

Greek economy reacts with resilience, after uncertainty shock!

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Almost three months after the shock created by the imposed capital controls, the Greek economy seems to return to some sense of normality, demonstrating remarkable resilience in the face of the strong turbulence it has been subject to during the past months. The fact that the EU and Greece reached an agreement in August 2015 contributed significantly towards the decline of extreme uncertainty, while with the election of September 20th and the formation of a new government the protracted pre-election period was concluded. The result of the election reflects the desire of the vast majority of the citizens to remain a member of the Eurozone, practically putting an end to the division between the forces that support and the forces that oppose the “Memorandum.” Within this context one can already observe some signs of stabilization, as far as the environment in which companies operate is concerned. In particular:

- During September the decline in the economic sentiment indicator came to an end. The business confidence indicator increased in all four core sectors (industry, retail trade, services and construction), with the services sector demonstrating the largest improvement. Consumer confidence also demonstrates a turnaround, and in spite of the continuous decline since March 2015 remains at relatively high levels.
- The Manufacturing Purchasing Managers’ Index (PMI), after the “dive” of July, is moving upwards in August and in September, regaining a large part of lost ground.
- Without covering all losses of July, the labour market also demonstrates a normalization during August 2015, as the balance between new hiring and new departures improved significantly, although it remained negative (-441 net jobs instead of a net loss of -16,7 thousand jobs during July). At the same time the number of unemployed receiving benefits was substantially lower when compared to August 2014 (106,3 thousand instead of 111,8 thousand) while the registered long term unemployed declined by 7,3 thousand when compared to July 2015.
- The decline in industrial production during July (-1.6%) was smaller than anticipated, as the increase in electricity production (+13.8%) compensated for the large fall in other sub-indexes. The latter was a result of the imposed capital controls that led to the disruption of electricity imports and the increase of domestic electricity production. The production of manufacturing (excluding fuels and refining) declined during July (-6.3%) for the first time after 5 months of continuous increase, but overall for the period January – July 2015 the index retains a positive yearly rate of change (+0.9%).
- After the political developments of June, tourism lost some of its dynamism but the data shows that during 2015 there will have been a record year. In particular, during July 2015 arrivals increased (+4.4%) as did receipts (+3.5%), while overall for the period January – July 2015 arrivals reached 12 million (+14.2%) and receipts €7 billion approximately (+6.2%). Similarly, during August a strong increase in air travel arrivals was recorded (+4.6%), in particular in Athens (+23%) and the Cyclades (+12.7%).

In spite of the above, there are still important difficulties for the economy to return to normality. For example the continuing deleveraging of the private sector credit and the continuing decline in the deposits of households (€-710 million and €-937 million respectively during July), while the unemployment rate, in particular among the young, remains very high (25.2% and 48.3% respectively for the month of June).

At the same time the World Economic Forum for 2015-2016 ranked, for second year in a row, Greece 81th among 140 countries, regarding its global competitiveness. Therefore it placed the country at a significant distance when compared with the average developed country. The sub-indexes of the WEF GCI demonstrate, in some notable cases, improvement since 2012, as a result of implemented reforms with the case of labor market reforms being the most prominent, though macroeconomic instability and liquidity conditions hold back this improvement. As during previous years, the WEF records for Greece good performance in the area of health, enrollment in education, infrastructure, technological readiness and market size. On the other hand, the development of financial markets, innovation, macroeconomic environment and institutions are recorded to have noteworthy weaknesses.

As long as the pace of reform implementation accelerates, the Greek economy has the potential to turn page and to embark on a path of steady growth. The increase of GDP during the first semester of 2015 (+1,1%) when combined with the latest, less pessimistic, forecasts regarding the whole year (from -1,5% to -2,3%), form the basis for a return to positive growth starting from the second half of 2016. The new program agreed with the European partners faces many challenges. These include the improvement of the business environment, the lifting of capital controls and growth initiatives to attract investment. These form the necessary conditions for the recovery of the economy and the creation of new jobs.

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Main economic indicators

Economic sentiment	2014/2013 Dec / Dec	2015 Sept / Feb
Economic climate	↑ 99.1 / 91.4	↓ 83.1 / 98.2
Consumer confidence	↑ -53.9 / -63.3	↓ -64.2 / -30.6
% stating that their own economic situation will get worse	63% / 69%	70% / 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%	78% / 72%
% stating that unemployment will rise	66% / 84%	78% / 36%

Employment	2014	2015	Period
Employment (change year-to-date)	+62,315 pers.	+49,044 pers.	June
Employment (change during month)	+22,335 pers.	-42,125 pers.	June
Registered unemployed (change year-to-date)	-23,564 pers.	-42,691 pers.	Aug
Registered unemployed (change during month)	-7,914 pers.	-2,353 pers.	Aug
Net hirings (year-to-date)	190,883 pers.	186,024 pers.	Aug
Net hirings (current month)	1,311 pers.	-441 pers.	Aug

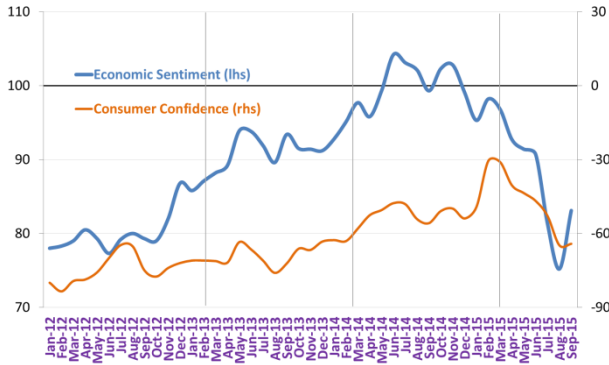
GDP	Change 2014/2013	Change 2015/2014	Period	Change 2015/2014	Period
GDP (in constant prices)	0.0%	1.1%	6M	1.6%	Q2
Private consumption	0.7%	2.1%	6M	2.5%	Q2
Residential construction investment	-53.8%	-20.3%	6M	-8.1%	Q2
Non – residential construction investment	14.6%	-26.0%	6M	-29.6%	Q2
Investment in machinery 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 2014/2013	Change 2015/2014	Period	Change 2015/2014	Period
Industrial production	-2.1%	-0.7%	Jan – Jul	-1.6%	July
Manufacturing (excluding oil)	0.6%	0.9%	Jan – Jul	-6.3%	July
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 m³)	1.8%	7.2%	Jan – Jun	-15.1%	June
Retail sales (volume)	-1.6%	-0.9%	Jan – Jul	-7.3%	July
Excluding automotive fuel	-2.0%	0.0%	Jan – Jul	-5.9%	July
New vehicle licenses	27.5%	18.5%	Jan – Aug	20.1%	August
Revenue from tax on mobile telephony	-4.9%	-6.4%	Jan – Jul	36.7%	July
Exports of goods except oil (ELSTAT, current prices)	-2.3%	12.8%	Jan – Jul	7.0%	July
Tourism – receipts	12.1%	6.2%	Jan – Jul	3.5%	July
Transportation – receipts	7.4%	-7.1%	Jan – Jul	-59.8%	July
Other services* – receipts	24.5%	-12.2%	Jan – Jul	-49.3%	July
Inbound travelers	20.8%	14.2%	Jan – Jul	4.4%	July
Index of wages (whole economy, in constant prices)	-1.1%	1.3%	6M	0.0%	Q2

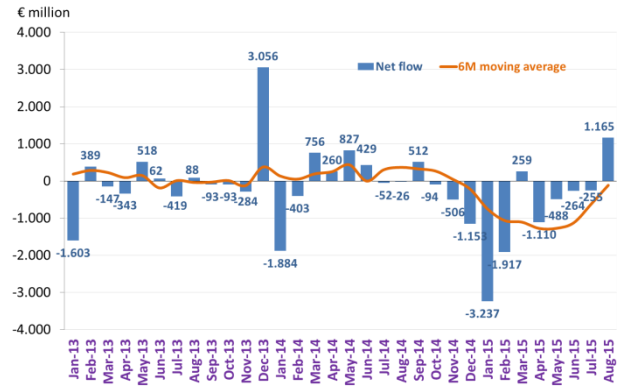
Sources: IOBE, ELSTAT, Bank of Greece, Ministry of Labour and Social Solidarity, DG ECFIN

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

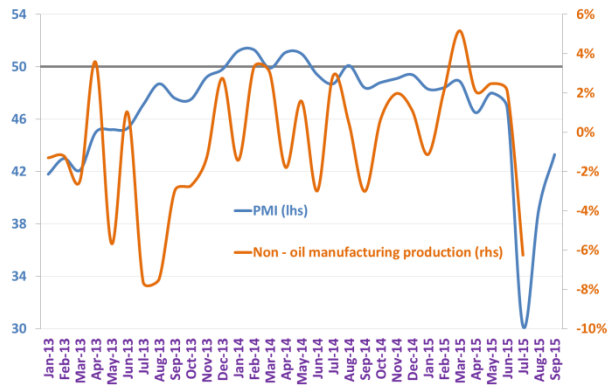
Business and consumer expectations
(DG ECFIN, Sep. 2015)



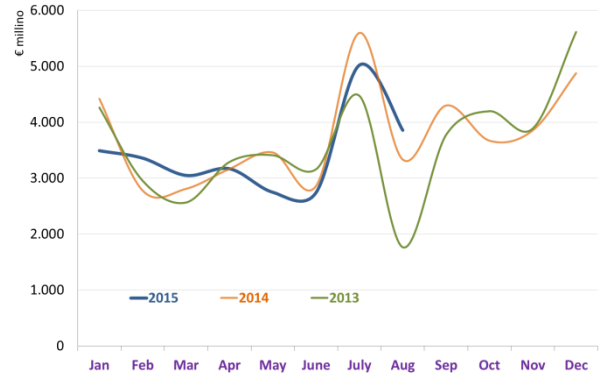
Corporate deposits
(BoG, Aug 2015)



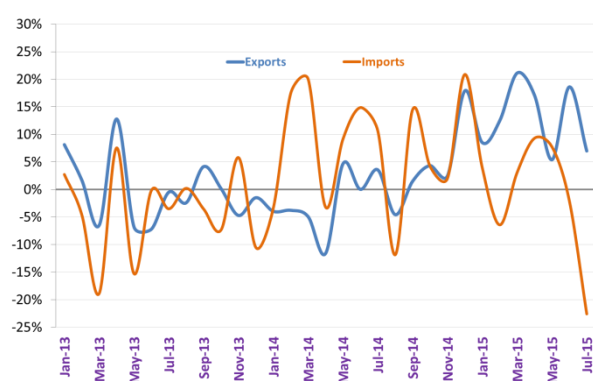
PMI and non-oil manufacturing production
(Markit, Sep. 2015, ELSTAT, Jul. 2015)



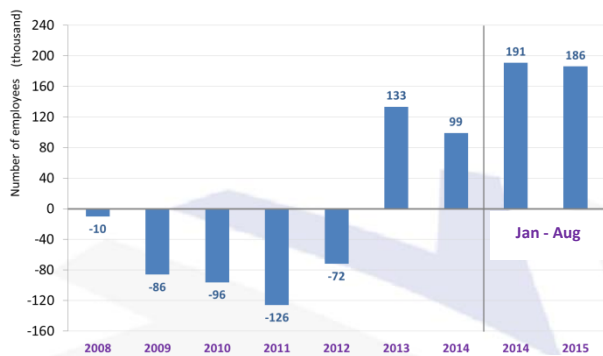
Net current budget revenues
(Ministry of Finance, Aug. 2015)



Non-oil Exports and Imports - yoy % change
(ELSTAT, Jul. 2015)



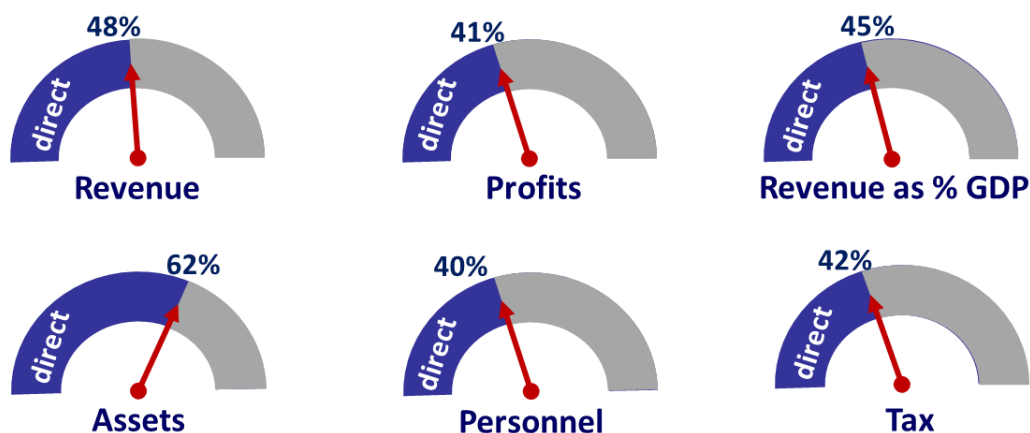
Net hirings
(ERGANI, Aug. 2015)



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



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