



European Semester Country Report for Greece

European Commission – IOBE conference:
Integrating Greece into the European Semester Policy
Framework: *Priorities for sustainable growth and
competitiveness*

*Wednesday, 20 March 2019
Acropolis Museum, Athens*

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Outline

1. European Semester process

2. Country Report on Greece (27 Feb)

The European Semester: why and how

- Introduced in 2010
- Framework that enables EU member countries to:
 - A) coordinate their economic policies throughout the year
 - B) address the economic challenges facing the EU.

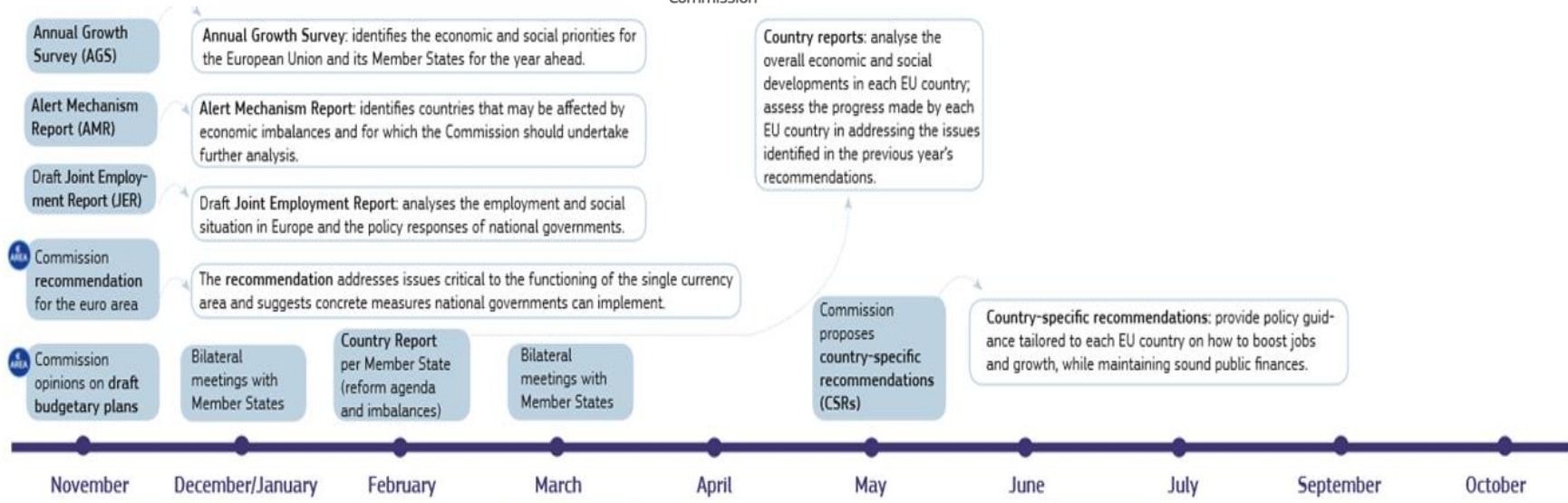
Goals of the European Semester

- ensuring sound public finances
- preventing excessive macroeconomic imbalances in the EU
- supporting structural reforms to create more growth, jobs and social inclusion
- boosting investment

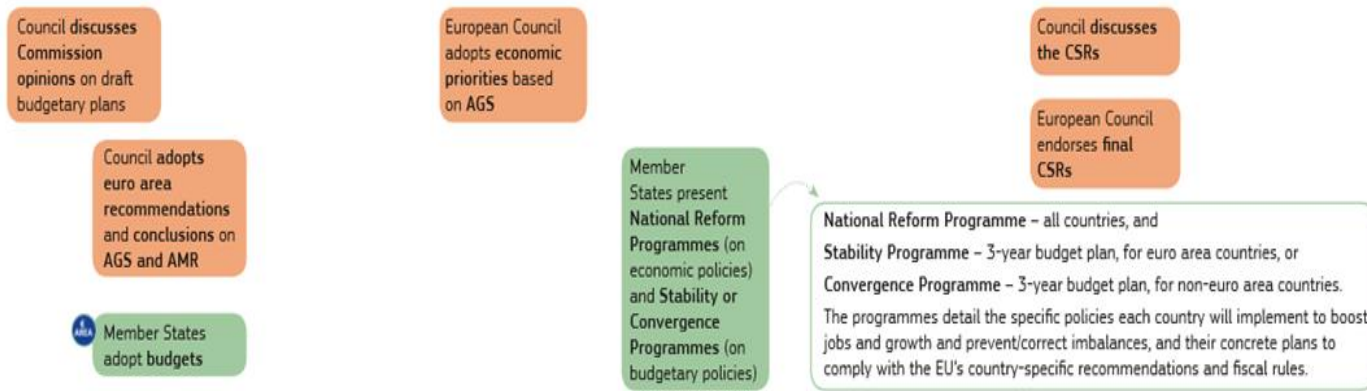


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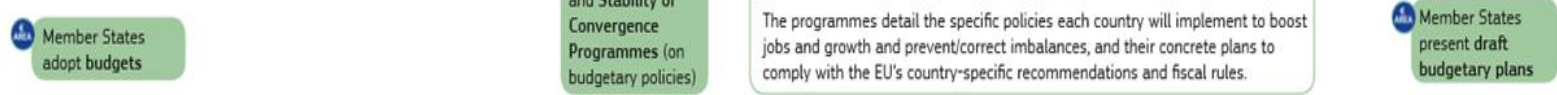
European Commission



European Council/Council



Member States



European Parliament





Milestones

21 November 2018	Autumn Package (Annual Growth Survey)
27 February 2019	Winter package (Country reports)
18-22 March 2019	Bilateral meetings with MS
Mid-April 2019	EL presents National Reform Programme
5 June 2019	Spring package (COM adopts CSRs)
Second half of June	Discussion on CSRs (EPC, EMCO, EFCA, EFC)
July 2019	Council adopts CSRs

N.B. Dates for adoption of the various packages are indicative

European Semester Winter Package: Main conclusions for the EU (1)

Some good news...

- Growing European economy, although at a more moderate pace
- Employment at record high / unemployment at record low
- Improving public finances overall, though still high debt in some MSs

...but challenges ahead

- Subdued productivity levels
- Youth unemployment still unacceptably high in some MSs
- Intensifying population ageing
- Real household income below pre-crisis levels in some MSs



European Commission

European Semester Winter Package: Main conclusions per Member State

STABILITY AND GROWTH PACT

Countries in Excessive Deficit Procedure (corrective arm)

Countries not in Excessive Deficit Procedure (preventive arm)

MACROECONOMIC IMBALANCES PROCEDURE

No in-depth review 2019

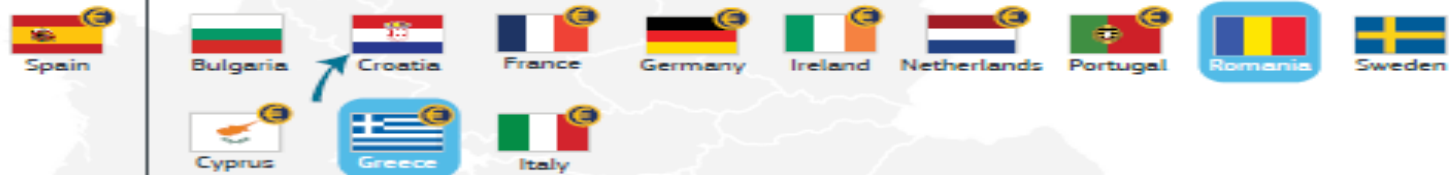


No imbalances

Imbalances

Excessive imbalances

Excessive imbalances with corrective action

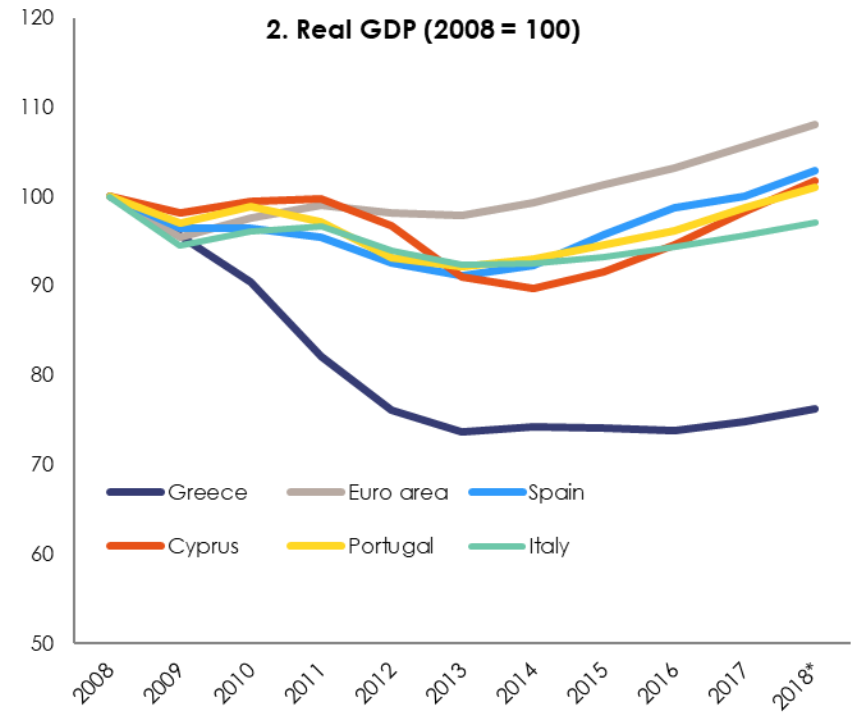
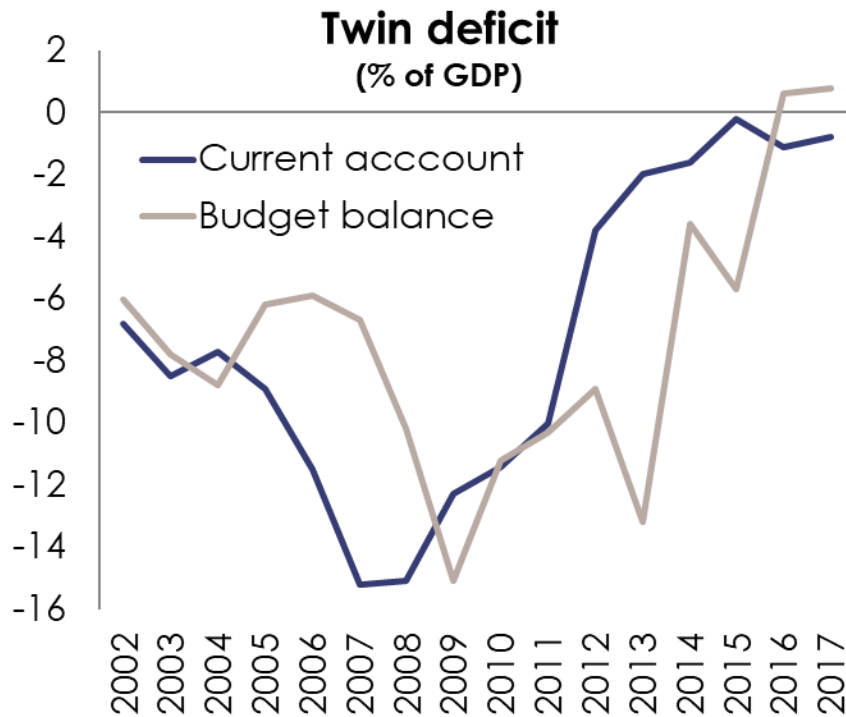


↑ = MIP move compared to 2018 cycle

□ = Countries not covered by in-depth review in 2018 cycle

€ = euro area

Twin deficits largely correct, but legacy effects remain



Overview of Greece's challenges, risks and adjustment issues

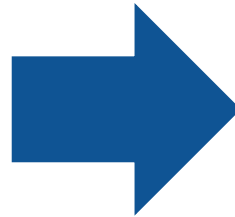
Important legacy issues remain...

High public sector indebtedness

Negative NIIP

High NPLs

Still high unemployment



... and continue to weigh on the banking sector and potential growth.

Vulnerable banking sector

Limited credit supply

Low investment

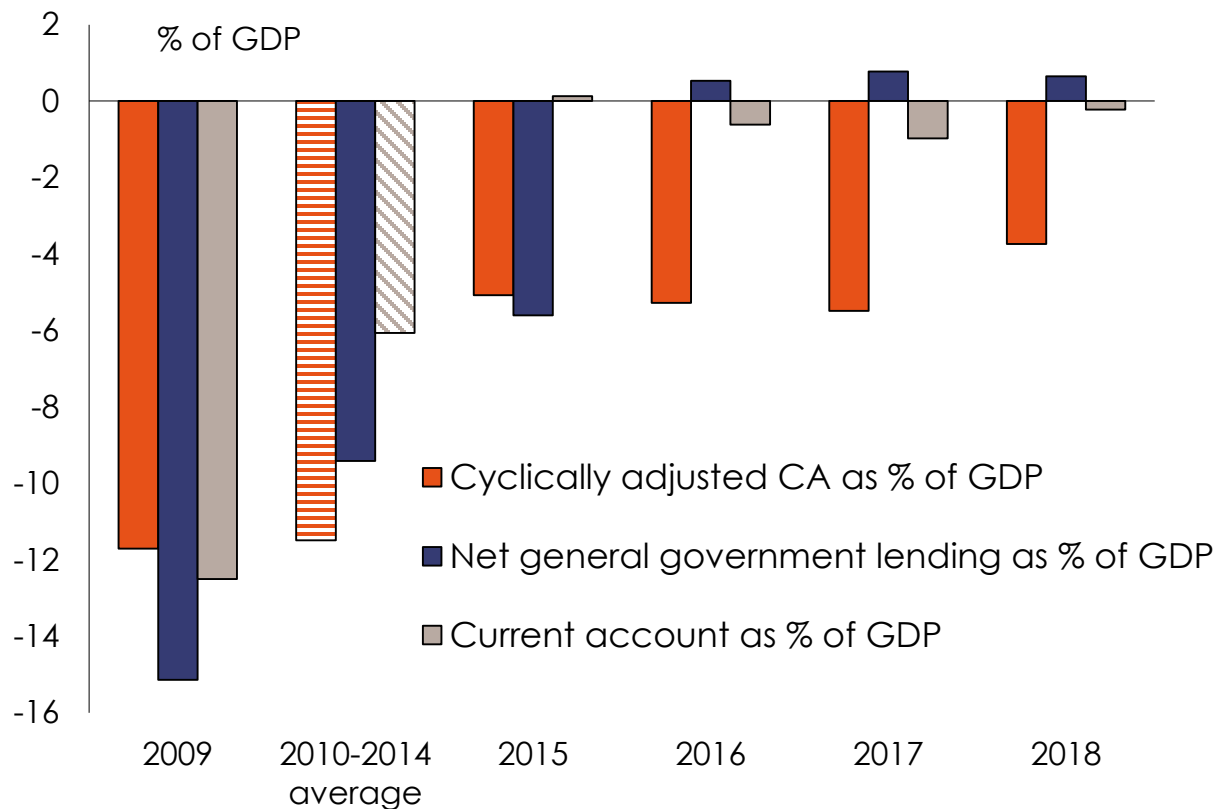
Weak productivity growth

Sustain implementation of agreed policies is essential

Fiscal and fiscal-structural policies	Respect primary surplus targets. Fully clear arrears, a growth-friendly reform of labour and corporate taxes, a fully independent public revenue authority, public financial management reforms
Social welfare	Full integration of pension funds, primary health care and health procurement, phases-II and III of the SSI, complete the reform of housing and disability, benefits
Financial stability	Household insolvency, e-justice, exit strategy for sale of shares in systemic banks, capital controls
Labour and product markets	Minimum wage updates, undeclared work, investment licensing, cadaster, energy market reforms including divestment
Privatisation and HCAP	Completion of major privatisation projects, monetise real estate assets of ETAD and modernise SOEs
Public administration	Appointments of senior managers, mobility and performance assessments of staff , codification of legislation anti-corruption justice system

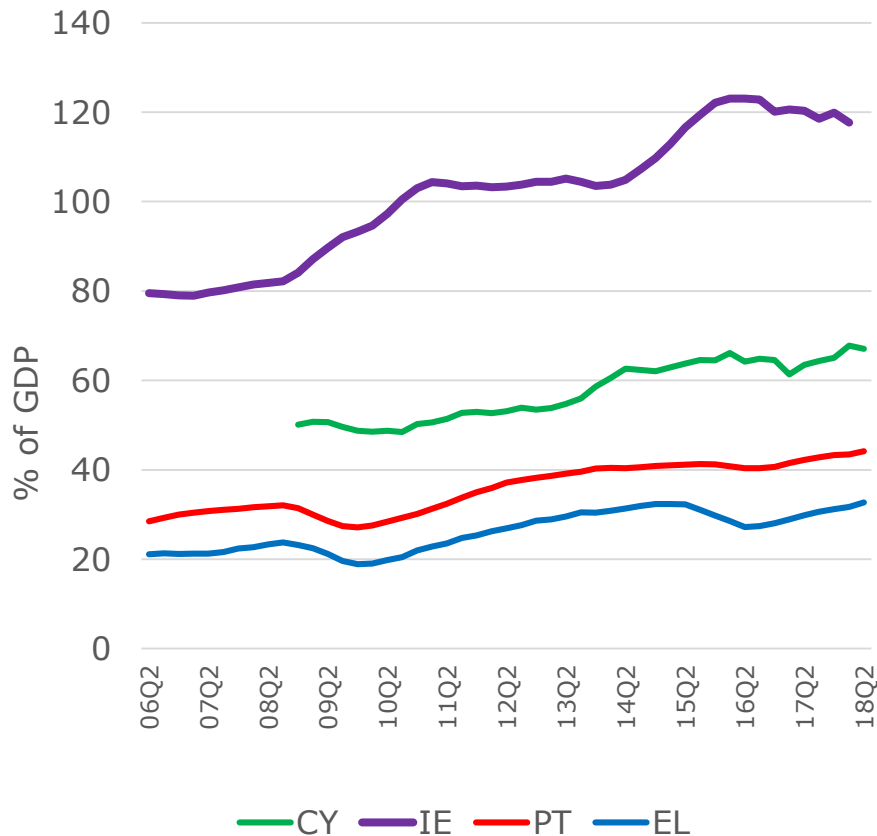
The current account has improved

Current account balance, 2009-2018

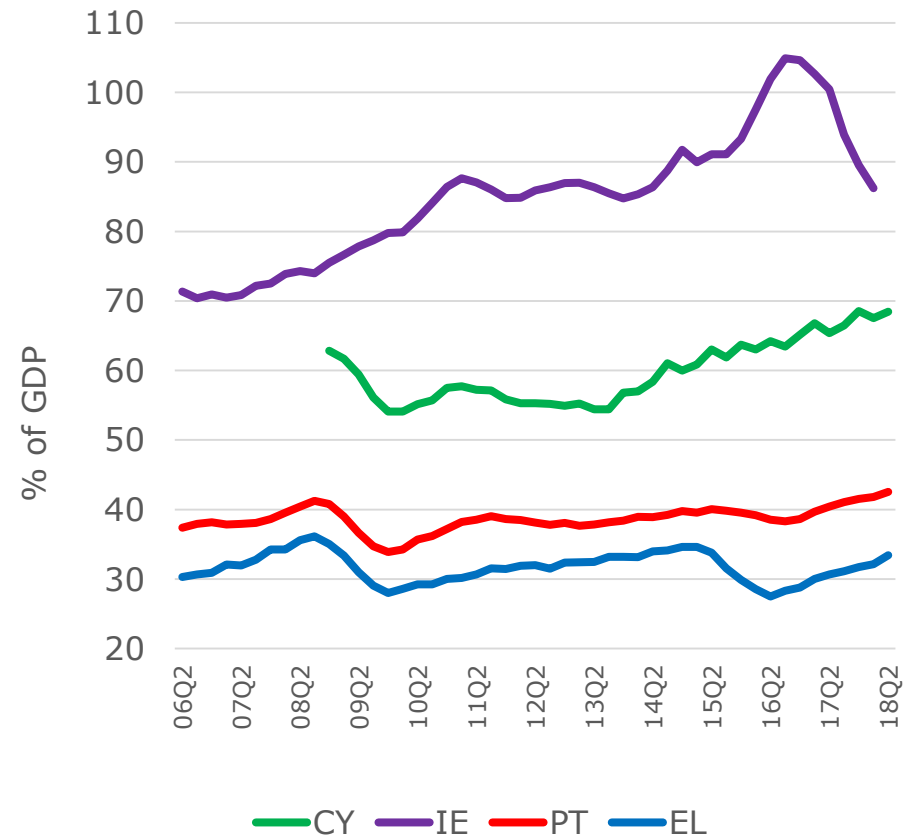


Exports and imports performance

Exports (% of GDP)



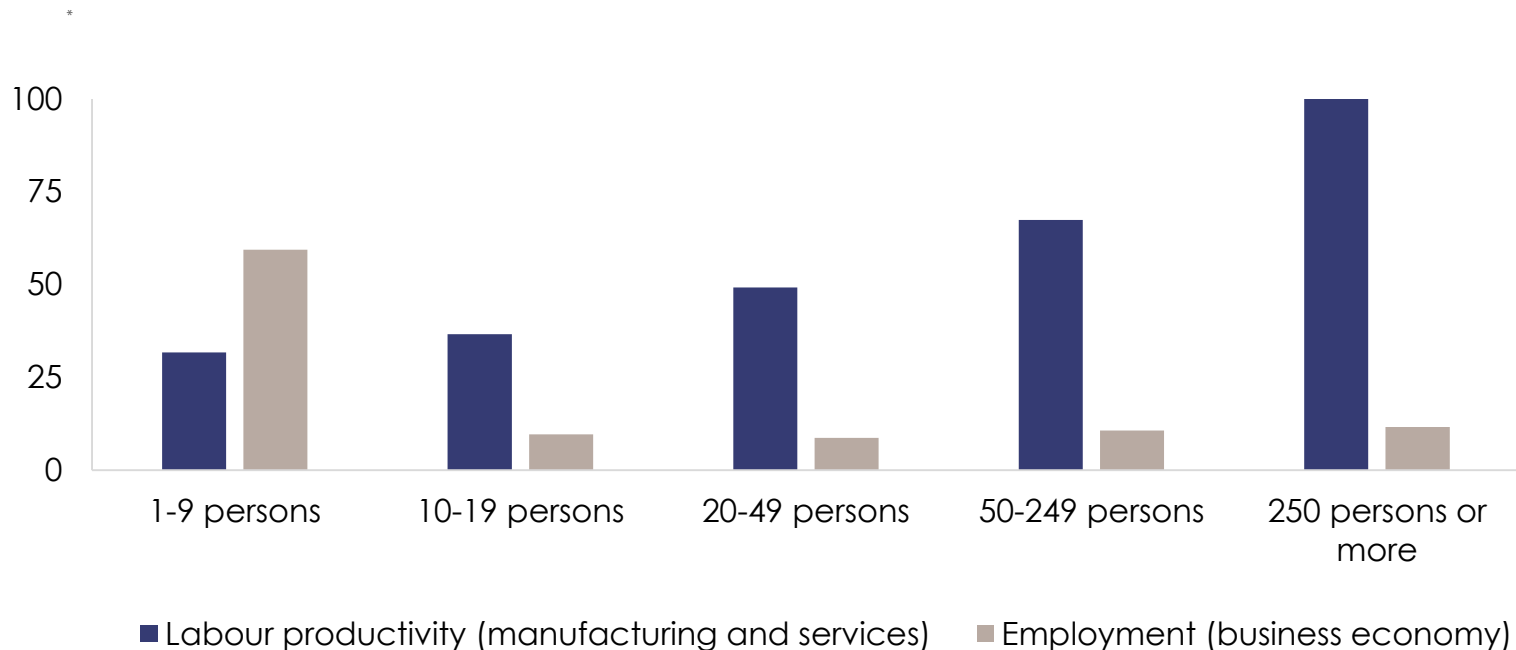
Imports (% of GDP)



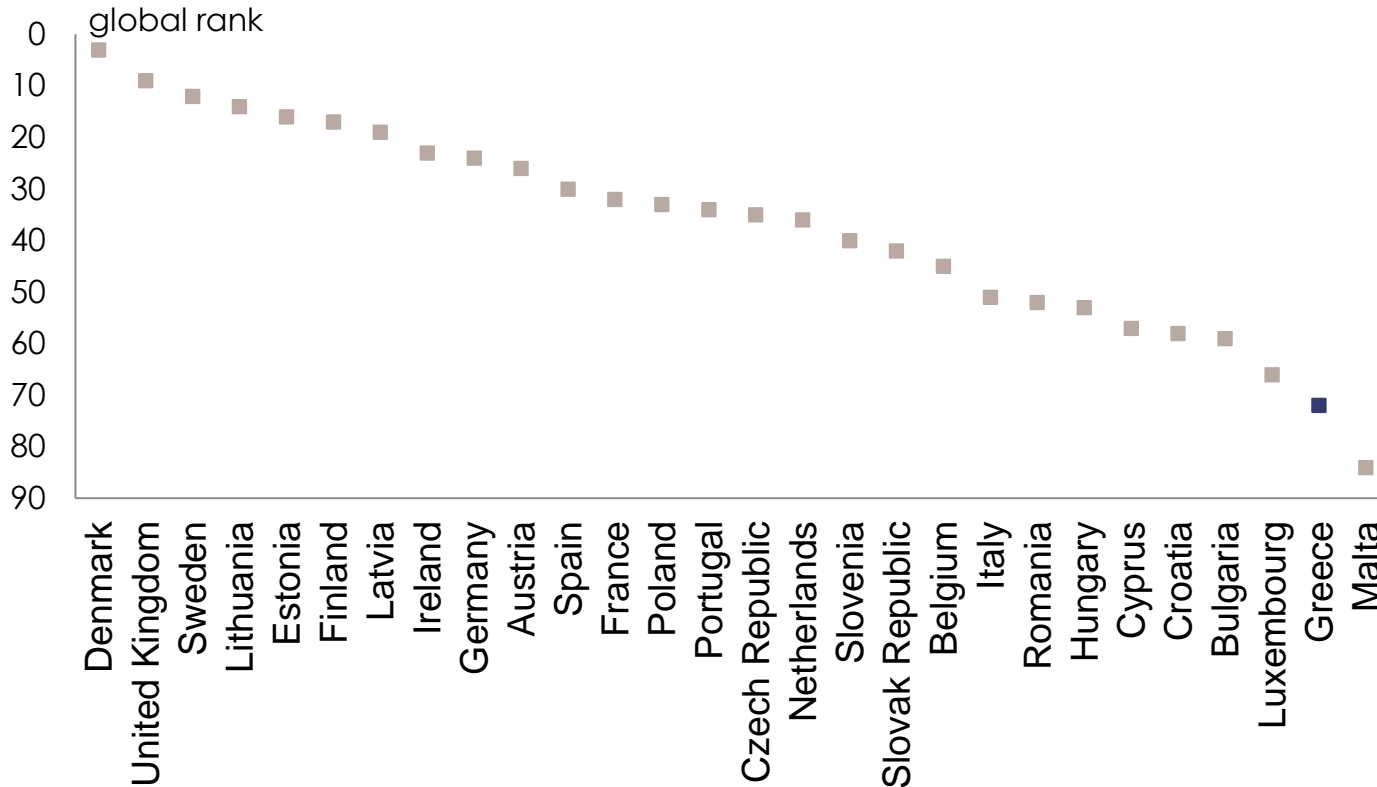
Productivity remains subdued...

Productivity is hampered by the country's economic structure

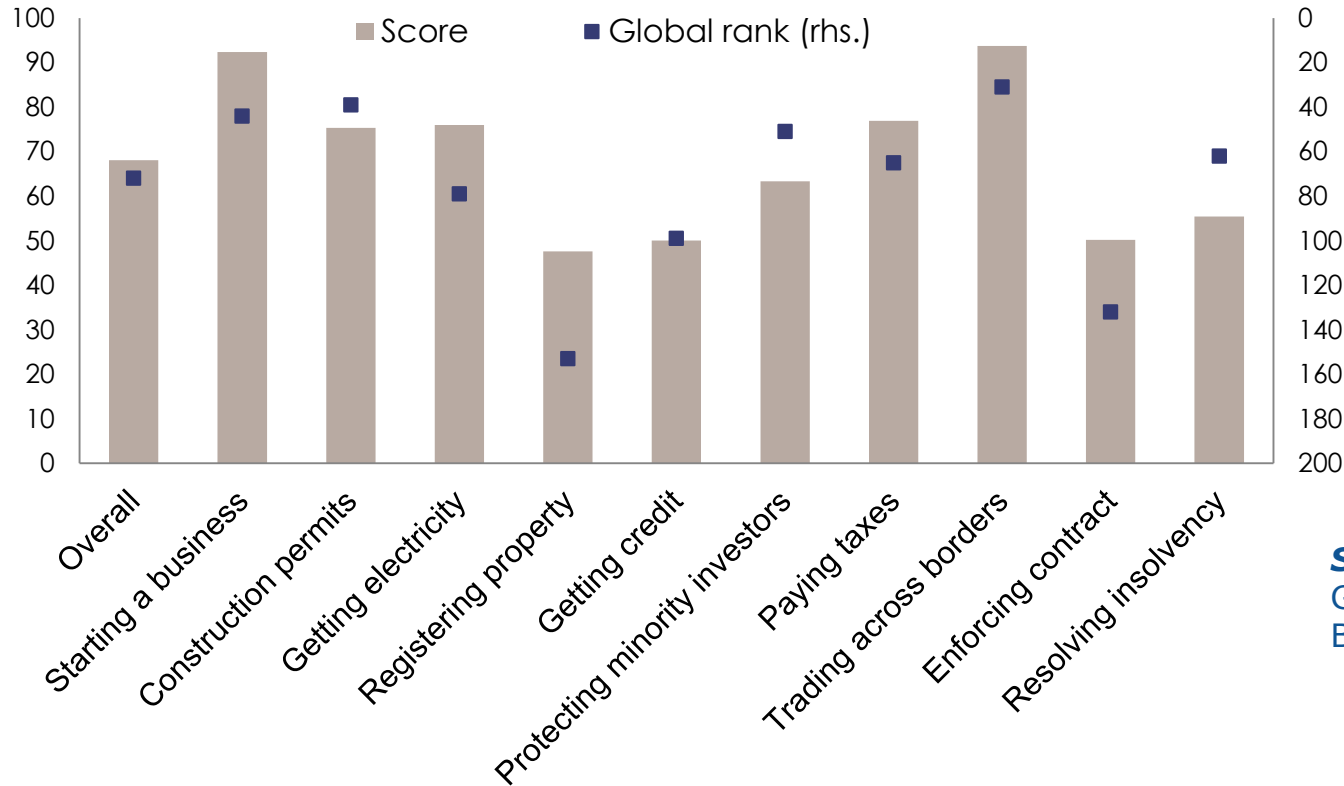
Labour productivity by company size



Greece ranks 27 out of 28 EU economies in ease of doing business

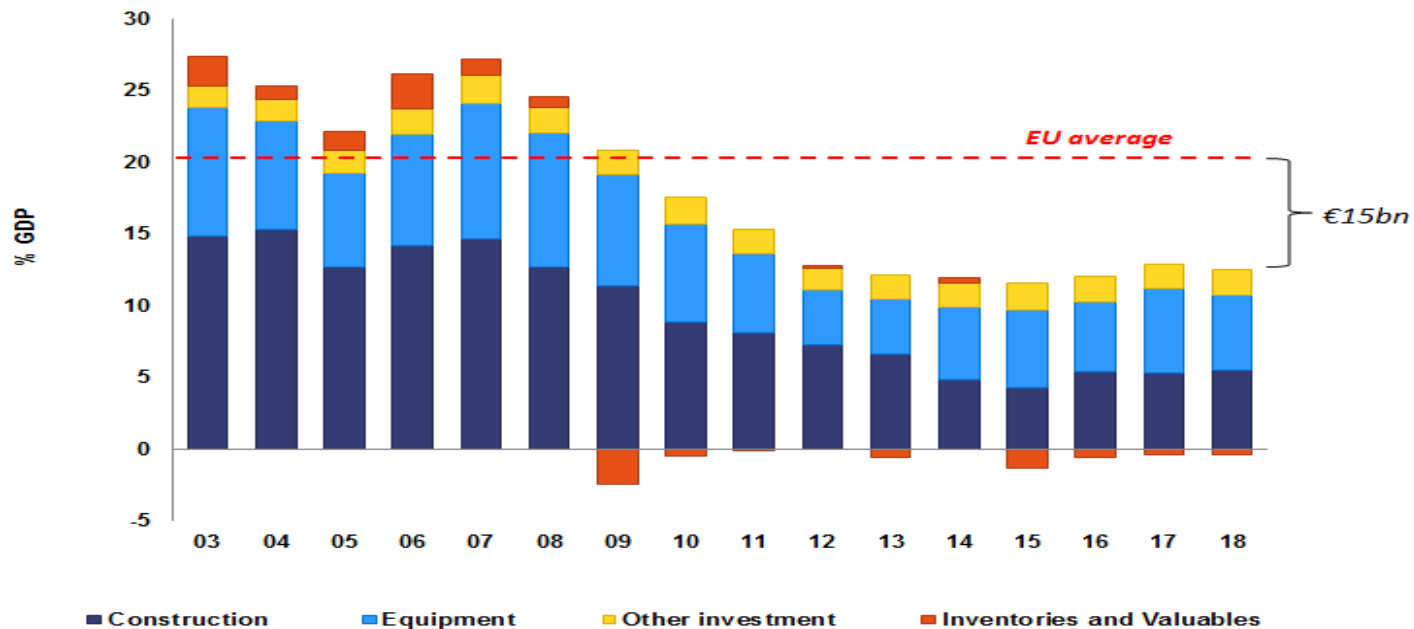


Registering property, enforcing contracts and accessing credit remain an obstacle to firms...



Source: World Bank Group, Doing Business Report 2019

A wide investment gap remains...



Source: AMECO

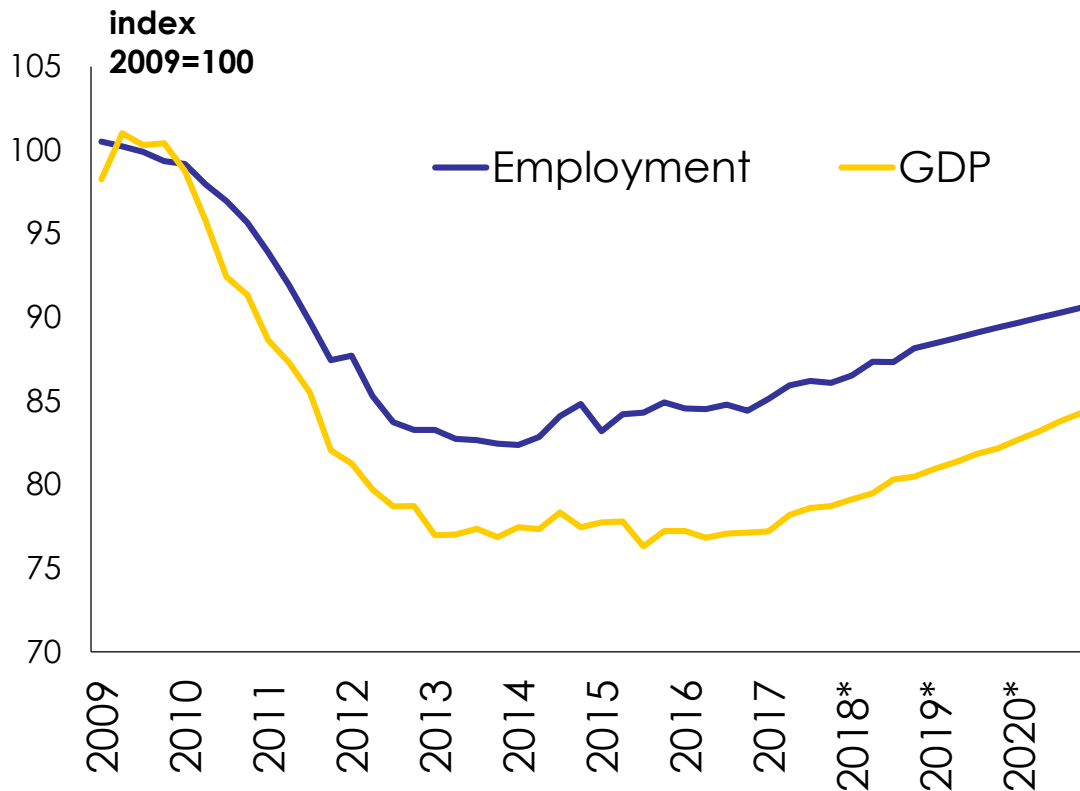
More than €15bn investment missing to reach EU average

Investment opportunities

- **Investment needs are high & support to growth enablers is needed**
- **Transport and logistics:** ports, completion of the railway axis Patras-Athens-Thessalonica, small port infrastructures, coastal shipping routes
- **Energy market:** generation, transmission, energy efficiency, innovation
- **Public infrastructure:** climate adaptation, environmental challenges
- **Skills and employability:** education, social inclusion, public employment service, childcare and long-term care
- **Build-up of competitive advantage:** agro-food, tourism, health, R&D

Focus on recovery for growth and jobs

Employment and GDP levels, 2009-2020

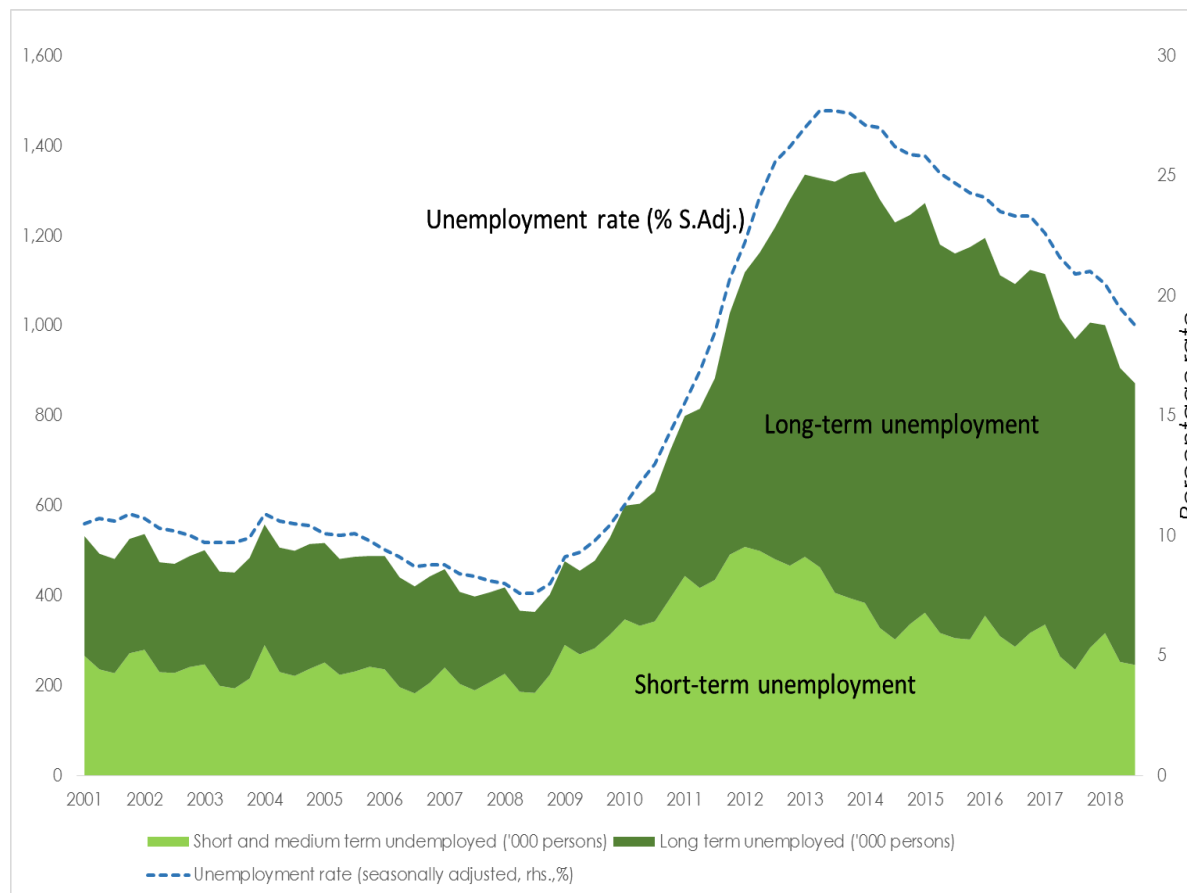


+ Employment continues to recover at an increasing pace.

+ GDP growth has bottomed out since 2017.

But, need for a stronger, sustainable and more inclusive recovery.

Employment recovery but long-term unemployment challenge

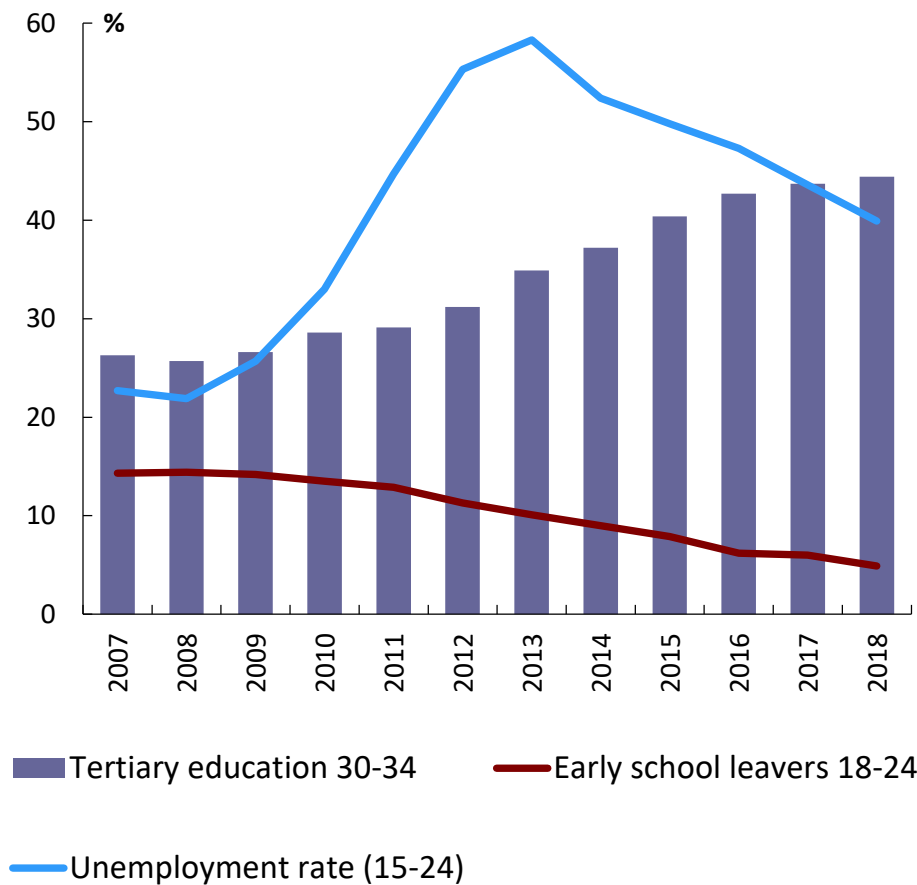


Labour market situation improving.

Unemployment down to 18% (from peak of almost 28% in 2013).

But, long-term unemployment remains stubbornly high.

Situation of youth improving but difficult



*Steady fall in **youth unemployment** (from 60% to current 39.5%)*

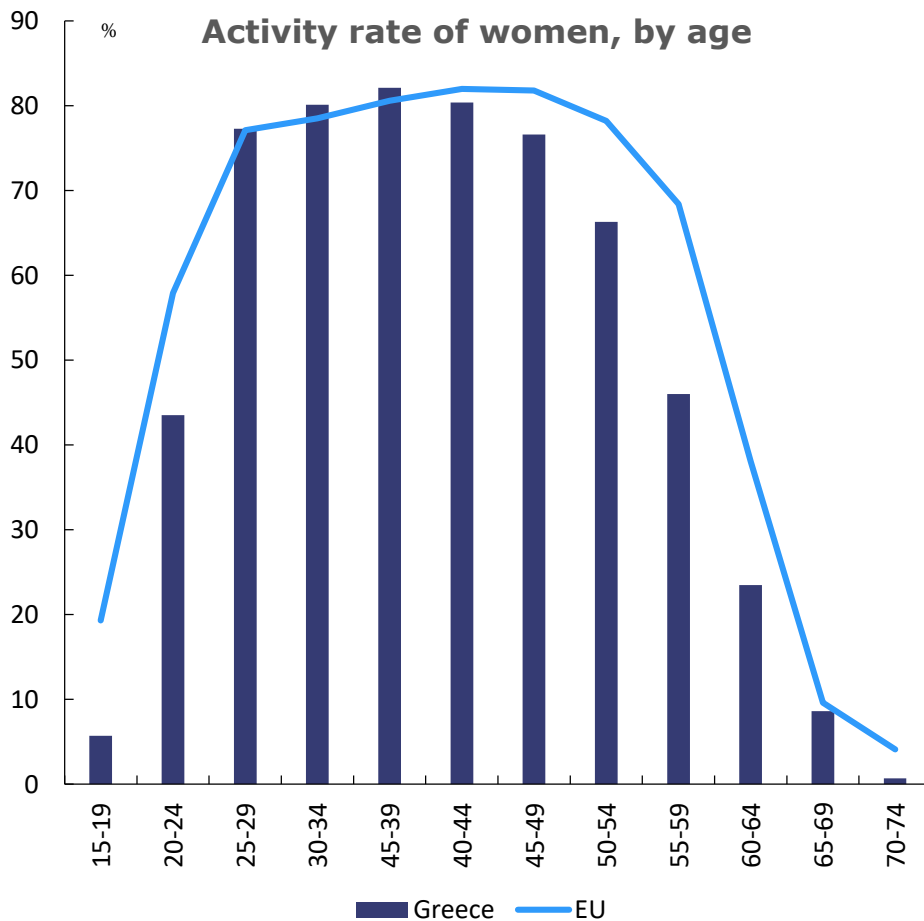
Reduction driven by:

- *↑ Employment*
- *↑ **Education***

Higher educational attainment as side-effect of the crisis

*Need to monitor effects of last **minimum wage increase***

Very low female activity rate



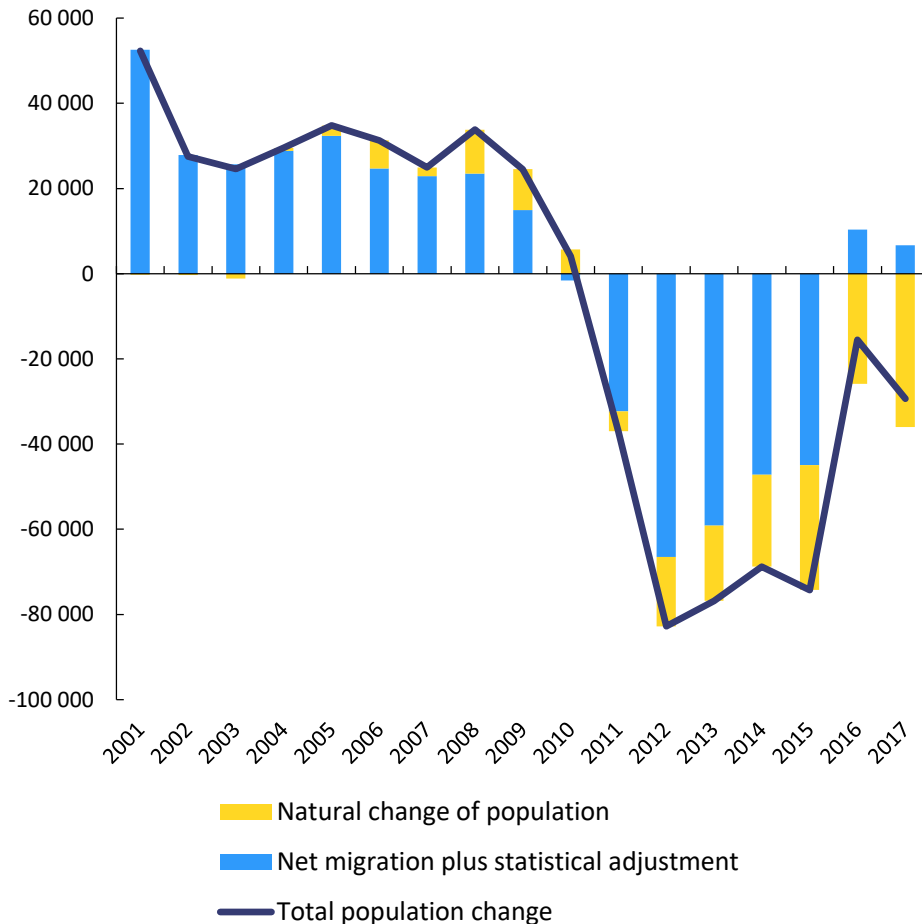
- *For younger age group (15-24) → could be justified by higher participation in education*
- *But activity rate declines systematically after 45 years of age*

→ **Work-life balance**

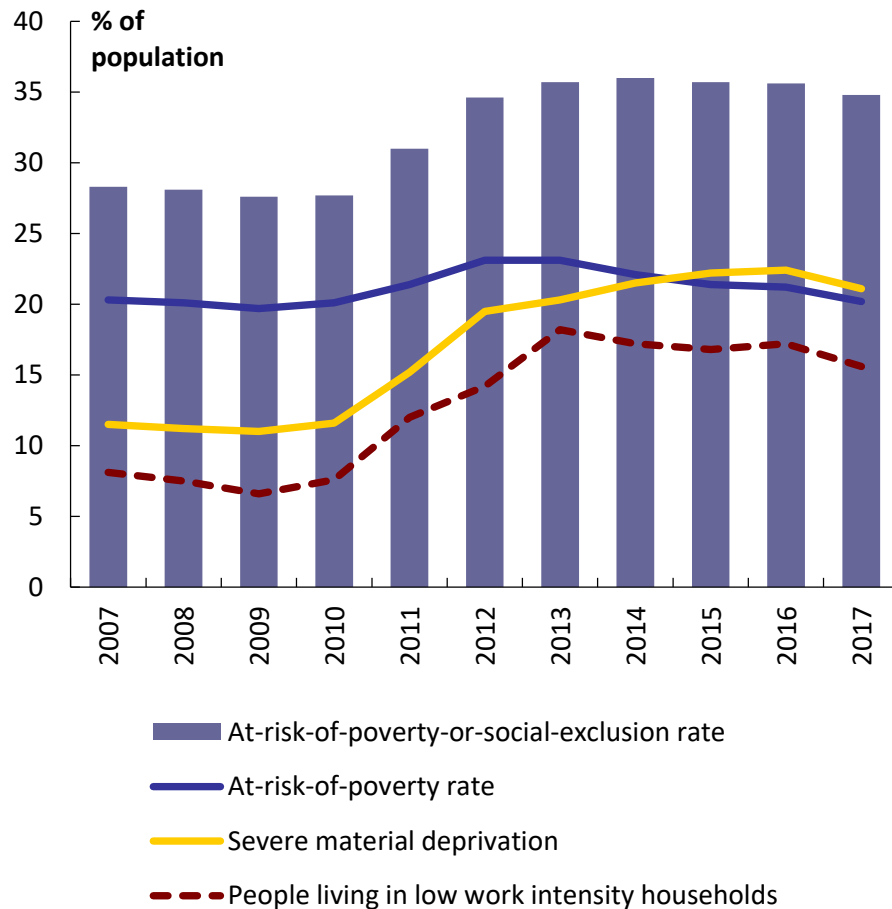
Demographic challenge

Population is ageing and shrinking:

- *strong emigration (in 2011-2015)*
- *very low fertility rates*



Poverty rates finally declining...

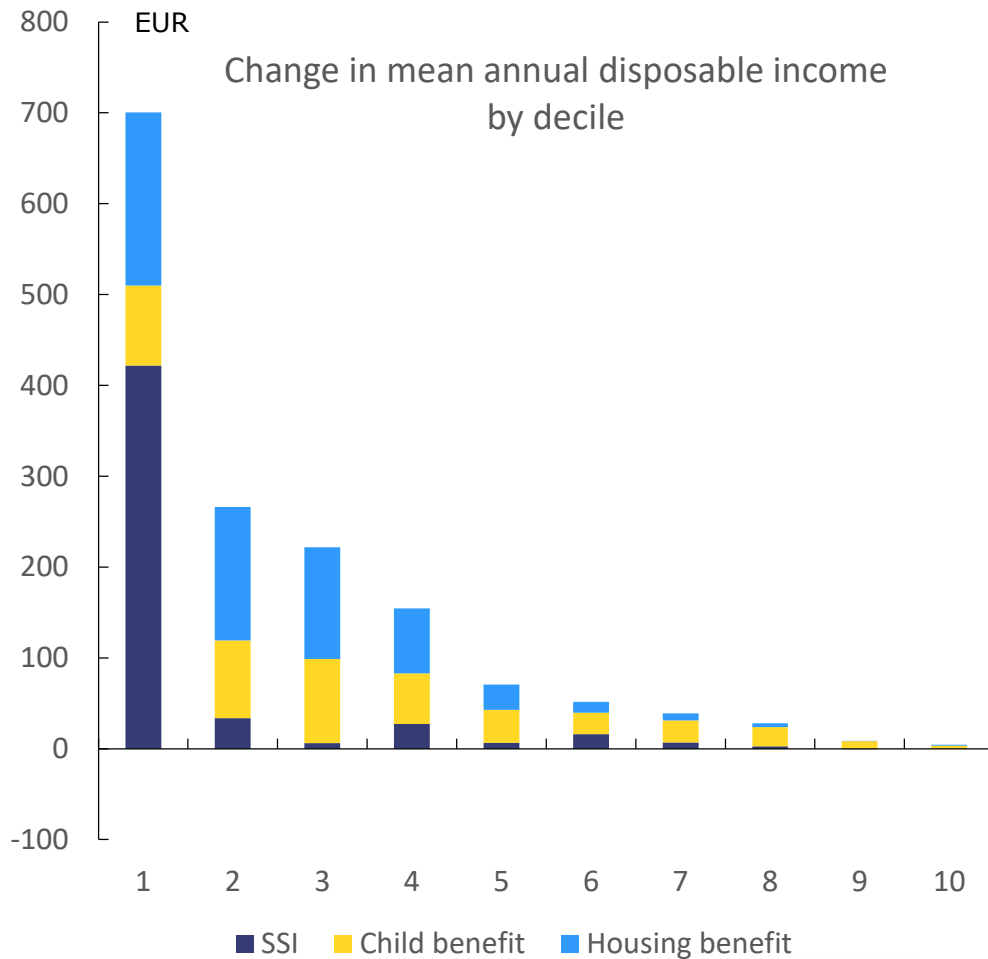


thanks to:

- Employment recovery
- Enhanced social welfare system

But situation is still difficult.

Big achievement of welfare reforms



- *Social Solidarity Income (2017) provides basic safety net*
- *Reformed child benefit (2018) alleviates child poverty*
- *New housing benefit to be introduced addresses housing rental cost overburden.*

Social scoreboard: a challenging situation

SOCIAL SCOREBOARD FOR GREECE		
Equal opportunities and access to the labour market	Early leavers from education and training (% of population aged 18-24)	Better than average
	Gender employment gap	Critical situation
	Income quintile ratio (S80/S20)	Weak but improving
	At risk of poverty or social exclusion (in %)	Critical situation
	Youth NEET (% of total population aged 15-24)	Critical situation
Dynamic labour markets and fair working conditions	Employment rate (% population aged 20-64)	Critical situation
	Unemployment rate (% population aged 15-74)	Weak but improving
	Long term unemployment (% population aged 15-74)	Weak but improving
	GDHI per capita growth	Critical situation
	Net earnings of a full-time single worker earning AW	On average
Social protection and inclusion	Impact of social transfers (other than pensions) on poverty reduction	Critical situation
	Children aged less than 3 years in formal childcare	Weak but improving
	Self-reported unmet need for medical care	Weak but improving
	Individuals' level of digital skills	To watch

- High gender gap (19.7%)
- High poverty rate (34.8%)
- High NEET rate (15.3%)
- Low employment (57.8%)
- Low income growth
- Low impact of social transfers in poverty reduction

More effective labour market policies

Favourable environment for growth and job creation:

- **Well-functioning collective bargaining**
- **Contrast informality and undeclared work**
- **Investment in human capital**

Policies improving employability and participation:

- **Individualised services by the PES, job-matching**
- **Increased labour market relevance of education**
- **Improved availability and attractiveness of VET**

*Proper **involvement of social partners** in national policymaking needs to be ensured*

Concrete actions in line with commitments

Improved support for the unemployed

- ✓ **Modernisation of public employment service**
- ✓ **More effective design and delivery of active labour market policies**

*Full implementation of Action plan to fight **undeclared work***

*On-going modernisation of the **social welfare system***

- ✓ **Completion of setup of single pension fund EFKA**
- ✓ **Completion of primary health care system**
- ✓ **Completion of the disability benefits**

Ευχαριστώ!