The Greek Private Sector Remains Full of Untapped Potential

Integrating Greece into the European Semester Policy Framework: *Priorities for sustainable growth and competitiveness*

*Roundtable on Creating a regulatory environment fostering innovation*

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Gross Value added of the private economy in Hellas

Gross value added of the private economy in Hellas and EU
Factor prices, indexed (2008 = 100)

Source: DIW; on the basis of data of Eurostat and ELSTAT (2018).
Gross value added of the private economy in Hellas
Factor prices, indexed (2008 = 100)

Value added of enterprises by size class

(Index: 2008=100, estimates as from 2016 onwards)

Source: DIW; on the basis of data of Eurostat and ELSTAT (2018).
- **Highest losses**
  - Retail and wholesale (-60%)
  - Construction (-60%).

- **smaller losses/gains in comparison to total economy:**
  - Hospitality (-16%)
  - Transport and Logistics (-9%)
  - Food industry (+/-0)
  - Pharmaceutical industry (+9%)
  - IT services (+10%)
Share of research intensive industries and knowledge intensive services among Hellenic Economy in comparison to EU, Shares of GDP

Increasing share of knowledge intensive industries is basically due to above average reductions in other industries.

Source: DIW; on the basis of data of Eurostat and ELSTAT (2018).
Share of employment in High Growth Firms in per cent

Source: DIW, on the basis of Data of Eurostat and ELSTAT (2018).
### Various innovation rankings for entrepreneurial conditions

**The program countries compared to Germany and France**

<table>
<thead>
<tr>
<th>European Innovation Scoreboard 2018</th>
<th>Global Innovation Index 2018</th>
<th>R&amp;D expenditure (Eurostat)</th>
<th>Ease of Doing Business Index (World Bank)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared to EU average (=100)</td>
<td>Overall ranking</td>
<td>Innovation Efficiency Ratio</td>
<td>Innovation Input Sub-index</td>
</tr>
<tr>
<td>Italy</td>
<td>73.6</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Spain</td>
<td>79.3</td>
<td>28</td>
<td>36</td>
</tr>
<tr>
<td>Portugal</td>
<td>80.5</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>Greece</td>
<td>65</td>
<td>42</td>
<td>74</td>
</tr>
<tr>
<td>Cyprus</td>
<td>76.5</td>
<td>29</td>
<td>18</td>
</tr>
<tr>
<td>France</td>
<td>109.2</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>Germany</td>
<td>119.6</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

1 2016 values.

Source: World Bank; Eurostat; EU Commission; authors' own depiction.

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Quelle: European Innovation Scoreboard (2018); Global Innovation Index (2017).
Greece not prepared for challenges of digitalization
Spain is currently experiencing growth, much in contrast to Italy and Greece.
Missing innovation system: one example

Scientific publications among the top 10% most cited publications worldwide, 2002-14*

- EL: 9.2
- HR: 3.2
- LV: 3
- PL: 3.8
- PT: 9.9
- NL: 15.6
- FI: 11.5
- SE: 12.7
- DE: 11.7
- RU: 1.9
- HU: 5.3

*Source: Innovation Union Scoreboard, 2018
Missing innovation system: one example

PCT patent applications/GDP at PPS, 2004-16

Source: Innovation Union Scoreboard, 2018
Inventors are leaving Hellas since 2003

regulatory environment in Hellas before the crisis

- Inefficient public administration
- Legal system: contract enforcement takes more than 2 years
- Red tape, Investment-inhibiting over-regulation
- Unpredictable tax system
- Overregulated labor markets
- Hardly functioning innovation system
regulatory environment in Hellas today

- Inefficient public administration
- Legal system with even longer legal proceedings, 4,5y
- Red tape & over-regulation (market entry)
- Unpredictable tax system
  - (now with excessively high tax levels)
- Labor markets improved
- Hardly functioning innovation system
- Reduced loan offers to private firms (NPL!)

Entrepreneurs: fear of failure (but not because they are risk averse)
Conclusions

• Breakdown of private (legal) economy, GVA down by 38%

• With the exception of labor markets many investment inhibiting over-regulations still existent

• Good reasons to finally start/continue supply-side oriented structural reforms, as private economy has great potential

• Find a political & social consensus between major parties and other major stakeholders on fundamental issues:
  • overall prosperity of the country as main aim of policy making
  • on fundamental objectives of policy-making
  • what steps to take to grow the economy
  • how to increase responsibility at the individual level, the local level, the firm level and among institutions
Vielen Dank für Ihre Aufmerksamkeit.