

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

Economic and Commercial Diplomats Club

IOBE, Athens, 28 March 2018

Success?

- Elimination of twin deficits, fiscal and external

Through recession. Sustainable?

- Competitiveness has been restored

Primarily, if not exclusively, through decrease in unit labor cost.

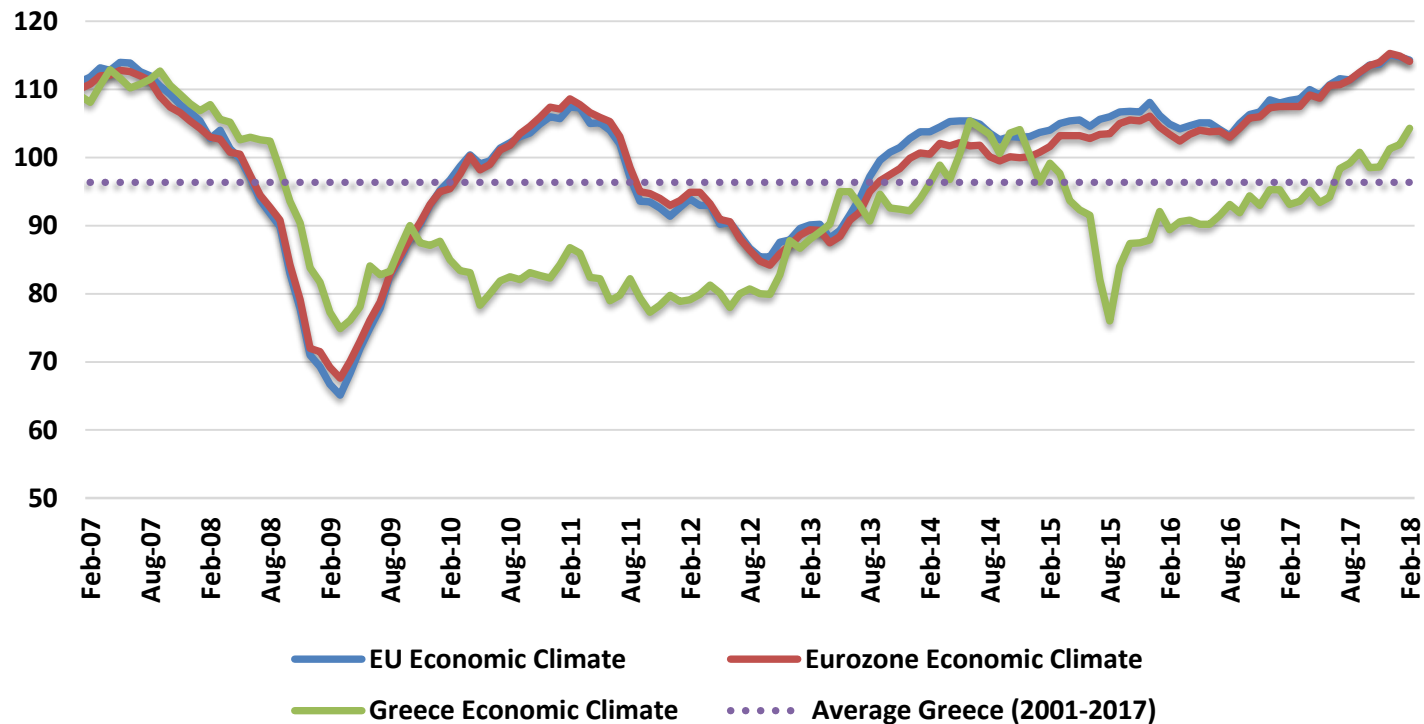
- Greece is back to growth.

Very low, slow and anaemic.

- Greece has stayed in the euro-zone.

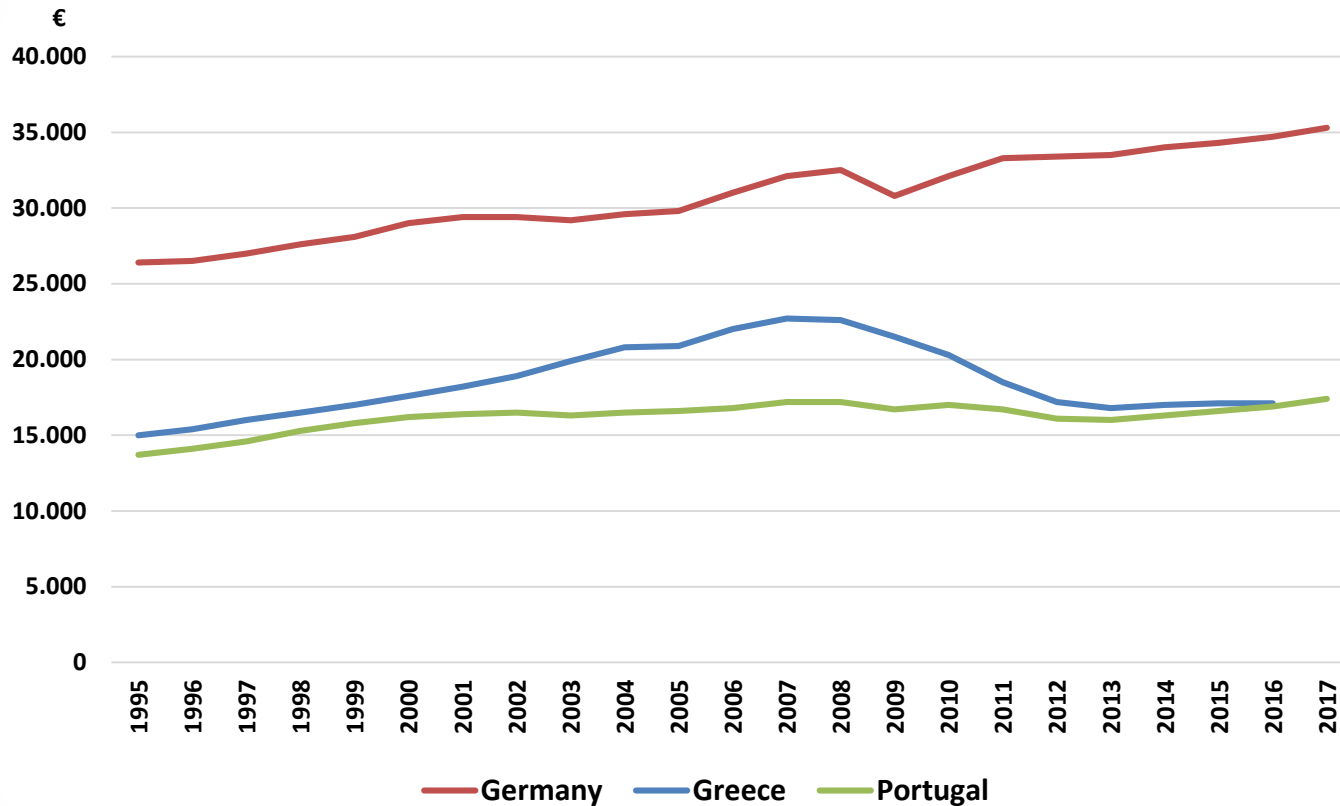
But why was this even put on the table?

Economic Climate Indicator (www.iobe.gr)



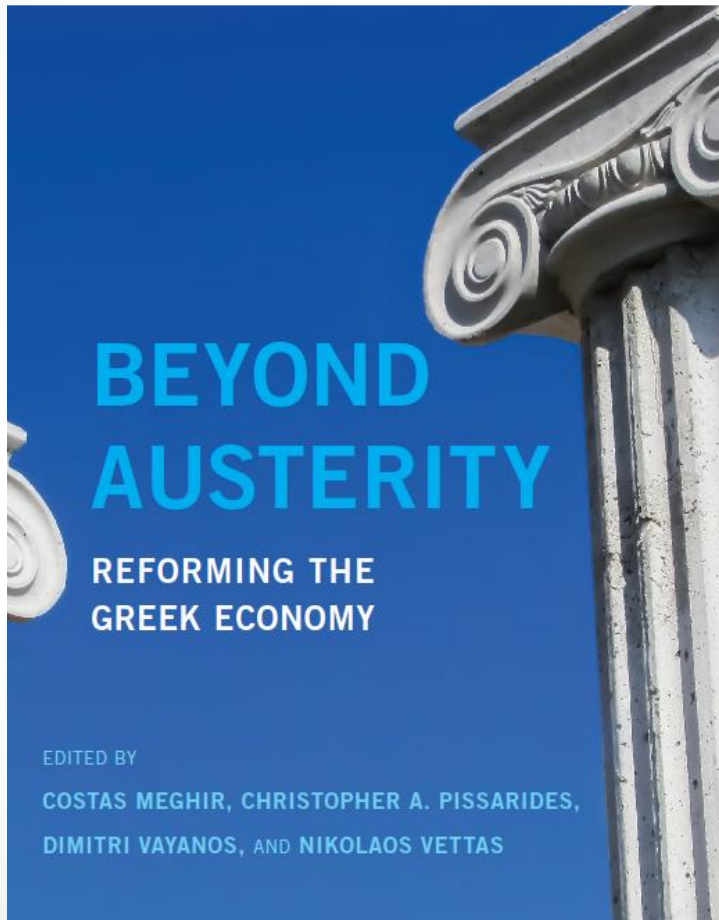
Sources: IOBE, DG ECFIN European Commission

GDP per capita, 2010 prices



Source: Eurostat

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.

Beyond Austerity: Reforming the Greek Economy



1. The Greek Economy



C. Meghir



C. Pissarides



D. Vayanos



N. Vettas

2. Greece and the Euro



G. M. Angeletos



H. Dellas

3. Trade Balance



C. Arkolakis



A. Doxiadis



M. Galenianos

4. Product Markets



Y. Katsoulacos



C. Genakos



G. Houpis

5. Privatizations



V. Skreta

6. Labor Market



A. Lyberaki



K. Meghir



D. Nicolitsas

7. Financial System



M. Haliassos



G. Hardouvelis



M. Tsoutsoura



D. Vayanos

8. Education



N. Vettas

9. Healthcare



P. Kanavos



K. Souliotis

10. Taxation



M. Flevotomou



M. Haliassos



C. Kotsogiannis



C. Meghir

11. Pensions

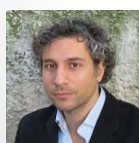


S. Panageas

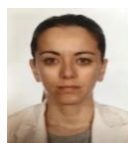


P. Tinios

12. Justice System



E. Papaioannou



S. Karatza

13. Corruption



C. Azariadis



Y. Ioannides

14. Public Administration I



M. Jacobides

15. Public Administration II



P. Karkatsoulis



E. Stefopoulou



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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.

IOBE
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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MARCH
13
«Ελληνική Βιομηχανία: Αλήθειες & Μύθοι»

APRIL
2
Business and Consumer Surveys

Next report of Business and Consumer Surveys concerning March results, will be released on April 2, 2018.

[More announcements...](#)



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- - By Category [dropdown]
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Macroeconomic Analysis
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Report on the Greek Economy

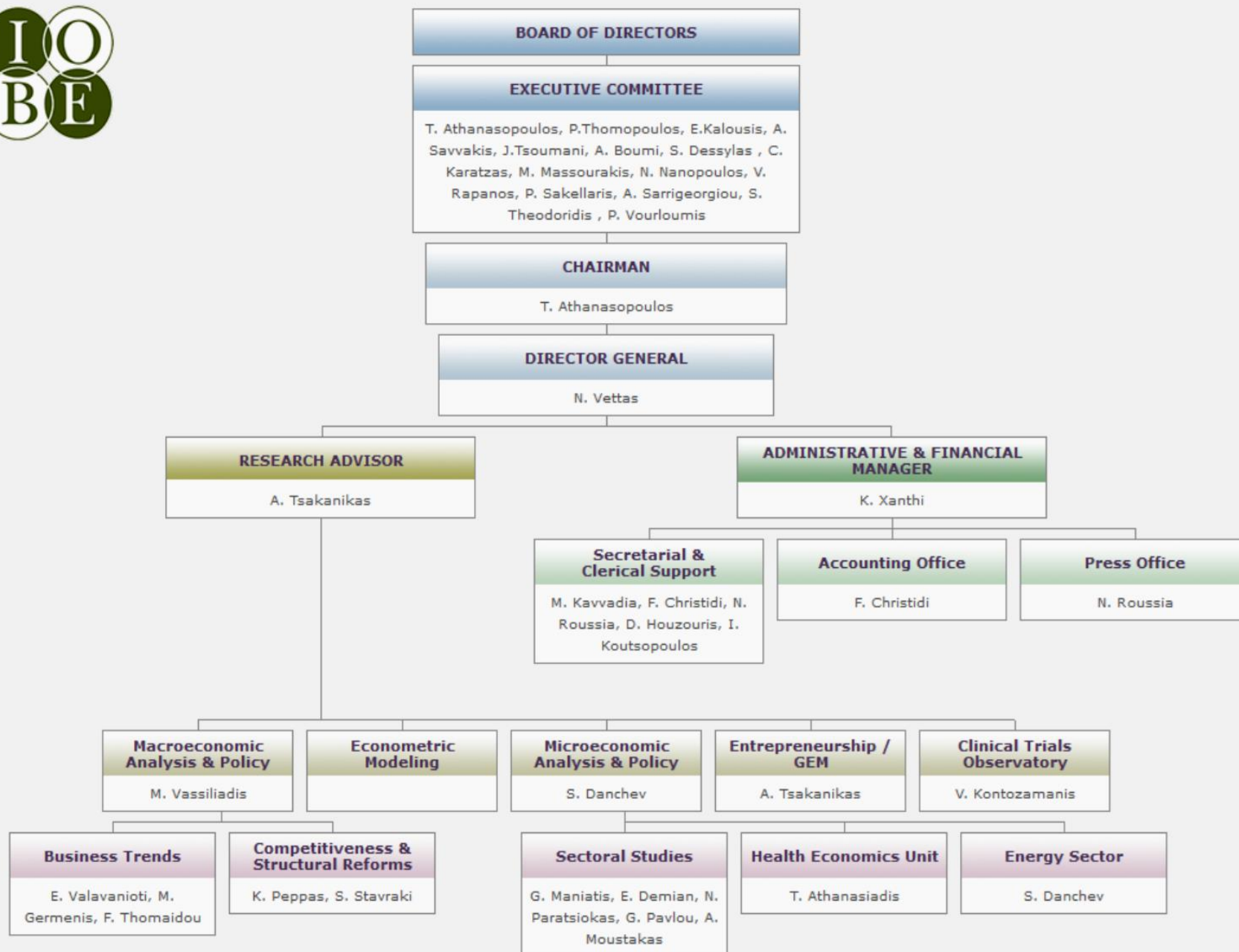
Business and Consumer Surveys

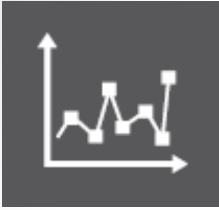
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The Foundation (IOBE)

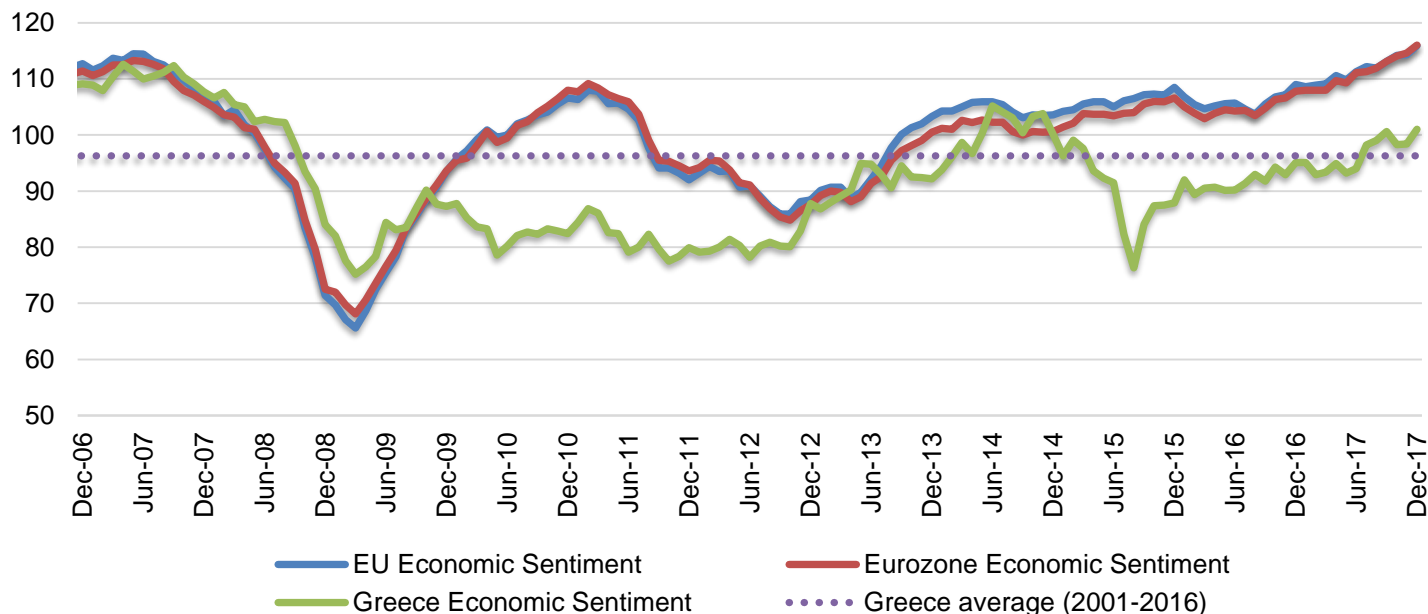
- A private, non-profit, public-benefit research organisation.
- Established in 1975 with a dual objective:
 - Promote research on current problems and prospects of the Greek economy and its sectors
 - Generate reliable information, analysis and action plans not produced elsewhere and be of high value to policy makers.
- Board of Directors (academia, business, policy makers)
- 16 resident Research Associates (+ administration)
- Part time “external” advisors and collaborating experts





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

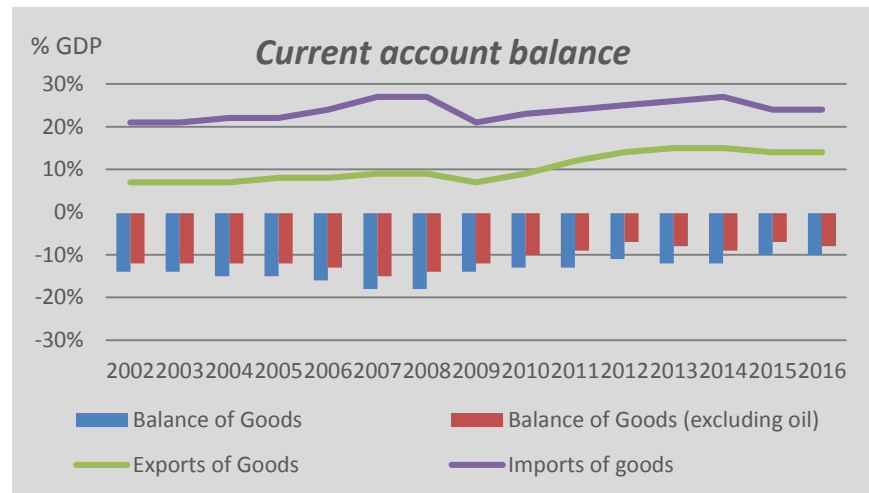
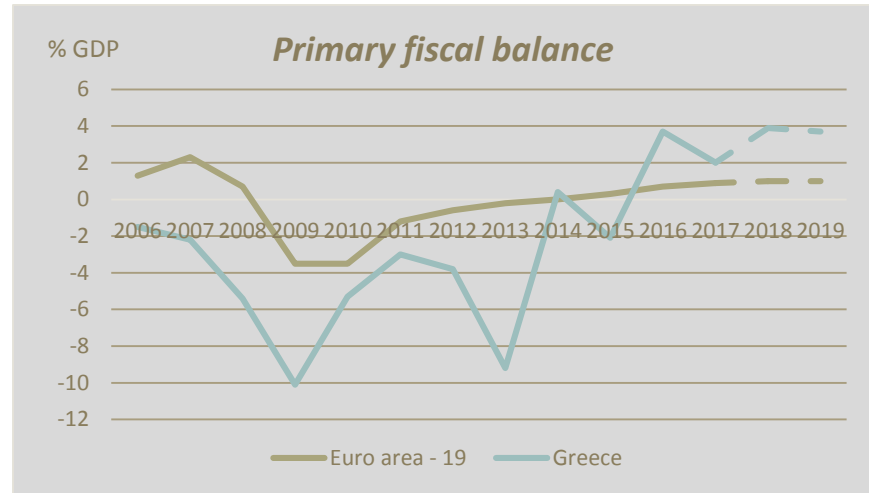


Source: IOBE, European Commission DG ECFIN



IOBE's Quarterly Bulletin on the Greek Economy

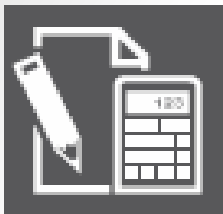
- Every three months
- A thorough analysis of the latest developments in the Greek and Global economy, along with reliable forecasts regarding the medium-term prospects of the economy in Greece.
- High publicity; widely discussed and reference point by policy makers, journalists and business people.



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 main 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: Macroeconomic studies

More than 30 research projects in 2017, covering a wide range of economic topics and sectors

Macroeconomic Developments and forecasting models for the Greek economy

The objectives of the study include the examination of the significance of revisions of Greece's macroeconomic data (GDP, public finance), as well as the calibration of alternative macroeconomic forecasting methods (short- and long-term) to the Greek economy

Internationalisation of sectors of the Greek economy: Prospects and trends

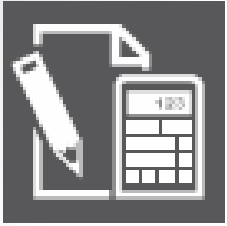
The study aims at tracing the most extrovert branches and activities of the Greek economy, as well as those with growing export dynamics, which are also favored by trends in the international environment

The new growth model for Greece and the Greek Stock Market

The study presents the options for investment financing that the Greek Stock Market offers and examines the conditions for increasing the contribution of capital markets to the recovery of the Greek economy

Effects of reforms to sectors of internationally traded goods and services

The study examines the impact of reforms implemented to sectors producing internationally traded goods and services on their technical efficiency level. The study also examines the impact of the so-called horizontal reforms



Research projects: Public finance studies

Income taxation in Greece: comparative analysis and reform proposals

The study includes an economic analysis of the system of direct taxation in Greece and proposes quantified suggestions for its reform

Real estate taxation and the prospects of the Constructions sector

The study analyzes real estate taxation in Greece and its impact on the Constructions sector and the Greek economy. It also includes an assessment of the economic and financial impact of potential changes to real estate taxation, such as the abolition of VAT on new housing and of the additional property tax

Analysis of the financial data of municipalities after the Kallikratis reform

By analyzing their accounting statements, the study examines the transition of municipalities to the accrual accounting system standards, as well as the impact of the crisis on the municipalities' finances

Monitoring the impact of measures to increase e-payments

The study examines trends in the use of e-payments after the imposition of capital controls to the Greek economy in the summer of 2015. It also investigates the effectiveness of measures to promote e-transactions under Law No.4446/2016 and e-payments' impact on tax revenues



Research projects: Impact assessments

The economic impact of the privatization of the Thessaloniki Port Authority (TPA)

The scope of the study is to evaluate the effects of the privatization of TPA SA under the terms of the offer of the association of Deutsche Invest Equity Partners GmbH, Belterra Investments Ltd and Terminal Link SAS

The contribution of the passenger shipping sector to the Greek economy

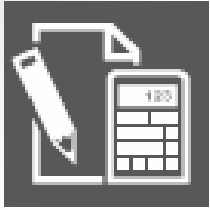
The purpose of the study is to present and analyze the latest data and developments concerning the passenger shipping sector and highlight its importance for the Greek economy

The impact of OTE Group to the Greek economy

The study assesses the direct as well the indirect effects of the activities of OTE Group to the Greek economy and examines its growth potential, as well as the risks and obstacles it faces in the current period

The socio-economic impact of the PGCF's museums at the local level

For each of the eight museums of the Bank of Piraeus Group Cultural Foundation, the direct, indirect and induced effects of their operation are evaluated



Research projects: Sectoral Studies

The Manufacturing sector in Greece: Trends and prospects

The study highlights the potential significance of the Manufacturing sector for the recovery of the Greek economy, especially for strengthening its international competitiveness through the production of high value added internationally traded goods and services

The Food Bank as a tool for tackling food poverty in Greece

The main objectives of the study are to highlight the role of the Food Bank in combating food poverty, reduce the waste of resources and to explore the potential for further strengthening this role

Contribution to economic activity and growth potential of the Greek Chemical industry

The study examines the medium-term growth potential of the Greek chemical industry in Greece, the challenges it faces, as well as the necessary conditions for its future development

Improving of the energy efficiency of buildings as a growth lever for the Greek economy

The study presents the potential benefits for the Greek economy by the acceleration of implementation of the energy efficiency and energy saving measures in buildings, according to the relevant provisions of the national and European Union law



Research projects: Sectoral Studies

Tertiary education in Greece

The study primarily examines the main characteristics of tertiary education in Greece and the impact of the economic crisis. It also presents the main characteristics of models of higher education governance in a comparative perspective, and formulates policy proposals for higher education

ELSTAT's Health Price Index and the cost of Private Health Insurance

The study analyzes the methodology of the Greek Health Price Index in Greece, in particular its peculiarities and weaknesses in evaluating the cost of private health insurance in Greece

The prospects of the spirits industry in Greece

The study analyzes and presents the latest data and developments concerning the Greek spirits industry. Furthermore, it evaluates the impact of illegal trade on the functioning of the market, the prospects of legitimate businesses and public revenues

The Pharmaceutical Market in Greece: 2017 Facts & Figures

The study tracks and analyses the current situation in the medicines industry, highlighting the parameters affecting the modus operandi and structure of the sector

Public events and workshops

The Manufacturing sector in Greece: Trends and Prospects, 2/18/2017,
Aegli Zappeion, http://iobe.gr/press_dtl_en.asp?EID=103

Entrepreneurship 2016-17: New entrepreneurship bends, 12/18/2017,
Megaron Bodossaki, http://iobe.gr/press_dtl_en.asp?EID=109



Tertiary education in Greece, 7/5/2017, IOBE premises,
http://iobe.gr/press_dtl_en.asp?EID=105

Public events and workshops

Food Bank: A tool for addressing food insecurity and food waste in Greece, 10/24/2017, Benaki museum, http://iobe.gr/press_dtl_en.asp?EID=108



Financial analysis of the Greek municipalities, 6/27/2017, National Bank of Greece, http://iobe.gr/press_dtl_en.asp?EID=104

Public events and workshops

2017 Korean – Hellenic Cooperation Forum, 6/1/2017, Hellenic Armed Forces Club, http://iobe.gr/press_dtl_en.asp?EID=102



Beyond Austerity: a workshop on the growth prospects of the Greek Economy, 10/2/2017, Institut Francais D' Athenes, http://iobe.gr/press_dtl_en.asp?EID=107



23rd Economia national student competition, 2/18/2017, Economia group premises, http://iobe.gr/press_dtl.asp?EID=100



Main macroeconomic figures

(y/y change in %, unless stated otherwise)	2009	2014	2016	2017	2018*
GDP	-3,1	0,7	-0,2	1,3	2,1
Unemployment (% of labor force)	9,5	26,5	24,9	21,5*	19,8
General Government Balance¹ (% of GDP)	-15,6	-3,6	-7,5	-0,7*	0,6
Current Account Balance (% of GDP)	-14,4	-3,0	0,0	-1,1	-2,0
Harmonized Index of Consumer Prices	1,3	-1,4	-1,1	1,1	0,8
Fixed Capital Formation	-13,7	-2,8	-0,2	9,7	12,0

¹Including 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?

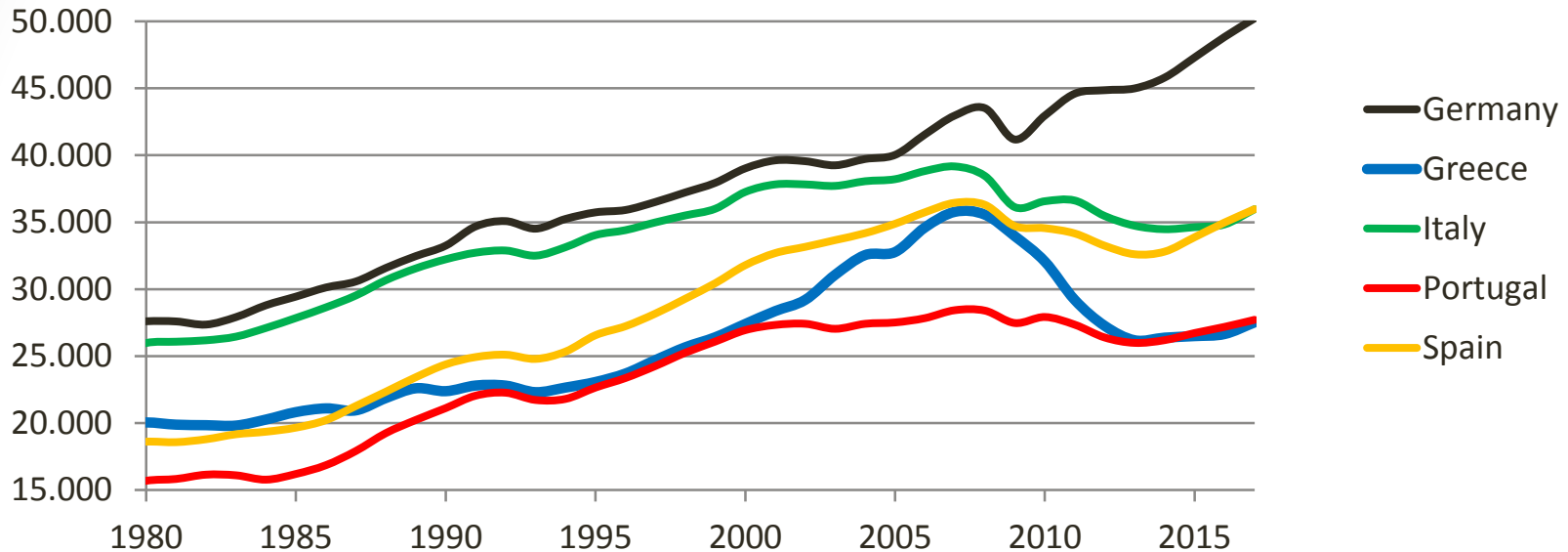
Debt management, fiscal monitoring, deposit insurance, incentives for structural reform

Key background points

- Crisis partly due to long-term domestic problems:
 - Low long-term growth.
 - Low corporate investment and FDI.
- Crisis exacerbated by flows in EZ architecture that facilitated excessive borrowing and current account deficits.
 - No framework for sovereign default within EZ.
 - Weak bank-regulation framework.
- Euro entry had some positive outcomes for Greece.
 - Increase of productive (corporate) investment.
- Greece was “canary in the mine” – weaker and first to fall.
 - High current account deficit (as Portugal and Spain).
 - High government debt (as Italy) and deficit.

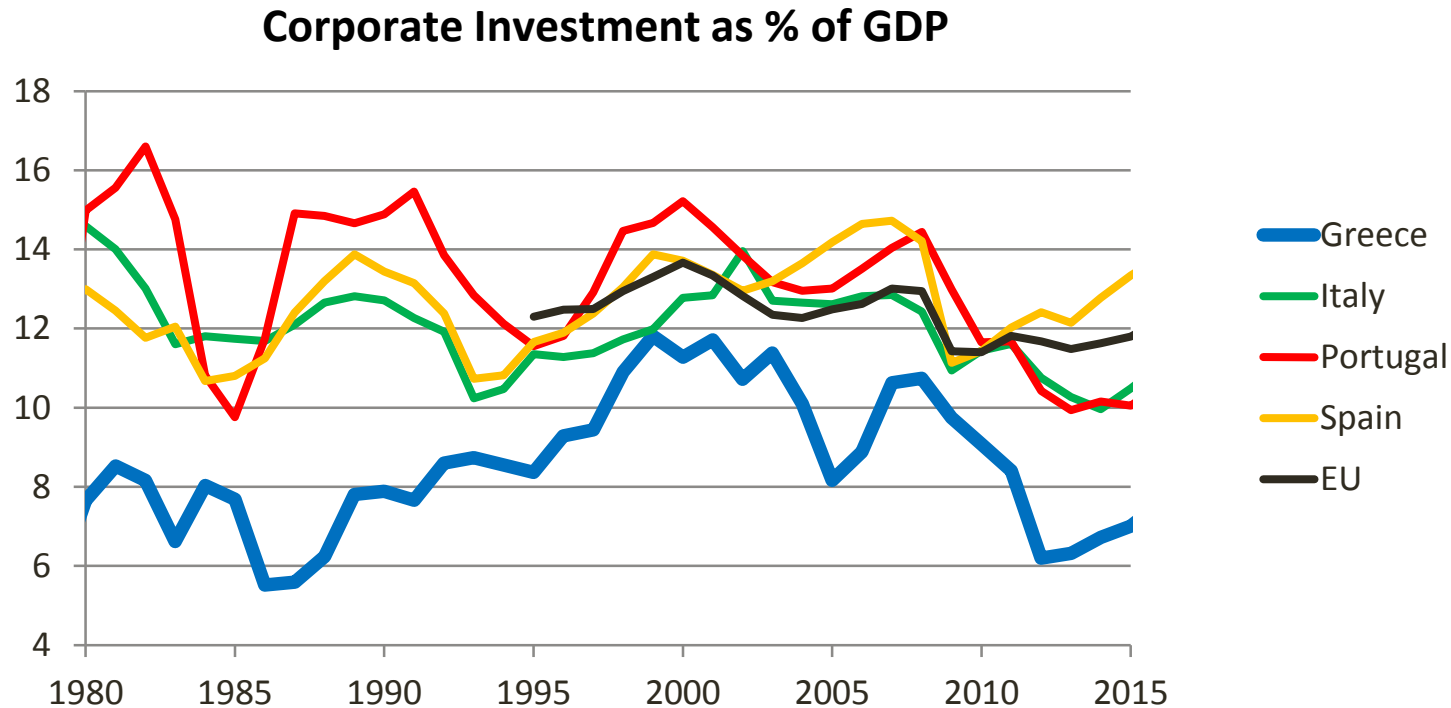
GDP

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



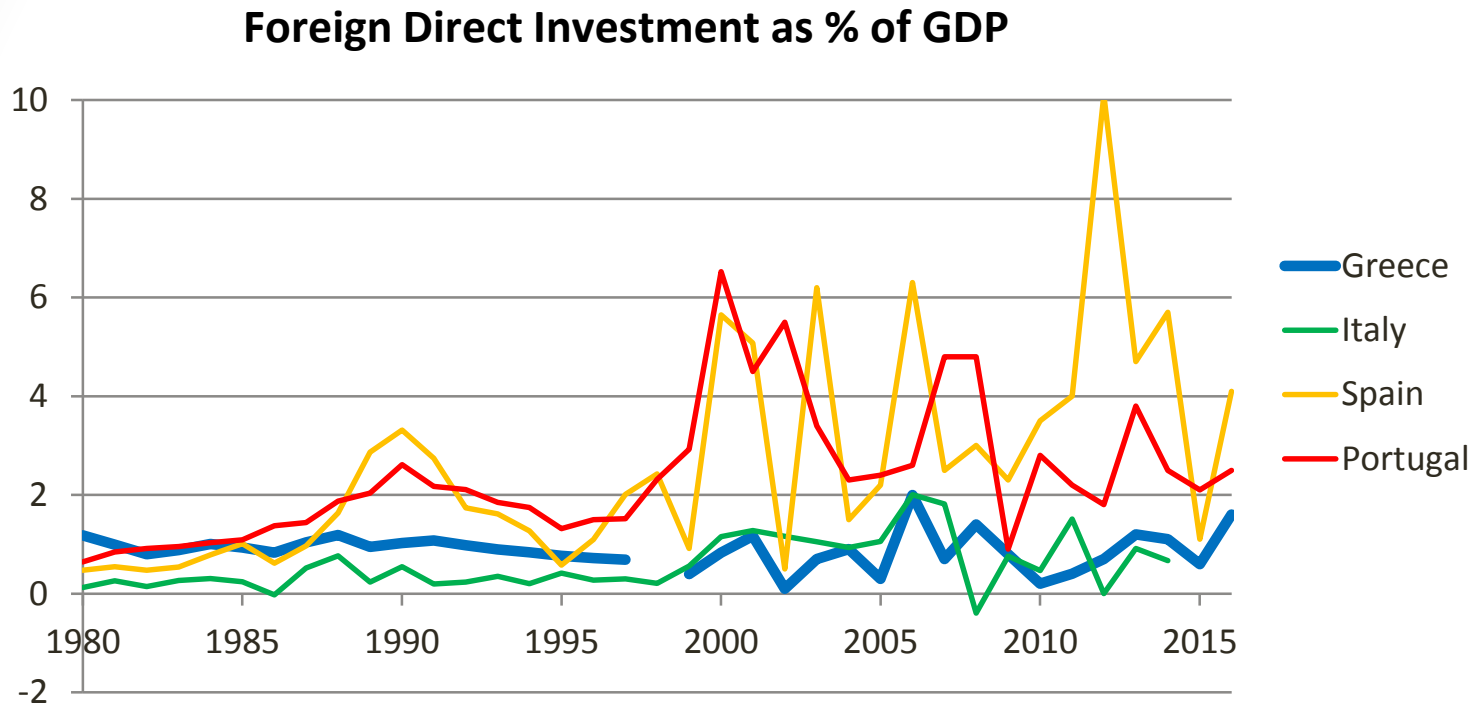
- Greece experienced a large growth and subsequent decline of GDP after Euro entry.
- Its growth over the long term (1980-2017) has been relatively small.
 - Similar to Italy.
 - Similar before and after Euro entry.

Corporate investment



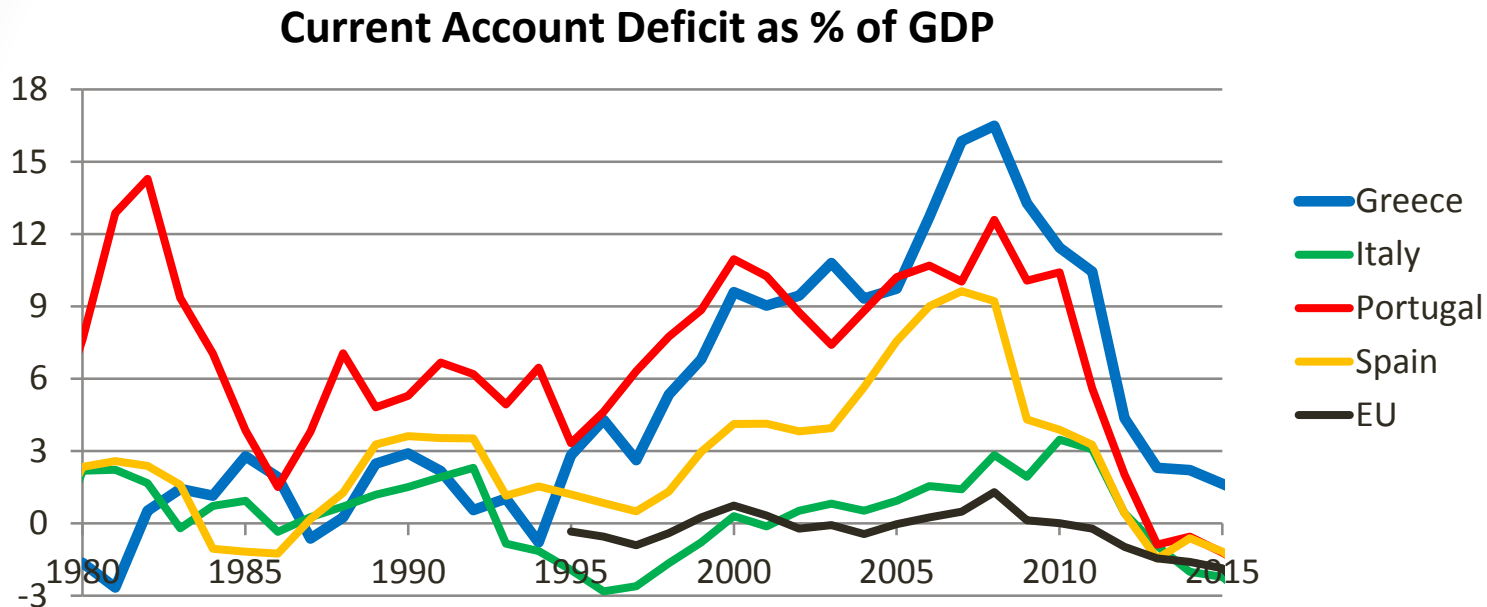
- Corporate investment in Greece has been relatively low.
 - But total investment (incl. housing) is comparable to EU average!
- It rose significantly in the run-up to Euro entry, but dropped again during the crisis.

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.

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.

Labor market

- Over-regulated before the crisis.
 - EPL in 2008 fifth-highest in OECD.
 - High % of long-term unemployed and of self-employed.
 - Low reallocation rate (hirings and firings).
- Key changes in regulation.
 - Severance pay has been halved, to five months of salary.
 - Collective dismissals no longer require ministerial approval.
 - Firm-level agreements have become possible, and effectively replaced sectoral collective agreements.
- EPL in Greece is now at OECD average.

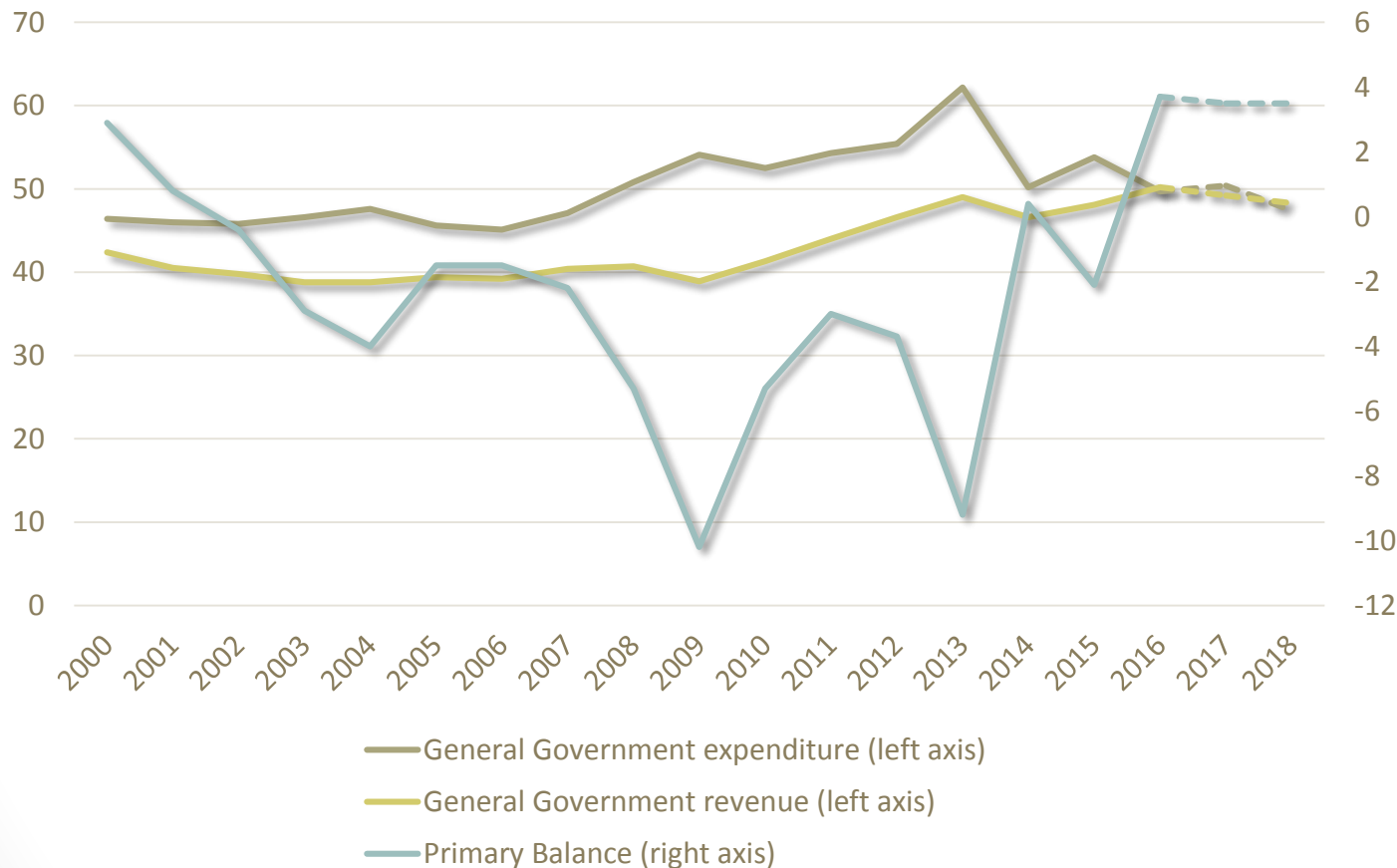
Pensions

- Costly, inefficient and fragmented system before the crisis.
 - Pension expenditure in 2007 second-highest in EU (12% of GDP), and projected to double by 2060.
 - Yet, high old-age poverty.
 - Rules mapping contributions to pensions differed across professional groups.
- Key changes:
 - Single pension calculation for all.
 - Minimum pension (384 Euros).
 - Pension proportional to number of working years.
 - Single retirement age at 67.
 - Drastic cuts to some existing pensions.

Product markets

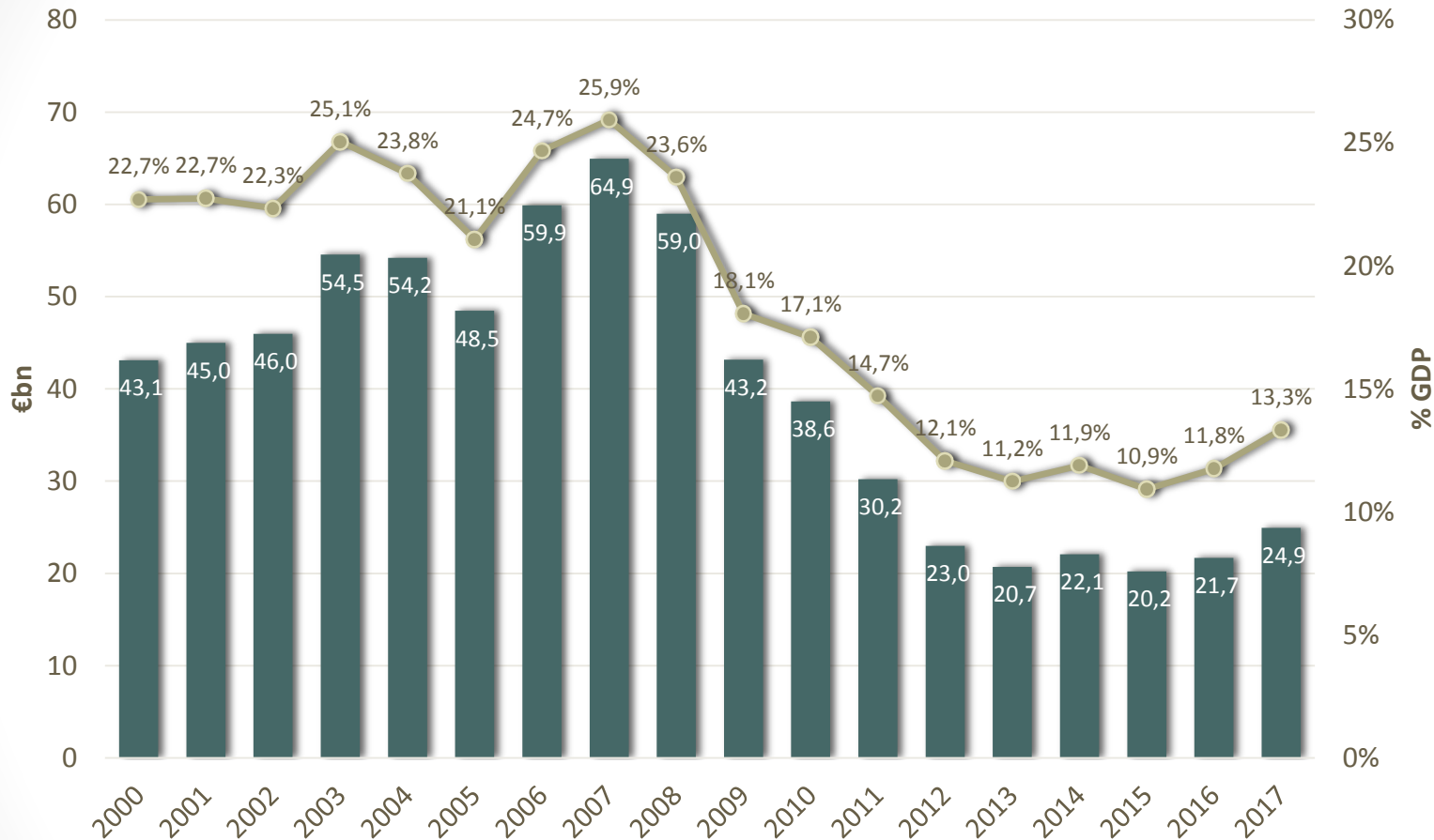
- Over-regulated before the crisis.
 - PMR in 2008 second-highest in OECD.
- Reduction in barriers to entry and competition in a number of key sectors.
 - Implementation of “OECD tool-kit”.
- PMR improved significantly.
 - Fourth-highest in OECD in 2013.
 - Dropped from 2.21 to 1.74. OECD average dropped from 1.59 to 1.47.

Government Expenditure, Spending, Primary Balance (% GDP)



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

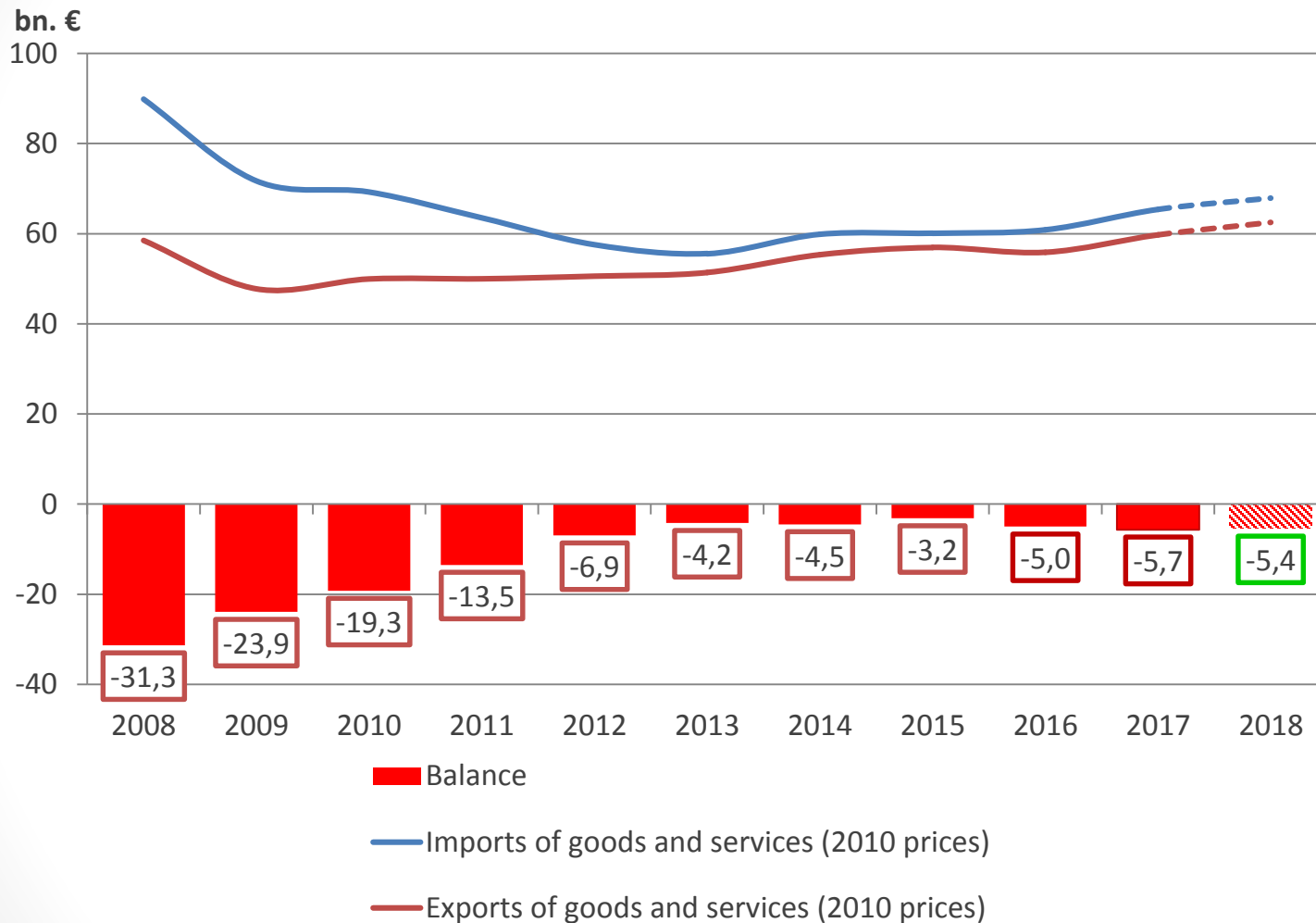
Investment collapses



Sources: Eurostat/ELSTAT

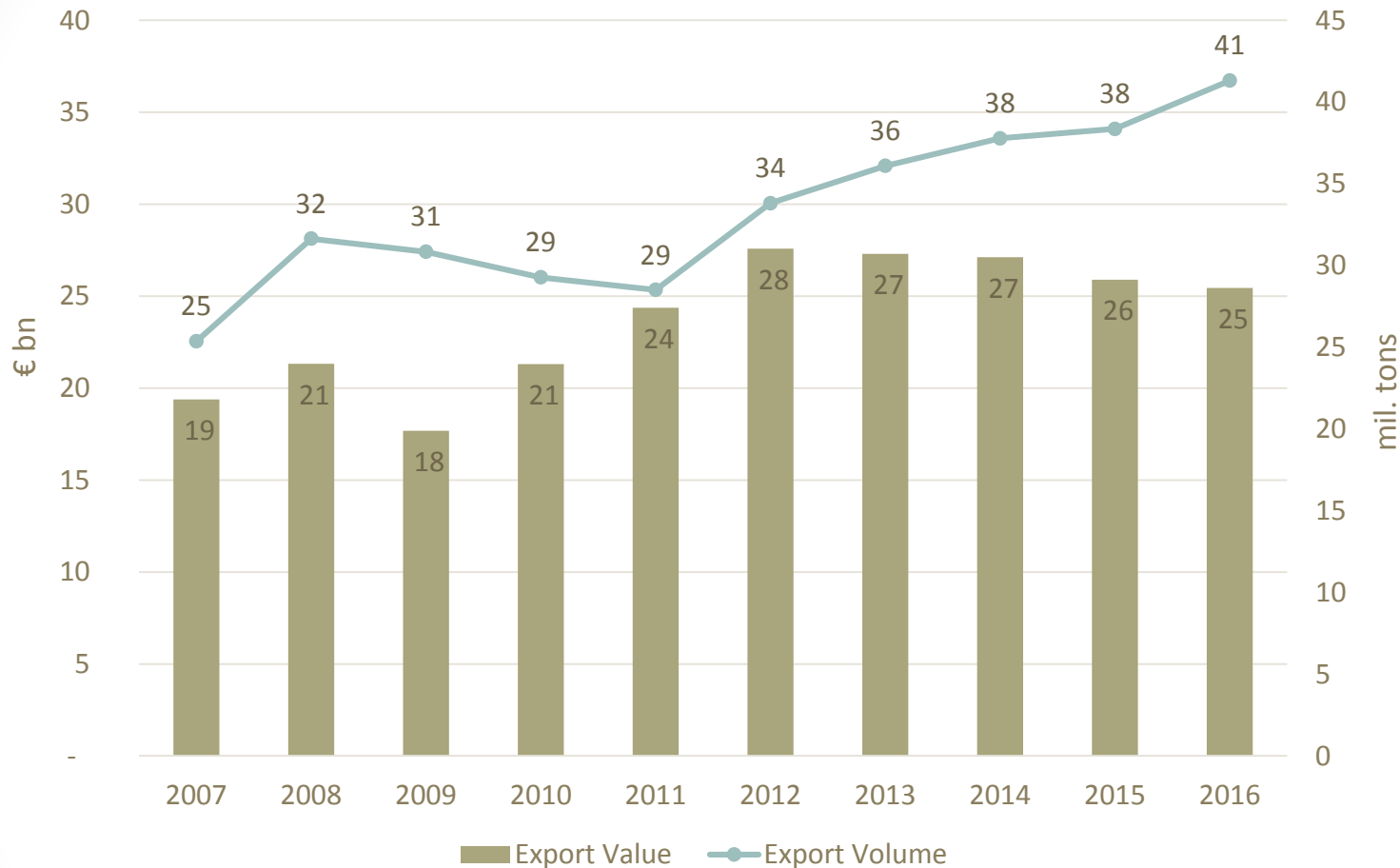
- Highest investment level in 2007 (€64.9 bn)
 - Highest level of investment as a % of GDP in the same year (25.9%)
- Significantly lower investment in 2017 (€24.9 bn, 13.3% of GDP)

Trade balance (goods and services)



Source: AMECO

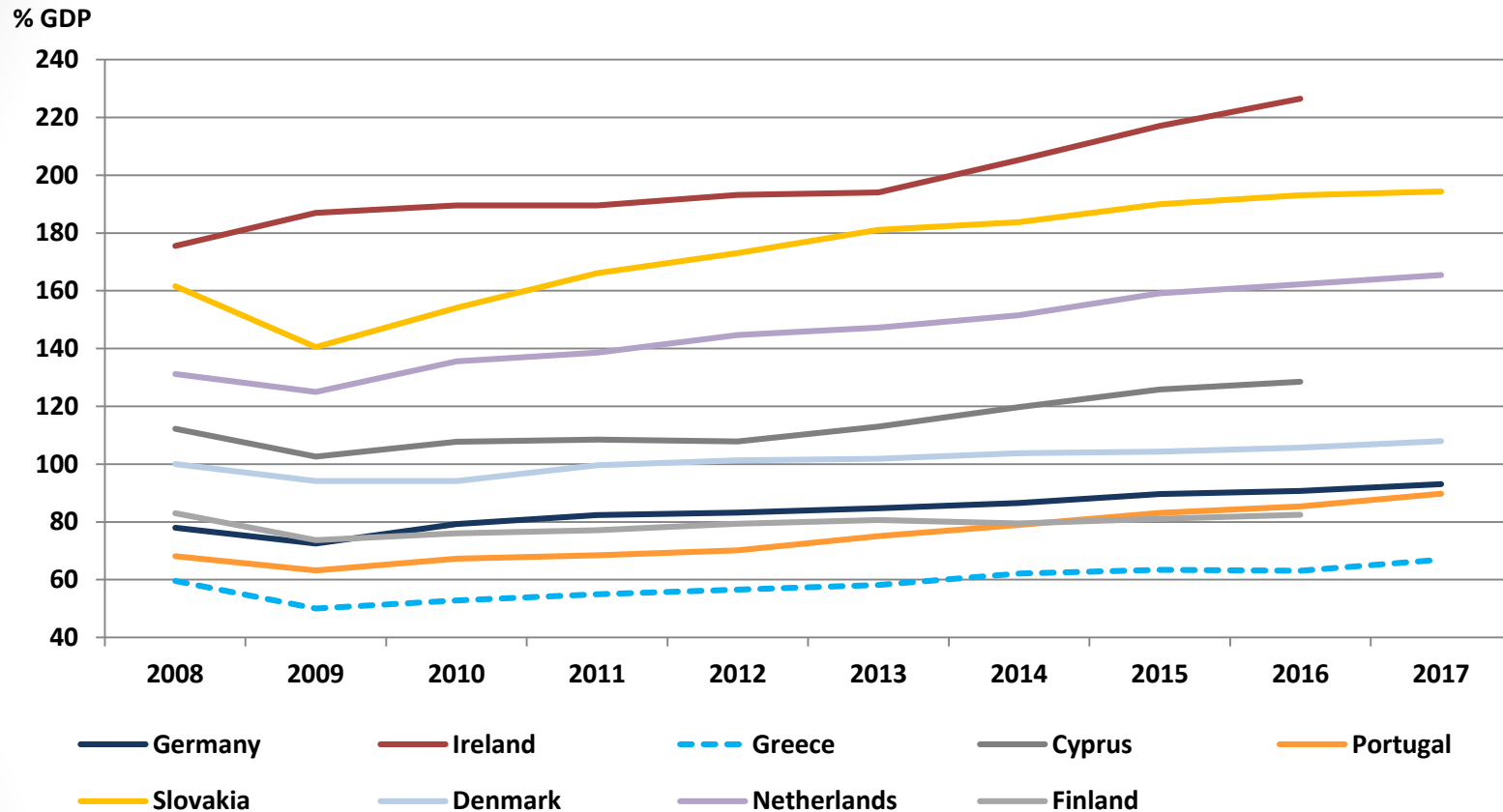
Exports of goods



Source: Eurostat

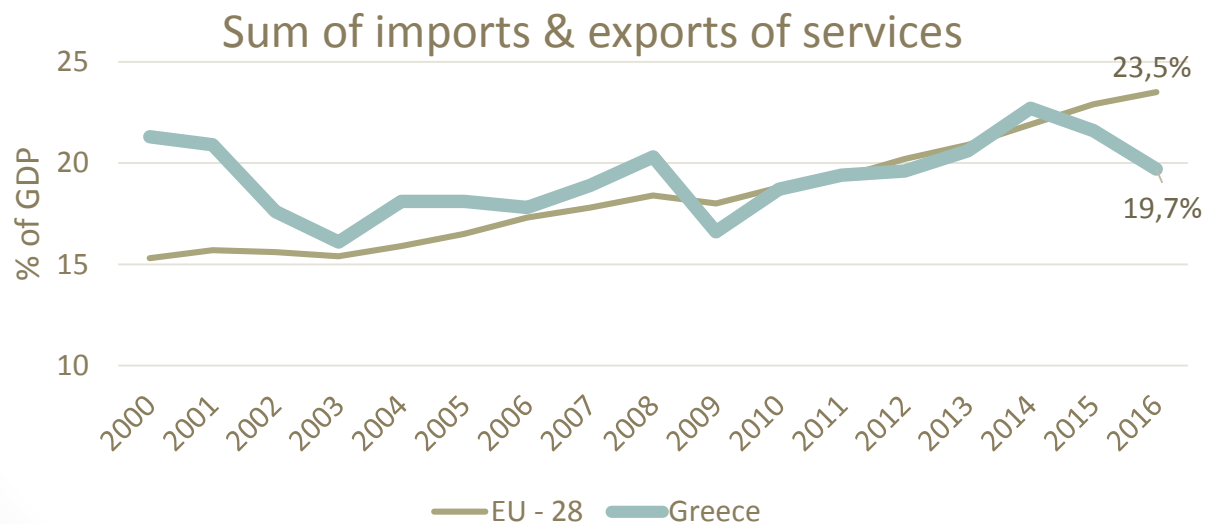
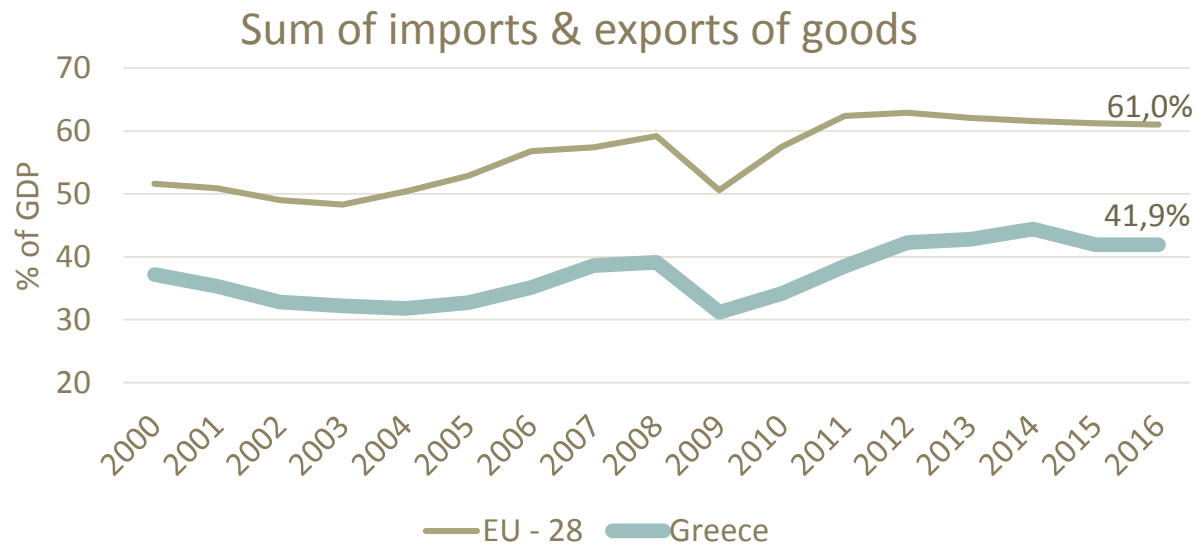
- Change in the value of exports, 2007-2016: +31.2%
- Change in the volume of exports, 2007-2016: +62.9%

Open Economy?



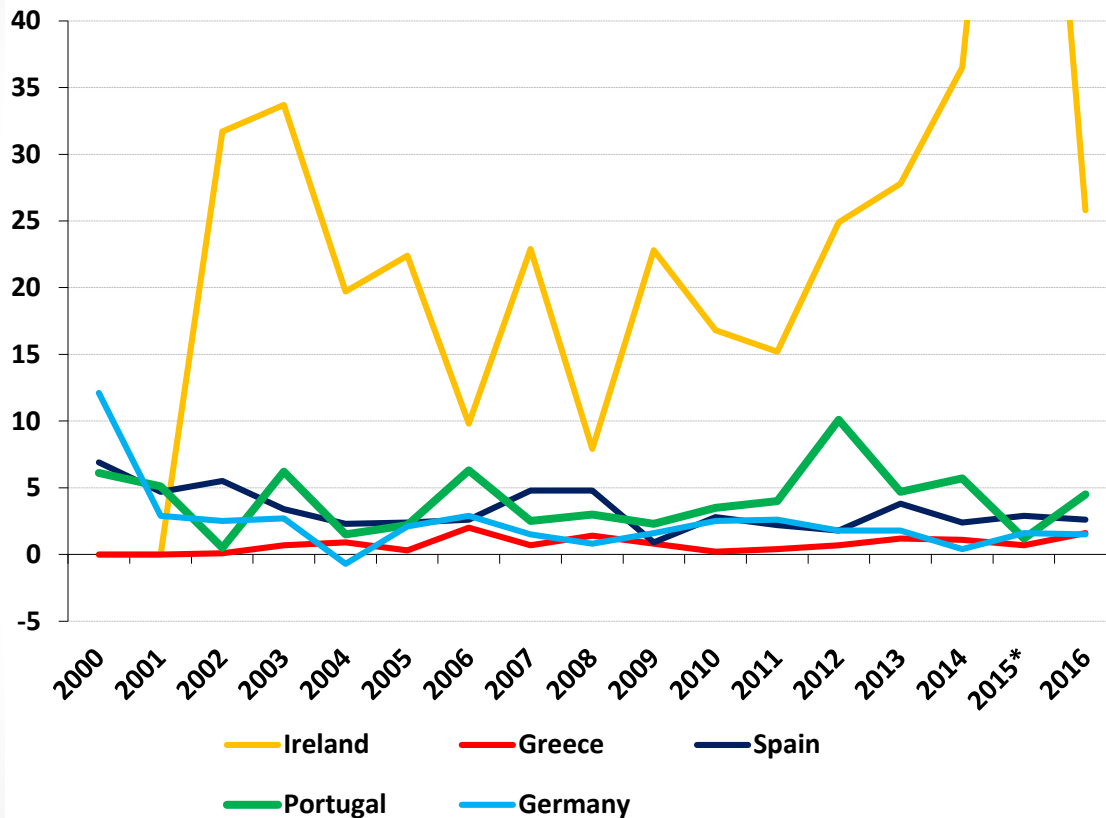
Source: Eurostat

Openness



Source: Eurostat

Foreign Direct Investment (% GDP)



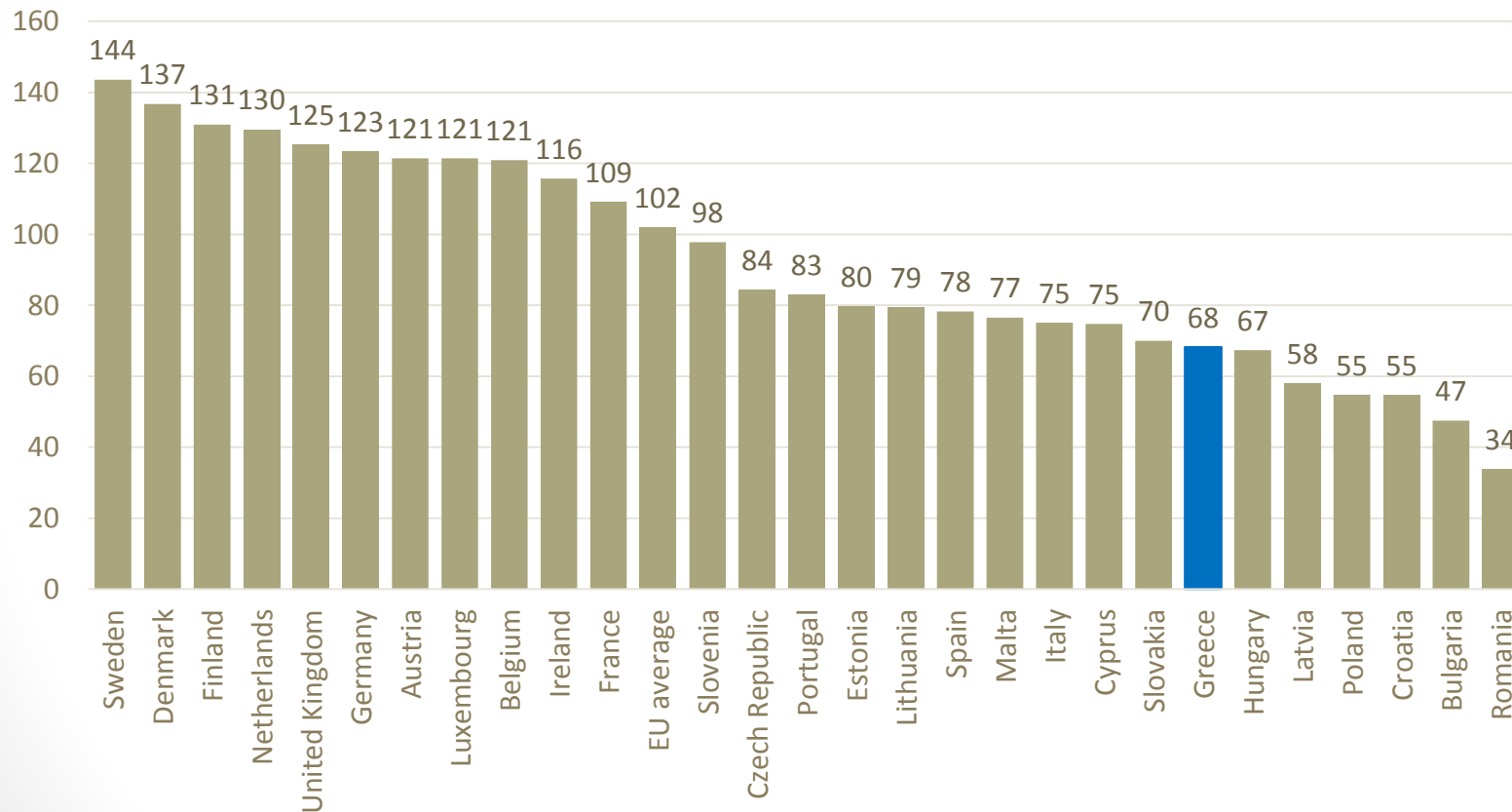
FDI (% GDP)		
	2000-2008	2009-2016
Germany	3,0%	1,7%
Ireland	21,2%	31,4%
Greece	0,9%	0,8%
Spain	4,2%	2,4%
Portugal	3,7%	4,5%

*Ireland: 81.7% of GDP

Source: Eurostat

Innovation

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



Source: European Commission

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.

Details: conditions for growth

- Education system: governance needs modernization, extremely heavy control by state.
- Health care: significant reduction of public expenditure but structure should provide incentives.
- Health care and education also provide important opportunities for investment and growth with Greece becoming a local hub.
- Public administration: fine-tuning the level of autonomy of units from central control.
- Justice: remains very slow.

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.

Growth prospects

- Growth prospects are high. Significant unrealized potential.
- But only as long as reform efforts continue. ‘Reform’ does not refer to ‘level’ but to ‘dynamics’.
- Functioning of an efficient and non-partisan State.
- Reduction of uncertainty is essential to facilitate investment inflow and management of public and private debt.
- Medium-term vs longer term growth (“the crisis is too good an opportunity to waste”)

Transition and perspective

- Adjustment programs operated as an implicit contract between Greece and its debtors: managing old debt versus fixing structure and eliminate deficits.
- Inertia from current dynamic is **not** enough. A lot more is required, a more ambitious approach.
- Investment?
- Public debt is high - a credible mechanism to (a) prevent debt from generating excessive tax burden and (b) provide systematic incentives for reform.
- Insurance as Greece gradually gains access to capital markets. Cash buffer vs credit line. Frankfurt and banks.
- Investment programs: Brussels. EU responsibility.

Evolving “views” in politics and 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’.

Some more clarity (and credibility) would have great impact!