



1. GDP

The Hellenic Fiscal Council launched three different scenarios for the predicted recession in Greece for 2020. These scenarios are based, mainly, on three different developments of the pandemic: a) a return to "new" normality, without epidemic outbreaks, b) a slow recovery of the economy with possible mild outbreaks of the pandemic c) slow recovery of the economy with resurgence of the pandemic that may require new temporary measures (temporary lock-downs)¹. In addition, consumer and business behavior will have a significant impact on macroeconomic developments, even if there is no severe epidemic outbreaks. A general climate of uncertainty and insecurity will be an obstacle to economic recovery. Exogenous shocks considering tourist receipts will also play a crucial role for macroeconomic performance.

We are expecting that the Greek economy is likely to be hit hard due to: a) its relatively large dependence on tourism and transport, b) its structure, which is characterized by small businesses with little flexibility to react efficiently in lock-down situations and (c) the relatively high added value of sectors such as "real estate", "wholesale, retail trade, catering services", "arts, entertainment and leisure", etc., which are directly and strongly affected by the nature of COVID crisis.

Table 1: GDP forecasts for 2020 (% change in 2010 prices)

	Scenario 1	Scenario 2	Scenario 3
GDP	-5.1%	-7.3%	-9.8%

Source: HFC calculations

The strongest negative impact is estimated to be caused by the decline of private consumption, due to its high contribution in Greek GDP. The lock downs, the loss of income and the economic uncertainty in general due to the crisis nature is expected to adversely affect the private consumption in Greece.

Investment is also estimated to decline, more severely according to the third (averse) scenario. The investment category which is expected to record the most severe decline is the category of transport equipment.

The Balance of Goods and Services is also expected to record a strong negative effect which is estimated to reach even the 2.7 percentage points of Greek GDP. It is indicative that tourist receipts and transport receipts account for 88% of all services balance receipts. Crucial development will be the final level of imports of Goods

¹ No projections have been made for an extreme scenario of a significant outbreak of the epidemic in Greece. In such a case, the negative effects on the economy would be strong and macroeconomic and fiscal forecasts would be extremely uncertain.



and Services in 2020. A drastically cut of imports due to lower income will reduce pressures on the Balance of Goods and Services.

2. Fiscal Deficit & Public Debt

The expected deep recession coupled with, the necessary, fiscal expansion will affect negatively the General Government Balance and the Public Debt. The fiscal projections based on the three different macroeconomic scenarios are summarized in the table below:

Table 1: Fiscal projections million euros and as a % of GDP for 2020.

	Scenario 1	Scenario 2	Scenario 3
General Government Balance	- 9,647	- 11,352	- 13,731
% of GDP	-5.4%	-6.5%	-8.1%
Interests (net)	- 5,500	- 5,500	- 5,500
% of GDP	-3.1%	-3.2%	-3.3%
Primary Balance of GG	- 4,147	- 5,852	- 8,231
% of GDP	-2.3%	-3.3%	-4.8%
Public Debt	340,706	342,395	344,796
% of GDP	191%	197%	204%
Nominal GDP	177,938	173,813	169,125

Source: HFC calculations (ESA 2020)

According to our estimations the General Government deficit will range from -5.4% to -8.1% of GDP, while the GG primary deficit will range between -2.3% to -4.8% of GDP.

Consequently the Greek public debt is expected to rise and it may approach, in the averse scenario, 204% of GDP. This negative result will be attributed to the combination of a lower nominal GDP and increasing government financing needs due to the projected deficit.

Government financing needs may exceed the 16 billion euros, including 3 billion euros which concerns the roll-over of existing debt that will be due during 2020.

3. Employment

Certain characteristics of the employment structure in Greece raise concerns that the impact of COVID-19 crisis will be severe since the affected sectors account for a significant part of total employment.² On the positive side, a number of government interventions have incorporated 'employment clauses' which are expected to soften the employment shock. Nevertheless, according to the estimations of the HFC there will be a significant increase of unemployment rate ranging, depending the scenario, from 3.2% to 5.8% compared to 2019 (Table 3).

² Employment in the sectors of trade, tourism, transport and recreational activities account for 34.2% total employment in 2019.

Given the above, economic policy should aim to tackle the increase of the unemployment rate through employment support measures so to minimize the negative impact of the crisis on the volume of employment. A crucial dimension of those measures is their duration which should ensure that economic activity has returned to pre-crisis growth path when they will lift.

Table 2: Estimation of employment, unemployment & unemployment rate under the three HFC scenarios for 2020

	Scenario 1	Scenario 2	Scenario 3
GDP	-5.1%	-7.3%	-9.8%
Employment (thousands of persons)	3,755 (+/- 0.4%)	3,697 (+/- 0.6%)	3,633 (+/- 0.8%)
Unemployment (thousands of persons)	966 (+/- 1.6%)	1,023 (+/- 2.2%)	1,088 (+/- 2.8%)
Unemployment rate	20.5% (+/- 0.35%)	21.7% (+/- 0.5%)	23.1% (+/- 0.65%)
Change compared to 2019 unemployment rate (17.3%)	3.2%	4.4%	5.8%

Source: HFC calculations