The Greek Economy

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The Foundation for Economic and Industrial Research (IOBE) is a private, non-profit, public benefit research organisation. Its purpose is to promote research on current problems and prospects of the Greek Economy and its sectors and to generate reliable information, analysis and proposals for action that can be of value to policy makers.

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Foreword

IOBE is publishing its report for the second quarter of 2024, as part of the periodic reviews of the Greek economy. It contains four sections, accompanied by an annex of structural indicators, comparing the performance of Greece with that of the remaining countries in the Euro area. It is preceded by an introductory text, which highlights the importance of investment. The remaining sections include the following:

The first section contains a brief overview of the report, setting out its highlights, analysed in detail in the following sections. The second section outlines the broader economic environment and includes: a) analysis of the international environment in the first quarter of 2024 and the outlook for the rest of the year, b) presentation of the economic climate in Greece in the first half of 2024, according to the results of the business and consumer surveys of IOBE, c) assessment of the balance of the State Budget for 2023 and January-May 2024 and d) developments in the domestic financial system up until May 2024.

The third section focuses on the macroeconomic performance and outlook of the Greek economy. It outlines recent macroeconomic developments with an emphasis on the first quarter of 2024 and presents forecasts for the rest of the year, based on assumptions and taking into account the latest available data. It analyses developments in key production sectors in early 2024 and presents the export performance of the Greek economy for the same period, based on data from both the national accounts and the balance of payments. After that, it outlines developments in the labour market over the first quarter of 2024. It then analyses the inflation trends in the first half of 2024.

The fourth section presents the main findings from a recent IOBE study on the contribution of shipping to the Greek economy. The current report contains three text boxes. The first one highlights the evolution of the DESI index of digital performance in Greece compared to other countries in the EU (section 3.2). The second one describes the evolution over time of the value added of Greek exports, by sector and compared to Europe (section 3.3). The third one provides a detailed analysis of recent trends in food inflation (section 3.5). This report refers to and is based on data available until 10/7/2024.

IOBE's next quarterly report on the Greek economy will be published in October 2024.

THE IMPORTANCE OF INVESTMENT

The debate on the shift of the Greek economy towards a new production model concerns not only its distant future but also its current course. In particular, the analysis of the current situation and the outlook for the immediate future underlines the crucial importance of investment for the growth of the economy, as without a significant increase in investment, a strong growth rate, enhanced productivity and higher levels of welfare cannot be achieved.

The current growth rate of the Greek economy has been significantly above the European average consistently in recent quarters. This trend is expected to continue this year and next, with Greece belonging to a relatively small group of countries, particularly in the south of Europe, that are growing despite the sharp rise in interest rates and the preceding decline in growth rates in Europe and globally. In the wake of the constraints and priorities of the pandemic, as well as the crisis in the energy market, our economy is on a positive trajectory which has been supported by a recovery in consumption and a good performance of exports of goods and services.

Investment is critical in both the short and long term

More recently, factors that have supported the rise in consumption, such as accumulated savings in the aftermath of the pandemic and the support to households from the public purse, have exhausted their positive impact, especially after the inflation's hit on household purchasing power. At the same time, on the export front, the positive momentum faces challenges, given the lower demand in global markets and the relatively low value added that still characterises most exports. The Report therefore assesses how a relatively high rate of growth in the economy can be sustained, but considers that for this to happen, it is necessary to record a high rate of investment growth. It also makes the assessment that this is feasible, given the risk mitigation period into which the Greek economy has entered, financial stability, and the availability of the resources of the Recovery and Resilience Facility.

As important as the increase in investment is for maintaining relatively high growth rates in the short term, i.e. this year and the next, it is equally crucial for the medium- to long-term prospects of the economy. In the aftermath of the deep crisis and recession, the accumulated investment gap is particularly large, which underlines the shortfall in invested capital in the country in virtually all sectors. Only recently, moreover, has the level of investment reached the level of depreciation, reversing a multi-year trend of contraction. In order to achieve high growth rates in the coming period, it is a prerequisite that investment in the country grows at a multiple of that of the rest of the economy, so as to propel the economy upwards. Even if the share of investment in GDP that is found in other European economies and was also present in ours before 2008, around 24%, is not achieved immediately, a systematic increase from current levels gradually towards this target is the precondition for the current growth rate of the economy, around 2%, not to decline but to strengthen towards levels that will not make the management of public debt problematic in the future.

The mix of investments sets the tone

The mix of investment in the medium term is also of high importance, so that it primarily supports export activities and new production, in various product and service sectors, incorporating innovation. Of course, a further and systematic increase in investment, especially in a country where domestic demand is not high, and with a demographic balance that is currently negative, will not be achieved automatically, but requires the stabilisation of a simple and favourable regulatory and fiscal framework, enhanced infrastructure and support for the development of human capital.

The crucial role of the labour market

In particular, as regards the labour factor, after the significant positive impact on the economy as a whole and on households of the strong reduction in unemployment achieved in recent years, reducing it further is challenging. Measures to reduce the tax and insurance burden on wage labour will have a beneficial effect, as will steps to modernise regulatory rules and adapt to new technologies. Progress is also important in increasing labour force participation as well as in attracting both Greek and non-Greek people from abroad.

It is to be expected that as the economy grows after the deep recession, there will be a gradual tightening of the labour market, with difficulty in finding suitably skilled workers and pressure to increase their wages. This has been exacerbated by the strong wave of young people leaving during the crisis, negative demographic dynamics and a still negative migration balance. The heart of the problem, however, is that the majority of jobs in the country are not yet in firms and sectors where high value can be generated. Firms find it difficult to pay higher wages when they themselves cannot produce high-value goods and services. At the same time, many workers are not satisfied with their final pay, based on their hours and working conditions. This is precisely why a gradual shift in production towards higher value, regardless of the sector, is the only way to achieve high welfare in the country in the coming years, especially for workers.

The above remarks become even more important in view of the developments in the European and global context. The environment is increasingly challenging for both strictly economic and geopolitical reasons. If there are strong international turbulences in the coming months, they will critically affect the Greek economy in terms of its ability to export products and services, as well as hamper the necessary investments. In particular, there are significant problems in the European framework and doubts as to whether policy will be able to respond to the economic challenges. A weakening in the European institutions, rather than enhancing their effectiveness, will negatively affect our country, which after all depends on the functioning of the euro area and on the long-term sustainability of its public debt.

Progress and missed opportunities in the 50 years since the end of dictatorship

This report is published at the time of the 50th anniversary of the end of the dictatorship in the country. In the period since democracy was restored, the economy has made progress. Incomes have increased, great inequalities have been reduced, property values have risen, infrastructure has improved, as have health and education services. Half a century is of course a long time, and it would have been a paradox if there had been no progress, especially when the growth momentum in the global economy was positive and often strong. For Greece, there has been a double positive effect, both from the growth of other economies and from integration into European institutions, first in the EEC, then in the Eurozone. The enhanced stability has also brought higher external financing, notably official transfers from European funds and expanded public borrowing.

Of course, not all periods were the same, but in general, the economy grew mainly by increasing private and public consumption, directing savings to real estate and less by investments leading to exports. Major sectors, in manufacturing and in internationally traded goods in general, declined. The public sector expanded but without achieving efficient operation. If one compares growth over the same period across European economies, ours lagged behind that of almost all other countries.

The performance, thus, is mixed. Progress in many areas and growth, but lower than most benchmark countries and with qualitative characteristics that do not ensure a strong growth trajectory in the future. There has been significant fiscal adjustment to achieve entry into the euro area, but the large inflow of resources that followed has not been matched by sufficient productivity and competitiveness gains in export-oriented sectors. The years between the adoption of the euro and the outbreak of the debt crisis mirror the underlying trends. Incomes then rose, but not in a sustainable way. The evolution of the debt crisis is also telling. It was twice as long and deep as in other countries in the euro area periphery. In addition to three programmes over 8 years, it caused temporary bank closures and capital controls for 4 years, while investment grade was lost for 13 years. Of course, there was not only high public debt but also deep twin deficits, fiscal and external. But it was the extreme uncertainty and lack of political consensus and clear direction that aggravated the situation, shifted more of the necessary adjustment from reform interventions to austerity and led to massive disinvestment and flight of people, a development that undermines growth prospects today as well.

Having now reached a balance after periods of positive growth and periods of deep crisis, our economy faces the challenge of accelerating its growth rates in the coming years. This requires a boost to productivity, which can be achieved by attracting new productive investment, especially that which will support innovation, alongside attracting people who are willing and able to make a dynamic contribution to the economy. The consolidation of simple rules on the relationship between the public sector and markets, and the strengthening and continuous modernisation of the education system, are prerequisites for a strong economic growth of the country in the coming years.

Investing in natural and human capital as an immediate priority

1 BRIEF OVERVIEW

International environment: resilient economic activity amid persistent inflation

The global economy continued to expand in the first quarter of 2024, at a low but steady pace as a result of high inflation and the maintenance of a tight monetary stance. Based on the latest OECD forecast (May 2024), the global economy is estimated to grow at a higher rate in 2024 compared to the February forecast (3.1% from 2.9%). OECD economies grew at an annual rate of 1.7% in the first quarter of 2024, maintaining the same growth rate as in the previous quarter.

The disinflation process has been slower, with the inflation rate remaining at a higher-than-desirable level, while core inflation is proving persistent in many economies. For example, in May inflation in the 38 OECD countries reached 5.9%, while core inflation (i.e. excluding energy and food) stood at 6.4%.

As inflation rates are above target and economic activity shows a mild recovery, central banks continue to maintain a restrictive monetary stance. Markets are discounting gradual rate cuts through the year if price pressures continue to ease, although the cost of money is expected to decline slower and remain higher in the medium term than in early 2022. Despite solid GDP growth in late 2023, tight monetary and fiscal conditions, intensifying geopolitical instability and uncertainty about the evolution of global energy prices pose risks to global economic activity. A more detailed analysis is presented in Section 2.1A.

European economy: Mild recovery in early 2024

In the first quarter of 2024, the annual rate of change in real GDP in the EU-27 and the euro area accelerated to 0.5% and 0.4% respectively, from 0.2% and 0.1% in the previous quarter. In annualised terms, 8 out of 27 EU member states (including Germany) continue to record negative annual GDP growth rates. Economic sentiment in Europe in the second quarter of 2024 remained at similar levels as in the previous quarter.

The euro area inflation rate fell in the second quarter of the year to 2.5%, down from 2.6% in the previous quarter, remaining above the target of close to 2%. The ECB cut key interest rates by 0.25 basis points in June 2024, after two years of successive increases in key rates. Markets discount a gradual, but slow, decline in key rates over the next two years, remaining at levels higher than in early 2022. At the same time, there is a risk of a slower decline due to the Middle East flare-up and possible upward repercussions on energy prices.

According to the European Commission's latest forecasts (May 2024), the annual rate of change in real GDP for 2024 is expected to be 1.0% and 0.8% in the EU-27 and the euro area respectively. For 2025, a rate of 1.6% and 1.4% is expected in the two areas respectively. Regarding inflation, it is estimated to hover around 2.7% and 2.5% this year in the EU-27 and the euro area, before falling to 2.2% and 2.1%, respectively, in 2025.

The ongoing wars in Ukraine and the Middle East, potential disruptions in energy supply, the longer duration of the high cost of money and limited fiscal space pose risks to the recovery of the European economy and the smooth disinflationary process. The timely implementation of the Member States' Growth and Resilience Plans presents an opportunity. It is crucial to accelerate the deepening of Eurozone institutions, such as the Banking Union, the Capital Markets Union and the adoption of simpler and more effective new fiscal rules. Trends in the European economy are presented in detail in section 2.1B.

Growth in Greece accelerated in the first quarter

Annual economic growth accelerated to 2.1% in the first quarter of 2024 (from 1.3% in the previous quarter). In seasonally adjusted terms, the quarter-on-quarter rate of change in GDP stood at +0.7% from +0.3% in the previous quarter. The acceleration was mainly driven by an increase in total investment, which rose by +22.3% year-on-year (from -1.2% in the previous quarter), thanks mainly to an increase in inventories, while fixed capital formation also rose by +2.9%. Private consumption continued its upward trend, growing by +2.2% year-on-year, up from +2.0% in the previous quarter. In contrast, public consumption fell by -4.0%, resulting in a +1.1% increase in total consumption.

The performance of exports in the first quarter came as a negative surprise, as they fell by -5.7% (y-o-y), from +1.6% a quarter earlier, due to a decline in exports of goods. Indicatively, exports of goods contracted significantly by -8.8% (y-o-y from -1.1% y-o-y in the previous quarter), while exports of services strengthened by +1.5% y-o-y, more modestly compared to the previous quarter (+4.9%). By contrast, total imports showed a significant annual growth of +3.1%, following the stagnation of the previous quarter, due to the strengthening of the annual growth rate of both goods (+2.5%) and services (+4.8%). As a result, the external deficit in national accounting terms deteriorated to 7.3% of GDP, increasing by 0.6 p.p. compared to the previous quarter.

Among the positive developments in the second quarter of 2024, the stabilisation of the cost of funding spread relative to other European countries stands out. Another positive factor is the higher domestic growth rate compared to the euro area average. Negative developments in the first quarter include a higher inflation rate than the euro area average, especially for essential items such as fresh food. A detailed presentation of macroeconomic performance in the first quarter of 2024 is included in section 3.1A.

Growth momentum in Manufacturing, Construction and Services in early 2024, sustained downturn in Retail Trade

Industrial production strengthened in the first five months of 2024 by 5.8%, up from 2.3% in the same period of 2023. Construction continued to register a positive, albeit more modest upward trend in the first quarter of 2024, at 4.7%, vs. 26.7% in the same period in 2023. However, strong growth continues in new permits and business expectations in the sector. Turnover increased in most subsectors of Services in the first quarter of 2024. By contrast, Retail Trade declined in volume by 5.1% in the first quarter of this year, compared to a milder 3.2% contraction a year earlier. Meanwhile, expectations in Retail Trade in early 2024 continued to appear subdued. Short-term trends in key sectors of the Greek economy are highlighted in section 3.2. The Special Text Box at the end of the section highlights the performance of Greece in recent years when compared to other European countries in the area of digital transformation.

Break in the positive trend in the external deficit

Exports of goods in the national accounts declined in nominal terms in the first quarter of 2024, at a rate of -6.1%, although excluding petroleum products the fall was smaller (-3.0%). Imports increased in the same period at current prices, at an annual rate of 0.8%. As a result, the trade deficit widened by 14.3% to €10.4 billion in the first four months, in contrast to the contraction recorded in 2023. At the same time, the degree of openness of the Greek economy declined marginally in 2023, albeit remaining high.

On the Balance of Payments side, in the first quarter of 2024, the current account deficit widened to €6.7 billion, compared to €5.8 billion in the same period last year. A worsening of the deficit was recorded in the goods and primary income accounts, while an improvement was recorded in the services account and the secondary income account, which also records the inflows from the Recovery Fund. The deficit in the goods account excluding fuel and ships stood at €7.2 billion in the four months of 2024, from €5.6 billion in the same period of 2023. The Special Text Box at the end of the section analyses the evolution over time of the value added of Greek exports, by sector of economic activity and compared to the European average.

Rising unemployment rate in the first quarter

In the first quarter of 2024, the unemployment rate rose to 12.1% from 11.8% in the same quarter of 2023. The increase in the unemployment rate was the result of an increase in the number of unemployed, which was only partially offset by a simultaneous increase in the number of employed.

Tourism and food services (+28.3k employees), transport (+27.4k) and construction (+27.2k) were the sectors with the largest annual increase in employment. The largest fall in employment was recorded in education. On the positive side, the labour market participation rate (for those aged 15 and over) increased in the first quarter of 2024 by 1.2 percentage points to 52.6%. At the same time, the seasonally adjusted wage cost index increased in the first quarter, by 6.8% compared to the same quarter last year. As the country approaches single-digit unemployment, any reductions in the coming quarters or years will inevitably be slower. Alongside reducing cyclical unemployment, priority is being given to addressing remaining structural and frictional unemployment.

Employment is expected to strengthen more moderately in 2024, due to the upward trend in consumption, investment, exports and specific sectors of industry and services. These factors are expected to partially offset the negative impact of higher cost of money on labour demand by firms. The unemployment rate for 2024, according to IOBE estimates, is expected to be in the region of 10.3%. More detailed developments and expectations on labour market trends are included in section 3.4.

Gradual but slow decline in inflation

Inflation was recorded at 2.8% (CPI) and 3.0% (HICP) in the first half of 2024, compared to 4.2% (CPI) and 5.1% (HICP) in the first half of 2023. The domestic inflation rate has exceeded the EA's average rate since late 2023 and has continued to exceed it since then (Appendix, Figure 4). A significant part of the price pressure in 2024 relates to non-energy goods. As an illustration, the rate of change in HICP with fixed taxes and excluding energy was at 3.5% in the first five months of 2024, from a rise of 8.2% a year earlier.

Key assumptions for the inflation forecast are: (a) the evolution of the Brent oil price in euro terms, which is expected to remain almost unchanged on an annual average basis, with the developments in the Middle East putting further pressure on the energy market; (b) the evolution of consumer demand, which is expected to record a more moderate increase of around 1.2% in 2024. Against this background, inflation is projected to be in the region of 3.0% in 2024. Section 3.5 describes in more detail recent trends in consumer and producer prices and expectations for their evolution in 2024. The Special Text Box at the end of the section analyses the recent evolution of food inflation in Greece and Europe and its main components.

Slight strengthening in the domestic economic sentiment in the second quarter of 2024

The Economic Sentiment Indicator in Greece slightly improved in the second quarter of 2024 compared to the immediately preceding quarter (110.0 from 106.9 points). The improvement is slight also compared to the corresponding quarter of last year (108.2 points). Business expectations strengthened mildly in the second quarter compared to the immediately preceding quarter in Manufacturing and more strongly in Services, while weakening markedly in Construction and more mildly in Retail Trade. The Consumer Confidence Index strengthened mildly in the April-June period compared with the previous quarter, to -42.7 (from -46.1) points. At the same time, it is significantly lower than a year earlier (-36.7 points). A detailed description of the trends in the economic sentiment components is presented in section 2.2A.

Public finances: outperformance against targets in cash terms in the first five months

In 2023 as a whole, the general government outperformed, with a fiscal deficit of -1.6% of GDP, and a primary surplus of 1.9% of GDP, against targets for a deficit of -2.0% of GDP and a primary surplus of 0.7% of GDP respectively. At the same time, general government debt in 2023 decreased to 161.9% compared to 172.7% in 2022, although in absolute terms the reduction was only marginal, from €356,796 million to €356,695 million.

In the first five months of 2024, the state budget execution was better than the target, with a deficit of €535 million (0.2% of GDP), compared to a target deficit of €2,728 million in the 2024 Budget's introductory report and a deficit of €1,116 million (0.5% of GDP) in the corresponding period of 2023. At the same time, a primary surplus of €3,197 million (1.4% of GDP) was recorded in cash terms, against a target for a primary surplus of €802 million and a primary surplus of €2,300 million (1.0% of GDP) for the same period in 2023. The year-on-year improvement in the cash balance is due to a larger increase in net revenues (+2.4% or +€632 million) compared to expenditures (+0.2% or +€51 million). The developments in government finances are presented in section 2.2B.

Improved fundamentals, but also challenges for the banking industry

Among the positive trends in banks' fundamentals, credit expansion to businesses recovered, organic profitability, liquidity and capital adequacy ratios improved, while private sector borrowing costs and their spreads to other countries declined. The timely implementation of the expanded loan component of the National Recovery and Resilience Plan is both an opportunity and a challenge to finance productive investment on favourable terms.

Among the negative trends in the financial system, the first quarter of the year saw a halt to the decline in Non-performing Loans (NPLs) after eight years, the interest rate spread remains high, while the credit contraction to households remains unabated. Among the challenges from the past, the high share of non-performing loans, both on and off bank balance sheets, stands out. In addition, the share of deferred taxes in equity remains high.

Among the new challenges for banks, their growing exposure to government bonds stands out, to a greater extent than in other European countries. The apparent slower pace of interest rate deceleration is slowing growth rates and hampering the ability to repay loans, creating risks of a new round of non-performing loans. Recent trends and challenges for the domestic financial system are described in detail in Section 2.2C.

Macroeconomic forecasts for 2024

The low growth rate of the Eurozone economy, the gradual deceleration of inflation and interest rates, geopolitical instability, fiscal performance and the implementation of the revised Recovery and Resilience Plan, are the most decisive factors for the evolution of GDP in 2024

The assumptions of the baseline scenario are presented in detail in section 3.1B, and include (a) weak growth in the euro area of 0.9% in 2024 and inflation at 2.5%, in line with the ECB baseline scenario (b) continued geopolitical instability with international energy commodity prices steadying in the second half of 2024, following the EIA baseline scenario; (c) interest rates follow the current trend in forward rates, i.e. Euribor gradually declining to the 3.3% area at the end of 2024; (d) timely implementation of the revised 'Greece 2. 0' plan in 2024; (e) tourism revenue performance in 2024 similar to 2023 in real terms.

Detailed projections by GDP component are outlined in section 3.1B. For 2024, IOBE forecasts growth of 2.1% in constant prices, with uncertainty about the magnitude of the risks stemming from the international environment.

In terms of the growth components in 2024, fixed investment is expected to strengthen significantly (+9.7%) and private consumption is expected to maintain its momentum (+1.3%). In the external sector, the current account is expected to deteriorate slightly, with exports falling by -0.4% annually and imports increasing by +1.8% annually. Average inflation for 2024 is expected to be slightly higher than the euro area average, in the region of 3.0%, while unemployment is projected to decelerate further, but at a slower pace, to the region of 10.3%.

The projection in IOBE's baseline macroeconomic forecast scenario (Table 1.1) has both positive prospects and risks for 2024, which are discussed in detail in section 3.1B. In summary, the previous estimate of a +2.1% recovery of the domestic economy in 2024 is maintained, with a slight negative outlook due to the above-mentioned risks, with the main risks being the low growth rate of the euro area economy, the deterioration of the external balance and the persistence of inflation and uncertainty at the regional and international level.

Table 1.1

IOBE macroeconomic forecasts (July 2024)

(in constant market prices, annual % changes, unless indicated otherwise)

	2023 (actual)	2024 (forecast)
GDP	2,0%	2,1%
Consumption	1,5%	0,9%
Private consumption	1,6%	1,3%
Public consumption	1,5%	-1,5%
Gross capital formation	-1,2%	14,1%
Gross fixed capital formation	3,9%	9,7%
Exports	2,8%	-0,4%
Imports	1,4%	1,8%
Inflation rate	4,2%	3,0%
Unemployment (% labour force)	11,2%	10,3%

Special study: The contribution of shipping to the Greek economy

A study conducted by IOBE, with the support of the Aikaterini Laskaridis Foundation, highlights the importance of ocean-going and passenger shipping for the Greek economy. The Greek shipping sector still has by far the largest share in the gross value added (GVA) of the total economy (3.1% or €4.8 billion in 2021, compared to only 0.2% on average in the EU) compared to other European Member States. Taking into account also the multiplier effects in other sectors of the economy, the total impact of shipping on Greece's GDP is estimated at €14.1 billion per year (average for 2018-2021), corresponding to 7.9% of GDP. In terms of employment, the impact is estimated at 86.3k full-time jobs, while public revenue is augmented by around €1.9 billion by shipping directly or indirectly through multiplier effects. Despite its competitive position, the Greek-owned shipping sector faces challenges related to global carbon targets, the integration of new technologies as well as the financing of transitional investments. A summary of the study is presented in Chapter 4 of this report.

2 ECONOMIC ENVIRONMENT

2.1 Trends and Prospects of the Global Economy

A. The Global Environment

- Based on the May OECD report, the global economy is forecast to grow by 3.1% in 2024, slightly higher than previous forecasts.
- Inflation continues its downward trend, however, still remaining higher than the desired level.
- Central banks in several major economies continue to maintain a restrictive monetary stance to deal with persistent inflation.

The global economy continued to expand in the first quarter of 2024, at a steady but low pace as a consequence of high inflation and monetary tightening. OECD economies grew at an annual rate of 1.7% in the first quarter of 2024, unchanged from the previous quarter and from the corresponding quarter of 2023. The annual rate of change in GDP in the major developed economies (G7) fell to 1.6%, down from 1.9% in the previous quarter and 1.5% in the corresponding quarter of 2023. The 20 largest OECD economies grew at 3.3% in the first quarter, the same as the previous quarter, after growing 3.0% in the corresponding quarter of 2023.

Inflation remains at higher-than-desirable levels, despite the significant deceleration, while core inflation is proving persistent in many economies as well. Last May, inflation fell in the 38 OECD countries to 5.91%, while core inflation (i.e. excluding energy and food) fell to 6.11%. At the same time, energy prices increased by 2.49% and food prices increased by 4.76% in the same month.

Central banks in several major economies continue to maintain a restrictive monetary stance to deal with persistent inflation. Inflation rates have moderated but remain higher than the desired level, with the impact of tighter financial conditions evident, affecting both inflation and economic activity. As the level of inflation continues to exceed their targets, central banks are keeping interest rates at high levels for most of 2024, gradually moving to only small reductions as price pressures continue to ease. A major challenge for monetary policymakers will be to successfully manage the convergence of inflation towards the target by formulating monetary policy in line with underlying inflation dynamics and the evolution of economic activity.

Table 2.1

Global Environment (annual % GDP growth, in real terms, unless stated otherwise)

Economy	2023	2024		2025	
		Forecast	Difference from previous forecast*	Forecast	Difference from previous forecast*
World	3.1	3.1	0.2	3.2	0.2
USA	2.5	2.6	0.5	1.8	0.1
Japan	1.9	0.5	-0.5	1.1	0.1
Canada	1.1	1.0	0.1	1.8	-0.1
United Kingdom	0.1	0.4	-0.3	1.0	-0.2
Eurozone	0.5	0.7	0.1	1.5	0.2
Germany	-0.1	0.2	-0.1	1.1	0.0
France	0.9	0.7	0.1	1.3	0.1
Italy	1.0	0.7	0.0	1.2	0.0
Turkey	4.5	3.4	0.5	3.2	0.1
China	5.2	4.9	0.2	4.5	0.3
India	7.8	6.6	0.4	6.6	0.1
Brazil	2.9	1.9	0.1	2.1	0.1
World trade	1.0	2.3		3.3	

* Difference in percentage points from previous OECD forecasts (OECD Economic Outlook, February 2024).
Source: OECD Interim Economic Outlook, May 2024.

According to the latest OECD report, growth of 3.1% is forecast for 2024, up from 2.9% in the February report. Global trade volume growth is forecast at 2.3% for this year, with an acceleration to 3.3% in 2025. Table 2.1 includes annual changes in GDP in 2023 and the latest OECD projections (May 2024) for annual changes in 2024 and 2025 in the world economy and in selected developed and developing countries.

Recent and expected trends in the economies of major countries and associations of countries for this and next year are analysed next.

Among the major developed countries, the US recorded an annual growth rate of 2.9% in the first quarter of 2024, down from 3.1% in the previous quarter and 1.7% in the corresponding quarter of 2023. Compared with the previous quarter, there was a 1.6% growth, on an annualized seasonally adjusted basis, reflecting gains in consumer spending, housing investment, and government spending, partially offset by a decline in private investment in inventories. Inflation slowed for the second month in a row to 3.3% in March, following a rise in May (3.5%). Targeting a further slowdown in inflation, the central bank has kept its key interest rate unchanged at 5.25%-5.50% from July 2023. Moreover, policymakers do not intend to cut interest rates until they gain more confidence that inflation is moving in a sustainable manner towards the 2% target. They now foresee only one rate cut this year and four cuts in 2025. For the full year this year, the US economy is projected to grow at 2.1%, with a slowdown to 1.8% in 2025.

The euro area economy grew at an annual rate of 0.4% in the first quarter of 2024, slightly higher than in the previous quarter (0.2%), and compared with a rate of 1.3% in the same quarter of 2023. Compared with the previous quarter, economic activity strengthened 0.3% on a seasonally adjusted basis, recovering from a contraction of 0.1% in each of the previous two quarters. It was the strongest quarterly increase since the third quarter of 2022, with net exports making the largest positive contribution. Exports rose 1.4%, much higher than the 0.2% increase in the fourth quarter, and imports rose 0.3%, following a 0.6% increase. At the same time, consumer spending rose by 0.2%, the same as in the previous period. By contrast, gross fixed capital formation declined by 1.5%, reversing a 0.8% increase in the fourth quarter, and government spending was unchanged, following a 0.6% increase. Among the bloc's largest economies, GDP grew year-on-year in Q1 2024 in Spain (+2.5%), France (+1.1%) and Italy (+0.7%), while it declined in Germany (-0.2%) and the Netherlands (-0.7%).

According to preliminary data, inflation eased slightly to 2.5% in June in the euro area from 2.6% in the previous month, while core inflation also remained unchanged at 2.9%. The ECB cut interest rates by 25 basis points in June, after nine months of fixed rates, following a decline in inflation to levels close to the 2% target. However, according to ECB officials, monetary policy will remain sufficiently restrictive, depending on inflation developments, as domestic price pressures remain high. The Eurosystem's most recent forecasts have been revised upwards for 2024 and 2025 for both headline and core inflation, with staff now forecasting headline inflation to average 2.5% in 2024, 2.2% in 2025 and 1.9% in 2026. Core inflation is forecast to average 2.8% in 2024, 2.2% in 2025 and 2.0% in 2026. In 2024 as a whole, the Eurozone economy is projected by the OECD to grow at 0.7%, while an acceleration to 1.5% is forecast for 2025. The outlook and challenges for the European economy are presented in more detail in section 2.1B.

In the UK, GDP expanded at an annual rate of 0.3% in the first quarter of 2024, following negative growth (-0.2%) in the previous quarter, from growth of 0.3% a year ago. Inflation eased to 2.0% in May from 2.3% in the previous month. Although inflation returned to target, the central bank kept its key interest rate unchanged at 5.25% in June, a 16-year high, pledging to maintain a restrictive monetary policy until inflation risks are reduced in a sustainable way. Overall, growth of 0.4% is forecast for 2024, while growth of 1.0% is projected for the following year.

In Japan, GDP fell by 0.2% annually in the first quarter of 2024, following growth of 1.2% in the previous quarter and growth of 2.6% a year earlier. The contraction was mainly due to production shutdowns at major automakers. Despite the challenges, the central bank remains optimistic about the resilience of consumption and expects a likely recovery in the coming quarters. For 2024, the Japanese economy is projected to grow at 0.5%, while growth of 1.1% is forecast for 2025.

Next, the current subsection presents recent trends and economic policy challenges in four developing countries, which together produce almost one-third of global GDP.

In detail, China's economy recorded an annual growth rate in the first quarter of 2024 of 5.3%, marginally higher than the previous quarter (5.2%). It was the strongest annual expansion since the second quarter of 2023, boosted by Beijing's ongoing support measures and spending related to the Lunar New Year festival. The strong annual expansion was boosted by ongoing support measures. In the first three months of 2024, fixed investment rose 4.5%, the largest increase in almost a year. According to the statistics office, the economy got off to a good start, laying a strong foundation for achieving the GDP growth target of around 5% this year. However, March data showed that industrial production and retail sales grew less than forecast, underscoring that more policy easing remains necessary for the economy. A slight slowdown in growth to 4.9% is forecast for 2024 and a further slowdown is projected for 2025 (4.5%).

India's economy expanded by 7.8% in the first quarter of 2024, well above initial forecasts, extending the strong growth momentum. This makes the Indian economy the fastest growing major economy in the world, led by sharply accelerating output in manufacturing, construction, public administration, defence and other services, and mining. Overall, annual growth of 6.6% is projected for 2024, a pace that is projected to be maintained in 2025.

Turkey's economy recorded a 5.7% annual growth rate in the first quarter of 2024, up from 4.0% in the previous quarter, compared with 3.0% growth a year ago. Growth was driven mainly by strong growth in net exports, while private consumption growth slowed sharply. The annual inflation rate continued to strengthen, reaching 75.5% in May, while the Turkish lira exchange rate continued to depreciate. Although the shift in monetary policy to a more rational monetary policy has led to a rapid increase in the key interest rate to 50%, the annual appreciation of the dollar and euro against the Turkish lira has nevertheless reached 60.8% and 63.6%, respectively, in May. For the whole of 2024, the Turkish economy is forecast to grow at 3.4%, while growth of 3.2% is projected for 2025.

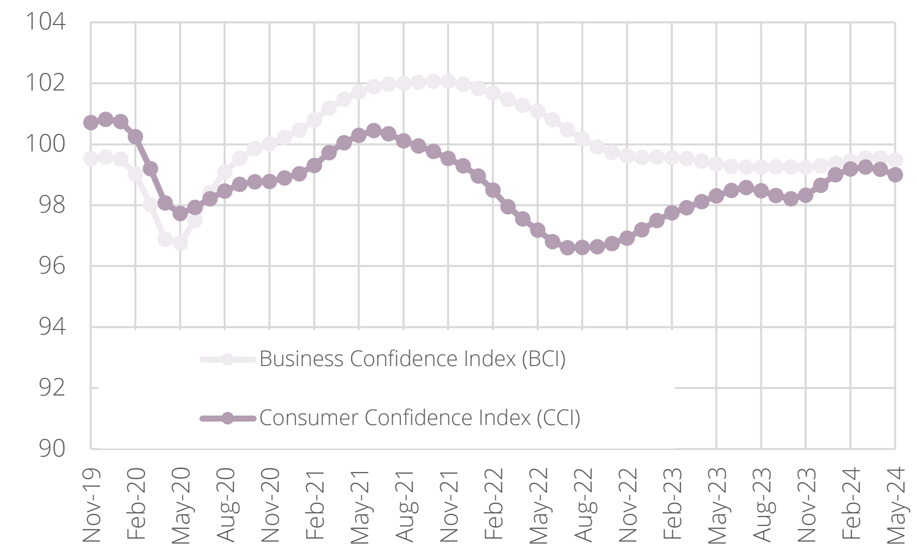
Among the Latin American countries, Brazil's economy grew 1.7% in the first quarter of 2024, up from 2.2% in the previous quarter and 3.7% in the corresponding quarter of 2023. Growth of 1.9% and 2.1% is forecast for 2024 and 2025, respectively.

The OECD business and consumer confidence indices declined in May, while remaining close but below their long-term averages (Figure 2.1).

Figure 2.1

Economic sentiment indicators for the OECD countries

(seasonally adjusted data, long-term average = 100)



Global consumer and business confidence indicators declined below their long-term average

Source: OECD

B. EU and Euro area economies

- Positive annual real GDP growth in the EU and the euro area in the first quarter of 2024, at 0.5% and 0.4% respectively.
- Positive growth rates and lower inflation in 2024 and 2025 according to the European Commission's Spring Economic Forecast. Downward revision of inflation compared to the Winter forecast.
    - Eurozone: 0.8% and 1.4% growth, 2.5% and 2.1% inflation for 2024 and 2025
    - EU27: 1.0% and 1.6% growth, 2.7% and 2.2% inflation for 2024 and 2025
- A 25 basis point cut in the three key ECB interest rates in June. Expectation to keep them high until inflation returns to the medium-term target of 2%.
- Mounting geopolitical tensions in the Middle East raise concerns. Disruptions in energy supply (especially oil) could have a significant impact on the EU's growth prospects and inflation.

Despite the ongoing wars in Ukraine and the Middle East and the growing geopolitical tensions in Europe's wider neighbourhood, the EU economy managed to recover in the first quarter of 2024 and the conditions for a gradual acceleration of economic activity this year and next remain in place. Inflation continues to ease, the labour market remains strong, and consumption is emerging as a key driver of economic growth. The easing of monetary policy and the further use of the European Recovery and Resilience Facility are supporting the recovery in investment activity, albeit slower than expected. Finally, a better outlook for global trade can support EU external demand for goods, boosting the manufacturing sector.[1]

The EU Member States' budgets remain burdened by the debt created by the coronavirus pandemic and the energy crisis. In the EU as a whole, the public deficit is projected to fall after the abolition of almost all energy support measures. However, the ratio of public debt to GDP is projected to rise slightly next year and is already high, underlining the need for fiscal consolidation. The now reformed EU economic governance framework will allow the consolidation process to be guided under the new fiscal rules, with a focus on strengthening the sustainability of Member States' debt, while promoting growth-enhancing reforms and investment. By giving Member States more freedom to define their fiscal adjustment, the new framework reinforces national responsibility for meeting their commitments. At the same time, the national plans (due to be submitted in final form in September this year) include reform and investment plans.

Economic activity in the first quarter of 2024

Economic activity improved in the first quarter of 2024 in both the European Union (EU) and the euro area (EA). On an annual basis, GDP grew by 0.5% in the EU and 0.4% in the euro area, up from 0.3% and 0.2% respectively in the previous quarter. In terms of seasonally adjusted quarterly change, GDP grew by 0.3% in both the EU and the EA.[2] Among the large Member States, real GDP grew in the first quarter of 2024 in Spain, France and Italy. GDP fell by 0.5% in Germany and by 5.4% in Ireland. The Annex (Figure 1) shows the first quarter annualised growth rate by EA country.

[1] European Economic Forecasts Spring 2024, European Commission, May 2024

[2] Eurostat GDP release, 7 Ιουνίου 2024

After a sluggish recovery in 2023, private consumption appears to be on the rise in early 2024. In Q1 it grew by 0.6% year-on-year in the EU and by 0.4% in the EA, after rising by 0.4% in both in the previous quarter. Public consumption rose by 0.4% in the EU and 0.3% in the euro area in the first quarter of 2024, on an annual basis, after rising by the same rate in the previous quarter. A year-on-year decline was recorded in the first quarter in exports of goods and services in the EU (-0.1%), and in the euro area (-0.4%), following larger declines of 0.7% and 1.3% respectively in the previous quarter and strong growth in the first quarter of 2023 (1.9% and 1.6% respectively). Imports also fell on a year-on-year basis, by 0.5% in the EU and 0.8% in the EA. The decline in the fourth quarter of 2023 was larger, -1.0% and -1.2% respectively. An increase of 1.3% and 0.9% respectively is projected for 2024.

In the first quarter of 2024, inflation decelerated further and is projected to fall even further in the future. Headline inflation in the first quarter of 2024 averaged 2.5% year-on-year in the euro area and 2.6% in the EU, down from 2.9% and 3.4% respectively in the previous quarter. Food and non-energy industrial goods have become the main drivers of disinflation. The dispersion of inflation within the EU is reduced compared to the previous quarter (see Annex, Figure 4).

After two years of significant growth, employment in the EU and the euro area continued to grow in 2023, but at a more moderate pace. For the year as a whole, employment grew by 1.2% in the EU and 1.3% in the EA, compared to 2.3% and 1.5% respectively in 2022. The strong performance reflects favourable developments in both labour demand and supply. According to the Labour Force Survey, the employment rate of people aged 20-64 set a new record in 2023, reaching 75.3%. The highest employment gains compared to the first quarter of 2023 were recorded in Malta, Ireland, Cyprus and Estonia. Only three Member States (Croatia, Slovenia and Portugal) experienced a decrease in employment. The Annex (Figures 5 and 6) shows the employment rate and employment change by EA country.

The unemployment rate was 6.1% for the whole of 2023 (down from 6.2% in 2022) in the EU and has stabilised in this range in the first few months of 2024. In EA the rate rose to 6.7% from 6.4% in the previous quarter. In Q1 the unemployment rate ranged from 2.7% in Malta to 13.0% in Spain. Among the large Member States, it stood at 3.0% in Germany, 3.1% in the Netherlands, 7.0% in France and 8.3% in Italy. The Annex (Figure 7) shows the unemployment rate by EA country.

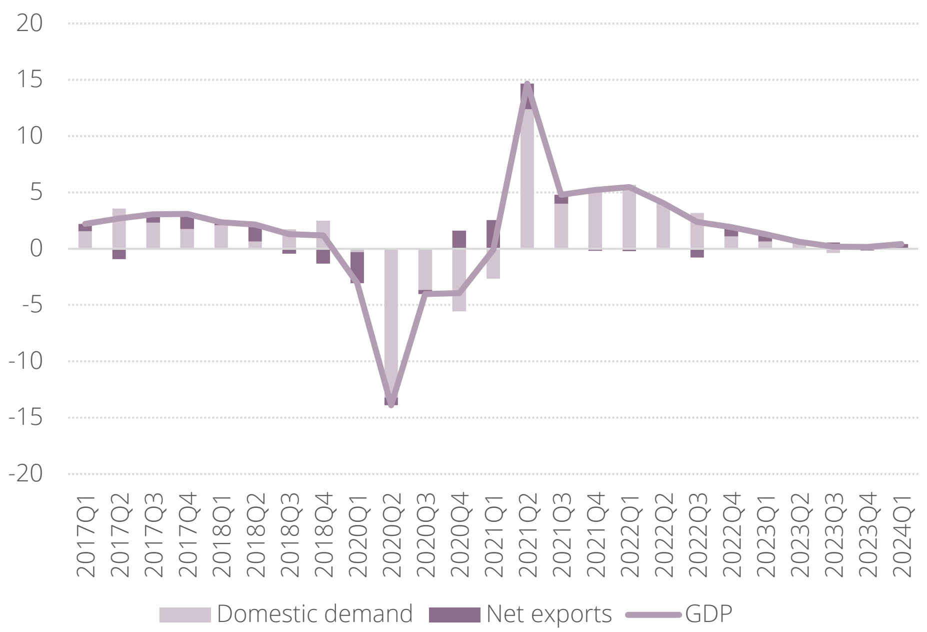
The decline in the EU budget deficit came to a halt in 2023 as economic activity weakened. After a significant decline in 2021 and 2022, the average EU general government deficit increased marginally to 3.5% of GDP in 2023. This slight deterioration was the result of sluggish economic activity, which had a negative impact on tax and social benefit growth. Higher interest expenditure due to tight monetary policy also played a role. The European Commission's spring report projects a reduction in the deficit to 3.0% for both the EA and the EU in 2024. The EU debt-to-GDP ratio is projected to stabilise in 2024 and increase slightly in 2025. At the end of 2023, the government debt-to-GDP ratio in the EU was 83% (90% in the EA), some 9 percentage points lower than the historical high of 92% recorded at the end of 2020 (99% in the euro area). However, it remains about 4 bps above the pre-pandemic level. It is projected to remain stable in 2024 and increase slightly in 2025 in both the EU and the EA. The largest falls by the end of 2025 are expected in Greece, Cyprus and Portugal. The Annex (Figures 2 and 3) shows the fiscal balance and the public debt-to-GDP ratio by EA country.

According to an announcement issued on 6 June 2024, the European Central Bank decided to cut its three key interest rates by 25 basis points. Based on the dynamics of underlying inflation, the future outlook for its evolution and the strength of monetary policy transmission, it was deemed appropriate to ease monetary policy after nine months of keeping interest rates fixed. The ECB Governing Council is determined to ensure that inflation returns to the medium-term target of 2% in a timely manner. It will therefore keep interest rates sufficiently high until this target is reached. The ECB's exposure under the asset purchase programme (APP) portfolio is decreasing at a steady pace, as the Eurosystem is no longer reinvesting principal payments from maturing securities.

Regarding the Pandemic Emergency Purchase Programme (PEPP), the Governing Council decided that it will reduce holdings of Eurosystem securities under the programme by €7.5 billion per month on average in the second half of the year. The Governing Council intends to discontinue reinvestments under the PEPP at the end of 2024. Finally, the Transmission Protection Instrument (TPI) is available to hedge against undesirable, unpredictable market movements that may adversely affect the transmission of monetary policy in the euro area, with a view to price stability.

Figure 2.2

Eurozone GDP change – Contribution of components to the real annual rate of change (in percentage points)



Positive contribution of net exports and domestic demand to euro area GDP change in Q1 2024.

Source: Eurostat

Contribution of GDP components

Based on these developments in the components of GDP in the euro area (Figure 2.2), the contribution of net exports was positive (+0.3%), higher than in the previous quarter (-0.1%). The positive contribution of net exports in the first quarter of this year was driven by a larger reduction in the negative contribution of exports relative to imports. The contribution of domestic demand was 0.1% of GDP, from a 0.3 percentage point effect in the previous quarter. The contribution of private consumption remained stable in the first quarter of 2024 at 0.4% and so did the contribution of public consumption (0.3%). The contribution of gross investment became more negative than in the previous quarter (-0.7% from -0.4%).

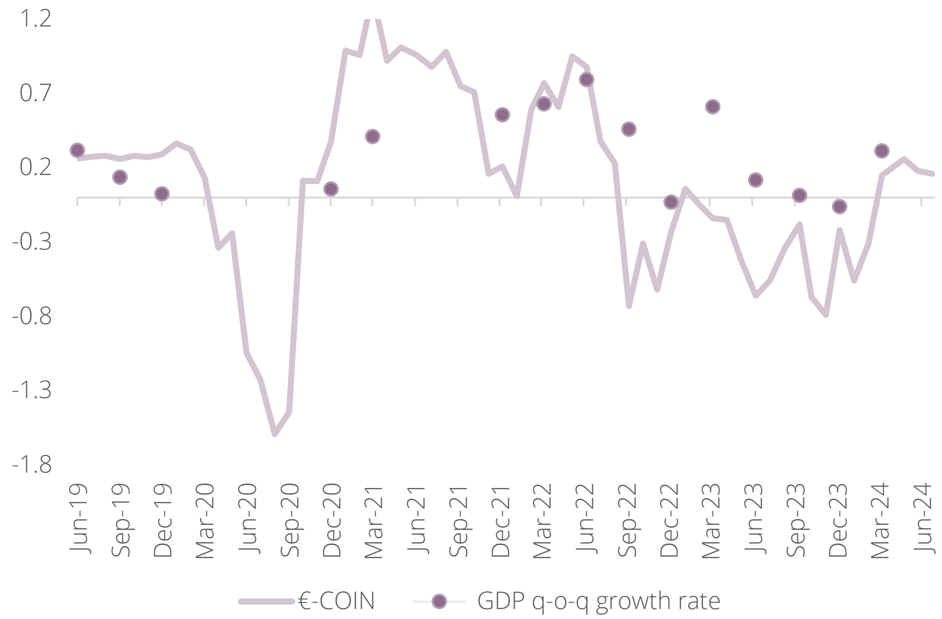
€-COIN index and the Economic Sentiment Indicator

The key leading indicator of economic activity in the euro area and the European Union increased marginally in the second quarter of 2024. The €-COIN index reached its lowest level in recent years in November 2023 but since then the trend has been generally positive. In June 2024 it reached 0.16, from 0.15 in March and 0.26 in April (Figure 2.3). The steadiness of the last quarter foreshadows likely GDP stability in the next quarter.

The European Commission's Economic Sentiment Indicator for the EU-27 and the euro area remained at similar levels in the second quarter of 2024 as in the first quarter. The trend was negative from February 2023 to September for both the EU and the Eurozone but became positive from October 2023 to March 2024. Since then, the trend has been slightly negative, with the decline being larger in the Eurozone than in the EU. Indicatively, in June 2024, the Economic Sentiment Indicator stood at 96.4 points in the EU-27 and 95.9 points in the euro area, lower compared to the previous month but higher compared to a year ago, 1.7 points higher in the EU and 0.2 points higher in the EA compared to a year ago (Table 2.2).

Figure 2.3

Monthly €-COIN Index & Eurozone GDP*



Stable €-COIN index in the second quarter of 2024.

*The Research Centre of Economic Policy Research in collaboration with the Bank of Italy estimates every month the leading indicator of economic activity €-COIN for the Eurozone. The indicator is a forecast of quarterly GDP growth and is derived from the synthesis of a variety of different data, such as the evolution of industrial production, prices, labour market data, as well as financial data. Source: CEPR, Bank of Italy, Eurostat.

Table 2.2

Economic Sentiment Indicator EU-27 & Euro Area (av. 2000-2020=100)

Month	Jul-22	Aug-22	Sep-22	Oct - 22	Nov - 22	Dec - 22	Jan - 23	Feb - 23	Mar - 23	Apr-23	May - 23	June -23
EU-27 (2020)	98.8	97.9	94.4	93.3	94.4	95.7	97.8	97.9	97.4	97.6	95.8	94.7
Euro area	99.3	98.6	95.1	94.1	95.3	96.8	99.4	99.4	98.8	99	96.6	95.7

Month	Jul-23	Aug-23	Sep-23	Oct - 23	Nov - 23	Dec - 23	Jan - 24	Feb - 24	Mar - 24	Apr-24	May - 24	June -24
EU-27 (2020)	94.4	93.9	93.5	94.	94.3	96.3	96.3	95.9	96.6	96.3	96.6	96.4
Euro area	94.8	94.	93.9	93.9	94.2	96.4	96.1	95.5	96.3	95.6	96.1	95.9

Source: European Commission (DG ECFIN), July 2024

Challenges

- Europe's economy, and in particular that of the euro area, faces a number of challenges. Briefly, the main ones are:
- The wars in Ukraine and the Middle East and their economic consequences of high intensity and duration.
- New disruptions in energy supply (especially oil) could potentially have a significant impact on EU growth prospects and inflation.
- In the US, a slower-than-expected deflationary trend could exacerbate global financial conditions and demand for goods.
- Historically high numbers of people globally will vote in 2024, with political uncertainty weighing on investment sentiment.
- It is possible that the easing of monetary policy will take place at a slower pace, weighing on economic activity.
- Need to coordinate fiscal and monetary policies at the collective and national level in order to strike a balance between the objective of containing inflation expectations and avoiding an economic downturn.
- Increased risks of natural disasters linked to climate change.

Forecasts for the evolution of key macroeconomic figures (May 2024)

Table 2.3 shows the forecasts for the main economic variables for the EU and the euro area on an annual basis. The spring GDP forecasts are at similar levels to the winter forecasts, while the inflation forecasts have been revised downwards. There were also significant downward revisions compared to the autumn for investment and exports. According to the latest forecasts, growth in the Eurozone is estimated at 0.4% in 2023 and a higher growth rate of 0.8% is projected for 2024, similarly for the European Union growth is estimated at 0.4% in 2023 and at 1.0% for this year. For 2025, even higher growth is projected, at 1.4% and 1.6% for the EA and the EU respectively.

In terms of GDP components, private consumption is projected to grow by 1.3% in 2024 and by 1.7% in the EU in 2025. For the euro area, growth is projected at 1.1% in 2024 and 1.5% in 2025 (Table 2.3). For public consumption, growth is projected at 1.6% in the EU and 1.3% in the EA in

2024 and at 1.2% and 1.1% respectively in 2025. Gross investment is estimated at 1.2% in EA and 1.5% in EU in 2023. For 2024, growth of 0.1% and 0.3% is projected in EZ and EE respectively, a significant downward revision from the autumn forecast. A recovery is expected in 2025. Exports of goods and services are projected to increase by 0.9% and 1.4% in 2024 in the EA and EU, respectively, also a downward revision. Significant gains are projected for 2025. Imports are projected to increase by 1.3% in the EU and 0.9% in the EA in 2024. For 2024, inflation is projected at 2.7% and 2.5% in the EU and EA respectively.

Employment is projected to grow by 0.6% and 0.7% in the EU and EA respectively in 2024. EU debt is projected at 82.9% in the EU and 90.0% in the EA in 2024, slightly higher than in the autumn but more so in 2025 when it is projected to rise to 83.4% and 90.4% respectively. Finally, the current account balance projections are improved compared to the autumn, with the latest projections for 2024 at 3.1% and 3.2% for the EU and EA respectively. Similarly for 2025.

Table 2.3

Key macroeconomic figures, EE-27, Eurozone (real annual % changes, unless otherwise stated)

	EU			Eurozone		
	2023	2024	2025	2023	2024	2025
GDP	0.4	1.0	1.6	0.4	0.8	1.4
Private Consumption	0.4	1.3	1.7	0.5	1.1	1.5
Public Consumption	0.9	1.6	1.2	0.7	1.3	1.1
Gross Investment	1.5	0.3	2.0	1.2	0.1	1.6
Exports of Goods and Services	-0.2	1.4	3.1	-1.1	0.9	3.1
Imports of Goods and Services	-1.4	1.3	3.3	-1.6	0.9	3.2
Employment	1.2	0.6	0.4	1.4	0.7	0.5
Unemployment (% labour force)	6.1	6.1	6.0	6.6	6.6	6.5
Inflation	6.4	2.7	2.2	5.4	2.5	2.1
Balance of General Government (% GDP)	-3.5	-3.0	-2.9	-3.6	-3.0	-2.8
Debt of General Government (% GDP)	82.9	82.9	83.4	90.0	90.0	90.4
Current Account Balance (% GDP)	2.9	3.1	3.1	2.9	3.2	3.2

Source: European Economic Forecasts, Spring 2024, European Commission, May 2024

2.2 The Economic Environment in Greece

A. Economic Sentiment

- A slight strengthening of the Economic Sentiment Indicator in Greece in the second quarter of 2024 compared to the immediately preceding quarter (110.0 from 106.9 points). Moderate improvement compared to the corresponding quarter of last year (108.2 points).
- Business expectations strengthened mildly in the current quarter compared with the immediately preceding quarter in Manufacturing and more strongly in Services, while weakening markedly in Construction and more mildly in Retail Trade.
- The Consumer Confidence Index strengthened mildly in the April-June period compared with the previous quarter, to -42.7 (from -46.1 points). At the same time, it is significantly lower than a year earlier (-36.7 points).

The IOBE business and consumer surveys offer significant indications on the developments of the economy in the past few months, from the perspective of both the enterprises and the consumers. In addition, the indicators used in the surveys constitute leading indicators for various economic variables and can be used to predict near-term developments and even the course of GDP.[3]

In the second quarter of 2024, the Economic Sentiment Indicator improved by 1.2 points compared to the previous quarter. The strengthening of the index was driven by improved business expectations in Services and Manufacturing, with expectations in Retail Trade and Construction weakening. At the same time, the Consumer Confidence Index was slightly higher than in the previous quarter at -42.7 (from -46.1) points.

The political developments of the last two years, both domestically and globally, have served as a catalyst for expectations, mainly in the Industry sector, but also in Construction, which have been systematically affected already from 2022 by the rise in energy and other raw material prices due to the war in Ukraine, as well as by disruptions in the operation of international supply chains. Overall, the economic sentiment is proving to be volatile in this period, reflecting on the one hand the fact that the Greek economy is on a positive trajectory and on the other that it faces significant challenges, both in the external environment and domestically, that are having a significant impact on businesses and households. The results of the European elections have caused an increase in political and economic uncertainty in Europe, which seems likely to persist in the period ahead. In our country, they affected the political environment, leading also to a government reshuffle, albeit on a relatively limited scale. Any effects on economic policy are expected to be felt from the autumn. For households, the slight moderation in inflation and the start of the summer tourist season, combined with the warm weather since the beginning of the year, seems to have eased to

[3] Note that since March 2018, the base period of the series presented in the sectoral business sentiment indicators, i.e. the indicators in Manufacturing, Retail Trade, Services and Construction, has changed. In particular, the 2000-2010 period was designated as a new base (= 100). Until February 2018, the indicator was referenced to average values from the 1996-2006 period. The historical series of the indicators are fully revised, in order to ensure that the data series are comparable. As a result, the indicators with the new base period are overall higher compared with those with the older base period. The change in the base period by IOBE has not affected the overall economic sentiment indicator for Greece or any other country.

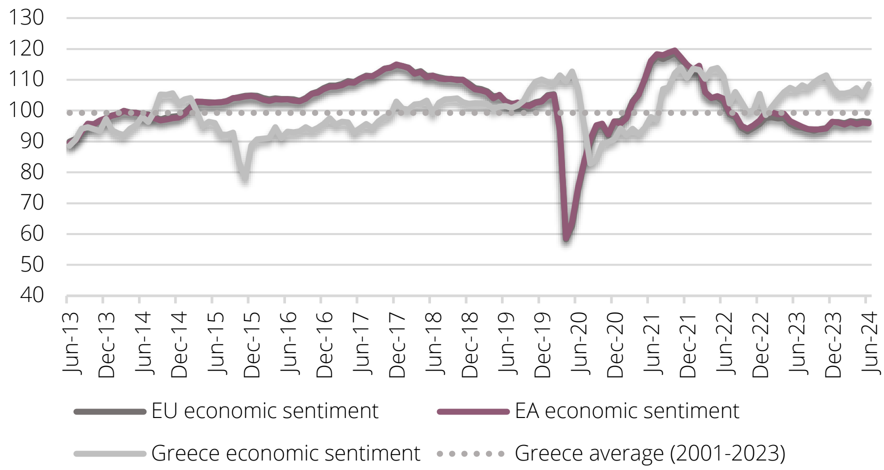
some extent the pressure on real incomes from the high price level, but the consumer confidence index remains lower than last year's levels.

In detail, the Economic Sentiment Indicator in Greece in the April-June quarter of 2024 improved slightly compared to the previous quarter (Figure 2.4), at 110.0 points from 106.9 points, while it was at a slightly higher level compared to the average of the previous year (108.2 points).

In Europe, the corresponding average index remained unchanged in the period under review compared to the previous year, both in the EU and in the euro area. Specifically, the Economic Sentiment Indicator stood at 96.4 (from 96.3) points in the second quarter of 2024 in the EU, and at 95.9 (from 96.0) points in the Eurozone.

Figure 2.4

Economic Sentiment Indicators: EU-27, Euro area and Greece (2000-2020=100, seasonally adjusted data)



The Economic Sentiment Indicator strengthened by 1.2 points in the second quarter of 2024 compared to the immediately preceding quarter.

Source: European Commission, DG ECFIN

At the sectoral level, business expectations in Greece improved slightly in Manufacturing and more strongly in Services, while they weakened markedly in Construction and more moderately in Retail Trade. On the consumer side, the Consumer Confidence Index strengthened slightly compared to the previous quarter. Compared to the same quarter of last year, the average indicators strengthened significantly in Services, more moderately in Manufacturing and Construction, while weakening significantly in Retail Trade. In more detail:

The Consumer Confidence Index in Greece in the April-June quarter of 2024 was slightly higher on average than in the first quarter of this year, at -42.7 from -46.1 points, at a level slightly lower than last year (-36.7 points). The corresponding average index strengthened slightly in the EU, at -13.3 (from -14.3) points, and in the euro area (--14.3 from -15.5 points). These levels are considerably higher than those of a year ago (-16.9 and -17.0 points respectively).

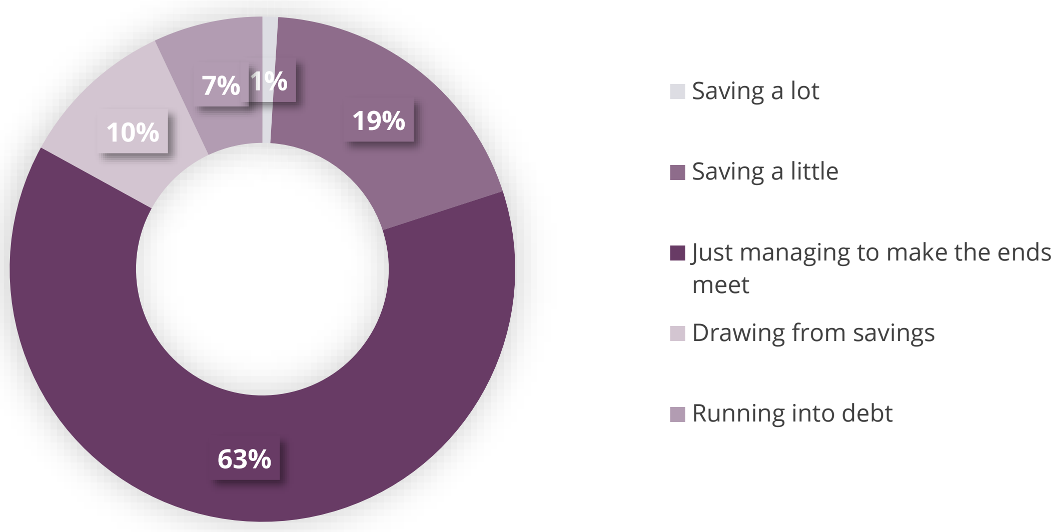
Trends in the individual key response balances that make up the overall index were mostly positive in the second quarter of 2024 compared to the immediately preceding quarter. Thus, consumers' pessimistic expectations in Greece about the economic situation of their households in the next

12 months were moderated slightly, while those about the economic situation of the country strengthened marginally. At the same time, households' positive assessments of their current situation strengthened significantly, while their intention to make major purchases in the near future also improved marginally.

More specifically, the percentage of those who were pessimistic about the financial situation of their household in the next 12 months eased slightly to 54% (from 59% in the previous quarter), while the percentage of those who said the opposite remained at 7%. At the same time, the percentage of consumers in Greece who expressed pessimistic expectations about the country's economic situation strengthened to 62% (from 61%), with 11% (from 14%) expecting an improvement. In terms of savings intentions, the percentage of households who do not rate saving as likely in the next 12 months fell marginally to 83% (from 84%), while the percentage of those who do consider it likely remained at 15-16%. In terms of expectations about the evolution of unemployment, the proportion of those who think the situation will worsen remained at 37%, with an average of 20% expressing a contrary view. The percentage of consumers reporting that they were "running into debt" in Q2 2024 improved marginally to 7%, almost at the same level as in Q2 2023 (8%). The percentage of respondents stating that they are saving a little also improved slightly to 19% (from 17% and 19% in Q2 2023). Finally, the share of those reporting that they were "just making ends meet" weakened slightly to 63% and the share of households reporting that they were "drawing on their savings" fell to 10% (from 11%), with the corresponding figure for 2023 at 13% (Figure 2.5).

Figure 2.5

Consumer survey data on the financial situation of households (April-June 2024)



Source: IOBE

A decline relative to Q1 2024 in the share of respondents stating that they were just making ends meet (63% from 65%). A marginal increase in the share reporting that they were running into debt.

The Business Confidence Index for Industry in the second quarter of 2024 stood at 108.7 points (from 104.8 in the first quarter of 2024), slightly higher compared to the corresponding performance in 2023 (107.5 points). In the key activity data, the index on the expectations for the short-term development of output rose marginally in the quarter under review from +29.6 points in Q1 2024 to an average of +32.1 points. At the same time, the mildly negative assessments of the level of orders and demand eased (at -6.7 from -15.9 points the relevant indicator). The assessments on stocks of finished goods remained at the same level (at +10 points for the relevant indicator), while the trends in export indicators are exclusively bullish: the expectations on export dynamics for the next quarter improved marginally (+8.4 from +6.6 points) with the assessments on foreign orders and demand improving significantly (-11.7 from -26.2 points). In the employment outlook, the relevant quarterly average balance moved marginally up to +4.0 (from -2.3) points on average. The factory capacity utilisation rate hovered significantly higher, at 80.7% (from 72.9%), while by contrast the months of assured production strengthened slightly, at 6 (from 5.5) months on average.

The Retail Trade business confidence index was slightly lower in the quarter under review compared to the previous quarter, at 101.9 points (from 107.6), a performance that was significantly lower compared to the corresponding quarter of last year (117.2 points). Among the key index components, the average assessment of current sales moved sharply down to +15 points from +44 in the previous quarter. Of the firms in the sector, 35% (up from 19%) considered that their sales declined, with 50% estimating the opposite. In terms of projected sales, the index slightly strengthened to +32 points from +26 points, with inventories declining slightly (to +22 points). Among the other activity data, the balance of expectations for orders to suppliers stood at +14 points from +20 points in the previous quarter, while at the same time, as regards employment in the sector, the average balance of expectations moved strongly up to +42 (from +14) points. Finally, in terms of prices, the corresponding balance remained strongly inflationary (+32 from +41 points), with only 1% of firms expressing expectations of a price decline and 33% (from 43%) anticipating the opposite. An improvement in business expectations was recorded in the second quarter of 2024 in most of the examined branches of Retail Trade, except for Food - Beverages, which recorded a sharp decline, and Motor Vehicles - Parts, where the relevant indicator declined marginally.

Business expectations in Construction weakened significantly in the second quarter of 2024, with the relevant balance averaging 150.0 points, down from 160.8 points in the previous quarter. This performance is at a slightly higher level compared to that in the corresponding quarter of 2023 (145.8 units). In the key variables, the sector's employment outlook strengthened modestly, with the relative balance moving from +29 points to +31 points, with 35% (up from 32%) of firms expecting more jobs and 4% expecting fewer jobs. Businesses' negative expectations for planned work intensified significantly (at -19 from -2 points for the index), while assessments of the current level of the work programme weakened markedly (at +10 from +23 points for the relative balance).

The months of assured activity of businesses in the sector declined slightly to 5.4, while the balance in price forecasts moved mildly down to +20 (from +34) points, with 7% of businesses expecting a decrease in the short term and 27% (from 40%) expecting an increase. Finally, the percentage of firms reporting that they do not face obstacles to their operation remained at 13-14%, while among the remaining firms, as the main obstacle to their operation, 39% (from 44%) consider the lack of manpower, 15% (from 9%) low demand, 6% the inadequacy of machinery, and 12% factors such as the general economic situation of the country, high prices of raw materials, lack of projects, delayed payments from the state, etc. At the branch level, business expectations declined mildly in both Public Works and Private Construction.

Table 2.4

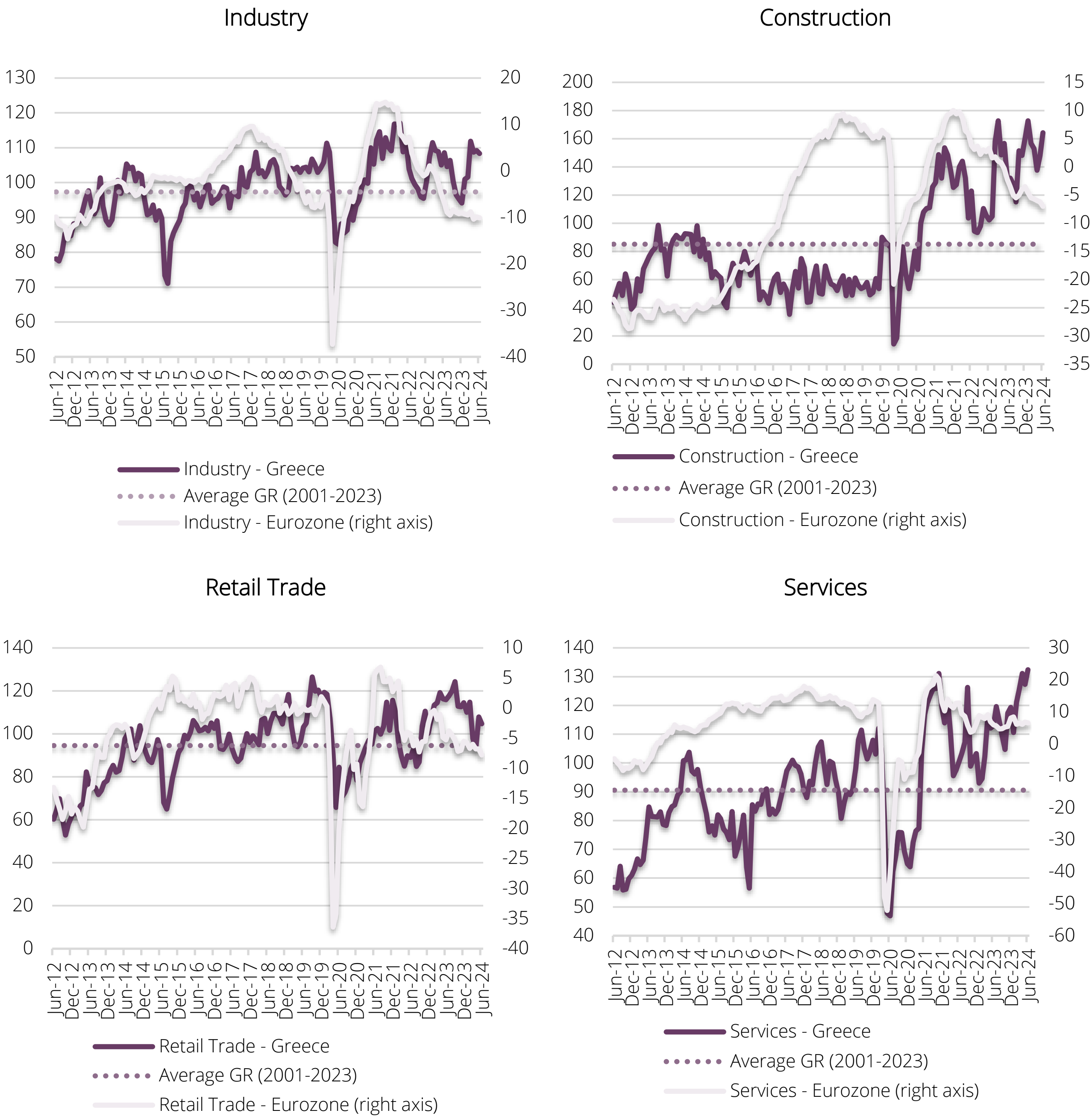
Economic Sentiment Indicators

Time Period	Economic Sentiment Indicator			Business Expectations Index (Greece)				Consumer Confidence Index (Greece)
	EU-27	Eurozone	Greece	Industry	Construction	Retail Trade	Services	
2010	98.6	98.3	85.5	79.9	52.2	61.3	68.1	-57.9
2011	98.3	98.4	83.9	81.1	37.7	60.9	66.1	-69.8
2012	89.0	89.0	83.6	81.4	47.5	59.1	58.8	-73.8
2013	91.9	91.8	93.6	92.6	71.5	72.6	75.3	-69.7
2014	98.6	98.3	101.7	99.7	88.4	92.3	93.3	-53.0
2015	102.9	102.8	91.6	86.3	62.0	83.9	78.2	-51.6
2016	104.4	104.1	95.0	96.1	61.3	101.4	79.3	-61.3
2017	110.7	110.5	98.5	98.1	55.4	94.6	92.7	-58.0
2018	111.1	110.9	103.3	102.8	58.1	104.5	97.0	-44.1
Q1 2019	106.9	106.5	102.1	101.8	56.7	105.8	85.7	-32.8
Q2 2019	104.3	104.3	103.8	103.8	54.8	97.8	92.6	-30.9
Q3 2019	102.0	101.9	108.7	104.8	52.7	115.5	108.2	-10.6
Q4 2019	102.3	101.7	109.1	104.1	68.1	119.1	104.4	-4.2
Q1 2020	102.0	101.5	109.9	108.6	84.9	115.1	106.5	-14.4
Q2 2020	65.9	67.5	89.1	87.6	28.1	80.3	58.6	-38.3
Q3 2020	88.5	89.8	90.0	86.7	67.0	73.5	68.8	-37.0
Q4 2020	93.9	94.5	93.1	92.6	70.7	83.0	70.0	-40.2
Q1 2021	99.2	99.1	96.5	98.2	106.2	90.2	70.9	-40.7
Q2 2021	109.5	110.6	105.5	105.0	121.9	97.9	99.3	-28.3
Q3 2021	115.8	117.4	111.6	111.3	144.7	102.0	123.4	-33.6
Q4 2021	115.1	115.9	112.8	110.7	137.2	110.7	125.4	-38.8
Q1 2022	110.7	111.2	113.4	116.9	137.2	98.8	115.7	-43.6
Q2 2022	103.1	103.9	105.2	108.0	119.6	87.9	97.9	-53.0
Q3 2022	96.3	96.9	102.3	99.6	95.2	88.3	112.3	-53.6
Q4 2022	94.2	95.3	101.6	97.3	106.2	104.8	101.2	-52.6
Q1 2023	97.5	99.2	106.6	109.4	145.2	111.6	96.6	-43.3
Q2 2023	96.0	97.1	108.2	107.5	145.8	117.2	113.8	-36.7
Q3 2023	93.9	94.2	109.8	103.8	125.0	120.7	114.5	-36.3
Q4 2023	94.5	94.9	105.6	95.3	153.2	113.3	113.8	-43.5
Q1 2024	96.3	96.0	106.9	104.8	160.8	107.6	119.1	-46.1
Q2 2024	96.4	95.9	110.0	108.7	150.0	101.9	130.3	-42.7

Sources: European Commission, DG ECFIN, IOBE

Figure 2.6

Business Confidence Indicators



Source: IOBE

Business expectations improved slightly in Manufacturing in the second quarter of 2024 compared to the previous quarter, more strongly in Services, while they weakened significantly in Construction and more moderately in Retail Trade.

The business expectations index for Services in the quarter under review was significantly higher compared to the previous quarter, at 130.3 points (from 119.1), a significantly higher performance compared to the corresponding quarter of 2023 (113.8 points) as well. Among the key variables, the assessment of current demand improved significantly, with the relevant index coming in at +50 points, up from +36 points in the previous quarter. The assessments of the current business conditions also moved in a similar way (+45 from +30 points on average), with the balance in the expectations of the short-term demand of businesses in the sector strengthening more moderately (+60 from +50 points). Among the other activity items, the balance of respondents' employment expectations improved significantly, strengthening by 14 points to +42 points, while in prices, the average business expectations index rose slightly to +33 (from +26) points. Finally, the average percentage of respondents reporting unhindered business operation increased to 83%, with only 3% indicating insufficient demand and 7% indicating insufficient manpower as the main obstacles to their operation, and 5% indicating other factors related to the general economic situation, energy prices, the war in Ukraine, etc. Among the examined branches of Services, the subindices strengthened strongly in the second quarter of 2024 in Hotels-Restaurants-Tourist Agencies and Land Transport, more mildly in Information Technology, while they declined slightly in Financial Intermediaries and Miscellaneous Business Activities.

B. Fiscal developments

- 2023 General Government Budget Balance (1st notification): deficit of 1.6% of GDP, against a target deficit of 2.0% of GDP and a deficit of 2.5% the year before.
- Primary surplus of 1.9% of GDP, against a target of a surplus of 0.7% of GDP and a zero surplus in 2022.
- General government debt at 161.9% in 2023 vs. 172.7% in 2022, despite only a marginal reduction in absolute terms from €356,796 million to €356,695 million.
- State Budget Balance, Jan.-May 2024: deficit of €535 million (0.2% of GDP) in cash terms, against a target deficit of €2,728 million included for the corresponding period of 2024 in the 2024 Budget Report and a deficit of €1,116 million (0.5% of GDP) in the corresponding period of 2023.
- State Budget primary result, Jan-May 2024: primary surplus of €3,197 million (1.4% of GDP) in cash terms, against a target primary surplus of €802 million and a primary surplus of €2,300 million (1.0% of GDP) for the same period in 2023.
- The year-on-year improvement in the cash balance is due to a larger increase in net revenues (+2.4% or +€632 million) compared to expenditures (+0.2% or +€51 million).

General Government results: 2019-2023

According to the latest[4] fiscal data compiled using the national accounts methodology (ESA 2010), in 2023 the General Government (GG) recorded a deficit of €-3,508 million or 1.6% of GDP. Also, the primary balance of the General Government for the same year was in surplus and amounted to €4,096 million or 1.9% of GDP (Table 2.5), against a target primary deficit in the budget for that year of €1,668 million or 0.7% of GDP. The performance is clearly improved compared to 2020 and 2021, years in which extensive pandemic support measures were taken, but there is also a slight improvement compared to 2022. In 2021, there was a deficit of €12,676 million or 7.0% of GDP and a primary deficit of €8,148 million or 4.5% of GDP. The corresponding figures for 2022 were €5,143 million or 2.5% of GDP and €27 million or 0.0% of GDP.

[4] ELSTAT Press Release of 22 April 2024

Table 2.5

General government results* (National Accounts data, ESA 2010)

	2019	2020	2021	2022	2023	
					Initial Targets	Actual
General government balance (% of GDP)	0.9	-9.8	-7.0	-2.5	-2.0	-1.6
Primary balance General government (% of GDP)	3.9	-6.8	-4.5	0.0	0.7	1.9
GDP (€ billion)	183.4	165.0	181.5	206.6	224.1	220.3

Sources: Fiscal data for the period 2020-2023 - 1st notification, ELSTAT, April 2024 and Budget Report 2024, Ministry of Finance, November 2023

* Excluding the impact of the support of financial institutions.

The improved performance of the general government balance compared to previous years stems from the improvement in the central government balance. The central government balance deficit narrowed to €3,837 million in 2023, from €7,539 million in 2022 and €14,115 million in 2021. The local government balance, in contrast, deteriorated. In 2023, the local authorities recorded a deficit of €583 million in 2023, from a deficit of €347 million in 2022 and a deficit of €161 million in 2021. Social security funds also experienced a worse performance in 2023 compared to previous years. The result was a surplus of €912 million, down from a surplus of €2,743 million in 2022 and a surplus of €1,600 million in 2021.

The improvement relative to the 2023 target is also due to the over-performance of the central government balance. The target included in the 2023 budget presentation for the central government balance was a deficit of €5,592 million; in contrast, under-performance was recorded in the local government balance, as the target was a deficit of €148 million, and in the balance of social security funds, as the target was a surplus of €1,279 million.

General government debt

General government debt fell marginally in 2023 in absolute terms to €356,695 million but declined significantly as a share of GDP, to 161.9% (Table 2.6). Debt as an absolute value was increasing from 2016 to 2022, with the only exception of 2019. The debt as a percentage of GDP, however, has been declining since 2020, with the decline in 2022 constituting the largest in the last ten years, reaching the lowest debt-to-GDP ratio since 2010. The improved performance is due both to the containment of deficits as both the health and energy crises have passed and to the strong economic growth recorded year on year. Greece, however, still ranks first in the European Union in terms of debt as a percentage of GDP, followed by Italy at 137.3% and France at 110.6%, while the European average is much lower at 81.7% (see Annex, Figure 2).

The fiscal performance was better in 2023 than in 2022 due to the easing of the pandemic crisis and the resulting increase in economic activity, the easing of the impact of the energy crisis and the reduction of the support measures taken by the government in previous years. For 2024, the outlook is expected to be even better. A high nominal growth rate and a small reduction in debt in absolute terms are projected, implying a significant reduction in debt as a percentage of GDP. The exit of Greece from enhanced surveillance contributes to this outcome, as the country's main commitments and agreed reforms have been implemented. The recovery of the investment grade also leads to a reduction in financing costs. A new 10-year government bond was issued in January 2024, with the interest rate set at 3.3%.

Table 2.6

Consolidated General Government Debt (€ million)

	2017	2018	2019	2020	2021	2022	2023
Consolidated general government debt	317,481	334,721	331,145	341,588	353,910	356,796	356,695
% GDP	179.2	186.4	180.6	207.0	195.0	172.7	161.9
GDP	177,152	179,558	183,351	165,016	181,500	206,620	220,303

Sources: Fiscal data for the period 2019-2022 -1st notification, ELSTAT, April 2024

Execution of the 2024 budget (January – May)

The summary of the stability programme was published at the end of April, with the full Medium-term fiscal-structural plan, covering the years 2025-2028, scheduled to be submitted, under the new fiscal rules, in September 2024. Despite the revision of the growth rate of the Greek economy to a slightly more conservative target compared to the Budgetary Report (from 2.9% to 2.5%), the fiscal path in the coming years is projected to be positive.

More specifically, a primary surplus of 2.1% of GDP is projected for 2024 (as in the Budget) and 2025, while the debt-to-GDP ratio is projected to decline from 172.7% in 2022 and 161.9% in 2023 to 152.7% in 2024 and 146.3% in 2025. The projected reduction in Greek public debt in the coming years follows a significant reduction in the period 2021-2023, when the public debt-to-GDP ratio fell by 45 percentage points (from 207% of GDP in 2020 to 161.9% in 2023). It should be noted, however, that public debt in absolute nominal terms continued to increase until 2022 and only marginally decreased in 2023.

The programme also includes €2.4 billion of social policy interventions and an increase in the Public Investment Programme of €360 million. Included are the measures contained in the 2024 Budget costing €1.3 billion (increase in the wage grid for civil servants, increase in the tax-free allowance by €1,000 for families with children, etc.) as well as new measures to be implemented from 2024 costing €217 million. The increase in the National Public Investment Programme (from €2.05 billion to €2.41 billion) includes the financing of investment projects and the restoration of Thessaly.

The implementation of the additional measures compared to the Budget is based on the better revenue performance observed in the last quarter of 2023 and the first months of 2024, which demonstrates the dynamism of the Greek economy, but also the gradual benefits from the reduction of tax evasion and the improvement of tax compliance.

State Budget Balance and Primary Balance

According to the state budget execution data, on a modified cash basis, for the period January - May 2024, there is a deficit in the state budget balance of €535 million (0.2% of GDP) against a target deficit of €2,728 million included for the corresponding period of 2024 in the 2024 Budget Report and a deficit of €1,116 million (0.5% of GDP) in the corresponding period of 2023. The primary balance on a modified cash basis was in surplus of €3,197 million (1.4% of GDP), against a target primary surplus of €802 million and a primary surplus of €2,300 million (1.0% of GDP) for the same period in 2023. The year-on-year improvement in the SB balance in the first five months of the year is due to a larger increase in net revenue (+2.4% or +€632 million) compared to expenditure (+0.2% or +€51 million, Table 2.7).

Note that part of the difference between the primary surplus and the target in cash terms is not counted in the 2024 primary outcome in fiscal terms. Indicatively, an amount of €159 million related to Recovery and Resilience Fund revenues does not affect the outcome in fiscal terms, while a significant part of the difference in tax revenue collections of €647 million is counted in the 2023 fiscal result. Therefore, the primary outcome in budgetary terms differs from the outcome in cash terms. It should be noted that the above refers to the primary result of the Central Administration and not to the General Government as a whole, which includes the fiscal results of legal entities and the sub-sectors of local authorities and social security funds.

Table 2.7

State Budget Execution: January-May 2024* (€ million)

	Jan. – May		% Change 24/23	2023*	2024* Budget	% Change 24E/23
	2023*	2024*				
I. SB NET REVENUE (1+2)	26,252	26,884	2.4	67,005	72,738	8.6
1. Net OB revenue	22,581	24,145	6.9	60,093	64,987	8.1
OB revenue before tax refunds	*25,288*	*26,757*	5.8	67,086	60,567	-9.7
Less Tax refunds	2,707	2,612	-3.5	6,993	*6,588*	-5.8
2. PIP revenue +RRF[5]	3,671	2,739	-25.4	6,912	7,751	12.1
II. SB EXPENDITURE (3+4)	*27,368*	*27,419*	0.2	70,765	75,736	7.0
3. OB expenditure	23,491	23,006	-2.1	59,564	63,569	6.7
Primary expenditure OB	20,067	19,246	-4.1	51,858	55,868	7.7
Interest	3,424	3,760	9.8	7,706	7,701	-0.1
4. PIP expenditure + RRF[6]	3,877	4,413	13.8	11,201	12,167	8.6
III. SB Deficit (-)/Surplus (+)	*-1,116*	*-535*		*-3,760*	-2,999	
% of GDP	*-0.5*	*-0.2*		*-1.7*	*-1.3*	
IV. SB Primary Balance	2,300	3,197		3,920	4,703	
% of GDP	1.0	1.4		1.8	*2.0*	
GDP (in current prices)	222,766	233,775	4.9	222,766	233,775	4.9

Source: Monthly SB Execution Bulletin May 2024, Ministry of Finance, June 2024.

* On a modified cash basis. According to the new revenue classification valid from 01/01/2019

Ordinary budget revenue

In the period January - May 2024, the net revenue of the state budget amounted to €26,884 million, representing an increase of €1,472 million or 5.8% over the target included for the corresponding period in the 2024 Budget's Explanatory Report, even though the target in the Explanatory Report included the collection of €1,797 million from the Recovery and Resilience Facility (RRF) in March, most of which, i.e. €1,687 million, was received in December 2023 and an additional amount of €159 million was received in January 2024. Excluding the above amount, net revenue shows an increase of €3,110 million or 13.2% against the target. This increase is mainly due to: a) higher tax

[5] The PIP revenue category now includes the receipts from the Recovery and Resilience Facility

[6] The PIP expenditure category now includes the payments from the Recovery and Resilience Facility

revenue of €1,389 million after deduction of refunds and b) higher PIP revenue of €1,096 million. There is also an increase of €632 million or 2.4% year-on-year.

Table 2.8

State Budget Revenue: January-May 2024* (€ million)

	Jan. – May		% Change 24/23	2023*	2024* Budget	% Change 24E/23
	2023*	2024*				
Net SB revenue	26,252	26,884	2.4	67,005	72,738	8.6
Net OB revenue	22,581	24,145	6.9	60,093	64,987	8.1
Tax refunds	*25,288*	*26,757*	5.8	67,086	60,567	-9.7
OB revenue	2,707	2,612	-3.5	6,993	*6,588*	-5.8
Income tax, of which:	6,158	7,434	20.7	20,884	21,669	3.8
--Personal	4,434	4,865	9.7	12,439	13,263	6.6
--Corporate	*1,084*	*1,810*	67.0	6,782	*6,797*	0.2
Property tax	1,306	1,414	8.3	2,491	2,487	-0.2
Taxes on donations, inheritance etc.	102	94	-7.8	240	239	-0.4
Tariffs	151	141	-6.6	345	392	13.6
Taxes on goods and services, of which:	13,453	14,394	7.0	33,970	35,173	3.5
--VAT	*9,417*	*10,187*	8.2	*23,385*	*24,391*	4.3
--Excise duties	*2,633*	*2,714*	3.1	*7,018*	7,065	0.7
Other production taxes	577	167	-71.1	1,164	536	-54.0
Other current taxes	1,118	1,069	-4.4	2,532	2,403	-5.1
Social contributions	24	25	4.2	58	56	-3.4
Transfers	4,167	2,761	-33.7	7,530	*7,960*	5.7
Sales of goods and services, of which:	373	406	8.8	848	5,559	555.5
Other current revenue	*1,529*	*1,567*	2.5	*3,930*	2,828	-28.0
Sales of fixed assets	0	23	-	6	23	283.3
PIP Revenue[7]	3,671	2,739	-25.4	6,912	7,751	12.1

Source: Monthly SB Execution Bulletin May 2024, Ministry of Finance, June 2024.
*On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

Most subcategories saw an increase compared to the first five months of 2023. Ordinary Budget (OB) revenues increased by 5.8%, while net OB revenues strengthened by 6.9%, with a 3.5% decrease in tax refunds. Income tax revenues increased by 20.7% compared to the same period in 2023, driven both by an increase in revenues from taxes on legal entities (+67.0%) and an increase in revenues from taxes on individuals (+9.7%). Revenues from taxes on goods and services expanded by 7.0%, mainly due to an 8.2% increase in VAT revenues.

Property tax revenues increased by 8.3% year-on-year and by €147 million compared to the target due to the collection of two instalments of ENFIA 2024 (April and May) for a total amount of €1,150 million against a forecast of €982 million for the first two months, as the first instalment was expected to be collected in May. A significant decrease was recorded in transfers (-33.7%) due to the decrease in RRF revenues. A decrease was also recorded in other taxes on production (-71.1%), inheritance taxes (-7.8%) and import duties and taxes (-6.6%, Table 2.8).

[7] The PIP revenues category includes the receipts from the Resilience and Recovery Facility.

Ordinary budget expenditure

State Budget expenditure for the period January-May 2024 amounted to €27,419 million and is €721 million lower than the target (€28,141 million) included in the 2024 Budget Report. It is also marginally higher compared to the same period in 2023, by €52 million or 0.2%.

Table 2.9

State Budget Expenditure: January-May 2024* (€ million)

	January- May		% Change 24/23	2023*	2024* Budget	% Change 24E/23
	2023*	2024*				
SB Expenditure (1+2+3)	*27,368*	*27,419*	0.2	70,765	75,736	7.0
OB Expenditure (1+2)	23,491	23,006	-2.1	59,564	63,569	6.7
1.Primary OB Expenditure	20,067	19,246	-4.1	51,858	55,868	7.7
Compensation of employees	5,784	6,120	5.8	14,039	14,850	5.8
Social benefits	148	191	29.1	417	411	-1.4
Transfers	12,900	11,802	-8.5	33,399	33,229	-0.5
(of which SSFs)	*7,841*	*7,243*	-7.6	*20,603*	*20,947*	1.7
Purchase of goods and services	584	565	-3.3	2,145	1,792	-16.5
Subsidies	116	13	-88.8	118	81	-31.4
Other current expenditure	21	77	266.7	49	111	126.5
Non allocated expenditure	0	0	-	0	2,668	-
Purchase of fixed assets	513	578	12.7	1,691	2,727	61.3
2. Interest (gross basis)	3,424	3,760	9.8	7,706	7,701	-0.1
3. PIP Expenditure[8]	3,877	4,413	13.8	11,201	12,167	8.6

Source: Monthly SB Execution Bulletin May 2024, Ministry of Finance, June 2024.
*On a modified cash basis. According to the new revenue classification valid from 01/01/2019.

On the Ordinary Budget side, payments are down against the target by €1,125 million and by 2.1% compared to last year. This development is mainly due to the postponement of the transfer payments to social security funds by €845 million. Interest payments were up by €230 million and €336 million (9.8%) against the target and compared to last year, respectively, with primary expenditure of the OB down by 4.1% compared to last year. Employee benefits increased year-on-year (+5.8%) as did welfare benefits (+29.1%). An increase was also recorded in other expenditure (+266.7%) and in purchases of fixed assets (+12.7%). By contrast, a decrease was recorded in transfers (-8.5%), with those relating to social security contributions down by 7.6%. A large decrease was recorded in subsidies (-88.8%) following the large increase last year (+510.5%).

Transfers to other legal entities increased compared to the target, by €307 million. More specifically, €110 million was paid by the Ministry of Rural Development and Food to ELGA, for the compensation of affected farms affected by flooding due to the DANIEL-ELIAS natural disasters of September 2023, €134 million from the Ministry of Infrastructure and Transport as a grant to public transport operators (OASA, OASTH and OSE) and €138 million from the Ministry of Health as a grant to the National Central Authority for Health Procurement (EKAPY) to cover the cost of procurement of medicines for the needs of the hospitals of the NHS and the Papageorgiou General Hospital.

[8] The PIP category now includes the flows of the Recovery and Resilience Fund for 2021 and 2022

Public Investment Programme (PIP)

Public Investment Programme (PIP) and RRF revenues amounted to €2,739 million, down 25.4% from €3,671 million last year. RRF revenue is significantly lower than last year due to the early collection of the tranche in December 2023, with the remaining amount (€159 million) collected in January. By contrast, PIP revenue increased from €1,953 million to €2,580 million (+32.1%).

Payments for investment expenditure amounted to €4,413 million, an increase of €404 million compared to the target and an increase of €536 million or 13.8% compared to last year, as the PIP target was exceeded. In particular, the RRF expenditure more than doubled, from €224 million last year to €632 million this year (+182.1%). PIP expenditure increased by €128 million or 3.5%.

C. Financial developments

- The European Central Bank started easing monetary policy in June 2024, after two years of successive increases in key interest rates, with the expectation of a gradual, but slow, further reduction in the coming quarters.
- Non-performing loans on banks' balance sheets rose slightly in the first quarter of 2024, to 7.5% of total loans, after eight years of systematic decline.
- Credit expansion to businesses recorded a recovery in the first half of 2024, while credit to households continued to contract.
- The cost of new private sector borrowing and its deviation from the average cost in Europe declined in the second quarter of 2024. The spread between the average interest rate on loans and deposits (interest rate margin) recorded a further decline, while remaining high.
- The cost of new public sector borrowing moved mildly up in the second quarter of 2024, maintaining its spread from the corresponding German public sector cost.
- Greek banks' exposure to government bonds increased in the first half of 2024 and deviated significantly from the euro area average.
- Private bank deposits recorded a cumulative increase in the Mar-May 2024 period, but less than in the same period last year.

In the second quarter of 2024, stock prices in the domestic capital market recorded a marginal decline, after a strong rise in the first quarter. As a result, the general stock price index recorded a cumulative increase of 8.6% in the first half of the year, while the banking index rose by 14.3%. In the same period, the HFSF advanced its divestment strategy from the four systemic banks by gradually transferring part of its stake in them to private investors, with a view to having fully completed the divestment strategy by the end of 2024.

After two years of restrictive monetary policy, the European Central Bank (ECB) cut key interest rates by 0.25 basis points in June. Ten consecutive increases in key rates had been implemented in the period 2022-2023, cumulatively by 450 basis points. Markets discount a gradual, but slow, decline in key rates over the next two years, remaining at levels higher than in early 2022. Indicatively, in interest rate derivatives markets, the 3-month Euribor is estimated to be in the range of 3.3% and 2.7% in late 2024 and 2025 respectively, up from close to 4% in late 2023 and -0.5% in early 2022. Regarding quantitative easing tools, the ECB has stopped reinvesting bonds maturing under the APP programme from mid-2023, while continuing to reinvest part of the bonds maturing under the PEPP programmes until end-2024, with no net new purchases. Inflation expectations are easing, but at a slower pace than initially expected, with risks lurking from ongoing geopolitical tensions in Eastern Europe, uncertainty over international energy prices and persistent inflation in essential goods.

Among the negative trends in the financial system, the first quarter of the year saw a halt to the eight-year decline in Non-performing Loans (NPLs), the interest rate margin remains high, while credit to households continues to shrink unabated. Among the challenges from the past, the high share of non-performing loans, both on and off bank balance sheets, stands out. In addition, the share of deferred taxes in equity remains high.

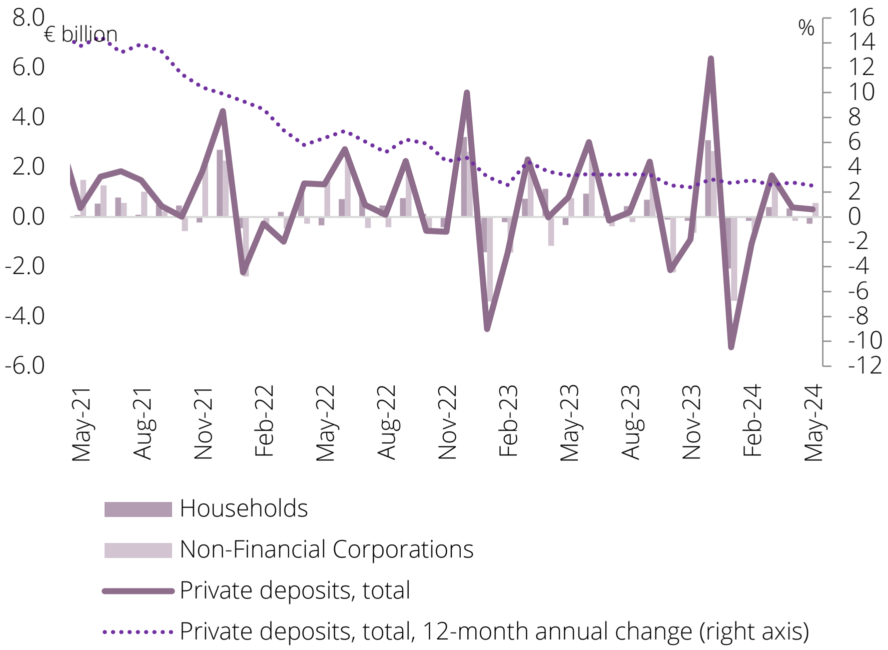
Among the positive trends in banks' fundamentals, credit expansion to businesses recovered, organic profitability, liquidity and capital adequacy ratios improved, while private sector borrowing costs and their spread to other countries declined. The timely implementation of the expanded loan component of the National Recovery and Resilience Plan is both an opportunity and a challenge to finance productive investment on favourable terms.

Among the new challenges for banks, their increasing exposure to government bonds stands out, to a greater extent than in other European countries. The apparent slower pace of interest rate deceleration is slowing growth rates and hampering the ability to repay loans, creating risks of a new round of bad loans.

On the liability side of banks' liabilities, private deposits increased in March-May 2024, with net new inflows of €1.9 billion from corporates and €0.5 billion from households (Figure 2.7). The twelve-month rate of change stood at 2.5% in May, down from 3.0% in 2023.

Figure 2.7

Monthly net flow of private deposits at Greek banks



Private sector deposits increased by a cumulative €2.4 billion in March-May 2024, compared to an increase of €3.1 billion in the same period last year.

Source: Bank of Greece

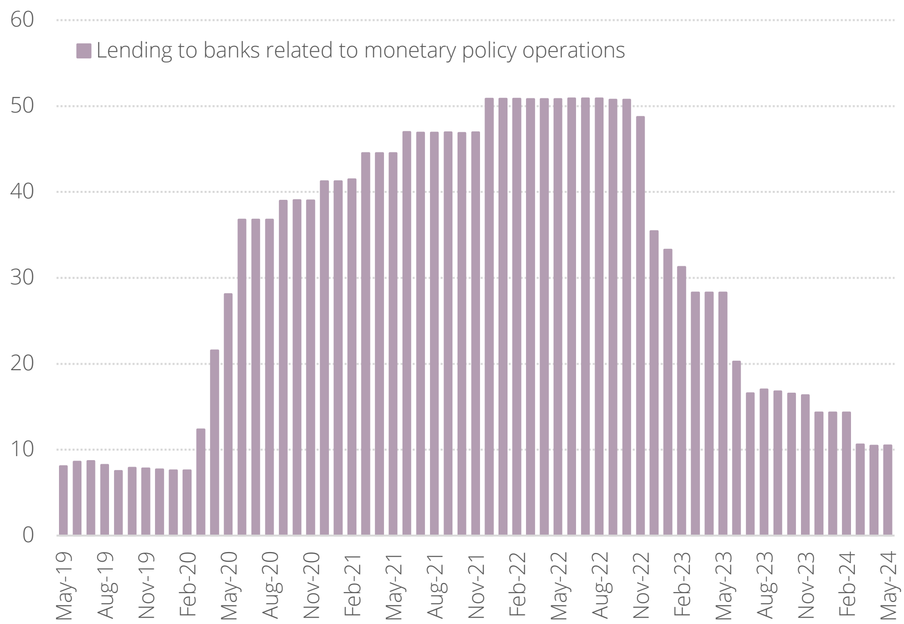
For the remainder of 2024, private deposits are expected to remain relatively stable, with a mild upward trend. As the growth of private consumption and tourism receipts weakens and inflation remains persistent, especially on essentials, the pressure on real disposable income and savings of households and businesses is expected to endure.

The second part of banks' liabilities relates to funding from the Eurosystem. The higher than in the past cost of liquidity provided by the ECB has significantly reduced the use of long-term Eurosystem funding instruments, such as LTROs, by €17.8 billion annually in May 2024 (Figure 2.8). At the same time, domestic banking system assets eligible for Eurosystem collateral for monetary policy operations, as reflected in the financial statements of the Bank of Greece, have declined over the same period, reaching €25.3 billion in May 2024, down from almost €69 billion in mid-2022.

In the third component of banks' liabilities, which relates to funding from the capital markets, the gradual improvement in the credit rating for both government and private securities creates positive prospects, which are, however, partially offset in the international context of high funding costs.

Figure 2.8

Long-term financing of the Greek banks from the Eurosystem (billion €)



The use of the Eurosystem's liquidity-supply instruments by Greek banks decreased further in the first five months of 2024, to €10.5 billion in May.

Source: Bank of Greece

On the asset side of the banks' balance sheet, the 12-month rate of credit expansion to the domestic private sector strengthened, reaching 4.8% in May 2024 (Table 2.10). The corresponding rate to non-financial corporations (NFCs) reached 7.6% in the same month (Figure 2.9), while total new net flows to corporates in the first five months of 2024 were negative at €5.0 billion, albeit down from €7.9 billion in 2022. At the same time, credit in the housing portfolio continued to shrink unabated, credit to self-employed and sole proprietorships steadied, while consumer loans strengthened.

Table 2.10

Domestic bank financing and average interest rates per portfolio

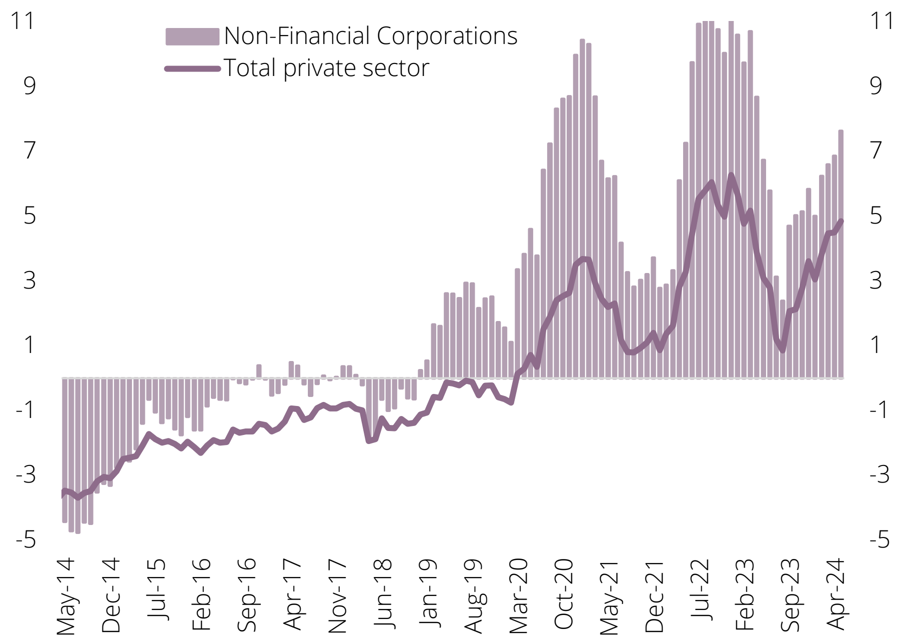
Quarter/year	2/23	3/23	4/23	1/24	Apr.24	May 24
Annual % change of 12-month flows*						
Total private sector	3.3	1.4	2.8	3.8	4.5	4.8
Households & NPIs	-2.7	-2.4	-2.2	-1.7	-1.1	-1.0
Consumer credit	1.5	2.1	2.8	4.3	5.4	5.3
Mortgage credit	-3.9	-3.7	-3.6	-3.3	-2.9	-2.8
Sole proprietors and unincorporated	-2.4	-3.3	-2.4	-0.8	-0.1	0.3
Non-financial corporations	7.1	3.4	5.3	5.9	6.9	7.6
Interest rates on new loans (period average, %)						
Consumer credit	11.4	11.6	11.3	10.7	10.8	10.8
Mortgage credit	3.96	4.24	4.43	4.45	4.33	4.15
Loans to non-financial corporations	5.79	6.23	6.07	5.94	5.85	5.19

Source: Bank of Greece.

* The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans.

Figure 2.9

Bank financing of the domestic private sector (annual % change of 12-month flows*)



New net flows to non-financial corporations were positive in March-May 2024 at €1.3 billion, with the 12-month rate of credit expansion to the private sector as a whole reaching 4.6%.

Source: Bank of Greece

*The flows result from changes of outstanding balances corrected for loan write-offs, re-evaluation of securities, foreign exchange differences and reclassification/transfer of loans.

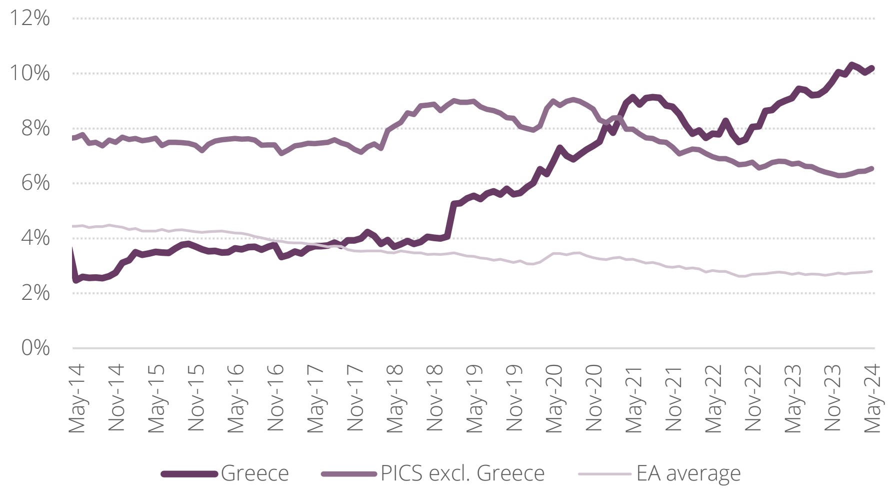
Private sector financing is affected by changes in the supply and demand for loans, under the influence of higher interest rates. On the supply side, the implementation of the loan component of the National Recovery and Resilience Plan is creating opportunities for the provision of business credit on favourable terms.

From a loan demand perspective, the Bank of Greece's survey of bank lending in the second quarter of 2024 recorded a slight strengthening in the demand for new loans in business credit. The expectation of further strengthening of demand is found in both large and small and medium-sized enterprises for short and long-term loans, while demand for mortgage and consumer credit is expected to remain relatively stagnant. Credit criteria recorded a slight easing in the first half of 2024, but no significant changes are expected in the short term.

On the asset side, banks' exposure to government securities remained high in the second quarter of 2024, reaching €32.1 billion in May, or 10.2% of their total assets. Thus, the share of Greek banks' total assets invested in government bonds has maintained its divergence from the corresponding share of the other "southern" euro area countries, which stands at 6.5%, much higher than the corresponding share for the average euro area countries, which stands at just 2.8% (Figure 2.10).

Figure 2.1010

Banks' government bond holdings over total assets (%)



Greek banks' exposure to government bonds increased in the first half of 2024 and deviates significantly from the euro area average

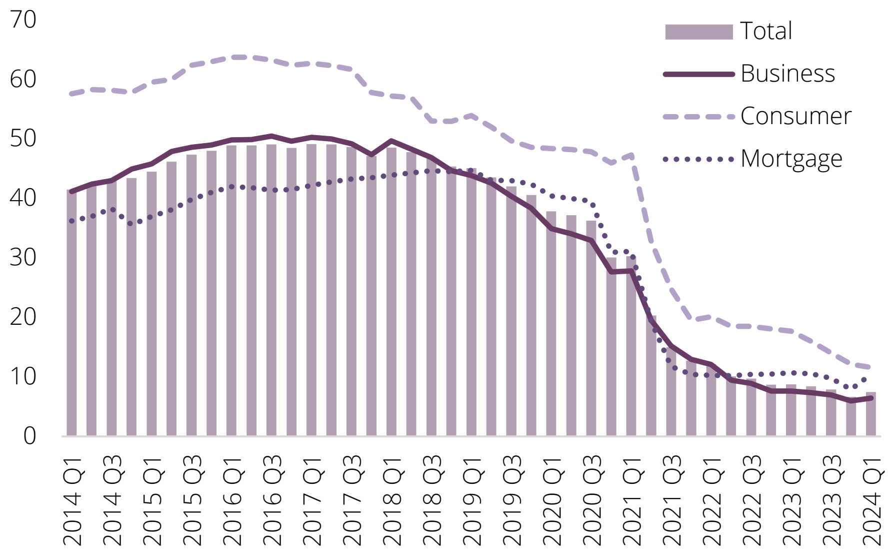
Source: ECB

Non-performing loans (NPLs) on banks' balance sheets increased in the first quarter of 2024 to 7.5% of total bank loans, to €11.1 billion, up from 6.6% and €9.9 billion in the previous quarter. The increase in NPLs halted their systematic decline for eight consecutive years, which had accelerated in 2021-2022 following the implementation of the state-guaranteed securitisation programme, Hercules. The overall level of NPLs remains higher than in the rest of the euro area. In mortgage loans, the NPL ratio increased in housing loans, from 7.9% to 10.4%, in business loans from 6.0% to 6.4% of the relevant loans, while in consumer loans it decreased from 12.1% to 11.6%.

In addition to the NPLs on banks' balance sheets, a very significant volume of loans, formerly bank NPLs, is recorded under management by Credit Servicing Firms (CSFs). Indicatively, in the first quarter of 2024 the total nominal value of loans under CSFs was €70.0 billion. Thus, the stock of non-performing private debt, both on and off the balance sheets of the banking system, remains very high, with negative effects on the efficient allocation of financial resources and the prospects for economic recovery. For this reason, the proper functioning of the secondary market for loans and credit claims, as well as instruments such as the out-of-court debt settlement mechanism, is of high importance.

Figure 2.11

Non-Performing Loans, % of total loans by category*



In the first quarter of 2024, NPLs rose to 7.5% of banks' total loan portfolio, after eight years of systematic decline

Source: Bank of Greece

* On-balance sheet loans (before provisions) on a non-consolidated level.

In the medium term, the decline in NPLs is expected to continue at a slow pace, also due to their lower base. The ongoing new round of the Hercules III securitisation programme will have a positive impact. At the same time, however, the risk of new NPLs in certain flexible interest rate portfolios such as mortgages, as a result of higher long-term interest rates, is also present.

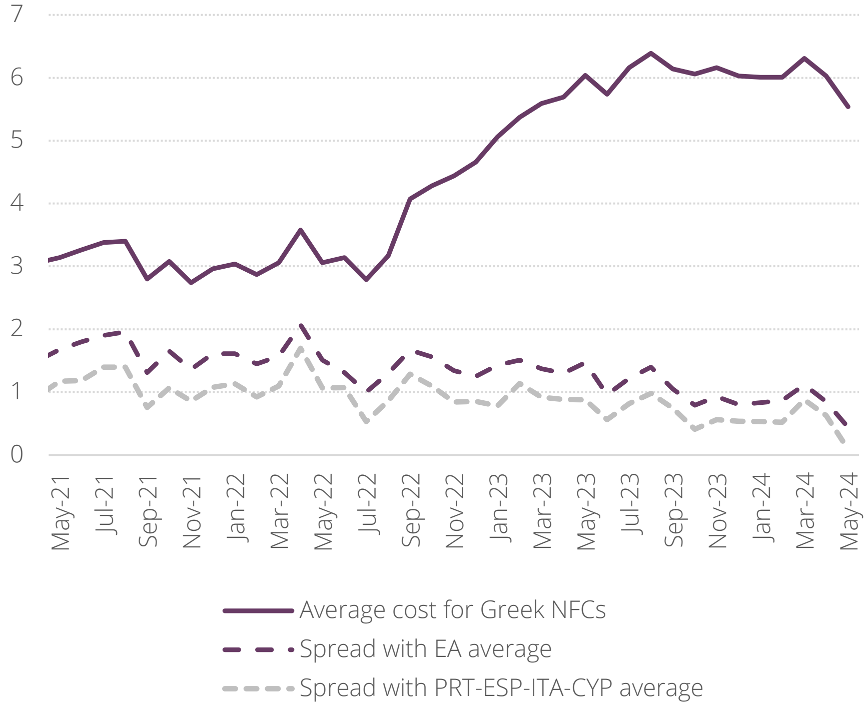
As regards new credit in the whole of 2024, on the one hand, credit to businesses is expected to pick up, with the acceleration in the implementation of the loan component of the National Recovery and Resilience Plan, for which the revised total perimeter now reaches €17.7 billion by 2026. Conversely, the credit to households is expected to contract more moderately, mainly due to the resilience of consumer demand.

New deposit rates remained stagnant in the April-May 2024 period, at 0.82% and 0.47% for Non-Financial Corporations (NFCs) and households respectively. Over the same period, the average new lending rate declined to 5.8%, standing at around 6.2% for individuals and 5.5% for NFCs. The difference between the average interest rate on loans and deposits (interest rate spread) remained high over the same period, although it decreased to 5.2% from an average margin of 5.6% in 2023 as a whole.

The average cost of new bank funding for private sector NFCs fell to 5.5% in May (Figure 2.12). However, the cost of financing for Greek firms is higher than in the rest of the euro area. Indicatively, according to the ECB's weighted bank lending cost index, the cost for non-financial corporations in February 2024 was 5.1% in the euro area, and 5.4% in the "southern" euro area countries (Portugal, Italy, Cyprus, Spain). As a result, the spread of borrowing costs for Greek firms relative to the euro area and "south" average rates stood at 44 bp and 9 bp respectively. Compared to the pre-financial crisis level of 2010, the spread of borrowing costs for Greek firms relative to the average of other 'southern' euro area countries remains significantly higher.

Figure 2.12

Composite cost of borrowing for non-financial corporations (%)



New private sector lending rates fell to 5.5% in May, with the spread to the average cost of borrowing in the "southern" euro area countries narrowing significantly to 9 bps.

Source: ECB

Amid rising government bond yields globally in the second quarter of 2024, Greek government bond yields followed a mild upward path. Indicatively, in the second quarter of 2024, the yield on the 10-year bond hovered around 3.6%, with the spread between them and other European countries stabilising. The additional burden on the new 10-year Greek government borrowing costs relative to the rest of the euro area countries was 108 bp and 15 bp in the second quarter of 2024 relative to the German bond and the average of the "southern" euro area countries respectively, up from 157 bp and 27 bp in 2023 as a whole (Figure 2.13). Despite the progress, the spread against the German bond remains significantly higher than their average values in the first decade of Eurozone membership (54 mb). Overall over the past year, the boost to confidence from the gradual upgrade of the country's credit rating by international rating agencies has made a positive contribution.

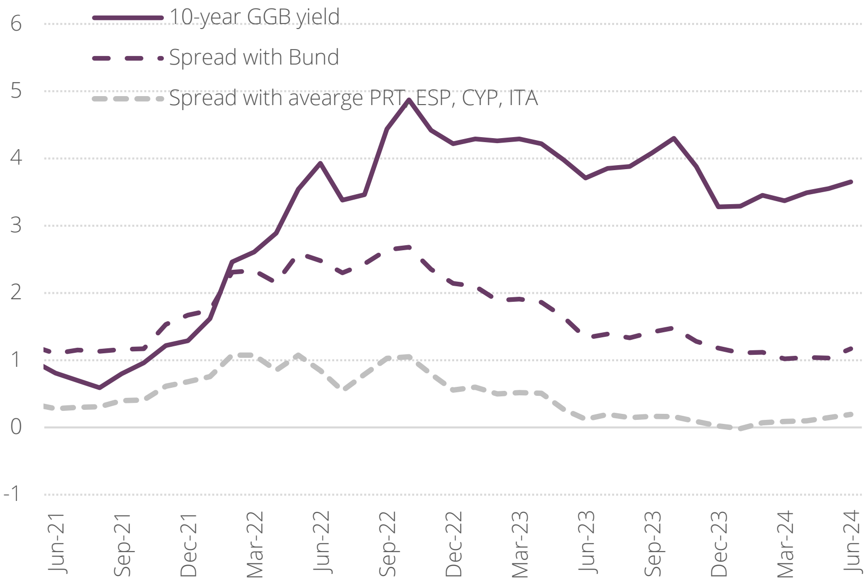
As part of the Greek government's funding strategy, during the first half of 2024, the Hellenic Republic raised funds from the long-term bond markets, with the annual "Funding Strategy" (December 2023) referring to a target of around €10 billion from bond issuance for the whole of this year. In early February 2024, a new 10-year bond issue was completed in which the Greek government raised €4.0 billion at an interest rate of 3.38%, with a coverage ratio of over 10. In June 2024, a new 30-year bond issue was completed in which the Greek government raised €3.0 billion at an interest rate of 4.15%. At the same time, the Hellenic Republic reissued 5-year, 10-year and 15-year bonds in the first half of 2024 where smaller amounts were raised, also with a very satisfactory market demand response.

In the second half of 2023, after 13 years, the Greek securities regained the desired "investment grade" from five international rating agencies, R&I, DBRS, Scope, S&P and Fitch. Another agency

(Moody's) rates the Greek government just one notch lower. The level of Greek public debt remains among the highest internationally as a percentage of GDP (161.9% in Q2 2023, as shown in the Annex). Offsetting this quantitative characteristic are its qualitative features, such as the long average repayment period, and the large share of fixed and low interest rates.

Figure 2.13

Yield and spread of the 10-year Greek sovereign bond (%)



The average yield on the 10-year government bond rose marginally to 3.6% in the second quarter of 2024, while the average spread was unchanged at 108 bp against the corresponding German bond

Source: ECB

3 MACROECONOMIC PERFORMANCE AND OUTLOOK

3.1 GDP components

A. Recent developments

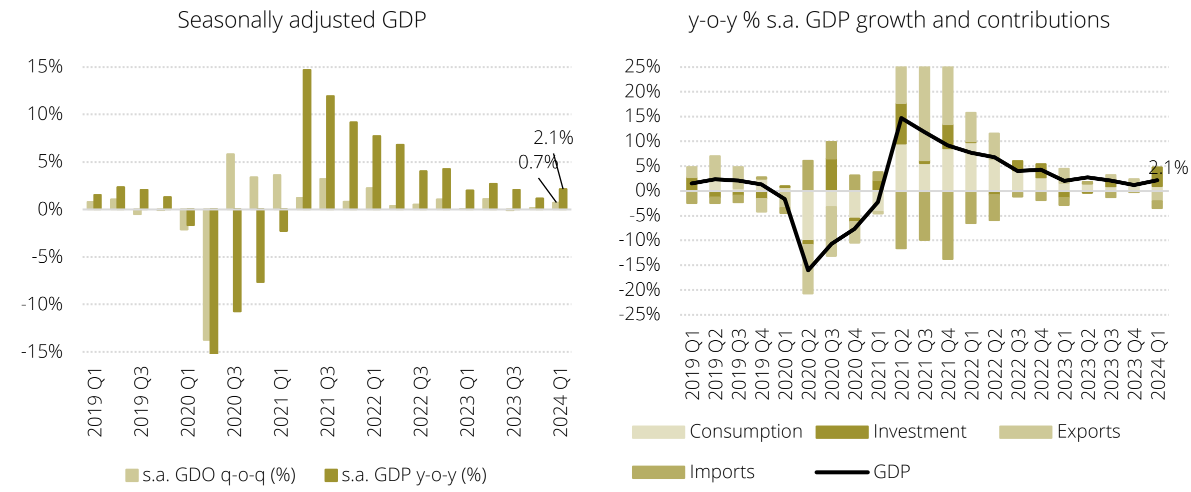
- Significant acceleration of domestic growth at +2.1% (y-o-y) in Q1 2024 from +1.3% in the previous quarter, and GDP growth of +0.7% quarter-on-quarter.
- The largest contribution to growth was made by total investment, which rose by +22.3% y-o-y (from -1.2% in the previous quarter), thanks mainly to an increase in inventories, while fixed capital investment also rose, by +2.9%.
- Private consumption continued its rise, expanding at an annual rate of +2.2%, up from +2.0% in the previous quarter. In contrast, public consumption fell by -4.0%, resulting in a +1.1% increase in total consumption.
- The change in total exports had a negative contribution to the domestic growth rate, falling by -5.7% (y-o-y), from +1.6% a quarter earlier. Exports of goods contracted sharply by -8.8% (y-o-y from -1.1% y-o-y in the previous quarter), while exports of services strengthened by +1.5% y-o-y, more modestly compared to the previous quarter (+4.9%).
- On the flip side, total imports grew significantly at +3.1% y-o-y, after stagnating in the previous quarter, due to a strengthening in the annual growth rate of both goods (+2.5%) and services (+4.8%).

Recent macroeconomic developments in Greece

In the first quarter of 2024, the annual growth rate of the Greek economy is estimated at +2.1%, continuing the rise of the previous quarter (+1.3% y-o-y) and far exceeding that of the euro area (+0.4% y-o-y) over the same period. It is worth noting that strong annual GDP growth has been maintained for the 12th consecutive quarter following the recovery of the economy from the pandemic. Determining factors are, on the one hand, the increase in private consumption, which has been consistently supporting the trend in GDP, and, on the other, the rapid increase in total investment. In contrast, general government consumption expenditure declined significantly, while the external balance deteriorated due to a contraction in exports and an increase in imports (Figure 3.1).

Figure 3.1

Evolution of GDP and the contribution of its components



Source: ELSTAT, Data processing IOBE

Total investment a key driver of recovery in Q1 2024.

Regarding the detailed developments of the components of GDP in the first quarter of this year, the annual growth rate of total domestic consumption, although slowing down, remained positive at +1.1% (from 1.8% in the previous quarter). Like GDP, private consumption continued to grow for the twelfth consecutive quarter, at an annual rate of +2.2% (slightly higher than +2.0% in the previous quarter), supported by rising employment and some nominal wages and a decline in savings. In contrast, the annual growth rate of government consumption fell sharply to -4.0%, compared with 1.9% in the previous quarter.

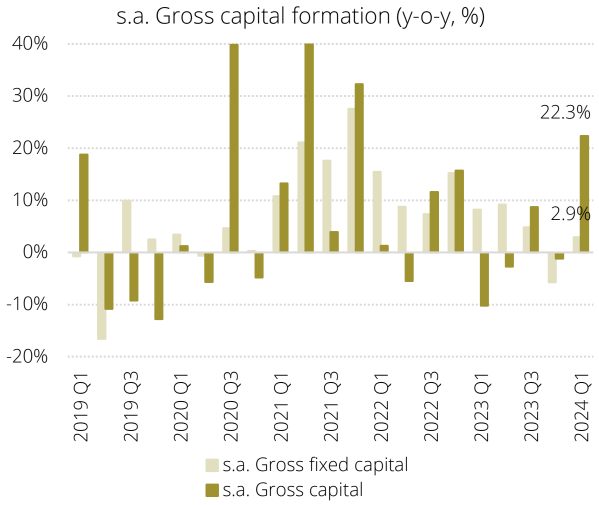
The largest contribution to the annual GDP growth rate in the first quarter was made by investment, which increased by 1.5 billion euro (at 2015 prices) or +22.3% at yearly rate (from -1.2% in the previous quarter), mainly thanks to a 1.3-billion-euro annual increase in inventories. Fixed capital formation increased at an annual rate of +2.9% (from -5.5% in the previous quarter), benefiting from the funds of the Recovery and Resilience Facility as well as the improvement in the domestic economic climate.

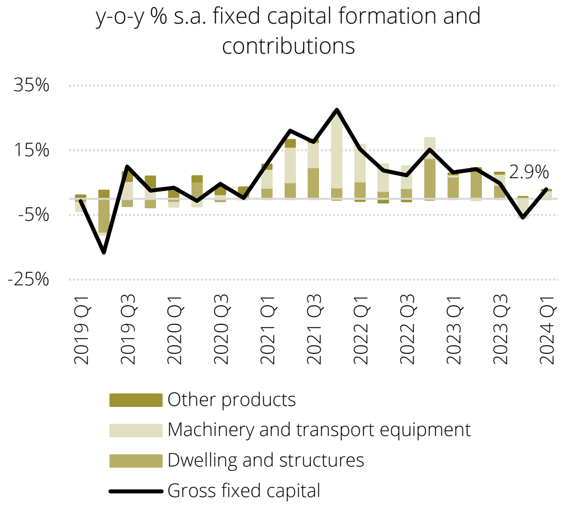
In particular, all the main investment sectors contributed to the increase in fixed capital formation (Graph 3.2). Investment in machinery and equipment grew by +4.8% on a yearly basis (after -12.9% in the previous quarter), followed by investment in housing and construction (+1.4% on a yearly basis, after 0.9% in the previous quarter), although investment in housing fell by 14.0% on a yearly basis, while investment in other products was almost unchanged (+0.2% on a yearly basis, after 2.3% in the previous quarter). More specifically, among the different categories of fixed capital formation, the annual rate of change in investment was positive in four out of the seven sectors.

In particular, annual increases were recorded for other construction (+10.6% compared to +14.3% in the previous quarter), transport equipment (+7.8% compared to -1.9% in the previous quarter), machinery and weapons (+6.8% compared to -14.7% in the previous quarter) and other products (+0.4% compared to +2.5% in the previous quarter). In contrast, annual falls were recorded for agricultural products (-18.6%), housing (-14.0%) and information and communication equipment (-1.7%).

Figure 3.2

Evolution of investment and the contribution of its components





Source: ELSTAT, Data processing IOBE

An increase in the growth rate of fixed investment in the first quarter of 2024. A significant increase in inventories.

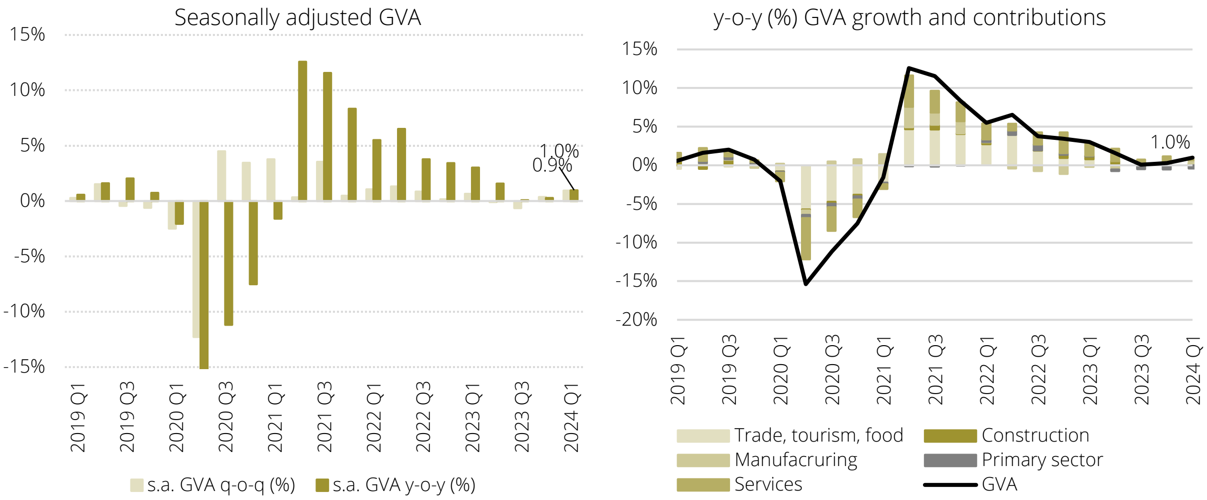
Among the negative developments in the first quarter of 2024 is the deterioration of the external deficit by around EUR 1,751 million or 3.5% p.a. of quarterly GDP, with exports falling by -5.7% and imports rising by +3.1% p.a. In this context, exports of goods showed an annual decline of -8.8%, continuing the downward trend of the previous quarter (-1.1%). Exports of services also followed a downward trend, but still maintained a positive annual growth rate of +1.5%, after +4.9% in the previous quarter. In contrast, both components of imports showed positive growth rates, with imports of goods rising to +2.5% (from +1.6% in the previous quarter) and imports of services to +4.8% (from -4.0% in the previous quarter). It is also worth noting that the openness of the Greek economy, defined as the sum of exports and imports in relation to GDP, fell slightly to 81% in the first quarter of 2024.

On the production side, domestic gross value added (GVA) showed another quarter of strength (+1.0% y-o-y compared with +0.4% in the previous quarter) but was weaker relative to GDP due to the annual decline in subsidies, which are included in GVA but do not constitute domestic output. Specifically, the annual rate of change of subsidies was -3.7% in 1Q2024, down from -15.9% in the previous quarter, while taxes increased by +11.2% y-o-y, compared with +4.7% in 1Q2023.

At the sectoral level, other services and manufacturing made the largest contribution to GVA growth in the first quarter of 2024 (with annual growth of +0.8% and +3.3% respectively), followed by tourism, transport and trade (+0.8% y-o-y) and construction (+1.5% y-o-y). In contrast, the primary sector continued to contract for the fourth consecutive six-month period (-12.9% y-o-y, Figure 3.3). At the detailed level, five of the six other services branches, excluding public administration, defence and social security (-0.1% y-o-y, compared with -0.2% in the previous quarter), recorded an expansion in their activity on a year-on-year basis. The highest annual increase was recorded in the information and communication sector (+4.6% y-o-y, compared with +5.7% in the previous quarter), followed by financial intermediation (+2.2% y-o-y, compared with +2.3% in the previous quarter). It is worth noting that the annual growth of the arts, entertainment and recreation sector slowed significantly to +1.3%, from +9.1% in the previous quarter. Professional-Scientific-Technical-Administrative activities recorded an annual growth of +0.9% (after +1.6% in the previous quarter), while Real estate activities recorded a steady annual growth of +0.4% for the fifth consecutive quarter. Among the other branches, construction recorded an annual increase of +1.5%, which was lower than the +5.5% recorded in the previous quarter. Manufacturing continued its upward trend for the third consecutive quarter (+3.3% compared to +3.5%), as did the broader tourism, transport and trade sector (+0.8% compared to +0.5% in the previous quarter). Finally, activity in the primary sector recorded a significant year-on-year decline for the fourth consecutive quarter (-12.9% y-o-y, compared with -17.3% in the previous quarter).

Figure 3.3

Evolution of GVA and the contribution of its components



Source: ELSTAT, Data processing IOBE

> Growth in GVA due to the strengthening of all sectors of production except primary production. Industry and Other Services contributed equally to GVA growth, followed by Tourism-Transport-Trade.

To sum up, the Greek economy grew at a significantly higher rate than the euro area in the first quarter of 2024. This is the 12th consecutive quarter of GDP growth since the pandemic, with private consumption and investment growth being the main drivers. In contrast, government consumption expenditure contracted, and the external balance deteriorated, driven by an annual fall in exports and a rise in imports.

Table 3.1

Trends in key macroeconomic figures – National Accounts (seasonally adjusted data, 2015 constant prices), provisional data

Quarter	GDP		Final Consumption		Investment		Exports		Imports	
	€ million	Annual rate of change	€ million	Annual rate of change	€ million	Annual rate of change	€ million	Annual rate of change	€ million	Annual rate of change
2012	180484	-7.2%	163337	-7.0%	20220	-21.0%	48968	2.0%	52765	-5.7%
2013	175920	-2.5%	156834	-4.0%	19580	-3.2%	49843	1.8%	50682	-3.9%
2014	176882	0.5%	156657	-0.1%	20431	4.3%	53954	8.2%	54107	6.8%
2015	176462	-0.2%	156611	0.0%	21369	4.6%	56661	5.0%	58360	7.9%
2016	175612	-0.5%	156023	-0.4%	22767	6.5%	56426	-0.4%	59868	2.6%
2017	177461	1.1%	158863	1.8%	21627	-5.0%	61229	8.5%	64371	7.5%
2018 Q1	44946	1.8%	40272	2.3%	5318	-10.5%	16246	9.4%	16677	4.7%
2018 Q2	45057	1.7%	39723	0.1%	6234	16.4%	16500	7.8%	17221	8.4%
2018 Q3	44945	0.5%	39865	0.2%	5308	-1.4%	16614	7.1%	17636	8.9%
2018 Q4	45270	2.2%	39833	-0.5%	6430	30.0%	17451	12.2%	17677	8.0%
2018	180217	1.6%	159693	0.5%	23289	7.7%	66812	9.1%	69210	7.5%
2019 Q1	45625	1.5%	40350	0.2%	6317	18.8%	17110	5.3%	17711	6.2%
2019 Q2	46110	2.3%	40744	2.6%	5559	-10.8%	18457	11.9%	17716	2.9%
2019 Q3	45877	2.1%	40142	0.7%	4819	-9.2%	18347	10.4%	18230	3.4%
2019 Q4	45849	1.3%	40948	2.8%	5607	-12.8%	16163	-7.4%	17565	-0.6%
2019	183461	1.8%	162184	1.6%	22302	-4.2%	70076	4.9%	71222	2.9%
2020 Q1	44878	-1.6%	40699	0.9%	6392	1.2%	15381	-10.1%	18147	2.5%
2020 Q2	38716	-16.0%	36346	-10.8%	5245	-5.7%	13100	-29.0%	14907	-15.9%
2020 Q3	40958	-10.7%	38747	-3.5%	6739	39.8%	12408	-32.4%	16750	-8.1%
2020 Q4	42343	-7.6%	38418	-6.2%	5338	-4.8%	14107	-12.7%	16114	-8.3%
2020	166894	-9.0%	154210	-4.9%	23713	6.3%	54996	-21.5%	65918	-7.4%
2021 Q1	43878	-2.2%	38735	-4.8%	7238	13.2%	15252	-0.8%	17436	-3.9%
2021 Q2	44412	14.7%	40200	10.6%	7714	47.1%	16406	25.2%	18948	27.1%
2021 Q3	45842	11.9%	41180	6.3%	7001	3.9%	18388	48.2%	20460	22.2%
2021 Q4	46220	9.2%	42039	9.4%	7061	32.3%	18248	29.4%	20979	30.2%
2021	180351	8.1%	162155	5.2%	29014	22.4%	68293	24.2%	77823	18.1%
2022 Q1	47261	7.7%	42926	10.8%	7328	1.2%	17608	15.5%	20105	15.3%
2022 Q2	47442	6.8%	43034	7.0%	7290	-5.5%	18564	13.2%	21113	11.4%
2022 Q3	47689	4.0%	43063	4.6%	7813	11.6%	18179	-1.1%	20795	1.6%
2022 Q4	48194	4.3%	43302	3.0%	8168	15.7%	18208	-0.2%	21805	3.9%
2022	190586	5.7%	172326	6.3%	30600	5.5%	72560	6.2%	83819	7.7%
2023 Q1	48206	2.0%	43689	1.8%	6581	-10.2%	18885	7.2%	20760	3.3%
2023 Q2	48724	2.7%	43723	1.6%	7092	-2.7%	18611	0.3%	20981	-0.6%
2023 Q3	48681	2.1%	43520	1.1%	8493	8.7%	18519	1.9%	21405	2.9%
2023 Q4	48756	1.2%	44062	1.8%	8069	-1.2%	18585	2.1%	21811	0.0%
2023	194367	2.0%	174994	1.5%	30235	-1.2%	74600	2.8%	84956	1.4%
2024 Q1	49190	2.1%	44171	1.1%	8229	22.3%	18095	-5.7%	21683	3.1%

* provisional data

Source: Quarterly National Accounts, ELSTAT, March 2024

B. Assumptions and forecasts

Medium-term outlook

- The low growth rate of the Eurozone economy, the gradual deceleration of inflation and interest rates, geopolitical instability, fiscal performance and the implementation of the revised Recovery and Resilience Plan are now the key determinants of GDP growth in 2024.
- Estimated growth of 2.1% in constant prices in 2024.
- Significant strengthening of fixed investment (+9.7%) and maintaining the momentum of private consumption (+1.3%).
- Deterioration in the current account balance, with imports rising annually by +1.8% and exports falling marginally by -0.4% in 2024.
- Inflation estimated at 3.0% and the unemployment rate at 10.3% for 2024.

Amid risks stemming from regional and international geopolitical and economic instability, persistent inflation, slow decline in borrowing costs, high public debt and external deficit, the Greek economy is expected to maintain its growth momentum and openness in 2024, supported by European funds, fiscal discipline and productivity growth through reforms.

Persistent inflation

In the first half of 2002 the Harmonised Index of Consumer Prices (HICP) rose by +3.0% (down from +5.1% a year earlier), placing Greece in the middle of the ranking of euro area countries in terms of the rate of change, above the weighted average (+2.5%, down from +7.5% a year earlier). Among the HICP components, the increase in the index over the same period was due to the positive impact of domestic demand, as the percentage change in the index with fixed taxes and excluding energy goods was 3.5%, compared with 8.2% a year earlier. Indirect taxes actually had a positive marginal effect on prices in the period under review, compared with a zero effect a year earlier. Core inflation, a measure of the competitiveness of the domestic economy, was 3.3% in the first five months of 2024, down from 8.2% in the corresponding period of 2023. It is also worth noting that the HICP continued to rise in June, by 2.3% (from 1.8% in the same month last year - a more detailed analysis of inflation and its main drivers can be found in section 3.5).

With regard to international energy product prices, the average international oil price in €, which is a key component of energy costs, rose in January-May 2024 (+4.2% lower than in the corresponding period of 2023). Further upward pressure on the Brent oil price could come from rising global demand due to buoyant economic growth and the recent military unrest in the Middle East, which poses a significant risk to the stability of energy markets.

In the current year, domestic demand is acting as an obstacle to the deceleration of inflation, which is expected to maintain its momentum, supported by the reduction in unemployment, wage increases (from 1 April 2024), measures to support "vulnerable" social groups, as well as the return of the three-year wage indexation. In addition, the new set of sanctions imposed by EU members on international trade (14th set of sanctions, June 2024) and a possible escalation of unrest in the Israeli region could have an upward impact on inflation in 2024.

According to the European Commission's May 2024 forecast, inflation in the EA is expected to be 2.5% in 2024, while inflation in Greece is expected to be slightly higher at 2.8%. Exactly the same forecast for inflation in the EA (from 2.3% three months ago) is estimated by the ECB in its revised forecast of June this year. In Greece, inflation is expected to be slightly higher than the EA average, mainly due to a slower decline in food prices and solid wage growth.

The euro area economy continues to grow at a low rate

Most global economies continued their upward trajectory in the first quarter of 2024, leading the OECD in its latest May report to revise slightly upwards its forecast for global economic growth in 2024 to 3.1%. Specifically, OECD economies grew at an annual rate of 1.7% in the first quarter of 2024, unchanged from the previous quarter, while the US economy grew at an annual rate of +2.9% in the same period (down from +3.1% in the previous quarter), driven by increases in consumer spending, exports and fixed investment.

In the same period, the annual growth rate of the euro area economy was also slightly higher than in the previous quarter, although it remained low (+0.4% compared to 0.2% in the previous quarter). Exports made the largest positive contribution to growth in this quarter (after negative growth in the previous quarter), followed by final consumption expenditure, while gross fixed capital formation recorded a year-on-year decline (for more information on changes in key macroeconomic variables in the EU and in the world, see Sections 2.1.A and 2.1.B). For 2024 as a whole, the OECD (May) forecasts a growth rate of +0.7% for the euro area, while the ECB (June) projects a slightly higher rate of 0.9%.

Slow decline in interest rates

Following the gradual deceleration of inflation in the EA since the last quarter of last year, the ECB cut its key interest rates by 25 basis points at its last meeting in June this year, after 10 consecutive increases over the last two years. It emphasised that interest rates would remain sufficiently restrictive for as long as necessary to bring inflation down to the medium-term objective of 2% in a timely manner. Strong domestic pressures on services prices and the possibility of a further rise in global energy prices are acting as a drag on rate cuts, raising expectations of a somewhat slower rate cut in Europe in 2024. It is also worth noting that last June the ECB upgraded its forecasts for growth (0.9% vs. 0.6% three months ago) and inflation (2.5% vs. 2.3% three months ago) in the EA for 2024. In the same vein, the Fed kept its key rate at 5.50% - the highest level in almost 20 years - for the seventh consecutive meeting in June 2024. Analysts do not expect a rate cut unless there are clear signs that inflation is moving steadily towards 2%.

Finally, it is worth noting that interest rates are following the trend of current forward contracts, i.e. the Euribor is gradually declining from almost 3.9% at the beginning of the year to around 3.3% at the end of 2024 (from an expectation of 3.1% last quarter).

Successful execution of the State Budget in 2024 (January – May)

The fiscal performance of the Greek economy in 2024 is expected to be even better than in the previous year, as the implementation of the SB was successful in the first five months of 2024, with the primary outcome of the SB recording a surplus (+1.4% of GDP) and the fiscal balance recording a small deficit (-0.2% of GDP). The improvement in the SB balance in the first five months compared to last year is due to a larger increase in net revenues than in expenditures (more information on the SB execution is presented in section 2.2B).

For 2024 as a whole, the government balance is estimated to improve further compared to 2023, as government revenues, supported by the projected economic growth, strengthen more than expenditures, which are expected to continue the downward trend of the first quarter of 2024. However, the timely and effective use of existing (Public Investment Programme, Recovery and Resilience Facility) and new financial instruments (REPowerEU) as well as the promotion of structural reforms will be important to achieve the budgetary targets.

Public debt to GDP continued declining and private debt to GDP continued rising

In absolute terms, government debt declined marginally last year, but thanks to the strong nominal performance of the Greek economy combined with high inflation, which favours the generation of budget surpluses, the debt-to-GDP ratio declined significantly (government debt fell to 161.9% in Q2 2023 from 172.7% in the same period of 2022).

In the first quarter of this year, Greek government debt fell slightly compared with the previous quarter (EUR 356,050 million compared with EUR 356,695 million). According to the Public Debt Management Agency (PDMA), the largest share of gross new borrowing for the year was raised through interest-bearing securities (69.8%) and bonds (30.2%). Similarly, the average maturity of new borrowing was around 9.1 years, while the weighted average cost was 3.7%. It should be stressed that the debt structure reduces refinancing uncertainty, as more than 74% of public debt is held by institutional partners, has an average maturity of 19 years and carries fixed and low interest rates. Having said that, the financing needs of the economy in the coming years will also be affected by the repayment of loan tranches received by the country from EU institutions (such as loans from the EBRD, the European Financial Stability Facility - EFSF, SURE, etc.).

In order to maintain the growth momentum of the Greek economy, it will be necessary to ensure the sustainability of the external debt, especially in view of the high current account deficit and the slow decline in interest rates. The key factor for the smooth financing of public debt in the medium term is fiscal discipline, which will allow compliance with the rules of the revised Stability and Growth Pact.

On the private debt side, the share of non-performing loans (NPLs) rose to 7.5% of total bank loans in the first quarter of 2024 (from 6.6% in the previous quarter), reversing eight consecutive years of decline. In particular, a very significant volume of ex-bank NPLs is held by credit servicing firms (CSFs), which keeps the total stock of private NPLs at a very high level, with negative implications for the efficient allocation of financial resources and economic recovery.

Recovery of fixed investments

Fixed investment rebounded strongly in the first quarter of 2024, following the contraction in the final quarter of last year. By the end of this year, further growth in fixed investment is expected, thanks to the inflow of European funds (extension of the lending arm of the Recovery and Resilience Facility - RDF, REPowerEU project). In particular, following the December 2023 revision of the RRF, Greece expects an additional inflow of €21.25 billion for the period 2024-2026, aimed at implementing reforms and investments in specific areas, including energy efficiency, labour market, taxation, healthcare and public transport.

It is also worth noting that the largest contribution to investment growth at the beginning of this year was made by the machinery and transport equipment sector, leaving the housing and construction sector in second place. This development is seen as positive, as the composition of investment is shifting towards a more productive model. For the domestic economy to benefit from the increased investment flows, they need to be directed towards high value-added and export-oriented sectors. In addition, it is crucial to change the growth mix by reducing consumption and increasing national savings, so that the latter can finance a larger share of investment, allowing the current account deficit to improve.

Deterioration of the external deficit

The external deficit based on national accounts amounted to 7.3% of GDP in the first quarter of 2024 (January - March), an increase of 0.6 p.p. compared to the previous quarter and 3.5 p.p. compared to the same period of the previous year. The deterioration in the balance was driven by an increased deficit in the goods account and a deterioration in the primary income account, while an improvement was recorded in the services and secondary income accounts. More specifically, the deterioration in the goods deficit was due to a fall in exports (-8.8% y-o-y in real terms, after -1.1% in the previous quarter) and an increase in imports (+2.5% y-o-y in real terms, after 1.6% in the previous quarter).

A similar picture emerges from an examination of the current account (CA), which recorded a deficit of EUR 6.7 bn in the first quarter of the year, up from EUR 5.7 bn in the same period of the previous year. The tendency for the trade deficit to widen in times of growth reflects the high correlation of domestic consumption, exports and investment with imports and the slight improvement in export performance (trends in the external balance are described in detail in section 3.3).

In the second half of this year, developments are anticipated that may impact the CA in both positive and negative ways. On a positive note, inbound tourism is set to continue its strong performance in real terms, while the external environment is showing signs of gradual improvement. However, the anticipated rise in investment, coupled with an uptick in domestic demand, could exert pressure on the CA. Additionally, the slowdown in growth in the EA is likely to have a negative impact, given the gradual deceleration of inflation and the moderate decline in interest rates.

Signs of labour market fatigue

The latest ELSTAT Labour Force Survey reveals that the unemployment rate in Q1 2024 has risen to 12.1%, up from 11.8% in the same quarter of 2023. This places Greece at the top of the Eurozone rankings for unemployment, alongside Spain (see Annex, Figure 7). The rise in the unemployment rate was driven by an increase in the number of people looking for work, despite a strengthening of employment (please see section 3.4 for an analysis of trends in the domestic labour market).

In the current year, the creation of new jobs will be favoured by a projected strengthening of investment, which stems from a boost to international investment confidence in the country (the country's credit rating upgrade in 2023) and the accelerated implementation of the revised National Recovery and Resilience Plan, particularly in the infrastructure and energy sectors. Furthermore, resilient consumption and accelerating growth in the euro area in 2024 are also expected to boost employment, notably through an increase in exports of services. Other factors expected to have a positive impact on employment include the recovery in industry and services, as well as the completion of major infrastructure projects. Additionally, while tourism is expected to maintain its strong performance in 2023, it is anticipated to have a less significant impact on employment. Finally, the public sector will continue to support employment through subsidised programmes and new hiring.

In contrast, prolonged geopolitical tensions and economic uncertainty, coupled with elevated inflation and international energy prices, present challenges to competitiveness and employment.

To reduce unemployment, it is essential for the Greek economy to grow, with a reduction in structural unemployment, by aligning the skills of the unemployed with market needs and increasing the participation of women and young people in the labour force. Furthermore, as long-term employment is affected by demographic trends, economic growth and rising living standards of the population will also depend on productivity growth and the integration of innovative technologies into production.

Challenges in the banking sector

The increased exposure of banks to government bonds, compared to other European countries, the slower pace of interest rate reductions, which makes it more difficult to repay loans and increases the risk of another round of bad loans, as well as geopolitical instability and economic uncertainty at the regional and international levels, present significant challenges for the financial system.

The balance sheet of Greek banks shows a strengthening in liquidity and credibility thanks to an increase in private deposits, which reduces domestic exposure to high interest rates. For the remainder of 2024, private deposits are expected to remain stable with a mild upward trend. However, the slowdown in private consumption and receipts from tourism, together with inflation, will continue to impact real disposable income and savings of households and businesses.

In terms of assets, there has been a recovery in credit expansion to the domestic private sector, while credit contraction in the housing portfolio shows no signs of slowing down, according to data from May 2024. On a positive note, the implementation of the lending component of the National Recovery and Resilience Plan has created opportunities in the provision of business credit on favourable terms, while there has also been a modest strengthening in demand for new loans in business credit. Conversely, the asset quality of Greek banks is facing challenges, including (a) an increase in their exposure to government bonds and, consequently, a further strengthening of the links between the banking and public sectors, which introduces risks, and (b) an increase in non-performing loans (NPLs) on banks' balance sheets in the first quarter of 2024 (see Section 2.2C for an analysis of developments in the financial system).

Upward trends in sectors of domestic production other than trade

In early 2024, supply saw positive growth in industrial production and construction, while retail trade experienced a further decline in volume.

In particular, production indicators in Industry (+5.8% in the first five months of 2024 from +2.7% in 2023) and in Construction (+4.7% in the first quarter of 2024 from +26.7% in 2023) have shown a marked improvement and outperformed the corresponding indicators of the EA. In contrast, the volume index in retail trade saw a decline in the first quarter of 2024, with a 5.1% drop compared to the previous year's 3.2%. This has led to a corresponding decline in expectations for the same period in 2023. The volume index in wholesale trade also saw a more pronounced decline of -17.4% (in contrast to the 5.1% growth observed in 2023). Further insights into the key production sectors can be found in section 3.2.

Mild improvement in the domestic economic climate

The Greek economy is showing signs of growth in the current year, which is gradually strengthening the domestic Economic Sentiment Indicator. In the second quarter of 2024, the indicator saw a slight improvement compared to the previous quarter, reaching 110.0 points from 106.9. The improvement in the index was driven by more positive business expectations in the services and manufacturing sectors, while expectations in construction and, to a lesser extent, in retail trade weakened significantly. In the same quarter, the factory capacity utilisation rate, a measure of the degree of utilisation of the production factor of physical capital (e.g. machinery and transport equipment), was significantly higher at 80.7% (up from 72.9%).

In Europe, the corresponding average indicator remained unchanged over the period considered compared to the previous one, both in the EU and in the euro area. In particular, the Economic Sentiment Indicator stood at 96.4 (from 96.3) points in the second quarter of 2024 in the EU, and at 95.9 (from 96.0) points in the euro area.

In the household sector, the Consumer Confidence Index saw a modest increase in the second quarter of 2024, rising from -46.1 to -42.7 points. This was driven by a slight deceleration in inflation and the onset of the summer tourist season. However, it remains significantly lower than a year earlier (-36.7 points). For further insights into the formation of the economic sentiment, please refer to section 2.2A.

Medium-term forecast

In light of the above analysis of the international and domestic economic climate and key macroeconomic variables, as well as certain key assumptions, we have formulated short-term forecasts for the components of domestic GDP for 2024.

In terms of consumption, we anticipate that private consumption will continue to gain momentum in 2024, driven by a strengthening employment market and wage growth, as well as a gradual decline in inflation. Conversely, consumption is being constrained by the withdrawal of fiscal support measures for households last year, the sustained credit contraction for households in the initial six months of this year, coupled with elevated borrowing costs and the negative savings rate observed over the past three years, and the potential for a new surge in energy commodity prices.

In the context of public consumption, we anticipate a contraction in 2024, following the expansion observed last year and with a view to achieving fiscal surpluses. Our estimates indicate an annual change in private and public consumption of +1.3% and -1.5%, respectively, resulting in a total consumption figure of +0.9%.

Text Box 3.1

Macroeconomic forecast drivers

Risks

- Further geopolitical instability and economic uncertainty at regional and international level (war in Ukraine, Middle East, US elections).
- Slower decline in interest rates in Europe, especially in an alternative scenario of a large increase in global energy prices.
- High external deficit with structural features.
- Loss of competitiveness due to higher than average euro area inflation. Persistent inflation on essential goods.
- Labour market: Slower deceleration of the unemployment rate, including due to high structural unemployment.
- Progressively tighter fiscal targets. The tax base in Greece remains narrow.
- High loan-to-deposit interest rate spread and consistently negative household savings rate.
- Delays in the resolution of bad loans off bank balance sheets, which act as an obstacle to the reallocation of resources.
- Slow pace of filling the investment gap with a low contribution from sectors other than construction.

Positive outlook

- The acceleration in the implementation of the revised Recovery and Resilience Plan, together with the extension of its loan component and REPowerEU, may unlock international capital for productive and longer-term investments.
- Lower interest rates represent an opportunity to accelerate investment.
- The enhanced openness of the economy is a positive factor, with a gradual improvement in the value added of exports.
- Reforms with a medium-term horizon of 2024-2027 can raise productivity, which is diverging from the European average.
- Reducing NPLs at the level of the whole economy will free up productive resources to be allocated more efficiently.

We anticipate that fixed capital investment will continue its upward trajectory at an accelerated pace in 2024, driven by the acceleration in the implementation of the revised Recovery and Resilience Plan and REPowerEU. European resources are expected to encourage international investors to make productive and longer-term investments. Additionally, the gradual easing of interest rates in the second half of the year is expected to support credit expansion to businesses.

In 2024 as a whole, we anticipate a notable increase in fixed investment compared to 2023 in absolute real terms, which will result in a higher annual change. Specifically, the annual change in fixed investment is estimated at +9.7%, with total investment expected to grow by +14.1% in 2024.

Text Box 3.2

Baseline scenario assumptions

- The euro area economy follows the ECB's baseline scenario (June 2024) for growth of 0.9% in 2024 (from 0.6% in the previous quarter) and inflation of 2.5% in 2024 (from 2.3%), energy prices and interest rates.
- Interest rates follow the trend in current forward contracts, i.e. Euribor gradually declines from near 3.9% at the beginning of the year to around 3.3% (from an expectation of 3.1% in the previous quarter) at the end of 2024.
- International energy commodity prices follow the EIA baseline scenario, with stabilising trends in the second half of 2024.
- Geopolitical tensions continue with similar intensity in Ukraine and the Middle East.
- The Greek Recovery and Resilience Plan is implemented without delays in 2024.
- Inbound tourism for 2024 is expected to maintain its positive performance of 2023 in real terms.

Following the negative surprise of goods exports in Q1 2024, we anticipate a deterioration in 2024 compared to the previous year, whilst maintaining the high openness of the Greek economy. We anticipate that resilient domestic demand and rising investment will support imports in 2024. Conversely, the low growth rate of Greece's main trading partners is expected to support exports to a lesser extent. Based on the assumptions regarding the Eurozone growth rate, the continued positive performance of tourism in real terms in 2024, and the expectation that energy commodity prices will remain stable, we estimate that the annual rate of change in exports will be -0.4%, while the annual rate of change in imports will be +1.8% in 2024, resulting in a worsening of the current account balance.

Table 3.2

Comparison of forecasts for selected economic indicators for 2024 (at constant market prices, annual % changes)

	MinFin	EC	IOBE	IMF	OECD
	2024	2024	2024	2024	2024
GDP	2.5%*	2.2%	2.1%	2.0%	2.0%
Consumption	:	:	1.0%	:	:
Private Consumption	1.3%	1.7%	1.3%	1.5%	1.7%
Public Consumption	-1.6%	0.4%	-0.6%	-1.5%	1.4%
Gross Fixed Capital Formation	15.1%	6.7%	9.5%	9.9%	2.8%
Exports	5.6%	4.2%	2.2%	3.7%	1.3%
Imports	4.6%	3.8%	1.9%	3.0%	3.4%
Harmonised Index of Consumer Prices (%)	2.6%	2.8%	3.0%	2.7%	3.0%
Unemployment (% of labour force)	10.6%	10.3%	10.3%	9.4%	9.8%
General Government Balance (% of GDP)	:	:	:	2.1%	1.8%
Current Account Balance (% of GDP)	:	-5.2%	:	-6.5%	-6.0%

Sources: Budget Introductory Report 2024 – November 2023 – * State Budget Office at the Parliament, European Economic Forecast Spring 2024 – May 2024 – European Commission (EC), The Greek Economy 02/24 – July 2024 – IOBE, IMF World Economic Outlook, Fiscal Monitor April 2024 – April 2024 – IMF, Economic Outlook 115 – May 2024 – OECD.

In light of the above, we are reiterating our previous forecast of a 2.1% recovery of the domestic economy in 2024. However, we are adopting a slightly more cautious outlook due to the aforementioned risks. The primary risks to this forecast are the slow growth rate of the EA economy, the deterioration of the external balance, and the persistence of inflation and uncertainty at the regional and international levels.

3.2 Trends in key sectors

- Industrial production strengthened by 5.8% in the first five months of 2024 - faster improvement compared to 2023 - 2.7%. However, the turnover index declined by 4.5% due to the deceleration of prices.
- Continued improvement in Construction, with output strengthening 4.7% in the first quarter of 2024, but at a slower pace than in 2023 (26.7%). Still, strong growth in new permits and business expectations.
- Accelerating decline in Retail Trade volume in the first four months of 2024 (-5.1% instead of a milder decline of 3.2% in 2023).
- Increase in turnover in most Services sub-sectors in Q1 2024.

Industry

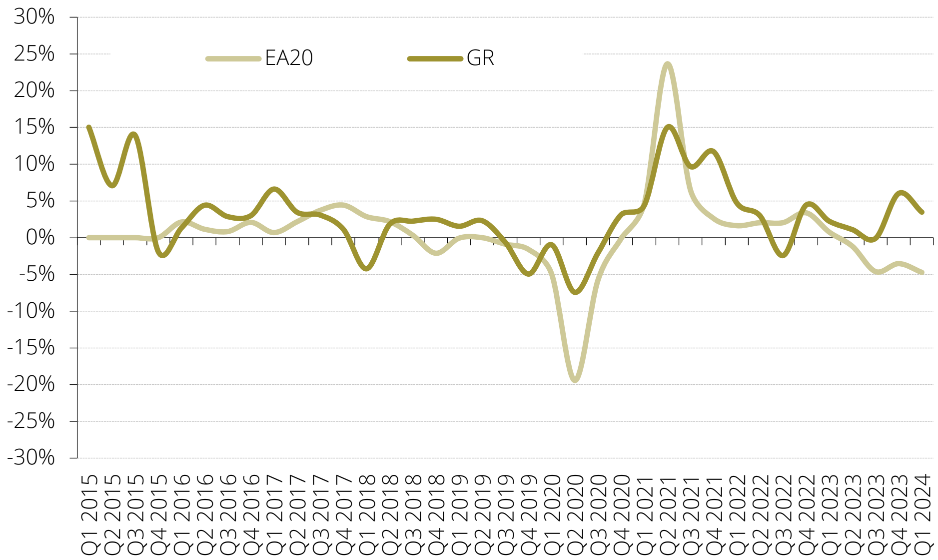
In the initial five-month period of 2024, the industrial production index in Greece saw a 5.8% increase, a notable rise compared to the 2.7% growth observed in 2023. In the euro area, the latest data indicates a 4.3% contraction in industrial production during the first quarter of 2024, a stark contrast to the marginal improvement witnessed a year earlier (0.6%).

The general producer price index in manufacturing saw a 2.9% decline over the first five months of 2024, a less pronounced decrease than the 4.5% drop observed in the same period of 2023. The decline in the general index was driven by both the international (-6.4% instead of +43.0% in 2022) and the domestic market (-4.6% instead of -3.9%). Given the noted increase in production, the 2.7% decline in turnover (instead of +5.3%) also appears to be the result of the price deceleration.

Growth was recorded in all the main sectors of Greek industry, despite mixed trends compared to the corresponding period of 2023. In more detail, production increased compared to the corresponding five-month period of 2023 in the following sectors: Electricity Supply (14.4% instead of -12.3%), Water Supply (4.0% instead of -1.7%), Mining (2.7% instead of 13.5%) and Manufacturing (4.1% instead of 6.4%).

Figure 3.4

Industrial Production Index in Greece and in the Euro area (year-on-year % change)



The overall index saw a 5.8% increase in the first five months of 2024.

Sources: ELSTAT, Eurostat

Construction

The construction sector experienced a 4.7% increase in production in the first quarter of 2024. This followed a more substantial growth of 26.7% in the corresponding period of 2023. In contrast, the Eurozone saw a 0.7% contraction in construction output, a notable deviation from the previous year's growth of 1.6%.

In Greece, output of building works increased by 10.5% in the second quarter of 2023, following a 24.1% increase in the first quarter of the year. The Civil Engineering index demonstrated a slight improvement, with a 0.8% increase instead of the reported 28.5% growth in 2023. The aforementioned indicators indicate a deceleration in the rate of growth of construction activity during the first quarter of 2024. However, the sustained increase in the issuance of new building permits (42.2% instead of 13.5% in the first quarter of 2023) indicates that production indicators will strengthen in the near term. This is further supported by the continued strengthening of expectations in the first half of 2024, with the relevant index increasing by 10 points compared to the 2023 average.

Figure 3.5

Production Index in Construction and Building Activity Index

In the first quarter of 2024, production grew more slowly (4.7%) while construction grew faster (42.2%).

Source: ELSTAT, IOBE

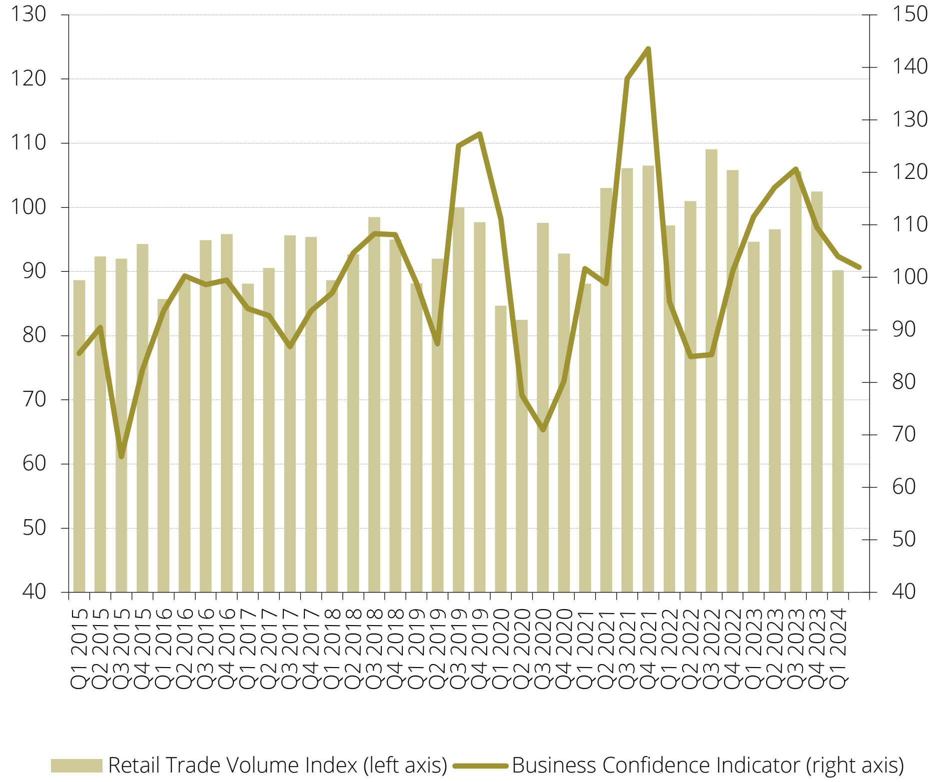
Retail Trade

In the first quarter of 2024, the volume index in retail trade fell by 5.1% compared to the same period the previous year, when it fell by less (3.2%). Two sub-sectors saw an increase in volume. The biggest increases were registered in Pharmaceuticals (1.6%, instead of 5.6% decline in 2023) and Fuels & Lubricants (0.8%, instead of -4.3%). Furniture and electrical goods (-12.7%) and books and stationery (-9.1%) saw volume contraction. Department stores (-8.5%), food and drink (-7.7%), and supermarkets (-2.7%) also saw declines.

Retail trade expectations for the first half of 2024 are lower than for the same period in 2023. The relevant index fell by 9.5 points compared to an increase of 21.7 points in 2023. This was due to lower expectations in two sub-sectors of retail. Motor Vehicles & Parts saw a 10.0-point drop (instead of a 19.4 point gain in 2023), as did Food & Beverages (-18.1 points instead of +42.7 points).

Figure 3.6

Retail Trade Volume Index (2021=100) and Retail Trade Confidence Indicator (2000-2010=100)



In the first four months, retail trade volume decreased by 5.1%. Mixed trends in expectations with a decline in the overall index.

Sources: ELSTAT, IOBE

In Cars, the index was lower in the 2023 period but higher than in the 2020-2022 periods. The balance of current sales was 26 points, with an equal increase in those who saw sales go up and down. Inventories grew, with the relevant balance rising to 29 points compared to -12 points in 2023. More orders are being placed, with the balance at 20 points, up from 13 points last year. The balance for sales expectations increased to 36 points, up from 25 points in 2023. More firms expect sales to increase in the coming period. Trends for employment and prices remained stable. The share of those expecting a price increase fell to 37%, compared to 57% in 2023.

In contrast, there is greater optimism among representatives of Clothing/Footwear (+8.6 points following a 26-point gain last year), Home Appliances (+8.0 points instead of +11.6 points last year) and Department Stores (+6.7 points instead of +16.1 points in the corresponding period of 2023).

Table 3.3

Volume Index in Retail Trade, annual changes

Category of Retail Trade Stores	Volume Index (2010=100)				
	Q1 2022	Q1 2023	Q1 2024	Change 2023/2022	Change 2024/2023
Overall Index	99.0	95.8	90.9	-3.2%	-5.1%
Overall Index (excluding automotive fuels and lubricants)	97.1	95.1	90.6	-2.1%	-4.8%
Store Categories					
Supermarkets	96.3	90.0	87.6	-6.5%	-2.7%
Department Stores	98.6	106.1	97.1	7.7%	-8.5%
Automotive Fuels	101.9	97.5	98.3	-4.3%	0.8%
Food – Drink – Tobacco	91.5	91.8	84.8	0.3%	-7.7%
Pharmaceuticals – Cosmetics	106.7	100.7	102.3	-5.6%	1.6%
Clothing – Footwear	91.1	97.3	97.1	6.8%	-0.3%
Furniture – Electric Equipment – H. Appliances	94.4	105.9	92.5	12.3%	-12.7%
Books – Stationary	101.2	105.5	95.8	4.2%	-9.1%

Source: ELSTAT

Table 3.4

Business Confidence Indicators in Retail Trade (1996-2006=100)

	H1 2022	H1 2023	H1 2024	Change 2023/2022	Change 2024/2023
Food-Drinks-Tobacco	58.8	101.5	83.4	42.7	-18.1
Textiles - Clothing – Footwear	82.8	108.9	117.5	26.1	8.6
Household Appliances	98.0	109.6	117.6	11.6	8.0
Vehicles-Spare Parts	106.8	126.2	116.2	19.4	-10.0
Department Stores	90.6	106.7	113.4	16.1	6.7
Total Retail Trade	93.3	114.3	104.8	21.0	-9.5

Source: IOBE

Wholesale Trade

In the first quarter of 2024, the volume index in Wholesale Trade declined by 17.4%, a notable shift from the 5.1% growth observed in 2023. Similarly, the turnover index, which reflects the influence of pricing, saw a 11.5% contraction, contrasting with the 6.9% expansion witnessed in 2023.

Services

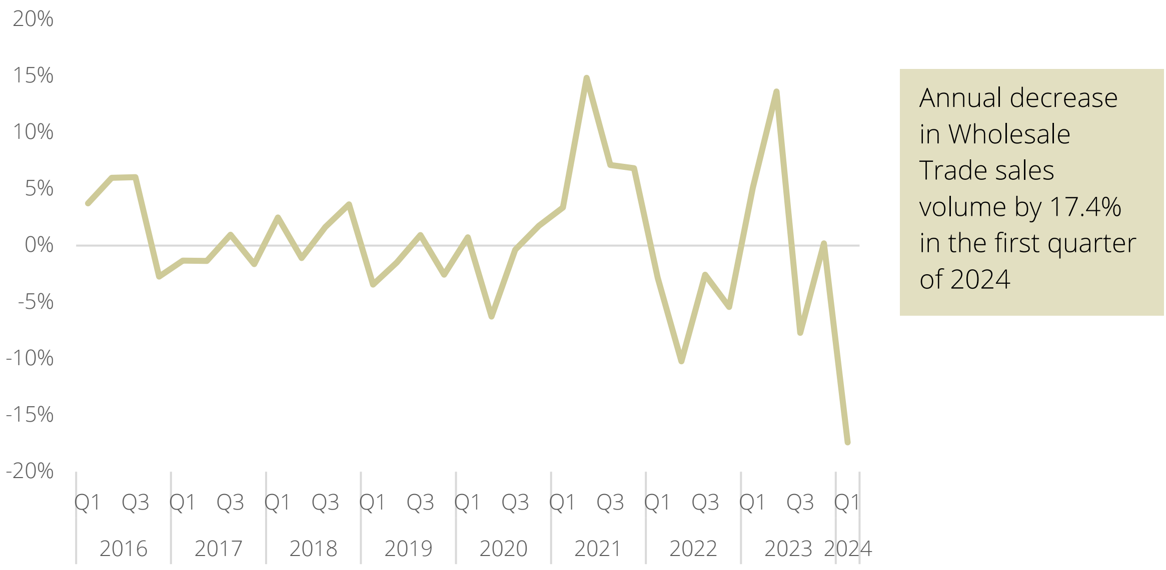
In the first quarter of 2024, services turnover showed growth in ten of the fourteen subsectors, compared to the same period in 2023.

The largest increases were recorded in Office Administrative Services (44.7% instead of a 2.5% loss in 2023), Publishing Services (23.7% instead of a 7.4% decline in 2023), and Advertising and Market Research Services (23.4% instead of 8.8%). The following sectors also saw notable growth: Building Services (+10.6% vs. +14% in 2023), Information Services (+8% vs. +22.8%), Investigation and

Protection Services (+7% vs. an increase of +16.9%), and Other Scientific and Professional Services (+6.5% vs. +32%). The telecommunications sector grew by 3.6% (compared to 3.2% last year), while legal and accounting services increased by 0.3% (versus a 4.4% increase in the same period in 2023). It is evident that in most sub-sectors of services, turnover expansion is slowing compared to the first quarter of 2023.

Figure 3.7

Turnover Index in Wholesale Trade (2021=100)



Source: ELSTAT

In contrast, the rate of turnover is lower in the following sectors: data processing services (-21.4% instead of 38.5% in 2023), architectural and engineering services (-11.9% instead of +25.4%), employment-related services (-13.9% instead of +5.8%) and postal services (-10.5% instead of -0.1%).

Table 3.5

Business Confidence Indicators in Services (2000-2010=100)

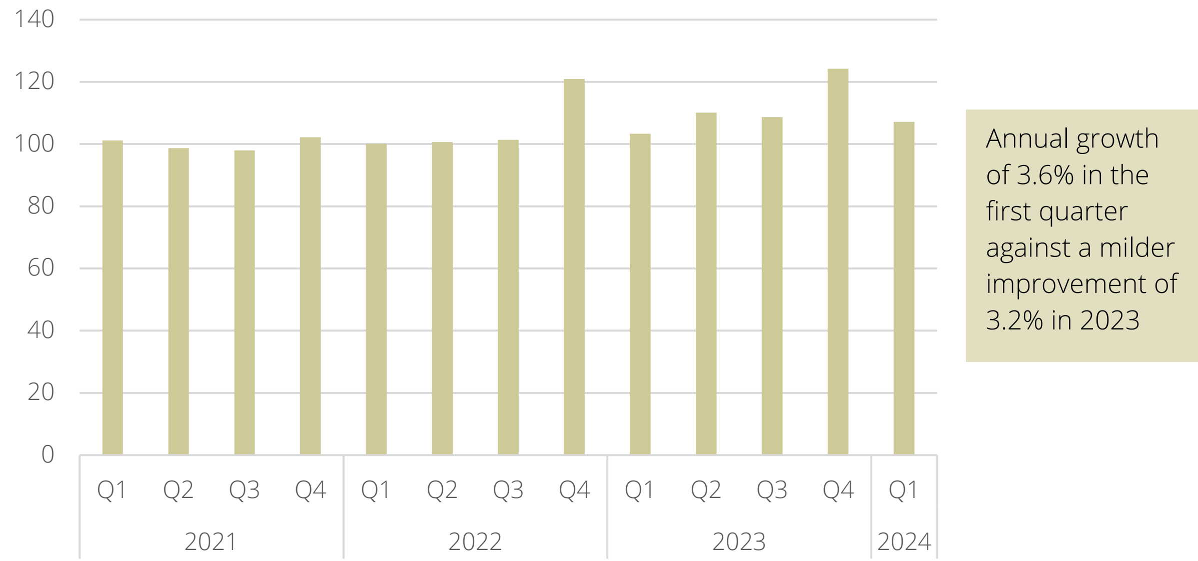
	H1 2022	H1 2023	H1 2024	Change 2023/2022	Change 2024/2023
Hotels – Restaurants – Travel Agencies	121.3	128.1	139.1	6.8	11
Financial Intermediation	120.9	111.4	142.8	-9.5	31.4
Other Business Services	113.2	106.4	114	-6.8	7.6
Information Services	103.7	101.1	102.3	-2.6	1.2
Total Services	**106.8**	**105.2**	**124.7**	-1.6	19.5

Recent trends in the leading indicators from the IOBE's Business and Consumer Surveys, whose values refer to the first half of 2024, indicate strengthening expectations across all surveyed subsectors of services. This is evidenced by an overall sector index improvement of 19.5 points, in contrast to a decline of 1.6 points in the corresponding period of 2023.

In particular, the largest increase in expectations was recorded in Financial Intermediaries (+31.4 points instead of a decrease by -9.5 in 2023), followed by Miscellaneous Business Services (+7.6 points instead of -6.8 in 2023), Hotels - Restaurants - Travel agencies (+11 points instead of 6.8 last year) and Information Technology services (1.2 points instead of -2.6 points in 2022).

Figure 3.8

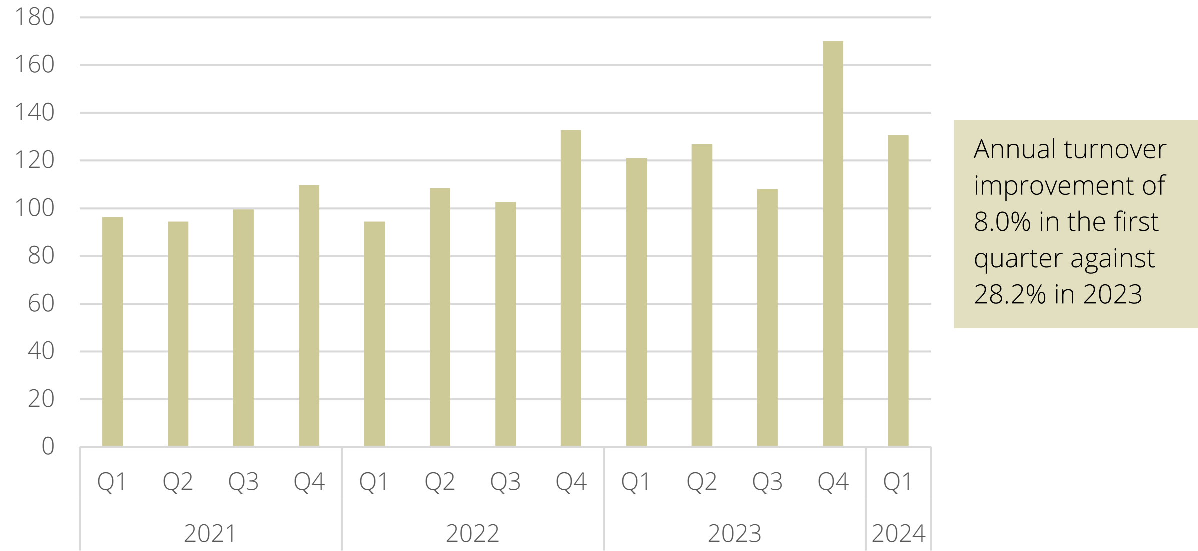
Turnover Index in Telecommunications (branch 61)



Source: ELSTAT

Figure 3.9

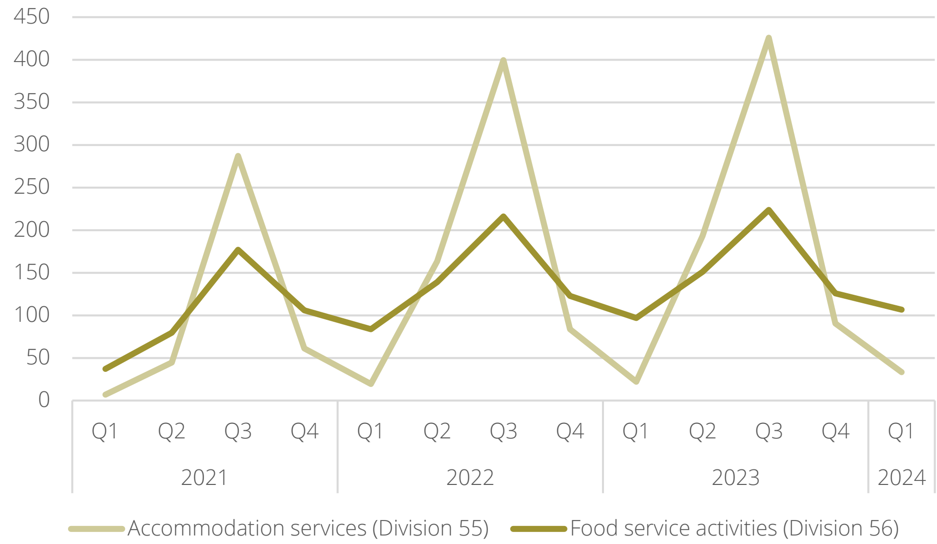
Turnover Index in Computer Programming, Consultancy and Related Activities (branch 62)



Source: ELSTAT

Figure 3.10

Turnover of Tourism (Accommodation and food service activities) (Sectors 55 & 56)



Annual growth of 52% in the index of accommodation supply in the first quarter of 2024 compared to 14% in 2023. Softer growth in Food Services (+10% compared to 16% last year)

Source: ELSTAT

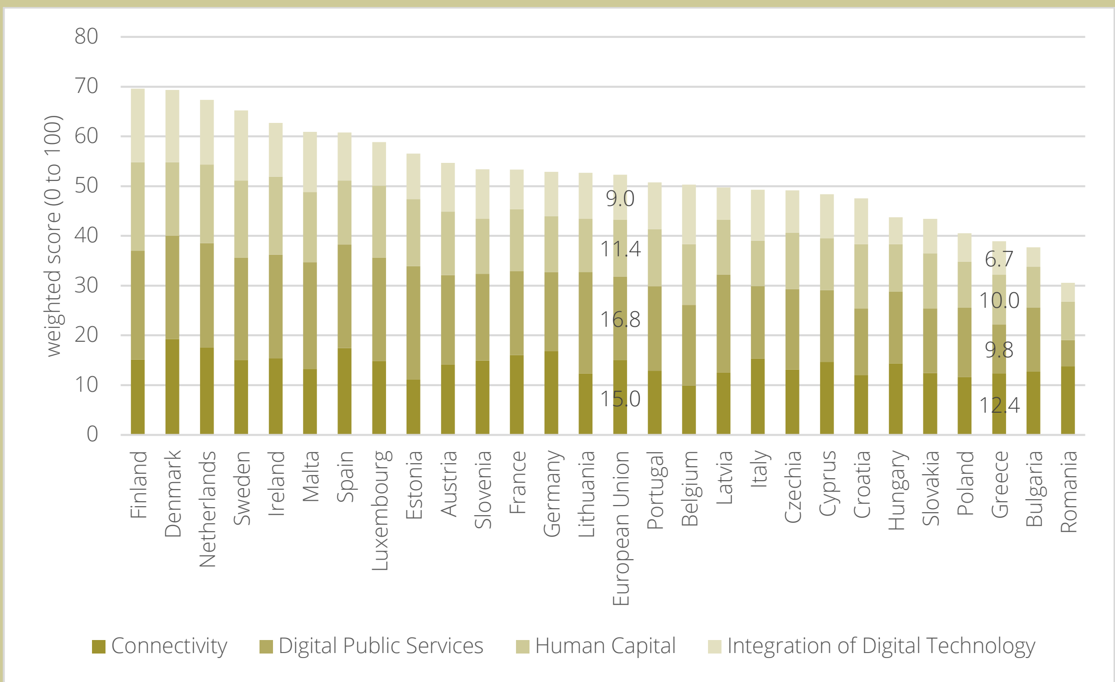
Text Box of section 3.2

Evolution of the DESI digital performance index in Greece compared to other EU countries

Since 2014, the European Commission has been monitoring the digital progress of Member States and publishing annual reports on the Digital Economy and Society Index (DESI). The DESI provides a ranking of Member States according to their level of digitisation and analyses their relative progress over the last five years, taking into account their starting point. The indicator is now aligned with the European Commission's "Digital Decade Policy Programme", which sets EU-wide targets to be achieved by 2030 to ensure an integrated and sustainable digital transformation across all sectors of the economy.

The overall index is calculated by weighting the individual scores in four main categories: connectivity, human capital, digital public services and digital technology integration. Greece is ranked 25th out of 27 EU Member States in the 2022 edition of the Digital Economy and Society Index (DESI), with an overall score of 38.9 out of 100. Finland and Denmark occupy the top positions with scores of 69.6 and 69.3, respectively, while the European average is estimated at 52.3 points. Greece's largest gap compared to the European average is recorded in digital public services, followed by connectivity (Figure B.3.2.1).

Figure B.3.2.1. Digital Economy and Society Index (DESI) in EU27 countries, 2022

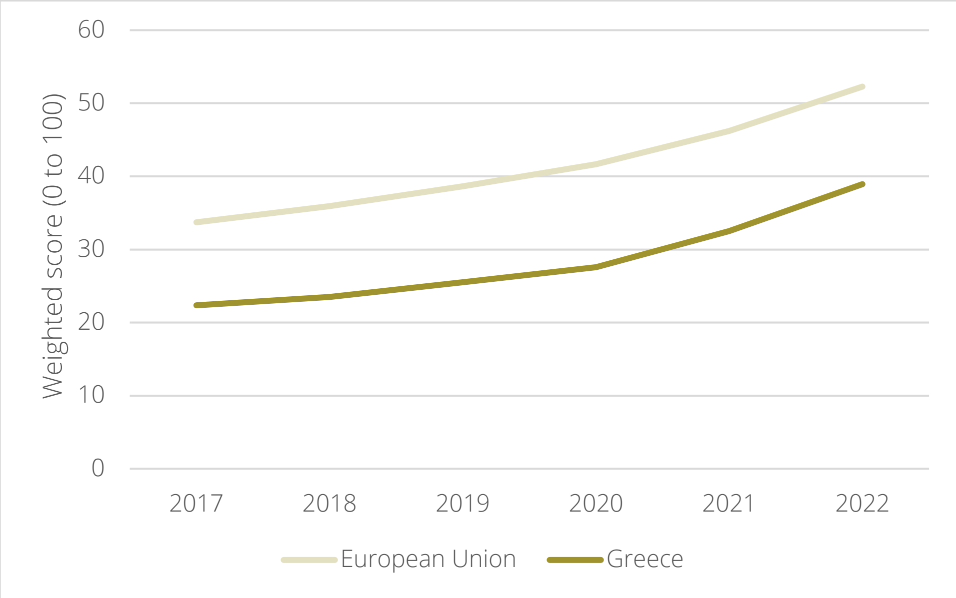


Source: European Commission. Data processing: IOBE.

Over time, Greece's overall performance has shown a marked improvement, in line with the EU-27 average. In particular, from 2020 (the year of the pandemic) onwards, there has been a notable acceleration in the pace of digitisation (Figure B.3.2.2). In terms of individual categories, Greece has made significant progress in connectivity, particularly in the areas of very high-capacity network coverage and 5G. Nevertheless, further progress is required, particularly in terms of fixed broadband penetration of at least 100 Mbps, which remains significantly below the EU average (41%) at just 9%. In the area of digital public services, the number of active users of eGovernment services increased from 67% in 2021 to 69% in 2022, exceeding the EU average of 65% by 4 percentage points. Furthermore, the country has made notable strides in ensuring its population possesses at least fundamental digital competencies. At 52%, Greece is nearly on par with the EU average of 54%.

However, in terms of integrating digital technologies into business operations, Greece's performance lags behind the EU average. Only 39% of small and medium-sized enterprises (SMEs) in Greece have attained a minimum level of digital proficiency, compared to the EU average of 55%.

Figure B.3.2.2. Evolution of DESI in Greece and EU27, 2017-2022



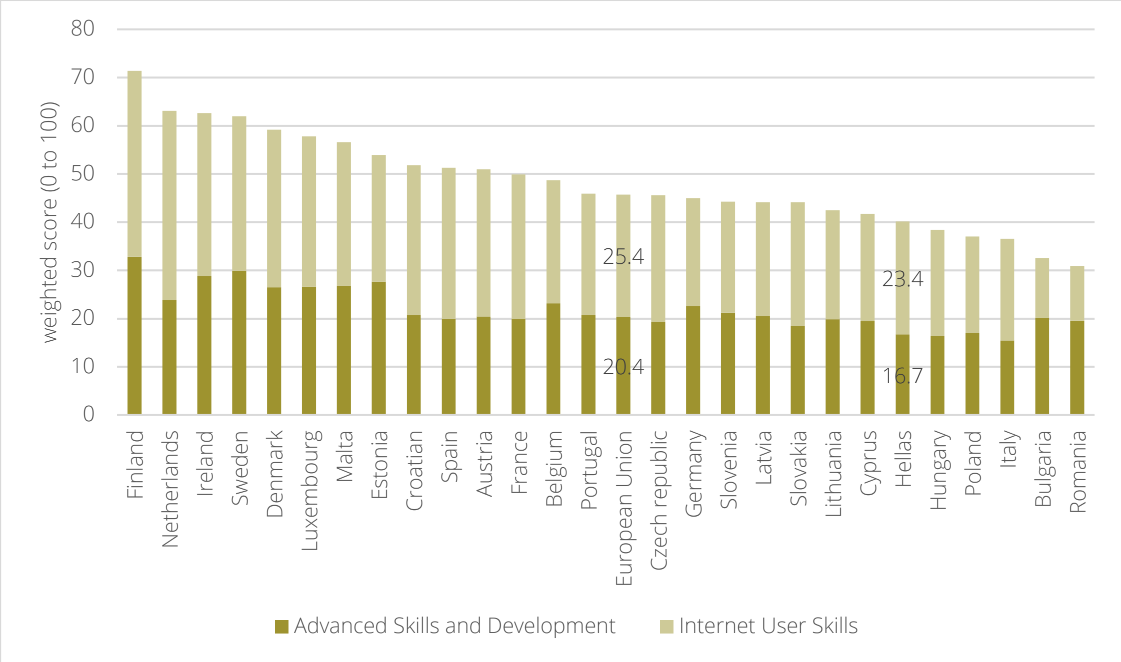
Source: European Commission. Data processing: IOBE.

In terms of human capital, Greece ranks 22nd out of 27 EU countries, below the EU average. The greatest discrepancy is observed in the category of advanced skills and development (Figure B.3.2.3). 52% of individuals (aged 16-74) have at least basic digital skills, which is very close to the EU average of 54%. However, in the 16-24 age group, Greece is a strong performer, with 88% of young people having at least basic digital skills, significantly above the EU average (71%). The proportion of individuals with expertise in information and communication technology (ICT) remains low (2.8%), compared to the EU average (4.5%). However, the representation of women in ICT roles (21%) is above the EU average (19%). In terms of operational training, only 12% of enterprises provided ICT training to their staff in 2020, compared to the EU average of 20%.

The "Digital Transformation Paper", presented by the Ministry of Digital Governance in 2020, was enacted as state law on 5 July 2021. It sets out a five-year strategy for the digital transformation of Greece, covering six key areas: (i) connectivity, (ii) digital skills, (iii) the digital state, (iv) digital businesses, (v) digital innovation and (vi) the integration of digital technology across all economic sectors. Greece also participates in a wide range of European initiatives and programmes, such as the Technical Assistance Facility and the Horizon 2020 research and innovation funding programme (e.g. the GLASS project), which contribute to the country's digital transformation. Furthermore, the impact of the global pandemic has accelerated the digital transformation of public services. The Russian invasion of Ukraine has prompted the implementation of strategic actions and restrictive measures that were initiated much earlier than anticipated.

While Greece has made rapid and tangible progress in the digitisation of public services in recent years (e.g. in less than 3 years, more than 1,500 public services have been made available online to citizens and businesses, drastically reducing the time needed to obtain services), it has to address significant gaps in other dimensions, such as the low coverage of very high-capacity networks and the low number of people employed as Information and Communication Technology (ICT) specialists.

Figure B.3.2.3. DESI sub-index for Human Capital in EU27 countries, 2022



Source: European Commission. Data processing: IOBE.

3.3 External balance

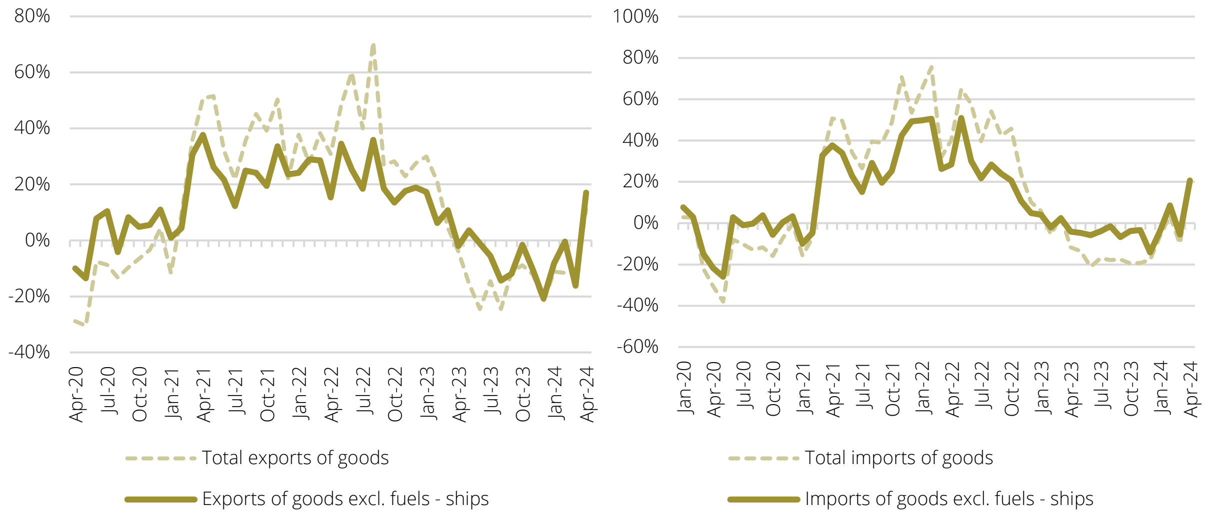
A. Analysis of exports and imports from national accounts

- Exports of products in nominal terms declined in the first quarter of 2024, at a rate of 6.1% and exports excluding petroleum products fell by 3.0%.
- Increase in imports in the January-April 2024 quarter, by 0.8% in current prices, as they stood at €27.0 billion, up from €26.8 billion a year earlier.
- Trade deficit increased by 14.3% year-on-year in 2023, to €10.4 billion.
- Decline in exports in all product categories, with the largest decline in Fuels (-10.9%).
- Decrease in demand from Eurozone countries (-9.8% or -€717.4.1 million) and from Middle East & North Africa countries (-20.0% or €464.8 million).

Exports of goods in January-April 2024 were €16.6 billion, compared with €17.7 billion a year earlier, a fall of 6.1% at current prices. Excluding exports of petroleum products - ships, other exports fell by 3.0% to €11.8 bn, compared with €12.1 bn in 2023. Imports of goods increased by 0.8% at current prices to €27.0 bn in 2024, from €26.8 bn in the previous year. Excluding imports of petroleum products - ships, other imports increased by 4.5% to €20.7 bn, from €19.8 bn in 2023. As a result of the above trends in the main components of the external goods account, the trade deficit is €1.3 billion higher than in 2023 (+14.3%), at €10.4 billion, compared to €9.1 billion in 2023. As a result, the value of the Greek economy's exports of goods accounted for 61.5% of its imports in the first quarter of 2024, compared with 66.0% a year earlier.

Figure 3.11

Total exports-imports of goods and exports-imports of goods except fuels and ships (current prices)



Source: ELSTAT, Data processing: IOBE

Exports excluding petroleum products - ships were valued at €16.8 billion in January-April 2024, 6.4% lower than in 2023. Imports excluding oil products - ships were valued at €27.8 billion in the same period, 1.1% higher than in 2023.

In more detail, exports of agricultural products fell by 1.8% at current prices in January-April 2024, to €3.5 bn, from €3.6 bn in 2023. Exports of fuels fell by 10.9% in nominal terms, to €5.2 bn, from €5.9 bn in 2023. Exports of these two specific categories account for 52.7% of the value of domestic exports of goods in 2024, down from 53.5% in the previous year. Exports of manufactured goods declined in the first four months of 2024 (-4.5%), reaching a value of €7.1 billion, compared with €7.5 billion in 2023. This was mainly due to a 6.2% fall in exports of manufactured goods, classified chiefly by raw materials, from EUR 2.5 bn to EUR 2.3 bn. There was also a decline in exports of chemicals and related products (-3.5%, to EUR 2.1 bn). Similarly, international demand for machinery and transport equipment fell by 6.8% to €1.5 billion, while exports of miscellaneous manufactured articles increased by 0.6% to €1.13 billion (€1.12 billion in 2023).

In terms of trends by geographical region, exports of goods to euro area countries fell by 9.8% in 2023, reaching €6.6 billion, down from €7.4 billion in 2023. For the EU as a whole, there was an annual decline of 11.5%, or €1.2 bn, with exports to this region reaching €9.1 bn, down from €10.3 bn in the previous year. Among the countries of the euro zone, which receive the largest share of Greek exports, there was a 34.8% decline to France, from € 749.3 mn to € 488.7 mn, and a 1.7% decline to Germany, from € 1.20 bn to € 1.18 bn. Exports of goods to the largest destination, Italy, also fell by 21.1%, from €2.3 billion in 2023 to €1.8 billion in 2024.

Table 3.6

Exports per one-digit category at current prices, January –April (€ million)*

Product	Value		% Change	% Share	
	2024	2023	24/23	2024	2023
AGRICULTURAL PRODUCTS	3,509.4	3,574.4	-1.8%	21.1%	20.2%
Food and Live Animals	2,688.8	2,449.7	9.8%	16.2%	13.9%
Beverages and Tobacco	448.4	393.1	14.1%	2.7%	2.2%
Animal and vegetable oils and fats	372.2	731.6	-49.1%	2.2%	4.1%
RAW MATERIALS	587.6	618.7	-5.0%	3.5%	3.5%
Non-edible Raw Materials excluding Fuels	587.6	618.7	-5.0%	3.5%	3.5%
FUELS	5,244.2	5,885.1	-10.9%	31.6%	33.3%
Mineral fuels. lubricants. etc	5,244.2	5,885.1	-10.9%	31.6%	33.3%
INDUSTRIAL PRODUCTS	7,079.0	7,414.7	-4.5%	42.6%	41.9%
Chemicals and Related Products	2,087.9	2,164.7	-3.5%	12.6%	12.2%
Manufactured goods classified chiefly by raw material	2,319.9	2,473.7	-6.2%	14.0%	14.0%
Machinery and transport equipment	1,539.5	1,651.5	-6.8%	9.3%	9.3%
Miscellaneous manufactured articles	1,131.7	1,124.8	0.6%	6.8%	6.4%
OTHER	179.4	194.5	-7.8%	1.1%	1.1%
Transactions not classified by category	179.4	194.5	-7.8%	1.1%	1.1%
TOTAL EXPORTS	16,599.6	17,687.4	-6.1%	100.0%	100.0%

* Provisional data

Source: ELSTAT, PSE-KEEM

Among the other countries of the European Union, to which total exports fell by 16.0% or €463.2 million to reach €2.4 billion, Bulgaria remained the main export destination, with outflows to this country falling by 35.7% or €526.1 million compared to 2023. Mixed trends were observed towards two other countries absorbing a significant share of Greek exports, Romania (-6.5% or €39.1 million to €564.5 million) and Poland (+13.8% or €42.1 million to €347.5 million).

Demand for Greek exports to the rest of Europe increased by 14.7%, from €3.0 billion in 2023 to €3.4 billion a year later. This is primarily the case in Ukraine, where exports are up 174.2%, from €173.2m to €475.0m, and secondarily in the UK, with an increase of 24.9%, from €515.0m in 2023 to €643.5m in 2024.

Exports to North American countries increased by 20.8%, from €738.8 billion in the fourth quarter of 2023 to €892.4 million in 2024, driven by a 20.6% increase in exports to the United States, from €611.0 million in 2023 to €736.9 million in 2024. Similarly, exports to Canada increased by 35.6%, or €26.4 million, to €100.6 million, and exports to Mexico (+2.5%) increased to €54.9 million.

Exports to the markets of Central and Latin American countries increased by 22.5% in January-April 2024, with their value reaching 112.2 million euros, compared to 91.6 million euros in 2023. The increase in exports to the countries of this region is mainly due to the 93.3% increase in demand for Greek products from Brazil, which raised their value to 25.3 million euros from 13.1 million euros a year earlier. Exports to Panama also increased (+10.8% or 5.4 million euro) to 55.3 million euro.

Exports to the Middle East and North Africa also fell, by 20.0% from €2.3 billion to €1.9 billion, mainly due to the sharp decline in exports to Libya (-63.0%), where they amounted to €283.0 million in January-April 2024 compared with €764.7 million a year earlier, but also to Lebanon (-63.0%), where they fell by €136.7 million compared with €425.6 million a year earlier. Exports to the United Arab Emirates, another important Middle Eastern destination, fell by 11.4% to €126.0 million. Exports to Saudi Arabia fell by 29.3% to €114.7 million.

A slight decrease in demand for Greek goods was recorded towards Asian countries, where exports decreased by 0.1% in the four months of 2024, to €790.0 million, from €790.8 million in 2023. This development was mainly due to a 31.4% decrease in exports to Japan, from €125.8 million in 2023 to €86.3 million in 2024. Demand from South Korea is also down (-36.8%, from €212.2 million in 2023 to €175.4 million in 2024).

Table 3.7

Exports by destination, January- April 2024 (€ million)*

ECONOMIC UNIONS – GEOGRAPHIC REGION	EXPORTS		% CHANGE
	2024	2023	24/23
EU (27)	9,072.8	10,253.4	-11.5%
Euro Area	6,632.7	7,350.1	-9.8%
G7	5,026.0	5,542.5	-9.3%
North America	892.4	738.8	20.8%
BRICS	236.4	264.1	-10.5%
Middle East & North Africa	1,859.7	2,324.5	-20.0%
Oceania	76.8	71.1	7.9%
Central-Latin America	112.2	91.6	22.5%
Asia	790.0	790.8	-0.1%

* Provisional data

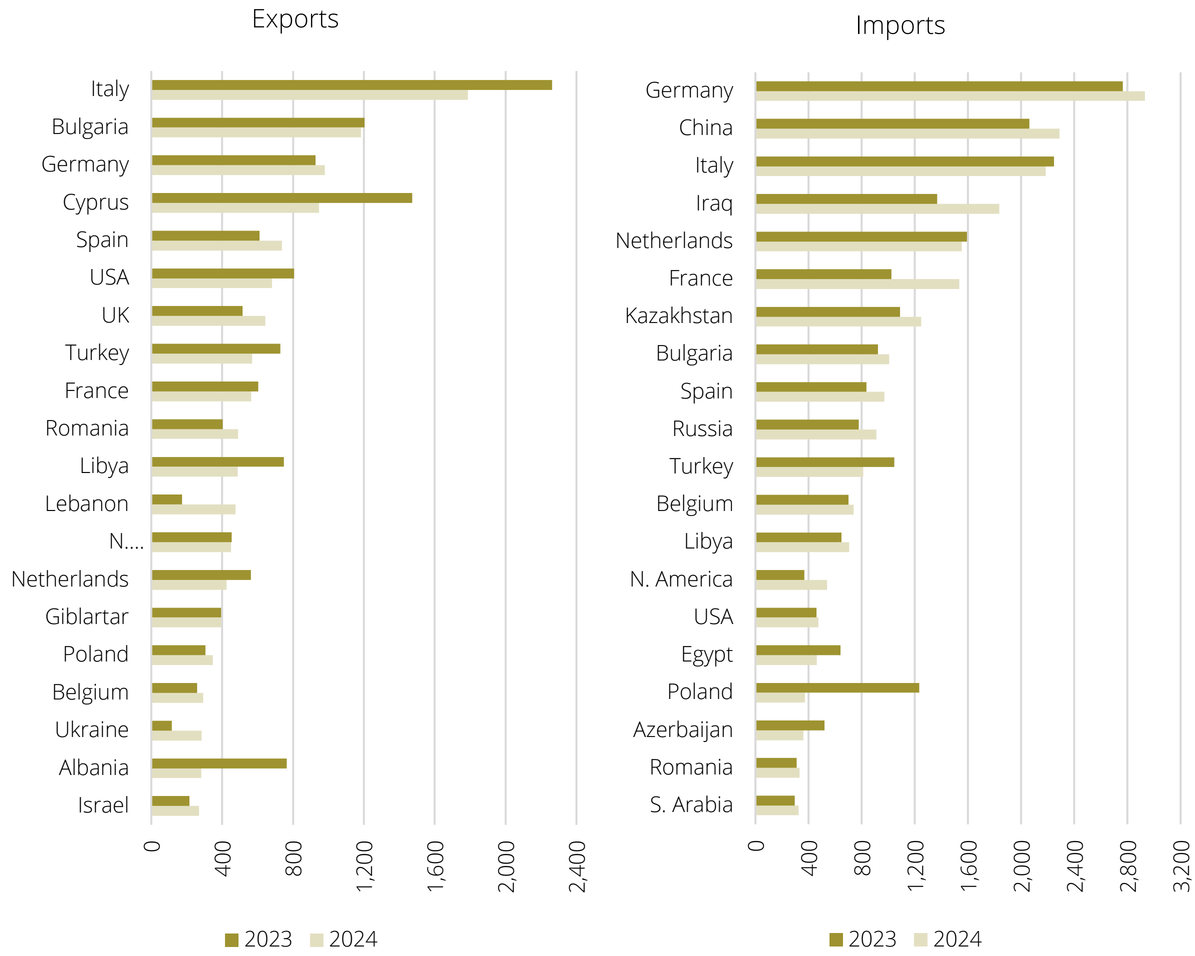
Source: ELSTAT, PSE-KEEM

Exports of Greek products to Oceania increased by 7.9%, reaching a value of €76.8 million in the four months of 2024, compared with €71.1 million a year earlier. The increase was driven by a similar trend to Australia, where exports rose by 7.0% to €69.8 million from €65.2 million a year earlier. There was also an increase to New Zealand (+18.7%).

Figure 3.12

Countries with the largest share in the exports and imports of Greek goods, January – April 2024

(€ million, current prices)



Source: ELSTAT, PSE-KEEM. Processing: IOBE

Largest increase in exports of goods in the first four months of 2024 in absolute terms to Ukraine (+€301.7 million). Largest decrease to Bulgaria (-€526.1 million). Italy's share of exports remains the highest. Largest import increase in the same period of 2024 in absolute terms from Kazakhstan (+€511.5 billion), largest decrease from Russia (-€858.8 million).

To recapitulate, the 6.1% decline in Greece's exports of goods at current prices in January-April 2024 was caused by the decline in all product categories: agricultural products (-1.8%), petroleum products (-10.9%), raw materials (-5.0%), manufactured goods (-4.5%) and goods and transactions not classified into categories (-7.8%). The five countries with the highest demand for Greek products are Italy, Germany, Cyprus, Bulgaria and the USA. Conversely, imports increased by 0.8%, widening the deficit to 10.4 bn euro (+14.3%). The five countries with the largest share of imports of goods in the 12 months to 2023 are Germany, Italy, China, Iraq and the Netherlands. Greek exports fell in the first quarter of 2024, linked to the ongoing military conflicts in the Middle East and Ukraine, but also to inflationary pressures combined with high interest rates. There is optimism that exports will return to positive growth later in the year, but the international environment remains uncertain, and the challenges are many and complex.

B. Balance of payments

- In the first quarter of 2024, the current account (CA) deficit widened compared to 2023, reaching €6.7bn, compared to €5.8bn in 2023.
- The goods account deficit increased and the primary income account deteriorated in the first quarter, while the services and secondary income accounts improved.

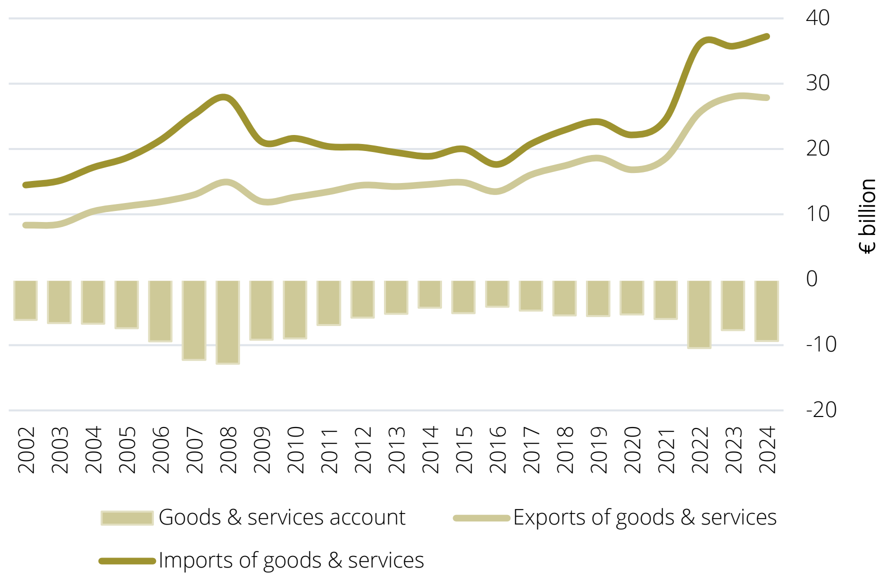
Current Account

January – April 2024

In the first four months of 2024 (January - April), the current account (CA) recorded a deficit of 6.8 billion euro, an increase of 1.0 billion euro compared with 2023. The deterioration in the balance was driven by an elevated deficit in the goods account and a deterioration in the primary income account, while an improvement was recorded in the services and secondary income accounts.

Figure 3.13

Imports-Exports of Goods and Services (January – April), 2002-2024



Expansion of the goods and services deficit in the fourth quarter of 2024 to €9.4 billion, with an increase of €1.7 billion.

Source: Bank of Greece, Data processing: IOBE

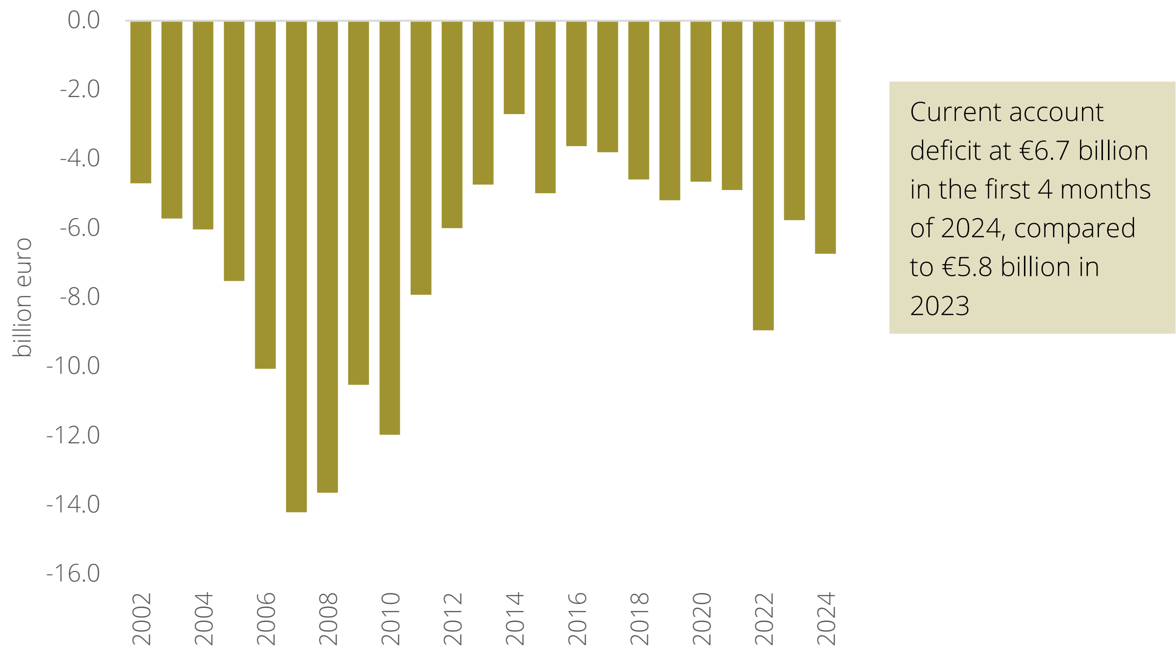
In particular, the deficit in the goods account amounted to €11.5 billion in 2024, an increase of €1.9 billion compared to 2023. Exports fell to €16.4 bn (-€1.0 bn),[9] with the category of other goods registering a decrease of €371 mn and fuel a decrease of €563 mn. Imports of goods rose to €28.0

[9] The amounts in brackets express the absolute change in relation to the corresponding period of the previous year, in current prices, unless otherwise indicated.

bn (€934 mn), with a very large increase in imports of other goods of €1.5 bn, partly offset by a fall in imports of fuel of €607 mn.

Figure 3.14

Current Account (January – April), 2002-2024



Source: Bank of Greece, Data processing: IOBE

The surplus of the services account increased by €267 million to €2.2 billion in the first quarter of 2024. Total receipts of services amounted to €11.4 bn, up €836 mn compared to 2023, while payments amounted to €9.3 bn, up €569 mn; receipts of travel services amounted to €1.8 bn, up €408 mn compared to the already high levels of last year; receipts of transportation services reached €6.8 billion, up marginally, while receipts from other services reached €2.8 billion, up €384 million; payments for travel services rose to €829 million (+€133 million), payments for transport services increased marginally to €5.9 billion, while payments for other services reached €2.6 billion, up €420 million.

The primary income account deteriorated to a deficit of €486 million in 2024, compared with a surplus of €134 million in the first four months of 2023. Receipts strengthened to €4.1 billion, with an increase of €322 million, while payments increased to €4.6 billion, with an increase of €942 million. The main reason for the increase in payments remains investment payments (profits, dividends, interest), which rose by €922 million in January-April 2024.

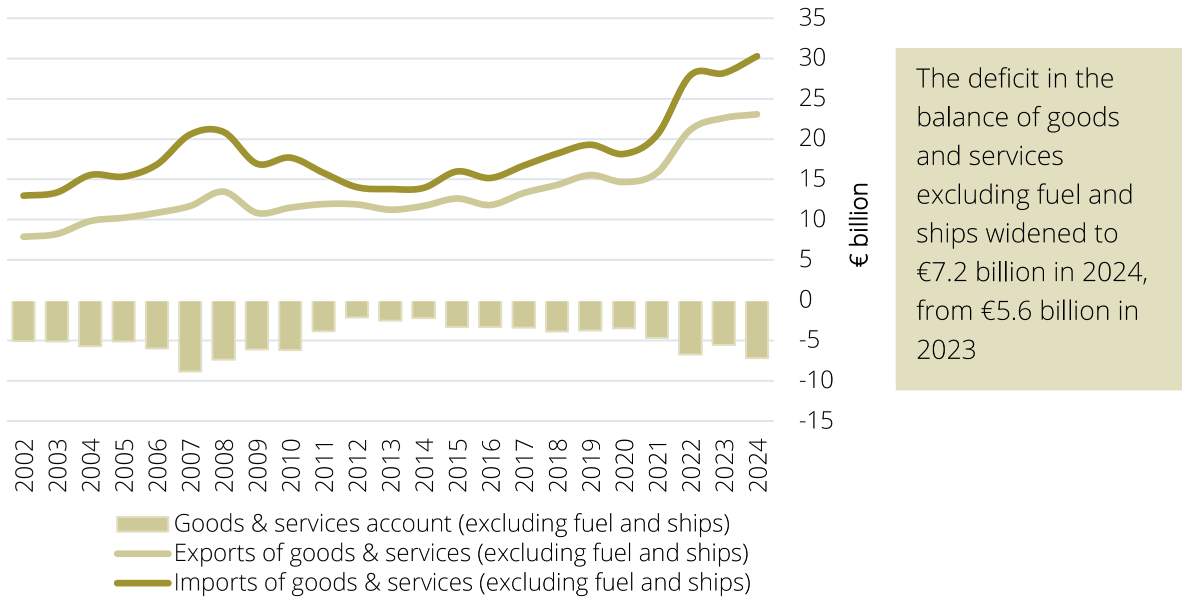
The secondary income account improved significantly to €3.1 billion in the first quarter of 2024, compared with €1.8 billion in 2023, with income rising to €4.5 billion (€1.4 billion) as a result of the inflow from the redistribution of the Eurosystem's monetary income to the Bank of Greece, while the payments side recorded a marginal strengthening to €1.4 billion (+€85 million).

Capital Account

The Capital Account[10] turned into a deficit in the first four months of 2024 and stood at €540 million, compared to a surplus of €1.9 billion in 2023, mainly due to the decrease in receipts to €111 million (-€1.9 billion), as the second tranche of the Recovery and Resilience Facility (RRF) was released in 2023, while payments increased to €651 million, compared to €62 million. Finally, the current and capital account, which reflects the relationship of an economy with the rest of the world as a lender or borrower, was in deficit at €7.3 billion, compared to €3.8 billion in 2023.

Figure 3.15

Imports-Exports of Goods excluding fuel and ships (January – April), 2002-2024



Source: Bank of Greece, Data processing: IOBE

Financial Account

The financial account turned into a deficit of €5.9 billion in the first four months of 2024, compared with €3.2 billion in 2023.

In the component accounts, residents' net claims on direct investment abroad increased by €504 million, while net liabilities to non-residents (non-residents' investment in the country) increased by €1.5 billion.

In the portfolio investment category, residents' assets abroad increased by €4.0 billion and liabilities to non-residents by €5.1 billion, mainly due to a €3.7 billion increase in placements in Greek bonds and bills.

[10] The capital account shows capital transfers, i.e., unilateral receipts and payments between residents and non-residents linked to fixed capital formation. Capital transfers mainly comprise part of the transfers (receipts) from the Community budget of the European Union to the General Government (withdrawals from the Structural Funds – except for the European Social Fund – and from the Cohesion Fund under the NSRFs).

In the other investments category, claims of residents against the rest of the world decreased by €4.6 billion, mainly due to a €4.1 billion decrease in investments in deposits and repos. Liabilities decreased by €857 million, as there was a €2.3 billion decrease in loan liabilities to non-residents and a €2.2 billion increase in deposits and repos held by non-residents in Greece.

Finally, the country's foreign exchange reserves stood at €13.4 billion at the end of April 2024, compared to €12.0 billion in 2023.

Table 3.8. Balance of payments (€ million)

		January – April			April		
		2022	2023	2024	2022	2023	2024
I	CURRENT ACCOUNT (I.A + I.B + I.C + I.D)	**-8,949.0**	**-5,762.3**	**-6,737.8**	**-1,745.1**	**-1,865.8**	**-2,687.8**
	GOODS AND SERVICES ACCOUNT (I.A + I.B)	**-10,446.6**	**-7,731.9**	**-9,383.4**	**-2,197.1**	**-1,486.4**	**-2,324.8**
I.A	GOODS ACCOUNT (I.A.1 - I.A.2)	**-12,198.6**	**-9,618.3**	**-11,536.7**	**-2,991.5**	**-2,293.5**	**-3,158.8**
	Oil balance	-3,639.8	-2,143.9	-2,100.0	-907.7	-325.0	-518.9
	Trade balance excluding oil	-8,558.8	-7,474.3	-9,436.8	-2,083.8	-1,968.5	-2,639.9
	Ships balance	-44.0	-14.4	-77.4	-16.6	-18.3	-24.3
	Trade balance excluding ships	-12,154.6	-9,603.8	-11,459.3	-2,974.8	-2,275.2	-3,134.5
	Trade balance excluding oil and ships	-8,514.7	-7,459.9	-9,359.4	-2,067.2	-1,950.2	-2,615.6
I.A.1	Exports of Goods	**15,499.5**	**17,405.9**	**16,421.7**	**4,057.5**	**3,910.9**	**4,371.8**
	Oil	4,386.4	5,314.3	4,751.1	1,222.7	1,174.7	1,212.0
	Ships (sales)	34.1	90.9	40.5	9.5	10.2	8.9
	Goods excluding oil and ships	11,078.9	12,000.7	11,630.1	2,825.4	2,726.0	3,151.0
I.A.2	Imports of Goods	**27,698.1**	**27,024.2**	**27,958.4**	**7,049.0**	**6,204.4**	**7,530.6**
	Oil	8,026.2	7,458.3	6,851.0	2,130.4	1,499.7	1,730.9
	Ships (buying)	78.1	105.3	117.9	26.1	28.5	33.2
	Goods excluding oil and ships	19,593.7	19,460.6	20,989.4	4,892.6	4,676.2	5,766.6
I.B	SERVICES ACCOUNT (I.B.1-I.B.2)	**1,752.0**	**1,886.4**	**2,153.4**	**794.4**	**807.1**	**834.0**
I.B.1	Receipts	**10,065.0**	**10,608.3**	**11,444.6**	**3,038.0**	**3,000.2**	**3,320.2**
	Travel	1,082.3	1,463.9	1,871.5	634.9	728.9	844.5
	Transportation	7,073.7	6,738.5	6,782.9	1,935.1	1,710.7	1,731.2
	Other services	1,908.9	2,405.9	2,790.1	468.0	560.6	744.5
I.B.2	Payments	**8,313.0**	**8,721.9**	**9,291.2**	**2,243.6**	**2,193.1**	**2,486.3**
	Travel	503.0	696.0	829.2	205.7	254.3	273.3
	Transportation	5,767.3	5,851.2	5,867.1	1,519.9	1,429.3	1,510.2
	Other services	2,042.8	2,174.7	2,594.9	518.0	509.6	702.7
I.C	PRIMARY INCOME ACCOUNT (I.C.1-I.C.2)	**933.6**	**134.0**	**-486.5**	**-92.2**	**-261.3**	**-222.4**
I.C.1	Receipts	**2,747.5**	**3,800.6**	**4,122.3**	**359.6**	**637.2**	**826.2**
	From work (wages, compensation)	79.0	71.5	73.9	20.5	18.7	20.7
	From investments (interest, dividends, profit)	962.0	1,872.7	2,803.7	232.6	536.2	755.0
	Other primary income	1,706.5	1,856.5	1,244.6	106.5	82.3	50.5
I.C.2	Payments	**1,813.9**	**3,666.6**	**4,608.7**	**451.8**	**898.5**	**1,048.6**
	From work (wages, compensation)	501.6	441.4	448.7	135.4	106.6	113.7
	From investments (interest, dividends, profit)	1,153.5	3,094.9	4,016.8	280.2	775.1	903.5
	Other primary income	158.8	130.3	143.2	36.2	16.7	31.4
I.D	SECONDARY INCOME ACCOUNT (I.D.1-I.D.2)	**564.0**	**1,835.6**	**3,132.1**	**544.2**	**-118.2**	**-140.6**
I.D.1	Receipts	**1,945.7**	**3,132.2**	**4,513.7**	**882.0**	**131.4**	**173.5**
	General government	1,306.2	1,994.8	486.3	772.8	27.4	16.8
	Other sectors	639.5	1,137.4	4,027.5	109.1	104.0	156.6
I.D.2	Payments	**1,381.6**	**1,296.6**	**1,381.6**	**337.8**	**249.6**	**314.0**
	General government	899.8	738.1	811.5	204.9	94.9	177.8
	Other sectors	481.8	558.5	570.1	132.9	154.7	136.2
II	CAPITAL ACCOUNT (II.1-II.2)	**913.4**	**1,953.4**	**-540.2**	**1,031.3**	**28.1**	**-115.3**
II.1	Receipts	**1,283.4**	**2,015.6**	**110.5**	**1,078.3**	**41.0**	**5.4**
	General government	1,109.6	1,523.6	88.4	1,014.7	16.3	0.1
	Other sectors	173.8	492.0	22.1	63.6	24.7	5.3
II.2	Payments	**370.0**	**62.2**	**650.7**	**46.9**	**12.9**	**120.7**
	General government	2.5	2.3	2.2	0.5	0.5	0.6
	Other sectors	367.5	59.9	648.6	46.5	12.4	120.1
	BALANCE OF CURRENT AND CAPITAL ACCOUNT (I+II)	**-8,035.5**	**-3,808.9**	**-7,278.0**	**-713.8**	**-1,837.7**	**-2,803.1**
III	FINANCIAL ACCOUNT (III.A+III.B+III.C+III.D)	**-6,934.1**	**-3,160.3**	**-5,894.2**	**-267.2**	**-1,321.7**	**-2,444.2**
III.A	DIRECT INVESTMENT*	**-3,249.5**	**-930.1**	**-969.3**	**-565.2**	**-130.6**	**-256.4**
	Assets	399.2	473.0	503.7	144.3	220.2	60.4
	Liabilities	3,648.8	1,403.1	1,473.0	709.5	350.8	316.9
III.B	PORTFOLIO INVESTMENT*	**3,296.2**	**-804.8**	**-1,153.2**	**-1,308.6**	**-2,193.5**	**1,781.5**
	Assets	5,845.4	2,265.3	3,961.0	298.5	-36.1	1,895.2
	Liabilities	2,549.1	3,070.1	5,114.2	1,607.1	2,157.4	113.8
III.C	OTHER INVESTMENT*	**-4,830.8**	**-1,836.3**	**-3,741.1**	**3,506.3**	**1,010.1**	**-4,013.9**
	Assets	-1,150.6	-536.6	-4,598.2	-182.1	-253.5	-1,114.2
	Liabilities	3,680.3	1,299.8	-857.1	-3,688.3	-1,263.7	2,899.7
	(Loans of general government)	-617.5	414.1	-1,435.2	-39.0	-3.6	-3.6
III.D	CHANGE IN RESERVE ASSETS**	**-2,150.0**	**410.9**	**-30.6**	**-1,899.7**	**-7.7**	**44.6**
IV	BALANCE ITEMS (I +II +IV +V = 0)	**1,101.4**	**648.6**	**1,383.8**	**446.6**	**516.0**	**358.8**
	RESERVE ASSETS (STOCK)***				**11,541.0**	**12,006.0**	**13,447.0**

Source: Bank of Greece

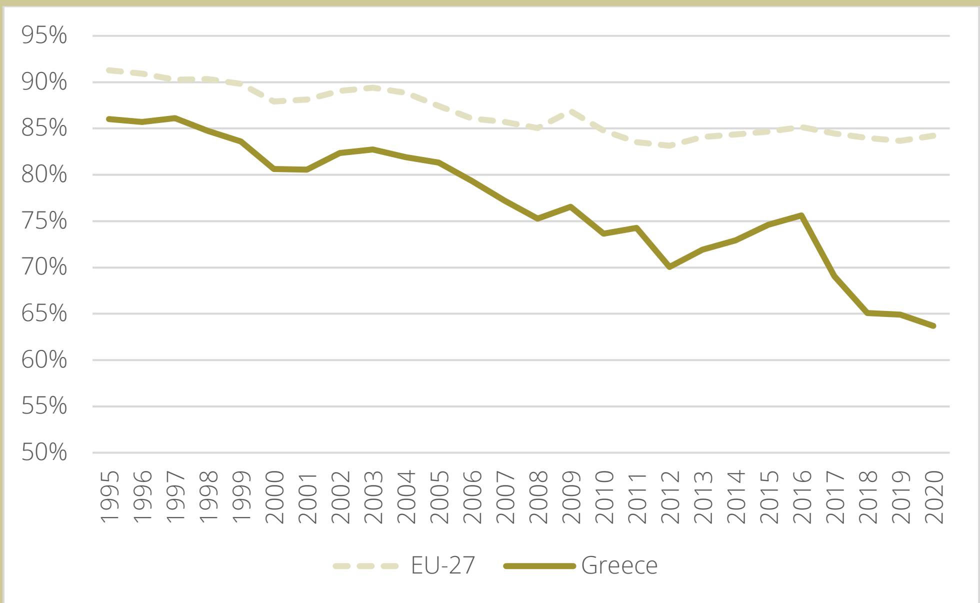
* (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, increases in demand are presented with a positive sign while the decrease in receivables is displayed with a negative sign. Similarly, the increase in liabilities is captured with a positive sign, while the reduction of liabilities with a negative sign. ** (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, the increase in foreign reserves is now presented with a positive sign, while the reduction of foreign exchange reserves with a negative sign. * * * Reserve assets, as defined by the European Central Bank, include only monetary gold, the "reserve position" in the IMF, "Special Drawing Rights" and the claims of the Bank of Greece in foreign currency from residents of countries outside the euro area. Conversely, they do not include claims in euro from residents of countries outside the euro area, claims in foreign currency and in euros from residents of euro area countries and the participation of the Bank of Greece in the capital and the reserve assets of the ECB.

Special Text Box section 3.3

Evolution of the value added of Greek exports

The goods and services sold to final consumers are made up of inputs from different countries around the world. However, the flows of goods and services within these global production chains are not always reflected in conventional indicators of international trade. For this reason, the Organisation for Economic Co-operation and Development (OECD) has developed the Trade in Value-Added (TiVA) database, which takes into account the value added by each country in the production of goods and services consumed globally. Among other things, the TiVA indicators provide information on the domestic and foreign value added of gross exports, the origin of value added in final demand and the domestic value added of imports.[11] The TiVA indicators are constructed using data from the OECD Inter-Country Input-Output Tables (ICIO) database, which contains inter-country input-output tables. These in turn are constructed using statistics compiled from national, regional and international sources according to the System of National Accounts 2008 (SNA 2008).[12]

Figure B.3.3.1. Domestic value added in gross exports as a percentage of exports, Greece and EU-27, 1995-2020



Source: OECD TiVA, Eurostat. Data processing: IOBE

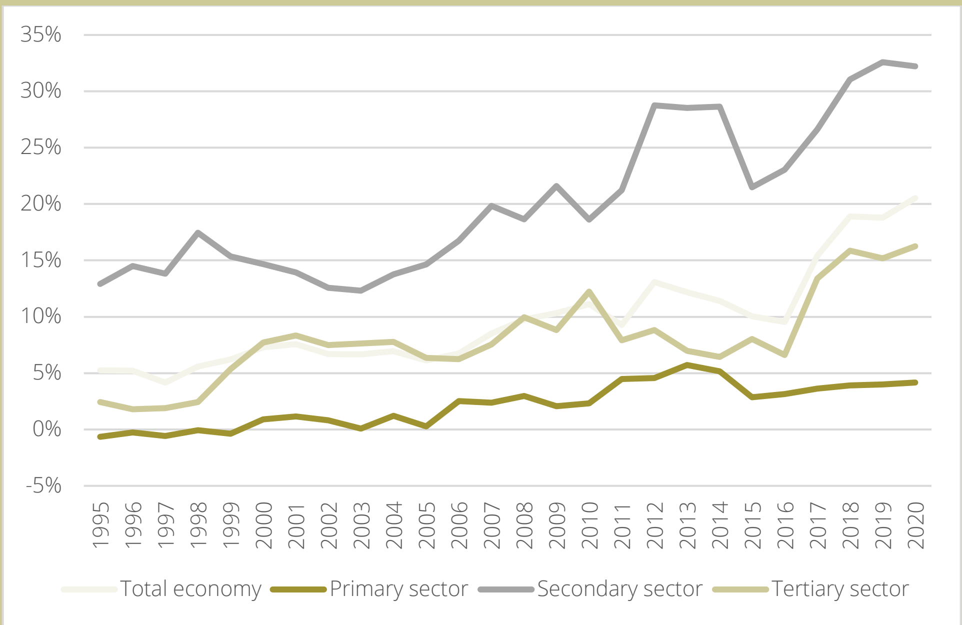
Figure B.3.3.1 shows the evolution of domestic value added in gross exports as a percentage of total gross exports for Greece and the EU-27. It can be seen that the value added of Greek exports relative to total exports remains below the European average throughout the period for which data are available. This means that the import share of Greek exports has been higher than the European average over time and has increased in recent years. The apparent divergence needs to be analysed at the sectoral level in order to highlight the sectors of the economy that are lagging, converging or diverging from the European average. We note that the share of value added in total exports has declined over time, especially in Greece. This decline suggests that exports of goods and services with lower domestic value added or, equivalently, with a higher import content, have increased more over the last decade.

[11] https://www.oecd.org/sti/ind/measuring-trade-in-value-added.htm

[12] https://www.oecd.org/sti/ind/inter-country-input-output-tables.htm

A key question is how much the value added of Greek exports differs from the EU-27 average, and how this divergence varies over time and between sectors. Figure B.3.3.2 shows the divergence between Greece and the EU-27 in terms of the share of value added of exports, both for the total economy and by branch of production. The largest difference is in the secondary (industrial) sector of production, reaching 32.6% in 2019. In contrast, the difference in the primary sector is small, not exceeding 7% over the whole period for which data are available. In all sectors, the gap increases over time, which is confirmed by the previous graph.

Figure B.3.3.2. Divergence in the value-added share of gross exports between EU-27 and Greece, by sector, 1995-2020 (as % of exports)

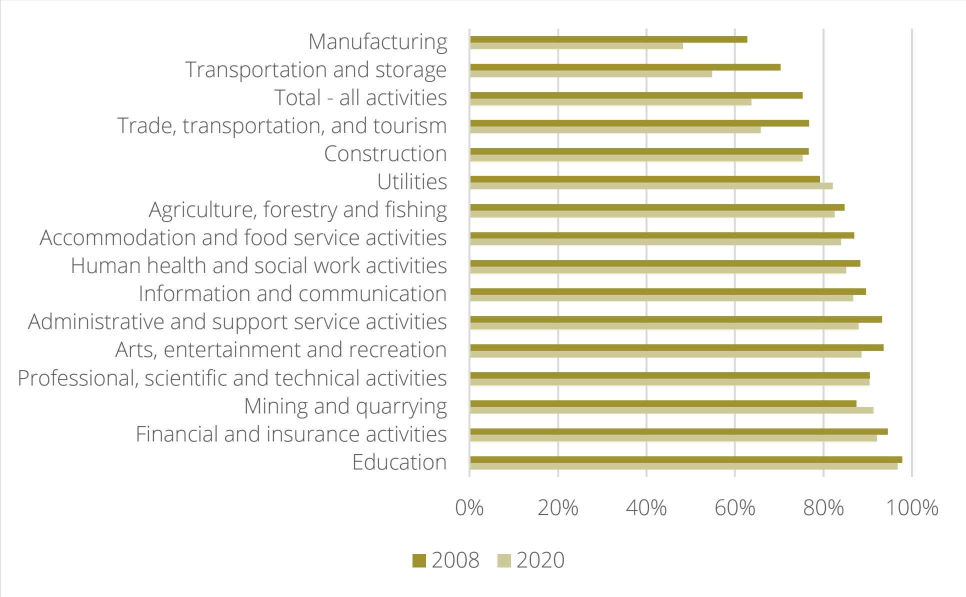


Source: OECD TiVA, Eurostat. Data processing: IOBE

Figure B.3.3.3 ranks the 1-digit NACE sectors of the Greek economy according to their share in the value added of exports. The reference years are 2020, the year with the most recent data available, and 2008, the year before the start of the economic crisis. The ranking does not change much over time, with the share for all activities falling from 75.3% in 2008 to 63.7% in 2020. The top positions are occupied by education, finance and insurance, and mining and quarrying, with shares of over 90%. They are followed by sectors such as arts and entertainment, information and communication, and health and social work. At the bottom of the list are transport and storage and manufacturing, with rates of less than 50%.

Openness and the strengthening of domestic production at the expense of imports of intermediate goods from abroad are considered important in the transition to a new model of economic growth. Over the last three decades, while the share of Greek exports in GDP has increased, the share of domestic value added in total gross exports has decreased. The decline and divergence from the EU-27 average is most pronounced in the secondary sector of production, highlighting that the share of imported intermediate goods from abroad has increased significantly in recent years. Thus, exports in major sectors of the economy, such as the secondary and tertiary sectors, continue to lag significantly behind the European average in terms of value added, highlighting the considerable scope for further convergence.

Figure B.3.3.3. Share of domestic value added in gross exports, by 1-digit sector of activity, Greece 2008 and 2020 (as % of exports)



Source: OECD TiVA, Eurostat. Data processing: IOBE

3.4 Labour market

- Increase in the unemployment rate in Q1 2024 to 12.1% from 11.8% in Q1 2023.
- The increase in the unemployment rate was the result of an increase in the number of unemployed (+23.6k), despite a simultaneous increase in the number of employed.
- The largest increases in employment in Q1 2024 were recorded in Accommodation and Food Services Activities (+28.3k employed), Transportation and Warehousing (+27.4k) and Construction (+27.2k).
- The strongest fall in employment was observed in Education (-20,7k persons employed).
- An increase in the labour market participation rate in Q1 2024 (52.6% for those aged 15+), up by 1.2 percentage points.
- Increase in the seasonally adjusted wage cost index in Q1 2024 by 6.8% compared to the same quarter in 2023.

According to the latest available data from the ELSTAT Labour Force Survey, the unemployment rate rose by 0.3 percentage points year-on-year to 12.1% in the first quarter of 2024, from 11.8% in the same quarter of 2023. In the same period, the number of unemployed rose by 23.6k or 4.6% to 571.4k, while the number of employed increased by 1.8% or 75.4k to 4,173.4k. Therefore, the increase in the unemployment rate is due to the increase in the number of unemployed (+23.6k) rather than the increase in employment (+75.4k). It should be noted that, based on monthly data, labour market indicators improved in the second quarter, as the seasonally unadjusted unemployment rate fell from 10.8% in May 2023 to 10.4% in May this year (-0.4 percentage points). Finally, according to the latest data from the ERGANI information system on private sector employment flows (May data), the balance of hirings and separations was positive by 126.7k jobs (375.2k hirings and 248.5k separations), against a positive balance of 95.6k jobs (349.9k hirings and 254.3k separations) for May 2023.

The evolution of the unemployment rate in the euro area in Q1 2024 shows a mixed picture, with 11 countries recording a decrease, 7 countries a rise and 2 countries no change. The highest unemployment rate is observed in Spain, where it fell from 13.3% in the previous year to 12.3% in Q1 2024 (-1 percentage point). After Spain and Greece, the highest unemployment rates are found in Finland, Lithuania and Estonia. The unemployment rate was 8.3% in Finland, 8.2% in Lithuania and 7.8% in Estonia. Relatively high rates were also recorded in Italy (7.7%), France (7.6%) and Portugal (6.9%). By contrast, the lowest unemployment rates in the first quarter of 2024 were recorded in Malta (3%) and Germany (3.4%). The highest annual increase in the unemployment rate was observed in Finland (+1.2 percentage points, from 7.1% to 8.3%), while the largest decrease was recorded in Spain (-1 percentage point, from 13.3% to 12.3%). The euro-zone unemployment rate was 6.8% over the same period.

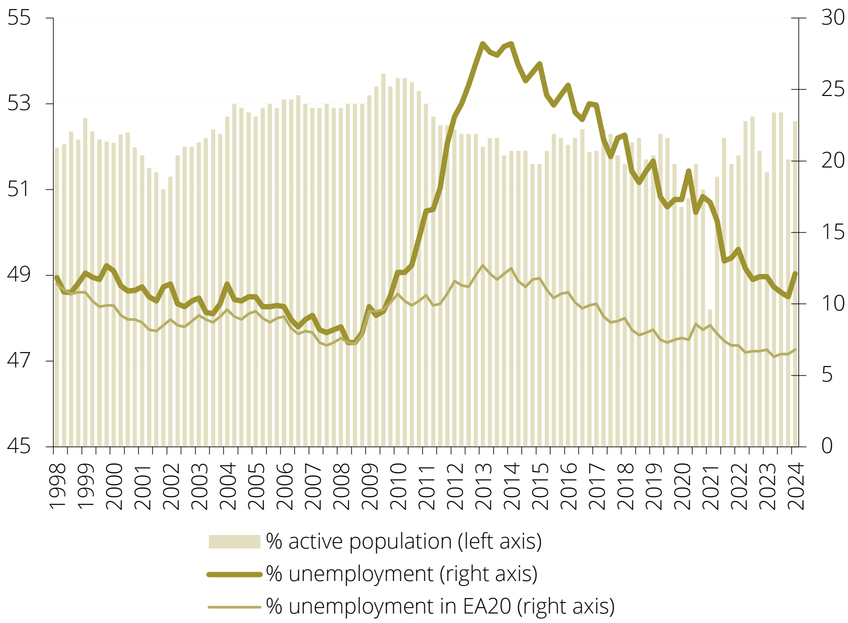
Regarding the evolution of the unemployment rate by gender in Greece, it remains higher for women, but the fall in the unemployment rate for women has been stronger. Specifically, the female unemployment rate fell from 15.4% in the first quarter of 2023 to 15.2% in the same quarter of 2024, a decrease of 0.2 percentage points, while the male unemployment rate increased from 9% to 9.7% (+0.7 percentage points). Note that over the same period in the euro area, the female unemployment rate decreased from 7.2% to 7.1% (-0.1 percentage points) and the male unemployment rate remained stable at 6.5%.

Regarding the distribution and evolution of the unemployment rate by age, it is lower as the age increases. In the first quarter of 2024, the unemployment rate decreased in the age groups 20-24, 30-44 and over 65, while it increased in the other age groups. The largest decrease of 2.7 percentage points was observed for those aged 20-24, where the unemployment rate fell from 26.1% to 23.4%. This was followed by those aged 65 and over, where the unemployment rate fell by 2.4 percentage points, from 8.8% to 6.4%, while the smallest decrease in the unemployment rate was recorded for those aged 30-44 (-0.3 percentage points, from 12.5% to 12.2%). Finally, the lowest unemployment rates were observed in the age groups 45-64 and 65 and over. For the 45-64 age group, the unemployment rate increased by 0.9 percentage points, from 8% to 8.9%, while for the 65 and over age group, the unemployment rate decreased by 2.4 percentage points, from 8.8% to 6.84%.

In terms of the duration of unemployment, the share of the long-term unemployed has decreased despite the increase in their number. The long-term unemployment rate (as a percentage of the unemployed) fell from 52.7% in the same quarter of the previous year to 52% in the first quarter of 2014 (-0.7 percentage points), while the number of long-term unemployed rose from 290.2k to 298.7k (+8.5k or +2.9%). Regarding the distribution and evolution of the unemployment rate by educational level, it decreases as the educational level improves. In the first quarter of 2024, the unemployment rate decreased for those with a higher technical vocational education, a high school diploma and a middle school diploma. The unemployment rate increased for the remaining education categories. The largest decrease in the unemployment rate was observed for those with a lower secondary education, which fell from 13.8% in the same quarter of 2023 to 13.5% in the first quarter of 2024 (-0.3 percentage points). The second largest decrease, by 0.2 percentage points, was observed among persons with a higher technical vocational education, where the unemployment rate fell from 13.8% in the first quarter of 2023 to 13.5%, while the lowest unemployment rate was found among persons with a doctorate or postgraduate degree. In this category the unemployment rate increased from 4.8% to 6.7%.

Figure 3.16

Labour force participation and unemployment rates



Unemployment rate in Greece increased in Q1 2024 to 12.1%, from 11.8% in Q1 2023. The share of the active population over 15 years old exceeds 52%.

Sources: ELSTAT – Labour Force Survey, Eurostat

As regards trends in the regional dimension of unemployment, the rate rose in four regions and fell in the other nine. The highest non-seasonally adjusted unemployment rate was recorded in the Ionian Islands, where it rose from 20.4% in the first quarter of 2023 to 31.1% in the first quarter of 2024 (+10.7 percentage points), which was also the region with the highest increase in the unemployment rate. The South Aegean region recorded the second highest unemployment rate (16.6%), decreasing by 1.5 percentage points compared to the same quarter of 2023. The largest decrease was recorded in the region of Epirus, where the unemployment rate fell by 4.9 percentage points, from 15.1% to 10.2%. The lowest unemployment rate over the same period was recorded in the North Aegean region, where it fell from 12.4% to 7.7% (-4.7 percentage points), followed by the Peloponnese and Central Greece. In the former the unemployment rate fell from 10.4% to 9.1% (-1.3 percentage points) and in the latter from 13.1% to 9.6% (-3.5 percentage points).

Looking at the development of employment by occupational status, it is worth noting that there was an increase in employment in all occupations. The largest annual increase in employment of 4.7%, or 7 000 persons, was recorded in the category of family workers (+154.6k persons in the first quarter of 2002), while an increase of 3.1% was also recorded among the self-employed with employees (+308.4k persons). This was followed by the self-employed without employees, with an annual increase of 3.1% to 858.500, and the employees, with an annual increase of 1.2% to 2 851.9k.

The number of full-time employees increased by 90.2k or 2.4% to 3,840.1k in the first quarter of 2024 compared to the same quarter of 2023, while the number of part-time employees decreased by 17.7k or 5.2% to 324.1k.

In terms of the evolution of employment by occupation, six occupations recorded an increase in employment, three a decrease and in one it remained unchanged. The largest increase in absolute terms (by 46. 700 persons) occurred in the category of persons employed as service workers and salespersons in shops and open-air markets, which reached 925.9k persons in the first quarter of 2024, compared to 879.2k persons in the same period of 2023. This is followed, also in absolute terms, by an increase in employment in clerical, office and related technical occupations. The largest decrease in the first quarter of 2024 was in the elementary occupations, manual workers and associate professionals, where the number of persons employed fell from 272.7k in the same quarter of 2023 to 249k (-23.7k or -8.7%). Employment in scientific, artistic and related occupations remained stable.

As regards the development of employment at the level of the main economic activities, employment in the secondary and tertiary sectors increased, while employment in the primary sector fell slightly compared with the first quarter of 2023. In absolute terms, the largest increase was recorded in the tertiary sector, where employment rose by 45.7k persons, or 1.5%, to 2998. 3k persons. In the secondary sector, employment rose by 35.2k persons or 5.3% to 693.5k in the first quarter of 2024. Finally, employment in the primary sector fell slightly by -4.2k persons to 478.9k persons.

At the level of branches of economic activity, employment rose in eleven branches and fell in eleven other branches. In absolute terms, the strongest employment growth in the first quarter of 2010 was recorded in hotels and restaurants and in transport and storage. In the former, the number of persons employed rose by 28.3k (or 9%) from 316.5k to 344.8k, and in the latter by 27.4k (or 13.3%) from 206.3k to 233.6k. Also notable in absolute terms was the increase in employment in construction (by 27.2k or 17.7%) from 153.8k. In contrast, the largest decline in employment was recorded in Education, where employment fell from 348.k to 328.1k (-20.7k or -5.9%). The smallest decline in employment was recorded in Real Estate Management, where the number of persons employed fell by 0.4k from 13.4k to 13k.

In conclusion, the employment data at sectoral level show that the increase in employment in the first quarter of 2024 compared with the same quarter of 2023 was mainly due to an increase in the following sectors:

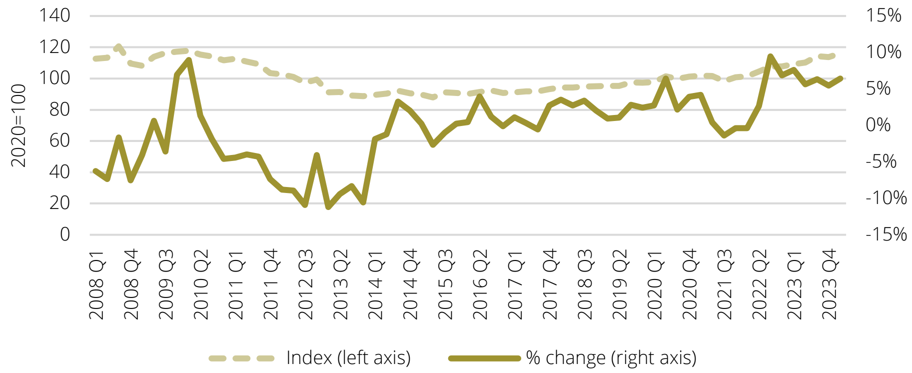
- Accommodation and food services (+28,300 persons employed),
- Transport and storage (+27.4k employees)
- Construction (+27.2k persons)

In addition, the employment rate of persons aged 15 and over is 46.2% in Q1 2024, compared with 46.3% in Q1 2023, showing a marginal decrease of 0.1 percentage points. As for the evolution of the employment rate in the euro area, it decreases to 53.9% in Q1 2024, from 54.2% in the same quarter of 2023, i.e. by 0.3 percentage points. In comparison, the employment rate in Greece is significantly lower than the euro area average, with a gap of 7.7 percentage points in Q1 2024, compared with 7.9 percentage points in the same period of 2023.

As for the evolution of the seasonally adjusted wage cost index in the Greek economy as a whole, it increased by 6.8% in the first quarter of 2024 compared with the corresponding index in the first quarter of 2023.

Figure 3.17

Seasonally adjusted wage cost index and its percentage change



Increased salary costs in Q1 2024 by 6.8% compared to the same quarter of 2023.

Source: ELSTAT & Eurostat

Table 3.9

Population aged 15 years and over by employment status (inks)

Reference period	Total	% of Population	Employed	Percentage (%) of the labour force	Unemployed	Percentage (%) of the labour force
2015	9,246.6	52.0	3,610.7	39.0	1,197.0	24.9
2016	9,212.8	52.1	3,673.6	39.9	1,130.9	23.5
2017	9,176.9	52.1	3,752.7	40.9	1,027.1	21.5
2018	9,140.2	51.9	3,828.0	41.9	915.0	19.3
2019	9,103.5	52.0	3,911.0	43	818.9	17.3
Q1 2020	9,083.8	50.6	3,852.6	42.4	745.1	16.2
Q2 2020	9,080.5	50.8	3,844.0	42.3	768.3	16.7
Q3 2020	9,077.3	51.6	3,926.8	43.3	756.4	16.2
Q4 2020	9,074.2	51.0	3,878.5	42.7	750.1	16.2
2020	9,079.0	51.0	3,878.5	42.7	755.0	16.3
Q1 2021	9,070.8	48.2	3,625.1	40.0	745.4	17.1
Q2 2021	9,067.1	51.3	3,915.3	43.2	732.5	15.8
Q3 2021	9,063.5	52.2	4,118.3	45.4	615.4	13.0
Q4 2021	9,060.0	51.6	4,053.3	44.7	617.4	13.2
2021	9,065.4	50.8	3,928.0	43.3	677.7	14.7
Q1 2022	9,055.8	51.8	4,044.0	44.7	647.2	13.8
Q2 2022	9,051.9	52.6	4,167.2	46.0	591.6	12.4
Q3 2022	9,048.2	52.7	4,216.0	46.6	555.6	11.6
Q4 2022	9,044.7	51.9	4,135.2	45.7	558.4	11.9
2022	9,050.2	52.3	4,140.6	45.8	588.2	12.4
Q1 2023	9,041.4	51.4	4,098.0	45.3	550.5	11.8
Q2 2023	9,038.4	52.8	4,236.5	46.9	533.3	11.2
Q3 2023	9,035.5	52.8	4,256.2	47.1	514.6	10.8
Q4 2023	9,032.7	51.7	4,183.1	46.3	488.7	10.5
2023	9,037.0	52.2	4,193.5	46.4	521.8	11.1
Q1 2024	9,025.7	52.6	4,173.4	46.2	574.1	12.1

Source: ELSTAT, Labour Force Survey

Medium-term outlook

In the baseline macroeconomic scenario, a small further improvement in the labour market is expected in 2024, with signs of a slowdown in the positive trend. The scope for a further reduction in cyclical unemployment is narrowing, while the challenge is to reduce structural unemployment and increase labour force participation.

The projected boost to investment is expected to drive a positive impact on employment in 2024. Two factors are responsible for this increase. On the one hand, the country's recent credit rating upgrades have led to a strengthening of international investment confidence, which is expected to have a positive impact on reducing the additional cost of financing the public and private sectors. On the other hand, the acceleration of the implementation of the revised National Recovery and Resilience Plan, as well as the use of the expanded loan component, with favourable financing terms, are expected to boost investment, particularly in the infrastructure and energy sectors.

The anticipation of resilient consumption, a key driver of growth, is expected to have a positive impact on employment, albeit at a slower pace in 2024. The forecast for a gradual acceleration of growth in the euro area is expected to have a positive impact on employment in 2024, mainly due to an increase in exports of services. The stance of monetary policy undoubtedly influences these trends, with scenarios of a slower decline in interest rates having a negative impact on the near-term outlook for investment, consumption, and exports.

From a sectoral perspective, the latest business surveys indicate a recovery in industrial activity, sustained momentum in the services sector and a slowdown in construction and retail trade. Furthermore, the gradual maturation of major infrastructure projects will have a positive impact on employment. In the tourism sector, following the record arrivals and receipts in 2023, the positive performance is expected to continue in 2024. However, the impact of the tourism sector on employment in 2024 compared to 2023 is expected to be smaller. Finally, the public sector is expected to continue to support employment through subsidised programmes of DYPA and planned recruitment in the current year.

In terms of risks, geopolitical instability and economic uncertainty are expected to persist in 2024, both regionally and internationally. In addition, international energy commodity prices are expected to remain high in 2024, while inflation is expected to remain at slightly higher levels compared to the euro area average.

One significant challenge to competitiveness and overall employment in Greece is the relatively high core inflation rate, along with persistent inflation in essential goods. Additionally, the potential for the ECB to extend the period of elevated interest rates could present further difficulties. Finally, based on IOBE's projections of a deceleration in consumption in 2024, the positive employment momentum is anticipated to weaken.

As the country approaches single-digit unemployment rates, any reductions in the coming quarters or years will inevitably be slower. In parallel with reducing cyclical unemployment, priority is being given to addressing remaining structural and frictional unemployment. One of the main challenges is the skills mismatch in the Greek labour market, which requires a focus on providing adequate and quality training, both on an initial and ongoing basis.

In light of the aforementioned labour market effects, the projected unemployment rate for 2024 is estimated to be approximately 10.3%.

The latest data from the IOBE's Business and Consumer Surveys indicates that the short-term employment outlook improved slightly in construction and industry during the April to June 2024 quarter, compared to the first quarter of this year. There was a more pronounced improvement in retail trade and services. In comparison to the same period in 2023, there was a slight weakening in the manufacturing sector, while construction saw a more pronounced improvement. Services and retail trade also showed marked improvement.

In the industrial sector, the average balance for the second quarter of 2024 showed a modest improvement compared to the immediately preceding quarter, with a gain of 6 points. In comparison to the same period last year, the average quarterly index is approximately six points lower. In the most recent quarter, the percentage of industrial firms anticipating a decline in employment over the coming period remained at 12-13%, while the percentage of those expecting an increase strengthened to 16% (from 11%). However, the majority of firms in the sector (73%) expected stability in employment terms.

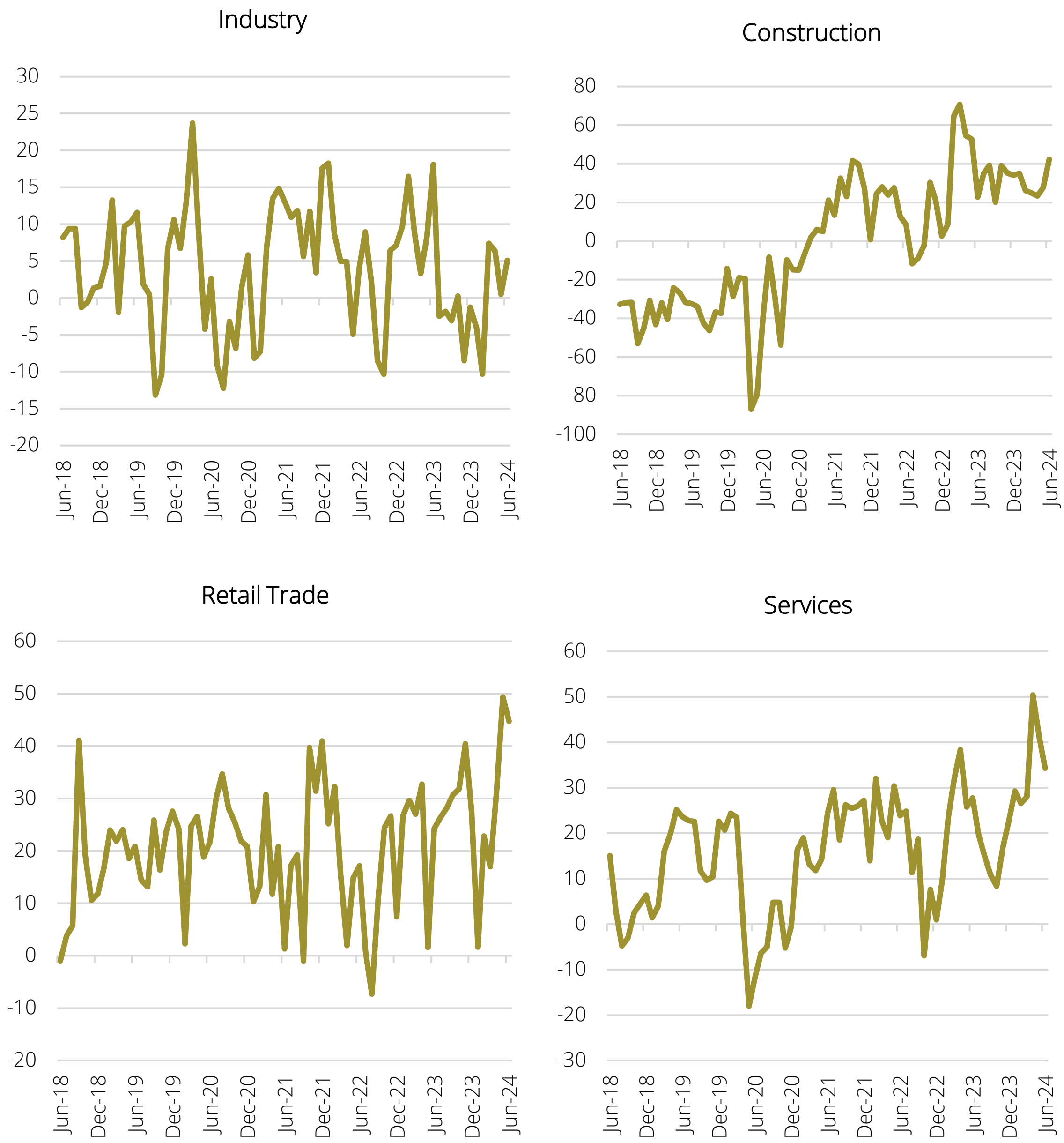
In the construction sector, the latest forecasts indicate a marginal improvement in the sector's employment balance, which strengthened from +29 points to +31 points. However, this represents a significantly lower level compared to the same period in 2023 (+43 points). In the quarter under review, 4% of firms in the sector anticipated a reduction in employment, while the percentage of respondents expecting an increase strengthened to 35% (from 32%). At the level of individual sectors, there was a slight strengthening of the relevant indicator in private construction (+32 from +29 points), while the relevant indicator in public works (+29 from +28 points) remained essentially unchanged.

The Retail Trade employment outlook index saw a notable increase in Q2 of this year compared to the immediately preceding quarter, reaching +42 points (from +14). This represents a significantly stronger performance than in 2023 (+20). Just 1% of firms in the sector anticipated a decline in employment, compared to 3% in the previous quarter. 43% (up from 16%) expected an increase, while 56% (down from 81%) expected stability. In the individual sectors surveyed, there was a significant improvement in the relative balance, with the exception of Household Appliances, where the relative balance remained unchanged.

In the Services sector, the latest forecasts indicate a significant improvement compared to the previous quarter and a more modest improvement compared to the same period last year. The relevant balance for Q2 2024 showed a marked improvement, strengthening by 14 points to +42 points in the quarter under review. Compared to the corresponding period in 2023, it improved by 11 points. In terms of employment, only 1% of firms in the sector expected a decrease, while 43% (up from 29%) anticipated an increase. Sectoral trends show a mild upward movement in hotels and restaurants, a more pronounced increase in land transport, information technology and miscellaneous business activities, while financial intermediaries are experiencing a mild downward trend.

Figure 3.18

Employment expectations (difference between positive and negative responses)



Source: IOBE

In the second quarter of 2024, compared to the previous quarter, there is a slight improvement in the short-term employment outlook in construction and industry, while in retail trade and services the outlook is markedly more positive.

3.5 Consumer and Producer Prices

- Softer increase in the HICP (CPI) in the first half of 2024, at 3.0% (2.8%) against inflation of 5.1% (4.2%) a year earlier. Price rise mainly from the upward effect on prices of non-energy goods.
- Rate of change in HICP with fixed taxes and excluding energy at 3.5% in the first five months of this year, down from a rise of 8.2% a year ago.
- For 2024, the Consumer Price Index is projected to strengthen at a rate of around 3%. Key assumptions:
    - consumer demand will strengthen by around 1.2%
    - the Brent oil price will remain almost unchanged on an annual basis, with developments in the Middle East, however, putting further pressure on the energy market.

Recent developments

In the January to June period of this year, prices increased in comparison to the previous year. The average rate of change of the national Consumer Price Index (CPI) was 2.8%, a decrease from 4.2% a year ago. The Harmonised Index of Consumer Prices (HICP) increased by 3.0% over the period in question, following a 5.1% uptick a year earlier. In June 2024, the rate of change in the national Consumer Price Index (CPI) increased to 2.3% from 1.8% in the corresponding month of 2023. Additionally, the HICP displayed an upward trajectory, with its rate of change reaching 2.4% in June of this year compared to 2.8% in the same month last year. It is noteworthy that in the initial five months of 2024, where data is available, core inflation[13] in Greece increased to 3.3% from 8.2% in the corresponding period of 2023.

The latest figures from Eurostat show that the Harmonised Index of Consumer Prices (HICP) increased by 2.4% in June, from 2.8% in the same month last year. The average rate of change of the HICP over the first half of this year was 3.0%, compared with 5.1% a year earlier.

In terms of the impact of the HICP components on its trajectory, the 3.1% increase in the harmonised index during the January-May period, for which data are available, was driven by the favourable influence of domestic demand. This is evidenced by the 3.5% change in the index with fixed taxes and excluding energy goods, which represents a decline from the 8.2% rise observed a year earlier. The indirect tax burden had a positive impact on prices, contributing 0.1 p.p. over the period in question, compared to no impact a year earlier.

In terms of developments in energy commodity prices and their impact on the HICP, the average international oil price for the period January to May 2024 showed an increase compared to the previous year. In particular, the average Brent oil price was $84.1/barrel, representing a 4.2% increase from the previous year when it stood at $80.7/barrel.[14] The stability of the average euro/dollar exchange rate in the first five months of 2024, compared to a year ago, meant that the price of oil in euros remained stable. The average price of oil in euros was €77.8/barrel, representing a 4.2% increase compared to the first five months of 2023. The decline in oil prices, a

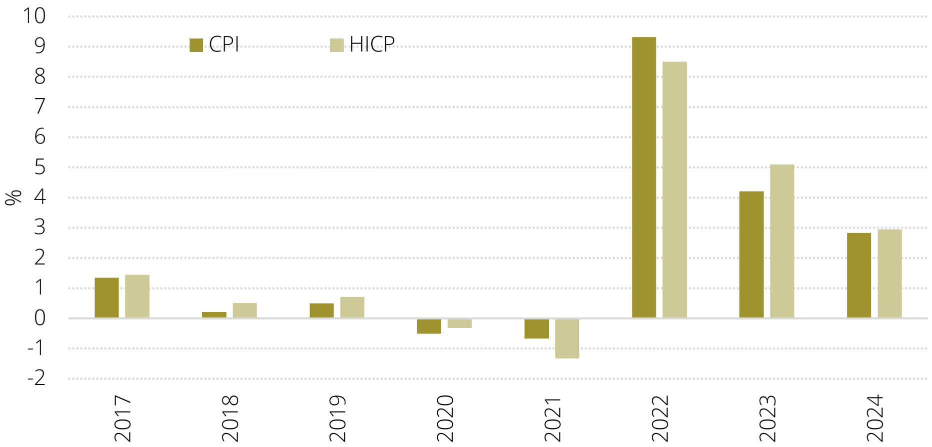
[13] Core inflation refers to HICP excluding energy and unprocessed food.

[14] The figures represent the average price based on the Europe Brent Spot Price over a specified period. Source: EIA, US Energy Information Administration https://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm

key component of energy costs, has had a negative impact on the rate of change of the HICP domestically in the January-May period of 2024, contributing to a 0.5 p.p. decline compared to an even more negative impact of 2.4% in the corresponding period of 2023.

Figure 3.19

Annual change in the domestic CPI and the HICP in Greece (January – June, %)



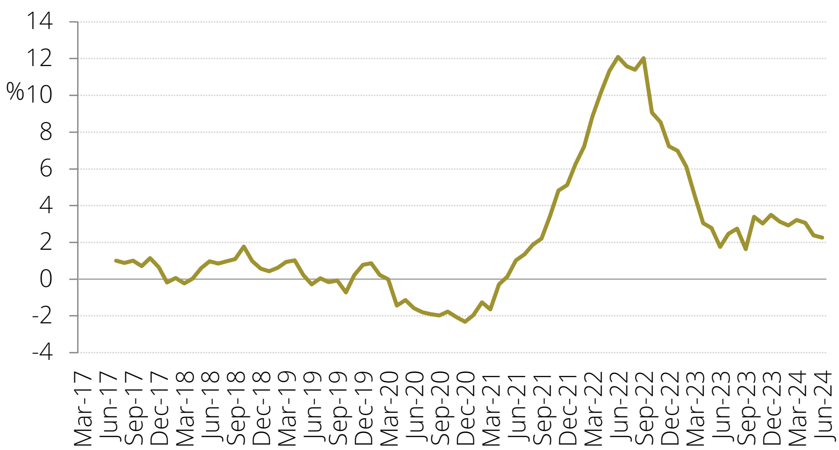
A 2.8% rise in the domestic CPI in the first half of 2024 compared to a year ago, from 4.2% in the corresponding period of 2023.

Source: ELSTAT, data processing IOBE

The strengthening of the HICP in Greece during the first half of this year positions the country in the middle of the ranking among euro area countries in terms of the rate of change, above the weighted average. The average rate of change of HICP in the euro area for the period January to June 2024 was 2.5%, from 7.1% a year ago. In the period January to May this year, the rate of change of HICP in the euro area was 2.5%, down from 7.4% a year earlier. Domestic demand has been the main driver of price increases in the euro area, with the price index excluding energy goods at constant taxes rising by 2.9% in the first five months of this year, compared to a stronger increase of 7.5% a year earlier.

Figure 3.20

CPI in Greece (annual percentage change per month)

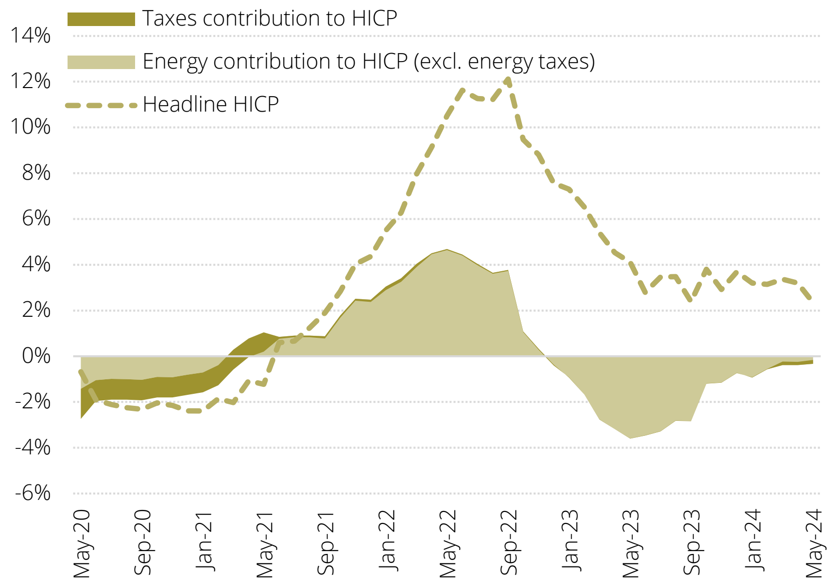


Higher increase in the domestic CPI in June 2024 (2.3% from 2.4% a month earlier). Higher rate of change than in the same month in 2023 (1.8%).

Source: ELSTAT, data processing IOBE

Figure 3.21

Annual rate of HICP change in Greece and impact of energy product prices and tax changes



The uptick in the HICP over the initial five months of 2024 is attributed to the price movements of non-energy goods. Meanwhile, the influence of taxes has become negligible.

Source: Eurostat, data processing IOBE

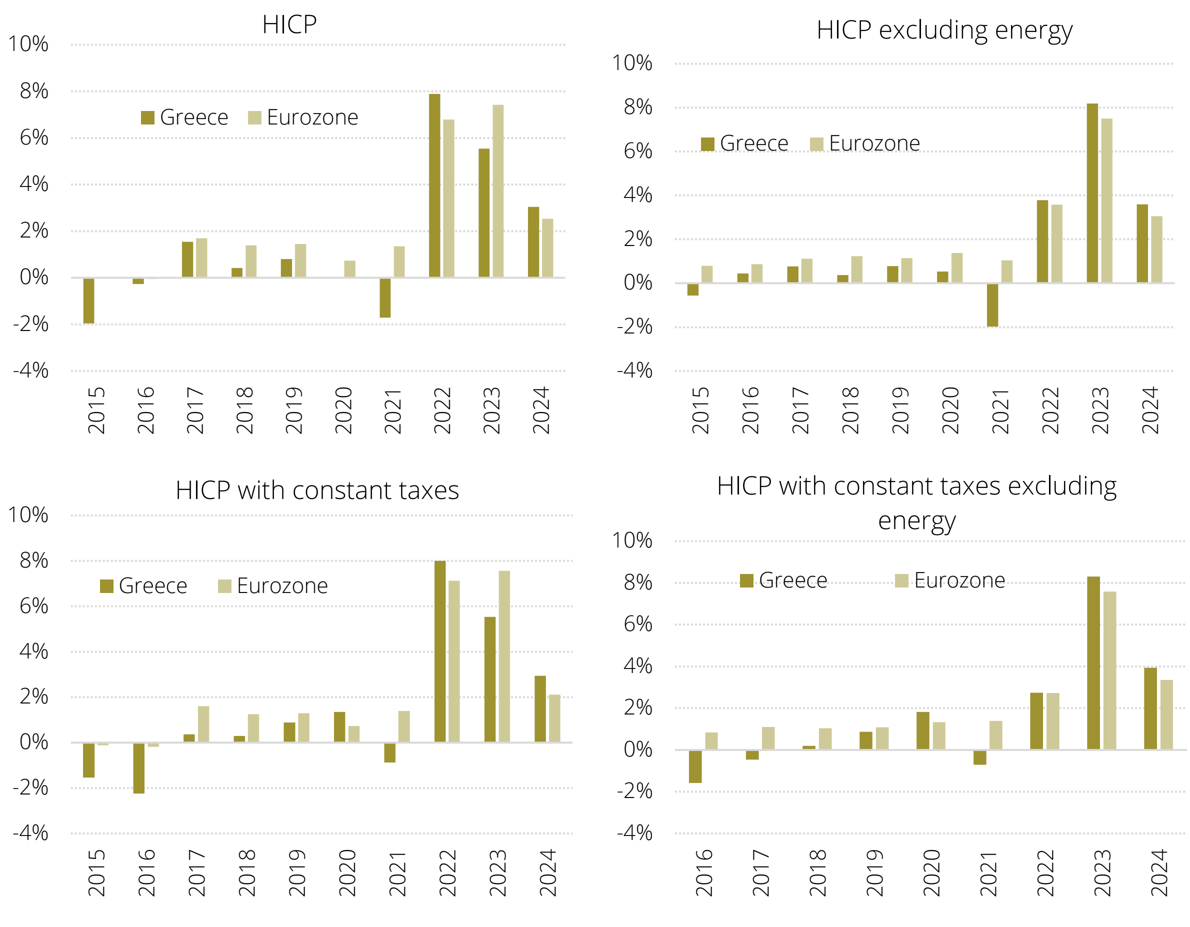
In terms of the trends observed in the individual product and service categories included in the domestic Consumer Price Index, the most significant increase was recorded in the Hotels category during the first half of 2024. The price increase in the Hotels category was 5.8%, representing a slower rate of growth than the 7.6% gain recorded a year ago. The Food and Clothing category also saw a rise in prices, with an increase of 5.1% and 4.3%, respectively, compared to a rise of 13.3% and 8.6% a year earlier. The categories of Health and Education saw an increase of 3.6% and 3.5%, respectively. This follows a rise of 6.0% and 2.2%, respectively, a year earlier. The category of Entertainment saw growth of 2.5%, down from an increase of 3.4% seen in the corresponding period in 2023. There were also increases in price levels in the transport and alcohol beverage sectors, with increases of 2.2% and 2.1% respectively following rises of 1.2% and 3.4% a year ago. The price growth in the Other Goods and Durable Goods categories was 1.7% and 0.5%, respectively, representing a decline from the stronger growth of 65.8% and 10.1%, respectively, observed in the first half of 2023. In contrast, prices declined in the Communications category by 1.5%, following a 1.9% decrease a year ago, and in the Housing category (which includes energy bill costs), by 0.8%. This is in comparison to a more significant decline of 8.9% in the corresponding period in 2023.

With regard to price developments on the output side in January-May 2024, the overall Producer Price Index (PPI), in both the domestic and foreign markets, fell compared with the same period in 2023 (-2.9%), mainly under the influence of the fall in energy prices. More specifically, the PPI excluding energy rose by 1.9% over the period under review, compared with a stronger increase of 6.9% a year earlier. With regard to the development of industrial producer prices, crude oil and other transport equipment recorded the strongest increases, rising by 25.2% and 10.5% respectively, compared with stable and rising 7.7% respectively a year earlier. Producer prices for coal and lignite rose by 7.5% and for beverages by 6.2%, after a sharp fall of 51.3% and a rise of

5.0% respectively in the same period of the previous year. The increase was weaker for leather products, 5.9%, and furniture, 5.3%, after a rise of 3.7% and 2.8% respectively in the first five months of 2023. The period under review saw upward trends in producer prices for food, up 4.6% against a steeper rise of 11.3% a year ago, followed by computers, up 4.3% after a fall of 2.5% a year ago. In contrast, there was a decline in producer prices for electricity and electrical equipment, with decreases of 13.6% and 3.6%, respectively. This follows a year-on-year decrease of 5.9% for electricity and an increase of 1.5% for electrical equipment.

Figure 3.22

Annual HICP change in Greece and the Euro area (January - May)



Source: Eurostat, data processing IOBE

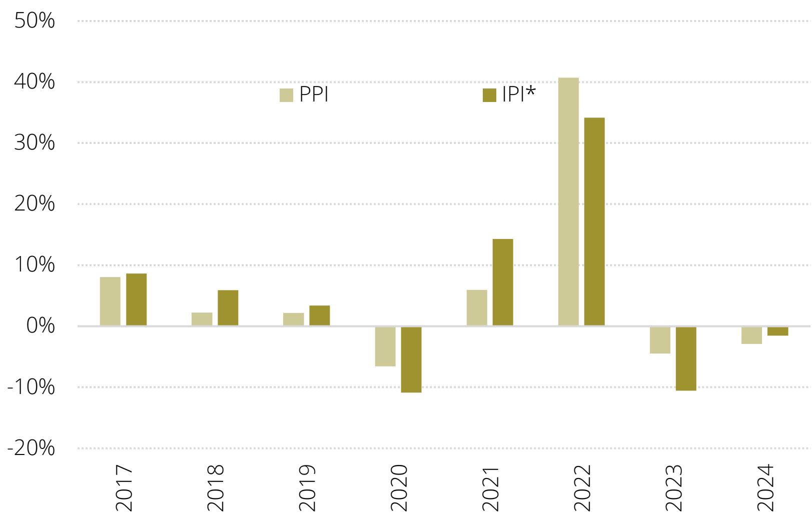
Domestic price growth in the first five months of 2024 higher than the euro area average, with the inflationary impact of non-energy goods (3.5 percentage points) higher than the euro area average (2.9 pp).

In the period January to April of this year, the overall Import Price Index (IPI) saw an annual decline of 1.6%, compared to a sharper decline of 9.2% in the same period last year. Greece ranks third from the bottom in terms of decline in import prices among the fourteen euro area countries for which data were available in the period. The largest declines in import prices were observed in the Netherlands and Slovakia, with a 6.7% reduction in both countries compared to increases of 3% and 2.4%, respectively, a year earlier. Lithuania experienced a 5.4% drop, following a 1.8% rise in the previous year. The same index also showed a weakening in the euro area, with a 5.0% decline compared to a 0.5% increase in the corresponding period of 2023. It is notable that none of the euro area countries with available data recorded an increase in import prices.

The largest increase in import prices was recorded in the period January to April 2024 for minerals, at 6.1% compared to a stronger increase of 15.7% a year ago. Tobacco products saw a lower increase of 4.2%, compared to a stronger increase of 7.9% last year. Petroleum refining products followed, with a 3.0% increase in the first four months of 2024, following a significant decline of 19.7% a year earlier. In the Beverages and Computers sectors, import prices increased by 2.7% and 2.4%, respectively, in the first four months of this year, up from a 5.6% and 2.5% rise a year earlier. The next categories to show growth were Other Transport Equipment and Plastic Products, which both increased by 1.0%. This follows a marginal rise of 0.1% and an increase of 5.1% a year earlier, respectively. In contrast, import prices declined in Electricity Supply by 20.5%. This follows a strong rise of almost 54% a year earlier.

Figure 3.23

Annual change of PPI and IPI in Greece (January – May)



A decline in import prices (-1.6%) in the first four months of 2024, mainly due to the negative impact of energy prices. A decline in producer prices in Jan-May of this year (-2.9%).

Source: ELSTAT, data processing IOBE.
Note: The Import Price Index refers to January – April 2024 data.

Medium-term outlook

A review of the main components of the domestic Consumer Price Index for the first five months of this year revealed that the rise was due to the positive impact of non-energy goods prices. The deceleration of energy prices during the period under review appears to have exerted a mildly restraining effect on prices. In contrast, the upward price trend for key product categories appears to be sustained, albeit at a more moderate pace than in the initial months of the year. It should be noted that in June this year, the EU Member States imposed a new set of sanctions, the 14th, concerning international trade and the implementation of new investments for the completion of LNG projects under construction. The EU introduced further controls and restrictions on imports and exports of goods related to industrial activities, which strengthen Russia's position internationally. In addition, continued unrest in the Israeli region is expected to have a destabilising effect on the economic climate, particularly the energy market.

In terms of energy commodity pricing, the average international oil price for the period January to June 2024 has increased compared to the previous year. In particular, the average price of Brent oil was $83.8/barrel, up from $79.7/barrel a year ago, representing a 5.1% growth.[15] The stability of the average exchange rate of the euro against the dollar in the first half of 2024, compared to a year ago, has resulted in a stable price of oil in euros, with the average price of oil at €77.5/barrel.

Demand effects

In light of the anticipated developments in consumer demand, including the recent increase in the minimum wage and the rise in unemployment benefits as of April 1st, 2024, as well as the income support measures for vulnerable social groups (such as low income pensioners, disabled individuals, and those receiving minimum guaranteed income), the enhancement of benefits for young families, and the reinstatement of three-year wage maturation, disposable income and consequently domestic demand are expected to experience a boost.

The new increase in the minimum wage from 1 April 2024, pension increases by an average of 3.1% from 1 January 2024, as well as the return of three-year wage indexation from 1 January this year, are expected to have a positive impact on disposable income. Furthermore, the rise in the tax-free allowance, the decrease in the ENFIA and the pension adjustment are anticipated to enhance disposable income and subsequently stimulate domestic demand. Furthermore, the new public sector pay scale, which will boost incomes, especially for those on low wages, from 1 January 2024, as well as the payment of bonuses in the private sector, are expected to have a supportive effect on disposable income. The measures to support vulnerable social groups against poverty, the cost-of-living check, the social dividend, and youth housing measures are expected to have a positive impact on disposable income. Finally, the new staggered increase in the allowance for young couples and families with children, which will apply retroactively, is expected to boost disposable income and, by extension, domestic consumer demand.

In contrast, the average increase in the wholesale price of electricity in June compared to the previous month is expected to continue in the coming months, which will boost electricity tariffs. This will put pressure on households' disposable income.

Consequently, taking into account the above factors, it is estimated that overall consumer demand will strengthen by 1.2% in 2024, maintaining prices at a high level.

It is observed that the natural disasters, predominantly in Thessaly in September of last year, may exert a positive influence on prices in 2024, particularly in specific product categories such as foodstuffs, due to shortages and constrained availability.

Tax effects

In terms of the anticipated impact of indirect tax measures, it is expected that they will have a modestly positive effect on price index movements in the current year. The reintroduction of the 24% VAT rate on served non-alcoholic beverages (soft drinks, non-alcoholic beers, sparkling water)

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[15] Period averages based on the Europe Brent Spot Price. Source: EIA, US Energy Information Administration https://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm

from 1 July 2024 is expected to have a supportive effect on prices, albeit mildly, as this development concerns a specific product category. In contrast, reduced VAT rates on specific goods and services (transport, gyms, dance schools, leisure attractions) will remain in place throughout 2024, as will the support measures for real estate until December 2024. Furthermore, the reduced VAT rate of 13% on non-served non-alcoholic beverages and on taxi fares has been made permanent. This is not expected to have any impact on prices.

Energy effects

In terms of recent developments in energy commodities, the international price of Brent oil averaged $82.2 per barrel in June 2024, representing a 9.9% increase from the previous year. In the same month, the euro/dollar exchange rate was 1.08, representing a 0.7% decline from the same period in 2023. Subsequently, the average price of oil in euro terms was €76.4 per barrel, reflecting a 10.7% increase compared to a year earlier.

At its most recent meeting in June, OPEC+, which includes Russia, decided to extend the voluntary reduction in oil production by 2.2 million barrels per day until the end of 2025. The extension of the restrictions on daily oil production is designed to prop up oil prices in the context of relatively sluggish global demand, high interest rates and increasingly competitive US production. Indeed, some member countries, led by Saudi Arabia, have announced plans to extend their supply cut by 1.0 million barrels per day until the end of September. The countries that have made voluntary cuts are Algeria, Iraq, Kazakhstan, Kuwait, Oman, Russia, Saudi Arabia and the United Arab Emirates.

Furthermore, Russia has announced plans to limit oil exports to 1.5 million barrels per day, representing a reduction of almost 500,000 barrels per day compared to June this year. This decision has been taken in response to the limited refining capacity currently available at the country's refineries.

In contrast, the U.S. is expected to pursue a production growth strategy this year as well, following a 9% increase in production in 2023. Notably, oil production in the U.S. averaged 12.9 million barrels per day in 2023, setting a new record. According to analysts' estimates,[16] US crude oil production is projected to average 13.2 million barrels per day in 2024, up 2% from the previous year, and to increase by a further 4% to 13.7 million barrels per day the following year. The increase in production is expected to slightly outpace the growth in global demand, leading to higher inventories and, consequently, downward pressure on crude oil prices.

OPEC estimates that global oil demand will increase by 2.25 million barrels per day (bpd) in 2024, mainly due to global growth and easing inflation. However, recent military unrest in the Middle East is a source of uncertainty for energy markets, which could lead to price volatility.

World demand

The outlook for global growth in 2024 appears to be slightly stronger, according to macroeconomic forecasts by international organisations. In particular, global GDP growth is expected to be around 3.1% in 2024, slightly higher than the rate forecast in February (2.9%), mainly as a result of looser

[16] Energy International Agency, Short-Term Energy Outlook, June 2024

monetary policy.[17] Growth in the US and many emerging markets appears to be offset by a slowdown in most European countries.

In the US, annual GDP growth is expected to remain almost flat, rising from 2.5% last year to 2.6% in 2024 and 1.8% in 2025, on the back of looser monetary policy and a gradual decline in inflation.[18] The growth rate for the euro area is projected to be 0.7% in 2024, driven by private consumption as real incomes strengthen and by an increase in investment resulting from credit easing and capital disbursement.

Furthermore, the intensification of conflict could exert upward pressure on energy commodity prices, potentially leading to inflationary pressures and a re-evaluation of expectations regarding monetary policy easing.

In addition, the situation in the Red Sea has resulted in delays to the movement of goods to Europe and increased transport costs. The transits of merchant ships, container ships and tankers through the Suez Canal have fallen significantly, with data showing a 51% decline in the first half of the year compared to the previous year.[19] Subsequently, the number of ships passing through the Cape of Good Hope increased significantly, resulting in higher transport costs and subsequent price inflation.

In light of these developments, it is estimated that the average oil price in 2024 will be $84/barrel, representing an increase of almost 2% from 2023, driven primarily by global demand.[20] It is anticipated that the euro/dollar exchange rate for the current year will remain at an average of 1.08, in line with the previous year's performance. [21] Subsequently, the average euro oil price is expected to reach €77.8/barrel in 2024, an increase of 2% compared to the previous year.

Taking into account the above trends and developments in the main factors affecting consumer prices, **the Consumer Price Index is projected to strengthen mildly this year, at a rate in the region of 3.0%, mainly due to the expected rise in energy prices**.

The IOBE's monthly economic surveys also provide valuable insight into future price trends, acting as leading indicators for the supply side.

The outlook for price change expectations in the second quarter of 2024 is mixed compared to the first quarter of this year. Specifically, price expectations in manufacturing and services show a modest increase, while retail trade and construction experience a notable decline. When compared to the corresponding period last year, expectations for price developments in industry and services show a slight increase, while retail trade and private construction see a significant decline. In greater detail:

In the industrial sector, the outlook for price movements in the second quarter of the year was slightly more positive than in the immediately preceding quarter. In particular, the index reached +7 points, up from -2 points in the previous quarter, and gained 5 points compared to the corresponding quarter of 2023. Among the firms in the sector, 7% anticipated price declines in the

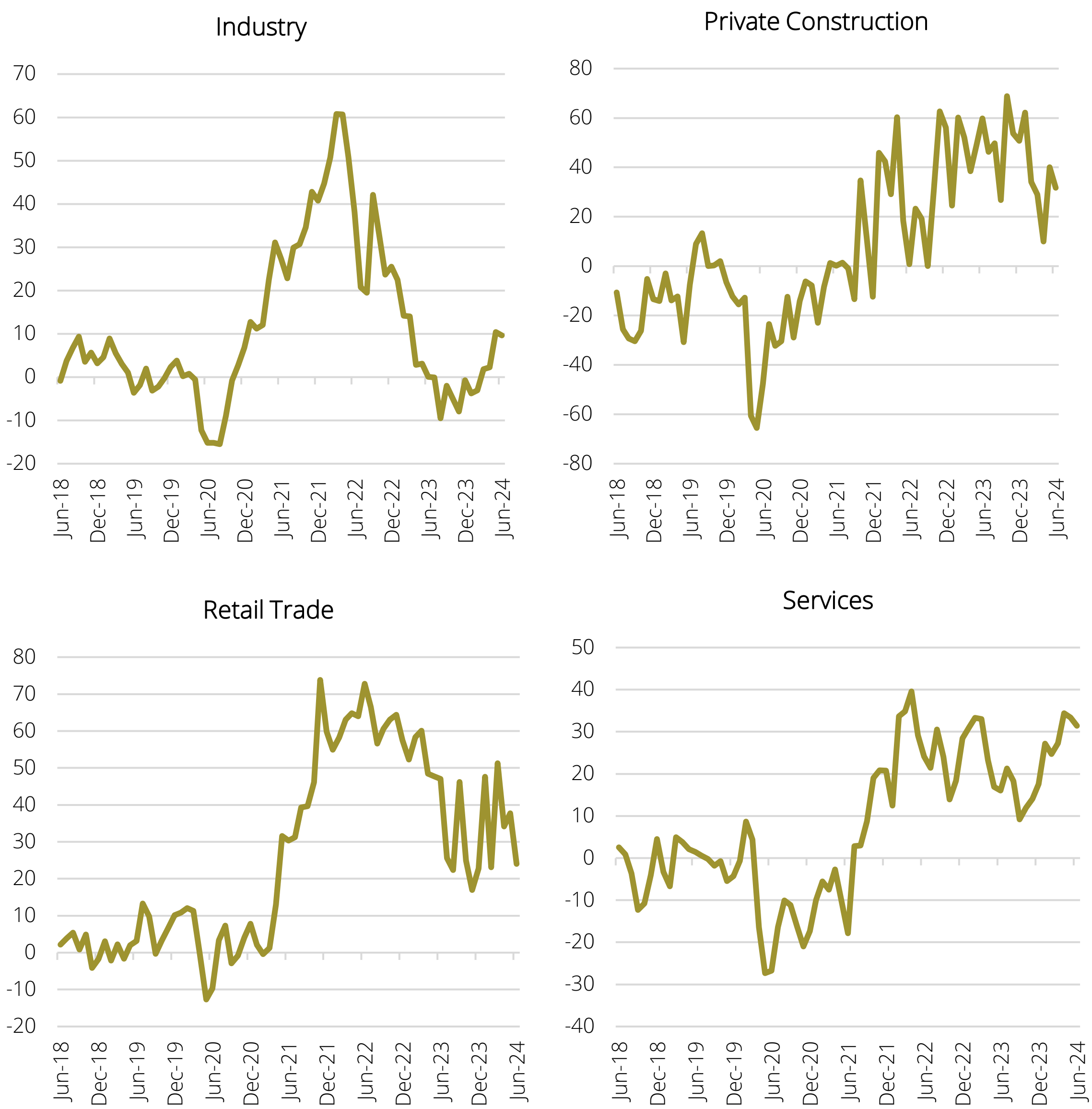
[17] OECD Economic Outlook, May 2024: An unfolding recovery
OECD Economic Outlook, May 2024: An unfolding recovery
[19] International Monetary Fund, PORTWATCH
[20] Energy International Agency, Short-Term Energy Outlook, June 2024
[21] Macroeconomic projections, ECB, June 2024

near term, while the proportion of those expecting price increases rose to 15% (from 11%), with the remaining 78% anticipating price stability.

In the retail trade sector, the balance of +41 points in business prices in the previous quarter declined by 9 points, representing a decrease of 16 points compared to the corresponding period in 2023. Just 1% of sector firms anticipate a decline in prices in the near term, while the proportion expecting an increase has diminished to 33%. The remaining 66% (up from 55%) anticipate price stability. In the individual retail trade sectors, price expectations for the second quarter of 2024 were predominantly lower compared to the previous quarter. The food and beverage sector saw a slight increase in price expectations, while the textile, clothing, footwear, household equipment and vehicles and parts sectors experienced a modest decline. Notably, the department store sector saw a significant decrease in price expectations.

Figure 3.24

Price expectations over the coming quarter (difference between positive and negative answers)



Source: IOBE

The second quarter of 2024 saw mixed trends in price change expectations compared to the first quarter of this year. While there was a slight increase in price expectations across both manufacturing and services, there was a notable decline in both retail trade and construction.

The average price change forecast index for services in the quarter under review showed a slight increase compared to the previous quarter, reaching +33 points (from +26). This represents a notable rise compared to the corresponding average performance of the second quarter of 2023, which stood at +19 points. In the quarter under review, none of the companies in the sector anticipated a price decrease. In contrast, 34% of the companies in the sector expected an increase, up from 29% in the previous quarter. Among the individual sectors considered, the relevant indicator rose significantly in the Hotels-Restaurants and Miscellaneous Business Activities sectors, more moderately in the Information Technology sector, while it declined in the Financial Intermediaries sector.

In the private construction sector, the positive balance of +42 points recorded in the previous quarter has declined significantly to +27 points. This represents a notable decrease compared to the corresponding level of 2023, which stood at +49 points. Furthermore, just 1% of firms in the sector anticipated a decline in prices, while 28% (up from 47%) expected an increase, with the remaining 71% (up from 47%) anticipating price stability.

Special Text Box of section 3.5

Analysis of recent food inflation trends

The international developments that have occurred over the past two years, including disruptions in global supply chains and the rapid rise in energy and raw material prices (such as those for cereals, flour, sugar, etc.), have resulted in a notable increase in production costs within the food sector. This has led to significant inflationary pressures within the Greek economy. Food price inflation is a key economic indicator that has a direct impact on consumer purchasing power and overall economic stability. Therefore, analysing recent food price trends in Greece is crucial for informing policy decisions, business strategy development and consumer behaviour.

From January 2021 to May 2024, the domestic HICP for food saw a comparable cumulative percentage increase to that of the EU27 HICP. However, there were minor discrepancies when comparing to selected EU27 countries. In more detail, the domestic HICP for food increased by 29.4% compared to 30.6% in the EU27. Spain saw a slightly stronger increase, with prices rising by 31%. At the lower end of the spectrum, Italy and Portugal stand out, with the HICP rising by a cumulative 24.1% and 28.8%, respectively, between January 2021 and May 2024. This demonstrates that food price changes domestically do not deviate significantly from the EU27, which reflects the fact that food inflation is a European-wide issue.

In terms of annual changes, the domestic HICP for Food recorded a rise of 2.5% in May this year, following an 8.3% rise in January this year. In the EU27, the index showed a more modest increase of 1.4% in May, up from 4.8% in the first month of 2024. The rate of inflation for food products was higher in Spain and Portugal, with the relevant index showing a 4.5% and 3.5% increase, respectively, in May of this year, following a 7.5% and 2.6% increase, respectively, in January. The rate of change in food prices was weaker in Italy, where it increased by 2.1% in May compared to 6.0% in January this year. Therefore, over the course of this year, there have been trends of declining food inflation across the EU27 and a number of other countries in Europe. However, this has been more pronounced in Greece.

Table B.3.5.1. Harmonised Index of Consumer Prices (HICP) for Food

	2015	2021	2022	2023	Jan. 2024	Feb. 2024	Mar. 2024	Apr. 2024	May 2024	2015- May 2024	Jan. 2021-May2024
EU27	100	111.6	125.2	141.0	143.3	143.1	143.0	143.5	**143.8**	43.8%	30.6%
Greece	100	103.5	115.9	129.4	133.9	133.5	132.4	132.1	**131.2**	31.2%	29.4%
Spain	100	109.7	122.7	137.0	141.1	141.0	141.1	142.1	**142.1**	42.1%	31.0%
Italy	100	106.7	116.8	128.7	131.7	131.4	131.2	131.2	**131.8**	31.8%	24.1%
Portugal	100	105.9	120.1	132.1	135.2	134.7	135.0	135.2	**135.1**	35.1%	28.8%

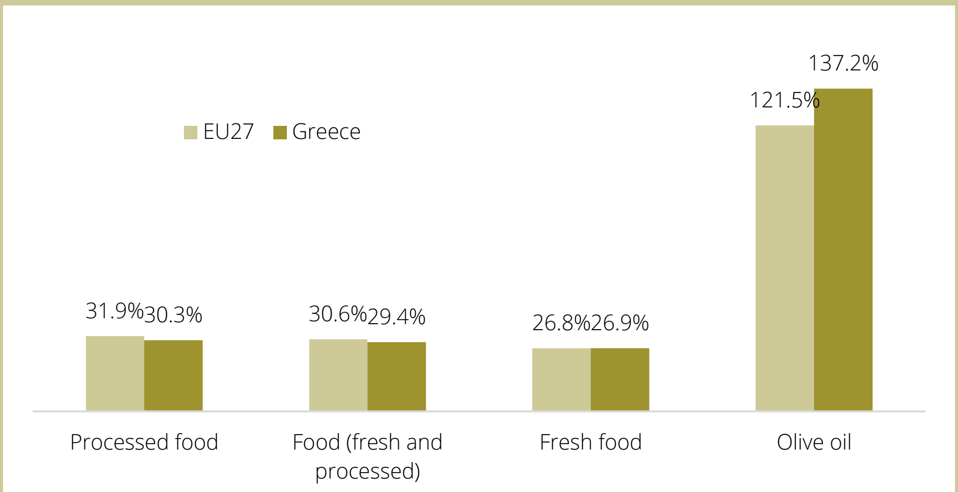
Annual change (%)	2021	2022	2023	Jan. 2024	Feb. 2024	Mar. 2024	Apr. 2024	May 2024
EU27	1.5	12.2	12.7	4.8	2.7	1.2	1.6	1.4
Greece	**1.6**	**12.0**	**11.7**	**8.3**	**6.5**	**5.4**	**5.3**	**2.5**
Spain	1.6	11.9	11.7	7.5	5.4	4.4	4.8	4.5
Italy	0.5	9.4	10.3	6.0	4.0	3.0	2.7	2.1
Portugal	0.8	13.4	10.4	2.6	0.7	-0.1	0.1	3.5

Source: Eurostat, Data processing: IOBE

With regard to the cumulative price changes in individual food categories in Greece and in the EU27 over the period from January 2021 to May 2024, there are no significant differences. In particular, the HICP for processed food increased by 30.3% in Greece and 31.9% in the EU27 between January

2021 and May 2024. Similarly, the HICP for total foodstuffs rose by 29.4% in Greece and 30.6% in the EU27 over the same period. Similarly, the HICP for fresh food in Greece in the period from January 2021 to May 2024 increased by 26.9%, which is almost on a par with the rise in the EU27 (26.8%). By contrast, the cumulative rise in olive oil was more pronounced, at 137.2% domestically compared with 121.5% in the EU27. Consequently, the cumulative price changes in individual food categories in Greece during the period January 2021 to May 2024 align with the EU27 average, with the exception of olive oil.

Figure B.3.5.1. Consumer price index by selected product categories, cumulative change Jan. 2021 - May 2024



Source: Eurostat, Data processing: IOBE.

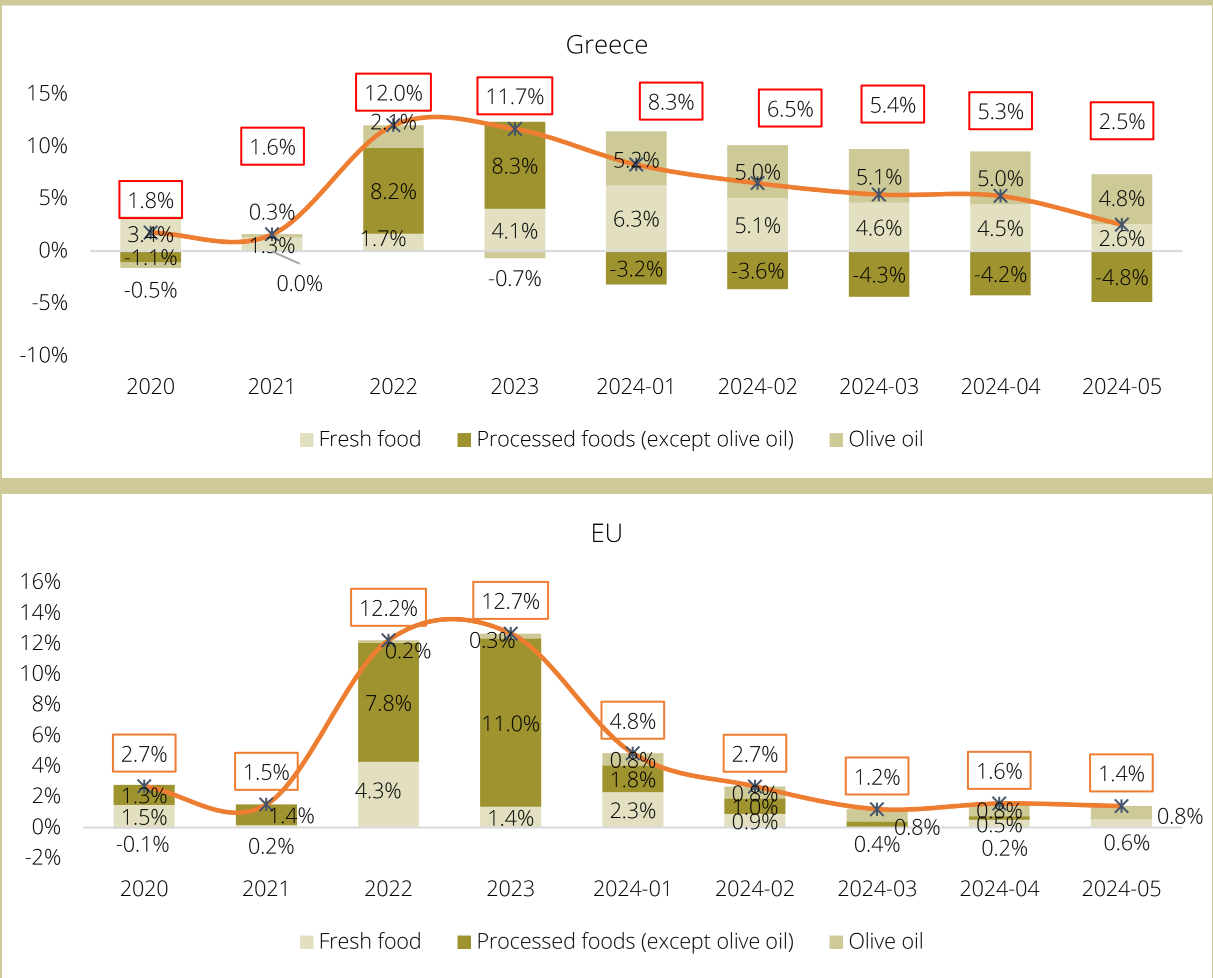
The average rate of food inflation in the period January to May 2024 was 5.6% in the domestic market, down from 11.7% in the same period of 2023. In the EU27, the corresponding figure was 2.3%, representing a decline from 12.7% in 2023.

In terms of the contribution of individual food categories to the formation of domestic inflation (HICP) in food, olive oil appears to be a notable factor in the first five months of this year. In more detail, the contribution of olive oil averaged 5 percentage points (p.p.) in the period January to May 2024, compared to -0.7 p.p. in 2023. Similarly, the contribution of fresh foods averaged 4.6 p.p. in the same period, up from 4.1 p.p. in 2023. In contrast, processed foods (excluding olive oil) contributed negatively, averaging -4.1 p.p. in the first five months of 2024, down from 8.3 p.p. in 2023.

At the European level, the contribution of olive oil to food inflation averaged 0.8 percentage points in Q1 2024, up from 0.3 p.p. in 2023. Similarly, the contribution of fresh food was comparable, averaging 0.8 p.p. in the same period, down from 1.4 p.p. in 2023. Meanwhile, processed food, excluding olive oil, contributed an average of 0.7 p.p. in the first five months of 2024, up from 11 p.p. in 2023. Consequently, the impact of olive oil and fresh food on inflation in Greece during the first five months of 2024 was more pronounced than in the EU27.

In summary, the period from January 2021 to May 2024 saw no significant divergence in food price inflation compared to the EU-27 average. This finding reflects the fact that food inflation is a European-wide phenomenon. The exception is olive oil, which saw a more pronounced increase in the domestic market during the period from January 2021 to May 2024 compared to the EU27. Finally, in terms of the contribution of individual food categories to the formation of domestic inflation (HICP) in food, olive oil and fresh food had a more significant impact on the price index in the domestic market during the first five months of this year than in the EU27.

Figure B.3.5.2. Contribution of individual food categories to the change in the HICP for Food



Source: Eurostat, Data processing: IOBE.

4 The Contribution of Shipping to the Greek Economy - Outlook and Challenges[22]

- The Greek shipping industry is a global leader, with the Greek-owned fleet holding the third largest tonnage and the third largest newbuilding order programme in the world.
- The Greek flag is becoming increasingly less competitive, with a notable loss of large-capacity vessels. However, it remains in the top ten among the registers representing the world fleet.
- Greek shipping still accounts for the largest share of the gross value added (GVA) of the Greek economy (3.1% or €4.8 billion in 2021, compared to only 0.2% on average in the EU), in comparison to other European Member States.
- The total impact of shipping on Greece's GDP was estimated at €14.1 billion per year, corresponding to 7.9% of GDP. In terms of employment, the impact is estimated at 86.3k full-time jobs, while approximately €1.9 billion of public revenues are supported by shipping directly or through multiplier effects.
- Despite its competitive position, Greek-owned shipping is facing challenges related to global carbon targets, the integration of new technologies and the financing of transition investments.

Introduction

The shipping industry is a particularly significant contributor to the Greek economy. Greece is a major player in the shipping industry, which is a key driver of global trade, fostering economic growth on a global scale. At the same time, passenger shipping lines connect the island country with the rest of Greece, providing essential support to the economic and social life of the islands by transporting residents, visitors and goods. Ocean and passenger shipping, along with other segments of shipping (such as cruise and short sea shipping), as well as numerous other activities that support shipping with services and goods (such as port operations, shipbuilding and ship

[22] The chapter is based on a recent IOBE study on the contribution of shipping to the Greek economy. The full text of the study is available here: https://iobe.gr/research_dtl.asp?RID=301

repair, construction of marine equipment, banking, insurance, legal and accounting services), comprise a network of activities of particular importance for domestic income and job creation.

The growing global population and the resulting increase in demand for industrial and consumer goods are driving the expansion of merchant shipping operations. As economies grow, people have greater ability to travel, creating a corresponding increase in demand for passenger transport. Concurrently, a number of global challenges are creating the necessity for strategic redesign, which entails considerable business risks. In order to meet the growing demand for transport services, shipping is required to make significant fleet renewal investments in order to comply with changes in legislation and the demands of the dual transition of decarbonisation and digital transformation. In this context, it is important to highlight and recognise the contribution of shipping to the Greek economy and the challenges it faces.

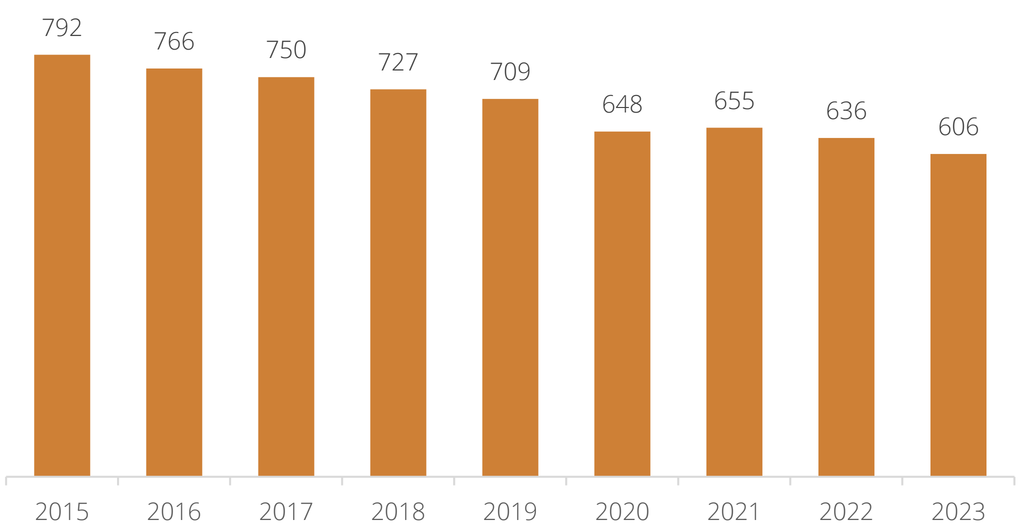
The position of Greek-owned shipping in the European and global markets

In 2023, Greek-owned shipping was still the world leader in terms of deadweight tonnage (DWT), behind China and Japan. In the same year, Greek shipowners had the third largest orderbook (in terms of GT), but still lagged behind the top two shipping powers.

However, the Greek flag is becoming less competitive, although it is still among the top ten registers representing the world fleet. Over the last decade, the Greek flag has lost about 25% of its strength, with most of this underperformance coming from the larger vessels (over 30 thousand GT) listed in other registers. This is compounded by the relatively low participation of Greek nationals in the maritime profession. This is confirmed by the limited number of students at the merchant navy academies who undergo practical training as cadets and are subsequently recruited into the merchant fleet. The need to strengthen the maritime profession in Greece is imperative for the preservation of the Greek maritime tradition and, in the long term, for the country's position as a global maritime power.

Figure 4.1

Number of Greek flag ships weighing over 3000 GRT



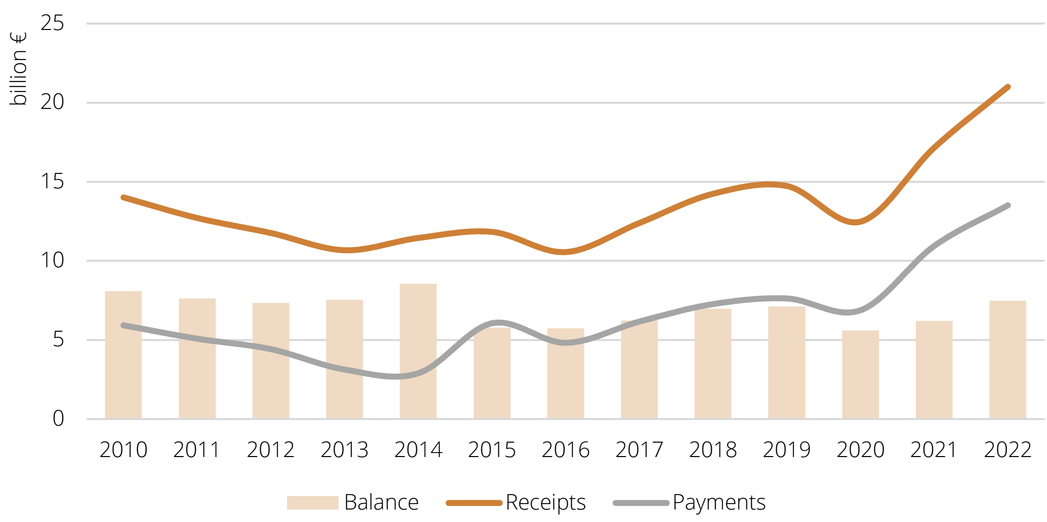
Source: Merchant fleet, ELSTAT

Key economic indicators of water transport and maritime cluster sectors in Greece

Despite the disruption caused by the pandemic, shipping remains a significant contributor to the Greek economy, accounting for the largest share (3.1% or €4.8 billion in 2021) of gross value added in the Greek economy compared to other European countries. This figure is significantly higher than the EU average of 0.2%. Furthermore, income from overseas transport services, which form part of the long-standing surplus of the maritime balance, remain high. For example, over the last decade (2012-2022), the country received €148.3 billion from maritime transport abroad, which equates to 42% of the gross debt of the general government.

Figure 4.2

Receipts, payments and balance of maritime transport in Greece, 2010-2022



Source: Bank of Greece

In terms of employment, approximately 45,900 Greek residents are employed in the water transport sector. Of those employed on ships contracted with the Naval Reserve Fund (NAT), 30% are officers and the remainder are junior crew. The data demonstrate an ongoing decline in the intake of new seafarers, coupled with a persistently low level of female participation. Conversely, the engagement rate of Greek seafarers on vessels contracted with NAT is demonstrating a gradual recovery from 2014 onwards.

In another key area of water transport, passenger shipping, Greece retains its leading position in terms of traffic, with Italy in close proximity. Its contribution to the economy is substantial, reflecting its strategic role in supporting island economies. The contribution is particularly notable in island regions, where shipping's impact on GDP and employment through its support of tourism and production ranges from 33% in the North Aegean to 48% in the South Aegean.

In 2022, the number of cruise ship calls in Greek ports reached a level higher than in 2019 by 20.1%. The growth prospects for other related sectors (tourism, trade) and, by extension, the Greek economy, are significant, especially in light of the further development of homeporting. However, the potential benefit is constrained by the absence of the necessary infrastructure and services to serve cruise in various ways (such as adequate air connections to key markets for year-round cruising and port infrastructure).

The water transport sector is supported by a robust port infrastructure, which has undergone significant enhancements over the past decade. Of particular note is the 465% increase in cargo transport at the Port of Piraeus between 2009 and 2019. This growth is closely linked to the changes in the business model of the Piraeus Port Authority, which saw a significant increase in container transport following its privatisation. However, this emphasises the necessity for additional enhancements to port infrastructure across the country. This is required for the delivery of fundamental services (e.g. secure reception of vessels) and for the integration of new technological solutions in line with evolving international regulations (e.g. provision of electricity to ships – cold ironing). However, this upgrade requires investment in a context of tight budgetary constraints. One potential solution for the country's major ports is to concession facilities to private companies for a certain period of time, with specific commitments for investment projects. This approach has been successfully implemented in Piraeus and Thessaloniki.

The economic performance of the shipbuilding sector has declined significantly over the past decade, placing Greece in a relatively weak position in Europe (17th in terms of value added and 15th in terms of employment in ship and boat building among 31 European countries with available data in 2020). By contrast, the repair sector has made a notable recovery in comparison to the pre-crisis period, which has led to an increase in its contribution to both GVA and employment in the Greek economy. Concurrently, the Greek ship and boat repair sub-sector is in a superior position compared to other European countries (10th in terms of value added and 5th in terms of employment in 2020). The regeneration of Greece's three major shipyards (Neorio, Skaramagas and Elefsina) and the consolidation procedures secured at institutional level have enabled access to international financing, which is necessary to upgrade equipment, cover past debts and implement new, more efficient business plans. Furthermore, domestic manufacturing of maritime equipment supports a more competitive green transition and digital transformation, boosting GDP and employment. It also enhances the openness of the Greek economy and interconnections with the global maritime supply chain.

Shipping's contribution to the Greek economy

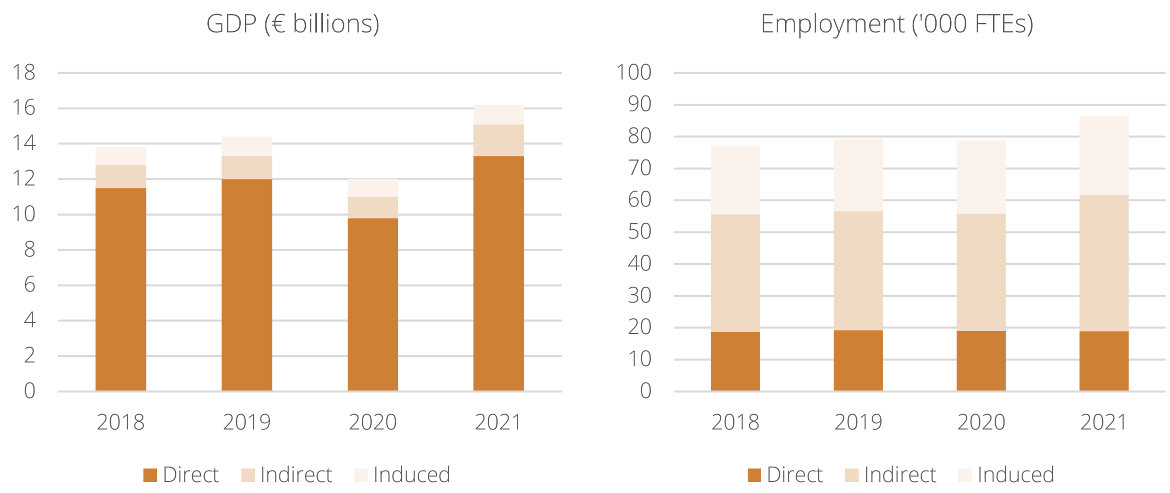
After accounting for the multiplier effects, we estimate the total impact of shipping on Greece's GDP to be €14.1 billion annually (on average, over the period 2018-2021), representing 7.9% of GDP. In terms of employment, the impact is estimated at 86,300 full-time jobs, while approximately €1.9 billion of public revenues are supported by shipping directly or through multiplier effects. The sectors of economic activity that benefit significantly from Greek-owned shipping include land transport, real estate management, financial services, as well as energy, construction and other sectors. Furthermore, the support that shipping provides to business activities in a range of sectors, including aviation, oil refining, banking and tourism, is also a significant factor. Finally, public benefit foundations based on shipping funds provide substantial social assistance and are a vital source of funding for civil society activities in Greece.

Improving the environmental footprint and decarbonising shipping

One of the most significant challenges facing international shipping, and by extension the Greek shipping industry, is the reduction of its environmental footprint and decarbonisation. In light of these challenges, the International Maritime Organization (IMO) has developed a series of strategies to reduce the environmental footprint and decarbonise the sector, taking into account the unique characteristics of shipping. The IMO's Greenhouse Gas Strategy, adopted in 2018, sets an overall target of reducing the carbon footprint of global shipping by 50% in 2050 (with an interim target of 30% in 2030).

Figure 4.3

Shipping's contribution to the Greek economy, 2018-2021



Source: IOBE estimates

In 2023, the IMO's new stricter carbon strategy stated that global shipping should be net carbon neutral (net zero) by 2050, highlighting the need to adopt highly efficient technological solutions. To monitor the greenhouse gas performance of ships, the IMO has established specific efficiency indicators for both new and existing ships, such as the Energy Efficiency Design Index for Ships (EEDI), the Energy Efficiency Existing Ship Index (EEXI), the Energy Efficiency Operational Indicator (EEOI) and the Carbon Intensity Indicator (CII). In addition to carbonisation, in 2020 the IMO introduced a regulation to limit the sulphur content of fuels in order to improve the quality of ship exhaust gases and protect the atmosphere from nitrogen oxides, to be applied outside Emission Control Areas (ECAs).

In the European Union, as part of the implementation of the European Climate Change Act and the Green Deal, the Emissions Trading Scheme (ETS) includes shipping from 1 January 2024. The estimation of emissions and corresponding allowances is supported by the amended EU Regulation on the monitoring, reporting and verification of CO2 emissions from maritime transport (EU Maritime Monitoring, Reporting and Verification - MRV Regulation). The emissions of each ship covered by the ETS are verified by specialised bodies and allowances are issued once a year from 2025. The calculation of emissions, and therefore of allowances, takes into account the jurisdiction of the port of departure and port of call, with the number of allowances varying according to whether the ports in question belong to a European state. The cost of the ship's compliance with the ETS may be shifted from the owner shipowner to another entity, such as the ship's operator or charterer, by agreement between the parties involved.

Energy sources and fuels in green shipping

The objective of decarbonisation will be achieved through the enhancement of existing internal combustion engines and the development and utilisation of contemporary fuels derived from renewable sources or zero-carbon methods. These include blue fuels, essentially derived from natural gas with carbon capture technologies, biofuels (from biogas, biodiesel and other similar sources) and electricity produced from renewable sources. The choice of these fuels is a complex process, influenced by a number of factors, including the cost and availability of fuels worldwide, as well as technical considerations such as on-board storage, the possibility of stable supply from ports, and so on.

There is a distinct interest in bio-methanol on the international order list for new ships as of mid-2023. Conversely, the application of all-electric ships currently appears to be constrained by on-board storage issues, elevated investment costs for battery and electrical systems, and limitations in the reliable supply of lower or zero-emission electricity from ports globally. However, there are already cases of specific vessels, such as tugs or short-sea vessels, operating purely electrically. Meanwhile, there is also considerable interest in LNG ships, which currently offer significant advantages related to reduced greenhouse gas emissions and fewer air pollutants. Globally, there is significant investment in both newly built LNG ships and the development of LNG port refuelling infrastructure. However, it should be noted that LNG contains methane, which is a high contributor to global warming.

Smart shipping - digital transition and autonomous ships

The utilisation of technology and web applications optimises the management of data pertinent to the operation of shipping in general. The collection of real-time data and its storage in cloud systems can be a valuable tool for managers on board and for shipping offices ashore. The introduction of machine learning systems and artificial intelligence (AI) applications can lead to significant improvements in the operational parameters of ships, which in turn can reduce daily operating costs. The number of AI systems developed exclusively for use in shipping is growing, as is the number of companies using them on board. The use and exploitation of data and AI systems can form the basis for autonomous and remote-controlled ships. However, their widespread application is currently limited by the international institutional framework, which is still at an early stage. Despite this, there is strong interest from major shipbuilding and shipping companies, with several pilot applications worldwide.

Financial instruments

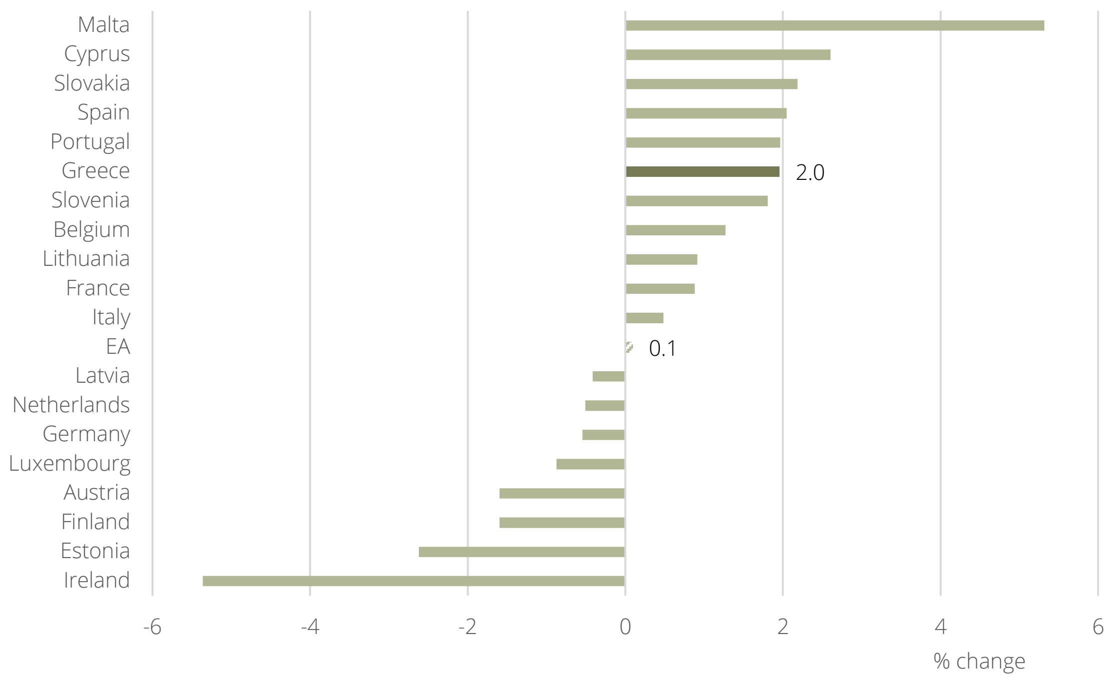
The necessity for carbonisation and the implementation of contemporary technical solutions necessitates substantial investment and reform of the global financial system. In this context, the Basel III framework, which came into force on 1 January 2023, permits banks to apply preferential treatment to shipping portfolios. Furthermore, financial instruments have been developed that link the type and characteristics of financing to the performance of shipping companies in terms of sustainability. These include green bonds, as well as bonds and loans linked to sustainability clauses. In these cases, the company may raise finance on the capital market for the implementation of an improved environmental project (green bond) or link the repayment rate of a bond or loan to the achievement of specific environmental objectives in the medium term.

The deployment of such products necessitates the establishment of a systematic framework for the recording and communication of the sustainability performance of shipping companies. This framework must be made available to all parties involved in financing, as well as shipping suppliers and customers along the supply chain. Financial institutions are requesting that shipping companies provide sustainability-related reports. This is also a requirement of the European institutional framework, which has been in place since 2014 for large listed companies through the NFRD (Non-Financial Reporting Directive). In the context of ongoing efforts to enhance transparency on social and environmental issues, the European institutional framework (Corporate Sustainability Reporting Directive - CSRD) has recently been extended to listed SMEs (with the exception of micro-enterprises). From 2027, these entities will be required to report based on environmental, social and corporate governance (ESG) criteria.

APPENDIX

Figure 1

Real GDP growth rate, Q1 2024 (*)

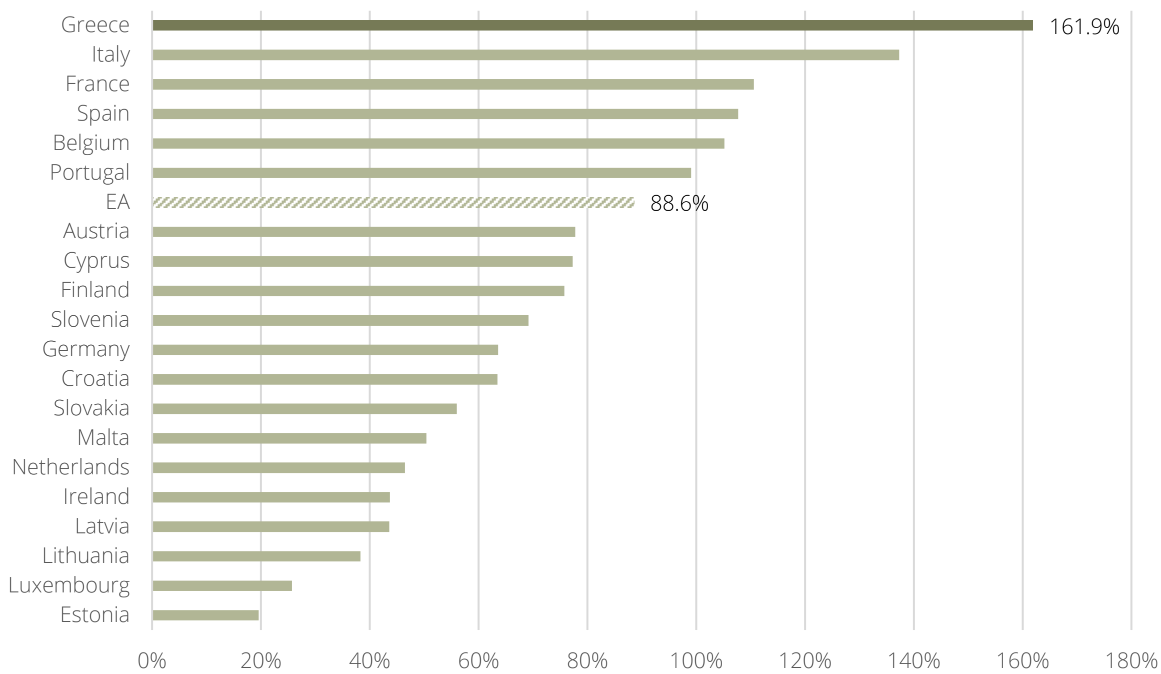


(*) Annualised GDP data (4 quarter moving average, up to Q1 2024)

Source: Eurostat

Figure 2

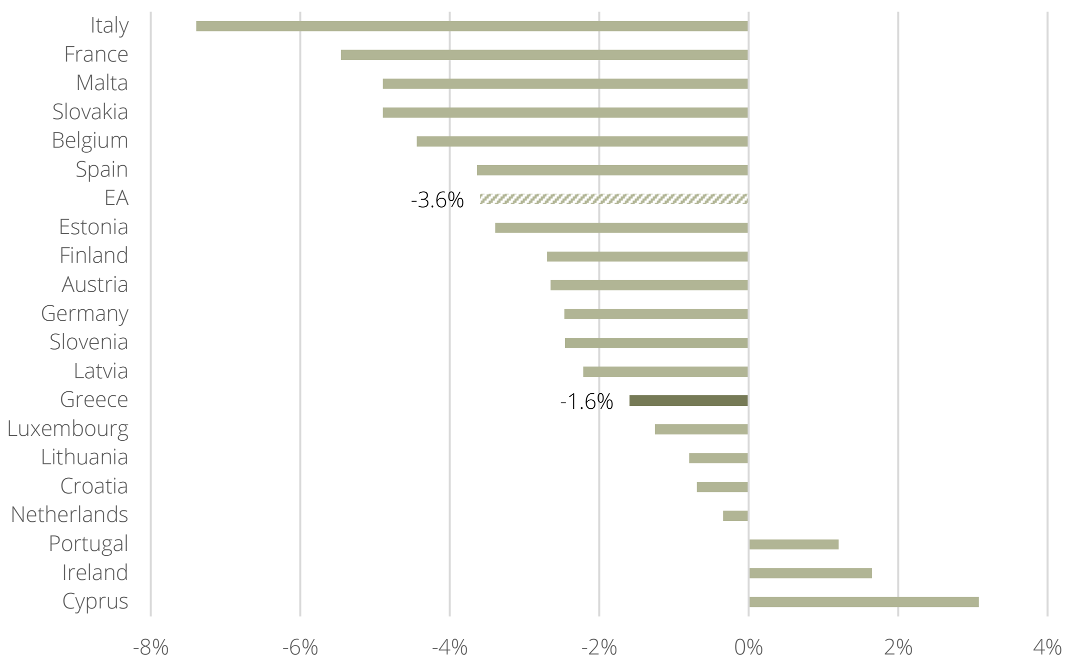
General Government Debt as % of GDP, Q4 2023



Source: Eurostat

Figure 3

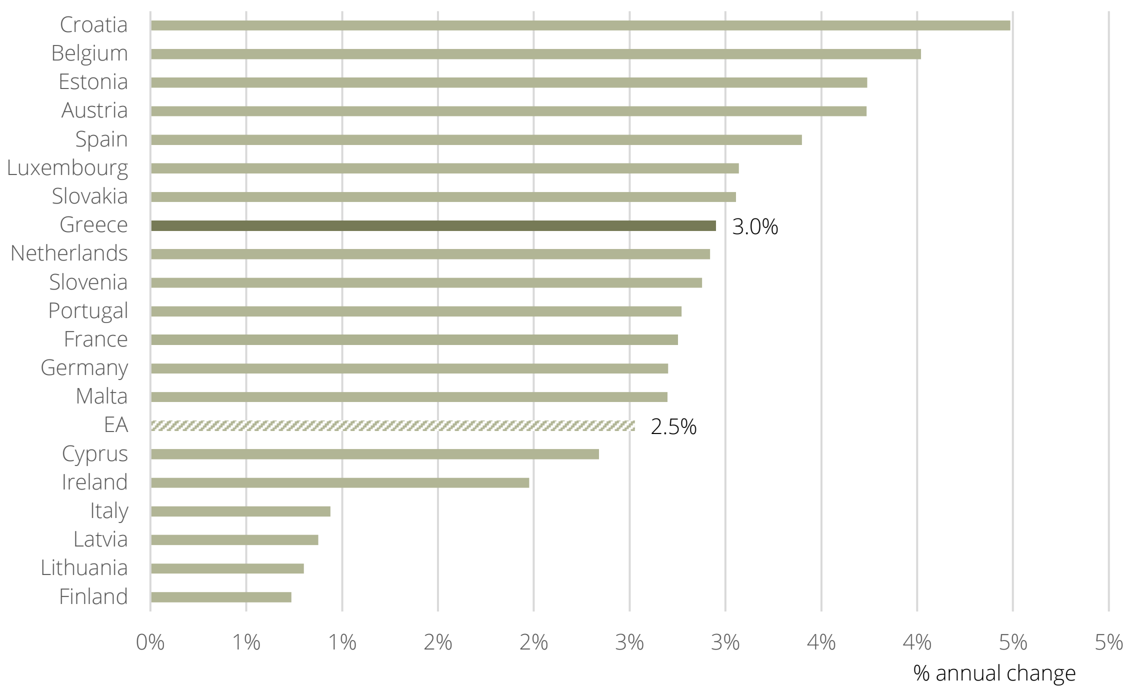
General government balance as % of GDP, 2023



Source: Eurostat

Figure 4

Harmonised Index of Consumer Prices, January - June 2024

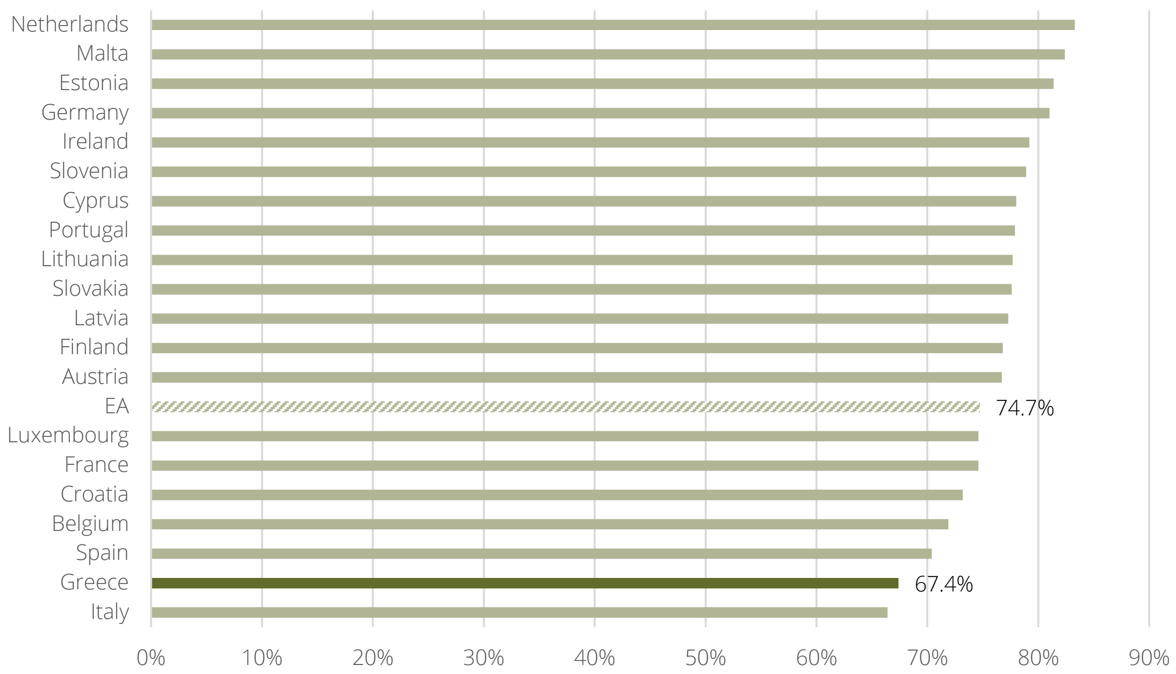


Source: Eurostat

* relates to the period January - May, due to lack of data.

Figure 5

Employment, Q1 2024 (*)

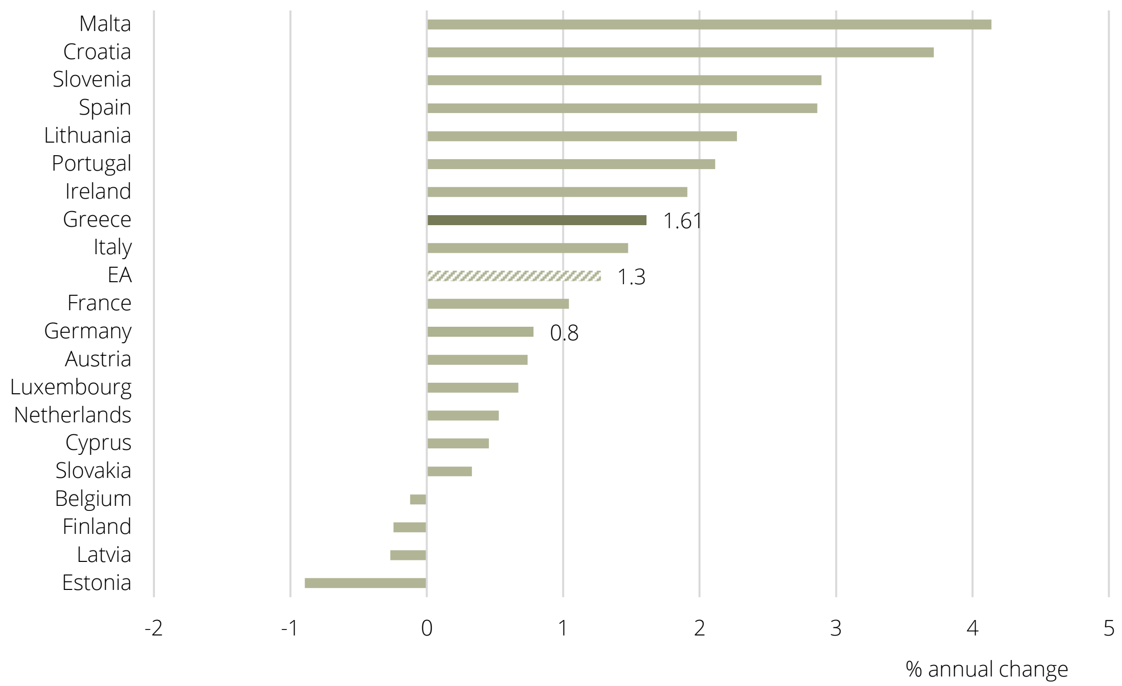


(*) % of employed people aged between 20 and 64 in the total population of the same age group

Source: Eurostat

Figure 6

Change in employment, Q1 2024 (*)

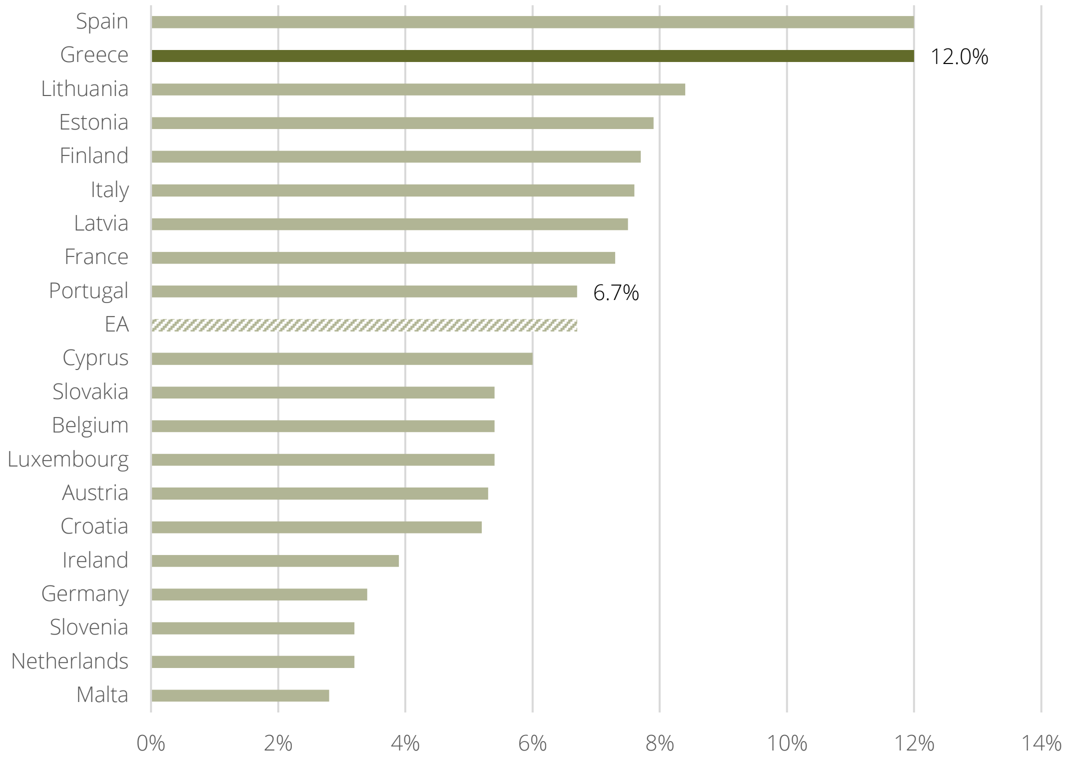


(*) employed people aged between 20 and 64

Source: Eurostat

Figure 7

Unemployment, Q1 2024 (*)



(*) % of unemployed aged 20-64 in the total active population of the corresponding age, seasonally adjusted data

Source: Labour Force Survey, Eurostat