



Greece



An overview of Greece's economy

Greece has undergone significant fiscal adjustment and implemented far-reaching reforms to reduce its high deficit, stabilize its debt level, and emerge from the current crisis.

For several years, the Greek economy was one of the fastest growing in the euro area. But this performance masked deep structural and fiscal problems, which came to the surface only after the global financial crisis struck.

Greece joined the European Union in 1981 and adopted the euro as its currency in January 2002, replacing the drachma as its currency. Membership in the euro area gave Greece the benefit of lower interest rates than it had previously enjoyed. This fuelled higher consumption and increased borrowing. As a result, the country experienced strong real GDP growth, averaging close to 4% between 1995 and 2007. But this performance masked deep-rooted structural and fiscal problems.

In late 2009, the newly elected government announced a significant revision to the 2008 and 2009 fiscal deficit data which shocked markets and triggered a spectacular loss in investors' confidence in the government's ability to pay back what it had borrowed. The deficit figures for those two years were revealed to be twice as large as initially reported, and also showed that the country had a history of reporting unreliable budget statistics.

In order to underpin market confidence and restore growth, Greece's euro area partners and the IMF announced an economic adjustment program. Greece still retains a high level of debt-to-GDP, although it is projected to decline. Greece is on track to meet the ESM (European Stability Mechanism) programme guidelines.

Growth in the Euro Area and tourism is helping push the economy towards further growth. Business and consumer confidence is increasing helping investment and labor market dynamics. Significant unemployment remains but is expected to see gradual improvements. The general government debt is still large, but is projected to improve through 2019. Projections assume the third ESM programme review will be reached smoothly in 2018, if it is not completed the economy could suffer further harm.



Did you know...?

History By 1460, Greece had become a province in the Ottoman Empire. It won independence by 1827 with sovereignty guaranteed by Britain, France, and Russia.

Geography The length of Greece's coastline is estimated at 9,300 miles; America's coastline is estimated at 11,800 miles. The land area of Greece is slightly smaller than Alabama.

Sports The modern Olympic marathon comes from the legend of Pheidippides, who ran 26 miles from Marathon to Athens to bring tidings of the Greeks' surprise victory over the Persians. He died from exhaustion.

Politics Democracy was first developed as a system of rule in Athens in the sixth century BC. It was an elaborate system that had an assembly, a council, and courts.

Fun Fact The yo-yo is the second oldest known toy in the world and was created over 3,000 years ago in Ancient Greece.





Greece's Economy – Key Facts

- More than 50% of Greek industry is located in the greater Athens area. The main economic sectors are agriculture, tourism, construction and shipping.
- The World Economic Forum (WEF) Global Competitiveness Report for 2017/2018 ranked Greece 87th out of 137 countries in terms of competitiveness. In terms of macroeconomic environment and financial market development, the WEF ranked Greece 117th and 133rd respectively.
- The World Bank's 2015 Doing Business Report ranked Greece 67th out of 190 countries. Registering property and enforcing contracts are major downsides to doing business in Greece,
- According to the European Commission's Autumn 2017 forecast, Greek government debt is expected to decrease after a peak at 180.8% of GDP in 2016 to 179.6% in 2017 and 177.8% in 2018. The country's budget, after a surplus in 2016, is expected to return to a deficit of 1.2% in 2017. After a return to contraction in 2015 and 2016, Greece is finally expected to show sustained growth of 1.6% in 2017 and 2.5% in 2018-2019. In 2017, inflation is anticipated to reach 1.2%, with a deceleration in 2018.

References

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GDP Greece's public sector accounts for approx. 40% of GDP, while tourism provides 15% of GDP. Per capita GDP is about two-thirds that of the leading euro area economies.

Competitiveness Greece has made great strides in improving competitiveness under its economic adjustment program, thanks mainly to labor market reforms and a sharp fall in wages and labor costs.

Unemployment remains a serious problem. It currently stands at 21.8% and is expected to decline to 18.7% by 2019.

Social System The ongoing reforms to Greece's generous pension system is key for the consolidation of public finances. The latest re-alignment of all pensions is expected to provide 1% of GDP savings in 2019.

Economic Adjustment Program Greece remains in an adjustment program put in place by the European Commission, the ECB and the IMF to put the Greek economy back on a sustainable footing. Although growth is returning, Greece still has many important reforms to implement and could yet require further assistance.

Immigration: Immigrants make up nearly one-fifth of the work force, mainly in agricultural and unskilled jobs.