

Structural Reforms in the Greek Economy

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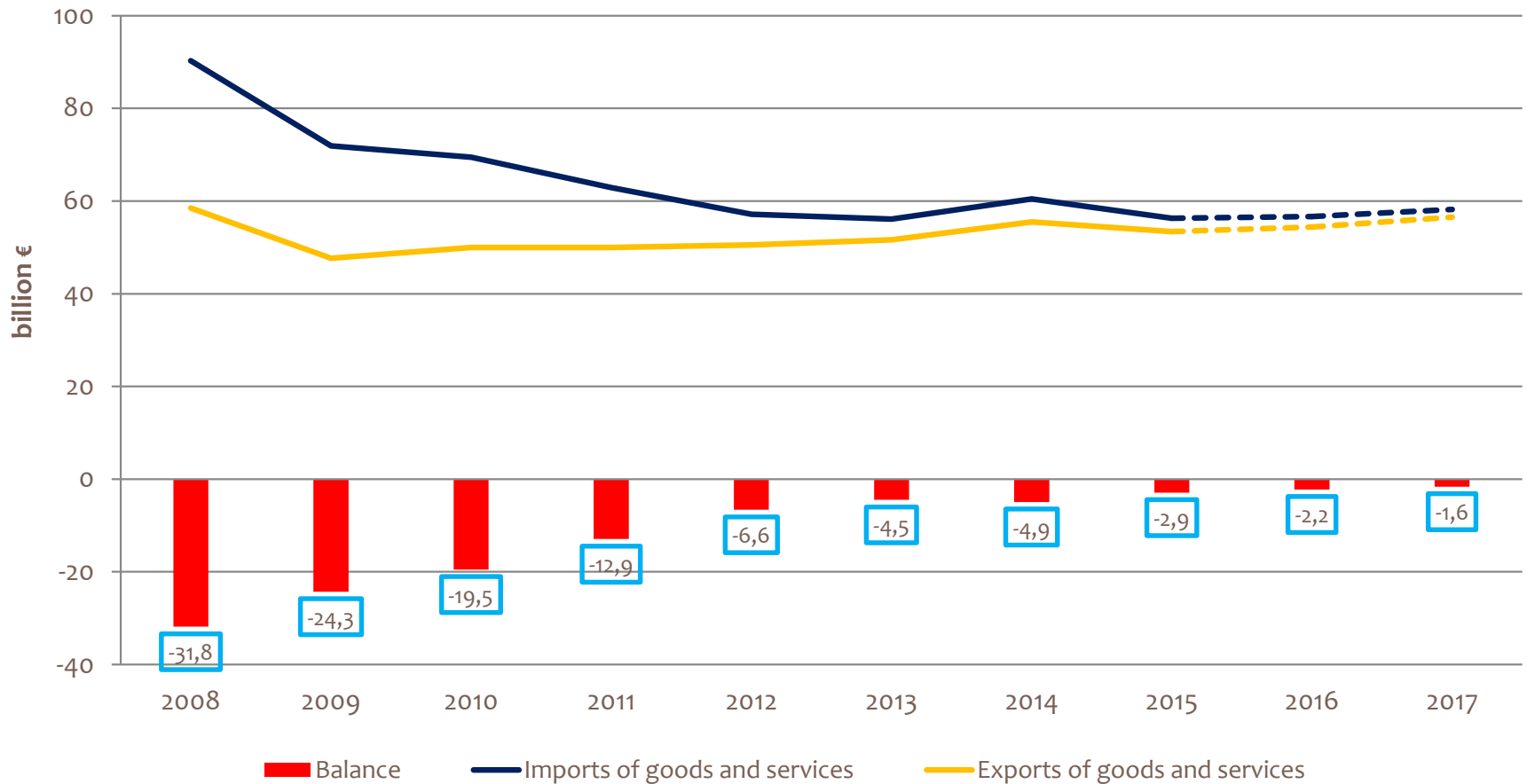
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Successes and failures of the post 2010 policies

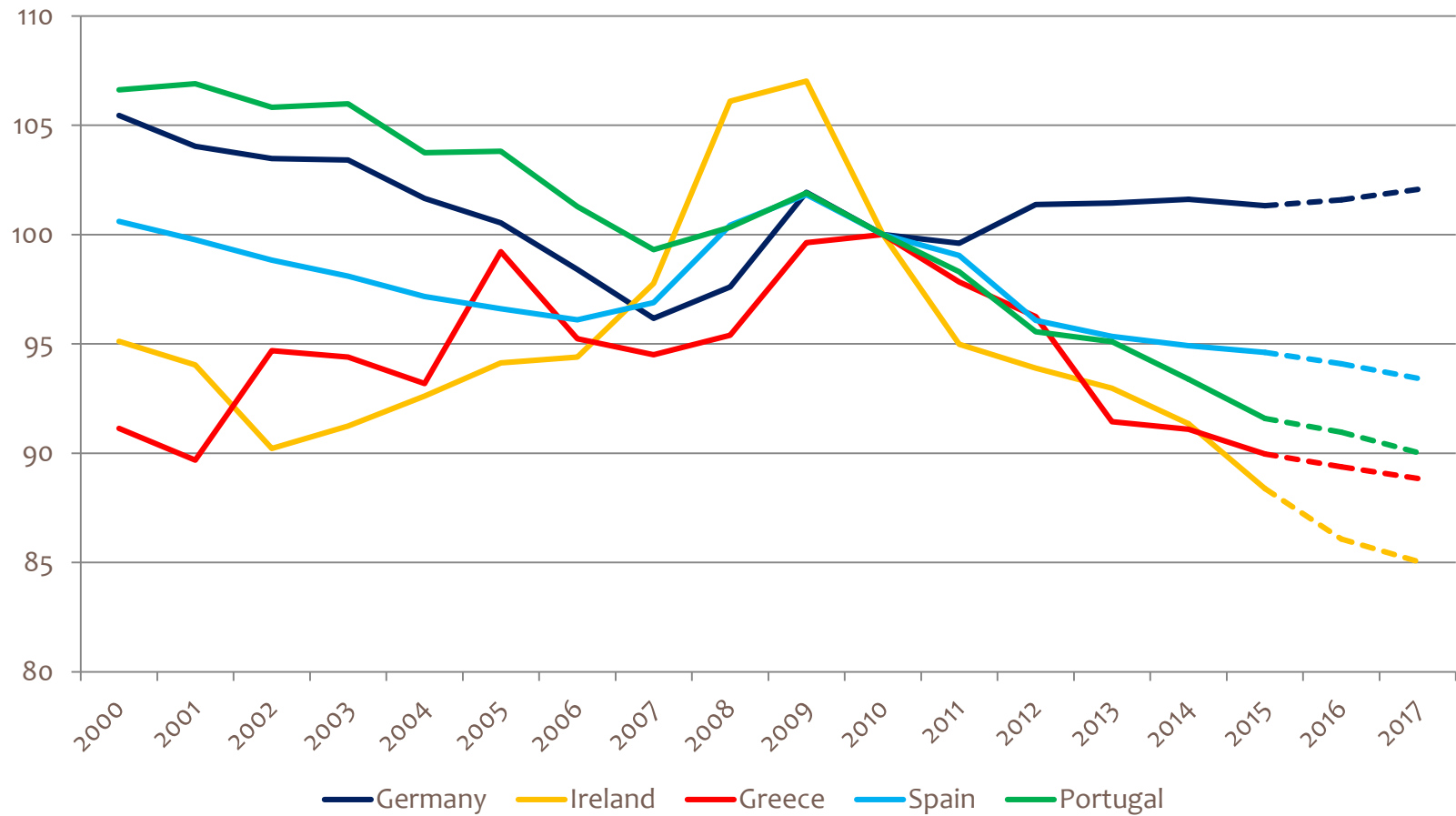
- Significant success in the areas of government budget and balance of payments ('twin deficits').
- Very weak performance for investments and exports.
- The economy has adjusted primarily via an extremely deep recession.
- Increase in competitiveness mainly via a reduction in labor unit cost.
- Lack of political support and social consensus for structural reforms, despite some important efforts.
- Public sector has been shrinking but administrative burden and inefficiency remains a key issue.

Trade balance (Goods and Services)



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

Unit Labour Cost* (in real terms)



*Ratio of compensation per employee to nominal GDP per person employed at 2010 prices

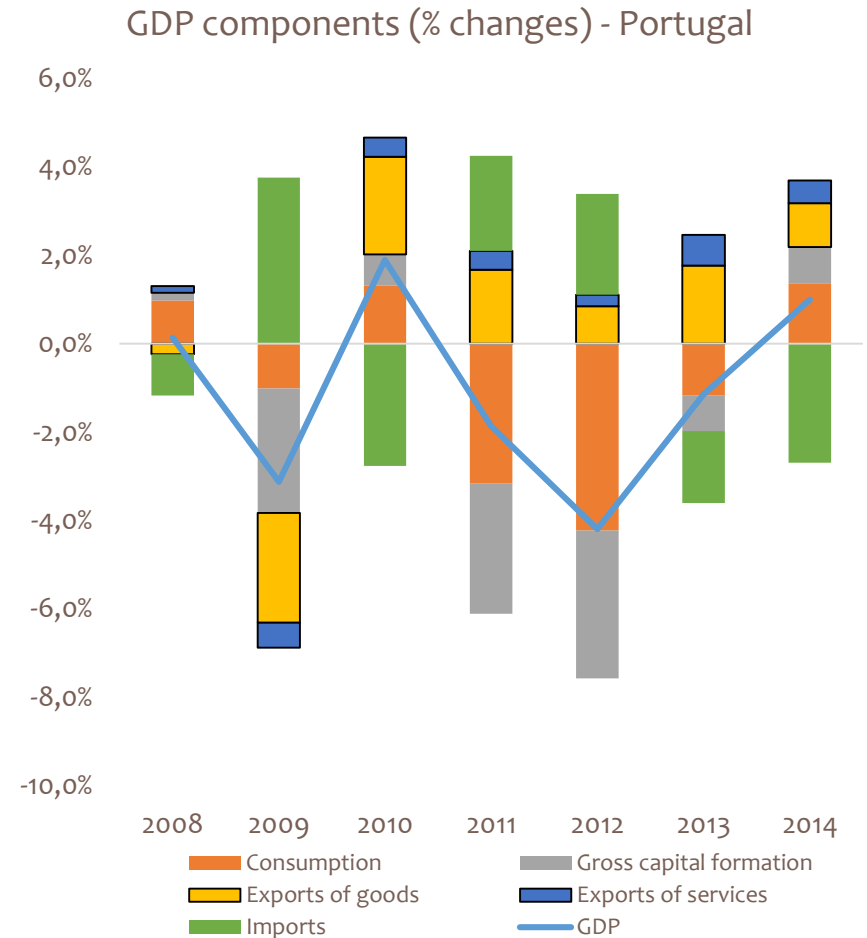
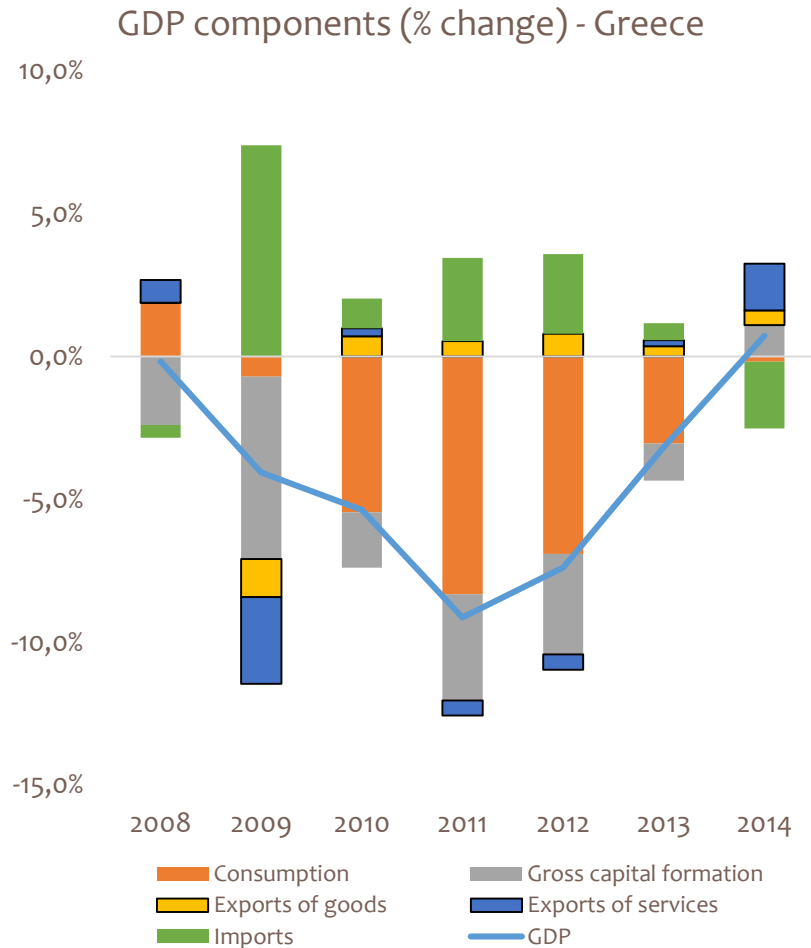
Source: AMECO, (2010=100)

Harmonized Inflation



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

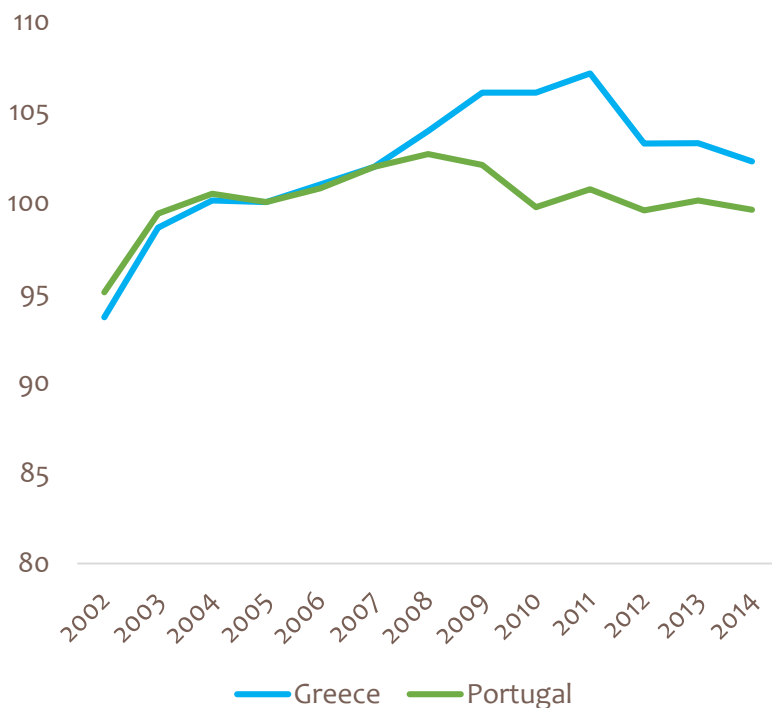
Weak contribution of exports to GDP



Source: Eurostat

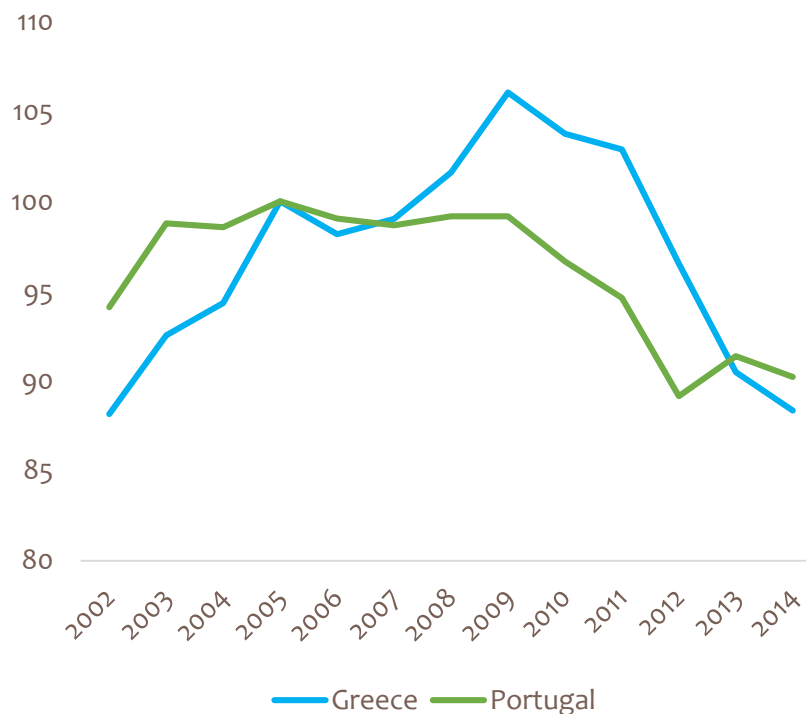
Real effective exchange rate

Real Effective Exchange Rate (CPI),
2005=100



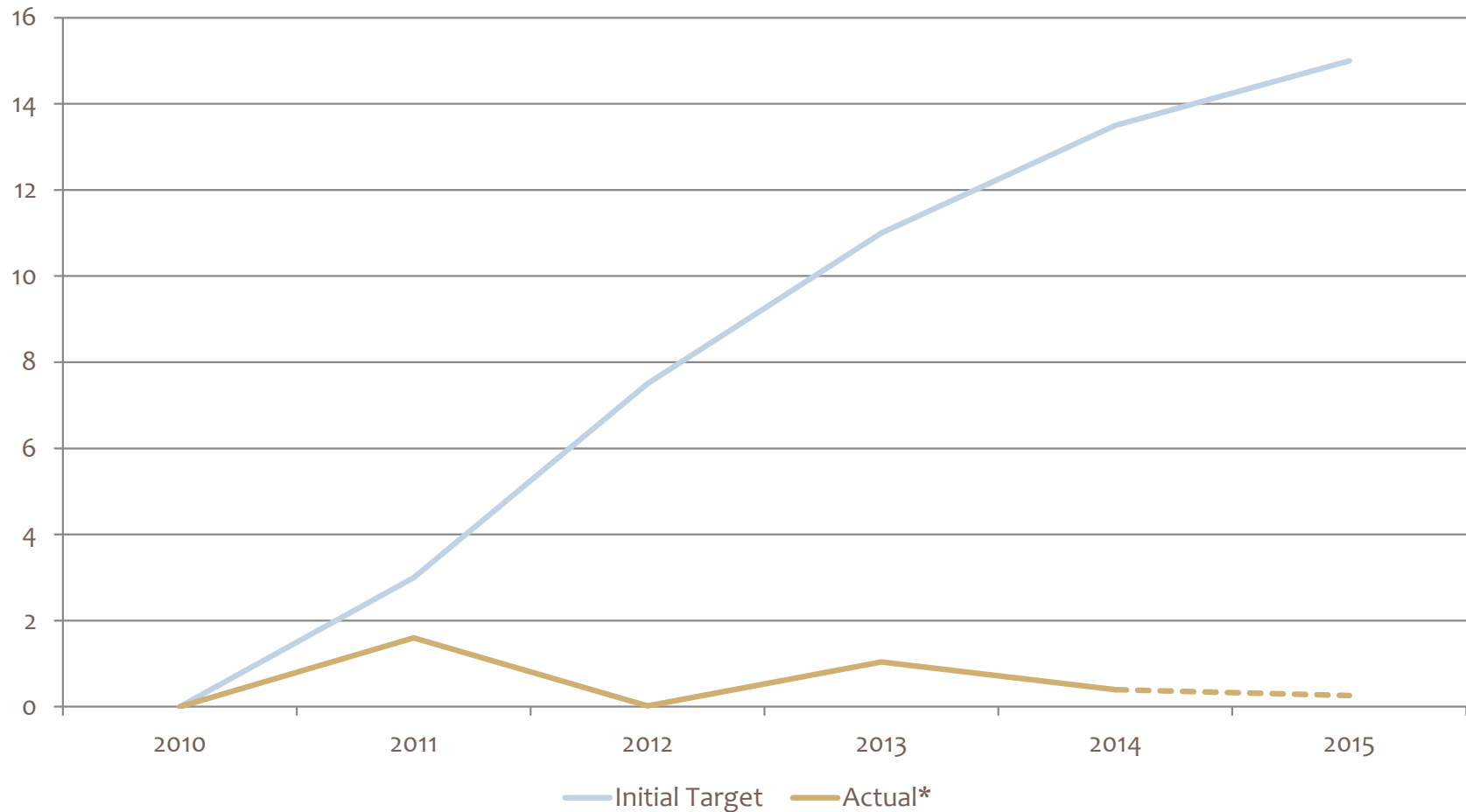
Source: Eurostat

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)

Privatization Receipts per annum (€ bn)

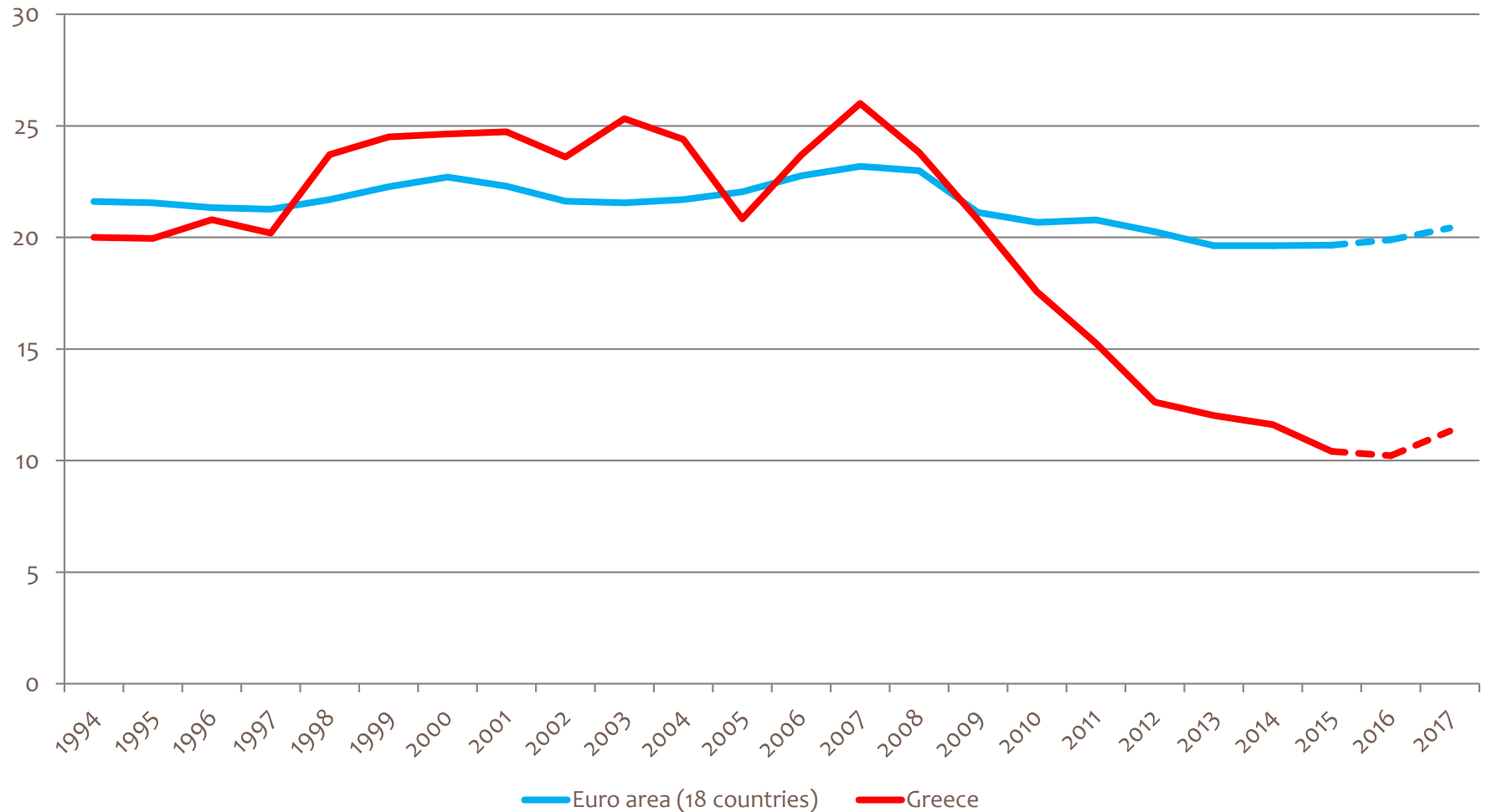


*Forecasts for 2015, 2016 Budget, November 2015, Ministry of Finance

•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

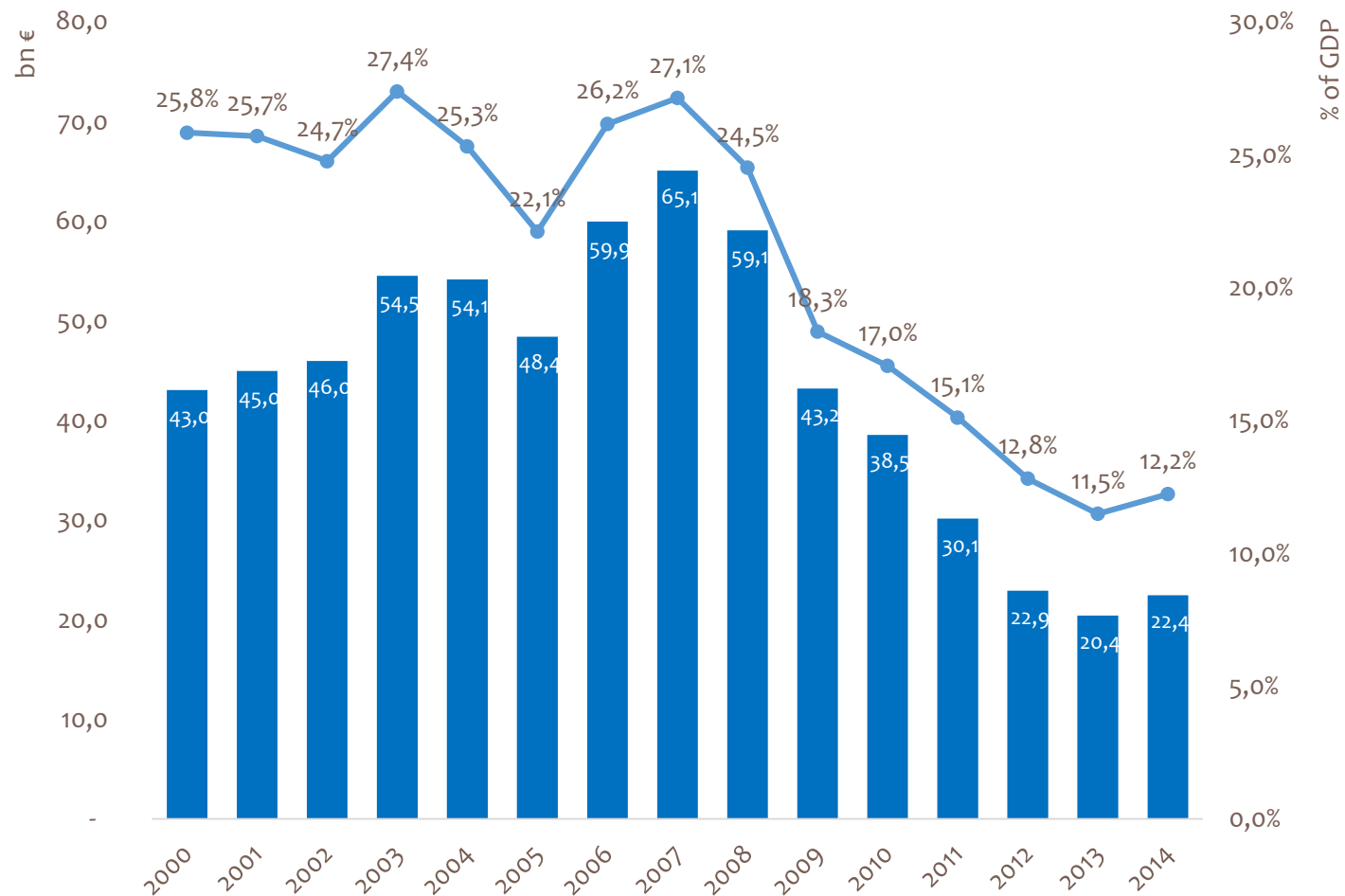
Investments

Gross Fixed Capital Formation (% of GDP)



Sources: Eurostat / European Economic Forecast, winter 2016, European Economic Forecast

Investment

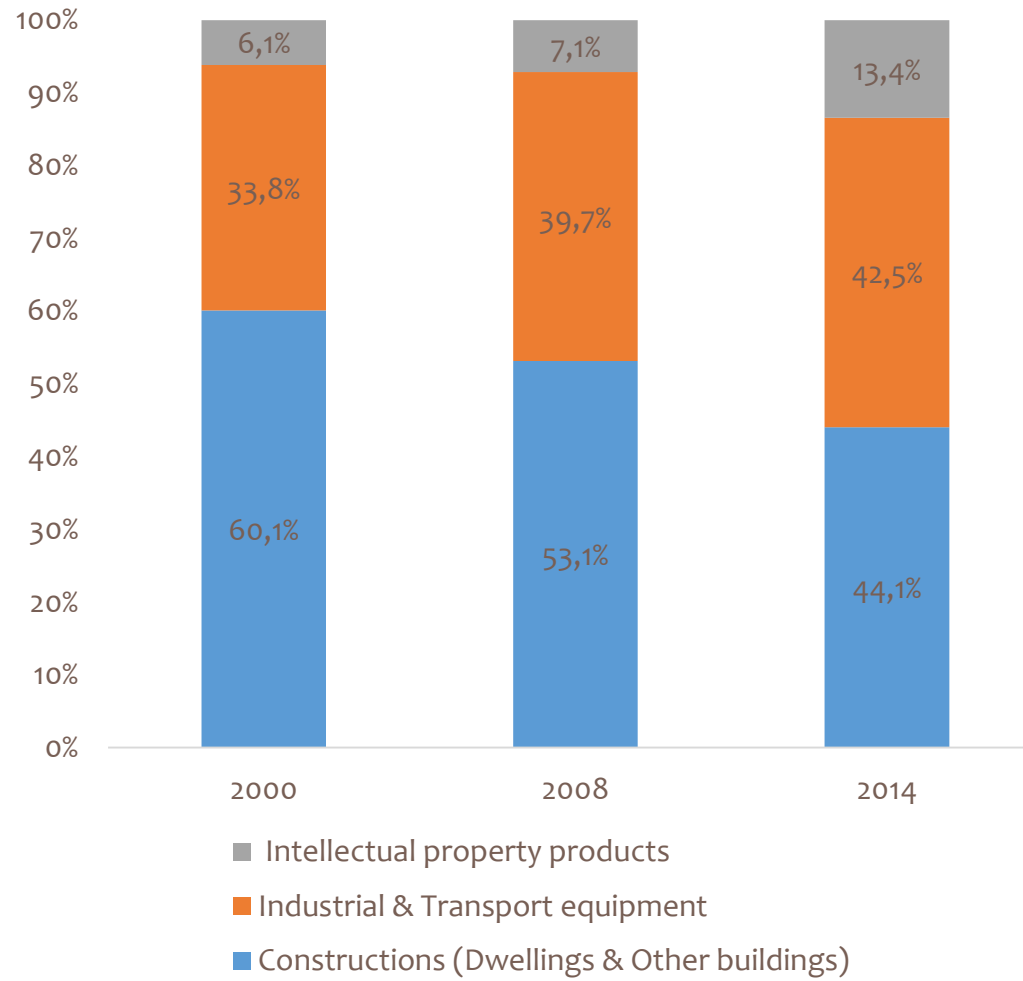


Source: Eurostat

AVG 2010-2014:

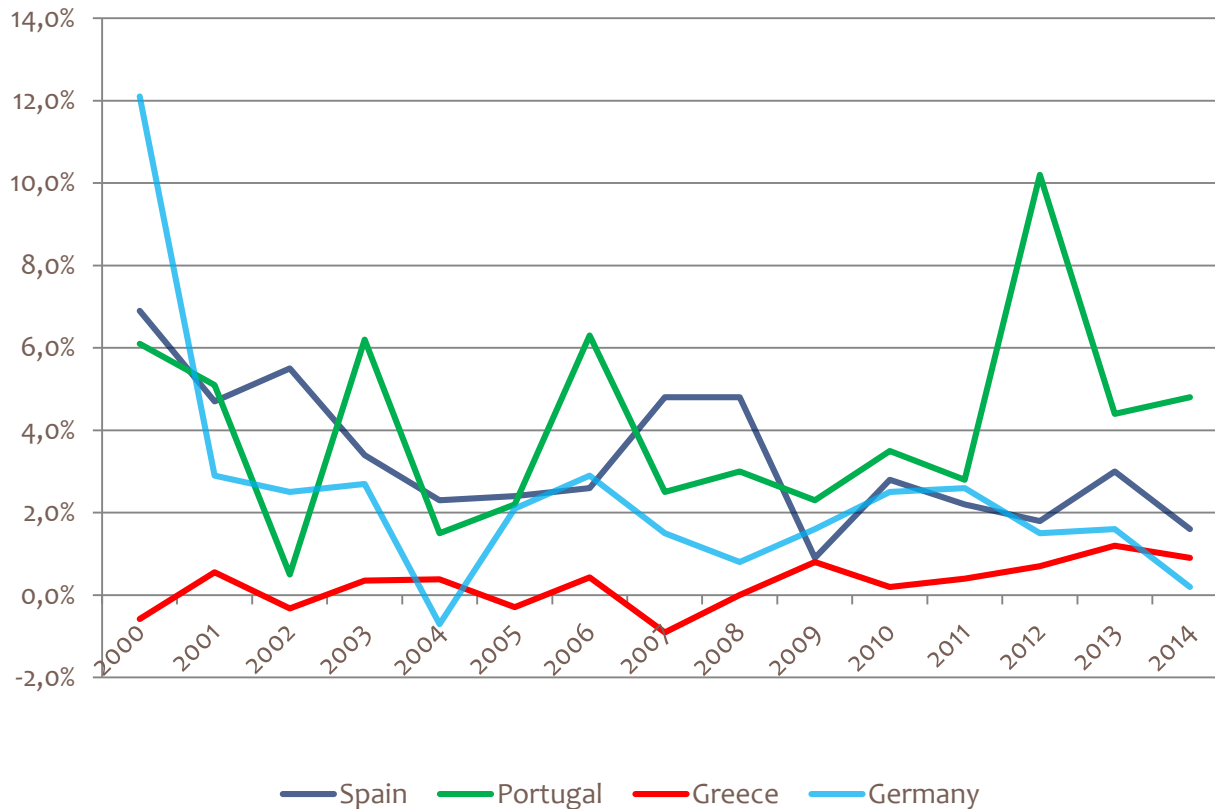
- Greece 13.7%
- Portugal: 17%

Investment Categories



Source: Eurostat

Foreign Direct Investment (% of GDP)

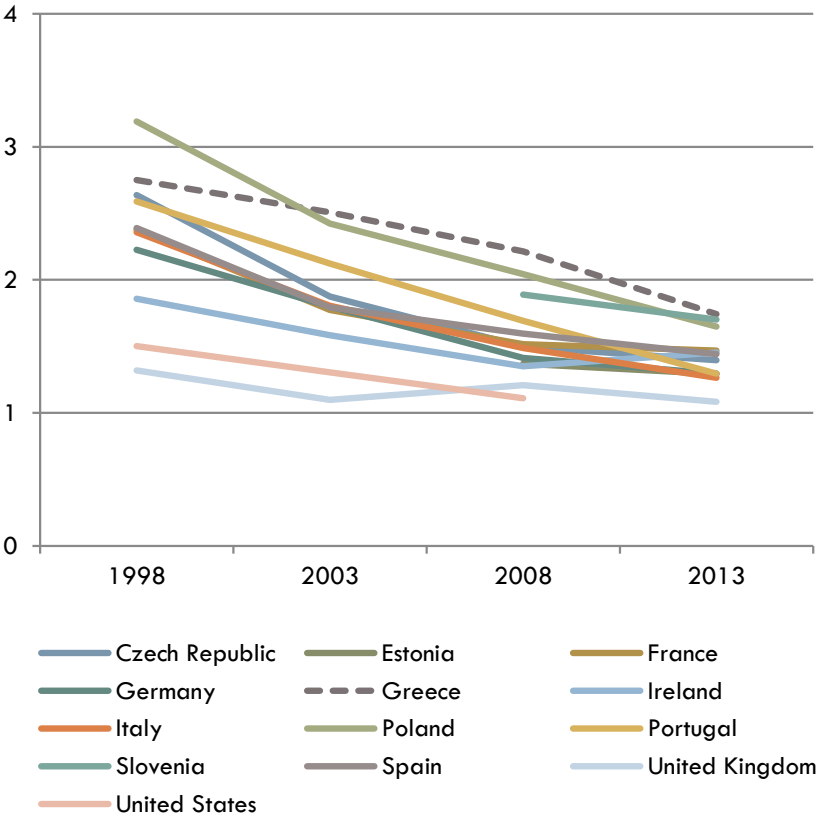


FDI as a % of GDP		
	2000-2008	2009-2014
Greece	0.0%	0.7%
Portugal	3.7%	4.7%
Germany	3.0%	1.7%
Spain	4.2%	2.1%

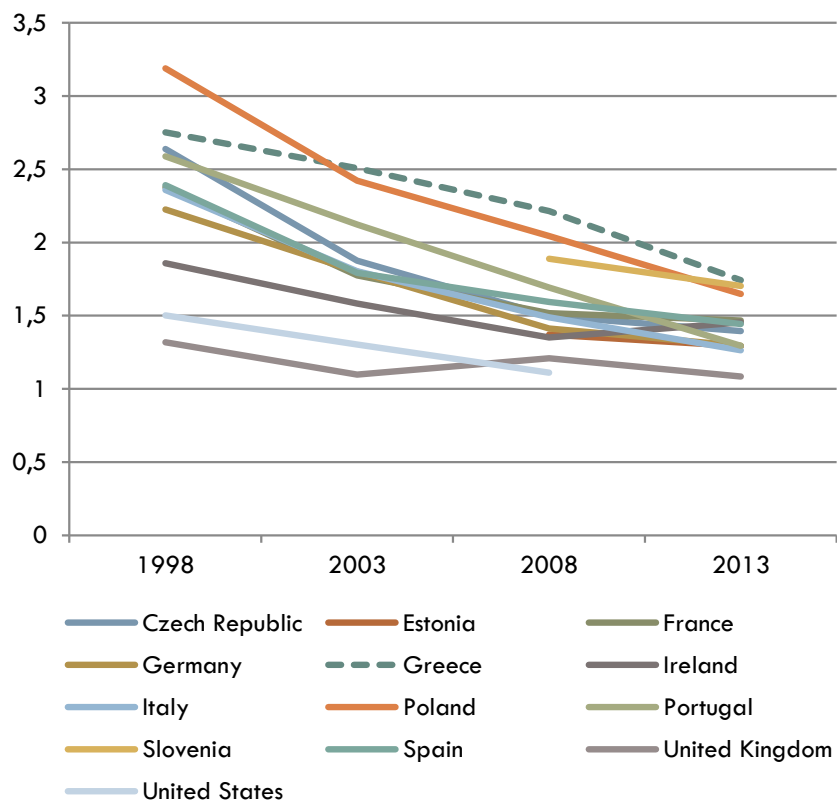
Source: Eurostat

Barriers to entrepreneurship and investment

PMR indicator: Impact of State Control



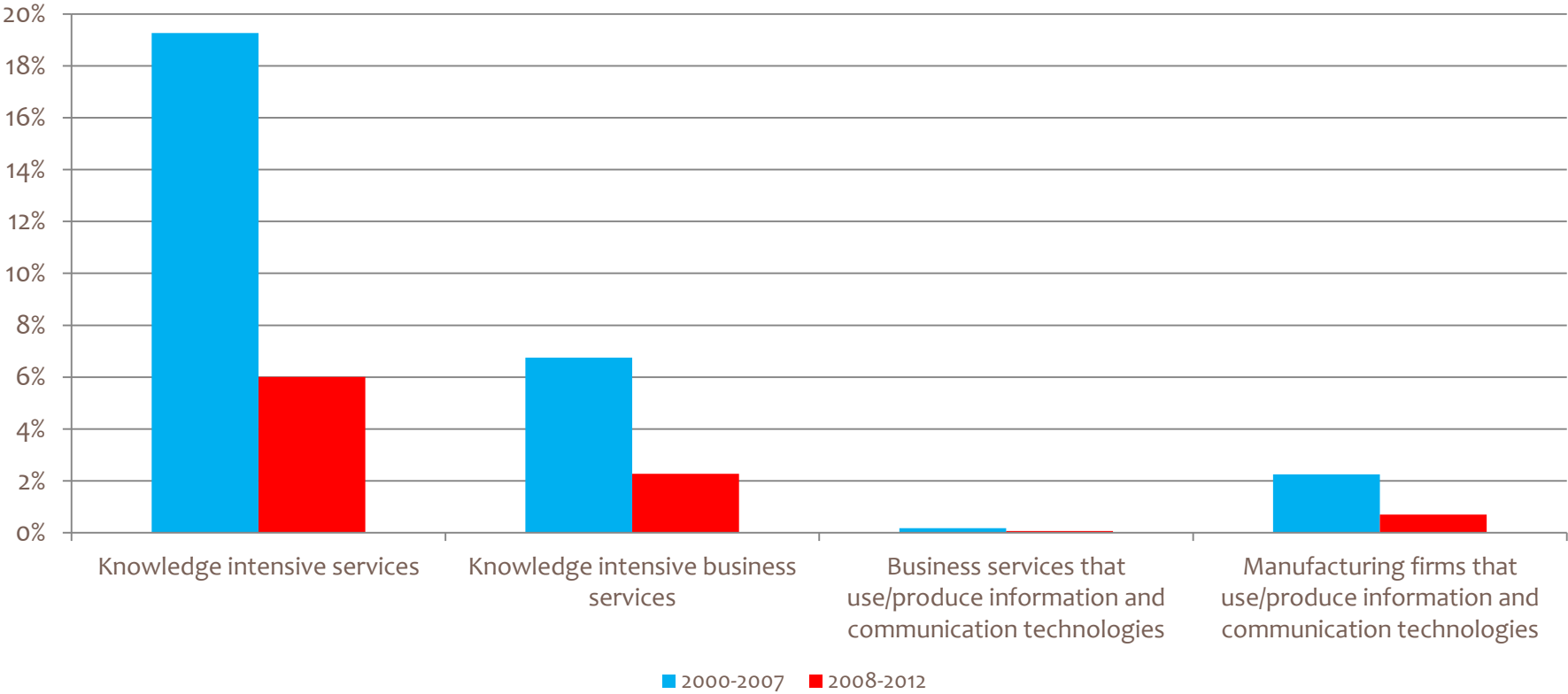
PMR indicator: Barriers to entrepreneurship



Source: Public Sector, Taxation and Market Regulation, OECD Stats.

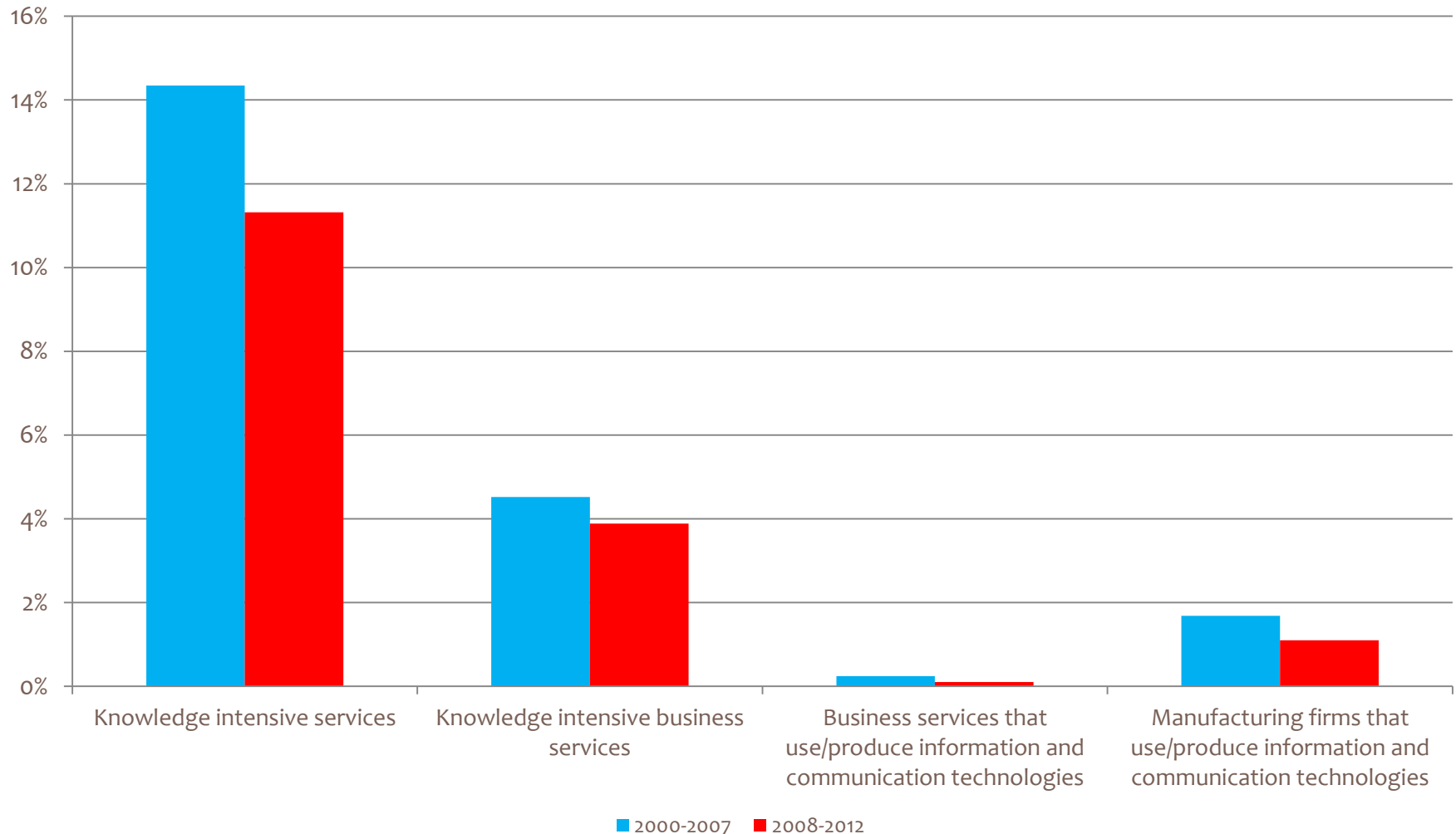
Unfavorable macroeconomic conditions of period 2008-2012 discouraged the entry of new firms operating in Knowledge and ICT intensive industries

Structure of innovative enterprises 2000-2007 and 2008-2012



Only 6% of those firms that founded during period 2008-2012 belong to knowledge intensive sectors.
The corresponding percent during period 2000-2007 was nearly 20%

But knowledge and ICT intensive firms exhibit lower percentage of exit during period 2008-2012



Sources: Hellastat - Financial Statements Database – data processing IOBE

Domestic business sector

2 field studies 2011 & 2013 on 2,000 firms

Economic Performance

Category A: the “established ones”	Category B: “at stake”	Category C: The “problematic ones”
<ul style="list-style-type: none"> ✓ Profits 2010/2011 and sales’ increase in 2011/2010: ✓ 573 firms – 28.3% of the sample 	<ul style="list-style-type: none"> ✓ Profits 2010 or/and 2011, but sales’ decrease ✓ 1052 firms – 52.0% of the sample 	<ul style="list-style-type: none"> ✓ Losses in 2010 and 2011: ✓ 400 firms – 19.8% of the sample
<ul style="list-style-type: none"> ✓ 55% export-oriented ✓ 61% expect exports’ increase in 2011 ✓ 10% bank financing problems ✓ Innovation <ul style="list-style-type: none"> ▪ 54% product innovation, ▪ 37% process, ▪ 43% organizational 	<ul style="list-style-type: none"> ✓ 45% export-oriented ✓ 53% expect exports’ increase in 2011 ✓ 20% bank financing problems ✓ Innovation <ul style="list-style-type: none"> ▪ 49% product innovation, ▪ 31% process, ▪ 39% organizational 	<ul style="list-style-type: none"> ✓ 38% export-oriented ✓ 42% expect exports’ increase in 2011 ✓ 40% bank financing problems ✓ Innovation <ul style="list-style-type: none"> ▪ 42% product innovation, ▪ 25% process, ▪ 32% organizational

Reforms that boost competition and reduce mark-ups in product markets lead to higher income and employment

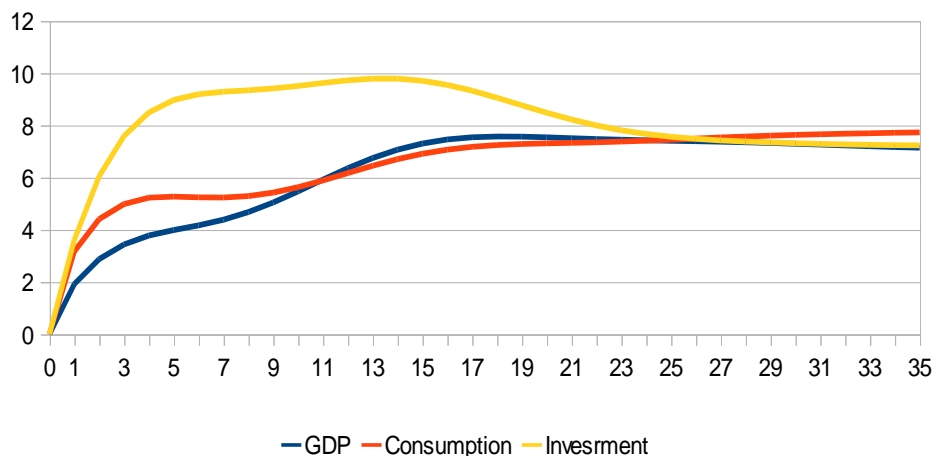
Greece has significantly higher mark-ups than the EU average

Stronger competition in the product markets implies lower mark-ups

What would happen if the difference in the mark-ups in Greece and the EU was halved for non-tradables (-9 p.p.) and eliminated for tradables (-5 p.p.)?

Real GDP, Consumption and Investment

Permanent increase in competition in T and NT sectors, percentage deviations from base



Medium-term results
(deviation from base):

- Private consumption +6.9%
- Investment +9.7%
- GDP +7.3%
- Employment +60,000 jobs

Analysis and evaluation

- Pre-2008: a high profit margins and high entry barriers economy
- Inward looking and short run investments
- Access to finance
- Product market reforms during the crisis – what has worked and what not and why?
- Investment
- Public administration, regulation and competition law