



NATIONAL BANK
OF GREECE

GREECE Macro Outlook

Catalysts & challenges for 2021

March 2021

Managing the exit from the pandemic crisis and challenges to a turnaround in 2021

- **Recent trends & GDP in Q4:2020** p. 2

Catalysts for 2021:

- **Fiscal support** p. 5
- **Excess Liquidity** p. 8
- **Tourism rebound** p. 10
- **Vaccinations** p. 11
- **Macro Indicators** p. 12-13

NBG | Economic Analysis Department
Greece Macro Analysis Team
86 Eolou Str., 105 59 Athens, Greece

Nikos S. Magginas, PhD
Chief Economist,
(+30210) 334 1516
e-mail: nimagi@nbg.gr

NBG Greece Macro Analysis Team
Effrosyni Alevizopoulou, PhD
(+30210) 334 1620
e-mail: alevizopoulou.e@nbg.gr

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

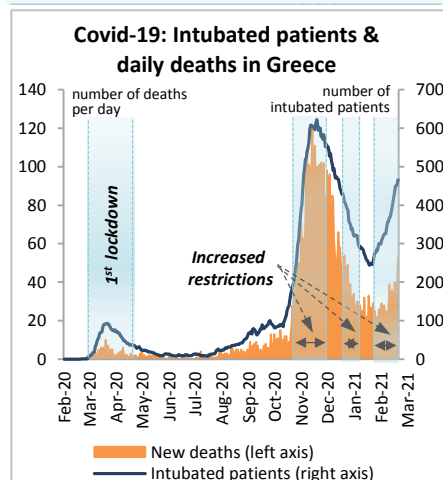
Eleni Balikou, MSc
(+30210) 334 1198
e-mail: balikou.eleni@nbg.gr

- The recessionary impact of the pandemic, despite the efforts to adjust and target restrictions to changing developments, is partially offset by very strong fiscal support.
- The fiscal impulse in 2020 was c. €10.0 bn, equivalent to 6% of GDP, limiting the decline in FY:2020 GDP to 8.0% and promoting resilience in the labour market, with the unemployment rate declining to 16.5% in 11M:2020 compared with 17.3% in 2019. In fact, total compensation of employees declined by only 0.8% in FY:2020 and private consumption by only 4.7% in the same period
- Q4:2020 and 2M:2021 data indicate that the second round of restrictions had a far milder negative impact on economic activity compared with Q2:2020, when the first lockdown was implemented (i.e. a decline in GDP of 7.9% y-o-y in Q4, +2.7% q-o-q, s.a., compared with -13.8% y-o-y in Q2:2020), in part assisted by increased familiarity with e-commerce (increasing by more than 80% y-o-y in value terms), as well as the resilience of public and private consumption, fixed investment and strong goods exports.
- NBG's monthly indicator, estimating the trend in GDP on the basis of high-frequency data, points to a mild contraction in Q1:2021 GDP by -1.3% q-o-q, s.a. (-9.5% y-o-y) combining a further pick-up in activity in January 2021, coinciding with the temporary easing of restrictions on retail trade, followed by a decline (-1.9% m-o-m, s.a.) in February and a stabilization in March.
- For the rest of the year, average GDP growth is expected to exceed 10.0% y-o-y, despite the unfavourable starting point, supported by steady progress in vaccinations and a rebound in tourism activity from a very low base (+80% y-o-y according to our baseline scenario), with FY:2021 GDP growth of 4.7%.

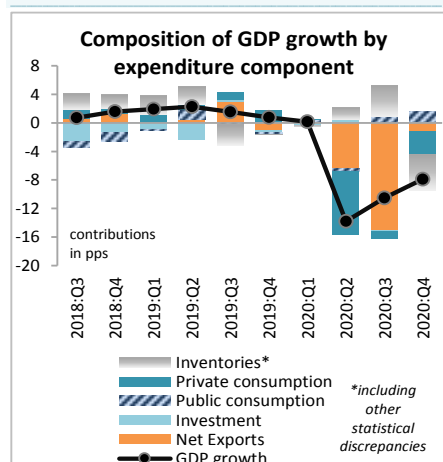
Drivers of the post-Covid-19 recovery

- An additional stimulus in 2021 translates into a net fiscal impulse of 1.4% of GDP.
- Latent household and corporate demand will gradually support the recovery through an unwinding of the increase in savings and the spending of the credit expansion of 2020, respectively.
- Tourism will provide a push to the economic recovery (+1.8 pps in 2020 GDP growth), with Greece's major tourism markets leading the race to vaccinate their populations.
- Greece's vaccination program gathers pace and is the key to leveraging the other supportive factors. The immunization of high-risk population groups is expected to be achieved by late-summer 2021.

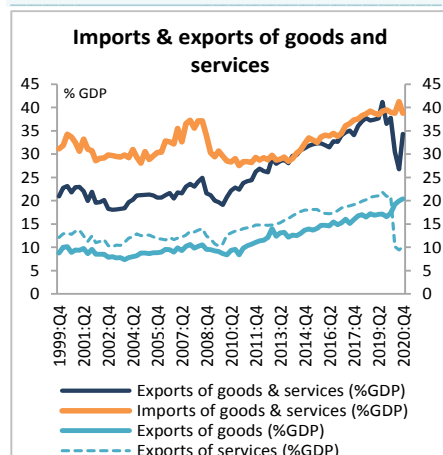
Preemptive containment measures remain the key defense against Covid-19 before vaccinations reach a “critical mass”



Q4:2020 GDP data confirmed than the 2nd round of restrictions had a far milder negative impact on economic activity compared with Q2:2020



The drag on GDP growth from net exports has been drastically reduced to only -1.1 pps in Q4 from -15.0 pps in Q3 with goods exports up by 13.6% y-o-y



Managing the exit from the pandemic crisis and challenges to a turnaround in 2021

The recessionary impact of the pandemic, despite the efforts to adjust and target restrictions to changing developments, is partially offset by sizeable fiscal support and the adaptability of the private sector

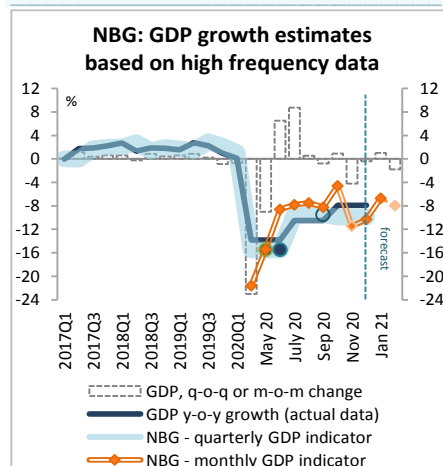
The difficult balancing act between the endeavour to control the surges of the pandemic and efforts for a targeted relaxation of the restrictions on specific regions and sectors of economic activity, such as we saw throughout much of 2020, has continued in the first months of 2021.

Uncertainty remains high from the renewed surges of the pandemic and the repeated tightening of restrictions on mobility and economic activities at a regional level. It is, thus, difficult to make precise estimates for economic activity with most high-frequency indicators providing noisy signals in Q1:2021.

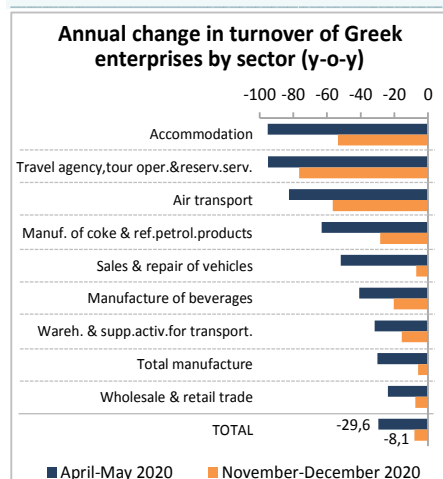
Nonetheless, Q4:2020 GDP data confirmed than the second round of restrictions had a far milder negative impact on economic activity compared with Q2:2020, with additional fiscal support combined with higher adaptability of businesses and households and resilient goods exports. Indeed, the annual decline in GDP of 8.0% y-o-y in FY:2020 (s.a. data) was smaller-than initially-feared not only due to the Q4 outcome but also due to the revision of GDP decline in Q3 to -10.5% y-o-y from -11.7% in the original estimate. This revision lowered the excessively negative impact from seasonal adjustment on Q3 GDP identified in the NBG analysis in December 2020 (*Greece Macro Flash: A second glance at Q3 GDP, December 10 2020*). Reporting on the Q3 output announcement, NBG stated that “adjusting for the seasonal overcorrection of Q3 GDP, as may occur in the GDP’s second/third estimate, FY:2020 GDP would decline by c. 8.5%”.

As regards economic activity in Q4:2020, GDP grew by 2.7% q-o-q, s.a. following, an upwardly revised, +3.1% q-o-q, s.a. in Q3:2020 -- two consecutive quarters of solid expansion -- (declining by 7.9% y-o-y compared with -12.2% y-o-y, on average, in Q2 and Q3).

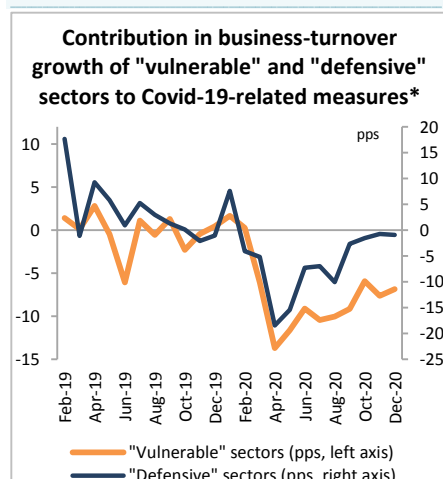
The 2nd pandemic wave halted the recovery but the hit was smaller than in Q2:2020 as the economy adjusted to lockdown conditions



The decline in business turnover in November-December was significantly smaller than in April-May...



The discrepancy between more resilient business segments and the stressed services sector continues to widen

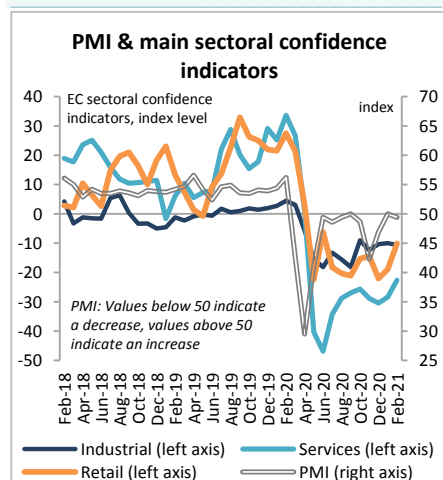


The major takeaways from the Q4 accounts are the following:

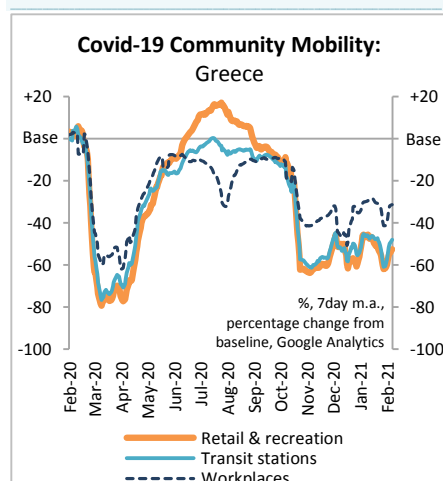
- First, consumption remained relatively resilient, mostly due to an aggressive fiscal policy. In fact, private consumption dropped by a relatively modest 4.7% y-o-y in Q4, (-12.9% y-o-y in Q2:2020) while increased Government consumption (+7.3% y-o-y) offset more than half of the resulting drag on final consumption (-2.2% y-o-y in Q4).
- Second, gross fixed capital formation was broadly stable for the year as a whole in a very unfavorable environment, reflecting mainly the buoyancy of construction. This development reflects the contributions from: i) higher residential construction, albeit slowing over the course of the year (+0.3% y-o-y in Q4 and +14.7% in FY:2020), ii) accelerating non-residential construction activity (+10.8% y-o-y in Q4 and +9.2% in FY:2020) bolstered by the public investment program and iii) the resilient business investment on machinery and ICT equipment.
- Third, and most importantly, the drag on GDP growth from net exports declined drastically to only -1.1 pps in Q4 from -15.0 pps in Q3. In fact, goods exports gained additional traction as international trade recovers, increasing by 13.6% y-o-y in Q4 (+1.3% y-o-y in 9M) lowering the pace of decline in total exports of goods and services to -13.4% y-o-y in Q4 against -36.0% y-o-y, on average, in Q2 and Q3:2020. Imports of goods and services declined at a broadly stable pace of -9.5% y-o-y in Q4 (9.4% y-o-y, on average, in Q2 and Q3)

Monthly data also confirm the adaptability of the economy. Total turnover of the Greek business sector decreased by 8.1% y-o-y, on average, in November-December versus -29.6% y-o-y in April-May 2020, backed by strong seasonal demand and retail mobility during the first week of the interim discount period in early-November (before the re-imposition of restrictions on 7 November) and the resilience of sales over Black Friday and Christmas, in a market more familiar with online shopping.

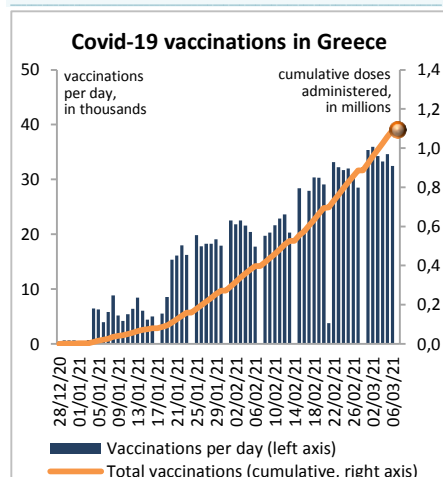
Leading indicators remain resilient through February with the drop in the “current activity” sub-components is offset by a pick-up in the forward-looking components



Mobility indicators tracked closely changes in restrictions and remained above their low in Q2:2020



Vaccinations are gaining momentum but the impact on health conditions will be experienced with a lag



Indeed, e-commerce increased (by more than 80% y-o-y, in value terms, in FY:2020), including the “click away” shopping program.

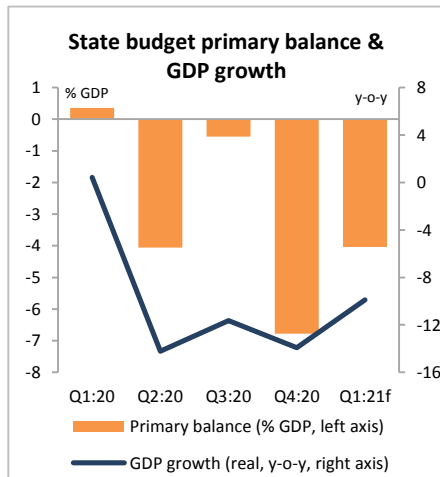
Undoubtedly, the inability of smaller and less efficient firms to effectively compete with larger firms, that took advantage of their more developed digital sales channels and export capacity, implies that the continued contraction in overall turnover in Q4:2020 and, most probably, in Q1:2021, will widen the gap in business performance depending on the size, efficiency and specific segment in which firms operate.

The relaxation of the restrictions in the second half of January 2021 seems to have led to a further improvement in activity compared with December 2020, with the NBG’s index showing an increase of 1.3%, on a seasonally adjusted monthly basis (s.a. m-o-m), after reductions of 4.3% and 0.4% (s.a. m-o-m) in November and December, respectively. This estimate, mainly, reflects the pick-up in Google mobility indicators (especially in retail trade), road traffic, seasonally-adjusted tax revenue and the improvement in economic sentiment.

Nonetheless, a rapid worsening in key health indicators has led to a new proactive tightening of restrictions in Attica and some other areas of the country showing similar epidemiological trends from 30 January 2021 onwards. This tightening will inevitably lead to a new m-o-m contraction in GDP in February 2021, as suggested by the available mobility data and the subcomponents of sectoral confidence indicators that refer to the current activity (notably the improvement in the forward-looking components of these indicators led to a pick-up in the respective headline data in February). Our baseline assessment is that the majority of restrictions are unlikely to be lifted for most of March, because of the unfavourable epidemiological seasonality, weather conditions and, also, concerns about emerging variants of Covid-19, given that the vaccination program is still in its initial phase (c. 0.7 mn individuals have received at least their first jab in the run-up to March 7, i.e. almost 7.0% of the total population, of whom c. 366K received both doses).

Accordingly, in view of our preliminary estimates for January and February and limited information from mobility data for early

A decisive fiscal response mitigates the Covid-19 recession...



March, NBG Analysis estimates that GDP will decrease slightly in Q1:2021 (-1.3% on a q-o-q, s.a. basis) and return to a robust growth path from Q2:2021 onwards.

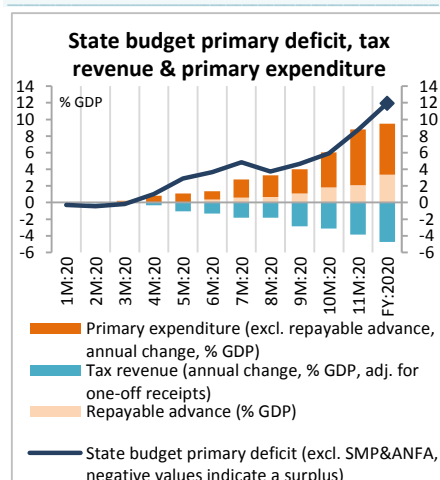
Indeed, activity is expected to accelerate rapidly during the final three quarters of the year to over 10% y-o-y, on average. The main catalysts will be (i) continued fiscal support, including rollover effects from 2020 (ii) latent demand from accumulated household savings and corporate borrowing, with the latter supported by bank lending and fiscal support, as well as, (iii) the moderate recovery in tourism as vaccinations begin to stem the pandemic. These three catalysts will be analyzed in turn in the following sections.

For the year as a whole, NBG Economic Analysis projects GDP growth of 4.7% with the recovery in Q3 and Q4:2020, on a quarterly basis, reducing the negative carry from 2020 to just -0.3%.

Catalysts for recovery in 2021

Fiscal support cushioned the Covid-19 impact substantially in 2020 and will provide significant targeted stimulus in 2021

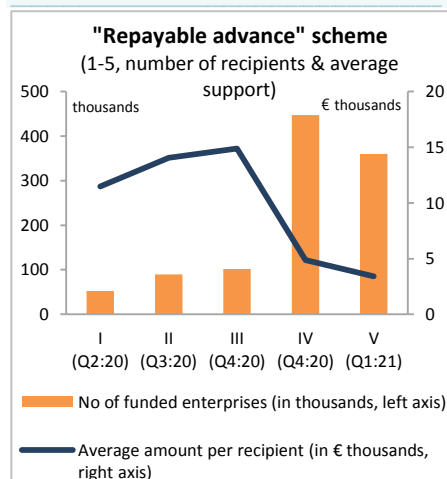
...with €6.7 bn of support to the labor market underlying the increase in primary spending (excl. liquidity support measures) of 15.0% y-o-y (+€7.5 bn) in 2020



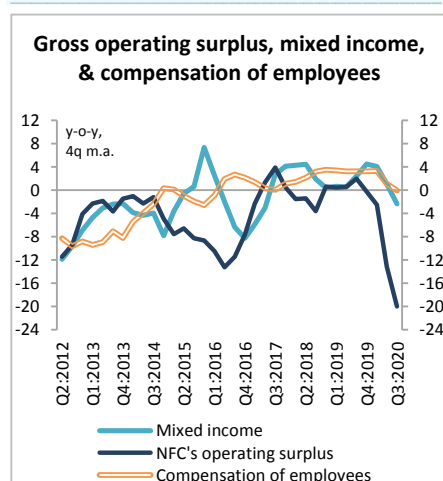
State support remains the key instrument for mitigating the fallout of the crisis on the labor market and for providing support to covid-affected businesses.

Specifically, the activation of €15.3 bn of fiscal measures in 2020 (including the support through the “repayable advance” framework) helped mitigate the recession by about 6.0 percentage points according to NBG Economic Analysis estimates, with support to the labor market taking priority. Inevitably, the primary deficit in the State budget for FY:2020 surged to €18.2 bn (€19.7 bn excluding proceeds related to ANFA & SMP), which is expected to translate into a General Government primary deficit higher than 8.0% of GDP in 2020 versus a primary surplus of 3.6% of GDP in 2019 (according to the “Enhanced Surveillance” definition). In cyclically adjusted terms, the primary balance is estimated to deteriorate by 8.4% of potential GDP to deficit of about 2.0% of GDP in 2020 from a surplus of 6.3% of GDP in 2019. The fiscal deterioration is

Around 2/3rds of Greece's business population and the self-employed have been supported by the "repayable advance" framework



Government measures stabilized labor income...



...and the unemployment rate



comparable to the euro area average, whose primary deficit is estimated by the IMF to exceed 8.5% of GDP in 2020 (-5.6% in cyclically adjusted terms) vis-a-vis a 0.8% surplus in 2019 (0.7% in cyclically adjusted terms).

A large part of the €15.3 bn of fiscal measures implemented in 2020, concerns payments for employment allowances and labour subsidy schemes – to employees, freelancers/sole proprietors, small businesses and professionals affected by the pandemic – deferrals and subsidies on insurance contributions, suspension of tax obligations and support for the unemployed (€6.7 bn).

Disbursements of “repayable advances” provided by the State to enterprises in 2020 amounted to another €5.5 bn, which have been augmented by another €1.2 bn in January-mid February 2021 (estimated at €3.0 bn in total in 2021). Specifically, around 550K firms and self-employed corresponding to about 2/3rds of Greece's business population, received an average support of about €12,400 between June 2020 and February 2021, with disbursed amounts ranging from €1,000 to €500,000. Another €0.5 bn will be paid in March under the 6th round of this support scheme expanding further the perimeter of beneficiaries. The latest three rounds of repayable advances in late 2020 and early 2021 have been channeled mainly to micro-firms and the self-employed with the average payment per recipient at €7,700. This support along with labor market measures provided a lifeline to a large number of non-bankable entities which could not benefit from the State-guarantee schemes for new lending.

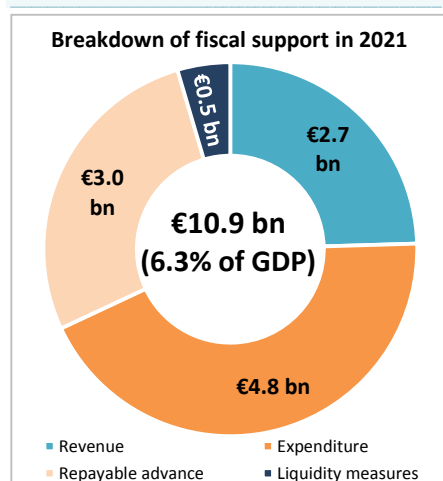
A significant part of the above-mentioned fiscal support (up to 50% for the mostly affected entities) will not be reversed in 2021. In fact, the extension of long-term arrangements for payment of tax and social security contributions, and a long grace period (of at least 12 months) as regards the beginning of repayment of liabilities related to the “repayable advances” ensure that the rollover of obligations will not be a burden on businesses and households in 2021. Future payments may be even lower in the years ahead, given the agreement with the European Commission, which provides for the conversion into a grant of up to 50% of funding through the first three “repayable

About €18.0 bn of fiscal and liquidity measures activated in 2020...

Fiscal and liquidity support measures		
	2020	2021
	bn euro	
Fiscal measures	15,3	10,4
Revenue	4,9	2,7
A 3pps decrease in the social security contribution rate for private sector	0,0	0,8
Suspension of the solidarity contribution for employees in the private sector	0,0	0,8
Reduction of advanced CIT payment	1,6	0,0
Suspension of tax and social security contribution payments	1,8	0,4
Coverage of Social Security Contributions by the State	1,1	0,4
Lower VAT rate for transport, serviced food & beverage, cinemas and tourist services	0,2	0,2
Other revenue measures	0,2	0,1
Expenditure	10,4	7,8
A 6-month coverage by the State of contributions for employers & employees (100K new job positions)	0,0	0,3
Economic support to wage earners and the self-employed	2,9	1,3
Extension of the regular and long-term unemployment benefit	0,9	0,3
First residence subsidy cost for borrowers hit by coronavirus	0,0	0,3
Subsidization of interest payments on performing loans of SMEs	0,2	0,3
Economic support to owners affected by rent decrease	0,0	0,1
Support to the healthcare system	0,5	0,4
Other expenditure measures	0,1	0,4
Economic support to SMEs for recurring expenses	0,0	0,5
Repayable advance subsidy to very small enterprises through local government	0,1	0,8
Repayable advance scheme	5,5	3,0
Liquidity support measures	2,5	0,5
Total	17,8	10,9

Sources: Ministry of Finance & NBG Economic Analysis estimates

...while another c. €11 bn of Covid-related measures and targeted relief will be provided in 2021



advance” scheme cycles, which amounted to €3.4 bn in total, and the introduction of multiple-installment settlement schemes for tax and social security obligations starting from 2022. Moreover, the latest rounds of “repayable advances” provide for a partial repayment from recipients who suffer a protracted impact from the pandemic.

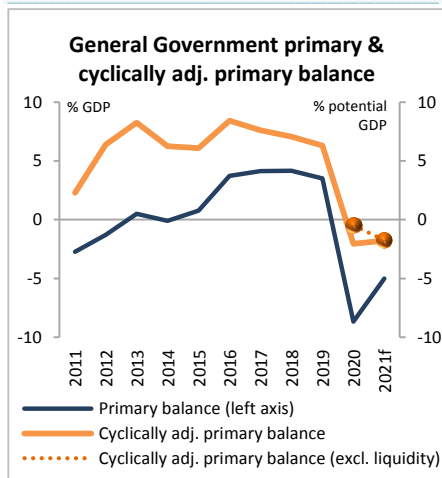
This fiscal support, together with the temporary adjustment in labour rules (mainly through the introduction of the employment suspension option and increased flexibility in working hours) and the resulting withdrawal of about 87K employees from active job seeking, stabilized the unemployment rate at 16.3% in Q4:2020 from 16.8% in Q3:2020 and 17.0% in Q2 (17.3% on average in 2019). Likewise, the decline in employment was modest (-0.9% y-o-y or 35K less jobs, on average, in 9M:2020, a period during which GDP shrunk by 8.5% y-o-y). In fact, total compensation of employees decreased by only 0.8% in FY:2020, and household disposable income by 1.1% in 9M:2020 (latest available data).

On the other hand, the corporate sector suffered significantly. Despite the relief measures and aggressive cost containment by the affected companies, the unprecedented decline in turnover in FY:2020 (by €41.6 bn or 13.5% y-o-y), squeezed corporate profitability (as approximated by the gross operating surplus) by 23.1% y-o-y in 9M:2020 and by 29.2% y-o-y, on average, in Q2 and Q3:2020.

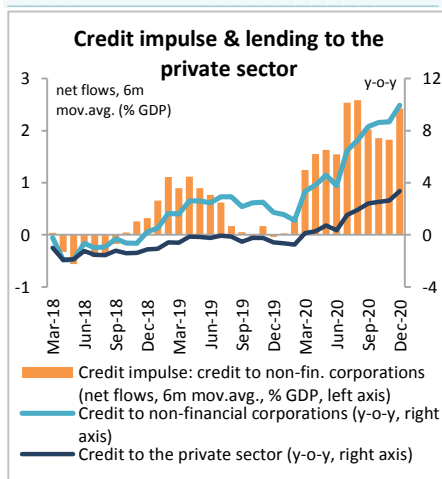
If the current restrictions last until end-March and are gradually lifted in Q2:2021, we estimate that Covid-19-related fiscal expenditure support will exceed €7.8 bn (4.5% of GDP) in 2021, consisting mainly of:

- additional payments for allowances to the affected employees and businesses (€1.7 bn),
- coverage of social security contributions combined with deferral of tax and social security obligations (€0.8 bn),
- subsidies to long-term unemployed (€0.3 bn),
- €3.8 bn through partly “repayable-advances” (including support through local governments),
- the “Bridge” scheme (€0.6bn) for subsidizing instalments on mortgage loans for primary residences according to

The net fiscal impulse in 2021 estimated at €2.4 bn (1.4% of GDP), with the cyclically adjusted primary balance at -1.7% of GDP compared with -0.3% in 2020



Credit expansion to the corporate sector increased at the highest pace in 11 years, with a credit impulse of c. 3.5% of GDP in 2020



Liquidity measures mostly covered working capital needs in 2020 and built up in reserves in the healthier businesses

Structure of State liquidity support

	2020	2021
bn euro		
TEPIX II		
State contribution	0,8	0,2
Bank leverage	1,2	0,4
Cash guarantees		
State contribution	1,8	0,3
Bank leverage	2,8	1,6
Total	6,5	2,5

Source: Ministry of Finance, NBG estimates

specific criteria, mainly, related to the debt-servicing behaviour and income/wealth profile of the recipients until year-end in conjunction with an analogous program for businesses (SMEs) launched in the coming months,

- vi) the effective compensation to property owners for rent reductions (c. 0.1 bn)

For 2021, the Budget also envisages €2.7 bn of revenue measures including, *inter alia*, a tax relief of €1.6 bn, mainly through the suspension of the special solidarity surcharge in personal income tax and the reduction of the social security contributions rates for employers and employees by 3.0 percentage points (by 1.8 and 1.2 percentage points, respectively). In addition, freelancers will pay lower income tax for 2020 (at the time of tax clearance in 2021), at a lower tax rate of 9.0% (for the first €10K of their income), which has already been in force since 2020 in the tax withheld from employees and retirees.

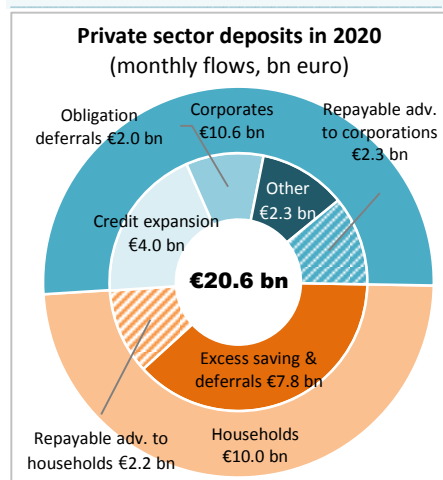
Middle-income wage earners are going to benefit more than in 2020 from the structure of fiscal stimulus in 2021. This income group actually pays the larger part of the special solidarity surcharge and faces relatively high tax and social contribution rates. It is worth recalling that people who belong in this income group and were furloughed from work or their contracts have been suspended, suffered more sizeable income losses than low-wage earners in 2020, as state aid covered a smaller percentage of their pre-crisis income as compared with low-income workers.

According to NBG Economic Analysis estimates the above factors are expected to translate into a net direct fiscal impulse of €2.4 bn (1.4% of GDP) in 2021, with the cyclically adjusted primary balance in 2021 standing at -1.7% of GDP compared with -0.3% in 2020.

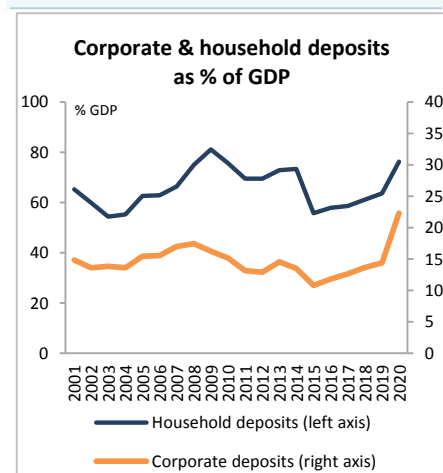
Latent domestic demand from accumulated corporate borrowing and household savings

There is significant upside potential for private spending if we take into account the significant acceleration in corporate credit growth. Specifically, the guarantees provided to viable

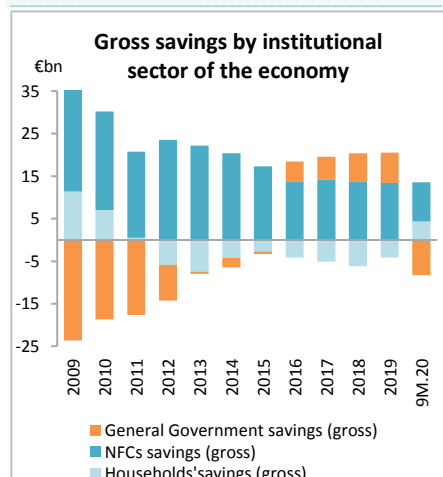
Credit growth and fiscal support explain a significant part of bank-deposit accumulation in 2020



Corporate and household deposits at multi-year highs



Greek household savings increased by €6.2 bn in 9M:2020 on the back of government support and limited spending options, amid Covid-19 restrictions

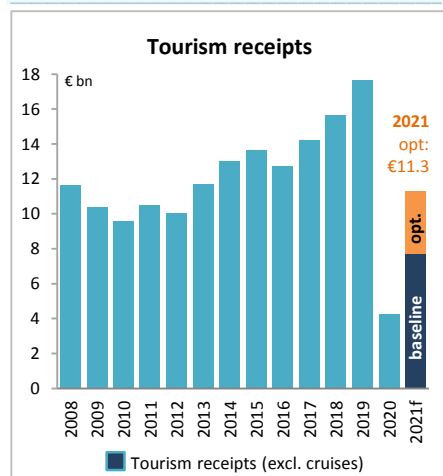


corporates by the Hellenic Development Bank and State support through TEPIX II (€1.8 bn and €0.8 bn respectively in 2020) were leveraged with about €4.0 bn in bank loans. This combined amount of about €6.6 bn in 2020 is broadly equal to the net credit expansion to the corporate sector in FY:2020. This funding has been used, along with the repayable advances paid to the corporate sector, principally, to meet essential and inelastic obligations and working capital needs, in order to prevent a liquidity squeeze. Most of this support has circulated in the economy through business transactions and has eventually ended up as deposits to the most competitive profitable firms. Moreover, a large number of viable enterprises increased their precautionary cash buffers.

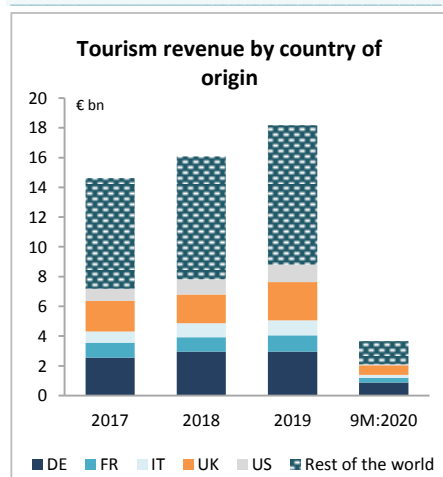
According to the NBG Economic Analysis about €4.0 bn (nearly 1/5) of the €20.6 bn increase in private sector deposits and almost 40% of the €10.6 bn increase in corporate deposits is related to credit expansion (see graph depicting a simplified breakdown of the main drivers of private sector's deposit-flows). Another €5.5bn correspond to repayable advances, which are assumed to be almost evenly distributed between households (including the self-employed and micro firms) and corporates. Another €3.5 bn correspond to payment deferrals, at an economy-wide level, related to tax and social security obligations and bank moratoria of which around €2.0 bn represent corporate obligations. Accordingly, the amount of "free" corporate liquidity that remains after subtracting deferred liabilities is estimated at €5.8 bn. This buffer could be translated to a net liquidity/credit impulse to 2021 GDP of 1.5 pps under very conservative assumptions regarding the related domestic-spending multiplier and leakages abroad.

The increase in household savings is another latent source of spending. Specifically, households' gross savings (as reflected in the EL.STAT.'s non-financial sector accounts data) increased by €6.2 bn in 9M:2020 to a 10-year high of €2.1 bn (vs. an annual average of -€4.5bn in 2011-2019). This development is also reflected in household bank-deposit data, which recorded a cumulative increase of €10.0 bn in FY:2020 to an 11-year high of 76.2% of GDP. A loosening of mobility restrictions and a

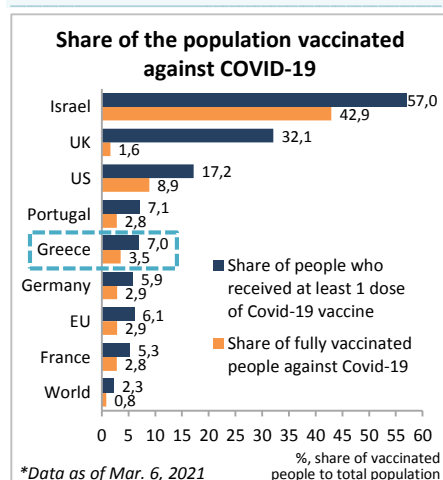
Tourism should be a major driver of the recovery starting from a very low base



Greece's major tourism markets...



...are leading the vaccination race



successful vaccination program should lead to increased consumption in the final three quarters of the year.

Tourism will give a strong boost to GDP in 2021, although activity will remain at much lower levels than in 2019

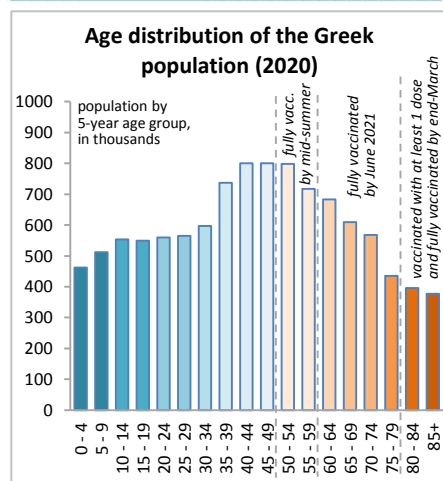
The year-on-year impact on GDP, due to the anticipated improvement of conditions in the tourism industry should be in excess of 1.8 percentage points (excluding second-round effects), according to our baseline scenario. This estimate corresponds to an increase in tourism revenue of 80% or €3.4 bn more than in 2020, though receipts will fall short by at least €10 bn relative to revenues earned in 2019 (€7.7 bn vs. €17.7 bn in 2019).

These estimates are based on conservative assumptions regarding progress in the containment of the pandemic through vaccinations and take into account that several restrictions and controls on international travel will remain in place for much of 2021. It is noted that in FY:2020, the decline in tourism receipts reached 75.8%. The “best-performing” tourist month of 2020 was August, when tourism receipts fell by 66.0% y-o-y. From the end of August 2020 onwards, the deterioration of epidemiological indicators in specific areas of Greece led to warnings about the epidemiological security of the country and marked the end of the extremely short-lived tourism season in early September.

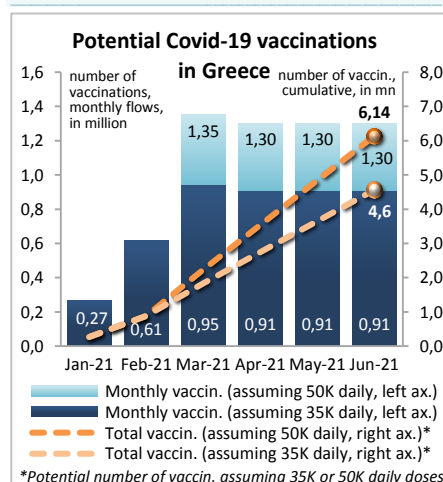
Currently, the greater degree of familiarity with the protective measures, the prospective gradual lifting of restrictions with regard to travel within the EU (which corresponds to around 54% of arrivals in Greece, and 68% if the UK is included) in view of the coordinated progress in vaccinations and the continuation of various restrictions on travel between the EU and non-EU countries are expected to increase arrivals in Greece.

A triple-digit growth in tourism receipts in 2021 should not be excluded, if progress on vaccinations is better than expected. A more optimistic scenario could entail the following: (i) about 2/3rds of the population in the EU will have been vaccinated by the end of Q3:2021 enabling a synchronized easing of restrictions in the EU and UK (ii) countries that are high on the list of arrivals in Greece, including Germany, the UK, France, and

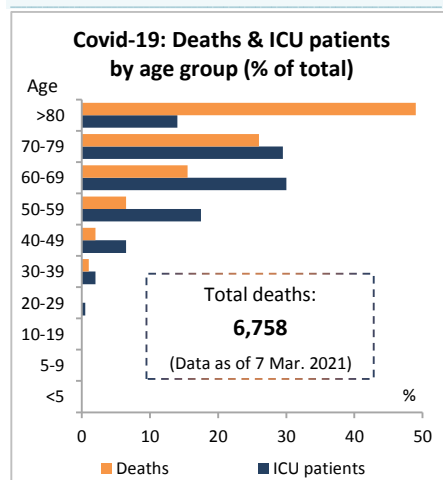
...already covering >80-year age group



The whole population group of over 65 years old is expected to be immunized (2 doses) by June



This group corresponds to 70% of people who needed hospitalization, 65% of all those in ICU, and 85% of total deaths due to Covid-19



the USA achieve even higher vaccination rates, offsetting the delays that other markets, such as the Balkan countries, are likely to display, and (iii) the relatively slow progress of vaccinations in other regions globally could possibly divert tourism demand to Greece especially from other European countries.

According to this more optimistic scenario, Greece could experience an increase in tourism receipts by 150-200% (at c. €11 bn, i.e. still about 35% lower than the tourism receipt levels in 2019), which would amount to a contribution to GDP growth of at least 4.0 pps in FY:2021.

Success of the vaccination program is the key to leveraging the other supportive factors

The pace of vaccinations in Greece has almost quadrupled to c. 35K per day in early-March (a rate that corresponds to nearly 910K jabs per month), compared with around 9K, on average, in January. The full deployment of the new large vaccination centres, which opened in February, is anticipated to increase this figure to above 50K in April, setting the stage for an effective use of accelerating vaccine deliveries in Q2:2021. At the current daily rate of 35K doses and given the age distribution of the population, it is estimated that by the end of July 2021 both doses of the Covid-19 vaccine will have been administered to people over 60 years old, while the whole population group of over 50 will have been almost fully covered by end-Q3:2021. At the pace of 50K vaccinations per day, it is estimated that the vaccination of the people over 60 years old will be achieved by June 2021, while by mid-summer the population groups aged 50 years and over will have received 2 doses of the vaccine (see graph).

In practice, in line with the EU's official targets, it is estimated that, with a daily pace of 50K vaccinations, Greece will succeed in immunizing about 70% of the population (i.e. 7 million people) by early-Q4:2021, effectively placing the pandemic under full control. The possible approval and availability of a single-dose vaccine could speed up further the whole vaccination process.



Greece: GDP Growth Decomposition & Outlook

	2019	2020	2021f	2019				2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f
GDP (real, % y-o-y, s.a.)	1,6	-8,0	4,7	1,9	2,3	1,5	0,8	0,1	-13,8	-10,5	-7,9	-9,5	10,2	11,0	8,9
GDP (real, % q-o-q, s.a.)	...	...	...	1,1	0,6	-0,6	-0,3	0,4	-13,4	3,1	2,7	-1,3	5,4	3,9	0,7
Domestic Demand (y-o-y)	1,0	-2,4	3,5	1,9	1,8	-1,4	1,7	0,0	-7,4	4,5	-6,6	-2,0	9,0	0,7	7,1
Final Consumption (y-o-y)	1,5	-3,1	3,1	0,1	1,9	1,4	2,5	0,5	-10,9	0,2	-2,2	-2,8	10,5	1,5	4,1
Private Consumption (y-o-y)	1,6	-4,7	4,5	1,5	1,0	1,5	2,5	0,2	-12,9	-1,6	-4,7	-5,2	11,0	4,4	8,8
Public Consumption (y-o-y)	1,2	2,6	-1,1	-0,7	7,7	-1,2	-0,8	1,4	-2,6	4,8	7,3	5,3	4,7	-5,2	-8,8
Gross Fixed Cap. Formation (y-o-y)	-7,3	0,3	9,6	-7,6	-18,8	2,9	-3,8	-3,5	4,4	-1,1	1,6	3,6	4,8	9,1	20,6
Residential construction	0,4	14,7	5,4	-0,7	5,2	-6,7	4,3	22,2	32,3	6,7	0,3	-0,5	3,4	8,0	11,3
Total GFCF excluding residential	-7,9	-0,8	10,0	-8,1	-20,2	3,8	-4,4	-5,4	2,2	-1,7	1,7	4,0	4,9	9,2	21,4
Inventories* (contribution to GDP)	0,6	0,2	-0,2	2,7	2,5	-2,9	0,0	-0,1	1,7	4,4	-5,0	0,1	-0,4	-1,8	1,2
Net exports (contribution to GDP)	0,6	-5,6	0,9	0,1	0,4	2,9	-1,0	0,2	-6,3	-15,0	-1,1	-7,4	0,5	10,2	1,5
Exports (y-o-y)	4,8	-21,7	11,2	5,7	4,0	10,7	-1,2	1,2	-30,1	-41,9	-13,4	-28,2	18,9	51,3	21,5
Exports of goods (y-o-y)	2,0	4,3	3,5	2,8	2,8	5,6	-3,1	2,8	-3,0	4,2	13,6	5,6	8,8	2,6	-2,3
Exports of services (y-o-y)	7,2	-43,9	26,2	9,5	8,0	9,8	1,6	0,7	-58,4	-61,4	-55,4	-58,0	51,2	112,0	115,0
Imports (y-o-y)	3,1	-6,9	6,8	5,3	2,8	3,0	1,4	0,7	-13,0	-5,8	-9,5	-8,3	13,6	8,5	15,2

*also including other statistical discrepancies / Sources: EL.STAT. & NBG estimates

Google Mobility Indicators

	Feb-20		Mar-20		Apr-20		May-20		Jun-20		Jul-20		Aug-20		Sep-20		Oct-20		Nov-20		Dec-20		Jan-21		Feb-21	
	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half
Retail and recreation (percentage change from baseline)	0	4	-13	-72	-73	-72	-49	-31	-13	-6	4	12	15	11	6	-4	-6	-13	-47	-62	-59	-48	-60	-50	-53	-56
Grocery and pharmacy (percentage change from baseline)	0	8	3	-19	-11	-9	3	14	12	12	15	18	17	18	12	12	10	8	2	-7	-2	23	-8	-1	0	2
Transit stations (percentage change from baseline)	0	2	-12	-67	-70	-65	-42	-25	-16	-14	-6	-3	-3	-5	-6	-9	-10	-16	-44	-60	-56	-49	-55	-49	-50	-52
Workplaces (percentage change from baseline)	0	2	-11	-53	-54	-54	-35	-16	-11	-8	-11	-12	-23	-20	-12	-10	-10	-14	-30	-41	-37	-39	-41	-31	-32	-35
Residential (percentage change from baseline)	0	0	4	22	23	21	13	6	2	1	-2	-3	-2	-1	-1	1	0	3	11	16	15	13	14	10	9	11
Difference* from the baseline in per cent ▶▶▶▶▶	0	3	-12	-64	-66	-63	-42	-24	-13	-10	-4	-1	-4	-5	-4	-8	-8	-14	-41	-54	-51	-45	-52	-43	-45	-48



*Aggregate indicator corresponds to the average of 3 main categories: retail & recreation, transit stations, and workplaces.

Sources: Google COVID-19 Community Mobility Reports, NBG estimates



Greek Economy: Selected Indicators

	2018					2019					2020						2020e	2021f	
	Q1	Q2	Q3	Q4	year aver.	Q1	Q2	Q3	Q4	year aver.	Q1	Q2	Q3	Q4	year aver.	Most recent	year aver.	year aver.	
GDP components - spending side (y-o-y period average, constant prices)																			
GDP	2,0	1,4	0,9	1,6	1,5	1,9	2,3	1,5	0,8	1,6	0,1	-13,8	-10,5	-7,9	-8,0	Q4:20	-7,9	-8,0	4,7
Domestic demand	2,9	1,4	0,5	0,0	1,2	1,9	1,8	-1,4	1,7	1,0	0,0	-7,4	4,5	-6,6	-2,4	Q4:20	-6,6	-2,4	3,5
Final Consumption	2,3	0,7	0,5	-0,4	0,8	0,1	1,9	1,4	2,5	1,5	0,5	-10,9	0,2	-2,2	-3,1	Q4:20	-2,2	-3,1	3,1
Gross fixed capital formation	2,3	12,3	-16,6	-8,8	-3,3	-7,6	-18,8	2,9	-3,8	-7,3	-3,5	4,4	-1,1	1,6	0,3	Q4:20	1,6	0,3	9,6
Exports of goods and services	8,4	7,7	7,9	11,9	9,0	5,7	4,0	10,7	-1,2	4,8	1,2	-30,1	-41,9	-13,4	-21,7	Q4:20	-13,4	-21,7	11,2
Imports of goods and services	11,1	7,5	6,5	6,7	7,9	5,3	2,8	3,3	0,9	3,1	0,7	-13,0	-5,8	-9,5	-6,9	Q4:20	-9,5	-6,9	6,8
Conjunctural and leading indicators (period average)																			
Retail sales volume (y-o-y)	0,6	2,4	3,0	-0,4	1,4	-0,5	-0,8	1,6	2,8	0,8	2,0	-10,4	-2,4	-4,8	-4,0	Dec	-11,0	...	...
Retail confidence (15-yr. average: -2,9)	2,3	6,5	18,5	14,9	10,6	14,6	3,3	23,1	24,4	16,3	23,4	-8,5	-19,9	-17,2	-5,5	Feb	-10,1	...	...
Car registrations (y-o-y)	37,6	28,3	20,8	14,5	25,8	4,9	13,1	23,7	12,2	13,2	-12,4	-54,2	-14,3	...	...	Nov	-13,3	...	...
Consumer confidence (15-yr. average: -47,6)	-49,8	-48,7	-44,7	-32,6	-44,0	-31,1	-29,4	-11,7	-7,1	-19,8	-10,4	-31,1	-36,9	-46,2	-31,2	Feb	-46,2	...	...
Industrial production (y-o-y)	-0,1	1,8	2,2	2,5	1,6	1,7	0,5	-0,1	-4,7	-0,7	-1,1	-7,8	-2,0	2,8	-2,1	Dec	3,3	...	...
Manufacturing production (y-o-y)	2,4	1,8	3,6	3,3	2,8	1,8	2,1	1,2	-1,4	0,9	1,6	-7,4	-1,6	1,4	-1,6	Dec	0,0	...	...
Capacity Utilization (15-yr. average: 70,1)	71,4	70,9	70,2	71,0	70,9	70,4	71,6	72,1	72,8	71,7	71,3	65,9	70,6	73,6	70,3	Dec	74,2	...	...
Industrial confidence (15-yr. average: -9,3)	0,7	-1,4	4,0	-3,9	-0,2	-2,7	-0,6	1,1	1,8	-0,1	3,4	-13,0	-15,6	-10,6	-9,0	Feb	-10,6	...	...
PMI Manufacturing (base=50)	55,4	53,5	53,7	53,6	54,1	54,2	54,4	54,4	53,8	54,2	51,0	40,0	49,3	46,0	46,6	Feb	49,4	...	...
Construction permits (y-o-y)	1,8	24,3	20,0	36,1	21,4	-18,6	2,2	37,9	10,0	9,8	55,5	0,3	-1,7	...	...	Nov	-15,3	...	...
Construction confidence (15-yr. average: -40,0)	-50,2	-47,2	-48,5	-49,2	-48,8	-53,5	-52,9	-52,2	-42,1	-50,2	-31,3	-69,4	-41,6	-40,5	-45,7	Feb	-16,8	...	...
PIB Disbursements (y-o-y)	-4,9	12,2	-17,6	9,4	4,8	56,6	52,6	22,2	-27,8	-9,5	48,4	241,5	172,9	30,0	88,7	Jan	296,2	...	...
Stock of finished goods (15-yr. average: 12,6)	6,1	3,8	6,4	9,8	6,5	8,6	13,5	12,5	11,4	11,5	9,8	13,9	15,7	14,1	13,4	Feb	21,7	...	...
External sector (period average)																			
Current account balance (% of GDP)	-1,7	-0,8	1,7	-2,2	-2,9	-2,1	-0,2	2,2	-1,5	-1,4	-2,2	-2,1	-0,9	-1,6	-6,8	Dec	-0,4	-6,8	-5,1
Current account balance (EUR mn)	-3092	-1475	3210	-3875	-5232	-3777	-363	4050	-2635	-2725	-3563	-3498	-1424	-2680	-11165	Dec	-654	...	...
Services balance, net (EUR mn)	1083	4842	10472	2907	19304	1496	5267	11658	2695	21116	1144	1030	3600	1493	7267	Dec	216	...	...
Primary Income Balance, net (EUR mn)	749	-774	-1152	-549	-1726	754	-599	-1344	-403	-1592	715	-415	-736	-33	-468	Dec	97	...	...
Merchandise exports – non-oil (y-o-y cum.)	12,2	12,6	11,9	10,9	10,9	4,3	4,1	4,6	4,5	4,5	4,5	-3,9	-3,9	-2,4	-2,4	Dec	-2,4	...	...
Merchandise imports – non-oil (y-o-y cum.)	7,1	8,2	9,3	9,4	9,4	6,2	5,5	5,3	3,7	3,7	-2,5	-10,1	-8,6	-7,3	-7,3	Dec	-7,3	...	...
Gross tourism revenue (y-o-y)	13,8	19,8	4,7	22,7	10,2	34,3	10,4	14,6	3,7	12,9	-16,4	-98,1	-73,5	-68,3	-75,8	Dec	-88,3	...	...
International tourist arrivals (y-o-y)	12,8	20,7	5,8	13,8	10,8	7,8	-2,5	6,3	5,5	4,1	-5,6	-95,3	-77,4	-72,1	-76,5	Dec	-86,0	...	...
Labor Market																			
Unemployment rate	20,3	19,5	19,0	18,5	19,3	18,4	17,3	16,9	16,6	17,3	15,9	17,0	16,8	...	...	Nov	16,2	16,5	17,0
Employment growth (y-o-y)	1,9	1,9	2,0	2,5	2,1	2,3	2,5	2,0	1,6	2,1	1,1	-2,6	-1,2	...	...	Nov	-0,7	-0,8	0,2
Consumer Prices (y-o-y period average)																			
Headline inflation	-0,1	0,5	1,0	1,1	0,6	0,7	0,3	-0,1	0,1	0,3	0,4	-1,4	-1,9	-2,1	-1,2	Jan	-2,0	-1,2	0,6
Core inflation	0,2	0,1	-0,1	0,2	0,1	0,2	-0,1	0,0	0,3	0,3	0,4	0,0	-0,7	-1,2	-0,4	Jan	-0,8	-0,4	0,1
Producer prices excl. energy	0,2	0,1	-0,1	0,3	0,1	0,3	0,4	0,4	0,1	0,3	-0,1	-0,2	-0,2	...	...	Nov	0,1	...	...
Real estate prices (y-o-y, change)																			
Residential house prices (y-o-y)	0,5	1,3	2,3	3,2	1,8	5,5	7,6	8,3	7,4	7,2	6,5	4,1	3,2	...	...	Q3:20	3,2	...	...
Office prices (y-o-y, bi-annual data) ¹	...	7,7	...	5,4	6,5	...	4,1	...	4,1	4,1	...	2,0	...	...	...	H1:20	2,0	...	...
Retail prices (y-o-y, bi-annual data) ¹	...	3,3	...	5,8	4,6	...	7,7	...	6,1	6,9	...	3,0	...	...	...	H1:20	3,0	...	...
Fiscal policy																			
Gen. Gov. balance (% of GDP, Enhanced Surveillance definition.) ²	...	...	...	...	1,0	...	...	...	...	0,6	...	...	...	...	...	...	...	-10,3	...
General Government primary balance (% of GDP, Enhanced Surveillance Fram.) ²	...	...	...	...	4,4	...	...	...	...	3,6	...	...	...	...	...	...	...	-7,2	...
General Government debt (% of GDP) ²	...	...	...	...	186,2	...	...	...	...	180,5	...	...	...	...	...	...	...	208,9	...
Monetary & financial indicators (y-o-y, end of period)																			
Deposits of domestic private sector	6,3	7,5	7,4	6,3	6,3	5,5	6,0	5,8	6,7	6,7	8,8	8,4	10,3	14,4	14,4	Jan	15,2	...	...
Loans to private sector (incl. sec. & bond loans)	-1,0	-1,2	-1,2	-1,1	-1,1	-0,6	-0,2	-0,5	-0,6	-0,6	0,1	0,4	2,4	3,5	3,5	Jan	3,7	...	...
Mortgage loans (including securitized loans)	-3,0	-3,0	-2,9	-2,8	-2,8	-2,9	-3,1	-3,3	-3,4	-3,4	-3,4	-3,0	-2,8	-2,7	-2,7	Jan	-2,7	...	...
Consumer credit (including securitized loans)	-0,6	-0,6	-0,4	-0,8	-0,8	-0,7	-0,9	-1,1	-1,6	-1,6	-1,7	-1,7	-1,7	-1,6	-2,2	Jan	-2,5	...	...
Interest rates (per cent, period average)																			
10-year government bond yield	4,1	4,2	4,1	4,4	4,2	4,0	3,2	1,9	1,4	2,6	1,5	1,8	1,1	0,8	1,3	Feb	0,8	...	...
Spread between 10 year and bunds (bps)	346	376	370	400	373	382	327	239	173	280	190	222	158	133	176	Feb	121	...	...
Exchange rates (period average)																			
USD/euro	1,23	1,19	1,16	1,14	1,18	1,14	1,12	1,11	1,11	1,12	1,10	1,10	1,17	1,19	1,14	Feb	1,21	...	...
Stock market																			
ASE General index (aop)	833	796	729	631	746	666	784	859	876	796	802	627	637	691	689	Feb	775	...	...
ASE Banks (aop)	904	903	744	480	758	464	677	760	851	688	683	336	328	369	429	Feb	456	...	...

¹ Quarterly figures correspond to bi-annual data for office and retail prices² Forecasts according to State Budget 2021

Sources: BoG, NSSG, MoF, ASE, ECB, FRED, Athens Exchange Group and NBG estimates unless otherwise indicated



NATIONAL BANK
OF GREECE

Main contributors (in alphabetical order): E. Alevizopoulou, E. Balikou, A. Gouveli, P. Nikolitsa, S. Stabelou, G. Theodoropoulou.

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.

The analysis is based on data up to March 7, 2021, unless otherwise indicated