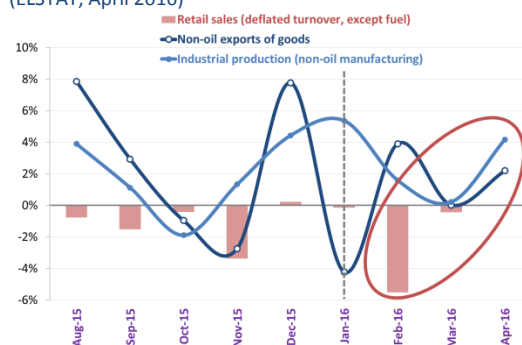


The recession deepens, despite support from external demand! 13 June 2016

The procrastination and the delays that have postponed the completion of the first review of the adjustment program have led to a new bout of uncertainty. In turn, this has led to the persistence of mixed trends in the market and to a renewed dip of the economy into recession. According to provisional data by ELSTAT, **GDP weakened by -1.4% during Q1 2016, thus concluding three consecutive quarters of decline after 6 consecutive quarters of growth.** This development is in line with the decline of the economic confidence indicator. The successful conclusion of the first review **will lead to better recovery prospects**, as the payment of the tranche of €10.3 bn. is expected to improve liquidity in the economy, given that part of it will be used to pay off the arrears owed by the state to private sector agents. This improved liquidity, along with the likely strengthening of the tourism sector, is likely to partially offset the recessionary impact of the new fiscal adjustment measures in the pension system, as well as those leading to sizable increases in numerous taxes. For the time being, **available data reflect a cautious stability**, as most indicators fail to point clearly towards anyone direction. In spite of this, the economy appears to be performing stronger abroad, as domestic demand suffers from the impact of the increased uncertainty.

Industrial production, exports and retail sales (ELSTAT, April 2016)



In particular,

- **Industrial production in non-oil manufacturing increased for the 6th consecutive month in April 2016 (+4.2%), supporting an increase by +2.7% during the first 4 months of the year.**
- **Non-oil exports of goods continue to demonstrate resilience, returning anew to positive growth rates during April 2016 (+2.2% and +0.5% for the period from January to April 2016).** During the same period, imports of goods except fuels increased spectacularly (+26.5% in April and +9.6% for the period from January to April).
- The expectations of households regarding unemployment, which had increased to extremely pessimistic levels during the previous months, are improving slightly during May 2016, along with the expectations that relate to savings and major purchases. These developments offset the worsening expectations regarding the economic situation, **offering a respite from the continuous decline to consumer confidence** (-71.9 from -73.7 during the previous month).
- **Positive expectations regarding tourism are becoming entrenched, as receipts from tourism increased +8.2% during March 2016,** making up for the losses observed during the two first months of the year (-5.6%), and resulting in a marginal decline (-0.1%) for the period from January till March 2016. At the same time, **business expectations in tourism remain lower than last year, but improved during May 2016** (88.9 instead of 79.7 during the previous month).
- **The unemployment rate continued declining during March 2016** (24,1% instead of 24,2% during the previous month and 25,7% during March 2015) staying on a slowly improving path.

At the same time, however,

- **Economic confidence weakened slightly during May 2016** (89.7 instead of 90.3 during the previous month), as a result of negative expectations in the manufacturing industry, while expectations in all other sectors improved. At the same time, **the purchase managers index (PMI) declined slightly** (48.4 from 49.7 during the previous month), staying below 50 for the 4th consecutive month. The PMI declined mainly as a result of weaker new orders, domestic and from international markets, while the decline in employment was marginal.
- **Volume in retail sales declined for the 3rd consecutive month,** but the decline moderated to -1.6% (from -6.8% in February), and when compared to February 2016 the seasonally adjusted volume increased by +3.2%. Overall, during the first quarter of 2016 the volume of sales declined in all stores, excluding food stores (+3.9%) and clothing and apparel stores (+1.9%), while the general index declined by -3.4% (-2.1% except fuel).

In view of developments as above, international organizations, like the European Commission and the OECD more recently, are still forecasting positive growth during the 2nd semester of 2016. Yet, the austerity measures that have already been agreed for the next 3 years are expected to burden severely private consumption that comprises 80% of GDP. In order for these forecasts to become reality and to firmly establish expectations that growth will be positive during the long term, it is necessary to encourage productive investment that will create new jobs and, as a consequence, generate sustainable incomes. This was also the core message of the Industrial Conference organized by SEV during May 23 and 24, kick-starting a debate regarding the design of an industrial strategy for innovation, growth and jobs.

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Economic indicators

Economic sentiment	2015/2014	2016/2015
	Dec / Dec	May / May
Economic climate	↓ 87.6 / 99.6	↓ 89.7 / 92.0
Consumer confidence	↓ -61.1 / -53.9	↓ -71.9 / -43.6
% stating that their own economic situation will get worse	60% / 63%	73% / 44%
% stating that the country's economic situation will get worse	80% / 66%	82% / 46%
% stating that it is unlikely to increase their savings	90% / 91%	75% / 70%
% stating that unemployment will rise	80% / 66%	78% / 56%

Employment – Unemployment	2014	2015	2016	Period
Employment (change year-to-date, seasonally adjusted)	+30,652 pers.	-1,068 pers.	-18,169 pers.	Jan – Mar
Employment (change during month, seasonally adjusted)	+12,044 pers.	-3,412 pers.	+1,632 pers.	March
Registered unemployed (change year-to-date)	-31,109 pers.	-17,909 pers.	-7,206 pers.	Jan – Apr
Registered unemployed (change during month)	-25,452 pers.	-27,639 pers.	-42,545 pers.	April
Net hirings (year-to-date)	+101,476 pers.	+108,387 pers.	+124,465 pers.	Jan – April
Net hirings (current month)	+60,600 pers.	+80,223 pers.	+90,631 pers.	April
Unemployment rate (seasonally adjusted)	26.9%	25.7%	24.1%	March
Year to date average rate (seasonally adjusted)	27.0%	25.8%	24.3%	Jan – Mar
Index of wages (whole economy, in constant prices, seasonally adjusted)	4.1%	1.1%	-	Q4
Change Year to date (whole economy, in constant prices, seasonally adjusted)	1.1%	1.3%	-	Jan – Dec
Consumer Price Index	-2.0%	-2.1%	-0.9%	May
Change Year to date	-1.5%	-2.3%	-1.0%	Jan – Mar

GDP	Change	Change	Period	Change yoy		
				2014/2013	2015/2014	2016 Q1
GDP (in constant prices)	0.7%	-0.2%	12M	-1.4%	-0.9%	-1.7%
Private consumption	0.5%	0.3%	12M	-1.3%	-1.0%	-0.4%
Residential construction investment	-52.5%	-23.1%	12M	-17.3%	-16.5%	-34.0%
Non – residential construction investment	3.1%	-7.5%	12M	3.3%	6.7%	-10.1%
Investment in machinery and equipment	8.5%	5.9%	12M	-5.2%	1.0%	-12.6%
Exports of goods and services	7.5%	-3.8%	12M	-11.7%	-9.3%	-10.5%
Imports of goods and services	7.7%	-6.9%	12M	-12.8%	-12.5%	-19.8%

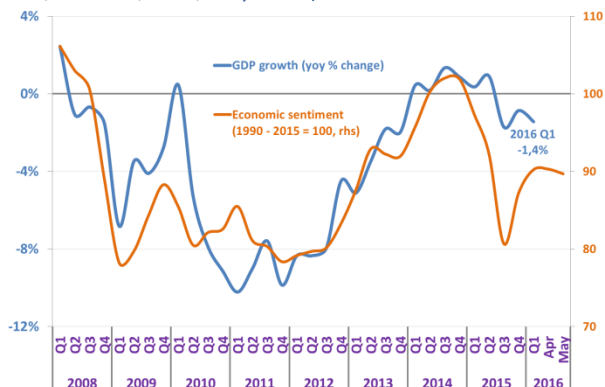
Short term conjunctural indicators	Change	Change	Period	Change	Period
	2015/2014	2016/2015		2016/2015	
Industrial production	2.0%	0.2%	Jan – Apr	2.8%	April
Manufacturing (excluding oil)	2.8%	2.7%	Jan – Apr	4.2%	April
Production in construction	-2.4%	-	Jan – Dec	-	-
Building	2.5%	-	Jan – Dec	-	-
Non – building	-5.7%	-	Jan – Dec	-	-
Private building activity – building permits (volume in m³)	29.2%	-11.9%	Jan – Mar	-34.8%	March
Retail sales (volume)	0.0%	-3.4%	Jan – Mar	-1.6%	March
Excluding automotive fuel	1.4%	-2.1%	Jan – Mar	-0.4%	March
New vehicle licenses	28.4%	12.0%	Jan – May	+33.0%	May
Revenue from tax on mobile telephony	-5.8%	-6.9%	Jan – Mar	-42.6%	March
Exports of goods except oil (ELSTAT, current prices)	15.2%	0.5%	Jan – Apr	2.2%	April
Tourism – receipts	9.4%	-0.1%	Jan – Mar	8.3%	March
Transportation – receipts	-0.3%	-44.9%	Jan – Mar	-40.2%	March
Other services* – receipts	3.1%	-29.1%	Jan – Mar	-23.2%	March
Inbound travelers	45.6%	-6.2%	Jan – Mar	2.5%	March

Economic Forecasts for Greece	EU (May 2016)				OECD (June 2016)			
	2014	2015	2016	2017	2014	2015	2016	2017
Real GDP (% change)	0.7	-0.2	-0.3	2.7	0.7	-0.3	-0.2	1.9
Private consumption (% change)	0.5	0.3	-0.4	1.8	0.7	0.3	-0.1	1.3
Public consumption (% change)	-2.6	0.0	-0.5	-0.1	-2.4	-0.1	-2.1	-0.8
Total investment (% change)	-2.8	0.7	-0.9	11.6	-2.6	0.9	3.6	4.0
Exports of goods and services (% change)	7.5	-3.8	0.5	4.2	7.4	-3.7	-1.0	5.7
Imports of goods and services (% change)	7.7	-6.9	-0.1	3.8	7.8	-6.9	-1.9	3.5
Consumer price inflation (%)	-1.4	-1.1	-0.3	0.6	-1.4	-1.1	-0.5	0.0
Current account balance (% of GDP)	-3.0	-0.2	0.6	1.3	-2.1	-0.1	-1.6	-0.9
General Government balance (% of GDP)	-3.6	-7.2	-3.1	-1.8	-3.7	-7.3	-1.9	-0.5
General Government gross debt (% of GDP)	180.1	176.9	182.8	178.8	182.9	182.7	185.3	182.3

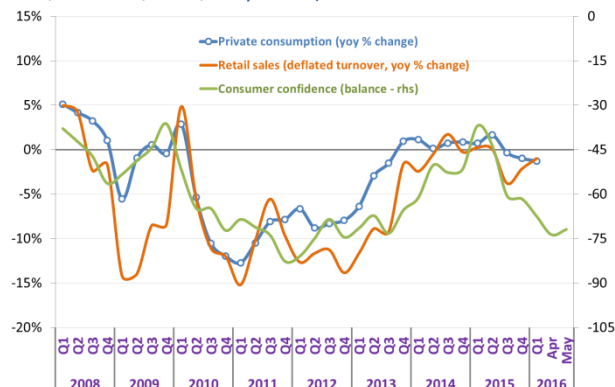
* includes construction business activity abroad, software and technology exports, etc

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

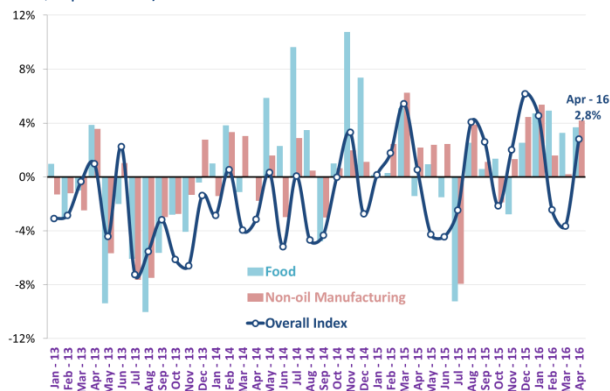
GDP growth & economic sentiment
(ELSTAT, Q1 2016, IOBE, May, 2016)



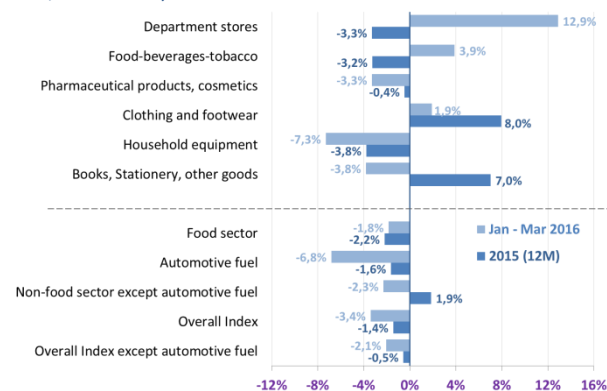
Private Consumption, retail sales and consumer confidence
(ELSTAT, Q1 2016, IOBE, May, 2016)



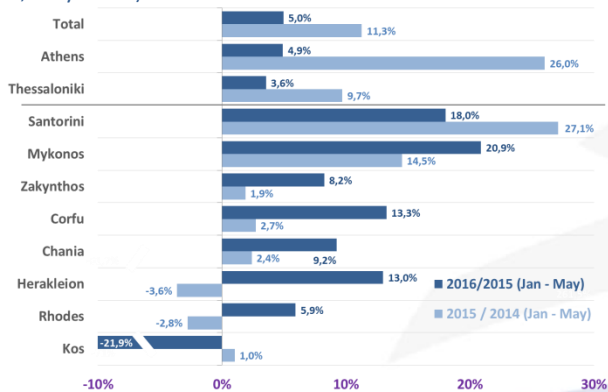
Production in Industry
(ELSTAT, Apr. 2016)



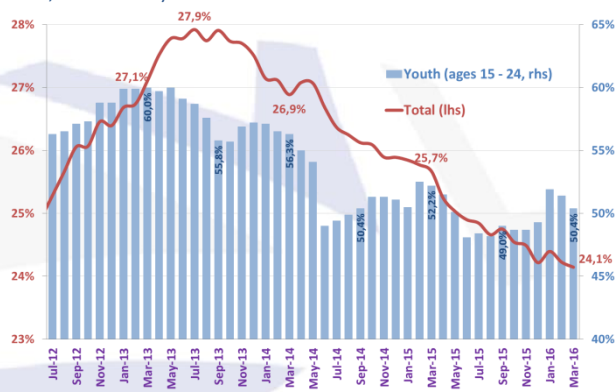
Retail sales (deflated turnover) by store category
(ELSTAT, Mar. 2016)



International tourist arrivals at main Greek airports
(SETE, May, 2016)



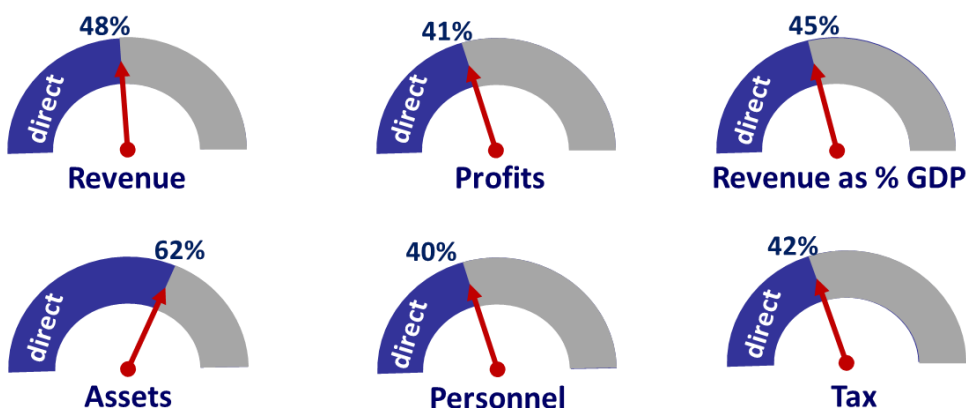
Unemployment rate
(ELSTAT, Mar. 2016)



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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