

GREECE MACRO MONITOR

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Q4 2014 GDP data reveal positive real consumption and strong improvement in investment dynamics

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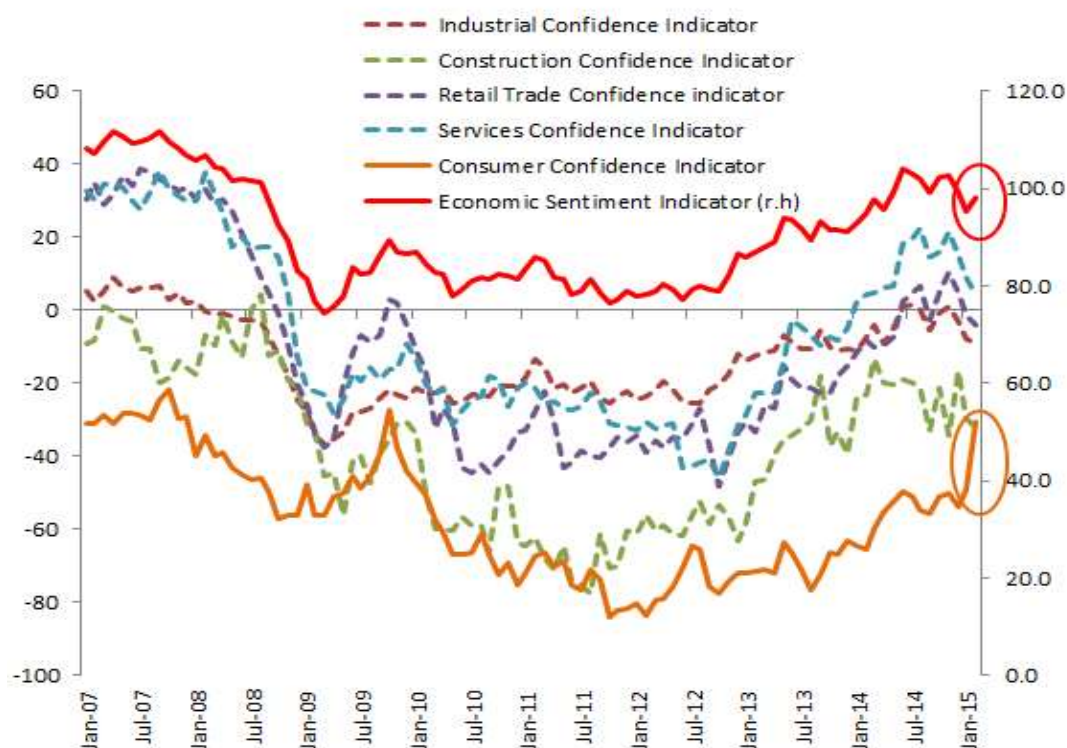
Earlier today, Greece's stats agency (EL.STAT.) released updated national accounts data for Q4 2014. The data revealed that real GDP grew by 0.7% in 2014 (*i.e.*, a tad faster than the official forecast of +0.6%), after contracting by 4.0% in the prior year. Respective GDP deflator readings were -2.6% in 2014 and -2.3% in 2013. In the fourth quarter of last year, seasonally-adjusted (s.a.) real GDP recorded QoQ growth of -0.4%, discontinuing a stream of positive readings over the prior three quarters. The most notable features of the 2014 data breakdown are as follows (see Table 1):

- An increase in private consumption, which in QoQ s.a. terms posted positive real growth in the last three quarters of 2014. This followed (mostly) negative readings over the prior 5-year period. Despite the still negative savings rate of households (c. -6% of average disposable income), the aforementioned improvement comes as no major surprise to us, given the pent up demand accumulated over a steep and prolonged recessionary domestic environment.
- The bounce in real investment expenditure, which was firmly positive on a QoQ s.a. basis in the last three quarters of 2014 and grew by an impressive 18.3% QoQ s.a. in Q4. This improvement comes after the hefty losses experienced in the prior 6 years (2008-2013) and reflects, mostly, strong gains in investment on machinery and equipment as well as on transportation equipment.
- The strong improvement in exporting activity, chiefly on the back of hefty gains in services exports *i.e.*, tourism and, to a lesser extent, shipping revenue. And, last but not least, the strong bounce in imports as a result of improving domestic demand.

Looking ahead, the most recent domestic and external developments clearly point to downside risks surrounding our earlier real GDP forecast of 2.5% in 2015. That is, despite a small positive carry-over from last year's GDP dynamics (c. 0.15ppts). Having said that, we take some comfort from the most recent bounce in a range of sentiment indicators (February 2015 economic sentiment indicator and consumer confidence component), which ostensibly reflects a (temporary?) improvement in consumer moral following the January 25th elections (Graph 1).

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Graph 1 – Economic Sentiment Indicator and main components



Source: European Commission, Eurobank Economic Research

Table 1 – Greek GDP and Components (2010 prices, YoY, %)

| | 2013 | 2014 |
|--|--------|-------|
| Real GDP | -4.0% | 0.7% |
| Consumption expenditure <i>(households & NPISHs)</i> | -2.2% | 1.4% |
| Public expenditure | -5.1% | -0.8% |
| Gross fixed capital formation | -9.5% | 3.0% |
| Total exports | 1.5% | 8.8% |
| of which | | |
| Exports of goods | 2.2% | 5.2% |
| Exports of services | 0.8% | 12.7% |
| Total imports | -2.9% | 7.4% |
| of which | | |
| Imports of goods | -0.9% | 8.4% |
| Imports of services | -10.6% | 3.1% |

Source: EL.STAT, Eurobank Economic Research

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