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Greek Real GDP +0.3 QoQ% / +1.3 YoY% in 2017Q3 Growth remains on a positive territory for a third quarter in row, however it decelerates relative to 2017Q2

On December 4th 2017, the Hellenic Statistical Authority (ELSTAT) published the quarterly national accounts for the 3rd quarter of 2017. The release of the respective series for 2017Q4 is scheduled for March 5th 2018. Two days later, i.e. March 7th 2018, ELSTAT will announce the 1st estimate of the annual national accounts for 2017. According to European Commission's Autumn 2017 forecasts, real GDP growth rate in Greece is estimated at 1.6% for 2017 (the rate also envisaged in the 2018 Government Budget) and at 2.5% for 2018 and 2019. The respective estimates of OECD (Economic Outlook, November 2017) are slightly lower – at least for 2017 & 2018 - at 1.4%, 2.3% and 2.0%. Finally, the IMF (World Economic Outlook, October 2017) projects that Greece will achieve growth rates of 1.8%, 2.6% and 1.9% for the years 2017, 2018 and 2019 respectively.

Table 1: GDP Growth Rate in Greece (QoQ% and YoY%), January – September 2017
Expenditure Side Approach – Seasonally Adjusted Time Series

<i>Real</i>	<i>2017 Q3</i>		<i>2017 Q2</i>		<i>2017 Q1</i>		<i>FY 2017: EC's</i>	
	<i>QoQ</i>	<i>YoY</i>	<i>QoQ</i>	<i>YoY</i>	<i>QoQ</i>	<i>YoY</i>	<i>Jan – Sep 2017</i>	<i>Autumn Forecasts</i>
							<i>Percentage Change %</i>	
GDP	0.3	1.3	0.8	1.6	0.7	0.4	1.1	1.6
Cp	-0.3	0.0	-0.1	1.0	0.2	0.9	0.6	0.9
Cg	0.9	-2.2	2.0	-2.1	0.0	-3.5	-2.6	0.9
GCF	-8.9	10.6	-15.4	-0.5	39.9	29.6	12.9	5.1
GFCF	-6.1	-8.5	-5.2	1.0	3.5	17.0	2.6	5.1
Exp	5.0	7.8	4.0	9.8	-0.3	5.2	7.6	6.8
Imp	0.4	9.3	-2.1	5.0	4.6	11.1	8.5	6.0
							<i>FY 2017: EC's</i>	
<i>Nominal</i>	<i>2017 Q3</i>		<i>2017 Q2</i>		<i>2017 Q1</i>		<i>Jan – Sep 2017</i>	<i>Autumn Forecasts</i>
							<i>Percentage Change %</i>	
GDP	0.6	2.1	0.2	1.5	1.9	1.5	1.7	2.5
Cp	-0.2	1.2	0.0	2.2	1.0	2.2	1.8	1.3
Cg	-0.2	-1.6	-0.5	-1.3	1.1	-0.4	-1.1	1.9
GCF	-2.2	15.6	-14.4	-8.1	27.1	25.4	9.8	4.7
GFCF	-2.4	-8.3	-17.7	-1.0	21.6	20.0	3.3	3.5
Exp	6.6	12.8	1.4	13.5	0.8	13.3	13.2	10.5
Imp	3.4	12.3	-4.7	8.6	6.4	22.0	14.1	9.3

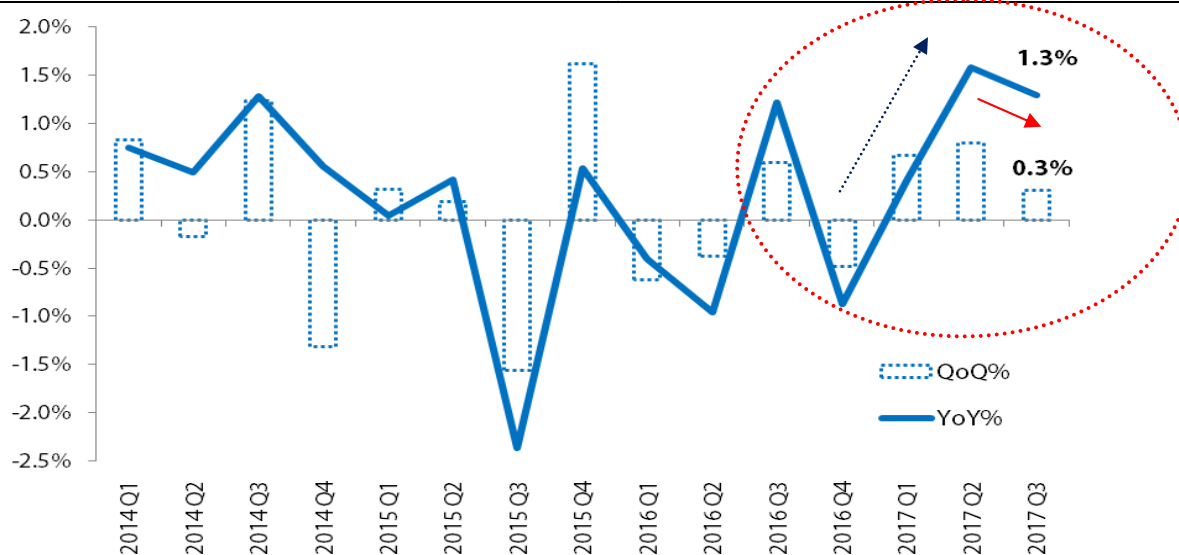
Source: ELSTAT, European Commission (2017 Autumn Forecasts), Eurobank Research.

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In the 3rd quarter of 2017, real GDP in Greece increased for a third quarter in a row, both in quarterly and in annual terms. The last time that Greece managed to achieve a similar economic performance – at least in qualitative terms - was back in 2006, i.e. almost two years before the start of the crisis. This fact, along with an expected swift completion of the third review of the programme (on December 4th 2017, the Eurogroup confirmed that a staff level agreement (SLA) was reached between the Greek government and the institutions), constitute a first step for Greece toward exit from the 3 year period of stagnation. Bear in mind that real GDP in Greece, after collapsing by -26.5% in the period between the end of 2007 and 2013 (see Figure 3), it followed an almost flat path trajectory during 2013-2016 (+0.2%).

Figure 1: Real GDP Growth Rate in Greece (QoQ% and YoY%) – Seasonally Adjusted Time Series



Source: ELSTAT, Eurobank Research.

As Table 1 and Figure 1 depict, the domestic production of final goods and services in Greece increased by +0.3 QoQ% / +1.3 YoY% in 2017Q3 from +0.8 QoQ% / +1.6 YoY% in 2017Q2 and +0.7 QoQ% / +0.4 YoY% in 2017Q1. For the 9 month period January to September 2017, Greek real GDP expanded by +1.1 YoY% (or +1.7 YoY% in nominal terms) from -0.1 YoY% (or -1.1 YoY% in nominal terms) in January to September 2016. Given the aforementioned results, confirmation of the EC's forecast for a full year growth rate of 1.6% in 2017 requires a rise in Greek real output of +1.2 QoQ% / +3.0 YoY% in 2017Q4.

Table 2: Exports of Goods and Services (QoQ% and YoY%), January – September 2017, Seasonally Adjusted Time Series

	2017 Q3		2017 Q2		2017 Q1		Jan – Sep 2017
	QoQ	YoY	QoQ	YoY	QoQ	YoY	YoY
<i>Constant Prices</i>							
<i>Percentage Change %</i>							
<u>Exports of Goods and Services</u>	5.0	7.8	4.0	9.8	-0.3	5.2	7.6
Goods	-0.6	2.8	4.8	8.9	3.3	3.3	5.0
Services	9.8	12.6	3.1	12.4	-3.1	7.9	11.0
<u>Imports of Goods and Services</u>	0.4	9.3	-2.1	5.0	4.6	11.1	8.5
Goods	-0.6	9.2	-2.9	3.0	4.9	11.6	7.8
Services	3.3	6.9	0.0	15.5	3.3	11.5	11.1
<i>Current Prices</i>							
<i>Percentage Change %</i>							
<u>Exports of Goods and Services</u>	6.6	12.8	1.4	13.5	0.8	13.3	13.2
Goods	2.9	11.1	-0.3	12.9	3.5	16.2	13.3
Services	10.9	14.6	3.4	14.3	-2.3	10.0	13.0
<u>Imports of Goods and Services</u>	3.4	12.3	-4.7	8.6	6.4	22.0	14.1
Goods	2.5	12.9	-5.9	7.1	7.3	24.5	14.6
Services	7.8	9.7	1.4	16.5	1.6	10.6	12.1

Source: ELSTAT, Eurobank Research.

From the demand side of the economy, both government consumption and exports had a positive contribution to quarterly real GDP growth (as chain weight real GDP components series are not additive, it is not feasible to quantify the exact contribution to growth of each of the demand components. This does not hold for fixed weight real GDP series). In 2017Q3, public consumption increased by +0.9 QoQ% from +2.0 QoQ% in 2017Q2 and exports, backed by strong tourism and transportation services revenue, expanded by 5.0 QoQ% from 4.0 QoQ% in 2017Q2. More specifically, as Table 2 presents, the quarterly growth rate of exports of services accelerated to +9.8 QoQ% from +3.1 QoQ% in 2017Q2 while the respective figure for exports of goods turned slightly negative to -0.6 QoQ% from +4.8 QoQ% in the former quarter. On the other hand, private consumption, investment and imports had a negative contribution to quarterly real output growth in 2017Q3. Despite a major rebound in the consumer confidence indicator in the period April to September 2017 (26 month high in September 2017) and a continuous improvement in the domestic labour market conditions (employment grew by 2.3 and 2.8 YoY% in July and August 2017 respectively), the Greek households reduced their consumption expenditures – most probably due to the tax burden - by -0.3 QoQ% (or -0.2 QoQ% in nominal terms) from -0.1 QoQ% in 2017Q2. Furthermore, gross fixed capital formation, i.e. investment expenditures for fixed capital goods, decreased by -6.1 QoQ% in 2017Q3 from -5.2 QoQ% in the former quarter. As Table 3 demonstrates, the categories of fixed assets (see Figure 2 for the respective shares over total fixed investment) with a negative contribution to the quarterly percentage change of fixed investment were: dwellings (-7.1 QoQ%), other buildings and structures (-7.4 QoQ%) and transport equipment + weapon systems (-32.4 QoQ%). The categories of fixed assets with a positive contribution were: cultivated biological resources (+20.1 QoQ%), information communication technology equipment (+2.0 QoQ%) and other machinery equipment + weapon systems (+0.8 QoQ%). The fixed asset of intellectual property products remained stagnant (0.0 QoQ%). Finally, gross capital formation, i.e. fixed + inventory investment, dropped by -8.9 QoQ% in 2017Q3 from -15.4 QoQ% in 2017Q2. The respective figures for imports were +0.4 QoQ% and -2.1 QoQ%.

Table 3: Gross Fixed Capital Formation by Asset (QoQ% and YoY%), January – September 2017

Constant Prices, Seasonally Adjusted Time Series	2017 Q3		2017 Q2		2017 Q1		Jan – Sep
	QoQ	YoY	QoQ	YoY	QoQ	YoY	YoY
	Percentage Change %						
Total Gross Fixed Capital Formation	-6.1	-8.5	-5.2	1.0	3.5	17.0	2.6
1. Dwellings	-7.1	-7.5	4.5	-5.2	-10.0	-10.8	-7.8
2. Other Buildings and Structures	-7.4	-20.9	-1.9	-6.5	-6.1	-3.1	-10.6
3. Cultivated Biological Resources	20.1	-0.5	16.5	-2.3	-47.4	1.7	-0.5
4. Transport Equipment + Weapon Systems	-32.4	5.2	-46.0	10.2	175.7	203.9	63.4
5. Information Communication Technology Equipment	2.0	-3.1	-1.9	-10.3	5.0	-14.0	-9.3
6. Other Machinery Equipment + Weapon Systems	0.8	-2.9	0.7	2.9	11.0	-1.0	-0.4
7. Intellectual Property Products	0.0	-0.7	-0.1	-0.2	0.2	0.4	-0.2

Source: ELSTAT, Eurobank Research.

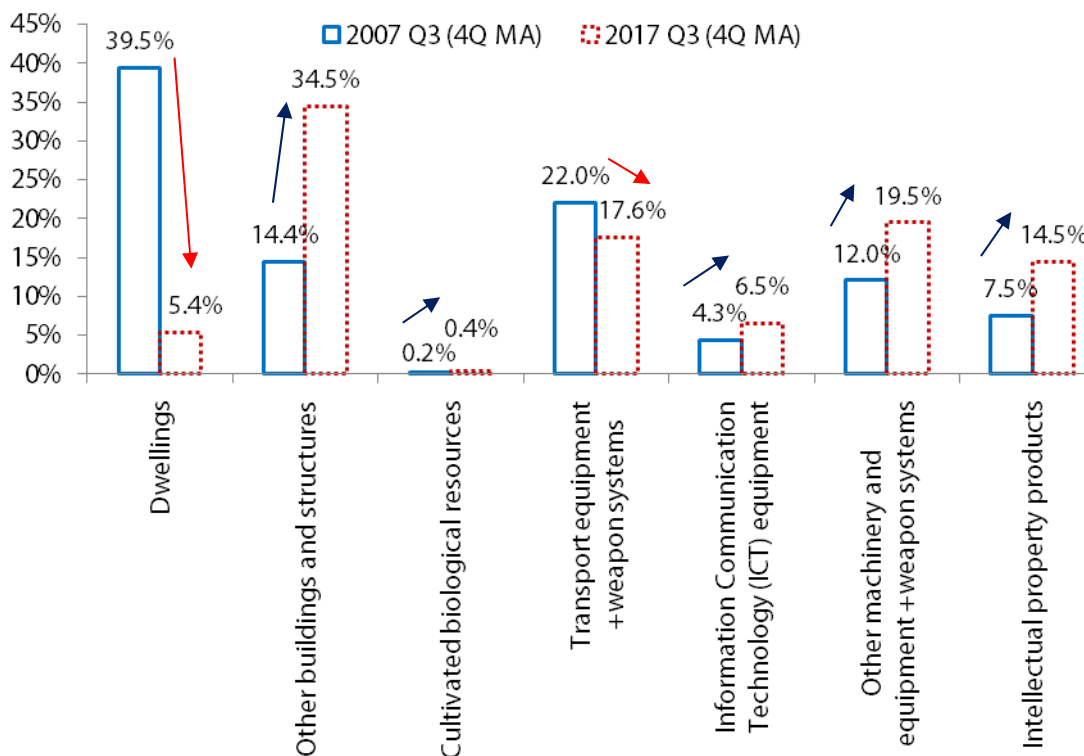
In what concerns the demand drivers of the annual real GDP growth of +1.3% in 2017Q3, exports and gross capital formation dominated. Exports increased by +7.8 YoY% from +9.8 YoY% in 2017Q2. This deceleration came from the performance of the sector of goods. More specifically, the growth rate of exports of goods decreased to +2.8 YoY% in 2017Q3 from +8.9 YoY% in 2017Q2. On the other hand, the annual percentage change of exports of services marginally accelerated to +12.6 YoY% from +12.4 YoY% in the prior quarter. As noted earlier, the sectors of tourism and transportation services played a key role in the pick up of exports of services.

Gross capital formation, the other variable with a positive contribution to the annual real GDP growth in 2017Q3, increased by +10.6 YoY% from -0.5 YoY% in 2017Q2 and +29.6 YoY% in 2017Q1. During the same quarter, gross fixed capital formation dropped by -8.5 YoY% from +1.0 and +17.0 YoY% in 2017Q2 and 2017Q1 respectively. Hence, inventory investment had a positive contribution to the annual real GDP growth in 2017Q3, while the respective contribution of fixed investment was negative.

Imports of goods and services had a negative effect to the annual real GDP growth in 2017Q3. Imports of goods increased by +9.3 YoY% from +9.2 YoY% in 2017Q2 and +6.9 YoY% in 2017Q1. The annual change of imports of services decelerated to +6.9 YoY% from +15.5 and +11.5 YoY% in 2017Q2 and 2017Q1 respectively. Finally, private consumption, after experiencing 4 consecutive quarters with positive annual growth (+1.0 YoY% in 2017Q2, 0.9 YoY% in 2017Q1, +0.2 YoY% in 2016Q4 and +3.7 YoY% in 2016Q3), remained stagnant in 2017Q3 (0.0 YoY%).

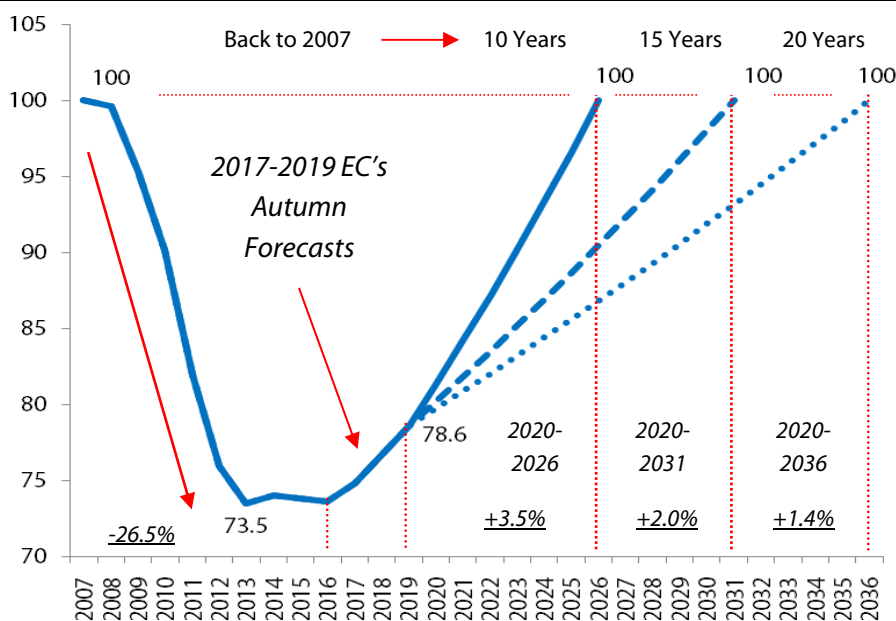
All in all, during the 9 month period January to September 2017, real GDP in Greece increased by +1.1 YoY%. The GDP components with a positive contribution to the aforementioned economic performance were: private consumption (+0.6 YoY%), gross capital formation (+12.9 YoY%), gross fixed capital formation (+2.6 YoY%) and exports (7.6 YoY%). Government consumption (-2.6 YoY%) and imports (+8.5 YoY%) had a negative effect to real output growth.

Figure 2: Gross Fixed Capital Formation by Asset (Shares Over Total, %) – Constant Prices, Seasonally Adjusted Time Series



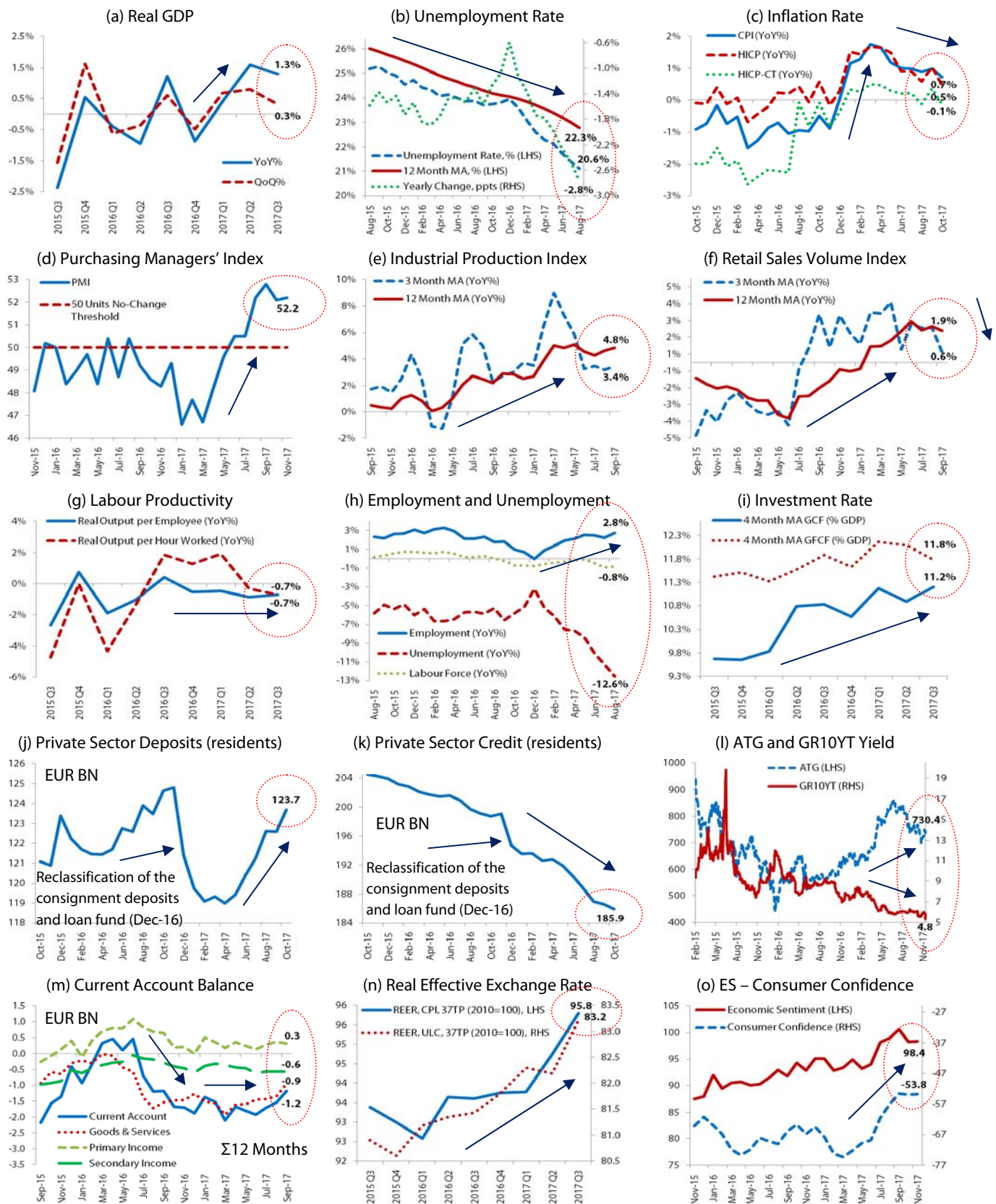
Source: ELSTAT, Eurobank Research.

Figure 3: Real Gross Domestic Product (Index 2007 = 100) – Back to 2007



Source: ELSTAT, European Commission (2017 Autumn Forecasts), Eurobank Research.

Figure 4: Basic Macroeconomic – Microeconomic Figures of the Greek Economy (update: 5/12/2017)



Source: ELSTAT, Eurostat, BoG, EC, Markit, Thomson Reuters, Eurobank Research.

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