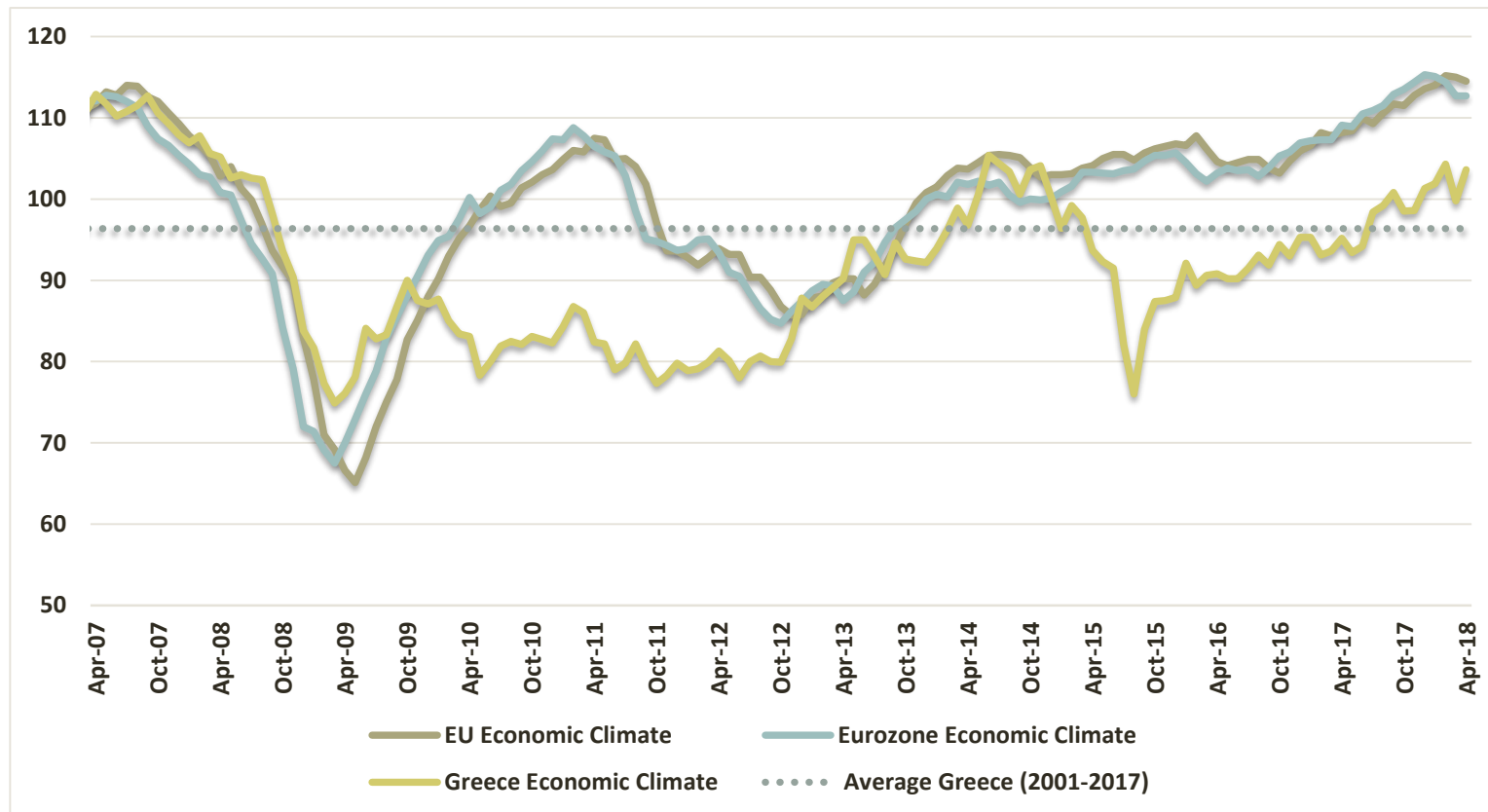


# The Greek economy: trends and prospects

**Nikos Vettas**  
General Director,  
Foundation for Economics and Industrial Research (IOBE)  
Professor of Economics,  
Athens University of Economics and Business

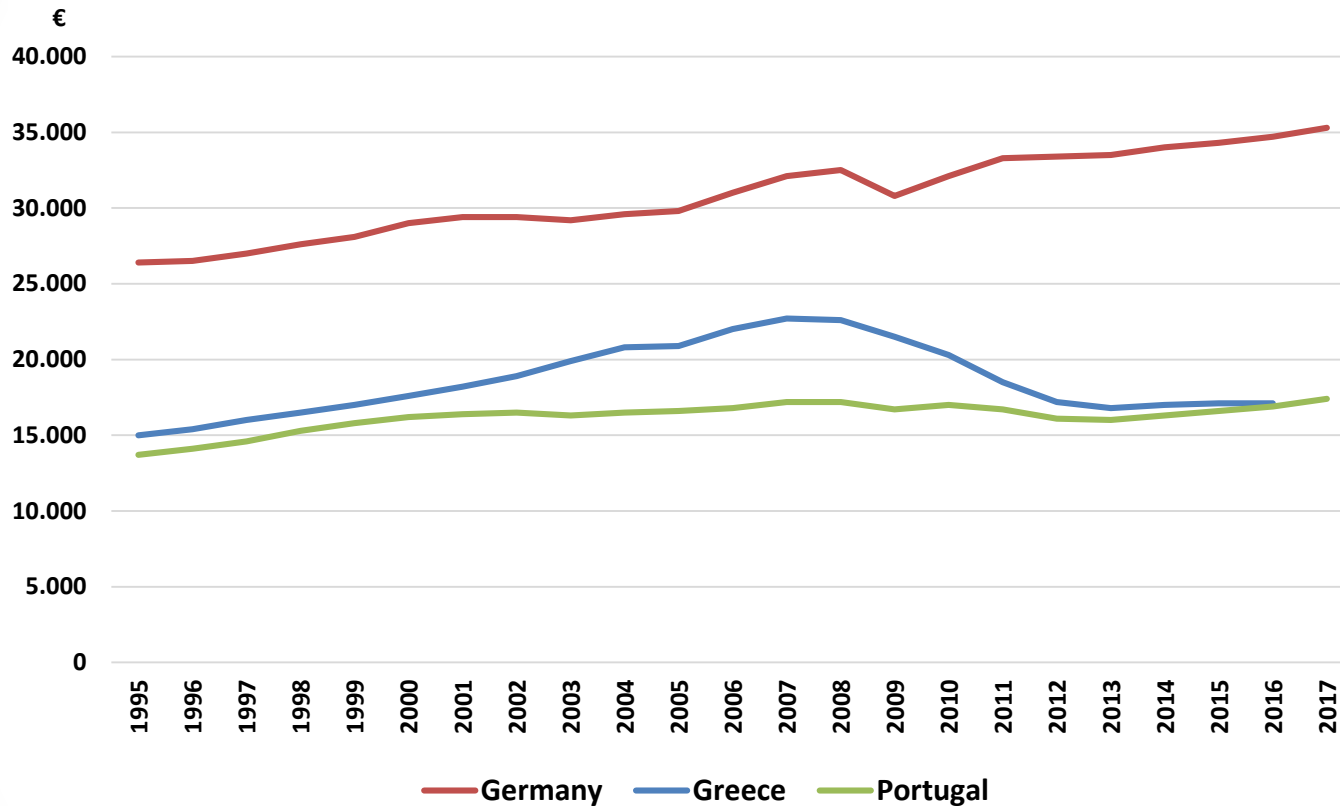
**Annual Belgian Business Club Meeting**  
**Athens, 22 May 2018**

# Economic climate indicator ([www.iobe.gr](http://www.iobe.gr))



Sources: IOBE / DG ECFIN, European Commission

# GDP per capita, 2010 prices

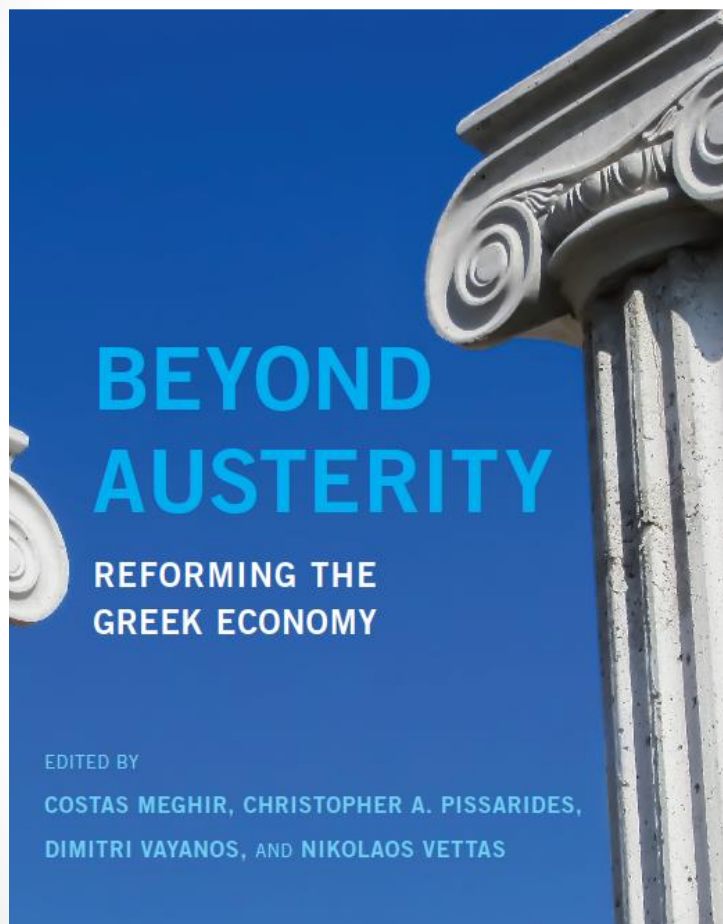


Source: Eurostat

## End of the programs, end of the crisis?

- Elimination of fiscal deficit  
**But is the mix of taxes, expenses, and pensions consistent with growth?**
- Elimination of trade deficits  
**Primarily through reduction in imports. Sustainable?**
- Competitiveness has been restored  
**Primarily, if not exclusively, through decrease in unit labor cost.**
- Greece is back to growth.  
**Very low, slow and anaemic.**
- Greece has stayed in the euro-zone.  
**But why was this even put on the table?**

# Beyond austerity



- “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.



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#### The development of self-care and the benefits to public health and national economy

The aim of the study is to define self-care and self-medication in Greece and Europe, to analyze the Greek and European market of O.T.C., as well as to describe social and economic benefits of the proper development of self-care in Greece. In addition, a quantitative primary research analysis describes the perception of citizens and pharmacists about self-care, self-medication and O.T.C products....

[Read more...](#)

#### The contribution of passenger shipping to the Greek economy

The study aims to analyse the latest data and developments in passenger shipping, to underline the importance and the potential of the sector and to highlight the challenges that it still faces. The study presents the latest changes in its key figures, analyses its performance in comparison with that in other European countries, examines the factors that drive the demand for passenger shipping, analyses the financial performance of the ...

[Read more...](#)

#### Tertiary education in Greece: Impact of the crisis and challenges

The scope of the study is to analyse the challenges faced by the higher education sector in Greece, in order to contribute to the formation of the new production model of development of the Greek economy, based on knowledge, skills, entrepreneurship and innovation. In this regard, the study draws policy implications aiming to contribute to the preparation of a plan for the utilisation of the higher education in order to achieve a sustain...

[Read more...](#)

#### About I.O.B.E.



The Foundation for Economic & Industrial Research (IOBE) is a private, non-profit, public-benefit research organisation.

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 March results, will be released on April 2, 2018.

...

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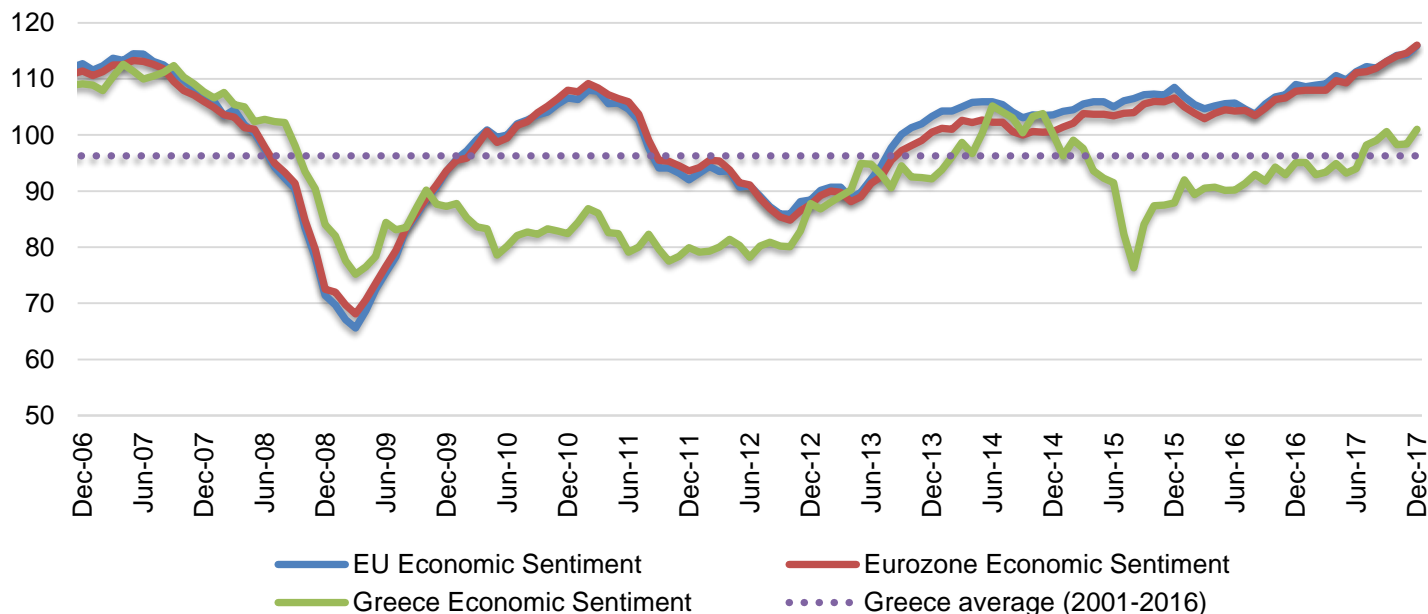
Aims

Management Board



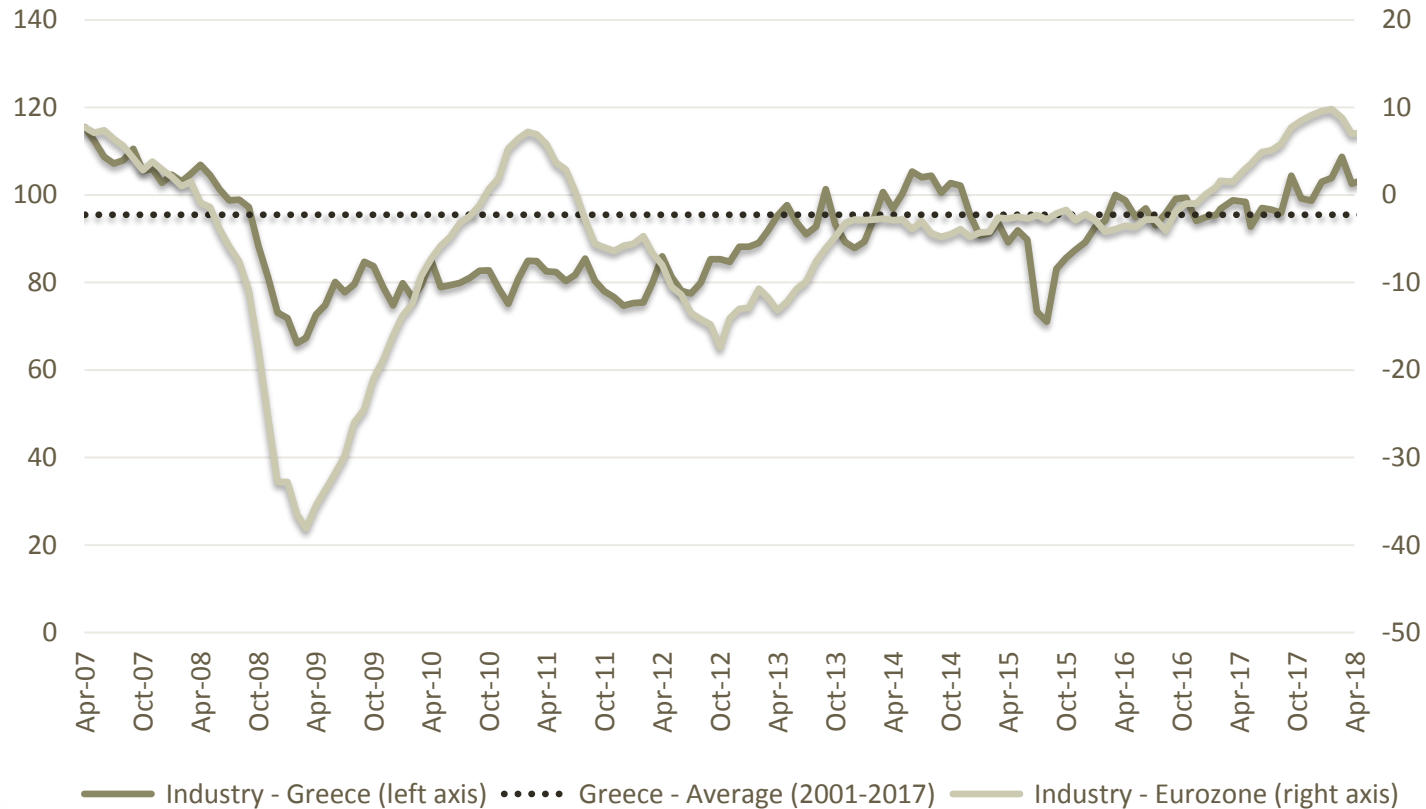
## Business and Consumer Surveys

- Monthly business surveys since 1981 for four main economic sectors (industry, construction, retail trade & services) & monthly consumer surveys since 2008
- Results published monthly in a detailed bulletin
- Part of the Harmonised Business Surveys Programme of DG ECFIN
- More than 1,000 enterprises and 1,500 households



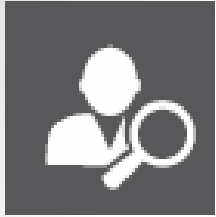
Source: IOBE, European Commission DG ECFIN

# Business expectations - Industry



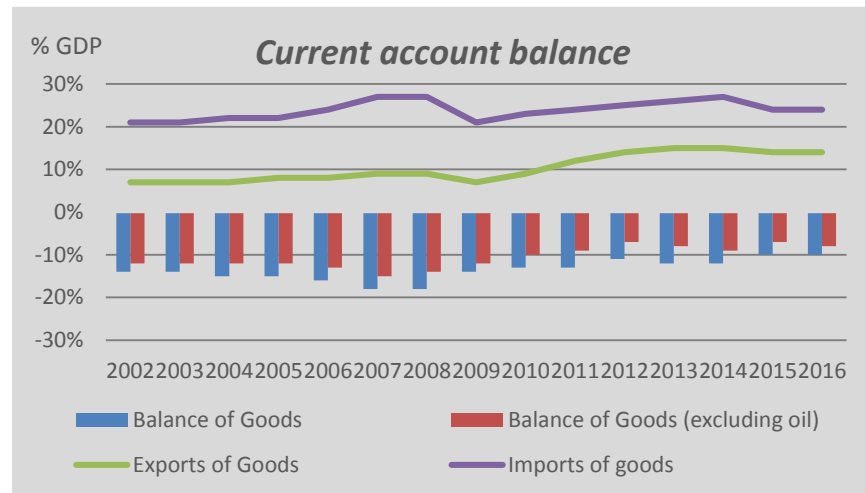
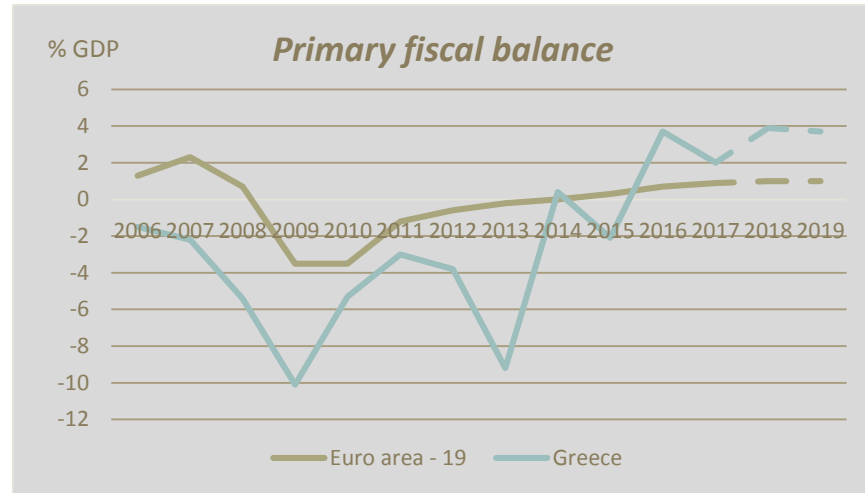
Source: IOBE





# IOBE Quarterly Bulletin on the Greek Economy

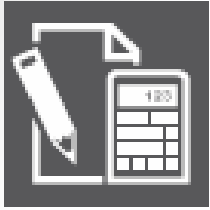
- A thorough analysis of the latest developments in the Greek and Global economy, along with reliable forecasts regarding the medium-term prospects of the economy in Greece.
- High publicity; widely discussed and reference point by policy makers, journalists and business people.



Sources: Eurostat, AMECO

# Global Entrepreneurship Monitor (GEM)

- A non-profit academic research consortium aiming at making high quality international research data on entrepreneurial activity readily available to as wide an audience as possible
- From a simple comparison of 10 countries (1999) to a wide regional analysis of 54 countries in 2017
- Annual executive summary comparing and contrasting levels of entrepreneurship across the countries analysed.
- Collected Data:
  - Adult population (telephone) survey conducted to minimum 2,000 respondents.
  - Expert survey: in-depth interviews with at least 18 experts in each country from finance, policy, government programmes, education and training, technology transfer, support infrastructure and wider society/culture.
  - Macroeconomic data (World bank, IMF, Eurostat, UN, OECD)
- GEM focuses on three objectives:
  - To measure differences in the level of entrepreneurial activity between countries
  - To uncover factors determining the levels of entrepreneurial activity
  - To identify policies that may enhance the level of entrepreneurial activity



## **Research projects (sample)**

**Higher Education**

**Income taxation study**

**Real estate taxes**

**Use of electronic payments**

**Mining industry**

**Construction sector**

**Pharmaceuticals sector**

**Telecommunications**

# Main macroeconomic figures

(y/y change in %, unless stated otherwise)	2009	2014	2016	2017	2018*
<b>GDP</b>	-3,1	0,7	-0,2	1,3	2,1
<b>Unemployment (% of labor force)</b>	9,5	26,5	24,9	21,5	19,8
<b>General Government Balance<sup>1</sup> (% of GDP)</b>	-15,6	-3,6	-0,6	0,8	0,6
<b>Current Account Balance (% of GDP)</b>	-14,4	-1,6	-1,1	-0,8	-1,5
<b>Harmonized Index of Consumer Prices</b>	1,3	-1,4	-1,1	1,1	0,5
<b>Fixed Capital Formation</b>	-13,7	-2,8	-0,2	9,7	19,0

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

\* IOBE/FEIR forecasts

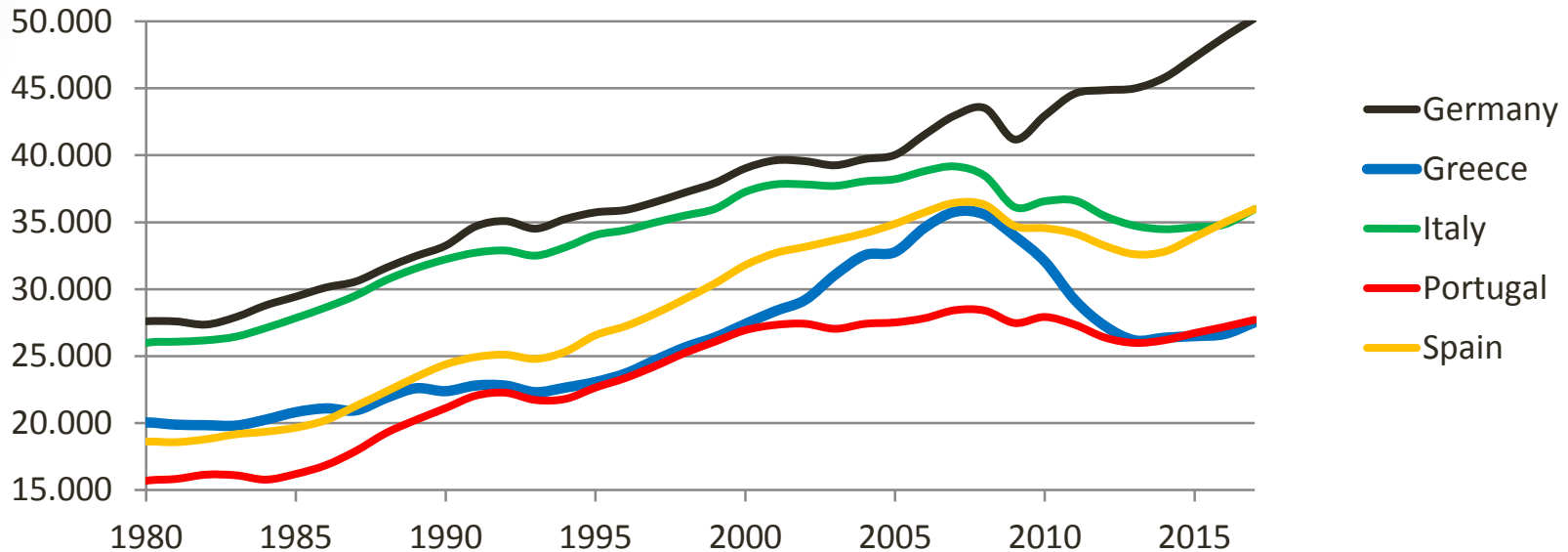
**Sources:** Eurostat, EL.STAT.

# Future outlook for Greece?

- Can the remaining reforms be done?  
**Possibly, as governments can no longer generate growth by borrowing.**
- What are the growth prospects?  
**High, if reforms continue.**
- What should be done with the debt?  
**Gradual but significant reduction, conditional on reform milestones.**
- The effects of the external environment?  
**Fiscal monitoring, deposits insurance, incentives for structural reform, EZ deepening**

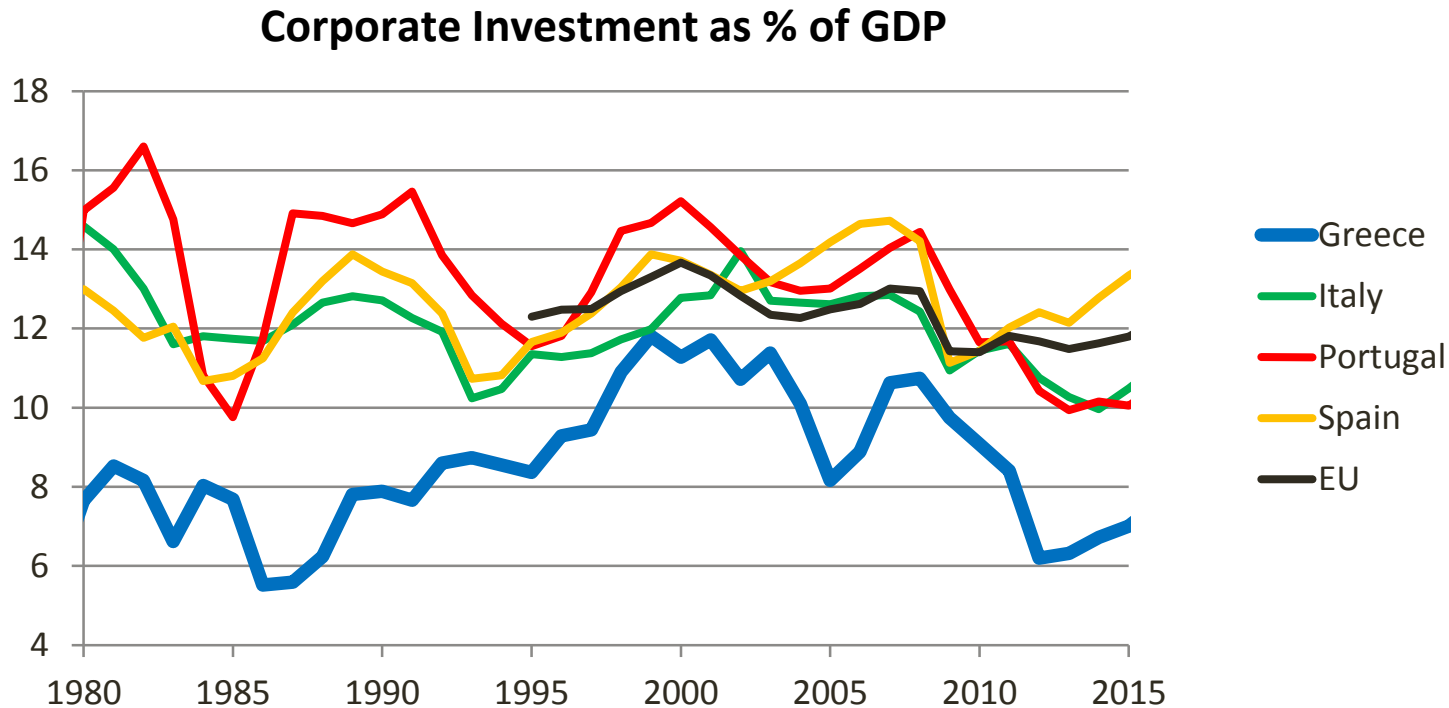
# GDP

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



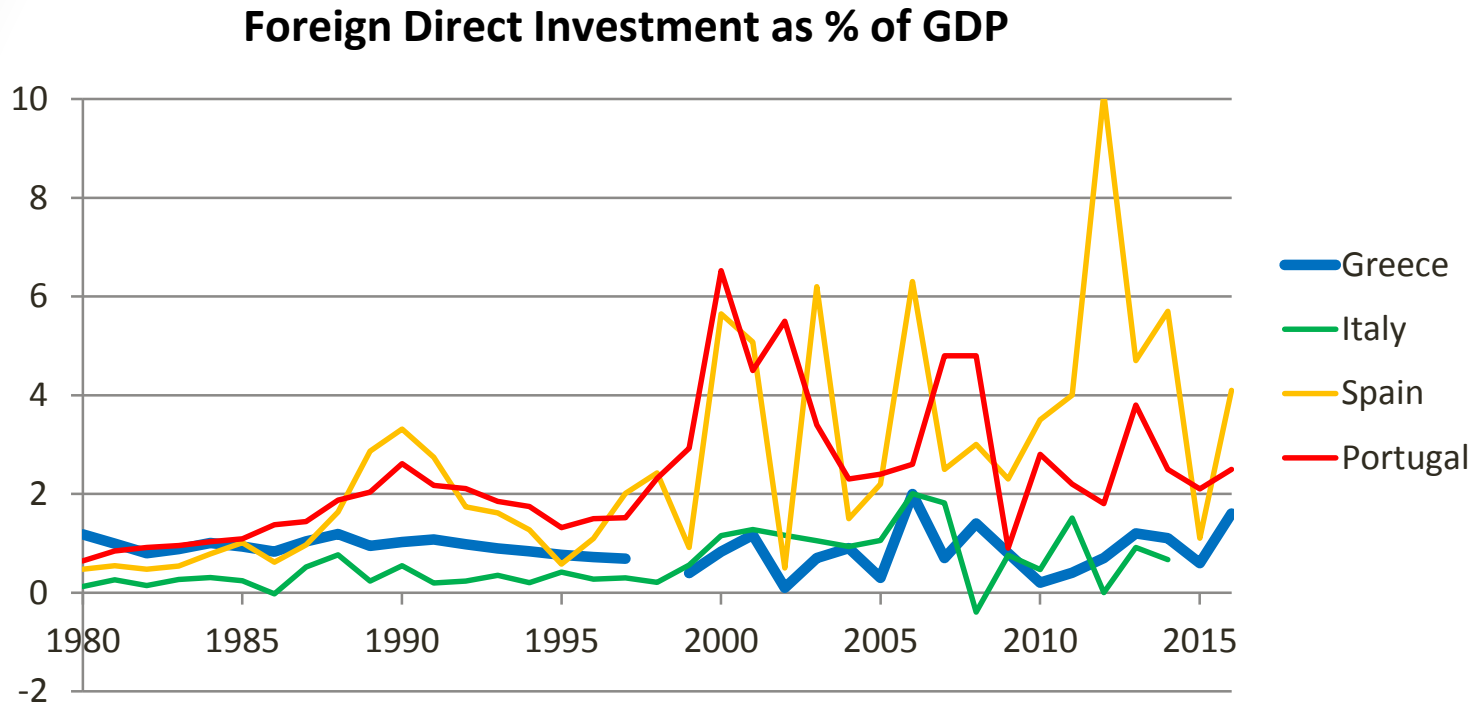
- Greece experienced a large growth and subsequent decline of GDP after Euro entry.
- Its growth over the long term (1980-2017) has been relatively small.
  - Similar to Italy.
  - Similar before and after Euro entry.

# 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.

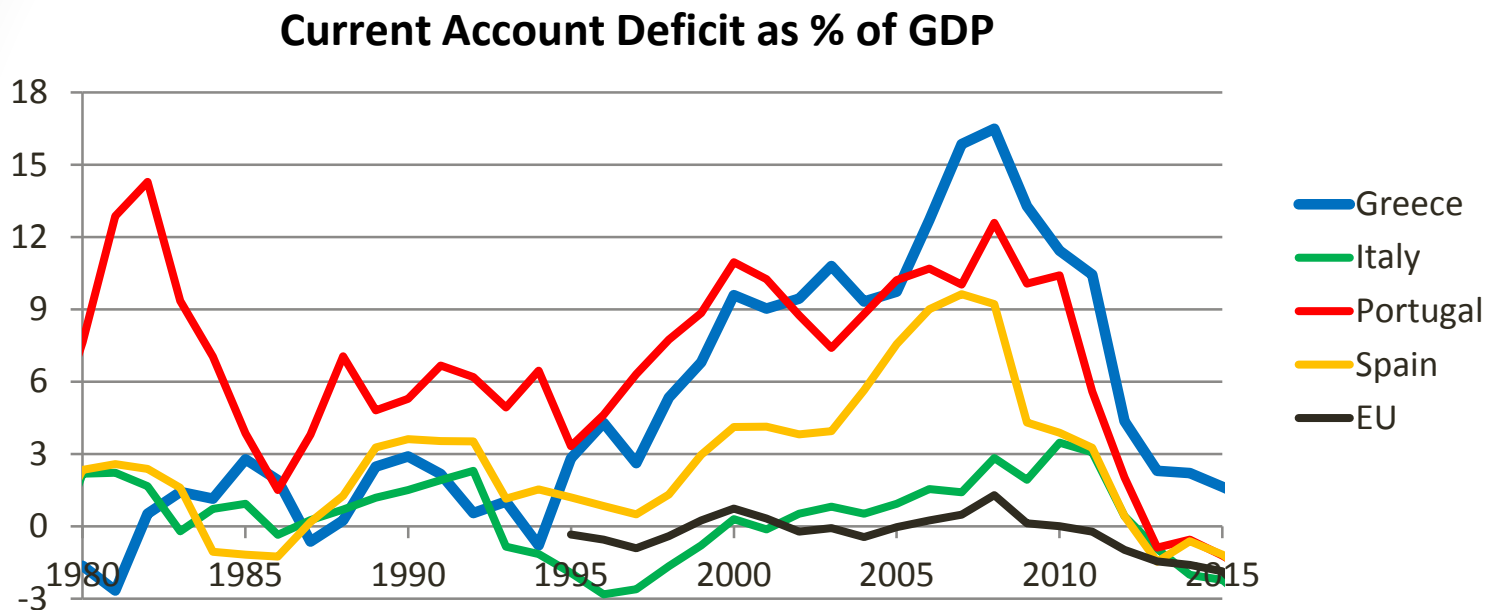
# Foreign Direct Investment



- FDI in Greece has been low.
  - Similar to Italy.
  - Even during the boom years after Euro entry.
- Indicative of broader problems with business environment.

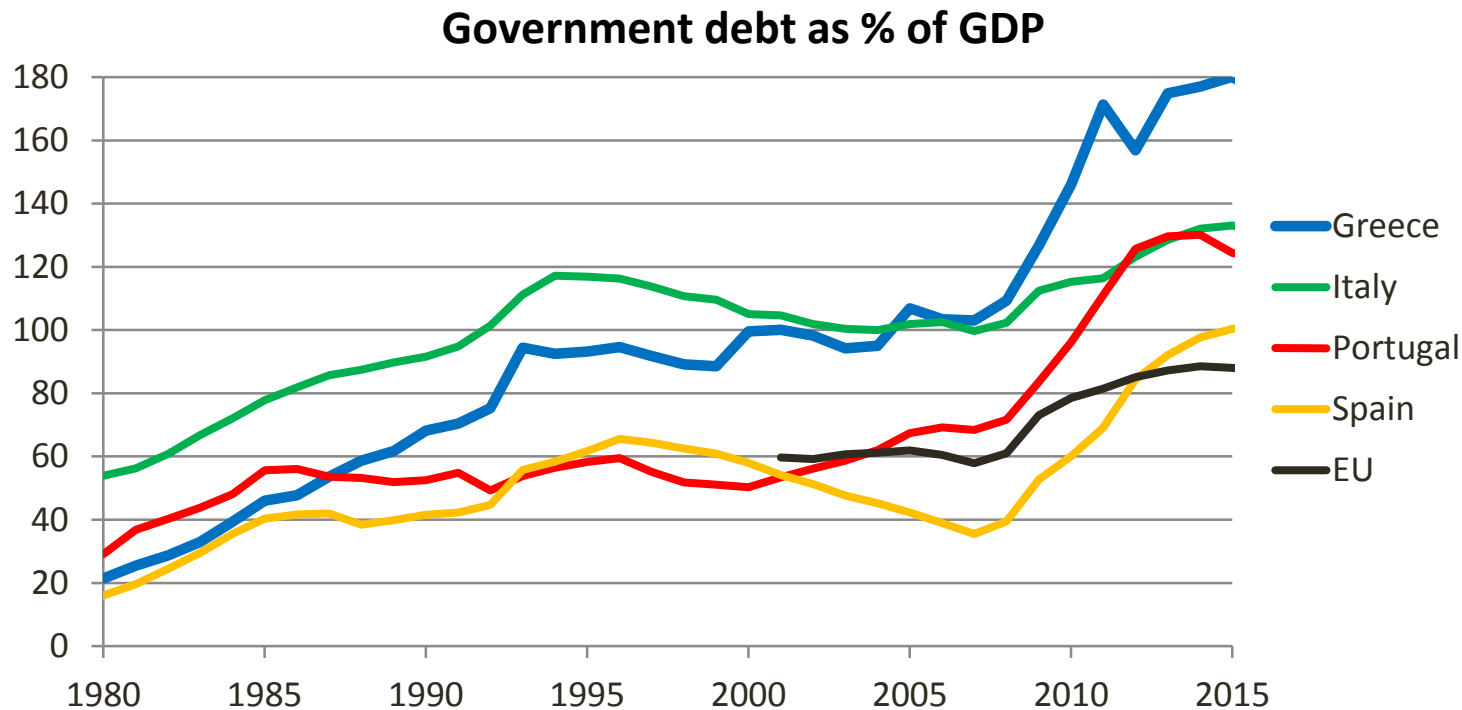


# Current Account Deficit



- 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

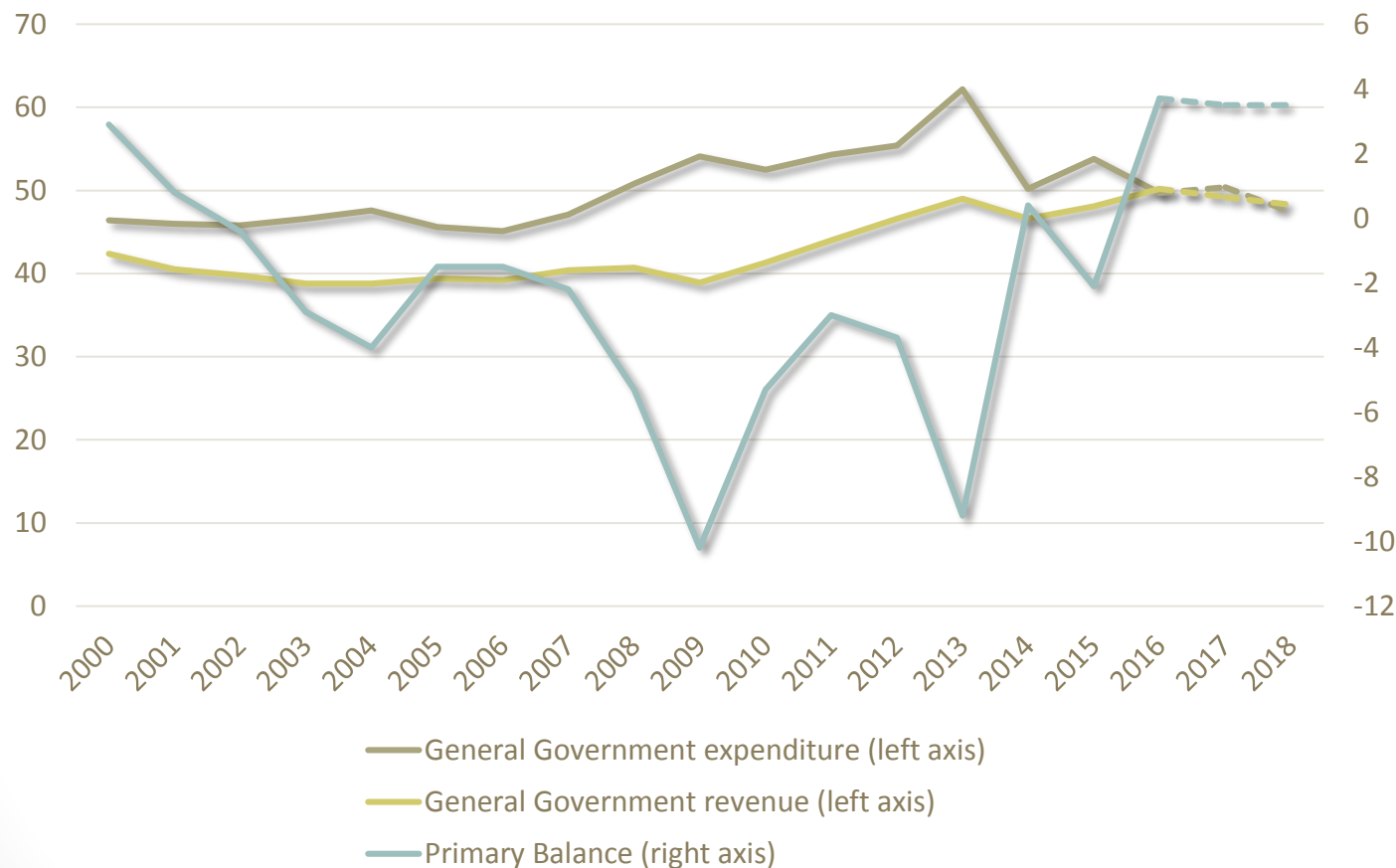


- Debt to GDP grew sharply in the 1980s.
  - Similar to Italy.
- Debt remained a large percent of GDP until the crisis, despite the rapid growth in GDP.

# Key structural improvements achieved

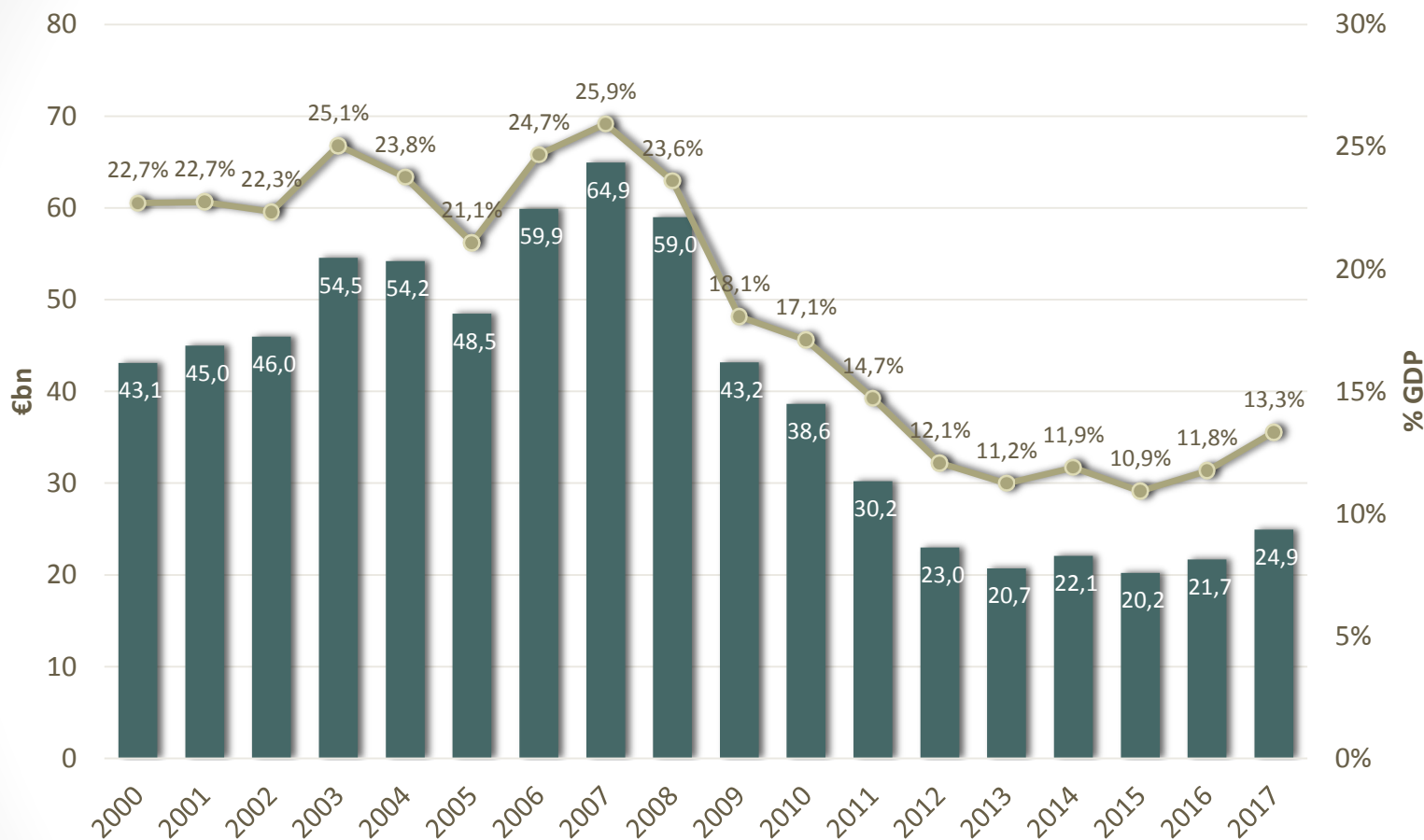
- Labor market
  - Significant deregulation of a formerly over-regulated labor market.
- Pensions
  - Unification of a highly fragmented pension system.
  - Viability through significant pension cuts.
- Product markets
  - Deregulation, privatisations, and reduction of legislated barriers to entry.
-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

# Government Expenditure, Spending, Primary Balance (% GDP)



Source: Eurostat/European Economic Forecast, autumn 2017, European Commission

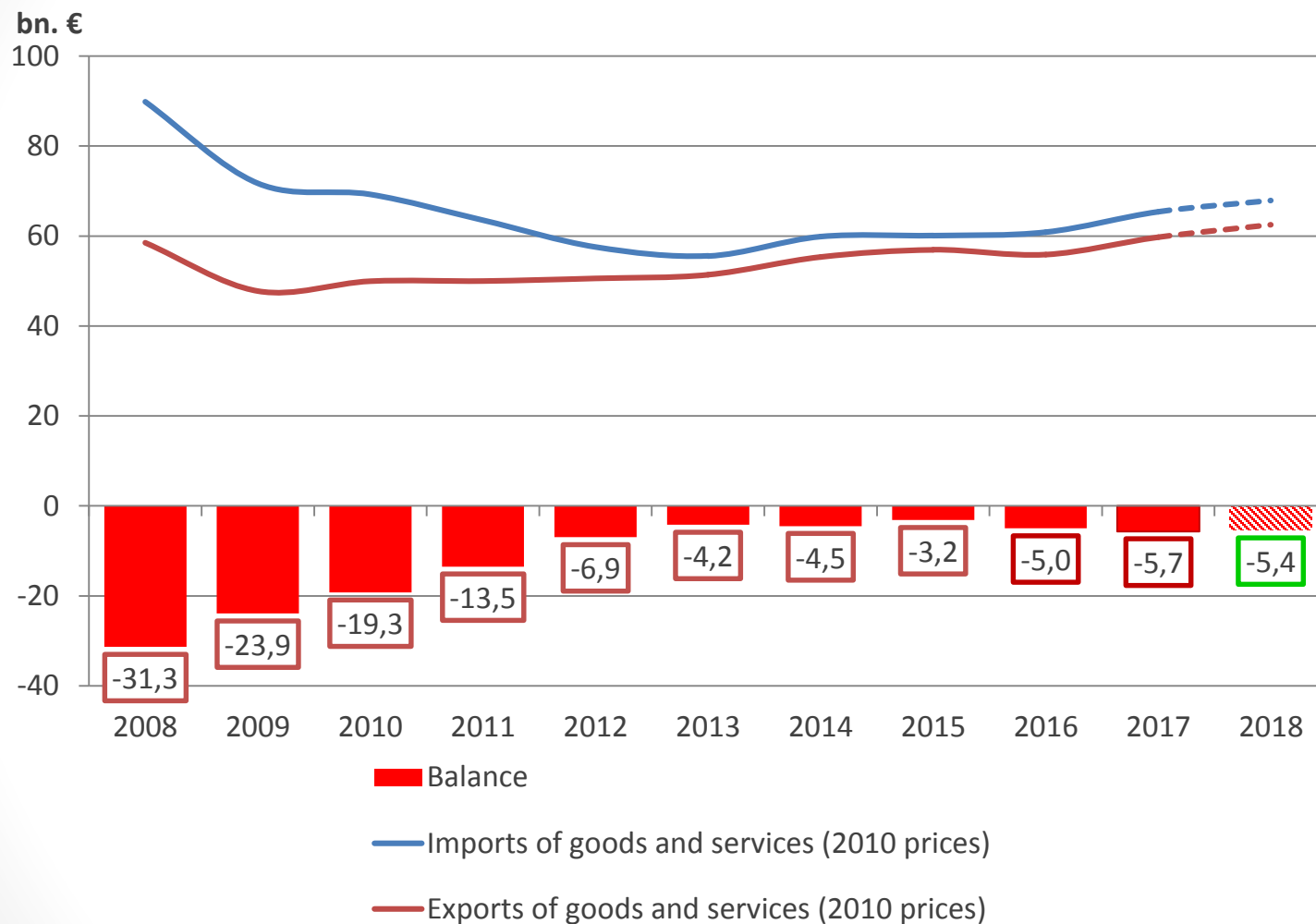
# Investment collapses



Sources: Eurostat/ELSTAT

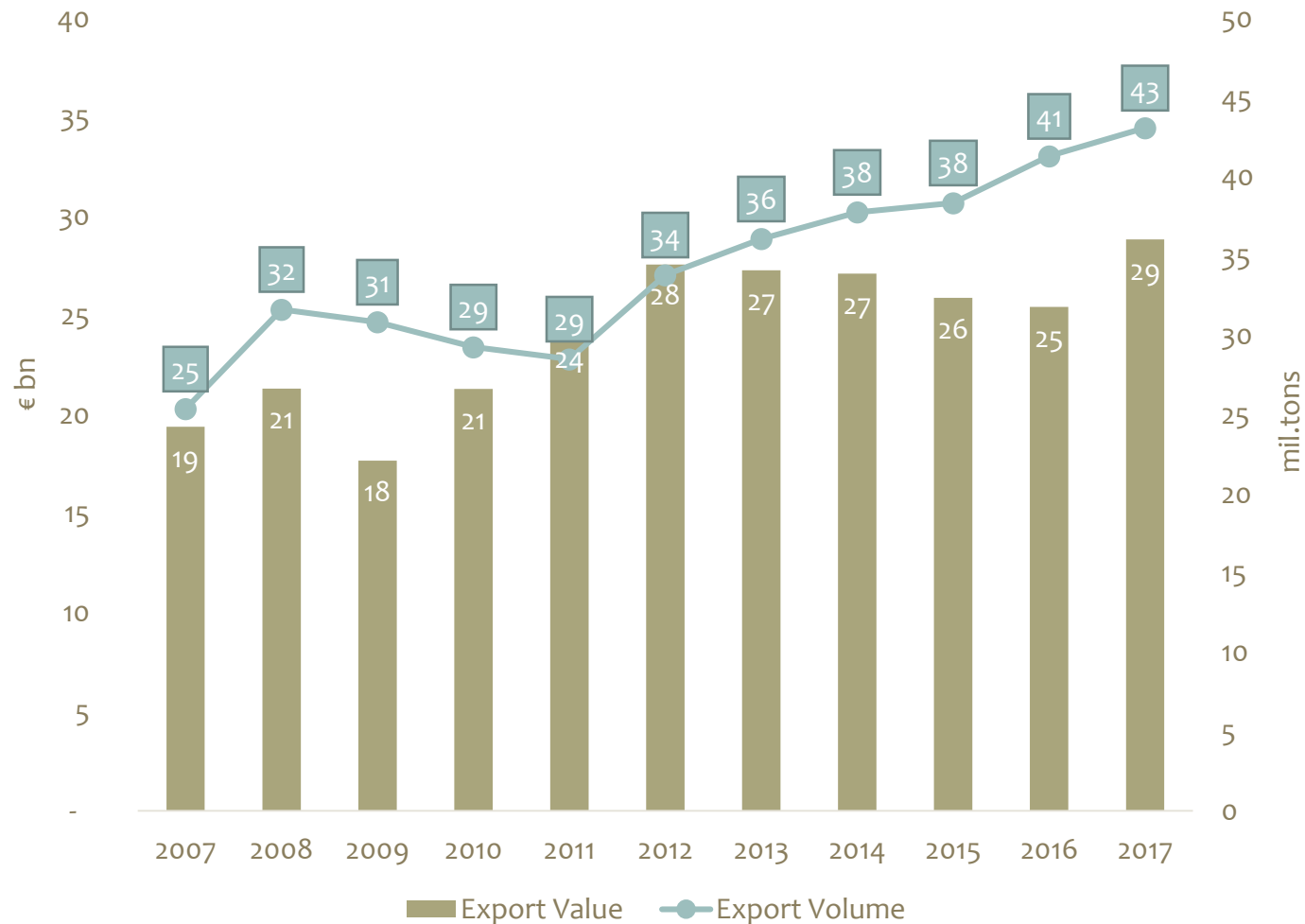
- Highest investment level in 2007 (€64.9 bn)
  - Highest level of investment as a % of GDP in the same year (25.9%)
- Significantly lower investment in 2017 (€24.9 bn, 13.3% of GDP)

# Trade balance (goods and services)



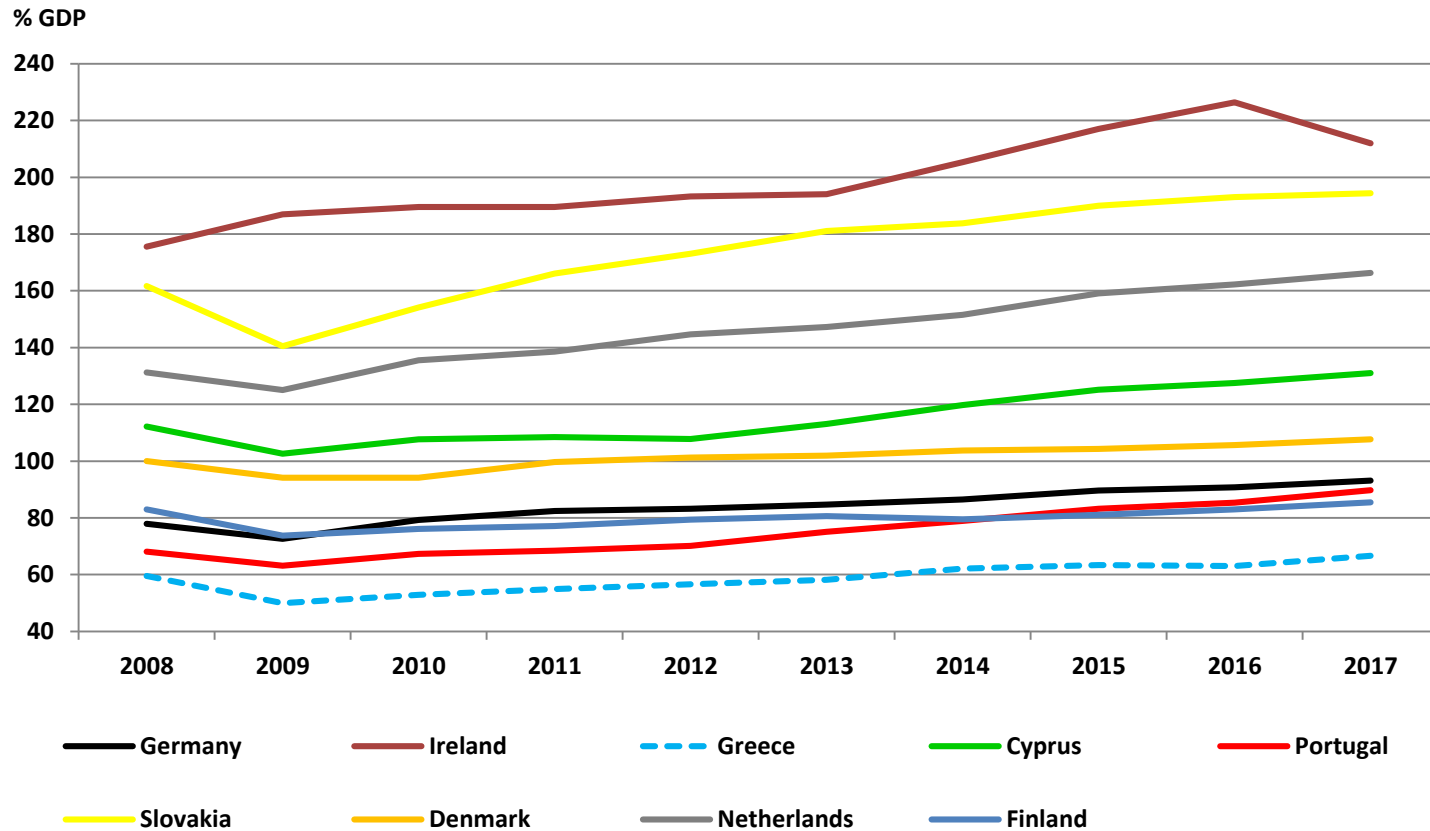
Source: AMECO

# Exports of goods



- Change in the value of exports, 2007-2017: +48.8%
- Change in the volume of exports, 2007-2017: +69.9%

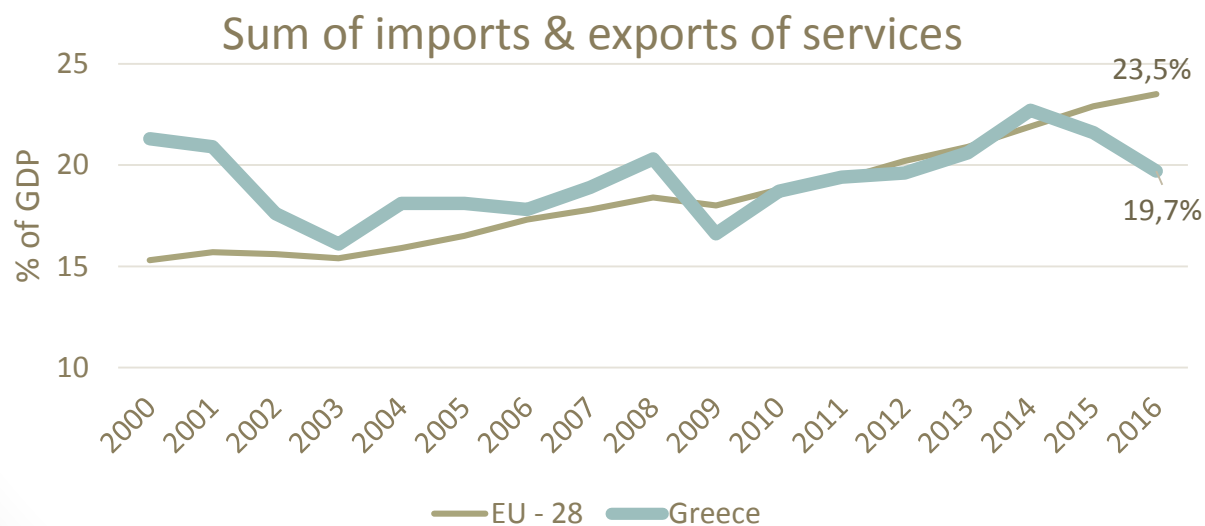
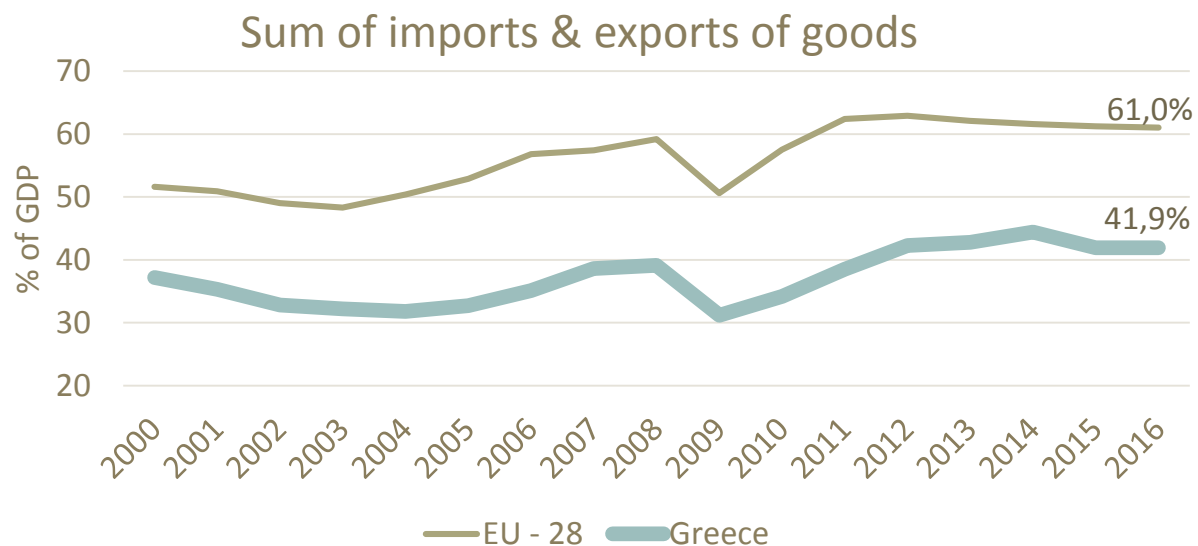
# A closed economy



Source: Eurostat

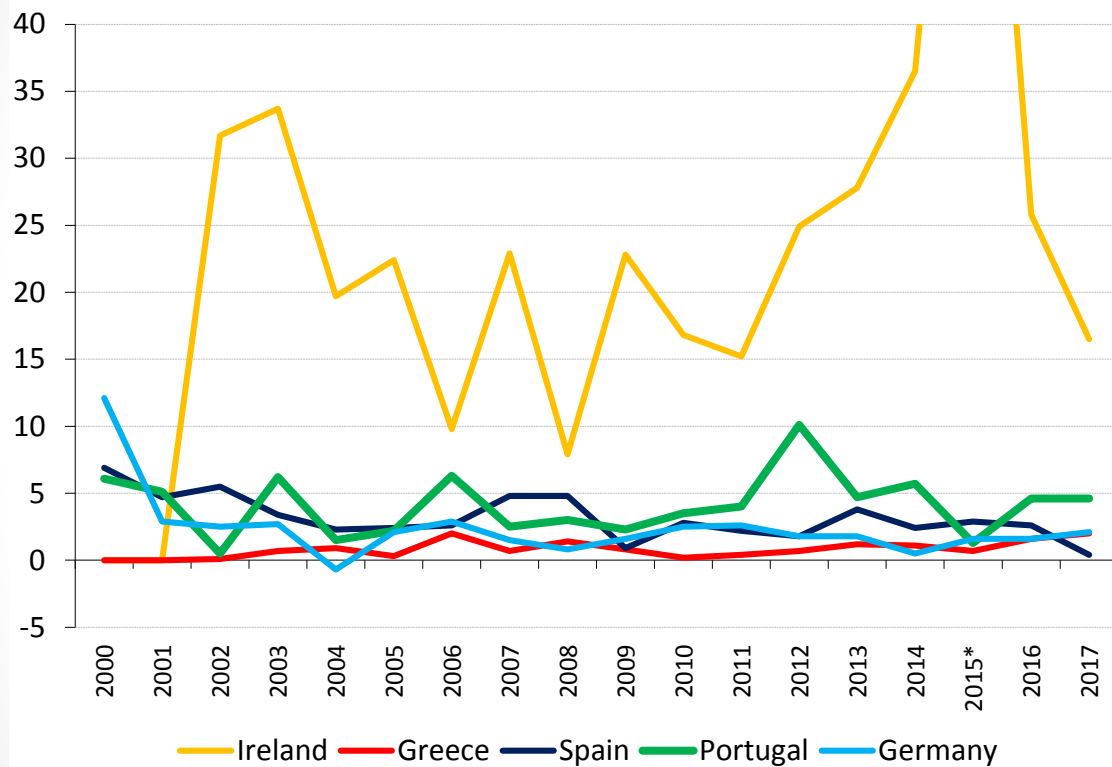


# Openness



Source: Eurostat

# Foreign Direct Investment (% GDP)



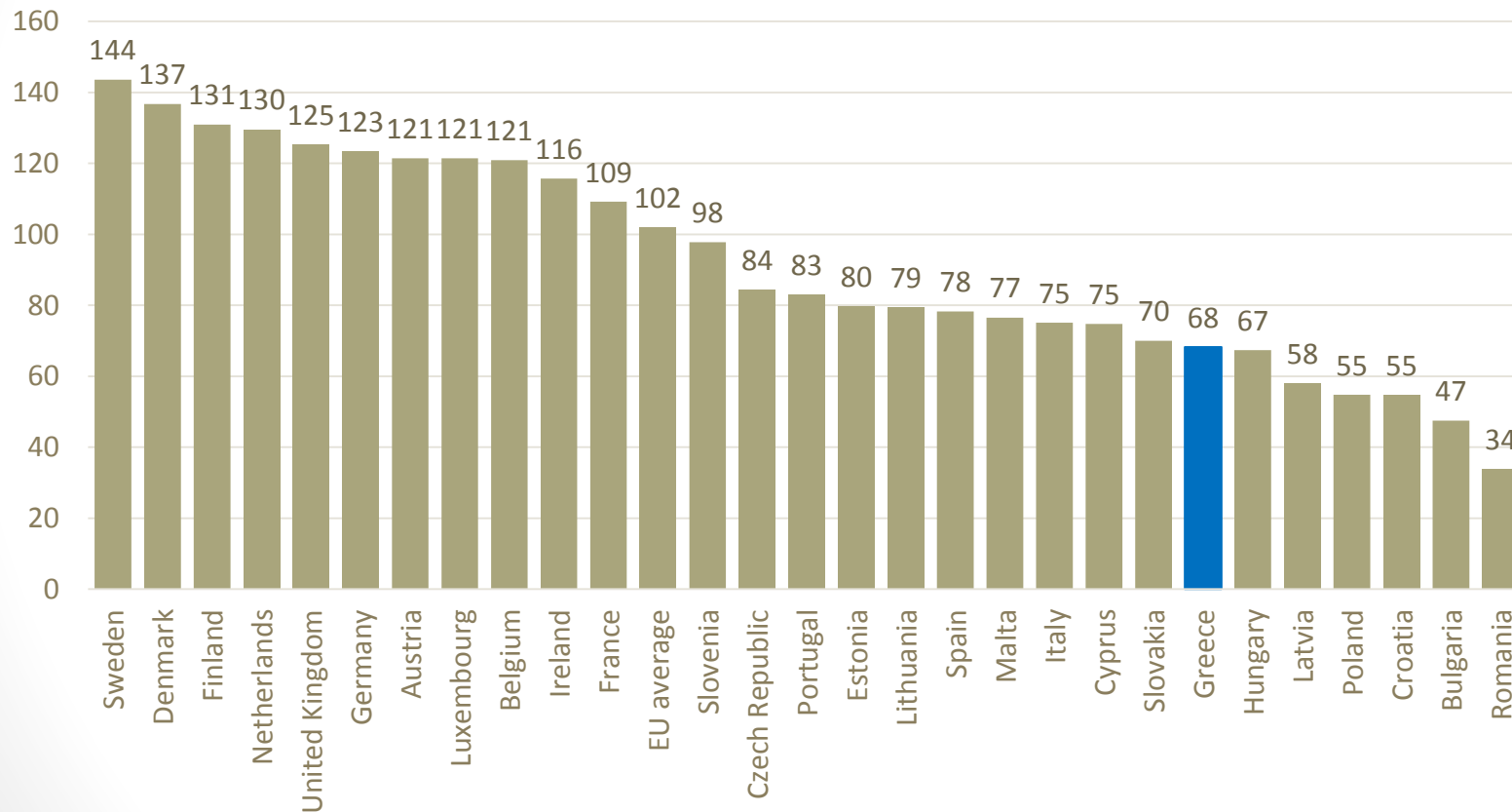
FDI (% GDP)		
	2000-2008	2009-2017
Germany	3.0%	1.8%
Ireland	16.5%	29.8%
Greece	0.7%	1.0%
Spain	4.2%	2.2%
Portugal	3.7%	4.5%

\*Ireland: 81.7% of GDP

Source: Eurostat

# Innovation

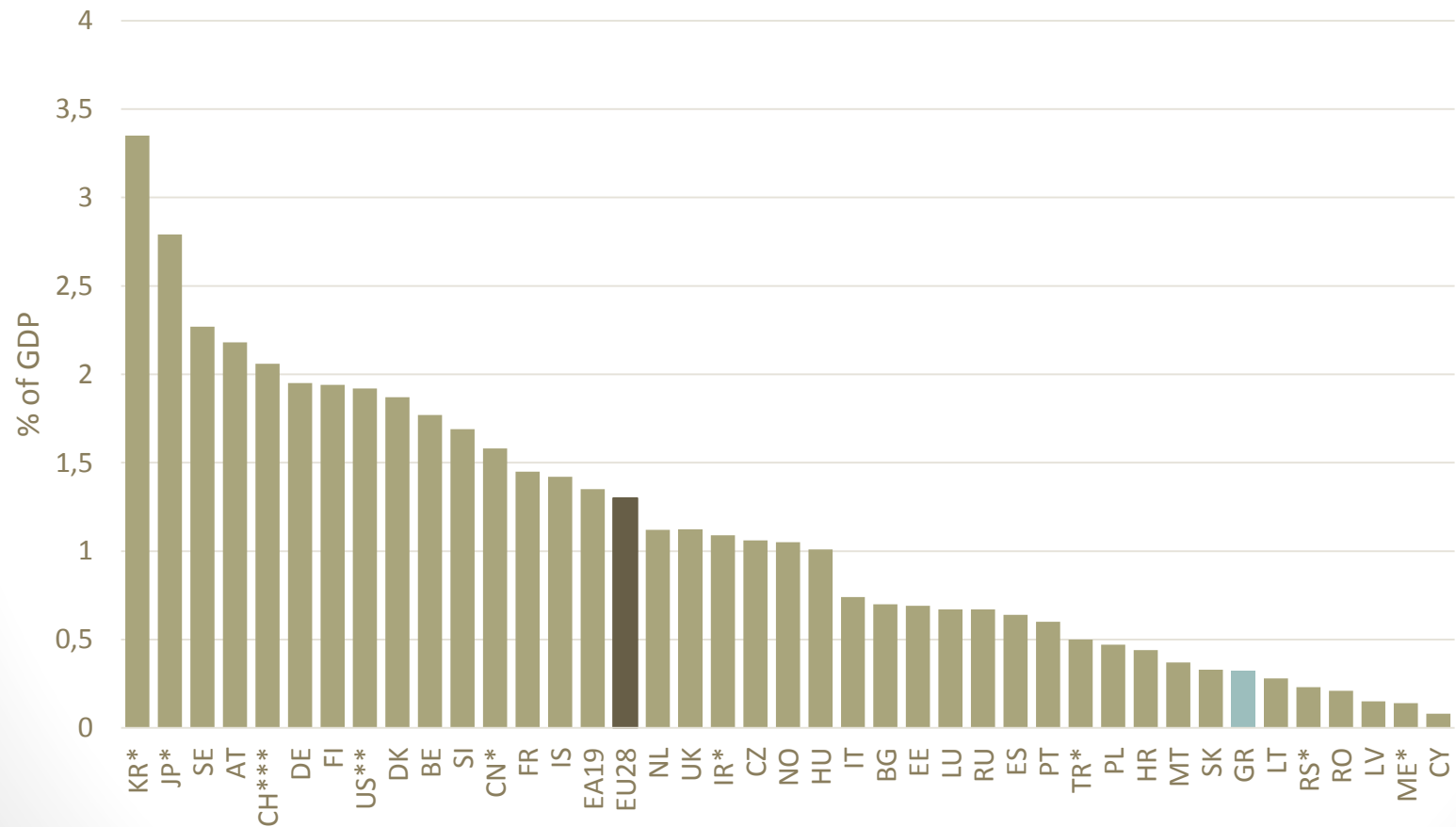
2016 European Innovation Scoreboard across EU28 countries  
(Index 100 = EU average in 2010)



Source: European Commission

# R&D Expenditure

## Private sector R&D expenditure in 2015



Source: Eurostat, IOBE estimates \*2014 \*\*2013 \*\*\*2012

## Current picture

- Economy has been stabilized; current growth prospects are weak.
- Economy does not generate new fiscal deficits; but mix of tax revenue and expenditure neither contributes to growth nor serves social protection.
- Trade deficit has been fixed; but exports growth is weak and uneven. External risks.
- Public debt has been stabilized; but level of public and private debt hinders growth, access to finance is problematic.

## A “growth agenda”

1. Open markets, improve institutions that facilitate long-term productive investment.
2. Education and Health Care systems.
3. Allow the economy to shift towards local comparative advantages: geography and technology.

## Looking a bit deeper

- Shift to a new growth model implies investment and exports will be a larger part of the economy.
- Uncertainty keeps investment out: it depresses growth directly, but it also weakens incentives and effectiveness related to structural reforms.
- Diminish burden of State on economy: allow dynamic part of the economy to grow faster. Shift economic activity away from non-tradables and state-based rent seeking.

## Evolving “views” in politics, public opinion

1. Greece is immune to the world financial crisis.
2. Greek public debt is sustainable + no bail out.
3. Greece is “unreformable” + there is “another way”
4. The (only) solution is for Greece to leave the EZ.
5. Greece needs and deserves a massive nominal debt reduction.
6. “Clean exit”.

More clarity and credibility would have a great impact.