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OF GREECE

GREECE Macro Flash

GDP Q3:2017

Greece's recovery on track, boosted by business activity and tourism

Overview of latest macroeconomic trends in pages 5-13

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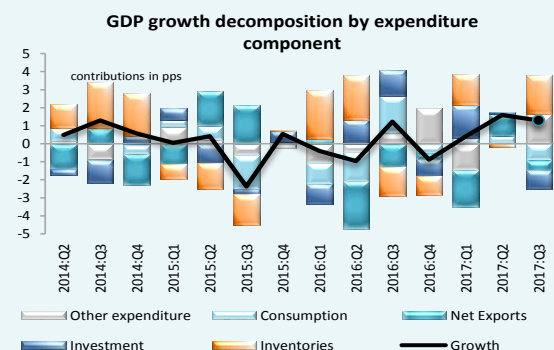
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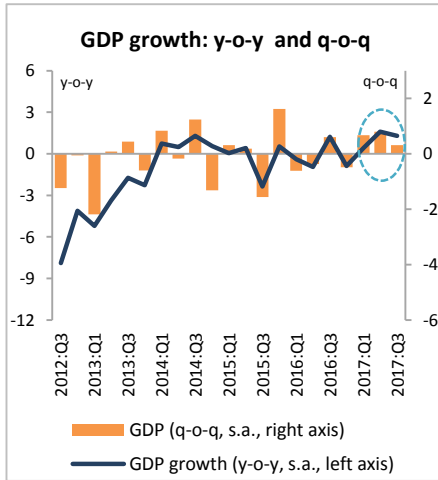
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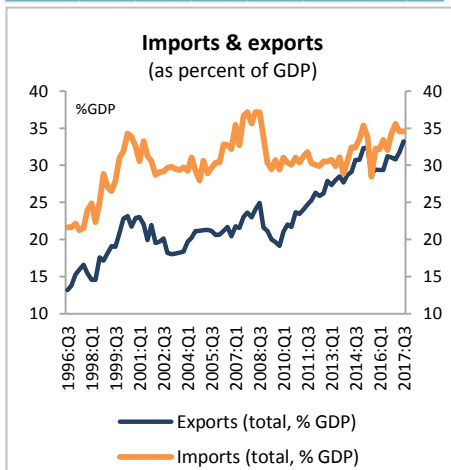
- Greece's recovery continues, with GDP increasing by 1.3% y-o-y in Q3:2017 (+0.3% on a seasonally-adjusted quarterly basis), for a third consecutive quarter of positive growth. It is the first time in 11 years that economic activity has increased three quarters in a row (on a s.a. q-o-q basis).
- According to NBG analysis, Q3:2017 trends can be explained by strong business activity and an inventory replenishment by Greek businesses in view of the higher-than-initially-expected demand in the first semester and strong orders for H2:2017.
- Supporting the sustainability of business activity, corporate profitability – approximated by the gross operating surplus and mixed income – appears to be recovering strongly, as it posted its first 9-month period of positive growth since 2008 (1.3% y-o-y in 9M:2017). Moreover, investment in equipment – a critical measure of private sector business prospects – grew by a healthy 17.4% y-o-y in 9M:2017.
- Exports of goods and services recorded a healthy expansion of 7.8% y-o-y in Q3:2017, receiving considerable support from strong tourism activity and accelerating GDP growth in the euro area.
- In Q3:2017, the decline in fixed investment (-8.5% y-o-y) mainly reflects a sharp weakening in non-residential construction (-21% y-o-y), related to slow implementation of the public investment program (1.1% of GDP, annualized basis, lower in Q3:2017 than in Q3:2016).
- Strong import growth of 9.3% y-o-y in Q3:2017 – which subtracted 3 pps from GDP growth – has been almost exclusively driven by imports of production inputs and fuels and is the main counterpart to the large increase in inventories (contributing 2.2 pps to growth).
- The current momentum in activity, along with positive confidence effects in Q4:2017, are estimated to bring GDP growth in FY:2017 close to the official forecast of 1.6% y-o-y, and create a positive carry of about 0.5 pps for GDP growth in FY:2018.



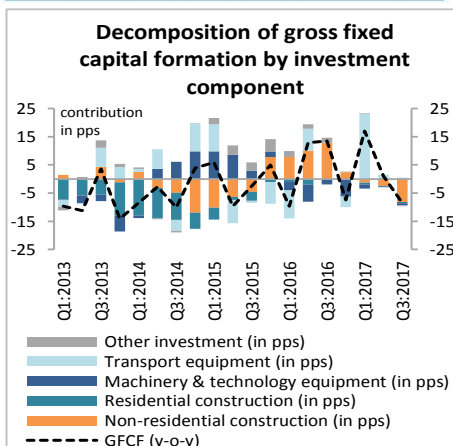
GDP increased in Q3:2017 by +0.3% on a s.a. quarterly basis, for a third consecutive quarter, for the first time in 11 years



The positive contribution of exports in GDP has been overshadowed by higher imports



The decline in fixed investment reflects a sharp weakening in non-residential investment, due to slow implementation of the public investment program



Greece's recovery on track, boosted by business activity and tourism

Greece's recovery continues, with GDP increasing by 1.3% y-o-y in Q3:2017 (+0.3% on a seasonally-adjusted quarterly basis), for a third consecutive quarter of positive growth. It is the first time in 11 years that economic activity has increased three quarters in a row (on a s.a. quarterly basis). Private consumption was stable on an annual basis in Q3:2017 (0.0% y-o-y), while fixed capital formation contracted by 8.5% y-o-y. Inventories were the main driver of GDP growth in Q3:2017, recording an outstanding 2.2 pp contribution to annual GDP growth in this period. Despite being the quarter for tourism, net exports subtracted 0.6 pps from GDP growth in Q3:2017, as the annual growth in imports of goods and services outpaced that of exports (+9.3% y-o-y and +7.8% y-o-y, respectively, in constant price terms, and 5.6% y-o-y and 4.8% y-o-y, respectively, excluding fuels).

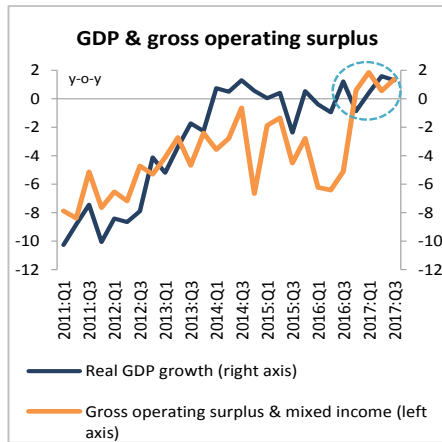
However, according to NBG's analysis, a classic reading of the GDP results (as above) – which at first glance appear disappointing, especially as regards fixed investment and (net) exports – is misleading. The analysis that follows indicates that the economy continues to build momentum arising from the healthy components of exports and business activity.

Adding to the positive outlook, Q2:2017 GDP growth was revised up significantly, to 1.6% y-o-y from 0.8% y-o-y previously, due to an upward revision in private consumption growth from 0.7% y-o-y to 1.0% y-o-y and in gross fixed capital formation from -4.6% y-o-y to +1.0% y-o-y, leading average GDP growth in 9M:2017 to 1.1% y-o-y.

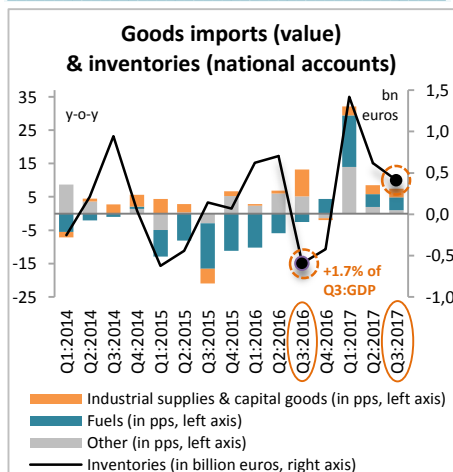
Taking the revised Q2:2017 and Q3:2017 outcomes, as well as favorable prospects for GDP growth for Q4:2017, as indicated by the solid improvement in a broad range of coincident indicators of economic activity (see concluding paragraph and Table 1 on page 6), average annual GDP growth for FY:2017 should be close to the official projection of 1.6% y-o-y (Greek Government Budget for 2018 and EU Commission Autumn forecasts).

The observed weakening in private consumption in Q3:2017 (0.0% y-o-y and -0.3% s.a. q-o-q versus +1.0% y-o-y in Q2:2017 and +0.9% y-o-y in Q1:2017) largely reflects elevated fiscal pressure in this quarter (higher taxes and social security contributions are estimated at +0.2% of GDP, annualized basis, higher in Q3:2017 compared with Q3:2016). This offset the supportive impact of higher consumer confidence and employment (+2.6% y-o-y on average in Q3:2017), which should continue to improve going forward.

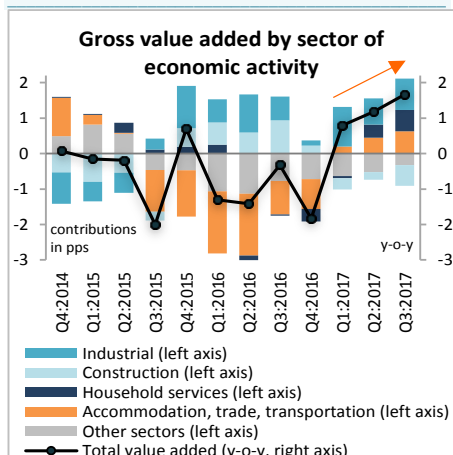
Gross operating surplus and mixed income created by the corporate sector are experiencing their first expansion since 2008, reflecting a pick-up in profitability



Strong business activity encouraged inventory stockpiling



Value added growth reached a 10-year high of 1.7% y-o-y in Q3:2017, buoyed by strong growth in the manufacturing, accommodation, transportation, retail and household services sectors



The decline in fixed investment (-8.5% y-o-y in Q3:2017) mainly reflects a sharp weakening in non-residential construction (-21% y-o-y in Q3:2017), mostly related to slow implementation of the public investment program (1.1% of GDP, annualized basis, lower in Q3:2017 than in Q3:2016 and 0.7% of GDP lower, annualized basis, in 9M:2017 than in 9M:2016).

More importantly, investment in equipment – a critical measure of private sector business prospects – has been broadly stable, on an annual basis, in Q3:2017, following a strong expansion of 26.1% y-o-y in H1:2017. Overall, investment in equipment grew by a healthy 17.4% y-o-y in 9M:2017.

Indeed, data from the income decomposition of GDP confirms the pivotal role of corporate activity in the growth performance in Q3:2017. Gross operating surplus and mixed income created by the corporate sector – a good proxy for their profitability – increased by 1.4% y-o-y, following an increase of 0.6% y-o-y in Q2:2017 and 1.9% y-o-y in Q1:2017, which correspond to the first 9-month period of expansion since 9M:2008.

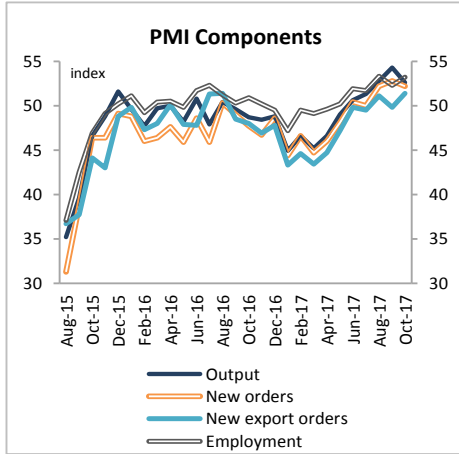
The prospective acceleration in public investment in Q4:2017 (an estimated increase in public investment program disbursements of 3% of projected GDP in Q4:2017, annualized basis), along with the increasing level of capacity utilization – which in Q3:2017 exceeded the long-term average in specific, more competitive, industrial subsectors – presage an increase in investment by end-2017 and during the course of 2018.

Importantly, GDP figures from the production side confirm the strong rebound in business activity, which brought annual value added growth to a 10-year high of 1.7% y-o-y in Q3:2017 (from 1% y-o-y in H1:2017 and -1.2% y-o-y in FY:2016), on the back of strong expansion in the manufacturing, accommodation, transportation, retail trade and household services sectors.

The acceleration in business activity was accompanied by an increase in intermediate consumption of productive inputs – mostly imported by manufacturing firms, wholesalers and retailers. Not surprisingly, import growth in Q3:2017 of 9.3% y-o-y (in constant price terms), which subtracted 3 pps from GDP growth, has been almost exclusively driven by imports of production inputs and fuels (see graph).

Indeed, inventories appear to be the main driver of GDP growth in Q3:2017, adding an extraordinary 2.2 pps to growth in this period and making an interpretation of growth drivers more difficult. However, in NBG Economic Analysis' view, they mainly reflect the high level of imports in line with the higher-than-initially-expected

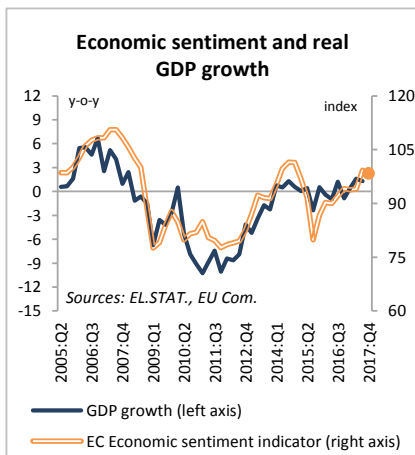
The inventory accumulation has also been prompted by a strengthening in export demand in Q3:2017, which led to increasing orders and production expectations for H2:2017



demand in the first semester, which encouraged a preemptive stockpiling by Greek businesses. The inventory accumulation has also been prompted by a strengthening in export demand in Q3:2017, which led to increasing orders and production expectations for Q4:2017.

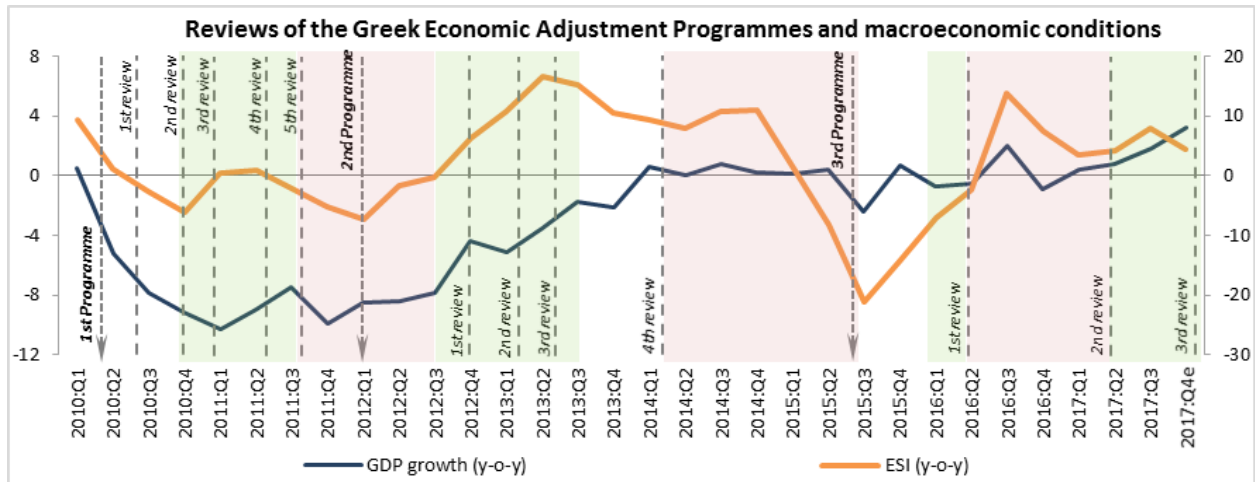
Higher inventories are expected to support a further strengthening in production in Q4:2017, as indicated by the continuing increase in manufacturing PMI, which has entered into expansion territory since August 2017, with its major components (orders, employment and production expectations) increasing to multi-year highs during September-November 2017.

Forward-looking indicators suggest an acceleration in GDP growth to above 2.0% y-o-y in Q4:2017



Looking forward, NBG Economic Analysis' "high frequency indicator" of economic activity, incorporating the latest information from monthly macroeconomic data releases for Q4:2017, suggests an acceleration in GDP growth to above 2.0% y-o-y in Q4:2017. This projection mainly reflects the sustainable improvement in economic sentiment and manufacturing PMI indices, which have stabilized close to 30-month and 9-year highs, respectively, in October-November 2017. In addition, indirect effects from tourism will remain significant and supportive base effects will come into play in Q4:2017. The above factors are estimated to bring GDP growth in FY:2017 close to the official forecast of 1.6% y-o-y and create a positive carry of about 0.5 pps for average GDP growth in 2018.

The prospective timely conclusion of the 3rd review of the economic support programme in early 2018, following the staff level agreement reached in early December 2017, which brings the country near a successful completion of the 3rd programme, will also boost the recovery momentum in 2018, as it appears that there is a close relation between the progress in programme implementation, the level of uncertainty and the macroeconomic performance (see graph below).





GREECE

Macro View - Economic Outlook | December 2017

Greece's recovery on track, boosted by business activity and tourism – economy's value added growth at a 10-year high in Q3:2017



Table 1 - Greece: Tracking the economy's cyclical position

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
PMI (index level)	30,2	39,1	43,3	47,3	48,1	50,2	50	48,4	49	49,7	48,4	50,4	48,7	50,4	49,2	48,6	48,3	49,3	46,6	47,7	46,7	48,2	49,6	50,5	50,5	52,2	52,8	52,1	52,2
Industrial confidence (index level)	-26,4	-30,2	-23,3	-19,6	-16,6	-13,6	-10,1	-10,2	-7,8	-7,8	-11,6	-9,1	-7,3	-5,1	-6,2	-4,7	-7,8	-5,7	-5	-5,1	-6,7	-5,6	-10,4	-7,3	-2,7	-3,7	-0,7	-4,7	-3,9
Manufacturing production (yoy)	-7,0	3,7	2,7	-1,0	2,2	5,3	5,0	1,1	-1,7	7,2	7,2	8,9	10,8	3,2	1,9	7,3	1,3	-1,8	0,9	6,4	10,2	-0,3	5,3	3,0	1,8	2,9	2,3	-0,3	
Industrial production (yoy)	-2,5	4,2	3,0	-1,7	2,6	6,9	4,1	-2,9	-3,6	3,7	3,5	8,1	5,5	0,5	-0,2	6,9	2,1	2,5	7,1	11,0	10,1	0,8	6,3	1,8	2,1	5,5	3,2	0,5	
Services confidence (index level)	-27,6	-42,8	-15,1	-14,3	-15,4	-16,6	-5,3	-23,1	-17,3	-13	-11,4	-17,5	-8,3	-4	-6,9	1,3	3,5	-3,1	-3,2	1,9	6,6	8,9	11,5	9	17,4	22,9	15,3	14,4	13,6
Consumer confidence (index level)	-52,9	-64,8	-64,2	-59,6	-64,1	-61,1	-63,9	-66,8	-71,9	-73,7	-71,9	-68	-69,2	-70,1	-65,9	-63,6	-66,9	-64,4	-67,8	-73,3	-74,4	-72,2	-69,7	-68,8	-61,5	-57	-53,7	-54	-53,8
Retail confidence (index level)	-25,9	-31,0	-20,0	-15,3	-12,8	-5,3	-3,4	3,2	3,0	5,6	5,1	4,7	8,2	9,3	15,0	10,7	10,9	9,8	12,9	1,9	2,7	3,0	1,5	-3,4	-1,3	-3,6	0,0	2,0	2,3
Retail trade volume (yoy)	-7,2	-2,1	-3,3	-2,4	-4,4	0,2	-1,7	-6,8	-1,2	-2,0	-6,3	-3,6	9,5	-2,1	2,4	2,6	4,0	-1,0	-0,1	9,9	-1,2	2,1	0,3	3,7	2,5	0,8	-0,8		
Construction Permits (yoy)	-25,2	-28,5	-13,1	-38,2	-4,5	67,3	-5,2	8,3	-34,7	-27,3	-39,8	-26,1	38,3	64,4	18,3	5,7	9,4	-25,9	-14,1	-0,1	71,0	22,1	52,7	25,1	10,0	9,5	-4,1		
House prices (yoy, quarterly series)	-6,0	-6,0	-6,0	-5,1	-5,1	-5,1	-4,4	-4,4	-4,4	-2,5	-2,5	-2,5	-1,5	-1,5	-1,5	-1,0	-1,0	-1,0	-1,7	-1,7	-1,7	-1,2	-1,2	-1,2	-0,6	-0,6	-0,6		
Construction confidence (index level)	-62,5	-67,5	-52,8	-49,4	-47,0	-49,1	-37,9	-37,5	-35,9	-45,9	-39,0	-39,8	-55,6	-52,5	-59,5	-67,1	-53,8	-44,0	-45,3	-59,7	-49,8	-53,5	-67,4	-55,6	-39,7	-49,2	-36,9	-44,7	-59,3
Employment (y-o-y)	1,8	2,3	2,2	2,7	2,7	3,1	2,7	3,1	3,3	2,9	2,1	2,1	2,3	1,8	1,9	1,0	0,7	0,0	0,9	1,4	2,0	2,2	2,6	2,5	2,2	2,7	2,9		
Interest rate on new private sector loans (CPI deflated)	7,0	6,3	6,5	6,0	5,7	5,3	5,7	5,4	6,2	6,1	5,7	5,6	6,1	5,9	5,7	5,5	5,7	4,8	3,7	3,2	2,7	3,1	3,6	3,5	3,7	3,9	3,7	4,1	
Credit to private sector (y-o-y)	-3,3	-3,7	-3,6	-3,6	-3,7	-3,6	-5,0	-4,8	-5,1	-4,6	-3,2	-3,1	-2,6	-2,7	-2,7	-2,8	-2,5	-4,5	-4,7	-4,5	-4,7	-4,4	-4,7	-5,6	-6,1	-6,4	-6,3	-6,4	
Private sector deposits (y-o-y)	-26,9	-27,2	-27,1	-27,3	-27,3	-23,8	-18,2	-14,2	-13,1	-9,4	-6,5	0,9	2,5	3,5	2,6	4,1	4,3	3,8	3,7	3,7	4,2	3,5	3,6	3,4	3,5	3,2	3,6	3,6	
Interest rate on new time deposits (households, CPI deflated)	3,5	2,7	2,9	2,0	1,7	1,2	1,7	1,4	2,4	2,1	1,7	1,6	1,9	1,8	1,8	1,2	1,6	0,7	-0,5	-0,6	-1,1	-1,0	-0,5	-0,4	-0,4	-0,3	-0,4	-0,1	
Economic sentiment index (EU Commission, Euro area)	103,9	104	105,5	106	105,9	106,6	105	103,9	102,9	103,9	104,5	104,3	104,4	103,5	104,8	106,3	106,6	107,8	108	108	108	109,7	109,3	111,1	111,3	111,9	113,1	114,1	114,6
Exports (other (excl.oil&shipping) y-o-y 6m mov.avg)	9,4	7,8	5,0	2,2	1,3	-0,6	-1,9	-1,0	-0,6	-0,1	-0,3	-2,0	-1,4	-1,2	0,5	0,9	4,1	5,2	6,5	5,8	6,4	6,1	7,5	10,0	9,6	11,3	9,4		
Imports (other (excl.oil&shipping) y-o-y 6m mov.avg)	2	-1	-5	-6	-8	-10	-7	-4	-3	-2	-1	-1	4	7	9	8	9	10	8	4	4	5	6	6	6	8	6		
NBG Composite Index of cyclical conditions ▶▶▶▶▶	-44,0	-49,0	-29,0	-27,0	-31,0	-24,7	-24,9	-25,2	-23,5	-22,6	-22,0	-21,7	-20,3	-18,6	-19,8	-19,6	-21,3	-22,8	-19,3	-21,0	-17,3	-13,2	-10,3	-6,5	-5,2	-0,1	2,5	2,6	

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



Table 2

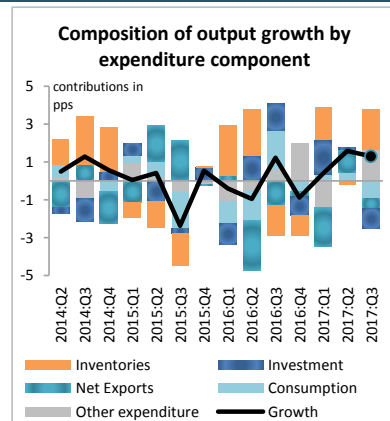
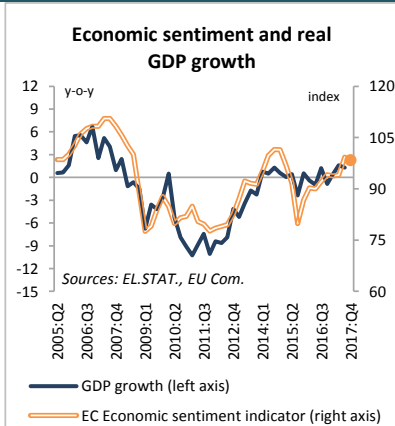
Greece: Growth Outlook

	2015	2016	2017e	2018f	2015				2016				2017e			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4f
GDP (real, % y-o-y, s.a.)	-0,3	-0,3	1,5	2,2	0,0	0,4	-2,4	0,5	-0,4	-1,0	1,2	-0,9	0,4	1,6	1,3	2,6
GDP (real, % q-o-q, s.a.)	...	...	...	...	0,3	0,2	-1,6	1,6	-0,6	-0,4	0,6	-0,5	0,7	0,8	0,3	0,8
Domestic Demand (y-o-y)	-1,0	0,7	1,6	2,4	1,2	-1,5	-4,4	0,5	-0,6	1,7	2,5	-0,5	2,4	0,4	1,8	1,7
Final Consumption (y-o-y)	-0,2	-0,4	0,1	1,3	0,5	0,9	-2,1	0,1	-1,3	-1,8	2,3	-0,6	0,4	0,5	-1,0	0,6
Private Consumption (y-o-y)	-0,5	0,1	1,0	1,8	0,9	1,7	-3,7	-1,0	-1,4	-2,1	3,7	0,2	0,9	1,0	0,0	2,0
Fixed Capital Formation (y-o-y)	-0,2	1,5	4,8	11,6	5,9	-9,6	-2,6	5,0	-9,6	12,9	13,5	-7,4	17,0	1,0	-8,5	10,9
Residential construction	-25,7	-12,4	-7,0	-0,2	-36,0	-12,2	-34,2	-16,1	-16,1	-23,5	-3,1	-2,9	-10,8	-5,2	-7,5	...
Total GFCF excluding residential	2,3	2,5	5,5	9,7	11,4	-9,3	0,6	6,5	-9,1	16,3	14,6	-7,7	19,0	1,4	-8,5	...
Inventories (contribution to GDP)	-1,0	0,6	0,9	0,0	-0,8	-1,4	-1,7	0,1	2,7	2,5	-1,6	-1,1	1,7	-0,2	2,2	-0,3
Net exports (contribution to GDP)	0,7	-1,0	-0,2	-0,3	-1,1	1,9	2,1	0,0	0,3	-2,7	-1,3	-0,3	-2,0	1,2	-0,6	0,8
Exports (y-o-y)	2,9	-1,9	7,6	6,2	12,8	11,7	-8,1	-3,8	-9,5	-10,2	9,4	4,6	5,2	9,8	7,8	7,7
Imports (y-o-y)	0,4	1,3	7,5	6,6	15,8	4,6	-14,2	-3,4	-9,5	-1,9	14,0	5,2	11,1	5,0	9,3	4,8



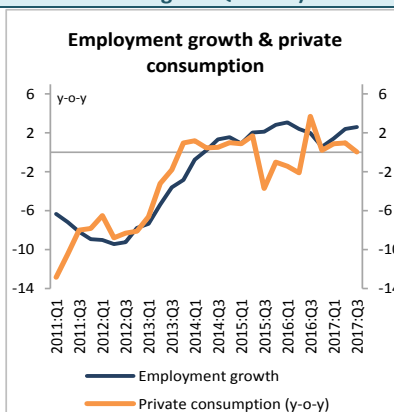
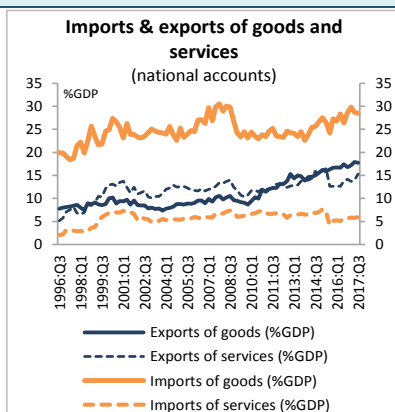
Greece's recovery continues, with GDP increasing by 1.3% y-o-y in Q3:2017 (+0.3% on a seasonally-adjusted quarterly basis) for a third consecutive quarter of positive growth. It is the first time in 11 years that the economy has increased three quarters in a row (on a quarterly basis). The economic sentiment indicator suggests an acceleration in GDP growth to above 2.0% y-o-y in Q4:2017

A strong increase in inventories – mostly related to the industrial sector – was the main driver of GDP growth in Q3:2017, recording an outstanding 2.2 pp contribution to annual GDP growth in this period. The sharp increase in goods imports (+9.2% y-o-y and subtracting 2.4 pps from GDP growth) mainly reflects business spending on production inputs and fuels and is the main counterpart to the large increase in inventories



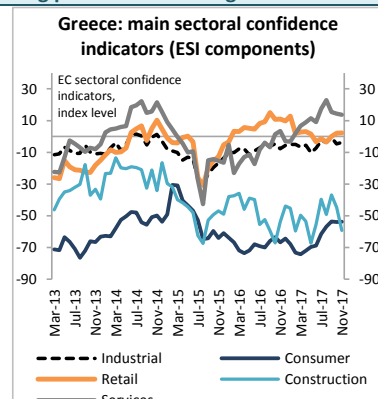
Exports of goods and services recorded a healthy expansion of 2.8% y-o-y and 12.6% y-o-y, respectively, receiving considerable support from strong tourism activity and accelerating growth in the euro area, which more than compensated for the appreciation of the euro (increase of +6.4% q-o-q in Q3:2017)

The weakening in private consumption in Q3:2017 (0.0% y-o-y and -0.3% s.a. q-o-q versus +1.0% y-o-y in Q2:2017) mainly reflected higher tax and social security obligations of households (0.2% of GDP, annualized basis, higher in Q3:2017 compared with Q3:2016), along with higher energy prices (+9.4% y-o-y in Q3:2017), which together offset the supportive impact of higher employment (+2.6% y-o-y on average in Q3:2017)

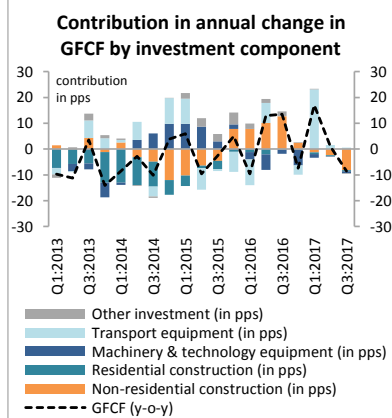


Retail sales volumes increased by 1.9% y-o-y in 9M:2017 and by 2.4% in June-August 2017, supported by buoyant tourism activity. Improving business prospects in the retail segment in October-November suggest that retailers are becoming more confident regarding domestic demand conditions in Q4:2017

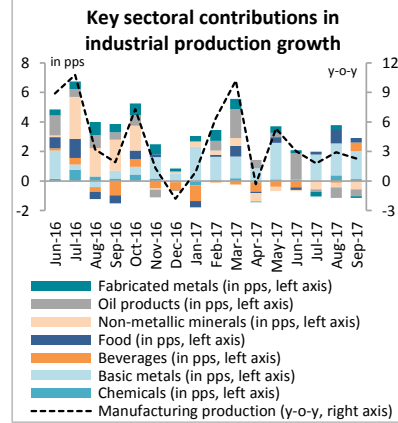
In October-November, the economic sentiment indicator (ESI) and almost all sub-categories of business surveys maintain the significant gains of Q3:2017 (ESI reached a 9-year high in September), adding to the evidence that the recovery process is gaining pace and becoming more broad-based



The decline in fixed investment of 8.5% y-o-y in Q3 was mainly due to a contraction in non-residential construction (-20.9% y-o-y) related to the shrinkage in public investment (1.1% of GDP, annualized basis, lower in Q3:2017 than in Q3:2016). However, investment in equipment has been broadly stable on an annual basis in Q3:2017, following a strong expansion of 26.1% y-o-y in H1:2017

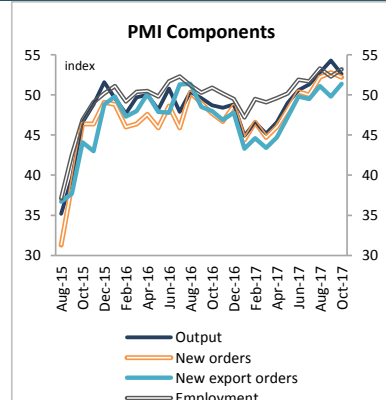
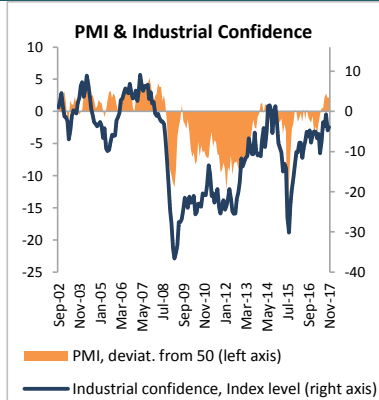


Production growth in the basic metals, pharmaceuticals, chemicals and food products sub-sectors recorded increases of 35.0%, 15.5%, 4.5% and 2.2%, y-o-y, respectively, in Q3:2017, outperforming production growth in the other manufacturing subsectors. This performance largely reflects increasing export activity, as suggested by external trade trends and survey data on manufacturing export orders



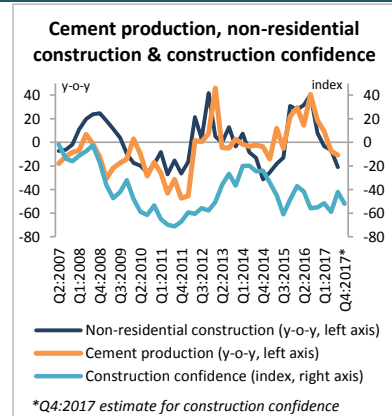
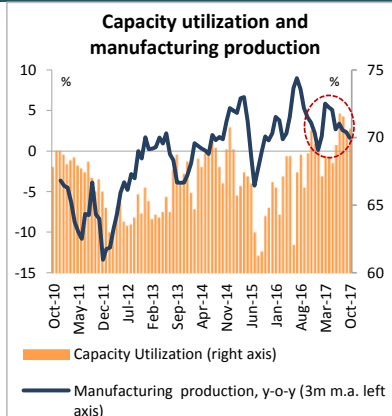
PMI stood at 52.2 in November 2017 – above the 50 stabilization threshold for a sixth consecutive month – after reaching a 9-year high of 52.8 in September 2017, boding well for a further expansion in manufacturing production in Q4:2017 and during the course of 2018

Notably, the coordinated increase in all PMI components in recent months has been underpinned by a rebound in domestic orders (to an 8-year high in September 2017) and of employment prospects (to an 18-year high in November 2017), indicating a broad-based improvement in business conditions

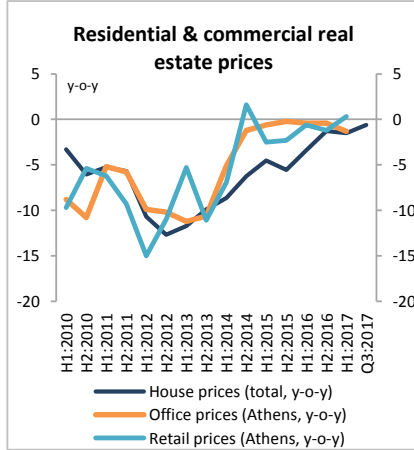


The continuing increase in manufacturing production (3.5% y-o-y in 9M:2017 and 2.3% y-o-y in Q3:2017) led capacity utilization to an 8½-year high of 71.1% in Q3:2017 and to 70.6% in October 2017. Capacity utilization now exceeds long-term average in specific, more competitive, industrial subsectors, such as basic metals and food products sectors, presaging an increase in investment by end-2017

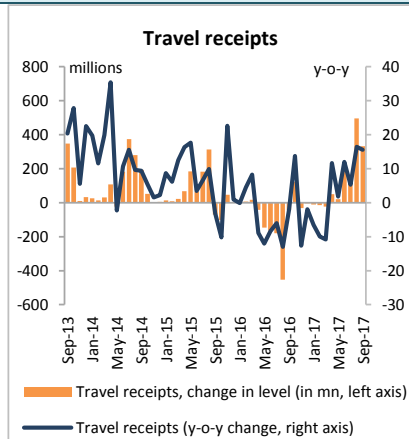
Non-residential construction shows signs of improvement, despite weaker-than-expected public investment activity in 10M:2017 (-33.8% y-o-y). In this regard, building permits issuance accelerated (16.8% y-o-y, in volume terms, in 9M:2017 and 5.7% y-o-y in Q3:2017), albeit construction confidence still remains the weakest spot in business sentiment surveys



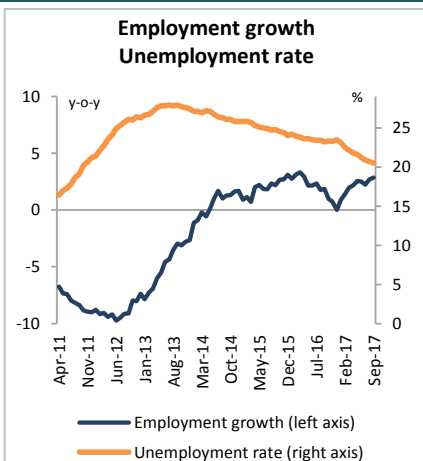
Downside pressures on house prices eased further in Q3:2017 (-0.6% y-o-y in Q3:2017 vs -1.5% y-o-y in H1:2017 and -2.4% in FY:2016), while prices of commercial properties stabilized in H1:2017, with retail space prices showing a small increase (+0.7% y-o-y) and offices a small decline of 0.7% y-o-y. High tax pressure, liquidity factors and the still high supply overhang continue to slow the recovery process



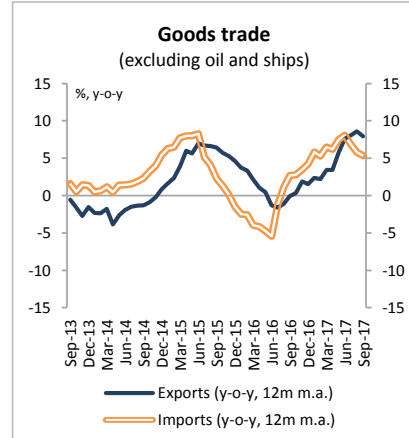
The tourism sector over-performed upbeat estimates, with revenue increasing by +10.8% y-o-y in 9M:2017 (0.7% of GDP or €1.2bn higher than in the same period in 2016), exceeding arrivals growth (+10.3% y-o-y in 9M:2017) for the first time since 2014



The improvement in labor market conditions continued at an increasing pace during 9M:2017, with employment growth reaching 2.9% y-o-y in September 2017 and the unemployment rate declining further to 20.5% in the same period – its lowest level since 2011



Non-oil exports and imports (nominal terms, balance of payments data) increased by 8.7% y-o-y and 6.6% y-o-y, respectively, in 9M:2017, leading to a widening in the non-oil trade deficit of 0.2% of GDP in 9M:2017, reconfirming the high elasticity of import demand to GDP trends and a high import content of Greece's goods exports and industrial supplies

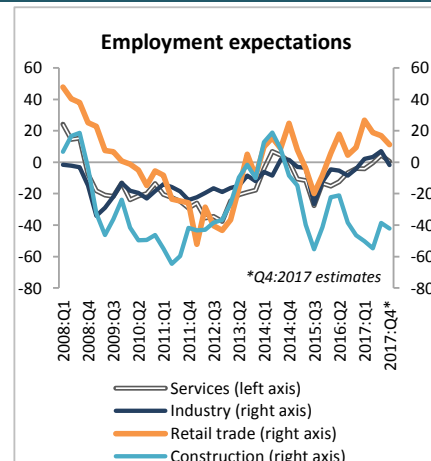


The stabilization in oil prices, along with the stronger-than-expected revenue in tourism and other services sub-sectors (mainly shipping), increase the probability of a narrowing in current account deficit to below 0.5% of GDP in FY:2017 from 1.1% in FY:2016

Balance of Payments (as % GDP)								
	2016	2017e	2016			2017		
			Q2	Q3	Q4	Q1	Q2	
Current Account	-1,1	-0,5	-0,3	2,2	-1,4	-1,6	-0,2	2,5
Non-oil Trade Balance	-7,9	-8,1	-2,1	-1,9	-1,9	-2,1	-2,0	-2,0
Non-oil Exports	10,5	11,0	2,6	2,6	2,7	2,7	2,8	2,7
Non-oil Imports	18,4	19,1	4,7	4,5	4,6	4,8	4,9	4,7
Oil Balance	-1,6	-2,0	-0,3	-0,3	-0,7	-0,7	-0,3	-0,6
Services Balance	8,8	9,9	2,2	5,0	1,3	0,6	2,4	5,5
Primary Income Balance	0,0	0,0	-0,1	-0,4	0,0	0,5	-0,1	-0,3
Secondary Income Balance	-0,3	-0,2	0,0	-0,2	-0,2	0,2	-0,2	-0,2
Capital account	0,6	0,6	0,0	0,0	0,2	0,1	0,1	0,0

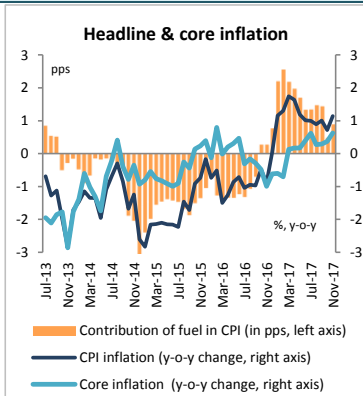
Source: Bank of Greece & NBG estimates

Employment expectations in the main sectors of the business economy in October-November 2017 presage a further improvement in employment trends in Q4:2017, despite a seasonal weakening, that typically follows a particularly strong tourism season

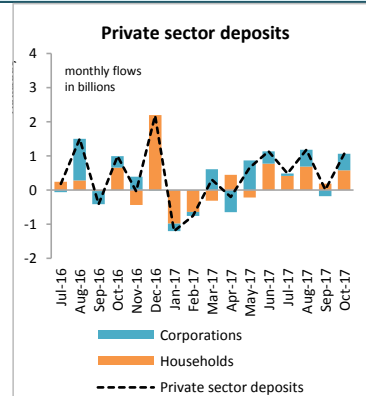




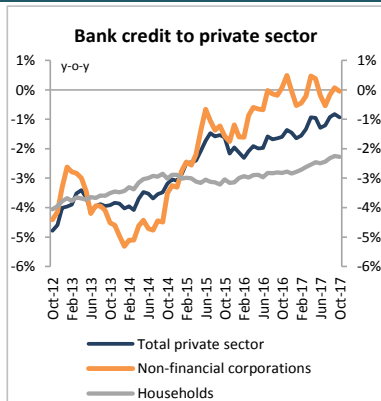
Inflation showed some signs of slowing, after an energy driven acceleration in the first months of 2017 that marked the end of a 4-year deflation period. Consumer prices increased by 1.0% y-o-y in Q3:2017 and by 0.9% y-o-y in October-November, while core inflation increased by 0.4% y-o-y and 0.5% y-o-y, respectively, in the same periods, indicating that the pricing power of Greek firms in the domestic market remains limited



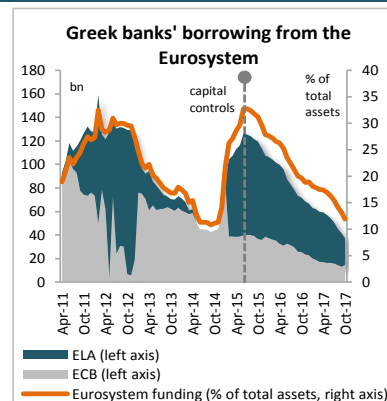
Private sector deposits increased further in October by €1.1bn (+€2.7bn cumulatively, y-t-d and €10.1bn higher from their bottom in July 2015). Corporate deposits increased €1.7bn, contributing about 64% of the y-t-d increase and €7.2bn cumulatively between July 2015 and October 2017, indicating the pivotal role of business activity in liquidity creation. The progress in the Greek Government's arrears clearance program (net payments of €1.2bn in 9M:2017) contributed to this improvement



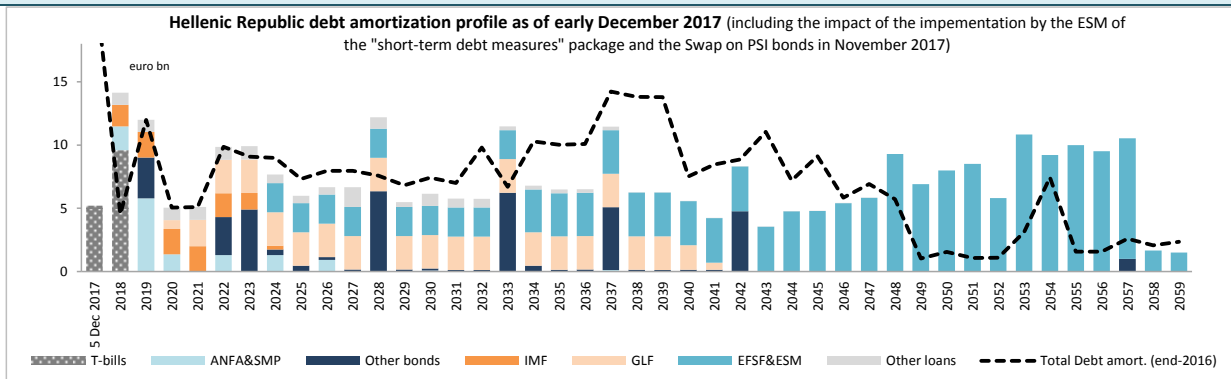
The pace of decline in credit to private sector slowed further to -0.9% y-o-y in October, compared with -1.3% y-o-y in June 2017 and -1.5% y-o-y in December 2016 on the back of a small expansion in corporate lending (0.2% y-o-y in October) whereas, loans to households declined by 2.3% y-o-y from -2.5% y-o-y in June 2017



The Greek banking system's financing from the Eurosystem decreased further to €37.3bn in October from €66.6bn in December 2016, with ELA declining by €20.9bn since December 2016 (-€64.0bn since June 2015) to €22.8bn, partly reflecting improving market access, a pick-up in deposits and sales of EFSF bonds held by Greek banks

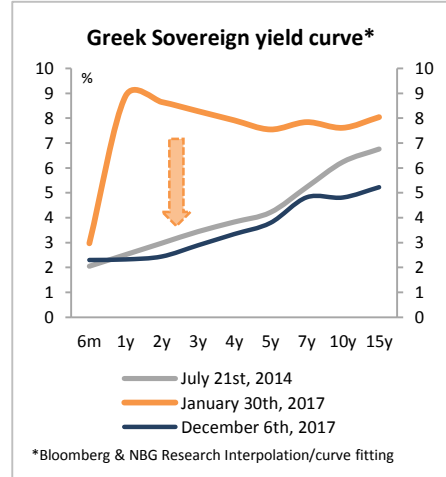
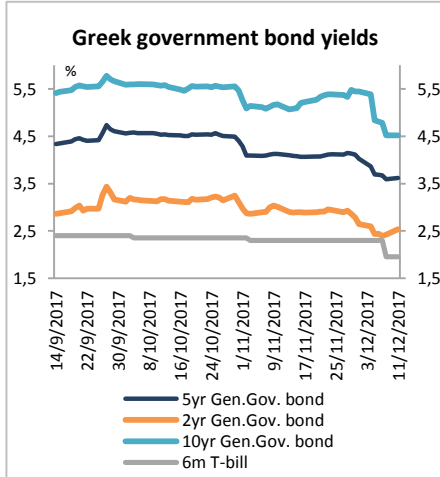


The successful implementation by the ESM of the "short-term" package of measures to reduce Greece's public debt servicing costs contributed to a further smoothening of the long-term debt redemption profile and a sustainable lowering of interest costs. The completion, by the Hellenic Republic, of a debt swap on November 29th (in which holders of 20 different PSI bonds -- corresponding to an aggregate principal of €25.5bn, i.e., a participation rate of c. 86% -- agreed to swap their PSI securities for 5 new benchmark issues, maturing between 2023 and 2042) has been accompanied by a notable decline in Greek bond yields that reflects increasing optimism regarding Greece's capacity to access the markets on a sustainable basis



Greek Government bond yields declined in early December to the lowest level since the eruption of the crisis in 2009, reflecting a boost in confidence from the swap completion and the achievement of a staff level agreement on the 3rd review of the economic support programme, on December 4, that presages a timely conclusion of this review in early 2018

The normalization in Greek government bond yields is broad-based and is expected to support the efforts of the Hellenic Republic for new issuance in 2018 and a timely building of an appropriate cash buffer before the end of the 3rd programme in August 2018



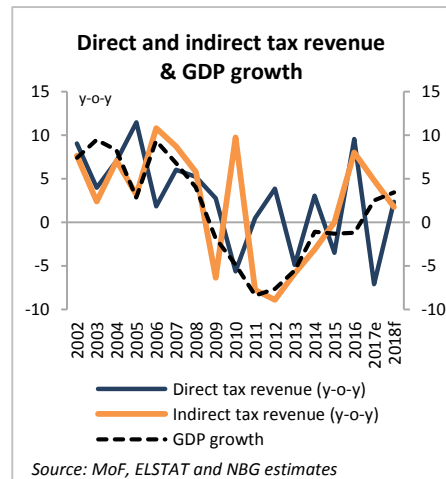
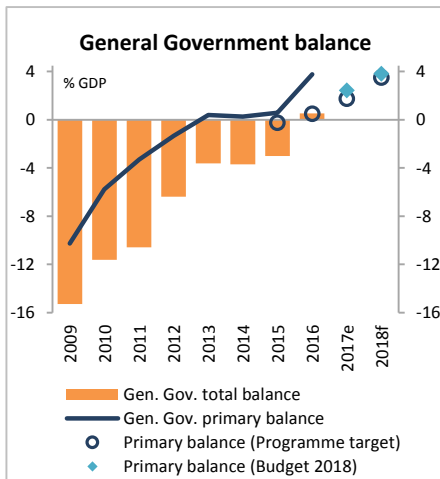
Government Budget for 2018 estimates the primary surplus for 2017 to be 2.44% of GDP against a programme target of 1.75% – overperforming annual targets for a 3rd consecutive year – and to be 3.8% of GDP for 2018.

Tax revenue is expected to increase by about 0.5% of GDP in 2018, reflecting a balanced contribution of direct and indirect tax revenue.

The adjustment in 2018 is expected to be supported by a broadly balanced contribution of the spending and revenue side (about 0.7% of GDP each).

New measures amounting to about 0.4% of GDP (including abolishment of remaining preferential tax regimes, the abolition of the 1.5% discount on withholding income tax and medical expenses), as well as new revenue from tax on short-term tourism related rentals & hotel accommodation, will support the adjustment in 2018, along with the improving fiscal conditions.

Primary spending is planned to decline by 0.7% of GDP, mainly due to lower social transfers, whereas social security funds are expected to show a net improvement in their balances of 0.4% on an annual basis in 2018.



**Greece: Dates to Watch****2017****December**

4	5	6	14	14-15
EL.STAT. release: Quarterly National Accounts (Q3:2017) / €148mn IMF repayment due / Eurogroup meeting	ECOFIN finance ministers' meeting	ECB Governing Council: non-monetary policy meeting	ECB Governing Council: monetary policy meeting	European Council meeting

2018**January**

10	Late-mid	18	22	23	25	31
ECB Governing Council: non-monetary policy meeting	Beginning of the 2018 EU-wide stress test	€274 mn IMF repayment due	Eurogroup meeting	ECOFIN meeting	ECB Governing Council: monetary policy meeting	€148mn IMF repayment due

February

First-half	7	19	20	21
IMF Board meeting on Greek Programme	ECB Governing Council: non-monetary policy meeting	Eurogroup meeting	ECOFIN meeting	ECB Governing Council: non-monetary policy meeting

March

5	7	8	12	13	19	21	22-23
EL.STAT. release: Quarterly National Accounts (Q4:2017)	EL.STAT. release: Annual National Accounts (estimates, 2017)	ECB Governing Council: monetary policy meeting	Eurogroup meeting	ECOFIN meeting	€137mn IMF repayment due	ECB Governing Council: non-monetary policy meeting	European Council meeting

April

11	20-22	23	26
ECB Governing Council: non-monetary policy meeting	IMF Spring Meeting & World Bank meetings	EL.STAT. release: General government deficit and debt 2017 – 1 st notification	ECB Governing Council: monetary policy meeting



Greek Economy: Selected Indicators																
	2015					2016					2017			Most recent	2017e	
	Q1	Q2	Q3	Q4	year aver.	Q1	Q2	Q3	Q4	year aver.	Q1	Q2	Q3			
Real economy (y-o-y period average, constant prices)																
GDP	0,0	0,4	-2,4	0,5	-0,3	-0,4	-1,0	1,2	-0,9	-0,3	0,4	1,6	1,3	Q3:17	1,3	1,5
Domestic demand	1,2	-1,5	-4,4	0,5	-1,0	-0,6	1,7	2,5	-0,5	0,7	2,4	0,4	1,8	Q3:17	1,8	1,6
Final Consumption	0,5	0,9	-2,1	0,1	-0,2	-1,3	-1,8	2,3	-0,6	-0,4	0,4	0,5	-1,0	Q3:17	-1,0	0,1
Gross fixed capital formation	5,9	-9,6	-2,6	5,0	-0,2	-9,6	12,9	13,5	-7,4	1,5	17,0	1,0	-8,5	Q3:17	-8,5	4,8
Exports of goods and services	12,8	11,7	-8,1	-3,8	2,9	-9,5	-10,2	9,4	4,6	-1,9	5,2	9,8	7,8	Q3:17	7,8	7,7
Imports of goods and services	15,8	4,6	-14,2	-3,4	0,4	-9,5	-1,9	14,0	5,2	1,3	11,1	5,0	9,3	Q3:17	9,3	7,5
Coincident and leading indicators (period average)																
Retail sales volume (y-o-y)	0,0	0,6	-4,2	-2,1	-1,5	-3,3	-4,0	3,1	1,7	-0,6	2,8	2,1	0,9	Sep	-0,8	...
Retail confidence (15-yr. average: -1,5)	-3,0	-1,3	-25,6	-11,1	-10,3	0,9	5,1	10,8	10,5	6,8	5,8	0,4	-1,6	Nov	2,3	...
Car registrations (y-o-y)	19,2	33,2	-2,2	2,1	13,8	-0,3	19,5	16,8	4,0	10,7	37,8	3,4	35,8	Sep	35,0	...
Consumer confidence (15-yr. average: -43,4)	-37,0	-43,6	-60,6	-61,6	-50,7	-67,5	-71,2	-68,4	-65,0	-68,0	-71,8	-70,2	-57,4	Nov	-53,8	...
Industrial production (y-o-y)	3,0	-2,5	1,4	2,5	1,0	-1,0	5,1	2,0	3,8	2,5	9,4	2,9	3,5	Oct	0,5	...
Manufacturing production (y-o-y)	6,7	-0,6	-0,5	2,1	1,8	1,2	7,8	5,3	2,2	4,2	6,0	2,7	2,3	Oct	-0,3	...
Capacity Utilization (15-yr. average: 72,8)	67,1	67,0	62,0	65,2	65,3	65,9	66,4	67,5	69,6	67,4	68,2	68,7	71,1	Oct	70,6	...
Industrial confidence (15-yr. average: -6,1)	-9,1	-14,0	-26,6	-16,6	-16,6	-9,4	-9,5	-6,2	-6,1	-7,8	-5,6	-7,8	-2,4	Nov	-3,9	...
PMI Manufacturing (base=50)	48,5	47,1	37,5	48,5	45,4	49,1	49,5	49,4	48,7	49,2	47,0	49,4	51,8	Nov	52,2	...
Construction permits (y-o-y)	29,2	-5,6	-22,4	5,9	-0,3	-11,9	-30,9	38,1	-9,5	-7,0	16,7	32,0	5,7	Sep	-4,1	...
Construction confidence (15-yr. average: -21,9)	-33,9	-44,8	-60,9	-48,5	-47,0	-37,1	-41,6	-55,9	-55,0	-47,4	-51,6	-58,8	-41,9	Nov	-59,3	...
PIP Disbursements (y-o-y)	-40,9	-57,6	-21,0	43,9	-2,8	7,0	18,0	35,8	-14,9	-1,8	-36,9	-24,9	-37,0	Oct	-34,5	...
Stock of finished goods (15-yr. average: 12,2)	13,0	15,0	17,4	15,3	15,2	12,5	11,1	14,9	12,2	12,7	10,7	11,8	12,7	Nov	11,3	...
External sector (period average)																
Current account balance (% of GDP)	-1,9	-0,4	3,1	-1,0	-0,2	-1,5	-0,3	2,2	-1,4	-1,1	-1,6	-0,2	2,5	Sep	40,3	-0,5
Current account balance (EUR mn)	-3295	-750	5482	-1841	-404	-2560	-608	3822	-2526	-1872	-2783	-427	4546	Sep	1213	...
Services balance, net (EUR mn)	1297	4757	9062	1816	16932	716	3776	8641	2179	15311	1006	4212	9828	Sep	2760	...
Primary Income Balance, net (EUR mn)	477	-575	-185	699	416	759	-184	-636	57	-3	951	-233	-450	Sep	-73	...
Merchandise exports-- non oil (y-o-y cum.)	10,0	7,5	4,2	1,9	1,9	-1,1	-2,5	0,1	1,4	1,4	8,5	9,5	8,7	Sep	8,7	...
Merchandise imports-- non oil (y-o-y cum.)	4,6	-1,6	-7,4	-7,8	-7,8	-3,3	-2,8	3,8	3,2	3,2	7,2	6,4	6,6	Sep	6,6	...
Gross tourism revenue (y-o-y)	10,5	9,6	4,7	-4,4	5,2	3,8	-10,7	-7,9	8,0	-6,8	-4,9	10,1	12,6	Sep	16,2	...
International tourist arrivals (y-o-y)	45,6	15,0	2,6	-2,1	7,1	-6,2	-0,2	6,5	15,9	5,1	-1,8	9,0	12,2	Sep	11,8	...
Employment																
Unemployment rate	25,7	25,1	24,8	24,3	25,0	24,0	23,6	23,3	23,3	23,6	22,6	21,6	20,7	Sep	20,5	21,8
Employment growth (y-o-y)	0,9	2,0	2,1	2,8	2,0	3,1	2,4	2,0	0,6	2,0	1,4	2,4	2,6	Sep	2,9	...
Prices (y-o-y period average)																
Headline inflation	-2,4	-2,1	-1,8	-0,6	-1,7	-0,9	-0,9	-1,0	-0,4	-0,8	1,4	1,3	1,0	Nov	1,1	1,1
Core inflation	-0,7	-0,9	-0,5	0,3	-0,5	0,2	0,3	-0,3	-0,7	-0,1	-0,4	0,2	0,4	Nov	0,6	0,2
Producer prices excl.energy	-0,1	0,2	0,2	-0,2	0,0	-0,6	-0,8	-0,9	-0,6	-0,7	0,4	0,3	0,6	Sep	0,9	...
Fiscal policy																
Gov. balance/GDP (Programme definition, according to Budget 2018)	...	...	...	...	-3,0	...	...	...	...	0,5	...	...	...	...	...	-0,8
Government debt/GDP (according to Budget 2018)	...	...	...	...	176,8	...	...	...	...	180,8	...	...	...	...	...	178,5
Revenues--Ordinary budget (cum. % change)	-1,8	-5,7	-6,7	-0,8	-0,8	4,3	6,9	9,7	7,6	7,6	0,4	-1,1	0,4	Oct	-0,1	...
Expenditure--Ordinary budget (cum. % change)	-2,2	-6,7	-5,3	0,2	0,2	-2,3	2,7	1,5	0,7	0,7	-0,8	-3,2	-4,7	Oct	-4,5	...
Monetary sector (y-o-y, end of period)																
Private deposits (adjusted for the reclassification of the Consignment Deposits and Loan Fund)	-15,1	-26,0	-26,6	-23,5	-23,5	-12,0	0,5	1,6	3,4	3,4	3,1	3,4	4,6	Oct	4,6	...
Loans to private sector (incl. sec. & bond loans)	-2,5	-1,7	-1,5	-2,0	-2,0	-2,1	-2,0	-1,6	-1,5	-1,5	-1,3	-1,3	-0,8	Oct	-0,9	...
Mortgage loans (including securitized loans)	-3,3	-3,4	-3,5	-3,5	-3,5	-3,4	-3,4	-3,4	-3,5	-3,5	-3,3	-3,2	-2,9	Oct	-2,9	...
Consumer credit (including securitized loans)	-2,5	-2,3	-2,8	-2,3	-2,3	-1,7	-1,5	-0,7	-0,8	-0,8	-0,7	-0,7	-0,5	Oct	-0,6	...
Interest rates (period average)																
10-year government bond yield	10,0	11,6	10,8	7,9	10,1	9,5	8,2	8,2	7,5	8,3	7,2	6,1	5,5	Nov	5,2	...
Spread between 10 year and bunds (bps)	967	1112	1011	730	955	919	805	823	733	820	689	577	502	Nov	487	...
Exchange rates (period average)																
USD/euro	1,13	1,11	1,11	1,10	1,11	1,1	1,13	1,12	1,08	1,11	1,07	1,1	1,18	Nov	1,17	...

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



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Note: The analysis is based on data up to December 11, 2017, unless otherwise indicated