



Weekly Briefing

**Greece social briefing:
The Greek society in 2022
Evelyn Karakatsani**


China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Chen Xin

Kiadásért felelős személy: : Feng Zhongping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 office@china-cee.eu

 china-cee.eu

The Greek society in 2022

Summary

The briefing presents the response of the Greek society to the war in Ukraine during 2022. In addition, socio-economic effects of the energy crisis and the resulting high prices in energy and consumer goods are also analyzed. Furthermore, measures taken by the government to support society, especially the most vulnerable groups during the crisis are also presented.

Introduction

The Russian invasion of Ukraine came as a shock to the world, especially to the countries in the European continent. Greece as an EU and NATO member immediately aligned with the policies and measures against Russia. The traditionally good Greek-Russian relations were immediately disrupted following the war in Ukraine. On the one hand the Greek society expressed solidarity to Ukraine and on the other was not fully approving the measures taken against Russia. In addition, the economic effects of the energy crisis and high inflation directly burdened the Greek households and business. Even though the country is in the path of economic recovery, high inflation severely impacted household incomes. Especially the most vulnerable citizens suddenly faced surging prices in energy and basic consumer goods. The government introduced measures to support the society during the current crisis and reduce income inequalities.

Response of the Greek society to the war in Ukraine

Following the Russian invasion to Ukraine the Greek PM Kyriakos Mitsotakis declared that President's Putin decision is a clear violation of the Charter of the United Nations and of universally accepted rules and expressed its solidarity to the citizens of Ukraine. In addition, the country fully aligned with the EU economic sanctions against Russia and in parallel sent humanitarian and military aid to Ukraine.

However, Greece was a country which traditionally enjoyed good relations with Russia. Both countries historically connect by the Orthodox religion. Following the Russian invasion of Ukraine Greeks expressed solidarity and support to the citizens of Ukraine, however

Russophile sentiments remained. The decision of the PM to send military aid to Ukraine was largely criticized by all the opposition parties, except from the socialist PASOK. In addition, a study conducted in March, revealed that 70% of Greeks called this decision a mistake. Furthermore, in another survey 63% of the respondents declared that this decision may prove to be dangerous for the country (1).

Moreover, a flash Eurobarometer published in March revealed that Greeks, in comparison to the EU average, are more skeptical towards the sanctions taken against Russia. In particular, in terms of the economic sanctions against Russia 33% of the Greek respondents declared that they fully approve them. This is much lower than the EU average which was 55%. For sending military aid to Ukraine only 16% of the Greeks fully approve this decision, where the EU average was 33%. However, in the question concerning sending humanitarian aid to Ukraine 76% of the Greek respondents declared that they fully approve this decision (2).

High prices in energy and consumer goods

Greece was most vulnerable to the energy crisis in comparison to other EU member states, since it was a highly dependent on energy coming from Russia. In particular, in 2022 imports from Russia accounted for 46.5% of the available energy. In comparison to the 24.4% EU average, evidently Greece needed to urgently decrease its dependency from Russia and secure its energy efficiency (3). This in addition to the global economic shock that the Russian invasion of Ukraine generated, impacted the Greek economy. Despite these facts Greece presented a resilient economy in 2022 and continued its path to recovery from the COVID-19 pandemic.

However, high inflation rates had a negative impact to households and businesses. Specifically, inflation in June reached 12.1%. According to EUROSTAT the first half of the year Greece had the highest increase in non-household electricity prices in comparison to the other EU member states with a 159.1% increase. Romania with 136.6% and Denmark with 101.9% followed (4). Furthermore, energy prices for household consumers were the highest in the EU in the first half of 2022 with 0.31 euros per KWh. Moreover, according to EUROSTAT data published in May 2022, natural gas price increase was the second highest in the eurozone reaching 172.7%, while prices of liquid fuels also greatly increased by 65.1% (5).

Mostly due to the high energy costs, the prices of consumer goods, especially at the food category, also rapidly increased. According to the same EUROSTAT data for May, overall prices in food category rose by 12.7%, in comparison to last year. This increase was the sixth

highest in the Eurozone. The EU average increase was 8.9%. Specifically, cereals and bread prices increased by 13.4%, prices of milk increased by 10.1% and of meat by 13.8%. In addition, despite Greece been a country with fruit surplus, prices in May increased by 9.8%. This was the third largest increase in the Eurozone. Vegetables also increased by 13.1%, which was the fifth largest increase in the Eurozone (5).

A study conducted by the Labor Institute of the General Confederation of Greek Labor revealed that the rising course of inflation had a negative impact in the purchasing power of Greek households especially the ones that are living close to the limit of poverty. In general, the study presented the dramatic decrease in incomes, in purchasing power of the poorest households and the parallel increase in social inequalities. According to the data presented from April onward, the decrease of purchasing power of those on the minimum wage in Greece was around 19%. For households with monthly income lower than 750 euros per month the loss was around 40%. For households with an average income of 1,100 euros per month the loss was estimated between 9% to 14%. On the contrary for households with higher incomes the loss of purchasing power was lower than 11% and as the income increases the loss decreases (6).

The high inflation and the economic uncertainty have also impacted the consumer behaviors of the Greeks. According to the study “Future Consumer Index Greece 2022) presented by Ernst & Young (EY) Greece, by the end of April, Greek consumers are even more reluctant to spend during the current situation, since they already have memories from the ten-year economic crisis of the past. Specifically, 70% of the responders declared that they spend less money on non-essentials, while more than half of the consumers (51%) declared that they buy only essentials. In almost all product categories, the percentages of those who stated that they have limited their spending appears increased in comparison to 2021. Under such circumstances, price was by far the most important purchasing criterion this year, with 78% of the respondent declaring so. Moreover, cost of living (74%) and finances (60%) are the two major concerns of the respondents. Health issues are coming in the third place with 55%. Hence, it is evident that the Greek society adopts an overall attitude of “waiting” and “self-restrain”, choosing to reduce consumption, at least temporarily, until the global economic uncertainty ends (7).

It should also be mentioned that during the last year rental prices has also dramatically increased. According to the Bank of Greece, rental prices have reached almost the pre-crisis levels. As per the data published by the Bank of Greece, in the region of Attica prices increased by 44.6% in the period between the second quarter of 2018 and the second quarter of 2022. Similar increases are registered in Thessaloniki, the second biggest city in the country, where

prices have increased by 32.3% (8). According to a survey conducted by Eteron-Institute for Research and Social Change, 65.5% of the responders stated that they are struggling due to expensive operating costs. Moreover, 34,8% stated that they are struggling due to expensive rents (9).

The government's response

It should be mentioned that the Greek citizens have economically suffered for a decade of recession during the economic crisis of 2008, which resulted in low wages, high taxation and high unemployment. Despite that the last couple of years the country is on the road to recovery, Greece still has high unemployment and low wages. Thus, the current energy crisis has stricken the country in a post-pandemic period with the citizens still struggling economically. The resulting high prices in energy and consumer goods, as well as rental prices and operating expenses burdens the citizens, as well as business. In order to support the most vulnerable economic groups the government introduced a series of fiscal measures.

On 10 September 2022, during the 86th Thessaloniki International Fair, PM Kyriakos Mitsotakis announced 21 extraordinary and permanent measures, with a total budget of 5.5 bil euros, to be implemented in three different specific time points. According to the PM these support measures will not throw off the fiscal balance. Measures that will be immediately implemented include: a 250 euros cash aid to be given in December to approximately 2.3 mil vulnerable citizens, such as low-income pensioners, long-term unemployed etc.; an increase of the student housing allowance from 1,000 to 1,500 euros; an increase of heating allowance from 84 mil euros to 174 mil euros; a subsidy of 60 mil euros to farmers against the cost of fertilizers; an increase of the number of the “Recycle & Change Electrical Device” beneficiaries – and others. For measures been in effect by year's end the PM mentioned among others the permanent reduction of social insurance contributions by 3%; the abolishment of Special Solidarity Contribution tax; the increase of pensions of approximately 1,500,000 pensioners; the reductions of VAT on transport, coffee and non-alcoholic drinks etc. Furthermore, the government introduced the “household basket” measure. This refers to products sold in the supermarket in low price and are “protected” from inflation.

Conclusion

To conclude, this year Greek society was largely marked by the war in Ukraine and its socio-economic effects. The rapid rise of energy and consumer good prices burdened households and businesses. The purchasing power, especially of the citizens with low income shrank. In order to support the citizens during the crisis, the government introduced economic measures, such as subsidies and tax decreases. However, a continuation of the crisis may affect the economic recovery of the country and further aid to the most vulnerable groups may be much needed.

References

- 1) POLITICO (2022) “Greece tossed aside years of caution in Ukraine — and upset Greeks” Available at <https://www.politico.eu/article/ukraine-greece-year-caution-weapon-invasion-military/>
- 2) European Commission (2022) “Flash Eurobarometer 506 EU’s response to the war in Ukraine” Available at file:///C:/Users/evely/Downloads/EU_response_to_war_in_Ukraine_FL506_EL_en.pdf
- 3) ΗΜΕΡΗΣΙΑ (2022) «Eurostat: Το ενεργειακό μείγμα της Ελλάδας και η εξάρτηση από τη Ρωσία» Available in Greek at https://www.imerisia.gr/oikonomia/39197_eurostat-energeiako-meigma-tis-elladas-kai-i-exartisi-apo-ti-rosia
- 4) EUROSTAT (2022) “Electricity price statistics” Available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Electricity_price_statistics#Electricity_prices_for_household_consumers
- 5) Kathimerini (2022) “Energy price hikes hit 61%” Available at <https://www.ekathimerini.com/economy/1187016/energy-price-hikes-hit-61/>
- 6) Kathimerini (2022) “Purchasing power of lower incomes takes a big hit” Available at <https://www.ekathimerini.com/economy/1197111/purchasing-power-of-lower-incomes-takes-a-big-hit/>
- 7) EY (2022) «EY: Οι Έλληνες καταναλωτές ανήσυχoi και με νέες αγοραστικές συνήθειες, σε ένα διαρκώς πιο αβέβαιο περιβάλλον» Available in Greek at https://www.ey.com/el_gr/news/2022/07/ey-oi-ellines-katanalotes-anisixoi-kai-me-nees-aporastikes-sinitheies-se-ena-diarkos-pio-avevaio-periballon
- 8) ΟΤ (2022) «Ακίνητα: Κρας τεστ για τις τιμές των ενοικίων – Η Αθήνα πρωταθλήτρια με τα υψηλότερα ενοίκια» Available in Greek at https://www.ot.gr/2022/02/20/oikonomia/akinita/kras-test-gia-tis-times-ton-enoikion-i-athina-protathlitria-me-ta-ypsilotera-enoikia/?fbclid=IwAR2RK7VNLahVVe0DD0LWsmOCUayYZLX4S7AB1_Rd548O5QI51S_whyzneYRM
- 9) ΤΟ ΒΗΜΑ (2022) «Δυσβάστακτο το κόστος στέγασης» Printed version