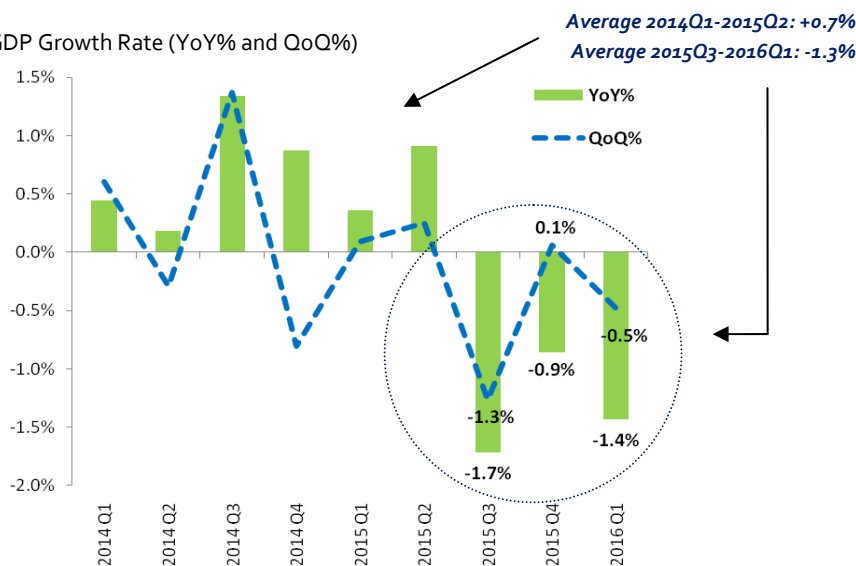


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Greece: Q1 real GDP revised slightly downwards

The Hellenic Statistical Authority (EL.STAT.) published earlier today the provisional data of the quarterly national accounts for Q1 2016. Compared to the respective data estimates published on May 13th 2016, there was a slight downward revision in real GDP growth from -1.3% to -1.4% (seasonally adjusted data) on a yearly basis and from -0.4% to -0.5% on a quarterly basis (see Figure 1). It is worth pointing out that Q1 marked the 3rd consecutive quarter with a negative real GDP growth. More specifically, during the period Q3 2015 – Q1 2016 the average annual change of real GDP was -1.3% from +0.7% over the period Q1 2014 – Q2 2015.

Figure 1: Real GDP Growth Rate (YoY% and QoQ%)



Source: (a) Hellenic Statistical Authority (ELSTAT), (b) Eurobank Research.

Note: (a) time series are seasonally adjusted.

Which were the main drivers behind the contraction of Greek real GDP in Q1 2016? According to the official data, domestic demand, i.e. private consumption, government consumption and gross capital formation, had a negative contribution of approximately -1.8 pts (percentage points). On the other hand, net exports had a positive contribution of 0.4 pts.

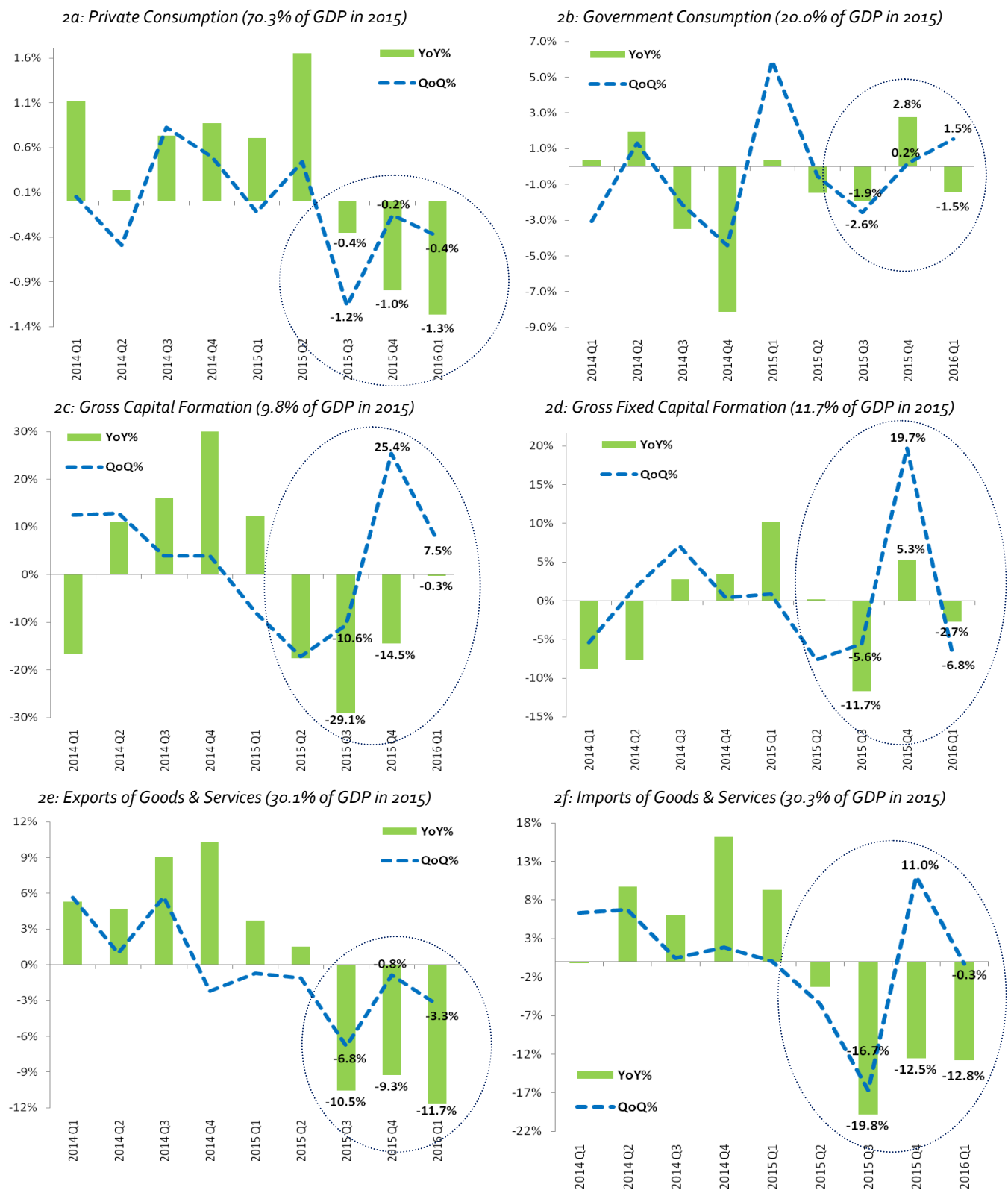
In what concerns domestic demand components, private consumption contracted by -1.3% YoY/-0.4% QoQ probably reflecting households' expectations for a future decrease in their disposable income (mainly due to higher taxation and/or social security pension reforms). Our intuition is supported by the sharp decline of the consumer confidence indicator (30 month low in March 2016). Government consumption contracted by -1.5%YoY contributing -0.3 pts to real GDP growth. However, on a quarterly basis it increased by 1.5% QoQ. A possible explanation for the latter is the public consumption expenditures for the refugee crisis.

On the investment front, gross capital formation slightly contracted by -0.3% YoY, while on a quarterly basis it expanded by 7.5% QoQ. In what concerns gross fixed capital formation it contracted by -2.7% YoY/-6.8% QoQ. Hence, in real terms, there was a rebound in inventory investment. We should note that in the former two quarters, i.e. 2015 Q3&Q4, there was a significant drop in inventory investment (e.g. due to the imposition of capital controls or firms expectations for a worsening in economic activity). Finally, as regards foreign sector GDP components, exports declined by -11.7% YoY/ -3.3% QoQ and imports contracted by -12.8% YoY/ -0.3% QoQ.

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Figure 2: Demand Side Components (YoY%, QoQ% in real terms, seasonally adjusted)



Source: (a) Hellenic Statistical Authority (ELSTAT), (b) Eurobank Research.

Note: (a) the shares of the GDP components are computed using the respective time series in nominal terms.

Table 1: Real GDP and Demand Side Components (expenditure approach)

	<u>2015 Q1</u>	<u>2015 Q2</u>	<u>2015 Q3</u>	<u>2015 Q4</u>	<u>2016 Q1</u>
<i>Panel A.</i>					
<u>YoY % Change in Real Terms</u>					
Gross Domestic Product	0.4	0.9	-1.7	-0.9	-1.4
Private Consumption	0.7	1.7	-0.4	-1.0	-1.3
Government Consumption	0.4	-1.5	-1.9	2.8	-1.5
Gross Capital Formation	12.4	-17.5	-29.1	-14.5	-0.3
Gross Fixed Capital Formation	10.2	0.2	-11.7	5.3	-2.7
Exports	3.7	1.5	-10.5	-9.3	-11.7
Imports	9.3	-3.3	-19.8	-12.5	-12.8
<i>Panel B.</i>					
<u>QoQ % Change in Real Terms</u>					
Gross Domestic Product	0.1	0.3	-1.3	0.1	-0.5
Private Consumption	-0.1	0.4	-1.2	-0.2	-0.4
Government Consumption	5.9	-0.6	-2.6	0.2	1.5
Gross Capital Formation	-7.8	-17.2	-10.6	25.4	7.5
Gross Fixed Capital Formation	0.9	-7.7	-5.6	19.7	-6.8
Exports	-0.7	-1.1	-6.8	-0.8	-3.3
Imports	0.1	-5.5	-16.7	11.0	-0.3
<i>Panel C.</i>					
<u>Contribution to Real GDP YoY% Growth (percentage points)</u>					
Domestic Demand	2.5	-0.7	-4.7	-2.1	-1.8
Private Consumption	0.9	1.7	-0.9	-0.8	-1.5
Government Consumption	0.1	-0.3	-0.4	0.6	-0.3
Gross Capital Formation	1.5	-2.1	-3.5	-1.9	0.0
Gross Fixed Capital Formation	1.5	-0.2	-1.4	0.7	-0.2
Net Exports	-2.1	1.8	2.8	1.4	0.4
Exports	1.1	0.8	-3.3	-2.8	-3.7
Imports	-3.1	1.1	6.1	4.2	4.1

Source: (a) Hellenic Statistical Authority (ELSTAT), (b) Eurobank Research.

Note: (a) In panels A.&B. we use the seasonally adjusted time series. In panel C. we use the non seasonally adjusted time series. Since chain-linked volume indices are non additive, the contributions presented in Panel C. are only approximations of the real figures.

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