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# **The Greek Economy: Implementing a new Model of Growth**

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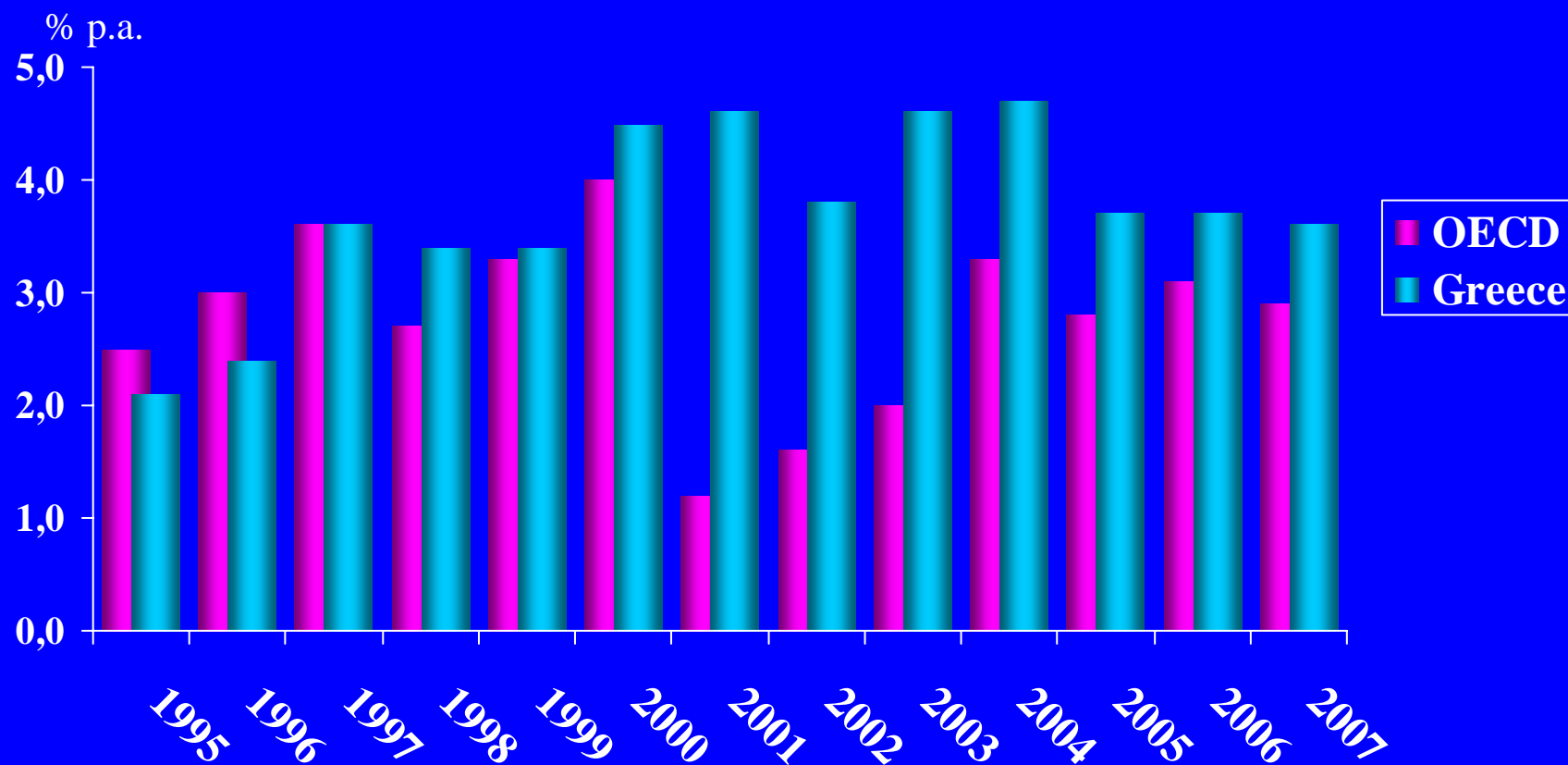
# Presentation Overview

- **Greece's Economic Performance: A Look Back**
- **A new Model for Growth**
- **The Outlook for the 2006 – 2008 period: Robust Growth, Fiscal Consolidation, Structural reforms**
- **Enhancing Greece's Economic Potential**
  - **Key Policy Initiatives**
  - **The Emerging Economies of South-eastern Europe: New Opportunities for Greece**
- **Conclusion: The Case for Investing in Greece**



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# Growth in Greece Compares Well with OECD Countries

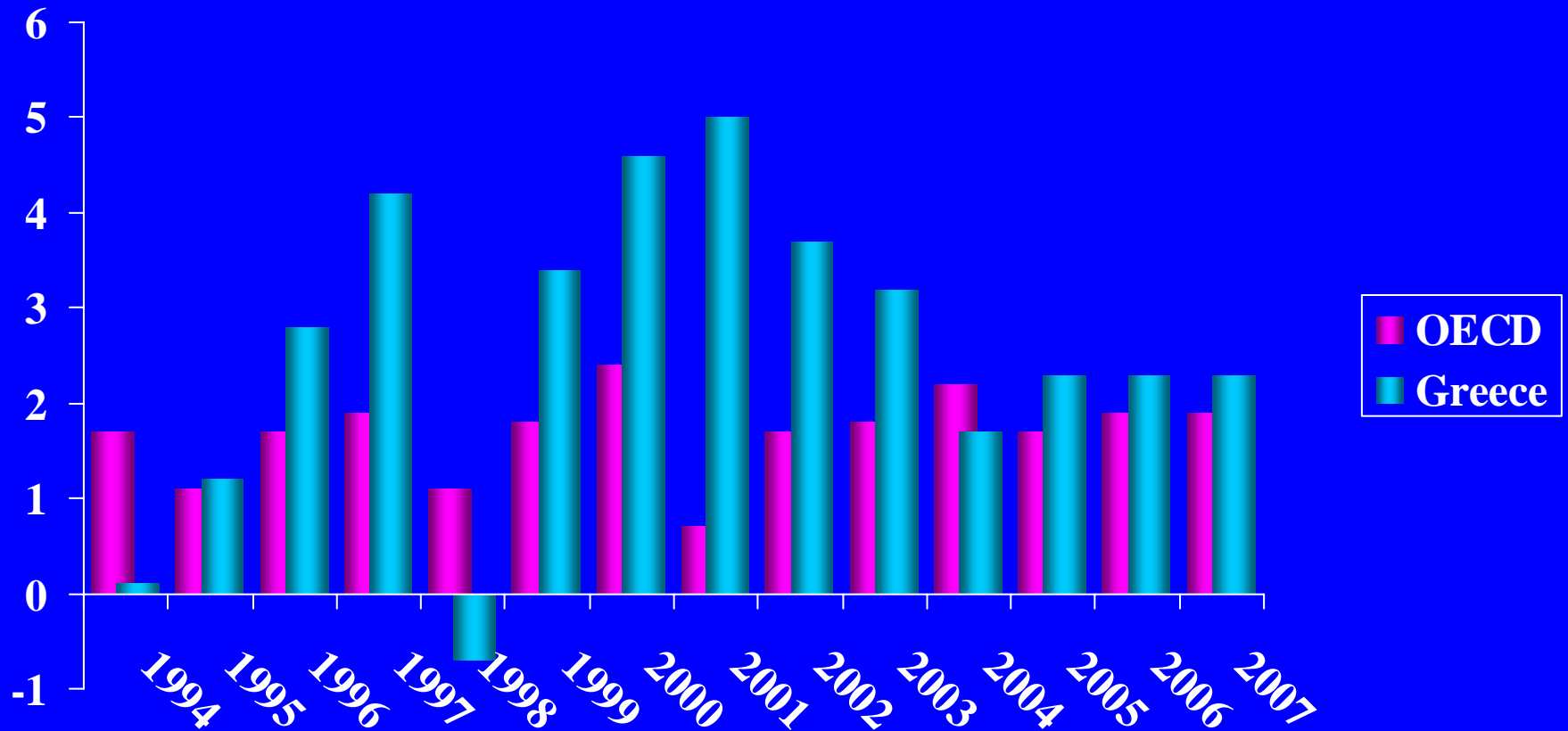


Source: OECD



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# Growth of Labor Productivity in Greece Higher than in OECD



Source: OECD



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## A new Model for Growth

- For many years: demand-led growth  $\Rightarrow$  high deficits – debt, erosion of competitiveness, problems for sustainability
- Now: emphasis on productivity-competitiveness, private sector led growth, outward orientation
- ❖ Fiscal consolidation - quality of public finances – structural reforms



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# Greece's Economic Outlook for the 2006 – 2008 period

*(% annual change, except where indicated)*

	2006	2007	2008
GDP Growth	3.8	3.8	4.0
Private Consumption	3.8	3.8	3.7
Government Consumption	2.0	1.1	0.7
Gross Fixed Capital Formation	8.8	7.4	6.7
Exports of Goods and Services	5.3	6.5	7.6
Government Budget (% GDP)	-2.6	-2.4	-1.8
Government Debt (% GDP)	104.8	100.9	96.9 <sub>6</sub>



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# Greece's Budget for 2006: Rigorous and Precise Implementation

	2004	2006
General government balance, % of GDP	-7.8	-2.6
General government primary balance, % of GDP	-2.1	2.0
Total Revenues % change	5.7	12.2
Total Expenditure % change	9.3	5.6
General government debt, % of GDP	108.5	104.3



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# Fiscal Policy: Containing and Redefining the role of the Public Sector

- Reduce the size of government debt
  - Expenditure restraint and structural changes to reinforce budget discipline
- New Framework for Public Enterprises and Entities
- Ensure social consensus for fiscal consolidation and maintain social cohesion: government expenditure directed to most pressing social and economic needs





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# Enhancing Greece's Economic Potential: Key Policy Initiatives

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- Improving the business environment
- Enhancing the outward orientation of the economy
  - Playing a key role in the wider region



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# Key Measures for Improving the Business Environment

- Tax reform: lowering the tax burden, simplifying procedures
- Opening markets – enhancing competition
- Accelerating the privatization process
- PPPs



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## Key Measures for Improving the Business Environment (cont.)

- New Investment Incentives law
- Facilitating Business start-ups - Bankruptcy legislation
- Ensuring an efficient framework for the capital markets
- Zoning and land-use legislation



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# Enhancing the outward orientation of the economy

- Improved record in inward FDI
- Significant outward FDI – especially towards SE Europe countries
- Enhanced role for the Hellenic Centre for Investment (ELKE)
- Greece being the **business hub** in the wider region for some of the biggest multinational companies
- Impressive export growth – role of the **Hellenic Foreign Trade Board**



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# Greece and the Development of Emerging South-eastern Europe

- Financial center for the region
  - Source of investment in Balkan banks
- Energy hub for Southeast Europe
- Investment by Greek companies in Balkans
- Labor migration into Greece
- Trade flows



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# Conclusion: the Macroeconomic Case for Investing In Greece

- Greece is on the threshold of a new era of accelerated sustainable growth, driven by fiscal prudence and a vigorous program of structural reforms.
- Our reform program is reshaping the role of government and making room for private initiative.
- We are embracing globalization as the best means for ensuring the future prosperity of our people.
- At the same time, we strive to preserve social cohesion.
- The result of our efforts is a more dynamic Greece with profitable investment opportunities.