Structural changes arising from the loan agreement for the Greek economy

Topic: Structural change and dynamics 4
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Abstract

In 2010, the Greek government signed a loan agreement with the International Monetary Fund, the European Central Bank and the Euro Group. The agreement (memorandum) contains a series of measures that the Greek government must take and specific targets it must attain, such as the reduction of the budget deficit. Slashing the deficit from 15.6% to 3% in itself creates a number of problems for the Greek economy, such as the reduction of aggregate demand at a time of global recession.

According to the loan agreement and the government's Medium Term Fiscal Strategy 2012-2015, the projections for the Greek economy for the period 2009-2015 are that GDP will decline by up to 4.5% in 2010, 2.5% in 2011 and then start rising, while the unemployment rate is seen increasing to 15% up to 2012 before starting to decrease.

This paper seeks to examine the consequences of these projections for the Greek economy at the level of sectors. More specifically, it will look at the impacts – at the level of sectors – of the reduction of nominal and real GDP and its components (e.g. consumption, investments, imports, and exports). Based on the data of the Medium Term Fiscal Strategy 2012-2015 an input-output table will be constructed for 2013. Thus, within the framework of an input-output analysis based on the above data, the main focus will be on the evolution of production by sectors over the coming years, what impacts this will have on employment in each sector, as well as on imports and exports in the respective sectors.

The aim of the paper is to ascertain the possible structural changes and changes by sector that will take place in the Greek economy as a result of the policy arising from the loan agreement.

Topics: 9, 31
5/1/2011