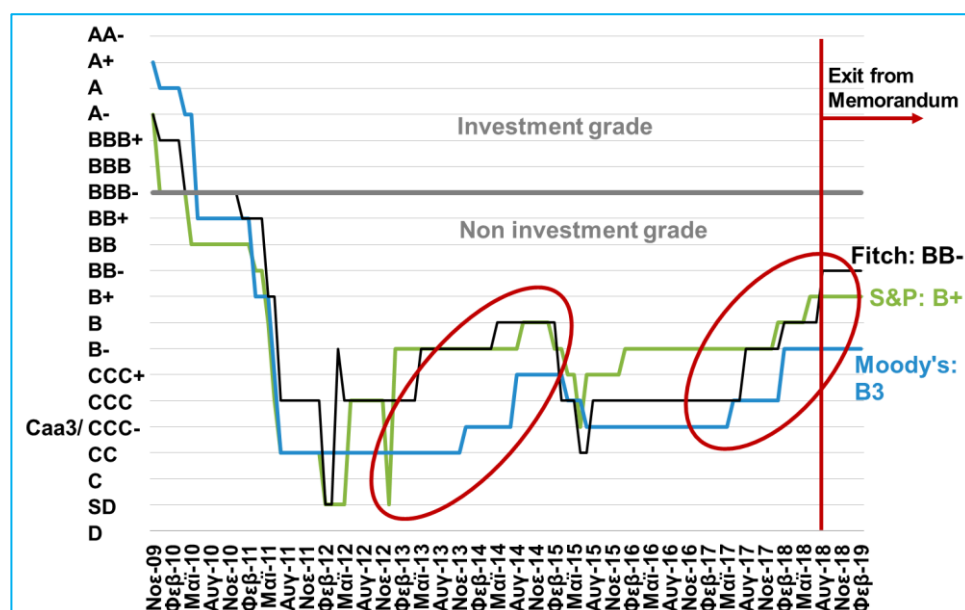


Greece's credit ratings

(Standard & Poor's, Moody's, Fitch, Feb. 2019)

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MACROECONOMIC ANALYSIS
AND EUROPEAN POLICY

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SUPPORTED BY:



Amidst election year uncertainty, consumer confidence gains and business expectations falter.

The Greek economy faces new challenges, as the country has entered an election period. Consumer confidence gains, boosted by employment and wage growth, favor retail trade activity, though, to some extent, may reflect expectations fueled by election promises, as it happens every time national elections are held. Electoral contests in 2019 keep investors at bay, and, in combination with increasing uncertainty in the global economic climate, do not create a favorable environment for capital inflows for investment. Moreover, businesses in manufacturing, construction and services, which are most affected by international developments, seem to hold out for more visibility, registering mixed trends. Pressing problems, such as bad loans and the danger of a new fiscal derailment due to imminent court decisions about pensions do not allow for complacency.

In the EU-28 and the Eurozone, the economic climate continued declining in January 2019, mainly due to a further weakening in expectations in industry and services, with a slight recovery in retail trade and consumer confidence. According to the [European Commission's winter economic forecasts](#), growth in the EU-28 and the Eurozone will slow down to + 1.5% and + 1.3% respectively in 2019, from + 1.9% in 2018 and +2.4% in 2017, with the Italian economy growing at the lowest pace (+0.2% in 2019 from +1.8% in 2018 and +1.6% in 2017). Regarding the Greek GDP growth, the European Commission kept its forecasts unchanged at + 2.2% in 2019 and + 2.3% in 2020, in line with the [Enhanced Surveillance Report](#) of November 2018, on the back of strong export and private consumption growth.

Accordingly, Standard & Poor's (S&P) and Fitch maintained their ratings for Greece unchanged with a positive outlook. More specifically, S&P forecasts a higher growth rate (+2.4% in the period from 2019 to 2022) than the Eurozone average, as a result of rising domestic demand along with strong export performance. However, the unsound competitiveness and the possible setback in labor reforms are highlighted as emerging risks, while the forthcoming elections may lead to delays in areas such as privatizations, efficiency of the justice system and further improvement of the business environment.



Electoral contests in 2019 keep investors at bay, and, in combination with increasing uncertainty in the global economic climate, do not create a favorable environment for capital inflows for investment.

More specifically:

- **Economic climate** deteriorated slightly in January 2019 (at 99.6 points from 100.9 the previous month and 101.4 in January 2018), mainly due to lower expectations in services, while the climate was slightly improved in industry, retail and construction sectors.
- **Consumer confidence** improved for the 7th consecutive month (at -28.3 points, from -31 in the previous month and -47.8 in January 2018), as households appear more optimistic on their financial situation, while their intention to make major purchases (furniture, electrical appliances, etc.) is also being strengthened.
- **Non-oil manufacturing production** continued increasing in December 2018 (+0.2%), maintaining a positive trend, although growth has slowed down compared with the beginning of 2018 (+2.0% in 2018 as a whole, on top of +3.7% in 2017). Business expectations in industry declined in the last quarter of the year, following similar international trends, while in January 2019 they improved marginally. Overall, in 2018, production in most sectors was up, particularly in medicines (+16.5%), PC and electronics (+14.2%) and furniture (+14.4%). Production of beverages (+6.8%), chemicals (+ 4.4%) and basic metals (+ 3.3%) has also risen. On the contrary, production in the food sector weakened (-0.4%), while a significant decline was recorded in tobacco (-25.8%) and electrical equipment (-16.2%).
- Total **exports of goods** reached €33.4 billion in 2018, recording an increase of +15.7% (+10.7% excluding oil) compared to 2017. The strong exports performance was the main driver of GDP growth in 2018, despite the slowdown in the international trade in goods and rising protectionism. However, the share of Greek non-oil exports in world exports declined significantly in the years of the crisis, even though the penetration of Greek products into the global market has started to recover in recent years, still, however, being far below the pre-crisis levels.
- **Retail sales** volume excluding fuel rose by +4% in November 2018 y-o-y, following a drop of -3.6% in the previous month. It is noted that the drop in retail sales volume in October 2018 followed the deterioration of business expectations in retail trade in the same month, mainly as a result of the end of the tourist season and the increased household tax liabilities. On the other hand, mid-season sales in November contributed to the recovery in retail sales volume, while business expectations in retail trade improved in January 2019. Overall, in the period Jan – Nov 2018, retail sales volume excluding fuel increased by + 1.9%, on top of +1.2% in the same period in 2017, with most store categories registering positive changes. Given the improvement in consumer confidence and business expectations in retail trade, retail sales are likely to move upwards in the coming months.
- **Receipts from services** were up by +20.6% in November 2018, mainly due to the increase in tourism (+42.5% in receipts and +6.2% in arrivals) and transport receipts (+19.9%), while receipts from other services increased by +9.1%. Overall, in the period Jan – Nov 2018, the services surplus increased by €1.3 billion, with arrivals and tourist receipts growing by +10.6% and +9.7% respectively.
- **Household deposits** increased by +€2.3 billion in December 2018, mainly due to agricultural subsidies flows of around €2 billion and the payment of the Christmas bonus to private sector employees. At the same time, deposit monthly flows from businesses reached +€1.2 billion, mainly due to the closing of the fiscal year. In total, since July 2015, when capital controls were imposed, household and businesses deposits have increased by €10 billion and €9.3 billion respectively. The steady increase in deposits in 2018, coupled with the credit contraction for most of the year, led to a reduction of the Emergency Liquidity Assistance (ELA) provision, which no longer exceeds the



threshold of €2 billion, signaling the independence of Greek banks from the ELA.

- At the same time, in December 2018 **bank credit expansion to businesses** returned to positive territory (+0.3%) after 9 months of negative change. On the other hand, credit expansion to households remained negative (-2.8% for housing loans and -0.8% for consumer loans).
- **Unemployment** dropped to 18.5% in November 2018, from 18.7% in the previous month and 21.1% in October 2017, with the number of unemployed falling to 875.2 thousand, from 1 million in the same month of 2017. At the same time, net hirings (hirings minus layoffs) increased by 141 thousand, on top of 143.5 in 2017. However, registered long-term unemployed are falling at a rather slow pace (531.4 thousand in December 2018, from 535.3 thousand in December 2017).

The overall picture emerging out of these developments is generally positive. However, the conjuncture does not allow for complacency. Issues such as non-performing loans, full lifting of capital controls and fiscal risks that may arise from election period benefits and forthcoming court decisions that may overturn pension cuts in the past, should be dealt with immediately. Also, there are significant delays towards liberalizing the energy market, and especially, in the area of sale of the lignite-producing units of the Public Power Corporation (DEH), which warrant acceleration of the relevant procedures. These are related not only with the reduction of high business energy costs through increasing competition, but also with Greece's obligations vs the debt relief assistance of our creditors over the medium term. Finally, the recent increase of the minimum wage by 11% and the abolition of the sub-minimum wage must be accompanied with measures to avoid any impact on employment. These measures should include a reduction in labor taxes and social security contributions, as well as the rationalization of the compulsory arbitration system.

The conjuncture does not allow for complacency. Issues such as non-performing loans, full lifting of capital controls and fiscal risks that may arise from election period benefits and forthcoming court decisions that may overturn pension cuts in the past, should be dealt with immediately.



Main indicators

Economic sentiment		2016	2017	2018	2018	2019
		Average	Average	Average	Dec	Jan
	Economic climate	91.8	96.6	102.1	100.9	99.6
😊	Consumer confidence	-62.9	-58.9	-44.0	-31.0	-28.3
😊	% stating that their own economic situation will get worse	72%	67%	55%	44%	43%
	% stating that the country's economic situation will get worse	79%	74%	59%	46%	48%
	% stating that unemployment will rise	77%	68%	50%	43%	44%
😊	% stating that they are unlikely to save	90%	91%	87%	86%	85%

Employment, Unemployment, prices, wages		2016	2017	2018	Period
😊	Employment (persons, change year-to-date, seasonally adjusted)	-33,700	66,100	103,600	Jan – Nov
😊	Employment (persons, change during month, seasonally adjusted)	3,300	-38,900	30,000	Nov
	Registered unemployed seeking job (change year-to-date)	51,666	-30,587	55,568	Jan – Dec
	Registered unemployed seeking job (change during month)	-2,576	15,103	36,484	Dec
😊	Net hirings (year-to-date)	136,260	143,545	141,003	Jan – Dec
😊	Net hirings (current month)	11,132	15,315	5,970	Dec
😊	Unemployment rate (seasonally adjusted)	23.3%	21.1%	18.5%	Nov
😊	Year to date average rate (seasonally adjusted)	23.6%	21.6%	19.4%	Jan – Nov
	Consumer Price Index	0.0%	0.7%	0.6%	Dec
	Change Year to date	-0.8%	1.1%	0.8%	Jan – Dec
😊	Labour productivity per hour (2010 = 100)	93.7	92.6	93.1	Q3
😊	Year to date average	93.1	92.6	93.1	Jan – Sep
😊	Competitiveness (real effective exchange rate, 2010 = 100)*	81.1	83.2	82.3	Q4
	Year to date average	81.0	82.2	83.3	Jan – Dec

GDP (seasonally adjusted, at constant prices, yoy % change)		2016	2017	2018			
				Q1	Q2	Q3	Jan-Sep
😊	GDP	-0.2%	1.5%	2.5%	1.7%	2.2%	2.1%
😊	Domestic demand	0.5%	1.8%	-3.0%	-0.3%	3.6%	0.1%
😊	Private consumption	0.0%	0.9%	0.5%	1.3%	0.7%	0.8%
😊	Public consumption	-0.7%	-0.4%	-0.6%	-4.3%	-4.1%	-3.0%
😊	Investment (including inventory change)	6.1%	10.0%	-22.9%	-1.9%	42.2%	1.5%
😊	Fixed investment	4.7%	9.1%	-8.8%	19.2%	-23.2%	-6.2%
😊	Residential construction	-12.6%	-5.5%	11.1%	5.4%	20.8%	12.3%
😊	Non – residential construction	37.9%	1.2%	9.4%	53.2%	-49.1%	-15.6%
😊	Machinery and equipment (incl. weapons)	-7.2%	6.2%	22.1%	20.8%	18.4%	20.4%
😊	Transport equipment (incl. weapons)	-5.6%	50.9%	-55.3%	-44.5%	154.5%	-22.3%
	Net exports						
😊	Exports of goods and services	-1.8%	6.8%	8.1%	9.2%	7.6%	8.3%
😊	Exports of goods	3.7%	5.7%	11.0%	7.0%	7.9%	8.6%
😊	Exports of services	-7.7%	8.0%	4.8%	12.2%	8.0%	8.3%
😊	Imports of goods and services	0.3%	7.1%	-7.5%	2.7%	15.0%	3.1%
😊	Imports of goods	2.9%	6.7%	-11.3%	-0.1%	15.0%	0.6%
😊	Imports of services	-10.8%	9.0%	11.8%	16.0%	16.0%	14.6%

Short term conjunctural indicators (yoy % change)		2016	2017	2018	Period	2018	Period
		(full-year)	(full-year)				
😊	Industrial production	2.5%	4.5%	1.0%	Jan – Dec	1.1%	Dec
😊	Manufacturing (excluding oil)	3.4%	3.7%	2.0%	Jan – Dec	0.2%	Dec
😊	Production in construction	22.9%	-14.6%	0.4%	Jan – Sep	7.8%	Q3
😊	Building	18.1%	-10.2%	20.4%	Jan – Sep	12.3%	Q3
😊	Non – building	26.8%	-18.0%	-14.8%	Jan – Sep	4.0%	Q3
😊	Private building activity – building permits (volume in m³)	-6.9%	19.4%	18.8%	Jan – Oct	38.9%	Oct
😊	Retail sales (volume)	-0.6%	1.3%	1.6%	Jan – Nov	3.3%	Nov
😊	Excluding automotive fuel	0.4%	1.3%	1.9%	Jan – Nov	4.0%	Nov
😊	New vehicle licenses	11.0%	20.8%	22.6%	Jan – Dec	4.1%	Dec
😊	Exports of goods excl. Oil & ships (ELSTAT, current prices)	2.1%	7.2%	10.5%	Jan – Dec	1.0%	Dec
😊	Exports of goods excl. Oil & ships, volume	5.1%	3.7%	9.1%	Jan – Dec	1.5%	Dec
😊	Imports of goods excl. oil & ships (ELSTAT, current prices)	5.9%	7.8%	8.4%	Jan – Dec	5.6%	Dec
😊	Imports of goods excl. oil & ships, volume	8.0%	7.9%	8.8%	Jan – Dec	6.4%	Dec
😊	Tourism – receipts	-6.4%	10.8%	9.7%	Jan – Nov	42.5%	Nov
😊	Transportation – receipts	-21.6%	16.9%	14.7%	Jan – Nov	19.9%	Nov
😊	Other services* – receipts	4.4%	13.8%	-2.1%	Jan – Nov	9.1%	Nov
😊	Inbound travelers (excl. cruises)	5.1%	9.7%	10.6%	Jan – Nov	6.2%	Nov

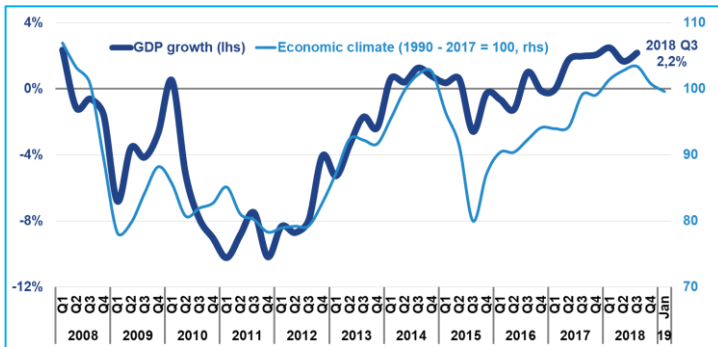
* deflator: unit labour costs in the total economy - 37 trading partners - industrial countries, fall = competitiveness improvement

** 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

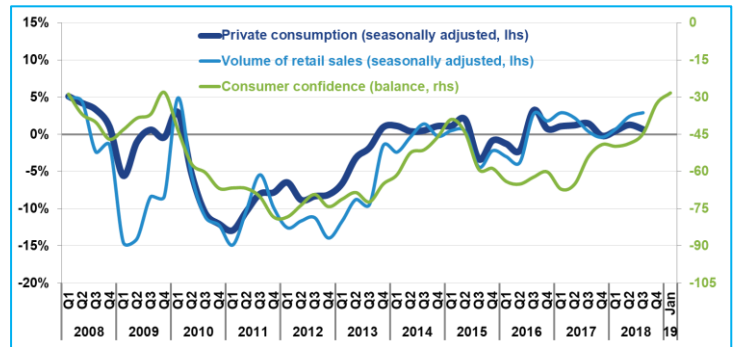


Economic climate



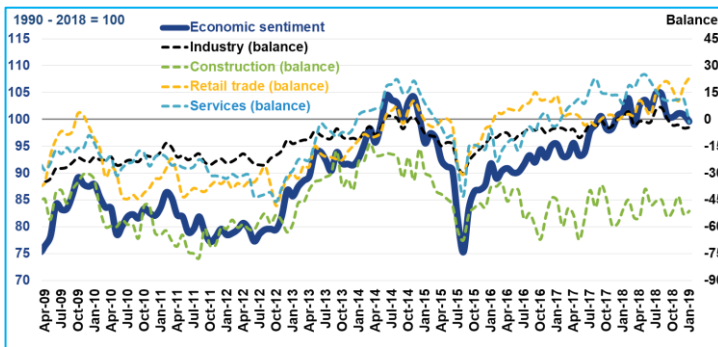
GDP AND ECONOMIC CLIMATE

(ELSTAT, Q3 2018, IOBE-DG ECFIN, Jan. 2019)



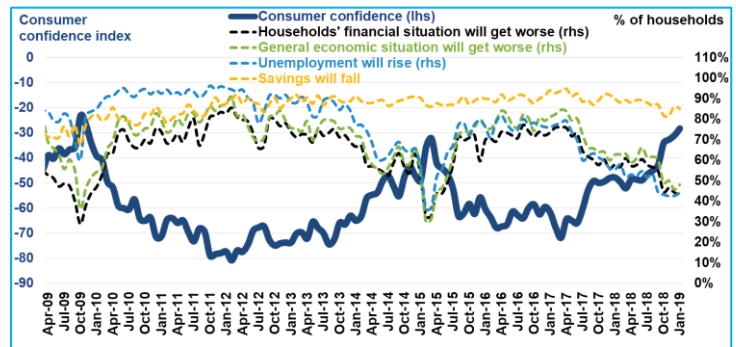
PRIVATE CONSUMPTION, RETAIL SALES, CONSUMER CONFIDENCE

(ELSTAT, Q3 2018, IOBE-DG ECFIN, Jan. 2019)



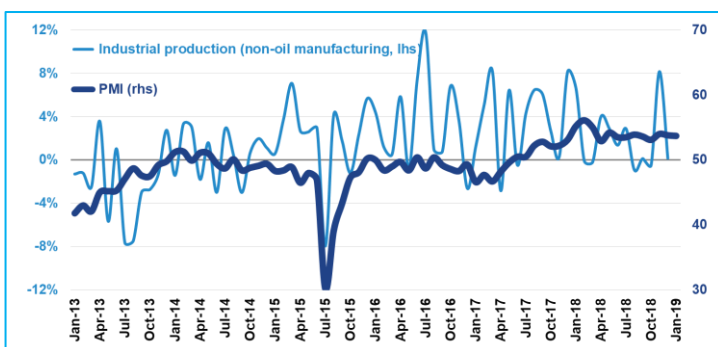
ECONOMIC CLIMATE AND BUSINESS EXPECTATIONS

(IOBE-DG ECFIN, Jan. 2018)



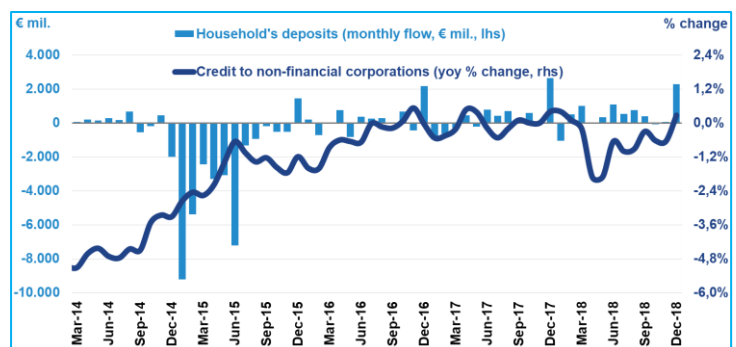
CONSUMER CONFIDENCE

(IOBE-DG ECFIN, Jan. 2018)



PURCHASING MANAGERS' INDEX (PMI)

(Markit, Jan. 2018)

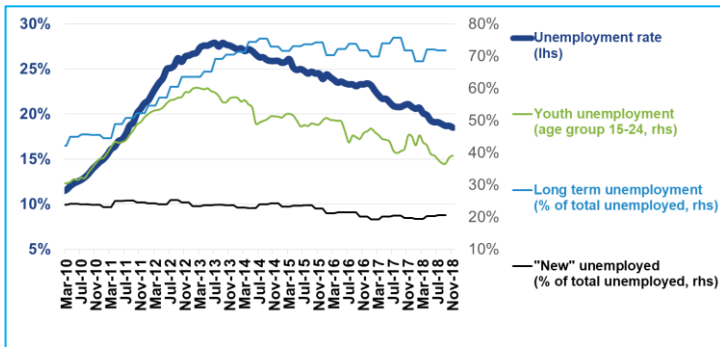


CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

(Bank of Greece, Dec. 2018)



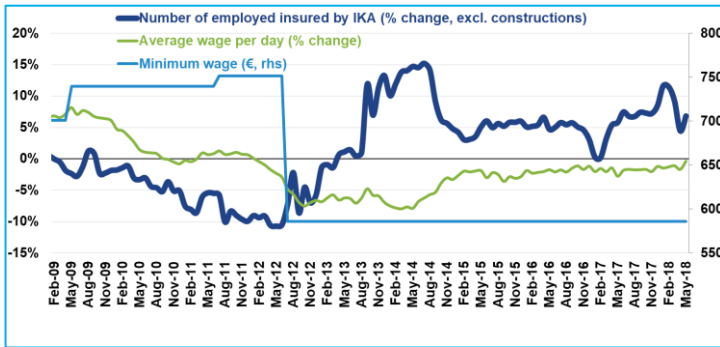
Employment, prices, wages



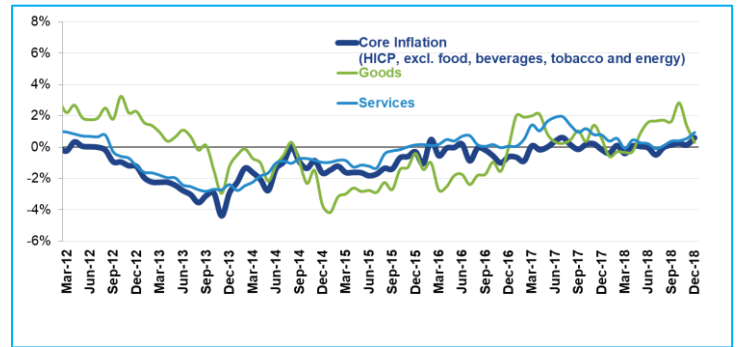
UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)
(ELSTAT, Nov. 2018)



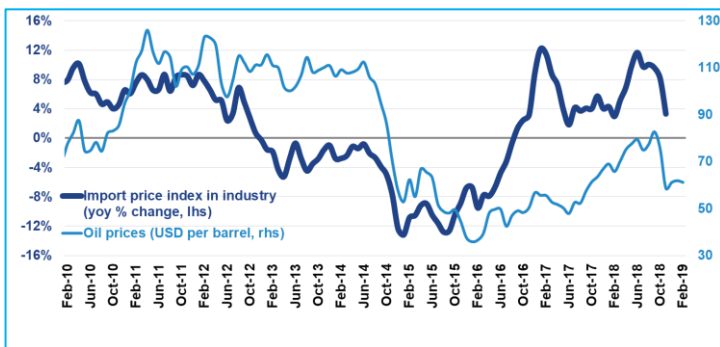
NET HIRINGS
(ERGANI, Dec. 2018)



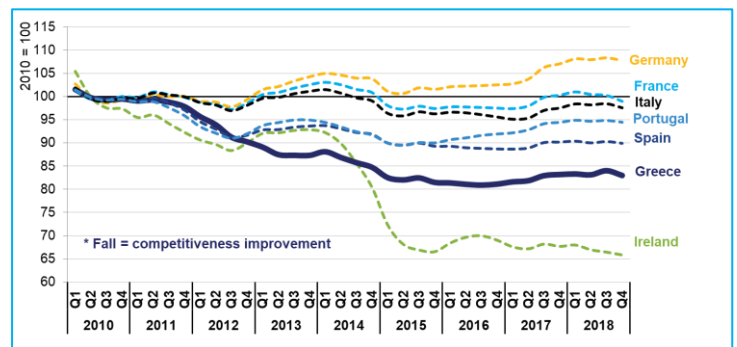
NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE
(Yoy % change, IKA, May 2018)



GOODS AND SERVICES INFLATION, CORE INFLATION
(ELSTAT, Dec. 2018)



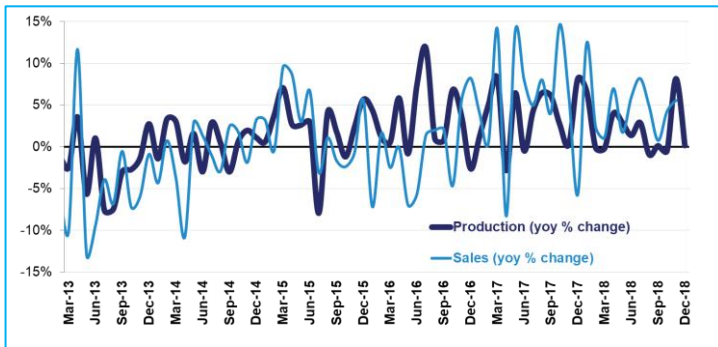
IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES
(ELSTAT, Nov. 2018, Bloomberg, 8 Feb. 2019)



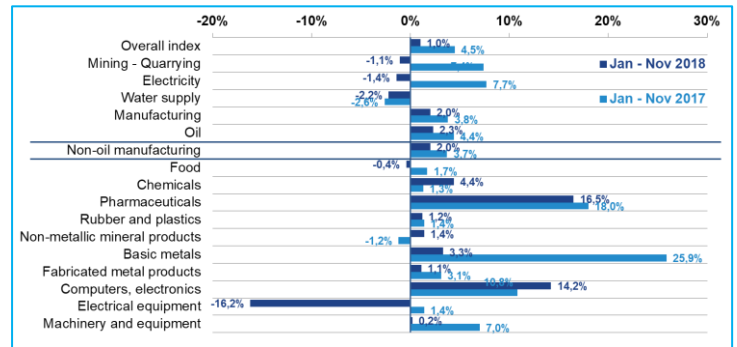
PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE
(Eurostat, Q4 2018)



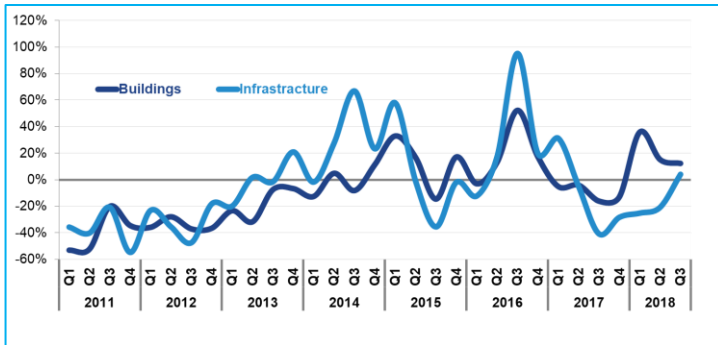
Industry, trade, services



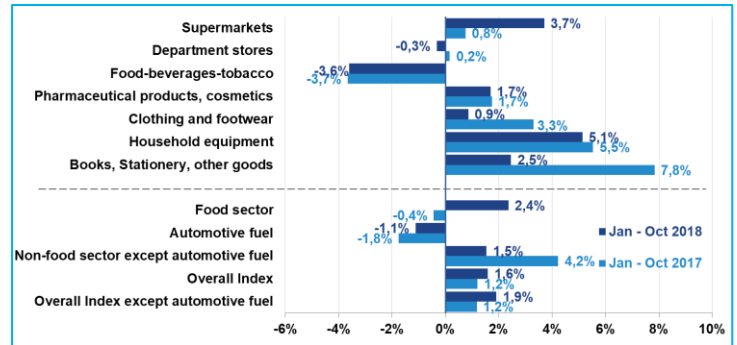
PRODUCTION AND TURNOVER IN NON-OIL MANUFACTURING
(ELSTAT, Dec. 2018)



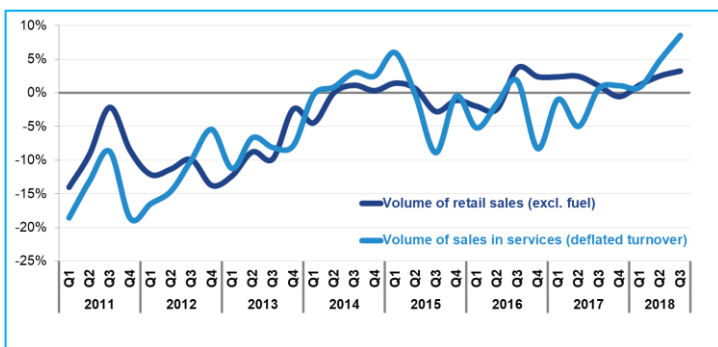
INDUSTRIAL PRODUCTION BY SECTOR
(ELSTAT, Dec. 2018)



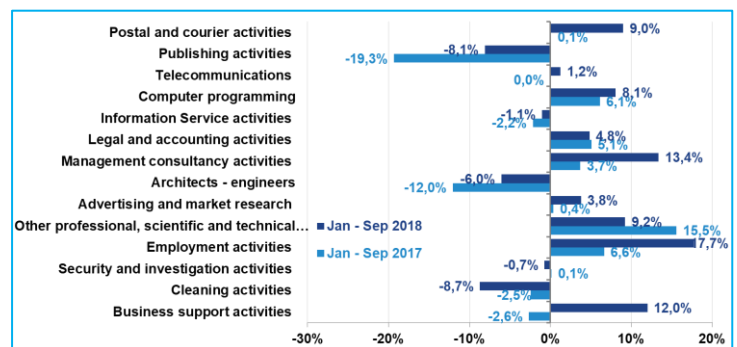
VOLUME OF PRODUCTION IN CONSTRUCTION
(Yoy % change, ELSTAT, Q3 2018)



VOLUME OF RETAIL SALES
(% change by store category, ELSTAT, Nov. 2018)



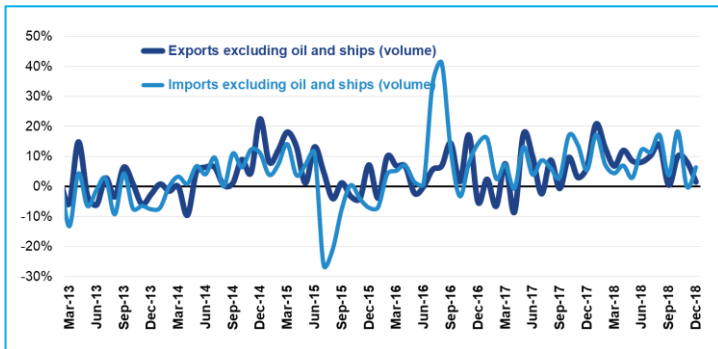
VOLUME OF RETAIL AND SERVICES SALES
(ELSTAT, Eurostat, Q3 2018, ELSTAT, Sep. 2018)



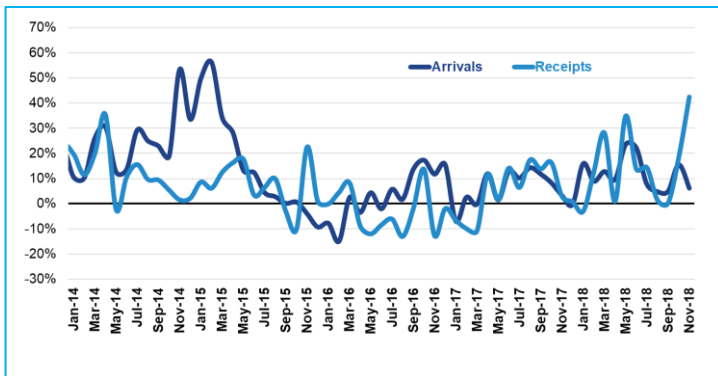
TURNOVER INDICES IN SERVICES
(ELSTAT, Q3 2018)



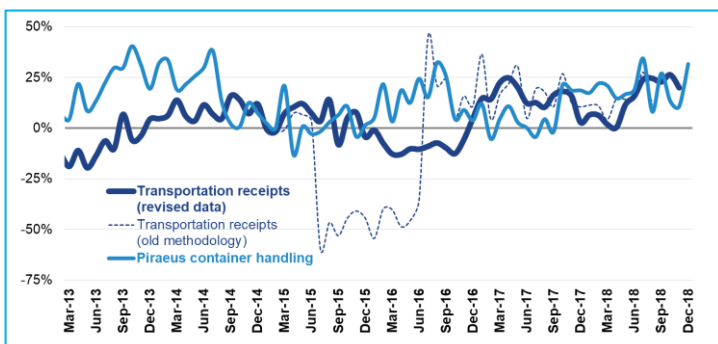
Exports, tourism



VOLUME OF NON-OIL EXPORTS AND NON-OIL IMPORTS OF GOODS
(ELSTAT, Dec. 2018)



TOURIST ARRIVALS AND RECEIPTS
(Bank of Greece, Nov. 2018)

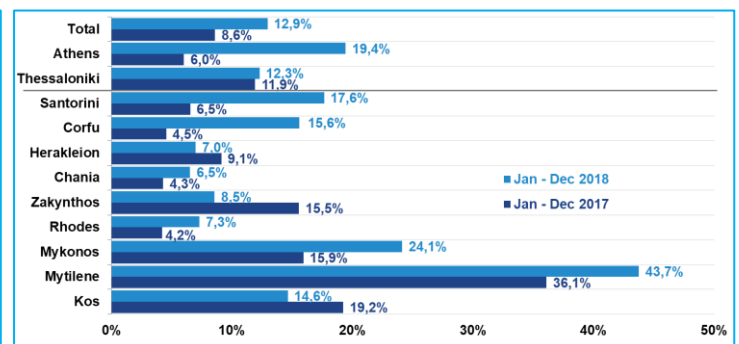


TRANSPORTATION RECEIPTS
(BoG, Nov. 2018, Piraeus container handling: COSCO, Dec. 2018)

Group of products	Jan – Dec		%Δ
	(€ mil.)		
	2017	2018	
Agricultural products	5,641.7	6,010.3	6.5%
Food	4,354.8	4,595.9	5.5%
Beverages / Tobacco	716.7	722.0	0.7%
Animal and vegetable oil	570.3	692.4	21.4%
Crude Materials	1,300.6	1,374.1	5.7%
Mineral Fuels	8,979.8	11,480.7	27.9%
Industrial products	12,405.6	13,998.9	12.8%
Chemicals	3,071.2	3,493.6	13.8%
Goods classified by material	4,638.3	5,251.2	13.2%
Machinery & transport equipment	2,598.8	2,932.3	12.8%
Misc. manufactured articles	2,097.3	2,321.8	10.7%
Not classified commodities	-2,095.2	-2,007.4	-4.2%
Total	26,232.5	30,856.6	17.6%
Total excl. Oil	17,252.7	19,375.9	12.3%

Memo item:	J.n – Nov		%Δ
	2017	2018	
Manufactured products	15,389.2	17,483.3	13.6%
of which: Food / Beverages	2,920.3	3,282.3	12.4%
Crude materials & primary products	2,894.5	3,000.4	3.7%
of which: Agricultural products	1,716.9	1,778.8	3.6%

EXPORTS BY PRODUCT
(ELSTAT, Eurostat, Dec. 2018)



INTERNATIONAL ARRIVALS AT MAIN AIRPORTS
(SETE, Dec. 2018)



SEV Members Financial Data

ASSETS
€362 bn
71% of total*



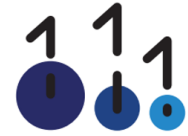
EQUITY
€60 bn
48% of total*



TURNOVER
€61 bn
46% of total*



PROFITS BEFORE TAXES
€3.3 bn**
42% of total**



EMPLOYEES
200,000
11% employees insured by IKA



WAGES
€5 bn
20% of total***



SOCIAL SECURITY CONTRIBUTIONS
€2.2 bn
26% of total***



TAXES ON PROFITS
€1.1 bn
31% of total****



* 17,454 financial statements for fiscal year 2016 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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