Greece

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IN A NUTSHELL

→ Real GDP[2] grew by 8.3% after a sharp decline in 2020 (-9.0%).

→ In the housing market, prices continued to rise at an accelerated pace; the price of apartments rose by 7.4%, against 4.5% in 2020.

→ In the commercial property segment, prime retail rose by 2.1% against 2.6% in 2020 and prime offices by 1.8% (1.2% in 2020).

→ The total stock of outstanding housing loans declined by 3.0% against 2.7% in 2020, a rate which in April 2022 remained unchanged (-3.0%).

MACROECONOMIC OVERVIEW

Economic activity returned to growth and real GDP rose by 8.3% - offsetting almost entirely the sharp pandemic decline of 9.0% in 2020 - mainly due to the strong growth in exports of goods and services, rising gross fixed capital formation and the recovery in investment and private consumption. In particular high growth rates were recorded in exports of goods and services (21.9%), imports of goods and services (16.1%) and private consumption (7.8%), after the contractions recorded in 2020 of -21.5%, -7.6% and -7.9%, respectively. Gross fixed capital formation rebounded in 2021 by 19.6% against a marginal drop in 2020 (-0.3%). Tourism activity increased in 2021 after a sharp drop in 2020[3]. The labor market remained favorable, and unemployment rate fell to 14.7% from 16.3% in 2020.

In Q1 2022, GDP (seasonally adjusted) increased by 7.0%, y-o-y, mainly due to the strong growth in private consumption (11.6%) and exports of goods and services (9.6%), rising gross fixed capital formation (12.7%) as well as to base effect compared to Q1 2021 (-1.7%).

The economic outlook remains positive, albeit the increased uncertainty due to higher-than-expected inflation, increased energy costs, the conflict in Ukraine, disturbances in the supply of goods, energy and technology products and ongoing COVID-19 related issues, moderate the initial expectations of economic activity growth of 3.8% in 2022.[4] According to the Bank of Greece estimates,[5] real GDP is projected to continue growing in 2022 although at a slower growth rate of approximately 3.2% in the baseline scenario and 1.8% in the adverse scenario, depending on the extent of the deterioration of the economic climate. Economic activity in the second half of 2022 is expected to be supported by the projects of the EU-funded Recovery and Resilience Plan (initially started in 2021), the strong growth in exports of goods and the partial rebound of tourism revenues.

Residential investment[6] accelerated further by 26.5% (2020: 14.6%), whereas investment in total construction accelerated for a second year but at a slower pace than residential (2021: 10.6%, 2020: 3.7%). The difference was mainly due to investment in “other” construction (non-residential and civil engineering) which grew by 4.8% in 2021 and only marginally in 2020 (0.2%). In Q1 2022, investment in construction (seasonally adjusted data) increased by 16.7%, y-o-y.

Employment[7] increased in 2021 by 1.4% - reversing the decrease by 0.9% in 2020 - mainly due to the reopening of the economy and the fiscal related support measures. The unemployment rate continued to decline, to 14.7% against 16.3% in 2020 and 17.3% in 2019. However, the difference from the European average remains large. Long-term unemployment (12 months and above) decreased to 62.6% of the unemployed compared to 66.5% in 2020.

Following a fall in 2020 (-1.3%), inflation (HICP)[8] was in negative territory in H1 2021, but started increasing in H2. Overall, it reached 0.6%. The increase is mainly due to energy (12.4%) and food prices (1.2%). This trend has accelerated in the first five months of 2022, mainly due to larger increases in food and energy prices. Core inflation has also increased, albeit to a lesser extent. The conflict in Ukraine and COVID-related supply-chain backlogs and shortages also have an impact on these rising inflationary pressures. In May 2022, inflation rose steeply to 10.1%, y-o-y, a rate that has not been seen since 1995, with energy being the largest contributor (59.0%). In 2022, inflation pressures are expected to continue, and starting to reduce during 2023-2024 as energy and food price components in inflation are expected to moderate.

In 2021, there was a primary fiscal deficit of 5% of GDP. According to the Stability Programme 2022[9], the general government primary deficit is projected to be 2.0% of GDP in 2022, recovering to a surplus of 1.1% of GDP in 2023 due to unwinding fiscal measures and the projected GDP growth. General government debt, after peaking in 2020, in 2021 was 193.3% of GDP and is projected to decline to 180.2% of GDP in 2022 due to the improved economic growth and higher inflation.

HOUSING MARKETS

The real estate market exceeded expectations for investment, entering a period of positive growth expectations. Both house and commercial property prices (prime office and retail) increased, especially in the residential market, due

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1 The views expressed are solely those of the author and should not to be interpreted as reflecting the views of the Bank of Greece.

2 Hellenic Statistical Authority (ELSTAT): non-seasonally adjusted data at constant prices.

3 Source: Bank of Greece - Border Survey. Revenues generated by tourism activity increased significantly in 2021 and amounted approximately EUR 11 bn, against EUR 4 bn in 2020, but still limited compared to 2019 (revenues amounted to EUR 18 bn) at approximately by 60%.

4 Bank of Greece: Governor's Annual Report 2021/07.04.2022

5 Bank of Greece Monetary Policy Report 2021-2022/30.06.2022

6 Source: ELSTAT, non-seasonally adjusted data at constant prices.

7 Source: ELSTAT - Labour Force Survey (LFS): non-seasonally adjusted data.

8 Source: ELSTAT.

9 Greece – Stability Programme 2022.

to external investment demand and tourism. However, recent developments in the conflict in Ukraine combined with a significant increase in energy and construction material costs, and strong inflation pressures create new uncertainties that may affect investment interest and growth prospects.

According to the Bank of Greece apartment prices continued to grow, for a fourth consecutive year. The rate was higher than in the previous year, despite the lockdown in the first five months of 2021. Based on Bank of Greece residential data (valuations) collected by credit institutions, apartment prices increased on average by 7.4% (4.5% in 2020, 7.2% in 2019 and 1.8% in 2018). Prices of new apartments (up to 5 years old) increased by 7.9%, slightly higher compared with 7.0% for older apartments (over 5 years old). The highest growth rates in apartment prices were in Athens (9.4%) and Thessaloniki (7.2%) with more moderate growth rates in other cities and in other semi-urban and rural areas (5.7% and 4.8%, respectively). In Q1 2022, apartment prices increased, on average, by 8.6%, y-o-y, for the entire country (9.7%, y-o-y, in Athens, 8.3% in Thessaloniki, 8.2% in other cities and 6.4 % in other areas of Greece).

Various relevant indicators reflect the dynamics of the residential real estate market in 2021. According to ELSTAT data, housing construction activity grew rapidly both in number and volume (cubic meters) terms of new building permits (47.6% and 54.1%, respectively). Annual growth rates in Athens were significantly higher (64.1% and 70.5%, respectively). In the first two months of 2022, construction activity in dwellings continues to increase, in building volume at an annual rate of 35.7% (56.4% in Athens). Foreign investment, which fueled the recovery of high quality real estate and income-related properties, especially in 2018-2019, recovered in 2021 (34.4%) after a significant decrease of 39.6% in 2020.[10] In Q1 2022, net foreign direct investment in real estate was EUR 374.0 mn, compared to EUR 214.0 mn for 2021, an increase of 74.8%, y-o-y. In 2021, housing investment (ELSTAT non-seasonally-adjusted data at constant prices) increased by 26.5%, compared to an increase of 14.6% in 2020, though still remains at a low level of 1.3% of GDP. In Q1 2022, residential investment (seasonally - adjusted data) increased by 18.6%, y-o-y (1.4% of GDP). Business expectations for housing construction, as reflected in the relevant indicator of IOBE, strengthened in 2021 (54.4%) and continues to improve in the first five months of 2022 (64.0%).

Due to the pandemic, the number of real estate transactions[11] decreased by 22.6% in 2020 (74,769 transactions) after five consecutive years of increases (21.5% in 2019, 13.9% in 2018 and 15.3% in 2017). A rebound in the number of transactions is expected for 2021.

The housing market, mainly driven in the past four years by prime locations and investment in residential property, showed price resilience in the pandemic. The outlook remains positive, albeit subject to high uncertainty due to recurrent pandemic waves, the geopolitical developments in the light of conflict in Ukraine, increased energy and construction material costs, strong inflation pressures and COVID-related supply-chain backlogs and shortages.

MORTGAGE MARKETS

The total stock of housing loans continued to decline, by 3.0% in 2021 (-2.7% in 2020 and -3.4% in 2019) a rate which remained unchanged in April 2022 (-3.0%). In 2021, the average amount of new mortgages (including renovation loans) was EUR 73,157 and the loan-to-value ratio for new mortgage loans was 63.7%.[12] Bank interest rates on new and outstanding housing loans remained unchanged to March 2022 compared with the average rate for 2021. In particular, rates on new housing loans[13] in March 2022 were 3.0% (3.1% in 2021 and 2020) and the corresponding rate on outstanding housing loans with an initial maturity of over 5 years was 1.9% (2.0% in 2021 and 2020).

According to the latest available data of the Bank Lending Survey for Greece (Q1 2022), credit standards for loans to households remained stable for all categories of loans since a moderate tightening in 2019 Q3. Terms and conditions for all types of loans to households also remained unchanged. The proportion of rejected loan applications to housing loans remained unchanged since Q1 2019 up to Q3 2021 and since then it slightly increased in both Q4 2021 as well as Q1 2022. The demand for housing loans increased slightly but not as much as banks had expected according to the previous survey in Q4 2021. For Q2 2022, banks expect that credit standards will ease and the demand for housing loans to households will somewhat increase.

Since the sovereign debt crisis in October 2009, private sector deposits have decreased by EUR 55.9 bn (end-April 2022). Deposit outflows of EUR 43 bn between December 2014 and June 2015 ended with the imposition of capital controls (end-June 2015) and agreement on the third Economic Adjustment Programme (August 2015), Since then, private sector deposits have increased by EUR 62 bn (up to April 2022).

In April 2022, private sector deposits increased by EUR 1.3 bn compared to the previous month; the annual growth rate was 5.8%. During the 12-month period (May 2021-April 2022), deposits increased by EUR 9.7 bn compared with an increase of EUR 21.7 bn in the previous 12 months. During most of this period, bank deposits of the non-financial private sector increased, as result of higher precautionary savings, a postponement of consumer and other spending, the use of moratoria on loan and tax obligations, direct State aid and other policy measures to support the liquidity of firms and households against the negative effects of the pandemic crisis.

During the period 2017-2019, foreign direct investment rose significantly (2019: EUR 4.5 bn, 2018: EUR 3.4 bn and 2017: EUR 3.1 bn) and the real estate - for property purchasing - contribution was strong, especially in 2019 and 2018 (32.3% and 33.5% respectively, against 13.4% in 2017). In 2020, due to the pandemic, foreign direct investment was reduced (EUR 2.8 bn), however the real estate contribution remained strong (28.0%). In 2021, foreign direct investment rebounded and amounted to EUR 4.8 bn, exceeding net capital inflows levels of 2019, mainly in manufacturing and sectors such as financial intermediation and real estate. In Q1 2022, foreign direct investment was EUR 2.4 bn.

[10] Real estate remains a significant beneficiary of foreign direct investment, 24.3% of the total for 2021, compared to 28.0% for 2020 and to 32.3% for 2019 and amounted to EUR 1176.1 mn (EUR 874.9 mn in 2020). The main countries of origin for 2021 were China, Cyprus and Germany.

[11] ELSTAT annual data collected by notaries throughout the country; including all real estate categories of residential and commercial properties (dwellings, retail, offices, building plots, etc). Latest available data: 2020.

[12] Executive Summary of the Financial Stability Review – May 2022

[13] Including charges.

MORTGAGE FUNDING

Central Bank funding of Greek banks increased from EUR 41.2 bn in December 2020 to EUR 50.8 bn in December 2021. This increase is attributable to the participation in the TLTRO-III operations (given their favorable terms and conditions) and the collateral easing measures adopted in response to COVID-19.

	GREECE 2020	GREECE 2021	EU 27 2021
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	-9.0	8.3	5.4
Unemployment Rate (LSF), annual average (%) (1)	16.3	14.7	7.0
HICP inflation (%) (1)	-1.3	0.6	3.0
HOUSING MARKET			
Owner occupation rate (%) (1)	73.9	73.3	70.0
Gross Fixed Investment in Housing (annual change)(1)	14.6	26.5	6.6
Building Permits (2015=100) (2)	149.7	214.1	134.0
House Price Index – country (2015=100) (2)	110.1	118.3	145.2*
House Price Index – capital (2015=100) (2)	119.0	130.1	146.1*
Nominal house price growth (%) (2)	4.5	7.4	10.3*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	46,133	30,891	6,508,621
Outstanding Residential Loans per capita over 18 (EUR) (2)	5,204	3,494	17,782
Outstanding Residential Loans to disposable income ratio (%) (2)	38.9	24.3	62.8*
Gross residential lending, annual growth (%) (2)	9.0	52.0	12.2
Typical mortgage rate, annual average (%) (2)	2.9	2.8	2.0

* Please note that this value is the simple average of the available values in 2021.

Sources:
(1) Eurostat
(2) European Mortgage Federation - Hypostat 2022, Statistical Tables.

GREECE FACT TABLE

Which entities can issue mortgage loans in your country?	All credit institutions authorised in Greece under the Law 4261/2014, Directive 2013/36/EU.
What is the market share of new mortgage issuances between these entities?	Confidential information
Which entities hold what proportion of outstanding mortgage loans in your country?	Confidential information
What is the typical LTV ratio on residential mortgage loans in your country?	Not available
How is the distinction made between loans for residential and non-residential purposes in your country?	The distinction is made by the reporting agents themselves.
What is/are the most common mortgage product(s) in your country?	Mortgages with floating rate used to be the most common product. But as of 2020-2021 mortgages with a fixed rate are becoming increasingly popular and in 2021 accounted for 44% of new loans.
What is/are the typical/average maturity for a mortgage in your country?	Not available
What is/are the most common ways to fund mortgage lending in your country?	Deposits
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	• VAT 24% From 2006 until today, the legislation provides for the imposition of the standard VAT rate (24%) on newly built properties. An exemption on first residence was also set. Since 12.12.2019, there is a suspension of VAT in newly built properties (L.4649/2019). The suspension will be applicable until the end of 2022. • REAL ESTATE TRANSFER TAX 3% Any transfer of real estate - not subject to VAT- is subject to a Transfer Tax (3%), which is applied on the higher value between market and zonal value of the real estate property. Such cost is further increased by fees such as municipal tax, notarial, land registration and legal fees. • CAPITAL GAINS TAX 15% Capital gains tax is levied on property-selling owners (equal to 15% of the difference between the acquisition price and the selling price, progressively depreciated depending on the holding of the property. From the imposition (in 2013) until today, there has been a continuous suspension, which (via L.4646/2019) will be applicable until the end of 2022.
What is the level (if any) of government subsidies for house purchases in your country?	For house purchase, there was a temporary instalment subsidy scheme for coronavirus-affected debtors with primary residence loans (the 'Gefyra' scheme) valid from August 2020 to end 2021.