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Macro View

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Increasing cashless transactions shrink the shadow economy and support activity

Macroeconomic Indicators
& Fiscal Outlook, pages 14-19



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- The Greek economy is proving unexpectedly resilient, overperforming compared with the gloomy forecasts that followed the imposition of capital controls. Employment creation has been ongoing, and VAT revenue trends have improved notably in recent months, exceeding by a significant margin the impact from the increase in the effective VAT rate in July.
- The resilience of activity, especially private consumption, does not appear to be related to either increases in precautionary consumption or domestic production. Indeed, NBG analysis suggests that the resilience of consumption is related to the surge in cashless payments.
- Cashless payments increased from 4.7% of GDP in 2014 to an estimated 6.8% in 2015, rising 90% y-o-y in H2:2015, compared with an average of 12% in Southern Europe and 15.5% in the euro area. The increase in this form of payment appears to have prompted a shift in activity from the shadow to the official economy, which mostly benefited larger enterprises, to the detriment of SMEs (an annual change in sales of -3.3% for large firms in Q3:2015 versus a decline in excess of c. 15% for SMEs).
- NBG Research estimates that an annual increase of 10% in cashless transactions adds about 0.2% to GDP growth. Indeed, it is estimated to have added almost 1.4 pps to real GDP growth (y-o-y) in H2:2015 and an estimated 0.8% in FY:2015 GDP, resulting in GDP growth of about -0.3% in FY:2015 versus an initially-estimated -2.3% by the official sector. Moreover, employment increased by 2.2% y-o-y in July-October, all dependent employment, while self-employment declined. Finally, VAT revenue increased by an estimated 10.5% y-o-y in H2:2015.

Cashless payments have been a key driver of economic performance in H2:2015

GDP forecasts - impact of declining shadow activity and oil prices

	H2:2015	FY:2015	FY:2016	2016-20 avg.
	y-o-y change			
GDP constant prices y-o-y	-1,3	-0,3	-0,2	2,5
contribution of declining shadow economy (in pps)	1,4	0,8	0,7	0,5
contribution of energy prices (in pps)	1,2	1,3	0,6	0,0
GDP constant prices (excl. supportive factors) y-o-y	-3,9	-2,4	-1,5	2,0

Source: ELSTAT, NBG Econ. Analysis estimates

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- In 2016, GDP growth is estimated at -0.2% y-o-y. The economy will benefit from a further increase in cashless payments by about 2.5% of GDP, estimated to result in further support to the official economy (+0.7% to FY:2016 GDP growth), as well as from lower energy prices (+0.6% to FY:2016 GDP growth). On the other hand, fiscal drag will hold back activity (-1.4% y-o-y). Excluding GDP carry (-0.8% y-o-y), activity will have positive momentum in 2016, turning positive in Q2 (q-o-q s.a. basis) and with Q4 growth at 1.7% y-o-y.
- Over the longer run, NBG Research estimates that through a continued increase in cashless payments to close to the average of Southern euro area countries (12% of GDP -- average for Spain, Portugal and Italy in 2014 -- from 6.8% in Greece currently), Greece's shadow economy could be reduced to 19.3% of GDP during the next 5 years. This would add about 0.5% to average annual GDP growth in the period 2016-2020, which is equivalent to €4.5 bn. Furthermore, it would also lead to €1.5 bn of additional government revenue in the period (0.8% of 2015 GDP), admittedly valuable support to the medium-term fiscal adjustment effort.
- In view of the significance of cashless payments for supporting activity and tax revenue, the provision of incentives for increasing further the penetration of electronic payments in the Greek market is essential. Such incentives could include:
 - ✓ Incentives provided by tax authorities, such as the conditioning of the application of the tax-free income threshold to the total value of cashless transactions made by the taxpayer and/or to specific categories of purchases of goods and services with a high share of informal transactions
 - ✓ Tax benefits could also be provided to entrepreneurs for accepting electronic payments, possibly related to the annual growth in their POS-based turnover (especially for SMEs)
 - ✓ Other administrative decisions, such as those lowering further the threshold above which cash transactions are prohibited, or legislation for compulsory use of cashless payments in activities with a high tendency for tax evasion (such as personal transportation, services to households, health and education)
- An imminent policy challenge is to maintain the favorable momentum in bringing down unreported activity and, at the same time, push forward with the timely lifting of capital controls to reverse the associated costs. In fact, the latter have started to manifest themselves, mainly through the sharp decline in private capital inflows to the economy.



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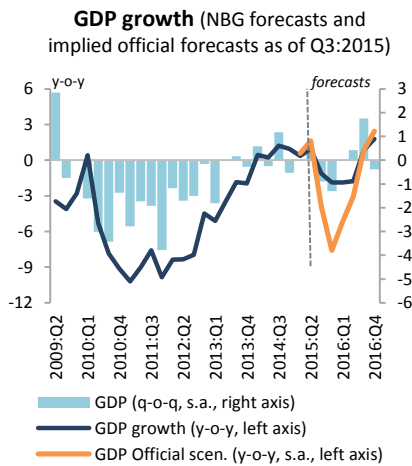
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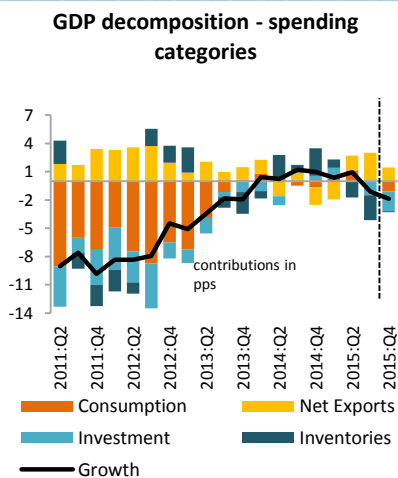
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The Greek economy is proving unexpectedly resilient in the face of capital controls



Healthy private consumption, solid tourism activity and a sharp import contraction offset the negative impact of falling investment and inventories in Q3:2015



Sources: ELSTAT, EU Commission, MinFin, NBG estimates

Increasing cashless transactions shrink the shadow economy and support activity

The resilience of economic activity cannot be explained by conventional fundamentals, and largely reflects surprisingly buoyant consumption

The Greek economy is proving unexpectedly resilient, overperforming compared with the gloomy forecasts for Q3:2015 that followed the imposition of capital controls and the three week bank holiday in July. Indeed, high uncertainty, which had begun in late-2014, continued until the snap elections of September, despite the positive development on economic sentiment from an agreement on a third financial support package for Greece.

In this very challenging environment, Greek GDP declined by -1.1% y-o-y (constant prices) in Q3:2015, compared with initial official estimates for an average GDP contraction of -5.0% y-o-y. Resilient consumer spending (+0.3% y-o-y), despite a capital controls-led drop in imports (-19.9%) and solid tourism activity (increase in revenue of +5.9% in 11M:2015), offset a significant part of the hit from: i) the 12.9% y-o-y decline in investment spending in Q3:2015 due to high uncertainty and limited liquidity; ii) a sharp drop in inventories (by 2.6% of quarterly GDP in Q3:2015); and iii) the collapse in shipping services.

It is admittedly remarkable that in this turbulent environment, the share of private consumption in GDP reached a 4-year high of 69.7% (in Q3:2015). Indeed, private consumption increased by 0.3% y-o-y in Q3:2015 (-0.8% q-o-q, s.a.) in a period of very high uncertainty arising from: i) the return of Grexit scenarios or a temporary suspension of euro membership; ii) the three-week bank holiday and the imposition of capital controls in July; iii) a fiscal drag of c. 0.7% of GDP from the new revenue measures implemented in this quarter; and iv) payment delays by the government Budget reflected in the accumulation of new arrears to the private sector and a sharper-than-budgeted restraint on primary spending (including social transfers).

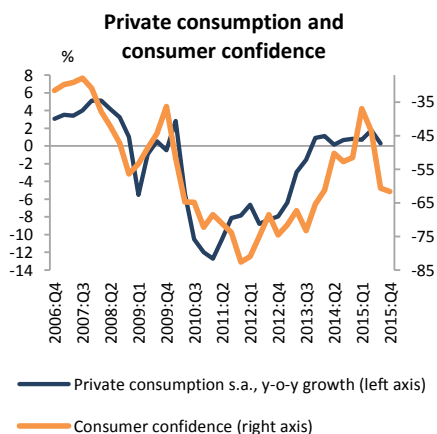
Before turning to an analysis of the resilience of private consumption, an overview of the other factors of demand reveal that overall they were a drag on Q3 activity. First, the decline in imports reflected lower investment and inventories. Specifically, the sharp decline in goods imports, down 16.3% y-o-y in volume terms in Q3:2015, contributed 4.3 pps to quarterly GDP growth, mainly due to the binding limits on import financing in July-August, especially in non-basic goods categories. Indeed, as discussed in our NBG Macro view

Private consumption has proved resilient...

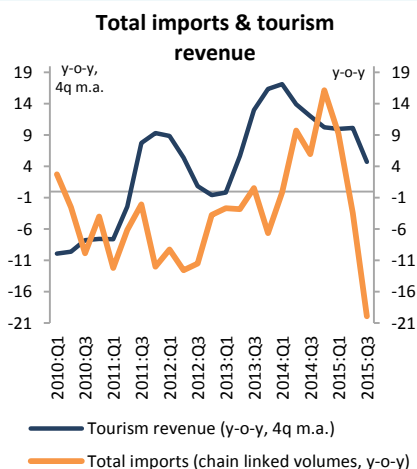
Share in GDP of major components (constant prices)				
	2008	2009	2014	2015e
Private consumption	68,2%	70,1%	68,7%	69,4%
Gross Fixed Capital formation	22,8%	20,6%	11,5%	10,9%
Inventories	1,1%	-2,5%	0,6%	-0,3%
Total exports	23,3%	20,0%	29,9%	28,8%
Exports of goods	10,0%	9,1%	15,0%	15,4%
Exports of services	13,4%	10,9%	14,9%	13,6%
Total imports	35,9%	30,0%	32,4%	30,3%

Components as % of GDP

...in a very challenging environment with high uncertainty ...



Services exports fell sharply, despite favorable tourism



Sources: ELSTAT, BoG, , NBG estimates

October 2015, the approvals for goods imports financing in July-August were 30% below the import level in the same period in 2014, though this gap has narrowed considerably, to below 10% in September-October. The counterpart to the decline in imports is reflected in the contraction in fixed capital formation and inventories, which subtracted about 3.9% from annual GDP growth.

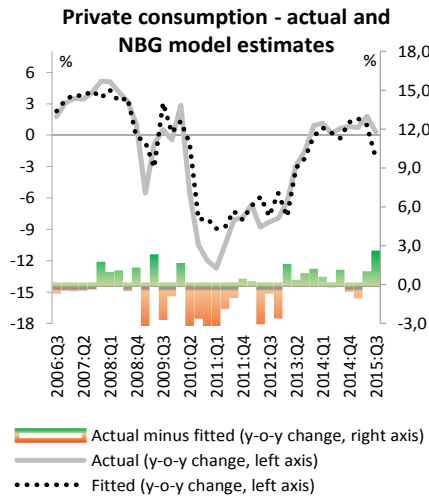
Second, far-better-than-expected tourism activity during this challenging period -- another positive surprise -- was more than offset by the poor performance of shipping. Indeed, tourism revenue increased by 5.2% y-o-y in Q3:2015 (+€0.4 bn compared with Q3:2014), providing considerable support to GDP (an estimated 0.8% y-o-y in Q3:2015. This outcome, however, has been overshadowed by a sharp fall in other services exports (-49% y-o-y, in nominal terms, mainly due to the collapse of shipping revenue by 63% y-o-y or -€1.7 bn in this quarter). As a result, total services exports in Q3:2015 declined by 24.9% y-o-y in constant prices (to 12.1% of GDP in Q3:2015 from 15%, on average, in FY:2014).

Third, goods exports also weathered the challenges of capital controls, growing by 0.7% y-o-y in Q3:2015 (in volume terms) and their share in GDP climbed to their highest level in decades (16% of GDP compared with 10.1% on average between 1995 and 2014).

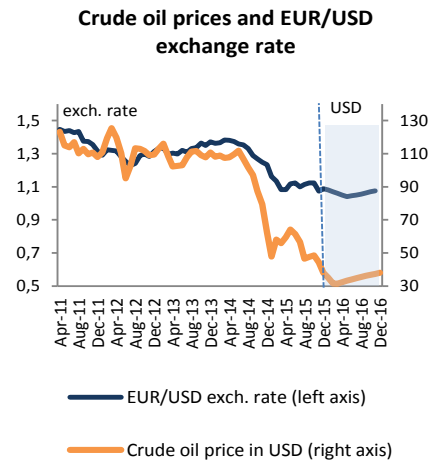
Turning to private consumption, in order to estimate the impact of extraordinary factors, we estimate a traditional consumer-demand model. The model describes consumer-spending growth as a function of the annual growth of total employment compensation (in constant prices), domestic fuel prices and consumer confidence -- as an all-encompassing measure of uncertainty and liquidity conditions. Although the historical fit of the model is reasonably strong, model-based estimates for private consumption growth in Q3:2015 fell considerably short of the actual increase in private consumption (-1.4% versus +0.3% according to official data).

The model shows the impact from declining labor income, limited liquidity, and higher uncertainty outweighing the benefit from rapidly declining international oil prices (-35.8% y-o-y in Q3:2015, in euro terms, and -14.6% for domestic fuel prices, contributing an estimated +1.3% to GDP growth, see analysis in NBG Macro View, April 2015). Indeed, it is difficult to justify a marginal increase in private consumption, on an annual basis, in a period when the average real wage per employee is estimated to have declined by 1.5%-2% and consumer confidence fell to its lowest point since Q4:2013.

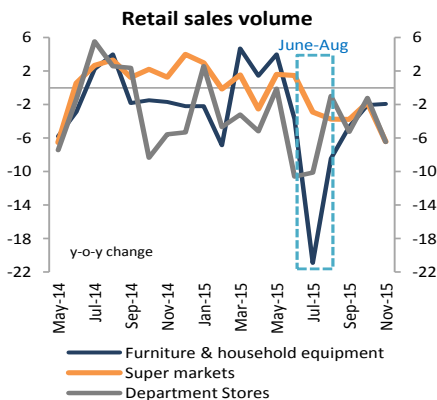
Extraordinary factors appear to have supported consumer spending in Q3:2015



Low oil prices provided a valuable respite to the oil-dependent Greek economy



Retail sales data did not provide any evidence of an upsurge in "precautionary consumption" in June-August 2015



Sources:NBG estimates, ELSTAT, Bloomberg

The above results indicate there are other factors at play in this period, which are not included in our consumer demand model specification. Two potential explanations -- an upsurge in precautionary consumption and a shift to domestically-produced consumption -- are not consistent with the data. Regarding the former, the composition of retail sales does not support the hypothesis of higher spending due to uncertainty in Q3:2015. Indeed, retail sales volumes (excl. fuel) declined by 2.8% y-o-y in July-August, with sales in supermarkets and department stores down by 3.3% y-o-y and 5.6% y-o-y, respectively, in contrast to sales of consumer durables – which are better proxies for precautionary consumption -- which shrank by 14.7% y-o-y in this period. In fact, some indication of this precautionary spending appears to have mainly affected June sales, while car registrations increased by 22% y-o-y, and supermarket and clothing-footwear sales by 1.2% y-o-y and 4.2% y-o-y, respectively.

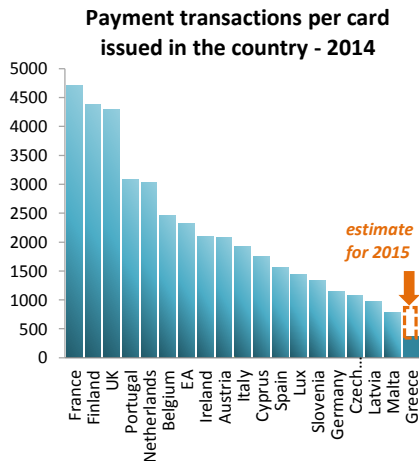
Regarding the latter explanation, manufacturing production data do not support a shift of demand to domestic production (-1.2% y-o-y in July-August), with domestic production in consumer-related categories such as food and clothing declining by 2.0% y-o-y and 19.4% y-o-y, respectively, in Q3:2015. Moreover, the sharp drop in stocks of finished goods -- reflected in the reduction in inventories (-2.6% of Q3:2015 GDP) -- also suggests that resilient consumption has occurred through inventory depletion – largely involving imported goods – rather than through an increase in domestic production.

An explanation which holds up to scrutiny is the upsurge in cashless payments due to the imposition of capital controls. As analyzed below, higher cashless payments translate into a direct shift in spending in the official economy from the unofficial/shadow economy. If the unexplained consumption of about 1.7% y-o-y is due to this shift, then it has led to an increase in activity of over 1% y-o-y in Q3 GDP.

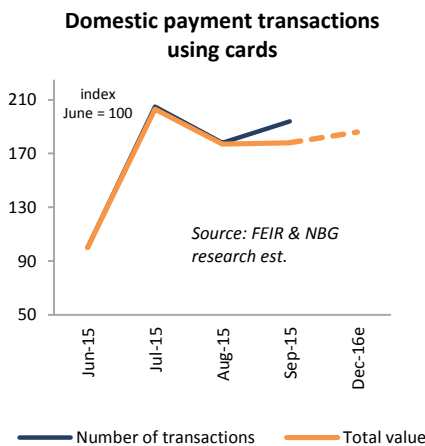
The surge in cashless transactions discourages informal activity
Shedding light on Greece's shadow economy

Greece's shadow economy is estimated at €44 bn (or 25% of GDP) in 2014 (Schneider, OECD, 2014). The Greek shadow economy is among the largest in the euro area (together with the Baltic countries and Cyprus) and is considered to reflect the long-lasting competitive and fiscal deficiencies of the economy. Clearly, the support to GDP growth

Capital controls have greatly altered transaction habits...



... triggering a shift to cashless transactions



Sources: ECB, IOBE/FEIR, NBG estimates

from a sustainable reduction of the shadow economy -- to levels comparable with the euro area average of 15% of GDP, or at close to the 19% of GDP average for southern euro area countries – would be significant.

International experience suggests a strong positive correlation between the size of shadow activity and the role of cash transactions in the economy, as the use of cash minimizes the risk of being tracked by fiscal authorities. Not surprisingly, Greece is among the most cash-dependent economies in the euro area, with cashless transactions accounting for less than 5.0% of GDP until 2014 – one of the lowest rates in the euro area, which has an average of 15.5% of GDP. Moreover, though Greece was only slightly below the euro area average as regards the number of cards issued per capita (1.2 compared with 1.4 for the euro area in 2014), the utilization rate was extremely low, as measured by the value of average annual payments per card (€312 in Greece versus a euro area average of €3,800 in 2014).

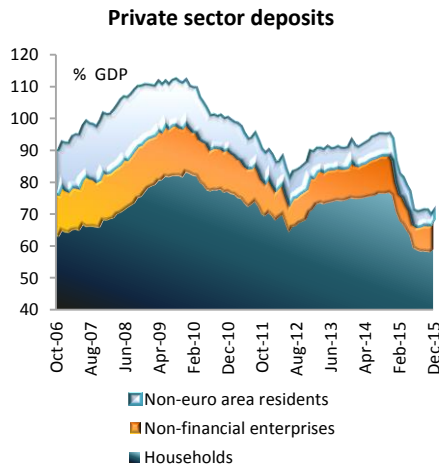
Indeed, the dominant role of micro enterprises in Greece’s business structure (77% of private sector employment compared with 61% in the euro area) and the high share of self-employed in total employment (25%, the highest share in the euro area, compared with a euro area average of 10%), appear to be closely related to both the economy’s large informal sector and the high cash dependence of the economy. The greater tendency for tax evasion is confirmed by the extremely low contribution of freelancers and micro enterprises to government tax revenue (e.g., self-employed and small business owners jointly account for 30% of employment and less than 15% of PIT revenue).

Capital controls have greatly altered transaction habits

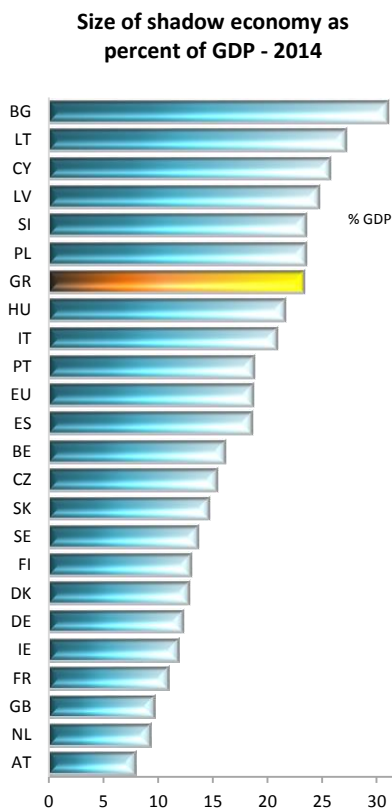
The sharp increase in uncertainty-driven cash hoarding beginning in late-2014 -- with €51.7 bn of sector bank deposits withdrawn from Greek banks between November 2014 and July 2015 -- and the imposition of weekly limits on cash withdrawals since July as part of the introduction of capital controls, have led to a significant increase in remote payments and debit/credit card use. As mentioned above, these had been far less common in Greece than in other European countries.

Most deposit withdrawals in H1:2015 were made for precautionary reasons in a period of high uncertainty related to a potential Grexit, and thus, these liquidity holdings were unlikely to have been used for financing current household spending, except for imminent fiscal and

Most of the sizeable deposit withdrawals in H1:2015 were made for precautionary reasons and not for consumption smoothing



Greece's shadow economy is among the largest in the EU



Sources: ECB, BoG, OECD, Schneider 2013-14, NBG estimates

debt-servicing needs. In fact, Greek households viewed euro notes mainly as a store of value and as a protection against the risks of a bank deposit bail-in or currency redenomination, rather than a means of transaction. Indeed, the effect of cash-burn (i.e., the use of cash holdings to smooth consumption) appears to have been less prominent than in the period 2010-2012 since the bulk of the adjustment in spending habits has already occurred. Balance of payments and national savings data in 2010-2012 point to an average financing gap (negative savings) of the Greek private sector of almost €10bn per annum, which had been financed mainly through cash/liquidity burn. In 2013 and 2014, this gap narrowed to c. €2 bn, and declined further to an estimated €1 bn in 2015. In this respect, a negligible share of the €51.7 bn deposit reduction between November 2014 and July 2015 could be attributed to cash-burn.

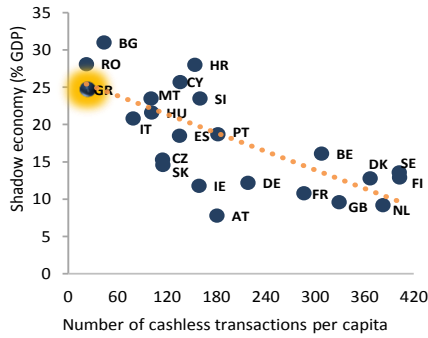
Based on 4 systemic banks and HBA data, Greek banks are estimated to have issued more than 1.8 million debit cards in H2:2015 (corresponding to an increase in the outstanding amount of cards of almost 15%, the most part of which occurred in Q3:2015). In a similar vein, new Point of Sale (POS) terminal installations exceeded 40,000 in this period and more than 120,000 new e-banking passwords were issued.

Accordingly, cashless transactions soared in Q3:2015, by an estimated 160% y-o-y as regards the number of transactions, and by about 130% y-o-y in value terms, with the food sector recording a significant rise of almost 250%, as did the health sector (+180%) and petrol stations (+160%). Data for the small retail, accommodation, food and personal services sectors are scarce, but market sources also report a significant increase in cashless transactions in these sectors since July that reached an estimated 150% y-o-y in Q3:2015. According to these sources, the number of debit/credit card transactions as a percentage of total transactions in retail trade increased to above 40% in July-September from about 15% in H1:2015. This trend is also reflected in POS turnover data for debit cards, which is reported to have almost doubled compared with the same period of the previous year.

The above trends are reported to have continued in Q4:2015 when seasonal spending for goods and services, in conjunction with fiscal obligations, is typically high. Accordingly, the average value of cashless transactions (residents and non-residents) is estimated to have increased by 90% y-o-y, on average, in H2:2015 and by 47% y-o-y in FY 2015 (equivalent to 6.8% of GDP in 2015, up from 4.7% in 2014).

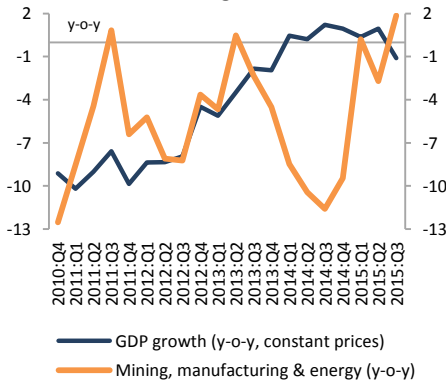
There is a strong correlation between the amount of shadow activity and cash use

Use of cashless payments & size of the shadow economy - 2014



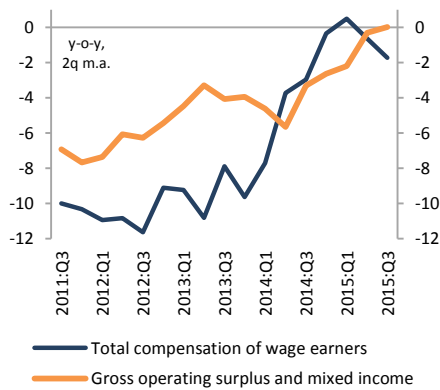
Production of larger business units showed notable resilience in Q3:2015...

Sectoral value added (Manufacturing, energy, mining) & GDP growth



...as did large corporate profitability

Total compensation of employees vs gross operating surplus and mixed income



Sources: ECB, ELSTAT, NBG estimates

Higher cashless payments are estimated to have added about 1.4 pps to annual GDP growth in H2:2015

It must be stressed that changes in the size of the shadow economy have a strong bearing on macroeconomic trends. Indeed, a growing shadow economy creates a downward bias in official statistics (mainly by affecting national accounts and labor force survey data) and undermines fiscal efficiency by narrowing the tax base and distorting the design of the social policies. The recent change in payment habits in Greece has had the opposite effect, with a shift of activity from the informal to the formal economy, and is estimated to significantly improve GDP, employment and fiscal developments.

A shift to formality supports larger and more competitive businesses

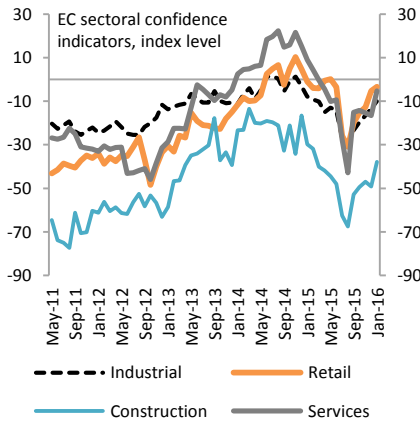
The increasing pressure on Greek businesses to comply with their customers' demand for acceptance of cashless means of payments supported official activity by: i) entailing a shift of demand from informal/shadow suppliers of goods and services to formal enterprises operating in the official economy; ii) forcing some smaller enterprises and own-account workers involved in unofficial activities to turn to the official economy; iii) depressing or suspending activities of the shadow economy in the absence of sufficient cash; and iv) supporting domestic suppliers due to constraints in transactions with abroad. The above developments encouraged healthy and tax-compliant business activity – especially of larger enterprises -- and thus supported official GDP figures and tax revenue.

In this context, firms that managed to adapt quickly to this new environment of limited cash obtained a competitive advantage over their cash-dependent competitors, mostly SMEs. The adaptation of larger firms to the new transaction environment was relatively effortless and costless compared with smaller firms and freelancers, which have been challenged by the new conditions.

In this regard, larger enterprises clearly overperformed the smaller and the more cash-dependent firms in terms of turnover and profitability. Indeed, sales of medium-to-large sized enterprises (excl. fuel and financials) is estimated to have declined by about 3.3% y-o-y (ICAP and ELSTAT data) and by about 2.5% in constant prices in Q3:2015 and profitability, as proxied by the gross operating surplus, remained broadly stable in Q3:2015 (nominal terms, national accounts data) compared with the same period in 2014. In contrast, sales of micro and small firms fell by more than 15% y-o-y (see NBG,

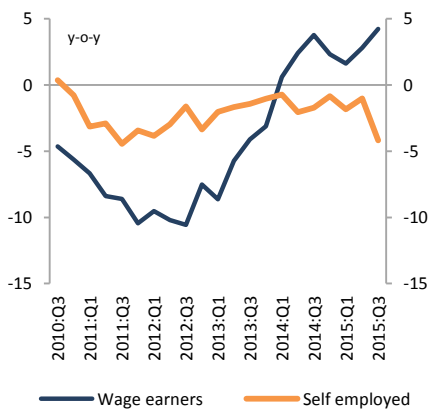
EC business surveys are also pointing to a sharp improvement in business prospects for medium and large-sized enterprises

EC business confidence indicators



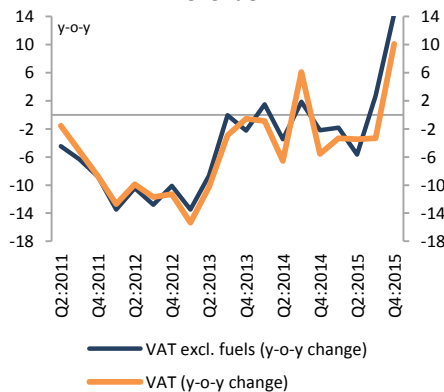
...whereas smaller businesses and the self-employed have been disproportionately affected by the capital controls

Employment growth



The strong rebound in VAT revenue largely reflects a shrinkage of shadow activity in Q3:2015...

VAT & VAT excluding fuels revenue



Sources: EU Commission, ELSTAT, NBG estimates

Survey of Greek SMEs - January 2016), and profitability by an estimated -6% y-o-y (NBG economic analysis, estimate of mixed income change), suggesting a significantly higher hit to business segments typically characterized by a higher tendency for informal operations.

The remarkably rapid and broad-based recovery in sectoral business confidence indicators (IOBE/EU Commission) in recent months is also suggestive of improving conditions for medium and large sized enterprises, which are the main contributors to these surveys.

Labor market resilience only applies to wage earners

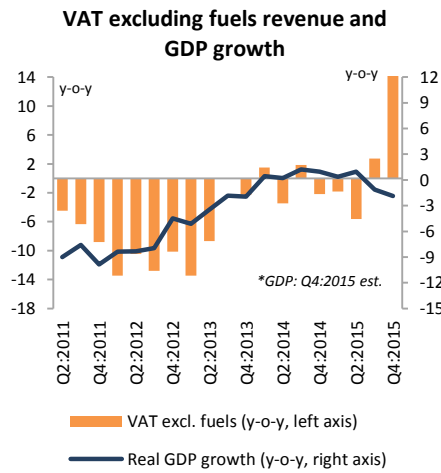
Labor market developments are also suggestive of the changes occurring in the business environment under capital controls. Employment developments reveal two divergent trends underlie the remarkably solid employment growth in Q3:2015 (+2.3% y-o-y in Q3:2015 and +1.5% in H1:2015). Indeed, the net employment creation of 45,000 jobs in Q3:2015 (compared with the previous quarter) reflects an increase in dependent (wage earners) employment of 60,000, which more than compensated for a net decline in the number of self-employed, business owners and family workers of c. 15,000 during this period. In particular, the self-employed/freelancers sub-segment suffered the largest losses in four years in Q3:2015 (employment decline of -4.4% y-o-y), exemplifying the pressures from capital controls on small entrepreneurs. The above developments are indicative of an evolving business rebalancing under capital controls, which is compounded by the broad-based labor market adjustment and the notable increase in dependent employment flexibility in previous years.

The surge in VAT revenue confirms the shift to the official economy

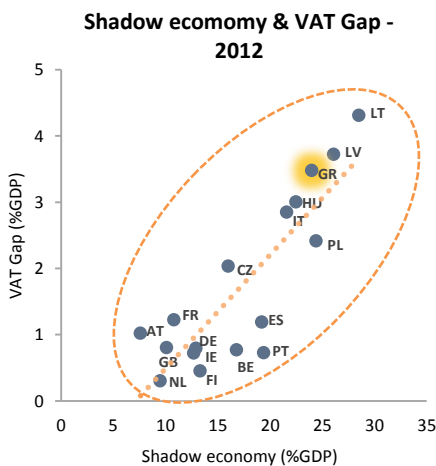
VAT revenue trends in H2:2015 provide further indication of a first win in the battle against the shadow economy. In particular, non-fuel VAT revenue trends showed a notable improvement since July -- increasing by 10.5% y-o-y in H2:2015 compared with a decline of 4.8% y-o-y in H1:2015 -- despite the evident weakening in economic activity in H2 (real GDP declined by -1.1% y-o-y in Q3:2015 and by an estimated -1.3% y-o-y in H2:2015, compared with an increase of 0.7% in H1:2015). In fact, VAT receipts showed signs of further acceleration in Q4 (+14.4% y-o-y), despite the waning support from tourism during this period.

The observed revenue growth in H2:2015 exceeds, by a significant margin, the 2016 Budget projections for growth in VAT revenue of c.

...that gained further traction in Q4:2015



The potential for increasing tax efficiency is significant



Sources: MinFin, Eurostat, NBG estimates & seasonal adjustments

6.0% y-o-y in the same period, adjusting for the more optimistic Budget assumptions for nominal GDP growth in H2:2015 of about -1.0% y-o-y compared with NBG projections of -1.8% y-o-y. Note that the MoF projections reflect the net impact from the increase in the statutory average VAT rate of about 2.0 pps (from the transfer of about 20% of goods and services to the high VAT rate of 23% from 13% effective from July 20 2015).

We estimate that the positive surprise in VAT revenue in H2:2015 corresponds to an effective broadening of the tax base by about €1.3 bn (4.6 pps x €28 bn non-fuel VAT tax base). This is equivalent to c. 1.4% of H2:2015 GDP, and is consistent with our estimate for higher activity derived from our consumption model.

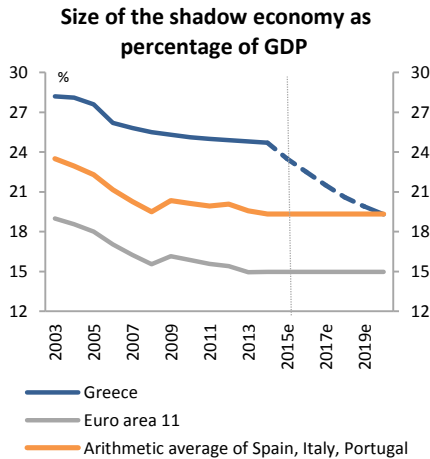
Significant future output gains from further use of electronic payments

Looking forward, as the size of the shadow economy relative to Greek GDP remains significantly higher than the euro area average (an estimated 23.8% of GDP in 2015 versus 15.0% for the euro area-11 and 19.3% for the average of Spain, Portugal and Italy in 2014), there is still ample margin for sustainable positive effects on growth from a further shift of unreported activity to the official economy.

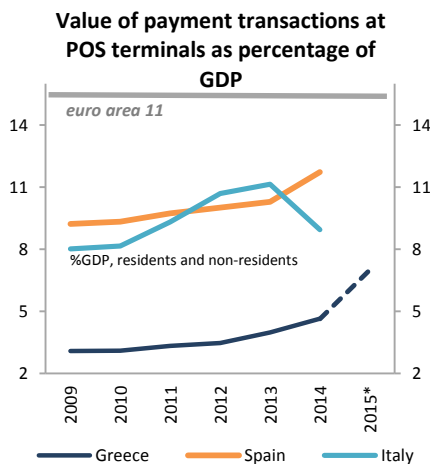
Our estimates of the potential contribution to GDP growth from declining shadow activity and the implicit role of cashless payments are derived by combining information from the observed increase in the VAT base in H2:2015 and the related upsurge in cashless payments during this period. Indeed, the estimated increase in the value of cashless transactions of 90% y-o-y in H2:2015 (or +€3.8 bn in this period) corresponds to an increase in the registered economy-wide final spending of about €1.0 bn during H2:2015 if one conservatively assumes that the share of shadow activities in newly-recorded cashless transactions is equal to the economy average size of shadow activity in 2014, i.e., c. 25% of GDP. The latter assumption is consistent with the above-described increase in activity implied by VAT trends, as well as the residual from our consumption model. Therefore, an annual increase of 10% in cashless transactions adds almost 0.2% to real GDP growth.

In 2016, NBG Research estimates that activity will be broadly similar to 2015, with increasing momentum during the year. It will receive support from a further shift in the use of cashless transactions. Specifically, GDP is estimated to decline marginally (-0.2% y-o-y in 2016, in constant prices, versus -0.3% in FY:2015). A positive annual impact of +0.7 pps arises from a further decline in shadow activity

There is still ample margin for positive effects on growth from a further shift of unreported activity to the official economy...



...with electronic payments playing a central role



Sources: MinFin, Eurostat, NBG estimates & seasonal adjustments

through a further increase in cashless transactions by 32% y-o-y compared with their 2015 level (to 9.2% of GDP by end-2016 from an estimated 6.8% in 2015) – an increase of 14% y-o-y excluding “carry” effects from 2015. Further support arises from: i) the decline in domestic energy prices by an estimated 12% y-o-y, which contributes another 0.6 pps to activity); ii) improving sentiment; and iii) positive tourism and liquidity trends (reflecting, *inter alia*, a gradual clearance of government arrears). On the other hand, activity will be held back by continuing fiscal drag (-1.4% y-o-y) and negative carry (-0.8% y-o-y).

In the longer run, a cumulative increase in cashless payments closer to the average for Spain, Portugal and Italy (c. 12% of GDP in 2014) would lead further reduction of Greece’s shadow economy. Specifically, if cashless transactions increase to about 12% of GDP by 2020, the shadow economy would decline to 19% of GDP over the next 5 years compared with an estimated 23.8% in 2015, and is expected to add about 0.5% to average annual GDP growth in the period 2016-2020. A similar pace of increase in cashless transactions (about 20% y-o-y, per annum, in 2016-2020) and shrinkage of the shadow economy (by c. 1% of GDP per year in 2016-2020) has been observed in several EU countries in the past 10 years (e.g. Czech Republic, Slovenia, Slovakia, Baltic countries).

Moreover, the above trends would be translated into an estimated cumulative increase in government revenue of about €1.5 bn in the period 2015-2020 (0.8% of 2015 GDP), an admittedly valuable support to the medium-term fiscal adjustment effort.

Thus, the creation of additional, credible incentives for avoiding the use of cash in transactions could give a decisive boost to both compliance and the economic performance.

In view of the significance of cashless payments for supporting activity and tax revenue, the provision of administrative and market-based incentives for increasing further the penetration of electronic payments in the Greek market is essential. Such incentives could include:

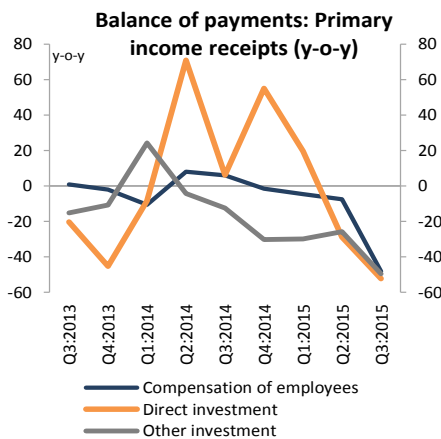
- Incentives provided by tax authorities such as the conditioning of the application of tax-free income threshold to the total value of cashless transactions made by the taxpayer and/or to specific categories of purchases of goods and services with a high share of informal transactions

GDP forecasts - impact of declining shadow activity and oil prices

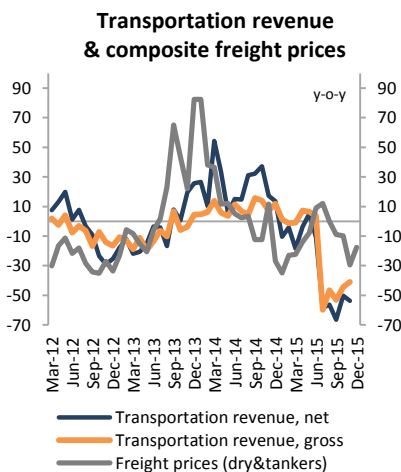
	H2:2015	FY:2015	FY:2016	2016-20 avg.
	y-o-y change			
GDP constant prices y-o-y	-1,3	-0,3	-0,2	2,5
contribution of declining shadow economy	1,4	0,8	0,7	0,5
contribution of energy prices	1,2	1,3	0,6	0,0
GDP constant prices (excl. supportive factors) y-o-y	-3,9	-2,4	-1,5	2,0

Source: ELSTAT, NBG Econ. Analysis estimates

Capital controls discourage the repatriation of Greek firms' income from their activities abroad...



...and this is particularly evident in the shipping sector



- Tax benefits could also be provided to entrepreneurs for accepting electronic payments, possibly related to the annual growth in their POS-based turnover (especially for SMEs)
- Other administrative decisions such as those lowering further the threshold above which cash transactions are prohibited, or legislation for compulsory use of cashless payments in activities with a high tendency for tax evasion (such as personal transportation, services to households, health and education)

A unique opportunity and an immense policy challenge

An imminent policy challenge is to maintain the favorable momentum in bringing down unreported activity and increase government revenue and, at the same time, push forward with the timely lifting of capital controls in the following the quarters, i.e., to maximize the economic benefits of the transition to a less-cash dependent and more transparent transaction environment and duly reverse the costs of capital controls. In fact, the latter have started to manifest themselves, mainly through the sharp decline in private capital inflows to the economy. The economy continued to face a net outflow of private funds of €5.3 bn in July-November 2015, despite the capital controls.

In this vein, while bank deposits have been broadly stable since August, adjusting for seasonal effects and financing disbursements under the programme, capital controls appear to hinder not only the repatriation of funds held abroad, but also the rapid return of deposits to the banking system from the liquidity hoarded by the private sector domestically in the form of euro notes. Greek businesses are clearly avoiding repatriating their incomes, dealing directly with their customers and suppliers abroad. Indeed, shipping revenue (Balance of Payments data) declined by 49.3% y-o-y (-€2.8 bn) in July-November compared with a 29.6% decline in composite freight rates (dry bulkers & tankers). Albeit difficult to quantify in the near term, a continuation of this liquidity squeeze in 2016 could weigh on investment and exporting activity, which is expected to play a key role in the economic turnaround in our baseline scenario. Accordingly, a material lifting of capital controls during 2016 is critical to the recovery in FY:2016.

GREECE

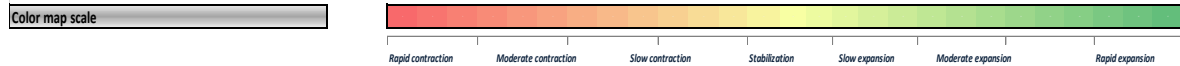
Macro View - Economic Outlook | February 2016

Recessionary headwinds significantly milder than anticipated in H2:2015 -- latest readings of conjunctural indicators suggest that downside risks remain limited



Greece: Tracking the economy's cyclical position

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
PMI (index level)	45	45,3	45,4	47	48,7	47,5	47,3	49,2	49,6	51,2	51,3	49,7	51,1	51	49,4	48,7	50,1	48,4	48,8	49,1	49,4	48,3	48,4	48,9	46,5	48	46,9	30,2	39,1	43,3	47,3	48,1	50,2	
Industrial confidence (index level)	-11,1	-6,7	-8,8	-10,6	-10,7	-5,3	-9,9	-11	-10,6	-11,2	-7,1	-4,1	-8,9	-4,9	1,3	1,5	0,3	-5,4	-0,6	1,3	-3	-7,9	-9,2	-10,2	-15	-13	-14,1	-26,4	-30,2	-23,3	-19,6	-16,6	-13,6	-10,1
Manufacturing production (yoy)	2,9	-2,1	5,7	-4,7	-4,3	-2,6	-4,9	-4,2	0,2	-0,5	3,1	-0,8	-1,5	2,4	-2,0	5,5	0,5	-0,8	4,7	7,0	4,1	2,4	4,8	8,0	3,7	-2,9	-3,7	-5,9	3,6	2,7	-1,2	1,6	3,3	
Industrial production (yoy)	1,0	-4,4	2,3	-7,2	-5,5	-3,2	-6,1	-5,6	-1,4	-2,8	0,5	-3,9	-3,2	0,3	-5,2	0,1	-4,7	-4,3	0,0	3,3	-2,7	-0,7	1,6	4,7	0,6	-4,3	-4,7	-1,7	4,1	2,9	-1,9	2,0	5,2	
Services confidence (index level)	-22,7	-13,1	-2,5	-4,6	-7	-9,7	-7,1	-8,1	-4,9	2,5	4,5	4,9	6	6,5	18,4	19,7	22,3	14,8	15,8	21,6	15,3	5,3	5,3	6,1	7	7,9	7,9	8,9	10,1	12,4	12,3	12,7	12,8	11,6
Consumer confidence (index level)	-71,8	-63,4	-66,5	-70,9	-76,6	-72,2	-66,2	-66,7	-63,3	-62,7	-63,1	-58	-52,6	-50,5	-47,7	-48	-54	-56	-50,9	-49,9	-53,9	-49,3	-30,6	-31	-40,5	-43,6	-46,8	-52,9	-64,8	-64,2	-59,6	-64,1	-61,1	-63,9
Retail confidence (index level)	-26,7	-15,2	-19,1	-21	-21,3	-22,5	-22,8	-18,1	-15	-11,6	-8,4	-10	-9,7	-7,4	2,5	4,8	6,6	-2,5	5,0	10,3	4,7	-1,0	-3,9	-4,1	-0,6	0,2	-3,5	-25,9	-31,0	-20,0	-15,3	-12,8	-5,3	-3,4
Retail trade volume (yoy)	-14	-2	-8	-14	-8	-5	-1	3	-6	-3,0	-2,9	-3,4	5,0	-6,1	1,7	1,5	3,2	0,0	2,1	-1,3	-1,4	0,6	-1,7	1,0	-1,8	4,1	-0,4	-7,2	-2,1	-3,3	-2,4	-4,5		
Construction Permits (yoy)	-16	-5,1	-15	-4	-30	-37	9	89	-44	-41	-5	4	-8	10	53	-24	-5,3	7,2	-2,8	-36,4	13,1	12,2	36,6	35,6	-3,5	6,1	-15,1	-25,2	-28,5	-13,1	-38,2			
House prices (yoy, quarterly series)	-12	-12	-12	-10	-10	-10	-10	-10	-9	-9	-9	-8	-8	-8	-7	-7	-6	-6	-6	-4	-4	-4	-4	-5	-5	-5	-6	-6	-6					
Construction confidence (index level)	-39	-35	-34	-32	-30	-18	-37	-33	-39	-23	-23	-14	-20	-20	-19	-20	-21	-33	-21,2	-34,2	-16,6	-29,8	-31,9	-40,0	-41,9	-44,5	-48,0	-62,5	-67,5	-52,8	-49,4	-47,0	-49,1	-37,9
Employment (y-o-y)	-6,0	-5,5	-4,6	-4,3	-3,5	-2,9	-3,1	-2,8	-2,7	-1,2	-0,8	-0,3	-0,6	0,4	1,0	1,7	1,0	1,3	1,3	1,6	1,5	1,1	1,5	-0,2	2,2	2,9	1,6	1,8	2,3	2,4				
Interest rate on new private sector loans (CPI deflated)	6,3	6,0	5,9	6,2	6,8	6,7	7,6	8,4	6,8	7,1	6,5	6,8	7,2	7,4	6,3	6,1	5,6	6,0	7,0	6,4	7,6	7,9	7,1	7,1	7,0	7,1	6,9	7,0	6,3	6,5	6,0	5,7	5,3	
Credit to private sector (y-o-y)	-6,8	-7,4	-6,8	-5,1	-4,8	-4,7	-4,8	-4,7	-4,3	-3,5	-3,7	-5,5	-4,9	-4,4	-4,0	-3,9	-3,7	-3,7	-3,2	-3,0	-2,7	-1,6	-1,5	-1,2	-1,6	-2,8	-2,9	-3,3	-3,7	-3,6	-3,6	-3,7	-3,6	
Private sector deposits (y-o-y)	-3,9	1,6	4,9	2,4	2,5	1,7	0,5	0,4	-1,5	-2,4	-3,9	-3,0	-1,5	-2,1	0,3	0,7	1,4	2,2	2,6	2,1	-1,7	-7,2	-11,2	-12,9	-16,3	-18,6	-25,4	-26,3	-26,6	-26,3	-26,5	-28,3	-25,3	
Interest rate on new time deposits (households, CPI deflated)	4,8	4,5	4,3	4,2	4,6	4,2	5,0	5,7	4,5	4,3	3,9	4,2	4,1	4,5	3,5	3,0	2,4	2,9	3,6	3,1	4,4	4,6	4,0	4,0	3,9	4,0	4,0	3,5	2,7	2,9	2,0	1,7	1,2	
Economic sentiment index (EU Commission, NBG weights, Greece)	63	73	73	69	64	67	72	72	75	78	78	83	87	89	96	96	92	88	92	95	90	91	105	103	93	89	87	76	62	71	75	71	73	75
Economic sentiment index (EU Commission, Euro area)	89	90	92	93	96	97	98	99	100,3	100,9	101,1	102,5	102,4	103	102,4	103	101	100	100,9	100,8	100,9	101,5	102,3	103,9	103,8	103,8	103,4	103,9	104	105,5	106,1	106	106,7	105
Exports (other (excl.oil&shipping) y-o-y 6m mov.avg)	26,2	29,0	30,4	33,3	29,3	30,5	25,2	25,5	20,4	13,4	10,9	5,9	0,4	-1,6	-2,2	-0,6	-0,7	0,1	2,6	1,9	3,9	3,9	5,5	7,9	9,6	9,7	10,2	9,4	7,8	5,0	2,2	1,3		
Imports (other (excl.oil&shipping) y-o-y 6m mov.avg)	17	22	31	36	32	35	33	37	37	27	24	16	10	6	2	4	3	5	6	7	8	8	9	10	10	9	8	2	-1	-5	-6	-8		
NBG Composite Index of cyclical conditions ▶▶▶▶	-17,8	-17,1	-9,31	-16,9	-13,7	-7,01	-12,1	-9	-3,97	-0,8	-1,2	-0,2	0,5	1,3	2,2	2,4	3,5	3,9	4,5	0,2	-2,8	-6,5	-1,5	-2,5	-4,8	-9,5	-14,8	-18,9	-25,3	-26,5	-28,0			

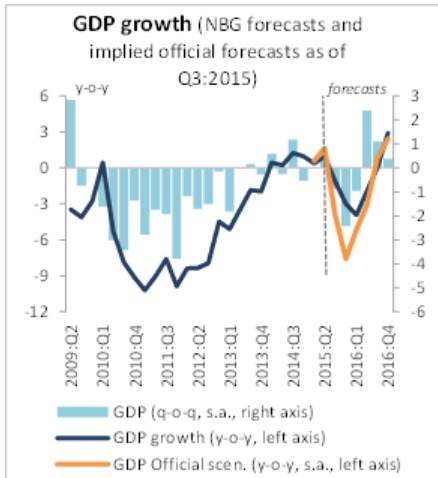


Sources: NBG, BoG, ELSTAT, EU Commission, IOBE

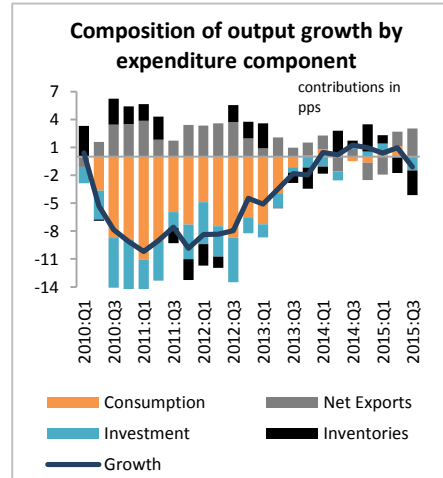
Greece: Growth Outlook													
	2014	2015f	2016f	2014		2015f				2016f			
				Q3	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
GDP (% yoy, s.a.)	0,7	-0,3	-0,2	1,2	1,0	0,4	0,9	-1,1	-1,5	-1,8	-1,6	0,8	1,7
GDP (% q-o-q, s.a.)	...	...	...	1,2	-0,5	0,0	0,3	-0,9	-0,9	-0,3	0,5	1,5	0,0
Domestic Demand (y-o-y)	1,0	-1,3	0,3	0,4	2,8	2,3	-0,6	-4,0	-2,9	-3,3	-2,6	3,1	4,3
Final Consumption (y-o-y)	0,0	0,2	-0,5	-0,5	-0,7	0,3	1,2	0,1	-1,1	-2,0	-2,0	0,5	1,7
Private Consumption (y-o-y)	0,7	0,5	-1,8	0,7	0,8	0,7	1,8	0,3	-1,0	-1,7	-1,9	0,3	1,5
Fixed Capital Formation (y-o-y)	-2,6	-5,2	6,0	2,0	4,8	10,1	-0,5	-12,9	-15,6	-11,6	-9,5	22,0	27,0
Residential construction	-52,3	-24,1	-8,0	-44,4	-52,2	-30,4	-8,3	-34,3	-20,0	-13,1	-9,8	-5,9	-3,1
Total GFCF excluding residential	8,9	-3,3	7,1	11,4	15,6	15,5	0,2	-10,7	-15,3	-11,5	-9,5	24,1	29,2
Inventories (contribution to GDP)	1,3	-0,9	0,1	0,6	2,9	0,9	-1,7	-2,6	-0,1	-0,2	0,2	0,3	0,0
Net exports (contribution to GDP)	-0,3	1,0	-0,6	0,8	-1,9	-1,9	1,6	3,0	1,5	1,6	1,0	-2,3	-2,7
Exports (y-o-y)	7,4	-3,9	2,2	9,4	10,3	3,2	1,4	-11,4	-8,0	-1,8	-0,8	6,5	5,3
Imports (y-o-y)	7,8	-6,7	3,9	6,0	16,2	9,3	-3,5	-19,9	-11,7	-6,5	-4,0	15,5	14,0

*also including other statistical discrepancies

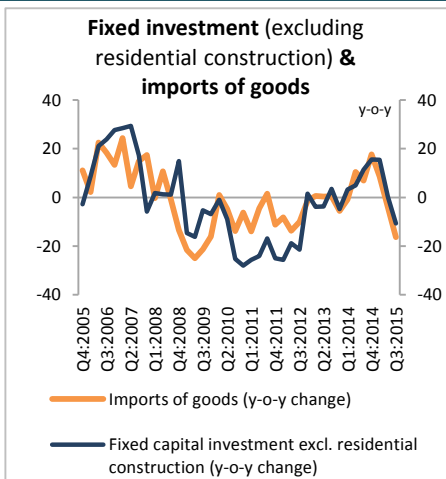
Economic activity declined in Q3:2015 for the first time since Q4:2013 (-1.1% y-o-y), albeit significantly less than anticipated (-5.0% y-o-y implied by official forecasts made in August)



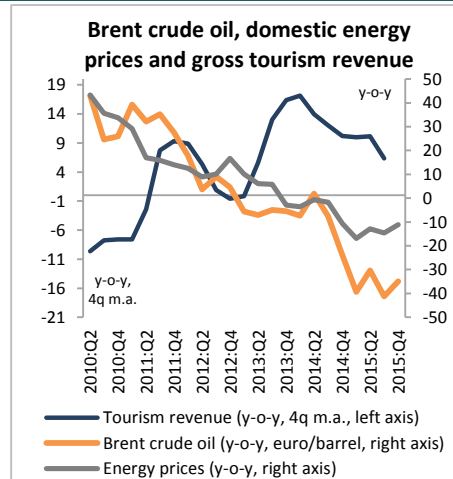
Private consumption was resilient, *inter alia*, reflecting a contraction of the shadow economy on the back of a strong increase in cashless transactions



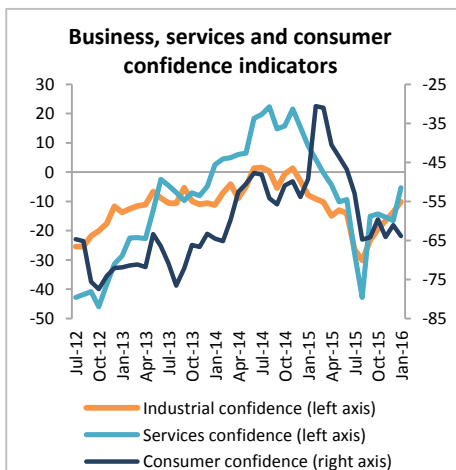
Imports declined sharply (-20% y-o-y), reflecting the fall in investment (-12.9% y-o-y), inventory depletion (-2.5% of quarterly GDP in Q3:2015), and a shift to domestic consumption



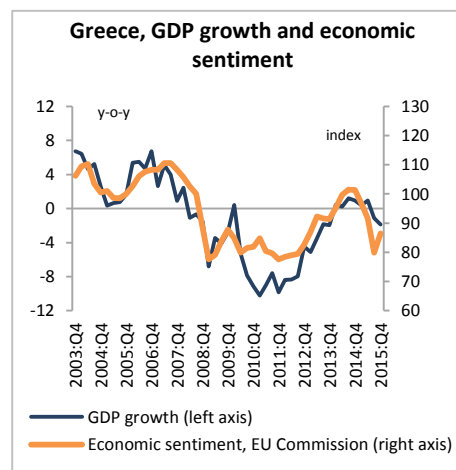
Strong tourism activity (annual increase in revenue of +5.2% y-o-y in Q3:2015) and a further decline in oil prices (-35.8% y-o-y, in euro terms) provided valuable support to GDP in this challenging juncture



Activity in Q4:2015 and early-2016 should continue to recover, as business confidence is improving and...

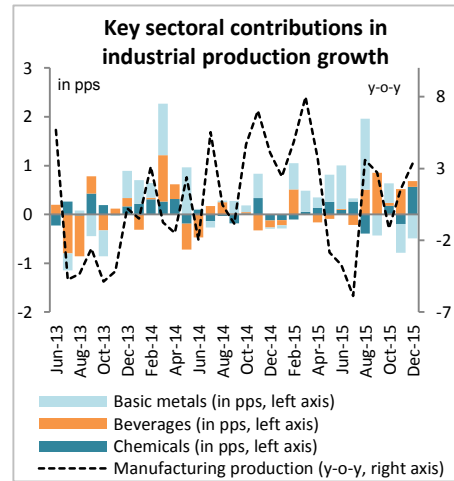
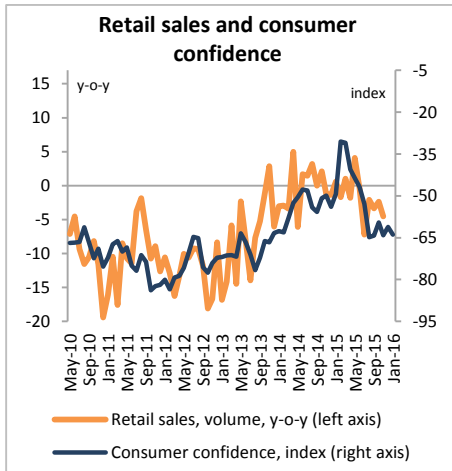


...economic sentiment approaches stabilization territory



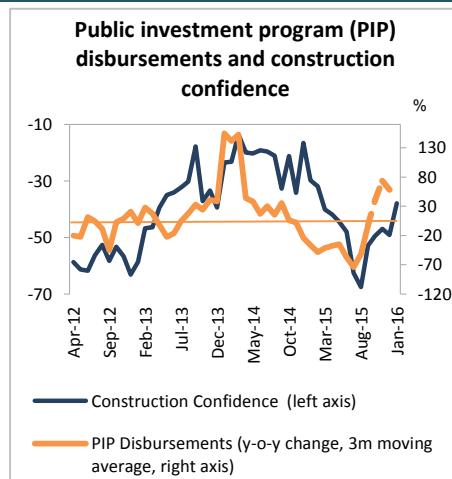
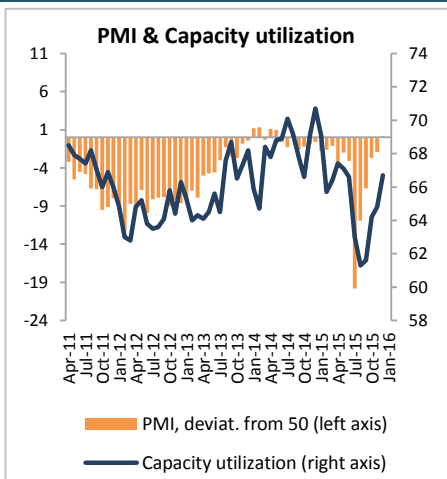
Retail sales volumes (excl. fuels) declined by -2.0% y-o-y in October-November (from -2.7% y-o-y in Q3), supported by increasing sales of food-beverages and clothing-footwear, of +1.0% y-o-y and +6.0% y-o-y, respectively

Manufacturing production increased in November-December (+2.4% y-o-y, on average), supported by higher production in the beverages, chemicals, food and oil-refining sectors



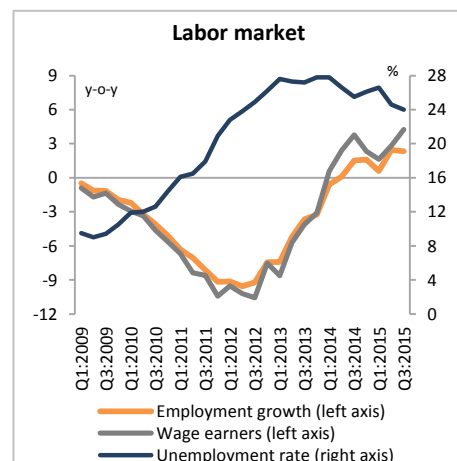
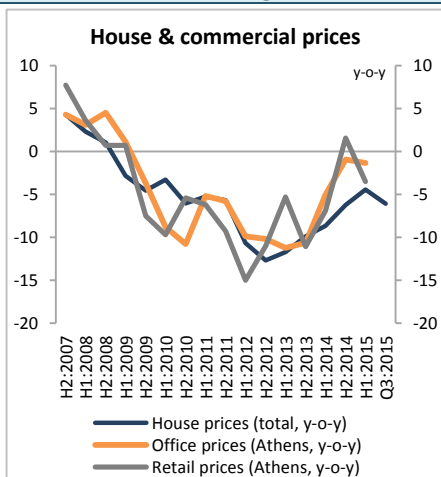
Manufacturing PMI crossed the 50 threshold in December, for the first time in 16 months, and capacity utilization recovered in Q4:2015 -- driven by export-oriented sectors -- indicating a sustainable improvement in industrial activity

Construction activity shows signs of recovery, supported by an acceleration in public investment activity (increase in PIP disbursement of +43.7% y-o-y in Q4:2015)

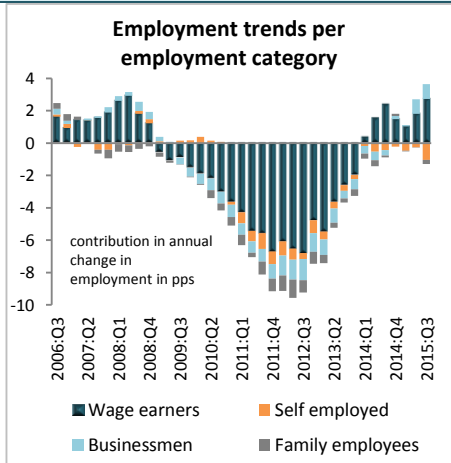


Downside pressures on house prices increased in Q3:2015 (-6.1% y-o-y vs -5.0% in Q2:2015), as did the fall in commercial real estate prices (-4.7% in H1:2015), as tax and liquidity factors amplify pressures from the still high supply overhang

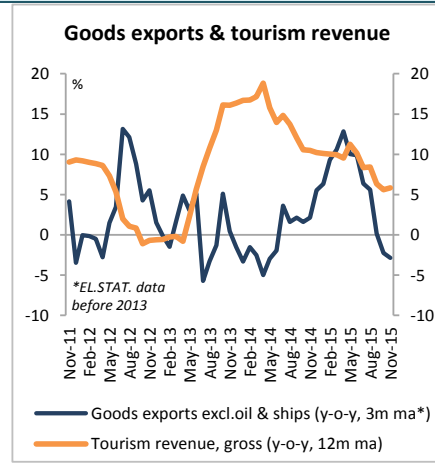
Employment showed remarkable resilience, reflecting the cost adjustments achieved during the past several years, expanding by 2.1% y-o-y in Q3:2015 and +2.4% y-o-y in October and the unemployment rate declined to a 3-year low of 24.5% in October



The improved flexibility of the labor market and secondary effects of tourism supported employment in key sectors such as retail-wholesale trade and manufacturing (+7.3% y-o-y and +9.9% y-o-y, respectively, in Q3:2015), with wage earners accounting for nearly 100% of new jobs



Healthy growth in tourism revenue (+5.9% y-o-y in 11M:2015), combined with declining imports (-14.3% y-o-y in 11M:2015), pave the way for a balanced position in the current account ...

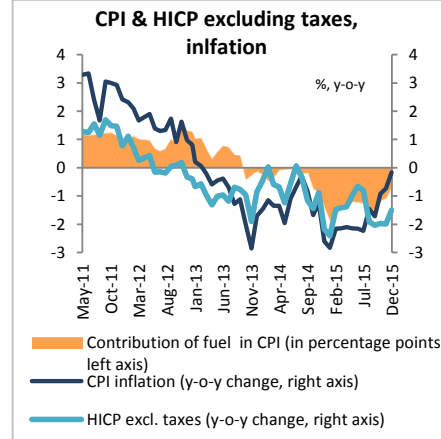


...despite the sharp drop in export revenue from non-tourism services (-47% y-o-y) and the further shrinkage in production factor income from abroad and lower EU transfers

The pace of deflation slowed considerably in Q4:2015 (decline in headline inflation of -0.6% y-o-y from -2.1%, in 9M:2015), and core inflation entered positive territory in Q4:2015 (+0.3% y-o-y) for the first time in three years, mainly due to the inflationary impact of the VAT rate increase since July 20th 2015 (+1.9 y-o-y in Q4:2015)

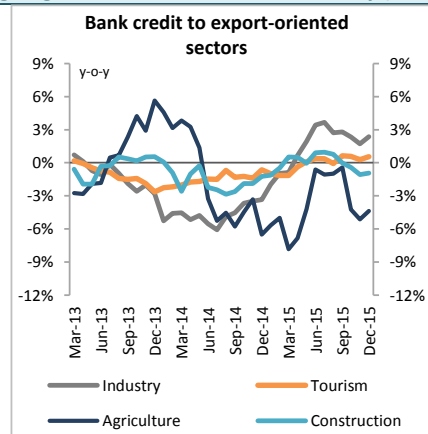
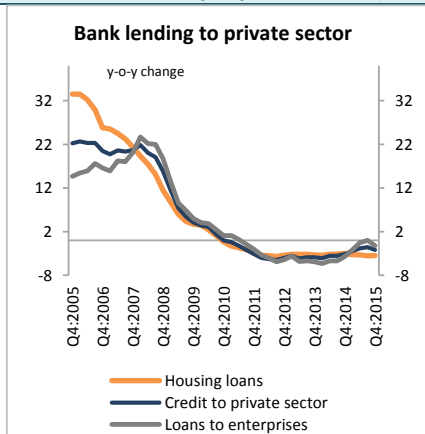
Balance of Payments (as % GDP)									
	2014	2015	2014			2015			
			Q2	Q3	Q4	Q1	Q2	Q3	11M:2015
Current Account	-2,1	0,0	-1,0	2,1	-2,2	-1,9	-0,2	3,2	0,6
Non-oil Trade Balance	-9,0	-7,6	-2,5	-2,1	-2,3	-2,2	-2,1	-1,3	-6,9
Non-oil Exports	10,0	10,4	2,6	2,5	2,7	2,5	2,8	2,5	9,5
Non-oil Imports	19,0	18,0	5,1	4,6	4,9	4,7	4,9	3,8	16,5
Oil Balance	-3,5	-2,4	-0,7	-1,1	-1,0	-0,7	-0,6	-0,6	-2,2
Services Balance	10,3	9,9	2,5	5,4	1,4	0,7	2,7	5,2	9,6
Primary Inc. Balance	0,3	0,2	-0,3	-0,1	-0,1	0,3	-0,3	-0,1	0,2
Secondary Inc. Balance	-0,2	-0,2	0,0	-0,1	-0,2	0,0	0,0	-0,1	-0,2
Capital account	1,4	1,2	0,2	0,0	0,4	0,3	0,1	0,0	1,1

Source: Bank of Greece

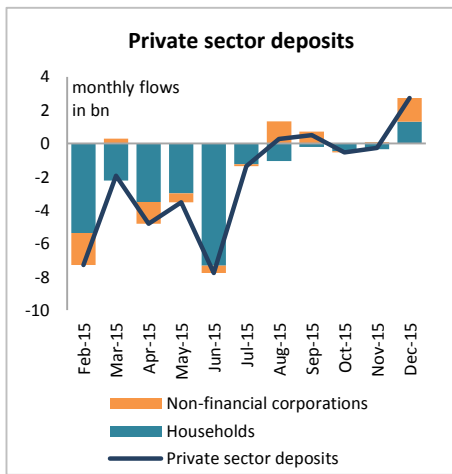


Credit to the private sector declined by 2.0% y-o-y in December, with loans to households contracting by 3.1% y-o-y (compared with a decline of total credit to private sector of 1.7% y-o-y in June 2015)

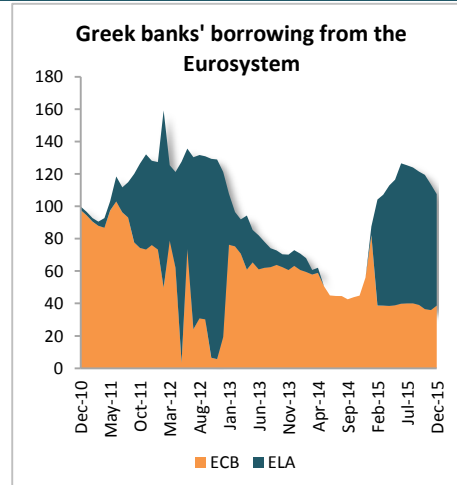
Corporate credit declined by 1.2% y-o-y in December 2015 compared with -0.7% y-o-y in June 2015, with a further contraction in lending to shipping and construction sectors outweighing the increase in loans to industry (+2.4% y-o-y)



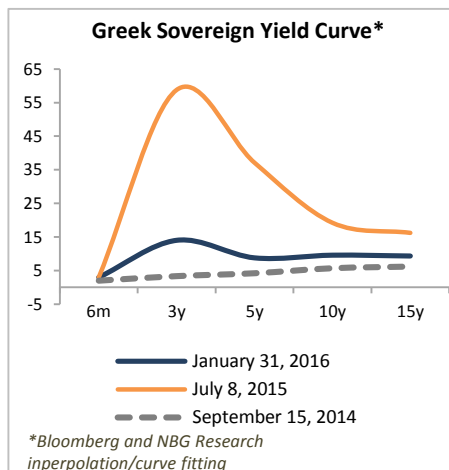
Private sector deposits increased by €2.7 bn in December, supported by a normalization in government spending and favorable seasonal factors



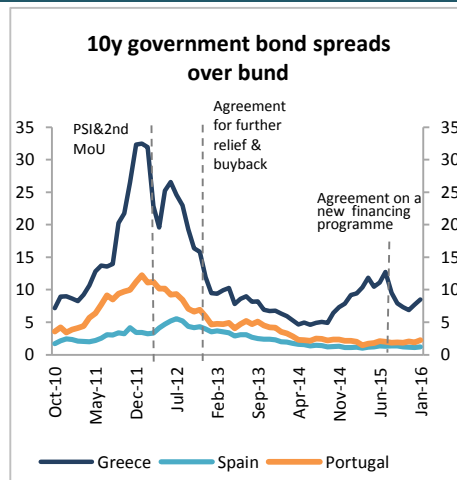
The Greek banking system's financing from the Eurosystem decreased by €5.9 bn in December, on a monthly basis, and by €19.1 bn cumulatively since June, with the ELA dependence declining by €8.6 bn in December, on a monthly basis (€17.9 bn lower than June)



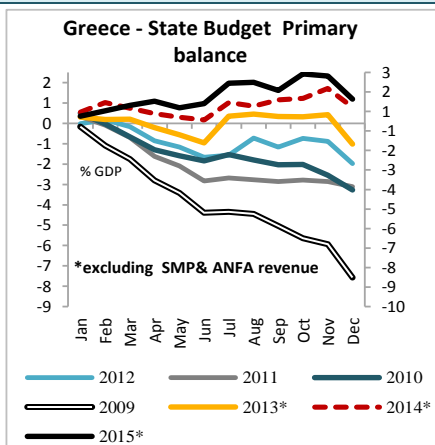
International headwinds and rumors of a delayed completion of the pending 1st programme review, pushed Greek sovereign bond yields higher in January 2016...



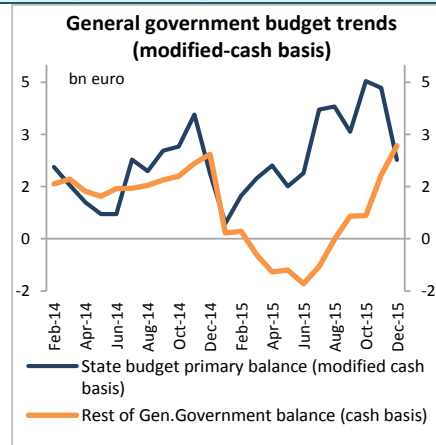
... following a steady decline between July and December 2015 (cumulative fall in 10-year GGB yields of 520 bps)



A pick-up in State budget revenue (excl. ANFA/SMP), supported by new fiscal measures and a reduction of shadow activity due to higher cashless payments...



... in conjunction with spending management (-0.4% of GDP below target), broadly offset the pressures on the financial position of other government entities and the accumulation of c. €1.6bn (0.9% of GDP) of new arrears until end-2015



**Greece: Dates to Watch****February**

3	11	12	17	18-19	26
ECB Governing Council: non-monetary policy meeting	Eurogroup meeting	ECOFIN finance ministers' meeting/EL.STAT. release: Quarterly National Accounts (Q4:2015)	ECB Governing Council: non-monetary policy meeting	European Council meeting	Moody's credit rating review for Greece

March

4	7	8	10	11	16	17-18	31
EL.STAT. release: Annual National Accounts (2015)	Eurogroup meeting /€280mn IMF repayment due	ECOFIN finance ministers' meeting	ECB Governing Council: monetary policy meeting	Fitch's credit rating review for Greece	ECB Gov.Council: non-monetary policy meeting/€530mn IMF repayment	European Council meeting	Ending of the 2 nd MoU with IMF

April

6	13	15-17	18	21
ECB Governing Council: non-monetary policy meeting	€430mn IMF repayment due	IMF Spring Meeting & World Bank meetings	EL.STAT. release: General government deficit and debt 2015	ECB Governing Council: monetary policy meeting

May

4	13	17	18	25
ECB Governing Council: non-monetary policy meeting	EL.STAT. release: Quarterly National Accounts (Q1:2016)	Eurogroup meeting	ECB Governing Council: non-monetary policy meeting	ECOFIN finance ministers' meeting

June

2	7	16/17	22	23-24	24
ECB Governing Council meeting	€280mn IMF repayment due	Eurogroup meeting/ECOFIN finance ministers' meeting	ECB Governing Council: non-monetary policy meeting	European Council meeting	Moody's credit rating review for Greece



Greek Economy: Selected Indicators													
	2014					2015						2016f	
	Q1	Q2	Q3	Q4	year aver.	Q1	Q2	Q3	Q4	year aver.	Most recent		
Real sector (y-o-y period average, constant prices)													
GDP	0,4	0,2	1,2	1,0	0,7	0,4	0,9	-1,1	-1,5	-0,3	Q3:15	-1,1	-0,2
Domestic demand	-1,0	1,8	0,4	2,8	1,0	2,3	-0,6	-4,0	-2,9	-1,3	Q3:15	-4,0	0,3
Final Consumption	0,9	0,3	-0,5	-0,7	0,0	0,3	1,2	0,1	-1,1	0,2	Q3:15	0,1	-0,5
Gross fixed capital formation	-8,9	-8,0	2,0	4,8	-2,6	10,1	-0,5	-12,9	-15,6	-5,2	Q3:15	-12,9	6,0
Exports of goods and services	5,1	4,7	9,4	10,3	7,4	3,2	1,4	-11,4	-8,0	-3,9	Q3:15	-11,4	2,2
Imports of goods and services	-0,2	9,7	6,0	16,2	7,8	9,3	-3,5	-19,9	-11,7	-6,7	Q3:15	-19,9	4,0
Coincident and leading indicators (period average)													
Retail sales volume (y-o-y)	-3,1	0,1	1,6	-0,3	-0,4	0,0	0,6	-4,2	...	...	Nov	-4,5	...
Retail confidence (15-yr. average: -1,5)	-10,0	-4,9	3,0	6,7	-1,3	-3,0	-1,3	-25,6	-11,1	-10,3	Jan	-3,4	...
Car registrations (y-o-y)	21,3	36,0	31,5	30,9	30,1	19,2	33,2	-2,2	2,1	13,8	Dec	9,0	...
Consumer confidence (15-yr. average: -43,4)	-61,3	-50,3	-52,7	-51,6	-54,0	-37,0	-43,6	-60,6	-61,6	-50,7	Jan	-63,9	...
Industrial production (y-o-y)	-2,1	-2,8	-2,9	0,1	-1,9	1,9	-2,9	1,6	1,7	0,6	Dec	5,2	...
Manufacturing production (y-o-y)	0,6	-0,4	1,8	5,3	1,8	5,2	-1,0	-0,2	1,2	1,2	Dec	3,3	...
Capacity Utilization (15-yr. average: 72,8)	66,3	68,5	69,0	68,8	68,2	67,1	67,0	62,0	65,2	65,3	Dec	66,7	...
Industrial confidence (15-yr. average: -6,1)	-7,5	-4,2	-1,2	-0,8	-3,4	-9,1	-14,0	-26,6	-16,6	-16,6	Jan	-10,1	...
PMI Manufacturing (base=50)	50,7	50,5	49,1	49,1	49,9	48,5	47,1	37,5	48,5	45,4	Dec	50,2	...
Construction permits (y-o-y)	-17,0	17,4	-11,2	-15,6	-6,6	29,2	-5,6	-22,4	...	...	Oct	-38,2	...
Construction confidence (15-yr. average: -21,9)	-20,0	-19,8	-24,5	-24,0	-22,1	-33,9	-44,8	-60,9	-48,5	-47,0	Jan	-37,9	...
PIP Disbursements (y-o-y)	91,7	11,7	29,3	-24,2	-0,9	-40,9	-57,6	-21,0	43,9	-2,8	Dec	32,6	...
Stock of finished goods (15-yr. average: 12,2)	6,7	3,2	4,4	6,4	5,2	13,0	15,0	17,4	15,3	15,2	Jan	13,4	...
External sector (period average)													
Current account balance (% of GDP)	-1,1	-1,0	2,1	-2,2	-2,1	-1,9	-0,2	3,2	...	0,0 est.	Q3:15	3,2	0,5
Current account balance (EUR mn)	-1985	-1739	3777	-3821	-3767	-3214	-388	5559	...	...	Q3:15	5559	...
Services balance, net (EUR mn)	1625	4462	9628	2558	18273	1297	4757	9062	...	...	Q3:15	9062	...
Primary Income Balance, net (EUR mn)	1416	-475	-186	-182	574	557	-494	-104	...	...	Q3:15	-104	...
Merchandise exports-- non-oil (y-o-y cum.)	-3,0	-1,3	0,2	1,9	1,9	10,0	5,2	-2,2	...	...	Q3:15	-2,2	...
Merchandise imports-- non-oil (y-o-y cum.)	2,7	8,9	7,8	7,9	7,9	4,6	-7,1	-19,6	...	...	Q3:15	-19,6	...
Employment													
Unemployment rate	27,1	26,9	26,2	26,0	26,6	25,9	25,0	24,8	...	...	Oct	24,5	25,2
Employment growth (y-o-y)	-0,8	0,2	1,4	1,5	0,6	0,8	2,2	1,8	...	...	Oct	2,4	1,2
Prices (y-o-y period average)													
Headline inflation	-1,3	-1,5	-0,6	-1,8	-1,3	-2,4	-2,1	-1,8	-0,6	-1,7	Dec	-0,2	-0,2
Core inflation	-1,0	-1,2	-0,1	-0,7	-0,8	-0,7	-0,9	-0,5	0,3	-0,5	Dec	0,4	0,5
Producer prices excl.energy	-0,7	-0,7	-0,6	-0,1	-0,5	-0,1	0,2	0,2	...	...	Nov	-0,2	...
Fiscal policy													
Gov. deficit/GDP (excl banking system support&SMP/ANFA revenue)	...	...	...	...	-3,7	...	...	...	...	...	...	...	-3,3
Government debt/GDP	...	...	...	...	178,6	...	...	...	...	...	...	...	185,0
Revenues--Ordinary budget (cum. % change)	4,7	3,9	1,0	-3,5	-3,5	-1,8	-5,7	-6,7	-0,8	-0,8	Dec	-0,8	...
Expenditure--Ordinary budget (cum. % change)	-7,3	-8,2	-7,0	-6,4	-6,4	-2,2	-6,7	-5,3	0,2	0,2	Dec	0,2	...
Monetary sector (y-o-y, end of period)													
Total deposits	-3,4	1,0	0,3	-2,0	-2,0	-14,4	-26,8	-27,1	-24,9	-24,9	Dec	-24,9	...
Loans to private sector (incl. sec. & bond loans)	-4,1	-3,5	-3,5	-3,1	-3,1	-2,5	-1,7	-1,5	-2,0	-2,0	Dec	-2,0	...
Mortgage loans (including securitized loans)	-3,4	-3,2	-3,1	-3,0	-3,0	-3,3	-3,4	-3,5	-3,5	-3,5	Dec	-3,5	...
Consumer credit (including securitized loans)	-3,4	-2,7	-2,5	-2,8	-2,8	-2,5	-2,3	-2,8	-2,3	-2,3	Dec	-2,3	...
Interest rates (period average)													
10-year government bond yield	7,5	6,2	6,0	8,0	6,9	10,0	11,6	10,8	7,9	10,1	Dec	8,3	...
Spread between 10 year and bunds (bps)	586	473	493	719	568	967	1112	1011	730	955	Dec	769	...
Exchange rates (period average)													
USD/euro	1,37	1,37	1,33	1,25	1,33	1,13	1,11	1,11	1,10	1,11	Dec	1,09	...

Sources: BoG, NSSG, MoF, ASE, NBG, Bloomberg



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