

# Focus on: Greece

## International Business Report 2010 – Country focus series

### The recovery

The Greek economy remains on a downward trend against the backdrop of an increasingly unfavourable global economic climate. Since coming into power, the current government has taken a series of measures aimed at restoring faith in official numbers as well as managing a runaway deficit, albeit at the cost of mass demonstrations and civil unrest.

The key indicators<sup>1</sup> are highlighted below:

- in Q2 2010 GDP fell by 3.7 per cent on an annual basis and by 1.5 per cent from the previous quarter
- exports grew by around three per cent in Q1 2010, in comparison to the same period in 2009, whilst imports fell by 17.6 per cent
- this led to a fall of 27.5 per cent in the deficit of trade balance for the first half of 2010, compared to the same period in 2009
- the unemployment rate was 11.8 per cent in Q2, higher than both the previous year (8.9 per cent) and previous quarter (11.7 per cent).

### Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Greece, the experiences and attitudes of its businesses and how they have been affected by the economic crisis along with how they are dealing with the recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Greece are less pessimistic on the outlook for the economy over the next 12 months in 2010, than they were in 2009 and one-half expected to see an upturn in the global economy by the end of 2010. Expectations for revenue and profitability are all markedly more positive this year but bureaucracy remains a major constraint on potential expansion.



<sup>1</sup> source: International Monetary Fund, The Economist and Experian.

## Looking ahead

Austerity measures are likely to result in a sharper downturn in the Greek economy, lasting into 2012. GDP is expected to contract in 2010-2011, before the recovery, albeit modest, forecasted for 2012. In the longer term GDP growth is forecast to recover to a rate of over two per cent per annum.

There is a large risk of deflation setting in, as a sharp fall in consumer demand is expected. Demand is likely to pick up towards 2013, after strong contraction in 2010-2011. Exports are expected to start a slow recovery, expanding by 2.4 per cent this year and accelerating to 4.1 per cent in 2011, whilst imports are likely to continue falling, forecast to decrease by ten per cent this year and 3.5 per cent in 2011.

Figure 1: Key indicators for businesses

Greece compared to the EU average	2008 Greece	2009 Greece	2010 Greece	2010 EU
<b>Outlook for the economy over the next 12 months</b>				
Balance of optimists over pessimists	+22%	-34%	-23%	+7%
<b>Change in employment levels</b>				
Balance of businesses expecting an increase over those expecting a reduction	+33%	-7%	+7%	-1%
<b>Constraints on expansion</b>				
Regulations/red tape	51%	30%	57%	34%
Cost of finance	28%	45%	41%	21%

Source: Grant Thornton IBR 2010

As the economy exits recession, all businesses will face new challenges and will need to take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Talk to us to find out how we can help you deal with the challenges of a new world economic order.



**Vassilis Kazas**

**T** +30 210 72 80 000

**E** vkazas@grant-thornton.gr

**W** www.grant-thornton.gr



# International Business Report results

The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Greece are less pessimistic about prospects for 2010; their optimism/pessimism balance<sup>2</sup> has risen 11 percentage points from -34 per cent in 2009 to -23 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

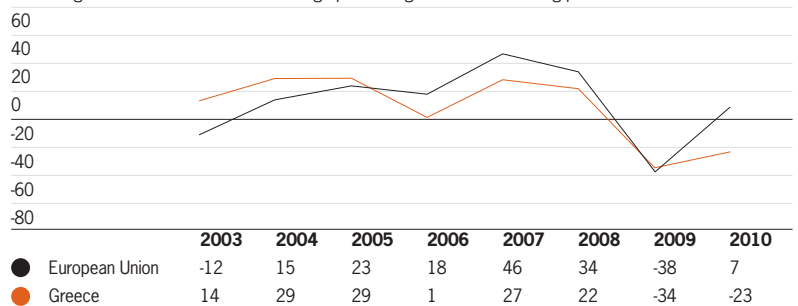
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

## Optimism/pessimism

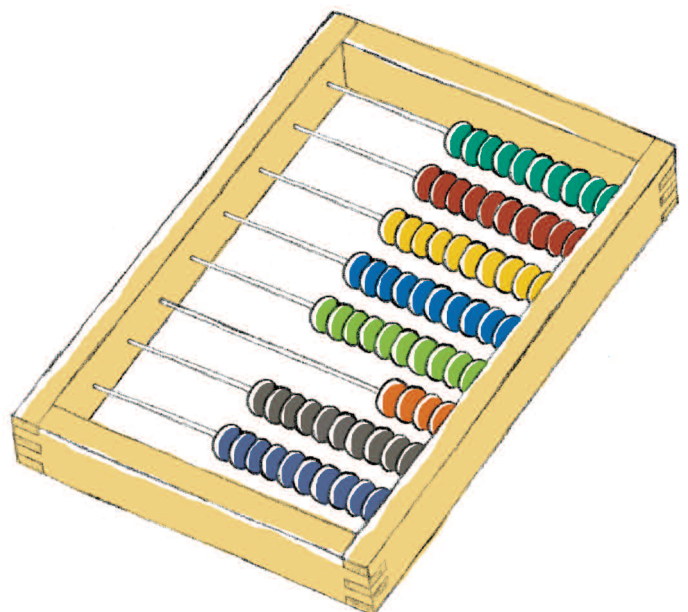
- businesses in Greece are less pessimistic about their country's economic outlook (-23 per cent) compared with 2009 (-34 per cent)
- this is considerably lower than the EU<sup>3</sup> average of +7 per cent
- optimism levels in the EU have risen this year, by 45 percentage points to +7 per cent from -38 per cent in 2009.

**Figure 2: Outlook for the economy over the next 12 months: 2003-2010**

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



<sup>2</sup> the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

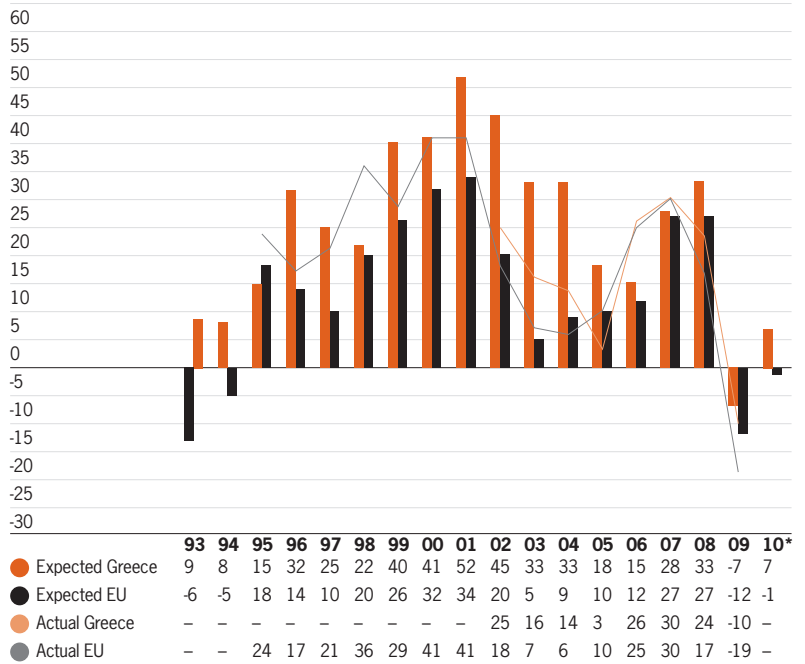
<sup>3</sup> for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

### Employment

- a balance of +7 per cent of businesses in Greece expect employment to grow in 2010, higher than the EU average (-1 per cent)
- actual employment contraction reported by businesses in Greece in 2009 (-10 per cent) was greater than what was expected 12 months previously (-7 per cent)
- actual employment contraction across the EU as a whole (-19 per cent) was worse than expected (-12 per cent).

**Figure 3: Employment history: 1993-2010**

Percentage balance of businesses indicating an increase against those indicating a decrease



\*2010 data will be documented in IBR 2011

Please note that the expected values are represented by the bars and the actual values by the lines

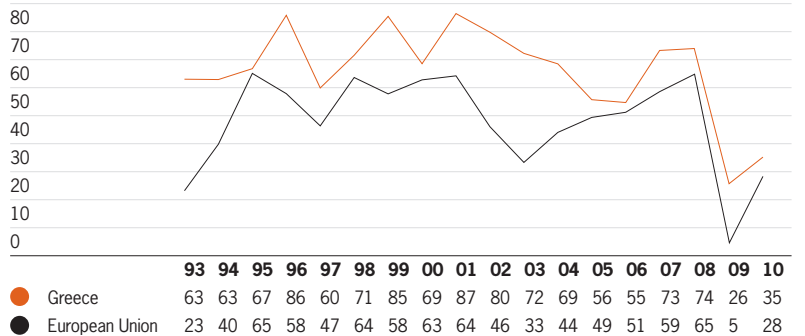
Source: Grant Thornton IBR 2010

### Revenue expectations

- expectations for revenue prospects have risen by nine percentage points; from +26 per cent in 2009 to +35 per cent this year
- the EU average has also risen, by 23 percentage points, from +5 per cent in 2009 to +28 per cent.

**Figure 4: Revenue expectations: 1993-2010**

Percentage balance of businesses indicating an increase against those indicating a decrease

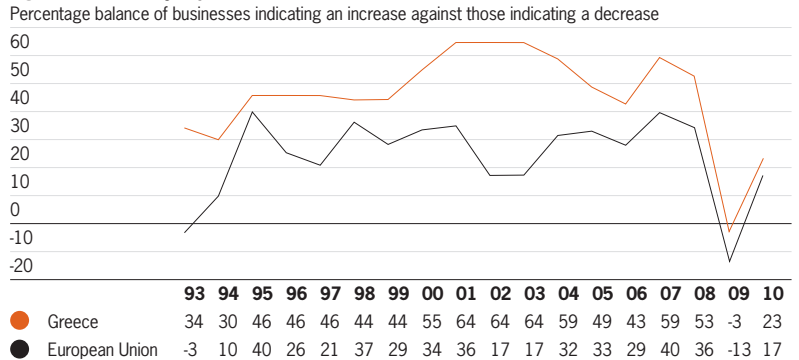


Source: Grant Thornton IBR 2010

### Profitability expectations

- profitability expectations amongst businesses in Greece have also observed a rise, an increase of 26 percentage points this year to +23 per cent
- the EU average has observed a similar rise of 30 percentage points, from -13 per cent in 2009 to +17 per cent this year.

**Figure 5: Profitability expectations: 1993-2010**



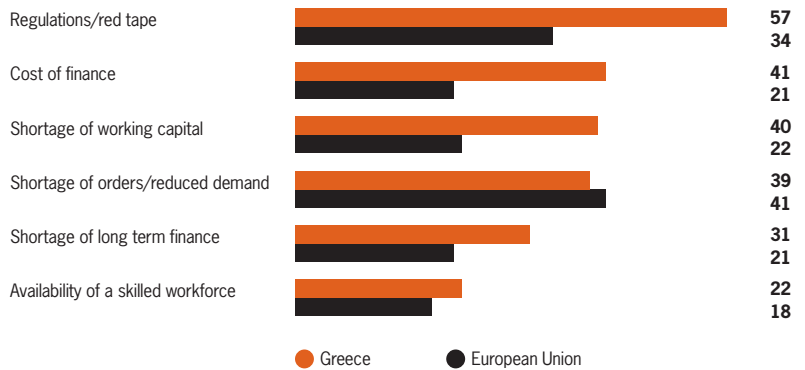
Source: Grant Thornton IBR 2010

### Constraints

- regulations/red tape is viewed as the most pressing constraint restricting expansion for businesses in Greece; 57 per cent compared to 34 per cent across the EU as a whole
- two-fifths of businesses in Greece class the cost of finance and a shortage of working capital as major constraints compared to just one-fifth across the EU as a whole
- a shortage of long term finance is also of considerably greater concern for businesses in Greece (31 per cent) compared to the EU average (21 per cent).

**Figure 6: Constraints on expansion**

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint

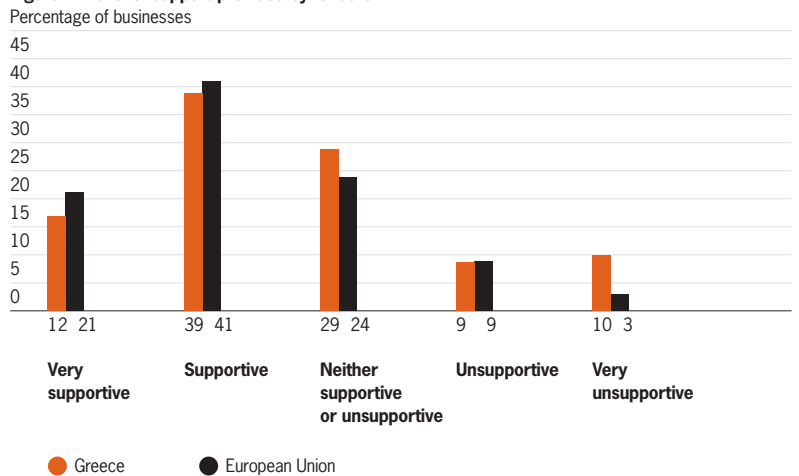


Source: Grant Thornton IBR 2010

### Support of lender

- 51 per cent of businesses in Greece are happy with the level of support provided by lenders and class lenders as supportive or very supportive towards their business, lower than the EU average of 62 per cent
- one-third (29 per cent) class lenders as neither supportive nor unsupportive
- 19 per cent of businesses in Greece believe that lenders are unsupportive or very unsupportive of their business, compared to 12 per cent across the EU as a whole.

**Figure 7: Level of support provided by lenders**

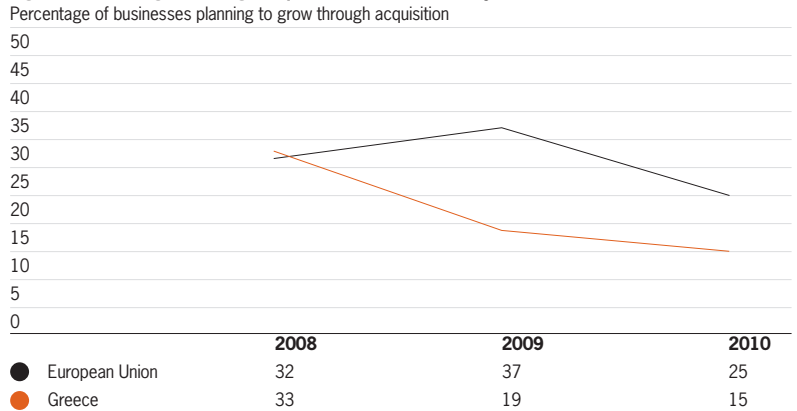


Source: Grant Thornton IBR 2010

### Mergers & acquisitions

- the proportion of businesses in Greece planning to grow through acquisition this year has fallen by four percentage points to 15 per cent, this follows a 14 per cent decrease the previous year
- and compares to a decrease of 12 percentage points in the EU average, from +37 per cent in 2009 to +25 per cent.

**Figure 8: Plans to grow through acquisition in the next three years**



Source: Grant Thornton IBR 2010

### Environmental donations

- one-quarter of businesses in Greece have made some form of sponsorship/donation to environmental organisations
- whilst, the majority (71 per cent) cite that they have not made any form of environmental sponsorship/donation.

**Figure 9: Have you made any sponsorship/donations to environmental organisations?**



Source: Grant Thornton IBR 2010

### Reward strategy

- of the one-third of businesses in Greece that cite that a reward strategy is not part of the corporate strategy, 40 per cent believe this is the case as it is not considered important
- 33 per cent believe that it is because they use other “motivation tools”
- whilst, 21 per cent believe that it is because they cannot financially afford such a strategy.

**Figure 10: Reasons why a reward strategy is not part of the company's corporate strategy**

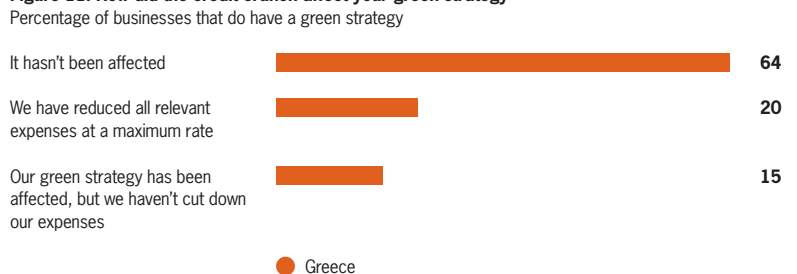


Source: Grant Thornton IBR 2010

### Green strategy

- of the 49 per cent of businesses that state that they do have a green strategy, two-thirds believe that it has not been affected by the credit crunch
- one-fifth cite that they have reduced all relevant expenses at a maximum rate
- whilst, 15 per cent of businesses cite that their green strategy has been affected, but they haven't cut down their expenses.

**Figure 11: How did the credit crunch affect your green strategy**



Source: Grant Thornton IBR 2010

