

Crisis, reforms and growth prospects

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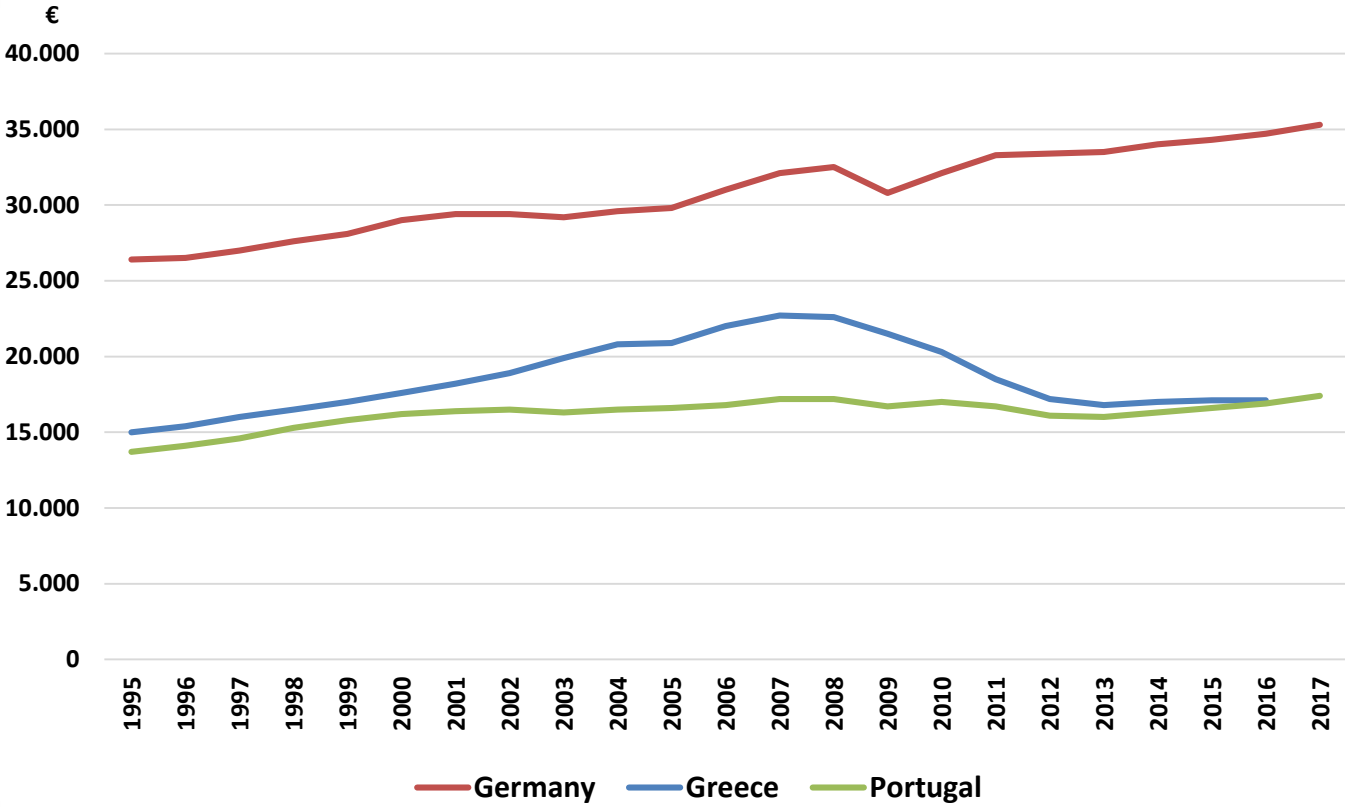
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Integrating Greece into the European Semester Policy Framework:
Priorities for sustainable growth and competitiveness

Greece in the European Policy Framework

Athens, March 20th, 2019

GDP per capita, 2010 prices



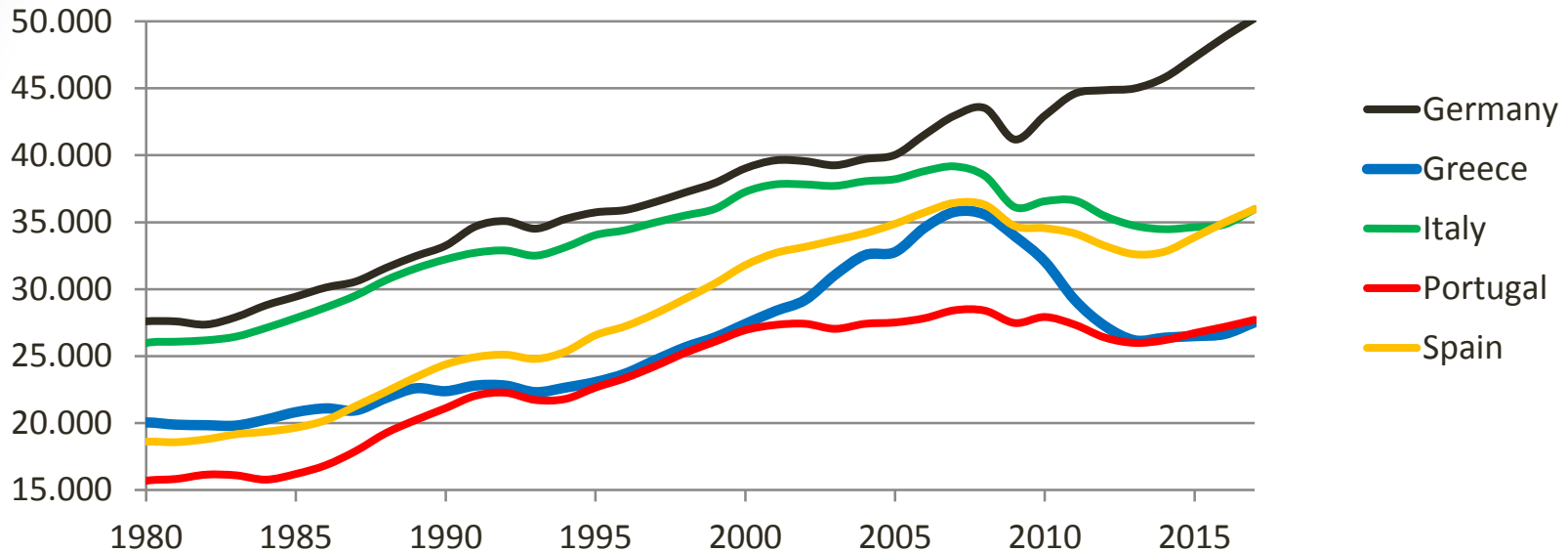
Source: Eurostat

End of the programs. Prospects?

- Elimination of fiscal deficit
 - But is the mix of taxes, expenses, and pensions consistent with growth?**
- Elimination of trade deficits
 - Primarily through reduction in imports. Sustainable?**
- Competitiveness has been restored
 - Primarily, through decrease in unit labor cost.**
- Greece is back to growth.
 - Slow and anaemic, low investment.**
- Greece has stayed in the euro-zone.
 - But why was this even put on the table?**

GDP

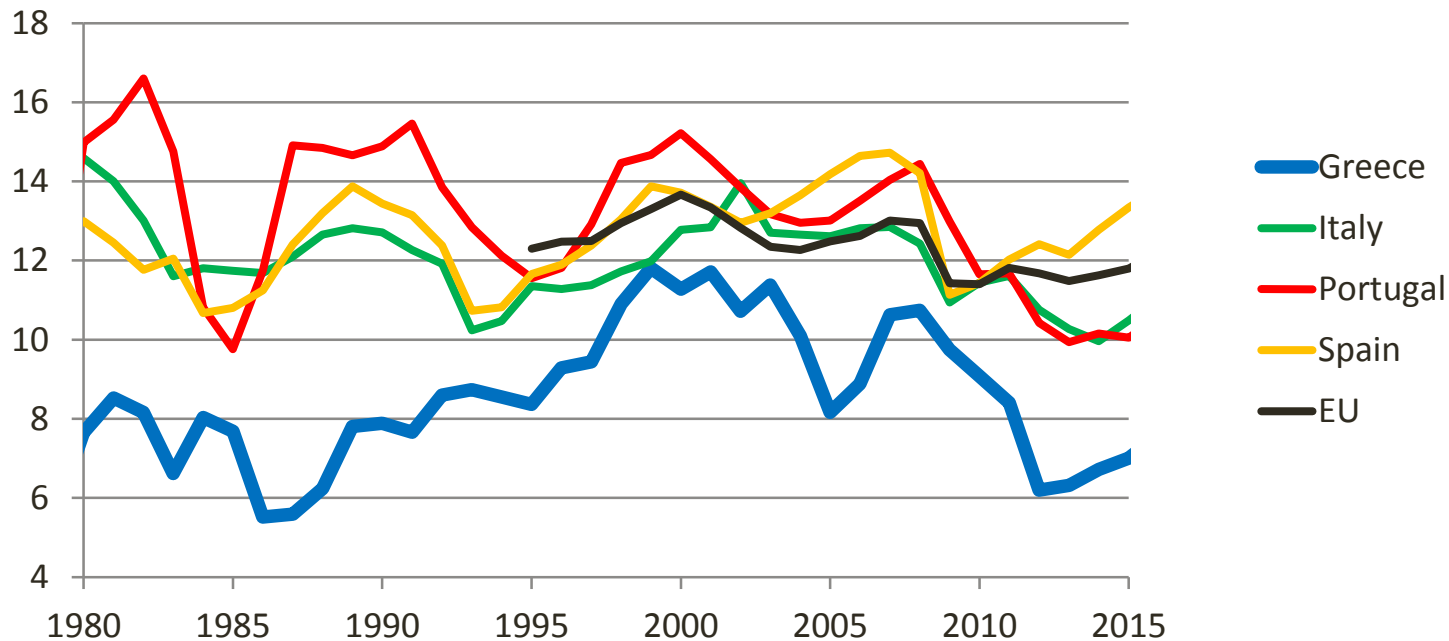
GDP per capita
(in 2014 US dollars and PPP adjusted)



- Greece experienced a large growth and subsequent decline of GDP after Euro entry.
- Its growth over the long term (1980-2017) has been relatively small.

Corporate investment

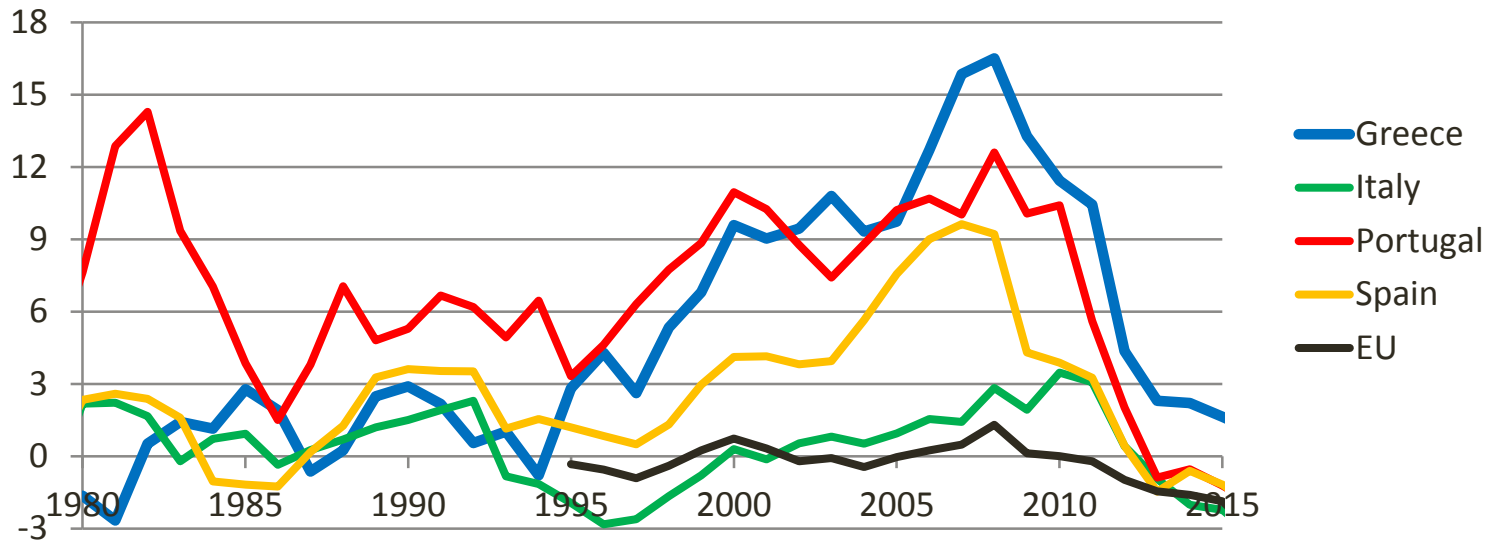
Corporate Investment as % of GDP



- Corporate investment in Greece has been relatively low.
 - But total investment (incl. housing) is comparable to EU average!
- It rose significantly in the run-up to Euro entry, but dropped again during the crisis.

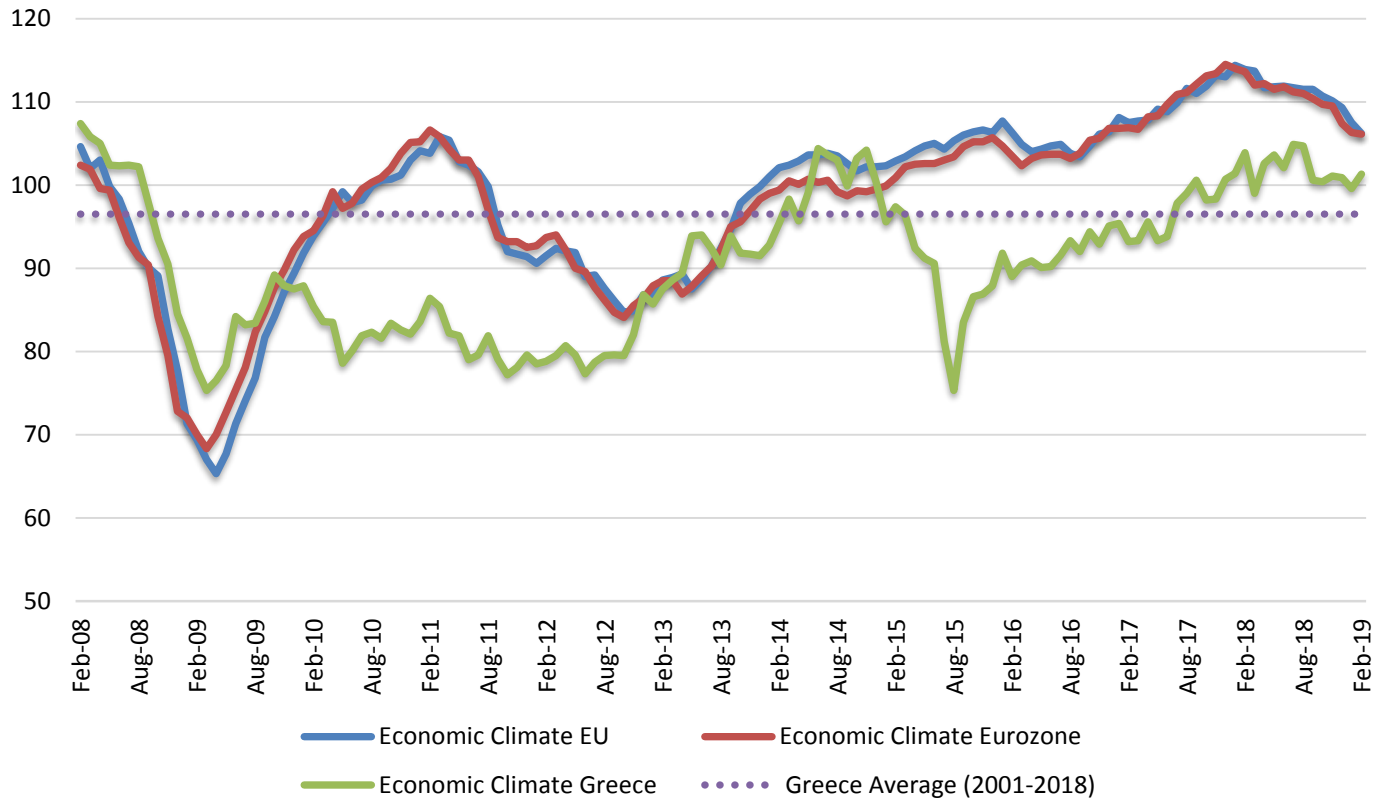
Current Account Deficit

Current Account Deficit as % of GDP



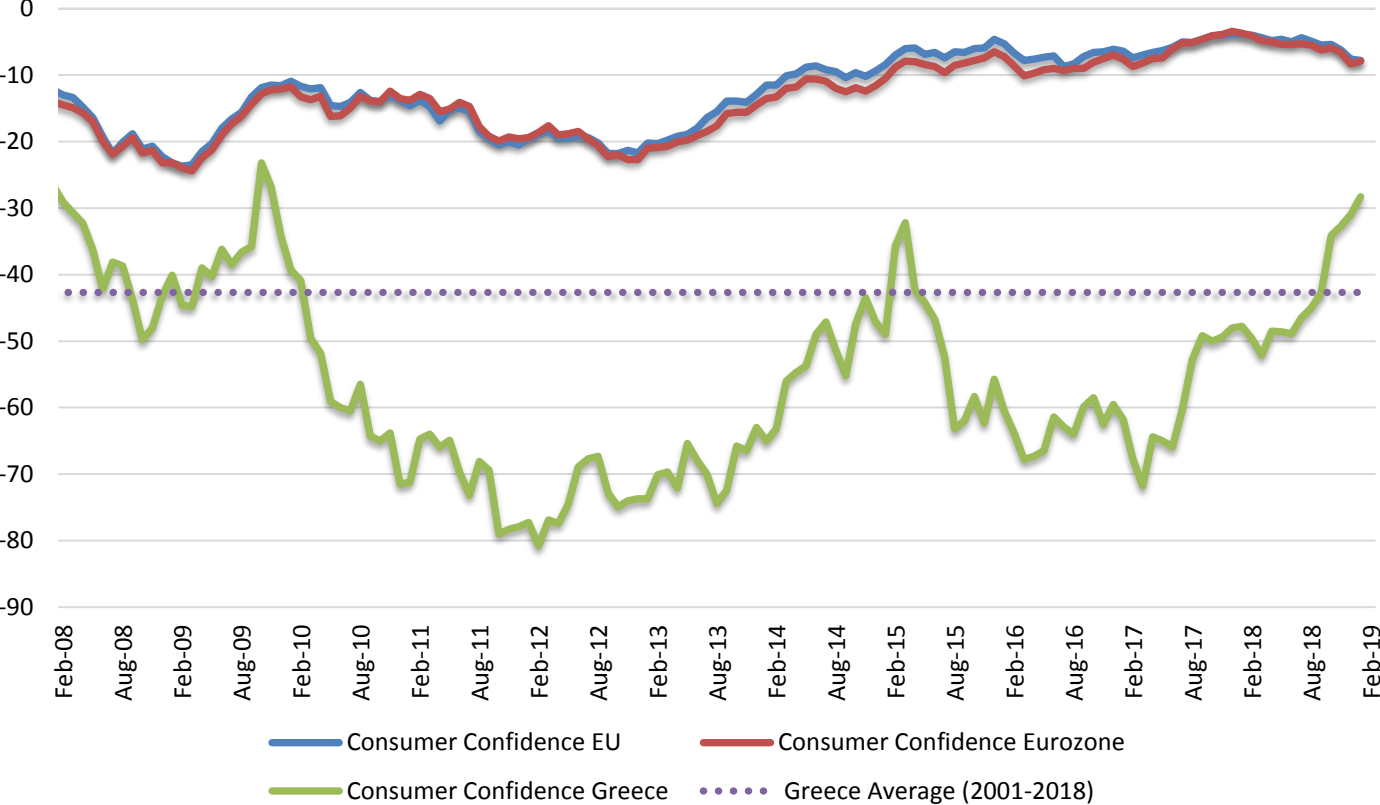
- Current account deficit rose significantly in the run-up to and after Euro entry.

Economic Climate



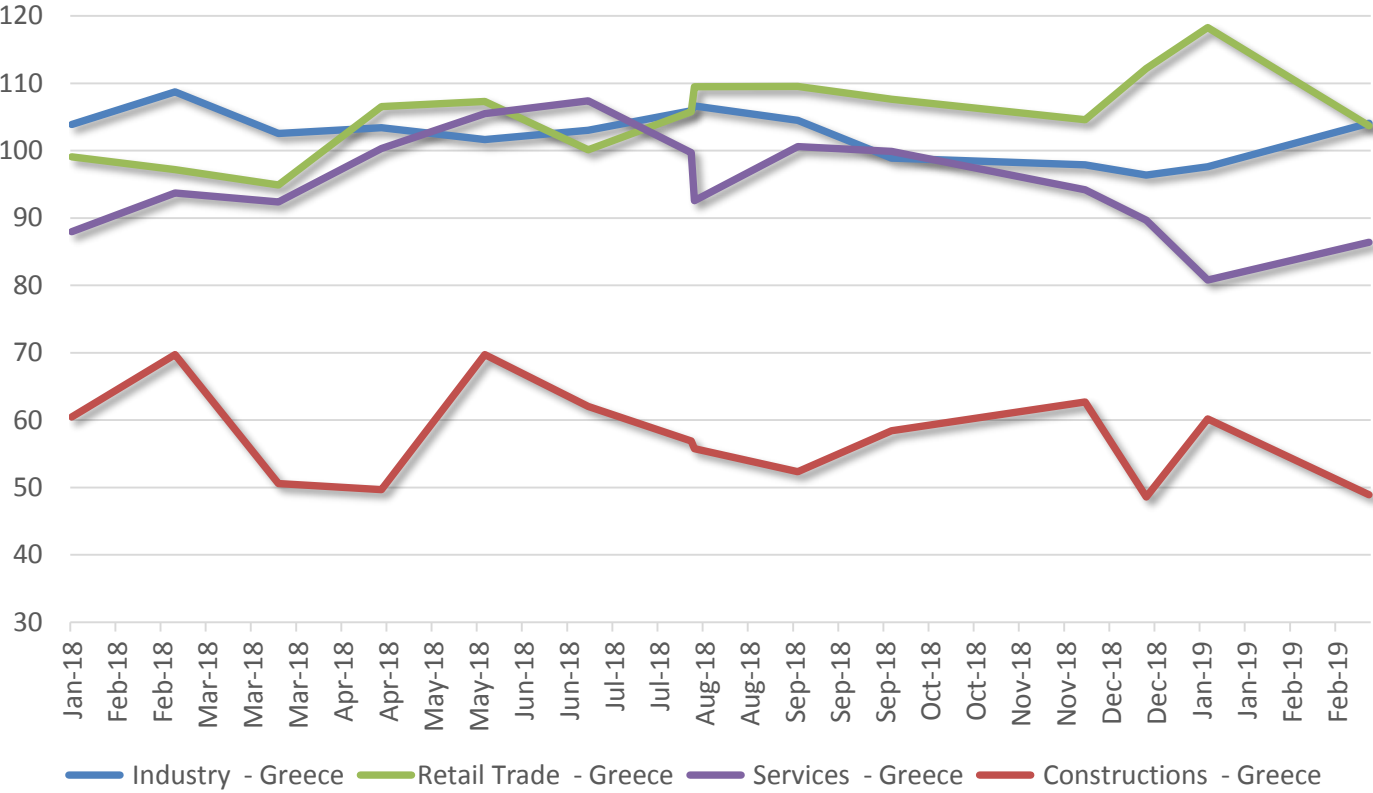
Sources: IOBE / European Commission

Consumer Confidence Indicator



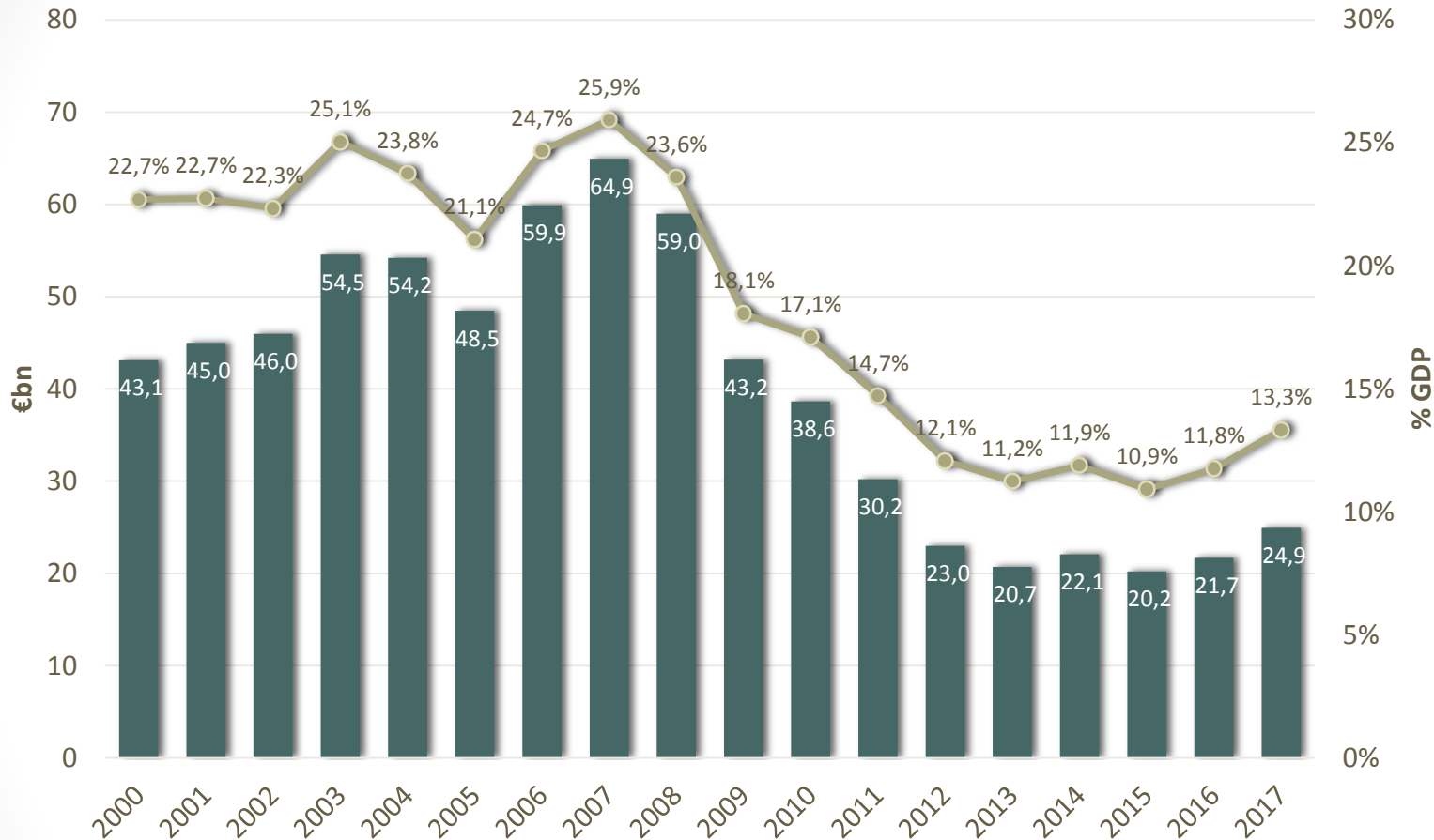
Sources: IOBE / European Commission

Business Expectations Indicators



Sources: IOBE / European Commission

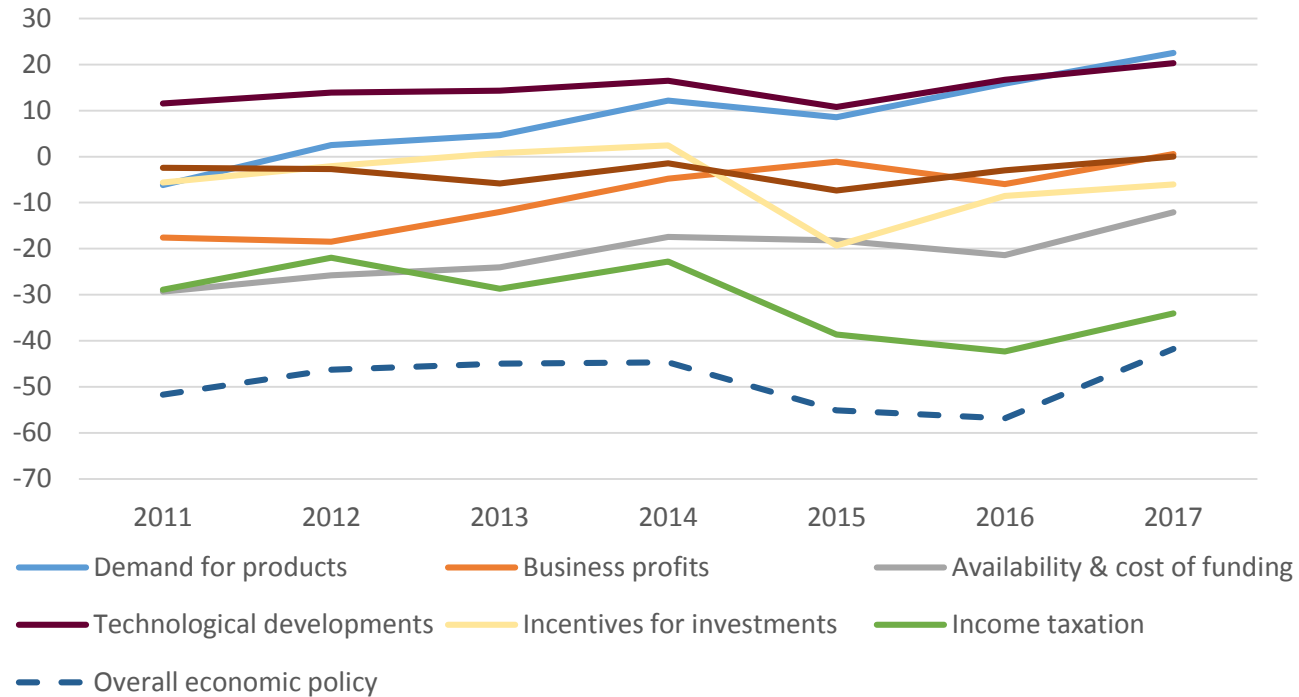
Investment collapses



Sources: Eurostat/ELSTAT

- Highest investment level in 2007 (€64.9 bn)
 - Highest level of investment as a % of GDP in the same year (25.9%)
- Significantly lower investment in 2017 (€24.9 bn, 13.3% of GDP)

Investment indicators in manufacturing

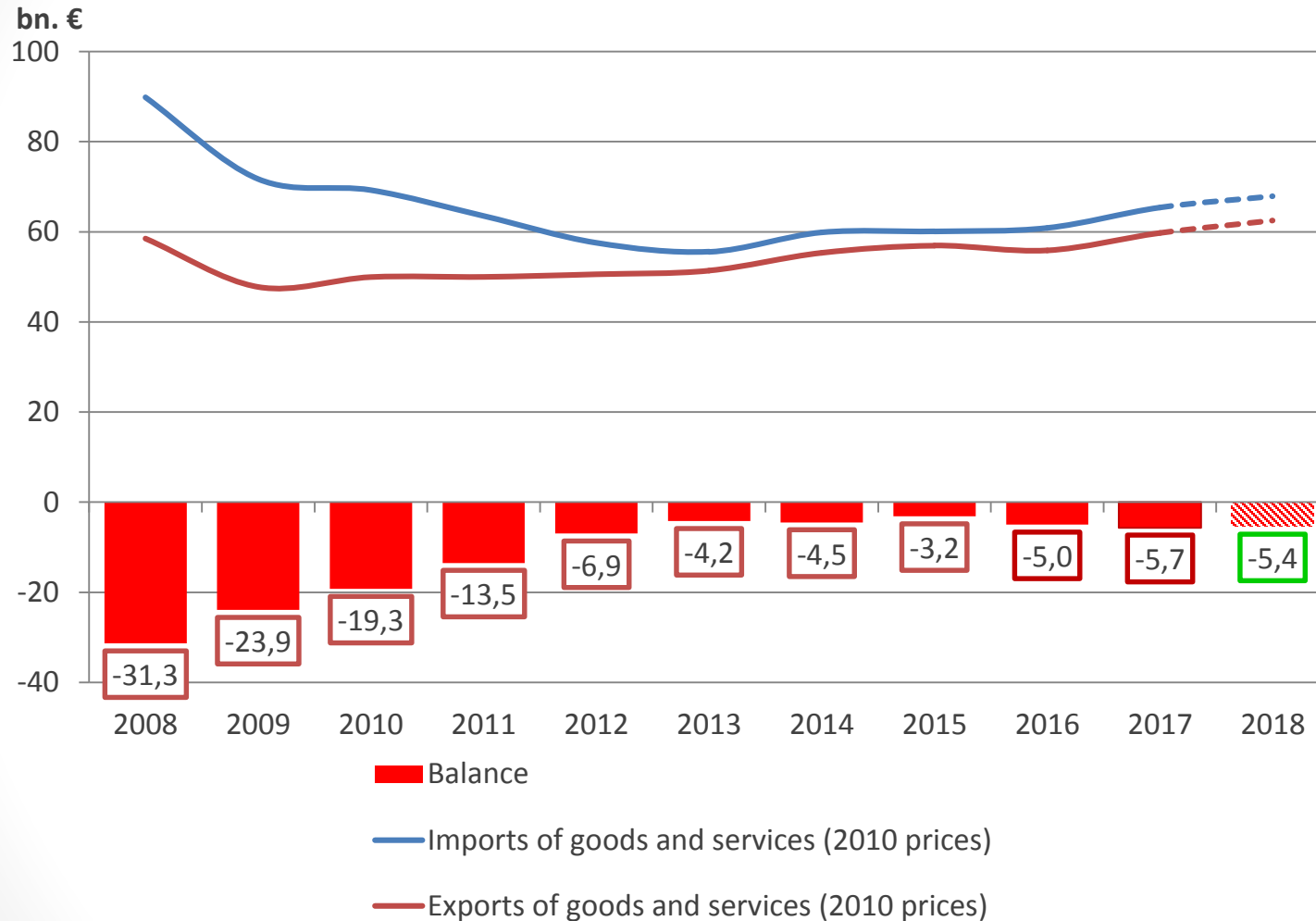


*According to the responses to the Investment Survey in Manufacturing, about the previous year, in the first survey of the following year

Source: IOBE

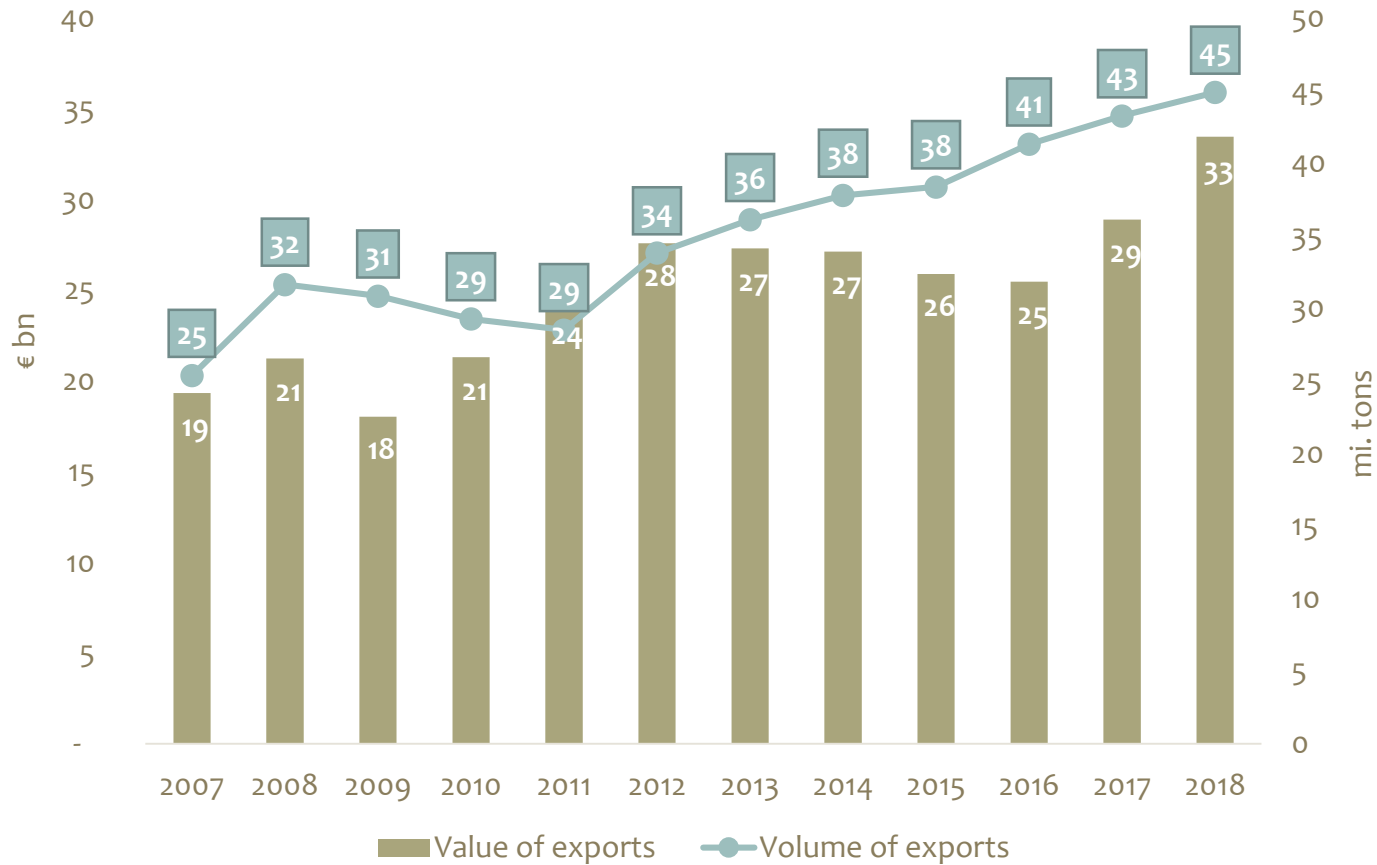
“Economic policy” has the strongest negative impact on investment in manufacturing

Trade balance (goods and services)



Source: AMECO

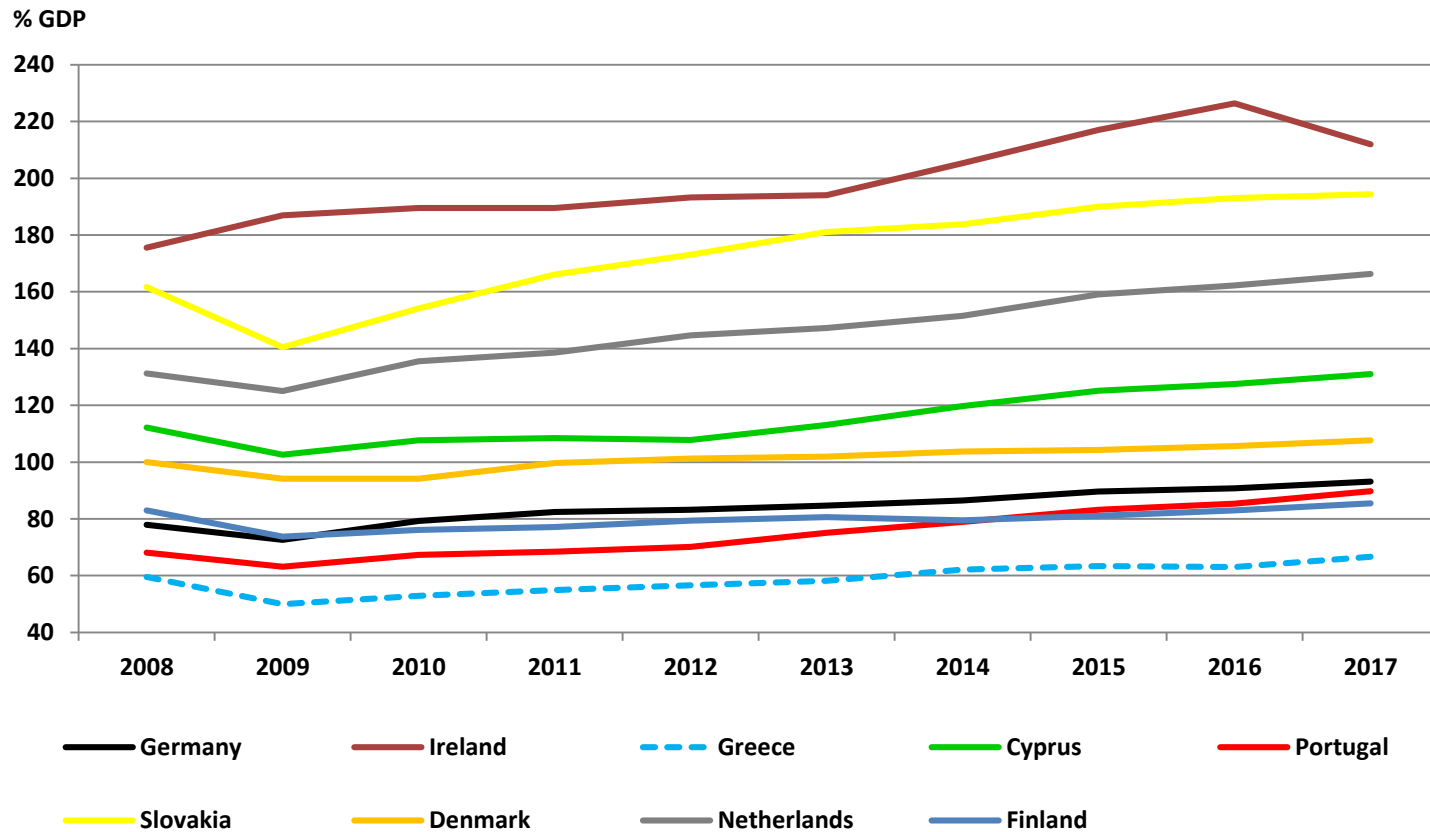
Exports of goods



Source: Eurostat

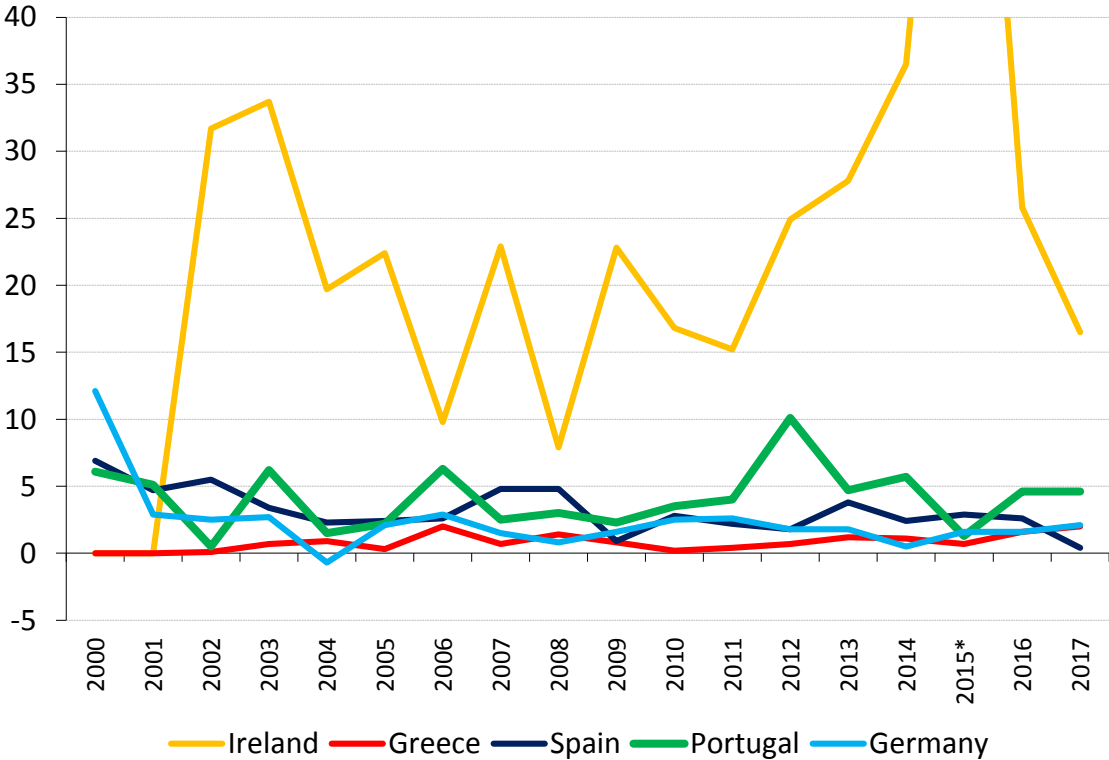
- Change in the value of exports, 2007-2018: +73.1%
- Change in the volume of exports, 2007-2018: +76.9%

A closed economy



Source: Eurostat

Foreign Direct Investment (% GDP)

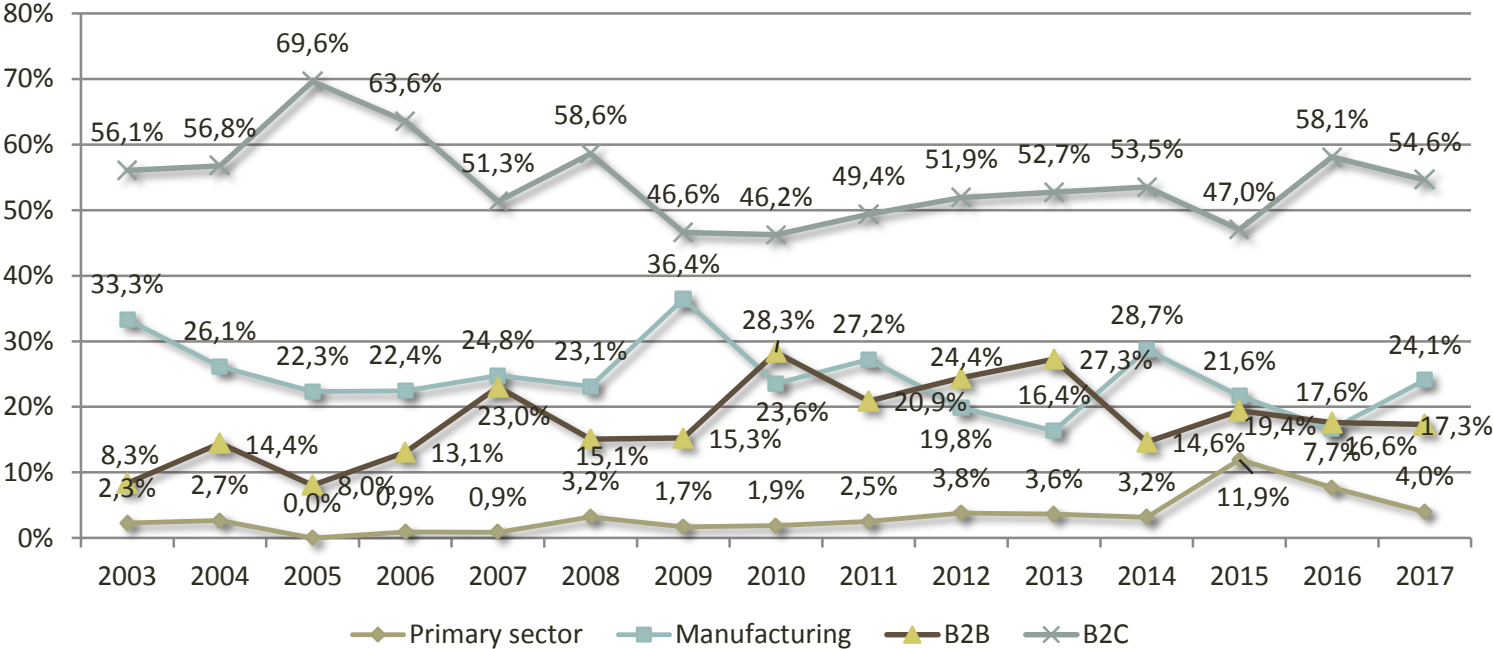


FDI (% GDP)		
	2000-2008	2009-2017
Germany	3.0%	1.8%
Ireland	16.5%	29.8%
Greece	0.7%	1.0%
Spain	4.2%	2.2%
Portugal	3.7%	4.5%

*Ireland: 81.7% of GDP

Source: Eurostat

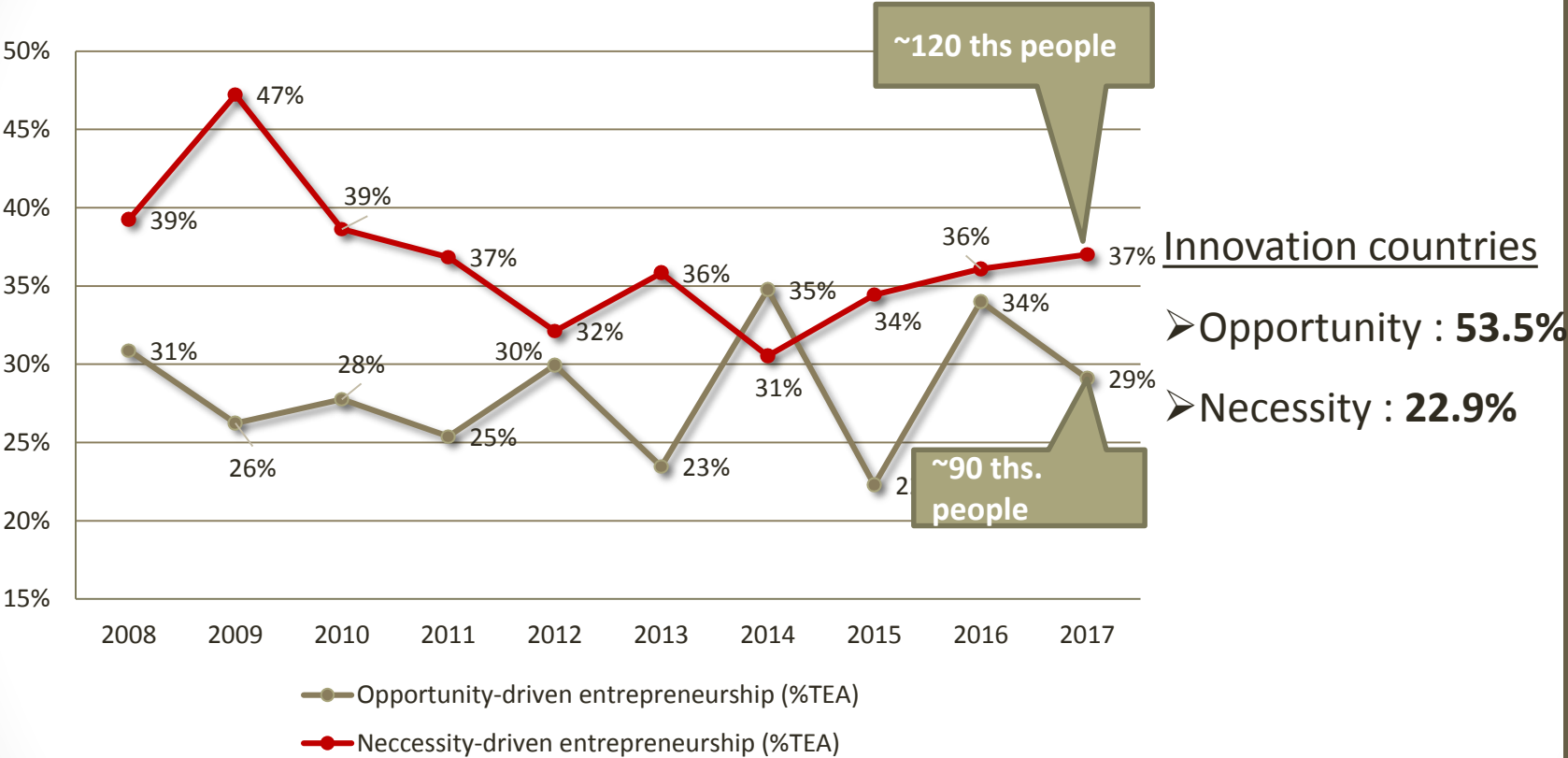
Global Entrepreneurship Monitor - IOBE



Source: IOBE

	Primary sector (%)	Manufacturing (%)	B2B (%)	B2C (%)
Factor-Driven countries	13.5	20.1	5.2	61.1
Efficient –Driven countries	5.5	22.7	11.4	60.4
Innovation-Driven countries	4.1	19.6	28.8	47.5

Increasing opportunity entrepreneurship

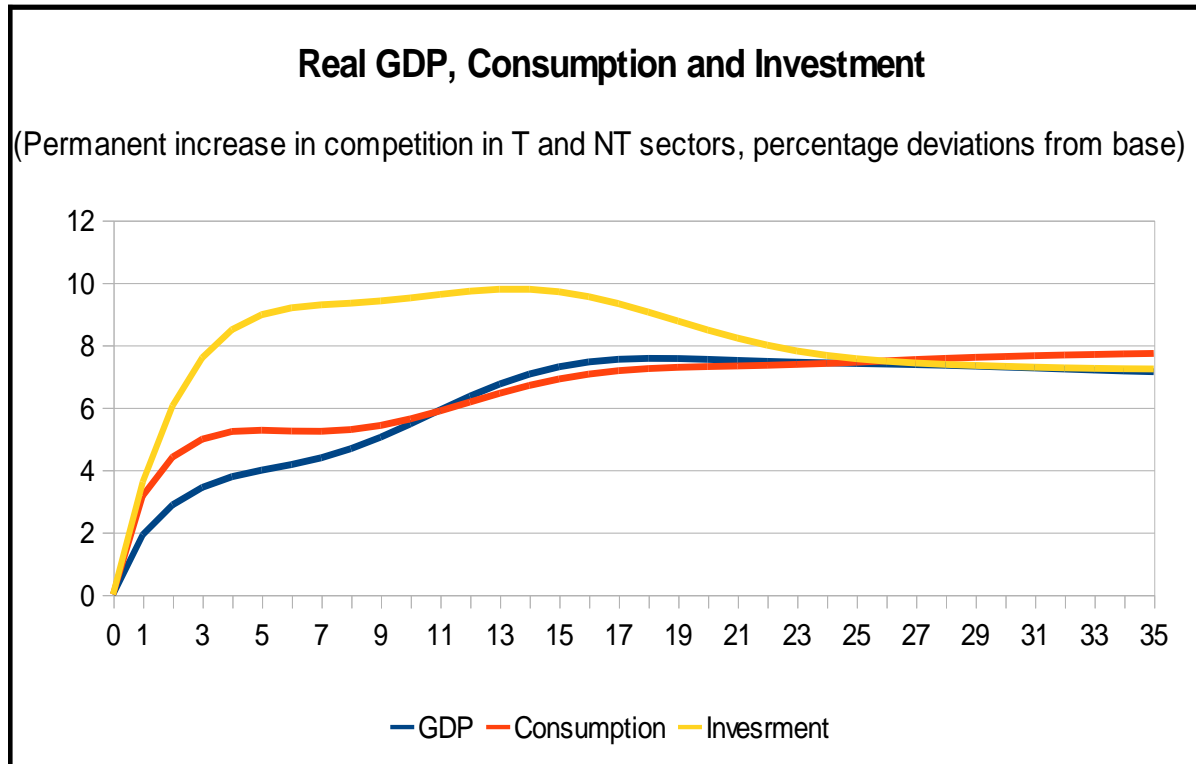


Source: IOBE

Key structural improvements achieved

- Labor market
 - Significant deregulation of a formerly over-regulated labor market.
- Pensions
 - Unification of a highly fragmented pension system.
 - Viability through significant pension cuts.
- Product markets
 - Deregulation, privatisations, and reduction of legislated barriers to entry.
- Tax administration
 - Establishment of an independent tax collection authority.
 - Fully electronic filing.

Macroeconomic effects of reforms

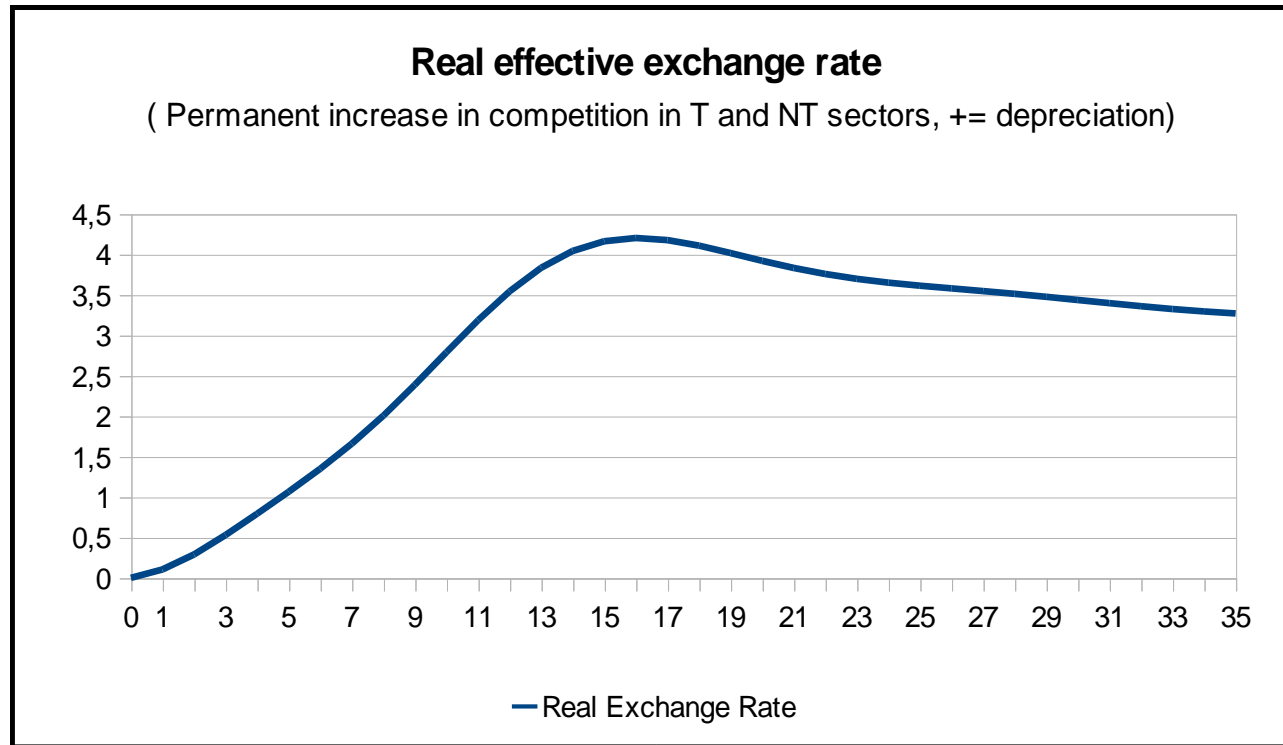


Source: Assessing the Macroeconomic Impact of Structural Reforms in Greece (2014), IOBE, for European Commission

Strengthening of market competition increases demand for inputs and leads to a steady rise in income, which supports demand

In the medium term, GDP, private consumption and investment will be higher by 7.3%, 6.9% and 9.7% respectively

Boost to competitiveness by structural reforms



Source: Assessing the Macroeconomic Impact of Structural Reforms in Greece (2014), IOBE, for European Commission

Strengthening of competition changes relative prices and leads to a devaluation of the real exchange rate, which increases competitiveness

Core areas of micro reforms

- Public administration
- Business environment and innovation
- Need to monitor implementation and outcomes

Key reform areas

- Pensions

Labor supply, shadow economy, domestic savings and investment

- Taxation

**Tax rates, base and electronic payments, property
Stability**

- Education

**Autonomy of units and decentralization, links to
production, reverse brain drain.**