

PIRAEUS BANK



Data vs Sentiment: The Great Divide

Economic Research & Investment Strategy

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1. The Great Divide

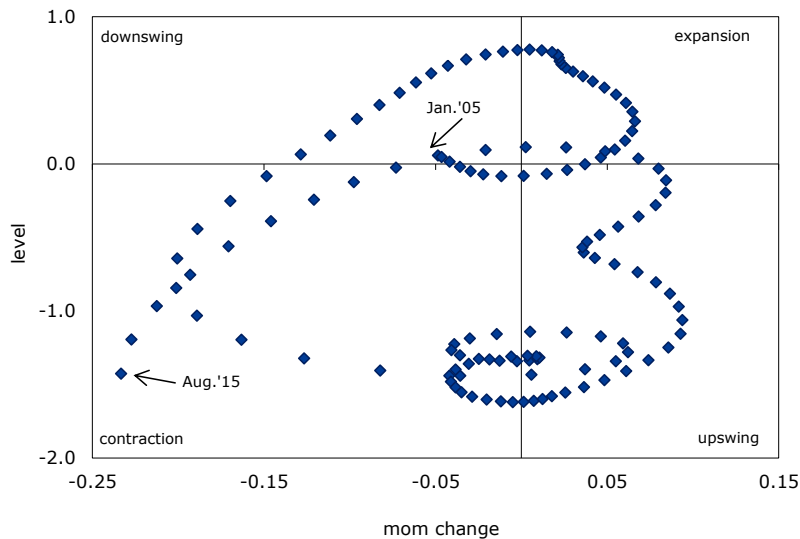
2. 3rd Economic Adjustment Programme

3. Outlook in detail

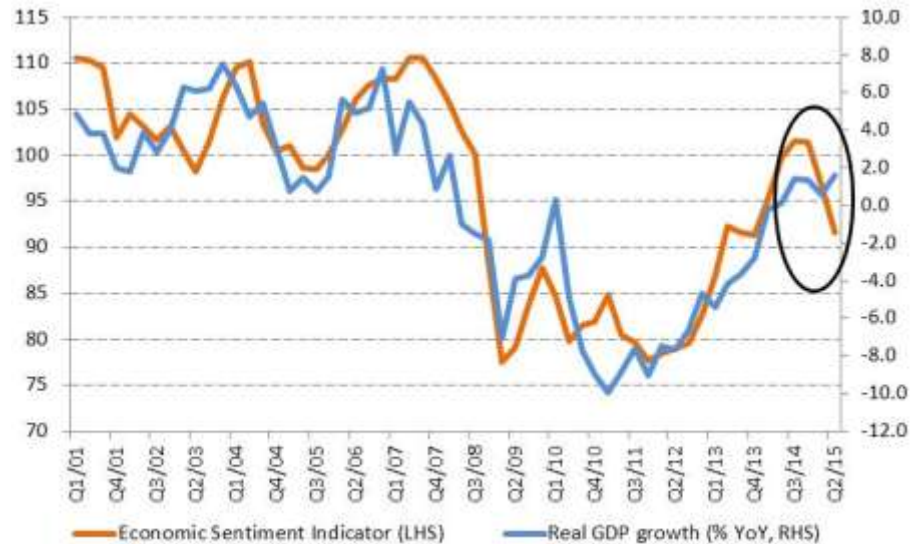


The Great Divide between Macro & Sentiment

Economic Tracer



ESI vs GDP growth rate

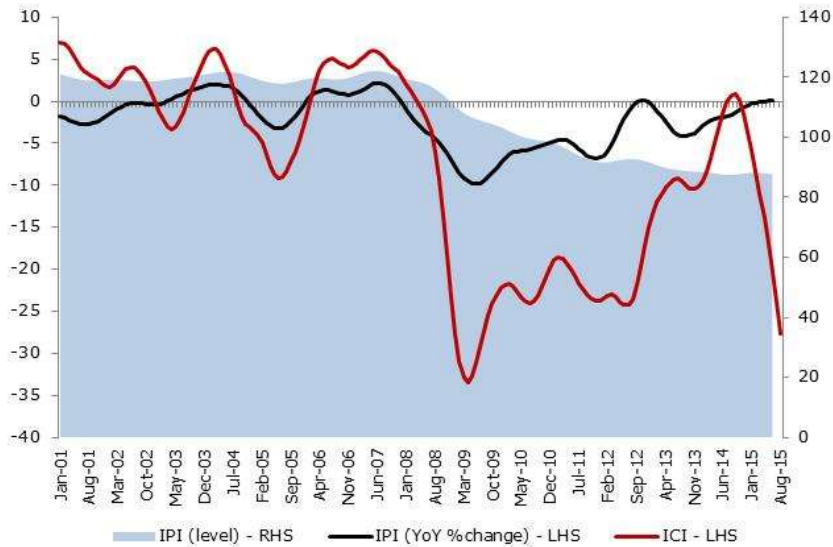


Source: ELSTAT, DG ECFIN, Piraeus Bank Research

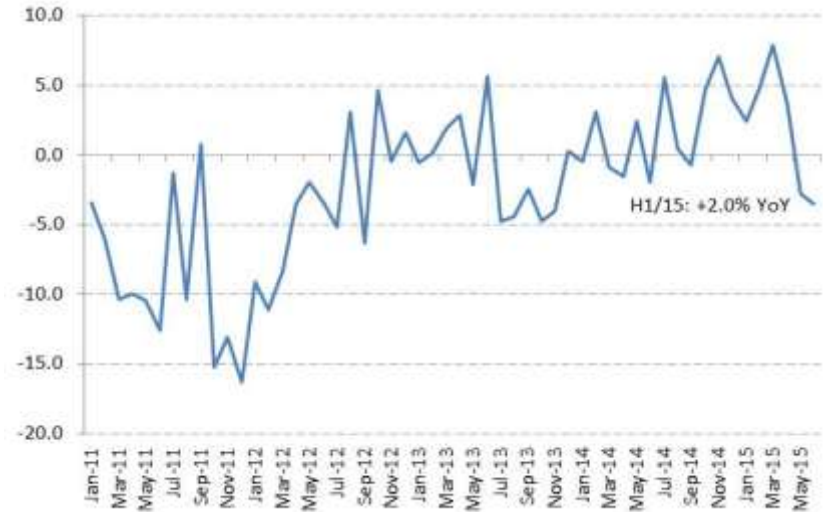


The Great Divide in ... Industrial Production

Industrial Production Index (IPI) & Industrial Confidence Indicator (ICI) (Trend & Cycle)



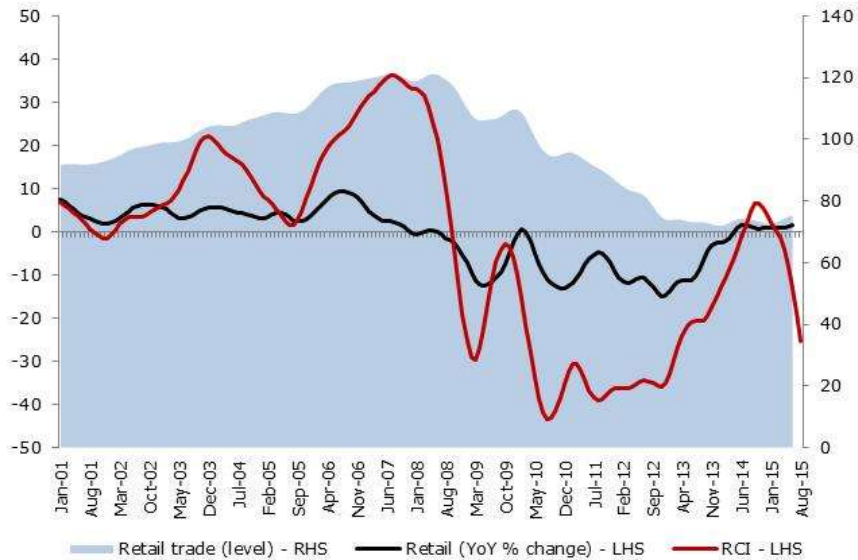
Industrial Production Index in Manufacturing (YoY % change, sa data)





The Great Divide in ... Retail Sales

Retail Trade Volume Index (excl. automotive fuels) & Retail Confidence Indicator (Trend & Cycle)



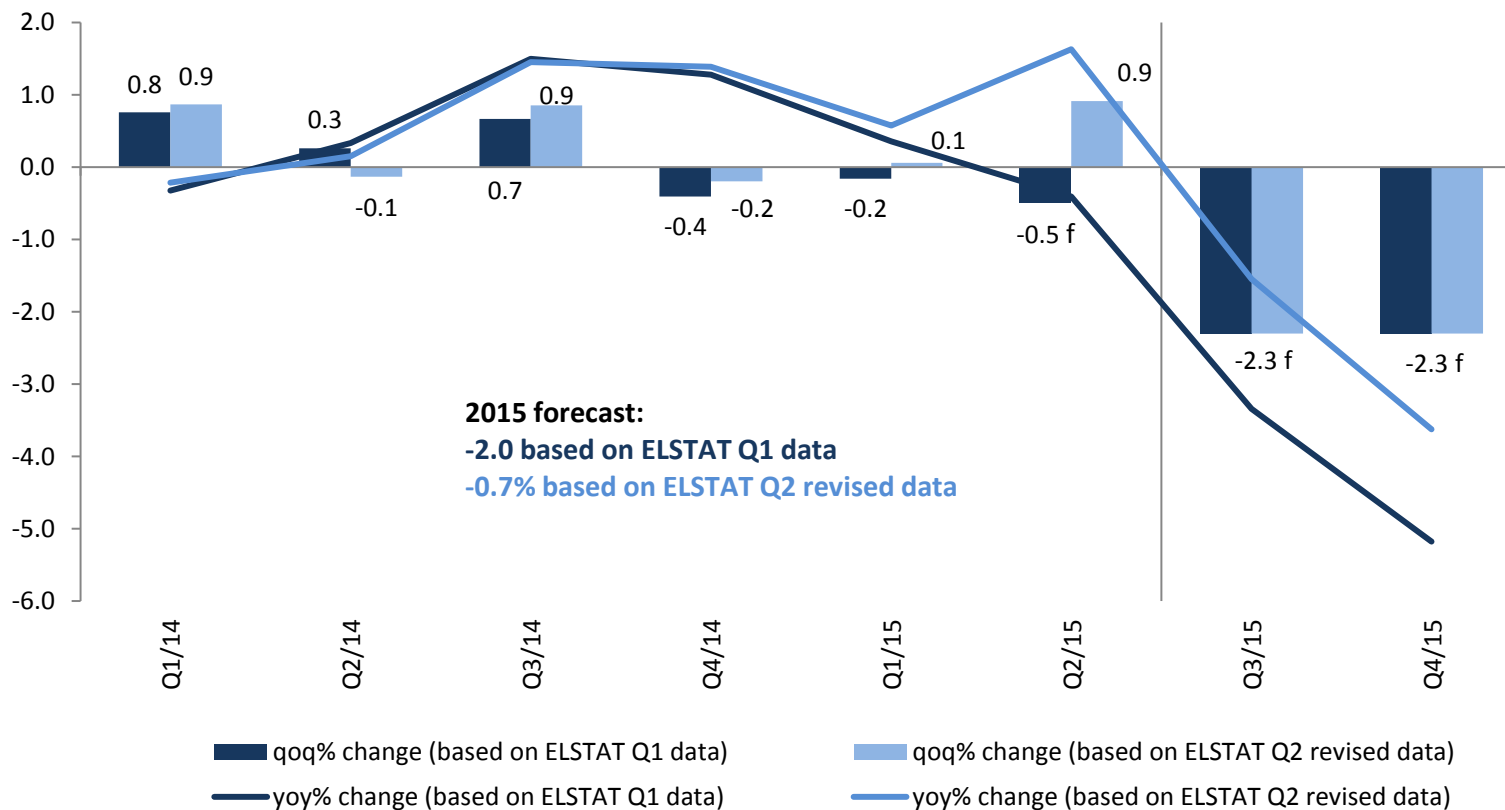
Retail Trade Volume Index (excl. automotive fuels, YoY % change, sa data)





From the Great Divide to the Great Revision

Real GDP (% change)





Yielding to the new data: Economic Outlook 2015-17

Economic Outlook (YoY% change, unless otherwise stated)

	2014	2015		2016	2017
		(as of July)	(as of end-Aug)		
Real GDP	0.8	-2.0	-0.7	-3.0 to -2.0	2.0 to 3.0
Nominal GDP	-1.8	-4.0	-1.7	-1.0 to -2.0	3.0 to 4.0
GDP Deflator	-2.6	-2.0	-1.0	0.5 to 1.5	1.0 to 2.0
CPI	-1.3	-1.5	-1.5	1.0 to 2.0	1.0 to 2.0
Unemployment (% of labour force)	26.5	27.0	26.0	25.5 to 26.5	24.0 to 25.0
Private Sector Deposits (residents)	-2.4	-22.0	-22.0	4.5	8.0
Private Sector Loans	-3.1	-2.5	-2.5	0.0	3.5

Source: ELSTAT, Bank of Greece, Piraeus Bank Research

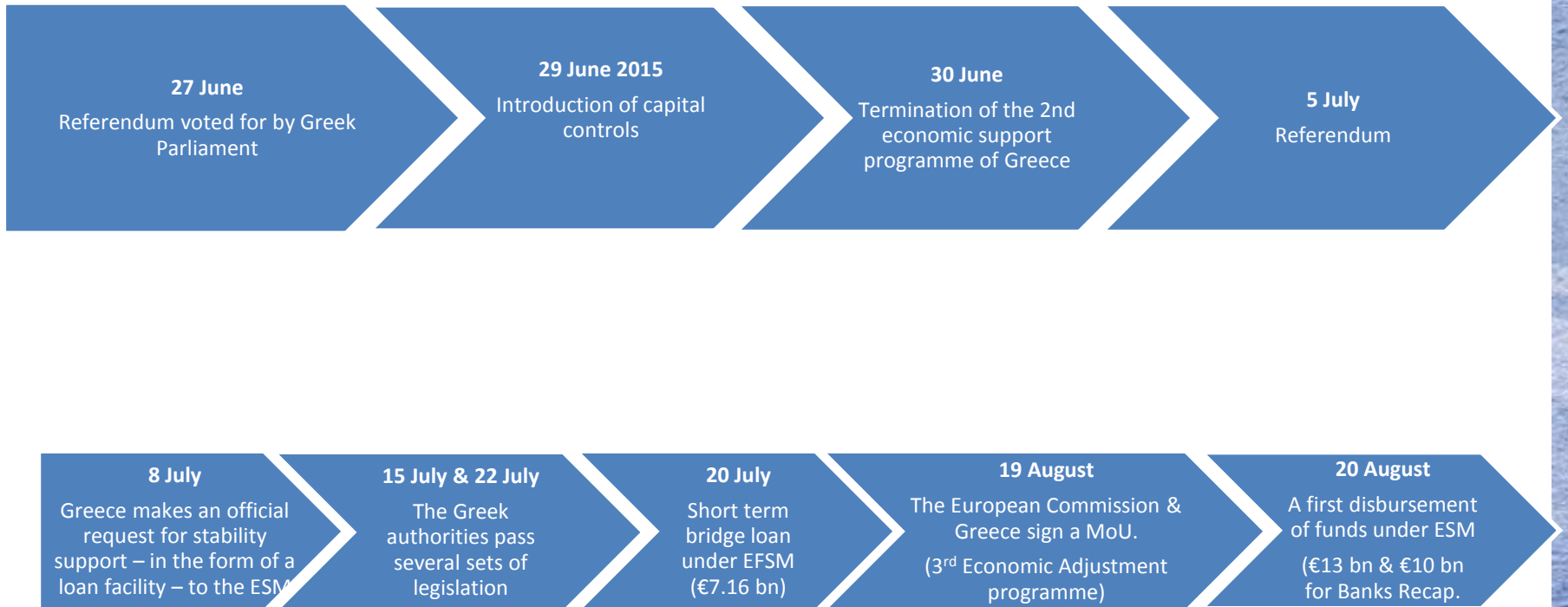
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Time Relativity in action





Overview of the 3rd Programme

- **Total amount of loans from the ESM:** up to €86 billion
- Loans to be used for:
 - debt service
 - bank recapitalisation (€25 bn)
 - arrears clearance
 - budget financing
- Duration: August 2015– August 2018
- Maximum weighted average loan maturity: 32.5 years
- Interest rate: funding cost plus small fees; currently around 1%

- **First tranche** totals €26 billion
- €10 billion buffer (comprising ESM notes) for banks to a segregated account at ESM
- €13 billion disbursed 20 August 2015
- €3 billion to be disbursed by the end of November

- **Privatisation fund** will be established in 2015; targeted total value of assets to be sold: €50 billion
 - sale of assets will be used to repay ESM; to decrease debt; and to fund investment
 - fund will be managed by Greek authorities under supervision of European institutions

- **The IMF** expected to contribute to the overall €86 billion programme for Greece after European creditors adopt debt relief measures

- **Conditionality:** reform agenda focused on four areas:
 1. Restoring fiscal sustainability
 2. Safeguarding financial stability
 3. Enhancing growth, competitiveness and investment
 4. A modern State and public administration



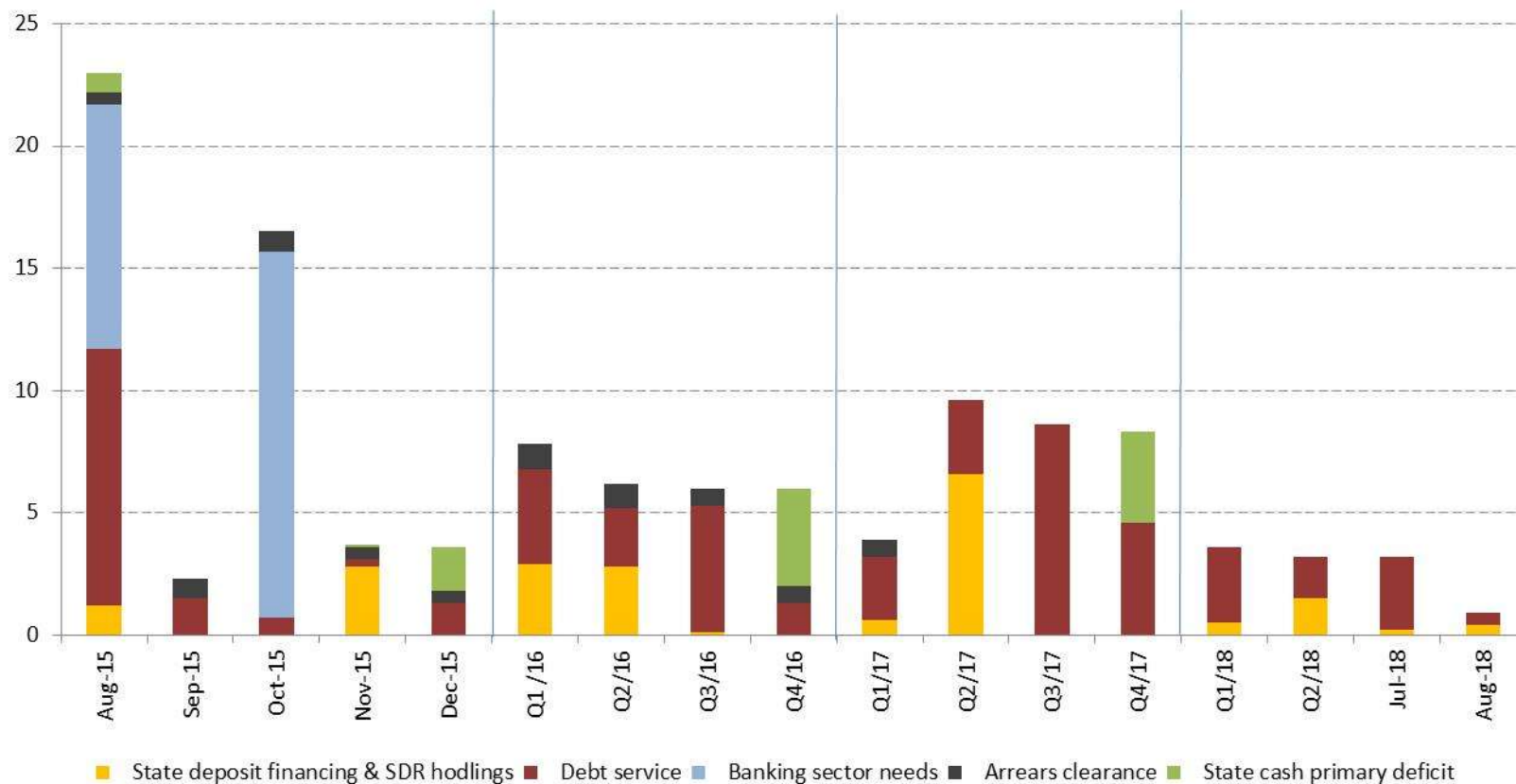
The 3rd Programme in a nutshell ...

		2015	2016	2017	2018
LAW 15 July 2015 (mn €)	VAT reform	795	2,390	2,390	2,390
	Tax on Insurance	-	76	76	76
	Increase in corporate income tax to 29% from 26%	-	410	410	410
	Luxury Tax	-	49	49	49
	Increase in Solidarity Surcharge	-	251	251	251
	Increase in the advance payment on corporate income	-	445	-	-
	Increase in the health contribution for pensioners & extension to supplementary pensions	422	854	854	854
	Integration into ETEA of all supplementary pension funds & supplementary pensions reform	-	16	16	16
	Elimination of early retirement	4	26	43	60
	Total	1,221	4,516	4,089	4,106
Total (as % of GDP)	0.7	2.6	2.3	2.3	
Further Reforms (% of GDP)	Fiscal Measures (pending for Oct. 15')	:	:	0.75	0.75
	Fiscal Measures (pending for Oct. 15')	:	:	:	0.25
	Pension reforms	0.25	0.25	0.25	0.25
	Pension reforms		0.75	0.75	0.75
	Others	0.4	:	0.2	:
Total (% of GDP)	1.4	3.6	4.2	4.3	



The financing needs are set. The funding sources are not

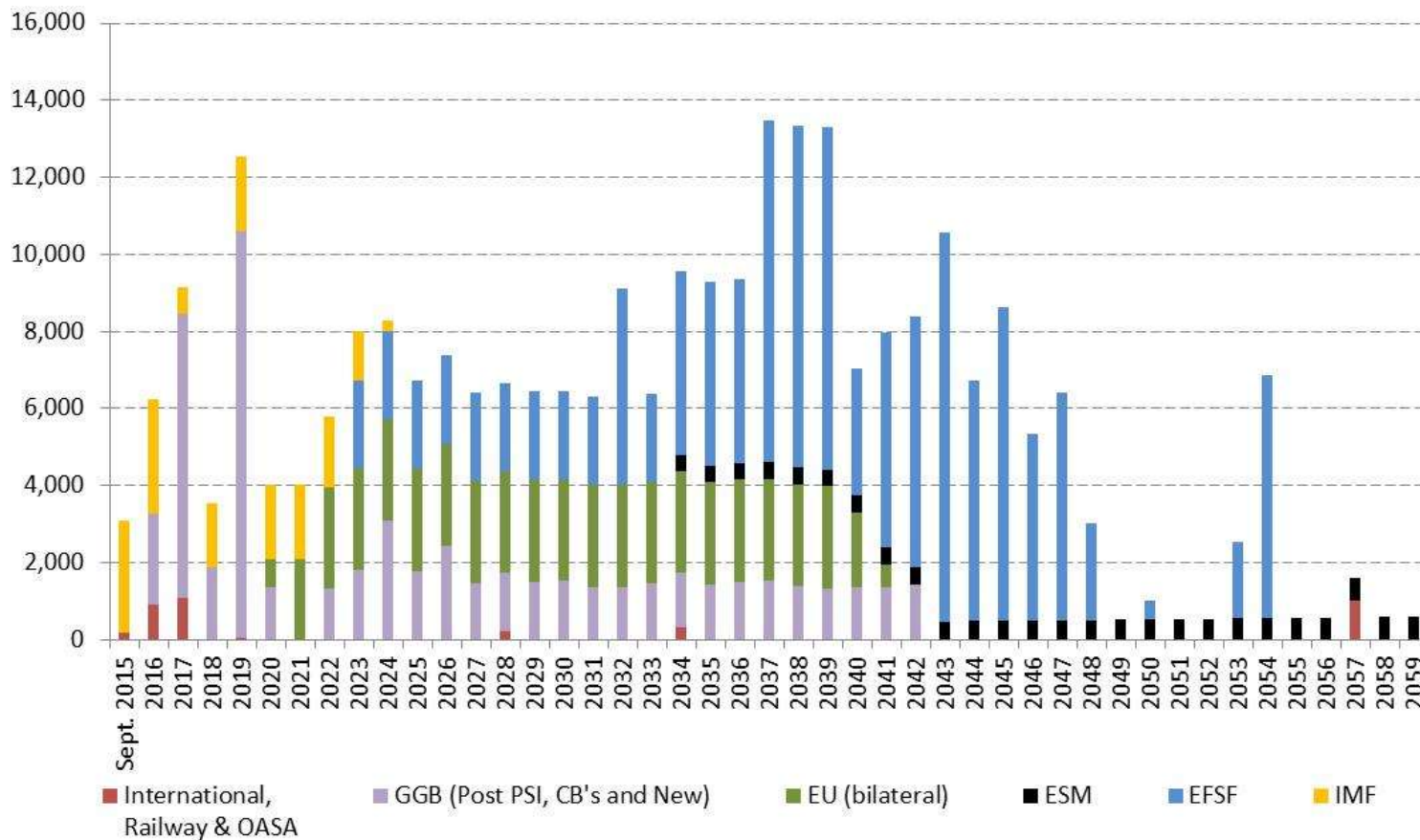
Outflows (bn €)





Debt maturities now stretch all the way to 2059

Bonds & Loans Maturities (as of Sep. 15', mn €)



* Figures do not include short-term securities (T-bills) and circa €27 bn related to Bank of Greece loans, special and bilateral loans, other internal and external loans, repos and external securitizations.

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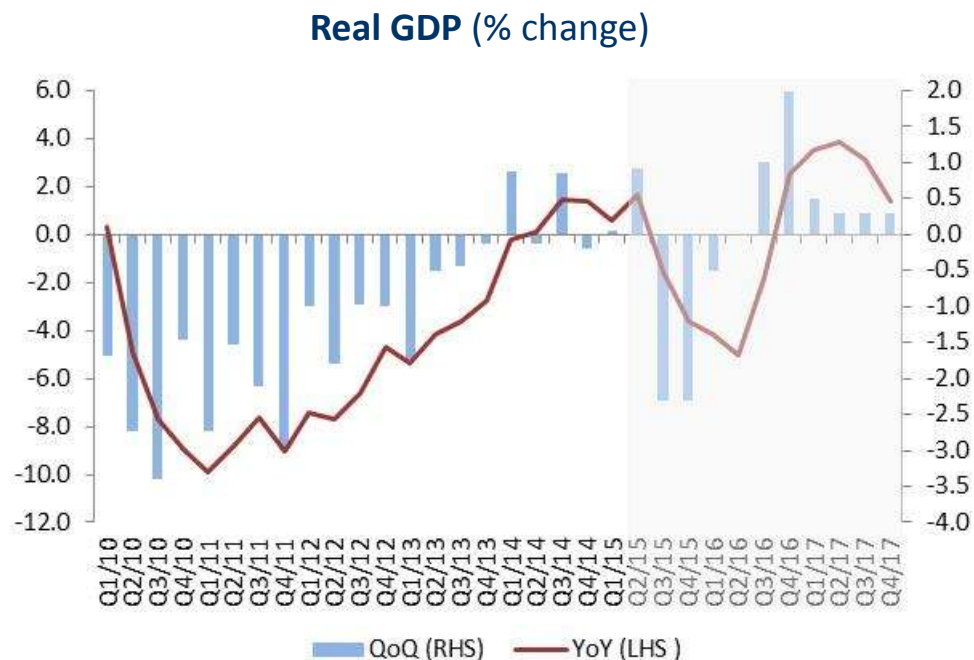
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Economic Outlook: Real GDP 2015 – 2017

- **For 2015**, we estimate an annual contraction of -0.7%
- **For 2016**, we estimate a negative carry-over effect of approx. -2.5%. The quarterly GDP profile we estimate is -0.5% in Q1, 0% in Q2, +1.0 in Q3 and +2.0% in Q4, as tourism and privatisations provide a positive boost to the economy.
- **For 2017**, we estimate GDP to grow between 2% -3% based on a positive carry over effect of 2% and QoQ growth of 0.3%.



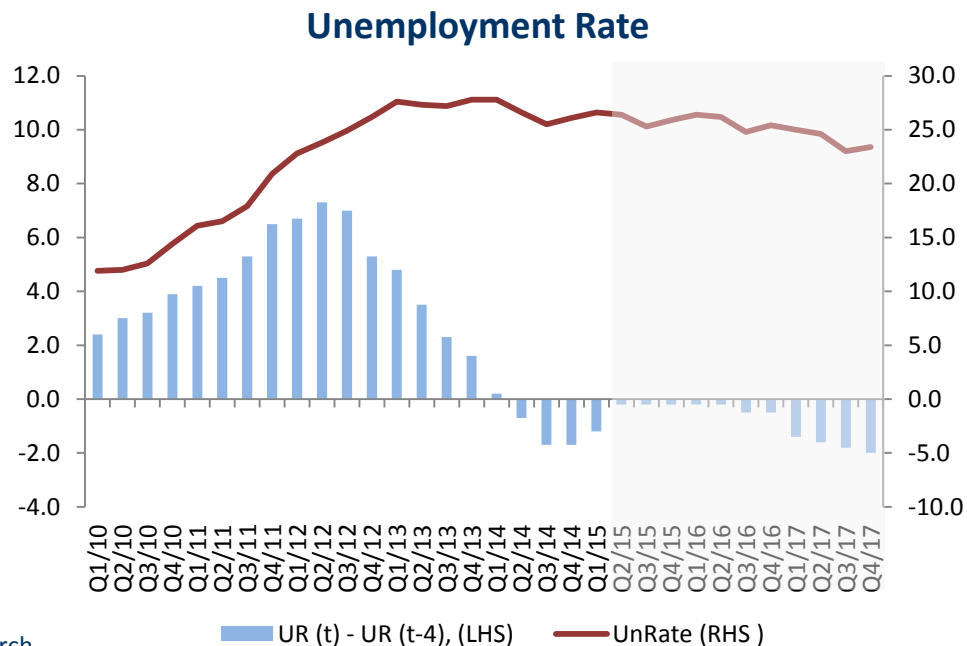


Economic Outlook 2015 – 2017: Unemployment Rate

In **2015**, the job creation schemes in addition to the hiring of public sector employees and the latest available data for GDP growth by 1.6% YoY in Q2/15 and unemployment rate 25.0% on May 15' (24.0% nsa data) - the lowest value since June 2012- forced us to **revise downward our estimate to 26%**.

In **2016**, we expect the **unemployment rate to range between 25.5% and 26.5%**, as we estimate that the employment schemes will continue to support the labour market and that, towards the end of the year, activity will strengthen.

In **2017**, we expect the **unemployment rate to range from 24% to 25%**, as the economy will return to growth and the first positive results of the privatizations will be reflected in the employment figures.

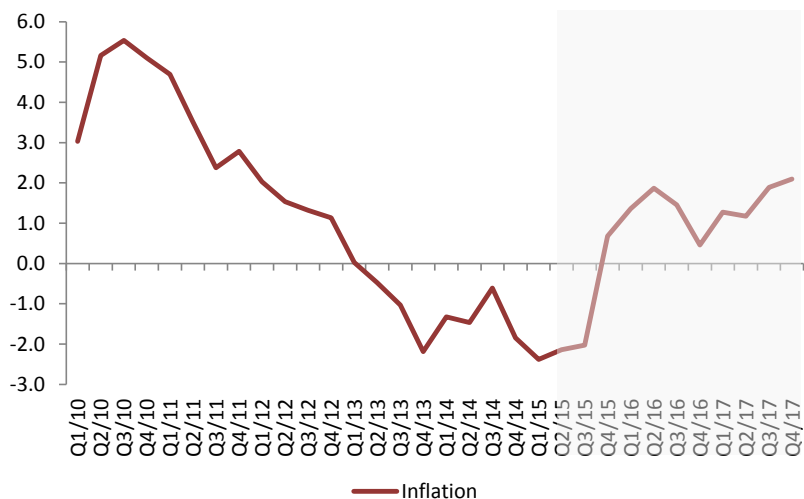




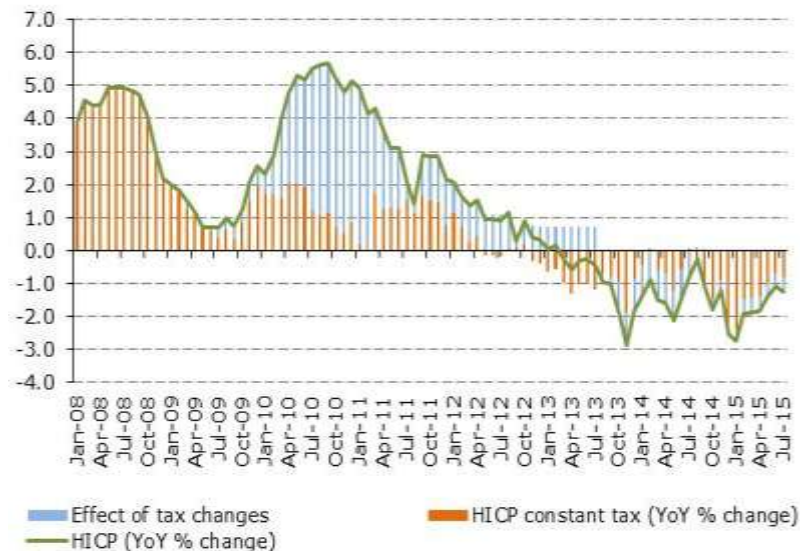
Economic Outlook 2015 – 2017: Inflation

- In H1 2015, inflation reached -2.3%.
- **In Q3-2015** the upward trend of inflation due to VAT reform will be partly eliminated by the decline of the prices due to sales. However **in Q4-2015 prices will increase as an effect of tax changes.**
- **In 2016**, tax changes effect as well as the estimated stability of the economy towards the year – end, will force inflation back to positive territories.

Inflation Rate (CPI, YoY % change)



HICP & Effect of tax changes

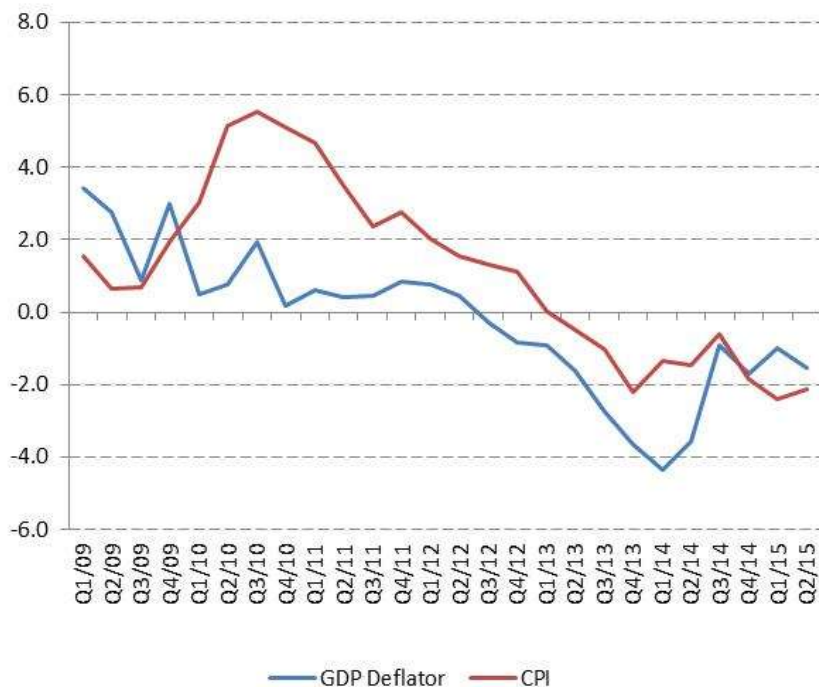




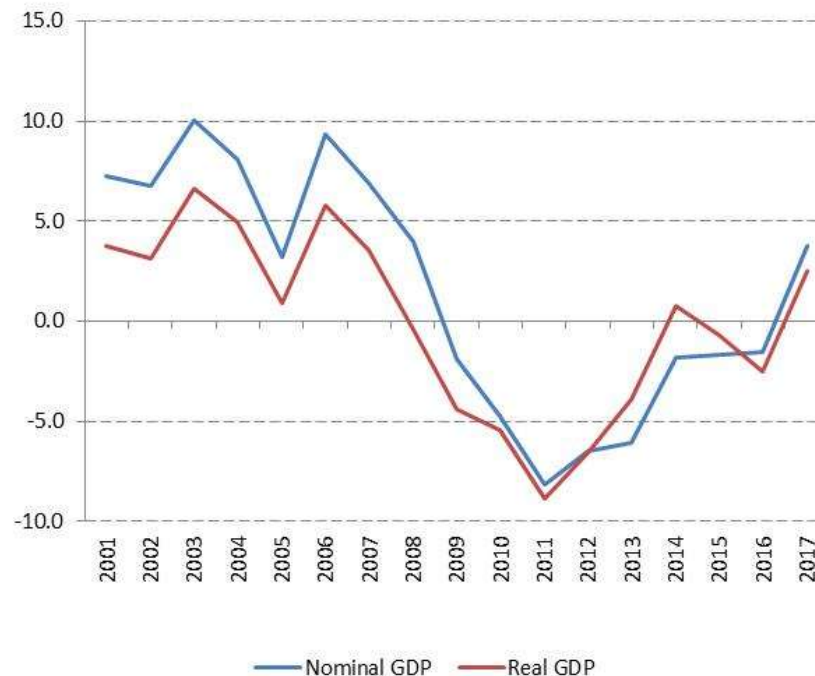
Economic Outlook 2015 – 2017: Nominal GDP & GDP Deflator

- Since 2010 GDP deflator moves lower than inflation. We had estimated that **this gap will gradually close**. However based on the latest available data in H1/2015 this gap has already closed. Following this assumption we estimate that if CPI stands at -1.5% then GDP deflator will stand at -1.0%
- In that case we revise upward our previous forecast for **nominal GDP growth rate to -1.7% in 2015**.

GDP Deflator & CPI (YoY % change)



Nominal & Real GDP (YoY % change)

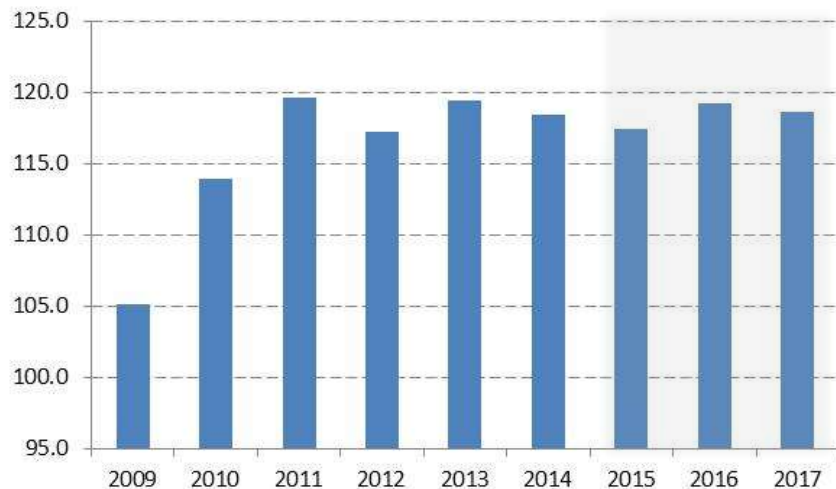




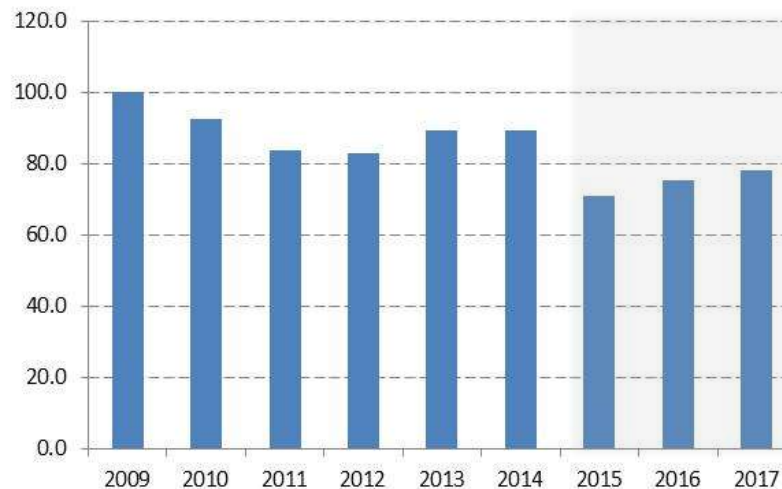
Economic Outlook 2015 – 2017: Loans & Deposits

- **In 2015** the outflow of deposits and the dependency of Greek bank to the Eurosystem funding has an adverse impact to the total credit formation.
- **In 2016 – 2017** the recapitalization and the gradual restoring of domestic confidence on the banking system will increase deposits inflows. The positive credit growth will support the economy.

Private Sector Loans (% of GDP)



Private Sector Deposits (residents, % of GDP)





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