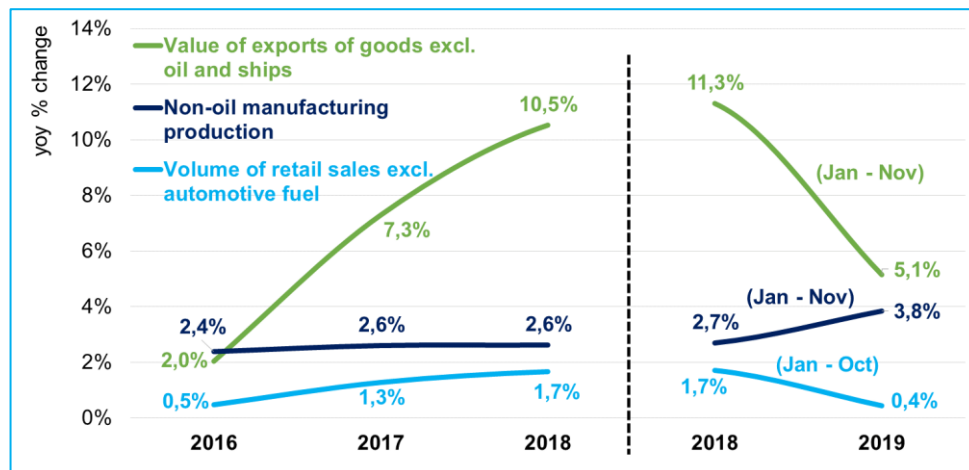


Retail sales, industrial production and exports
(ELSTAT, Oct - Nov 2019)

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**MACROECONOMIC ANALYSIS
AND EUROPEAN POLICY**
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The Greek economy in a recovery trajectory...

The Greek economy is in a recovery trajectory and growth is likely to accelerate in 2020, as economic policy measures are expected to begin bearing fruit. In 2019 manufacturing production and construction accelerated, despite the slowdown in retail sales and exports, while the decline in unemployment seem to be slowing down, as investment has not yet begun to boost employment and the international conjuncture remains negative.

A significant sign, indicative of the recovery in the economy, is the increase of **non-oil manufacturing production** by +3.8% in Jan – Nov 2019 vs. +2.7% in Jan – Nov 2018, with food (+1.8%), pharmaceuticals (+24.8%), plastics (+7.8%), electronics (+25.9%) and electrical equipment (+6.4%) being highly performing. On the contrary, the production of non-metallic minerals, basic metals and mining-quarrying products was down due to trade tensions driven uncertainties in exports. Production of electricity was also down due to PPC restructuring, while production of gas and renewable energy rose. In this context, **electricity and gas consumption increased by +2.3% and +17.5% in Jan – Oct 2019 respectively**, vs. -1.2% and -5% respectively in Jan – Oct 2018, indicating accelerating economic activity in 2019.

At the same time, **the volume of construction** is improving, from -14.5% in Jan – Sep 2018 to -4.2% in Jan – Sep 2019. More specifically, construction of buildings (houses, offices etc.) increased by +0.1% in Jan – Sep 2019 vs. -8.7% in Jan – Sep 2018 and construction of infrastructure (roads, bridges, water supply, ports etc.) fell by -8.7% in Jan – Sep 2019 vs. -17.5% in Jan – Sep 2018. These data show the beginning of a recovery in construction, as further documented by the **increase of +1.3% in the production of articles of concrete, cement and plaster** in Jan – Nov 2019 vs. -0.5% in Jan – Nov 2018. Also, **building activity in terms of volume of new permits** has been recording a spectacular growth since the summer of 2019 (+22% in July 2019, +38% in August 2019 and +61% in September 2019), when the government's intention to exempt building activity from VAT was announced. Thus, construction is expected to increase significantly over the next 18 months, with residential investment being particularly strong.

On the other hand, growth of **retail sales volume** slowed down to +0.8% in Jan – Oct 2019 vs. +1.4% in Jan – Oct 2018, mainly as a result of the deceleration recorded in both food stores (+0.6% in Jan – Oct 2019 vs. + 2.2% in Jan – Oct

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The Greek economy is in a recovery trajectory and growth is likely to accelerate in 2020, as economic policy measures are expected to begin bearing fruit. In 2019 manufacturing production and construction accelerated, despite the slowdown in retail sales and exports, while the decline in unemployment seem to be slowing down, international conjuncture remains negative.

2018) and non-food stores excluding fuel (+0.6% in Jan – Oct 2019 vs. +1.6% in Jan – Oct 2018). In this category, however, there was a significant acceleration of sales volume in electrical and household equipment (+6.9% in Jan – Oct 2019 vs. +5.1% in Jan – Oct 2018) and in books-stationery-technology products, including mobile phones and electronic products (+10.5% in Jan – Oct 2019 vs. +1.9% in Jan – Oct 2018). At the same time, **the turnover index in services** was up by +3.3% in Jan – Sep 2019 vs. +6.3% in Jan – Oct 2018. Although the overall picture is one of a slowdown in both goods and services, the sectoral composition of changes may indicate a shift in expenditure towards goods and services with higher income elasticity or imported. This reveals an incipient consumer dynamism that is more based on expectations about to be strengthened when employment and income growth rise due to investment activity.

Finally, growth of **non-oil exports of goods** (excl. ships) slowed down to +5.1% in Jan – Nov 2019 vs +11.3% in Jan – Nov 2018, mainly due to the conjunctural decline in olive oil exports (-45%) and in exports of industrial goods classified by raw material (-3.6%, due to global trade tensions). All other product categories recorded significant increases in Jan – Nov 2019: food +3.4% (+6.7% in Jan – Nov 2018), chemicals +16.5% (+ 14.1% in Jan – Nov 2018), machinery +8.7% (+13.3% in Jan – Nov 2018), miscellaneous manufactured products +22.5% (+10.5% in Jan – Nov 2018).

At the same time, **tourism** accelerated, with receipts reaching €17.5 bn. in Jan – Oct 2019, increased by +13.1% (€15,5 bn. in Jan – Oct 2018) and arrivals reaching 29.7 mil. vs. 28.7 mil. in Jan – Oct 2018 (+ 3.7%). Also, transportation receipts reached €14.4 bn. in Jan – Oct 2019 (+5% compared to Jan – Oct 2018) and receipts from other services (overseas construction activities, software exports, technology etc.) €3.7 bn. (+2.3% compared to Jan – Oct 2018). Overall, exports of services are quite satisfactory.

At the same time, **the economic climate** improved further in December 2019, despite the international environment of uncertainty and tensions, and climbed at much higher levels than in the rest of Europe (109.5 points in Greece compared to 101.5 in the Eurozone). Also, the consumer confidence indicator continues to reflect the growing optimism of households, while unemployment continues its decline, albeit at a slower pace, up to present. Moreover, rising inflation, particularly in the last months of 2019, indicates strengthening of domestic demand, while credit expansion to businesses remained positive for the 12th consecutive month in November 2019 and household deposits kept on rising.

More specifically:

- The **economic climate indicator** reached 109.5 points in December 2019 from 107 points in the previous month and 100.9 points in December 2018. Expectations rose in all sectors with the exception of retail trade, where there was a slight decline. In **industry**, business climate remained generally positive, with estimates for demand, new orders and production showing a slight uptick compared to the previous month. At the same time, stock building is declining and employment forecasts are positive. In **retail trade**, despite the slight decline in December 2019, the balance of positive - negative answers remain positive (at +22 points from +25 points in Nov 2019). Although sales estimates over the past three months improved marginally and forecasts for sales in the next quarter remained unchanged, stock building increased resulting in a slight decline in new orders. However, expectations for employment improved slightly. On the other hand, business climate in **construction** improved markedly (from -51.7 points in November 2019 to -24.2 points in December 2019), as forecasts for business activity and employment growth were somewhat improved. This was mainly due to rising expectations in private construction, and a milder improvement was on public construction. Finally, in **services**, business expectations were up, mainly due to improved forecasts for demand in the coming period, with the overall



positive-negative balance reaching +29.1 points from +17.8 in the previous month.

- **Consumer confidence** continued to improve in December 2019 and stood at -6.2 points from -6.8 in the previous month and -31 points in December 2018. The optimism of households is mainly reflected in their assessment on their financial situation and the general economic situation of the country in the next 12 months. More specifically, the percentage of those stating that their financial situation and the general situation of the country will deteriorate was 18.4% and 18% respectively in December 2019 (from 18.6% and 17.3% respectively in the previous month and 45.7% and 42.6% respectively in December 2018). Also, the percentage of households stating that they will spend less on major purchases (furniture, electrical equipment, etc.) decreased to 37.1% from 39.8% in the previous month and 43.5% in December 2018. On the contrary, the percentage of households expecting unemployment to increase was slightly up compared to the previous month (26.2% in December 2019 from 19.1% in November 2019).
- **Manufacturing Purchasing Managers' Index (PMI)** has remained above the no-change threshold of 50 points for 31 consecutive months, despite a slight decline in December 2019. More specifically, PMI stood at 53.9 points from 54.1 points in the previous month and 53.8 points in December 2018. Manufacturing growth was supported by increased production and new orders. At the same time, firms expanded their workforce in order to meet higher demand, while business confidence remained strongly optimistic. It is to be noted that PMI in the Eurozone has been dropping since December 2017, while it has been below 50 points since the beginning of 2019, showing, however, signs of recovery from November 2019 onwards.
- **Seasonally adjusted unemployment** kept on declining and stood at 16.6% in October 2019 from 16.8% in the previous month and 18.5% in October 2018. Although unemployment is on a steady decline, it is falling at a slow pace, while in Q3 2019 the percentage of first time unemployed and long term unemployed was slightly up (20.3% and 73.6% respectively from 19.5% and 70.8% in the previous quarter). At the same time, in 2019 net hiring (+127.6 thousand) was down compared to 2018 (+141 thousand), mainly due to a decline in non-tourism sectors (+99 thousand in 2019 compared to +111.4 thousand in 2018). On the contrary, hiring in tourism recorded a smaller decline (+28.7 thousand in 2019 vs. +29.6 thousand in 2018). This contributed to an increase in the share of flexible employment contracts in total new contracts (54.9% in 2019 versus 54.3% in 2018). Moreover, December 2019 recorded a negative net hiring (-3.7 mm) for the first time since 2014, while according to OAED data, the number of the registered unemployed looking for a job increased significantly in November 2019, exceeding 1 million (1,018 thousand vs. 915.5 thousand in the previous month and 899 thousand in November 2018). OAED data may indicate an increase in those interested in joining new employment programs that are expected to be announced in the coming period. However, the increase in registered unemployed, coupled with the negative net hiring of December 2019, raises some concern on the trend of unemployment decline and employment growth in 2020.
- **Inflation**, based on the Consumer Price Index, accelerated to +0.8% in December 2019 from +0.2% in the previous month and +0.6% in December 2018. Overall, in 2019 inflation stood at +0.3% vs. +0.6% in 2018 and +1.1% in 2017. However, at constant taxes, inflation accelerated to 1.3% in 2019 from +0.7% in 2018 and +0.3% in 2017, indicating strengthening of domestic demand.
- **Bank credit expansion to businesses** remained positive in November 2019, reaching +2.5%. At the same time, **household deposits** increased by €51 mil., recording positive flows since February 2019. Overall, since January

Even if progress to date is satisfactory vs. the announcements and commitments of the new government, the economic policy changes have yet to assume a critical mass so as to signal the turn towards a dynamically different growth paradigm of high and sustainable growth rates on a more permanent basis.



2019, household deposits increased by, with with outstandings now reaching € 114.9 bn.

Even if, in the short-term, certain entitlement policies may be necessary due to the deep crisis and recession preceded, it should be unwelcome to create once again among the population the sense that problems may be resolved through magical solutions. Greece is still an over-indebted country and welfare through borrowing is not an alternative to be adopted. Therefore, saving and investment may be the only available options for recovery.

In conclusion, 2020 began with high great expectations, as various constraining factors such as heavy taxation, impediments to the operation of the markets, bureaucracy in the granting of business permits, etc., keeping economic activity at low levels, are gradually being lifted. Even if, however, progress to date is satisfactory vs. the announcements and commitments of the new government, the economic policy changes have yet to assume a critical mass so as to signal the turn towards a dynamically different growth paradigm of high and sustainable growth rates on a more permanent basis. The latter is not feasible without investments. In order to generate, for example, public investment for necessary social and economic infrastructure, what is needed are resources that have to be found. And for private investments to take place, what is needed are policies with a stronger growth imprint, with emphasis on profitability and competitiveness, and with changes in the tax system and the institutional framework of the operation of the economy and the markets, which transcend the rent-seeking resistances. Even if, in the short-term, certain entitlement policies may be necessary due to the deep crisis and recession preceded, it should be unwelcome to create once again among the population the sense that problems may be resolved through magical solutions. Wages may not increase without a rise in investment and productivity. Pensions may not increase without a rise in savings while pension expenditure is generously financed by the state budget. The tax burden may not be coming down without improvement in the efficiency of producing public goods and without expansion of the tax base. The skills of the population may not improve as needed due to the coming technological changes without the commitment of additional resources in the education and training budget and without changes in labour market and the pension system. Lastly, the implication of the ageing of the population may not be dealt without raising the productivity of the declining labour force numbers and without sufficient health and long-term care infrastructure as well as without a targeted immigration policy. Greece is still an over-indebted country and welfare through borrowing is not an alternative to be adopted. Therefore, saving and investment may be the only available options for recovery.



Main indicators

Economic sentiment

	2016	2017	2018	2019		
	Average	Average	Average	Oct	Nov	Dec
Economic climate	91.8	96.6	102.1	106,7	107,0	109,5
Consumer confidence	-62.9	-58.9	-44.0	-8,4	-6,8	-6,2
% stating that their own economic situation will get worse	72%	67%	55%	19%	19%	18%
% stating that the country's economic situation will get worse	79%	74%	59%	18%	17%	18%
% stating that unemployment will rise	77%	68%	50%	23%	19%	26%
% stating that they are unlikely to save	90%	91%	87%	75%	79%	77%

Employment, Unemployment, prices, wages

	2017	2018	2019	Period
Employment (persons, change year-to-date, seasonally adjusted)	+102,200	+109,300	+84,600	Jan – Oct
Employment (persons, change during month, seasonally adjusted)	-13,700	+6,200	-700	Oct
Registered unemployed seeking job (change year-to-date)	-45,690	+19,084	+83,054	Jan – Nov
Registered unemployed seeking job (change during month)	+40,261	+54,255	+102,987	Nov
Net hirings (year-to-date)	+143,545	+141,003	+127,644	Jan – Dec
Net hirings (current month)	+15,315	+5,970	-3,666	Dec
Unemployment rate (seasonally adjusted)	21.0%	18.5%	16.6%	Oct
Year to date average rate (seasonally adjusted)	21.6%	19.5%	17.4%	Jan – Oct
Consumer Price Index	0.7%	0.6%	0.8%	Dec
Change Year to date	1.1%	0.6%	0.3%	Jan – Dec
Labour productivity per hour (2010 = 100)	92.6	92.2	94.0	Q3
Year to date average	92.6	92.9	93.6	Jan – Sep
Competitiveness (real effective exchange rate, 2010 = 100)*	82.6	83.7	81.8	Q3
Year to date average	81.8	83.2	82.0	Jan – Sep

GDP

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

	2017	2018	2019			
			Q1	Q2	Q3	Jan - Sep
GDP	1.5%	1.9%	1.4%	2.8%	2.3%	2.2%
Domestic demand	1.6%	0.4%	2.1%	1.9%	-0.6%	1.1%
Private consumption	0.9%	1.1%	0.7%	-0.3%	0.2%	0.2%
Public consumption	-0.4%	-2.5%	0.2%	9.4%	-0.5%	3.0%
Investment (including inventory change)	10.0%	1.8%	14.6%	1.3%	-5.0%	3.0%
Fixed investment	9.1%	-12.2%	8.1%	-6.1%	2.0%	1.0%
Residential construction	-5.5%	17.2%	6.7%	19.4%	3.9%	9.8%
Non – residential construction	1.2%	-22.9%	1.7%	-36.4%	-4.0%	-15.2%
Machinery and equipment (incl. weapons)	6.2%	15.9%	3.1%	3.7%	1.6%	2.8%
Transport equipment (incl. weapons)	50.9%	-43.5%	20.3%	73.6%	-17.7%	15.5%
Exports of goods and services	6.8%	8.7%	4.5%	5.8%	9.5%	6.6%
Exports of goods	5.7%	8.4%	-0.4%	4.1%	6.2%	3.3%
Exports of services	8.0%	9.0%	9.8%	8.1%	14.5%	10.8%
Imports of goods and services	7.1%	4.2%	9.8%	3.7%	-2.9%	3.3%
Imports of goods	6.7%	2.0%	10.1%	3.9%	-4.9%	2.7%
Imports of services	9.0%	14.4%	6.3%	2.8%	8.6%	5.9%

Short term conjunctural indicators

(yoy % change)

	2017 (full-year)	2018 (full-year)	2019	Period	2019	Period
Industrial production	3.9%	1.6%	0.1%	Jan – Nov	-8.1%	Nov
Manufacturing (excluding oil)	2.6%	2.6%	3.8%	Jan – Nov	-1.3%	Nov
Production in construction	-19.4%	-12.7%	-4.2%	Jan – Sep	-9.1%	Q3
Building	-19.5%	-5.6%	0.1%	Jan – Sep	-5.4%	Q3
Non – building	-19.4%	-16.3%	-6.7%	Jan – Sep	-11.0%	Q3
Private building activity – building permits (volume in m³)	19.4%	21.3%	9.7%	Jan – Sep	60.5%	Sep
Retail sales (volume)	1.2%	1.5%	0.8%	Jan – Oct	7.1%	Oct
Excluding automotive fuel	1.3%	1.7%	0.4%	Jan – Oct	6.9%	Oct
New vehicle licenses	20.8%	22.6%	12.6%	Jan – Dec	21.0%	Dec
Exports of goods excl. Oil & ships (ELSTAT, current prices)	7.2%	10.5%	5.1%	Jan – Nov	-0.9%	Nov
Exports of goods excl. Oil & ships, volume***	3.7%	9.2%	5.7%	Jan – Nov	0.0%	Nov
Imports of goods excl. oil & ships (ELSTAT, current prices)	7.8%	10.5%	5.8%	Jan – Nov	0.2%	Nov
Imports of goods excl. oil & ships, volume***	7.9%	10.2%	2.1%	Jan – Nov	-0.1%	Nov
Tourism – receipts	10.8%	10.1%	13.1%	Jan – Oct	4.1%	Oct
Transportation – receipts	16.9%	14.9%	5.0%	Jan – Oct	1.6%	Oct
Other services* – receipts	13.8%	-2.5%	2.3%	Jan – Oct	2.9%	Oct
Inbound travelers (excl. cruises)	9.7%	10.8%	3.7%	Jan – Oct	1.9%	Oct

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

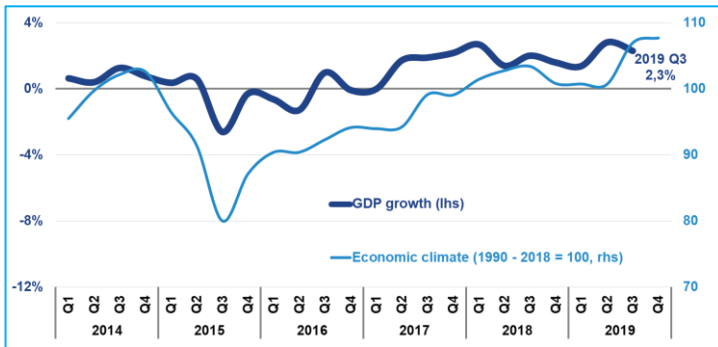
** includes construction business activity abroad, software and technology exports, etc

*** SEV estimation

Source: IOBE, ELSTAT, Bank of Greece, Ministry of Labour and Social Solidarity, DG ECFIN, European Commission

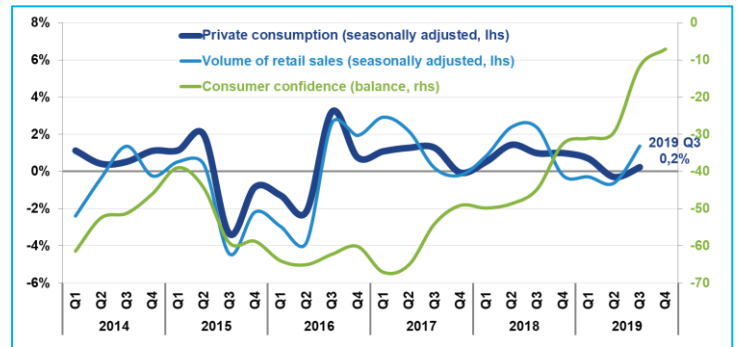


Economic climate



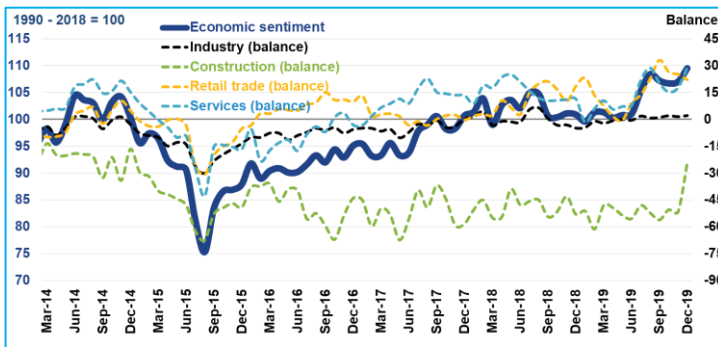
GDP AND ECONOMIC CLIMATE

(ELSTAT, Q3 2019, IOBE-DG ECFIN, Dec. 2019)



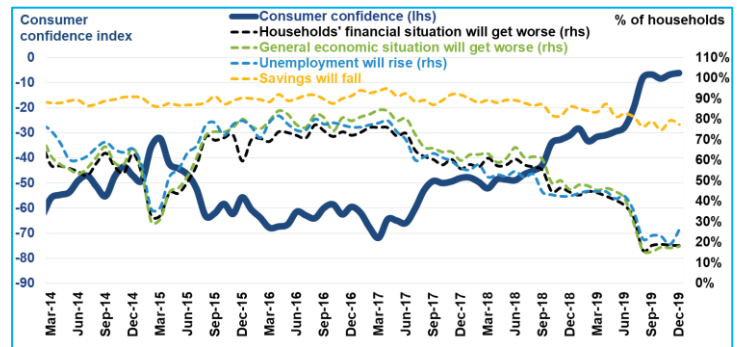
PRIVATE CONSUMPTION, RETAIL SALES, CONSUMER CONFIDENCE

(ELSTAT, Q3 2019, IOBE-DG ECFIN, Dec. 2019)



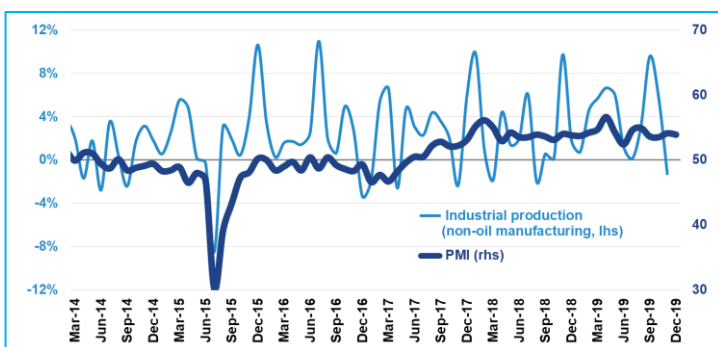
ECONOMIC CLIMATE AND BUSINESS EXPECTATIONS

(IOBE-DG ECFIN, Dec. 2019)



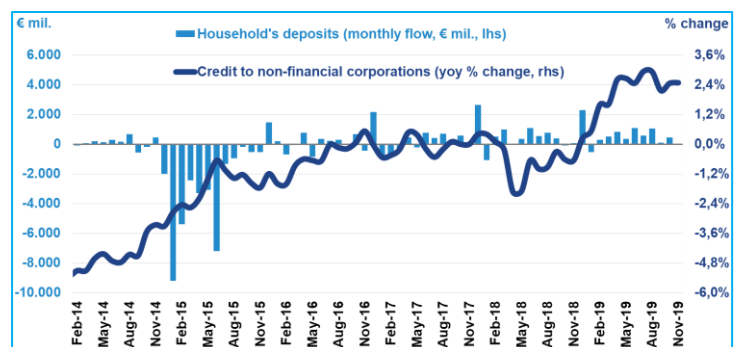
CONSUMER CONFIDENCE

(IOBE-DG ECFIN, Dec. 2019)



PURCHASING MANAGERS' INDEX (PMI)

(Markit, Dec. 2019)

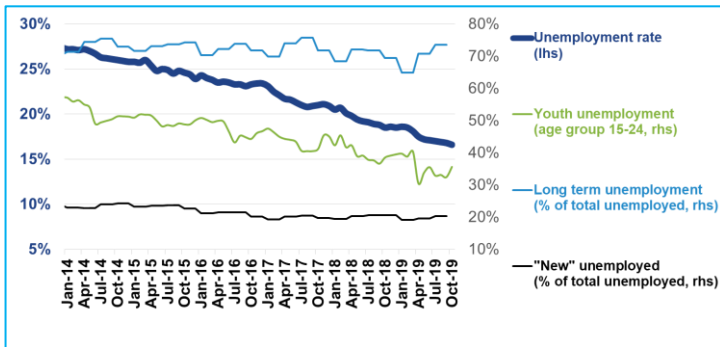


CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

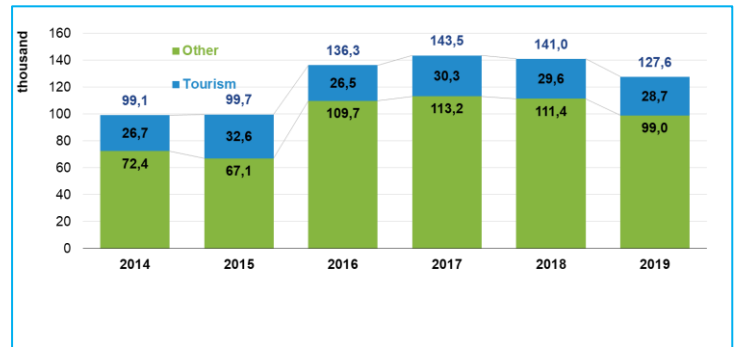
(Bank of Greece, Nov. 2019)



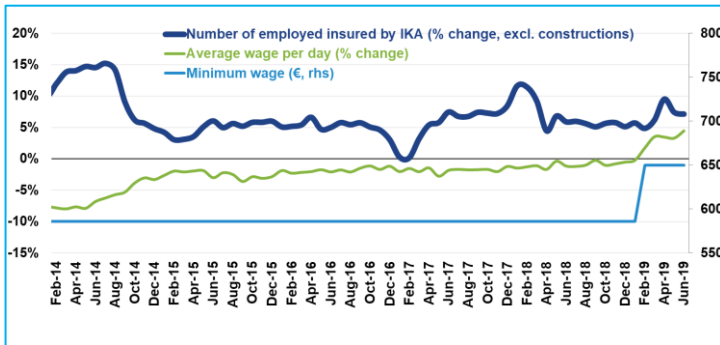
Employment, prices, wages



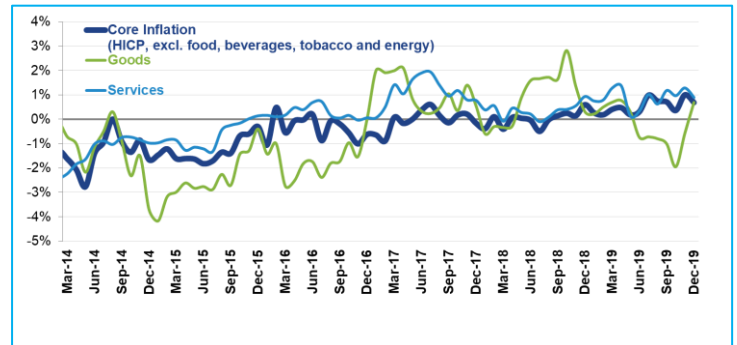
UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)
(ELSTAT, Oct. 2019)



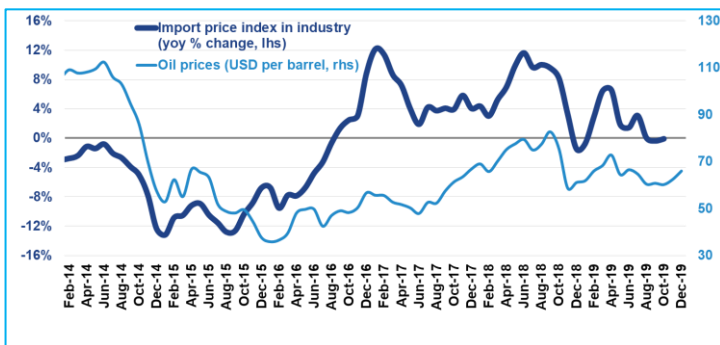
NET HIRINGS
(ERGANI, Dec. 2019)



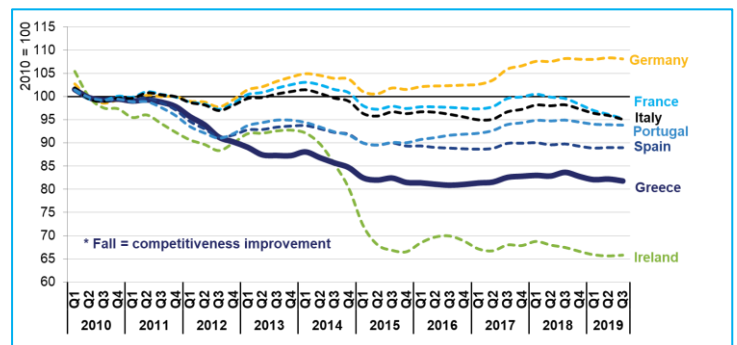
NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE
(Yoy % change, EFKA, Jun. 2019)



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



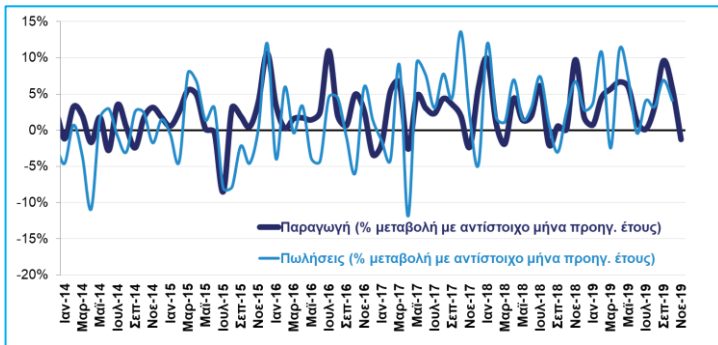
IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES
(ELSTAT, Oct. 2019, Bloomberg, 31 Dec. 2019)



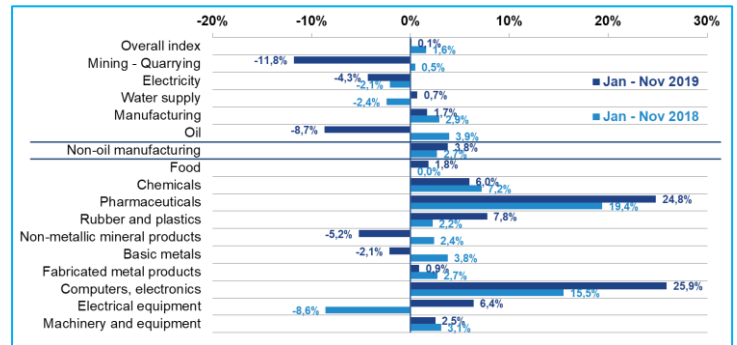
PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE
(Eurostat, Q3 2019)



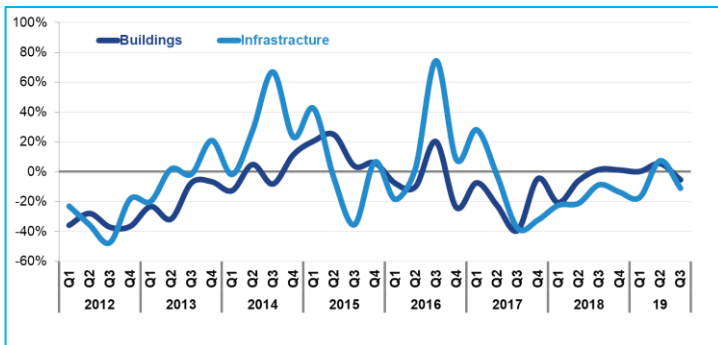
Industry, trade, services



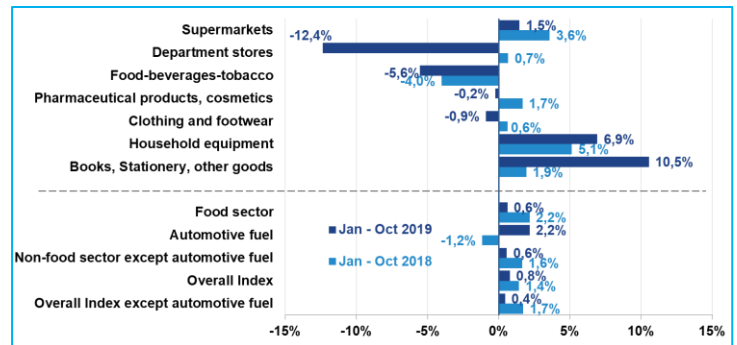
PRODUCTION AND TURNOVER IN NON-OIL MANUFACTURING
(ELSTAT, Nov. 2019)



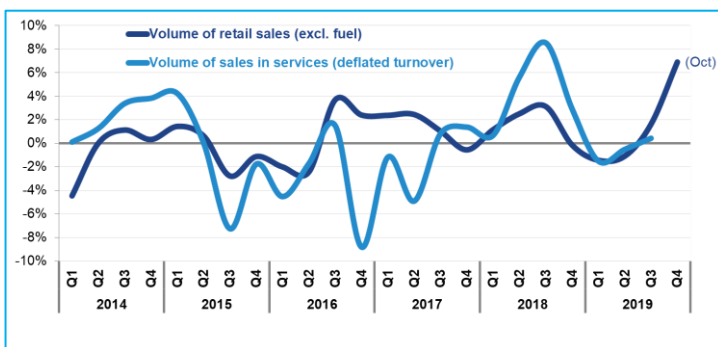
INDUSTRIAL PRODUCTION BY SECTOR
(ELSTAT, Nov. 2019)



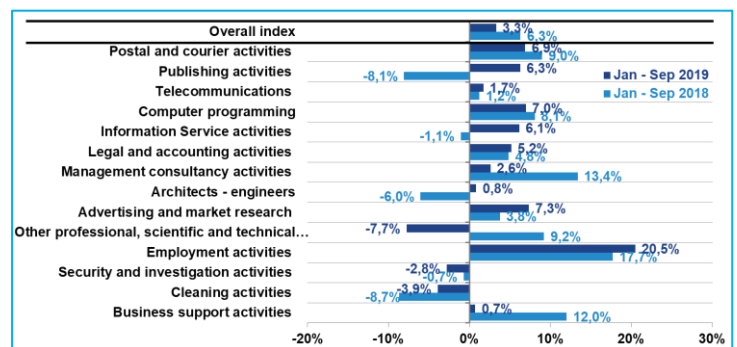
VOLUME OF PRODUCTION IN CONSTRUCTION
(Yoy % change, ELSTAT, Q3 2019)



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



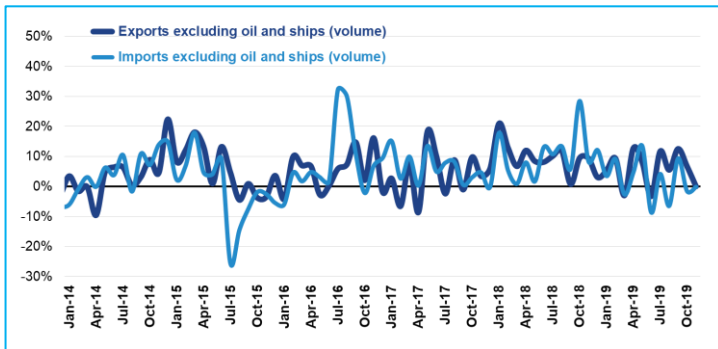
VOLUME OF RETAIL AND SERVICES SALES
(ELSTAT, Eurostat, Q3 2019, ELSTAT, Oct. 2019)



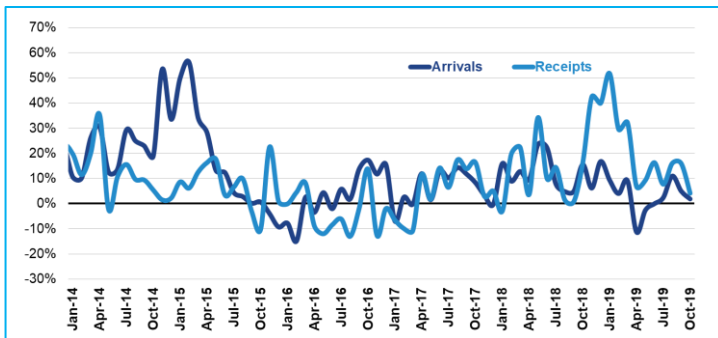
TURNOVER INDICES IN SERVICES
(ELSTAT, Q3 2019)



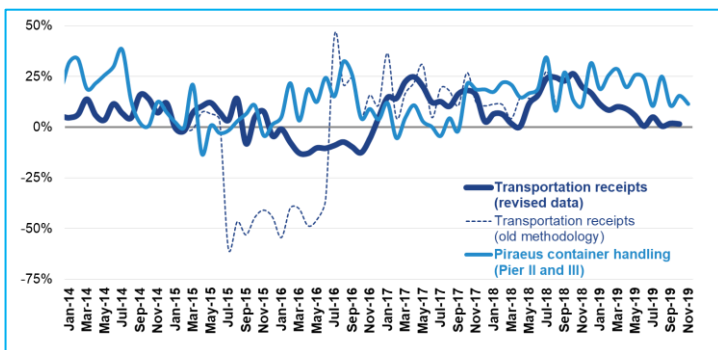
Exports, tourism



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



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

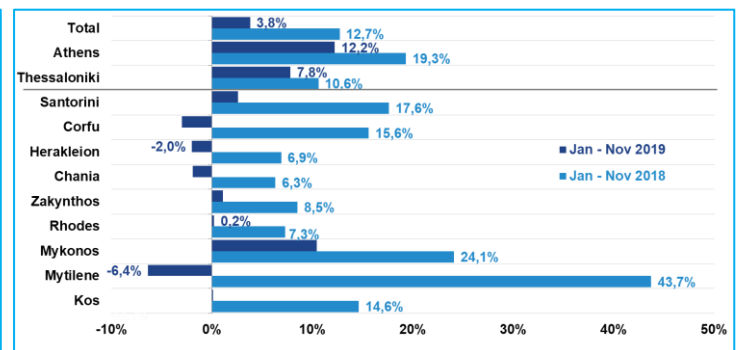


TRANSPORTATION RECEIPTS
(BoG, Oct. 2019, Piraeus container handling: COSCO, Nov. 2019)

Group of products	Jan – Nov		%Δ
	(€ mil.)		
	2018	2019	
Agricultural products	5,545.1	5,420.8	-2.2%
Food	4,221.8	4,364.1	3.4%
Beverages / Tobacco	667.4	692.5	3.8%
Animal and vegetable oil	656.0	364.2	-44.5%
Crude Materials	1,227.9	1,323.1	7.8%
Mineral Fuels	10,695.6	9,735.5	-9.0%
Industrial products	12,880.2	13,941.6	8.2%
Chemicals	3,203.6	3,731.2	16.5%
Goods classified by material	4,877.7	4,700.3	-3.6%
Machinery & transport equipment	2,673.5	2,907.3	8.7%
Misc. manufactured articles	2,125.3	2,602.8	22.5%
Not classified commodities	530.3	481.2	-9.3%
Total	30,879.0	30,902.2	0.1%
Total excl. Oil	20,183.4	21,166.7	4.9%

Memo item:	Jan – Oct		%Δ
	2018	2019	
Manufactured products	15,806.2	16,752.8	6.0%
of which: Food / Beverages	2,972.3	2,770.9	-6.8%
Crude materials & primary products	2,700.9	2,771.1	2.6%
of which: Agricultural products	1,627.6	1,653.8	1.6%
Total excl. Oil	18,507.0	19,524.0	5.5%
Oil	9,299.9	8,633.0	-7.2%
Total	27,806.9	28,157.0	1.3%

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



INTERNATIONAL ARRIVALS AT MAIN AIRPORTS
(SETE, Nov. 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



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