

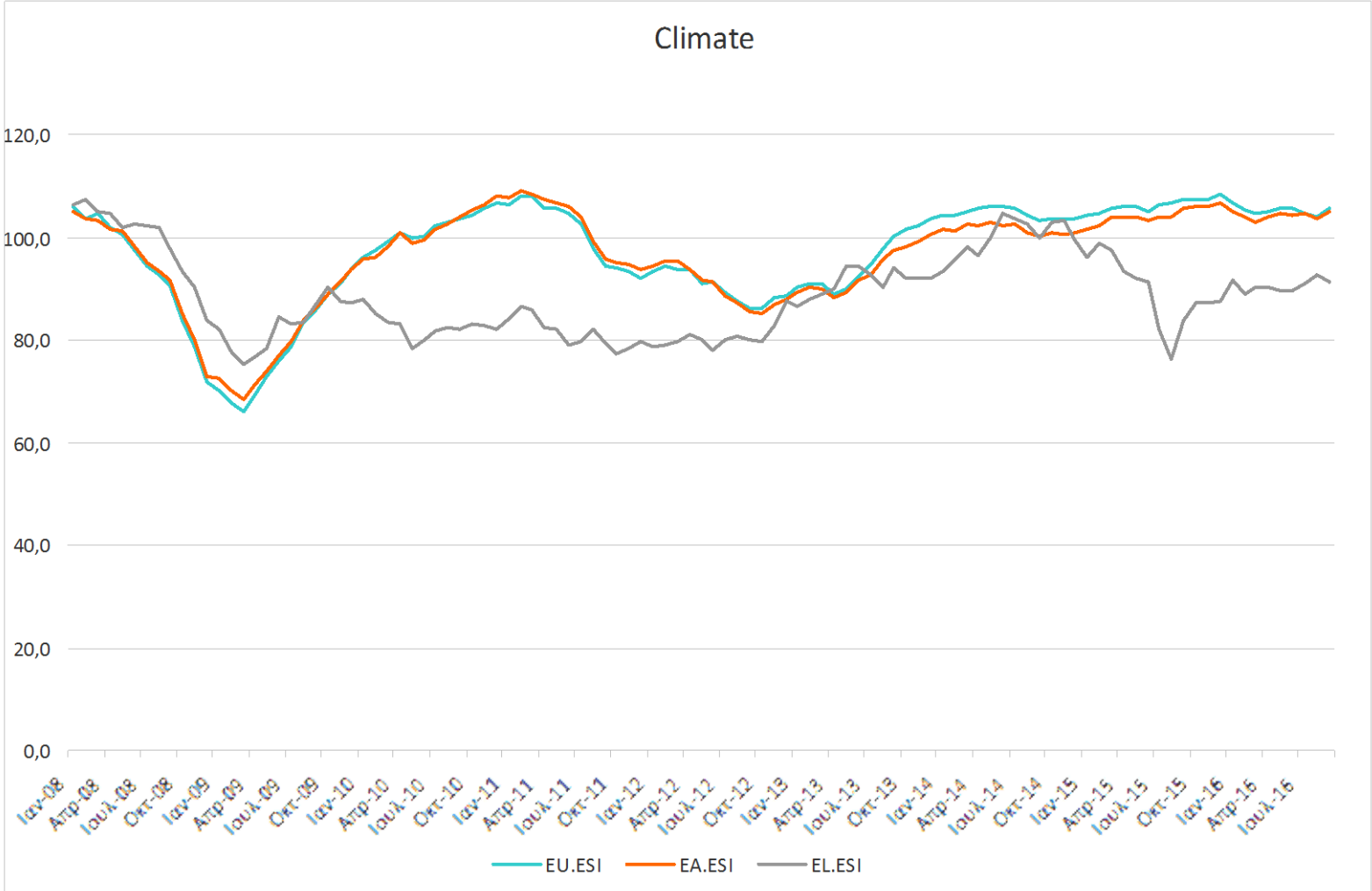
Myths and trends: The Greek crisis and the external environment

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The environment: trends in the western economies

- Lower rate of productivity increase – post 2000 world
- Private and public debt dynamics
- Technology and globalization: Widening gap between incomes within countries
- Politics: blame-game within and across countries

Greek economy

- “Consumes too much and invests too little”?
- “Public sector too large”?
- Economy not open/innovative enough (low productivity and competitiveness)
- Too dependent on the State (esp. indirectly)
- 2016 and 2017 numbers?
- Wrong direction?
- Institutions?

Post 2010 policies: successes and failures

- ❑ Significant success in the areas of government budget and balance of payments ('twin deficits').
- ❑ Very weak performance for investments and exports.
- ❑ The economy has adjusted via an extremely deep recession.
- ❑ Increase in competitiveness mainly via a reduction in labor unit cost.
- ❑ Lack of political support and social consensus for structural reforms.
- ❑ Public sector has shrunk but still huge administrative burden.

Key Macroeconomic and Financial Figures

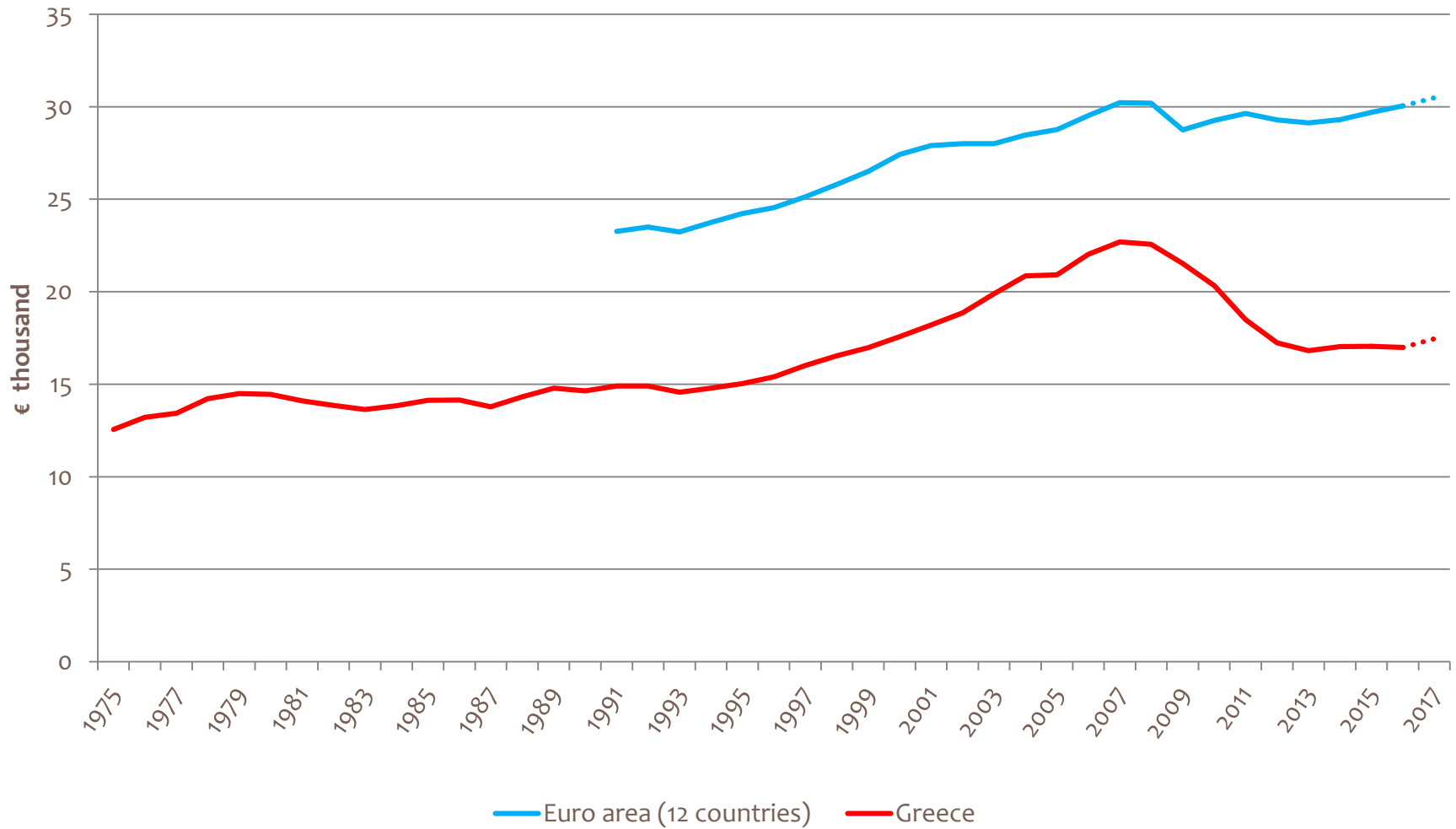
Key Macroeconomic Figures	2009	2013	2014	2015	2016	2016*
GDP	-3.1	-3.2	0.7	-0.2	-0.3	-0.4
Unemployment	9.5	27.5	26.5	24.9	24.7	23.9
General Government Balance ¹	-15.6	-12.4	-3.6	-7.2	-3.1	-3.0
Current Account Balance	-14.4	-2.2	-3.0	-0.2	0.6	-0.3
Harmonized Inflation	1.3	-0.9	-1.4	-1.1	-0.3	0.0
Gross Fixed Capital Formation	-13.7	-9.4	-2.8	0.7	-0.9	-1.1

¹Including State aid to the banking sector on the deficit

* IOBE projections

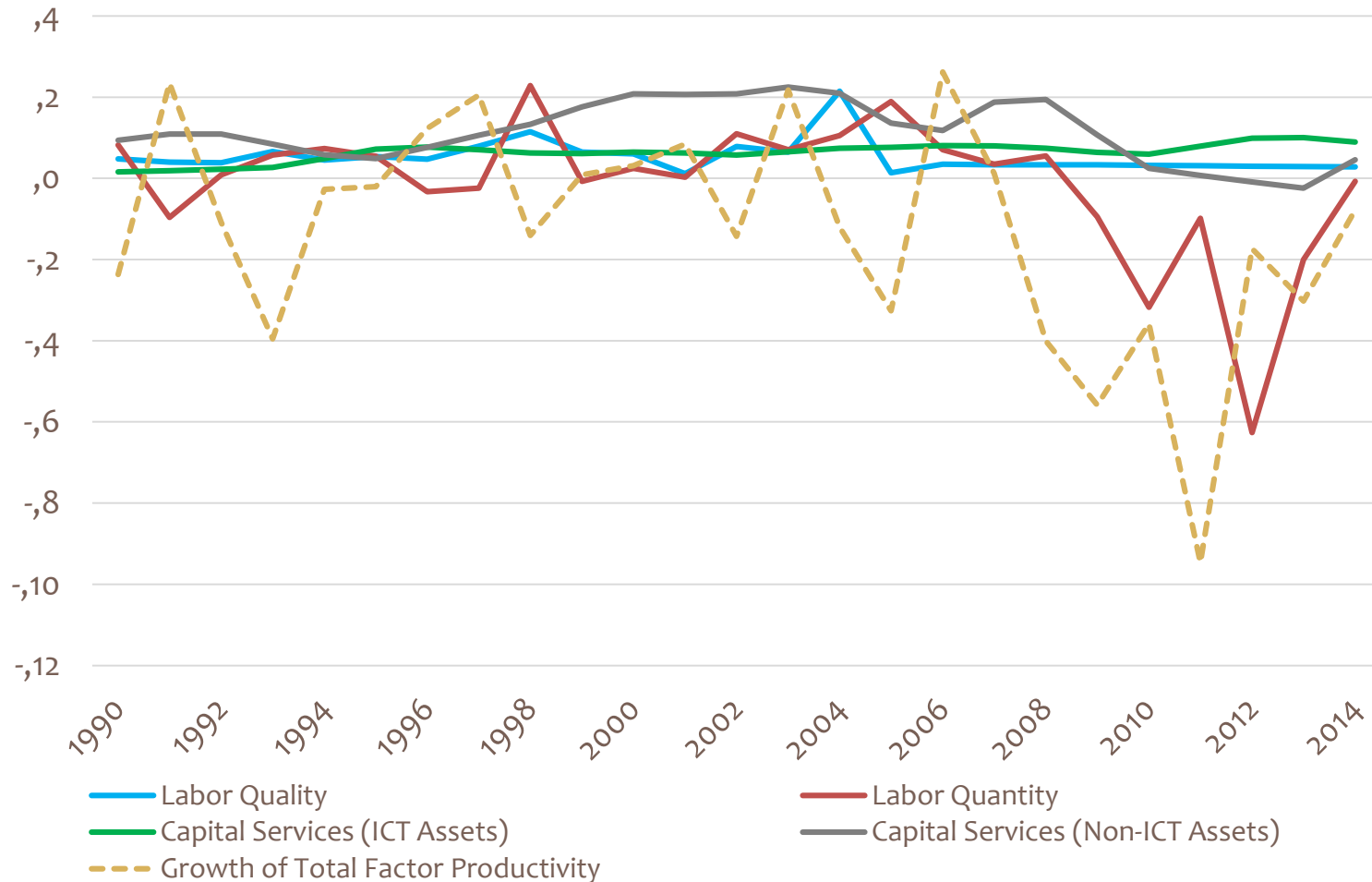
Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

GDP per capita



Source : AMECO

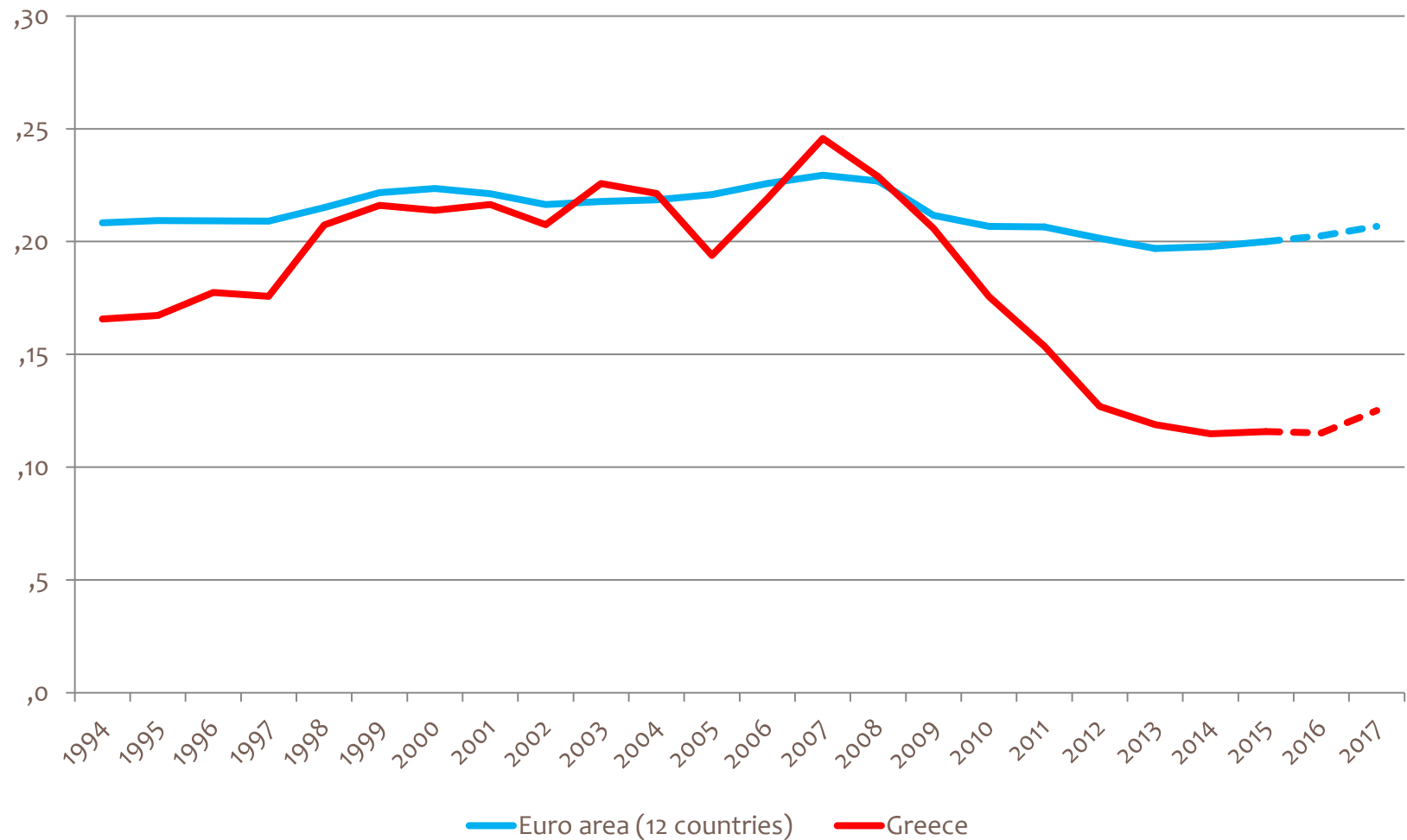
Determinants of GDP change in Greece



Source: The Conference Board Growth and Total Factor Productivity database

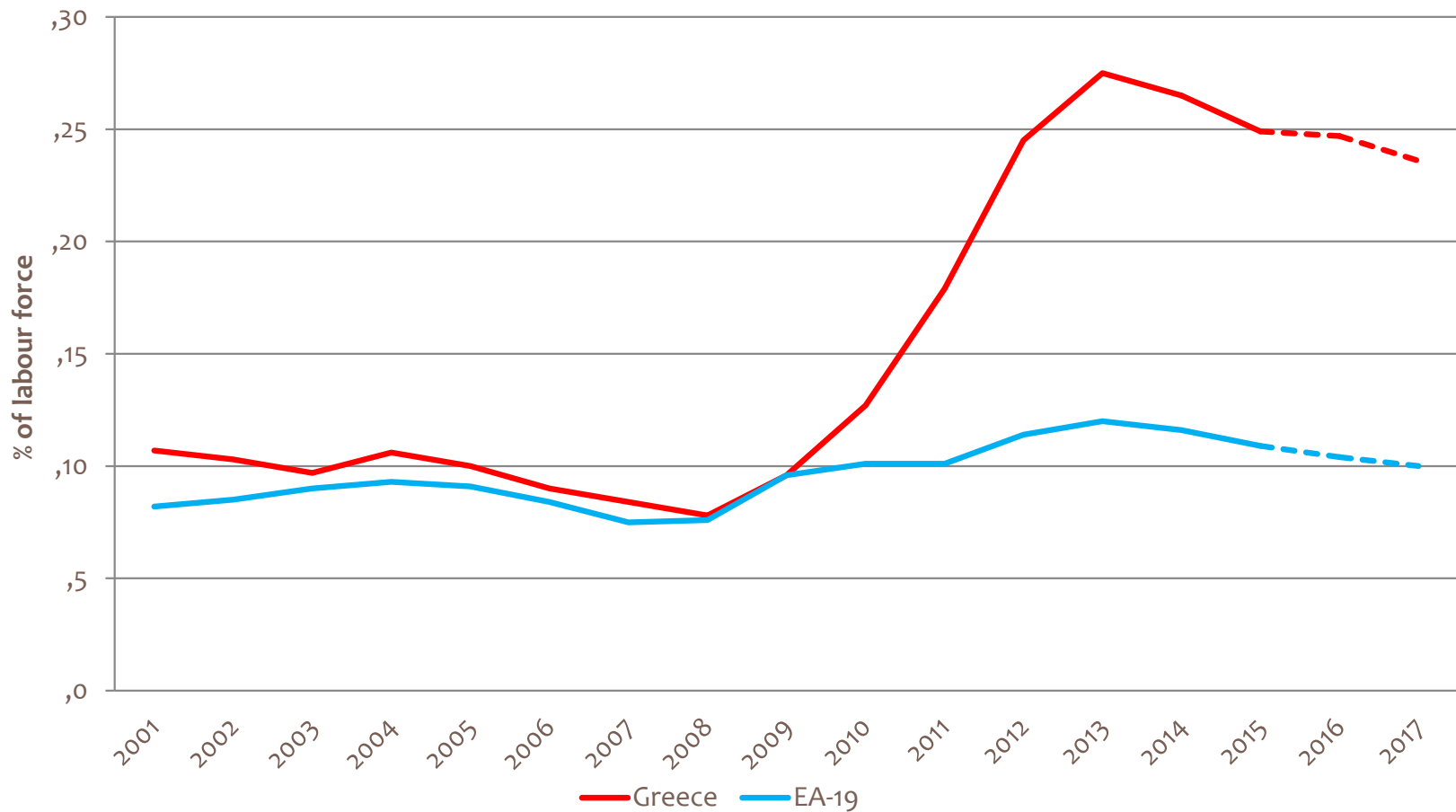
Investments

Gross Fixed Capital Formation (% of GDP)



Source: AMECO

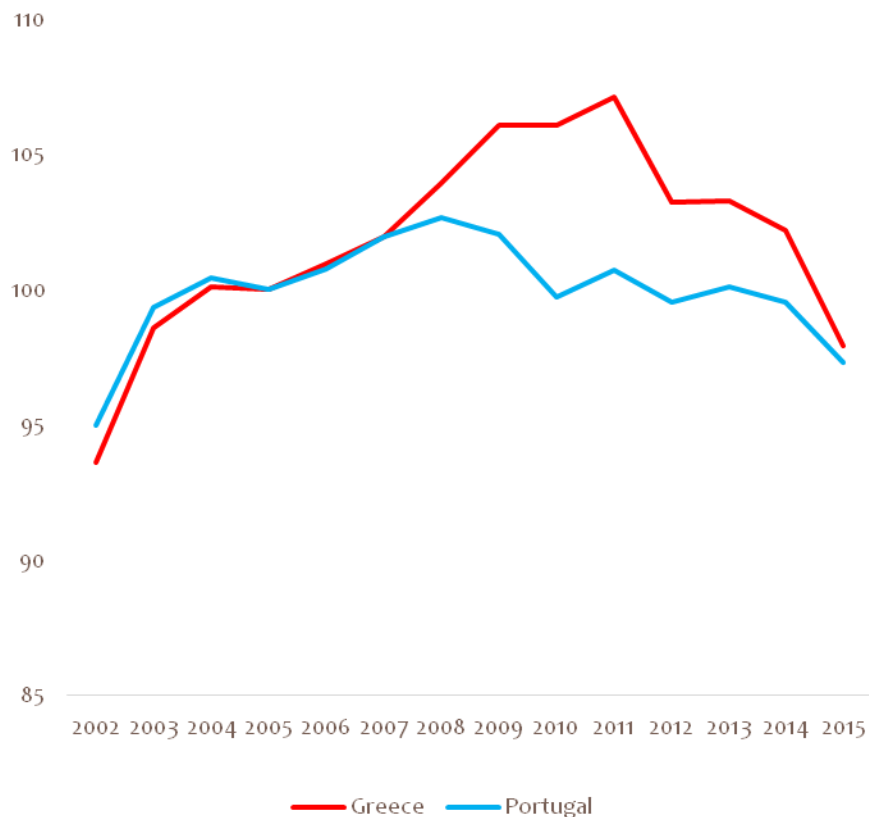
Unemployment



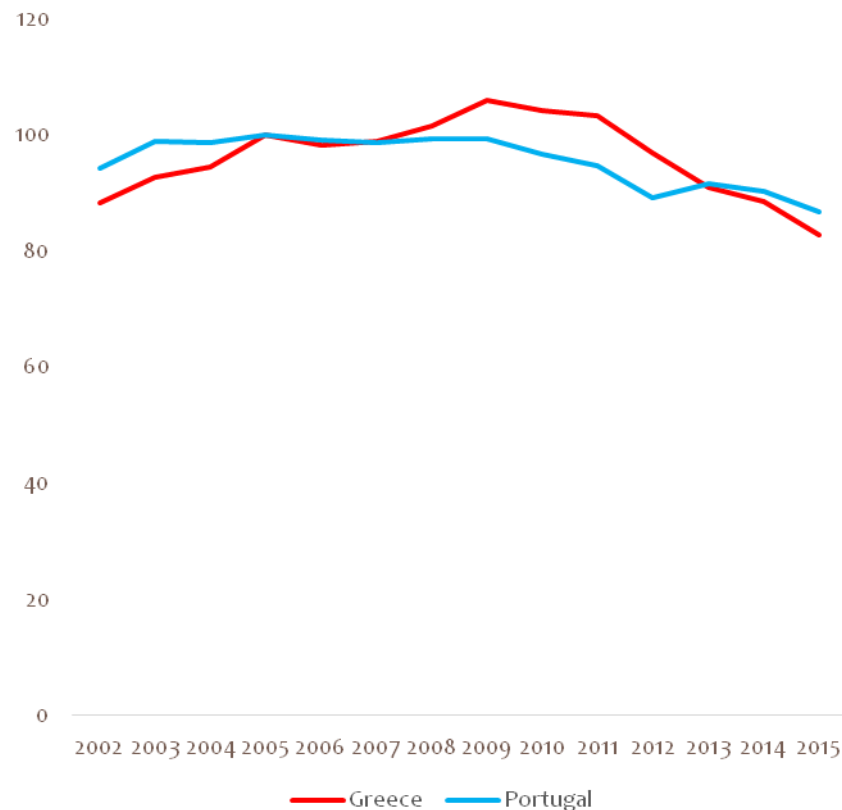
Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

Real effective exchange rate

Real Effective Exchange Rate (CPI), 2005=100



Real Effective Exchange Rate (ULC), 2005=100

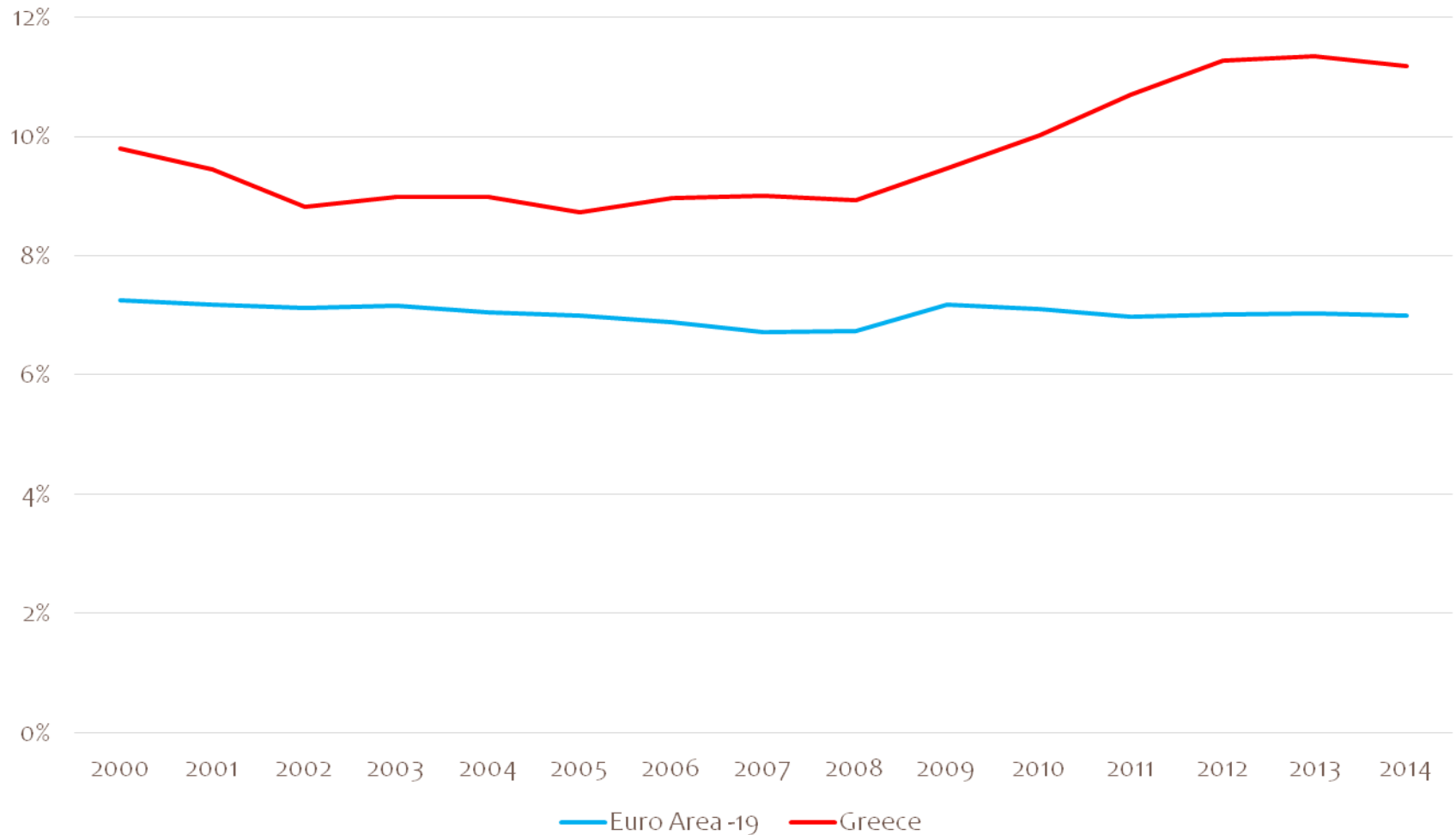


Source: Eurostat

Real Effective Exchange Rate (deflator: CPI - against 37 trading partners)

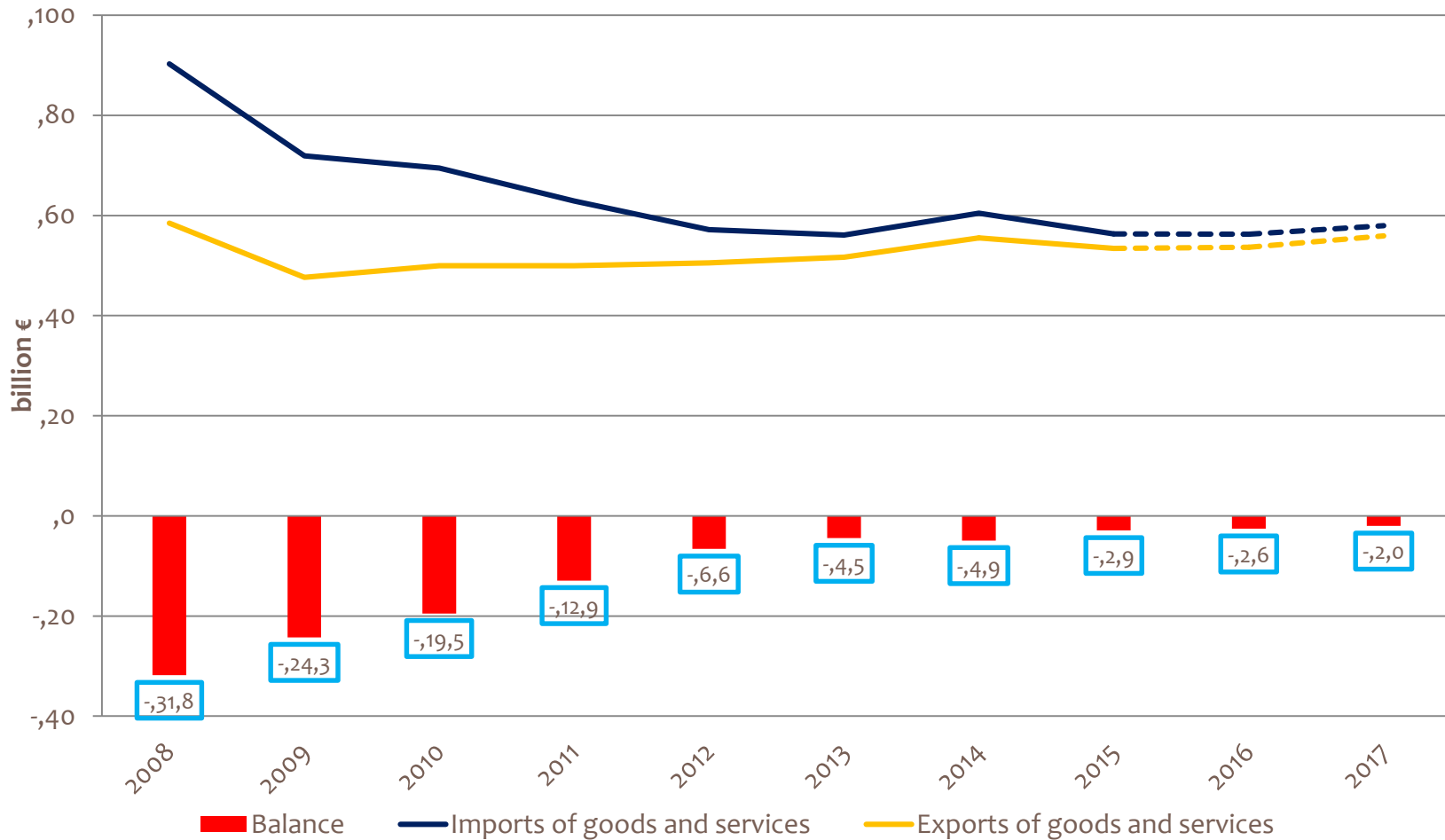
Real Effective Exchange Rate (deflator: unit labor costs in total economy - against 37 trading partners)

Gross value added of Public Sector (% of GDP)



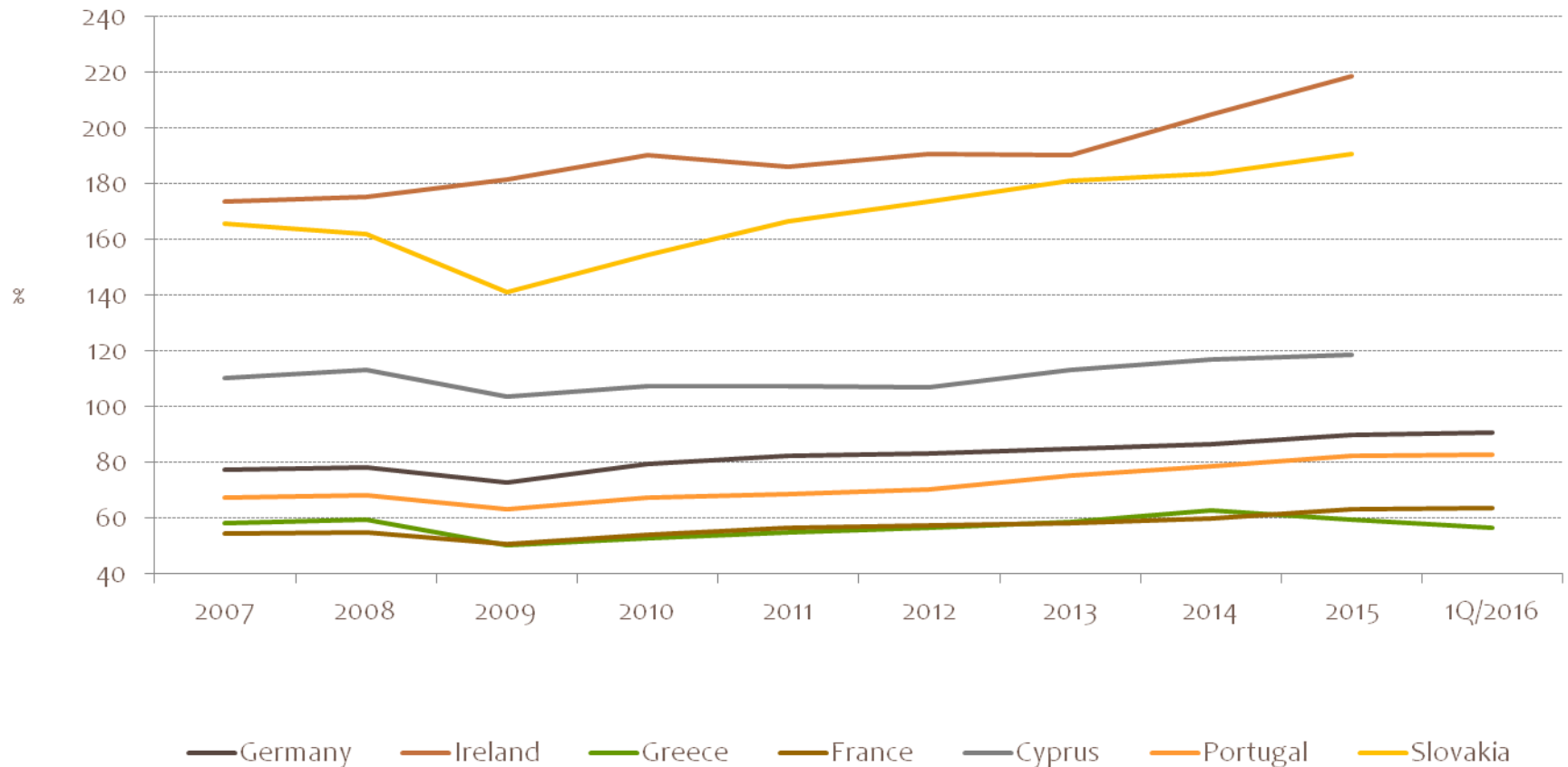
Source: Eurostat

Trade balance (Goods and Services)



Sources: ELSTAT/European Economic Forecast, spring 2016, European Commission

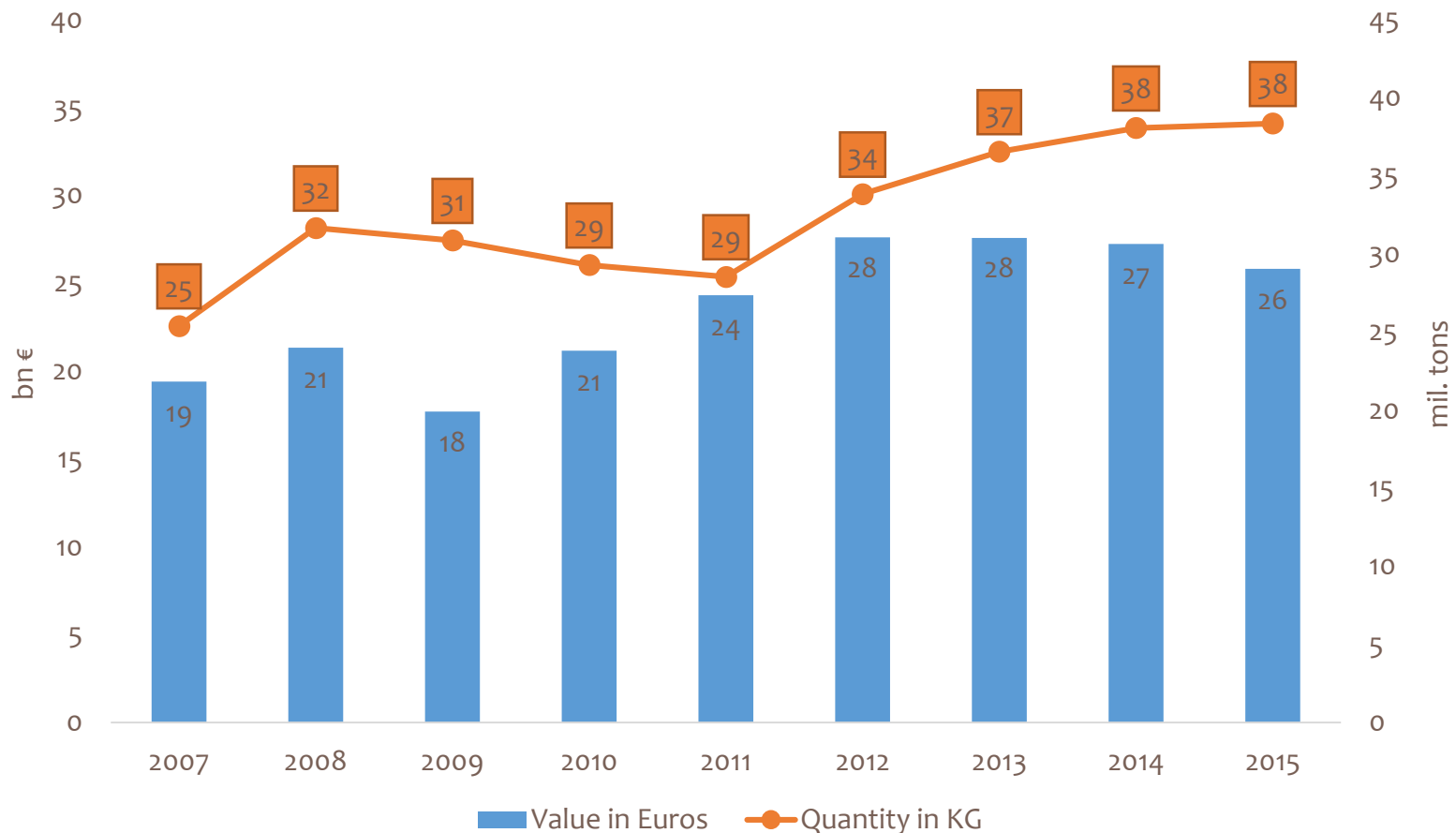
Openness of Economy (X+M/GDP)



* (Exports + Imports)/GDP

Source: Eurostat

Value vs. Volume of Exports

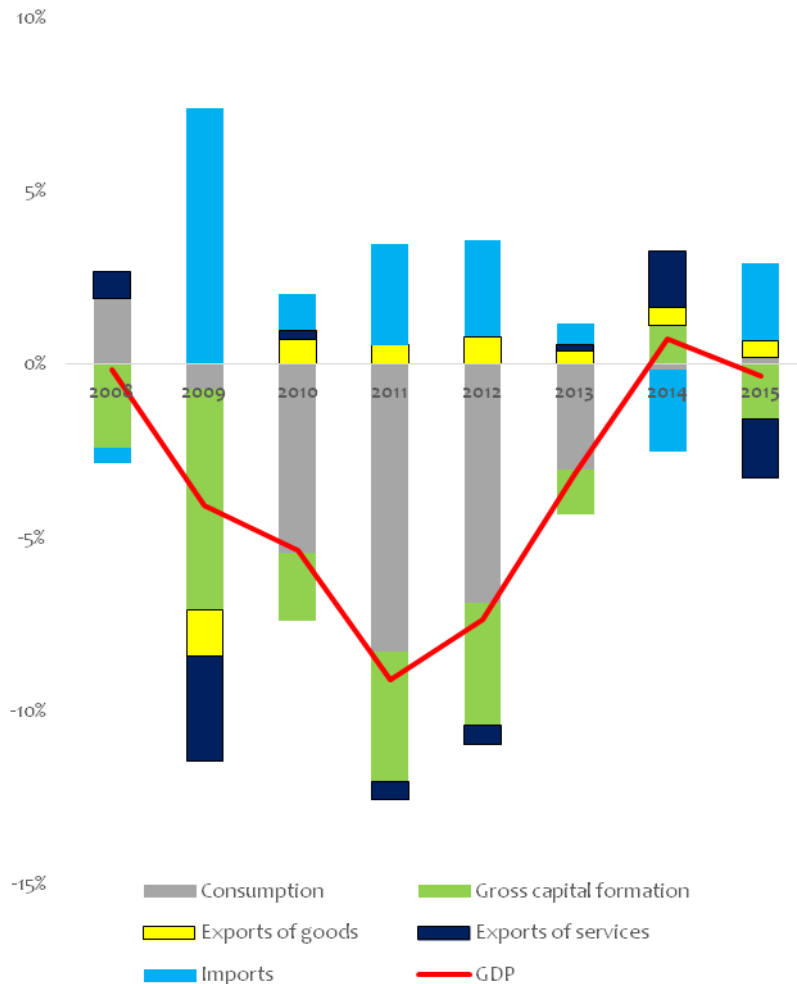


Source: Eurostat

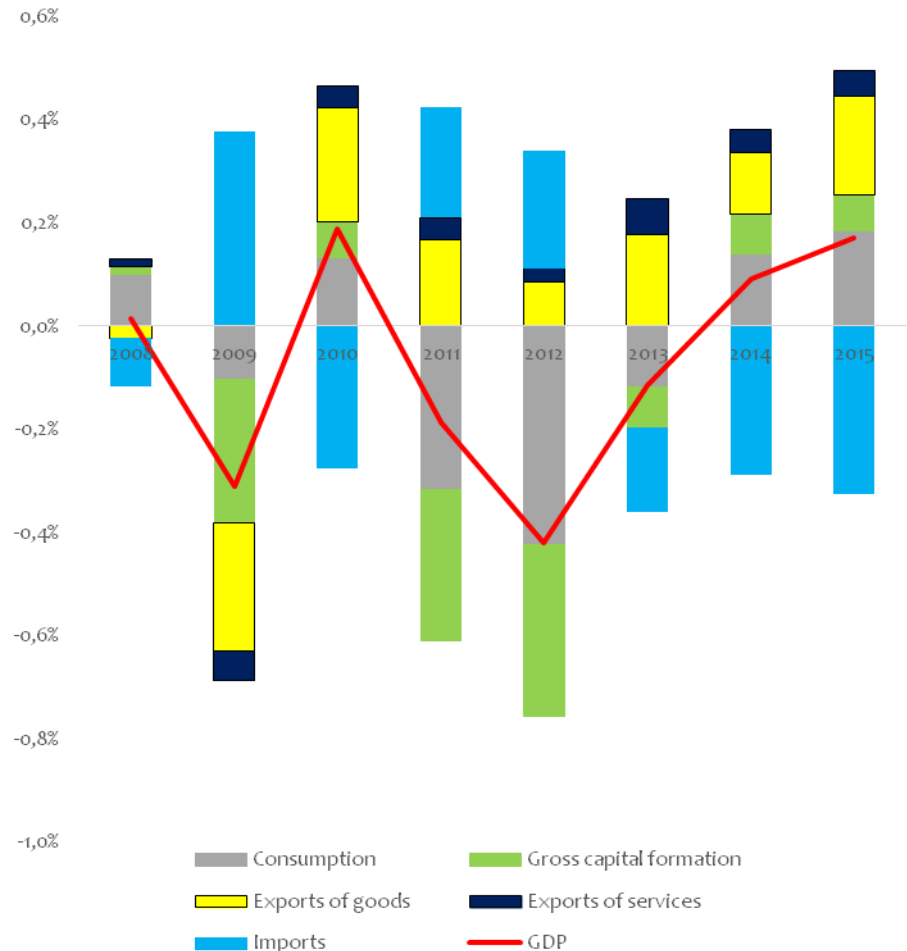
- Change of the value of exports, 2007-2015: +33%
- Change of the volume of exports, 2007-2015: +51%

Weak contribution of exports to GDP

GDP components (% change) - Greece

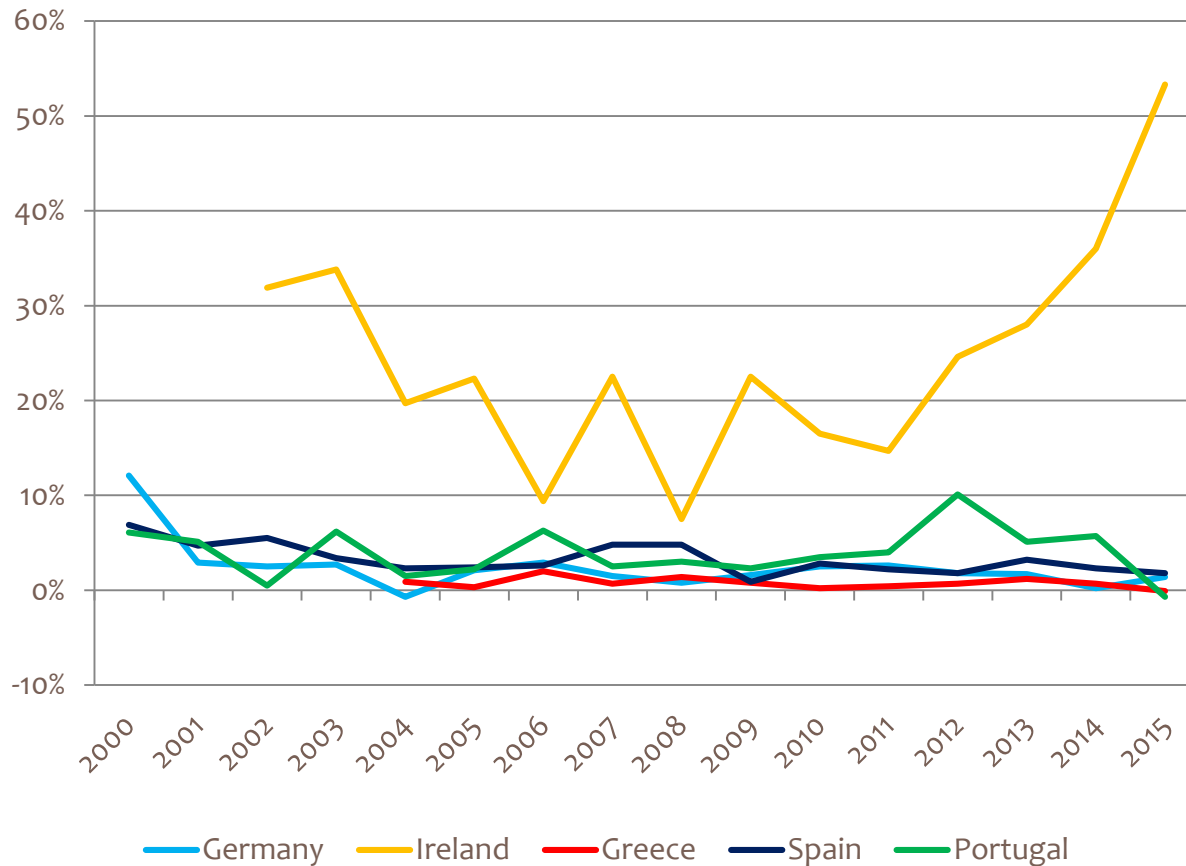


GDP components (% changes) - Portugal



Source: Eurostat

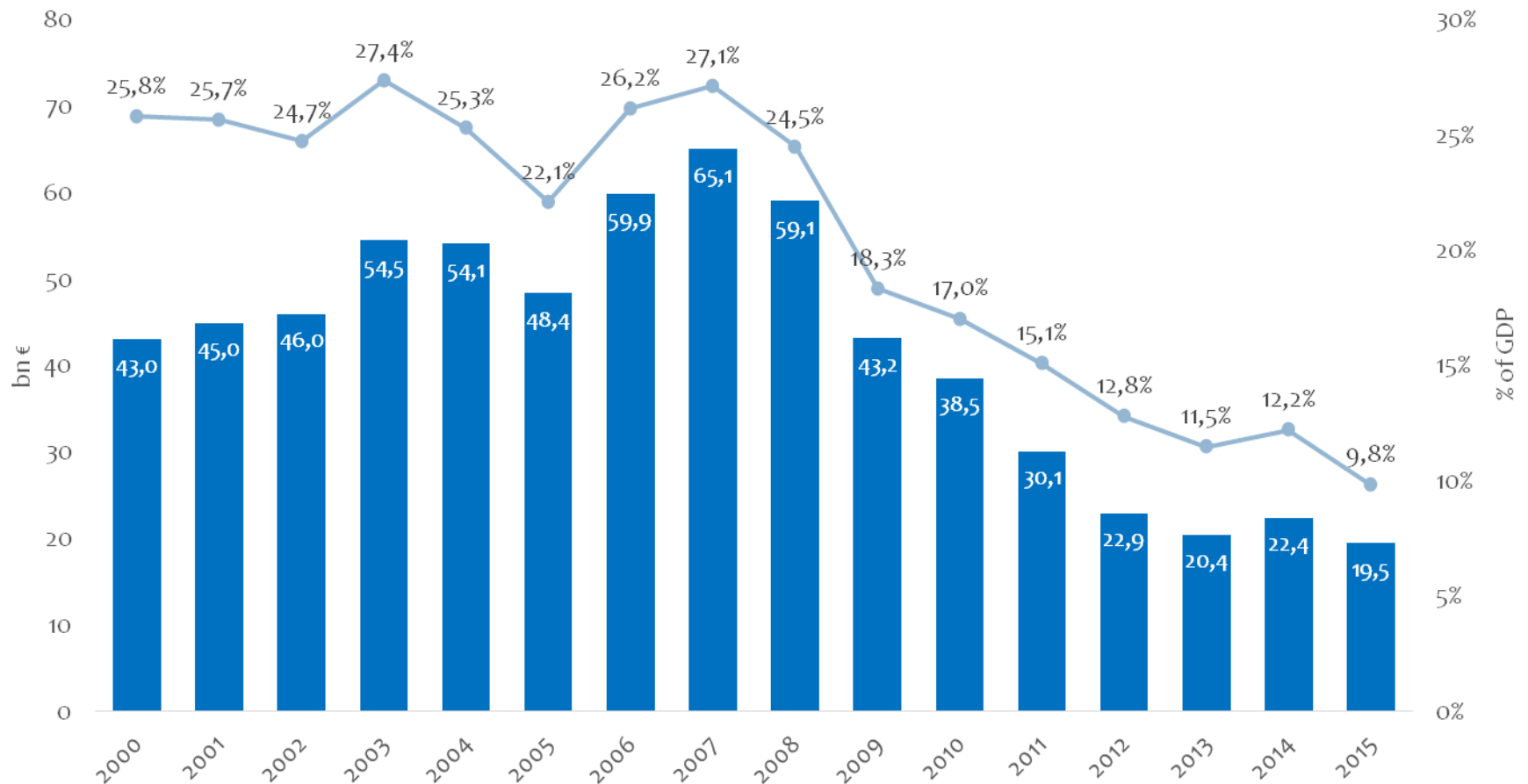
Foreign Direct Investment (% of GDP)



FDI as a % of GDP		
	2000-2008	2009-2015
Germany	3.0%	1.7%
Ireland	21.0%	27.9%
Greece	1.1%	0.6%
Spain	4.2%	2.1%
Portugal	3.7%	4.3%

Source: Eurostat

Investment

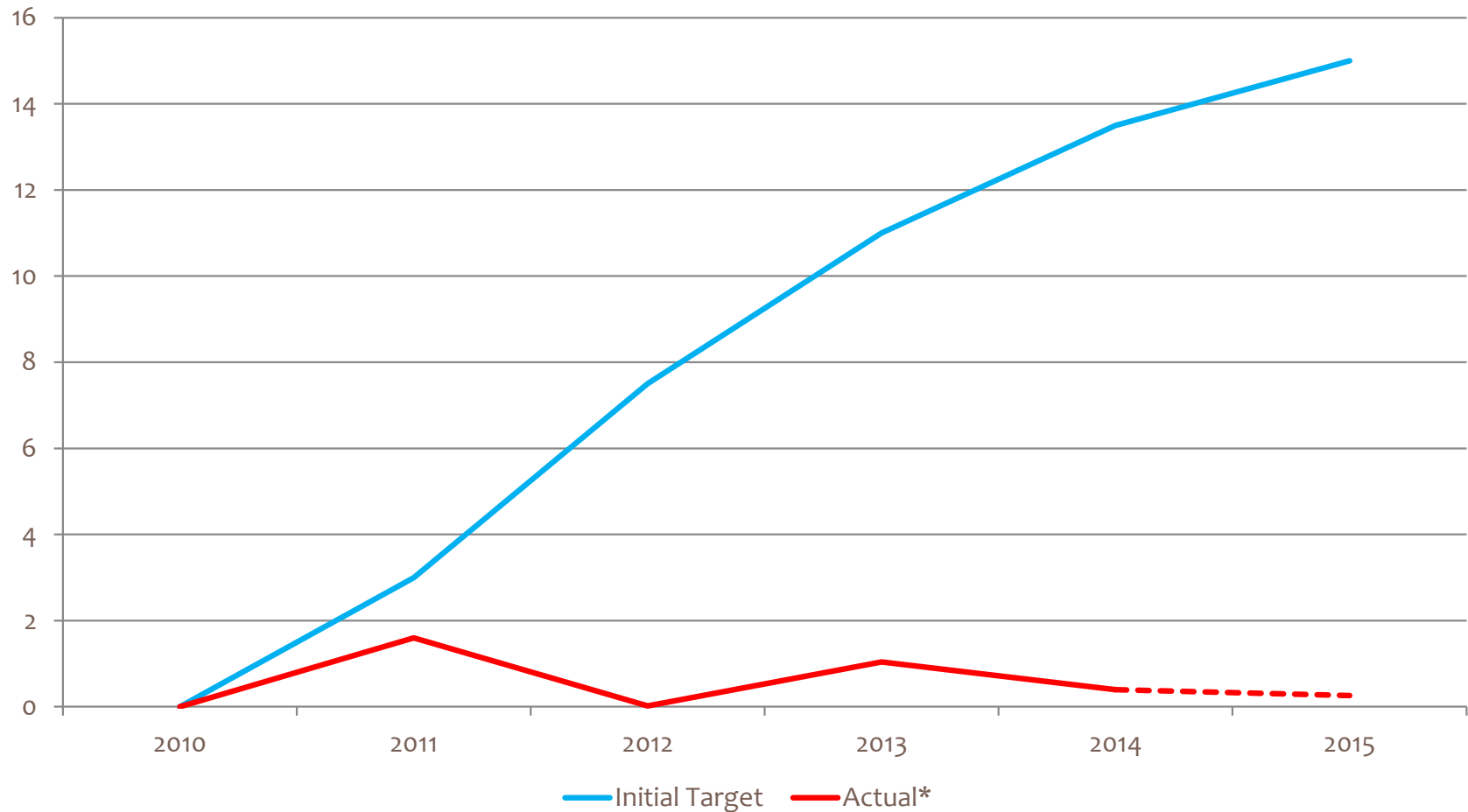


Source: Eurostat

AVG 2010-2015:

- Greece 13.1%
- Portugal: 16.8%

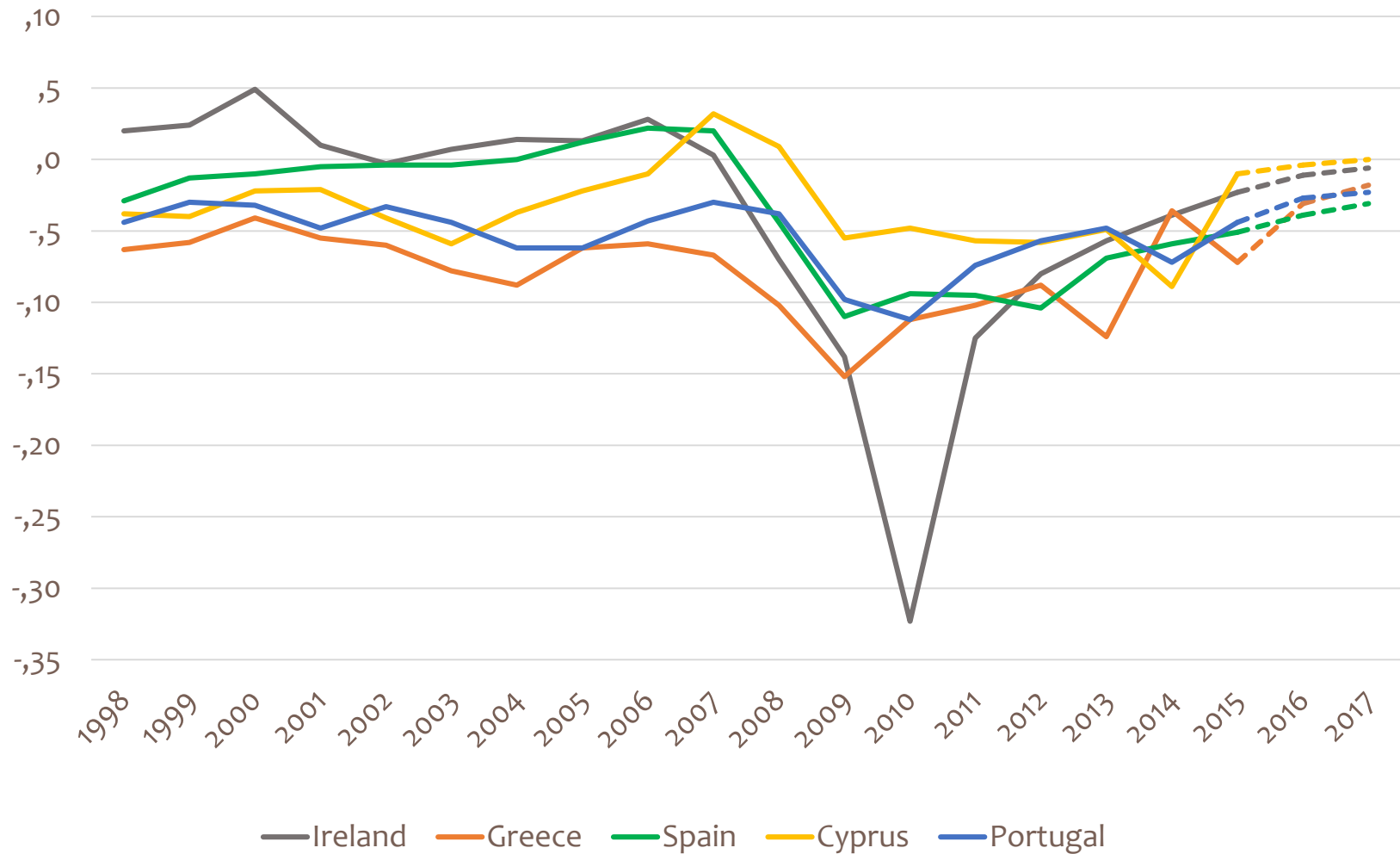
Privatization Receipts per annum (€ bn)



*Forecasts for 2015, 2016 Budget, November 2015, Ministry of Finance

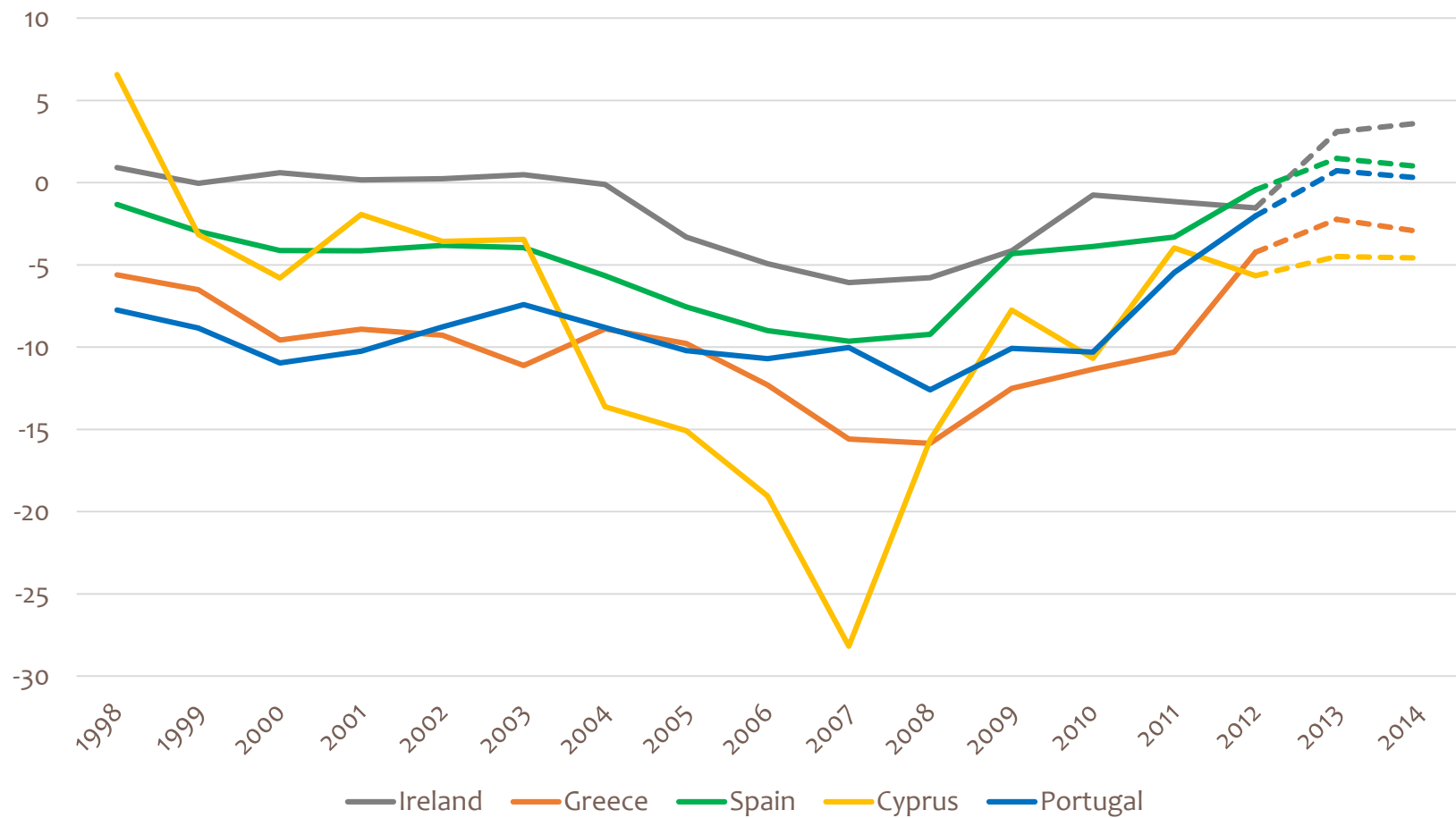
•Sources: 1) Targets: Greece, Fourth Review Under the Stand-by Arrangement, IMF, July 2011 2) Actual 2011-2012: Medium-Term Fiscal Strategy Framework 2015-2018, Ministry of Finance, April 2014 3) Actual 2013-2014: 2016 Budget, November 2015, Ministry of Finance

Budget Balance Eurozone periphery (% of GDP)



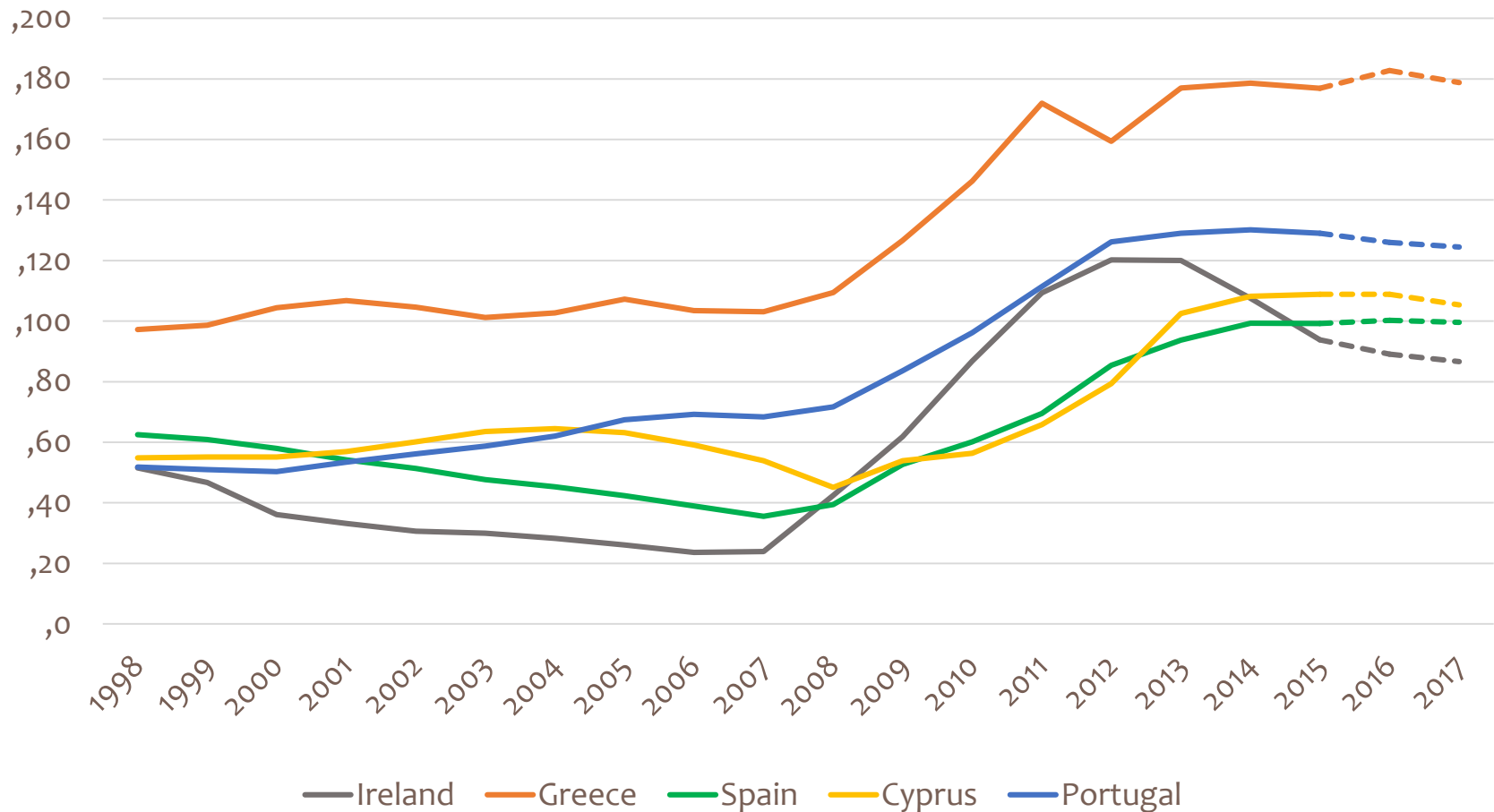
Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

Current account balance – Eurozone periphery (% of GDP)



Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

Government Debt – Eurozone periphery (% GDP)



Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

Greek economy prospects

- Positive scenario: increasing consensus and clarity, investment and openness, gradual shift to a new growth model, positive interaction with EU environment.
- Negative scenario: lack of willingness or ability to implement reforms, low liquidity and investment, lingering uncertainty, negative external effects. [Risks: (1) political (2) banks (3) Europe]
- Uncertainty is still the key ingredient ; policy credibility.
- Euro-zone participation as the central 'structural reform'.
- New policy mix; 'trading off' reforms for debt relief

Forthcoming book

Beyond Austerity: Reforming the Greek Economy

Forthcoming, MIT Press, Spring 2017

In Greek: to be released just afterwards

Editors:

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