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The Greek Economy in 2020

Impact from the COVID-19 crisis and Outlook

Executive Summary

2020 had begun with positive medium-term prospects for the Greek economy. In 2019 real GDP grew – for a 3rd year in a row - by 1.9%, overshooting EU-28 and the Eurozone by 0.4 and 0.7 ppts respectively, although lower than EC's Winter Forecasts (2.2 YoY% in February 2020) due to the slowdown in the 4th quarter of 2019. The unemployment rate fell to 16.4% of the workforce in January 2020 (106-month low), with employment having recovered 36.3% of its losses in the crisis period based on the sectors of tourism, trade, manufacturing and the public sector. Finally, inflation decreased to 0.5% in 2019, from 0.8% in 2018, due to the reduction of VAT rates on some categories of goods and services and the fall in oil prices (the core of inflation increased to 0.8% from 0.3%).

The economic climate index recorded in February 2020 its highest value since January 2001 (consumer confidence highest since August 2000). Reductions in the Greek government's cost of borrowing, positive reviews (and upgrades) by international credit rating agencies, prospects for accelerating growth rate in 2020 (2.4% according to EU winter forecasts) and commitment of policymakers in the implementation of measures conducive to medium-term growth, with a focus on tax cuts and improvements in the institutional framework, have been important factors in the recovery of the economic climate in Greece. Of course, significant risks to the long-term potential growth rate remained due to negative net investment for a ninth year in a row (cumulative fixed capital losses - € 84.2 billion at current prices) and demographic trends.

All this before the COVID19 pandemic erupted...

Regarding the course of real GDP in Greece in 2020, *an exact forecast is impossible* due to lack of visibility on three critical factors: (a) duration of lockdown measures, (b) nature and size of fiscal and monetary support measures, (c) impact on consumer and investor behavior post-crisis. Only sensitivity to different conditions can be assessed. Overall, Greece is expected to be more vulnerable than the average EU country in the demand and supply shock of the COVID-19 crisis due to a number of structural factors, including larger exposure of GDP to tourism and transports, larger share of self-employed and micro enterprises in the labor force, and lower penetration of ICT. Channels of transmission also include disturbances in the supply chain of manufacturing, shocks in consumer and investor confidence, and recession in major trading partners. Accordingly, two scenaria are calibrated: (a) a *moderate scenario* assumes lift of lockdown

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measures in May (both in Greece and in major trading partners), no repetition of lockdown, no lasting change in consumer and investor behavior post-crisis, and fiscal support measures of €6.8billion; in this case, real GDP contraction is calculated to be -6.7%; gradual recovery from 2021 onwards is expected (b) A more adverse scenario assumes more extended lockdown (or repetition of the virus outbreak from Autumn onwards and sporadic re-enactment of lockdown measures), risk-averse behavior from consumers and investors post-crisis, and fiscal support measures of €10billion; in this case, real GDP contraction is calculated to be -10.6%. Both scenaria entail steep decrease in private consumption, exports and investment, sizable increase in unemployment (20.9% in the mild scenario, 22.8% in the adverse, from 17.3% in 2019) and deflationary pressures, pressures in real estate and NPEs.

The fiscal primary balance for 2020 is expected to have a negative sign for the first time since 2013 and despite a primary surplus of 4.0% of GDP in 2019. This is due to the cost of the fiscal support measures aiming to cushion the negative effects of the COVID19 outbreak. We present three scenarios for the 2020 primary balance – at -0.3%, -2.9% and -7.5% of GDP – that differ with respect to the budget revenues they incorporate. The effect of the COVID19 pandemic on the 2020 public debt is negative and significant. Conditional on the realization of a -7.5% of GDP primary balance and an intact cash buffer, the 2020 debt to GDP ratio is expected at 195.3%, from 174.6% in the pre-COVID19 scenario. The 2020 gross financing needs are expected at 19.4% of GDP, from 7.0% of GDP in the pre-COVID19 scenario. The debt-to-GDP ratio is expected at 85.8% of GDP in 2070, almost 12 percentage points higher compared to the pre-COVID19 scenario. The average GFNs between 2020 and 2070 are at 11.8%, from 9.8% in the pre-COVID19 scenario. The use of the cash buffer for the financing of the 2020 fiscal support will improve the 2020 debt to GDP ratio but worsen the respective long run path.

The reform effort that had begun under the 3rd Economic Adjustment Program continues in the context of Enhanced Surveillance framework. Some reforms are progressing smoothly, others less so, while the COVID-19 crisis has inevitably caused delays in both the reform program and the privatizations program. Overall, however, the commitment to both programmes by the current government remains solid while it is worth noting that the urgency to provide certain services digitally due to the coronavirus led to the rapid adoption of digital means by both the state and businesses and the quick familiarization with them by the public.

Overall, as regards reforms, progress has been achieved in the Single Treasury Account and the Unified Chart of Accounts, the launch of e-EFKA and the legislation of the mandatory mediation framework. In the next period, important steps constitute the adjustment of the real estate values and the corresponding alignment of real estate tax rates, the decision of the Plenary Session of the Council of State, the in "Hercules" programme for the reduction of NPLs and the new household insolvency framework.

As far as the privatizations programme is concerned, until the beginning of the COVID-19 crisis, there was increased mobility, especially in the energy sector, while progress had been achieved in projects such as AIA, DEPA Commercial, DEPA Infrastructure, Hellinikon and the 10 regional ports. Slower progress had been made on Egnatia Odos, EYATH and EYDAP. In any case, the COVID-19 crisis implies delays in the implementation of the privatizations programme and a significant reduction in expected revenues in 2020.

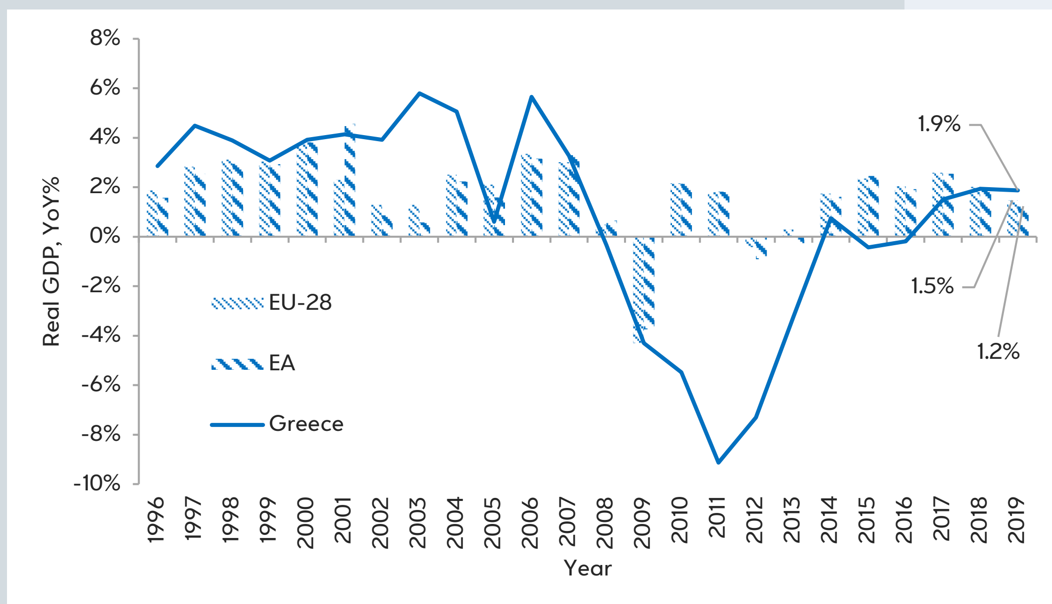
1. Recent macroeconomic developments in Greece

Greece's economic recovery continued for a 3rd year in a row in 2019

1.1 GDP: recovery continued in 2019 but no acceleration

Greece's economic recovery continued in 2019 with real GDP increasing for a 3rd year in a row. According to the quarterly national accounts data (source: ELSTAT), real GDP growth stood at 1.9 YoY% in 2019, the same rate as that in 2018.[1] This performance was higher by 0.4 and 0.7 percentage points (ppts) compared to the EU-28 and the Euro Area respectively (see Figure 1). Nevertheless, finish of the year was very weak (1.0 YoY% / -0.7 QoQ% in 2019Q4 from 2.3 YoY% / 0.4 QoQ% in 2019Q3) due to a drop in inventory investment and exports. Hence, the FY-2019 real GDP growth rate proved to be lower relative to European Commission's winter 2020 economic forecasts (2.2% in February 2020).

Figure 1: Greece in 2019 outperformed EU-28 and EA in terms of real GDP growth rate



Source: Eurostat, Eurobank Research.

From an expenditure perspective, domestic demand and net exports contributed 1.1 and 0.8 ppts respectively to the FY-2019 real GDP growth rate.[2] In the domestic demand front, government consumption rebounded to 2.1 YoY% from -2.5 YoY% in 2018. This increase is related to the expansionary fiscal measures adopted by the government in May-19 and to the triple elections held in the period of May-July 2019 (European, Local and National). Private consumption, despite the strong boost in the disposable income of

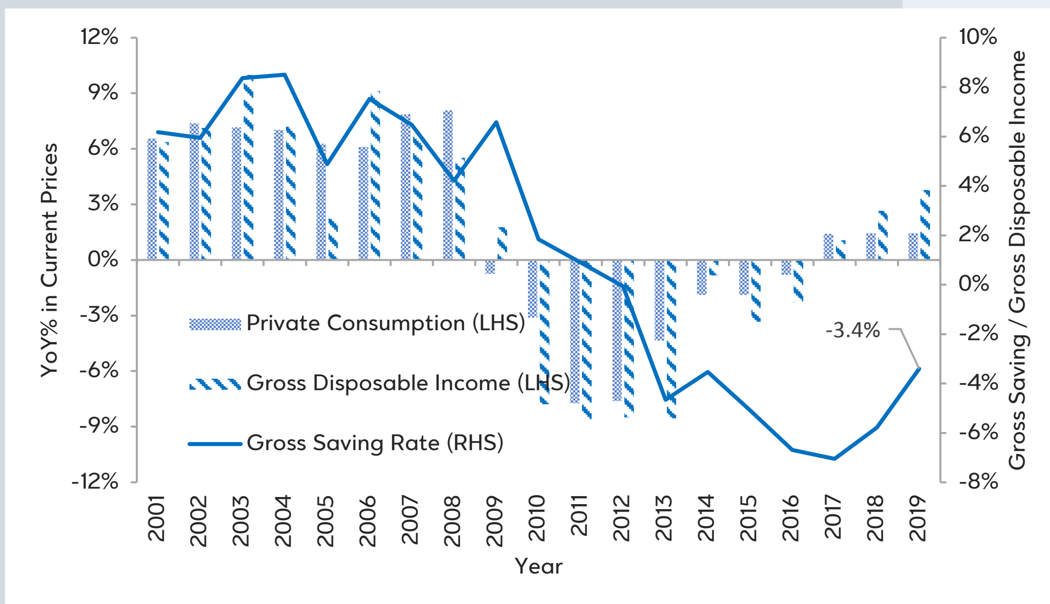
1 In this section we present data from national accounts in real terms. When we present data in current prices (e.g. balance of payments and commercial transactions data) we state that explicitly.

2 Since chain-linked accounts are not additive (this means that the income identity does not hold precise) we cannot calculate the exact contribution of each of the demand components (expenditure approach) to the real GDP growth rate. Hence, the numbers that we present in Table 1 are only approximations.

households (3.8 YoY% in current prices in 2019), decelerated to 0.8 YoY% in 2019, from 1.1 YoY% a year before. During the first half of the year, electoral uncertainty resulted in a relatively low growth rate of private consumption (0.4 YoY%), while the steep increase in consumer's confidence afterwards (a 19.3 years high in 2019Q4) contributed to the rebound that followed in 2019H2 (1.2 YoY%).

In 2019 households' disposable income grew more rapidly compared to their consumption expenditures for a 2nd year in a row. As a result, households' gross saving rate became less negative at -3.4%, from -7.0% in 2017 (see Figure 2). A possible explanation relates to the permanent income hypothesis approach, according to which if an increase in households' disposable income is expected to be transitory rather than permanent, consumption expenditures will expand by less relative to the increase in the disposable income.

Figure 2: Households' gross saving rate increased for a 2nd year in a row, however it remained on a negative territory for an 8th year in a row

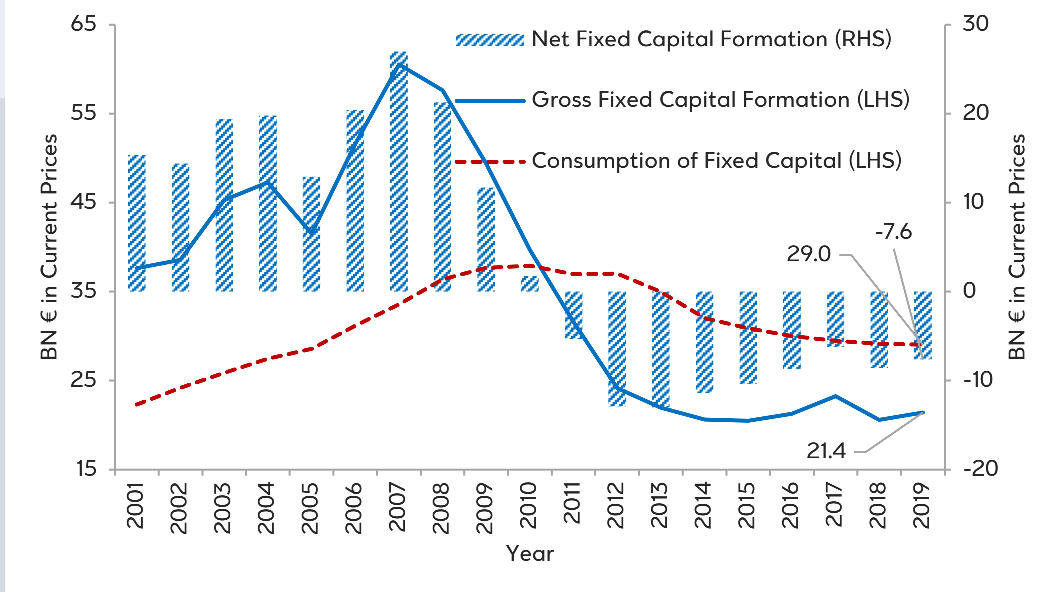


Source: ELSTAT, Eurobank Research.

Fixed investment, the Achilles hill of the Greek economy, increased by 4.6 YoY% in 2019 from a drop of -12.0 YoY% a year before. The asset categories of transport equipment and dwellings performed well, recording robust growth of 29.4 YoY% and 12.0 YoY% respectively. On the contrary, the category of other buildings and structures had a negative contribution (-6.2 YoY%) to gross fixed capital formation. Residential investment, the capital good with the highest pre-crisis share in total fixed investment (40.5% in 2007) and with the 2nd lowest today (6.9% in 2019), increased for a 2nd year in a row, also helped by housing prices rising cumulatively by 9.2%. The latter was driven by uptrend in tourist rentals and golden visa schemes, along with increasing domestic incomes.

All in all, during the last 5 years, total fixed investment in Greece performed poorly, recording an average annual growth rate of 1.5 YoY%. Net fixed investment stayed on a negative territory for a 9th year in a row, so that the cumulative decrease of fixed capital stock reached -€84.2 billion in current prices (see Figure 3).

Figure 3: Net fixed capital formation remained on a negative territory for a 9th year in a row leading to a cumulative decrease of the fixed capital stock of -€84.2 billion in current prices



Source: ELSTAT, Eurobank Research.

Exports of goods and services lowered gear to 4.8 YoY% in 2019 from 8.7 YoY% in 2018. Exports of goods decelerated significantly to 2.2 YoY% in 2019, from 8.4 YoY% a year before, as the slowdown of world trade and economic activity in EU-28 affected foreign demand for goods.[3] On the other hand, exports of services had the highest contribution – among the demand components – to the FY-2019 real GDP growth rate (1.2 ppts). Supported by strong tourism revenues and to a lesser extent by transportation revenues, exports of services increased by 8.0 YoY% in 2019 from 9.0 YoY% in 2018.[4]

Imports of goods and services also decelerated in 2019 (2.5 YoY% from 4.2 YoY% in 2019). Growth in the goods sector dropped to 1.5 YoY% (2.0 YoY% in 2018) and in the services sector to 6.9 YoY% (14.4 YoY% in 2018), mainly driven by a deceleration in the sector of transportation. Given these results, net exports of services contributed 0.8 ppts to the FY-2019 real GDP growth rate, while the respective contribution of net exports of goods was almost zero. Finally, the deficit in the current account as a percentage of nominal GDP was reduced to -1.4% in 2019 (source: Bank of Greece) from -2.8% in 2018 (in terms of levels the current account deficit decreased by -€2.7 billion in nominal terms). This improvement was mostly supported, 1st by the increase in the surplus of services (from 10.5% of GDP in 2018 to 11.3% of GDP in 2019) and 2nd by the increase in the balance of secondary incomes from a deficit of -0.2% of GDP in 2018 to a surplus of 0.3% of GDP in 2019 (due to the return of a proportion of the ANFAs and SMPs profits). In the first two months of 2020, the current account deficit increased by €230.6 mn in nominal terms due to a deterioration in the balances of services and primary incomes. Taking into account the current shock from the spread of the

3 Based on the Commercial Transactions data (source: ELSTAT), in the period January-December 2019, exports-dispatches excluding oil products and ships decelerated to 4.9 YoY% (in current prices) from 10.9 YoY% in 2018.

4 According to the Balance of Payments data (source: Bank of Greece), in the period January-December 2019, tourist revenues in current prices accelerated to 12.8 YoY% from 9.9 YoY% in the respective period of 2018. This change reflects an increase in the average non-resident expenditure per trip by 8.5 YoY% and a rise in the inbound traveler flows by 4.1 YoY%.

coronavirus (covid-19), the IMF (World Economic Outlook, April 2020), estimates a rise in Greece's current account deficit to -6.5% of nominal GDP from -2.1% in 2019 (-1.4% in 2019 according to the Bank of Greece).

Table 1: Among the demand components, exports of services (especially tourism revenues) had the highest contribution to the FY-2019 real GDP growth rate

Macroeconomic Variables	Full Year YoY%					
	2014	2015	2016	2017	2018	2019
GDP	0.7	-0.4	-0.2	1.5	**1.9**	**1.9**
Private Consumption	0.6	-0.2	0.0	0.9	**1.1**	**0.8**
Contribution to FY GDP YoY% in ppts	*0.4*	*-0.1*	*0.0*	*0.6*	***0.8***	***0.5***
Government Consumption	-1.4	1.6	-0.7	-0.4	**-2.5**	**2.1**
Contribution to FY GDP YoY%	*-0.3*	*0.3*	*-0.2*	*-0.1*	***-0.5***	***0.4***
Gross Capital Formation	6.7	-12.5	6.1	10.0	**1.8**	**0.7**
Contribution to FY GDP YoY%	*0.7*	*-1.5*	*0.6*	*1.1*	***0.2***	***0.1***
Gross Fixed Capital Formation	-4.7	0.7	4.7	9.1	**-12.2**	**4.7**
Contribution to FY GDP YoY%	*-0.6*	*0.1*	*0.5*	*1.1*	***-1.6***	***0.5***
Exports of Goods and Services	7.7	3.1	-1.8	6.8	**8.7**	**4.8**
Contribution to FY GDP YoY%	*2.2*	*0.9*	*-0.6*	*2.1*	***2.8***	***1.6***
Exports of Goods	4.1	8.2	3.7	5.7	**8.4**	**2.2**
Contribution to FY GDP YoY%	*0.6*	*1.2*	*0.6*	*1.0*	***1.5***	***0.4***
Exports of Services	12.1	-2.5	-7.7	8.0	**9.0**	**8.0**
Contribution to FY GDP YoY%	*1.6*	*-0.4*	*-1.1*	*1.1*	***1.3***	***1.2***
Imports of Goods and Services	7.7	0.4	0.3	7.1	**4.2**	**2.5**
Contribution to FY GDP YoY%	*-2.3*	*-0.1*	*-0.1*	*-2.3*	***-1.4***	***-0.9***
Imports of Goods	8.2	3.5	2.9	6.7	**2.0**	**1.5**
Contribution to FY GDP YoY%	*-1.9*	*-0.9*	*-0.8*	*-1.8*	***-0.6***	***-0.4***
Imports of Services	5.7	-11.6	-10.8	9.0	**14.4**	**6.9**
Contribution to FY GDP YoY%	*-0.4*	*0.8*	*0.7*	*-0.5*	***-0.8***	***-0.4***

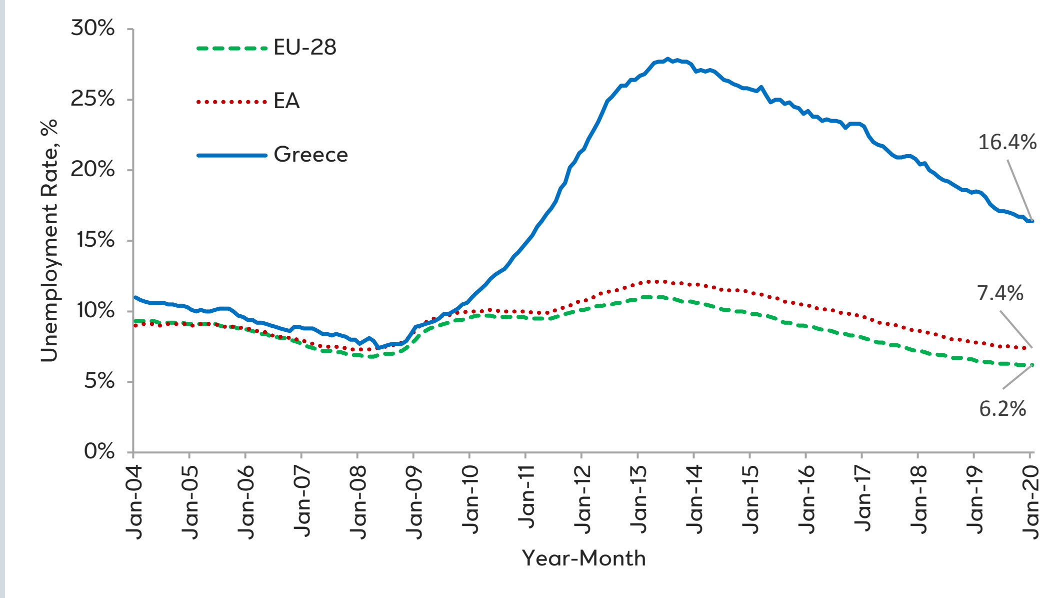
Source: ELSTAT, Eurobank Research.

1.2 Labour Market: drop of unemployment continued in 2019, risks in both the short and the long term

Based on ELSTAT's monthly labour force survey (LFS), the ratio of the unemployed over the labour force in Greece dropped to 16.4% in January 2020, its lowest level since March 2011. The FY-2019 unemployment rate stood at 17.3% (12-months average) from 19.3% in 2018. The total decrease of the unemployment rate relative to its historical high of July 2013 (27.9%) stands at -11.5 percentage points (ppts), although still 9.0

ppts above its pre-crisis level and 10.2 (9.0) ppts higher compared to the EU-28 (EA). The aforementioned divergences translate into a sizable waste of resources for the Greek economy. Given the current level of labour force, i.e. 4,678.9 k people in January 2020, if the unemployment rate in Greece was equal to that in the Euro Area (EU-28), then employment would be higher by 10.8% (12.2%) or 421.1 (477.2) k people.

Figure 4: The drop of the unemployment rate continued in 2019, nevertheless is still very high



Source: Eurostat, Eurobank Research.

Employment growth remained on a positive territory for a 6th year in a row in 2019. More specifically it marginally accelerated to 2.2% from 2.0% in 2018.[5] The cumulative increase of employment relative to its crisis trough (2013-2019) stood at 11.3% or 397.8 k people (see Table 2), albeit still lower by -15.2% or -699.5 k people compared to its peak in 2008. As a result, during the last 6 years, only the 36.3% of the crisis losses – in terms of people employed – has been recovered.

According to ELSTAT's quarterly LFS, the sectors of economic activity that supported the bulk of the 2013-2019 increase in employment were as follows: tourism, public sector related activities, trade and manufacturing (see Figure 5).[6] By contrast, sectors such as construction, financial and insurance activities and agriculture, forestry and fishing contributed negatively to employment. In terms of occupational status, the majority of new jobs concerned salaried employees (a total increase of 449.8 k people or 20.3% in 2013-2019), thereby regaining 57.5% of salaried jobs lost during the crisis. Employment in the categories of self-employed and unpaid family works declined by -59.2 k (-6.6%) and -48.3 k (-28.1%) people respectively, while in the category of employers it increased by 55.5 k people (23.8%). Finally, full-time jobs contributed 84.6% of the 2013-2019 increase in employment.

5 On a national accounts basis, employment grew by 2.0% in 2019 from 1.7% in 2018.

6 The economic activities of public administration and defence, compulsory social security, education, human health and social work activities, are mostly related to the public sector.

Table 2: Employment has regained the 36.3% of the crisis losses – medium to long term risks due to the continued contraction of the labour force and the population (quarterly labour force survey, 15 years old and over)

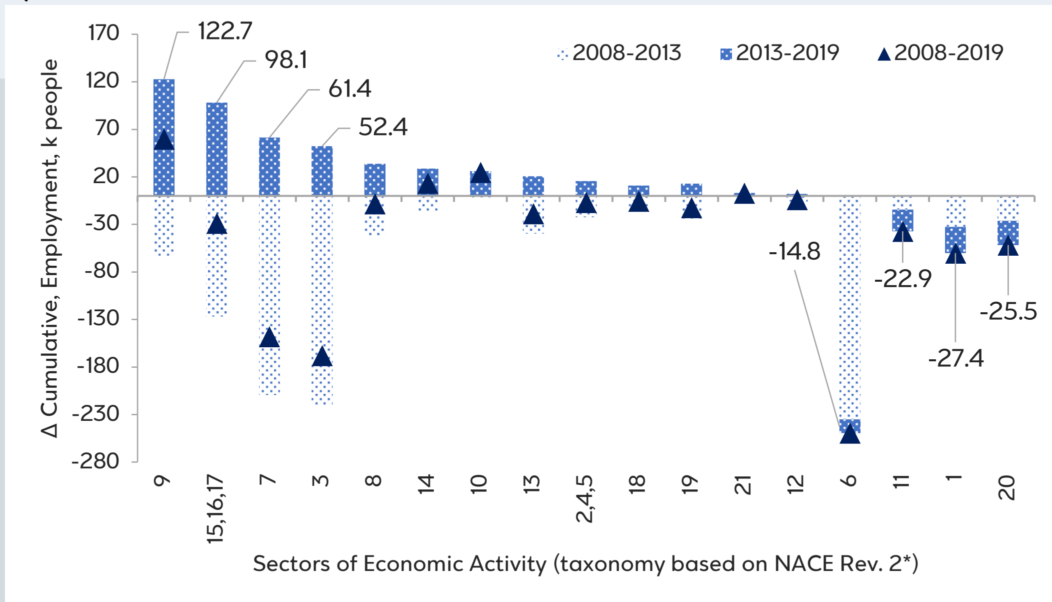
EM = Employment, UN = Unemployment, LF = Labour Force, IPOP = Inactive Population, TPOP = Total Population

	(1) EM	(2) UN	(3)= (1) + (2) LF	(4) IPOP	(5) = (3) + (4) TPOP
Increase / Decrease	Annual Change in k Persons (Annual Percentage Change)				
2009	-54.5	96.8	42.3	-46.4	-4.1
	-1.2%	25.0%	0.8%	-1.0%	0.0%
2010	-166.3	154.7	-11.6	-20.1	-31.7
	-3.6%	31.9%	-0.2%	-0.5%	-0.3%
2011	-335.4	242.5	-92.9	66.4	-26.5
	-7.6%	37.9%	-1.8%	1.5%	-0.3%
2012	-359.4	313.3	-46.1	18.0	-28.1
	-8.9%	35.5%	-0.9%	0.4%	-0.3%
2013	-181.8	135.3	-46.5	11.3	-35.3
	-4.9%	11.3%	-1.0%	0.3%	-0.4%
2014	23.1	-55.9	-32.9	5.5	-27.4
	0.7%	-4.2%	-0.7%	0.1%	-0.3%
2015	74.4	-77.5	-3.1	-32.5	-35.6
	2.1%	-6.1%	-0.1%	-0.7%	-0.4%
2016	62.9	-66.0	-3.1	-30.6	-33.7
	1.7%	-5.5%	-0.1%	-0.7%	-0.4%
2017	79.1	-103.9	-24.8	-11.1	-35.9
	2.2%	-9.2%	-0.5%	-0.3%	-0.4%
2018	75.4	-112.0	-36.7	-0.1	-36.8
	2.0%	-10.9%	-0.8%	0.0%	-0.4%
2019	83.0	-96.2	-13.2	-23.5	-36.6
	2.2%	-10.5%	-0.3%	-0.5%	-0.4%
Increase / Decrease	Cumulative Change in k Persons (Cumulative Percentage Change)				
2008-2013	-1097.3	942.5	-154.8	29.1	-125.7
	-23.8%	243.0%	-3.1%	0.7%	-1.3%
2013-2018	397.8	-511.5	-113.7	-92.3	-206.0
	11.3%	-38.4%	-2.3%	-2.1%	-2.2%
2008-2019	-699.5	431.0	-268.5	-63.2	-331.7
	-15.2%	111.0%	-5.4%	-1.4%	-3.5%

Source: ELSTAT, Eurobank Research.

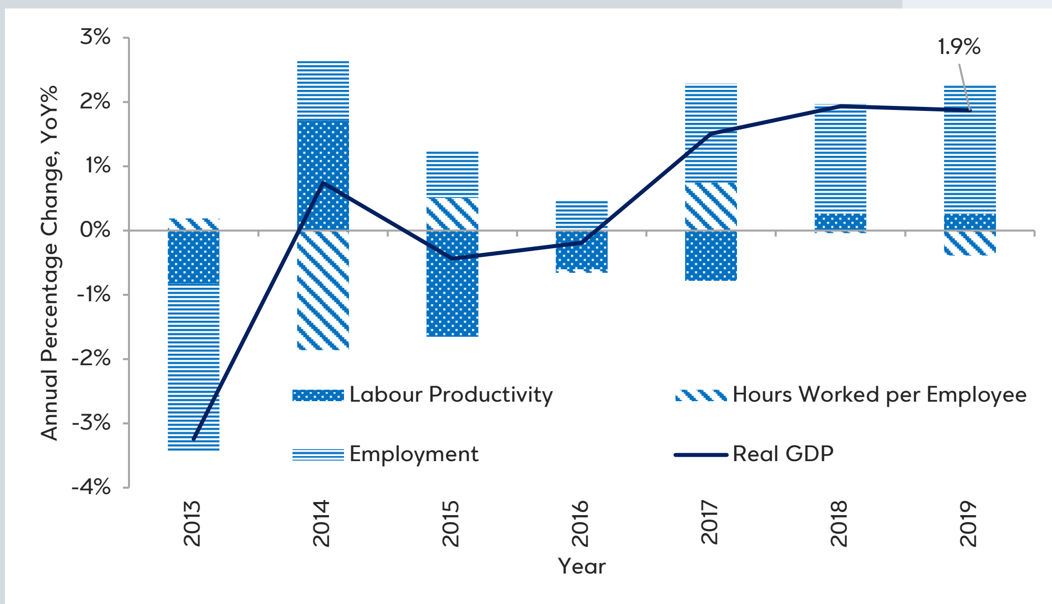
From a growth accounting perspective, employment (persons employed) was on average the only source of growth during the last three years of recovery of the Greek economy (see Figure 6). More specifically, the average annual growth rate of labour productivity (output per hour worked) and hours per employee was approximately zero. It goes without saying that the Covid-19 crisis poses upside risks for unemployment in the coming quarters. Yet, in the longer-term as well, the contribution of employment to GDP growth faces challenges. The high level of structural unemployment (the IMF and the European Commission estimate it at 13.0%) and the continued decrease in the labour force and population (see columns 3&5 in Table 2) constitute major constraints for employment growth in the medium to long term.

Figure 5: Tourism, public sector, trade and manufacturing economic activities supported most of the increase in employment during the last 6 years (quarterly labour force survey, 15 years old and over)



Source: ELSTAT, Eurobank Research.
Note: * Taxonomy based on NACE Rev. 2: *1. Agriculture, forestry and fishing, 2. Mining and quarrying, 3. Manufacturing, 4. Electricity, gas, steam and air conditioning supply, 5. Water supply; sewerage, waste management and remediation activities, 6. Construction, 7. Wholesale and retail trade; repair of motor vehicles and motorcycles, 8. Transportation and storage, 9. Accommodation and food service activities, 10. Information and communication, 11. Financial and insurance activities, 12 Real estate activities, 13. Professional, scientific and technical activities, 14. Administrative and support service activities, 15. Public administration and defence; compulsory social security, 16. Education, 17. Human health and social work activities, 18. Arts, entertainment and recreation, 19. Other service activities, 20. Activities of households as employers, 21. Activities of extraterritorial organisations and bodies.*

Figure 6: Employment was the main source of growth during the last three years of recovery of the Greek economy

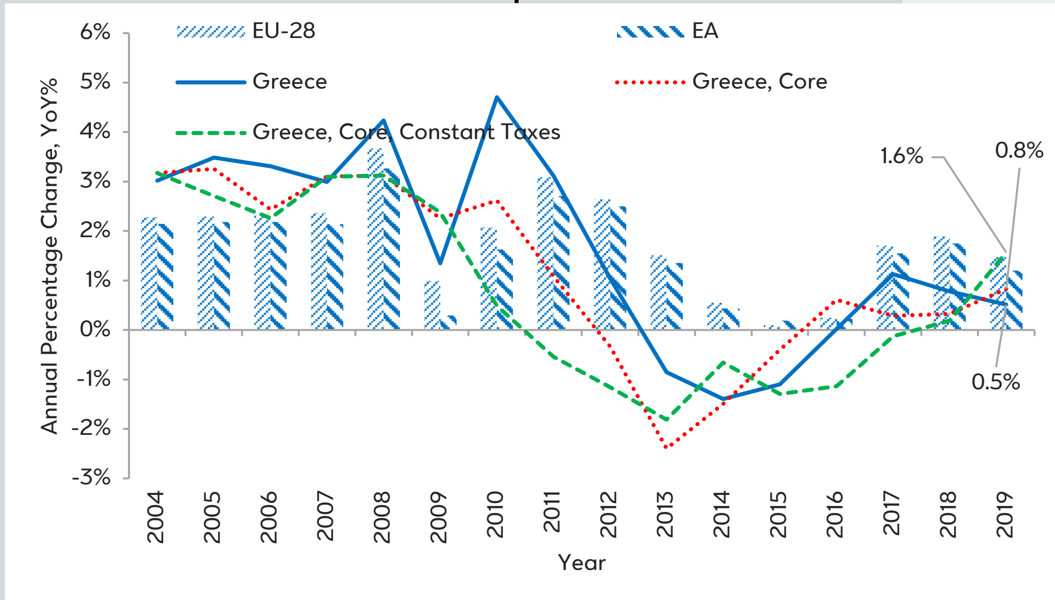


Source: Eurostat, Eurobank Research.

1.3 Inflation Rate: VAT rate cuts and decreasing oil prices led to deceleration - support of price competitiveness

Based on the HICP index (source: ELSTAT), the average annual inflation rate in Greece decelerated to 0.5% in 2019, from 0.8% a year before (see Figure 7). The cut of the VAT rate – introduced in May 2019 – in some categories of goods and services (e.g. energy, basic foods and food service activities) along with the decrease in oil prices explain most of this result. By contrast, core inflation rose to 0.8%, from 0.3% in 2018, and core inflation with constant taxes increased to a 10-year high of 1.6% from 0.2% in 2018. A proportion of the aforementioned steep increase can be explained by the increase of the index of the wage cost by 2.5 YoY% in 2019Q1-2019Q3 (source: ELSTAT) and the decrease of the output gap to -4.6% of potential GDP in 2019 from -6.7% in 2018 (EC's estimates).

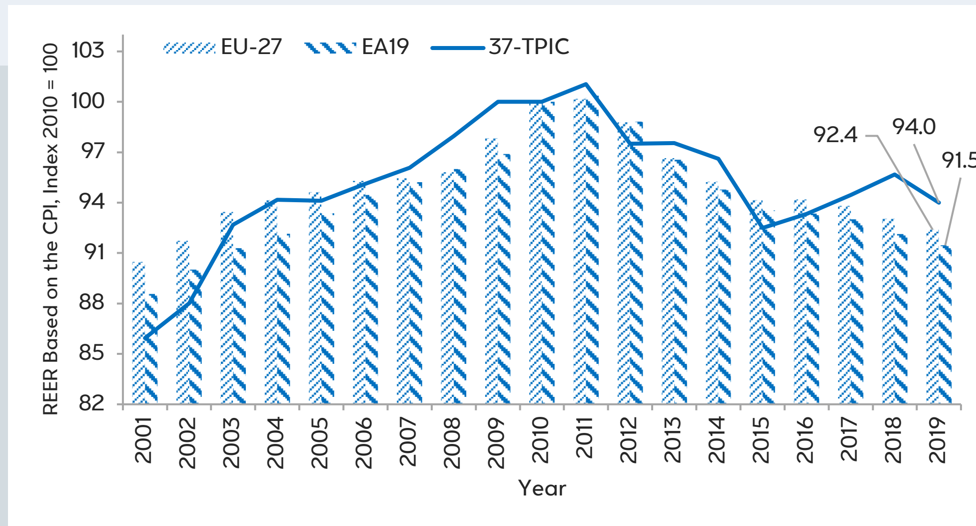
Figure 7: VAT rate cuts and the decrease in oil price led to a deceleration of the inflation rate



Source: ELSTAT, Eurostat, Eurobank Research.

The inflation differential between Greece and the EU-28 or the Euro Area remained on a negative territory for a 7th year in a row, contributing positively to Greece's price competitiveness. In terms of the real effective exchange rate (REER, based on the CPI), Greece has regained 80.2%, 75.5% and 46.7% of its pre-crisis competitiveness losses relative to EU-27, Euro Area and 37 trading partners – industrial countries respectively (see Figure 8).

Figure 8: Negative inflation differentials support price competitiveness



Source: Eurostat, Eurobank Research.

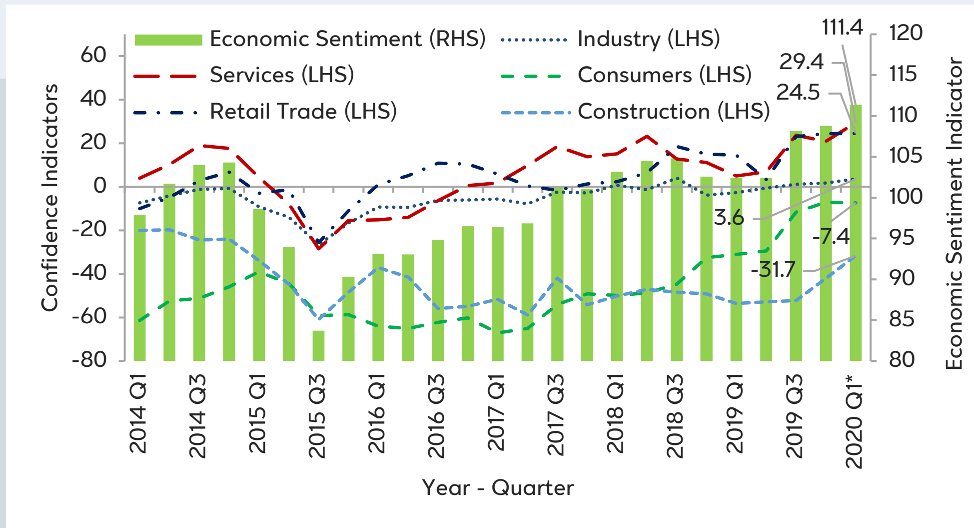
1.4 Expectations: increase in 2019H2, strong start in 2020 but a steep deterioration expected in the coming months due to the covid-19 crisis

The economic sentiment indicator in Greece (source: European Commission and IOBE), after remaining almost stable in 2019H1, increased sharply to 108.5 units in 2019H2 (6-months average). The confidence indicators in services, consumers and retail trade jumped, while the respective indices in industry and construction rose smoothly (see Figure 9).

The aforementioned improvement in Greece's economic climate – especially in 2019Q3 – was related to the national elections held in early July 2019. As documented both in Greece and internationally, a strong relation exists between changes in the consumers' confidence indicator and the timing of national elections.[7] Consumers' confidence indicators usually increase before elections and then deteriorate (see Figure 10A). Yet, 7 months after the national elections of July 2019 in Greece, the consumer's confidence indicator continued its uptrend, with February's 2020 observation being the highest since August 2000. In the first two months of 2020, all confidence indices recorded an increase. The drop in the funding costs of the Greek government, the prospects for an acceleration of growth in 2020 accompanied with tax relief measures played a key role to this result.

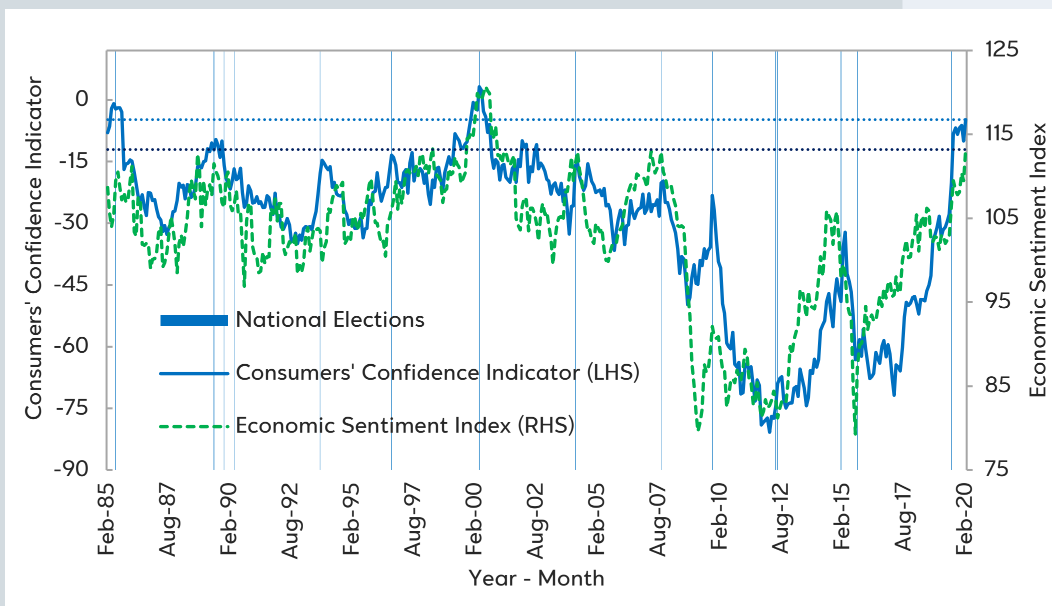
7 See Hardouvelis G. A. and Thomakos D. D. (2008), "Consumer Confidence and Elections", CEPR Discussion Paper No. DP6701 and Bertrand M. and Reuter A. (2018), "The Effect of Elections on Consumer Confidence in Europe", European Commission – Discussion Paper 090.

Figure 9: Steep increase in the economic sentiment indicator in 2019H2 and further improvement in January-February 2020



Source: European Commission, IOBE, Eurobank Research.
Note: *for 2020Q1 we use the average value of January-February 2020.

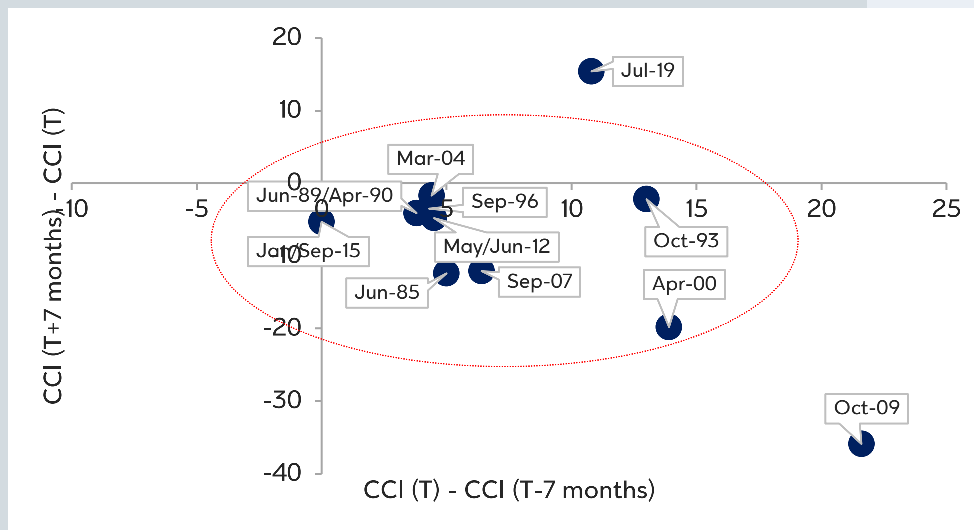
Figure 10A: The improvement in Greece's consumers' confidence indicator is related to the national elections held in early July 2019



All that before the latest developments with respect to the spread of the coronavirus (covid-19). According to the latest data, the economic sentiment indicator in March 2020 decreased to 109.4 units, from 113.2 units in February 2020. In particular, the monthly decrease of the consumer's confidence sub-indicator to -16.5 units from -4.8 units in February 2020 was the 2nd largest since the beginning of the survey.

It is more than certain that this downward path will become even steeper in April 2020 and most probably will continue in May 2020 due to the sudden and unexpected worsening of the short-run (for the time being) growth prospects of the Greek economy. Furthermore, the IHS Markit 's PMI index for manufacturing dived to 42,5 units in March 2020, sharply down from 56,2 units in February and below the 50 units thresholds separating economic expansion from contraction for the first time since May 2017. Production of firms, new orders, employment and sale prices, all fell considerably.

Figure 10B: 7 months after the national elections of July 2019, the consumer's confidence indicator proves to be more persistent relative to its historical pattern
T: month of the national elections, CCI: consumers' confidence indicator
Jul-19: first elections after programmes era, Oct-09: Last elections before programmes era



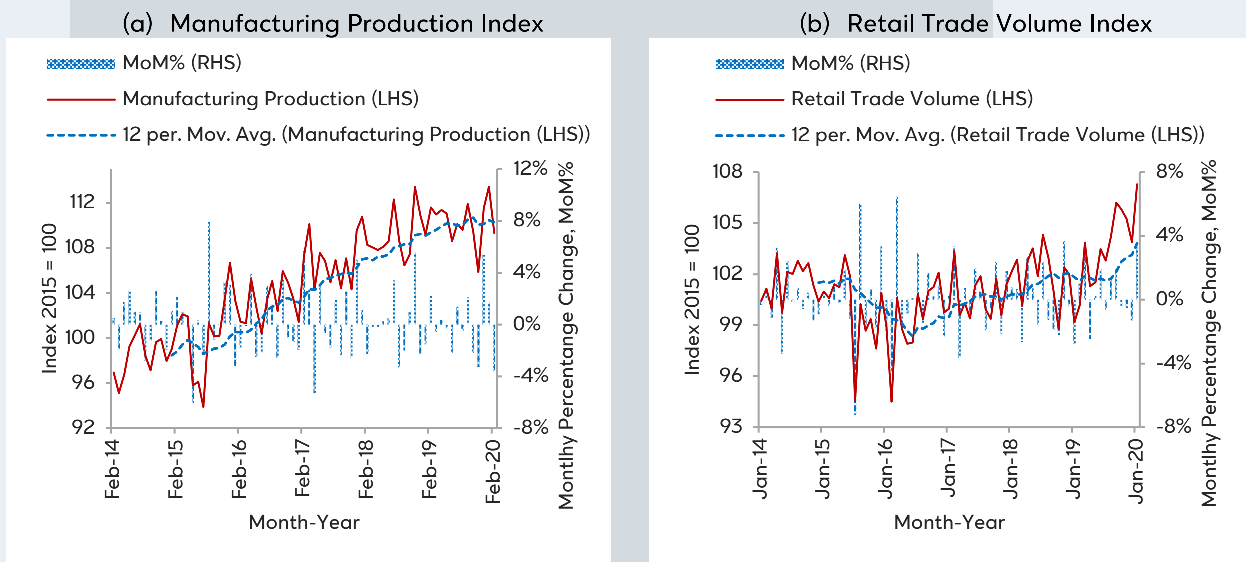
Source: European Commission, IOBE, Eurostat, Eurobank Research.
Note: The national elections of Jun-89, Nov-89 and Apr-90 are presented as one pair, with horizontal axis CCI(Jun-89) – CCI(Jun-89 – 7 months) and vertical axis CCI(Apr-90 + 7 months) – CCI(Apr-90). The same holds for the national elections of May-12 / Jun-12 and Jan-15 / Sep-15. Due to restrictions in data availability, the elections of June 1985 is presented as CCI(Jun-85) – CCI(Jun-85 – 5 months)

1.5 Hard data in 2020Q1:

According to the latest 2020Q1 hard data released from ELSTAT, the nominal value of exports of goods excluding oil products and ships (commercial transactions data) increased by 9.5 YoY% or €347.7 YoY mn in January-February 2020, from 7.7 YoY% or €262.1 YoY mn in the respective period of 2019. On the debit side of the accounts, imports rose by 4.2 YoY% or €272.0 YoY mn, leading to an annual decrease of the deficit by €75.7 mn (from -€2,808.3 mn in January-February 2019 to -€2,732.6 mn in January-February 2020). In the sector of services (balance of payments data from Bank of Greece), exports increased by 2.9 YoY% or €112.0 YoY mn (supported by travel and transport revenues) and imports rose 9.5 YoY% or €272.4 YoY mn. As a result, the surplus of services decreased by €160.5 YoY mn in January-February 2020.

For the same period, the average seasonally adjusted industrial production index decreased on an annual basis by -1.6 YoY%. However, relative to the first 2-months of 2019Q4 it increased strongly by 3.3%. The respective index in manufacturing rose mildly by 0.9 YoY% compared to January-February 2019 and increased steeply by 3.4% relative to October-November 2019. Given the big decrease of the PMI manufacturing index in March 2020, we expect a major deterioration in the production of the manufacturing sector in the coming months.

Figure 11: Manufacturing Production and retail trade volume index recorded an increase in January 2020



Source: ELSTAT, Eurobank Research.

Last but not least, the seasonally adjusted retail trade volume index, after dropping on a monthly basis for 3 months in a row, rebounded strongly in the beginning of 2020. It recorded a monthly and an annual increase of 3.3 MoM% and 8.2 YoY% respectively in January 2020 (from -1.3 MoM% and 1.9 YoY% in December 2019). With the exemption of the category of department stores, where a monthly drop of -1.4 MoM% (1.5 YoY%) was recorded, all the other specialized store categories performed well.

2. Two scenaria for 2020 GDP

	2019, billion.	Shares in 2019 GDP	2020 %yoy Real growth Scenario A	2020 %yoy Real growth Scenario B
Priv. Consumption	127.4	68.0%	-6,4	-9,8%
Gov. Consumption	36.5	19.5%	1,6	4,0%
Total Consumption	164	87.5%	-4,4	-6,4%
GCF	23.5	12.5%	-19.5	-25,0%
Domestic demand	187.5	100.0%	-6	-8,4%
Imports	69.7	37.2%	-19,2	-25,4%
Exports	69.7	37.2%	-20,94	-31,2%
GDP	**187.5**		**-6.7**	**-10.6%**
HICP	0.6%		0.2	-0.3
Unemployment Rate(% of l. f.)	17.3%		20.9	22.8

Key points

- This note offers a sensitivity analysis for real GDP growth in Greece in 2020 in relation to different trajectories of the COVID-19 crisis. Taking account of latest developments, both domestic as well as the Eurozone outlook, a quantification of trends in components of GDP is conducted, with economic rationale offered for each. This exercise is not a forecast.
- Under a moderate scenario, which assumes an immediate termination of the lockdown in May and fiscal support measures announced of €6.8billion, real growth is estimated at -6.7% for 2020.
- Under a more adverse scenario, which assumes an extension or repetition of the lockdown, additional fiscal support measures and lasting impact on consumer and investor behaviour, real growth is estimated at -10.6% for 2020.
- Significant risks remain, mostly related to the COVID-19 crisis but also to other regional factors; risks are tilted to the downside.

2.1 Channels of transmission of the COVID-19 shock

The expansion of Covid-19 worldwide comprises a large-scale simultaneous shock in both the supply and the demand of the global economy and it is thus expected to cause a sizable negative impact. Our most recent estimate is that the global economy may shrink by -1.8% YoY in 2020, from a growth of ca 3% expected pre-crisis. The IMF (World Economic Outlook, April 2020) is even more pessimistic, projecting a -3% contraction for the global economy and -7,5 for the Eurozone, Greece's largest trading partner. In such an adverse external economic environment. Greece cannot be an exception.

Yet, an exact forecast of the impact of the Covid-19 on the levels of economic activity is impossible at the moment for three main reasons: (1) the range of possible expansion of the virus globally and domestically, as well as the timing of its curbing are uncertain, (2) social behaviors of self-quarantine, which mostly affect the levels of economic activity, are volatile and culture-dependent, and (3) the nature and size of policy measures to deal with the outbreak and –at least partly- counterbalance its impact on GDP is continuously evolving. Many governments worldwide implement measures to contain the virus' expansion and strengthen the health systems' ability to deal with the outbreak. Further, unprecedented measures to cushion the shock on both economic supply and demand are being implemented, with the policy mix evolving continuously. In particular, major Central Banks implement unconventional measures of monetary accommodation, including maintenance of very low or negative interest rates and Quantitative Easing (QE) in an effort to boost the liquidity of economies and avoid a worsening of the credit conditions, which would harm both the viability prospects of businesses and the serviceability of public debt. In the Eurozone, the ECB has launched a Pandemic Emergency Purchases Programme (P.E.P.P.) of asset purchases worth €750billion, a new round of targeted measures of liquidity provision to businesses (TLTRO), along with introducing more flexibility in supervisory rules to assist banks in coping with the repercussions of the crisis. In the fiscal front, national governments, utilizing the SGP's flexibility to cater for unusual events outside the control of governments, are implementing support packages that currently exceed 2ppts of GDP on average. In addition, the Eurogroup has already agreed on a package worth €540billion of pan-European fiscal interventions.

While an exact estimate is impossible currently, the sensitivity of the Greek economy to possible scenaria can be traced via the exploration of channels of transmitting the shock in both the demand and the supply of the economy. A shock of such dimensions cannot leave any sector of economic activity unaffected, yet some sectors are bound to experience a more acute impact than others. The crisis will have winners and losers. Some sectors may even benefit from increased demand in the shorter term, such as pharmaceuticals and health supplies, ICT and food supplies. Yet, the rule is that lockdown measures will cause pressures on disposable incomes via loss of turnover, increase in unemployment and deterioration in balance sheets. The structure of the Greek economy warrants a significant impact, even larger than that of other Eurozone countries, due to the prevalence of the following channels:

- Tourism: the broader sector includes hotels, restaurants, recreational activities etc. It is very important to the Greek economy, considering that tourism contributed in 2019 (had a share) to GDP by 9.6%; even leaving aside secondary effects (spillovers) to other sectors, a potential 10% reduction in tourism revenues as a result of the Covid-19 outbreak would theoretically reduce GDP by up to 1% YoY, ceteris paribus. The Greek tourist industry is characterized by seasonality with 75% of the yearly tourist revenues coming in the period between June-September each year. So, in theory, losses in early bookings could be counterbalanced by last-minute bookings in Q2 and Q3. However, lockdown measures and restrictions in air travels, both locally and in Greece's main markets mean that the impact will be pronounced in the core of the season too. If slowdown of global growth proves lasting or if a second wave of COVID-19 transmission necessitates the re-activation of lockdown measures in autumn 2020, the negative impact on tourism revenues would be pronounced, especially since tourism is sensitive to income changes. Finally, it is still unknown how social distancing will affect the behavior –and thus travelling preferences- of people even in the longer-term, when constraints will have been lifted; it could either trigger avoidance of overseas travels for some time or increased appetite, in which case Greece would be in a preferential position to benefit, given its good track record in containing the expansion of the virus.

- Manufacturing: impact includes possible reductions in demand for the manufacturing sector from the economic slowdown in key markets, as well as disruptions in their supply chains: manufacturing (including energy, water & sewerage and waste management) accounts for ca 12.9% of GDP, hence a 10% decline would reduce GDP by ca 1.3% YoY, ceteris paribus and without secondary effects. As an indication, Greek exports of goods to Italy and China, two of the most heavily affected countries initially, count for ca 13% of total Greek exports of goods. Yet, as the expansion of the virus unfolds, most major trading partners of Greece will see increased infection rates and lockdowns, so that the analysis per destination is of little use.

- Transportations: this too is an important sector for Greece, both as a counterpart to the tourism industry, as well as due to its commercial maritime transportation sub-component. It accounts for ca 5,4% of GDP, 3% of which concerns maritime transportation. Greece is a world leader in shipping, yet this is a very international activity and only a small part of its value-added relates to the domestic economy (administrative operations, land investments, incomes of navy men etc); it is very important to the current account though as transport accounts for 23.8% of total exports of goods and services. Shipping will certainly see a negative impact by the decline in global trade that will accompany the global recession and lockdowns. In addition, the disruption in global supply chains will be important. The effort of China to re-launch its manufacturing sector supports shipping as one out of three shipments either originates or is destined to this country. On the other hand, constraints imposed on most Western economies have a toll, with new order in the Eurozone recording a 92-month low in March. The Baltic Dry Index (BDI) declined by over 55% in January, which, however, was also a normalization following the sharp increase in H1 2019. BDI has hit its trough in 11 February 2020 and has been increasing since then, suggesting some optimism that decline in shipping activity will be contained. That trend was reinforced by storage of crude oil in takers, following its recent price decline. Thus, expectations for a quick recovery of shipping revenues to pre-crisis levels are not realistic.

- Consumer confidence: impact is expected to be important, given the expected pressure on disposable incomes and employment from lockdown, as well as from uncertainty regarding a possible repetition of the phenomenon. It is a near certainty that the 11.7-unit dive in Economic Sentiment's consumer's confidence sub-indicator in March will be continued in the next months. This indicator has a close correlation with private consumption. A recovery later in the year is to be expected with running down of inventories likely in H1 and re-building in H2.

- Investor confidence: the 13.7-unit dive in the PMI index for manufacturing in March is a precursor of sharply reduced demand, which does not bode well for investment. More importantly, unprecedented levels of uncertainty and unfavorable market conditions lead to the postponement of both private investments with a longer-term horizon, as well as parts of the privatization programme, which comprised the most important locomotive for attracting FDI pre-crisis. Uncertainty has also caused a substantial tightening of financial conditions. Finally, the part of investment that relates to real estate suffers from the collapse of touristic rentals and golden visa schemes currently, as well as from the acute reduction in domestic demand for properties due to uncertainty and loss of incomes. Paradoxically, the low level of fixed investment as a percentage of GDP even before the crisis (12% vs a 21.6% Euroarea average in 2019; investments in dwellings at just 0.8% of GDP) puts a limit to the size of prospective decline. When the situation normalizes and markets can value its impact on growth prospects, investment has the potential to recover on the back of sustained low interest rates and ample liquidity provision, yet this is unlikely to happen in 2020.

- Self-employed: ca 31% of the labour force in Greece are self-employed, vs a ca 15% Eurozone average, and the large majority of firms are small. This is bound to enlarge the recessionary impact of the crisis as small businesses are less able to absorb liquidity shocks, have a lesser ability to utilize alternative digital channels for conducting business in conditions of social distancing, and will also benefit less from government support measures, as many of them operate in the unofficial economy.

- Oil prices: the decrease in oil prices may partially amortize aforementioned negative impacts. Fuels in 2019 accounted for 19% of total imports of goods & services (but also 12.5% of all exports given that Greek oil refineries account for ca 1% of the total gross value of the economy). Therefore, a 10% decrease in oil prices would have a positive net effect of ca €5billion or 2.5ppts of GDP on the current account, ceteris paribus.

2.2 Support Measures

Measures to cushion the loss of incomes from the lockdown and preserve the productive capa-bilities of the economy have been announced by the government. So far, the total cost of the measures for March and April amounts to €6.8 billion or ca 3.6% of 2019 GDP. This is harshly the size of the primary fiscal surplus that Greece had committed pre-crisis to achieve according to Enhanced Post-Programme Surveillance, and which is now void after the activation of the Gen-eral Escape Clause by the

European Commission. A detailed description is provided in Appendix 1. Major categories of measures are as follows:

- Suspension of tax payments €2.1 billion
- Suspension of social security contributions €1.6 billion
- Compensation of €800 to employees, freelancers, self-employed and scientists-freelancers €1.4 billion
- Refundable advance payment €1 billion
- Support of the health system €200 million
- Easter allowance to hospital workers (Paid on 9 April 2020): €80 million
- Support of primary sector: €150 million

From those measures, the following constitute grants (or revenue loss) and directly burden the state budget: the compensation of €800 for eligible employees, a 25% discount for taxes and so-cial security contributions that are paid on time, social security contributions and the Easter al-lowance of em-ployees whose employment contract has been suspended, Easter allowance for health workers (as a one-off bonus, it has been abolished), aid for farmers, and support for the health sector. In addition, a guarantee mechanism has been set up in consultation with the EU for the granting of working capital loans to SMEs worth up to €3 billion; this does not burden the budget of 2020 but it could potentially burden next year's fiscal budget to the extent guarantees are called for.

In case the duration of social distancing measures is extended, the Government will consider the rep-etition of support measures, which would obviously enlarge their cost.

Appendix 1 also describes other tools for the provision of liquidity to the State and the corporate sector via the use of ECB extraordinary measures; funds from EIB, EIF and EU structural funds (ES-PA); ESM loans; and EU loans channeled to member-states via the SURE programme.

2.3 Two scenaria for 2020 GDP

Given the above, this exercise is not a forecast but rather the calculation of sensitivity of GDP on particular impacts related to the channels of international transmission of the COVID-19 supply-side and demand-side shock. Two indicative scenaria are calculated, a moderate scenario and a more adverse one. **The moderate scenario** assumes, in accordance to latest epidemiological evidence, that the expansion of the virus globally, EU-wide and in Greece is contained and gradually slows down, as has already happened in China. In Greece in particular, the successful handling so far is assumed to result in lockdown measures being phased out in May 2020 without a repetition in autumn; no lasting changes ensue in consumer behavior from the social distancing experience. In addition, it is assumed that fiscal support measures are limited to the 6.8billion announced by the time of writing. Effectively, these assumptions mean that the outbreak would have a notable impact on Q1-2020 and Q2-2020 economic data, but the Greek economy would stabilize and start to rebound towards year-end, as confidence returns, claiming back a part of H1 losses.

Accordingly, the growth trajectory from 2021 onwards would follow a gradual mean-reversion to estimates agreed pre-crisis with official institutions i.e. a rebound in 2021 (provisionally penciled at +4% YoY) which overshoots the pre-crisis trajectory but without reclaiming the entire 2020 loss due to some lagged effects, especially in tourism; no chronic hysteresis due to destruction of productive capacity is foreseen, given the transitory nature of the shock. In the longer-term, the economy over-performs the Euroarea average (+2.8% YoY in 2022) until it closes the output gap and then gradually converges to the long-term potential GDP growth rate.

Values for other macro measures are internally consistent with GDP readings. In particular, regarding unemployment, estimates follow the empirical relationship that connects employment with GDP. In essence, the elected trajectory means that most of the decrease in real GDP comes from changes in employment and less from changes in labor productivity, as was also the case in the 2009-2011 depression; size of the labor force is assumed to be stable in the short-term as the recession is brief enough not to encourage workers to exit the labor force. The unemployment rate peaks in 2020Q4 and then starts to decrease smoothly towards its natural level. Regarding HICP, undershooting is foreseen in the short-term relative to the pre-crisis trajectory as the deflationary impact of reduced oil prices, the negative demand shock and uncertainty dominate inflationary pressures from the expansive stance of monetary and fiscal policies; disturbances in supply chains are transitory and thus do not cause stagflation.

The **adverse scenario** assumes a more pronounced in duration lockdown (or sporadically enacting it throughout the following months), which results in a deeper contraction in 2020, as well as the destruction of productive capabilities (failure of firms). The latter, in turn, harms the ability of the economy to rebound in 2021 and postpones the rebound to 2022. Additionally, it is assumed that the experience of the pandemic changes the consumer's behavior for some time (reluctance to travel, have a vacation, participate in social events, visiting restaurants etc) and that measures to enforce operation with reduced capacities are imposed on restaurants, airlines, hotels etc, in an effort to contain re-emergence of the pandemic. Under these conditions, the extra contraction is even more deflationary and aggravates the unemployment trajectory further in comparison to the baseline scenario. Still, the longer-term trajectory should continue to outperform the Euroarea average, i.e. between 2022-2026, for both cyclical and structural reasons (negative output gap and productivity-enhancing structural reforms respectively), until it converges to the long-term potential of the economy.

Given that the situation is very dynamic, the exercise is intended for an assessment of the economy's sensitivity to the shock only and not as an exact forecast and may need to be reassessed in due time.

2.4 The moderate scenario

The lockdown will bring about a reduction in the turnover of all sectors of the domestic economy, yet the percentage of this reduction will differ across activities, types of firms and geographical localities. Accordingly, the duration of the impact will differ, with some activities recovering relatively quickly and other experiencing a longer-term impact due to more permanent changes in consumer behaviour (tourism and restaurants a possible example, although the effective handling of the health crisis entails an upside risk too for these activities). OECD[8] has calculated that the combined effect of different percentages of turnover loss in various sector is the loss of 35% of Greek GDP for as long as the lockdown is in place. Hence, if eg. lockdown is enforced for one month, the loss in the yearly GDP would be 0.35*1/12 or 2.9%. However, this is a ceteris paribus and static calculation which ignores second round effects but also the supportive impact of expansionary fiscal measures. We will attempt to calculate marginal impacts in disposable incomes and GDP components by the lockdowns if the assumptions of this scenario on its duration, behavioural changes and policy responses materialise.

Some remarks are due on the framework of conditions with which the exercise begins. Firstly, private consumption in 2019, before the eruption of the COVID-19 crisis, grew at a very modest 0.8% YoY rate, significantly below the rate of disposable incomes' increase. This divergence between disposable incomes and private consumption is reflected in the shrinkage of negative levels of savings: the gross saving of households declined to -€3.7billion, from -€7billion in 2018, while the gross saving rate of households was limited to -3% of gross disposable incomes, from -5.9% in 2018, the lowest in the Eurozone, from -6.1% in 2015. In previous crisis years, households had been "burning" deposits in order to maintain a level of consumption that they consider elementary but which it exceeded their disposable incomes. In 2019, as the economy recovers and therefore their disposable incomes rise, essential consumption levels are covered for more readily and households start to reduce dissaving in order to cover for prior net wealth reduction and indebtedness. Furthermore, uncertainty for the durability of recovery remained, so that households do not discount yet a permanent increase in their lifetime incomes and thus increase in consumption is done with caution. A still significant in size unrecorded economy may augment the effect.

Secondly, Gross Capital Formation remained very weak in 2019, despite the very low starting level; it almost stagnated at a +0.7% YoY real growth rate. This was partly due to de-stocking of inventories but fixed investment increase was also very weak at ca 5%. The country has not managed yet to embark on a course of reversing the huge disinvestment that took place in the past several years. Hence, the virus outbreak will cause the deterioration of an already adverse investment landscape. Thirdly, the external sector contributed positively in 2019 but this was more due to the deceleration of imports, as a side-effect of consumption slowdown, than to exports' increase. Fourth, the over-performance of the primary fiscal target in 2019 (see next section) despite the laxity surrounding the election and expansive fiscal packages, was partly due to one-off revenues but also due to the positive impact of

[8] OECD, evaluating the initial impact of COVID-19 containment measures on economic activity, April 2020: https://www.oecd.org/coronavirus/policy-responses/evaluating-the-initial-impact-of-covid-19-containment-measures-on-economic-activity/

the increase in e-payments for tax revenue, as well as the degree to which tax rate hikes of previous years overshot what was necessary to achieve fiscal targets under normal macroeconomic conditions. Fifth, Greek banks recorded substantial progress in 2019 in improving their liquidity position via return of deposits and managed to bring exposure to the Eurosystem for liquidity down to normal levels. In addition, they met their targets on reducing NPLs with a use of a variety of tools, including sales, restructuring of loans and securitizations, with the legislation of the Hercules APS scheme adding another tool in the arsenal. However, the COVID-19 crisis is bound to cause delays in NPL reducing efforts. It is important that the introduction of state initiatives for postponement of payments and the reform of the personal insolvency framework are implemented in such a way that motives remain aligned against strategic defaulting. Else, the ability of the banking system to finance the real economy could be compromised and tight liquidity conditions ensue, a fact that would seriously harm prospects for economic recovery.

The basis for conducting the exercise is provided from the full year 2019 GDP, as well as a particular level of each GDP component and a respective share in 2019 GDP. Nominal GDP at the beginning of 2020 stood at ca €187.5billion, having recorded a 1.9% real expansion; GDP deflator in 2019 was 0.8%.

(a) Private consumption (68% of GDP – using chained-linked volumes in 2010 prices): Private consumption predominantly depends on disposable income. Historically, consumers exhibit behavior consistent with a more general intertemporal smoothing of consumption.[9] Recently, as explained, this has produced slow growth rates of consumption and thus worked in the direction of containing the share of private consumption over GDP, which remains ca 14ppts over the EA average. The COVID-19 crisis creates additional income and wealth effect on consumption.

At the beginning of 2020, net nominal disposable income is estimated (AMECO) to stand at €160billion. Next, the marginal impact (i.e. on top of impacts already materialized in previous years) of various sources on incomes are calculated.

According to the assumptions of the scenario, the disturbance will last for about 2 months. Based on the analysis that preceded on sectoral sensitivities, we calculate that, for the duration of the disturbance, activity levels will fall by 100% in tourism; 30% in wholesale & retail trade, in real estate activities and transports; 0% in public administration and agriculture & fishing; and 15% in all remaining sectors. This applies to 2/12 of the year. Tourism and transports in particular are assumed to be hit throughout the year, recording falls of 50% and 20% respectively. Weighing by the shares of the respective sectors in the GVA of the economy, this results in a decline of -8.3% decline in annual net disposable incomes (-€13.3) from the loss of turnover and wages.

[9] This theory postulates that consumers try to achieve a more balanced level of consumption intertemporally in order to maximise their utility. Hence, when optimism about future incomes is prevalent, consumption increases faster than current income. On the contrary, when consumers experience income cuts which they perceive as temporary, they run down on their savings and cut consumption by less.

Regarding the (marginal) impact on incomes by fiscal policy, the 2020 Budget was originally projecting a 3.5% of GDP primary surplus, same as in 2019. The budget foresaw positive fiscal measures that cost €1.2billion, including a reduction in CIT and the introductory rate of PIT. Yet, measures were matched with interventions improving the fiscal outcome (broadening of the tax base, reduction in expenditure ceilings etc), so that the projected marginal impact on disposable incomes was zero. However, in March the Government announced the initiatives to cushion the impact of the COVID-19 crisis worth €6.8billion. Given that measures are direct boosts of income and liquidity, they are expected to increase disposable incomes by the same amount or by 4,3%.

Net nominal disposable income is also affected by changes in unemployment and profits on capital. Regarding unemployment, a still exceptionally high level of unemployment, the low level of skill of many jobs created recently, remaining rigidities in the labour market, high taxation and non-wage costs which discourage migration of the grey economy back to the official economy, the vulnerability of self-employed and micro businesses and the lower degree in which they will receive support (given that, at a large extent, they operate in the grey economy), all these advocate for a significant increase in unemployment in the short term. Based on the empirical relation that connects levels of economic activity and unemployment, in conjunction with leading indicators of economic activity, we project a year average unemployment rate of 20.9% of the labour force, i.e. ca 155,000 more persons unemployed compared to 2019. Assuming that the per person loss in disposable incomes from unemployment is approximately equal to the difference between the per capita gross income (17700) and the unemployment benefit (4800), increase of unemployment will reduce the total net nominal disposable income by ca €2billion or 1.3%.

Regarding net returns on net capital stock, despite disinvestment in previous years, reduction in production has resulted in relatively less intensive use of capital. This is reflected in the capital stock-to-output ratio still being 4 in 2019 vs 3.3 in 2007 so that capacity utilisation remains low. This, along with onerous taxation and the high unemployment rate, are bound to magnify the impact of the lockdown and the ensuing negative demand shock. As a conservative approach, we assume a reduction equiproportional to the loss of turnover, i.e. 21%*2/12=0.035. Considering a 40% share of capital in the GDP, this means a ca €2.6billion or 1.6% decrease in nominal net disposable income.

In total, net nominal disposable income is projected to decrease by ca €11.1billion or 6.9%. In order to translate this into an increase in real disposable income, we need an estimate about consumer prices. Eurobank Research projects an HICP change of 0.2% (period average) against an estimate of +0.5% in 2019. This is based on the deflationary impact of the simultaneous demand and supply shocks, as well as the very low prices of oil, which are expected to dominate the inflationary impact of the ultra-accommodative stance of monetary and fiscal policy. With an HICP change of +0.2%, real disposable incomes should be decreased by 7.1%.

Finally, we have to deduce to which extent the fall of real disposable income will affect private consumption. According to the historical experience, which is consistent with intertemporal consumption

smoothing, as also evidenced with the deceleration of consumption in 2019, we assume an income elasticity of consumption of 0.9. Hence, real private consumption will contract in 2020 by -6.4%.

(b) Government consumption: (19.5% of GDP): the 2020 Budget projected a 0.6% increase. On top of this, we have to add the €0.3billion or 0.7% impact from recent expansionary measures; allowing also for some modest slippage we pencil a +1.6% change.

Final consumption: (87.5% of GDP): -4.4%

(c) Gross Capital Formation: (12.5% of GDP): GCF is the most sensitive component of GDP in changes of interest rates and the economic climate. GFC reached 23.5billion or 12.5% of GDP in 2019 from €59.3billion or 24.5% of GDP in 2008. As a result, the country's capital stock has declined by a massive €80billion in real prices since 2009 and has continued to fall in the previous 3 years, despite the recovery of the economy, as weak growth rates of investment were dominated by depreciation. Paradoxically, the low level puts a lid to potential downfall due to the COVID-19 crisis, especially for the real estate component of investment which is already very low. However, tightening of liquidity conditions, uncertainty, increased country risk (as reflected in GGB's spreads, albeit contained by ECB interventions) and reduced demand are expected to have a heavy toll. Firms will focus on surviving with strained cash flow and curtail all non-essential investment projects this year.

Public investment is projected in the Budget to remain at €6.75billion in 2020, yet the observance of respective targets was not a given even before the crisis. Even more so in 2020, when the extraordinary circumstances put a question mark on the capabilities of the public administration to design and implement all projects, as well as to achieve disbursements from EU Structural and Cohesion Funds. Taking into account all aforementioned developments, we pencil a -19% decline.

Domestic demand (100% of GDP): -6% change.

(d) Exports of g&s (37.2% of GDP): despite the fact that price competitiveness of the country continues to improve, due to favorable price differential, all Greece's major trading partners are entering deep recession, so that external demand will decline drastically. In addition, transport prohibitions, disruption on supply chains, declines in oil prices and change in consumer behavior in the country's main markets will severely affect exports. It has already been mentioned that a 50% decline is expected in tourism and 20% in transports, which comprise 25% and 24% of total exports of goods & services respectively. For the rest, a -7% average reduction in external demand is expected from equiproportional recession in trading markets, assuming a unitary elasticity of demand for Greek g&s. Overall, an 20.9% decline in exports is expected.

(e) Imports of g&s (37.2% of GDP): decrease in incomes, combined with an empirically proven income-elastic composition of Greek imports and the sharp decline of demand for investment goods, warrants a steep decline of imports. An 80% reduction in trips abroad is assumed and halving of fuel imports (19.4% of total imports of g&s) due to oil price declines and reduction in demand. For remaining g&s,

a decline proportional to loss of incomes (-7.1%) is assumed, times an income elasticity of imports of 1.2, which is close to the empirical elasticity observed in previous years. All in, we project a -19.2% real decrease of imports.

Overall, real GDP growth for 2020 in this scenario is calculated to be -6.7%.

2.5 The adverse scenario

(a) Private consumption (68% of GDP – using chained-linked volumes in 2010 prices): According to the assumptions of the scenario, the disturbance will extend beyond H1 2020 and even into 2021. Indicatively, we assume a near loss of the tourism season this year (-80% decline), a -30% decline in transports due to a deeper recession of the global economy and a respective decline in global trade; for remaining sectors, we apply previously assumed percentages of decline in activity (30% in wholesale & retail trade, in real estate activities and transports; 0% in public administration and agriculture & fishing; and 15% in all remaining sectors) but for 4/12 of the year, instead of 2/12 in the moderate scenario. Weighing by the shares of the respective sectors in the GVA of the economy, this results in a decline of -12.9% decline in annual net disposable incomes (-€20.6) from the loss of turnover and wages.

The extension of social distancing measures will cause the extension of fiscal support measures too in order to cushion the impact of the COVID-19 crisis. The government has already stated its intention to implement measures in a more targeted way in any repetitions and focus on measures to support survival of businesses, which is critical to recovery prospects. This, apart from efficiency considerations, is also dictated by the limited fiscal space available, due to the already high debt-to-GDP ratio, as well as the need to retain liquidity for any further emergencies. Hence, any additional initiatives should worth less than the amount of €6.8billion of measures announced in March. Indicatively, we assume measures of total worth €10billion; these are expected to increase disposable incomes by the same amount or by 6,3%.

Regarding unemployment, the additional recession forces an even larger increase in unemployment, especially given the complete loss of the tourist season, which carries along the elimination of a host of seasonal jobs. Based on the empirical relation that connects levels of economic activity and unemployment, we project a year average unemployment rate of 22.8% of the labour force, i.e. ca 237,000 more persons unemployed compared to 2019. Assuming that the per person loss in disposable incomes from unemployment is approximately equal to the difference between the per capita gross income (17700) and the unemployment benefit (4800), increase of unemployment will reduce the total net nominal disposable income by ca €3.1billion or 1.9%.

Regarding net returns on net capital stock, in accordance to the logic of the moderate scenario, we assume a reduction equiproportional to the loss of turnover but for 4 months this time, i.e. 25,7%, *4/12.

Considering a 40% share of capital in the GDP, this means a ca €3.4billion or 2.1% decrease in nominal net disposable income.

In total, net nominal disposable income is projected to decrease by ca €17billion or 10.6%. In order to translate this into an increase in real disposable income, we need an estimate about consumer prices. In this scenario we project temporary deflation, i.e. an HICP decrease of -0.3% (period average) as the simultaneous demand and supply shocks run deep. With an HICP change of -0.3%, real disposable incomes should be decreased by -10.9%.

Assuming again an income elasticity of consumption of 0.9, the said fall of real disposable income would cause real private consumption to contract by -9.8%.

(b) Government consumption: (19.5% of GDP): on top of the budgeted 0.6% increase we now add €1.2billion or 3% impact from recent expansionary measures; allowing also for some modest slippage we pencil a +4% change.

Final consumption: (87.5% of GDP): -6.4%

(c) Gross Capital Formation: (12.5% of GDP): the new assumptions are compatible with a lasting negative impact in liquidity conditions, uncertainty and country risk. In addition, many firms will fail to survive, while other will postpone their entire investment programme. All in, we pencil a -25% decline.

Domestic demand (100% of GDP): -8.4% change.

(d) Exports of g&s (37.2% of GDP): as mentioned, yearly declines of 80% and 30% are expected in tourism and transports, which comprise 25% and 24% of total exports of goods & services respectively. For the rest, recession in trading markets is downgraded to -8%, which causes an equiproportional average reduction in external demand, assuming a unitary elasticity of demand for Greek g&s. Overall, an 31.2% decline in exports is expected.

(e) Imports of g&s (37.2% of GDP): An 100% reduction in trips abroad is assumed and -60% decline of fuel imports (19.4% of total imports of g&s) as reduction in demand is now larger. For remaining g&s, a decline proportional to loss of incomes (-10.9%) is assumed, times an income elasticity of imports of 1.2. All in, we project a -25.4% real decrease of imports.

Overall, real GDP growth for 2020 in this scenario is calculated to be -10.6%.

a. Risks to the Projection

Risks-Negative

As already explained, risks in this unprecedented crisis are large and are tilted to the downside. Recession could prove to be deeper if the expansion of COVID-19 proves to be larger, social distancing

measures last for longer, a second (or even a third) wave of expansion erupts from Autumn 2020 onwards, fiscal support measures are focused on subsidies instead of ensuring the viability of firms and prove to be unable to cushion the shock. By contrast, if support measures are too generous, markets could question the viability of the Greek public debt, which could be translated into increased country risk and thus increased cost of capital for the State, banks and corporates; that would seriously harm recovery prospects.

Another risk is that the COVID-19 crisis causes delays, abandoning or watering down in the quality of structural reforms and privatizations, which are crucial for the long-term growth potential of the economy. Political wavering and low ownership of reforms could harm confidence and mitigate the growth-enhancing content of reforms, as well as casting doubts at the country's ability to abide by its commitments. Then, investment and consumer confidence would be adversely affected, along with the financing of the public sector.

The COVID-19 crisis could also cause delays in the implementation of tax cuts that the Government had announced pre-crisis and which are badly needed for boosting growth and aligning motives in the private sector towards productivity and migration to the official economy.

The crisis could also cause delays in dealing with NPLs; if this is combined with a damage in the culture of payments from horizontal arrangements which favour strategic defaulting, banks' ability to finance the economy would be seriously compromised.

Any policy shortcomings delaying recovery could also further increase unemployment and harm social cohesion.

In addition to COVID-19-related risks, Greece faces the risk of a possible resurgence of the refugee crisis, which could cause uncertainty, burden fiscal economics and jeopardise social peace. A possible escalation of peripheral confrontations cannot be excluded, either due to geostrategical disputes in the Mediterranean (gas drills, situation in Libya), Turkish aggression or the war in Syria.

Risks-Positive

A rapid lift of social distancing measures, both domestically and in Greece's major trading partners, if a repetition of the phenomenon is avoided and a vaccine is made available shortly, could accelerate return to normality (V-shaped recovery), boost consumer and investor confidence and save part of the tourist season.

Government's adherence to structural reforms and privatizations could boost economic confidence and persuade investors. Equally importantly, participation in ECB's PEPP and easing of regulatory

constraints greatly assists the liquidity of the economy; combined with favourable developments in the COVID-19 crisis, it could decrease sovereign risk and keep lending rates for corporates low, thereby triggering a technical reaction of investment and domestic demand in general.

Efficient treatment of the COVID-19 crisis could benefit the country's fame as a tourist destination, especially if juxtaposed with outbreak of the virus or geopolitical risks in neighbouring countries.

Sustained weakness of the Euro could benefit competitiveness; sustained weakness in oil prices could favour production costs, especially given Greece's above- EU average dependence on oil.

3. Fiscal Outlook

The cost of support measures to deal with the COVID-19 outbreak lead to the deterioration of the 2020 primary balance; the effects on debt sustainability, even though contained so far, are negative and significant

3.1 2019 fiscal performance: primary surplus expected in line with 2020 Budget estimate

According to ELSTAT's recent First Excessive Deficit Procedure (22 April 2020), the 2019 overall fiscal balance was at €2.75 billion or 1.5% from 1.0%, 0.7% and 0.5% of GDP in 2018, 2017 and 2016 respectively, in ESA2010 terms. According to Eurostat's provisional data (23 April 2020). Greece ranked in the third position among euroarea countries in terms of the overall fiscal balance, below Luxemburg that registered a primary surplus of 2.2% of GDP, Cyprus and the Netherlands that both registered 1.7% of GDP and just above Germany that registered a fiscal surplus of 1.4% of GDP. The euroarea average overall fiscal balance was at a deficit of -0.6% of GDP (see Figure 9).[10]

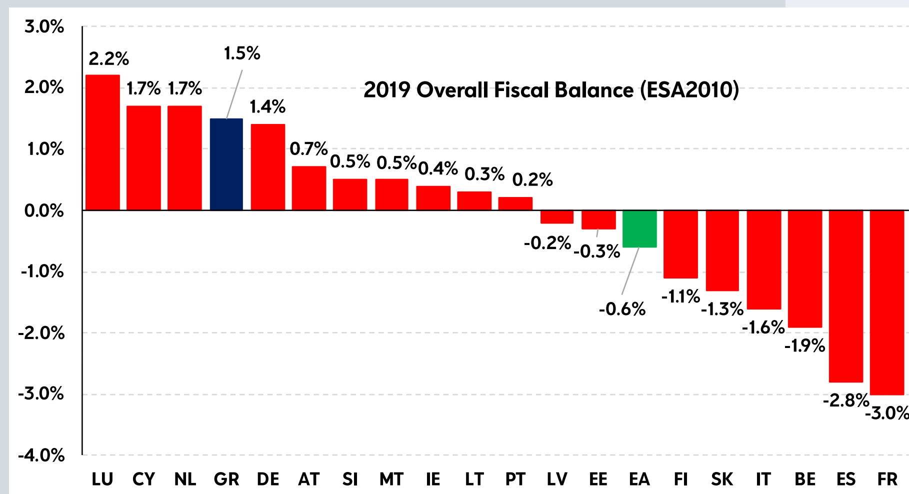
According to ELSTAT, the 2019 fiscal primary balance was at €8.25 billion or 4.4% from 4.3%, 3.8% and 3.7% of GDP in 2018, 2017 and 2016 respectively, in ESA2010 terms. Our (Eurobank Research) estimate for the 2019 primary deficit in Enhanced Surveillance (ES) terms is at 4.0% of GDP, in line with the respective 5th ES (February 2020). The primary surplus figure is net of the December 2019 social benefits, the payment of the public service obligation to the Public Power Corporation, and the fiscal expansionary measures – currently estimated at ca 1.1% of GDP – implemented in the course of 2019 by the previous and the current Greek governments.[11] The cost of these measures was addressed via the reduction of the various budget expenditure ceilings, - including the Public Investment Budget (PIB) ceiling- by 0.6% of GDP, the over-performance

[10] For more information on ELSTAT's and Eurostat's first Excessive Deficit Procedure notification for 2020: https://www.statistics.gr/documents/20181/2494ce76-8815-f7bb-46c8-ddb036116c6b and https://ec.europa.eu/eurostat/documents/2995521/10294648/2-22042020-AP-EN.pdf/6c8f0ef4-6221-1094-fef7-a07764b0369f

[11] These fiscal expansionary measures included: a) the introduction of a new (120) installments scheme for individuals and firms in order to pay their tax, social security and local government obligations, the reduction of the VAT rate for certain consumption items, the introduction of a certain pension benefit (so-called 13th pension) and the reversal of an earlier reform of survivors' pensions (May 2019 package implemented by the previous government with a fiscal impact of 0.7% of GDP

of tax revenues and social security revenues by 0.1% and 0.2% respectively, with the former mainly due to the revenues from the 120 installments scheme, and to various one-off revenues by 0.1%. Conditional on no major statistical revisions of the primary deficit – above 0.2% of GDP which is the "statistical revision" buffer already included in the aforementioned estimate – we consider the 4.0% of GDP primary balance for 2019 as feasible.[12, 13]

Figure 9: Euroarea – Overall Fiscal Balance (2019, ESA2010, % of GDP)



Source: Eurostat

The 2019 primary surplus realization, is significantly above the respective 2020 Budget estimate, as well as the respective ES target of 3.5% of GDP – but at a lesser extend compared to previous years' over-performance. As a result, 2019 is the sixth year with a positive primary balance since 2013; the 2014 primary balance was approximately zero. In particular, according to recent data from the IMF (World Economic Outlook, October 2019), Greece's primary balance for 2013, 2014, 2015, 2016, 2017 and 2018 stood at 0.4%, -0.2%, 0.7%, 3.7%, 4.2% and 4.3% of GDP respectively (see Figure 10), in ES terms. Considering that the 2009 primary balance was negative at -10.1% of GDP, the fiscal consolidation that started in early 2010 in the context of the First Economic Adjustment Programme and continued under the Second and Third Programmes and the Enhanced Surveillance scheme has been impressive by any measure, albeit economically and socially painful.

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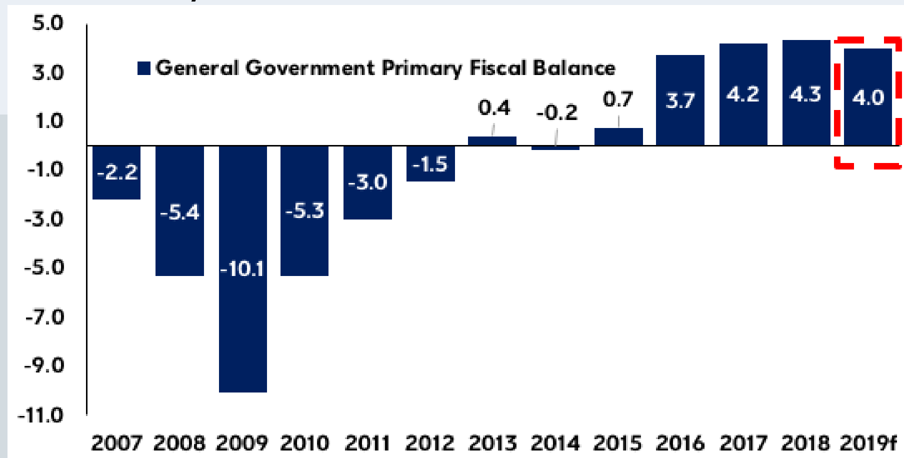
according to the 4th ES Review), b) the extension of the enrolment period for the aforementioned 120 installments scheme, the reduction of the interest rate charged to 3% on the 120 installments scheme, and the reduction of property tax by 22% on average (July 2019 fiscal package implemented by the current government with a fiscal impact of 0.4% of GDP according to the 4th ES Review).

[12] For more information on the 5th ES Review: https://ec.europa.eu/info/publications/enhanced-surveillance-report-greece-february-2020_en

[13] According to ELSTAT, the First Notification on the 2016-2019 is expected on 23 April 2020. For more information: https://www.statistics.gr/en/calendar#32020

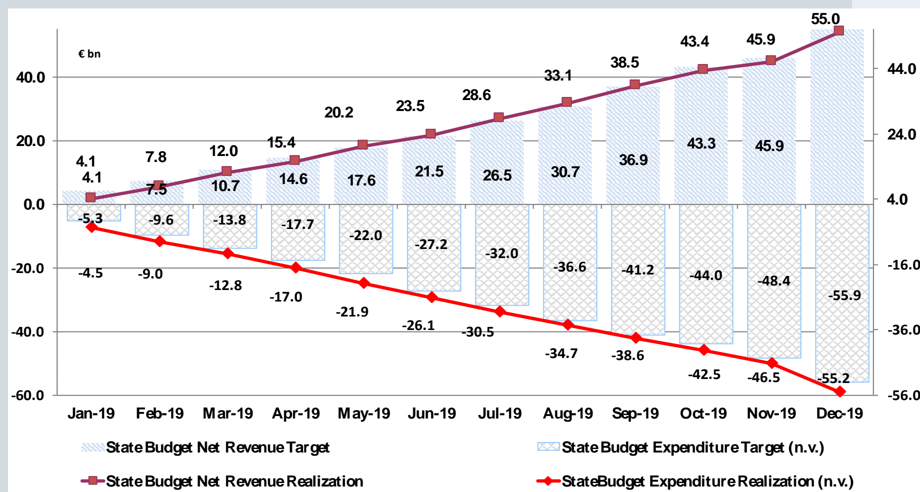
Figure 10: Greece – Primary Balance (2007-2019, Enhanced Surveillance definition, % of GDP)



Source: IMF, Ministry of Finance (2020 Budget), Enhanced Surveillance (5th Review).

According to the General Government data published by the Ministry of Finance, the January to December 2019 fiscal primary balance was at €9.45 billion or 5.0% of GDP, from €5.72 billion or 3.1% of GDP in 2018. Below, and in order to get a glimpse of the 2019 fiscal developments, we present the state budget data for January to December 2019 due to the availability of the annual targets.[14] In more detail:

Figure 11: 2019 State Budget Execution Developments (2019, €billionbillion)



Source: Ministry of Finance

[14] The general government budget consists of the sum of: a) the state budget, b) the hospitals budget [items (a) and (b) constitute the central government budget], c) the extra-budgetary central government funds, d) the local governments' budget and e) the social security funds balance. Note also that the ES definition of the primary surplus is stricter compared to the ESA2010 definition.

- The **state budget overall fiscal balance** for January-December 2019 registered a deficit of €0.23 billion, versus a 2020 Budget deficit estimate of €0.84 billion.
- The **state budget primary balance** registered a surplus of €4.96billion or 2.6% of GDP on a modified cash basis, versus a respective 2020 Budget surplus estimate of €4.40 billion. The state budget ordinary net revenue for January-December 2019 amounted to ca €55.02 billion, almost in line with the respective 2020 Budget estimate and increased by €3.23 billion compared to the respective 2018 figure (Figure 11). Total tax revenue over-performed by ca €0.09 billion with respect to the estimate of the 2020 Budget and by ca €0.19 billion compared to the respective 2018 figure. Note here that the forecast of the 2019 state budget ordinary net revenue was at ca €51.13 billion in the 2019 Budget. The difference between the 2019 Budget forecast and the revenue realization was at €3.89 billion or 2.1% of GDP after the necessary ESA2010 adjustments; to a large extent this, together with a streamlining of expenditure ceilings, provided the fiscal space for the expansionary fiscal measures implemented during 2019. Note however, that a significant part of this over-performance was of a one-off nature and thus does not create a solid basis for the revenue side of the 2020 budget.The **state budget Public investment budget total revenue** for January-December 2019 amounted to ca €2.77 billion, lower by ca €0.78 billion (or -21.9%) relative to the respective estimate in the 2020 Budget but increased by ca €0.13 billion (or -5.1%) compared to the respective 2018 figure.
- The **state budget ordinary expenditure** in January-December 2019 amounted to ca €55.24 billion, undershooting the respective 2020 Budget estimate by ca €0.62 billion or -1.1% (Figure 11). Net interest payments were below the respective 2020 Budget estimate by €0.02 billion (or -0.4%) but increased by ca €0.55 billion (or 11.7%) compared to the respective 2018 figure.
- The **state budget public investment budget (PIB) total expenditure** for January-December 2019 amounted to ca €5.64 billion, lower by ca €0.51 billion (or -8.3%) compared with the respective 2020 budget estimate and by ca €0.60 billion (or -9.5%) compared to the respective 2018 figure. The under-execution of the PIB expenditure, observed repeatedly in the past, constitutes a potential risk for GDP growth rates in the upcoming period, if repeated. According to the 5th ES Review, this under-execution is mainly due to various operational and administrative rigidities and a lack of a pipeline of mature projects. These open issues might affect negatively the effort of the government on the change of use of the SMP&ANFA income equivalents from public debt servicing to the financing of public investment projects.

Attainability of the 2020 general government fiscal primary surplus target

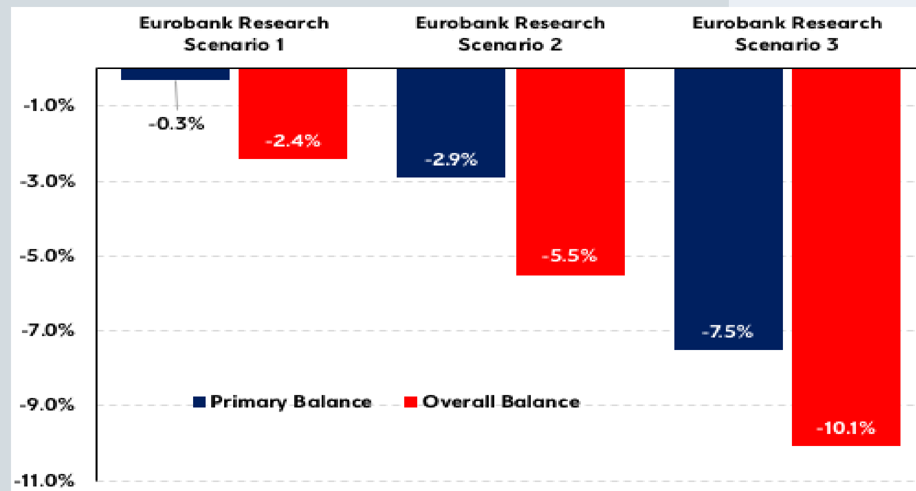
According to the preliminary data published by the Ministry of Finance, the March 2020 state government fiscal primary balance was at €0.60 billion, increased by €0.17 billion compared to the respective 2020 Budget target (January-March 2019: €1.44 billion). State budget revenue registered a shortfall of €0.064 billion despite the higher than expected tax revenue and transfers. The PIB revenues were at €0.91 billion below the respective 2020 Budget target by €0.09 billion. Significant caution is needed here since, as already mentioned, the under-execution of PIB constituted, even before the COVID-19 outbreak, one of the

major risks. Post COVID-19 outbreak, the aforementioned PIB revenues constitute a significant source for containing the deterioration of the 2020 Budget revenue. On the other hand, the shortfall in state budget expenditure was at €0.13 billion and thus permitted the achievement of a higher overall and primary fiscal balance. The PIB expenditure was at €0.81 billion above the respective budget target by €0.06 billion. Finally note that the COVID-19 lockdown started gradually from March 10th onwards, but the fiscal effect was transferred to the following month(s).

According to the 2020 Budget, the fiscal primary surplus for 2020 was expected at 3.6% of GDP, slightly above the respective ES target of 3.5% of GDP. However, the aforementioned primary surplus figure was before the COVID-19 outbreak and the associated negative effects of lockdown measures on the world economy – including the Eurozone and Greece. In this context, the Greek government announced from mid-March 2020 a series of measures aiming to cushion the impact of the virus outbreak. The cost of these measures is estimated at a minimum of €5.0 billion (or €6.8 billion in ESA2010 terms) according to the supplementary 2020 Budget submitted by the Greek Government in 02 April 2020.[15]

As a result of the cost of the aforementioned measures and the developments regarding the revenues of the 2020 Budget, the fiscal primary balance for the said year is expected to turn negative for the first time since 2013. The deviation from the 3.5% of GDP primary surplus target does not constitute a breach of the ES agreement. The Eurogroup held on 4 March 2020 decided that non-permanent deviations of member-states from the agreed fiscal paths due to unusual effects outside the control of their governments, i.e. the effects of the epidemic, are acceptable.

Figure 12: 2020 Primary Balance Developments (% of GDP)



Source: 2020 Draft Budget, Eurobank Research

In this context, below we present three scenarios for the 2020 primary balance (Figure 12). All three scenarios are based on the following assumptions, to the tune of assumptions made in the moderate scenario for GDP growth rates (which resulted in an estimate of ca -6.5% for 2020 real GDP growth):

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[15] A synopsis of these fiscal expansionary measures is presented in the next section and a detailed list in Appendix 1 below.

1. The lockdown stops in early May 2020 and the country gradually returns to normality
2. All items on the 2020 Budget expenditure side will remain as budgeted
3. The 2020 supplementary budget remains at €5.0 .billion
4. The additional fiscal; expansionary measures planned (including both the cut on the solidarity surcharge together and the reduction of the corporate income tax for 2020) conditional on the available fiscal space will not be implemented.

On the other hand, the three scenaria differ with respect to the assumption regarding the 2020 Budget revenue.

- **Eurobank Research Scenario 1**:
  Under the first scenario, budget revenue remains in line with the respective 2020 Figure. The latter figure together with the size of expenditure initially (pre-COVID-19) projected in the 2020 Budget were foreseen to achieve a primary surplus of €7.01 billion or 3.6% of GDP (in ES terms). In the post-COVID-19 environment the fiscal impact of public support measures announced so far is expected at €6.8 billion, according to the Greek Government. According to our analysis, the primary balance in such a case is estimated at ca -0.1% of GDP and the overall fiscal balance is expected at -2.4% of GDP.
- **Eurobank Research Scenario 2:**
  Under the second scenario, the budget revenue would register an annual decline of just 10% mainly as a result of lower VAT revenues due to the March-April 2020 lockdown and a mild reduction in tourism revenues. In this setting, the primary surplus for 2020 is expected at -2.9% of GDP. The overall fiscal balance is expected at -5.5% of GDP.
- **Eurobank Research Scenario 3:**
  Under the third scenario, the 2020 Budget revenue would register an annual decline of 25% mainly as a result of significantly lower VAT revenues (and in general lower consumption tax revenues) due to lower tourism revenues compared to Scenario 2. In such a setting, the primary balance is expected at -7.5% of GDP and the overall fiscal balance at -10.1% of GDP.

This exercise shows the sensitivity of the primary balance with respect to the size of the public support package aiming to fight the COVID-19 outbreak and to the expected revenue. The 2020 primary balance is expected to further deteriorate if a) the lockdown continues in May and June 2020, b) the public support package needs to be extended in size, c) the fall in revenue exceeds 25% compared to the initial 2020 Budget, or d) any combination of the above.[16]

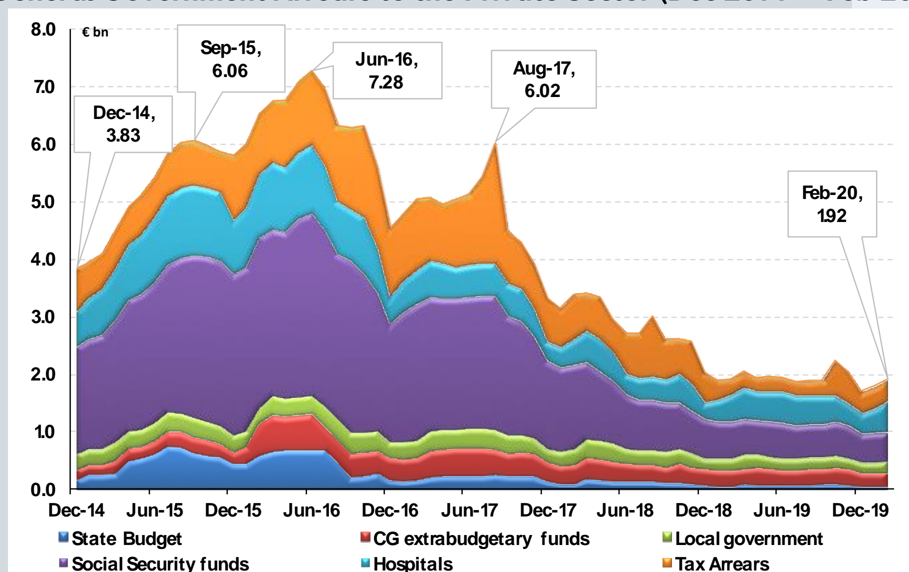
On the other hand, a number of factors might provide much needed support for the 2020 primary balance and beyond. These factors include:

- The smooth conclusion of the upcoming ES reviews.
- The avoidance of backtracking in reforms implemented so far.

[16] The fiscal effect from the ongoing court cases regarding the 2016 pension law, and the Public Real Estate Company (5th ES Review) constitute additional factors that might contribute to the further deterioration of the 2020 primary balance.

- The continuation in the progress made by the Independent Authority for Public Revenue in collecting taxes, fighting tax evasion and implementing measures aiming to broaden the tax base, including the broadening of the tax base for the 2020 property tax (ENFIA).
- The implementation of the plan aiming to connect in real time the retailers' cash registers with the General Accounting Office as a measure to tackle VAT evasion. The VAT Gap – the difference between the VAT total theoretical liability as obtained by national accounts data and the actual VAT revenues – for Greece in 2017 was at 33.6%, the second highest among EU countries and increased compared to 2016 by 2.6%.[17]
- The continuation of the increasing trend in the use of e-payments methods that tend to increase the VAT revenue (and the declared income of the firms). The use of e-payments methods increased significantly as a side-effect of the implementation of the capital control measures in late June 2015 and the incentives introduced in the personal income tax reforms (2016 mainly and more recently in December 2019). According to the Foundation for Economic and Industrial Research (2019), the use of e-payment means in Greece increased almost 4 times (370%) in terms of value and almost 7 times in terms of number of transactions (710%) between 2014 and 2018. In 2018, the value of transactions with means e-payments as a share of private consumption was at 18.4% for Greece and 29.3% for Euroarea.[18]
- The elimination of the current stock of General Government arrears to the private sector, together with the avoidance of the creation of new arrears.

Figure 13: General Government Arrears to the Private Sector (Dec 2014 - Feb 2020, € billion)



Source: Ministry of Finance

[17] For more information: https://ec.europa.eu/taxation_customs/sites/taxation/files/vat-gap-full-report-2019_en.pdf
[18] For more information: http://iobe.gr/docs/economy/en/ECO_Q3_2018_REP_EN.pdf

The clearance of the general government arrears

According to the most recent General Government data, the stock of arrears (including tax arrears) at the end of February 2020 was at €1.92 billion, registering an increase of 6.4% on a monthly basis and a decrease of -68.2% compared to their most recent peak in August 2017 (Figure 13). The stock of arrears excluding tax arrears was at €1.54 billion, registering an increase of 8.0% on a monthly basis. Hospitals, local governments' and central government funds registered a monthly increase, an event that constitutes clearly a risk for the elimination of the total arrears. Lack of serious progress for the reduction of arrears during 2019 was mainly the result of various rigidities in the public sector. According to the 4th ES review, the elimination of the current stock of arrears is expected by the end of 2020.[19] More recently, in the context of addressing the negative effects of the COVID-19 outbreak, the government decided to speed up the general government arrears clearing process and return €1.92 billion to the private sector in a welcome effort to boost its liquidity. The recent track record on the clearance of general government arrears does not constitute a credible indicator for the achievement of the aforementioned target. Total general government arrears fell by just €0.33 billion on an annual basis in December 2019.

The sum of the cash buffer and the repoed deposits of the General Government that amounts up to €33.7 billion might be used to cover COVID-19 public support financing needs

According to the PDMA, the cash buffer aiming to facilitate Greece's access to the international markets was estimated at €23.50 billion (or 12.5 of GDP) at the end-of-December 2019 (5th ES Review) (see Figure 14). Sources of funds were as follows:[20]

a) Revenues of ca €4.40 billion from the GGB issuances of 2017 and 2018,

b) Disbursements from the ESM loan (€11.40 billion). From the disbursements following the 3rd and the 4th reviews of the programme, ca €1.90 billion and ca €9.50 billion respectively were used for the cash buffer build-up.

c) The central government deposits with the Bank of Greece and various cash reserves of the central government that altogether amount to ca €7.80 billion.[21]

The aforementioned amount increases up to € 33.70 billion (or 17.7 of GDP), with the inclusion of the repoed deposits of the General Government's entities. Note that these deposits existed before the build-up- of the cash buffer in 2018.[22]

Our (Eurobank Research) estimate of the upper limit of the sum of the cash buffer and the repoed General Government deposits is at ca €34.9 billion, conditional on the following:

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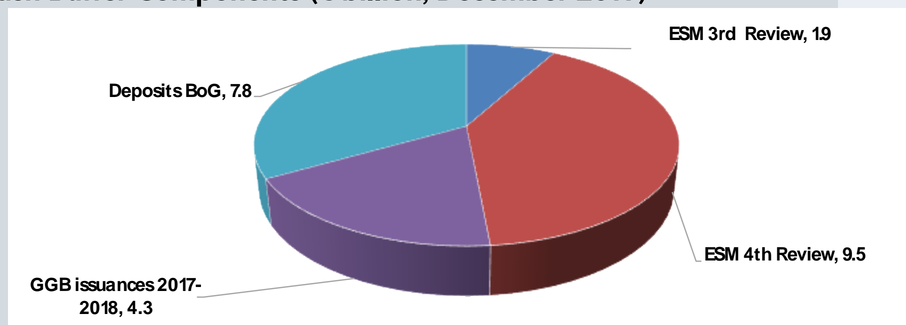
[19] For more information on arrears clearance please refer also to the structural reforms section below.
[20] For more information, please refer to: http://www.pdma.gr/en/component/content/article/17-investor-relations-library/2675-funding-strategy-for-2020?Itemid=197
[21] However, the central government deposits with the Bank of Greece at the end of December 2019 were at €10.68 billion.
[22] According to the Bank of Greece, the General Government deposits were at €12.94 billion. According to the PDMA , the repos at the end of 2014 were at €8.60 billion.

- The central government total cash reserves with the Bank of Greece were at ca €24.15 billion at the end of February 2020;
- The deposits of the general government to the private banks were at ca €15.04 billion, according to the Bank of Greece at the end of February 2020.
- The assumption that the minimum amount needed for the smooth operation of the general government is at ca €4.3 billion and thus the maximum amount available to be repoed is at €10.77 billion (i.e., 10.77=15.04-4.27).[23]

Before, the COVID-19 outbreak, the cash buffer was adequate for covering 4 years (up to end 2023) of gross financing needs assuming that the current stock of T-bills will be rolled over or reduced via the issuance of new GGBs.[24] In the post-COVID-19 environment the cash buffer will most likely used at least partially to finance the 2020 primary deficit conditional on its size; together with new debt issuance via the markets (the Greek government already issued a 7-year bond in mid-April 2020) and / or via the ESM (and the tools that currently are under discussion at the euroarea level).

Figure 14: Cash Buffer Components (€ billion, December 2019)



Source: PDMA, Eurobank Research

Public Debt: A Snapshot

According to ELSTAT's recent First Excessive Deficit Procedure (22 April 2020), the General Government debt decreased to ca €331.06 billion (or 176.6% of GDP) in 2019 from ca €334.72 billion (or 181.2% of GDP) in 2018. According to the PDMA, almost 81% of it was owed to the official sector (ESM, EFSF, IMF, GLF, EIB, SMP & ANFA bonds and REPO transactions with the General Government) and the remaining 19% was owed to the private sector (Bonds , other private sector loans and T-bills) (Figure 15).[25]

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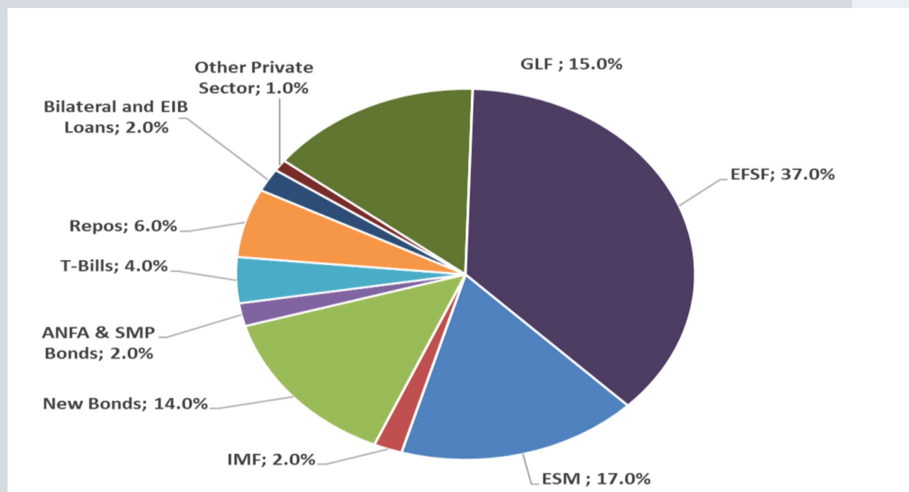
[23] According to the Bank of Greece, the deposits of the central government at the end of July 2015 were at €4.3 bn. If we take into account the financing needs of the country at that time (no programme financing, capital controls, increase in the amount of the general government arrears to the private sector, etc) we can safely assume that this amount corresponds to the minimum amount that permits the operation of the general government.

[24] According to the PDMA the total stock of T-Bills was reduced by €2.20 bn in 2019 (from €14.80 billion in 2018 to €12.60 bn in 2019). The PDMA, before the COVID-19 outbreak, expected a further reduction of the T-bills stock by €4.40 billion during 2020.

[25] http://www.pdma.gr/attachments/article/2675/HR-%20Funding%20Strategy%202020.pdf

According to Eurostat, Greece in 2019 ranked – for another year – first in terms of General Government debt as a percentage of GDP among Euroarea countries, with Italy (136.2% of GDP) and Portugal (119.5% of GDP) ranking second and third respectively (Figure 16). Yet, Greece enjoys much more favorable terms of public debt financing. According to the PDMA, the weighted average maturity of the Greek public debt currently stands at ca 21 years, as GLF, EFSF and ESM loans have long maturities due to the PSI and the debt buyback in 2012, together with the short and medium term debt relief measures implemented in 2017 and 2018. Moreover, the interest debt servicing as a percentage of general government revenue has followed a decreasing pattern mainly as a result of decreasing financing costs. The interest debt servicing as a percentage of total revenue was at 11.2% in 2012 just after the PSI and fell to just 6.2% in 2019 (Figure 17).[26] Finally, before the COVID-19 outbreak, Greek public debt was expected to decrease to 169.3% and 163.1% of GDP in 2020 and 2021. These forecasts are outdated in the post-COVID-19 environment.

Figure 15: Greece: General Government Debt by type of Debtor (2018, % of Debt)

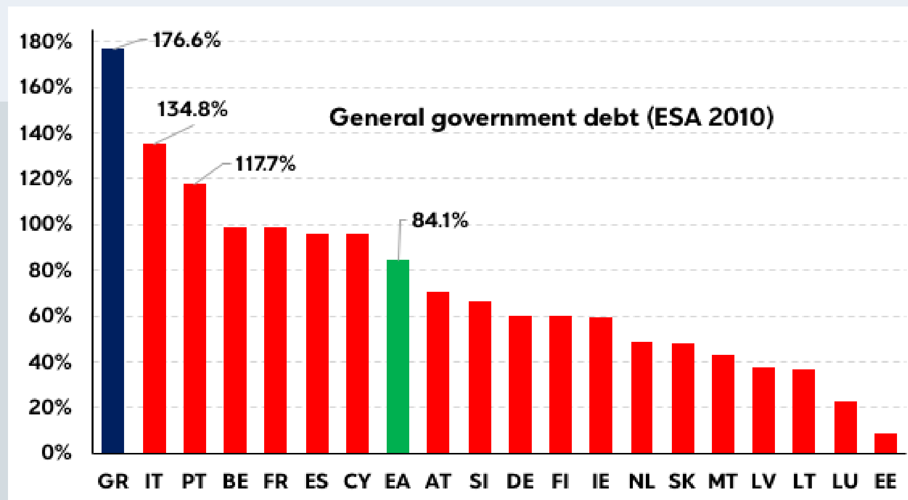


Source: PDMA

On the back of this environment, the PDMA re-established continuous market access during 2019 (3 new bond issues for a total amount of €9.0billion). In 28 January 2020, the PDMA issued a 15-year bond of €2.50 billion at a yield of 1.9%. This was the longest maturity issued since the onset of the crisis in 2009. More recently, in 15 April 2020, amid the COVID-19 lockdown, the PDMA issued a 7-year bond of €2.00 billion at a yield of 2.013%. [27]

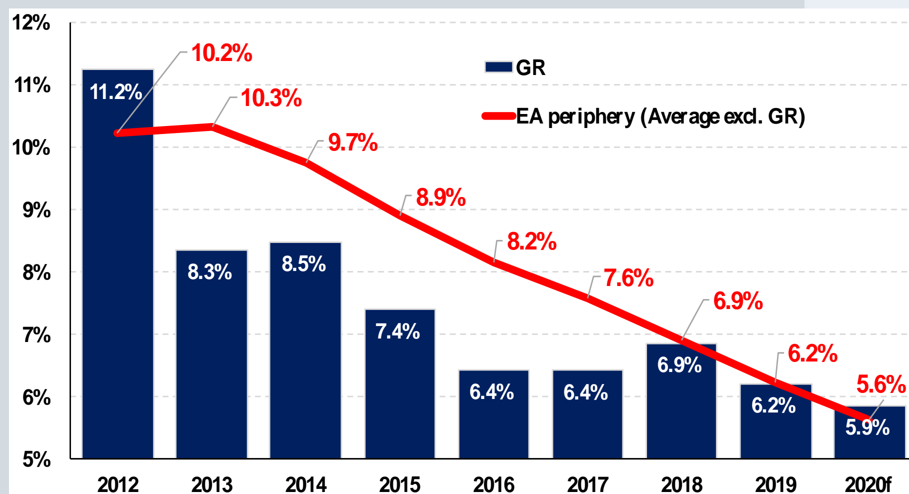
[26] The interest debt servicing as a percentage of total revenue for Greece in 2011, before the PSI, was at 17.2%.
[27] For more information on GGBs issuances: http://www.pdma.gr/en/debt-instruments-greek-government-bonds/issuance-calendar-a-syndication-and-auction-results/latest-results/latest-bond-syndication-results

Figure 16: Euroarea: Debt to GDP Ratios (2019, % of GDP)



Source: Eurostat

Figure 17: General Government Interest Expenses (2012-2021, % of Total Revenue)



Source: AMECO, Eurobank Research

Note: EA periphery includes Cyprus, Ireland, Italy, Portugal and Spain

In April 2019, the Eurogroup decided that reform commitments for end-2018 had been fulfilled and thus that the necessary conditions are in place to release the first tranche of policy-contingent debt measures (transfer of SMP$ANFA income equivalent amounts and abolition of the step-up interest margin on certain EFSF loans) which amounted to ca €0.97 billion. In addition, the Board of Directors of the EFSF, in

early January 2020 decided to reduce to zero the step-up margin due from Greece for the period between 17 June 2019 and 31 December 2019.[28] The 4 December 2019 Eurogroup approved the release of the second ES installment of € 970 million from the SMP&ANFA income equivalent. The actual disbursement took place in early April 2020. According to the most recent information, still there is no decision on the use of the SMP&ANFA equivalents for purposes other than debt servicing needs, even though there is an ongoing debate.

Debt Sustainability Analysis

On the basis of the above, we present an update of our (Eurobank Research) debt sustainability analysis (DSA). The analysis below focuses on the effects of the COVID-19 outbreak on the sustainability of Greek public debt only. We present three DSA scenarios.

- **Scenario A:** Our pre-COVID-19 baseline scenario's assumptions are presented briefly below:
    - Real GDP: at 2.0%, 2.3% and 2.0% in 2020, 2021 and 2022 respectively. Long-term real GDP growth projected to level off to 1.1% between 2023 and 2070.
    - Inflation (GDP deflator): projected to gradually converge, from 0.8% in 2019, to about 2% in 2022 and to maintain this level between 2023 and 2070.
    - Primary balance: at 3.5% of GDP for 2019-2022. At 2.2% of GDP between 2023 and 2070.
    - Privatization revenues: €14.0 billion from 2017 to 2060, from which € 13.0 billion from non-bank assets.
    - Re-financing rate between 2023 and 2070: at 4.5% (average).
    - The liquidation of ca 75.0% of the central government cash buffer in equal installments between 2023 and 2028, i.e. the remaining amount consists of deposits that will act as liquidity buffer for the day-to-day operations of the general government.
    - The use of the SMP&ANFA income equivalents (from the ES disbursements) for debt servicing only
- **Scenario B:** Our post-COVID-19 baseline scenario's assumptions are presented briefly below:
    - Real GDP: at -6.5%, 4.0% and 2.8% in 2020, 2021 and 2022 respectively. Long-term real GDP growth projected to level off to 1.1% between 2023 and 2070.
    - Inflation (GDP deflator): projected to gradually converge, from 0.2%, 0.9%, 1.1%, in 2020, 2021 and 2022, to about 1.7% in 2022 and to maintain this level between 2023 and 2070.
    - Primary balance: at -7.5% of GDP for 2020 (Eurobank Research Scenario 3 above), while it returns to the ES target for 2021 and 2022. At 2.2% of GDP between 2023 and 2070.
    - The financing of the cost of the public support against the economic effects of the COVID-19 outbreak (€6.80 billion) is achieved via the issuance of new debt (the cash buffer remains intact in 2020).
    - Privatization revenues: €14.00 billion from 2020 to 2060, from which €13.00 billion from non-bank assets.

[28] For more information on the reduction of the step-up interest rate margin: https://www.esm.europa.eu/press-releases/efsf-approves-reduction-step-interest-margin-greece

- Re-financing rate between 2023 and 2070: at 4.5% (average).
- The liquidation of ca 75.0% of the central government cash buffer in equal installments between 2023 and 2028, i.e. the remaining amount consists of deposits that will act as liquidity buffer for the day-to-day operations of the general government.
- The use of the SMP&ANFA income equivalents (from the ES disbursements) for debt servicing only.

- **Scenario B.1:** The financing of the cost of the public support against the economic effects of the COVID-19 outbreak is achieved via the use of the cash buffer. All remaining assumptions remain unchanged compared to Scenario B.
- **Scenario C (Adverse scenario):** in our post-COVID-19 adverse scenario, real GDP falls by -10.6% in 2020 and increases by 0.0%, 2.0%, and 2.8% in 2021, 2022 and 2023 in the tune of the adverse scenario presented for the GDP above. The remaining assumptions regarding real GDP remain unchanged compared to Scenario B. The 2020 COVID-19 public support increases to €10.0 billion and is financed via the issuance of new debt (the cash buffer remains intact in 2020). Thus the 2020 primary balance is expected at -9.3% of GDP. All remaining assumptions remain unchanged compared to Scenario B.
- **Scenario C.1:** The financing of the cost of the public support against the economic effects of the COVID-19 outbreak is achieved via the use of the cash buffer. All remaining assumptions remain unchanged compared to Scenario C.

Figures 18 & 19 below present the evolution of the Greek general government debt and the Gross Financing Needs (GFN) as percentages of GDP between 2019 and 2070. In view of the long average duration of the Greek public debt and concessionary interest rates, the debt-to-GDP ratio does not provide an accurate representation of debt sustainability. Hence, both in the context of the Third Economic Adjustment Programme and the ES, an alternative sustainability criterion was adopted, i.e. that the GFN to GDP ratio should be below 15% for the medium term (defined as ca 2030), while for the long term it needs to be below 20%.[29]

Under the pre-COVID-19, Scenario A, the general government debt was expected to decrease, from 176.6% in 2019, to 74.1% of GDP in 2070, falling below 100% of GDP for the first time in 2043 (at 98.8% of GDP) and below 90% of GDP in 2054 (at 89.2% of GDP). At the same time, GFNs were expected at 7.0% of GDP in 2020 and significantly below the aforementioned 15% of GDP threshold between 2019 and 2070 mainly as a result of the implementation of the medium term debt relief measures (on top of the 2012 PSI and the 2017 short term debt relief measures). The 20% of GDP threshold is not binding under scenario A. The GFNs on average were expected at 6.6% of GDP between 2019 and 2030 with the respective figure for the 2031-2070 period at 10.7% of GDP. Clearly, the general government debt was considered as sustainable under Scenario A.

Under the post-COVID-19, Scenario B, the general government debt is expected to increase, from 176.6% in 2019, to 195.3% of GDP in 2020, as a result of the cost of the public support package against the economic effects of the pandemic, the negative GDP growth rate and the assumption of the intact capital

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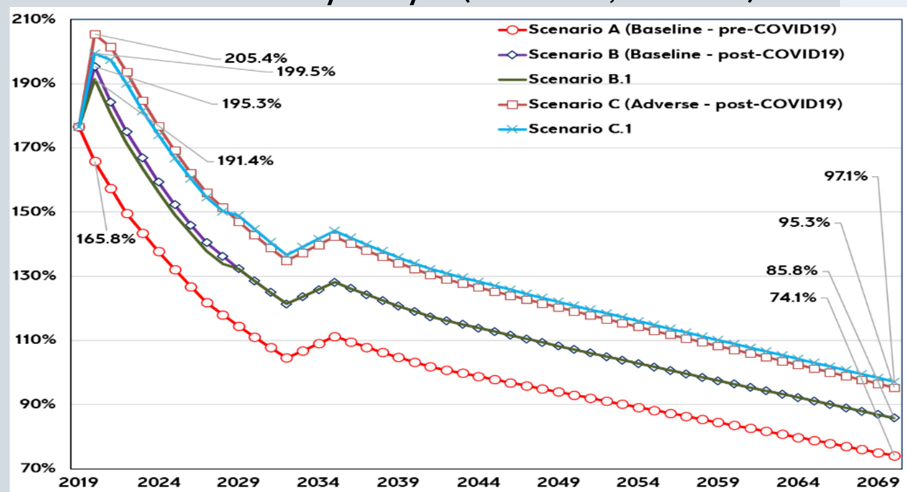
[29] According to the IMF, these benchmarks highlight the level of the indicator that best predicts the occurrence of a debt distress event in the sense that it minimizes the sum of the missed crises and false alarms. For more information on the 15% and 20% of GDP GFN thresholds: https://www.imf.org/external/np/pp/eng/2013/050913.pdf

buffer. The debt-to-GDP ratio is expected at 184.2% of GDP in 2021 and then gradually decreasing to 85.8% of GDP in 2070, almost 12 percentage points higher compared to the pre-COVID-19 scenario. It is expected to fall below 100% of GDP for the first time, in 2057 (at 99.6% of GDP), 13 years later compared to the pre-COVID-19 scenario. At the same time, GFNs are expected at 19.4% of GDP in 2020, above the aforementioned 15% of GDP threshold, as a result of the COVID-19 public support cost and the decision to keep the capital buffer intact. However, under Scenario B.1, (i.e. the scenario that assumes that the cash buffer is used for the financing of the COVID-19 public support) the GFNs for 2020 are expected at 15.5% of GDP; both scenarios (B and B.1) are identical from 2021 onwards. The 20% of GDP threshold is not binding under scenario B (or B.1). The GFNs on average are expected at 8.2% of GDP between 2019 and 2030 while the respective figure for the 2031-2070 period is at 12.5% of GDP. The general government debt is considered as sustainable but increased compared to the (pre-COVID-19) Scenario A.

Figure 18: Greece: Debt Sustainability Analysis (2019-2070, % of GDP)

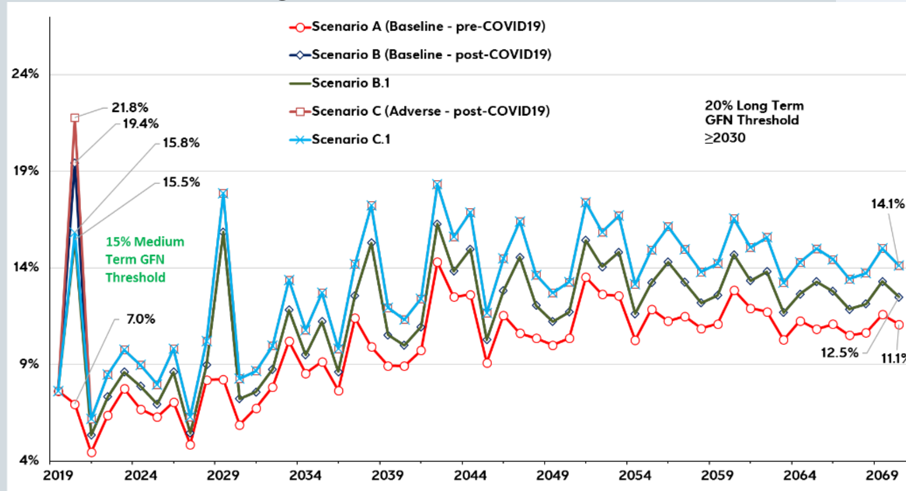


Source: PDMA, Eurobank Research

Under the post-COVID-19, Scenario C, the general government debt is expected to increase, from 176.6% in 2019, to 205.4% of GDP in 2020, as a result of the cost of the public support package against the economic effects of the pandemic, the negative GDP growth rate and the assumption of the intact capital buffer. The debt-to-GDP ratio is expected at 201.5% and 193.6% of GDP in 2021 and 2022. Then, gradually the debt-to-GDP ratio is expected to fall to 95.3% of GDP in 2070, almost 10 and 23 percentage points higher compared to Scenario B and A respectively; it is expected to fall below 100% of GDP for the first time in 2067 (at 98.9% of GDP), 10 years later compared to Scenario B. At the same time, GFNs are expected at 24.1% of GDP in 2020, above the sustainability threshold of 15% of GDP as a result of the aforementioned COVID-19 cost and the assumption of the intact capital buffer. Under Scenario C.1, i.e. the use of the cash buffer in order to finance the cost of the COVID-19 public support, the GFNs for 2020 are expected at 15.5% of GDP. The 20% of GDP threshold is not binding under scenario C (or C.1) post 2020. In Scenario C, GFNs on average are expected at 9.4% of GDP between 2019 and 2030

while the respective figure for the 2031-2070 period is at 14.1% of GDP. The general government debt is considered as sustainable again but increased compared to Scenario B.

Figure 19: Greece: Gross Financing Needs (2019-2070, % of GDP)



Source: PDMA, Eurobank Research

The above exercise shows that, both in terms of the debt –to- GDP ratio and GFN –to- GDP ratio, the impact of the COVID-19 epidemic is significant, although it does not result in the violation of the definition of debt sustainability. However, small changes in the DSA assumptions could derail the baseline scenario's debt-to GDP path. Hence, the possibility that further interventions are needed in the long-term in the part of the General Government debt held by the official sector cannot ruled out. It is not by chance that the European Commission in its 2018 Fiscal Sustainability Stability Report (January 2019) was confined to the short term, in which it sees limited risks for fiscal sustainability– conditional on the implementation of policies foreseen in the ES –as a result of the structure of Greek debt (long maturities and high official sector ownership), the medium term debt relief measures decided in the 21 June 2018 Eurogroup, the primary surpluses achieved so far and the commitment of the Greek authorities to continue this performance.[30]

[30] For more information, please refer to: https://ec.europa.eu/info/publications/economy-finance/fiscal-sustainability-report-2018_en

4. Reforms and Privatizations

Progress in reforms and privatizations was accelerating pre-crisis; momentum must be maintained

The government that emerged from the July 2019 general election was elected on an ambitious reform agenda, following a reform fatigue that had characterized the last year of the preceding administration, The 5th Enhanced Surveillance Report (February 2020) found that the reform and privatisations programme was broadly on track while the government was pursuing additional reform actions in areas outside the ES programme, such as education and public safety.

Nevertheless, the COVID-19 pandemic, which hit Greece in late February, is having an impact on the progress of the reforms and privatisations programme. The containment measures started being adopted in the first week of March and escalated to a general lock-down in mid-March while at the same time successive packages of measures to support the economy are being implemented. As a result, several reforms and privatizations are being delayed or even suspended until economic normalcy has been restored. On the positive side, the containment measures and the ensuing urgency to carry out a number of activities remotely has led to the rapid adoption and familiarization with technology by the state, companies and households in a number of areas. For example, the state was forced to provide a number of services electronically (e.g. electronic prescriptions, registry deeds, issuance of passwords by the tax authorities), companies had to quickly upgrade their business model to support online sales, banks and their customers had to resort to internet banking and teachers and students had to adapt to distant learning.

The reform agenda of the Greek government is to a large extent determined, but not limited, by the Enhanced Surveillance (ES) framework, which was activated upon the completion of the 3rd EAP in August 2018. The ES framework incorporates the prior actions that were foreseen in the 3rd EAP and had not been completed by the time the programme expired. These reforms span six areas: 1) fiscal structural, 2) social welfare, 3) the financial sector, 4) product and labour markets, 5) public administration and justice, and 6) privatizations. Nevertheless, in spite being obligations undertaken in the context of the ES framework, it is increasingly understood that reforms are the corner stone of stronger and more sustainable growth.[31] Additionally, reforms are also largely linked by Greece's institutional creditors to the attainment of the government's more immediate goals, namely the change of the use of the SMP/ANFA profits, the carry-over of the over-performance in primary surpluses to subsequent years (smoothing-out mechanism) and the reduction of the primary surplus targets.[32]

The present section looks into the progress made in the aforementioned six pillars as well as initiatives beyond these areas that have been or are expected to be undertaken in the period ahead.

[31] Addressing the Parliament on February 4th, Bank of Greece Governor Yiannis Stournaras stated that "the resolute and swift implementation of reforms (…) will help offset the risks associated with the slowdown in the global economy and boost investor confidence in the medium-term outlook of the Greek economy".
[32] During his visit to Greece (February 2020), European Commissioner for Economy Paolo Gentiloni stated that the sooner the Greek government proceeds with reforms, the more open the European Finance Ministers will be about discussing the potential revision of the primary surplus targets.

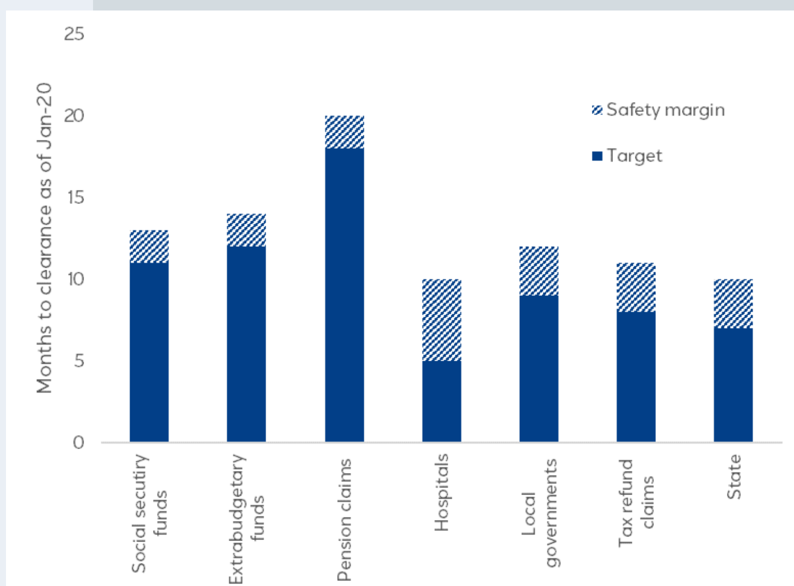
Fiscal structural reforms

The realignment of property values is considered a reform of high importance as it will broaden the tax base from 85% to 98% and will render the property tax system fairer and more efficient. The new objective property values were initially scheduled to be adopted by mid-2020, but the COVID-19 crisis led to the postponement of the reform for later in the year. As a result, the 2020 property tax will be calculated on the basis of the existing property values.

Some progress has been made in the revenue administration with the performance of the Independent Authority of Public Revenue (IAPR) against a number of KPIs being mixed. The staffing of the IAPR has been slow, resulting in the number of staff at end-2019 being 11,902, below the target of 12,500. Progress has been achieved in IAPR's HR management system, IT capacity and relocation, conditions that are considered necessary to boost its efficiency. More efforts should be exerted towards fighting smuggling, particularly through strengthening the Operational Coordination Centre.

The stock of state arrears remains high due to the creation of new arrears as well as the difficulty in clearing aged arrears. The government had committed to reduce it to €1 bn by end-Dec 2019, but this target was missed by €220mn. According to the latest Enhanced Surveillance Report, more than half of this slippage is due to pension claims, which is itself attributed partly to inefficiencies of the clearance process and partly to increased numbers of applications due to the instalments scheme. Local governments and the state account for the remaining slippage. The government's current plan foresees clearing most of the remaining arrears by end-2020 with the exception of pension claims that will be cleared by mid-2021 (Figure 19).

Figure 19. Arrears clearance plan schedule



Source: General Accounting Office, Enhanced Surveillance Report, February 2020

The Treasury Single Account (TSA), is making good progress as by end-September 2019 half of all general government entities had opened an account at the Bank of Greece. The General Accounting Office has adopted measures to provide incentives to the remaining government entities to open such accounts while a pilot project on cash forecasting for entities with a budget of over 50mn started at the end of 2019. A new directorate in the Ministry of Finance is responsible for monitoring the TSA project. Accordingly, the Unified Chart of Accounts (UCoA)[33] is also broadly on track but its implementation in the Public Investment Budget is not progressing satisfactorily.

Other recent legislative initiatives related to fiscal policy are as follows:

The government adopted a new tax law in December 2019 including the agreed measures of the 2020 Budget as well as a number of other measures, which according to the 5th Enhanced Surveillance (ES) Report are in the right direction. The new tax law foresees, among others, the reduction of the personal income tax rate, the corporate tax rate and the dividend tax rate as well as amendments to the framework for the determination of real-estate values and fines to short-term lease property owners for withholding tax information. It should be noted that the concerns regarding the 3-year time-limited VAT exemption for construction that were voiced in the 4th ES Report are no longer present in the 5th report. All secondary legislation that is required for the implementation of the new tax law is expected to be in place by April 2020.

Furthermore, Law 4621/2019 amended the instalment scheme for the repayment of tax debts to become more flexible.[34] The European institutions have voiced concerns as to the impact of such schemes on payment discipline but Greek authorities have committed not to open new ad hoc installment schemes again and that the only available instalment scheme will be the basic one.

Further ahead, the government reportedly intends to gradually reduce the trade duty for the self-employed and the special solidarity tax with a view to having them both abolished by end-2023, contingent on the availability of fiscal space.

Social welfare

Pensions are at the centre of attention for a number of reasons. The recent rulings by the Council of State (CoS) and the Court of Auditors (CoA) declaring unconstitutional some aspects of past pension reforms have created uncertainty as to the fiscal cost that these decisions may incur. The Plenary of the CoS launched in January 2020 a pilot trial[35] through which it will rule on all issues pertaining to retrospective financial compensation of pensioners, following the appeal of the Unified Social Security Fund (EFKA), which sought to have the matter resolved at the Supreme Administrative Court of Greece. About 6,000 relevant lawsuits, most of them collective, are pending at the Administrative Court of First Instance in Athens but their adjudication has been suspended for the time being. The pilot trial of the CoS, began on 10th January 2020 and is expected to conclude by mid-2020. According to EFKA, the claims in main pensions

[33] The UCoA constitutes a key public financial management reform towards improved financial analysis, decision-making and reporting as well as transparency and reliability of fiscal data. The Greek authorities committed to fully implement the UCoA in all General Government entities by 2020.
[34] The enrollment period was extended until the first week of October 2019, the instalments for companies were increased to 120 and the interest charged on the debt during the settlement period was reduced to 3%.
[35] The Council of State, Act 21/2019: https://bit.ly/39rDE3a

may reach €21.5 billion, while those in auxiliary ones €5billion, raising the total potential fiscal cost to €26.5 billion. Pensioners, on the other hand, argue that the total cost will not exceed €6 billion.

Meanwhile, a new social security bill was passed in February. It foresees the readjustment of accrual rates and the retroactive (from 1 Oct-19) increase of main pensions for pensioners with contributions of over 30 years as well as the increase of supplementary pensions to pre-2014 levels. According to the 5th ES Report, these changes lead to high average replacement rates by European standards. The bill also foresees the disconnection of contributions of the self-employed from their declared income while increasing the minimum amount paid. Furthermore, the "13th pension" is abolished as of 2020. Finally, the bill describes the changes to the new Single Social Security Fund, which will also incorporate the Supplementary Pension Fund. On this front, delays have been observed but the government reportedly intends to accelerate the fund's completion with an aim to unifying the IT systems by end-2020 and digitizing services by mid-2021.

In the health sector, the collection of clawbacks is improving but the ever-increasing clawback amounts raise concerns. The government intends to tackle this problem by strengthening the implementation of the compulsory prescription/treatment protocols. With regard to the primary health care centres there has been a change in strategy and the remaining 120 Local Health Units will be housed in existing Health Centres, which should accelerate their roll-out. Delays are observed, however, with regard to staffing, compulsory registration and gatekeeping. Weak progress is recorded in the centralised health procurement system where the revised strategy foresees decentralized procurement at regional level and the transformation of the new central body for health procurement to a private law legal entity. Meanwhile, a new housing benefit has been introduced but the disability benefit reform is slow and the evaluation of the system of subsidies for local public transport is expected to be completed by end April 2020, instead of end-2019 that was the initial plan.

Financial sector

The pace of electronic auctions and out-of-court settlements is accelerating but with poor results so far. Impediments to e-auctions have not been adequately addressed and as a result this tool has not proven particularly efficient in reducing NPLs[36]. Significant court backlogs for household insolvency are also recorded and their elimination, which constitutes an end-2021 commitment, is behind schedule. Meanwhile, a new bankruptcy law covering both households and businesses is expected to be introduced and put in effect in May 2020. The new legislation, which will replace existing bankruptcy laws, will reportedly incorporate the EU Directive "on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency)". The new insolvency framework will reportedly not provide for the protection of first residence but will foresee a "safety net" for weak households. Law 3869/2010, also known as "Katseli Law", will seize to apply, but those who have already been subjected to it, will continue to be protected until their case has been adjudicated.

[36] According to the Hellenic Banking Association obstacles stem primarily from the strategic behaviour of debtors resorting to last-minute filings under the household insolvency framework as well as to the filing of reserve price revision requests in order to block enforcement proceedings.

Product and labour market reforms

The ex-post assessment of the increase in the statutory minimum wage and the elimination of the sub-minimum wage for <25 aged workers is expected. The Greek educational system presents important challenges that have been identified in the 2018 OECD review and include inefficient allocation of resources, low autonomy, poor educational outcomes, skill mismatches and weaknesses in the governance of higher education institutions. The current government has declared its intention to modernize the education system introducing, among others, performance-based funding, stronger quality assurance and bachelor-level programmes in English. Cadastre and investment licensing have recorded progress but more needs to be done to promote exports. It should be noted that according to the 2019 Global Competitiveness Report, Greece slid to the 59th position, two places lower compared to 2018. Among the areas where Greece fares worse are the product and the labour markets where it ranks 81st and 111th respectively. Be that as it may, the Development Law that was adopted in October 2019 contributed to the improvement of the business environment addressing issues such as the alignment of the nuisance classification system, licensing requirements and the lead time for the approval of spatial plans. It also foresees the development of a Single Digit Map for construction and investment projects, a National Programme for Administrative Simplification to cut red tape, an Observatory for measuring and monitoring the impact of regulation on the administrative burden and a National Development Plan that provides the framework for the management of the national component of the PIB.

Energy

The energy sector falls under the 'product and labour market reforms' category but deserves particular attention as it is undergoing a significant overhaul. Changes in the energy sector are mainly driven by the European Green Deal[37] and the Greek government's commitment to move away from lignite-fired electricity production, the obligations stemming from the Enhanced Surveillance (ES) programme and the financial situation of the Public Power Corporation (PPC).

With regard to the de-lignitisation, the government has declared its intention to gradually shut down lignite-fired electricity production units by 2028, which implies an increasingly larger share of hydro and gas-fired production and Renewable Energy Sources (RES). In fact, according to PPC,[38] its capacity mix will shift from 37% lignite, 61% hydro-gas and 2% RES in 2019 to 8% lignite, 74% hydro-gas and 17% RES in 2024. This transition will create space for the entry of new players in the production process as well as the formation of partnerships between PPC and private entities in order to accelerate the scale up. As regards funding, Greece may receive up to €300mn from the Just Transition Fund in the context of the country's de-lignitisation process and the ensuing social challenges of the transition. According to the Deputy Minister Gerasimos Thomas[39] this amount may be added to ESPA funds of €900mn to €1.5billion, InvestEU funds in

[37] https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf
[38] 'PPC's medium-term strategic priorities and financial outlook', 16 December 2019
[39] 'Transition to a lignite-free era with €4.4bn", KATHIMERINI, 17 January 2020 http://kathimerini.newspaperdirect.com/epaper/viewer.aspx

the area of €1.8billion and loans of the public sector of c. €1-1.2billion, bringing the total to €3.7billion–€4.5billion.

As regards the target model, according to the 5th ES Report its implementation is scheduled for mid-2020 and this deadline will likely be met.

Public administration and justice

According to the 2019 Global Competitiveness Report, Greece ranks 85th in the institutions pillar, two places higher than in 2018. The first main legislative action of the current administration was the Executive State Law (Law 4622/2019). This law introduced the Permanent Secretary post, but cancelled the Administrative Secretary post, which, according to the 4th ES Report, would also contribute to that direction and have a broader scope. Furthermore, the Executive State Law reintroduced the right for the Prime Minister and the relevant line Minister to directly appoint the Secretaries General provided that some basic qualification criteria are met. Other provisions of the law include better defining the role of the Council of Ministers and enhancing the Government Presidency's Office so as for it to monitor and coordinate the work of the whole government more efficiently. The Executive Law is expected to also contribute to better legal codification as well as the control of the cost and the size of the public sector.

As regards the digital transformation of the state in particular, it is apparently one of the areas that the COVID-19 crisis had a positive effect on. According to the Ministry of Digital Transformation a number of projects that were in the pipeline for the period ahead were expedited in order to facilitate the citizens during the quarantine. As a result, a number of services are now offered online including medical prescriptions, submission of formal declarations, transportation approvals, issuance of certificates by the courts and distant learning at all education levels. Citizens have massively endorsed these online services, attesting to the fact that society at large was ready for this transformation. This constitutes a significant legacy for the post-COVID-19 era, which is expected to boost competitiveness.

On the justice front, delays have been recorded as regards the second phase of the Integrated Judicial Case Management System and the electronic filing and processing of legal documents, but action is being taken to accelerate progress. Finally, the mandatory mediation framework, which aligns the Greek legislation with the Directive 2008/52/EC (21 May 2008) on certain aspects of mediation in civil and commercial matters, has been enacted.

Other important developments

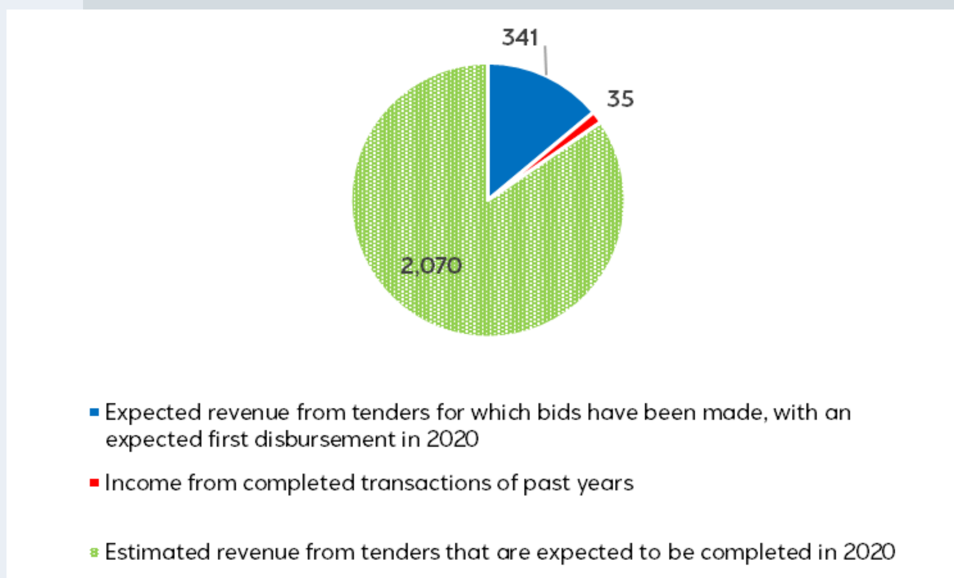
Aside from the aforementioned developments, which are broadly linked to the Enhanced Surveillance framework, other legislative initiatives have also recently been adopted and are expected to have a positive impact. The first one is the disconnection of the election of the President of the Republic from the

parliamentary elections, which will undoubtedly contribute to political stability. Under the previous regime, opposition parties could exploit the presidential election in order to trigger a snap general election. At the same time, the new electoral law (Law 4654/2020) that was recently legislated, foresees the reinstatement of the enhanced proportional system – albeit with somewhat different characteristics than before – which is considered to facilitate the formation of a government contrary to the current proportional system. Finally, the government is working on a new National Growth Strategy, which will set out comprehensive and actionable medium-term reform priorities to support investments and exports. The said strategy is being prepared by a high-level expert committee, headed by Nobel Prize Economist Christopher Pissarides.

Privatisations

The 2020 Budget foresaw a total of €2,4 billion of privatization proceeds in 2020 as seen in Figure 20. However, the COVID-19 pandemic and consequent lockdown, have caused significant delays in the privatizations programme affecting, among others, projects such as the sale of DEPA Commercial, DEPA Infrastructure and the Athens International Airport. As a result, the expected privatisations revenue for 2020 will be significantly lower than the projected €2,4 billion and possibly closer to €370 million, which incorporates the first disbursement of the Hellinikon concession and the proceeds from the sale of the Alimos marina.

Figure 20. ***Pre-COVID-19*** **expected privatisation revenue in 2020 on a cash basis (million EUR)**



Source: 2020 Budget

The following paragraphs describe the progress of the main privatisation projects as well as the next steps ahead.

HELPE. The tender with end date 3 April 2019 failed as no binding offers were submitted. The next steps include the exploitation of alternative scenarios for the sale of the Greek state's shares and a new tender process.

PPC. The two previous tenders for the divestiture of the lignite-fired units failed. The HRADF will evaluate alternative options for the exploitation of its 17% share. Meanwhile, the government is committed to gradually phasing out lignite-fired electricity production by 2028.

DEPA Infrastructure. An international public tender was launched for the sale of the 100% share capital of DEPA Infrastructure SA and nine investment schemes submitted expressions of interest. Currently DEPA Infrastructure is owned by HRADF (65%) and HELPE (35%), both of which will sell the total of their shareholdings.

DEPA Commercial. On 23 January the HRADF launched the tender for the sale of its 65% shareholding in DEPA Commercial. It is noted that the HRADF and Hellenic Petroleum (HELPE) have entered into a Memorandum of Understanding whereby the preferred investor will have the option to acquire the remaining 35% owned by HELPE, leading to an acquisition of 100% of the company's share capital. On 23 March, HRADF announced that nine investment schemes submitted expressions of interest.

Hellinikon. The pending Presidential Decree and Joint Ministerial Decisions have been issued. The tender for the casino license is underway but delays may occur as the rejected candidate filed an appeal. Nevertheless, demolition works may begin due to a recent regulation that allows such works on the site of Hellinikon to be undertaken before the financial closing of the concession (Law 4663/2020).

AIA (sale of 30%). Nine out of ten investment schemes that had expressed interest for the acquisition of the 30% stake in the Athens International Airport are qualified to proceed to the binding offers phase of the tender. The financial closing of the transaction was expected before the end of the year but the COVID-19 pandemic is expected to delay the project.

Egnatia motorway. The date for the submission of binding offers has been moved anew to 26 June 2020 due to pending actions by both the Greek State and Egnatia Odos SA. These pending actions are related to the toll pricing policy, the construction of the toll stations and certification of the safety of bridges and tunnels.

10 port authorities. The HRADF carried out studies to evaluate the most appropriate privatisation transaction structure for the 10 regional ports, namely those of Alexandroupoli, Kavala, Volos, Rafina, Elefsina, Lavrion, Igoumenitsa, Corfu, Patra and Heraklion. Upon completion of these studies, in early February the HRADF issued requests for proposals for financial, technical and legal advisors for the ports project. According to press, the two privatization models that will be applied are either the sale of shares or the sub-concession. The first international tenders are expected for the ports of Alexandroupoli, Igoumenitsa, Heraklion and then Kavala and Volos while some of these tenders may be launched even before the summer.

Marinas. The HRADF has been granted the right for the concession and exploitation of 17 marinas and will assess alternative proposals and options for their development. The tenders for the Chios and Alimos marinas have been completed for total considerations of EUR6.2mn and EUR177mn respectively (incl. lump sum, annual concession fee and % of annual turnover).

EYATH. An advisor is to be appointed for the exploitation of HRADF's 24.02% stake.

EYDAP. An advisor is to be appointed for the exploitation of HRADF's 11.33% stake.

ELTA. Cost reductions have been achieved while a study for the transformation of the company has been carried out. Nevertheless, according to the 2020 Budget, "the company's problems remain extremely grave and its restructuring constitutes an extremely difficult task" while, according to press, the cost of the company's restructuring may reach €400 million.[40]

[40] KATHIMERINI, 8 February 2020.

Appendix

Measures against the economic impact of COVID-19

Since the onset of the COVID-19 crisis the government has adopted a number of measures to support the economy. This Appendix presents the measures and potential sources of financing at the time of writing (24 April 2020) and are subject to change as events unfold.

I. Measures to support companies, employees, freelancers and self-employed.

There are three frameworks of support measures with each framework applying to different Activity Code Numbers (KAΔ)[41]. The criterion for the eligibility of KAΔ per framework is how severely these KAΔ are affected by the pandemic and thus the list of KAΔ per framework is dynamic and might change at later stages. Framework 1 applies to KAΔ most severely affected and therefore contains the broadest set of measures, which is progressively narrowed down in frameworks 2 and 3. Finally, it should be noted that only companies that do not carry out redundancies are eligible for support.

a. Framework 1 measures:

- Suspension until 31/8/2020 of VAT and other tax payments without interest or other surcharges for businesses horizontally in sectors that are severely hit by COVI-19. The 'payment holiday' will not apply to businesses that carry out redundancies.
- Suspension until 30/9/2020 or 31/10/2020 of social security contributions (both employers' and employees' contributions) payable in March or April respectively and up to 30/6/2020 or 31/7/2020 of verified debts to EFKA payable in March or April respectively. The 'payment holiday' will not apply to businesses that carry out redundancies.
- Suspension up to 4 months of tax payments without interest or other surcharges for employees whose contract has been suspended.
- Compensation of €800 for 45 days to employees whose employment contract has been suspended. The state will also fully cover the insurance, pension and health rights of workers and their social security contributions on the basis of their total nominal wages. This allowance cannot be confiscated or offset against other debts.
- Compensation of €800 for 45 days for freelancers, self-employed, business owners (of any legal entity except SA) who employ up to five people (provided that they have not submitted zero VAT declarations for the last six months).
- Suspension until 31/8/2020 of VAT and other tax liabilities for freelancers, self-employed and scientists-freelancers.

[41] Finance Ministry, Table of Activity Code Numbers: https://www.minfin.gr/documents/20182/9976964/%CE%A0%CE%99%CE%9D%CE%91%CE%9A%CE%91%CE%A3+%CE%9A%CE%A9%CE%94%CE%99%CE%9A%CE%A9%CE%9D+%CE%91%CE%A1%CE%99%CE%98%CE%9C%CE%A9%CE%9D+%CE%94%CE%A1%CE%91%CE%A3%CE%A4%CE%97%CE%A1%CE%99%CE%9F%CE%A4%CE%97%CE%A4%CE%91%CE%A3+%CE%91%CE%A0%CE%A1%CE%99%CE%9B%CE%99%CE%9F%CE%A3+2020.pdf/ca28e73d-6d55-4275-9541-e3594dcc0dbb

- Suspension until 30/9/2020 of social security contributions and up to 30/6/2020 or 31/7/2020 of verified debts to EFKA payable in March or April respectively, for freelancers, self-employed and scientists-freelancers.
- Companies whose operation has been suspended or experience severe damage are given the option to postpone the payment of the Easter allowance until 30/6/2020. For employees whose contract has been suspended, the percentage of their Easter allowance that corresponds to the number of days that their contract has been suspended will be covered by the state.
- Businesses whose operation has been compulsorily suspended, may pay 60% of the rent for March and April. The same applies for the 1st residence rent of employees whose work contract has been suspended. For the owners of the above properties, a tax payment holiday is granted until 31 August 2020.
- For all the cases of tax payment holidays (excl. VAT) mentioned above (companies, employees, real estate owners, freelancers, self-employed and scientists-freelancers), a 25% discount is applied for those who pay their tax obligations on time.
- Facilitation of access to work through flexible work hours, work from home and special purpose leaves. The State will share the cost with employers and employees.
- Lay-offs in businesses whose operation has been suspended by state decision are declared invalid.

b. Framework 2 measures (industry, wholesale trade, insurance, audit and trading companies):

Framework 2 contains the measures of framework 1 ***except***: the suspension of social security payments and the reduced rent.

c. Framework 3 measures (energy, gas stations, waste management and infrastructure):

Framework 3 contains the measures of framework 2 ***except***: the suspension of tax payments for companies and freelancers/self-employed.

II. Other measures

- Compensation of €600 for scientists – freelancers up to 30 April.
- Compensation of €800 for May for scientists – freelancers (it will not be given if the lockdown ends).
- Rent discount of 40% for students that study away from their home town
- Allowance of €400 to 155,000 long-term unemployed
- Discount of 25% in the February and March 2020 social security contributions of self-employed, scientists – freelancers and farmers if they are paid on time.
- Facilitation of access to work through flexible work hours, work from home and special purpose leaves.

- Business financing will be provided in the form of a refundable advance payment, with an extended repayment period and grace period for all businesses severely affected by the coronavirus, totaling € 1 billion. The amount of funding available will take into account the reduction in business turnover, as well as the wage and non-wage costs of employees. Again, the measure will not apply to businesses that carry out redundancies.
- Support of €150mn to the primary sector.
- Hospital and Civil Protection staff (108,000 in total) will receive an extra half-salary in recognition of their efforts during the current crisis, which is estimated at €80 million. Paid on 9 April 2020.
- An additional €1.8billion from the Coronavirus Response Investment Initiative will be provided to fund actions such as business liquidity and the support of employment income. Overall, liquidity will be further enhanced by optimally combining funds from the Public Investment Budget, the Partnership Agreement for the Development Framework (ESPA), the Greek Development Bank and the European Investment Bank Group, in order to ensure maximum leverage.
- Suspension of checks for 75 days.
- Reduced VAT (from 24% to 6%) for hygiene products such as masks, antiseptics, wipes, etc. until the end of the year.
- The 2020 property tax will be based on the previous regime, the new property tax values will apply as of 2021.
- The Independent Authority for Public Revenue will proceed with the immediate repayment of all outstanding liabilities to citizens and businesses, refunding up to €30,000 for each case under review. It is estimated that in March and April, €600 million will have been returned.
- For consistent businesses and private individuals who are eligible for the €800 allowance, loan amortisation payments are suspended for three months.
- Interest rate subsidy for business loans of SMEs for the period 1/4/2020 to 30/6/2020 with the possibility of an extension, if necessary. The subsidy cannot exceed €800,000 for each company or group of companies, while in total the measure is expected to cost €1.2 billion, with the initial amount reaching €750 million[42].
- The ECB launched a €750billion Pandemic Emergency Purchase Programme (PEPP). A waiver of the eligibility requirements for securities issued by the Greek government is granted for purchases under PEPP. Benchmark allocation across jurisdictions will continue to be the capital key of the national central banks, which, for the Bank of Greece currently stands at 2.03%. In addition, collateral standards are further eased by including claims related to the financing of the corporate sector, translating into extra liquidity for banks and the real economy.

[42] Ministry of Development
http://www.mindev.gov.gr/%cf%85%cf%80%ce%bf%cf%85%cf%81%ce%b3%ce%b9%ce%ba%ce%ae-%ce%b1%cf%80%cf%8c%cf%86%ce%b1%cf%83%ce%b7-%ce%b3%ce%b9%ce%b1-%cf%84%ce%b7%ce%bd-%ce%b5%cf%80%ce%b9%ce%b4%cf%8c%cf%84%ce%b7%cf%83%ce%b7-%cf%84/

- Support of the public health system by spending €15mn for medical supplies and €70mn for the recruitment of 2,000 medical staff. Additional funding is estimated to exceed €200mn.

III. Next steps

- In order to support revenues, the government is examining a discount of 5% -10% on income and property tax for all tax payers, provided that they pay in lump sum and by the deadline of the first installment.
- Extraordinary settlement of 10 monthly installments with a very low interest rate for the repayment of taxes and debts that were suspended due to COVID-19. Prior debts will be settled by the fixed arrangement of 24 or 28 installments.
- Further support measures will be adopted in May, which will reportedly be more customized rather than horizontal.
- A number of measures to support tourism are being examined, such as: abolishing the overnight stay fee, reducing the VAT rate, reducing the tax advance payment for this year, accepting tourists only from countries where the pandemic has receded, applying rapid testing at entry points, etc. SETE has submitted the following proposals to the government: 1) a common, pan-European protocol to control transportation, 2) a targeted tourism campaign, 3) the decrease of VAT as of 1/6/2020 to 6% for accommodation services, 13% for food services and 13% for transportation, 4) subsidies for jobs and workers for the whole of 2020, 5) Cancellation of the tax advance payment, 6) suspension of the overnight stay fee, 7) Utilisation of all liquidity support tools, domestic and foreign, 8) Non-payment of loan installments for the whole of 2020 and transfer thereof at the end of the loan term, with one year extension, 9) Utilisation of structural funds (ESPA) for investments in construction, technology and services regardless of the size of the company, and 10) Competitive charges for the usage of infrastructure in 2020-2021, particularly airports (KATHIMERINI, 11 April 2020).
- The government has reportedly requested from the institutions the postponement of the new household insolvency framework and a six-month extension to the existing one.
- Potential decrease of certain taxes and social security contributions.
- Support of employment.
- Accelerated depreciation for investments.
- Potential decrease up to 25% of the property tax (ENFIA) for property owners whose rent has been reduced by 40%, provided that the property tax be paid in lump sum before the deadline for the first installment expires (KATHIMERINI 12 April 2020).

IV. Cost of measures and funding by the 2020 Budget

- The total cost of the measures for March and April amounts to **€6.8 billion** broken down as follows (based on press releases[43]):
  - Suspension of tax payments **€2.1 billion**
  - Suspension of social security contributions **€1.6 billion**
  - Compensation of €800 to employees **€1.4 billion**
  - Refundable advance payment **€1 billion**
  - Support of the health system **€200 million**
  - Easter allowance to hospital workers (Paid on 9 April 2020): **€80 million**
  - Support of primary sector: **€150 million**
  - Other measures

From what we know so far, it appears that the following constitute grants and directly burden the state budget:

- The compensation of €800 for eligible employees, freelancers, self-employed and scientists-freelancers.
- The 25% discount for taxes and social security contributions that are paid on time is not an expenditure, but decreases revenue and therefore affects the bottom-line equally.
- The insurance contributions of employees whose employment contract has been suspended, but only the share borne by the employee.
- The percentage of the Easter allowance for the employees whose contract has been suspended, which corresponds to the number of days that the contract is suspended.
- Aid for farmers of €150 million.
- Additional expenditure to support the health sector of €200 million.
- Extra half-salary for health workers of €80 million.

- The supplementary budget (submitted on April 2nd) foresees the increase of the expenditure ceiling by €5 billion.[44]
- The aforementioned cost is expected to be covered by the liquidation of the 2020 expected primary surplus of 3.5% conditional on the fact that the tax revenues will remain close to their targeted levels (2020 Budget) for the second half of the year and that the shortfall in the first half would be mild

[43]KATHIMERINI, 31 March 2020 https://www.kathimerini.gr/1071524/gallery/oikonomia/ellhnikh-oikonomia/sta-68-dis-eyrw-o-logariasmos-ths-pandhmias-gia-martio-aprilio
[44] For more information: Law 4682/2020 – Government Gazette 46/A/3-4-2020

enough. Deviations from these conditions for the revenues would require additional sources of funding (use of the cash buffer, financing from the markets, use of the tools currently under discussion at the Eurozone level).

- The cash buffer that the Greek Government formed in 2018 might be used for funding the 2020 Budget. According to the most recent Enhanced Surveillance report (February 2020) the state cash reserves were at €23.5 billion at the end of 2019. According to the PDMA the cash buffer included at the end of September 2019, was at €32 billion (15.7 from the last two installments of the 3rd programme, the issuance of a bond in 2018 and various central government cash reserves and €16.3 billion from the General Government deposits (used via repo agreements).[45] Permission of the institutions is required for the use of the €15.7billion of the cash buffer. The Minister of Finance C. Staikouras, on April 2 2020 and in the context of the submission of the 2020 Supplementary Budget, mentioned that the cash buffer is currently at €15.7 billion and that the deposits of the General Government are €20 billion. The Minister of Finance also mentioned in a recent interview that the use of the cash buffer cannot be ruled out if the aforementioned measures continue in June 2020.[46]

V. Additional Provision of Liquidity for the Greek economy

- European Investment Fund: €1.8 billion.
- Guarantee mechanism in consultation with the EU for the granting of working capital loans to SMEs: up to €3 billion.
- Guarantee mechanism in cooperation with NBG for investment loans: up to €500 million.
- Increase of the resources of the Entrepreneurship Fund of the Hellenic Development Bank to grant new loans to companies that are affected by COVID-19 with a 100% subsidy of the interest payment for two years: €250 million.
- ECB related measures including LTROS, TLTROs, waiver for the PEPP[47]
- Tax refunds of up to 30,000 will be paid with express procedures. In March and April, the amount is expected to reach €600 million.
- Interest rate subsidy for business loans of SMEs for the period 1/4/2020 to 30/6/2020 with the possibility of an extension, if necessary. In total the measure is expected to cost €1.2 billion, with the initial amount reaching €750 million and will be financed by structural funds (ESPA).
- Pandemic Crisis Support: €240 billion (based on ESM's ECCL) with each member state receiving up to 2% of its 2019 GDP. Greece may receive up to €4 billion[48].

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[45] For more information refer on page 13 of the following pdma presentation.: http://www.pdma.gr/attachments/article/2675/HR-%20Funding%20Strategy%202020.pdf and on page 83 of the Enhanced Surveillance Review (February 2020): https://ec.europa.eu/info/sites/info/files/economy-finance/ip123_en_0.pdf
[46] Interview at Open TV (07 April 2020).
[47] For more information: https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html and https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200312~8d3aec3ff2.en.html
[48] KATHIMERINI 11 April 2020 https://www.kathimerini.gr/1073384/article/oikonomia/ellhnikh-oikonomia/to-endexomeno-prosfyghs-ston-esm-provlhmatizei-thn-a8hna

- SURE: financial assistance during the time of the crisis, in the form of loans granted on favourable terms from the EU to Member States, of up to €100 billion in total, primarily to support the efforts to protect workers and jobs and some health related measures. Greece may receive between €1.5 billion to €2 billion[49].
- EIB: pan-European guarantee fund of EUR 25 billion, which could support EUR 200 billion of financing for companies with a focus on SMEs, throughout the EU, including through national promotional banks. For Greece liquidity for new business loans: €2 billion.

[49] KATHIMERINI 11 April 2020 https://www.kathimerini.gr/1073384/article/oikonomia/ellhnikh-oikonomia/to-en-dexomeno-prosfyghs-ston-esm-provlhmatizei-thn-a8hna

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