GREECE Macro Flash

Government Budget 2019

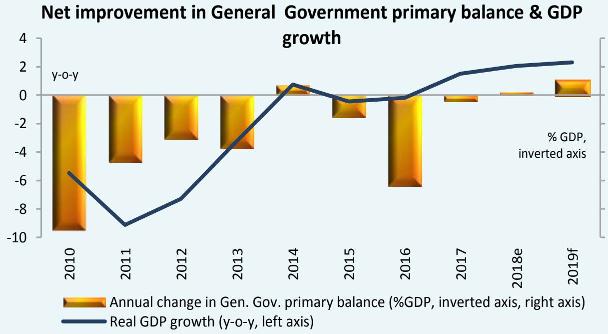
December 2018

NATIONAL BANK OF GREECE

Combining policy credibility with a mild fiscal expansion in 2019

Macro Indicators in pages 6-7

- Greece's commitment to fiscal soundness has been re-affirmed in 2018, with the primary surplus in General Government in FY:2018 estimated at 3.98% of GDP, exceeding the Enhanced Surveillance Framework's maximum target for a surplus of 3.5% of GDP, for a third consecutive year.
- A notable improvement in the State budget primary balance of 1.8 pps is the key determinant of the fiscal outcome in 2018. About two-thirds of the increase in the State budget primary surplus reflects a reduction in primary spending (-2.2% y-o-y or -1.3% of GDP). This improvement reflects lower transfers from the Greek State: i) to the social security system (0.7% of GDP lower than in 2017); ii) to other central and general government entities (0.3% of GDP lower than in 2017); and iii) to hospitals (0.25% of GDP lower than in 2017). The primary surplus is expected to increase further to 2.0% of GDP in 2019. Primary expenditure is projected to decline by another 1.6% of GDP in 2019
- The deficit in the public investment budget (PIB) was significantly lower-than-initially budgeted and 0.5% of GDP lower than in 2017, due to the increase in EU funding (81.0% y-o-y in FY:2018 or 0.8% of GDP)
- Net revenue of the State budget remains constant as a per cent of GDP in 2018, as lower tax refunds by 0.4% of GDP offset the small decline in tax revenue, mainly due to the stagnant proceeds from personal income tax (0.1% y-o-y and -0.2% of GDP on an annual basis). For 2019, the projection of a 1 pp decline in tax revenue as a per cent of GDP is very conservative and provides room for an overperformance against the respective revenue targets
- The surplus in the social security system remains significant at 1.2% of GDP in 2018 from 1.6% in 2017, with the decline on an annual basis broadly corresponding to the reduction in the transfers from the State budget to the social security funds of 0.3% of GDP during this period
- A set of expansionary measures amounting to 0.5% of GDP will take effect in 2019, corresponding to the recurring part of the fiscal overperformance in previous years. This expansion, in conjunction with a positive carry of 0.4% from GDP growth trend in 2018, sets the stage for an acceleration in GDP growth close to the Budget target of 2.5% y-o-y in FY:2019



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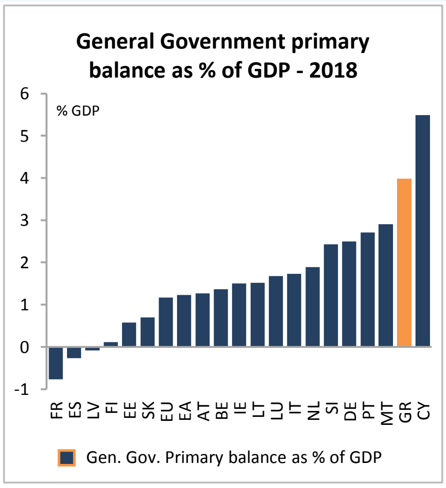
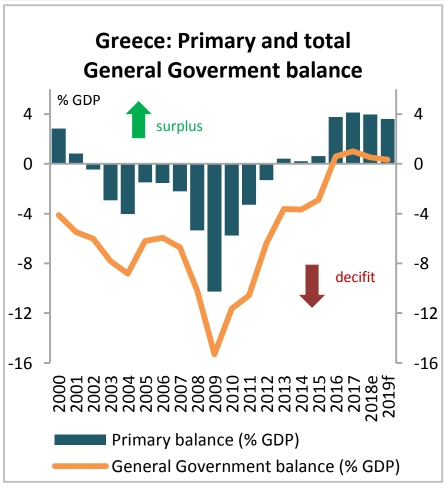
Budget 2019: Combining policy credibility with a mild fiscal expansion in the post-programme era

Greece's commitment to fiscal soundness has been re-affirmed in 2018



The primary surplus in General Government in FY:2018 is estimated at 3.98% of GDP, exceeding, for a third consecutive year, the maximum target for a surplus of 3.5% of GDP



Greece's commitment to fiscal soundness has been re-affirmed in 2018. According to the Government Budget for 2019, the primary surplus in General Government in FY:2018 is estimated at 3.98% of GDP, exceeding, for a third consecutive year, the 3rd Programme's and the Enhanced Surveillance Framework's maximum target for a surplus of 3.5% of GDP.

The Budget includes a modest set of expansionary measures for 2019, amounting to 0.5% of GDP, which will be financed by the recurring part of the fiscal overperformance in the period 2016 - 2018, without the implementation of pension cuts that were initially planned to be implemented in 2019. The Budget received a positive assessment from the European Commission as regards its compliance with Greece's fiscal targets under the coordinated Enhanced Surveillance Framework of the European Semester.

A notable improvement in the State budget primary balance of 1.8 pps – to a surplus of 1.3% of GDP in 2018 from a deficit of 0.5% of GDP in 2017 – is the key determinant of the fiscal outcome in 2018. The primary surplus, at a state level, is expected to increase further to 2.0% of GDP in 2019. The State budget surplus is combined with the surpluses of other "non-state entities" and of the social security system, to bring the estimated primary surplus in General Government to 3.98% of GDP in 2018 and to 3.6% in 2019 (ESA 2010 data, including adjustments according to the definition of Enhanced Surveillance framework).

Lower primary expenditure and higher inflows of EU funding boosted State budget outcomes

About two-thirds of the increase in the State budget primary surplus reflects a significant reduction in primary spending from 25.3% of GDP in 2017 to 24.0% of GDP in 2018 (-2.2% y-o-y or -1.3% of GDP). This decline mainly reflects lower transfers from the Greek State: i) to the social security system (0.7% of GDP lower than in 2017); ii) to other central and general government entities (0.3% of GDP lower than in 2017); and iii) to hospitals (0.25% of GDP lower than in 2017).

***Sources**: EL.STAT., Ministry of Finance, AMECO, NBG estimates*

A solid increase in the State budget, combined with the sustainable surpluses of other "non-state entities" and of the social security system, are the key determinants of the fiscal outcome in 2018

General Government - primary balance decomposition			
(ESA adjusted, as % of GDP)	2017	2018e	2019f
1. Primary State balance (a-b+c)	-0,5	1,3	2,0
Ordinary Budget balance (a-b)	**1,5**	**2,8**	**3,4**
a. Net Revenue, State	**26,8**	**26,8**	**25,8**
Tax revenue	27,9	27,6	26,6
Personal income tax	6,1	5,9	5,8
Corporate income tax	2,3	2,3	2,3
Property tax	1,7	1,6	1,4
VAT	9,2	9,2	8,9
Excise consumption taxes	3,9	3,9	3,8
Taxes on imports	0,1	0,1	0,1
Other production taxes	0,8	0,7	0,5
Other tax revenue	3,7	3,8	3,7
Non-tax revenue	2,0	1,9	1,7
Tax refunds	3,1	2,7	2,5
b. Primary spending, State	**25,3**	**24,0**	**22,4**
Compensation of employees	6,7	7,3	6,7
Social benefits	1,2	0,6	0,1
Transfers	15,9	14,3	13,6
Purchases of goods & services	0,6	0,8	0,7
Subsidies	0,1	0,1	0,1
Other expenditure	0,1	0,0	0,0
Undistributed expenditure	0,1	0,7	1,0
Real asset purchases	0,6	0,2	0,2
c. Public Investment Budget net balance	**-2,0**	**-1,5**	**-1,4**
2. Extrabudgetary funds balance	**1,6**	**0,8**	**1,0**
3. Public Enterprises balance	1,2	0,8	0,2
4. Hospitals balance	0,2	0,1	0,0
A. Central Gov. Primary balance (1+2+3+4)	**2,4**	**3,0**	**3,2**
B. Social security & local Gov. Primary balance	**1,5**	**1,0**	**0,6**
Local government (including interest payments)	*0,4*	*0,2*	*0,1*
Social security funds (including interest payments)	*1,6*	*1,2*	*0,9*
General Government primary balance (A+B)	**3,9**	**4,1**	**3,9**
Adjustments *(Enhanced Surveillance Framework)*	0,2	-0,1	-0,3
Gen. Gov. Primary balance *(Enhanced Surveillance Framework)*	**4,1**	**3,98**	**3,6**

Sources: *EL.STAT., Ministry of Finance, NBG estimates*

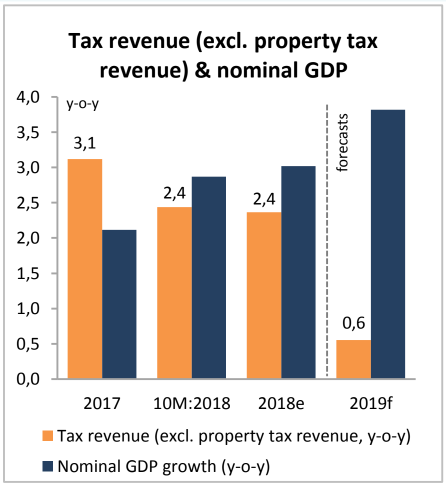
This development reflects credible restraint in government operational spending, which is accompanied by an improvement in the financial sustainability of the recipient entities (social security system, local governments, public enterprises), following several years of intensive restructuring and application of cost-saving measures. In 2019, the State budget primary surplus is expected to increase further by 0.7 pps to 2.0% of GDP. Once again, a decline in primary expenditure by 1.6% of GDP, due to lower transfers to local Governments (0.5% of GDP lower than in 2018) and an additional shrinkage in "other transfers" to General Government entities (excluding the social security system), is projected to be the key driver of fiscal outcomes in the next year.

The deficit in the public investment budget (PIB) was significantly lower-than-initially budgeted, due to the increase in EU funding. An estimated increase in EU financing of the PIB by 81.0% y-o-y in FY:2018 (0.8% of GDP) will be translated into a 0.5-pp reduction in the PIB deficit to -1.5% of GDP in FY:2018, assuming an annual increase in investment spending of 0.3% of GDP in FY:2018 (Budget 2019 target). In 2019, the PIB is not expected to play a significant role in the annual increase in the State budget primary surplus, since it will remain broadly constant as a per cent of GDP.

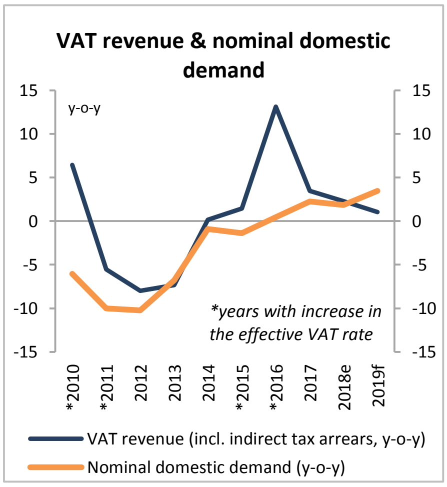
On the revenue side, it is notable that the expected increase in tax revenue by 2.0% y-o-y in FY:2018 will lag behind the increase in nominal GDP (+3.0% y-o-y in FY:2018), leading to an annual decline in the revenue share in GDP of 0.3 pps in FY:2018. This development mainly reflects stagnant revenue from personal income tax (+0.1% y-o-y and -0.2% of GDP on an annual basis). Moreover, VAT revenue and CIT revenue are expected to increase by 2.3% and 5.0% y-o-y, respectively, in FY:2018, with their sum remaining broadly flat as a per cent of GDP compared with 2017. However, net revenue of the State budget will remain constant as a per cent of GDP, due to the decline in tax refunds by 0.4% of GDP from the historically high level in 2017.

For 2019, the Budget conservatively projects a 1-pp decline in tax revenue as a per cent of GDP, on an annual basis, with the level of tax revenue remaining broadly flat against an annual increase of 3.8% y-o-y in nominal GDP. In fact, the average annual increase in tax revenue, excluding property taxes, is projected at 0.6% y-o-y in

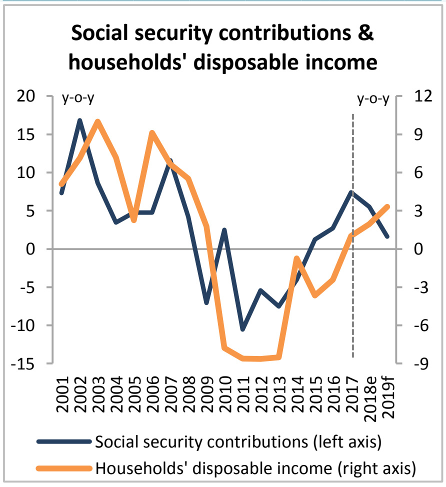
Budget assumptions for tax revenue growth in 2019 are rather conservative…



…especially as regards indirect taxes



Revenue from social security contributions show a high responsiveness to increasing economic activity



2019, while revenue from property taxation is estimated to contract by 9.6% y-o-y (0.2% of GDP), due to the planned reduction in the single property tax. Although a less-than-unitary elasticity of tax revenue to nominal GDP growth would be expected during the economic recovery, the Budget assumption for an effective elasticity of tax revenue of approximately 0.2 is rather conservative and provides room for an overperformance against the respective revenue targets for 2019 (assuming a constant level of efficiency and compliance in tax collection).

The rebalancing in the social security system is sustainable

The surplus in the social security system remained significant, at 1.2% of GDP in 2018 from 1.6% in 2017, with the decline on an annual basis broadly corresponding to the reduction in the transfers from the State budget to the social security funds of 0.3% of GDP during this period. Most notably, the annual increase in revenue from social security contributions is expected to exceed 3.5% y-o-y in FY:2018, being higher than the estimated annual growth in private sector's disposable income and nominal GDP of 2.0% and 3.0%, respectively, and thus leading to a small increase in revenue from social security contributions in GDP of 0.2 pps. This development, aside from the supportive macroeconomic trends in 2018, reflects a further increase in social security contribution rates for the self-employed with medium-to-high incomes, along with additional revenue from confiscations for contribution arrears and multiple installment arrears-clearance schemes remaining in effect during 2018.

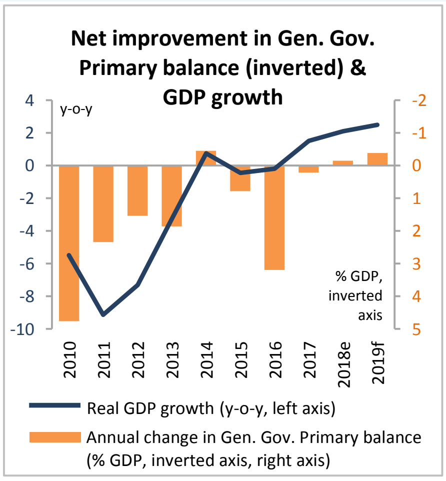
Regarding social security spending, in 2018, pension expenditure recorded a small reduction of approximately 0.1 pps of GDP (including the additional fiscal cost for the reversal of cuts to uniformed officials and some other categories of employees, following relevant decisions by the Council of State). This improvement reflects a slowing in net retirement flows, along with additional reductions in retirement benefits for new pensioners from the application of Law 4367/2016, as well as the complete phasing-in of other reforms legislated in previous years. Most of the above factors that supported the financial position of the social security system in the period 2016-2018 are estimated to support the system's medium-to-long term viability.

Sources: EL.STAT., Ministry of Finance, Eurostat, AMECO, NBG estimates

The set of expansionary measures for 2019 amounts to 0.5% of GDP

Fiscal expansion measures 2019 (net basis)		Value (€ mn)	% GDP
- negative sign = increase in spending or decrease in revenue			
A	**REVENUE**	**-437**	**-0,23%**
1	10% weighted average reduction in property tax (ENFIA)	-260	-0,13%
2	1/3 reduction in social security contributions of the independent professionals, self-employed and farmers and implementation of the lowest entry-level salary for supplementary pension contributions	-177	-0,09%
3	Reduction of the dividends tax rate from 15% to 10% (fiscal impact from 2020 onwards)	0	0,00%
4	Reduction by 1pp per annum of the corporate tax rate from 29% to 25% over the next four years (fiscal impact from 2020 onwards)	0	0,00%
B	**EXPENDITURE**	**-473**	**-0,25%**
5	Housing allowance	-400	-0,21%
6	Subsidy of young employees' (aged under 24) social security contributions	-51	-0,03%
7	Education & Help at Home programs	-22	-0,01%
New fiscal interventions (A+B)		**-910**	**-0,5%**

The direct boost to activity in 2019 from the fiscal expansion of 0.5% of GDP is expected to contribute to an acceleration in GDP growth in FY:2019



Overall, the surplus of the social security system is expected to decline to 0.9% of GDP in 2019 from 1.2% in 2018, due to the additional costs related to the implementation of the social relief measures taking effect in this year. The measures mainly comprise a reduction by one-third of the social security contributions of the independent professionals, self-employed and farmers (estimated fiscal cost of 0.1% of GDP) and the introduction of a housing allowance for low-income households (estimated cost of 0.2% of GDP). In this context, the annual increase in revenue from social security contributions in 2019 is expected to slow to 1.6% y-o-y, with some downside risks related to the improved attractiveness of lowered contributions for the self-employed, which could prompt a modest shift of employment from the wage earners' category.

The first year of fiscal expansion in a decade is in sight

The modest set of expansionary measures, which will take effect in 2019, corresponds to the first loosening in fiscal policy since the eruption of the economic crisis (an effective expansion of 0.4% of GDP in 2014 has been offset by increasing uncertainty). This expansion will be financed by the recurring part of the fiscal overperformance in the period 2016-2018 (0.5% of GDP, on average) and is expected to mainly support domestic demand. In fact, this impetus of about 0.5% of GDP in 2019 follows an effective fiscal contraction of almost 15% of GDP between 2010 and 2017, which is based on the implementation of an unprecedented set of austerity measures that exceeded 30% of average GDP in this period. This aggressive fiscal adjustment during the crisis led to an average fiscal drag of about 2.0% of GDP per annum in the previous decade and could be considered as a major driver of the severe recession during this period. The direct boost to activity in 2019 from the fiscal expansion of 0.5% of GDP, in conjunction with an estimated positive carry of 0.4% from the supportive GDP growth trend during the course of 2018, set the stage for an acceleration in GDP growth close to the Budget target of 2.5% y-o-y in 2019.

Sources: *EL.STAT., Ministry of Finance, IMF, NBG estimates*

Greece: Tracking the economy's cyclical position

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
PMI (index level)	50,2	50,0	48,4	49,0	49,7	48,4	50,4	48,7	50,4	49,2	48,6	48,3	49,3	46,6	47,7	46,7	48,2	49,6	50,5	50,5	52,2	52,8	52,1	52,2	53,1	55,2	56,1	55,0	52,9	54,2	53,5	53,5	53,9	53,6	53,1	54,0
Industrial confidence (index level)	-13,6	-10,1	-10,2	-7,8	-7,8	-11,6	-9,1	-7,3	-5,1	-6,2	-4,7	-7,8	-5,7	-5,0	-5,1	-6,7	-5,6	-10,4	-7,3	-2,7	-3,7	-0,7	-4,7	-3,9	0,2	1,2	4,2	-3,3	-1,2	-1,5	-1,6	5,4	6,3	0,3	-3,4	-3,2
Manufacturing production (y-o-y)	5,3	5,0	1,1	-1,7	7,2	7,2	8,9	10,8	3,2	1,9	7,3	1,3	-1,8	1,0	5,7	11,2	-0,9	5,9	3,2	3,1	2,8	3,5	1,1	1,7	7,9	6,9	0,3	-0,6	2,6	1,2	0,9	4,3	2,7	1,0	-1,3	
Industrial production (y-o-y)	6,9	4,1	-2,9	-3,6	3,7	3,5	8,1	5,5	0,5	-0,2	6,9	2,1	2,5	7,1	10,5	10,9	0,4	6,8	2,1	3,1	5,5	4,1	1,6	2,0	1,3	-1,2	-1,9	1,2	2,0	1,7	1,2	2,0	1,0	1,8	-1,1	
Services confidence (index level)	-16,6	-5,3	-23,1	-17,3	-13,0	-11,4	-17,5	-8,3	-4,0	-6,9	1,3	3,5	-3,1	-3,2	1,9	6,6	8,9	11,5	9,0	17,4	22,9	15,3	14,4	13,6	13,4	8,9	18,9	17,7	23,6	25,1	21,0	15,9	11,9	10,5	10,7	11,1
Consumer confidence (index level)	-61	-64	-67	-72	-74	-72	-68	-69	-70	-66	-64	-67	-64	-68	-73	-74	-72	-70	-69	-62	-57	-54	-54	-54	-50	-51	-53	-53	-49	-51	-52	-50	-48	-45	-38	-36
Retail confidence (index level)	-5,3	-3,4	3,2	3,0	5,6	5,1	4,7	8,2	9,3	15,0	10,7	10,9	9,8	12,9	1,9	2,7	3,0	1,5	-3,4	-1,3	-3,6	0,0	2,0	2,3	-0,4	1,8	2,8	2,2	10,4	6,4	2,6	14,9	19,7	21,0	16,4	10,0
Retail trade volume (y-o-y)	0,2	-1,8	-6,8	-1,3	-2,0	-6,3	-3,6	9,7	-2,1	2,5	2,5	3,9	-1,0	-0,1	9,9	-1,1	2,2	0,4	3,7	2,4	0,8	-0,9	-0,9	-2,5	1,7	1,0	-0,5	1,5	1,5	4,1	1,7	2,4	3,6	3,4		
Construction Permits (y-o-y)	67	-5	8	-35	-27	-40	-26	38	64	19	5	9	-25	-15	-1	71	22	53	23	10	10	-4	97	24	-14	42	-15	-4	38	14	23	18	13			
House prices (yoy, quarterly series)	-5,1	-4,4	-4,4	-4,4	-2,5	-2,5	-2,5	-1,8	-1,8	-1,8	-1,0	-1,0	-1,0	-1,9	-1,9	-1,9	-1,1	-1,1	-1,1	-0,7	-0,7	-0,7	-0,4	-0,4	-0,4	0,3	0,3	0,3	1,2	1,2	1,2	2,5	2,5	2,5		
Construction confidence (index level)	-49	-38	-38	-36	-46	-39	-40	-56	-53	-60	-67	-54	-44	-45	-60	-50	-54	-67	-56	-40	-49	-37	-45	-59	-58	-50	-45	-55	-55	-39	-48	-46	-45	-55	-51	-43
Employment (y-o-y)	4,8	1,5	2,2	5,1	2,4	1,2	3,1	2,3	1,4	2,1	1,0	1,2	-1,0	1,1	1,9	1,5	2,5	2,5	2,4	2,5	2,2	2,4	2,8	1,7	2,8	2,7	0,7	1,7	0,7	2,5	2,3	1,1	2,3			
Interest rate on new private sector loans (CPI deflated)	5,3	5,7	5,4	6,2	6,1	5,7	5,6	6,1	5,9	5,7	5,5	5,7	4,8	3,7	3,2	2,7	3,1	3,6	3,5	3,7	3,9	3,7	4,1	3,6	4,3	5,2	4,4	4,8	4,5	3,9	3,4	3,9	3,7	3,7	3,2	
Credit to private sector (y-o-y)	-2,0	-2,1	-2,3	-2,1	-1,9	-2,0	-2,0	-1,6	-1,7	-1,6	-1,6	-1,4	-1,5	-1,6	-1,6	-1,3	-0,9	-1,0	-1,3	-1,2	-0,9	-0,8	-0,9	-0,9	-0,8	-0,8	-0,9	-1,0	-1,9	-1,9	-1,2	-1,5	-1,5	-1,2	-1,4	
Deposits of domestic private sector (y-o-y)	-23,5	-17,5	-13,4	-12,0	-9,0	-6,1	0,5	1,7	2,4	1,6	3,0	3,4	3,4	3,1	2,9	3,1	3,1	3,4	3,4	4,3	4,3	4,6	4,6	4,8	4,7	4,9	5,6	6,3	7,2	7,4	7,5	7,4	7,3	7,4	6,2	
Interest rate on new time deposits (households, CPI deflated)	1,2	1,7	1,4	2,4	2,1	1,7	1,6	1,9	1,8	1,8	1,2	1,6	0,7	-0,5	-0,6	-1,1	-1,0	-0,5	-0,4	-0,4	-0,3	-0,4	-0,1	-0,5	0,0	0,8	0,5	0,9	0,6	0,0	-0,4	-0,2	-0,4	-0,5	-1,2	
Economic sentiment index (EU Commision, Euro area)	106	105	103	102	103	104	104	104	103	104	106	106	107	107	108	107	109	109	111	111	112	113	113	114	115	115	114	113	113	113	112	112	112	111	110	
Exports (other (excl.oil&shipping) y-o-y 6m mov.avg	0,6	-1,0	-0,2	0,1	0,5	0,1	-1,9	-1,0	-0,7	1,1	1,3	4,4	5,4	6,8	5,9	6,7	6,2	7,8	10,4	9,5	11,1	9,0	11,4	9,1	8,4	11,2	11,4	11,7	11,6	11,6	12,2	11,3	11,7	11,3		
Imports (other (excl.oil&shipping) y-o-y 6m mov.avg	-5,0	-2,3	-0,4	0,6	1,0	0,9	1,2	5,6	7,7	9,2	8,1	9,3	11,1	9,7	7,0	7,6	8,4	9,9	9,0	8,1	9,0	7,5	9,5	8,7	7,7	8,1	7,6	7,5	6,6	5,6	7,7	7,9	9,2	10,1		
NBG Composite Index of cyclical conditions ▶▶▶▶	**-24,7**	**-24,9**	**-25,2**	**-23,5**	**-22,6**	**-22,0**	**-21,7**	**-20,3**	**-18,6**	**-19,8**	**-19,6**	**-21,3**	**-22,8**	**-19,3**	**-21,0**	**-17,3**	**-13,2**	**-10,3**	**-7,5**	**-7,1**	**-6,3**	**-2,1**	**-1,5**	**-1,9**	**-0,5**	**0,7**	**0,5**	**1,7**	**2,2**	**2,4**	**3,4**	**3,7**	**3,5**	**3,1**		

Color map scale

Rapid contraction | *Moderate contraction* | *Slow contraction* | *Stabilization* | *Slow expansion* | *Moderate expansion* | *Rapid expansion*

Sources: NBG, BoG, ELSTAT, EU Commission, IOBE

Greece: Growth Outlook

	2017	2018e	2019f	2017				2018e				2019f			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f
GDP (real, % y-o-y, s.a.)	**1,4**	**2,0**	**2,1**	**0,0**	**1,8**	**2,0**	**2,1**	**2,5**	**1,7**	**2,2**	**1,7**	**2,2**	**2,1**	**1,9**	**2,1**
GDP (real, % q-o-q, s.a.)	...	...	...	0,1	1,3	0,5	0,2	0,5	0,4	1,0	*-0,3*	*1,0*	*0,4*	*0,8*	*0,0*
Domestic Demand (y-o-y)	**1,8**	**0,9**	**2,4**	**3,3**	**1,0**	**1,5**	**1,3**	**-2,7**	**-0,3**	**4,7**	**1,9**	**2,7**	**2,7**	**1,5**	**2,6**
Final Consumption (y-o-y)	**0,6**	**0,3**	**1,3**	**0,7**	**1,1**	**0,7**	**-0,1**	**0,1**	**0,6**	**-0,3**	**0,9**	**1,1**	**1,3**	**1,5**	**1,2**
Private Consumption (y-o-y)	*0,9*	*0,9*	*1,4*	*1,1*	*1,2*	*1,5*	*-0,2*	*0,5*	*1,3*	*0,7*	*1,2*	*1,3*	*1,3*	*1,6*	*1,2*
Gross Fixed Cap. Formation (y-o-y)	**9,4**	**-4,0**	**12,6**	**8,0**	**-8,5**	**26,1**	**12,2**	**-8,8**	**19,2**	**-23,2**	**1,6**	**16,4**	**8,5**	**28,0**	**2,0**
Residential construction	*-5,5*	*14,8*	*22,3*	*-8,5*	*-1,4*	*-3,8*	*-8,1*	*11,1*	*5,4*	*20,8*	...	...	...	...	...
Total GFCF excluding residential	*10,3*	*-5,0*	*12,0*	*9,1*	*-9,0*	*27,9*	*13,3*	*-9,8*	*20,0*	*-25,1*	...	...	...	...	...
Inventories* (contribution to GDP)	0,1	1,1	-0,3	1,8	1,1	-2,2	-0,2	-1,9	-2,9	8,3	0,9	-0,1	0,5	-2,7	1,3
Net exports (contribution to GDP)	-0,4	1,1	-0,3	-3,4	0,7	0,5	0,8	5,3	2,0	-2,5	-0,2	-0,5	-0,6	0,3	-0,5
Exports (y-o-y)	6,9	7,7	4,6	5,7	9,1	7,0	5,9	8,1	9,2	7,6	5,8	5,1	4,7	3,1	5,5
Imports (y-o-y)	7,4	3,8	5,3	15,7	5,8	5,3	3,2	-7,5	2,7	15,0	5,9	6,5	6,1	2,1	6,6

*also including other statistical discrepancies / Sources: EL.STAT. & NBG estimates

Greek Economy: Selected Indicators

	2016					2017					2018					2018e	2019f
	Q1	Q2	Q3	Q4	year aver.	Q1	Q2	Q3	Q4	year aver.	Q1	Q2	Q3	Most recent			
Real economy (y-o-y period average, constant prices)																	
GDP	-0,7	-1,3	1,0	-0,1	-0,3	0,0	1,8	2,0	2,1	1,4	2,5	1,7	2,2	Q3:18	2,2	2,0	2,1
Domestic demand	-0,9	1,4	2,4	0,1	0,7	3,3	1,0	1,5	1,3	1,8	-2,7	-0,3	4,7	Q3:18	4,7	0,9	2,4
Final Consumption	-1,0	-1,9	1,8	0,3	-0,2	0,7	1,1	0,7	-0,1	0,6	0,1	0,6	-0,3	Q3:18	-0,3	0,3	1,3
Gross fixed capital formation	-8,5	14,0	12,4	3,2	4,6	8,0	-8,5	26,1	12,2	9,4	-8,8	19,2	-23,2	Q3:18	-23,2	-4,0	12,6
Exports of goods and services	-9,4	-10,2	8,9	4,9	-1,9	5,7	9,1	7,0	5,9	6,9	8,1	9,2	7,6	Q3:18	7,6	7,7	4,6
Imports of goods and services	-9,5	-1,9	14,0	5,2	1,3	15,7	5,8	5,3	3,2	7,4	-7,5	2,7	15,0	Q3:18	15,0	3,8	5,3
Coincident and leading indicators (period average)																	
Retail sales volume (y-o-y)	-3,3	-4,0	3,1	1,7	-0,6	2,8	2,1	0,8	-0,5	1,2	0,6	2,4	3,1	Sep	3,4	…	…
Retail confidence (15-yr. average: -2,8)	0,9	5,1	10,8	10,5	6,8	5,8	0,4	-1,6	1,3	1,5	2,3	6,5	18,5	Nov	10,0	…	…
Car registrations (y-o-y)	-0,3	19,5	16,8	4,0	10,7	37,8	3,4	35,8	24,5	22,2	37,6	28,3	20,8	Sep	0,2	…	…
Consumer confidence (15-yr. average: -51,3)	-67,5	-71,2	-68,4	-65,0	-68,0	-71,8	-70,2	-57,4	-52,7	-63,0	-52,3	-50,7	-47,5	Nov	-35,8	…	…
Industrial production (y-o-y)	-1,0	5,1	2,0	3,8	2,5	9,5	3,0	4,2	1,6	4,5	-0,6	1,6	1,7	Oct	-1,1	…	…
Manufacturing production (y-o-y)	1,2	7,8	5,3	2,2	4,2	6,2	2,7	3,1	3,5	3,8	1,9	1,6	2,8	Oct	-1,3	…	…
Capacity Utilization (15-yr. average: 70,7)	65,9	66,4	67,5	69,6	67,4	68,2	68,7	71,1	70,1	69,5	71,4	70,9	70,2	Oct	70,7	…	…
Industrial confidence (15-yr. average: -9,2)	-9,4	-9,5	-6,2	-6,1	-7,8	-5,6	-7,8	-2,4	-2,8	-4,6	0,7	-1,4	4,0	Nov	-3,2	…	…
PMI Manufacturing (base=50)	49,1	49,5	49,4	48,7	49,2	47,0	49,4	51,8	52,5	50,2	55,4	53,5	53,7	Nov	54,0	…	…
Construction permits (y-o-y)	-11,9	-30,9	38,2	-9,4	-6,9	16,1	32,0	5,7	26,7	19,3	1,0	24,2	…	Aug	13,0	…	…
Construction confidence (15-yr. average: -34,1)	-37,1	-41,6	-55,9	-55,0	-47,4	-51,6	-58,8	-41,9	-54,1	-51,6	-50,2	-47,2	-48,5	Nov	-43,1	…	…
PIP Disbursements (y-o-y)	7,0	18,0	35,8	-14,9	-1,8	-36,9	-24,9	-37,0	15,7	-5,4	-4,9	12,2	-17,6	Oct	106,4	…	…
Stock of finished goods (15-yr. average: 12,6)	12,5	11,1	14,9	12,2	12,7	10,7	11,8	12,7	10,3	11,4	6,1	3,8	6,4	Nov	9,8	…	…
External sector (period average)																	
Current account balance (% of GDP)	-1,6	-0,5	2,0	-1,7	-1,7	-1,7	-0,4	2,3	-1,9	-1,8	-1,7	-0,8	1,9	Sep	0,3	-2,3	-2,5
Current account balance (EUR mn)	-2749	-821	3565	-3044	-3050	-3059	-790	4077	-3387	-3159	-3245	-1457	3446	Sep	551	…	…
Services balance, net (EUR mn)	937	4012	8945	2404	16298	1340	4425	9974	2305	18044	1083	4842	10590	Sep	2813	…	…
Primary Income Balance, net (EUR mn)	568	-379	-834	-153	-799	718	-469	-672	-388	-810	739	-756	-1041	Sep	-90	…	…
Merchandise exports – non-oil (y-o-y cum.)	-0,5	-1,8	0,6	1,6	1,6	9,1	10,1	8,7	9,2	9,2	12,2	13,0	10,5	Sep	11,9	…	…
Merchandise imports – non-oil (y-o-y cum.)	0,5	0,7	5,9	5,5	5,5	10,2	9,0	8,5	8,5	8,5	7,1	9,2	11,5	Sep	9,3	…	…
Gross tourism revenue (y-o-y)	3,8	-10,7	-7,9	7,5	-6,8	-8,4	9,4	13,2	11,1	11,1	14,3	20,7	5,6	Sep	0,4	…	…
International tourist arrivals (y-o-y)	-6,2	-0,2	6,5	15,9	5,1	-1,8	9,0	12,2	5,9	9,7	12,8	20,7	5,8	Sep	4,9	…	…
Employment																	
Unemployment rate	24,1	23,5	23,3	23,3	23,5	22,6	22,6	20,9	21,0	21,8	20,5	19,4	…	Aug	18,9	19,4	18,0
Employment growth (y-o-y)	2,9	2,2	1,9	0,4	1,9	1,5	2,4	2,4	2,4	2,2	1,7	1,8	…	Aug	2,3	1,6	…
Prices (y-o-y period average)																	
Headline inflation	-0,9	-0,9	-1,0	-0,4	-0,8	1,4	1,3	1,0	0,8	1,1	-0,1	0,5	1,0	Nov	1,0	0,8	1,5
Core inflation	0,2	0,3	-0,3	-0,7	-0,1	-0,4	0,2	0,4	0,4	0,2	0,2	0,1	-0,1	Nov	0,1	0,1	1,1
Producer prices excl.energy	-0,6	-0,8	-0,9	-0,6	-0,7	0,4	0,3	0,6	0,5	0,5	0,2	0,1	-0,1	Sep	-0,2	…	…
Fiscal policy																	
Gov. balance as % of GDP (Enhanced Surveillance Framework)	…	…	…	…	0,6	…	…	…	…	1,0	…	…	…	…	…	0,5*	0,3*
Government debt as % of GDP	…	…	…	…	178,5	…	…	…	…	176,1	…	…	…	…	…	180,4*	167,8
Revenues – Ordinary budget (cum. % change)	4,3	6,9	9,7	7,6	7,6	0,4	-1,1	0,4	-0,2	-0,2	3,7	2,3	2,1	Oct	2,7	…	…
Expenditure – Ordinary budget (cum. % change)	-2,3	2,7	1,5	0,7	0,7	-0,8	-3,2	-4,7	-1,9	-1,9	-8,5	2,0	2,0	Oct	0,6	…	…
Monetary sector (y-o-y, end of period)																	
Deposits of domestic private sector	-12,0	0,5	1,6	3,4	3,4	3,1	3,4	4,6	4,7	4,7	6,3	7,5	7,4	Oct	6,2	…	…
Loans to private sector (incl. sec. & bond loans)	-2,1	-2,0	-1,6	-1,5	-1,5	-1,3	-1,3	-0,8	-0,8	-0,8	-1,0	-1,2	-1,2	Oct	-1,4	…	…
Mortgage loans (including securitized loans)	-3,4	-3,4	-3,4	-3,5	-3,5	-3,3	-3,2	-2,9	-3,0	-3,0	-3,0	-3,0	-2,9	Oct	-3,0	…	…
Consumer credit (including securitized loans)	-1,7	-1,5	-0,7	-0,8	-0,8	-0,7	-0,7	-0,5	-0,5	-0,5	-0,6	-0,6	-0,4	Oct	-0,5	…	…
Interest rates (period average)																	
10-year government bond yield	9,5	8,2	8,2	7,5	8,3	7,2	6,1	5,5	5,1	6,0	4,1	4,2	4,1	Nov	4,4	…	…
Spread between 10 year and bunds (bps)	919	805	823	733	820	689	577	502	469	559	346,1	376	370	Nov	405	…	…
Exchange rates (period average)																	
USD/euro	1,1	1,13	1,12	1,08	1,11	1,07	1,1	1,18	1,18	1,13	1,23	1,19	1,16	Nov	1,14	…	…

** according to Budget 2019*

Sources: BoG, NSSG, MoF, ASE, Bloomberg and NBG estimates unless otherwise indicated

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