

The Greek economy in a suspended state of animation due to prolonged uncertainty and limited visibility ahead

11 April 2016

The economy sends lately mixed signals. On the one hand, there are indications that **the economy gradually stabilizes** since the ill-fated 2015, as expectations in key sectors tend to improve, while industrial production and exports are on the rise. But, on the other hand, **uncertainty with respect to the prospects of the economy persists**, and this is reflected in the continuing decline of consumer confidence and the marginal increase in employment while **the impending tax increases and pension cuts increase the pressure on disposable income, consumption and retail sales**. At the same time, capital controls discourage investment while the **widening of the refugee crisis has the potential to affect tourism negatively**.

This mixed picture is reflected in a wide selection of the data published during the past month. In particular:

- **Economic confidence improved marginally during March 2016** (to 90.1 from 89 in February), mainly as a result of **improved expectations in manufacturing and services** and the stabilization **documented in retail sales and construction**.
- In spite of the decline of the general index of industrial production during February 2016 (-2.9%), for the two months Jan-Feb 2016 the change is positive (+0.7%), while **non-oil manufacturing production increases for the fourth consecutive month** (+0.7% in February, +2.9% for the period of Jan - Feb 2016), emulating the modest, but steady, improvement of business confidence that is observed since the Fall of 2015.
- **The PMI in manufacturing improved marginally during March 2016** (to 49 from 48.4 during the previous month), but remained below the level of 50, which reflects a contraction of the sector. In spite of the decline in new orders and stocks, **the number of employees increased modestly**.
- **Non-oil exports of goods recovered during February 2016**, with an increase of +3.7% that compensates for the loss recorded during January (-4.4%), in spite of the disruption of trade flows caused by the farmer's demonstrations. During the same period **imports increased by +13.7%**.

At the same time there are some negative developments that place the market in a state of suspended animation. These developments are mainly related with the decline in consumer confidence, the weakness of the job market, the outflow of deposits and the loss of receipts from transport, mainly shipping. In particular:

- **Consumer confidence recorded anew a significant decline during March 2016** (to -71.9 from -66.8 in February). The pessimism of consumers for the near future now is again close to the historic low of 2011, the expectations of unemployment exceed the high levels of 2013, savings decline and the assessment of the current economic situation is perceived every month more negatively. The decline in consumer confidence is related largely with the anticipated decline in available income, as a result of the imminent changes in taxation and the social security system, as well as the amplification of the refugee crisis.
- **The registered unemployed increased** during February 2016 when compared to January (+17 thousand), while **the unemployment rate remained close to 24.5% in January**, with youth unemployment (under 25 years) exceeding 51%. In addition the balance between new hiring and departures (+14,437) was worse when compared to the February of 2015 (+15,124).
- **Credit to non-financial companies kept declining** during February 2016 (-1.6%), while the sum of deposits by companies and households have remained largely unchanged since July 2016 to the level of €122 bn., with households' deposits having decreased by €1 bn. (-€707 mil. in Feb 2016), a fact that points to a weak level of confidence with respect to the implemented economic policies.
- A source of increasing concern is the **substantial and apparently permanent decline in receipts from transport, mainly shipping, since the summer of 2015**, partly as a result of the crisis in the shipping industry but also as a result of the imposed capital controls (-54.4% since January 2016), while **a similar decline is observed in the receipts from other services** during almost all months since July 2015 (-35.3% in January 2016). Simultaneously, **the gross tonnage of the merchant fleet under the Greek flag declines in January for the 6th consecutive month**.

All these pieces of evidence suggest that the resilience demonstrated so far by the Greek economy is increasingly put under pressure. In order to avert such a development it is necessary to strengthen fiscal consolidation, to implement consistently a coherent growth strategy and to contain the excesses of the planned tax spree that will inevitably deepen the recession. Within this context the completion of the review of the adjustment program is a prerequisite for the recovery of the economic climate and for citizens being able to anticipate a period of steady growth. The latter could, in turn, contribute towards positive growth rates during the second half of this year.

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Main economic indicators

Economic sentiment	2015/2014		2016/2015	
	Dec / Dec		Mar / Mar	
Economic climate	↓	87.6 / 99.6	↓	90.1 / 97.3
Consumer confidence	↓	-61.1 / -53.9	↓	-71.9 / -31.0
% stating that their own economic situation will get worse		60% / 63%		69% / 33%
% stating that the country's economic situation will get worse		80% / 66%		79% / 31%
% stating that it is unlikely to increase their savings		90% / 91%		77% / 67%
% stating that unemployment will rise		80% / 66%		78% / 37%

Employment – Unemployment	2014	2015	2016	Period
Employment (change year-to-date, seasonally adjusted)	+53,268 pers.	+113.825 pers.	-	Jan – Dec
Employment (change during month, seasonally adjusted)	+22,045 pers.	+47.449 pers.	-25.216 pers.	Jan
Registered unemployed (change year-to-date)	-1,960 pers.	+6.387 pers.	+35.764 pers.	Jan – Feb
Registered unemployed (change during month)	+2,789 pers.	+135 pers.	+17.814 pers.	Feb
Net hirings (year-to-date)	+26,309 pers.	+5.851 pers.	+4.483 pers.	Jan – Feb
Net hirings (current month)	+19,912 pers.	+15.124 pers.	+14.437 pers.	Feb
Unemployment rate (seasonally adjusted)	27.2%	25.7%	24.4%	Jan
Year to date average rate (seasonally adjusted)	26.6%	25.0%	-	Jan – Dec
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	-2.6%	-0.2%	-1.5%	Mar
Change Year to date	-1.3%	-2.4%	-0.9%	Jan – Mar

GDP	Change 2014/2013	Change 2015/2014	Period	Change 2015/2014	
				Q4	Q3
GDP (in constant prices)	0.7%	-0.2%	12M	-0.8%	-1.7%
Private consumption	0.5%	0.3%	12M	-0.9%	-0.3%
Residential construction investment	-52.5%	-23.1%	12M	-21.5%	-34.2%
Non – residential construction investment	3.1%	-7.5%	12M	-29.8%	-19.3%
Investment in machinery and equipment	8.5%	5.9%	12M	3.6%	-12.4%
Exports of goods and services	7.5%	-3.8%	12M	-8.8%	-10.3%
Imports of goods and services	7.7%	-6.9%	12M	-12.5%	-19.8%

Main short term indicators	Change 2015/2014	Change 2016/2015	Period	Change 2016/2015	Period
Industrial production	1.0%	0.7%	Jan – Feb	-2.9%	Feb
Manufacturing (excluding oil)	1.3%	2.9%	Jan – Feb	0.7%	Feb
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)	-0.2%	-	Jan – Dec	-	-
Retail sales (volume)	-1.4%	-	Jan – Dec	-2.2%	Jan
Excluding automotive fuel	-0.5%	-	Jan – Dec	-0.6%	Jan
New vehicle licenses	22.3%	-2.4%	Jan – Mar	3.4%	Mar
Revenue from tax on mobile telephony	-6.4%	-	Jan – Dec	-53.7%	Jan
Exports of goods except oil (ELSTAT, current prices)	10.8%	-0.3%	Jan – Feb	3.7%	Feb
Tourism – receipts	6.0%	-	Jan – Dec	-4.7%	Jan
Transportation – receipts	-24.1%	-	Jan – Dec	-54.4%	Jan
Other services* – receipts	-15.5%	-	Jan – Dec	-35.3%	Jan
Inbound travelers	7.1%	-	Jan – Dec	-7.8%	Jan

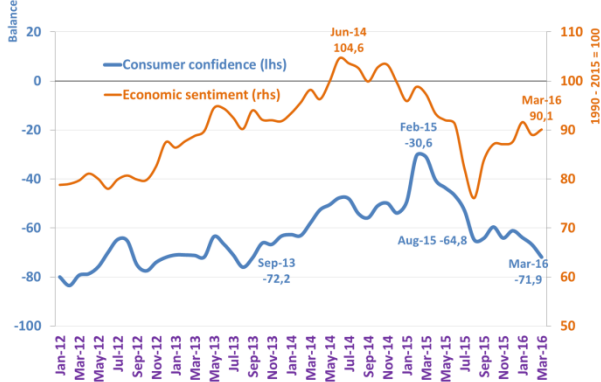
EU Economic Forecasts (Winter 2016)	Greece				Euro area			
	2014	2015	2016	2017	2014	2015	2016	2017
Real GDP (% change)	0.7	0.0	-0.7	2.7	0.9	1.6	1.7	1.9
Total Investment (% change)	-2.8	-8.4	-3.7	12.8	1.3	2.3	2.8	4.2
Employment growth (%)	0.1	1.4	0.9	2.0	0.6	1.1	1.0	1.0
Unemployment rate (%)	26.5	25.1	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

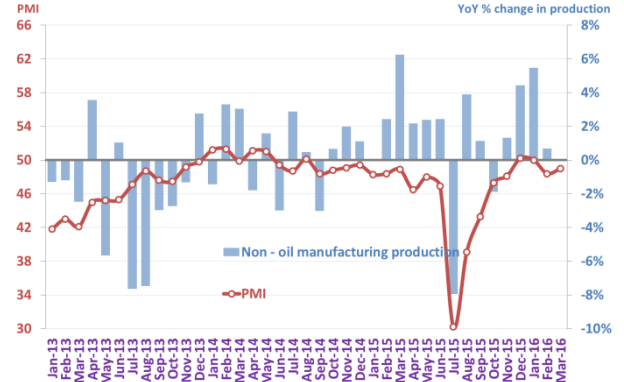
* includes construction business activity abroad, software and technology exports, etc

Tables - Graphs

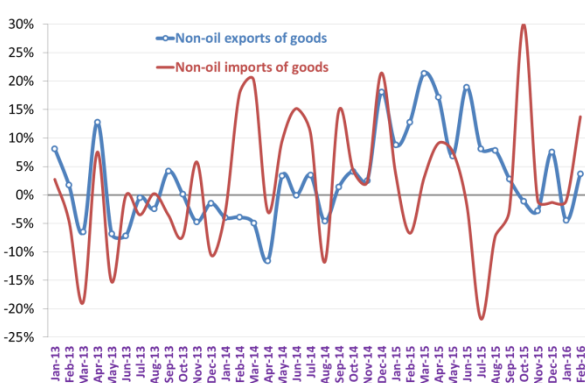
Economic sentiment and consumer confidence
(IOBE, Mar. 2016)



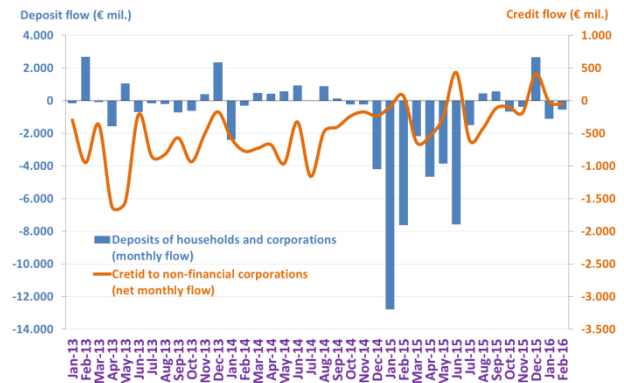
PMI and non-oil manufacturing production
(Markit, Mar. 2016, ELSTAT, Feb. 2016)



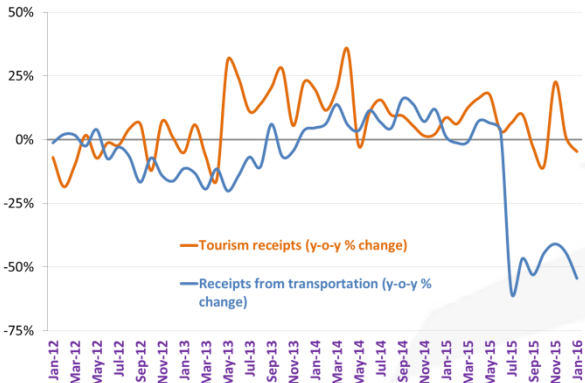
Non - oil exports and imports of goods – yoy % change
(ELSTAT, Feb. 2016)



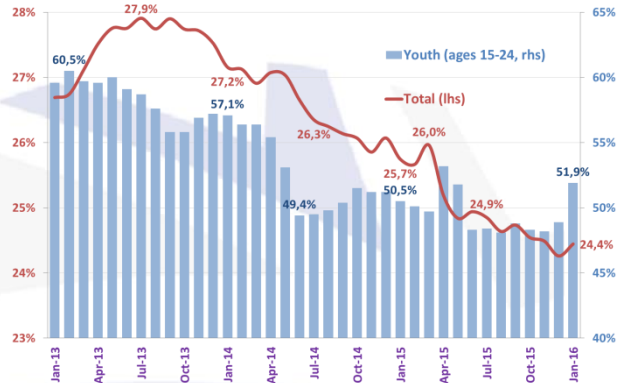
Deposits and Credit flows
(Bank of Greece, Feb. 2016)



Tourism and Transportation receipts
(Bank of Greece, Jan. 2016)



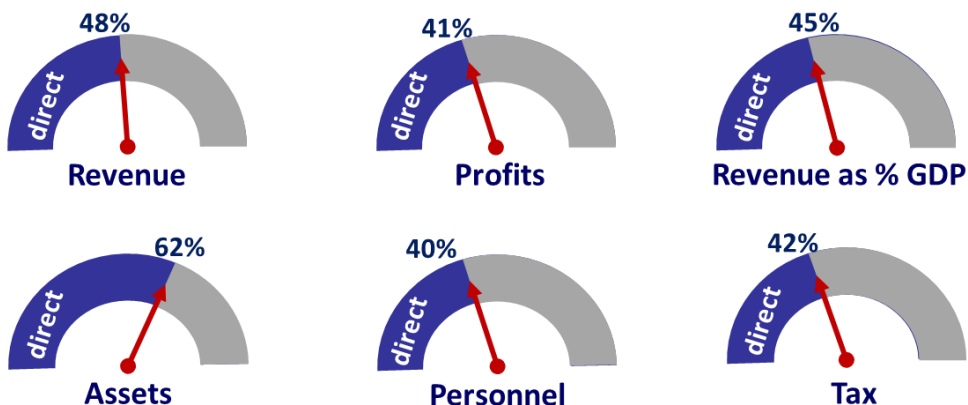
Unemployment rate
(ELSTAT, Jan. 2016)



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Source: 28.000 SA & Ltd balance sheets, ICAP, 2013 – IKA, 2013



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