ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ & ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ
FOUNDATION FOR ECONOMIC & INDUSTRIAL RESEARCH

The Greek Economy

3/15

Quarterly Bulletin

No. 81, October 2015

Editorial Policy

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The Foundation of Economic and Industrial Research (IOBE) is a private, non-profit, public benefit research organisation. Its purpose is to promote research on current problems and prospects of the Greek Economy and its sectors and to generate reliable information, analysis and proposals for action that can be of value to policy makers

ISSN 1106-4315

Sponsor of the issue:

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FOREWORD

This is the third IOBE bulletin on the Greek economy for 2015. It comes once more at a critical time for the Greek economy, during the first review of the new programme and before the anticipated negotiations over a new round of public debt restructuring after the completion of the review. As all IOBE quarterly bulletins, this report contains **four chapters** and an **appendix** with key structural indicators. The bulletin starts with a position paper on the threats from complacency and lack of understanding at politico-economic level. The remainder of 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 second quarter of 2015 and the rest of the year, based mostly on the latest IMF report and data from other international organisations; b) an outline of the **economic climate** in Greece in the third quarter of 2015, based on data from the latest IOBE business surveys; c) an analysis of the execution of the **State Budget** in the first eight months of the current year, the revised targets for 2015 and the targets for 2016, as set in the Draft 2016 Budget.

Chapter three focuses on the performance of the Greek economy in the second quarter of 2015 and the first months of the following quarter. It includes an analysis of: the current **macroeconomic environment** and its outlook for the second half of 2015; the **developments in key production sectors** in the second quarter of 2015 and in the following months, depending on data availability; the **export performance** of the Greek economy in first six months of 2015; the developments in the **labour market** in the second quarter; the trends of **inflation** in the first nine months of 2015; and, finally, the trends in the **balance of payments** from January through July 2015.

Chapter 4 presents a study of IOBE for the Ministry of Labour on the assessment of public works programmes.

The report is based on data that were available up to 12/10/2015. IOBE's next quarterly bulletin on the Greek economy will be published in mid-January of 2016.

NO ROOM FOR MISINTERPRETATION AND COMPLACENCY

The current economic situation, as outlined in this quarterly bulletin, is characterised by **a combination of interesting trends that should be carefully deciphered.** There are objective **conditions to reverse the downfall**. However, a likely complacency by the economic policy makers or a possible **misinterpretation of the facts** will bear many risks.

For the first time since 2010, when the Greek economy lost its independent access to the global markets and embarked on adjustment programmes, both **the government and the major opposition party are in favour of implementing the programme and the agreement with the country’s partners,** which, without a doubt, is a major development that could prove to be very positive, perhaps of catalytic importance. This observation holds for a rather wide majority in the Greek parliament as well, after the latest general elections. This situation represents a **significant reduction of the political risk, as perceived in the past few years, that fuelled the deep uncertainty and chased off investment.** Therefore, under certain conditions, the current agreement and the current political landscape could become the base for a gradual return to positive growth rates. This possibility has started to reflect tentatively on certain leading indicators. Its impact will grow stronger as long as uncertainty remains low and the likelihood of a new failure or rupture with the country’s creditors during the programme’s implementation weakens.

The stabilisation and the slight recovery of the economy, achieved in the past year, had a significant positive impact in the first half of 2015. **The successful balancing of the twin deficits, fiscal and external, allowed the consumers and the investors to start 2014 with improved expectations and an inclination, albeit cautious, to increase their spending and economic activity.** The growth of foreign demand for services, the reduction of the energy cost and the devaluation of the euro also contributed to positive GDP growth. **This positive impact has carried over into the current year, with a favourable impact on the economy’s sectors.** This development is taking place despite the fact that the economic uncertainty started intensifying after the summer of 2014, growing even stronger after the January elections, reaching its peak in a dramatic fashion with the July referendum.

The above development was highlighted in order to make two remarks that could be useful in view of the current options faced by the policy makers. First, the **stabilisation of the expectations and the easing of the uncertainty are a key and very effective factor that generates, in its own right, part of the needed momentum** in order to cover the lost ground for the Greek economy. The recovery of the expectations is an important factor for the return of the economy to a virtuous cycle of growth. Second, specific **structural changes that took place in the markets for labour and products after 2010 seem to have gradually started to bear fruition**, albeit at a relatively low level for the time being, mainly by improving competitiveness and diverting resources to internationally tradable goods and services.

On the negative, also very important, side, we should mention the **uncertainty caused by the prolonged period of tension with the country's partners, without a funding agreement, and by the peaking of the crisis with the referendum, the bank holiday and the imposition of capital controls.** The economy is now left essentially without the proper functioning of the banks, at least regarding their key activities, and without investment. **The bank holiday and the extreme uncertainty, stemming from the threat of disorderly default and deposit haircuts, came in an already burdened and fragile economy, after four years in adjustment programmes and output contraction.** The derailment path was finally diverted in the end with a new adjustment programme that maintains the monitoring of the Greek economy for three more years. Inevitably, these developments have a **heavy burden. Time and sustained effort are required to overcome this burden.**

In any case, from expectations of about 2% growth in the current year and stronger growth in the following year, we **should now expect a significant recession in both these years.** The events from the recent months steered the economy to a recession with a relatively limited depth but perhaps extended time length. The interruption of the operation of the banking system was not sudden. On the contrary, it was predicted by many households and businesses, which were gradually withdrawing their savings for months, adjusting their behaviour to the imminent threats. To an extent, the events were largely discounted by the time they took place, resulting in relatively mild consequences, given the otherwise extreme circumstances.

Combining the forces described above, we **expect a significant fall in investment that in turn will lead to a recession in the second half of the current year and in the first half of the following year. The key macroeconomic predictions contained in the recent state budget draft are feasible, remaining close to the levels described in our last quarterly bulletin. Indeed, if the programme evolves without deviations, and in particular if the bank issue is promptly resolved, the latest available data indicate that a weaker recession, by half a percentage point, is likely to take place in the current year (perhaps pushing part of the recession to the future).** In any case, the reopening and the gradual normalisation of the banks is an absolutely necessary, albeit not sufficient, condition for the gradual emergence of major investment projects and, for this reason, it should proceed with **urgency and clarity.**

Note here that the course of the **external balance** will tend to moderate the contraction rate, as the impact of the capital controls is expected to be heavier on the import side of the balance. Overall, however, and to the extent that, through the increase of the cost of access to incoming capital goods and raw materials, the growth momentum of exports is stalled, over the medium term the impact will be mixed. It is of crucial importance to balance the expectations and lift the restrictions in the economy, two fully interdependent aspects, as soon as possible.

The mixed and rather unprecedented, from economic analysis viewpoint, picture described above could contain the risk of **misinterpretation** in at least two directions. The first misinterpretation is that, as unavoidably the next few months will be difficult for both the households and the enterprises, this implies that the implementation of the programme would reach a dead end. **The cost is real and for many households exceptionally painful due both to the recession and the additional fiscal measures. It corresponds, however, mostly to what has to be paid due to the delay in reaching a favourable agreement to fund the economy.** The inability to create in Greece a sufficiently wide political consensus, with an explicit, honest and systematic direction for the return of the country on a growth path, gradually undermined the country's credibility abroad, resulting in a recession that was much deeper than necessary for the correction of the initial imbalances. The cost of the developments and the extreme uncertainty of the past few months in particular, will bear a burden on the economy over the coming months. There are however **preconditions for the economy to return to a positive growth rate in the second half of the coming year** – every effort should be expended to achieve this as soon as possible.

Another incorrect reading of the current conditions is that the future positive course is secure and independent of particular current choices. Exactly the opposite holds true, as the next few months will be very critical. The latest agreement gave the last chance for the adjustment of the Greek economy. Essentially, there are about two more years of productive time, but the key stabilisation measures should take place in the next few weeks or in the next few months at most, so that the positive impact from the required new investment is revealed within that time frame. The relevant priorities include, but are not limited to, the recapitalisation of the banks and the linked resolution of the non-performing loans issue, the reform of the social security system and the simplification and consolidation of an investment- and business-friendly tax and administrative framework. A wider consensus regarding the measures with a clear growth direction and a real support during their implementation would boost their effectiveness. Besides, as it should have become clear from the course of the Greek crisis in the past few years, its great depth is such that particular tactical moves and policies are not sufficient to reverse it. Instead, a drive for consensus to lift the basic distortions that undermine, at the economic and political level, the medium-term growth prospects of the economy is essential.

The sense that dilatory practices, even when coming from the central economic policy makers themselves, could thrive and have a positive economic and social impact does not correspond to reality. **The ambivalence and delay of the past had a very tangible cost for the entire economy and the households.** The same would hold if there is a turn towards policies of excessive, inconsistent and incoherent taxation or other measures that would continue to discourage investment and employment, essentially subsidising inefficient and obscure state structures. The sense of urgency should be made obvious, as not only the resilience of the households and the enterprises is nearing depletion, but there is also no guarantee of a positive global economic environment in the medium term.

Overall, and given our recent history, **the lasting crisis of the Greek economy cannot be overcome with marginal adjustments and tactical moves.** In order to attract the necessary investment and to generate new high-value jobs, we need to **break with the past.** This requires consensus, but also boldness in order to maximise the public benefit. In other words, **a course of real convergence of the Greek economy, with respect to its structural characteristic, to the average of the Eurozone economies is needed.** The objective possibilities for this development are present, most probably for only one more time. Nevertheless, the clear and decisive expression of the subjective will of all stakeholders in this direction remains essential.

1. BRIEF OVERVIEW - CONCLUSIONS

The projections for the growth of the world economy of 2015 deteriorated - a slight slowdown is expected with respect to 2014

According to the IMF, the growth rate of the world economic activity in the first half of this year stood at 2.9%. The rate was lower by 0.3 percentage points, compared from earlier forecasts. This came from an unexpected slowdown of output in the US economy and lower investment by the US oil industry, which had knock-on effects on the economies of Canada and Mexico. Despite the consolidating recovery of the Euro area and the return of Japan to growth during the second quarter of the current year, the weak growth in these two major developed regions kept the average growth rate unchanged quarter on quarter at 1.8%. Regarding the developing economies, the slowdown in China was anticipated, Brazil contracted more than anticipated while in contrast the performance of the Russian economy was better than expected.

The growth rate in the developed economies is expected to carry over from the first to the second half of the year. On the other hand, a further slowdown is expected in the developing economies. The modest growth in the Euro area will remain slightly stronger than earlier anticipated while the recovery in Japan will continue. Economies with strong export-orientation (e.g. Canada) will face some difficulties. In the US, low investment and weak productivity growth will keep the GDP growth rate lower than in previous years. The Euro area economies will benefit from the positive impact of the lower oil price on real household disposable income and corporate profit margins. **Therefore, the GDP of the developed economies will grow this year by 2.0%, slightly faster than in the previous year (+1.8%), but less than anticipated earlier this year (+2.4%).**

Among the developing economies, the low oil price will have a strong negative impact on output in oil-producing countries, such as Russia. The continued conflict with Ukraine continues to hamper the Russian economy. The slowdown of international trade will limit the growth of the large Latin American economies and China, with a knock-on effects on other connected economies. **Under the influence of the above trends, the growth rate of the developing economies will reach 4.5% in the current year, about half a percentage point lower than initial expectations. Together with the consolidation of the GDP growth in the developed economies in the current period, the slowdown in the developing economies will lead to a growth of about 3.0% of the global economic activity in 2015 overall, compared with almost 3.5% projected in previous reports.**

Stronger growth of the Greek economy in the second quarter of 2015

The growth of the Greek economy strengthened in the second quarter

of 2015, to 1.6%, its highest rate since the start of the recovery in the second quarter of 2014, according to the latest National Accounts data from EL-STAT. **Overall in the first half of the year, GDP grew by 1.1%, compared with zero output growth a year before and slightly stronger growth, by 1.4%, in the second half of 2014.**

In nominal prices, GDP was lower year on year by 0.15% in the first half of the year. Therefore, the fall of the GDP deflator by 1.25% was the key driver for the growth of output in constant prices. The change in the GDP deflator and in the deflators of the key components of GDP is in general considered compatible with the recorded short-term trends in the prices of goods and services, final and intermediary (e.g. Producer Price Index in Industry and Price Index of Construction Cost of New Residential Buildings). Nevertheless, the change of the deflator in some GDP components, and mostly in those that constitute national accounting adjustments, is hard to explain**.** For example, the **inventories in current prices declined, with a negative impact on investment and GDP, by €2.3 billion**. **However, the fall of inventories in the first half of the current year, when adjusted at constant prices, did not exceed €60 million.**

In greater detail regarding the trends in GDP components in the first half of the year, **domestic consumption increased by 1.6% compared with the same period of 2014,** when it had grown by 0.7%. **The growth of consumption was stronger than in the preceding quarter (from 1.2%).** In contrast with the first half of the previous year, household consumption experienced stronger growth (2.1%, from 0.7% in 2014) compared with public consumption (0.5%, from 1.4%).

Investment increased by 6% in the first half of this year, weaker than in the same period of 2014 (+9.3%). This result came exclusively from investment growth in the first quarter by 29.7%, a trend that turned strongly negative in the second quarter (-15.1%), reflecting the wait-and-see stance of the investors with respect to the outcome of the negotiations with the creditor institutions. **The increase of capital formation came mainly from a stronger investment in transport equipment (+67.1%) and to a lesser extent in machinery and equipment (+17.3%)**. In contrast, stronger investment contraction was observed in other constructions (-26.1%) and in residential constructions (-20.3%), which continued to decline for an eighth consecutive year.

In the external sector of the economy, the growth of exports in the first half of each year for four years in a row did not carry over to 2015, as they declined marginally (-0.4%). The inversion of the trend of the exports of goods to negative in the second quarter, with their contraction reaching 4.2% (-2.0% in the first half overall) led to a decline of exports overall in the first half of 2015. **The growth of the exports of services, which did not**

exceed 2.1%, from much stronger growth, by 12.6%, in the first half of the previous year, was not enough to prevent the fall of exports.

The steady recovery of consumption boosted the demand for imports by 2.8%, which contributed further to the growth of the external deficit from the contraction of exports. As in the case of exports, the increase came exclusively from a boost in the first quarter, as in the second quarter they declined year on year by 3.5%. Therefore, the year-on-year growth of consumption by €800 million in the second quarter was probably covered by inventories and to a lesser extent by domestically produced goods. **As a result of the decline in exports and the growth of imports, the external deficit in national accounting terms increased by 56.6% to €2.6 billion, from €1.6 billion in the same period of the previous year.**

Loss of growth momentum in the second half of the year – return to recession overall for 2015

The Greek government and its partners from the Euro area reached an agreement in principle, on 13 July, on certain reforms – prior actions in order to start the negotiations over a new programme. Almost a month later (11/08), Greece reached an agreement on a new Economic Adjustment Programme with the four international institutions that comprise the group of official creditors of the country (European Commission – ECB – ESM – IMF). These two developments notably eased the intense concern over the risk of default of the Greek state and the stay of the country in the Euro area, felt during the referendum period and the start of the capital controls. After the state of hiatus that the Greek economy went into during the negotiations and the peak of the political flux from the events in the first ten days of last July, the easing of the default fears is a basic prerequisite for the gradual normalisation of the socio-economic environment and the restart of the economy.

In addition, a successful conclusion of the first and the following review of the implementation of the new programme is an essential, crucial step for the restoration of the credibility of the Greek government, in terms of the ability of the Greek state to implement the needed reforms, after five years of attempts to rationalise its public finances. The outcome of the forthcoming review will most likely have an impact on certain critical issues, such as the degree of access to ECB funding and a new public debt intervention by the official sector lenders. A satisfactory implementation of a large majority of «milestones» and specific targets could lead to the lifting of the waiver that excluded the Greek sovereign bonds from being used as collateral with the ECB. This will allow access to the key mechanism for drawing liquidity, at a much lower cost than the ELA facility. Regarding the public debt intervention, it is not anticipated to take the form of a reduction of nominal debt («haircut»), but to materialise as a further facilitation of its servicing needs, with an extension of the grace and maturity periods and perhaps with a further small reduction of the interest rate. Nevertheless, the difference of opinion between the IMF and the EC is quite possible to remain, both regarding the form of intervention and its specific terms.

Regardless of these developments, there are certain economic activity conditions that were mostly formed in the first half of the year. The output growth during the first half of the year came mostly from an increase in both components - private and public - of domestic consumption spending. Investment on average declined, while the net contribution of the external sector was negative, as its deficit increased. As already analysed in previous reports of IOBE on the Greek economy, the consumption growth was driven by the lack of implementation of planned reforms in the public sector, the lack of new fiscal measures that reduce the real household disposable income and private consumption and the strong concern of the households about the likelihood of failure of the negotiations with the official creditors of the Greek state, which led to certain emergency purchases.

The above growth drivers of consumption and GDP are considered transient as the recent events have largely purged their momentum. The agreement on a new (third) Economic Adjustment Programme, the fiscal measures contained in the programme and those adopted as prior actions to start the negotiations have eliminated at least the first two factors that were previously stimulating consumption. The presence of the third factor could be assessed only after the end of the year, based on the reform actions by the new government. Therefore, the support of the growth momentum from the first half of 2015 is dwindling, without any other factor in sight that could replace it, at least in the short term, raising concerns over the growth prospects of the Greek economy.

Household consumption is under pressure for one more reason in the current half of the year, as the capital control limit the liquidity in the economy overall. The speed with which the capital controls will be lifted will depend on the available access options to ECB liquidity and the outcome of the ongoing stress tests. Until the completion of the stress tests and the replenishment of the capital needs that would come of them, the banks will attempt to maintain the availability of capital as high as possible. Therefore, the lending to individuals and companies is expected to be low, at least until the end of 2015, mainly hurting business and housing investment. Certainly, the key factor restraining investment is the loss of credibility regarding the willingness and the ability to implement reforms in sectors, markets and the state, which have now stalled for more than a year with the consecutive election periods. Only the commitment of the new government to achieve the targets of the new programme with respect to these policy areas could gradually restore the investment interest, which is a prerequisite in order to achieve the revised targets of the programme for the development of the state-owned assets. Clearly, the additional procedures and limitations as part of the capital controls have also placed significant constraints on the implementation of investment plans in the current period, as a large part of the required equipment and machinery is produced outside Greece.

Undoubtedly, the strongest impact of the capital controls is observed in the external sector of the economy. Given the primary role of the tourist sector for the mild output growth and decline of unemployment in 2014 and the carry-over of these effects to the first half of 2015, the impact of the capital controls on the tourist flows is a key parameter for the evaluation of the GDP trends in the current period and for 2015 overall. According to the latest available data from the Bank of Greece, international arrivals kept growing in July, albeit at a weaker rate than in the first half of the year (4.4% from 20.8%), while travel receipts remained higher year on year as well (+3.5%, from +8.2% in the first half). Nevertheless, as July was the first month with capital controls, the slowdown is expected to ease in the following months.

Overall in the external sector, the capital controls have prima facie hurt imports significantly more than exports. According to the latest data from the Bank of Greece, the exports of goods and services fell year on year by 15.1% in July, despite the increase of exports without fuels and ships (by 3.0%). However, the percentage decline of imports was more than twice as strong, reaching 40.7%. As a result, the surplus of the external balance for goods and services was twice as high year on year in July this year (€2.48 billion, from €1.24 billion in the previous year). The preliminary ELSTAT data on the exports of goods in August also indicate a stronger fall in imports and continued growth of exports without fuels and ships, albeit at a lower rate than earlier.

The capital controls, the new fiscal measures and the weakening of the household expectations from the continuing, according to the new deal, fiscal consolidation process for three more years will dampen consumption spending for the rest of 2015. As the accumulation of tax payments in the last 4 months of the year is a repeating feature in the past few years and given that these taxes will not change in the current year, their contractionary impact on disposable income will be similar with that observed in previous years. The high level from the second half of 2014 will exert additional pressures on the year-on-year change of private consumption in the corresponding period of this year. **Nevertheless, the growth of consumption expenditure by 2.1% from January through June of 2015 will limit their contraction for the current year overall to 1.5%-2.0%.**

The implementation of the new agreement will exert contractionary pressures on public consumption. However, given that its implementation will essentially start in the fourth quarter, it will result in a small fall of public consumption expenditure in the current year. Besides, the fewer than anticipated outlays in the public sector, the unanticipated in the previous year expenditure from the maturation of the contracts of public servants of special wage categories and the larger than forecasted payments of past-year remuneration to security, military and judicial officers will increase the wage bill year on year, pushing up public consumption. The base effect from the notably lower public consumption in the second half of last year, compared with the first half of that year, will also contribute to a further expansion of public consumption in the current half of the year. **As the contraction of public consumption in the first half of 2015 was small in magnitude, despite the unprecedented liquidity constraints during that period, and given the aforementioned reasons for its growth, public consumption is anticipated to slightly increase in the current year overall.**

As analysed above, **the extensive loss of credibility in the reform outlook of the Greek economy, due to the lack of reform implementation for more than a year and the turbulent negotiations, the scarcity of investment capital due to the capital controls and the anticipation of the outcome from the stress tests, together with the import barriers from the capital controls, will result in a sharp drop in investment in the second half of the year.**

The intense uncertainty about the domestic political developments since the start of the second quarter, which peaked in the following quarter with the announcement of the referendum and the imposition of the capital controls, remaining high until the drafting of the new programme and the formation of the new government, is expected to have led the investment activity to a quagmire. Only the anticipated acceleration of the execution of the Public Investment Programme in the rest of 2015, given that the draft 2016 State Budget envisages the payment of all the funds set in the 2015 budget (€6.4 billion), will act in the direction of boosting investment. Regardless of the PIP execution rate, the fact that it would be particularly back-loaded will limit substantially its multiplier effects on the Greek economy in the current year. Overall, **the contraction of investment activity observed in the second quarter of this year is expected to carry over and intensify in the near term. On average in 2015, investment will be lower by 15% than in the previous year.**

In the **external sector of the Greek economy,** the capital controls will limit, without interrupting, the growth of the **exports** of goods, except fuels and ships, recorded in the first half of 2015, which contained the contraction of total exports of goods during that period. Therefore, a small reduction in total exports of goods in the second half of the year cannot be ruled out. A small contraction is also likely in the exports of services, due to base effects from the high level of comparison in the second half of 2014 when the tourist period lasted longer than in the past. **The downward trend in both segments of exports in the current half, after their**

small reduction in the preceding period, will result in an annual reduction by about 2.5%.

The strong contraction of **imports** in the second half of the current year will come, apart from the transaction difficulties due to the capital controls, from weaker consumption demand, the growth of which was fueling their increase in the preceding six months. Particularly in the last quarter, the significant growth of imports in the last quarter of 2014 (+17.5%), and especially of the imports of goods (+19.3%), will exacerbate their contraction. **Given the lack of an offsetting development in sight, imports are expected to fall by about 5.5% in the second half of the year.**

Combining the trends in the GDP components that were previously outlined, output is anticipated to decline overall in 2015. **Nevertheless, the growth of the Greek economy by 1.6% in the second quarter, slightly stronger than anticipated, will moderate its contraction overall for 2015. Under the influence of the factors that were analysed above and the latest available activity data for the current quarter, the forecast for a recession of the Greek economy in the current year that was presented in the previous report is revised upwards. As a result, the GDP contraction rate during the current year is expected to fall in the range of 1.5% to 2.0%.**

Significant alterations are needed to implement the new budget targets

The trends that dominated both the revenue and expenditure sides of the budget should shift radically in order to achieve the revised targets for the State Budget, as set in the Draft State Budget for 2016.

The SB deficit for 2015 is now estimated to reach €2,210 million (or 1.3% of GDP), from an initial forecast for a deficit of €103 million. Correspondingly, the SB primary surplus is estimated at €3,620 (or 2.1% of GDP), compared with a primary surplus of €5,797 million (3.1% of GDP) projected initially.

Given the level of the OB revenues before tax refunds in the first eight months of 2015 (€30.8 billion), **the revenues should increase by almost €22.0 billion in the last four months, to reach €52.4 billion,** against an initial annual target of €53.7 billion. As a result, the shortfall is projected to fall to €1.3 billion, from €4.3 billion in the first eight months of the year.

The OB primary expenditure (including payments for military equipment and guarantees) is estimated to reach €43,4 billion, equal to the initial target. **Therefore, €18,0 billion should be spent from September until the end of the year, given that the primary expenditure in the first eight months equalled €25.4 billion.**

The significant shortfall of the State Budget from the targets for this year, given the results for the first eight months, on both the revenue and expenditure side, makes the achievement of the targets doubtful. On the other hand, it provides flexibility for fiscal manoeuvres to achieve the deficit target (e.g. by containing expenditure).

Stable fiscal performance in 2016

According to the draft State Budget for 2016, the fiscal magnitudes for the new year do not differ substantially from the revised estimates for 2015. The SB deficit is forecasted to reach €2,340 million (or 1.3% of GDP), marginally higher than in 2015 (€2,210 million). Correspondingly, the primary SB surplus is projected to total €3,590 million in 2016, marginally lower than in the previous year (€3,620 million).

The projected reduction of the General Government deficit from 3.2% of GDP in 2015 to 2.3% in 2016 comes from national accounting adjustments, such as a reduction of the military equipment programme by €604 million and an increase in the surplus of legal entities (apart from state-owned enterprises) by €688 million.

Slight increase of unemployment in the second half of the year, mild annual decrease for 2015 overall

The continued recovery in the second quarter of this year, particularly in labour-intensive sectors, such as Wholesale – Retail Trade and Tourism, led to a significant fall in unemployment, to 24.6%, two percentage points lower quarter on quarter and year on year. **This resulted in a fall of unemployment overall in the first half of the year to 25.6%,** 1.6 percentage points lower year on year. In July, unemployment (in non-seasonally adjusted terms) fell further to 24.6%.

Nevertheless, **the return of GDP to contraction will clearly have an impact on employment.** The lower domestic demand **will affect sectors with a significant contribution to the fall of unemployment, such as Retail – Wholesale Trade.** In addition, the deep contraction of investment will once again hurt employment in Construction and in companies manufacturing or importing business equipment and machinery.

In **Tourism**, the negative impact on employment would not be as strong, as the expansion of the international tourist flows is expected to continue, albeit at a weaker rate. Therefore, **the sector is expected to moderate the rise of unemployment.**

Regarding the employment in the public sector, the rehiring of 7,500 people that had been previously laid off could count against the planned in the previous Economic Adjustment Programme recruitment of 15,000 new employees. However, combined with the fewer than anticipated departures, the employment in the public sector will remain largely unchanged. **Taking into account the above developments in the current period and the significant reduction of unemployment in the first half of the year, the unemployment rate is expected to reach 26.0% overall in 2015, slightly**

lower than in the previous year (26.5%).

Small boost of deflation in 2015, despite its weakening towards the end of the year

After hovering at around 2.1%-2.2%, **deflation weakened in August and September**, to 1.6%. The slight reduction of deflation is not attributed to stronger demand, but to the **restructuring of the VAT coefficients,** gradually implemented since 20th July. Besides, the largest price increase among the key categories of products and services, by 4.0%, was recorded in the past two months in Food – Non-Alcoholic Beverages, a category that was affected most by the VAT changes. **Overall in the first nine months of the year, the rate of price decline reached 2.1%, exactly one percentage point higher than in the previous year, reaching its highest level at least since 1960.**

The **VAT hike** since early October **in five large islands** will further ease the price deflation. **The end of the deflationary impact of the low oil prices on CPI** will also contribute to the easing of deflation in the last quarter as the oil prices will reach their level from the previous year. Nevertheless, note that the price increase in the goods affected by the VAT hike was smaller than expected. While due to the imposition of the new tax coefficients, the prices were expected to increase on average by 8%, in categories affected by the increase of VAT, such as Food – Non-Alcoholic Beverages, the price increase did not exceed 3.0%. This development is considered to reflect the absorption of a large part of the price increase by the enterprises. **Therefore, the weakening of demand seems to largely offset the impact of factors that exert inflationary pressures on prices, such as higher indirect taxes. As a result, the year-on-year fall of CPI will carry over, with the deflation reaching 1.8% for the current year overall, from 1.3% in 2014.**

Assessment of Public Works Programmes funded by the NSRF

IOBE carried out a study for the Ministry of Labour, aiming to evaluate Public Works Programmes (PWP), funded by the NSRF 2007-2013. In particular, two PWP cycles were evaluated. The first cycle was implemented from mid-2012 to mid-2013 and the second in 2013-2014. The number of beneficiaries of the two cycles reached about 90,100, whereas the total expenditure amounted to €360 million.

The two actions of the first stage programmes were evaluated with respect to their effectiveness and efficiency. The four actions of the second stage programmes were evaluated with respect to their design, implementation, effectiveness and efficiency. The evaluation was based on specific evaluative questions. The evaluation methodology mainly included: a) field research at planning and implementing authorities and beneficiaries, b) formulation of proposals - conclusions, based on focus group interview c) desk research (collection – processing – analysis of data) and d) literature review.

2. ECONOMIC DEVELOPMENTS

2.1 Trends and prospects of the global economy

The global environment

According to the IMF, the growth rate of the world economic activity in the first half of this year stood at 2.9%. The rate was lower by 0.3 percentage points, compared from earlier forecasts. Overall for 2015, growth is expected to reach 3.1% in the latest forecast, lower than in 2014 when the world economy grew by 3.4%. Accordingly, the projected world trade growth rate was revised down, remaining fairly high (3.2%), albeit marginally lower than the rate recorded in 2014 (3.3%). The key drivers for the slight slowdown remain on the one hand the gradual recovery of the developed economies and on the other the weakening of the rapid growth in the emerging and the developing economies. While on the one hand the factors that support the gradual acceleration of growth in the developed economies, such as favourable funding conditions, neutral fiscal policy in the Euro area, low oil price, improving consumer confidence and labour market conditions, are still present, on the other, the forces that impede economic activity, such as the falling prices of key commodities and the financial instability, are intensifying, particularly in the developing economies.

In greater detail, the forecast for the growth rate of the world economy in the current year was revised down, compared with the estimates from the previous quarter (3.3%), mainly due to revised forecasts for North America. This came from an unexpected reduction of output in the US economy, which had knock-on effects on the economies of Canada and Mexico, while the severe winter weather, which led to the closure of trade ports, also had a negative impact. As a result, the US growth rate in the second quarter of 2015 fell to 2.7% year on year, compared with 2.9% in the first quarter. The slowdown in North America is considered temporary, as the key growth drivers, i.e. income growth, labour market conditions, relatively easy access to credit, low oil prices and the recovery of the housing sector, remain favourable.

Regarding the emerging and developing regions, the otherwise high growth slowed down year on year in the second quarter of 2015 in India (7.2%), from 7.4% in the first quarter, while the growth rate consolidated in China (7.0% year on year in both the first and the second quarter of 2015). On the negative side, the recession in Brazil strengthened, exceeding expectations, from 1.7% quarter on quarter in the first quarter to 2.4% in the second quarter of 2015.

In contrast, in Japan output increased by 0.9% year on year in the second quarter of 2015, after contracting by 0.8% in the first quarter of the year. Even though the positive results in Japan exceeded the expectations, the growth recorded in the second quarter of 2015 was largely due to an increase of inventories, as consumption remained stagnant.

In the emerging and developing economies, the estimates for 2015 converge to a slowdown of growth to 4.0%, from 4.6% in 2014, a development that mainly comes from: a) price reduction and stricter terms of external credit, particularly for Latin America and oil-exporting countries, b) consolidation of the growth rate of China and c) difficulties caused by geopolitical tensions in the Commonwealth of Independent States (Russia) and certain countries in the Middle East and North Africa.

In greater detail, in 2015 the **US** economy is expected to grow by 2.6%, accelerating by 0.2 percentage points compared with 2014, a trend that is expected to continue in the following year. Output in **Japan** in 2015 is expected to grow by 0.6%, after a marginal recession in 2014 (-0.1%), while a further acceleration of the economy is expected in 2016, to 1.0%. In **China**, strong growth is still expected, by 6.8%, slowing down further compared with the previous year (7.3%), a trend expected to carry over in 2016 with the growth rate expected to fall further down to 6.3%. The recession in **Russia** is expected to peak in 2015 at 3.8% and ease after that, resulting in a marginal output fall by 0.6% in 2016.

The Business Climate Index for the global economy, compiled by IFO, deteriorated in the third quarter of 2015, totalling 95.9 units, compared with 99.5 units in the previous quarter.

Except for its performance in the previous quarter, when the index had increased sharply, it seems that the index has consolidated at around 95 units since late 2014, slightly lower than its long-term average (96.1). Similarly, the index tracking the assessment of the current business situation fell sharply in the third quarter to 87.9 from 95.3 in the second quarter of 2015. In contrast, the index reflecting the business expectations for the next six months remained unchanged quarter on quarter.

The business climate deteriorated in almost all regions. Both in Europe and in North America, however, the index remained above its long-term average. In particular, in **Europe** the business climate index in the third quarter reached 116.4 points, falling slightly (by 3.9) quarter on quarter, while in **North America** the index stood at 96.2, marginally falling by 1.7 points.

In contrast, the index in **Asia** fell to 87.7, lower quarter on quarter by 5.2 points, to a level below its long-term average for the region (92.5).

Table 2.1

Global Environment – IMF, World Economic Outlook

(Annual % change, in real values)

	2014	2015	2016
GDP			
U.S.A.	2,4	2,6	2,8
Japan	-0,1	0,6	1,0
Emerging Asia	6,8	6,5	6,4
of which China	7,3	6,8	6,3
India	7,3	7,3	7,5
AESEAN-5	4,6	4,6	4,9
Eurozone	0,9	1,5	1,6
Emerging and developing Europe	2,8	3,0	3,0
Commonwealth of Independent States (CIS)	1,0	-2,7	0,5
of which Russia	0,6	-3,8	-0,6
Middle East and North Africa	2,7	2,5	3,9
Latin America	1,3	-0,3	0,8
of which Brazil	0,1	-3,0	-1,0
Sub-saharan Africa	5,0	3,8	4,3
Global Economy	3,4	3,1	3,6
World Trade			
Volume of World Trade (goods and services)	3,3	3,2	4,1
Imports: Advanced Economies	3,4	4,0	4,2
Imports: Emerging and Developing Economies	3,6	1,3	4,4

Emerging Asia: Vietnam, India, Indonesia, China, Malaysia, Thailand, Philippines Βιετνάμ
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, Mauritius, Bahrain, Oman, Saudi Arabia, Soudan, Syria, Yemen, Djibouti, Tunisia
Sub-Saharan Africa: Angola, Ethiopia, Ivory Coast ,Gabon, Equatorial Guinea, Cameroon, Kenya, Congo, Maurice, Botswana, Namibia, Nigeria, North Africa, Uganda, Cape Verde, Seychelles, Swaziland, Tanzania, Chad, etc.
Source: World Economic Outlook, IMF, October, 2015

Table 2.2

IFO – Assessments for the Global Economy (Indexes, 2005=100)

Quarter/Year	III/13	IV/13	I/14	II/14	III/14	IV/14	I/15	II/15	III/15
Business Climate	94,1	98,6	103,2	102,3	105,0	95,0	95,9	99,5	95,9
Assessment of business situation	82,2	84,1	91,6	91,6	95,3	91,6	91,6	95,3	87,9
Business expectations	105,3	112,3	114,0	112,3	114,0	98,2	100,0	103,5	103,5

Source: IFO, World Economic Survey, WES, No. 03/ August 2015

The EU and Eurozone Economies

The recovery of the European economies is expected to strengthen to 2.0% by the end of 2016, with key growth drivers the lower oil prices, the devaluation of the euro, which boosts the competitiveness of the Eurozone economies, the improvement of the economic environment, the presence of favourable conditions for further monetary expansion and temporary easing or even an interruption of the fiscal consolidation process.

In fact, in many European countries, the 2015 forecasts were revised up, except for Germany, which recorded lower than expected growth rate, and Greece, in the aftermath of the latest developments (imposition of capital controls and bank holiday).

In contrast, better than expected growth was recorded in Italy, Ireland and Spain. In particular, output grew year on year in the second quarter of 2015 by 1.9% in the EU and 1.5% in the Euro area. The countries with the highest growth rates were Malta (4.8%), the Czech Republic (4.4%), Romania (3.7%), Poland (3.6%), Spain (3.1%), Slovakia (3.1%) and Sweden (2.9%). Overall for 2015, GDP is expected to grow by 1.8% in the EU-28 and by 1.5% in the Euro area.

A more detailed analysis of the GDP components in the European Union and the Euro Area, as well as the course of other key macroeconomic figures, is provided next. Particular emphasis is placed on the year-on-year percentage change of the parameters recorded in the second quarter of 2015.

In particular, according to the data provided by Eurostat for the second quarter of 2015, the **exports of goods and services** increased year on year by 5.4% in the European Union and 5.2% in the Euro Area. Meanwhile, **imports** increased by 5.1% in the EU and 5.2% in the EA. Evidently, net exports in the first quarter of 2015 had a small positive contribution to the rate of change of GDP. The forecasts for 2015 overall anticipate an increase of exports by 4.2% in the EU and by 4.4% in the EA. The sustained geopolitical tensions in Ukraine are expected to prevent a stronger growth of exports. Overall, net exports are not expected to contribute to GDP growth for 2015, since the expansion of domestic demand is expected to trigger an increase in imports in the EU and the EA that will offset any boost in exports.

In the second quarter of 2015, **investment** increased year on year by 2.6% in the EU and 1.9% in the EA, thus contributing positively to GDP growth (+0.5 percentage points in the EU, +0.4 p.p. in the EA).

Table 2.3

IFO – Business Climate Index in Economic Zones (Index, 2005=100)

Quarter/Year	II/13	III/13	IV/13	I/ 14	II/14	III/14	IV/14	I/15	II/15	III/15
North America	87,0	93,7	88,7	102,1	107,1	110,5	101,3	107,1	97,9	96,2
Europe	93,2	99,0	109,7	116,5	118,4	117,5	101,0	108,7	120,4	116,4
Asia	106,1	89,5	98,2	97,4	89,5	99,1	93,9	90,4	93,0	87,7

Source: IFO, World Economic Survey, WES No. 03/ August 2015

The growth of investment, private and public, is of vital importance for the European economy to return to a new cycle of sustained growth. The Investment Plan for Europe is expected to contribute in this direction. This plan should include both projects expected to have high social impact and projects that would not take place unless they receive state guarantees. In addition to the structural reforms and the support for entrepreneurship, the complete integration of the European capital markets will also help unleash private investment. Still, the forecasts for 2015 overall anticipate investment growth to remain at about the same rates as in the previous year, at 2.6% in the EU and 1.7% in the EA.

Private consumption continues to be the main growth driver both in the EU (+1.3 p.p.) and the EA (+0.9% p.p.). In particular, private consumption in the second quarter of 2015 increased by 2.2% in the EU and by 1.9% in the EA year on year. Private consumption for 2015 overall is expected to grow at a similar rate, at 2.1% in the EU and 1.8% in the EA.

Public consumption in the second quarter of 2015 increased year on year by 1.4% in the EU and by 1.3% in the EA, contributing positively to GDP growth (by 0.3 p.p. in both the EU and the EA). Overall for 2015, however, public consumption is expected to slow down to 0.8% and 0.6% respectively, from 1.0% and 0.7% in 2014.

The conditions prevailing in the labour market continue to improve. Nevertheless, the progress is modest, while there is still significant divergence across the member-states. In particular, employment increased year on year in the second quarter of 2015 by 0.9% in the EU and by 0.8% in the EA. As a result, the unemployment rate fell in April 2015, remaining unchanged since then. In June 2015, the unemployment rate stood at 9.6% in the EU and 11.1% in the EA. At a country level, employment increased both in countries with high unemployment rate, such as Portugal, Greece and Spain and in countries where the problem is not so pronounced, such as Ireland, Estonia and Luxembourg. Based on forecasts of the European Commission for 2015, employment growth is expected to remain at 0.9% in both European regions, while by the end of 2016 unemployment is expected to fall gradually to 10.5% in the Euro Area and 9.2% in the EU.

The oil price increase in the second quarter of 2015 pushed up the prices in some countries, resulting in higher headline **inflation**, despite the fact that the impact from other deflationary factors was stronger than anticipated. In the second quarter of 2015, inflation stood at positive levels, reaching 0.3% in May 2015 in both European regions, easing in the following months to reach 0.0% in the EU and 0.1% in the EA in August 2015. According to the European Commission's forecasts for the current year, inflation is expected to fluctuate at relatively low levels in both regions (0.1% in both the EU and the EA).

Concerning public finances, the General Government deficit fell below the 3% threshold in the first quarter of 2015, totalling 2.6% in the EU and 2.3% in the EA.

This positive development reflects mainly the implementation of fiscal consolidation programmes, aimed to curb high deficits in quite a few member-states of the EU periphery. In addition, the monetary policy adopted by the ECB will reduce the yields of several government bonds in the EA, improve their rating, and indirectly contribute to a reduction in the resources directed towards servicing public debt. For 2015 overall, the deficit in the General Government account is expected to decline to 2.5% of GDP in the EU and 2.0% in the EA.

The growth of the debt-to-GDP ratio stalled in the third quarter, falling for the first time to 86.6% of GDP in the EU and 87.0% of GDP in the EA. For 2015, the fall of the debt-to-GDP ratio is anticipated to continue in both regions, from the combined impact of achieving primary fiscal surpluses in quite a few European countries and an acceleration of economic growth.

The improved macroeconomic performance in the EU in early 2015 is reflected in the €-COIN[1] index, a basic leading indicator of economic activity in the EA. As depicted in Figure 2.1, which shows the monthly variations of the €-COIN index, it seems to regain its growth momentum in the past few months. In August 2015, the index totalled 0.43 points, recording a positive growth rate for the ninth consecutive month to reach its highest level since August 2011. The continued rise in the index is primarily due to stronger international trade, and secondarily due to improvement in business expectations, which offset the weak performance of the industrial production.

The leading indicator of the European Commission (Economic Sentiment Indicator), compiled in Greece by IOBE, improved in the third quarter in both the EU and the EA. In particular, following a temporary dip in June 2015, the index returned to growth, recording consecutive increases in each of the third quarter months, to reach 107.6 points in the EU and 105.6 points in the EA in September 2015. The growth of the index was mainly attributed to stronger business sentiment in Manufacturing and Services, and to a lesser extent in Retail Trade. In contrast, both the expectations in Construction and consumer confidence deteriorated. Among the major Eurozone economies, the leading economic sentiment indicator increased in September in Italy (+3.4), Germany (+1.9), the Netherlands (+1.2) and France, falling slightly in Spain (-0.9).

[1] The Centre of Economic Policy Research (CEPR) in cooperation with the Bank of Italy each month calculates the €-COIN leading indicator of economic activity for the Euro Area. The indicator provides a forecast of GDP growth and is constructed from a range of different data, such as the course of industrial production and of prices, as well as labour market and financial data.

Table 2.4

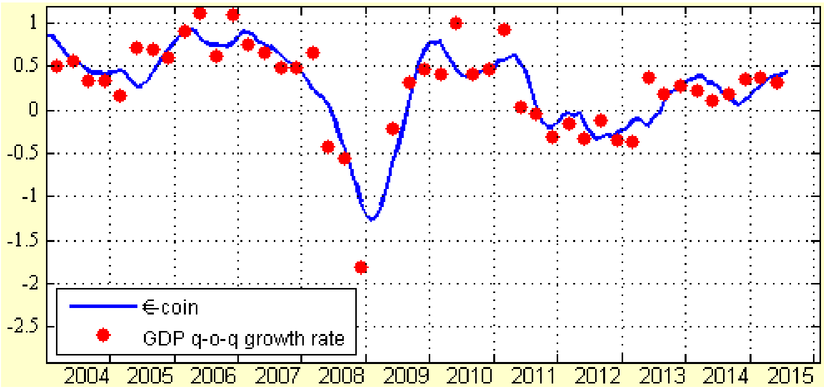
Basic Macroeconomic Variables, EE-28, Euro zone (annual % change unless otherwise noted)

	EE-28			Eurozone		
	2014	2015	2016	2014	2015	2016
GDP	1,4	1,8	2,1	0,9	1,5	1,9
Private Consumption	1,4	2,1	1,9	1,0	1,8	1,6
Public Consumption	1,0	0,8	0,8	0,7	0,6	0,8
Investment	2,5	2,6	4,2	1,1	1,7	4,0
Employment	1,0	0,9	1,0	0,6	0,9	1,1
Unemployment (% labor force)	10,2	9,6	9,2	11,6	11,0	10,5
Inflation	0,6	0,1	1,5	0,4	0,1	1,5
Exports of goods-services	3,7	4,2	5,2	3,8	4,4	5,4
Imports of goods-services	4,2	4,6	5,6	3,9	4,6	5,9
Balance of General Government (% GDP)	-2,9	-2,5	-2,0	-2,4	-2,0	-1,7
Debt of General Government (% GDP)	88,6	88,0	86,9	94,2	94,0	92,5
Current Account (% GDP)	1,6	1,9	1,9	3,0	3,5	3,4

Source: European Economic Forecast, spring 2015, European Commission, May 2015

Figure 2.1

Monthly Index €-COIN of CEPR



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

Table 2.5

European Commission – Index of Economic Climate EU-28 and Eurozone (1990-2013=100)*

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	June-14	July-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
EE-28	105,0	105,0	105,6	106,5	106,6	106,6	106,1	104,8	103,8	104,3	104,1	104,2
Eurozone	101,5	101,3	102,9	102,4	102,9	102,4	102,5	100,9	100,2	100,9	100,8	100,9

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul -15	Aug-15	Sep-15
EE-28	104,8	105,2	106,1	106,4	106,4	105,5	106,6	107,0	107,6
Eurozone	101,5	102,3	103,9	103,8	103,8	103,5	104,0	104,1	105,6

*The values of the countries and the time series in the EU have been modified due to the accession of Croatia on July 1st 2013

Source: European Commission (DG ECFIN), September 2015

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 past few months, from the perspective of both the enterprises and the consumers. In addition, the results of the surveys constitute leading indicators for various economic magnitudes and can be used to predict near-term developments and even the course of GDP. In greater detail:

The economic sentiment indicator deteriorated in the third quarter of 2015, compared with the previous quarter. The intense turmoil caused in the economy by the extreme political uncertainty at the beginning of the third quarter, the imposition of capital controls and the agreement to continue the fiscal consolidation process for three more years, led to a severe drop in business expectations and consumer confidence in July and August. However, there seems to be a slight correction of the fall in business sentiment in September, with consumer confidence falling further to its lowest level in three years. As a result, the overall economic sentiment indicator has followed mixed trends since the referendum, reflecting also the election period, which is often characterised by a hiatus, at least for the enterprises. The measures contained in the new programme have an impact on the large majority of consumers, boosting their pessimism both regarding their personal finances and the country's economy. In greater detail:

The economic sentiment indicator in Greece declined from April through June 2015 compared with the previous quarter, as it fluctuated on average at 79.9 points (from 91.6 points). These values are substantially lower than the corresponding value of last year (101.5 points on average).

The corresponding index for the European Union and the Euro-Area fluctuated at slightly higher levels during the period under examination compared with the previous quarter. In particular, the economic sentiment indicator totalled 104.6 points (from 103.7) in the Eurozone and 107.1 (from 106.1) points in the European Union. Year on year, the value was higher in the European Union (from 101.2) and slightly lower in the Eurozone (from 104.8).

At a sector level, business expectations in Greece weakened quarter on quarter in the third quarter of 2015 in all sectors, and particularly in Retail Trade. In Manufacturing, the decline of the index approached 14 points, a similar fall to that recorded in Construction. The index decreased by 11 points in Services and by 25 points in Retail Trade. Finally, the consumer confidence indicator dropped sharply by 17 points, following the negative trend that has plagued the remaining sectors.

Year on year, the index deteriorated notably across the board. In particular, the index for Manufacturing and Retail Trade decreased by 26 and 28 points respectively, while the index for Services fell by 32. The largest slump in the value of the index was recorded in Construction, where the index fell by 36 points year on year. Regarding consumer confidence, the index fell year on year by 8 points. In greater detail:

The consumer confidence index in Greece has fallen continuously since March 2015, totalling -60.6 points in the third quarter (from -43.6 points the previous quarter). The index was lower year on year as well (-52.7 points). The Greek consumers remained by far the most pessimistic in Europe. The corresponding values of the European indexes also declined during the quarter under examination in both the Eurozone and the European Union. In particular, the index for the Eurozone totalled -7.1 (from -5.3 points), while the index for the European Union totalled -5 (from -3.2points). These values, however, were higher year on year (from -10 for the Eurozone and -6.7 for the European Union).

All the components of the index deteriorated quarter on quarter, most of them sharply. In particular, the negative expectations of the Greek consumers on the financial situation of their household and their country over the next 12 months worsened notably. Similarly, the pessimistic employment expectations strengthened significantly. Lastly, the negative value of the index capturing the intent to save also lost ground, albeit slightly, in the quarter under examination.

More specifically, the percentage of those who were pessimistic over their household’s financial situation in the next 12 months increased during the quarter under investigation from 47% to 66%, while once more 18% displayed optimism. Furthermore, the percentage of Greek consumers who expressed negative expectations over the economic situation of Greece surged to 69% (from 48%), whereas 10% (down from 16%) projected a slight or considerable improvement in the situation. The percentage of households that declared unlikely or not at all likely to save in the next 12 months remained at 89% on average, whereas 9-10% of the respondents declared their intention to save in the next 12 months. Concerning unemployment expectations, the share of those foreseeing a deterioration of unemployment increased to 74% (from 55%), while 7% (from 12%) expressed the opposite opinion. The percentage of consumers who declared themselves to be “running into debt” fell slightly to 11% (down from 13% in the previous quarter and 17% in the same quarter of the previous year), while the percentage of respondents who declared to be saving little or a lot fell to 5% (from 8%). Finally, the percentage of those declaring that “they were just managing to make ends meet on their income” remained at 68-69% while the share of households reporting that they were “drawing on their savings” fell to 11% (from 13%).

The Business Climate Index in **Manufacturing** totalled 71.9 points in the third quarter (from 85.6 in the first), lower year on year as well (from 97.7). Concerning the key figures on economic activity, the positive short-term production forecasts gave way to strongly negative expectations, with the corresponding index falling to -22 (from +9) points. The assessment for the number of orders and the level of demand also deteriorated (to -44 from -31 points). The positive expectations concerning the stocks of finished goods remained unchanged, indicating relatively bloated inventories for the given time period (at +15 points). In the remaining economic activity components, the trends for export-related variables were mixed, as the current assessments on the exports of the Manufacturing sector improved while the expectations for exports in the next quarter deteriorated and the assessments for the number of orders from abroad remained unchanged. The employment expectations in this sector fell sharply, as the index totalled -24 points on average (from -2). This value is much lower year-on-year as well (from +6 points). The percentage of used capacity declined to 62% (from 67), lower year on year as well (from 69%). Finally, the months of production accounted for by the order book of the companies averaged 3.4 (from 4.4 in the second quarter).

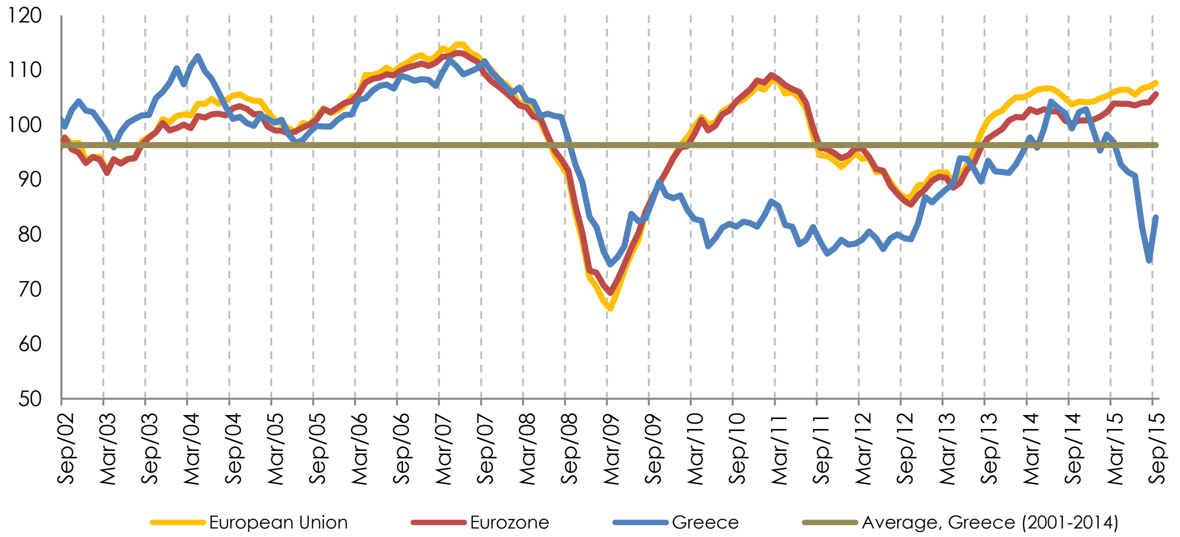
During the quarter under investigation, the Business Climate Index in **Retail Trade** declined to 65.8 (from 90.4), half its level from the same quarter of the previous year (123.8). Concerning the key components of the index, the average assessment of current sales declined during the current quarter from -4 to -31 points. About 23% (from 34%) of the companies in the retail trade sector reported that their sales had increased, while 54% (from 38%) stated the opposite. The index for expected sales dropped to -56 (from -1), while the index for inventories once more totalled -5 on average. Furthermore, the balance of the expectation of orders from suppliers fell sharply (the average quarterly value went from -11 points to -61 points). The index for short-term employment prospects in the sector declined to -16 (from -3) points on average. Finally, the deflationary price expectations slightly eased during the quarter under examination (to +3 from -2 points), with 11% of the businesses expecting once more a price reduction and 75% (from 77%) expecting price stability. Business expectations weakened in all constituent branches, with a more notable fall in Household Appliances, Vehicles-Spare Parts and Department Stores.

The Business Climate Index in the **Construction** sector declined quarter on quarter in the third quarter of 2015 as well, as the corresponding index totalled 44 points on average (down from 57.6 points). This value was also lower year on year (from 54.5 points on average). Concerning the basic components of the index, the substantial decrease in employment expectations in the Construction sector (from -38 points to -50), combined with the more pessimistic assessment of the businesses on their order book (from -52 to -66 points) dragged down the total value of the index. About 62% of the businesses in the sector (up from 51%) were expecting a reduction in the number of jobs, whereas 11% (down from 13%) were foreseeing an increase. The negative assessment of the businesses for their current level of activity slightly eased, as the index totalled -35 points (from -44 points) while the months of activity accounted for by work in hand totalled 8.6 months (from 9.9). The negative index on the price forecasts deteriorated during this quarter, quarter on quarter, by 5 points, reaching -29, with 1/3 of the enterprises expecting once more a price decline in the short term and 4% (from 10%) foreseeing a price increase. Lastly, the percentage of businesses declaring that they were not facing obstacles to the proper functioning of their business fell to 5% (from 9%). Among the remaining businesses, 25% reported that the biggest obstacle was low demand, 49% cited inadequate financing, and 20% declared other factors such as the general economic situation of the country, the recession, the bank holiday and capital controls, high taxation, lack of projects and payment delays. At branch level, the decline of the business climate in the sector in the quarter under examination came from unfavourable developments in Public Works (to 43.3 from 60.1 points on average), and Private Construction (from 50.7 to 46.5 on average).

In **Services**, the Business Climate Index decreased quarter on quarter in the third quarter of 2015, totalling 62.4 points (from 73.2). This value was lower year on year as well (from 94.1). Concerning the basic components of the index, the assessment for current demand weakened, with the index totalling -17 points (from -12) on average. The assessment for the current level of business declined abruptly (from -8 to -22 points on average). The forecasts for the short-term demand of the businesses in the sector also deteriorated (from -6 to -28 points), while employment expectations deteriorated too, with the average index standing at -25 points (from -7 points in the previous quarter and 0 points in the same quarter of the previous year). The deflationary price expectations slightly strengthened, with the average index reaching -13 points (from -10). About 22% (from 16%) of the businesses were foreseeing a price decline while 69% (from 78%) were expecting price stability. The percentage of respondents, declaring that there were no significant obstacles to their business operation declined slightly to 14% (from 17%), while 29% reported a lack of demand as the basic obstacle to the proper functioning of their business, 26% cited a lack of working capital, 4% stated a deficiency in labour and 2% deficiency in equipment. The remaining 25% reported other factors, such as the general economic situation and the crisis, the capital controls, the bank holiday, the inability to borrow, high taxation and delayed payments. Finally, the expectations deteriorated in all constituent branches, less sharply in Hotels, Restaurants and Travel Agencies and stronger in Financial Intermediaries and Information Services.

Figure 2.2

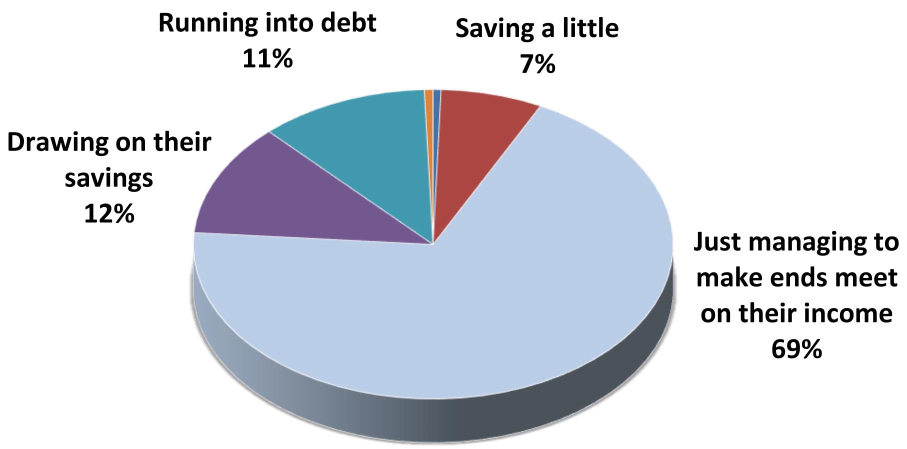
Economic Climate Indicators: EU, Eurozone and Greece, (1990-2013=100, seasonally adjusted data)



Source: European Commission, DG ECFIN

Figure 2.3

Consumer Survey data on their household's financial situation
(July - September average)



Source: IOBE

Table 2.6

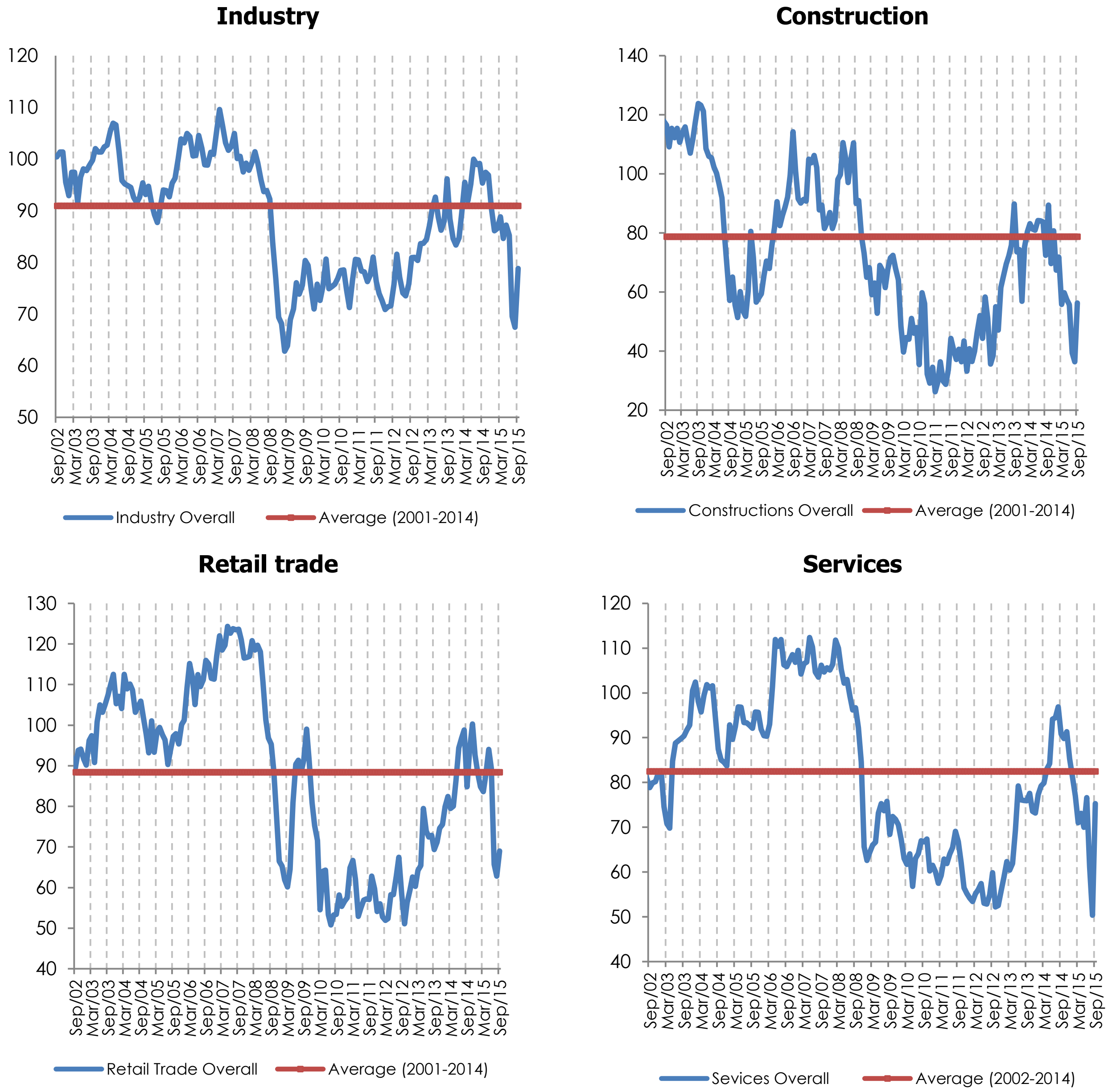
Short-term economic sentiment indicators

Month/Year	Economic Sentiment Indicator[1]		Business Climate Indexes[2] (Greece)				Consumer Confidence Index[1] (Greece)
	EU	Greece	Manufacturing	Construction	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
Q2 2015	106,1	91,6	85,7	57,6	90,4	73,2	-43,6
Q3 2015	107,1	104,6	71,9	44,0	65,8	75,3	-60,6

Sources: [1]European Commission, DG ECFIN, [2]IOBE

Figure 2.4

Business Climate Index



Source: IOBE

B) Fiscal developments and outlook (January-August)[2]

Introduction

The analysis and assessment of the fiscal developments in the first eight months of the current year are particularly difficult, due to the extraordinary circumstances and conditions under which this year's budget is executed. However, despite the difficulties, two clear trends can be discerned in the data for the first eight months of 2015. First, the large revenue

[2] Based on fiscal data for the execution of the State Budget of the General Accounting Office (State Budget Execution Monthly Bulletin).

shortfall since the last two months of 2014 (due to the political developments) has carried over to the current period. Second, there is a very large budget expenditure restraint both year on year and compared with the targets for 2015.

However, as noted each month by the Ministry of Finance, the expenditure restraint is temporary, as expenditure will revert to the levels of budget targets when the liquidity conditions return to normal.[3] Besides, about 44,0% of the expenditure "restraint" has already been recorded as an increase of arrears of the State to its suppliers.

The final data on the execution of the budget for the first eight months reveal, prima facie, a very positive picture. The deficit is much lower than the target for the first eight months (year on year as well) while the primary surplus is much higher than both the target and year on year.

This result, however, is artificial, coming mainly from not taking into account the aforementioned higher arrears of the State and the collection of extraordinary revenues (particularly in March and April) of about €1.1 billion, on top of the collection from the settlement of tax obligations in 100 instalments.

Given that the primary expenditure in the State Budget (SB) in the first eight months was short of target by €4,744 million, if it was to reach its budgeted level the SB deficit would increase to €5,845 million (or 3.4% of GDP). Correspondingly, the primary deficit of the first eight months would turn into a **primary deficit** of €943 million.

SB deficit and primary surplus

The SB deficit in the first eight months of the year was kept at €1,104 million, compared with a target for a deficit of €1,694 million. During the same period, the SB primary surplus reached €3,798 million, compared with a target of €3,264 million (Table 2.7).

The reduction of the deficit is **exclusively** due to lower SB primary expenditure by €4,744 million, out of which €1,527 million concern Public Investment Programme (PIP) expenditure. In contrast, the OB revenues fell short of the target for the first eight months by €4,153 million (out of which €83 million concerned PIP revenues).

Note that the deficit in the first eight months of the current year is automatically reduced year on year by €695 million, as the ad-hoc expenditure of €483 million for benefits in 2014 is no longer relevant, while the revenues are strengthened from licensing fees of €212 million (on top of the extraordinary revenues that were already mentioned).

Lastly, even if the expenditure does not reach the target levels, as announced by the Ministry of Finance, it is certain that funds of €2,086 million that appear as new

[3] See e.g. the press release on the State Budget Execution January-March, 2015 (24 April 2015).

arrears of the State were already expended. Therefore, the real deficit for the first eight months totals about €3,190 million, while the primary surplus stands at €1,178 million. However, there might be other expenditure as well that has not yet appeared as arrears of the State.

Ordinary Budget Revenue

In the first eight months, the total OB receipts (tax and non-tax revenues, before tax refunds) fell by 4.0% year on year to reach €30,470 million (Tables 2.7 and 2.8). In practice, the shortfall is larger (-8.3%), due to extraordinary revenues in the current year (€1,149 million) and licencing revenues (€212 million) that did not occur in 2014. In addition, the OB receipts fell short of the corresponding budget target for the first eight months of the year by 12.4% (or €4,321 million).

A more detailed analysis of the data for the first eight months shows that the shortfall mainly came from direct tax revenue (-€2,304 million short of target), due to successive deadline extensions for filing tax returns, both for individuals and legal entities and a delay in the certification and collection of the property tax. In particular, the shortfall of receipts totalled €479 million from individuals and €298 million from legal entities (Table 2.8). In addition, a significant shortfall from the targets was recorded in property taxation (-€917 million), and in the receipts from overdue direct taxes of preceding financial years (-€485 million), despite the implementation of the settlement with 100 instalments. A significant shortfall from the targets were also recorded in indirect taxes and especially in VAT (-€772 million) and in overdue direct taxes of preceding financial years (-€190 million).

In contrast, the revenue from car registration and road taxes exceeded the targets for the first eight months (by €55 million in total), due to the recovery recorded for a few months in the car market. For the same reason, the shortfall of the excise duty on fuels was limited, compared with the target for the first eight months. Note for VAT in particular that while in the first half of 2015 nominal GDP remained essentially unchanged[4] year on year, the revenues from VAT declined year on year by 3.4% during the same period, short of the target by 8.0%. This fact implies a significant increase of tax evasion. The decline of tax revenues could have been eased or avoided by more intense efforts to collect taxes during the current year. The lack of financing of the Greek state from its international partners until July should have also led to stronger effort to maintain and boost liquidity at every level. Already by the end of August, the arrears of taxpayers to the State increased by €6.9 billion, reaching €80 billion. In August, in particular, the new arrears reached almost €0.7 billion, compared to €0.35 billion in the same month of 2014. Note that the tax revenue budgeted for the last quarter of

[4] GDP in constant prices increased by 1.1% in the first half of the current year (mainly due to a consumption boost), while the GDP deflator declined by 1.2%.

the year (€10-12 billion) is considered exceptionally high and its collection seems very difficult.

Table 2.7
State Budget Execution 2015 (mil. €)

	January – August			% change		2013	Actual 2014	Budget 2015	% change	
	2013	2014	2015	2014 /2013	2015 /2014				2014 /2013	2015B /2014
I. SB Revenue (1+2)	**34.893**	**32.919**	**30.765**	**-5,7%**	**-6,5%**	**53.079**	**51.352**	**55.603**	**-3,2%**	**8,2%**
1. OB net revenue	30.913	29.571	28.699	-4,3%	-2,9%	48.414	46.637	50.871	-3,6%	9,0%
Revenue before Tax Refunds [1]	32.080	31.748	30.470	-1,0%	-4,0%	51.433	50.020	53.748	-2,7%	7,5%
Tax refunds	*1.167*	*2.177*	*1.772*	*86,5%*	*-18,6%*	*3.105*	*3.581*	*2.877*	8,5%	-14,6%
2.PIP Revenues	3.980	3.348	2.067	-15,9%	-38,3%	4.665	4.715	4.732	1,1%	**0,3%**
EU Funds	*3.929*	*3.301*	*1.792*	*-16,0%*	*-45,7%*	*4.511*	*4.649*	*3.982*	3,1%	-14,3%
	37.395	**35.769**	**31.869**	**-4,3%**	**-10,9%**	**58.456**	**56.207**	**55.705**	**-5,8%**	**1,2%**
II. SB Expenditure (3+4)	34.850	32.461	30.306	-6,9%	-6,6%	51.806	49.615	49.305	-6,4%	1,7%
3.OB expenditure	29.487	27.666	25.404	-6,2%	-8,2%	45.762	44.085	43.405	-6,2%	1,2%
Primary expenditure[2]	5.363	4.795	4.902	-10,6%	2,2%	6.044	5.528	5.900	-7,9%	5,9%
Net interest payments	**2.544**	**3.308**	**1.563**	**30,0%**	**-52,8%**	**6.650**	**6.592**	**6.400**	**-0,9%**	**-2,9%**
	-2.502	**-2.850**	**-1.104**			**-5.377**	**-4.855**	**-102**		
4. PIP expenditure	*-1,4%*	*-1,6%*	*0,6*			*-2,9%*	*-2,7%*	*-0,1%*		
	-3.937	-2.890	-1.605			-3.392	-2.978	1.566		
III. SB Deficit (I-II)	1.436	40	504			-1.985	-1.877	-1668		
% of GDP	**2.861**	**1.945**	**3.798**			**667**	**673**	**5.798**		
OB deficit/surplus	*1,6%*	*1,1%*	*2,2*			*0,4%*	*0,4%*	*3,1%*		
PIP deficit/surplus	182.438	179.081	173.737			182.438	179.081	184.870	-1,8%	3,2%

Source: State Budget Execution Monthly Bulletin August 2015, GAO, September 2015
[1] Includes privatisation proceeds
[2] Includes military procurement, called guarantees and disbursement fee to EFSF

Table 2.8
State Budget Revenues (mil. €)

Revenue categories	January - August		% Change 2015/2014
	2014	2015	
1. Net SB revenue (2+4)	**32.919**	**30.765**	**-6.5**
2. OB net revenue	**29.571**	**28.699**	**-2,9**
Tax refunds	2.177	1.772	-18,6
3. OB revenue	**31.748**	**30.470**	**-4,0**
Direct taxes	12.707	11.527	-9,3
--Income tax	7.711	7.348	-4,7
--Property tax	1.547	1.083	-30,0
--Direct taxes of previous years	1.588	1.361	-14,3
--Other direct taxes	1.861	1.735	-6,8
Indirect taxes	15.083	14.642	-2,9
--Transaction taxes	9.513	9.098	-4,4
(of which VAT)	(9.104)	(8.768)	-3,7
--Consumption taxes	4.948	4.960	0,2
--Indirect taxes of previous years	372	377	1,3
--Other indirect taxes	250	207	-17,2
Non-tax revenues	3.958	4.301	8,7
--Receipts from the EU	87	76	-12,6
--Non-ordinary revenue	1.399	1.490	6,5
--Permits and rights	-	212	-
--Other	2.472	2.524	2,1
4. PIP revenues	**3.348**	**2.067**	**-38,3**

Source: State Budget Execution Monthly Bulletin August 2015, GAO, September 2015

Ordinary Budget Expenditure

The OB expenditure in the first eight months of the year totalled €30,306 million, lower both compared with the target by €3,216 million,[5] and by 6.6% year on year (Table 2.7 and 2.9). However, according to all indications, almost half of the expenditure reduction came from a delay in the payment of arrears and not from actual cost cutting. Recall that in the 2015 Budget, the OB expenditure is projected to increase by 1.7% compared to 2014 (Table 2.7).

The deviation from the target mostly concerned primary OB expenditure (-€3,249 million, including military spending and payment of guarantees), and to a much lesser extent interest payments (-€56 million). Regarding primary expenditure, the reduction concerns[6] mostly earmarked funds (-€890 million), grants to hospitals (-€532 million), procurement of military equipment (-€361 million), grants to the National Organization for Health Care Services EOPYY (-€169 million), other grants (-€513 million), consumption expenditure (-€215 million) and grants to the Seamen's Pension Fund NAT (-€110 million). In addition, the expenditure for the first eight months of 2014 included social dividend

[5] The SB expenditure in the first eight months was short of the target by €4,744 million. Out of this, €3,216 million came from the OB and €1,517 million from the PIP.

[6] The figures in brackets refer mostly to year-on-year changes, as the data from the Finance Ministry (Budget Execution Bulletin) does not list in detail the targets for the first eight months of each expenditure category.

payments of €483 million, which was not the case in the current year.

In contrast, the grants to the insurance fund for the agricultural sector OGA and to a lesser extent to the Wage Earners' Fund IKA increased significantly (22.9% or €412 million and 7.0% or €123 million respectively). Note that since the start of the year, the spending on pensions of civil servants has steadily increased, by 5.0%.

In any case, the accumulation of arrears not only derails the fiscal results for 2015 but also undermines the fiscal outlook for 2016.

Two are the crucial questions here: a) what will happen for the remainder of the year as the Ministry of Finance has repeatedly noted that as the liquidity conditions ease, expenditure will approach the annual targets, which would bring strong expenditure growth in the remaining three months, and b) how much expenditure has already taken place (on top of that recorded in the arrears) that so far has not been registered anywhere?

Table 2.9

State Budget Expenditure (mil. €)

Expenditure category	January - August		% Μεταβολή 2015/2014
	2014	**2015**	
1. State Budget Expenditure	**35.769**	**31.869**	**-10,9**
2. Ordinary Budget Expenditure	**32.461**	**30.306**	**-6,6**
Interest	4.795	4.902	2.2
Primary expenditure	27.666	25.404	-8,2
--Salaries & pensions	12.214	12.450	1,9
Wages	7.962	7.999	0,5
Other allowances	207	210	1,4
Pensions	4.045	4.241	4,8
--Social expenditure	8.231	7.778	-5,5
Grants to Social Security Funds	6.948	7.109	2,3
Social protection	926	406	-56,2
Grants to OAED	327	240	-26,6
Other	30	23	-23,3
--Operational and other	4.858	3.704	-23,8
Transfers	1.057	558	-47,2
Consumption	748	533	-28,7
Conditional	1.495	1.568	4,9
Other*	1.558	1.045	-32,9
--Earmarked revenue	2.362	1.472	-37,7
3. PIP expenditures	**3.308**	**1.563**	**-52,8**

Πηγή: State Budget Execution Monthly Bulletin August 2015,GAO September 2015.
*Includes transfers to cover deficits and arrears of hospitals, military procurement, EFSF disbursement fee and called guarantees.

Public Investment Programme

The PIP revenue reached €2,067 million in the period under examination (out of which €1,792 million came from EU funds), while the expenditure was limited to €1,563 million. As a result, PIP recorded a surplus of €504 million in the first eight months, contributing to the reduction of the SB primary deficit (Table 2.7).

Note that the revenue from EU funds fell by 45.7% year on year and there is a serious threat that community funds (e.g. from the NSRF) would be lost. In addition, the PIP payments were lower in the first eight months of the year by 52.8% year on year, short of the target as well (Table 2.7). The retention of payments for investment intensifies the present recessionary trends and undermines both the short-term recovery and the long-term growth of the economy.

Draft 2016 Budget

Final 2015 State Budget estimates

According to the Draft State Budget for 2016, which was published on 5 October, the trends that dominated both the revenue and expenditure sides are expected to radically shift. If the projections of the draft budget materialise, the shortfalls from the first eight months will shrink and the 2015 budget will approach its initial annual targets.

In particular, the annual SB deficit for 2015 is now estimated to reach €2,210 million (or 1.3% of GDP), from an initial forecast for a deficit of €103 million (Table 2.10). Correspondingly, the SB primary surplus is estimated at €3,620 (or 2.1% of GDP), compared with a primary surplus of €5,797 million (3.1% of GDP) projected initially. According to the draft budget, the deficit growth is exclusively due to a shortfall of the revenues of both the OB (-€1.3 billion) and the PIP (-€0.3 billion), together with higher tax refunds (€0.5 billion). In contrast, the expenditure of both the OB and the PIP is essentially expected to reach the initial forecasts in the 2015 budget (Table 2.10).

The OB revenues (before tax refunds) are estimated to increase by almost €22.0 billion until the end of the year since the end of August to reach €52,422 million, against an initial annual target of €53,748 million. As a result, the shortfall is projected to fall to €1.3 billion, from €4.3 billion in the first eight months of the year. Note that the new estimates of the 2015 annual revenues include the ANFAs-SMPs of 2014, totalling €2.1 billion.

The OB primary expenditure, including payments for military equipment and guarantees, is estimated to increase by €18,055 million from August until the end of the year, to reach €43,459 million, almost equal to the initial annual target (€43,405 million). At the same time, interest payments are projected to increase by about €1.0 billion, to reach €5,830 million, approaching the initial annual target (€5,900 million).

Similar developments are envisaged for the PIP as well. Until the end of the year, the draft budget envisages additional revenue of €2,361 million, compared with only €2,067 million receipts in the first eight months of the year. However, the largest increase for the remainder of the year is envisaged on the investment expenditure side. The payments for investments until the end of August totalled €1,563 million while by the end of the year they are estimated to reach €6,400 million. In effect, the payments are projected to increase by €4,837 million in a very limited time frame (Table 2.10).

Note that the remaining time to fulfil these projections is less than four months, as September has already passed.

The 2016 Budget

According to the draft, the 2016 budget does not differ substantially from the new estimates on the 2015 figures. The SB deficit, for example, is estimated to reach €2,340 million (or 1.3% of GDP) in 2016, compared with €2,210 million or 1.3% of GDP for 2015. Correspondingly, the primary surplus is projected to total €3,590 million in 2016, compared with a surplus of €3,620 million in 2015 (Table 2.10).

The OB revenue (before tax refunds) is estimated at €52,422 million in 2015 and €52,666 million in 2016, despite the significant tax hikes. The tax refunds are expected to decrease slightly. The primary OB expenditure is projected to decline by 1.0%, from €43,459 million in 2015 to €43,005 million in 2016. In contrast, the interest payments are expected to increase by €100 million in 2016 (from €5,830 million in 2015 to €5,930 million in 2016). Overall, the OB expenditure is expected to decline by about 0.7% in 2016 (Table 2.10).

Regarding the PIP, the expenditure is expected to increase by 5.5% to reach €6,750 million, while in contrast the revenue is anticipated to fall by 12.3% to reach €3,882 million. As a result, the PIP deficit in 2016 is projected to increase to €2,868 million, from €1,972 million in 2015 (Table 2.10).

In general, no improvement at SB level is envisaged for 2016, compared with 2015. The projected deficit reduction on national accounting basis (from 3.2% in 2015 to 2.3% of GDP in 2016) is found in "national accounting adjustments", such as a reduction of the military equipment programme by €604 million and an increase in the surplus of legal entities (apart from state-owned enterprises) by €688 million.

Table 2.10

2016 Preliminary draft budget and latest estimates for 2015

	2014	2015		Preliminary draft budget 2016
		Budget	Estimates	
I. SB Revenues (1+2)	**51.352**	**55.603**	**53.480**	53.345
1. Net revenues OB	46.637	50.871	49.052	49.463
Revenues before tax returns [1]	50.020	53.748	52.422	52.666
Minus Tax returns	*3.581*	*2.877*	*3.370*	*3.203*
2. PIP Revenues	4.715	4.732	4.428	3.882
Of which: revenues from EU	*4.649*	*3.982*	*3.898*	*3.632*
II. SB Expenditures (3+4)	**56.207**	**55.705**	**55.690**	**55.685**
3. Expenses OB	49.615	49.305	49.290	48.935
Primary expenses [2]	44.085	43.405	43.459	43.005
Interest rates	5.528	5.900	5.830	5.930
4. PIP Expenses	**6.592**	**6.400**	**6.400**	**6.750**
III. SB Deficit (I-II)	**-4.855**	**-103**	**-2.210**	**-2.340**
% of GDP	*-2,7%*	*-0.1%*	*-1,3%*	*-1,3%*
Deficit/ Surplus OB	-2.978	1.566	-238	528
PIP Deficit/ Surplus	-1.877	-1.668	-1.972	-2.868
IV. SB Primary Surplus	**673**	**5.797**	**3.620**	**3.590**
% of GDP	*0,4%*	*3,1%*	*2,1%*	*2,1%*
GDP (current prices)	179.081	184.870	173.737	173.365

[1] Includes privatisation proceeds

[2] Includes military procurement, called guarantees and disbursement fee to EFSF

Source: Draft State Budget 2016, Ministry of Finance, October 2015

3. PERFORMANCE AND OUTLOOK

3.1 Macroeconomic Developments

Recent macroeconomic developments in Greece

The growth of the Greek economy strengthened in the second quarter of 2015, to 1.6%, its highest rate since the start of the recovery in the second quarter of 2014, according to the latest National Accounts data from ELSTAT.[7] In the corresponding quarter of the previous year, output increased only marginally (0.2%), while in the preceding quarter the rate did not exceed 0.6%. **Overall in the first half of the year, GDP grew by 1.1%, compared with zero output growth a year before and slightly stronger growth, by 1.4%, in the second half of 2014.**

In nominal prices, GDP was lower year on year by 0.15% in the first half of the year. Therefore, the fall of the GDP deflator by 1.25% was the key driver for the growth of output in constant prices. The change in the GDP deflator and in the deflators of the key components of GDP is in general considered compatible with the recorded short-term trends in the prices of goods and services, final and intermediary (e.g. Producer Price Index in Industry and Price Index of Construction Cost of New Residential Buildings).

Nevertheless, the change of the deflator in some GDP components, and mostly in those that constitute national accounting adjustments, is hard to explain. For example, the **inventories in current prices declined, with a negative impact on investment and GDP, by €2.3 billion (2.6% of GDP in that half of the year)**, much higher than in 2014 (**€979 million or 1.1% of GDP)**. However, the fall of inventories in the first half of the current year, when adjusted at constant prices, did not exceed €60 million, standing significantly bellow their past year performance (€150 million). Of course, the examination and interpretation of the deflators of either GDP or its components, exceed the scope of this bulletin. It requires detailed analysis of the relevant data within a separate study devoted to this topic.

Returning to the analysis of the course of GDP in constant prices, the stronger GDP growth in the second quarter came mostly from a boost in both key components of domestic consumption demand, which is considered to be connected with aspects of the adopted economic policy and the course of the negotiations with the creditors of the Greek state at the time. The absence of new fiscal measures did not limit further the disposable income of the households. The delay in the implementation of planned reforms in the public sector during the negotiations did not exert pressures on public consumption, which received a boost from the recall of about

[7] All changes in the current subsection are expressed in terms of year-on-year variations. The National Accounts data refer to seasonally adjusted data at constant 2010 prices.

7,500 redundancies made in the past few years (such as employees of the state-owned TV and radio company ERT, school guards and cleaning personnel of the Ministry of Finance). In addition, the prolonged negotiations, without any visible progress towards an agreement, intensified the uncertainty for the households, boosting the demand for certain goods, such as basic necessities and durables. A small upward push also came from the external sector, stemming however from a weaker decline of exports, compared with imports, rather than from export growth.

In greater detail regarding the trends in GDP components in the first half of the year, **domestic consumption increased by 1.6% compared with the same period of 2014,** when it had grown by 0.7%. **The growth of consumption was stronger than in the preceding quarter (from 1.2%).** In contrast with the first half of the previous year, household consumption experienced stronger growth (2.1%, from 0.7% in 2014) compared with public consumption (0.5%, from 1.4%).

Investment increased by 6% in the first half of this year, weaker than in the same period of 2014 (+9.3%). This result came exclusively from investment growth in the first quarter by 29.7%, a trend that turned strongly negative in the second quarter (-15.1%), reflecting the wait-and-see stance of the investors with respect to the outcome of the negotiations with the creditor institutions. As predicted in the previous IOBE quarterly bulletin, the fall of investment in the second quarter did not come only from a fall in fixed capital formation, but also from significant inventory contraction (-€543 million), as the enterprises were more reserved regarding the size of their activity due to the political uncertainty.

The increase of investment activity in the first half came mainly from an increase in transport equipment (+67.1%) and to a lesser extent in machinery and equipment (+17.3%), compared with growth by 24.4% and stability respectively in the same period of 2014. **In contrast, residential construction continued to decline for an eighth consecutive year, at a great speed (-20.3%),** albeit at a lower rate than in the previous year, when it had peaked at -51.2%. The contraction in other constructions was stronger (-26.1%), offsetting its growth from the previous year (+11.4%). Investment in agriculture products declined at a slightly lower rate (-19.1%), in the aftermath, however, of four years of continuous growth in the first half of the year. Stability was the dominant trend in other products (+0.6%), after their mild growth in the previous year.

In the external sector of the economy, the growth of exports in the first half of each year for four years in a row did not carry over to 2015, as they declined marginally (-0.4%), after their strong growth in the same period of the previous year (8.4%). The inversion of the trend of the exports of goods to negative in the second quarter, with their contraction reaching 4.2% (-

2.0% in the first half overall) led to a decline of exports overall in the first half of 2015. The growth of the exports of services, which did not exceed 2.1%, from much stronger growth, by 12.6%, in the first half of the previous year, was not enough to prevent the fall of exports.

The steady recovery of consumption, albeit weaker than in the same period of the previous year (+10.3%), boosted the demand for imports by 2.8%. This contributed further to the growth of the external deficit. However, note that this increase came exclusively from a boost of imports in the first quarter, as in the second quarter they declined year on year by 3.5%. Therefore, the year-on-year growth of consumption in the second quarter by €800 million was probably covered by inventories and to a lesser extent by domestically produced goods. **As a result of the aforementioned trends in exports and imports, the external deficit in national accounting terms increased by 56.6% to €2.6 billion, which corresponds to 5.5% of GDP, compared with a deficit of €1.6 billion (3.6%) in the same period of the previous year.**

On the supply side, output increased by 1.0% in the first half of the year compared with only 0.2% in the same period of the previous year, exceeding the growth rate recorded in the second half of 2014 as well (+0.8%). The significant difference in the growth rate when measured by the expenditure and production approaches, by 0.6% of GDP, is due to higher taxes on products by 4.6% (about €480 million higher tax revenue). Despite the stronger year-on-year recovery of production, the trend came from output growth in two sectors, with output in most other sectors falling. **In particular, the strongest output growth was recorded in Professional – Scientific – Technical – Administrative – Support Service Activities (+5.9%), overcompensating for the 2014 losses (—2.9%). Wholesale-Retail Trade, Repair of Motor Vehicles-Motorcycles and Accommodation and Food Service Activities, which had the strongest growth in the previous year, came next with 5.0%, (from +7.1%), reflecting the continued recovery of household consumption and international tourist flows.** Economic activity also increased in Public administration – Defence – Compulsory social security – Education, by 1.9%, after consolidation in the same period of 2014, with the marginal growth in Real estate services carrying over to the current year (0.2% in both periods).

The new, strong decline in the two key components of construction, presented already in the investment per capital category section, forebode the strong contraction of activity in the Construction sector, by 25.8%, exceeding the fall in the same period of 2014 (-17.5%). Information-Communication (-4.1%) and Arts-Entertainment-Recreation (-1.3%), after slightly stronger contraction (-5.3%) and mild growth (+1.6%) in the previous year, came next in contraction terms, at a distance from

Construction. Small losses were observed in Financial-Insurance Activities (-0.7%), Industry (-0.5%) and Agriculture (-0.4%), when in the same period of 2014 output had declined stronger in the first two sectors (-5.1% and -2.2%), remaining essentially unchanged in the third (-0.1%).

Despite the exceptional hike in political uncertainty in the second quarter of this year, **the continued and strengthening recovery, particularly in labour-intensive sectors, such as Wholesale – Retail Trade and Tourism, led to a significant fall in unemployment to 24.6%,** two percentage points lower quarter on quarter and year on year. **This was the largest unemployment year-on-year decline since unemployment stopped growing in the second quarter of last year, resulting in a fall of unemployment overall in the first half of the year to 25.6%,** 1.6 percentage points lower year on year. In line with the output growth in Wholesale-Retail Trade-Repair of Motor Vehicles and Motorcycles and Tourism, employment in these two sectors increased by 26,700 (+4.3%) and 29,600 (+10.7%) respectively, driving the overall boost of employment. Professional – Scientific – Technical – Administrative – Support Service Activities, which experienced the strongest growth in terms of production value added, came next with 17,200 people (+9.0%). In contrast, the number of employed contracted by 13,500 people (-13.5%) in Financial-Insurance Activities, most than in any other sector, with Public Administration – Defence – Compulsory Social Insurance – Education coming next (-12,000 or -2.0%), despite output growth and the rehiring of 7,500 people.

The continued and strengthening boost of consumption in the second quarter did not limit the decline of the Consumer Price Index. As emphasised in previous IOBE quarterly bulletins, the acceleration of deflation since the last autumn did not come from weaker demand or the lack of new indirect tax hikes, but from the steadily lower, year on year, international price of oil. **As a result, the deflation rate reached 2.1% in the second quarter of 2015 and 2.3% overall in the first half of the year, higher year on year by almost one percentage point (from -1.4%), reaching its highest rate at least since 1960.**

To sum up, the recovery of growth in the second quarter of the current year, which pushed the GDP growth for the first half of the year to 1%, came exclusively from an increase in both components of domestic consumption spending. These trends were driven by certain factors that are considered temporary, such as the lack of implementation of planned reforms in the public sector, the lack of new fiscal measures that reduce the real household disposable income and the strong concern of the households about the likelihood of failure of the negotiations with the official creditors of the Greek state, which led to certain emergency purchases. The limited positive contribution of the external sector to GDP growth came from a weaker contraction of exports, compared with imports, in contrast to last year when the opposite was true. However, after reaching an agreement on a new (third) Economic Adjustment Programme, which has already lifted the uncertainty from the previous months, the fiscal measures contained in the programme and those adopted as prior actions to start the negotiations eliminate in the current half of the year at least the first two factors that were previously stimulating consumption. It would be feasible to assess the presence of the third factor only after the end of the period, based on the reform actions by the new government. Therefore, the support of the growth momentum from the first half of 2015 is dwindling, without any other factor in sight that could replace it in the current and the following six-month periods, raising concern over the growth prospects of the Greek economy, as emphasised in the section that follows.

Medium-term outlook

The Greek government and its partners from the Euro area reached an agreement in principle, on 13 July, on certain reforms – prior actions in order to start the negotiations over a new programme. Almost a month later (11/08), Greece reached an agreement on a new Economic Adjustment Programme with the four international institutions that comprise the group of official creditors of the country (European Commission – ECB – ESM – IMF). These two developments, combined with the additional increase of the funds supplied by the Emergency Liquidity Assistance (ELA) facility of ECB on 16 July, notably eased the intense concern over the risk of default of the Greek state and the stay of the country in the Euro area, felt during the referendum period and the start of the capital controls.

The new election campaign intensified anew the political uncertainty, primarily with respect to the ability to form a new government based on the outcome of the elections, which would implement the commitments included in the new deal until its first review.

Apart from the possibility of implementing the agreed measures according to the set time schedule by the reelected government, the outcome of the first review is expected to determine the speed of easing the capital controls and the new intervention by the creditors regarding public debt.

A complete or significant implementation of a large majority of «milestones» and specific targets for this period would likely lead to the lifting of the waiver that excluded the Greek sovereign bonds from being used as collateral with the ECB. This will allow access to the key mechanism for drawing liquidity at a minimal cost (0.05%), compared with 1.55% interest rate of the ELA facility.

Table 3.1

Trends in key macroeconomic figures – National Accounts

(seasonally adjusted data, constant 2010 prices)

Quarter	GDP		Final Consumption		Investment		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	**190.246**	**4,2%**	**164.488**	**3,3%**	**43.696**	**9,4%**	**43.688**	**23,8%**	**63.325**	**21,3%**
2001	**197.114**	**3,6%**	**171.540**	**4,3%**	**44.386**	**1,6%**	**43.020**	**-1,5%**	**62.323**	**-1,6%**
2002	**203.308**	**3,1%**	**178.926**	**4,3%**	**44.512**	**0,3%**	**39.855**	**-7,4%**	**60.247**	**-3,3%**
2003	**216.600**	**6,5%**	**186.580**	**4,3%**	**53.421**	**20,0%**	**39.556**	**-0,7%**	**63.775**	**5,9%**
2004	**227.178**	**4,9%**	**194.469**	**4,2%**	**53.398**	**0,0%**	**46.685**	**18,0%**	**67.942**	**6,5%**
2005	**229.752**	**1,1%**	**203.375**	**4,6%**	**45.431**	**-14,9%**	**48.872**	**4,7%**	**68.778**	**1,2%**
2006	**242.951**	**5,7%**	**210.411**	**3,5%**	**57.780**	**27,2%**	**51.409**	**5,2%**	**77.996**	**13,4%**
2007	**251.168**	**3,4%**	**218.433**	**3,8%**	**64.014**	**10,8%**	**56.415**	**9,7%**	**88.657**	**13,7%**
2008	**250.068**	**-0,4%**	**222.226**	**1,7%**	**59.490**	**-7,1%**	**58.392**	**3,5%**	**90.621**	**2,2%**
2009	**239.164**	**-4,4%**	**221.574**	**-0,3%**	**43.037**	**-27,7%**	**47.800**	**-18,1%**	**73.251**	**-19,2%**
Q1 2010	58.985	0,3%	54.251	-1,4%	10.098	5,2%	12.481	-0,6%	18.697	2,8%
Q2 2010	57.371	-4,9%	52.908	-4,5%	9.753	-6,1%	12.624	4,4%	17.381	-3,9%
Q3 2010	55.426	-7,7%	50.656	-9,8%	9.669	-8,2%	11.917	1,7%	16.703	-8,9%
Q4 2010	54.618	-9,0%	49.677	-9,7%	8919	-28,7%	12818	12,1%	16473	-11,6%
2010*	**226.400**	**-5,3%**	**207.492**	**-6,4%**	**38.439**	**-10,7%**	**49.839**	**4,3%**	**69.254**	**-5,5%**
Q1 2011	53.127	-9,9%	48.017	-11,5%	9.552	-5,4%	12.468	-0,1%	16.559	-11,4%
Q2 2011	52.314	-8,8%	47.406	-10,4%	8.471	-13,1%	12.559	-0,5%	16.356	-5,9%
Q3 2011	51.210	-7,6%	46.879	-7,5%	7.567	-21,7%	12.555	5,4%	15.916	-4,7%
Q4 2011	49.677	-9,0%	45.063	-9,3%	6.506	-27,1%	12.761	-0,4%	15.010	-8,9%
2011*	**206.328**	**-8,9%**	**187.365**	**-9,7%**	**32.095**	**-16,5%**	**50.343**	**1,0%**	**63.842**	**-7,8%**
Q1 2012	49.179	-7,4%	44.886	-6,5%	6.541	-31,5%	12.697	1,8%	14.728	-11,1%
Q2 2012	48.300	-7,7%	43.597	-8,0%	6.619	-21,9%	12.377	-1,4%	14.365	-12,2%
Q3 2012	47.830	-6,6%	42.943	-8,4%	5.523	-27,0%	12.697	1,1%	14.156	-11,1%
Q4 2012	47.359	-4,7%	42.362	-6,0%	6.716	3,2%	13.053	2,3%	14.581	-2,9%
2012*	**192.668**	**-6,6%**	**173.789**	**-7,2%**	**25.399**	**-20,9%**	**50.824**	**1,0%**	**57.829**	**-9,4%**
Q1 2013	46.542	-5,4%	42.064	-6,3%	5.964	-8,8%	12.749	0,4%	14.216	-3,5%
Q2 2013	46.309	-4,1%	41.966	-3,7%	5.404	-18,4%	12.952	4,6%	14.049	-2,2%
Q3 2013	46.105	-3,6%	41.908	-2,4%	5.572	0,9%	13.162	3,7%	14.432	2,0%
Q4 2013	46.042	-2,8%	42.453	0,2%	4.277	-36,3%	12.725	-2,5%	13.461	-7,7%
2013*	**184.998**	**-4,0%**	**168.391**	**-3,2%**	**21.218**	**-16,5%**	**51.587**	**1,5%**	**56.159**	**-2,9%**
Q1 2014	46.442	-0,2%	42.305	0,6%	4.706	-21,1%	13.725	7,7%	14.191	-0,2%
Q2 2014	46.379	0,2%	42.315	0,8%	5.275	-2,4%	14.138	9,2%	15.336	9,2%
Q3 2014	46.773	1,4%	42.636	1,7%	4.942	-11,3%	14.242	8,2%	14.962	3,7%
Q4 2014	46.681	1,4%	42.703	0,6%	5.825	4,0%	13.990	9,9%	15.813	17,5%
2014*	**186.275**	**0,7%**	**169.959**	**1,0%**	**20.748**	**-2,2%**	**56.095**	**8,7%**	**60.302**	**7,4%**
Q1 2015	46.708	0,6%	42.760	1,1%	6.104	29,7%	13.876	1,1%	15.566	9,7%
Q2 2015	47.133	1,6%	43.243	2,2%	4.480	-15,1%	13.884	-1,8%	14.800	-3,5%

* provisional data

Source: National Accounts, September 2015, EL.STAT.

As a result, the liquidity of the banks in Greece will improve, creating the conditions to accelerate the lifting of the capital controls. On the other hand, the ongoing stress tests impede, as in the previous year, the domestic supply of liquidity by the banking system. Until the completion of the stress tests and the replenishment of the capital needs that would come of it, the banks will attempt to maintain the availability of capital as high as possible.

Therefore, the lending to individuals and companies is expected to be low, at least until the end of 2015, mainly hurting business and housing investment. According to the latest available data, the provision of credit to the private sector of the economy fell overall by 1.4% in July and August, compared with June, with the largest reduction recorded in lending to non-financial enterprises (-2.8%) and the lowest to households (-1,0%).[8] The credit contraction overall in the first half of the year was slightly stronger (-1.7%), once more hurting more the non-MFI enterprises (-3.5%) than the households (-0.8%). Meanwhile, the interest rates for new corporate loans were slightly lower in July and August than in early 2015 (4.9% from 5.4% in January), remaining unchanged in the household loans. Therefore, despite the bank holiday, the unchanged supply of liquidity by the ECB through most of July and the ongoing stress tests, the banks seems to have changed only slightly their credit policy, already cautionary since the start of the year.

The significant increase of arrears of the state towards the private sector in the current year, after two years of a significant decline, due to the concentration of all available resources for the payment of ordinary expenditure and the servicing of public debt, when the Greek state had no access to funding, exerted further pressure on the liquidity of the private sector. The arrears of General Government increased by almost €2 billion (+52.1%) from January through July of the current year, reaching €5.7 billion, following their drop by €1 billion in the previous year and by €4.8 billion in 2013.[9] The corresponding section of the draft State Budget for 2016 mentions that after the ratification of the agreement for economic support from the European Stability Mechanism, the liquidity position of the state will return to normal, the growth of arrears will weaken and their rate of settlement will improve. Their significant reduction is set as a target for the end of 2016, under the condition that the Greek state will continue to be financed without problems until then. As a result, arrears are anticipated to continue to grow throughout 2015, at a weaker rate in its last quarter, limiting further the availability of funds of the suppliers of the Greek public sector.

[8] Credit to domestic non-MFI residents by domestic MFIs excluding the Bank of Greece, August 2015, Bank of Greece, October 2015.

[9] Draft State Budget 2016, Ministry of Finance, October 2015

Regarding the public debt intervention, the method of assessing its viability is expected to change, moving away from setting a target for its size as a percentage of GDP, to a target on the size of the annual debt servicing expenditure. This intervention is not anticipated to take the form of a reduction of nominal debt («haircut»), but to materialise as a further facilitation of its servicing needs, with an extension of the grace and maturity periods and perhaps with a further small reduction of the interest rate. Nevertheless, the difference of opinion between the IMF and the EC is quite possible to remain, both regarding the form of intervention and its specific terms, intensifying anew the uncertainty over the domestic public finances in the last two months of 2015.

The assessment of the performance of the already adopted fiscal measures, as part of the programme review, will determine the height of the additional fiscal interventions for 2016, needed in order to achieve the revised primary surplus target for that year. Regardless of the performance of the recently adopted measures, the household disposable income will decline in the second half of the year, mainly through the pension cuts in the form of higher contribution to health expenses, dampening the consumption spending of the households. Nevertheless, the capital controls and the political developments in the last quarter of the year will remain the strongest restraining factor for making consumption purchases. Their impact on the households' inclination to consume is anticipated to come not so much from the transaction limits of the capital controls, given that the domestic digital payments were excluded from the measures from the start, but from the disappointment of a large part of the households since the imposition of the capital controls and the political developments that followed, such as the drafting of a third programme, who were expecting an immediate detachment of the Greek state from its creditors and the steady continuation of the recovery of the Greek economy in the current and the following years, which would have continued to boost domestic employment and income.

The sharp deterioration of consumer confidence has already reflected on the results of the Economic Sentiment Indicator of the European Commission, which for Greece is compiled by IOBE, with the average of the index for the third quarter totalling -60.6 points, from -43.6 in the preceding quarter and -37 in the first quarter of this year. All constituent subindices have fallen as well. The latest data on the course of consumption demand for July primarily reflected the impact from the bank holiday and the capital controls and to a lesser degree the sharp fall of expectations. According to the data, the seasonally adjusted volume index of Retail Trade fell year on year by 6.4%, compared with a marginal increase in June (0.5%), while it had remained unchanged year on year in the first half of the year overall (from 1.5% contraction a year before). The volume of activity declined in July in all basic shop categories, including even Supermarkets, where the contraction rate was relatively low (-2.6%). The strongest contraction was observed in Furniture – Electric Goods – Household Appliances (-14.8%). Nevertheless, a reduction of consumption expenditure, especially when it concerns imported goods, such as electrical goods and most household appliances, would weaken imports, limiting the deficit of the external balance of the Greek economy, moderating its negative impact on GDP.

There are several more positive effects of a swiftly concluded review of the implementation of the new programme, apart from those presented above, which mainly concern the general economic environment. Primarily, the government credibility would recover further and the conditions for lifting the strong reservations towards the Greek economic abroad, which has the strongest impact on the international sentiment to invest in Greece, would begin to form. An overall successful achievement of the targets in the current and the following reviews is considered essential for the start of the recovery of the foreign interest in investment, which is also needed in order to achieve the targets of the programme of developing the state-owned assets. Clearly, if the positive developments regarding the implementation of the new programme do not take place, the chances for achieving the targets for the development of state-owned assets are slim and the overall investment interest will remain subdued in the current and the following year as well.

A recovery of the country's credibility will also boost the international tourist interest. Given the primary role of the tourist sector for the growth achieved in the first half and for reducing unemployment, particular attention should be paid to the factors that determine the attractiveness of Greece as a tourist destination, such as the straightforward withdrawal of cash by the tourists and the monetary and overall political stability of the country. The fact that since the start of the capital controls, the foreign tourists were exempt from the measure is considered to have contributed decisively to the continued growth of international arrivals in July, albeit at a weaker rate than in the first half of the year (4.4% from 20.8%), while travel receipts remained higher year on year as well (+3.5%, from +8.2% in the first half). The growth of international tourist flows and receipts is anticipated to continue at a mild rate throughout the second half of the current year. [10]

Overall in the external sector, the capital controls have prima facie hurt imports significantly more than exports. According to the latest data from the Bank of Greece, the exports of goods and services fell year on year by 15.1% in July. Meanwhile, the percentage change of imports was more than twice as strong, despite the increase of exports without fuels and ships (by 3.0%). Nevertheless, the surplus of the external balance for goods and services, which with few exceptions has been achieved over time each July, mainly due

[10] Developments in the balance of travel services – June-July 2015, Bank of Greece, September – October 2015

to international tourist services, was twice as high year on year, reaching €2.48 billion, from €1.24 billion in the previous year. This result added to the new significant reduction of the deficit in the external balance for goods and services recorded in the first half of the year, resulting in a fall of the deficit over the first seven months of the year by 68.5% to €1.13 billion from €3.62 billion. The sharp improvement since the beginning of the year came from a fall in imports (-6.5%) and a significant growth in exports without ships and fuels (+9.0%). The deficit contraction would have been stronger if it was not for the fall of the exports of ships and fuels by 27.7%. The preliminary ELSTAT data on the exports of goods in August indicate a stronger fall in imports and continued growth of exports without fuels and ships, albeit at a lower rate than earlier.

The bank holiday and the capital controls had a strong negative impact on other sections of economic activity and short-term indicators as well, where the growth trends or the mild contraction from the preceding time period were replaced with a sharp decline in July. This development reflected the effects from the reduction of domestic demand and the difficulties in export activity and in the import of raw materials and products. The developments in August, according to the preliminary data, are mixed, either indicating a return to growth or perseverance of the trend from the previous month.

In greater detail, industrial production fell year on year by about 1.5% in July 2015, compared with zero growth in the same month of the previous year and a stronger contraction in the second quarter of the current year (-2.8%).[11] However, in August industrial production recovered by 4.5%, offsetting the contraction from the same month of the previous year. Electricity Generation-Distribution was the only sector with a stable trend in July and August, recording a strong growth by 11.3%. This trend, however, had not manifested itself in the previous months and thus it might be transient, coming from obstacles to imports due to the capital controls, and it might not carry over to the coming months. Among the remaining major sectors of Industry, the output contraction observed since the start of the year in Mining-Quarrying carried over to the current period (-4.8%). In Manufacturing, the major industrial sector, an increase of 4.2% in August replaced the sharp decline of July (-5.9%). Output in Water Supply consolidated in August, after a continuous decline by 2.8% in June and July. Construction activity experienced fluctuations in the second quarter, with the surface index falling year on year by 2.4% and volume declining by 1.5%. In July despite the reduction of new permits by 31.6%, the surface of new buildings increased by 58%, while the volume jumped by 275%. Looking in greater detail, it seems that the very large increase came from a large public project in the region of Western Macedonia, where

[11] The data on 2015 come either from ELSTAT or Bank of Greece. The indicated changes refer to year-on-year variations.

the surface and volume of new buildings is a multiple of their last year levels, without a corresponding change in private construction activity. Except for this region, Central Greece and Thessaly, construction activity declined in the remaining regions.

Regarding the trends on the demand side, apart from the course of Retail Trade that was analysed previously, the latest available data on turnover in Wholesale Trade reach until the second quarter. Based on these data, turnover declined by 3.3% year on year, at a stronger rate than in the preceding quarter. Deflation remained in the region of 2.1%-2.2% in July as well, for a sixth month in a row. Therefore, the demand conditions formed by the imposition of capital controls and the intense political uncertainty seem to have prevented the price appreciation of many products and services. The slight weakening of deflation in August and September to 1.6% is attributed to the hike in the VAT rate, which was included in the prior actions to start the negotiations on the third programme and was put in place on 20th July, and not to stronger demand. Besides, the largest price growth, by 4.0%, among the basic categories of goods and services that comprise the Consumer Price Index (CPI) was recorded in the past two months in Food products – Non-alcoholic beverages, a category that was affected most by the VAT hike. The weakening of deflation took place despite the significant fall by 7.3% in housing cost and by 5.0% in transport cost, two of the three categories of goods and services with the largest contribution to the shaping of the Consumer Price Index.

The trends in the short-term indicators presented above reflect the initial effects of the capital controls and the fiscal measures for reaching the new agreement, underlining the high importance of these events on the economic developments in the second half of 2015 and most probably in early 2016 as well. The developments are also expected to be influenced in the last two months of this year by the achieved progress as noted in the first review of the programme, the results of the new stress tests and outcome of the new public debt restructuring. The likelihood of prolonged negotiations over the last issue is considered significant and if this is indeed the case, it would lead to a new, perhaps short-lived, hike of uncertainty.

Moving on to the medium-term outlook of the GDP components and the key macroeconomic figures, **the capital controls, the new fiscal measures and the weakening of the household expectations from the continuing, according to the new deal, fiscal consolidation process for three more years will dampen consumption spending.** As the accumulation of tax payments in the last 4-5 months of the year (property and income taxes) is a repeating feature in the past few years, with a tendency to become permanent, and given that these taxes will not change compared with the past (e.g. the property tax), their contractionary impact on disposable income will be similar with that observed in previous years. On the other hand, the high level from the second half of 2014 will exert additional pressures on the year-on-year change of private consumption in the corresponding period of this year. In the second half of 2014, the household consumption spending had increased by 2.1% from 0.7%. **Despite the notable weakening of consumption expenditure in the second half of 2015, their growth by 2.1% from January through June of 2015 will limit their contraction for the current year overall to 1.5%-2.0%.**

The implementation of the new agreement will exert contractionary pressures on public consumption. However, given that the agreement was ratified in the middle of the third quarter and was then followed by elections, its implementation will start in the fourth quarter, with a small impact on the fall of public consumption expenditure in the current year. Besides, according to the draft of the 2016 State Budget, the fewer than anticipated outlays in the public sector, the unanticipated in the previous year expenditure from the maturation of the contracts of public servants of special wage categories and the larger than forecasted payments of past year remuneration to security, military and judicial officers will push the wage bill above its target (+€47 million), higher year on year, with a growth reaching 1.9% (+€334 million). The base effect from the notably lower public consumption in the second half of last year, compared with the first half of that year, will also contribute to a further expansion of public consumption in the current half of the year. **As the contraction of public consumption in the first half of 2015 was small in magnitude, despite the unprecedented liquidity constraints during that period, while there are no significant limiting factors in the current period, public consumption is anticipated to slightly increase in the current year overall.**

The intense uncertainty about the domestic political developments since the start of the second quarter, which peaked in the following quarter with the announcement of the referendum and the imposition of the capital controls, remaining high until the drafting of the new programme and the formation of the new government, is expected to have led the investment activity to a quagmire. The events that took place as part of the negotiations with the official-sector creditors, particularly during their ultimate phase by the end of the previous programme and from the announcement of the referendum until the restart of the negotiations generated strong reservations of the investors, in Greece and abroad, regarding the willingness and the ability to continue the fiscal consolidation process and the implementation of structural reforms in Greece. Current conditions also placed significant constraints on the implementation of investment plans.

In particular, the remaining capital controls have notably limited the ability of the enterprises to purchase equipment and machinery, which are mostly produced outside Greece. The international transactions that are allowed to take place focus on the procurement of raw materials, necessary for their production activity. Under these priorities, **business investment** will remain at a low level.

As already noted in previous IOBE bulletins, the need to cover current budget spending for the duration of the negotiations, which could not have been covered from lending from the official-sector creditors, as envisaged in the budget, led to the saving of resources from any possible source. Such sources included the national segment of the Public Investment Programme (PIP) and the national contribution to the co-financed segment of PIP. However, this strategy had a particularly strong negative impact on the execution of PIP, the expenditure of which was lower than the target by 49.4% (€1.56 billion from €3.09 billion). On the other hand, the signing of a new loan contract will gradually ease the liquidity constraints of the Greek state, allowing for higher PIP spending. Note that the target in the draft 2016 State Budget envisages the payment of all the funds set in the 2015 budget (€6.4 billion). The early release of the last €500 million from the EC as part of NSRF 2007-2013, to cover 100% of the co-financing of select projects, as set in the 13th July agreement, will contribute to the acceleration of the execution of PIP and the reduction of the fall of investment in the last four months of the year. Regardless of the PIP execution rate, the fact that it would be particularly back-loaded will limit substantially its multiplier effects on the Greek economy in the current year.

The contribution of the public sector to investment activity through the programme of privatisations and concessions for the remainder of 2015 will be particularly weak. The corresponding actions envisaged to be completed in the current year in the new programme are the ongoing tender for the property in the Afantou area of the island of Rhodes and the sale of 35% of Hellenic Petroleum. The completion of the concession of the regional airports to Fraport is now set for March 2016. On the other hand, a significant number of actions are planned for the following year, which will boost significantly investment activity if they are executed according to the plan, without procrastination and delays.

It was already mentioned that the ongoing stress tests on the Greek banks will limit the supply of liquidity by the banking system, at least until the announcement of their results and most probably until the fulfillment of the capital requirements that will result from the tests. This process is not expected to finish before the end of 2015, with the banks remaining cautious during that time in their supply of credit, without however being excessively strict, as evident from the continuing mild credit contraction in July, despite the bank holiday. Therefore, the boost to investment from bank finance will be small in the current year overall. Clearly, after the fulfillment of any capital requirements that would result from the stress tests, a gradual return to credit expansion by the banks is anticipated within 2016.

Certainly, as already mentioned, the commitment of the new government to achieve the targets of the new programme, particularly with respect to the structural changes in markets, sectors and activities contained in the programme, is a key prerequisite for the recovery of the investment sentiment. The inclination of the new government to stick to its commitments will be evaluated based on the outcome of the current and the following review, which will become the key measure of the credibility and the ability of the new government to restructure the Greek economy, setting it on a path of stable recovery.

For the time being, the reservations of the investors about the capabilities of the Greek economy remain high. Combined with the obstacles, the deficiencies and the delays in factors that determine the investment activity, as previously outlined, **the contraction of investment activity observed in the second quarter of this year is expected to carry over to the near term. On average in 2015, investment will be lower by 15% than in the previous year.**

In the **external sector of the Greek economy,** the capital controls will limit, without interrupting, the growth of the **exports** of goods, except fuels and ships, recorded in the first half of 2015, which contained the contraction of total exports of goods during that period. Therefore, a small reduction in total exports of goods in the second half of the year cannot be ruled out. Contraction is also likely in the exports of services, despite the fact that the significant drop in receipts from international tourism recorded in the latest available data for July will ease over the remainder of the tourist season. Their reduction is expected to come from the high level of comparison in the second half of 2014 when the tourist period lasted longer than in the past. **The downward trend in both segments of exports in the current half, after their small reduction in the preceding period, will result in an annual reduction by about 2.5%.**

The impact of the capital controls is expected to be stronger in **imports.** The strong contraction of imports in the second half of the current year will also come from weaker consumption demand, the growth of which was fueling their increase in the preceding six months, but also from subdued investment activity. Particularly in the last quarter, the significant growth of imports in the last quarter of 2014 (+17.5%), and especially of the imports of goods (+19.3%), will exacerbate their contraction. **Given the lack of an offsetting development in sight, imports are expected to fall by about 5.5% in the second half of the year. However, as the fall of imports will be stronger than the reduction of exports, the external deficit will decline, easing the GDP contraction.**

To sum up the forecasts of the key GDP components for the rest of the year and for 2015 overall, the capital controls, the new fiscal measures that affect household income and the sharp deterioration of consumer confidence, from the extension of the fiscal consolidation process, will interrupt the growth of consumption spending, recorded in the first half of the year, resulting in their overall contraction for 2015. The delay in the implementation of public sector reforms, planned for this year, during the negotiations with the creditors and at least until the formation of the new government after the latest elections, the fewer than anticipated departures and the larger than expected remuneration payments will slightly increase public consumption spending from their last year level, despite the tight liquidity constraints from the lack of access to funding during the negotiations, and the implementation of the new Economic Adjustment Programme in the last quarter. The significant loss of credibility by the Greek state and economy, from the overdue servicing of the debt obligations, the imposition of capital controls and the uncertainty regarding the willingness to implement reforms, combined with certain practical difficulties that these developments have raised for the implementation of investment (obstacles to the import of capital goods, credit crunch), will sharply accelerate the fall of investment recorded in the first half of the year for the remainder of 2015. The back-loaded implementation of PIP and the minimal concessions – privatisations will contribute to the slump of investment.

The conditions in foreign transactions formed by the capital controls create problems both for exports and imports. The growth of the exports of goods, except fuels and ships, will weaken. The base effects, due to a relatively higher level last year, will exert downward pressure on the exports of services in the second half of 2015. Nevertheless, total exports will decline on an annual basis. The negative impact from their reduction on the balance of the external sector of the economy will be overcompensated by the reduction of imports, which will intensify in the current half of the year.

Combining the trends in the GDP components that were previously outlined, output is anticipated to decline overall in 2015. **Nevertheless, the growth of the Greek economy by 1.6% in the second quarter, slightly stronger than anticipated, which resulted in a GDP growth of 1.1% for the first half of the year overall, will moderate its contraction overall for 2015. Under the influence of the factors that were analysed above and the latest available activity data for the current quarter, the forecast for a recession of the Greek economy in the current year that was presented in the previous report is revised up. As a result, the GDP contraction rate during the current year is expected to fall in the range of 1.5% to 2.0%.**

Table 3.2
Domestic Expenditure and Gross Domestic Product – European Commission estimates
(at constant 2010 prices)

	2013	2014	2015	2016
Annual Percentage Changes				
GDP	- 3.9	0.8	0.5	2.9
Private Consumption	- 2.0	1.3	0.6	2.4
Public Consumption	- 6.5	-0.9	-0.6	-0.3
Gross Fixed Capital Formation	- 9.5	2.7	-3.1	7.2
Exports of Goods and Services	2.1	9.0	4.1	5.1
Imports of Goods and Services	- 1.6	7.4	2.0	3.6
Employment	- 3.8	0.7	0.5	2.9
Compensation of Employees per capita	- 7.1	-1.6	0.1	1.7
Real Unit Labor Cost	- 4.9	1.0	1.4	1.0
Harmonised Index of Consumer Prices	- 0.9	-1.4	-1.5	0.8
Contribution to real GDP growth				
Final Domestic Demand	-3.9	1.0	-0.1	2.4
Net Exports	1.1	0.2	0.6	0.5
Inventories	-1.1	-0.5	0.0	0.0
As a percentage of GDP				
General Government Balance	-12.2	-3.5	-2.1	-2.2
Current Account Balance	-2.3	-2.2	-1.6	-1.3
General Government Gross Debt	174.9	177.1	180.2	173.5
In percentage terms				
Unemployment (% of labor force)	27.5	26.5	25.6	23.2

Source: European Economic Forecast, spring 2015, European Commission, May 2015

Table 3.3
Comparison of forecasts for selected economic indicators for the years 2013 - 2016
(at constant 2010 prices, annual % changes)

	MinFin			EC			OECD			IMF		
	2014	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
GDP	0.8	-2.3	-1.3	0.8	0.5	2.9	0.7	0.1	2.3	0.8	-2.3	-1.3
Final Demand	:	:	:	2.4	0.9	3.0	1.2	0.3	1.1	:	:	:
Private Consumption	1.3	-1.6	-2.4	1.3	0.6	2.4	1.4	0.9	1.1	:	:	:
Harmonised Index of Consumer Prices (%)	-1.4	-0.5	1.3	-1.4	-1.5	0.8	-1.4	-1.4	-0.3	-1.5	-0.4	0.0
Gross Fixed Capital Formation	2.7	-16.5	4.5	2.7	-3.1	7.2	-3.0	0.6	5.0	:	:	:
Unemployment (%)	24.6*	25.4*	25.8*	26.5	25.6	23.6	26.5	25.7	24.7	26.5	26.8	27.1
General Government Balance (% GDP)	0.4**	-0.2**	0.5	-3.5	-2.1	-2.2	-3.6	-3.4	-2.8	-3.9**	-4.2**	-3.6**
Current Account Balance (% GDP)	:	:	:	-2.2	-1.6	-1.3	0.9	2.1	2.8	0.9	0.7	0.5
Gross Public Debt (% GDP)	177.1	181.8	192.4	177.1	180.2	173.5	184.1	187.9	187.6	177.1	196.9	206.6

* On a national accounts basis
** According to the methodology of the Economic Policy Programme and of the estimations of the Public Debt
Sources: Draft State Budget 2016, Ministry of Finance October 2015 – European Economic Forecast, spring 2015, European Commission, May 2015 - OECD Economic Outlook No. 97, June 2015 – World Economic Outlook, IMF, October 2015 –Fiscal Monitor, IMF, October 2015

The shifts in the GDP trend will clearly have an impact on employment. The lower domestic demand will affect sectors and activities with a vital role in the mild growth of the Greek economy and the rise of employment in 2014 and the first half of 2015, such as Retail – Wholesale Trade. The deep contraction of investment will once again hurt employment in Constructions and in companies manufacturing or importing business equipment and machinery.

In Accommodation – Food Services, which also contributed to the growth of economic activity and job creation, the negative impact on employment would not be as strong, as the expansion of the international tourist flows is expected to continue, albeit at a weaker rate. Therefore, the Tourism sector is expected to moderate the rise of unemployment.

Regarding the employment in the public sector, the rehiring of 7,500 people that had been previously laid off could count against the planned in the previous Economic Adjustment Programme recruitment of 15,000 new employees. However, combined with the fewer than anticipated departures, according to the draft State Budget for 2016, this will keep the employment in the public sector largely unchanged. **Taking into account the above specific developments, unemployment is expected to increase slightly in the third quarter of 2015 and continue to grow, at a stronger rate, in the last quarter of the year. However, due to its significant reduction during the first six months of this year, unemployment for 2015 overall will reach 26.0%, down from 26.5% in the previous year.**

The demand slump, in the aftermath of the peak of uncertainty caused by the political turmoil in early July that had temporarily boosted the demand for basic necessities, kept deflation unchanged, as predicted in the previous bulletin. Given that it is unclear when the capital controls would be lifted, the cautiousness of the households on safeguarding their wealth will persevere, making it necessary to maintain high liquidity and weakening the propensity to consume.

On the other hand, the VAT hike since July, which was extended in early October to five large islands, will ease the fall of prices, as already evident in the inflation data for August and September. The end of the deflationary impact of the low oil prices on CPI will also contribute to the easing of deflation in the last quarter as the oil prices will reach their level from the previous year. Nevertheless, note that the price increase in the goods affected by the VAT hike was smaller than expected. While due to the imposition of the new tax coefficients, the prices were expected to increase on average by 8%, in categories affected by the increase of VAT, such as Food – Beverages, the price increase did not exceed 3.0%. This development is considered to reflect the absorption of a large part of the price increase by the enterprises, which foresaw a large drop in demand in case that they had passed all the VAT increase on to the consumers. **Therefore, the weakening of demand**

seems to largely offset the impact of factors that exert inflationary pressures on prices, such as higher indirect taxes. As a result, the year-on-year fall of CPI will carry over, with the deflation reaching 1.8% for the current year overall.

3.2 Developments and outlook in key sectors of the economy

Industry

During the first eight months of 2015 the Industrial production index contracted marginally by 0.1%, compared to losses of 2.4% during the corresponding period of last year.

In the first seven months of 2015 the index in the Euro area (18 Member States) grew by 0.9% year on year (+1.2%).

In July, the first month of capital controls in Greece, the industrial production contracted by 1.5%, a lower rate compared to that of the second quarter of 2015 (-2.8%).[12] However, in August 2015, the index rebounded by 4.5% counterbalancing the losses exhibited in the same month of 2014. Electricity Generation was the only industrial sector that exhibited steady growth in July and August, with industrial production increasing by 11.3%, a trend that was not present in the previous months. This might be related with the complications incurred from the imposition of the capital controls and it might not continue during the next months. The losses recorded since the beginning of the year continued (-4.8%) in the Mining sector. The output contraction (-5.9%) in July in Manufacturing, the most significant industrial sector, was followed by output growth by 4.2% in August. Finally, output in Water Supply stabilised in August, after a consecutive contraction of 2.8% in June and July.

Losses were recorded in two of the four key sectors of the Greek industry during the first eight months of 2015. In Mining, output contracted by 8.6%, against a growth of 1.2% in the same period of 2014. The output of Electricity Generation came next, as the relevant index decreased by 2.1%, a less sharp contraction rate than in the previous year. In contrast, output in Water supply grew by 2.5%, against losses of -1.0% last year. Similar trends were observed in Manufacturing as well, where output was growing with a marginally higher rate than last year (+1.1% from +0.8% in 2014).

In **Mining,** the index decline is related to the reduction of the output in Mining of Coal and Lignite (-10.2%, against -5.9%) and to the losses recorded in Mining of Metal Ores (-8.1%, against +5.7% last year). Lastly, output in Extraction of Crude Petroleum and Natural Gas fell by -5.7% from -6.9% last year, while output contraction was also exhibited in Other Mining and Quarrying, following the sharp increase of the relevant index last year (-5.1% against +22.4%).

In the first eight months of 2015, output decreased in 10 of the 24 branches of

[12] All the data for 2015 come from either ELSTAT or Bank of Greece. The changes are reported in year-on-year terms.

Manufacturing. Among those branches that are particularly important for the Greek economy, output increased in Basic Metals (+8.8% from +5.8% last year) and in Basic Pharmaceutical Products (+5.6% against losses of 3.0% last year). Production in Manufacture of Food Products decreased by 0.4%, halting the moderate increase of 3.2% registered during the same period in 2014.

In the remaining manufacturing branches the largest output decline was observed in Leather Products - Footwear (-20.3% against less sharp losses of -13.3% last year), followed by Repair and Installation of Machinery and Equipment (-16.4% from -4.4%) and Motor Vehicles (-15.4%, against an increase of 11.6%). Output contraction was recorded in Wearing Apparel (-14.7% from -8.9%), Wood and Cork (-13.4% from -10.2%) and Printing and Reproduction of Recorded Media (-6.4% against marginal losses of -0.3%.). In contrast, among the branches with positive growth rates, the highest rate was registered in Computers, Electronic and Optical Products, where output kept growing with a particularly high rate (+34.6% from 29.3%). Next, the output of Tobacco products grew by 26.9% compared to a contraction of 10.6% last year, while in Miscellaneous Manufacturing Activities production increased by 11.0%, against a growth of 4.7% last year. Similar trends were recorded in the manufacturing of Other Transport Equipment, where the index grew by 8.9% following significant losses of 44.6% in 2014.

Regarding the main groups of industrial products, production contracted by 4.4% in Capital Goods, against 0.8% last year, and by 1.7% in Energy (from 6.9% last year). In contrast, the production of Durable Consumer Goods grew by 2.2% against a reduction of 7.9% during the corresponding period of 2014, followed by Non-durable Consumer Goods (+1.5% from +0.3%) and Intermediate Goods, the production of which increased by 1.4%, albeit at a lower rate than in the first eight months of 2014 (+2.9%).

Construction

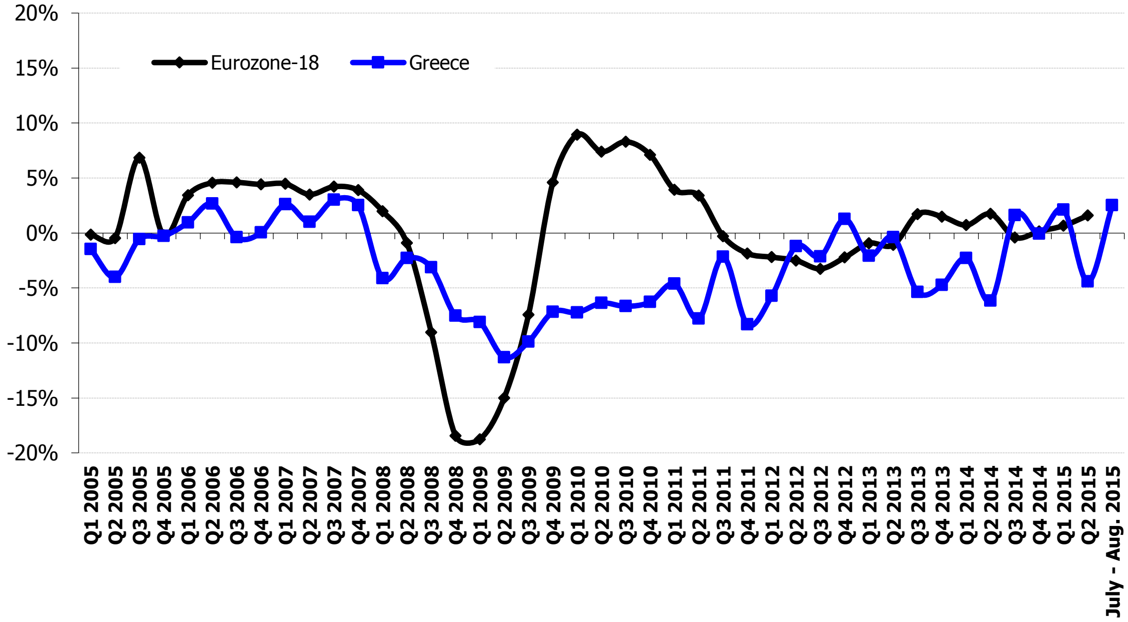
The negative trends in the Construction sector were overturned during the first half of 2015, as the relevant index grew by 18.1%, against losses of 7.9% during the same period of last year. This increase is due solely to the good performance of the sector during the first quarter of 2015 (+43.1%), as the construction activity stabilised in the second quarter.

Regarding its constituent categories, during the first half of 2015, the Construction of Buildings increased by 14.0% compared to the corresponding period of last year, when the index had decreased by 3.8%. In addition, the output of Civil Engineering grew by 20.8%, following an increase of 15.3% last year.

In contrast, marginal losses of 1.0% were recorded in the EA-18, compared to a 4.2% growth during the same period of 2014.

Figure 3.1

Industrial Production Index in Greece and in the Euro Area-18 (changes on a year earlier)



Sources: ELSTAT - Eurostat

During the first seven months of 2015, the number of building permits in Greece decreased again by -0.9% year-on-year (7,890 permits). Note that even though the actual number of issued permits declined, the surface area and volume indicators increased by 17.2% and 55.0%, respectively. This differentiation is attributed mainly to the sharp increase of these indices year on year in the prefecture of Western Macedonia in July 2015, by a factor of 15 and 39 respectively. Given the lack of significant private projects, this vast change is attributed to the initiation of a significant public project in the specific prefecture.

Finally, according to the latest data published by the Bank of Greece, the residential property transactions with financial intermediation contracted in the second quarter of 2015 by 24.1% year on year. Meanwhile, the interest rate on mortgage loans with more than 5-year duration remained unchanged month on month in June (2.82%).

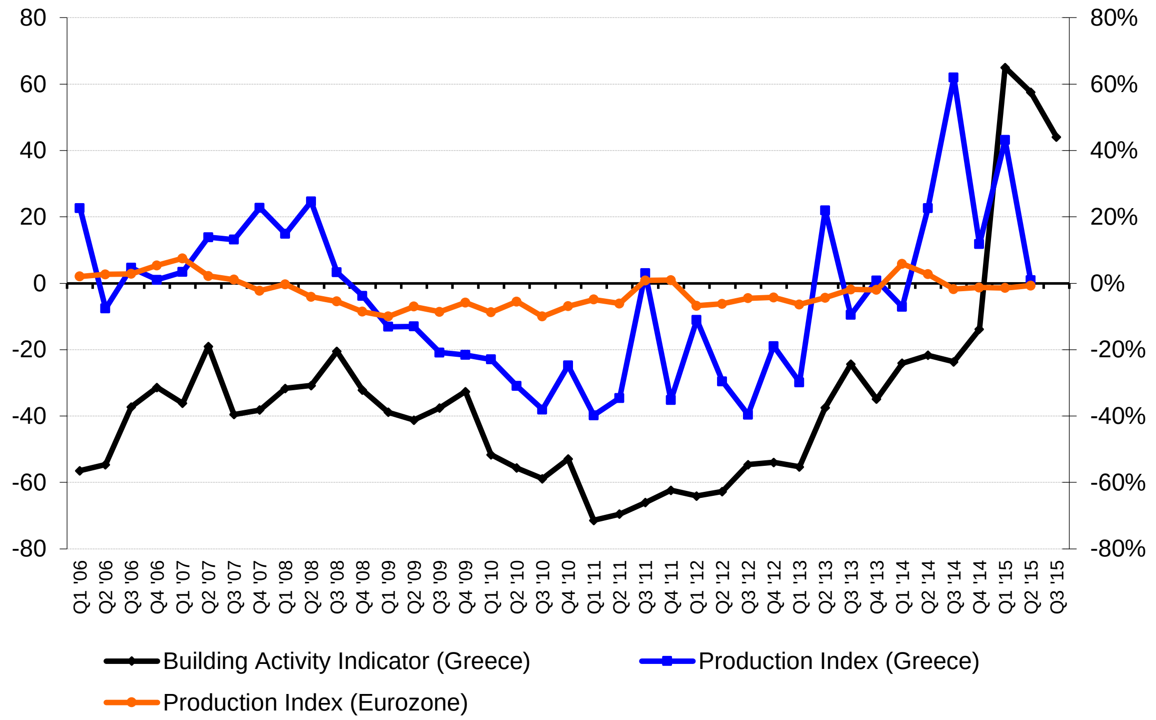
Retail trade

During the first seven months of 2015, the index of retail trade volume kept falling, with a rate similar to that of 2014 (-0.9% from -1.1%).

The preliminary data on the performance of the sector, extracted after the imposition of the capital controls, is particularly interesting.

Figure 3.2

Indicators of Production in Construction in Greece and in the Euro Area-18 (changes on a year earlier) and Indicator of Activity Level in Construction



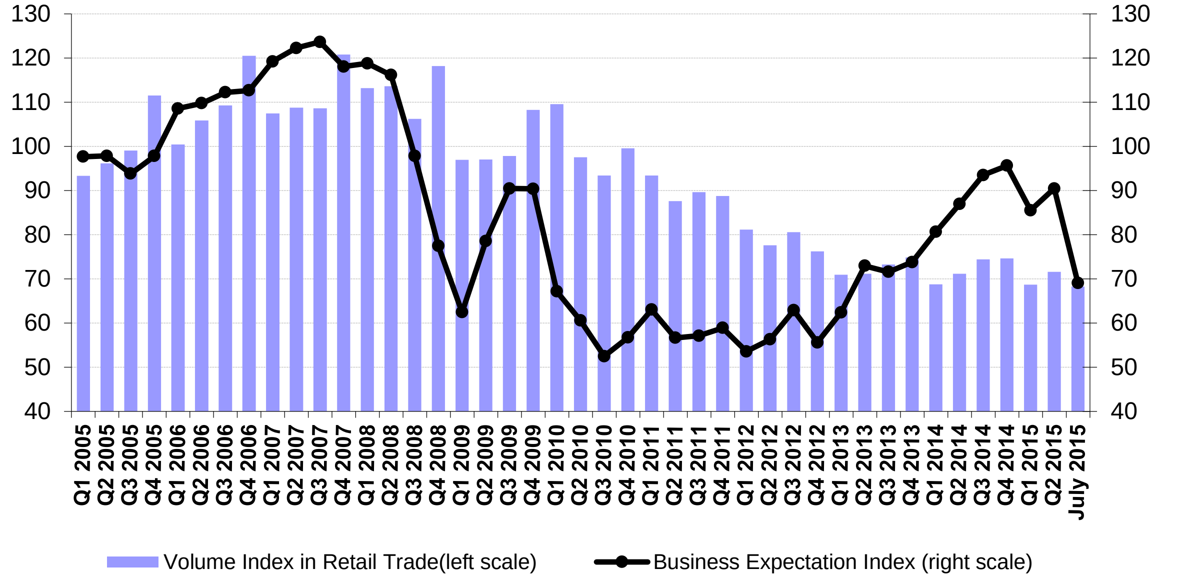
Sources: ELSTAT – Eurostat

In July 2015, the retail trade volume decreased by 7.3% year on year (against +1.5% in July 2014), while in June 2015 the index had contracted marginally by 0.4% year on year. The index declined in July across all eight sub-sectors. Notably, even the turnover in Supermarkets declined marginally (-2.6%) while the sharpest fall was recorded in Furniture and Electric Appliances (-21.5%).

During the first seven months of 2015, turnover increased in 3 out of the 8 subsectors of Retail Trade. The sub-sectors with the highest increase included Clothing-Footwear (+5.2% from +6.8% last year), Books – Stationery (4.9% against 8.6% in 2014) and Supermarkets (0.2% against losses of 0.9%). A common characteristic among subsectors with turnover expansion is that the growth rate was limited compared to the same period of last year. In contrast, the greatest losses were recorded in the Food – Beverages – Tobacco subsector (-5.9% from -4.9% last year), Department Stores (-5.4% against -5.6%), Furniture and Electrical Appliances (-3.7% from -4.9%) and Fuels – Lubricants (-0.6% against 1.7%).

Figure 3.3

Index or Retail Trade Volume (2005=100) and Index of Business Expectations in Retail Trade (1996-2006=100)



Sources: IOBE - ELSTAT

Table 3.4

Annual Changes in the Index Retail Trade Volume

Category of Retail Trade Stores	Volume Index (2005=100)				
	Jan. – Jul. 2013	**Jan. – Jul. 2014**	**Jan. – Jul. 2015**	**Change 2014/2013**	**Change 2015/2014**
Overall Index	71,2	70,5	69,9	-1,1%	-0,9%
Overall Index (excluding car fuels and lubricants)	72,6	71,3	71,3	-1,7%	0,0%
Categories of Stores					
Large Food Stores	79,5	78,9	79,0	-0,9%	0,2%
Department Stores	84,7	79,9	75,6	-5,6%	-5,4%
Car Fuels and Lubricants	65,5	66,7	66,2	1,7%	-0,6%
Food – Drink – Tobacco	70,1	66,7	62,8	-4,9%	-5,9%
Medicare – Cosmetics	70,9	68,3	67,7	-3,6%	-0,9%
Clothing – Footwear	61,9	66,1	69,6	6,8%	5,2%
Furniture – Electric Household appliances	62,5	61,2	58,9	-2,2%	-3,7%
Books – Stationary – Other gift items	78,0	84,7	88,9	8,6%	4,9%

Source: ELSTAT

Table 3.5

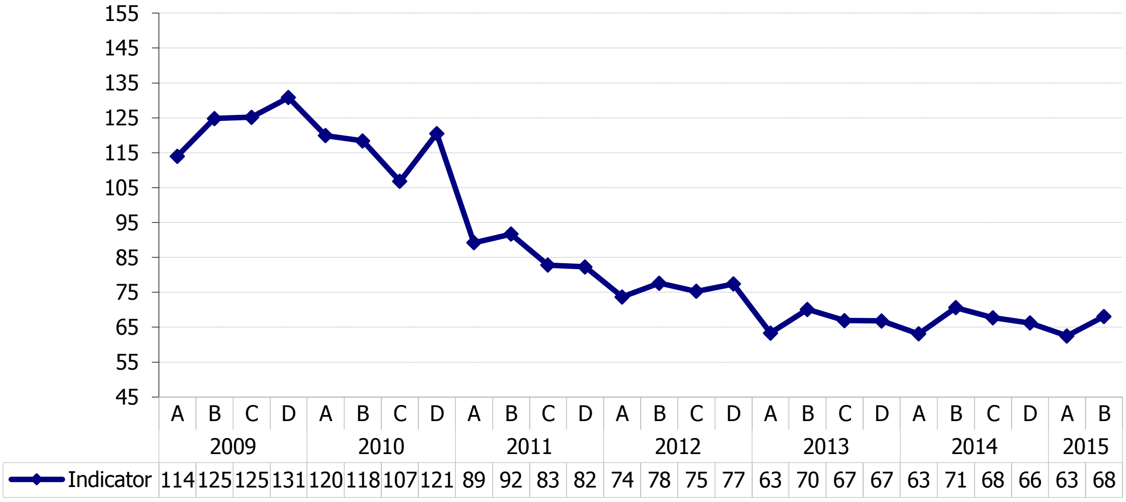
Business Expectations Indices in Retail Trade per sub-sector (1996-2006=100)

	Jan. – Sep. 2013	Jan. – Sep 2014	Jan. – Sep 2015	Change '14/'13	Change '15/'14
Hotel - Restaurants	66,8	87,2	83,6	30,5%	-4,1%
Food-Drinks-Tobacco	72,0	102,5	77,1	42,4%	-24,8%
Textiles - Clothing – Footwear	63,0	78,4	65,2	24,4%	-16,8%
Vehicles-Space Parts	79,0	113,0	95,2	43,0%	-15,8%
Department Stores	60,0	63,1	77,9	5,2%	23,5%
Retail Trade Total	**68,9**	**87,0**	**80,6**	**26,3%**	**-7,4%**

Source: IOBE

Figure 3.4

Turnover Index in Wholesale Trade



Source: ELSTAT

The stagnation in the retail trade sector and the overall uncertainty regarding the future developments in this sector are fully reflected in the leading indicators of business sentiment from the **Business Surveys** conducted by IOBE, which cover the first nine months of 2015. The index for Retail Trade contracted by 6.4 units in the first nine months, against an increase of 18 units during the same period of last year. In the constituent branches, the sentiment deteriorated in Textiles-Clothing-Footwear (-25 units, against an increase of 30 units last year), Household Appliances (-13 units, compared to +15 units in 2014), Motor Vehicles (-18 units, against an increase of 34 units in 2014) and Food – Beverages –Tobacco, where the relevant index lost 3.6 units against an increase of 20 units during the same period of last year. In contrast, the sentiment improved only in Department Stores, where the index grew by 15 units, after a weaker increase of 3 units in the previous year.

The business sentiment indicator for Motor Vehicles during the first nine months of 2015 reached 95 units, against 113 units during the same period of 2014. The impact of the summer events on the automotive market was notable. The negative trends recorded in early 2015, which came after a long period of optimism and improvement of expectations, intensified across almost all constituent indices. More specifically, during the first nine months of 2015, the current sales balance returned to negative levels (-7 units), having significantly deteriorated during the third quarter of 2015. Meanwhile, about 70% of the enterprises perceived stocks to be at normal levels. Regarding the outlook, about 3/4 of the enterprises were expecting a decline of the stocks in the last quarter, with the index reaching -25 units from +7 in 2014. The sales expectations turned negative in 2015. Lastly, regarding employment, the signs of stabilisation observed previously were replaced by negative trends. According to the official data, car sales increased by 8% in the first nine months of this year, compared to an increase of 22.3% in 2014. During the third quarter of 2015, sales contracted by 8.3%, from an increase of 20% in the corresponding period of 2014.

Wholesale trade

During the first half of 2015, turnover in wholesale trade fell by 2.3%, following a marginal increase of 0.2% in the first half of 2014.

Services

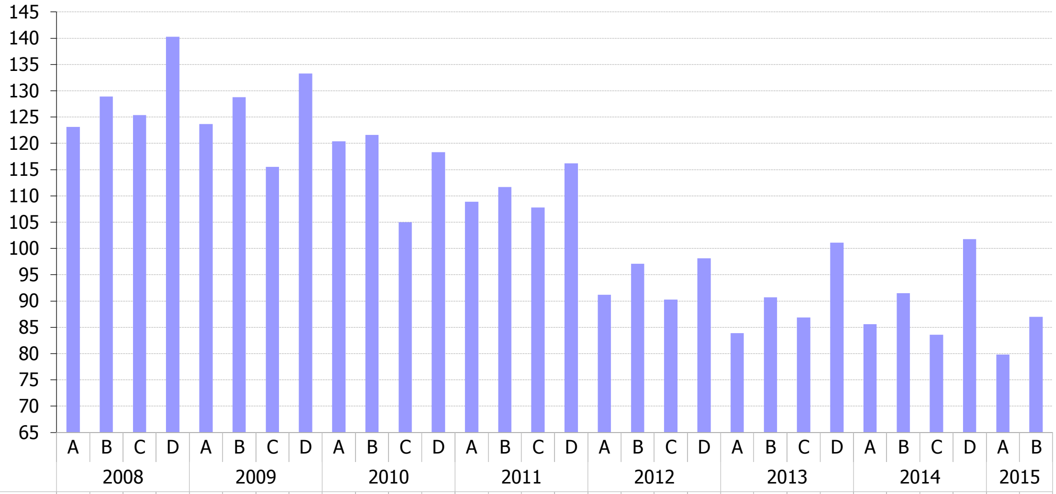
Activity in Services strengthened year on year during the first half of 2015, as turnover decreased in just four of the ten subsectors.

The biggest contraction was recorded in Publishing Activities (branch 58), where turnover declined by 16.6%, against an increase of 4.0% during the first half of 2014. Demand contracted in Postal and Courier Activities (branch 53) by 5.8% (against an increase of 1.4% last year) and in Advertising and Market Research (branch 73, -4.7% from -10.2%). Finally, weak demand affected turnover in Cleaning Activities (-2.9%, from sharper losses of 12.7% last year).

In contrast, the largest growth in turnover was recorded in Employment Activities (branch 78, +24.1% against losses of 5.4% last year), followed by Architectural and Engineering Activities (branch 71), where the index grew by 21.2%, after the significant losses of 30% in the previous period. The conditions improved in the Information Service Activities (branch 63), where turnover increased by 18.6%, after a reduction of 3.5% during the first half of 2014. The demand for Other Professional, Scientific and Technical Activities (branch 74) increased anew by 17.3%, continuing its growth since last year. Turnover in Computer Programming (branch 62) and Security and Investigation Activities (branch 80) increased by 12.4% and 8.9%, respectively.

Figure 3.5

Turnover Index in Postal and Express Delivery Services (branch 53)

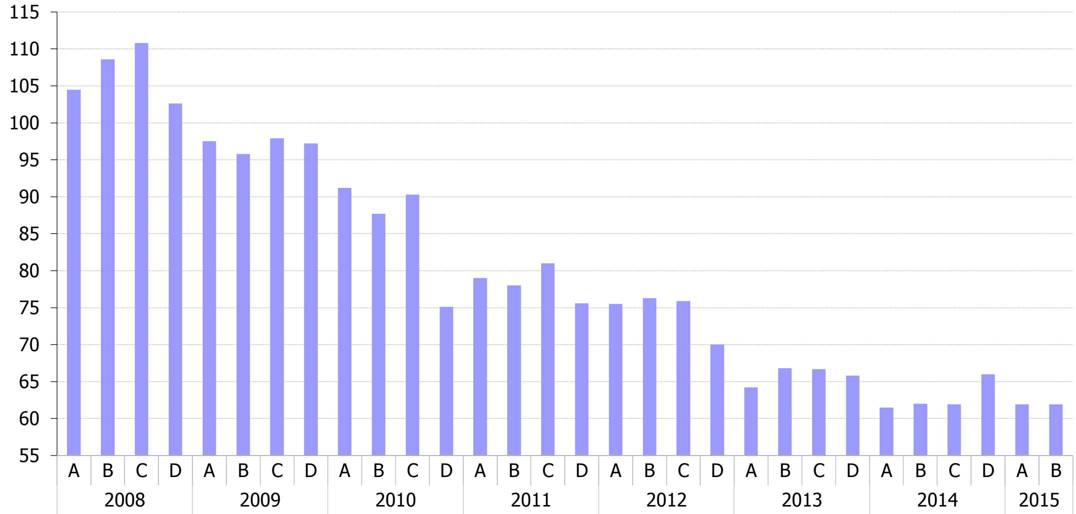


	2008				2009				2010				2011				2012				2013				2014				2015	
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B
Indicator	123	129	125	140	124	129	116	133	120	122	105	118	109	112	108	116	91	97	90	98	84	91	87	101	86	92	84	102	80	87

Source: ELSTAT

Figure 3.6

Turnover Index in Telecommunication Services (branch 61)

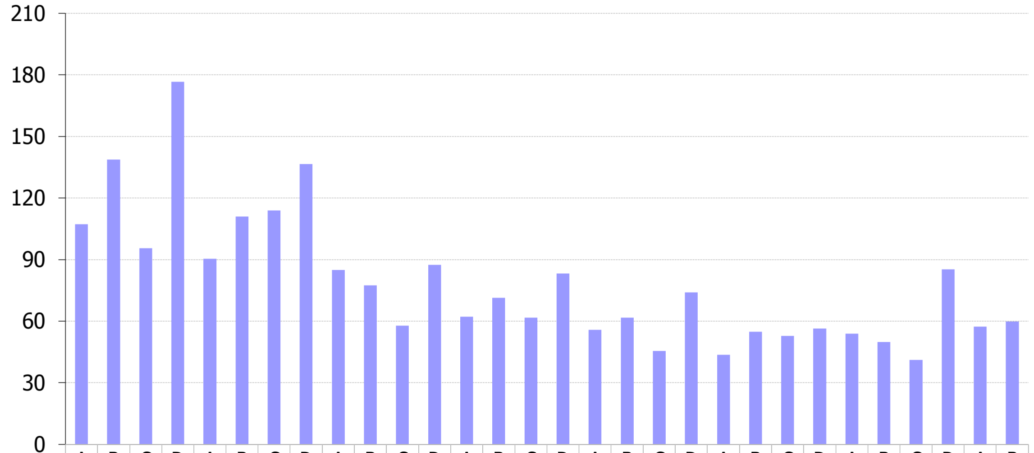


	2008				2009				2010				2011				2012				2013				2014				2015	
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B
Indicator	105	109	111	103	98	96	98	97	91	88	90	75	79	78	81	76	76	76	76	70	64	67	67	66	62	62	62	66	62	62

Source: ELSTAT

Figure 3.7

Turnover Index in Informatics Services (branch 62)

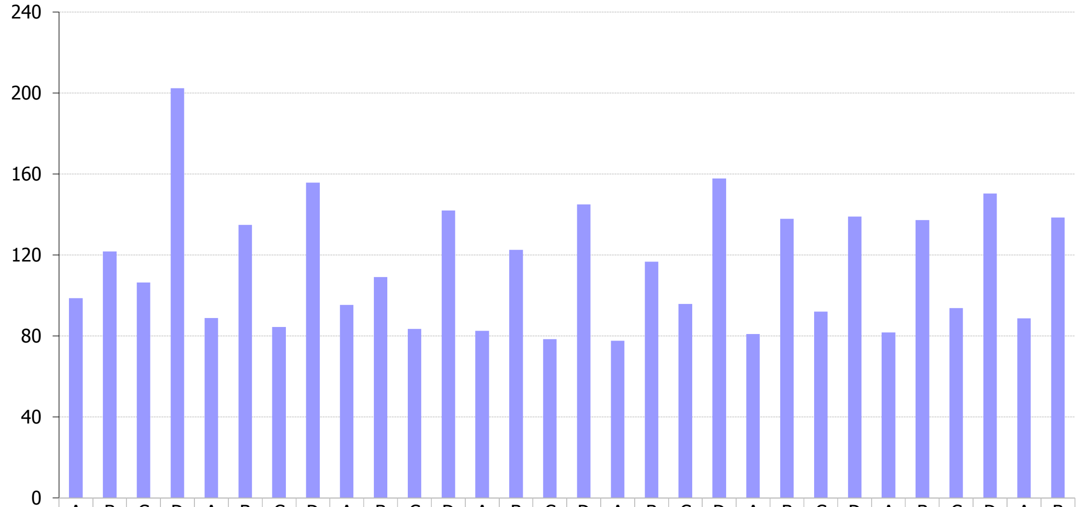


Year	2008				2009				2010				2011				2012				2013				2014				2015	
Quarter	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B
Indicator	107	139	96	177	90	111	114	137	85	78	58	87	62	71	62	83	56	62	46	74	44	55	53	56	54	50	41	85	57	60

Source: ELSTAT

Figure 3.8

Turnover Index in Legal, Accounting, Consulting Services (sectors 69 &70.2)

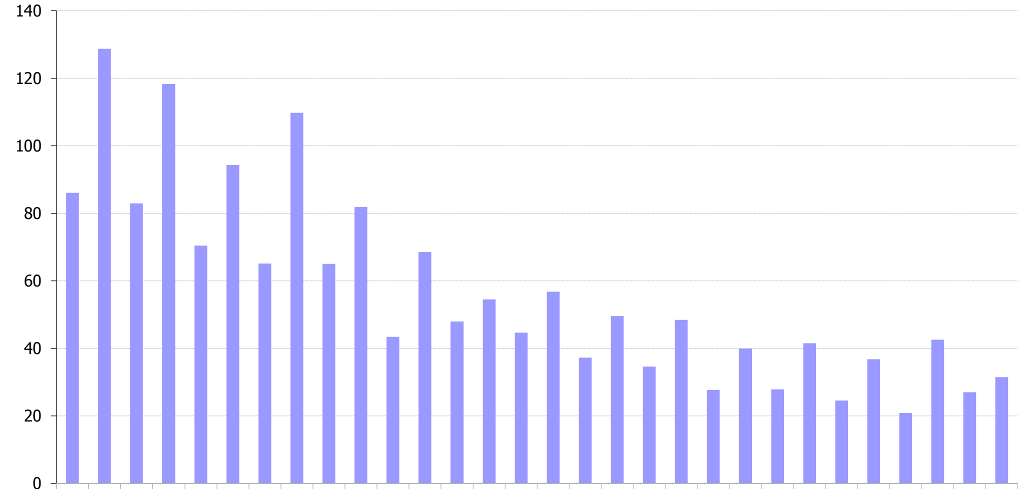


Year	2008				2009				2010				2011				2012				2013				2014				2015	
Quarter	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B
Indicator	99	122	106	202	89	135	84	156	95	109	84	142	83	123	79	145	78	117	96	158	81	138	92	139	82	137	94	150	89	139

Source: ELSTAT

Figure 3.9

Turnover Index in Advertising, Market Research and Opinion Polling Services (Branch 73)

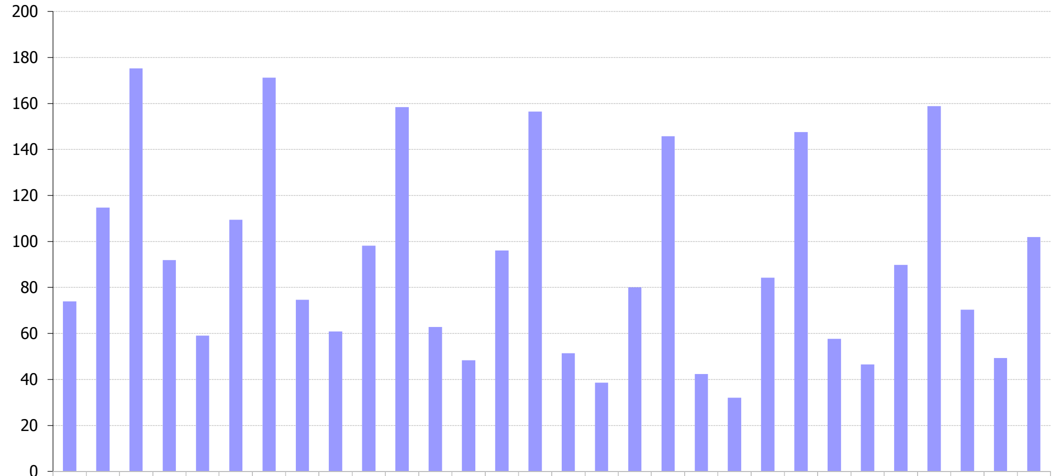


	2008				2009				2010				2011				2012				2013				2014				2015	
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B
Indicator	86	129	83	118	70	94	65	110	65	82	43	69	48	55	45	57	37	50	35	48	28	40	28	42	25	37	21	43	27	32

Source: ELSTAT

Figure 3.10

Turnover Index in Tourism Services (Accommodation and Food Services Activities, branches 55 & 56)



	2008				2009				2010				2011				2012				2013				2014				2015	
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B
Indicator	74	115	175	92	59	109	171	75	61	98	158	63	48	96	157	51	39	80	146	42	32	84	148	58	47	90	159	70	49	102

Source: ELSTAT

Table 3.6

Turnover Indices in Services (Annual Change– 2005=100)

	H1 2013	H1 2014	H1 2015	Change '14/'13	Change '15/'14
Car Trade	48.1	58.5	67.0	**21.5%**	**14.6%**
Land transports & transport via pipe-lines	86.9	85.1	81.1	**-2.1%**	**-4.7%**
Water Transports	65.3	55.9	55.7	**-14.5%**	**-0.3%**
Air Transports	86.7	99.5	97.4	**14.7%**	**-2.1%**
Auxiliary to transport services & ware-house activities	77.4	80.3	85.8	**3.7%**	**6.8%**
Travel agencies	87.3	88.6	83.4	**1.4%**	**-5.8%**
Postal and courier services	43.6	45.3	37.8	**4.0%**	**-16.6%**
Publishing services	65.5	61.8	61.9	**-5.7%**	**0.2%**
Telecommunications	50.2	51.9	58.6	**3.5%**	**12.9%**
Informatics	134.2	129.4	153.5	**-3.5%**	**18.6%**
Data processing	110.2	109.5	113.6	**-0.6%**	**3.8%**
Legal, accounting, consulting services	48.7	32.5	39.4	**-33.3%**	**21.1%**
Architectural – Engineering services	34.2	30.7	29.3	**-10.2%**	**-4.7%**
Advertising, market research, polls	53.0	46.8	57.7	**-11.7%**	**23.4%**
Administrative office works	58.2	68.3	75.6	**17.4%**	**10.8%**

Source: ELSTAT

Table 3.7

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

	Jan – Sep. 2013	Jan – Sep. 2014	Jan – Sep. 2015	Change '14/'13	Change '14/'15
Hotels - Restaurants	81.2	99.8	94.3	22.9%	-5.5%
Travel agencies and tour operators	89.5	123.7	110.5	38.2%	-10.7%
Other Services to Enterprises	59.9	68.2	48.2	13.9%	-29.3%
Financial Intermediation	71.3	85.7	57.5	20.2%	-32.9%
Information Services	60.3	80	53.7	32.7%	-32.9%
Total Services	**68.9**	**86.7**	**70.7**	**25.8%**	**-18.5%**

Source: IOBE

A more moderate increase was registered in Management Consultancy, Legal and Accounting Activities (branch 69 & 70.2), where demand grew by 3.8%, compared to losses of 0.6% last year.

Lastly, turnover in Accommodation and Food Service Activities (branches 55 & 56) increased in the second quarter of 2015 by 13.4% year on year. During the first half of 2015, turnover grew by 10.9% (17.2% in 2014).

Despite the improvements in turnover during the first half of 2015, the expectations as measured in the **Business Surveys conducted by IOBE,** referring to the first nine months of 2015, were clearly worse than those in the same period of 2014. The overall indicator for Services declined by 18.5%, compared to the corresponding period of 2014, when it was growing by 25.8%. Pessimism strengthened across all sub-categories.

In more detail, the respondents in the Computer Programming sector were particularly pessimistic, with the relevant indicator losing 26 units, following an increase of 20 units last year. Similar trends were observed in Financial Intermediaries (-28 units from +14 in 2014), Various Business Services (-20 units against a moderate increase of 8 units last year) and Travel Agencies where the index contracted by 13 units, compared to an increase of 34 units in 2014. Moderate losses were recorded in Hotels-Restaurants, where the index declined by 5.5 units compared to an increase of 19 units during the same period of last year.

3.3 Export Performance of the Greek Economy

The **exports of goods** in the first seven months of 2015 reached €12.8 billion, from €13 billion in the corresponding period of 2014, recording a **reduction by 2.2%**. Not taking into account the **exports of petroleum products, the exports of the remaining goods increased by 13.3% during the same period** to reach €8.9 billion in 2015, from €7.9 billion in the previous year. Note that the much lower exports of petroleum products came from the sharp drop of the oil prices globally; hence the reduction in value is not reflected in a reduction in volume terms. Meanwhile, imports decreased by 6.9% during the same period, reaching €21.7 billion, from €23.3 billion in 2014. As a result, the **trade deficit** declined by €1.3 billion (-12.9%) to €8.9 billion, from €10.2 billion. Consequently, the **value of the exports of goods** produced in Greece **corresponded to 59% of imports**, from 56.2% in the first six months of the previous year. Note that **the preliminary data for the first eight months of the year indicate that the decline of exports accelerated to 3.3%**, with their value falling from €17.8 billion to €17.2 billion. Without the petroleum products, the growth of exports slightly weakened, to 12.3% (+€1.3 billion). The contraction of imports strengthened further (-10.8%), contributing to the improvement of the balance of the external sector after the imposition of the capital controls.

In greater detail, the exports of Agriculture Products increased by 18% in the first seven months of 2015 (Table 3.7), to reach €2.5 billion from €2.2 billion in the previous year. Meanwhile, the exports of Fuels declined by 26.1%, falling below €3.8 billion in 2015, from €5.2 billion in 2014. Note that these two product categories represented about 49.9% of Greek exports in the current year (from 56.1% in 2014). The growth in Agriculture Products came mostly from the large increase, by 216.1%, in the demand for Animal and Vegetable Oils and Fats, the value of which exceeded €407.8 million (from €129 million in 2014). As a result, their share in total exports increased from 1% in 2014 to 3.2% in 2015. The exports of Food-Raw Animals, which represents about 71.4% of the exports of Agriculture Products, increased by 2.1%, from €1.79 billion in 2014 to €1.82 billion in 2015. The foreign demand for Beverages and Tobacco, which represent 12.7% of the exports of Agriculture Products, totalled €325.1 million, higher by 29.2% compared with the first six months of 2014 (€251.6 million).

The exports of Manufactured Goods increased by 12.2% in the first six months of 2015, with their value reaching €5.6 billion, from €4.9 billion in the previous year. The increase is largely explained with the growth of the demand for Machinery and Transport Equipment, by 22.8%, with their value reaching €1.2 billion from €1 billion in the previous year. The exports of Manufactured Goods Classified Chiefly by Material also increased significantly, by 17.2% (from €1.8 million in 2014 to €2.1 million in 2015). Improved export performance was also recorded in Miscellaneous Manufactured Articles, by 3.3% (from €810.9 million in 2014 to €837.3 million in 2015). The exports of Chemicals and Related Products increased as well, by 2.5% (from €1.31 billion in the first six months of 2014 to €1.35 in the current year).

Lastly, the exports of Raw Materials also increased, by 5,6% (from €469,4 million in 2014 to €495,5 million in 2015), while the exports of Commodities and Transactions Not Classified Elsewhere expanded by 11,4% (from €293.3 million in 2014 to €326.8 million in 2015).

Regarding the export trends per geographical area, the exports to the Euro area countries, which absorbed more than 1/3 of the Greek exports in the first six months of 2015, reached €4.8 billion in the current year, from €4.1 billion in the same period of 2014. The increase in the EU overall was lower (+€769.9 million or 13.3%), with exports reaching €6.7 billion in the current year, from €5.9 billion in the current year. Among the countries in the EU with the largest share of Greek products, exports increased in Italy by 23.1% (from €1.2 billion to €1.5 billion) and the Netherlands by 18.8%, while a contraction of exports was recorded in Spain, by 1.7% (from €375.4 million to €369 million). Note that the largest export contraction in the Euro area in the first six months of 2015 was observed in Austria, by 2.5% or €2.3 million (from €94.3 million in the previous year, to €91.9 million in the current year), while the strongest growth was recorded in Malta (+217.7% or €64.3 million).

Among the remaining countries of the European Union, where total exports grew by 8.7% or €160.3 million (from €1.8 billion in 2014 to €2 billion in 2015), Bulgaria remained the main destination for Greek products, despite a year-on-year decline by 1.4% or €8.6 million. In contrast, exports increased in two other countries that absorb a large share of exports in this category of countries, the United Kingdom and Romania, where they grew by 15.9% or €69.7 million (to reach €508.3 million), and by 19.1% or €56.2 million (amounting to €351.2 million) respectively. The largest percentage growth, by 27.7%, was recorded in Denmark, where Greek exports increased by €13.7 million (from €49.4 million to €63.1 million).

Regarding the remaining countries in Europe, Greek exports declined by 33.4% (from €3.1 billion in 2014 to €2.1 billion in the current year). The exports to Turkey, one of the major export destinations for Greek products, fell abruptly, by 42.5% (€669.1 million), from €1.5 billion in the previous year to €905 million in 2015.

Table 3.8

Exports per category in current prices, January – July 2015, (million €)

PRODUCT	VALUE		% CHANGE	% COMPOSITION	
	2015*	2014*	2015*/2014*	2015*	2014*
AGRICULTURAL PRODUCTS	2.560,9	2.171,1	18,0%	20,0%	16,6%
Food and Live Animals	1.828,0	1.790,5	2,1%	14,3%	13,7%
Drinks and Tobacco	325,1	251,6	29,2%	2,5%	1,9%
Oils and Fats of animal or plant origin	407,8	129,0	216,1%	3,2%	1,0%
RAW MATERIALS	495,5	469,4	5,6%	3,9%	3,6%
Non-edible Raw Materials excluding Fuels	495,5	469,4	5,6%	3,9%	3,6%
FUELS	3.823,1	5.173,1	-26,1%	29,9%	39,5%
Minerals, Fuels, Lubricants etc.	3.823,1	5.173,1	-26,1%	29,9%	39,5%
INDUSTRIAL PRODUCTS	5.592,8	4.985,4	12,2%	43,7%	38,1%
Chemicals and Related Products	1.350,1	1.317,5	2,5%	10,5%	10,1%
Industrial Products Sorted by Raw Material	2.168,2	1.849,6	17,2%	16,9%	14,1%
Transport Equipment	1.237,2	1.007,3	22,8%	9,7%	7,7%
Various Manufactured Goods	837,3	810,9	3,3%	6,5%	6,2%
OTHER	326,8	293,3	11,4%	2,6%	2,2%
Goods and Transactions not sorted by Category	326,8	293,3	11,4%	2,6%	2,2%
TOTAL EXPORTS	12.799,2	13.092,3	-2,2%	100,0%	100,0%

* Provisional data
Sources: ELSTAT, PSE-KEEM

In the countries of North America, exports increased by 58.5% (from €491 million in 2014 to €778 million in the current year), mainly due to the growth of exports to the US market, from €382.6 million to about €621.7 million (+62.5%), and to a lesser extent from the growth of Greek exports to Mexico and Canada by 35.7% (€23.3 million) and 57% (€24.6 million) respectively.

The exports to the countries of the Middle East and North Africa increased by 4% (from €1.80 billion in the previous year, to €1.87 billion in 2015), mainly due to growth in the exports to Egypt (+17.6%, from €490.5 million to €576.6 million) and Lebanon (79.1%, from €200 million to €358.2 million). The growth of exports was moderated by a significant decline in Libya (-39.8%), where they fell to €73.8 million, from €122.5 million in the previous year and Algeria (-27.7%), where exports fell to €94.4 million from €130.5 million. The exports to two other significant destinations in the Middle East increased by 5.4% in Saudi Arabia, to reach €370.6 million, and declined by 44.8% in the United Arab Emirates, to reach €111.2 million.

The flow of exports to Oceania strengthened, with their value reaching €74.2 million in the first six months of 2015, from

€68.7 million in the same period of 2014. The growth of exports to Australia totalled 8.2% (from €63.2 million in 2014 to €68.4 million in 2015) while in New Zealand exports increased by 5.5% (from €5.5 million in 2014 to €5.8 million in 2015).

The exports to the Latin American countries increased significantly in the first six months of 2015, by 133.5%, with their values reaching €95 million, from €40.7 million a year before. The growth of exports to these countries mainly came from stronger demand for Greek products in Panama, by 315.4%, where their value reached €48.5 million in 2015 from €11.7 million in 2014.

In contrast, the demand for Greek products in Asia weakened, albeit marginally, as exports in the first six months of 2015 fell by 0.3% year on year to €674.3 million from €676.6 million. This development came mostly from export contraction in Singapore (-45.8%, from €170.8 million to €92.6 million) and China (-30.7%, from €107 million to €154.3 million). In contrast, the exports of Greek products increased significantly, by 94%, in the current year in South Korea (€203.7 million in 2015, €105 million in 2014).

Table 3.9

Exports by destination January –June 2015 and 2014*

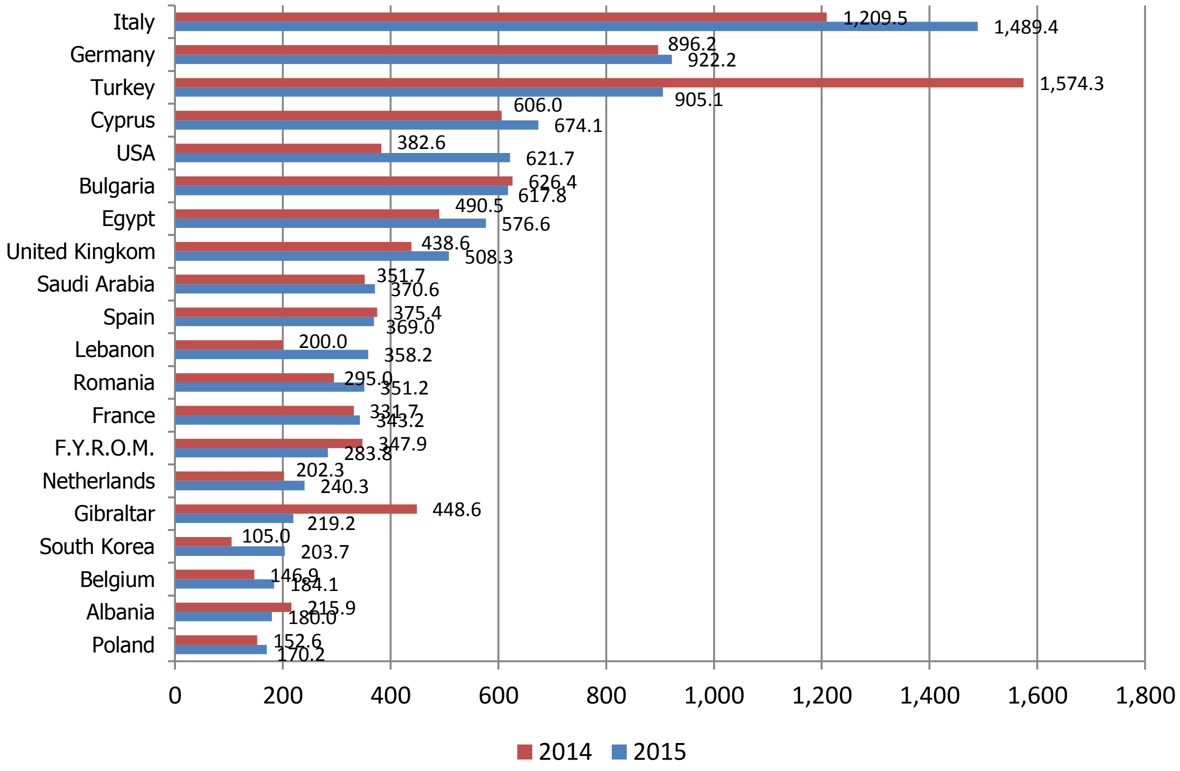
REGION	EXPORTS		% CHANGE	% COMPOSITION	
	2015	2014	2015/2014	2015	2014
World	12.799,2	13.092,3	-2,2%	100,0%	100,0%
OECD	7.202,0	6.813,9	5,7%	56,3%	52,0%
EU (28)	6.777,8	5.981,0	13,3%	53,0%	45,7%
Euro Area	4.772,7	4.136,2	15,4%	37,3%	31,6%
G7	3.982,0	3.326,8	19,7%	31,1%	25,4%
North America	778,0	491,0	58,5%	6,1%	3,8%
BRICS	282,1	381,3	-26,0%	2,2%	2,9%
Middle East & North Africa	1.877,8	1.805,7	4,0%	14,7%	13,8%
Rest of Africa	861,0	852,5	1,0%	6,7%	6,5%
Oceania	74,2	68,7	8,0%	0,6%	0,5%
Latin America	95,0	40,7	133,5%	0,7%	0,3%
Rest of Asia	674,3	676,6	-0,3%	5,3%	5,2%
OPEC	738,8	891,1	-17,1%	5,8%	6,8%

* Provisional data for 2014 and for 2015

Source: ELSTAT, KEEM

Figure 3.11

Countries with the largest share in exports of Greek products (in million €), during January – June 2015 and 2014



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

To sum up, the contraction of exports in the first six months of 2015 came exclusively from the significant reduction of the exports of Fuels (-€1.35 billion or -26.1%), due to the fall of the global oil prices, and not from a fall in foreign demand. The growth in the exports of Agriculture Products (+€490 million or +18%) and Manufactured Goods (+€607 million or +12.1%) was not strong enough to offset the overall contraction of exports.

Regarding the geographic distribution of exports, growth momentum was observed in two of the major geographical destination for Greece, namely in the Euro Area (+€636 million or +15.4%) and the countries of North America (+€287 million or +58.5%). In contrast, the exports to the OPEC countries declined significantly (-€152 million or -17.1%).

The very good export performance in the first six months of the year (except for petroleum products) is expected to weaken in the current period, remaining however marginally positive, due to the imposition of the capital controls and despite the satisfactory rate with which they are being eased. Regarding the exports of petroleum products, the negative impact from the low price of oil will ease, without disappearing, in the second half of this year, given that the fall in the oil prices took place a year before. Under the influence of the above trends and given the reduction by 2.2% in the first six months of this year, the contraction of the exports of goods will deepen in the second half of 2015, to reach between 4-5% overall for 2015.

3.4 Employment - Unemployment

According to data from the Labour Force Survey of ELSAT, **unemployment in Greece decreased in the second quarter of 2015 by two percentage points year on year and quarter on quarter, to reach 24.6%.** The year-on-year decline was the largest since the second quarter of the previous year when unemployment started to decrease. The number of unemployed declined in the second quarter of the current year by 100,000, to 1,180,100 people (-7.8%), while the number of employed increased by 86,400 to 3,625,500 (+2.4%). **Overall in the first six months of 2015, unemployment reached 25.6%, 1.6 percentage points lower year on year.**

The unemployment rate in Greece has remained the highest in the Euro area since the third quarter of 2012. Spain was the only country with a large, albeit significantly lower than in Greece, unemployment rate, which reached 22.6% in the second quarter (from 24.7% in the previous year), declining for the eighth consecutive quarter.

Among the remaining countries that had entered support mechanisms in the past, unemployment was also falling. In Portugal, unemployment declined for a ninth consecutive quarter to reach 12.4%, from 14.4% in the same period of the previous year. A similar trend was recorded in Ireland, where unemployment has been falling since the third quarter of 2012, to reach a single digit level (9.6%), compared with 11.6% in the same period of 2014. Lastly, in Cyprus unemployment, which had increased slightly from the second quarter of 2014 until the end of the year, from 16.1% to 16.5%, has been falling in the current year, declining in the second quarter of 2015 to 15.4%.

The lowest unemployment rate in the Euro area during the second quarter of 2015 – as in the previous quarters – was recorded in Germany (4.7%, from 5% in the same quarter of 2014), Malta (5.4% from 5.9%), Luxembourg (5.9% from 6%) and Austria (5.9%, from 5.6%).

In the other two large economies of the Euro area, France and Italy, unemployment remained relatively stable, varying around 10.4% in the former and around 12.6% in the latter.

The increase of unemployment from 2009 to 2013 came exclusively from the reduction of employment. Since the third quarter of 2008, when the number of employed had reached its peak (4,639,600 people), employment was falling steadily year on year until the first quarter of 2014. Since then, the number of employed has grown slightly but steadily.

Regarding the characteristics of unemployment, **it has persistently been affecting women far more than men.** According to data from Eurostat, the unemployment rate among women in Greece has been persistently higher than the corresponding rate for men by about 6.5 percentage points on average since the first quarter of 2008. This difference reached about 7 percentage points in the second quarter of this year (28.8% among women against 22% among men, compared with 30.8% and 23.9% respectively in the previous year). In contrast, the unemployment gap between men and women in the Euro area has been very small, varying at 0.4 on average since the first quarter of 2008, while in the second quarter of 2015 the unemployment rate among men reached 10.9% (from 11.5% in the previous year) and 11.2% among women (from 11.8% in the previous year).

Regarding the **age structure of unemployment**, the rate decreased year-on-year in all age groups. The fall of unemployment ranged from 0.3 percentage points in the age group of those above 65 years old (9.9% in the second quarter of 2015, from 10.2% in the same period of the previous year) to 6.7 percentage points among those aged 15-19 years old (56.3% in the current year, from 63% in the same period of 2014). Unemployment declined significantly in the age group 25-29 years old as well, to 35.7% from 40% in the previous year (-4.3 percentage points). Overall in the age group of 20-29 years old, unemployment declined by 3.5 percentage points, that is from 43.4% and 352,700 unemployed in the second quarter of 2014 to 39.9% or 312,100 unemployed in the same quarter of this year. Lastly, in the age group of 30-44 years old, the number of unemployed fell by 1.7 p.p., from 544,900 to 506,300 people or from 25.5% to 23.8%.

Despite the gradual reduction of unemployment since early 2014, the percentage of **long-term unemployed** does not show signs of abatement, as since the last quarter of 2013 it has hovered above 70%. Nevertheless, the indicator decreased year on year by 1.3 percentage points in the second quarter of the current year (from 74.4% in 2014 to 73.1% in 2015). Note that the number of long-term unemployed is lower than a year ago, at 863,200 (from 952,200), due to the reduction of the labour force (from 4,819,200 to 4,805,700 in the current year).

Concerning the education level, the unemployment rate decreased year on year in all educational attainment levels, except for those that did not receive any education. The largest reduction (10.7 percentage points) was recorded among individuals with only early childhood education (from 43.3% to 32.6%) while the smaller reduction (0.5 percentage points) was observed among university graduates (from 19% to 18.5%). In contrast, the unemployment rate among individuals that did not receive any education increased year on year by 17.7 percentage points, to reach 52.5%. Finally, the unemployment rate was higher than the national average among the graduates of lower secondary education (27.9% from 32% in the previous year), while the holders of postgraduate or doctoral degrees had a lower than the national average unemployment rate (from 13.4% in the second quarter of last year, to 11.9% in the current year).

Concerning the **regional trends**, unemployment declined year on year in the second quarter of the year in all regions of Greece, except for Western Macedonia and Thessaly. The unemployment rate was lower than the country average in seven regions (Eastern Macedonia - Thrace, Epirus, Ionian Islands, Peloponnese, North Aegean, South Aegean and Crete) while in three of them it was lower than 20% (Ionian Islands, North Aegean and South Aegean). The highest unemployment rate was observed in the second quarter of this year in Western Macedonia, higher year on year as well (from 27.3% to 30.1%), while unemployment in Thessaly, which also increased, was not as high (from 25.1% to 25.8%). In contrast, the largest reduction of unemployment was observed in Epirus (from 28.3% to 23.8%) and South Aegean (from 17.9% in the second quarter of 2014 to 13.4% in 2015). Note that South Aegean is the region with the lowest unemployment rate in the country. Lastly, in Attica, which concentrates the largest section of the country's population, unemployment has continuously fallen since the last quarter of 2013, to reach 25% (from 27.4% in the second quarter of 2014), while the unemployment rate in North Aegean has fallen for a fifth consecutive quarter, to reach 19.4% (from 22.7% in the same quarter of 2014).

In terms of **key economic sectors**, employment in the primary sector declined year on year for a second quarter in a row. In particular, employment fell in the second quarter of 2015 by 0.7% year on year (from 475,900 to 472,400 people), in the aftermath of a 0.7% reduction in the previous quarter. In contrast, employment in the other two sectors increased. In the secondary sector, employment reached 538,800 people from 531.800 employed in the same quarter of 2014 (increase by 1.3% or by 7,000 people). In the tertiary sector, the employment growth has continued for a year and a half, reaching 2,614,400 people, from 2,531,300 employed in the same quarter of 2014 (growth of 3.3% or 83,100 people).

Employment increased in 10 of the 21 **branches of economic activity**, falling in the remaining 11 branches. In branches with a significant weight in the Greek economy, such as Manufacturing and Retail - Wholesale Trade, employment increased for a second and third consecutive quarter respectively. Employment in Manufacturing increased by 4.2% or 13,500 people (from 318,500 to 332,000). Meanwhile, employment in Retail - Wholesale Trade increased by 5.3% or 32,800 people (from 624,500 to 657,300). Employment increased sharply in another important for the Greek economy sector - Accommodation-Food Services - by 10.4% or 31,500 people (from 333,700 to 302,200). It is indicative that employment in Construction marginally increased, by 0.8%, for the first time since 2009, reaching as a result 149,400 employed, from 148,200 people (+1,200 employed). In contrast the largest employment contraction was observed in Mining-Quarrying (-17.4% or -2,000 people), Arts – Entertainment - Recreation (-12.8% or -6,200 people), Water Supply

(-11.3% of -2,900 people), Electricity Supply (-10.3% or -2,900 people) and Financial-Insurance Activities (-8.5% or -8,100 employees).

In conclusion, the employment data indicate that the year-on-year surge in employment in the second quarter of the current year was primarily due to:

- Wholesale - Retail Trade (+32,800 people), mainly due to the year-on-year consolidation of the volume of Retail Trade, probably due to positive expectations generated by the good for the sector second half of 2014.
- Tourism (+31,500 people), from a year-on-year growth in tourist arrivals in the second quarter by 4.8% or about 222,700 people (from 4,626,700 to 4,849,300 people[13])
- Employment growth in Professional-Scientific-Technical Activities (+30,300 people, from 185,800 to 216,100).

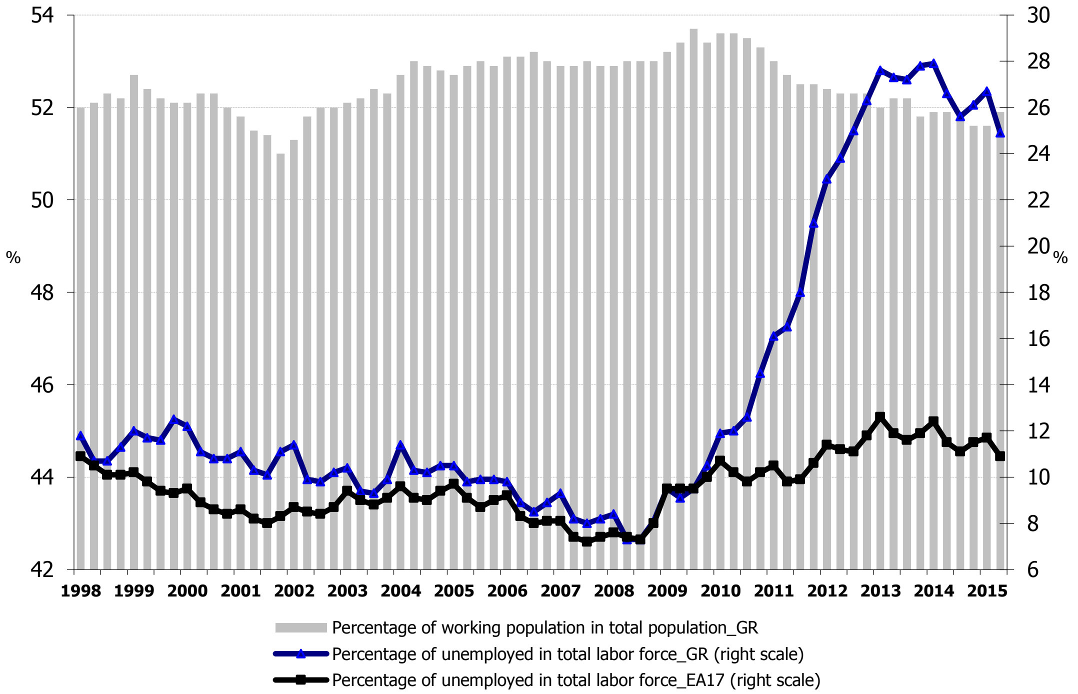
The expansion in employment was not offset by the decline in Public Administration and Defence (-9,400 people) and Financial and Insurance Activities (-8,100 people), primarily due to voluntary redundancy programmes in these sectors.

The labour cost in the public sector was falling to a greater extent than the costs in the private sector between the fourth quarter of 2011 and the fourth quarter of 2012. Afterwards and until the second quarter of 2014, the change in cost was higher in the private sector. In the public sector, the labour cost increased by 2.3% on average in the first three quarters of 2014. According to the latest data, the labour cost in the **private sector** declined year on year by 4.1%, in the aftermath of a 2.1% reduction in the previous month.

[13] According to data from the association of Greek tourist enterprises SETE on international tourist arrivals in the main 13 airports of Greece

Figure 3.12

Labour participation and unemployment rates

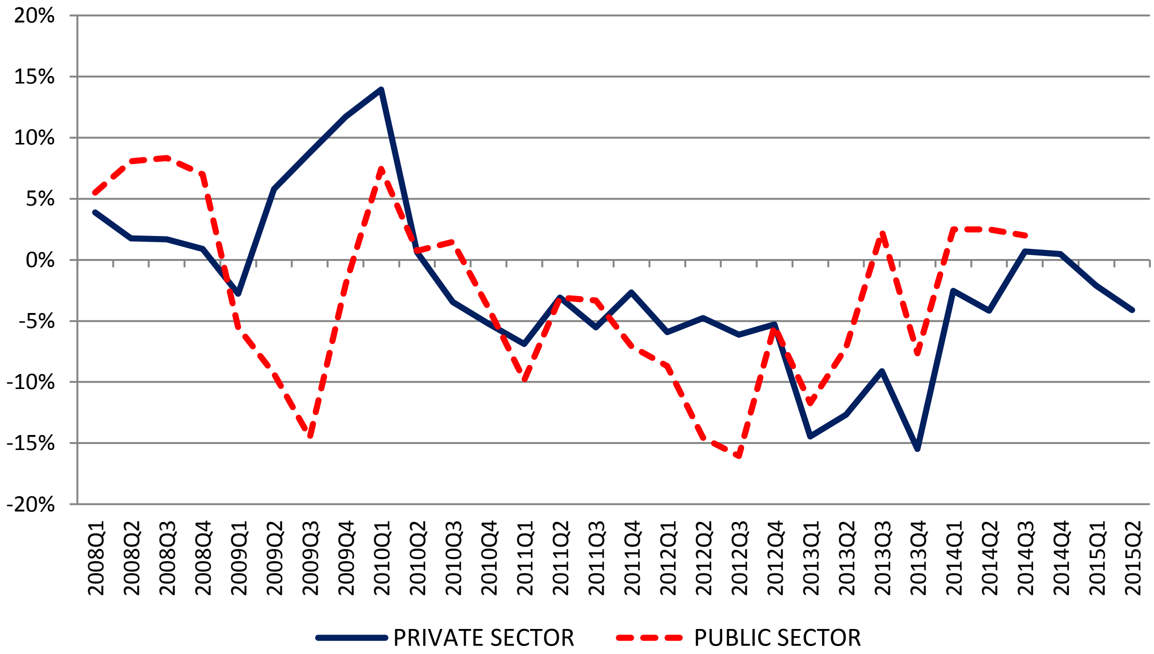


Source: ELSTAT –Labour Force Survey, Eurostat

Figure 3.13

Labour cost in the Public and Private sectors in Greece

(2008/Q1 – 2014/Q3)



Source: Eurostat, ELSTAT

Table 3.10
Population aged 15 years and over by employment status (in thousand)

Quarter/Year	Total	% of Population	Employed	Percentage (%) of the labour force	Unem-ployed	Percentage (%) of the la-bour force
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
2010	9.399,4	53,5	4.389,8	87,3	639,4	12,7
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
Q1 2015	9.259,1	51,6	3.504,4	73,4	1.272,5	26,6
Q2 2015	9.250,7	51,9	3.625,5	75,4	1.180,1	24,6

Source: EL.STAT, Labour Force Survey

Medium-term Outlook

As already analysed, the unemployment reduction in the first half of the current year came from employment expansion in specific sectors, such as Tourism, Retail-Wholesale Trade and Professional-Scientific Activities. The activity in the first two of these sectors is tightly linked with the final demand for products and services.

On the other hand, the imposition of capital controls by the end of the first half and the bank holiday, the new fiscal measures and the deterioration of consumer confidence – business sentiment from the extension of the fiscal consolidation process for three more years, which has already reflected in the Business and Consumer Surveys of the European Commission, complied in Greece by IOBE, are anticipated to have a negative impact, primarily on domestic final demand, affecting the sectors that contributed most to the decrease in unemployment. Besides, since July, the seasonally adjusted volume index of Retail Trade declined by 6.4% year on year, after a period of stability in the first half of the year (+0.1%).

Most probably, the impact of the capital controls on Tourism will be weaker than in most other sectors as the foreign visitors were exempt from all restriction on digital payments from the start. International arrivals, according to the latest available data from the Bank of Greece for July, increased at a much lower rate than in the first half of the year (4.4% from 20.8%), with a similar trend in travel receipts (+3.5%, compared with +8.2% in the first seven months). However, given that July was the first month with capital controls, these flows will most likely stabilise for the rest of the tourist period, without however returning to their levels before the imposition of capital controls. Therefore, a significant part of the employment growth in the enterprises of the Tourism sector will carry over to the third quarter and most probably to the beginning of the fourth quarter.

Regarding the employment in the public sector, the rehiring of 7,500 people that had been previously laid off could count against the planned in the previous Economic Adjustment Programme recruitment of 15,000 new employees. However, combined with the fewer than anticipated departures, according to the draft State Budget for 2016, this will keep the employment in the public sector largely unchanged.

Therefore, the impact from the capital controls and the fiscal measures are expected to interrupt the reduction of unemployment that had started in the second quarter of the previous year. The new boost of unemployment will be moderated by employment in Tourism, which will remain largely intact from the effects of the capital controls. **Under the influence of the above factors in the current half of the year and taking into account the significant fall of unemployment in the previous half, the unemployment rate is expected to vary around 26.0% for 2015 overall, slightly lower than in the previous year (26.5%).**

According to the latest IOBE business surveys, **the short-term employment outlook deteriorated significantly quarter on quarter in the third quarter in all sectors of the Greek economy.** In greater detail:

The employment expectations deteriorated quarter on quarter in the third quarter of 2015 in all sectors, with a stronger reduction in Services and Industry. Year on year, the expectations deteriorated sharply in all sectors, with the strongest decline recorded in Construction and Industry. Note that in the corresponding period of 2014 in all sectors, except Services, where the balance of expectations was even, the balance of employment expectations was positive. In particular:

In Industry, the negative balance of employment expectations deteriorated by 22 points quarter on quarter in the third quarter of 2015, averaging -24 points. Year on year, the average quarterly index was lower by 30 points. The percentage of industrial businesses that were foreseeing growth in employment in the near term fell to 4% (from 9%) while the percentage of businesses expecting a contraction in the number of jobs increased to 28% (from 12%). The majority of businesses in the sector (68% from 79%) were expecting employment to remain unchanged.

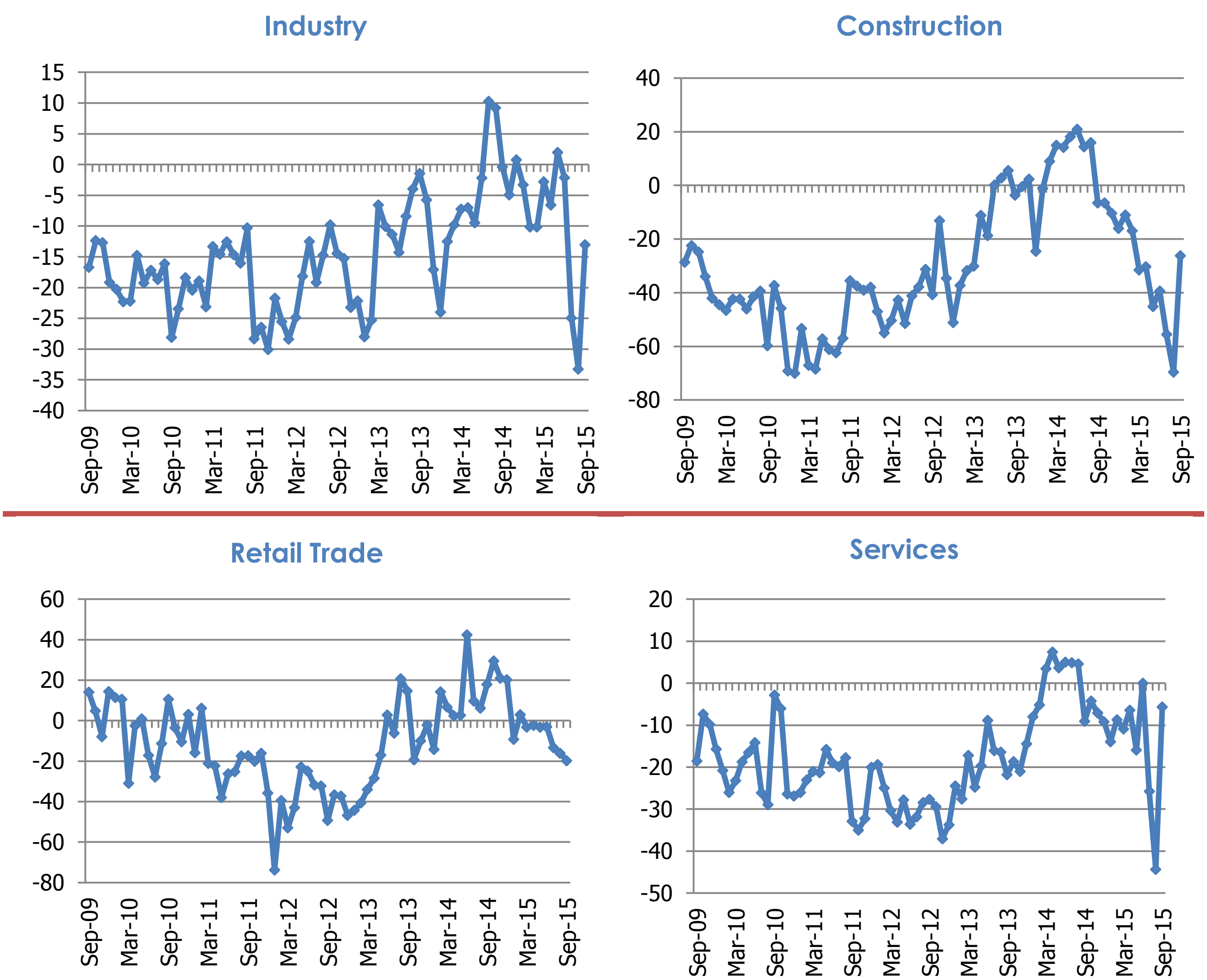
In Construction, the expectations also deteriorated in the quarter under examination, albeit to a lesser extent, with the quarterly average of the index falling by 12 points to reach -50. However, the index declined by 58 points year-on-year. About two thirds (from 1/2) of the companies in the sector were foreseeing fewer jobs while the share of companies expecting an increase of employment fell to 11% (from 13%). With respect to individual sectors, the decline in the overall index stems from the deterioration in Public Works (-54 points on average from -35), as the expectations in Private Construction strengthened (to -39 from -52).

In Services, the employment expectations in the third quarter of 2015 slightly deteriorated quarter on quarter as well, with an even larger drop year on year. The index lost ground since the preceding quarter from -7 points to -25 points (compared with 0 points in the third quarter of 2014). About 1/3 of the companies in the sector (from 1/4) were expecting a further decrease in employment in the near term while the percentage of companies that were foreseeing an increase in employment decreased to 8% (from 17%). A strong downward trend dominated across most subsectors, with the exception of Financial Intermediaries, where the employment expectations remained stable.

The index of employment expectations in Retail Trade was significantly lower quarter on quarter in the third quarter of this year, at -16 (from -3 points in the second quarter). This level is considerably lower than in the corresponding period of last year (+11 points). About 17% (from 5%) of the businesses in this sector were foreseeing a further contraction in jobs, with 1-2% expecting employment growth and 92% foreseeing employment to remain stable. With respect to subsectors, employment expectations remained unchanged in Department Stores again, and declined in the remaining sectors, with more pronounced deterioration in Food-Beverages-Tobacco.

Figure 3.14

Employment expectations (difference of positive – negative responses)



Source: IOBE

3.5 Consumer Prices

Recent developments

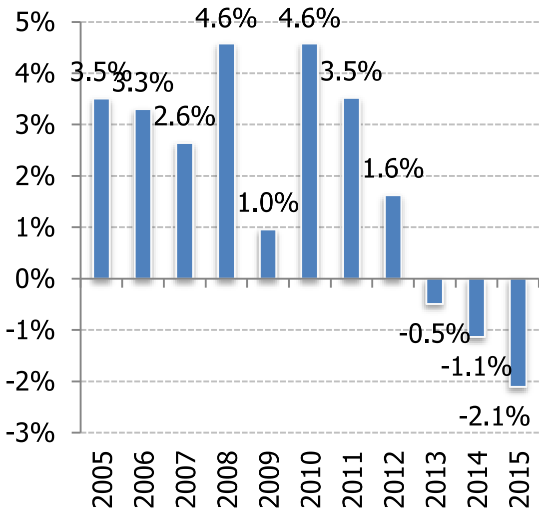
The strong deflation in the Greek economy carried over to the third quarter of 2015. In particular, the Consumer Price Index (CPI) was lower year on year by 1.8% on average, compared with a 0.6% year-on-year decrease in the same period of 2014. Deflation overall in the first 9 months of the year reached 2.1%, one percentage point higher year on year, at its highest rate at least since 1960.

Regarding the trends at sector level in the first nine months of 2015, the price index for Food Products and Non-Alcoholic Beverages rebounded to positive rates of year-on-year change (+1.4%, from -1.9% in 2014). The prices of alcoholic drinks and tobacco products continued their growth, at a similar rate with 2014 (about 2.0% in both years).

Figure 3.15

Average CPI change in Greece

(Jan. - Sep, 2005-2015)



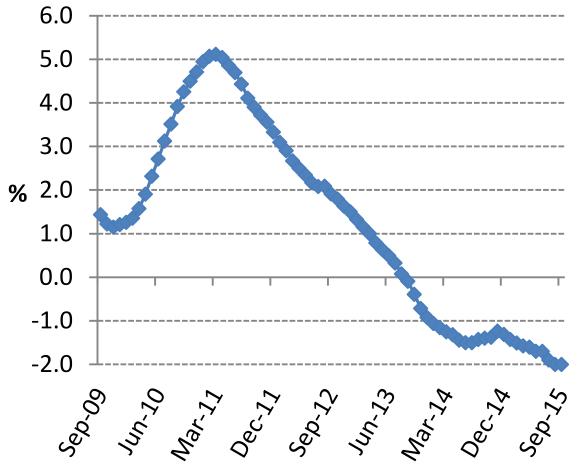
Source: ELSTAT, data processing IOBE

The price growth in Health Services and Communications from 2014 did not carry over to the first nine months of 2015 (-1.4% and -0.05% respectively). In all other categories of goods and services, the year-on-year deflation carried over to this year. Note the large price drop in Housing (-7.2% from a mild decrease by 1.1% in 2014), and the almost double year-on-year decline in Durables by 2.2%.

The Harmonised Index of Consumer Prices (HICP) declined in the first eight months of the year by 1.6%, compared with 1.3% deflation in the previous year. At Eurozone level, Greece had the largest negative change of the HICP, together with Cyprus (-1.6%). Deflation was also observed in Ireland (-0.1%), Spain (-0.6%), Lithuania (-0.8%), Slovenia (-0.7%) and Slovakia (-0.3%), while in Luxembourg and France prices remained unchanged on average.

Figure 3.16

CPI in Greece (annual percentage change)



Source: ELSTAT, data processing IOBE

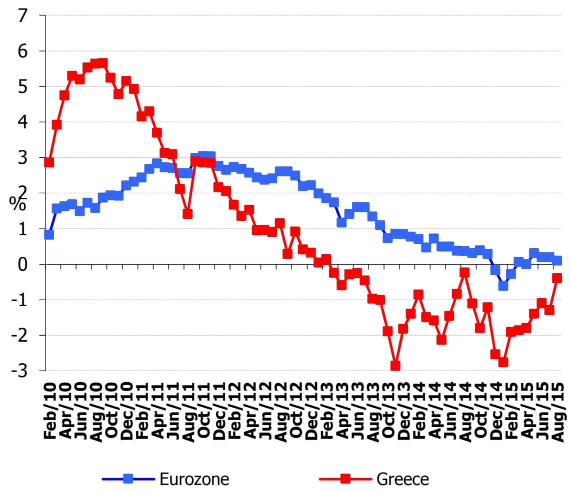
A small positive change was recorded in Germany and the Netherlands (+0.1%), Belgium (+0.3%) and Portugal (+0.4%).

According to the latest available data, the Producer Price Index (domestic and foreign markets) decreased in the first eight months of the year by 6.3%. This was the second largest contraction for this time period in a decade, with the largest drop recorded in 2009 (-7.9%). This year's reduction of PPI exceeded by at least five percentage points the corresponding changes in the previous two years.

In greater detail on the individual sectors of economic activity, the largest contraction in the first eight months of this year was recorded in Coke - Refined Petroleum Products (-27.7%) and Extraction of Crude Petroleum – Natural Gas (-5.2%). Basic Pharmaceutical Products, Beverages and Other Mining – Quarrying followed next, at a large distance (all with a deflation of 1.7%).

Figure 3.17

HICP in Greece and the Euro area
(annual percentage change)

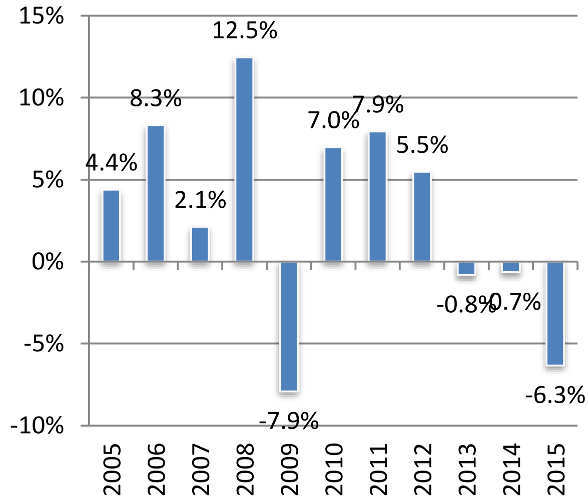


Source: Eurostat, data processing IOBE

Among the activities with positive price changes in the first eight months of this year, the strongest inflation was recorded in Coal – Lignite (+8.2%) and Tobacco Products (+7.7%).

Figure 3.18

Annualised change of CPI in Greece during Q3 during the last decade



Source: Eurostat, data processing IOBE

According to the latest available data (July 2015), the import price index declined by 2.5% since the beginning of the year. In the Euro area, the import price index declined in Lithuania (-7.4%), Estonia (-2.9%) and France (-1.6%). The largest positive change was recorded in Germany (+1.2%), followed by Spain (+1.0%).

Medium-term Outlook

Given that it is unclear for the time being when the capital controls will be lifted, the cautiousness of the households on safeguarding their wealth will persevere, making it necessary for them to maintain high liquidity, which weakens their propensity to consume and exerts deflationary pressure on prices. On the other hand, the **restructuring of the VAT coefficients**, which was included in the prior actions to start the negotiations on the third programme and has been gradually implemented since 20th July, **eased slightly the fall of prices in August and September**, to 1.6% from 2.3% in the first seven months of this year.

The VAT hike since early October in five large islands will further ease the price deflation. The end of the deflationary impact of the low oil prices on CPI will also contribute to the easing of deflation in the last quarter as the oil prices will reach their level from the previous year. Nevertheless, note that the price increase in the goods affected by the VAT hike was smaller than expected. While due to the imposition of the new tax coefficients, the prices were expected to increase on average by 8%, in categories affected by the increase of VAT, such as Food – Non-Alcoholic Beverages, the price increase did not exceed 3.0%. This development is considered to reflect the absorption of a large part of the price increase by the enterprises. Therefore, the weakening of demand seems to largely offset the impact of factors that exert inflationary pressures on prices, such as higher indirect taxes. As a result, **the year-on-year fall of CPI will carry over, with the deflation reaching 1.8% for the current year overall, from 1.3% in 2014.**

Important information on the trends of prices in the coming period is also provided by IOBE's monthly business surveys, the results of which serve as leading indicators of price developments on the supply side.

The changes in inflation expectations were not uniform in the third quarter of this year. The balance of expectations remained negative for most sectors, indicating consistently deflationary expectations for yet another quarter, as has been common over the past five years. In particular, the deflationary expectations in the third quarter weakened quarter on quarter in Private Construction and became stronger in Industry and Services. In Retail Trade, the price trend was positive, recording a positive balance in the period under examination. Year on year, the deflationary expectations remained unchanged in Industry, weakened in Services and became notably stronger in Private Construction. In greater detail:

In Industry, the deflationary expectations in the third quarter of the year strengthened quarter-on-quarter, with the indicator reaching -9 points (from -5 in the previous quarter and -8 in the same quarter of the previous year). Among the enterprises in this sector, 13% on average (from 11%) were expecting a further reduction of prices in the near future, 83% were expecting price stability while 4% (from 6%) were expecting prices to increase.

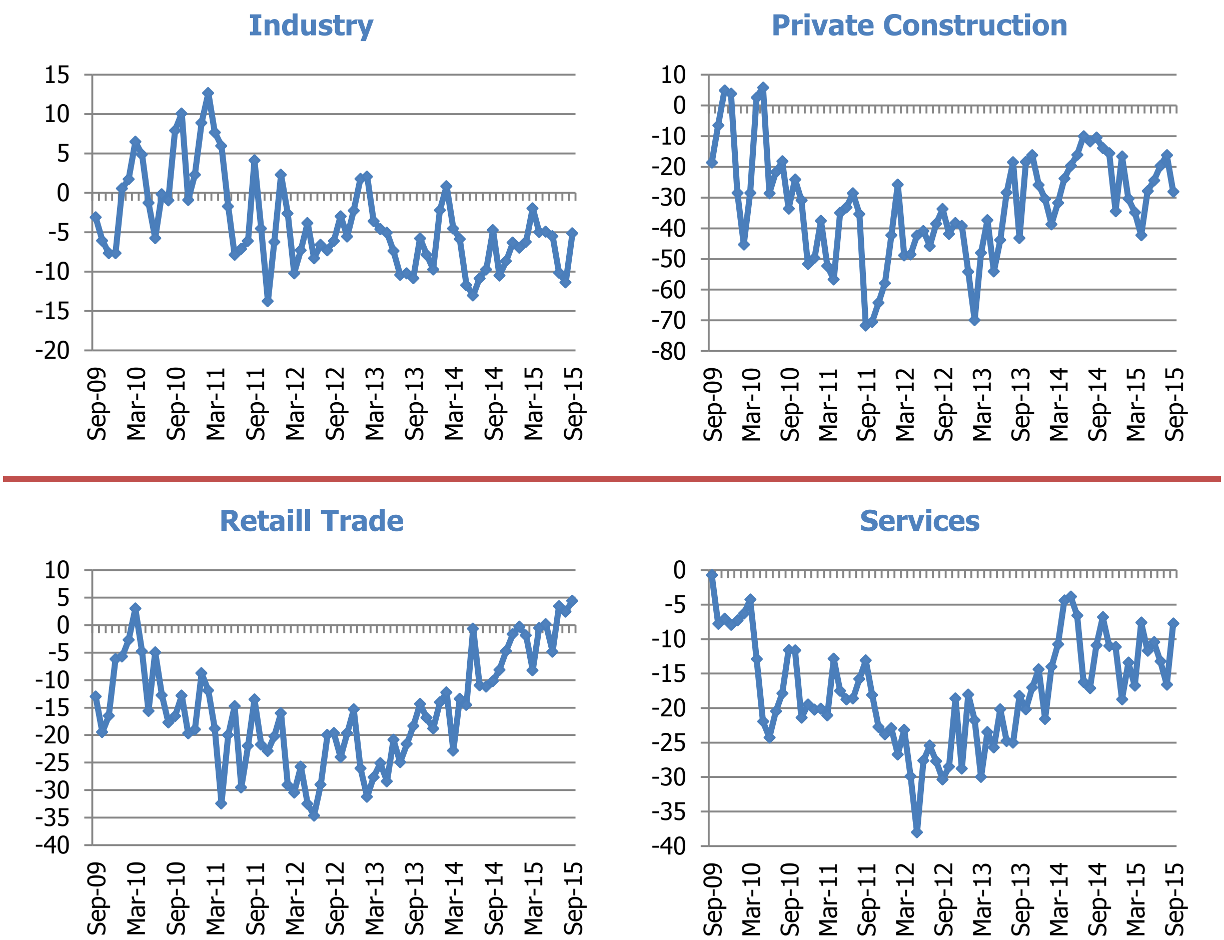
In Retail Trade, the slightly deflationary expectations of the second quarter weakened further in the third quarter, with the negative balance of expectations replaced by a positive indicator standing at -5 points (from -2 points in the previous quarter and -11 points a year earlier, to +3 in the third quarter). About 11% of the sector's enterprises were expecting prices to fall in the short term, with 14% (from 11%) anticipating inflationary pressures and the remaining 75% (from 77%) expecting prices to remain stable. The expectations were inflationary in all subsectors of Retail Trade, except for Textiles–Clothing-Footwear, where the deflationary expectations became stronger.

In Services, the average price expectations indicator declined by 3 points quarter on quarter, reaching -13 points, slightly higher year on year. About 22% (from 16%) of the sector's enterprises were expecting prices to drop in the following three months while 9% (from 6%) were expecting inflationary pressures. Among the branches of the Services sector, the indicator increased significantly only in Financial Intermediaries. The balance of expectations fell in the remaining sectors, with a most pronounced reduction in Information Services and Hotels-Restaurants-Travel Agencies.

Finally, the deflationary expectations in Private Construction weakened quarter on quarter in the third quarter of 2015 by 14 points, to reach -18 points, 7 points lower year on year. About 18% (from 32%) of the sector's enterprises were expecting prices to fall in the short run while the remaining 82% (from 68%) of the enterprises were expecting prices to remain unchanged.

Figure 3.19

Price Expectations (% difference between positive and negative answers)



Πηγή: IOBE

3.6 Balance of payments

Current account

The **Current Account** (CA)[14] recorded a surplus in the first seven months of 2015, totalling €357 million, from €2.7 billion deficit in the same period of 2014. The sign change came from two extraordinary events in July, as the CA deficit in the first six months had only marginally improved (-0.9%). In particular, the boost in the Secondary Income Account, with the inflow of €1.8 billion from the return of the profits of the Securities Market Programme (SMP) of the Eurosystem, and the forced, due to the capital controls, improvement of the Goods Account from the fall of imports, turned the deficit into a surplus.

[14] Since January 2013, the balance of goods is based on foreign trade data from ELSTAT, instead of settlements data on bank transactions that were used until December 2012. In addition, since January 2015, the balance of payments for Greece has been compiled using 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 span 2009-2014. More details are available from the **Bank of Greece** 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

Regarding the CA components, the deficit of the **Goods Account** reached €10.2 billion in the first seven months of 2015, decreasing by 21.1%, or -€2.7 billion, out of which €1.4 billion came from the July correction. Exports reached €14.8 billion, lower by 5% (-€776 million),[15] while, imports totalled €25.1 billion, falling by 12.3% (-€3.5 billion). The deficit in the Goods Account without fuel and ships declined at a much lower rate, by 6%, to reach €7.5 billion, as the exports of goods increased by €877 million, compared with a boost of imports by €477 million. Note that imports were growing significantly in the first 6 months (+7.6%), a trend that stopped abruptly in July. The exports of fuel declined by €1.4 billion while the imports of fuel dropped by €2.4 billion. As a result, the fuel account declined to €2.4 billion.

The surplus in the **Services Account** fell in the first seven months of 2015 to €9.1 billion, from €9.3 billion in 2014, mainly due to a reduction of the receipts from transport and other services. Total receipts reached €16.3 billion, lower by 2.7%, while payments totalled €7.2 billion, falling by 2.8%. The capital controls are considered to have had an impact on receipts, as the revenues from tourism reached €7.0 billion, growing by 6.2%, compared with a double growth rate of 12.1% in 2014, while transport receipts declined by 7.1% to reach €6.9 billion and other receipts decreased by 12.3%. Travel payments remained almost unchanged, at about €1.2 billion, while the payments for transport services increased by 2.2% to €2.3 billion. The payments for other services fell by 11.1% to €2.13 billion.

The **Primary Income Account** recorded a deficit of €198 million in the first seven months of 2015, compared with a surplus of €761 million in 2014. Receipts fell significantly by 21.6% to €3.8 billion, while payments decreased by 2.1% to €4.0 billion. In greater detail, receipts from employment dropped by 15.3% to €105 million, from investment declined by 18.5% to €1.6 billion, while other primary income (subsidies and taxes on production) declined by 24.1% to €2.1 billion. Payments for compensation of employees rose by 17.3% to €305 million, while payments for income from investment decreased by 3.1% to €3.4 billion. Payments for other primary income, such as subsidies and taxes on production, declined by 9.7% to €204 million.

The **Secondary Income Account** recorded a surplus of €1.7 billion, from €206 million in 2014, due to the inflow of €1.8 billion from the Securities Market Programme of the Eurosystem. Revenues totalled €3.4 billion, compared with €1.9 billion in 2014, while payments decreased by 2.6% to €1.7 billion.

Capital Account

The balance of the **Capital Account**[16] stood at €609 million, compared with €1.9 billion in 2014, as receipts fell to €820

[15] Unless otherwise noted, the figures in parenthesis capture the absolute change compared to 2013.

[16] The capital account reflects capital transfers, i.e. ad-hoc receipts and payments between residents and non-residents related to fixed capital formation. Capital transfers include mainly some of the transfers (receipts) from the budget of the EU budget to the General Government (receipts from the Structural Funds – excluding the European Social Fund - and the Cohesion Fund under the Community Support Framework).

million while payments increased to €211 million.

Finally, the deficit in the combined **balance of the current and capital accounts**, indicative of an economy's position as lender or borrower with respect to the rest of the world, reached €966 million, compared with a deficit of €805 million in 2014.

Financial Account

The **Financial Account** (FA) had a surplus of €1.4 billion in the first seven months of 2015, compared to €1.4 billion deficit in 2014.

Regarding the FA components, **Direct Investment** increased by €182 million, as receivables from investments made by residents abroad increased by €215 million, while liabilities to non-residents increased by €33 million. The main investment in July concerns the outflow of €50 million for the participation of Aegean Airlines S.A. in the share capital increase of Aegean Airlines Cyprus Ltd.

In **Portfolio Investment**, the claims by residents towards non-residents decreased by €3.0 billion, as according to the Bank of Greece the holdings of residents in foreign bonds and treasury bills decreased by €10,2 billion while their holdings of foreign stocks increased by €7.1 billion. The liabilities to non-residents decreased by €6.9 billion, as the holdings of non-residents in Greek sovereign bonds, treasury bills and stocks declined.

In the category of **other investments**, the receivables of residents from non-residents increased by €23.9 billion in 2015, as the deposits and repos of Greek residents abroad recorded a net increase by €5.8 billion. The liabilities also increased, by €26.3 billion, as the deposits and repos of non-residents in Greece increased by €17.9 billion.

Finally**,** the **Reserve Assets** of the country in late July 2014 totalled €5.1 billion, from €5.0 billion in July 2014.

Assessment

The contribution of exports to GDP is significant, as it constitutes one of its key components while taken on its own projects the economy's momentum to global trade. In Greece, exports were lagging behind imports over time. As a result, the negative trade balance was extracting part of the income that was produced domestically. The financial turmoil and the debt crisis, with the need for fiscal consolidation that followed, reduced income, kept the lid on imports and artificially boosted net exports. The contribution of exports to this improvement, however, remains doubtful.

Figure 3.20 shows the contribution of exports[17] to GDP growth from 2010 through 2014 (on average), and the GDP growth rate for the same period in 28 EU countries. The ranking of Greece with respect to the contribution of exports to GDP growth is low, while as already mentioned the contraction of imports had a stronger positive

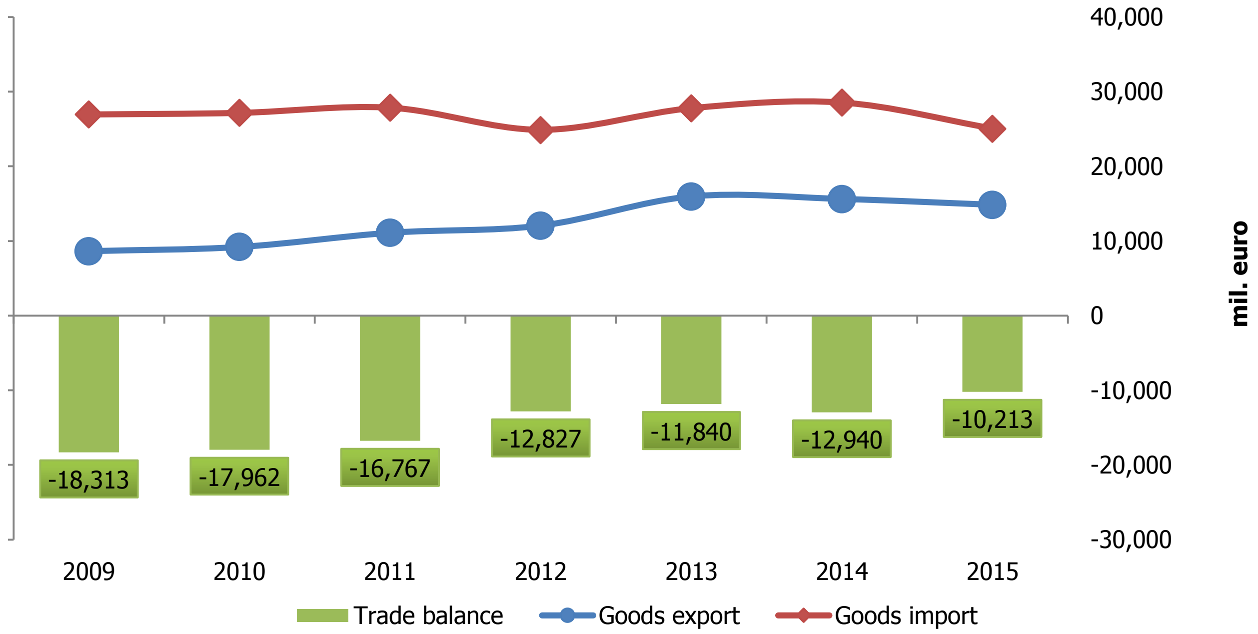
[17] The contribution of each GDP component to growth (Consumption C, Investment I, Public Expenditure G, Exports EX, Imports IM) is calculated from their annual change, weighted with their share in GDP.

contribution. In particular, exports contributed on average 0.9 percentage points to the GDP growth rate, or, in other words, the recession would have been deeper by 0.9 p.p. if it were not for the exports. In other countries, the contribution of exports is significantly more positive. In particular, the countries of Eastern Europe and the Baltic republics (Estonia, Lithuania, Slovakia, Czech Republic, Hungary) have very strong export performance. Note that these countries also have a high share of imports, offsetting in part the positive impact of exports. These observations do not point necessarily to a negative characteristic, anticipated in the global environment of specialisation and division of labour and production. The countries implementing economic adjustment programmes do not seem to follow a common trend, as the contribution of exports to GDP growth in Ireland is significant, at 5.1 p.p., which is not the case for Greece and Cyprus. Portugal is somewhere in the middle, with exports contributing to GDP growth about 2 p.p. on average from 2010 to 2014, which moderated the negative impact from the remaining components (fall of consumption and investment, imports), limiting the average fall of GDP to 0.9%.

Given the above, the process of boosting the exports of Greece in the new global environment, in order to make the economy more open and to offset any negative or less positive effects on GDP from the remaining components, should intensify. The needed further boost of exports is considered to be able to come from the creation of a new framework for the Greek products and services, with an emphasis on research and innovation during their design and production, for their genuine differentiation from the competition.

Figure 3.20

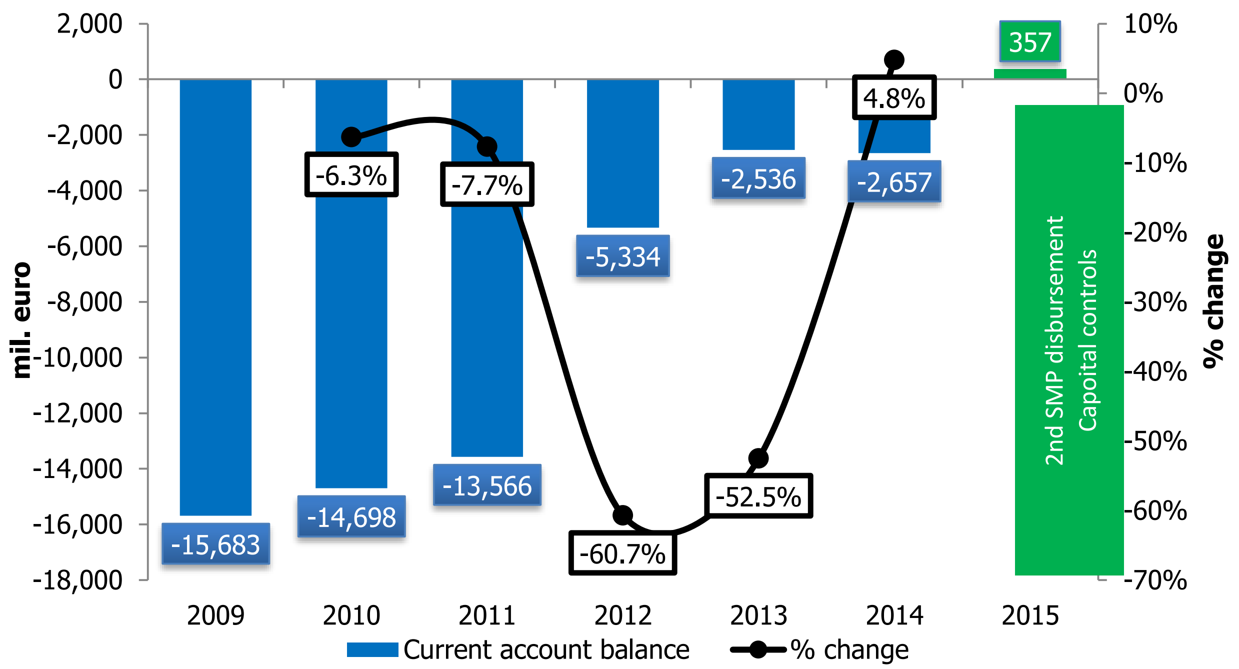
Imports-Exports (January – July 2009-2015)



Source: Bank of Greece – Data processing IOBE

Figure 3.21

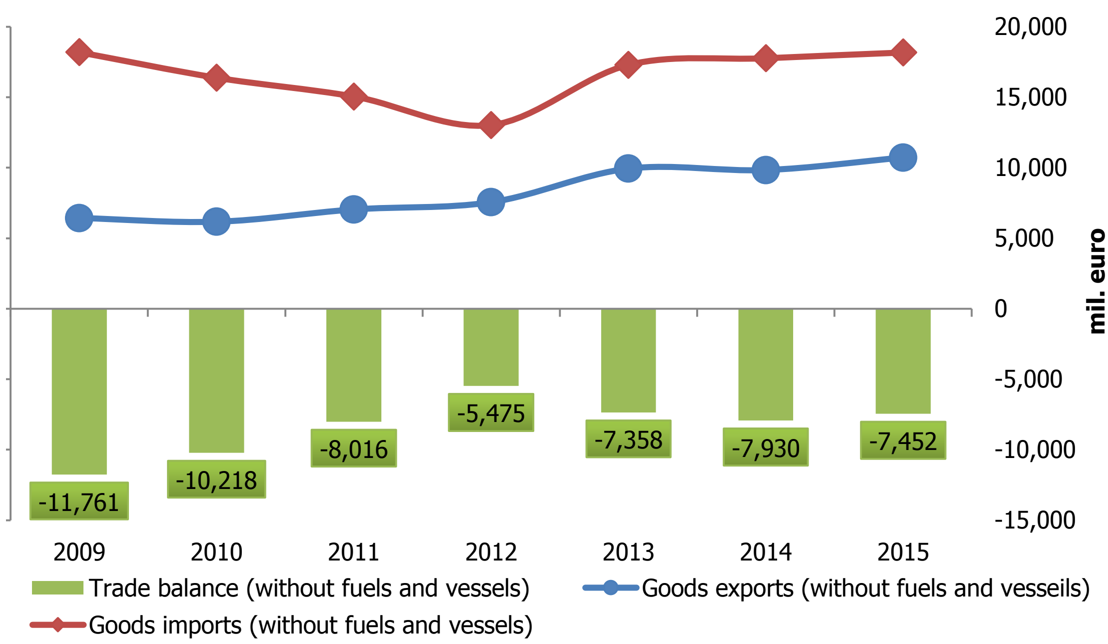
Current Account (January – July 2009-2015)



Source: Bank of Greece – Data processing IOBE

Figure 3.22

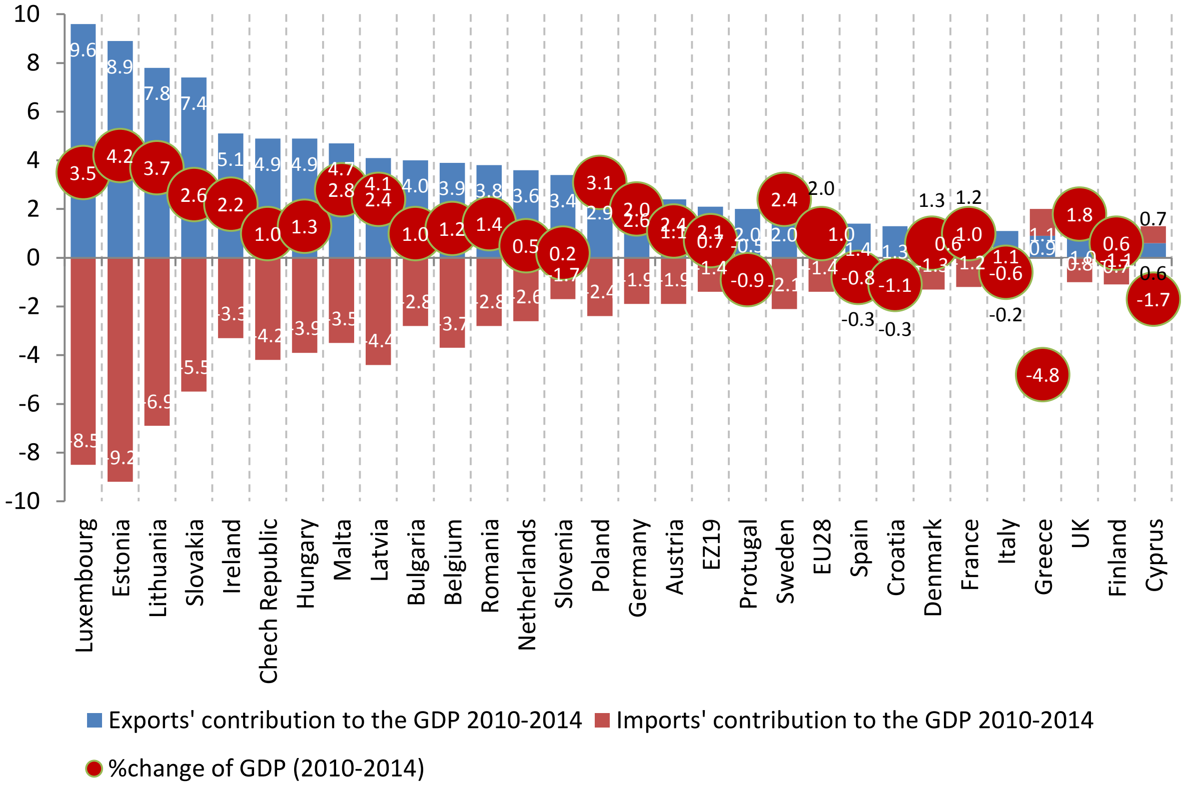
Imports – Exports without fuels and vessels (January – July 2009-2015)



Source: Bank of Greece – Data processing IOBE

Figure 3.23

The contribution of exports to GDP 2010-2014



Source: Eurostat – Data processing IOBE

Table 3.11 Balance of Payments in € million

		January – July			July		
	CURRENT ACCOUNT (I.A + I.B + I.C + I.D)	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
I	***GOODS AND SERVICES ACCOUNT (I.A + I.B)***	**-2.536**	**-2.657**	**357**	**2.601,4**	**1.274,3**	**4.252,1**
	GOODS ACCOUNT (I.A.1 - I.A.2)	***-4.065***	***-3.624***	***-1.140***	**1.155,8**	**1.235,6**	**2.477,4**
I.A	Oil balance	**-11.840**	**-12.940**	**-10.213**	**-1.609,0**	**-1.994,0**	**-634,7**
	Trade balance excluding oil	-3.868	-3.351	-2.406	-459,4	-726,1	-226,9
	Ships balance	-7.972	-9.589	-7.807	-1.149,6	-1.268,0	-407,8
	Trade balance excluding ships	-614	-1.659	-355	-63,5	-83,1	-1,0
	Trade balance excluding oil and ships	-11.226	-11.282	-9.858	-1.545,5	-1.910,9	-633,7
	Exports	-7.358	-7.930	-7.452	-1.086,1	-1.184,9	-406,8
I.A.1	Oil	**15.954**	**15.614**	**14.838**	**2.415,5**	**2.459,7**	**2.237,8**
	Ships (sales)	5.701	5.392	3.958	845,2	806,5	565,8
	Goods excluding oil and ships	318	387	158	33,5	30,4	0,0
	Imports	9.935	9.835	10.722	1.536,8	1.622,8	1.672,0
I.A.2	Oil	**27.794**	**28.555**	**25.051**	**4.024,6**	**4.453,7**	**2.872,4**
	Ships (buying)	9.569	8.744	6.364	1.304,6	1.532,6	792,7
	Goods excluding oil and ships	932	2.046	513	97,0	113,5	1,0
	SERVICES ACCOUNT (I.B.1-I.B.2)	17.293	17.765	18.174	2.622,9	2.807,6	2.078,8
I.B	**Receipts**	**7.775**	**9.316**	**9.073**	**2.764,9**	**3.229,6**	**3.112,1**
I.B.1	Travel	**14.963**	**16.720**	**16.269**	**3.860,4**	**4.366,0**	**3.555,8**
	Transportation	5.876	6.585	6.995	2.399,8	2.774,2	2.872,4
	Other services	6.911	7.425	6.895	1.096,9	1.172,1	470,7
	Payments	2.177	2.710	2.378	363,7	419,6	212,7
I.B.2	Travel	**7.188**	**7.403**	**7.195**	**1.095,5**	**1.136,4**	**443,7**
	Transportation	1.069	1.166	1.171	182,2	197,2	160,3
	Other services	3.758	3.601	3.680	545,0	538,9	208,4
	PRIMARY INCOME ACCOUNT (I.C.1-I.C.2)	2.361	2.637	2.345	368,3	400,3	75,0
I.Γ	**Receipts**	**-62**	**761**	**-198**	**-36,1**	**26,1**	**-54,0**
I.Γ.1	From work(wages, compensation)	**4.466**	**4.834**	**3.790**	**679,4**	**622,0**	**255,6**
	From investments (interest, dividends, profit)	123	124	105	19,0	20,8	8,4
	Other primary income	1.825	1.936	1.578	251,8	281,7	188,9
	Payments	2.517	2.775	2.106	408,7	319,6	58,4
I.Γ.2	From work(wages, compensation)	**4.528**	**4.073**	**3.988**	**715,6**	**595,9**	**309,7**
	From investments (interest, dividends, profit)	274	260	305	45,8	47,2	3,3
	Other primary income	3.997	3.588	3.478	637,6	529,2	293,7
	SECONDARY INCOME ACCOUNT (I.D.1-I.D.2)	257	226	204	32,1	19,5	12,6
I.Δ	**Receipts**	**1.591**	**206**	**1.695**	**1.481,8**	**12,7**	**1.828,8**
I.Δ.1	General government	**3.482**	**1.914**	**3.359**	**1.736,7**	**205,5**	**1.914,1**
	Other sectors	2.669	1.228	2.822	1.636,2	106,5	1.858,5
	Payments	813	686	536	100,5	98,9	55,6
I.Δ.2	General government	**1.891**	**1.708**	**1.664**	**254,9**	**192,8**	**85,3**
	Other sectors	1.456	1.281	1.156	181,9	110,7	71,6
	CAPITAL ACCOUNT (II.1-II.2)	435	426	508	73,0	82,1	13,7
II	**Receipts**	**2.799**	**1.852**	**609**	**1.690,6**	**10,1**	**2,4**
II.1	General government	**3.019**	**2.029**	**820**	**1.723,1**	**25,6**	**2,7**
	Other sectors	2.970	1.987	787	1.716,1	17,5	0,4
	Payments	50	42	33	6,9	8,1	2,3
II.2	General government	**220**	**177**	**211**	**32,5**	**15,5**	**0,3**
	Other sectors	3	7	4	0,5	0,5	0,0
	BALANCE OF CURRENT AND CAPITAL ACCOUNT (I+II)	218	171	208	32,0	15,0	0,3
	FINANCIAL ACCOUNT (III.A+III.B+III.C+III.D)	***263***	***-805***	***966***	***4.292,1***	***1.284,5***	***4.254,5***
III	**DIRECT INVESTMENT***	**2.765**	**1.117**	**1.425**	**4.247,0**	**1.245,9**	**4.020,6**
III.A	Assets	**-1.109**	**-895**	**182**	**-670,5**	**-103,8**	**123,6**
	Liabilities	-734	237	215	-673,8	-4,7	72,6
	PORTFOLIO INVESTMENT**	375	1.131	33	-3,3	99,2	-51,0
III.B	Assets	**8.917**	**-3.779**	**3.962**	**1.504,7**	**766,2**	**4.531,8**
	Liabilities	1.845	4.605	-2.969	737,2	1.304,3	1.150,8
	OTHER INVESTMENT*	-7.072	8.384	-6.932	-767,6	538,1	-3.381,0
III.Γ	Assets	**-5.094**	**5.306**	**-2.565**	**3.430,8**	**613,5**	**-850,8**
	Liabilities	-17.894	-6.156	23.768	1.053,1	-609,6	261,7
	(Loans of general government)	-12.799	-11.462	26.333	-2.377,7	-1.223,2	1.112,6
	CHANGE IN RESERVE ASSETS***	31.358	6.866	413	4.112,4	881,0	5.009,1
III.Δ	**BALANCE ITEMS (I +II +IV +V = 0)**	**52**	**485**	**-154**	**-18,0**	**-30,0**	**216,0**
IV	**RESERVE ASSETS (STOCK)*****	**2.502**	**1.921**	**459**	**-45,1**	**-38,5**	**-233,9**
	CURRENT ACCOUNT (I.A + I.B + I.C + I.D)				**4.607**	**5.032**	**5.119**

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 i 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. ASSESSMENT OF PUBLIC WORKS PROGRAMMES FUNDED BY THE NSRF [18]

4.1 Macroeconomic environment

The rapid deterioration of the competitiveness of the Greek economy, reflected in the deterioration of the current account deficit to 16.5% of GDP in 2008, together with the unprecedented – at least in the European Union's history – fiscal adjustment of around 12.7% of GDP between 2010 and 2014, resulted in the sharp contraction of GDP, by 25.8%, between 2008 and 2014. At the same period, unemployment rose sharply from 7.8% to 26.5%, whereas in 2013 it had peaked at 27.5%. The unemployment issue is becoming worse as it evolves from circular to structural unemployment.

In order to ensure that the unemployed retain their skills and access to emerging industries and the labour market in general, it is necessary to exploit opportunities for training, employment and starting a business, which are provided in the framework of relevant actions supported from EU Structural Funds, such as the European Public Works Programmes (PWP). These programmes are used to support financially weak people, especially in countries where economic or fiscal crisis have occurred in recent years or where other policies have not contributed to improving employment prospects and the reintegration into the labour market.

Two stages of the Public Works Programmes were recently implemented in Greece; the first from mid-2012 to mid-2013 and the second in 2013-2014. The number of beneficiaries reached about 90,100 (against a target of about 108,700 people), whereas total expenditure amounted to €360 million (from €394.4 million in the budget). Large differences are observed between these two stages, with respect to their foreseen objectives, target groups, selection criteria, implementation and so on.

More specifically, in the first stage programmes, there were no target groups. Beneficiaries included unemployed and self-employed (farmers) with specific individual/family income. Five accreditation criteria were set (status of unemployed, family status, income, health status and locality). The beneficiaries of the first stage were hired for five months from non-profit organisations (such as societies, professional associations, trade unions and foundations), in collaboration with first- and second-degree local authorities and their legal entities, and public and private legal entities that according to their statute offer public benefit services.

In the second stage programmes, there were five target groups: a) unemployed members of jobless families, b) unemployed members of single-parent families, c) young unemployed (18-29 years old), d) long-term unemployed, e) unemployed with university degrees (from

[18] The project was carried out by IOBE for the Ministry of Labour. The deliverables of the project are available on the website of the European Social Fund in Greece, on its web page for Evaluation Plan of E.S.F., in Project Evaluation 2013-2015 section http://www.esfhellas.gr/el/Pages/EvalESPAsxedio.aspx

universities or technological education institutes). The beneficiaries of these programmes were hired for five or six months by supervising authorities (municipalities, prefectures, ministries and other public authorities).

4.2 Scope of the project

The study, entitled "Evaluation of Public Works Programmes Funded from The Operational Programmes of The National Strategic Reference Framework", aimed to perform ex-post evaluation of both actions of the first stage programmes (implemented as part of the operational programme "Human Resources Development") and of four actions of the second stage programmes (implemented as part of operational programmes "Administrative Reform", "Human Resources Development", "Education and Lifelong Learning" and "Digital Convergence").

Both actions of the first stage programmes were evaluated with respect to their effectiveness and efficiency. The four actions of the second stage programmes were evaluated with respect to their design, implementation, effectiveness and efficiency. The evaluation was based on specific evaluative questions.

The evaluation methodology included: a) literature review, b) desk research to collect, process and analyse data relevant to the subject of the project, c) interviews of specific focus groups, d) field research at planning and implementing authorities and beneficiaries, e) presentation of findings, and f) formulation of proposals.

4.3 Evaluation results

Design evaluation results

1. **Focus of programmes (goals and target groups) – Selection criteria**

According to the findings of the study, the public benefit objective was assessed as satisfactory in the programmes of both stages. Particularly for the second stage, the general, as well as the special, objectives of the programmes were sufficiently clear; however the co-existence of four general objectives, with the same weight, did not contribute to their simultaneous achievement. In addition, the special objectives of the programmes tilted more towards the fourth general objective (better public services), which was stronger connected with the needs of the authorities, rather than those of the unemployed beneficiaries.

The beneficiaries considered that the objectives did not improve their economic condition and that they did not cover their social needs sufficiently. Also, they felt that the short duration of employment did not help them to achieve these two targets, considering appropriate to increase the duration of their employment. From their point of view, the supervising authorities reported that the special objectives of the programmes adequately met the needs of the beneficiaries.

Regarding the target groups, the programmes did not include categories belonging to the most vulnerable parts of society (such as households with very low income, unemployed of older age), supporting some categories that were not among those that suffered most from the economic crisis and unemployment.

The authorities judged positively the selection criteria with respect to the attainment of the general objectives of the programmes. However, the scale and the minimum selection level for each criterion should be fully justified in terms of target group selection, which did not happen during the design of the PWPs.

More broadly, a redesign of the programmes should not aim at covering permanent needs of the employers. This would result in transferring resources from job positions that could benefit unemployed to job positions that benefit only the authorities that participate in the programmes.

Implementation evaluation results

1. **Attractiveness of the Public Works Programmes – Validity of the selection criteria**

According to the desk research results, in all actions of the second stage PWPs, the attractiveness of the programmes was rather low for the long-term unemployed, heads of single-parent families and for the unemployed with an unemployed spouse. In contrast, the attractiveness of the programmes for young unemployed people and university graduates was satisfactory.

2. **Level of support of the most vulnerable social groups – Matching the needs of the unemployed to specific jobs**

The effectiveness of the second stage PWPs with respect to the integration of vulnerable social groups was moderate. Their criteria contributed sufficiently to the integration of long-term unemployed and satisfactory to the selection of single-parent family members, i.e. social groups that were both included in the target groups. The efficiency with respect to the support of families with the greatest (financial) needs was rather low, as the income category that received most selection points (€0-€12.000 annually) was rather wide, given the income levels shaped during the prolonged recession period. Moreover, there was no distinction in the selection criteria between family and individual income.

The target group of young, unemployed graduates joined the programmes through the allocation of job places for higher education graduates. Most points were awarded in the age group of 30-54 years old, although the target group was young unemployed people. This contributed in selecting unemployed which were in an adverse economic position due to other factors as well, given that the people in this age range often have children or an unemployed spouse or even head a single parent family.

In addition, the programmes contributed partially in enriching the working experience of the beneficiaries, in strengthening their skills and in covering their social needs. The contribution of the programmes in improving the employment status of the beneficiaries was limited.

Overall, the Second Stage PWPs addressed target groups with different characteristics and different problems to be solved through their participation in the programmes.

3. **Effectiveness of implementation procedures – Problems reported during the implementation of the programmes**

In general, the implementation procedures of the programmes were effective. The coordination of the stakeholders was satisfactory and there was high matching between skills of the participants and the job requirements. The observed vacancies can be explained to some extent with the fact that more vacancies were observed in more specialised programmes (e.g. with specific, small target groups, or requirements for particular specialities).

The majority of the participants did not experience any serious difficulty during their participation in the second stage programmes. The reported problems mainly concerned payment delays and complaints regarding terms of the programmes such as holidays, duration of employment and the level of remuneration.

Efficiency evaluation results

1. **Comparative evaluation of the two PWP stages in terms of achievement of objectives**

According to the opinions expressed by the relevant stakeholders of the first PWP stage (authorities and participants), the only objective that was set, i.e. "job creation at local level", was adequately achieved.

According to the responses of programming and implementation authorities of the second PWP stage, the four set general objectives were on average satisfactory implemented. The fourth objective (better public services) was achieved more than satisfactory while the achievement of the first objective (improving the financial situation of the unemployed) was less than satisfactory. The participants of the second stage considered that the programmes achieved their "public works purpose" satisfactorily, while they believe that the improvement in their financial status was not sufficient. However, they felt that their social needs were covered sufficiently. On average, the implementation of the four general objectives was considered by the respective stakeholders (employers and participants) to be sufficient.

The big difference among the number of general objectives between the two stages creates significant difficulties in comparing their effectiveness with respect to achieving the respective objectives.

2. **Comparative evaluation of the programmes with respect to the employment status of the participants after the completion of the programmes**

The great difference between the employment rates among the participants of the two stages, six months after the completion of the programmes (30% as compared to 7%), does not reflect their difference with respect to the effectiveness of improving their employment status. In both stages, the vast majority of those who found a job after the completion of programmes felt that the programmes did not help them to return to the labour market. Moreover, the fact that in the first stage programmes no specific target groups were defined – allowing the participation mainly of short-term unemployed – whereas the second stage programmes included five target groups – among them some of the most vulnerable categories – shaped very differently the set of beneficiaries. Because of the structural differences among the two stages with respect to the target groups, a comparison of the programmes with respect to the employment status of the participants after the completion of the programmes cannot be performed.

Recommendations for subsequent PWP stages

1. **Programme targeting (Objectives and target groups) – Selection criteria**

The objectives of the programmes with social and economic content should be simplified. The basic needs of the participants should not be confused with the fulfilment of the operational needs of Central Government and the wider public sector.

In this respect, the main objective of future programmes should be to support the income of the beneficiaries, in order to reduce poverty. In addition, the objectives that make the general objective more specific should be fewer, probably one per programme.

The target groups should include the most – socially and financially – vulnerable people so that the character of the programmes is better aligned with their welfare scope. Their choice should be based on social and economic characteristics. These include:

i. Unemployment duration.

ii. Individual and family income.

iii. Number of unemployed members of a family.

iv. Number of dependents in a jobless family or in a family with only one employed member.

v. Belonging to a vulnerable social group, for reasons other than unemployment or poverty (e.g. disabled).

vi. Age.

vii. Gender.

viii. Spatial dimension of unemployment (e.g. region or prefecture).

The target groups should be selected according to the above or other suitable characteristics.

After the determination of the target groups, the selection criteria should be set in order to favour the selected target groups. It should also be noted that there is no reason to include the required qualifications (such as education degree or working experience) in the target groups or the selection criteria – as was done with graduates in the second PWP stage – as in any case the available job positions will be covered only if someone with the required qualifications applies for participation in the programme.

Regarding the age criterion, priority should be given to those people that are above 55 years old, as the wider age group of people between 45 and 64 years has had the greatest increase in the number of unemployed from 2009 to 2014 (+274.4%). Also, the unemployed of this category constituted 27% of all unemployed in 2014. Furthermore, people above 55 years old, which approach the end of their working life, find it much more difficult to find a job than even slightly younger people. The percentage of unemployed aged 15-24 years old in the labour force of the same age is the highest among all age groups (51.9% in 2014). However, their proportion to the total number of unemployed is about 12%, with their cumulative increase from 2009 and 2014 being high (+76.9%), but clearly lower than that of the age group 45-64 years. Therefore, the labour force of younger groups has not received the greatest blow from the sharp rise of unemployment during the past few years.

The number of young unemployed aged 25-29 increased more than the young unemployed aged 15-24 during the same period (+130.8%), and at the same time they consisted a larger part of the total number of unemployed (17%). From the age group 30-44 came the greatest part of the unemployed (43% in 2014), who also represented the second largest cumulative increase between 2009 and 2014 (+209%). Consequently, unemployment in the age group 25-44 years old deteriorated stronger than in the age group of 15-24 years old, according to the growth rates of unemployed. As a consequence, the unemployed between 25 and 44 years now represent 60% of all unemployed and should have a priority in joining the public works programmes.

The income selection criterion should be maintained, for the support of the poorest social groups of unemployed, by adjusting the scale and connecting the maximum award with an objective criterion, such as the minimum wage or the poverty line. Moreover, different selection points should be awarded to individual and family incomes, which can be done with the use of the average income of the adult household members. Finally, it is recommended that the spouse of the unemployed should not have the same selection scale during the candidate's unemployment. Finally, a distinct public works action is proposed to support young unemployed.

2. Terms of employment of the beneficiaries

The employment duration should be increased to seven months so that they can acquire comprehensive work experience. In addition, the beneficiaries in future programmes should be employed under fixed-term contracts. Their rights should not differ from those of other employees with the same type of contracts in the same or similar jobs. Finally, the salary of the beneficiaries, for full-time employment (8 hours), for 25 days per month, should be kept at the level of the second stage programmes (€490 and €427 respectively).

3. Better matching of unemployed and jobs – Utilisation of ICT

To facilitate the implementation of the programmes and to limit the number of vacancies, the job adverts should explicitly indicate the necessary additional documentation for each speciality, e.g. a licence to practice a profession. In addition, the date of issue and the issuing authority of the ID card of the applicants should be a required field in the e-application form.

The use of ICT tools in the programme implementation should be expanded, given the positive experience of using the information system of the Manpower Employment Organization (OAED) in the second PWP stage. This can be achieved, for example, by linking the information systems of OEAD and the Supreme Council for Civil Personnel Selection (ASEP), for the automatic exchange of data needed for the evaluation of applications. In addition, the number of needed documents should be limited to additional documents required and/or to those that should be updated. Also, the results of the applications can be announced to applicants on their electronic accounts. Especially with respect to the monitoring of the contribution of the programmes to employment, the ICT systems could contribute with the generation of reports, e.g. for the proportion of beneficiaries who have renewed their unemployment card after the completion of their participation in the programme.

4. Improvement of the participants' employment status after the completion of the programmes

The planning and implementation authorities of both stages proposed changes in the programmes in order to make the employment prospects of the participants more viable. Better matching between offered jobs, participant qualifications and working experience was evaluated as the most effective future action. Therefore, the offered jobs should take into account the characteristics of potential participants, e.g. residence in the same prefecture, so that it would be easy for them to participate in the programme. The creation of new or the upgrade of existing knowledge and skills (such as computer skills and languages) and the development of other social activities (group work, self-confidence building, taking initiatives) were also considered significant.

5. APPENDIX: STRUCTURAL INDICATORS

Table 1: GDP growth

	Annual data (%)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	2,1	3,4	3,6	1,5	-3,8	1,9	2,8	0,8	0,3	0,4
Belgium	2,1	2,5	3,4	0,7	-2,3	2,7	1,8	0,2	0	1,3
Bulgaria	7,2	6,8	7,7	5,6	-4,2	0,1	1,6	0,2	1,3	1,5
Croatia	1,6	2,4	2,4	0,2	-2,9	2	2,1	0,2	0,7	0,2
Cyprus	0,7	3,7	3,3	1,1	-5,6	4,1	3,7	0,4	0,3	1,6
Czech Republic	2,4	3,8	0,8	-0,7	-5,1	1,6	1,2	-0,7	-0,5	1,1
Denmark	6,4	6,9	5,5	2,7	-4,8	2,3	2	-0,9	-0,5	2
Estonia	2	3,4	3,1	0,5	-4,4	2,1	1,7	-0,5	0,2	1,4
EU (28 countries)	0,9	5,8	3,5	-0,4	-4,4	-5,4	-8,9(p)	-6,6(p)	-3,9(p)	0,8(p)
Euro area (18 countries)	9,4	10,3	7,7	-5,4	-14,7	2,5	7,6	5,2	1,6	2,9
Finland	1,7	3,2	3	0,5	-4,5	2	1,6	-0,8	-0,3	0,9
France	2,8	3	2,6	-0,3	-4,3	1,9	1,6	0,7	1,7	3
Germany	6,3	6,3	5,5	-2,2	-5,6	0,4	2,6	0,2	1,4	5,2
Greece	3,7(p)	4,2(p)	3,8(p)	1,1(p)	-3,6(p)	0(p)	-0,6(p)	-2,1(p)	-1,2(p)	1,4(p)
Hungary	0,9	2	1,5	-1	-5,5	1,7	0,6	-2,8	-1,7	-0,4
Ireland	4,2	4,8	5,2	2,1	-7,4	-1,7	-0,3	-2,2	-0,9	-0,4
Italy	3,9	4,5	4,9	3,6	-2	1,4	0,3	-2,4	-5,4(p)	-2,3(p)
Latvia	10,7	11,9	10	-3,6	-14,3	-3,8	6,2	4	3	2,8
Lithuania	7,7	7,4	11,1	2,6	-14,8	1,6	6	3,8	3,5	3
Luxemburg	3,2	5,1	8,4	-0,8	-5,4	5,7	2,6	-0,7	4,4	5,6
Malta	3,8	1,8	4	3,3	-2,5	3,5	2,1	2,5	2,6	3,5
Netherlands	2,2	3,5	3,7	1,7	-3,8	1,4	1,7	-1,1	-0,5(p)	1(p)
Poland	4,4	3,8	0,4	0,8	-6,6	0,7	1,8	-1,7	1,9	3,7
Portugal	3,5	6,2	7,2	3,9	2,6	3,7	4,8	1,8	1,7	3,4
Romania	0,8	1,6	2,5	0,2	-3	1,9	-1,8	-4	-1,1	0,9(e)
Slovakia	4,2	8,1	6,9	8,5	-7,1	-0,8	1,1	0,6	3,4	2,8(p)
Slovenia	6,5	8,3	10,7	5,4	-5,3	4,8	2,7	1,6	1,4	2,4
Spain	4	5,7	6,9	3,3	-7,8	1,2	0,6	-2,7	-1,1	3
Sweden	2,8	4,7	3,4	-0,6	-5,2	6	2,7	-0,3	1,2	2,3
United Kingdom	2,8	4,1	5,2	0,7	-8,3	3	2,6	-1,4	-1,1	-0,4

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

Table 2: General Government Debt as %GDP

	Annual data (%)								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	67	64,8	68,5	79,7	82,4	82,1	81,5	80,9	84,5
Belgium	90,7	86,8	92,2	99,2	99,5	102	103,8	104,4	106,5
Bulgaria	21,3	16,6	13,3	14,2	15,9	15,7	18	18,3	27,6
Croatia	64,4	64,4	68,1	79	81,7	85,2	89,6	92,3	95
Cyprus	66,5	63,7	65,1	72,6	80,5	77,9	79,3	77,1	74,7
Czech Republic	31,5	27,3	33,4	40,4	42,9	46,4	45,6	45	45,2
Denmark	27,9	27,8	28,7	34,1	38,2	39,9	44,6	45	42,6
Estonia	:	:	:	:	:	80,9	83,7	85,5	86,8
EU (28 countries)	:	:	:	:	:	171,3	156,9	175	177,1
Euro area (18 countries)	4,4	3,7	4,5	7	6,5	6	9,7	10,1	10,6
Finland	:	:	:	:	:	85,9	89,3	91,1	92
France	42,5	43,6	51,8	65,8	76,4	81,8	85,8	87,3	89,4
Germany	23,8	24	42,6	62,3	87,4	111,2	121,7	123,2	109,7
Greece	38,9	35,5	39,4	52,7	60,1	69,2	84,4	92,1	97,7
Hungary	102,5	99,7	102,3	112,5	115,3	116,4	123,1	128,5	132,1
Ireland	38,3	37,1	38,9	48	57	63,7	69,2	80,6	85
Italy	59,3	54,1	45,3	54,1	56,5	66	79,5	102,2	107,5
Latvia	9,9	8,4	18,6	36,4	46,8	42,7	40,9	38,2	40
Lithuania	17,2	15,9	14,6	29	36,2	37,2	39,8	38,8	40,9
Luxemburg	7	7,2	14,4	15,5	19,6	19,1	21,9	24	23,6
Malta	64,6	62,4	62,7	67,8	67,6	69,7	67,4	69,2	68
Netherlands	44,9	42,7	54,8	56,5	59	61,3	66,5	68,6	68,8
Poland	65	65,9	71,9	78,2	80,9	81	78,5	77,3	76,9
Portugal	47,1	44,2	46,6	49,8	53,6	54,8	54,4	55,7	50,1
Romania	69,2	68,4	71,7	83,6	96,2	111,1	125,8	129,7	130,2
Slovakia	12,3	12,7	13,2	23,2	29,9	34,2	37,3	38	39,8
Slovenia	30,7	29,8	28,2	36	40,9	43,4	52,1	54,6	53,6
Spain	26	22,7	21,6	34,5	38,2	46,5	53,7	70,3	80,9
Sweden	43,1	38,2	36,8	40,3	36,8	36,2	36,6	38,7	43,9
United Kingdom	38,2	34	32,7	41,7	47,1	48,5	52,9	55,8	59,3

Table 3: General Government Balance as %GDP

	Annual data (%)								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	-2,5	-1,3	-1,4	-5,3	-4,5	-2,6	-2,2	-1,3	-2,4
Belgium	0,2	0	-1,1	-5,5	-4	-4,1	-4,1	-2,9	-3,2
Bulgaria	1,8	1,1	1,6	-4,2	-3,2	-2	-0,7	-0,9	-2,8
Croatia	-2,3	-2,5	-3,2	-7,2	-6,8	-5,1	-4,8	-4,1	-4
Cyprus	-1,5	0,3	0	-3	-4,1	-0,9	0,1	0,1	0,7
Czech Republic	5	5	3,2	-2,8	-2,7	-2,1	-3,7	-1,1	1,2
Denmark	-2,3	-0,7	-2,1	-5,5	-4,4	-2,7	-3,9	-1,2	-2
Estonia	:	:	:	:	:	-4,5	-4,2	-3,2	-2,9
EU (28 countries)	:	:	:	:	:	-10,2	-8,7	-12,3	-3,5
Euro area (18 countries)	2,9	2,5	-2,7	-2,2	0,2	1,2	-0,2	-0,2	0,6
Finland	:	:	:	:	:	-4,1	-3,6	-2,9	-2,4
France	-2,9	-3	-5,1	-10,8	-9,7	-7,6	-8,3	-5,7	-5,7
Germany	2,8	0,3	-7	-13,9	-32,5	-12,7	-8,1	-5,8	-4,1
Greece	2,2	2	-4,4	-11	-9,4	-9,4	-10,3	-6,8	-5,8
Hungary	-3,6	-1,5	-2,7	-5,3	-4,2	-3,5	-3	-2,9	-3
Ireland	-3,2	-2,4	-2,7	-5,8	-5,9	-7,5	-5,3	-5,4	-5,7
Italy	-1	3,3	0,9	-5,5	-4,8	-5,8	-5,8	-4,9	-8,8
Latvia	-0,6	-0,6	-4	-9	-8,1	-3,3	-0,8	-0,7	-1,4
Lithuania	-0,3	-0,8	-3,1	-9,1	-6,9	-8,9	-3,1	-2,6	-0,7
Luxemburg	1,4	4,2	3,3	-0,5	-0,5	0,4	0,1	0,9	0,6
Malta	-2,6	-2,3	-4,2	-3,3	-3,3	-2,6	-3,6	-2,6	-2,1
Netherlands	0,2	0,2	0,2	-5,5	-5	-4,3	-4	-2,3	-2,3
Poland	-9,4	-5,1	-3,7	-4,6	-4,5	-5,5	-2,3	-2,5	-2,6
Portugal	-3,6	-1,9	-3,6	-7,3	-7,6	-4,9	-3,7	-4	-3,2
Romania	-4,3	-3	-3,8	-9,8	-11,2	-7,4	-5,6	-4,8	-4,5
Slovakia	-2,2	-2,9	-5,6	-8,9	-6,6	-5,3	-2,9	-2,2	-1,5
Slovenia	-3,6	-1,9	-2,4	-7,9	-7,5	-4,1	-4,2	-2,6	-2,9
Spain	-1,2	-0,1	-1,4	-5,9	-5,6	-6,6	-4	-14,9	-4,9
Sweden	2,2	3,3	2	-0,7	0	-0,1	-0,9	-1,4	-1,9
United Kingdom	3,9	5,1	4,2	-2,5	-2,6	-1	-2,1	-2,5	-3,2

Table 4: Share of persons at risk of poverty (*)

	Annual data (%)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	17,4	17,8	16,7	20,6	19,1	18,9	19,2	18,5	18,8	19,2
Belgium	22,6	21,5	21,6	20,8	20,2	20,8	21	21,6	20,8	21,2
Bulgaria	:	61,3	60,7	44,8	46,2	49,2	49,1	49,3	48	40,1
Croatia	18,9	18,8	19	18,5	18,5	19,2	19,3	19,1	18,1	:
Cyprus	18,4	20,2	20,6	20,1	20	19,7	19,9	19,6	20,3	:
Czech Republic	17,2	16,7	16,8	16,3	17,6	18,3	18,9	19	18,9	17,8
Denmark	19,6	18	15,8	15,3	14	14,4	15,3	15,4	14,6	14,8
Estonia	21,7	22	21,8	21,7	21,5	21,8	22,9	23,2	23,1	:
EU (28 countries)	29,4	29,3	28,3	28,1	27,6	27,7	31	34,6	35,7	36
Euro area (18 countries)	25,9	22	22	21,8	23,4	21,7	23,1	23,4	23,5	:
Finland	:	:	:	:	:	23,7	24,3	24,7	24,5	:
France	24,8	23,7	22,6	23,2	22	23,2	22,7	24,1	24,8	:
Germany	25	23,3	23,1	23,7	25,7	27,3	29,4	30	29,5	:
Greece	24,3	24	23,3	24,5	24,7	26,1	26,7	27,2	27,3	29,2
Hungary	25	25,9	26	25,3	24,7	24,5	28,2	29,9	28,4	28,1
Ireland	:	:	:	:	:	31,1	32,6	32,6	29,9	:
Italy	25,3	25,4	25,2	23,3	23,5	24,6	24,6	27,1	27,8	27,4
Latvia	46,3	42,2	35,1	34,2	37,9	38,2	40,1	36,2	35,1	32,7
Lithuania	41	35,9	28,7	28,3	29,6	34	33,1	32,5	30,8	27,3
Luxemburg	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	23,8
Netherlands	16,7	16	15,7	14,9	15,1	15,1	15,7	15	15,9	17,1
Poland	32,1	31,4	29,4	28,2	29,6	29,9	31	32,4	33,5	31,1
Portugal	45,3	39,5	34,4	30,5	27,8	27,8	27,2	26,7	25,8	24,7
Romania	26,1	25	25	26	24,9	25,3	24,4	25,3	27,5	:
Slovakia	:	:	45,9	44,2	43,1	41,4	40,3	41,7	40,4	:
Slovenia	32	26,7	21,3	20,6	19,6	20,6	20,6	20,5	19,8	18,4
Spain	18,5	17,1	17,1	18,5	17,1	18,3	19,3	19,6	20,4	20,4
Sweden	14,4	16,3	13,9	14,9	15,9	15	16,1	15,6	16,4	:
United Kingdom	17,2	17,1	17,4	17,4	16,9	16,9	17,9	17,2	16	17,3

b=break in time series, p=provisional

(*) For the exact definition see the link below:
http://ec.europa.eu/eurostat/statistics-explained/index.php/Thematic_glossaries

Table 5: Harmonised Consumer Price Index

	Annual data (%)				January – August (%)			Change (%)	
	2011	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	3,6	2,6	2,1	1,5	2,3	1,6	0,9	-0,7	-0,7
Belgium	3,4	2,6	1,2	0,5	1,2	0,8	0,3	-0,4	-0,5
Bulgaria	3,4	2,4	0,4	-1,6	1,1	-1,6	-1,1	-2,7	0,5
Croatia	2,3	2,2	1	0,6	1,1	0,7	0,0	-0,4	-0,7
Cyprus	2,5	2,1	1,6	0,8	1,7	0,9	0,1	-0,8	-0,8
Czech Republic	2,7	2,4	0,5	0,3	0,6	0,4	0,3	-0,2	-0,1
Denmark	2,1	3,5	1,4	0,4	1,5	0,4	0,3	-1,1	-0,1
Estonia	3,1	2,6	1,5	0,6	1,6	0,5	0,0	-1,1	-0,5
EU (28 countries)	3,1	1	-0,9	-1,4	-0,3	-1,3	-1,6	-1	-0,3
Euro area (18 countries)	5,1	4,2	3,2	0,5	3,8	0,6	0,1	-3,2	-0,5
Finland	2,7	2,5	1,3	0,4	1,7	0,7	0,0	-1	-0,7
France	4,5	2,8	2,6	1,5	2,7	1,7	0,1	-1	-1,6
Germany	1,2	1,9	0,5	0,3	0,7	0,4	-0,1	-0,3	-0,5
Greece	3,1	2,4	1,5	-0,2	2,2	0,0	-0,6	-2,2	-0,6
Hungary	2,9	3,3	1,3	0,2	1,6	0,3	0,1	-1,3	-0,2
Ireland	2,2	3,4	2,3	0,2	3,1	0,2	-0,2	-2,9	-0,4
Italy	3,5	3,1	0,4	-0,3	0,9	-0,3	-1,6	-1,2	-1,3
Latvia	4,2	2,3	0	0,7	0,2	0,6	0,3	0,4	-0,3
Lithuania	4,1	3,2	1,2	0,2	1,5	0,3	-0,8	-1,2	-1,1
Luxemburg	3,7	2,9	1,7	0,7	1,9	1,1	0,0	-0,8	-1,1
Malta	2,5	3,2	1	0,8	1,2	0,9	1,0	-0,3	0,1
Netherlands	2,5	2,8	2,6	0,3	3,1	0,4	0,1	-2,7	-0,3
Poland	3,9	5,7	1,7	0	2,1	0,2	-0,1	-1,9	-0,3
Portugal	3,9	3,7	0,8	0,1	0,9	0,3	-0,8	-0,6	-1,1
Romania	3,6	2,8	0,4	-0,2	0,6	-0,2	0,5	-0,8	0,7
Slovakia	5,8	3,4	3,2	1,4	4,2	1,3	0,0	-2,9	-1,3
Slovenia	4,1	3,7	1,5	-0,1	1,9	-0,1	-0,3	-2	-0,2
Spain	2,1	2,8	1,9	0,4	2,3	0,6	-0,7	-1,7	-1,3
Sweden	1,4	0,9	0,4	0,2	0,5	0,2	0,6	-0,3	0,4
United Kingdom	3,3	3,2	2,2	1,2	2,4	1,3	-0,1	-1,1	-1,4

Table 6: GDP per capita (in PPS, EU-28=100)

	Annual Data (%)								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	125	123	124	126	126	128	129	128	128
Belgium	117	115	115	117	120	120	120	119	119
Bulgaria	37	40	43	44	43	44	45	45	45
Croatia	108	107	106	108	108	108	107	107	107
Cyprus	115	116	116	115	119	122	123	122	124
Czech Republic	124	122	123	123	126	126	125	124	124
Denmark	81	84	82	83	81	83	82	82	84
Estonia	109	109	109	108	109	108	108	107	107
EU (28 countries)	93	91	93	94	87	77	74	73	72
Euro area (18 countries)	64	69	68	62	63	68	71	73	73
Finland	100	100	100	100	100	100	100	100	100
France	123	118	114	112	108	106	107	109	108
Germany	146	147	132	128	129	130	130	130	132
Greece	103	103	102	101	98	95	94	94	93
Hungary	106	105	106	105	104	103	101	99	97
Ireland	58	61	64	62	59	60	61	61	59
Italy	99	100	105	105	102	96	94	89	85
Latvia	55	60	60	53	53	57	60	64	64
Lithuania	56	61	63	57	60	65	69	73	74
Luxemburg	257	254	256	247	254	265	264	258	263
Malta	79	78	81	84	86	84	85	86	85
Netherlands	135	136	139	137	135	135	133	131	130
Poland	62	61	63	64	65	65	65	66	68
Portugal	50	53	55	59	62	64	66	67	68
Romania	80	79	79	81	81	78	76	78	78
Slovakia	38	42	48	49	50	51	53	54	54
Slovenia	63	67	71	71	73	73	74	75	76
Spain	86	87	89	85	83	83	82	82	83
Sweden	125	128	127	123	126	127	126	127	124
United Kingdom	115	118	120	116	115	117	116	113	110

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

Table 7: Labour productivity per person employed (GDP in PPS per hour worked, EU-28=100)

	Annual data								
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Austria	118,2	118,5	116,6	116,4	116,1	114,9	114,8	114,5	113,2
Belgium	130,6	129	127,8	126,5	127,5	129,8	129,2	128,8	127,5
Bulgaria	36	36,6	38,8	40,8	41,2	41,6	42,1	43,3	42,7
Croatia	116,8	115,5	115,9	115,7	117	116,7	116,4	114,6	114,1
Cyprus	108,3	108,2	107,9	107,4	103,7	106,3	107,3	106,3	105,1
Czech Republic	107,6	107,8	105,6	107,2	108,2	113,2	113,3	113,1	111,9
Denmark	74,2	75,2	77,6	75,2	77	75,4	77	75,7	75
Estonia	108,3	108,1	108,3	108,5	108,4	108,4	108,4	107,8	107,7
EU (28 countries)	96,3	98,8	97,2	98,8	98,3	92,4	87,8	90,3	91,4
Euro area (18 countries)	58,8	60,7	65,4	65,1	65,3	69	70,5	71,7	71,9
Finland	100	100	100	100	100	100	100	100	100
France	116	115,4	112,3	109,5	108,1	103,9	101,9	102,2	102,2
Germany	137,6	137,4	138	128,7	135	140,9	146,3	145,4	143,4
Greece	98,7(p)	99,8(p)	100,3(p)	101(p)	106,2(p)	103,3(p)	103(p)	105,3(p)	106,7(p)
Hungary	112,6	111,7	112,1	113,5	113	111,9	111	108,8	108,6
Ireland	73,6	72,5(b)	70,4	70,9	67,9	66,4	69,7	72,9	74,1
Italy	88,5	89,8	90,9	96,8	98,2	96,9	92,5	95,2	94,4
Latvia	52,3	53,9	56,6	57	56,3	58,2	60,6	62,1	62,5
Lithuania	55,1	58	62	64,8	61,3	67,1	70,5	72	73,7
Luxemburg	162,8	171,7	171,5	165,3	158	160,5	165,1	163,1	164,1
Malta	96,3	93,7	92,9	94,5	97,2	97,3	92,9	91,5	89,2
Netherlands	117,2	117,5	117,3	118,3	115,9	114	113,2	112,2	112,3
Poland	67,1	67,3	66,6	70,6	72,7	72,5	72,9	71,1	72
Portugal	60,2	59,8	61,1	60,8	64,5	69,2	71,2	72,6	73,9
Romania	73,8	74,5	75,6	75,4	78,2	78,7	77	77,3	81,3
Slovakia	35,4	38,9	42,5	48,7	49	49,3	50,6	54,4	55,9
Slovenia	68,4	71,2	76,1	79,1	79	81,7	79,3	80,2	81,9
Spain	82,5	82,5	82,3	83,1	79,7	79,1	80,1	79,6	80
Sweden	114,4	115,8	118	117,6	115,5	117,1	116,4	115,1	114,7
United Kingdom	112	111,1	113,8	114,5	111,8	111,3	111,6	109,4	108,1

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

Table 8: Employment rate of workers aged 20-64(*)

	Annual data (%)				2nd quarter (%)			Change (%)	
	2011	**2012**	**2013**	**2014**	**2013**	**2014**	**2015**	**2014/13**	**2015/14**
Austria	74,2	74,4	74,6	74,2	75,0	74,6	74,2	-0,4	-0,4
Belgium	67,3	67,2	67,2	67,3	67,5	67,4	66,7	-0,1	-0,7
Bulgaria	62,9	63,0	63,5	65,1	63,6	65,0	66,6	1,4	1,6
Croatia	69,2	69,4	69,5	69,9	69,7	69,6	69,8	-0,1	0,2
Cyprus	76,5	76,9	77,3	77,7	77,4	77,7	77,7	0,3	0
Czech Republic	75,7	75,4	75,6	75,9	76,0	75,9	76,4	-0,1	0,5
Denmark	70,9	71,5	72,5	73,5	72,7	73,3	74,8	0,6	1,5
Estonia	68,4	68,0	67,7	68,2	67,8	68,2	68,8	0,4	0,6
EU (28 countries)	59,6	55,0	52,9	53,3	53,2	53,3	55,1	0,1	1,8
Euro area (18 countries)	70,6	72,2	73,3	74,3	74,2	74,8	76,2	0,6	1,4
Finland	68,6	68,4	68,4	69,2	68,4	69,2	69,9	0,8	0,7
France	73,5	74,1	74,8	76,2	74,5	76,1	76,5	1,6	0,4
Germany	63,8	63,7	65,5	67,0	65,3	66,7	68,6	1,4	1,9
Greece	62,0	59,6	58,6	59,9	58,6	59,9	62,0	1,3	2,1
Hungary	61,0	60,9	59,7	59,9	59,8	59,9	60,6	0,1	0,7
Ireland	59,8	58,1	57,2	59,2	57,8	59,4	60,9	1,6	1,5
Italy	73,4	70,2	67,2	67,6	67,3	67,8	68,7	0,5	0,9
Latvia	66,3	68,1	69,7	70,7	69,4	71,1	72,6	1,7	1,5
Lithuania	66,9	68,5	69,9	71,8	69,9	71,3	73,2	1,4	1,9
Luxemburg	70,1	71,4	71,1	72,1	70,7	72,2	71,9	1,5	-0,3
Malta	61,6	63,1	64,8	66,3	64,6	66,5	67,9	1,9	1,4
Netherlands	76,4	76,6	75,9	75,4	76,0	75,3	76,3	-0,7	1
Poland	60,4	61,6	63,0	66,7	62,9	66,3	68,7	3,4	2,4
Portugal	64,5	64,7	64,9	66,5	64,6	66,1	67,4	1,5	1,3
Romania	68,8	66,3	65,4	67,6	65,1	67,7	69,5	2,6	1,8
Slovakia	63,8	64,8	64,7	65,7	65,3	66,0	66,6	0,7	0,6
Slovenia	65,0	65,1	65,0	65,9	65,0	65,7	67,5	0,7	1,8
Spain	68,4	68,3	67,2	67,8	67,1	68,4	69,4	1,3	1
Sweden	79,4	79,4	79,8	80,0	80,0	80,2	80,6	0,2	0,4
United Kingdom	73,8	74,0	73,3	73,1	74,4	74,0	73,2	-0,4	-0,8

(*) % employed persons aged 20-64 as a share of the total population of the same aged group

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

	Annual data (%)				2nd quarter (%)			Change (%)	
	2011	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	39,9	41,6	43,8	45,1	44,4	45,7	46,1	1,3	0,4
Belgium	38,7	39,5	41,7	42,7	41,6	43,7	43,8	2,1	0,1
Bulgaria	44,6	45,7	47,4	50,0	47,4	49,2	51,6	1,8	2,4
Croatia	41,4	44,5	45,6	47,0	45,7	46,9	49,0	1,2	2,1
Cyprus	60,0	61,6	63,6	65,6	63,2	65,3	65,7	2,1	0,4
Czech Republic	59,5	60,8	61,7	63,2	61,4	62,9	65,3	1,5	2,4
Denmark	47,7	49,3	51,6	54,0	51,4	53,6	55,6	2,2	2
Estonia	47,0	48,5	49,9	51,7	49,7	51,5	53,2	1,8	1,7
EU (28 countries)	39,5	36,5	35,6	34,0	35,9	34,0	34,0	-1,9	0
Euro area (18 countries)	57,5	60,5	62,6	64,0	65,3	63,7	62,5	-1,6	-1,2
Finland	47,2	48,7	50,1	51,8	49,9	51,6	53,1	1,7	1,5
France	56,7	58,1	59,8	61,0	59,6	60,8	61,8	1,2	1
Germany	50,0	49,3	51,3	53,0	50,8	52,6	55,4	1,8	2,8
Greece	44,5	43,9	43,2	44,3	43,1	44,0	46,7	0,9	2,7
Hungary	37,8	40,3	42,7	46,2	42,1	45,9	48,6	3,8	2,7
Ireland	38,2	37,5	37,8	36,2	37,5	36,5	40,8	-1	4,3
Italy	54,8	50,7	49,6	46,9	49,3	46,6	48,2	-2,7	1,6
Latvia	50,5	52,8	54,8	56,4	55,2	57,3	59,0	2,1	1,7
Lithuania	50,2	51,7	53,4	56,2	52,6	55,5	60,3	2,9	4,8
Luxemburg	39,3	41,0	40,5	42,5	44,8	43,8	40,1	-1	-3,7
Malta	33,2	34,7	36,3	37,7	35,7	38,6	41,8	2,9	3,2
Netherlands	55,2	57,6	59,2	59,9	58,9	59,6	61,7	0,7	2,1
Poland	35,3	36,1	37,9	41,7	37,6	41,3	45,1	3,7	3,8
Portugal	36,9	38,7	40,6	42,5	39,9	41,7	43,0	1,8	1,3
Romania	47,8	46,5	46,9	47,8	47,1	47,8	50,4	0,7	2,6
Slovakia	39,9	41,6	41,8	43,1	42,3	43,3	42,2	1	-1,1
Slovenia	41,3	43,1	44,0	44,8	44,0	44,3	46,7	0,3	2,4
Spain	31,2	32,9	33,5	35,4	34,2	36,7	38,2	2,5	1,5
Sweden	72,0	73,0	73,6	74,0	73,3	74,4	74,4	1,1	0
United Kingdom	57,0	58,2	58,5	59,1	59,0	59,4	59,5	0,4	0,1

(*)% employed persons aged 55-64 as a share of the total population of the same aged group

Table 10: Employment growth (persons aged at least 15)

	Annual data (%)			2nd quarter (%)			Change (%)	
	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	1,1	0,5	0,9	0,4	1,0	0,6	0,6	-0,4
Belgium	0,3	-0,3	0,4	-0,5	0,5	0,6	1,0	0,1
Bulgaria	-2,5	-0,4	0,4	0,7	0,3	0,2	-0,4	-0,1
Croatia	0,3	0,0	0,4	-0,1	0,5	0,2	0,6	-0,3
Cyprus	1,2	0,6	0,9	0,6	1,0	0,4	0,4	-0,6
Czech Republic	-0,3	0,0	0,8	0,0	0,8	1,0	0,8	0,2
Denmark	0,4	0,3	0,6	0,7	0,0	1,4	-0,7	1,4
Estonia	-0,5	-0,7	0,6	-0,9	0,6	0,8	1,5	0,2
EU (28 countries)	-7,8	-3,8	0,7	-4,0	-0,5	2,3	3,5	2,8
Euro area (18 countries)	1,7	1,2	0,8	2,6	-0,2	2,1	-2,8	2,3
Finland	-0,4	-0,3	1,0	-0,5	1,0	0,9	1,5	-0,1
France	1,1	1,2	2,3	0,9	2,5	1,1	1,6	-1,4
Germany	-0,6	2,4	1,7	1,9	1,7	3,0	-0,2	1,3
Greece	-3,7	-2,6	1,3	-3,1	1,2	2,9	4,3	1,7
Hungary	-0,3	-1,8	0,1	-2,3	0,0	0,3	2,3	0,3
Ireland	-3,6	-2,6	2,7	-2,8	1,6	2,2	4,4	0,6
Italy	-4,2	-5,2	-1,9	-6,1	-1,5	0,3	4,6	1,8
Latvia	1,4	2,3	-1,3	3,9	-1,3	0,6	-5,2	1,9
Lithuania	1,8	1,3	2,0	1,0	0,9	2,1	-0,1	1,2
Luxemburg	2,4	1,8	2,4	1,8	2,3	:	0,5	:
Malta	2,3	4,2	4,5	5,2	5,0	2,3	-0,2	-2,7
Netherlands	-0,2	-0,9	-0,2	-1,1	-0,3	0,8	0,8	1,1
Poland	0,1	0,9	3,1	0,6	3,2	2,4	2,6	-0,8
Portugal	0,1	-0,1	1,7	-0,5	1,6	1,4	2,1	-0,2
Romania	-4,1	-2,9	1,4	-4,1	1,6	1,9	5,7	0,3
Slovakia	-4,8	-0,6	0,8	-0,8	0,4	-1,6	1,2	-2,0
Slovenia	0,1	-0,8	1,4	-1,3	1,4	2,0	2,7	0,6
Spain	-0,9	-1,4	0,6	-1,9	0,5	1,6	2,4	1,1
Sweden	0,7	0,9	1,4	0,8	1,3	1,3	0,5	0,0
United Kingdom								

Table 11: Unemployment rate – Total population

	Annual data (%)				2nd quarter (%)			Change (%)	
	2011	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	4,6	4,9	5,4	5,6	5,0	5,4	5,8	0,4	0,4
Belgium	7,2	7,6	8,4	8,5	8,1	8,2	8,4	0,1	0,2
Bulgaria	11,3	12,3	13,0	11,4	13,0	11,4	9,9	-1,6	-1,5
Croatia	9,2	9,8	10,3	10,3	10,1	9,8	10,0	-0,3	0,2
Cyprus	5,8	5,4	5,2	5,0	5,2	4,9	4,7	-0,3	-0,2
Czech Republic	7,6	7,5	7,0	6,6	6,7	6,3	6,0	-0,4	-0,3
Denmark	6,7	7,0	7,0	6,1	6,8	6,0	4,9	-0,8	-1,1
Estonia	10,1	11,4	12,0	11,6	11,9	11,5	10,9	-0,4	-0,6
EU (28 countries)	17,9	24,5	27,5	26,5	27,3	26,6	24,6	-0,7	-2,0
Euro area (18 countries)	12,3	10,0	8,6	7,4	8,0	7,0	:	-1,0	:
Finland	9,7	10,5	10,9	10,2	10,8	10,1	9,5	-0,7	-0,6
France	8,1	7,9	7,6	6,1	7,6	6,2	:	-1,4	:
Germany	14,7	14,7	13,1	11,3	13,9	11,9	9,8	-2,0	-2,1
Greece	21,4	24,8	26,1	24,5	26,1	24,5	22,4	-1,6	-2,1
Hungary	8,4	10,7	12,1	12,7	12,0	12,2	:	0,2	:
Ireland	13,7	16,0	17,3	17,3	16,8	16,6	15,6	-0,2	-1,0
Italy	7,9	11,9	15,9	16,1	15,5	15,5	14,7	0,0	-0,8
Latvia	16,2	15,0	11,9	10,8	11,4	10,7	9,8	-0,7	-0,9
Lithuania	15,4	13,4	11,8	10,7	11,7	11,2	9,4	-0,5	-1,8
Luxemburg	4,8	5,1	5,9	6,0	5,6	5,7	5,5	0,1	-0,2
Malta	6,4	6,3	6,4	5,9	6,6	5,8	5,4	-0,8	-0,4
Netherlands	5,0	5,8	7,3	7,4	7,1	7,5	6,9	0,4	-0,6
Poland	11,0	11,0	10,2	7,7	10,2	8,1	6,9	-2,1	-1,2
Portugal	9,7	10,1	10,3	9,0	10,5	9,1	7,4	-1,4	-1,7
Romania	12,9	15,8	16,4	14,1	16,7	14,1	12,1	-2,6	-2,0
Slovakia	7,2	6,8	7,1	6,8	7,3	6,7	6,7	-0,6	0,0
Slovenia	13,7	14,0	14,2	13,2	14,0	13,2	11,2	-0,8	-2,0
Spain	8,2	8,9	10,1	9,7	10,4	9,3	9,2	-1,1	-0,1
Sweden	7,8	8,0	8,0	7,9	8,7	8,7	8,3	0,0	-0,4
United Kingdom	7,8	7,7	8,2	8,7	9,1	9,6	10,7	0,5	1,1

Table 12: Unemployment rate - Male

	Annual data (%)				2nd quarter (%)			Change (%)	
	2011	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	5,2	5,8	6,2	5,2	5,2	5,8	6,2	0,6	0,4
Belgium	8,2	9,0	9,3	8,2	8,2	9,0	9,3	0,8	0,3
Bulgaria	14,1	12,5	10,9	14,1	14,1	12,5	10,9	-1,6	-1,6
Croatia	10,2	10,1	10,6	10,2	10,2	10,1	10,6	-0,1	0,5
Cyprus	5,5	5,3	5,1	5,5	5,5	5,3	5,1	-0,2	-0,2
Czech Republic	6,3	5,9	5,8	6,3	6,3	5,9	5,8	-0,4	-0,1
Denmark	5,8	5,0	4,2	5,8	5,8	5,0	4,2	-0,8	-0,8
Estonia	11,9	11,4	10,8	11,9	11,9	11,4	10,8	-0,5	-0,6
EU (28 countries)	24,4	23,6	21,6	24,4	24,4	23,6	21,6	-0,8	-2,0
Euro area (18 countries)	8,1	7,8	:	8,1	8,1	7,8	:	-0,3	:
Finland	10,9	10,1	9,5	10,9	10,9	10,1	9,5	-0,8	-0,6
France	8,2	6,4	:	8,2	8,2	6,4	:	-1,8	:
Germany	15,9	13,6	11,1	15,9	15,9	13,6	11,1	-2,3	-2,5
Greece	25,5	23,7	21,0	25,5	25,5	23,7	21,0	-1,8	-2,7
Hungary	11,5	11,4	:	11,5	11,5	11,4	:	-0,1	:
Ireland	17,8	15,3	15,4	17,8	17,8	15,3	15,4	-2,5	0,1
Italy	16,3	16,9	15,0	16,3	16,3	16,9	15,0	0,6	-1,9
Latvia	12,1	12,2	11,4	12,1	12,1	12,2	11,4	0,1	-0,8
Lithuania	13,4	13,2	10,8	13,4	13,4	13,2	10,8	-0,2	-2,4
Luxemburg	5,2	5,6	4,8	5,2	5,2	5,6	4,8	0,4	-0,8
Malta	6,7	6,0	5,6	6,7	6,7	6,0	5,6	-0,7	-0,4
Netherlands	7,1	7,3	6,6	7,1	7,1	7,3	6,6	0,2	-0,7
Poland	10,1	8,0	6,7	10,1	10,1	8,0	6,7	-2,1	-1,3
Portugal	9,8	8,7	7,4	9,8	9,8	8,7	7,4	-1,1	-1,3
Romania	16,6	13,8	12,2	16,6	16,6	13,8	12,2	-2,8	-1,6
Slovakia	8,0	7,4	7,6	8,0	8,0	7,4	7,6	-0,6	0,2
Slovenia	13,7	12,9	10,0	13,7	13,7	12,9	10,0	-0,8	-2,9
Spain	10,0	8,5	8,3	10,0	10,0	8,5	8,3	-1,5	-0,2
Sweden	9,0	8,9	8,4	9,0	9,0	8,9	8,4	-0,1	-0,5
United Kingdom	10,1	10,3	11,2	10,1	10,1	10,3	11,2	0,2	0,9

Table 13: Unemployment rate - Female

	Annual data (%)				2nd quarter (%)			Change (%)	
	2011	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	4,6	4,8	5,3	5,4	4,8	5,1	5,4	0,3	0,3
Belgium	7,2	7,4	8,2	7,9	8,0	7,3	7,2	-0,7	-0,1
Bulgaria	10,1	10,8	11,8	10,4	11,7	10,1	8,8	-1,6	-1,3
Croatia	9,6	9,8	10,2	10,0	9,9	9,6	9,4	-0,3	-0,2
Cyprus	5,6	5,2	4,9	4,6	4,9	4,5	4,2	-0,4	-0,3
Czech Republic	7,5	7,5	7,3	6,8	7,3	6,8	6,2	-0,5	-0,6
Denmark	7,9	8,2	8,3	7,4	8,1	7,4	5,9	-0,7	-1,5
Estonia	10,4	11,5	12,1	11,8	12,0	11,6	11,1	-0,4	-0,5
EU (28 countries)	21,5	28,2	31,4	30,2	31,2	30,4	28,3	-0,8	-2,1
Euro area (18 countries)	11,6	9,1	8,2	6,8	7,9	6,2	:	-1,7	:
Finland	9,8	10,5	10,9	10,3	10,8	10,2	9,5	-0,6	-0,7
France	7,4	7,4	7,1	5,8	7,0	5,9	:	-1,1	:
Germany	10,8	11,0	10,7	9,4	11,4	9,7	8,2	-1,7	-1,5
Greece	21,8	25,1	26,7	25,4	26,7	25,4	24,0	-1,3	-1,4
Hungary	9,5	11,8	13,1	13,8	12,7	13,3	:	0,6	:
Ireland	13,8	16,1	16,8	18,3	15,7	18,1	15,7	2,4	-2,4
Italy	7,7	11,1	15,2	15,1	14,6	13,9	14,5	-0,7	0,6
Latvia	13,8	14,0	11,1	9,8	10,8	9,1	8,1	-1,7	-1,0
Lithuania	12,9	11,6	10,5	9,2	10,1	9,3	8,0	-0,8	-1,3
Luxemburg	6,0	5,8	6,2	6,3	6,1	5,8	6,4	-0,3	0,6
Malta	7,1	7,3	6,3	5,4	6,5	5,5	5,2	-1,0	-0,3
Netherlands	5,4	6,2	7,3	7,8	7,1	7,9	7,2	0,8	-0,7
Poland	11,0	10,6	10,1	7,9	10,3	8,2	7,1	-2,1	-1,1
Portugal	10,4	10,9	11,1	9,6	11,2	9,7	7,5	-1,5	-2,2
Romania	13,2	15,6	16,6	14,5	16,7	14,5	11,9	-2,2	-2,6
Slovakia	6,5	6,1	6,3	6,1	6,3	5,9	5,6	-0,4	-0,3
Slovenia	13,7	14,5	14,5	13,6	14,4	13,4	12,7	-1,0	-0,7
Spain	8,2	9,4	10,9	10,6	10,9	10,3	10,2	-0,6	-0,1
Sweden	7,7	7,7	7,9	7,7	8,4	8,4	8,2	0,0	-0,2
United Kingdom	7,1	7,1	7,5	8,0	8,1	8,9	10,2	0,8	1,3

Table 14: Long term unemployment rate(*)

	Annual data (%)				2nd quarter (%)			Change (%)	
	2011	2012	2013	2014	2013	2014	2015	2014/13	2015/14
Austria	26,3	24,9	24,6	27,2	24,7	28,4	29,2	3,7	0,8
Belgium	48,3	44,7	46,1	49,9	46,3	50,3	52,0	4,0	1,7
Bulgaria	55,7	55,2	57,3	60,4	55,7	58,2	63,1	2,5	4,9
Croatia	41,1	40,0	40,5	42,8	40,8	44,1	43,9	3,3	-0,2
Cyprus	47,9	45,4	44,7	44,3	45,3	45,8	45,6	0,5	-0,2
Czech Republic	24,4	28,0	25,5	25,2	28,7	23,1	27,3	-5,6	4,2
Denmark	40,6	43,4	43,4	43,5	44,4	43,2	46,8	-1,2	3,6
Estonia	45,2	46,4	49,8	52,6	49,5	53,3	52,4	3,8	-0,9
EU (28 countries)	49,3	59,1	67,1	73,5	65,1	74,4	73,1	9,3	-1,3
Euro area (18 countries)	57,3	54,7	44,5	45,3	48,4	51,0	43,2	2,6	-7,8
Finland	43,0	44,5	47,3	49,5	47,0	50,0	49,3	3,0	-0,7
France	33,5	34,7	36,2	35,8	37,2	36,8	32,2	-0,4	-4,6
Germany	59,3	61,7	60,6	59,2	59,0	58,6	57,4	-0,4	-1,2
Greece	41,6	44,4	49,7	52,8	49,3	52,8	52,5	3,5	-0,3
Hungary	52,0	53,2	56,9	61,4	56,4	62,5	60,3	6,1	-2,2
Ireland	61,3	63,7	63,6	58,4	63,3	58,0	62,9	-5,3	4,9
Italy	20,8	30,1	38,3	47,7	36,5	50,1	46,6	13,6	-3,5
Latvia	54,5	52,1	48,6	43,0	48,8	40,2	43,0	-8,6	2,8
Lithuania	52,1	49,2	42,9	44,7	42,2	44,3	45,5	2,1	1,2
Luxemburg	28,8	30,3	30,4	27,4	24,4	33,7	32,2	9,3	-1,5
Malta	47,3	48,5	45,7	46,9	40,7	46,4	44,9	5,7	-1,5
Netherlands	33,2	33,7	35,8	40,0	35,9	40,1	45,4	4,2	5,3
Poland	47,6	45,3	48,6	47,5	47,1	47,7	46,1	0,6	-1,6
Portugal	37,2	40,3	42,5	42,7	42,1	43,0	40,8	0,9	-2,2
Romania	48,4	48,8	56,4	59,6	56,2	62,4	58,2	6,2	-4,2
Slovakia	41,0	44,2	45,2	41,1	41,7	42,6	43,6	0,9	1,0
Slovenia	67,9	67,3	70,2	70,2	70,7	71,5	68,4	0,8	-3,1
Spain	44,2	47,9	51,0	54,5	49,5	57,1	51,5	7,6	-5,6
Sweden	19,6	18,9	18,5	18,9	16,8	17,6	19,7	0,8	2,1
United Kingdom	22,2	21,4	20,7	22,4	17,1	19,3	20,5	2,2	1,2

(*) % long term unemployed (12 months and more) as a percentage of the total unemployed

Table 15: Unemployment rate of persons aged 15-24

	Annual data (%)				2nd quarter (%)			Change (%)	
	2011	**2012**	**2013**	**2014**	**2013**	**2014**	**2015**	**2014/13**	**2015/14**
Austria	8,9	9,4	9,7	10,3	9,0	9,1	10,2	0,1	1,1
Belgium	18,7	19,8	23,7	23,2	22,5	23,4	20,4	0,9	-3,0
Bulgaria	25,0	28,1	28,4	23,8	28,7	23,3	21,9	-5,4	-1,4
Croatia	22,7	24,4	24,9	24,2	24,0	22,7	23,0	-1,3	0,3
Cyprus	8,5	8,0	7,8	7,7	7,6	7,7	7,0	0,1	-0,7
Czech Republic	14,2	14,1	13,0	12,6	11,9	12,3	9,7	0,4	-2,6
Denmark	18,1	19,5	18,9	15,9	17,4	15,5	12,0	-1,9	-3,5
Estonia	21,2	23,5	24,4	23,8	24,1	23,5	22,4	-0,6	-1,1
EU (28 countries)	44,7	55,3	58,3	52,4	59,2	52,0	49,5	-7,2	-2,5
Euro area (18 countries)	22,4	20,9	18,7	15,0	16,5	16,9	:	0,4	:
Finland	21,7	23,3	23,7	22,2	23,6	21,9	20,4	-1,7	-1,5
France	21,3	21,2	20,7	16,9	20,9	16,1	:	-4,8	:
Germany	29,1	30,4	26,8	23,9	29,6	26,9	22,4	-2,7	-4,5
Greece	46,2	52,9	55,5	53,2	56,0	53,1	49,2	-2,9	-3,9
Hungary	29,2	35,3	40,0	42,7	37,3	41,6	:	4,3	:
Ireland	36,7	42,1	50,0	45,5	50,1	41,3	39,9	-8,8	-1,4
Italy	22,4	27,7	38,9	36,0	40,3	37,2	31,7	-3,1	-5,5
Latvia	31,0	28,5	23,2	19,6	20,1	21,1	15,2	1,0	-5,9
Lithuania	32,6	26,7	21,9	19,3	21,0	21,3	16,7	0,3	-4,6
Luxemburg	16,4	18,0	16,9	22,3	15,6	20,7	14,3	5,1	-6,4
Malta	13,3	14,1	13,0	11,8	15,7	12,6	13,4	-3,1	0,8
Netherlands	10,0	11,7	13,2	12,7	12,7	12,9	11,0	0,2	-1,9
Poland	26,0	28,2	26,6	20,4	25,7	20,7	17,8	-5,0	-2,9
Portugal	25,8	26,5	27,3	23,9	26,0	23,1	19,8	-2,9	-3,3
Romania	30,2	38,0	38,1	34,7	37,4	35,6	29,8	-1,8	-5,8
Slovakia	23,9	22,6	23,7	24,0	23,4	23,9	20,4	0,5	-3,5
Slovenia	33,7	34,0	33,7	29,7	32,3	29,2	25,3	-3,1	-3,9
Spain	15,7	20,6	21,6	20,2	24,1	19,0	15,5	-5,1	-3,5
Sweden	22,8	23,7	23,6	22,9	27,9	27,6	25,3	-0,3	-2,3
United Kingdom	20,1	19,0	19,9	20,5	26,2	25,6	29,0	-0,6	3,4