



NATIONAL BANK
OF GREECE

GREECE Macro Flash

Labor Force Survey Q2:2017

Greek labor market recovery picks up, including an improvement in qualitative aspects of job creation

Nikos S. Magginas PhD
Head of Greece Macro Analysis
(+30210) 334 1516
e-mail: nimagi@nbg.gr

Effrosyni Alevizopoulou PhD
(+30210) 334 1620
e-mail: alevizopoulou.e@nbg.gr

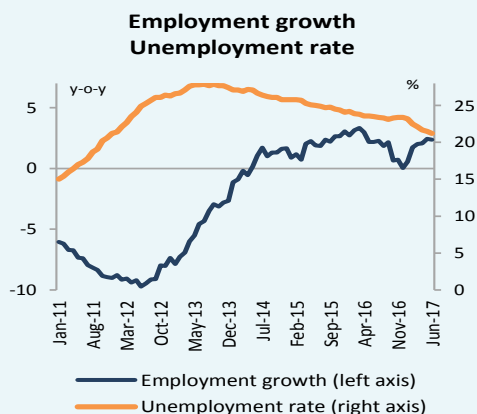
Aikaterini Gouveli MSc
(+30210) 334 2359
e-mail: gouveli.aikaterini@nbg.gr

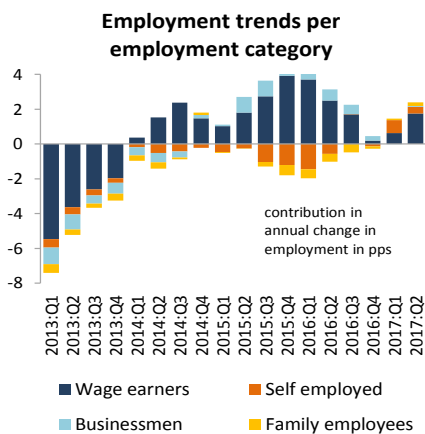
Eleni Balikou MSc
(+30210) 334 1195
e-mail: balikou.eleni@nbg.gr

**NBG | Economic Analysis Department
Greece Macro Analysis Team**

86 Eolou Str., 102 32 Athens, Greece

- Employment growth picked up in Q2:2017, reaching 2.3% y-o-y, up from 1.4% y-o-y in Q1:2017 and 0.5% y-o-y in Q4:2016 (s.a. data), according to LFS data released by EL.STAT., and remains in positive territory for a 12th consecutive quarter.
- The creation of 48K jobs (net) in Q2:2017 (seasonally-adjusted quarterly basis) and of 90K jobs, in total, in H1:2017 corresponds to the best performance since the 1st semester of 2008.
- The cumulative increase in employment between the peak of the crisis in Q4:2013 and Q2:2017 reached 217K jobs or almost 20% of total jobs lost during the crisis. In this vein, the unemployment rate declined to a 5-year low of 21.2% in June 2017 from 23.4% in December 2016, 6.7 pps below its peak of 27.9% in September 2013.
- Notably, Greece's labor market showed high responsiveness to the export-led acceleration in GDP growth to 0.8% y-o-y in Q2:2017 (net exports contributed 1.8 pps in annual GDP growth in this quarter) from +0.4% in Q1:2017, with the major share of new jobs created in tourism sector.
- More specifically, from a total of 48K new employment positions (seasonally-adjusted figures) created in Q2:2017, 19K were in the accommodation and food services sector and 4K in transportation. Moreover, the strong rebound of 15K in employment in the retail and wholesale trade sector and of 7K jobs in manufacturing is also estimated to, at least, partially reflect buoyant tourism activity.





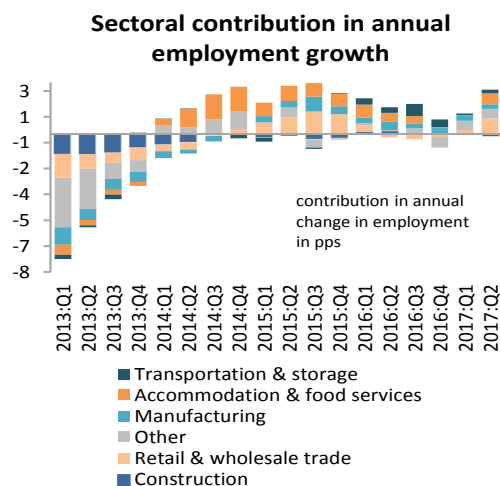
It should be noted that LFS survey data for Q2:2017 reveal some other encouraging trends in the Greek labor market:

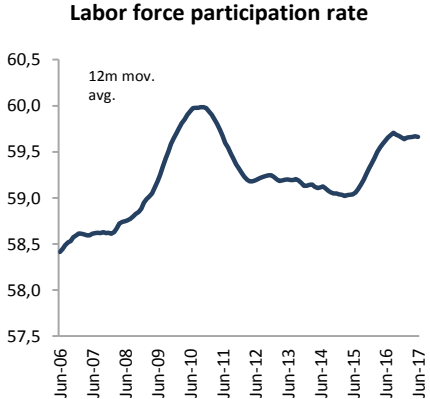
- Employment creation in Q2:2017 has been the most broad-based since the eruption of the crisis. For the first time since 2008, employment increased in all subsectors of the private economy, except construction, indicating that the business rebalancing is at an advanced stage.
- Dependent employment has gained new ground during this period, as the net increase in wage earners positions accounted for almost 85% of new jobs in Q2:2017 or 41K jobs – and almost 100% of hirings in the accommodation and food sector – with the remainder reflecting modest increases in all other employment forms and especially self-employment (+7.3K jobs).
- According to the LFS definition, full-time jobs accounted for 75% of new job creation in Q2:2017 compared with 48% in Q1:2017 and 65%, on average, in FY:2016. The increase in full-time employment indicates that businesses are becoming more confident about demand prospects, albeit a part of these new full-time employees work on temporary contracts (an estimated 7%).
- The so-called activity rate, i.e. the percentage of economically active persons, comprising employed and unemployed, in relation to the working age population, has picked up to near its 15-year average of 60% in H1:2017 following a 1.5 pp decline between 2010 and

2014. Moreover, the share of employed persons in the total working age population increased to 47.0% in Q2:2017 from 46.1% in Q1:2017 and an all-time low of 42.7% in Q4:2013 -- the pre-crisis high was 54.4% in Q2:2008. The above developments provide some indications of an improving capacity of the economy to absorb more workers.

- ELSTAT’s labor cost index data, as well as data from the unified social security fund (EFKA), suggest that average wage costs have bottomed in H2:2016, following a sharp adjustment between 2011 and 2015. However, wage increases for full-time positions have been very modest (an estimated increase in the labor cost index of +0.5% y-o-y in Q2:2017).

Employment is heading to an even stronger Q3:2017, with key survey indicators of employment prospects in the business sector climbing to their highest level in 8 years (subcomponents of the EC’s sectoral business surveys and the employment component of Markit’s manufacturing PMI). The above trend in high frequency indicators presages, according to NBG research estimates, a healthy expansion of about 2.4% y-o-y in employment in Q3:2017, which corresponds to a net addition of 16K jobs on a seasonally-adjusted basis in this quarter. Overall, the average increase in employment in FY:2017 is estimated to reach 2.2% y-o-y or +85K positions (compared with +2.0% y-o-y and +77K jobs in 2016), with the unemployment rate declining to 21.4% in Q4:2017 from 23.4% in Q4:2016.





This analysis can be viewed at:
<https://www.nbg.gr/el/the-group/press-office/e-spot/reports?cat=THB0v484d%2bex%2f20Eq1iFif5rxRc%3d>



NATIONAL BANK
OF GREECE

Editor: P. Mylonas, Deputy CEO, Head of Research, e-mail: pmylonas@nbg.gr Tel: (+30210) 3341522, FAX: (+30210) 3341702.

Main contributors: (in alphabetical order): E. Alevizopoulou, A. Gouveli, N. Magginas, G. Murphy, P. Nikolitsa.

This report has been produced by the Economic Analysis Division of the National Bank of Greece, which is regulated by the Bank of Greece and is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on its contents, effecting their own independent enquiry from sources of the investors' sole choice. The information contained in this report does not constitute the provision of investment advice and under no circumstances is it to be used or considered as an offer or an invitation to buy or sell or a solicitation of an offer or invitation to buy or sell or enter into any agreement with respect to any financial asset, service or investment. Any data provided in this bulletin has been obtained from sources believed to be reliable but have not been independently verified. Because of the possibility of error on the part of such sources, National Bank of Greece and/or its affiliates does not guarantee the accuracy, timeliness or usefulness of any information. The National Bank of Greece and its affiliate companies accept no liability for any direct or consequential loss arising from any use of this report. The final investment decision must be made by the investor and the responsibility for the investment must be taken by the investor. This report is not directed to, nor intended for distribution to use or use by, any person or entity that is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to any law, regulation or rule. The report is protected under intellectual property laws and may not be altered, reproduced or redistributed, to any other party, in whole or in part, without the prior written consent of National Bank of Greece

Note: The analysis is based on data up to September 18, 2017