



EUROPEAN CENTRAL BANK

EUROSYSTEM



BANK OF GREECE

EUROSYSTEM



Report

on the national listening event
organised by the Bank of Greece

I. Event overview

An online event entitled “The Bank of Greece listens” was held on 10 February 2021. The event was organised by the Bank of Greece aiming to encourage a public dialogue, bringing together the Bank’s Governor, Yannis Stournaras, and senior officials, with representatives of social partners.

The event was part of a series of listening events hosted by the European Central Bank (ECB) and the national central banks of the euro area in the context of the review of the ECB’s monetary policy strategy.

The review was considered warranted by the ECB Governing Council in order to ensure that the ECB’s monetary policy is fit for purpose in view of the fundamental changes in the economic environment of the euro area since the last strategy review in 2003. For the efficient formulation of the central bank’s monetary policy strategy, it is vital to communicate with the public at large, so that their opinions and concerns from these listening events can feed into the ECB’s review.

The event brought together representatives from 16 organisations active in various areas, including employee and employer associations across several industries, consumer organisations and environmental organisations (a full list of participating entities is available in the Annex).

The Bank was represented by Ilias Plaskovitis, Advisor to the Administration and representative of the Bank of Greece at the Supervisory Board of the Single Supervisory Mechanism; Dimitrios Malliaropoulos, Director of the Economic Research and Analysis Department; and Daphne Papadopoulou, Director-Advisor, Economic Research and Analysis Department.

The event, which lasted for over three hours and was divided into two parts, was moderated by journalist Nikos Filippidis and is available on YouTube.¹

The participants had the opportunity to express their views on and expectations from the monetary policy of the Eurosystem. This report summarises the main points made by the participants and, together with other information and analyses, will be taken into account in the discussion of the strategy review of the ECB by the Governing Council, which is expected to be completed in the second half of this year.

II. Key themes in discussions

1. What does price stability mean for you?

2. What are your economic expectations and concerns?

¹ https://www.youtube.com/watch?v=zaf78VAf_eQ

Most participants emphasised the importance of price stability for their organisations. Specifically, for enterprises in industries facing difficulties in production planning or predicting customer demand, sharp changes in prices would increase uncertainty. This is even more true for processes involving long lead times (e.g. in construction or agriculture), as price instability would make it harder to calculate production and operating costs. Price stability is also vital for small enterprises, which lack forecasting capabilities and are more vulnerable to sharp changes in prices. The same applies to insurance undertakings, which, due to the nature of their business, are highly sensitive to price and interest rate developments.

For the export industry, preventing price fluctuations until the final delivery of their products and ensuring competitiveness are crucial. Participants also stressed the importance of a representative measurement of inflation by assigning appropriate weights to the items in the consumer price basket, so as to reflect current consumption patterns; they also proposed the compilation of a price index for low-income households.

The gravest concern voiced by participants was the possibility of an abrupt withdrawal of fiscal stimulus (introduced to counter the impact of the pandemic and of the containment measures) after the return to more normal conditions.

Participants were particularly concerned about the accumulation of private and public debt, whose servicing is affected by inflation developments. Some of them underlined the need to support the economy through fiscal and structural policies, mainly in high-debt countries with low EU-fund absorption rates. It was also proposed to maintain expansionary fiscal policies and channel resources to the real economy, with a focus on green investment, digitalisation of the private and the public sector, as well as innovation, in order to facilitate the return to normality.

Regarding the conduct of monetary policy, several participants took the view that central banks' decision-making should focus more on unemployment, employment shortfalls, poverty, and income inequality. It was also proposed that central bank policy implementation could vary across countries on the basis of certain criteria, such as growth, productivity and fiscal position, as in the past Greece was excluded from favourable monetary policy measures.

It was also noted that corporate lending rates in Greece have not fallen enough relative to other countries, despite monetary policy accommodation, and are expected to rise after the withdrawal of favourable monetary policy measures. High interest rates were attributed to the legacy of the financial crisis, which continues to weigh on the balance sheets of banks, corporates and individuals.

A major problem highlighted by participants was the difficulties in gaining access to bank lending and the unfavourable credit conditions offered to less solvent individuals and businesses, as well as to farmers. It is recognised that a link exists between high interest rates and the high stock of non-performing loans (NPLs), which is the major challenge facing the Greek banking system; the reduction of the NPL ratio must be accelerated, including through the systemic solutions proposed by the Bank of Greece. However, participants are concerned about possible sales of consumer loans to foreign investment funds. The view was also expressed that, despite the ECB's response to the economic crisis, inflation has remained below target, at a time of bond and equity market bubbles.

Therefore, exit from the present monetary policy accommodation must be carefully planned.

3. What other topics matter to you?

4. How can we best communicate with you?

Many participants feel that the ECB's mandate should be expanded to support the transition to sustainable development and improve the financing of the real economy. For example, an option that could be considered is central bank lending directly to solvent enterprises subject to criteria such as investment in digitalisation, respect for the environment and job creation. Financing of employment programmes could also be considered. The importance of encouraging microcredit to small enterprises was also highlighted. Many participants also stressed that the central bank should take into account the impact from climate change and rapid digitalisation.

Specifically, participants invoked reports from international organisations calling for a green and sustainable recovery. According to these reports, a healthy environment increases the resilience of societies and is a major factor in increasing economic activity, incomes and job creation. The central bank should therefore include in its strategy the proposed environmental protection guidelines. In this regard, several participants recognised the contribution of the Bank of Greece to climate change issues. Emphasis was also placed on the need to insure citizens against the impact of natural disasters related to climate change. Also, representatives of the private insurance industry suggested that regulatory capital incentives would support green investment by insurance undertakings.

In view of the potential effects on businesses from financial innovation, including central bank digital currencies, cryptocurrency applications and digital assets, central bank vigilance was seen as necessary. The introduction of a digital euro raises concerns about the form and role of intermediaries, as well as about personal data privacy, cybersecurity and digital inclusion. It was also noted that banks' adjustment to the new digital era, as well as remote service provision, fall short of citizens' needs.

All participants expressed their great satisfaction with the event organised and their wish for more frequent exchanges between the central bank and civil society organisations. A proposal on the organisation of a dedicated session to discuss how to raise financial and banking literacy specifically among women and to encourage female entrepreneurship was raised.

Regarding how the Bank of Greece can best communicate with them, participants would welcome audience-specific bulletins, in addition to the Bank's regular reports, and access to databases that are currently not publicly available. It was also noted that the central bank should better communicate the social aspect of monetary policy measures, enabling the citizens to understand the positive impact on their everyday lives. At the same time, the central bank, living up to public's expectations, must more effectively deliver on its price stability mandate.

III. Summary of main recommendations, questions and concerns

Most participants emphasised the importance of price stability for their organisations. Several participants took the view that central banks' decision-making should focus more on unemployment, employment shortfalls, poverty, and income inequality.

The gravest concern expressed by participants was the possibility of an abrupt withdrawal of fiscal stimulus (introduced to counter the impact of the pandemic) after the return to more normal conditions. Participants also voiced their concern about the difficulties faced by businesses and individuals in gaining access to bank lending and stressed the need for a careful planning of the exit from the present monetary policy accommodation.

Many participants feel that the central bank's mandate should be expanded to support the transition to sustainable development and improve the financing of the real economy. Several participants recognised the contribution of the Bank of Greece to climate change issues and emphasised that developments in digitalisation call for vigilance. They also asked the Bank of Greece to organise more frequent public dialogue events and better explain the positive impact of monetary policy measures on citizens' everyday lives.

Points made by the Governor of the Bank of Greece

Governor Yannis Stournaras listened carefully to all participants, presented the central bank's positions on all the issues raised and provided information and clarifications where requested.

He pointed out the successful containment of the economic impact of the pandemic through the adoption of a comprehensive set of accommodative monetary policy measures, featuring unprecedented flexibility for Greece, combined with strong fiscal stimulus. At the same time, he stressed the need for a gradual withdrawal of these favourable measures, until the economy is on a solid growth path, and for an acceleration of EU-fund disbursements rate.

Lastly, Governor Stournaras underlined the importance of mitigating the risks from climate change and the challenges from ongoing digitalisation, which is a priority for the central bank, and drew attention to the actions already taken by the Bank of Greece, including the establishment of the Climate Change Impacts Study Committee and the creation of a FinTech hub.

IV. Annex

List of participating organisations

ORGANISATION	SURNAME	NAME	TITLE
ECONOMIC AND SOCIAL COUNCIL OF GREECE (ESCG)	ALEPIS	MICHALIS	PLENUM/EXECUTIVE COMMITTEE MEMBER
GREEK ASSOCIATION OF SOCIETES ANONYMES AND LIMITED LIABILITY COMPANIES	ANASTASOPOULOS	SIMOS	PRESIDENT
GENERAL CONFEDERATION OF GREEK WORKERS LABOUR INSTITUTE	ARGEITIS	GEORGIOS	SCIENTIFIC DIRECTOR
ASSOCIATION OF GREEK TOURIST ENTERPRISES	VERNIKOS	YORGOS	SECRETARY GENERAL-FORMER ESCG PRESIDENT
FOUNDATION FOR ECONOMIC & INDUSTRIAL RESEARCH	VETTAS	NIKOS	GENERAL MANAGER
HELLENIC CONFEDERATION OF PROFESSIONALS, CRAFTSMEN AND MERCHANTS	DASKALAKIS	NIKOS	SCIENTIFIC ADVISOR GSEVEE INSTITUTE
CONSUMER PROTECTION CENTRE	TSEMPERLIDIS KEKELEKI	NIKOLAOS EVAGGELIA	PRESIDENT SECRETARY GENERAL
ECONOMIC CHAMBER OF GREECE	KOLLIAS	KONSTANTINOS	PRESIDENT
GREEK FEDERATION OF BANK EMPLOYEE UNIONS	MOTSIOS	YORGOS	PRESIDENT
POLITICAL UNION OF WOMEN IN GREECE	BEKOU	EFI	VICE-PRESIDENT
PANHELLENIC EXPORTERS ASSOCIATION	SAKELLARIDI	CHRISTINA	PRESIDENT
HELLENIC ASSOCIATION OF INSURANCE COMPANIES	SARRIGEORGIU	ALEXANDROS	PRESIDENT
NEW PANHELLENIC CONFEDERATION OF ASSOCIATIONS OF AGRICULTURAL COOPERATIVES	SATOLIAS	PAVLOS	CHAIR OF THE BOARD
TECHNICAL CHAMBER OF GREECE	STASINOS	YORGOS	PRESIDENT
GREENPEACE GREECE	TSIGARIDOU	NATALIA	GREEN AND FAIR RECOVERY CAMPAIGN LEADER
HELLENIC BANK ASSOCIATION	HATZINIKOLAOU	GEORGIOS	PRESIDENT

“The Bank of Greece listens”

PROGRAMME

Login/Virtual registration

10:00–10:05

Nikos Filippidis – Journalist and event moderator

Welcome address

10:05–10:15

Yannis Stournaras – Bank of Greece Governor

Presentation

10:15–10:30

The monetary policy of the ECB
The review of the monetary policy strategy of the ECB

Ilias Plaskovitis – Advisor to the Administrator

Part I

10:30–11:30

What does price stability mean for you?
What are your economic expectations and concerns?

Dimitris Malliaropoulos – Director, Economic Research and Analysis Department

Intermission

11:30–11:45

Part II

11:45–12:45

What other topics matter to you?
How can we best communicate with you?

Daphne Papadopoulou – Director-Advisor, Economic Research and Analysis Department

Conclusions

12:45–13:15

Ilias Plaskovitis – Advisor to the Administrator

Closing remarks

13:15

Yannis Stournaras – Bank of Greece Governor