



NATIONAL BANK
OF GREECE

GREECE Macro Flash

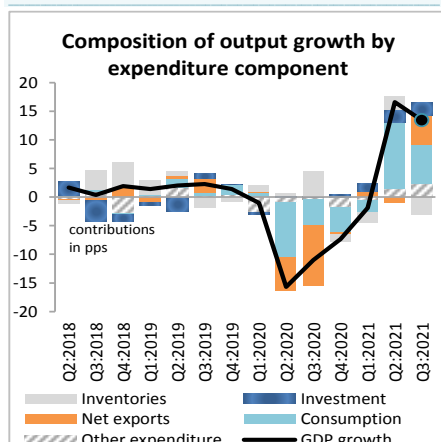
GDP Q3:2021

December 2021

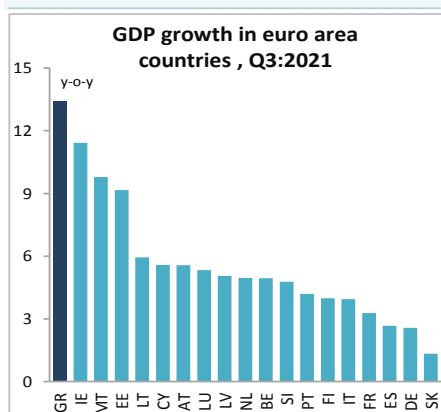
GDP on a strong upward trend in Q3:2021, leading to a revision to our annual forecast for 2021 to 8.5%

- Greece's economic recovery remained on a solid footing in Q3:2021, with GDP increasing by 13.4% y-o-y – the strongest annual growth among the euro area countries. The solid performance was underpinned by a synchronized strengthening of all major GDP expenditure components.
- Private consumption grew by a robust 8.6% y-o-y (+1.1% q-o-q, s.a.) in Q3:2021, on the back of improving sentiment, supportive labor market trends (unemployment declined to an 11-year low of 13.6% and employment grew by 4.9% y-o-y in Q3) and the release of pent-up demand. Household disposable income increased by an estimated 4.0% y-o-y in Q3 (in real terms) following a +5.9% y-o-y in H1:2021.
- Gross fixed capital formation maintained a strong momentum growing by 18.1% y-o-y (+3.9% q-o-q, s.a.) and exceeded by 18.8% its pre-Covid level (Q3:2019). Residential construction (up by 69.0% y-o-y) and investment on machinery and weapon systems (+20.9% y-o-y) made the largest positive contributions to GFCF growth with the share of investment in GDP increasing to a 3-year high of 12.6% compared with a 10-year average of 11.5% of GDP and an average of 20.5% for the euro area countries.
- The revival of tourism – increase in revenue by 156% y-o-y in Q3:2021 – contributed to a surge in services exports of 85% y-o-y, narrowing the gap from the Q3:2019 outcome to -14.7%.
- This rebound has been combined with steadily rising goods exports (9.2% y-o-y in constant prices), to a new all-time high in levels, leading to an annual increase in exports of goods and services of nearly 50% y-o-y, which added almost 14.0 pps to annual GDP growth in Q3:2021.
- Net exports added 5.2 pps to annual GDP growth in Q3 – the strongest contribution since Q4:2010 – despite the 8.7-pp drag due to rising imports of goods and services (21.7% y-o-y in Q3).
- The effective fiscal support remained substantial with the cyclically adjusted State Budget deficit at 0.9% of GDP in 9M:2021 compared with a surplus of 1.5% in 9M:2021.
- Liquidity conditions remained highly supportive with the combined impulse from bank credit growth and corporate debt issuance reaching €3.4 bn in 10M:2021 and €7.4 bn in 2020.
- Economic activity estimates from the NBG's monthly indicator of GDP – derived on the basis of available data from business and consumer surveys, tax revenue and mobility metrics up to early-December – suggest that GDP growth was in high single-digit territory in October-November.
- Despite the modest weakening in mobility trends since mid-November (compared to their level in the first half of Q4) and the estimated drag from accelerating inflation and deteriorating Covid-19 trends, the current trajectory of the NBG indicator points to a GDP growth rate of 7.6% y-o-y in Q4:2021 which implies a FY:2021 growth of 8.5%.

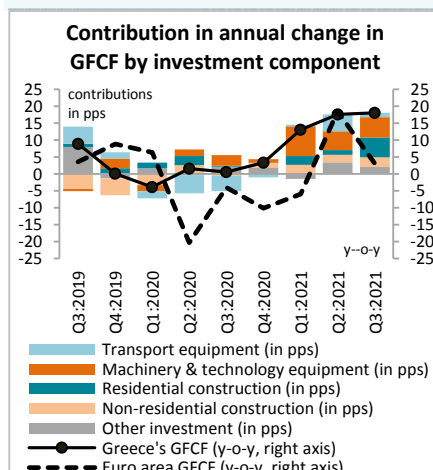
Greece's economic recovery remained on a firm footing in Q3, with GDP increasing by 13.4% y-o-y, buoyed by a synchronized strengthening in all GDP components



In annual terms, the increase in Greece's Q3:2021 GDP was the strongest among the euro area economies



Gross fixed capital formation in Greece maintained a solid momentum increasing by 18% y-o-y, with residential construction and investment on machinery and IT equipment being the most dynamic components



Activity on a strong upward trend in Q3 buoyed by surging domestic demand, robust good exports and reviving tourism

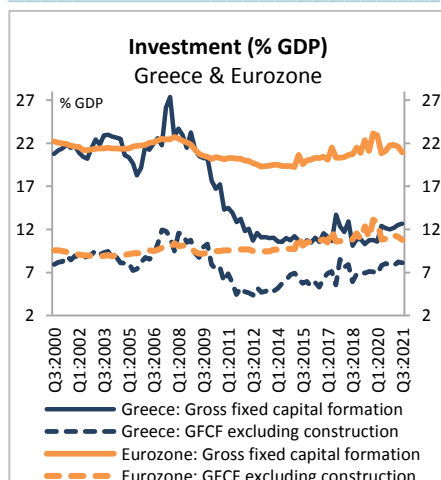
Greece's economic recovery remained on a solid footing in Q3:2021, with GDP increasing by 13.4% y-o-y – the strongest annual growth among the euro area countries in this period – and by 2.7% q-o-q, s.a. following an upwardly revised Q2:2021 (+16.6% y-o-y and +2.1% q-o-q, s.a.). In fact, Q3:2021 GDP was 1% higher than its Q3:2019 level and in 9M:2021 GDP was only 1.2% lower than in 9M:2019.

A synchronized strengthening of all major GDP components on the spending side underpinned this solid performance. Private consumption grew by a robust 8.6% y-o-y (+1.1% q-o-q, s.a.) in Q3:2021 (+13.1% y-o-y in Q2), on the back of improving sentiment, supportive labor market trends and the release of pent-up demand. Residents' spending on services increased sharply in Q3, as indicated by the combined strengthening in business turnover in transportation services, food and beverage service activities, and recreation activities by 54.1%, 51.3% and 24.1% y-o-y, respectively. Similarly, retail trade volume rose by healthy 8.8% y-o-y (+6.9% q-o-q) in Q3 from 20.5% y-o-y in Q2 and 8.7% y-o-y in H1:2021. The stabilization of household deposits in Q3:2021 (increase of €1.4 bn compared with a €4.2 bn increase in H1:2021), in a period of strong improvement in labor market conditions, indicates that households used a part of the sizable cash buffers accumulated in 2020 to finance additional consumption.

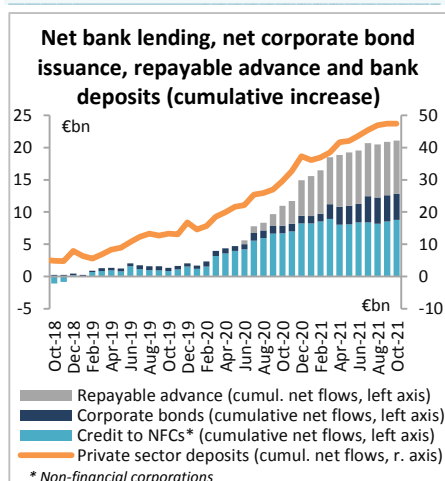
The decline in the unemployment rate to an 11-year low of 13.0% in September (13.6%, on average in Q3) has been combined with an increase in employment (of 4.9% y-o-y in Q3:2021 – the strongest pace since 2005. Household disposable income (in real terms) increased by an estimated 4.0% y-o-y in Q3 (+5.9% y-o-y in H1:2021) adding to the dynamism of consumption.

The contribution of government consumption to GDP growth remained broadly constant at 1.3 pps (+5.7% y-o-y) compared with 1.1 pps in H1:2021, reflecting additional spending due to natural disasters (summer wildfires) and social support.

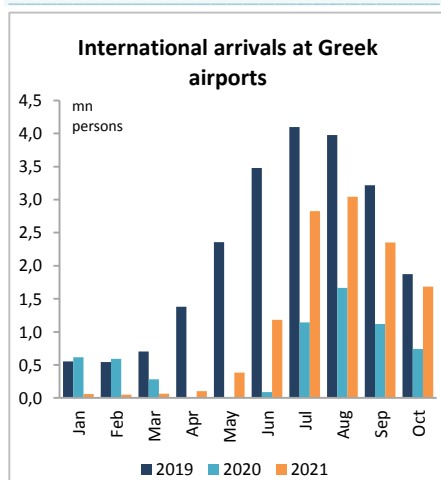
The share of investment in GDP increased to a 3-year high of 12.6% compared with a 10-year average of 11.5% of GDP



The liquidity impulse to the economy exceeded €10 bn cumulatively in 2020-2021 (€19 bn including repayable advances)



The accelerating revival of tourism...



The effective fiscal support remained significant with the cyclically adjusted State Budget deficit at 0.9% of GDP in 9M:2021 compared with a surplus of 1.5% in 9M:2020. Moreover, liquidity conditions remained highly supportive, with the combined impulse from bank credit growth and corporate debt issuance reaching €3.4 bn in 10M:2021 and €7.4 bn in 2020. Liquidity support increases to €6.1 bn in 10M:2021 and €12.9 bn in 2020 when payments through the “repayable-advances” scheme are taken into account.

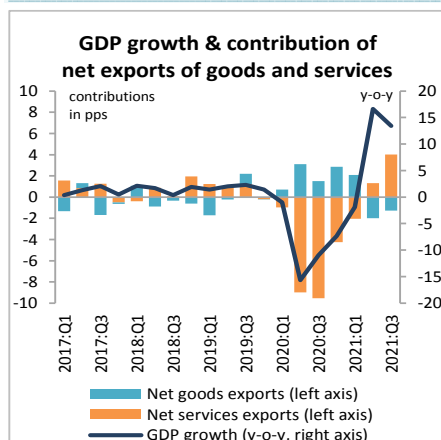
Gross fixed capital formation maintained a strong momentum growing by 18.1% y-o-y (+3.9% q-o-q, s.a.) exceeding by 18.8% its pre-Covid level (Q3:2019). Residential construction (up by 69.0% y-o-y) and investment on machinery and weapon systems (+20.9% y-o-y) made the largest positive contributions to GFCF growth. Public investment activity has also contributed to the above outcome, with PIB spending (excluding Covid-19 measures financed through PIB) increasing by 76% y-o-y (+€0.7 bn) in Q3. The share of investment in GDP increased to a 3-year high of 12.6% compared with a 10-year average of 11.5% of GDP and an average of 20.5% for the euro area countries in Q3:2021 (8.1% and 10.8% of GDP for Greece and the euro area, respectively, excluding construction).

The revival of tourism – increase in revenue by 156% y-o-y in Q3:2021 – contributed to a surge in services exports of 85% y-o-y, narrowing the gap from the Q3:2019 outcome to -14.7%. This rebound has been combined with steadily rising goods exports (9.2% y-o-y in constant prices), leading to an annual increase in exports of goods and services of nearly 50% y-o-y, which added almost 14.0 pps to GDP growth in Q3:2021 compared with +3.7 pps in H1:2021. Indeed, exports of goods and services increased to 37.4% of GDP in Q3 in comparison with a 10-year average of 31.8% and 49.5% in the euro area.

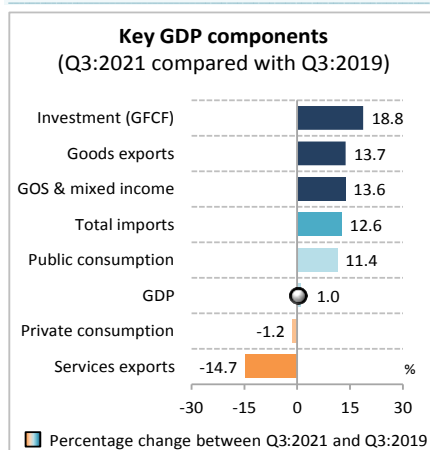
Against this backdrop, net exports added 5.2 pps to annual GDP growth in Q3 – the strongest contribution since Q4:2010 – with the strong export momentum overshadowing the 8.7-pp drag due to rising imports of goods and services (21.7% y-o-y in Q3).

As regards the GDP decomposition from the income side, a further strengthening in corporate profitability has been

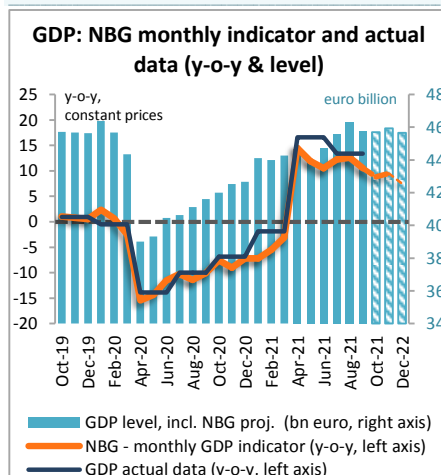
...underpinned the 9.6-pp contribution of services exports to Q3 GDP growth (+7.7 pps in net terms)



Key components of economic activity, including firms' profits, exceeded their pre-pandemic levels with 9M:2021 GDP only 1.2% lower than in 9M:2019



The current trajectory of the NBG's activity indicator points to a GDP growth rate of 7.6% in Q4:2021 implying a FY:2021 growth of 8.5%



recorded in Q3:2021, as well as, a revival in unincorporated business activity and mixed income, especially in the services sector. In fact, gross operating surplus and mixed income increased by 24.6% y-o-y in Q3:2021 and by 18.0% y-o-y in 9M:2021, exceeding by 9.4% (€6.2 bn) the respective 9M:2019 outcome.

Labor income increased at a relatively subdued pace of 0.4% y-o-y in Q3 (-0.3% y-o-y in 9M:2021), mainly, due to distortions in compensation measurement in labor intensive activities with a significant share of part-time employment especially in retail-wholesale trade and tourism-related activities (-2.7% y-o-y in Q3:2021). This bias primarily reflects negative base effects related to the extraordinary State support schemes for the labor market activated in Q3:2020 and, secondarily, an underlying shift to non-dependent employment following the reopening of the economy which is recorded mainly as mixed income.

Average GDP growth in 9M:2021 reached 8.9% y-o-y, showing an acceleration on a quarterly basis between Q2 and Q3:2021. Economic activity estimates from the NBG's monthly indicator of GDP – derived on the basis of available data from business and consumer surveys, tax revenue and mobility metrics up to early-December – suggest that annual GDP growth remained in high single-digit territory in October-November bolstered by strongly positive base effects in November (due to the tightening of Covid-related restrictions on economic activities in the same month in 2020).

Despite the modest weakening in mobility trends since mid-November (compared to their level in the first half of Q4) and the estimated drag from accelerating inflation and deteriorating Covid-19 trends, the current trajectory of the NBG indicator points to a GDP growth rate of 7.6% in Q4:2021 which implies a FY:2021 growth of 8.5%. For 2022 our GDP forecast is 4.4%.



Greece – GDP decomposition (expenditure)

Greece: GDP Growth Decomposition & Outlook												
	2019	2020	2021e	2022f	2020				2021			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4f
GDP (real, % y-o-y, s.a.)	1,8	-8,8	8,5	4,4	-1,0	-15,7	-11,0	-7,3	-1,9	16,6	13,4	7,6
GDP (real, % q-o-q, s.a.)	...	...	...	...	-1,6	-14,2	5,6	3,9	4,2	2,1	2,7	-1,5
Domestic Demand (y-o-y)	1,3	-4,6	6,7	2,7	-1,1	-9,8	-0,4	-7,1	-2,9	16,4	7,4	7,0
Final Consumption (y-o-y)	1,2	-5,1	5,3	2,8	0,9	-11,1	-5,2	-4,9	-2,3	12,4	7,3	4,5
Private Consumption (y-o-y)	1,1	-7,1	5,3	3,9	0,8	-13,5	-9,0	-6,8	-4,5	13,1	8,6	5,5
Gross Fixed Cap. Formation (y-o-y)	-4,8	0,4	15,8	17,2	-3,9	1,6	0,6	3,4	13,1	17,7	18,1	14,2
Total GFCF excluding residential	-6,4	-0,8	14,4	17,6	-6,0	-1,2	0,3	3,7	11,7	18,2	13,4	14,5
Inventories * (contribution to GDP)	0,7	-0,2	0,4	-0,9	-1,5	-0,3	4,1	-3,1	-2,3	3,9	-0,7	1,3
Net exports (contribution to GDP)	0,5	-4,2	1,4	1,7	0,1	-5,8	-10,6	-0,2	1,1	-1,0	5,2	0,4
Exports (y-o-y)	4,6	-18,9	19,6	16,5	0,5	-30,0	-34,7	-10,7	-0,8	26,3	48,6	15,0
Exports of goods (y-o-y)	2,1	4,1	9,7	2,7	2,6	-3,4	4,2	13,4	8,9	17,0	9,2	4,5
Exports of services (y-o-y)	7,1	-36,8	29,9	33,8	-2,6	-52,4	-53,8	-35,9	-14,3	44,1	84,6	42,0
Imports (y-o-y)	3,1	-7,9	13,2	10,9	0,4	-14,5	-7,4	-9,9	-3,4	23,7	21,7	13,3

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

Greece - Indicators of Economic Activity in high frequency

	Sep-19	Oct-19	Nov-19	Dec-19	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
PMI (index level)	53,6	53,5	54,1	53,9	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
Industrial confidence (index level)	1,0	1,9	1,4	2,0	2,7	4,5	3,1	-5,6	-15,4	-18,1	-13,3	-15,5	-18,1	-9,0	-12,4	-10,3	-10,0	-10,6	-7,5	-5,8	7,1	3,0	7,4	10,5	3,3	8,6	9,3
Manufacturing production (y-o-y)	5,2	1,9	-7,0	1,1	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	14,6	7,1	5,7	6,0	11,5		
Industrial production (y-o-y)	1,9	-0,7	-9,6	-3,8	-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	14,2	9,0	8,1	10,0	9,7		
Services confidence (index level)	20,2	15,4	17,8	29,1	25,2	33,6	26,6	1,1	-40,3	-46,8	-34,2	-28,8	-26,9	-25,6	-28,8	-30,4	-28,3	-22,6	-18,2	-17,6	13,1	27,5	25,4	26,0	34,5	40,5	46,3
Consumer confidence (index level)	-7	-8	-7	-6	-10	-5	-17	-33	-33	-28	-35	-35	-41	-46	-48	-45	-43	-46	-40	-35	-22	-26	-33	-35	-38	-45	-41
Retail confidence (index level)	32,9	26,3	25,0	22,0	21,5	27,5	21,3	3,2	-22,4	-6,2	-18,3	-20,3	-21,1	-15,3	-14,3	-22,1	-18,9	-10,1	-1,3	3,2	5,0	2,8	10,8	9,3	2,1	17,3	9,7
Retail trade volume (y-o-y)	5,0	7,2	3,7	-1,5	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	10,1		
Construction Permits (y-o-y)	60	-10	7	48	44	71	54	-18	5	11	18	-11	-14	-13	-15	14	4	22	32	115	98	55	26	65			
House prices (y-o-y, quarterly series)	8,3	7,5	7,5	7,5	6,7	6,7	6,7	4,3	4,3	4,3	3,9	3,9	3,9	3,0	3,0	3,0	4,3	4,3	4,3	6,2	6,2	6,2	7,9	7,9	7,9		
Construction confidence (index level)	-56	-50	-52	-24	-32	-31	-31	-76	-76	-56	-32	-41	-52	-47	-31	-44	-26	-17	-12	5	-2	-6	0	-1	12	7	1
Employment (y-o-y)	1,7	1,3	2,3	1,6	1,6	1,0	0,4	-1,0	-4,2	-2,7	-2,3	-1,9	0,6	0,3	-1,1	-0,5	-6,3	-5,3	-6,0	-4,2	5,1	4,7	5,1	6,0	3,6		
Interest rate on new private sector loans (CPI deflated)	4,7	5,0	4,1	3,6	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	
Credit to private sector (y-o-y)	-0,5	-0,2	-0,2	-0,6	-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	
Deposits of domestic private sector (y-o-y)	5,8	6,5	6,5	6,7	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	
Interest rate on new time deposits (households, CPI deflated)	0,5	1,1	0,1	-0,4	-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	
Economic sentiment index (EU Commission, Greece)	109	108	108	111	110	113	110	100	89	88	91	91	90	93	91	92	91	92	97	98	109	109	111	113	110	112	113
Economic sentiment index (EU Commission, Euro area)	102	101	101	102	103	104	95	68	70	78	84	89	92	93	89	92	92	93	101	111	115	118	119	118	118	119	118
Exports (excl. oil & shipping, y-o-y, 6m mov.avg)	5,5	4,2	2,4	4,7	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		
Imports (excl. oil & shipping, y-o-y, 6m mov.avg)	4,4	2,1	-0,5	0,7	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		
BoG - Tourist arrivals (y-o-y)	5,0	1,9	18,2	5,4	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	414	317	240	125	124		
AIA - International passenger traffic development (y-o-y)	8,6	7,2	6,6	10,9	10,2	6,4	-62,0	-99,2	-98,4	-93,4	-76,1	-66,2	-72,3	-72,2	-86,0	-87,8	-88,2	-89,8	-72,2	1292	1083	435	139	91	122	139	389
Estimation of total electricity demand in the network (y-o-y)	0,7	-0,1	-6,8	-6,2	-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	2,6	
VAT on other goods & services (y-o-y)	1,3	-0,8	1,8	1,7	-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	
Business Turnover (y-o-y, double-entry bookkeeping)	2,6	-2,2	-2,6	-0,6	8,9	-3,4	-11,3	-32,4	-27,3	-16,3	-17,3	-20,3	-11,6	-7,5	-7,8	-6,8	-16,1	-9,5	13,0	42,2	24,0	22,4	24,3	32,6	29,5		

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, ADMIE



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