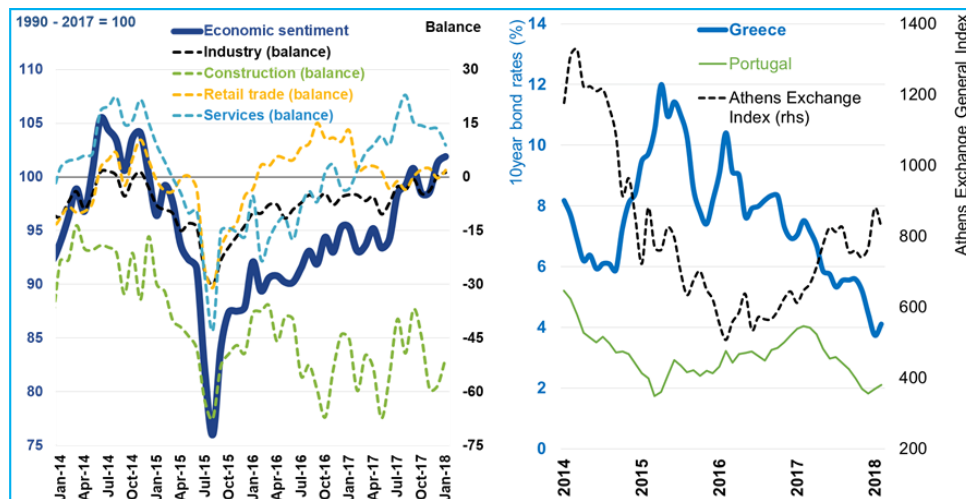


Economic climate, 10-year bond rates & Athens Exchange Index
 (IOBE, EC-DG ECFIN, Jan. 2018, Athens Exchange & Bloomberg, 09/02/2018)

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Economic climate improvement continues – major challenges remain!
**MACROECONOMIC ANALYSIS
AND EUROPEAN POLICY**
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SUPPORTED BY:


2018 started with the Greek economy being on a recovery path, supported by the improvement of the global economic environment. In particular, **the rise of the economic activity in Europe is expected to maintain and enhance the dynamism of Greek industrial production, exports and employment**. This assessment is also reflected in the European Commission's winter forecasts, which has revised upwards its previous estimates for growth both in the euro area and the EU in the period 2017-2019 (+2.4% in 2017, + 2.3% in 2018 and +2% in 2019), while maintaining unchanged its projections for Greece (+1.6% in 2017 and +2.5% in 2018 and 2019). At the same time, **the adoption of measures for the completion of the 3rd review of the adjustment program, is expected to further improve the economic climate, which in January 2018 reached its highest level since November 2014**, reflecting rising market confidence, with the Greek stock and bond markets moving higher. In this favourable environment, the Greek government issued on Feb. 8, 2018 7year paper at 3.5%, raising successfully €3 billion to be used for the buildup of a cash buffer in view of full market access following the completion of the adjustment programme in the summer of 2018.

More specifically:

- **The economic climate index climbed at 101.9 points in January 2018, from 101.3 in the previous month and 95.3 in January 2017** as a result of improved expectations in industry and retail trade, as well as some reversal in construction.
- At the same time, **manufacturing PMI reached the highest level since October 2007** (at 55.2 points in January 2018, from 53.1 in December 2017 and 46.6 in January 2017), as strong demand from both domestic and foreign markets contributed to increased hirings and production.
- **Non-oil manufacturing production increased by +6% in December 2017**, compared with a fall of -2.6% in December 2016, strengthening its upward trend throughout 2017 (+3.1% on top of +3.4% in 2016).
- **Exports of goods excluding oil and ships continued to rise for the 8th consecutive month in December 2017** (+7.9% in value and + 5.1% in volume), reaching €19.8 billion in 2017 as a whole, increased by +7.2% in value and +3.7% in volume compared to 2016, with exports of industrial products being up by +10%. At the same time, however, imports grew in 2017 at a faster pace (+7.6% in value and +7.8% in volume) and reached €34.9 billion, resulting to a swelling of the trade balance deficit excluding fuels and ships by € 1.1 billion.
- **Current account balance was improved** (€232 mil surplus in the period Jan – Nov 2017, compared with a deficit of €108 mil. in the same period in 2016), mainly as a



The adoption of measures for the completion of the 3rd review of the adjustment program, is expected to further improve the economic climate, which in January 2018 reached its highest level since November 2014, reflecting rising market confidence, with the Greek stock and bond markets moving higher.

result of risen receipts from tourism and transportation (+10.7% and +17.6% respectively), more than offsetting the increase in the trade deficit.

- **The unemployment rate declines steadily** (20.9% in November 2017 compared to 23.3% in November 2016), while undeclared employment according to SEPE data is also being limited (6% in the period Jan – Aug 2017, from 7.1% in 2016). In addition, in 2017 net hirings amounted to 143.5 thousand (+5.3%), of which 112 thousand (+2.1%) in sectors other than tourism, validating the strengthening of the recovery of Greek economy.
- **Banks loan portfolio kept on improving at a slow pace**, as Non-Performing Exposures (NPEs) ratio fell to 44.6% in the period Jan – Sep 2017, compared to 44.8% in December 2016, yet mainly due to write-offs. Moreover, credit expansion to businesses was positive in December 2017 (+0.3%).
- **Construction activity also shows signs of recovery** (+23.4% in the volume corresponding to new permits in the period Jan – Oct 2017), after 9 years of recession.

On the other hand:

- **Consumer confidence fell slightly in January 2018**, having although reached in the previous month the highest level since July 2015. It seems that after a buoyant Christmas holiday season, households' concerns on their financial situation return, while expectations for unemployment continue to improve. This is in line with market estimates for January 2018, which are not on the positive side.
- **The drop in the volume of retail sales for the 3rd consecutive month in November 2017** (-3% excluding fuel vs +5.5% in November 2016) also rises concerns. However in the period Jan – Nov 2017, non-fuel retail sales volume increased by +1.2%, on top of +0.6% in the same period in 2016, while market estimates for December 2017 are positive.
- At the same time, **the growth of arrears of the private sector to the state accelerated again in November and December 2017**, raising the stock to €102.2 billion. On the other hand, **the stock of government arrears and pending tax rebates to the private sector kept on shrinking** (€3.3 billion in December 2017 from €3.9 billion in the previous month and €4.9 billion in December 2016).
- **Households savings ratio remained negative** (-8% in the period Jan – Sep 2017, compared with -7% in the same period in 2016), while **real gross disposable income continues to weaken** (-0.3% in the period Jan – Sep 2017), though in nominal terms is increasing (+1%) in the same period.

In any case, **the overall situation is substantially better than that a year ago**, with most improving. Yet, there are still numerous major challenges for the Greek economy to be dealt with, which are related mainly with structural issues, such as **reducing non-wage costs, dealing with the negative investment performance and the need to introduce fiscally-neutral investment incentives, implementing a strategy for the digital transformation of the economy, strengthening education - labour market interface, speeding-up justice delivery times, applying electronic transactions and e-invoicing to deter tax evasion, accelerating bank NPLs cleanup and finally ensuring no backtracking in labour market reforms**. These challenges should be addressed without delay, given that the improvement of the Greek competitiveness, based on the real effective exchange rate, appears to be reversed since Q4 2016. At the same time, **a sustainable relationship between public debt, growth and fiscal surpluses needs to be ensured**, so that the exit to markets may not once again prove temporary.



Main indicators

Economic sentiment		2016	2017	2017	2018
		Average	Average	Dec	Jan
😊	Economic climate	91.8	96.8	101.3	101.9
	Consumer confidence	-68.0	-63.0	-50.3	-51.0
	% stating that their own economic situation will get worse	72%	67%	56%	58%
	% stating that the country's economic situation will get worse	79%	74%	60%	63%
😊	% stating that unemployment will rise	77%	68%	56%	55%

Employment, Unemployment, prices, wages		2015	2016	2017	Period
😊	Employment (persons, change year-to-date, seasonally adjusted)	94,312	13,996	94,071	Jan – Nov
	Employment (persons, change during month, seasonally adjusted)	15,287	-6,802	-9,659	Nov
😊	Registered unemployed (change year-to-date)	677	51,666	-30,587	Jan – Dec
	Registered unemployed (change during month)	14,494	-2,576	40,261	Dec
😊	Net hirings (year-to-date)	99,700	136,260	143,545	Jan – Dec
😊	Net hirings (current month)	7,826	11,132	15,315	Dec
😊	Unemployment rate (seasonally adjusted)	24.4%	23.3%	20.9%	Nov
😊	Year to date average rate (seasonally adjusted)	25.1%	23.6%	21.5%	Jan – Nov
	Index of wages (whole economy, at constant prices, seasonally adjusted)	1.4%	2.1%	-1.7%	Q3
	Change Year to date (whole economy, in constant prices, seasonally adjusted)	1.3%	3.1%	-1.0%	Jan – Sep
	Consumer Price Index	-0.2%	0.0%	0.7%	Dec
	Change Year to date	-1.7%	-0.8%	1.1%	Jan – Dec

GDP (Seasonally adjusted, at constant prices, yoy % change)		2016 (full-year)	2017	Period	2017	
					Q2	Q3
😊	GDP	-0.2%	1.1%	Jan – Sep	1.6%	1.3%
😊	Domestic demand	0.5%	1.4%	Jan – Sep	0.1%	0.7%
	Private consumption	0.0%	0.6%	Jan – Sep	1.0%	0.0%
	Public consumption	-1.5%	-2.6%	Jan – Sep	-2.1%	-2.2%
😊	Investment (including inventory change)	7.4%	12.9%	Jan – Sep	-0.5%	10.6%
	Fixed investment	1.6%	2.6%	Jan – Sep	1.0%	-8.5%
	Residential construction	-12.6%	-7.8%	Jan – Sep	-5.2%	-7.5%
	Non – residential construction	26.3%	-10.6%	Jan – Sep	-6.5%	-20.9%
	Machinery and equipment (incl. weapons)	-10.7%	-0.4%	Jan – Sep	2.9%	-2.9%
😊	Transport equipment (incl. weapons)	-8.7%	63.4%	Jan – Sep	10.2%	5.2%
	Net exports					
😊	Exports of goods and services	-1.8%	7.6%	Jan – Sep	9.8%	7.8%
😊	Exports of goods	3.7%	5.0%	Jan – Sep	8.9%	2.8%
😊	Exports of services	-7.7%	11.0%	Jan – Sep	12.4%	12.6%
	Imports of goods and services	0.3%	8.5%	Jan – Sep	5.0%	9.3%
	Imports of goods	2.9%	7.8%	Jan – Sep	3.0%	9.2%
	Imports of services	-10.8%	11.1%	Jan – Sep	15.5%	6.9%

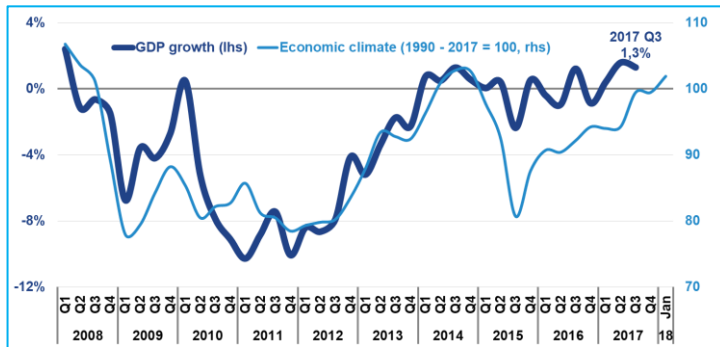
Short term conjunctural indicators (yoy % change)		2016 (full-year)	2017	Period	2017	Period
😊	Industrial production	2.5%	4.1%	Jan – Dec	0.2%	Dec
😊	Manufacturing (excluding oil)	3.4%	3.1%	Jan – Dec	6.0%	Dec
	Production in construction	22.9%	-12.2%	Jan – Sep	-33.6%	Q3
	Building	18.1%	-10.7%	Jan – Sep	-19.0%	Q3
	Non – building	26.8%	-13.3%	Jan – Sep	-42.2%	Q3
😊	Private building activity – building permits (volume in m³)	-6.9%	23.4%	Jan – Oct	96.7%	Oct
	Retail sales (volume)	-0.6%	1.2%	Jan – Nov	-2.9%	Nov
	Excluding automotive fuel	0.4%	1.2%	Jan – Nov	-3.0%	Nov
😊	New vehicle licenses	11.0%	20.8%	Jan – Dec	16.1%	Dec
	Revenue from tax on mobile telephony	-10.7%	-0.2%	Jan – Nov	1.8%	Nov
😊	Exports of goods excl. Oil & ships (ELSTAT, current prices)	2.0%	7.2%	Jan – Dec	7.9%	Dec
😊	Exports of goods excl. Oil & ships, volume	4.9%	3.7%	Jan – Dec	5.1%	Dec
	Imports of goods excl. oil & ships (ELSTAT, current prices)	6.0%	7.6%	Jan – Dec	3.7%	Dec
	Imports of goods excl. oil & ships, volume	8.1%	7.8%	Jan – Dec	3.9%	Dec
😊	Tourism – receipts	-6.4%	10.7%	Jan – Nov	1.3%	Nov
😊	Transportation – receipts	-21.6%	17.6%	Jan – Nov	12.3%	Nov
😊	Other services* – receipts	4.4%	17.5%	Jan – Nov	-9.9%	Nov
😊	Inbound travelers (excl. cruises)	5.1%	9.9%	Jan – Nov	3.3%	Nov

* 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



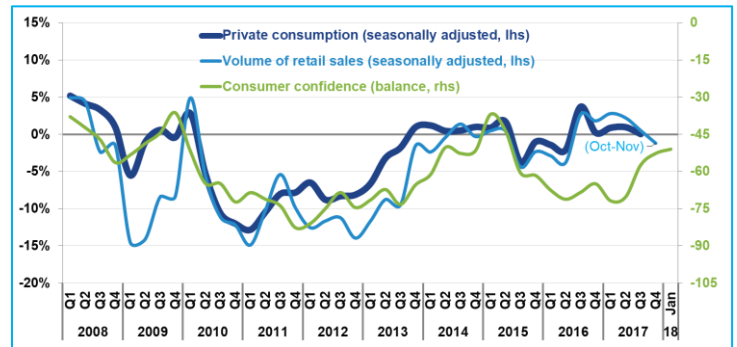
Economic climate



GDP AND ECONOMIC CLIMATE

(ELSTAT, Q3 2017, IOBE-DG ECFIN, Jan. 2018)

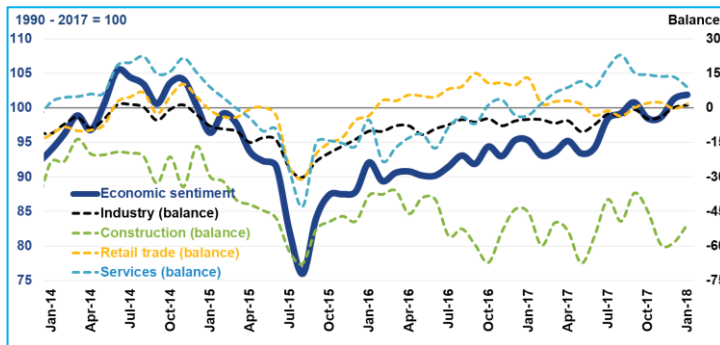
Growth in Q3 2017 (+1.3%) was slower than expected, while ELSTAT proceeded with substantial revisions, according to which GDP growth rate in Q2 2017 was doubled to +1.6% from +0.8% in the previous estimate.



PRIVATE CONSUMPTION, RETAIL SALES, CONSUMER CONFIDENCE

(ELSTAT, Q3 2017, IOBE-DG ECFIN, Jan. 2018)

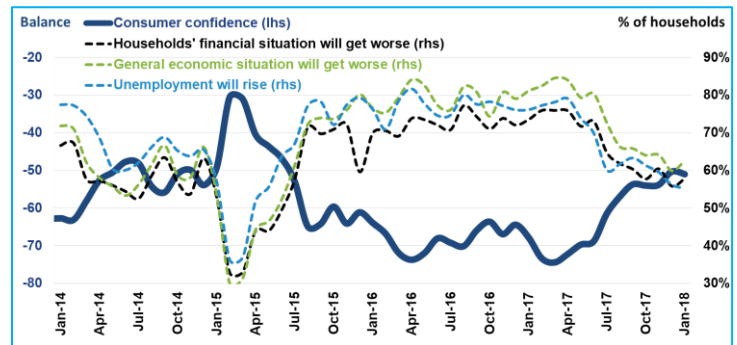
The figures for Q3 are likely to be revised upwards, particularly in terms of private consumption, which remained stagnant in Q3 2017 (+0%) despite the increase in tourist receipts.



ECONOMIC CLIMATE AND BUSINESS EXPECTATIONS

(IOBE-DG ECFIN, Jan. 2018)

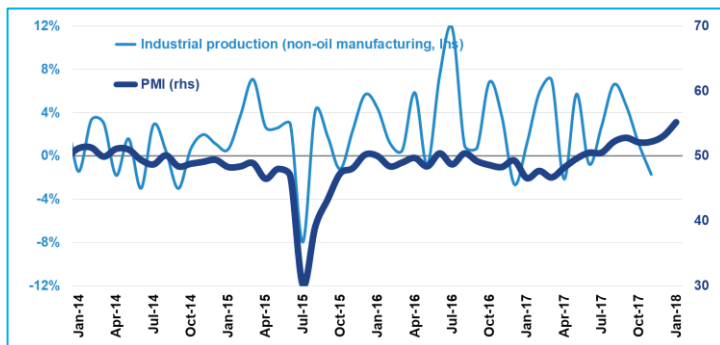
The economic climate index climbed at 101.9 points in January 2018, from 101.3 in the previous month and 95.3 in January 2017, reaching its highest level since November 2014, as a result of improved expectations in industry and retail trade, as well as some reversal in construction.



CONSUMER CONFIDENCE

(IOBE-DG ECFIN, Jan. 2018)

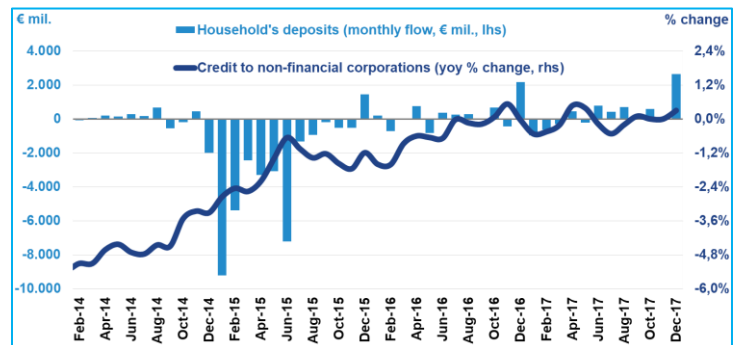
Consumer confidence fell slightly in January 2018, having although reached in the previous month the highest level since July 2015. It seems that after a buoyant Christmas holiday season, households' concerns on their financial situation return, while expectations for unemployment continue to improve.



PURCHASING MANAGERS' INDEX (PMI)

(Markit, Jan. 2018)

Manufacturing PMI reached the highest level since October 2007, as strong demand from both domestic and foreign markets contributed to increased hirings and production.



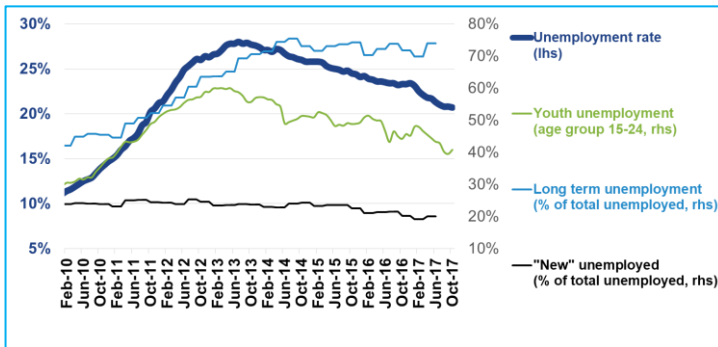
CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

(Bank of Greece, Dec. 2017)

Households' deposits rose for the 7th consecutive month in Dec. 2017 (+€2.6 bn), mainly due to the inflow of agricultural subsidies, the "social dividend" handouts and the Christmas bonus to private sector employees. At the same time, the decline in bank credit to businesses has slowed down significantly.



Employment, prices, wages



UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)

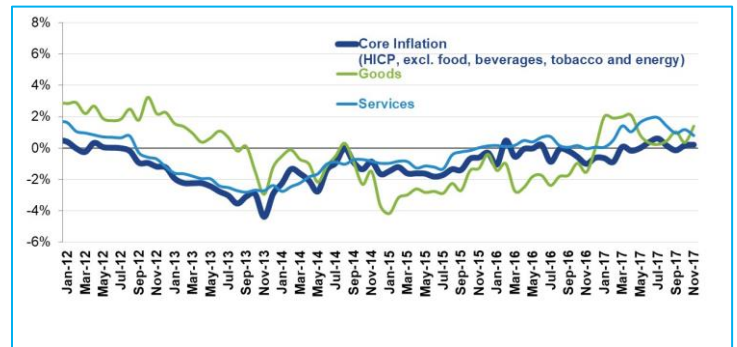
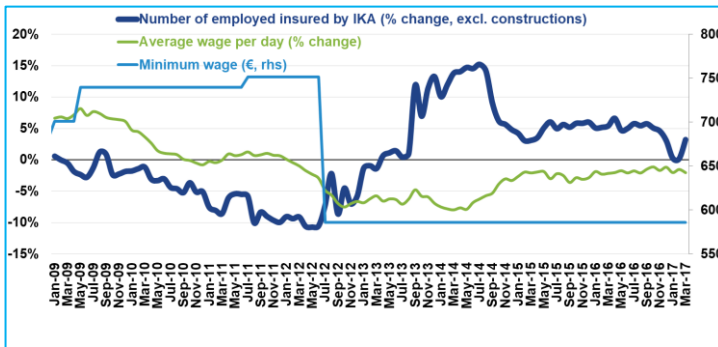
(ELSTAT, Nov. 2017)

Unemployment rate declined with a faster pace in the period Jan – Aug 2017, as a result of rising tourism and active labour policies implemented by the Hellenic Manpower Organisation (OAED). The decline slowed down after Sep 2017, following the seasonality of previous years.

NET HIRINGS

(ERGANI, Dec. 2017)

In 2017 net hirings amounted to 143.5 thousand (+5.3%), of which 112 thousand (+ 2.1%) in sectors other than tourism, validating the strengthening of the recovery of Greek economy.



NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE

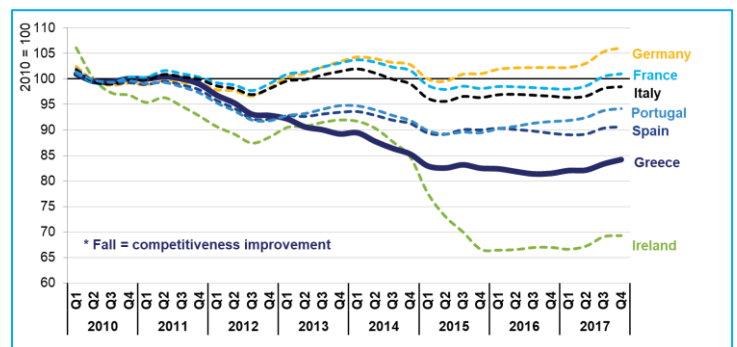
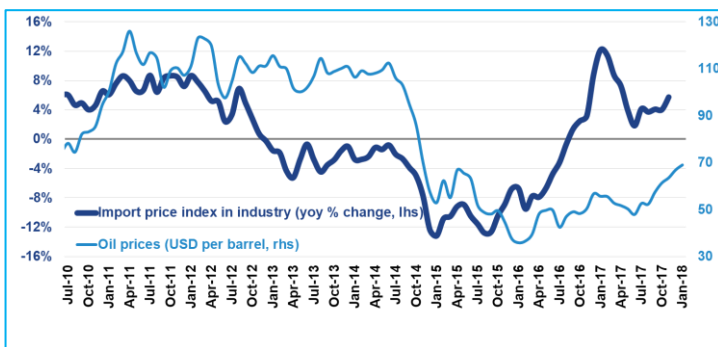
(Yoy % change, IKA, Mar. 2017)

The number of employed insured by IKA has been rising since April 2013. Part of this increase may be due to shifts from undeclared to formal employment. The growth rate was weakened in Jan. 2017 but rebounded in March, while average earnings continue to decline.

GOODS AND SERVICES INFLATION, CORE INFLATION

(ELSTAT, Dec. 2017)

CPI rose by +1.1% in Nov 2017, mainly due to indirect taxes hike, as the highest increases are recorded in beverages/tobacco (+6%) and transportation (+6.3%), while at constant taxes, harmonized CPI rose by +0.3%.



IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES

(ELSTAT, Nov. 2017, Bloomberg, Jan. 2018)

After almost 4 years of decline, import price index in industry is on the rise since Sep 2016 (+5.7% in Nov. 2017), while oil prices are moving upwards since June 2017.

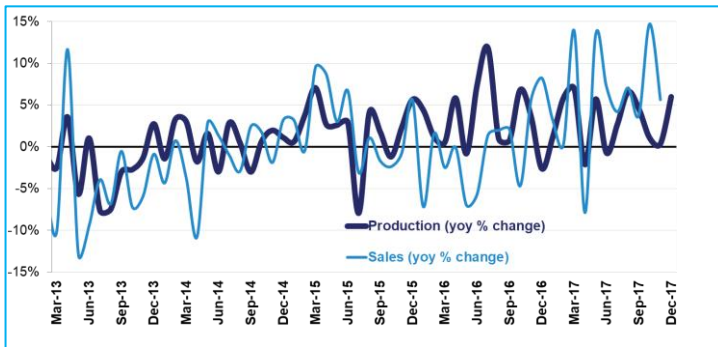
PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE

(Eurostat, Q4 2017)

Reforms in recent years have contributed to the recovery of a significant part of Greece's competitiveness compared with other European countries. However, the improvement of the Greek competitiveness appears to be reversed since Q4 2016.



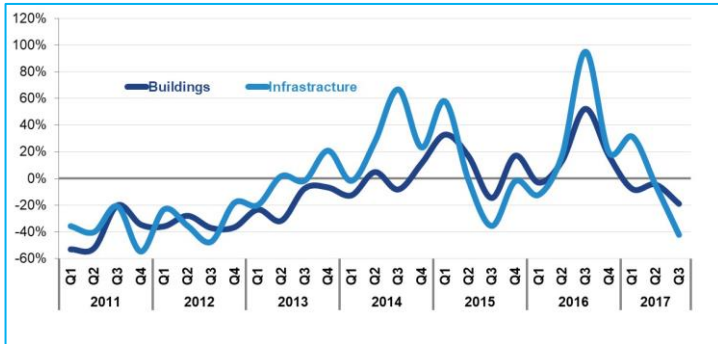
Industry, trade, services



PRODUCTION AND TURNOVER IN NON-OIL MANUFACTURING

(ELSTAT, Nov. 2017)

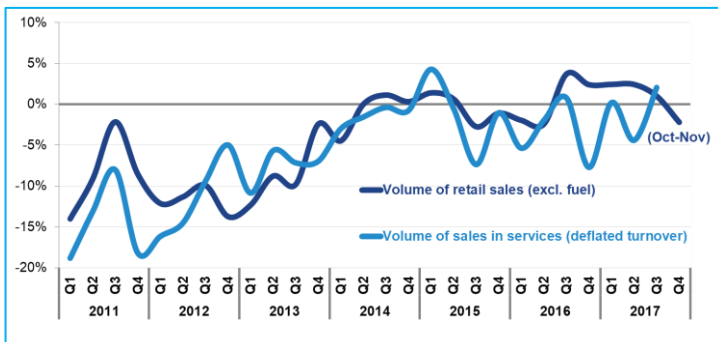
Following the improvement of business expectations in industry, non-oil manufacturing production increased by +6% in December 2017, compared with a fall of -2.6% in December 2016, strengthening its upward trend throughout 2017 (+3.1% on top of +3.4% in 2016).



VOLUME OF PRODUCTION IN CONSTRUCTION

(Yoy % change, ELSTAT, Q3 2017)

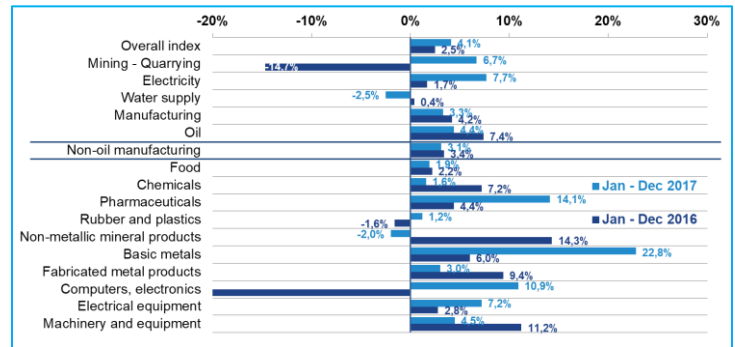
The recovery of production in construction was interrupted in Q2 2017 (-4.8%) and in Q3 2017 recorded a decline of -33.6%, while in September 2017 year-to-date it shrunk by -12.2% (-10.7% in buildings and -13.3% in infrastructure construction).



VOLUME OF RETAIL AND SERVICES SALES

(ELSTAT, Eurostat, Q2 2017, ELSTAT, Nov. 2017)

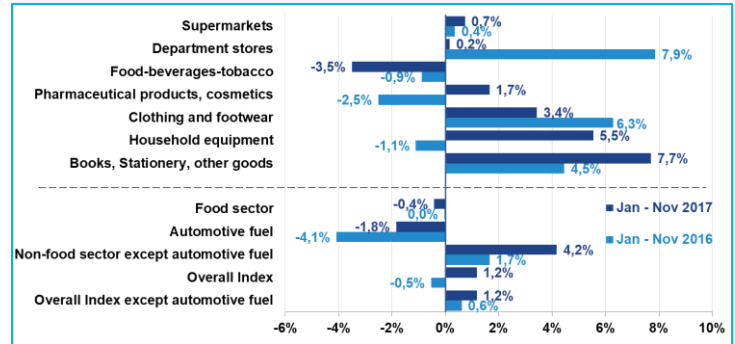
The rise of tourism, contributed to the recovery of sales volume in Services in Q3 2017, while in Oct-Nov 2017 retail sales volume fell.



INDUSTRIAL PRODUCTION BY SECTOR

(ELSTAT, Nov. 2017)

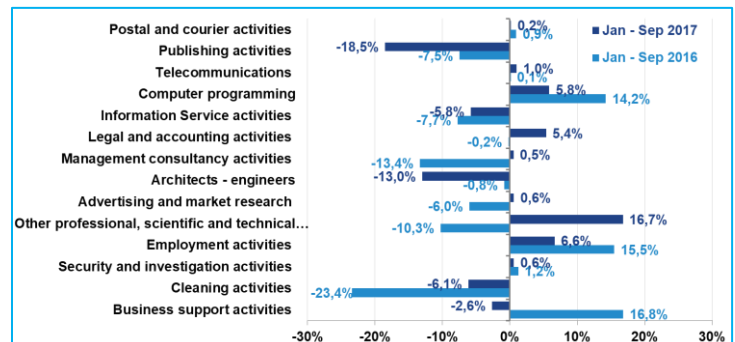
In 2017, non-oil manufacturing production was up by +3.1%, on top of +3.4% in 2016, with most manufacturing sectors being on the rise. The strongest growth is recorded in basic metals (+22.8%), mainly due to the activity of steel pipework companies involved in large construction projects.



VOLUME OF RETAIL SALES

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

The volume of retail sales declined for the 3rd consecutive month in November 2017 (-3% excluding fuel). However in the period Jan – Nov 2017, non-fuel retail sales volume increased by +1.2%, on top of +0.6% in the same period in 2016, while market estimates for December 2017 are quite positive.



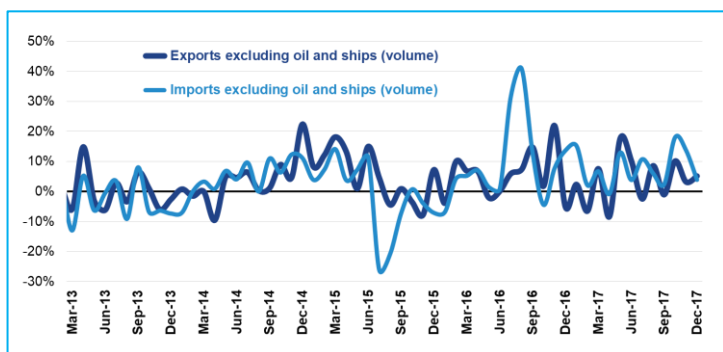
TURNOVER INDICES IN SERVICES

(ELSTAT, Q3 2017)

In most services sectors, turnover increased in Q3 2017, however during the period Jan – Sep 2017 as a whole, there is a mixed picture.

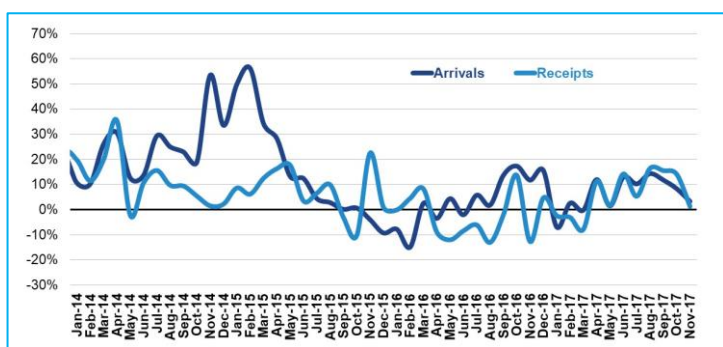


Exports, tourism



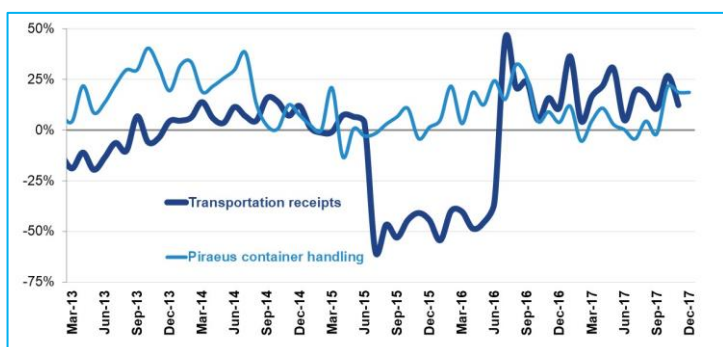
VOLUME OF NON-OIL EXPORTS AND NON-OIL IMPORTS OF GOODS
(ELSTAT, Dec. 2017)

Exports of goods excluding oil and ships continued to rise for the 8th consecutive month in Dec 2017 (+7.9% in value and + 5.1% in volume), while the growth of imports at a faster pace, expanded the trade deficit, demonstrating the weakness of the Greek economy towards import substitution.



TOURIST ARRIVALS AND RECEIPTS
(Bank of Greece, Nov. 2017)

The dynamism of tourism is reflected in the increase of arrivals and travel receipts by +9.9% and +10.7% respectively in the period Jan - Nov 2017, having already exceeded the figures of 2016 as a whole.



TRANSPORTATION RECEIPTS
(BoG, Nov. 2017, Piraeus container handling: COSCO, Dec. 2017)

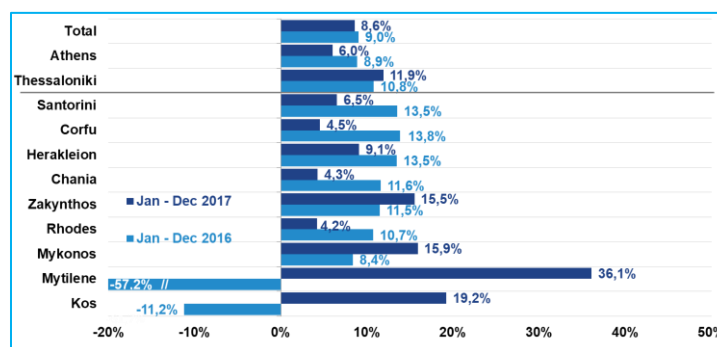
The gradual recovery of transport receipts (+17.6% in November 2017 year-to-date) shows that the major turmoil in shipping imposed by capital controls is gradually being reversed.

Group of products	Jan – Dec		%Δ
	(€ mil.)		
	2016	2017	
Agricultural products	5,700.1	5,639.3	-1.1%
Food	4,286.3	4,353.5	1.6%
Beverages / Tobacco	738.7	715.4	-3.2%
Animal and vegetable oil	675.1	570.4	-15.5%
Crude Materials	1,026.6	1,291.3	25.8%
Mineral Fuels	6,896.6	8,967.9	30.0%
Industrial products	11,274.7	12,400.9	10.0%
Chemicals	2,744.6	3,064.6	11.7%
Goods classified by material	3,980.6	4,633.7	16.4%
Machinery & transport equipment	2,604.7	2,594.5	-0.4%
Misc. manufactured articles	1,944.7	2,108.1	8.4%
Not classified commodities	547.7	532.6	-2.8%
Total	25,445.7	28,832.0	13.3%
Total excl. Oil	18,549.1	19,864.1	7.1%
Memo item*:			
Manufactured products	14,231.3	15,406.7	8.3%
of which: Food / Beverages	2,872.9	2,939.7	2.3%
Crude materials & primary products	2,819.6	2,869.5	1.8%
of which: Agricultural products	1,844.6	1,696.1	-8.1%

* Jan - Nov Data

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

In 2017 as a whole, non-oil exports of goods reached €19.9 billion, increased by +7.1%, with exports of industrial products demonstrating a remarkable dynamism (+10%), especially chemicals (+11.7%) and industrial goods classified by material (+16.4%).



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

International arrivals in the Greek airports increased by +8.6%. 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, has been reversed.



SEV Members Financial Data

ASSETS
€368^{bn}
67% of total*



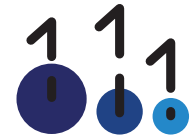
EQUITY
€60^{bn}
51% of total*



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



Hellenic Federation of Enterprises

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