

2.5. GREECE

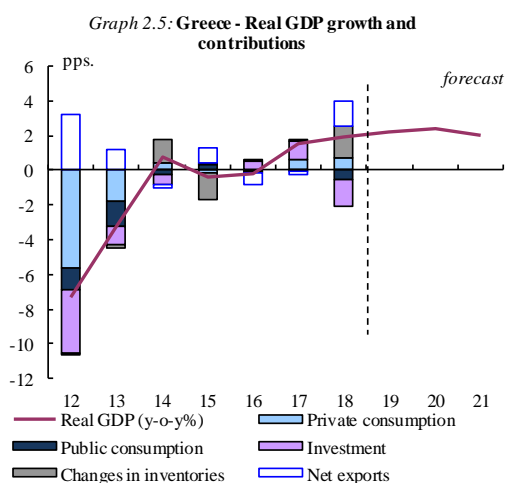
Greece's economy is estimated to have grown by 2.2% in 2019 and is expected to grow at or above 2% over the forecast horizon, provided that reforms efforts continue to be implemented.

In the third quarter of 2019, real GDP growth was 0.6% q-o-q (seasonally and working day adjusted, provisional data) and 2.3% compared to the same quarter of the previous year. This led to real GDP growth of 2.2% in the first three quarters of 2019 compared to the corresponding period in 2018.

Net exports were again the main driver of growth in the first three quarters of 2019. Despite slower growth in some of Greece's main export markets, export growth remained resilient, indicating further market share gains, including in the tourism sector. Growth in 2019 was also positively affected by strong government consumption growth ahead of the July general election, while private consumption and investment growth remained subdued. The services sector continued to be the principal source of growth in the first three quarters of 2019. A recovery in the construction sector also contributed positively to growth in the first half of 2019.

Real GDP in Greece is forecast to reach 2.4% in 2020 and 2.0% in 2021. With business and consumer confidence at pre-crisis levels at the end of 2019 and disposable income increasing, investment and consumption are expected to be the main drivers of growth. Export growth is expected to remain positive but is likely to ease, due to moderate growth in export markets and slower growth in export market shares.

The labour market continued to improve with unemployment falling to 16.6% in October 2019 (LFS data), down from 18.5% a year ago, though it remains the highest in the EU. The recent rise in the number of people in employment, on average 2.0% y-o-y in the first three quarters of 2019, has been due to the increase in the number of employees, while the number of self-employed declined. Employment is expected to continue growing in the coming years.



After moderating to 0.5% in 2019, annual HICP inflation is forecast to increase slightly in 2020 and further in 2021. The moderate pace of inflation this year reflects low energy price inflation, while the uptick in 2020 is set to come from higher core inflation.