

Greek businesses remain resilient and adaptable... but still looking for pro-growth policies!

9 November 2015

During October a number of indicators **suggest that the Greek economy is gradually returning to a normal path**, but this does not mean that **the problems that are associated with the imposition of capital controls, liquidity, trust in the financial system and the implemented economic policy have been resolved**. Still, the unfolding recapitalization of the Banks is expected to affect strongly and positively the economic sentiment and to bolster the growth potential of the economy during the next months, building on recent positive trends. Specifically, data made available during the past month show that:

- The **Economic Sentiment Indicator continued to recover** during October 2015 (86.5 points from 83.1 in September), following the large decline observed during July and August. Still, the index remains visibly below its level in the first semester of the year. The sub-indexes associated with the business activity (production levels, export book, hiring expectations) demonstrate a relative weakness.
- **The PMI increased** (to 47.3 points from 43.3 points during September), reflecting a visible improvement though the index remains below 50 points, which is the cut-off between expansion and retraction, for the 14th successive month.
- **Industrial production and in particular non-oil manufacturing demonstrated resilience** during August 2015 (+4.8%). Non-oil **exports achieved a similar performance** (+6.8%), even though in September their expansion weakened significantly (+1.9%). At the same time, **the decline in the volume of retail sales except fuels moderated visibly** (-0.6% in August from -6% in July).
- **Revenue from tourism also demonstrates noteworthy strength** during August (+7.3%), resulting from **arrivals** (+2.8%) **and higher expenditure per trip** (+4.5%). Overall during the period January – August 2015 revenue reached €10.4 bil. (+7.1%), while arrivals exceeded 16,9 million visitors, compared to 15.3 million visitors during the same period of 2014 (+10.6%).
- During September 2015 the **registered unemployed seeking employment declined**. This development may be related to the extension of the tourist season. In spite of this, the unemployment rate remained stubbornly high (25% in July 2015).
- The moderation in September 2015 of the level of uncertainty, which was exceptionally high during the past months, and the more intensive use of electronic payment systems as a result of the imposition of capital controls led to a significant **moderation of the outflow of deposits held by households** (-€199 mil. in September vs. -€937 mil. during August 2015) and the **increase in business deposits** (€702 mil.). Yet, **net financing of the private sector continued to decline** during September (-€293 mil.), which follows the decline observed during August (-€710 mil.).

The abovementioned positive developments reflect the efforts businesses and consumers make to adapt to the new reality that has been established. Yet, the **Greek economy still faces many challenges** before returning to a path of sustainable and strong growth. This is reflected in data such as:

- **Deflationary pressures persist**, and in September 2015 inflation was negative (-1.7%), with prices falling continuously for over 30 months. It is indicative that prices increased only for food (+3.7%), beverages (+2.4%) as well as hotels and restaurants (+1.8%), largely reflecting the VAT increase that applies to these goods and services since August 2015.
- **The disposable income of households declined** by -1.6% during the second quarter of 2015 mainly as a result of the increased payments for taxes (+7.6%) and the decline of medical and other non-pension transfers (about -€500 mil. or -53.3%), while primary income (compensation, wages etc) remained almost stable (-0.1%). Also, the net saving ratio (net saving to net disposable income) deteriorated further to -23.8%, compared to -20.6% during the second quarter of 2014.
- **Corporate gross fixed capital formation (investment) declined** during the second quarter of 2015 by -4.5% compared to the same period last year.
- Regarding shipping, **the declining trend of the fleet with a Greek flag**, that emerged for the first time a few months ago, becomes gradually entrenched (-1.7% in August 2015), while the **drop in receipts from shipping** has reached 50% after June, following increased uncertainty in the Greek economy and a collapse of shipping activity as reflected in the registered lows of the Baltic Dry Index.
- Finally, **the large decline in imports**, that persists in August (-8.4%) can be interpreted as a warning sign for a possible weakening of production and exports in the coming months.

At the same time, the challenges faced by the Greek economy are reflected in the latest forecasts of the European Commission, which predict a **recession of -1,4% during 2015**. The Commission believes that the negative impact of the uncertainty amplified during 2015 will also affect next year, and as a result forecasts a **recession of -1,3% during 2016**. At the same time it is projected that **private consumption will decline during 2015 and 2016** (-1,3% and -1,7% respectively), **as will investment** (-10,2% in 2015 and -2% in 2016). **Unemployment is projected to start declining during 2017**.

pg

Recent economic developments 1

Main Indicators 2

Tables 3

▪ Net disposable income & net savings ratio of Households (ELSTAT, Q2. 2015)

▪ Net credit flows to the corporate sector (Bank of Greece, Sept. 2015)

▪ PMI & non-oil manufacturing production (Markit, Sept. 2015 – ELSTAT, Aug. 2015)

▪ Tourism receipts (Bank of Greece, Aug 2015)

▪ Non-oil exports & imports of goods, yoy % change (ELSTAT, Aug. 2015)

▪ Number of unemployed (ELSTAT, Jul. 2015)

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Main economic indicators

Economic sentiment	2014/2013		2015	
	Dec / Dec		Oct / Feb	
Economic climate	↑	99.1 / 91.4	↓	86.5 / 98.2
Consumer confidence	↑	-53.9 / -63.3	↓	-59.6 / -30.6
% stating that their own economic situation will get worse		63% / 69%		71% / 33%
% stating that the country's economic situation will get worse		66% / 76%		74% / 30%
% stating that it is unlikely to increase their savings		84% / 72%		87% / 72%
% stating that unemployment will rise		66% / 84%		73% / 36%

Employment – Unemployment	2014	2015	Period
Employment (change year-to-date)	+75,463 pers.	+55,525 pers.	July
Employment (change during month)	+13,527 pers.	+508 pers.	July
Registered unemployed (change year-to-date)	-26,790 pers.	-51,696 pers.	Sep
Registered unemployed (change during month)	-3,226 pers.	-9,005 pers.	Sep
Net hirings (year-to-date)	186,923 pers.	173,021 pers.	Sep
Net hirings (current month)	-3,960 pers.	-13,003 pers.	Sep
Unemployment rate	26.3%	25.0%	July

GDP	Change		Period	Change	
	2014/2013	2015/2014		2015/2014	Period
GDP (in constant prices)	0.0%	1.1%	6M	1.6%	Q2
Private consumption	0.7%	2.1%	6M	2.5%	Q2
Residential construction investment	-53.8%	-20.3%	6M	-8.1%	Q2
Non – residential construction investment	14.6%	-26.0%	6M	-29.6%	Q2
Investment in machinery and equipment	-6.2%	17.2%	6M	11.7%	Q2
Exports of goods and services	8.4%	-0.4%	6M	-1.8%	Q2
Imports of goods and services	4.5%	2.8%	6M	-3.5%	Q2

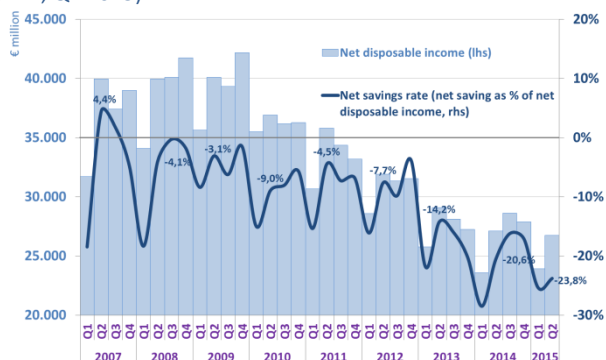
Main short term indicators	Change		Period	Change	
	2014/2013	2015/2014		2015/2014	Period
Industrial production	-2.4%	-0.1%	Jan – Aug	4.5%	Aug
Manufacturing (excluding oil)	0.6%	1.3%	Jan – Aug	4.8%	Aug
Production in construction	5.7%	18.1%	Jan – Jun	0.9%	Q2
Building	-3.9%	14.8%	Jan – Jun	3.2%	Q2
Non – building	14.9%	20.8%	Jan – Jun	-0.7%	Q2
Private building activity – building permits (volume in m ³)	-18.4%	1.9%	Jan – Jul	-25.2%	July
Retail sales (volume)	-0.5%	-1.2%	Jan – Aug	-2.2%	Aug
Excluding automotive fuel	-1.2%	-0.6%	Jan – Aug	-0.9%	Aug
New vehicle licenses	29.1%	17.3%	Jan – Sep	6.7%	Sep
Revenue from tax on mobile telephony	-4.9%	-6.4%	Jan – Jul	36.7%	July
Exports of goods except oil (ELSTAT, current prices)	-2.6%	12.3%	Jan – Aug	6.8%	Aug
Tourism – receipts	11.3%	7.1%	Jan – Aug	7.3%	Aug
Transportation – receipts	7.1%	-12.1%	Jan – Aug	-46.7%	Aug
Other services* – receipts	22.6%	-15.2%	Jan – Aug	-37.7%	Aug
Inbound travelers	22.1%	10.6%	Jan – Aug	2.8%	Aug
Index of wages (whole economy, in constant prices)	-1.1%	1.3%	6M	0.0%	Q2

EU Economic Forecasts (Autumn 2015)	Greece				Euro area			
	2014	2015	2016	2017	2014	2015	2016	2017
Real GDP (% change)	0.7	-1.4	-1.3	2.7	0.9	1.6	1.8	1.9
Total investment (% change)	-2.8	-10.2	-2.0	14.7	1.3	2.3	3.0	4.4
Employment growth (%)	0.1	0.4	-0.6	2.0	0.6	0.9	0.9	1.0
Unemployment rate (%)	26.5	25.7	25.8	24.4	11.6	11.0	10.6	10.3
Consumer price inflation (%)	-1.4	-1.0	1.0	0.9	0.4	0.1	1.0	1.6
Current account balance (% of GDP)	-2.9	-1.0	-0.3	0.1	3.0	3.7	3.6	3.4
General Government balance (% of GDP)	-3.6	-4.6	-3.6	-2.2	-2.6	-2.0	-1.8	-1.5
General Government gross debt (% of GDP)	178.6	194.8	199.7	195.6	94.5	94.0	92.9	91.3

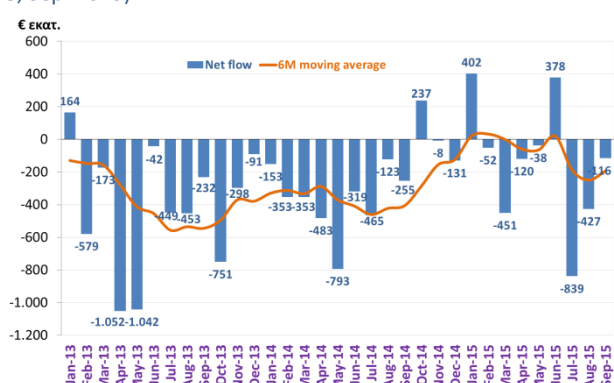
Sources: IOBE, ELSTAT, Bank of Greece, Ministry of Labour and Social Solidarity, DG ECFIN, European Commission

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

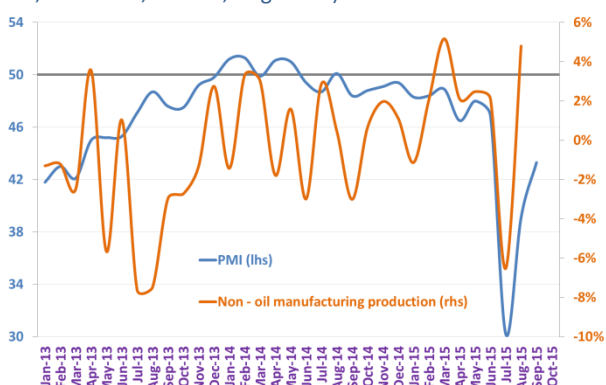
Net disposable income and net savings ratio of households
(ELSTAT, Q2 2015)



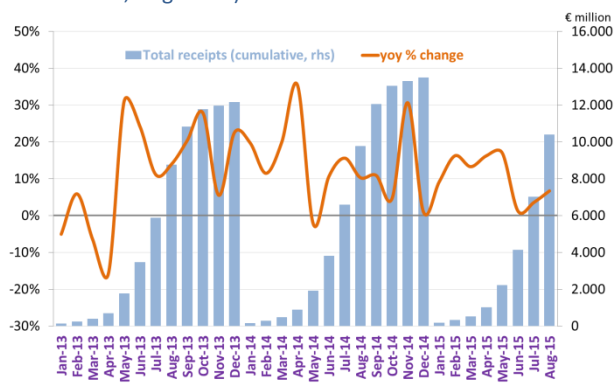
Net credit flows to the corporate sector
(BoG, Sep. 2015)



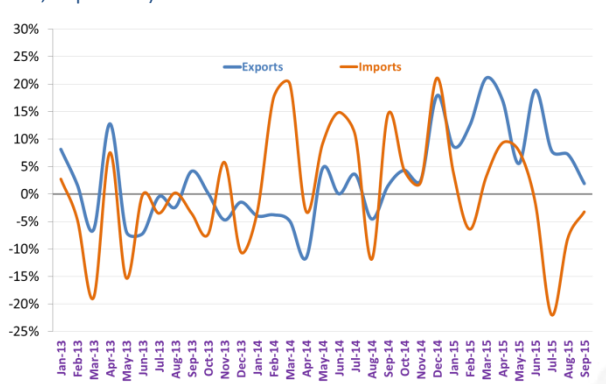
PMI and non-oil manufacturing production
(Markit, Oct. 2015, ELSTAT, Aug. 2015)



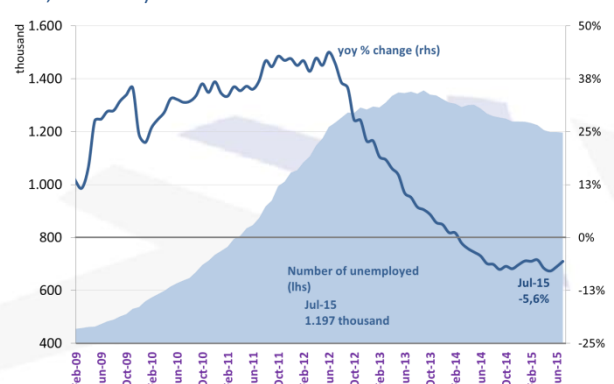
Tourism receipts
(Bank of Greece, Aug. 2015)



Non-oil exports and imports of goods – yoy % change
(ELSTAT, Sep. 2015)



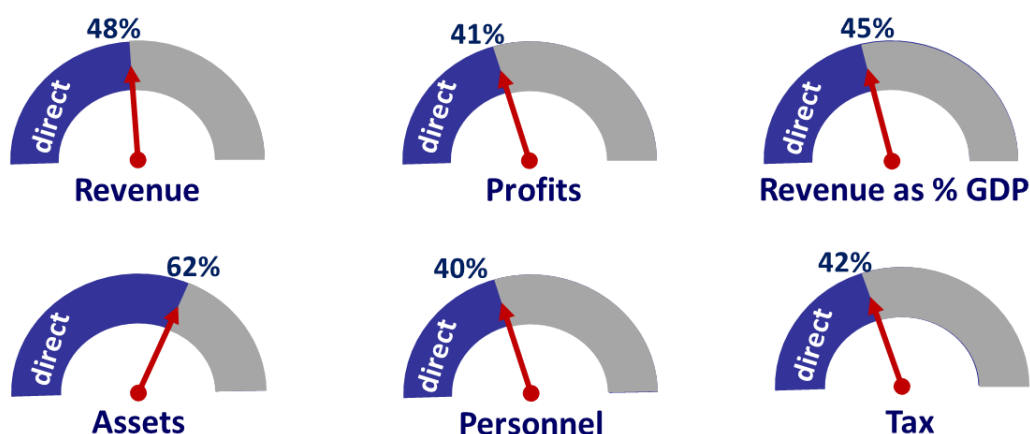
Number of unemployed
(ELSTAT, Jul. 2015)



SEV members are the key corporate leaders in Greece

- **Sectors:** Energy, transport, manufacturing, pharma, metals, food, financial, constructions, technology, chemicals, wholesale, services etc
- **Registry:** 3,500 corporates, including members of 43 sectoral & regional associations.

SEV direct members account for 50% of the business activity



Source: 28.000 SA & Ltd balance sheets, ICAP, 2013 – IKA, 2013



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Στεγάζουμε την ιστορία, ανοίγουμε δρόμους στο μέλλον



Αξιοποιούμε τον ορυκτό πλούτο, επενδύουμε στο περιβάλλον

Δημιουργούμε θέσεις εργασίας, στηρίζουμε την ελληνική οικονομία

- ▲ Αξιόπιστος εργοδότης με **10.000** άμεσα απασχολούμενους & συνεργάτες
- ▲ Ο μεγαλύτερος κατασκευαστικός Όμιλος με **€ 1,5 δισ.** κύκλο εργασιών
- ▲ Πρεσβευτής της Ελλάδας με δυναμική παρουσία σε **21** χώρες

Συνεισφέρουμε στην προσπάθεια της χώρας την τελευταία 10ετία με:

- ▲ **€ 1,2 δισ.** σε μεικτές μισθολογικές αμοιβές
- ▲ **€ 1,1 δισ.** σε άμεσους φόρους και **€ 370 εκατ.** σε παρακρατηθέντες και αποδοθέντες φόρους
- ▲ **€ 380 εκατ.** σε εργοδοτικές εισφορές



Θεμέλιο ανάπτυξης για την Ελλάδα