

Will 2014 be Greece's year?

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The European Commission sparked hope that Greece's economy would grow by 0.6% in 2014. This is compared with figures for 2012 and 2013, where the economy was still receding by 6.4% and 4% respectively. Will this prospective growth meliorate citizens' lives at a time of increased unemployment, as well as continued political and social strife?



There are other indications that Greece will gain an economic foothold in 2014. Along with the European Commission, Erol User, a former World Bank advisor and current economic advisor to the Turkish presidency, has expressed optimism for Greece's financial recovery and has equated it to Turkey's position 10 years ago. Greece's Minister of Finance, Yannis Stournaras, has also been confident since May that recovery will happen next year, stating that, "The climate has already turned."

Yet investors should tread carefully, because whilst financial experts may predict a better economic climate in Greece next year, high unemployment, prolonged strikes and continued political unease mean that economic recovery is still uncertain. The economy contracted for a sixth year in a row in 2013, whilst projected growth at 0.6% next year is weak, and could easily stagnate. Therefore, prospective investors should have backups and conduct low-risk ventures, if they are to invest at all.

Unemployment increased by 2.7% between 2012 and 2013, and is only expected to decrease by 1% in 2014, and to be at the same level as it was in 2012 by 2015. This means a continued lack of disposable income for individuals, something which is a must to kick start the economy. This has led to a great deal of disenchantment among Greece's citizens, which has manifested itself in strikes and street violence.

Current investment activity, whilst picking up slightly, remains suppressed due to the lack of public access to credit from Greek banks, and also because of the aforementioned current uncertainty surrounding its political system. The June 2012 election of pro-bailout New Democracy leader, Antonis Samaras, ensured that Greece continued with its austerity measures and that it was supported by Brussels. However, prolonged economic instability has resulted in extremist parties gaining national support and seats in Parliament.



Golden Dawn, a neo-Nazi party with violent tendencies, gained 6.92% of the national vote and 18 seats in Parliament. In September 2013, an anti-Golden Dawn protester was fatally stabbed by one of the party's sympathisers; this was avenged last week when two members of Golden Dawn were murdered near their party offices. Such violence is extremely negative for living standards, and could severely damage investment prospects. It must be resolved quickly in order to consolidate long-term economic growth as well as to improve living standards.

Another serious worry for future growth is the social strife which continues in both Greek public and private sectors. Educational reforms recently resulted in the closure of Greece's most notable universities, including the Aristotle University and the University of Athens, amongst several others. This has meant that lectures and exams have been cancelled, whilst the government and strikers refuse to compromise.

More recently on November 7th, Greece's largest private and public sector unions orchestrated a one-day general strike to attempt to get international lenders to reassess the bailout's terms. This meant a national shutdown of schools, courthouses and museums, as well as disruption to and from Greek airports and fewer hospital staff on duty.

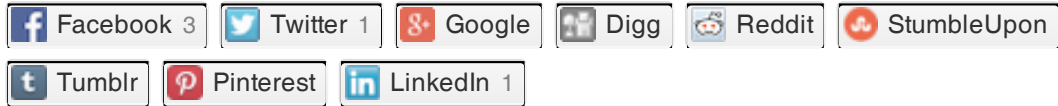
Similar strikes have angered many employees in Greece who want quick economic recovery; port workers said in a statement that: "Workers, pensioners and the unemployed are going through an endless nightmare. The government and the troika are destroying this country." This lack of compromise on each side will negatively affect economic growth because the more prolonged the strikes, the more damage is inflicted upon an already fragile economy.



It is evident that the ongoing political and social contention might deter potential investors, and could cost Greece's already precarious economy dearly. Importantly, the projected growth in 2014 is based on the augmentation of such investments, as well as the recovery of the tourist industry. This summer, improved tourist numbers resulted in a positive boost to the economy, yet holidaymakers will doubtless look elsewhere if political violence and endless striking continues in 2014.

Greece's current predicament is a difficult one to manage. The austerity measures put in place four years ago could result in potential economic growth in 2014; yet the political and social repercussions that they have caused threaten to drag the Greek recovery off course once again. The government, therefore, must juggle

the needs and wishes of its people with those of the bailout, and it must do so quickly to ensure that prospective growth becomes reality.



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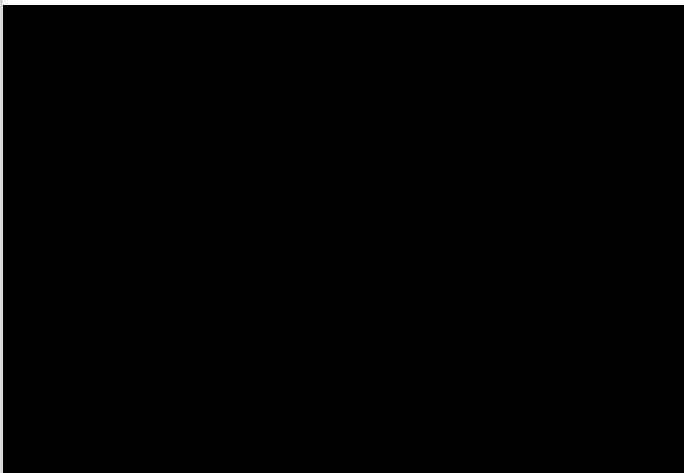
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