



NATIONAL BANK
OF GREECE

GREECE Macro Flash

GDP Q1:2021

June 2021

Booming investment led a strong rebound in Q1:2021 GDP, pushing FY:2021 estimates to +5.7%

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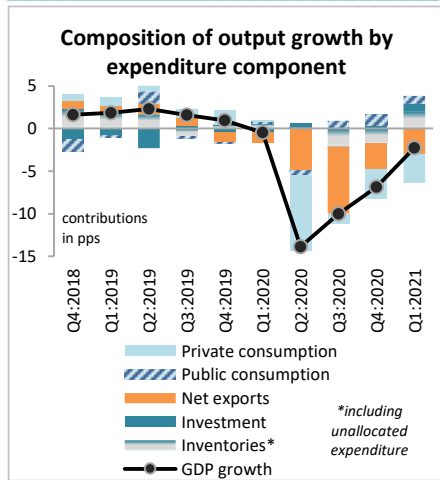
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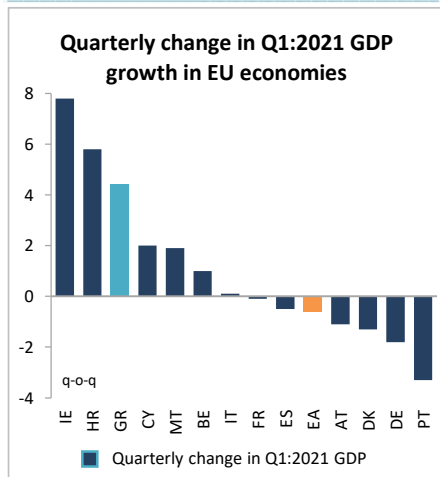
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- The Greek economy showed higher-than-anticipated resilience to Covid-19 in Q1:2021.
- GDP increased by 4.4% q-o-q, s.a. in Q1:2021 and declined by only 2.3% y-o-y, exceeding estimates based on high frequency indicators.
- In quarterly terms, the GDP increase in Q1:2021 was one of the strongest among EU economies.
- Encouragingly, gross fixed capital formation (GFCF) had the largest positive contribution to y-o-y GDP growth (+0.9 pps), increasing at the strongest pace in 3 years (+8.6% y-o-y).
- The main determinants of GFCF growth were higher spending on Information Communication Technology (ICT) and other equipment categories (by 39% and 13.7% y-o-y, respectively) and increased non-residential construction (9% y-o-y) with public investment up 34% y-o-y.
- The outlook for further investment improved, as gross business profits (approximated by the economy's gross operating surplus and mixed income "GOSM") increased by 3.0% y-o-y, whereas the credit impulse to the corporate sector is estimated at 3.5% of GDP in the 12-months to March 2021 (net cumulative credit expansion of €5.8 bn between April 2020 and March 2021).
- Non-oil goods export growth accelerated further (+11.3% y-o-y), reflecting their improving competitiveness, with the main products continuing to gain market share in the EU markets. Services exports were still down significantly (-38.7% y-o-y in Q1:2021), but by a lower extent than in the final quarter of 2020 (-44.5% y-o-y).
- Government support remained significant, albeit less than previously, with the general government primary deficit at 2.3% of GDP in Q1:2021 (compared with a broadly balanced position in Q1:2020 and a deficit of 4.2% of GDP in Q4:2020) and primary expenditure up 26% y-o-y.
- The extension of Covid-19 restrictions continued to weigh on labor market conditions in Q1:2021 (decline in labor compensation of 4.6% y-o-y), combined with the fact that State support has become more targeted to the most affected sectors, as the annual decline in business turnover slowed to -5.4% y-o-y in Q1:2021 from -12.1% y-o-y in H2:2020.
- Private consumption declined at a pace of 4.9% y-o-y (-1.2% q-o-q, s.a.), in line with labor income. The drag on Q1 GDP has been partly offset by an increase in government consumption of 4.9% y-o-y.
- All in all, Q1 GDP data, in conjunction with the sharp improvement in the NBG's monthly GDP indicator – pointing to a double-digit growth in April-May (see NBG May issue: "Greece Macro Flash – Economic growth returns strongly in April-May 2021") – lead to an upward revision to our baseline scenario for 2021 GDP growth to 5.7% y-o-y.

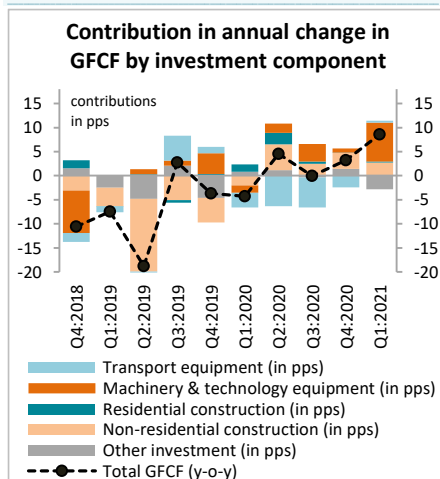
Greece's economy showed higher-than-anticipated resilience to Covid-19, buoyed by increased fixed capital investment and additional State support



In quarterly terms, the increase in Q1:2021 GDP was one of the strongest among EU economies



New investment spending has been channeled mainly toward ICT and other equipment categories and non-residential construction



Heightened business activity underpinned the rebound in Q1:2021

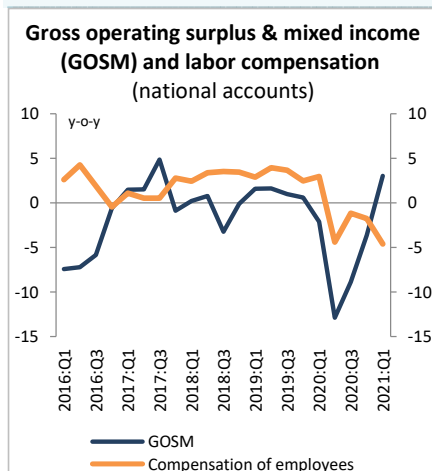
The Greek economy showed higher-than-anticipated resilience to Covid-19, despite the extension of several protective measures in the first months of 2021. GDP increased by 4.4% q-o-q, s.a. in Q1:2021 and declined by only 2.3% y-o-y (vs. a mostly Covid-impact free Q1:2020), exceeding estimates based on high frequency indicators.

In quarterly terms, the GDP increase in Q1:2021 was one of the strongest among EU economies. This was the third consecutive quarter of positive q-o-q growth, following increases of 3.8% and 3.4% q-o-q, s.a. in Q3 and Q4:2020, respectively, suggesting that the recovery from the Covid-related plunge of -12.9% q-o-q (-13.9% y-o-y) in Q2:2020 GDP is gathering pace.

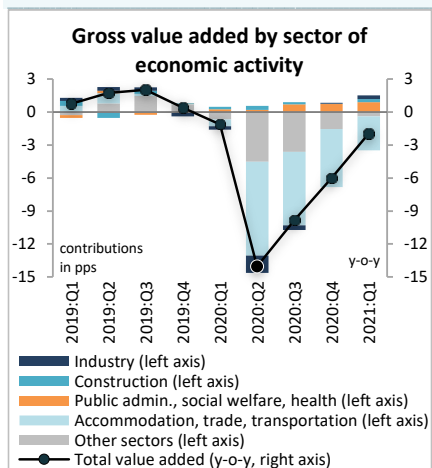
The composition of growth was also very encouraging. Gross fixed capital formation (GFCF) made the largest positive contribution to y-o-y GDP growth in Q1 (+0.9 pps), increasing at the strongest annual pace in 3 years (+8.6% y-o-y and +3.0% q-o-q, s.a.). The main drivers of GFCF growth were higher spending on Information Communication Technology (ICT) and other equipment categories (39% and 13.7% y-o-y, respectively) and increased non-residential construction (9% y-o-y). This improvement mostly reflected businesses adaptation to the ongoing changes in the operational environment, deferred investments from 2020 and large construction projects. The acceleration of the public investment program – PIB spending increased by 34% y-o-y to 2.8% of GDP in Q1:2021 from 2.0% in Q1:2020 – also played an important role. Moreover, the future bodes even brighter, as the first disbursements from the EU Recovery Fund are expected to start in H2:2021 (exceeding €7.0 bn in FY:2021), adding to the strength of GFCF.

The accumulation of inventories, along with unallocated expenditure – corresponding to the difference between the original GDP compilation from the production side and the respective estimates of GDP expenditure components – contributed 2.0 pps in y-o-y GDP growth in Q1:2021. An improvement in inventories reflects a reversal of part of the decline that occurred in 2020 and points to increased business

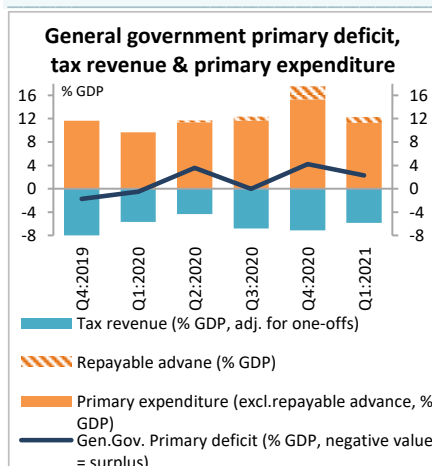
Gross business profits (approximated by the economy's gross operating surplus and mixed income) recover with the strongest mark in 3½ years



Gross value added increased by 3.3% q-o-q, s.a. in Q1, buoyed by manufacturing and public sector activities and a lower drag from accommodation and trade



The general government primary deficit widened by 2.8% of GDP y-o-y with primary expenditure up 26% y-o-y (+2.6% of GDP) in Q1:2021



Sources: EL.STAT., Greek Ministry of Finance, NBG Economic Analysis estimates

activity. The unallocated part will likely result in increased consumption or/and investment in the next GDP revision.

GDP data from the income side confirmed the turnaround in business activity, despite the still challenging market conditions. Gross business profits (approximated by the economy's gross operating surplus and mixed income - "GOSM") increased by 5.7% q-o-q, s.a. and 3.0% y-o-y – the strongest annual pace in 3½ years. In fact, GOSM, which exhibits high procyclicality, followed a steady upward trend after the sharp drop of 10.5% q-o-q, s.a. (-12.9% y-o-y) in Q2:2020, increasing by 2.5% and 6.2% q-o-q, s.a. in Q3:2020 and Q4:2020, respectively.

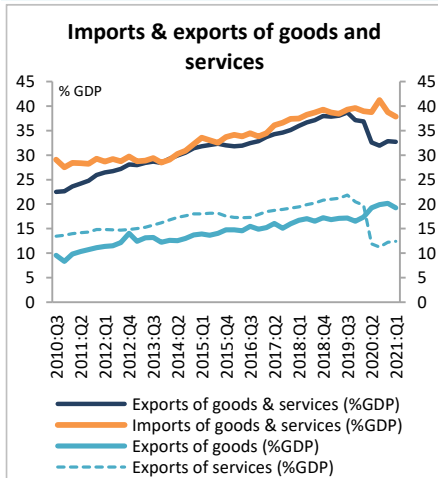
State support remained significant, albeit less expansionary than in Q4, cushioning a significant part of the Covid-19 impact. The general government primary deficit reached 2.3% of GDP in Q1:2021, compared with a broadly balanced position in Q1:2020 (+0.5% of GDP,) and a deficit of 4.2% of GDP in Q4:2020.

Primary expenditure was up strongly (26% y-o-y in Q1:2021). A large part of this spending was related to the extension of support through the "repayable advance" scheme (€1.8 bn) and the remainder corresponded, mainly, to labor market support measures (€2.4 bn). These expenditure components are still large, albeit down from their Q4:2020 levels (€3.7 bn and €3.4 bn respectively).

The extension of Covid-19 restrictions continued to weigh on labor market conditions in Q1:2021 (decline in employment of 3.8% y-o-y), partly reflecting the fact that State support became more targeted to the most affected sectors, since the significant annual decline in business turnover slowed to -5.4% y-o-y from -12.1% y-o-y in H2:2020. Indeed, economy-wide labor compensation declined by 4.6% y-o-y in Q1, compared with -2.4% y-o-y in the period Q2:2020-Q4:2020. This gradual adjustment in State support will continue over the course of 2021, depending on the pace of recovery of sectoral activity.

Against this backdrop, private consumption declined at a pace of 4.9% y-o-y (-1.2% q-o-q, s.a.), in line with labor compensation. The negative impact of the restrictions on retail trade and services activities has been partly offset by increased adaptability of firms and households, in conjunction with the extensive use of e-commerce and click-away options. The

The dynamism of goods exports and the continuing fall in imports limited the drag from net exports on y-o-y GDP growth to 3.0 pps in Q1:2021



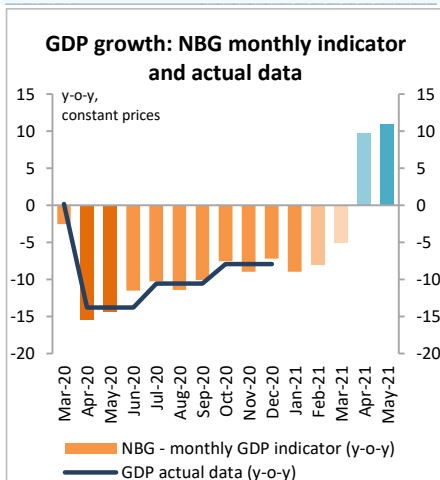
Product categories with the largest contributions* in goods exports growth

Q1:2021

Code	Product category	pps
0	Food products	1.7
1	Beverages & Tobacco	0.5
5	Pharmaceut., plastics, chemicals	4.2
6	Manufactured goods (mainly metals)	1.8
7	Machinery & Transport equipment	1.6
Total non-oil exports (y-o-y)		11.3

*Contributions in non-oil goods exports growth (in pps)
Source: Eurostat

NBG's monthly indicator of GDP points to a double-digit increase in economic activity in April-May



negative impact of consumption on Q1 GDP growth has been limited to 2.2 pps, due to the increase in government consumption by 4.9% y-o-y (+7.3% y-o-y in Q4:2020).

The speeding-up of the vaccination rollout supports confidence and paves the way for lifting the remaining measures, pointing to an imminent rebound in consumption. Around 40% of the population had received at least one dose through June 9, with 25% of the population fully vaccinated.

Net exports also had a negative impact on Q1 GDP growth (-3.0 pps y-o-y), despite the further strengthening of goods exports (+8.2% y-o-y, in constant prices). A positive contribution to growth also came from the continued decline in imports of goods and services (down by 5.0% y-o-y in Q1:2021). Services exports were down significantly (-38.7% y-o-y in Q1:2021), but by a lower extent than in the final quarter of 2020 (-44.5% y-o-y).

Goods exports growth in Q1:2021 reflects their improving competitiveness, with the main products continuing to gain market share in the EU markets, including food, pharmaceuticals and other chemical products – which maintained their upward trend from 2020 – in conjunction with sectors that gained traction in the first months of 2021, buoyed by strengthened external demand and increased international construction activity (electrical equipment and metals). Indeed, non-oil exports to the EU increased by 13.1% y-o-y in Q1:2021 (total non-oil goods exports increased by 11.3% y-o-y), especially towards Germany, France, Bulgaria and Romania, whereas US was the strongest non-EU market for Greek exports.

All in all, the Q1 GDP data, in conjunction with the sharp improvement in the NBG's monthly GDP indicator – pointing to a double-digit growth in April-May (see NBG May issue: "Greece Macro Flash – Economic growth returns strongly in April-May 2021") – lead to an upward revision to our baseline scenario for 2021 GDP growth to 5.7% y-o-y. This scenario projects an increase in tourism revenue of 80% y-o-y in FY:2021, to 55% below the 2019 outcome, based on both encouraging signs from tour operators and travel bookings and the loosening of travel restrictions from source countries.



Greece: GDP Growth Decomposition & Outlook											
	2019	2020	2021f	2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f
GDP (real, % y-o-y, s.a.)	1,7	-7,8	5,7	-0,5	-13,9	-10,0	-6,9	-2,3	12,3	8,5	5,2
GDP (real, % q-o-q, s.a.)	-0,5	-12,9	3,8	3,4	4,4	0,2	0,3	0,3
Domestic Demand (y-o-y)	1,2	-3,5	2,7	0,7	-8,9	-2,2	-3,7	0,7	10,8	0,7	-0,8
Final Consumption (y-o-y)	1,4	-3,2	2,3	0,7	-10,9	0,0	-2,6	-2,4	10,2	0,3	2,0
Private Consumption (y-o-y)	1,6	-4,8	3,4	0,3	-12,9	-1,7	-4,9	-4,9	9,9	2,8	6,6
Public Consumption (y-o-y)	1,2	2,6	-1,7	1,4	-2,6	4,8	7,3	4,9	7,2	-6,0	-12,3
Gross Fixed Cap. Formation (y-o-y)	-7,3	0,8	9,2	-4,3	4,5	0,0	3,2	8,6	12,6	8,0	7,5
Residential construction	0,4	14,7	6,2	21,8	32,3	6,8	0,6	2,7	3,4	8,0	11,3
Total GFCF excluding residential	-7,9	-0,3	9,4	-6,2	2,3	-0,6	3,4	9,1	13,5	7,9	7,2
Inventories* (contribution to GDP)	0,8	-0,8	-0,3	0,6	0,2	-2,1	-1,8	2,0	0,7	-0,4	-3,5
Net exports (contribution to GDP)	0,4	-4,3	2,8	-1,2	-5,0	-7,9	-3,0	-3,0	0,9	7,7	6,0
Exports (y-o-y)	4,4	-18,3	18,3	-3,0	-26,3	-25,9	-17,6	-13,4	19,2	34,9	39,8
Exports of goods (y-o-y)	2,0	4,3	4,1	2,6	-3,0	4,2	13,7	8,2	8,5	2,6	-2,3
Exports of services (y-o-y)	6,9	-39,3	40,9	-6,3	-51,8	-53,8	-44,5	-38,7	51,2	102,0	115,0
Imports (y-o-y)	3,1	-6,8	8,5	0,2	-13,1	-5,5	-8,8	-5,0	13,9	8,2	18,2

*also including other unallocated expenditure / Sources: EL.STAT. & NBG estimates

Greece - Indicators of Economic Activity

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
PMI (index level)	53,7	54,2	54,7	56,6	54,2	52,4	54,6	54,9	53,6	53,5	54,1	53,9	54,4	56,2	42,5	29,5	41,1	49,4	48,6	49,4	50,0	48,7	42,3	46,9	50,0	49,4	51,8	54,4	58,0
Industrial confidence (index level)	-4,6	-1,2	-2,3	-0,9	-0,2	-0,6	1,7	0,6	1,0	1,9	1,4	2,0	2,7	4,5	3,1	-5,6	-15,4	-18,1	-13,3	-15,5	-18,1	-9,0	-12,4	-10,3	-10,0	-10,6	-7,5	-5,8	7,1
Manufacturing production (y-o-y)	-0,9	3,3	2,7	3,7	3,0	-0,2	-2,0	0,7	5,2	1,9	-7,0	1,1	4,7	-1,0	1,4	-12,3	-9,3	-0,6	0,1	-0,9	-3,7	-2,5	7,0	0,4	1,5	2,6	3,4	22,8	
Industrial production (y-o-y)	4,1	1,9	-0,6	2,6	-0,4	-0,5	-2,0	0,0	1,9	-0,7	-9,6	-3,8	-0,6	-2,9	0,0	-10,8	-8,2	-4,6	-0,1	-4,0	-2,1	-3,3	8,8	3,5	3,6	4,2	5,7	22,5	
Services confidence (index level)	-1,6	6,1	10,5	5,6	7,3	7,9	22,1	28,8	20,2	15,4	17,8	29,1	25,2	33,6	26,6	1,1	-40,3	-46,8	-34,2	-28,8	-26,9	-25,6	-28,8	-30,4	-28,3	-22,6	-18,2	-17,6	13,1
Consumer confidence (index level)	-28	-33	-32	-31	-30	-28	-20	-8	-7	-8	-7	-6	-10	-5	-17	-33	-33	-28	-35	-35	-41	-46	-48	-45	-43	-46	-40	-35	-22
Retail confidence (index level)	23,0	13,3	7,4	1,4	-0,7	9,2	13,7	22,6	32,9	26,3	25,0	22,0	21,5	27,5	21,3	3,2	-22,4	-6,2	-18,3	-20,3	-21,1	-15,3	-14,3	-22,1	-18,9	-10,1	-1,3	3,2	5,0
Retail trade volume (y-o-y)	-3,2	-3,1	4,9	-2,5	-2,2	2,4	-2,2	2,2	5,0	7,2	3,7	-1,5	6,2	2,5	-2,4	-24,6	-3,0	-3,8	-2,8	-0,6	-4,0	4,7	-7,4	-11,5	-2,5	-2,8	-0,9		
Construction Permits (y-o-y)	-9	-25	-20	1	6	1	22	38	60	-10	7	48	44	71	54	-18	5	11	17	-11	-14	-13	-15	14	4	22			
House prices (y-o-y, quarterly series)	5,5	5,5	5,5	7,6	7,6	7,6	8,3	8,3	8,3	7,5	7,5	7,5	6,7	6,7	6,7	4,3	4,3	4,3	3,7	3,7	3,7	2,5	2,5	2,5	3,2	3,2	3,2		
Construction confidence (index level)	-51	-61	-48	-50	-54	-56	-48	-52	-56	-50	-52	-24	-32	-31	-31	-76	-76	-56	-32	-41	-52	-47	-31	-44	-26	-17	-12	5	-2
Employment (y-o-y)	2,0	3,1	2,3	2,7	2,8	2,1	1,5	2,6	1,8	1,3	2,3	1,6	1,7	1,1	0,2	-1,0	-4,3	-2,8	-2,3	-1,7	0,7	0,4	-1,3	-1,1	-5,3	-4,8			
Interest rate on new private sector loans (CPI deflated)	4,5	3,9	3,6	3,9	4,4	4,8	4,5	4,9	4,7	5,0	4,1	3,6	3,5	4,1	4,1	5,6	5,4	5,6	5,9	6,0	5,9	5,9	6,2	6,1	5,8	5,1	5,6		
Credit to private sector (y-o-y)	-1,1	-0,6	-0,6	-0,1	-0,2	-0,2	-0,1	-0,1	-0,5	-0,2	-0,2	-0,6	-0,6	-0,8	0,1	0,3	0,7	0,4	1,5	1,9	2,4	2,5	2,6	3,5	3,7	3,7	2,9	2,4	
Deposits of domestic private sector (y-o-y)	6,2	5,5	5,5	6,0	5,7	6,0	6,5	6,2	5,8	6,5	6,5	6,7	6,3	7,7	8,8	8,6	9,4	8,4	9,5	9,0	10,3	11,6	14,0	14,4	15,3	14,9	13,8	14,7	
Interest rate on new time deposits (households, CPI deflated)	0,2	0,0	-0,4	-0,4	0,3	0,8	0,5	0,7	0,5	1,1	0,1	-0,4	-0,5	0,1	0,3	1,7	1,4	1,8	2,1	2,2	2,2	2,0	2,3	2,5	2,2	1,5	1,8		
Economic sentiment index (EU Commission, Greece)	102	103	103	102	103	103	107	110	109	108	108	111	110	113	110	100	89	88	91	91	90	93	91	92	91	92	97	98	109
Economic sentiment index (EU Commission, Euro area)	107	107	106	104	106	104	103	103	102	101	101	102	103	104	95	68	70	78	84	89	92	93	89	92	92	93	101	111	115
Exports (excl. oil & shipping, y-o-y, 6m mov.avg)	7,9	7,4	6,3	6,0	5,6	4,7	5,2	3,9	5,5	4,2	2,4	4,7	5,6	6,3	4,2	1,3	-1,9	-3,8	-6,0	-8,7	-8,0	-6,2	-2,8	-1,5	-2,0	0,2	5,7		
Imports (excl. oil & shipping, y-o-y, 6m mov.avg)	9,5	8,9	7,8	5,6	7,5	5,6	6,0	3,7	4,4	2,1	-0,5	0,7	0,5	1,4	-1,7	-4,4	-9,2	-9,9	-12,0	-12,8	-10,9	-9,1	-4,5	-3,8	-4,2	-3,8	2,3		
BoG - Tourist arrivals (y-o-y)	9,4	4,0	9,1	-11,3	-2,6	0,0	2,4	11,0	5,0	1,9	18,2	5,4	19,7	24,6	-46,8	-96	-98	-93,8	-85,4	-73,3	-73,9	-65,6	-81,1	-86,0	-87,9	-87,8			
AIA - International passenger traffic development (y-o-y)	8,7	11,6	9,3	9,3	8,4	10,2	6,9	8,2	8,6	7,2	6,6	10,9	10,2	6,4	-62,0	-99,2	-98,4	-93,4	-76,1	-66,2	-72,3	-72,2	-86,0	-87,8	-88,2	-89,8	-72,2	129,2	
Egani net flows (s.a. series, in thousands)	4,3	9,0	5,8	35,5	23,3	16,1	10,1	12,1	5,3	3,0	6,3	-0,7	-2,2	-1,9	-76,2	-55,4	-42,6	22,9	92,9	10,8	39,9	96,0	10,4	4,2	2,9	-5,3	-11,5	-17,5	
Estimation of total electricity demand in the network (y-o-y)	10,2	6,7	1,3	8,1	-1,3	6,0	3,4	10,0	0,7	-0,1	-6,8	-6,2	-3,2	-1,5	0,3	-6,9	-4,5	-13,1	-0,8	-7,9	1,2	-0,6	4,5	-4,9	-10,6	-6,8	2,4		
VAT on other goods & services (y-o-y)	4,4	9,7	14,2	-10,5	23,2	-2,1	3,6	1,1	1,3	-0,8	1,8	1,7	-0,8	1,1	-23,7	9,1	-51,1	-17,1	-15,4	-10,0	-10,8	-15,1	-12,8	-7,5	-10,0	-8,6	28,6		
Business Turnover (y-o-y, double-entry bookkeeping)	3,7	19,1	-1,0	12,1	5,4	-5,1	6,4	2,4	2,6	-2,2	-2,6	-0,6	8,9	-3,4	-11,3	-32,4	-27,3	-16,3	-17,3	-20,3	-11,6	-7,5	-7,8	-6,8	-16,1	-9,5	13,0		

Sources: NBG, BoG, ELSTAT, Ministry of Finance, Ministry of Labor & Social Affairs, EU Commission, IHS Markit, IOBE, SETE, AIA, ADMIE



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The analysis is based on data up to June 10, 2020, unless otherwise indicated