

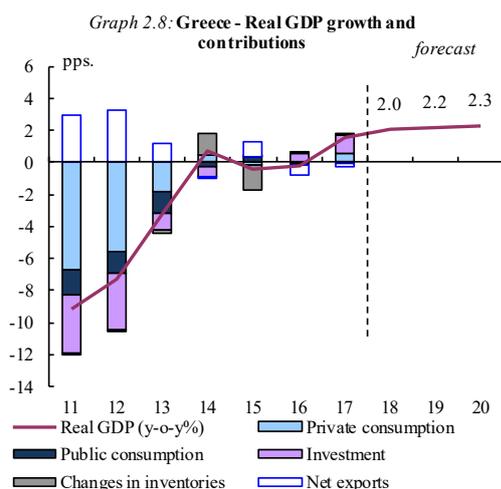
## 2.8. GREECE

Greece's economy grew at an estimated rate of 2.0% in 2018 and is expected to continue growing at over 2% in the coming years, although the economy's recovery remains heavily contingent on the continuing implementation of reforms.

Provisional data show that Greece's real GDP grew by 1% (q-o-q, in seasonally-and working-day adjusted terms) in 2018-Q3, corresponding to growth of 2.2% compared to the same quarter in the previous year and providing a 2.1% growth rate for the first three quarters of 2018.

By taking advantage of spare capacity and benefitting from strong external demand, Greece managed to increase its market shares in global trade. Net exports thus became the main driver of growth in the first three quarters of the year, and (likely) for the whole year as well. Another major driver of aggregate demand was the growth of private consumption, which was supported by employment growth. Investment remained subdued compared to 2017, at least in part due to a base effect from the revision of the annual national accounts. On a positive note, activity in the real estate sector and hence investment in housing grew throughout the year.

Real GDP growth is forecast to reach 2.2% in 2019 and 2.3% in 2020. Consumer confidence had almost returned to pre-crisis heights by the end of 2018, thus private consumption is likely to remain a major contributor to growth in 2019. Export growth is expected to moderate, as the tourism sector faces slowing demand growth and renewed competition from Turkey. Goods exports are also set to weaken but should remain on an increasing trajectory despite the slowdown in the EU.



The labour market has been improving steadily with unemployment falling to 18.6% in October 2018, down from 21% a year earlier. Full-time and dependent employment growth remains the main driver of employment gains, while part-time employment and self-employment growth remains subdued. The national accounts suggest that employment rose by 1.5% in the first three quarters of the year, which indicates improvements in labour productivity.

Headline inflation reached 0.8% in 2018 and is forecast to remain moderate in 2019 on the back of subdued energy prices, before increasing in 2020 as core inflation rises.