GREECE

ECONOMIC & FINANCIAL OUTLOOK
Flash Edition

ECONOMIC RESEARCH DIVISION

December 2020

Upturn in economic activity interrupted, while vaccination efficiency and RRF funds push the odds upside

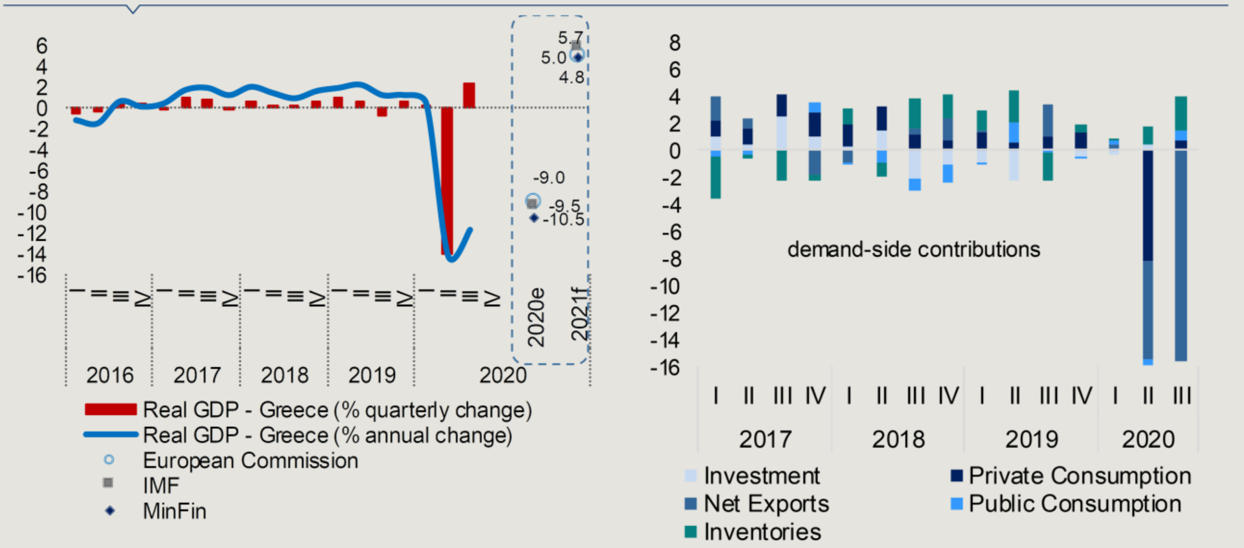
During the first wave of the pandemic, Greece succeeded in containing the exponential spread of infections throughout March and April due to the early introduction of front-loaded containment measures. Following the gradual easing of the first generalized lockdown from May onwards, economic activity returned to a progressive normalization in Q3 2020, reflected in the rise of real GDP by 2.3% on a quarterly basis (*Graph 1*). However, Greece witnessed a smaller q-o-q growth compared to the Euro area (12.5%), as the weak performance of tourism-related activities in Q3 weighed on growth dynamics.

According to the last available data published by ELSTAT (provisional, seasonally adjusted figures), real GDP shrank by 11.7% y-o-y in Q3 2020 (*Graph 1*), mainly fueled by the collapse of tourism during the summer months. The high dependence of domestic economic activity on inbound tourism (*Graph 3*) is reflected in its significant direct contribution to GDP, estimated at 7.8% in 2019, while according to the World Travel and Tourism Council (WTTC), the indirect contribution ranges between 18%-19%. The struggles of the tourism sector were particularly significant given its seasonal nature - the majority of travel receipts and arrivals typically take place in the third quarter of each year (59% of total travel receipts and 54.8% of total arrivals in 2019).

Turning to the demand-side components of real GDP (*Graph 2*), the weak performance of tourism-related activities, due to the social distancing guidance and the travel restrictions imposed, is reflected in the freefall of exports of services by 80% in Q3 2020 compared to the same quarter in 2019. Net exports made the largest negative contribution to real GDP contraction in Q3 2020 (-15.6 pps) as the decline in exports of goods and services (-44.9% y-o-y) outpaced the decline in imports of goods and services (-6.4% y-o-y). Gross fixed capital formation declined marginally by 0.3% y-o-y in Q3 2020, mainly driven by the large annual drop in transport equipment (53.1% y-o-y). Investment in machinery and technological equipment rose by 9.3% on an annual basis, while residential investment remained on an upward trend, rising by 6.6% y-o-y. Non-residential construction investment also increased by 3.3% y-o-y in Q3 2020.

GRAPHS 1 & 2

Demand-Side Component Analysis: The role of tourism collapse and fiscal stimulus



Source: ELSTAT, EC (Autumn 2020 Economic Forecasts), IMF (Country Report No.20/308), Ministry of Finance (Budget 2021), ERD calculations

On a positive note, private consumption increased by 1% y-o-y, contributing positively to the change in real GDP by 0.7 pps, underpinned by the swift and sizeable fiscal policy response to the pandemic which supported employment and households' disposable income. The large fiscal stimulus is also reflected in the positive contribution of public consumption in Q3 2020 (0.8 pps), rising by 4.4% y-o-y.

The upturn in economic activity during the summer months was interrupted by the resurgence of the Covid-19 pandemic in autumn. The impact of the new nationwide lockdown on 2020 GDP will be considerable - in line with other European countries - while the rebound in the next year amid the second wave is expected to be milder than initially forecast. As depicted in *Graph 1*, the European Commission, the IMF and the Greek Ministry of Finance foresee an incomplete rebound in 2021. More specifically, the European Commission (*Autumn Economic Forecasts*) projects a steep drop in real GDP in 2020 (-9%) and an incomplete recovery in 2021 (5%). Similarly, the latest projections by the IMF, as included in the latest country report, (*Country Report No. 20/308, November 2020*) foresee a sharp real GDP drop materializing in 2020 (-9.5%) followed by a partial rebound in 2021 (5.7%). The projections provided by the Greek Ministry of Finance, included in the State Budget 2021, are now envisaging a 10.5% recession in 2020 and a mild rebound in 2021 by 4.8%.

The sizeable fiscal stimulus enacted by the government is estimated to have partially offset the negative consequences of the recessionary shock; in particular, according to the 2021 State Budget estimates, the recession materialized in 2020 could have reached 17.5% (measures supported 7.0% of GDP) under a no-policy intervention scenario, while, for 2021, 2.5% out of the 4.8% projected growth is attributed to the maintenance of the fiscal supporting measures and another 2.1% is attributed to the utilization of the EU Recovery and Resilience Facility (RRF). On the upside, the progress being made in developing and distributing an effective vaccine should improve the outlook and bring renewed confidence, paving the way for a virtuous cycle that is expected to take effect next year. Additionally, earlier-than-expected funding from the RRF may prove a solid ground for a strong upside.

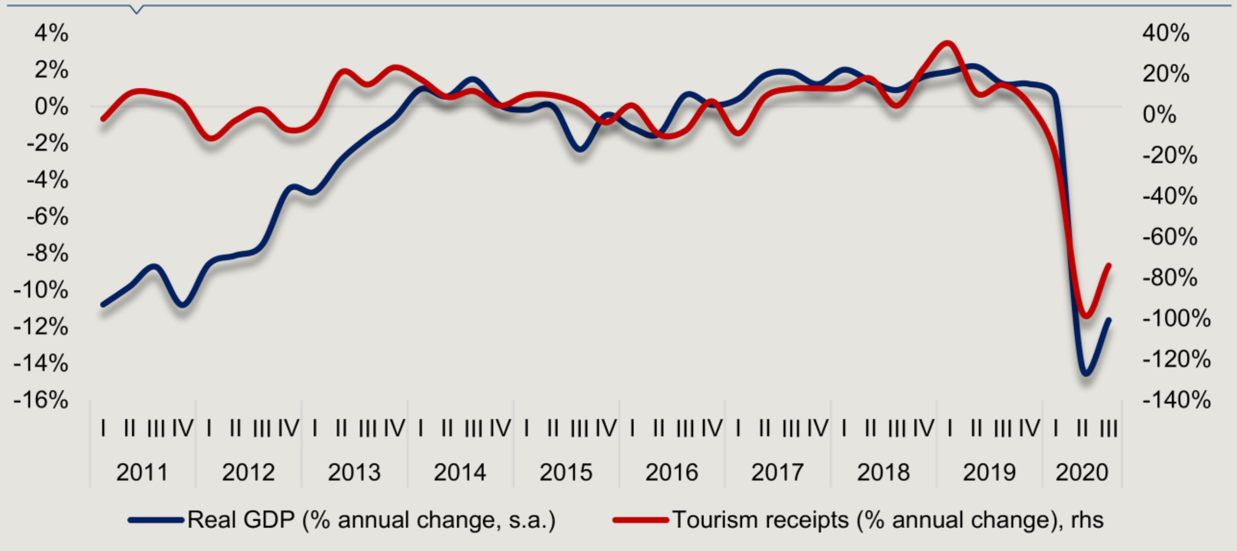
The nexus between business turnover and community mobility

The outbreak of the pandemic in March, as well as the severity of the second wave of the pandemic that almost every European country is currently facing, in tandem with the associated strict containment measures, has heavily impacted business turnover. In the third quarter of 2020, the business turnover amounted to Euro 69.8 billion, decreasing by 15.8% y-o-y, with the largest drop recorded in the accommodation and food services sector, falling by 50.4% y-o-y.

Graph 4 presents the annual contribution of each sector of the economy to the changes in total business turnover during the first nine months of 2020, as well as the nexus between business turnover and community mobility in retail, workplaces and transportation hubs (drawn from the Google's community mobility reports[1]).

GRAPH 3

High historical dependence of the Greek economic activity on tourism



Source: ELSTAT, Bank of Greece

According to the latest available data from ELSTAT, the total turnover of enterprises (obliged to double-entry accounting bookkeeping) recorded a 11.8% y-o-y decrease in September, significantly lower than the respective decline in April (-32.2% y-o-y) during the first national lockdown. It is also worth noting that the fall in turnover recorded in September was broadly at the same level as in March (-11.2% y-o-y), in the second half of which the Greek government introduced the first containment measures to curb the spread of the pandemic.

The secondary sector, i.e. manufacturing and construction, made the largest negative contribution (- 4.6 pps) to the decline in total turnover in September 2020, followed by accommodation and food services activities which also contributed negatively by 2.3 percentage points. The adverse effects of the resurgence of the Covid-19 pandemic were also evident in the turnover of transportation and storage services, which contributed negatively to total enterprises' turnover by 1.7 pps, falling on an annual basis by 29%.

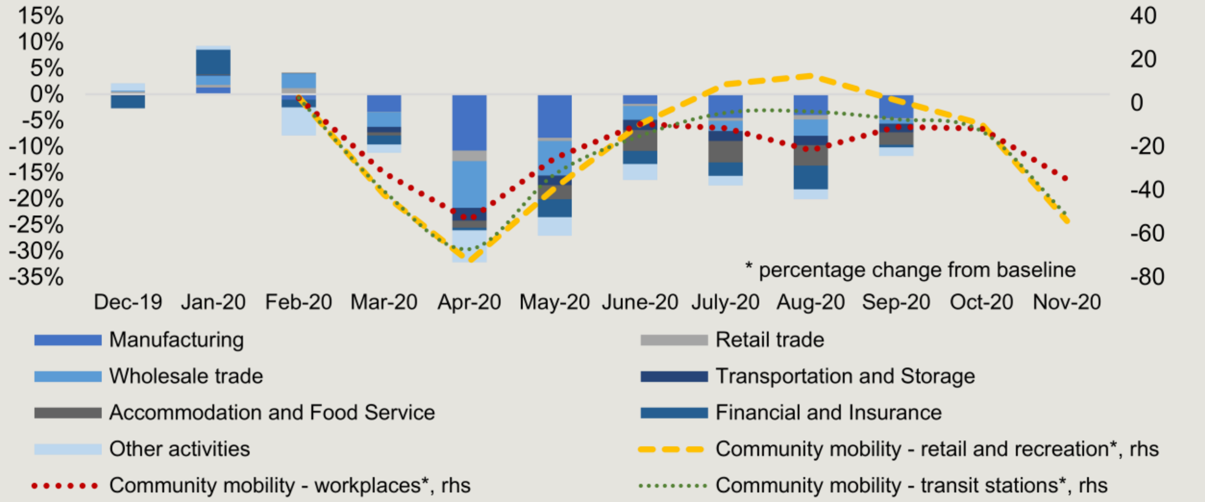
Finally, the contributions of retail and wholesale trade services were marginally negative, by 0.3 and 0.8 pps, respectively. It is worth noting that, in April, the overall negative contribution of the wholesale and retail trade services was higher, reaching approximately one third of the total drop of enterprises' turnover (11 pps from 32.2 in total).

As shown in *Graph 4*, trends in community's mobility data[1] coincided to a large extent with the evolution of enterprises' turnover. In particular, mobility to places related to retail services and recreation activities, as well as mobility in transit stations, fell sharply in April as a result of the temporary pause of economic activity and the mobility restrictions. Nevertheless, mobility gradually recovered from May to August, in conjunction with the gradual easing of containment measures and the progressive normalization of economic activity. In August, the mobility of employees to the workplace slightly decreased, most likely due to the summer leave of employees. However, following the surge of Covid-19 cases across the country, physical presence in the workplace declined again from September onwards. Mobility to workplaces declined further in November due to the imposition of a second nationwide lockdown. Additionally, mobility related to retail and recreation activities (restaurants, cafes, shopping malls, cinemas, museums, libraries, etc.) fell by 54.2% on average, in November, compared to the base period (3.1.2020 - 6.2 2020). During the same period, mobility to transit stations (e.g. public transport hubs) decreased by 51.7%, exceeding the decrease in the mobility to workplaces (-35.2%).

Enterprises' turnover is expected to decline further in the fourth quarter of 2020, following its moderate drop in Q3 2020; however, the negative consequences of the pandemic and the containment measures on business turnover are expected to be partially mitigated by:

GRAPH 4

Business turnover bounced back after the first lockdown but unevenly across sectors depending upon social distancing and travel restrictions



Source: ELSTAT, Google Community Mobility Reports, ERD calculations

Note: [1] Google's Community Mobility Reports aim to provide insights into what has changed in response to policies aimed at combating Covid-19. The reports chart movement trends over time by geography, across different categories of places such as retail and recreation, groceries and pharmacies, parks, transit stations, workplaces, and residential.

(i) the better adaptation of enterprises to digital technologies and, especially, electronic sales tools (demand side) and remote work (supply side),

(ii) the improved confidence based on the expectations around an effective vaccine within the first half of 2021, and

(iii) the lesser impact of tourism on economic activity, compared to the summer months.

In addition to hard data, soft data regarding the evolution of business turnover within 2020 is also available. According to a recent survey by ICAP conducted in a sample of 1,513 Greek companies ("The Impact of the Coronavirus on Companies and Individual Sectors of the Greek Economy"), 67% of companies estimate that their turnover will be reduced in 2020 in comparison with 2019, while only 25% expect to increase their turnover. The projected decrease in the turnover of all enterprises is expected to reach 21% on average, while the liquidity of enterprises will decrease by 22%. The sector with the largest projected decrease in turnover is expected to be tourism (-66%), followed by the food service sector (-38%). Less significant declines are expected to be recorded in the IT and telecommunications sector (-1%) and the energy and renewables sector (-4%). According to the survey, companies are facing two major challenges, in their effort to deal with the consequences of the pandemic: the first is related to the achievement of adequate liquidity (7 out of 10 companies) and the second to the maintenance of low costs (56% of companies).

Maintained fiscal policy supports economic activity at the cost of a temporary debt-deficit upswing

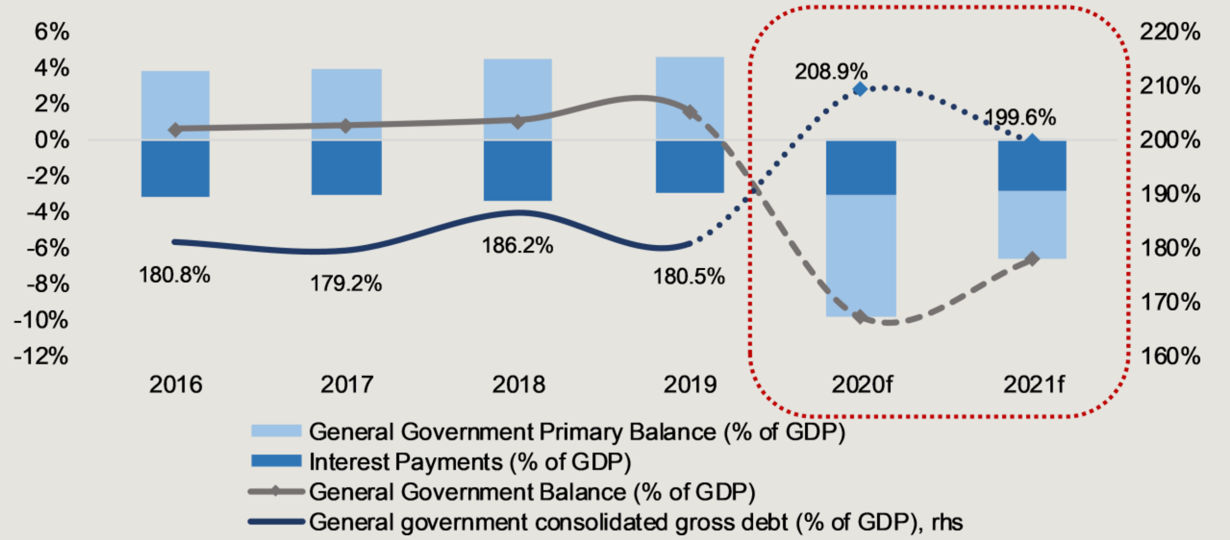
The outbreak of the pandemic prompted a sizeable fiscal policy response, which, in conjunction with the sharp GDP contraction, led to unprecedented deviations from the government revenue and expenditure initial targets. The severe public health crisis and the deep economic recession enacted European Commission to activate the general escape clause of the EU fiscal framework, providing full flexibility to all European countries within the EU budget rules to tackle the negative social and economic impact of the pandemic.

The second wave of the pandemic and the national lockdown in November have led to the downward revision of projections in the 2021 State Budget compared to those included in the Draft Budget 2021 released in October, given the need for further fiscal policy interventions. The expansionary fiscal policy is expected to remain in place in 2021, supporting domestic economic activity, safeguarding employment and preventing insolvencies.

In accordance with the 2021 Budget, the general government (GG) primary deficit, in enhanced surveillance terms, is estimated at -7.2% of GDP (Euro 11.7 billion) in 2020 and -3.9% of GDP (Euro 6.7 billion) in 2021, revised downwards from the estimations included in the Draft State Budget 2021 (-6.2% and -1% of GDP in 2020 and 2021, respectively) (*Graph 5*).

GRAPH 5

Maintained fiscal policy support: A debt and deficit transitory upswing in the making



Source: Ministry of Finance, Budget 2021

The GG headline budget balance is estimated at -9.9% of GDP in 2020 (Euro 16.1 billion) and -6.7% (Euro 11.5 billion) in 2021. The downward adjustment compared to the Draft Budget 2021 projections is mainly related to the additional fiscal support measures required to address the negative consequences of the pandemic as well as the milder than previously expected rebound of economic activity in 2021.

The State Budget envisages an increase in revenues in 2021, underpinned by the projected economic recovery and expected employment gains. In particular, tax revenues are expected to rise by 8.1% y-o-y, reaching Euro 47.8 billion due to the projected increase in VAT revenues, as well as higher revenues from special consumption taxes and corporate and personal income taxes. In addition, revenues are expected to be boosted by Euro 224 million, supported by the partial repayment of tax obligations that had been suspended in 2020 as part of the government's Covid-19 support measures, while, Euro 709 million are expected to come from increased social security contributions (SSCs) off the back of the projected employment rebound. Total State revenues are projected to reach Euro 52.5 billion in 2021 versus an estimated Euro 49.1 billion in 2020.

As depicted in *Graph 5*, the GG gross debt is expected to pick up to 208.9% of GDP in 2020, before resuming on a downward trajectory in 2021, reaching 199.6% of GDP, in tandem with the progressive economic recovery. The upward revision of the projected public debt-to-GDP ratio is attributed to the deeper-than-expected downturn in economic activity in 2020 of 10.5% and the downward revision of the GDP by the ELSTAT (to Euro 183.4 billion in 2019 vs. Euro 187.5 billion previously, in current prices). However, despite the deterioration of the economic climate due to the pandemic and the increase in public debt-to-GDP in 2020, the yields on Greek government securities remained on a declining trend, reflecting the favourable Greek debt profile, marked by low gross financing needs for the next two years, a long debt maturity period and fixed rates.

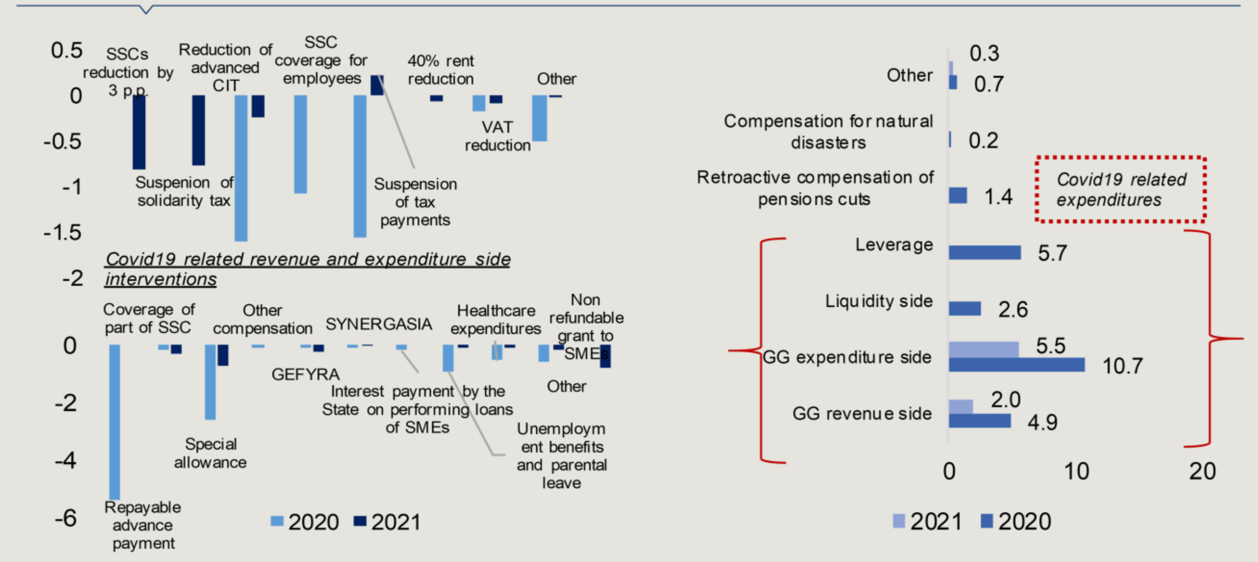
Fiscal policy measures: The anatomy of the Covid-19 response

Since the outbreak of the Covid-19 pandemic and the associated containment measures, the Greek government has implemented a series of fiscal policy interventions, aimed at curbing the spread of the virus while financially supporting those crisis-affected businesses and sectors of the economy, as well as their employees. These include 62 Covid-19 related interventions, amounting to Euro 31.4 billion, of which Euro 23.9 billion concern measures within 2020 and Euro 7.5 billion expected to be implemented in 2021 (*Graph 6*). More specifically:

(i) 22 revenue-side interventions (2020: Euro 4.92 billion; 2021: Euro 1.8 billion), including, among others, the suspension of VAT, social security contributions (SSCs) and other tax obligation payments for businesses, self-employed and sole proprietorships affected by Covid-19 crisis, the reduction by 3 pps of the SSCs of wage earners in the private sector and the suspension of solidarity tax in the private sector payable in 2021, the VAT reduction in specific sectors (e.g. transports, coffee and beverages etc.) and a 40% reduction in rents (in commercial as well as in primary and student residence).

GRAPHS 6 & 7

An anatomy of fiscal policy interventions in 2020-2021



Source: Ministry of Finance, Budget 2021

(ii) *34 expenditure-side interventions* (2020: Euro 10.7 billion; 2021: Euro 5.5 billion, the latter also including Euro 3 billion as a reserve), comprising of, among others, business financing in the form of a repayable advance payment, the first residence subsidy for borrowers hit by the health crisis (GEFYRA), the special allowance for employees of firms under suspension as well as seasonal workers, self-employed and those employed in specific scientific sectors, additional unemployment benefits, the short-term employment scheme (SYNERGASIA) and increased support to the public healthcare system.

(iii) *4 fiscal neutral interventions*, including the suspension of performing loan repayments (for the principal amount) for firms affected by the coronavirus crisis, delayed payment (by 75 days) of checks of the enterprises in sectors affected by the crisis, part-time work for specific employees and immediate repayment of all pending tax refund claims up to Euro 30,000 that are under audit.

(iv) *2 liquidity-side interventions* (Hellenic Development Bank guarantees and loans from the Entrepreneurship Fund - TEPIX II), amounting to Euro 2.5 billion, which correspond to a liquidity provision for the private sector of Euro 8.2 billion through leverage from the banking system (Euro 5.7 billion).

Furthermore, in addition to Covid-related interventions, the 2021 Budget includes a package of non-Covid related fiscal interventions, amounting to Euro 2.3 billion in 2020. These include, among others, the retroactive pensioner payments, compensation for natural disasters, a clearance programme for OTA arrears, the abolition of ENFIA in small and isolated islands, the exception of the expenditure for vaccines from the pharmaceutical claw-back ceiling of EOPYY, the over-depreciation of R&D expenses (*Graph 7*).

Safeguarding employment amid a perfect storm

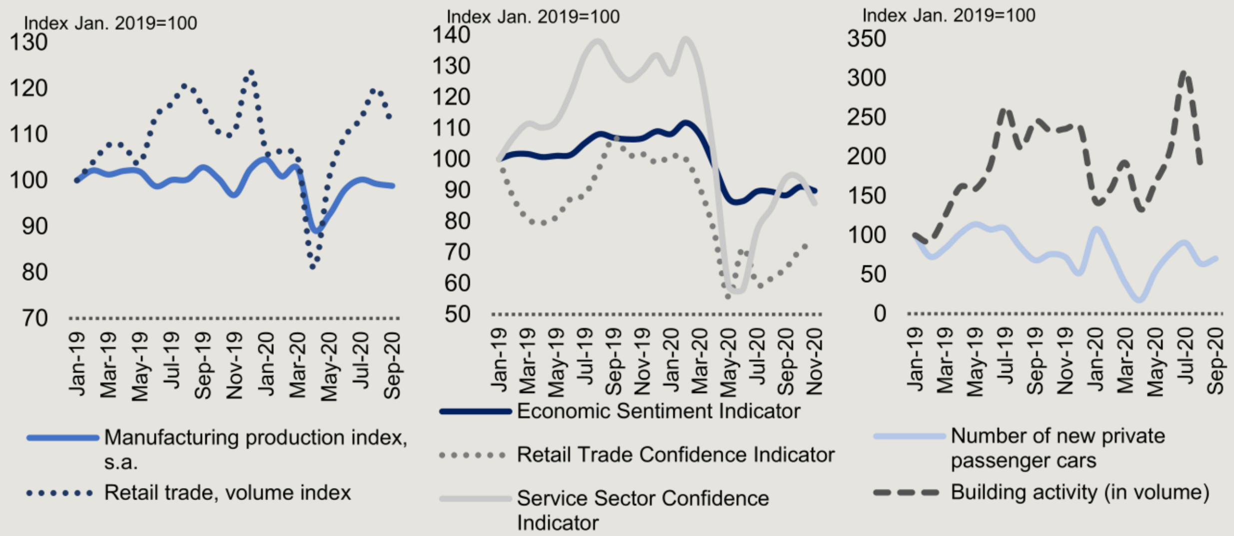
Hard and soft high frequency data provided mixed evidence in the third quarter of 2020. The manufacturing production index increased immediately after the lockdown shock in April but remained rather stable in the last few months, while the volume index of retail sales continued its upward trend until September (*Graph 8)*.

In the first half of 2020, the Economic Sentiment Indicator compressed due to the pandemic, but held up better in Greece than the Euro area average. The weakening of ESI in Greece during the third quarter, especially in retail trade, is associated with the poor performance of tourism, the growing second wave of infections and the regional lockdowns that took place across the country (*Graph 9*). Recent survey data for November show that Greek ESI reached 91 points from 92.3 in October (EA-November: 87.6; EA-October: 91.1), well below its long-run average (100) and foreshadowing a continued subdued economic activity in the fourth quarter of the year.

Car sales increased after the lockdown and remained relatively stable in the last months, while building activity followed a different pattern, peaking in July and remaining on average at a higher level than in 2019 (*Graph 10*).

GRAPHS 8, 9 & 10

Short-term indices: different aspects of the recessionary shock



Source: ELSTAT, Bank of Greece, IOBE

Despite the collapse in household expectations about future employment prospects, the swift policy response supported employment. More specifically, the employment rate fell by only 2 percentage points m-o-m in May 2020 before resuming in an upward course (*Graph 11*). The unemployment rate stood at 16.8% in August 2020, down by almost 1 percentage point since May 2020, broadly at the same level compared to one year earlier (August 2019: 16.9%).

The external sector is expected to register a record decline in 2020, with net exports contributing negatively to GDP growth. In particular, exports of services are expected to remain well below their steady state, as tourist arrivals are expected to only partially recover in 2021. The significant weight of inbound compared to outbound tourism in Greece is already reflected in the current account balance of 2020 (*Graph 12)*. In the first nine months of the current year, travel receipts shrank by Euro 10.5 billion or 78.2% on an annual basis reaching Euro 3.5 billion, following the sharp decline in inbound tourist arrivals during this period by 77.2% on an annual basis (9m-2019: 26.9 million passengers; 9m-2020: 6.1 million passengers). Following their collapse in April and May 2020, travel receipts recorded only a marginal improvement during the summer months and mostly in August. This small increase in tourism arrivals during Q3 2020 was also reflected in the data on the accommodation occupancy rates, which, however, remained at subdued levels. Specifically, the accommodation occupancy rates did not exceed 33% in August, compared to 76% in the corresponding month of 2019. The speed of tourism recovery globally depends on the course of the pandemic, the developments regarding the treatment of the disease and the timing of the release of an effective vaccine. Domestically, a number of factors are crucial regarding the same matter, such as:

- the shape of the economic recovery in the countries of origin of inbound visitors,
- the extent to which tourist arrivals depend on air transport,
- the relative weight of domestic tourism, which is more likely to recover faster,
- the contribution of business travel to overall inbound travelling, and finally,
- the quality of health services offered by each destination.

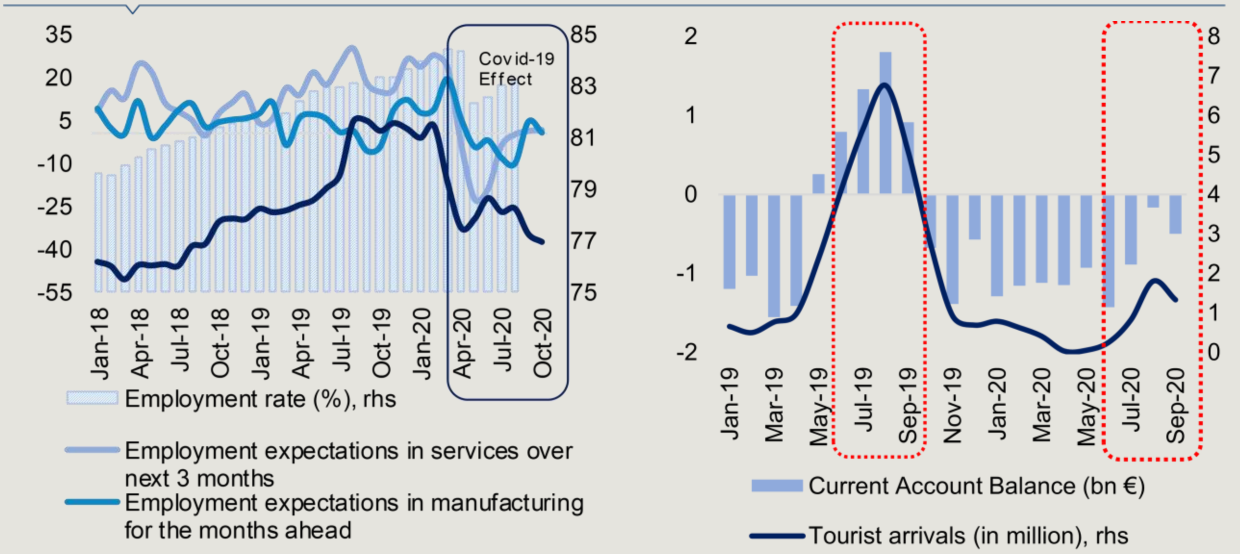
Ensuring liquidity for businesses

The financial turmoil caused by the pandemic had a severe impact on the liquidity position of corporations, leading the government to provide immediate support through emergency fiscal measures in the effort to mitigate the effects of the recession. The following factors supported credit expansion through the banking system:

(i) the provision of government guarantees (leverage effect),

GRAPHS 11 & 12

Swift policy response supported employment despite the deterioration in employment expectations, while current account deficit worsened considerably as tourism collapsed



Source: Eurostat, European Commission, Bank of Greece

(ii) the strengthening of the deposit base due to the pandemic (rise in both "forced" and "precautionary" savings) and

(iii) the liquidity injection from the Eurosystem.

Domestic credit expansion to non-financial corporations (NFCs) – already in a positive territory from December 2018 - has skyrocketed from March 2020 onwards (*Graph 13).* In particular, during the first ten months of 2020, credit flow to NFCs (adjusted for write-offs, reclassifications and exchange rate variations) amounted to Euro 4.9 billion against Euro 0.7 billion in the corresponding period of 2019. On the other hand, credit growth to households (adjusted for write-offs, reclassifications and exchange rate variations) remained in negative territory, recording a small deceleration throughout the year (Dec-19: -2.9%; Oct-20: -2.4%). Additionally, private sector deposit inflows in the banking system reached Euro 12.8 billion in the first ten months of 2020, significantly higher against the same period in 2019 (Euro 5.4 billion). This was underpinned by the government revenue-side interventions, the higher household propensity to save and the liquidity support to businesses.

As seen in *Graph 14*, the aforementioned developments in loan production combined with recent deposit dynamics led to a narrowing of the gap between private sector credit (Oct. 20: Euro 147.3 billion) and deposits outstanding in the Greek banking system (Oct. 20: Euro 155.7 billion) and a subsequent reversal in the last few months.

The importance of the NGEU funds on the long-term growth outlook

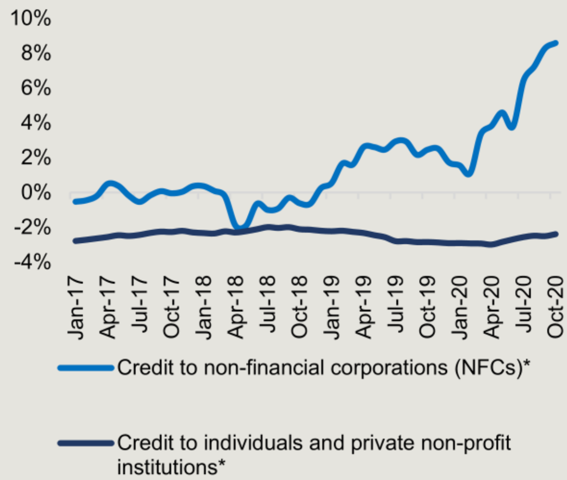
Greece is expected to receive around 10% of expected GDP for 2020 in grants from the Next Generation EU (NGEU), ranking the third highest among EU-27 countries (*Graph 15*). The EU Recovery Funds are expected to strengthen Greece's growth prospects in the coming years, mainly through attracting fresh investment. According to Bank of Greece estimates, the Euro 32 billion of NGEU funds can potentially increase annual GDP by 2.3% on average per annum. Additionally, the European Commission estimates that real GDP is expected to be up to 2 percentage points higher during the years of the NGEU, compared to a no-policy baseline. Greece is expected to enjoy the highest spillover effects from the NGEU according to recent studies (*Picek, O. (2020), Spillover Effects from Next Generation EU, Intereconomics, 55(5), 325-331*). The Greek government has submitted a National Program for the Recovery Plan for the timely execution of EU financing support programmes. This is an ambitious plan and a huge opportunity for Greece that should not be missed. Essentially, it is possible for the nation to achieve three goals at the same time.

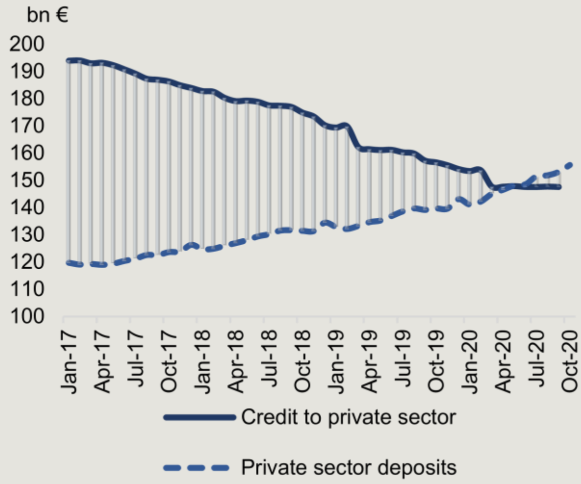
Firstly, to heal the consequences and damage caused by the current pandemic crisis as quickly as possible.

Secondly, to re-establish Greece as an investment destination determined to achieve rapid growth in the digital economy and shift focus to sustainable development and green transition. The EU partners and Recovery Fund attach strategic importance in these areas.

GRAPHS 13 & 14

Narrowing the gap between credit and deposits despite the strong credit rebound on the back of state guarantees





Source: Bank of Greece

Note: * Growth rates are derived from the differences in outstanding amounts taking into account for loan write-offs, exchange rate valuations and reclassifications

Thirdly, to change its productive model towards export orientation and the repatriation of human capital from abroad. To achieve this, Greece needs to tackle the weaknesses and entanglements of the past years, reduce the size of the informal economy and create a tax-friendly environment for investments as well as an efficient social safety net.

The effective utilization of these funds presupposes an Investment Strategy that includes some key conditions.

Firstly, the development of a reliable distribution mechanism based on the evaluation and selection of the most efficient investment projects that maximize the absorption of funds while respecting the priorities set by the EU. Greece has made tangible progress in increasing its absorption of EU structural funds. Following recent estimates by Bruegel, Greece has recorded the third best performance among EU countries, absorbing 60% of EU funds during the period 2014-2020 (versus 49.5% in EU-28).

The second structural element of Greece's investment strategy should be the utilization of a significant part of these funds to finance a program of public administration reform. A large part of these funds can be channeled towards a wide spectrum of investment programs that each member state has already identified and prioritized. In this field, Greece has a comparative advantage. The multi-year monitoring of the Greek economy by the MoU involved institutions, as well as the country's experience from the long-lasting economic crisis in the previous decade, has clearly highlighted several reform areas.

The Greek government appears to be moving in this direction. In the 'National Recovery and Resilience Plan' investments and reforms go hand in hand. Therefore, financial support will facilitate the promotion of reforms. Indicatively, we mention the digitization of the Independent Authority for Public Revenue and its connection with POS machines to tackle tax evasion, the acceleration of court decisions, the enhancement of the second pillar of the social security system relying on auxiliary pensions, the connection between vocational high schools and the labour market through technological upgrade, etc. A third element of the Investment Strategy is to accelerate reforms in order to improve the country's position in the global ranking of investment indicators - such as for example "Doing Business". NGEU is a great opportunity to upgrade the business environment by:

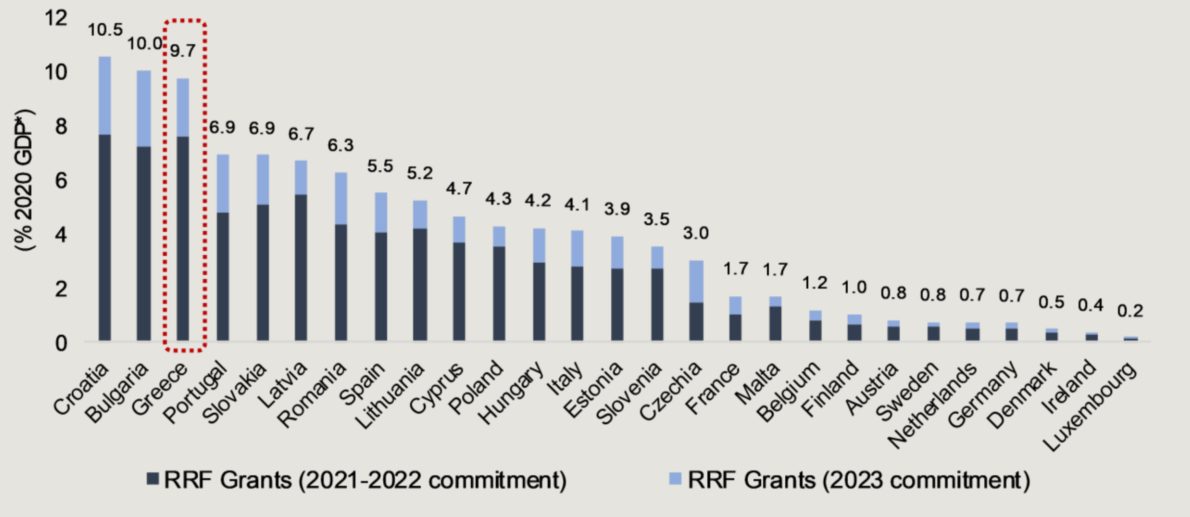
• strengthening the insolvency framework and especially the bankruptcy code,

• taking advantage of economies of scale through an increase in the average size of enterprises, thus overcoming a typical weakness and finally,

• reducing the bureaucratic burden on the private sector and improving the quality and efficiency of public administration.

GRAPH 15

Greece among the top recipients of the RRF grants



Source: Eurostat, EC, Autumn 2020 Economic Forecasts, ERD calculations *as of 10/12/2020*

Macroeconomic Environment	ANNUAL		QUARTERLY					
	2018	2019	2019			2020		
			II	III	IV	I	II	III
AGGREGATE DEMAND								
GDP at current prices (€ billion), SA [1]	179.7	183.4	46.1	45.4	45.4	45.1	38.6	40.4
(annual % change)	1.5	2.1	3.0	1.3	0.5	-1.3	-16.2	-11.0
GDP at constant prices 2015 (€ billion), SA [1]	180.3	183.6	45.9	45.6	45.8	45.9	39.4	40.3
(annual % change)	1.6	1.9	2.2	1.2	1.2	0.4	-14.2	-11.7
Components (annual % change, at constant prices)								
Private Consumption	2.3	1.9	0.8	1.5	1.8	0.2	-12.0	1.0
Public Consumption	-4.2	1.2	7.7	-1.2	-0.8	1.4	-2.7	4.4
Gross Fixed Capital Formation	-6.6	-4.6	-18.3	0.3	-5.1	-3.2	4.6	-0.3
Exports of Goods and Services	9.1	4.8	2.9	9.9	1.2	1.6	-33.1	-44.9
Imports of Goods and Services	8.0	3.0	2.8	3.3	0.9	0.6	-12.9	-6.4
LABOUR MARKET (annual % change)								
Nominal Unit Labour Costs [2]	1.7	-0.4	2.0	0.5	2.1	2.1	6.8	
REER Unit Labour Costs [3]	1.2	-2.1	-1.4	-2.9	-2.2	-0.8	0.4	2.7
Unemployment Rate (%), SA	19.3	17.3	17.3	17.0	16.6	15.9	17.0	16.4
Youth Unemployment (less than 25, as a percentage of active population)	39.9	35.2	34.0	34.0	33.8	33.2	36.0	
Long-term Unemployment (>12 months, as a percentage of total unemployment)	70.3	70.1	70.2	71.8	72.0	72.0	66.0	
Employment Growth (%), SA	2.0	2.2	2.5	2.0	1.7	1.0	-2.7	-1.5
PRICES (average annual % change)								
National CPI	0.6	0.3	0.3	-0.1	0.1	0.4	-1.4	-1.9
National core CPI [5]	0.0	0.5	0.3	0.8	0.7	0.7	-0.4	-1.4
HICP (Harmonised Index)	0.8	0.5	0.6	0.2	0.4	0.6	-1.2	-2.2
GDP Deflator, SA	-0.1	0.2	0.8	0.1	-0.7	-1.7	-2.3	0.7
PUBLIC FINANCES								
General Government Primary Balance (€ billion, cumulative) [5]	7.9	8.3	1.4	5.2	8.3	-1.2	-4.7	
G.G. Primary Balance (% of GDP)	4.4	4.5						
General Government consolidated Gross Debt (€ billion)	334.7	331.1	335.5	334.3	331.1	329.5	333.7	
G.G. Gross Debt (% of GDP)	186.2	180.5						
EXTERNAL BALANCE & COMPETITIVENESS INDICATORS								
Current Account Balance (€ billion)	-5.2	-2.7	-0.4	4.1	-2.6	-3.6	-3.5	-1.6
Current Account Balance (% of GDP)	-2.9	-1.5	-0.8	8.9	-5.8	-7.9	-9.1	-3.8
Greece: Real Effective Exchange Rate Index, 2010=100 (annual % change) [6]	1.4	-1.8	-1.2	-2.8	-2.0	-1.3	-1.0	-0.1
Greece: Nominal Effective Exhange Rate Index, 2010=100 (annual % change) [6]	3.5	-0.1	0.9	-1.0	-0.6	0.3	1.2	3.3
Banking Sector								
Credit Growth to Private Sector: Total [7]	-1.1	-0.6	-0.2	-0.5	-0.6	0.1	0.4	2.4
Non-financial corporations	0.2	1.7	2.5	2.2	1.7	3.4	3.8	8.3
Insurance corp. and other financial intermediaries	-3.0	2.1	-1.2	-1.9	2.1	6.1	2.7	-1.0
Individuals	-2.2	-2.9	-2.6	-2.9	-2.9	-2.9	-2.7	-2.5
Deposits/Private sector: Flows	7.9	8.9	3.9	2.0	4.1	1.7	3.6	4.9

Sources: Hellenic Statistical Authority, Eurostat, BoG

[1] Provisional historical figures for 2018-2019.

[2] Nominal Unit Labour Cost based on hours worked.

[3] Compared to 37 countries.

[4] Excluding food and non-alcoholic beverages,alcoholic beverages and tobacco and energy prices.

[5] Annual data 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 included 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.

[6] The REER index is CPI-based. Both REER and NEER include the 37 main trading partners of Greece. A positive sign denotes loss of competitiveness of Greece's trade partners.

[7] Growth rates are derived from the differences in outstanding amounts corrected for loan write-offs, exchange rate valuations and reclassifications.

Business Economy	ANNUAL		QUARTERLY					
	2018	2019	2019			2020		
			II	III	IV	I	II	III
(annual % change unless otherwise indicated)								
INDUSTRY								
Industrial Production Index (2015 = 100) (1)	1.6	-0.7	0.5	-0.1	-4.7	-1.2	-7.8	-2.1
Manufacturing Production Index (2015 = 100) (1)	2.8	0.9	2.1	1.2	-1.4	1.5	-7.4	-1.6
Turnover Index in Industry (2015 = 100)	9.8	-0.5	1.8	-1.1	-2.0	-2.2	-23.9	-14.0
CONSTRUCTION ACTIVITY								
Production Index in Construction (2015=100) (1)	-14.0	-6.0	6.7	-9.9	-9.1	-5.8	-27.4	-3.0
Index of Apartment Prices (2007 = 100) (2)	1.8	7.2	7.6	8.3	7.4	6.5	4.1	3.2
Office Price Index (2010 = 100) (3)	6.5	4.1		4.1		2.0		
Retail Price Index (2010 = 100) (3)	4.6	6.9		6.1		3.0		
Private Building Activity (volume in '000 m^3)	21.4	9.8	2.2	37.9	10.2	55.7	0.3	-1.6
TRADE								
Volume Index in Retail Trade (excl. automotive fuel) (1)	1.7	0.6	-1.0	1.6	2.9	3.8	-7.4	-0.1
Turnover Index in Wholesale Trade (1)	6.8	-1.6	-1.0	-2.8	-1.5	-2.2	-20.3	-9.3
CAR TRADE								
New Passenger Car Registrations	25.8	13.2	13.1	23.7	12.2	-12.4	-54.2	-14.3
SERVICES			cumulative					
Tourism Receipt, BoG (incl. cruises)	10.0	13.0	13.3	14.1	13.0	-20.5	-86.4	
Tourism Receipt (€ billion)	16.09	18.18	5.41	16.11	18.18	0.59	0.14	
Tourist Arrivals, BoG (excl. cruises)	10.8	4.1	-0.5	3.8	4.1	-5.6	-76.9	
Tourist Arrivals (in million people)	30.12	31.35	9.41	26.95	31.35	1.83	0.35	
EXPECTATION INDICES (units)								
Economic Sentiment Indicator	103.8	105.4	102.4	108.1	108.8	110.7	91.8	90.3
Index of Consumer Confidence	-44.0	-19.8	-29.4	-11.7	-7.1	-10.4	-31.1	-36.9
Index of Bus. Expect. in Industry	102.8	103.6	103.8	104.8	104.1	108.6	87.6	86.8
Index of Bus. Expect. in Construction	58.1	58.1	54.8	52.7	68.1	84.9	28.1	67.0
Index of Bus. Expect. in Retail Trade	104.5	109.6	97.8	115.5	119.1	115.1	80.3	73.5
Index of Bus. Expect. in Services	97.0	97.7	92.6	108.2	104.4	106.5	58.6	68.8

Sources: Hellenic Statistical Authority, Bank of Greece, European Commission

1 Calendar adjusted data

2 Provisional historical figures for residential real estate prices since Q4 2019.

3 Provisional historical figures for office and retail shops prices since H2 2019. Indices are published on a biannual basis. They concern office and retail uses and refer to price levels of prime investment property and rent levels of the prime and upper secondary market. It should be noted that price indices are valuation-based and are therefore expected to show some lag, especially in cases of negative changes. Furthermore, values tend to reflect sentiment and market expectations at the moment of the valuation, especially in periods of limited transactions.

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

Web site: http://www.alpha.gr