

	Page
Recent economic developments	1
Main Indicators	2
Tables - Graphs	3
<ul style="list-style-type: none"> ▪ Business climate and consumer confidence (IOBE, Jan. 2016) ▪ PMI and non-oil manufacturing production (Markit, Jan. 2016, ELSTAT, Nov. 2015) ▪ Non-oil exports and imports of goods (ELSTAT, Dec. 2015) ▪ Tourism receipts (Bank of Greece, Nov. 2015) ▪ Net hirings (Ministry of Labour, Social Insurance and Social Solidarity, Dec. 2015) ▪ Purchase and selling prices in agriculture (ELSTAT, Nov. 2015) 	

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The stabilization of economic activity that emerged during the last two months of 2015 continued during January 2016, with business confidence improving, even though it remains at a relatively low level. But a number of challenges put this stability at risk, as the completion of the first review of the adjustment program is subject to delays given that the necessary pension reform and outstanding issues related to the management of non-performing loans have not been concluded. This amplifies the uncertainty perceived by markets, as reflected in part by the deterioration of consumer confidence and retail sales. In addition, the lack of liquidity and weak demand exert pressure on economic activity and pose a risk that can damage the recovery and the creation of jobs. In particular:

- The index of economic confidence improved visibly in January 2016, maintaining the upward trend established since August, which was marked by a record fall as a result of the imposition of capital controls. The rise of economic confidence is the result of improved expectations in all areas and in particular in services. The index, nevertheless, remains below the level of January 2015 (91.6 instead of 95.9 last year).
- The Purchasing Managers Index (PMI) in manufacturing stabilized around the number 50 during January 2016. It is particularly encouraging that the increase in manufacturing employment, albeit small, was the best on record since July 2017. On the other hand, new orders declined anew, as did new orders for exports.
- In December 2015 the net flow of salaried employment was positive (+7,826 employees), while for the whole of 2015 salaried employment increased by +99,700 employees, which is the second best performance since 2001 and the third consecutive net increase in employment after 6 years of decline (2006-2012).
- Tourism continued to perform strongly during November 2015. In spite of the decline in arrivals (-4%), tourism receipts posted a large increase (+16%), as a result of the increase in the average expenditure per trip (+22.6%). Overall, from January till November 2015 tourism receipts reached €14 bn. and therefore increased by 5.9% on a yearly basis, while arrivals increased by 7.5%.
- Non-oil exports of goods recovered in December 2015 (+2.7%), recording a remarkable increase on a yearly basis (+8.2%). Additionally, the current account balance improved during November 2015 (the deficit declined by €278.4 mil.), mainly as a result of the decline in net import payments for fuels, while the net imports of ships increased when compared to November 2014. From January till November 2015 non-oil exports of goods excluding ships increased by +4.6%, even though after the imposition of the capital controls they declined. Imports, respectively, declined by -0.9% (-10% after July).
- Bank financing of corporates increased during December 2015 (+€411 mil.) for the first time since the imposition of capital controls. The fact that deposits by households increased for the first time after 12 months of uninterrupted decline is also encouraging. But this is largely the result of the payment of subsidies to farmers (€1.3 bn.) and the payment of the Christmas bonus in private sector wages.
- Terms of trade in agriculture improved, reflecting the fall of input prices for the 27th consecutive month (-2.2% in Jan-Nov 2015), while at the same time the price of outputs (agricultural products) increased for the 11th successive month (+5.4% in Jan-Nov 2015). According to the national accounts, during 2014 the net income of farmers increased by +5.4%, compared with a decline of -8.8% in 2013, when production taxes went up remarkably (+68%).

On the other hand:

- In spite of the improvement of economic sentiment, consumer confidence declined in January 2016 to 15 points below the level of January 2014 (-63.9 instead of -49.3 last year), reflecting the increased worries of households with respect to the evolution of their income and their economic situation in the following months.
- Retail sales fell in November 2015, declining -4.5% with respect to the same month of 2014 (-3.5% without sales of fuels), mainly as a result of the decline of sales in large food stores (-7.1%) and large stores (-5.1%). On the other hand, sales increased in shoe and clothing stores and in book and gift shops (+4.7%), which include the sales of stores that sell ICT equipment. For the 11 first months of the year (January – November 2015) sales declined -1.7% (-0.6% when fuel sales are excluded), instead of an increase +0.3% (+1.0% when fuel sales are excluded) during the first 6 months of 2015.
- Private building activity declined for the 5th consecutive month in October 2015 (-37.9%), cancelling out the positive trend of the first months of the year observed especially in the areas with high touristic activity. Overall for the period from January till October 2015 they declined by -6.4%.

The statistics thus demonstrate that the Greek economy is improving, even though it remains in a delicate balance. The same picture follows from the winter forecasts of the European Commission that predict a weaker recession for 2015 (0%) and 2016 (-0.7%), when compared with previous estimates, while they foresee positive growth for the second half of 2016. In order to completely eliminate any risks to stability that has been achieved it is necessary to accelerate the implementation of the adjustment program as, according to SEV estimates, only 35% of the prior actions have been mostly, or partly, implemented so far.

Main economic indicators

Economic sentiment	2015/2014		2016/2015	
	Dec / Dec		Jan / Jan	
Economic climate	↓	87.6 / 99.6	↓	91.6 / 95.9
Consumer confidence	↓	-61.1 / -53.9	↓	-63.9 / -49.3
% stating that their own economic situation will get worse		60% / 63%		70% / 53%
% stating that the country's economic situation will get worse		80% / 66%		76% / 54%
% stating that it is unlikely to increase their savings		90% / 91%		90% / 90%
% stating that unemployment will rise		80% / 66%		77% / 57%

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)	-1,283 pers.	+677 pers.	Nov
Registered unemployed (change during month)	+3,608 pers.	+14,494 pers.	Nov
Net hirings (year-to-date)	99,122 pers.	99,700 pers.	Nov
Net hirings (current month)	-834 pers.	+7,826 pers.	Nov
Unemployment rate (seasonally adjusted)	26.0%	24.5%	Oct
Year to date average rate (seasonally adjusted)	26.7%	25.1%	Oct
Index of wages (whole economy, in constant prices, seasonally adjusted)	2.4%	4.7%	Q3
Change Year to date (whole economy, in constant prices, seasonally adjusted)	0.1%	2.5%	Q3
Consumer Price Index	-2.6%	-0.2%	Dec
Change Year to date	-1.3%	-1.7%	Dec

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
Industrial production	-1.9%	0.1%	Jan – Nov	1.8%	Nov
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)	-3.0%	-6.7%	Jan – Oct	-38.2%	Oct
Retail sales (volume)	-0.1%	-2.1%	Jan – Nov	-4.5%	Nov
Excluding automotive fuel	-0.2%	-1.2%	Jan – Nov	-3.5%	Nov
New vehicle licenses	30.2%	13.5%	Jan – Dec	7.0%	Dec
Revenue from tax on mobile telephony	-6.4%	-2.1%	Jan – Nov	111.4%	Nov
Exports of goods except oil (ELSTAT, current prices)	0,2%	8,2%	Jan – Dec	+2,7%	Dec
Tourism – receipts	10.3%	5.9%	Jan – Nov	16.0%	Nov
Transportation – receipts	8.6%	-22.1%	Jan – Nov	-40.9%	Nov
Other services* – receipts	19.9%	-17.7%	Jan – Nov	-21.0%	Nov
Inbound travelers	22.7%	7.5%	Jan – Nov	-4.0%	Nov

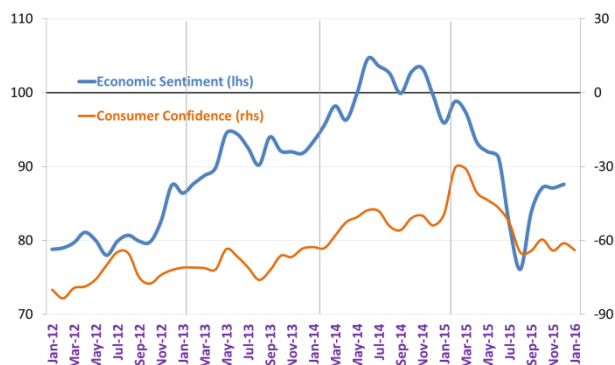
EU Economic Forecasts (Winter 2016)	Greece				Euro area			
	2014	2015	2016	2017	2014	2015	2016	2017
Real GDP (% change)	0.7	0.0	-0.7	2.7	0.9	1.6	1.7	1.9
Total Investment (% change)	-2.8	-8.4	-3.7	12.8	1.3	2.3	2.8	4.2
Employment growth (%)	0.1	1.4	0.9	2.0	0.6	1.1	1.0	1.0
Unemployment rate (%)	26.5	25.1	24.0	22.8	11.6	11.0	10.5	10.2
Consumer price inflation (%)	-1.4	-1.1	0.5	0.8	0.4	0.0	0.5	1.5
Current account balance (% of GDP)	-3.0	-1.8	-1.4	-0.9	3.0	3.7	3.6	3.4
General Government balance (% of GDP)	-3.6	-7.6	-3.4	-2.1	-2.6	-2.0	-1.9	-1.6
General Government gross debt (% of GDP)	178.6	179.0	185.0	181.8	94.5	93.5	92.7	91.3

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

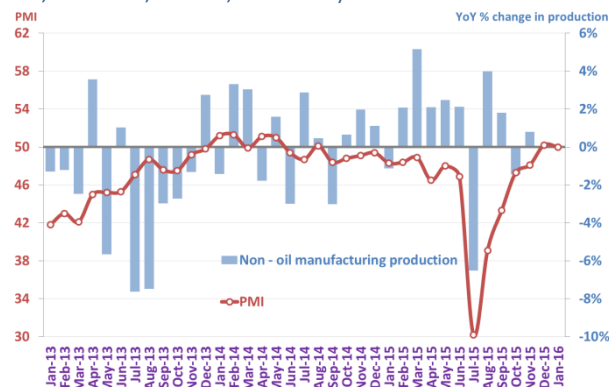
* includes construction business activity abroad, software and technology exports, etc

Tables - Graphs

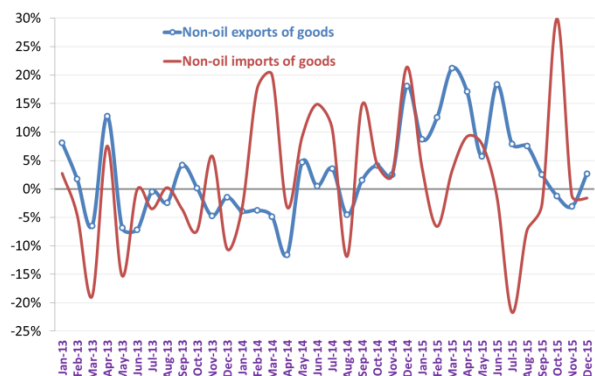
Business climate and consumer confidence
(IOBE, Jan. 2016)



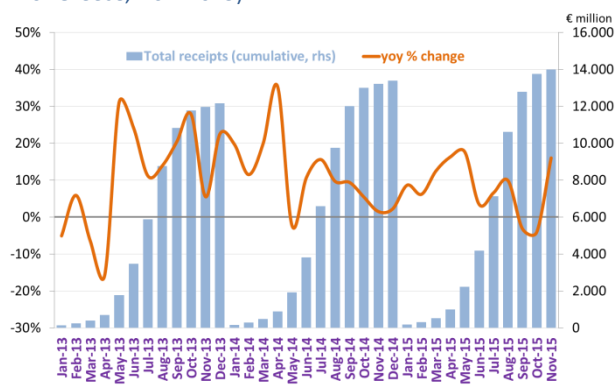
PMI and non-oil manufacturing production
(Markit, Jan. 2016, ELSTAT, Nov. 2015)



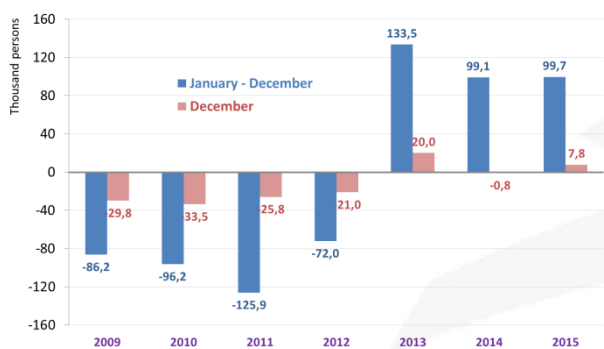
Non – oil exports and imports of goods – yoy % change
(ELSTAT, Dec. 2015)



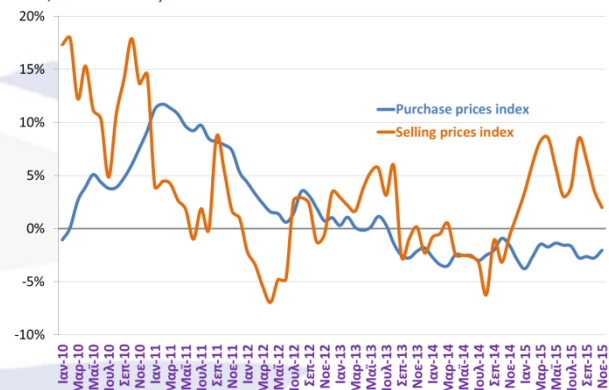
Tourism receipts
(Bank of Greece, Nov. 2015)



Net hirings
(Ministry of Labour, Social Insurance and Social Solidarity, Dec. 2015)



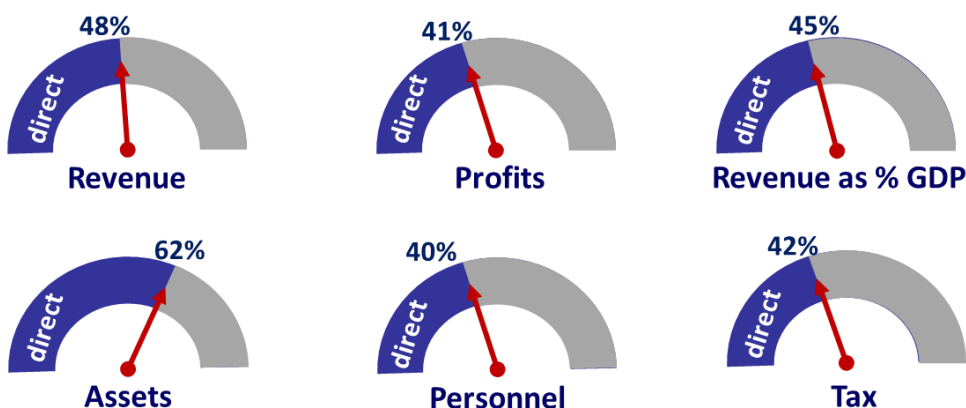
Purchase and selling prices in agriculture (yoy % change)
(ELSTAT, Nov. 2015)



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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