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Editorial Policy

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FOREWORD

This is the first IOBE bulletin on the Greek economy for 2015. It comes at a particularly crucial time for the Greek economy, as protracted negotiations between the new Greek government and its creditors are still under way, and their outcome is still uncertain. As all IOBE quarterly bulletins, this report contains four chapters and an appendix with key structural indicators. The bulletin starts with a brief description of the current domestic political and economic context, the acute problems the country is currently facing and the potential solutions. The report is structured as follows:

The first chapter presents a brief overview of the report. Chapter two examines the general economic conditions, including: a) an analysis of the global economic environment in the first nine months of 2014, based on the latest reports and data from the IMF, the European Commission and other international organisations; b) an outline of the economic climate in Greece in the final quarter of 2014, based on data from the latest IOBE business surveys; c) an analysis of the execution of the Budget of the General Government in 2014 and the State Budget in the two months January February of the current year.

Chapter three focuses on the performance of the Greek economy in the fourth quarter of 2014. It includes an analysis of: the current macroeconomic environment and its outlook for the rest of 2015; the developments in key production sectors in the last quarter of 2014, or in the first two months of 2015 depending on data availability; the export performance of the Greek economy in 2014; the developments in the labour market from October through December 2014; the trends of inflation in the first quarter of 2015; and, finally, the trends in the balance of payments last year.

The last chapter presents a IOBE study on the trends of the fundamentals of the food and beverages industry.

The report is based on data that were available up to April 15, 2015. IOBE's next quarterly bulletin on the Greek economy will be published in mid-July.

GROWTH AND RESPONSIBILITY

In the previous quarterly report, we noted that the Greek economy could have positive growth prospects if certain conditions were met. The report also underlined the high uncertainty surrounding many decisions of utmost economic importance. Since then, the uncertainty regarding the outcome of the negotiations with the country's partners and creditors continued to burden the economy. **This report is published at a time when the on-going negotiations have cast a shadow on the economic and political life of the country. All activities and decision-making must factor in when and how the terms of the agreement of February 20 will be implemented, together with the outcome of the negotiations between Greece, its European partners and the other institutions partaking in the talks.** Those partaking in the negotiations stress that any sort of setback or negative development is a serious threat and a likely outcome. Unfortunately, businesses and citizens are operating in an environment that appears to disregard the danger associated with the cataclysmic alternatives.

The current political environment, which has fostered uncertainty and discouraged positive economic decisions, is paradoxical to a great extent. **In light of the fact that the majority of the structural adjustment policies have been undertaken, a potential derailment of the economic program would be a serious failure on the part of every stakeholder, since a relatively small portion of the adjustment remains to be completed. More importantly, the remaining adjustment that must be undertaken could have positive effects on growth.**

Perhaps it would be of greater practical use to distance oneself from the on-going negotiations and the inevitable tactical calculations that they encumber. **It would be of greater use to adopt longer-term considerations by mentally positioning ourselves in a later stage: a stage in which Greece will regain access to international capital markets and operate as a normal economy.** What should be the policy priorities in order for the Greek economy to achieve sustainable growth? There will be no funding from partners, with attached conditionality. The country will thus need to create the conditions for systematic increase in incomes and reduction of unemployment. **Given the low domestic savings, foreign financing as well as high and stable investment will be mandatory. Just like every other modern and independent economy, the Greek economy will also be assessed on an on-going basis by domestic and foreign economic decision-makers, particularly investors of all kinds. The effective removal of obstacles in the markets, the drastic simplification of procedures in the public administration, as well as the substantial improvement of the education and justice systems, are of utmost importance in generating sustained growth of real income.** These policy measures, coupled with the eradication of the risk derived from the lack of sustainability of the public

finances, will permit Greece to enter a decade of high growth rates. These growth rates will instigate a convergence of Greek unemployment close to the European average.

Comprehending the basic framework of the economic policy that should be pursued following the current situation should form the framework for the negotiations in progress.

The primary issue for all sides should be to create the conditions for high growth rates, through the necessary deep structural adjustments and not with further fiscal adjustment. **We are in the final stages of a long and painstaking process that must be completed as soon as possible. Only once this process is completed will the shadow of uncertainty be cast off, thereby granting Greece the freedom to pursue its own economic policy.**

As extensively described in this report, the outlook for the coming months is mixed. The latest developments do not permit bullish expectations for high annual growth rates similar to those forecasted one year ago. Nevertheless, **under certain conditions the growth rate for 2015 could be higher than 1%.** The contribution of the external balance is overall expected to be positive, thereby reflecting the deteriorating euro exchange rate, the overall increased demand from abroad, as well as the reduction in energy costs. Since private consumption is curtailed, the growth rate for the current and upcoming years will heavily depend on the level of investment. Thus, every economic policy should aim to boost investment.

The conclusions of this report are in line with the conclusions derived from the other projects conducted by IOBE. Primary, the measurement of business expectations demonstrates that the economic climate has gradually deteriorated in recent months: this is a cause for concern, especially as it tends to be accompanied by a decline in consumer sentiment (economic sentiment had previously exhibited signs of recovery). Secondly, the latest IOBE report on entrepreneurship argued that there were substantial signs of recovery in 2014, particularly through youth entrepreneurship. This is a highly beneficial trend that must not be reversed. Thirdly, a recent IOBE Note identifies the main sources triggering the positive real growth rate of 0.8% over the previous year. The factors that contributed to the return to positive growth rates in 2014 were primarily the relative improvement of expectations, as well as the surge in exports of goods and services. However, the transition to a new and sustainable growth model based on investment and exports is rather slow. In a separate IOBE Note that examined fiscal trends, it was demonstrated that the Greek economy underwent a substantial adjustment between 2010 and 2013. This adjustment persisted until the third quarter of 2014, but has stopped since then.

Overall, the economy is situated in the most critical link of a chain that in recent years prevented uncontrolled bankruptcy. Preventing bankruptcy came at a considerable cost for Greeks. Yet, this cost was deemed to be much lower than

the medium-term costs associated with the alternative. By pursuing this course, the Greek economy made significant achievements that should by no means be undermined or jeopardised by neither the Greeks nor Greece's partners and creditors. These achievements included a substantial fiscal adjustment, a drastic improvement in the external balance, as well as a recovery of competitiveness. Despite these accomplishments, there were considerable setbacks that collectively exacerbated the recession far more than necessary. These setbacks involved fundamental flaws in the design and implementation of individual policies. More importantly though, the setbacks maintained a climate of intense uncertainty and ambivalence. Many factors are to blame for this failure, both on the side of Greece and on the side of the country's partners and creditors.

A careful examination of the Greek crisis reveals that persistent delays and timidity, yielded substantial costs. If economic growth in Greece is truly the common and non-negotiable objective that should be achieved with no further delay, then the representatives of all the institutions involved in the negotiations should jointly and decisively act to take the heavy and historically crucial initiative. A positive outcome will be fully consistent with the overall dynamic in the European economy. It has become increasingly evident that the reliability of policy-makers, coupled with the achievement of economic growth, is of utmost importance for Europe.

1. Brief Overview – Conclusions

Stabilisation of the global economic growth this year

The growth rate of the world economy stabilised in the last quarter of 2014 at the same levels of the previous quarter, mainly as a result of slightly different trends in the major economic regions and countries. In the last quarter of 2014, a growth rate of 1.8% was recorded in the OECD member countries, for the second consecutive quarter. Among developed countries, the greatest change in GDP growth occurred in Japan, where the recession weakened by almost one percentage point, to -0.4%. Growth rate was slightly decelerated in the USA (from 2.7% in the third quarter to 2.5%), while in the Euro area growth was around 1.0%. Developing economies seem to have lost some of their dynamic, with growth in Brazil and Mexico weaker than anticipated while the expectations for rapid expansion of investment in China were met only in part.

In 2014 the global GDP increased by 3.4% than in 2013, when it increased at the same rate according to the latest estimates by the International Monetary Fund¹. **During the last year, growth in the strongest economies accelerated to 1.8%, from 1.4% a year earlier. In contrast, in 2014 the GDP growth in emerging - developing – economies**

was lower than in 2013 (4.6%, against 5.0%).

The economic trends in the main groups of economies over the previous year are expected to carry on through 2015 as well. Particularly, among the developed economies, those of the euro zone will benefit from the positive effects that the fall in oil prices has on real household disposable income and on profit margins. Exports will be boosted from the devaluation of the euro, while investment will be boosted by the larger profit margins, as well as by the European Central Bank's measures, such as the "quantitative easing".

In the US, domestic factors such as the very mild fiscal policy, the revival of the property market and the better than expected results of enterprises last year will counterweigh the impact of the appreciation of the dollar, especially regarding the international competitiveness of exports, leading to a boost in growth.

The last year's negative impact of fiscal consolidation in Japan has led to the postponement of the increase in consumption tax, which was originally planned for this year, for 2017. In conjunction with the relaxation of monetary policy, the country will achieve its economic recovery. **Under these conditions, GDP growth in developed economies this year will exceed 2.0%.** Regarding the developing

¹ World Economic Outlook, IMF, April 2015

economies, the authorities in China are focusing on limiting potential disturbing factors, rather than on achieving faster growth. In this context, credit growth will slow down and so will housing construction and investment, with a corresponding impact on growth. The Russian economy will be hit hard by the fall in oil prices and also by the international sanctions because of the military conflict in Ukraine. These factors have led to loss of confidence and devaluation of the rouble. In contrast, recent reforms in India and the decline in oil prices favour the growth of the economy. Overall, growth in the developing countries will further decelerate this year, resulting to a growth rate slightly exceeding 4.0%. In conjunction with the acceleration of developed economies, it is estimated that global GDP growth will be for the third consecutive year around 3.5%, or less.

Deceleration of growth in the Greek economy in late 2014

Domestic GDP growth declined slightly in the last quarter of 2014 to 1.3%, compared with a growth rate of 1.5% in previous quarters and a recession of 2.8% in the fourth quarter of 2013. Nevertheless, **the Greek economy recovered slightly last year after six years of recession, achieving a growth rate of 0.7% compared to 2013, during which output fell by 4.0%.** GDP growth late last year was moderated by the milder increase in household consumption. On the other hand, the rise in exports was

further widened by exports of goods and high growth in exports of services continued. However, the improvement in the external sector balance, resulting from the largest growth in exports recorded in 2014, was counterweighted by the strong increase in imports. As a result, the balance of the external sector had a negative impact on the rate of change of GDP in this period.

Regarding the trends of the components of GDP in 2014, **domestic consumption was 1.0% higher than in 2013**, in which it fell by 3.2%. **The increase of 1.4% in household consumption expenditure throughout the course of the previous year boosted domestic consumption.** The consumption of the public sector recorded a slight decline (-0.8%), compared to a clearly greater reduction in 2013 (-5.1%).

The expansion of investment in the fourth quarter of 2014 (+4.0%), which was the largest since the first quarter of 2010, **limited overall reduction in investment throughout the previous year at 2.3%**, which is much smaller than the fall in investment in 2013 (-16.5%). However, unlike in the previous years where the fall in investment was due to the contraction of gross fixed capital formation, last year the fall in investment came from the decline in inventories throughout most of the year, by a total of €865 million. **Indeed, investment in fixed capital increased in 2014 for the first time since 2008, by 3.0%**, while the previous year it had declined by 9.5%. Among the main

categories of fixed capital, housing construction was the only one that fell, by 51.5%, while the greatest increase was recorded in transportation equipment (+78.1%).

The rise in exports widened in the last quarter of 2014, exceeding 10% for the first time last year (+10.3%), with the average increase last year at around 8.8%, compared with just 1.5% in 2013. Exports of goods increased by 5.2% last year, more than double the rate of increase a year earlier (+2.2%). The expansion of exports of services reached 12.7% in 2014 and was the second largest since 2000, after that in 2004. **In a very good year for Greek exports, the total value of exports reached €56.1 billion in 2014 (in 2010 prices) and was about €2.3 billion less than the peak of 2008.**

The revival of private consumption and investment in fixed capital has led to a gradual increase in the demand for imports, mainly of goods, with the increase in imports reaching 17.9% in the last quarter of 2014. **The expansion of imports last year was around 7.4%,** against a contraction by 2.9% in 2013. Imports of goods were 8.4% higher last year, following a marginal reduction in 2013 (-0.9%). The rise of imports of services was milder (+3.1%), following a sharp contraction in 2013 (-10.6%). **The larger increase in exports compared to that of imports, reduced the deficit of the external sector of the economy for the seventh consecutive year, marginally, by**

0.2% or by €380 million, to €4.2 billion (2.2% of GDP).

Political developments drive the economic trends in Greece in 2015

As it was expected and mentioned in the previous IOBE bulletin on the Greek economy, the domestic political developments initiated by the inability to elect a President of the Republic, determine the political and economic trends in 2015. Protracted and turbulent negotiations of the new government with lenders without currently clear indications of their outcome, have heightened political uncertainty within and outside the country.

The impact of the uncertainty is not yet reflected in the data for macroeconomic fundamentals (GDP, unemployment) and short-term indicators. The domestic concern about the potential negative developments of the negotiations is reflected in the trends of leading indicators: the economic sentiment indicator of the European Commission, which is compiled in Greece by IOBE, declined in the first quarter of 2015, for the first time since the first quarter of 2014. Expectations deteriorated in all areas, especially in Construction and Services. However, a significant improvement in consumer confidence was recorded, which reached pre-financial crisis levels for the first time. However, the scope for further improvement in consumer confidence seemed limited, as the respective indicator stabilised in March. The decline of pessimism in

households is mainly due to the fact that there have not been any new budgetary measures in the past several months.

Apart from the negative impact on expectations, political uncertainty is considered to have an impact and will continue to strongly influence liquidity in the Greek economy. Specifically, it is estimated that in recent months households and businesses have been withdrawing their deposits from Greek banks, in order to preserve their wealth and protect themselves against the currency risk.

To achieve this, they have probably turned to financial investments abroad. However, it is considered quite likely that purchases of durable goods by households, as well as purchases of capital goods by businesses, will increase. Subsequently, private consumption investment, and imports will be boosted. In any case, the reduction of deposits deprives businesses of resources, which they could otherwise draw from the banking system and use for investments, helping the economy grow, potentially at a faster rate than in 2014.

Worries about the political developments are affecting internationally the decisions on providing liquidity to the Greek economy. As regards the financing of the private sector, the most important thing so far was that the ECB stopped accepting government bonds, from February 11, as guarantees for providing liquidity to the Greek banking system. Since February, the ECB has also limited

the rate of expansion of funding under the Emergency Liquidity Assistance (ELA) mechanism. The ability to access liquidity from international markets has been reduced by the downgrade of Greece initially by Fitch in late March and recently by Standard & Poor's. The specific adverse developments took place a few months after the completion of the capital adequacy assessments of the four largest domestic banks. These did not result in capital shortages opening the prospects of returning to credit growth, with better terms. Some indications that this return was routed are the mild easing of credit contraction rate to the private sector from last October to February (from -3.2% to -2.5%) mainly to businesses (from -3.8% to -2.3%) with slightly lower interest rates on new loans (Average rate of new loans 4.91%, against 5.36%).

Undoubtedly, the strongest pressure on liquidity from the prevailing uncertainty in recent months is on the Greek state. The basic reason is the non-payment of an instalment from the EU and IMF loans since last August, as none of the scheduled evaluations of the Economic Adjustment Program have been completed, while negotiations are under way. The intense concern for the continuation and completion of the fiscal adjustment and especially for the reforms the Greek economy needs, are reflected in terms of the borrowing of the Greek State by the rise in interest rates on Treasury bills. The restrictive effects on liquidity for investment purposes listed and the domestic and international

caution about the outcome of the negotiations with the EU and the IMF, have weakened the intention of investment plans. The current uncertainty regarding the new measures, especially those regarding taxes, is an additional deterrent factor in investment. The failure to implement, at least for now, or the postponement of the scheduled for 2015 activities of HRADF and also the confusion regarding the future of the privatisations - concessions of the previous years, act as a deterrent to the related investments that would be implemented this year and increase the reluctance to domestic investment environment.

Of course, if the negotiations result in an agreement that will secure a) the fiscal adjustment that has been achieved so far, b) the efforts for the sustainability of public finances and c) the implementation of the necessary reforms to the functioning of the state and of the markets, then the climate in the Greek economy will improve significantly.

However, improving the investment climate requires restoring the confidence of potential investors under the sense of implementing the foreseen agreements with their political partners, particularly the implementation of reforms, but also confidence in the stability of certain parameters of the economy that significantly affect the profitability of investments, such as the tax system, labour relations and the soundness of the banking system. The time required for building confidence on the aforementioned areas limits the margin

for a strong revival of investment during this year.

As the activity in the field of accommodation - food was the main driver of GDP and employment growth in 2014, its dynamics of this year will be decisive for the continuation of these trends, provided that the completion of negotiations will not change the fundamental parameters of the Greek economy. The significant devaluation from the fall of the euro against the dollar, but also against other currencies (pound sterling, Canadian dollar) favours the attractiveness of Greece as a tourist destination. The data for international tourist arrivals at the largest airports in the quarter January - March this year, show that these were 28.8% more, compared to the corresponding period of 2014, in which they had increased by 20.6%. The significant growth of international tourism will probably continue for the third consecutive year, with a positive impact on GDP and job creation. Of course, the depreciation of the euro can foster significantly the exports of Greek products.

The data and trends cited above highlight the crucial role of the outcome of the new government's negotiations with the country's creditors on key parameters of the Greek economy (finance - liquidity, tax system reforms etc.) and also at the economy's potential for this year, and for the medium term.

Given firstly that the policy that will be followed on the above issues has not yet

been determined and secondly, the continuous ambiguity regarding the degree of progress made in the negotiations with the country's creditors, which does not allow estimates of the final results, it remains quite difficult to make predictions with a small margin of error for GDP, unemployment, inflation and other economic variables.

Furthermore, it is noted that the forecasts for trends in key components of GDP and other macroeconomic variables that are presented below are all based on the assumption that the negotiating process will not lead to any major changes in the fundamental characteristics of the Greek economy.

In this context, the non- implementation of additional fiscal measures in the first half of this year, combined with the lower unemployment against the same period of 2014 and strong deflation, will allow the continuation of a moderate increase in private consumption in this period. In this development will contribute partially the consumer expenses under the influence of the currency risk. Given that negotiations will be completed by the middle of the current quarter, the outcome will become the main determinant of household consumption decisions for the rest of the year. If the macro-economic environment is not shaken by the outcome of the negotiations, maintaining or further improving the less pessimistic expectations of households, along with the continuation of moderate decline in unemployment can lead to a rise in

household consumption in 2015, slightly higher than 1.0%.

Protracted negotiations have an impact on the implementation of reforms in the public sector. Since some planned reforms, such as the planned reduction of public sector staff in two years 2014-2015, which is crucial for public consumption expenditures, have been suspended at least until the completion of negotiations, the corresponding decrease in public consumption will be avoided. On the other hand, the intense pressure on liquidity in the public sector has led to delays in payments / restorations of 2012 cuts, most of which would be materialized this year, leading to lower consumer spending. If the negotiations are successfully completed, the amounts corresponding to these wage cuts will be disbursed in the second half of the year, leading to a slight increase in public consumption. Within this scenario, employment in the public sector, as it will be determined by the new government's policies and decisions agreed with the institutions, will determine the direction and extent of the change in public consumption this year.

The current significant delays in public investment expenditure through the Public Investment Programme (€542 mil. in the first quarter, against a target of €720 million and respective previous grants of €918 million) and the small cuts in this year's budget compared to payments in 2014, imply that public investment expenditure will have a small

contribution to investment activity domestically.

The uncertainty about the implementation or the length of delay of the scheduled for the current year operations of HRADF makes it impossible to assess their impact on investment and GDP, which would be well below potential, as assessed during the preparation of the 2015 budget. Therefore it is needed to clarify the plan for the use of the Greek government property by the new government in order to recover the investment interest and the contribution of investments to the income of the State.

As for business investment, while the negotiations and policy processes last, the vast majority of investment projects will be postponed, while investment decisions will depend on the outcome. Moreover, as previously explained the available investment resources are limited in the current period and will remain at that level or lower at least until the completion of negotiations.

It's very likely at this time that there will be a significant liquidation of stocks. Then a gradual restoration of confidence of potential investors in the Greek economy will lead to a small increase in investment activity.

Especially for building construction, the deferral of capital gains tax for 2017 and the commencement of some major projects from the second half of 2014 and early 2015, which is likely to be maintained, create growth prospects in

the building sector. However, the lack of a regulation regarding how property will be taxed for the greatest part of this year will keep the building projects around last year's level.

Under the above assumptions for the Greek economy and the estimated trends in the components of investment, it is expected that there will be a mild decline in capital formation by 2.0 to 3.0%.

In the external balance, exports of services will be strengthened by the new expansion of tourism, which is reflected in the available data for the first quarter of 2015. However, the escalation of political uncertainty acts rather negatively on the international attractiveness Greece as a tourist destination, easing the upward trend, which however is not expected to shift. Moreover, this year's increase in exports of services will be less than last year. But it will be complemented by the expansion of exports of goods, due to the improvement of their competitiveness outside the Euro area from the lowest rate of the euro against major currencies.

As a result of the individual trends in exports of goods and services, the estimate for export growth this year is at 5-7%. The improvement in the external balance will be mitigated by the increased consumption of imports, as a result of the increase of private consumption. However the private consumption of imports will increase to a smaller extent than last year, and also smaller than the rise in exports this year.

Considering these trends in the forecasts for the GDP's main components in the current year, which do not incorporate the potential effects of any major changes in the macroeconomic environment in Greece, as they cannot be evaluated safely, suggest a GDP growth rate for 2015 at the level of 1.0%.

Significant deviations from the implementation of the 2014 Budget - achieving the objectives of the State Budget this year using special measures.

Data on the General Government Balance, on a national accounts basis (ESA 2010), which were recently notified by ELSTAT to Eurostat, in the context of the Excessive Deficit Procedure, suggest large variations from the revised targets for 2014, which are included in the Explanatory Memorandum of the Budget of 2015.

Specifically, the general government deficit for 2014 finally reached €6.5 billion or 3.6% of GDP, without taking into account the limited positive effect (0.1% of GDP) from the support of financial institutions, compared to the respective assessment in the 2015 Budget for a deficit of 1.3% of GDP. Correspondingly, the primary surplus reached 0.3% of GDP, against a forecast for a surplus of 2.9% of GDP in the budget this year.

These deviations are due to the large shortfall of Ordinary Budget (OB) and – to a small extent, to the revenue of the Public Investment Program (PIP) last year. Specifically, revenues of the OB

(before tax refunds) amounted in 2014 to €50.0 billion, against a forecast for revenues of €53.3 billion in the Explanatory Memorandum of the Budget 2015. About 58.0% of this shortfall is due to the deferral of revenue collection of €1,92 billion from SMP's, which was scheduled to be collected last December from the central banks of the euro-system, under the condition of the timely completion of the evaluation of the Greek program. Moreover, there was a significant shortfall in tax revenues by €1.3 billion, with about half of that in December, reflecting the impact of political developments. Revenues of PIP fell short by €414 million from reduced earnings by the EU (- €282 million) and reduced own revenues (- €133 million).

The available provisional figures of the State Budget for the first quarter of 2015 show slight exceeding in targets, but largely due to certain economic factors. On the revenue side, the achievement is due to the earlier collection of revenue from EU funds for the Public Investment Programme amounting to €678 million. However, revenue fell short by €584 million, from the target of the OB for the first quarter. Expenditure was about €1.5 billion lower mainly due to lower primary expenditure (- €1,18 billion). As stated in the State Budget execution bulletin, "lower expenditure is mainly the result of the restructuring of cash planning, considering the prevailing liquidity conditions. It is estimated that after the liquidity conditions return to normal, expenditure will return to the levels of the

budgetary objectives". Note that the 2015 Budget estimated an increase of State Budget expenditure by 1.2%.

A possible further decline in unemployment in 2015 depends on the developments in labour relations

After two consecutive quarters of decline, unemployment has increased in the last quarter of 2014 to 26.1% from 25.5% in the previous quarter, a development which was expected, as the favourable seasonal effects of the summer months of employment were completed.

Throughout 2014, unemployment decreased compared to the previous year - for the first time since 2008 - to 26.5% from 27.5% in 2013, the number of unemployed people was reduced by 55.9 thousand, to 1274.4 thousand from 1330.4 thousand the year before.

The forecasted growth this year in private consumption and exports of services, that is with the contribution of labour-intensive activities, such as tourism and the related final consumption (retail trade, catering, etc.) favours the increase in employment. Reforms in the public sector have been halted, at least as long as negotiations continue, therefore employment in the public sector did not change, and it is possible that it will not change even after the negotiations are complete. On the other hand, the prevailing uncertainty affects prohibitively the staff increase even in firms that recover. Reluctance to make decisions about employment exists because of announcements made before

the elections regarding the cancellation of structural changes that were implemented in the labour market in the recent years (e.g. the level of minimum wage, collective bargaining etc.).

Only after clarifying the policy of the new government in these matters, can a large part of business take decisions relating to employment. Under these opposing effects, a decline in unemployment is possible by just over one percentage point this year compared with 2014, in the region of 25.3%. This forecast will be revised significantly if extensive changes are made in the context of labour relations and especially if negotiations with lenders turn out to be futile.

Resurgence of deflation - easing slightly in 2015.

The deflation reached a new high level in the quarter January – March of this year (-2.4%), surpassing the previous highest level, in the last quarter of 2013 (-2.2%). The price decrease was expected, as the oil prices at the beginning of 2015 remained close to the low levels, which they had reached from the beginning of the second half of 2014. As mentioned in previous reports of IOBE on the Greek economy, the fall in oil prices affects the limitation of both the cost of housing, and the transport costs, two of the three groups of goods with the greatest weights in the formation of the General Consumer Price Index. The decline in the cost of heating and therefore to the cost of housing is also related to the limitation of the excise duty on heating oil. Also, the

high political uncertainty since January is estimated to lead to liquidation of inventories, resulting in products to be offered at low prices, reinforcing deflation in the first months of this year.

Staying of oil prices to levels well below those of last year for at least the next six months, will maintain this period the resurgence of deflation that began in the last quarter of 2014. Then, this deflationary effect will be completed. The estimated decline in unemployment this year, under the conditions about the outcome of negotiations and labour relations mentioned above will correspondingly increase gross domestic income and demand, influencing deflation. Price developments in 2015 will depend on whether there will be changes in indirect taxation and in which direction, which however are not expected to be implemented earlier than the second half. Unless widespread increases in indirect taxes are decided, the prevalence of strong deflationary forces in the semester January - June will mainly form the price trend in 2015, with the reduction rate of the overall Consumer Price Index in the region of 1.0%, slightly less than 2014 (-1.3%).

And in this case, any major deviations from the underlying assumptions of the forecast, which mainly relate to parameters of demand, primarily in that about the negotiations, will lead to the revision of the forecast for inflation.

IOBE study: "The fundamentals of the Food - Beverages Industry"

The food and beverages industry maintained during the multiannual financial downturn, its fundamental role in Greek manufacturing and in the Greek economy in general. In the fourth chapter of the report the fundamentals of this sector of Manufacturing in Greece are presented (number of companies, gross added value of production, employment, etc.), compared with the corresponding performance of the sector at the EU level.

The importance of the subsectors of the domestic Food and Drink industry becomes apparent from these figures.

Then, the dynamics of the industry from the demand side are analysed. The trends of the food and non-alcoholic beverages consumption by households and the importance of their total consumption are presented. The evolution of their prices and the trade balance of the sector and its composition (major trading partners, etc.) is recorded.

The key issues on the role of the domestic industry Food and Beverage as a springboard of growth are mainly the issues of extroversion and exports, product quality, branding (business brand, and the brand of the country of origin) and the organized promotion of Greek food.

2. ECONOMIC ENVIRONMENT

2.1. Trends and Prospects of the World Economy

The Global Environment

After a relatively slow start in the first half of 2014 ended with the GDP of the global economy to grow by 3.4%, which is the same as 2013, and the volume of world trade to grow by 3.4% recording marginal slowdown compared with 2013 (3.5%). In 2015, based on the latest IMF estimates, the world GDP growth is expected to accelerate slightly to 3.5%, while in 2016 it will be further strengthened to 3.8%. However, as the forecast at the beginning of each year for the global economy is usually revised subsequently, it is considered most likely that there will be a slight slowdown in the global economy this year.

These favourable developments in the global economy are largely due to an increase in consumption, as investments did not rebound significantly and the contribution of net exports remained small.

The main driving factor in increasing consumption was and remains the fall in oil prices, which reduced inflation, increased the real disposable income of households, and expanded the profit margins of enterprises.

Broadly, the growth of consumption in oil importing countries, from saving resources that would be used to purchase energy products, offsets the negative

impact due to reduction in income from the sale of energy products in the exporting countries. It is significant that in 2015 the oil exporting countries are expected to have a stabilization of GDP growth in the levels of 2014, i.e.2.4%, while oil-importing countries will experience a significant acceleration of growth from 3% in 2014 to 4% in 2015.

In the US, the increase in private consumption contributed to real GDP growth. GDP in 2014 grew by 2.4% while the prospects for 2015 are even more favourable as growth of 3.1% is expected. At the dynamic recovery of the US economy contributed the fact that the government took mild fiscal measures, as well as the favourable monetary policy, strengthening employment and the expansion of investment.

In Japan, the fiscal adjustment by imposing additional taxes, the reduction of growth of nominal wages lower than the percentage change in the consumer price index and the depreciation of the Japanese currency led to a contraction in domestic demand in 2014 and finally in GDP contraction marginally by 0.1%. But lower oil prices, the postponement of the second increase in consumption tax from October 2015 to April 2017 and the relaxation of monetary policy is expected to have a favourable effect on growth this year and in 2016. The estimated 2015 GDP growth is 1%, while in 2016 a further slight acceleration to 1.2% is expected.

Among emerging economies, China is also expected to benefit from lower oil prices and the economy to continue to grow at high rates. China's GDP in 2015 is expected to increase by 6.8%, from 7.4% in 2014, while for 2016 a slight slowdown in growth to 6.3% is forecasted. Economic growth is expected to be supported by the continuation of structural reforms and the lower oil prices and commodity prices, through the boost in consumption. However, the risks to China's economy remain, largely due to the precarious environment that characterizes the real estate market and the financial system.

Russia, mainly because of the fall of oil revenues and the devaluation of the rouble that led to inflationary pressures and increased funding costs of banks and companies, is on the verge of economic and financial crisis. Thus, although 2014 ended with a marginal increase in GDP by 0.6%, the forecast for 2015 is for a strong recession, at 3.8%. To address these adverse developments, the Central Bank in Russia increased in December 2014 the interest rates at 17% and the Russian authorities announced a series of measures to restore the market to normal levels. The prospects for 2016 seem to be better with the recession to be limited to 1.1% as at that time, as geopolitical tensions which adversely affect the economy are expected to gradually recede.

The slight acceleration of growth of the global economy in 2015 is reflected in the trend of the economic sentiment index,

which the IFO estimates for the global economy. After falling sharply in the last quarter of last year, from 105 points to 95 points, it increased marginally in the first quarter of 2015, and stood at 95.9 points. Despite a slight rise in the index, it remained at a low level, close to the level it had reached in the third quarter of 2013. The estimates for the current economic situation are stabilized, while economic expectations for the next six months improved slightly.

The examination of the economic climate index of IFO in the major economic regions worldwide shows significant regional differences, as in North America and Europe are recorded signs of recovery, as opposed to the deteriorating trends in Asia.

Specifically, in Europe the economic sentiment indicator in the first quarter of 2015 stood at 108.7 points, which is an improvement of 7.7 points compared to the previous quarter, resulting in being well above the average value. In North America the economic climate index recorded similar growth in the first quarter of 2015, by 5.8 points, the value stood at 107.1 points, moving well above the average of the last fifteen years. In contrast, the economic climate indicator in Asia decreased slightly in the first quarter of 2015 compared to the previous one, by 3.5 points, reaching 90.4 points against 93.9 points in the previous quarter. This is the second consecutive reduction of the indicator, so it is now below the levels of its long-term average value.

Table 2.1
IMF, World Economic Outlook
(Annual% change, at constant prices)

	2014	2015	2016
GDP			
USA	2.4	3.1	3.1
Japan	-0.1	1	1.2
Developing Asia (except Japan)	6.8	6.6	6.4
of which China	7.4	6.8	6.3
of which India	7.2	7.5	7.5
AESEAN-5	4.6	5.2	5.3
	0.9	1.5	1.6
Eurozone			
Emerging and Developing Europe	2.8	2.9	3.2
(CIS)	1	-2.6	0.3
of which Russia	0.6	-3.8	-1.1
(MENA)	2.4	2.7	3.7
Latin America	1.3	0.9	2
of which Brazil	0.1	-1.0	1
Sub-Saharan Africa	5	4.5	5.1
Global Economy	3.4	3.5	3.8
Global Trade			
World Trade Volume (goods and services)	3.4	3.7	4.7
Imports: Advanced Economies	3.3	3.3	4.3
Imports: Upcoming and Developing Economies	3.7	3.5	5.5

Developing Asia: Vietnam, India, Indonesia, China, Malaysia, Thailand, Philippines **AESEAN-5:** Vietnam, Indonesia, Malaysia, Thailand, Philippines **Middle East and North Africa:** Egypt, Algeria, Morocco, United Arab Emirates, Jordan, Iraq, Iran, Qatar, Kuwait, Lebanon, Libya, Bahrain, Oman, Saudi Arabia, Sudan, Syria, Yemen, Djibouti, Tunisia.

Sub-Saharan Africa: Angola, Ethiopia, Côte d'Ivoire, Gabon, Equatorial Guinea, Cameroon, Kenya, Congo, Mauritius, Botswana, Namibia, Nigeria, South Africa, Uganda, Cape Verde, Seychelles, Swaziland, Tanzania, Chad etc.

Source: World Economic Outlook, IMF, April 2015

Table 2.2
IFO – Expectations for the global economy (Indexes, base year:2005=100)

Quarter / Year	I/13	II/13	III/13	IV/13	I/14	II/14	III/14	IV/14	I/15
Economic Sentiment	94.1	96.8	94.1	98.6	103.2	102.3	100.5	95.0	95.9
Current Situation	80.4	84.1	82.2	84.1	91.6	91.6	95.3	91.6	91.6
Expectations	107.0	108.8	105.3	112.3	114.0	112.3	114.0	98.2	100.0

Source: IFO, World Economic Survey, WES Vol.13, No.03/ February 2015

Table 2.3

IFO - Economic sentiment indicator in economic zones (base year:2005=100)

Quarter /Year	III/12	IV/12	I/13	II/13	III/13	IV/13	I/14	II/14	III/14	IV/14	IV/15
North America	81.2	80.3	86.2	87.0	93.7	88.7	102.1	107.1	110.5	101.3	107.1
Europe	86.4	80.6	90.3	93.2	99.0	109.7	116.5	118.4	117.5	101.0	108.7
Asia	83.3	81.6	97.4	106.1	89.5	98.2	97.4	89.5	99.1	93.9	90.4

Source: IFO, World Economic Survey, WES Vol.13, No.03/ February 2015

Economies of the EU and of the Euro- zone

The EU countries and the countries of the Euro zone, although most of them are oil importers, have not benefited enough from the advantages of lower prices, especially in lower energy costs for businesses and households, as a significant increase in the exchange of the dollar against the euro in the second half of 2014 by about 20%, eroded to some extent these advantages. Consequently, the EU and the euro zone recovery rate in 2014 remained frail, as GDP grew by 1.3% and 0.8% respectively in the two regions. Note that in 2013 the GDP in the EU grew significantly while in the Euro zone it contracted by 0.5%. From the 28 countries of the European Union, the vast majority (25 countries) presented positive growth rates of GDP in 2014. Furthermore, the highest growth rates were recorded in Ireland (4.8%), Malta (3.3%), Hungary (3.3%), Poland (3.3%), and Lithuania, Luxembourg and Romania (3.0% in all). In contrast, the only countries that experienced recession in the corresponding period was Cyprus (-2.8%), Croatia (-0.5%) and Italy (-0.5%) while Finland was the only country whose economy was stable.

Based on the latest European Commission forecasts for the current year (2015), the annual GDP growth in the EU is expected to accelerate to 1.7%, while growth in the euro area is expected to reach 1.3%. In 2015, for the first time after the global financial crisis, the GDP is expected to increase in all EU countries. However, national economies are expected to have significant differences in performance due to differences in the pace of reforms, loan repayment and servicing of loan liabilities to banks by businesses, households and the public sector. Moreover, some countries will benefit more than others from the fall in oil prices because of the greater energy intensity of their productive activity and taxation of energy products.

The main leading indicators of economic activity in the Euro zone and the European Union confirmed the escalation of the economic recovery, and show a continuous improvement in recent months. Specifically, the €-COIN index, compiled by the Center of Economic Policy Research and the Bank of Italy, which is a leading indicator of economic activity in the Euro-zone, increased from last December to March 2015, recovering almost all the losses it had in the period

July – November of last year. The value of the index in March 2015 stood at 0.26 points, which signals growth in the next quarter compared to the immediately previous one and was clearly increased compared to the level of 0.06 points last November. The recovery of the index mainly reflects the strengthening of optimism of enterprises and the reduction of long-term interest rates.

According to the European Commission, mild improvement trends are prevailing in the economic climate indicator in both the European Union and the Euro zone. Specifically, this index increased gradually in all months of the first quarter of 2015 and stood at 103.9 points in the euro zone and 106.1 points in the EU, an increase compared to December 2014 of 2 and 3.3 points respectively. The rise in the index in the Euro zone stems mainly from the improvement in consumer confidence, while the business expectations in retail trade, services, construction, improved, and especially so in Industry. More information about the fundamentals that make up the euro area and EU GDP, as well as their potential trends in the coming period are provided in this section, focusing on the percentage changes of key macroeconomic and financial variables between 2014 and the previous year.

Specifically, according to data from Eurostat, private consumption recorded in 2014 increased by 0.9% and 1.3% in the Euro zone and in the European Union respectively. The mild and gradual increase in private consumption was the

main driver of growth in Europe as a result of the increase in available real income, small improvements in the labour market and lower inflation. Stronger will be the rise in private consumption in 2015, as it will increase by 1.6 percentage points in the Euro zone and 1.9 in the EU-28, contributing crucially this year to GDP growth.

More subdued seem to be the trends that dominate government consumption, which in 2014 grew by 0.7% in the Euro zone and 0.9% in the European Union. Public consumption in the whole of 2014 had a small positive contribution to GDP of 0.1% in the Eurozone and 0.2% in the EU. For 2015 a slowdown is estimated in growth, at 0.4% and 0.6% in the Euro zone and EU-28 respectively.

Exports of goods and services rose in 2014 by 3.6% in the Euro zone and 3.2% in the European Union. The rise in exports was helped by the decline in the exchange rate of the euro against the dollar, which enhanced the competitiveness of the EU and the euro zone in terms of prices.

However, this positive effect is less than the change in the exchange rate, as it has been estimated that about half of a change in an exchange rate usually passes on in the prices of export products. Furthermore, the parallel increase in domestic demand led to a rise in imports.

On the other side of the trade balance, imports recorded an increase, similar to

that in exports, in the Euro zone which was marginally higher in the European Union (3.6%). It seems that the rise in private consumption was directed to a greater extent to imports than to domestic production, since imports increased more than consumption expenditure. As a result of these changes, net exports did not contribute to the growth of the European economy in 2014. For 2015, the European Commission forecasts an increase of both exports and imports, but the expected increase in imports in both zones (EU-28 +4.3%, euro zone +4.5%) will be faster than the increase in exports (EU-28: 4.1%, euro zone: 4.3%), leading to a negative contribution of the external sector to growth.

Regarding investment, in 2014 the increase of investment in the Euro zone remained anaemic 0.9%; however, at EU-28 it reached 2.2%. The small rise of investment was the key factor in the sluggish recovery experienced in 2014 in the Euro zone. This weakness primarily reflects the economic and political uncertainty and the existence of significant financial constraints in some countries of the Euro zone. The continuation of armed conflict in the eastern regions of Ukraine is still a hotbed of political-economic conflicts between Russia and the US-EU, which affect investment negatively, not only investment within Europe but also European investment in Russia. To a weakening of investment activity leads the ongoing deflation, which led to an

increase in real interest rates, as central banks cannot intervene by correcting downward nominal interest rates since they are already at a very low level.

However, 2015 is estimated to widen slightly the investment activity by 2.0 and 3.0 percentage points in the Euro zone and EU -28 respectively. To this end is expected to affect the new draft EU investment plan (Junker Plan). It is about an investment support plan of €315 billion (around 2.5% of EU GDP) to be spent on infrastructure projects but also on smaller projects involving small and medium-sized enterprises, whose impact is expected to be felt mainly after 2016.

Inflation in the EU and the euro area in 2014 amounted to only 0.6% and 0.4% which is largely due to deflationary pressures created by the decline in oil prices. In 2015 there will be deflation in the Euro zone (-0.1%) and marginal inflation in the EU-28 (+0.2%) and over the next quarters will continue the restraining effect of lower oil prices on prices. The problem of deflationary pressures in Europe is expected to some extent to be alleviated by the quantitative easing decided by the European Central Bank, with the implementation of the government bond purchase program. The program it is expected to help the Euro zone member countries in meeting their debt obligations and to increase the demand for new loans. The gradual recovery of confidence and credit expansion (taking new loans) is expected to contribute to a further increase in investment activity and consumption

leading to the normalization of price developments.

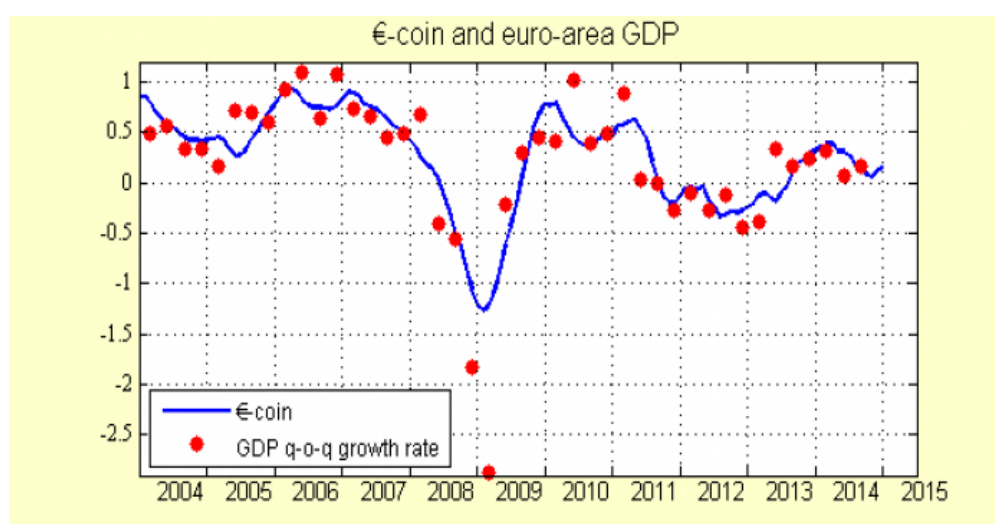
Regarding fiscal performance, the general government deficit in 2014 stood at 2.6% in the Euro zone and 3% in the EU28 and is expected to decline again in 2015, to 2.4% and 2.7% respectively. This positive development mainly reflects the benefits of implementing budgetary measures limiting the high deficits in several European countries.

As regards the debt to GDP ratio, it continued its upward trend in 2014, but at a decreasing rate as it stood at 94.5 and 88.1 percentage points in the Euro zone and the European Union respectively. For 2015, the debt is estimated to possibly reach a peak in both regions (94.8% in the Euro zone and 88.3% in EU-28), and then it is expected

to follow a downward trend, as a combined result of the ongoing achievement of primary budget surplus in several European countries and the acceleration of economic growth.

The labour market conditions were marginally improved in 2014 mainly due to the return to growth. Specifically, employment grew last year by 0.5% in the Euro zone and 0.9% in the EU, with the unemployment rate standing at 11.6% in the Euro zone and 10.2% in the EU. The European Commission estimates that the change in employment in 2015 will move into positive territory and will have the same extent in both European zones (+0.7 percentage points). Subsequently, the unemployment rate is expected in 2015 to stand at 11.2% in the Euro zone and 10.0% in the European Union.

Figure 2.1
Monthly Index €-COIN of CEPR



Source: CEPR (www.cepr.org) and Bank of Italy

Table 2.4

European Commission - Economic Sentiment Indicator EU-28 & Eurozone (1990-2013=100)*

Month	Jan-14	Feb-14	Mar-14	Apr-14	Ma-14	Jun-14	Jul-14	Aug-14	Sept-14	Oct-14	Nov-14	Dec-14
EE-28	104.6	104.9	105.3	106.2	106.4	106.4	105.8	104.6	103.5	104.1	104.0	104.1
Eurozone	100.9	101.1	102.5	102.0	102.6	102.1	102.1	100.5	99.9	100.7	100.7	100.6

Month	Jan-15	Feb-15	Mar-15	Apr-15	Ma-15	Jun-15	Jul-15	Aug-15	Sept-15	Oct-15	Nov-15	Dec-15
EE-28	104.8	105.2	106.1									
Eurozone	101.5	102.3	103.9									

* The weights of the countries and the time series of the index in the EU were revised after the entry of Croatia since July 1st,2013

Source: European Commission (DG ECFIN), September 2014

Table 2.5

Macroeconomic fundamentals, EU-28, Eurozone (annual % changes)

	EE-28			Eurozone		
	2014	2015	2016	2014	2015	2016
GDP	1.3	1.7	2.1	0.8	1.3	1.9
Private consumption	1.3	1.9	1.8	0.9	1.6	1.6
Public consumption	0.9	0.6	0.9	0.7	0.4	0.9
Investment	2.2	3.0	4.6	0.9	2.0	4.4
Employment	0.9	0.7	0.9	0.5	0.7	1.0
Unemployment (% workforce)	10.2	9.8	9.3	11.6	11.2	10.6
Inflation	0.6	0.2	1.4	0.4	-0.1	1.3
Exports of goods-services	3.2	4.1	5.0	3.6	4.3	5.1
Imports of goods-services	3.6	4.3	5.4	3.6	4.5	5.7
General Government Balance (% of GDP)	-3.0	-2.6	-2.2	-2.6	-2.2	-1.9
General Government Debt (% of GDP)	88.4	88.3	87.6	94.3	94.4	93.2
Current Account Balance (% of GDP)	1.6	1.9	1.9	2.8	3.2	3.0

***Source:** World Economic Outlook, IMF, October 2014

2.2. The economic environment in Greece

A) Economic Sentiment

The IOBE economic sentiment surveys offer significant indications on the developments of the economy in the last few months, from the perspective of both the enterprises and the consumers. Besides, the key statistics constitute leading indicators for various economic variables and can be used to predict near-

term developments and even the course of GDP. In greater detail:

The index of economic sentiment in the first quarter January - March 2015 fell in comparison with the last quarter of the previous year. The fall of the index was due to the strong weakening of the climate in January and the further small weakening in March.

In the post-election environment, and while the context of an agreement with the country's European partners is not

clear yet, two countervailing forces about the expectations of businesses and about those of consumers exist: the expectations of consumers are improved significantly this quarter, while business expectations are going down on average, in all areas. The re-emergence of adverse forecasts can be attributed to the tight credit conditions and prolonged high uncertainty about the general course of the economy. Many crucial questions remain open, as, on the one hand, the agreement of the Greek government with its European partners and creditors is pending, and on the other, the content of any such prospective agreement cannot be evaluated by citizens and businesses at this time. Overall, the economy appears to be in a standby mode until the possible new conditions are formed, which will define, at least in the short term, the framework for the decisions and the expectations of citizens and businesses. In more detail:

The Economic Sentiment Indicator in Greece fell in the quarter January - March 2015, compared with the previous quarter October - December 2014, during which it was at its highest level since the mid-2008. On average in this quarter, the index moved to 96.8 (from 101.3) points, a level slightly higher than the level of the index last year (95.2 points on average).

In Europe, the corresponding indicator stood at higher levels in this period compared to the previous quarter, both in the Euro zone and the EU. In particular, the sentiment indicator stood at 102.6 (from 100.9) and 105.4 (from 104.2)

points in the Eurozone and in the EU respectively, which is marginally higher in the first zone relating to the same period last year (101.9 and 105.2 points respectively in both zones).

At the sector field, business expectations in Greece considerably weakened in the first quarter of the year compared to the last quarter of 2014 in all sectors, and even more in Construction and Services. In Industry, the fall of the index reaches 8 points, while in services the index decreased by 12 points and in retail trade by 10 points. In Construction, the fall of the index reaches 19 points, while the Consumer Confidence Index is the only one to increase in the current quarter, partly offsetting the negative development in other sectors. Specifically, the Consumer Confidence Index is gaining 15 points, mainly due to the surge it recorded, by almost 20 points, in February.

Compared with a year earlier, average indicators have generally declined, with the exception of retail trade and consumer confidence, which are up by 5 and 24 points respectively. In contrast, the index in Industry has fallen by 3 points and in Services by 2, while the biggest fall recorded here is in Construction, with the relevant index losing 15 points in the current quarter compared to a year earlier. Specifically:

The Index of Consumer Confidence in Greece in the quarter January - March has sharply increased compared to the previous quarter, at which the average

value of the index stood at -37 (from -56.1) points, significantly higher compared to the corresponding last year's performance (-61.3 points). In the post-election period, the index stands at its highest value for six years - immediately after the parliamentary elections of 2009 - with the expectations of consumers improving considerably, both in relation to the country's finances as well as to their household finances. At the country level, the Greeks for the first time after a long period are not first on the scale of pessimism, but second after Bulgaria. The corresponding average European indicators are also improved in the first quarter of 2015 compared to the previous one, both in the Eurozone and the EU, but much milder, reaching -6.3 (from -11.2) and -4 (-7.7) points respectively, higher in relation last year's levels (at -11.2 and -8.2 points, respectively, on average).

The trends in the individual elements that make up the overall index are positive in the current quarter compared to the previous one. The negative forecasts of Greek consumers regarding the financial situation of households and the financial situation of the country in the next 12 months have improved dramatically, mainly due to the sharp rise in February, while the negative forecasts concerning the development of unemployment have eased. Along the same lines, the negative indicator of the propensity to save has improved, but the improvement is much milder in comparison with the other aforementioned variables.

In particular, the percentage of those who are pessimistic about the economic situation of their household in the next 12 months is limited to an average of 40% (from 58%) in the quarter under review, with 16% (from 23%) considering that this will remain unchanged. Also the percentage of Greek consumers who expressed pessimistic predictions about their household's economic situation "falls" at 38% (from 61%); with 19% expecting that this will remain the same. Regarding household savings, the proportion of households that consider unlikely or highly unlikely to increase their savings in the next 12 months falls slightly to 88% (from 90%) and 8-9% of households in the last six months consider it is likely that their savings will increase.

At forecasts on the evolution of unemployment, the percentage of those who believe that the situation will get worse is falling to 43% (from 65%), with 20% (11%) reporting the opposite view. Finally, the percentage of consumers indicating that they are in debt decreased slightly to 13% (from 15% the previous quarter and 18% in the same quarter last year). Finally, to 7-8%, is formed the last six months the percentage of consumers surveyed, who said they are saving a little, while those who said they were "just making ends meet" increased on an average of 69% (from 66%), with the percentage of households that said "that they draw from their savings" to be formed again to 10-11%.

The Business Climate Index in **Industry** for the quarter January - March compared with that of October - December stood at 87.1 (from 94.9) points, which is lower compared to last year's performance (90 points). At key activity data, the positive forecasts for the short - term evolution of production are limited at the quarter in question, with the relevant indicator moving to 9 (from 13) points on average.

The same negative trend is recorded in the estimations for the level of orders and demand (the indexed fell from -16 to -27 points). Estimates of stocks of finished goods suggest relatively high levels of inventories for this period, with the relevant indicator moving to 9 points higher than in the previous quarter (to 15 points).

The trends in export variables are mostly negative, since current estimates for exports of the sector and estimations for the orders and external demand are deteriorating and forecasts for the export dynamics of the next quarter remain unchanged on average. At the projections for employment in the sector, the relative balance of the quarter in question also moves downward, reaching -8 (from -2) points on average, a slightly higher performance compared to the average for the first quarter of 2014 (-10 points). The rate of capacity utilization is limited slightly in the quarter in question, to 67% (from 68.8%), marginally higher than in the corresponding period of 2014 (66.3%). Finally, the months of assured production are, once more 4.5 on average.

The Business Climate Index in **Retail Trade** in the quarter under review decreased to 86.4 (from 95.6) points, which is higher than the same quarter last year (80.6 points). From the key variables of the index, the average estimates of current sales are deteriorating in the current quarter (-8 to 0 points in the index). Of the companies in the sector, the percentage of those who consider that the sales have decreased is rising mildly at 39% (from 36%), while 31% (36%) considers that sales increased. On estimates of the anticipated sales, the relevant indicator 'falls' to -13 (from 7) points, while the index of estimated inventories is formed at -6 (from -9) points on average. Of the remaining elements of activity, downward moves the balance in the forecasts for orders to suppliers (-20 from 9 points on average this quarter), while regarding employment, the balance of short-term forecasts tumbles to -3 (from 24) points on average. Finally, in terms of prices, deflationary expectations smoothed gently over the examined quarter compared to the previous one (-1 from -5 points), with 14% of enterprises expressing expectations of price de-escalation and 14% (from 10%) forecasting stability. In all individual sectors of Industry there has been recorded a deterioration of business expectations in the period in question, with a milder one in Food - Beverage - Tobacco and Department Stores.

Business expectations in **Construction** recede significantly in the first quarter of

2015 compared to the fourth quarter of 2014, with the relevant balance standing at 65 (from 79.9) points on average. This performance is lower in relation to last year's (79.6 points on average). At key variables of the index, the fall in expectations for employment in the sector (from -11 to -20 points), is assisted by the strong expansion of unfavorable forecasts of business on the level of their work program (at -56 from -37 points). Almost 40% (30%) of businesses in the sector expect job cuts and 19% expect that employment will increase. Regarding the negative estimates of business for the current level of the work program, they are limited, with the relevant balance increasing to -4 (from -9) points, while the months of assured activity of the businesses of the sector was 12.6 (from 11.5). The negative balance in the forecast for prices remains unchanged during the quarter under review compared to the previous one, to -13 points, 26% of companies expect price reduction in the short term and 13% an increase, and finally, the percentage of businesses that say that they face obstacles in their functioning falls to 8% (from 14%). Of the remaining companies, 28% consider both as major obstacles the low demand and the insufficient funding and the 1/5 reports factors such as the general economic situation and the recession, high taxes and lack of projects, delays in payments by the State, large discounts, etc. At the sub-sector level, the decline in overall business confidence in the sector comes from the unfavorable development in the Public Works

Construction (to 68.5 from 87.5 points in the average quarterly index), as the business expectations in Private Construction marginally improved the quarter concerned (to 58.2 from 57.5 points).

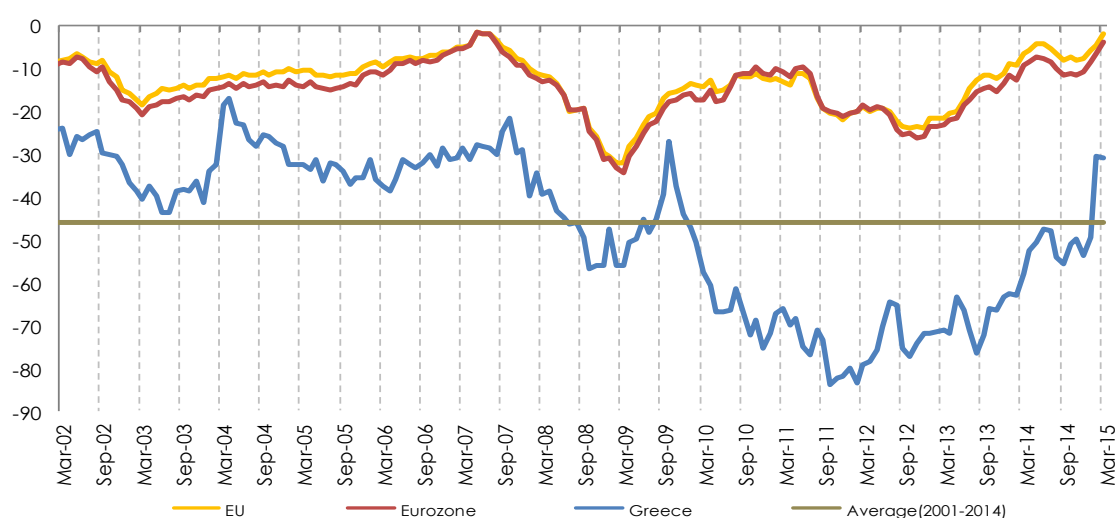
In **Services**, the average Business Climate Index in the first quarter of 2015 compared to the fourth quarter of 2014 declined at 76.4 (from 88.8) points, 2 points higher than in the corresponding period last year. All of the basic components of the index are deteriorating the examined quarter compared to the previous one. Estimates of current demand lose ground, with the relevant ratio standing at -7 (from 14) points on average, while fall is recorded in estimates for the current situation of the company (to -1 from +12 points).

Similarly, the forecasts for short-term demand of the enterprises are deteriorating (-7 from +7 points), while from the remaining indicators, the projections of respondents on employment are moving downwards, with the average balance moving from -7 points to -11 points (-3 points in the corresponding period last year). As regards to prices, the relevant forecasts regarding price falls intensified slightly, with the corresponding index losing 6 points and standing at -16, with 18% (11%) of firms expecting price decline and 81% (from 87%) price stability. Finally, the percentage of respondents that said their businesses operate without serious problems fell to 15% (from 25%), with 37% saying that the demand

deficiency is the basic obstacle to business, 25% reporting insufficient working capital, 2% reporting both labor shortage and shortages in equipment and 18% other factors associated with the general economic situation and the crisis, the international economic situation, inability to borrow, high taxes, delays in payments etc. Of the individual confidence indicators for the examined

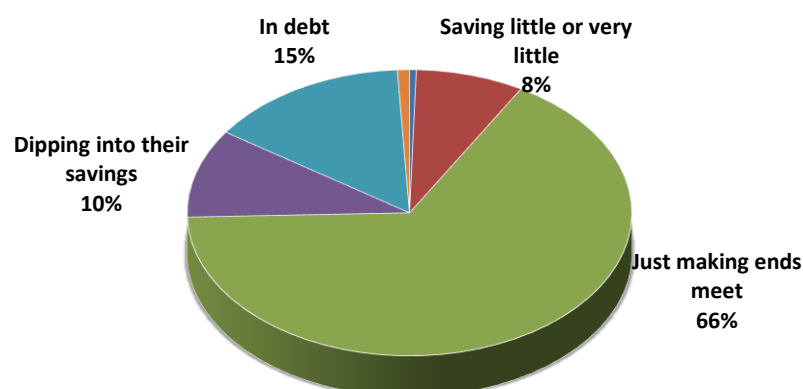
service industries, excluding various business activities, where relevant expectations are improving, the remaining sub-sectors record small or big drop in the indicators compared to the last quarter of last year. The most significant deterioration, by about 8 points is recorded in Hotels, Restaurants, Tourist agencies and land transport.

Figure 2.2
Economic Sentiment Indicators: EU28, Euro Area and Greece
(1990-2013=100, seasonally adjusted data)



Source: European Commission, DG ECFIN

Figure 2.3
Consumers' Survey data on their household's financial situation
(January-March 2015 average values)



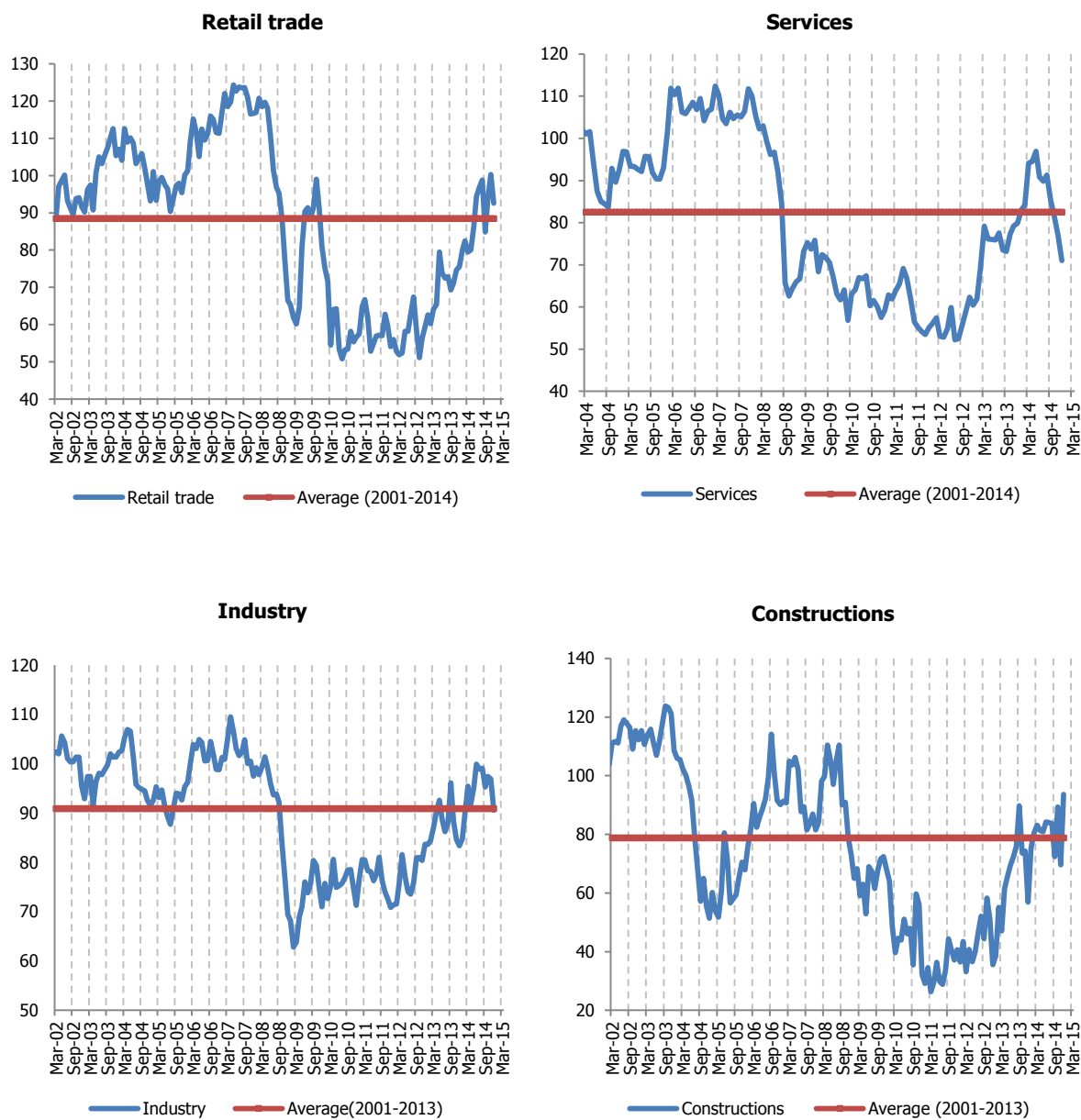
Source: IOBE

Table 2.6
Short-term economic sentiment indicators

Month/ Year	Economic Sentiment Indicators ¹		Business confidence indicators ² (Greece)				Consumer Confidence indicator ¹ (Greece)
	EU-28	Greece	Industry	Constructions	Retail Trade	Services	
2002	97.3	102.0	101.2	114.0	93.3	82.8	-27.5
2003	95.4	100.1	97.9	115.0	102.0	85.5	-39.4
2004	103.3	104.8	99.1	81.5	104.8	94.6	-25.8
2005	100.8	98.1	92.6	63.0	96.8	93.6	-33.8
2006	108.3	104.9	101.5	91.1	110.8	103.7	-33.3
2007	111.0	108.4	102.8	92.5	120.8	106.6	-28.5
2008	93.3	97.4	91.9	95.2	102.5	97.8	-46.0
2009	79.3	79.7	72.1	65.5	80.4	70.1	-45.7
2010	101.2	79.3	76.2	45.2	59.5	62.9	-63.4
2011	100.3	77.6	76.9	34.2	58.9	61.7	-74.1
2012	90.9	80.0	77.2	43.2	57.1	54.8	-74.8
2013	95.7	90.4	87.8	65.0	70.2	70.4	-69.3
2014	105.1	99.3	94.6	81.5	89.1	87.2	-55.0
Q1 2014	105.0	95.0	90.0	79.6	80.6	78.8	-63.1
Q2 2014	106.4	99.4	95.6	82.1	86.9	87.1	-52.4
Q3 2014	104.7	101.4	97.8	80.1	93.5	94.1	-52.7
Q4 2014	104.2	101.3	95.0	84.2	95.6	88.8	-51.6
Q1 2015	105.4	96.8	87.2	65.0	85.5	76.4	-37.0

Sources: ¹European Commission, DG ECFIN, IOBE

Figure 2.4
Business Sentiment Indicators



Source: IOBE

B) Fiscal developments and Outlook**General Government 2014 Results**

According to the latest data from the General Government (on a national accounts basis), which are notified by ELSTAT to Eurostat, in the context of the Excessive Deficit Procedure, there are large variations resulting from the revised targets for 2014, which are included in the Explanatory Memorandum of the Budget 2015.

Specifically, the general government deficit for 2014 (on a national accounts basis), eventually reached 3.6% of GDP, against a forecast (in the Explanatory Memorandum of the Budget of 2015) of a deficit just 1.3% of GDP (Table 2.7). Correspondingly, the primary surplus fell to 0.3% of GDP, against a forecast for a surplus of 2.9% of GDP. As discussed below, these differences are due to the large revenue shortfall of the Ordinary Budget and to a small extent of the revenue of the Public Investment Programme, which occurred last December, mainly due to political developments.

Execution of State Budget 2014

Based on the available financial information concerning the State Budget (SB), there were very significant deviations from the revised targets for 2014, which are included in the

Explanatory Memorandum of the Budget 2015.

Specifically, the deficit of the SB in 2014 eventually amounted to €3.7 billion, or 2.1% of GDP, against a deficit estimate for just €0.8 billion in the Explanatory Memorandum of the Budget 2015. That is almost five times higher than estimates last November. Correspondingly, the primary surplus of the SB, which in the Explanatory Memorandum was estimated that it will reach €4.9 billion, or 2.7% of GDP, finally was limited to €1.9 billion, or 1.0% of GDP (Table 2.8).

Analysis of SB implementation data shows that this trend is due primarily to the large revenue shortfall of Ordinary Budget (OB) and to a small extent in revenue shortfalls of Public Investment Programme (PIP). Adding the excess tax refunds to these effects, the total shortfall of "net" income of the SB is €3.9 billion, or 2.2% of GDP. Instead, the expenditure in the SB was lower compared with the estimates of November by nearly €1.0 billion. As a result the deficit exceeded the forecast by approximately 2.9 billion.

These differences in SB made it impossible to achieve the targets for the deficit and primary surplus of the general government, on a national accounts basis, in 2014. At the same time, it becomes more difficult to achieve the budgetary targets of 2015 (base effect).

Table 2.7

General Government data on a national accounts basis* (ESA 2010)
(% of GDP)

	2011	2012	2013	2014	
				Target	Result
General Government balance	-10.5	-6.0	-1.8	-1.3	-3.6
Primary balance of the Gen. Government	-3.3	-1.0	2.2	2.9	0.3

Source: a) ELSTAT, Notification under the Excessive Deficit Procedure (October 2014), b) Introductory Budget Report 2015, 15/4/2015

* without the net financing towards the banking institutions

Table 2.8

State Budget 2013 – 2015 - (€ million)

	2013	2014	2015*
Primary balance	667	1,872	5,798
<i>% GDP</i>	<i>0.4%</i>	<i>1.0%</i>	<i>3.1%</i>
Ordinary Budget	2,652	3,748	7,466
<i>% GDP</i>	<i>1.4%</i>	<i>2.1%</i>	<i>4.0%</i>
PIP	-1,985	-1,875	-1,668
<i>% GDP</i>	<i>1.1%</i>	<i>1.0%</i>	<i>0.9%</i>
Interest Payments	6,044	5,569	5,900
<i>% GDP</i>	<i>3.3%</i>	<i>3.1%</i>	<i>3.2%</i>
Net Balance of the SB	-5,377	-3,697	-102
<i>% GDP</i>	<i>-2.9%</i>	<i>-2.1%</i>	<i>-0.1%</i>

*Forecast

Sources: State Budget Execution Bulletin December 2014, GAO, January 2015 and Budget 2015 Introductory Report, November 2014, Ministry of Finance

Ordinary Budget Revenue

The revenue of the SB (before tax refunds), for 2014 eventually amounted to €50.0 billion, compared to the estimate for revenues of €53.3 billion in the Explanatory Memorandum of the Budget 2015. Furthermore, revenues decreased by 2.9% compared to the tax collection of 2013, while they were expected to increase by 3.6%.

Approximately 58.0% of the shortfall is due to the deferral of revenue collection from the Eurosystem's Securities Markets Programme (SMP) amounting to €1.9

billion, which would be collected last December by the central banks of the Eurosystem, if the evaluation of the Greek program had been completed on time. In addition, there was a significant lag at the tax revenues of around €1.3 billion. Half of this shortfall took place in December (Table 2.9).

The shortfall compared to the estimates of the Explanatory Memorandum is mainly due to reduced revenues from direct taxation, especially in personal income tax (- €375 million), probably because of the general decline in incomes and also

because of the optimistic projections for revenues from withholding consolidated pensions. Significant shortfall is also found in revenue from tax debts from past years (by €177 million) due to the reluctance of taxpayers to register with the debt repayment scheme in 100 installments, as well as in revenue from taxation of legal entities (- €151 million).

With regard to revenue from indirect taxation, the shortfall amounted to €452 million. The shortfall comes mainly from VAT on domestic products, by €341 million (whereas VAT on imports exceeded the target) and revenue from excise duties on oil (€94 million less than the target). It is estimated that in both cases the shortfall is due to a significant extent of tax evasion.

Finally, it is noted that there was a significant excess in tax refunds totaling €234 million, which increased the overall shortfall in 'net' revenue of the OB to €3.5 billion. From the above data an increase in tax refunds in 2014 by 8.5% is indicated, while revenues fell by 2.9%.

Ordinary Budget Expenditure

Unlike the revenues, expenditures were restrained to €48.5 billion, i.e. approximately €0.8 billion lower than estimated in the Explanatory Memorandum of the Budget 2015 (Table 2.10). The moderation in relation with the initial estimates is mostly found in primary expenditure (the estimates were €639 million more) and to a lesser extent in interest expenditure (+€139 million). The

biggest savings are recorded in 'consumption expenditure' (by €279 million), interest payments (€139 million), the defense/armaments expenditure (€105 million) and salaries (€70 million). In contrast, the transfers to the EU and the subsidies to transport organizations substantially exceeded the targets.

Public Investment Budget

The developments in the Public Investment Programme in 2014 were similar to those in the OB. Revenues fell short by €414 million, due to both reduced receipts from EU funds (- €282 million) and reduced own revenues (-€133 million). To compensate for this shortfall, there was a decrease of payments by €208 million.

Execution of the State Budget 2015

Provisional data for the execution of the OB in the first quarter of 2015

From the available provisional data of the SB in the first quarter of 2015, there appears to be a temporary stabilization after the negative developments in the first two months. Specifically, the SB deficit stood at €500 million, slightly higher than the corresponding deficit of 2014 (€448 million). In the same period of 2015, the primary surplus of the SB was €1,735 million, which was improved, compared to the corresponding primary surplus of 2014 (€1,541 million). This stabilization is attributed to an exceptional collection (lump sum) of revenues and secondly to the temporary, as it is described by the Ministry of Finance, containment of OB expenditures.

Specifically, the positive developments in OB revenues are due to the one-off receipts of €147 million from the arrangement for paying outstanding tax debts (which lasted one week) in March, and revenue of €190 million from the sale of licenses by the State. Subtracting these extraordinary revenues, a total of €337 million, then the earnings of OB in the first quarter are 11.8% lower than the corresponding revenue of 2014, while the

Budget for 2015 forecasted an increase (on an annual basis) by 7.5% against 2014. At the same time in March there were revenues of €952 million from EU funds for the Public Investment Programme (PIP). It is notable that the revenue for the PIP in the first quarter exceeded the corresponding target by €678 million. This is an extraordinary improvement in the revenues of the OB.

Table 2.9
Annual revenues of the State Budget 2012-2015 (€ million)

Categories of revenues	2012	2013	2014 estimates	2015 Budget	% 13/12	% 14/13	% 15/14
1. Net revenues of State Budget	51,926	53,079	55,280	55,603	2.2	4.1	0.6
2. Net revenues of Ordinary Budget	48,326	48,415	50,149	50,871	0.2	3.6	1.4
Tax returns	3,172	3,105	3,136	2,877	-2.1	1.0	-8.3
3. Ordinary budget revenues	51,498	51,520	53,285	53,748	0.0	3.4	0.9
Direct taxes	21,097	20,058	21,396	21,880	-4.9	6.7	2.3
Income tax	13,311	11,489	12,778	13,184	-13.7	11.2	3.2
Property tax	2,857	2,991	3,432	3,512	4.7	14.7	2.3
Direct taxes of past years	1,811	2,826	2,105	2,474	56.0	-25.5	17.5
Other direct taxes	3,118	2,752	3,081	2,710	-11.7	11.9	-12.0
Indirect taxes	26,083	24,556	24,228	25,154	-5.9	-1.3	3.8
Transaction taxes	15,688	14,673	14,541	15,085	-6.5	-0.9	3.7
(of which VAT)	(14,956)	(13,856)	(13,892)	(14,411)	-7.4	0.3	3.7
Consumption taxes	9,625	8,995	8,804	8,922	-6.5	-2.1	1.3
Indirect taxes of past years	452	533	500	756	17.9	-6.2	51.2
Other indirect taxes	318	355	383	391	11.6	7.9	2.1
Non taxed revenues	4,318	6,905	7,661	6,714	59.9	10.9	-12.4
Revenues from the EU	246	183	183	231	-25.6	0.0	26.2
Non ordinary revenues	1,820	3,626	3,670	2,847	99.2	1.2	-22.4
Permits and Rights	15	86	474	577	473.3	451.2	21.7
Other	2,237	3,010	3,334	3,056	34.6	10.7	-8.2
4. PIP revenues	3,601	4,665	5,131	4,732	29.5	10.05	-7.8

Source: Introductory State Budget 2015, Ministry of Finance, March 2015

Table 2.10
Annual State Budget Expenditure 2013-2015 (€ million)

Categories of revenues	2013	2014	2015*	% Change	
				2014/13	2015/14
1. Net revenues of State Budget	58,459	55,063	55,705	-5.8	1.2
2. Ordinary budget spending	51,809	48,472	49,305	-6.4	1.7
Interest	6,044	5,569	5,900	-7.9	5.9
Primary spending	45,766	42,902	43,405	-6.3	1.2
Remuneration and Pensions	18,422	18,478	18,766	0.3	1.6
Wages	12,278	12,105	12,143	-1.4	0.3
Other Benefits	294	280	274	-4.8	-2.1
Pensions	5,850	6,093	6,349	4.2	4.2
Social protection expenditures	14,268	12,971	12,813	-9.1	-1.2
Subsidies to social security funds	12,262	10,669	10,562	-13.0	-1.0
Social Insurance	1,462	1,813	1,444	24.1	-20.4
Subsidies to OAED	477	431	750	-9.6	74.0
Other	67	58	58	-13.4	0.0
Operational and Other	9,526	8,157	8,030	-14.4	-1.6
Subsidies	1,936	1,666	1,388	-13.9	-16.7
Consumption	1,732	1,746	1,565	0.8	-10.4
Counterbalanced expenditures	2,669	2,321	2,441	-13.0	5.2
Other	3,189	2,424	2,636	-23.9	8.7
Transfers to other parties	3,549	3,295	2,796	-7.2	-15.1
Reserves	-	-	1,000	-	-
3. PIP Expenditure	6,650	6,592	6,400	-0.9	-2.9

Source: Explanatory Memorandum (Introductory statement) for the State Budget 2015, Ministry of Finance, November 2014

*Includes debt reimbursements to hospitals, military procurement, activated guarantees

The expenses are significantly restrained against objectives and as stated by the Press Release of the Ministry of Finance, "The lower costs are mainly due to the restructuring of cash planning on the basis of the prevailing liquidity conditions. It is estimated that after the normalization of cash conditions, expenditure will return to the levels of the budgetary objectives".

Final data on the execution of the SB in the first two months of 2015

At the time this bulletin is issued, analytical data for the implementation of the OB were available only for the first two months of this year. These data are

sufficient for a comprehensive evaluation of the course of the budget, especially if one takes into account the uncertainty about the general economic developments. It appears that two major trends are formed: (a) firstly there are still problems with revenue collection, which began in December last year and (b) on the other hand there is a containment of expenditures, which is in the opposite direction of annual targets for this year's Budget. Consequently, as noted by the Ministry of Finance, the containment of expenditures will not be maintained until the end of the year. The result of these trends is the deficit of the

OB, in the first two months of the year, to stand at €189 million, against a target for a deficit of €70 million. Correspondingly, the primary surplus fell to €1,243 million, against a target for primary surplus €1,411 million. An analysis of the figures shows that this development is primarily due to the large revenue shortfall of the OB, and due to exceeding the target for tax refunds. In contrast, the PIP revenues slightly exceeded the target set for the first two months of the year. Also, primary expenditure of the OB was kept well below the target, significantly offsetting the revenue shortfall.

Ordinary Budget Revenue

Revenues (before tax refunds) of the OB for the first two months amounted to €7,901 million; down 5.6% versus the same period of 2014 (€8,366 million in revenue, see Table 2.11). Greater lag of around 11.5%, was recorded over the first two months in the revenue compared to the budget target (target €8,930 million).

The shortfall is mainly located in the revenues of last January (-20.1% from the target), while the improvement recorded in February was not enough to offset the losses of January. This under-estimation is largely due to the fact that taxpayers wanted to wait and see what tax policy the new government would follow after the elections. On top of that, there also was the usual "slowdown" in tax collection administration and the usual surge in tax evasion, that always happen in the period before elections.

Revenues from income taxation, at €221 million, were far lower than the target for the first two months this year, despite the fact that the new way of taxing pensions (aggregation of main and supplementary pensions) would favor collecting more revenue this year. Lag is also recorded in receipts from tax debt regarding direct taxes of previous years (€349 million), because of delays in the finalization of the (new) arrangement regarding tax debt. Lower than the target are the VAT revenues (by €253 million) and revenue from special accounts that have been discontinued (€115 million). Instead, a significant increase (23.5%) compared to the corresponding revenue of 2014 was recorded in the revenues from property taxes, following the collection of the last two installments of ENFIA of the year 2014 in January-February this year.

Regarding tax returns, they amounted in the first two months of the year to €608 million and exceeded both the target (€463 million) by 31.3%, and the corresponding returns last year (€497 million). Subsequently, the shortfall in net income compared with the target for the first two months of 2015 is even greater, reaching 7.3%, or €1,169 million.

Ordinary Budget Expenditure

The ordinary budget expenditure amounted to €7,746 million, less by €731 million against a target for the initial two months of this year (€8,477 million). The decrease is mainly in primary expenditure (€683 million), while marginally decreased (-€48 million) are the interest expenditures (Table 2.12).

Table 2.11
State Budget Revenues (January-February in million €)

Category of spending			% change
	2014	2015	
1.Net State Budget revenue (2+4)	9,463	7,790	-17.7
2. OB Net Income	7,869	7,293	-7.3
Tax returns	497	608	22,3
3. OB Revenue	8,366	7,901	-5.6
Direct taxes	2,918	2,751	-5.7
- Income tax	1,313	1,354	3.1
- Property tax	553	683	23.5
- Revenue from overdue debt from previous years' direct taxes	682	397	-41.8
- Other direct taxes	369	318	-13.8
Indirect taxes	3,961	3,784	-4.5
- Transaction taxes	2,568	2,411	-6.1
(of which VAT)	(2,508)	(2,353)	(-6.2)
- Consumption taxes	1,191	1,146	-3.8
- Revenue from overdue debt from previous years' indirect taxes	149	178	19.5
- Other indirect taxes	53	49	-7.5
Non-tax revenues	1,487	1,366	-8.1
- Receipts from the EU	7	7	0.0
- Non ordinary revenues	554	420	-24.1
- Permits and Rights	0	0	0
- Other	926	939	1.4
4. PIP revenues	1,594	496	-68.9

Source: Monthly Bulletin on the Execution of the OB, February 2015, GAO, March 2015

Among the primary expenditure the reduction is detected (both in relation to the target and to the corresponding payments in 2014) in the "Transfers to other parties", in the expenditure to repay debts of hospitals, and in the activation of guarantees. But for these categories of expenditure the annual objectives foresee significant increases over 2014.

Therefore, if the budget is executed without deviations, the containment of primary expenditure will be overthrown. The same applies with interest payments, which on an annual basis are projected to increase by 5.9% compared to 2014, while in the first two months of 2015 they were reduced by 9.1%. As negotiations with the official creditors are ongoing and fiscal policy for 2015 has not been fully

clarified, it is not possible for now to make reliable estimates about the expenditure for the full year.

Public Investment Budget

The trend of the PIP is somewhat better than that of OB. Revenues totalled at €496 million and exceeded the target of the two months (€290 million). At the same time, PIP payments were kept at €238 million, against a target of €350 million. Overall, in the first two months of the year the PIP showed a surplus of

€258 million. However, these developments are expected to be reversed in the coming months as the annual revenue from the EU in the budget will be significantly reduced compared to 2014 (by €667 million), while the revenues from Greek sources, which according to the Budget should increase by 1.019% compared to 2014 and reach €750 million, probably will not be made, as up to now only €48 million of them are collected. Therefore, it is possible that public investment will be reduced, with negative effects on the economy.

Table 2.12
State Budget expenditure, January-February (€ million)

Expenditure category			% Change 2015/2014
	2014	2015	
1. State Budget Expenditure	8,976	7,984	-11.1
2. OB Expenditure	8,369	7,746	-7.4
Interest payments	1,576	1,432	-9.1
Primary expenditure	6,793	6,314	-7.1
-- Salaries & Pensions	2,953	3,113	5.4
Salaries	1,197	1,994	4.0
Other Benefits	32	34	6.3
Pensions	1,004	1,085	8.1
--Social Expenditure	1,833	1,947	6.2
Subsidies for social security funds	1,674	1,825	9.0
social protection	61	46	-24.6
Subsidies for OAED	95	75	-21.1
Other	3	1	-66.7
--operational and other expenditure	1,419	880	-38.0
Subsidies	176	116	-34.1
Consumption	32	79	146.9
Counterbalanced expenditures	536	634	18.3
Other*	675	50	-92.6
--Transfers to other parties	588	374	-36.4
3. PIP expenses	606	238	-60.7

Source: Monthly Bulletin on the Execution of the State Budget, February 2015, GAO, March 2015

*Including expenditure to cover deficits and repay debts of hospitals, armaments expenditure, EFSF commissions and guarantee payments.

3. PERFORMANCE AND OUTLOOK

3.1. Macroeconomic Developments

Recent macroeconomic developments in Greece

The growth rate of the Greek economy slowed slightly in the last quarter of 2014 at 1.3%, compared with GDP growth of 1.5% in the third quarter of 2014 and a recession of 2.8% in the fourth quarter of 2013, according to the most recent National Accounts data of ELSTAT². Subsequently, the entire previous year, the Greek economy recovered mildly after six years of decline, by 0.7%, while in 2013 the product fell by 4.0%. GDP growth in the last quarter October – December was mitigated by the deceleration of consumer expenses of households and the intense limitation of government consumption. On the other hand, the rise in exports widened further, by more exports of goods. But the improvement caused to the balance of the external sector was counterbalanced by strong growth in imports, resulting in a negative impact of the balance of the external sector on GDP change during that period. With regards to the trends of the individual components of GDP in 2014, domestic consumption was 1.0% higher than in 2013, when it shrank by 3.2%. Its rise came from the increase in household consumption expenditure throughout the course of last year, which averaged 1.4%, following a downturn of 2.2% the year before. In the part of

consumption expenditure which comes from the public sector, there was a slight decrease (-0.8%), compared to a clearly steeper decrease in 2013 (-5.1%), with the trend changing during last year's first half with a mild increase (+1.4%) followed by a decline in the second half of 2014 (-3.1%).

Investment growth in the last quarter of 2014, for the first time in that year, by 4.0%, which was the largest since the first quarter of 2010, limited the decline in investment in the entire year 2014 to 2.3%. The extent of the decline was very limited compared to 2013 (16.5%) and the smallest since 2008. In addition, it is noted that the decline in inventories since the second quarter of last year, a total of €865 million last year, was the cause of the reduction of the total investment, while in previous years it was due to the contraction in gross fixed capital formation. The creation of fixed capital increased in 2014 for the first time since 2008, by 3.0%, while the year before it had fallen by 9.5%.

In the main categories of fixed capital, a sharp decline in the first three quarters of 2014 and in the period October – December is continuing in the category of the residential construction, which last year was 51.5% lower than in 2013, during which it was significantly reduced (by 27.7%) although clearly less than in 2014. Cumulatively, fixed capital formation in dwellings has shrunk in the period 2008-2014 by 90.9%. All other categories of fixed capital rose in the last

² All changes mentioned in this chapter are calculated on year on year basis. The national account data refer to seasonally adjusted data, in 2010 values.

year. The largest increase occurred in transportation equipment and agricultural products, with both categories showing particularly strong growth in the last quarter of 2014 (+227.9% and +20.4%), bringing the expansion of fixed capital formation in the full year to 78,1% and 20.4%. These categories were the only ones that had also increased the year before (by 16.1% and 44.6% respectively), with the farm machinery offsetting the losses experienced in 2009-2012. But the importance of transportation equipment is much greater for investment, as from this category came last year the 22.7% of fixed capital formation, while from farm machinery just 0.7%. The category of various constructions had in 2014 a growth rate of 5.0%, which exceeded the reduction in 2013 (-2.8%). However, the strong upward trend of this category in the first quarter weakened and turned downward in the period October - December (-12.0%). Just the opposite was the development of the trend in metal products - machinery, investment in which grew by 4.2%, after falling by 12.0% in 2013.

Despite the very high rates of export growth in the first three quarters of 2014, their ascent has widened in the last quarter, reaching marginally double digits (+10.3%), with the average increase last year being around 8.8%, when in 2013 it did not exceed 1.5%. The largest growth of the past four years was recorded in the fourth quarter last year and came equally from the higher export demand for goods and services (+10.3% and +10.2%

respectively). Exports of goods rose much more than in previous quarters, having an annual increase of 5.2%, more than double that in 2013 (+2.2%). The expansion of services exports slowed compared with the second and the summer quarter, but exceeded 12% in all of 2014 (+12.7%) and was the second largest since 2000, after that in 2004.

Following a very good year for Greek exports, their value at year 2010 prices reached €56.1 billion, slightly lower than in 2007 (€56.4 billion) and about €2.3 billion less than the maximum over time 2008 level.

The acceleration of growth in imports in the fourth quarter last year at 17.9% is due partly to their lower level in the fourth quarter of 2013, compared with the other quarters of that year. The increase occurred mainly in the part of imports of goods (+19.9%), however, the strengthening of imports of services was also the largest in the final quarter of 2014 (+8.4%), compared with the other quarters of 2014. The demand for imports of goods presented escalation over the past year, as the marginal decline in the first quarter was succeeded by a rise in the next quarter, which received the greatest extent for last year in the last quarter of the year, with the expansion of imports of goods throughout 2014 standing at 8.4%. Variations were recorded in the trend of imports of services. Their accelerating rise in the first half follows a decrease in the third quarter, which was succeeded by an increase in the last quarter of 2014,

October - December, bringing the total imports of services in the previous year 3.1% higher than in 2013. The total of imports of goods and services reached €60.3 billion in 2014 (at constant 2010 prices), which is 7.4% higher than a year earlier. However, the broader, since the beginning of 2014, rise in exports compared to that of imports, limited the external sector deficit for the seventh year, albeit marginally, by 0.2% or by €380 million to €4.2 billion (2.2% of GDP), from €4.6 billion (2,5% of GDP).

Approaching the GDP from the production side, the domestic gross value added fell by 0.5% in 2014, against a drop of 3.7% in 2013. However, the downturn in most key areas that took place in the first nine months of last year, carried on in the last quarter of the year. Primarily the continued sharp decline in housing construction brought pressures in the terminal quarter in the construction industry, whose product shrank again last year, by 16.3%, slightly less than in 2013 (-19.1%), as other constructions, which mainly consist of public works, rose for the first time since 2009. The Professional - scientific - technical - administrative activities sector remained the sector with the second largest decline, like the year before, with the decline in 2014 being a little milder (-6.9% from -9.0%). The Financial - insurance activities follow, with a decline almost at the same extent as a year earlier (-5.5% vs. -6.2%). Last year's decline in gross value added in the Information - communication sector offset the rise in 2013 (-3.3% from +3.2%).

The downturn in the industrial sector, continued for the fifth year, but it did not exceed 2.1%, compared to a 6.7% drop in 2013, which was the third larger. In the primary sector (agriculture - forestry - fisheries) and in Arts - Entertainment - Recreation there was the smallest decline in activity in 2014, of 0.7% and 0.4% respectively, following much more severe recession in the former sector (-7,2%) and a similar stabilizing trend in the latter (+0.2%) a year ago.

On the side of the sectors with even marginal enhancement of output last year, the continuing in 2014 significant increase in activity in tourism and the strong recovery of the car - motorcycles market, led primarily to the increase in gross value added in Wholesale-Retail trade-Repair of motor-vehicles and in Accommodation Services - Catering by 6.4%, which offset the decline in 2013 (-2.5%) and the largest part of the decline in 2012 (-5.5%). Next in output growth, was the public sector, which did not exceed 1.1%, following a decline of 5.3%. A stabilizing trend prevailed last year in Real estate (+0.2%), after its small rise in 2013 (+0.8%).

The unemployment resumed its upward trend in the fourth quarter of 2014. As predicted in the previous IOBE bulletin on the Greek economy, although the tourist season lasted longer than in the past, until the middle of the period October - December, the completion and closing of seasonal employment brought a mild upturn in unemployment, to 26.1% from 25.5% during the summer months (-35.8

thousand jobs in Accommodation - Catering services in the fourth quarter). Of course, unemployment remained for the third consecutive quarter below its level in the corresponding period of 2013 (27.8%), which resulted in the decline in unemployment in 2014 compared to the previous year, for the first time since 2008. Specifically, the unemployment rate fell by one percentage point in 2014 to 26.5%, from 27.5% a year earlier. In the total of last year, most jobs were created on average in Accommodation - Catering services (41.6 thousand), in Administrative - Support Activities (24.1 thousand) and in Education (20.4 thousand). The rise in the last two sectors is positively correlated with employment through OAED programs. In contrast, the number of employed decreased primarily in Public Administration - Defence - Social Security (-28.3 thousand), in Financial - Insurance activities (-22.9 thousand) and in Construction (-10.6 thousand).

The stronger deflation in the last quarter of 2014, to 1.8% from 0.6% in the third quarter, despite the low level of the overall Consumer Price Index (CPI) in the corresponding period the year before, when the fall in prices was the biggest over time (-2.2%), was primarily due to the effect of the significant decline in international oil prices on two of the three main groups of goods / services that form the index, namely 'Transport' and 'Housing'. The transport cost was reduced by reducing the fare on public transport in Athens. Steady, significant decline in prices, higher than 3.0% was recorded in the last quarter October - December in

Education (average of -3.1%), but this category of services determines the CPI to a much lesser extent than the previous two categories of products / services. These trends in late 2014 formed deflation in the entire year to 1.3%, with falling of prices last year exceeding that of 2013 (-0.9%) and the biggest since at least 1960.

In summary, the slowdown of the recovery of the Greek economy in the concluding quarter of 2014 came primarily from the completion of the favourable impacts from international touristic flows, for the second consecutive year, on exports and employment, and subsequently on domestic income and private consumption. A restraining effect on growth came from the halt on the improvement of the economic climate over the same period, which was also reflected in the relevant index that IOBE estimates monthly, and is mostly attributed to the gradual resurgence of political uncertainty, which had weakened after the European Parliamentary elections in May 2014. Among the events that increased caution against political developments are the major delays in the negotiations with the troika, which led to recession in early December, the earlier than expected commencement of the procedure for the election of the President of the Republic and the inability of the parliament at the time to elect a new President, which was apparent since mid-December and which led to snap parliamentary elections.

Medium-term prospects

As forecasted in the previous IOBE bulletin on the Greek economy, domestic political developments caused by the inability to elect a new President of the Republic at the end of last December, defines the political - economic trends at least in the first half of this year. As long as there are no clear indications of a positive outcome of the current negotiations of the new government with official lenders, and especially in case of developments which signify that the two sides are not able to approach each other, the already high uncertainty within and outside the country will escalate further, as will the effects of the uncertainty. These effects have not yet been captured in the data on macroeconomic fundamentals (GDP, unemployment) and in the short-term indicators of economic activity, as the latest statistics available are for the first two months of this year.

At present, the domestic concern about the potential negative developments of the negotiations is reflected in the trends of leading indicators: the economic sentiment indicator of the European Commission, estimated in Greece by IOBE, after having stabilized in the last quarter of 2014, fell in the initial quarter of this year, for the first time between consecutive quarters from the first quarter of 2014. The expectations

deteriorated in the period January - March in all sectors, especially in construction and services.

However, the significant improvement in consumer confidence is highlighted, which stood for the first time at a level similar to that before the financial crisis, although the margin for improvement seemed to be exhausted in March, with the stabilization of the indicator.

In addition, the Purchasing Managers' Index (PMI) in Manufacturing, estimated by Markit, stood in the first quarter at 48.5 points, a level which is lower than the third quarter of 2013 and indicates a mild contraction in production. The individual components of the index indicate that a sharp decline in new orders continued in March, remaining close to the rate of decline in February, which was the strongest over 19 months. Especially the extensive decline in new export orders expanded, negatively affecting all new business.

This development was attributed by the purchasing managers surveyed to estimate the PMI to political uncertainty in Greece, which discourages international customers. Nevertheless, employment in manufacturing companies increased slightly in March for the fourth consecutive month.

Table 3.1

Macroeconomic fundamentals - National Accounts (seasonally adjusted data, constant prices 2010)

Quarter	GDP		Final Consumption		Investments		Exports		Imports	
	€ million	Annual Rate of Change	€ million	Annual Rate of Change	€ million	Annual Rate of Change	€ million	Annual Rate of Change	€ million	Annual Rate of Change
2000	190,243	4.2%	164,487	3.3%	43,696	9.4%	43,680	23.8%	63,324	21.3%
2001	197,112	3.7%	171,540	4.2%	44,386	1.7%	43,021	0.6%	62,323	1.2%
2002	203,306	3.2%	178,926	4.2%	44,512	0.3%	39,856	-7.3%	60,247	-3.4%
2003	216,597	6.6%	186,580	4.3%	53,420	20.1%	39,558	-0.7%	63,775	5.8%
2004	227,176	5.0%	194,468	4.3%	53,398	0.0%	46,689	18.5%	67,943	7.1%
2005	229,749	0.9%	203,375	4.5%	45,430	-15.0%	48,869	3.4%	68,778	-0.7%
2006	242,947	5.8%	210,411	3.5%	57,779	27.2%	51,405	5.2%	77,996	13.7%
2007	251,165	3.5%	218,433	3.9%	64,013	10.9%	56,416	10.6%	88,657	15.1%
2008	250,065	-0.4%	222,226	1.8%	59,488	-7.0%	58,395	3.5%	90,622	2.6%
2009	239,162	-4.4%	221,573	-0.4%	43,034	-27.7%	47,803	-18.5%	73,252	-19.6%
Q1 2010	58,983	0.3%	54,251	-1.4%	10,135	5.3%	12,477	-0.6%	18,701	2.8%
Q2 2010	57,371	-4.9%	52,908	-4.5%	9,725	-6.3%	12,621	4.4%	17,371	-4.0%
Q3 2010	55,426	-7.7%	50,656	-9.8%	9,655	-8.3%	11,921	1.7%	16,702	-8.9%
Q4 2010	54,617	-9.0%	49,677	-9.7%	8918	-28.7%	12825	12.2%	16482	-11.6%
2010	226,398	-5.3%	207,492	-6.4%	38,433	-10.7%	49,844	4.3%	69,255	-5.5%
Q1 2011	53,124	-9.9%	48,016	-11.5%	9,611	-5.2%	12,461	-0.1%	16,568	-11.4%
Q2 2011	52,316	-8.8%	47,408	-10.4%	8,425	-13.4%	12,553	-0.5%	16,336	-6.0%
Q3 2011	51,210	-7.6%	46,879	-7.5%	7,543	-21.9%	12,561	5.4%	15,913	-4.7%
Q4 2011	49,676	-9.0%	45,062	-9.3%	6,506	-27.1%	12,769	-0.4%	15,028	-8.8%
2011*	206,326	-8.9%	187,364	-9.7%	32,085	-16.5%	50,345	1.0%	63,845	-7.8%
Q1 2012	49,172	-7.4%	44,882	-6.5%	6,639	-30.9%	12,684	1.8%	14,745	-11.0%
Q2 2012	48,307	-7.7%	43,605	-8.0%	6,542	-22.3%	12,366	-1.5%	14,323	-12.3%
Q3 2012	47,832	-6.6%	42,943	-8.4%	5,484	-27.3%	12,704	1.1%	14,150	-11.1%
Q4 2012	47,356	-4.7%	42,358	-6.0%	6,716	3.2%	13,080	2.4%	14,618	-2.7%
2012*	192,668	-6.0%	173,788	-7.2%	25,382	-20.9%	50,834	1.0%	57,836	-9.4%
Q1 2013	46,519	-5.0%	42,047	-6.3%	6,126	-7.7%	12,720	0.3%	14,251	-3.3%
Q2 2013	46,337	-4.1%	42,000	-3.7%	5,277	-19.3%	12,928	4.5%	13,963	-2.5%
Q3 2013	46,115	-3.6%	41,908	-2.4%	5,508	0.4%	13,187	3.8%	14,421	1.9%
Q4 2013	46,033	-2.8%	42,433	0.2%	4,278	-36.3%	12,782	-2.3%	13,538	-7.4%
2013*	185,004	-4.0%	168,387	-3.2%	21,189	-16.5%	51,616	1.5%	56,172	-2.9%
Q1 2014	46,356	-0.4%	42,230	0.4%	4,973	-18.8%	13,664	7.4%	14,264	0.1%
Q2 2014	46,489	0.3%	42,468	1.1%	5,065	-4.0%	14,087	9.0%	15,158	8.6%
Q3 2014	46,812	1.5%	42,638	1.7%	4,835	-12.2%	14,290	8.4%	14,939	3.6%
Q4 2014	46,636	1.3%	42,628	0.5%	5,835	4.0%	14,104	10.3%	15,960	17.9%
2014*	186,292	0.7%	169,963	1.0%	20,708	-2.3%	56,144	8.8%	60,321	7.4%

*Provisional data

Source : Quarterly National Accounts, February 2015, ELSTAT

The strengthening of the pessimistic expectations and escalating uncertainty about economic developments is estimated to reflect the deterioration in some of the basic

parameters of the Greek economy in recent months. These include the resurgence of currency risk. The completion of the Second Economic Adjustment Programme in June,

following the extension agreed in the Eurogroup of 20 February 2015, together with the country's inability to refinance its debt from the international capital markets at a cost that ensures its sustainability, have helped domestic economic agents realize the need to achieve a new agreement with the country's partners in the euro zone, in order to ensure that the Greek state can cover its financing needs, if this is not feasible in the capital markets. Since there has not been significant progress yet in the negotiations between the Greek government and the country's partners regarding the terms of such an agreement, the view that eventually the parties will not agree is becoming more widespread and the prospect that Greece will break its ties with the Eurozone is becoming more likely. Consequently, negatively affected are the expectations of economic agents, until now mainly the expectations of business. A similar trend in households has until now been averted mainly because of the fact that there have been no new fiscal measures, as expected when the previous government was negotiating with the Troika, and even earlier, when the reports by the IMF and the European Commission for the previous evaluation of the programme highlighted the fiscal gap.

The failure to formally confirm until now a significant convergence on the content of a new agreement with the

country's partners in the Eurozone, apart its negative impact that is reflected in the expectations, is considered to have an impact and will continue to strongly influence decisions within and outside the country regarding the level of liquidity in the Greek economy. Specifically, it is estimated that the deposits of enterprises and households in domestic banks have had a clear downward trend in recent months, for the first time since 2012. This economic decision reflects the effort of initially stimulate private consumption and investment, and then they will stimulate imports. Regardless of how of the economic agents will use the funds they withdrew from the banking system, the reduction of deposits deprives businesses of investment resources which they could get through the banking system and are necessary for the consolidation and strengthening of the recovery that took place in 2014 in the Greek economy, through investment.

Uncertainty about political developments is affecting decisions internationally regarding the provision of liquidity to the Greek economy. As regards the financing of the private sector, the most important event so far was the ECB's decision on February 11 to no longer accept Greek government bonds as collateral to grant liquidity to the banking system. Since February the rate of expansion of credit to banks in Greece by the

ECB through the Emergency Liquidity Assistance (ELA) mechanism has been reduced. The ability of major companies and banks in Greece to access liquidity from international markets has been reduced also by the downgrade of the creditworthiness of Greece initially by Fitch, in late March by three notches from B to CCC, and recently by Standard & Poors (from B- to CCC+).

These unfavourable developments on the flow of credit to the private sector took place a few months after the completion of assessments of capital adequacy of the four largest domestic banks, which demonstrated that the banks were adequately capitalized. Confirming the banks' capital adequacy, after the government bond exchange programs in 2012, was the basic condition for the gradual return to credit expansion by banks to businesses and households, on better terms. Indications that this development had begun are the mild weakening of the rate of credit contraction in lending to the private sector since last October, when the results of stress tests of the ECB were announced, until February this year (from -3.2% to -2,5%), regarding mainly lending to enterprises (from -3.8% to -2.3%), with slightly lower interest rates on new loans (average interest rate for new loans at 4.91% against 5.36%). The fact that the current economic adjustment programme finishes shortly, without

an agreed framework of policies, along with instruments to achieve such policies, that will succeed the current programme, keep the Greek economy out of the Quantitative Easing Programme of the ECB, which could contribute significantly to the improvement of conditions liquidity in the country.

Problems may also arise to the smooth flow of imports, related to raising bank guarantees. However, by the end of June, providing guarantees to enterprises in Greece to make imports is made by state insurance agencies (Export Credit Agencies), with full reinsurance by the respective Ministries of Finance, according to a decision of the European Commission, facilitating imports of raw materials and intermediate products.

The strongest pressure on liquidity from the prevailing uncertainty in recent months is on the Greek state. The main cause is the fact that the country has not received any instalments of the EU and the IMF loans since last August, as since then none of the planned evaluations of the Economic Adjustment Programme has been completed, but also because negotiations are in progress between the new government the EU and the IMF. In addition, the ECB has not increased the limit for treasury bills issuance. The concern regarding the continuation and completion of the fiscal adjustment, and especially of the reforms the Greek economy needs, is

also reflected in the terms of borrowing of the Greek state with the rise of interest rates of Treasury bills that are regularly issued: The latest three-month Treasury bills interest rate reached 2.7% from 2.15% in January, while the six-month Treasury bills rate reached 2.97%, compared with 2.3% of the bills issued in the beginning of the year. The downgrading of the creditworthiness of Greece is likely to further increase interest rates.

In light of the above, collecting the necessary financial resources to make regular payments (salaries, pensions, benefits etc.) and service public debt payments is currently based, apart from the regular budget revenues, on the reserves of entities of the general government (e.g. pension funds, regional government of Attica, OAED). Also, the payment of certain obligations of the state, such as payments to suppliers of the government, or certain benefits (e.g. subsidies for heating expenses), are delayed, exacerbating the liquidity crunch for the private sector.

The aforementioned restrictive effects on liquidity for investment purposes and the intense caution domestically and internationally about the outcome of the negotiations with the EU and IMF have weakened the intention of investors to implement investment plans. The current uncertainty regarding whether the government will take new fiscal measures, especially

measures involving more taxes, constitutes an additional deterrent factor for investment. The failure to implement, at least for now, or the postponement, of some of the activities of HRADF-TAIPED that were scheduled for 2015, and above all the confusion about whether the privatizations - concessions of previous years will be reversed, or whether their terms will change, are deterrents for investments that would have been implemented in these projects in 2015 and increase scepticism about the domestic investment environment.

On the other hand, the stabilization of the euro/dollar exchange rate at a level around 20% lower compared with that in the corresponding period of 2014, has enhanced the international competitiveness of Greek products, constituting an important incentive for investment by existing businesses. Moreover, the effect of the low exchange rate of the euro on the cost of imports of energy products is more than offset by the lower price of oil, much lower than last year, which according to the latest IMF forecasts will not change significantly until the end of 2016. Moreover, some investments have accelerated under the influence of the currency risk.

Of course, a completion of the negotiations that will secure the fiscal adjustment that has already been made, and will ensure the continuation of the effort to achieve long-term sustainability of the public finances, as

well as ensure the implementation of the necessary reforms in the functioning of the state and of structural changes in markets, will immediately improve the climate in the Greek economy. But for the improvement of the investment environment it is necessary to restore the confidence of potential investors in the implementation of the policies agreed with the country's partners, particularly the reforms and structural changes, but also in the stability of certain parameters of the economy that significantly affect the profitability of investments, such as the tax system, labour relations, health of the banking system and its ability to finance businesses. The time required for the confirmation of the above significantly reduces the scope for a strong revival of investment during the current year.

Especially regarding construction of buildings, it is expected that this activity is going to be significantly affected in 2015 by the fact that at least in the first four months of the year the way property will be taxed has not yet been determined, and therefore constructors have halted activity waiting for the finalization of these regulations.

As activity in the field of Accommodation services – Catering has been the main thrust factor of GDP and employment in 2014, the trend of this sector this year will be crucial for maintaining these results,

mitigating or reinforcing them. Data on international tourist flows in the current year, regarding the initial quarter of the year, indicate a continuation and expansion of last year's increase in tourist flows. International arrivals in the 13 largest airports in the country were 28.8% more against the corresponding period of 2014, during which they had increased by 20.6%. Within just two years, the cumulative ascent reached 55.3%. The significant devaluation of the euro against the dollar and the depreciation against other currencies (GBP, CAD) favours the attractiveness of Greece as a tourist destination. Consequently, it is very likely that the significant growth of international tourism will continue for the third consecutive year. However, the expansion of international travel receipts is expected to be clearly smaller than that of arrivals, as last year the increase in international arrivals at larger airports by 15.4% compared to 2013 and the increase of total tourist arrivals by 20.7%, boosted travel receipts by 10.2%. The travel balance of payments will also be improved by the expected weakening of last year's increase in travel payments of the country's citizens, which will probably decline during 2015.

Of course, the depreciation of the euro, primarily against the dollar but also against other currencies can also benefit significantly the exports of

goods. Besides, North America was in 2014 the geographic region with the second broader decline in the value of Greek exports of goods after Latin America. Beyond these prospects opening up for the Greek exports of goods due to the depreciation of the euro, the previous year indicated the importance of the EU as an export destination for Greek products, as exports to the EU as a share of total Greek exports increased faster than the respective share of Greek exports to any other destination (+1.3 percentage points compared to a year earlier, to 45.1%), with the share of exports to Southeast Asia on the total recording the second highest increase (+0.8 points), while the share of total exports directed to this region is much smaller than the respective shares for many other regions (2.9% last year). These developments highlight the crucial importance of the European market in the effort to boost Greek exports and restructure the Greek economy on the basis of a new growth model, relying more on demand for exports than on domestic demand.

The data and trends described above highlight the crucial role of political developments in the coming period, especially the role of the outcome of the new government's negotiations with official creditors, regarding key parameters of the Greek economy (finance - liquidity, tax system reforms, privatizations etc.) and consequently on the prospects of the

Greek economy not only this year, but at least in the medium term. Given firstly that the policy to be followed on the above issues has not been determined and secondly, the continuing ambiguity in the degree of progress achieved in negotiations with lenders, which does not allow estimates of the final results, it remains quite difficult to make predictions with a small margin of error for GDP, unemployment, inflation. Subsequently, in the current subsection, potential trends in the main components of GDP and forecasts are analysed, provided that the completion of the negotiating process will not change the fundamental parameters of the Greek economy.

The most recent data on domestic economic activity cover the first month of 2015 or the initial two months of the year. Therefore the availability of statistical data poses additional important limitations for making reliable forecasts for 2015. Moreover, the trends of some economic variables, especially those that are affected to a large extent by developments abroad (such as manufacturing, foreign tourist flows) do not change abruptly after a domestic event, such as elections.

Specifically, industrial production increased by 0.9% in the first two months of 2015, compared with stabilization in the last quarter of 2014 (-0.1%) and a decrease of 1.5% in the

same period a year earlier. The small increase early in the year is essentially due to higher Industrial production in February, by 1.9%. An increase of output in Manufacturing by 4.5% in January - February, against a modest increase a year ago (+0.8%), has caused the positive trend in industrial production, as output in Mining and Quarrying and in Electricity Production-distribution fell (-11.6% and -6.9% respectively). The output of Water supply rose by 6.2%, but given the minor importance of this sector in industrial output, its growth was not decisive for the formation of the trend in the industrial sector. The great expansion of international tourist arrivals during the initial quarter this year mentioned above is estimated to have maintained an upward trend of activity in the Tourism industry. Construction activity in late 2014 and last January declined, in terms of the number of building licenses issued, by around 7% compared with the same period a year ago, but the surface of new building was higher by 5.5% and their volume was larger by 9%, changes which together reflect the commencement of large building construction projects (e.g. factories, hotels, shopping centres).

The recovery in some important areas and sectors of the Greek economy in early 2015 seems to have maintained the upward momentum in employment. The seasonally adjusted unemployment rate fell for the 16th

consecutive month in January this year, to 25.7%, which is 0.2 percentage points lower than in the preceding month and 1.5 percentage points lower than in the same month of 2014. Without the seasonal adjustment, the decline was more pronounced (0.8 and 1.4 percentage points, respectively).

The positive developments and indications in important segments of production in the first months of 2015 and the decline of unemployment in January, do not seem to have a clear positive impact in economic variables on the demand side, although the available data were few until the completion of this report on the Greek economy. Specifically, the volume of retail trade, including transactions for fuel, was unchanged in January (-0.1%), after the marginal decline in the fourth quarter last year (-0.2%).

Excluding the impact of fuel - lubricants on the volume of retail transactions, these transactions increased by 1.6% in the first month this year, slightly extending their limited rise in the last quarter of 2014 (0.3%).

Deflation reached a new high in the period January through March of this year (-2.4%), exceeding its previous highest level, which was recorded in the last quarter of 2013 (-2.2%). The price decrease was expected due to the fact that at the beginning of 2015 the oil prices remained at or close to

the low levels, at which they had declined from the beginning of the second half of 2014. As mentioned in previous IOBE bulletins on the Greek economy, the fall in oil prices causes decreases in both housing costs, and transportation costs, two of the three groups of goods-services with greater weights in the general Consumer Price Index. Lower excise duties on diesel fuel contributed to a decline in the cost of heating, and therefore in the cost of housing. It is estimated that because of the high political uncertainty since January enterprises reduce inventories, and as a result products are offered at low prices, reinforcing deflation in the first months of this year.

As for foreign demand, the most recent data from the Bank of Greece for the current year are for January and are insufficient for making reliable forecasts for 2015. These data reflected a significant decline in exports of goods and services at current prices, by 7.1%, compared to a decline by 2.1% on the same month of 2014. In the last quarter of last year exports grew by 8.0%. However, the fall came almost exclusively from lower exports of fuels (-33.5%). Excluding fuel from total exports, their decline was marginal (-0.4%). In contrast, positive are the signs in the exports of services, which rose by 5.3%. On the imports side, a small increase (+0.7%), close to that in the same month last year (+1.1%) was

recorded. The rise came from the imports of services (+7.8%), due to the expansion of transport services, as imports of products declined slightly (-1.2%), particularly purchases of ships (-48.8%). As a result of these changes on both sides of the trade balance, regarding both goods and services (both including fuels), the trade deficit increased by 22.4% to €1.5 billion, from €1.25 billion.

In summary, according to available data, in early 2015 the Greek economy remained on the course of recovery, with decline in unemployment and a rise in demand, despite the sharp escalation of political uncertainty because of the snap elections and the subsequent commencement of a new round of negotiations with the country's lenders by the new government, without continuing the evaluation of the program that was interrupted in early December. On the other hand, as noted in the previous IOBE bulletins, the full range of the effects of political uncertainty on the Greek economy and the full intensity of these effects would not become apparent immediately after the announcement of snap elections or just after the beginning of a new round of negotiations. These effects will escalate the longer the negotiations last and of course they will mainly depend on their results.

Regarding the analysis of the estimated trends of the individual components of GDP for 2015, the

likely prospect than no additional fiscal measures will be implemented in the first half of the year, combined with lower unemployment, by 1 - 1.5 percentage points compared to the corresponding period of 2014, and with deflation, will allow the continuation of a moderate increase in private consumption in this period in the region of 1.5 - 2.0%. Increased consumer spending, under the influence of the currency risk, as discussed above, will contribute to the increase of private consumption. Of course, since in the current quarter negotiations will be completed, the outcome of the negotiations will become the main determinant of household consumption decisions for the rest of the year. If the macroeconomic environment is not powerfully shocked from the outcome of the negotiations, the prospect that the less pessimistic expectations of households will be maintained, or further improved, and the continuing mild decline in unemployment can lead to a rise in household consumption in 2015, slightly more than 1.0%.

The non-completion, at least for now, of the evaluation of the current program which began in the autumn and the new round of negotiations with lenders, mean that until the completion of the negotiations reforms in the public sector are suspended, even programmed reforms, such as reducing the staff in the public sector in the two years 2014-2015, therefore

maintaining public consumption at the same level. The intense pressures on the liquidity of the public sector are estimated to have led to delays in the payments to reimburse for wage cuts from 2012, after the rulings by Greek courts in 2014. The initial schedule was that the government would start making these payments in the beginning of 2015. The fact that these payments have been delayed averted, to some extent, increases in public consumption. Of course, if the negotiations do not result in major changes in the fundamental parameters of the Greek economy, as these have been formed mainly over the past 20 years, reimbursements against past wage cuts will be paid in the second half of the year, leading to a slight increase in public consumption. Within this scenario of political and economic developments, employment in the public sector, as it will be formed by the policies of the new government and by the decisions that will be agreed with the institutions, will determine the direction and scale of change in public consumption this year.

Public expenditure for investments is implemented with much lower rates than last year. The monthly programming of investment expenditure in the Budget for 2015 is much more back-loaded, compared with the flow of monthly investment expenditures last year. In the period January - March expenditures did not

exceed €542 million, which is less than the target for payments this year (€720 million) and less than the respective expenditures in the same period last year (€918 million).

The shortfall in payment occurred, despite the fact that the revenues of the Public Investment Programme (PIP) in the same period far exceeded the costs and the relevant target (€770 million), reaching €1.45 billion. These developments are deemed to reflect delays in the progress of programs and activities that are included in the PIP, because of the electoral cycle and the change of government (e.g. different priorities), along with the temporary diversion of resources from the PIP towards other more urgent government expenditures. Certainly, as the amount of expenditure for the PIP in the 2015 Budget is slightly lower than the actual expenditure for PIP projects in 2014 (€6.4 billion compared to €6.6 billion), if the PIP is fully implemented this year, the grants provided by the Programme will be slightly lower than last year. However, the fact that the PIP's funding is based this year on its own resources to a much greater extent than in 2014 (€750 million versus €67 million), given the liquidity constraints in the first four months of the year, raises concerns regarding whether these resources will be available. In any case, the fact the bulk of the expenditures for PIP projects will take place later in the

year, than what was the case in 2014, will not activate the relevant multipliers to the same extent.

The biggest diversity from what was forecasted at the end of 2014, regarding the contribution of the public sector to investment activity in 2015, is with respect to the effect of the privatizations - concessions programme. The uncertainty regarding the implementation, or the length of delay, of planned for the current year operations of HRADF makes it impossible to assess their impact on investment and GDP. As mentioned above, the general confusion over privatizations, which extends to whether the already realized privatizations will be maintained, and their conditions, increases caution in the domestic investment environment. Its impact is strengthened by the fact that the delays of the previous years in the field of privatizations had formed a great potential for progress in this area this year and in the coming years. Clearly, no progress is being made in the restructuring of sectors in which the state has a dominant or an exclusive position. Therefore, it is necessary that the new government clarifies the plan for the use of Greek government property, in order to recover the investment interest and its contribution to investment and public revenue.

Regarding business investment, as long as negotiations and related political processes in Greece and

abroad are under way, the assessment of the vast majority of investment projects will be postponed, while investment decisions will depend on the outcome of the negotiations. Moreover, as explained above, the investment funds available (deposits, liquidity from the ECB, access to international capital markets) are limited in the current period and will remain close to this low level at least until the completion of negotiations.

If the macroeconomic parameters do not change dramatically, the investment environment will improve gradually, despite the fact that compared with the past there are certain conditions which favour investment (low exchange rate of the euro against major currencies, low energy costs, certified larger capitalization of domestic banks), because restoring the confidence of potential investors in the Greek economy will not be done directly, but through the implementation of policies agreed with the partners. Subsequently, it is considered that the time frame for developing a strong flow of investment during the current year is limited.

On the part of investment in building constructions, the postponement of the capital gains tax for the end of 2016 and the beginning of some major projects in the second half of 2014 and early 2015, which is recorded in the relevant data and is quite likely to be maintained throughout 2015,

create growth prospects for building activity. However, the lack of a regulation regarding the way property will be taxed over a large period this year will keep building projects around last year's level. Under the above assumptions for the Greek economy and the estimated trends in the components of investment, a mild decline in capital formation by 2.0 to 3.0% is expected.

In the external balance of the Greek economy, there is already reflected a continued significant boost to exports from international tourism. But this comes from reservations before the new sharp escalation of political uncertainty, which is estimated to have already acted negatively and will continue to have a mildly restrictive effect on the international attractiveness of Greece as a tourist destination, yet without reducing it in comparison to last year. Therefore, the strengthening of the exports of services will continue in 2015, with less intensity than last year. It will be accompanied by the expansion of exports of goods, due to the improvement of their competitiveness outside the Eurozone from the lowest exchange rate of the euro against major currencies. However, the prolonged, stormy negotiations with the Eurozone affect the popularity of Greek products in the EU and the maintenance of last year's significant increase in exports of goods to EU countries, which led to a large

increase in exports of goods in 2014, is considered uncertain. The result of these trends in the exports of goods and services is the estimate for export growth this year at 5-7%.

The mild increase in private consumption, assuming it happens, will involve to a significant degree an increase in the demand for imports of goods. Considerable growth is expected in fuel demand due to the fall in oil prices and due to the reduction of the excise duty on heating oil. A minor increase is estimated for imports of services. Overall, the expansion of imports this year will be less than last year and lower than the increase in exports.

Summing up the estimates of the trends of key components of GDP in 2015, under the assumption that there will be no political and economic developments from the negotiation of the new government with its lenders, which would radically alter basic parameters of Greek economy, private consumption will present a further, small increase, due to the non-implementation of additional fiscal measures and the continuing of deflation at least in the first half of the year, as well as because of the lower unemployment rate compared with last year. With regard to government consumption, the effects of the delays in implementing reforms in the public sector, for at least as long as the negotiations last, and the effects of the cancellation of wage cuts imposed

in 2012, and in some cases the reimbursement against these wage cuts, effects which would have caused public consumption to increase, will be partially offset by the estimated postponement in the implementation of these income measures, due to strong restrictions on the liquidity of the state. Domestic political developments are affecting primarily investment. These effects result from the negative impact of political uncertainty on the confidence of potential investors in the stability of the Greek economy, in its transformation prospects, in the availability of investment funds and in the prospects of the projects of privatizations / concessions of government owned real estate property. The restoration of confidence and the revival of investment activity will be gradual, assuming the negotiations will be concluded normally. Confidence will also depend on the implementation of reforms. With a little push also from the building projects, the expansion of investments will be limited. In contrast, there are already indications of good prospects for exports, with the international demand for tourist services remaining on an upward trend for the third year, while there are quite favourable conditions (exchange rates, cost - prices) to increase exports of goods. However the improvement in the external balance will be eased by the diversion of a large part of the

increase in private consumption to imports.

Considering these forecasts for the trends of the basic components of GDP in the current year, which do not incorporate the potential effects of possible fundamental changes in the macroeconomic environment in Greece, as these cannot be evaluated safely, a GDP growth for 2015 of around 1.0% is estimated.

In recent reports from international organizations, it is estimated that there will be stronger growth this year (2.3-2.5%), compared to IOBE's estimate. These forecasts are presented in detail on Tables 3.2 and 3.3.

The growth of the Greek economy driven by private consumption and exports of services, hence with the contribution of labour-intensive activities, such as activities related to tourism and activities related to final consumption (retail trade, catering, etc.), is favouring employment growth. Delays in reforms in the public sector, at least for as long as the negotiations continue, means that employment in the public sector remains stable.

On the other hand, the prevailing uncertainty acts as a deterrent to staff increases even in businesses that recover. Caution about taking decisions regarding employment exists because of promises made before the elections to cancel important structural

changes that were implemented in the labour market in recent years (e.g. minimum wage level, enforcing collective agreements). Only if the new government's policy clarifies these issues can most of the businesses take decisions relating to employment. Under these effects, a decline in unemployment is possible by just over one percentage point this year compared to 2014, in the region of 25.3%. This forecast would be revised significantly in case extensive changes in the context of labour relations are implemented or initiated and especially if negotiations with lenders are futile.

As estimated in the previous IOBE bulletin on the Greek economy, with oil prices remaining well below their corresponding level last year for at least the first six months of the year, will sustain in this period the resurgence of deflation that began in the last quarter of 2014. Subsequently, this deflationary effect will be completed. The estimated decline in unemployment this year, under the assumptions regarding the outcome of the negotiations and regarding labour relations mentioned above, will correspondingly boost disposable income and domestic demand, hindering deflation. Price developments in 2015 will depend on whether there will be changes in indirect taxation and in which direction, which however are not expected to be implemented before the second half of the year.

Therefore, the prevalence of strong deflationary forces in the semester of January- June will mainly determine the price trends in 2015 with the reduction rate of the Consumer Price Index standing close to 1.0%, slightly lower compared to 2014 (-1.3%). In

this case also, any major deviations from the basic assumptions of the forecast, which mainly relate to demand parameters, primarily regarding the assumptions about the negotiations, will lead to the revision of the forecast for inflation.

Table 3.2

Domestic Expenditure and Gross Domestic Product - European Commission estimates
(at constant prices of 2010)

	2013	2014	2015	2016
<i>Annual Percentage Changes</i>				
GDP	- 3.9	1.0	2.5	3.6
Private Consumption	- 2.0	1.4	1.7	2.2
Public Consumption	- 6.5	-1.1	-0.9	0.5
Gross Fixed Capital Formation	-9.5	0.8	8.4	15.0
Exports of Goods and Services	2.1	8.0	5.6	4.8
Imports of Goods and Services	- 1.6	4.7	4.0	3.5
Employment	- 3.8	0.6	2.6	4.0
Remuneration of Employees per capita	- 7.1	-1.5	0.0	1.7
Real Unit Labor Cost	- 4.9	0.3	0.4	1.2
Harmonized Index of Consumer Prices	- 0.9	-1.4	-0.3	0.7
<i>Contribution to real GDP growth</i>				
Final Domestic Demand	-3.9	0.8	2.0	3.2
Net Exports	1.1	0.9	0.5	0.4
Stocks	-1.1	-0.7	0.0	0.1
<i>As a percentage of GDP</i>				
General Government Balance	-12.2	-2.5	1,1	1.6
Current Account Balance	-2.3	-2.0	-1,5	-0.9
General Government Gross Debt	174.9	176.3	170,2	159.2
<i>In percentage</i>				
Unemployment (% of labor force)	27.5	26.6	25.0	22.0

Source : European Economic Forecast, winter 2015, European Commission, February 2015

Table 3.3

Comparison of forecasts for selected economic indicators for the years 2014 - 2016
(at constant 2010 prices, annual % changes)

	MinFin			EC			OECD			IMF		
	2013	2014	2015	2014	2015	2016	2014	2015	2016	2014	2015	2016
GDP	-3.9	0.6	2.9	1.0	2.5	3.6	0.8	2.3	3.3	0.8	2.5	3.7
Final Demand	:	:	:	2.2	2.8	3.5	-0.4	0.9	2.0	:	:	:
Private Consumption	-2.0	0.2	1.6	1.4	1.7	2.2	0.3	0.7	1.9	:	:	:
Harmonized Index of Consumer Prices (%)	-0.9	-1.0	0.3	-1.4	-0.3	0.7	-1.0	-0.7	-0.3	-1.4	-0.3	0.3
Gross Fixed Capital Formation	:	:	:	0.8	8.4	15.0	-3.5	6.8	7.7	:	:	:
Unemployment (%)	25.5*	24.8*	22.6*	26.6	25.0	22.0	26.4	25.2	24.1	26.5	24.8	22.1
General Government Balance (% GDP)	-1.6	-0.9	-0.2	-2.5	1.1	1.6	-1.0	-0.5	0.2	-2.7	-0.8	0.7
Current Account Balance (% GDP)	:	:	:	-2.0	-1.5	-0.9	1.2	1.0	1.8	0.9	1.4	1.1
Gross Public Debt (% GDP)	174.9	177.7	171.4	176.3	170.2	159.2	176.1	174.3	171.4	177.2	172.7	162.4

*On a national accounts basis

Sources: Introductory Report for the 2015 Budget, Ministry of Finance, November 2014 - European Economic Forecast, winter 2015, European Commission, February 2015 - OECD Economic Outlook No.96, November 2014 - World Economic Outlook, IMF, April 2015 - Fiscal Monitor, IMF, April 2015

3.2. Developments and outlook in key sectors of the economy

Industry

The downward trend in Industry is reversed during the first two months of 2015 as production increased by 0.9% compared to the same period of 2014 when it fell by 1.5%. It is noted that during February, industrial production rose by 1.9%, resulting in Greece being among the Eurozone countries with the strongest enhancement of industrial production, after, of course, a number of years that it was falling.

In key sectors, broadening output in Manufacturing by 4.5% in January-February, against a modest increase a year ago (+0.8%), has driven the positive trend in industrial production,

as both in Mining-Quarrying and in Electricity Production and Distributing, output fell (-11.6% and -6.9% respectively). The output of Water Supply rose by 6.2%, but given the minor importance of this sub-sector for Industry, its growth was not decisive for the formation of the trend in the Industrial sector.

Especially in manufacturing, the number of sub-sectors where output is enhanced increases in the first two months of 2015 compared to the same period a year ago. Overall, production rose in 15 of 24 sub-sectors, while in several of the others, the losses are considerably limited compared to the previous year.

In more detail, most branches of Manufacturing, including some particularly important ones for the

Greek economy, appear reinforced during the first two months of the year. The biggest recovery appears on Tobacco production, with the relevant indicator recovering by 25.0%, when during the initial two-month period last year production was down by 16.8%. Output in Basic Metals is still rising - but at a more moderate pace (4.6%, against 6.9%). Food production has increased by 4.5%, against a marginal improvement by 0.8% in the first two months of 2014. The indicator of Basic Pharmaceuticals is increasing with a nearly constant rate of 3.3% in the last two years. In contrast, output in Wood and Cork is still declining, but the rate of decline slowed down significantly compared to the previous year (-0.5% against -15.1%).

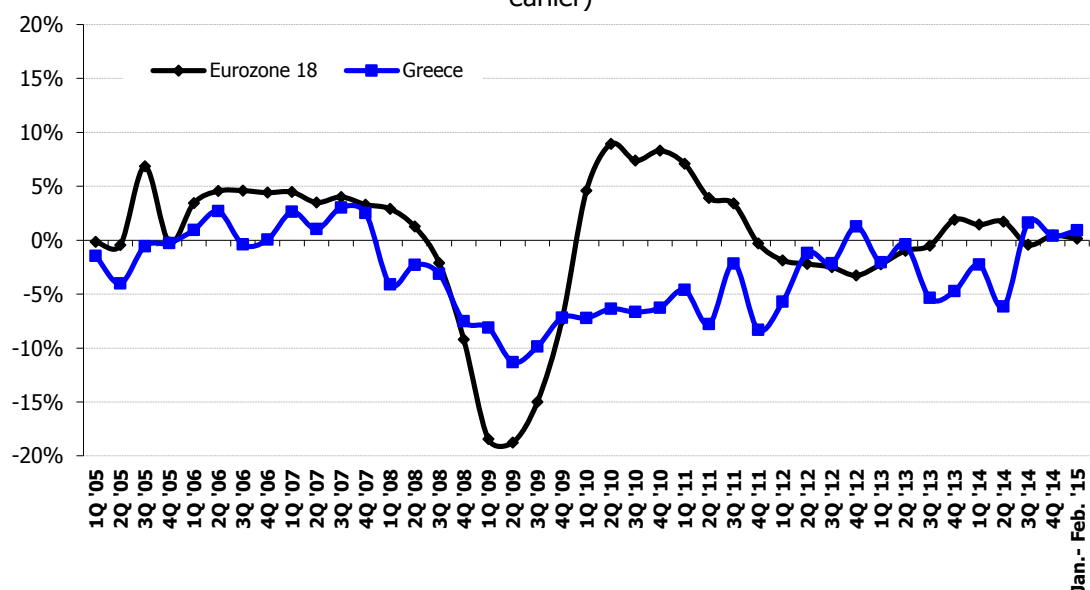
In the other sectors of Manufacturing, varying trends are recorded during the first two months of 2015. However the number of sectors in manufacturing that either indicate improved performance, or limit their losses increased. Among those with the biggest increase is the sector of Computer, Electronic and Optical products, whose production is increasing again this year with a very high rate of 55.9%, slightly weakened compared to 2014 (64.5%). Next comes the sector of "Other Transportation Equipment" (+16.6%, against -46.0%), petroleum and coal

derivatives (15.9% against 2.7%) and "various manufacturing activities" (7.3% compared with 24.1% last year). The sectors of "Electrical Equipment production" follows (5.3% instead of 18.2%), the production of plastics (2.8% instead of 4.7%) and Chemical products production (2.5% instead of 4.3%). In contrast, the highest losses in the first two months of 2015 are recorded in the production of leather and footwear (-21.9% against -26.9% last year), followed by the production of "Non-Metal Products" (-11.3% vs. +1.6%) and "manufacturing of metal products" (-8.9% compared to +1.7%).

More broadly, in the main groups of industrial sectors, the production of durable consumer goods in the first two months of 2015 is limited by 5.7%, following losses of 6.6% in the corresponding period last year. Marginal losses of 0.5%, against an increase by 3.3% last year, was recorded in the production of intermediate goods. Rather, the production of capital goods increased (4.4% instead of 2.1%), as did the production of non-durable consumer goods (2.8% vs. -1.1%) and the production of energy, with the relevant indicator rising, marginally by 0.3%, after the losses of 4.2% in the first two months last year.

Figure 3.1

Industrial production indicators in Greece and in the Euro Area-18 (% change on a year earlier)



Sources: ELSTAT, Eurostat

Construction

The strong negative trend that has been recorded in the recent years in Construction, as this sector was hit by the economic downturn, appeared to be reversing in 2014.

In the fourth quarter last year, the overall index of production in Construction strengthened again, and as a result the value of the index in the fourth quarter of 2014 was the highest in the past three years. Specifically, the index increased by 11.8% compared to the last quarter of 2013, when it had improved by around 7.2%.

During 2014, the general index showed significant recovery by 22.6% as opposed to 2013, when it suffered losses of 8.2%. The better overall picture of the index is due to the strengthening both in the second

quarter (+22.6%) and in the third quarter (+62.0%), compared with the corresponding periods of 2013.

Regarding the indices for the subsectors of Construction, in 2014 the index for building constructions is still shrinking at a rate of 9.3%, which nevertheless has slowed compared to 2013 (-17.3%). In contrast, the index for civil engineering works, which increased marginally in 2013 (+0.9%), increased further by 51.4%, standing at 62.9 points.

Positive developments were recorded in the same period at the index of production in Construction in the Eurozone-18, which rose by 2.2%, reversing the negative trend of 2013 (-3.6%).

However, construction of buildings in 2014 (private and public) was limited by 18.3%, a drop slightly milder

compared to 2013 (-27.6%). In January 2015, the index continues to decline compared to last year in January (-7.1%), while the number of licenses does not exceed 13,500. At the same time, the index of the total surface of new buildings improved by 5.2%, while the respective index for the volume of new buildings increased by 7.6%, compared to the same month of 2013.

The number of licenses decreased in almost all regions of the country throughout 2014. The largest decline was recorded in Thessaly (-30.4%), Attica (-28.5%) and the North Aegean (-23.2%). In contrast, the number of licenses had a mild increase of 5.3% only in the Ionian Islands and remained unchanged in Western Macedonia.

Finally, according to data published by the Bank of Greece, the number of transactions in residential real estate properties, for which financial institutions acted as intermediaries, in 2014 was limited again by 33.2%, after milder losses by 21.1% in 2013. Significant reduction of around 33.8% is recorded in the value of those transactions, which is in constant decline since 2008.

Finally, a slight decline is recorded in the average mortgage interest rate, which in November 2014 stood at 2.76% having been limited compared to that of October (2.98%).

Retail Trade

In 2014 retail trade contracted again, though at a rate that is significantly milder compared to 2013. Specifically, the respective volume index decreased by 0.4%, when the year before it recorded losses of 8.1%. This trend of improvement continued in January, as the relevant indicator recorded a marginal decrease of 0.1% compared with January 2014 (-3.0%).

The annual turnover in 2014 was strengthened in four out of the eight sub-sectors of Retail Trade. The biggest increase was recorded in books, stationery, other goods (up by 7.0% against marginal losses by 0.1% in 2013), clothing and footwear (+5.4% instead of -2.2%), in Fuels and lubricants (+1.1% vs. -5.3%) and in supermarkets, the turnover of which increased by only 1.0%, against losses in 2013 (-9.5%).

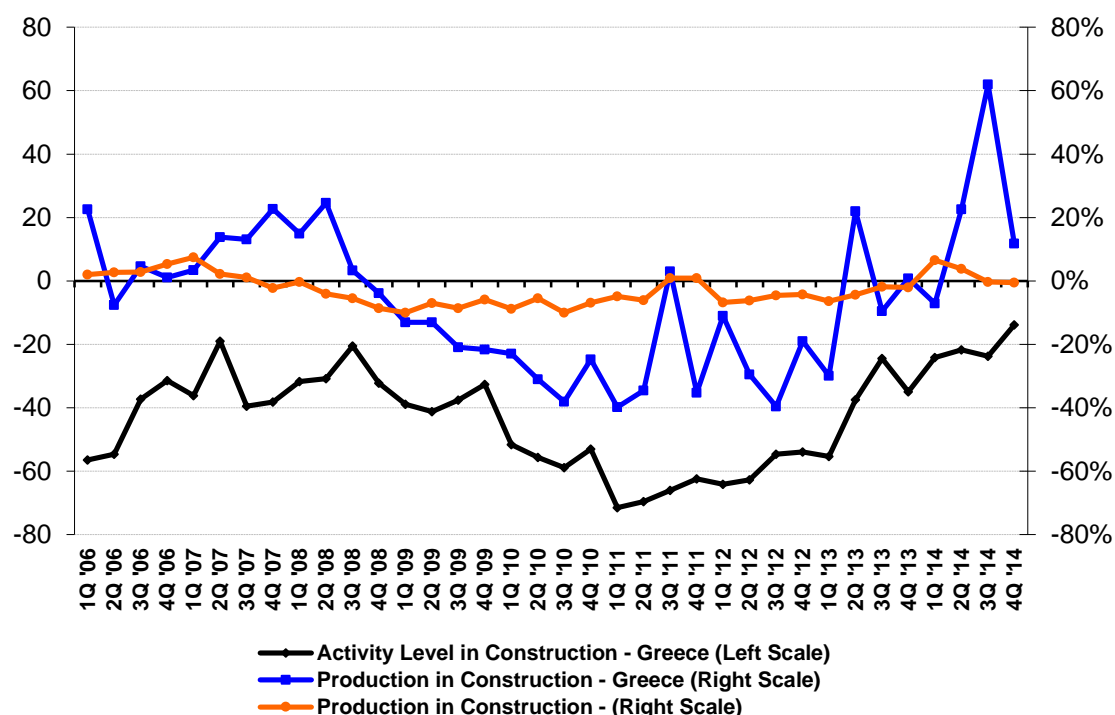
According to the **leading indicators of IOBE's Economic Climate Surveys**, expectations continue to improve across the sectors of retail trade, but at a rate that declined in the first quarter of 2015, as the relevant index increased by 6.1%, following a stronger improvement by 29.2% in the corresponding quarter of 2014.

In individual sectors, expectations strengthened in Department Stores (22.8% against 15.6% in the corresponding period of 2014), in

Household Equipment (6.6% vs. -11.6%), in Vehicles – Spare Parts (5.4% compared to 62.4%) and Food - Drinks - Tobacco (2.4% instead of 40.4%). In contrast, expectations

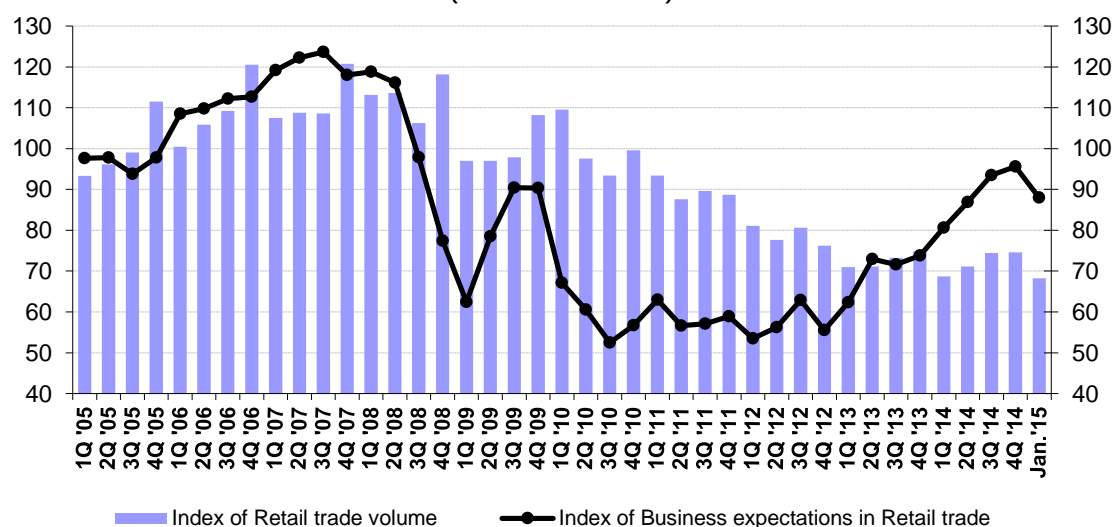
weakened in Textiles - Clothing – Footwear, where the respective index fell by 5.3%, against a rise by 44.6% last year.

Figure 3.2
Index of Production in Construction and Turnover Index



Sources: ELSTAT, EUROSTAT

Figure 3.3
Volume Index in Retail Trade (2005 = 100) and Business Climate Index of Retail Trade (1996-2006 = 100)



Source: IOBE

Table 3.4
Annual changes in the volume index in retail trade

Category of Retail Trade Stores	Volume Index (2005=100)					
	2012	2013	2014	Change 2012/2013	Change 2014/2013	Change Jan. 2015/2014
Overall Index	78.9	72.5	72.2	-8.1%	-0.4%	-0.1%
Overall Index (excluding fuels and Lubricants for automobiles)	80.6	73.8	73.3	-8.4%	-0.7%	1.3%
Categories of Stores						
Supermarkets	88.9	80.4	81.2	-9.5%	1.0%	3.9%
Department Stores	97.7	86.3	82.3	-11.7%	-4.4%	3.3%
Fuels and Lubricants for automobiles	71.1	67.3	68.0	-5.3%	1.1%	-0.6%
Food - Drinks - Tobacco	73.5	71.4	67.6	-2.8%	-5.4%	-11.0%
Pharmaceuticals - Cosmetics	79.5	68.8	67.7	-13.4%	-1.7%	-2.8%
Clothing - Footwear	64.4	63.0	66.4	-2.2%	5.4%	12.1%
Furniture - Electric Household Appliances – Household Equipment	70.6	66.2	65.3	-6.2%	-1.4%	-2.1%
Books - Stationery - Other gift items	83.3	83.2	89.0	-0.1%	7.0%	0.8%

Source: ELSAT

Table 3.5
Business Expectations Indices in Retail Trade per sub-sector (1996-2006=100)

	Q1 2013	Q1 2014	Q1 2015	% Change '14/'13	% Change '15/'14
Food-Drinks-Tobacco	59.4	83.4	85.4	40.4%	2.4%
Textiles-Clothing-Footwear	65.7	95.0	90.0	44.6%	-5.3%
Household Equipment	71.8	63.5	67.7	-11.6%	6.6%
Vehicles-Spare Parts	63.3	102.8	108.4	62.4%	5.4%
Department Stores	52	60.1	73.8	15.6%	22.8%
Retail Trade Total	62.4	80.6	85.5	29.2%	6.1%

Source: ELSTAT

In Automobiles - Vehicles, the index in the first quarter of 2015 stood at a level lower than the first quarter of 2014, thereby reversing the upward trend of the previous period. Nevertheless, the index in 2015 was at a level higher than its 2012 and 2013 levels. In particular, the index in the first quarter of 2015 stood at 85.5 points, compared to 102.8 in 2014 and 63.3 points in 2013. Regarding the components of the index in the first quarter of 2015, the balance of current

sales rebounded to negative values following the positive values of 2014. Furthermore, the indicator of inventories recorded a slight deterioration. However, a strong majority (around 70%) of businesses perceive stocks to be at normal levels. In regards to prospects, the balance of orders also returned to negative values, totaling -19 points, since the percentage of those who expect a decline of orders in the upcoming months escalated. A similar

environment prevails in the prospects for sales. Finally, regarding employment, the signs of stabilization are quite strong. The easing of the upward trend of 2014 is also reflected in the official statistics on sales of passenger cars, with sales in the first quarter of 2015 surging by 3.9%, compared with a 17.4% increase in the corresponding period of 2014.

Wholesale trade

A marginal improvement in Wholesale trade was recorded in 2014, since the turnover index increased by 0.2%, against significant losses totaling 12.1% in 2013. This was the first year since 2008 in which an increase in the turnover of wholesale trade was recorded in Greece.

Services

The decline in Services persisted in 2014 with turnover limited to 9 out of the 13 sectors compared to 2013. Nevertheless, it is significant to note that the losses in the various sectors comprising the Services sector were curtailed in 2014.

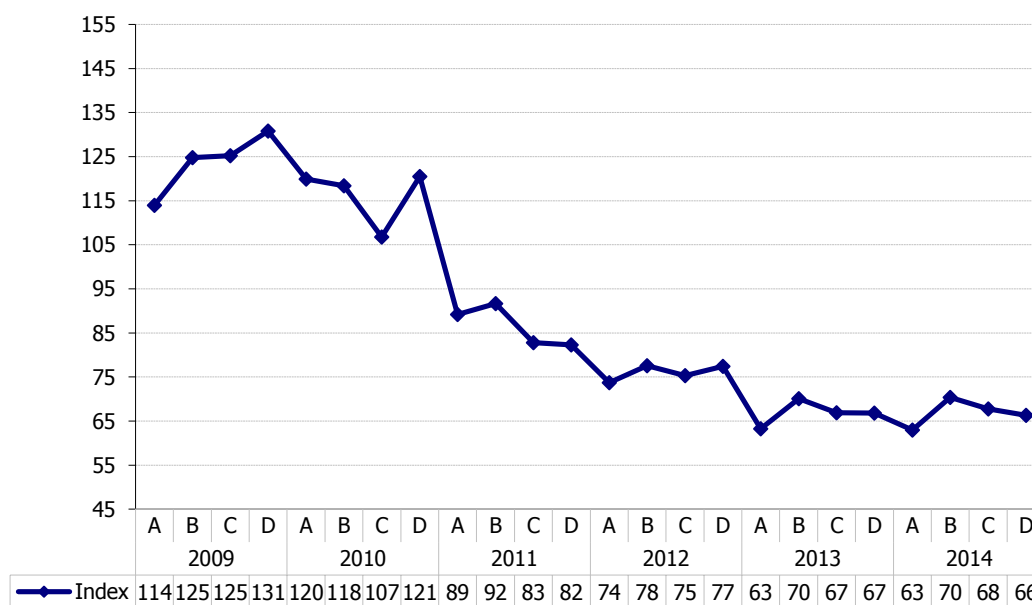
The largest decline in 2014 was recorded in Architectural and engineering services (sector 71), with turnover plummeting by -18.1% compared to a decrease of -14.0% in 2013. As far as the Office Administration Activities (sector 82), turnover was limited to approximately

the same rate as 2013 (-14.8% against -15.7% in 2013). A decline in Cleaning Services (sector 81.2) for both 2013 and 2014 was reported, since turnover dwindled by 13.6% and 13.3% for 2013 and 2014 respectively. The rate of decline in turnover of Advertising services was less acute in 2014, with a decrease of 7.1%, compared with a 20.9% decline in 2013. Milder losses were recorded in the Data Processing Services and Activities of Information Providers (sector 63), as turnover declined by 6.3%, as opposed to a decrease of 20.2% the previous year. In the Telecommunications sector (sector 61), a decrease of 4.3% was recorded compared with an 11.7% decline in 2013. Finally, losses totaling 3.4% were captured in Security services (sector 80) for 2014 (-2.3% decline in 2013).

Conversely, the sectors with a positive rate of increase of turnover in 2014 were the services of other Professional, Scientific and Technical activities (sector 74), with the relevant indicator rising by 13.2% against losses of 17.1% the previous year. The services related to Employment (sector 78) rose by 6.2% compared with a 4.5% increase in 2013, while services in publishing activities (sector 58) had a turnover that grew at a rate that did not exceed 0.2% (compared with losses of 4.9% in 2013).

Figure 3.4

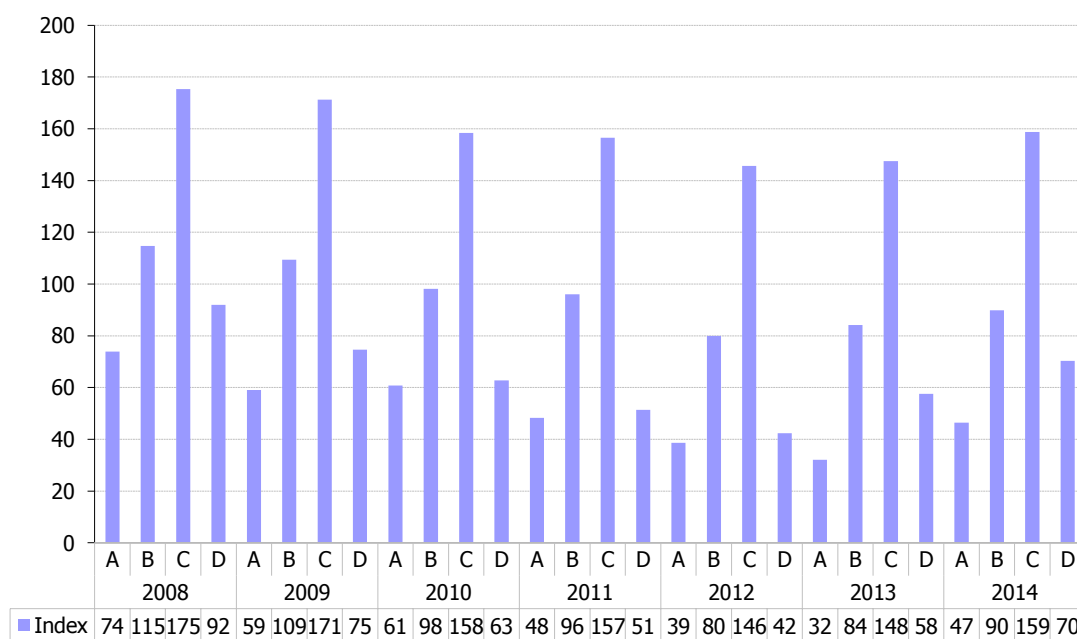
Evolution of the Turnover Index in Wholesale Trade (2005=100)



Source: ELSTAT

Figure 3.5

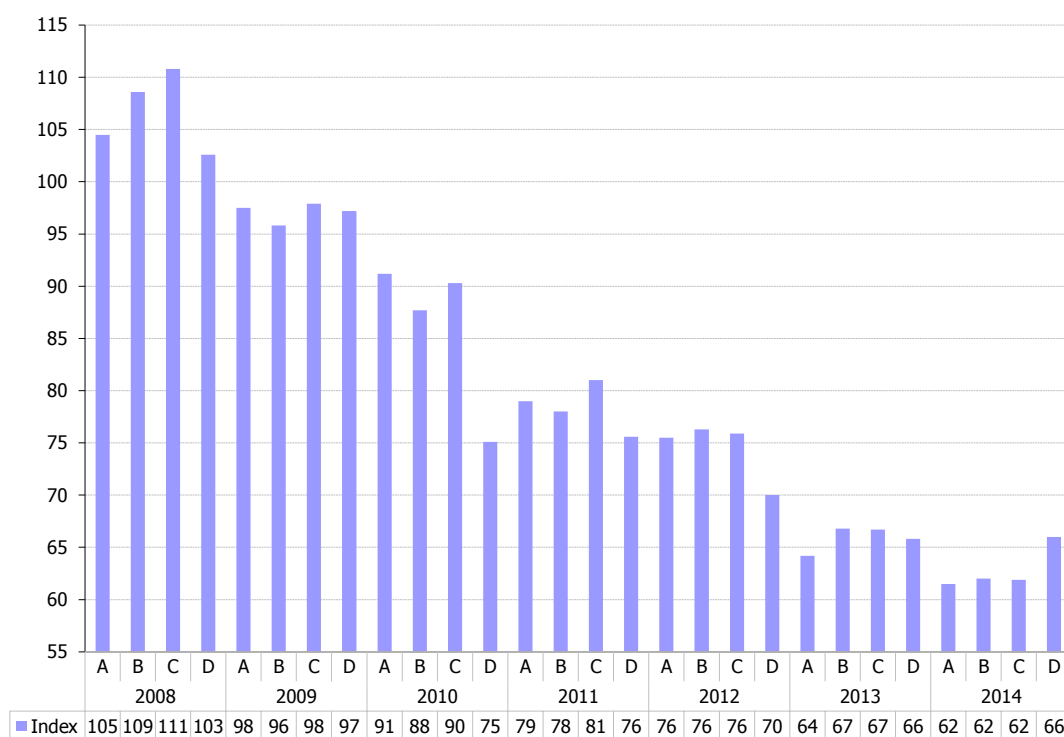
Evolution of the Turnover Index in the sector of Postal and courier activities (sector 53)



Source: ELSTAT

Figure 3.6.

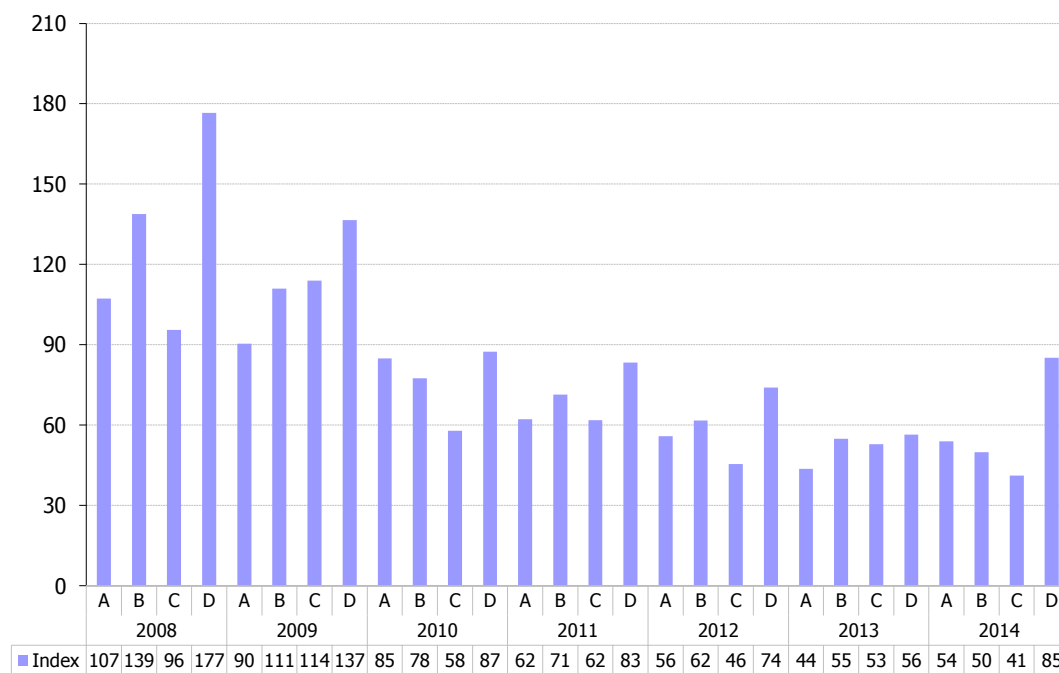
Evolution of the Turnover Index in the sector of Telecommunications Services (sector 61)



Source: ELSTAT

Figure 3.7

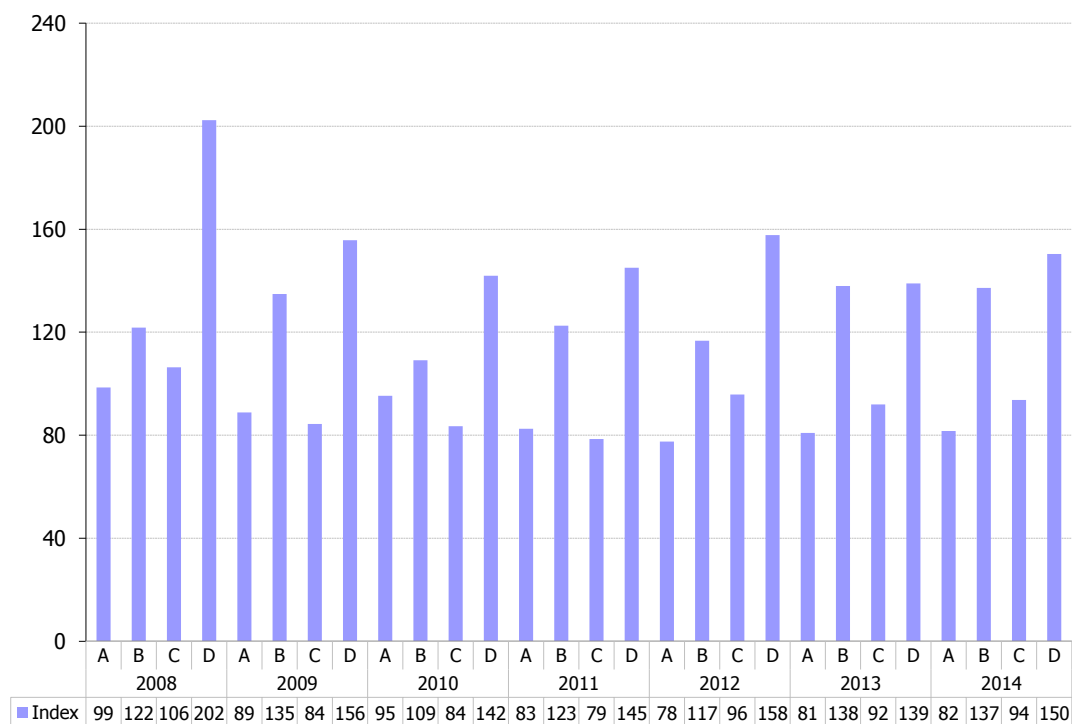
Evolution of the Turnover Index in the sector of Information Technology Services (sector 62)



Source: ELSTAT

Figure 3.8

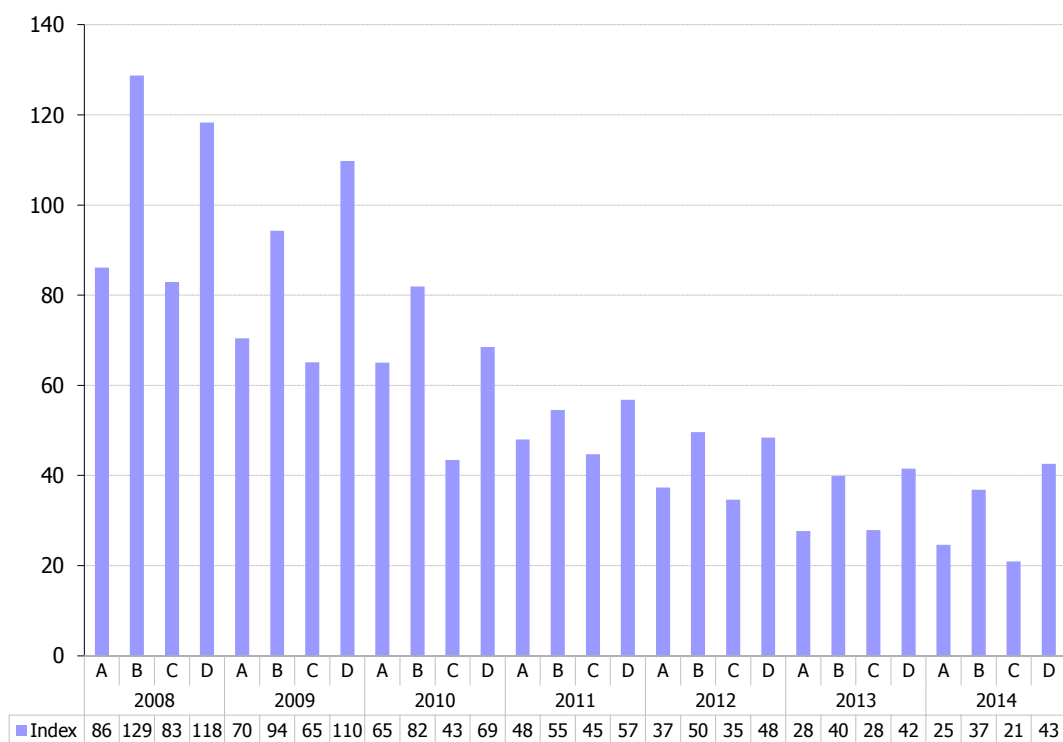
Evolution of the Turnover Index in the sector of Law, Accounting & Management consulting activities (sectors 69 and 70.2)



Source: ELSTAT

Figure 3.9

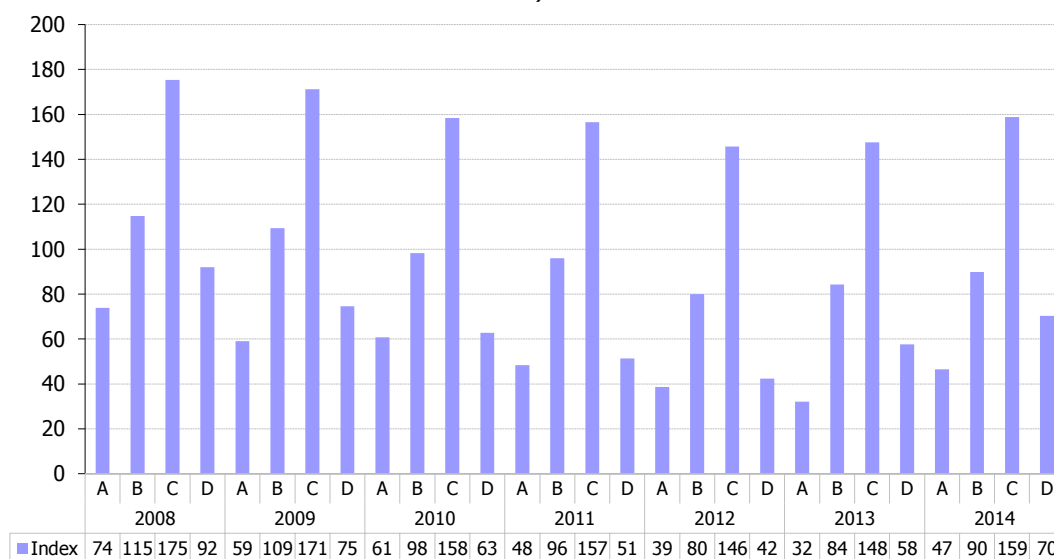
Evolution of the Turnover Index in advertising, market research and public opinion polling (sector 73)



Source: ELSTAT

Figure 3.10

Evolution of the Turnover Index in Tourism (Accommodation and Catering activities) (sectors 55 and 56)



Source: ELSTAT

The sectors of Accommodation and Catering Services (sectors 55 and 56) substantially improved in 2014, with turnover increasing by 13.7%, following a milder growth of 4.8% in 2013. However, the optimism in these aforementioned sectors appears to be declining in the first quarter of 2015 according to IOBE's Business Survey. Despite an improvement of 30.0% in the first quarter of 2014, the index plummeted by 3.0% in the corresponding period of 2015.

Although representatives of two of the five sub-sectors are expressing optimism over the upcoming year, expectations for the remaining three sub-sectors are ominous. As a result of this pessimism, improvements in the first two sub-sectors are being offset. The much more distinct pessimism in financial institutions is clearly

associated to the significant pressure on the liquidity of the Greek economy in recent months and the very limited access to the Emergency Liquidity Assistance (ELA) mechanism of the ECB as well the international capital markets. Nevertheless, optimistic expectations are recorded in hotels and restaurants with the relevant index increasing by 4.6% compared with a rise of 43.3% in the corresponding period last year. As far as the sector of "Various services to Enterprises", the index in 2014 increased at a significantly lower rate than in 2013 (3.9% in 2014 compared with 20.2% in 2013). In contrast, pronounced pessimism is reflected in Financial Institutions (-40.7% against +33.0% last year), in Informatics (-15.2% compared with +36.2%) and in Travel Agencies (-5.8% instead of 74.2%).

Table 3.6
Turnover Index (year-on-year changes 2005 = 100)

	2012	2013	2014	% Change '13/'12	% Change '14/'13
Car Trade	52.0	50.4	60.1	-3.1%	19.3%
Land transports & transport via pipelines	95.1	91.0	87.3	-4.3%	-4.1%
Water Transports	68.5	76.3	70.1	11.4%	-8.2%
Air Transports	97.4	112.0	121.4	15.0%	8.4%
Auxiliary to transport services & warehouse activities	61.6	81.6	86.1	32.5%	5.5%
Travel agencies	45.2	53.5	56.5	18.3%	5.7%
Postal and courier services	94.1	90.1	90.6	-4.2%	0.6%
Publishing services	47.8	42.9	45.6	-10.2%	3.9%
Telecommunications	74.4	65.8	62.9	-11.7%	6.1%
Informatics	59.3	56.4	57.5	-4.8%	1.9%
Data processing	165.9	132.4	122.3	-20.2%	-7.6%
Legal, accounting, consulting services	112.0	112.8	124.1	0.8%	10.0%
Architectural – Engineering services	61.3	53.5	43.0	-12.7%	-19.6%
Advertising, market research, polls	42.5	34.5	31.2	-18.9%	-9.4%
Administrative office works	53.3	44.8	38.2	-15.9%	-14.7%
Tourist services	76.7	80.4	91.4	4.8%	13.8%

Source: ELSTAT

Table 3.7
Sector Indices of Business Sentiment in Services (1996-2006=100)

	Q1 2013	Q1 2014	Q1 2015	Change% '14-'13	Change% '14-'15
Hotels - Restaurants	62.3	89.3	93.4	43.3%	4.6%
Travel agencies and tour operators	63.2	110.1	103.7	74.2%	-5.8%
Other Services to Enterprises	53.1	63.8	66.3	20.2%	3.9%
Financial Intermediation	68.2	90.7	53.8	33.0%	-40.7%
Informatics	58.0	79	67	36.2%	-15.2%
Total Services	60.6	78.8	76.4	30.0%	-3.0%

Source: IOBE

3.3. Export Performance of the Greek Economy

Exports of goods decreased by 1.5% in 2014, as they totaled €26.9 billion (compared with €27.3 billion in 2013). Excluding exports of petroleum products, the remaining exports declined by 0.7% and amounted to €16.5 billion, up from €16.4 billion the previous year. Imports (including oil) increased by 1.4% last year, totaling €46.8 billion, up from €46.1 billion in

2013. These developments have triggered an enlargement of the trade deficit by €1.04 billion (or by 5.5%), from €18.82 billion to €19.86 billion. Concerning the value of the Greek economy's exported goods, the value of these exports in 2014 amounted to 57.5% of imports. To put this figure into perspective, the value of Greek exports was 59.2% of imports in 2013.

More specifically, agricultural exports were limited in 2014 by 3.8%, as they

totalled €4.6 billion (down from €4.8 billion the previous year). A decline of 4.9% was recorded in the exportation of fuels, a turn of events that did not allow Greece to overcome the €10.9 billion received revenue in 2013, since revenue ultimately totalled 10.4 billion in 2014 (Table 3.7). It is significant to note that these two categories of products account for 55.6% of Greek exports (57.3% in 2013).

The decrease in agricultural products was primarily due to the dwindling demand by 45.2% for oils and fats of animal or plant origin. The value of these agricultural products did not exceed €316.5 million, from €577.6 million in the previous year (-€261 million), with their share in the agricultural product category declining from 12.1% in 2013 to 6.9% in 2014. In the category Food and Live Animals, which represents 80.4% of Agricultural Product exports, exports ascended by 2.3%, from €3.61 to €3.69 billion. Regarding the export of Beverages – Tobacco, which constitute 12.7% of the export of Agricultural Products, demand maintained its 2013 level of €584 million.

The exportation of Industrial Products escalated in 2014 by 4.1% or €410 million, with their value amounting to €10.3 billion from €9.9 billion in 2013. The increase is primarily attributed to the 12.4% or €247.3 million hike in foreign demand for Transport Equipment, with the value of these products expanding from €1.99 billion

in 2013 to €2.24 billion in 2014. Concerning the Chemicals and Related Products, an increase of 3.1% or €78.6 million, from €2.57 billion in 2013 to €2.64 billion in 2014, was captured. Furthermore, export performance improved in Other Industrial Goods by 2.5% or €42.4 million (from €1.69 billion in 2013 to €1.73 billion in 2014). There was a surge in the exportation of Industrial Supplies Sorted by Raw Material that amounted to 36.3% of the exports of the Industrial Products sector. This surge represented a 1.1% or €41.8 million increase from €3.68 billion in 2013 to €3.72 billion in 2014.

Finally, the export of raw materials deteriorated by 8.9% (from €1.13 to €1.03 billion). Furthermore, a 3% decline from €590 million in 2013 to €572.6 million in 2014 was reported in the exports of Items and Transactions unclassified by category.

Concerning the export trends by geographic destination, they displayed an upward trend in the countries of the Eurozone–15. Exports to the EU-15 constituted about a third of the total Greek exports of goods in 2014 – ***(or 0.6%)***, approaching €7.98 billion this year from €7.94 billion in 2013, while in the EU-27 the increase was greater (1.6%), with exports expanding in 2014 by €174.8 million (from €11.96 billion in 2013 to €12.13 billion in 2014). At the country specific level, a slight fall in the exports towards Germany by 0.6% or €10

million (from €1.77 to €1.76 billion) was recorded, as well as a 1.9% decline in exports to the United Kingdom that totalled €19.1 million (from €984.7 million to €965.5 million), while a similar trend was observed in the exports to Austria, since they dwindled by 14.5% or €29.8 million (from €205 million last year to €175.2 million in 2014). In contrast, exports to Spain and Italy grew by 15.8% and 1.2% respectively, amounting to €667 million in the value of exports (from €576 million in 2013) towards Spain and €2.44 billion (from €2.47 billion) towards Italy. It is significant to note that among the Eurozone-15 countries, the largest percentage decline in exports in 2014 was recorded in exports towards Denmark, since they contracted by 23% or €29.4 million (from €127.7 million in 2013 to €98.2 million in 2014). The highest rate of increase was observed in exports towards Luxembourg (+33.8% or €1.2 million).

Regarding the more recent members of the European Union, aggregate exports expanded by 7.8% or €156.8 million (from €2.02 billion in 2013 to €2.17 billion in 2014). Cyprus is the primary destination of Greek exports, with an increase compared with 2013 of 9.8% (€109.5 million). Similar positive developments were recorded for two countries that already absorb a significant share of Greek exports, namely, Poland and the Czech

Republic. Exports to Poland and the Czech Republic surged by 12.1% or €34.8 million (amounting to €323.3 million) and by 28.6% or €41.9 million (reaching €188.4 million) respectively. The largest decline was recorded in exports to Slovenia, which plummeted by 4.3% or €74.5 million (from €168.1 million to €93.6 million).

Turkey, which was the most important export destination for 2014, increased its imports from Greece by 2.2% or €69.5 million, i.e. from €3.20 billion in 2013 to €3.27 billion in 2014. The demand for Greek products in the Balkan countries (the third most important group of countries for Greek exports in terms of total value) marginally decreased by 0.8%, with the value of exports amounting to €3.62 billion in 2014 from €3.65 billion the year before. This development can be attributed to the fall in exports to: i) Bulgaria, which is one of the most crucial destinations for Greek exports both in the Balkan region and overall (4th most important destination), by 4.1% or €57 million, ii) FYROM, by 5% or €37.3 million and iii) Kosovo, exports to which were €77.4 million in 2013, but did not exceed €34.6 million in 2014 (a decline by 42.8%). The dwindling exports to these destinations was partly offset by the rise in exports to i) Albania, by 19.8% (€68.1 million) ii) Romania, by 4.7% (€28.2 million) and iii) Croatia, by 29.4% (€15.9 million).

Table 3.8
Exports per category in current prices (million €)

PRODUCT	VALUE		% CHANGE	% COMPOSITION	
	2014*	2013*	2014*/2013*	2014*	2013*
AGRICULTURAL PRODUCTS	4,590.0	4,769.7	-3.8%	17.1%	17.5%
Food and Live Animals	3,689.5	3,607.9	2.3%	13.7%	13.2%
Drinks and Tobacco	584.0	584.3	0.0%	2.2%	2.1%
Oils and Fats of animal or plant origin	316.5	577.6	-45.2%	1.2%	2.1%
RAW MATERIALS	1,031.7	1,132.1	-8.9%	3.8%	4.1%
Non-edible Raw Materials excluding Fuels	1,031.7	1,132.1	-8.9%	3.8%	4.1%
FUELS	10,363.0	10,891.4	-4.9%	38.5%	39.9%
Minerals, Fuels, Lubricants etc.	10,363.0	10,891.4	-4.9%	38.5%	39.9%
INDUSTRIAL PRODUCTS	10,342.9	9,932.7	4.1%	38.4%	36.4%
Chemicals and Related Products	2,645.3	2,566.7	3.1%	9.8%	9.4%
Industrial Products Sorted by Raw Material	3,721.6	3,679.7	1.1%	13.8%	13.5%
Transport Equipment	2,246.1	1,998.8	12.4%	8.3%	7.3%
Various Manufactured Goods	1,729.9	1,687.5	2.5%	6.4%	6.2%
OTHER	572.6	590.0	-3.0%	2.1%	2.2%
Goods and Transactions not sorted by Category	572.6	590.0	-3.0%	2.1%	2.2%
TOTAL EXPORTS	26,900.2	27,316.0	-1.5%	100.0%	100.0%

* Provisional data

Sources: ELSTAT, P.S.E.-K.E.E.M.

The Greek exports to the countries of North America deteriorated by 5.5% (from €1.14 to €1.07 billion), mainly due to the drop in exports to the United States from €934.2 million in €821.2 million (-12.1%). The surge in exports to Mexico and Canada by 9.5% (€11.4 million) and 43.4% (€38.5 million) respectively was not enough to offset the decline in exports to the United States.

Greek exports to the countries of North Africa and the Middle East (which absorb the most Greek exports

after the Eurozone-15) also contracted by 1.6% (from €3.80 to €3.74 billion), primarily because of plummeting exports to North African countries, namely Libya (-70.2% from €745.8 million to €222.1 million), Morocco (-71.2% from €190.3 million in €54.8 million), and Algeria (-20%, from €352.5 million to €282.1 million). The decrease was mitigated by a significant surge in exports to Saudi Arabia by €785.2 million (+94.6%), Tunis, exports to which amounted to €272.1 million (+248.1%), and Egypt, exports to which totalled €162.1

million (+27.3%). In Lebanon and Israel, the other two major export destinations of Greek products in the Middle East, exports increased by 23.2% and 48.5% respectively, amounting to €613.4 million and €191.9 million.

A decline in exports by 1.3% was recorded in the countries of the Commonwealth of Independent States, with exports totalling €831.5 million (from €842.8 million). This contraction in exports can be explained in terms of dwindling demand for Greek products in Russia by 12.1% (from €406 million in 2013 to €356.9 million in 2014). Russia is the most important destination for Greek exports in this geographical region. Georgia, which is also a crucial trading partner for Greece, imported €130.7 million in value (from €153.4 million the previous year). Despite the downturn in exports in Russia and Georgia, Greece has managed to increase its exports to Moldova by 96.8% (from €45.9 million in 2013 to €90.3 million in 2014).

Greek exports to Latin American countries underwent a significant contraction in 2014, since their value was reduced to €79.6 million from €150.9 million a year earlier. The deterioration of exports to the Latin American markets can be attributed to the 67.9% decline in demand for Greek products by Brazil, from €123.6 million in 2013 to €39.7 million in 2014

Despite the plummeting exports to Latin American markets, it appears as though the increase in demand for Greek goods observed in the previous years to the countries of Southeast Asia persisted, since 2014 marked an increase in exports to those countries by 34.1% compared to the previous year, reaching €738.8 million from €584.5 million. This development was mainly due to the rise of exports to Singapore (+25.6% at €264.4 million), South Korea (+40.8% at €281.1 million), and Indonesia (+64.6% at €100.5 million). The substantial expansion of exports offset the dramatic deterioration of exports to China. In particular, demand for Greek products in China in 2014 diminished by 33.4%, with export flows down to €278.5 million from €418 million in 2013.

Despite the surge in the exportation of chemicals and related products (+€78.6 million or +3.1%), the decline in exports of goods in 2014 was primarily triggered by the dwindling exportation of Fuels (-€528.4 million or -4.9%), as well as the declining exports of Oils and fats of animal or vegetable origin (-€261 million or -45.2%). In terms of the geographical distribution of exports, the standstill in the forward momentum of the previous years can be attributed to the reduced demand for Greek products in Other Countries, in the Balkans, and in the Middle East- North Africa. However, this decline was not enough

to inhibit a surge of exports to Southeast Asia and to the countries of the New Enlargement.

As far as 2015, the depreciation of the euro against the dollar as well as other currencies such as the pound sterling and the Canadian dollar, coupled with a reduction in energy costs due to the stabilization of oil prices at levels well below last year's, have contributed to increased competitiveness for Greek products. Particularly the devaluation of the euro against the dollar can help recover some or all of the significant losses in the exports to the US last

year. However, continuously kicking the can down the road by protracting negotiations with the Eurozone has adversely impacted the popularity of Greek products in the EU. It is significant to note that the EU is the main export destination for Greek products. Hence, it is uncertain whether last year's growth in exports of goods to the EU countries, which is a development that caused a surge exports of goods 2014, will be maintained in 2015. In light of these aforementioned parameters, a slight curtailment in exports of goods is a plausible scenario.

Table 3.9
Exports by destination, 2013-2014

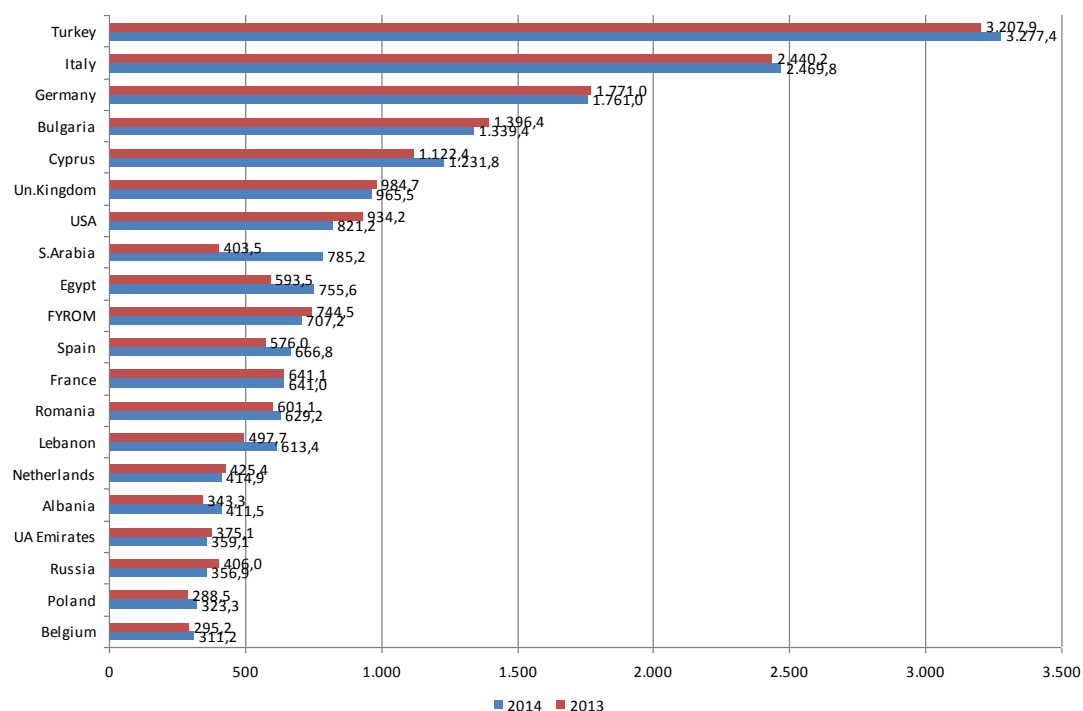
REGION	EXPORTS		% CHANGE	% COMPOSITION	
	2014*	2013	2014/2013*	2014*	2013
OECD (29 countries)	13,642.5	13,426.8	1.6%	50.7%	49.2%
EU-27	12,136.1	11,961.3	1.5%	45.1%	43.8%
EU-15	7,989.8	7,943.0	0.6%	29.7%	29.1%
North America	1,078.7	1,141.8	-5.5%	4.0%	4.2%
Other Developed countries	188.6	183.2	3.0%	0.7%	0.7%
Other OECD countries (Except S. Korea)	3,429.0	3,369.9	1.8%	12.7%	12.3%
Balkans	3,625.5	3,654.0	-0.8%	13.5%	13.4%
Commonwealth of Independent States	831.5	842.8	-1.3%	3.1%	3.1%
North Africa and the Middle East	3,747.9	3,807.1	-1.6%	13.9%	13.9%
Countries of Africa (without North Africa)	156.8	130.8	19.9%	0.6%	0.5%
Southeast Asia	783.8	584.5	34.1%	2.9%	2.1%
Latin America	79.6	150.9	-47.3%	0.3%	0.6%
Other countries	2,811.4	3,487.3	-19.4%	10.5%	12.8%
Total	26,900.2	27,316.0	-1.5%	100.0%	100.0%

* Provisional figures

Source: ELSTAT, P.S.E.-K.E.E.M.

Figure 3.11

Countries with the largest share in exports of Greek products (in million €), in 2013 and 2014



Source: P.S.E.-K.E.E.M. Data Processing: IOBE

3.4. Employment – Unemployment

According to data from the Labour Force Survey of ELSTAT, after two consecutive quarters of downward trend, unemployment has increased in the last quarter of 2014 to 26.1% from 25.5% in the third quarter. However, for the third consecutive quarter, the rate is lower than the corresponding quarter last year. Unemployment on an annual basis subsided compared to the previous year for the first time since 2008, since the unemployment rate declined to 26.5% from 27.5% in 2013, with the number of unemployed being limited by 55.9 thousand (1274.4 thousand from 1330.4 thousand the year before).

Since the third quarter of 2012, the unemployment rate in Greece is persistently the highest in the Eurozone-19. A noteworthy trend is that the highest unemployment rates in the Eurozone are still observed in countries that entered some form of support mechanism or stabilization program. Regardless of whether or not they have exited this mechanism or program, these countries consistently report higher unemployment rates. More specifically, Spain announced an unemployment rate of 23.7%. This rate declined in the second quarter of 2013. Cyprus declared the second highest unemployment rate, while Portugal reported the third highest rate that totalled 16.4%. Like Spain, Portugal's unemployment rate contracted compared with the second

quarter of 2013, thereby resulting in a rate that totalled 13.6% in the final quarter of 2014. Unemployment in Ireland has persistently declined since the third quarter of 2013, with a 10.4% unemployment rate in the last quarter of 2014. Excluding Cyprus, unemployment in these aforementioned countries dwindled in annual terms compared to 2013 (Spain: 24.5% from 26.1%, Portugal: 14.2% from 16.4%, Ireland: 11,3% 13,1%). Cyprus was an outlier since it saw its unemployment grow from 15.9% in 2013 to 16.1% last year.

The lowest unemployment rates in the Eurozone-19 in the last quarter of 2014 were recorded - as in previous quarters - in Germany (4.9%), Austria (5.6%), Luxembourg (5.9%) and Malta (6.1%). In annual terms, unemployment in Germany fell for the fifth consecutive year (5% in 2014), while in Luxembourg and Austria, unemployment rates slightly increased for the fourth and third consecutive year respectively (6% for Luxembourg and 5.6% for Austria in 2014).

Finally, in the other two major economies of the Eurozone-19, namely France and Italy, unemployment in the last quarter of 2014 surged to 10.5% and 13% respectively, from 10.1% and 12.4% in the fourth quarter of 2013. It is also significant to note that Italy's unemployment has persistently ascended since the third quarter of 2011. After five consecutive years of marginal increases, France's

unemployment rate stabilized at 10.3% last year. Conversely, Italy's unemployment rate since 2008 (6.8%) has persistently been rising, totalling 12.7% in 2014 (with the exception of the time spanning 2010-2011, when unemployment stabilized at 8.4%).

As emphasized in previous IOBE bulletins, the rise in unemployment in the period 2009-2013 was triggered by declining employment. Despite the fall in employment in the fourth quarter of 2014 (3,535.3 thousand employees) compared to the third quarter of the same year (3,586.9 thousand employees), the number of employed on an annual basis escalated last year for the first time since 2008 by 23.1 thousand people, or 0.66% compared to 2013 (from 3,513 thousand to 3,536.3 thousand in 2014).

Concerning the characteristics of unemployment, it has persistently been affecting women far more than men. In the last quarter of 2014, the female unemployment rate was 6 percentage points higher than the corresponding rate for men (29.3% versus 23.3%). For the entire year of 2014, the difference in unemployment rates was 6.5 percentage points, namely, 30.2% for women and 23.7% for men. Nevertheless, the male and female unemployment rates declined in 2014 for the first time since 2008. It is noted that in the Eurozone-19, the unemployment gap between men and

women was almost negligible in 2014, since it did not exceed 0.3 percentage points (11.5% unemployment of men and 11.8% female unemployment).

By decomposing unemployment in 2014 with respect to age structure, it becomes evident that unemployment in 2014 in four separate age groups (15-19, 20-24, 25-29 and 30-44 years) declined (by 10.7, 4.9, 2.5 and 0.6 percentage points respectively). In the 45-64 age group, unemployment marginally increased in 2014 to 19.5% from 19.2% in 2013. Despite declining by 5.9 percentage points in 2014, the problem of youth unemployment is acute, since the unemployment of individuals aged 15-24 years remained very high in 2014 (58.3% in 2013 and 52.4% in 2014). A similar situation is observed in the 25-29 age group, as unemployment fell from 43.3% in 2013 to 40.8% in 2014. Finally, for the productive age group of 30-44 years, the problem of unemployment is less severe, though still substantial. For this particular age group, the percentage of unemployed marginally decreased from 26% in 2013 to 25.4% in 2014.

The persistent inability of the Greek economy to generate new jobs is reflected in the skyrocketing number of unemployed individuals who are not in the labour market for periods of time that exceed one year. Since 2009, the percentage of long-term unemployed rose by 33.2 percentage points in 2014 to 73.6% (936.8

thousand people). This is 6.5 percentage points higher than the figure for 2013 (67.1% or 892.7 thousand people).

Concerning the education level, the data demonstrates that individuals with doctoral, master's, or college degrees, as well as individuals with elementary baccalaureate, consistently have lower unemployment rates than the national unemployment rate. This data establishes that the percentage of groups with BA Higher Technical and Vocational Education, Secondary Education Certificate and Junior Certificate have a consistently higher unemployment rate. In addition, all categories of education except Higher Education graduates and individuals who attended primary school classes, had a plummeting rate of unemployment in 2014 compared to 2013.

Concerning regional trends, unemployment declined in eight of the thirteen regions of Greece (Eastern Macedonia - Thrace, Central Macedonia, Western Macedonia, Epirus, Central Greece, Attica, South Aegean, Crete) for the period 2013-2014. Conversely, unemployment surged in four of the thirteen regions (Ionian Islands, Western Greece, Peloponnesus, North Aegean), while in only one region (Thessaly), the unemployment rate remained unaltered in relation to 2013 (25.4%).

More specifically, unemployment fell in regions that have traditionally faced significant problems with employment, i.e. Eastern Macedonia - Thrace (from 26.8% the year before to 24.2% in 2014), Western Macedonia, which exhibited the largest reduction in its unemployment rate by four percentage points (from 31.6% in 2013 to 27.6% in 2014), and Central Macedonia, which reported the highest rate of unemployment in 2014 (28.8% in 2014 from 30.2% in 2013). Furthermore, unemployment contracted in regions with large populations (Attica, 27.3% in 2014 from 28.7% in 2013), or important industrial activity (Central Greece, 26.9% in 2014 from 28.2% in 2013). However, the Ionian Islands and the Peloponnese disclosed the most dramatic rise in unemployment by 3.4 (from 18.1% in 2013 to 21.5% in 2014) and 1.4 (from 22% in 2013 to 23.4% in 2014) percentage points respectively. Finally, the region with the lowest unemployment rate in Greece in 2013 was the Southern Aegean (20.1% from 21.4% in 2013).

In terms of key economic sectors, a significant contraction in employment in the secondary sector totalling 48.3% or 494.8 thousand people was exhibited in the period 2008-2014, which is indicative of the widespread de-industrialization of the country. Employment in this sector decreased by 3.1% compared to 2013 (546.6 thousand in 2013), thus totalling

529.7 thousand individuals in 2014. Of equal significance was the dwindling employment in the tertiary sector, which reached 17.8% (or 545.6 thousand people). Employment in this sector in the years 2013-2014 increased by 1.7% (from 2485.5 to 2526.7 thousand people). Finally, in the Primary Sector, employment over the period 2008-2014 was reduced by 6.6% (513.8 thousand people in 2008 and 479.9 thousand people in 2014) and only 0.2% in the years 2013-2014 (481.1 thousand people in 2013). Therefore, the manufacturing and services sectors faced a much greater hit in employment than the Primary sector during the years of the crisis, with employment in the manufacturing and services sectors exhibiting gradual signs of recovery in 2014. Despite the significant decline in employment and the structural changes in the labour market, the data demonstrates that the growth model of the country has not changed, since trade and services still hold a predominant role.

Looking at the data for the individual sectors of economic activity, it becomes evident that in crucial sectors of the Greek Economy (Agriculture, Manufacturing, Construction, Wholesale and Retail Trade, Public Administration, Business-Scientific Activities, Education), employment over the period 2008-2014 was significantly reduced, with the greatest contraction occurring, as expected, in the construction sector (-61.8%

people), Manufacturing (-41.9%) and Trade (-25.5%), while the decline of employment in the financial sector amounted to 3.3%. During the biennium 2013-2014, the aforementioned sectors displayed a milder decline in employment by 6.6% (from 162.4 thousand people to 151.6 thousand), 2.5% (from 324.7 thousand to 316.5 thousand people), -0.8% (from 630.5 thousand people to 625.6 thousand), and -13.1% (from 107.1 thousand people to 93 thousand) respectively. Conversely, in the sector of Accommodation and Food, which is a crucial sector for the Greek economy, employment in the years 2013-2014 increased by 14.6%, from 259.2 thousand people to 297.1 thousand. Pertinent to the Construction sector is Real Estate, where employment increased by 33.1% (3,000 people in 2013 and 3,900 people in 2014). Finally, in the Education sector, employment was bolstered by 5.6% (274,800 in 2013 and 290,200 in 2014), while employment in Administrative and support services activities surged by 34.9% (from 62,000 in 2013 to 83,700 thousand people in 2014).

In conclusion, employment figures demonstrate that the surge in employment in 2013-2014 was primarily due to:

- Tourism (37.9 thousand people), due to higher tourist arrivals in 2014 by 15.4% or 1,941 thousand people (up

from 12.6 million in 2013 to 14.6 million tourists in 2014)

- Supportive - Administrative activities (21.6 thousand people), because of the maturity of the five month program of community service initiated in the first quarter of 2014.
- Education (15.5 thousand people), which exhibited expanding employment for the same reasons as the increase in employment in the Auxiliary - Administrative Activities.

The expansion in employment figures was ultimately not offset by the decline in employment in the construction sector (-10,700 people). This decline arose because of the low construction activity in financial and insurance activities (-14,100 people) and due to the voluntary retirement programs that took place in the Banking Sector and the Public administration (-14,000 people) as a result of retirements.

Labour costs in the public sector between the fourth quarter of 2011 and the fourth quarter of 2012 were falling to a greater extent than the costs of the private sector. Afterwards, the change in costs between the two sectors was running in parallel, with a more intense reduction of costs in the private

sector, interrupted after the first quarter of 2014.

According to the latest data on labour costs for the third quarter of 2014, the private sector exhibited a slight increase of 0.9 percentage compared with the same quarter last year, when it dwindled by 4.8%. Concerning the public sector, labour costs rose for the third consecutive quarter. More specifically, the third quarter of 2014 saw labour costs in the public sector increase by 2%. Conversely, in the same quarter of 2013, labour costs were limited by 7.6%. However, the

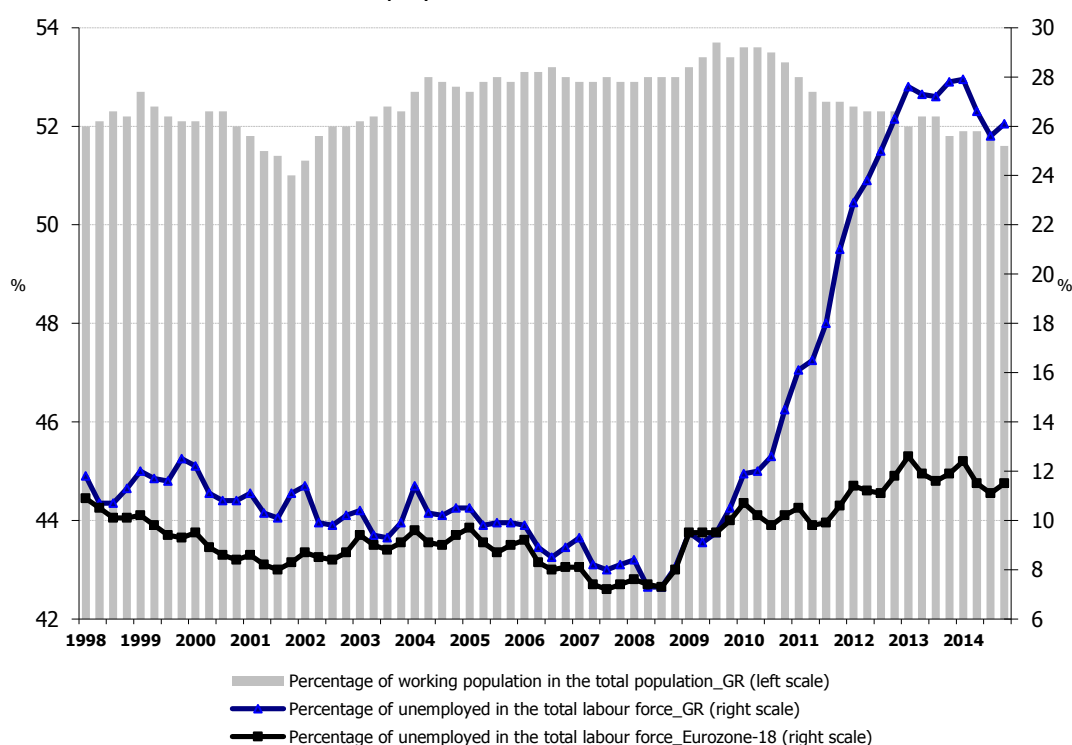
proportional course of change that the public and private sector figures followed since the last quarter of 2012 was interrupted in the second quarter of 2014.

Medium-term outlook

The preceding parliament's inability to elect a President of the Republic, coupled with the announcement of the January elections and the on-going negotiations between Greece and its creditors, has triggered uncertainty over the course of the economy. Such uncertainty will persist at least until the first half of 2015.

Figure 3.12

Development of the Percentage of Workforce in the total population and the share of the unemployed in the total labour force



Source: ELSTAT –Labour Force Survey, Eurostat

Table 3.10

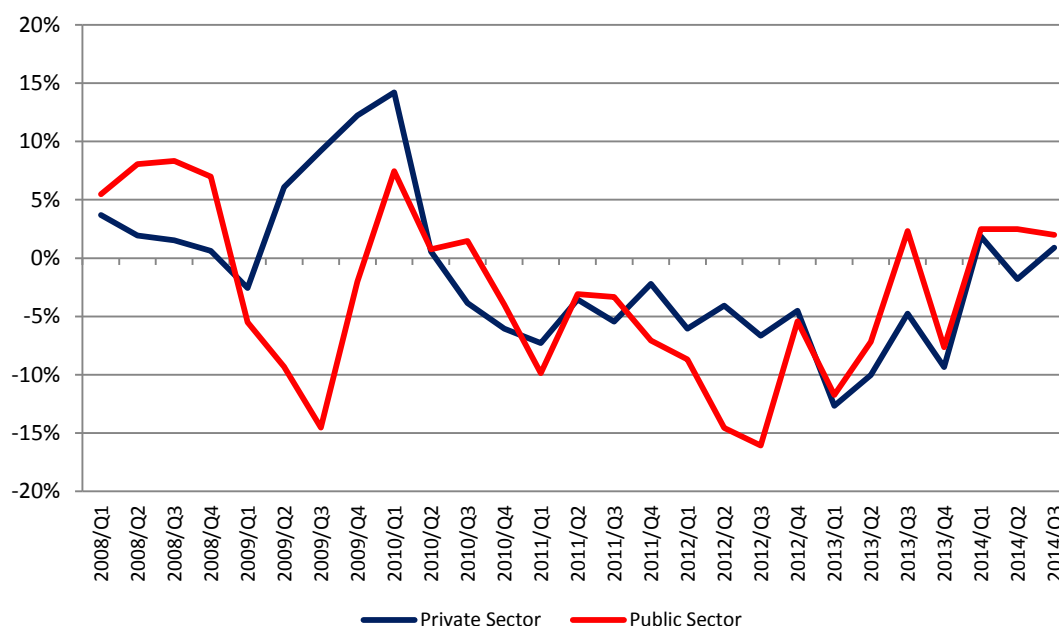
Population aged 15 years and over by employment status (in thousand)

Quarter/Year	Total	% of Population	Employed	Percentage (%) of the workforce	Unemployed	Percentage (%) of the workforce
1998	8,680.4	52.1	4,017.9	88.8	507.9	11.2
1999	8,764.5	52.3	4,031.4	87.9	554.7	12.1
2000	8,839.8	52.2	4,088.5	88.6	523.5	11.4
2001	9,156.0	51.4	4,202.1	89.2	508.4	10.8
2002	9,188.3	51.8	4,265.0	89.7	492.7	10.4
2003	9,234.9	52.3	4,353.2	90..2	472.7	9.8
2004	9,285.3	52.9	4,389.5	89.4	520.0	10.6
2005	9,332.4	52.9	4,443.6	90.0	493.6	10.0
2006	9,374.1	53.1	4,527.5	91.0	448.2	9.0
2007	9,412.3	52.9	4,564.1	91.6	418.4	8.4
2008	9,435.1	53.0	4,610.5	92.3	387.9	7.8
2009	9,431.1	53.4	4,556.0	90.4	484.7	9.6
Q1 2010	9,418.1	53.6	4,446.0	88.1	600.2	11.9
Q2 2010	9,405.4	53.6	4,436.5	88.0	604.6	12.0
Q3 2010	9,393.1	53.5	4,398.0	87.4	631.9	12.6
Q4 2010	9,381.0	53.3	4,278.5	85.6	720.8	14.4
Q1 2011	9,374.4	53.0	4,165.5	83.9	799.6	16.1
Q2 2011	9,373.1	52.7	4,124.2	83.5	815.6	16.5
Q3 2011	9,372.2	52.5	4,040.8	82.1	883.5	17.9
Q4 2011	9,371.7	52.5	3,886.9	79.1	1,028.6	20.9
Q1 2012	9,364.7	52.4	3,785.0	77.2	1,119.1	22.8
Q2 2012	9,351.2	52.3	3,729.9	76.2	1,163.0	23.8
Q3 2012	9,338.0	52.3	3,668.0	75.1	1,218.4	24.9
Q4 2012	9,325.3	52.3	3,597.0	73.8	1,279.9	26.2
Q1 2013	9,316.5	52.0	3,504.2	72.4	1,336.0	27.6
Q2 2013	9,311.7	52.2	3,535.0	72.7	1,327.9	27.3
Q3 2013	9,307.1	52.2	3,533.7	72.8	1,320.3	27.2
Q4 2013	9,302.7	51.8	3,479.9	72.2	1,337.2	27.8
Q1 2014	9,295.8	51.9	3,483.7	72.2	1,342.3	27.8
Q2 2014	9,286.6	51.9	3,539.1	73.4	1,280.1	26.6
Q3 2014	9,277.5	51.9	3,586.9	74.5	1,229.4	25.5
Q4 2014	9,268.5	51.6	3,535.3	73.9	1,245.9	26.1

Source: ELSTAT, Labour Force Survey

Figure 3.13

Labor cost developments in the Public and Private Sector in Greece (2008 / Q1-2014 / Q3)

**Source:** Eurostat, ELSTAT

The ongoing, protracted negotiations have thus far postponed additional budgetary measures, as seen from the previous government's negotiations with the troika. The postponement of additional measures that will further limit disposable income, coupled with the resurgence of deflation, has triggered a slight strengthening of the purchasing power of households. Upon examining the marginal expansion in the volume of retail trade (excluding fuel) last January by 1.6% more than in the last quarter of 2014 (+0.3%), it becomes evident that purchasing power has increased. This development is favourable to employment in retail trade, since it is one of the sectors that contributed to last year's decline in unemployment.

If the outcome of the current negotiations does not drastically overturn the basic parameters of the Greek economy, a modest rise in consumption is expected for most of 2015. Although new fiscal measures will most likely be implemented, these measures will not be put into effect until the second half of 2015. Hence, the slight surge in consumption will not be offset.

As long as the negotiations continue to inhibit public sector reforms, unemployment will be curbed. Hence, unemployment from this side of the labour market is not expected to increase in the near future.

The Tourism sector, which on average generated more jobs than any other sector last year, continues to exhibit

positive employment figures. This upward trend in employment in the Tourism sector is likely to persist in 2015 because of: 1) the devaluation of the euro against the dollar as well as other currencies, and 2) the increased international arrivals at Greece's larger airports, as captured by available data. In the first quarter of 2015, arrivals were 28.8% higher than the corresponding period of 2014. In 2014, arrivals were 20.6% higher than 2013.

On the other hand, the prevailing uncertainty acts as a deterrent to employment figures even in businesses that have exhibited signs of recovery. Businesses restrain themselves from making decisions related to the existing employment scheme because of a potential reversal of the structural changes that were implemented in the labour market in the recent years (for instance, how high the minimum wage should be, or collective bargaining agreements). Only once the new government clarifies its policy with regard to these aforementioned issues will businesses be able to firmly make decisions relating to employment.

Given the limited figures on the evolution of unemployment for 2015 (data only covers the first month of 2015), indications of upward momentum in employment have become evident. The non-seasonally adjusted employment stood at 26.0%, 0.8 percentage points lower than in

December and 1.4 points lower than the corresponding month of 2014.

In light of these aforementioned influences on the labour market, and provided that the outcome of the negotiations with creditors does not trigger a strong disturbance in the domestic macroeconomic environment, then a decline in unemployment by just over one percentage point compared to the value of 25.4% in 2014 is certainly feasible.

According to the latest IOBE business surveys, short-term employment prospects deteriorated year-on-year in all sectors of the Greek economy in the first quarter of 2015. More specifically:

Employment prospects exhibit a further decline in the first quarter of 2015 compared with the fourth quarter of 2014. This decline is more substantial in retail trade and in Construction services, and milder in Services and Industry. Compared with the corresponding period last year, a contraction is observed in employment estimates for all sectors of the economy, with the exception of industry. The most acute contraction is recorded in the construction sector.

In Industry, the negative balance of employment expectations expanded in the quarter January - March 2015 compared with the quarter October - December 2014 by 5 points, thus

averaging -8 points. Compared with last year's corresponding performance, the average quarterly index is 2 points higher. The percentage of industrial businesses that foresee growth in employment in the upcoming period is reduced from 9% to 6%. In addition, the percentage of businesses that forecast a contraction in the number of jobs increased from 11% to 14%. The vast majority of businesses in the sector (80%) foresee a stabilization in terms of employment.

Similarly, the relevant forecasts in the construction sector for the quarter under examination were also exacerbated, as the relative average index dwindled by 9 points, totalling -20. This is 27 points lower compared with the corresponding period of 2014. About 40% of all companies in the sector foresee fewer jobs, while the remaining 20% of companies expect a surge in employment. With respect to individual sectors, the decline in the overall index of the sectors stems from the deterioration of Public Works (-11 points on average the index to -20), since the relevant average indicator remains at -14 in the Private Construction sector.

In Services, the forecasts for employment in the first quarter of 2015 are deteriorating in comparison with the corresponding forecasts for the fourth quarter of last year. In addition, the forecasts compared with the same period of last year also exhibit a contraction. The relevant

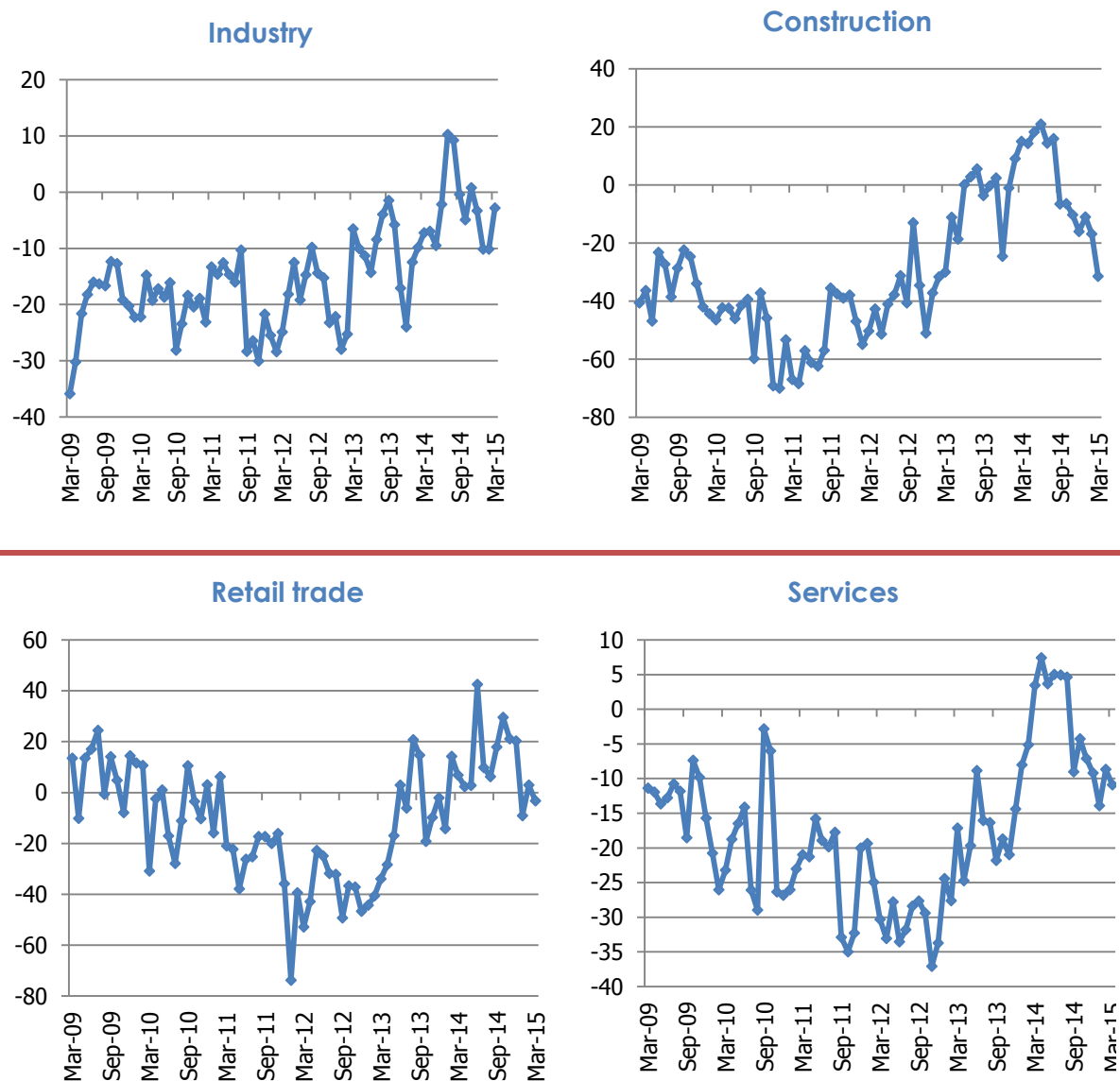
balance of -7 points in the previous quarter declined to -11 points in the current quarter under examination (from -3 points in the first quarter of 2014).

About 21% of the companies in the sector expect a further decrease in employment in the upcoming period. The percentage of companies that foresee an increase in employment declined from 13% to 9%. The downward trend dominates across most subsectors. Hotels, restaurants, travel agencies and land transport are an exception to this trend, as the balance in these sectors improves. In fact, these sectors revealed a positive average index for the current quarter.

Compared with the previous quarter, the positive index of employment forecasts in retail trade declined from 24 points to -3 points during the first quarter of 2015. This performance is considerably lower than the corresponding index of last year (2 points). About 7% of businesses in this sector foresee a further contraction in jobs. The percentage of those expecting an increase in employment sharply declined from 31% to 4%. Finally, 88% of businesses foresee stability (compared with 62%). With respect to subsectors, a marginal increase of the relevant balance was recorded in Textile - Clothing and Footwear. However, all other sectors announced a contraction. This contraction is most acute in Department Stores.

Figure 3.14

Provisions for employment (balance of responses difference of positive - negative answers)



Source: IOBE

3.5. Consumer prices

Recent developments

In the first quarter of 2015, the Greek economy remained in deflationary territory, since the Consumer Price Index (CPI) decreased by 2.1% this past March compared with a 1.3% decline in the same month last year. Deflationary pressures first emerged when the CPI subsided by 2.8% in March 2013. The second largest negative change in the CPI since March 2013 was recorded in January 2015.

Deflation reached a new temporal high level in January and March of this year (-2.4%), thereby surpassing its previous largest surge in the last quarter of 2013 (-2.2%).

The new decline in prices was anticipated, since the price of oil at the beginning of 2015 was maintained at the same low prices that emerged in the second half of 2014.

The slump in oil prices restricted both housing and transportation costs, which are two of the three groups of goods - services with the greatest weight in determining the Consumer Price Index basket. The decline in the cost of heating and housing was not only limited by the slump in oil prices, but also by the restriction of excise duty taxes on heating oil.

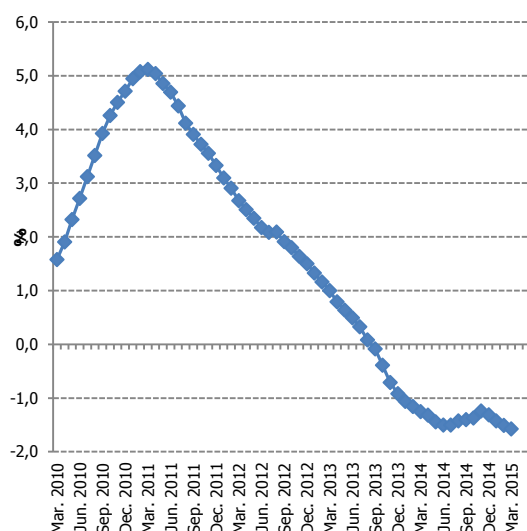
Deflationary pressures have been reinforced because of the intense domestic political uncertainty. This uncertainty has inhibited consumption, which in turn has an overall negative effect on aggregate demand.

The majority of sectors of the economy exhibited a decline in prices. The most drastic price decline was captured in the field of Housing -6.4% (-1.9% in 2013). Prices also decreased, though to a smaller extent, in the sectors of Transportation -4.1% (-2.2% in 2013) and in the branch of Clothing & footwear -3.6% (+0.4% in 2013). The price decline in Education was milder (-3.1% against -3.9% in 2013), yet much more rapid and sudden than the industries of other goods and services (-2.6% against -4.4% in 2013).

Furthermore, a decline in prices by 1.3% in the Recreation sector (-2.6% in 2013) and by 1.7% in durable goods (-2.3% in 2013) was observed. The decrease in the price of durable goods was a result of dwindling prices of textiles, large household appliances, and goods of direct consumption. In addition, a decrease of 2.2% in the healthcare sector was reported (+2.7% in 2013) due to lower prices of pharmaceutical products as well as medical and paramedical services. The smallest decline, namely, by 0.5% (-2.7% in 2013) was captured in hotel services.

Conversely, the tobacco – products and Alcoholic beverages sectors exhibited a surge of 1.6%, compared with the corresponding increase in the same period of 2013 (+1.5%). With respect to food products and alcoholic beverages, an increase of 0.7% (-1.2% in 2013) was captured due to escalating prices of some goods essential in production, such as olive oil, fresh vegetables, etc.

Figure 3.15
Evolution of CPI in Greece (annual percentage changes)



Source: ELSTAT

The harmonized CPI (HICP) in Greece recorded a decrease by 1.9% in March 2015 compared with March 2014. For the time span March 2013 to March 2014, the CPI declined by 1.5%. Overall, in the first quarter of 2015, the rate of deflation was almost twice that than the corresponding quarter last year (-2.2% in 2015 versus -1.2% in the 2014).

In the Eurozone -18 level, Greece is in the small group of countries with a negative change of the HICP. In March, Greece reported the highest rate of deflation in Europe (-1.9%) followed by Cyprus, which recorded a marginally lower rate of inflation (-1.4%). Trailing Greece and Cyprus were Lithuania (-1.1%), Spain (-0.8%), Slovenia, and Slovakia (-0.4%), Ireland (-0.3%) and the Netherlands (-0.1%). In five Eurozone countries the change of the HICP was null (Belgium, France, Italy, Finland, and Estonia). Belgium 0.3%, Ireland 0.2% and Slovenia 0.2% entered a mild phase of inflation.

Other countries exhibited inflation rates ranging from 0.1% (United Kingdom, Germany) to 0.9% (Austria).

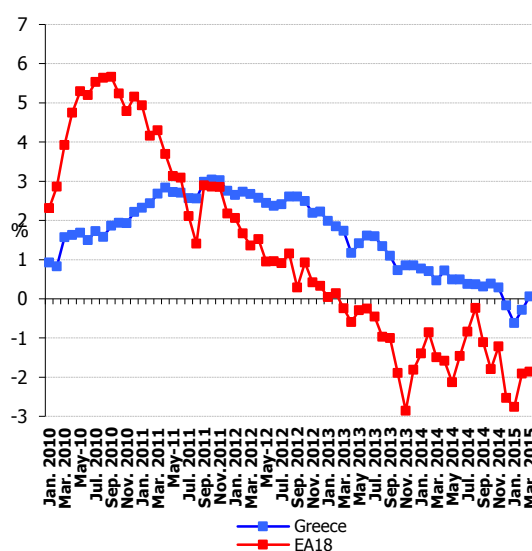
According to the latest available data, the Producer Price Index (sum of the domestic and external markets) captured a 4.8% decrease in February 2015 compared to a 3.5% decline the same month last year. Throughout the course of the first two months of 2015, it escalated by 4.2%.

With respect to the individual sectors in the timespan covering the months of January- February of 2015, the largest contraction was recorded in the Construction of metal products (-0.1%), Paper (-0.4%), and the industry of Printing (-0.5%). Prices in other industries surged, with the biggest change being captured in the

industry of petroleum coke and refined petroleum products (+19.5%), the manufacture of basic metals (+3.4%), and other manufacturing activities (2,3%). For the same period, prices on imported raw materials declined 10.8% (-2.8% in 2014). The revised import price index in industry (RIPII) is reinforced by +3.5% compared with a marginal increase (+0.7%) in the corresponding period last year. In most sectors, price changes in the corresponding sub- index RIPII were insignificant, since they shifted either upwards or downwards by less than half a percentage point in most cases.

Figure 3.16

HICP developments in Greece and the Eurozone -18
(annual percentage changes)



Source: ELSTAT

Despite the insignificant price changes in the aforementioned sectors, major increases were observed in carbon products, oil refining (+20.5%), as

well as extraction of crude petroleum and natural gas (+14.4%) industries

Medium term developments

The persisting uncertainty over the outcome of the negotiations inhibits a reliable assessment for the progression of deflation and the general price index. Naturally, these indicators will impact production activity and employment, which will in turn influence domestic disposable income as well as key components of demand, such as consumption and exports. Estimates for the progression of the CPI are based on the assumption that the outcome of the negotiations will not radically alter the status quo and the basic parameters of the Greek economy.

Under the precondition that the status quo is not radically altered, and given that the price of oil will remain well below its corresponding price last year for at least the next six months, it becomes evident that a resurgence of deflation (which began in the last quarter of 2014) will be instigated.

The further decline in unemployment this year (section 3.5 of the report) will bolster disposable income as well as domestic demand, thereby mitigating deflation. Price developments in 2015 will depend on whether changes in indirect taxation will come to fruition. Nevertheless, alterations in indirect taxation are not expected to be implemented before

the second half of 2015. Unless no widespread increases in indirect taxes are agreed upon, the **strong deflationary trends during the first half of 2015, namely January - June, will provide the basis for the price trends in 2015, with a 1.0% rate of reduction of the General Index of Consumer Prices, a value that is slightly lower than 2014 (-1.3%).**

Crucial information concerning the price developments of the upcoming months is available through the monthly business surveys conducted by IOBE. These surveys capture precursory evidence on the progression of prices from the supply side.

Compared with the previous quarter last year, forecasts for the variation of prices differ in the first quarter of 2015. However, the balance persistently displays negative signs, thus maintaining the dominant deflationary trend of the past four years. More specifically, the relative negative price balance in the period January - March compared to the quarter October – December slightly flattened in Industry, and marginally eased in retail trade. It expanded in the services and private constructions. Regarding the corresponding period of last year, deflationary expectations eased in the services and private construction sector. Conversely, such

pressures intensified in Industry and Retail Trade. Specifically:

In industry, the price reduction forecasts in the first quarter of the year slightly shifted downward with respect to the previous quarter, with the relevant negative index totalling -5 points (from -9 points in the previous quarter and -2 from the corresponding quarter of last year). About 12% (from 14%) of the businesses in this sector foresee, on average, a further price reduction in the near future. In addition, 81% of businesses expect price stabilization and 7% (from 5% in the previous quarter) foresee an increase.

Forecasts for price deflation for firms in the Retail Trade sector marginally declined in the first quarter of 2015, with the relevant average negative balance totalling -3 points (from -5 in the previous quarter and -16 in the corresponding quarter last year). About 15% of the companies in the sector expect a further decline in prices in the short term, 10-11% foresee a rise in prices in the last six months, while 74% anticipate price stability. With respect to the subsectors of Retail Trade, expectations for a price decrease in the quarter under examination increased compared to the previous quarter in Vehicles & Parts and in Department Stores. Expectations for a price decrease remained unchanged in Textile - Clothing – Footwear. Finally, expectations for a price decrease

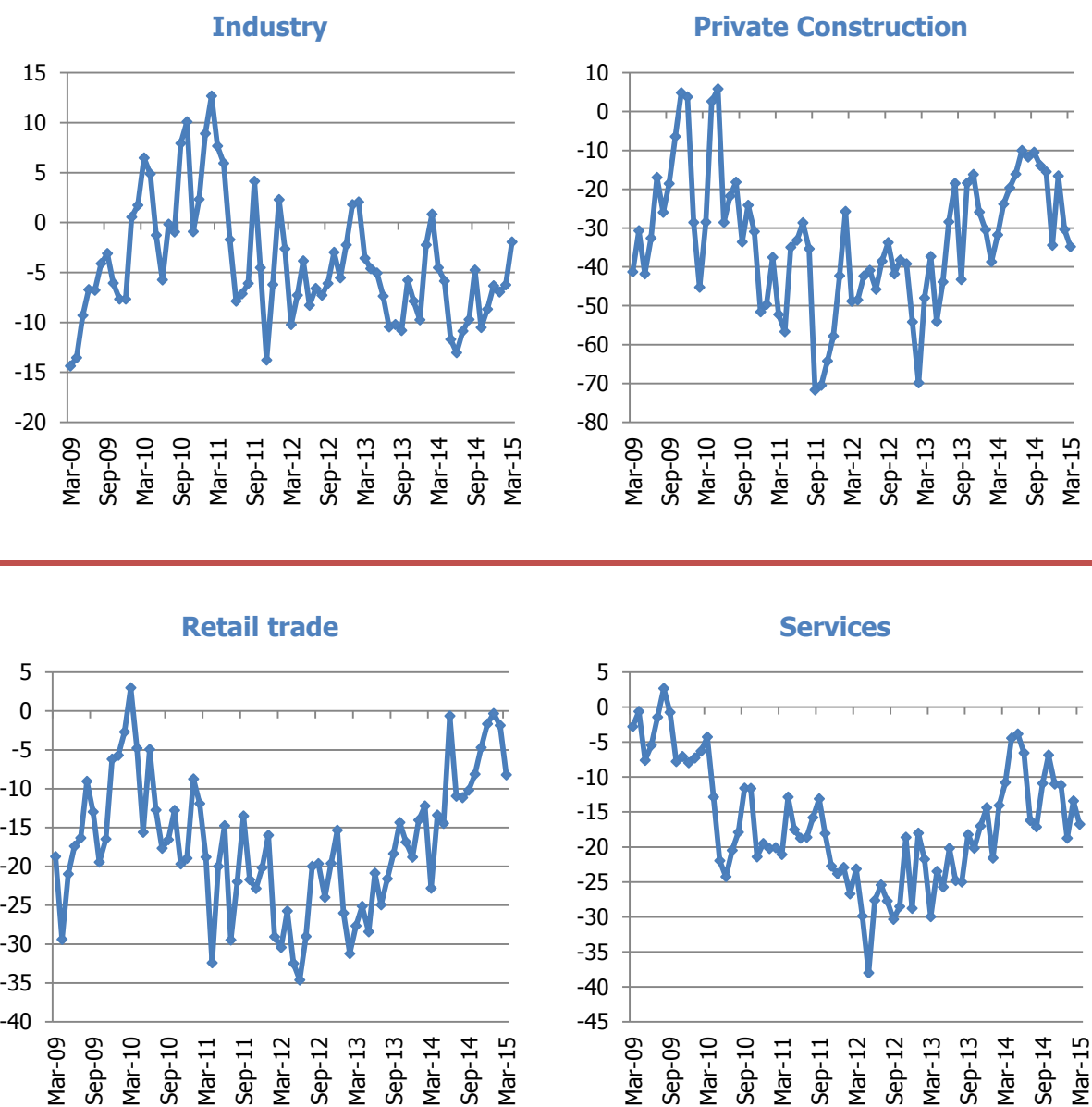
surged in the household appliances and Food - Beverage - Tobacco sectors.

The average index that forecasts price changes declined by 6 points in the quarter under examination compared to the previous quarter last year. The index stands at -16 points, which is the same level compared to last year's performance. About 18% (compared with 11%) of the firms in this sector foresee a decline in prices in the next quarter, while 2% anticipate a rise. With respect to the individual sectors, the relevant indicator contracted in almost every sector. A more acute

contraction was exhibited in Financial Intermediary Institutions. Conversely, in the Hotels - Restaurants - Tourist Agencies sectors, the index remains unchanged and balanced. Finally, in Private Construction, the negative price balance of the previous quarter expanded in the first quarter of 2015 by 6 points, thus totalling -27.6 points. This is 6 points higher than the corresponding value for last year's index. For the quarter under examination, 29% (compared with 21%) of firms in the sector anticipate price declines in the short term, while 2% (compared with 0%) of firms foresee a price decline in the short term in this sector.

Figure 3.16

Price Expectations (% difference between positive – negative answers)



Source: IOBE

3.6. Balance of payments

Since January 2015, the balance of payments for Greece has been established by employing the methodology of the International Monetary Fund's sixth edition of the Balance of Payments Manual (BPM6). As a result of this change, the new available time series presently spans 2009-2014³.

Current account

The current account balance (current account) swung to a surplus in 2014 that totalled €1.6 billion, compared to €1.1 billion in 2013. Compared with 2009, the current account balance has adjusted by €27.4 billion. Hence, the balance represents 0.9% of GDP, compared with -10.9% of GDP in 2009. The driving force behind the considerable melioration of the current account was a strengthening of the services balance, which offset the mild surge in the trade deficit⁴.

The data for January 2015 overturned the trend in 2014, since the deficit in the current account increased, primarily due to the deterioration of the trade deficit, while the surplus in services remained stable.

In 2014, the **trade deficit** totalled €17.8 billion, an expansion of 3,5% (€611 million)⁵ compared to 2013. Since 2009, the trade deficit has been

reduced by €12.9 billion. The trade deficit excluding oil and shipping exhibited anaemic growth of 0.9% that amounted to €8.1 billion, as exports of goods totalled €14.6 billion (+€800 million), while imports totalled €22.8 billion (+€873 million). With respect to fuel, exports expanded at a considerably slower pace, namely, by 3.1%. Exports yielded €8.1 billion, while imports marginally increased to €15.7 billion.

In January 2015, the Goods Balance surged by €279.4 million. This signalled an increase of 15.9%, which arose primarily because of the decline in exports by €323.9 million, while imports dwindled by €44.6 million

The surplus in the **services balance** was bolstered in 2014, since it amounted to €19.6 billion, with a €31.1 billion (+€3.0 billion) increase in revenues and a €407 million rise in payments. Concerning the revenue from tourism, it totalled €13.4 billion, which was €3.0 billion higher than two years ago. Similarly, the revenue from transportation and other services rose by 9.0% and 18.3% respectively, to €13.2 billion, and €4.5 billion. Payments in travel components escalated in 2014 to €2.1 billion and other services to €3.6 billion, while payments for transportation slumped from €292 million to €5.3 billion.

³ More details are available at: http://www.bankofgreece.gr/Pages/el/Bank/News/PressReleases/DispItem.aspx?Item_ID=4930&List_ID=1af869f3-57fb-4de6-b9ae-bdfd83c66c95&Filter_by=DT

⁴ Based on the new methodology BPM6, the Trade Balance is renamed as Goods Balance.

⁵ Unless otherwise noted, the figures in parenthesis capture the absolute change compared to 2013.

In the first month of 2015, a stabilization of the Balance of Services was recorded, while travel services exhibited an increase of 9.1%.

The Balance of primary income⁶ exhibited a surplus of €159 million in 2014, compared with a €457 million deficit in 2013. Revenues escalated by 5.8% to €6.8 billion, and payments dwindled by -3.5%, thereby totalling €6.7 billion. Specifically, receipts from employment remained stable at €209 million, investment registered a marginal drop of €3.2 billion, while other primary income (subsidies and taxes on production) surged by 12.6% to €3.4 billion. Payments for income from jobs rose by 8.5% to €491.7 million, while payments from investment income declined by -4.6% to €5.8 billion. Finally, other primary income, such as subsidies and taxes on production, stabilized at €362.6 million.

In January 2015, a significant decrease in the primary balance of

income surplus was recorded from €754 million in 2013 to €589.2 million in 2014.

The Secondary Balance Income⁷, exhibited a deficit of €334.7 million in 2014, compared with a surplus of €1.8 billion in 2013. The revenues totalled €2.6 billion in 2014 compared with €4.6 billion in 2013, while payments increased by 1% to €2.9 billion.

Capital account

The Capital Account⁸ in 2014 amounted to €2.5 billion, compared with €3.0 billion in 2013. This can be attributed to a 15.2% deterioration in revenue to €2.9 billion, while payments rose by 4.6%, thus totalling €355.6 million.

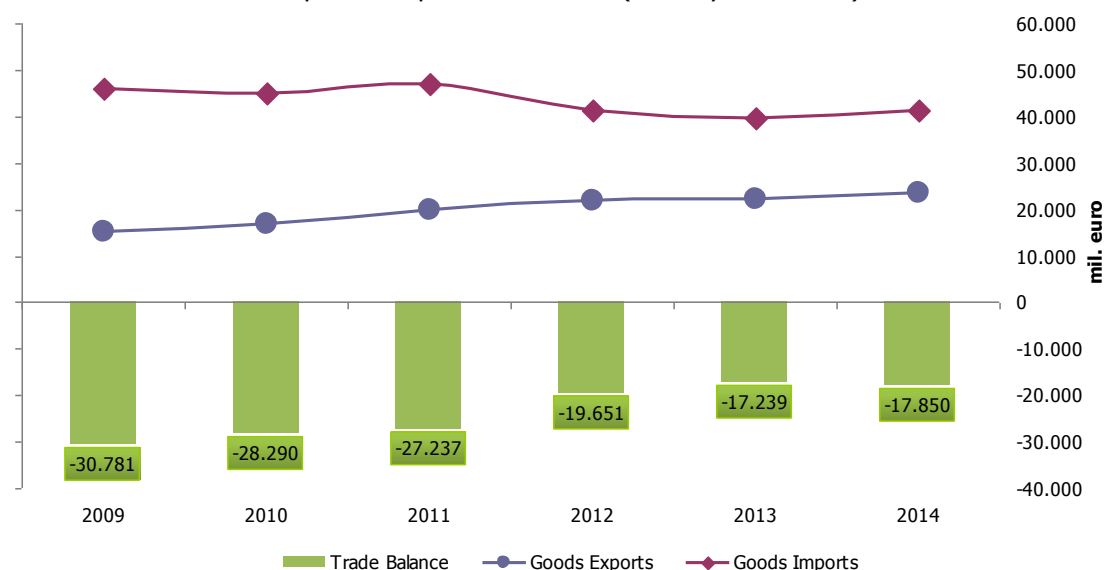
Finally, the sign of the current account and capital account balance, which is indicative of the relations of an economy's position as lender or borrower with respect to the rest of the world, was positive at €4.1 billion, compared with a deficit of €23.8 billion in 2009.

⁶According to the announcement of the BoG, the main changes concern the development of two new terms, namely, the balance of primary income and the balance of secondary income. These terms substituted the previous terms of balance of income and current transfers, respectively, in order to achieve greater consistency with the national accounts. In addition to labor income (wages, salaries), the balance of primary incomes now includes, apart from investment income (interest, dividends, gains), some additional flows as well, which were previously incorporated in the category of current transfers. These flows are incorporated in the category of other primary incomes. They primarily include taxes and subsidies on products and production. As for the secondary income account, which by definition, resembles the old current transfers, this will henceforth exhibit lower revenues due to the fact that receipts from some EU funds have been reclassified to the category of other primary income.

⁷ The secondary income account primarily incorporates a portion of transfers (receipts) from the European Union Community budget in the General Government (as receipts from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and the European Social Fund), the contributions (payments) of Greece to the Community budget, as well as migratory remittances

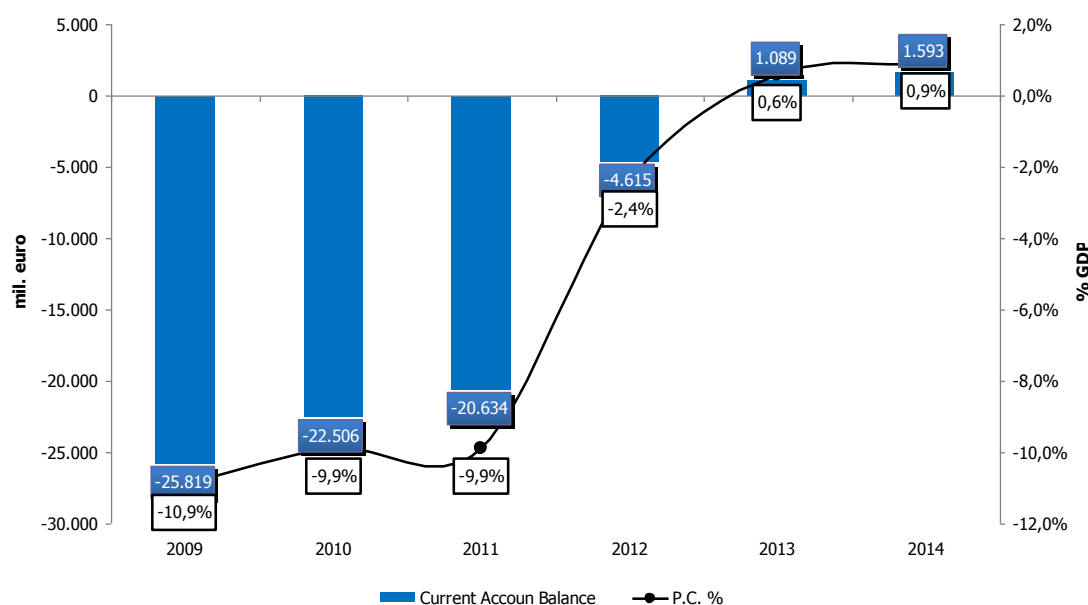
⁸ The fund balance reflects capital transfers, i.e. unilateral receipts and payments between residents and non-residents related to capital formation. Capital transfers mainly include some of the transfers (receipts) from the budget of the European Union in the General Government (receipts from the Structural Funds – excluding the European Social Fund - and the Cohesion Fund under the Community Support Framework).

Figure 3.18
Imports - Exports 2009-2014 (January-December)



Source : Bank of Greece - Data processing IOBE

Figure 3.19
Current Account Balance 2009-2014 (January-December)



Source : Bank of Greece - Data processing IOBE

Financial account balance

The financial account balance in 2014 reported a net outflow of €2.7 billion compared to a €3.3 billion outflow in 2013. In the individual

accounts, net **direct investment**⁹ dwindled by €991.8 million, as net

⁹The recording of direct investments is now based on the principle of receivables / liabilities, instead of the direction of investment that was in effect until recently. Thus, the presentation of direct investment data is based on whether they are assets or liabilities on the reporting country (for instance, investments by Greek residents abroad are recorded as receivables). The new method does not affect the net flow, but only the amount of assets and liabilities. Finally, the sign of receivables is interpreted

requirements, i.e. the investments made by Greeks abroad, increased by €648.3 million, while liabilities, i.e. investments by non-residents in Greece, increased by €1.6 billion.

In the **portfolio investment** category, the claims by residents towards non-residents increased by €8.9 billion because of a substantial €7.6 billion increase in bonds and treasury bills. The net liabilities increased by €1.9 billion. Thus, the €8.2 billion increase in liabilities on equity securities was offset by a €6.4 billion decrease in liabilities on bond investments and treasury bills.

In the category of **other investments**, receivables contracted by €5.6 billion in 2014, primarily due to the strong reduction by -€6.3 billion of requirements in deposits and repos. Liabilities declined by €1.9 billion, while the increase of €5.6 billion of loans to residents was offset by the - €7.5 billion decrease in liabilities to deposits and repos of non-residents.

Finally, the **reserve assets** of the country in late December 2014 totalled €5.1 billion, up from €4.1 billion in December 2013. In January 2015, these assets amounted to €5.8 billion.

Assessment

The gradual adjustment, particularly the fiscal adjustment of the Greek

economy following the 2008 crisis, considerably impacted the Balance of Goods and Services. The enlarged deficit of the 2000 - 2008 period was gradually curtailed, thereby resulting in a surplus. Specifically, in 2009, the deficit in the balance of Goods and Services amounted to €18.0 billion, while in 2014 the balance showed a surplus of €1.8 billion. This significant adjustment is not exclusively derived from exports. After all, 40% of the improvement in the balance is due to the reduction in imports. Nevertheless, the effect of exports continues to be considerable, since exports contributed the remaining 60% of the adjustment. It is significant to note that during the period 2009-2014, exports surged by €12.4 billion.

Table 3.10 captures the exports in terms of the category of goods and services for the years 2009 and 2014. The table also portrays the absolute change between the years, as well as the contribution of each category to export growth.

The most important component that contributed to the increase of exports is fuel, which grew by €5.1 billion and accounted for 41.3% of total net export growth¹⁰. Other products incorporated in the balance of trade expanded by €3.2 billion, thus amounting to 1/4 of total net export growth. Travel services had a similar contribution to the surge in exports.

differently, since a positive sign implies an increase in receivables, while a negative sign implies a reduction of receivables. An identical interpretation will also be applied for liabilities.

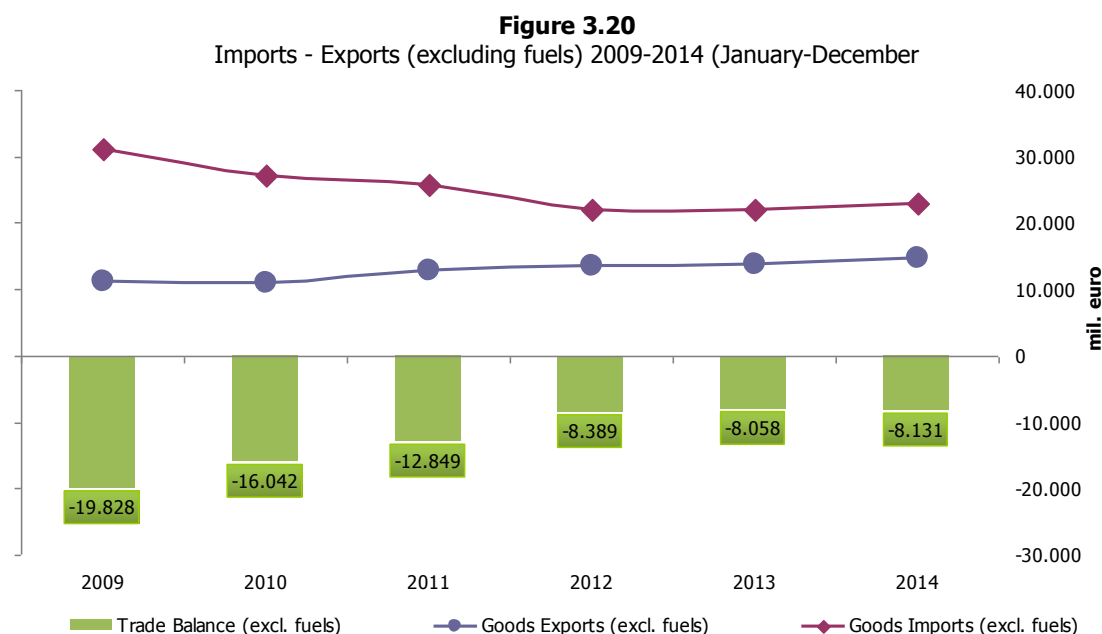
¹⁰A decrease in exports was recorded in some categories.

However, travel services are in first place for 2014 with respect to absolute size, since revenues totalled €13.4 billion. It should also be noted that the increase in travel receipts was mainly undertaken in 2012-2014. Noteworthy percentage increases are exhibited in construction services, since construction accounted for 4.6% of the net increase of total exports, from additional €565.4 million revenues for the period 2009-2014, but also in other transport with a share of 3.6%, and an increase of €450.9 million.

Revenue from telecommunications services, computer and information increased by €303.1 million in the same period. In contrast, the change of shipping transportation had a negative effect, with a decrease of €812.9 million. Nevertheless, in

absolute numbers, shipping transportation was in 3rd place in 2014, while sales of ships also fell by €145.7 million.

It becomes evident that the efforts of many Greek companies and various sectors to turn to foreign markets have significantly offset the reduced domestic activity during the recession. As repeatedly emphasized in the IOBE reports, a new and sustainable production model must be implemented in Greece by the export-oriented sectors, reinforcing education, and increasing expenditure on research and development in order to incentivize the development of innovative services, products and techniques that will enter the production chain and ultimately increase exports



Source: Bank of Greece – **Data Processing:** IOBE

Table 3.11
Exports of Goods and Services (million €)
Contributing to the increase of exports by category

(Goods/ Services)	Category	2009	2014	Change 2009-2014	Share
G	Fuel	3,063.2	8,188.8	5,125.6	41.3%
G	Other Products	9,469.8	12,715.1	3,245.3	26.1%
S	Travel	10,400.3	13,393.1	2,992.8	24.1%
S	Construction	279.9	845.3	565.4	4.6%
S	Other Transportation	1,312.1	1,763.0	450.9	3.6%
S	Telecommunication services, computer and information	564.8	867.9	303.1	2.4%
G	Supplies	1,696.7	1,947.6	250.9	2.0%
S	Other business services	1,452.9	1,643.1	190.2	1.5%
S	Insurance and pension	318.3	449.8	131.5	1.1%
S	Government services	71.4	182.9	111.5	0.9%
S	Recreational, cultural, personal etc services	151.7	206.1	54.4	0.4%
S	Charges for use of intellectual property rights (Royalties)	34.1	80.1	46.0	0.4%
S	Financial	120.9	135.4	14.5	0.1%
S	Services about alteration of goods belonging to others	16.5	27.7	11.2	0.1%
G	Triangular transactions	41.6	2.6	-39.0	-0.3%
S	Maintenance and repairing services not included elsewhere	182.4	106.9	-75.5	-0.6%
G	Ships (sales)	771.7	626.0	-145.7	-1.2%
S	Shipping	12,261.6	11,448.7	-812.9	-6.5%
Total		42,209.9	54,630.1	12,420.2	

Sources : Bank of Greece - Data processing: IOBE

Table 3.12
Balance of Payments of €
January-December

January-December				January			
		2012	2013	2014	2013	2014	2015
I	CURRENT ACCOUNT BALANCE (I.A +I.B+I.C +I.D)	-4,615.0	1,088.5	1,593.1	-339.7	-336.0	-847.0
	BALANCE OF GOODS AND SERVICES(I.A+I.B)	-4,480.1	-250.5	1,768.3	-1,116.8	-1,241.6	-1,519.5
I.A	GOODS (I.A.1 - I.A.2)	-19,651.2	-17,238.8	-17,849.9	-1,657.4	-1,541.1	-2,033.4
	Oil balance	-10,220.0	-7,697.5	-7,546.0	-828.5	-975.8	-1,153.8
	Trade balance excluding oil	-9,431.3	-9,541.3	-10,303.9	-828.9	-778.3	-879.6
I.A.1	Ships balance	-1,042.6	-1,483.3	-2,173.1	-176.8	-171.4	-58.9
	Trade balance excluding ships	-18,608.6	-15,755.5	-15,676.8	-1,480.6	-1,82.7	-1,974.5
	Trade balance excluding oil and ships	-8,388.6	-8,058.1	-8,130.8	-652.1	-606.9	-820.7
	Exports	21,716.9	22,248.9	23,480.2	2,046.3	1914.3	1,590.4
	Oil	7,426.4	7,941.2	8,188.8	792.3	692.7	460.6
	Ships (sales)	737.8	443.0	626.0	27.5	16.3	37.2
	Goods excluding oil and ships	13,552.7	13,864.8	14,665.4	1,226.5	1205.3	1,092.6
I.A.2	Imports	41,368.1	39,487.7	41,330.1	3,703.7	3,668.4	3,623.8
	Oil	17,646.3	15,638.7	15,734.8	1,620.8	1,668.5	1,614.4
	Ships (buying)	1,780.4	1,926.2	2,799.2	204.3	187.7	96.1
I.B	Goods excluding oil and ships	21,941.4	21,922.8	22,796.1	1,878.6	1,812.2	1,913.3
	BALANCE OF SERVICES(I.B.1-I.B.2)	15,171.1	16,988.3	19,618.3	540.6	512.4	513.9
I.B.1	Receipts	27,658.5	28,112.9	31,150.0	1,464.9	1,523.8	1,604.3
	Travel	10,442.5	12,152.2	13,393.1	129.9	155.5	169.7
	Transportation	13,310.7	12,117.1	13,211.6	998.4	1,045.2	1,056.7
I.B.2	Other services	3,905.3	3,843.6	4,545.3	336.7	323.2	377.9
	Payments	12,487.4	11,124.6	11,531.8	924.3	1,011.4	1,090.4
	Travel	1,843.9	1,835.2	2,076.4	116.4	150.4	159.1
I.C	Transportation	6,344.7	5,557.5	5,265.3	505.4	467.2	544.0
	Other services	4,298.8	3,732.0	4,190.0	302.6	393.8	387.3
	BALANCE OF PRIMARY INCOME(I.C.1-I.C.2)	819.7	-457.0	159.5	593.2	754.0	589.2
I.C.1	Receipts	6,615.5	6,458.1	6,831.1	1,043.8	1,072.3	1,009.8
	From work(wages,compamtion)	200.8	209.3	209.9	18.3	14.4	13.9
	From investments(interest,dividents,profit)	3,631.4	3,213.7	3,205.2	263.6	298.3	248.6
I.C.2	Other primary income	2,783.3	3,035.1	3,416.1	761.9	759.6	747.3
	Payments	5,795.8	6,915.1	6,671.6	450.6	318.3	420.6
	From work(wages,compamtion)	468.0	453.0	491.7	29.5	33.9	59.9
I.D	From investments(interest,dividents,profit)	4,930.7	6,097.1	5,817.3	376.2	253.8	334.2
	Other primary income	397.2	365.0	362.6	44.9	30.6	26.5
	BALANCE OF SECONDARY INCOME(I.D.1-I.D.2)	-954.6	1,796.1	-334.7	183.9	151.6	83.3
I.D.1	Receipts	2,342.3	4,652.8	2,550.7	501.2	385.1	339.1
	General government	1,276.9	3,375.5	1,441.7	254.0	253.2	249.1
	Other sectors	1,065.4	1,277.3	1,109.0	247.3	131.9	90.0
I.D.2	Payments	3,296.9	2,856.7	2,885.5	317.3	233.4	255.8
	General government	2,250.7	2,068.1	2,054.7	254.7	173.5	150.0
	Other sectors	1,046.2	788.6	830.8	62.6	60.0	105.8
II	BALANCE OF FUNDS(II.1-II.2)	2,327.6	3,040.8	2,510.6	-9.2	-13.2	50.4
II.1	Receipts	2,564.6	3,380.6	2,866.2	8.6	5.9	72.9
	General government	2,486.0	3,298.9	2,789.8	0.4	0.4	68.1
	Other sectors	78.6	81.7	76.4	8.2	5.5	4.9
II.2	Payments	237.1	339.8	355.6	17.8	19.1	22.5
	General government	13.7	9.7	8.8	0.3	3.4	1.0
	Other sectors	223.3	330.1	346.7	17.5	15.7	21.5
III	CURRENT ACCOUNT AND CAPITAL BALANCE(I+II)	-2,287.5	4,129.3	4,103.7	-348.9	-349.2	-796.6
	FINANCIAL ACCOUNT(III.A+III.B+III.C+III.D)	-2,729.2	3,332.5	2,719.8	-15.0	240.2	-869.3
III.A	DIRECT INVESTMENTS*	-827.1	-2,713.6	-991.8	-537.8	123.8	39.6
	Assets	524.8	-534.2	648.3	34.3	96.0	41.0
	Liabilities	1,351.9	2,179.4	1,640.1	572.1	-27.8	1.4
III.B	PORTFOLIO INVESTMENT**	99,903.9	6,583.1	6,978.0	-881.5	2369.1	2,721.1
	Assets	58,086.1	-1,023.6	8,910.1	-959.4	843.8	1,290.3
	Liabilities	-41,817.8	-7,606.7	1,932.1	-77.9	-1,525.3	-1,430.08
III.C	OTHER INVESTMENT*	-101,815.1	-644.0	-3,722.5	1,388.4	-2,441.7	-3,882.1
	Assets	-17,911.4	-20,997.9	-5,638.7	-7,408.8	-987.8	9,736.6
	Liabilities	83,903.7	-20,353.9	-1,916.2	-8,797.1	1,453.8	13,618.7
III.D	(Loans of general government)	109,093.9	30,061.2	4,000.2	5,233.0	-355.6	-440.7
	CHANGE IN RESERVE ASSETS***	9.0	107.0	456.0	16.0	189.0	252.0
IV	BALANCE ITEMS (I +II +IV +V = 0)	-441.8	-796.8	-1,383.9	333.9	589.4	-72.8
	RESERVE ASSETS (STOCK)***	5,500	4,172	5,117	5,400	4,559	58.82

Source: Bank of Greece

* (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, increases in demand are presented with a positive sign, while the decrease in receivables are displayed with a negative sign. Similarly, the increase in liabilities is captured with a positive sign, while the reduction of liabilities with a negative sign.

** (+) Increase (-) decrease - According to the new balance of payments methodology training BPM6, the increase in foreign reserves is now presented with a positive sign, while the reduction of foreign exchange reserves with a negative sign.

*** Reserve assets, as defined by the European Central Bank, include only monetary gold, the "reserve position" with the IMF, "Special Drawing Rights" and the requirements of the Bank of Greece in foreign currency on residents countries outside the euro area. Conversely, they do not include claims in euro on residents of countries outside the euro area, claims in foreign currency and in euros on residents of euro area countries and the participation of the Bank of Greece in the capital and the reserve assets of the ECB

4. KEY STRUCTURAL STATISTICS OF THE FOOD AND BEVERAGES INDUSTRY¹¹

In the midst of economic downturn, the food and beverage industry continues to maintain its fundamental role in the Greek economy and the Greek manufacturing industry by acting as the driving force behind the country's growth.

The food industry incorporates almost 1/5 of all enterprises of the Greek Manufacturing sector, a share that places this industry first among the sectors of Manufacturing. With respect to size, the food industry is followed by metal products (14,9%) and Clothing (12%). The food industry is simultaneously the largest employer of domestic Manufacturing, since it employs 1/4 of the total employees, followed by metal products (10.4%) and Clothing (6.7%). The presence of this sector is fundamental in purely economic terms, as it ranks first among the branches of Manufacturing in terms of production value terms (19.8%) and GVA (24.4%). Furthermore, the sector is second in terms of turnover (19.7%). The sector of petroleum coke and refined-products is first in terms of turnover with 36.5%.

Compared to the EU-28 average, the food industry in Greece has a greater contribution to the Manufacturing sector, as evidenced upon examining its share in the number of enterprises, turnover, value of production, gross added value, and number of employees. In addition, it is noteworthy to mention that the food industry ranks first in the European manufacturing sector in terms of turnover and production value. The fact that the food industry occupies a larger share of the manufacturing sector in Greece is indicative of its significance domestically, since tourism, restaurants, and hotels rely on this sector. The larger share that the food industry occupies in the manufacturing sector also reflects the notion that Greece's other manufacturing industries remain relatively underdeveloped.

By examining the changes that occurred in the key structural statistics of the food industry between 2011 and 2012, it becomes evident that a decrease of 7.8% was exhibited in the number of firms in the industry. Further comparisons between 2011 and 2012 reveal a reduction in the structural size of the food industry that was smaller than the total in manufacturing (-12.8%) and the total in the Beverage industry (-11%). A decline was also recorded in Food products and in gross value added (-5.2%). Once again, this decline was smaller than that of the total in the manufacturing sector (-13%) and of the Beverage Industry (-23%).

¹¹ The text is based on the "Annual report of the Food and beverage industry. Facts & figures 2014 ». The report was carried out by SEVT. Project team IOBE: F. Thomaidou, S. Stavraki

The number of employees in the Food industry was smaller by 2% in 2012 compared with 2011 (-8% in Processing and -6.2% in Beverages), while the turnover and production value of the industry followed mild upward trends, each in the order of 2%. In contrast, the Beverage industry exhibited a 10% decline. The change in the EU-28 is relatively milder in the Food industry. With the exception of the declining gross value added, most figures in the EU Beverage Industry have grown.

A careful examination of the distribution of the subsectors included in the Greek Food- Beverages¹² sector reveals that:

- The Bakery and Farinaceous Products subsector has the highest share of **gross value added** in the Food and Beverages sector (26%). The second highest percentage is held by drinks (17%), then by other food products (13%), and finally by dairy products (12%).
- In terms of **production value**, the largest share is again held by the subsector of Bakery and Farinaceous Products (21%), followed by Dairy Products (15%), Beverages (14%), and Processing of Fruit and Vegetables and Other Food Products, which both have an 11% share.
- In terms of the **number of businesses** in the sector, the largest share is that of Bakery and Farinaceous Products (61%), followed by Oils and Fats (10%), Other Food Products (7%), and finally Dairy Products (6%).
- Regarding the **turnover** of Food-Beverages, the highest share is held by both Dairy Products and Bakery and Farinaceous Products (17%). Next come Beverages (13%), and Processing of Fruit and Vegetables and Other Food Products, which both have the same share (12%).
- The Bakery and Farinaceous Products subsector came first in terms of **number of employees** as well(35%), followed by Dairy Products and Processing of Fruit and Vegetables both with 12%, then by Distillery (11%) in fourth place, and finally other foodstuffs (10%) in fifth place.

The value of consumption of food and non-alcoholic beverages per capita in Greece declined by 4.5% in the span of one year (from 2012 to 2013) and by 19% over the span of four years (from 2009 to 2013), since the value amounted to €2,200 in 2012 and €2,100 in 2013, down from €2,600 in 2009.

¹²The allocation also includes Beverages and Food subsectors

Table 4.1
Structural Business Statistics of Manufacturing, distribution in Greece and the EU -28 (2012)*

Number of enterprises			
Greece		EE-28	
Manufacturing (64.582 enter.)	100,0%	Manufacturing (2.100.000 enter.)	100,0%
Food	21.2%	Metal products	18.2%
Metal products	14.9%	Food	12.6%
Clothing	12.0%	Repair of machinery and equipment	8.7%
Wood products	7.6%	Wood products	8.5%
Furnishing	7.1%	Other sectors of manufacturing	7.0%
Turnover			
Greece		EE-28	
Manufacturing (€58.314 mill.)	100,0%	Manufacturing (€7.080.000 mill.)	100,0%
Coke and refined products	36.5%	Food	12.9%
Food	19.7%	Manufacture of motor vehicles	12.0%
Metal products	8.6%	Coke and refined products	9.7%
Metal products	5.3%	Manufacture of machinery and equipment	8.9%
Chemical products	3.5%	Metal products	6.6%
Production value			
Greece		EE-28	
Manufacturing (€52.605 mill.)	100,0%	Manufacturing (€6.440.000 mill.)	100,0%
Coke and refined products	34.3%	Food	13.0%
Food	19.8%	Repair of machinery and equipment	11.1%
Basic Metals	8.9%	Coke and refined products	9.2%
Metal products	5.7%	Manufacture of machinery and equipment	9.1%
Chemical products	3.4%	Chemical products	7.8%
Gross added value			
Greece		EE-28	
Manufacturing (€11.874 mill.)	100,0%	Manufacturing (€1.620.000 mill.)	100,0%
Food	24.4%	Manufacture of machinery and equipment	11.8%
Coke and refined products	10.2%	Food	10.5%
Metal products	8.1%	Metal products	9.8%
Basic Metals	6.1%	Manufacture of machinery and equipment	9.3%
Non metal products	5.6%	Chemical products	6.8%
Number of employees			
Greece		EE-28	
Manufacturing (311.615 employees)	100,0%	Manufacturing (30.000.000 employees)	100,0%
Food	25.2%	Food	13.7%
Metal products	10.4%	Metal products	12.0%
Clothing	6.7%	Manufacture of machinery and equipment	9.7%
Non metal products	5.9%	Manufacture of motor vehicles	7.6%
Basic Metals	5.2%	Manufacture of rubber and plastic	5.4%

* The latest available structural data of the survey Structural Business Statistics relating to 2012.

Source : Eurostat, Structural Business Statistics, **Data Processing:** IOBE

Table 4.2

Percentage change 2012/2011 of key structural statistics in Food and Beverages (Greece & EU -28)

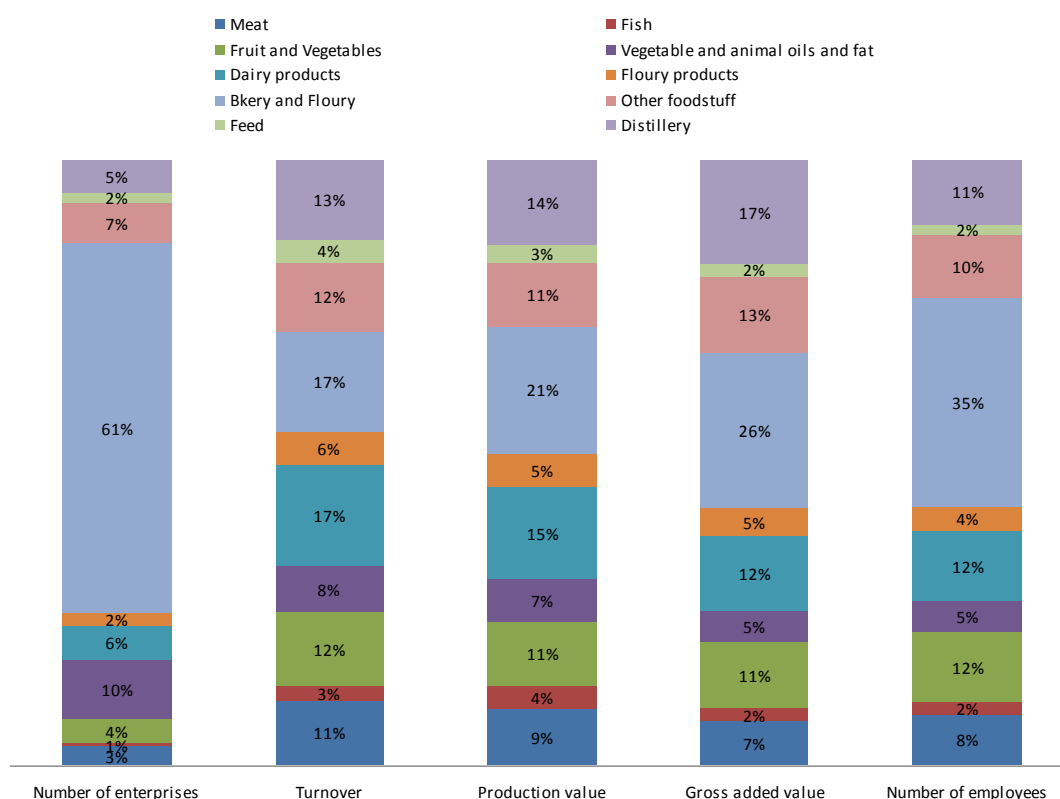
Size	Manufacturing	Food	Beverages
Number of enterprises	12.8%	-7.8%	-11.0%
Turnover	0.9%	1.8%	-10.1%
Production Value	2.1%	2.0%	-9.7%
Gross added value	-12.9%	-5.2%	-23.2%
Number of employees	-8.0%	-1.9%	-6.2%

Size	Manufacturing	Food	Beverages
Number of enterprises	0.0%	-0.3%	1.5%
Turnover	1.1%	4.2%	1.4%
Production value	-	3.8%	1.1%
Gross added value	-1.8%	0.8%	-4.0%
Number of employees	-1.3%	-0.7%	-

Source : Eurostat, Structural Business Statistics, **Processing:** IOBE

Figure 4.1

Shares in key structural sizes of the subsectors Food Drink (2012)



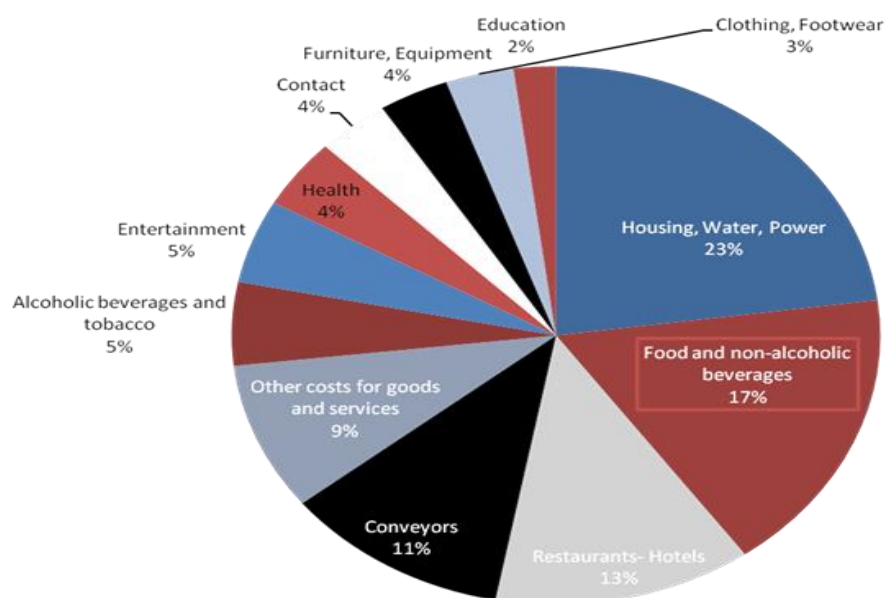
Source : Eurostat, Structural Business Statistics, **Data Processing:** IOBE

As captured in the chart below, the largest expenditures of Greek consumers in current prices is housing, water and electricity (€2.800 in 2013), which amounts to

23% of total consumption expenditure. It is significant to note that in 2013, this expenditure was 6.7% less than the previous year. The share of total consumption in food and non-alcoholic beverages totalled 17% in 2013, followed by expenditure on food services (13%) and transport (11%).

Figure 4.2

Percentage distribution on demand of households per consumption purpose (2013)

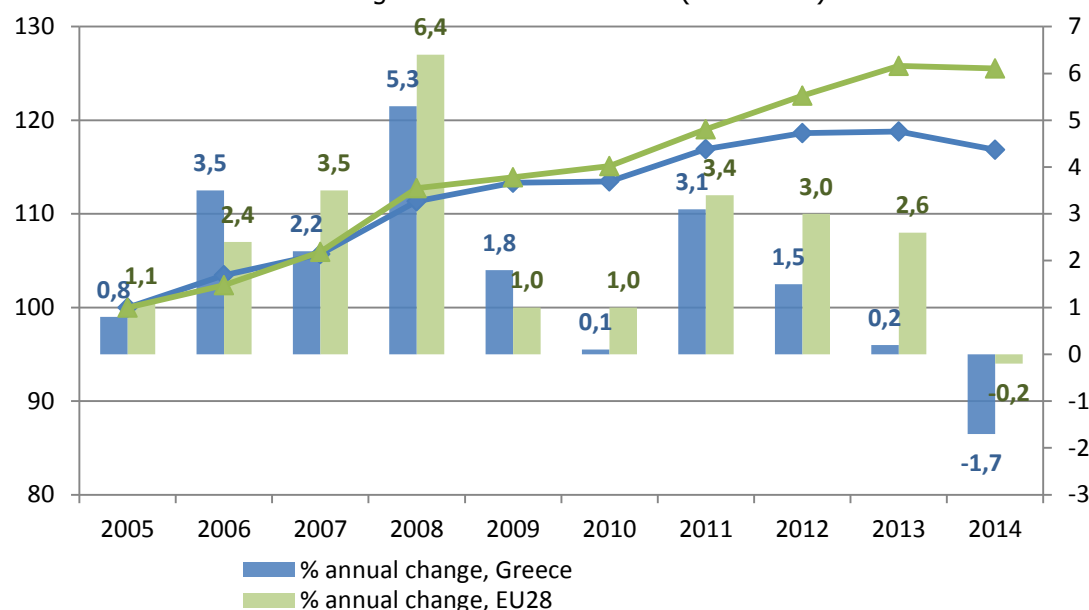


Source : Eurostat, Structural Business Statistics, **Processing:** IOBE

Concerning the prices of food and beverages, a careful look at the annual percentage change in the harmonized consumer price index of Food and non-alcoholic beverages for Greece and the EU reveals that the average European rate is consistently higher than the corresponding Greek average during the time span ranging from 2008 until 2014. Furthermore, the difference between the Greek and EU index is consistently diverging every year. Indicatively, the percentage rise in the European index in 2008 was 6.4%, when the corresponding surge in the Greek index was 5.3%. In 2014, the Greek index decreased by 1.7%, with the corresponding average European index maintaining an almost constant value of -0.2%.

Figure 4.3

Harmonised consumer price index and percentage changes in food and non-alcoholic beverages in the EU and Greece (2005-2014)



Source : Eurostat, HICP, **Processing:** IOBE

Concerning international trade, the industry of Food-Beverages in 2013 had a 7.4% decrease in its trade deficit compared to 2012. The corresponding reduction in the trade deficit of 2012 was much higher, namely, at 19,2%. The 2013 decline in the trade deficit was primarily triggered by a substantial increase in exports by 7% and a comparatively smaller rise in imports by 1.4%

In absolute terms, food and drink exports amounted to €2,988 million in 2013, while imports totaled €4,613 million. Thus, the trade deficit stood at its lowest level since 2007, namely, at €1,624 million. The ratio of exports to imports of food and beverages, i.e. the share of domestic exports to imports, has escalated since 2010, totaling 64.7% in 2013. Concerning the total number of food and beverage exports, the ratio of intra-extra Community trade remains stable over time, at approximately 75%-25% respectively. With respect to imports, the relative ratio is higher over time in favor of intra-Community trade, at about 85% - 15%. As far as intra-Community trade in 2013, the share of exports on food, beverages and tobacco over total domestic exports totaled 72.3%. The share of imports of food, beverages and tobacco in total domestic imports (83.2%) is marginally higher. The share of imports in intra-Community level in the total number of products amounts to 47.3%, while the export share aggregates to 46.6%.

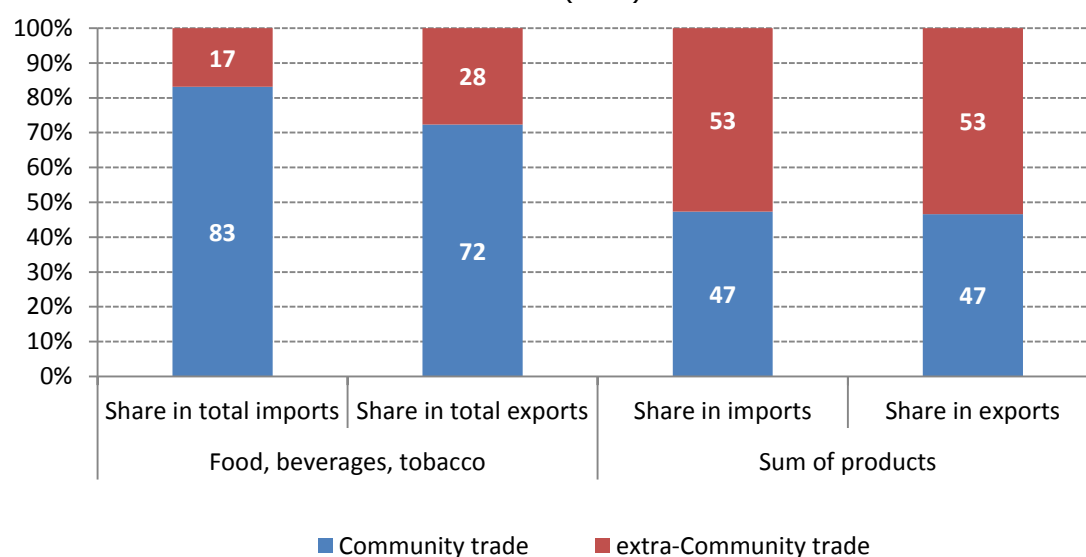
Table 4.3

Annual changes in foreign trade of food -beverages in Greece

	2011	2012	2013
EXPORTS	8.8%	4.0%	7.0%
IMPORTS	2.0%	-6.4%	1.4%
TRADE BALANCE	-5.2%	-19.2%	-7.4%

Source : Eurostat, ComExt, combined terminology of goods. **Processing:** IOBE**Figure 4.4**

Distribution of import / export of food, beverages, tobacco and all products in and outside the EU -28 (2013)

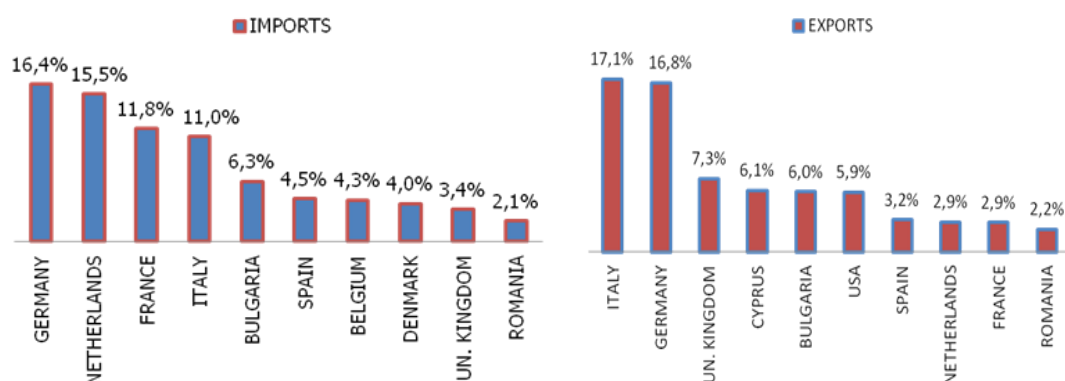
**Source :** Eurostat, Intra and Extra-EU trade **Data Processing:** IOBE

Finally, Italy was Greece's largest trading partner in the field of food and beverage exports, since 17.1% of food and beverage products were exported to Italy in 2013. Following Italy were Germany (16.8%), the United Kingdom (7.3%), Cyprus (6.1%) and Bulgaria (6%). The only country in Greece's top ten export destinations that is not in the EU is the United States, which is in 6th place, as it absorbed 5.9% of Greek exports. Australia also occupied a high position on the list (12th), as 1.8% of Greece's exports were directed there. Albania occupies 13th place, while Turkey occupies 15th place (1.6% and 1.4% of total Greek exports of food and beverage respectively).

With respect to imports, Germany (16.4%), the Netherlands (15.5%), France (11.8%), Italy (11%) and Bulgaria (6.3%) occupy the first five positions. The top 10 countries that Greece imports food and beverages from are exclusively in the EU. In 13th place is Argentina, as it is Greece's largest non-EU trading partner with respect to food and beverage imports. Argentina accounts for 1.9% of total food and beverage imports in Greece. Greece's second largest non-EU trading partner with respect to food and beverage imports is Malaysia, with a share of 1.0% (17th place).

Figure 4.5

Distribution of domestic imports – exports on food -beverages by country (2013)



Source : Eurostat, ComExt, combined terminology of goods **Processing:** IOBE

In addition, the mostly positive trends in sizes of the domestic industries in food and beverages, the most critical issues about its role in acting as a catalyst for growth potential continue to move around the direction of openness and exports, the quality of products, their identity (their operating and domestic brand name business), and the organized promotion of Greek food products. The effective coordination and closer cooperation between industry representatives can improve the efficiency and effectiveness of promoting Greek products, while also ensuring the design and implementation of a successful long-term strategy.

The creation of added value and the enhancement of an export-oriented industry depend on the promotion and exposure of the product's Greek identity. This can be established by properly designing distribution networks that are based on quality and diversity, and by promoting the original Greek and Mediterranean kitchen and food standards, both domestically and abroad. The collaboration of the primary with the tertiary sector of restaurants, hotels and tourism in general, will work to create a synergy between the first and third pylons of the Greek economy. This synergy will promote the Greek food and beverage products, thus adding value and export dynamics to the industry.

The competitiveness of Greek food products can be improved by augmenting the skills and resources of the labour force, as well as enhancing the knowledge, experience, and degree of specialization of the Greek labour force. The dynamics of human capital and the specialization of employment incorporate a wide range of disciplines and business expertise in the manufacturing sector as well as several other sectors. The new technologies, coupled with innovative activity and products of research and development, will act as a catalyst for improvement in all stages of production and distribution in the food industry. Furthermore, adopting these new technologies requires an agile and flexible labour force. Thus, a mechanism

permitting the industry to respond to the ever-changing international competition quickly and effectively should be developed.

5. APPENDIX : BASIC ECONOMIC INDICATORS

Table 1: Rate of Change in GDP

	Annual data (%)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	2.4	3.7	3.7	1.4	-3.8	1.8	2.8	0.9	0.2	0.3
Belgium	1.8	2.7	2.9	1	-2.8	2.3	1.8	-0.1	0.3	1
Bulgaria	6.4	6.5	6.4	6.2	-5.5	0.4	1.8	0.6	1.1	1.7
France	1.8	2.5	2.3	-0.1	-3.1	1.7	2	0	0.3	0.4
Germany	0.7	3.7	3.3	1.1	-5.1	4	3.3	0.7	0.1	1.6
Denmark	2.4	3.4	1.6	-0.8	-5.7	1.4	1.1	-0.4	-0.5	1
Czech Republic	6.8	7	5.7	3.1	-4.5	2.5	1.8	-1	-0.7	2
EE (28 countries)	2.2	3.4	3.2	0.4	-4.5	2	1.6	-0.4	0	1.3
Greece	2.3	5.5	3.5	-0.2	-3.1	-4.9 ^(p)	-7.1 ^(p)	-7 ^(p)	-3.9 ^(p)	0.8 ^(p)
Estonia	8.9	10.2	7.3	-4.1	-14.1	3.3	8.7	4.5	1.6	2.1 ^(p)
Eurozone (18 countries)	1.7	3.3	3	0.4	-4.5	1.9	1.6	-0.7	-0.5	0.9
United Kingdom	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.3	1.7	2.8
Ireland	6.1	5.5	5	-2.2	-6.4	-1.1	2.2	0.2	0.2	4.8
Spain	3.6	4.1	3.5	0.9	-3.8 ^(p)	-0.2 ^(p)	0.1 ^(p)	-1.6 ^(p)	-1.2 ^(p)	1.4 ^(p)
Italy	0.9	2.2	1.7	-1.2	-5.5	1.7	0.4	-2.4	-1.7	-0.4
Croatia	4.3	4.9	5.1	2.1	-6.9	-2.3	-0.2	-2.2	-0.9	-0.4
Cyprus	3.9	4.1	5.1	3.6	-1.9	1.3	0.4	-2.4	-5.4 ^(p)	-2.3 ^(p)
Latvia	10.1	11	10	-2.8	-17.7	-1.3	5.3	5.2	4.2	2.4
Lithuania	7.8	7.8	9.8	2.9	-14.8	1.6	6	3.7	3.3	2.9
Luxembourg	5.3	4.9	6.6	-0.7	-5.6	3.1	1.9	-0.2	2	:
Malta	3.6	2.6	4.1	3.9	-2.8	4.3	1.4	1.1	2.7	3.5
Netherlands	2	3.4	3.9	1.8	-3.7	1.5	0.9	-1.2	-0.7 ^(p)	0.9 ^(p)
Hungary	4	3.9	0.1	0.9	-6.8	1.1	1.6	-1.7	1.5	3.6 ^(p)
Poland	3.6	6.2	6.8	5.1	1.6	3.9	4.5	2	1.7	3.3
Portugal	0.8	1.4	2.4	0	-2.9	1.9	-1.3	-3.2	-1.4	0.9
Romania	4.2	7.9	6.3	7.3	-6.6	-1.1	2.3	0.6	3.4 ^(p)	2.9 ^(p)
Slovakia	6.7	8.3	10.5	5.8	-4.9	4.4	3	1.8	1.4	2.4
Slovenia	4	5.8	7	3.4	-7.9	1.3	0.7	-2.5	-1	2.6
Sweden	3.2	4.3	3.3	-0.6	-5	6.6	2.9	0.9	1.3	2.1 ^(p)
Finland	2.9	4.4	5.3	0.3	-8.5	3.4	2.8	-1	-1.3	-0.1 ^(e)

b=break in time series, p=provisional, e=estimated

Table 2: General government debt as% of GDP

	Annual data (%)								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	62.2	60.6	58.4	61.8	66.8	82.4	82.1	81.7	81.2
Belgium	92	87.9	84	89.2	96.6	99.6	102.1	104	104.5
Bulgaria	27.5	21.6	17.2	13.7	14.6	15.9	15.7	18	18.3
France	64.6	62	62.3	66.1	77	81.5	85	89.2	92.2
Germany	66.4	65.8	63.1	64.6	72.1	80.3	77.6	79	76.9
Denmark	36.8	31.1	26.4	32.6	39.5	42.9	46.4	45.6	45.1
Czech Republic	27.2	27	26.7	27.5	33.1	36.2	41	45.5	45.7
EE (28 countries)	:	:	:	:	:	:	80.8	83.5	85.4
Greece	101.2	107.5	107.2	112.9	129.7	146	171.3	156.9	174.9
Estonia	4.5	4.4	3.6	4.5	7	6.5	6	9.7	10.1
Eurozone (18 countries)	:	:	:	:	:	:	85.8	89	90.9
United Kingdom	41.7	42.7	43.7	51.9	67.1	76.4	81.9	85.8	87.2
Ireland	27.2	24.6	24.9	44.2	64.4	87.4	111.1	121.7	123.3
Spain	43.2	39.7	36.3	40.2	54	60.1	69.2	84.4	92.1
Italy	101.9	102.5	99.7	102.3	112.4	115.3	116.4	123.2	128.6
Croatia	38.5	35.7	33.3	30	36.6	52.8	59.9	64.4	75.7
Cyprus	69.4	64.7	58.8	48.9	58.5	56.5	66	79.5	102.2
Latvia	12.5	10.7	9	19.8	36.9	46.8	42.7	40.9	38.2
Lithuania	18.3	17.9	16.8	15.5	29.3	36.3	37.3	39.9	39
Luxembourg	6.2	6.8	7	14.4	15.3	19.6	18.5	21.4	23.6
Malta	65.2	60.4	58.8	59.3	64.6	67.6	69.7	67.4	69.2
Netherlands	49.2	44.6	42.5	54.7	56.4	59	61.3	66.5	68.6
Hungary	60.8	64.9	65.8	71.9	78.2	80.9	81	78.5	77.3
Poland	47.1	47.7	45	47.1	50.9	53.6	54.8	54.4	54.7
Portugal	65.8	67.2	66	68.9	80.4	96.2	111.1	124.8	128
Romania	15.8	12.4	12.8	13.4	23.6	29.9	34.2	37.3	38
Slovakia	34.2	30.5	29.6	27.9	35.6	41.1	43.5	52.1	54.6
Slovenia	26.3	26	22.7	21.6	34.5	37.9	46.2	53.4	70.4
Sweden	48	43	38.1	36.7	40.2	36.7	36.1	36.4	38.6
Finland	39.9	38.1	33.9	32.5	41.4	47.1	48.5	52.8	55.8

Table 3: General Government Balance as% of GDP

	Annual data (%)							
	2006	2007	2008	2009	2010	2011	2012	2013
Austria	-2.5	-1.3	-1.5	-5.3	-4.5	-2.6	-2.3	-1.5
Belgium	0.3	0.0	-1.1	-5.5	-4.0	-3.9	-4.1	-2.9
Bulgaria	1.8	1.1	1.6	-4.2	-3.2	-2.0	-0.5	-1.2
France	-2.3	-2.5	-3.2	-7.2	-6.8	-5.1	-4.9	-4.1
Germany	-1.5	0.3	0.0	-3.0	-4.1	-0.9	0.1	0.1
Denmark	5.0	5.0	3.2	-2.8	-2.7	-2.1	-3.9	-0.7
Czech Republic	-2.3	-0.7	-2.1	-5.5	-4.4	-2.9	-4.0	-1.3
EE (28 countries)	:	:	:	:	-6.4	-4.5	-4.2	-3.2
Greece	-6.1	-6.7	-9.9	-15.2	-11.1	-10.1	-8.6	-12.2
Estonia	:	:	:	:	0.2	1.0	-0.3	-0.5
Eurozone (18 countries)	:	:	:	:	-6.1	-4.1	-3.6	-2.9
United Kingdom	-2.9	-3.0	-5.1	-10.8	-9.6	-7.6	-8.3	-5.8
Ireland	2.8	0.2	-7.0	-13.9	-32.4	-12.6	-8.0	-5.7
Spain	2.2	2.0	-4.4	-11.0	-9.4	-9.4	-10.3	-6.8
Italy	-3.6	-1.5	-2.7	-5.3	-4.2	-3.5	-3.0	-2.8
Croatia	-3.3	-2.5	-2.7	-5.9	-6.0	-7.7	-5.6	-5.2
Cyprus	-1.1	3.2	0.9	-5.6	-4.8	-5.8	-5.8	-4.9
Latvia	-0.6	-0.6	-4.0	-8.9	-8.2	-3.4	-0.8	-0.9
Lithuania	-0.4	-1.0	-3.3	-9.3	-6.9	-9.0	-3.2	-2.6
Luxembourg	1.4	4.2	3.3	-0.5	-0.6	0.3	0.1	0.6
Malta	-2.6	-2.3	-4.2	-3.3	-3.3	-2.6	-3.7	-2.7
Netherlands	0.2	0.2	0.2	-5.5	-5.0	-4.3	-4.0	-2.3
Hungary	-9.4	-5.1	-3.7	-4.6	-4.5	-5.5	-2.3	-2.4
Poland	-3.6	-1.9	-3.6	-7.3	-7.6	-4.9	-3.7	-4.0
Portugal	-4.3	-3.0	-3.8	-9.8	-11.2	-7.4	-5.5	-4.9
Romania	-2.2	-2.9	-5.6	-8.9	-6.6	-5.5	-3.0	-2.2
Slovakia	-3.6	-1.9	-2.4	-7.9	-7.5	-4.1	-4.2	-2.6
Slovenia	-1.3	-0.1	-1.8	-6.1	-5.7	-6.2	-3.7	-14.6
Sweden	2.2	3.3	2.0	-0.7	0.0	-0.1	-0.9	-1.3
Finland	3.9	5.1	4.2	-2.5	-2.6	-1.0	-2.1	-2.4

Table 4: Percentage of Population at risk of poverty or social exclusion (*)

	Annual data (%)								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	16.8	17.8	16.7	18.6	17	18.9	19.2	18.5 ^(b)	18.8
Belgium	22.6	21.5	21.6	20.8	20.2	20.8	21	21.6	20.8
Bulgaria	:	61.3	60.7	44.8 ^(b)	46.2	49.2	49.1	49.3	48
France	18.9	18.8	19	18.5 ^(b)	18.5	19.2	19.3	19.1	18.1
Germany	18.4	20.2	20.6	20.1	20	19.7	19.9	19.6	20.3
Denmark	17.2	16.7	16.8	16.3	17.6	18.3	18.9	19	18.9
Czech Republic	19.6	18	15.8	15.3	14	14.4	15.3	15.4	14.6
EE (28 countries)	:	:	:	:	:	23.7	24.3	24.7	24.5
Greece	29.4	29.3	28.3	28.1	27.6	27.7	31	34.6	35.7
Estonia	25.9	22	22	21.8	23.4	21.7	23.1	23.4	23.5
Eurozone (18 countries)	21.7	22	21.8	21.7	21.4	21.9	22.9	23.2	23.1
United Kingdom	24.8	23.7	22.6	23.2	22	23.2	22.7	24.1 ^(b)	24.8
Ireland	25	23.3	23.1	23.7	25.7	27.3	29.4	30	29.5
Spain	24.3	24	23.3	24.5	24.5	26.7	27.7	27.2	27.3
Italy	25	25.9	26	25.3	24.7	24.5	28.2	29.9	28.4
Croatia	:	:	:	:	:	31.1	32.6	32.6	29.9
Cyprus	25.3	25.4	25.2	23.3 ^(b)	23.5	24.6	24.6	27.1	27.8
Latvia	46.3	42.2	35.1	34.2 ^(b)	37.9	38.2	40.1	36.2	35.1 ^(b)
Lithuania	41	35.9	28.7	27.6	29.6	34	33.1	32.5	30.8
Luxembourg	17.3	16.5	15.9	15.5	17.8	17.1	16.8	18.4	19
Malta	20.5	19.5	19.7	20.1	20.3	21.2	22.1	23.1	24
Netherlands	16.7	16	15.7	14.9	15.1	15.1	15.7	15	15.9
Hungary	32.1	31.4	29.4	28.2	29.6	29.9	31	32.4	33.5
Poland	45.3	39.5	34.4	30.5 ^(b)	27.8	27.8	27.2	26.7	25.8
Portugal	26.1	25	25	26	24.9	25.3	24.4	25.3	27.5
Romania	:	:	45.9	44.2	43.1	41.4	40.3	41.7	40.4
Slovakia	32	26.7	21.3	20.6	19.6	20.6	20.6	20.5	19.8 ^(p)
Slovenia	18.5	17.1	17.1	18.5	17.1	18.3	19.3	19.6	20.4
Sweden	14.4	16.3	13.9	14.9	15.9	15	16.1	15.6	16.4
Finland	17.2	17.1	17.4	17.4	16.9	16.9	17.9	17.2	16

b=break in time series, p=provisional

(*) For the exact definition of the indicator see here :

http://ec.europa.eu/eurostat/statistics-explained/index.php/Thematic_glossaries

Table 5: Inflation

	Annual data (%)				January-February(%)			Change (%)	
	2011	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	3.6	2.6	2.1	1.5	2.7	1.5	0.5	-1.2	-1.0
Belgium	3.4	2.6	1.2	0.5	1.3	1.1	-0.5	-0.2	-1.6
Bulgaria	3.4	2.4	0.4	-1.6	2.4	-1.7	-2.0	-4.2	-0.3
France	2.3	2.2	1.0	0.6	1.3	0.9	-0.3	-0.4	-1.3
Germany	2.5	2.1	1.6	0.8	1.8	1.1	-0.3	-0.7	-1.4
Denmark	2.7	2.4	0.5	0.3	1.0	0.5	-0.2	-0.5	-0.7
EE-28	3.1	2.6	1.5	0.6	1.8	0.3	-0.1	-1.5	-0.4
EZ-18	2.7	2.5	1.3	0.4	2.1	0.8	-0.4	-1.2	-1.2
Greece	3.1	1.0	-0.9	-1.4	0.1	-1.1	-2.3	-1.2	-1.2
Estonia	5.1	4.2	3.2	0.5	3.9	1.4	-0.4	-2.5	-1.7
United Kingdom	4.5	2.8	2.6	1.5	1.9	0.7	-0.4	-1.2	-1.2
Ireland	1.2	1.9	0.5	0.3	2.8	1.8	:	-1.0	:
Spain	3.1	2.4	1.5	-0.2	1.4	0.2	-0.4	-1.2	-0.6
Italy	2.9	3.3	1.3	0.2	2.9	0.2	-1.3	-2.7	-1.5
Croatia	2.2	3.4	2.3	0.2	2.2	0.5	-0.2	-1.7	-0.7
Cyprus	3.5	3.1	0.4	-0.3	4.5	0.1	-0.5	-4.4	-0.6
Latvia	4.2	2.3	0.0	0.7	1.9	-1.4	-0.7	-3.3	0.7
Lithuania	4.1	3.2	1.2	0.2	0.5	0.5	-0.2	0.0	-0.7
Luxembourg	3.7	2.9	1.7	0.7	2.5	0.3	-1.4	-2.2	-1.7
Malta	2.5	3.2	1.0	0.8	2.3	1.1	-0.7	-1.2	-1.9
Netherlands	2.5	2.8	2.6	0.3	2.2	1.3	0.7	-0.9	-0.6
Hungary	3.9	5.7	1.7	0.0	3.2	0.6	-0.6	-2.6	-1.2
Poland	3.9	3.7	0.8	0.1	2.8	0.5	-1.2	-2.3	-1.7
Portugal	3.6	2.8	0.4	-0.2	1.4	0.6	-1.2	-0.8	-1.8
Romania	5.8	3.4	3.2	1.4	0.3	0.0	-0.2	-0.3	-0.2
Slovakia	4.1	3.7	1.5	-0.1	5.0	1.2	0.4	-3.7	-0.8
Slovenia	2.1	2.8	1.9	0.4	2.4	-0.1	-0.6	-2.5	-0.5
Sweden	1.4	0.9	0.4	0.2	2.9	0.5	-0.6	-2.4	-1.1
Czech Republic	2.1	3.5	1.4	0.4	0.6	0.1	0.5	-0.4	0.4
Finland	3.3	3.2	2.2	1.2	2.5	1.7	-0.1	-0.8	-1.8

Table 6: GDP per capita (in purchasing power standards, EE-28 = 100)

	Annual data								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	125 ^(b)	126	124	124	126	126	128	129	128
Belgium	120 ^(b)	118	116	116	118	120	120	120	119
Bulgaria	37 ^(b)	38	40	43	44	43	44	45	45
France	110 ^(b)	108	108	107	109	108	108	107	107
Germany	116 ^(b)	115	115	116	115	119	122	123	122
Denmark	124 ^(b)	124	122	124	123	126	126	125	124
Czech Republic	79 ^(b)	80	83	81	82	81	83	82	82
EE (28 countries)	100 ^(b)	100	100	100	100	100	100	100	100
Greece	91 ^(b)	92	90	93	95	87	77	74	73
Estonia	62 ^(b)	66	70	69	64	63	68	71	73
Eurozone (countries)	109 ^(b)	109	109	108	108	109	108	108	107
United Kingdom	124 ^(b)	122	118	114	112	108	106	107	109
Ireland	144 ^(b)	145	146	131	128	129	130	130	130
Spain	102 ^(b)	105	105	103	103	98	95	94	94
Italy	105 ^(b)	105	104	104	104	104	103	101	99
Croatia	59 ^(b)	60	62	65	63	60	60	61	61
Cyprus	93 ^(b)	93	94	99	100	102	96	93	89
Latvia	50 ^(b)	53	57	58	54	55	57	60	64
Lithuania	55 ^(b)	58	62	64	58	60	65	69	73
Luxembourg	254 ^(b)	270	274	263	252	254	265	264	257
Malta	80 ^(b)	79	78	81	84	87	84	84	86
Netherlands	131 ^(b)	131	132	134	132	135	135	132	131
Hungary	63 ^(b)	63	61	64	65	66	65	65	66
Poland	51 ^(b)	52	54	56	60	62	64	66	67
Portugal	80 ^(b)	79	79	78	80	80	78	76	79
Romania	35 ^(b)	39 ^(b)	43	49	50	50	51	53	55
Slovakia	60 ^(b)	63	68	72	73	74	73	74	75
Slovenia	87 ^(b)	88	88	91	86	84	83	82	82
Sweden	122 ^(b)	123	125	124	120	126	127	126	127
Finland	114 ^(b)	114	117	119	114	115	117	115	113

b=break in time series, p=provisional, f=forecast

Table 7: Average Labour Productivity (per hour worked, EE-28 = 100)

Annual data									
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	118.5	119.2	117.1	116.5	116.3	114.9	115.4	114.8	113.4
Belgium	130.6	129.3	127.7	126.9	127.9	129.6	128.6	128.6	127.4
Bulgaria	35.8	36.4	37.5	39.7	39.7	40.8	42.9	44.5	43.4
France	116.5	115.4	115.6	115.3	117.3	116.7	116.7	116.3	116
Germany	108.7	108.8	108.4	107.9	104.3	106.6	108	107	107
Denmark	107.3	107.1	104.8	105.9	106.9	112.9	111.5	112	111
Czech Republic	73.1	74	76.3	74.1	75.9	74.3	74.6	73.9	71.9
EE (28 countries)	100	100	100	100	100	99.8	99.8	99.9	99.9
Greece	96	97.2	95.5	97.6 ^(p)	98.3 ^(p)	93 ^(p)	89.9 ^(p)	91.8 ^(p)	92.8 ^(p)
Estonia	60.9	62.4	66.7	65.7	66.1	69.7	69.7	70.2	70
Eurozone (18 countries)	108.4	108.3	108.4	108.6	108.7	108.5	108.5	108.6	108.6
United Kingdom	115.1	114.5	111.9	109	107	102.5	100.3	99.3	99.5
Ireland	135.6	135.6	136.5	127.1	133 ^(p)	137.9 ^(p)	141 ^(p)	141.9 ^(p)	135.6 ^(p)
Spain	101.5	102.8	103.1	104.3	109.4	106.6	106	109.7	111.2
Italy	112.1	111.2	111.6	112.9	112.6	111.6	110.4	109.4	108.9
Croatia	74.7	73.7	77.3	78.3	76.3	75	77.2	80.4	80.2
Cyprus	83	84.2	85.3	90.9	92.3	90.8	89.9	92.6	91.9
Latvia	47.9	48.9	54	55.1	57.3	60.8	63.8	66.3	66.9
Lithuania	55	56.8	59.6	62	58	68.2	72.3	74.1	74.7
Luxembourg	170.3	179.6	180	168.4	159.5	163.9	165.5	162.8	163.9
Malta	94.6	93.2	92.3	94.4	97.2	97.9	94.6	93.1	91.9
Netherlands	114.6	114.5	114.5	115.4	112.7	110.5	109.9	108.5	108.9
Hungary	67.7	67.8	66.6	70.6	72.4	71.7	72.6	71.2	70.7
Poland	61.8	61.2	62.2	62.4	65.5	70.1	71.9	73.7	74.4
Portugal	73	73.2	74	73.5	76.1	76.7	74.5 ^(p)	76.1 ^(p)	76.8 ^(p)
Romania	36.2	39.8	43.4	49.1	49.4	49.7	50.5	51.1	51.7
Slovakia	68.8	71.7	76.4	79.8	80	82.5	81.6	82.1	82.7
Slovenia	83.3	83.4	83.2	83.7	80.1	79.5	81	80.9	81.2
Sweden	112.1	113.1	114.9	114.3	112.2	114.2	114.1	114.4	114.6
Finland	111.3	110.7	113.6	113.3	110.2	109.2	109.7	109	107.1

p=provisional

Table 8: Employment Rate of Persons Aged 20-64 (*)

Annual data (%)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	71.6	72.8	73.8	73.4	73.9	74.2	74.4	74.6	74.2
Belgium	66.5	67.7	68.0	67.1	67.6	67.3	67.2	67.2	67.3
Bulgaria	65.1	68.4	70.7	68.8	65.4	62.9	63.0	63.5	65.1
France	69.3	69.8	70.4	69.5	69.3	69.3	69.4	69.6	69.8
Germany	71.1	72.9	74.0	74.2	74.9	76.5	76.9	77.3	77.7
Denmark	79.4	79.0	79.7	77.5	75.8	75.7	75.4	75.6	75.9
EE-28	71.2	72.0	72.4	70.9	68.6	68.6	68.4	68.4	69.2
EZ-18	68.9	69.8	70.3	68.9	68.4	68.5	68	67.7	68.2
Greece	65.6	65.8	66.3	65.6	63.8	59.6	55.0	52.9	53.3
Estonia	75.9	76.9	77.1	70.0	66.8	70.6	72.2	73.3	74.3
United Kingdom	68.9	69.8	70.2	68.8	73.5	73.5	74.1	74.8	76.2
Ireland	75.2	75.2	75.2	73.9	64.8	63.8	63.7	65.5	67.0
Spain	73.4	73.8	72.2	66.9	62.8	62.0	59.6	58.6	59.9
Italy	69.0	69.7	68.5	64.0	61.0	61.0	60.9	59.7	59.9
Croatia	62.4	62.7	62.9	61.6	62.1	59.8	58.1	57.2	59.2
Cyprus	60.6	63.9	64.9	64.2	75.0	73.4	70.2	67.2	67.6
Latvia	75.8	76.8	76.5	75.3	64.3	66.3	68.1	69.7	70.7
Lithuania	73.2	75.2	75.4	66.6	64.3	66.9	68.5	69.9	71.8
Luxembourg	71.3	72.7	72.0	67.0	70.7	70.1	71.4	71.1	72.1
Malta	69.1	69.6	68.8	70.4	60.1	61.6	63.1	64.8	66.3
Netherlands	57.9	58.6	59.2	59.0	76.8	77.0	77.2	76.5	76.1
Hungary	76.3	77.8	78.9	78.8	59.9	60.4	61.6	63.0	66.7
Poland	62.6	62.3	61.5	60.1	64.3	64.5	64.7	64.9	66.5
Portugal	60.1	62.7	65.0	64.9	70.3	68.8	66.3	65.4	67.6
Romania	72.6	72.5	73.1	71.1	64.8	63.8	64.8	64.7	65.7
Slovakia	64.8	64.4	64.4	63.5	64.6	65.0	65.1	65.0	65.9
Slovenia	66.0	67.2	68.8	66.4	70.3	68.4	68.3	67.2	67.8
Sweden	71.5	72.4	73.0	71.9	78.1	79.4	79.4	79.8	80.0
Czech Republic	78.8	80.1	80.4	78.3	70.4	70.9	71.5	72.5	73.5
Finland	73.9	74.8	75.8	73.5	73.0	73.8	74.0	73.3	73.1

(*)% of employees aged 20-64 in total population

Table 9: Employment rate of persons aged 55-64 (*)

	Annual data (%)								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	33.0	36.0	38.8	39.4	41.2	39.9	41.6	43.8	45.1
Belgium	32.0	34.4	34.5	35.3	37.3	38.7	39.5	41.7	42.7
Bulgaria	39.6	42.6	46.0	46.1	43.5	44.6	45.7	47.4	50.0
France	38.1	38.2	38.2	39.0	39.7	41.5	44.5	45.6	47.1
Germany	48.1	51.3	53.7	56.1	57.7	60.0	61.6	63.6	65.5
Denmark	60.7	58.9	58.4	58.2	58.4	59.5	60.8	61.7	63.2
EE-28	45.2	46.0	47.6	46.8	46.5	47.7	49.3	51.6	54
EZ-18	43.3	44.5	45.5	45.9	46.2	47	48.6	50	51.7
Greece	42.5	42.7	43.0	42.4	42.4	39.5	36.5	35.6	34.0
Estonia	58.4	59.9	62.3	60.3	53.8	57.5	60.5	62.6	64
United Kingdom	41.7	43.2	44.3	45.1	45.7	47.0	48.6	50.0	51.7
Ireland	57.3	57.4	58.0	57.5	50.2	50.0	49.3	51.3	53
Spain	53.1	53.9	53.9	51.3	43.5	44.5	43.9	43.2	44.3
Italy	44.1	44.5	45.5	44.0	36.5	37.8	40.3	42.7	46.2
Croatia	32.4	33.7	34.3	35.6	39.1	38.2	37.5	37.8	36.2
Cyprus	34.3	36.6	37.1	39.4	56.3	54.8	50.7	49.6	46.9
Latvia	53.6	55.9	54.8	55.7	47.8	50.5	52.8	54.8	56.4
Lithuania	53.4	58.0	59.1	52.5	48.3	50.2	51.7	53.4	56.2
Luxembourg	49.7	53.2	53.0	51.2	48.3	39.6	39.3	41.0	40.5
Malta	33.2	32.0	34.1	38.2	31.9	33.2	34.7	36.3	37.4
Netherlands	30.7	29.5	30.1	29.1	53.7	56.1	58.6	60.1	60.7
Hungary	47.7	50.9	53.0	55.1	33.6	35.3	36.1	37.9	41.7
Poland	33.2	32.2	30.9	31.9	34.1	36.9	38.7	40.6	42.4
Portugal	28.1	29.7	31.6	32.3	49.5	47.8	46.5	46.9	47.8
Romania	50.1	51.0	50.7	49.7	40.7	39.9	41.6	41.8	43.1
Slovakia	41.7	41.4	43.1	42.6	40.5	41.3	43.1	44.0	44.7
Slovenia	33.1	35.6	39.2	39.5	35.0	31.2	32.9	33.5	35.4
Sweden	32.6	33.5	32.8	35.6	70.4	72.0	73.0	73.6	73.9
Czech Republic	69.6	70.0	70.1	70.0	46.5	47.7	49.3	51.6	54
Finland	54.5	55.0	56.5	55.5	56.2	57.0	58.2	58.5	59.1

(*)% of employed aged 55-64 to the total number of this population

Table 10: Change in Employment (persons aged 15 and over)

	Annual data (%)						4rth quarter (%)		
	2008	2009	2010	2011	2012	2013	2012	2013	2014
Austria	2	-0.7	0.8	1.7	1.0	-0.2	1.1	0.8	0.7
Belgium	1.8	-0.2	0.7	1.4	0.3	0.1	-0.4	-0.1	1.1
Bulgaria	2.6	-2.6	-4.7	-4.2	-1.1	0.0	-0.7	-0.7	:
France	0.5	-1.3	-0.1	0.5	0.1	0.0	0.1	0.1	0
Germany	1.2	0.1	0.6	1.4	0.8	0.9	1.1	0.6	1
Denmark	1.7	-2.4	-2.3	-0.4	-0.5	0.0	-0.1	-0.2	2.6
EE-28	1	-1.8	-0.5	0.3	-0.5	-0.2	0.6	0.1	0.5
EZ-18	0.8	-1.8	-0.5	0.2	-0.3	-0.3	0	-0.3	0.9
Greece	0.8	-0.2	-1.9	-6.7	-8.0	-4.0	-7.5	-3.3	1.6
Estonia	0.2	-9.9	-4.8	7	2.5	1.0	1.1	0.1	2.3
United Kingdom	0.3	-1.7	-0.7	0.5	1.2	1.3	1.9	1.3	2
Ireland	-1.1	-8.1	-4.2	-2.1	-0.6	2.4	0.1	3.3	1.5
Spain	-0.1	-6.5	-2.5	-1.5	-4.5	-2.8	-4.5	-1.2	2.5
Italy	0.3	-1.6	-0.7	0.3	-0.3	-2.1	-0.2	-1.3	0.7
Croatia	2.1	-0.5	0.1	0.5	-2.4	-3.5	0	-2.1	0.1
Cyprus	0.9	-13.2	-4.8	-8.1	2.8	2.1	1.8	0.8	-2
Latvia	-0.7	-6.8	-5.1	2	1.8	1.3	0.9	2.3	1.8
Lithuania	:	:	:	:	5.0	1.1	6.1	0.3	4.6
Luxembourg	2.6	-0.3	2.4	2.5	2.4	3.0	2.8	4.5	1.2
Malta	1.5	-0.7	-0.4	0.7	0.7	-0.7	0.3	-1	0.2
Netherlands	-1.4	-2.8	0.3	0.3	1.7	1.6	1.9	2.7	4.3
Hungary	3.9	0.4	0.5	1	-3.3	-0.1	-0.4	1	3.7
Poland	0.5	-2.6	-1.5	-1.5	-4.2	-2.6	-4.2	0.7	0.5
Portugal	:	-2	-1.4	0.4	1.4	-0.2	1.5	-0.7	0.7
Romania	3.2	-2	-1.5	1.8	-1.0	0.0	-0.1	0.6	2.7
Slovakia	2.6	-1.8	-2.2	-1.6	-1.3	-1.9	-1.2	-1.4	0.5
Slovenia	0.9	-2.4	1.2	2.2	0.7	1.0	0.6	1.4	1.4
Czech Republic	2.3	-1.2	-1.7	0.2	-0.3	1.0	0.6	0.8	1,2
Finland	2.6	-2.6	-0.1	1.1	0.4	-1.1	-0.4	1	-0.2

Table 11: Unemployment Rate - Total Population

	Annual data (%)							Change (%)	
	2008	2009	2010	2011	2012	2013	2014	2013/12	2014/13
Austria	4.1	5.3	4.8	4.6	4.9	5.4	5.6	0.5	0.2
Belgium	7.0	7.9	8.3	7.2	7.6	8.4	8.5	0.8	0.1
Bulgaria	5.6	6.8	10.3	11.3	12.3	13.0	11.4	0.7	-1.6
France	7.4	9.1	9.3	9.2	9.8	10.3	10.3	0.5	0.0
Germany	7.4	7.6	7.0	5.8	5.4	5.2	5.0	-0.2	-0.2
Denmark	3.4	6.0	7.5	7.6	7.5	7.0	6.6	-0.5	-0.4
EE-28	4.4	6.7	9.6	9.7	10.5	10.9	10.2	0.4	-0.7
EZ-18	7.0	9.0	10.1	10.1	11.4	11	11.6	0.4	0.6
Greece	7.8	9.6	12.7	17.9	24.5	27.5	26.5	3.0	-1.0
Estonia	5.5	13.5	16.7	12.3	10.0	8.6	7.4	-1.4	-1.2
United Kingdom	7.6	9.6	7.8	8.1	7.9	7.6	6.1	-0.3	-1.5
Ireland	5.6	7.6	13.9	14.7	14.7	13.1	11.3	-1.6	-1.8
Spain	6.4	12.0	19.9	21.4	24.8	26.1	24.5	1.3	-1.6
Italy	11.3	17.9	8.4	8.4	10.7	12.1	12.7	1.4	0.6
Croatia	6.7	7.7	11.7	13.7	16.0	17.3	17.3	1.3	0.0
Cyprus	8.6	9.2	6.3	7.9	11.9	15.9	16.1	4.0	0.2
Latvia	3.7	5.4	19.5	16.2	15.0	11.9	10.8	-3.1	-1.1
Lithuania	7.7	17.5	17.8	15.4	13.4	11.8	10.7	-1.6	-1.1
Luxembourg	5.8	13.8	4.6	4.8	5.1	5.9	5.9	0.8	0.0
Malta	4.9	5.1	6.9	6.4	6.3	6.4	5.9	0.1	-0.5
Netherlands	6.0	6.9	5.0	5.0	5.8	7.3	7.4	1.5	0.1
Hungary	3.7	4.4	11.2	11.0	11.0	10.2	7.7	-0.8	-2.5
Poland	7.8	10.0	9.7	9.7	10.1	10.3	9.0	0.2	-1.3
Portugal	7.1	8.1	12.0	12.9	15.8	16.4	14.1	0.6	-2.3
Romania	8.7	10.7	7.0	7.2	6.8	7.1	6.8	0.3	-0.3
Slovakia	5.6	6.5	14.5	13.7	14.0	14.2	13.2	0.2	-1.0
Slovenia	9.6	12.1	7.3	8.2	8.9	10.1	9.7	1.2	-0.4
Czech Republic	4.4	5.9	8.6	7.8	8.0	8.0	7.9	0.0	-0.1
Austria	6.2	8.3	7.3	6.7	7.0	7.0	6.1	0.0	-0.1
Finland	6.4	8.2	8.4	7.8	7.7	8.2	8.7	0.5	0.5

Table 12: Unemployment Rate in Men

	Annual data (%)							Change (%)	
	2008	2009	2010	2011	2012	2013	2014	2013/12	2014/13
Austria	3.9	5.5	5.0	4.6	5.0	5.4	5.6	0.4	0.2
Belgium	6.5	7.8	8.1	7.1	7.6	8.4	8.5	0.8	0.1
Bulgaria	5.5	6.9	10.8	11.3	12.3	13.0	11.4	0.7	-1.6
France	7.1	9.0	9.1	8.8	9.8	10.3	10.5	0.5	0.2
Germany	7.3	8.0	7.4	5.8	5.4	5.2	5	-0.2	-0.2
Denmark	3.2	6.6	8.4	7.7	7.5	7	6.6	-0.8	-0.4
EE-28	3.5	5.9	6.4	5.8	6.0	5.9	5.1	-0.1	-0.8
EZ-18	6.6	9.0	9.7	10.1	11.4	12	11.6	1.3	-0.6
Greece	5.1	7.0	10.1	15.2	21.6	27.5	26.5	5.9	1
Estonia	5.8	16.7	19.3	13.1	10.9	8.6	7.4	-2.3	-1.2
United Kingdom	7.0	9.4	10.0	9.9	11.2	7.6	6.1	-3.6	-1.5
Ireland	6.1	8.5	8.6	8.7	8.4	13.1	11.3	4.7	-1.7
Spain	7.6	15.0	17.1	17.8	17.7	26.1	24.5	8.4	-2.1
Italy	10.1	17.7	19.6	21.1	10.7	12.1	12.7	1.4	0.6
Croatia	5.5	6.7	7.5	7.5	9.8	17.3	17.3	7.5	0
Cyprus	7.1	7.9	11.1	13.7	16.0	15.9	16.1	-0.1	-0.2
Latvia	3.2	5.3	6.2	8.1	12.6	11.9	10.8	4.0	-0.9
Lithuania	8.4	20.9	22.7	18.6	16.2	12.6	11.8	-5.6	-0.8
Luxembourg	6.0	17.1	21.2	17.9	5.1	5.9	5.9	0.8	0
Malta	4.1	4.5	38	3.9	4.5	5.6	5.9	1.1	0.3
Netherlands	5.6	6.5	6.7	6.0	5.7	7.3	7.4	1.6	0.1
Hungary	3.0	3.9	4.5	4.6	5.5	10.2	7.7	4.7	-2.7
Poland	7.7	10.3	11.6	11.1	11.3	10.2	9	-1.1	-1.8
Portugal	6.4	7.8	9.4	9.0	9.4	16.4	14.1	7	-2.3
Romania	8.6	11.0	120	12.6	6.8	7.1	6.8	0.3	-0.3
Slovakia	6.5	7.3	7.6	7.7	14	14.2	13.2	0.2	-1
Slovenia	8.4	11.5	14.3	13.7	13.5	10.1	9.7	-3.4	-0.4
Czech Republic	4.0	5.9	7.5	8.2	8.4	8	7.9	-0.4	-0.1
Austria	5.9	8.6	8.7	7.8	8.2	7	6.1	-1.2	-0.9
Finland	6.1	8.9	9.1	8.4	8.3	8.8	9.3	0.5	0.5

Table 13: Unemployment Rate in Women

	Annual data (%)							Chabge (%)	
	2008	2009	2010	2011	2012	2013	2014	2013/12	2014/13
Austria	4.4	5.1	4.6	4.6	4.8	5.3	5.4	0.5	0.1
Belgium	7.6	8.1	8.5	7.2	7.4	8.4	8.5	1	0.1
Bulgaria	5.8	6.7	9.6	10.1	10.8	13	11.4	2.2	-1.4
France	7.9	9.2	9.5	9.5	9.8	10.3	10.3	0.5	0
Germany	7.6	7.2	6.5	5.6	5.2	5.2	5	0	-0.2
Denmark	3.7	5.3	6.5	7.5	7.5	7	6.6	-0.5	-0.4
EE-28	5.6	7.7	8.5	7.9	8.2	10.9	10.2	2.7	-0.9
EZ-18	7.5	8.9	9.6	9.8	10.5	12	11.6	1.5	-0.4
Greece	11.5	13.3	16.4	21.5	28.2	27.5	26.5	-0.7	-1
Estonia	5.1	10.3	14.1	11.6	9.1	8.2	6.8	-0.9	-1.4
United Kingdom	8.4	9.8	10.3	10.4	11.5	7.6	6.1	-4.4	-1.5
Ireland	5.1	6.4	6.9	7.4	7.4	13.1	11.3	5.7	-1.8
Spain	4.9	8.2	9.9	10.8	24.8	26.1	24.5	-2.7	-1.3
Italy	12.8	18.1	20.2	21.8	10.7	12.1	12.7	1.4	0.6
Croatia	8.5	9.2	9.6	9.5	11.8	17.3	17.3	5.5	0
Cyprus	10.4	10.7	12.4	13.8	16.1	15.9	16.1	-0.2	-0.2
Latvia	4.3	5.5	6.4	7.7	11.1	11.9	10.8	0.8	-1.1
Lithuania	7.1	14.1	16.3	13.8	14.0	11.1	9.8	-2.9	-1.3
Luxembourg	5.6	10.5	14.5	12.9	11.6	5.9	5.9	-5.7	0
Malta	5.9	5.9	5.5	6.0	5.8	6.4	5.9	0.6	-0.4
Netherlands	6.8	7.6	7.1	7.1	7.3	7.3	7.4	0	-0.1
Hungary	4.5	4.9	5.5	5.4	6.2	10.2	7.7	4	-2.5
Poland	8.0	9.7	10.7	11.0	10.6	10.3	9	-0.3	-1.2
Portugal	7.9	8.6	10.0	10.4	10.9	16.4	14.1	5.5	-2.3
Romania	8.9	10.3	12.1	13.2	15.7	7.1	6.8	-8.6	-0.4
Slovakia	4.4	5.4	6.2	6.5	6.1	14.2	13.2	8.1	-1
Slovenia	11.0	12.9	14.7	13.7	14.5	10.1	9.7	-4.4	-0.4
Sweden	4.8	5.8	7.1	8.2	9.4	8	7.9	-1.4	-0.1
Czech Republic	6.6	8.0	8.5	7.7	7.7	7	6.1	-0.7	-0.9
Finland	6.7	7.6	7.6	7.1	7.1	8.2	8.7	1.1	0.5

Table 14 : Percentage of long-term unemployment (*)

	Ετήσια στοιχεία (%)							Μεταβολή (%)	
	2008	2009	2010	2011	2012	2013	2014	2013/12	2014/13
Austria	24.3	21.7	25.5	26.2	24.9	24.6	27.2	-0.3	2.6
Belgium	47.5	44.2	48.8	48.4	44.7	46.1	49.9	1.4	3.8
Bulgaria	51.6	43.1	46.4	55.7	55.2	57.3	60.5	2.1	3.2
France	37.4	35.2	40.2	41.5	40.4	40.7	36.9	0.3	-3.8
Germany	52.5	45.5	47.4	47.9	45.4	44.6	44.4	-0.8	-0.2
Denmark	13.5	9.5	20.2	24.4	28.0	25.5	21.7	-2.5	-3.8
EE-28	49.3	30.1	41.0	40.6	43.4	38.4	38.5	-5	0.1
EZ-18	37.2	33.3	40.0	43.0	44.5	41.5	41.7	-3	0.2
Greece	47.0	40.3	44.6	49.3	59.1	59.4	70.4	0.3	6.6
Estonia	30.3	27.3	45.2	57.3	54.7	44.5	45.4	-10.2	0.9
United Kingdom	39.1	35.5	42.5	45.3	46.5	26	27.8	-20.5	1.8
Ireland	24.1	24.5	32.5	33.4	34.6	59.4	60.5	24.8	0.9
Spain	26.5	29.1	49.1	59.3	61.7	60.6	59.2	-1.01	-1.4
Italy	17.9	23.8	36.6	41.6	44.3	69.3	45.9	25	3.2
Croatia	45.7	44.6	48.4	52.0	53.1	56.9	61.5	3.8	4.6
Cyprus	62.4	55.6	56.3	61.4	63.7	63.6	58.6	-0.1	-5.0
Latvia	13.6	10.3	20.3	20.8	30.0	38.2	47.8	8.2	9.6
Lithuania	24.1	25.8	45.1	54.5	52.1	48.7	43.0	-3.4	-5.7
Luxembourg	21.6	23.7	41.7	52.1	49.2	31.7	23.8	-17.5	-7.9
Malta	32.2	23.2	29.3	28.6	30.3	30.4	27.8	0.1	-2.6
Netherlands	42.6	42.1	45.0	47.4	48.4	45.6	46.8	-2.8	1.2
Hungary	34.4	24.2	27.5	33.5	33.7	35.5	40.3	1.8	4.8
Poland	46.2	41.5	49.0	47.6	45.4	48.5	47.4	3.1	-1.1
Portugal	33.5	30.3	31.1	37.2	40.3	42.5	42.7	2.2	0.2
Romania	47.4	44.2	52.2	48.3	48.7	56.3	59.7	7.6	3.4
Slovakia	41.3	31.6	34.6	41.0	44.2	45.2	41.2	1.0	-4.0
Slovenia	69.5	54.0	64.0	67.9	67.3	70.2	70.2	2.9	0.0
Sweden	42.2	30.1	43.3	44.2	47.9	19.5	18.5	-28.4	1
Czech Republic	12.7	13.2	18.6	19.6	19.0	18.6	19.0	-0.4	0.4
Finland	18.4	16.7	24.0	22.2	21.3	20.8	22.6	-0.5	1.8

(*)% Unemployed for a period exceeding 12 months in total unemployed

Table 15: Unemployment rate among young people 15-24

	Annual data (%)							Change (%)	
	2008	2009	2010	2011	2012	2013	2014	2013/12	2014/13
Austria	8.5	10.7	9.5	8.9	9.4	9.7	10.3	0.3	0.6
Belgium	18.0	21.9	22.4	18.7	19.8	23.7	23.2	3.9	-0.5
Bulgaria	12.7	16.2	23.2	25.0	28.1	28.4	23.8	0.3	-4.6
France	18.6	23.2	22.9	22.1	23.9	23.9	24.1	0.0	0.2
Germany	10.6	11.2	9.9	8.5	8.0	7.8	7.7	-0.2	-0.1
Denmark	8.0	11.8	14.0	14.2	14.1	13.1	12.6	-1.0	-0.5
EE-28	9.9	16.6	18.3	18.1	19.5	19.0	15.9	-0.5	-3.1
EZ-17	15.6	19.9	21.0	21.5	23.1	24	23.4	0.9	-0.6
Greece	21.9	25.7	33.0	44.7	55.3	58.3	52.3	3.0	-6.0
Estonia	12.0	27.4	32.9	22.4	20.9	18.7	15.0	-2.2	-3.7
United Kingdom	15.6	20.0	20.8	20.9	23.2	20.7	16.9	-2.5	-3.8
Ireland	15.0	19.1	19.9	21.3	21.2	26.8	23.9	5.6	-2.9
Spain	13.3	24.0	27.6	29.1	30.4	40.0	42.7	9.6	-2.3
Italy	24.5	37.7	41.5	46.2	52.9	55.5	53.2	2.6	-2.3
Croatia	21.2	25.3	27.9	29.2	35.3	50.0	45.5	14.7	-4.5
Cyprus	23.7	25.2	32.4	36.7	42.1	38.9	35.9	-3.2	-3.0
Latvia	9.0	13.8	16.6	22.4	27.7	23.2	19.6	-4.5	-3.6
Lithuania	13.6	33.3	36.2	31.0	28.5	21.9	19.3	-6.6	-2.6
Luxembourg	13.3	29.6	35.7	32.6	26.7	21.9	19.3	-4.8	-2.6
Malta	17.9	17.2	14.2	16.8	18.8	13	11.8	-5.8	-1.2
Netherlands	11.7	14.5	13.2	13.3	14.1	11.0	10.5	-3.1	-0.5
Hungary	5.3	6.6	8.7	7.6	9.5	26.6	20.4	17.1	-6.2
Poland	19.5	26.4	26.4	26.0	28.2	27.3	23.9	-0.9	-3.4
Portugal	17.3	20.6	23.7	25.8	26.5	38.1	34.8	11.6	-3.3
Romania	16.7	20.3	22.8	30.3	37.9	23.7	24.0	-14.2	0.3
Slovakia	18.6	20.8	22.1	23.9	22.6	33.7	29.7	11.1	0.3
Slovenia	19.0	27.3	33.6	33.4	34.0	21.6	20.2	-12.4	-1.4
Sweden	10.4	13.6	14.7	15.7	20.6	23.5	22.9	2.9	-0.6
Czech Republic	20.2	25.0	24.8	22.8	23.6	19	15.9	-4.6	-3.1
Finland	16.5	21.5	21.4	20.1	19.0	19.9	20.5	0.9	0.6