

Greek Q4 GDP flash report points to full-year real output contraction of 0.7%; data slightly worse than expected

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According to the national account statistics for Q4 2015 (flash estimate), Greece's real gross domestic product in seasonally and calendar adjusted terms came in at -0.6% QoQ / -1.9 % YoY (Figure 1). This is slightly worse than our earlier forecast for a seasonally adjusted real output decline in the fourth quarter between -0.8% YoY and -1.5% YoY¹ and compares with a (revised) reading of -1.4% QoQ/ -1.9% YoY in Q3. In nominal terms, GDP growth in Q4 came in -2.0 % YoY, with the implicit GDP deflator inflation recording broadly flat growth following 12 negative consecutive quarters. This broadly reflects the across-the-board hikes in VAT rates implemented in early August. Taking into account a number of revisions made to the prior quarters, the Q4 flash estimate points to a 2015 full-year real GDP contraction of -0.7%, which falls within the range of more recent official forecasts (EC Winter 2015 Forecasts: -1.4% & Greece's 2016 Budget: 0.0%).

While the breakdown of national account statistics pertaining to the fourth quarter of last year will not be known before the second publication of Q4 GDP (provisional data) on February 29th, the flash estimate points to a negative carry-over into the current year. Higher frequency data pertaining to the fourth quarter of last year signal some sort of normalization in domestic economic conditions following the initial shock inflicted by the late June events (Figures 2 & 3). These included the breakup of negotiations with official creditors on the last review of the 2nd bailout programme, the surprise announcement of a national referendum and the subsequent short-term bank holiday and capital controls. All in all, a positive contribution from net exports (mainly due to a relative faster pace of decline of imports) and the more resilient than expected dynamics of consumer expenditure appear to explain last year's better than expected GDP reading.

Looking ahead, we expect real GDP growth to remain in a negative territory in H1 2016, reflecting the impact of lingering restrictions in banking system transactions and the new fiscal austerity measures agreed in the context of the new bailout agreement in mid-August.² In more detail, we continue to expect a full-year real output contraction of c. -1%, but we see scope for a notable improvement in QoQ GDP dynamics from the second semester of 2016 onwards, conditional on a successful completion of the 1st programme review within the current quarter. For a detailed analysis of our Greek macro forecasts for this year please see Eurobank Research, Greece Macroeconomic Outlook 2016

(https://www.eurobank.gr/Uploads/Reports/GreeceMacroFocus_21122015.pdf).

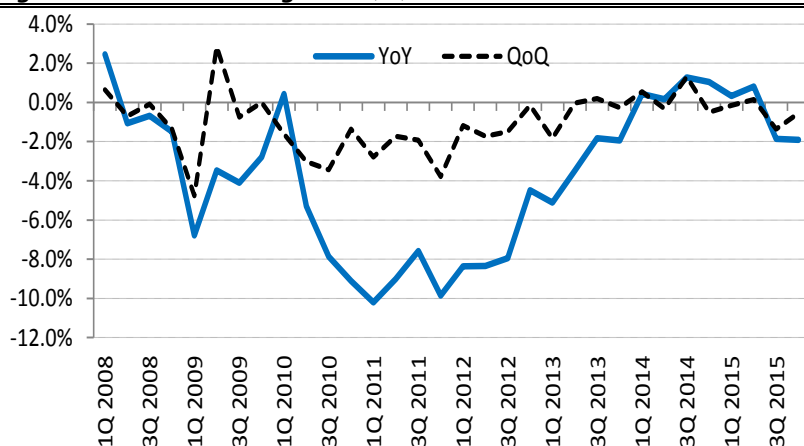
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¹ See *Greece Macroeconomic Outlook 2016*, Eurobank Global Markets Research, December 21, 2015.

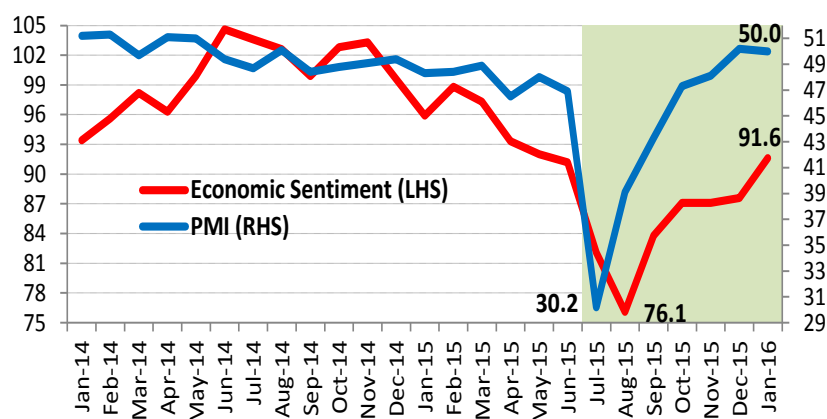
² For our preliminary estimates on the potential recessionary impact of new fiscal measures see *Greece Macro Monitor, Draft 2016 Budget: estimating the recessionary impact of new austerity measures*, Eurobank Economic Research, Oct 8, 2015.
http://www.eurobank.gr/Uploads/Reports/Greece_MacroFocus_08102015.pdf

Figure 1: Greek real GDP growth (%)



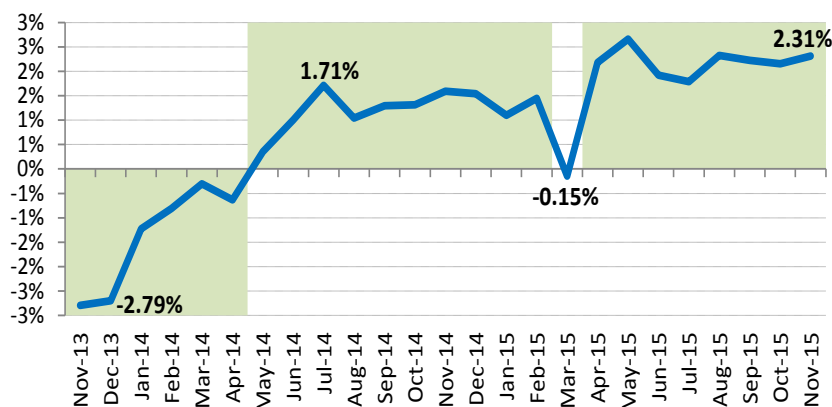
Source: EL.STAT.

Figure 2: Greek economic sentiment and PMI manufacturing



Source: EC, Markit

Figure 3: Greek employment growth (YoY)



Source: EL.STAT.

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