

# Greece: macroeconomic trends and business environment

Nikos Vettas

General Director of IOBE

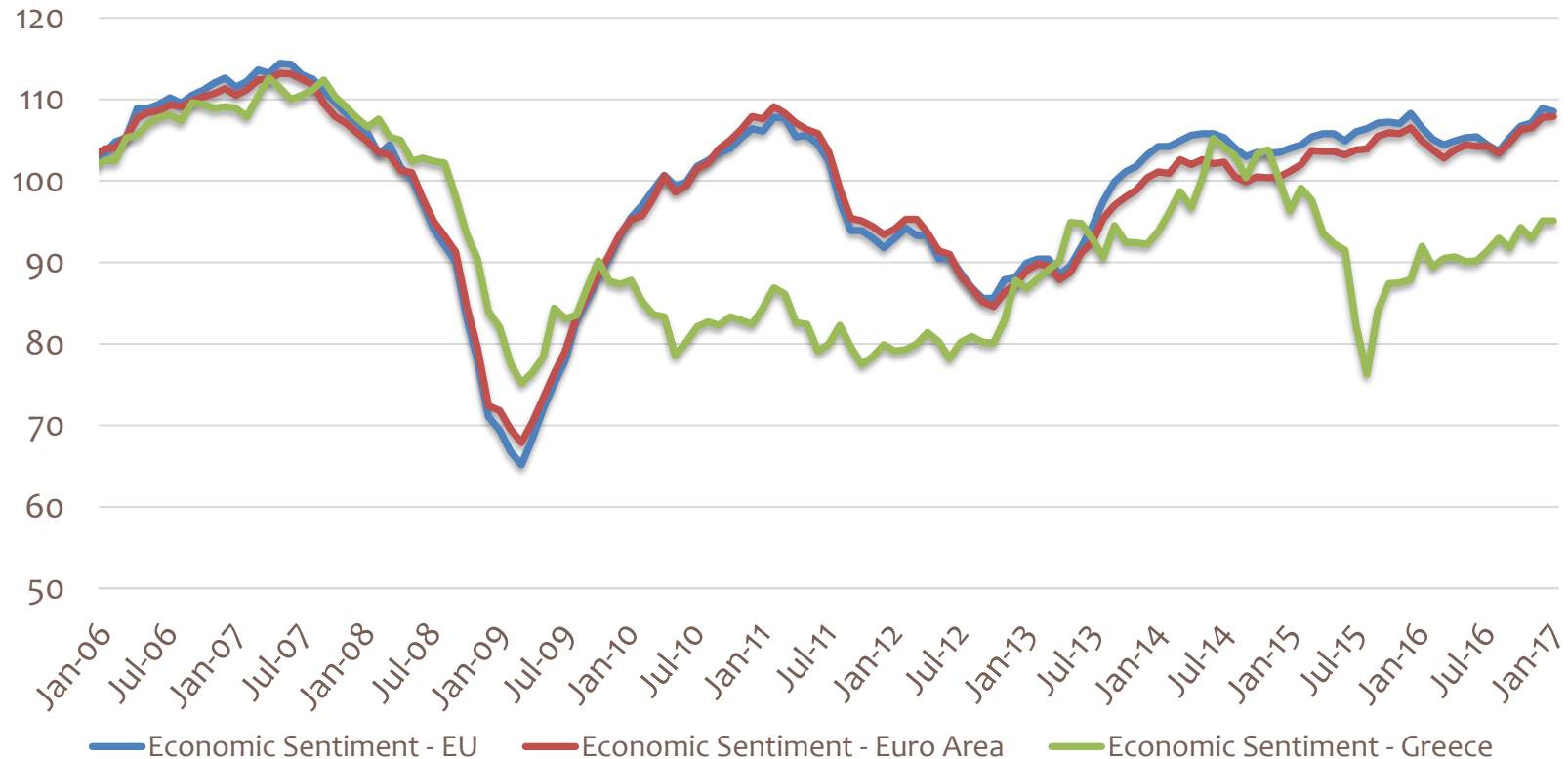
Professor, Athens University of Economics and Business  
([vettas@iobe.gr](mailto:vettas@iobe.gr), [www.iobe.gr](http://www.iobe.gr), <http://www.aueb.gr/users/vettas>)

11<sup>th</sup> IFIAR Inspection Workshop

Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)

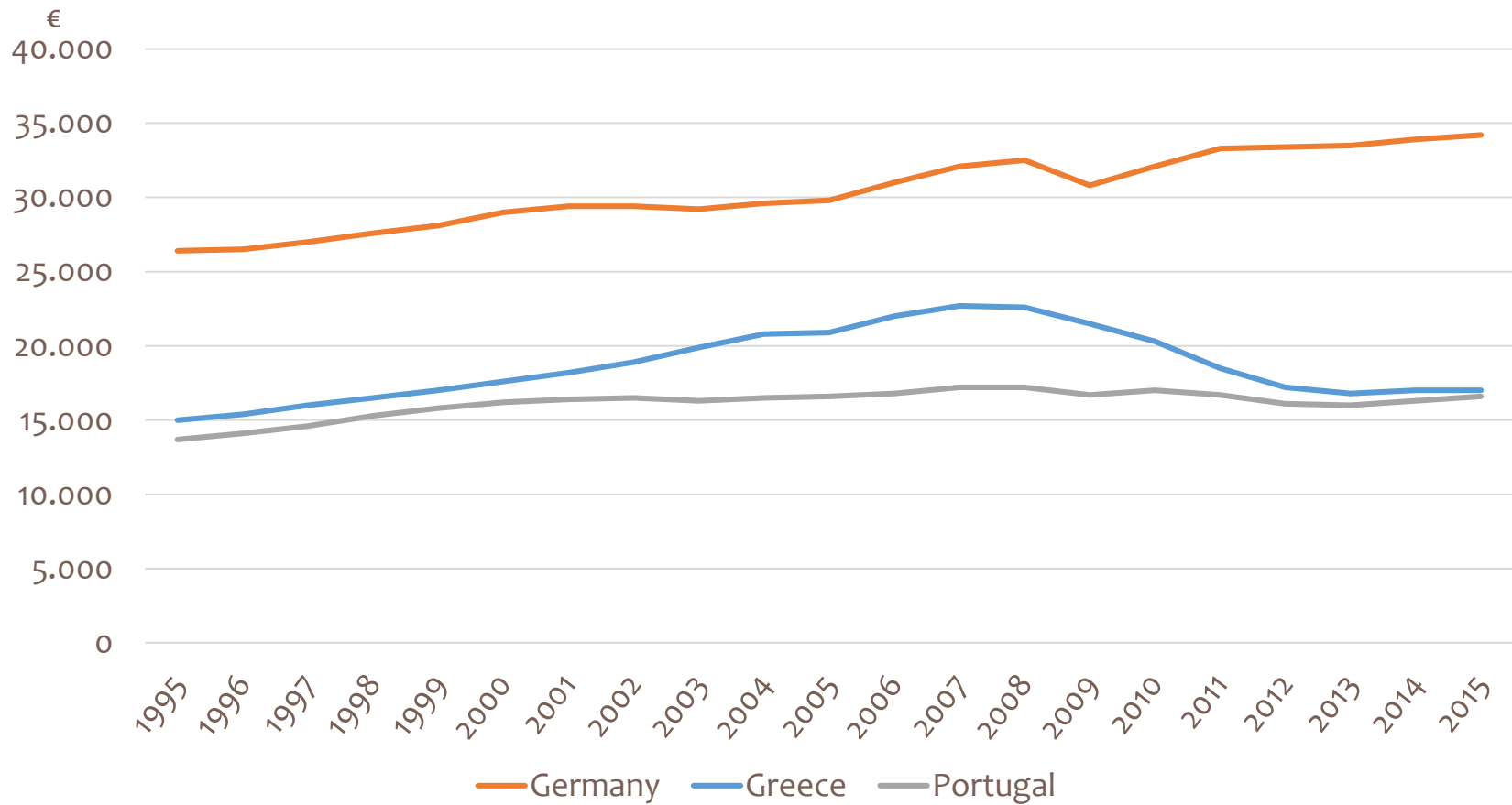
Athens, February 8<sup>th</sup>, 2017

# Economic Sentiment Indicator ([www.iobe.gr](http://www.iobe.gr))



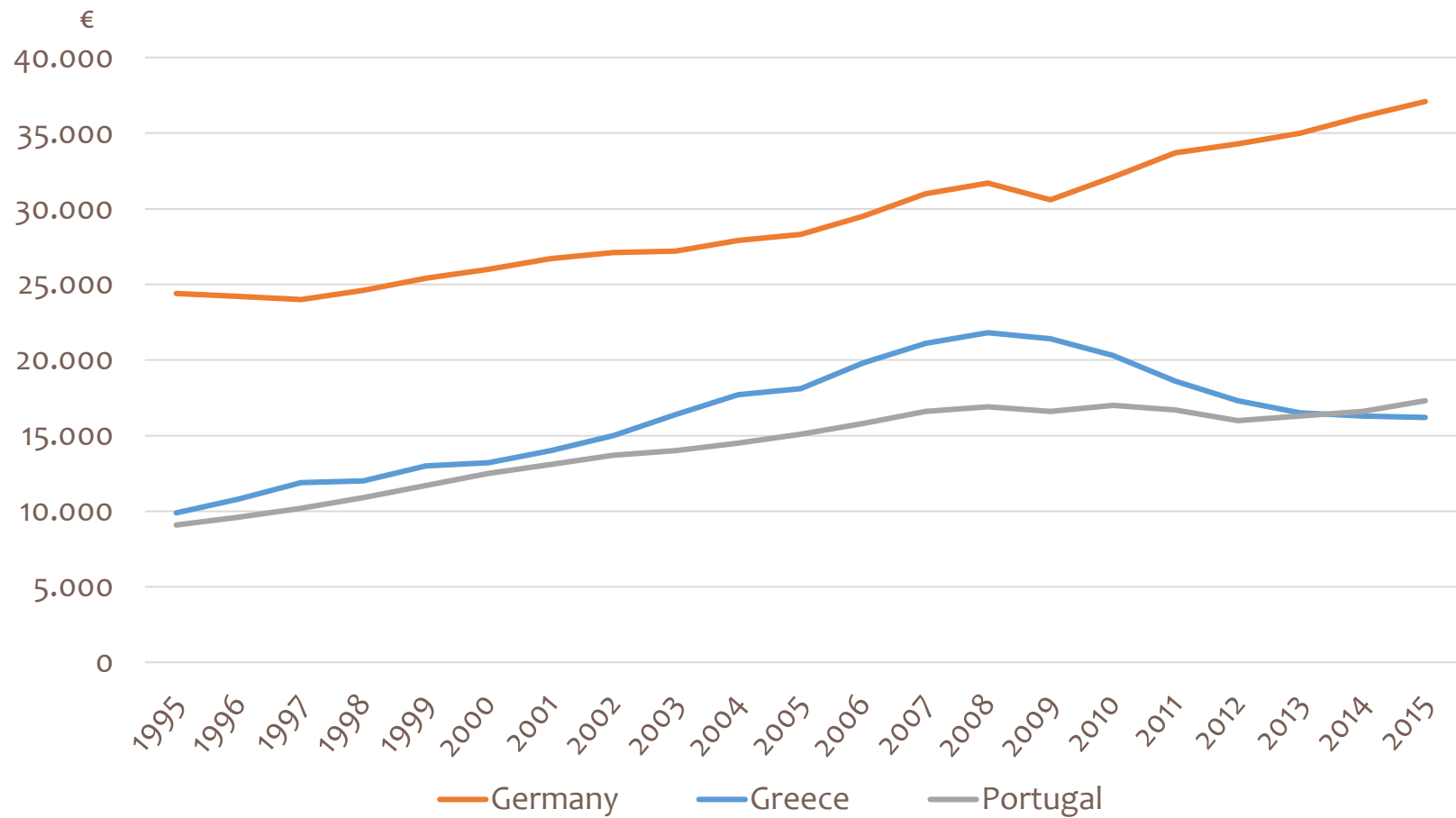
Sources: IOBE / DG ECFIN, European Commission

# GDP per capita, 2010 prices



Source: Eurostat

# GDP per capita, current prices



Source: Eurostat

# Key Macroeconomic and Financial Figures

Key Macroeconomic Figures	2009	2014	2015	2016*	2017*
GDP	-3.1	0.7	-0.2	0.4	1.8
Unemployment	9.5	26.5	24.9	23.4	22.3
General Government Balance <sup>1</sup>	-15.6	-3.6	-7.5	-2.0	-1.0
Current Account Balance	-14.4	-3.0	0.0	-0.1	-1.2
Harmonised Inflation	1.3	-1.4	-1.1	-0.8	1.3
Gross Fixed Capital Formation	-13.7	-2.8	-0.2	7.5	11.0

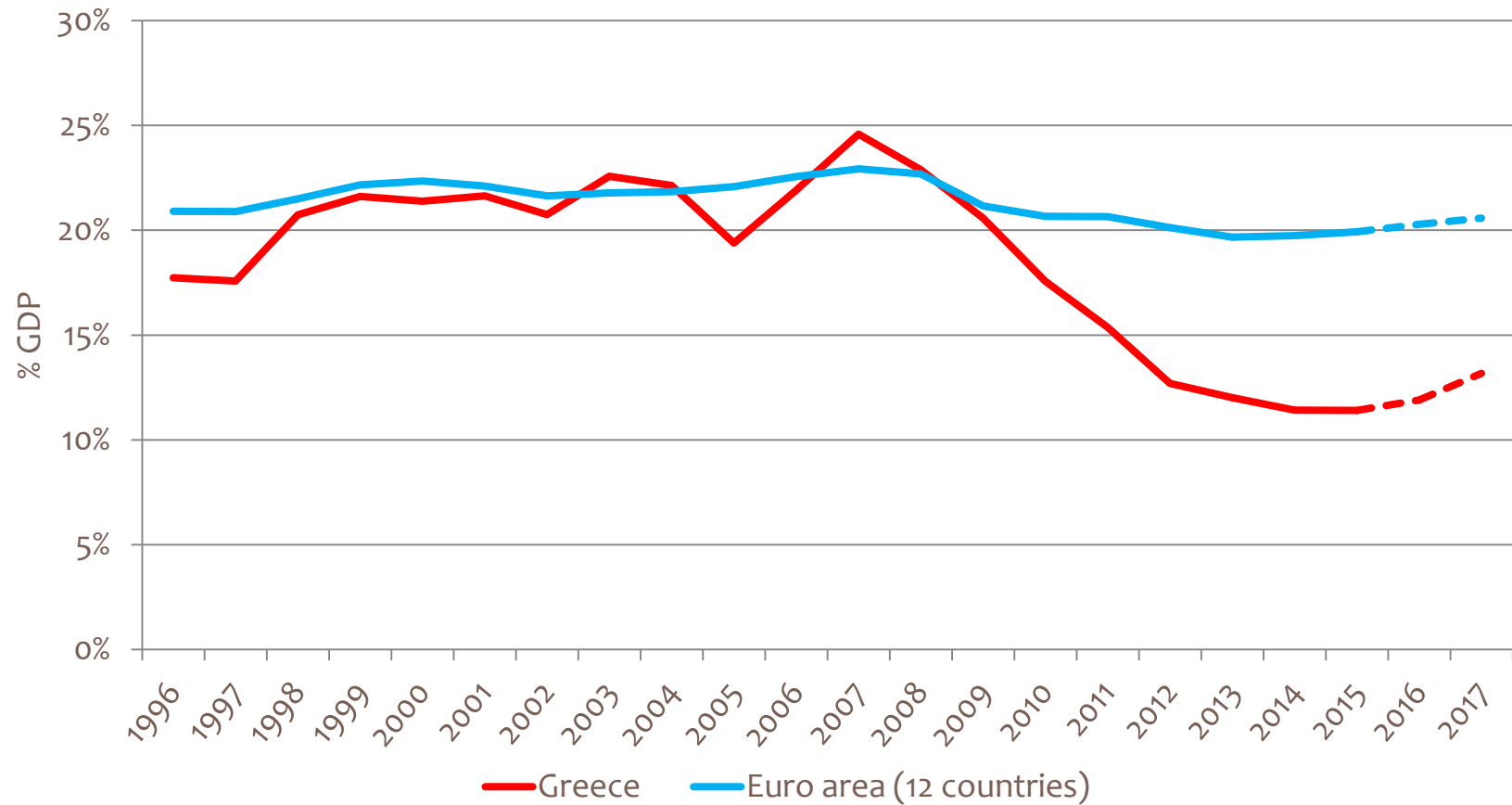
<sup>1</sup>Including State aid to the banking sector on the deficit

\* FEIR/IOBE forecasts

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

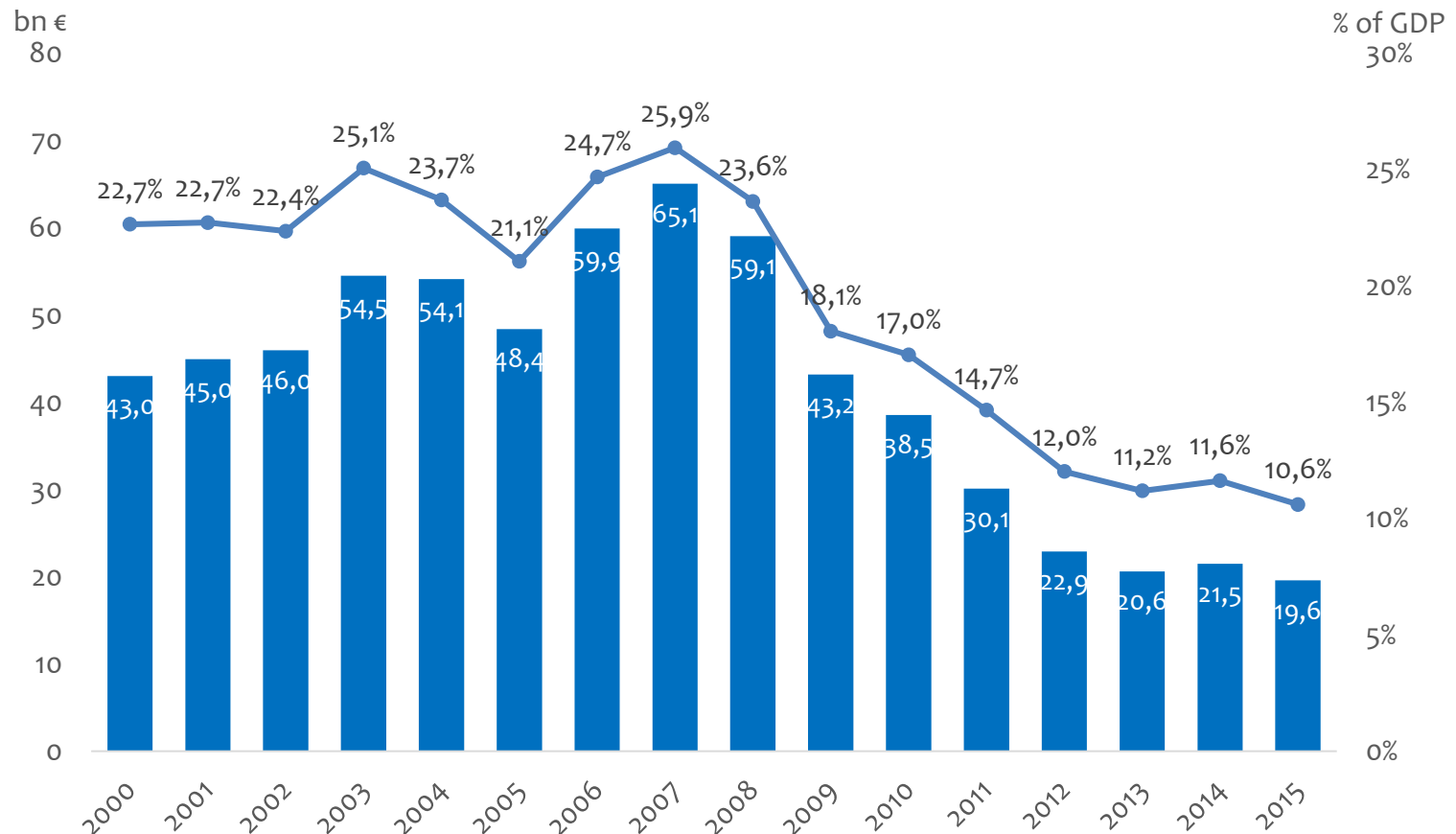
# Investment – Greece and the Euro area

## Gross fixed capital formation



Source: AMECO

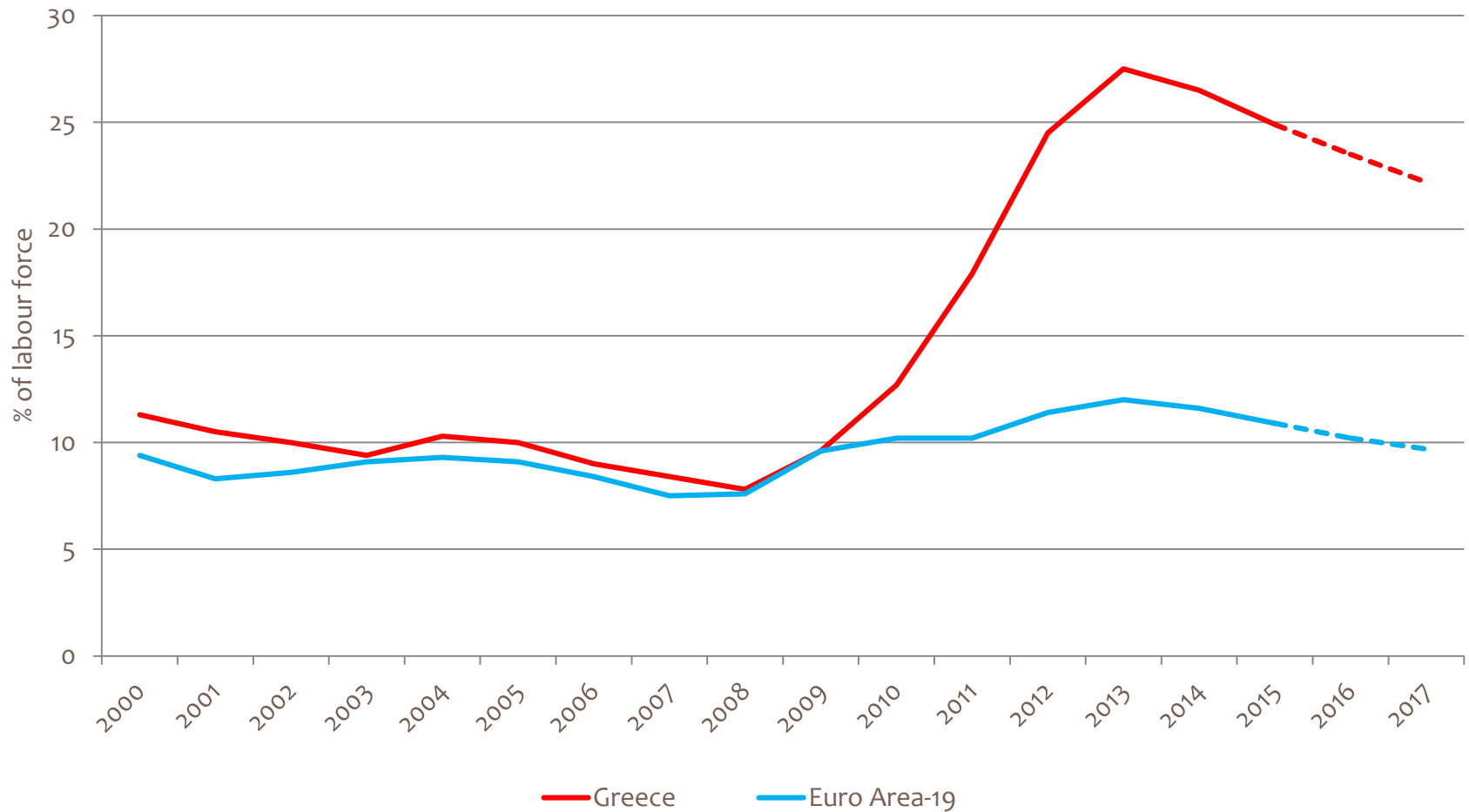
# Investment?



Source: Eurostat

- Highest investment level in 2007 (€65.1 bn.)
  - Highest level of investment as a % of GDP in the same year (25.9%)
- Significantly lower in 2015 (€19.6 bn. and 10.6% of GDP)

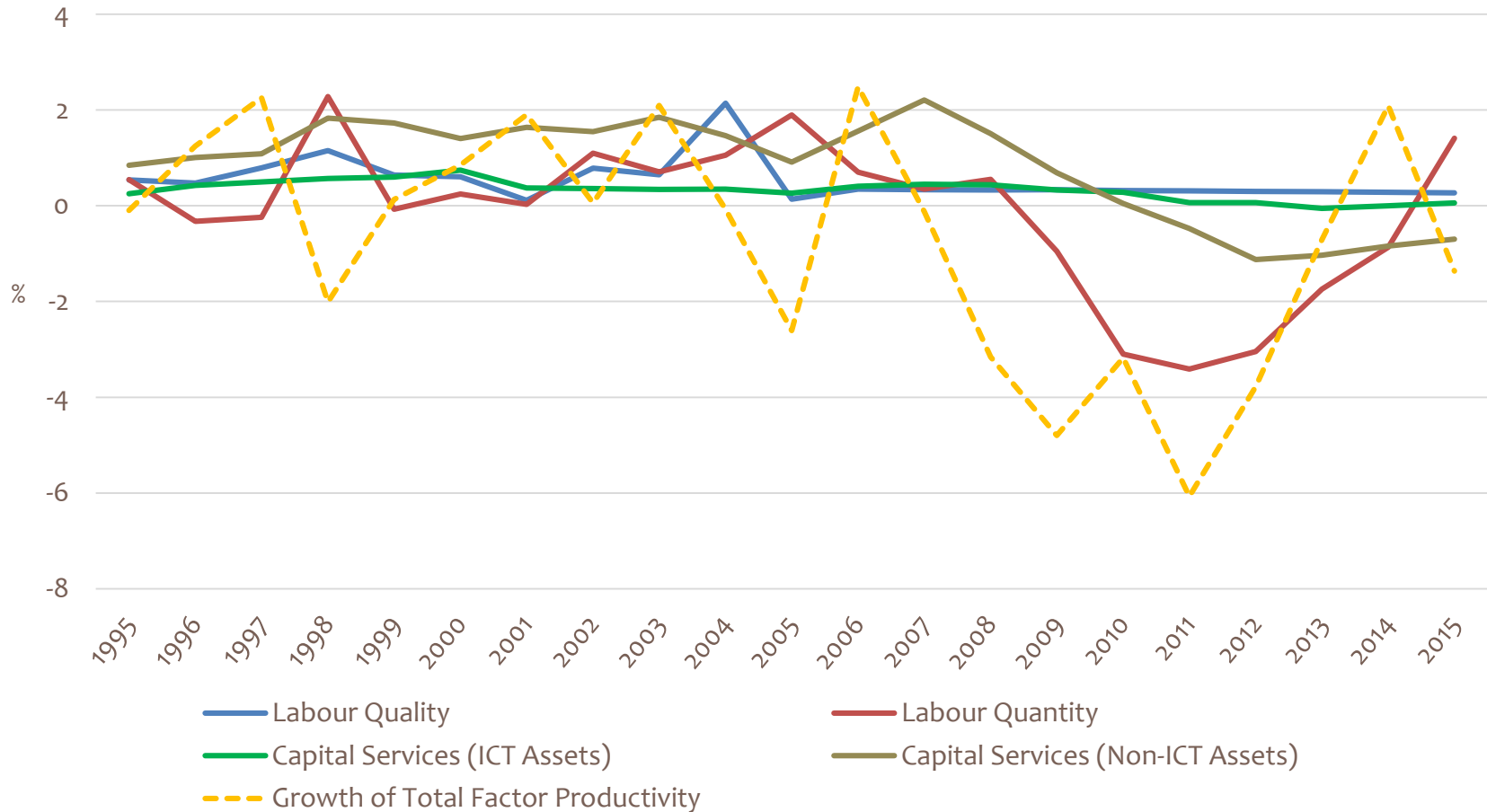
# Unemployment



Sources: European Economic Forecast, autumn 2016, European Commission

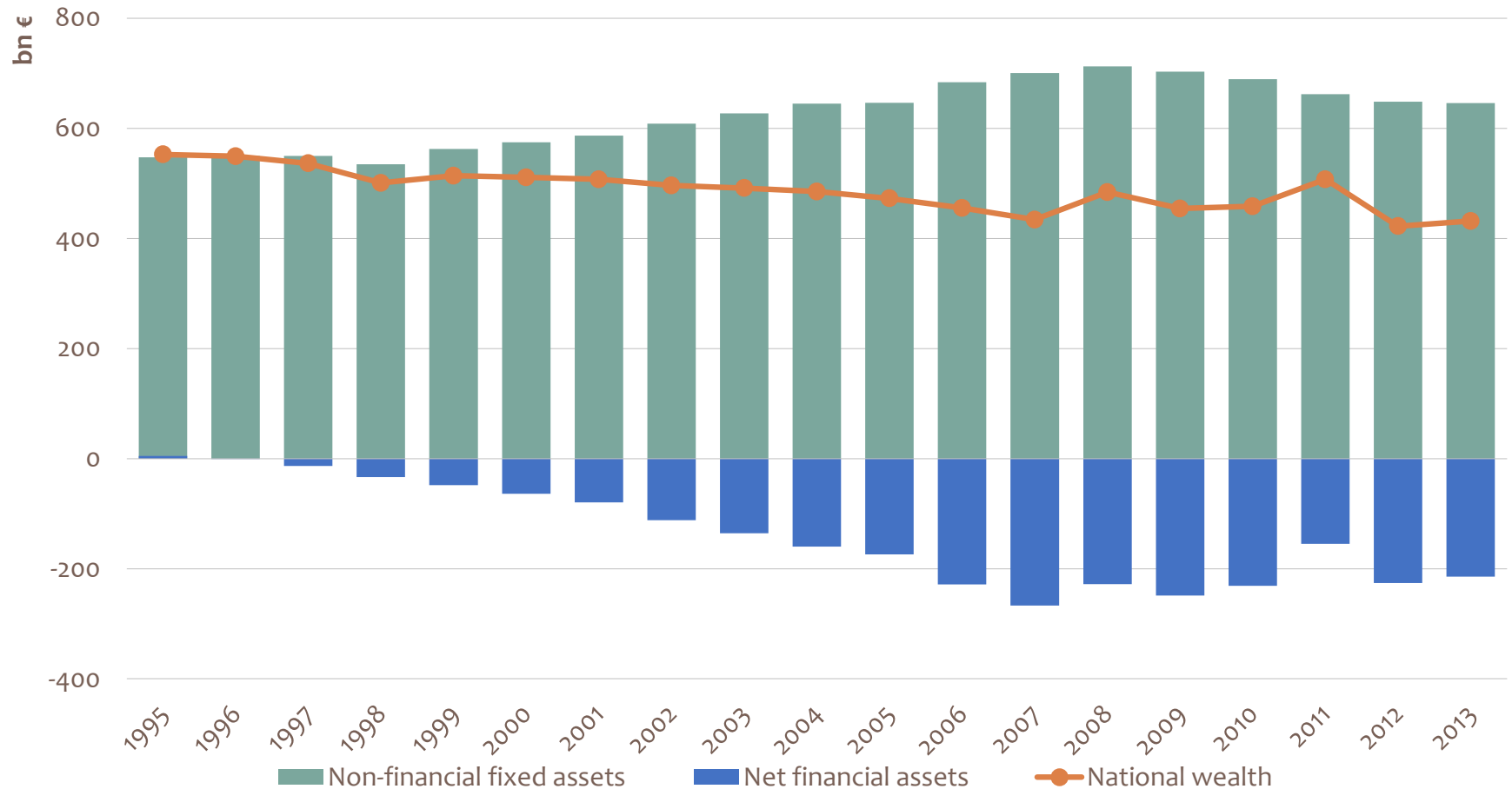


# Determinants of GDP change in Greece



Source: The Conference Board Growth and Total Factor Productivity database

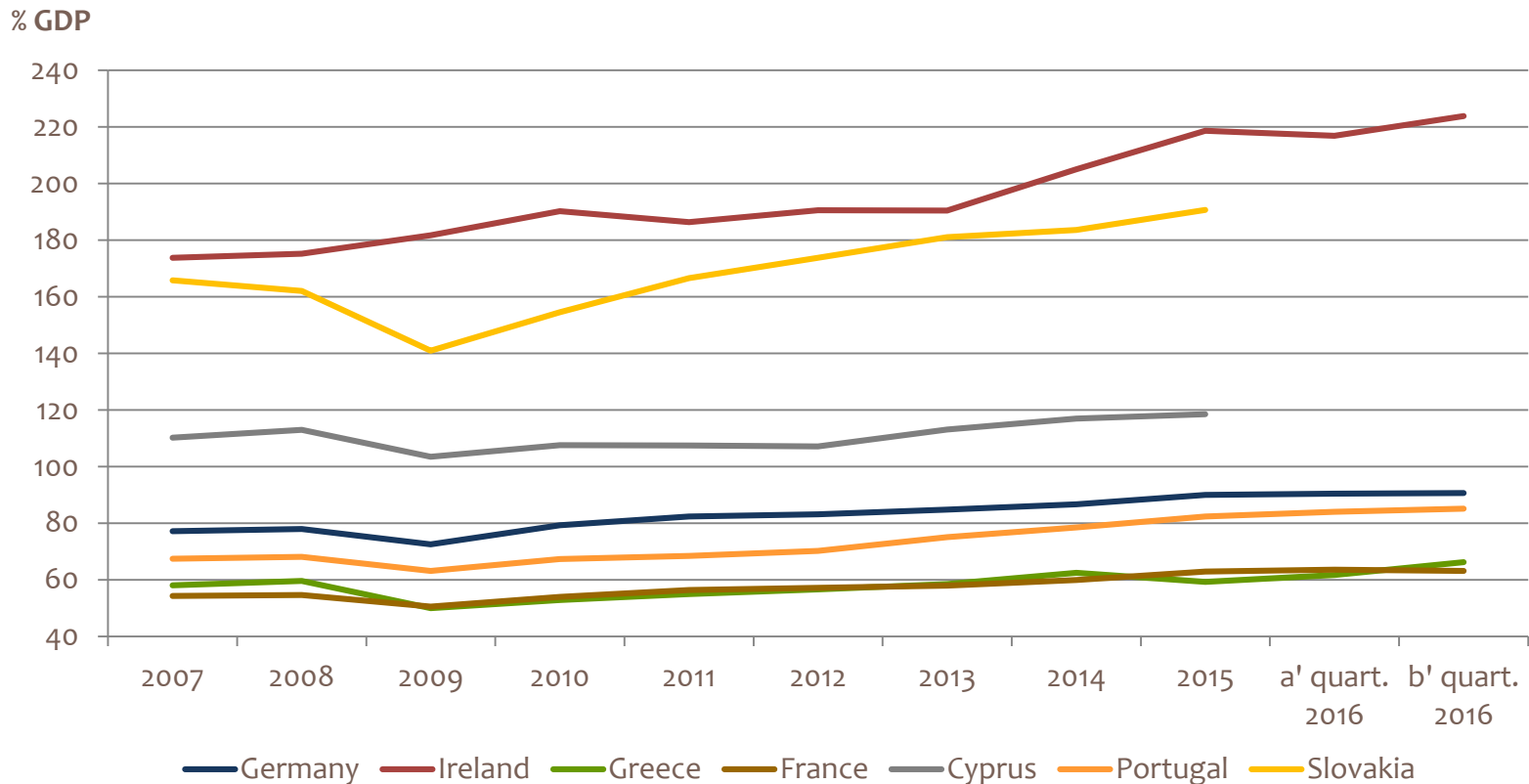
# National wealth of Greece (2010 prices)



**Note:** Excludes items that are not included in the definition of an asset in ESA 2010 (human capital, natural resources that are not considered as economic assets, consumer durables and contingent assets and liabilities, which are not financial assets and liabilities) and items for which data was not available for Greece (valuables and non-produced non-financial assets, such as natural resources, contracts, leases, licences, goodwill and marketing assets). The constant price values are estimated using the GDP deflator.

**Source:** Eurostat, data processing: IOBE

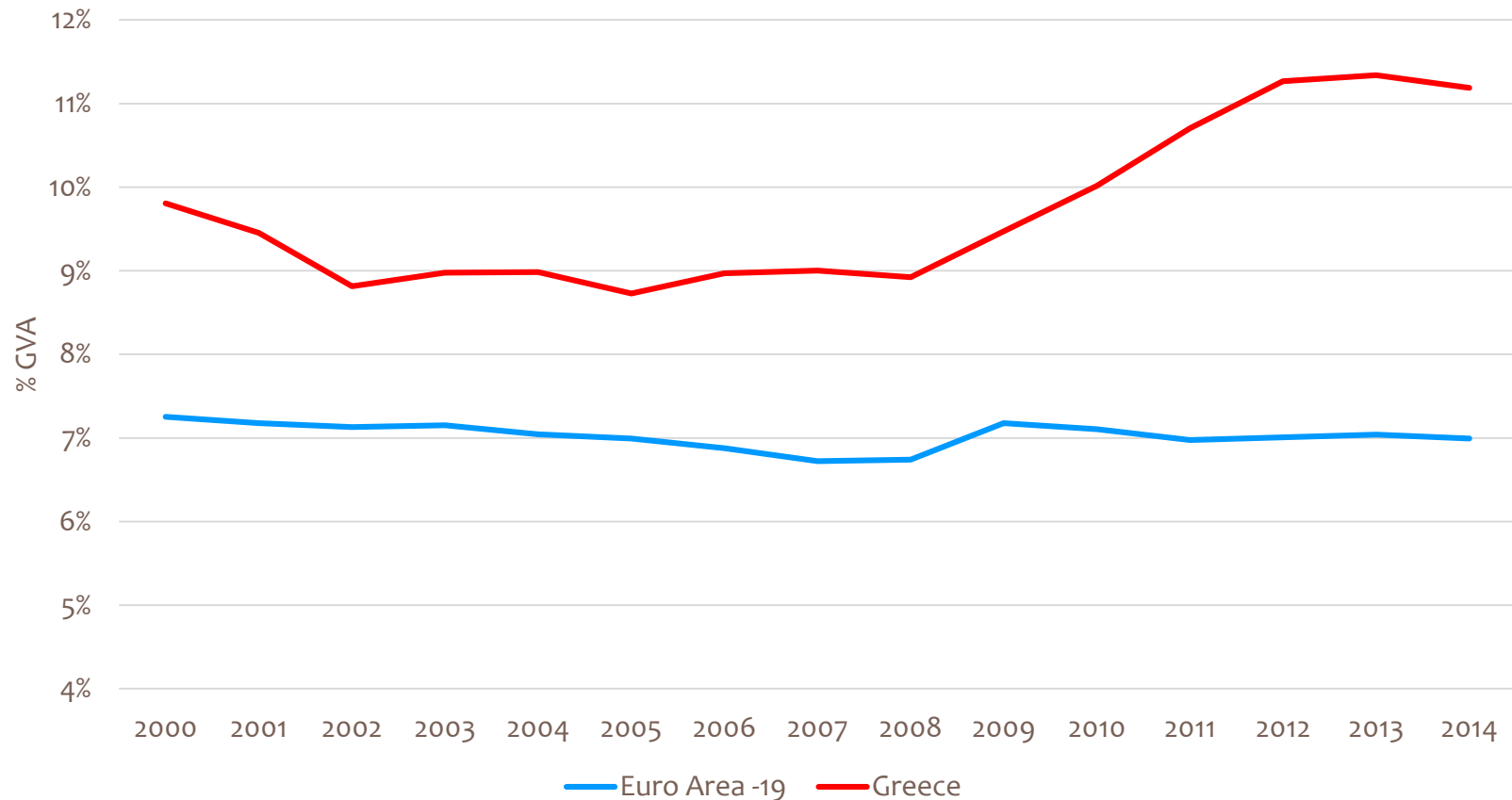
# Open economy?



Source: Eurostat

- The sum of imports and exports as a % of GDP in Greece remains one of the smallest in the Euro area periphery
- The Greek economy should be transformed to a small, open economy. However, it remains a closed economy

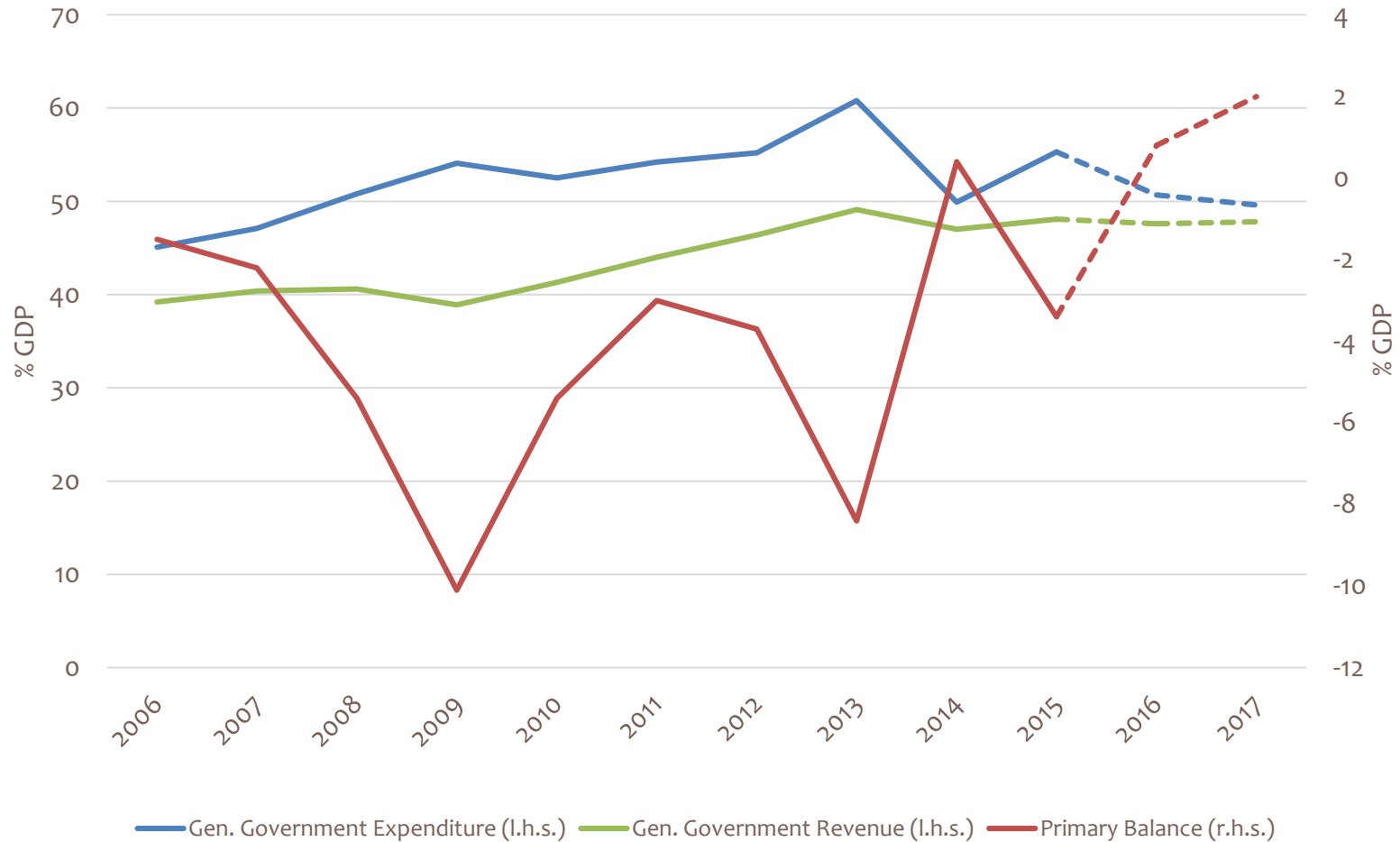
# Public sector gross value added



Source: Eurostat

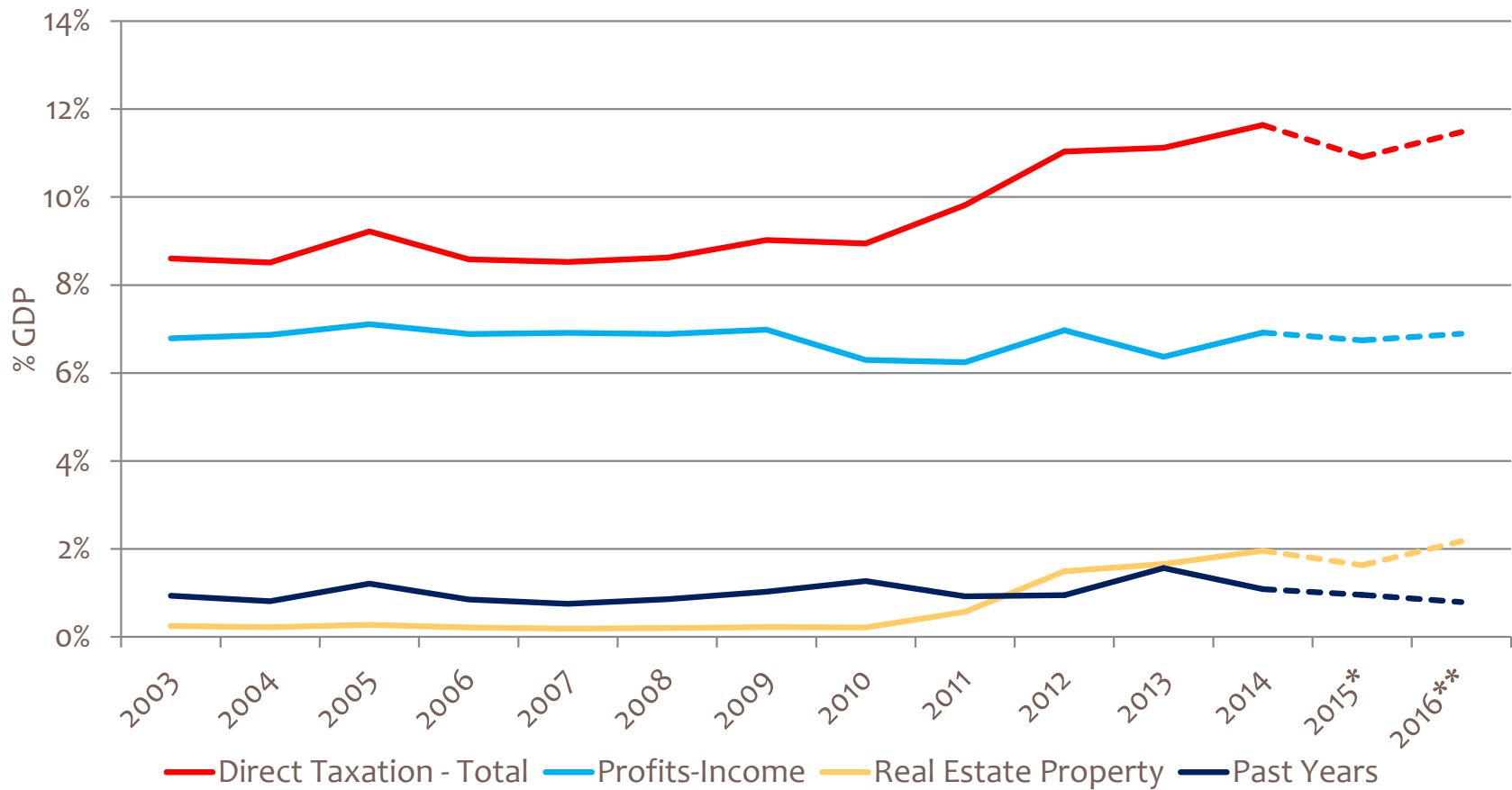
- In comparison to 2008, the contribution of the public sector to economic activity in 2014 was higher by 2 percentage points of domestic Gross Value Added
- The importance of the public sector remains higher in Greece than in the Euro area
  - Between 2008 – 2014, the distance from the Euro area average doubled : from 2 to 4 percentage points of domestic GVA

# General Government Expenditure and Revenue: Primary Balance



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

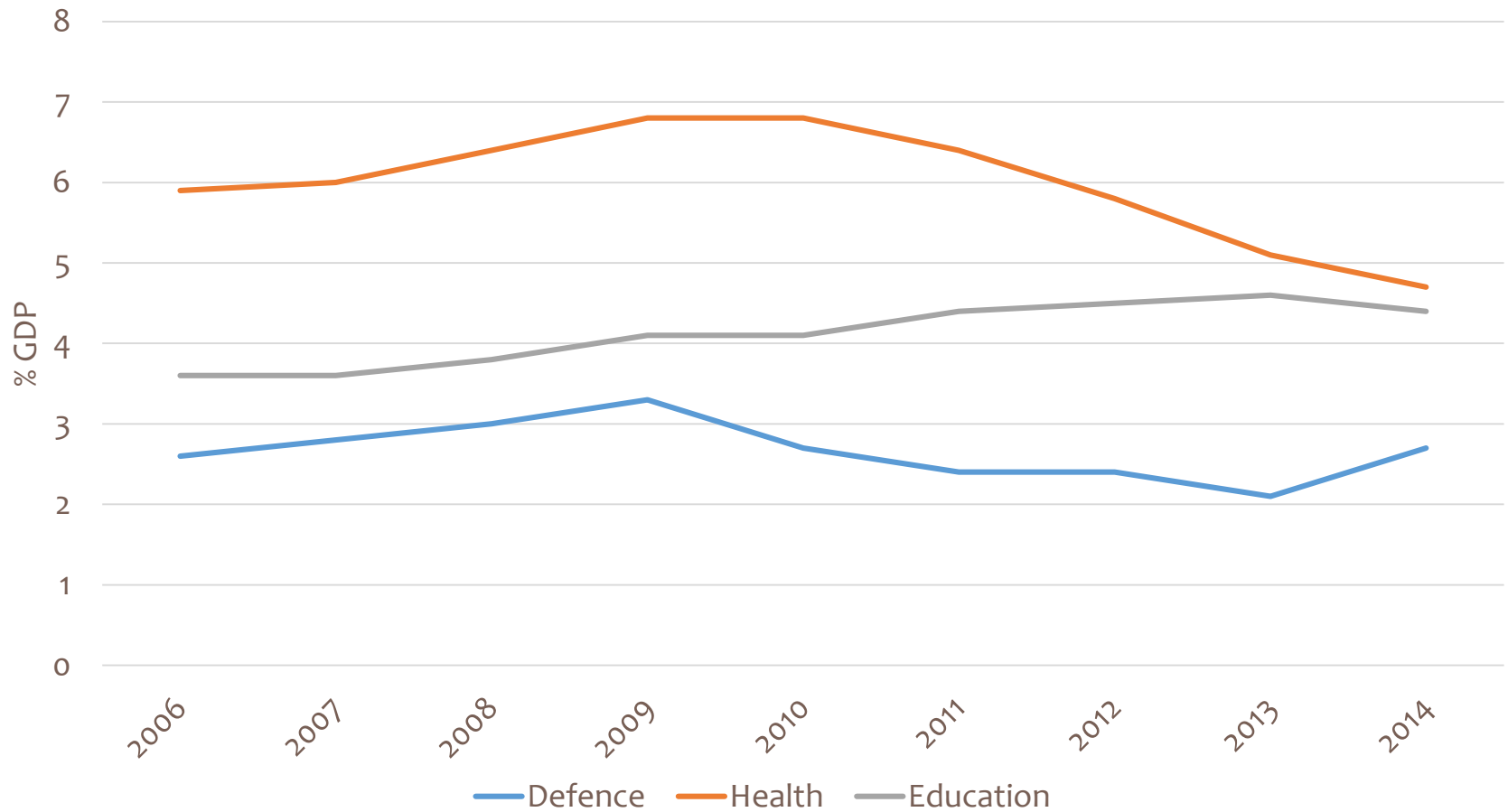
# Direct Taxation



\* Projection \*\* Forecast

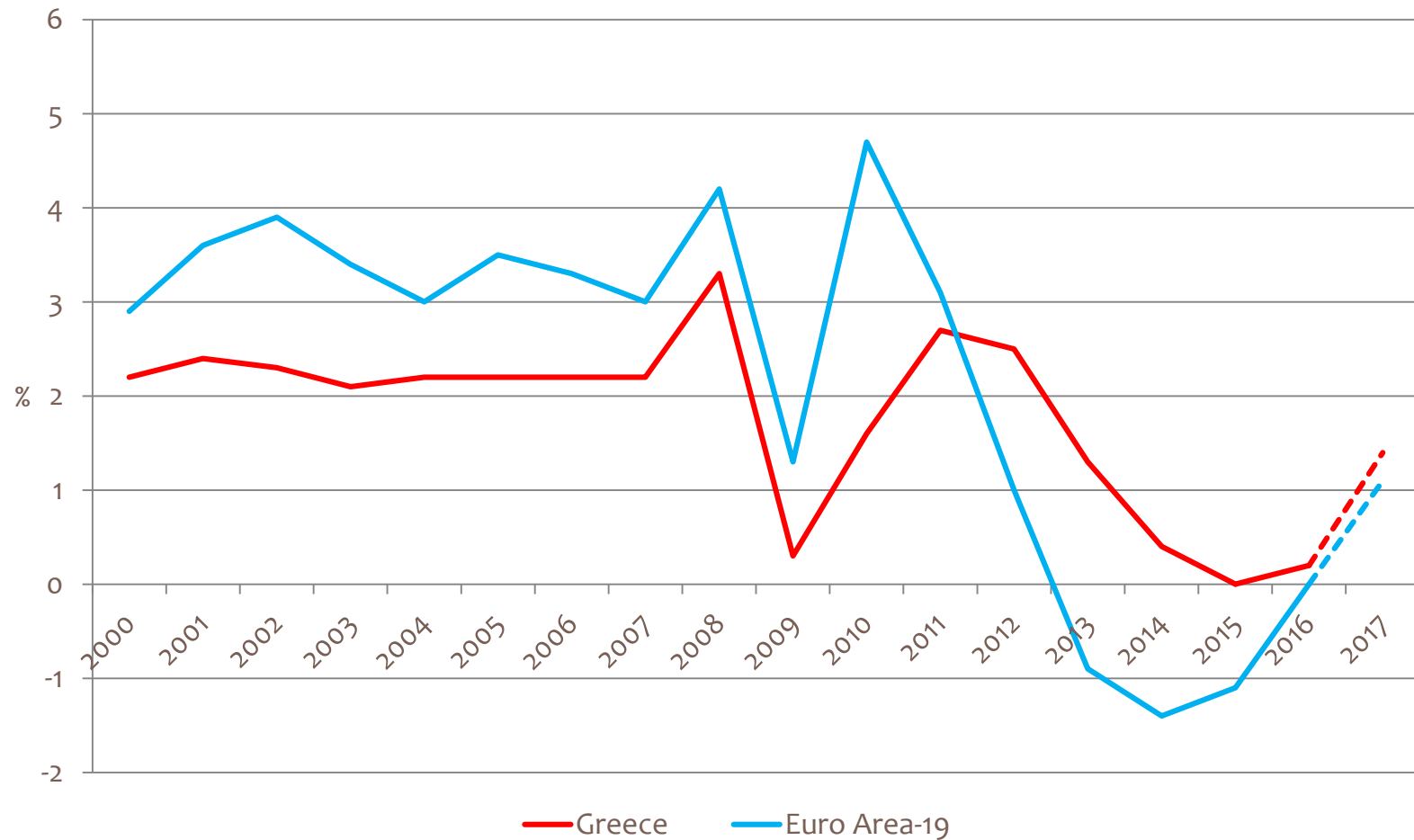
Source: State Budget, 2005-2016, Ministry of Finance

# Public spending categories (% GDP)



Source: Eurostat

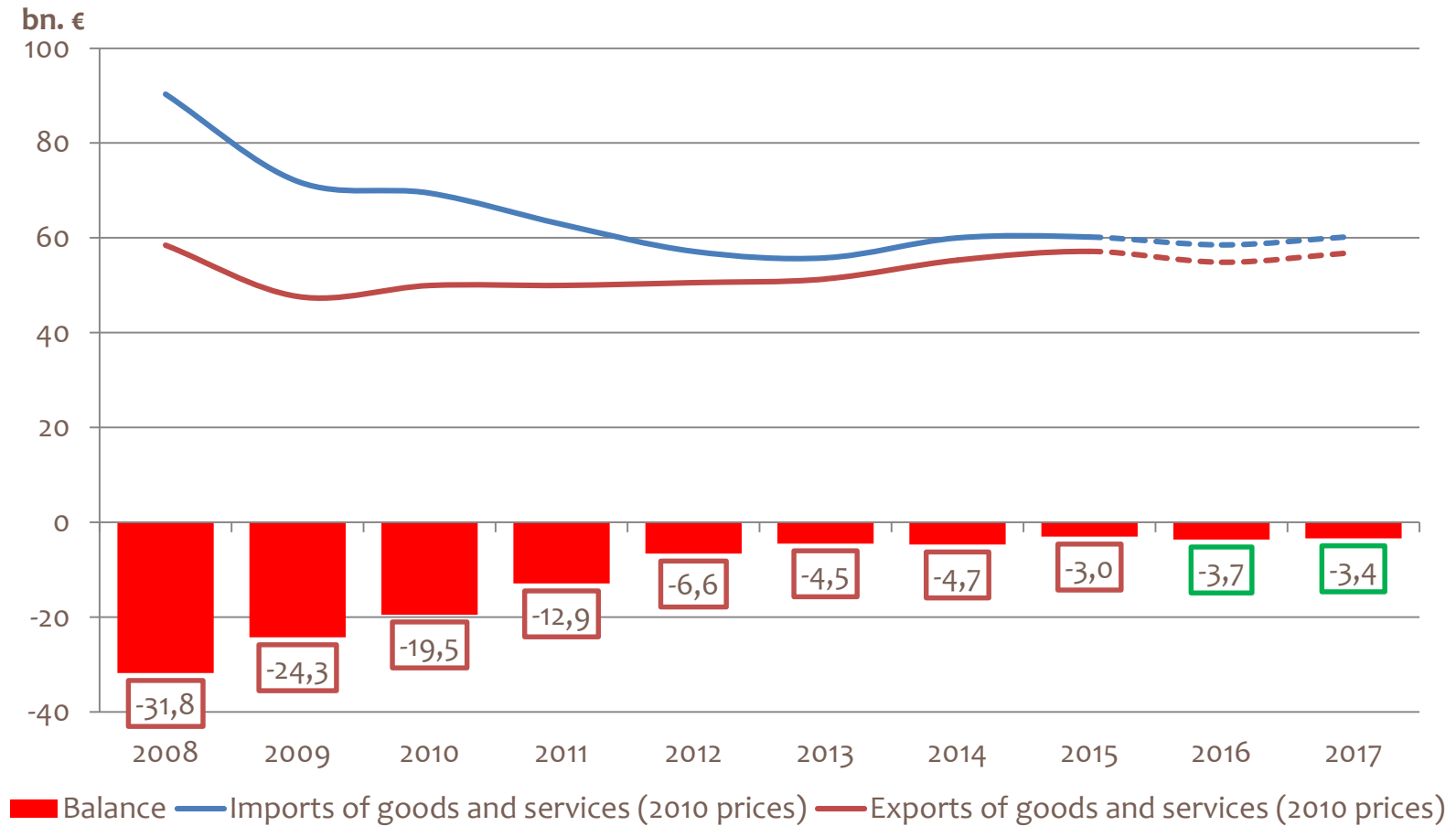
# Harmonised Inflation



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

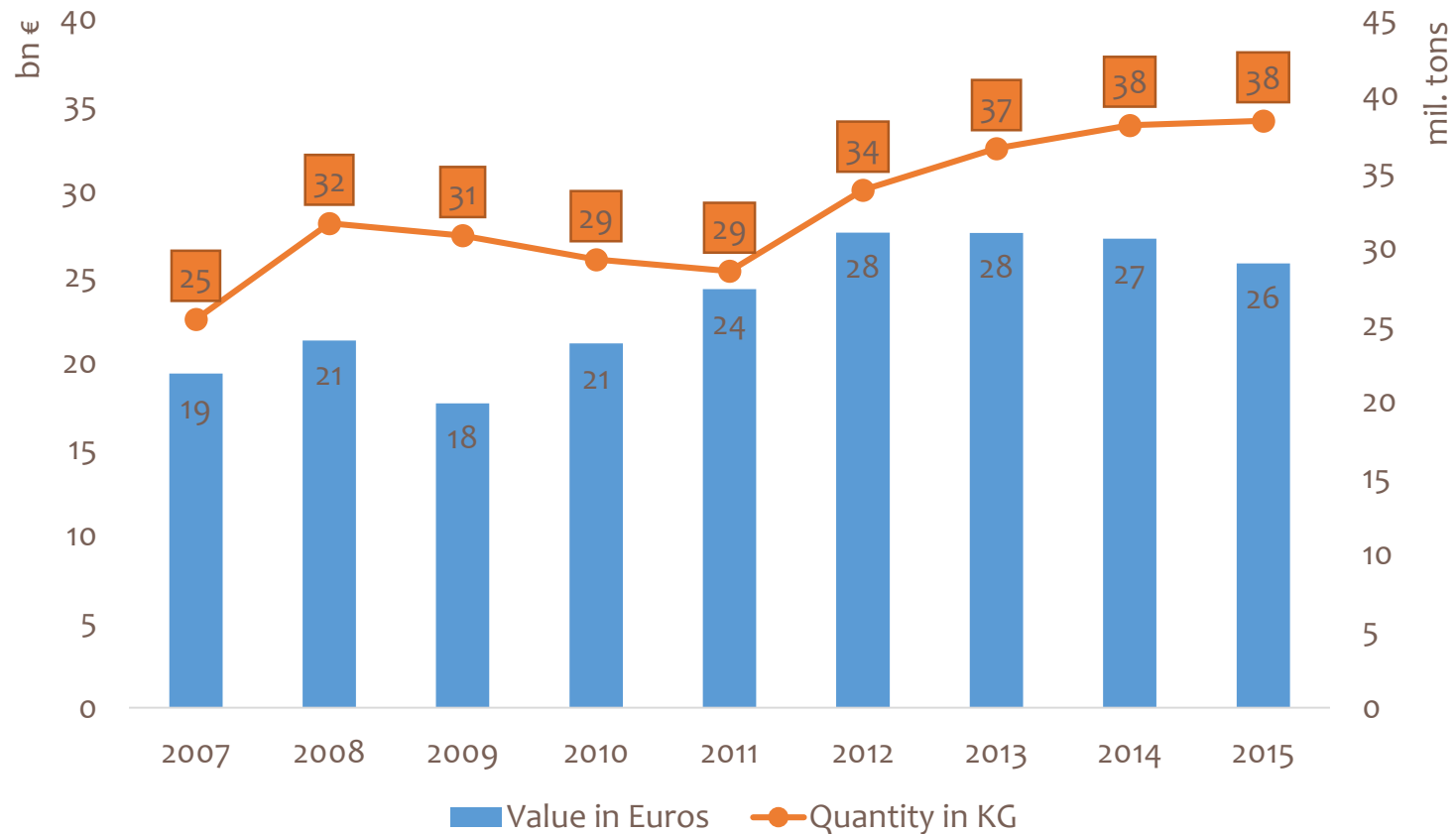


# Trade Balance (goods – services)



Source: AMECO

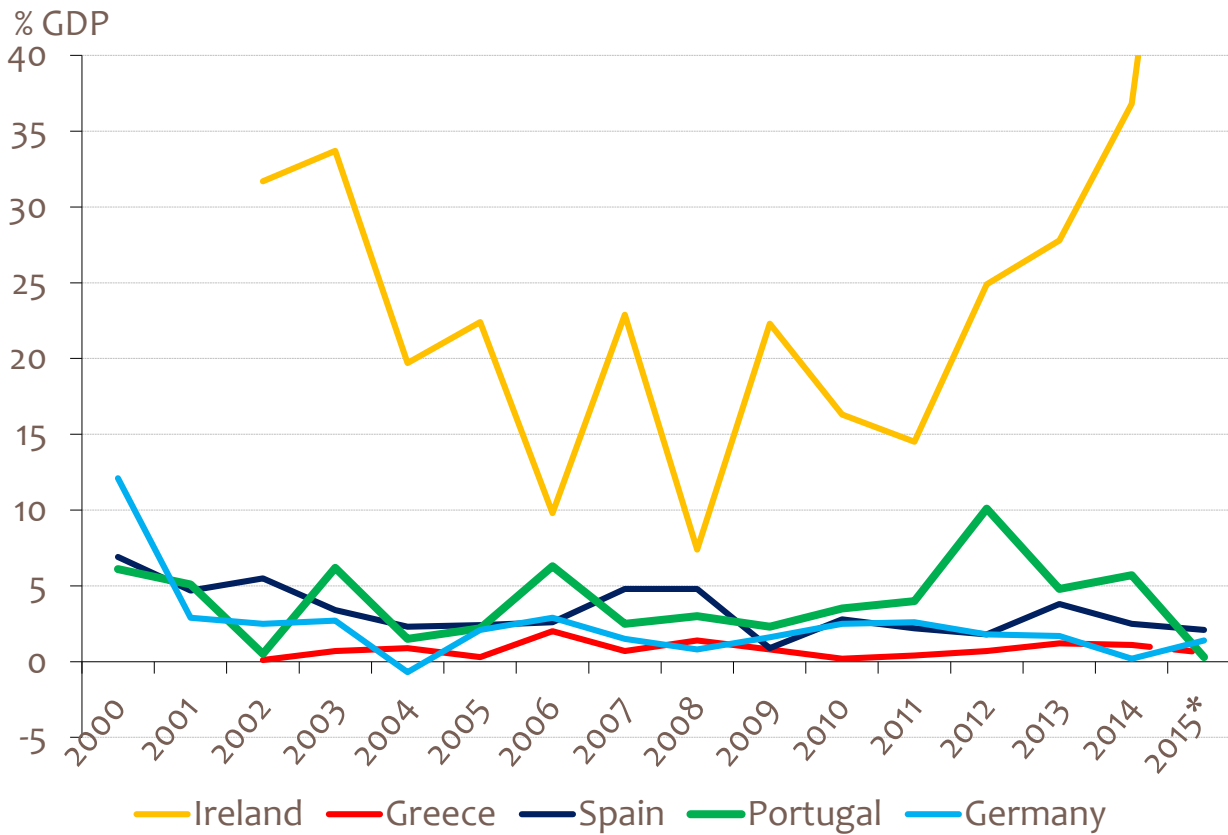
# Exports of Goods – Value vs. volume



Source: Eurostat

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

# Foreign direct investment



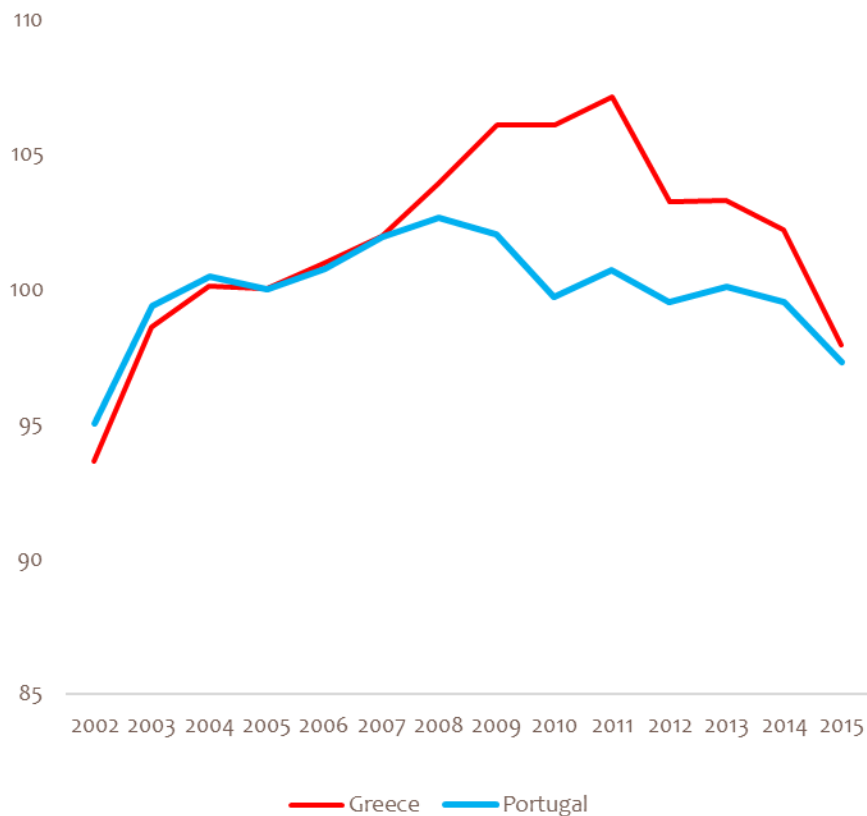
\* Ireland: 72.3% of GDP

Source: Eurostat

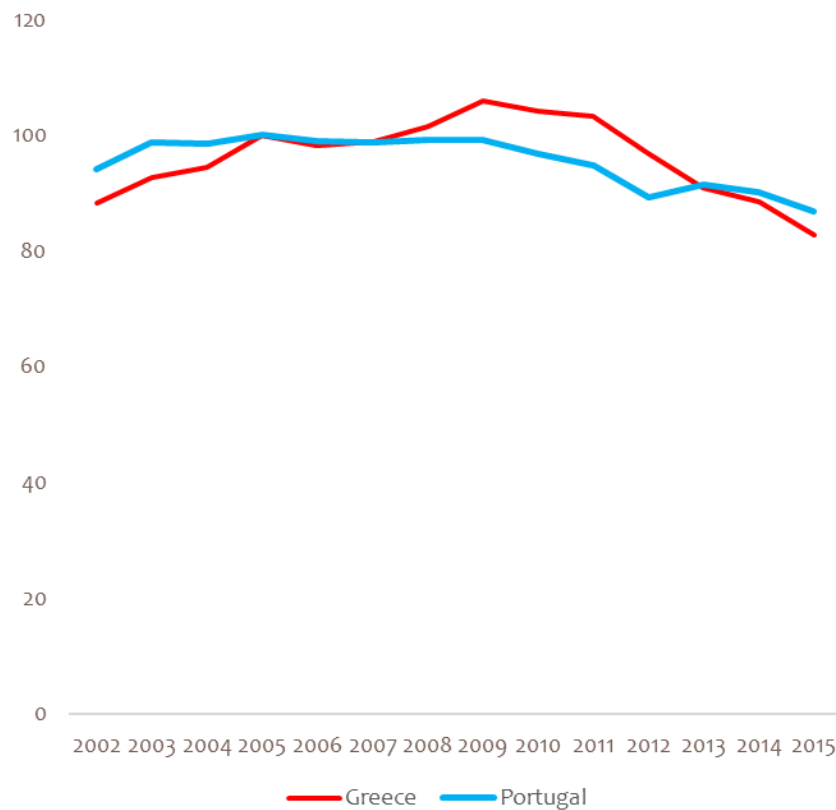
FDI as a % of GDP		
	2000-2008	2009-2015
Germany	3.0%	1.7%
Ireland	21.1%	30.7%
Greece	0.9%	0.7%
Spain	4.2%	2.3%
Portugal	3.7%	4.4%

# Real effective exchange rate

Real Effective Exchange Rate (CPI), 2005=100



Real Effective Exchange Rate (ULC), 2005=100



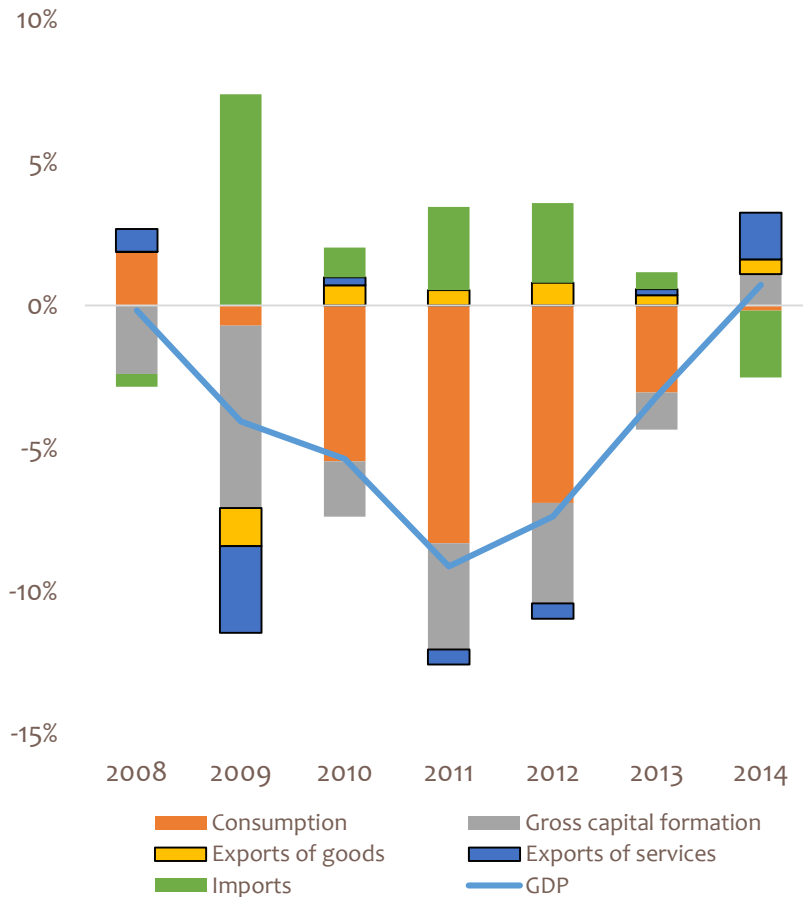
Source: Eurostat

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

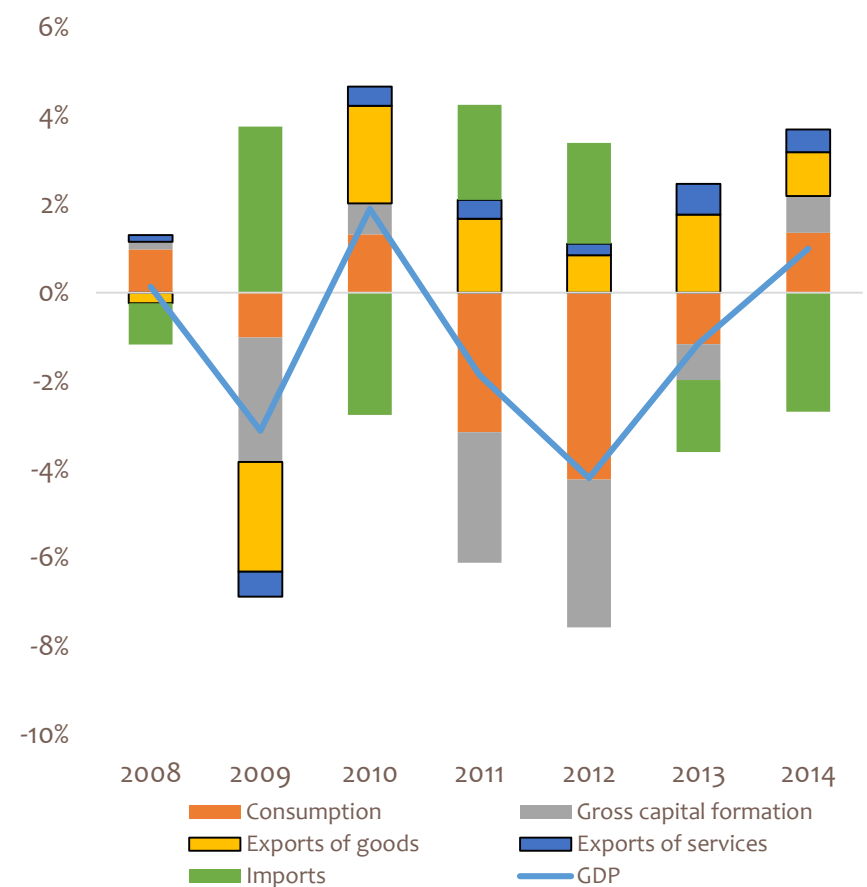
**Real Effective Exchange Rate** (deflator: unit labor costs in total economy - against 37 trading partners)

# Weak contribution of exports to GDP

GDP components (% change) - Greece

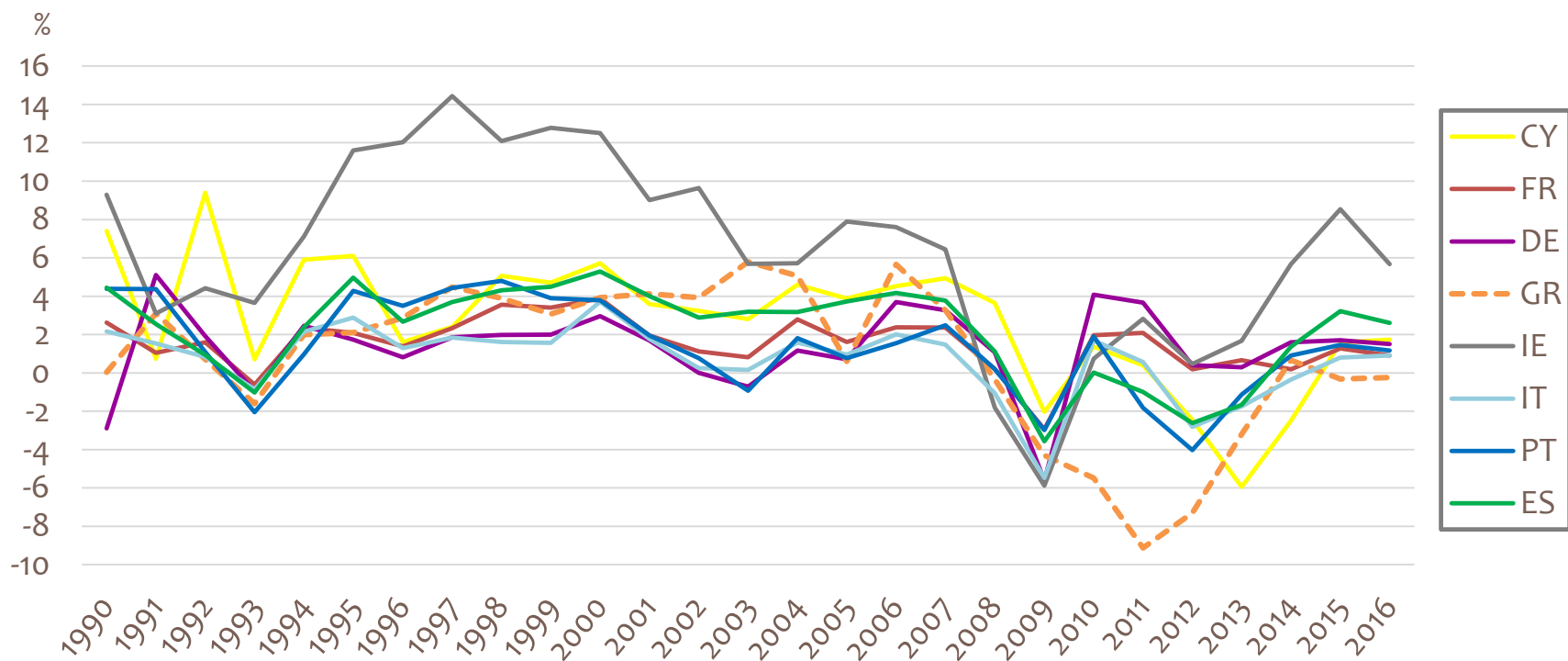


GDP components (% change) - Portugal



Source: Eurostat

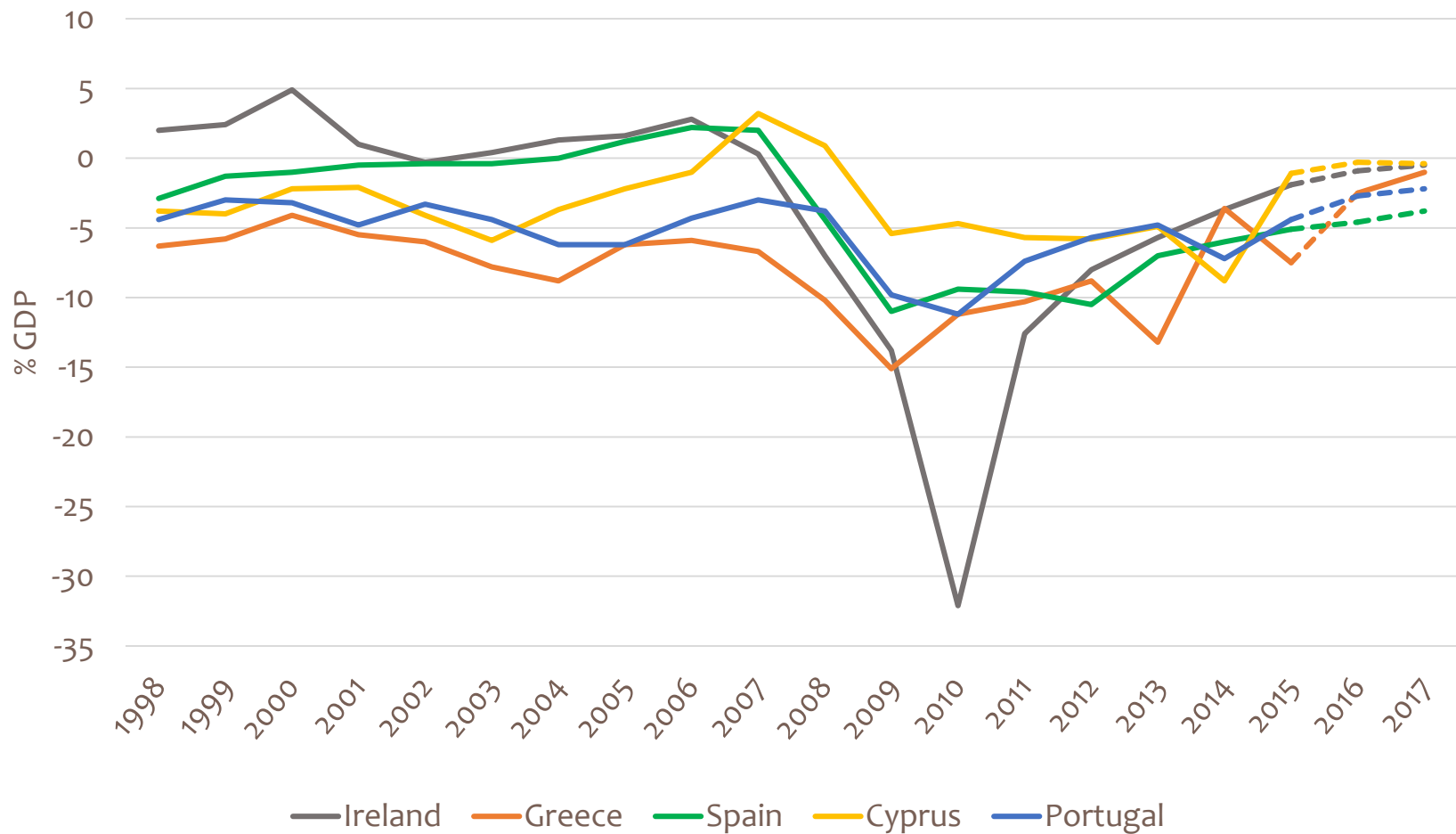
# GDP change



Country	Avg. Growth Rate 1994-2007	Country	Avg. Growth Rate 1994-2007
Germany	1.7%	France	2.3%
Ireland	9.6%	Italy	1.7%
<b>Greece</b>	<b>3.6%</b>	Cyprus	4.2%
Spain	3.8%	Portugal	2.4%

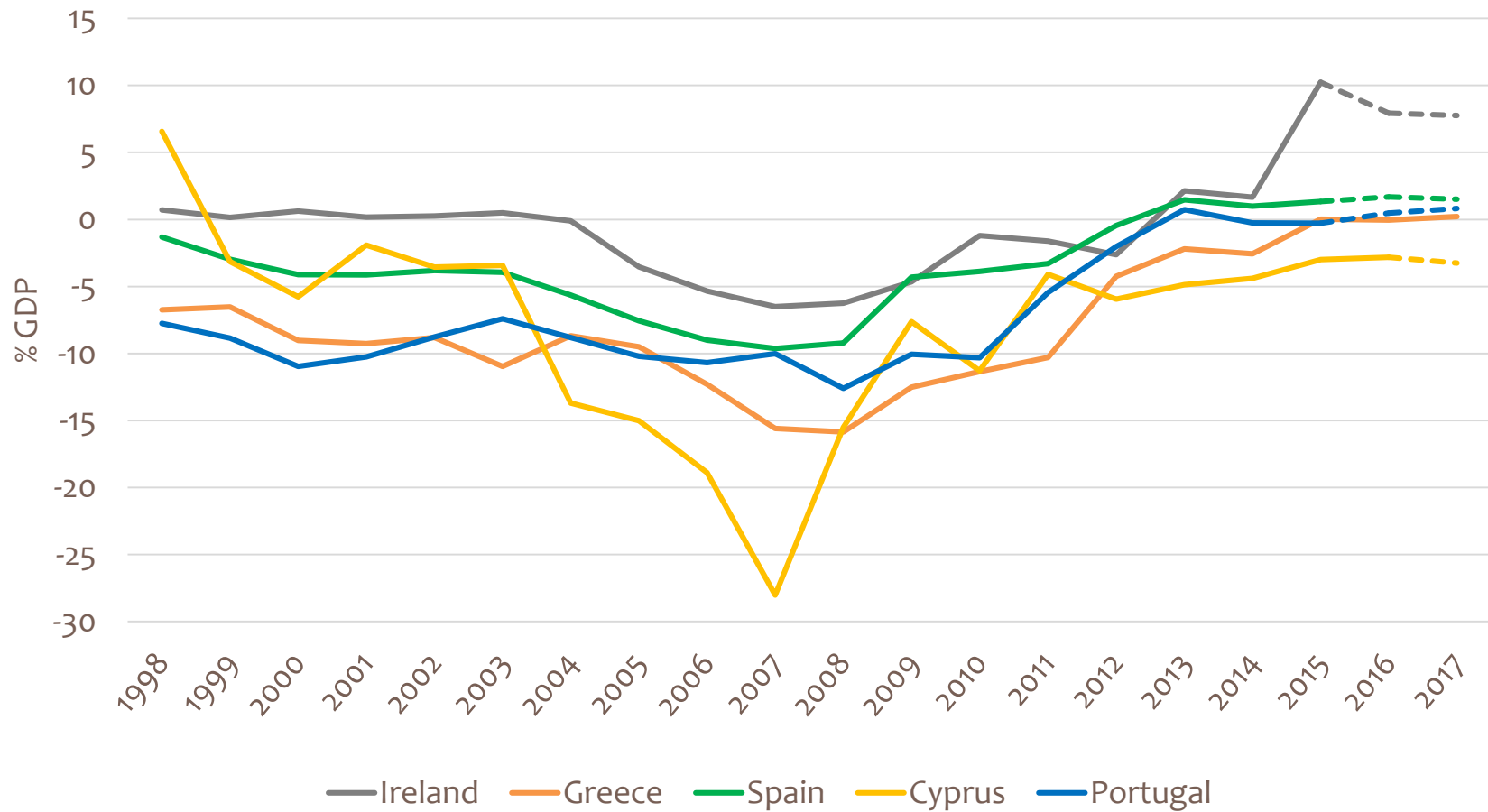
Source: The Conference Board Growth and Total Factor Productivity database

# Gen. Government balance – Euro area periphery



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

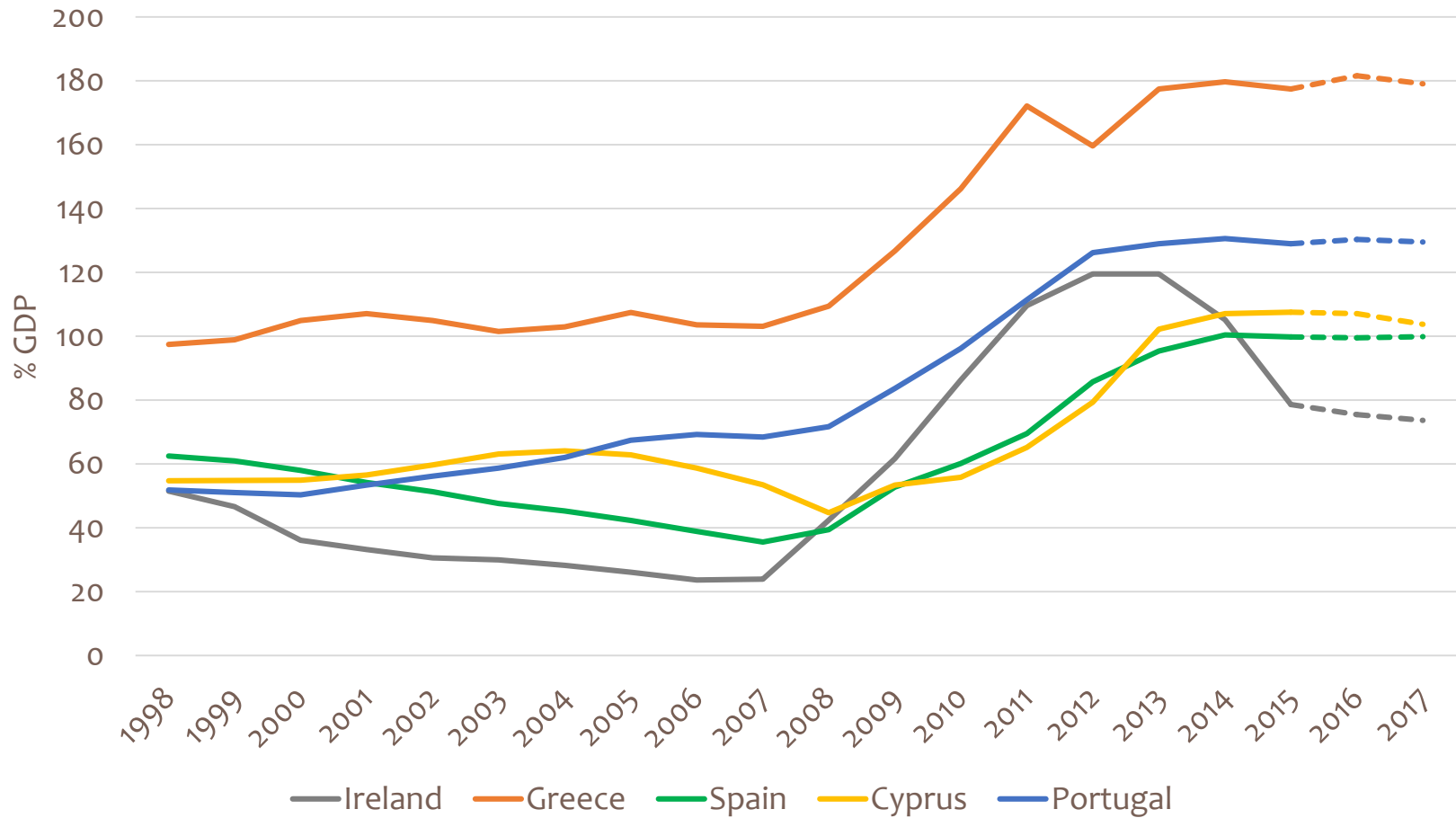
# Current account balance – Euro area periphery



Sources: AMECO



# Gen. Government debt – Euro area periphery



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

# Perspectives

1. 2016-2017: rebalancing and recovery
2. Medium-term: start from a low basis. Very significant progress has been achieved but sources of uncertainty remain, as well as pressure due to finance constraints
3. Low domestic savings: need for all sorts of foreign investment and mobilization of domestic financial resources
4. Intensity of competition in products markets – need for new investment
5. Challenges in the global environment – deleverage trends
6. Credibility of economic policy: the implications of the Euro-zone participation for Greece
7. Reforms also needed and expected at the Eurozone level