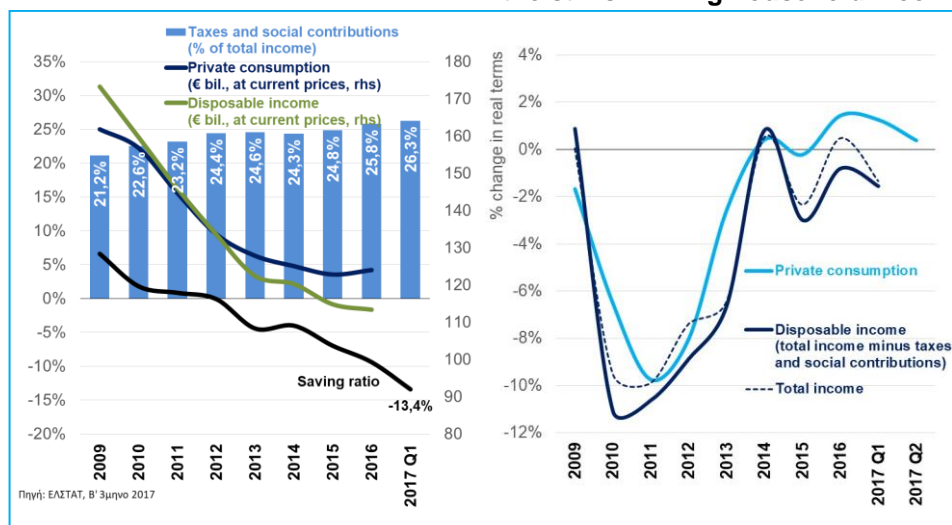


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Taxes and social security contributions continue eroding the still shrinking household income



It's time to turn words into deeds!

Eldorado Gold's decision to suspend indefinitely its investments in Greece due to undue red tape and permit-granting obstacles encountered in recent years, sets the tone for what is to be done from now on. The Prime Minister's encouraging support, in his speech in Thessaloniki International Fair, for the promotion of productive investment must be accompanied by action. It's time to turn words into deeds, so that the gradually built positive momentum may not be reversed once again.

In any case, growth accelerated to +0.8% in Q2 2017, from +0.4% in Q1 2017 and -0.5% in Q2 2016, 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%.

These figures point to a recovery below expectations, which can be partly attributed to the delay in completion of the 2nd review of the adjustment program. In particular, the trend in investment raises concerns, with a negative contribution to GDP growth of -2.2 p.p., while investment in H1 2017 reached €10.5 billion, rising by only +2.7% compared to H1 2016, after having stagnated at the level of €21.1 billion in 2016 and 2015. Moreover, 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. Additionally, households' saving ratio reached an all-time low level (-9.4% in 2016 and -13.4% in Q1 2017). At the same time, taxes and social security contributions continue eroding the still shrinking household income, putting into doubt the sustainability of the recovery of the Greek economy.

On the contrary, net exports contribution to growth reached +1.8 p.p., on the back of improved global economic conditions.

Overall, during H1 2017, GDP grew by +0.6%. This requires a growth of +3% in H2 2017 for the government's forecast of +1.8% in 2017 to be realized. To this end, the strong performance of tourism is expected to contribute significantly, particularly in Q3 2017, while the completion of the 2nd evaluation strengthens growth prospects, having already a positive impact on economic climate and consumer confidence. On the other hand, increased household and business taxation may further weaken private consumption, which accounts for 70% of GDP, limiting growth in 2017 to the level of +1.5% or less.

MACROECONOMIC ANALYSIS AND EUROPEAN POLICY

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Taxes and social security contributions continue eroding the still shrinking household income, putting into doubt the sustainability of the recovery of the Greek economy.

The Greek economy has not as yet entered into a stable and dynamic private investment-driven recovery path that will spur income and employment growth. The initial estimate for growth of +2.5% in 2017 have been revised downwards at +1.8%, which is also questionable in light of the data of Q2 2017.

More specifically:

- **Economic climate improved significantly** in July 2017 and in August 2017 rose to 99 points, the highest level since March 2015, as result of improved expectations mainly in the services sector. At the same time, **consumer confidence stood at -57 points, its best performance since July 2015**, with the percentage of households expecting a deterioration in their economic situation moving downwards in August 2017 to 62% from 65% in the previous month and 77% in August 2016.
- **Non – oil manufacturing production grew by +2.1% in July 2017** (on top of +11.8% in July 2016) and by +2.6% in the period Jan – Jul 2017 (on top +4.4% in the same period in 2016), with main drivers the production of basic metals and pharmaceuticals (+23.3% and +11.8% respectively in the period Jan – Jul 2017). Additionally, **production in manufacturing is expected to rise further in the coming months, taking into account the improvement in the purchasing managers index (PMI) in August 2017**, when it recorded a nine-year high, reaching 52.2 points (from 50.5 in the previous month and 50.4 in August 2016), triggered by a marked increase in domestic and foreign demand, as well as by a sharp rise of employment prospects.
- **Retail sales volume except fuel continued to rise** for 3rd consecutive month in June 2017 (+4.3%, vs -1.5% in June 2016), recording an increase of + 2.4% year-to-date, with all segments of retail stores moving upwards, except small specialized food stores (groceries, fisheries, patisseries, bakeries etc.), where sales volume decreased by -3.6%, while in fuel sales volume fell by -1.8%. Including super-markets (+2.7%), food sales are up by +1.5%.
- **Non – oil exports of goods (excluding ships) kept on moving to a positive territory in July 2017**, but the upward trend in commodity prices as well as the strengthening of euro against US dollar (exchange rate at 1.18 in Aug 2017 vs. 1.05 in Dec 2016), seem to have weakened their dynamism (+1% in July 2017 on top of +1.9% in July 2016 and vs +7.9% in H1 2017). It is noted that, non – oil exports of goods (except ships) at constant prices dropped by -3.2% in July 2017, but increased by +2.8% year-to-date. At the same time, the surplus in the services balance rose by €221 million compared with June 2016, while in H1 2017 services receipts were up (+16%), mainly as a result of tourism and transport receipts (+7,1% and +17.9% respectively).
- The positive expectations in the tourism sector are confirmed by the available data thus far for the first few months of the tourist season. **Travel receipts and arrivals increased** by +14.2% and +13.0% respectively in June 2017 and by +7.1% and + 6.6% respectively year-to-date.
- The dynamism of tourism has a strong impact on **net hirings**, as 226 thousand out of a total of 263 thousand in July 2017 year-to-date took place in hotels and restaurants. It is noted that the number of net hirings in Jan – Jul 2017 is the best performance since 2001 when data collection was initiated.
- This improvement, combined with employment generation programs implemented by the Manpower Employment Organisation (OAED), especially public employment programs in municipalities, is expected to maintain the **downward trend in the unemployment rate** (21.2% in June 2017, from 21.5% in the previous month and 23.5% in June 2016).

On the other hand:

- The all-time low households' saving ratio (-13.4% in Q1), shows that **households' not only they do not save**, but also either they finance their consumption through increased tax evasion due to overtaxation or through



The trend in investment raises concerns, with a negative contribution to GDP growth of -2.2 p.p., while investment in H1 2017 reached €10.5 billion, rising by only +2.7% compared to H1 2016, after having stagnated at the level of €21.1 billion in 2016 and 2015.

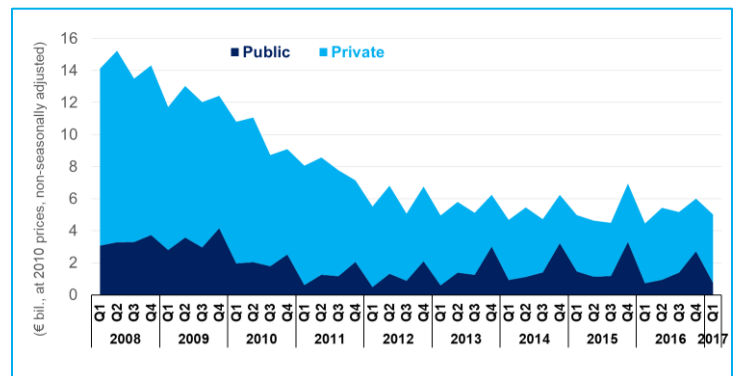
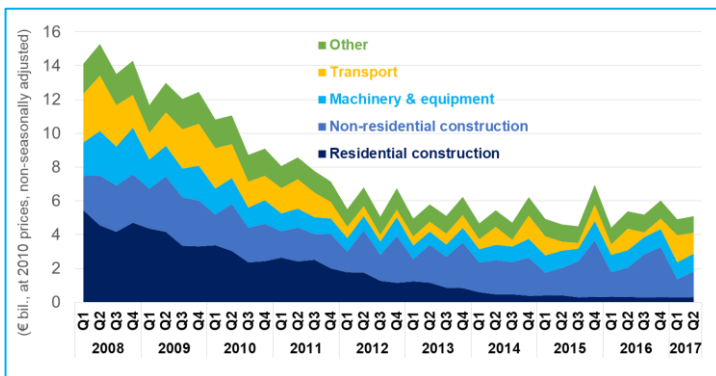
liquidating assets and savings. In Q1 2017, private consumption reached €29.6 billion, while disposable income stood at €26.2 billion, that is households spent €3.4 billion more than they earned, on top of €10.6 billion they overspent in 2016. It is noted that these figures are cumulative for households in total and apparently the picture is significantly different among lower income households. Indicatively, according to data from the European Central Bank for 2014 ([Finance and Household Consumption Survey](#)), 86.5% of households cannot save on a regular basis, while the percentage in the poorest 20% climbs to 92.8%. This is also reflected in the stock of households' deposits, which despite a slight increase in July 2017 (+€415 million monthly flow), has declined to €99.8 billion from €104.2 billion in June 2015. It is noted that in March 2009, households' deposits were €190.1 billion, at the highest level since Greece joined the Eurozone.

- According to the latest data of the Bank of Greece, **the amount of non-performing exposures remains high** (44.9% of total exposures in June 2017), while the reduction registered is mainly due to write-offs (€1.9 billion in Q2 2017 and €3.3 billion in H1 2017).
- At the same time, **new arrears by taxpayers rose** by €727 million in June 2017, reaching €5.5 billion in total in 2017, on top of €90.2 billion accumulated as of the end of 2016.

What comes out from the figures above is that **the economy has not as yet entered into a stable and dynamic private investment-driven recovery path** that will spur income and employment growth. The initial estimate for growth of +2.5% in 2017 have been revised downwards at +1.8%, which is also questionable in light of the data of Q2 2017. Additionally, the decline in the 10-year bond yield has stumbled since mid-July 2017 to the level of 5.5% (5.47% on 6 September 2017, compared with 5.25% on 24 July 2017), showing that markets still entertain doubts about the sustainability of the recovery. On this basis, and in view of the negotiations for the 3rd review, a new round of uncertainty should be avoided and the agreed adjustment program be implemented without delays and backtracking, so as to strengthen confidence in the economy and Greece to adjustment with growth cycle.

INVESTMENT BY ASSET TYPE

(ELSTAT, National Accounts, Q2 2017 and Sector Accounts, Q1 2017)





Main indicators

Economic sentiment		2015	2016	2017	
		Average	Average	Jul	Aug
😊	Economic climate	89.7	91.8	98.2	99.0
😊	Consumer confidence	-50.7	-68.0	-61.5	-57.0
😊	% stating that their own economic situation will get worse	55%	72%	65%	62%
😊	% stating that the country's economic situation will get worse	58%	79%	73%	66%
😊	% stating that unemployment will rise	63%	77%	60%	62%

Employment, Unemployment, prices, wages		2015	2016	2017	Period
😊	Employment (persons, change year-to-date, seasonally adjusted)	70,000	40,400	126,200	Jan – Jun
😊	Employment (persons, change during month, seasonally adjusted)	18,800	19,000	16,800	Jun
😊	Registered unemployed (change year-to-date)	-40,338	-12,802	-80,003	Jan – Jul
😊	Registered unemployed (change during month)	14,100	18,867	8,341	Jul
😊	Net hirings (year-to-date)	186,465	253,945	263,145	Jan – Jul
😊	Net hirings (current month)	-16,658	19,281	7,242	Jul
😊	Unemployment rate (seasonally adjusted)	25.0%	23.5%	21.2%	Jun
😊	Year to date average rate (seasonally adjusted)	25.5%	23.8%	22.0%	Jan – Jun
😊	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	-1.5%	-0.9%	0.9%	Aug
😊	Change Year to date	-2.2%	-0.9%	1.2%	Jan – Aug

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%	Jan – Jun	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%	Jan – Jun	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%

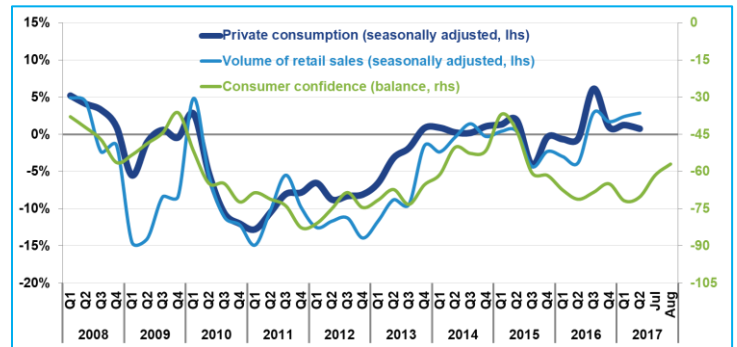
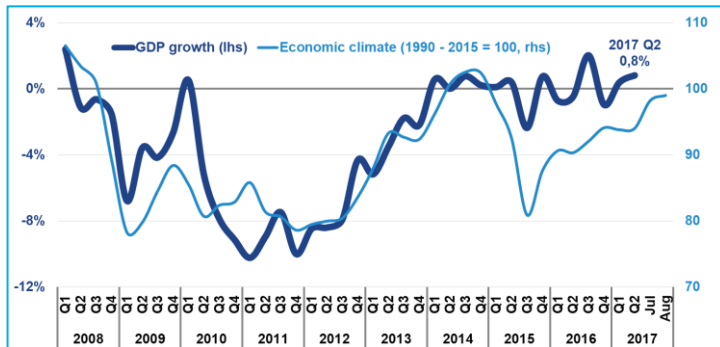
Short term conjunctural indicators (yoy % change)		2016	2017	Period	2017	Period
😊	Industrial production	2.5%	5.3%	Jan – Jul	1.7%	Jul
😊	Manufacturing (excluding oil)	3.4%	2.6%	Jan – Jul	2.1%	Jul
😊	Production in construction	22.9%	8.6%	Q1	8.6%	Q1
😊	Building	18.1%	-12.3%	Q1	-12.3%	Q1
😊	Non – building	26.8%	27.7%	Q1	27.7%	Q1
😊	Private building activity – building permits (volume in m³)	-6.9%	23.8%	Jan – May	52.7%	May
😊	Retail sales (volume)	-0.6%	2.4%	Jan – Jun	3.9%	Jun
😊	Excluding automotive fuel	0.4%	2.4%	Jan – Jun	4.3%	Jun
😊	New vehicle licenses	11.0%	18.3%	Jan – Jul	28.3%	Jul
😊	Revenue from tax on mobile telephony	-10.7%	-0.9%	Jan – May	0.7%	May
😊	Exports of goods excl. Oil & ships (ELSTAT, current prices)	2.0%	6.9%	Jan – Jul	1.0%	Jul
😊	Exports of goods excl. Oil & ships, volume	4.9%	2.8%	Jan – Jul	-3.2%	Jul
😊	Imports of goods excl. oil & ships (ELSTAT, current prices)	6.2%	7.0%	Jan – Jul	7.0%	Jul
😊	Imports of goods excl. oil & ships, volume	8.4%	6.7%	Jan – Jul	5.5%	Jul
😊	Tourism – receipts	-6.5%	7.1%	Jan – Jun	14.2%	Jun
😊	Transportation – receipts	-21.6%	17.9%	Jan – Jun	4.9%	Jun
😊	Other services* – receipts	4.4%	32.3%	Jan – Jun	10.4%	Jun
😊	Inbound travelers	7.5%	6.6%	Jan – Jun	13.0%	Jun

* 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

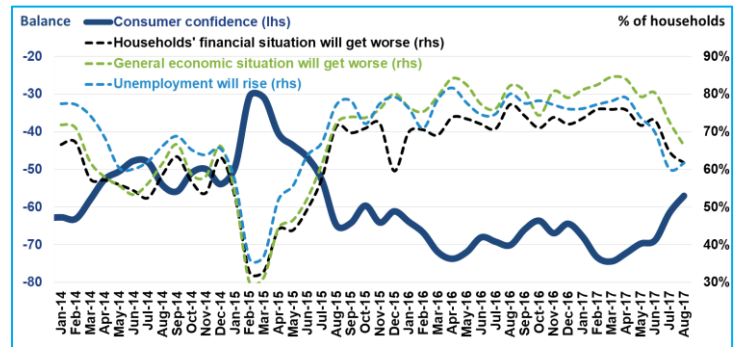
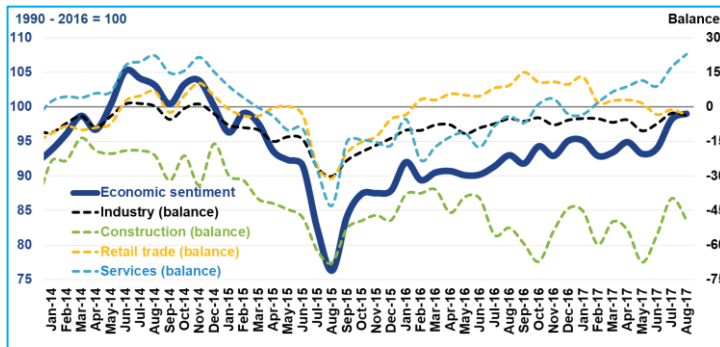
(ELSTAT, Q2 2017, IOBE-DG ECFIN, Aug. 2017)

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, Aug. 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

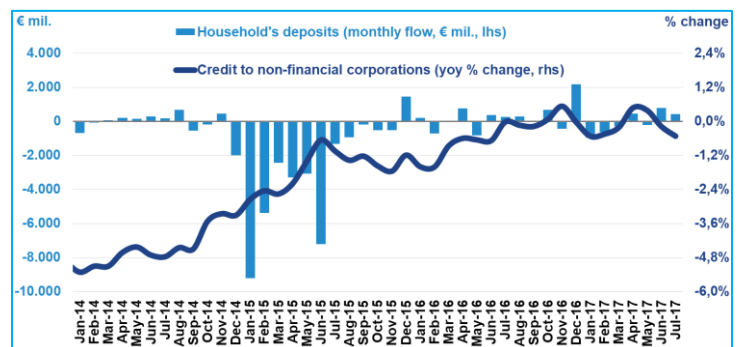
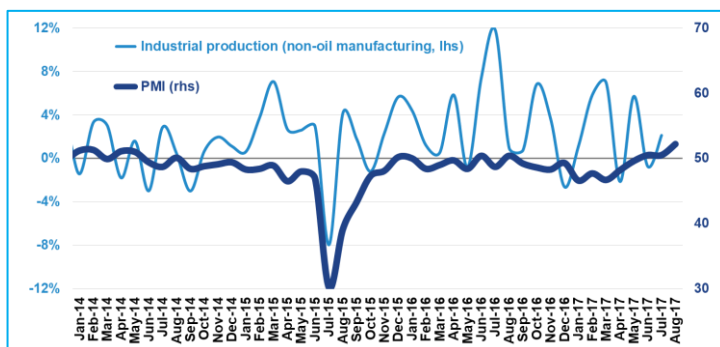
(IOBE-DG ECFIN, Aug. 2017)

Economic climate improved significantly in July 2017 and in August 2017 rose to 99 points, the highest level since March 2015, as result of improved expectations mainly in the services sector.

CONSUMER CONFIDENCE

(IOBE-DG ECFIN, Aug. 2017)

Consumer confidence stood at -57 points, its best performance since July 2015, as households' expectations on their economic situation and the general economic situation are improving.



PURCHASING MANAGERS' INDEX (PMI)

(Markit, Aug. 2017)

Manufacturing PMI recorded a nine-year high, reaching 52.2 points, triggered by a marked increase in domestic and foreign demand, as well as by a sharp rise of employment prospects.

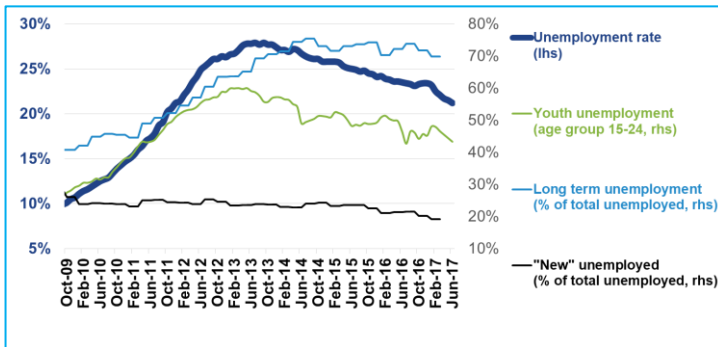
CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

(Bank of Greece, July 2017)

The stock of households' deposits, despite a slight increase in July 2017 (+€415 million monthly flow), has declined to €99.8 billion from €104.2 billion in June 2015, while credit to businesses returned to a negative territory.



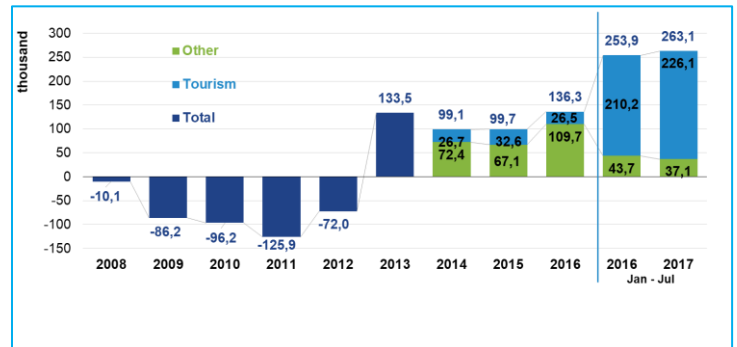
Employment, prices, wages



UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)

(ELSTAT, June 2017)

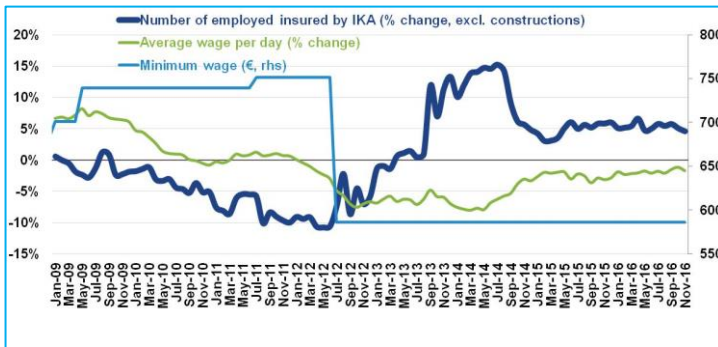
Unemployment continued to decline in June 2017 (21.2% from 21.5% in the previous month and 23.5% in June 2016). The downward trend in unemployment is supported by the programs implemented by O.A.E.D., especially public employment programs in municipalities.



NET HIRINGS

(ERGANI, July 2017)

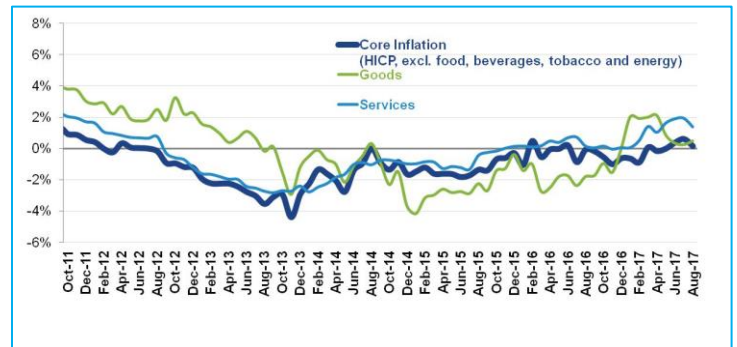
The dynamism of tourism has a strong impact on net hirings, as 226 thousand out of a total of 263 thousand in July 2017 year-to-date took place in hotels and restaurants. The number of net hirings in Jan – Jul 2017 is the best performance since 2001 when data collection was initiated.



NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE

(Yoy % change, IKA, Nov. 2016)

The number of employed insured by IKA has been rising since April 2013 (+4.6% in Nov. 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, Aug. 2017)

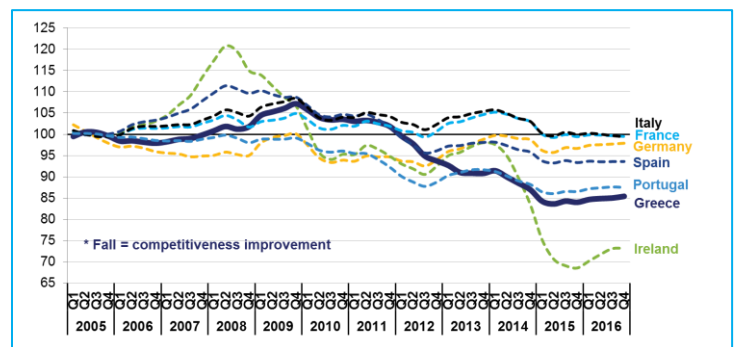
CPI rose by +0.9% in Aug. 2017, mainly on the back of indirect taxes increase, as core inflation was marginal (+0,1%) while CPI at constant taxes was down by -0.1%.



IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES

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

After almost 4 years of decline, import price index in industry is on the rise since Sep 2016 (+1.8% in June 2017), while oil prices seem to be stabilized close to the level of USD 50 per barrel.

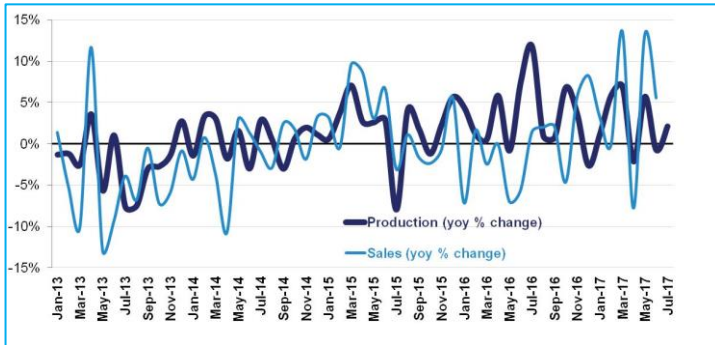


PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE

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.



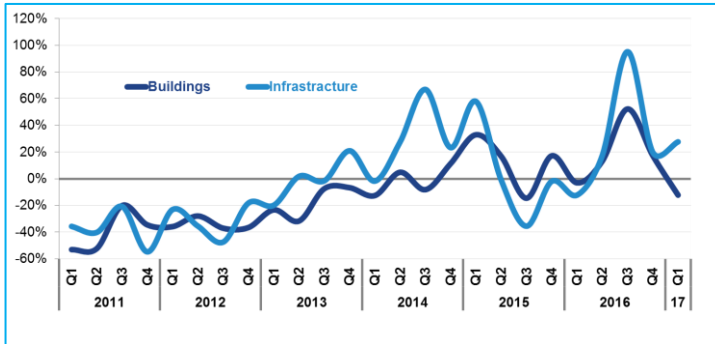
Industry, trade, services



PRODUCTION AND TURNOVER IN NON-OIL MANUFACTURING

(ELSTAT, July 2017)

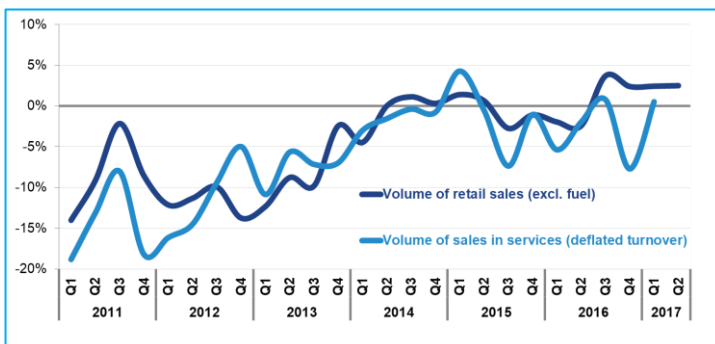
Non – oil manufacturing production grew by +2.1% in July 2017 (+2.6% in the period Jan – Jul 2017) and is expected to rise further in the coming months, taking into account the improvement in the purchasing managers index (PMI) in August 2017.



VOLUME OF PRODUCTION IN CONSTRUCTION

(Yoy % change, ELSTAT, Q1 2017)

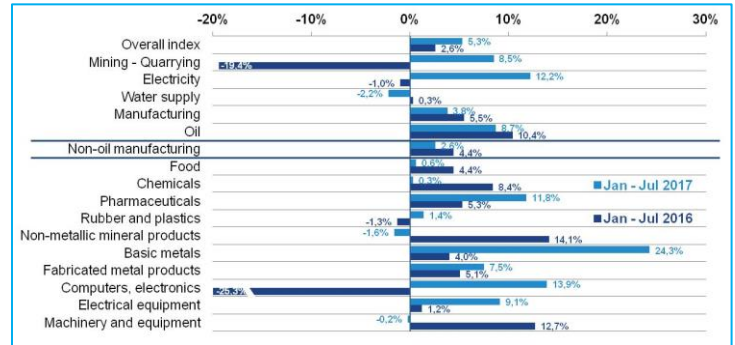
The increase in production in construction slowed down in Q1 2017 (+8.6%), as a result of the decline in buildings (-12.3%), while production in infrastructure continued to rise (+27.7%).



VOLUME OF RETAIL AND SERVICES SALES

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

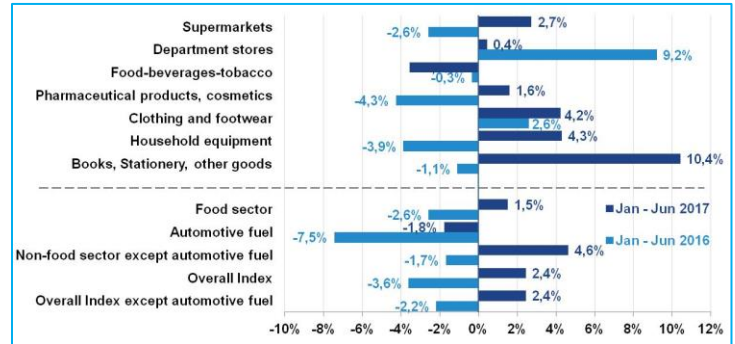
The volume of sales in services has improved in Q1 2017 (+0.5% aprox.) This trend is expected to be strengthened, given the improved business expectations in services and rising tourism.



INDUSTRIAL PRODUCTION BY SECTOR

(ELSTAT, July 2017)

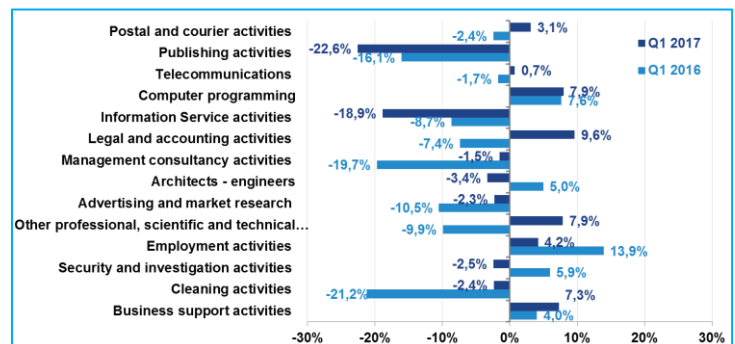
Industrial production grew by +5.3% in the period Jan – Jul 2017 (on top +2.6% in the same period in 2016), with main drivers the production of basic metals and pharmaceuticals (+23.3% and +11.8% respectively).



VOLUME OF RETAIL SALES

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

Retail sales volume except fuel continued to rise for 3rd consecutive month in June 2017 (+4.3%), recording an increase of +2.4% year-to-date, with most of the segments of retail stores moving upwards.



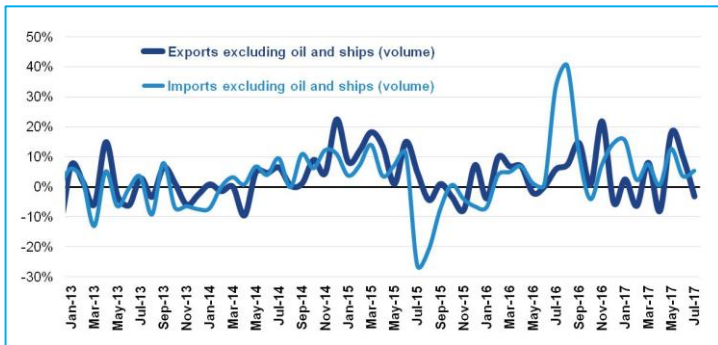
TURNOVER INDICES IN SERVICES

(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%).

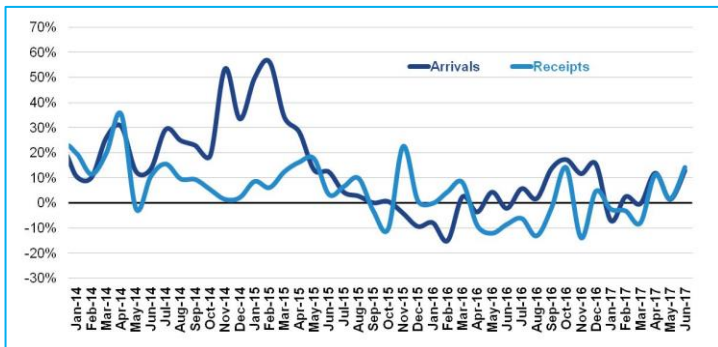


Exports, tourism



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

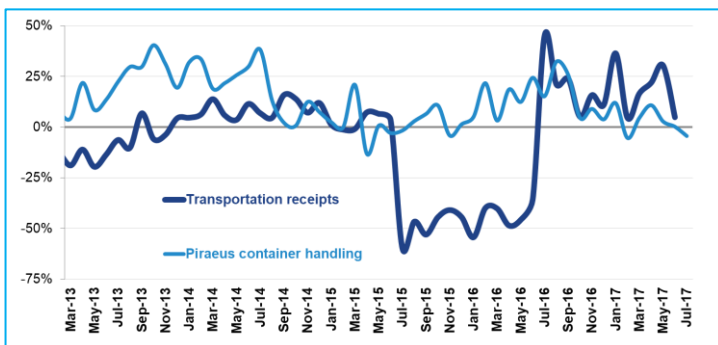
Non – oil exports of goods (excluding ships) kept on moving to a positive territory in July 2017 (+1%), but the upward trend in commodity prices as well as the strengthening of euro against US dollar, seem to have weakened their dynamism, as at constant prices they dropped by -3.2%.



TOURIST ARRIVALS AND RECEIPTS

(Bank of Greece, June 2017)

The positive expectations in the tourism sector are confirmed by the available data thus far for the first few months of the tourist season. Travel receipts and arrivals increased by +14.2% and +13.0% respectively in June 2017 and by +7.1% and + 6.6% respectively year-to-date.



TRANSPORTATION RECEIPTS

(BoG, June 2017, Piraeus container handling: COSCO, July 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 – Jun 2017 they rose by +17.9% vs a decline of -44.1% in the period Jan – Jun 2016.

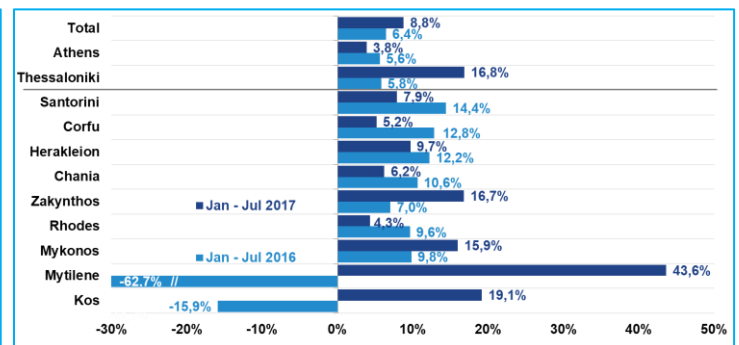
Group of products	Jan - July		%Δ
	(€ mil.)		
	2016	2017	
Agricultural products	3,285.2	3,264.2	-0.6%
Food	2,445.6	2,495.5	2.0%
Beverages / Tobacco	435.2	433.6	-0.4%
Animal and vegetable oil	404.5	335.1	-17.1%
Crude Materials	499.3	679.5	36.1%
Mineral Fuels	3,504.3	5,162.1	47.3%
Industrial products	6,673.2	7,210.3	8.0%
Chemicals	1,622.9	1,812.8	11.7%
Goods classified by material	2,348.2	2,686.3	14.4%
Machinery & transport equipment	1,585.7	1,523.7	-3.9%
Misc. manufactured articles	1,116.4	1,187.5	6.4%
Not classified commodities	303.9	311.5	2.5%
Total	14,265.8	16,627.6	16.6%
Total excl. Oil	10,761.6	11,465.5	6.5%
Memo item*:			
Manufactured products	7,697.6	8,316.2	8.0%
of which: Food / Beverages	1,538.7	1,617.6	5.1%
Crude materials & primary products	1,461.1	1,530.6	4.8%
of which: Agricultural products	968.0	912.5	-5.7%

* Jan - June Data

EXPORTS BY PRODUCT

(ELSTAT, Eurostat, July 2017)

During the period Jan – July 2017, non-oil exports increased by +6.5%, with most product categories moving upwards, except beverages and tobacco (-0.4%), animal and vegetable oil (-17.1%) and machinery (-3.9%).



INTERNATIONAL ARRIVALS AT MAIN AIRPORTS

(SETE, July 2017)

International arrivals in the Greek airports increased by +8.8% in the period Jan - July 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*



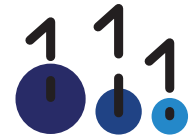
EQUITY
€60^{bn}
51% of total*



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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