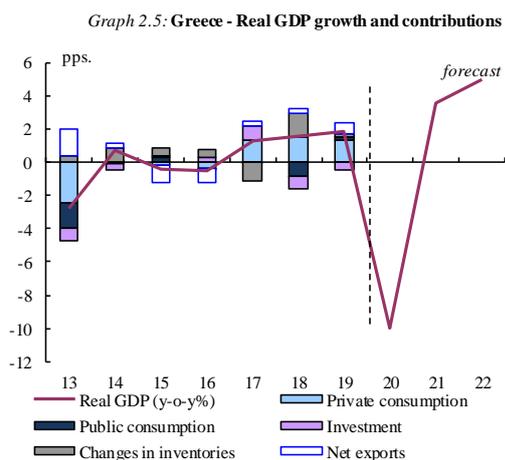


2.5. GREECE

Greece's GDP increased by 2.3 % (q-o-q) during the third quarter of 2020, reflecting the reopening of the economy and the temporary easing of the containment measures at that time.

The recovery in the third quarter was mainly driven by domestic demand. Economic activity in the services sector decreased sharply due to the negative impact of the COVID-19 pandemic on tourism, while construction showed some resilience. Following the re-introduction of containment measures during the fourth quarter of the year, output growth is forecast to turn negative in quarterly terms. Overall, real GDP is expected to have declined by 10% in 2020.



Containment measures are expected to weigh on Greece's recovery, with real GDP expected to grow by 3.5% in 2021, before rising to 5% in 2022. The recovery will continue to be supported mainly by private consumption, on the back of the gradual reopening of retail trade, improving consumer confidence and the supportive setting of fiscal policy in the economy. Net exports are expected to contribute positively to growth in 2021 and 2022, with the rollout of vaccination campaigns expected to support only a gradual return of tourists to Greece. Investment is forecast to recover as well but at a slower pace. The support measures adopted by the authorities have bolstered credit growth to businesses.

Unemployment stood at 16.7 % in October 2020, similar to a year before, indicating that the labour market impact of the economic crisis remains relatively contained. Employment however decreased, primarily due to lower hirings in the tourist sector.

After dropping by 1.3% in 2020, HICP inflation is forecast to remain mildly negative in 2021 before turning positive in 2022. The negative growth in prices is mainly driven by an expected drop in service sector prices.

The forecast remains subject to large uncertainty. The developments regarding the global health crisis and the vaccination rollout will be crucial for the recovery of the tourism sector and the speed of recovery in the private sector after the expiry of government support measures. In addition to that, geopolitical tensions in the region and the migration crisis add uncertainty to the forecast. On the upside, the forecast does not incorporate the impact of the Recovery and Resilience Plan, which could provide a significant boost to domestic demand once implemented.