

GREECE MACRO MONITOR

June 6, 2014

Greek Q1 GDP revised to -0.9% YoY, from -1.1% YoY reported initially, coming pretty close to our GDP Nowcasting estimate of -0.8% YoY

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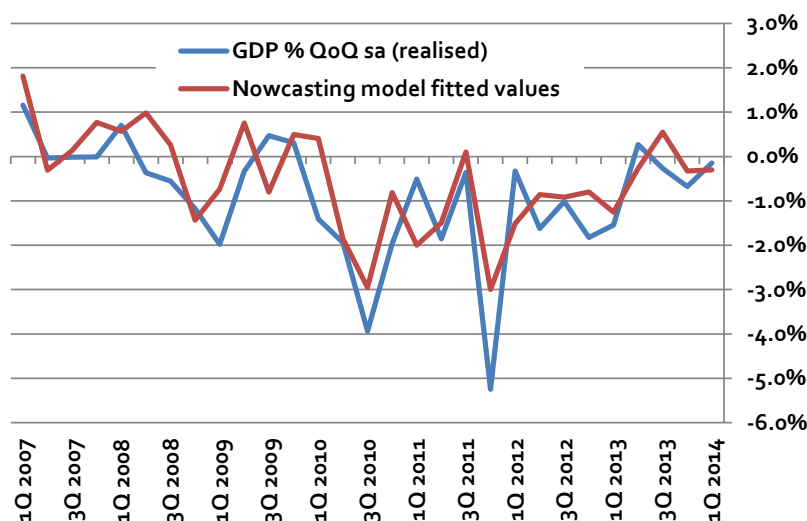
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Greece's statistics agency (EL.STAT.) released earlier today its provisional national accounts data for Q1 2014. The data showed a further deceleration in the annual pace of real GDP contraction to -0.9% from an *initially-reported* reading of -1.1% (flash estimate) and a decline of 2.3% recorded in Q4 2013. The reading was pretty close to an estimate of -0.8% provided by our **Greek GDP NOWcasting** model in mid-March (Graph 1).¹ The breakdown of the report showed a further improvement in all expenditure-side components, with private spending recording positive real growth (+0.7% YoY) for the first time since Q1 2010, exports of goods and services accelerating to 5.4% (highest rate of increase since Q4 2010) and the annual pace of decline of gross fixed capital formation easing to -7.9%, from -15.3% in the prior quarter and -11.4% in Q1 2013 (Table 1). Maybe on a less constructive note, imports of goods and services recorded a further recovery in the first quarter of this year, growing by 2.2% YoY in real terms, after declining by 5.6% YoY in the prior quarter (and by 7.0% YoY in Q1 2013). If the latter trend continues, then we may see a further decline in the positive contribution of net exports this year, broadly in line with the official (*i.e.*, government and European Commission) estimates (Graph 2). EL.STAT does not currently release seasonally adjusted data, but according to our ARIMA X-12 filter, Greek GDP dropped by ca 0.15% on a quarter-on-quarter seasonally adjusted basis in Q1 2014 (and by 0.51%, if a shorter time series starting in Q1 2009 is utilized for seasonal adjustment, so as to address a structural break in the GDP data in 2008). Looking further ahead, we expect a switch into positive year-on-year real GDP growth as early as in Q3 2014, forecasting positive full-year growth between 0.5% and 1.0%.

Graph 1
Greek GDP (QoQ seasonally adjusted, %) & Eurobank's Greek GDP Nowcasting model fit

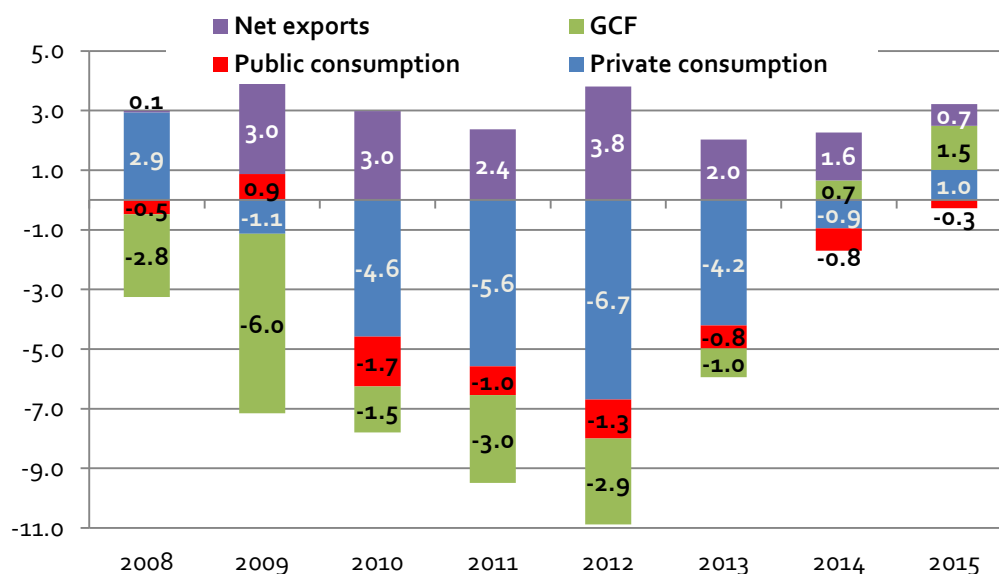


Source: ELSTAT and Eurobank Global Markets Research

http://www.eurobank.gr/Uploads/Reports/GDP_Nowcasting_Update-Greece_MacroMonitor_March19_2014.pdf

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Graph 2 - Component contribution to real GDP growth (in pts)



Source: ELSTAT, EC, Eurobank Global Markets Research

Table 1- Greece: Q1 GDP, % change compared to the same quarter of the prior year

| | 2012 Q1 | 2012 Q2 | 2012 Q3 | 2012 Q4 | 2013 Q1 | 2013 Q2 | 2013 Q3 | 2013 Q4 | 2014 Q1 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross Domestic Product <i>at market prices</i> | -7.8% | -7.4% | -7.7% | -4.9% | -6.0% | -4.0% | -3.2% | -2.3% | -0.9% |
| Production method | | | | | | | | | |
| Gross value added (<i>at basic prices</i>) | -7.7% | -7.3% | -7.8% | -5.0% | -6.0% | -3.9% | -3.1% | -2.0% | -0.8% |
| + Taxes on products | -8.8% | -7.6% | -7.4% | -4.6% | -6.5% | -5.5% | -4.0% | -4.0% | -1.6% |
| - Subsidies on products | -8.6% | -7.3% | -7.8% | -4.5% | -6.6% | -4.5% | -3.8% | -4.0% | -1.6% |
| Expenditure method | | | | | | | | | |
| Final consumption expenditure | -8.0% | -8.1% | -10.7% | -8.5% | -8.9% | -6.4% | -6.1% | -0.8% | 0.8% |
| Households and NPISH | -9.7% | -8.7% | -9.2% | -9.6% | -8.7% | -6.6% | -7.8% | -0.2% | 0.7% |
| General Government | -0.8% | -5.8% | -17.4% | -3.3% | -9.7% | -5.5% | 1.7% | -2.6% | 1.2% |
| + Gross capital formation | -33.8% | -19.7% | -27.4% | 6.1% | 8.4% | -18.0% | 9.1% | -15.4% | -16.7% |
| Gross fixed capital formation | -22.8% | -21.5% | -21.5% | -10.3% | -11.4% | -11.5% | -12.9% | -15.3% | -7.9% |
| + Exports of goods and services | 4.2% | -2.3% | -3.1% | -4.0% | -2.2% | 1.6% | 5.2% | 0.5% | 5.4% |
| - Imports of goods and services | -14.9% | -12.9% | -18.7% | -8.1% | -7.0% | -11.1% | 2.7% | -5.6% | 2.2% |

Source: EL.STAT

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