
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*

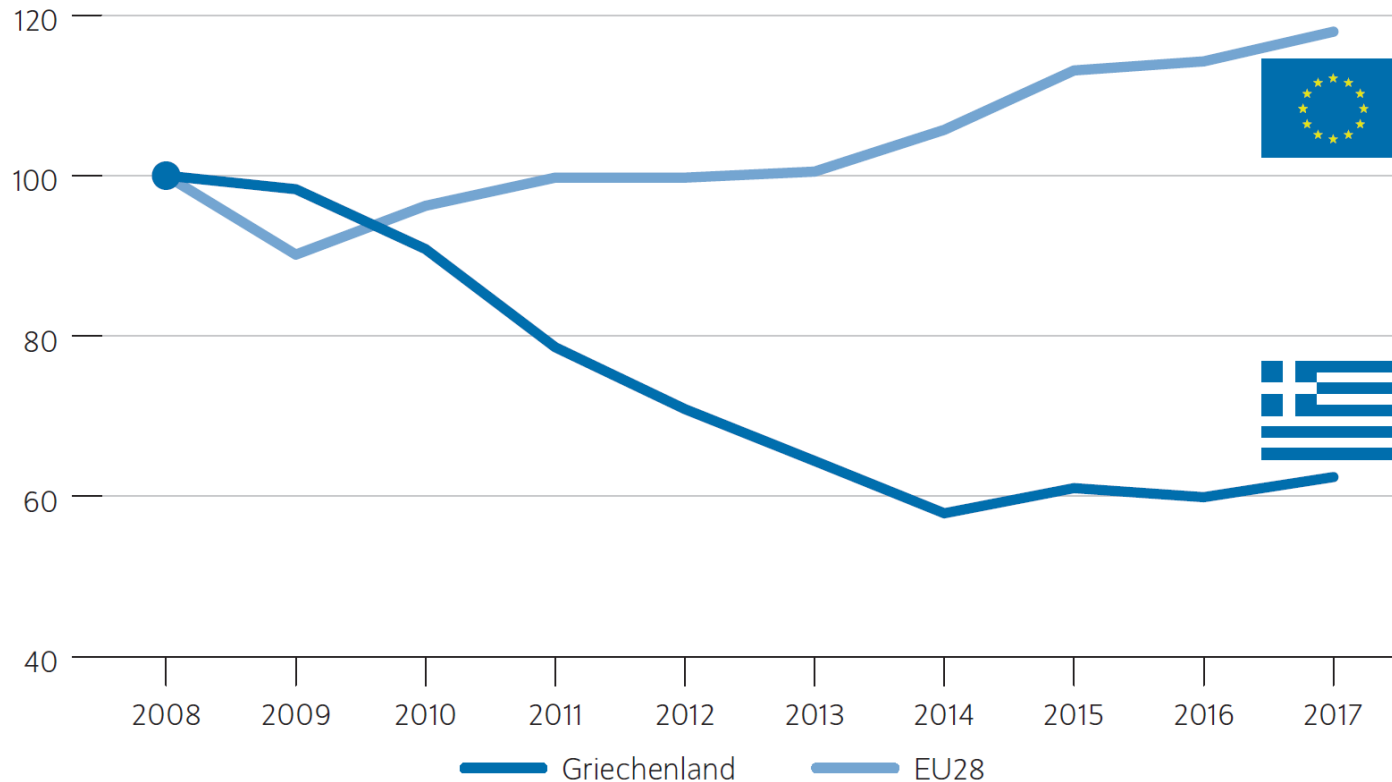
Athens, 20. March 2019, EU & IOBE, Athens

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DIW Berlin and Universität Potsdam

Gross Value added of the private economy in Hellas

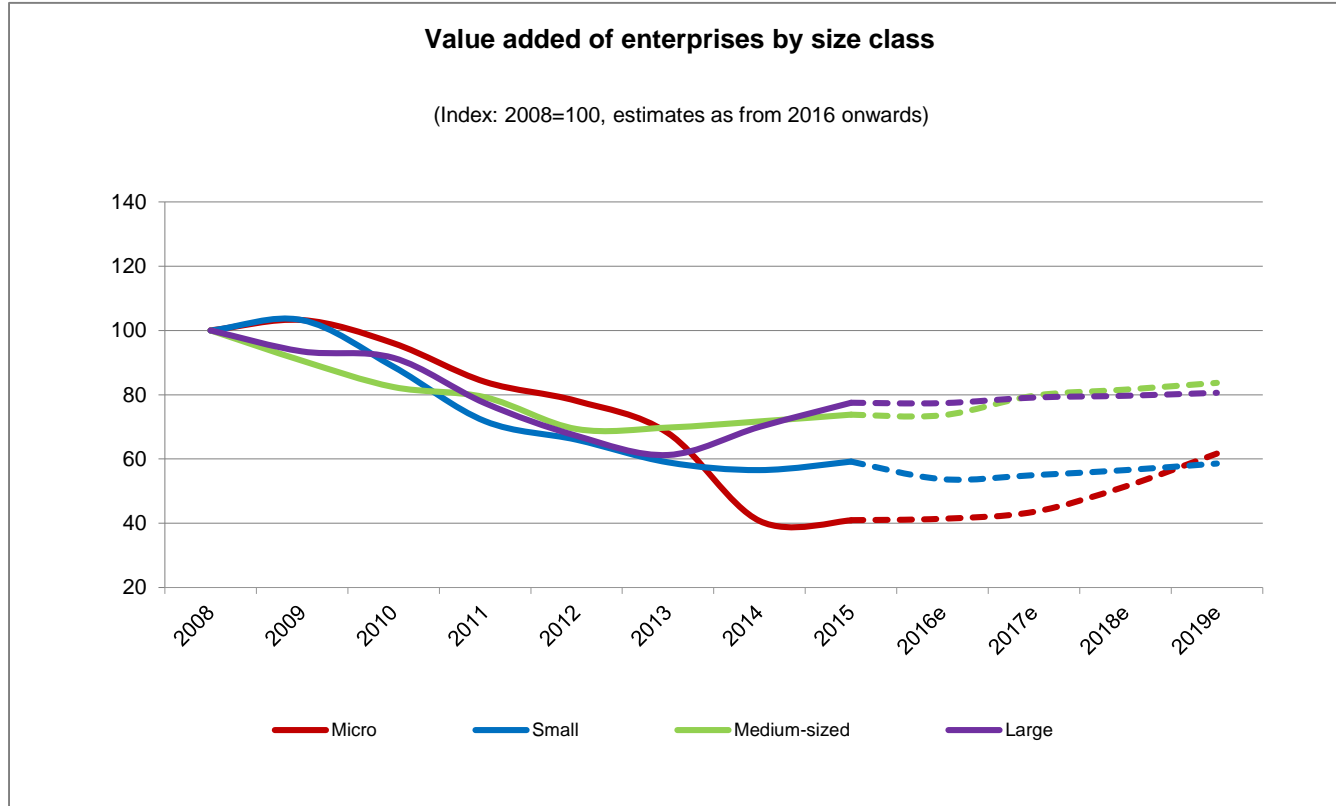
Gross value added of the private economy in Hellas and EU
Factor prices, indexed (2008 = 100)



Source: DIW; on the basis of data of Eurostat and ELSTAT (2018).

Gross Value added of the private economy in Hellas

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

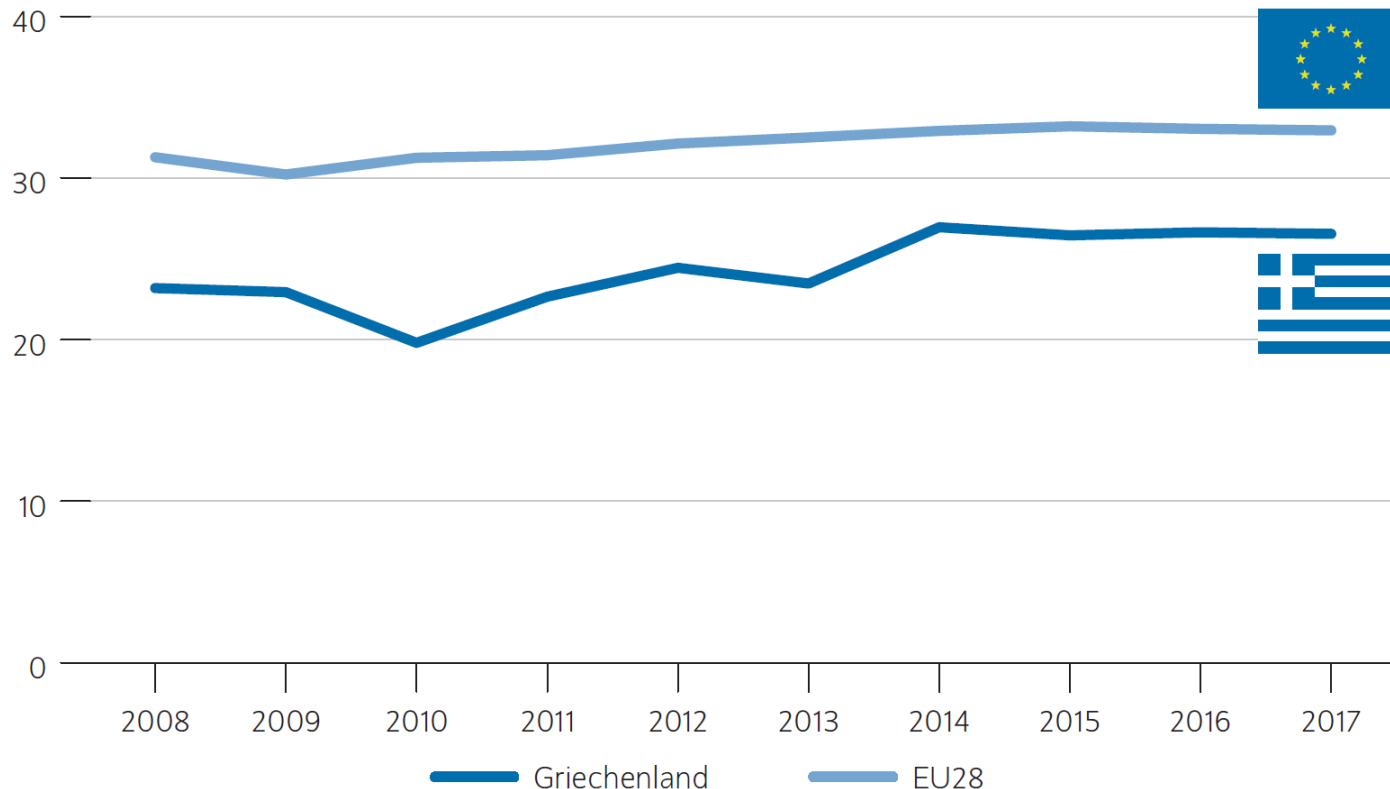


Source: DIW; on the basis of data of Eurostat and ELSTAT (2018).

Gross Value added of the private economy in Hellas

- 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

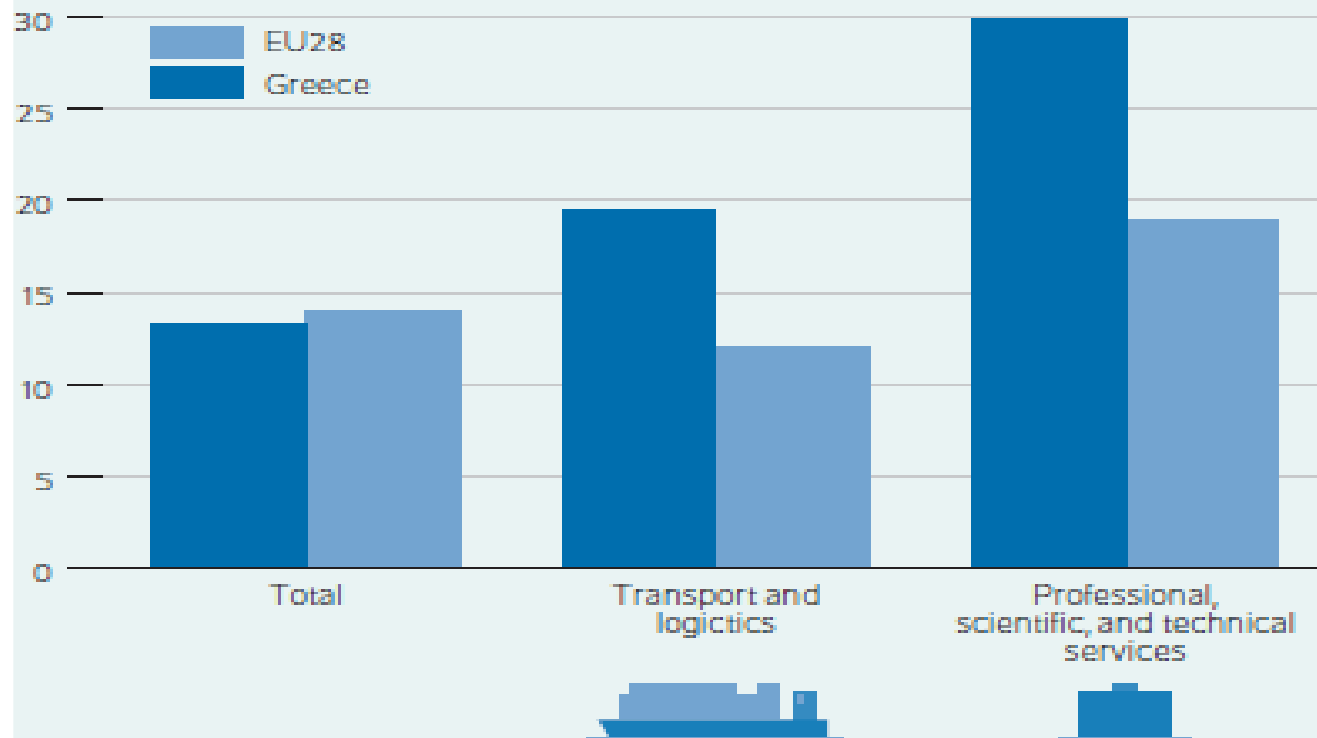


Source: DIW; on the basis of data of Eurostat and ELSTAT (2018).

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

Share of employment in High Growth Firms in per cent

Share of employees in high-growth firms In percent, 2015



Source: DIW Econ; Author's own calculations based on data provided by Eurostat und ELSTAT (2018).

Source: DIW, on the basis of Data of Eurostat and ELSTAT (2018).

Innovation system: comparison to other countries

Various innovation rankings for entrepreneurial conditions

The program countries compared to Germany and France

	European Innovation Scoreboard 2018	Global Innovation Index 2018				R&D expenditure (Eurostat)		Ease of Doing Business Index (World Bank)				
	Compared to EU average (=100)	Overall ranking	Innovation Efficiency Ratio	Innovation Input Sub-index	Innovation Output Sub-index	Total R&D expenditure as a percentage of GDP, 2017	Private sector R&D expenditure as a percentage of GDP, 2017	Overall ranking	Starting a business	Getting credit	Paying taxes	Enforcing contracts
Italy	73.6	31	35	29	32	1.35	0.83	51	67	112	118	111
Spain	79.3	28	36	23	27	1.2	0.66	30	86	73	34	23
Portugal	80.5	32	34	32	33	1.32	0.67	34	57	112	39	35
Greece	65	42	74	40	52	1.13	0.55	72	44	99	65	132
Cyprus	76.5	29	18	33	22	0.56	0.2	57	52	73	47	138
France	109.2	16	32	16	16	2.25 ¹	1.43 ¹	32	30	99	55	12
Germany	119.6	9	9	17	5	3.02	2.09	24	114	44	43	26

¹ 2016 values.

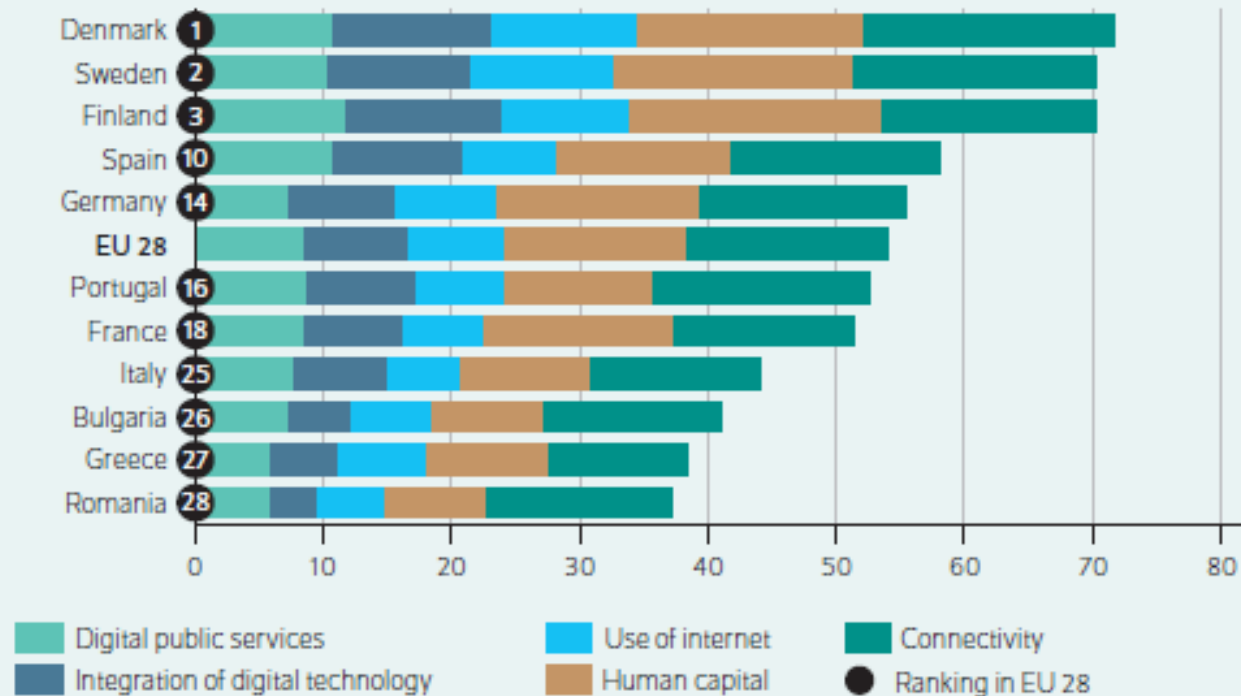
Source: World Bank; Eurostat; EU Commission; authors' own depiction.

Quelle: European Innovation Scoreboard (2018); Global Innovation Index (2017).

Greece not prepared for challenges of digitalization

The Digital Economy and Society Index

Shares in percent*



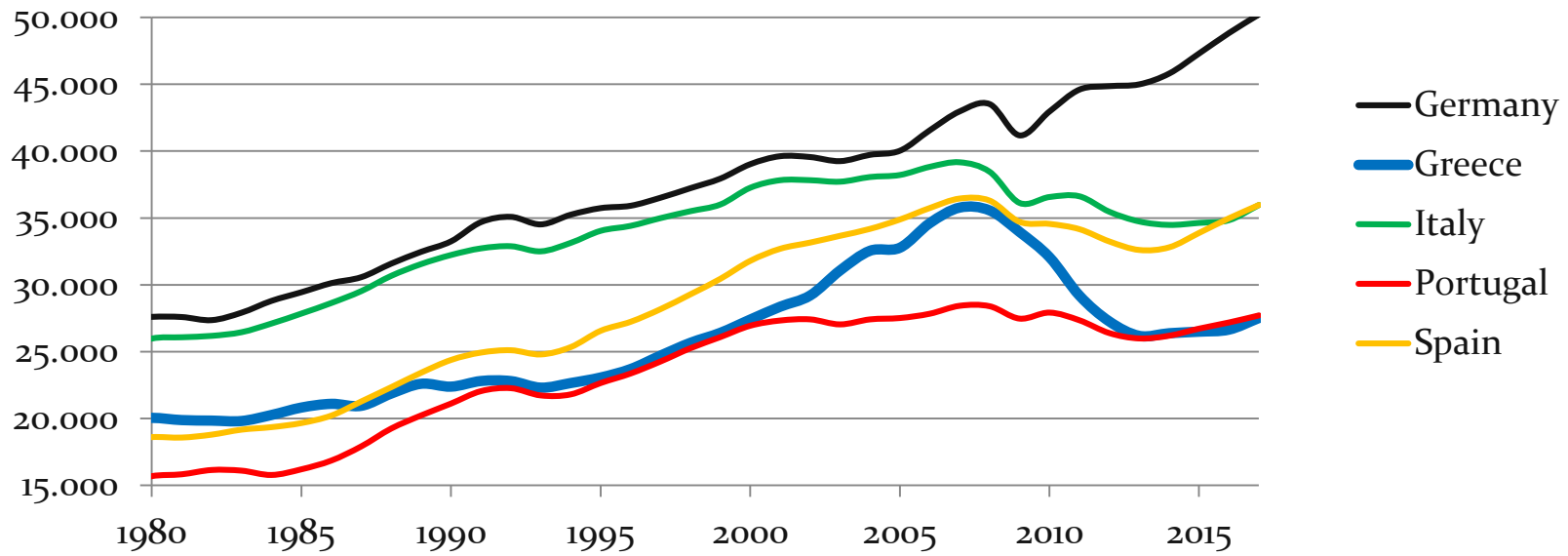
Source: European Commission, Digital Scoreboard.

* The various indicators are weighted differently in the analysis: Connection quality 25 percent, human capital 25 percent, Internet usage 15 percent, Integration 20 percent, and digital service 15 percent

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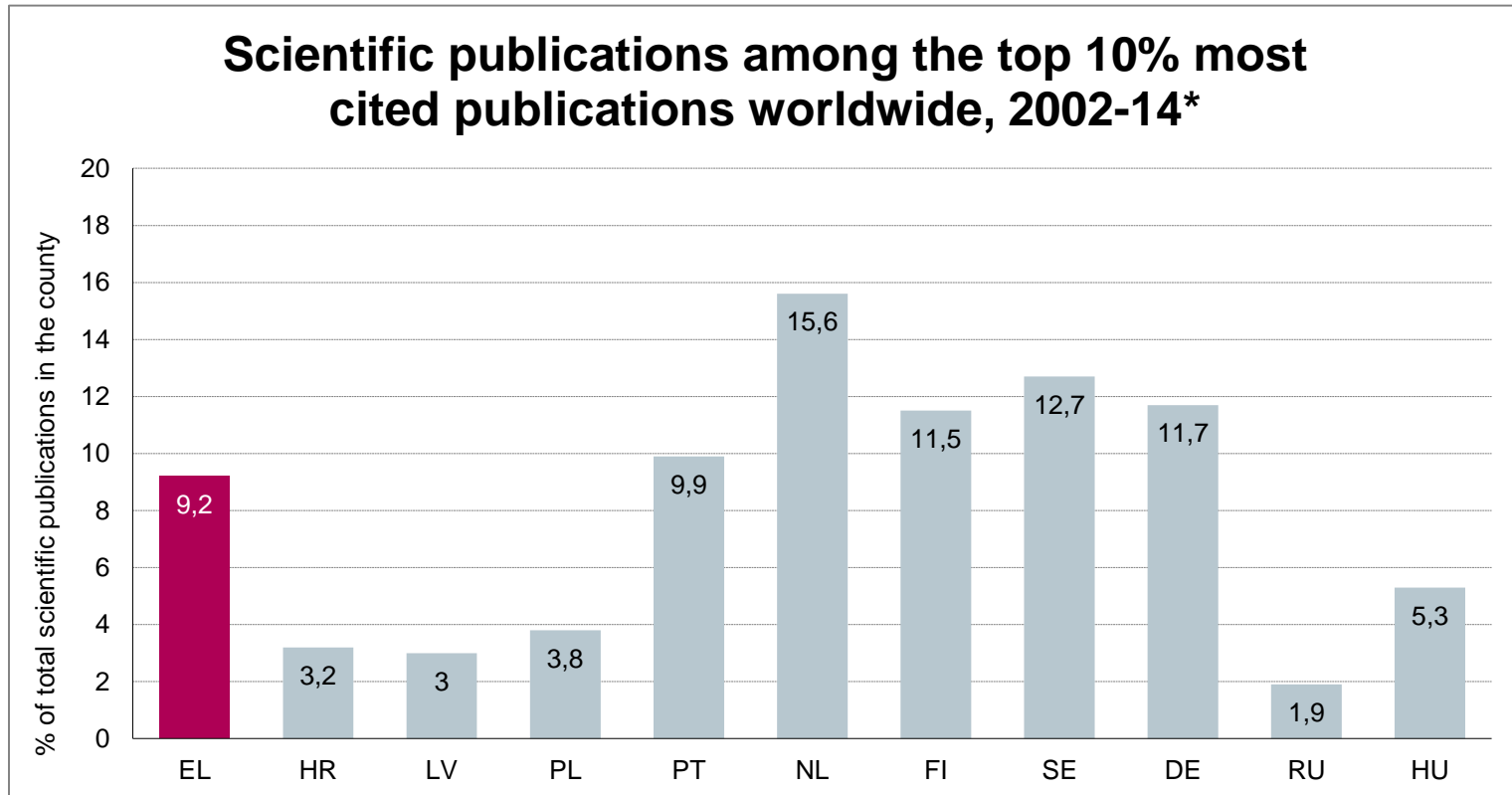
Remarkable Development of Spain

GDP per capita
(in 2014 US dollars and PPP adjusted)



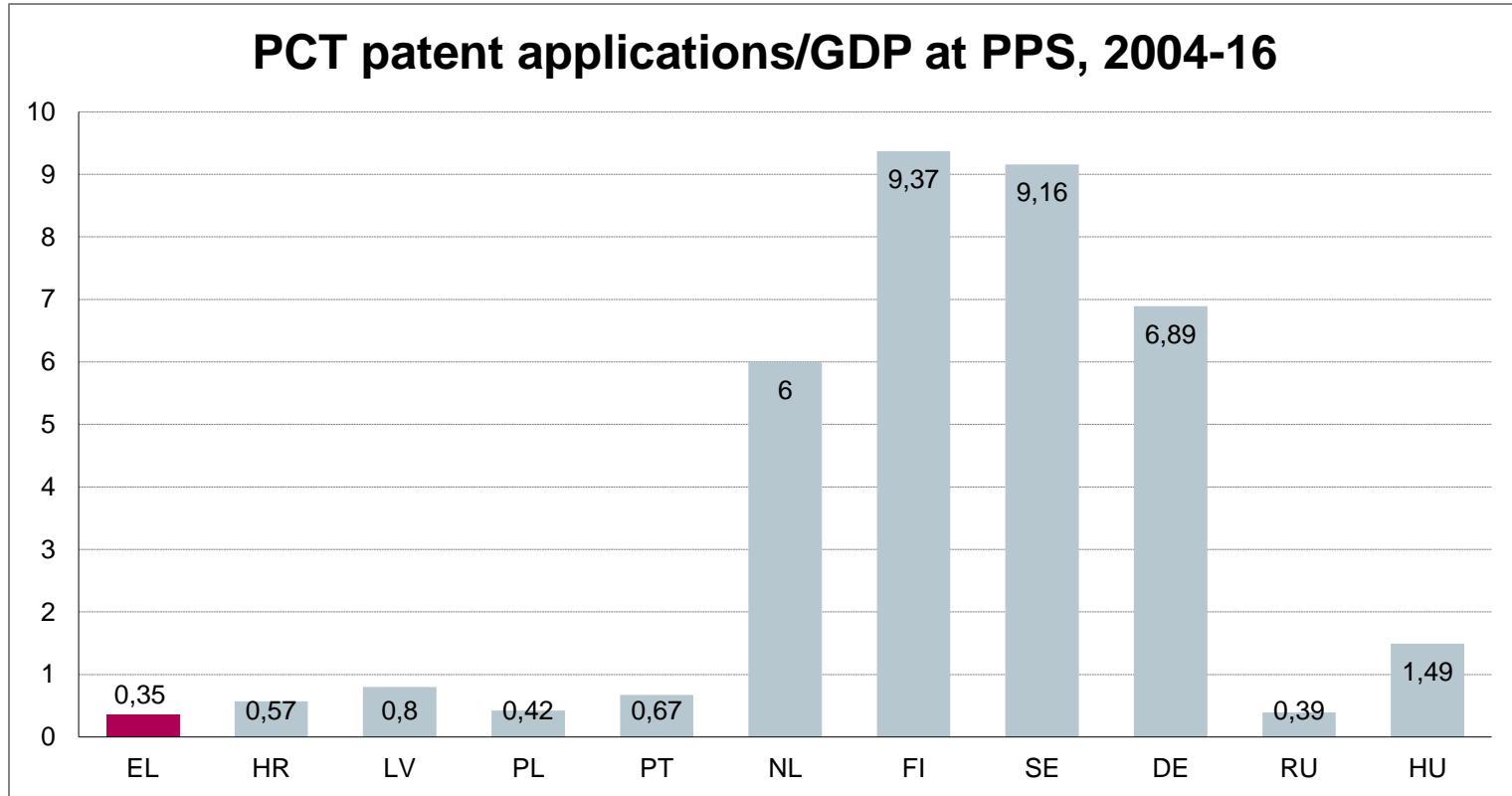
- Spain is currently experiencing growth, much in contrast to Italy.... and Greece

Missing innovation system: one example



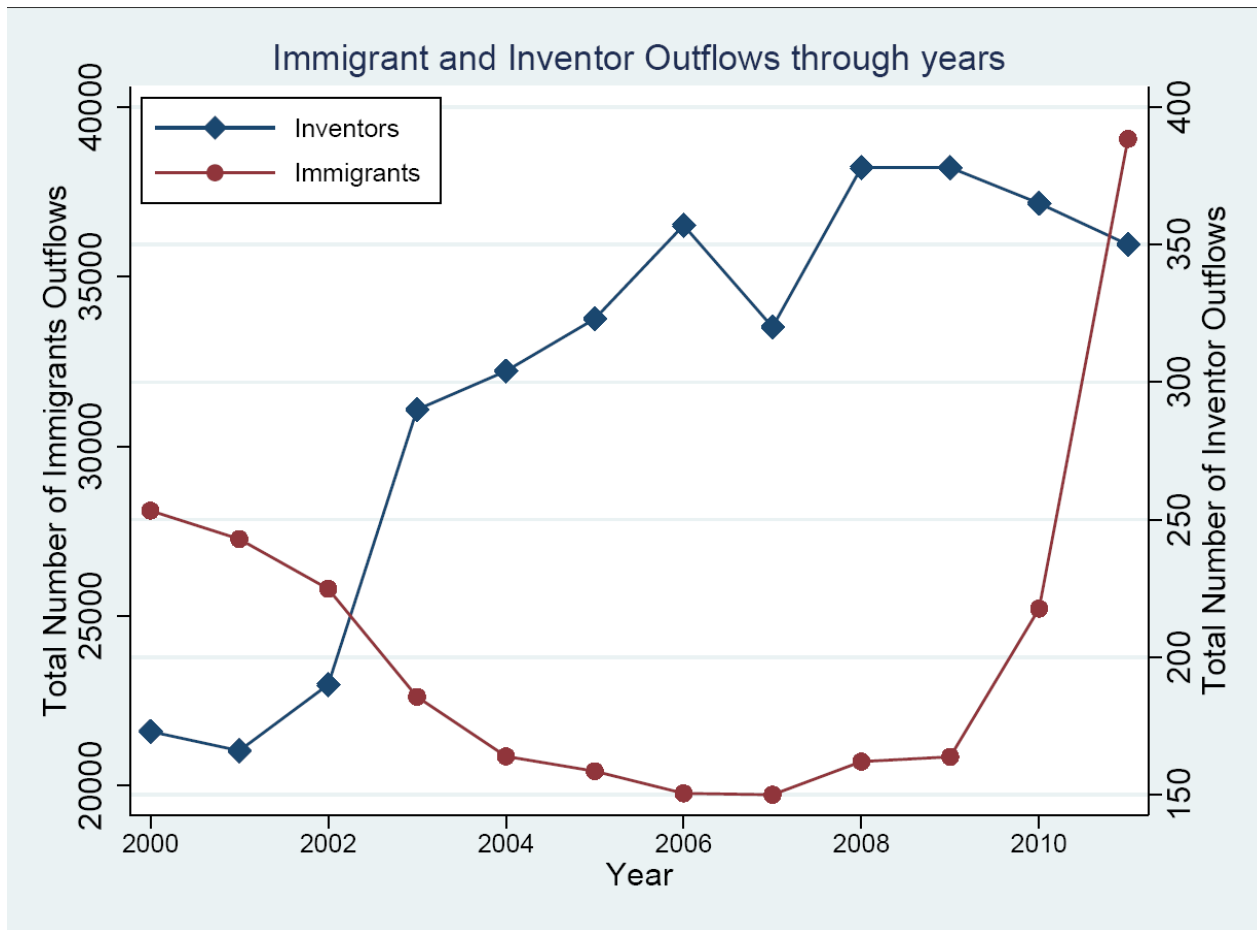
- Source: Innovation Union Scoreboard, 2018

Missing innovation system: one example



•Source: Innovation Union Scoreboard, 2018

Inventors are leaving Hellas since 2003



Source: Kyriakos Drivas et al. (2018): Mobility of Highly-Skilled Individuals..., mimeo, Athens 2017.

regulatory environment in Hellas before the crisis

- Inefficient public administration
- Legal system: contract enforcement takes more than 2 y.
- 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.



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