

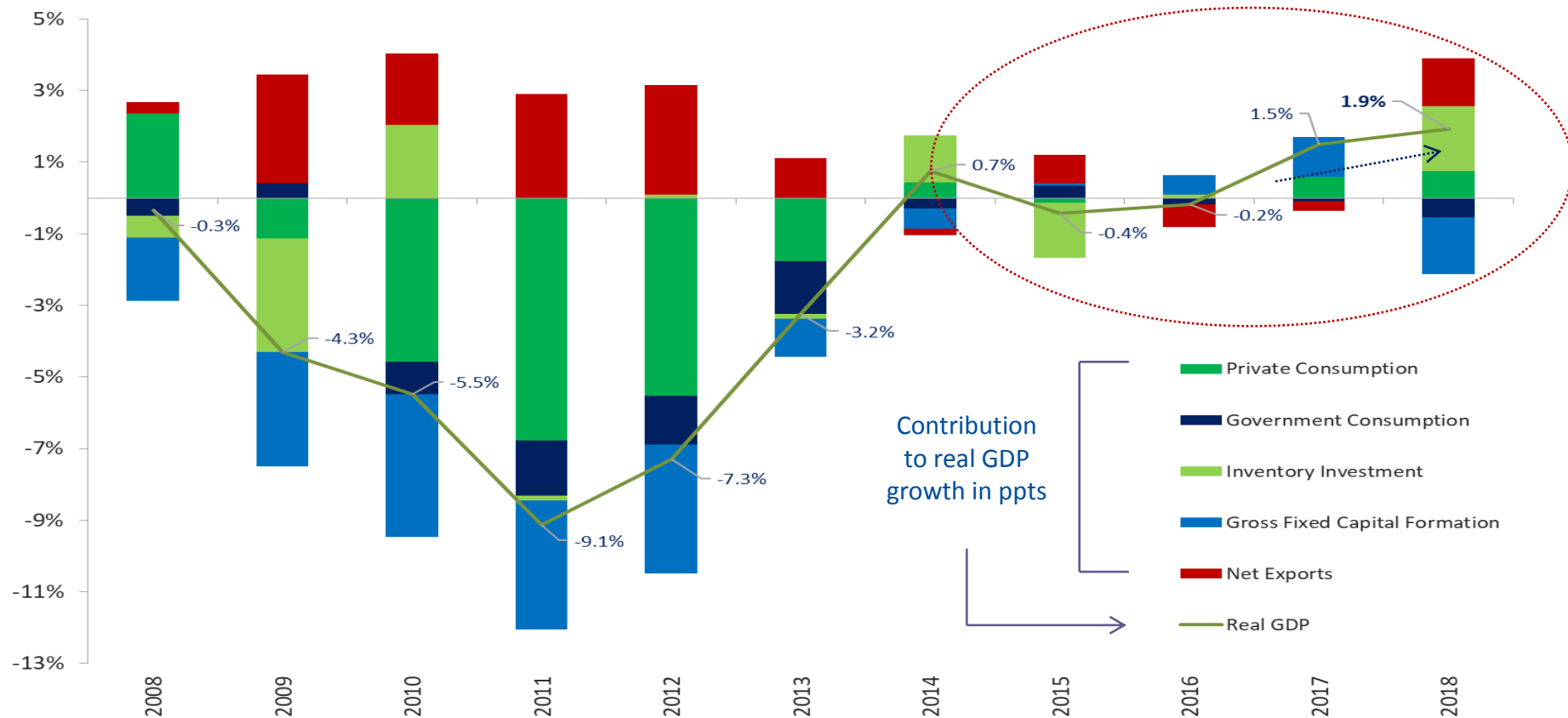
## Greece

### Domestic economic outlook, achievements & challenges

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## Mild recovery in 2017- 2018



## Greece: Key macro indicators - Realizations & forecasts

	2018, €bn*	2018*	2019**	2020**
	(nominal)	Real (YoY%)	Real (YoY%)	Real (YoY%)
GDP	184.7	1.9	2.2	2.2
Private Consumption	125.6	1.1	1.3	1.2
Government Consumption	35.4	-2.5	3.1	0.4
Gross Fixed Capital Formation	20.5	-12.2	10.1	10.8
Exports	66.7	8.7	4.7	4.2
Imports	67.2	4.2	5.7	4.1

GDP Deflator (YoY%)		0.5	1.1	1.2
HICP (YoY%)		0.8	0.8	0.8
Unemployment Rate (%)		19.3	18.2	16.8

### Notes

1. 2019 Stability Programme foresees FY 2019 GDP growth at 2.3%; consensus forecast for 2019 and 2020 at 1.5% and 1.6% respectively (source: Focus Economics, Reuters & Bloomberg average)
2. EC's Summer 2019 Interim Economic Forecast revised the 2019 GDP growth forecast downwards to 2.1% from 2.2%; the GDP income identity break down is published only in the Spring and Autumn forecasts

### Downside risks

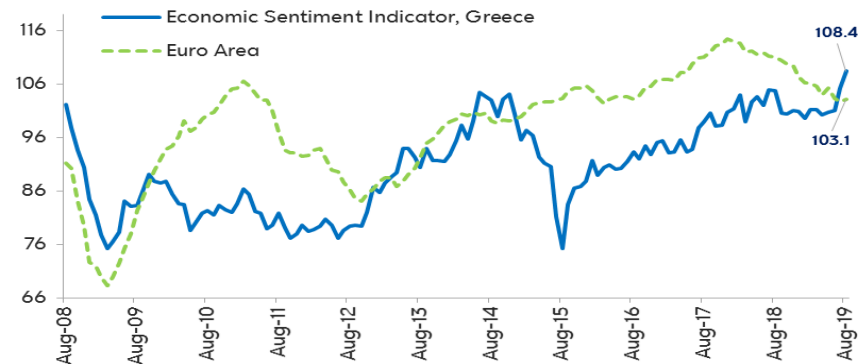
- ✗ Deceleration in Eurozone growth
- ✗ Trade wars, oil price increases
- ✗ Turmoil in Italy-Turkey, Brexit
- ✗ Slow progress of reforms
- ✗ Slow pace of deposits return
- ✗ Weakness of investment

### Upside risks

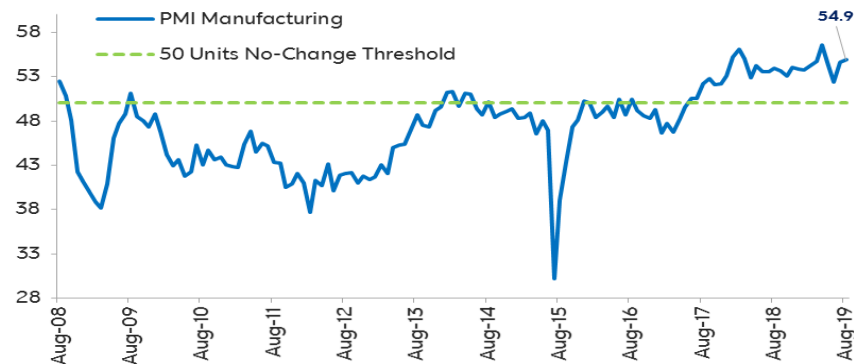
- ✓ Improved market confidence for a growth-friendly policy mix
- ✓ Lift of capital controls
- ✓ Decline in GGB spreads and increased market access for banks and corporates
- ✓ Further gains in competitiveness from structural reforms

# Selected indicators of domestic economic activity

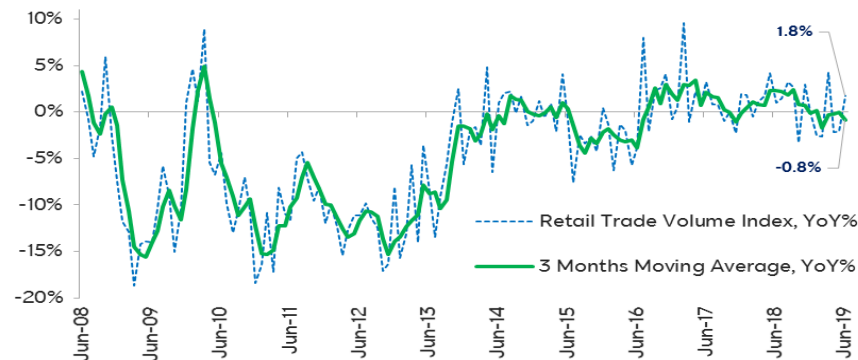
Economic Sentiment: a post elections rebound



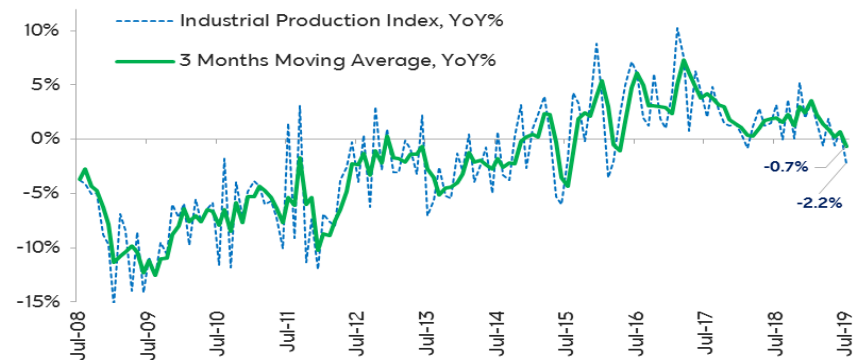
PMI Manufacturing: well above the 50 units no-change threshold



Retail Trade Volume: growth remains negative in 2019Q2



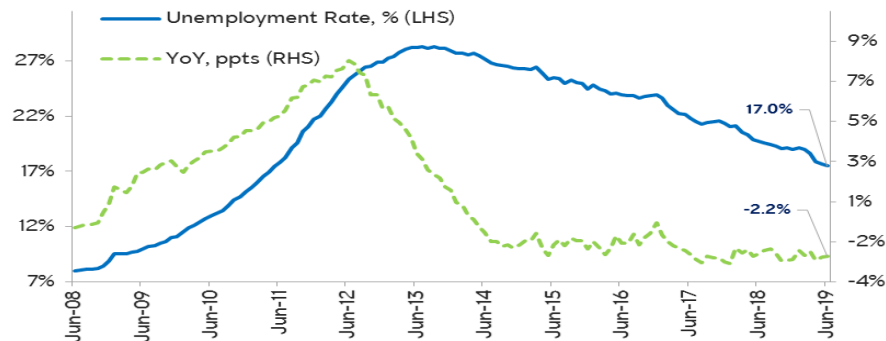
Industrial Production: growth on a negative territory in July 2019



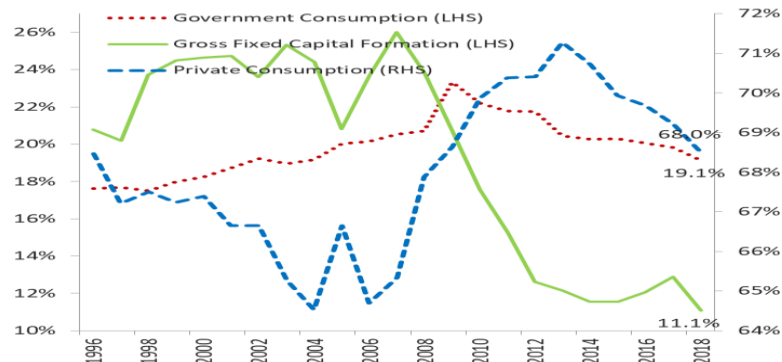
# Achievements and Structural Challenges

## Improvement but challenges remain

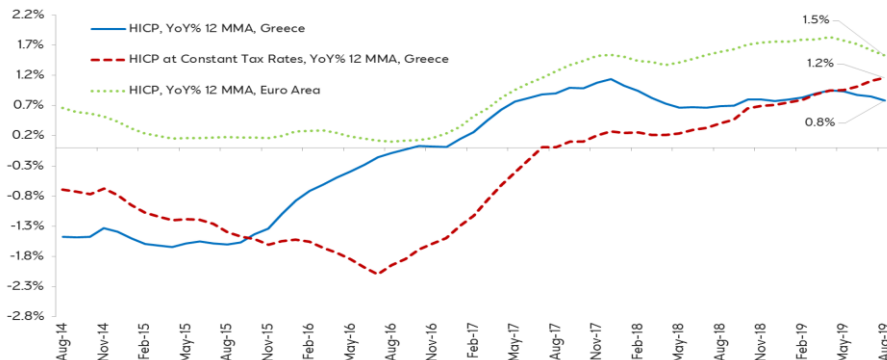
### Unemployment rate: continued decline but still elevated



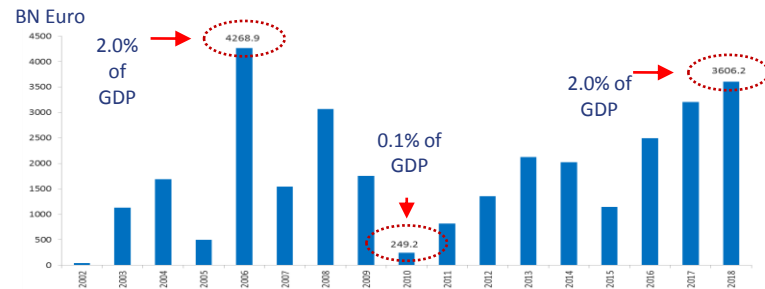
### Increase in extroversion but investment remains low

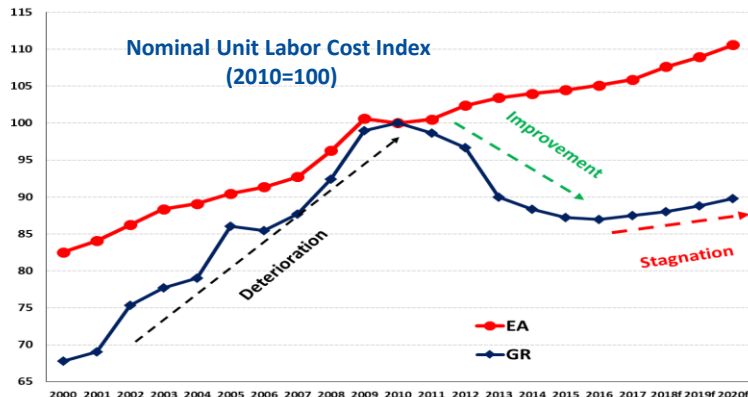
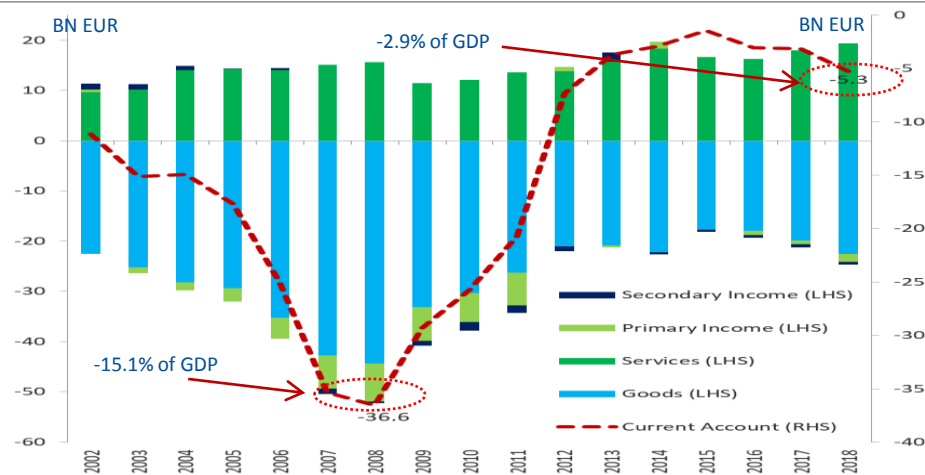


### Inflation decelerates; negative inflation differential vs the EZ



### Net FDI: improvement but still half the EA average

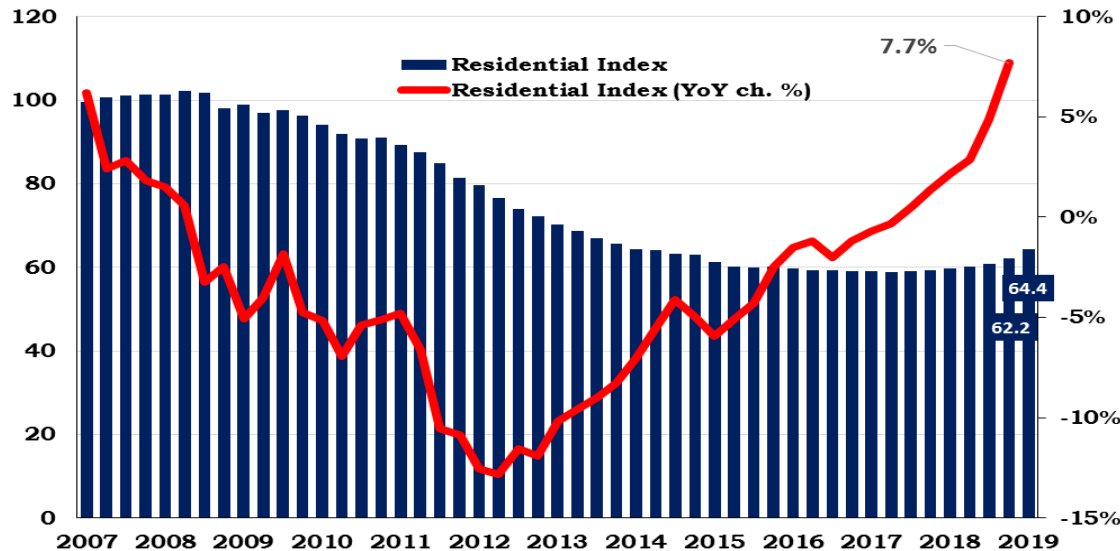




- Current account deficit at €5.3bn in 2018, €2.1bn higher than in 2017
- 2019H1: current account deficit decreased by €759.0 mn YoY
- Tourism: marginal drop in the inbound traveler flows (-0.5 YoY% in 2019H1) but travel receipts up by 15.3 YoY%
- Significant progress in wage competitiveness, some distance to cover still from OECD in terms of structural competitiveness
- Main challenge: preservation of an almost balanced current account in the medium to long term, as the economy picks up

## Achievements and Structural Challenges (IX): Real Estate prices increase in 2018 after a multi-year decline

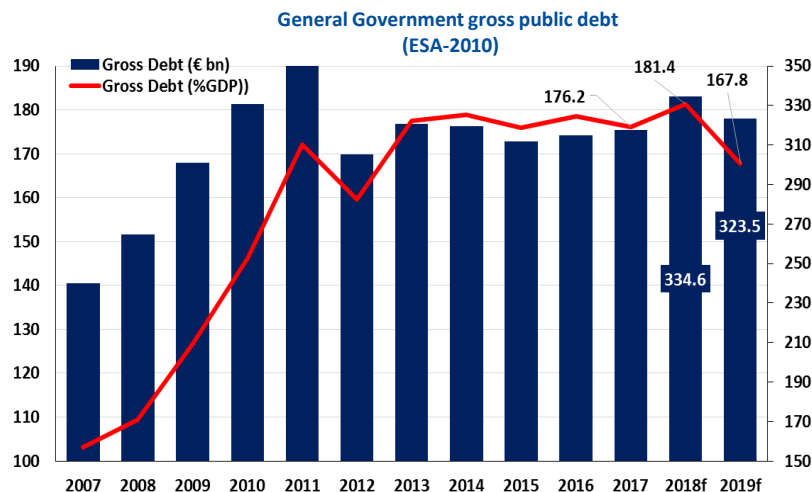
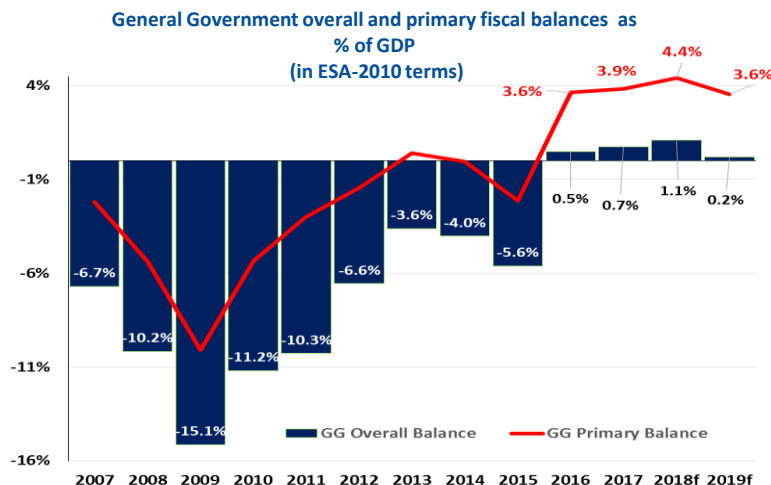
- Between Q4 2007 and Q4 2017, apartment prices declined cumulatively by 42.3 per cent
- Downward index trend mainly due to the contraction of disposable income, the increase of unemployment, limited access to credit and the excess supply of residential properties
- Yet, residential real estate prices returned to positive growth from 2018:Q1 onward; price increase accelerating; 7.7 YoY% in 2019:Q2; recovery trends mainly due to touristic rentals demand, golden visa schemes and the pick up in economic activity
- Commercial real estate prices on an uptrend since 2017: 1.6%. and 9.1% in 2017 and 2018 respectively



Index of Apartment Prices  
2007Q1 – 2019Q2

### Primary balances targets over-performed but with a toll on growth:

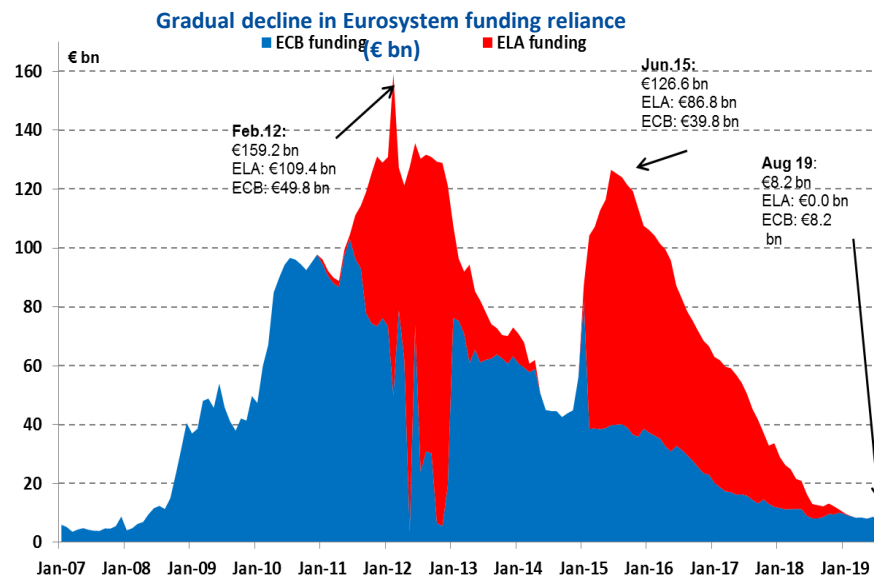
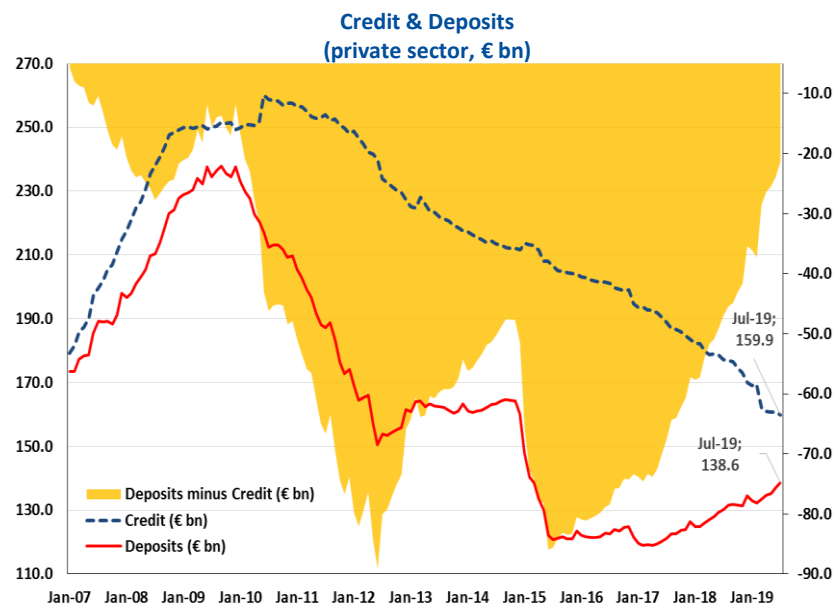
- FY-2018 primary surplus at 4.4% of GDP and gross public debt at 181.4% of GDP (includes cash buffer resources)
- 2019 Budget: FY-2019 primary surplus at 3.6% of GDP and gross public debt at 167.8% of GDP
- For 2020, Gov seeks implicit reduction of primary surplus target of 3.5% via the use of the SMP & ANFA revenues (by ca 0.7% of GDP)
- Cash buffer of 21.0bn to facilitate Greece's access to markets; covers 4 years of gross financing needs; can be extended to €32.5bn
- Normalized market access: Greece tapped the markets 3 times in 2019 in order to service 2019 needs of €9.2bn: a) 29 Jan: 5-YR GGB (€2.5bn, 3.6% yield), b) 5 March: 10-YR GGB (€2.5bn, 3.9% yield) c) 16 July: 7-YR GGB (€2.5bn, 1.9% yield)
- Public debt is considered sustainable, albeit sensitive to assumptions about nominal growth, re-financing rates and primary surpluses





## Domestic financial conditions gradually improve

- ❑ Further stabilization of macro environment facilitated return of bank deposits and **lift of capital controls in Sep 2019**
  1. Private-sector deposits increase by €8.1bn or 6.4% in 2018; €4.1bn year-to-July 2019
  2. Cash outside Greek banking system in August 2019 at €24.1 bn or 12.6% of GDP (vs € 23.2% in Apr. 2017 & 10.0% EA average)
- ❑ **ELA eliminated from March 2019 onwards** as a result of deposits' return, continued deleveraging, increased bank access to interbank funding (c. €22.4bn in August 2019 vs. €9.8bn in November 2015)
- ❑ Greek systemic banks committed to the SSM for a 53% NPLs reduction between Q4:2018-Q4:2021 (from 45.1% to 21.2%)



# Thank you for your attention

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