



Economic Bulletin

Executive Summary

In its scheduled rating review on March 1, Moody's upgraded Greece's rating by two notches to 'B1' from 'B3' with stable outlook. The upward rating revision was mainly driven by the track record of strong fiscal performance, the significant improvement of debt sustainability and the reform progress.

On March 5, Greece tapped capital markets with PDMA successfully completing the first 10-year bond issue since 2010 raising EUR 2.5 billion at a yield of 3.9%. As with the previous 5-year bond issue in late January, the 10-year bond transaction attracted a high quality and diversified investor base (89% long-term investors and 89.5% allocated internationally) with total bids from more than 380 investors reaching EUR 11.8 billion.

In its 2nd enhanced surveillance report published on February 27, the European Commission (EC) concluded that Greece has made considerable progress in implementing the reform commitments, but some actions remain to be completed, especially in the area of financial sector reform. On March 11, the Eurogroup confirmed that Greece's reform momentum remains on track and that the outstanding actions are due to be finalized imminently.

Preliminary data released by ELSTAT on March 7 shows that the Greek economy grew by 1.6% year on year (yoy) in the fourth quarter (Q4) of 2018 and by 1.9% for the year as a whole. GDP growth was driven by a sustained recovery in private consumption (+1.1%) and strong export growth (+8.7%) outpacing that of imports (+4.2%). Nominal GDP grew by 2.5% to EUR 184.71 billion.

Greek banks almost eliminated their reliance on ELA funding with the outstanding balance dropping below EUR 1 billion at the end of December 2018. Taking also into account ECB funding, Greek banks' dependence on the Eurosystem funding fell to EUR 11.1 billion at the end of 2018, which is the lowest reading since mid-2008.

Contents

| | |
|---|----------|
| Executive Summary | 1 |
| Key Developments | 2 |
| Economic Analysis | 3 |
| Moody's upgrades Greece's rating by two notches | 3 |
| PDMA successfully completes the first 10-year bond issue since 2010 | 3 |
| EC releases 2nd surveillance report | 3 |
| IMF publishes 1st Post-Programme Monitoring report | 3 |
| Greek economy grows by 1.9% in 2018 | 4 |
| Record year for tourism in 2018 | 4 |
| Exports hit fresh high in 2018 | 4 |
| Economic sentiment and PMI improve in February | 5 |
| ELA funding almost eliminated in December | 5 |
| Appendix | 6 |
| Upcoming Statistical Releases | 7 |

Key Developments

On March 1, Moody's proceeded to a 2-notch upgrade of Greece's rating to 'B1' with stable outlook on solid fiscal performance, improved debt profile and reform progress.

On March 5, PDMA successfully completed a 10-year bond issue of EUR 2.5 billion at a yield of 3.9%. As with the previous 5-year bond issue in late January, the 10-year bond transaction was significantly oversubscribed primarily from high quality foreign investors.

In its 2nd enhanced surveillance report published on February 27, EC concluded that Greece has made considerable progress in implementing the reform commitments, but some actions remain to be completed, especially in the area of financial sector reform. On March 11, the Eurogroup confirmed that Greece's reform momentum remains on track and that the outstanding actions are due to be finalized imminently.

On March 12, the IMF released its 1st Post-Programme Monitoring (PPM) report. The Fund

expects economic recovery and job creation to accelerate in 2019 while its key policy message is centred around reforms to support growth.

Real GDP grew by 1.6% yoy in Q4 2018 and by 1.9% for the year as a whole driven by a sustained recovery in private consumption and continued strong export growth.

2018 marked a record year for tourism with travel receipts increasing for the second successive year at double-digit rate of 10.1% to a new record high of EUR 16.11 billion.

Exports of goods climbed by 15.7% reaching a fresh high of EUR 33.42 billion in 2018.

Economic sentiment improved in February on increased industry and services' confidence, while PMI also rose to a 9-month high in February.

Greek banks reduced further their dependence on ELA funding below EUR 1 billion at the end of December 2018.

Economic Analysis

Moody's upgrades Greece's rating by two notches

In its scheduled rating review published on March 1, Moody's upgraded Greece's rating by two notches to 'B1' from 'B3' with stable outlook. The rating agency noted that "the reform momentum appears to be increasingly entrenched, with good prospects for further progress and low risk of reversal".

Other key drivers of the upward revision include Greece's track record of strong fiscal performance and the material enhancement of debt sustainability over the medium-term following June 2018 Eurogroup decisions on debt relief measures.

Following the sovereign rating upgrade, Moody's also proceeded to positive rating actions on Greek banks. On March 5, the rating agency upgraded Alpha, Eurobank and National's long-term deposit ratings by one notch to 'Caa1' from 'Caa2' with stable outlook and revised Piraeus' outlook to positive from stable.

PDMA successfully completes the first 10-year bond issue since 2010

On March 5, Greece tapped capital markets with PDMA successfully concluding the first 10-year bond issue since 2010 raising EUR 2.5 billion at a yield of 3.9% and a coupon of 3.875%.

The transaction attracted strong investor interest with total bids from more than 380 investors reaching EUR 11.8 billion.

As with the previous 5-year bond issue in late January, the 10-year bond transaction attracted a high quality and diversified investor base (89% long-term investors and 89.5% allocated internationally).

Since the end of January, the 10-year GGB yield has been hovering at around 3.8%, which compares favourably to pre-crisis levels.

EC releases 2nd surveillance report

In its 2nd enhanced surveillance report released on February 27, EC concluded that Greece has made considerable progress in implementing its reform commitments, while some actions remain to be completed, especially in the area of financial sector reform.

EC estimates GDP growth to accelerate to around 2.2% and 2.3% in 2019 and 2020 respectively, mainly boosted by private consumption and investment.

On March 11, the Eurogroup confirmed that Greece's reform momentum remains on track while some outstanding issues, notably the new scheme for the protection of primary residences, are due to be finalized imminently.

IMF publishes 1st Post-Programme Monitoring report

Following the publication of its 1st PPM mission preliminary findings on January 25, the IMF released on March 12 its 1st PPM report.

The Fund underscores that economic recovery is accelerating and broadening with GDP growth projected at 2.4% in 2019 primarily driven by stronger private consumption, which is supported by higher disposable income.

The report stresses that Greece should maintain its reform momentum to support competitiveness and boost medium-term prospects.

In addition, the report notes that Greece's medium-term debt sustainability and GFN trends appear to be robust under standard macro-fiscal stress tests.

Greek economy grows by 1.9% in 2018

The domestic economy expanded by 1.6% yoy in Q4 2018 mainly reflecting a rebound of private consumption by 1.1% and strong export growth (+10.6%) that outpaced the increase in imports (+2%). For the year as a whole, GDP growth rose to 1.9% from 1.5% in 2017.

| GDP components | Q4 2018 | | 2018 |
|-------------------------|--------------|-------------|-------------|
| | q-o-q | y-o-y | y-o-y |
| Final Consumption | -0.2% | 0.3% | 0.3% |
| Households | -0.2% | 1.1% | 1.1% |
| General Government | 1.5% | -1.4% | -2.5% |
| Gross Capital Formation | -10.7% | 4.1% | 1.8% |
| Gross Fixed CF | -3.6% | -27.2% | -12.2% |
| Exports | 1.8% | 10.6% | 8.7% |
| Goods | 1.3% | 8.2% | 8.4% |
| Services | 1.7% | 12.8% | 9.0% |
| Imports | -7.8% | 2.0% | 4.2% |
| Goods | -8.4% | 0.2% | 2.0% |
| Services | -2.4% | 13.1% | 14.4% |
| GDP | -0.1% | 1.6% | 1.9% |

The economic recovery in 2018 was driven by a rise in private consumption by 1.1% and positive net export contribution as the growth in exports (+8.7%) more than doubled the respective rate in imports (+4.2%).

Investment dropped by 12.2% in 2018, mostly attributed to a decline in 'transport equipment', mainly reflecting a high base effect, and in 'other buildings and structures', while the respective figure for 'other machinery and equipment', 'ICT equipment' and 'dwellings' grew at double-digit rate.

Record year for tourism in 2018

2018 marked a record year for tourism with travel receipts rising for the second straight year at double-digit rate of 10.1% to a new high of EUR 16.11 billion.

The strong rebound primarily reflects a growth rate of 10.8% in foreign arrivals, which reached 30.12 million in 2018.



Source: BoG

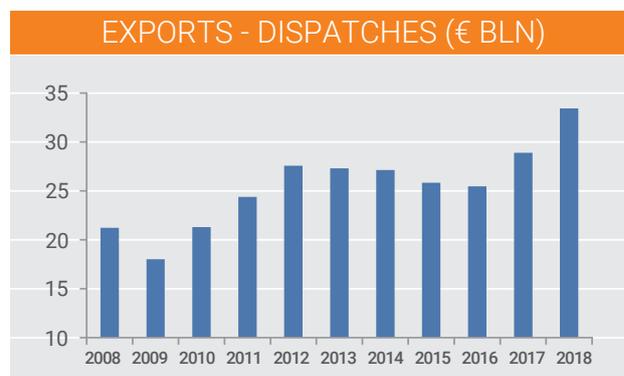
The highest growth rates were posted by visitors from the US (+26.9%), Germany (+18.2%) and France (+7.3%).

Exports hit fresh high in 2018

Exports of goods increased at double-digit rate for the second successive year climbing by 15.7% to a new record high of EUR 33.42 billion in 2018.

The best performing product categories include: energy (+27.9%), chemicals (+13.7%) and machinery and transport equipment (+13%).

The breakdown by area of destination shows that Italy accounts for 10.3% of 2018 exports, followed by Germany (6.4%), Turkey (6.1%), Cyprus (5.7%) and Bulgaria (4.5%).



Source: ELSTAT

Economic sentiment and PMI improve in February

The economic sentiment rose by 1.7 pts to 101.3 in February, which is the highest reading since August 2018. The improvement reflects a strong rise in the industry and services confidence indicators by 3.4 and 7.7 pts respectively.



Source: EC

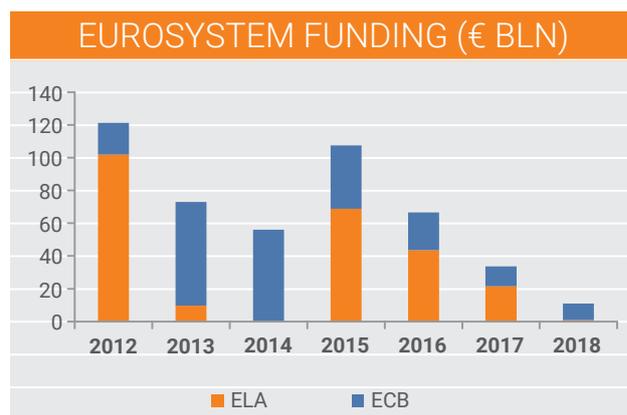
At the same time, the PMI also increased by 0.5 pts mom to a 9-month high of 54.2 in February. Sharp rises in output and new business coupled with employment expansion were the key drivers of the PMI surge. "The sequence of employment growth that began at the start of 2018 is the strongest in the series history", Markit stressed.



Source: Markit

ELA funding almost eliminated in December

Greek banks' ELA funding fell by EUR 1.76 billion mom to just EUR 948 million in December 2018. The decline also reflects the strong private non-financial sector deposit inflows of EUR 3.5 billion in the same period.



Source: BoG

The ELA funding, which soared during the crisis periods as the key funding source for Greek banks, has been consistently declining since July 2015 and was almost eliminated at the end of December 2018.

A similar trend was also recorded in the ECB funding with Greek banks' overall reliance on Eurosystem funding falling sharply to EUR 11.1 billion at the end of 2018, which is the lowest reading since mid-2008.

Appendix

| Selected Economic Indicators (annual) | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|---------|---------|---------|---------|---------|
| GDP (% change) | 0.7 | -0.4 | -0.2 | 1.5 | 1.9 |
| GDP at current prices (€ million) | 178,656 | 177,258 | 176,488 | 180,218 | 184,714 |
| Primary Balance (€ million) | 479 | 1,154 | 6,196 | 6,959 | 7,573 |
| (as % of GDP) | 0.3% | 0.7% | 3.5% | 3.9% | 4.1% |
| Overall Balance (€ million) | -6,491 | -5,099 | 581 | 1,341 | 1,171 |
| (as % of GDP) | -3.6% | -2.9% | 0.3% | 0.7% | 0.6% |
| Gross Debt (€ million) | 319,629 | 311,725 | 315,011 | 317,414 | 335,000 |
| (as % of GDP) | 178.9% | 175.9% | 178.5% | 176.1% | 180.4% |
| Current Account Balance (% of GDP) | -1.6 | -0.2 | -1.2 | -1.0 | na |
| CPI (% average change) | -1.3 | -1.7 | -0.8 | 1.1 | 0.6 |
| HICP (% average change) | -1.4 | -1.1 | 0.0 | 1.1 | 0.8 |
| Unemployment rate (% average) | 26.5 | 24.9 | 23.5 | 21.5 | 19.3 |
| Bank credit to private sector (% change) | -3.1 | -2.0 | -1.5 | -0.9 | -1.1 |

Notes: 1: Primary Balance and Overall Balance under ESA-2010 excluding bank support cost

2: 2018 fiscal and debt figures are MoF estimates as published in the 2019 Budget (December 2018)

3: The rise in 2018 debt is primarily due to the creation of a sizeable cash buffer (as of Sep 2018)

Source: ELSTAT, 2019 Budget

| Selected Economic Indicators (latest) | yoy (%) | Period |
|---------------------------------------|---------|--------------------|
| GDP | 1.6 | Q4 2018 |
| | 1.9 | 2018 |
| CPI | 0.6 | Feb 2019 |
| | 0.7 | 12m moving average |
| Industrial Production Index | 3.4 | Jan 2019 |
| | 1.0 | Jan-Dec 2018 |
| Turnover Index in Industry | -0.9 | Dec 2018 |
| | 11.1 | 12m moving average |
| Building Activity (permits) | -7.5 | Dec 2018 |
| | 10.3 | Jan-Dec 2018 |
| Turnover Index in Retail Trade | 0.5 | Dec 2018 |
| | 2.1 | Jan-Dec 2018 |
| Motor Vehicle Circulation Licences | 15.7 | Feb 2019 |
| | 11.9 | Jan-Feb 2019 |
| Residential Property Prices | 2.5 | Q3 2018 |
| Unemployment (%) | 18.0 | Dec 2018 |
| Confidence Indicators | pts | Period |
| Economic Sentiment | 101.3 | Feb 2019 |
| Consumer Confidence | -33.3 | Feb 2019 |
| Industry Confidence | -1.2 | Feb 2019 |
| Services Confidence | 6.1 | Feb 2019 |
| PMI | 54.2 | Feb 2019 |

Source: BoG, ELSTAT, EC, Markit

Upcoming Statistical Releases

Mar 20

Turnover Index in Industry

January (ELSTAT)

Mar 26

Balance of Payments

January (BoG)

Mar 26

Budget Execution

February (MoF)

Mar 27

Travel Balance

January (BoG)

Mar 28

Bank Credit and Deposits

February (BoG)

Mar 28

Economic Sentiment and Business Indicators

March (EC)

Mar 29

Turnover Index in Retail Trade

January (ELSTAT)

Apr 1

PMI

March (Markit)

Apr 5

Commercial Transactions

February (ELSTAT)

Apr 9

Industrial Production

February (ELSTAT)

Apr 9

Motor Vehicle Registration Licences

March (ELSTAT)

Apr 10

CPI

March (ELSTAT)

Apr 11

Unemployment

January (ELSTAT)

Apr 12

Building Activity

January (ELSTAT)