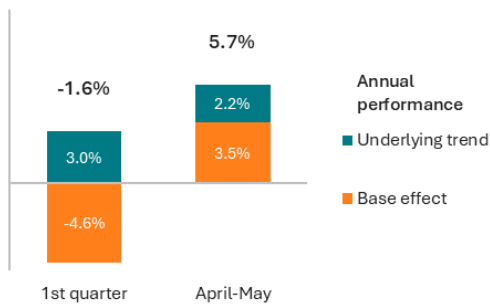


Uncovering the “hidden” dynamics of Greek entrepreneurship

The new issue of the "Business Trends" series from the Economic Analysis Division of the National Bank of Greece, reveals the "hidden" dynamics of Greek entrepreneurship behind the decline in sales in Q1:2024. More specifically, the apparent annual decline in sales (for the first time in the post-pandemic period) was mainly the result of high volatility in last year's performance. However, the underlying trend of the business sector remains positive and is expected to strengthen in the second half of the year, in line with leading activity indicators. Sectors related to the transformation of the economy and the enhancement of extroversion remain crucial.

Business sector sales 2024

In real terms, annual change



Source: El.Stat. | NBG Estimates

More specifically, business sales recorded an annual decrease of 1.6% (in deflated terms) in Q1:2024. However, the negative base effect due to the high volatility of 2023 (estimated around 5 percentage points) completely "hid" the actual positive underlying trend of business sales at the start of the year (+3.0% in deflated terms). This remarkable resilience (amid an international environment of uncertainty) is confirmed by (i) the continuous rise of the Greek business sector's share within the EU economy (1.14% in terms of deflated value added, compared to 1.08% two years ago), and (ii) the record-high employment growth, as net hirings during January-May 2024 (+315 thousand) reached their highest level since 2001.

Moving on to a sectoral level analysis, we discovered that most of the sectors recorded a positive performance in Q1:2024. More specifically:

Sector sales

annual performance 1st quarter 2024



- Construction and IT sectors achieved strong growth, supported by the ongoing modernization and upgrade process of the business sector.

- Tourism and other services (mainly those supporting business activities, such as consulting) also performed positively, albeit with more moderate growth rates (around +5%).

- Trade and industry experienced a decline in activity – sectors significantly linked to the decline in export activity, which, however, is almost entirely due to a negative base effect. Excluding this effect, these broad sectors maintain positive momentum of around 1-2%. An exception is the retail trade (under pressure from high prices) and industrial sub-sectors prone to climatic and supply chain disruptions (such as food and metals).

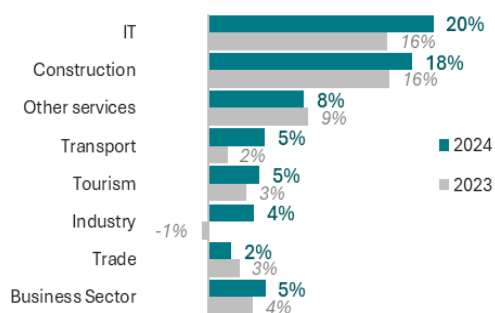
Focusing on the remainder of the year, April and May retain the sector's positive underlying trend (+2.2%, from +3.0% in Q1:2024), which is confirmed by the trajectory of VAT revenues and exports (+15% and +3% vs +6% and -9%, respectively in Q1:2024).

At the same time, the leading indicators (such as export orders, capacity utilization in manufacturing, and the future activity index of retail trade) point towards further acceleration of the underlying trend (excluding base

effects) in the second half of the year (to 4.3% vs 2.6% in the first semester).

Business sector sales by industry

In real terms, annual change



Under this perspective, we estimate that the Greek business sector can increase its sales by approximately 3.5% in 2024 (in real terms), with H2:2024 reaching 6.5% (vs +0.9% in the first half). More specifically:

- Construction, IT, and other services, will continue to benefit from the increased investments and the transformation of Greek entrepreneurship
- Export-oriented sectors – industry, tourism, and transport – have the potential for significantly higher performance compared to 2023, by capitalizing on the improvement in the international economic climate. However, this export-oriented momentum –

which represents c.1/2 of the total 2024 dynamic – is subject to the emerging political uncertainty in both the USA and Europe, and the potential occurrence of extreme weather events.

The full report can be found (in Greek) on the website of the National Bank of Greece Group, under the section Economic Analysis and Research (Category Greek Entrepreneurship): <https://www.nbg.gr/el/omilos/meletes-oikonomikes-analuseis/reports/sales-2024q2>

Athens, 22 July 2024