



ECONOMIC ANALYSIS

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SUMMARY

The successive Greek structural adjustment programmes have focussed on deficit reduction and shrinking the Greek state.

Too much attention is focussed now on total Greek debt. Greece has longer debt maturities and lower effective interest rates than the United States.

In order to recover, Greece needs growth. Investment-led growth is the only option given low credit availability in Greece, and given the low employment rate.

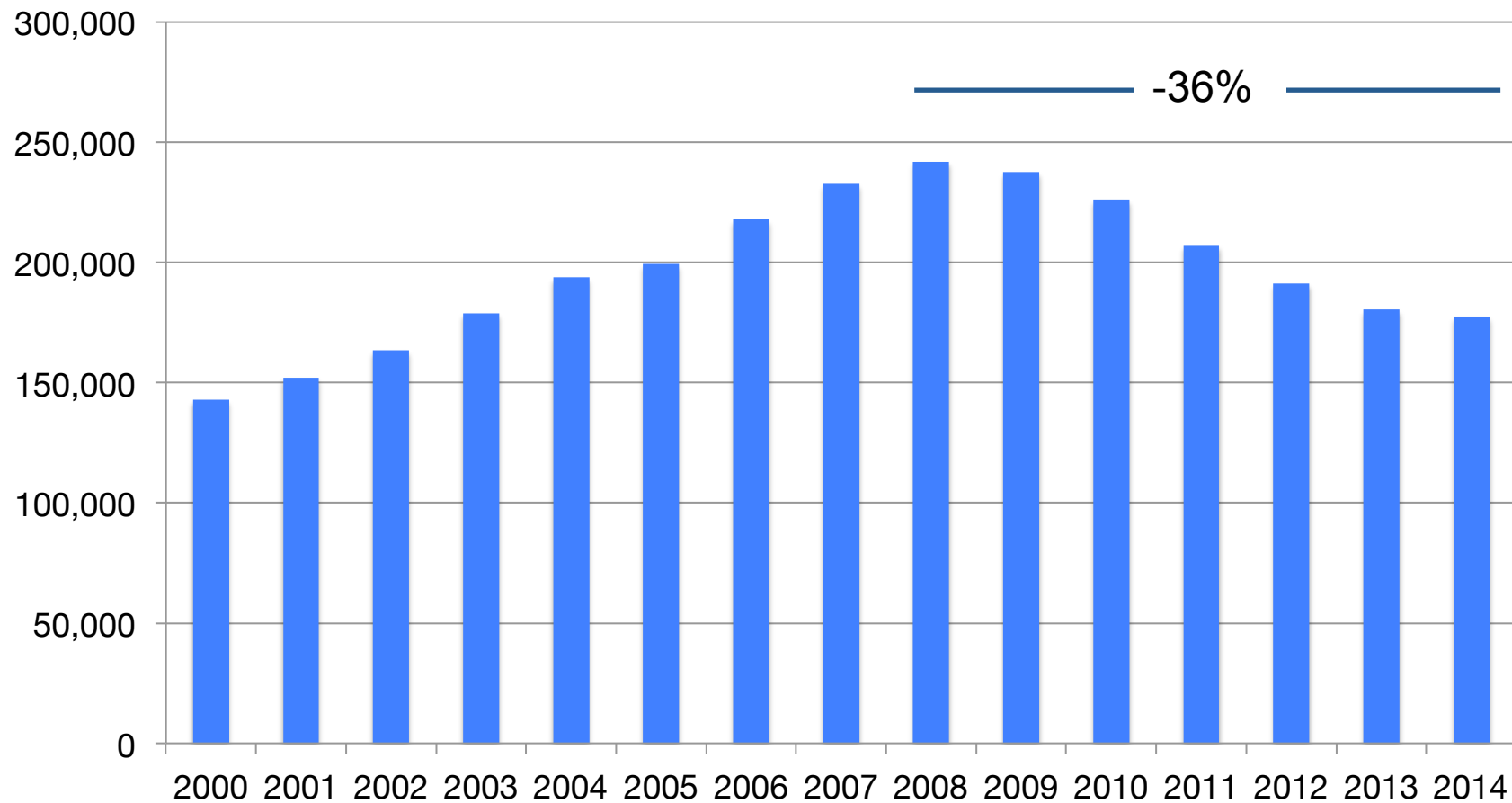
Rather than focussing on ideological ephemera, Greece should focus on attracting foreign and domestic investments. Urgently.

OVERVIEW

1. GDP
2. Fiscal Balance
3. Debt Stock, Maturities and Interest
4. Unemployment and Employment
5. Tourism
6. Refugee Inflows
7. Conclusions: GDP and Growth

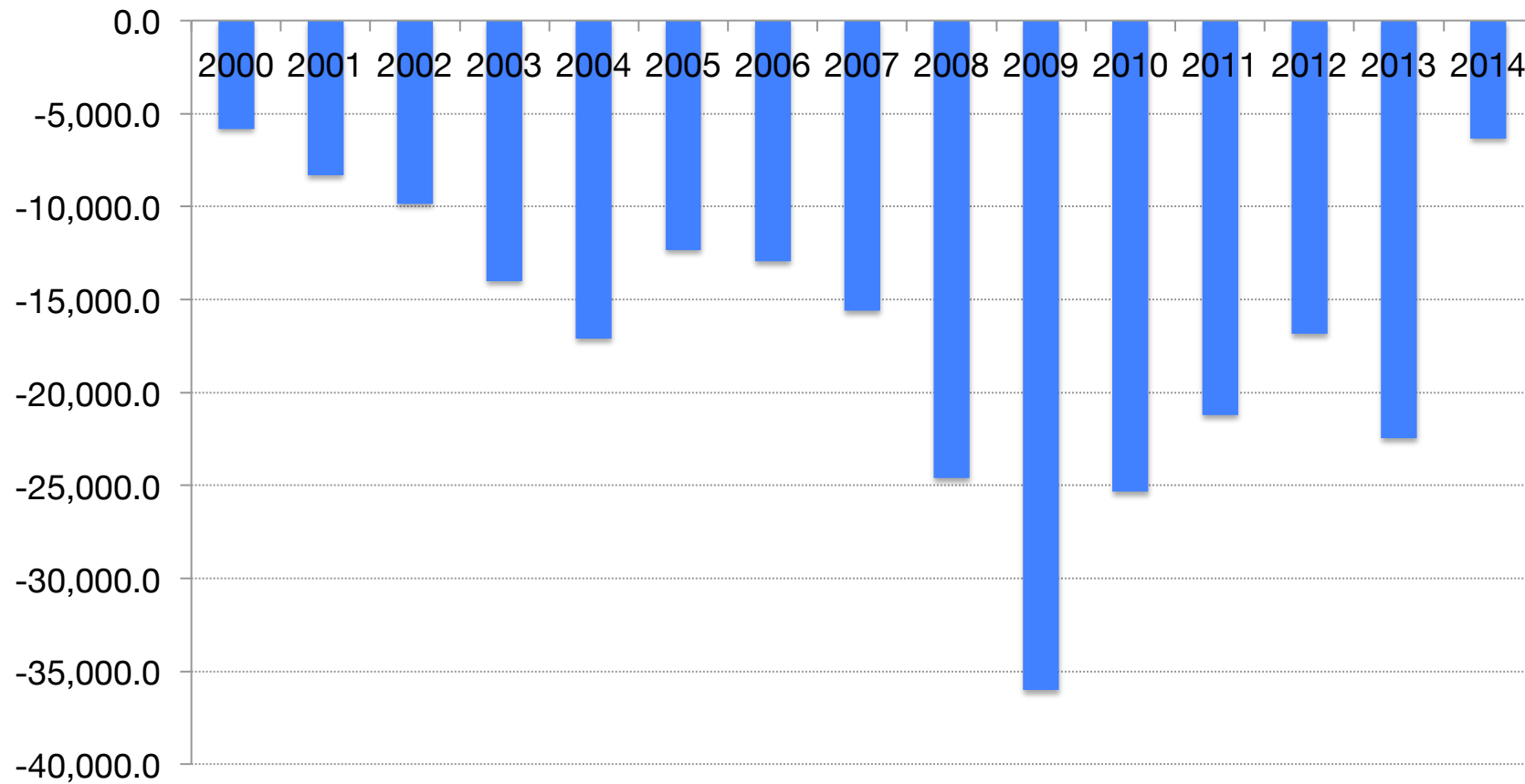
GDP

Current GDP has fallen to € 177.6 bln in 2014, a decline of 36% since 2008. Greece is in an economic depression.



GENERAL GOVNT DEFICIT

Greece has reduced its deficit from € 35 bln in 2009 to € 6 bln in 2014.



Eurostat

GREEK PUBLIC DEBT

Rising debt levels have not been prevented by successive bailouts. Despite the high debt load, Greek maturities have been extended significantly, while Greece pays a lower interest on its public debt than the United States.

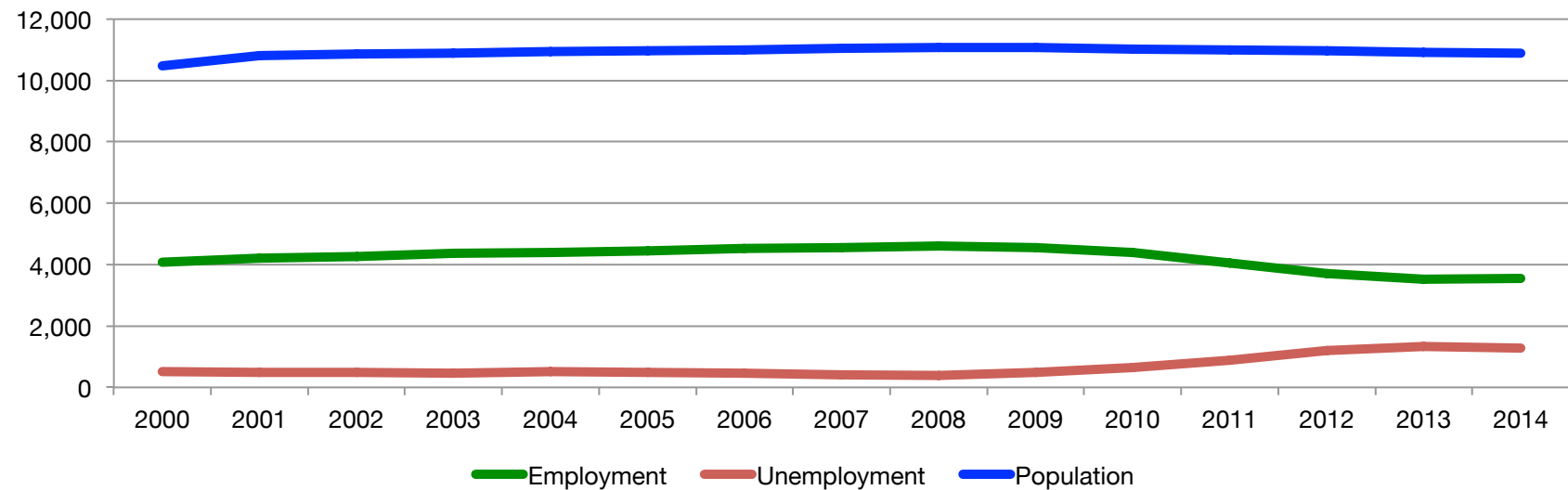
	€ mln
Debt Stock, 31/12/15	321,322
Interest Paid, 31/12/15	5,981
Effective Interest Rate	1.9%

The problem in Greece today is not public debt: it is the lack of economic growth. The main barrier to growth is arguably economically irrational public sector behaviour.

Debt Stock: PDMA.gr; Interest Paid: Hellenic Ministry of Finance

EMPLOYMENT

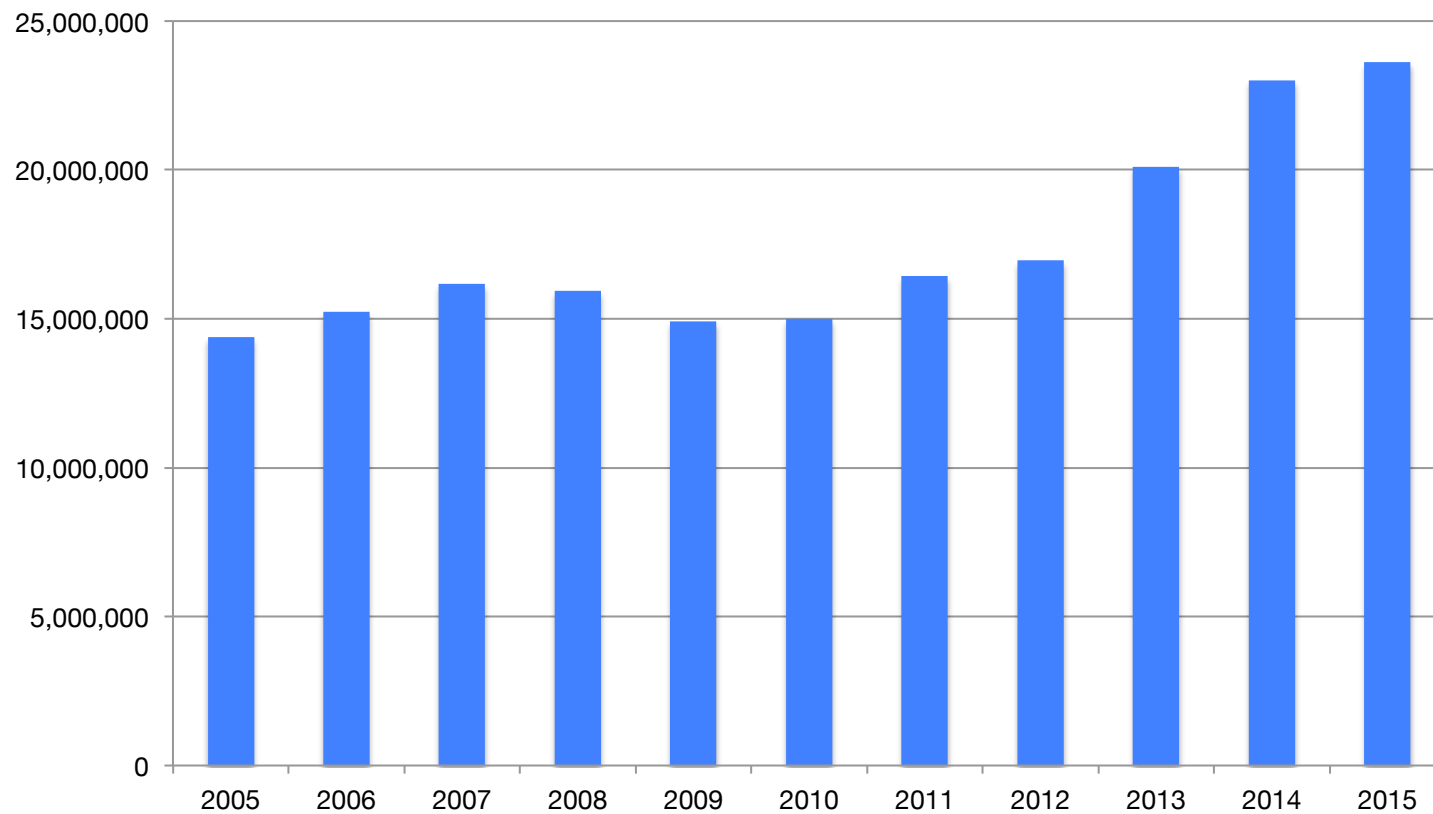
Unemployment remains high at 26.5% (2014). Employment rate has fallen to 49.4%, despite the fact that only 3.536 mln people are employed (ages 15-64). This number is not sufficient for a formal, functioning economy with a European social welfare system.



LFS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Employment	4,089	4,202	4,265	4,353	4,390	4,444	4,528	4,564	4,611	4,556	4,390	4,054	3,695	3,513	3,536
Empl. Rate (15-64)	56.5	56.4	57.4	58.5	59.1	59.6	60.6	60.9	61.4	60.8	59.1	55.1	50.8	48.8	49.4
Unemployment	517	488	480	460	520	493	448	418	388	485	639	882	1,195	1,330	1,274
Unemployment Rate	11.2	10.7	10.3	9.7	10.6	10.0	9.0	8.4	7.8	9.6	12.7	17.9	24.5	27.5	26.5
Population	10,472	10,813	10,852	10,888	10,925	10,963	10,999	11,035	11,059	11,061	11,029	10,998	10,967	10,921	10,881

TOURISM

Tourism arrivals reached an estimated 23.6 million in 2015 (provisional data). Tourism remains a driver of the Greek economy.



REFUGEE INFLOWS

Greece has emerged as the leading point of entry and transit country for refugees and irregular migrants (IOM).

2015	Total	Sea	Land
Greece	821,008	816,752	4,256
Bulgaria	29,959		29,959
Italy	150,317	150,317	
Spain	3,845	3,845	
Malta	106	106	
Cyprus	269	269	
Total	1,005,504	971,289	34,215

until 21 December

Source: IOM

The exacerbation of combat in Syria and Iraq, and the presence of highly organised trafficking networks, means that unless new routes are opened through other countries, it is highly likely that this situation will repeat in 2016. As of 22 February, cumulative arrivals in Greece were 102,547 (IOM).

GDP AND GROWTH

$$\text{GDP} = \text{CONSUMPTION} + \text{INVESTMENT} + \text{GOVEXP} + \text{NET EXPORTS}$$

Consumption will remain low given high unemployment, low employment, lower wages and higher tax costs.

Government Expenditure must remain low given the need to balance the budget.

The only hope for a Greek recovery remains:

- Higher Investment
- Higher Exports / Lower Imports

CONCLUSIONS

We believe Greece has the potential to attract over € 100 billion of investment in the short term.

The primary focus should be on export-led growth, and sectors which do not depend on domestic consumption. Sectors which depend on a regulated government market (such as renewable energy), remain challenging.

The key requirements for attracting investment remain:

- Political stability
- A climate that welcomes business and entrepreneurship
- A dramatic streamlining of licensing and operating bureaucracy.