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Searching for Growth Drivers
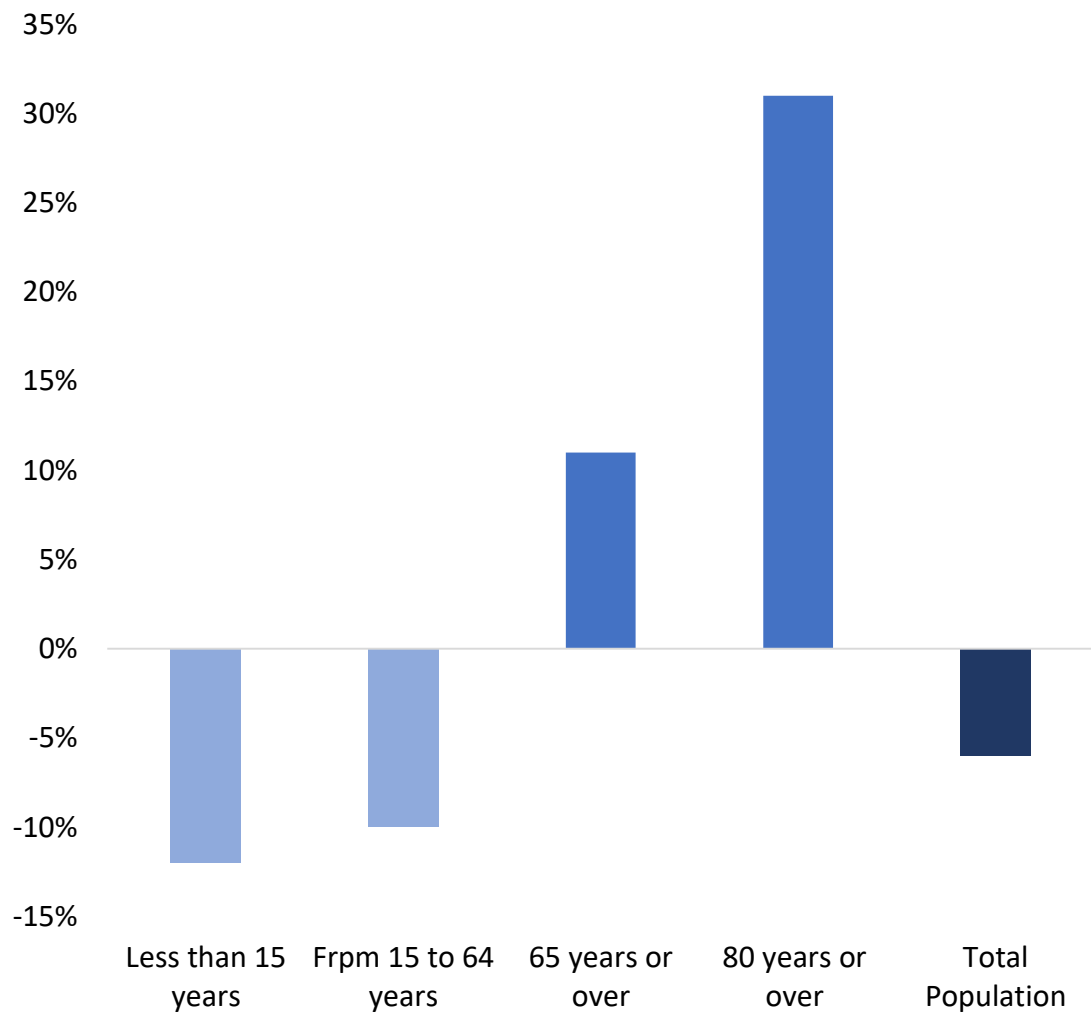
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Dr Panayotis Kapopoulos
Chief Economist

29 April 2025
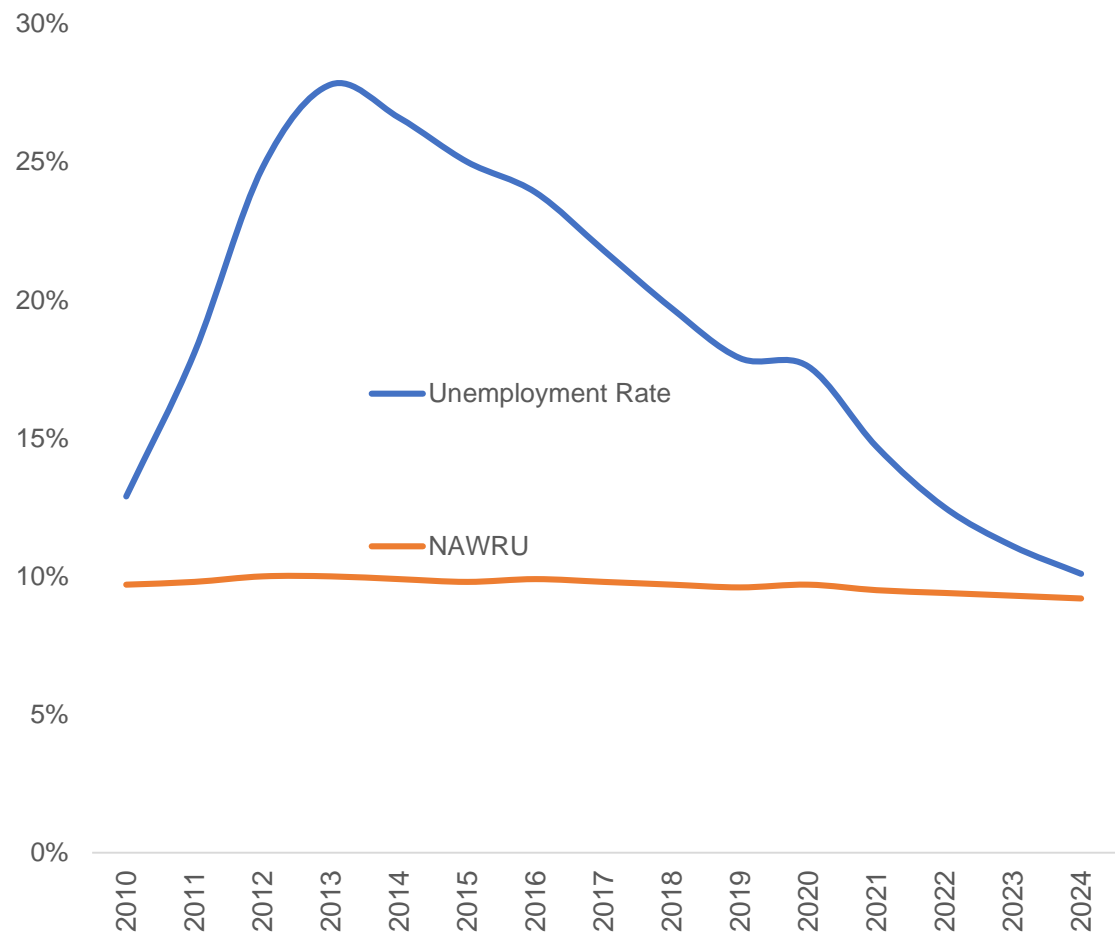LSE-Hellenic Observatory

Growth Drivers?

- Labour

- Capital

- Productivity

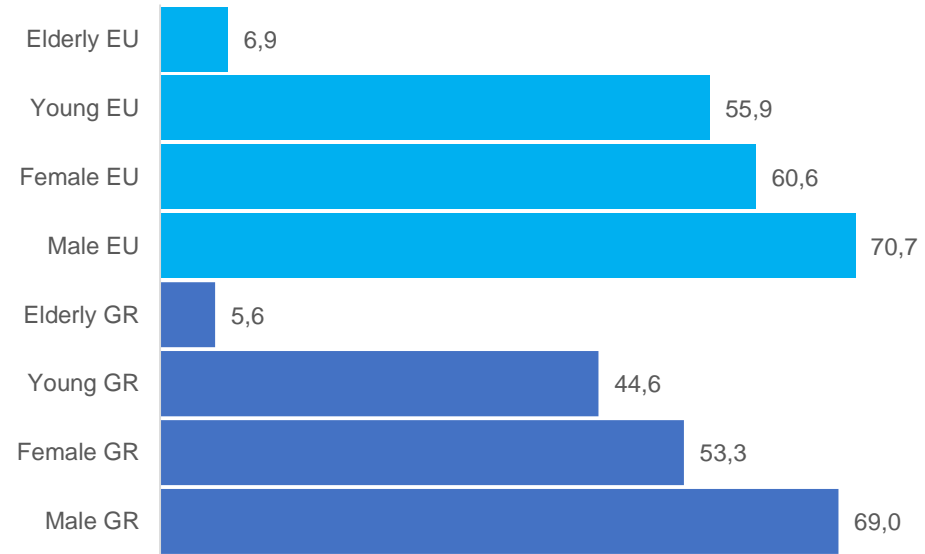- Entrepreneurship

Ageing population structure: 2011 -2022

Driver 1: Increasing the employment ratio

- To Compress Structural Unemployment

- To Increase the participation of Women, Young and Elderly in the Labour Force

Unemployment Rate

NAWRU

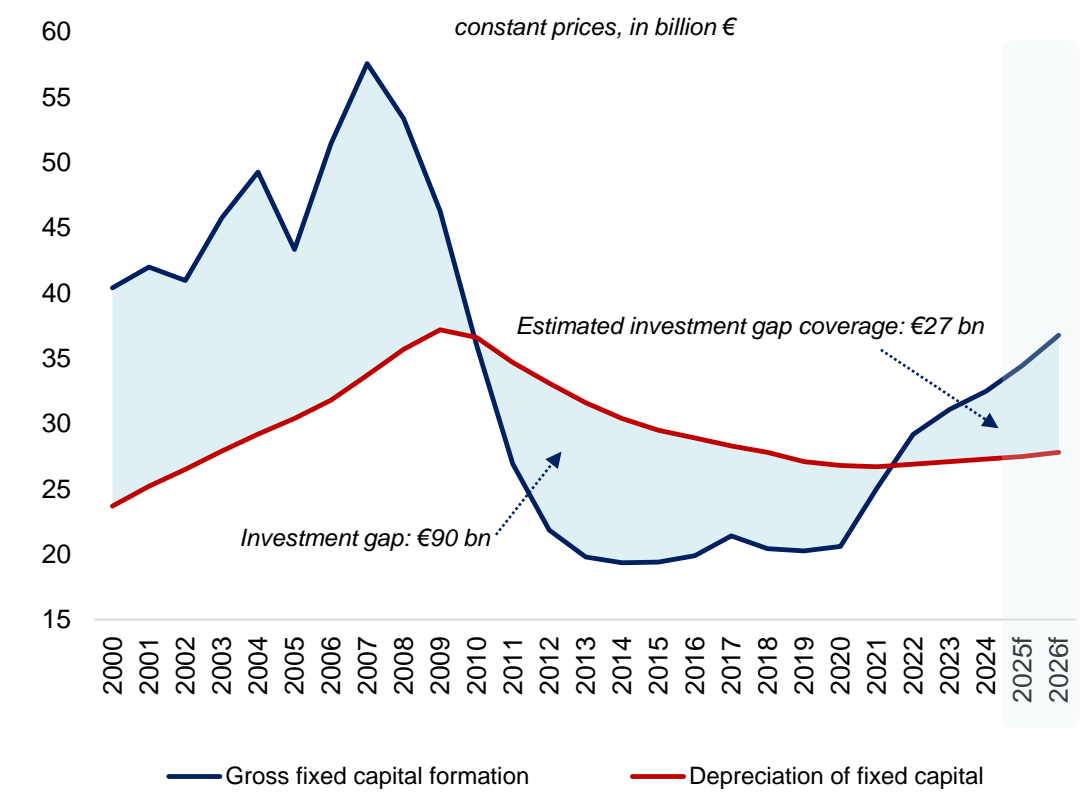|	Value
Elderly EU	6,9
Young EU	55,9
Female EU	60,6
Male EU	70,7
Elderly GR	5,6
Young GR	44,6
Female GR	53,3
Male GR	69,0

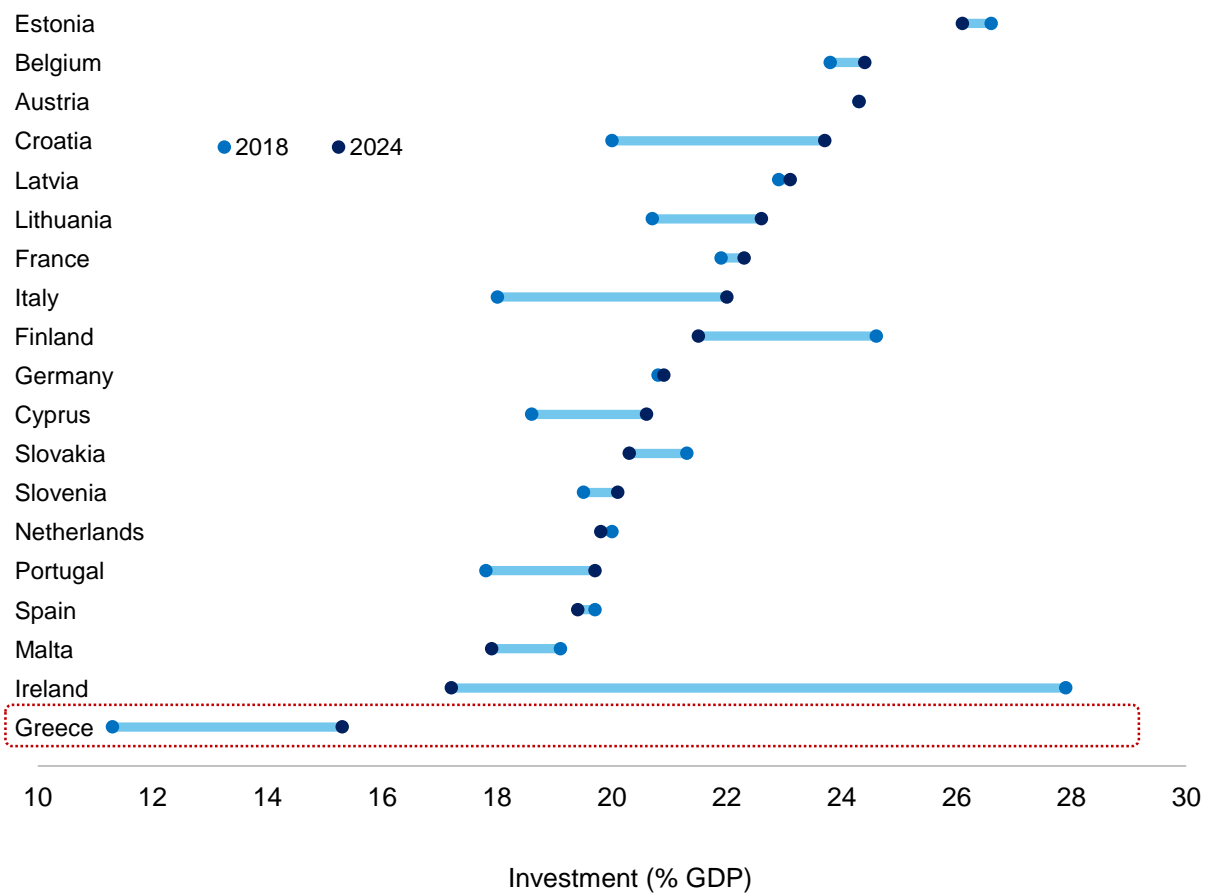Eurostat data (2024), Age groups: Male-Female 15-74 yo, Young 15-29 yo, Elderly 65+

- To reduce the undeclared work

- To reverse the brain drain phenomenon

- To design a migration policy

Driver 2: Stimulating Business Investment Again

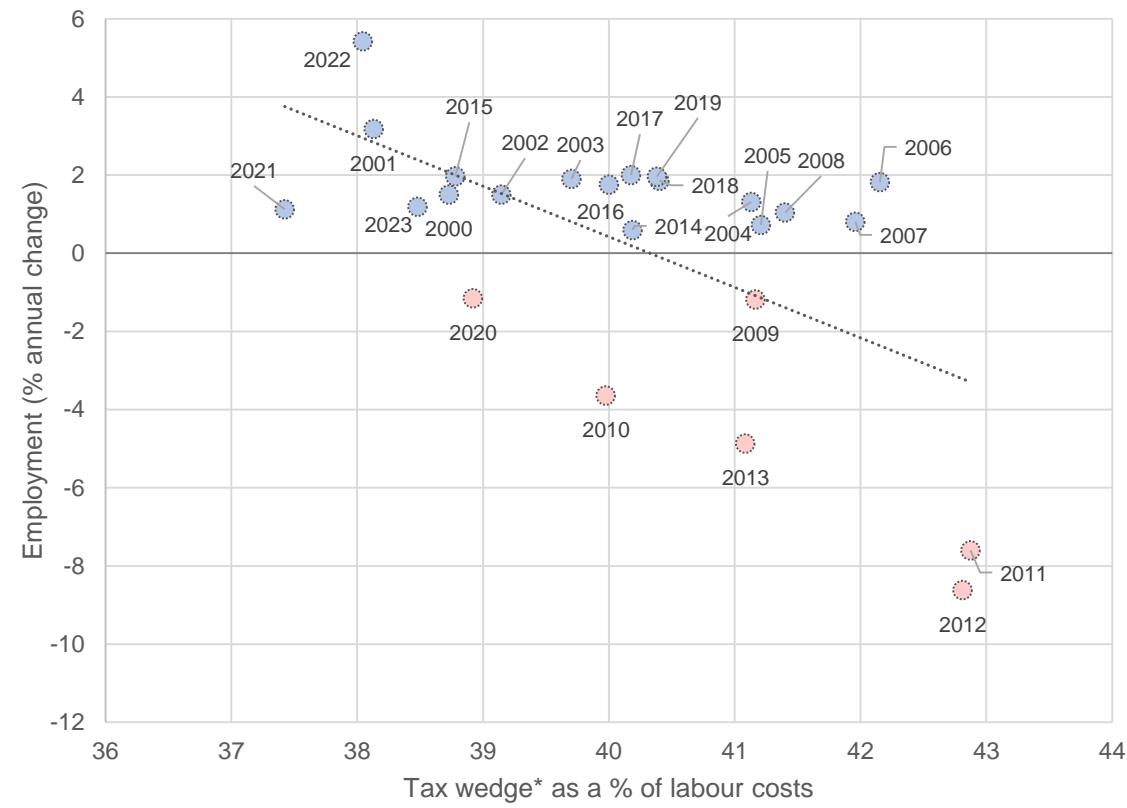## Filling-in the investment gap in the medium-term and the reforms' potential impact

constant prices, in billion €

Estimated investment gap coverage: €27 bn

Investment gap: €90 bn

— Gross fixed capital formation   — Depreciation of fixed capital

The rise of Investment since the onset of economic recovery

● 2018   ● 2024

Estonia, Belgium, Austria, Croatia, Latvia, Lithuania, France, Italy, Finland, Germany, Cyprus, Slovakia, Slovenia, Netherlands, Portugal, Spain, Malta, Ireland, Greece

Investment (% GDP)

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Driver 3: Reforming Labour Taxation

Tax wedge vs. Employment in Greece

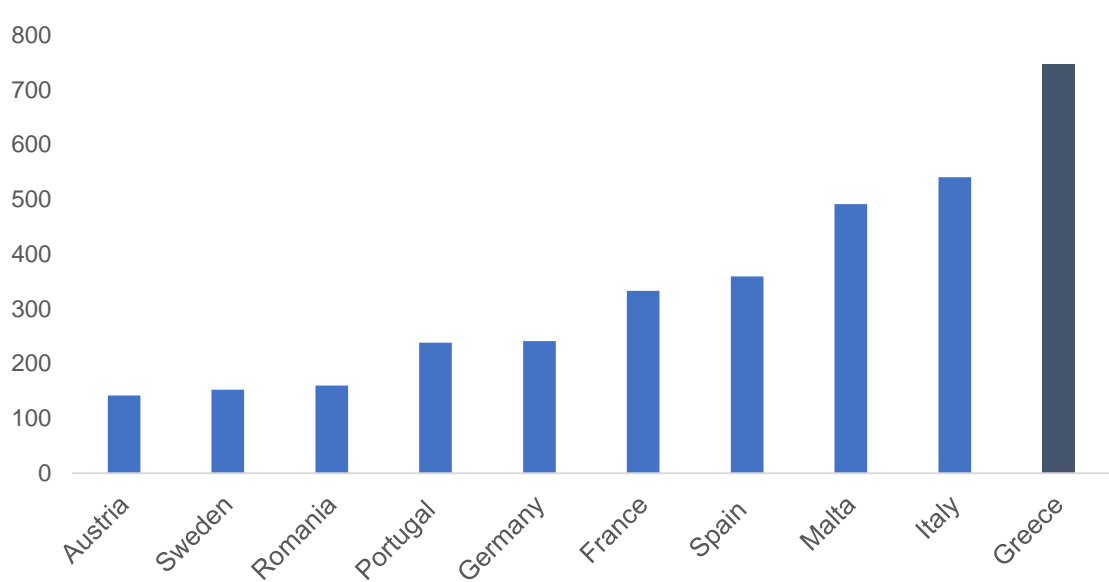## Tax wedge vs. Investment: OECD countries

(*) Single person at 100% of average earnings, without child.
Light blue filling represents positive GDP growth rate and pink filling stands for negative GDP growth rate.

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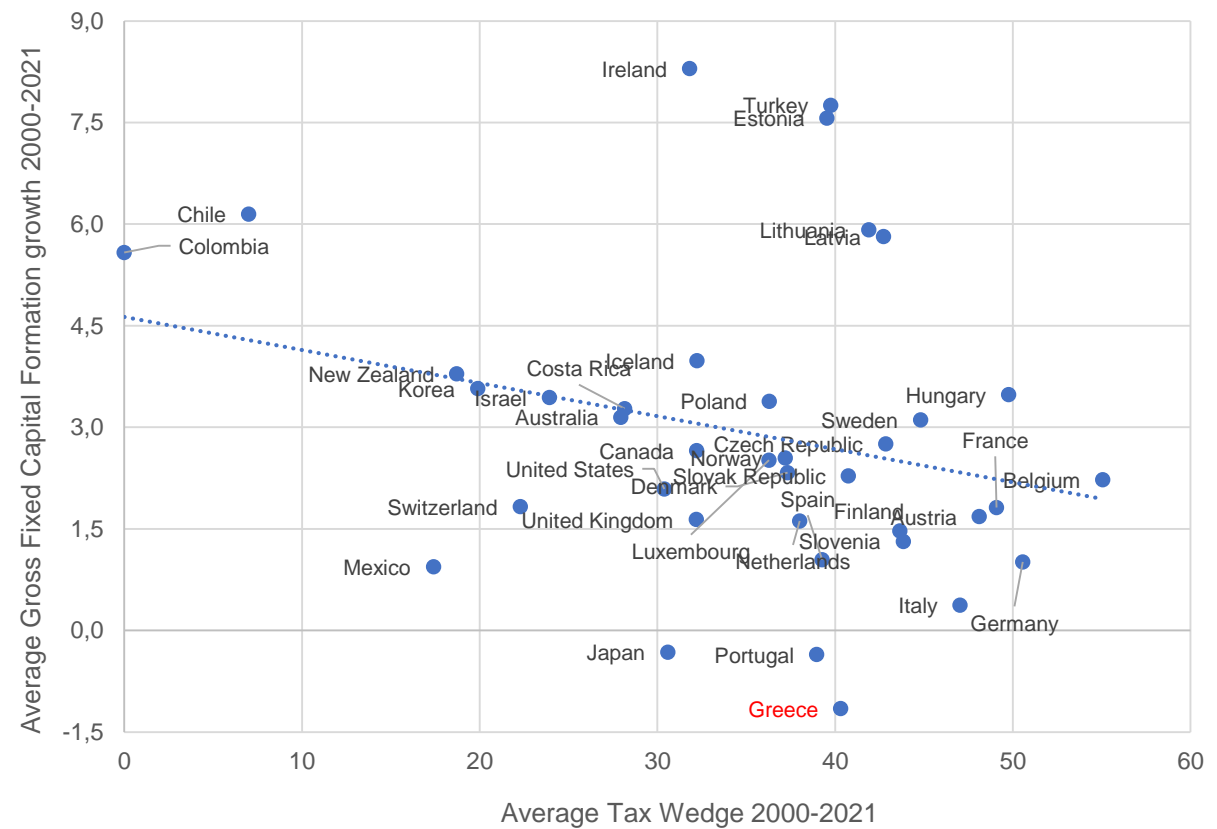
# Driver 4: Enhancing Judicial Efficiency

Disposition time in Greece (days)

Disposition Time: Average time to resolve court cases (2022 data). The number of days require d for the closure of cases.

Clearance Rate: The clearance rate is the ratio of the number of resolved cases over the number of incoming cases. When the clearance rate is below 100%, it means that the courts are resolving fewer cases than the number of incoming cases.

Clearance rate vs investment growth rates

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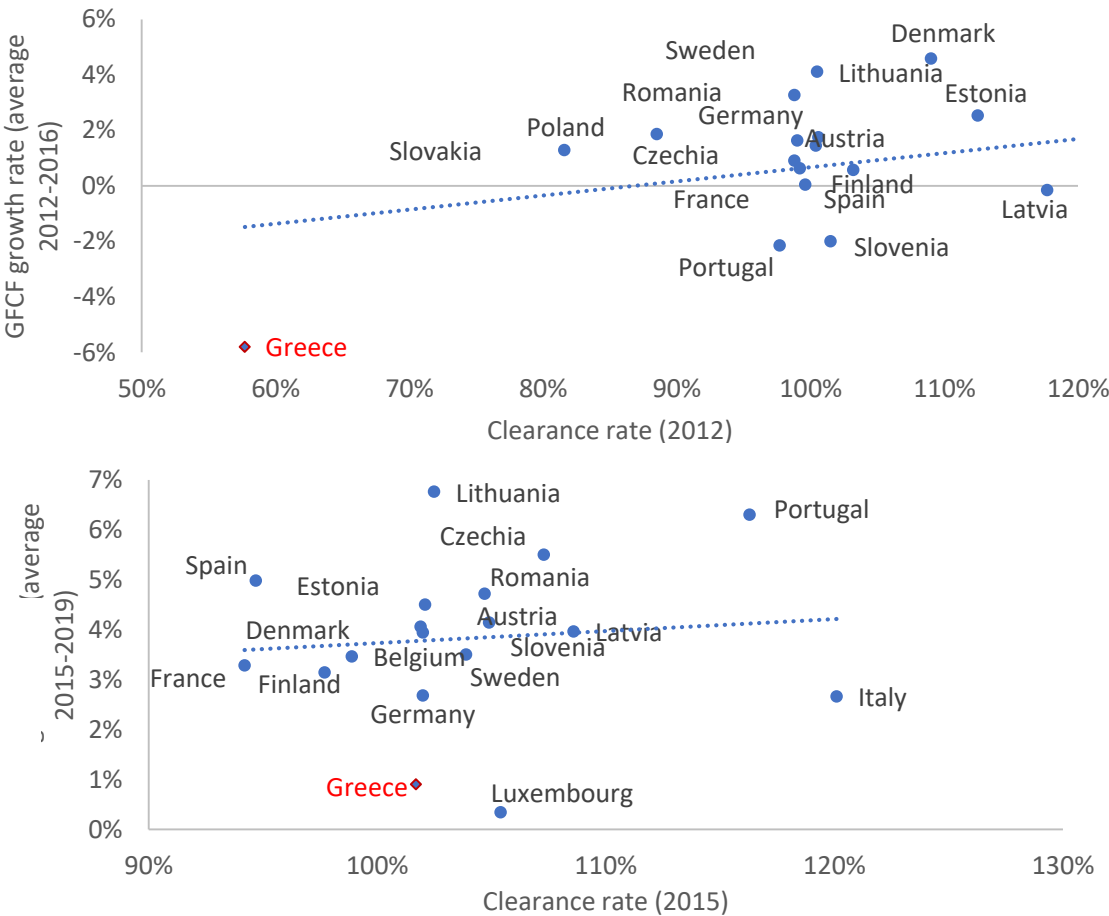
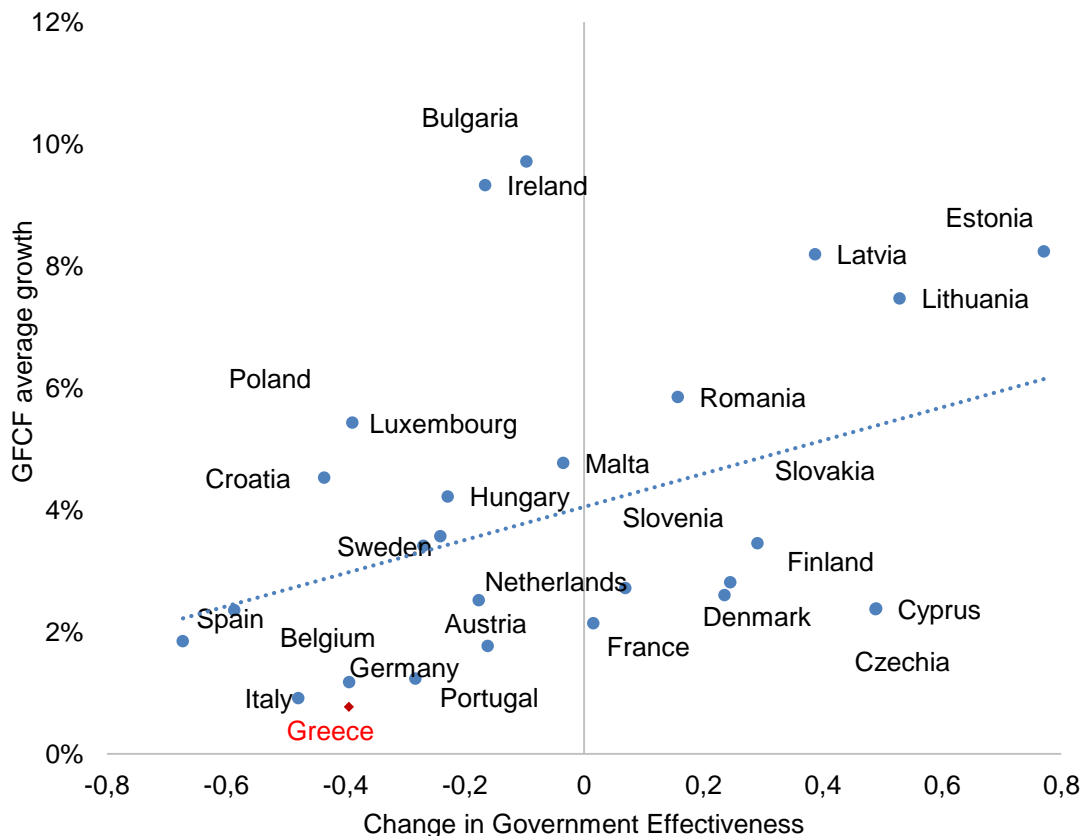# Driver 5: Improving Government Effectiveness

## Government Effectiveness Index
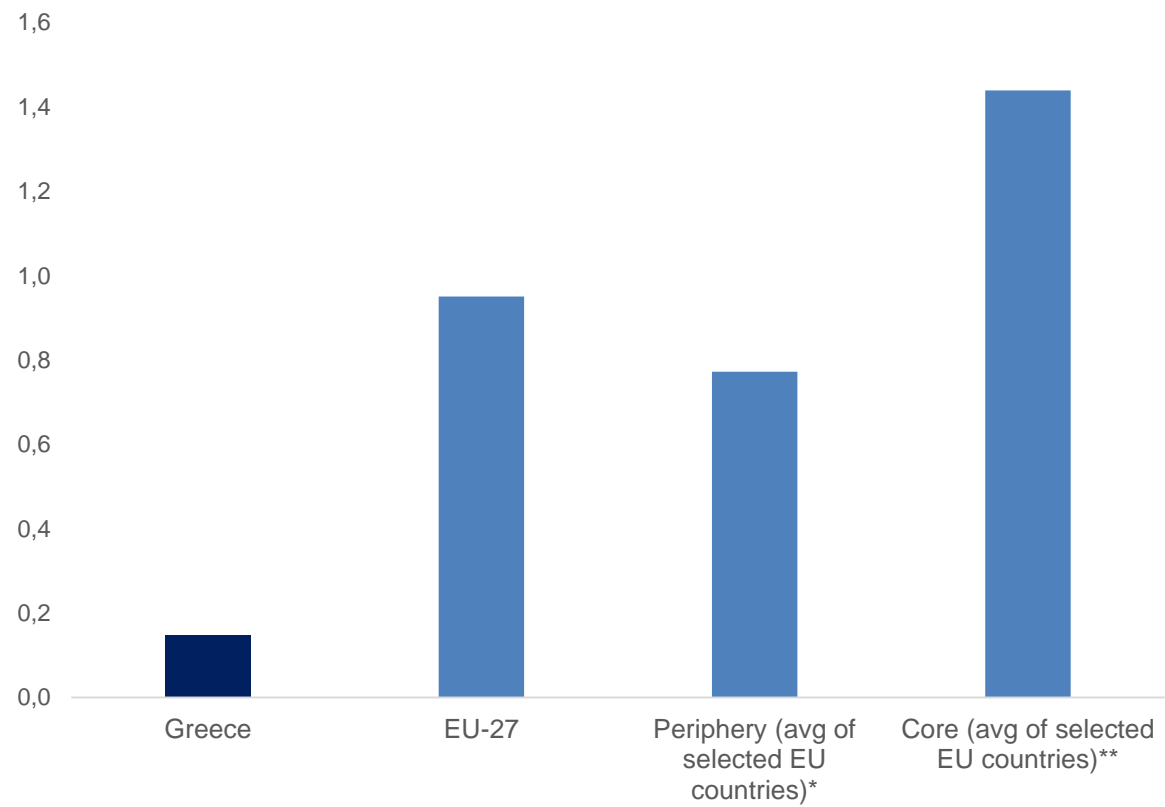
(2023 data)

*Cyprus, Italy, Portugal, Spain
**Austria, France, Germany, Luxembourg, Netherlands

## Government effectiveness vs. Investment growth

Driver 6: Enhancing Extroversion

Share of tradable sectors to total GVA increasing while Competitiveness is enhanced

Share of tradable* sectors to total GVA

Real effective exchange rate (37 trading partners, Index 2015=100), rhs
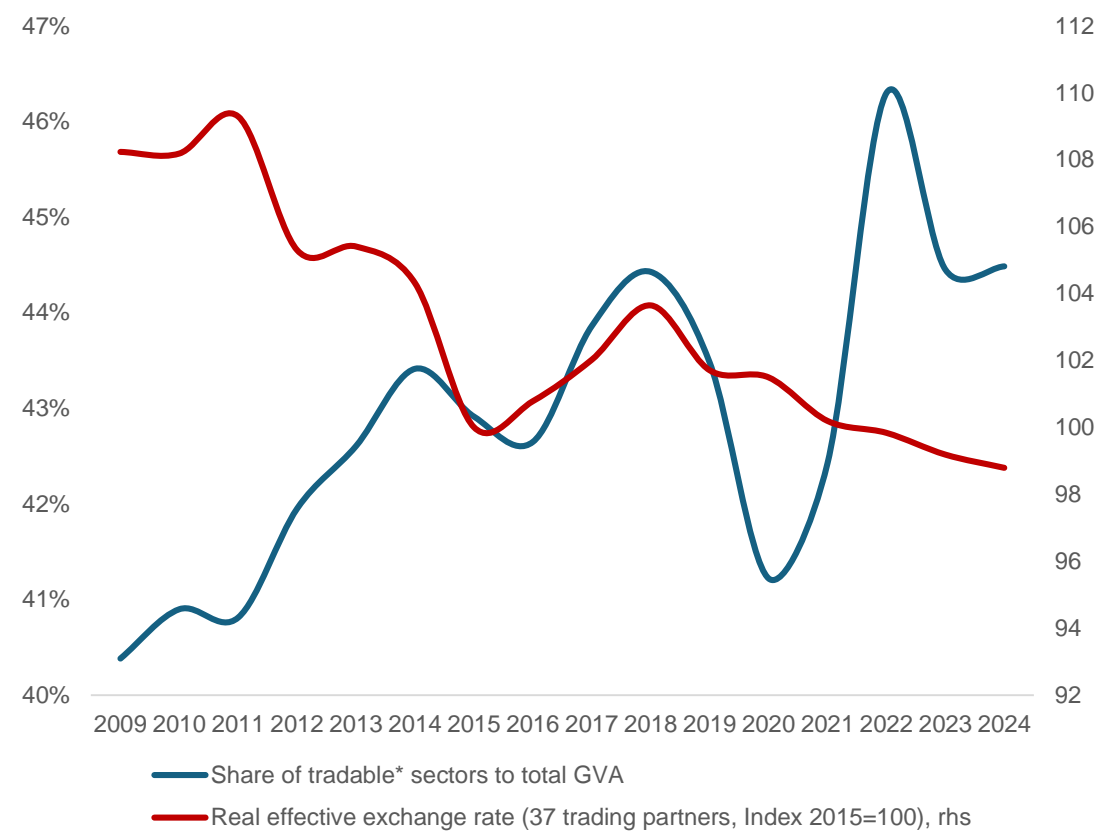
(*) Includes: Agriculture, forestry and fishing, Industry, Wholesale and retail trade, transport, accommodation and food service activities

Exports-to-Output for selected Manufacturing Sectors**

Exports/Output (%)
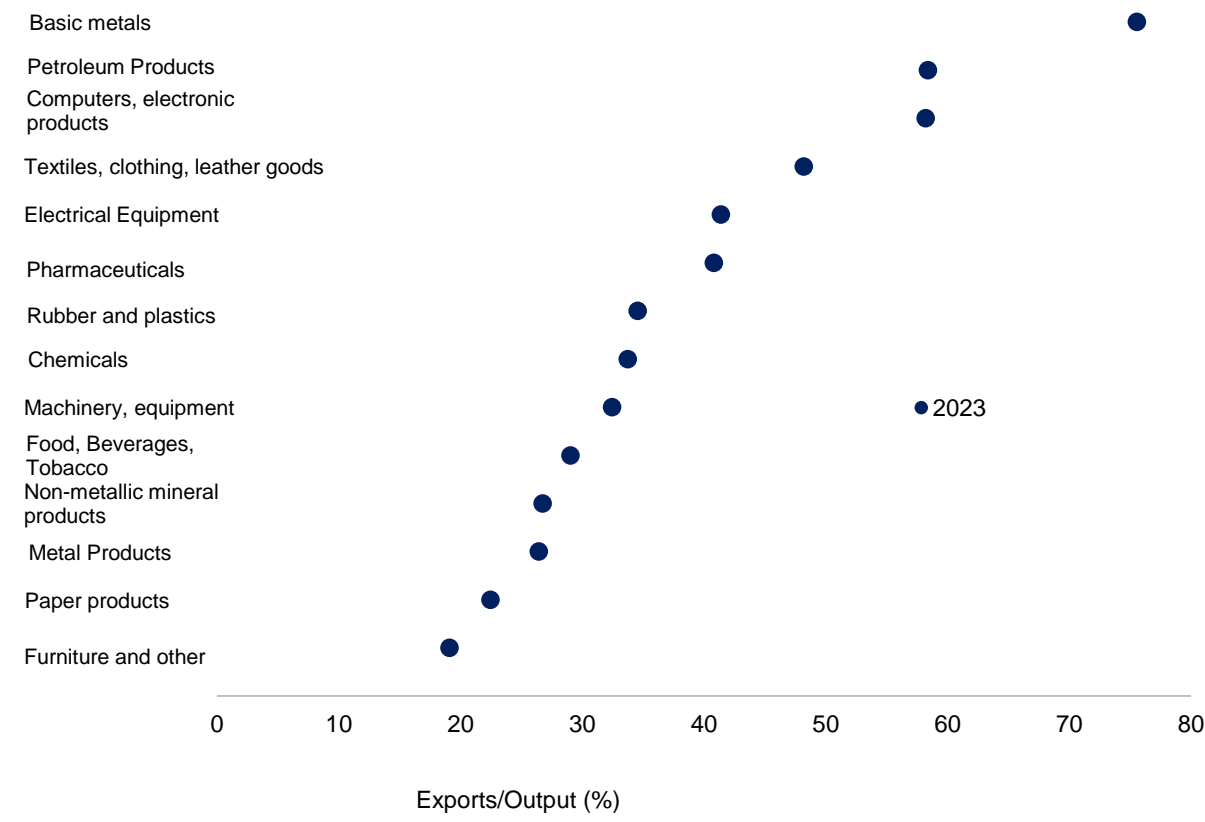
(**) Selection was based on each sector's weight to total manufacturing production.

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