ISSUE 19 | 16 January 2017

BUSINESS & THE GREEK ECONOMY | MONTHLY BULLETIN

Hellenic Federation of Enterprises

INDEX

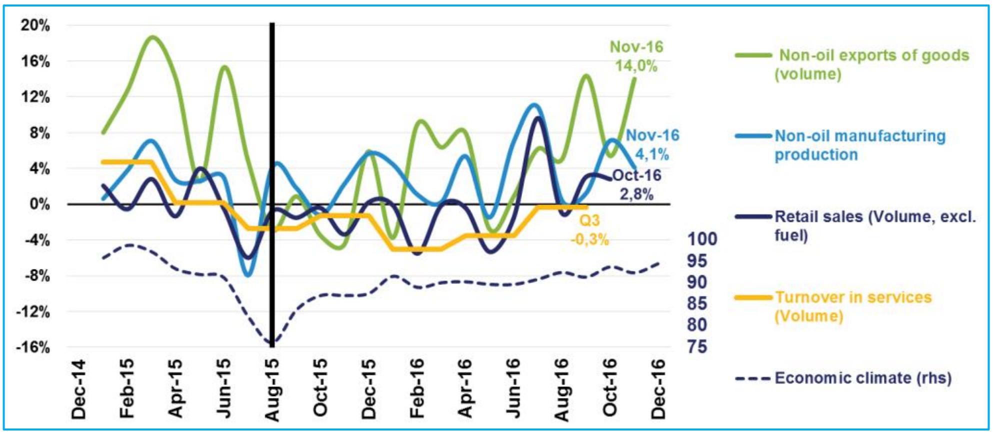
Main indicators	2
Economic climate	3
Employment, prices, wages	4
Industry, trade, services	5
Exports, tourism	6

Michael Massourakis
Chief Economist
E: mmassourakis@sev.org.gr
T: +30 211 500 6104

Michael Mitsopoulos
Senior Advisor
E: mmitsopoulos@sev.org.gr
T: +30 211 500 6157

Thanasis Printsipas
Associate Advisor
E: printsipas@sev.org.gr
T: +30 211 500 6176

Exports, industrial production, retail sales, services
(ELSTAT, Nov. 2016, Economic climate: IOBE Dec. 2016)



Despite uncertainty, the gradual improvement of economic indicators continues

Growth is expected to enter in positive territory in 2016. However, this fact does not ensure a sustainable growth path, especially if delays in structural reforms and fiscal consolidation occur. Moreover, the strong performance recorded in the second half of 2016 in various indicators, is largely due to the low base effect, given that during the same period in 2015 the economy had been digesting the shock from capital controls.

Among Q4 2016 indicators, we highlight:

- **the improvement of the economic climate**: in December 2016 the economic climate improved further despite the incoming wave of over-taxation for businesses and households. The relevant indicator rose to 94.6 points from 92.4 the previous month, while the average index of the fourth quarter is significantly higher compared to the same quarter of 2015 (93.6 vs 87.3).

- **the increase of the industrial production and exports**: non-oil manufacturing production was on the rise for the sixth consecutive month in November 2016 (+4.1%), while increased by +5.6% on average in Oct – Nov 2016 (yoy) and by +3.7% in Nov 2016 year to date. **Non-oil exports of goods show a similar trend in terms of volume** (+14% in Nov 2016, + 9.6% on average in Oct - Nov 2016 and +5.7% in Nov 2016 year to date).

- **the strengthening of the volume of retail sales excluding fuel**: the downward trend from the summer of 2015 came to a halt in Q3 2016 (+3.7% compared to Q3 2015), while in Oct 2016 the indicator continued to rise (+2.8%) and in Oct 2016 year to date appears slightly positive (+0.1%).

- **the slowing deflation**: in Dec 2016 prices rose by + 1% compared to the previous month. Although this hike is due mainly to fuel (+2.5%), the overall evolution of prices seems to support the emergence of higher demand in the economy.

- **the steady decline of unemployment**: unemployment rate fell to 23% in Oct 2016 (from 23.1% in the previous month and 24.5% in Oct 2015), while strong performance of tourism has contributed significantly to the positive net hirings (136.3 thousand during the period Jan - Dec 2016).

At the same time, significant negative trends are still recorded. Among these are:

- **the increase in business closures**: business closures in 2016 grew by 14% (31,273 vs 27,655 in 2015), while the number of new entrants in the business register (GEMI) increased by only +2.5% (27,597 vs 28,289 in 2015).

- **the high level of government arrears to the private sector**: despite the reduction of government's new arrears in Nov 2016, overall figures remain at a high level (€5.6 bn). Moreover, tax arrears of the private sector to the State remain at high levels (€94.2 bn), though in Nov 2016 the new formation of tax arrears returned to a milder monthly pace (+€888 mil).

On the basis of these developments, the interruption of the 2nd review of the program in the beginning of December 2016, and the return to uncertainty vis-a-vis its completion, undermine the positive momentum evident in the economy during the second half of the year, and, thus, the 2017 growth path. Every delay puts more burden on the macroeconomic prospects -and therefore on the negotiations- and acts as a self-fulfilling prophesy for the stranding of economic developments in a negative spiral of uncertainty and disinvestment. This is not the way, therefore, to end the recession.

Main indicators

Economic sentiment	2014 Dec	2015 Dec	2016 Oct	2016 Nov	2016 Dec
Economic climate	99.6	87.6	93.8	92.4	94.6
Consumer confidence	-53.9	-61.1	-63.6	-66.9	-64.4
% stating that their own economic situation will get worse	63%	60%	71%	74%	72%
% stating that the country's economic situation will get worse	66%	80%	74%	81%	79%
% stating that it is unlikely to increase their savings	91%	90%	79%	79%	80%
% stating that unemployment will rise	66%	80%	78%	77%	76%

Employment – Unemployment, prices, wages	2014	2015	2016	Period
Employment (persons, change year-to-date, seasonally adjusted)	+62,100	+99,200	+41,800	Jan – Oct
Employment (persons, change during month, seasonally adjusted)	-6,900	+9,200	-7,100	Oct
Registered unemployed (change year-to-date)	-4,891	-13,817	+54,242	Jan – Nov
Registered unemployed (change during month)	+6,674	+29,510	+28,713	Nov
Net hirings (year-to-date)	+99,122	+99,700	+136,260	Jan – Dec
Net hirings (current month)	-834	+7,826	+11,132	Dec
Unemployment rate (seasonally adjusted)	26.1%	24.5%	23.0%	Oct
Year to date average rate (seasonally adjusted)	26.7%	25.1%	23.5%	Jan - Oct
Index of wages (whole economy, in constant prices, seasonally adjusted)	2.4%	1.4%	2.1%	Q3
Change Year to date (whole economy, in constant prices, seasonally adjusted)	0.1%	1.3%	3.1%	Jan – Sep
Consumer Price Index	-2.6%	-0.2%	0.0%	Dec
Change Year to date	-1.3%	-1.7%	-0.8%	Jan – Dec

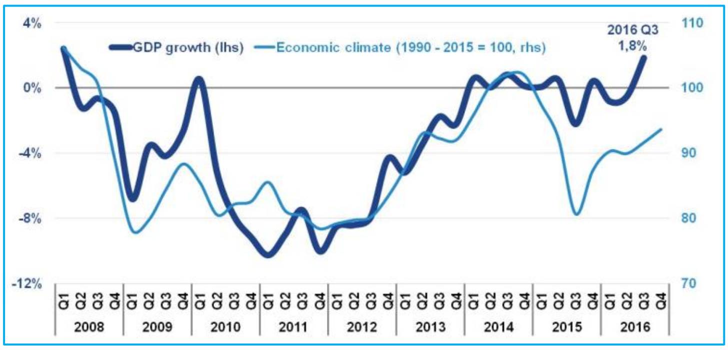
GDP (in constant prices)	Change 2015/2014	Change 2016/2015	Period	2016/2015 Q2	2016/2015 Q3
GDP	-0.6%	0.2%	Jan - Sep	-0.5%	1.8%
Domestic demand	-1.7%	1.5%	Jan - Sep	1.9%	1.7%
Private consumption	-0.3%	1.0%	Jan - Sep	-1.2%	5.1%
Public consumption	-0.8%	-1.2%	Jan - Sep	-0.9%	-0.6%
Investment (including inventory change)	-13.2%	10.2%	Jan - Sep	30.6%	-16.9%
Residential construction	-27.9%	-15.5%	Jan - Sep	-23.3%	-3.7%
Non – residential construction	-5.5%	17.6%	Jan - Sep	19.1%	20.1%
Machinery and equipment (incl. weapons)	6.1%	10.7%	Jan - Sep	2.3%	34.9%
Net exports			Jan - Sep		
Exports of goods and services	5.0%	-1.6%	Jan - Sep	-3.2%	10.2%
Exports of goods	8.1%	10.7%	Jan - Sep	20.5%	9.5%
Exports of services	1.5%	-14.1%	Jan - Sep	-24.6%	10.5%
Imports of goods and services	1.4%	2.0%	Jan - Sep	4.9%	12.0%
Imports of goods	3.4%	6.6%	Jan - Sep	14.7%	7.5%
Imports of services	-6.6%	-15.6%	Jan - Sep	-29.9%	38.1%

Short term conjunctural indicators	Change 2015/2014	Change 2016/2015	Period	Change 2016/2015	Period
Industrial production	0.5%	2.3%	Jan – Nov	2.3%	November
Manufacturing (excluding oil)	1.6%	3.7%	Jan – Nov	4.1%	November
Production in construction	22.3%	0.3%	Jan – Iouv	9.7%	Q2
Building	24.2%	2.7%	Jan – Iouv	7.7%	Q2
Non – building	20.8%	-1.5%	Jan – Jun	11.4%	Q2
Private building activity – building permits (volume in m^3)	-2.3%	-6.0%	Jan – Sep	18.3%	September
Retail sales (volume)	-1.4%	-1.0%	Jan – Oct	2.4%	October
Excluding automotive fuel	-0.3%	0.1%	Jan – Oct	2.8%	October
New vehicle licenses	13.5%	11.0%	Jan – Dec	-19.8%	December
Revenue from tax on mobile telephony	-3.2%	-8.7%	Jan – Sep	-52.4%	September
Non-oil exports of goods (ELSTAT, current prices)	8.7%	2.2%	Jan – Nov	10.9%	November
Non-oil exports of goods, volume	5.7%	5.7%	Jan – Nov	14.0%	November
Non-oil imports of goods (ELSTAT, current prices)	0.8%	7.1%	Jan – Nov	1.1%	November
Non-oil imports of goods, volume	-1.0%	9.2%	Jan – Nov	6.1%	November
Tourism – receipts	5.3%	-4.2%	Jan – Oct	14.2%	October
Transportation – receipts	-20.3%	-26.7%	Jan – Oct	5.0%	October
Other services* – receipts	-17.4%	-1.9%	Jan – Oct	18.4%	October
Inbound travelers	7.9%	4.7%	Jan – Oct	17.3%	October

* 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

Economic climate



GDP AND ECONOMIC CLIMATE

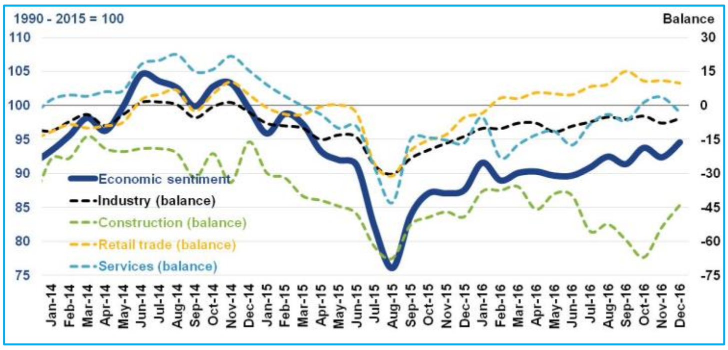
(ELSTAT, Q3 2016, IOBE-DG ECFIN, Dec. 2016)

Private consumption (+5.1%), fixed investment (+12.6%) and total exports (+10.2%), contributed to GDP growth in Q3 2016. In the period Jan – Sep 2016 GDP growth was positive (+0.16%).

PRIVATE CONSUMTION, RETAIL SALES, CONSUMER CONFIDENCE

(ELSTAT,Q3 2016, IOBE, Dec. 2016)

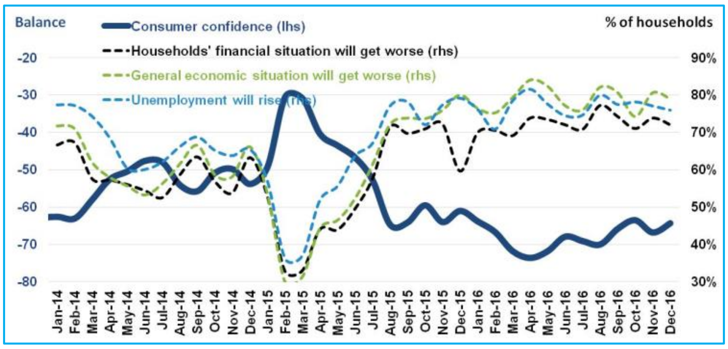
Private consumption grew by +5.1% in Q3 2016 compared with Q3 2015, when it decreased by -4.1% due to capital controls. The volume of retail sales shows a similar trend, while consumer confidence is improving marginally.



ECONOMIC CLIMATE AND BUSINESS EXPECTATIONS

(IOBE-DG ECFIN, Dec. 2016)

In Dec 2016 the economic climate improved further despite the incoming wave of over-taxation for businesses and households and the uncertainty on the conclusion of the 2nd review of the adjustment program. Expectations in construction, though from very low level, improved significantly.



CONSUMER CONFIDENCE

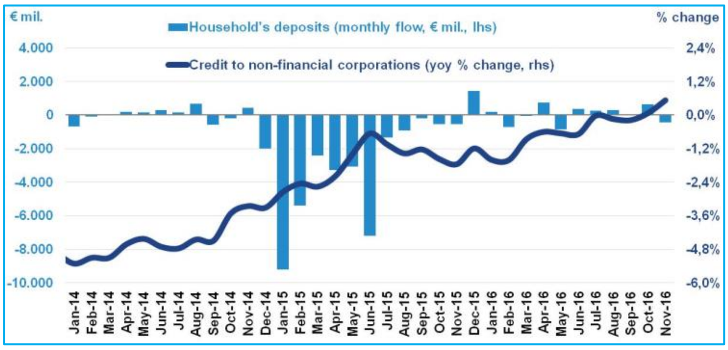
(IOBE-DG ECFIN, Dec. 2016)

The slight easing of households' pessimism on the general situation of the country along with less negative forecasts for unemployment in the next 12 months, led to an improvement of the consumer confidence indicator.

PURCHASING MANUFACTURING INDEX (PMI)

(Markit,Dec. 2016)

PMI improved slightly in Dec 2016 (at 49.3 from 48.3 in the previous month), as firms registered weaker declines in both output and new orders, while businesses raised selling prices as a result of higher cost burdens. However, headcounts were lowered.

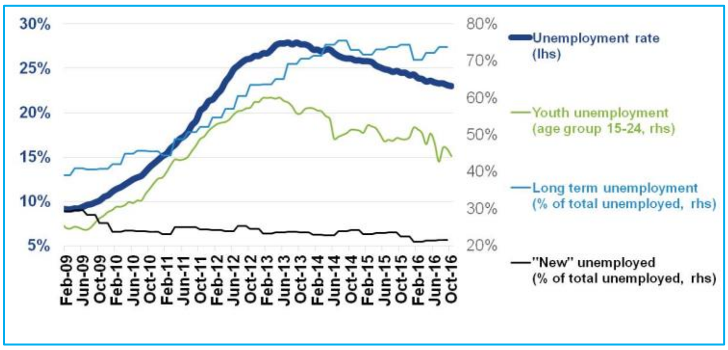


CREDIT TO BUSINESSES AND HOUSEHOLDS DEPOSITS

(Bank of Greece, Nov. 2016)

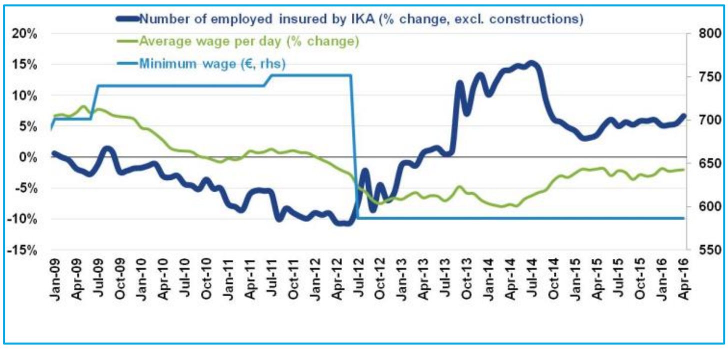
The annual growth rate of credit to non-financial corporations is in positive territory for the 2nd consecutive month in Nov 2016, after almost 5 years with negative growth. On the other hand, households' deposits fell again in Nov 2016.

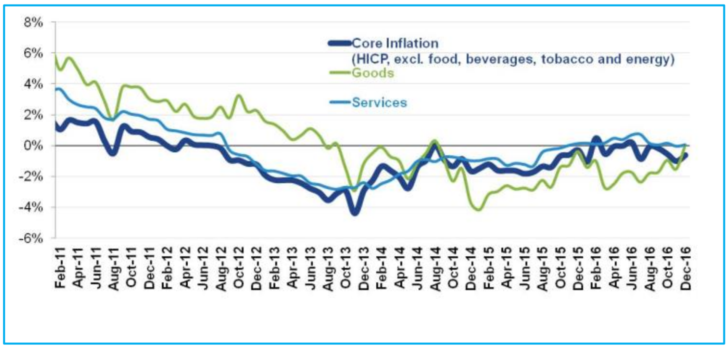
Employment, prices, wages



UNEMPLOYMENT RATE (SEASONALLY ADJUSTED)
(ELSTAT, Oct. 2016)
Unemployment rate fell at 23% in Oct 2016, from 23.1% in the previous month and 24.5% in Oct 2015. However, long term unemployment and youth unemployment remain very high in Q3 2016.

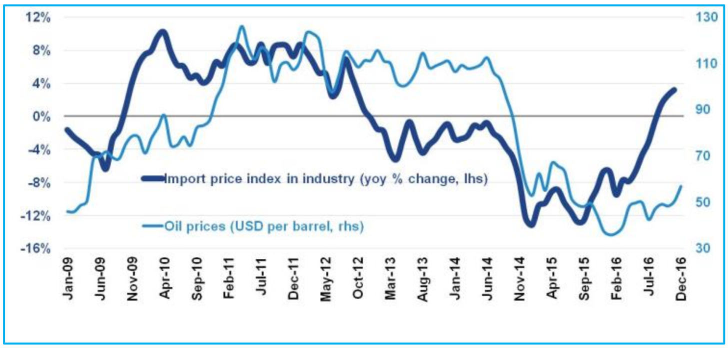
NET HIRINGS
(ERGANI, Dec. 2016)
The rise of tourism contributed most to the positive net hirings, reaching +136.3 thousand in 2016, the stronger performance since 2001 for which data is available.

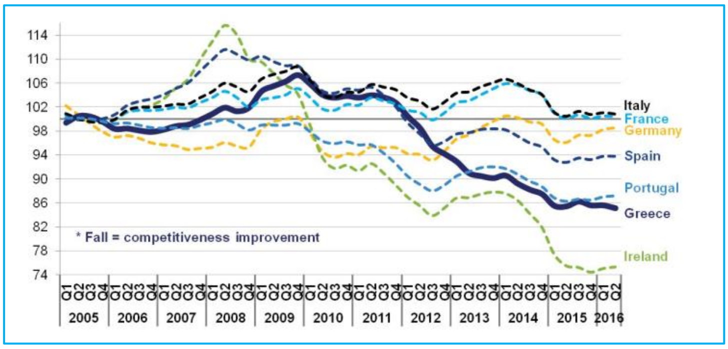




NUMBER OF EMPLOYED INSURED BY IKA AND AVERAGE WAGE
(Yoy % change, IKA, Apr. 2016)
The number of the employed insured by IKA is rising further in Apr 2016 (+6.6%), yet at a much slower pace since Jul 2014. Average wages continue to decline, but the rate of the decline has decelerated to -2% in Apr 2016.

GOODS AND SERVICES INFLATION, CORE INFLATION
(ELSTAT, Dec. 2016)
In Dec 2016 the overall CPI rose by +1% on monthly basis. Even though this hike is largely due to fuel (+2.5%), the evolution of prices during the last months seems to signal increased demand in the economy.





IMPORT PRICE INDEX IN INDUSTRY AND OIL PRICES
(ELSTAT,Nov. 2016, FT, Dec. 2016)
After almost 4 years of decline, import price index in industry is on the rise since Sep 2016 (+3.2% in Nov 2016), following the increase of oil prices.

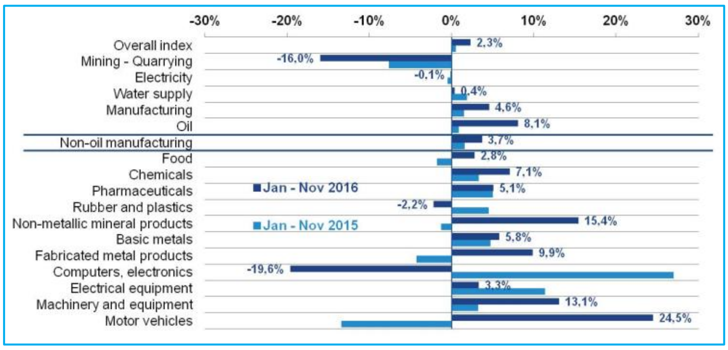
PRICE AND COST COMPETITIVENESS: REAL EFFECTIVE EXCHANGE RATE *(Eurostat,Q2 2016)*
Reforms in recent years have contributed to the recovery of a significant part of Greece's competitiveness compared with other European countries according to the index of the real effective exchange rate.

Industry, trade, services

PRODUCTION AND TUROVER IN NON-OIL MANUFACTURING

(ELSTAT, Nov. 2016)

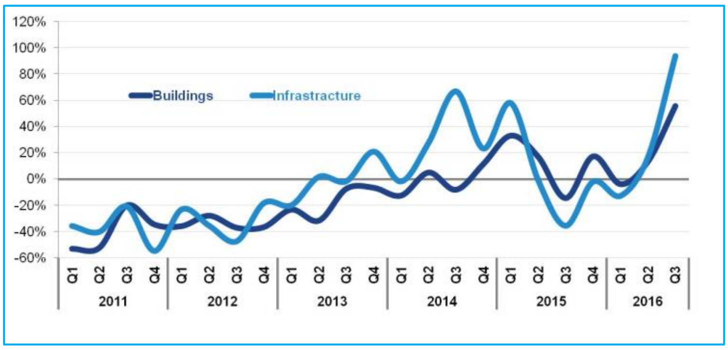
Non-oil manufacturing production was on the rise for the sixth consecutive month in November 2016 (+4.1%), yet turnover does not show a clear trend.



INDUSTRAL PRODUCTION IN BY SECTOR

(ΕΛΣΤΑΤ, Nov. 2016)

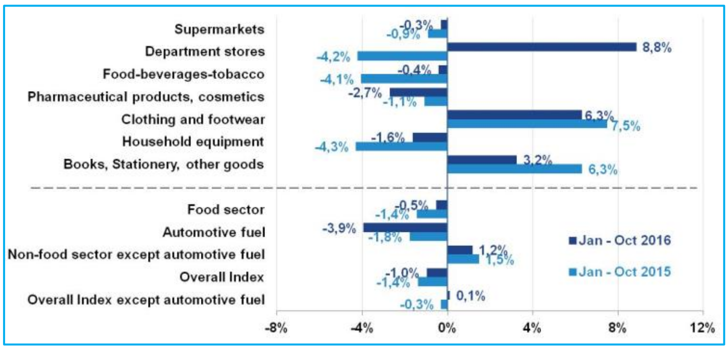
In the period Jan – Nov 2016, production in the most sectors of manufacturing is increasing compared with the same period in 2015. Total non-oil manufacturing production increased by +3.7%.



VOLUME OF PRODUCTION IN CONSTRUCTION

(Yoy % change,ELSTAT, Q3 2016)

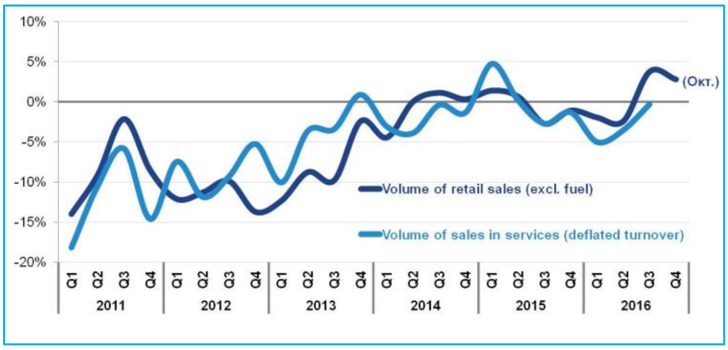
Production in construction increased by +77.4% in Q3 2016, after a decline of -28% during the same period in 2015, while the index in infrastructure rose by +93.9%. In total, production in construction has increased by +25% in Q3 2016 year to date.



VOLUME OF RETAIL SALES

(% change by store category, ELSTAT, Sep. 2016)

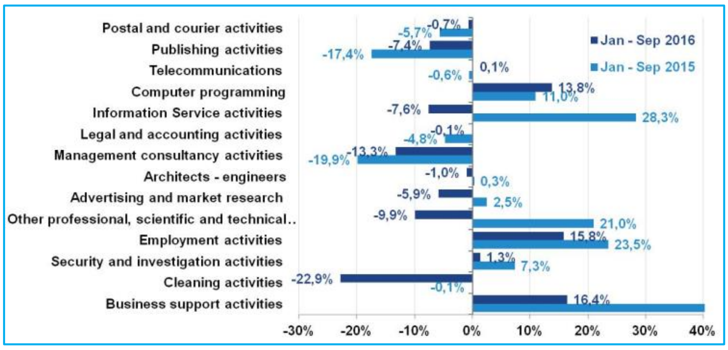
In Oct 2016 year to date the average index of retail sales volume except fuel remain almost unchanged (+0.1%), with department stores and clothing and footwear stores showing a sharp increase.



VOLUME OF RETAIL AND SERVICES SALES

(ELSTAT, Eurostat,Q3 2016)

The decline in retail sales since the summer of 2015 came to a halt in Q3 2016. The deflated turnover in services shows a similar trend.

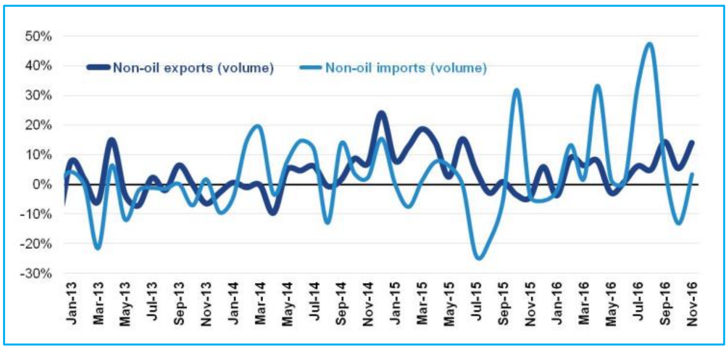


TURNOVER INDICES IN SERVICES

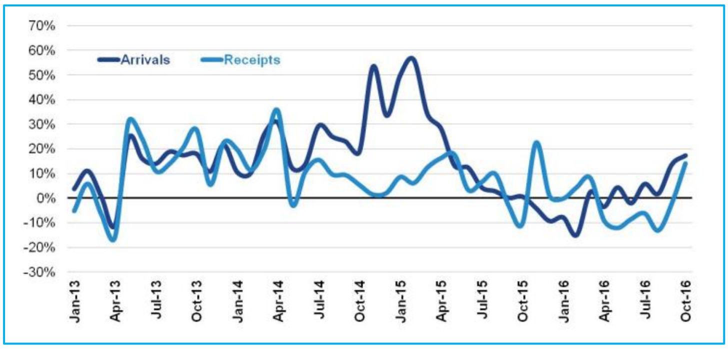
(ELSTAT,Q3 2016)

Turnover in the most sectors of services is decreasing during the period Jan – Sep 2016. Turnover in business support activities (+16.4%), employment activities (+15.8%) and computer programming (+13.8%) is in positive territory.

Exports, tourism



VOLUME OF NON-OIL EXPORTS AND NON-OIL IMPORTS OF GOODS
(ELSTAT, Nov. 2016)
At constant prices, non-oil exports of goods, as well as non-oil imports of goods increased in November 2016, showing a recovery trend.



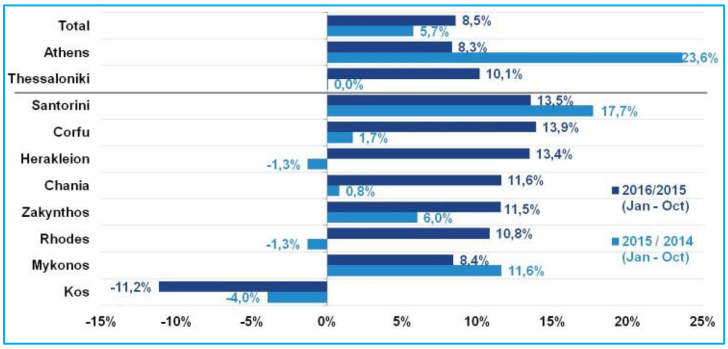
TOURISM ARRIVALS AND RECEIPTS
(Bank of Greece, Oct. 2016)
The high increase of arrivals and receipts in Oct 2016 (+17.3% and +14.2% respectively) is rising optimism for reducing the losses to a minimum throughout 2016 in total (-4.2% in revenues during the period Jan – Oct 2016), while it is recorded a significant extension of the tourist season.

Group of products	Jan - Nov		%Δ
(€ mil.)	**2015**	**2016**	
Agricultural products	**4,387.8**	**4,759.7**	**8.5%**
Food	3,239.0	3,579.8	10.5%
Beverages / Tobacco	549.2	609.2	10.9%
Animal and vegetable oil	599.6	570.7	-4.8%
Crude Materials	**795.2**	**764.9**	**-3.8%**
Mineral Fuels	**6,414.5**	**5,624.6**	**-12.3%**
Industrial products	**9,424.7**	**9,328.2**	**-1.0%**
Chemicals	2,284.4	2,263.7	-0.9%
Goods classified by material	3,520.3	3,288.6	-6.6%
Machinery & transport equipment	2,118.4	2,164.6	2.2%
Misc. manufactured articles	1,501.6	1,611.3	7.3%
Not classified commodities	**512.2**	**443.1**	**-13.5%**
Total	**21,534.4**	**20,920.5**	**-2.9%**
Total exl. Oil	**15,119.9**	**15,295.9**	**1.2%**
Memo item*:			
Manufactured products	**11,675.5**	**11,562.7**	**-1.0%**
of which: Food / Beverages	2,297.7	2,334.9	1.6%
Crude materials & primary products	**2,022.7**	**2,205.7**	**9.0%**
of which: Agricultural products	1,346.9	1,513.6	12.4%

* Jan – Oct data

EXPORTS BY PRODUCT
(ELSTAT, Eurostat, Nov. 2016)
Exports of agricultural products show a strong performance during the period Jan - Dec 2016, while there are mixed trends in industrial products, with weakening exports of chemicals, declining exports of industrial goods classified by material and higher exports of misc. manufactured articles.

TRANSPORTATION RECEIPTS
(Bank of Greece, Oct. 2016,Piraeus container handling: COSCO, Nov. 2016)
The improved transportation receipts since Jul 2016 (+5% in Oct 2016 and + 29% in Q3 2016), is mainly due to the decline during the same months of 2015, while a big amount of revenues still remains outside the country.



INTERNATIONAL ARRIVALS AT MAIN AIRPORTS
(SETE, Oct. 2016)
International arrivals are up at most airports during the period Jan – Oct 2016, while the refugee issue seems to affect certain areas, such as Kos (-11.2%). International arrivals at all Greek airports increased by + 8.5%.