

Economic crisis in Greece (and the Eurozone)

Nikos Vettas

General Director of IOBE

Professor, Athens University of Economics and Business

(vettas@iobe.gr, www.iobe.gr, <http://www.aueb.gr/users/vettas>)

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Successes and failures of the post 2010 policies

- 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 been shrinking but administrative burden and inefficiency remains a core problem.
- Uncertainty and challenges remain significant.

Key Macroeconomic and Financial Figures

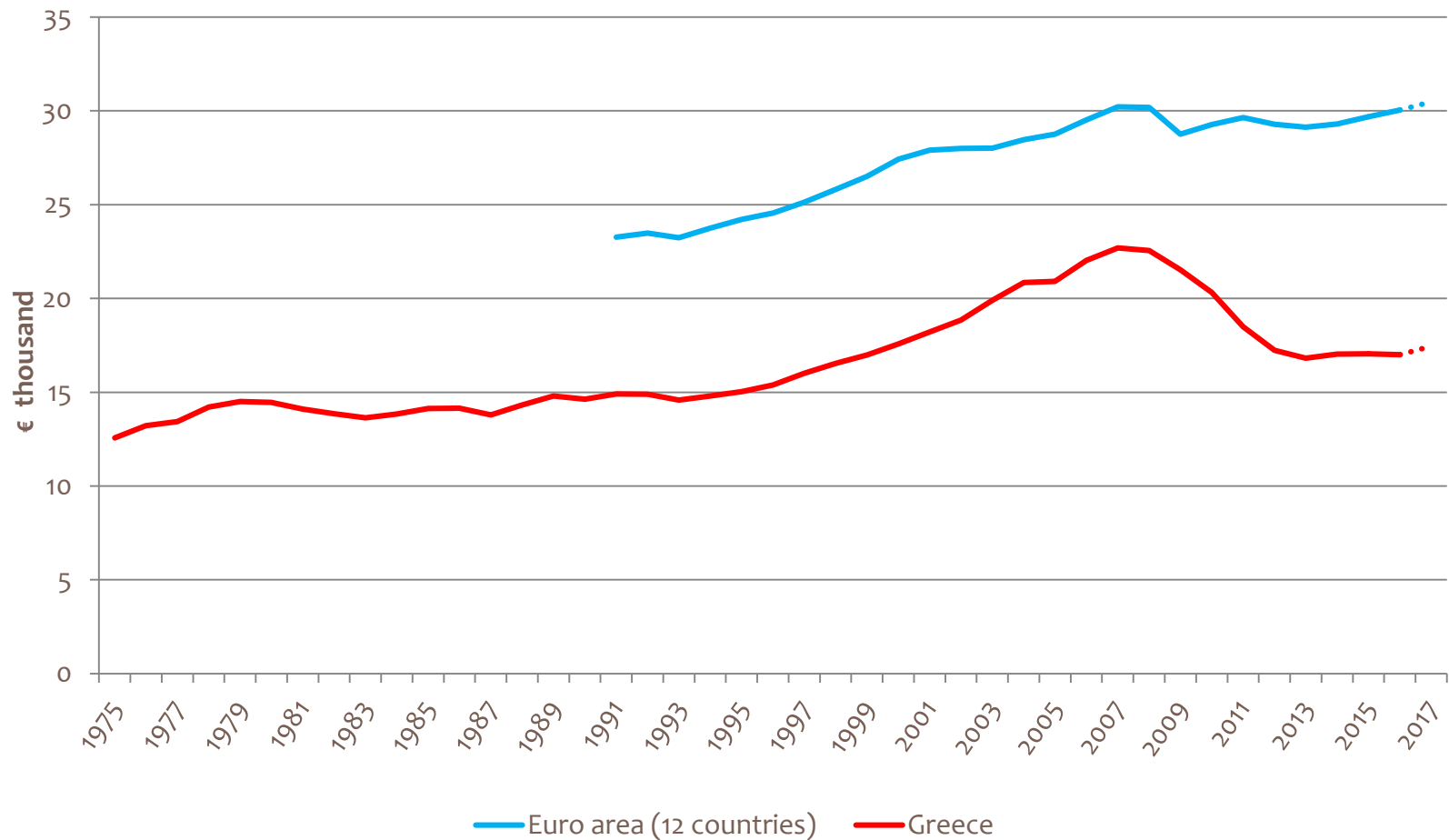
| Key Macroeconomic Figures | 2009 | 2013 | 2014 | 2015 | 2016 | 2016* |
|---|-------|-------|------|------|------|-------|
| GDP | -3.1 | -3.2 | 0.7 | -0.2 | -0.3 | -1.0 |
| Unemployment | 9.5 | 27.5 | 26.5 | 24.9 | 24.7 | 25.2 |
| General Government Balance ¹ | -15.6 | -12.4 | -3.6 | -7.2 | -3.1 | -3.0 |
| Current Account Balance | -14.4 | -2.2 | -3.0 | -0.2 | 0.6 | 0.2 |
| Harmonised Inflation | 1.3 | -0.9 | -1.4 | -1.1 | -0.3 | -0.2 |
| Gross Fixed Capital Formation | -13.7 | -9.4 | -2.8 | 0.7 | -0.9 | -4.0 |

¹Including State aid to the banking sector on the deficit

* IOBE projections

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

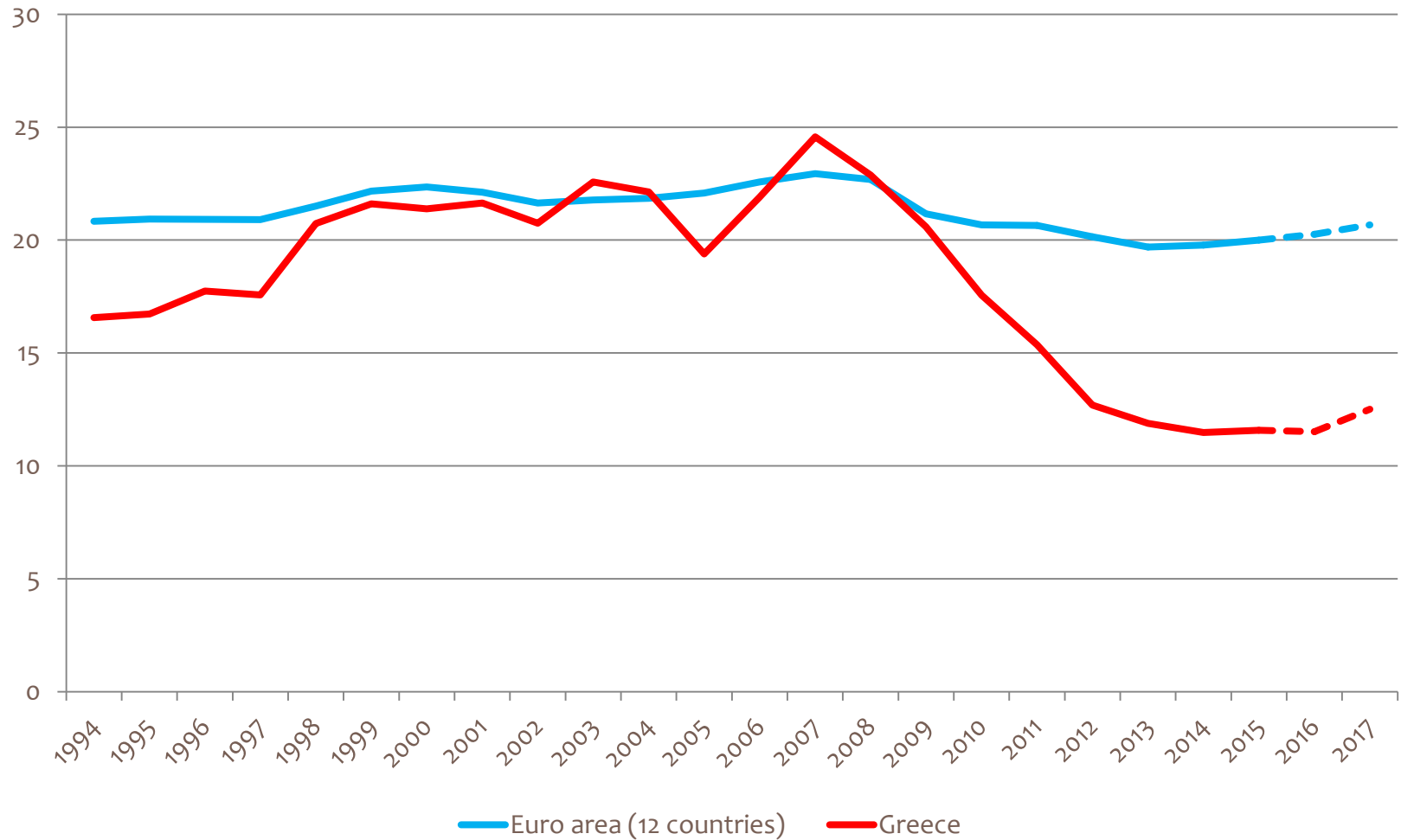
GDP per capita



Source : AMECO

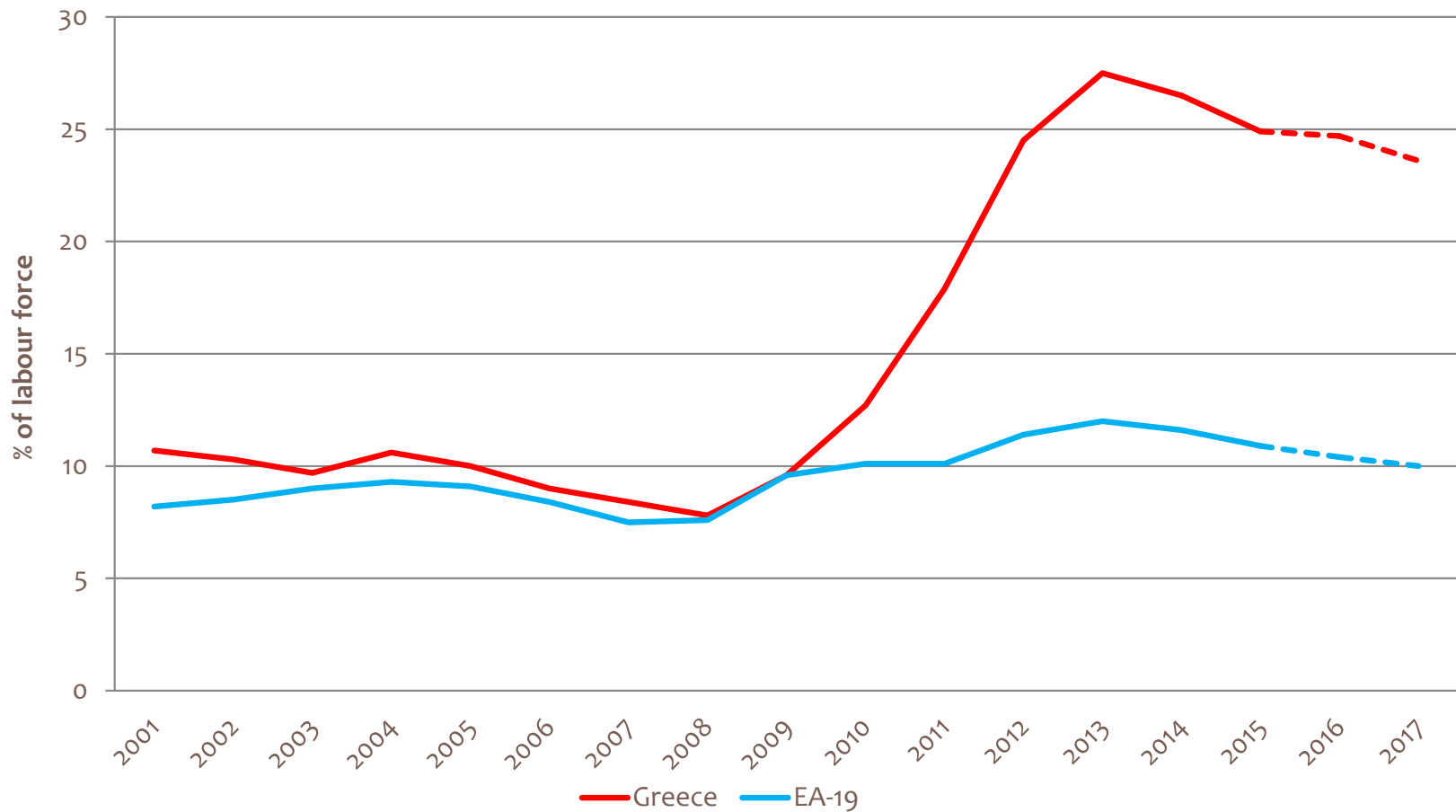
Investments

Gross Fixed Capital Formation (% of GDP)



Source: AMECO

Unemployment



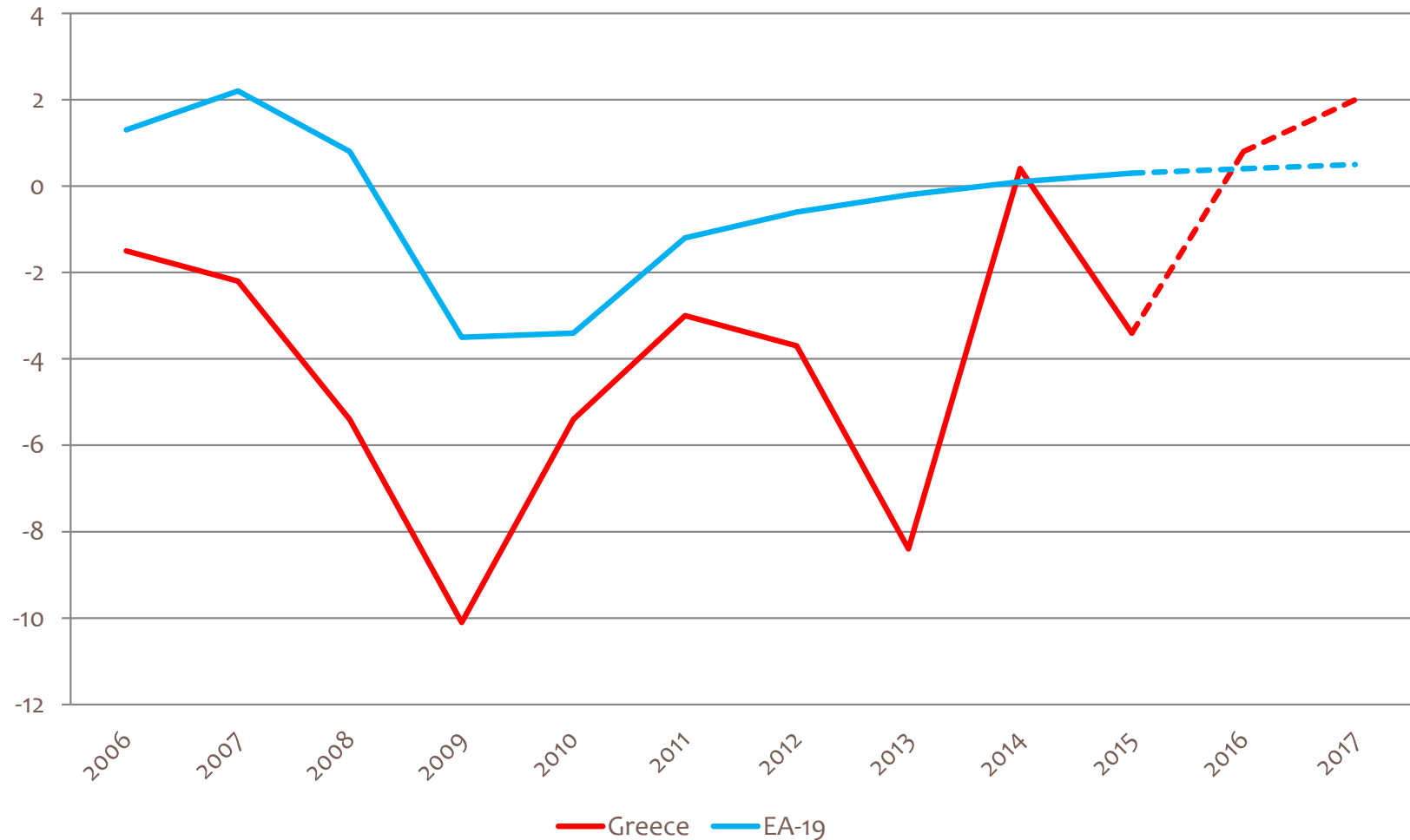
Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

Harmonized Inflation



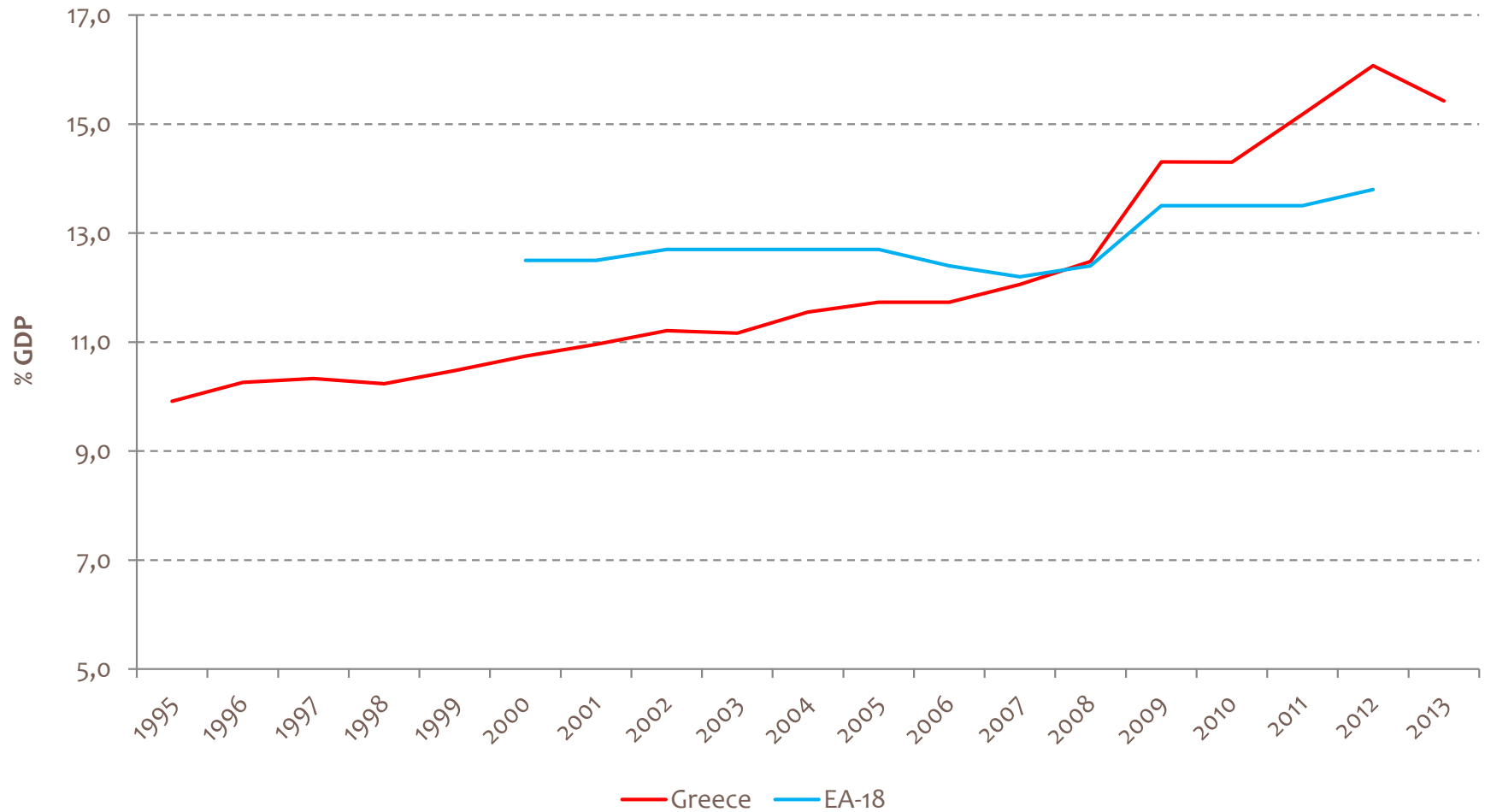
Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

Budget Primary Balance (% of GDP)



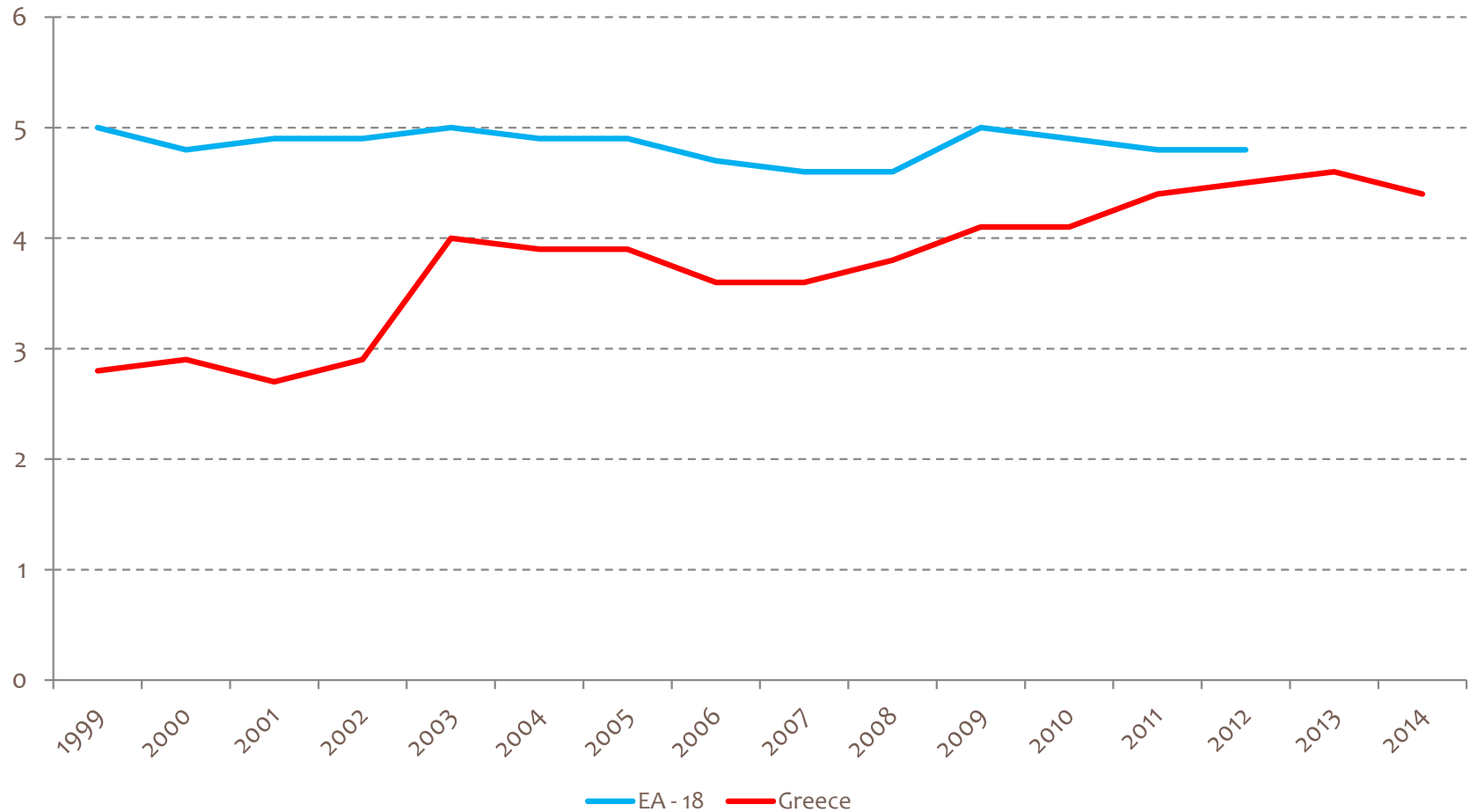
Source: European Economic Forecast, spring 2016, European Commission

Pensions Payments (% of GDP)



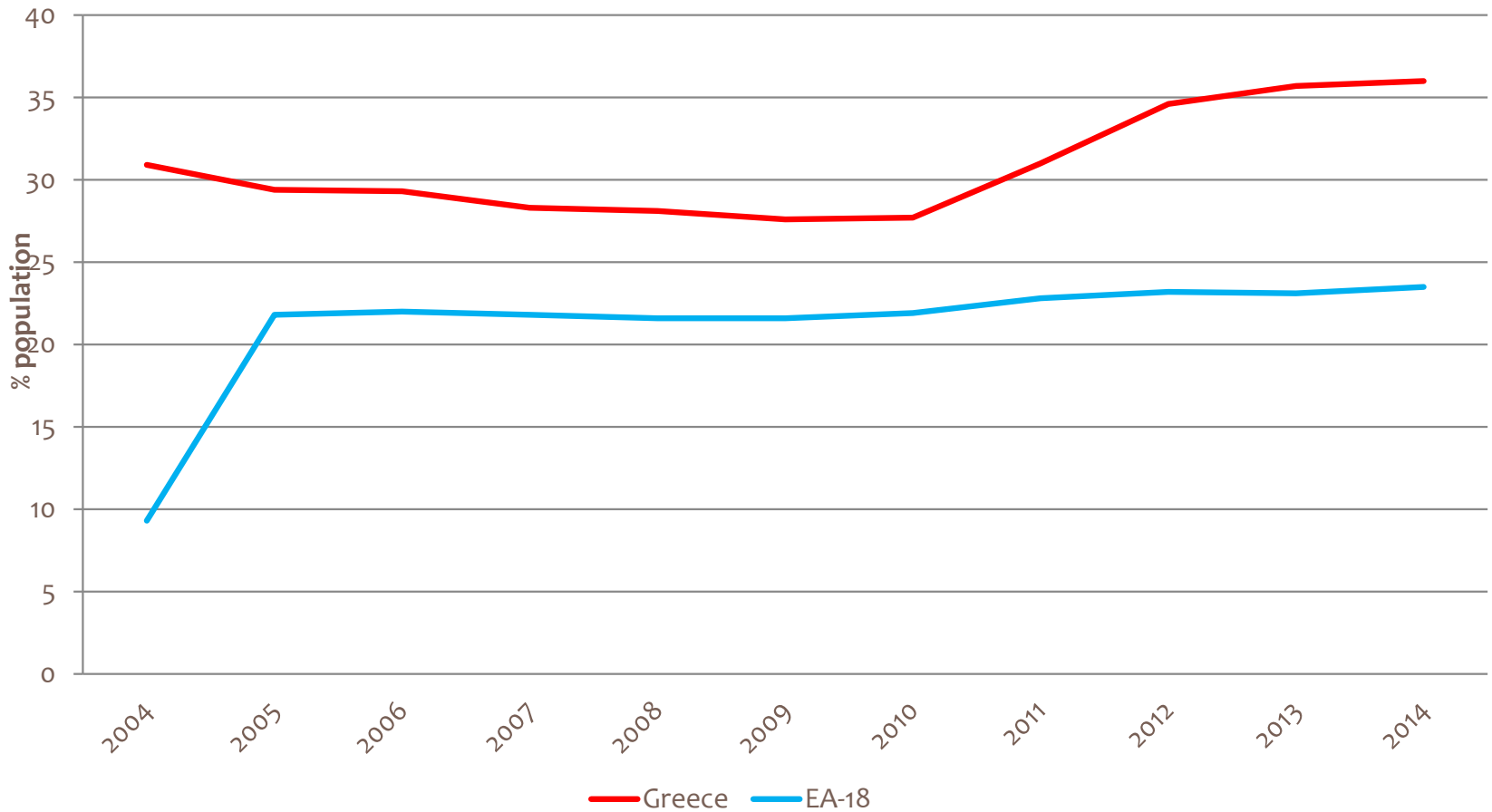
Sources: Social Budget 2009, Ministry of Labour & Social Security, 2010/Eurostat

Spending on Education (% of GDP)



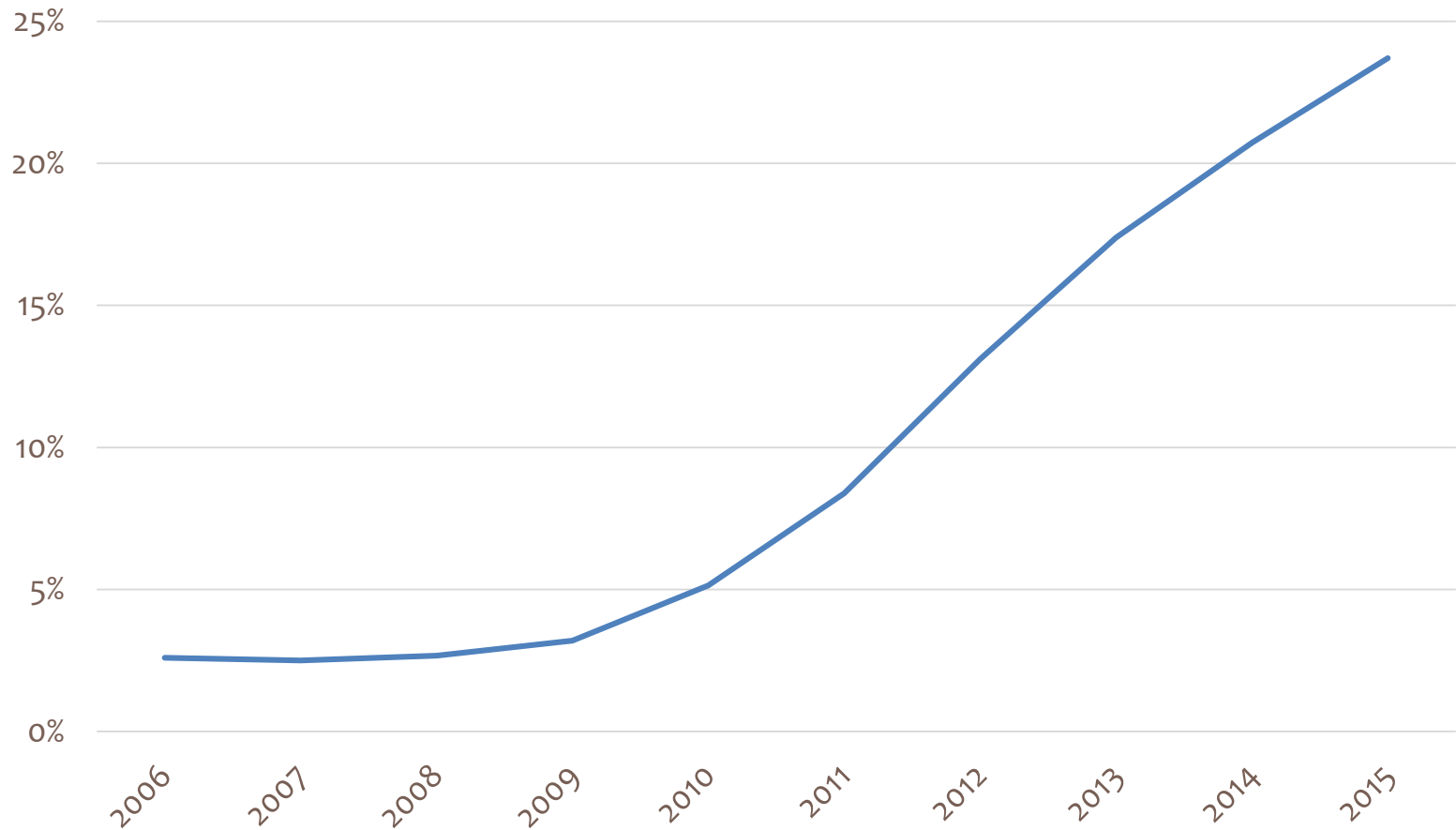
Source: Eurostat

Poverty and social exclusion



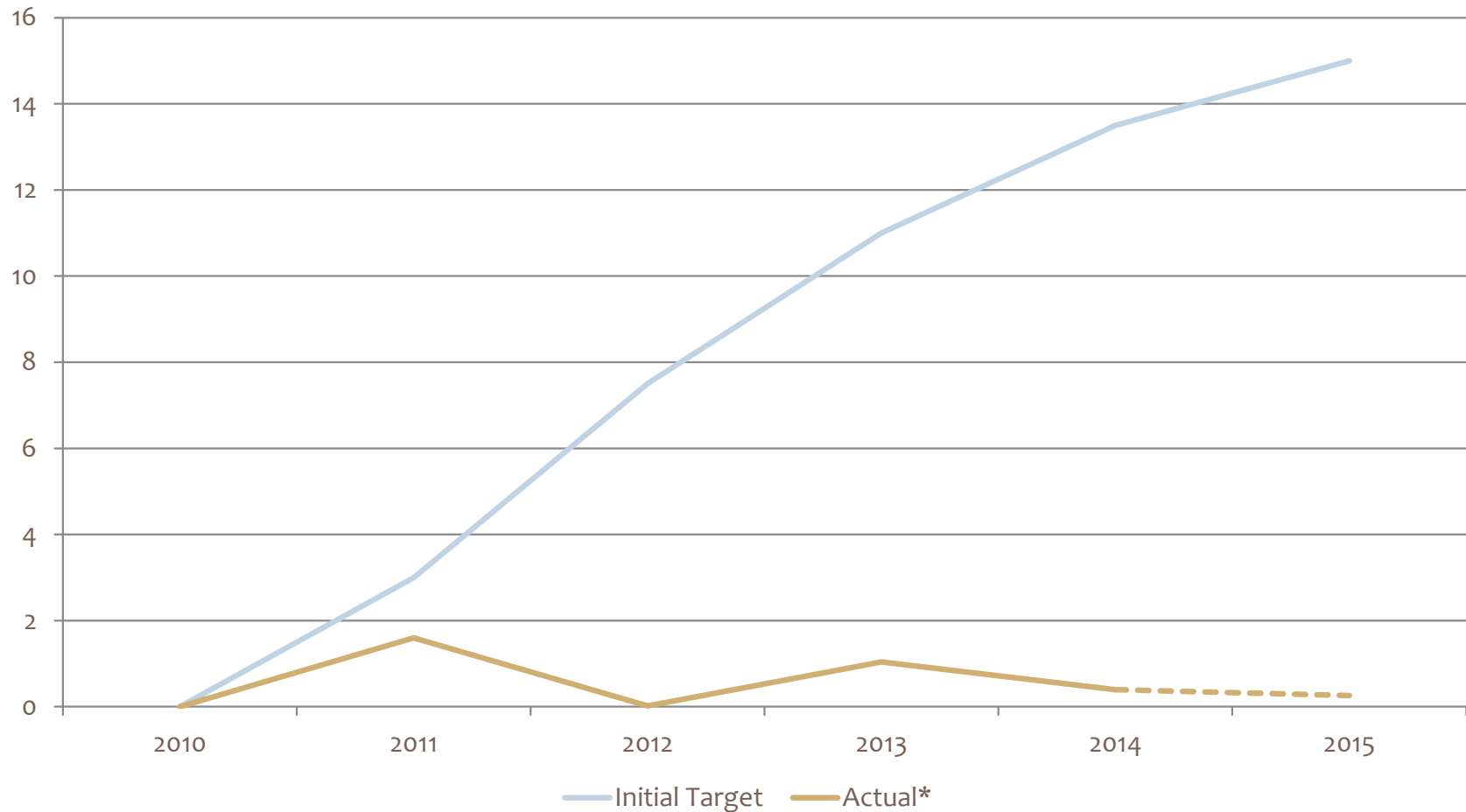
Source : Eurostat

Provisions for bad loans (% of GDP)



Sources: Bank of Greece, ELSTAT

Privatization Receipts per annum (€ bn)

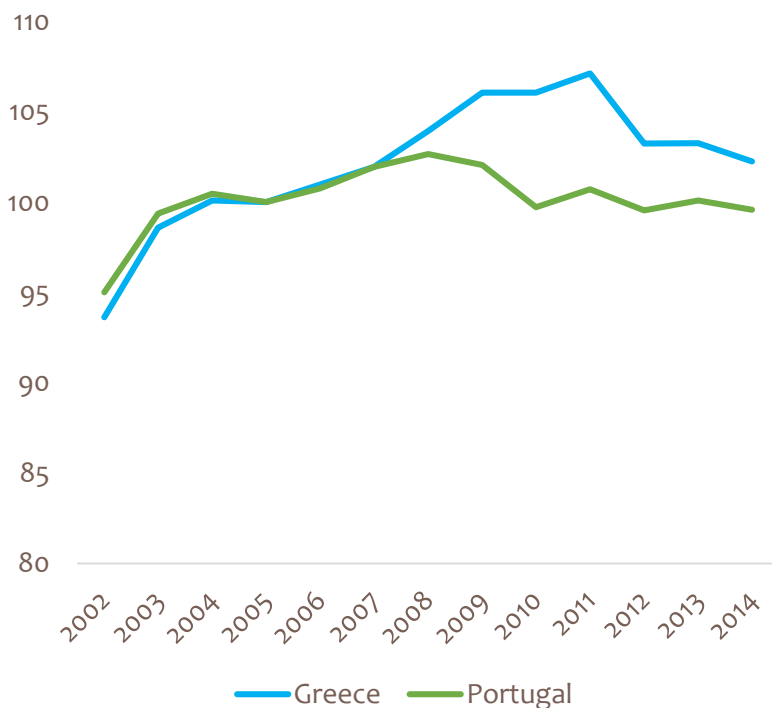


*Forecasts for 2015, 2016 Budget, November 2015, Ministry of Finance

•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

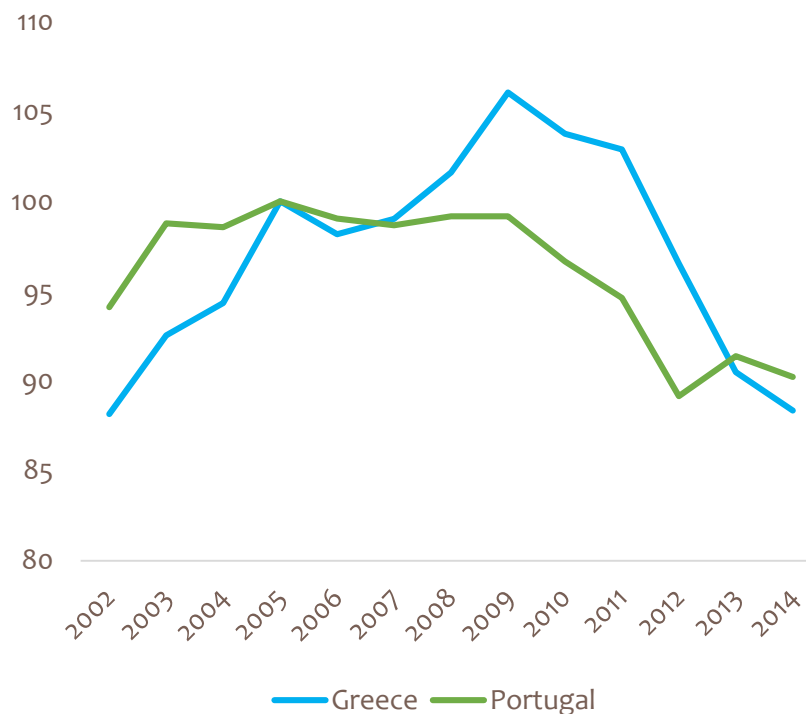
Real effective exchange rate

Real Effective Exchange Rate (CPI),
2005=100



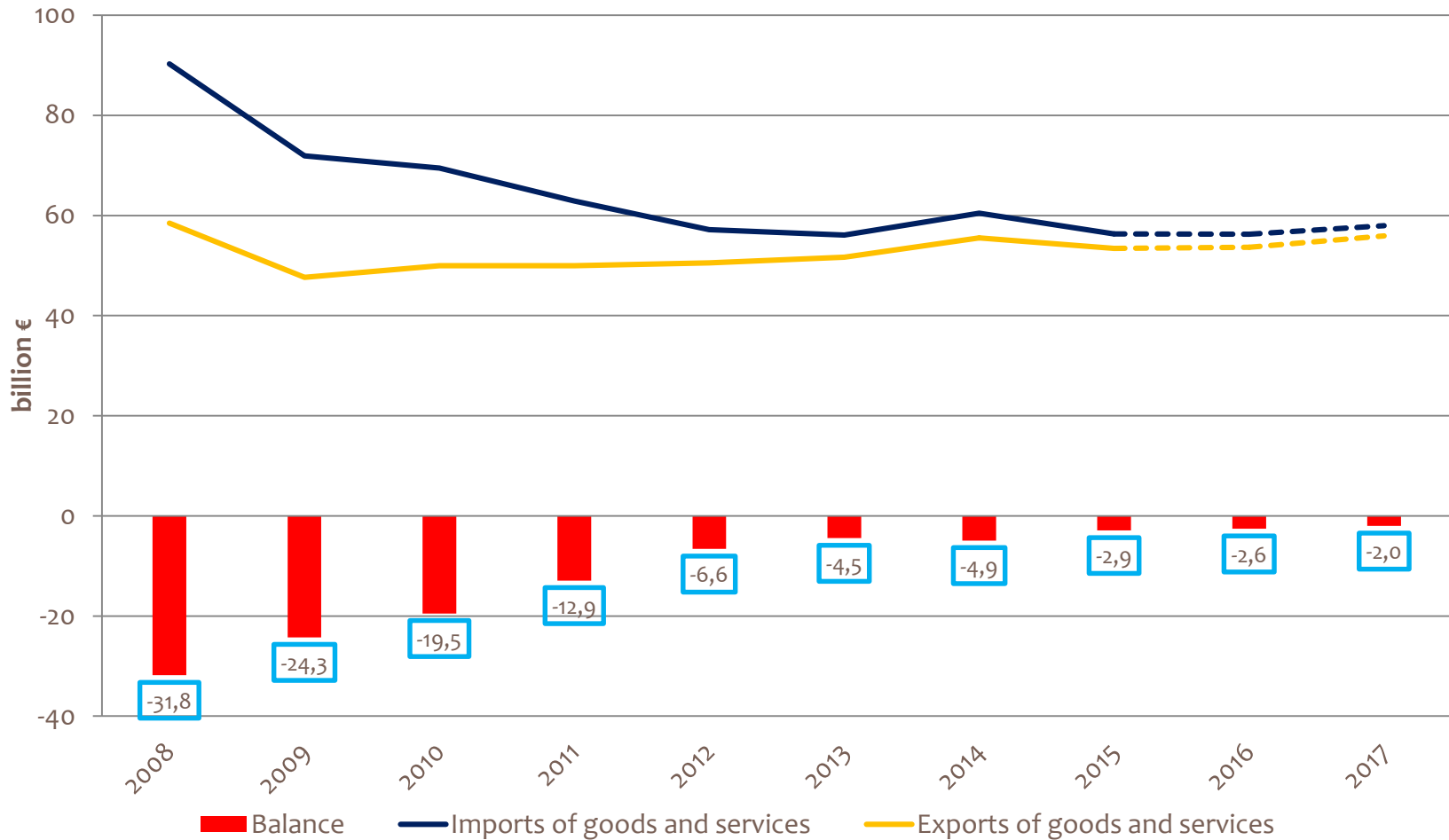
Source: Eurostat

Real Effective Exchange Rate (ULC),
2005=100



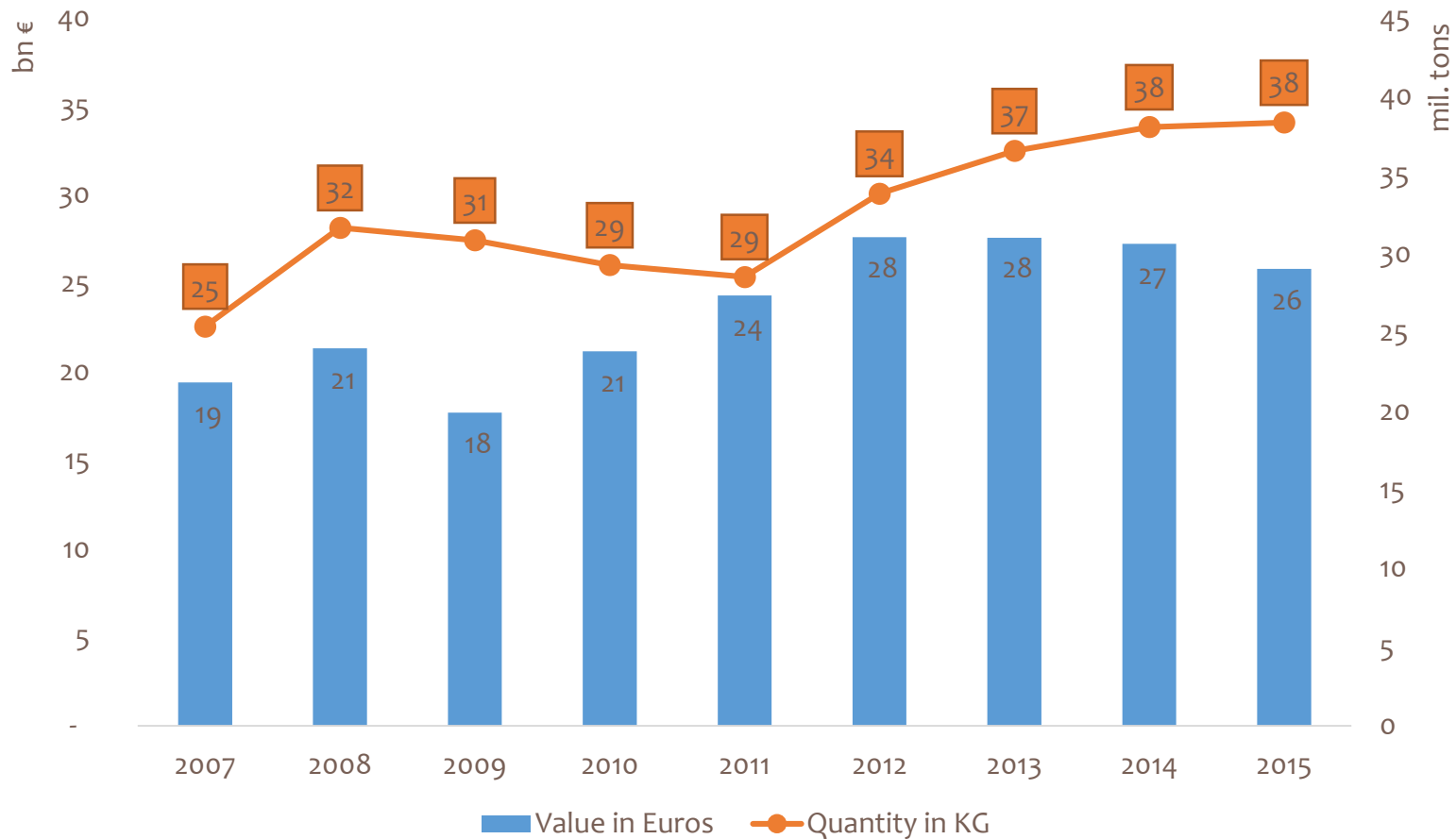
Real Effective Exchange Rate (deflator: CPI - against 37 trading partners)
Real Effective Exchange Rate (deflator: unit labor costs in total economy - against 37 trading partners)

Trade balance (Goods and Services)



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

Value vs. Volume of Exports



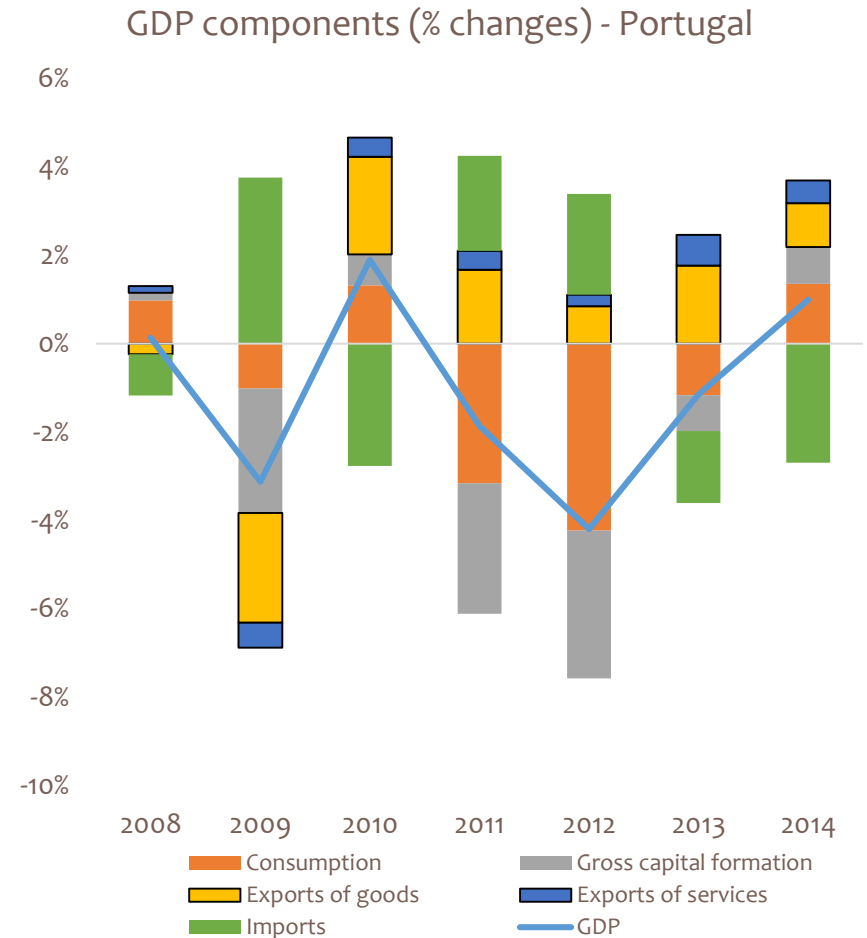
Source: Eurostat

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

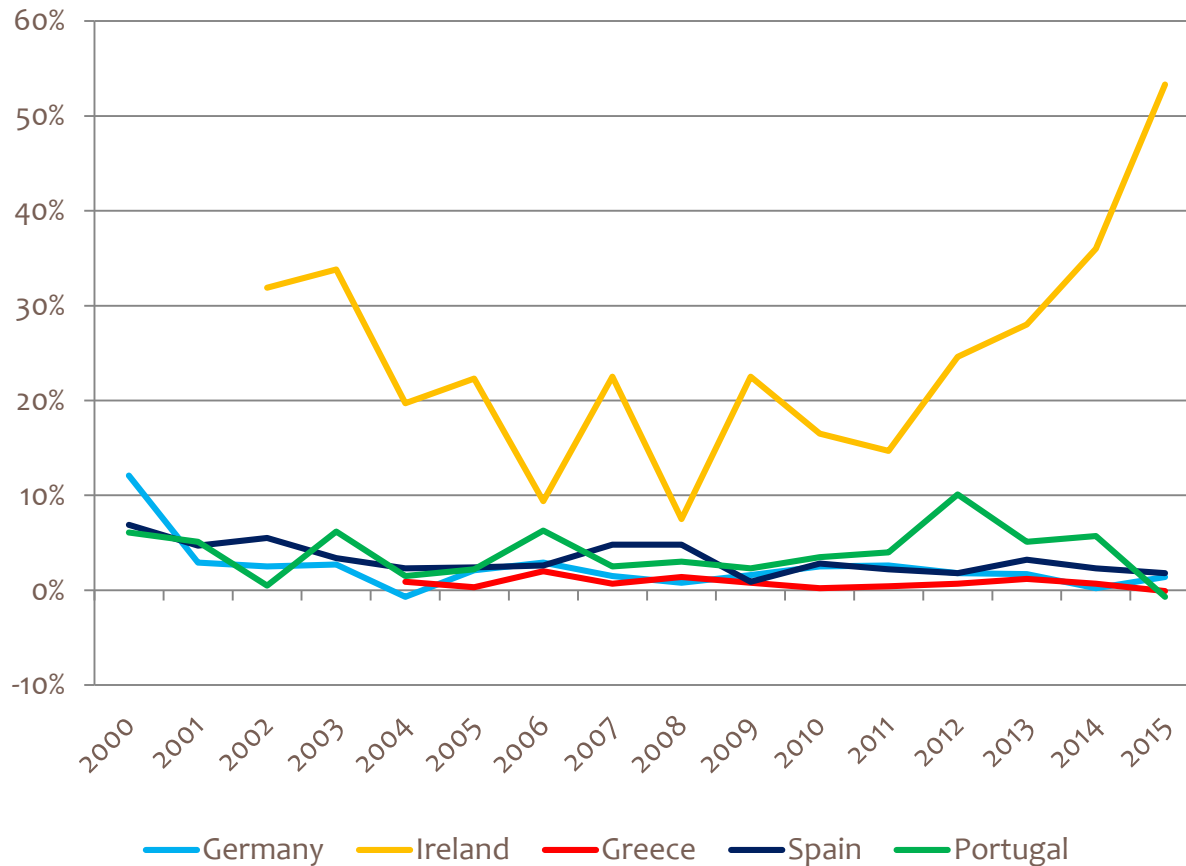
Weak contribution of exports to GDP



Source: Eurostat



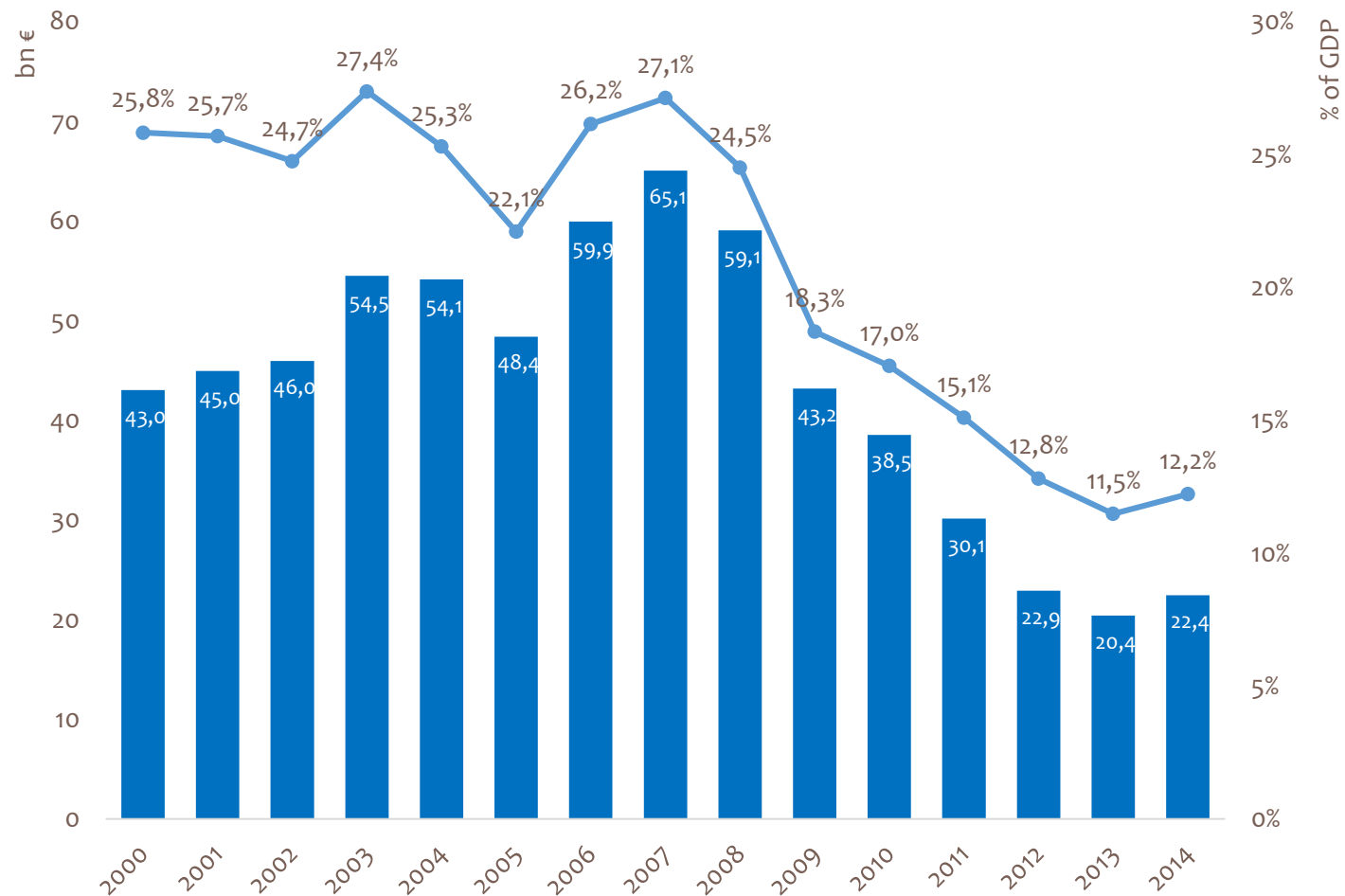
Foreign Direct Investment (% of GDP)



| 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

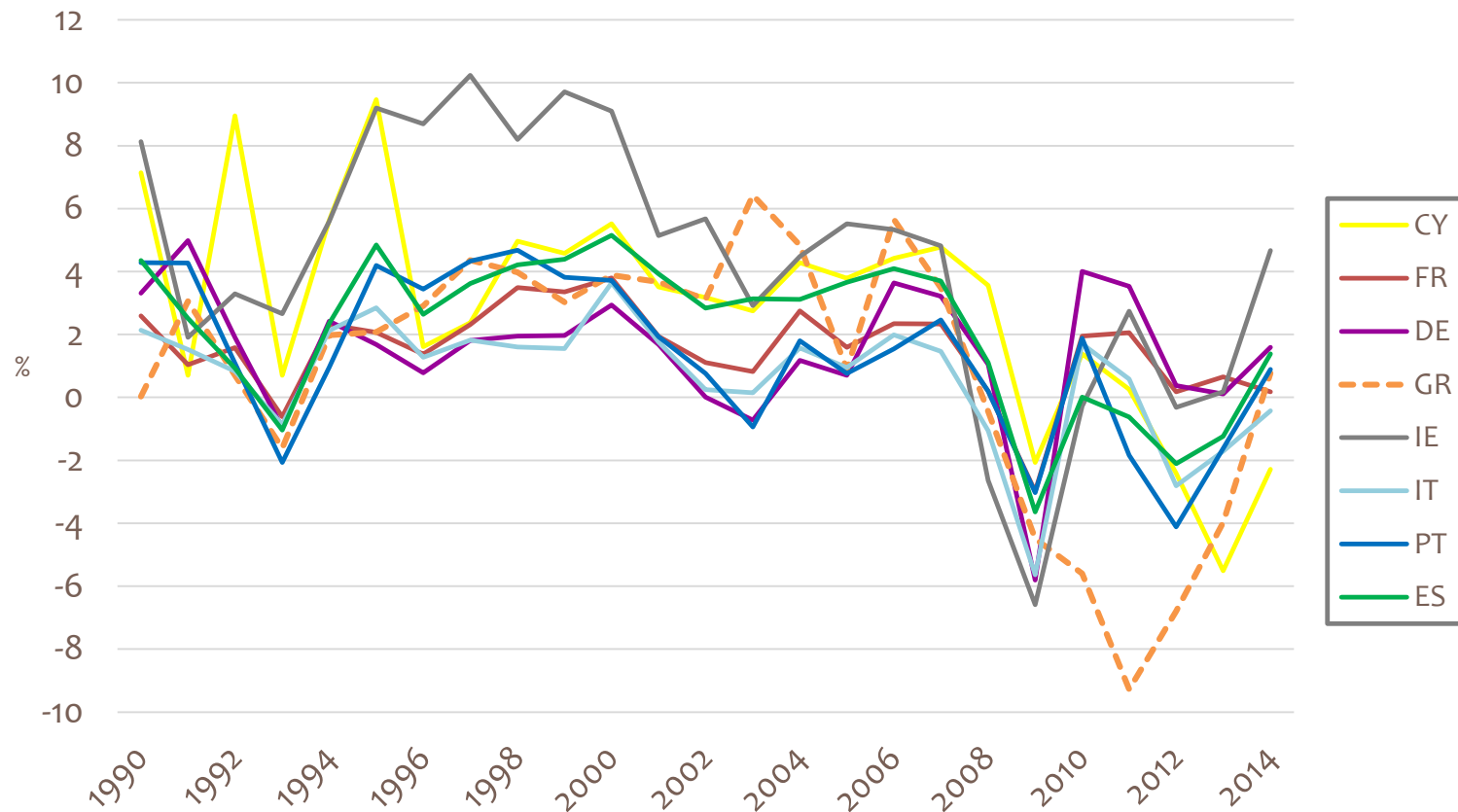


Source: Eurostat

AVG 2010-2014:

- Greece 13.7%
- Portugal: 17%

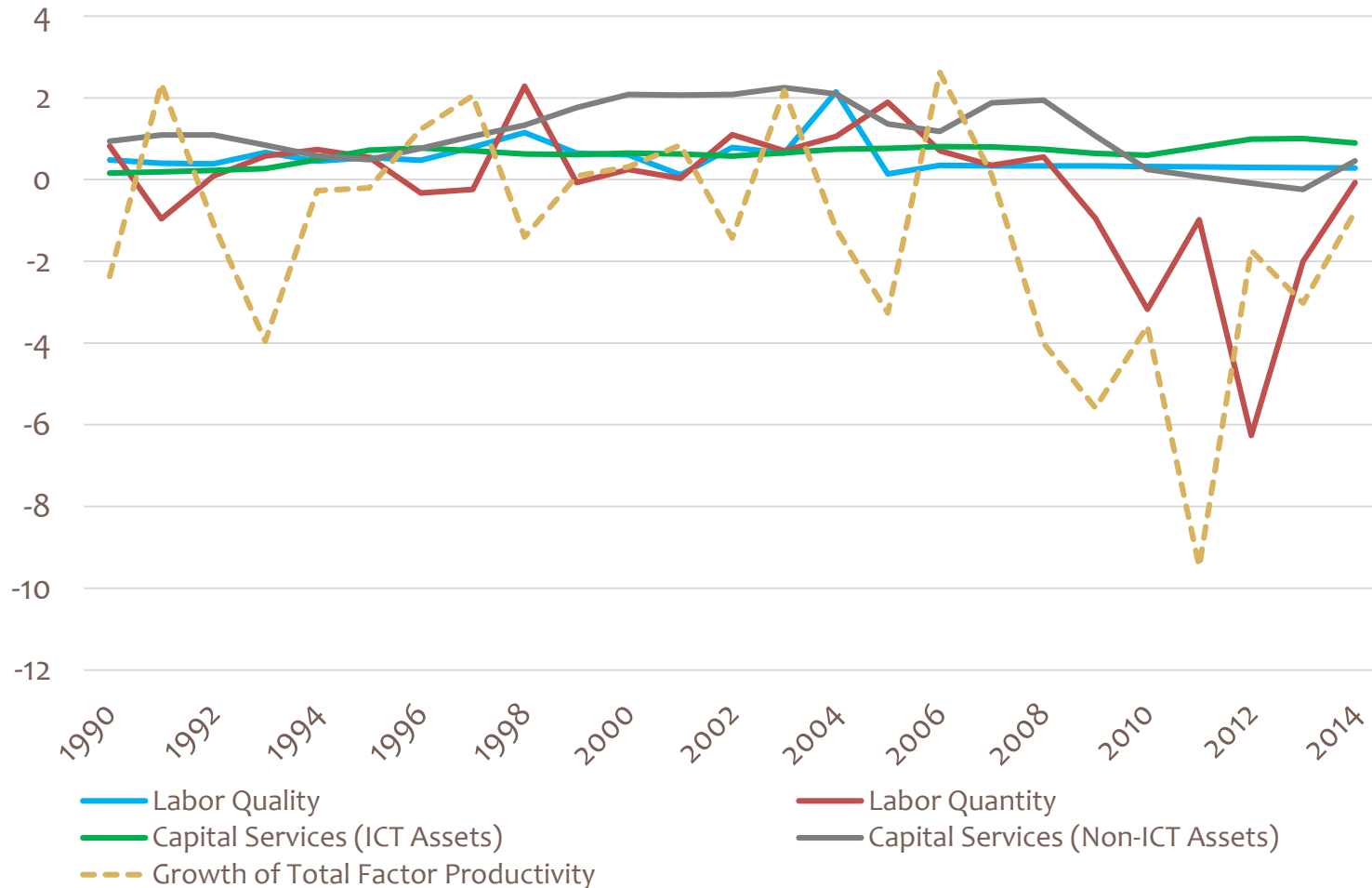
GDP change



| Country | Avg. Growth Rate 1994-2007 | Country | Avg. Growth Rate 1994-2007 |
|---------------|----------------------------|----------|----------------------------|
| Germany | 1.7% | France | 2.3% |
| Ireland | 7.4% | Italy | 1.7% |
| Greece | 3.6% | Cyprus | 4.5% |
| Spain | 3.6% | Portugal | 2.3% |

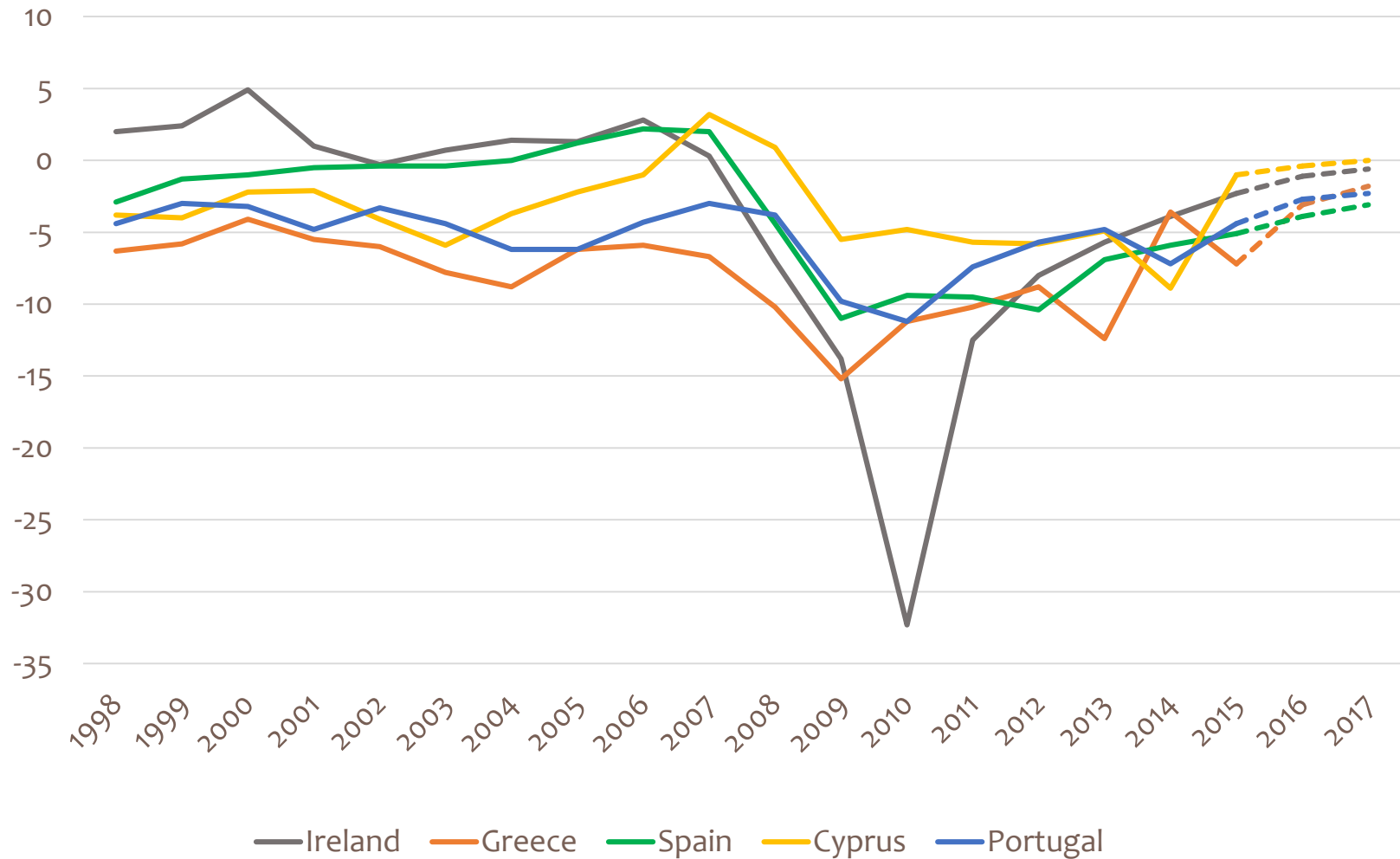
Sources: The Conference Board Growth and Total Factor Productivity database, AMECO database

Determinants of GDP change in Greece



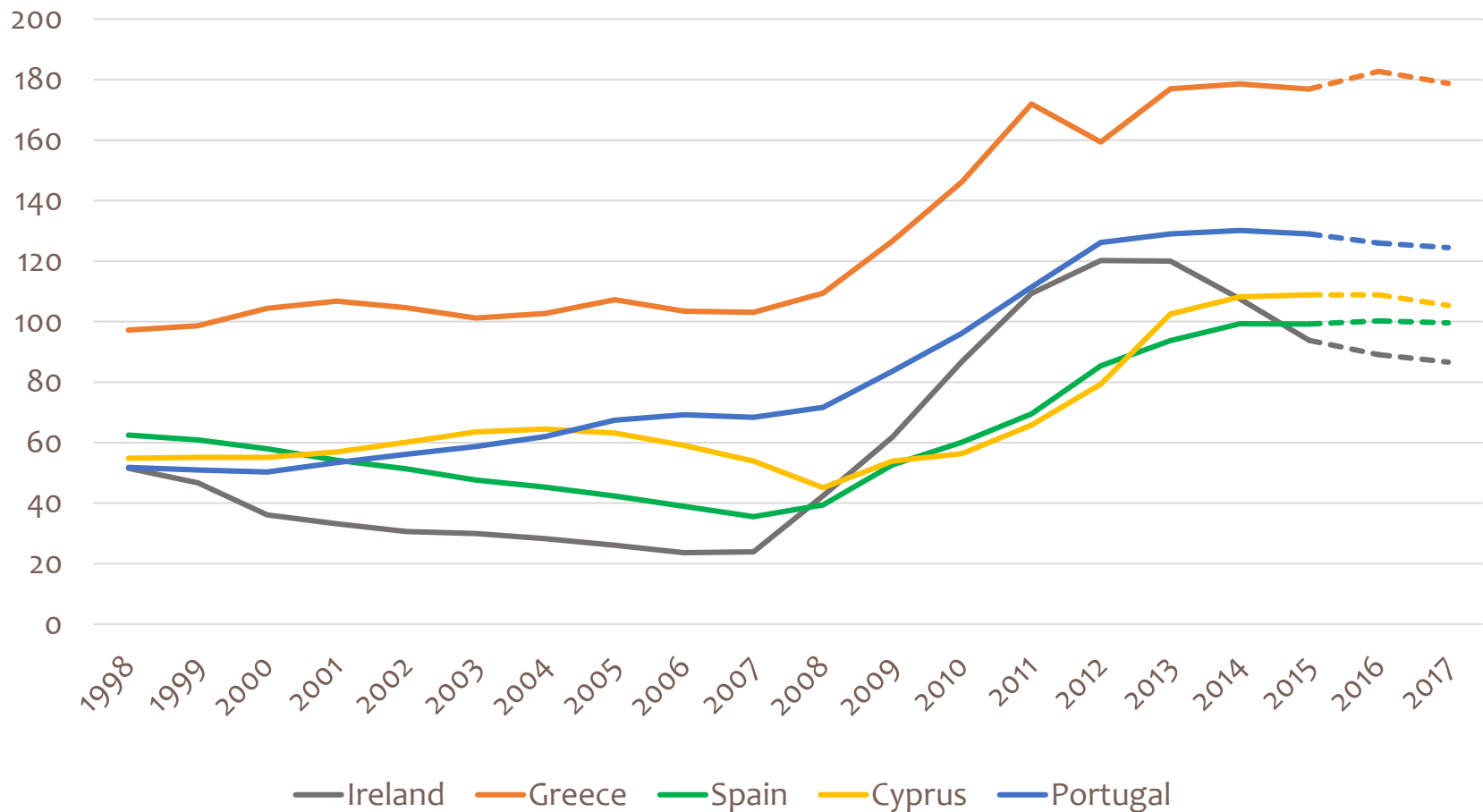
Source: The Conference Board Growth and Total Factor Productivity database

Budget Balance Eurozone periphery (% of GDP)



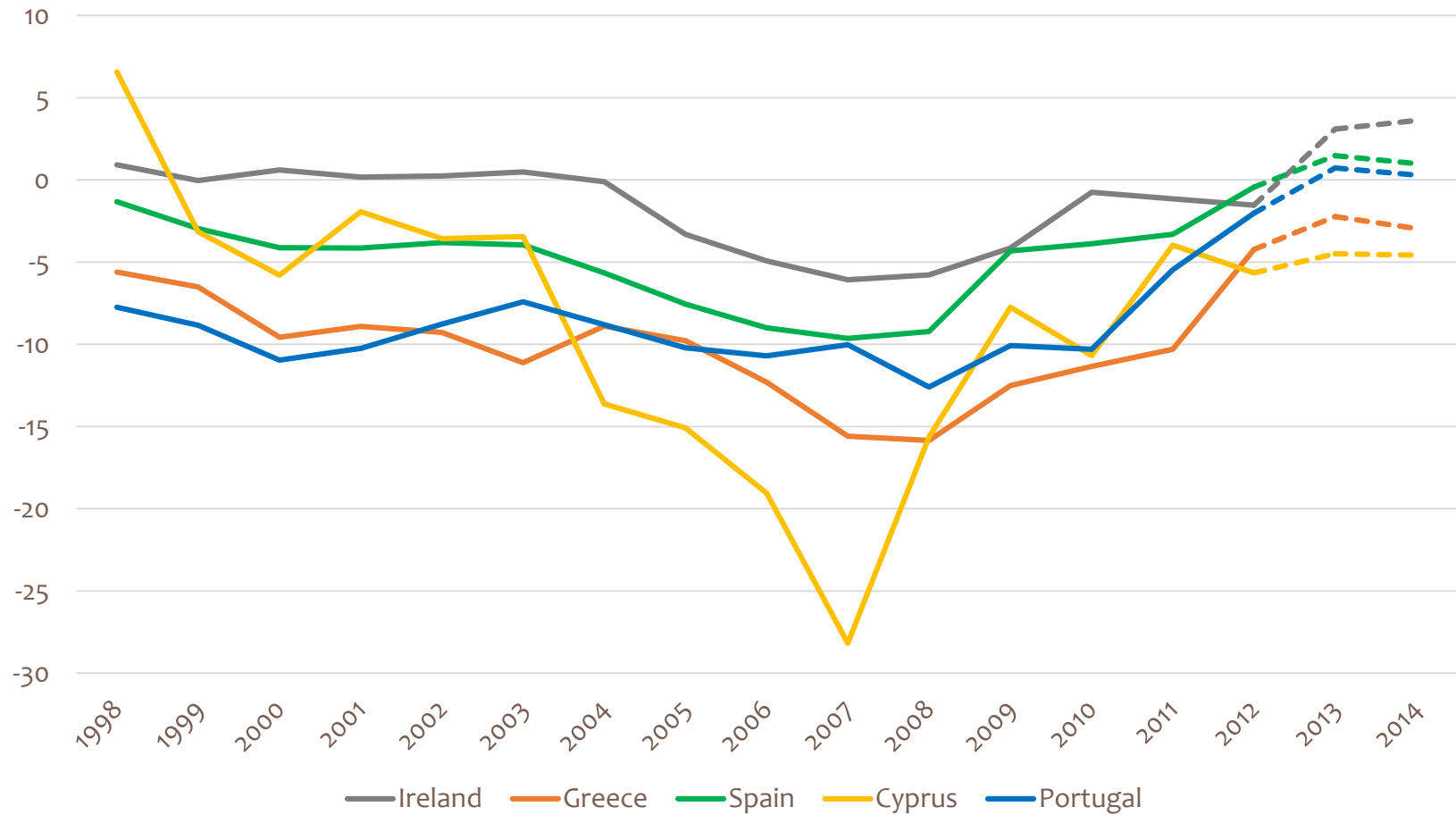
Sources: Eurostat/European Economic Forecast, spring 2016, European Commission

Government Debt – Eurozone periphery(% GDP)



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

Current account balance – Eurozone periphery (% of GDP)



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

Prospects

- Positive scenario: gradually increasing consensus and clarity, investment, gradual shift to a new growth model, positive interaction with EU environment.
- Negative scenario: lack of or willingness or ability to implement reforms, low liquidity and investment, lingering uncertainty, external effects.
- Uncertainty is the key ingredient of a continuing vicious cycle.