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The Greek economy: from deep crisis to strong recovery and growth

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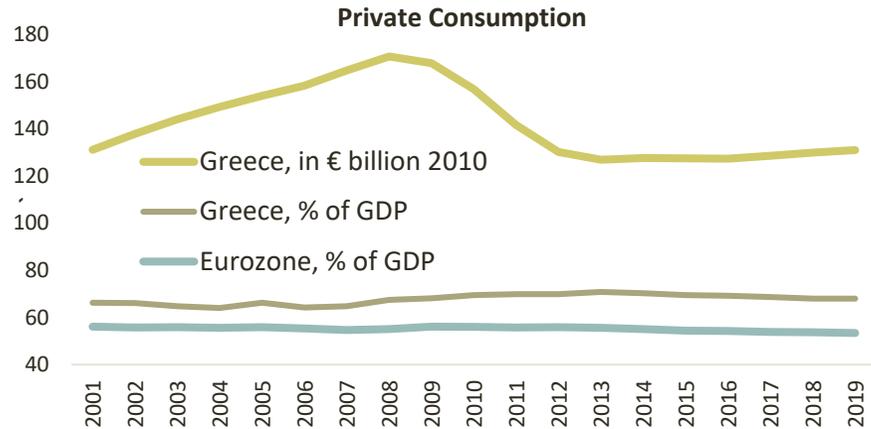
The Egyptian Center for Economic Studies (ECES) | 1st Cairo Forum

The Greek experience: painful yet effective reform, any lessons for Egypt and other developing countries?

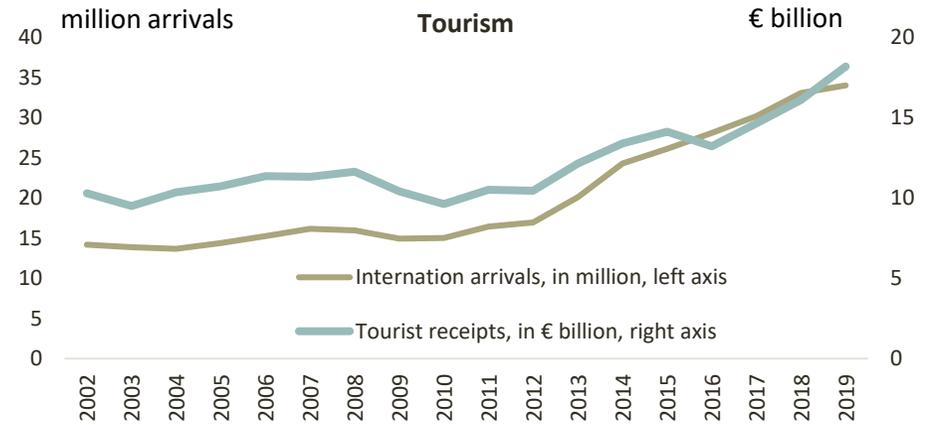
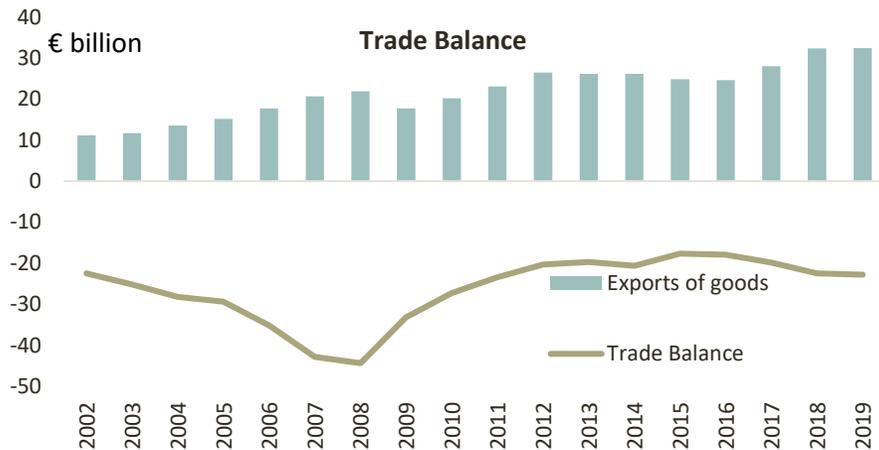
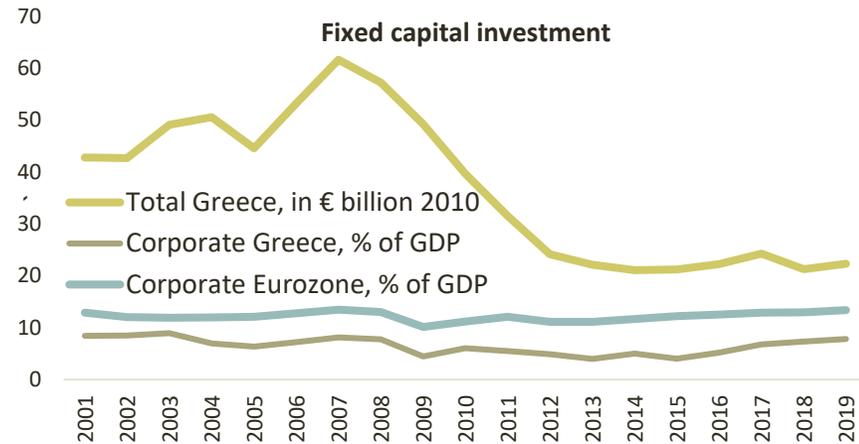
2001-2010: FROM PROSPERITY TO CRISIS

Key trends in the Greek economy after eurozone entry in 2001

- Private consumption still constitutes a significant share of GDP, higher than the Eurozone average



- Fixed corporate investment has systematically been below the Eurozone average as a percentage of GDP



- The value of goods exports has more than tripled in two decades, but the trade balance remains in deficit

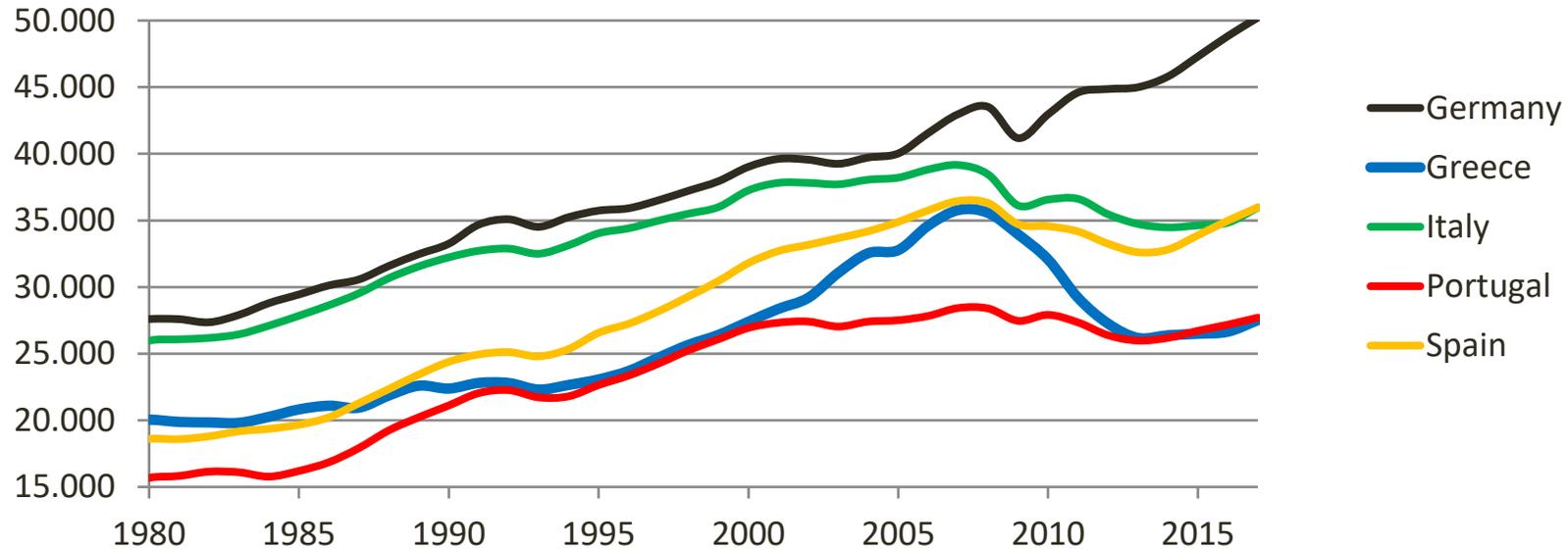
- Revenues from tourism have more than doubled in the last decade, significantly easing the effects of the crisis

Sources: ELSTAT, Eurostat, Bank of Greece

LONGER TERM VIEW

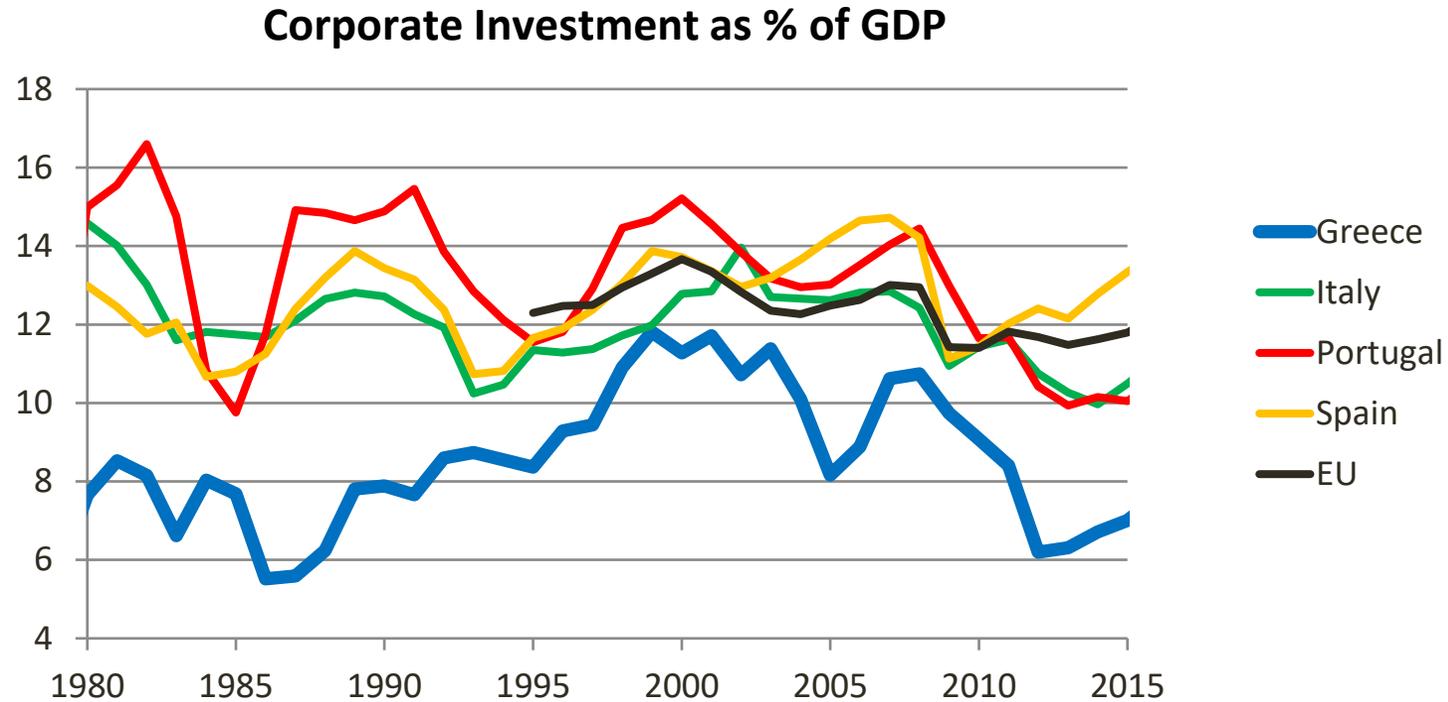
GDP

GDP per capita
(in 2014 US dollars and PPP adjusted)



- Greece experienced a large growth and subsequent decline of GDP after Euro entry.
- Its growth over the long term (1980-2017) has been relatively small.
 - Similar to Italy.
 - Similar before and after Euro entry.

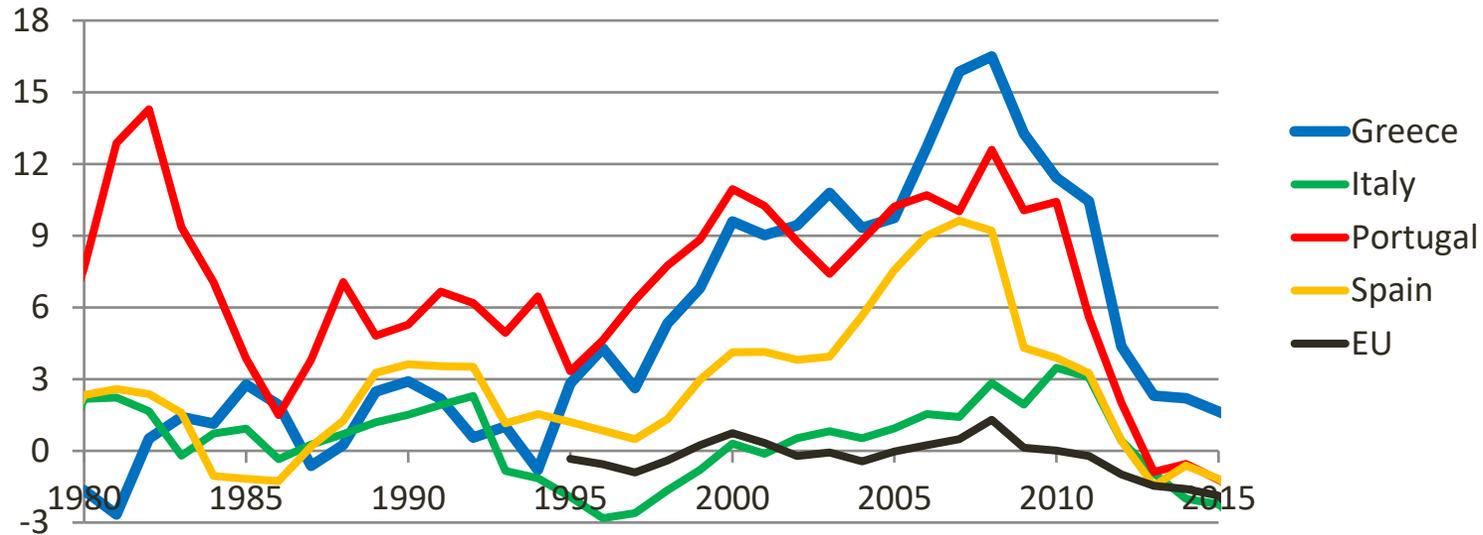
Corporate investment



- Corporate investment in Greece has been relatively low.
 - But total investment (incl. housing) is comparable to EU average!
- It rose significantly in the run-up to Euro entry, but dropped again during the crisis.

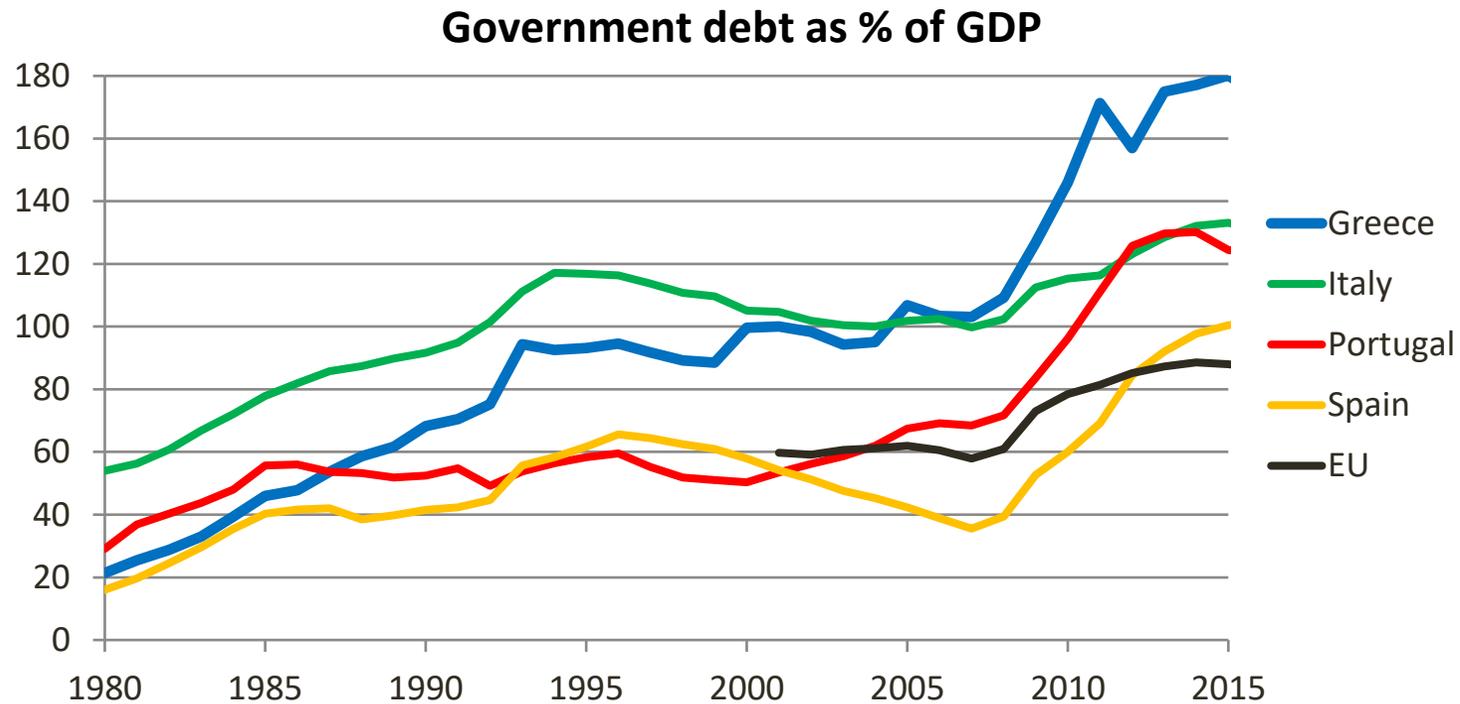
Current Account Deficit

Current Account Deficit as % of GDP



- Current account deficit rose significantly in the run-up to and after Euro entry.
 - Similar to Portugal and Spain.
 - Rise in investment, consumption, and GDP.

Government Debt



- Debt to GDP grew sharply in the 1980s.
 - Similar to Italy.
- Debt remained a large percent of GDP until the crisis, despite the rapid growth in GDP.

ECONOMIC ADJUSTMENT PROGRAMS 2010-2018

Timeline: Greek crisis and economic adjustment

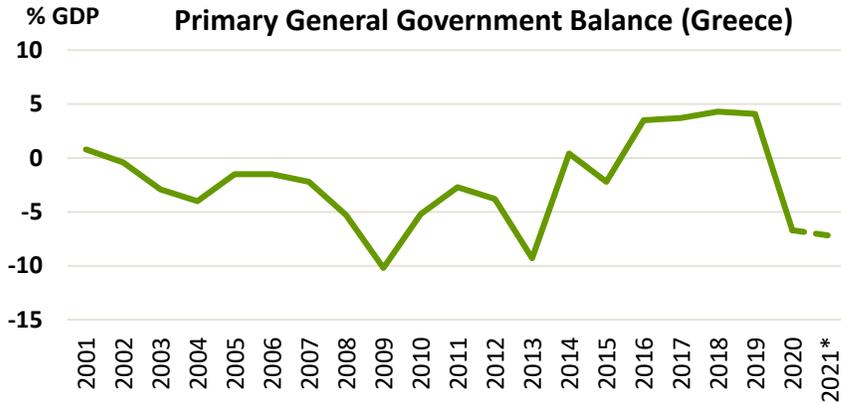
- April 2010: Greece requests financial support from EU – IMF – ECB
- February 2012: Launch of the second Economic Adjustment Program for Greece
- March 2012: PSI program - Participation of the private sector with bonds of €195 bn face value
- December 2012: Public debt buyback: Exchange of GG bonds of €31.9 bn face value with 6-month zero coupon bonds
- February 2015: General Elections: Coalition Government of SYRIZA and ANEL political parties
- June 2015: Capital controls – Bank holiday
- August 2015: Third Adjustment Program for Greece
- September 2015: Coalition of SYRIZA - ANEL political parties forms a new government after new general elections
- June 2017: Eurogroup decision on short-term public debt relief measures and post – program cash buffer
- June 2018: Medium – term public debt relief measures activated
- August 2018: Greece completes the 3rd Economic Adjustment Program

Key structural improvements achieved

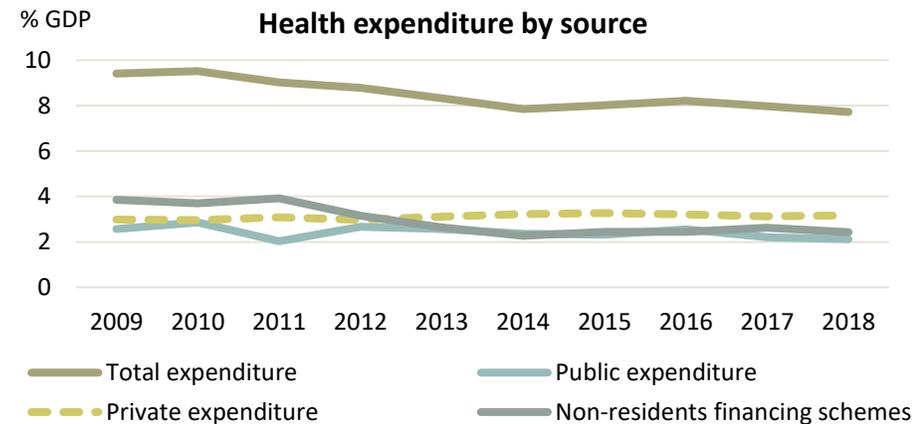
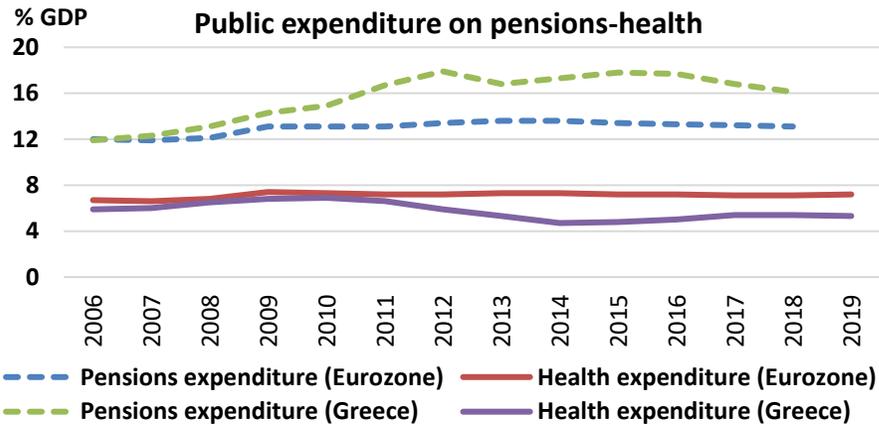
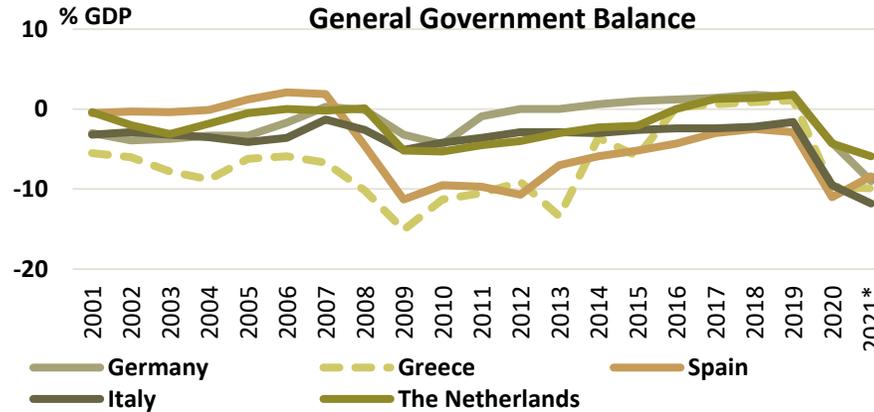
- Labor market
 - Significant deregulation of a formerly over-regulated labor market.
- Pensions
 - Unification of a highly fragmented pension system.
 - Viability through significant pension cuts.
- Product markets
 - Deregulation, privatisations, and reduction of legislated barriers to entry.
- Tax administration
 - Establishment of an independent tax collection authority.
 - Fully electronic filing.

Rescue programs: Convergence to the "core" of the Eurozone, for fiscal balance.

- Fiscal adjustment was effective, but with disproportionate weight between revenue and expenditure



- Since 2017, Greece has been at the average of Eurozone's "core", in terms of the General Government Balance



- Higher pension spending over time compared to Eurozone and lower health spending, as % of GDP

- Public health spending determines the trend of total health spending

* Forecasts: Stability Programme 2021
Source: Eurostat

2018: end of the programs

- Elimination of fiscal deficit

But was the fiscal mix consistent with growth?

- Elimination of trade deficits

Primarily through reduction in imports. Sustainable?

- Competitiveness has been restored

Primarily, through decrease in unit labour cost.

- Greece is back to growth.

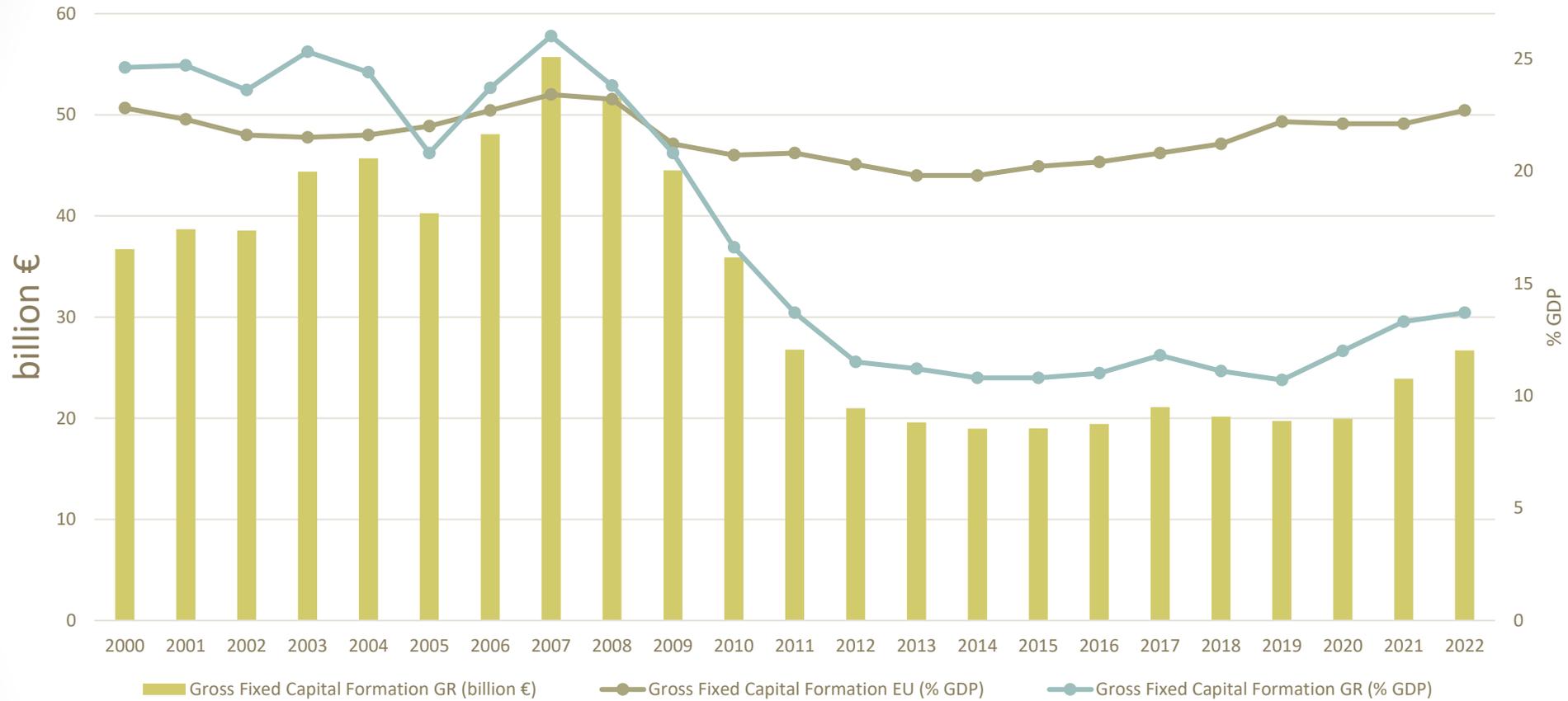
Was slow and anaemic.

- Greece has stayed in the euro-zone.

But why was this even put on the table?

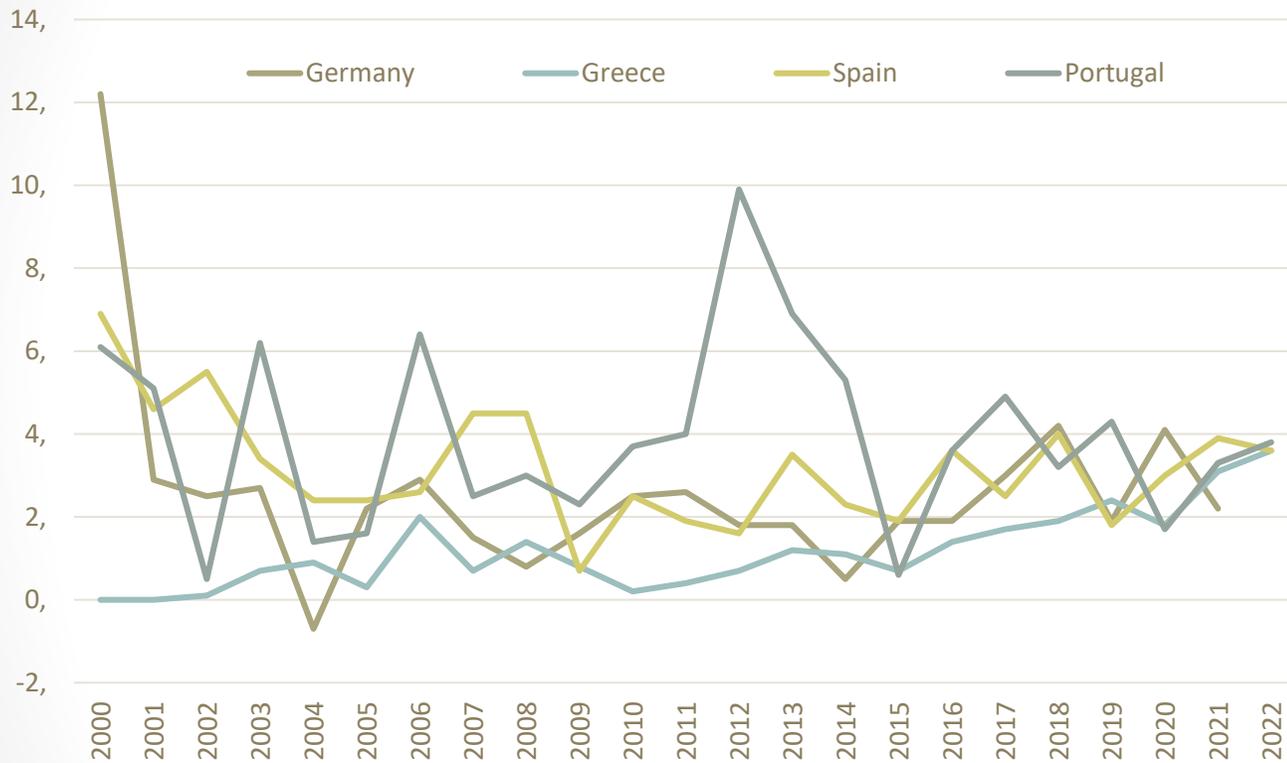
POST PROGRAM - LOOKING AHEAD

Investment Gap and Opportunities



Source: Eurostat, Data Processing: IOBE

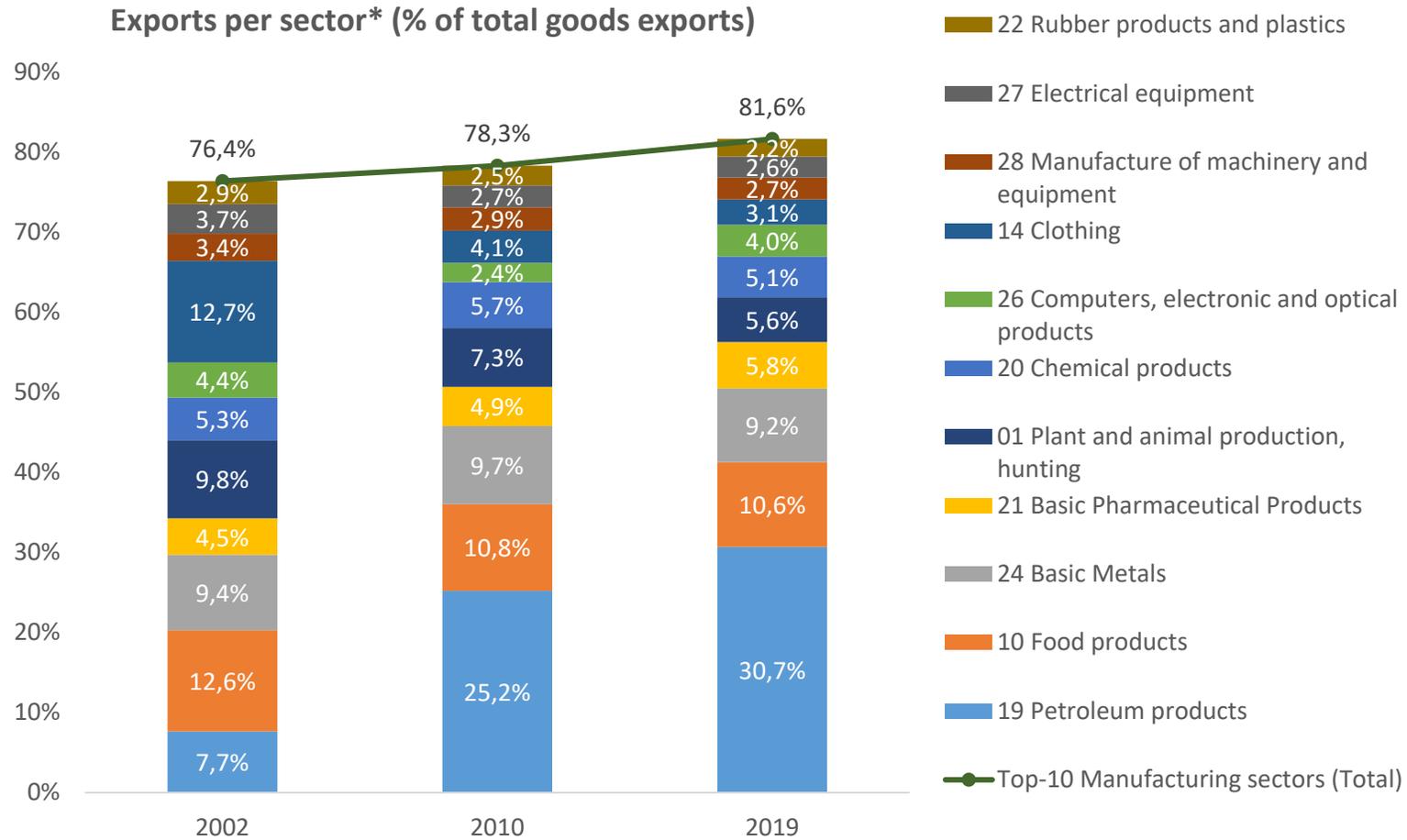
Foreign Direct Investment (% GDP)



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%

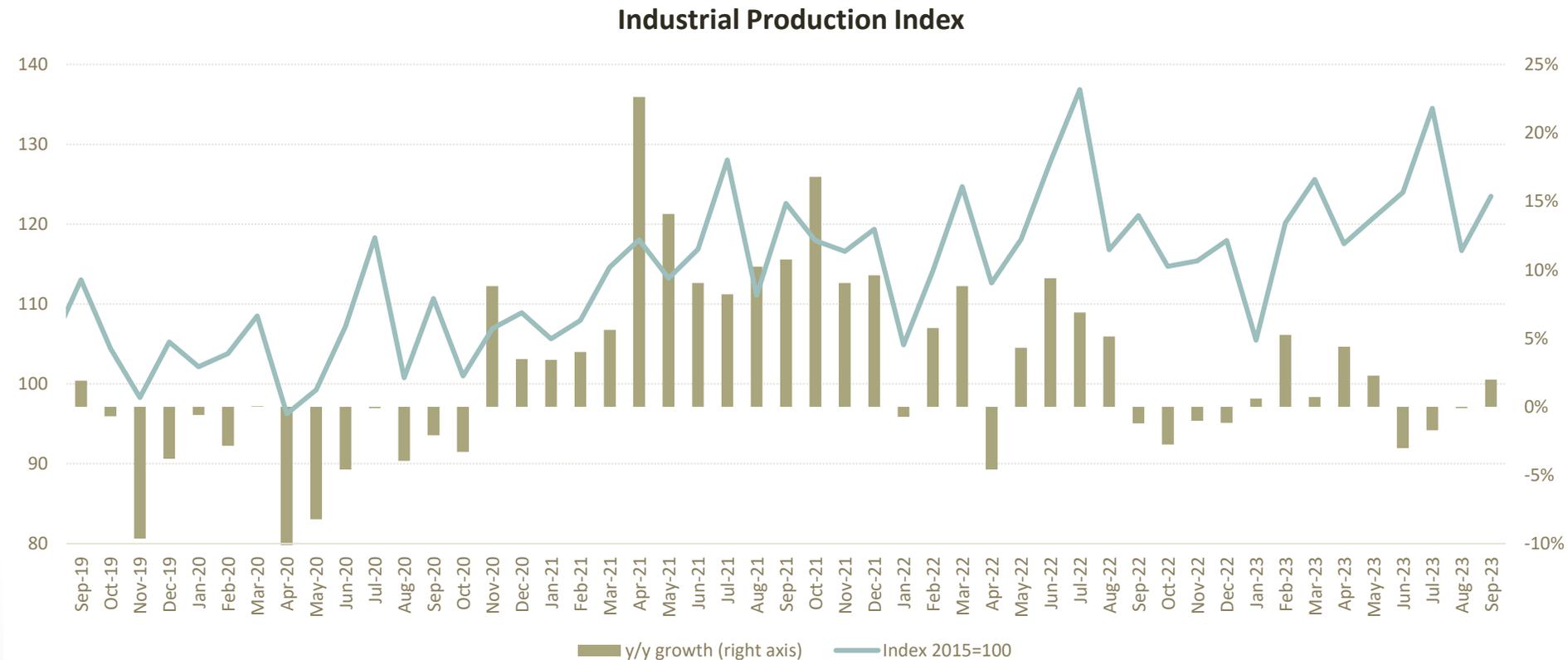
Greek exports of goods. Petroleum products, food, pharmaceuticals, etc.



* 2-digit NACE Rev.2 sectors. Source: Eurostat, International Trade by CPA

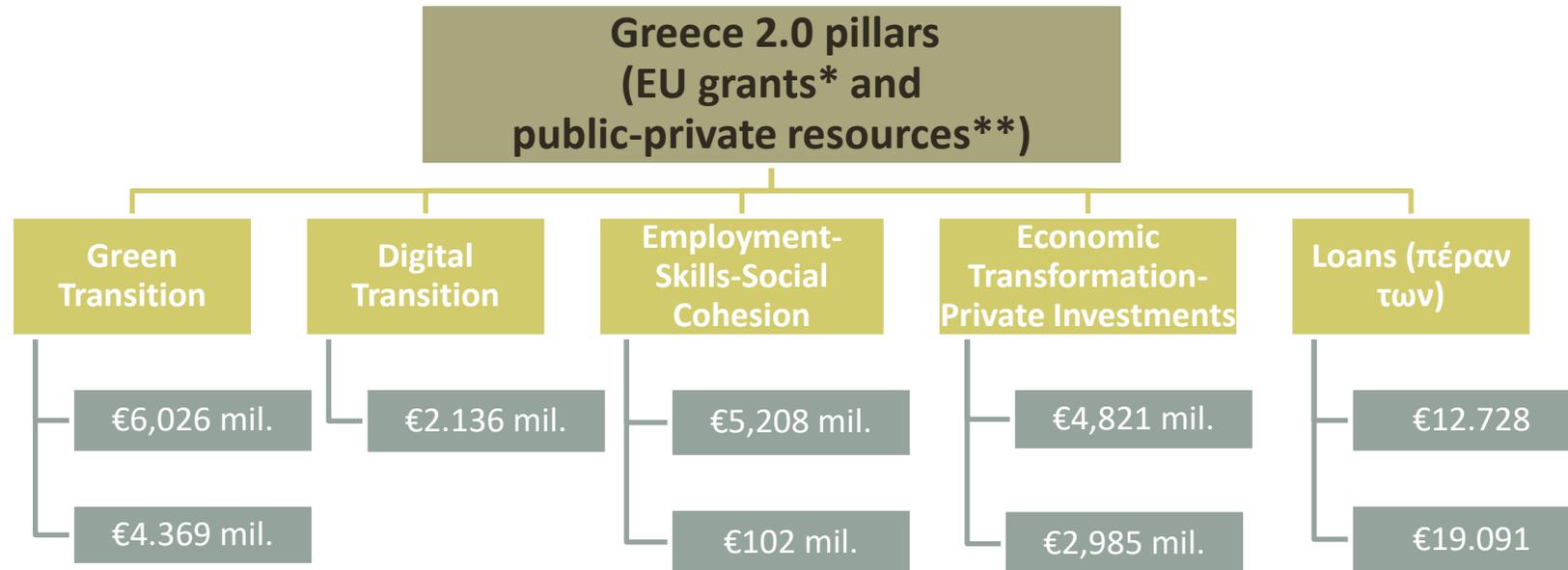
Industrial Production

- Industrial production increased by 2.2% (2.2% in EZ) in 2022, instead of 10.1% increase in 2021.
- Milder increase (0.7%) in the first eight months of 2023, compared to the first eight months of 2022 (4.4%).
- The increase is driven by the Mining (7.9% instead of -8.7% last year) and the Manufacturing (+4.0% compared to +5.4% in 2022) sectors.



Source: ELSTAT

The Greek Recovery and Resilience Plan (Greece 2.0)



- **Total grants: €18,191 mil. from the EU, €7,457 mil. from public resources**
- **Total loans: €12,728 mil. from the EU, €19,091 mi. from private funds**
- **Total resources (estimated): €57,467 mil. during 2021-2026**

*NextGenerationEU budget, **Greece 2.0 estimations
Source: Greek Recovery and Resilience Plan (Greece 2.0)

Prospects in the Constructions sector are reinforced by the need to improve the infrastructure

ROADS

RAILWAY INFRASTRUCTURE

PORTS

INFRASTRUCTURE FOR THE
AGRICULTURAL SECTOR

INFRASTRUCTURE FOR THE
INDUSTRY SECTOR

INFRASTRUCTURE FOR
TOURISM – CULTURE

RENEWABLE ENERGY
SOURCES –
INTERCONNECTIONS –
NETWORKS QUALITY –
ENERGY EFFICIENCY

PUBLIC INFRASTRUCTURE
FOR HEALTH – EDUCATION

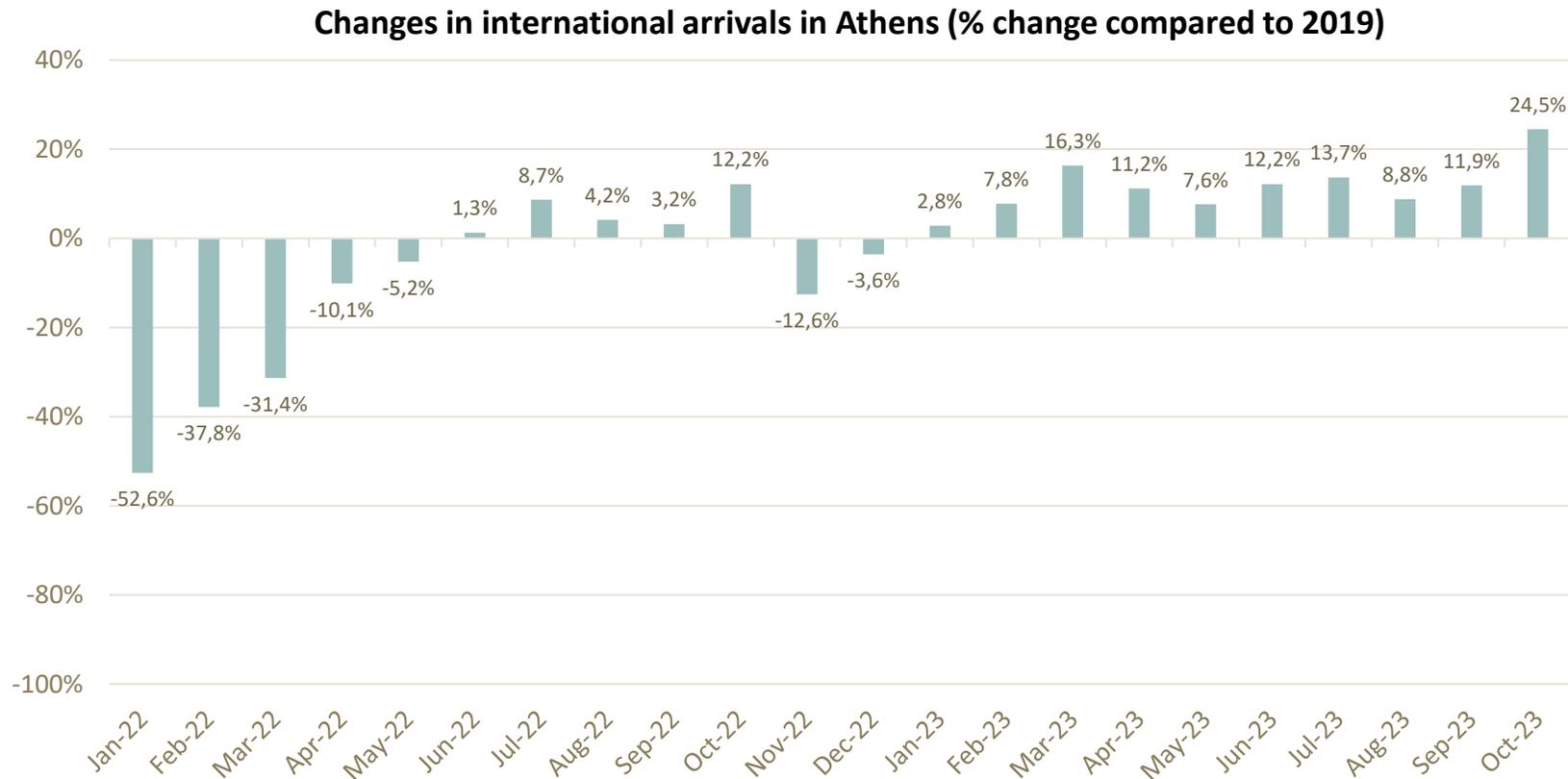
WASTE MANAGEMENT –
CIRCULAR ECONOMY

Prospects

- Creation or replacement of old infrastructure with new ones, of increased quality, sustainability and capacity
- Ability to mobilize economic growth and "unlock" significant private investments
- Contributing to the government's strategic objectives - Cohesion Policy Investment Priorities 2021-2027 (Low Carbon Green Europe - A more interconnected Europe - A Europe closer to the people)

Tourism has shown a strong rebound (post Covid)

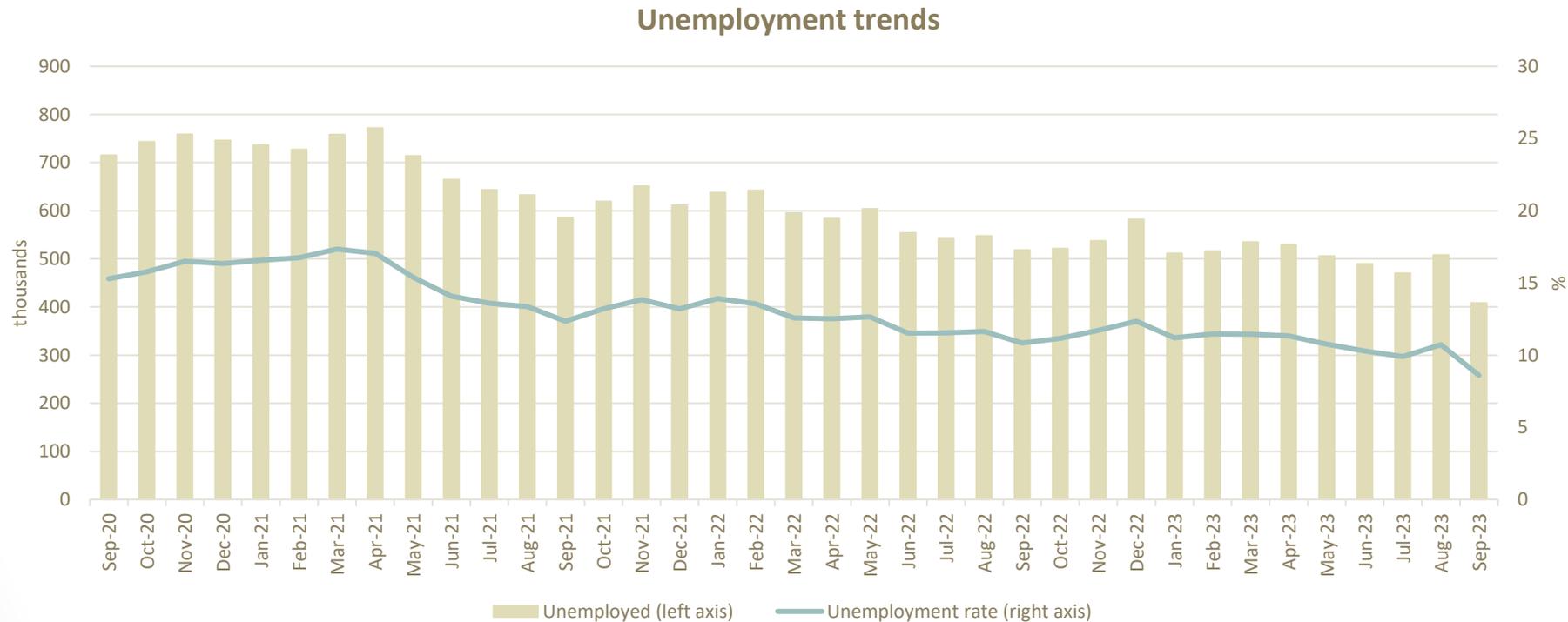
- In the first three quarters of 2023, international arrivals at airports exceeded 2019 record performance.



Source: Athens International Airport

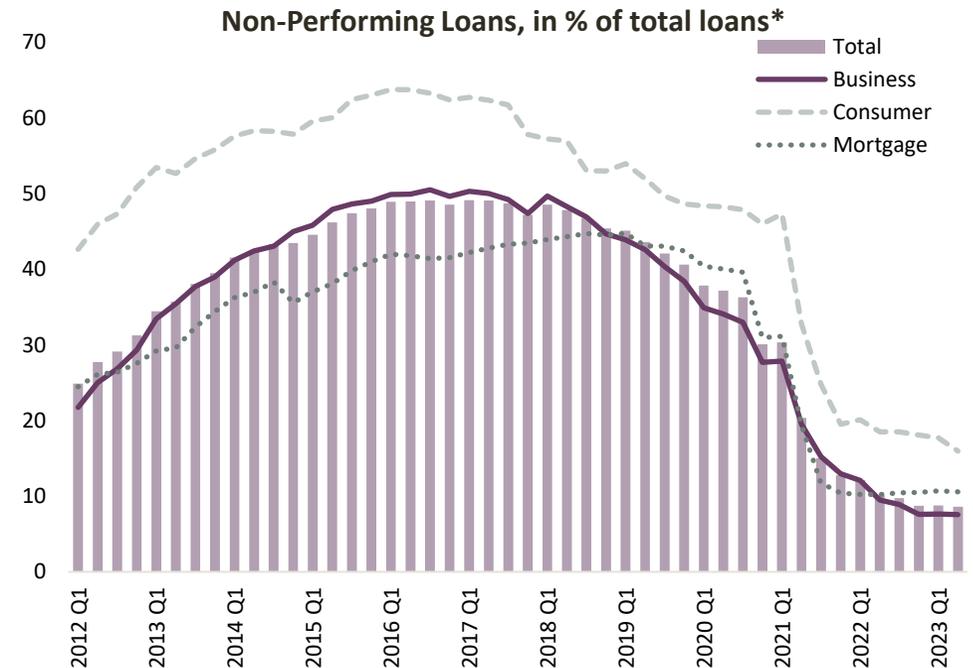
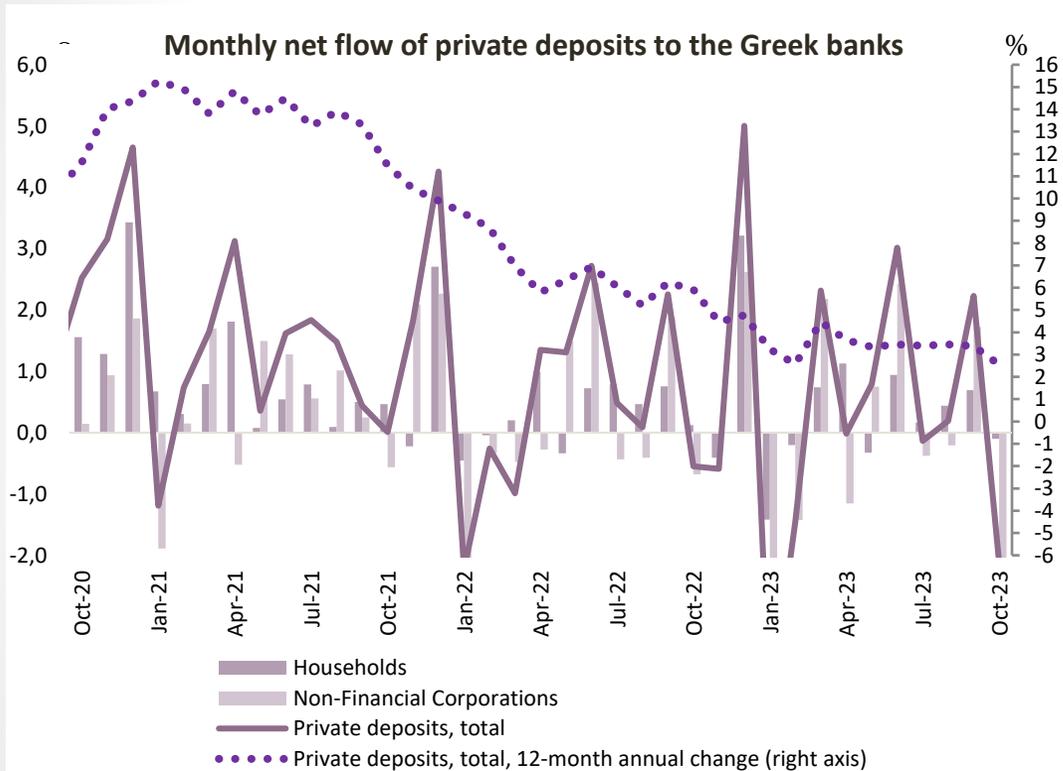
Continuous, gradual decline of unemployment rate, to single digit after 14 years

- The unemployment rate reached 8.6% in Q2/2023, down from 10.8% in Q2/2022 and 12.4% in Q2/2021.
- The decrease in unemployment rate was mainly a result of an increase in employment.



Source: ELSTAT

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 8.6% in 2022 Q2, 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).

SUMMARY

Assessment

- The Greek economy has been hit by the sovereign debt crisis after 2008, Covid-19, the war in Ukraine and the energy supply crisis. It has shown resilience but, over the years has not realized its high potential.
- Implementation of productivity enhancing reform policies are crucial for the economy's long-term prospects. The mix of prudent, while growth enhancing, fiscal and monetary frameworks are prerequisites.
- Tourism/culture, manufacturing/high-tech and research/education are key areas where the growth potential is huge

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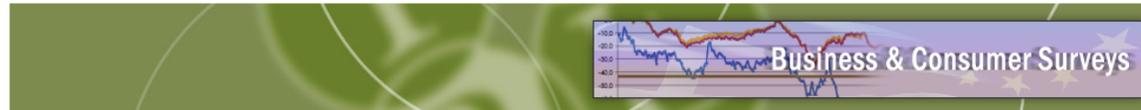
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Interim evaluation of the InvestEU Programme

The InvestEU interim evaluation report was carried out on behalf of the European Commission by an independent team of external experts, including the Foundation for Economic and Industrial Research (IOBE), under the coordination of the consultancy company ICF. The InvestEU programme is a strategic tool to support the financing of investments that contribute to the achievement of EU policy objectives. In particular, it focuses on proje...

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Impact of the Fit for 55 package on passenger shipping and the island economy of Greece

The study scope includes the assessment of the effects of the "Fit for 55" package on the operation of domestic passenger shipping and by extension to the economy of the island regions of the country. In particular, the study highlights the regulatory changes and their anticipated effects on passenger shipping operation, quantifies their impact on operating costs, ticket prices, traffic and the sector's economic contribution, and examin...

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Benefits for the Greek economy from resolving bad loans and zombie firms

The study examines the type and magnitude of negative externalities stemming from "zombie" firms in the Greek economy, focusing on investment, employment and productivity. The descriptive analysis reveals a high positive correlation in the trends between non-performing business loans and the number of zombie companies in the Greek economy over the last twenty years. Subsequently, the quantitative analysis uncovers significant direct and...

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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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Business and Consumer Surveys

Next report of Business and Consumer Surveys concerning October results, will be released on November 4, 2024.

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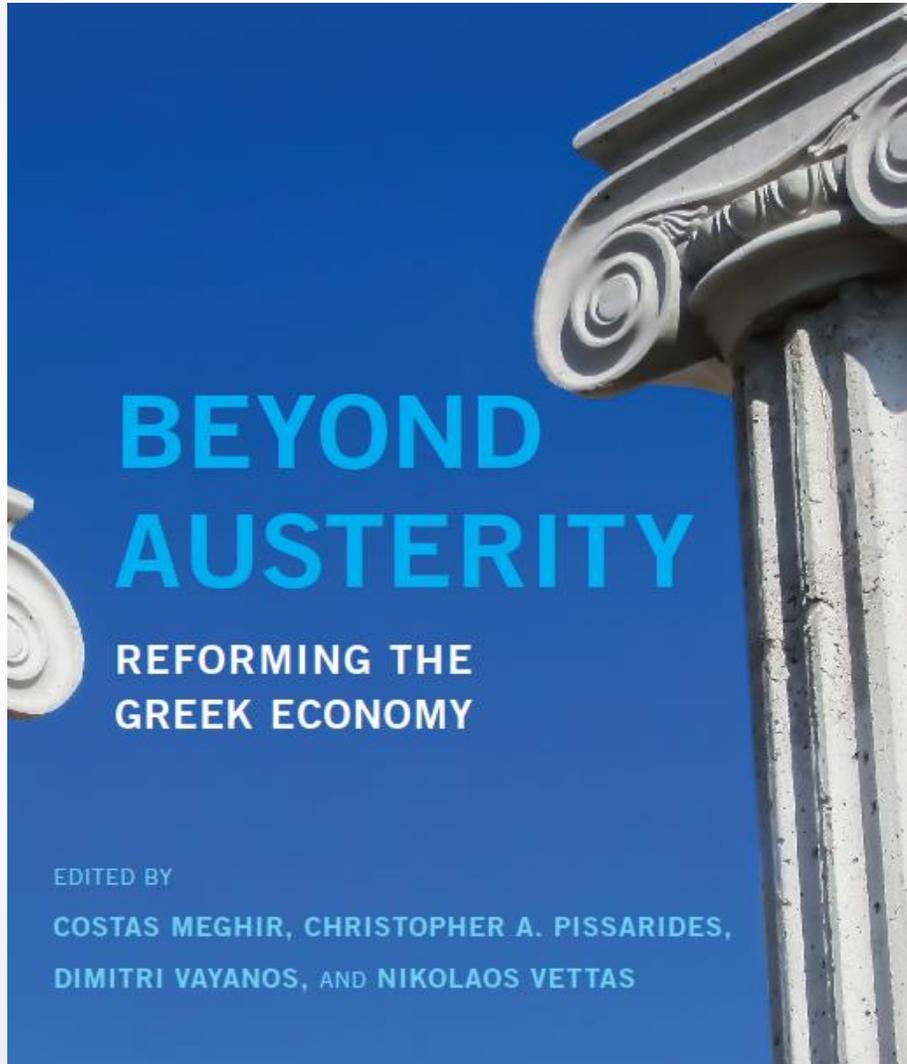
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Beyond Austerity: Reforming the Greek Economy (MIT Press, 2017)



- *Beyond Austerity: Reforming the Greek Economy* (MIT Press, 2017)
 - <https://mitpress.mit.edu/books/beyond-austerity>
- Economic institutions and resulting incentives, across wide range of areas
 - Pre-crisis situation
 - Changes during crisis
 - Policy proposals going forward
- Collective effort of Greek economists in Greece and diaspora

“Growth plan”

[Pissarides report](#) (committee Chaired by Sir Christopher Pissarides).

