

Recovery continues while fiscal over-performance maintains

The Greek economy gained momentum in the first nine months of 2018, with real GDP increasing by 2.1% y-o-y (compared to 1.5% in 2017 as a whole). This strengthening recovery is mainly driven by:

- (i) Net exports of goods and services, on the back of export-oriented manufacturing sectors as well as, the increase in tourist arrivals and
- (ii) A rebound in private consumption, supported by the employment gains that rise disposable income, despite the increasing share of part-time jobs.

All investment categories, especially machinery equipment and IT/telecommunications posted an increase, with the exception of transport equipment and construction (other than dwellings) which declined by 22.3% y-o-y and 15.6% y-o-y respectively, in the first nine months of 2018.

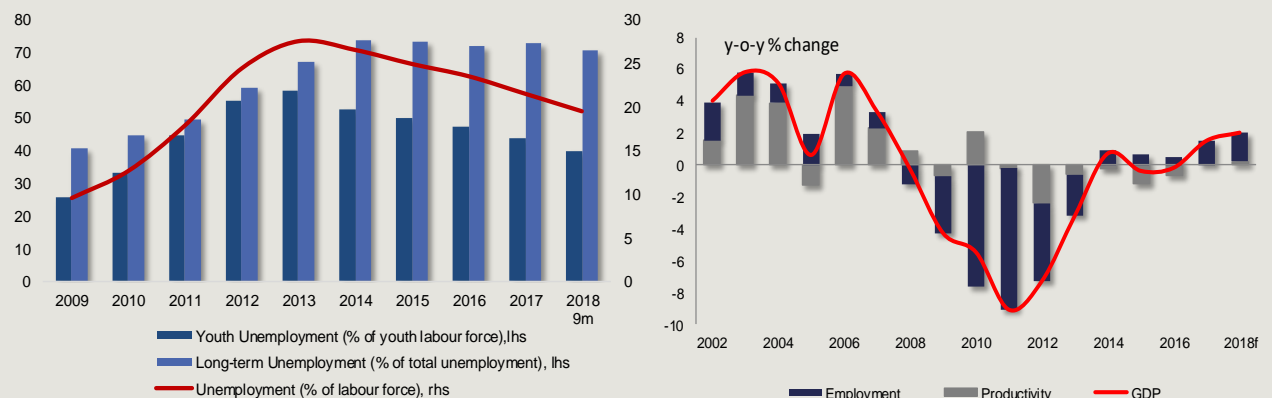
Taken in the round, these favourable growth dynamics are reflected in both labour and real estate markets.

More specifically, the seasonally adjusted unemployment rate fell to 18.6% in October 2018, down by about 9.3 pps. from its historical peak in mid-2013 and by 2.4 pps. a year earlier (Graph 1). Labour productivity¹ growth stalled in 2017 and turned positive in 2018, but still weak, since GDP growth kept pace with employment growth during the last two years (Graph 2). The house price index increased for the first time since 2009, by 1.3% y-o-y in the January-September 2018 period, whereas signs of recovery also emerged in the commercial property market in 2017. Moreover, the evolution of high frequency economic indicators, i.e. an increase in manufacturing production, retail trade and car sales as well as, the improvement of business sentiment and consumer confidence indicators suggest that the economic recovery is broadening.

Meanwhile, Greece successfully concluded its third economic programme in August 2018 albeit Greek bond yields remain elevated (Graph 3), due to spillover effects from debate on the Italian fiscal policy stance during the second half of 2018 and the risk of reforms' fatigue, as the country is entering the domestic electoral cycle.

GRAPH 1

 Source:
European Commission

Jobs-driven recovery while long-term unemployment remains relatively stubborn

GRAPH 2

 Source:
Eurostat

Sovereign confidence is expected to be restored gradually, as the accumulated cash buffer of the Greek State, in combination with the favourable medium-term public debt financing profile, following the debt relief measures agreed in the summer, provide adequate breathing space for the forthcoming state financing needs. In this context, the Greek Government tapped the markets by issuing a new five-year bond on 29.01.2019, with a yield of 3.6%, raising € 2.5 bn.

At the same time, in 2018 the general government balance is projected to record a surplus for the third year in-a-row. Greece's credit ratings, although still below investment grade, have improved in recent months.

According to the first European Commission Enhanced Surveillance Report, pre-legislated pension cuts are not needed to achieve a primary surplus target of 3.5% of GDP in 2019, while the 2019 Budget includes a proposed package of discretionary measures to support private consumption. Moreover, the focus on the privatization programme and projected infrastructure projects – where progress has so far fallen short of expectations may stimulate confidence and foreign direct investment (FDI) inflows, while the clearance of government arrears to the private sector (€2.6 billion in November 2018) is expected to further improve liquidity conditions.

Current Growth Mix, Future Dynamics and Risks Balance

The demand-side GDP breakdown (Graph 4) shows that in the first three quarters of 2018, the main drivers of growth were private consumption and net exports, while investment (excl. inventories) and public consumption were negative contributors. In particular, in the external sector, the substantial increase of exports of goods and services by 8.3% y-o-y in the first nine months of 2018, which outpaced the corresponding increase of imports (3.1% y-o-y), led to a positive contribution of net exports by 1.6 pps.

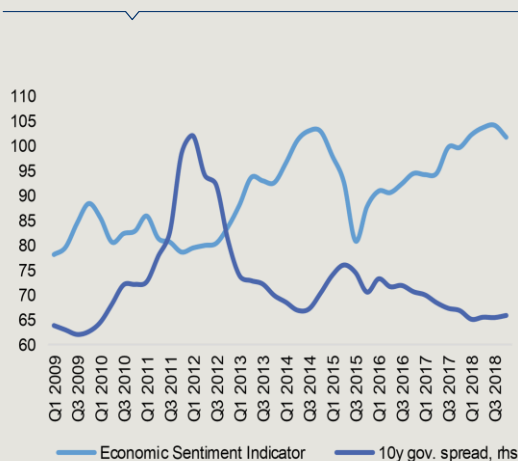
Exports of goods and services are expected to increase further as a result of the stronger export-oriented business' activity and increased tourist arrivals and tourism receipts. In particular, in January-November 2018, the number of inbound visitors (excl. cruise passengers) increased by 10.6% y-o-y to 29.5 million, compared to 26.6 million in the corresponding period of the previous year (Graph 5). During the same period, travel receipts rose by 9.7% on annual basis, amounting to €15.8 billion.

Private consumption increased by 0.8% y-o-y in the first nine months of 2018 (Q1 2018: 0.5%, Q2 2018: 1.3%, Q3 2018: 0.7%), contributing positively to GDP growth by 0.6 pps., underpinned by the rise in households' nominal disposable income. In 2017, the growth of households' nominal disposable income crossed back into positive territory, owing primarily to the improvement in employment (2.2% in 2017) and to a lesser extent, to an increase in compensation per employee (0.5%). In the first nine months of 2018, households' nominal disposable income growth accelerated further to 3.4%, on an annual basis, driven by the increase in employee compensation, self-employment income and employment gains.

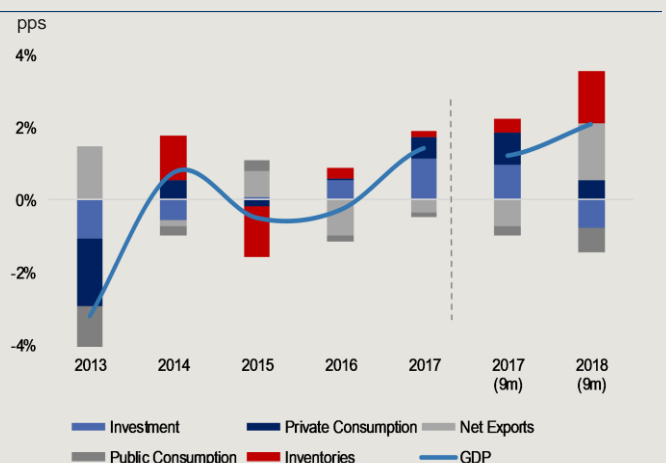
GRAPH 3

Sources: IOBE, Bloomberg

Economic sentiment goes up, spread on bond yields remains rigid



GDP growth getting momentum: demand-side components



GRAPH 4

Source: ELSTAT

Finally, investment fell by 6.2% y-o-y in the first nine months of 2018, driven by a marked fall in transport investment by 22.3% y-o-y and other construction (except housing) by 15.6% y-o-y, offsetting the increases registered in all other investment categories.

The current economic expansion is expected to strengthen in the following quarters; real GDP growth is projected to average 2% in 2018 and pick up slightly in 2019, underpinned by investment and robust export performance, on the back of the gradual restoration of confidence and further easing of capital controls accordingly. Private consumption is expected to positively contribute to economic growth, as consumer confidence is improving and the unemployment rate is expected to remain in decline in coming years, combined with small salary increases and supportive fiscal measures. More specifically, the 2019 Budget (envisaging GDP growth of 2.5% for 2019), does not foresee the pre-legislated pension cuts but involves a freeze in pensions until 2022. Additionally, it includes a fiscal package of expansionary measures, such as, reducing the special property tax by a weighted average of 10% and lowering social insurance contributions for the self-employed, professionals and farmers.

Business investment is expected to increase, especially in the export-oriented sector, including tourism, as a result of (i) the notable improvement in business sentiment across sectors as analyzed in the relevant section of this report, (ii) the positive impact from privatizations, especially those in regional airports and the Hellinikon area, (iii) easier access to capital markets for large corporates and (iv) the improvement of liquidity conditions that may come from both the clearance of state arrears including tax returns and the increase in loan disbursements from the banking system, supported by the rise in deposits and the efficient management of NPEs stock.

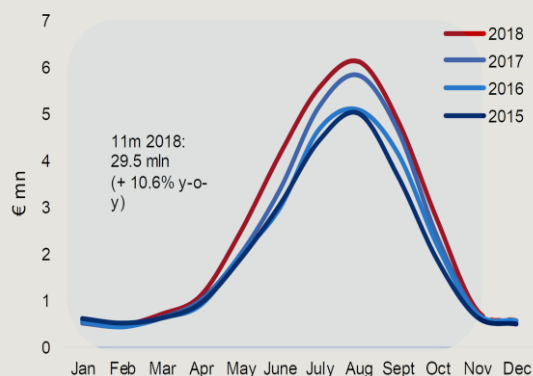
Downside risks are mainly related to a deterioration in financial markets and external conditions partly due to developments in Italy, turmoil in Turkey and the fragile European political scene, which may affect negatively the cost of borrowing and foreign direct investment (FDI). An additional exogenous factor that could negatively influence domestic economic performance is the negative impact on exports of goods and services, from either a potential euro appreciation and/or a slowdown in European growth dynamics. On the other hand, oil prices are expected to decline in 2019, which could be positive for the Greek economy given that Greece remains among the most oil dependent countries.

Investment remains the key prerequisite for future growth. Gross fixed capital formation in the private sector has declined over the past decade, from 22% of GDP in 2007 to 8% in 2017. Thus, net capital investment by businesses (i.e. excluding depreciation) has remained negative since 2009. Long-lasting disinvestment led to low productivity growth which, according to the EC (Autumn 2018 Economic Forecasts), is expected to run slower than wage growth, putting increasing pressures on Unit Labour Cost (Graph 6). This, in turn, may hamper on the country's competitiveness, as already evident in 2018.

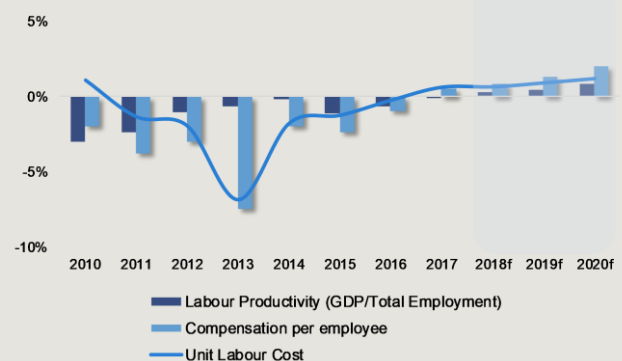
GRAPH 5

Source:
Bank of Greece

Another record year in tourism arrivals



Compensation, productivity and labour cost



GRAPH 6

Source:
European Commission

Consequently, the Greek economy needs a positive capital investment shock to boost growth potential and foster productivity. Greece attracts low FDI since the structural competitiveness of its economy remains low, based on established indicators, such as those of the World Economic Forum.

FDI may boost labour productivity by adopting innovation and enhance the export performance of domestic firms since incoming investors tend to be more extroverted and may be part of the “global value chain”. Although the share of foreign direct investment in Greece has been on an upward path for the past two years, (Graph 7), still lags significantly behind South-Eastern European trading partners, as well as, the EU and Euro-area averages.

Housing Market: Strong Signs of Recovery

After the initial recessionary shock and long-lasting aftershocks that hit the Greek real estate market since the onset of the economic crisis, recent signals point towards recovery, in line with the rebound of economic activity and the improvement of economic sentiment (Graph 8). In accordance with the latest available provisional data by the Bank of Greece (BoG), in the first nine months of 2018, nominal apartment prices increased by 1.3% on an annual basis (Q12018: 0.3% y-o-y, Q22018: 1.2% y-o-y; Q32018: 2.5% y-o-y), with nominal prices for new apartments, i.e. up to 5 years old, growing at a faster pace (1.5% y-o-y) compared to old apartments, i.e. over 5 years old (1.2% y-o-y). A breakdown of the index by geographical location, reveals that the recovery in nominal apartment prices is more pronounced in Athens (9-months 2018: 2.1% y-o-y), compared to other cities and other areas (9-months 2018: 0.7% y-o-y).

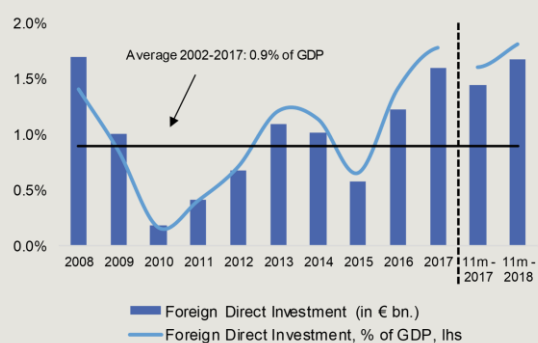
Signs of recovery have also begun to emerge on commercial property market in 2017. Following a 28.8% cumulative decline over the period 2010-2016, nominal retail and office prices, concerning prime investment commercial property, rose in 2017 by 1.7% and 1.6%, respectively (provisional data), reflecting increased demand. The recovery in commercial property prices accelerated further in the first half of 2018, with nominal retail and office prices increasing, on an annual basis, by 3.1% and 7.4%, respectively. For both commercial property sectors, the increase in nominal prices was stronger in Athens compared to Thessaloniki and the rest of Greece.

The first signs of recovery in the housing market broadly coincided with the reversal of the downward trend in residential investment since 2008. According to the national accounts provisional data by the Hellenic Statistical Authority (ELSTAT), residential investment rose by 12.3% y-o-y in the first nine months of 2018 (seasonally adjusted), accounting for 6.1% of total investment, from 5.1% in the corresponding period of 2017.

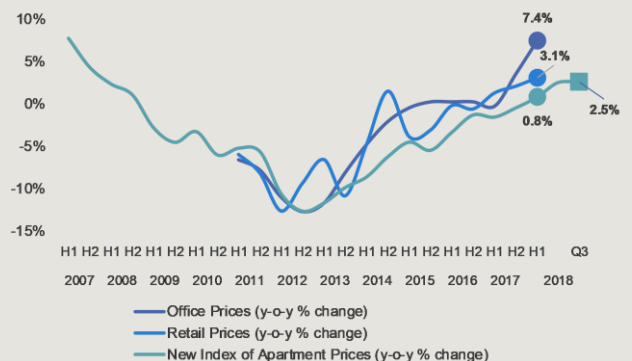
GRAPH 7

Source:
Bank of Greece

FDI attraction Improves



Real estate prices recorded positive growth for the first time in a decade (y-o-y % change)



GRAPH 8

Source:
Bank of Greece

Graph 9 presents two commonly employed crude indicators², which are typically considered to assess conditions in the housing market:

(i) The first measure is the *house price-to-rent* ratio, which compares the cost of owning a house against the income it generates by renting out the property (profitability ratio). When residential property prices are considered high relative to rents – by using its long term relationship as benchmark- property prices would be pressed downwards. The price-to-rent ratio peaked before the economic crisis, mainly on the back of house price increases, since rents increased at a fairly stable pace within this period. However, during the crisis, co-movement between house prices and rents was apparent, while the downward adjustment was stronger and steeper for house prices compared to rents. Since 2017, a temporary misalignment has been observed, during which rents declined faster than house prices, resulting in an upward trend of the price-to-rent ratio that nonetheless remained well below its long-term average.

(ii) The second is the *house price-to-income* ratio, which is a commonly employed crude indicator of affordability, reflecting the ability to acquire a home and/or to service the debt obligations attached. The house price-to-income ratio is defined as nominal house prices over per capita disposable income. The house price-to-income ratio compiled by the OECD, declined in 2017 compared to 2016 and remained broadly stable in the first and second quarter of 2018, below its long-term average value.

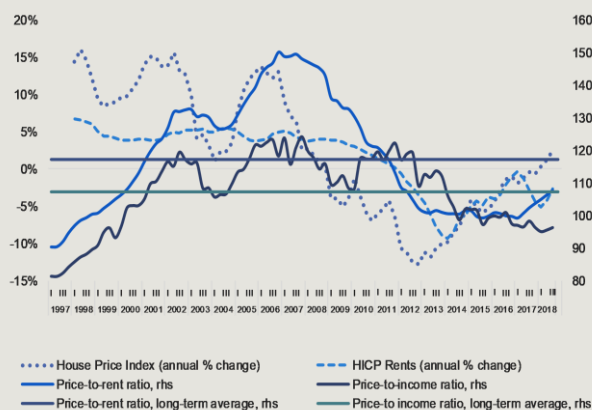
In the short run, demand side factors are expected to dominate market developments. The main drivers of the positive short-term outlook on residential property prices are the recovery dynamics along with the improvement in economic sentiment and the increase in current and expected households' disposable income, in conjunction with the favourable employment prospects.

Apart from recovery conditions in the real estate market which are linked to economic cycle developments, there are additional factors that affect short-term developments; namely, the rise in the short-term rental market in the centre of Athens and other tourist destinations, which is related to the enhanced role of the sharing economy³, as well as, the “Golden Visa Program”, in the context of which residence permits are granted to third country nationals who purchase real estate property exceeding € 250,000. In particular, according to the recent study by KEPE⁴, the number of accommodation establishments for short-term renting in Greece amounted to over 126.000 by the end of the first half of 2018, from 96.000 in 2017 (Graph 10).

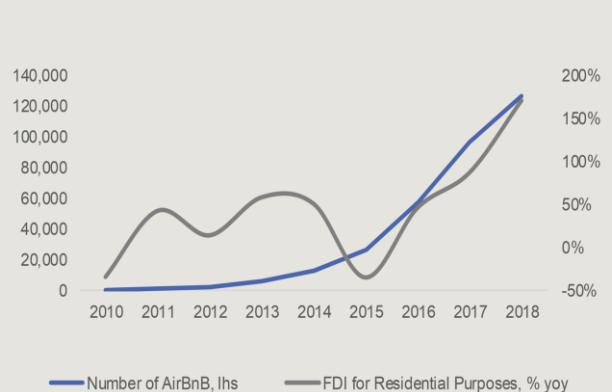
GRAPH 9

Source:
OECD Analytical House
Price Indicators

Housing market prices: "Crude" valuation indicators



Sharing economy: Does it matter?



GRAPH 10

Sources:
Bank of Greece, KEPE

Labour Market Developments and Inflation

The unemployment rate remained at 18.6% (in seasonally adjusted terms) in October 2018 as in September 2018, as a result of the 2.1% y-o-y increase in the number of employed and the marked drop by 12.2% y-o-y in the number of unemployed persons.

From a sectoral perspective, all sectors of economic activity added new jobs in the first nine months of 2018, with the largest rises registered in trade (19.8 thousand persons), public administration (11 thousands) and the primary sector (20.3 thousands).

The positive developments in employment are also evident in the latest data on employment flows of the private sector from the “ERGANI” Information System, according to which in 2018, the net cumulative employment flow (i.e., private sector new hirings minus dismissals) stood at 141.003, which is the second highest net flow recorded since 2001.

Although the unemployment rate has been on a declining trend since its historical peak of 27.9% in July 2013, it remains at exceptionally high levels compared to the respective euro area average (7.9% in November 2018).

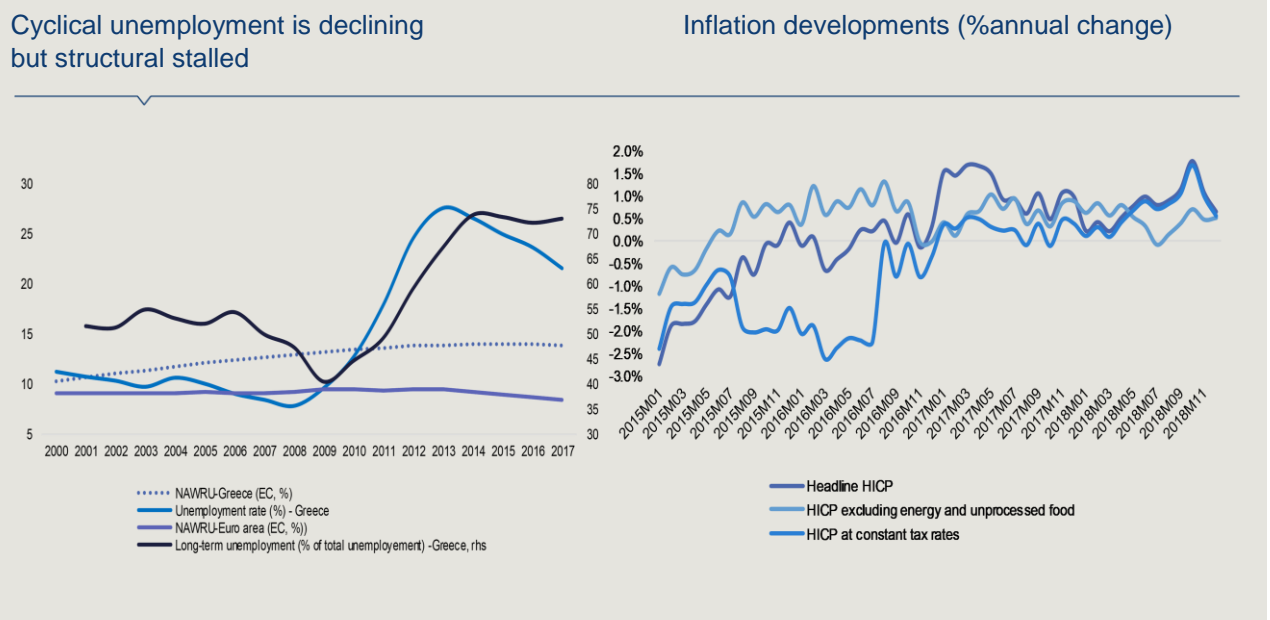
The fall in the unemployment rate is associated with the return of real GDP growth to positive territory in 2017 (1.5%) and in the first nine months of 2018 (2.1% y-o-y) and broadly reflects the fall in the cyclical part of the unemployment rate, i.e. the difference between total unemployment and its structural component⁵. As illustrated in Graph 11, according to the latest estimates by the European Commission (Autumn 2018), structural unemployment in Greece has been persistently high compared to the euro era average. Factors that may have contributed to the gradual rise of structural unemployment is the rising share of long-term unemployment and the mismatches between labour supply and labour demand.

According to the last available data, long-term unemployment in Greece (which refers to unemployed persons for 12 months or more, as % of total unemployment, 15-74 group), increased by 32.2 percentage points between 2009 and 2017, from 40.4% to 72.7%, remaining over time well above the respective euro-area and EU averages. Very long-term unemployment, i.e. unemployed persons for 24 months or over, remained on a rising trend hitting a historical high of 52.5% in 2017 from 21.8% in 2009.

Youth unemployment, including persons less than 25 years old, reached 43.6% of active population aged less than 25 in 2017, declining by 14.7 pps. from the highest level recorded in annual terms in 2013 (58.3%). According to the latest available data by Eurostat, in Q32018, youth unemployment reached its lowest value at 36.3%. However, youth unemployment still remains well above the euro-area and EU averages (16.8% and 15.2% respectively).

GRAPH 11

Sources:
AMECO, ELSTAT



GRAPH 12

Source:
Eurostat

The average annual rate of change of the Harmonized Index of Consumer Prices (headline inflation) stood at 0.8% in 2018, from 1.1% in 2017 (Graph 12). The moderate inflationary pressures during this period are mainly fueled by the increases in international energy prices, as the base effects from the increases in indirect taxation in 2017 faded away. Energy price inflation (HICP) reached 3.9% on average in 2018, while core HICP inflation (i.e. excl. energy and unprocessed food) remained broadly muted, averaging to 0.5%.

Government Arrears and Fiscal Policy Mix

The execution of the state budget in 2018 (Graph 13) shows that the primary surplus of the state budget stood at € 3.2 billion, lower than the targeted of € 3.6 billion, but higher than the respective surplus of € 1.9 billion in 2017. The underperformance against the target is due to the extension of the concession agreement of Athens International Airport, for the period 2026-2046, the amount of which will be collected in January 2019 instead of December 2018 that was originally budgeted. It is noted though that this development has no fiscal impact on the current year. The main elements regarding the Budget execution for 2018 are:

- The deviation in the net current revenues by - € 0.3 billion against the target set for the corresponding period, due to the aforementioned reason,
- The decrease in the revenues from Public Investment Budget (PIB) by €1.2 billion
- The decrease in the current primary expenditure by € 0.6 billion,
- The under-execution of the PIB expenditure by € 0.5 billion.

The evolution of the net current revenues in 2018 showed that there is over-achievement of the indirect tax revenues by € 105 million compared to the target, while direct tax revenues registered a decrease by €114 million against the target.

The general government primary surplus is expected to exceed the target set in 2018. According to the 2019 Budget, the primary surplus is estimated at 3.98% of GDP against the target of 3.5%. This overachievement is taking place for the fourth consecutive year (Graph 14), on the back of an unprecedented increase in the tax burden, as well as, a significant retrenchment in public expenses and particularly in PIB. Taking into account the recurrent under-execution of PIB, the 2019 Budget foresees a reduced amount compared to the amount projected in the MTF5 in 2019.

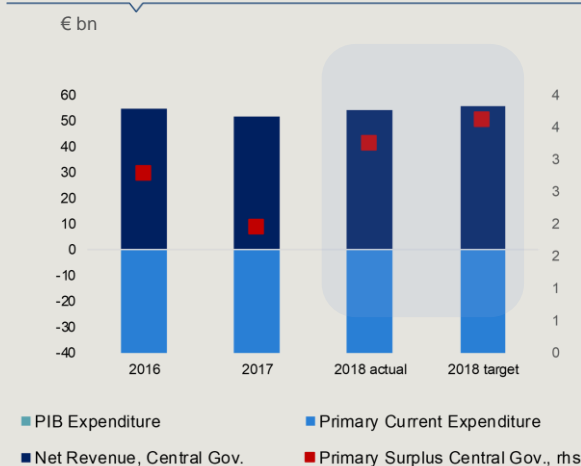
The clearance of government arrears to the private sector accelerated during 2018. Furthermore, in November 2018, the amount of government arrears fell to € 2.6 billion, of which € 0.7 billion are tax refunds arrears. The continuing clearance of government arrears to the private sector is of great importance, since it improves liquidity conditions and the stabilization of the economy.

2019 is considered a challenging year in the context of achieving fiscal targets and identifying the right policy mix to unleash growth potential and foster social protection.

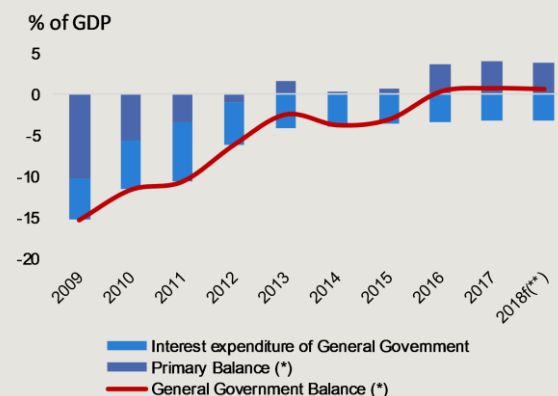
GRAPH 13

Source:
Ministry of Finance

Budget execution 2018



Fiscal over-performance maintains



GRAPH 14

(*) Support provided to the Financial Institutions not included

(**) Budget 2019

Sources:
ELSTAT
Ministry of Finance

The main elements of the 2019 Budget are the abolition of pension cuts and implementation of expansionary measures that account for 0.6% of GDP, which will be partially counterbalanced by public investment contraction (0.3% of GDP). These developments ensure that the primary surplus will reach 3.5% of GDP in 2019, in line with agreed targets, but below the level estimated at the Medium-Term Fiscal Strategy for 2019-2022. The fiscal package includes measures that are expansionary through their positive impact on private consumption but may restrain public investment.

Additionally, the implementation of court decisions regarding retroactive compensation and abolition of pre-legislated measures for public sector wage and pension cuts, may endanger the achievement of fiscal targets and decrease the already high public debt. These decisions, if materialized, may boost private consumption in the short term, but will increase fiscal pressures contributing to higher uncertainty and hence sluggish investment.

Hard Data Performance in a nutshell

Industrial Production: Industrial production increased by 0.9% y-o-y in January-November 2018, against an increase of 4.8% in the same period of 2017. The increase of the index recorded in the first eleven months of 2018 was only due to the 2.1% increase on an annual basis in manufacturing, while electricity and water supply declined at a broadly similar pace, at 2.0% and 2.3% y-o-y, respectively. The Purchasing Managers' Index-PMI in manufacturing, reached 53.8 in December 2018, from 54.0 in the previous month. In 2018, PMI index improved to 54.1 units, from 50.2 in 2017, suggesting the expansion of the sector (Graph 15).

Retail Sales: The general index of volume in retail trade (sa) increased by 1.3% y-o-y in January-October 2018, from 1.5% in the corresponding period of the previous year. The volume indices in the main sub-sectors of retail trade continued to improve on a yearly basis: furniture-electronics (+4.9%), pharmaceutical (+1.5%), supermarkets (+3.3%) and department stores (+0.4%), while food-beverages-tobacco declined by 4.0%

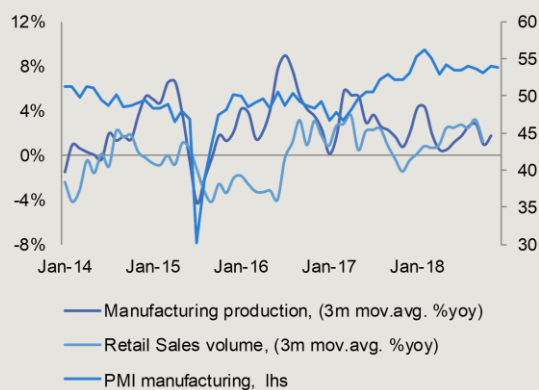
New Passenger Car Registrations: New passenger cars registrations continued to increase significantly by 25.6% y-o-y in 2018, from 22.1% y-o-y in 2017.

Private Building Activity: Private building activity, increased by 18.8% y-o-y in the first ten months of 2018 in terms of volume and by 10.6% y-o-y in terms of the number of building permits. According to the six-month moving average, private building activity presents an upward trend since the beginning of 2018, while in October alone the increase in the volume was equal to 38.9% y-o-y.

GRAPH 15

Sources:
ELSTAT, Markit

Activity and expectations on the positive territory



Business confidence across industries



GRAPH 16

Sources:
IOBE

Balance of Payments (Bank of Greece data): The current account (CA) deficit stood at €3.8 billion in January-November 2018, from a smaller deficit of €1.7 billion recorded in the same period of 2017, as a result of the deterioration in the goods deficit and the primary income account. In particular, the deficit of the balance of goods widened by €2.5 billion, reaching €20.7 billion in the first eleven months of 2018, as imports of goods increased by 15.8% y-o-y standing at €50.6 billion while exports of goods increased by 17.4% reaching €29.9 billion. The surplus in services continued to improve, widening to €18.9 billion in the first eleven months of 2018, mainly due to the strong performance of travel receipts (+9.7% y-o-y) and the rise in sea transport receipts (+14.7% y-o-y).

Confidence indices: Cross-sectorial comparisons

According to the latest available data by IOBE, in December 2018, the Economic Sentiment Indicator (ESI) in Greece decreased marginally to 101.6 from 101.8 in November 2018, remaining above its long-term average of 100 (Graph 16). In 2018, the ESI improved to 102.7 units, from 96.8 units in 2017. Despite the increase, the index remained well below the Euro Area average (2018: 111.7).

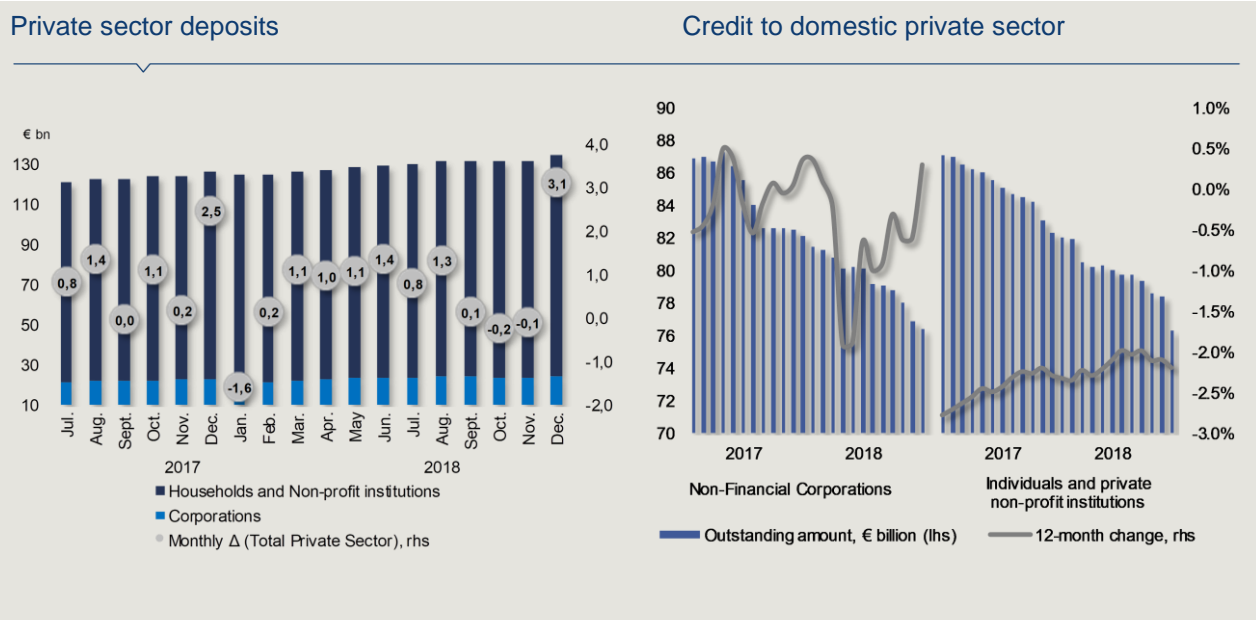
From a sectoral perspective, all sub-indices registered increases in 2018 compared to 2017, suggesting that the recovery is broad-based. In particular, business expectations in industry improved to a level above the long term average, at 102.8 units (2017: 98.1). The index in retail trade also increased to 104.5 units (2017: 94.6), while services rose to 97 (2017: 92.7). The business expectations in construction reached 58.1, from 55.4 in 2017 but fluctuated significantly throughout the year and remained well below the long term average (=100). More encouragingly, the consumer confidence indicator improved to -46.7 in 2018, from -63 in 2017, as consumers appeared more optimistic regarding the future financial conditions of the country as well as their households.

Banking System: Credit and Liquidity Conditions

Private sector deposits in the domestic banking system remained on an upward trend during 2018 (Graph 17), in line with the improvement in confidence and the strengthening recovery dynamics. In particular, the outstanding amount of private sector deposits reached € 134.5 billion in December 2018 (December 2017: €126.3 billion), with 82% accounting for individuals and private non-profit institutions deposits.

GRAPH 17

Source:
Bank of Greece



GRAPH 18

Source:
Bank of Greece

Banks' funding from the Eurosystem continued to decline progressively during 2018, from €33.7 billion in December 2017 to €12.2 billion in November 2018, out of which the banks' reliance on the Emergency Liquidity Assistance (ELA) substantially shrank during the year, amounting to €2.7 billion in November 2018 from €21.6 billion in December 2017.

In December 2018, the outstanding amount of credit to the private sector reached €170.3 billion, with the annual credit growth, adjusted for reclassifications, write-offs and exchange rate variations, standing at -1.1% from -1.4% in November 2018 (Graph 18).

The annual rate of change of credit to non-financial corporations (adjusted for reclassifications, write-offs and exchange rate variations), accounting for 44.9% of total credit to the private sector, returned to positive territory in December 2018, standing at 0.3% (November 2018: -0.6%). Domestic credit growth to individuals and private non-profit institutions (adjusted for reclassifications, write-offs and exchange rate variations) remained in negative territory in 2018, standing at -2.2%, though at a marginally decelerating pace compared to the previous years (2017: -2.3%; 2016: -2.8%). Housing loans, which currently account for 74.4% of domestic credit to individuals (incl. private non-profit institutions) and 33.3% of total private sector credit, stood at €56.7 billion in December 2018.

The effective management of the legacy of the high NPEs stock remains the most significant structural challenge facing the Greek banking system, hampering the intermediation capacity of banks and undermining profitability potential. The total non-performing exposures (NPE) stock for the domestic banking system continued to decline in the first nine months of 2018, by € 9.7 billion compared to end-December 2017, with the total NPE ratio standing at 46.7% in September 2018. The NPE stock reduction between January - September 2018, was mainly driven by sales of approximately € 5.2 billion, as well as, write-offs of € 4.4 billion.

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Macroeconomic Environment	ANNUAL			QUARTERLY			MONTHLY											
	2015	2016	2017	2018			2018											
				I	II	III	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
AGGREGATE DEMAND																		
GDP at current prices (€ billion), SA	176,0	174,0	179,6	45,6														
(annual % change)	-1,3	-1,1	3,2	2,8														
GDP at constant prices 2010 (€ billion), SA	184,8	184,4	186,9	47,3														
(annual % change)	-0,4	-0,2	1,3	2,5														
Components (annual % change, at constant prices)																		
Private Consumption	-0,2	0,0	0,9	0,5														
Public Consumption	1,6	-0,7	-0,5	-0,6														
Gross Fixed Capital Formation	0,7	4,7	9,5	-8,8														
Exports of Goods and Services	3,1	-1,8	6,9	8,1														
Imports of Goods and Services	0,4	0,3	7,5	-7,5														
LABOUR MARKET (annual % change)																		
Nominal Unit Labour Costs ⁽¹⁾	-0,4	-0,8	1,1	0,6														
REER Unit Labour Costs ⁽²⁾	-5,8	1,1	1,6	2,1														
Unemployment Rate (%)	24,9	23,5	21,5	21,2	25,9	25,9	20,6	20,8	20,1	19,9	19,4	19,1	19,1	18,9	18,6	18,6		
PRICES (average annual % change)																		
National CPI	-1,7	-0,8	1,1	-0,1	-2,6	-2,8	-0,2	0,1	-0,2	0,0	0,6	1,0	0,9	1,0	1,1	1,8	1,0	0,6
National CPI excl. food and non-alcoholic beverages, alcoholic beverages	-1,3	-0,4	-0,0308	-0,2	-0,9	-0,8	-0,4	0,1	-0,4	0,1	0,0	0,0	-0,5	0,0	0,1	0,3	0,1	0,6
HICP (Harmonised Index)	-1,1	0,0	1,1	0,3			0,2	0,4	0,2	0,5	0,8	1,0	0,8	0,9	1,1	1,8	1,1	0,6
GDP Deflator, SA	-0,3	-0,2	0,6															
PUBLIC FINANCES																		
General Government Primary Balance (€ billion, cumulative) ⁽³⁾	0,7	7,0		2,0		0,4												
G.G. Primary Balance (% of GDP)	0,6	3,7	4,0															
General Government consolidated Gross Debt (€ billion)	311,7	314,9	328,7															
G.G. Gross Debt (% of GDP)	176,8	180,8	176,0															
INDICATORS																		
Current Account Balance (€ billion.) ⁽⁴⁾	-0,4	-2,2	-1,8	-2,9	-1,9	-0,3	-0,6	-1,3	-1,0	-1,4	0,1	0,1	1,5	1,6	0,6	-0,9	-1,4	
Current Account Balance (% of GDP) ⁽⁴⁾	-0,2	-1,1	-0,8	-0,1														
Greece: Real Effective Exchange Rate Index (CPI based) ⁽⁵⁾	-4,5	0,5	0,6	1,6														
Greece: Nominal Effective Exchange Rate Index ⁽⁵⁾	-2,7	1,3	1,4	3,0			2,7	2,3	2,3									

Sources: Hellenic Statistical Authority, EC, UNWTO, BoG, Min Fin

⁽¹⁾ NSA, Nominal Unit Labour Cost based on hours worked

⁽²⁾ Compared to 37 countries.

⁽³⁾ Yearly data are according to the definition of primary balance used under the Economic Adjustment Programme, while quarterly data are compiled from cash based public accounting data (without the impact of the support to financial institutions)

⁽⁴⁾ Quarterly data are cumulative.

⁽⁵⁾ The index is CPI-based and includes the 37 main trading partners of Greece. A positive sign denotes loss of competitiveness of Greece's trade partners

Business Economy	ANNUAL			QUARTERLY			MONTHLY											
	2015	2016	2017	2018			2018											
				I	II	III	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
(annual % change unless otherwise indicated)																		
INDUSTRY																		
Industrial Production Index	1,0	2,5	4,5	-0,6	1,6	1,6	-1,2	-1,9	1,2	2,0	1,7	1,2	2,0	1,0	2,0	-1,1	3,1	
Manufacturing Production Index	1,8	4,2	3,8	1,9	1,6	2,7	6,9	0,3	-0,6	2,6	1,2	0,9	4,3	2,7	1	-1,3	5,3	
Turnover Index in Industry	-10,1	-5,0	11,8	6,5	12,0	17,4	13,3	3,9	3,5	6,5	11,8	17,6	17,6	20,7	14,1	17,8	7,0	
CONSTRUCTION ACTIVITY																		
Production Index in Construction (WDA, 2010=100)	4,7	21,4	-12,7	-1,4	-5,0	8,0												
Index of Apartment Prices	-5,1	-2,4	-1,0	0,3	1,2	2,5												
Private Building Activity (volume in 000m ³)	-0,2	-6,9	19,2	1,8	24,2	20,3	45,9	-14,8	-3,7	38,1	13,8	22,5	17,8	13,0	32,8	38,9		
TRADE																		
Turnover Index in Retail Trade	-0,5	0,5	1,3	1,2	2,5	3,1	0,9	-0,1	2,8	1,7	4,1	1,9	2,5	3,9	3	-3,3		
Turnover Index in Wholesale Trade	-4,4	-1,6	3,7	2,7	6,6	12,3												
CAR TRADE																		
New Passenger Car Registrations	13,8	10,7	22,2	37,6	28,3	20,8	50,6	38,5	26,2	32,3	21,7	31,8	20,1	44,7	0,2	21,1	14,5	-8,0
SERVICES																		
(cumulative)																		
Tourism Receipt, BoG (incl. cruises)	5,5	-6,5	10,8	13,2	17,2	9,1	-3,9	6,9	13,2	8,4	22	17,2	16	11,1	9,1	9,9	9,7	
Tourism Receipt (€ million)	14.126	13.207	14.630	554	4.777	14.205	152	313	554	1.056	2.525	4.777	8.161	11.764	14.205	15.614	15.847	
Tourist Arrivals, BoG (excl. cruises)	7,6	7,5	7,4	12,8	19,1	10,3	16	12,7	12,8	11,5	16,8	19,1	14,6	11,6	10,3	10,8	10,6	
Tourist Arrivals (in thous. people)	23.599	24.799	27.194	1.796	9.456	25.957	604	1.088	1.796	2.903	5.352	9.456	14.995	21.088	25.957	28.680	29.466	
EXPECTATION INDICES (units)																		
Economic Sentiment Indicator	89,6	91,9	96,8	102,0	103,4	103,9	101,9	104,3	99,8	103,6	104,2	102,5	105,3	105,2	101,3	101,0	101,8	101,6
Index of Consumer Confidence	-50,7	-68,0	-63,0	-52,3	-50,7	-47,5	-51,0	-53,0	-52,8	-48,8	-51,0	-52,4	-49,9	-47,8	-44,9	-38,3	-35,8	-35,0
Index of Bus. Expect. in Industry	86,3	96,1	98,1	105,1	102,7	105,7	103,9	108,7	102,6	103,4	101,7	103,1	105,9	106,6	104,5	98,9	97,9	96,4
Index of Bus. Expect. in Construction	62,0	61,3	55,4	60,3	60,5	55,0	60,5	69,7	50,6	49,7	69,8	62,0	56,9	55,7	52,3	58,4	62,7	48,6
Index of Bus. Expect. in Retail Trade	83,9	101,4	94,6	97,1	104,7	108,3	99,1	97,2	94,9	106,5	107,3	100,1	105,8	109,5	109,5	107,7	104,6	112,2
Index of Bus. Expect. in Services	78,2	79,3	92,7	91,4	104,4	97,6	88,0	93,7	92,4	100,3	105,5	107,4	99,7	92,6	100,6	99,9	94,2	89,7

Sources: Hellenic Statistical Authority, Bank of Greece, IOBE

¹ Labour productivity can be defined as the real GDP per employed person.

² The series for house prices in this section are drawn for the OECD Analytical House Price Indicators (seasonally adjusted figures), based, in turn, on the index of prices of dwellings for urban areas (historical series) by the Bank of Greece.

³ Sharing economy is used to describe economic activity involving online transactions.

⁴ Athanassiou, E. and A. Gotsi (2018). "The sharing economy in Greece: Developments in short-term real estate rentals." KEPE, *Greek Economic Outlook*, issue 37, 2018, pp. 49-54

⁵ Structural unemployment refers to a mismatch between the jobs available and the skill levels of the unemployed. A proxy for the structural component of unemployment is the non-accelerating wage rate of unemployment (NAWRU) as estimated by the European Commission.