

Looking forward to a new summer in Greece: Returning Greece's economy to a stronger, sustained and inclusive recovery from the COVID-19 shock

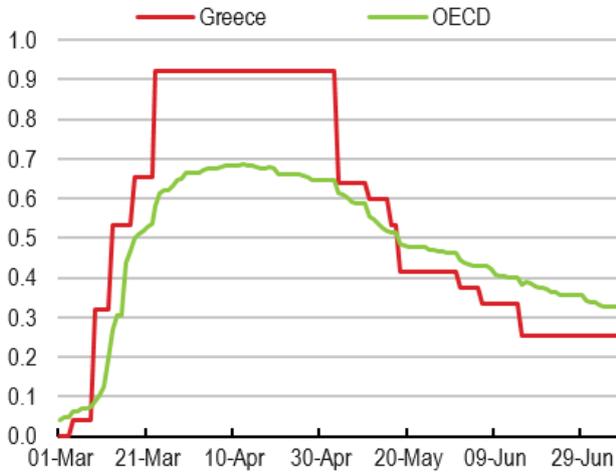
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Normally in mid-July each year, hundreds of thousands of families across Europe and the world would be packing their summer outfits and swimming costumes and heading to a long-awaited holiday in Greece. The 2020 global COVID-19 pandemic has disrupted such plans for most, just as it has disrupted livelihoods and well-being in so many respects.

COVID-19 has also interrupted Greece's recovery from the great financial crisis. The newly launched [2020 OECD Economic Survey of Greece](#) reports how Greece has responded swiftly to the first phase of the pandemic. Through tight containment measures, it has effectively limited infections and deaths (Figure 1). But the economy has been hit hard. As in other countries, containment measures, travel restrictions, social distancing and high uncertainty have led to a temporary but extraordinary drop in production. Weak activity is undercutting many jobs and is putting businesses at risk. To buttress households' incomes and firms' liquidity, the government swiftly rolled out emergency measures.

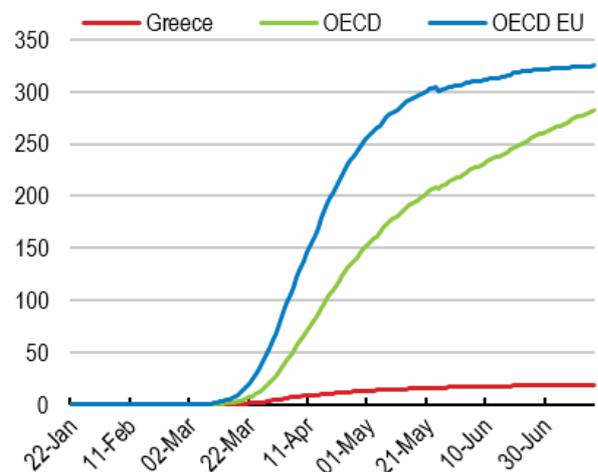
Figure 1: Greece swiftly introduced strict containment measures, limiting the death toll from COVID-19

OECD COVID-19 Containment Policy Tracker indicator, scale 0-1 (most stringent)



Source: OECD country policy tracker
<https://www.oecd.org/coronavirus/country-policy-tracker/>

COVID-19 deaths per million population



Source: John Hopkins University Center for System Sciences and Engineering,
<https://github.com/CSSEGISandData/COVID-19>

COVID-19 creates extraordinary uncertainty (Figure 2). While some parts of the economy have the potential to rebound quickly, others are likely to face an extended period of weak demand. The Survey identifies measures that can help Greece navigate this crisis:

- Adjusting income and liquidity support measures, as the epidemiological and economic situation requires, will continue to protect households and firms. Boosting guaranteed minimum income support while strengthening job-search and training opportunities would protect households from the shock while opening new opportunities and help firms and workers moving towards activities with better prospects.
- The COVID-19 shutdown has underscored the benefits of the government's digitalisation agenda, with many public services moving online. Ensuring all the population has digital skills is likely to become even more essential

to job prospects and job quality in the post COVID-19 world. Now is the time to invest in these skills, by boosting opportunities for adults to access education and training.

- The COVID-19 containment measures have added to the pressures on family caregivers in Greece. More places for children in early childhood education and greater care support for families would open opportunities for primary caregivers to train and work outside the home.
- The COVID-19 shock is likely to create new non-performing loans, yet reviving investment hinges on returning banks to health. The government's Hercules plan is expected to lower banks' non-performing loans significantly over the next two years. However, the shock has slowed progress. Urgently designing a strategy to address the deferred tax credits and the bad loans that will remain on banks' balance sheets after the Hercules scheme can help banks contribute sooner to financing Greece's recovery. Priority should also be given to expanding spending on infrastructure and improving support for research and development.

Figure 2: The COVID-19 shock interrupts Greece's recovery and creates exceptional uncertainty



Note: Projections are shaded. The “single-hit” scenario is shown with a dashed line and assumes that the pandemic is brought under control before the summer of 2020; the “double-hit” scenario is shown with a dotted line assumes a second wave of contagion and lockdown measures late in 2020.

Source: OECD *Economic Outlook* database.

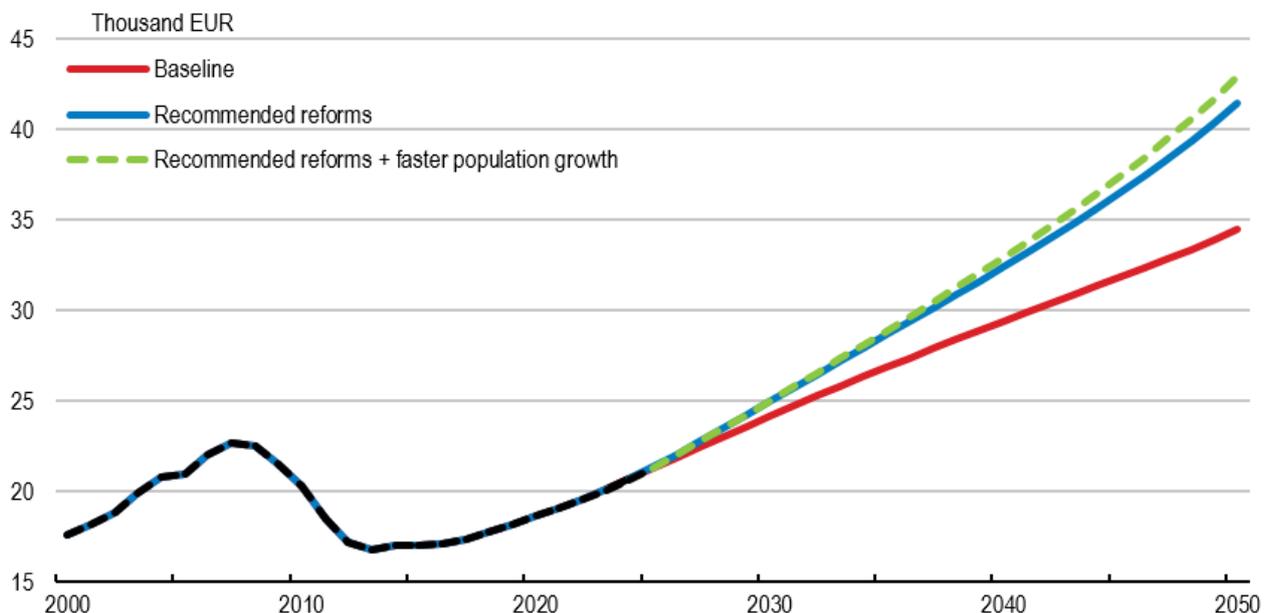
As the emergency passes, [the Survey](#) identifies priorities to place Greece back onto a path of a stronger, sustained and inclusive recovery. It finds that these measures together can raise long-term growth rates by 1% a year (Figure 3). These measures include:

- Allowing small firms to flourish, create jobs and become more productive by reducing regulatory burdens. Greece has made great progress in recent years, but barriers remain high for professional services, such as lawyers and notaries. Codifying existing laws and regulations would make operating in Greece easier, both for firms and for the public administration responsible for implementing and enforcing regulations. The government’s digitalisation agenda makes great promises for reducing red tape, and can make courts more accessible and responsive.

- The government has many research and development support schemes. Improving the take-up of these, for example by consolidating programmes, would provide a fillip to research and innovation in Greece, raising competitiveness and allowing new activities to emerge.
- Taxes on labour are very high, discouraging employment. Reducing social security contributions, especially at low incomes, while continuing the fight against evasion, would support revenue.
- Greeks suffer from high levels of air pollution, especially in urban areas. Reducing the subsidies for fossil fuels, while protecting the most vulnerable, would help clear the air, improve health and well-being.

Figure 3: A broad reform programme would ensure a stronger, sustained and more inclusive recovery from the COVID-19 shock

Trend real GDP per capita, 2010 prices



Note: Baseline and recommended reforms are described in Table 1.4 of the Survey.

Source: OECD calculations

For more details see:

OECD (2020), [OECD Economic Surveys: Greece 2020](https://doi.org/10.1787/b04b25de-en), OECD Publishing, Paris, <https://doi.org/10.1787/b04b25de-en>.