

Greece

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent whilst PHBs in Greece are less optimistic about 2008 (+22 per cent) than they were about 2007 (+27 per cent).

Levels of optimism have fallen amongst European Union (EU)² businesses. This year a balance of +34 per cent of EU businesses are positive about their economy compared to a balance of +46 per cent in 2007. Levels of optimism, however, vary extensively throughout the EU economies with Denmark recording the highest balance with +74 per cent optimistic, while Spanish PHBs are most pessimistic about their economy over the next year (-5 per cent).

The Greek economy

GDP growth in 2007 at four per cent maintained the strong pace of the past decade and reinforced Greece's position among the top growth performers in the EU. While the Greek economy is slowing from the vigorous pace of recent years, the deceleration is less marked than in the rest of the EU. The slowdown in Greece during the quarter reflected a contraction in investment due largely to weak construction activity as government spending on infrastructure moderated and house building activity eased.

Exports continue to benefit from the renewed vitality of the EU economy, evident since 2006. While the global slowdown will inevitably dampen export performance, this was not yet evident in the fourth quarter of 2007, when export growth actually accelerated to ten per cent year-on-year.

The surge in world food and energy prices has driven inflation up in recent months to 3.9 per cent on the EU-harmonised measure, well above the EU average of 3.2 per cent. Although this is potentially harmful to Greece's international competitiveness, the fact that increases in Greek labour costs over the past year are not markedly different from the EU average provides some comfort.



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¹ the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

² for the purposes of IBR, the term 'EU' refers to those EU economies covered by our survey – Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

Business expectations/revenue

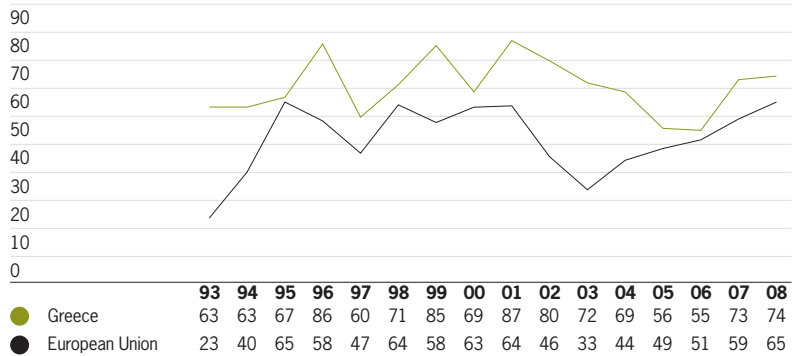
- PHBs in Greece are marginally more optimistic about their revenue prospects in 2008 (+74 per cent) compared to 2007 (+73 per cent).
- Their levels of optimism regarding revenue performance remain above both the EU (+65 per cent) and global (+63 per cent) averages.
- Levels of optimism regarding exports in 2008 (+25 per cent) represent a six per cent fall from 2007.

Employment

- Expected employment growth in Greece has risen from +28 per cent in 2007 to +33 per cent in 2008.
- PHBs in Greece remain more optimistic with regard to employment growth compared to businesses in the EU as a whole (+27 per cent).
- Actual reported employment growth in Greece (+30 per cent) was higher than expected in 2007.

Figure 1: Revenue expectations for Greece and the European Union average 1993-2008

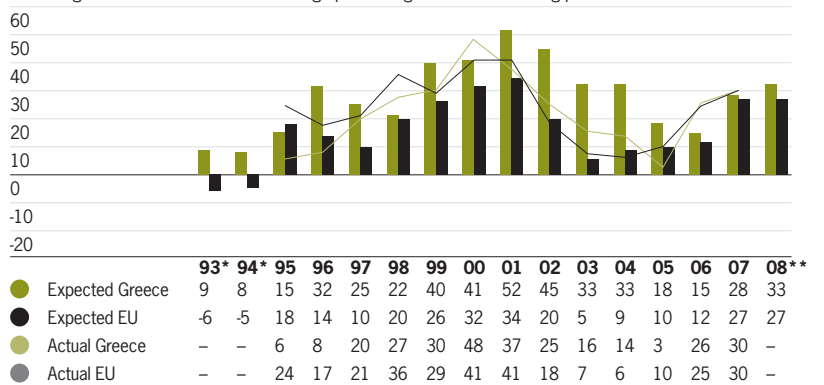
Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2008

Figure 2: Employment history of Greece and the European Union average 1993-2008

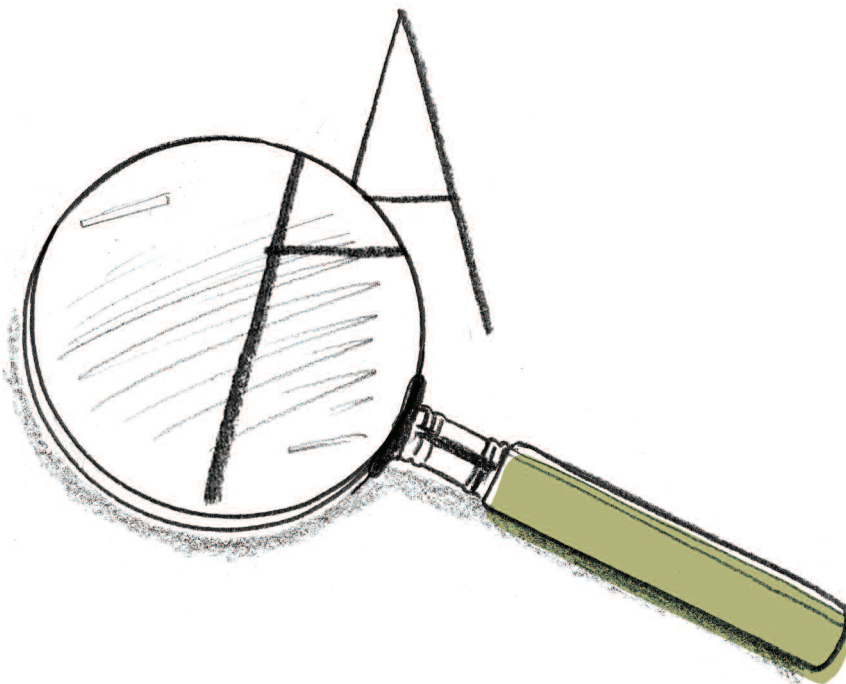
Percentage balance of businesses indicating optimism against those indicating pessimism



*no data available

**2008 data will be documented in IBR 2009

Source: Grant Thornton IBR 2008



Constraints

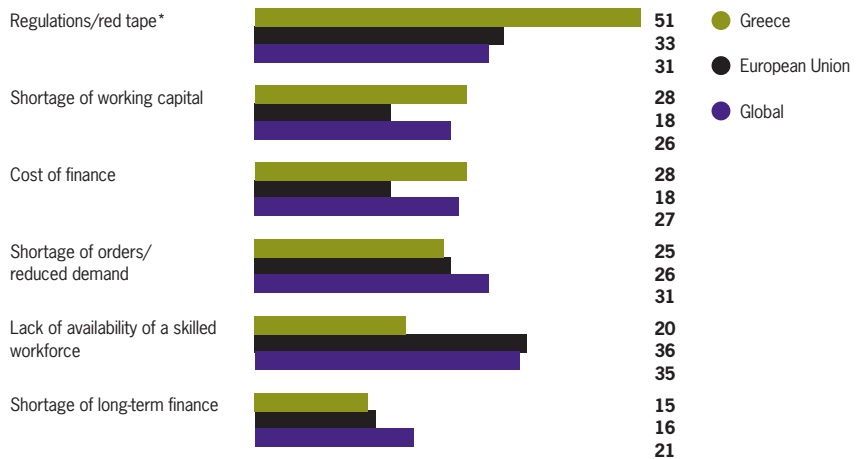
- More than half of PHBs in Greece cite regulations/red tape as a constraint restricting expansion, compared to a third of all EU businesses.
- The availability of a skilled workforce is cited by over a third of businesses worldwide, but by just 20 per cent of PHBs in Greece.
- Similarly to businesses globally, 28 per cent of PHBs in Greece cite the shortage of working capital and the cost of finance as constraints restricting expansion.

Emerging markets

- The most important factor for PHBs in Greece, when determining whether to invest internationally, is political and economic stability (71 per cent).
- Almost half of Greek businesses export (48 per cent). This is down four per cent from 2007 but is above the global average (39 per cent).
- 63 per cent of PHBs in Greece import, this is above the global average of 39 per cent.
- Similarly to businesses globally, 39 per cent of Greek businesses see their main competition coming from local sources.

Figure 3: Largest constraints on growth for Greek businesses compared to the European Union and the global average

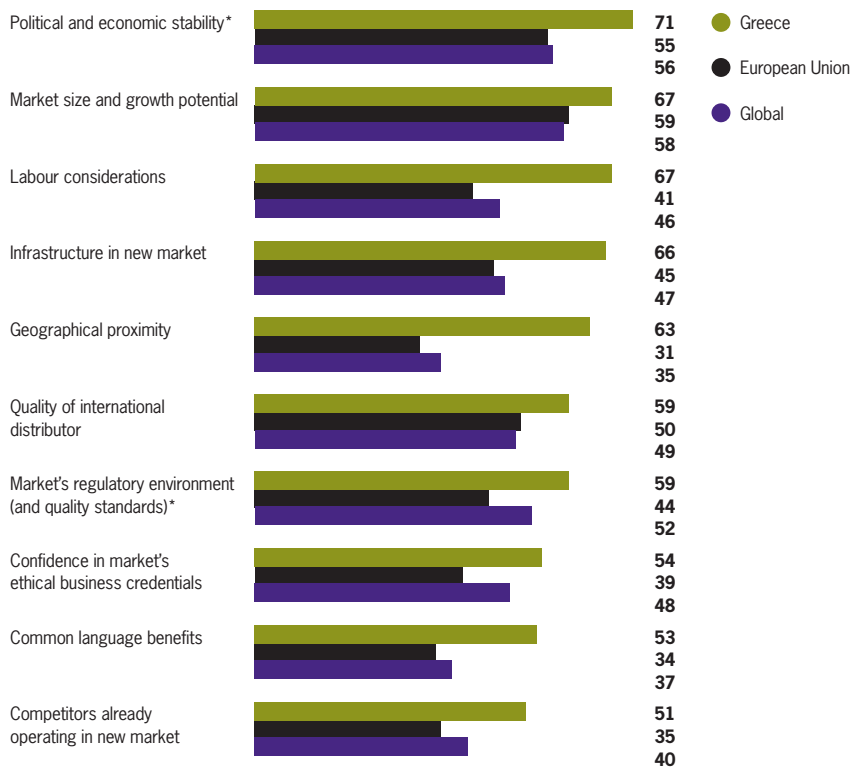
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



*excluding mainland China
Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



*excluding mainland China
Source: Grant Thornton IBR 2008

Competitiveness

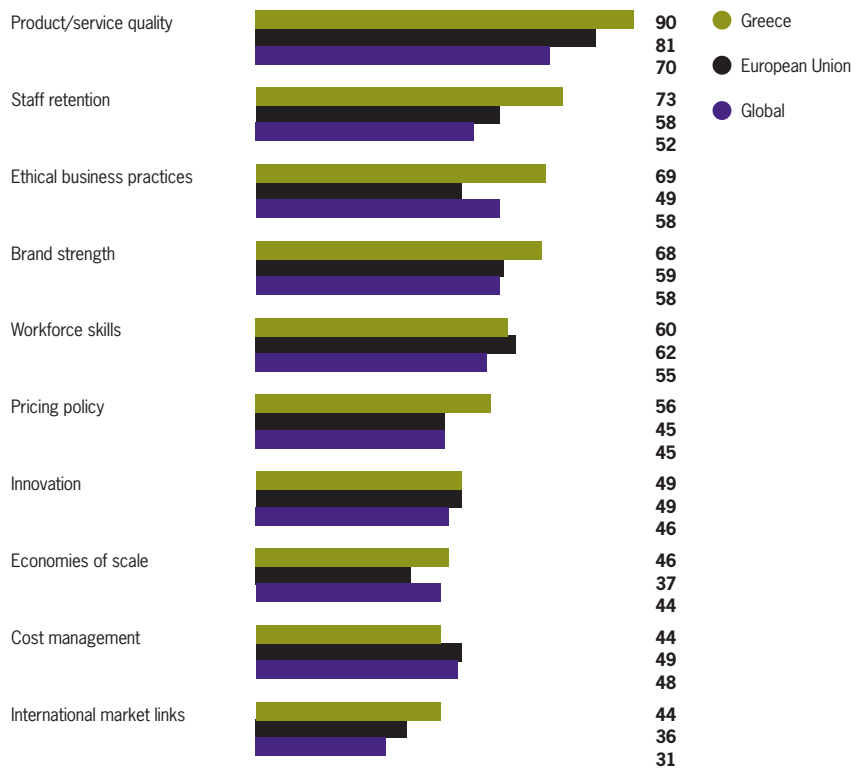
- PHBs in Greece see their greatest source of competitive advantage as product/service quality (90 per cent), as is true of businesses globally.
- 73 per cent of Greek businesses see staff retention as a source of competitive advantage. This is above the global business average of 52 per cent.
- 44 per cent of PHBs in Greece cite cost management, compared to 49 per cent of all EU businesses.

Corporate social responsibility (CSR)

- Public attitudes/brand building is viewed as the most important driver towards more ethical practices by PHBs in Greece (85 per cent). This is much higher than the EU (48 per cent) and global (56 per cent) averages.
- 82 per cent of PHBs in Greece provided internships/apprenticeships/work experience in the past year, compared to 67 per cent of all businesses.
- 36 per cent of Greek businesses have incorporated their policies in to a written CSR document, which is below the EU average (45 per cent).

Figure 5: Main sources of competitive advantage for Greek businesses compared to the European Union and the global average

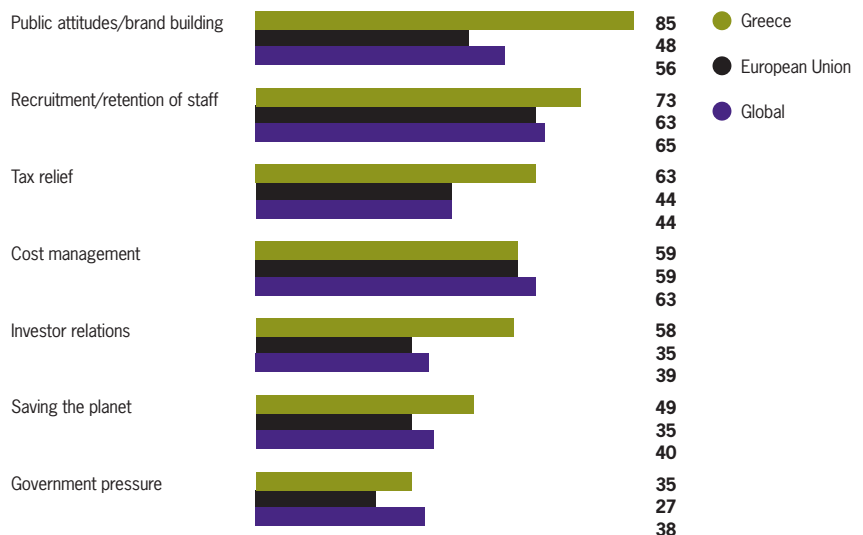
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Greek businesses compared to the European Union and the global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



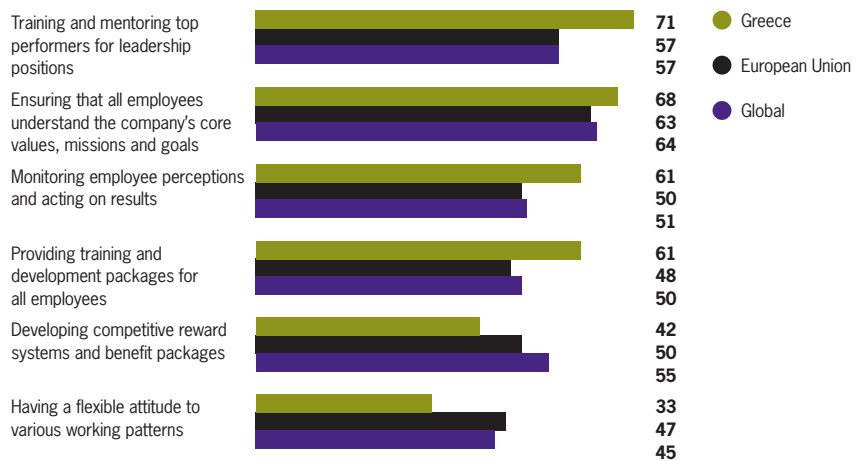
*excluding mainland China
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of PHBs in Greece more focused on retention than one year ago is +53 per cent. This up from +49 per cent in 2005, and is marginally above the EU average (+52 per cent).
- 71 per cent of Greek businesses train and mentor top performers for leadership positions to aid recruitment/retention.
- Cited by 43 per cent of PHBs in Greece, an increase in operating costs is viewed as the major problem staff retention issues have caused.
- It is costing 60 per cent of Greek businesses significantly more to pay their staff than it was 12 months ago. This is slightly above the EU average (58 per cent) but below the global average (63 per cent).

Figure 7: Usage of recruitment and retention tools for Greek businesses compared to the European Union and the global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Greek economy

Consumer spending boosted by strong credit growth remains robust. Coupled with the recent strong export performance, this reinforces the view that the Greek economy is less affected by the gloomy global backdrop than many others, and that growth can continue at a healthy pace in 2008. However, a slowdown from the four per cent average annual growth rate of the past four years is inevitable given slackening EU expansion.

Exports are expected to ease in 2008 as the international background weakens, but the slowdown follows strong growth in 2007 and exports are still increasing by a healthy 5.4 per cent. As the EU economy picks up in 2009, exports should respond with faster growth, contributing to GDP expansion at 3.2 per cent.

Surging international food and oil prices will sustain inflation at three per cent in 2008. As slower demand growth in the coming year reduces price pressures, inflation will ease to 2.5 per cent in 2009. Greek inflation will nevertheless continue to be well above the euro area average forecast at nearly two per cent in 2009.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six-year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

Argentina	Hong Kong	Singapore
Armenia	India	South Africa
Australia	Ireland	Spain
Belgium	Italy	Sweden
Botswana	Japan	Taiwan
Brazil	Malaysia	Thailand
Canada	Mexico	Turkey
Mainland China	Netherlands	United Kingdom
Denmark	New Zealand	United States
France	Philippines	Vietnam
Germany	Poland	
Greece	Russia	



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