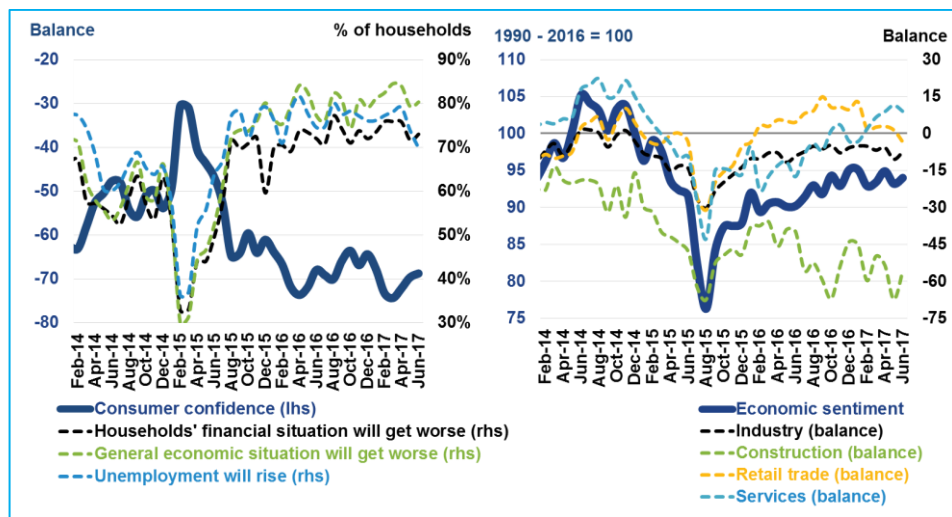


INDEX

Main indicators	3
Economic climate	4
Employment, prices, wages	5
Industry, trade, services	6
Exports, tourism	7

Economic climate and consumer confidence

(EC-DG ECFIN & IOBE, June 2017)



Prospects for recovery get stronger

The agreement on the completion of the 2nd review of the adjustment program seems to have strengthened the economic climate in June 2017, **creating stronger prospects for recovery**. At the same time, the dynamism shown by exports, industrial production, retail sales and tourism, is expected to support growth prospects in other sectors as well. Moreover, **investment opportunities to be undertaken by the private sector seem to be accumulating**. Therefore, given that the emerging stability of the economy is not disturbed, projections for growth above 1.5% in 2017 will most probably be realised.

In particular, according to the latest available data:

- **The economic climate improved slightly** (at 94 points from 93.2 the previous month), due to stronger business expectations in industry and construction, along with the upward trend in services. Furthermore, **the improvement in households' expectations regarding unemployment contributed to a marginal rise in the consumer confidence index** (at -68.8 points from -69.7 the previous month).
- **Non-oil manufacturing production returned to a positive territory in May 2017** (+4.3%), after the decline in April (-1.6%), strengthening its momentum. On average, during the period Jan - May 2017 it rose significantly (+3.3%), with most sectors moving upwards, especially basic metals (+29.3%), pharmaceuticals (+12.9%) and PC manufacturing (+26.6%).
- **Non-oil exports of goods rose significantly in May 2017** (+19.8%, compared with a -5.8% decline in May 2016), recovering from the slowdown in April (-5.1%). In total, during the period Jan – May 2017, non-oil exports increased by +6.6%, with most product categories moving upwards, except beverages and tobacco (-13.6%), animal and vegetable oil (-17.4%) and machinery (-2%).
- **The volume of retail sales except fuel, after rising by +2.4% in Q1 2017, continued climbing in April 2017** (+2.6%), as Easter holidays contributed positively, with sales going up in most store categories, especially supermarkets (+3.3%) and food stores in general (+2.7%).

MACROECONOMIC ANALYSIS
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SUPPORTED BY:





Given that the emerging stability of the economy is not disturbed, projections for growth above 1.5% in 2017 will most probably be realised. On this basis, the authorities are urged to take advantage of the positive business and economic climate and to maintain fiscal discipline while dealing effectively with the pressures from over-taxation and pension cuts.

- **Favourable expectations on tourism are confirmed**, with the peak of the tourist season approaching, as Bank of Greece's data show an **increase in arrivals and receipts** in April 2017 (+ 12% and +11.3% respectively). Moreover, there are positive signs for tourist traffic in May 2017. According to SETE, international arrivals in all country's airports increased by +6.6%.
- During Q1 2017, **the production index in construction increased** (+8.6% vs. a reduction of -8.1% in Q1 2016), for 4th consecutive quarter, while turnover in most services sectors was strengthened.
- **Unemployment continued to decline** in April 2017 (21.7% from 22% in the previous month and 23.6% in April 2016). At the same time, **vacancies increased yoy by +21.5%**, reaching 18.6 thousand in Q1 2017, while in May 2017 **the number of registered unemployed fell to 913.5 thousand** from 970, 3 thousand in the previous month. Additionally, ERGANI data show a remarkable strength in net hirings during the first half of 2017 (+256 thousand jobs), though a large number of new contracts continue to refer to flexible forms of employment.

However, overall uncertainty and fiscal drag on disposable income continue to exert a negative impact on economic activity, which is reflected inter alia in:

- **The accumulation of new arrears by taxpayers to the order of €717 mil.** in May 2017, slowing down, however, compared with May 2016 (+€1.3 bn.).
- **The high level of non-performing bank exposures.** Even though falling in Q1 2017 to €105.1 bn or 45.2% of total exposures from around €106 bn at the end of 2016, the decline was attributed mainly due to write-offs.
- **The reduction of households' deposits** in May 2017 (-€ 214 mil.), with the cumulative outflow from July 2015, when capital controls were imposed, set at -€1,2 bn.

On this basis, the authorities are urged to take advantage of the positive business and economic climate and to maintain fiscal discipline while dealing effectively with the pressures from over-taxation and pension cuts. The opportunity, three years later, to return to a growth path, so as to end the Memorandum and restore market access, should not be missed.



Main indicators

Economic sentiment		2015	2016	2017	
		Average	Average	May	June
😊	Economic climate	89.7	91.8	93.2	94.0
😊	Consumer confidence	-50.7	-68.0	-69.7	-68.8
	% stating that their own economic situation will get worse	55%	72%	72%	73%
	% stating that the country's economic situation will get worse	58%	79%	79%	80%
😊	% stating that unemployment will rise	63%	77%	74%	70%

Employment, Unemployment, prices, wages		2015	2016	2017	Period
😊	Employment (persons, change year-to-date, seasonally adjusted)	22,800	18,800	113,200	Jan – Apr
😊	Employment (persons, change during month, seasonally adjusted)	31,100	19,100	24,000	Apr
😊	Registered unemployed (change year-to-date)	-49,107	-37,129	-80,235	Jan – May
😊	Registered unemployed (change during month)	-31,198	-29,923	-34,976	May
😊	Net hirings (year-to-date)	203,123	234,664	255,903	Jan – Jun
😊	Net hirings (current month)	8,590	33,608	40,599	Jun
😊	Unemployment rate (seasonally adjusted)	25.4%	23.6%	21.7%	Apr
😊	Year to date average rate (seasonally adjusted)	25.7%	23.9%	22.4%	Jan – Apr
	Index of wages (whole economy, at constant prices, seasonally adjusted)	2.7%	1.6%	-0.4%	Q1
	Change Year to date (whole economy, in constant prices, seasonally adjusted)	1.3%	2.5%	-	Jan – Dec
	Consumer Price Index	-2.2%	-0.7%	1.0%	Jun
	Change Year to date	-2.3%	-0.9%	1.3%	Jan – Jun

GDP (Seasonally adjusted, at constant prices, yoy % change)		2015	2016	Period	2016	2017
					Q1	Q1
😊	GDP	-0.2%	0.0%	Jan – Dec	-0.8%	0.4%
😊	Domestic demand	-1.2%	0.4%	Jan – Dec	0.4%	3.0%
😊	Private consumption	-0.2%	1.4%	Jan – Dec	-0.7%	1.7%
😊	Public consumption	0.0%	-2.1%	Jan – Dec	-3.5%	1.0%
😊	Investment (including inventory change)	-8.9%	-0.8%	Jan – Dec	15.2%	13.6%
😊	Fixed investment	-0.2%	0.0%		-10.1%	11.2%
	Residential construction	-25.8%	-12.8%	Jan – Dec	-17.1%	-11.2%
	Non – residential construction	6.2%	2.9%	Jan – Dec	14.0%	-10.2%
	Machinery and equipment (incl. weapons)	-1.5%	-0.6%	Jan – Dec	-1.3%	-0.7%
😊	Transport equipment (incl. weapons)	-11.5%	-10.1%		-43.7%	155.0%
	Net exports					
😊	Exports of goods and services	3.4%	-2.0%	Jan – Dec	-10.4%	4.8%
😊	Exports of goods	8.6%	2.9%	Jan – Dec	1.9%	4.4%
😊	Exports of services	-2.4%	-7.3%	Jan – Dec	-22.0%	8.0%
	Imports of goods and services	0.3%	-0.4%	Jan – Dec	-10.1%	10.9%
	Imports of goods	3.4%	2.2%	Jan – Dec	-3.7%	11.6%
	Imports of services	-11.7%	-11.5%	Jan – Dec	-32.0%	10.5%

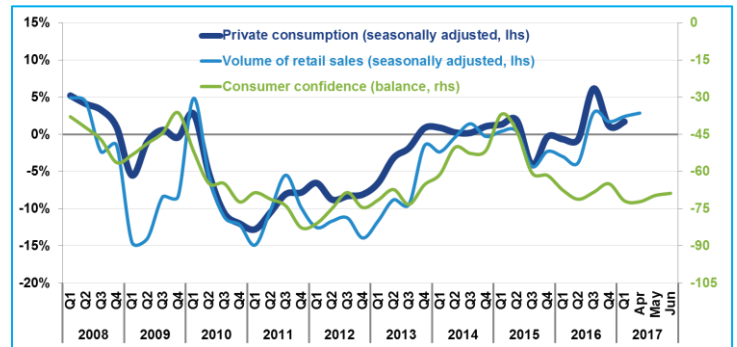
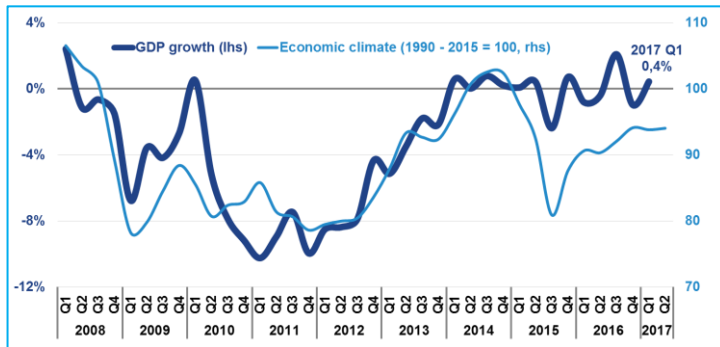
Short term conjunctural indicators (yoy % change)		2016	2017	Period	2017	Period
😊	Industrial production	2.5%	6.8%	Jan – May	5.4%	May
😊	Manufacturing (excluding oil)	3.4%	3.3%	Jan – May	4.3%	May
😊	Production in construction	22.9%	8.6%	Q1	8.6%	Q1
😊	Building	18.1%	-12.3%	Q1	-12.3%	Q1
😊	Non – building	26.8%	27.7%	Q1	27.7%	Q1
😊	Private building activity – building permits (volume in m³)	-6.9%	16.7%	Jan – Mar	16.7%	Mar
😊	Retail sales (volume)	-0.6%	2.8%	Jan – Apr	3.0%	Apr
😊	Excluding automotive fuel	0.5%	2.4%	Jan – Apr	2.6%	Apr
😊	New vehicle licenses	11.0%	14.2%	Jan – May	-18.8%	May
😊	Revenue from tax on mobile telephony	-10.7%	-10.3%	Jan – Mar	7.2%	Mar
😊	Exports of goods excl. Oil & ships (ELSTAT, current prices)	2.0%	6.8%	Jan – May	20.1%	May
😊	Exports of goods excl. Oil & ships, volume	4.9%	2.4%	Jan – May	17.1%	May
😊	Imports of goods excl. oil & ships (ELSTAT, current prices)	6.2%	6.4%	Jan – May	12.9%	May
😊	Imports of goods excl. oil & ships, volume	8.4%	6.6%	Jan – May	12.6%	May
😊	Tourism – receipts	-6.5%	2.7%	Jan – Apr	11.3%	Apr
😊	Transportation – receipts	-21.6%	18.9%	Jan – Apr	21.9%	Apr
😊	Other services* – receipts	4.4%	38.3%	Jan – Apr	27.7%	Apr
😊	Inbound travelers	7.5%	3.2%	Jan – Apr	12.0%	Apr

* includes construction business activity abroad, software and technology exports, etc

Source: IOBE, ELSTAT, Bank of Greece, Ministry of Labour and Social Solidarity, DG ECFIN, European Commission



Economic climate



GDP AND ECONOMIC CLIMATE

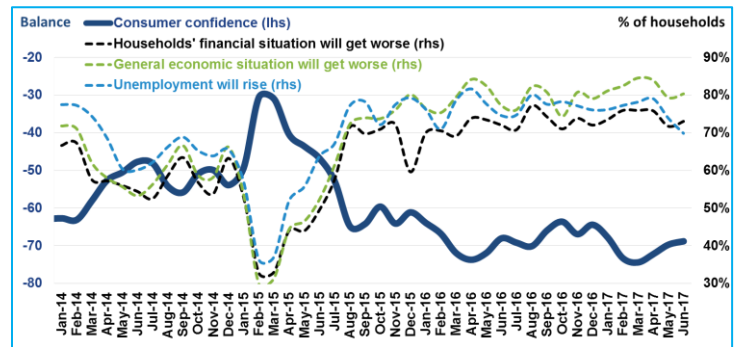
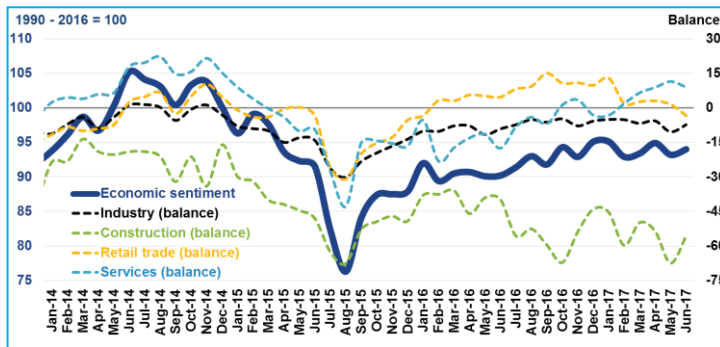
(ELSTAT, Q1 2017, IOBE-DG ECFIN, June 2017)

GDP rose by +0.4% in Q1 2017 yoy (compared to a GDP decline of -0.5% initially estimated by ELSTAT), mainly due to increased private consumption and investment, while imports' contribution was negative.

PRIVATE CONSUMPTION, RETAIL SALES, CONSUMER CONFIDENCE

(ELSTAT, Q1 2017, IOBE-DG ECFIN, June 2017)

Private consumption grew by +1.7%, contributing by +1.2 p.p. to GDP growth. The increase in private consumption is also reflected in retail sales, which rose strongly in the period Jan - Mar 2017.



ECONOMIC CLIMATE AND BUSINESS EXPECTATIONS

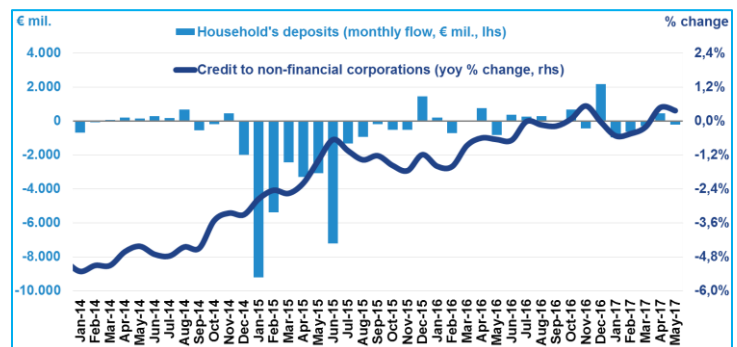
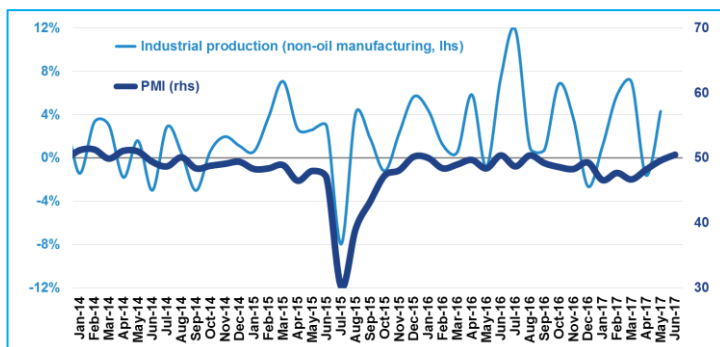
(IOBE-DG ECFIN, June 2017)

The economic climate showed a slight improvement in June 2017 (at 94 points from 93.2 the previous month), due to stronger business expectations in industry and construction, along with the upward trend in services.

CONSUMER CONFIDENCE

(IOBE-DG ECFIN, June 2017)

The improvement in households' expectations regarding unemployment contributed to a marginal rise in the consumer confidence index in June 2017 (at -68.8 points from -69.7 the previous month).



PURCHASING MANAGERS' INDEX (PMI)

(Markit, June 2017)

Manufacturing PMI returned a level above the 50 no-change threshold in June 2017, as a result of a rise in new orders and output, which, in turn, contributed to another round of job creation.

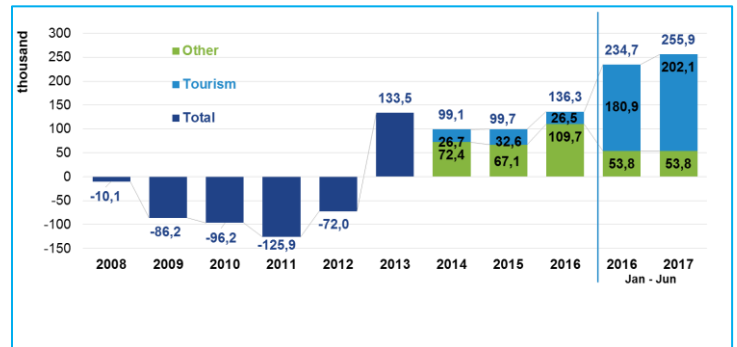
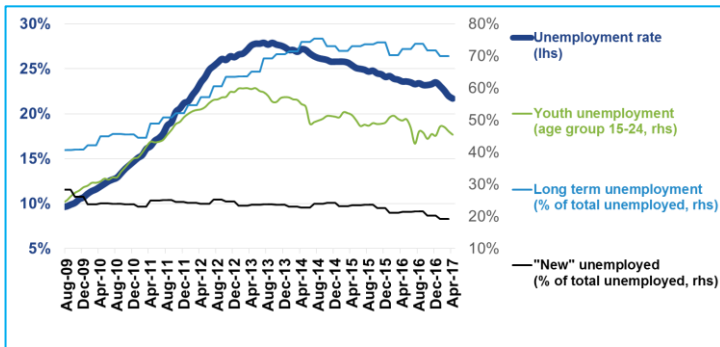
CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

(Bank of Greece, May 2017)

Households' deposits kept on declining in May 2017 (-€ 214 mil.), with the cumulative outflow from July 2015 set at -€1,2 bn. Bank credit to business yoy change remained at a marginal positive level for 2nd consecutive month (+0.4%).



Employment, prices, wages



UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)

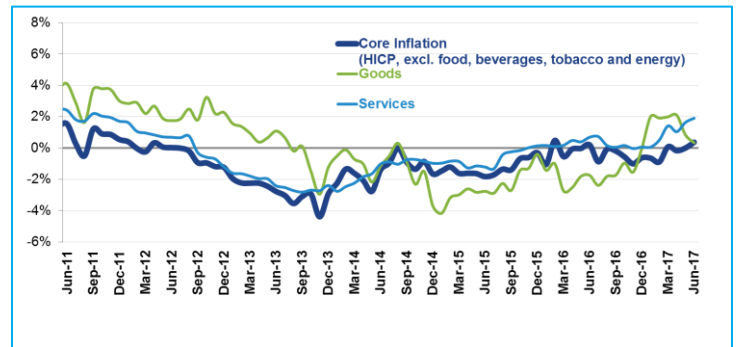
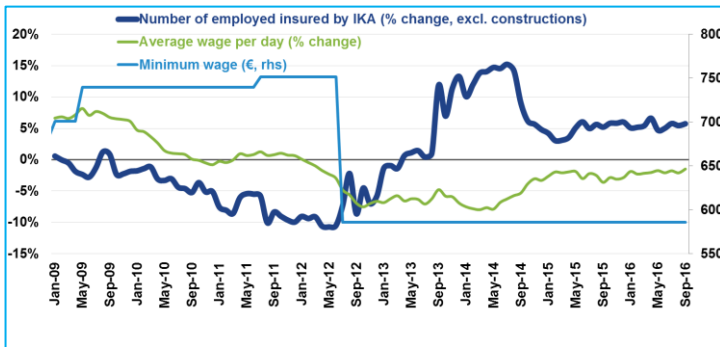
(ELSTAT, Apr. 2017)

Unemployment continued to decline in April 2017 (21.7% from 22% in the previous month and 23.6% in April 2016), while in May 2017 the number of registered unemployed fell to 913.5 thousand from 970, 3 thousand in the previous month.

NET HIRINGS

(ERGANI, June 2017)

ERGANI data show a remarkable strength in net hirings during the first half of 2017 (+256 thousand jobs). Most of the hirings were in tourism sectors, while a large number of new contracts continue to refer to flexible forms of employment.



NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE

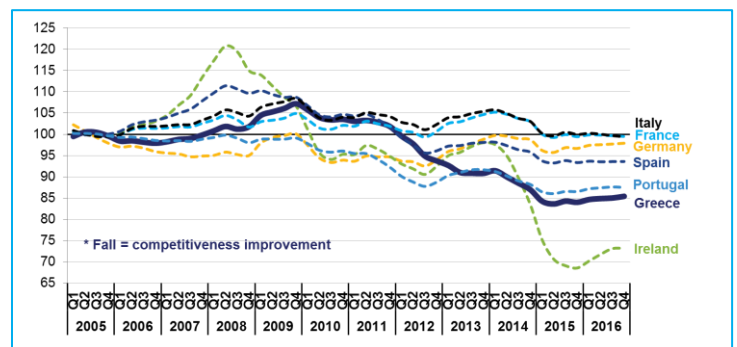
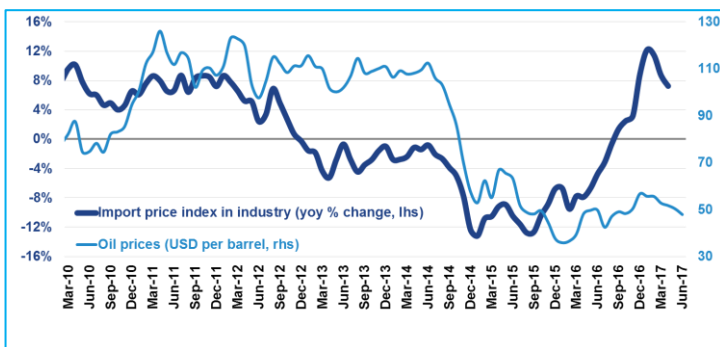
(Yoy % change, IKA, Sep. 2016)

The number of employed insured by IKA has been rising since April 2013 (+5.7% in Sep. 2016). Part of this increase may be due to shifts from undeclared to formal employment, while average earnings continue to decline.

GOODS AND SERVICES INFLATION, CORE INFLATION

(ELSTAT, June 2017)

CPI was on the rise for the sixth consecutive month in June 2017 (+1.0%). The highest increases are recorded in beverages/tobacco (+7%) and transportation (+7%), while in food there was a drop (-0.8%). CPI with constant taxes was up by +0.2% in June 2017.



IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES

(ELSTAT, Apr. 2017, FT, June 2017)

After almost 4 years of decline, import price index in industry is on the rise since Sep 2016 (+7.2% in April 2017), while oil prices seem to be stabilized close to the level of USD 50 per barrel.

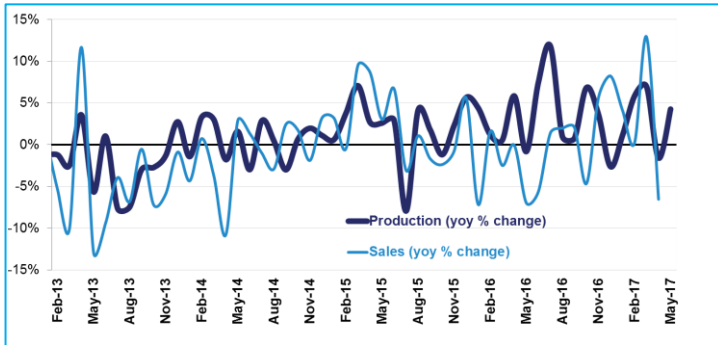
PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE

(Eurostat, Q4 2016)

Reforms in recent years have contributed to the recovery of a significant part of Greece's competitiveness compared with other European countries according to the index of the real effective exchange rate.



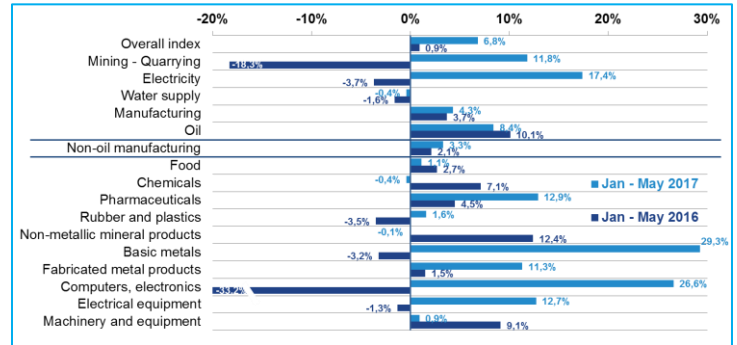
Industry, trade, services



PRODUCTION AND TURNOVER IN NON-OIL MANUFACTURING

(ELSTAT, May 2017)

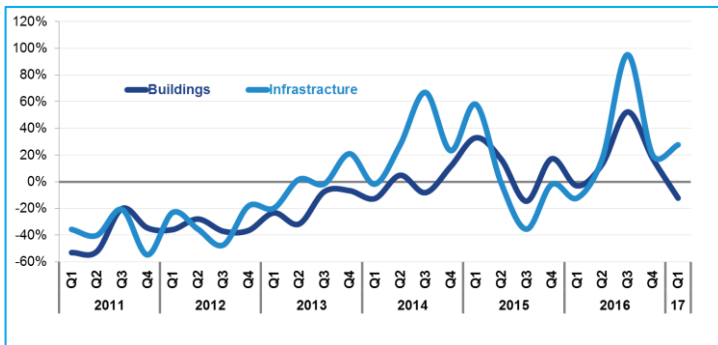
Production in non-oil manufacturing returned to a positive territory in May 2017 (+4.3%), after the decline in April (-1.6%), strengthening its momentum.



INDUSTRIAL PRODUCTION BY SECTOR

(ELSTAT, May 2017)

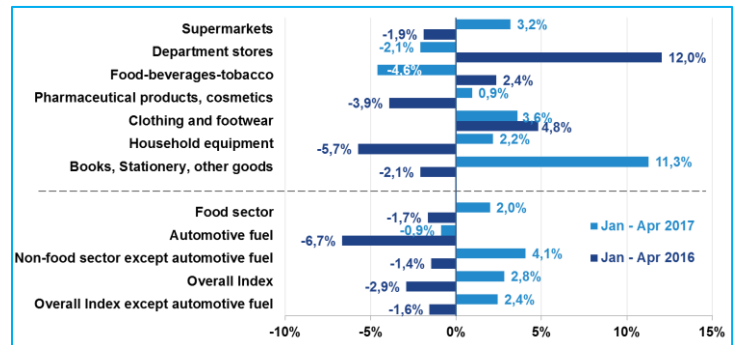
Non-oil manufacturing production rose significantly in the period Jan - May 2017 (+ 3.3%), with most sectors moving in positive territory, especially basic metals (+29.3%), pharmaceuticals (+12.9%) and PC manufacturing (+26.6%).



VOLUME OF PRODUCTION IN CONSTRUCTION

(Yoy % change, ELSTAT, Q1 2017)

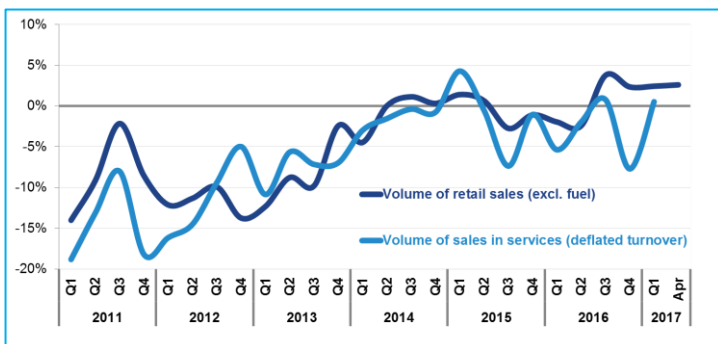
The increase in production in construction slowed down in Q1 2017 (+8.6%), as a result of the decline in buildings (-12.3%), while production in infrastructure continued to rise (+27.7%).



VOLUME OF RETAIL SALES

(% change by store category, ELSTAT, Apr. 2017)

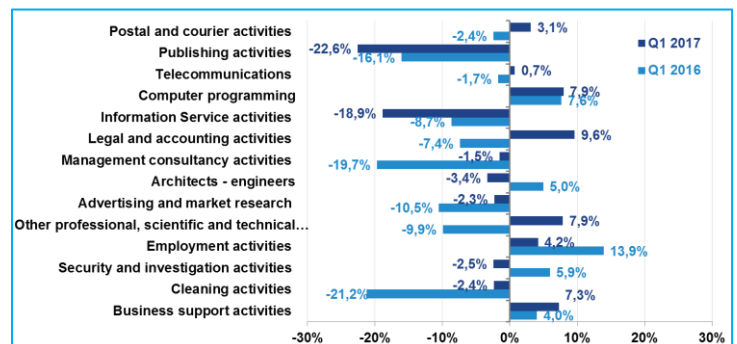
The volume of retail sales except fuel, after rising by +2.4% in Q1 2017, continued climbing in April 2017 (+2.6%), as Easter holidays contributed positively, with sales going up in most store categories, especially supermarkets (+3.3%) and food stores in general (+2.7%).



VOLUME OF RETAIL AND SERVICES SALES

(ELSTAT, Eurostat, Q1 2017, ELSTAT, Apr. 2017)

The volume of sales in services has improved in Q1 2017 (+0.5% aprox.) This trend is expected to be strengthened, given the improved business expectations in services and rising tourism.



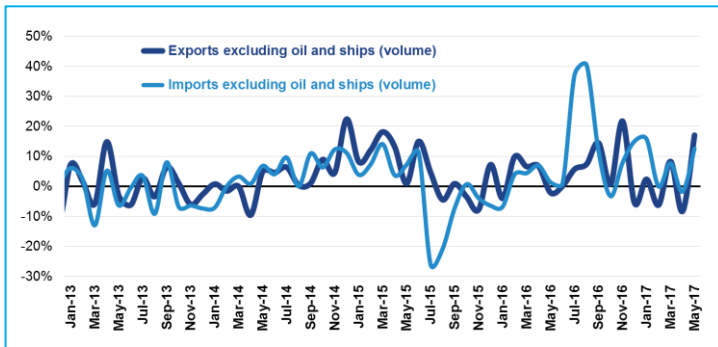
TURNOVER INDICES IN SERVICES

(ELSTAT, Q1 2017)

The turnover in services in Q1 2017 shows mixed trends, with significant increases in computer programming (+7.9%), postal/courier activities (+3.1%) and legal services (+9.6%) and significant losses in publishing activities (-22.6%).

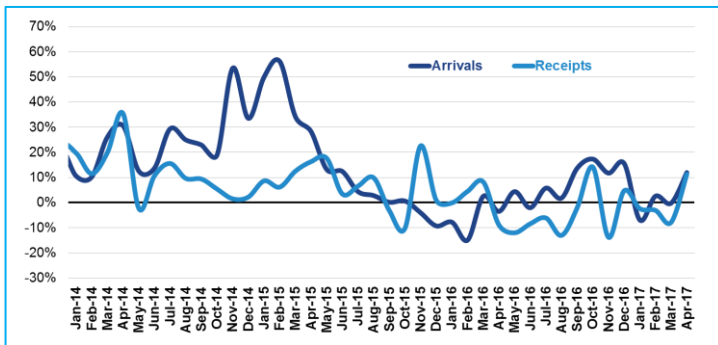


Exports, tourism



VOLUME OF NON-OIL EXPORTS AND NON-OIL IMPORTS OF GOODS
(ELSTAT, May 2017)

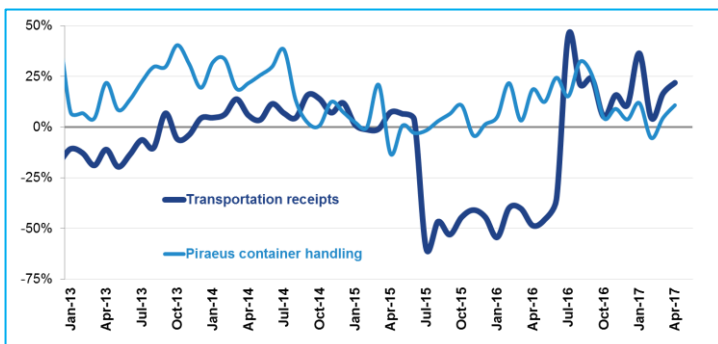
The decline of exports of goods excluding oil and ships in April (-3.7% or -8.3% in terms of volume) was temporary, as in May they rose significantly (+20.1%, or +17.1% in terms of volume). The good prospects for global demand are likely to strengthen the upward trend of exports.



TOURIST ARRIVALS AND RECEIPTS

(Bank of Greece, Apr. 2017)

Favourable expectations on tourism are confirmed, with the peak of the tourist season approaching, as arrivals and receipts rose in April 2017 (+12% and +11.3% respectively), mainly due to the increased flows from countries of the Eurozone, especially France and Germany.



TRANSPORTATION RECEIPTS

(BoG, Apr. 2017, Piraeus container handling: COSCO, Apr. 2017)

Transportation receipts have been improving since July 2016, yet this is due to the base effect, after a significant drop during the period Jul 2015 – Jun 2016. In the period Jan – Apr 2017 they rose by +18.9% vs a decline of -45.9% in the period Jan – Apr 2016.

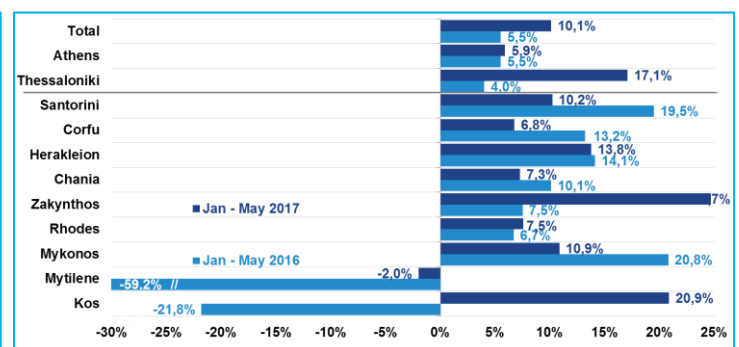
Group of products	Jan - May		%Δ
	(€ mil.)		
	2016	2017	
Agricultural products	2,272.1	2,239.7	-1.4%
Food	1,652.8	1,716.3	3.8%
Beverages / Tobacco	309.4	267.3	-13.6%
Animal and vegetable oil	309.9	256.1	-17.4%
Crude Materials	372.9	514.9	38.1%
Mineral Fuels	2,384.5	3,810.9	59.8%
Industrial products	4,634.0	5,019.2	8.3%
Chemicals	1,133.0	1,249.9	10.3%
Goods classified by material	1,624.5	1,869.2	15.1%
Machinery & transport equipment	1,087.6	1,066.2	-2.0%
Misc. manufactured articles	788.9	833.9	5.7%
Not classified commodities	212.9	214.0	0.5%
Total	9,876.3	11,798.7	19.5%
Total excl. Oil	7,491.8	7,987.8	6.6%
Memo item*:			
Manufactured products	5,172.5	5,351.1	3.5%
of which: Food / Beverages	1,044.5	1,041.1	-0.3%
Crude materials & primary products	941.2	961.9	2.2%
of which: Agricultural products	610.6	569.3	-6.8%

* Jan - Apr Data

EXPORTS BY PRODUCT

(ELSTAT, Eurostat, May 2017)

During the period Jan – May 2017, non-oil exports increased by +6.9%, with most product categories moving upwards, except beverages and tobacco (-13.6%), animal and vegetable oil (-17.4%) and machinery (-2%).



INTERNATIONAL ARRIVALS AT MAIN AIRPORTS

(SETE, May 2017)

International arrivals in the Greek airports increased by +10.1% in the period Jan - May 2017. Traffic in classic tourist destinations is particularly strengthened, while in Kos and in Mytilene the downward trend of 2016, mainly due to the refugee issue, seems to be reversing.



SEV Members Financial Data

ASSETS
€368^{bn}
67% of total*



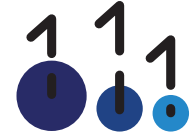
EQUITY
€60^{bn}
51% of total*



TURNOVER
€62^{bn}
43% of total*



PROFITS BEFORE TAXES
€2,4^{bn**}
30% of total**



EMPLOYEES
190.000
11% employees insured by IKA



WAGES
€4,8^{bn}
20% of total***



SOCIAL SECURITY CONTRIBUTIONS
€2,1^{bn}
20% of total***



TAXES ON PROFITS
€0,8^{bn}
29% of total****



* 20,500 financial statements for fiscal year 2015 included in ICAP database

** sum of reported profits

*** % of total regular earnings (excluding bonuses and overtime)/social security contributions of employees insured by IKA

**** % of total revenues from corporate income tax

Source: ICAP, IKA, Ministry of Finance



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