



ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ &  
ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ

# The Greek Economy showing resilience amid global uncertainties

Nikos Vettas

General Director, Foundation for Economic and Industrial Research - IOBE

Professor, Athens University of Economics and Business

[nvettas@aueb.gr](mailto:nvettas@aueb.gr) | [www.iobe.gr](http://www.iobe.gr)

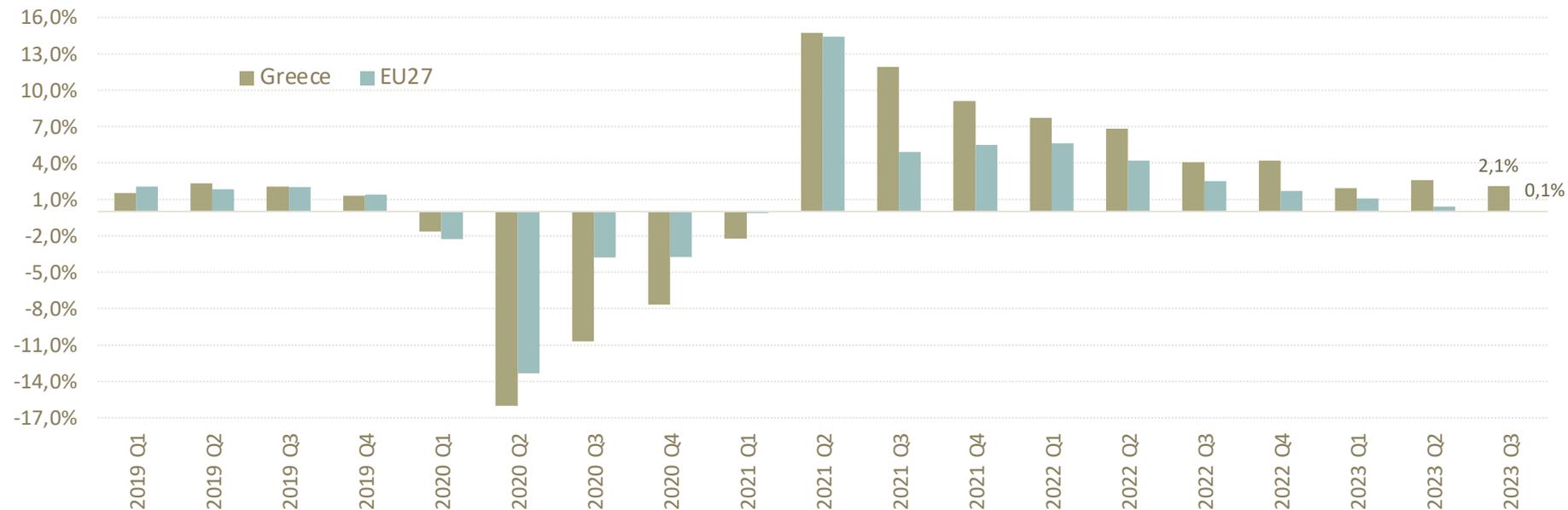
London Business School | Athens

Athens, 14 December 2023

# GDP dynamics

- Significant recovery in 2022.
- Resilient, albeit slowing, domestic economic activity in 2023.
- Real GDP growth 2.1% (y/y) in the Q2/2023, with main drivers:
  - strong investment (8.9%),
  - resilient consumption (1.0%).
- GR growth rate remains above EU average for a tenth consecutive quarter.

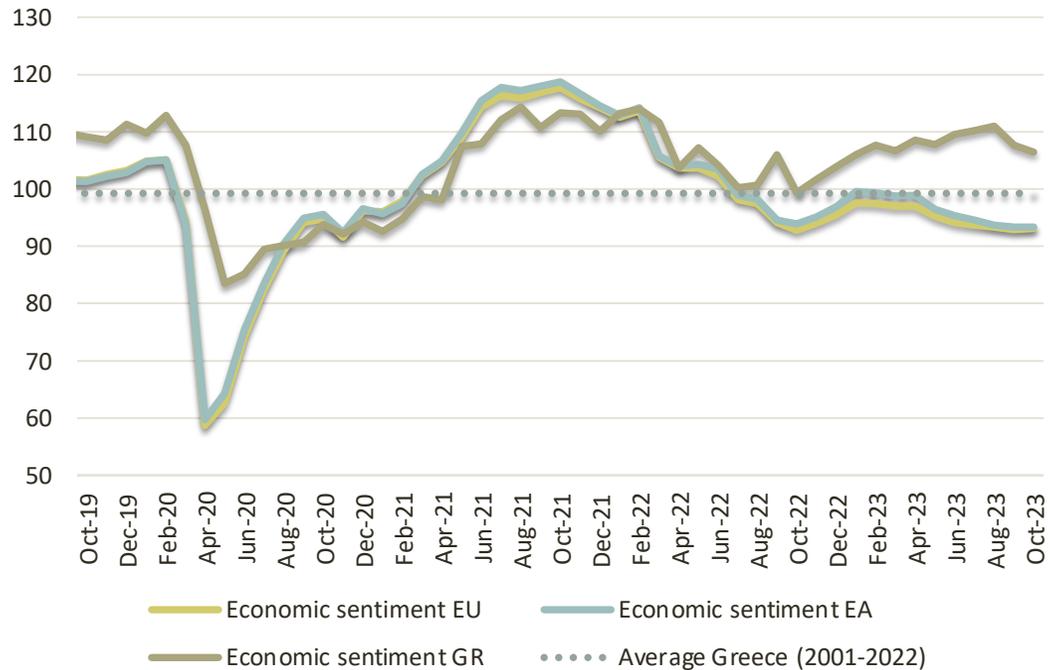
Quarterly real GDP (y/y growth rate)



Source: Quarterly National Accounts, Eurostat

# Greece: Economic Sentiment and Consumer Confidence

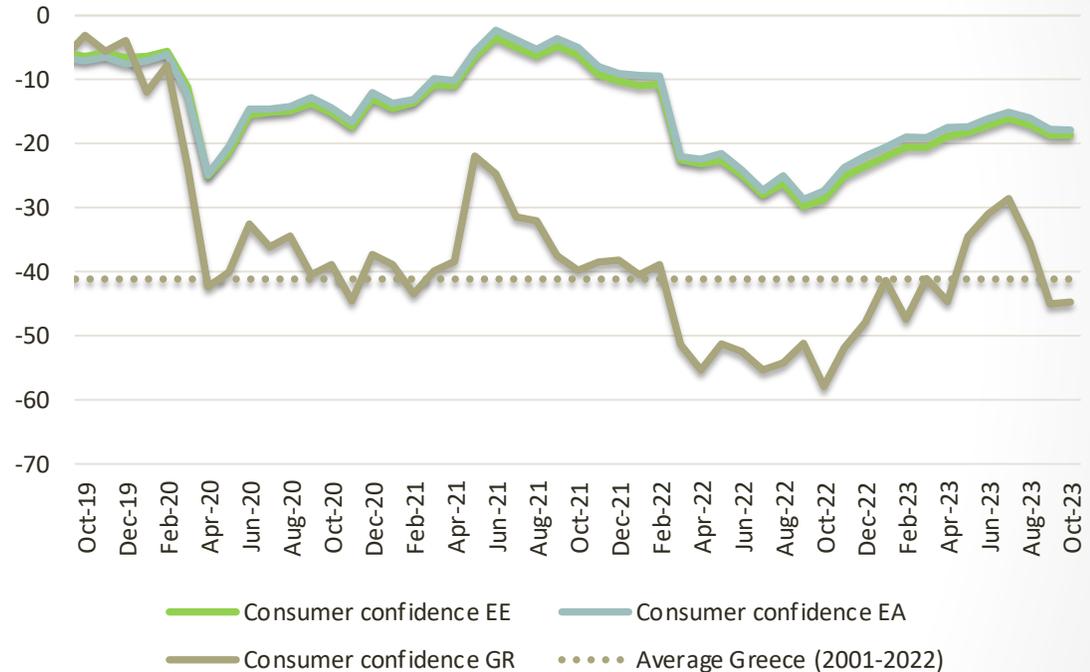
Domestic economic sentiment has shown a rebound since the last quarter of 2022, while in EU it continues to weaken.



Sources: European Commission, IOBE

Improvement of expectations in most sectors since mid 2022, especially in Services. The economic sentiment index stood at 103.9 points at the end of 2022, and at 107.7 points in Q3/2023.

Consumer confidence has dropped significantly during 2022 at lower levels than EU peers, albeit showed some recovery since the last quarter of that year.

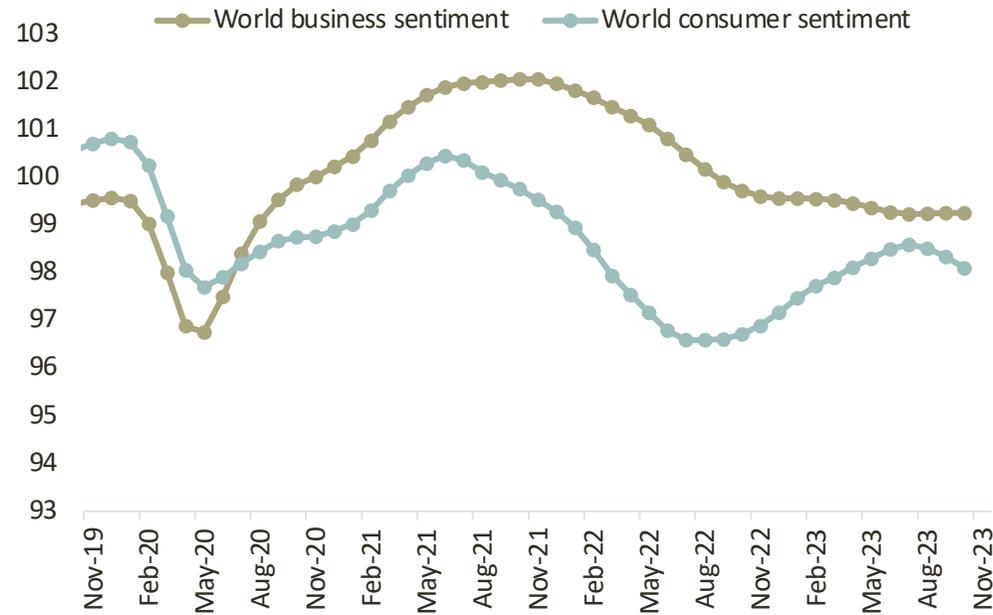


The consumer confidence index stood at -47.9 points at the end of 2022, against -38.2 in 2021, while was set at -44.7 in Q3/2023.

# Global economic activity and trade

**Systematic decline of world business sentiment since mid-2021**

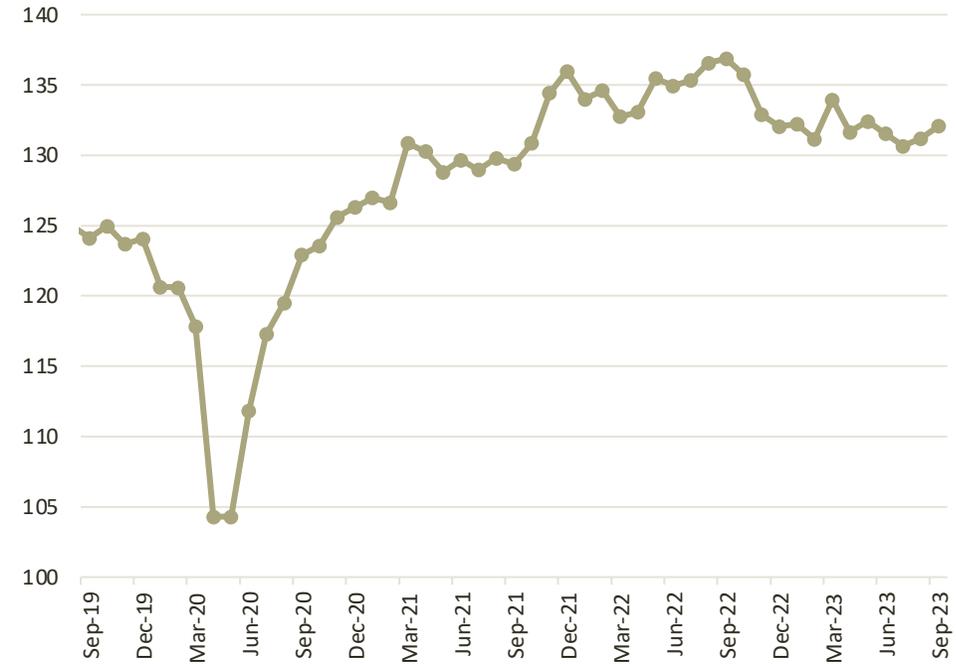
**OECD World Sentiment Indicators**  
(Long-term average = 100)



Source: OECD

**International trade volume growth momentum has halted since mid-2022**

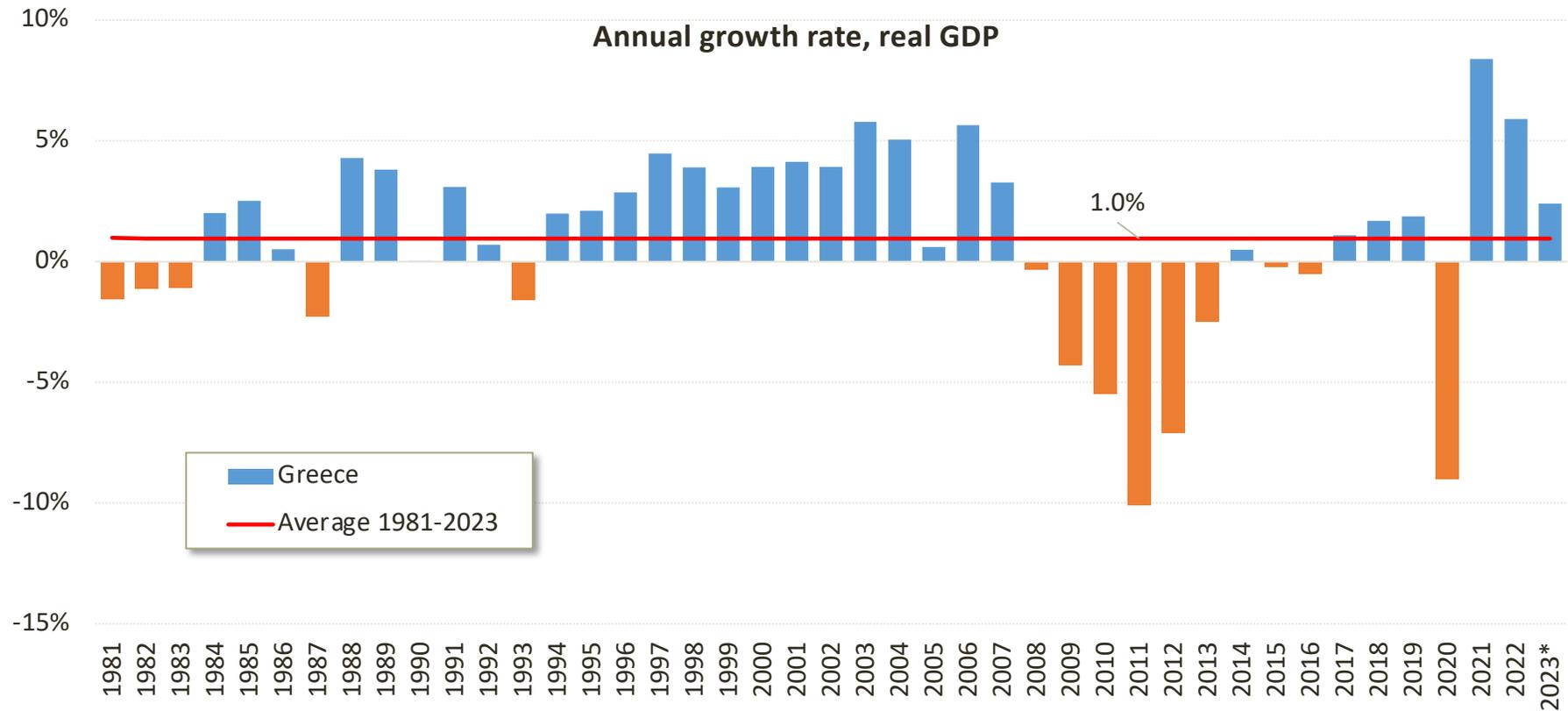
**Volume Indicator of Global Trade**  
(seasonally adjusted data, 2010=100)



Source: CPB Netherlands Bureau for Economic Policy Analysis

LONGER TERM VIEW

# Long term growth dynamics and prospects

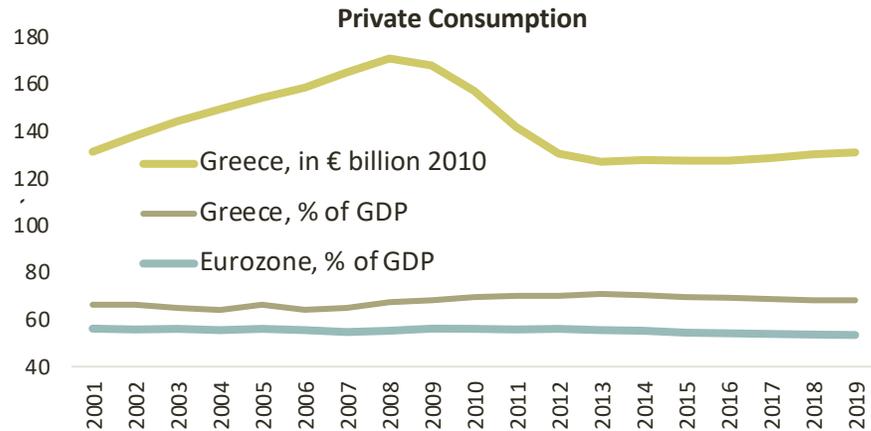


Sources: Eurostat

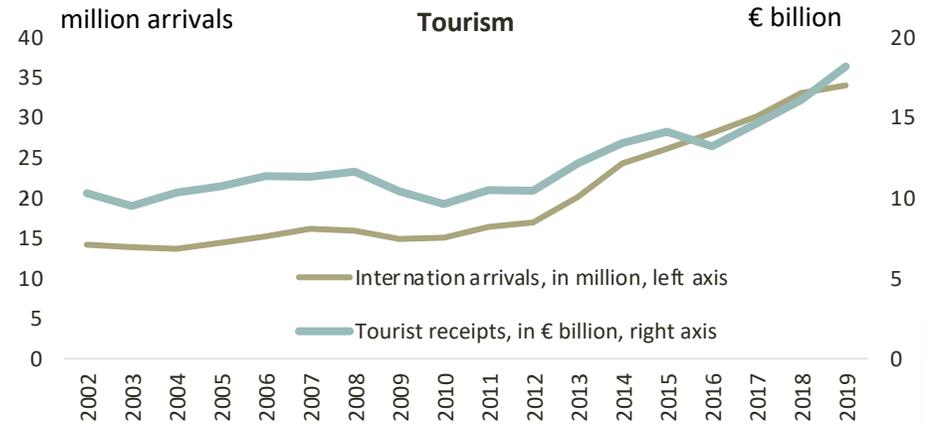
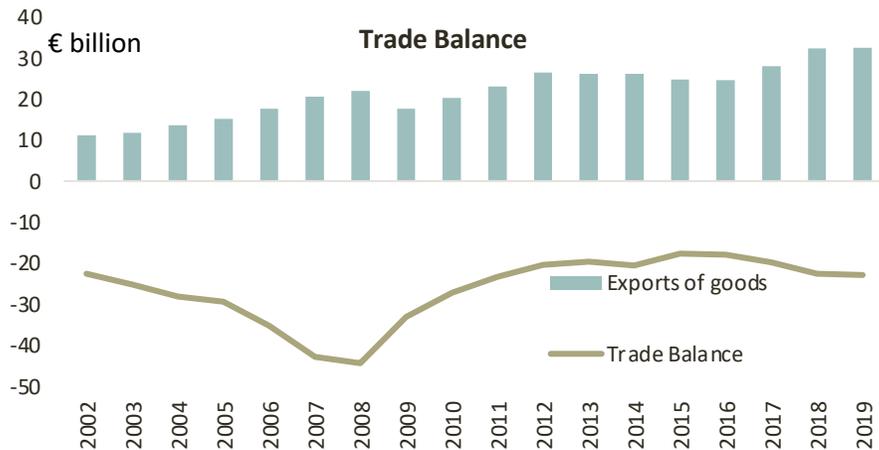
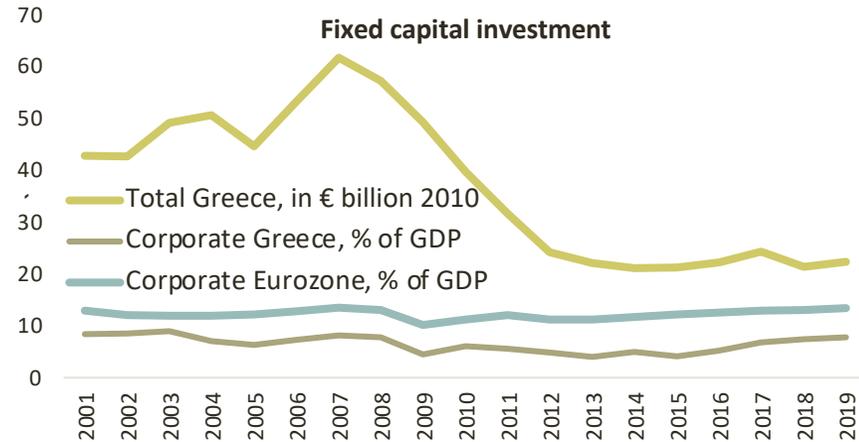
Note. The forecast for 2023 relies upon IOBE (October 2023).

# Key trends in the Greek economy since 2001

- 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

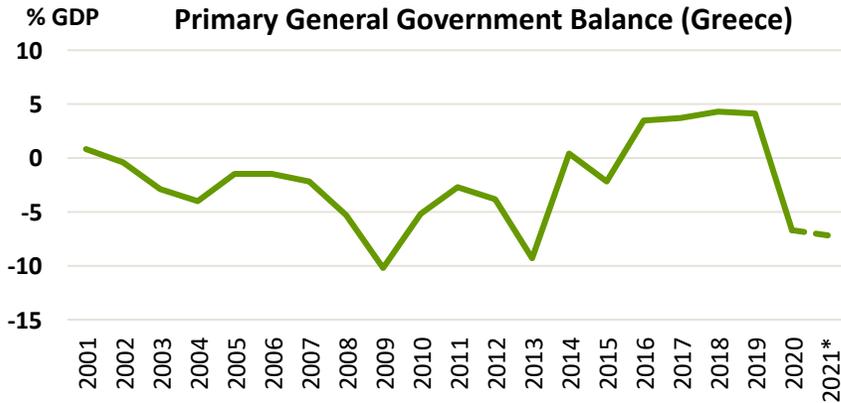
Sources: ELSTAT, Eurostat, Bank of Greece

# Instances of weak performance of the Greek economy

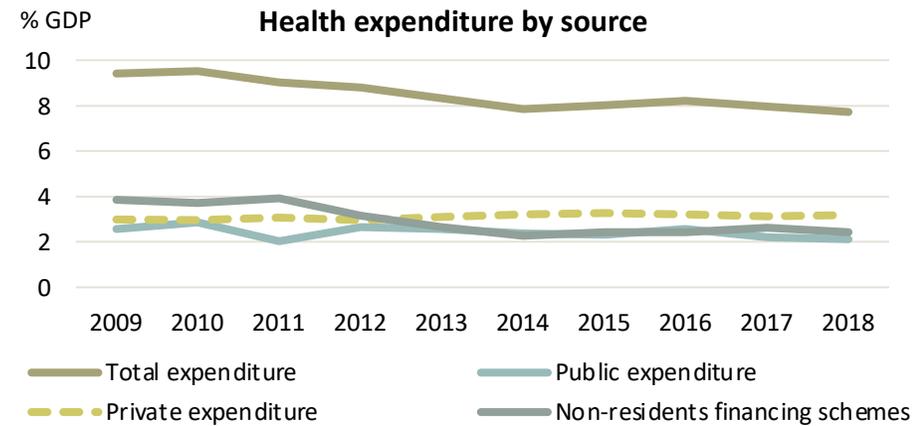
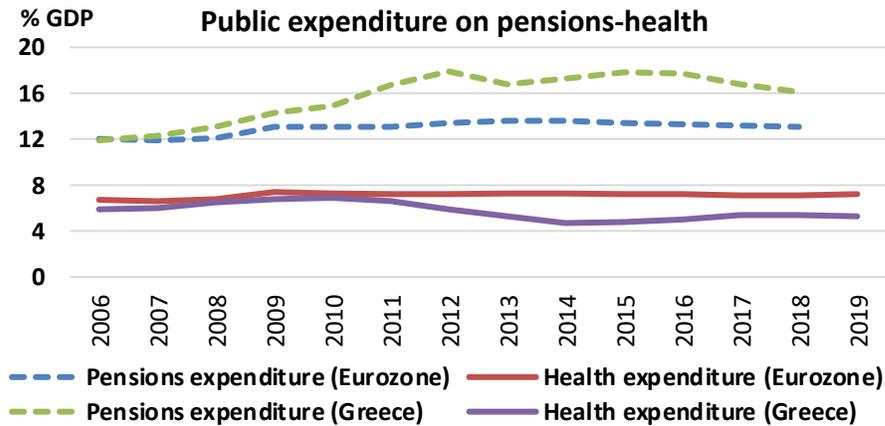
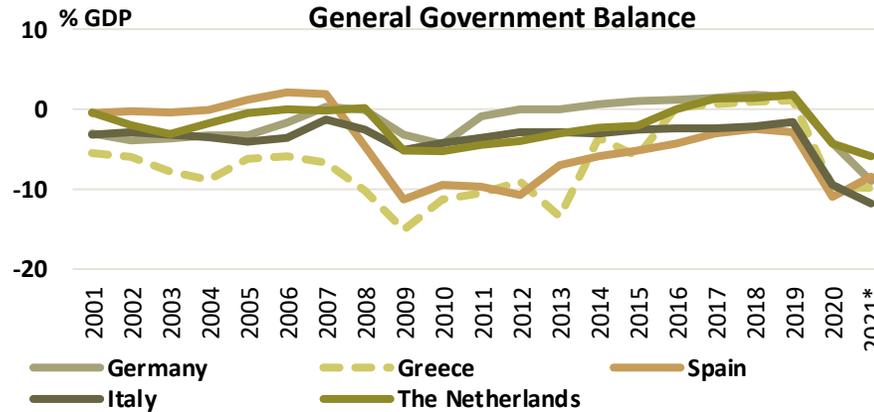
- Low participation of the factors of production.
  - Labor (25<sup>th</sup> in the EU by % of the population that was employed or was seeking employment in 2019).
  - Capital (27<sup>th</sup> in the EU in business fixed investment as a % of GDP in 2019).
- Low productivity (22<sup>nd</sup> in the EU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

# 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

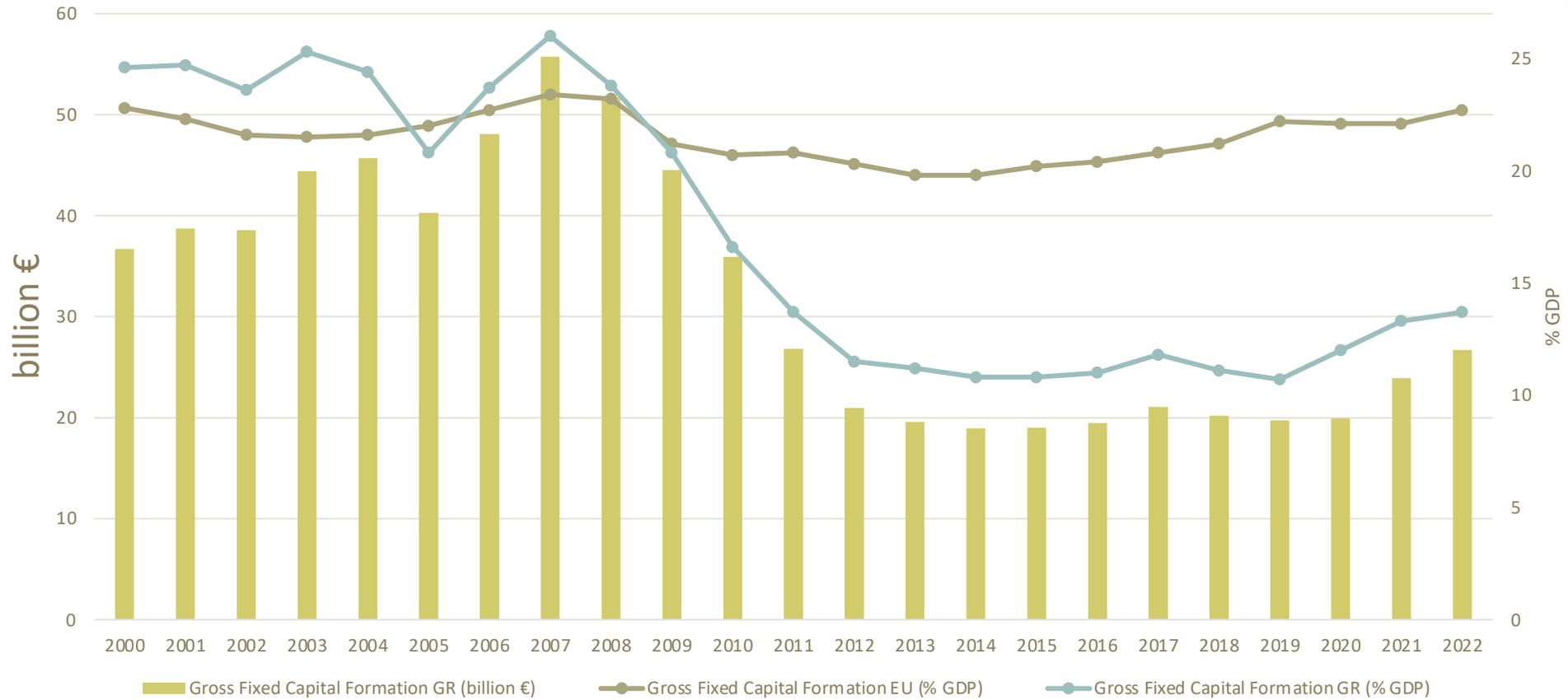


- Higher pension spending over time compared to Eurozone and lower health spending, as % of GDP

\* Forecasts: Stability Programme 2021  
Source: Eurostat

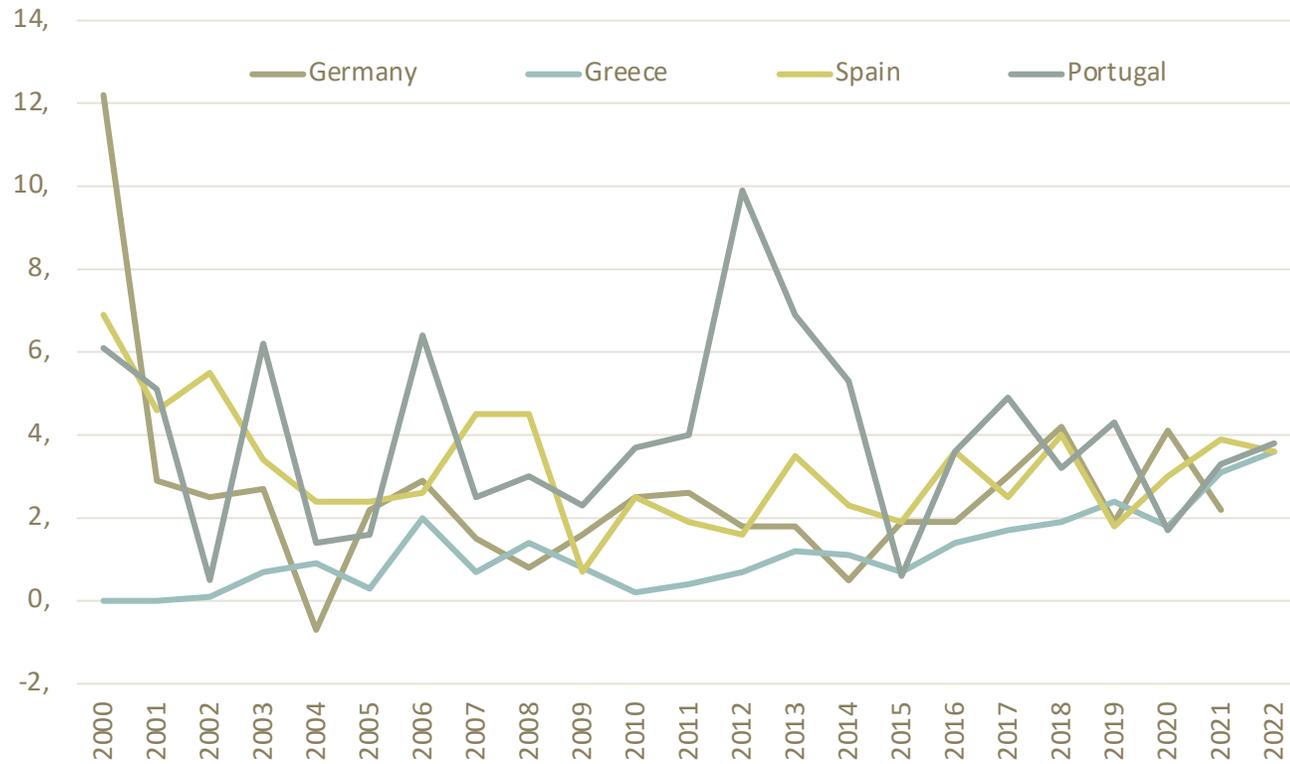
- Public health spending determines the trend of total health spending

# Investment Gap and Opportunities



Source: Eurostat, Data Processing: IOBE

# Foreign Direct Investment (% GDP)



Source: Eurostat

FDI (% GDP)			
	2002-2008	2009-2016	2017-2022
Germany	1.7%	1.8%	2.8%
Greece	0.9%	0.8%	2.4%
Spain	3.6%	2.3%	3.1%
Portugal	3.1%	4.5%	3.5%

# Exporting sectors

	Exports as a % of GDP, Greece, 2019	Exports as a % of GDP, EU-9, 2019
Total exports	<b>37.2</b>	<b>65.5</b>
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**

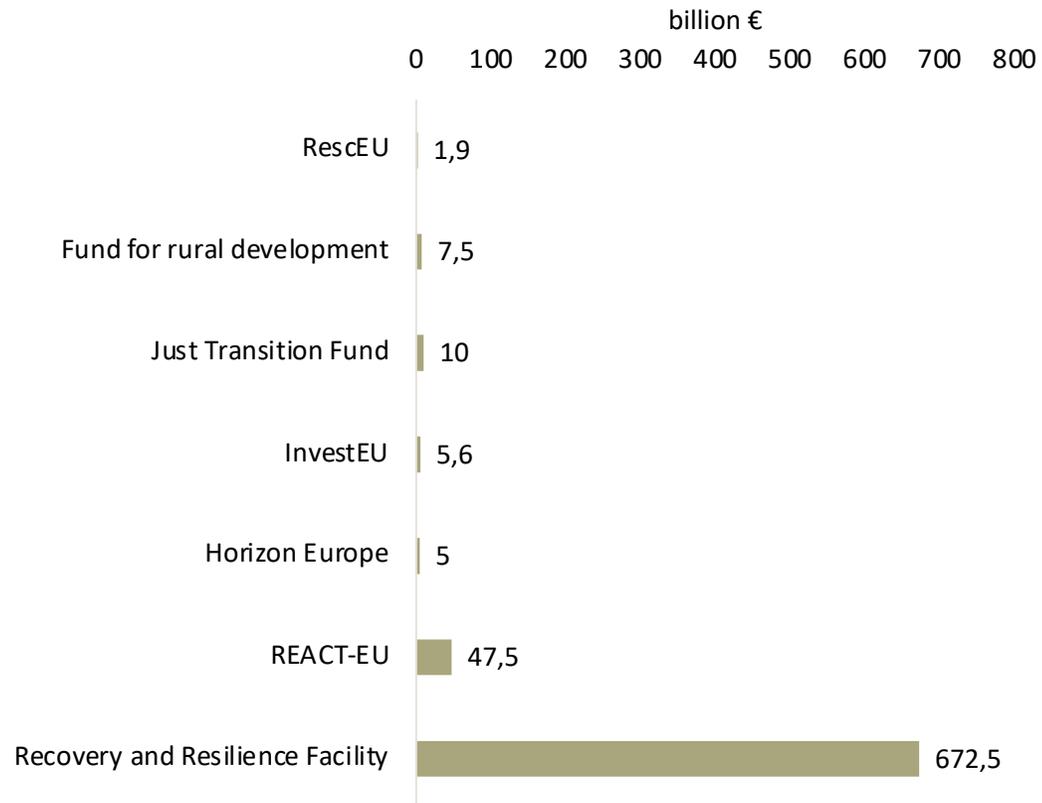
LOOKING AHEAD

# The EU recovery plan – A vital opportunity

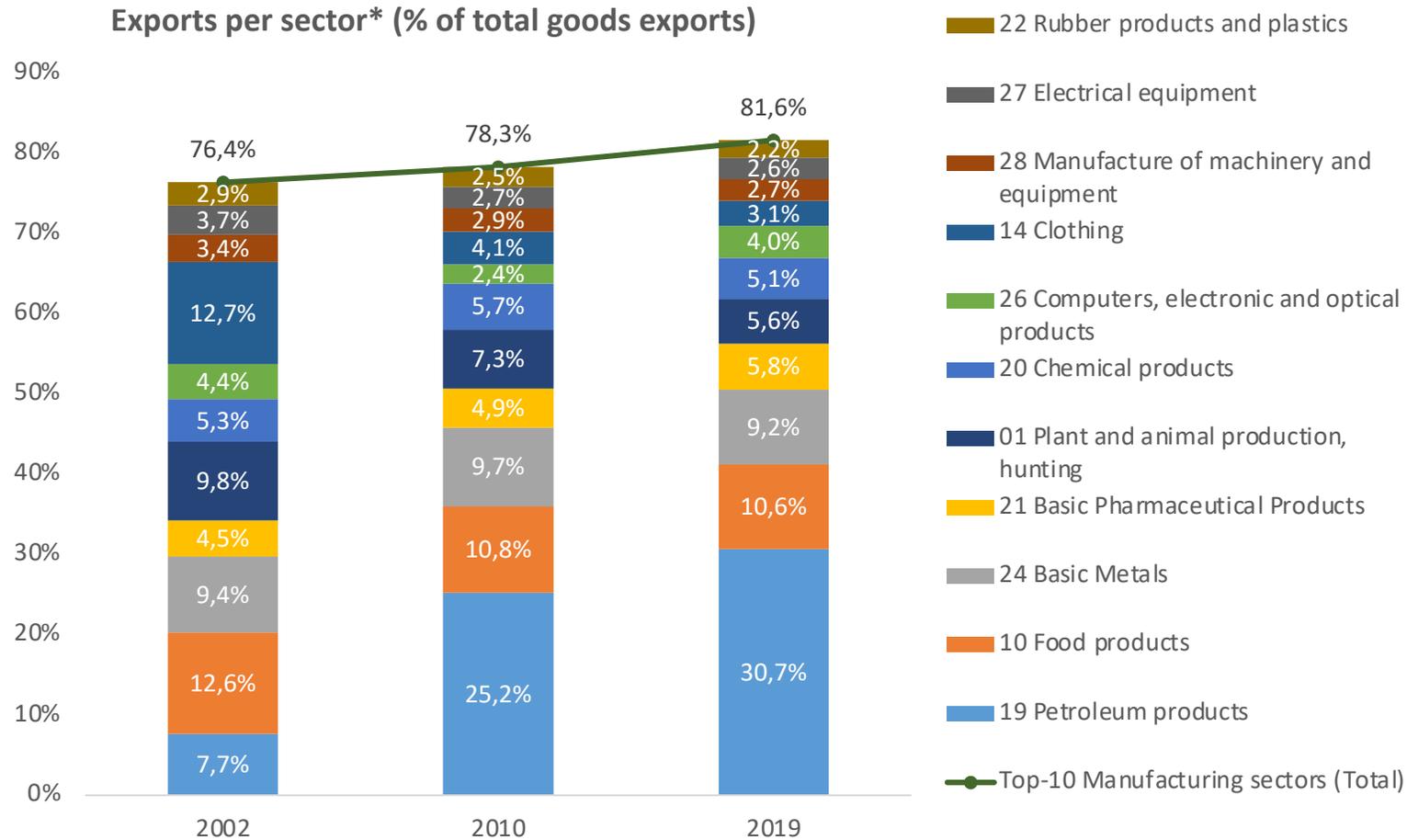
*It combines the Multiannual Financial Framework (MFF) 2021-2027, of €1,074.3 billion, and an emergency financing instrument "NextGenerationEU" (NGEU), of €750 billion*

- The package mainly supports **investments in green growth and digital transition.**
- RRF resources stem from **borrowing funds** through the capital markets; **borrowing will stop by the end of 2026.**
- The loan funds can be used **for loans totaling up to €360 billion and grants of up to €390 billion.**
- **Legal commitments** for RRF programs are due by December 31<sup>st</sup>, 2023. Relevant **payments** will be made by **December 31<sup>st</sup>, 2026.**
- **In total, Greece is expected to receive €30.9 billion from NextGenerationEU, of which €18.2 billion are designated for grants and €12.7 billion are designated for loans. €7.6 billion have been disbursed up to August 2022.**

**Pan-EU Distribution of NextGenerationEU budget**



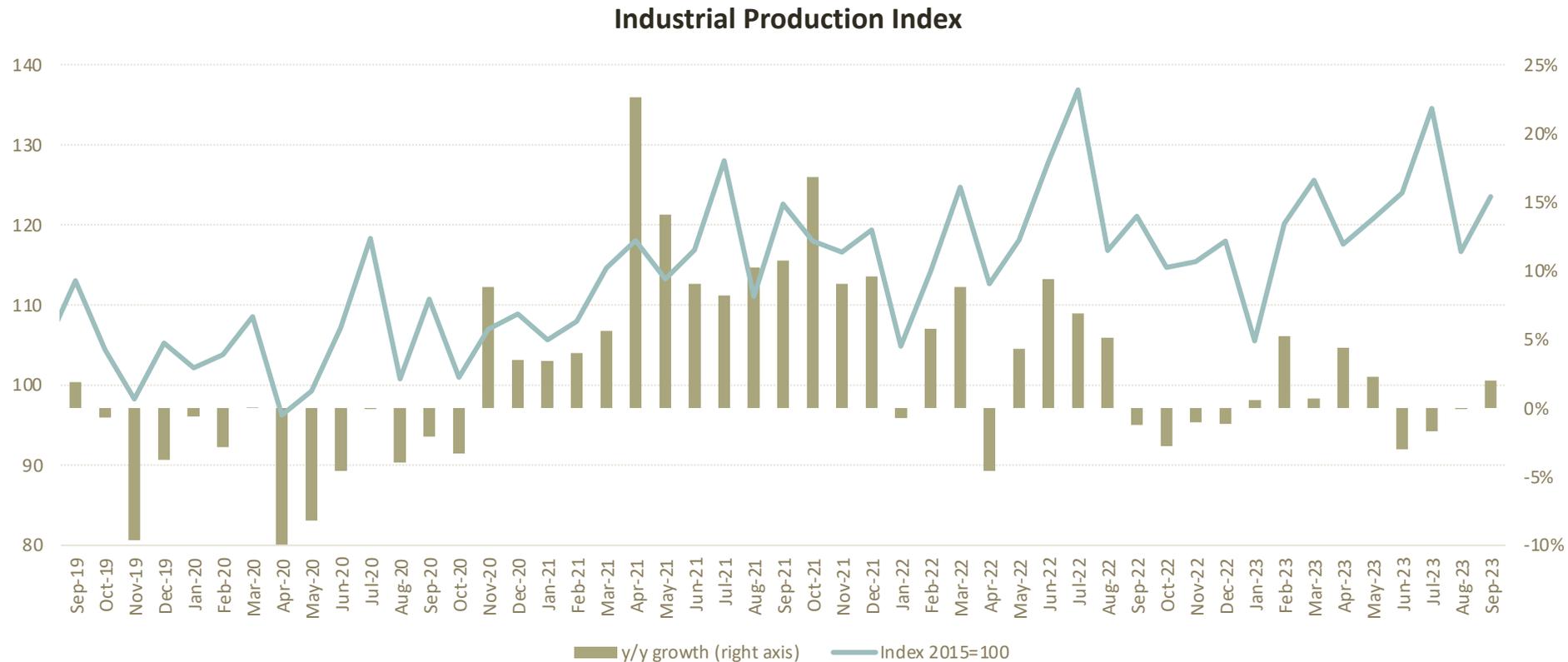
# Greek exports of goods. Petroleum products, food, pharmaceuticals, etc.



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

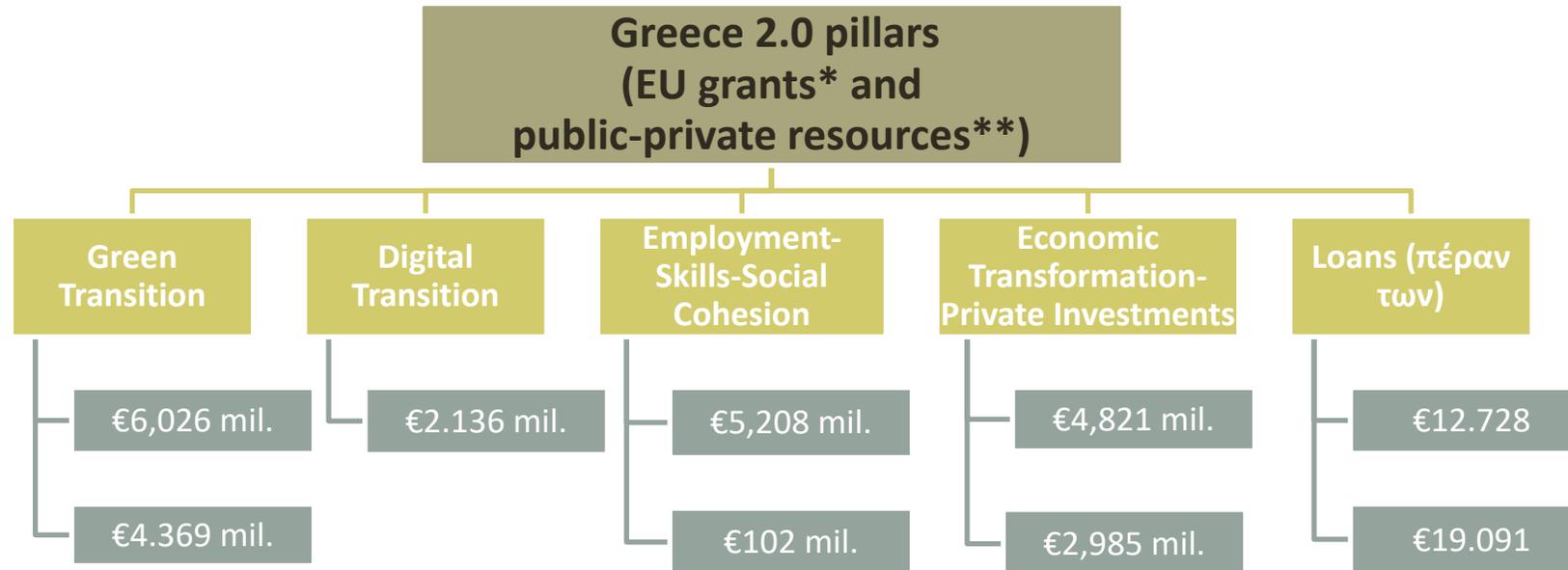
# Industrial Production

- Industrial production increased by 2.2% (2.2% in EZ) in 2022, instead of 10.1% increase in 2021.
- Milder increase (0.7%) in the first eight months of 2023, compared to the first eight months of 2022 (4.4%).
- The increase is driven by the Mining (7.9% instead of -8.7% last year) and the Manufacturing (+4.0% compared to +5.4% in 2022) sectors.



Source: ELSTAT

# 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)

# Prospects in the Constructions sector are reinforced by the need to improve the infrastructure

ROADS

RAILWAY INFRASTRUCTURE

PORTS

INFRASTRUCTURE FOR THE  
AGRICULTURAL SECTOR

INFRASTRUCTURE FOR THE  
INDUSTRY SECTOR

INFRASTRUCTURE FOR  
TOURISM – CULTURE

RENEWABLE ENERGY  
SOURCES –  
INTERCONNECTIONS –  
NETWORKS QUALITY –  
ENERGY EFFICIENCY

PUBLIC INFRASTRUCTURE  
FOR HEALTH – EDUCATION

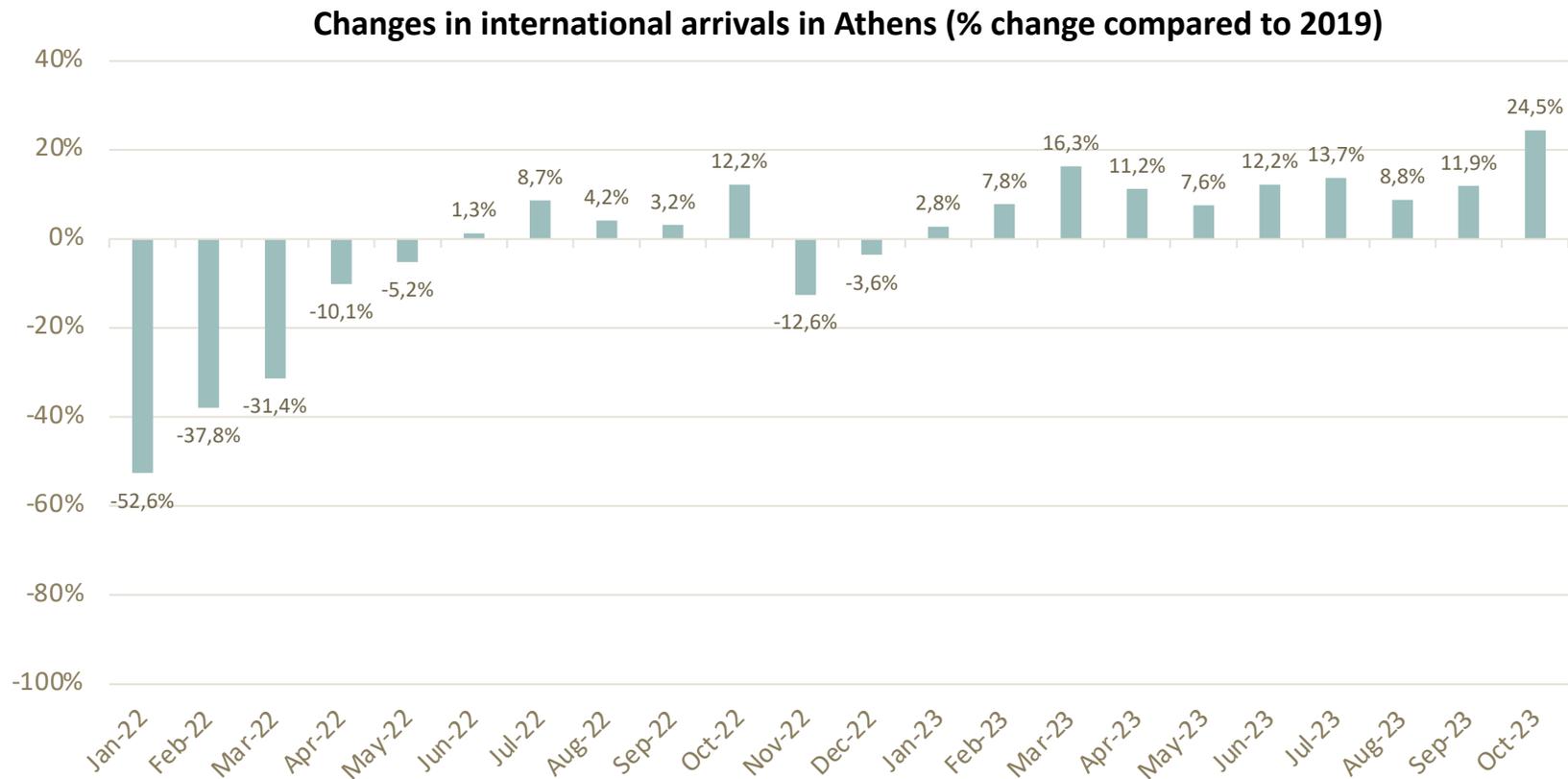
WASTE MANAGEMENT –  
CIRCULAR ECONOMY

## Prospects

- Creation or replacement of old infrastructure with new ones, of increased quality, sustainability and capacity
- Ability to mobilize economic growth and "unlock" significant private investments
- Contributing to the government's strategic objectives - Cohesion Policy Investment Priorities 2021-2027 (Low Carbon Green Europe - A more interconnected Europe - A Europe closer to the people)

# Tourism has shown a strong rebound (also in 2023)

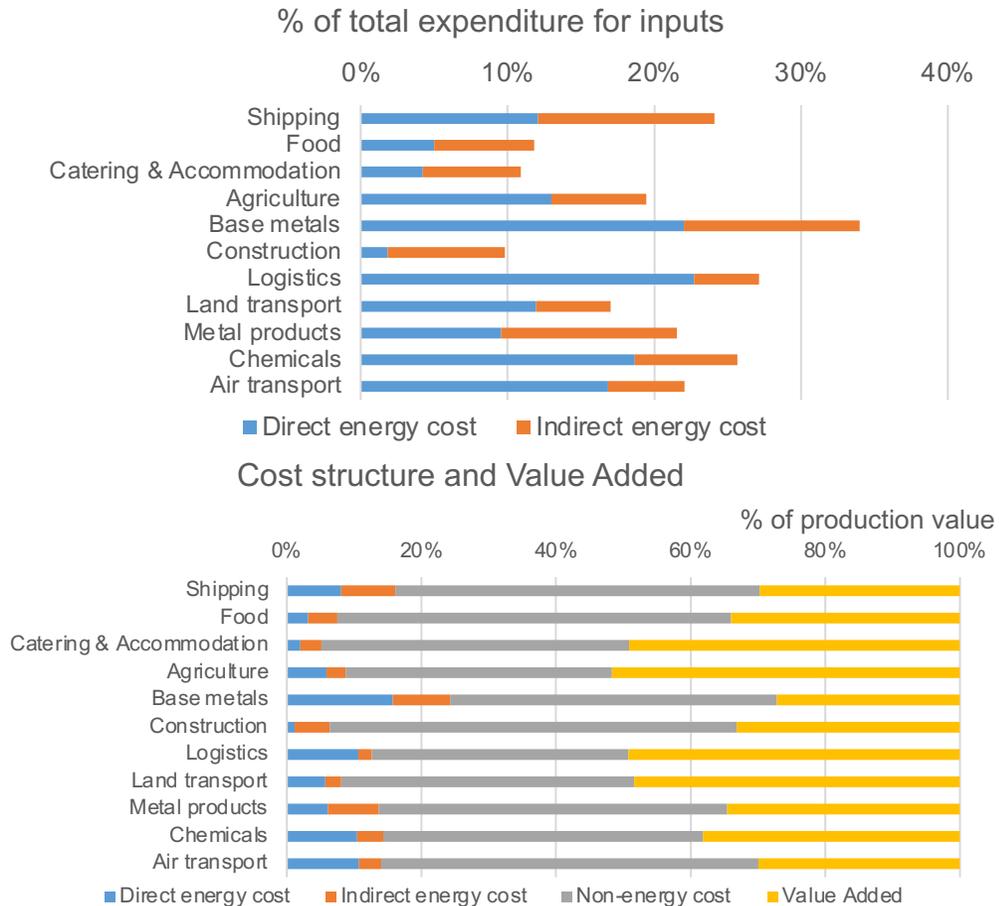
- In the first three quarters of 2023, international arrivals at airports exceeded 2019 record performance.



**Source:** Athens International Airport

# 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

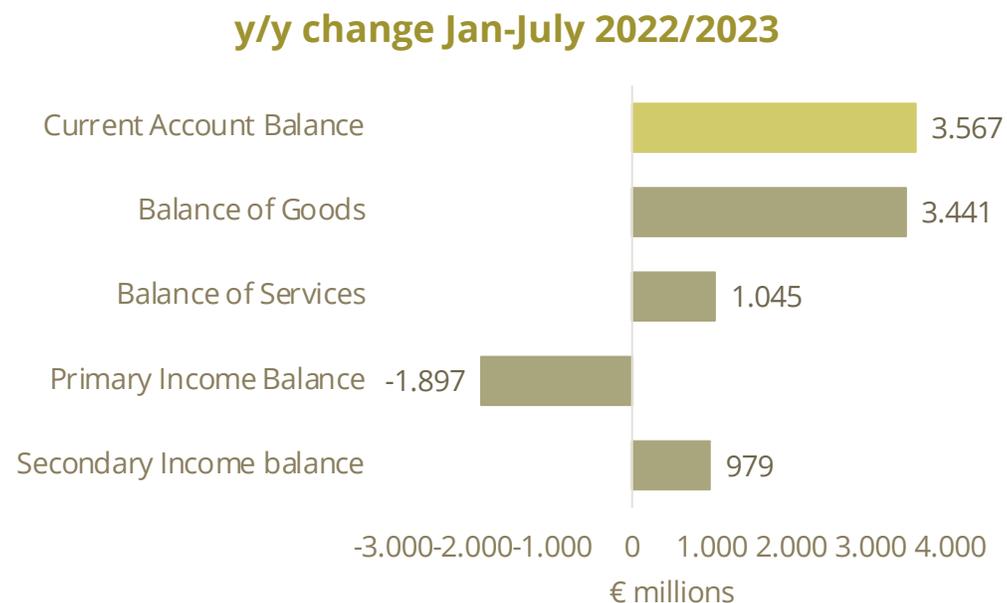
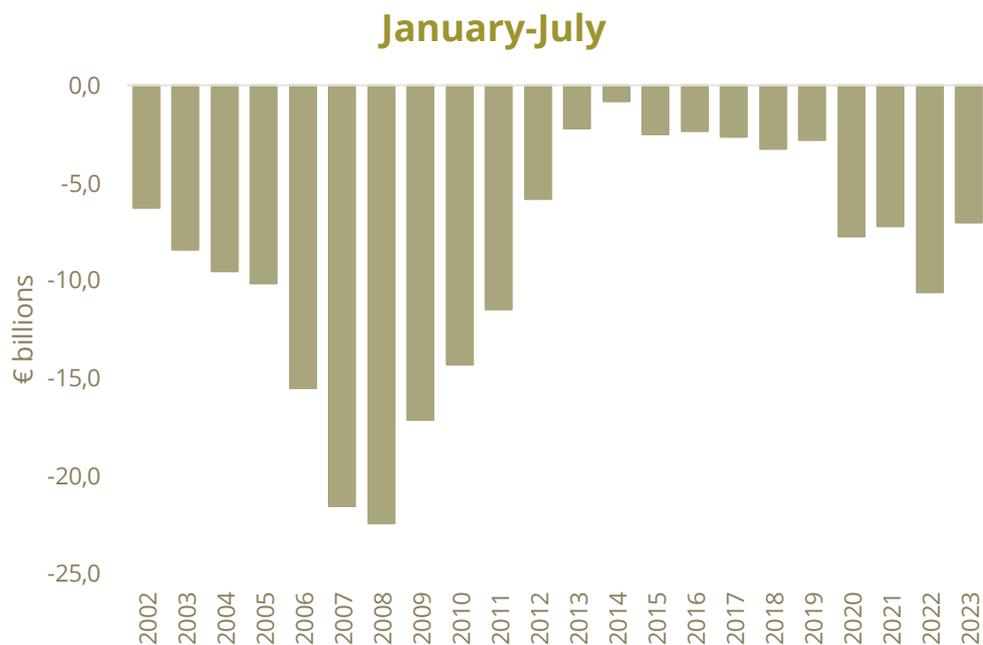
- Direct energy costs: business expenses for oil, gas, and electricity
- Indirect energy costs: the share of expenditure allocated to other inputs, which corresponds to the energy content of these inputs
  - Example: Constructions use cement. Cement production requires burning fossil fuels (natural gas, 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

## BIG PICTURE - AGGREGATING

# Current Account Balance

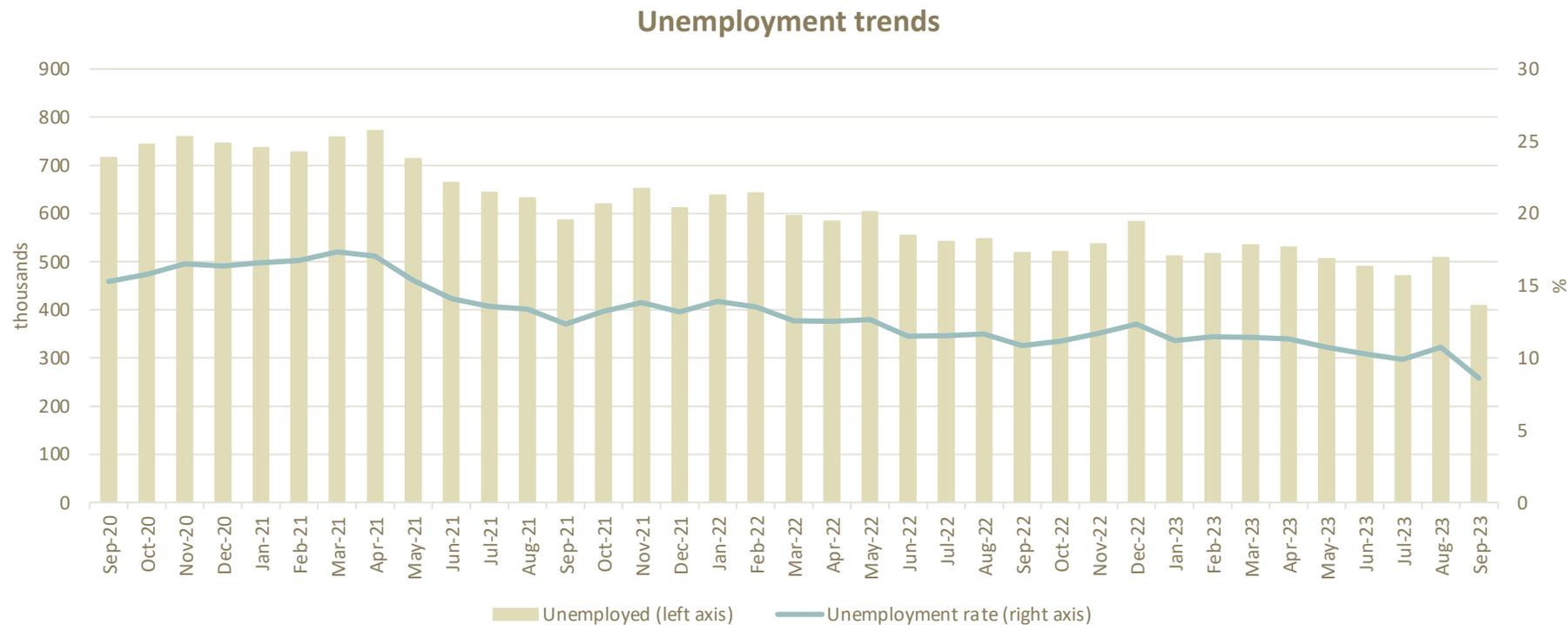
- **Improvement in the current account deficit** in the first 7 months of 2023, after a significant deterioration in 2022.
- Current account deficit reached €7.0 billion, down from €10.6 billion in 2022.
- Significant **reduction in the balance of goods deficit** by €3.4 billion.
- **Improvement in the surplus of services**, with Tourism revenue increasing by €1.7 billion.
- **Deterioration in primary incomes** (income outflow), while the **secondary income balance improves** (2<sup>nd</sup> tranche of Recovery and Resilience Facility - RRF since January).



Source: Bank of Greece

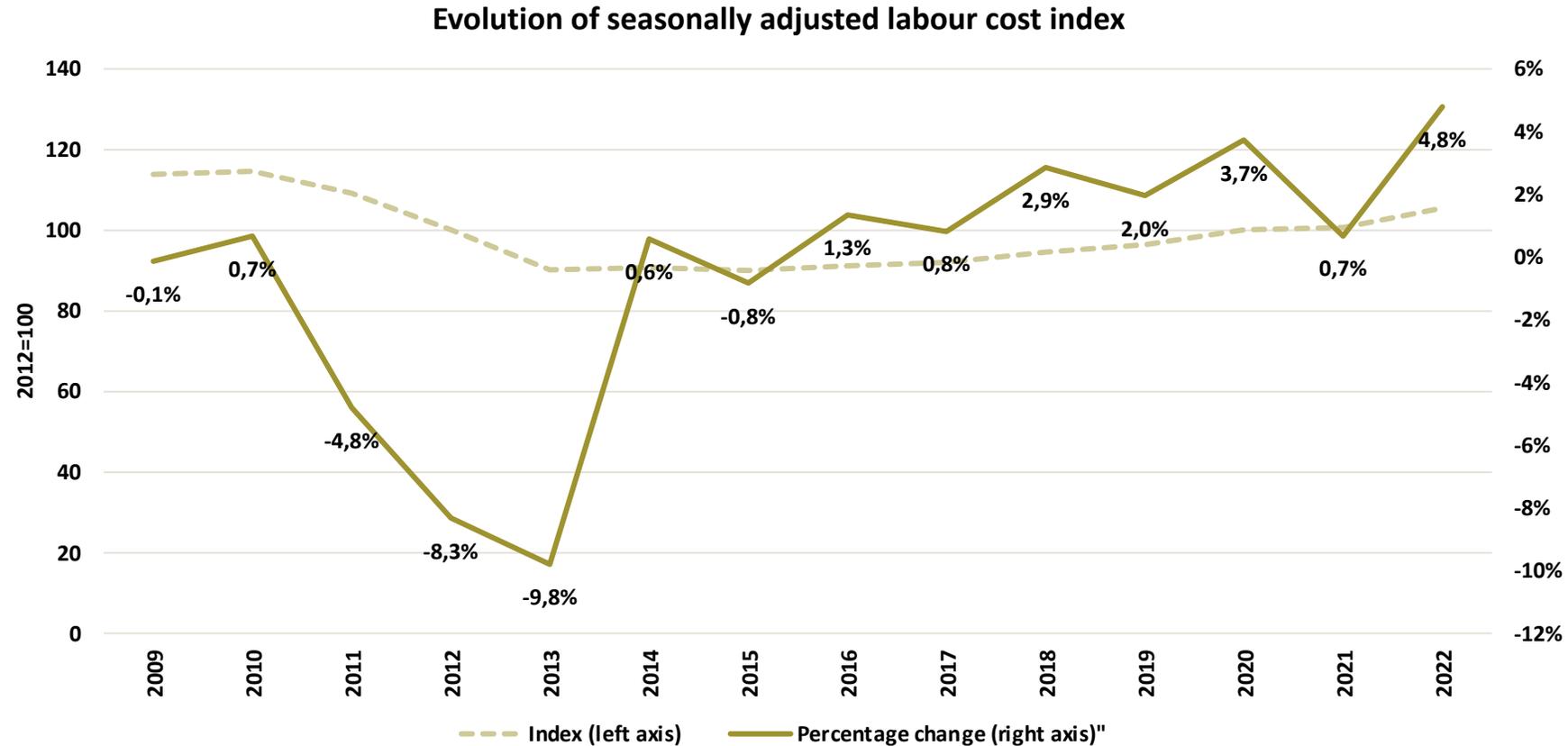
# Continuous, gradual decline of unemployment rate, to single digit after 14 years

- The unemployment rate reached 8.6% in Q2/2023, down from 10.8% in Q2/2022 and 12.4% in Q2/2021.
- The decrease in unemployment rate was mainly a result of an increase in employment.



Source: ELSTAT

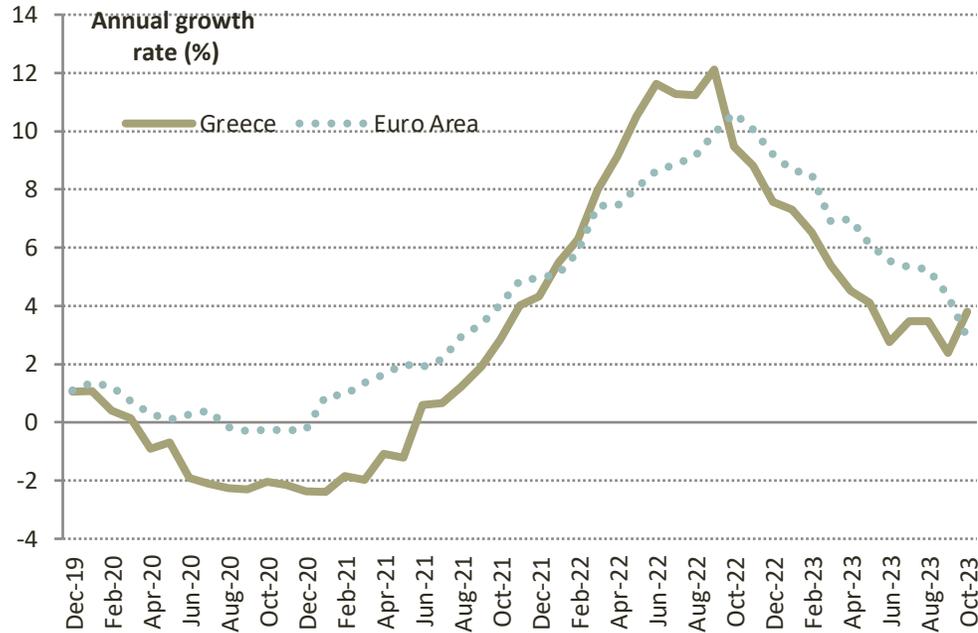
# Significant increase in wage costs in 2022



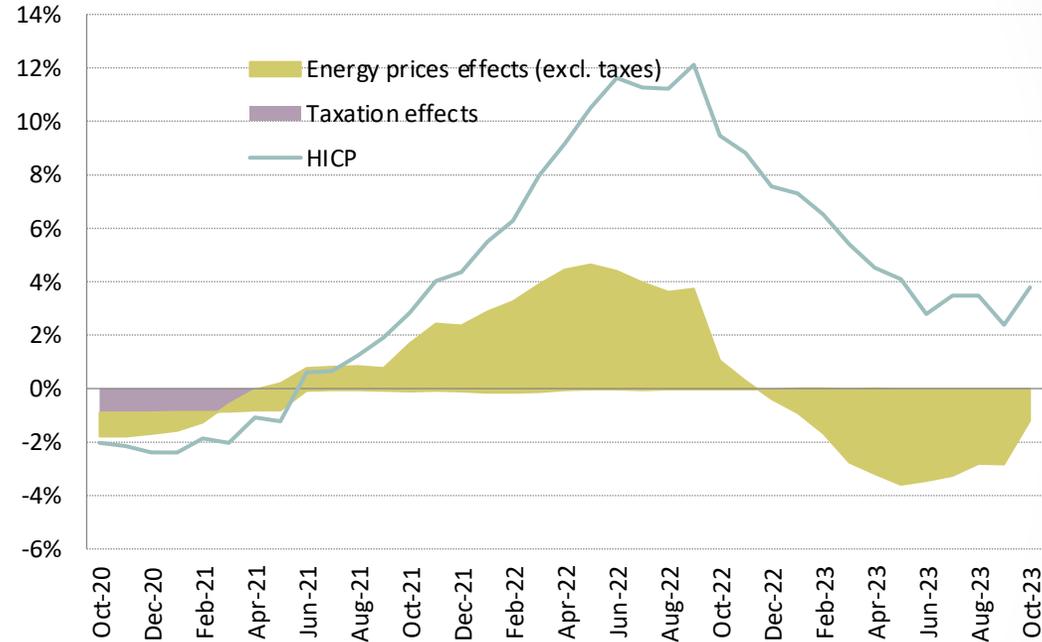
Source: ELSTAT

# Inflation has decreased systematically in 2023 H1, core inflation remains high

Harmonised Index of Consumer Prices (HICP)



HICP in Greece and impact of energy goods' prices and changes in taxation



Sources: ELSTAT, Eurostat

- Inflation at 28-year high in 2022.
- De-escalation of inflation in the first eight months of 2023, faster than EU peers; it reached 6.7%, down from 7.6% a year ago.
- Energy goods prices fell, but there is still pressure on food prices.

# 2023 and 2024 macroeconomic forecasts (IOBE)

## 2023 forecasts

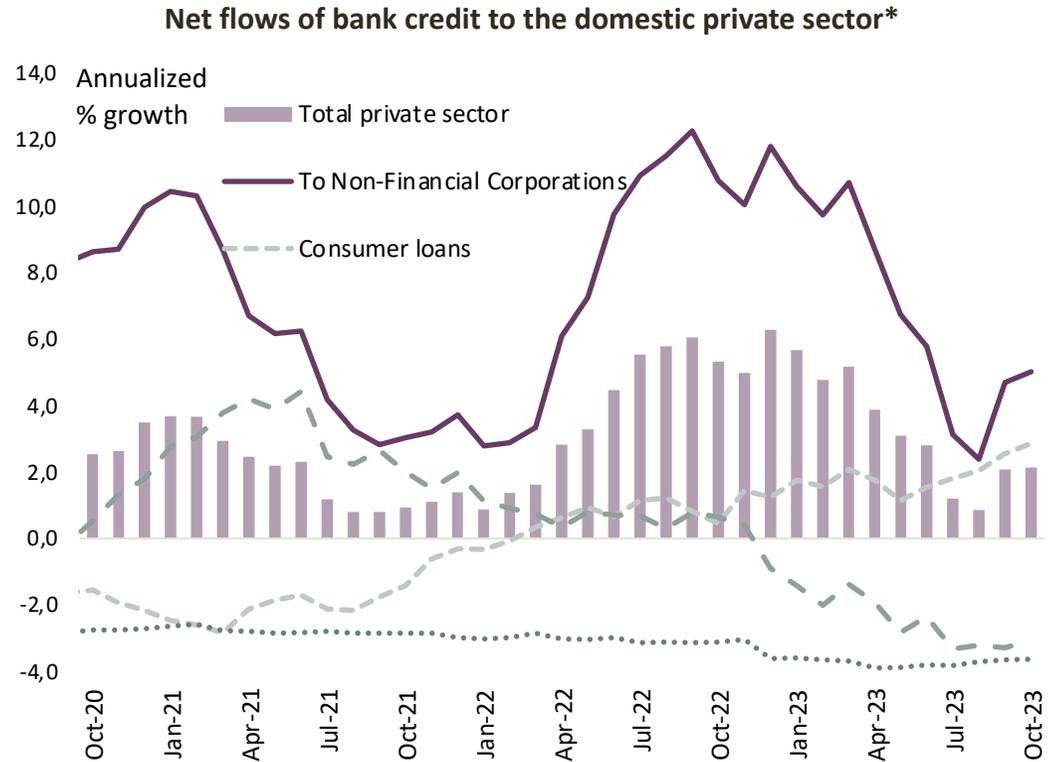
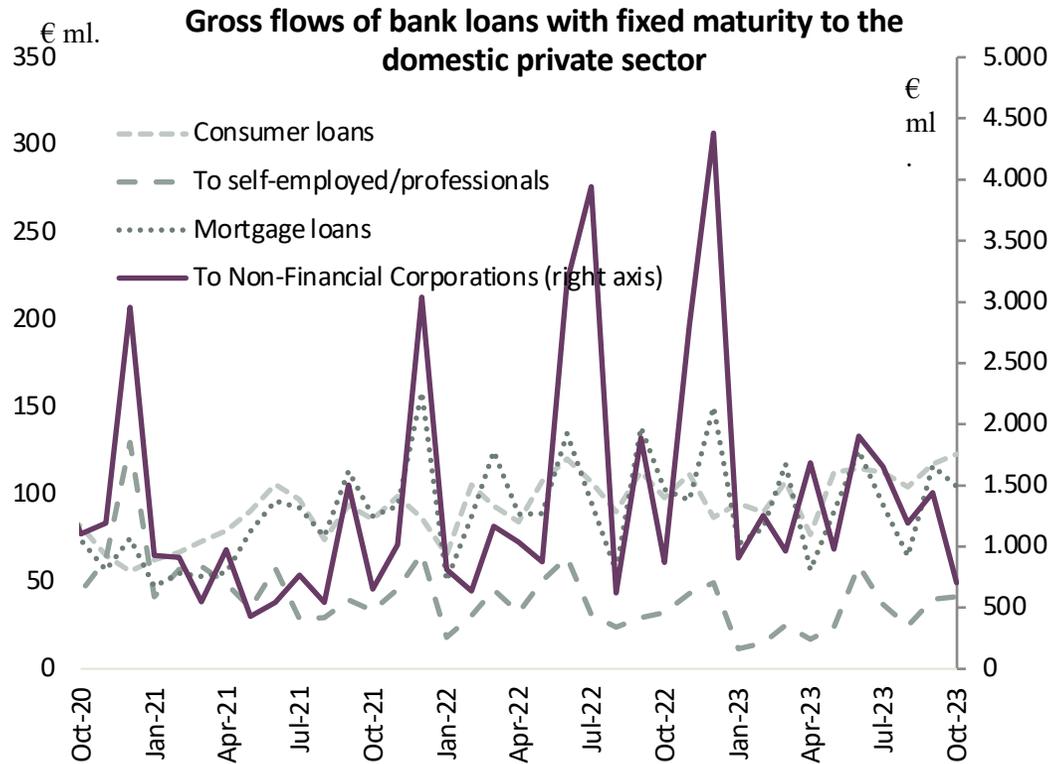
- **Growth:** ≈ 2,4%
- Private consumption: ≈ 2,0%
- Public consumption: ≈ 0,6%
- Investment (Fixed): ≈ 3,0% (10,0%)
- Exports: ≈ 3,5%
- Imports: ≈ 2,6%
  
- **Unemployment:** ≈ 11,0%
- **Inflation:** ≈ 4,3%

## 2024 forecasts

- **Growth:** ≈ 2,4%
- Private consumption: ≈ 1,4%
- Public consumption: ≈ -1,0%
- Investment (Fixed): ≈ 7,8% (10,0%)
- Exports: ≈ 2,6%
- Imports: ≈ 2,3%
  
- **Unemployment:** ≈ 10,5%
- **Inflation:** ≈ 2,6%

FINANCE

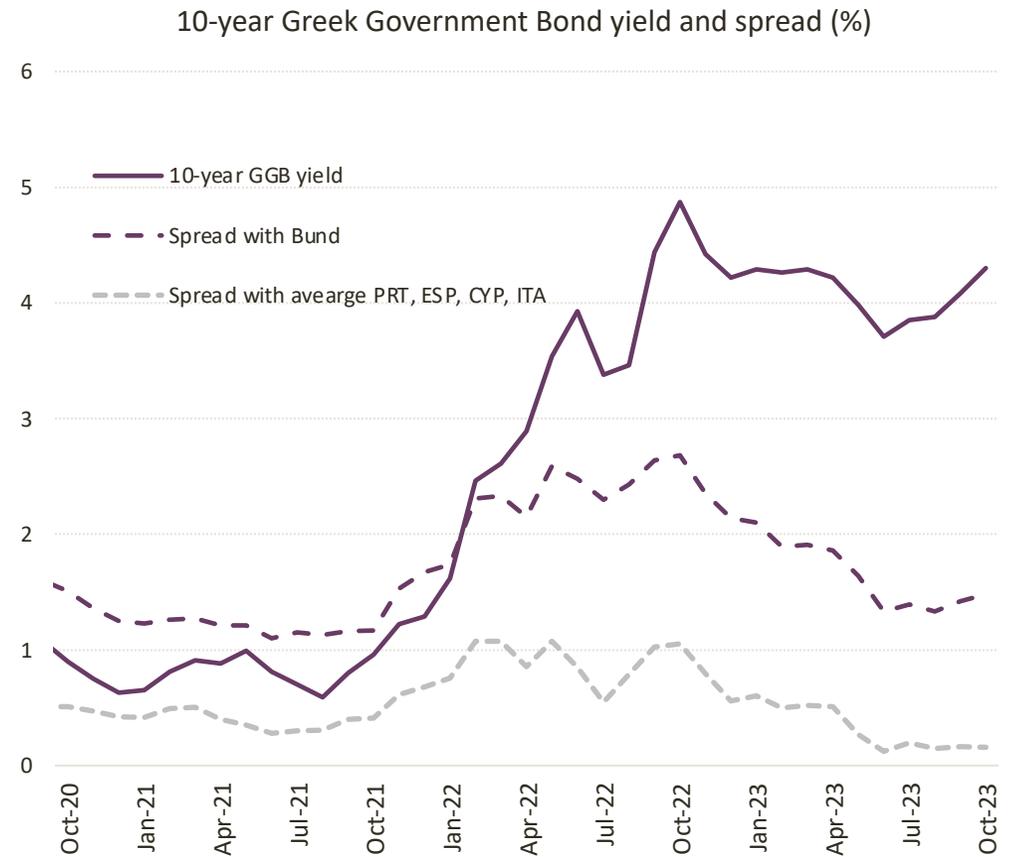
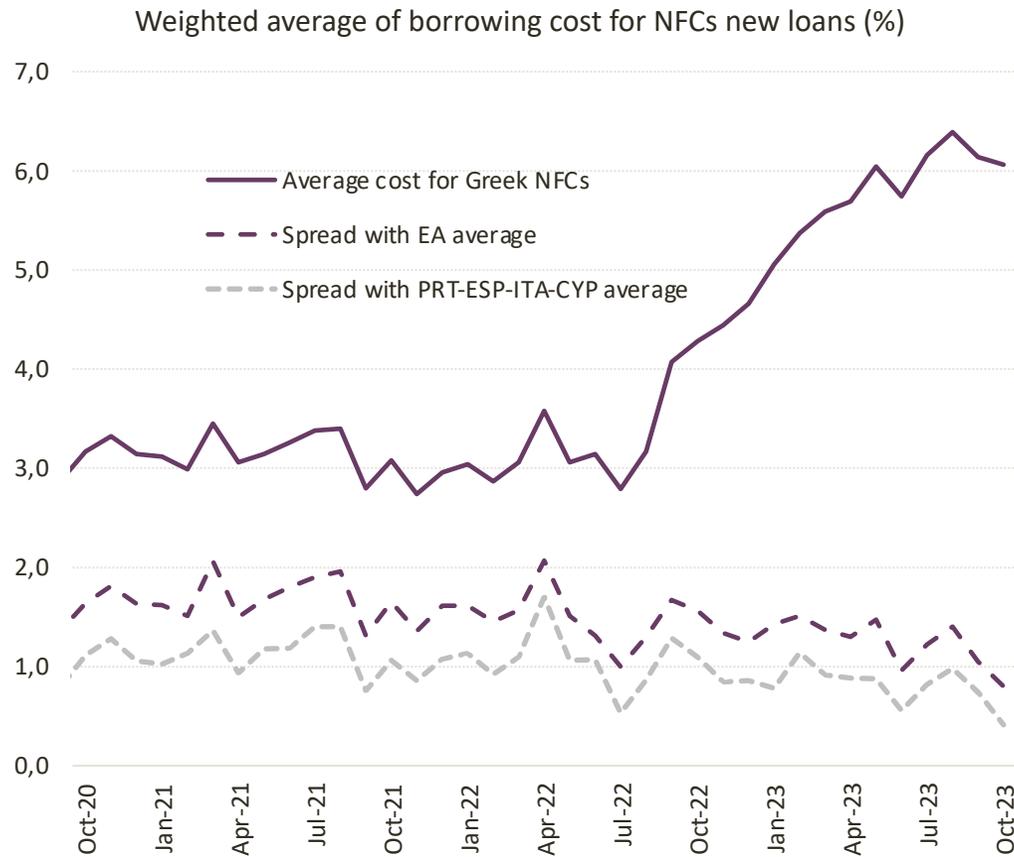
# Bank loans to the private sector



Source: Bank of Greece, Net Flows correspond to flows after correcting for writeoffs, exchange rates and statistical reclassifications..

- The amount of new bank credit to Non-Financial Corporations (NFCs) has decelerated during 2023.
- Net funding towards households continues to shrink.
- The recovery of NFCs funding continues to be facilitated by the RRP implementation.

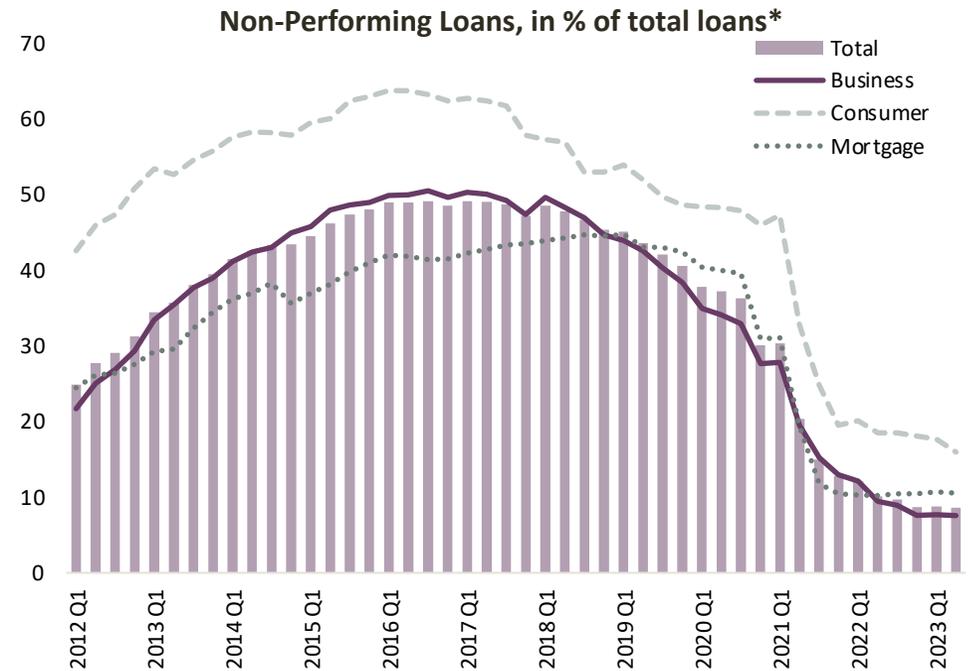
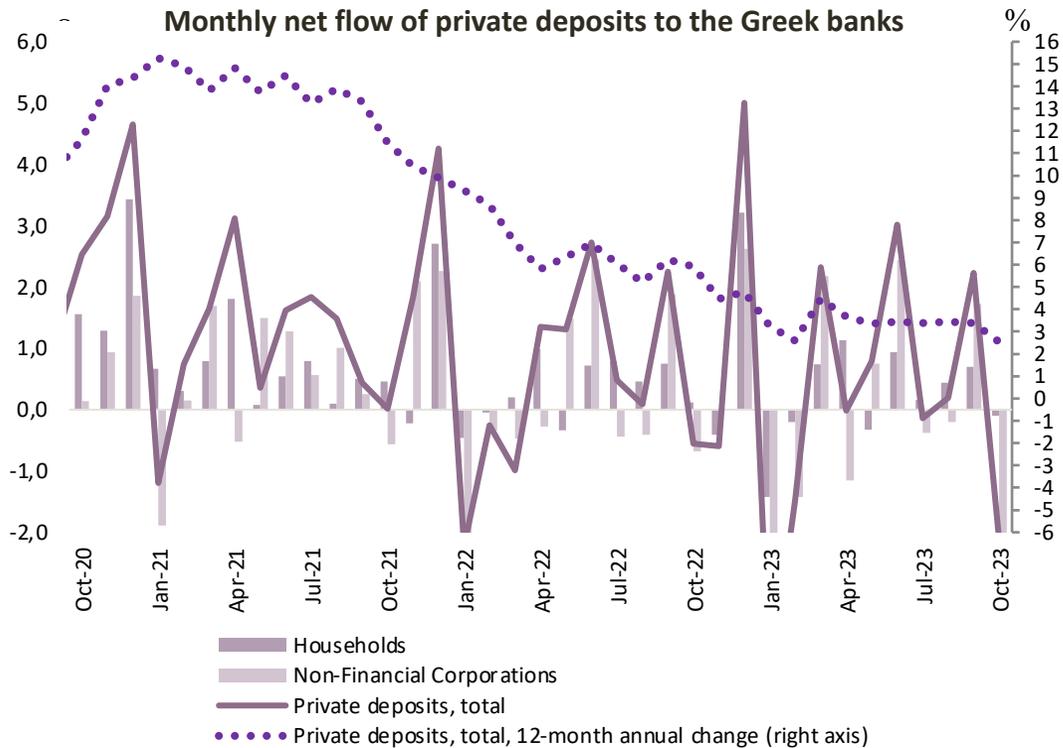
# The cost of new funding for the private sector has risen systematically during 2023...



Source: ECB

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

# 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

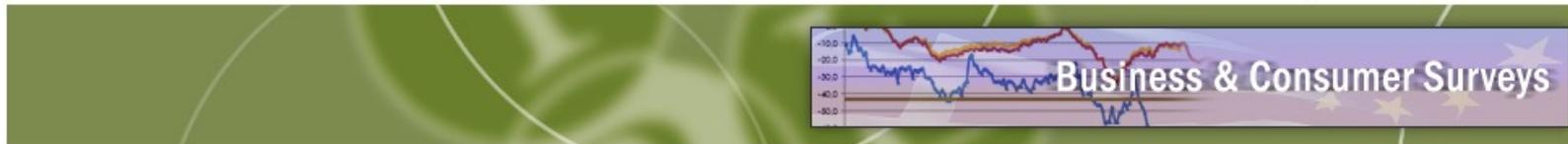
...yet, there remains a large chunk of “red loans” off-balance sheets of the banks.

- 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).

WRAP UP

# Assessment

- The Greek economy has been hit by the sovereign debt crisis after 2008, Covid-19, the war in Ukraine and the parallel energy supply crisis. It shows 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



#### 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...

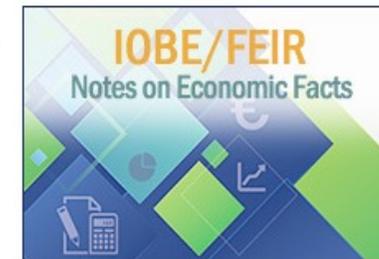
[Read more...](#)

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



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

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



#### Press Office

NOVEMBER

1

#### Business and Consumer Surveys

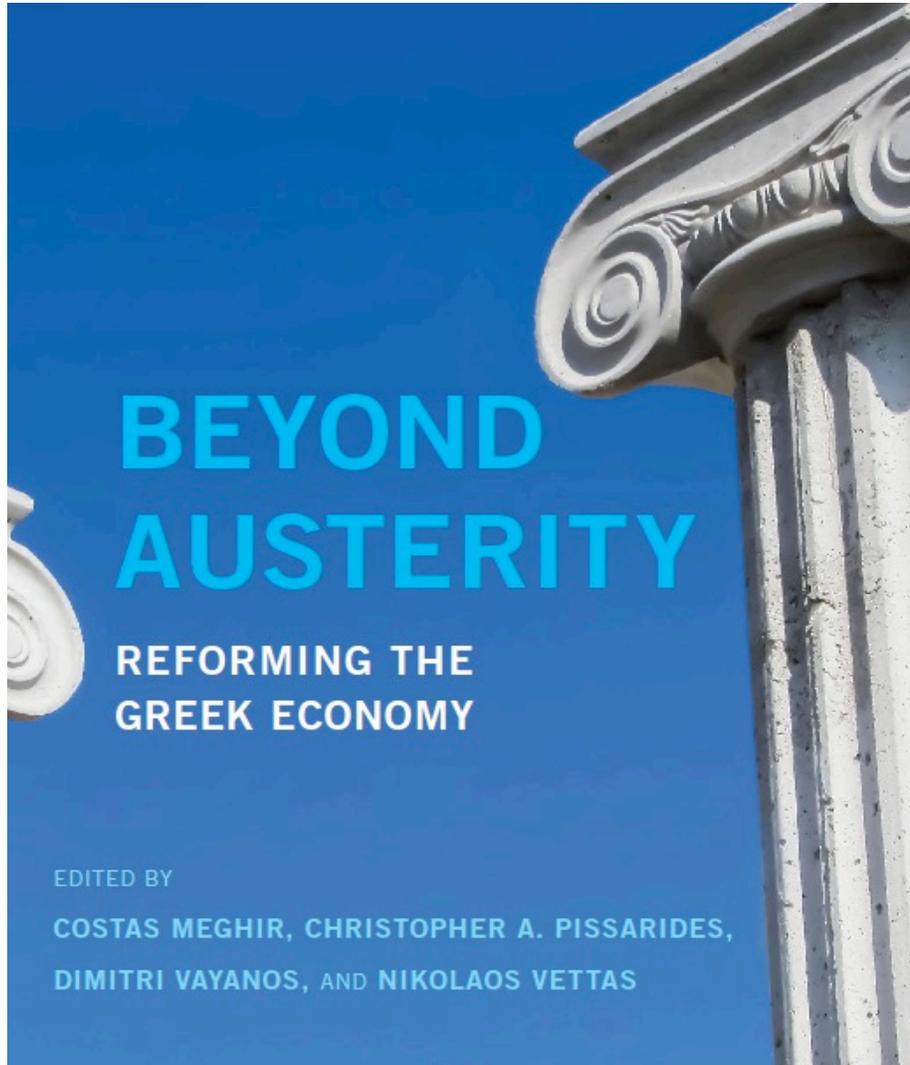
Next report of Business and Consumer Surveys concerning October results, will be released on November 1, 2021.

...

[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).

