



ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ &
ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ

The Greek Economy: strong recovery and global risks

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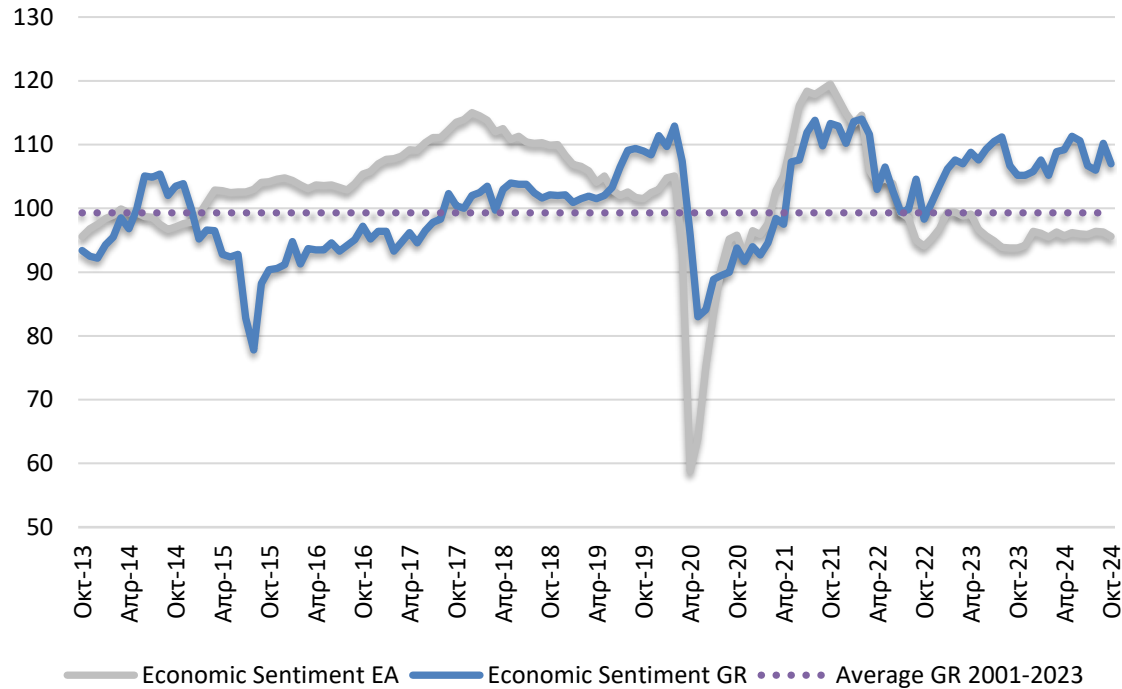
London Business School | Athens

Athens, 10 December 2024

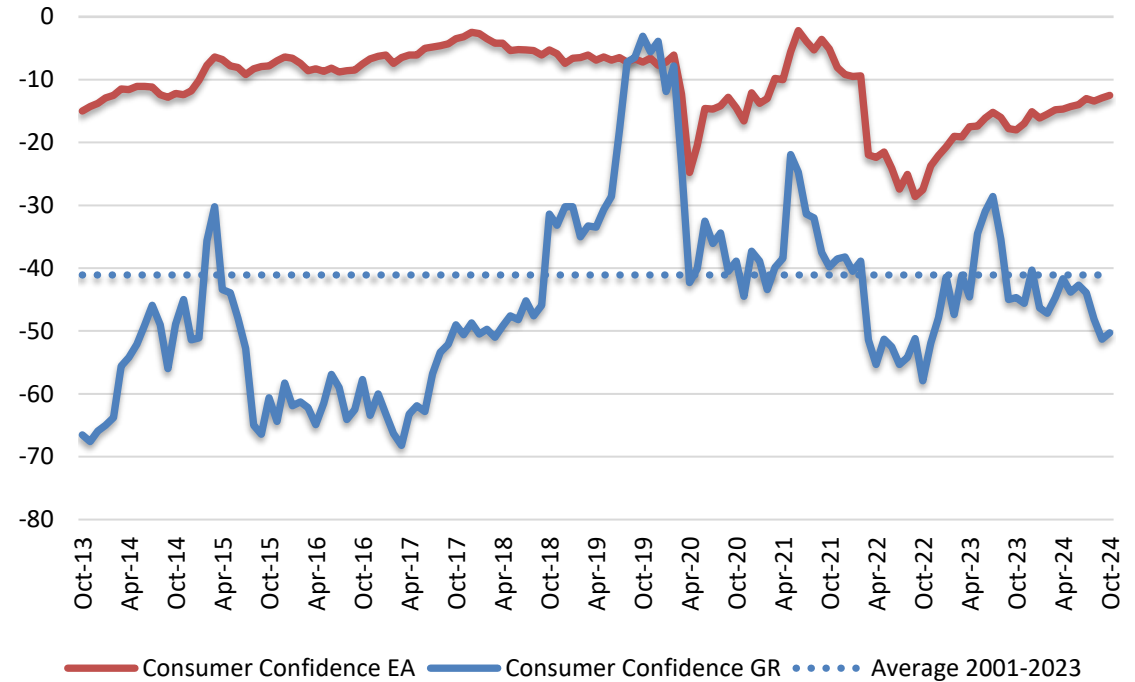
ECONOMIC SENTIMENT AND GLOBAL ENVIRONMENT

Economic sentiment has recovered in Greece after 2022, while it has remained flat in the Euro Area

Economic Sentiment



Consumer Confidence

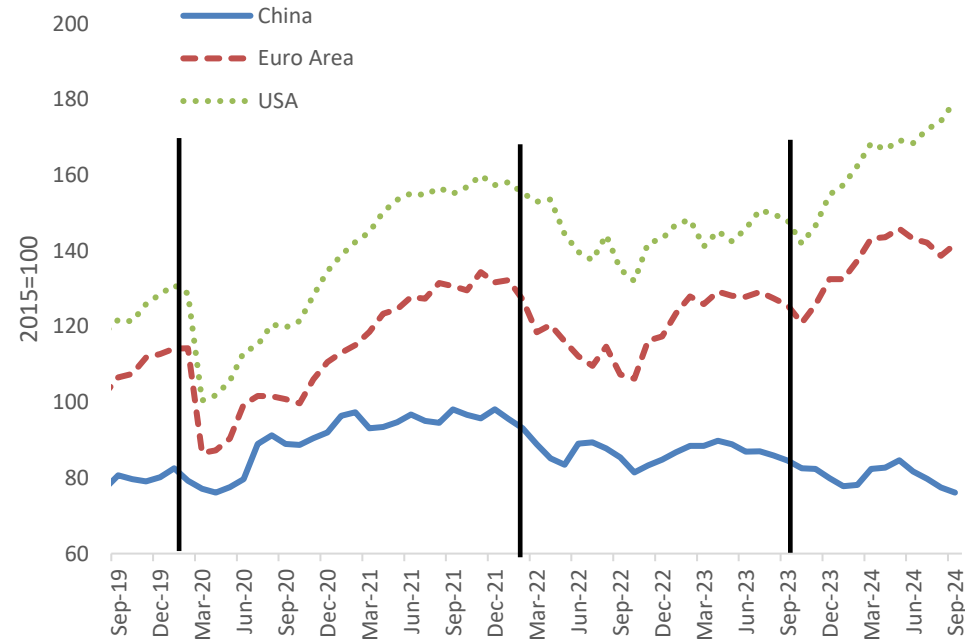


Source: European Commission, DG ECFIN, IOBE

Improved business expectations, slight decline in consumer confidence in 2024. Opposite trend in the euro area, with a systematic improvement in consumer confidence.

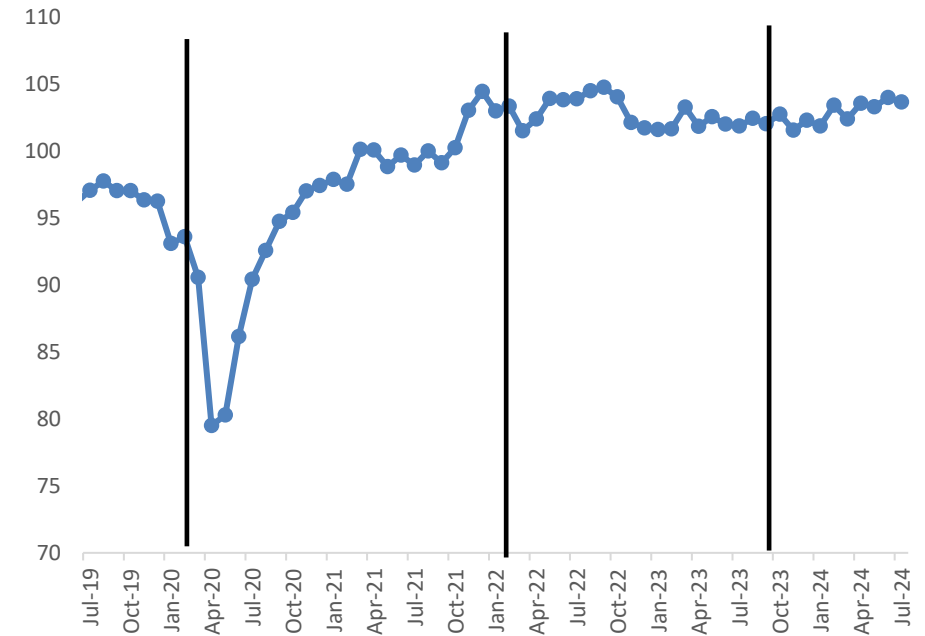
Markets have rallied in advanced economies since mid 2022...

Stock Market Indices, 2015=100



Source: OECD, monthly average of closing prices for aggregate stock indices

Volume Indicator of Global Trade (seasonally adjusted data, 2021=100)

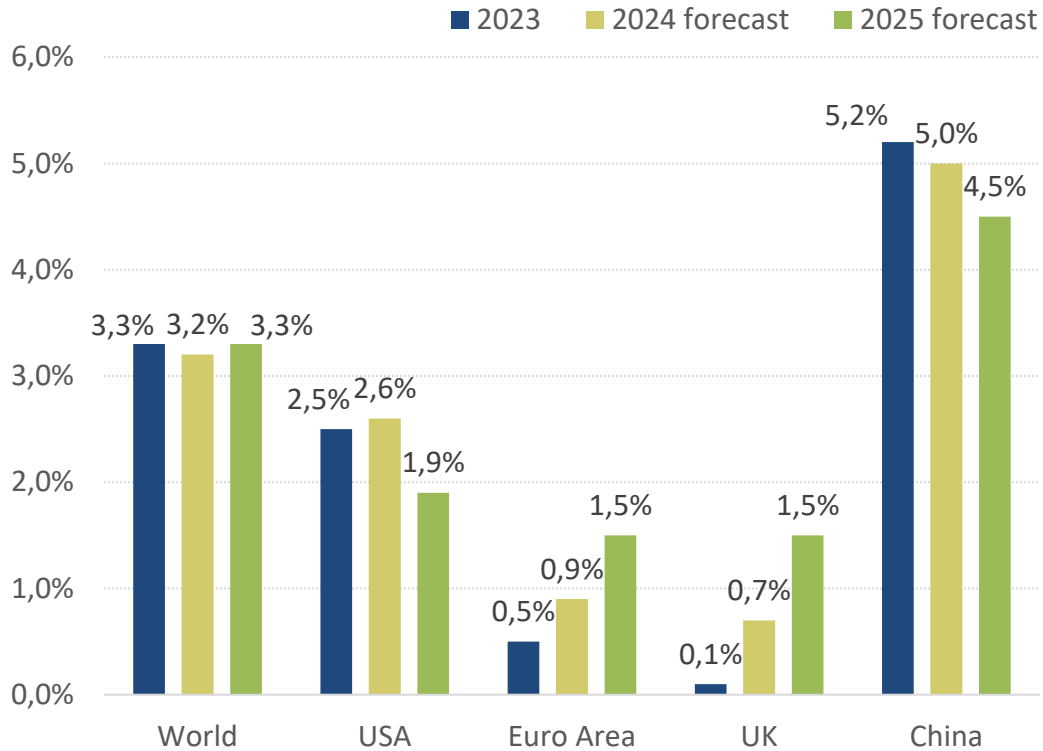


Source: CPB Netherlands Bureau for Economic Policy Analysis

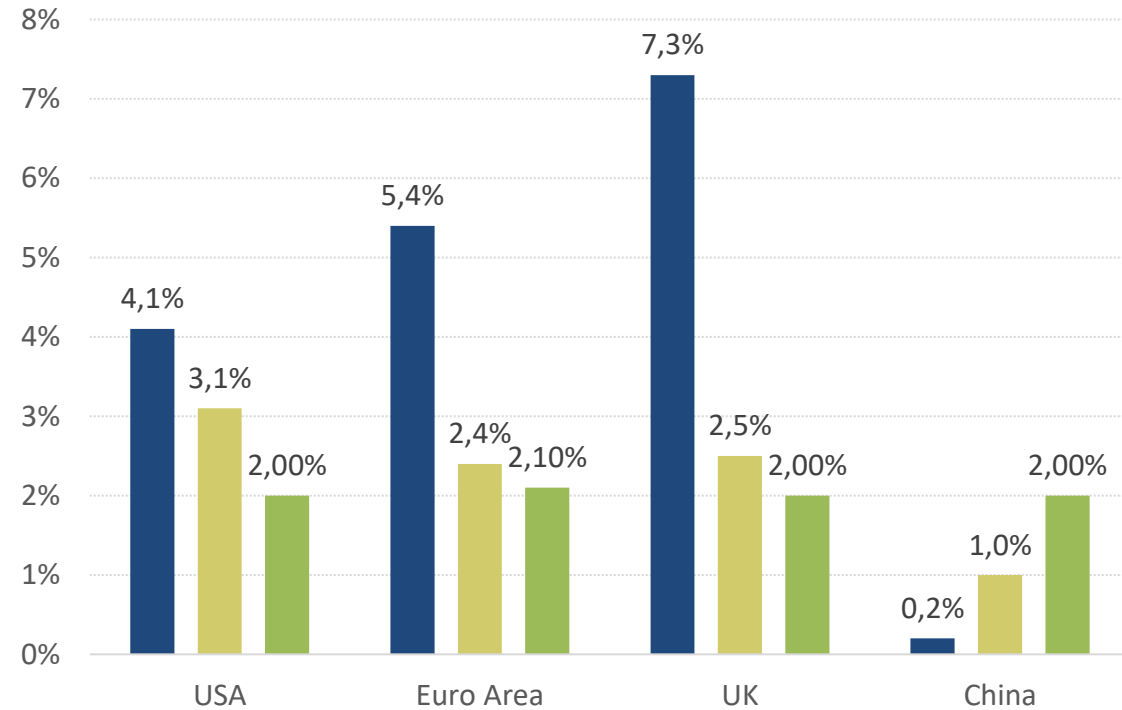
...while international trade volume has fully recovered from the pandemic crisis shock, albeit the trend has flattened after 2023

Global growth: Europe has been underperforming...

Real annual GDP growth rate



Annual inflation



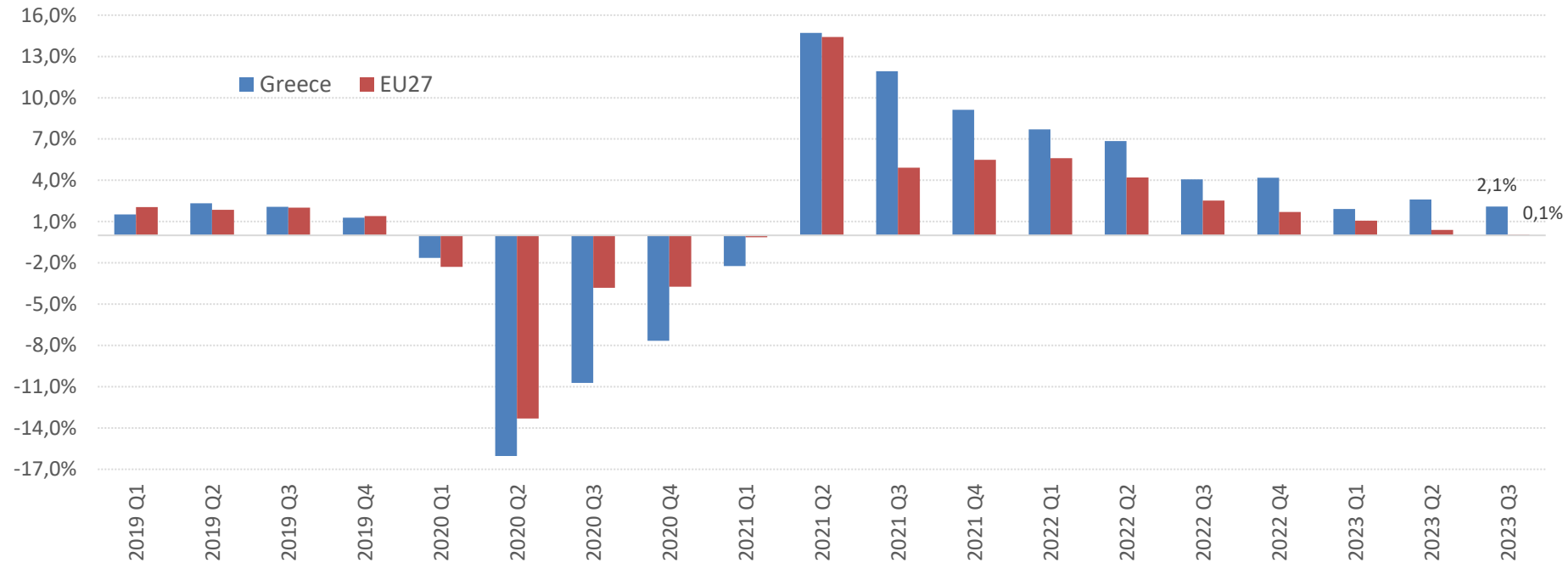
Source: IMF World Economic Outlook (July 2024)

...while high inflation rates across the globe during 2022-23, except for China, are expected to converge back to target during 2025

GDP dynamics

- GR growth rate remains above EU average.

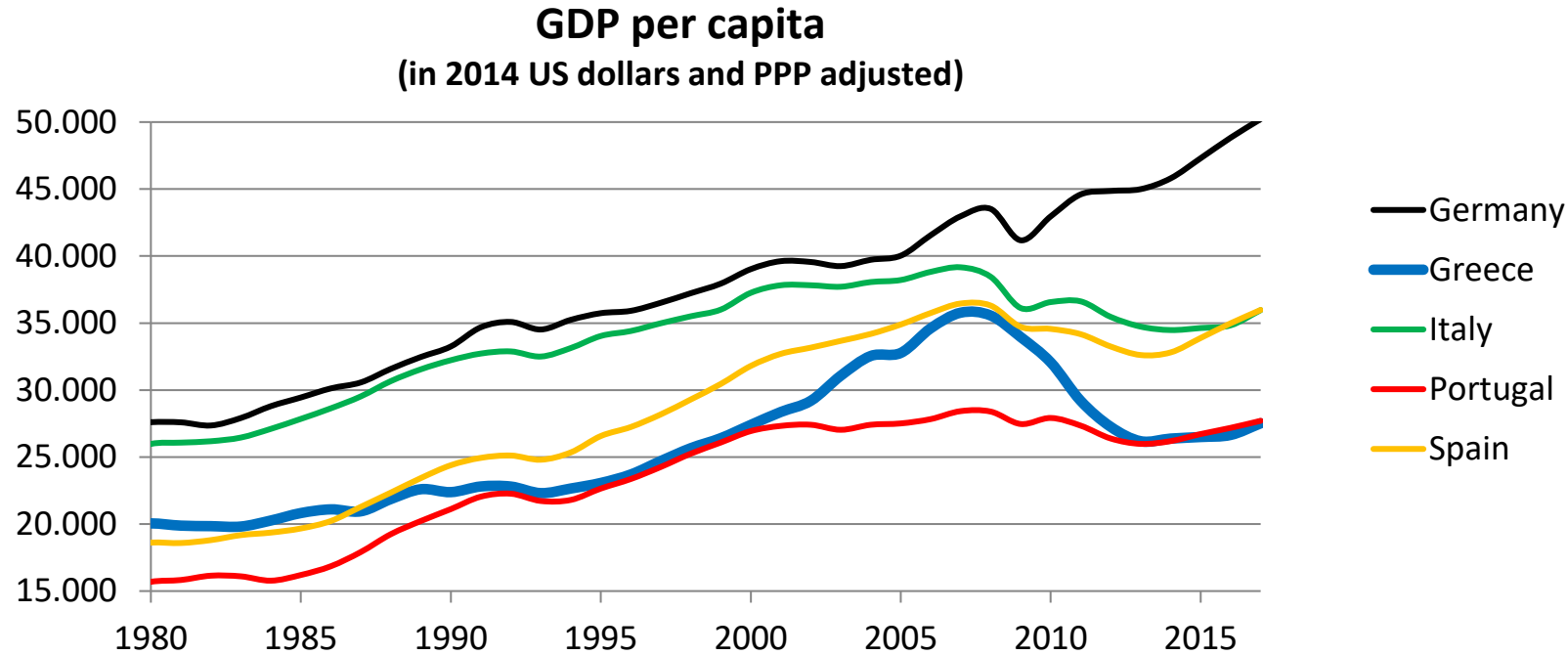
Quarterly real GDP (y/y growth rate)



Source: Quarterly National Accounts, Eurostat

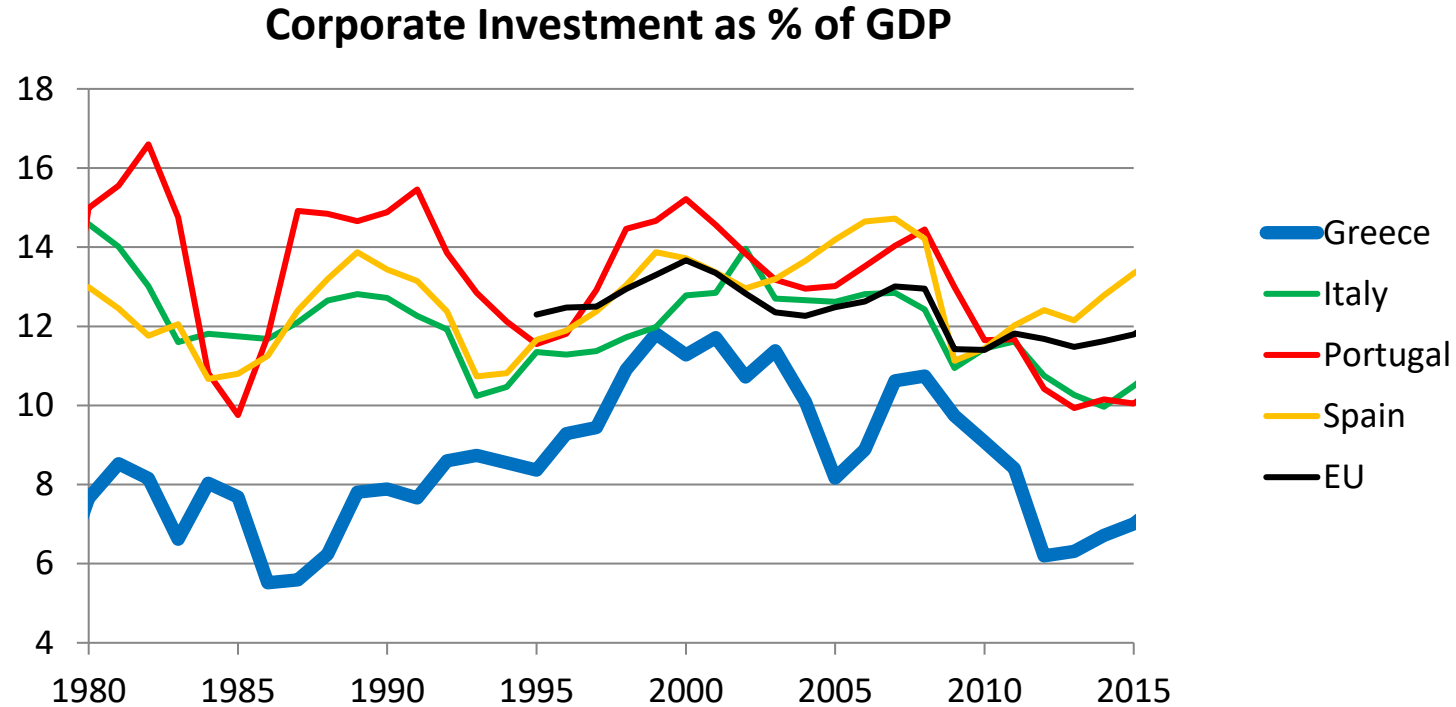
THE GREEK CRISIS – EX POST...

GDP



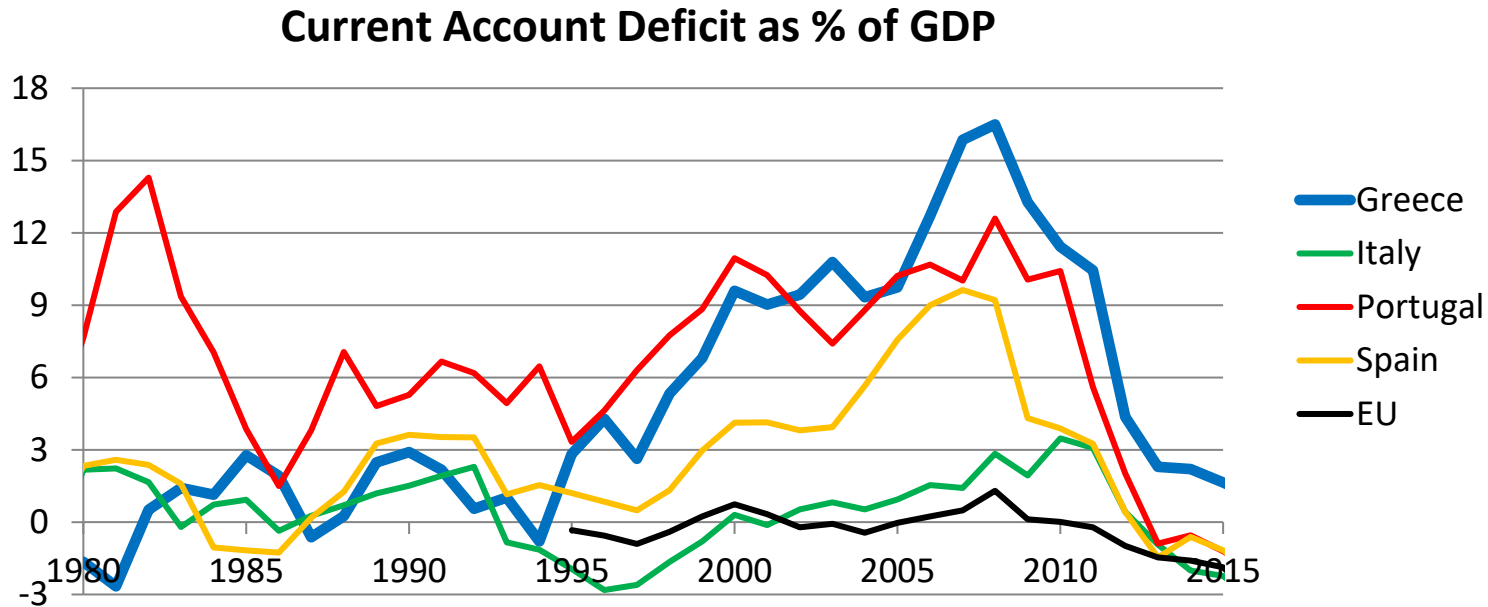
- Greece experienced a large growth and subsequent decline of GDP after Euro entry.
- Its growth over the long term (1980-2017) has been relatively small.
 - Similar to Italy.
 - Similar before and after Euro entry.

Corporate investment



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

Current Account Deficit



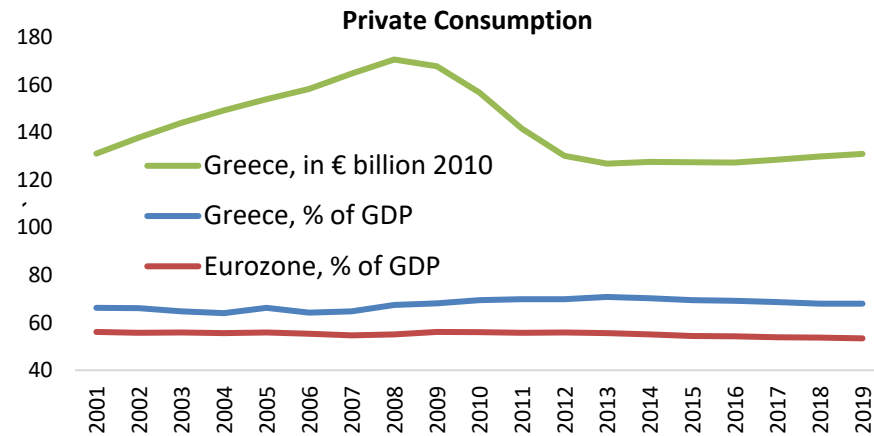
- Current account deficit rose significantly in the run-up to and after Euro entry.
 - Similar to Portugal and Spain.
 - Rise in investment, consumption, and GDP.

Instances of weak performance of the Greek economy

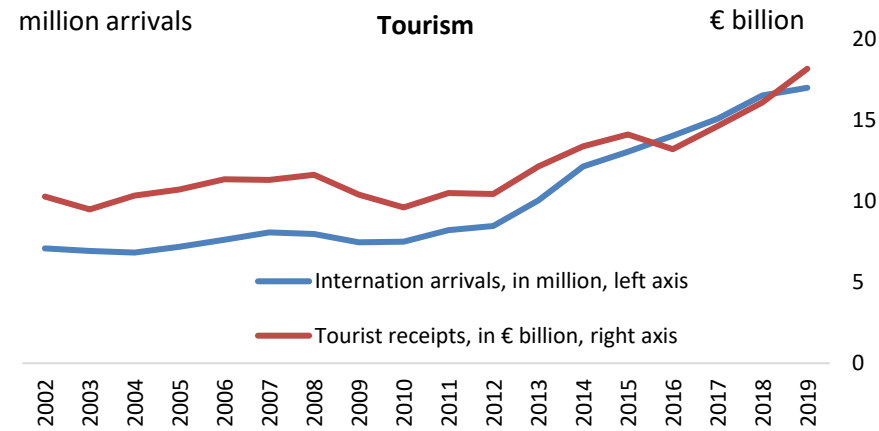
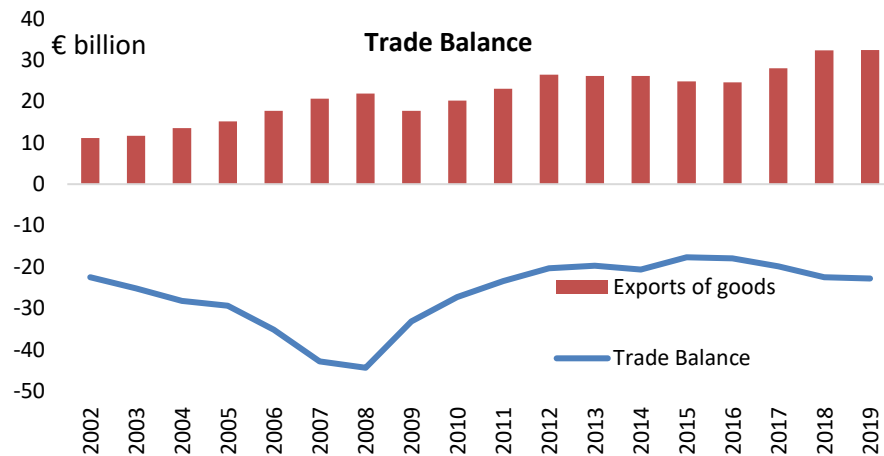
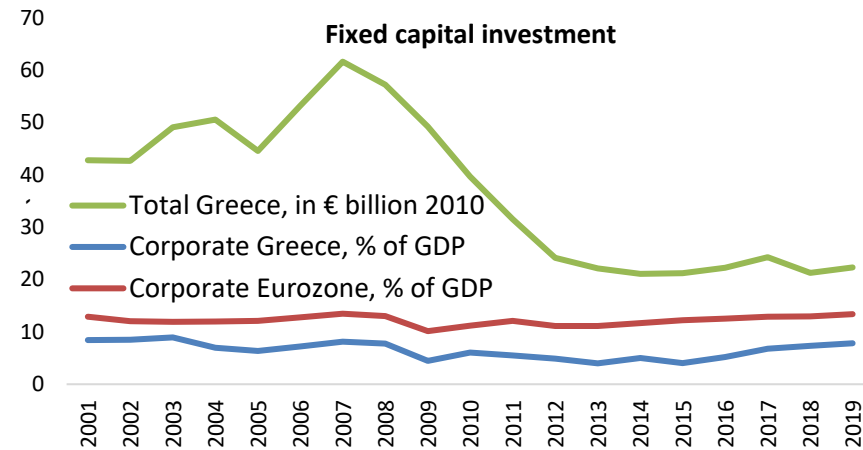
- Low participation of the factors of production.
 - Labor (25th in the EU by % of the population that was employed or was seeking employment in 2019).
 - Capital (27th in the EU in business fixed investment as a % of GDP in 2019).
- Low productivity (22nd in the EU in labor productivity in 2017).
- Poor performance in innovation (20th in the EU in the European Innovation Scoreboard in 2020).
- Low trade intensity (23rd in the EU in imports + exports as a % of GDP in 2019).
- Inadequate welfare state (3rd in the EU in risk of poverty and social exclusion in 2018).

Key trends in the Greek economy 2001-2019

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



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



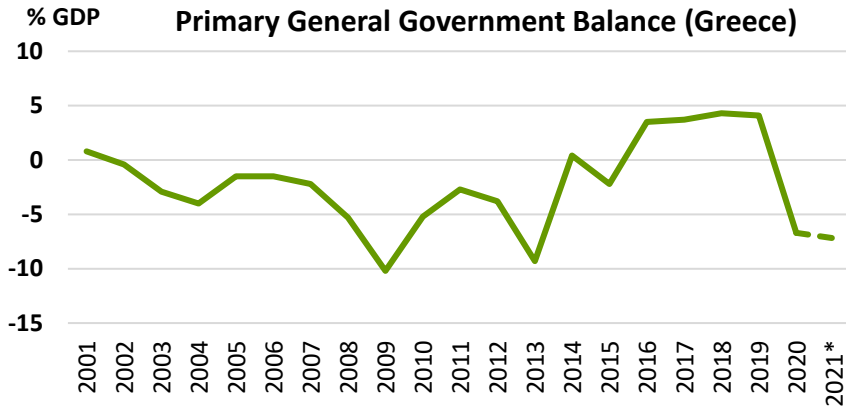
- The value of goods exports has more than tripled in two decades, but the trade balance remains in deficit

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

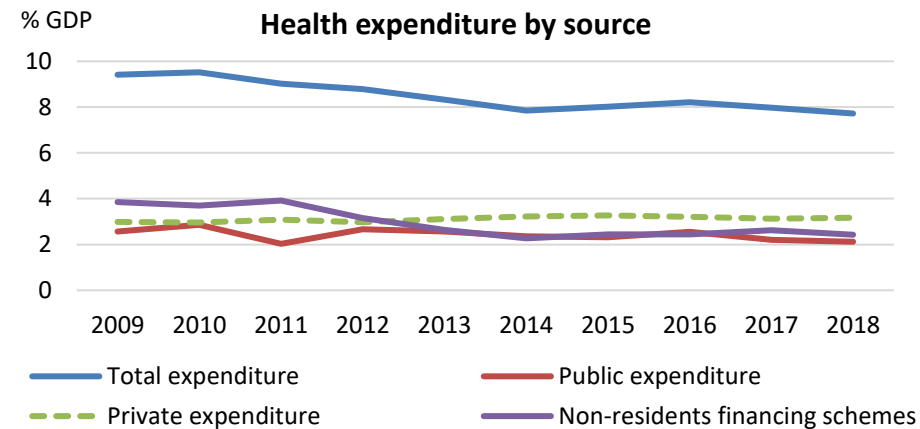
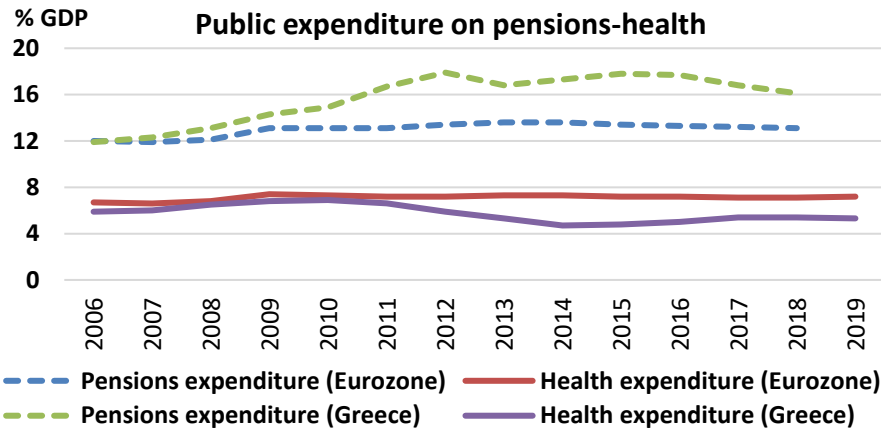
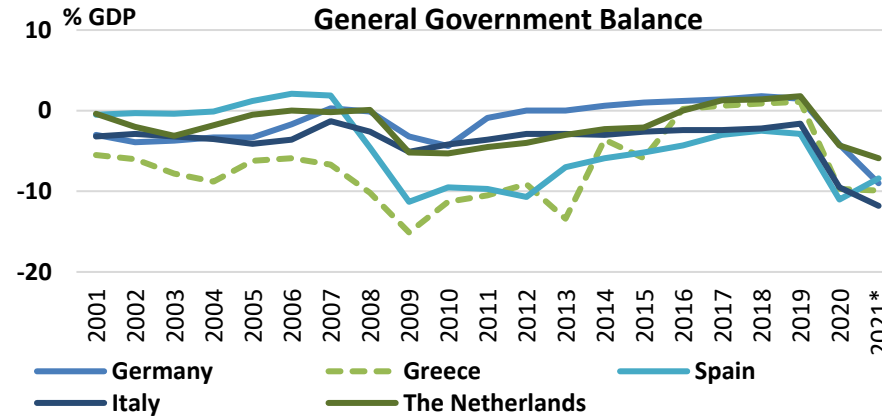
Sources: ELSTAT, Eurostat, Bank of Greece

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

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



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

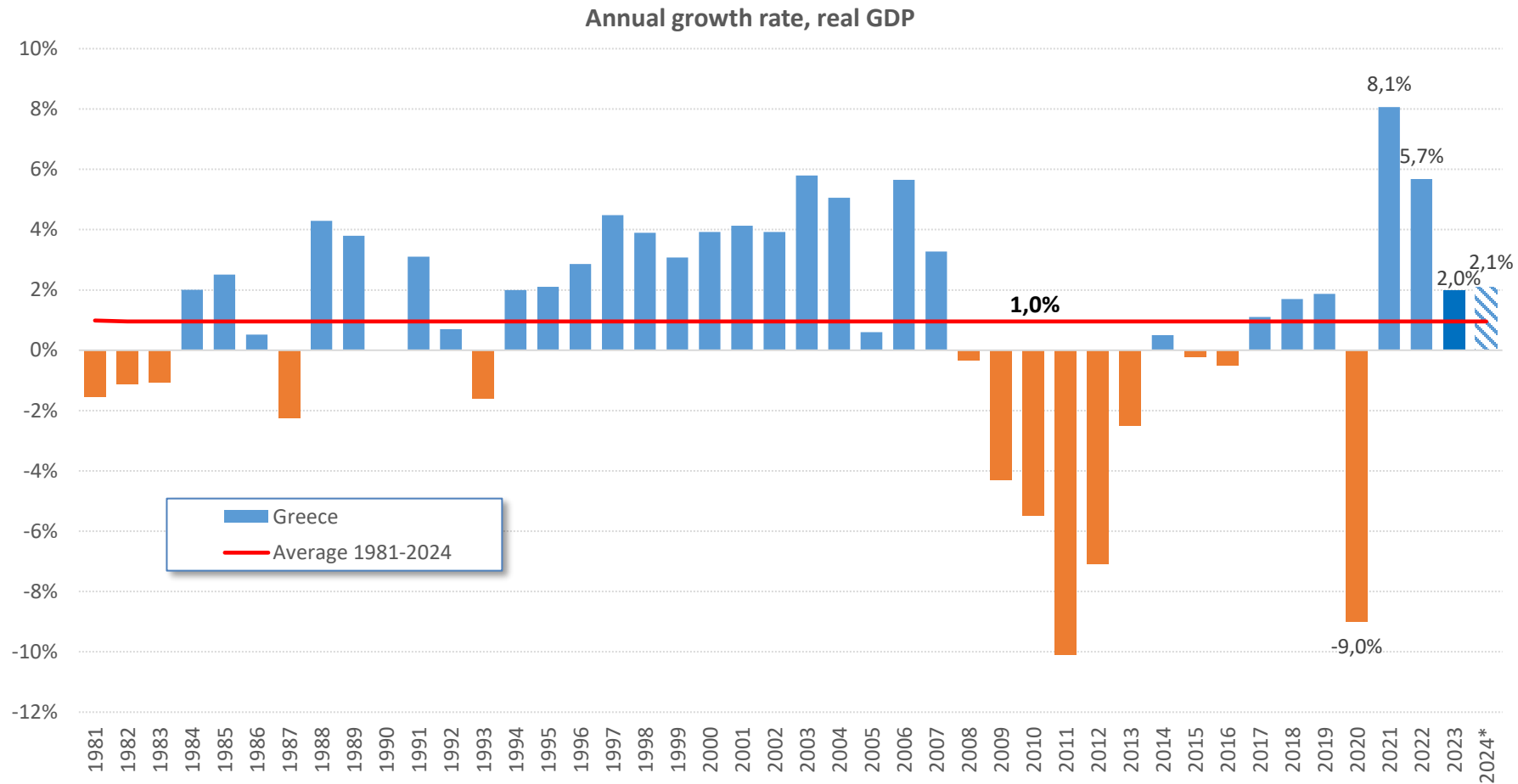


- Higher pension spending over time compared to Eurozone and lower health spending, as % of GDP

* Forecasts: Stability Programme 2021
Source: Eurostat

- Public health spending determines the trend of total health spending

Long term growth dynamics and prospects

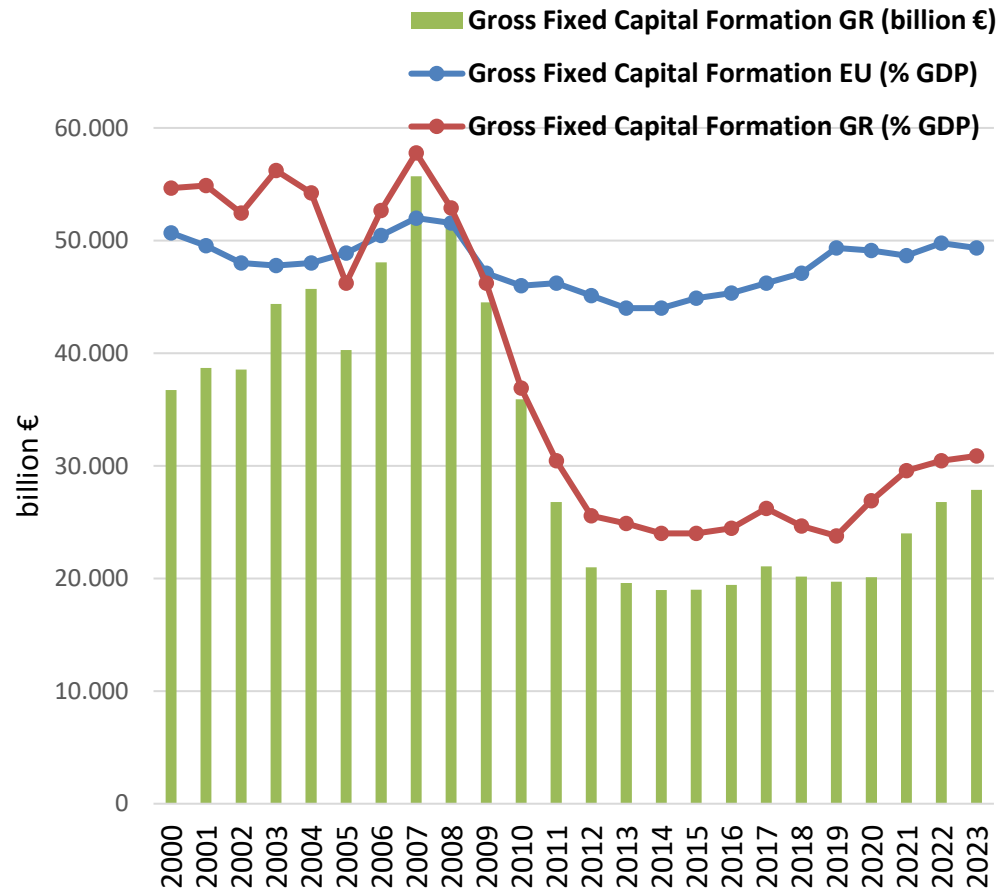


Sources: Eurostat

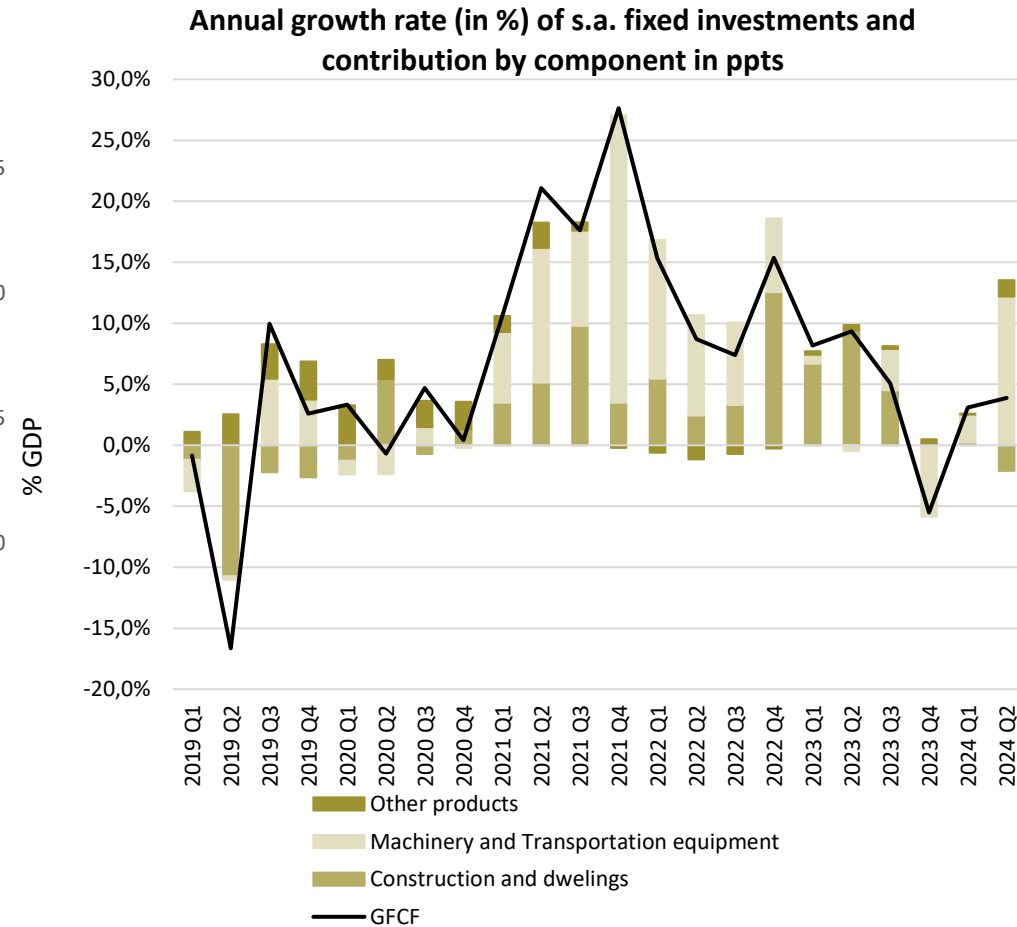
Note. The forecast for 2024 relies upon IOBE (April 2024).

KEY TRENDS

The accumulated investment gap is narrowing, but slowly...

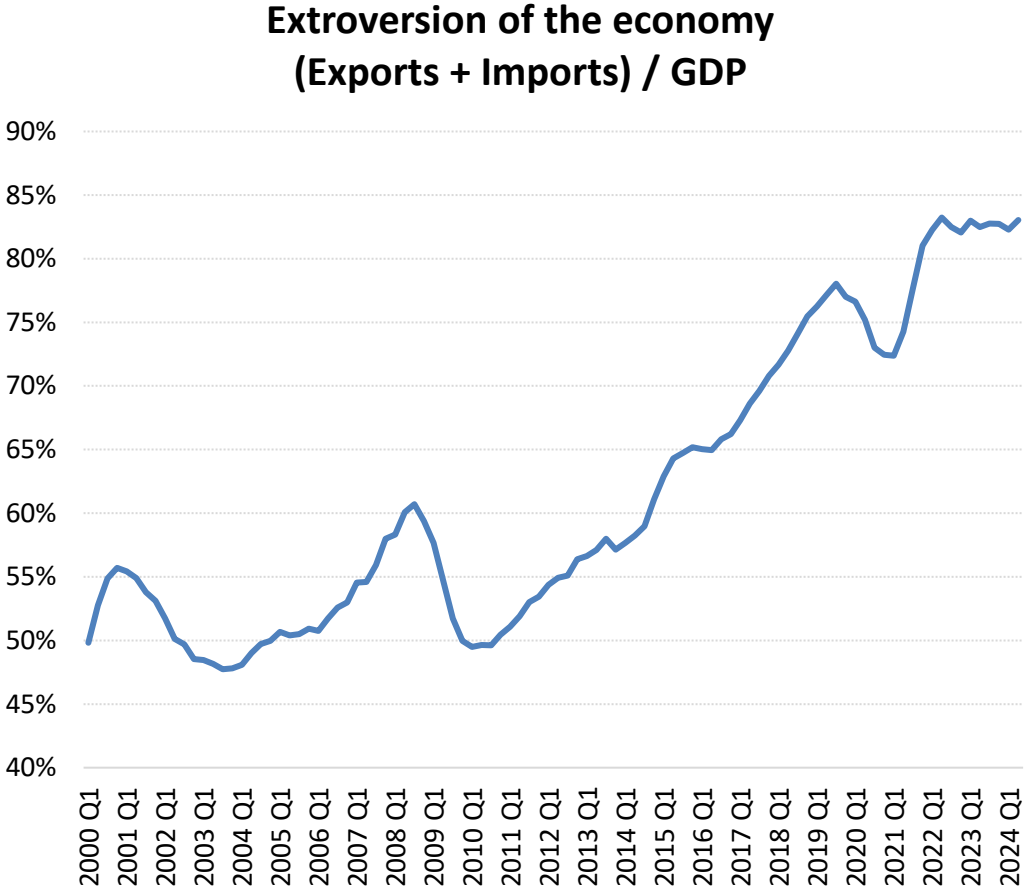


Source: Eurostat, Data Processing: IOBE



... driven largely by housing-construction and mechanical-transport equipment

The Greek economy has become more extrovert...

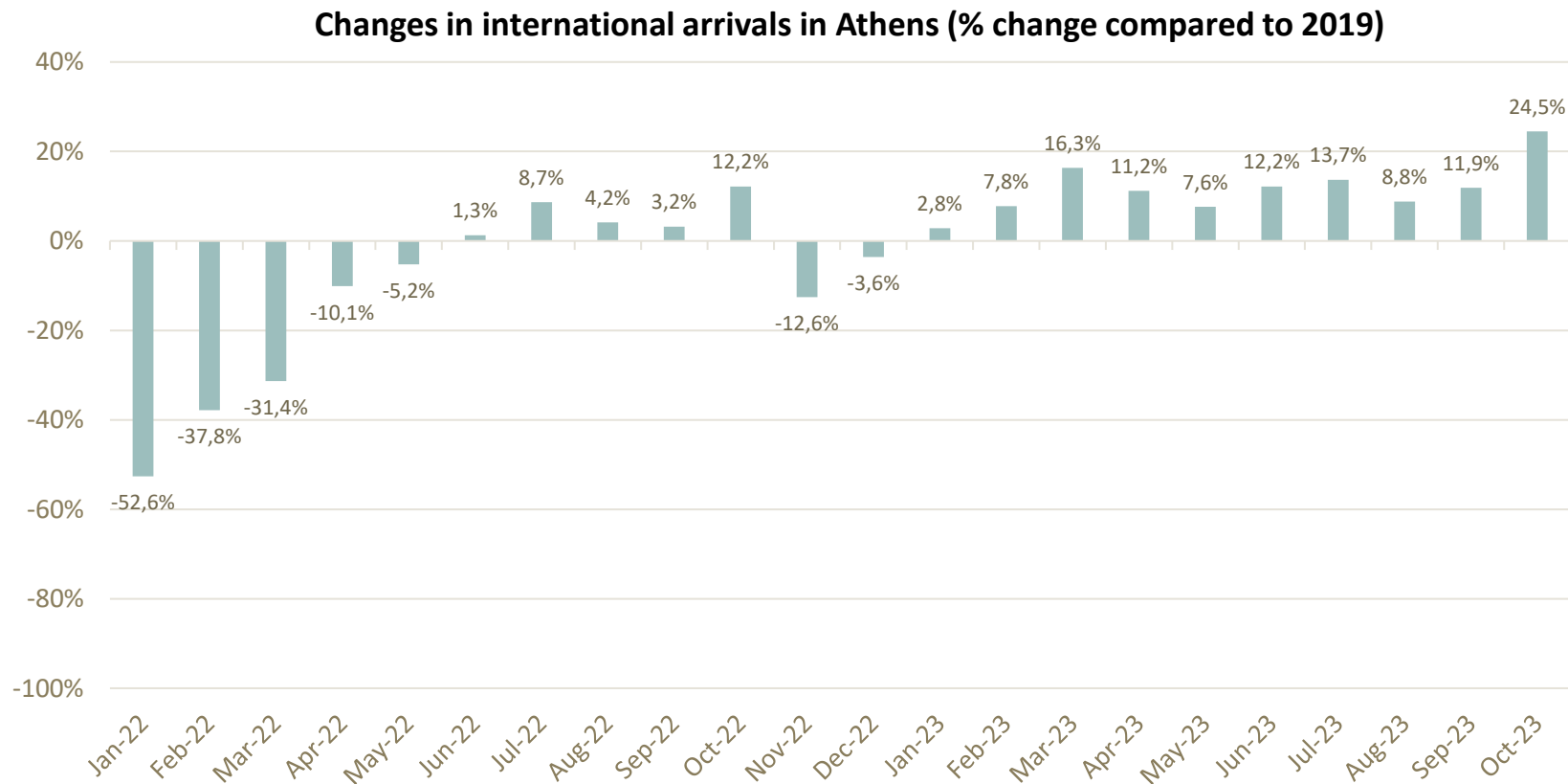


Source: Eurostat, Data Processing: IOBE

...due to boosting exports and imports, albeit the trade deficit has widened

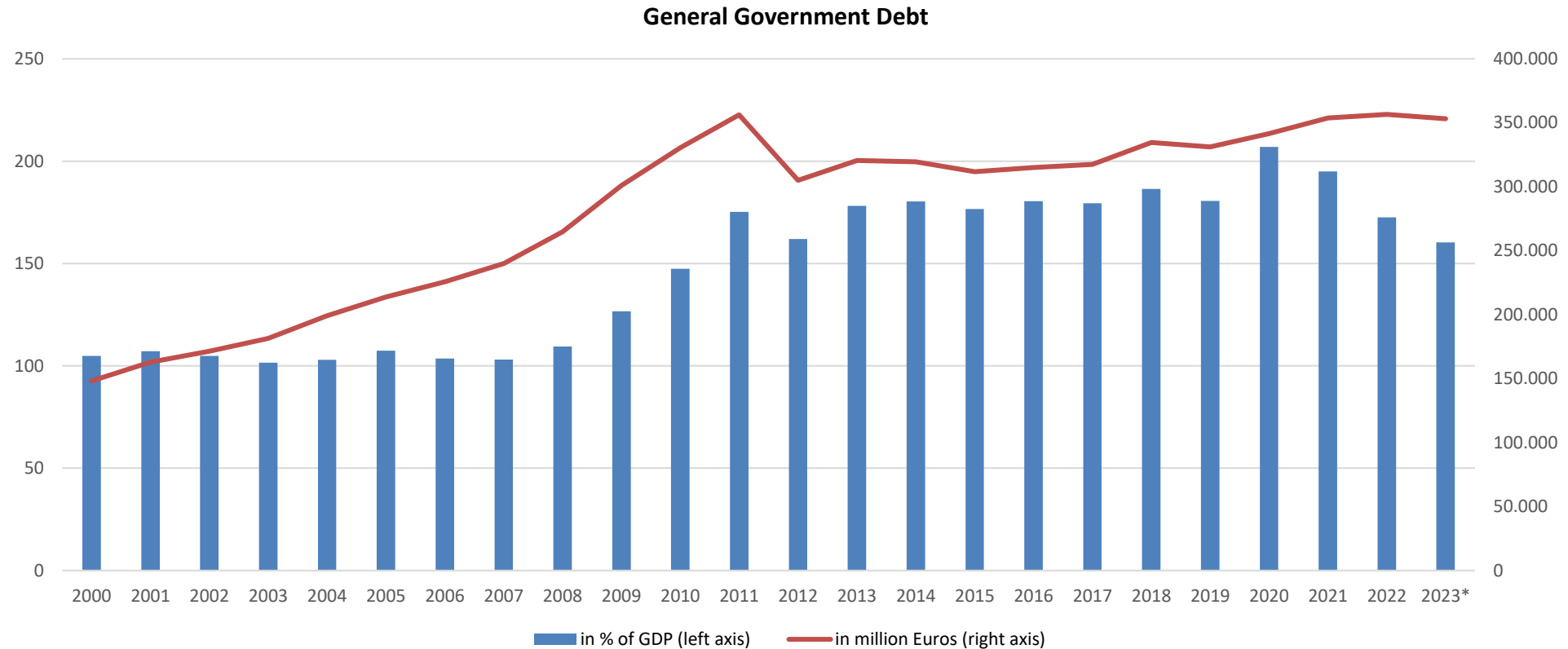
Tourism has shown a strong rebound after the pandemic crisis

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



Source: Athens International Airport

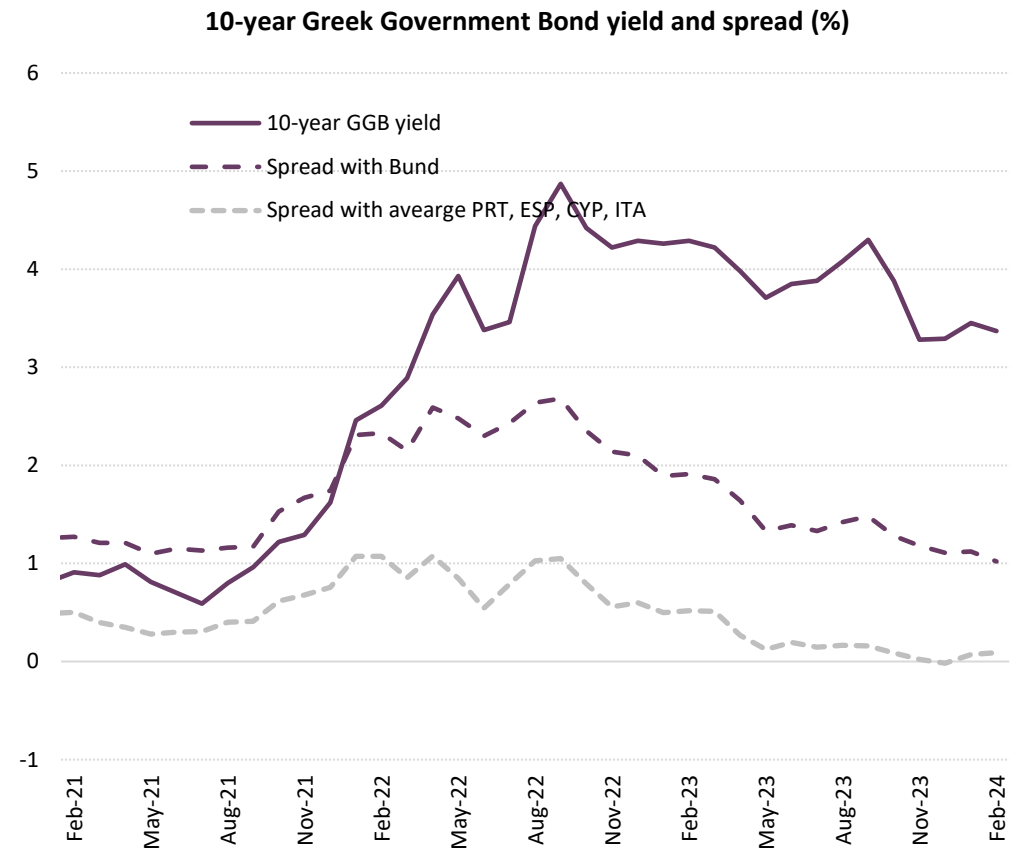
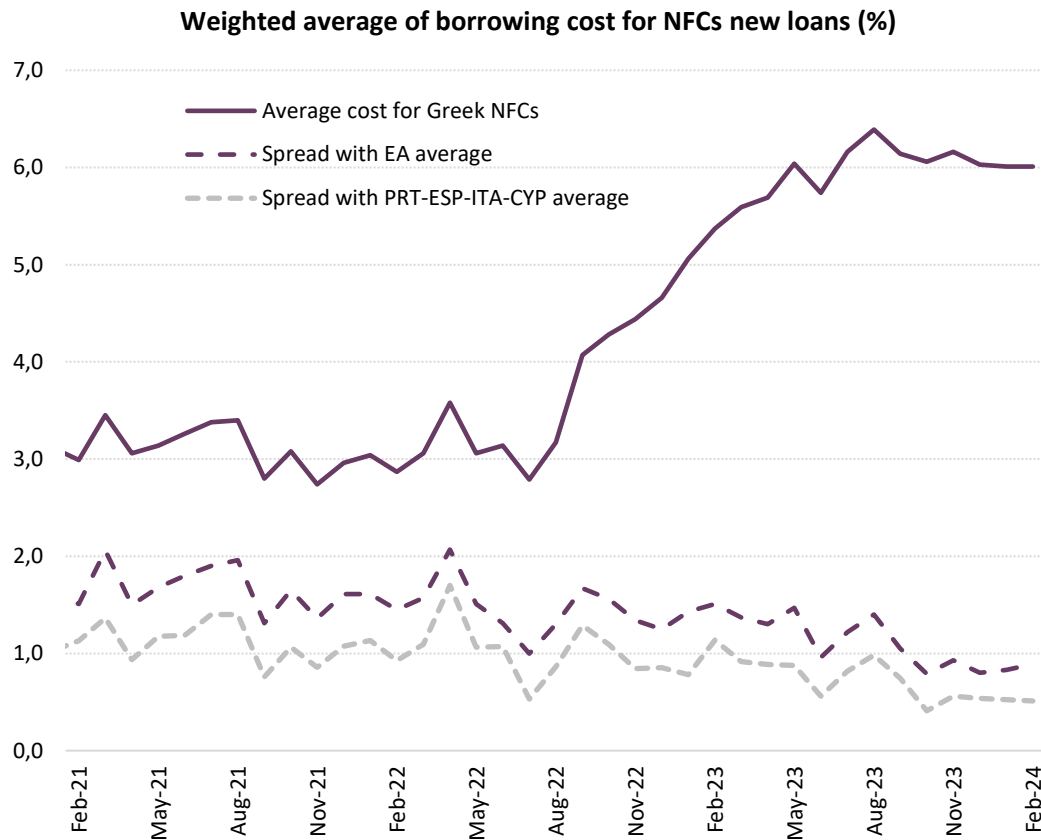
Public debt



Source: Eurostat. Note: The debt estimate for 2023 stems from the Budget of 2024

The very high stock of public debt reveals the need for systematically prudent fiscal policies. Qualitative features preserve the medium-term sustainability of Greek public debt: long maturity, fixed interest rates, local currency denomination.

The cost of new funding for the private sector has increased since mid-2022, have stabilized around their peak since late 2023...

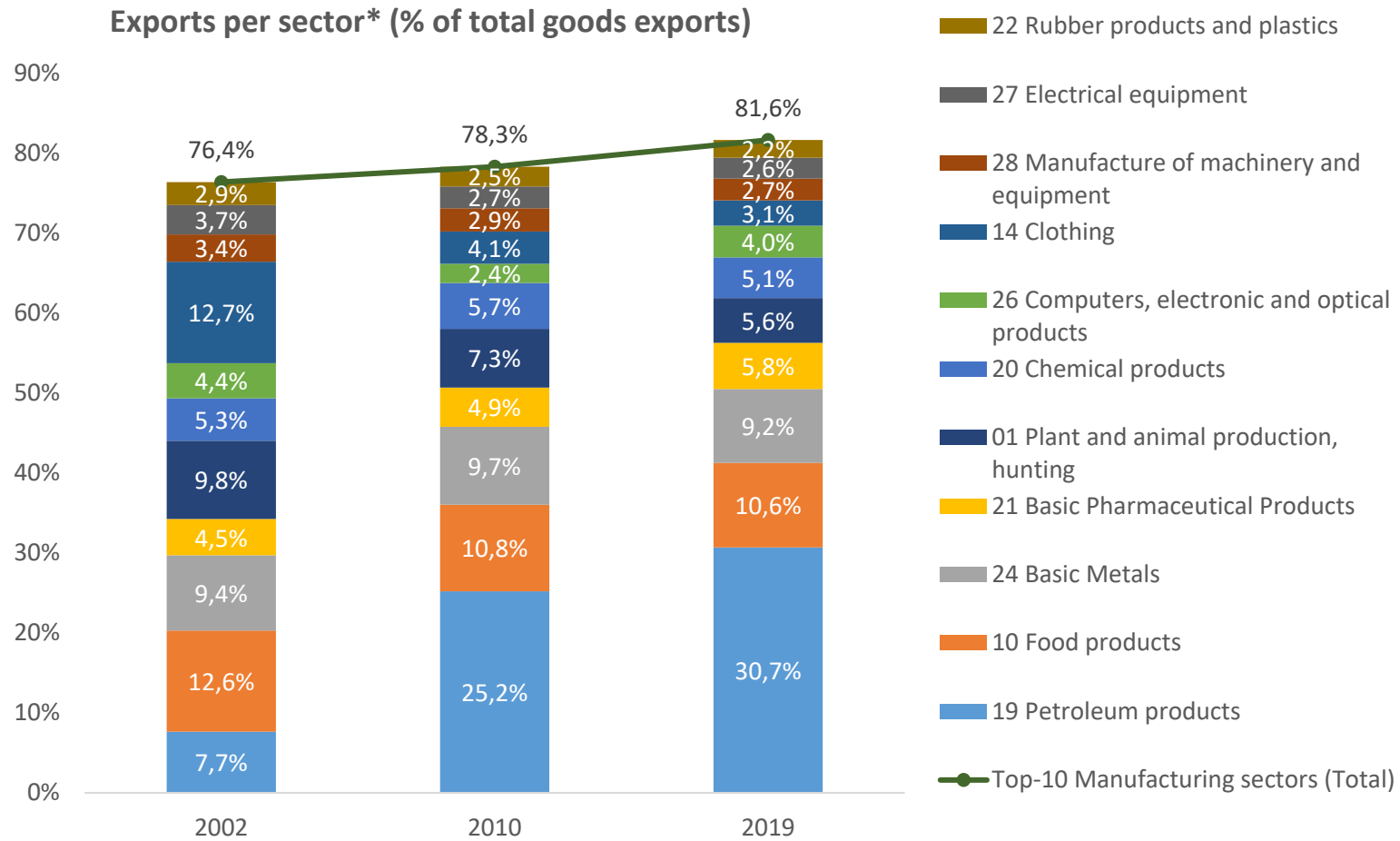


Source: ECB

...while for the public sector the cost has eased since mid-2022, mainly due to lowering spread with Euro Area peers affected by the sovereign's gradual recovery of investment grade rating.

LOOKING AHEAD

Greek exports of goods.



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

Exporting sectors

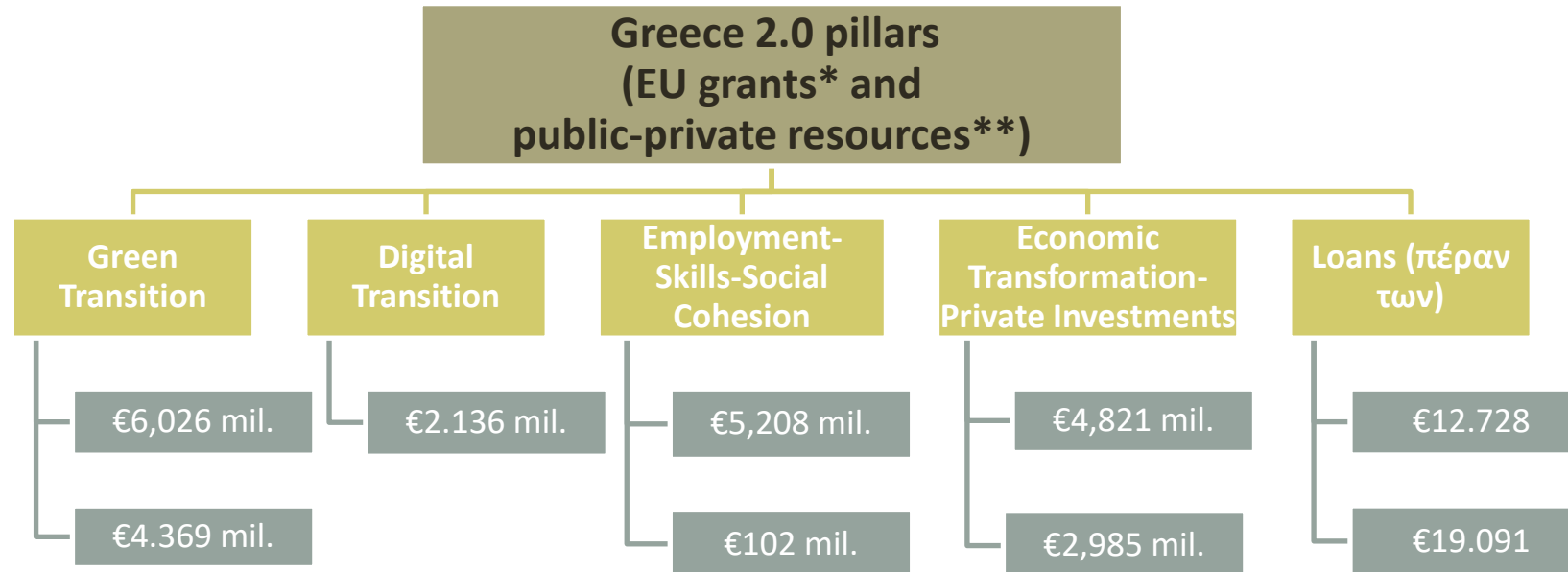
	Exports as a % of GDP, Greece, 2019	Exports as a % of GDP, EU-9, 2019
Total exports	37.2	65.5
Agricultural products, food and raw materials	4.4	6.4
Petroleum products	6.3	3.0
Industrial products	9.2	38.2
Transportation (mainly sea transport)	7.5	4.5
Tourism	7.8	4.0
Other services (health, education, IT etc.)	2.0	9.3

EU-9: EU countries comparable in terms of population to Greece: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Hungary, Netherlands, Sweden.

Significant lag in exports, particularly in exports of industrial products.

Source: 'Pissarides Report', 2021

The Greek Recovery and Resilience Plan (Greece 2.0)



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

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

The Revised National Recovery and Resilience Plan has committed European funds of €21.25 billion for the 2024-2026 three-year period

Summary of disbursements to Greece from the EU Recovery and Resilience Fund

August 2021: €3.96 billion pre-financing disbursement.

January 2023: Disbursement of the 2nd tranche of €3.56 billion.

December 2023: Disbursement of the 3rd tranche of €3.64 billion and approval of Greece's request for a revised Plan

April 2022: Disbursement of the 1st tranche of €3.56 billion.

August 2023: Greece submits a request for (a) a revision of the Plan, (b) addition of REPowerEU capital, (c) extension of the loan component by €5 billion.

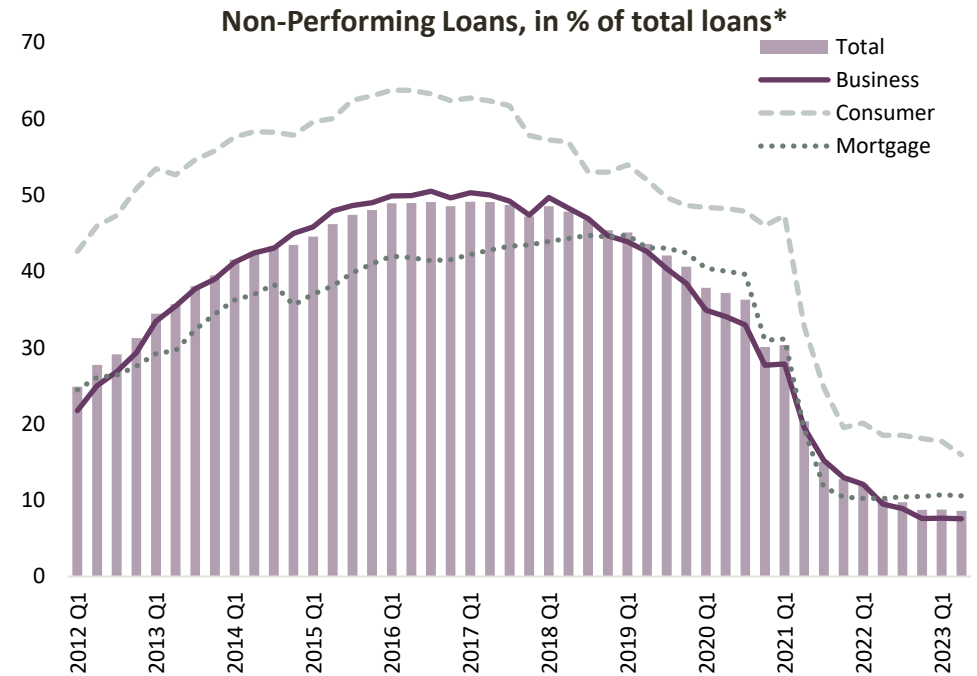
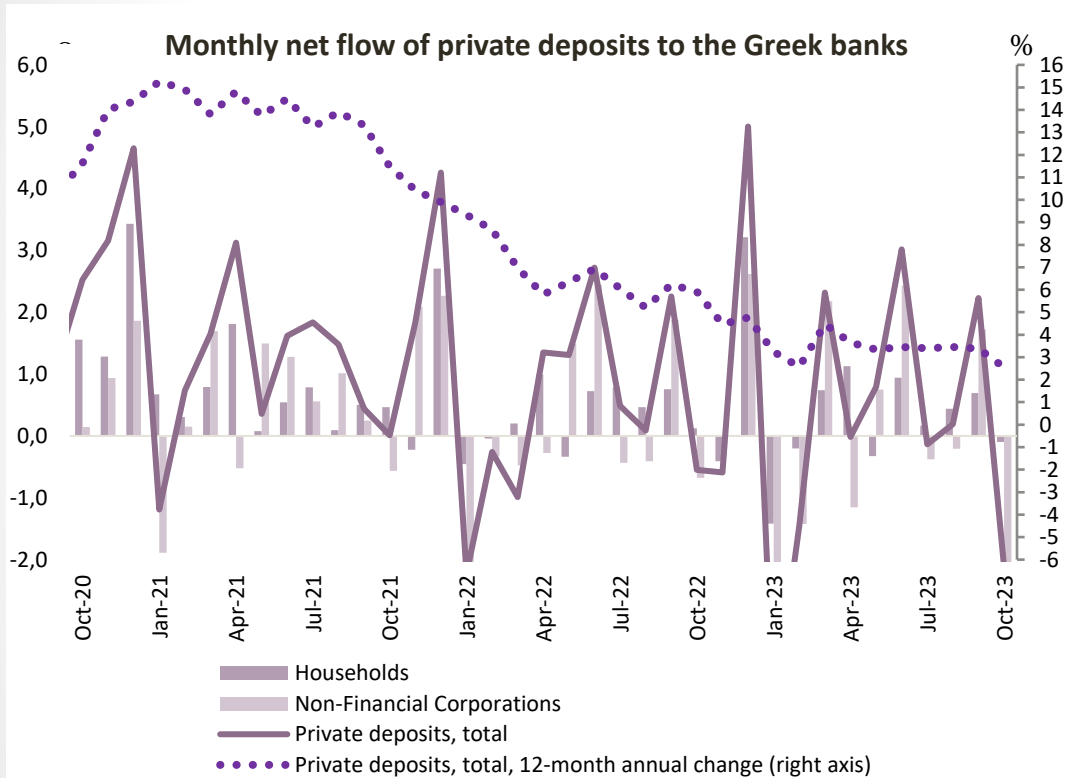
April 2024: Greece submits a 4th payment request of €2.3 billion for the loan leg

Table. Allocation of funds of the revised Recovery and Resilience Plan for Greece, April 2024

	€ billion	% of total
Total resources of the revised Greek RRF	35,95	100%
of which:		
Grants	18,22	50,7%
Loans	17,73	49,3%
Investments related to green transition	13,70	38,1%
Investments related to digital transformation	7,94	22,1%
Other investments	14,31	39,8%
Funds already disbursed	14,70	40,9%
Funds pending until 2026	21,25	59,1%

Source: European Commission, Data processing: IOBE

Structural characteristics in the banking sector have improved...



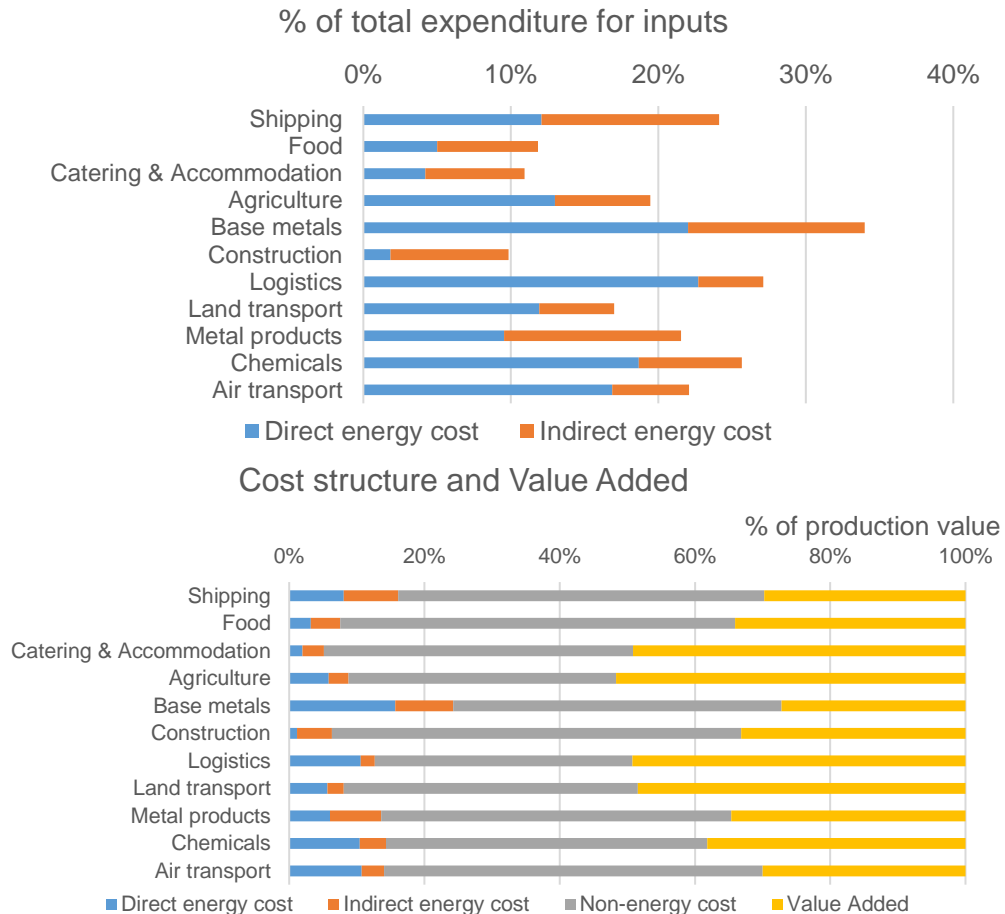
Source: Bank of Greece. * On-balance sheet loans (before provisions) for all Greek banks on a non-consolidated level

...yet, there remains a large chunk of “red loans” off-balance sheets of the banks.

- Private sector deposits (households and non-financial corporations) have been increasing during 2020-2023.
- NPL ratio has dropped to 8.6% in 2022 Q2, which is a 14-year low, from 46.1% in 2016 Q3. Significant decline in the NPL stock since 2020 due to securitizations with state guarantees (Hercules programme).

Significance of energy costs for industries in Greece

- Logistics, Basic Metals, Chemicals: high direct exposure to energy price changes. Shipping, Metal Products, Constructions: high indirect exposure



Source: IOBE estimations

- Direct energy costs: business expenses for oil, gas, and electricity
- Indirect energy costs: the share of expenditure allocated to other inputs, which corresponds to the energy content of these inputs
 - Example: Constructions use cement. Cement production requires burning fossil fuels (natural gas, oil, coal, etc.)
 - Indirect energy costs are calculated using an input-output model
- Indirect energy costs in some industries exceed direct ones
 - e.g.: Construction, Catering & Accommodation, Metal products

Intense pressures are also expected in Air transport- the total energy cost (direct and indirect) is high, compared to the added value

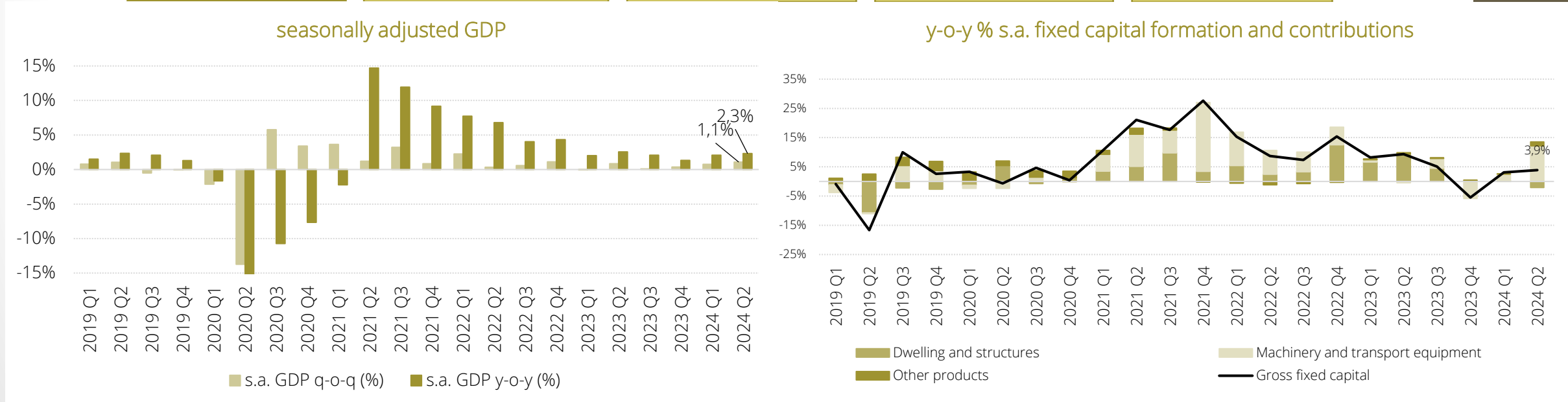
SHORT-TERM TRENDS

Greece Q2/2024: Domestic recovery was enhanced

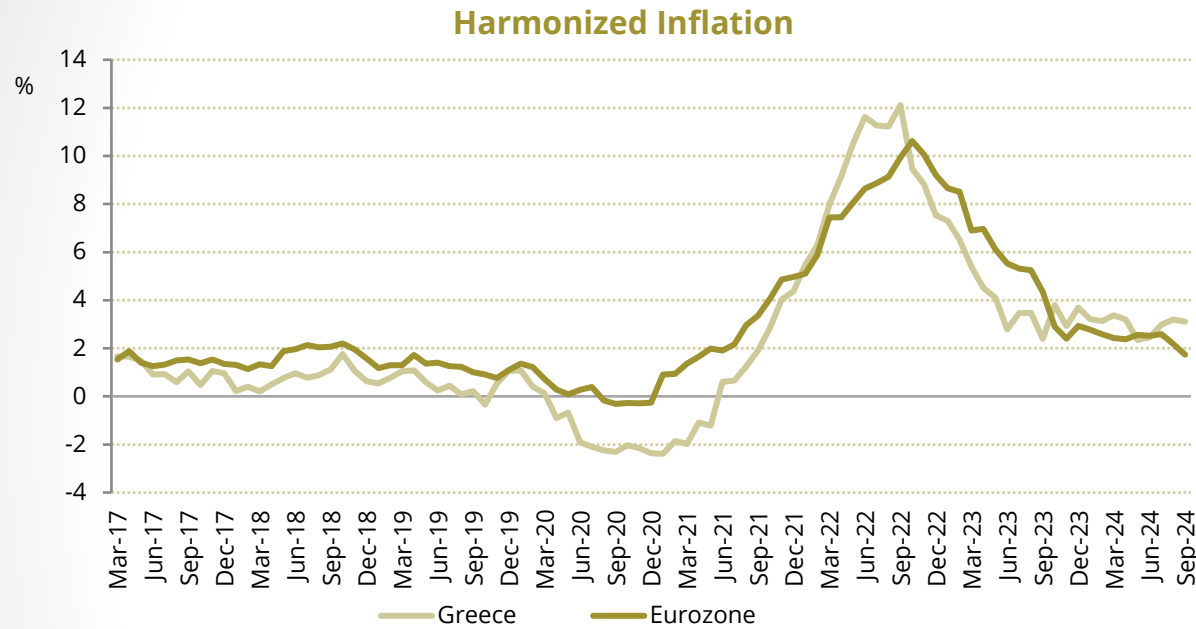
Real GDP Q2/2024: +2.3% y/y

Marginal growth acceleration (from +2.1% y/y in Q1/2024), due to increased investment; boost from private consumption.

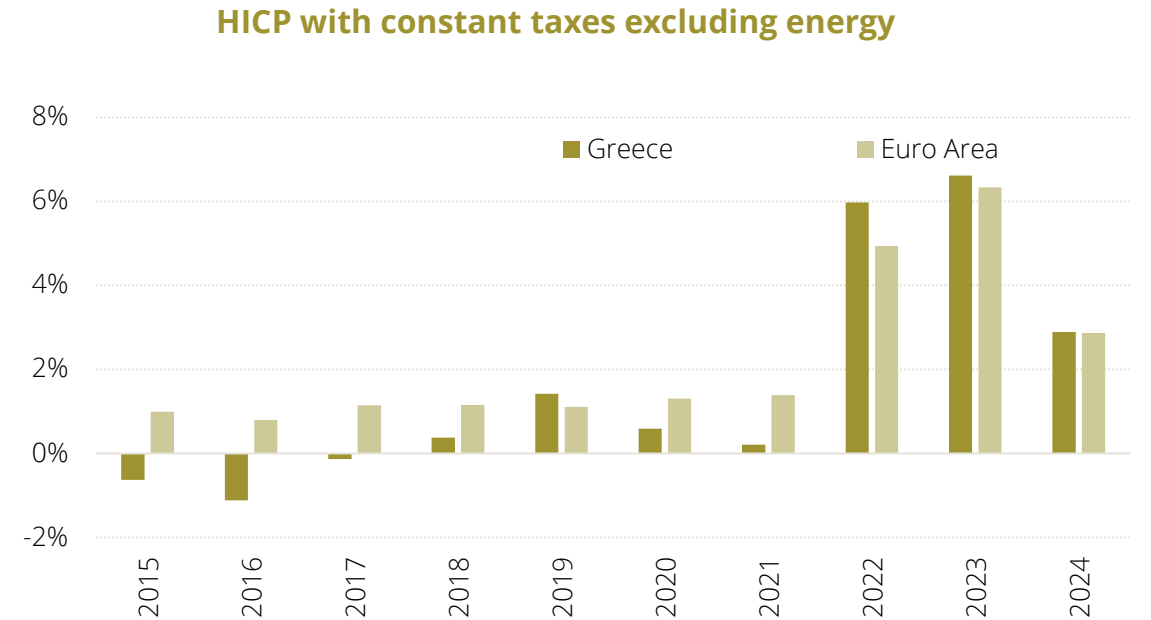
<p>Countervailing consumption trends (Private +2.0% y/y, Public -3.6% y/y)</p>	<p>Investment increased, mostly stock (Total +29.7% y/y, Fixed +3.9% y/y)</p>	<p>Exports increased (Goods +2.0% y/y, services +2.8% y/y)</p>	<p>Imports increased (goods +10.5% y/y, services 6.9% y/y)</p>	<p>Extroversion increased (85% of GDP)</p>
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Source: ELSTAT



Sources: ELSTAT, Eurostat



Eurozone: Inflation declined to 2.4% y/y in the first nine months of 2024, down from 6.4% y/y a year ago.

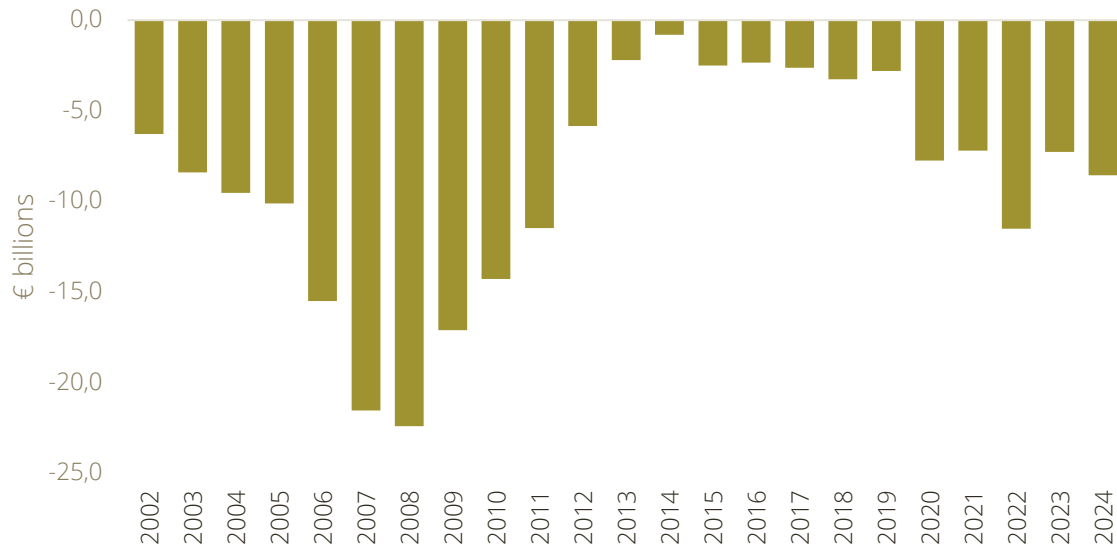
Greece: The Domestic Price Index rose by 2.9% y/y in September 2024, down from 3.0% y/y in August. In the first nine months of 2024, the HICP increased by 3.0% y/y, down from 4.4% a year ago.

- First eight months of 2024: **+3.0% HICP y/y rate of change**, down from 4.7% a year ago, exclusively from the increasing effect of non-energy goods (3.2%). The effect of energy goods was negative (-0.4%), while the effect of indirect taxes was marginally positive (0.2%).

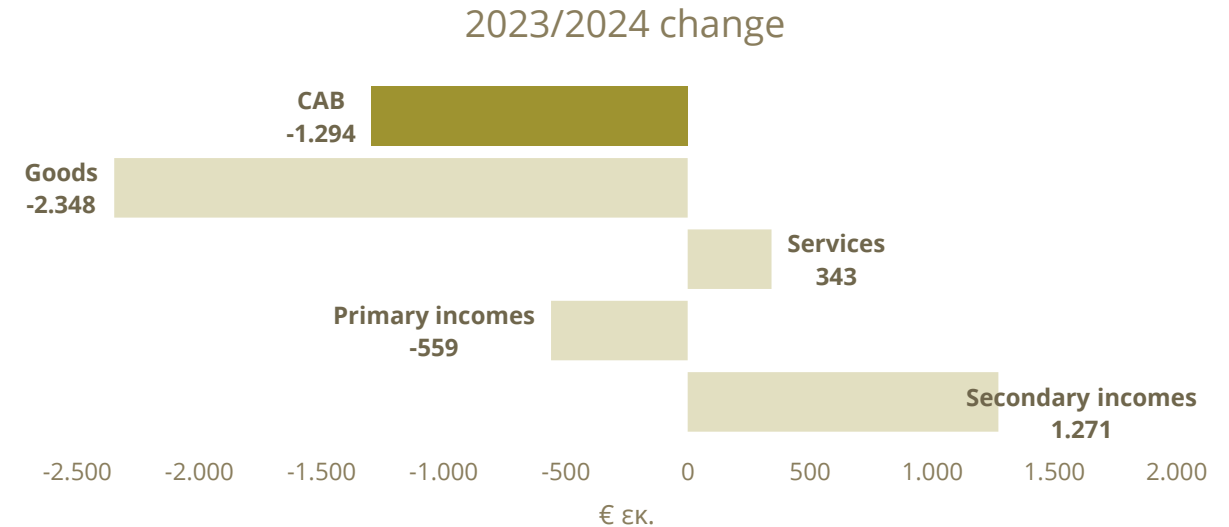
Producer Price Index (Jan. – Aug. 2024): **2.2% y/y decline** due to energy goods prices, down from a 6.4% decline a year ago.

The current account deficit reached €8.6 billion in the first seven months of 2024

Current Account Balance, Jan.-Jul. 2002-2024



CAB components



Source: Bank of Greece

- The **deficit in the balance of goods** increased in the first 7 months of 2024 by €2.3 billion, with a decrease in exports of goods (except fuel) and an increase in imports of goods.
- **Small improvement in the surplus of services** by €343 million (smaller than last year), with an increase in tourism revenue in the first 7 months of 2024 by €578 million.
- **Deterioration in primary income** by €559 million, due to income outflow (profits, interest, dividends).
- **Improvement in the secondary income balance** by €1.3 billion.

Public finances: cash target exceeded in the first eight months of 2024

Jan.-August 2024 state budget (cash basis)

- €1.0 billion surplus or 0.4% of GDP (target was €2.8 billion)
- €7.6 billion primary surplus or 3.2% of GDP (target was €3.3 billion)

Improvement from last year due to the larger increase in revenue (+4.7%) relative to spending (+2.0%)

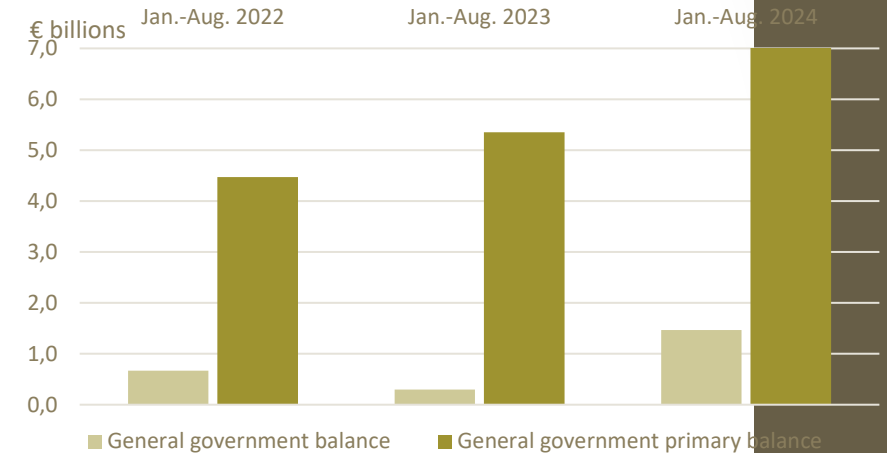
Target exceeded mainly on the spending side (-€3.59 billion)

- Individual and business income tax revenue exceeded the target
- Reduced expenses due to deferral of transfer payments to social security organizations

Draft of the 2024 state budget and medium-term fiscal-structural plan 2025-2028

- Target for a general government **primary surplus** of 2.4% of GDP in 2024, 2.5% of GDP in 2025, and 2.4% each year from 2026-2028.
- Target for **general government debt** of 153.7% of GDP in 2024, 149.1% in 2025, and 133.4% in 2028.
- Include measures to support incomes, boost investment, deal with demographic decline, etc. with an estimated additional fiscal cost of €1.1 billion in 2025 compared to 2024

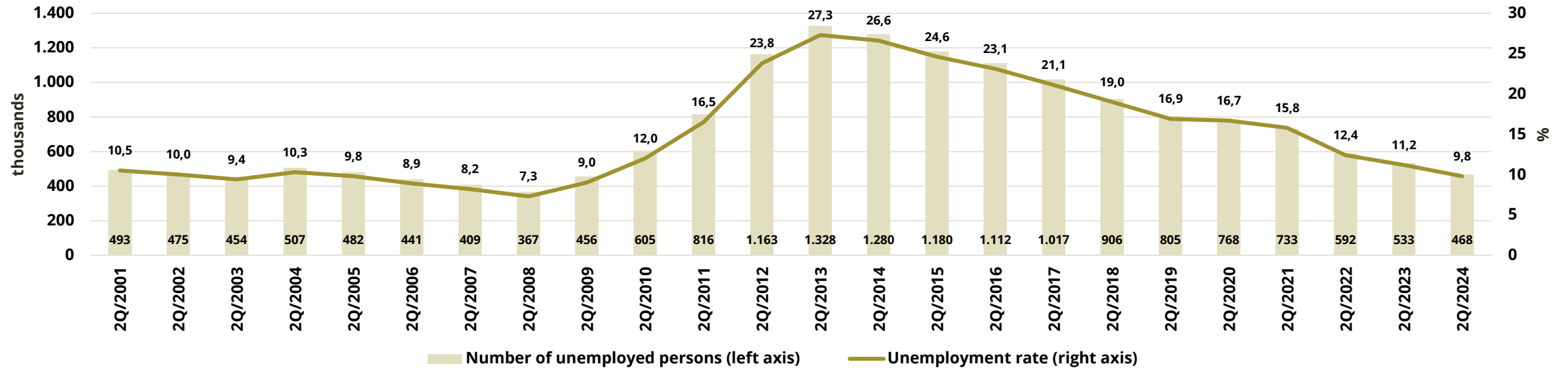
General government cash balance



Source: Ministry of Finance

The unemployment rate reached single digits in the second quarter of 2024

Number of unemployed persons and unemployment rate in Greece



Source: ELSTAT

- The **unemployment rate** reached 9.8% in Q2/2024, down from 11.2% in Q2/2023, while labor market **participation** increased.
- **Employment increased** in sectors such as **Professional, Scientific, Technical Activities** (+27.7 thousand people), **Accommodation and Catering Services** (+25.7 thousand), **Construction** (+18.6 thousand).
- **Employment decreased** in sectors such as **Other Services** (-9.2 thousand), **Manufacturing** (-8.0 thousand).
- The private employment **inflow-outflow balance** was positive (+94.3 thousand) in Q2/2024 and higher compared to the balance of Q2/2023 (+82.5 thousand).

Macroeconomic forecasts for 2024 and 2025

2024 baseline scenario

- The Eurozone economy follows the ECB's baseline scenario (September 2024): 0.8% growth (down from 0.9% three months ago) and 2.5% inflation in 2024 (same as in the previous quarter), 1.3% growth and 2.2% inflation in 2025.
- Interest rates follow the trend of today's futures, i.e., Euribor falls from close to 3.9% at the start of the year to around 2.7% (down from a 3.3% expectation in the previous quarter) at the end of 2024 and 1.8% at the end of 2025.
- International energy commodity prices follow the EIA's baseline scenario and remain lower than in the last twelve months, with stabilizing trends in Q4/2024 and in 2025.
- Geopolitical tensions escalate in Ukraine and the Middle East.
- Timely implementation of the "Greece 2.0" Plan in 2025, without delays.
- Inbound tourism in 2024 and 2025 is expected to match 2023 good performance, in real terms.

Forecasts for 2024

- **Growth:** ≈ 2.3%
- Private consumption: ≈ 2.2%
- Public consumption: ≈ -2.7%
- Investment (Fixed): ≈ 19.2% (8.8%)
- Exports: ≈ 1.8%
- Imports: ≈ 5.8%
- **Unemployment:** ≈ 10.1%
- **Inflation:** ≈ 3.0%

Forecasts for 2025

- **Growth:** ≈ 2.4%
- Private consumption: ≈ 1.7%
- Public consumption: ≈ -0.4%
- Investment (Fixed): ≈ 6.0% (11.0%)
- Exports: ≈ 4.0%
- Imports: ≈ 2.9%
- **Unemployment:** ≈ 9.3%
- **Inflation:** ≈ 2.4%

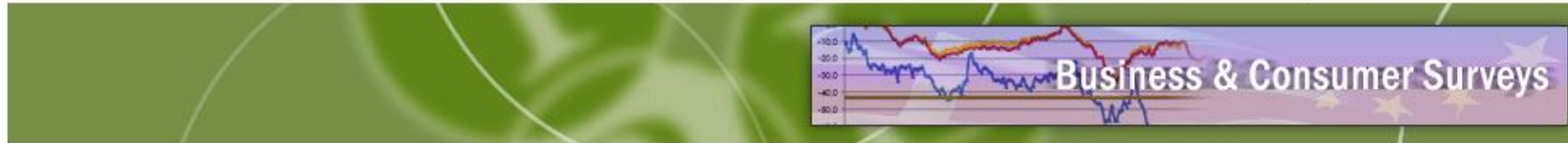
WRAP UP

Greece

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

Europe

1. Lagging in productivity
2. Adverse demographic dynamics
3. Looking for direction: the 'political economy' of reforms is a major challenge
4. Technology
5. Draghi Report



Financial Data of Oil and Oil Products for 2020

The study attempts to assess the prevailing trend in the wholesale trade of petroleum products sector in Greece, based on the latest available financial data of the members of the Hellenic Petroleum Marketing Companies Association (SEEPE) in 2020. In addition to the key data, profitability indicators are presented both for the industry as a whole and for each company in the sample....

[Read more...](#)

Bulletin of Trends in the Greek Industry Sector(October 2021)

Monthly bulletin of trends in the Greek industry sector..

[Read more...](#)

Bulletin of Trends in the Greek Industry Sector (September 2021)

Monthly bulletin of trends in the Greek industry sector...

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

It was established in 1975 with the dual purpose of promoting research on current problems and prospects of the Greek economy and its sectors and of generating reliable info... [Read More](#)



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Business and Consumer Surveys

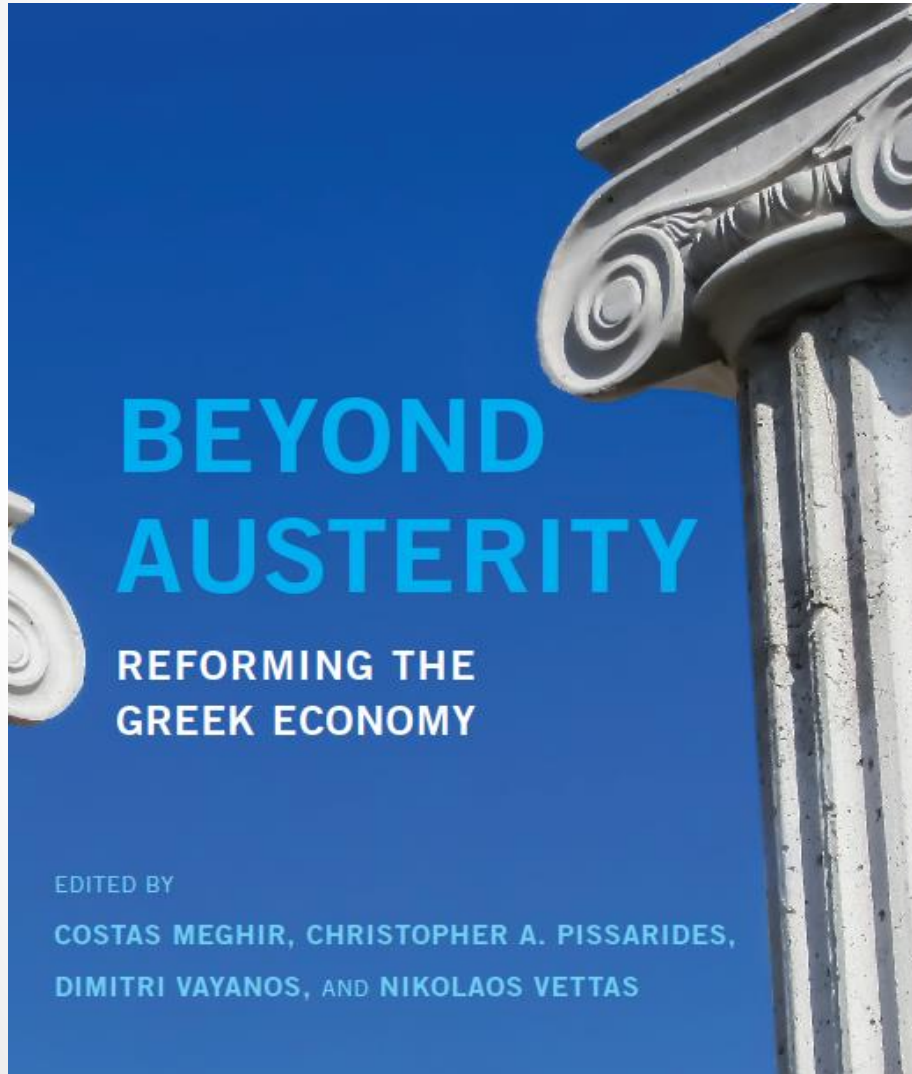
Next report of Business and Consumer Surveys concerning October results, will be released on November 1, 2021.

...

[More announcements...](#)



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



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

Growth 'plan'

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

