

2016 begins with positive expectations

11 January 2016

The end of 2015 coincided with the closure of a long period of uncertainty. The Greek economy **seems to have adapted to the terms set mainly by the imposition of capital controls and to have gained a large share of the previously lost confidence**. This normalization and the relative stability suggested by the most recent data allow us to start 2016 with optimism, without allowing though complacency given that major challenges putting the economy in a delicate balance, still have to be faced. According to the data that have been released during the past month:

- For first time during the past 12 months, in December 2015 the **Purchasing Managers Index (PMI) in manufacturing exceeded the value of 50** (50.2 from 48.1 during the previous month). This development suggest an **improvement of the circumstances under which companies operate, as a result of the relaxation of the capital controls**, even though the orders keep declining, a development that can be attributed to the lack of liquidity in the market.
 - Industrial production and in particular **non-oil manufacturing production has been strengthening since February 2015**, with the exception of July (-6.5%) and October (-1.4%). During November the general index increased (+1.8%) as did the index of manufacturing except fuels (+0.8%), while **for the period January – October 2015 industrial production appears marginally stronger** (+0.1% for the general index and +1.0% for non-oil manufacturing).
 - **The index of economic confidence also improved** in December 2015 (to 87,1 from 86,5 in November) as a result of stronger expectations by manufacturing, retail trade and households. The data for manufacturing shows a **large improvement in the export order book, as did the expectations for employment in manufacturing and retail trade**.
 - The improved employment expectations are reflected also in the labor force survey of October 2015, according to which the **number of the unemployed kept declining** (-8,289 when compared to the previous month), while **the unemployment rate kept falling at a modest but steady pace** (24.5% compared to 26% in October 2014 and 24.6% in September 2015). In addition, in November 2015 the number of registered unemployed was lower than last year (844,308 compared to 854,517 in November 2015). In spite of the gradual improvement since early 2015, which probably is related to the good performance of tourism, **since September the decline in the number of unemployed has slowed down**.
 - At the same time, **wages in the whole economy increased +2.7% during the third quarter of 2015**, and in constant prices this increase climbs to +4.7% and thus becomes that largest increase since the third semester of 2014. For the whole 9 months (Jan – Sept) the index of wages increased in 2015, compared to 2014, by +0.3% (+2.5% in constant prices). We point out that **according to data available from IKA up to April 2015, the major private sector social security fund, private sector wages during the first 4 months of 2015 are on a declining trend**.
- In spite of the positive developments with respect to economic sentiment and employment, the economy remains in a state of delicate balance, as economic activity as measured by various other indicators, weakened or declined. In particular:
- **Non-oil exports declined in November 2015 for the second consecutive month** (-3.6%), after 13 months of growth. It is plausible that the scarcity of imported raw materials and inputs as a result of the imposition of capital controls affected the dynamism of these exports but, on the other hand, **the normalization of non-oil imports in October** (+29.8%) sends a positive message for the development of production and exports in the months to follow.
 - **Retail sales fell in October 2015** (by -2.5% for the general volume index and -0.6% for the general volume index except fuel) for the fifth consecutive month.
 - **There is a worrying increase of the arrears owed to the government** by +€11.8 bn. since the beginning of 2015 (+€1,453 mil. in November 2015), bringing the stock of arrears to €83.6 bn.
 - At the same time, **in November 2015 financing of the private sector weakened further** (-2.2%), while the **outflow of households' deposits continued** (-€530 mil.).

In this fragile environment, the completion of the review of the financial assistance programme and the resolution of crucial issues related to the reform of the social security system and the management of the stock of non-performing loans, as well as catching up with shortfalls with stated targets of the adjustment programme including the payment of arrears to the private sector, are prerequisites to safeguard stability, avoid a new recession and restore the economy to a path of steady growth.

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Main economic indicators

Economic sentiment	2014/2013		2015	
	Dec / Dec		Nov / Feb	
Economic climate	↑	99.1 / 91.4	↓	87.1 / 98.2
Consumer confidence	↑	-53.9 / -63.3	↓	-61.1 / -30.6
% stating that their own economic situation will get worse		63% / 69%		60% / 33%
% stating that the country's economic situation will get worse		66% / 76%		80% / 30%
% stating that it is unlikely to increase their savings		84% / 72%		85% / 72%
% stating that unemployment will rise		66% / 84%		80% / 36%

Employment – Unemployment	2014	2015	Period
Employment (change year-to-date, seasonally adjusted)	+61,093 pers.	+93,683 pers.	Oct
Employment (change during month, seasonally adjusted)	-5,904 pers.	-2,191 pers.	Oct
Registered unemployed (change year-to-date)	-4,891 pers.	-13,817 pers.	Nov
Registered unemployed (change during month)	+6,674 pers.	+29,510 pers.	Nov
Net hirings (year-to-date)	99,956 pers.	91,874 pers.	Nov
Net hirings (current month)	-20,331 pers.	-24,674 pers.	Nov
Unemployment rate (seasonally adjusted)	26.0%	24.5%	Oct
Year to date average rate (seasonally adjusted)	26.7%	25.1%	Oct

GDP	Change 2014/2013	Change 2015/2014	Period	Change 2015/2014	
				Q3	Q2
GDP (in constant prices)	0.6%	0.1%	9M	-1.1%	0.9%
Private consumption	0.6%	0.9%	9M	0.3%	1.8%
Residential construction investment	-52.3%	-25.1%	9M	-34.3%	-8.3%
Non – residential construction investment	5.1%	-13.1%	9M	-13.1%	-12.7%
Investment in machinery and equipment	5.3%	4.1%	9M	-15.5%	7.5%
Exports of goods and services	6.4%	-2.5%	9M	-11.4%	1.4%
Imports of goods and services	5.1%	-5.0%	9M	-19.9%	-3.5%

Main short term indicators	Change 2014/2013	Change 2015/2014	Period	Change 2015/2014	Period
Manufacturing (excluding oil)	0.4%	1.0%	Jan – Nov	0.8%	Nov
Production in construction	14.1%	1.2%	Jan – Sep	-29.5%	Q3
Building	-5.5%	9.8%	Jan – Sep	-15.1%	Q3
Non – building	33.4%	-4.9%	Jan – Sep	-37.7%	Q3
Private building activity – building permits (volume in m³)	-3.3%	-2.3%	Jan – Sep	-13.1%	Sep
Retail sales (volume)	-0.2%	-1.4%	Jan – Oct	-2.5%	Oct
Excluding automotive fuel	-0.8%	-0.3%	Jan – Oct	-0.6%	Oct
New vehicle licenses	27.4%	14.1%	Jan – Nov	15.2%	Nov
Revenue from tax on mobile telephony	-11.3%	-6.8%	Jan – Sep	-38.8%	Sep
Exports of goods except oil (ELSTAT, current prices)	-1.0%	8.4%	Jan – Nov	-3.6%	Nov
Tourism – receipts	10.5%	5.7%	Jan – Oct	-4.1%	Oct
Transportation – receipts	8.7%	-20.3%	Jan – Oct	-44.4%	Oct
Other services* – receipts	21.0%	-17.4%	Jan – Oct	-27.4%	Oct
Inbound travelers	21.9%	7.9%	Jan – Oct	0.7%	Oct
Index of wages (whole economy, in constant prices)	0.1%	2.5%	9M	4.7%	Q3

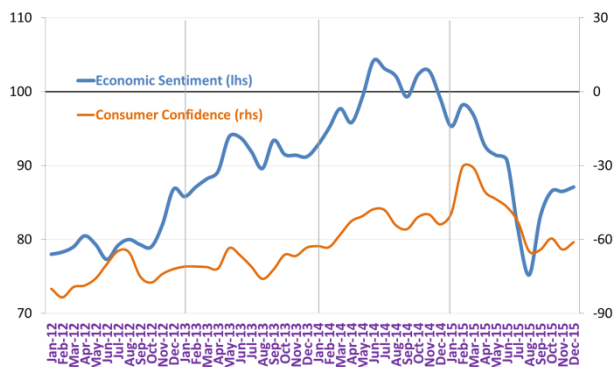
EU Economic Forecasts (Autumn 2015)	Greece				Euro area			
	2014	2015	2016	2017	2014	2015	2016	2017
Real GDP (% change)	0.7	-1.4	-1.3	2.7	0.9	1.6	1.8	1.9
Total Investment (% change)	-2.8	-10.2	-2.0	14.7	1.3	2.3	3.0	4.4
Employment growth (%)	0.1	0.4	-0.6	2.0	0.6	0.9	0.9	1.0
Unemployment rate (%)	26.5	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

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

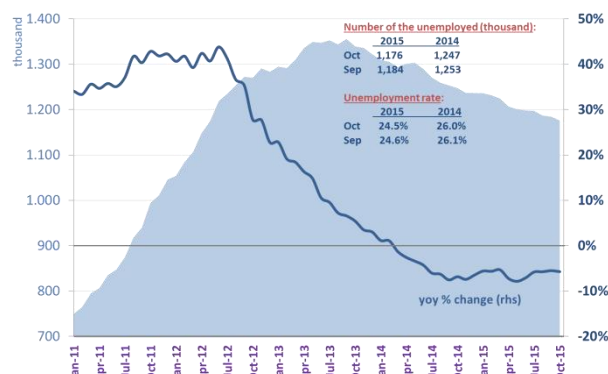
* includes construction business activity abroad, software and technology exports, etc

Tables - Graphs

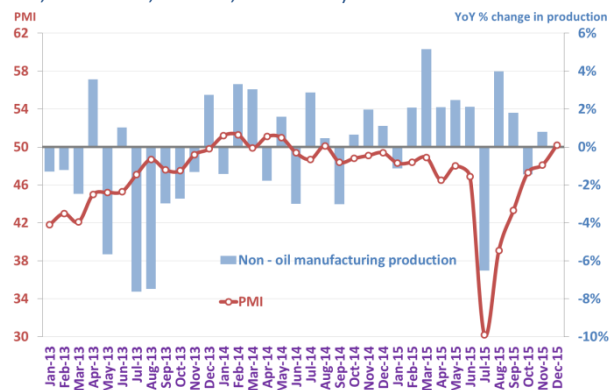
Business and consumer expectations
(IOBE, Dec. 2015)



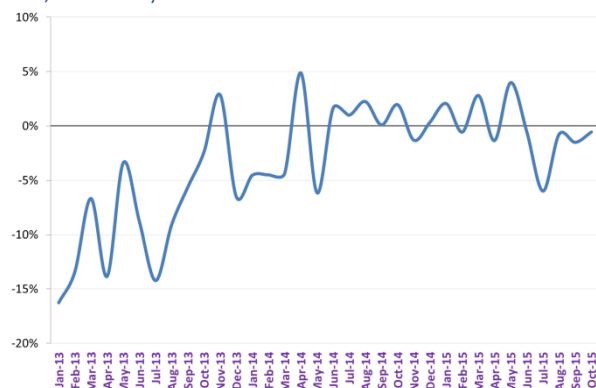
Number of the unemployed
(ELSTAT, Oct. 2015)



PMI and non-oil manufacturing production
(Markit, Dec. 2015, ELSTAT, Nov. 2015)



Retail sales (deflated turnover, yoy % change)
(ELSTAT, Oct. 2015)

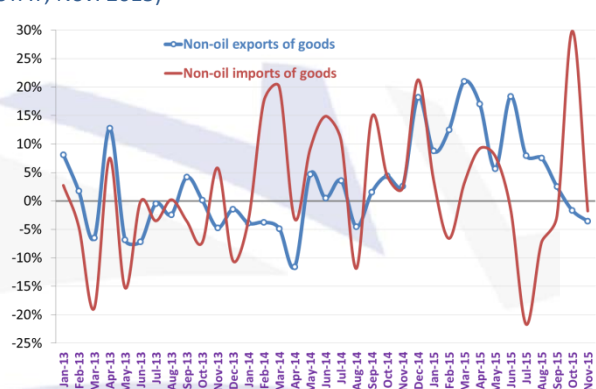


Exports by product
(ELSTAT, Nov. 2015)

Product Group	January – November			%Δ	
	2013	2014	2015	14/13	15/14
Agricultural products	4,430.0	4,212.0	4,783.4	-4.9%	13.6%
Food	3,341.8	3,433.0	3,536.1	2.7%	3.0%
Beverages / Tobacco	536.4	530.7	603.6	-1.1%	13.7%
Animal and vegetable oil	551.8	248.3	643.7	-55.0%	159.3%
Crude Materials	1,036.9	932.6	915.7	-10.1%	-1.8%
Mineral Fuels	10,101.5	9,702.9	7,058.7	-3.9%	-27.3%
Industrial products	9,348.4	9,631.4	10,332.1	3.0%	7.3%
Chemicals	2,399.3	2,486.7	2,493.7	3.6%	0.3%
Goods classified by material	3,495.8	3,459.2	3,834.9	-1.0%	10.9%
Machinery & transport equipment	1,869.8	2,029.0	2,334.1	8.5%	15.0%
Misc. manufactured articles	1,583.4	1,656.5	1,669.4	4.6%	0.8%
Not classified commodities	550.7	556.4	558.0	1.0%	0.3%
Total	25,467.5	25,035.3	23,647.9	-1.7%	-5.5%
Total excl. Oil	15,366.0	15,332.4	16,589.2	-0.2%	8.2%
Memo item*:					
Manufactured products	10,574.5	10,689.5	12,020.1	1.1%	12.4%
of which: Food / Beverages	2,271.3	1,983.6	2,535.4	-12.7%	27.8%
Crude materials & primary products	3,285.1	3,093.9	3,067.4	-5.8%	-0.9%
of which: Agricultural products	1,791.8	1,809.6	1,833.5	1.0%	1.3%

* Jan – Oct Data

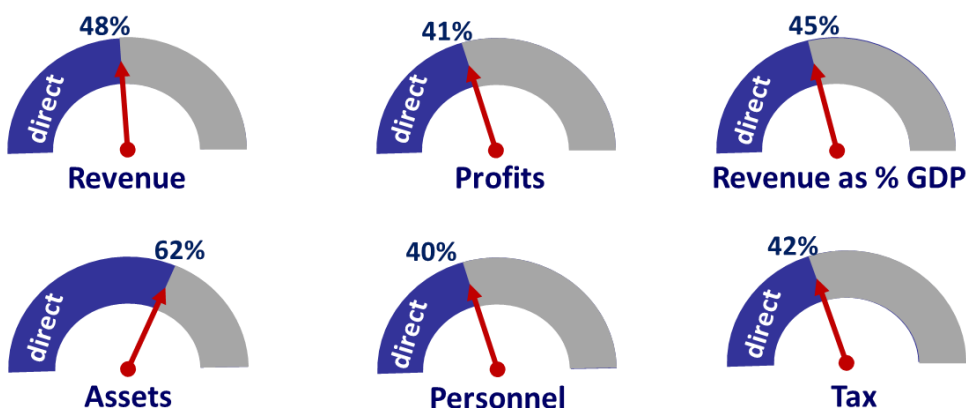
Non – oil exports and imports of goods – yoy % change
(ELSTAT, Nov. 2015)



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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