Greek growth: Is a jump start possible?

Gikas A. Hardouvelis
University of Piraeus
www.hardouvelis.gr

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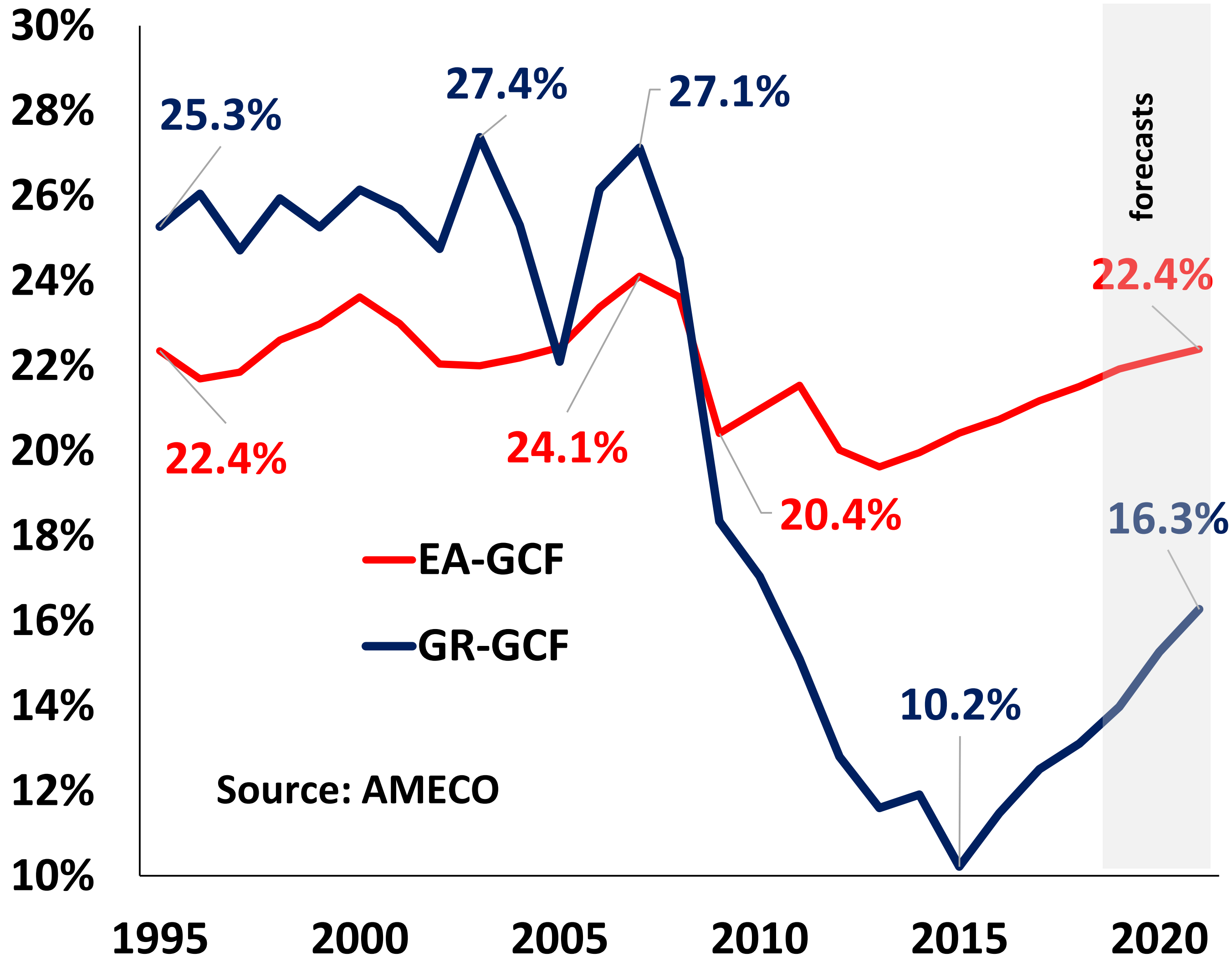
How?

1. Reverse the current net disinvestment, which destroys potential growth
2. Correct the fiscal mix with incentives for work and creativity
3. Restore quality competitiveness with privatizations, public sector reforms, investment in IT & innovation, educational reform
4. Cure the financial sector with a drastic NPE reduction
5. Address population growth & social cohesion

1. A 15%-20% annual Investment boost makes a 4% growth possible

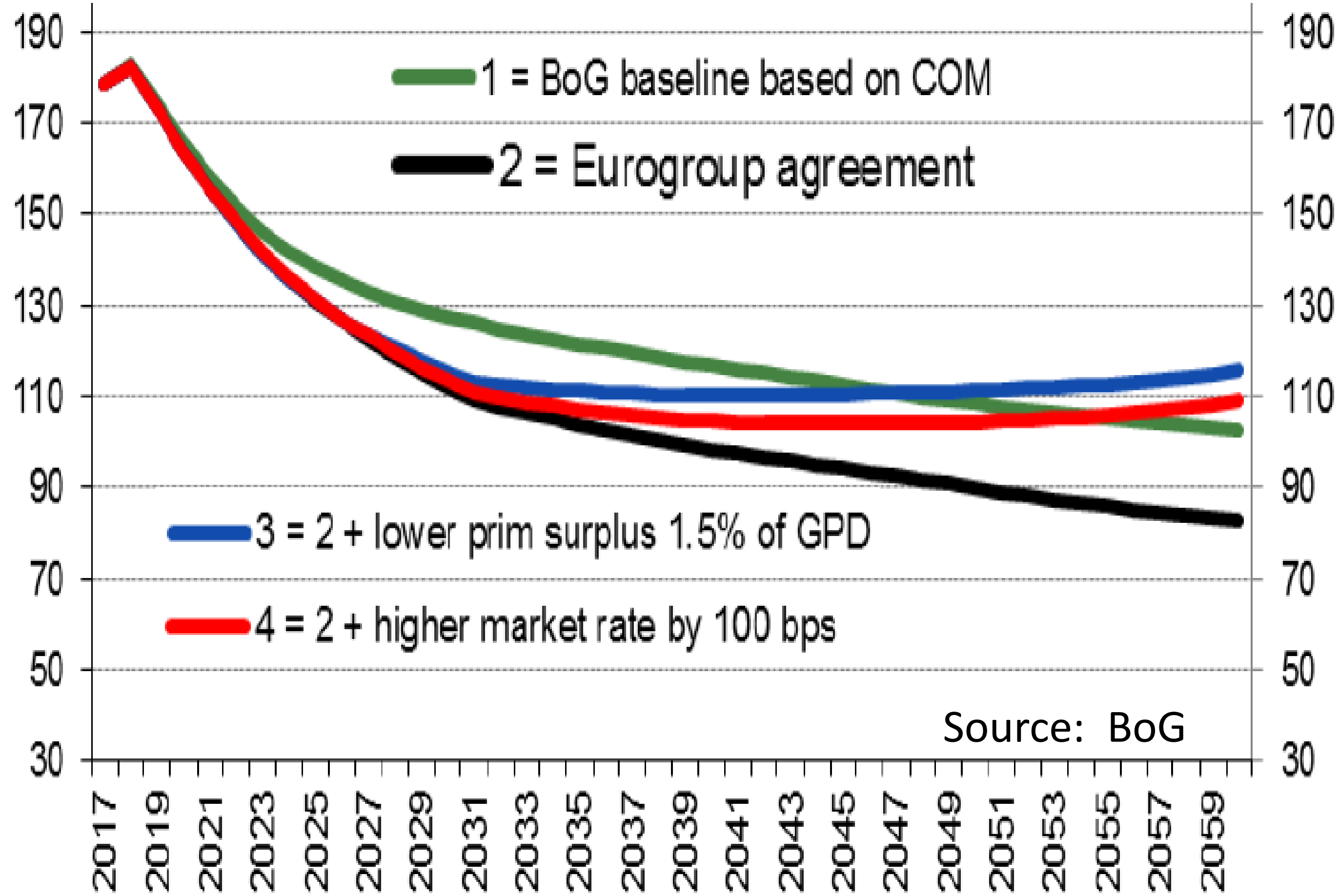
- Despite adverse Int/al env/nment, GDP can pick up
- Investment as the driver
- From €65bn in 2007 (25.9% of GDP) to €22.8bn in 2018 (12.0%) and in 2019 at 14.0% of GDP
- Yet 10 of the 14 ppts reduction due to real estate
- Public investment at 3.0% GDP in 2018 relative to 4.9% in 2007



- Future seems brighter: OECD claims 80 projects are in the pipeline until 2023 with a budget of €20bn

2. Debt sustainability constraint on fiscal policy

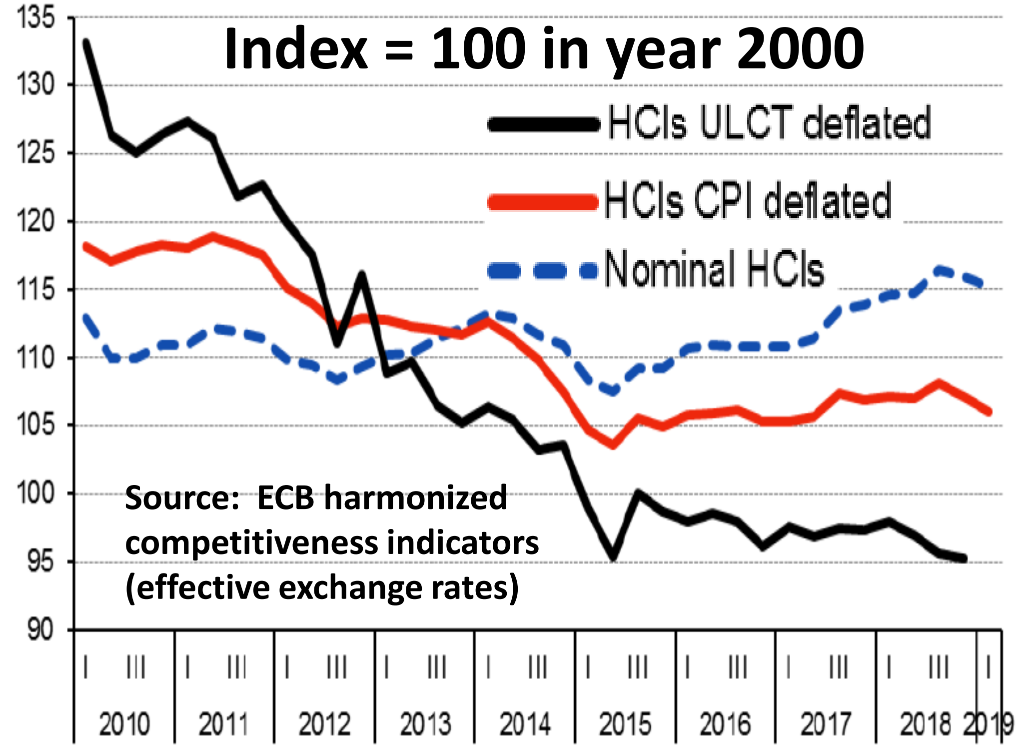
- ❑ Curing fiscal mix hits constraint of Public debt sustainability
- ❑ 2018 Eurogroup agreement is for a 2023-2060 Primary Surplus target of 2.2% GDP
- ❑ Primary Surplus 3.5% GDP for 2019, 2020, 2021 & 2022



- ❑ IMF argues for lower targets and greater debt relief
- ❑ Fiscal mix in need of reversal. In 2015-2019 over-reliance on taxes kept suppressing incentives to invest and work

3. Quality Competitiveness has to improve

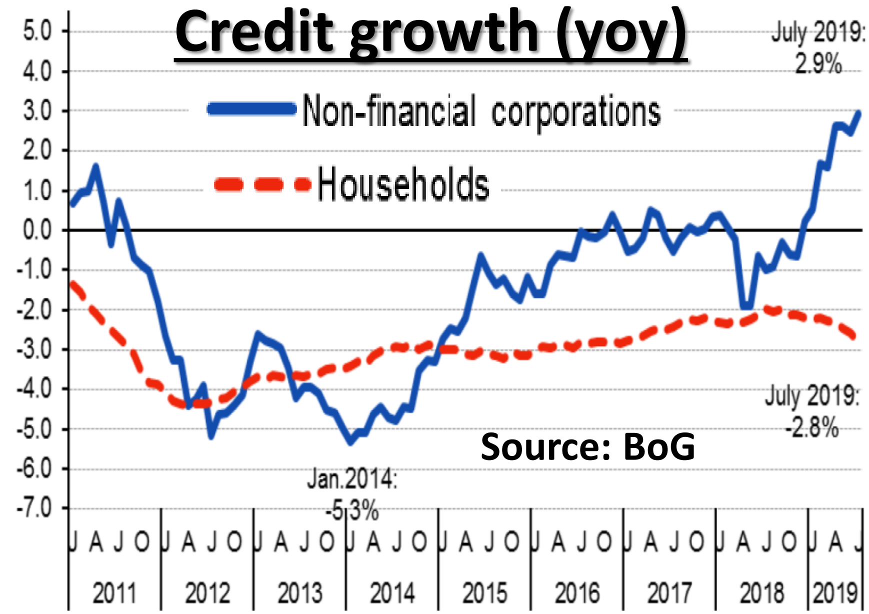
- ❑ Labor cost competitiveness improves until 2014
- ❑ Bold program of structural reforms in Pensions, Health Care, Tax System, Budgetary Framework, Public sector transparency, Business environment, goods & service markets
- ❑ WB Ease of Business rank from 109 in 2009 to 60 in 2014, yet backwards to 79 in 2019



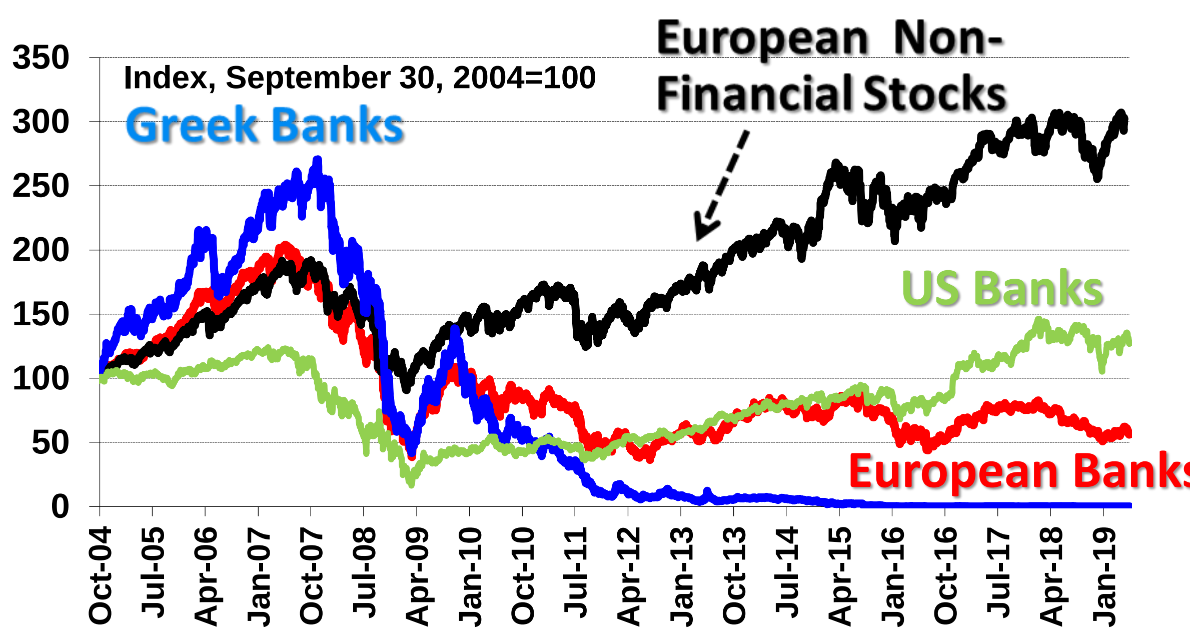
- ❑ From a current account balance of -15.1% in 2008 to -0.8% in 2015 and -2.8% of GDP in 2018 (expected at -0.8%, 1.1% and -0.9% for 2019, 2020 & 2021 respectively).
- ❑ Share of exports to GDP rose from 19% in 2009 to 32.4% in 2014 and 36.1% in 2018 (expected at 37.5% in 2019); Share of tradables in domestic value added increased
- ❑ For long-term growth there is need for institutional reforms, educational reform, public sector reform, investment in IT and innovation

4. Signs of improvement in corporate credit conditions

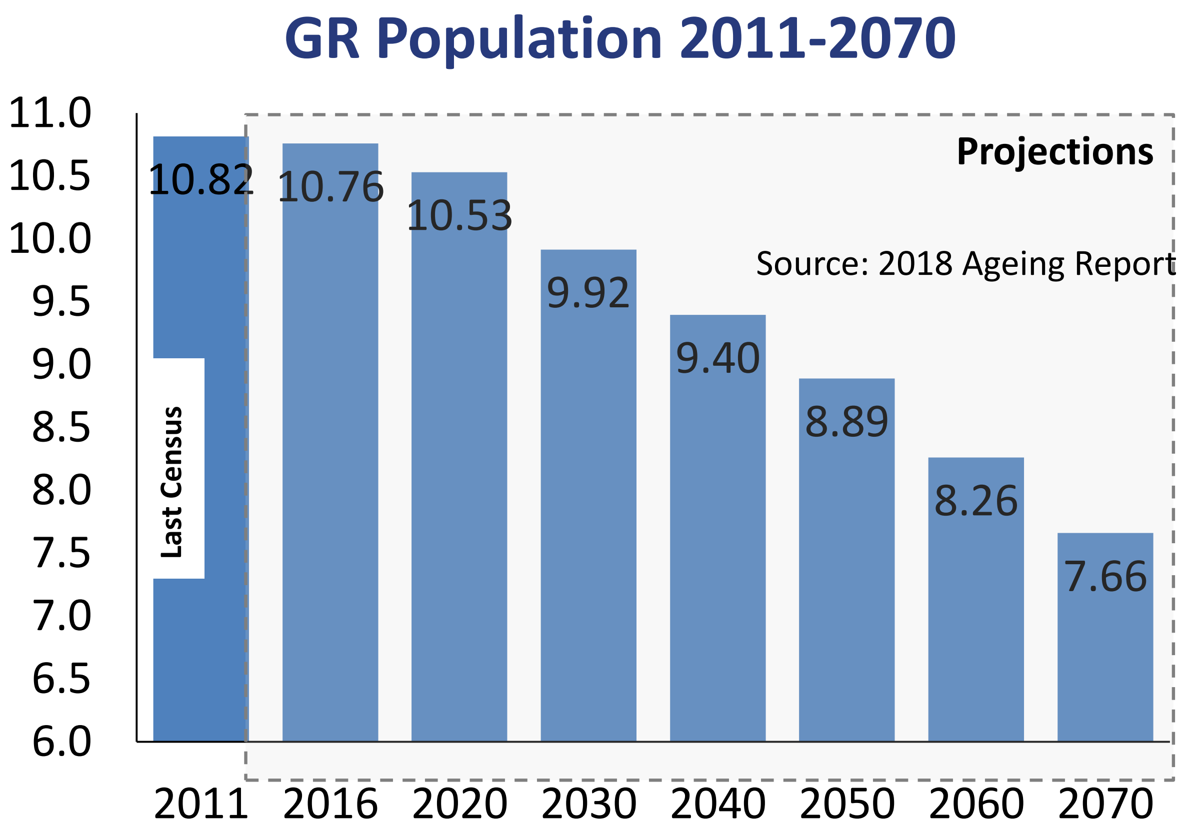
- A credit-less recovery cannot last long
- Credit growth for non-financial corporations positive in 2019, after 8 years of continuous decline
- Yet household credit continues to ↓
- NPEs at €75bn (43%) from €110bn in 2016, will remain in the economy even if banks shed them

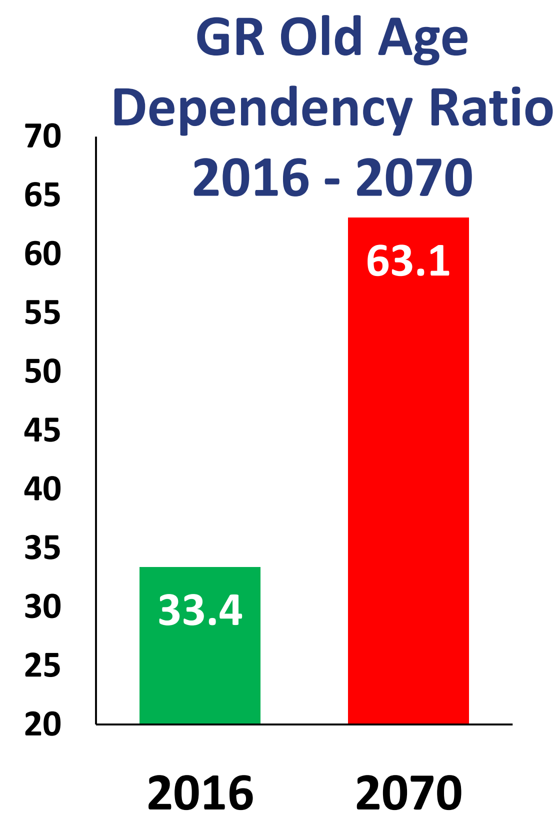


- Following the int/al crisis, bank profitability is squeezed internationally due to stricter regulation, GDPR, IT competition in retail services, downward pressure on fees, expenses in tech investment



5. Adverse Demographics: Population and Pensions





- ❑ **According to the EC's 2018 Ageing Report the Greek population is expected to decrease at 7.7 mn in 2070 from 10.8 in the 2011 population census**
- ❑ **The Greek old age dependency ratio (the ratio between inactive population above 64 y.o. and the employed aged 22-64) is expected to increase to 63.1% in 2070 from 33.1% in 2016 (**Eurostat forecasts**).**
- ❑ **One obvious solution: Provide incentives for a longer working life**

Prospective Greek growth: Many challenges, yet a jump start is possible

Thank you for your attention!

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