JUNE 2021

GREECE

ECONOMIC & FINANCIAL OUTLOOK

ECONOMIC RESEARCH DIVISION

ALPHA BANK

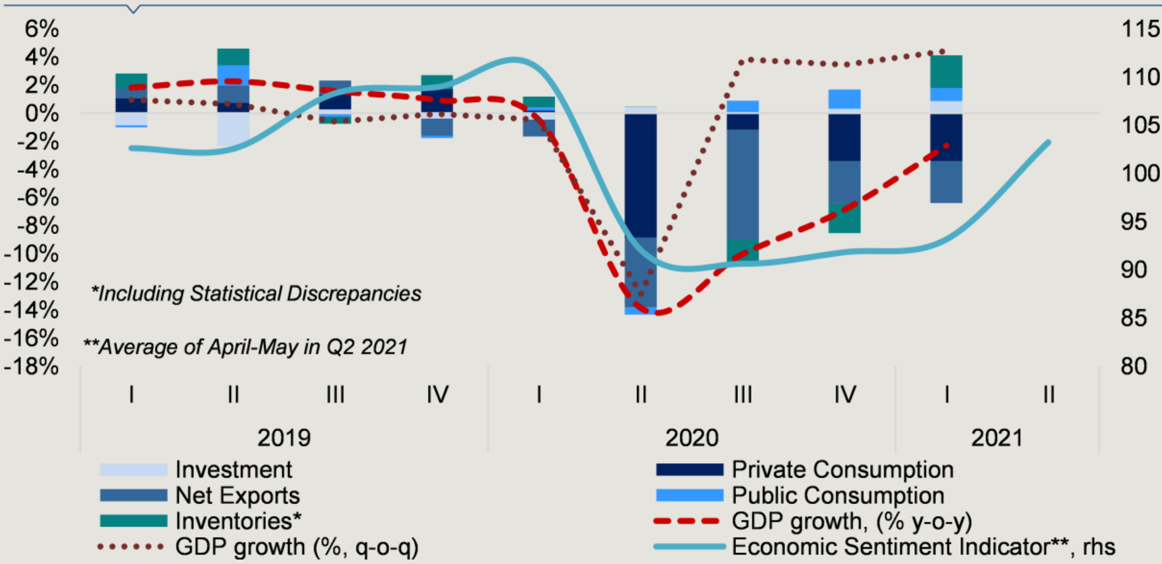
An upward shift in the growth trajectory and a new, investment-driven, productive model in the post-pandemic era

Despite an extension of measures to restrict community mobility, a surprisingly weaker than expected recession in economic activity was registered in the first quarter of the current year. According to the latest available data published by ELSTAT, in Q1 2021 real GDP continued to recover by 4.4% on a quarterly basis for the third consecutive quarter (Q3 2020: 3.8%; Q4 2020: 3.4%), while contracting on an annual basis by only 2.3% yoy. The negative impact of reduced household spending due to the lockdown and the decline in exports of goods and services was significantly mitigated by the substantial rise in business investment and public consumption, primarily related to the fiscal stimulus engineered by the Greek government (*Graph 1*). Specifically, private consumption declined by 4.9% yoy, contributing by -3.4 pps to the overall drop in real GDP, while public consumption rose by 4.9% y-o-y on the back of the handouts provided by the Greek government, contributing 0.9 pps. Gross fixed capital formation rose by 8.6% y-o-y, contributing to real GDP change by 0.9 pps, with inventories (including statistical discrepancies) contributing 2.3 pps. Finally, net exports contributed -3 pps to the overall fall in real activity, as the annual decline of 13.4% in exports outpaced the decline in imports by 5% y-o-y. The loss of GDP during Q1 2021 is also reflected in the evolution of Google mobility indicators towards retail services and recreation activities (restaurants, cafes, shopping malls, cinemas, museums, libraries, etc.), transit stations and workplaces for the same period.

Domestic economic activity is expected to bounce back, re-entering a robust recovery phase based on the attraction of fresh investment and closing of the investment gap accumulated during the previous decade. 2021 is expected to be a year of strong economic recovery, with the real GDP growth rate estimated to increase by more than 5%, while in 2022 the real GDP growth rate is projected to accelerate further. More specifically, annual real GDP growth is expected to return to positive territory from the second quarter of the current year onwards, which is already reflected in the evolution of several leading economic indicators.

GRAPH 1

Demand-side component analysis: investment and public consumption partially mitigated GDP losses



Sources: ELSTAT, European Commission, Alpha Bank ERD calculations

The three above-mentioned mobility indices fell sharply in November 2020 following the lockdown and remained relatively stable despite this drop throughout the first quarter until March 2021. However, mobility related to retail services and recreation activities, as well as in transit stations and workplaces, increased sharply during April and May. The upward trend in community mobility indices coincides to a large extent with the upward trajectory of the ESI, which increased to 108.6 units in May from 97.9 units in April.

In the short-term, the strong economic rebound is expected to be driven by base effects in accommodation, food services and retail trade from the second quarter of the year onwards, subject to the speed of the vaccination programme in Greece as well as in origin countries of inbound tourist flows.

The shift to a higher growth trajectory in the medium-term horizon will be supported by:
(a) post-pandemic optimism,
(b) strengthening of international demand thanks to the unprecedented expansionary fiscal policy pursued worldwide,
(c) the new growth-friendly tax policy,
(d) technological advances accelerated by the pandemic,
(e) high liquidity and decreasing financing costs, and,
(f) the unprecedented level of European resources available to Greece.

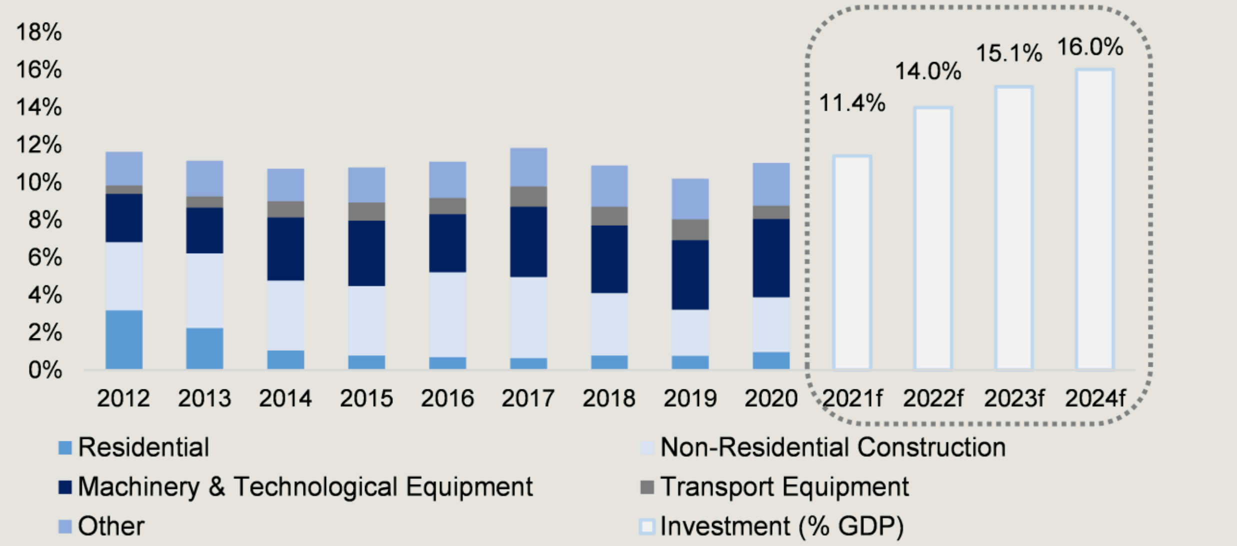
NGEU funding, which may prove to be solid ground for a strong upside, is expected to create a virtuous circle of fresh investment and sustainable growth rates. National Recovery and Resilience Facility (RRF) funds are expected to mobilise new investments of around EUR 57.5 billion in 2021-2026, covering to a large extent the investment gap in Greece that had been created in the previous decade. The RRF, combined with improved creditworthiness, will pave the way for the transformation of the Greek growth model from consumption-led to investment-driven (*Graph 1*). Furthermore, the Greek government has already planned a structural reform agenda, which, combined with an improved debt risk profile, is expected to attract FDI. These favourable developments have been applauded by the markets in recent GGB issues, with the 10-year GGB spread over bunds averaging 1.6% from January 2020-April 2021, compared to an average spread of 8.3% in the previous decade (2009-2019).

The National Recovery and Resilience Plan, combined with funding from other European programmes and structural funds totalling EUR 72 billion, comes at a particularly favourable time. Several structural changes are taking place at the same time, shaping a balance of risk skewed to the upside. The crisis caused by the pandemic has accelerated the implementation of technological solutions and developments. At the same time, it triggered dynamic fiscal and monetary policy interventions aimed at supporting global demand.

These developments, combined with a euphoric climate and the expectations raised by the post-pandemic environment, form fertile ground for a strong investment injection by the RRF. These developments offer a unique opportunity to achieve an economic, technological and institutional transformation of the economy and public administration, closing the investment gap of the preceding decade-long crisis.

GRAPH 2

Investment by category and projections 2021-2024 (% of GDP).



Sources: “Restarting the Greek Economy: Targets and Policy Actions”, Ministry of Finance, ELSTAT, Alpha Bank ERD calculations

The unemployment rate declined in 2020 to 16.3% from 17.3% in 2019, despite the deep recession due to the pandemic, underpinned by a sizeable fiscal stimulus (EUR 24 billion) aimed at supporting employment and preventing layoffs. As a result, the contraction of real GDP turned out to be smaller than expected. According to the last available data published by ELSTAT, GDP in 2020 decreased by 8.2% compared to annual growth of 1.9% in 2019, mainly driven by the decline in exports of services and private consumption.

The most significant factor that is expected to determine the magnitude of economic recovery in 2021 is the progress of vaccination programmes. Following the second wave of the pandemic that began in November 2020, many countries, including Greece, were forced to reimpose or tighten already strict containment measures. Given that the domestic economy is expected to record a negative annual growth rate in the first quarter of this year, current estimates for a rapid recovery are highly correlated with the magnitude of the rebound in tourism-related activities.

In addition, the speed of vaccination programmes in Greece, as well as in origin countries of inbound tourist arrivals, is expected to liberate the tourism season from travel restrictions and social distancing guidance, facilitating a partial recovery of tourist demand in the summer months (at 50%-60% of tourism receipts in 2019).

In 2020, fiscal stimulus succeeded in partially alleviating the costs of the pandemic. Fiscal support is expected to remain in place in 2021, as the government has adopted additional fiscal measures estimated at EUR 14 billion, exceeding the earlier 2021 Budget forecast of EUR 7.5 billion policy interventions.

Downside risks may come from delays in the activation of expected funding from the RRF and the "detachment" process of the Greek economy from the supportive measures adopted by the Greek government to mitigate the cost of the pandemic, prevent employment losses and support liquidity of businesses. More specifically, delays in RRF activation along with potential bottlenecks in the absorption of the available funds could hamper business confidence and undermine the adoption of large investment plans, failing to support a strong economic recovery. Additionally, the time dimension of the "detachment" process is crucial, namely whether it will be abrupt or gradual by taking into account the turnover losses of each sector.

Closing the investment gap of the preceding decade-long crisis

The last 10-year crisis left a harmful legacy by causing considerable impairments on capital stock and productivity. Disinvestment hiked up and physical capital depreciation remained higher than fixed capital formation for a prolonged period, resulting in the erosion of capital stock and expansion of the investment gap. As depicted in *Graph 2*, the largest component of investment reduction was due to the collapse of residential investment. More specifically, construction investment (both residential and non-residential) recorded a large drop from 2012-2019, falling to 31.5% of total investment in 2019 (EUR 5.9 billion) from 59% in 2012 (EUR 12.3 billion).

The impact of the pandemic on total investment in 2020 was relatively small, thanks to a timely increase in public investments and strong construction activity, which operated with limited restrictions during the lockdown periods. Gross Value Added in construction increased by 10.4% in 2020, compared to 1.5% in 2019, while business expectations for the construction of buildings and civil engineering improved, yet remained in negative territory (*Graph 3*). Furthermore, during the first four months of 2021, business expectations in construction improved rapidly, signifying renewed willingness to invest in the real estate market.

According to the Greek Ministry of Finance ("*Restarting the Greek Economy: Targets and Policy Actions*"), investment is expected to skyrocket in the coming years, rising by 15.1% on average per annum for 2021-2024. This will be underpinned by RRF funds either in the form of grants (which will be employed earlier) and/or loans (which will increase rapidly from 2022 onwards, also supported by leverage through the banking sector). The expected rapid increase in "fresh" investment is apparent in *Graph 2*, with the share of investment in GDP rising from 10.2% (of GDP) in 2019 to 16% in 2024. In the coming years, the course of economic growth is expected to acquire distinct critical quality characteristics, based on the high ratio of investment funds compared to the past, which was mainly driven by consumer spending fuelled by rising public debt. This massive new investment inflow (public and private) is expected to support economic expansion and create large fiscal multipliers for the economy. Thus, investment-led recovery is *ante portas* relying on the available resources of the National Recovery Plan as well as bank efficiency in optimising money allocation through RRF loans.

The National Recovery Plan for Greece (2.0) is expected to provide a unique opportunity for revitalising the Greek economy and transforming its productive model towards an investment-driven growth pattern, while a structural reform agenda is expected to pave the way for the improvement of its economic fundamentals and treatment of its institutional weaknesses. Greece is expected to benefit from around EUR 31 billion, including EUR 18.2 billion in the form of grants and EUR 12.7 billion in loans. The allocation of the grants provided as part of RRF funds is based on 4 pillars: (i) green transition, (ii) digital transition, (iii) employment and social cohesion, and (iv) private investment and transformation of the economy, expected to mobilise investment of EUR 25.6 billion. The allocation of the loans provided from RRF funds is based on 5 priorities: (i) green transition, (ii) digital transition, (iii) exporting orientation, (iv) innovation, and (v) scale economies. RRF loans, with the participation of both the banking system and investors (by at least 30% and 20%, respectively), are expected to mobilise investment of EUR 31.8 billion.

Assuming the full absorption of available funds and implementation of the already planned structural reforms, the National Recovery Plan is expected to raise the level of real GDP by almost 7% beyond the expected recovery over the medium term by 2026 and create 200,000 additional jobs. However, the long-term benefits that go beyond the 2021-2026 horizon, created by the restructuring and reengineering of the country's production model based mainly on investment, are much greater.

The role of key stakeholders in supporting RRF implementation

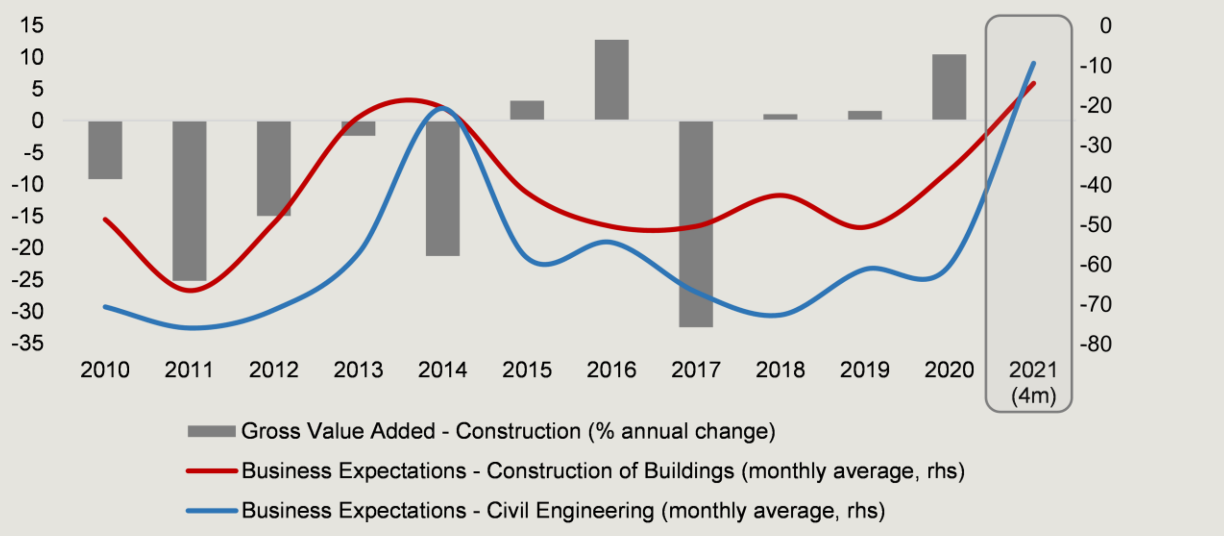
The role of the key stakeholders, namely public policy makers, banks and the private sector, in supporting RRF implementation is expected to be crucial to achieving the full absorption of funds, the efficient management of resources and the optimal allocation of funds.

Banks are the most reliable mechanism for the optimal allocation of social savings and the safest facilitator and adviser for the management and absorption of available European funds. The government has chosen to channel the funds that will be disbursed as loans, drawing upon the expertise of banks in the approval process. This process is also linked to both examination of the programme's priorities (i.e. green and digital economy, extroversion, innovation and business growth) and evaluation of investment plans using transparent credit criteria. Banks are expected to create EUR 33 billion in credit from 2021-2026 by:

- financing the selected investment plans (by at least 30%)
- providing support services to those receiving a subsidy
- meeting the expected demand for loans resulting from the multiplier effect of the above on economic activity.

GRAPH 3

The evolution of Gross Value Added (GVA) in construction and businesses expectations in construction



Source: ELSTAT, European Commission

Moreover, the banks' key role in supporting the implementation of the National Recovery Plan is based on their increased liquidity, which is attributed to several factors, such as cleaning-up their balance sheets from the burden of non-performing loans, the increase in savings during the pandemic, and the ECB's set of measures including the acceptance of Greek bonds in refinancing operations and other supervisory measures. Thus, the banking system could serve as a catalyst for absorbing funds and mobilising capital, as an intermediary between the government and the non-financial private sector.

The Greek government has designed 167 actions for subsidies with particular emphasis on the executive management of this project, which could be the catalyst for overcoming the indolence of the past. Moreover, the Greek government has incorporated a series of flagship reforms in its National Recovery Plan, aiming to improve fundamentals, strengthen infrastructure and address institutional weaknesses.

Key horizontal reforms – such as speeding up the administration of justice and conflict resolution processes and a stable tax regime – are expected to establish a business-friendly environment, facilitating the attraction of investment capital.

Greek businesses must be well prepared with appropriate plans for investments in digitisation, research and development, renewable energy, supplies, waste recycling, innovation, and above all training in new technologies. Manufacturing, Construction, Logistics, Agriculture, IT and telecoms and, to a lesser extent, the tourism industry can include plans in the Recovery Fund with comparatively greater ease. It is, thus, a challenge for the private sector, which, with appropriately prepared and targeted investment plans and a willingness to invest and participate, can lead the way in the rebirth of Greek entrepreneurship.

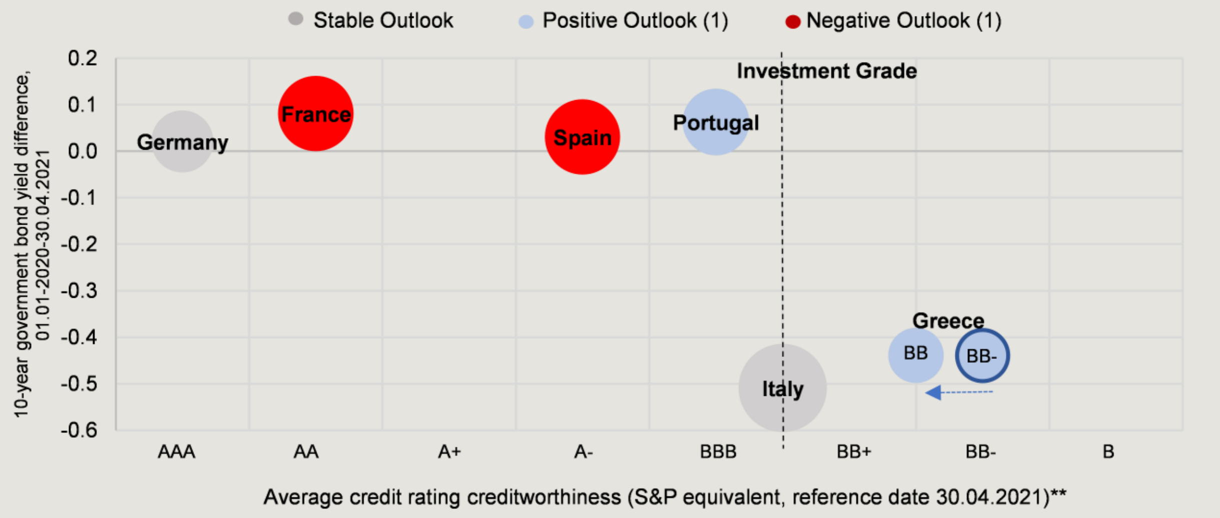
However, the Greek private sector must overcome two main challenges related to the structural weaknesses of Greek businesses:

First, SMEs need to overcome the inflexibilities of the past and develop a higher degree of sophistication in the preparation of their investment plans, governance, accountability and cooperation with other units with which there is an element of complementarity in order to exploit economies of scale and scope.

Second, as the NGEU Plan prioritises investments in new and clean technologies incorporating innovation, research, and development, Greek businesses have to address potential scarcity problems in highly skilled labour from the early stages of creating and rolling out their plans.

GRAPH 4

Credit rating upgrade and drop in government bond yields, cross country analysis



Sources: Bloomberg, Trading Economics, ECB, Alpha Bank ERD calculations

Note: The rating score represents the average rating by the three major rating agencies, Moody's, Standard & Poor's and Fitch, expressed in the equivalent S&P rating.The size of the bubble is proportional to the total debt servicing needs over the next two years. It only reflects existing maturing securities (principal and interest), as % GDP (as of Mar 2021).

Implications of adopting the emerging productive model

The change of the productive model through the RRF, with the support of the financial sector, evidently has many implications, both at a sectoral level and in creating value for shareholders in the business sector, for the extroversion of the Greek economy, job quality and the sustainability of economic growth. More specifically, the main implications of the transformation of the growth model for the Greek economy can be summarised as follows:

Firstly, EU funds are not intended to maintain the status quo, in the sense that they will not be allocated on the basis of current structures and needs. Instead, their aim is to raise the productive capacity of the Greek economy. They will be channeled based on a strategy focusing on Exports, R&D and Innovation as well as on the prospect of Mergers & Acquisitions in order to increase the average size of Greek businesses, allowing them to take advantage of economies of scale.

Secondly, the revitalisation and modernisation of Greek industry and its productive capacity mean that it can stand on par with other developed European countries, moving away from industrial practices focusing solely on cheap labour costs. For example, digitalisation, in which Greece lags behind other European countries, and renewable energy sources, which is a flagship sector for the EU and in which Greece has significant comparative advantages, are two areas that are expected to concentrate a large portion of new investment.

Thirdly, this modernisation and restructuring of the Greek industry is in complete harmony with the country's main services export sector, tourism-related activities, and with the aim of attracting large multinationals. This is achieved by replacing the heavy fuel industry, oil, refineries, etc. with new energy storage technologies and alternative forms of energy production (air, helium, hydrogen) that are friendlier to the environment, which, together with its climate, represents the country's greatest asset.

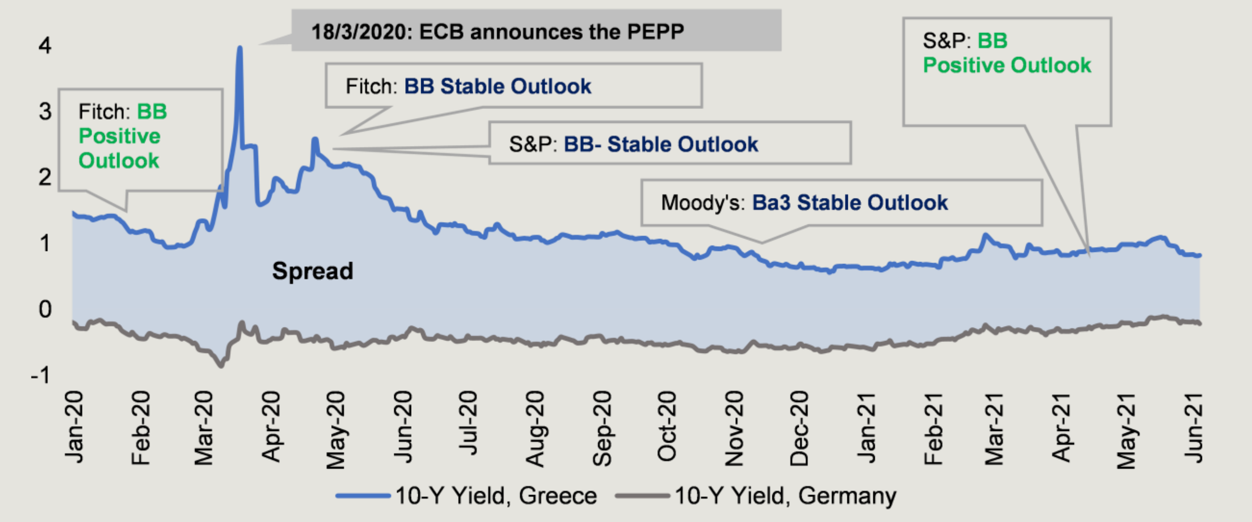
Fourthly, the emergence of sectors that render growth more resilient and less vulnerable to external shocks. Specifically, Energy, Manufacturing as a whole and especially the Agri-food sector, Construction, Logistics and IT/Telecoms are expected to significantly enhance their share in the country's gross added value over the coming decade.

Fifthly, job creation in cutting-edge technologies within the framework of a new business ecosystem will strengthen brain regain and thus attract multinational capital and businesses by triggering a virtuous circle of investment-income-high skilled employment.

Finally, the change of the business model in the context of implementing rapid technological developments thanks to the availability of significant investment capital based on strict financial criteria is expected to transform Greek entrepreneurship. The business plans submitted for the Recovery Fund will bear the mark of a new generation, relying much less on state aid and much more on knowledge, skills and research.

GRAPH 5

The impact of ECB supportive policy (through PEPP) on the country's sovereign risk



Source: Bloomberg

Creditworthiness upgrade, low borrowing costs and favourable debt profile

The recent S&P upgrade (April 23) of Greece's sovereign credit rating to 'BB' from 'BB-', assigning a positive (from stable) outlook, raises expectations of a rapid improvement in the country's economic and budgetary performance as the adverse impacts of the COVID-19 pandemic subside. This development also reflects increased confidence in the growth prospects of the Greek economy, as the fiscal measures to support households and businesses taken by the government in 2020 prevented a deeper recession in the Greek economy.

The acceleration of structural reforms, combined with the approximately EUR 72 billion in funds that are expected to flow into in the country by 2027 (from the RRF, as well as other European programmes and Structural Funds), are expected to mobilise additional investment resources, providing a strong growth impetus. At the same time, the achievement of sustainable growth rates is expected to lead to a gradual de-escalation of the debt-to-GDP ratio, which reached 205.6% in 2020.

As *Graph 5* depicts, the 10-year Greek government bond yield was close to 4% in March 2020, while it recorded a significant de-escalation after the announcement by the ECB of the Pandemic Emergency Purchase Programme (PEPP). The main merit of the PEPP programme is that through massive government bond purchases in the secondary market, the ECB has managed to hold back a rise in their yields, enabling national governments of EU Member States to finance their fiscal stimulus packages at a historically low cost. From the end of March 2020 until the end of May 2021, the ECB purchased about EUR 25.7 billion of Greek debt, while raising EUR 15.5 billion from international capital markets. In addition, on 5 May 2021, the Hellenic Republic issued a 5-year bond, raising EUR 3 billion with demand exceeding EUR 20 billion. Its coupon was set at zero and the interest rate at 0.172%, the lowest borrowing costs recorded historically, regardless of duration. This low government borrowing cost has multiple benefits for the Greek economy, as it exerts downward pressure on the cost of lending for enterprises, fostering the implementation of their business plans under more favourable financing conditions.

The maintenance of Greece's favourable debt profile also supports efforts to attract investments. *Graph 4* shows the relationship between the percentage change in the 10-year bond yield from January 2020 to April 2021 and the average credit rating for selected Eurozone countries, with the financing needs of the debt service for the next two years as a percentage of GDP proportional to the size of the bubble. As can be seen, although Greece has the lowest credit rating among the selected countries, the performance of its 10-year bond marked the second largest decline from early 2020 until late April 2021, while the financing needs for next two years are smaller compared to other countries. Also, Greece and Portugal are the only countries whose economics have a positive outlook, implying increased chances of upgrading each country's debt (blue sphere).

GRAPH 6

Labour market developments in the Covid world

Source: Eurostat

Curbing the unemployment rate: the Greek labour market and the Covid-19 pandemic

The outbreak of the Covid-19 pandemic in March 2020 exerted intense pressure on the labour markets across all EU-27 countries. However, in Greece the unemployment rate continued to decline, reaching 16.3% in 2020 from 17.3% in 2019. Although the unemployment rate in Greece is the highest among the EU-27 countries, it recorded the largest decline, dropping by 0.8 pps between December 2019 and December 2020 (*Graph 6*). This development is attributed to the job retention policy approach followed by Greece, underpinned by an unprecedented fiscal stimulus to mitigate the cost of the lockdown and protect employment. However, employment decreased, primarily due to lower hiring in the tourist sector. According to the latest available data published by ELSTAT, the unemployment rate increased slightly to 15.9% in February 2021, up from 15.5% in December 2020.

The fiscal policy mix relied on the provision of handouts conditioned on no layoffs rather than on the provision of government guarantees, also including wage subsidies and short-term work schemes (STWs), preventing a hike in the unemployment rate during 2020. For example, such measures included the reduction of VAT payments, the provision of special allowances, the repayable advance payment for corporations, the reduction of CIT advance payment for enterprises and the extension of unemployment benefits. All these measures contributed positively to curbing the unemployment rate and safeguarding employment despite the sizeable economic contraction.

The orientation of an employment support policy in the post-pandemic period should ensure the smooth abolition of the temporary measures. Given the standstill of several economic sectors, the crisis accelerated the need for upskilling and reskilling of the labour force, in particular to bridge the gap in digital skills that the crisis highlighted. This applies equally to (new) job seekers and workers who are temporarily suspended or working reduced hours.

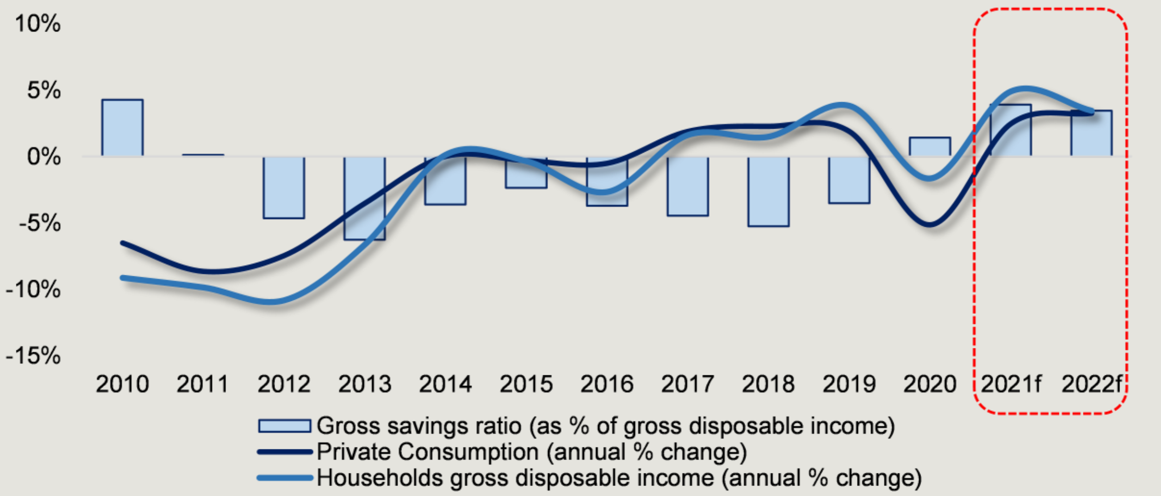
Finally, an important effect of the pandemic was also the decline in the number of hours worked, as a result of the suspension of employment contracts and the adoption of special-purpose parental leaves, as well as the rise in flexible forms of employment such as teleworking.

Disposable income, private consumption and household savings: current dynamics and future prospects

As depicted in *Graph 7*, since the onset of the financial crisis in 2010 until 2016, household gross disposable income and private consumption remained on a downward trajectory, while the gross savings ratio ventured into negative territory in 2012. In the aftermath of the economic crisis, from 2017 onwards, private consumption and household disposable income entered a recovery phase in tandem with the progressive rebound in economic activity and gradual employment gains. However, the gross savings ratio remained

GRAPH 7

Second order wealth effects: Household Savings ratio to turn positive after nine years



Source: European Commission

negative until 2019, indicating that households spent a large portion of their savings from 2012-2019 to cover their consumption needs as well as their tax payments.

In 2020, the outbreak of the pandemic and the associated containment measures that weighed on the economic activity of several economic sectors (especially trade, tourism and entertainment) had adverse effects on household disposable income and private consumption. However, the reduction in private consumption outpaced the drop in household gross disposable income, as the sizeable fiscal impetus, aiming to support employment and alleviate the tax obligations, underpinned household disposable income, preventing further losses. Thus, households' gross saving ratio (as a % of disposable income) recorded gains in 2020, returning to positive territory for the first time since 2011.

The reduction in private consumption expenditure was not uniform across several sectors. More specifically, due to the negative consequences of the pandemic, the restrictions imposed and social distancing guidance, the drop in consumer spending was higher in specific areas, including, among others, transportation, travel and tourism-related services, as well as entertainment activities. However, the drop was moderated indurable consumption goods, supported by the improved adaptation of enterprises to digital technologies and the rapid development of electronic sales tools (e-commerce).

According to European Commission Economic Forecasts (Spring 2021), the household gross saving ratio is projected to remain positive, reaching 3.9% in 2021 and 3.4% in 2022. The expected increase in the propensity to save by the private sector combined with the low negative interest rate environment can support demand and prices in financial investing.

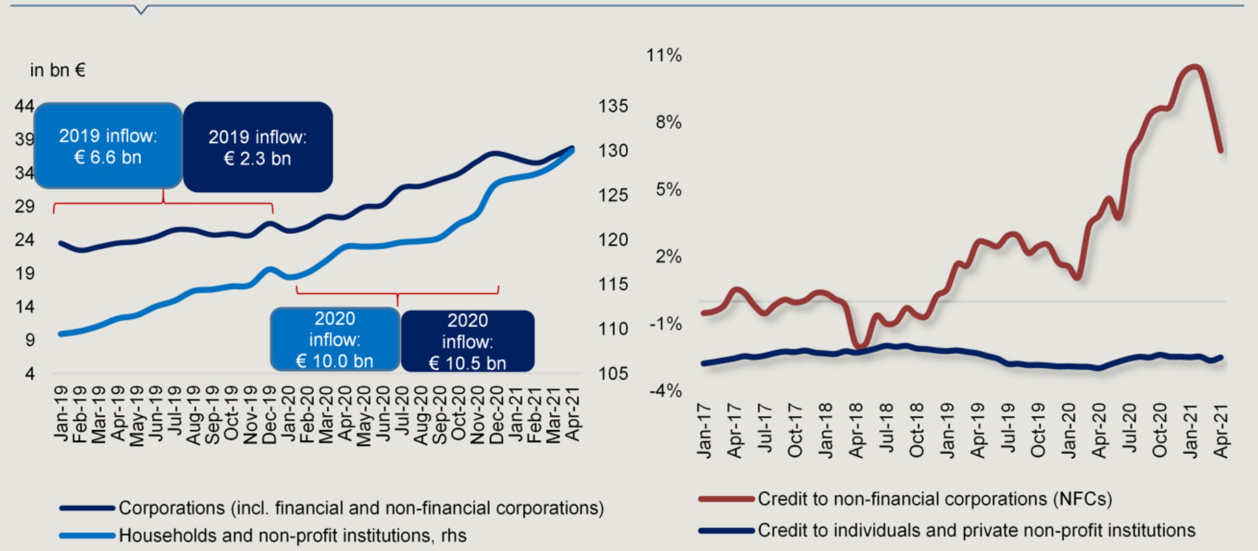
Banking system: credit and liquidity conditions

The rise in household gross savings described above was linked to the rise of (i) precautionary savings as a result of elevated uncertainty about future income and employment prospects and (ii) forced savings due to the freefall of consumer spending – especially in the second quarter – following the implemented containment measures. These developments, *inter alia*, led to the improvement of liquidity conditions in the domestic banking system in 2020, also underpinned by governmental revenue-side interventions and liquidity support for businesses.

Specifically, private sector deposits remained on an upward trend for the fifth year in a row, standing at EUR 163.2 billion in December 2020. As *Graph 8* depicts, deposit flows from the private sector to the banking system reached EUR 20.5 billion in 2020, significantly higher compared to 2019 (EUR 8.9 billion). More precisely, household deposits (incl. private non-profit institutions), which account for more than 78% of total private sector deposits, rose by 10.0 billion. Furthermore, deposits of non-financial corporations rose by EUR 9.1 billion, underpinned by a preference for a build-up of liquidity buffers due to precautionary reasons and direct liquidity support from the government (either through the suspension of of tax payments and SSCs and/or through leverage by the banking sector).

GRAPHS 8 & 9

Domestic Banking System: Private Sector Deposits and Credit to domestic non-financial corporations



Source: Bank of Greece

The outstanding amount of total credit to the private sector amounted to EUR 141.8 billion at the end of December 2020, with an annual rate of change, adjusted for reclassifications, write-offs and exchange rate variations, which grew to 3.5% from -0.6% at the end of 2019. The annual credit growth to non-financial corporations (adjusted for reclassifications, write-offs and exchange rate variations) skyrocketed to 10% in 2020 (Graph 9), supporting business liquidity, especially in sectors that have been heavily impacted by the pandemic and related lockdown. Credit expansion to non-financial corporations was supported by financing programmes of the Hellenic Development Bank, with guarantees (from the “COVID-19 Business Guarantee Fund”) and an interest rate subsidy (“TEPIX II”), and financing from the European Investment Bank. With respect to household credit, the annual rate of change in consumer and mortgage loans remained negative, with the latter showing signs of stabilisation.

Liquidity conditions in the domestic banking system have continued to improve in 2021. According to the latest available data published by the Bank of Greece, private sector deposits increased by EUR 4.2 billion in the Greek banking system in the first four months of the year. At the same time, the annual rate of change in total credit granted to the private sector, adjusted for reclassifications, write-offs and exchange rate variations, reached 2.4% in April 2021. Credit expansion to non-financial corporations remained positive in April 2021 (+6.7%), while credit expansion to households remained negative (-2.5%), with housing loans standing at -2.8%.

Annual data	2016	2017	2018	2019	2020	Annual % Changes
GDP at constant prices 2015 (annual % change)	-0.5	1.3	1.6	1.9	-8.2	
Private Consumption	-0.5	1.9	2.3	1.9	-5.2	
Public Consumption	-0.2	-0.1	-4.2	1.2	2.7	
Gross Fixed Capital Formation	2.3	8.1	-6.6	-4.6	-0.6	
Exports of Goods and Services	-0.4	8.5	9.1	4.8	-21.7	
Imports of Goods and Services	2.2	7.4	8.0	3.0	-6.8	
National CPI, (annual % change, period average)	-0.8	1.1	0.6	0.3	-1.2	
Unemployment Rate (%, period average)	23.5	21.5	19.3	17.3	16.5	
G.G. Primary Balance (% of GDP) *	3.3	3.8	4.4	4.0	-6.7	
G.G. Gross Debt (% of GDP)	180.8	179.2	186.2	180.5	205.6	
Current Account Balance (% of GDP)	-1.8	-1.9	-2.9	-1.5	-6.7	

Business Environment	2020	2020		2021	*Latest available data*	Quarterly data (annual % changes)
		Q3	Q4	Q1		
Economic Activity (annual % change)						
Volume Index in Retail Trade (excl. automotive fuel)	-1.3	-0.3	-1.3	0.3	0.3 (Jan.-Mar. 21)	
New Passenger Car Registrations	-26.6	-14.3	-16.5	-5.3	23.1 (Jan.-Apr. 21)	
Private Building Activity (volume in '000 m3)	5.9	-1.7	-4.8		13.3 (Jan.-Feb. 21)	
Manufacturing Production Index	-1.6	-1.5	1.5	2.6	2.6 (Jan.-Mar. 21)	
Confidence indicators						
Purchasing Managers' Index (PMI)	46.6	49.3	46.0	50.4	58 (May 21)	
Economic Sentiment Indicator (ESI)	96.4	90.6	91.8	93.2	108.6 (May 21)	
Index of Bus. Expect. in Industry	93.9	86.8	92.6	98.2	110 (May 21)	
Index of Consumer Confidence	-31.2	-36.9	-46.2	-43.0	-22.2 (May 21)	
Credit Growth (% annual change, period end)						
Private Sector	3.5	2.4	3.5	2.9	2.4 (Apr. 21)	
Non-financial corporations	10.0	8.3	10.0	8.7	6.7 (Apr. 21)	
- Industry	8.1	9.5	8.1	5.4	2.5 (Apr. 21)	
- Construction	-0.1	-4.7	-0.1	-0.7	-1.3 (Apr. 21)	
- Tourism	14.8	11.7	14.8	16.7	16.7 (Apr. 21)	
Individuals	-2.5	-2.5	-2.5	-2.7	-2.5 (Apr. 21)	
- Consumer Loans	-2.2	-1.6	-2.2	-2.8	-2.1 (Apr. 21)	
- Housing Loans	-2.7	-2.8	-2.7	-2.8	-2.8 (Apr. 21)	
Prices and Labour Market						
National CPI, (annual % change, period average)	-1.2	-1.9	-2.1	-1.6	-0.3 (Apr. 21)	
Index of Apartment Prices (annual % change) **	4.3	3.7	2.5	3.2	3.2 (Q1 21)	
Unemployment Rate (%, period average, sa)	16.4	16.8	16.0		15.9 (Feb. 21)	
GDP at constant prices 2015 (annual % change) ***	-8.2	-10.0	-6.9	-2.3	-2.3 (Q1 21)	
Private Consumption	-5.2	-1.7	-4.9	-4.9	-4.9 (Q1 21)	
Public Consumption	2.7	4.8	7.3	4.9	4.9 (Q1 21)	
Gross Fixed Capital Formation	-0.6	0.0	3.2	8.6	8.6 (Q1 21)	
Exports of Goods and Services	-21.7	-25.9	-17.6	-13.4	-13.4 (Q1 21)	
Imports of Goods and Services	-6.8	-5.5	-8.8	-5.0	-5.0 (Q1 21)	

Sources: Bank of Greece, ELSTAT, IOBE, IHS Markit

* Primary balance defined here as General Government balance (according to ESA 2010) minus interest expenditure of General Government entities to other sectors. The effect of support to financial institutions is excluded in this measure of the primary balance. The measure of the primary balance presented here differs from the definition of primary balance used under the Enhanced Surveillance Framework for Greece.

** Provisional historical figures for residential real estate prices since Q2 2020.

*** Provisional historical figures for real GDP since Q1 2018.

ALPHA BANK ECONOMIC RESEARCH AND ANALYSIS
11, Sophocleous Street
GR 105 59 Athens
T +30 210 517 8963, F +30 210 348 7873
Email: AlphaBankEconomicResearch@alpha.gr
Website: http://www.alpha.gr