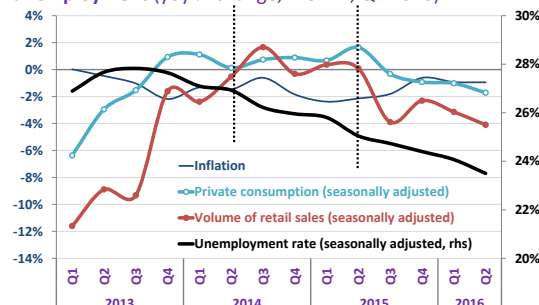




The Greek economy remained in recession during the second quarter of 2016, according to the latest data from ELSTAT, experiencing a 4th consecutive quarter of contraction. The rate of GDP decline was -0.9%, instead of -1.0% during the previous quarter and +0.8% during the same quarter of 2015. Overall, for the first semester of 2016 the recession (-1% instead of +0.6% last year) reflects the decline of private consumption (-1.4% instead of +1.2% last year) and the volume of retail sales (-3.6% instead of +0.3% last year), as well as the weakening of non-oil exports (-1.4% instead of +14.3% last year) and tourist arrivals by -1.6% instead of +20.8% last year (even though last minute arrivals show a positive trend in July and August). On the other hand, industry demonstrates more vigor, with manufacturing production increasing (+4.3% during the first semester of 2016), while the trend of economic climate indexes is mixed. In particular, according to the latest available data:

Private consumption, prices, retail sales volume and unemployment (yoy % change, ELSTAT, Q2 2016)



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- The economic sentiment index improved slightly during August (to 92.5 from 90.9 in July 2016), remaining at the low levels observed during the first semester of 2013. The improvement is spread across all sectors, and is related mainly with the more optimistic expectations for production and sales, that do not extend though to a similar improvement in employment expectations.
- Industrial production increased during July 2016 (+4.1%), while for the whole period Jan – July 2016 it increased by +2.3%, mainly as a result of the strengthening of the production in non-oil manufacturing (+3.8%) especially in the food sector (+4.5%), chemicals (+8%), non-ferrous minerals (+13.9%) and basic metals (+3.8%).
- In August the Purchasers Managers Index (PMI) in manufacturing returned to levels compatible with (marginal) growth (50.4 from 48.7 during July) with a quite visible increase in orders and employment that are related to exports, in spite of the continuing squeeze of profit margins.
- The unemployment rate fell even further in June 2016 to 23.4% (from 24.9% in June 2015 and 23.6% in May 2016), while during the period Jan – July 2016 there were created 253 thousand jobs on a net basis, a development that in turn is mainly related to the hiring of seasonal employees in hotels and restaurants. At the same time, the decline in the unemployment rate is affected to some extent by the reduction in the workforce that follows from persistently high emigration rates, increased retirement rates and the increased public sector hiring via contracts. Therefore, it remains questionable to what extent the decline in unemployment will persist, given the increase of the unemployed registered by the Unemployed Office (OAED) during June 2016 (+5,460) and July (+18,867).

On the other hand, these positive developments are paired with:

- The worsening of the consumer confidence during August 2016 (-70.1 from -69.2 in July), which maintains the trend of a strong decline since February 2015 as a result of the increasing pessimism documented among households in particular with respect to their economic situation and unemployment expectations.
- The persistent drop in retail sales (the overall volume index except fuels fell by -1.5% during June 2016 and by -2.2% during the first semester of the year), with losses in all shop types except department stores and wearing and apparel (+9.1% and +2.6% respectively for the first semester of 2016).
- The weakening of non-oil exports since May 2016, which despite the marginal increase in July 2016 (+0.7%) during the period Jan – July 2016 show a drop of -0.9% instead of +13.3% the same period last year. Still, the exports of certain goods are maintaining a positive momentum, especially food (+8.9%), beverages and tobacco (+11.3%), machinery (+4.2%) and miscellaneous manufactured goods (+7.4%), a fact that has also contributed to the increase of their volume of production in the first semester of 2016.
- The decrease in the receipts from travel and transport services (-5.8% and -44.1% respectively for the first semester of 2016), which follows mainly as a result of the large amount of transactions that are taking place outside the Greek banking system since the imposition of the capital controls.
- The decline of tourism arrivals during the first semester of 2016 (-1.6%), even though, according to data from the Ministry of Maritime Affairs and SETE, traffic in coastal shipping and arrivals at airports show an increase (+6.9% for the period Jan – Aug 2016 and +6.4% for the period Jan – July 2016 respectively), as a result of last minute reservations.

These trends are the result, to a large extent, of the delay observed in the implementation of the adjustment program and the exhaustion of the private sector's reserves due to the entrenched overtaxation. At the same time, the fact that GDP growth remained close to -1% since the 4th quarter of 2015 underscores the risk of a new circle of stagnation. This highlights the need to immediately adopt measures to stimulate the economy, since growth will not occur automatically without active tax reduction policies and bold incentives for private investment.

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### Economic indicators

<b>Economic sentiment</b>	<b>2015/2014 Dec / Dec</b>	<b>2016/2015 Aug / Aug</b>
<b>Economic climate</b>	↓ 87.6 / 99.6	↑ 92.5 / 76.1
<b>Consumer confidence</b>	↓ -61.1 / -53.9	↓ -70.1 / -64.8
% stating that their own economic situation will get worse	60% / 63%	77% / 71%
% stating that the country's economic situation will get worse	80% / 66%	82% / 72%
% stating that it is unlikely to increase their savings	90% / 91%	78% / 75%
% stating that unemployment will rise	80% / 66%	80% / 77%

<b>Employment – Unemployment</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Period</b>
<b>Employment (change year-to-date, seasonally adjusted)</b>	+64,900 pers.	+75,700 pers.	+27,200 pers.	Jan – June
Employment (change during month, seasonally adjusted)	+31,100 pers.	+19,400 pers.	+15,000 pers.	June
<b>Registered unemployed (change year-to-date)</b>	-24,126 pers.	-40,338 pers.	-12,802 pers.	Jan – July
Registered unemployed (change during month)	+15,126 pers.	+14,100 pers.	+18,867 pers.	July
<b>Net hirings (year-to-date)</b>	+189,572 pers.	+186,465 pers.	+253,945 pers.	Jan – July
Net hirings (current month)	+13,275 pers.	-16,658 pers.	+19,281 pers.	July
<b>Unemployment rate (seasonally adjusted)</b>	26.7%	24.9%	23.4%	June
Year to date average rate (seasonally adjusted)	27.0%	25.4%	23.8%	Jan - June
<b>Index of wages (whole economy, in constant prices, seasonally adjusted)</b>	-1.0%	2.7%	1.6%	Q1
Change Year to date (whole economy, in constant prices, seasonally adjusted)	1,1%	1,3%	-	Jan – Dec
<b>Consumer Price Index</b>	-0.3%	-1.5%	-0.9%	Aug
Change Year to date	-1.2%	-2.3%	-0.9%	Jan – Aug

	<b>Change 2015/2014</b>	<b>Change 2016/2015</b>	<b>Period</b>	<b>Change yoy</b>	
				<b>2016 Q1</b>	<b>2016 Q2</b>
<b>GDP (in constant prices)</b>	0.6%	-1.0%	Jan – June	-1.0%	-0.9%
Private consumption	1.2%	-1.4%	Jan – June	-1.0%	-1.7%
Residential construction investment	-20.9%	-20.3%	Jan – June	-17.1%	-23.5%
Non – residential construction investment	-11.3%	5.6%	Jan – June	4.0%	7.1%
Investment in machinery and equipment	16.2%	-1.6%	Jan – June	-2.8%	-0.5%
Exports of goods and services	2.6%	-11.4%	Jan – June	-11.5%	-11.4%
Imports of goods and services	2.8%	-9.6%	Jan – June	-11.9%	-7.1%

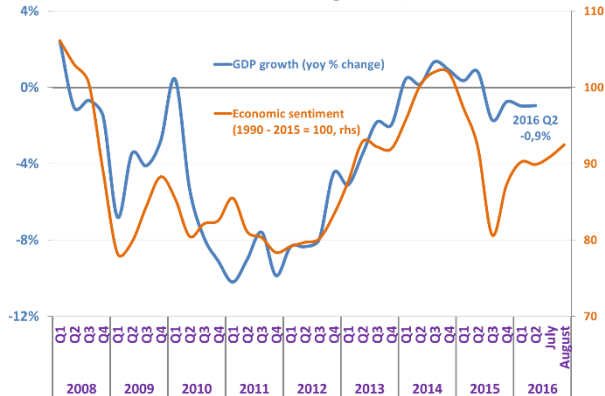
<b>Short term conjunctural indicators</b>	<b>Change 2015/2014</b>	<b>Change 2016/2015</b>	<b>Period</b>	<b>Change 2016/2015</b>	<b>Period</b>
<b>Industrial production</b>	-0.3%	2.3%	Jan – July	4.1%	July
Manufacturing (excluding oil)	1.5%	3.8%	Jan – July	9.8%	July
<b>Production in construction</b>	1.3%	-	Jan – Dec	-9.3%	Q1
Building	9.2%	-	Jan – Dec	-1.9%	Q1
Non – building	-4.2%	-	Jan – Dec	-15.5%	Q1
<b>Private building activity – building permits (volume in m<sup>3</sup>)</b>	7.2%	-22.2%	Jan – June	-26.1%	June
<b>Retail sales (volume)</b>	-1.4%	-5.4%	Jan – June	-5.2%	June
Excluding automotive fuel	0.6%	-3.2%	Jan – June	-2.3%	June
<b>New vehicle licenses</b>	18.5%	13.0%	Jan – Aug	14.1%	August
<b>Revenue from tax on mobile telephony</b>	-6.2%	5.6%	Jan – May	120.7%	May
<b>Non-oil exports of goods (ELSTAT, current prices)</b>	13.3%	-0.9%	Jan – July	0.7%	July
<b>Tourism – receipts</b>	9.5%	-5.8%	Jan – June	-5.4%	June
<b>Transportation – receipts</b>	2.8%	-44.1%	Jan – June	-35.7%	June
<b>Other services* – receipts</b>	-5.4%	-23.7%	Jan – June	2.6%	June
<b>Inbound travelers</b>	20.8%	-1.6%	Jan – June	-2.0%	June

<b>EU Economic Forecasts (Spring 2016)</b>	<b>Greece</b>				<b>Euro area</b>			
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
<b>Real GDP (% change)</b>	<b>0,7</b>	<b>-0,2</b>	<b>-0,3</b>	<b>2,7</b>	<b>0,9</b>	<b>1,7</b>	<b>1,6</b>	<b>1,9</b>
Private consumption (% change)	0,5	0,3	-0,4	1,8	0,8	1,7	1,8	1,5
Public consumption (% change)	-2,6	0,0	-0,5	-0,1	0,8	1,3	1,4	1,2
Total investment (% change)	-2,8	0,7	-0,9	11,6	1,3	2,9	2,9	3,8
Exports of goods and services (% change)	7,5	-3,8	0,5	4,2	4,1	5,2	3,5	4,7
Imports of goods and services (% change)	7,7	-6,9	-0,1	3,8	4,5	6,0	4,6	5,3
Consumer price inflation (%)	-1,4	-1,1	-0,3	0,6	0,4	0,0	0,2	1,4
Current account balance (% of GDP)	-3,0	-0,2	0,6	1,3	3,0	3,6	3,7	3,6
General Government balance (% of GDP)	-3,6	-7,2	-3,1	-1,8	-2,6	-2,1	-1,9	-1,6
General Government gross debt (% of GDP)	180,1	176,9	182,8	178,8	94,4	92,9	92,2	91,1

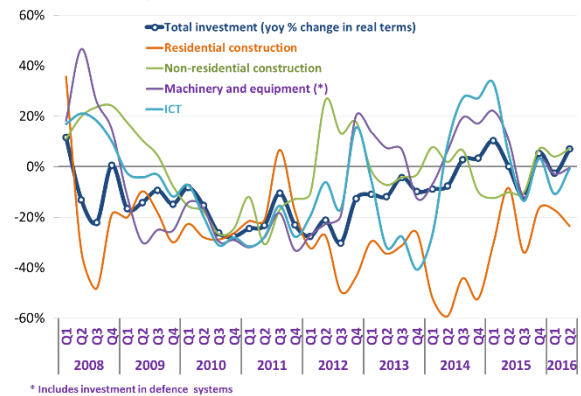
\* includes construction business activity abroad, software and technology exports, etc

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

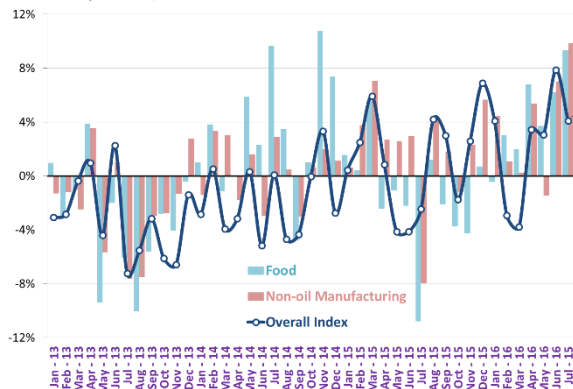
## GDP growth & economic sentiment (ELSTAT, Q2 2016, EE – DG ECFIN, Aug. 2016)



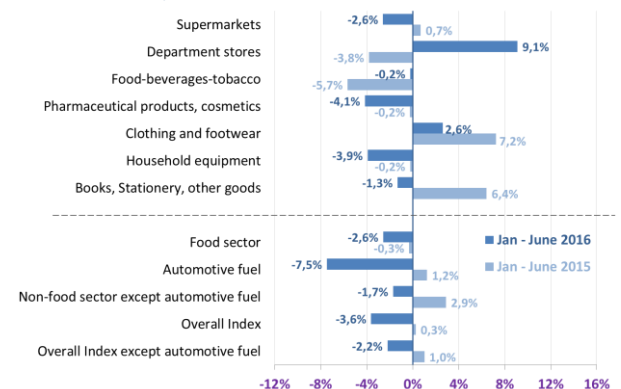
## Gross fixed investment (ELSTAT, Q2 2016)



## Production in Industry (ELSTAT, July 2016)



## Retail sales (deflated turnover) by store category (ELSTAT, June 2016)

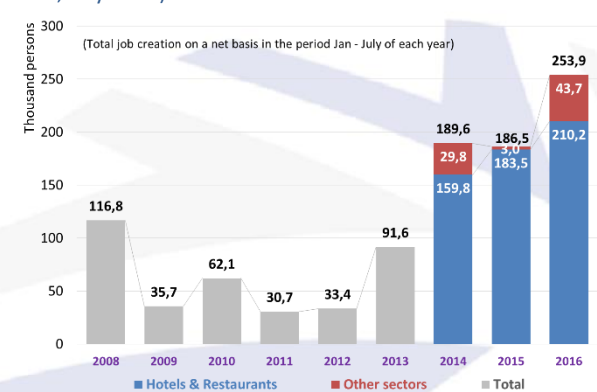


## Exports by product (ELSTAT, July 2016)

Product Group	January – July			%Δ	
	2014	2015	2016	15/14	16/15
<b>Agricultural products</b>	<b>2.633,2</b>	<b>3.089,5</b>	<b>3.278,5</b>	<b>17,3%</b>	<b>6,1%</b>
Food	2.157,1	2.242,5	2.441,0	4,0%	8,9%
Beverages / Tobacco	321,8	390,9	435,0	21,5%	11,3%
Animal and vegetable oil	154,3	456,0	402,5	195,5%	-11,7%
<b>Crude Materials</b>	<b>548,5</b>	<b>574,4</b>	<b>497,7</b>	<b>4,7%</b>	<b>-13,4%</b>
Mineral Fuels	6.088,3	4.507,7	3.494,7	-26,0%	-22,5%
<b>Industrial products</b>	<b>6.051,0</b>	<b>6.786,0</b>	<b>6.679,7</b>	<b>12,1%</b>	<b>-1,6%</b>
Chemicals	1.600,6	1.644,0	1.621,6	2,7%	-1,4%
Goods classified by material	2.208,9	2.574,2	2.348,0	16,5%	-8,8%
Machinery & transport equipment	1.244,1	1.522,1	1.586,8	22,4%	4,2%
Misc. manufactured articles	997,5	1.045,6	1.123,3	4,8%	7,4%
<b>Not classified commodities</b>	<b>351,6</b>	<b>398,1</b>	<b>298,4</b>	<b>13,2%</b>	<b>-25,0%</b>
<b>Total</b>	<b>15.672,6</b>	<b>15.355,6</b>	<b>14.249,0</b>	<b>-2,0%</b>	<b>-7,2%</b>
<b>Total excl. Oil</b>	<b>9.584,3</b>	<b>10.847,9</b>	<b>10.754,3</b>	<b>13,2%</b>	<b>-0,9%</b>
<b>Memo item*:</b>					
Manufactured products	6.795,8	7.944,4	7.699,1	16,9%	-3,1%
of which: Food / Beverages	1.177,0	1.551,5	1.540,0	31,8%	-0,7%
Crude materials & primary products	1.335,8	1.357,6	1.456,0	1,6%	7,2%
of which: Agricultural products	878,6	855,5	962,3	-2,6%	12,5%

\* Jan – June data

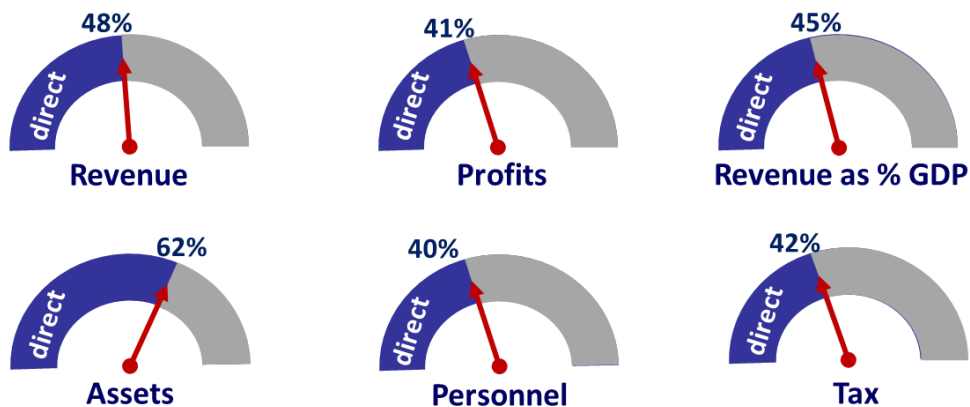
## Net hirings (ERGANI, July 2016)



## 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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