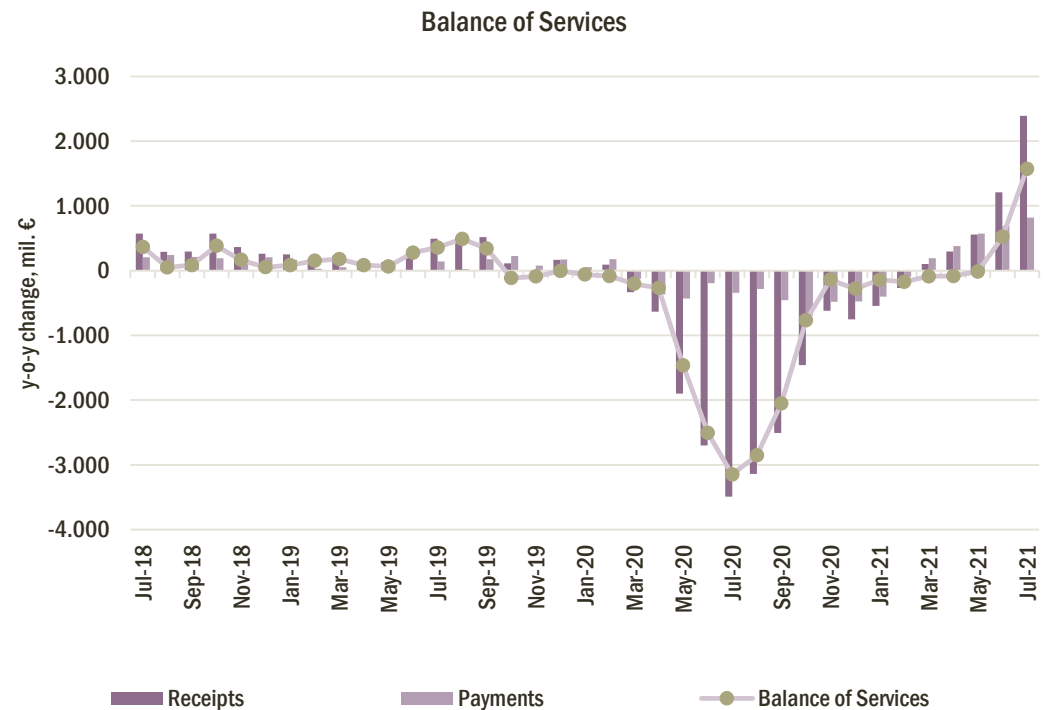
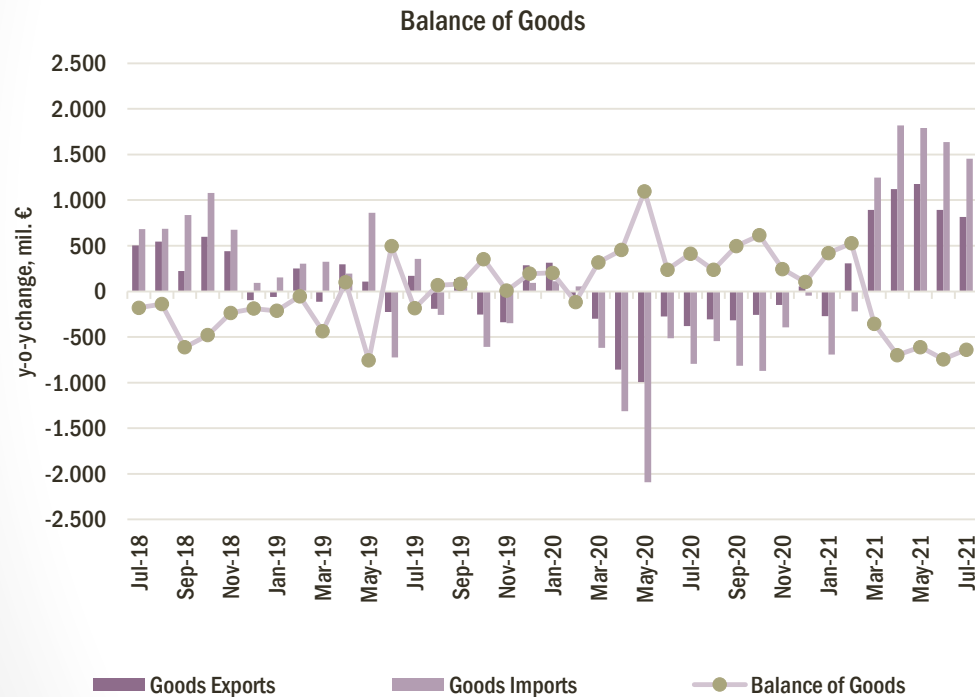
- Y-o-y turnover increase, in first 7 months of 2021, by 175% in Accommodation and 1% in Food service activities
- Turnover in Accommodation at 49.5% of the 2019 level and at 64.9% in Food service activities



Source: ELSTAT

Current Account Balance (1)

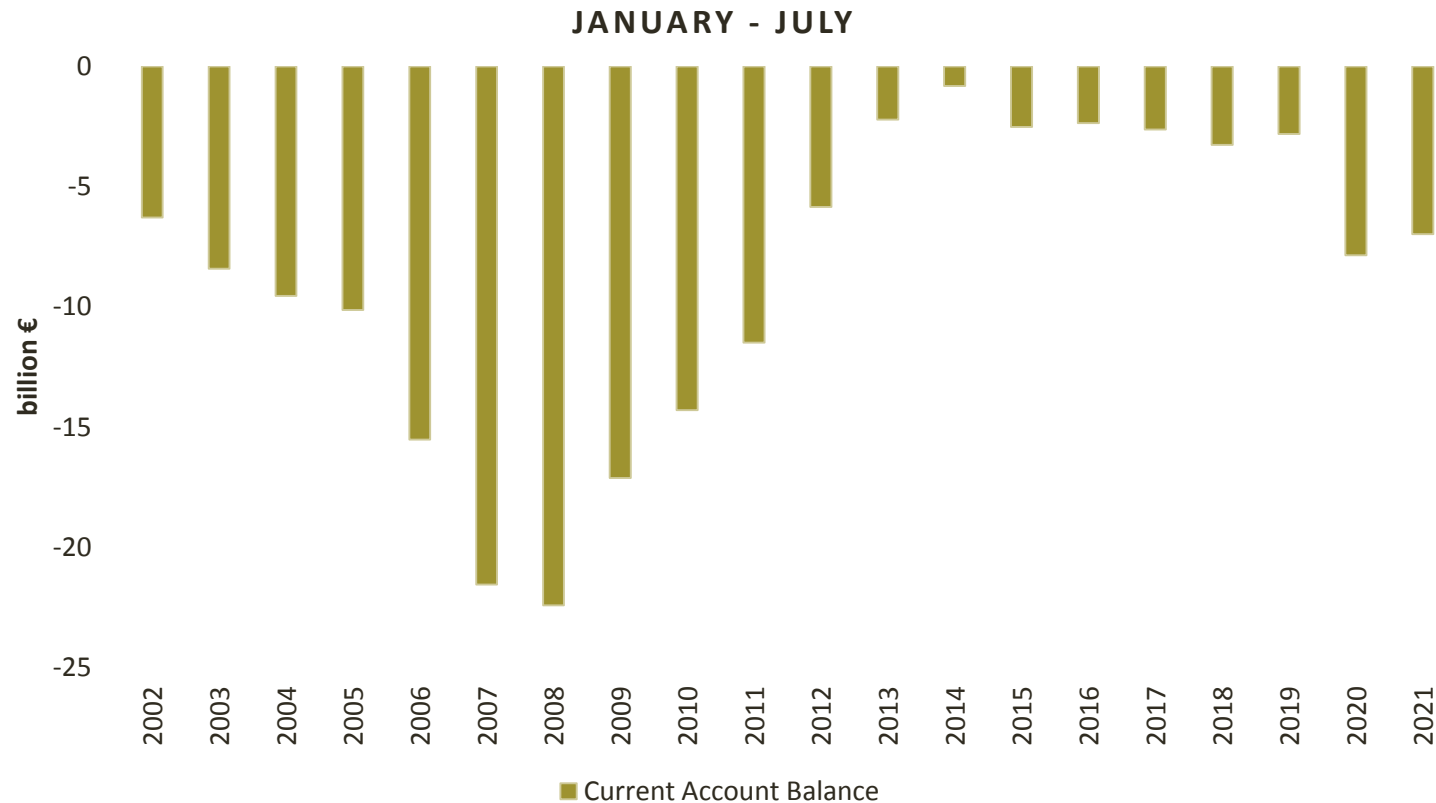
- Despite increase in exports (+ €4.9 billion), widening of the deficit in the balance of goods in the first seven months of 2021 by €2.1 billion, because of much higher imports (+ €7.0 billion). Equal increase in exports and imports of fuel (+ €1.8 billion), so the widening of the deficit is due to other categories of goods.
- In the same period, the surplus of services recorded a significant improvement (+ €1.6 billion). Tourism receipts increased by €2.0 billion. Nonetheless, they stood at 37.1% of their level in 2019.



Source: Bank of Greece

Current Account Balance (2)

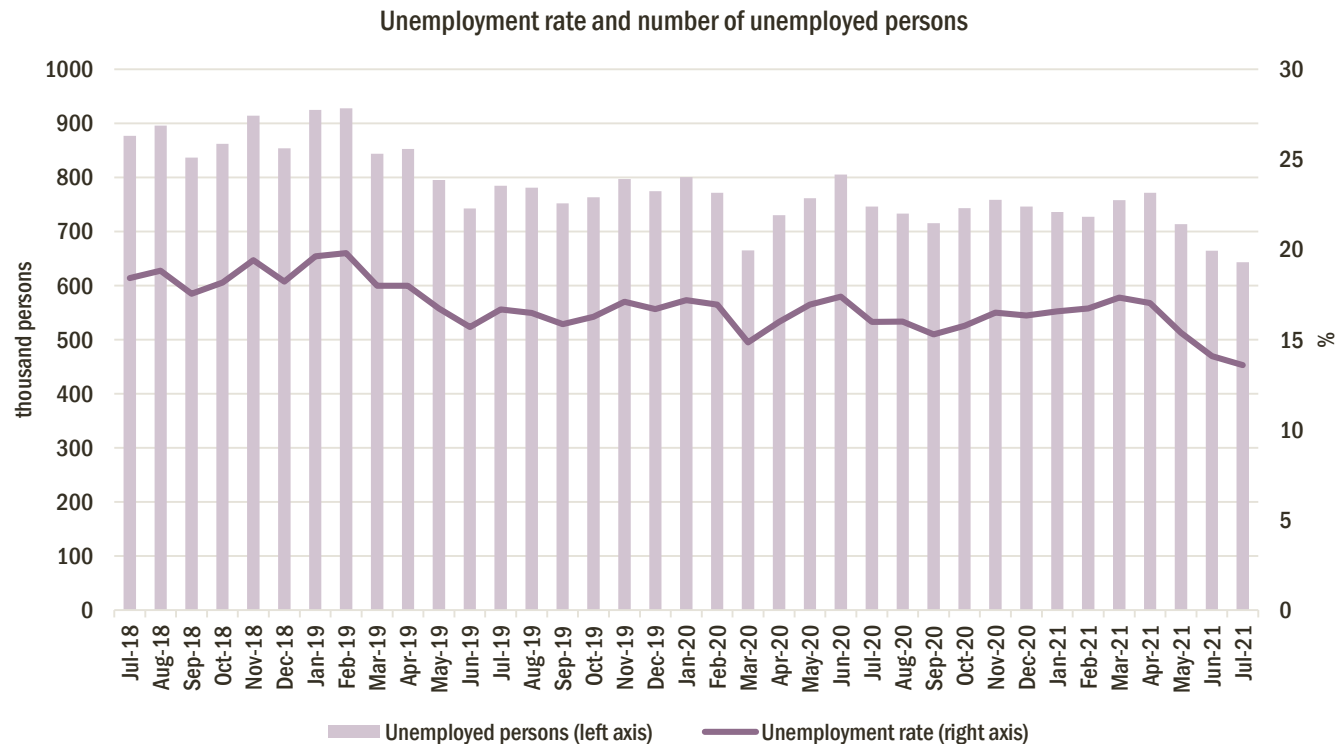
- Shrinkage of the Current Account Balance in the first seven months of 2021, to €7 billion from € 7.9 billion in 2020. It came from an improvement in the Services Balance surplus, despite the widening of the deficit in the Balance of Goods.



Source: Bank of Greece

Significant decline in unemployment, continued until July

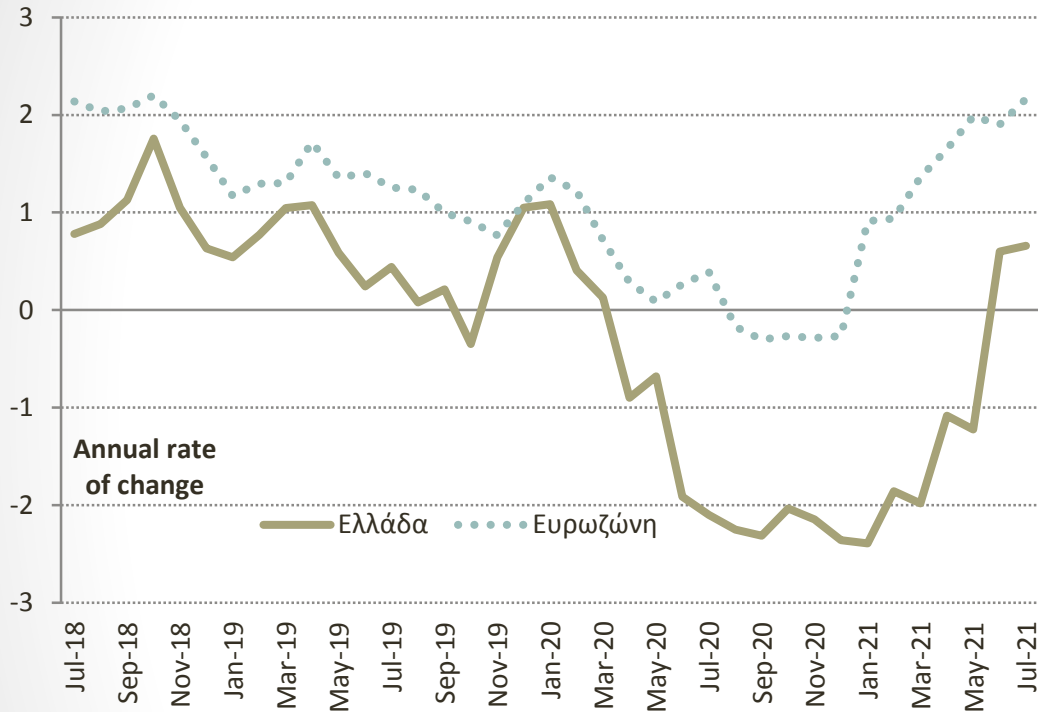
- The non-seasonally adjusted unemployment rate was lower in July by 2.4 percentage points compared to July 2020 (13.6%). It is the lowest for this period of the year since 2011.
- The decrease in the unemployment rate from last year came from the strong rise in employment (+170.1 thousand), which significantly reduced the inactive population (-98.1 thousand).



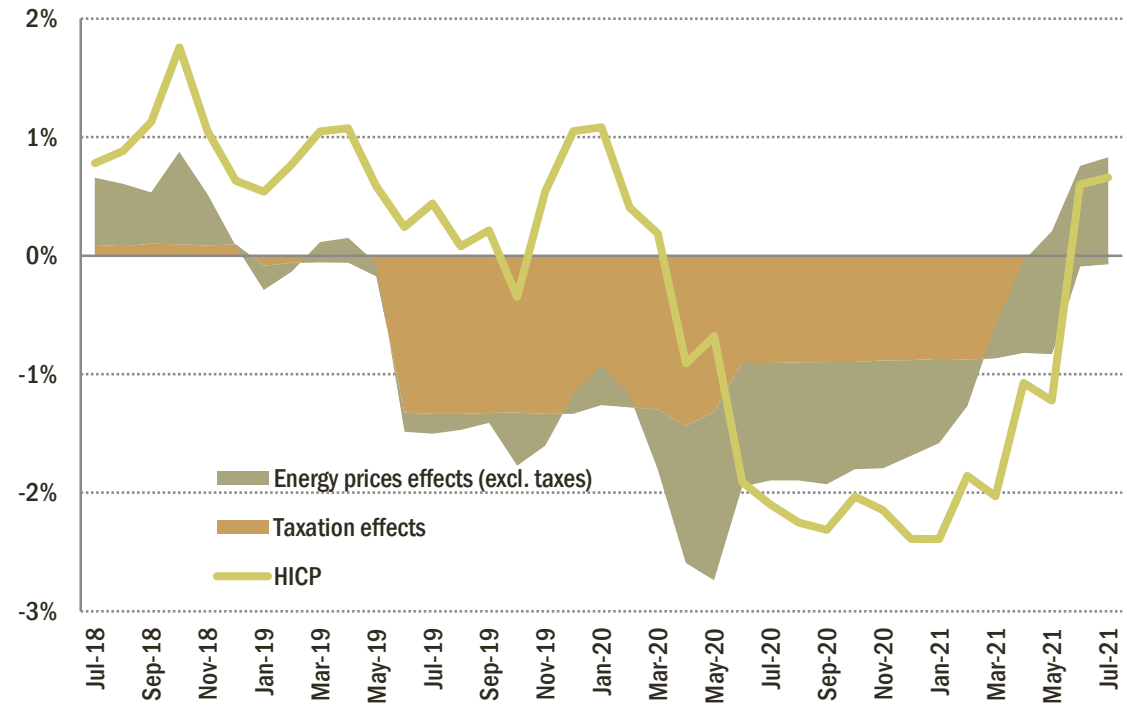
Source: ELSTAT

Inflation gradually rising...

Harmonised Index of Consumer Prices (HICP)



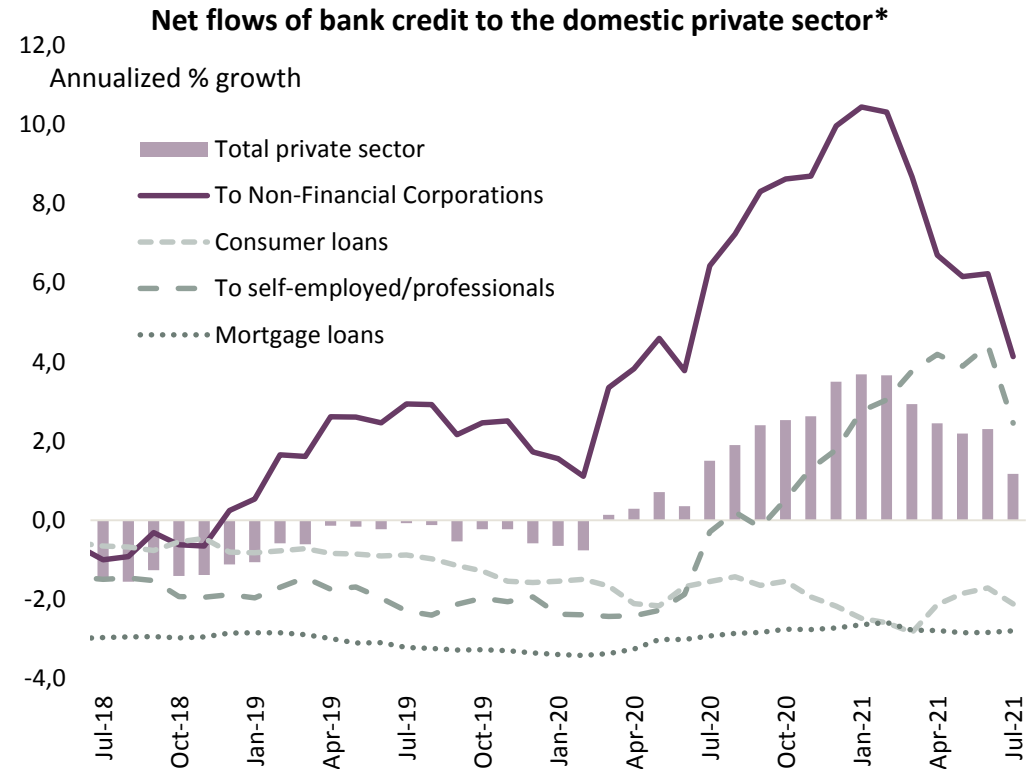
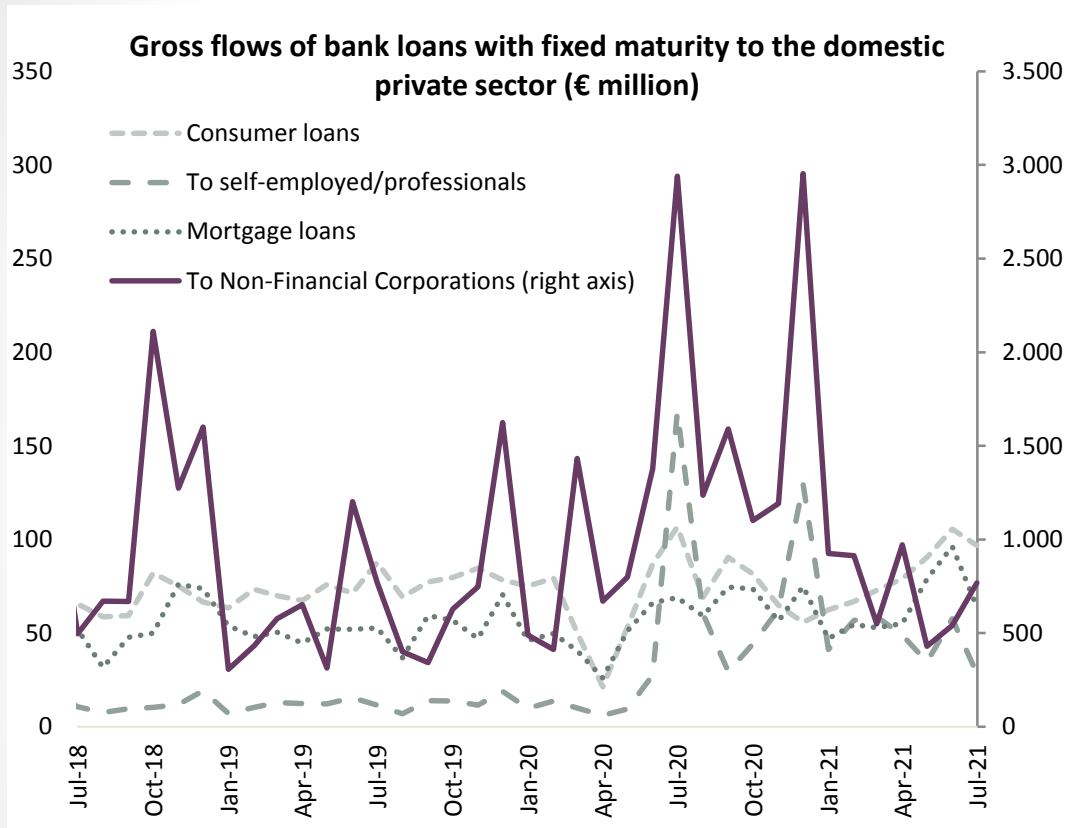
HICP in Greece and impact of energy goods' prices and changes in taxation



Sources: ELSTAT, Eurostat

- ... From an increase in energy prices (+1.7 percentage points impact on the HICP since December 2020), a decline in the deflationary effects of indirect taxes (+0.9 p.p.), as well as a strengthening of consumer demand (+0.6 p.p.).
- Inflation of 1.4% in July 2021. Average anti-inflation of 0.4% in the period January-July, compared to a fall in the HICP of 0.7% a year ago.

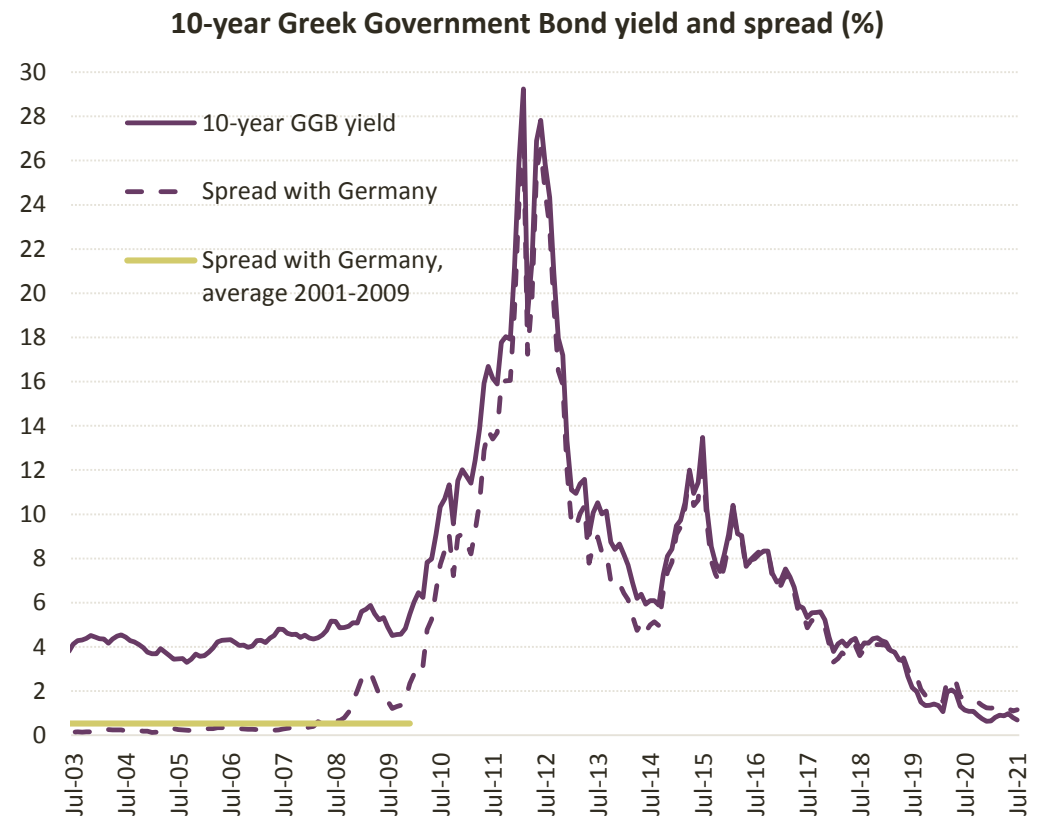
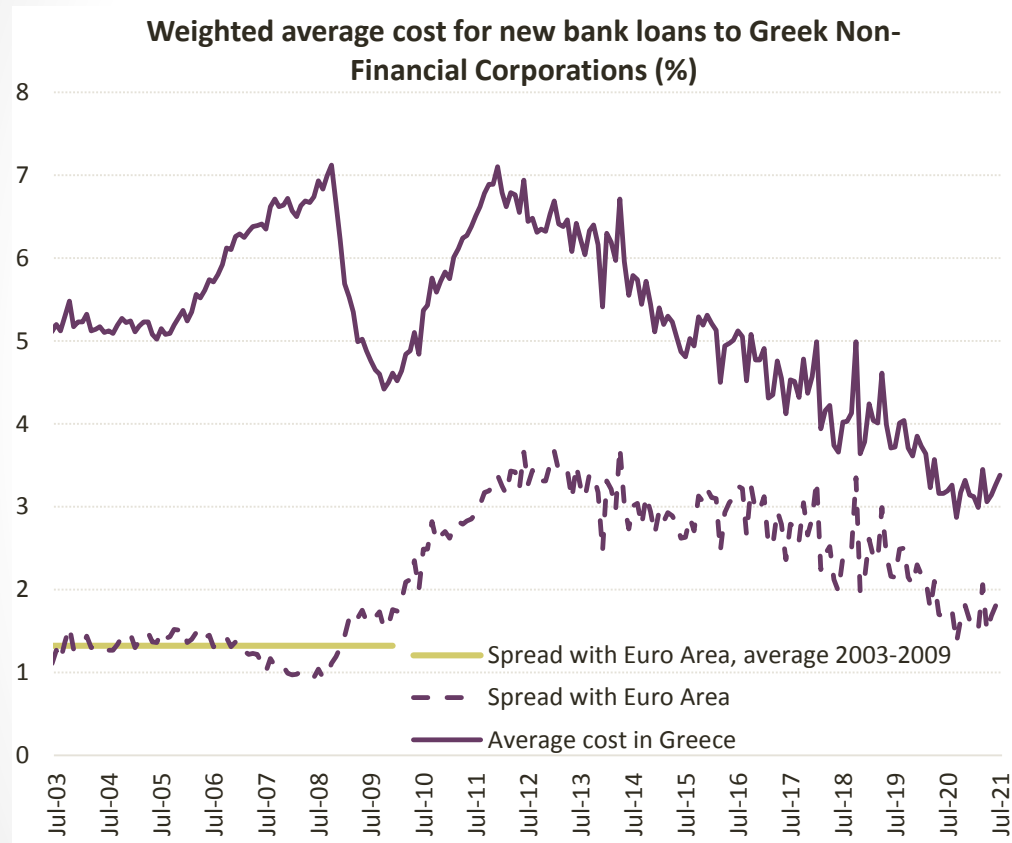
Bank loans to the private sector



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.

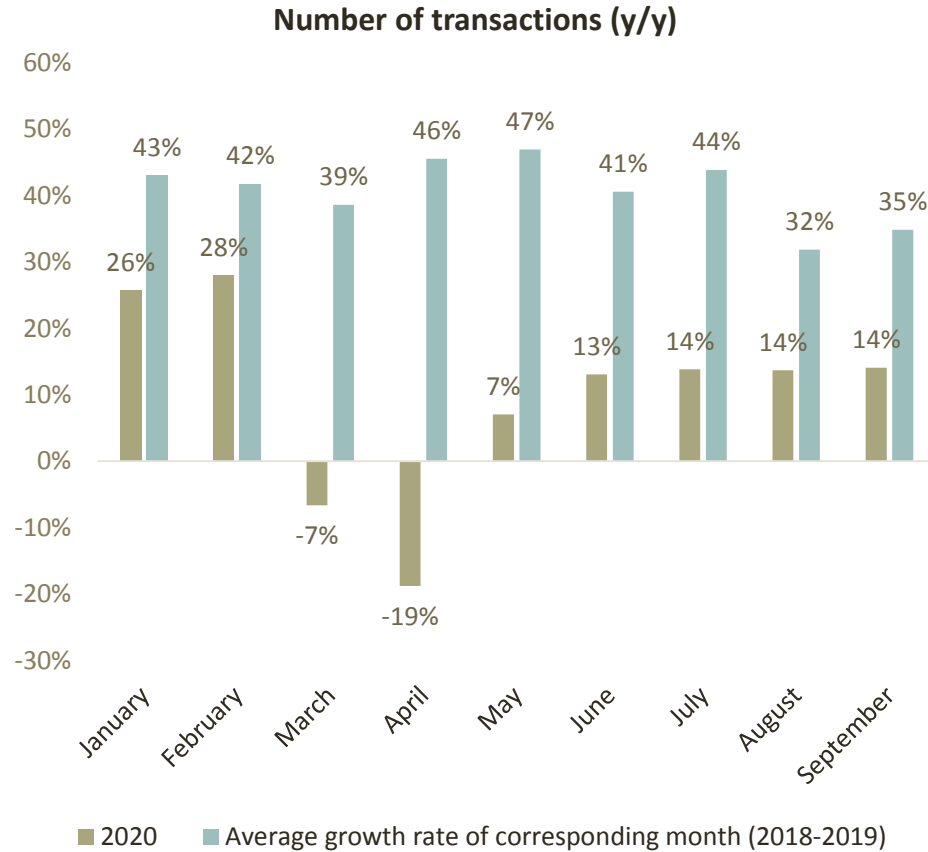
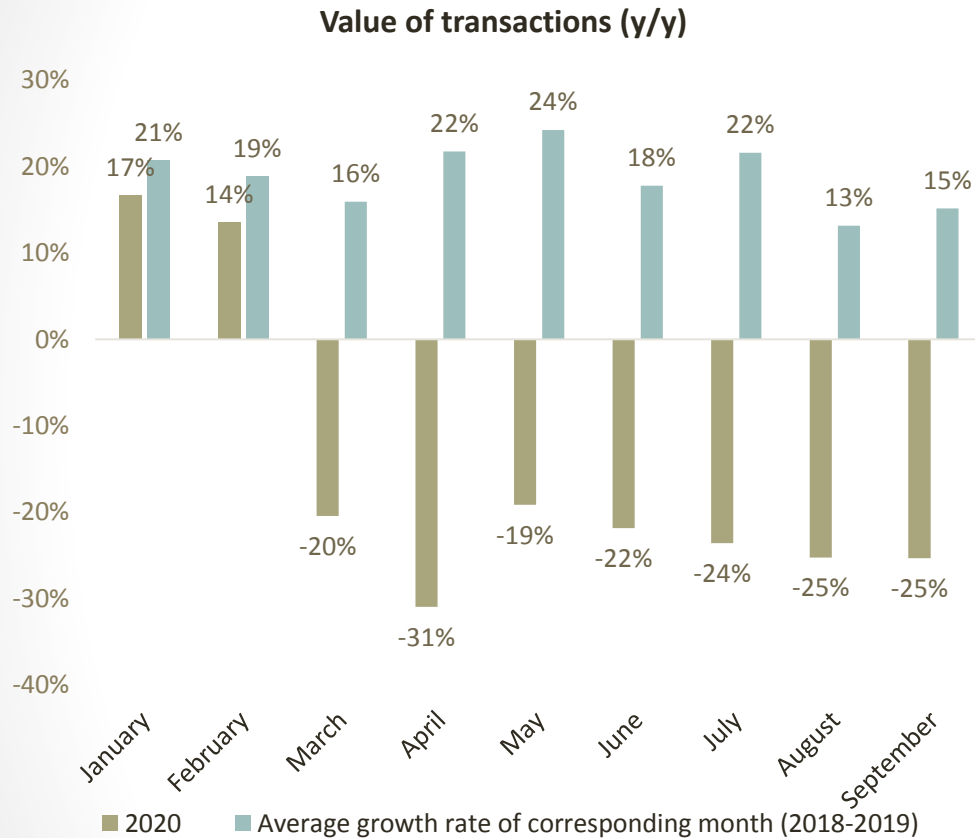
The cost of new funding continues to drop for both the public and private sectors...



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

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



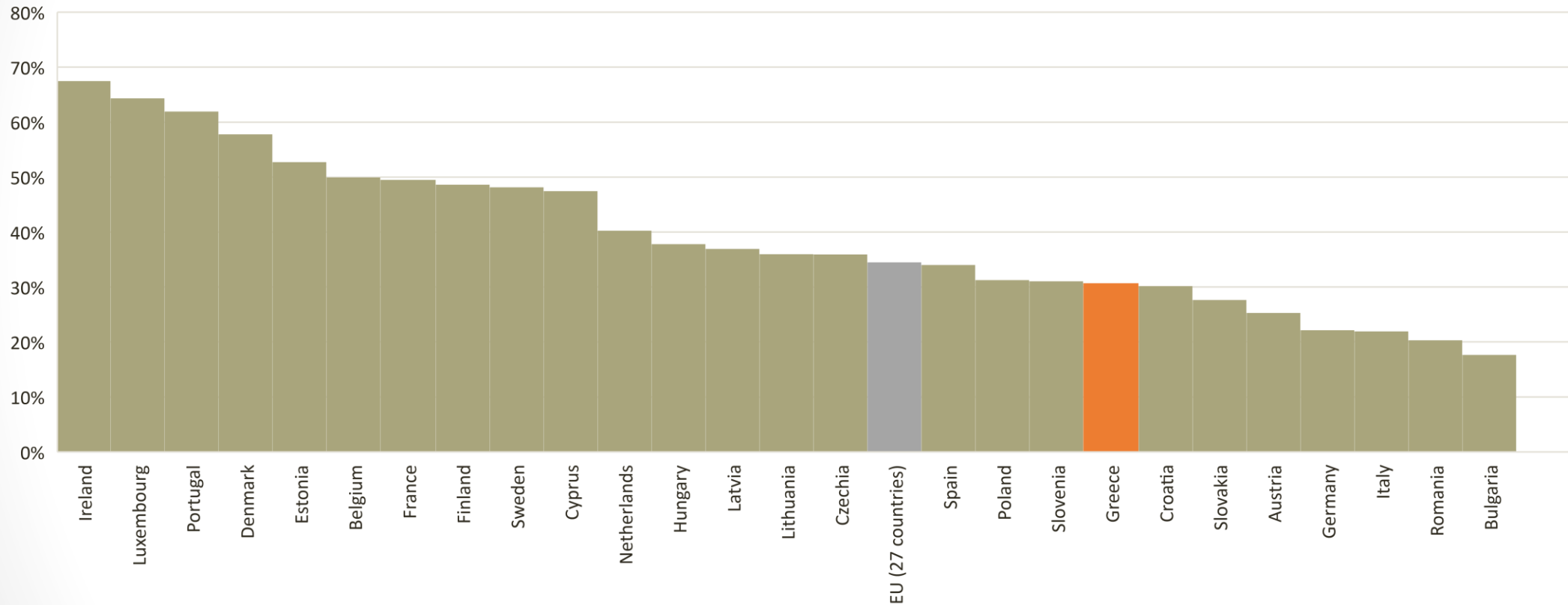
Sources: Mastercard, Data processing: IOBE (2021).

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 the rapid expansion, card 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

Final remarks

- Strong GDP recovery: reversing deep recession, but also relies on broad State support interventions
- Cumulative deep recession since 2008 and investment gap
- Systemic problems remain:
 - (a) relative weak productive base and competitiveness leading to trade deficits
 - (b) trends contributing to public deficits
 - (c) Low labor force participation and large share of shadow economy
- Loans and equity
- RRF and other European funds: great opportunity for reforms and significant risks