

Greek GDP forecasts and outcome
(European Commission and ELSTAT)
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	European Commission's Forecasts									Outcome
	2015		2016		2017		2018		2019	
	Spring	Autumn	Spring	Autumn	Spring	Autumn	Spring	Nov*	Feb**	
2015	0,5%	-1,4%	-0,2%							-0,4%
2016	2,9%	-1,3%	-0,3%	-0,3%	0,0%					-0,2%
2017		2,7%	2,7%	2,7%	2,1%	1,6%	1,4%			1,5%
2018				3,1%	2,5%	2,5%	1,9%	2,0%	2,0%	1,9%
2019						2,5%	2,3%	2,2%	2,2%	
2020								2,3%	2,3%	
2021								2,1%	2,1%	
2022								1,8%	1,8%	

* 1st Enhanced Surveillance Report** 2nd Enhanced Surveillance Report
**MACROECONOMIC ANALYSIS
AND EUROPEAN POLICY**
InfoE: economics@sev.org.gr

T: +30 211 500 6165

Recovering without an investment boom...

The recovery of the Greek economy continues at a lower pace than expected and without clear indications that conditions for accelerating investment and economic activity are being created. This reflects the stagnation of the productivity of the Greek economy in a global economic slowdown environment. Moreover, the country's international competitiveness keeps on deteriorating, and sooner or later it will be further compounded by various pre-election benefits and measures of fiscal discipline relaxation.

In any case, as regards the latest developments, the [Eurogroup of 5 April 2019](#), on the basis of the [2nd Enhanced Surveillance Report of 27 February 2019](#) and the [update of 3 April 2019](#), welcomed the progress made in implementing the agreed commitments and major reforms, in particular regarding the adoption of 2019 Budget and the new framework for the protection of primary residences. The completion of the European Commission's second assessment under the Enhanced Surveillance framework has secured the approval of the €1 billion tranche. The exact amount of the disbursement amounts to €973 million, of which €644 million are from the return of the profits of European central banks from Greek bonds and the remaining €339 million from the suspension of the interest surcharge for the second loan contract.

The Commission welcomed the progress made in: a) adopting legislation to strengthen the Independent Authority for Public Revenue; b) taking additional measures to tackle the problem of non-performing loans (electronic auctions, state guarantees, household insolvency action plan), c) the new scheme for primary residence protection, d) the filling of the vacant positions at the Financial Stability Fund, e) the re-launch of the tender for the divestiture of part of the Public Power Corporation's lignite-based generation capacity, f) the restructuring of the DEPA, g) the resolution of obstacles to the EGNATIA transaction (toll station issues), and h) adopting a range of measures to advance public administration reform.

Moreover, the commitment for the reduction of the tax-free ceiling from 1/1/2020 was reaffirmed, while the European Commission noted that a number of issues are still pending, particularly with regard to non-performing loans and the new scheme for the protection of primary residences, for which it proposes a

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The completion of the European Commission's second assessment under the Enhanced Surveillance framework has secured the approval of the €1 billion tranche. At the same time, the commitment for the reduction of the tax-free ceiling from 1/1/2020 was reaffirmed, while the European Commission noted that a number of issues are still pending, particularly with regard to non-performing loans and the new scheme for the protection of primary residences, for which it proposes a continuous close monitoring. In addition, the EU highlights the need to accelerate the arrears clearance and the implementation of the privatization program.

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At the same time, the IMF, in its [2019 World Economic Outlook](#), estimates a lower growth in the Eurozone in 2019 compared to its previous forecasts (+ 1.3% vs. a [forecast of +1.9% in January 2019](#)). This is expected to affect the trade balance of Greece, with the overall balance of payments deficit estimated at -2.7% of GDP ([vs a forecast of -0.4% in October 2018 projections](#)). It is noted that the IMF has not updated its estimates for the growth of the Greek economy (+2.4% in 2019) as it is based on data available until February 2019, before the official launch of Q4 GDP data. The updated outlook for Greece will be included in the special report based on Article 4, which is expected to be published in June. Additionally, in the [Fiscal Monitor](#) report (April 2019), the IMF didn't change its forecast for the Greek primary surplus of Greece, considering that the country will achieve its budgetary targets for primary surpluses by 2022. In particular, it is projected to be set at 3.5% of GDP in 2019 and remain at this level by 2022, with a gradual reduction in 2023 and 2024 (3% and 2.8% of GDP respectively).

In any case, the trends recorded in the economy are mixed, although most economic indicators continue to improve. More specifically:

- **Economic climate** remained unchanged in March 2019 compared to the previous month (at 101.3 points), as improved consumer confidence and expectations in services and construction were offset by a decline in business confidence in industry and retail trade. More specifically, in **industry**, businesses state that the level of new orders is lower than expected, while their estimates for their export performance in the next quarter are weakening. However, they are more optimistic on the evolution of production in the near future. Expectations in **retail sales** show a sharp deterioration, as estimates on current sales and their short-term growth weakened considerably. Yet, the balance of positive - negative estimates remains positive, while the fall in expectations is expected to be reversed in the coming period, in view of Easter holidays and the beginning of the tourist season. On the contrary, business climate improved for the second consecutive month in **services**, after 4 months of decline, mainly due to the positive outlook for the current demand and its trend in the next quarter. Finally, in **construction**, the projections on the business activity and employment improved significantly, mainly due to the upward trend recorded in business expectations for public works.
- **Consumer confidence** improved slightly in March 2019, following a small decline last month, remaining at a significantly higher level than in the corresponding period in 2018 (-31.6 points from -33.3 in February 2019 and -52.1 points in March 2018). The steady rise in household confidence, especially since the second quarter of 2018, is due to improved estimates on the country's general economic situation, linked on one hand to Greece's exit from the memorandum in August 2018 and on the other hand to the increasing optimism observed in each pre-election period. In March 2019 44% of households (from 61% in March 2018) state that their economic situation will get worse, 45% (from 52% in March 2018) estimate that unemployment will rise and 83% (from 89% in March 2018) are likely to decrease their savings.
- Business expectations in manufacturing, based on the **Purchasing Managers' Index (PMI)**, improved further in March 2019 (at 54.7 points from 54.2 in the previous month and 55 points in March 2018). The improvement was mainly due to the rise in production and new orders, both from the domestic market and for exports, a fact that led to increased hirings.
- **Non-oil manufacturing production** increased by +4.8% in February 2019 (+4.5% year-to-date), compared with a marginal decline in February 2018 (-0.1%). Despite downside international trends and forecasts for declining manufacturing output at global level, the growth of the Greek non-oil manufacturing output strengthened, mainly on the back of rising production in the sectors of basic metals (+15%), pharmaceuticals (+25.5%), tobacco (+69.7%) and machinery repair (+14.8%).



- **Exports of goods** excluding oil and ships kept on increasing in February 2019 (+9.1% in value and +8.5% in volume), despite the downturn in the international trade in goods. During the period Jan-Feb 2019, Greek exports of goods excluding oil and ships rose by +6.5% (+6.7% at constant prices), mainly as a result of the dynamism of industrial products (+13.4%), in particular chemicals (+ 21.3%) and various manufactured articles (+33.7%). On the other hand, exports of agricultural products fell by -7.3%, as olive oil exports dropped (-58.8%). At the same time, imports of goods excluding oil and ships recorded a similar increase (+6.1% in value and + 5.1% in volume), with the trade deficit standing at -€2.7 billion (€145 million higher compared with the corresponding period in 2018).
- The first signs for **tourism** in 2019 are positive, as tourist arrivals and receipts increased by +9.4% and +53.2% respectively in January 2019. At the same time, transport receipts were up by +11.4 %, mainly due to the increase in net receipts from sea transport (+17.4%) compared to January 2018.
- **Unemployment** stood at 18.5% in January 2019, from 18.4% in December 2018 and 20.6% in January 2018, with the number of the unemployed reaching 872.7 thousand. At the same time, according to ERGANI data, net hirings in February 2019 totaled 27.8 thousand (from 16.6 thousand in February 2018 and 24.9 thousand in February 2017). Part-time and rotation work recruitment accounted for 54.5% of all recruitments, compared with 56.3% in February 2018 and 56.8% in February 2017. Net hirings were increased mainly on the back of the sectors of food (6,429) and accommodation (2,931) services, defense and social security (1,650), education (1,440) and wholesale (1,225), while the balance was negative in the electricity sector (-809). At the same time, in February 2019, the number of registered unemployed seeking for a job fell by -8.1 thousand compared to the previous month, but remained higher compared to February 2018 (949.4 thousand in February 2019 vs. 898.7 thousand in February 2018).
- **Bank credit expansion to businesses** remained positive for the third consecutive month in February 2019 (+1.6%), indicating improving liquidity in the coming period. Additionally, according to the Bank of Greece's [Bank Lending Survey](#), in Q1 2019 demand for loans to businesses increased, especially regarding long-term loans for large enterprises, due to increased financing needs for fixed investments and debt refinancing/restructuring. According to this survey, in the next quarter total demand for loans from businesses is expected to remain broadly unchanged, with the exception of the demand for loans to small and medium-size enterprises, which is expected to increase.
- **Households' deposits** increased by €277 million in February 2019, with their stock reaching €109.7 billion, compared to €103.3 billion in February 2018. It is to be noted that since July 2015, when Capital Controls were imposed, households' deposits have increased by about €10 billion. This has allowed a further relaxation of the constraints due to capital controls.
- **Inflation** was +0.9% in March 2019, from +0.6% in the previous month and -0.2% in March 2018, while overall in Q1 2019 the general price index rose by +0,7%. Despite the fact that most of this rise is due to oil prices, as reflected mainly in housing and transport prices (+1.8% and + 2.3% respectively), increasing inflation is a sign of strengthening domestic demand.
- Although **general government's revenues** in the first two months of 2019 recorded extraordinary fluctuations (delay in the collection of €1 billion from ANFA/SMP, €1.1billion from the extension of the Athens Airport concession), for the time being the primary surplus is attained at the high levels of 2018.
- **Government arrears** continue to decline (from €3.4 billion in February 2018 to € 2.15 billion in February 2019), despite a slight increase since December 2018 (€2.03 billion). Hospitals debt (pending clawback &

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rebate) rises at a faster pace, counterbalancing the decline in outstanding tax arrears and other State's debts.

On the other hand:

- The **volume of retail sales** excluding fuel dropped by -2.9% in January 2019, raising some concern on the trend of private consumption in the first quarter of the year. In most store categories, sales volume fell, particularly in clothing and footwear stores (-12.8%) and department stores (-11.3%), while sales in bookstores and technology stores grew (+10.4%). The drop in retail sales volume in January 2019 is linked to the decline in business expectations in February and March 2019, but is expected to be reversed in the coming period, mainly after the beginning of the tourist season. It is to be noted that the volume of retail sales increased by +1.7% in 2018 as a whole, on top of +1.3% in 2017, with most store categories recording positive trends, especially furniture (+5%) and supermarkets (+3.5%).
- **Private building activity**, in terms of the volume of new permits, fell by -9.1% in January 2019 (vs. +45.9% in January 2018), after 9 months of growth. Although the first month of the year is not indicative, building activity shows a relative growth slowdown. In any case, private building construction shows visible signs of recovery, as the volume of new building permits rose by +21.3% in 2018, mainly due to rising tourism and the spread of short-term rentals through electronic applications.
- Despite the signs of improved banking conditions, the problem of **non-performing loans** remains a major issue of Greek banks, as the stock of them reached €81.8 billion in December 2018, or 45.4% of total loans (vs. 4.2% in the Eurozone in the third quarter of 2018).

The Greek economy is in a positive path, with the exit from the memorandum, the successful access to bond markets and the gradual upgrading of Greece's credit rating by international agencies stimulating the confidence of investors. Nevertheless, Greece's investment competitiveness is reversing, eliminating the prospects for a strong GDP growth and a sharp decline in unemployment. There is no doubt that the new national target must be a rapid convergence with the EU's investment competitiveness. Against this background, Greece must continue to implement the agreed reforms, speed up privatizations, expand its production base, support innovation, eliminate over-taxation, reduce non-wage costs and ensure a competitive energy cost. Finally, as SEV has highlighted, any fiscal risks connected with a prolonged electoral period should be ruled out.

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Main indicators

Economic sentiment

	2016	2017	2018	2019		
	Average	Average	Average	Jan	Feb	Mar
Economic climate	91.8	96.6	102.1	99.6	101.3	101,3
Consumer confidence	-62.9	-58.9	-44.0	-28.3	-33.3	-31,6
☹️ % stating that their own economic situation will get worse	72%	67%	55%	43%	45%	44%
☹️ % stating that the country's economic situation will get worse	79%	74%	59%	48%	48%	45%
☹️ % stating that unemployment will rise	77%	68%	50%	44%	45%	45%
☹️ % stating that they are unlikely to save	90%	91%	87%	85%	84%	83%

Employment, Unemployment, prices, wages

	2017	2018	2019	Period
Employment (persons, change year-to-date, seasonally adjusted)	+87,100	+96,400	...	Jan – Dec
Employment (persons, change during month, seasonally adjusted)	+2,700	+20,500	-7,600	Jan
Registered unemployed seeking job (change year-to-date)	+25,642	+18,801	+13,936	Jan – Feb
Registered unemployed seeking job (change during month)	+7,148	-4,621	-8,147	Feb
Net hirings (year-to-date)	-4,879	+86	+5,507	Jan – Feb
Net hirings (current month)	+24,938	+16,628	+27,840	Feb
Unemployment rate (seasonally adjusted)	23.1%	20.6%	18.5%	Jan
Year to date average rate (seasonally adjusted)	21.5%	19.3%	...	Jan – Dec
Consumer Price Index	1.7%	-0.2%	0.9%	Mar
Change Year to date	1.4%	-0.1%	0.7%	Jan – Mar
Labour productivity per hour (2010 = 100)	93.2	93.4	...	Q4
Year to date average	92.8	93.0	...	Jan – Dec
Competitiveness (real effective exchange rate, 2010 = 100)*	83.2	82.3	...	Q4
Year to date average	82.2	83.3	...	Jan – Dec

GDP

(seasonally adjusted, at constant prices, yoy % change)

	2017	2018	2018			
			Q1	Q2	Q3	Q4
GDP	1.5%	1.9%	2.5%	1.5%	2.1%	1.6%
Domestic demand	1.6%	0.4%	-2.9%	-0.3%	3.7%	0.9%
Private consumption	0.9%	1.1%	0.5%	1.3%	1.1%	1.1%
Public consumption	-0.4%	-2.5%	-0.3%	-3.9%	-4.5%	-1.4%
Investment (including inventory change)	10.0%	1.8%	-22.7%	-2.8%	41.0%	4.1%
Fixed investment	9.1%	-12.2%	-8.4%	19.2%	-23.0%	-27.2%
Residential construction	-5.5%	17.2%	11.1%	5.6%	21.3%	32.3%
Non – residential construction	1.2%	-22.9%	8.8%	42.1%	-58.8%	-36.5%
Machinery and equipment (incl. weapons)	6.2%	15.9%	22.1%	21.1%	19.7%	5.3%
Transport equipment (incl. weapons)	50.9%	-43.5%	-55.6%	-44.7%	150.2%	-72.5%
Net exports						
Exports of goods and services	6.8%	8.7%	8.1%	9.2%	7.1%	10.6%
Exports of goods	5.7%	8.4%	10.9%	6.9%	7.6%	8.2%
Exports of services	8.0%	9.0%	4.7%	12.3%	7.4%	12.8%
Imports of goods and services	7.1%	4.2%	-7.5%	2.8%	15.6%	2.0%
Imports of goods	6.7%	2.0%	-11.3%	0.0%	15.5%	0.2%
Imports of services	9.0%	14.4%	11.8%	16.0%	16.7%	13.1%

Short term conjunctural indicators

(yoy % change)

	2017 (full-year)	2018 (full-year)	2019	Period	2019	Period
Industrial production	4.5%	1.1%	3.2%	Jan – Feb	2.3%	Feb
Manufacturing (excluding oil)	3.7%	2.0%	4.5%	Jan – Feb	4.8%	Feb
Production in construction	-14.6%	0.8%	...	...	...	...
Building	-10.2%	17.7%	...	...	...	...
Non – building	-18.0%	-13.1%	...	...	...	...
Private building activity – building permits (volume in m³)	19.4%	21.3%	...	...	-9.1%	Jan
Retail sales (volume)	1.2%	1.5%	...	...	-2,9%	Jan
Excluding automotive fuel	1.3%	1.7%	...	...	-2,9%	Jan
New vehicle licenses	20.8%	22.6%	3.9%	Jan – Mar	-9.5%	Mar
Exports of goods excl. Oil & ships (ELSTAT, current prices)	7.2%	10.5%	6.5%	Jan – Feb	9.1%	Feb
Exports of goods excl. Oil & ships, volume	3.7%	9.1%	6.7%	Jan – Feb	8.5%	Feb
Imports of goods excl. oil & ships (ELSTAT, current prices)	7.8%	8.4%	6.1%	Jan – Feb	9.2%	Feb
Imports of goods excl. oil & ships, volume	7.9%	8.7%	5.1%	Jan – Feb	7.4%	Feb
Tourism – receipts	10.8%	10.1%	...	...	53.2%	Jan
Transportation – receipts	16.9%	14.9%	...	...	11.4%	Jan
Other services* – receipts	13.8%	-2.5%	...	...	7.7%	Jan
Inbound travelers (excl. cruises)	9.7%	10.8%	...	...	9.4%	Jan

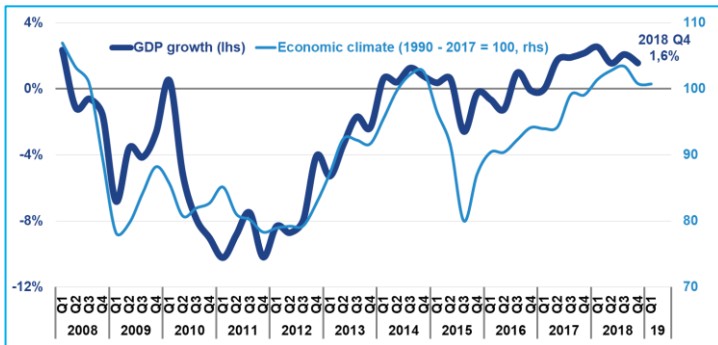
* deflator: unit labour costs in the total economy - 37 trading partners - industrial countries, fall = competitiveness improvement

** 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

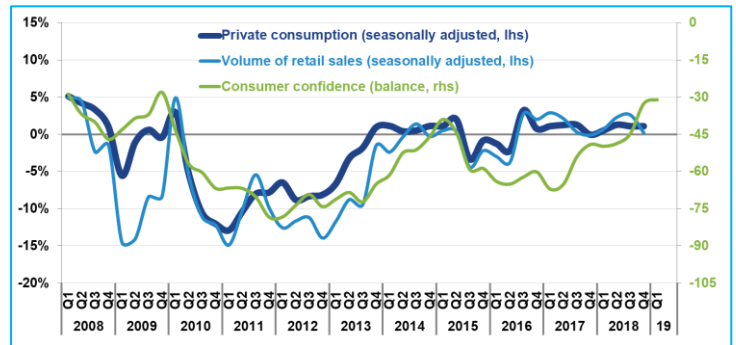


Economic climate



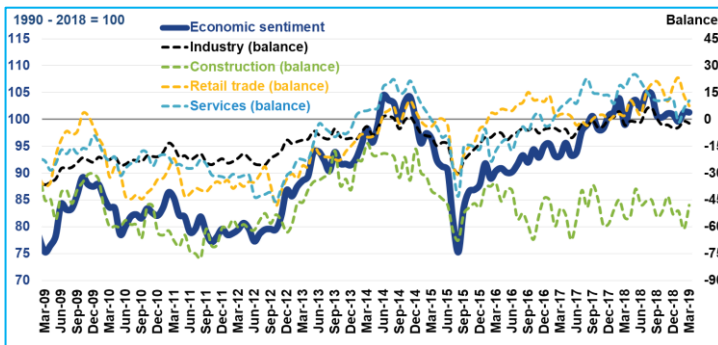
GDP AND ECONOMIC CLIMATE

(ELSTAT, Q4 2018, IOBE-DG ECFIN, Mar. 2019)



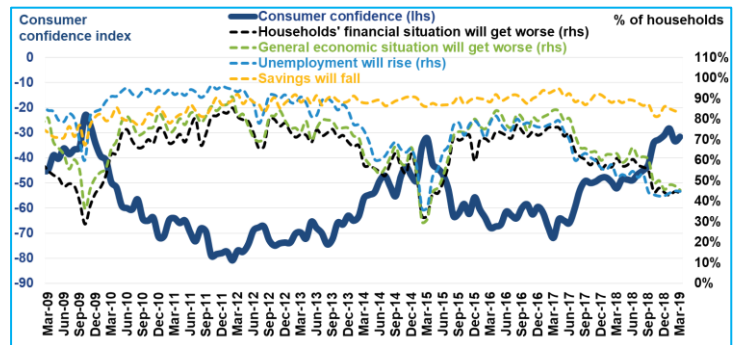
PRIVATE CONSUMPTION, RETAIL SALES, CONSUMER CONFIDENCE

(ELSTAT, Q4 2018, IOBE-DG ECFIN, Mar. 2019)



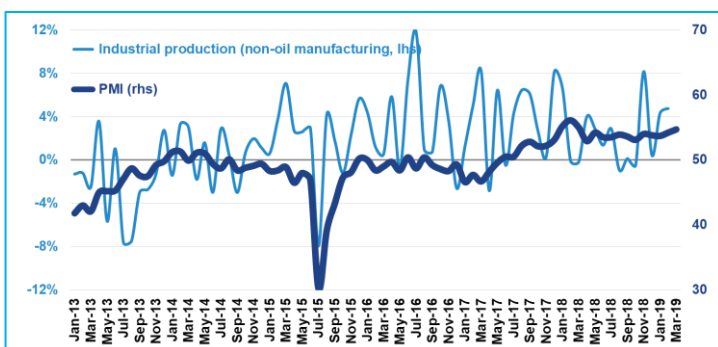
ECONOMIC CLIMATE AND BUSINESS EXPECTATIONS

(IOBE-DG ECFIN, Mar. 2019)



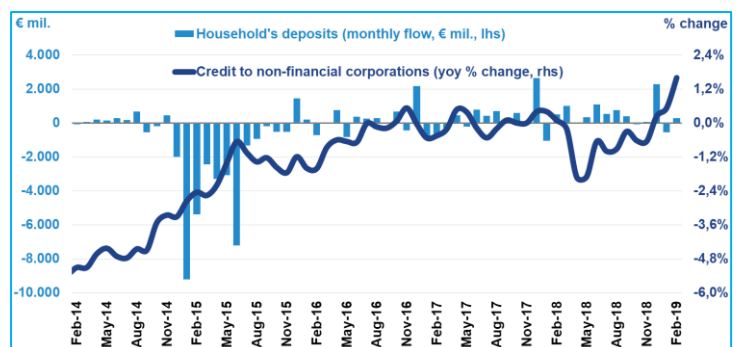
CONSUMER CONFIDENCE

(IOBE-DG ECFIN, Mar. 2019)



PURCHASING MANAGERS' INDEX (PMI)

(Markit, Mar. 2019)

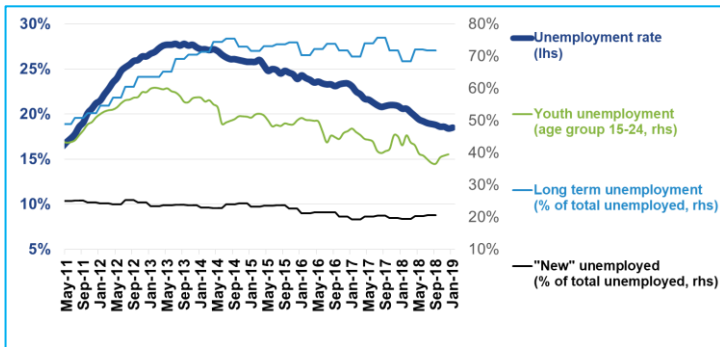


CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

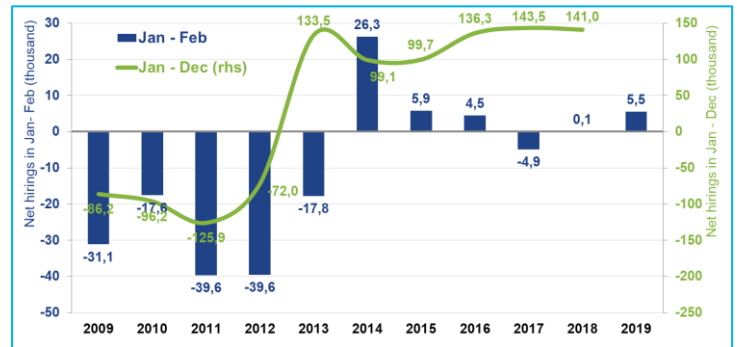
(Bank of Greece, Feb. 2019)



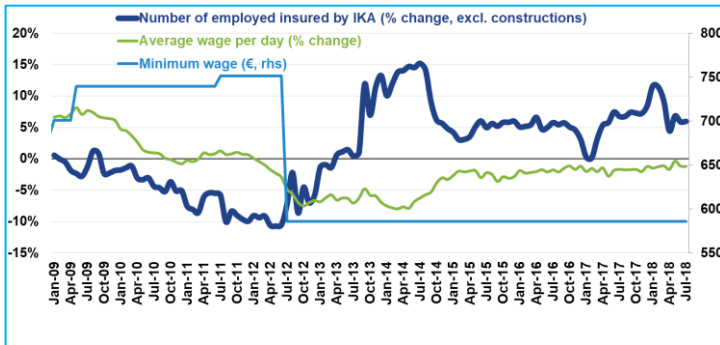
Employment, prices, wages



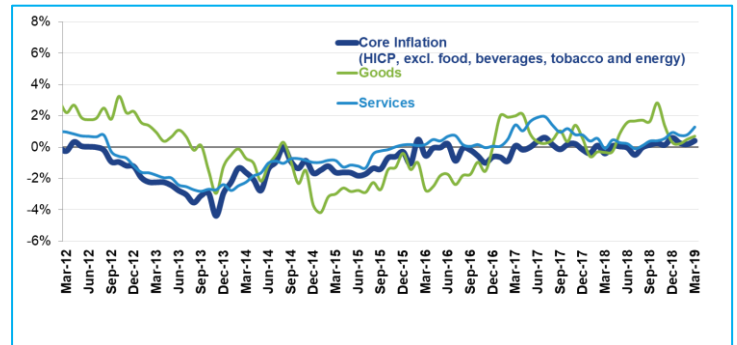
UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)
(ELSTAT, Jan. 2019)



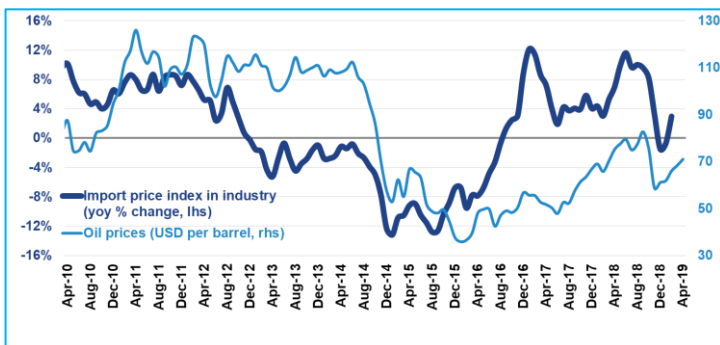
NET HIRINGS
(ERGANI, Feb. 2019)



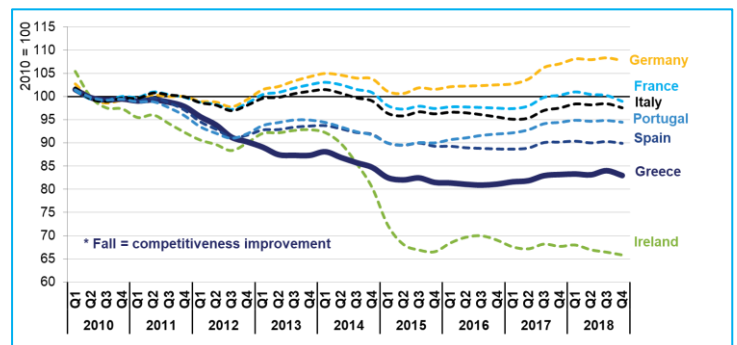
NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE
(Yoy % change, IKA, July 2018)



GOODS AND SERVICES INFLATION, CORE INFLATION
(ELSTAT, Mar. 2019)



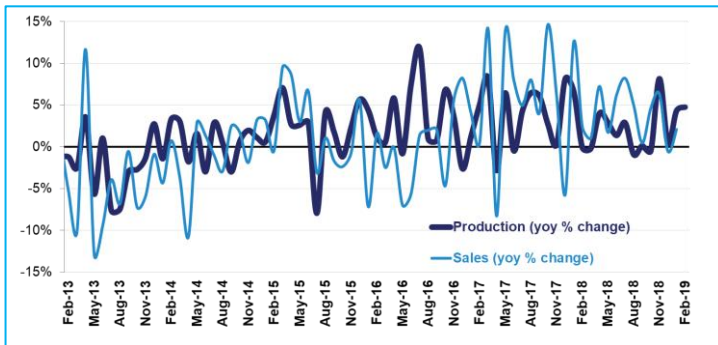
IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES
(ELSTAT, Feb. 2019, Bloomberg, 12 Apr. 2019)



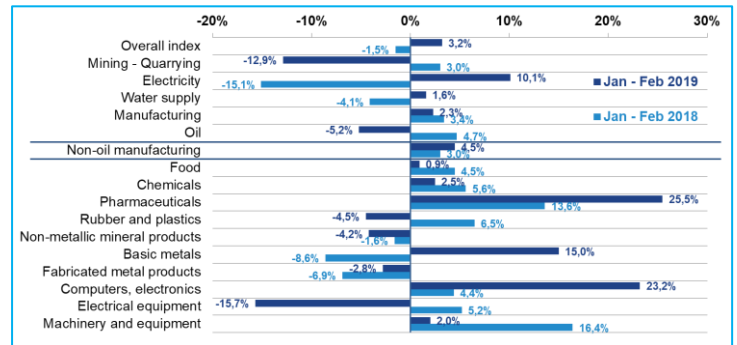
PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE
(Eurostat, Q4 2018)



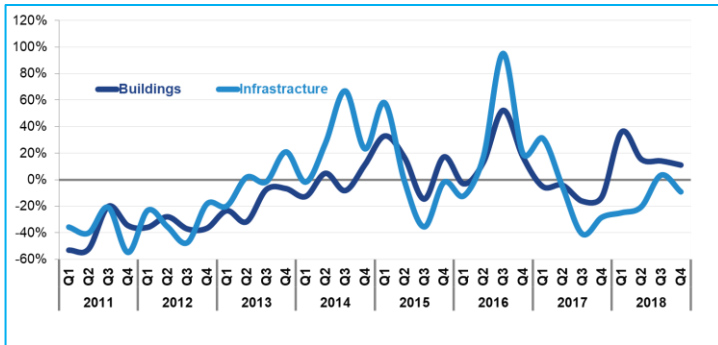
Industry, trade, services



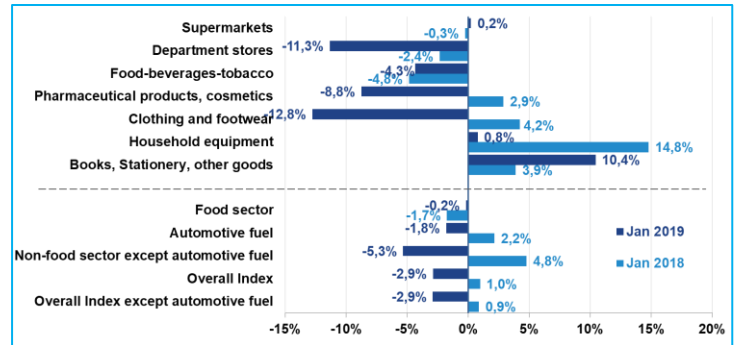
PRODUCTION AND TURNOVER IN NON-OIL MANUFACTURING
(ELSTAT, Feb. 2019)



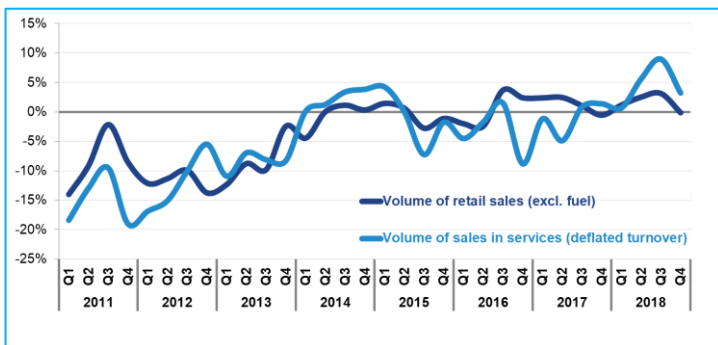
INDUSTRIAL PRODUCTION BY SECTOR
(ELSTAT, Feb. 2019)



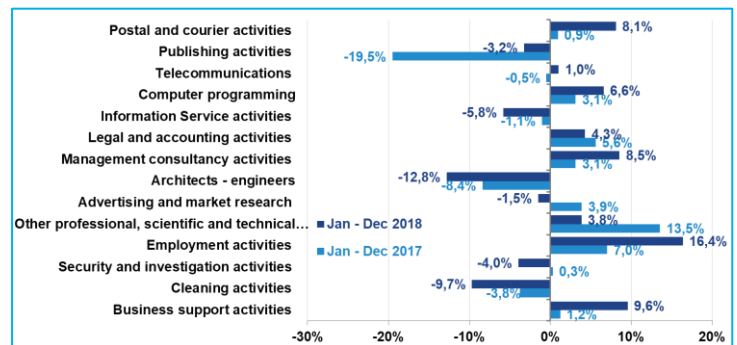
VOLUME OF PRODUCTION IN CONSTRUCTION
(Yoy % change, ELSTAT, Q4 2018)



VOLUME OF RETAIL SALES
(% change by store category, ELSTAT, Jan. 2019)



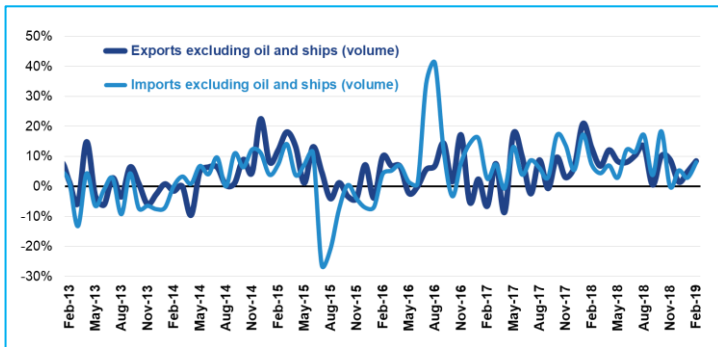
VOLUME OF RETAIL AND SERVICES SALES
(ELSTAT, Eurostat, Q4 2018, ELSTAT, Dec. 2018)



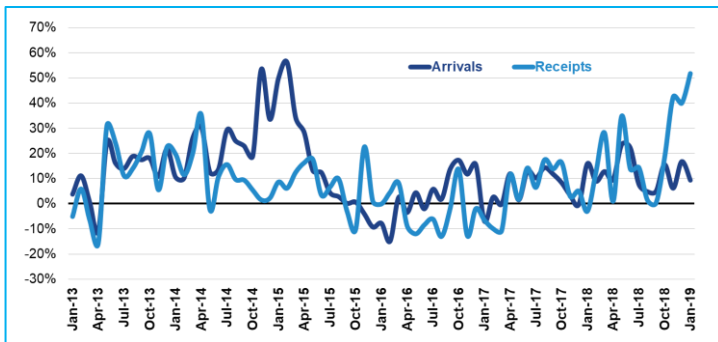
TURNOVER INDICES IN SERVICES
(ELSTAT, Q4 2018)



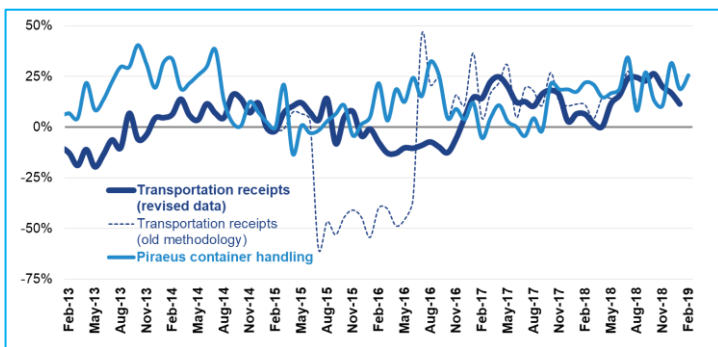
Exports, tourism



VOLUME OF NON-OIL EXPORTS AND NON-OIL IMPORTS OF GOODS
(ELSTAT, Feb. 2019)



TOURIST ARRIVALS AND RECEIPTS
(Bank of Greece, Jan. 2019)

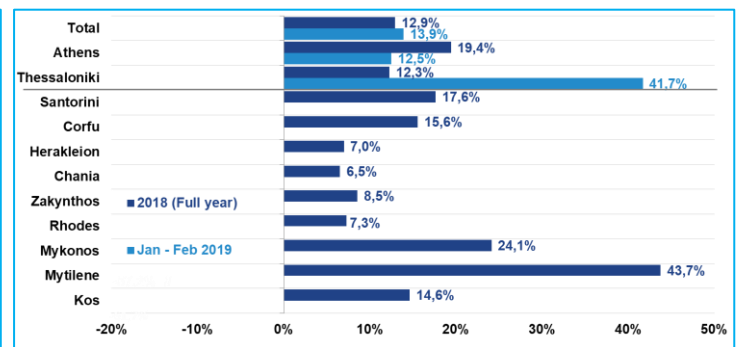


TRANSPORTATION RECEIPTS
(BoG, Jan. 2019, Piraeus container handling: COSCO, Feb. 2019)

Group of products	Jan – Feb		%Δ
	(€ mil.)		
	2018	2019	
Agricultural products	975.0	903.4	-7.3%
Food	685.3	702.2	2.5%
Beverages / Tobacco	90.9	119.3	31.3%
Animal and vegetable oil	198.8	81.9	-58.8%
Crude Materials	232.1	269.5	16.1%
Mineral Fuels	1,586.4	1,558.7	-1.7%
Industrial products	2,084.9	2,364.0	13.4%
Chemicals	513.1	622.6	21.3%
Goods classified by material	793.7	809.6	2.0%
Machinery & transport equipment	437.8	476.9	8.9%
Misc. manufactured articles	340.3	454.9	33.7%
Not classified commodities	88.8	65.8	-25.9%
Total	4,967.2	5,161.4	3.9%
Total excl. Oil	3,380.8	3,602.7	6.6%

Memo item:	J.n – Dec		%Δ
	2017	2018	
Manufactured products	16.668,4	18.620,5	11,7%
of which: Food / Beverages	3.237,5	3.546,9	9,6%
Crude materials & primary products	3.229,2	3.316,7	2,7%
of which: Agricultural products	1.916,2	1.955,1	2,0%
Total excl. Oil	19.897,6	21.937,2	10,3%
Oil	8.979,8	11.480,7	27,9%
Total	28.877,4	33.417,9	15,7%

EXPORTS BY PRODUCT
(ELSTAT, Eurostat, Feb. 2019)



INTERNATIONAL ARRIVALS AT MAIN AIRPORTS
(SETE, Feb. 2019)



SEV Members Financial Data

ASSETS
€325 bn
69% of total*



EQUITY
€61 bn
51% of total*



TURNOVER
€66 bn
46% of total*



PROFITS BEFORE TAXES
€4.0 bn**
41% of total**



EMPLOYEES
197,000
10% employees insured by EFKA



WAGES
€4.9 bn
18% of total***



SOCIAL SECURITY CONTRIBUTIONS
€2.1 bn
23% of total***



TAXES ON PROFITS
€1.1 bn
27% of total****



* 21,075 financial statements for fiscal year 2017 included in ICAP database

** sum of reported profits

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

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

Source: ICAP, Hellastat, Ministry of Finance, EFKA, ELSTAT



SEV HELLENIC FEDERATION OF ENTERPRISES

5, Xenophontos Str, 105 57
Athens
T: +30 211 5006 000
F: +30 210 3222 929
E: info@sev.org.gr
www.sev.org.gr

SEV HELLENIC FEDERATION OF ENTERPRISES

168, Avenue de Cortenbergh
B-1000 Bruxelles
T: +32 (0) 2 662 26 85
E: kdiamantouros@sev.org.gr

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