



FOUNDATION FOR ECONOMIC
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The Greek economy and its prospects: enhancing credibility within global challenges

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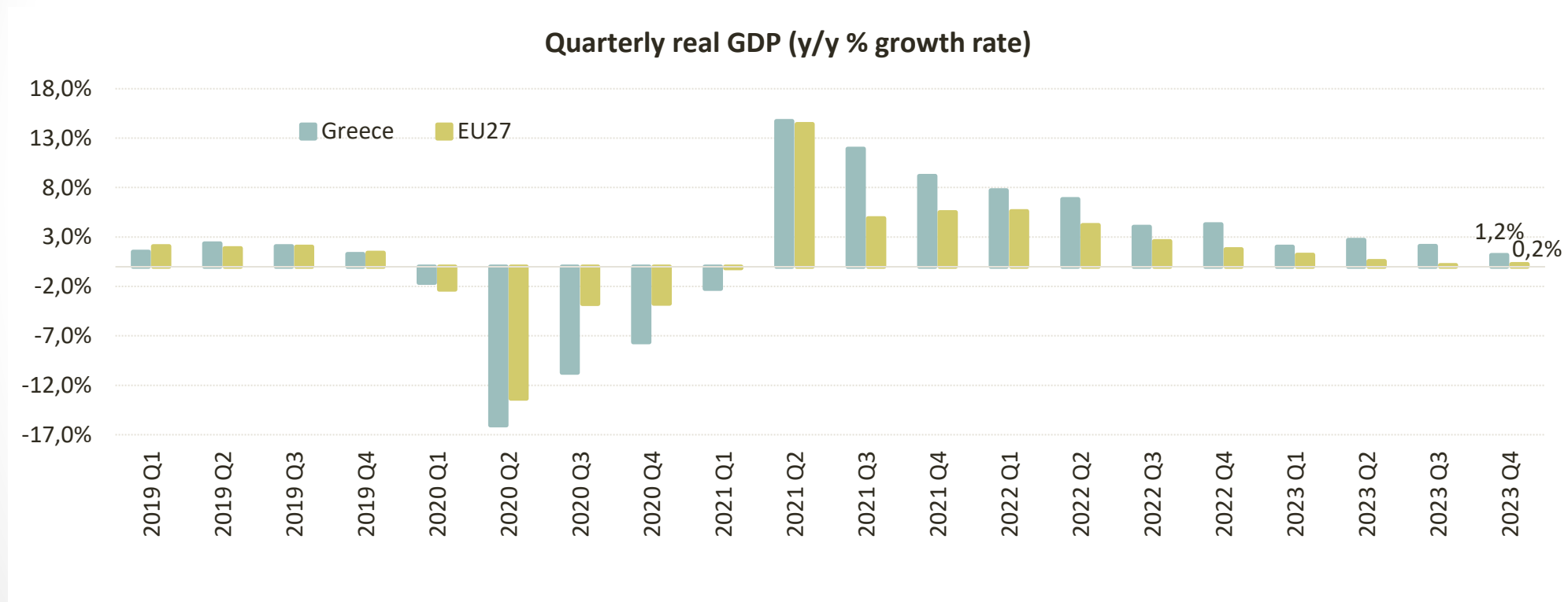


Greek Market and Sectorial Trends

London, 13 May 2024

GDP dynamics, above EU average

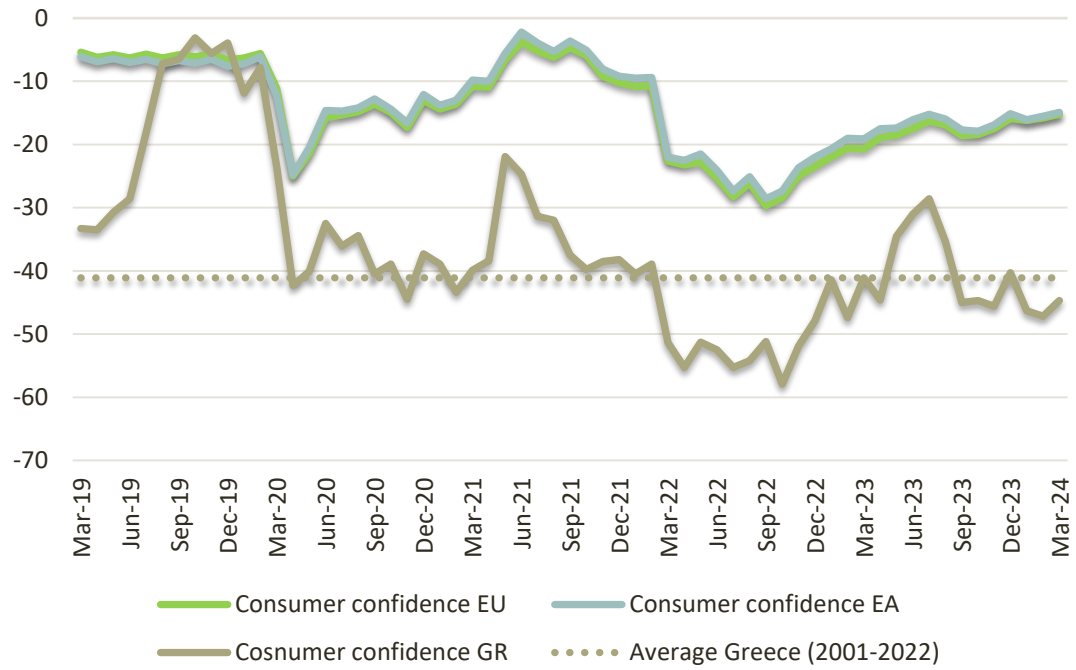
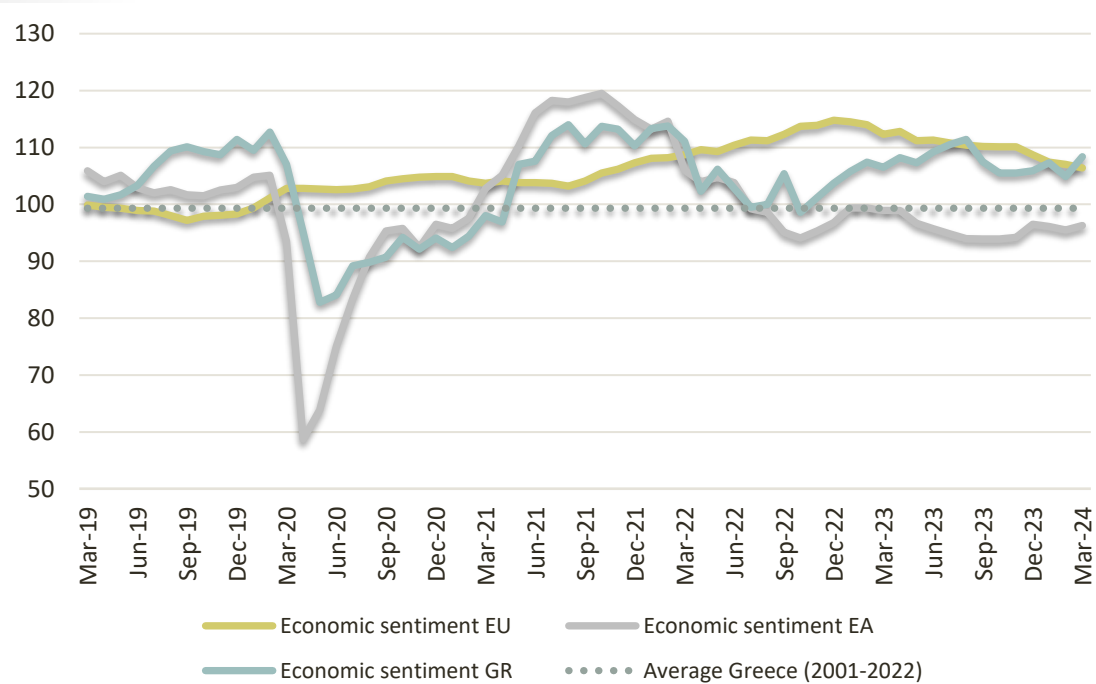
- Milder recovery in 2023 (2.0% y/y) relative to 2022 (5.7% y/y).
- Real GDP growth 1.2% (y/y) in the Q4/2023, with main drivers:
 - resilient consumption (1.8%),
 - Strong exports (2.7%).
- Greek growth rate remains above EU average for an eleventh consecutive quarter.



Source: Quarterly National Accounts, Eurostat

Economic Sentiment and Consumer Confidence

Mild improvement in economic sentiment in the first quarter of 2024, marginally higher than the corresponding 2023 quarter

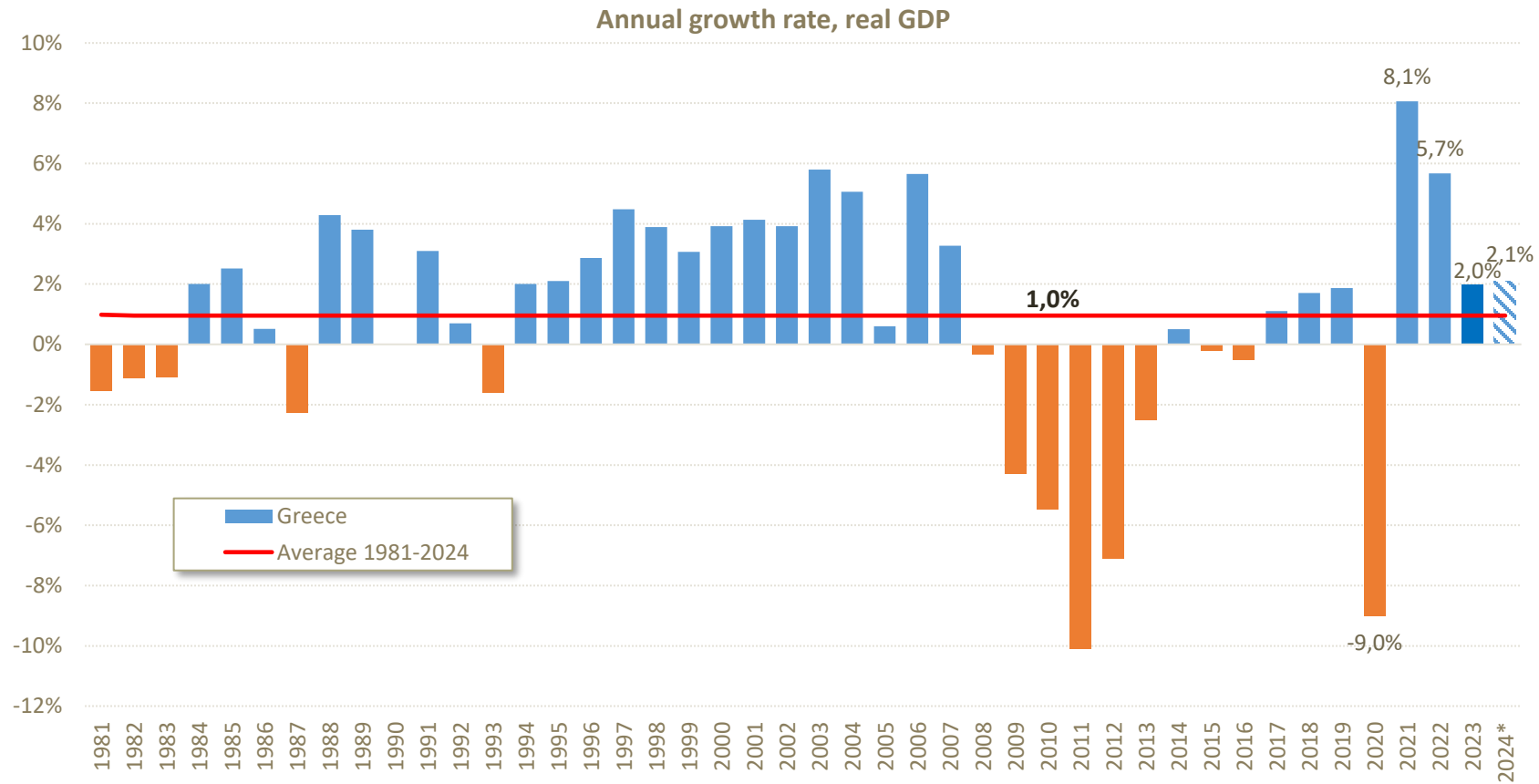


Sources: European Commission, IOBE

Slight weakening of Consumer Confidence within 2024

LONGER TERM VIEW

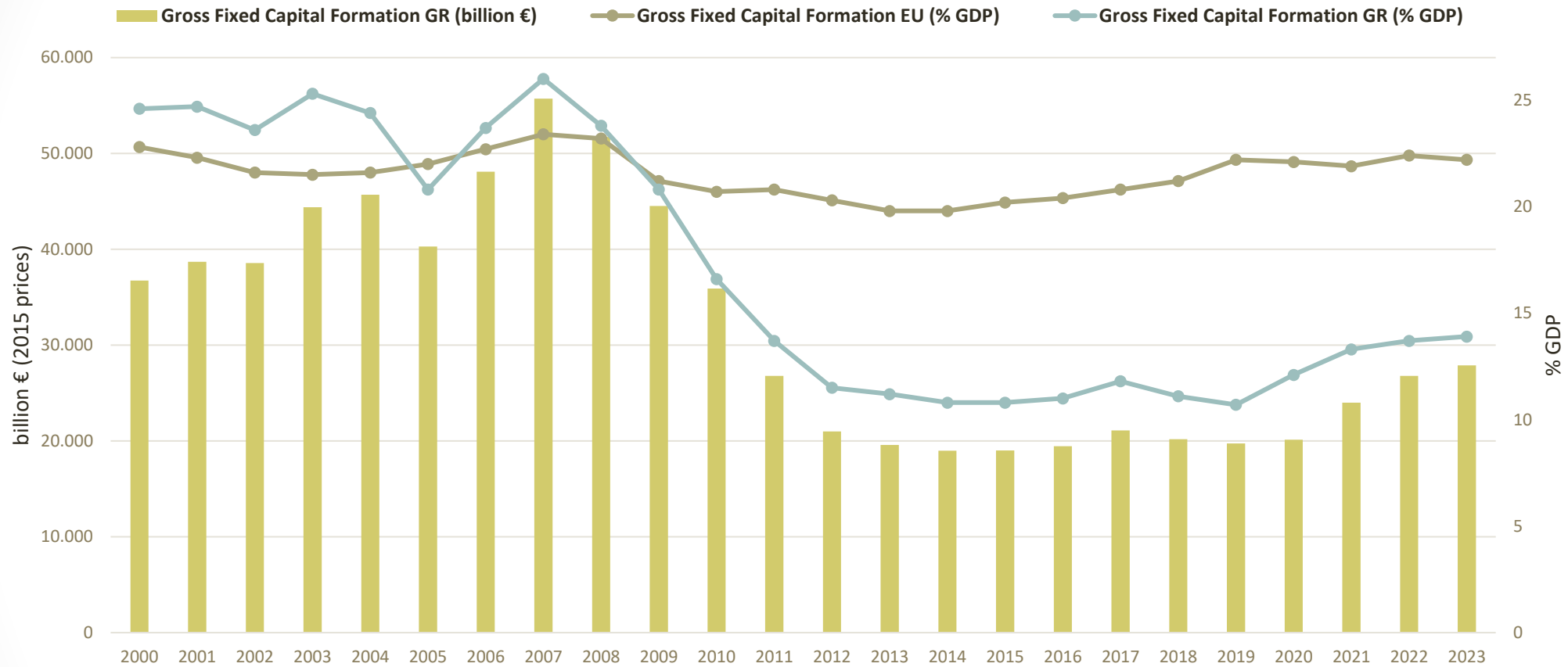
Long term growth dynamics and prospects



Sources: Eurostat

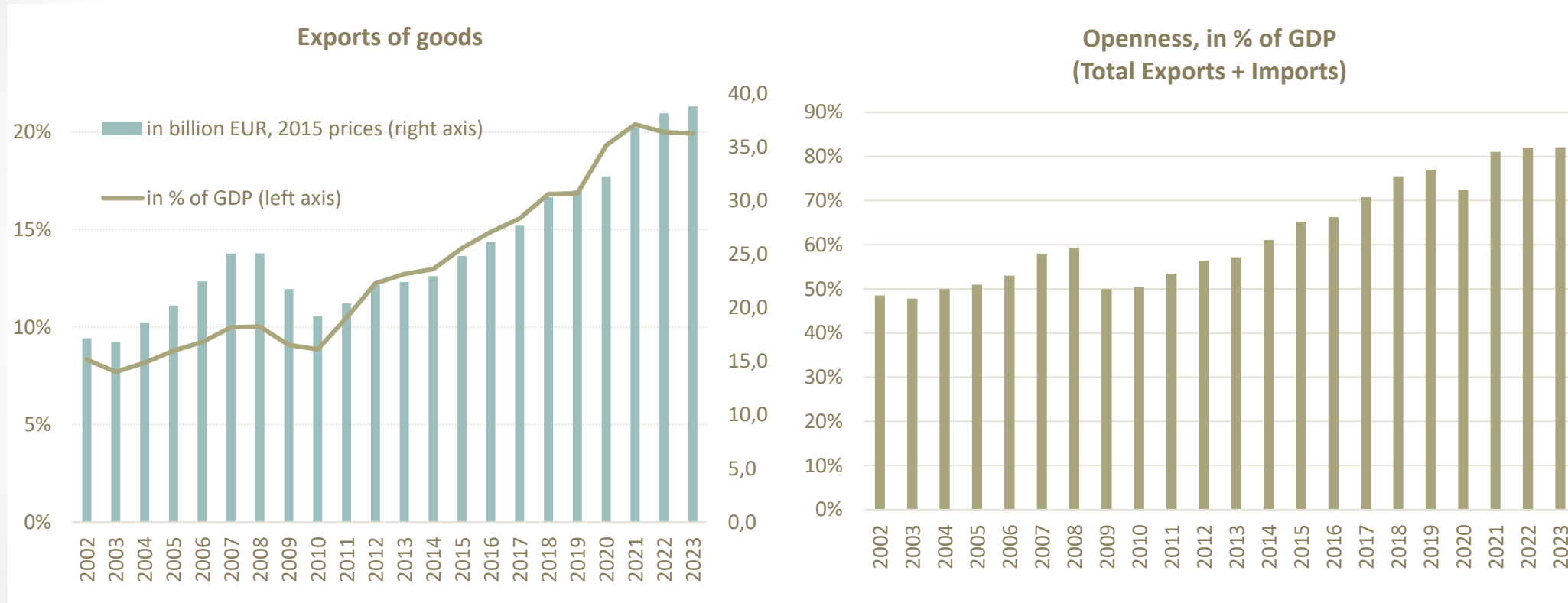
Note. The forecast for 2024 relies upon IOBE (April 2024).

Investment Gap and Opportunities



Source: Eurostat, Data Processing: IOBE

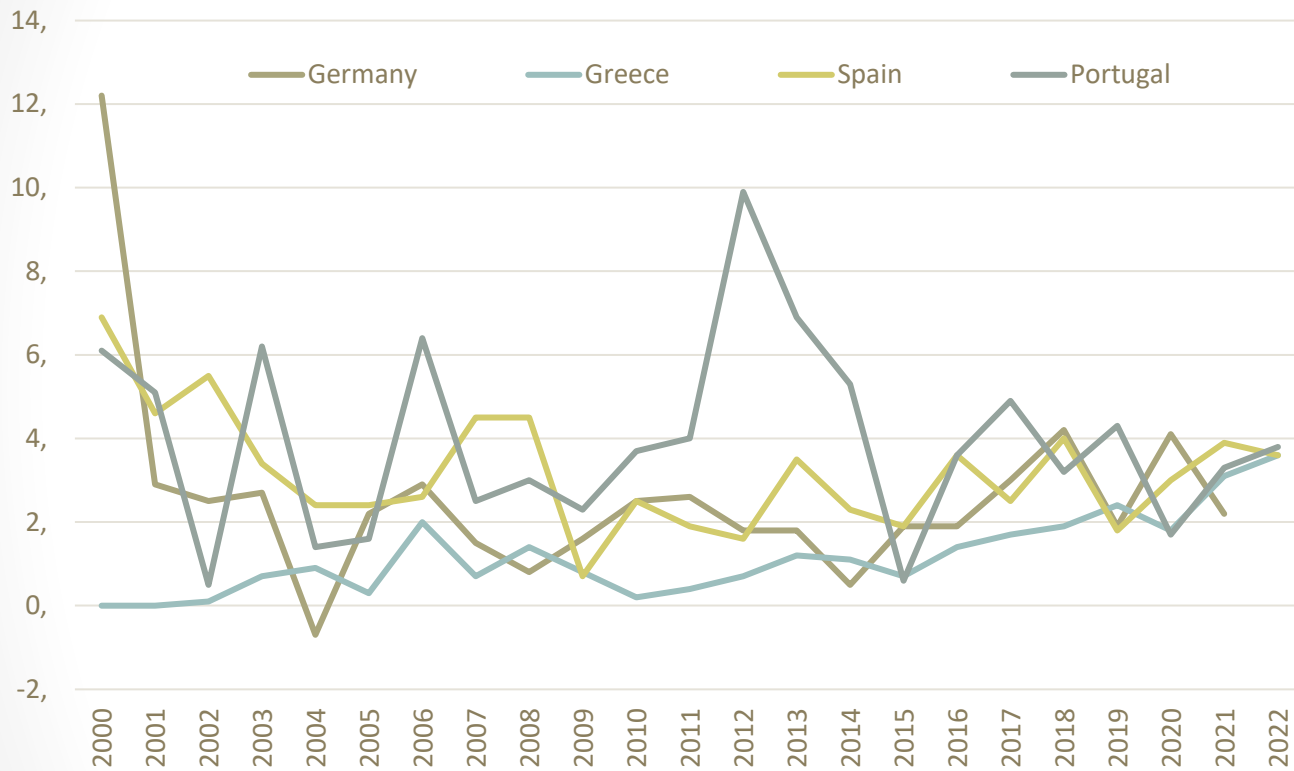
The economy has become more extrovert, exports of goods have doubled during the last decade



Source: National Accounts at constant prices 2015, Data Processing: IOBE

LOOKING AHEAD

Foreign Direct Investment (% GDP)

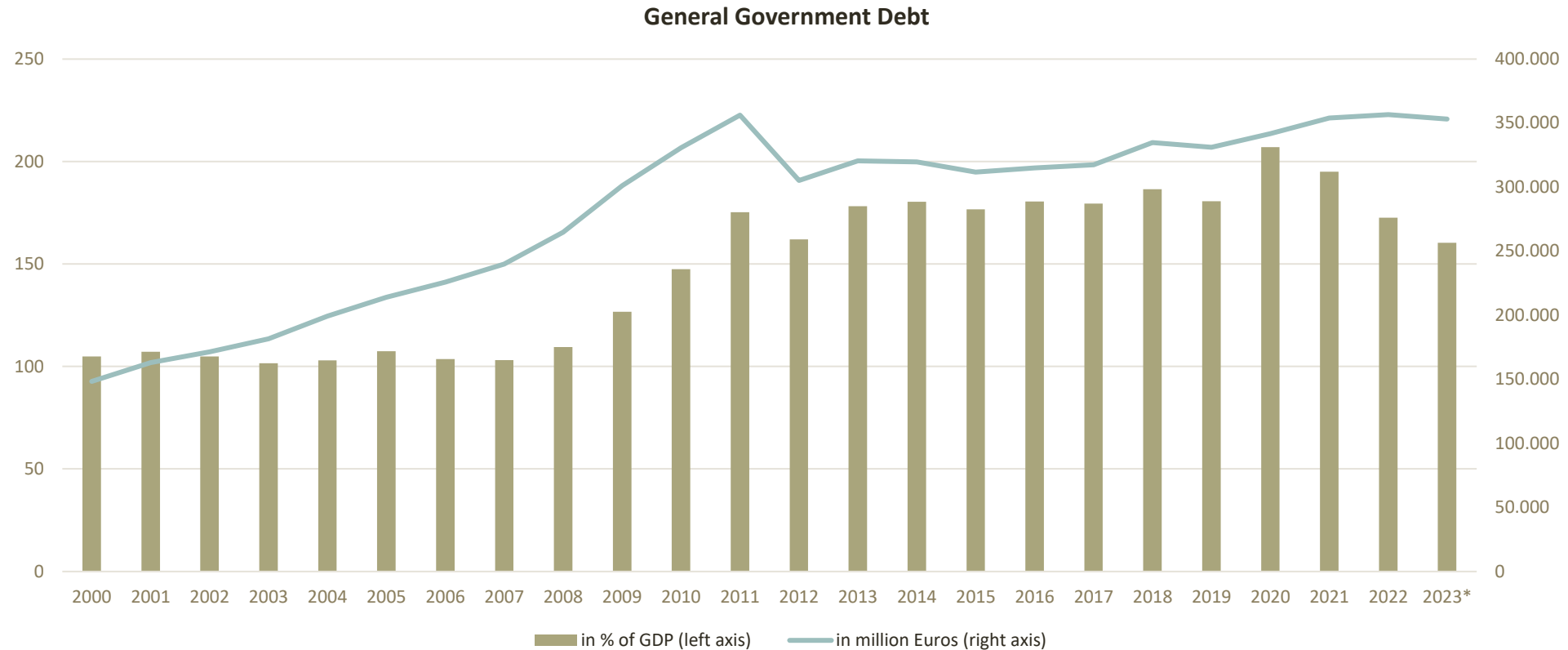


Source: Eurostat

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 increases in Greece lately, after a long period of under-performance compared to EU peers.

Public debt

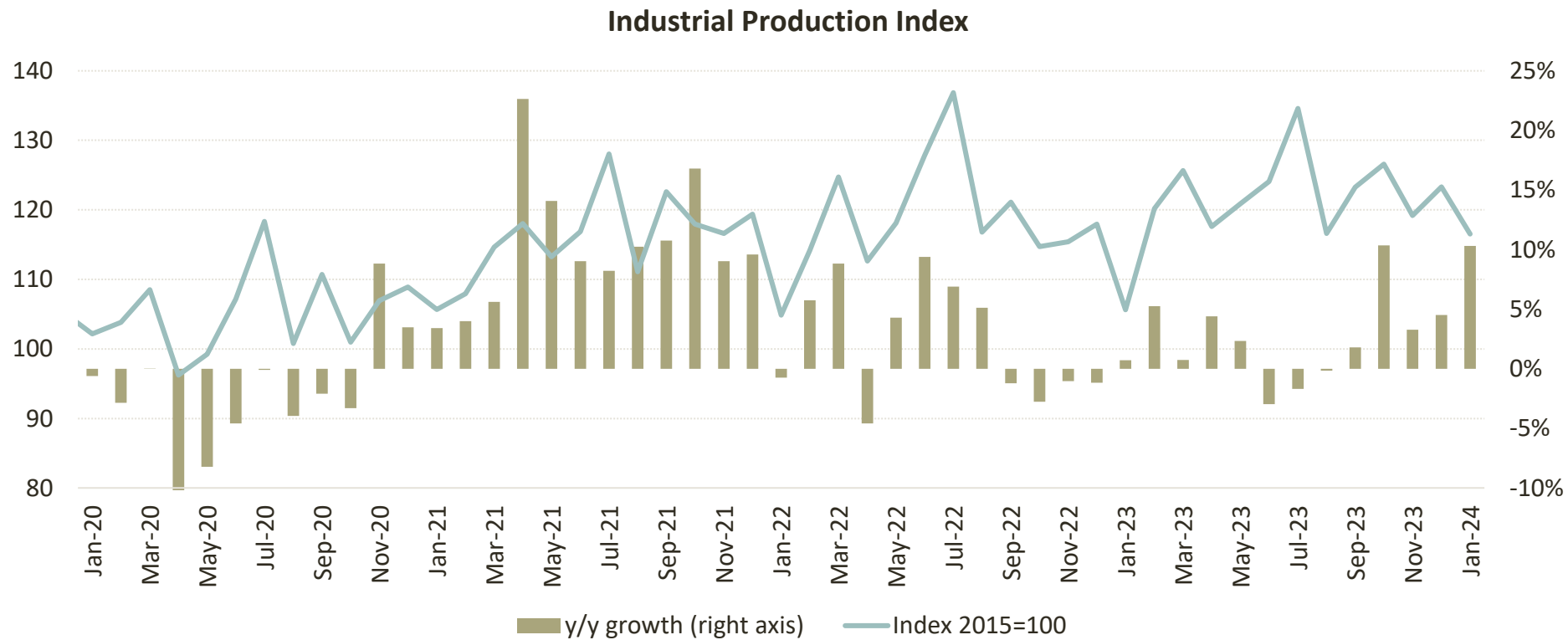


Source: Eurostat. Note: The debt estimate for 2023 stems from the Budget of 2024

The very high stock of public debt reveals the need for systematically prudent fiscal policies. Qualitative features preserve the medium-term sustainability of Greek public debt: long maturity, fixed interest rates, local currency denomination.

Industrial Production

- Industrial production increased by 2.3% in 2023, following a similar pace in 2022 (2.4%).
- Strong increase (10.5%) in the first month of 2024, compared to the first month of 2023 (0.8%).
- The increase is driven by the Electricity (33.9%), Mining (6.0%) and Manufacturing (5.3%) sectors.

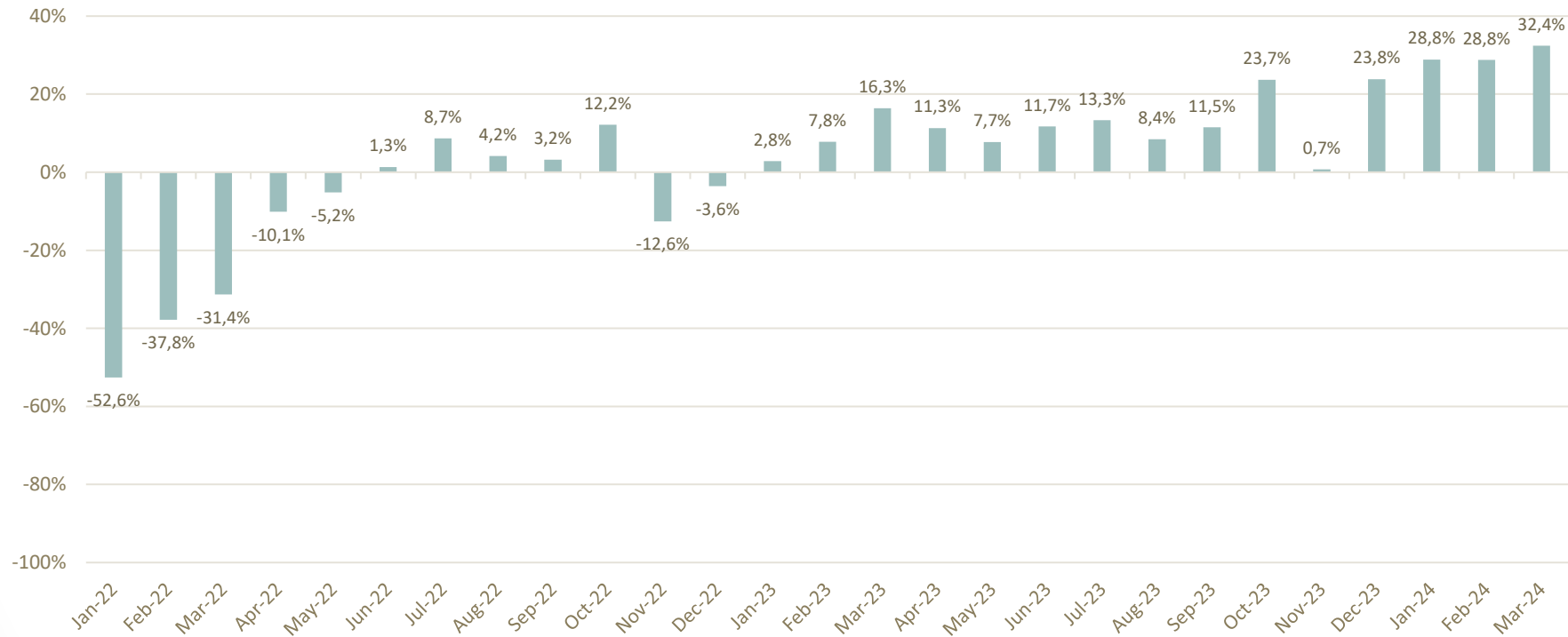


Source: ELSTAT

Tourism has shown a strong rebound (also in 2024)

- In the first quarter of 2024, international arrivals at airports strongly exceeded 2019 record performance.

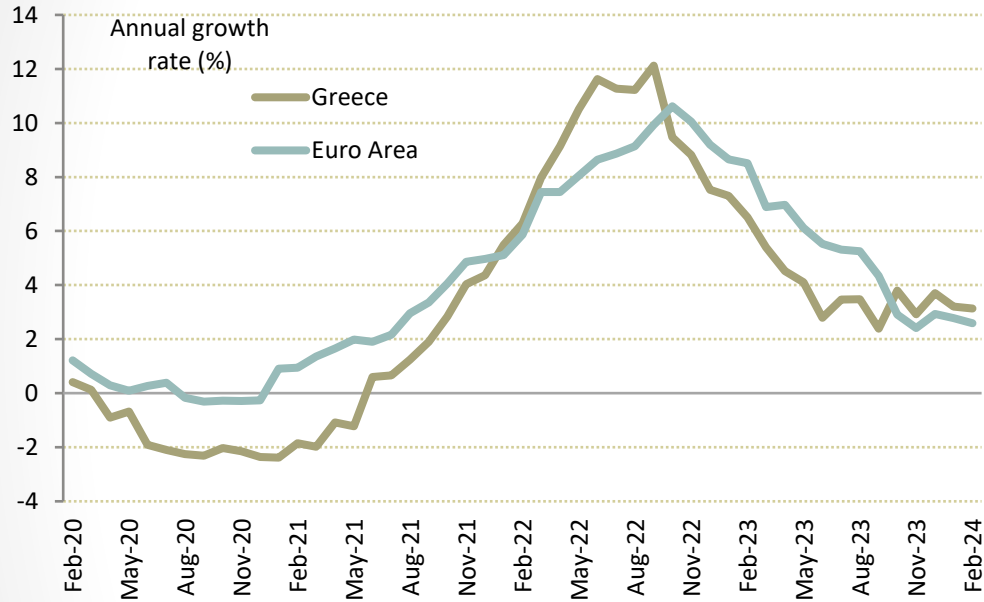
Growth in international arrivals in Athens (% change compared to 2019)



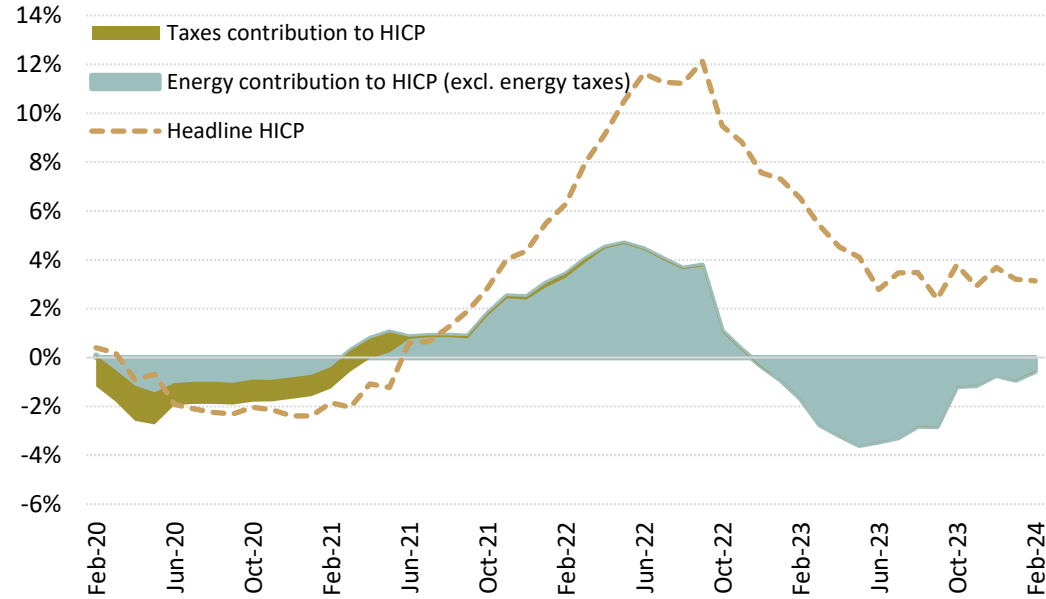
Source: Athens International Airport

Inflation has decreased systematically in 2023, core inflation remains high

Harmonised Index of Consumer Prices (HICP)



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

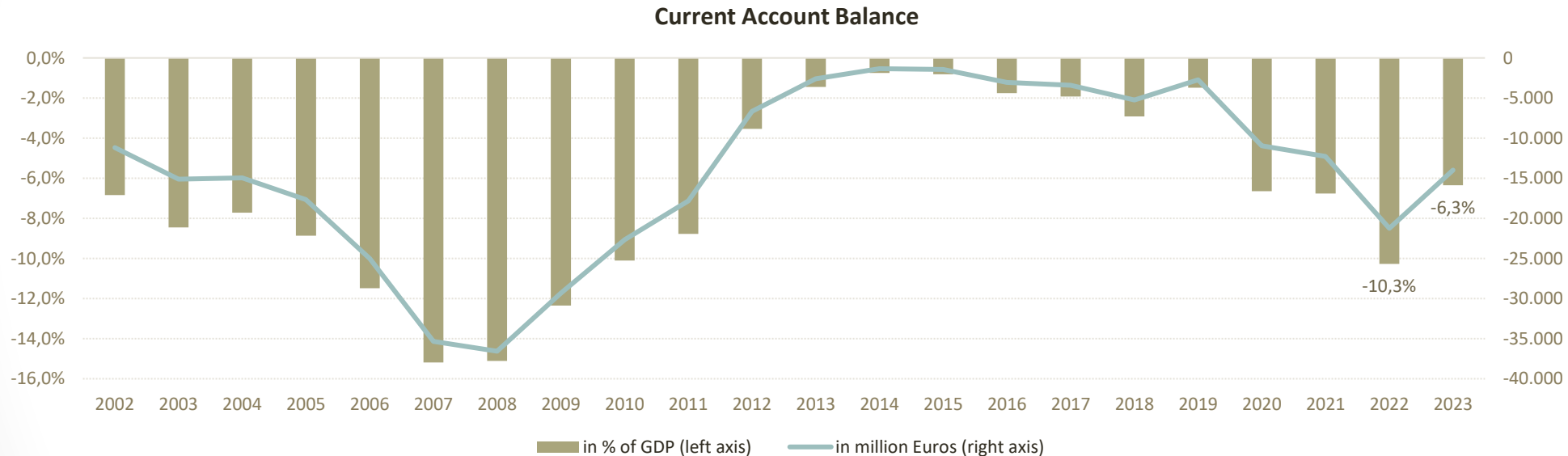


Sources: ELSTAT, Eurostat

- De-escalation of inflation in the first two months of 2024, slower than EU peers; it reached 3.2%, down from 6.9% a year ago.
- Energy goods prices fell, but there is still pressure on food prices.

Current Account Balance

- **Improvement in the current account deficit** in 2023, after a significant deterioration in 2022.
- Current account deficit reached €14.0 billion in 2023 (6.3% of GDP), down from €21.2 billion in 2022 (10.3% of GDP).
- Significant **reduction in the balance of goods deficit** by €7.2 billion, 90% of which is due to fuel products.
- **Improvement in the surplus of services**, with Tourism revenue reaching a historical high of €20.2 billion in 2023.
- **Deterioration in primary incomes** (income outflow), while the **secondary income balance improved**.



Continuous, gradual decline of unemployment rate, to 14-year low

- The unemployment rate reached 11.1% in 2023, down from 12.4% in 2022 and 14.7% in 2021.
- The decrease in unemployment rate has decelerated considerably in early 2024.



Source: ELSTAT

The Revised National Recovery and Resilience Plan has committed European funds of €21.25 billion for the 2024-2026 three-year period

Summary of disbursements to Greece from the EU Recovery and Resilience Fund

August 2021: €3.96 billion pre-financing disbursement.

January 2023: Disbursement of the 2nd tranche of €3.56 billion.

December 2023: Disbursement of the 3rd tranche of €3.64 billion and approval of Greece's request for a revised Plan

April 2022: Disbursement of the 1st tranche of €3.56 billion.

August 2023: Greece submits a request for (a) a revision of the Plan, (b) addition of REPowerEU capital, (c) extension of the loan component by €5 billion.

April 2024: Greece submits a 4th payment request of €2.3 billion for the loan leg

Table. Allocation of funds of the revised Recovery and Resilience Plan for Greece, April 2024

	€ billion	% of total
Total resources of the revised Greek RRF	35,95	100%
of which:		
Grants	18,22	50,7%
Loans	17,73	49,3%
Investments related to green transition	13,70	38,1%
Investments related to digital transformation	7,94	22,1%
Other investments	14,31	39,8%
Funds already disbursed	14,70	40,9%
Funds pending until 2026	21,25	59,1%

Source: European Commission, Data processing: IOBE

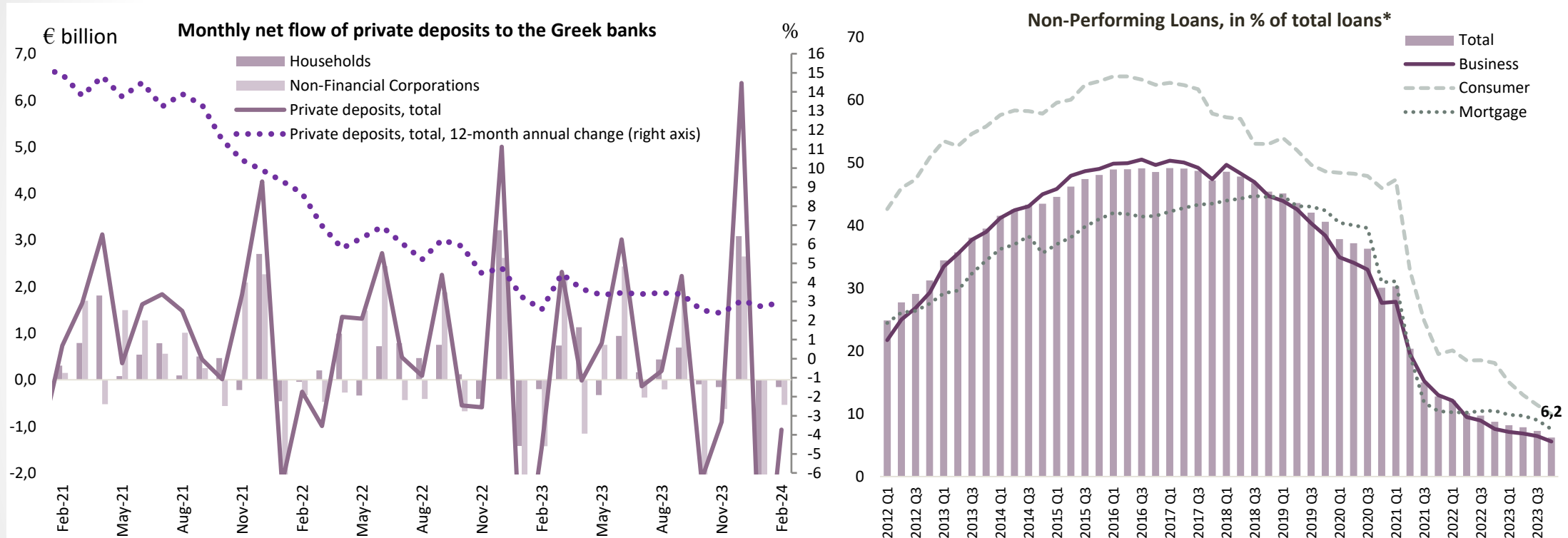
2024 macroeconomic forecasts (IOBE, April 2024)

- **Growth:** $\approx 2.1\%$ y/y
- Private consumption: $\approx 1.3\%$ y/y
- Public consumption: $\approx -0.6\%$ y/y
- Investments (Fixed): $\approx 7.8\%$ (9.5%) y/y
- Exports: $\approx 2.2\%$ y/y
- Imports: $\approx 1.9\%$ y/y

- **Unemployment:** $\approx 10.3\%$
- **Inflation:** $\approx 3.0\%$

FINANCE

Structural characteristics in the banking sector have improved...

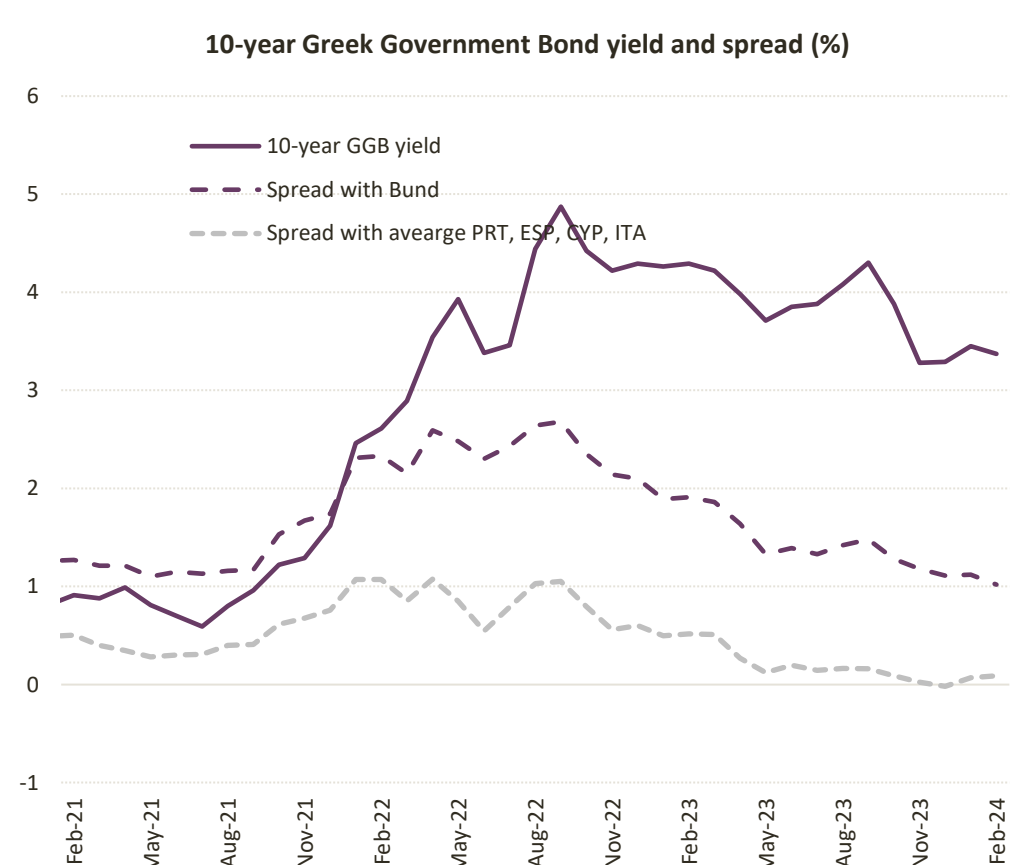
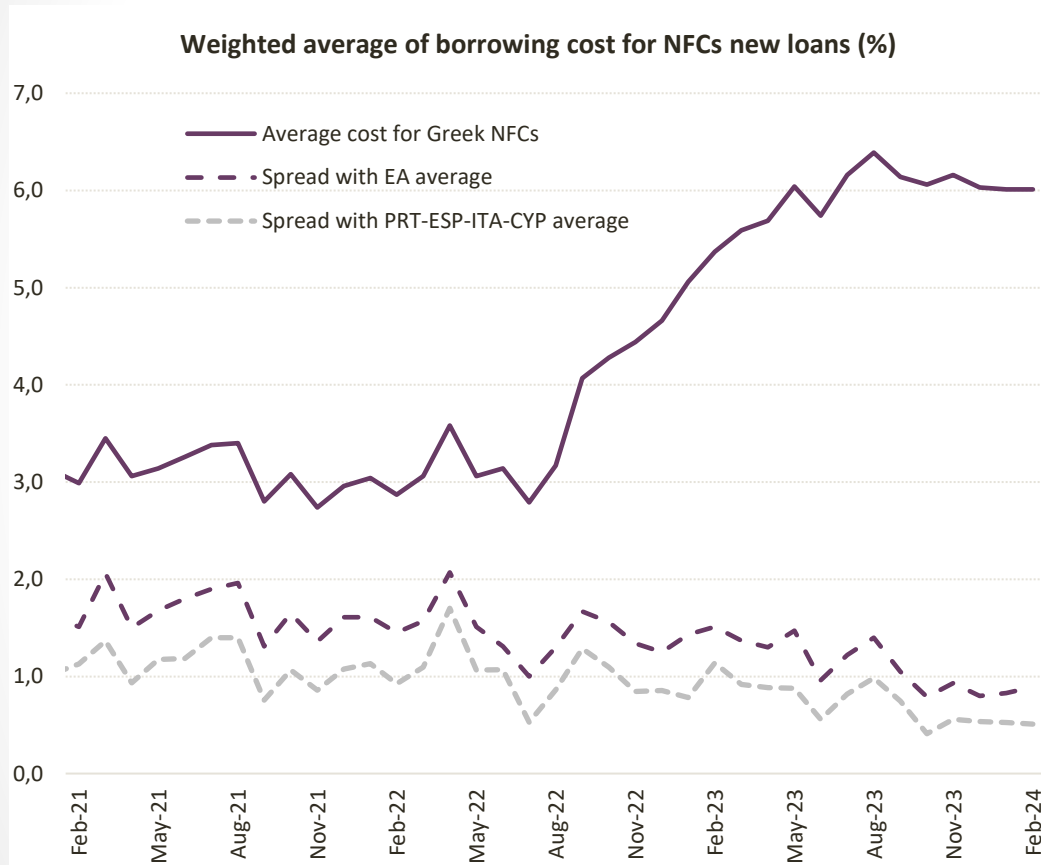


Source: Bank of Greece. * On-balance sheet loans (before provisions) for all Greek banks on a non-consolidated level

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

- Private sector deposits (households and non-financial corporations) have been increasing during 2020-2023.
- NPL ratio has dropped to 6.2% in 2023 Q4, which is a 14-year low, from 46.1% in 2016 Q3. Significant decline in the NPL stock since 2020 due to securitizations with state guarantees (Hercules programme).

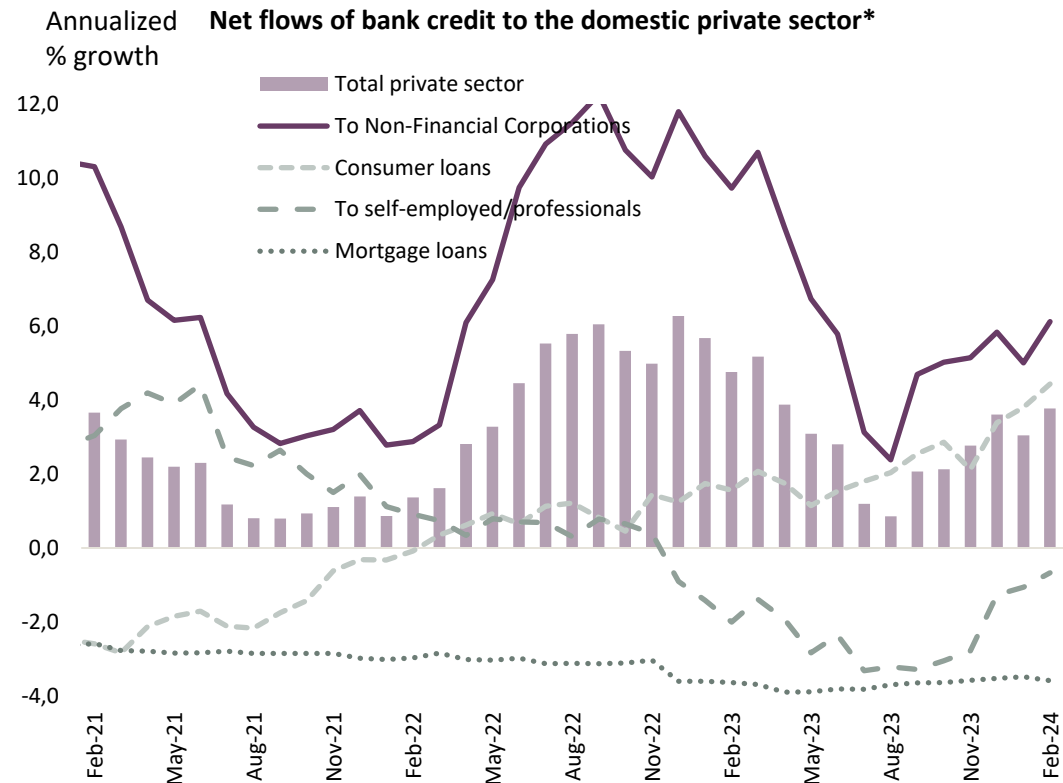
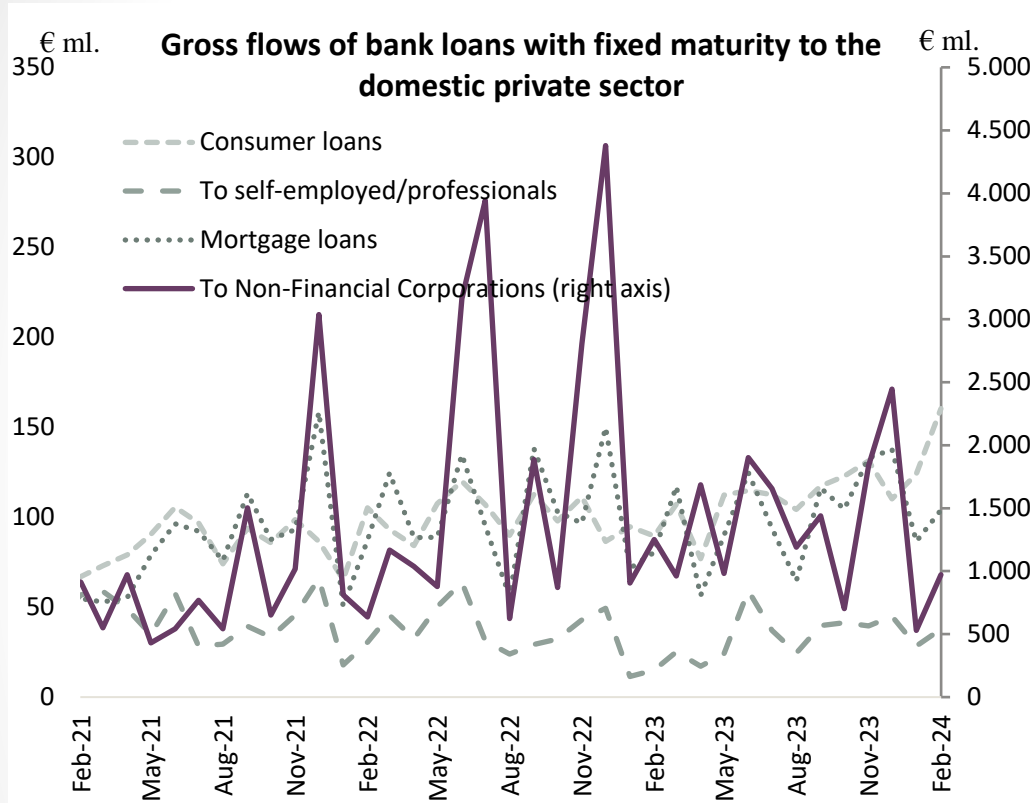
The cost of new funding for the private sector has increased since mid-2022, have stabilized around their peak since late 2023...



Source: ECB

...while for the public sector the cost has eased since mid-2022, mainly due to lowering spread with Euro Area peers affected by the sovereign's gradual recovery of investment grade rating.

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 amount of new bank credit to Non-Financial Corporations (NFCs) has decelerated during 2023, followed by a recovery in early 2024.
- Net funding towards households continues to shrink.
- The recovery of NFCs funding continues to be facilitated by the RRP implementation.

WRAP UP

Assessment (1)

Positive domestic trends in the short term

- Declining differential cost of financing, positive dynamics in tourism, improved business environment, fiscal performance exceeding targets
- Opportunity from the revised **Recovery and Resilience Fund** for investment and reforms

Key questions

- Will the **global environment** and developments in **Europe** favor or burden the Greek economy?
- Is the **qualitative upgrading of the economy**, with changes in its structure, sufficient to lead to a systematic increase in incomes in the medium term?

Risks in the global environment

- Geopolitical tensions and **war** without a clear path for de-escalation and resolution
- Pacing of **Western economies** under review, in view of the US and EU elections
- The resilience of the European economy is being tested: it is crucial that a **mix of policies** that will face and not shift problems be found. Monetary policy alone is not enough.

Assessment (2)

Domestic challenges

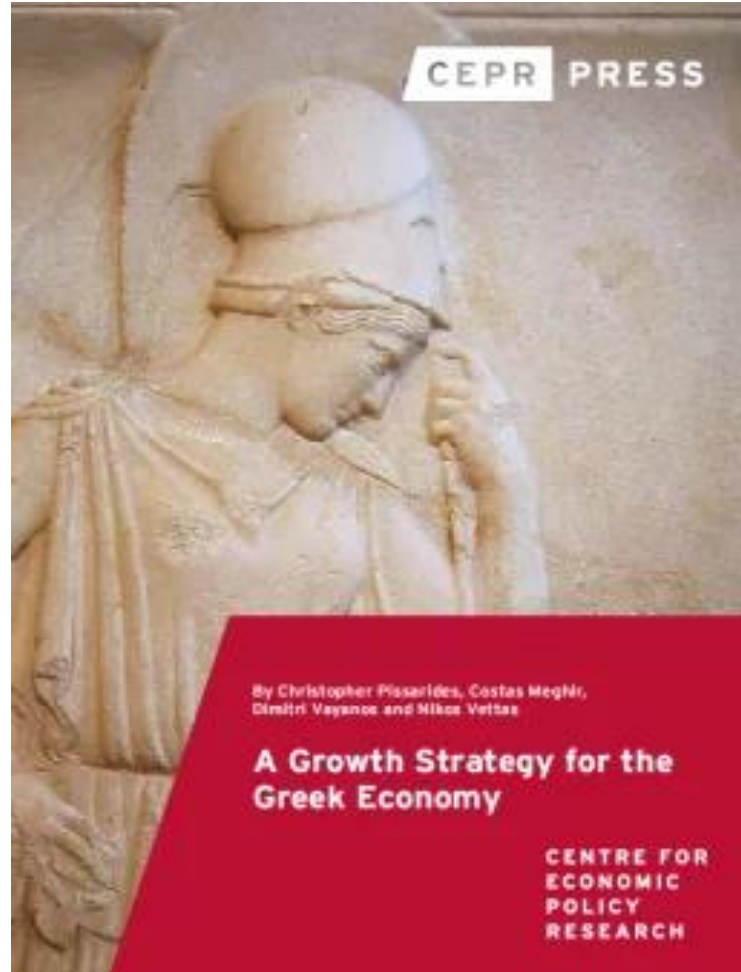
- Negative surprise from the **investment path** in 2023
- Fatigue in the **Labor market** and in **economic sentiment**
- Fiscal sustainability requires changes in the **fiscal policy mix**
- The **regulatory role of the state** is critical; mostly by ensuring healthy competition, less so by imposing complex and changing restrictions

Medium-term priorities for enhancing the productive base

- **Well-functioning labor market:** enhancement of participation incentives, effective training of the workforce
- **Productivity:** integration of new technologies, higher share of exports and investments
- **Reallocation of resources:** faster and more efficient resolution of non-performing loans in the economy
- **Innovation:** opening of the economy to new activities and entrepreneurship
- **Stability:** Transparency in market rules and drastic simplification of procedures in the public sector

Growth 'plan'

- [Pissarides report](#) (committee Chaired by Sir Christopher Pissarides, LSE, 2010 Nobel Prize).





Bulletin of Trends in the Greek Industry Sector (January 2023)

Monthly bulletin of trends in the Greek industry sector...
[Read more...](#)

Compensation cost indicators of long-term hospital insurance programmes for 2021

The scope of this study is to estimate indicators for monitoring the compensation cost of personal hospital insurance programmes. These indicators exclusively concern guaranteed renewable programmes. They measure the annual percentage changes of the average expenditure of the health insurance market as a whole. The study is

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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](#)



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FEBRUARY **Business and Consumer Surveys**

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Next report of Business and Consumer Surveys concerning January results, will be released on February 1, 2023.

