



NATIONAL BANK
OF GREECE

GREECE Macro Flash

GDP Q1:2022

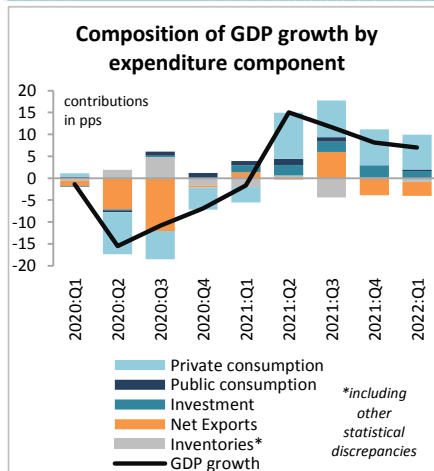
June 2022

Economic activity gained momentum in Q1:2022 and remains in high gear in Q2, defying inflation headwinds

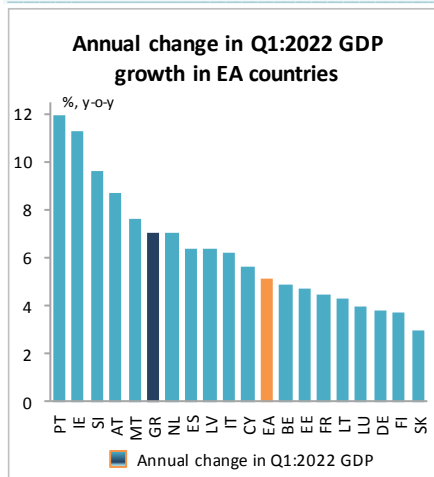
- GDP growth in Q1:2022 exceeded expectations, reaching 7.0% y-o-y from 8.1% y-o-y in Q4:2021, compared with a euro area average of 5.1% y-o-y.
- Most notably, economic activity in Greece recorded a remarkable acceleration to 2.3% in s.a. q-o-q terms, from 0.8% q-o-q in Q4:2021, as the economy moved past a wave of Covid-19 infections and sustained the rising pressure from accelerating inflation and the eruption of the Ukraine crisis.
- Private consumption stands out as the key contributor to Q1:2022 growth, increasing by an impressive 11.6% y-o-y (+2.5% q-o-q), and providing a 7.9-pp boost to annual GDP growth, mainly on the back of a strong improvement in labor market conditions.
- Total compensation of employees increased by 7.4% y-o-y in Q1:2022 – the strongest pace in almost 14 years – on the back of rapid employment growth, with the unemployment rate falling to a 12-year low of 12.6% in Q1:2022 and employment exceeding its pre-pandemic level in Q1:2019 by c. 250K persons.
- Gross fixed capital formation increased at a strong double-digit pace for a 5th consecutive quarter (+12.7% y-o-y, +3.7% q-o-q, s.a.), rising to an 11-year high of 13.3% of GDP and underlying the confidence that exists regarding the economy's prospects.
- The resilience of business activity is also confirmed by the data on the income breakdown of GDP (available in current prices), showing that the gross operating surplus and mixed income – that corresponds to profits from incorporated and unincorporated business activity – increased in Q1:2022 by 15.3% y-o-y to a 10½-year high of €26 bn.
- The strength of domestic demand has outweighed the 3.1-pp drag from net exports, as the negative impact of the rapid import growth of 17.5% y-o-y (constant price terms) outpaced the healthy expansion of total exports of 9.6% y-o-y, with tourism playing a relatively limited role in this quarter.
- Nominal GDP expanded by an impressive 15.0% y-o-y, 9.3% higher than its pre-pandemic level in Q1:2019, setting a more favorable-than-initially-expected reference base for the fiscal variables.
- The stronger-than-expected Q1 GDP outcome, in conjunction with encouraging signs for Q2 activity by the NBG high-frequency indicator (estimated GDP increase of c. 5.0% y-o-y in Q2:2022) point to an increased probability that FY:2022 GDP growth will inch closer to 4.0% compared to our previous estimate of 3.0%, despite the exogenous headwinds from energy and food induced inflation.

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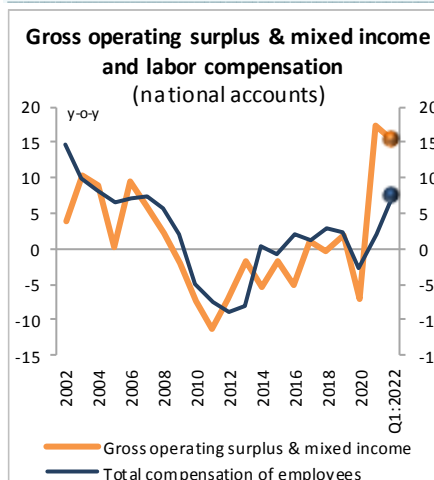
Greece's economic recovery exceeded expectations in Q1:2022, with GDP increasing by 7.0% y-o-y, buoyed by robust domestic demand



Greece remained among the top performers in the euro area for a 4th consecutive quarter



Labor income increased at the fastest pace in almost 14 years, whereas business profits grew by 15.3% y-o-y (in nominal terms)



Economic activity gained momentum in Q1:2022 and remains in high gear in Q2, defying inflation headwinds

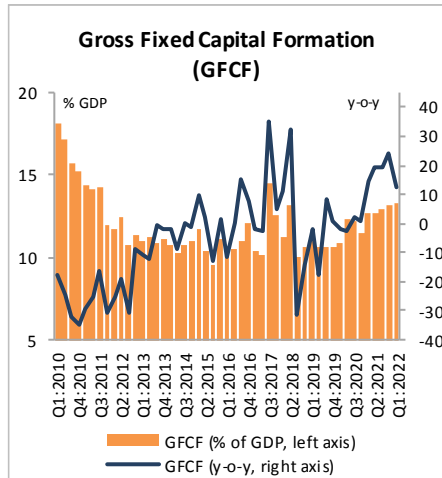
GDP growth in Q1:2022 exceeded expectations reaching 7.0% y-o-y from 8.1% y-o-y in Q4:2021, compared with a euro area average of 5.1% y-o-y. Notably, economic activity recorded an impressive acceleration to 2.3% in s.a. q-o-q terms from 0.8% q-o-q in Q4:2021 compared with a euro area average of +0.3% q-o-q in Q1:2022, as the economy moved past a wave of Covid-19 infections and seems to have defied the initial headwinds from accelerating inflation and the early days of the Ukraine crisis. GDP exceeded its pre-pandemic level in Q1:2019 by 3.8%.

The Q1:2022 national accounts data highlight the economy's underlying strength, as business and households emerge from the pandemic with pent-up demand, strong profits, and large amounts of savings, placing the economy in a solid position to better withstand the pressures created by the surge in inflation and rising uncertainty. Moreover, an exceptional improvement in labor market conditions and continuing fiscal support helped cushion cost-of-living concerns that weakened consumer confidence in the first months of 2022.

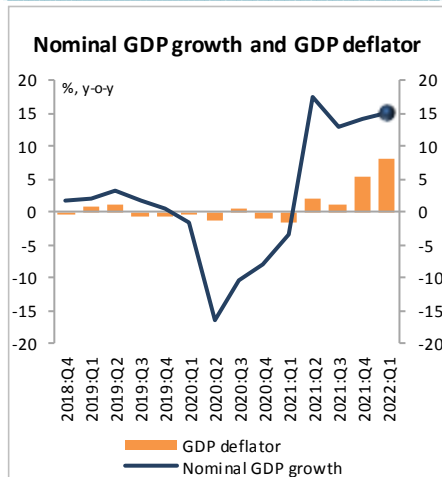
Private consumption stands out as the key contributor to Q1:2022 growth, increasing by an impressive 11.6% y-o-y (+2.5% q-o-q), which resulted in a 7.9-pp boost to annual GDP growth in this quarter. This performance reflects: i) the easing of most Covid-19 restrictions on services that gave rise to favorable base effects on y-o-y growth and, to a limited extent, in q-o-q growth; ii) fiscal support of c. €1.5 bn in this quarter to offset the near term impact of energy price hikes; iii) some use of households' liquidity buffers (decline in household bank deposits of €0.3 bn in Q1:2022, which increases to €1.2 bn when adjusting for the underlying upward trend of this deposit category); and, most importantly, iv) a remarkable strengthening in labor market conditions. Indeed, the total compensation of employees increased by 7.4% y-o-y in this quarter – the highest pace in almost 14 years – on the back of strong employment growth, with the unemployment rate falling to a 12-year low of 12.6% in Q1:2022 and employment exceeding its pre-pandemic level in Q1:2019 by 256K persons. NBG Economic Analysis Division estimates (see [NBG - Greece, Special Focus Report](#), June 1, 2022) that labor market conditions are going to play a pivotal role in maintaining the recovery momentum in FY:2022, as employment prospects show signs of further strengthening in Q2:2022



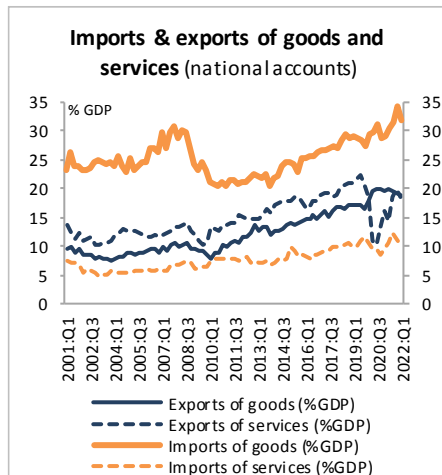
Gross fixed capital formation in Q1:2022 maintained a solid momentum increasing by 12.7% y-o-y



Nominal GDP was up by 15.0% y-o-y with GDP deflator growth at 8.0% y-o-y



The strength of domestic demand outweighed the 3.1-pp drag from net exports, as the rapid import growth (17.5% y-o-y) outpaced the healthy expansion of exports (9.6% y-o-y)



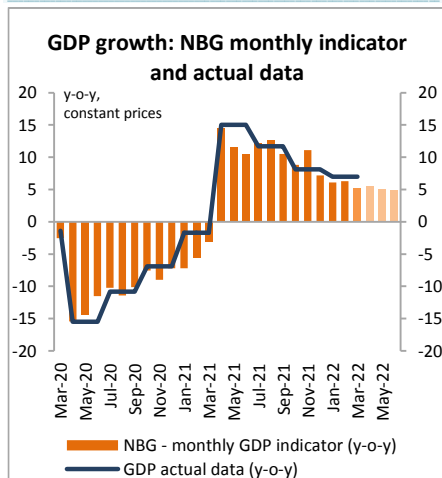
buoyed by revived tourism, while private sector wages are expected to increase by about 2.5% in FY:2022, with the labor market adjusting to resilient demand and the rise in the minimum wage by 9.7%. Total employment is projected to increase by c. 250K person y-o-y in FY:2022, with the labor participation rate edging closer to the euro area average (67% compared with 73% for the euro area, for the population group aged 15-64).

Gross fixed capital formation increased at a strong double-digit pace for a 5th consecutive quarter (12.7% y-o-y, 3.7% q-o-q, s.a.), with “other machinery” (39.0% y-o-y), and residential and non-residential construction (up by 18.6% and 15.9% y-o-y, respectively) accounting for the most part of the improvement. The ratio of fixed capital investment to GDP increased to 13.3% (the 2nd highest quarterly outcome in 11 years) compared with a euro area average of 21.5%. The strength of business activity is also confirmed by the data on the income breakdown of GDP (available in current prices), showing that the gross operating surplus and mixed income – that corresponds to profits from incorporated and unincorporated business activity – grew by 15.3% y-o-y to a 10½-year high of €26 bn. This performance remains solid, even when adjusting nominal data for the upsurge in GDP deflator growth to 8.0% y-o-y in Q1:2022 from 5.5% y-o-y in Q4:2021, and underlines the resilience of Greek firms in a period of increased volatility and rising production costs.

On this note, nominal GDP grew by an impressive 15.0% y-o-y, 9.3% higher than its pre-pandemic level in Q1:2019, setting a more favorable-than-initially-expected reference base for the key fiscal ratios over GDP (debt, fiscal balance), and bolstering other variables related to nominal activity such as business turnover and tax revenue.

This strength of domestic demand, reflected in a joint contribution in Q1:2022 GDP growth of private consumption and gross fixed capital formation of 9.6 pps, has outweighed a 3.1-pp drag from net exports and a 0.9-pp drag from the drop in business’ inventories. Specifically, the positive impact from the increase in goods exports of 2.5% y-o-y and in services exports by 23.0%, which jointly added 3.6 pps to GDP growth, has been overshadowed by a 6.7-pp drag due to the increase in total imports of 17.5% y-o-y in Q1:2022. This sharp rise in imports confirms the still high import dependence of the economy, especially in periods of joint strengthening in consumption and investment spending. This negative pressure from the external sector is expected to ease in the coming months, as tourism

NBG's high frequency indicator of economic activity points to a strong expansion of nearly 5.0% y-o-y in Q2:2022



Source: ELSTAT, NBG Economic Analysis estimates

edges closer to its pre-pandemic levels, bolstering revenue from exporting services.

Moreover, NBG's high frequency indicator of economic activity, that takes into account available information from fiscal, business survey, inflation, trade, international flights and mobility data for Q2, suggests that GDP will increase by almost 5.0% y-o-y in Q2:2022. Accordingly, our updated estimate of FY:2022 GDP growth inches closer to 4.0% from 3.0% previously, assuming that there will be no further escalation of geopolitical tensions, energy prices will decline very gradually in H2 and other supportive factors related to labor market and fiscal policy will evolve along the lines described in the NBG Economic Analysis Special Focus Report (see [NBG - Greece, Special Focus Report, June 1, 2022](#)).

Greece – GDP decomposition (expenditure)

Greece: GDP Growth Decomposition & Outlook										
	2019	2020	2021	2022f	2021				2022f	
					Q1	Q2	Q3	Q4	Q1e	Q2f
GDP (real, % y-o-y, s.a.)	1,8	-8,7	8,0	4,0	-1,7	15,0	11,7	8,1	7,0	4,6
GDP (real, % q-o-q, s.a.)	...	...	...	...	3,4	1,3	2,3	0,8	2,3	-0,9
Domestic Demand (y-o-y)	1,1	-3,5	6,8	4,7	-2,9	14,1	5,0	11,8	10,0	3,9
Final Consumption (y-o-y)	1,3	-5,2	7,0	1,8	-2,8	13,3	8,2	10,1	10,5	4,8
Private Consumption (y-o-y)	1,2	-7,4	8,1	4,8	-4,9	15,1	12,0	11,9	11,6	5,5
Gross Fixed Cap. Formation (y-o-y)	-3,4	-0,4	19,3	12,7	14,4	19,2	19,3	24,3	12,7	9,9
Inventories* (contribution to GDP)	0,3	1,1	-1,4	-1,0	-2,1	0,7	-4,4	0,1	-0,9	-1,5
Net exports (contribution to GDP)	0,6	-5,2	0,8	-1,0	1,4	-0,3	6,0	-3,9	-3,1	0,5
Exports (y-o-y)	4,9	-21,5	21,9	14,3	-2,0	25,9	49,4	24,1	9,6	17,8
Exports of goods (y-o-y)	2,1	4,1	9,7	1,9	9,0	16,9	9,6	4,1	2,5	1,5
Exports of services (y-o-y)	7,4	-42,6	38,1	29,9	-15,4	50,3	97,8	63,0	23,0	35,0
Imports (y-o-y)	3,1	-7,9	16,4	14,8	-5,3	20,9	19,5	33,3	17,5	13,2

*also including other unallocated expenditure / Sources: ELSTAT & NBG estimates



Greece – Indicators of Economic Activity in high frequency

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22		
PMI (index level)	54.4	56.2	42.5	29.5	41.1	49.4	48.6	49.4	50.0	48.7	42.3	46.9	50.0	49.4	51.8	54.4	58.0	58.6	57.4	59.3	58.4	58.9	58.8	59.0	57.9	57.8	54.6	54.8	53.8		
Industrial confidence (index level)	3.2	5.3	2.5	-7.9	-20.5	-19.3	-13.2	-16.2	-17.2	-8.5	-11.8	-6.6	-5.1	-4.3	-4.5	-5.1	5.8	2.1	7.6	9.3	2.2	8.5	9.0	8.8	13.5	10.3	10.3	3.8	5.9		
Manufacturing production (y-o-y)	4.7	-1.0	1.4	-12.3	-9.3	-0.6	0.1	-0.9	-3.7	-2.4	7.1	0.8	1.6	2.7	3.5	23.1	14.5	7.2	5.7	6.2	12.1	14.7	9.6	6.0	2.1	8.0	4.3				
Industrial production (y-o-y)	-0.6	-2.9	0.0	-10.8	-8.2	-4.6	-0.1	-3.9	-2.1	-3.2	8.9	3.8	3.6	4.3	5.8	22.7	14.1	9.1	8.1	10.1	10.1	16.5	8.4	8.4	-0.5	4.8	7.9				
Services confidence (index level)	23.2	31.7	25.6	1.8	-47.6	-52.3	-36.2	-29.1	-27.3	-24.7	-27.3	-27.3	-24.8	-14.7	-8.0	-7.9	16.2	30.7	29.8	29.8	35.7	40.8	45.5	34.4	33.2	42.5	36.5	19.4	20.4		
Consumer confidence (index level)	-12	-8	-24	-42	-40	-33	-36	-34	-41	-39	-45	-37	-39	-43	-40	-38	-22	-25	-31	-32	-38	-40	-39	-38	-41	-39	-51	-55	-51		
Retail confidence (index level)	23.6	25.7	17.7	-1.3	-31.7	-13.6	-24.8	-21.8	-17.1	-9.7	-3.8	-12.0	-8.3	-6.4	-0.2	2.6	-0.8	2.5	9.1	9.4	3.7	20.7	13.2	21.3	15.2	9.6	6.6	1.1	2.2		
Retail trade volume (y-o-y)	6.2	2.5	-2.4	-24.6	-3.0	-3.8	-2.8	-0.6	-4.0	4.7	-7.4	-11.5	-2.5	-2.8	-0.7	39.8	15.0	11.3	11.3	5.3	9.6	8.4	16.7	19.6	8.5	10.8	12.3				
Construction Permits (y-o-y)	44	71	54	-18	5	11	18	-11	-14	-13	-15	14	4	22	33	116	100	51	20	57	39	61	76	14	24	32					
House prices (y-o-y, quarterly series)	6.7	6.7	6.7	4.3	4.3	4.3	3.9	3.9	3.9	3.2	3.2	3.2	4.5	4.5	4.5	6.5	6.5	6.5	8.3	8.3	8.3	9.1	9.1	9.1							
Construction confidence (index level)	-24	-28	-29	-88	-84	-58	-31	-44	-52	-46	-29	-38	-13	-8	-5	-4	-11	-11	2	-6	10	3	-1	-7	-9	-2	1	-7	-27		
Employment (y-o-y)	2.1	0.8	0.2	-0.9	-4.1	-2.7	-2.5	-1.5	0.4	0.0	-0.8	-0.7	-6.5	-5.1	-5.8	-4.8	5.1	5.3	4.9	5.5	3.9	2.6	5.3	4.7	8.7	13.1	14.3				
Interest rate on new private sector loans (CPI deflated)	3.5	4.1	4.1	5.6	5.4	5.6	5.9	6.0	5.9	5.9	6.2	6.1	5.8	5.1	5.7	4.1	3.8	2.9	2.7	2.3	1.6	0.5	-1.1	-1.4	-2.3	-3.5	-5.0	-6.0			
Credit to private sector (y-o-y)	-0.6	-0.8	0.1	0.3	0.7	0.4	1.5	1.9	2.4	2.5	2.6	3.5	3.7	3.7	2.9	2.4	2.2	2.3	1.2	0.8	0.8	0.9	1.1	1.4	0.9	1.4	1.6	2.8			
Deposits of domestic private sector (y-o-y)	6.3	7.7	8.8	8.6	9.4	8.4	9.5	9.0	10.3	11.6	14.0	14.4	15.3	14.9	13.8	14.8	13.7	14.5	13.2	13.9	13.3	11.5	10.4	9.9	9.3	8.7	7.0	5.8			
Interest rate on new time deposits (households, CPI deflated)	-0.5	0.1	0.3	1.7	1.4	1.8	2.1	2.2	2.2	2.0	2.3	2.5	2.2	1.5	1.8	0.4	0.0	-0.9	-1.2	-1.7	-2.1	-3.3	-4.7	-5.0	-6.1	-7.1	-8.7	-10.0			
Economic sentiment index (EU Commission, Greece)	110	113	108	97	84	86	90	90	90	93	92	95	94	96	100	99	108	109	112	113	109	113	114	111	115	115	113	105	108		
Economic sentiment index (EU Commission, Euro area)	105	105	95	61	66	77	84	91	95	95	92	97	96	98	104	106	111	116	118	117	117	117	116	114	113	114	107	105	105		
Exports (excl. oil & shipping, y-o-y, 6m mov. avg)	5.6	6.3	4.2	1.3	-1.9	-3.8	-6.0	-8.7	-8.0	-6.2	-2.8	-1.5	-1.2	1.5	7.1	14.0	18.6	22.9	27.9	32.0	32.2	29.7	32.1	31.3	30.5	30.1	27.8				
Imports (excl. oil & shipping, y-o-y, 6m mov. avg)	0.5	1.4	-1.7	-4.4	-9.2	-9.9	-12.0	-12.8	-10.9	-9.1	-4.5	-3.8	-3.7	-3.4	2.8	11.3	18.1	23.7	29.3	35.6	34.0	31.3	31.7	32.1	35.3	36.1	34.1				
BOG - Tourist arrivals (y-o-y)	19.7	24.6	-46.8	-96	-98	-93.8	-85.4	-73.3	-73.9	-65.6	-81.1	-86.0	-87.9	-87.8	-75.9	186	41.4	31.7	24.0	12.5	12.4	12.5	21.9	29.4	25.7	31.5	31.9				
AIA - International passenger traffic development (y-o-y)	10.2	6.4	-62.0	-99.2	-98.4	-93.4	-76.1	-66.2	-72.3	-72.2	-86.0	-87.7	-88.2	-89.8	-72.2	129.2	108.3	43.5	13.9	9.1	12.2	13.9	38.9	38.8	29.7	43.6	55.6	61.6	35.4		
Estimation of total electricity demand in the network (y-o-y)	-3.2	-1.5	0.3	-6.9	-4.5	-13.1	-0.8	-7.9	1.2	-0.6	4.4	-4.9	-10.6	-6.8	2.7	6.2	3.6	11.7	14.9	15.2	-3.8	3.1	3.2	9.1	8.8	3.4	10.4	-6.7			
VAT on other goods & services (y-o-y)	-0.8	1.1	-23.7	9.1	-51.1	-17.1	-15.4	-10.0	-10.8	-15.1	-12.8	-7.5	-10.0	-8.6	28.6	-1.4	72.3	29.2	14.9	14.4	18.2	21.2	29.9	29.9	-4.2	58.9	27.7	20.9			
Business Turnover (y-o-y, double-entry bookkeeping)	9.8	-2.6	-10.5	-31.7	-26.7	-15.6	-16.6	-19.8	-11.1	-7.3	-7.2	-6.4	-16.0	-9.2	13.2	42.3	24.1	22.4	24.4	32.6	30.0	28.6	39.9	33.7	30.6	39.9	41.0				

Color map scale

Rapid contraction Moderate contraction Slow contraction Stabilization Slow expansion Moderate expansion Rapid expansion

Sources: NBG, BOG, ELSTAT, Ministry of Finance, Ministry of Labor & Social Affairs, EU Commission, IHS Markit, IOBE, AIA, ADME



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