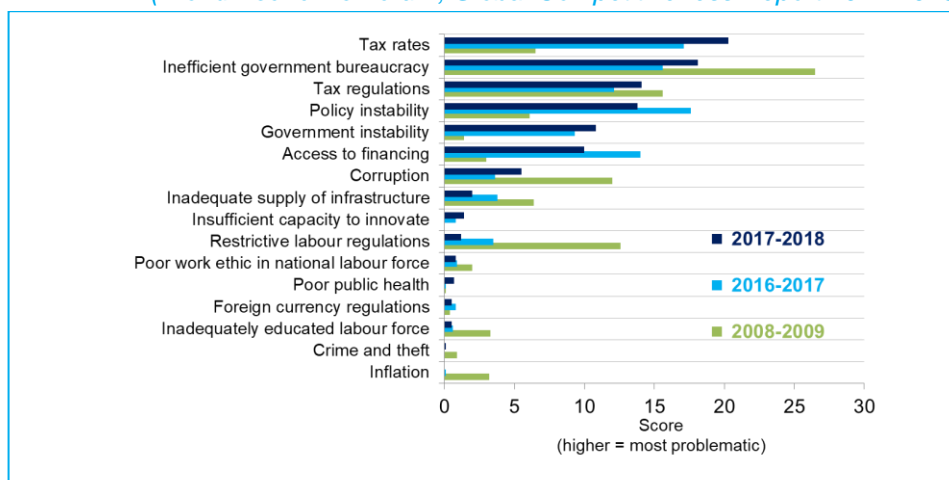


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The most problematic factors for doing business

(World Economic Forum, Global Competitiveness Report 2017-2018)



The economy improves but growth remains weak

The improvement of the economic climate, especially since May 2017, is already reflected in several economic variables, such as the rise in industrial production, exports and retail sales, while the particularly good performance of tourism has led to increasing employment and demand in the economy. Nevertheless, the persistently low international competitiveness, as illustrated in the latest report of the World Economic Forum, which continues to weaken further by the ongoing business overtaxation and poor access to credit, tends to impede the faster return to stronger growth from the supply side of the economy.

In any case:

- The **economic climate improved further in September 2017**, exceeding the level of 100 points (100.6 points, compared with 99 the previous month and 91.8 in September 2016) for the first time since December 2014. **Consumer confidence has also been on a steady upward trend** (at -53.7 points in September 2017, compared with -57 in the previous month and -65.9 in September 2016), as households are less pessimistic on the prospects of their economic situation and unemployment.
- **Non-oil manufacturing production kept on increasing in August 2017** (+6.8%), moving in a solid positive territory during the period Jan-Aug 2017 (+3.2%), on top of +3.4% in 2016. At the same time, the manufacturing PMI **recorded a significant improvement in September 2017**, showing the strongest growth in production since June 2008.
- **Exports of goods excluding oil and ships were on the rise for the 4th consecutive month in August 2017** (+7.2%), yet the increase of imports (+5.5%) **widened the trade deficit by +3.4%**. Overall, during the period Jan-Aug 2017, exports excluding oil and ships rose by +7% in terms of value and by +3.4% in terms of volume, while the strengthening of the euro since the beginning of 2017 puts pressure on exports, being offset largely by the strong global growth.

MACROECONOMIC ANALYSIS AND EUROPEAN POLICY

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SUPPORTED BY:





The improvement of the economic climate has not yet led to a rise in investment activity, while Greece still ranks low in the competitiveness index of the World Economic Economic Forum (87th from 86th in the previous year) and last among the EU-28 countries.

- **The volume of retail sales excluding fuel continued to rise** for the 4th consecutive month in July 2017 (+3%, on top of +9.6% in July 2016), while during the period Jan-Jul 2017 sales volume in most of the store categories were up (+2.4% the overall index excluding fuel, compared with -1.6% in the corresponding period in 2016 and -0.6% in 2016 as a whole).
- Labor market developments are also positive, as **unemployment fell to 21% in July 2017** (from 21.3% in the previous month and 23.4% in July 2016), while additional employment gains in education contributed largely to **increased net hirings in September 2017** (17.2 thousand compared with 7.8 thousand in Sep 2016 and 265.9 thousand in Jan-Sep 2017 compared with 245.6 thousand in the corresponding period in 2016). At the same time, the registered unemployed reached 921.8 thousand in August 2017, decreased by -6.5 thousand approximately compared with the previous month and by -51.8 thousand compared with August 2016. It is noted that that the decline of the unemployment rate has been accelerated since the beginning of 2017, mainly as a result of rising tourism activity and the implementation of active labour market policies by the Ministry of Labour and the Hellenic Manpower Organisation (OAED).
- **Tourism continues to exhibit a strong performance**, especially regarding tourism arrivals (+10.2% in July 2017 and +8% in the period Jan-Jul 2017), while tourism receipts, after a decline in 2016 (-6.4%), have returned to growth (+5.3% in July 2017 and +6.4% in the period Jan-Jul 2017).

However, the improvement of the economic climate has not yet led to a rise in investment activity, while Greece **still ranks low in the competitiveness index of the World Economic Forum (87th from 86th in the previous year) and last among the EU-28 countries**. At the same time, overtaxation is indicated as the most problematic factor for doing business in Greece, as also reflected in the slowdown of the direct tax revenue in the Draft Budget of 2018, as well as the explosion of tax arrears in the summer months of 2017 (+€3.1 bn. in Jul - Aug 2017).

Given the above developments, data on GDP for Q3 2017 are expected to form a clearer picture of the state of the economy throughout the year. In any case, the recovery so far has been mainly driven by stimulating demand from abroad. Without a boost of private investment, growth in the coming years will remain sluggish.



Main indicators

Economic sentiment		2015	2016	2017	
		Average	Average	Aug	Sep
😊	Economic climate	89.7	91.8	99.0	100.6
😊	Consumer confidence	-50.7	-68.0	-57.0	-53.7
😊	% stating that their own economic situation will get worse	55%	72%	62%	60%
	% stating that the country's economic situation will get worse	58%	79%	66%	66%
	% stating that unemployment will rise	63%	77%	62%	63%

Employment, Unemployment, prices, wages		2015	2016	2017	Period
😊	Employment (persons, change year-to-date, seasonally adjusted)	78,900	52,200	142,200	Jan – Jul
😊	Employment (persons, change during month, seasonally adjusted)	10,900	14,400	13,300	Jul
😊	Registered unemployed (change year-to-date)	-42,691	37,760	-82,978	Jan – Aug
😊	Registered unemployed (change during month)	-2,353	50,562	-2,975	Aug
😊	Net hirings (year-to-date)	173,021	245,605	265,871	Jan – Sep
😊	Net hirings (current month)	-13,003	7,788	17,128	Sep
😊	Unemployment rate (seasonally adjusted)	24.9%	23.4%	21.0%	Jul
😊	Year to date average rate (seasonally adjusted)	25.4%	23.7%	21.9%	Jan – Jun
	Index of wages (whole economy, at constant prices, seasonally adjusted)	0.0%	5.6%	-0.8%	Q2
	Change Year to date (whole economy, in constant prices, seasonally adjusted)	1.3%	3.6%	-0.6%	Jan – Jun
	Consumer Price Index	-1.7%	-1.0%	1.0%	Sep
	Change Year to date	-2.1%	-1.0%	1.2%	Jan – Sep

GDP (Seasonally adjusted, at constant prices, yoy % change)		2016	2017	Period	2017	
					Q1	Q2
😊	GDP	0.0%	0.6%	Jan – Jun	0.4%	0.8%
	Domestic demand	0.4%	0.9%	Jan – Jun	2.7%	-0.9%
😊	Private consumption	1.4%	1.0%	Jan – Jun	1.2%	0.7%
😊	Public consumption	-2.1%	0.7%	Jan – Jun	-1.9%	3.3%
	Investment (including inventory change)	-0.8%	0.6%	Jan – Jun	19.6%	-17.1%
	Fixed investment	0.0%	2.7%		10.8%	-4.6%
	Residential construction	-12.8%	-8.1%	Jan – Jun	-11.0%	-5.1%
	Non – residential construction	2.9%	-9.3%	Jan – Jun	-9.4%	-9.3%
😊	Machinery and equipment (incl. weapons)	-0.6%	0.3%	Jan – Jun	-0.4%	1.0%
	Transport equipment (incl. weapons)	-10.1%	57.0%		155.7%	-5.5%
	Net exports					
😊	Exports of goods and services	-2.0%	7.4%	Jan – Jun	5.2%	9.5%
😊	Exports of goods	2.9%	6.8%	Jan – Jun	4.9%	8.8%
😊	Exports of services	-7.3%	9.6%	Jan – Jun	7.8%	11.5%
	Imports of goods and services	-0.4%	7.3%	Jan – Jun	11.7%	3.1%
	Imports of goods	2.2%	6.3%	Jan – Jun	12.4%	0.7%
	Imports of services	-11.5%	13.5%	Jan – Jun	11.4%	15.7%

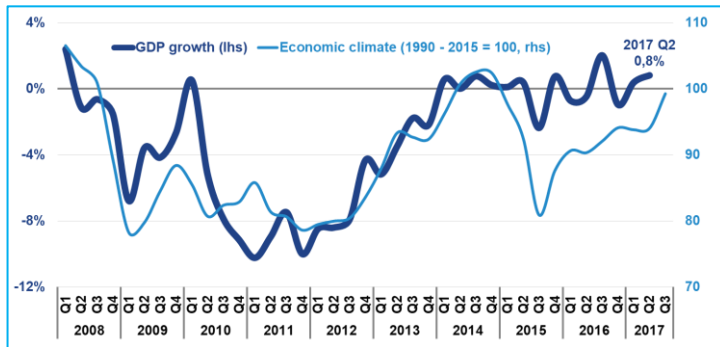
Short term conjunctural indicators (yoy % change)		2016	2017	Period	2017	Period
😊	Industrial production	2.5%	5.4%	Jan – Aug	5.6%	Aug
😊	Manufacturing (excluding oil)	3.4%	3.2%	Jan – Aug	6.8%	Aug
	Production in construction	22.9%	3.6%	Jan – Jun	-1.0%	Q2
	Building	18.1%	-4.0%	Jan – Jun	-0.1%	Q2
	Non – building	26.8%	10.0%	Jan – Jun	-1.7%	Q2
😊	Private building activity – building permits (volume in m³)	-6.9%	21.1%	Jan – Jul	10.0%	Jul
😊	Retail sales (volume)	-0.6%	2.4%	Jan – Jul	2.3%	Jul
😊	Excluding automotive fuel	0.4%	2.5%	Jan – Jul	3.0%	Jul
😊	New vehicle licenses	11.0%	20.3%	Jan – Sep	30.1%	Sep
😊	Revenue from tax on mobile telephony	-10.7%	1.4%	Jan – Jul	11.3%	Jul
😊	Exports of goods excl. Oil & ships (ELSTAT, current prices)	2.0%	7.0%	Jan – Aug	6.9%	Aug
😊	Exports of goods excl. Oil & ships, volume	4.9%	3.4%	Jan – Aug	7.5%	Aug
	Imports of goods excl. oil & ships (ELSTAT, current prices)	6.0%	7.0%	Jan – Aug	6.0%	Aug
	Imports of goods excl. oil & ships, volume	8.1%	6.9%	Jan – Aug	4.6%	Aug
😊	Tourism – receipts	-6.4%	6.4%	Jan – Jul	5.3%	Jul
😊	Transportation – receipts	-21.6%	18.1%	Jan – Jul	19.2%	Jul
😊	Other services* – receipts	4.4%	29.5%	Jan – Jul	17.6%	Jul
😊	Inbound travelers (excl. cruises)	5.1%	8.0%	Jan – Jul	10.2%	Jul

* 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



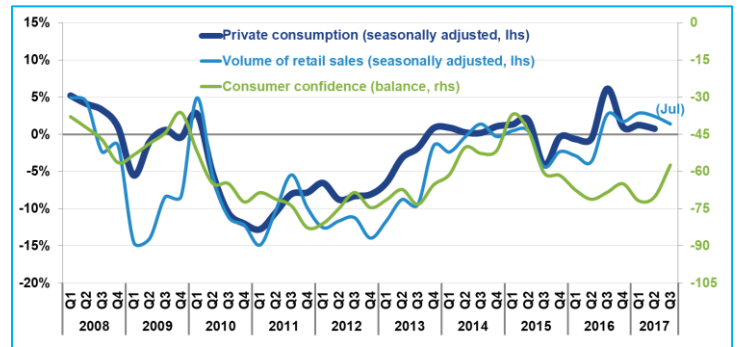
Economic climate



GDP AND ECONOMIC CLIMATE

(ELSTAT, Q2 2017, IOBE-DG ECFIN, Sep. 2017)

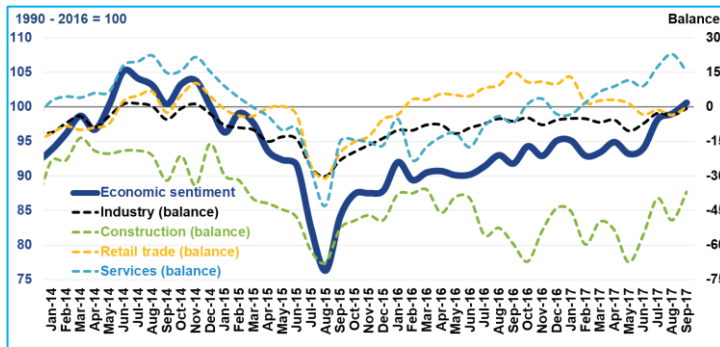
Growth accelerated to +0.8% in Q2 2017, mainly on the back of private and public consumption (+0.7% and +3.3% respectively) and exports (+9.5%), while gross fixed investment fell by -4.6%.



PRIVATE CONSUMPTION, RETAIL SALES, CONSUMER CONFIDENCE

(ELSTAT, Q2 2017, IOBE-DG ECFIN, Sep. 2017)

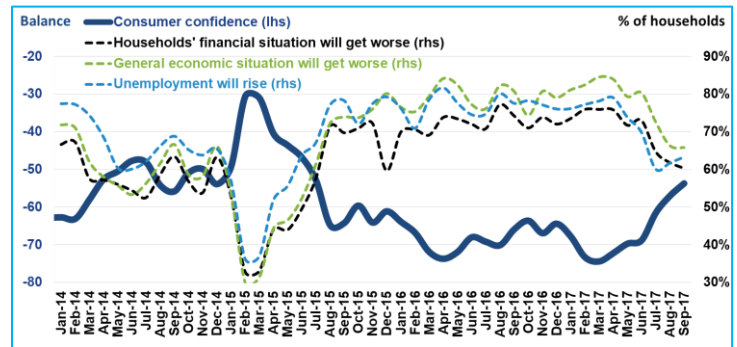
Private consumption growth decelerated in Q2 2017, limiting its contribution to GDP growth at +0.5 p.p. from +0.9 p.p. in Q1 2017, while retail sales and consumer confidence continue to move upwards.



ECONOMIC CLIMATE AND BUSINESS EXPECTATIONS

(IOBE-DG ECFIN, Sep. 2017)

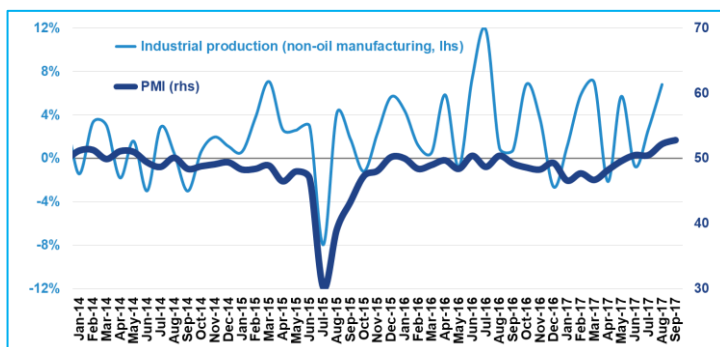
Economic climate improved further in September 2017, exceeding the level of 100 points for the first time since December 2014. Business expectations are improving in all sectors except services, where the end of the tourist season unveils moderate forecasts for the short-term demand.



CONSUMER CONFIDENCE

(IOBE-DG ECFIN, Sep. 2017)

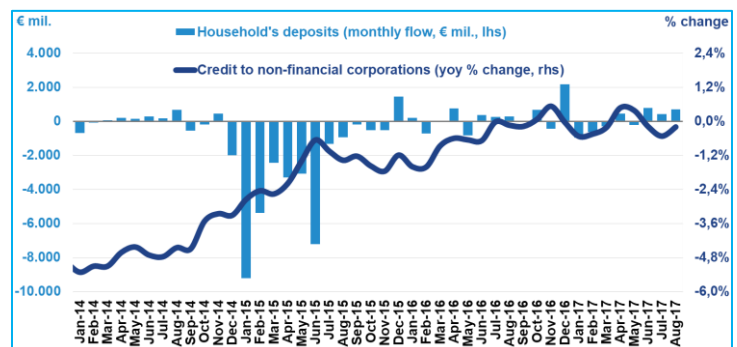
Consumer confidence has also been on a steady upward trend (at -53.7 points in September 2017, compared with -57 in the previous month and -65.9 in September 2016), as households are less pessimistic on the prospects of their economic situation and unemployment.



PURCHASING MANAGERS' INDEX (PMI)

(Markit, Sep. 2017)

Manufacturing PMI recorded a significant improvement in September 2017, showing the strongest growth in production since June 2008. Output expands for fourth successive month and employment continues to increase.



CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

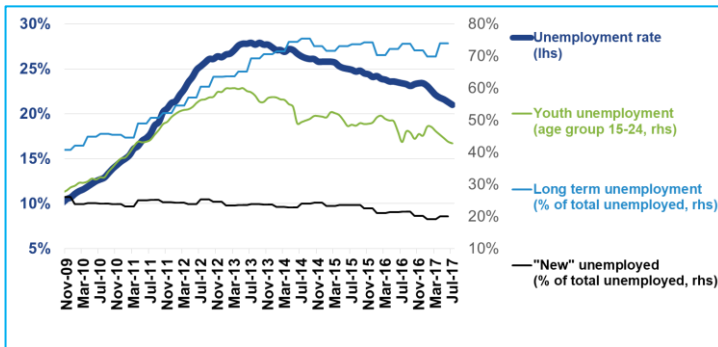
(Bank of Greece, Aug. 2017)

The improvement of business climate and consumer confidence, along with the rise in tourism receipts contributed to the increase in household deposits for the 3rd consecutive month in August 2017, while growth of credit to businesses remained negative.





Employment, prices, wages



UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)

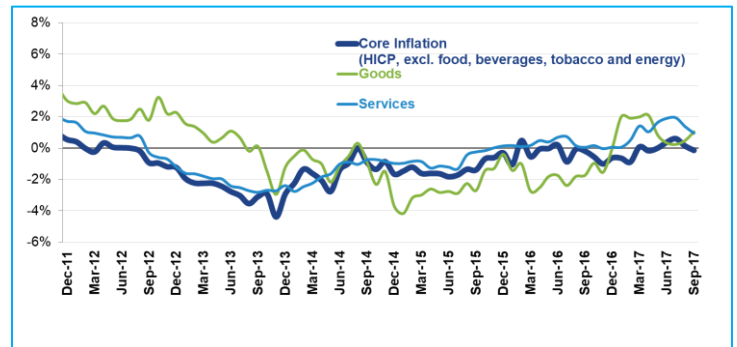
(ELSTAT, July 2017)

Unemployment continued to decline in July 2017 (21% from 21.3% in the previous month and 23.4% in July 2016). The decline has been accelerated since the beginning of 2017, mainly as a result of rising tourism activity and the implementation of active labour market policies.

NET HIRINGS

(ERGANI, Sep. 2017)

Additional employment gains in education contributed largely to increased net hirings in September 2017 (17.2 thousand compared with 7.8 thousand in Sep 2016 and 265.9 thousand in Jan-Sep 2017 compared with 245.6 thousand in the corresponding period in 2016)



NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE

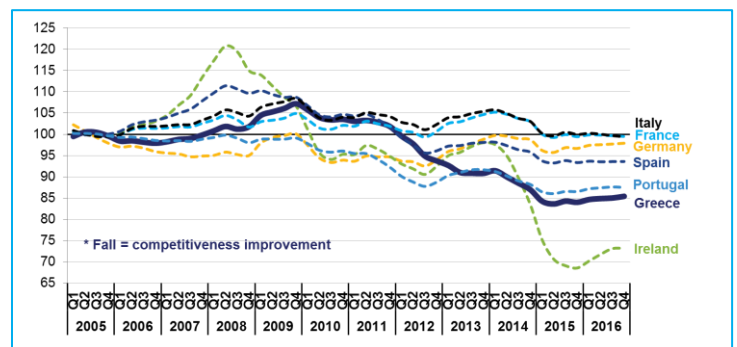
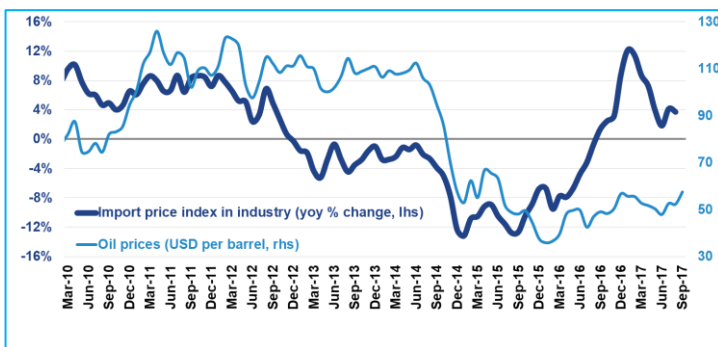
(Yoy % change, IKA, Dec. 2016)

The number of employed insured by IKA has been rising since April 2013 (+3.1% in Dec. 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, Sep. 2017)

CPI was on the rise for the 6th consecutive month in Sep. 2017 (+1.0%). The highest increases are recorded in beverages/tobacco (+7.3%) and transportation (+5.3%), while in food prices rose marginally (+0.3%). CPI at constant taxes was up by +0.4%.



IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES

(ELSTAT, Aug. 2017, FT, Sep. 2017)

After almost 4 years of decline, import price index in industry is on the rise since Sep 2016 (+3.7% in Aug 2017), while oil prices are moving upward again in Sep. 2017.

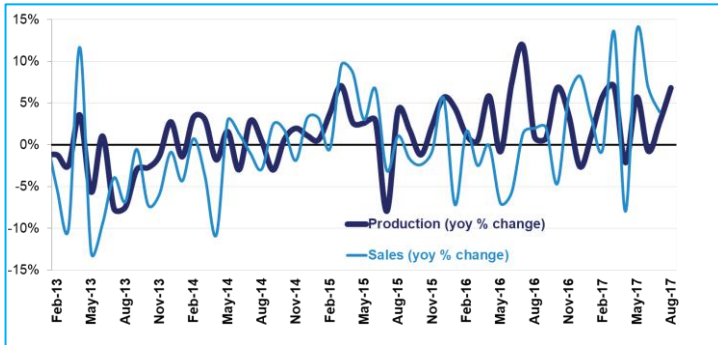
PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE

(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.



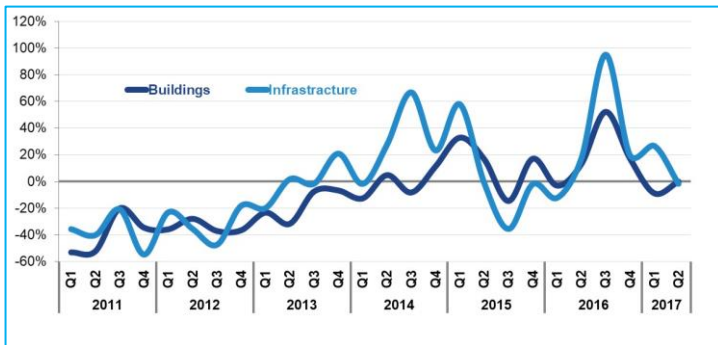
Industry, trade, services



PRODUCTION AND TURNOVER IN NON-OIL MANUFACTURING

(ELSTAT, Aug. 2017)

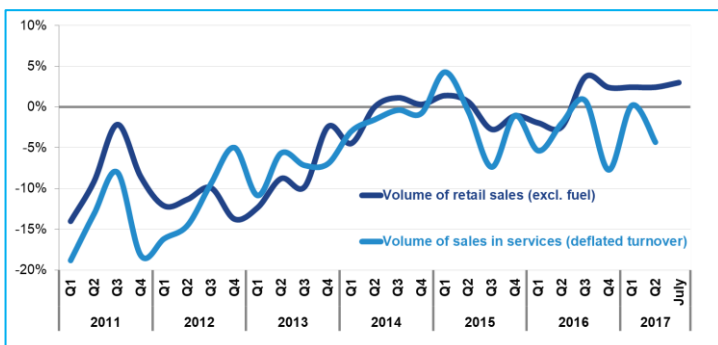
Non-oil manufacturing production kept on increasing in August 2017 (+6.8%), moving in a solid positive territory during the period Jan-Aug 2017 (+3.2%), on top of +3.4% in 2016.



VOLUME OF PRODUCTION IN CONSTRUCTION

(Yoy % change, ELSTAT, Q2 2017)

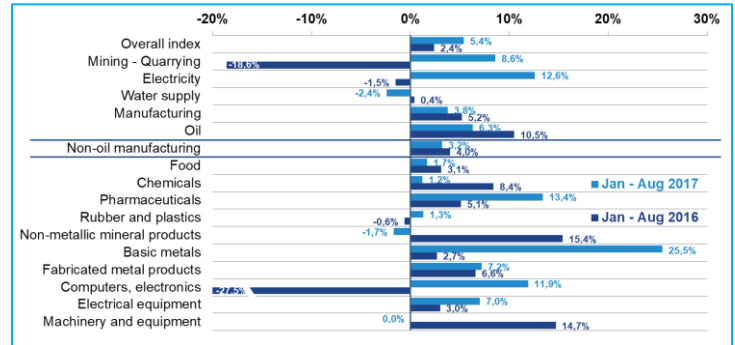
After an increase of + 22.9% in 2016, production in construction slowed down in Q1 2017 (+ 9.8%) and in Q2 2017 moved to negative territory (-1%), mainly due to the decline in infrastructure (-1.7%).



VOLUME OF RETAIL AND SERVICES SALES

(ELSTAT, Eurostat, Q1 2017, ELSTAT, June 2017)

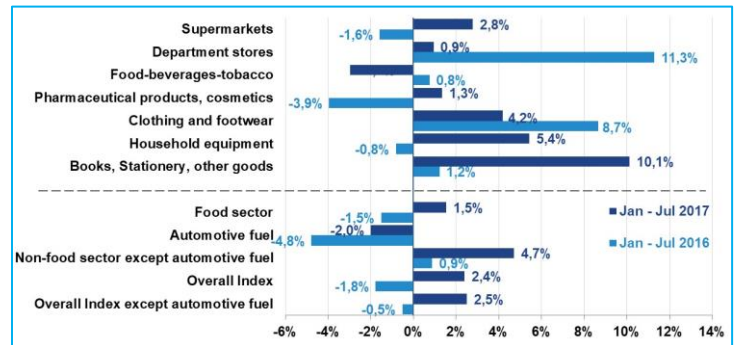
Despite rising expectations in services, the volume of sales decreased in Q2 2017 (-4.3% approx.). This trend is expected to be reversed in Q3, given the improved business climate and the strong performance tourism.



INDUSTRIAL PRODUCTION BY SECTOR

(ELSTAT, Aug. 2017)

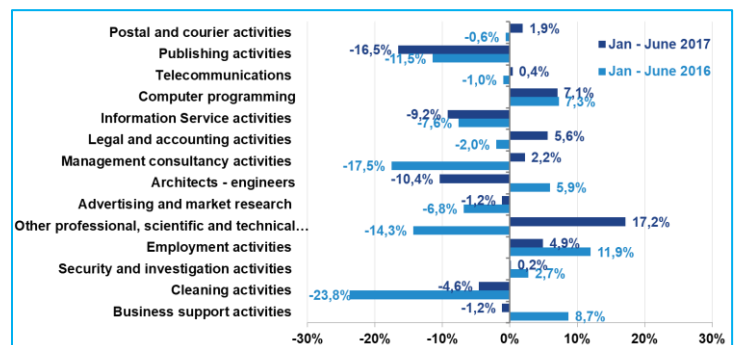
The strongest increase during the period Jan-Aug 2017 is recorded in basic metals and pharmaceuticals (+25.5% and + 13.4% respectively), while food production was also up (+1.7%).



VOLUME OF RETAIL SALES

(% change by store category, ELSTAT, July 2017)

The volume of retail sales excluding fuel continued to rise for the 4th consecutive month in July 2017 (+3%, on top of +9.6% in July 2016), while during the period Jan-Jul 2017 sales volume in most of the store categories were up (+2.4% the overall index excluding fuel).



TURNOVER INDICES IN SERVICES

(ELSTAT, Q2 2017)

In most services sectors, turnover increased in Q1 2017, particularly in professional, scientific and technical activities (+17.2%) and computer programming activities (+7.1%), while it dropped significantly in publishing (-16.5%).



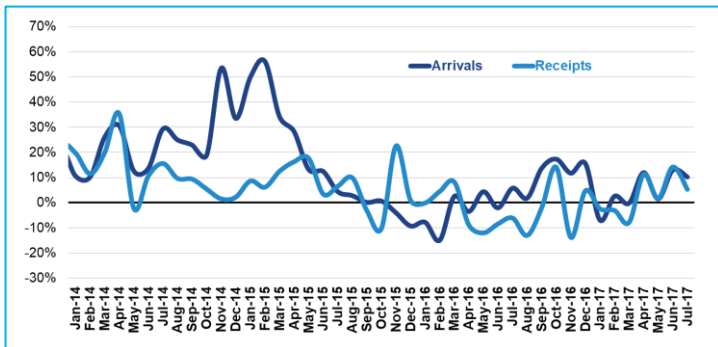


Exports, tourism



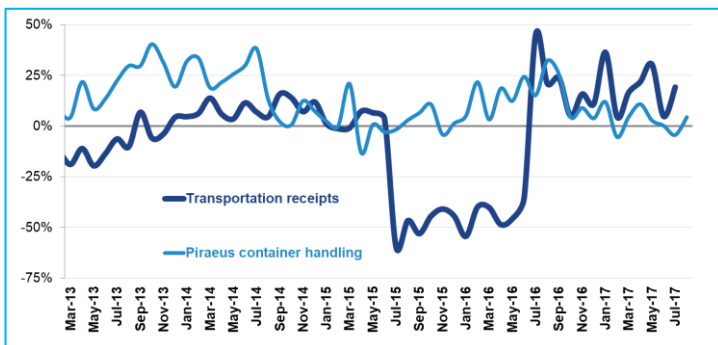
VOLUME OF NON-OIL EXPORTS AND NON-OIL IMPORTS OF GOODS
(ELSTAT, Aug. 2017)

Exports of goods excluding oil and ships were on the rise for the 4th consecutive month in August 2017 (+7.2%), yet the increase of imports (+5.5%) widened the trade deficit by +3.4%.



TOURIST ARRIVALS AND RECEIPTS
(Bank of Greece, July 2017)

Tourism continues to exhibit a strong performance, especially regarding tourism arrivals (+10.2% in July 2017 and +8% in the period Jan-Jul 2017), while tourism receipts, after a decline in 2016 (-6.5%), have returned to growth (+5.3% in July 2017 and +6.4% in the period Jan-Jul 2017).



TRANSPORTATION RECEIPTS
(BoG, July 2017, Piraeus container handling: COSCO, Aug. 2017)

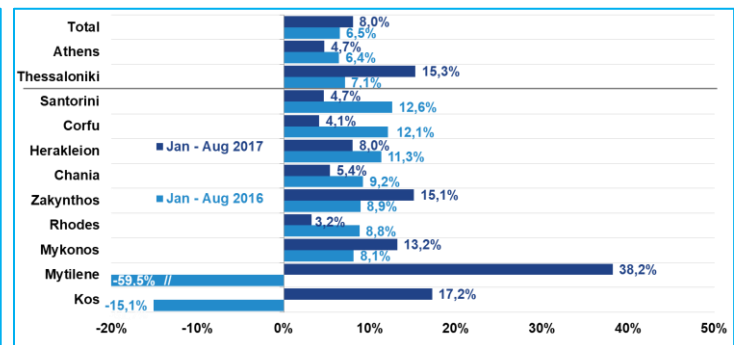
Transportation receipts have been improving since July 2016, yet this is due to the base effect, after a significant drop during the period Jul 2015 – Jun 2016. In the period Jan – Jul 2017 they rose by +18.1% vs a decline of -38% in the period Jan – Jul 2016.

Group of products	Jan – Aug		%Δ
	(€ mil.)		
	2016	2017	
Agricultural products	3,716.2	3,682.2	-0.9%
Food	2,787.9	2,828.1	1.4%
Beverages / Tobacco	487.3	491.2	0.8%
Animal and vegetable oil	440.9	362.9	-17.7%
Crude Materials	554.8	742.0	33.7%
Mineral Fuels	4,197.4	5,833.8	39.0%
Industrial products	7,397.2	8,062.0	9.0%
Chemicals	1,783.9	2,007.1	12.5%
Goods classified by material	2,615.6	3,019.4	15.4%
Machinery & transport equipment	1,744.0	1,691.9	-3.0%
Misc. manufactured articles	1,253.7	1,343.6	7.2%
Not classified commodities	347.9	345.9	-0.6%
Total	16,213.5	18,665.9	15.1%
Total excl. Oil	12,016.1	12,832.1	6.8%
Memo item*:			
Manufactured products	9,130.9	9,805.2	7.4%
of which: Food / Beverages	1,819.9	1,904.1	4.6%
Crude materials & primary products	1,716.2	1,762.4	2.7%
of which: Agricultural products	1,153.5	1,058.6	-8.2%

* Jan - Jul Data

EXPORTS BY PRODUCT
(ELSTAT, Eurostat, Aug. 2017)

During the period Jan – Aug 2017, non-oil exports increased by +6.8%, with most product categories moving upwards. Exports of industrial products exhibit a remarkable increase (+9%), while on the contrary exports of animal and vegetable oil dropped (-17.7%).



INTERNATIONAL ARRIVALS AT MAIN AIRPORTS
(SETE, Aug. 2017)

International arrivals in the Greek airports increased by +8% in the period Jan - Aug 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*



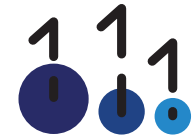
EQUITY
€60^{bn}
51% of total*



TURNOVER
€62^{bn}
43% of total*



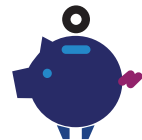
PROFITS BEFORE TAXES
€2,4^{bn**}
30% of total**



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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