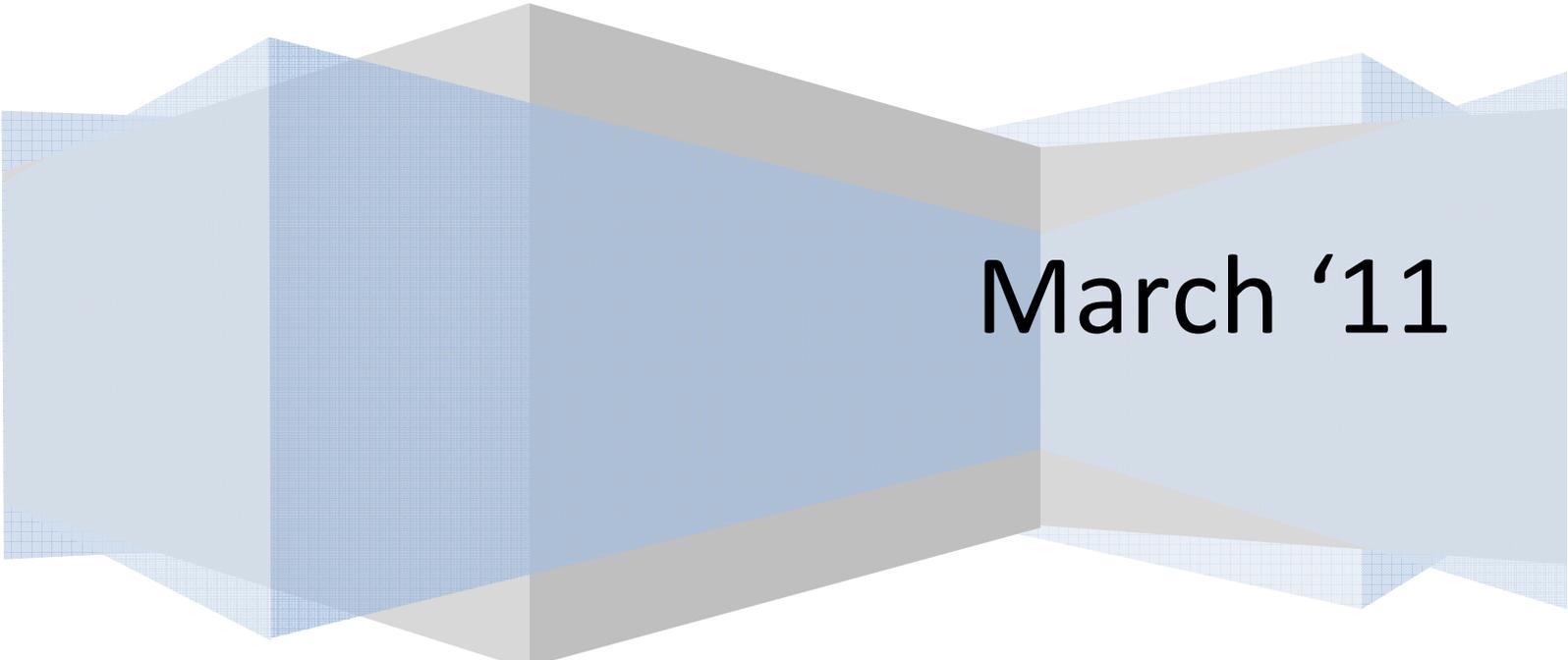


Thessaloniki Chamber of Commerce & Industry

TCCI BAROMETER

March 2011

Palmos Analysis



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“TCCI BAROMETER” (Executive Summary)

Thessaloniki Chamber of Commerce and Industry (TCCI), consistent to its efforts to increase information levels and inform both businesses and organizations (public or private) as well as Thessaloniki’s community, continues the periodic Survey of Economic Climate (at the Prefecture of Thessaloniki) on the four business sectors of the economy and consumers.

The Survey of Economic Climate at the Prefecture of Thessaloniki (TCCI Barometer) is conducted twice a year during the 2nd fortnight of March and September, with a total sample of 1500 respondents (800 companies and 700 consumers). The survey covers all four sectors of the economy (industry, services, retail trade and constructions).

“**TCCI Barometer**” survey is conducted via telephone interviews with the managers of businesses (General Managers, or Finance Managers, or Sales Managers or the owners in case of “smaller” companies) and with the use of questionnaires used by the Foundation for Economic & Industrial Research and the European Union, so that the results are comparable with the equivalent National and European surveys.

1. CONSUMER SURVEY

The “Consumer Confidence Indicator” is calculated based on consumer’s predictions for the general economic situation of the country, the economic situation of their household, the intention for saving and their prediction for unemployment levels. It must be mentioned that predictions are between +100 (all consumers anticipate an increase) to -100 (all consumers anticipate a decrease) and appear as differences between positive and negative responses. In particular, a negative difference means that the percentage of those who predict a decrease is higher than the one of those who predict an increase and vice – versa.

According to the survey, the consumers at the Prefecture of Thessaloniki appear constantly pessimistic, as the Indicator of Consumer Confidence at the Prefecture of Thessaloniki stands at -63 points, while the National one stands at -66 points and the European Union one stands at -13 points for March 2011. Compared to September 2010, a constantly negative climate among consumers is observed at the Prefecture of Thessaloniki (-63 from -63), while the relevant indicator is also stable at National level(-66 from -67), as well as the equivalent European Indicator (-12 from -14).

In particular, consumers at the Prefecture of Thessaloniki indicate:

- Steady deterioration of their economic situation and pessimism for the future.
- Significant deterioration of the national economic situation over last 12 months and increased pessimism for the future.
- Pessimism about the level of inflation in the future (although significantly reduced compared to September 2010).
- Widely expressed pessimism about the unemployment level in the country.
- Stable (compared to September 2010) reluctance to currently make major purchases, and even greater reluctance for such purchases in the future.
- Extremely low intention to save. It must be mentioned, that compared to September 2010 when, **for the first time since TCCI Barometer surveys have begun, the percentage of households who indicated that they either managed their way by exhausting their savings, or by increasing their debt (both adding at 47%), was higher than the percentage of those who broke even with their income (40%), in the survey of March 2011 an adjustment trend of households appears, so the percentage of those who broke even with their income rises to 48% and the percentage of those who either managed their way by exhausting their savings, or by increasing their debt is reduced to 40%. It is notable that the percentage of households who save money (a little or a lot) remains stable.**
- Constantly low sales level as far as the car market in the Prefecture of Thessaloniki is concerned for the next 12 months. There are no signs of recovery in the car market, despite measures such as the motives for withdrawal of old technology vehicles, which was assumed to help market's recovery.
- Constantly frozen real estate market and reduced construction activity.

2. INDUSTRY SURVEY

The “Business Expectations Indicator for the Industrial Sector” at the Prefecture of Thessaloniki remains negative, but significantly improved compared to “September 2010” and lower than the equivalent National one, who also appears improved compared to “September 2010”. The European indicator shows significant improvement and returns to positive grounds, as the economy in the European Union seems to recover.

The balance of positive – negative estimates of the “Business Expectations Indicator for the Industrial Sector” stands at -27 points at the Prefecture of Thessaloniki (-16 at National and +7 at European level). It should be noted that this indicator shows also improvement compared to September 2010, both at local (-27 from -33) and National level (-16 from -24), as well as at European level (+7 from -2).

Negative but with signs of improvement (compared to September 2010) is the evaluation of the industrial sector in Thessaloniki for the past six months, while there are more positive estimates (reduce of pessimism) for the next six months as far as production levels are concerned. **Nevertheless, it must be noted that there seems to be a significant improvement of all indicators concerning export activity in the future, although they all remain at negative levels.** The estimates for employment remain pessimistic (but in a better level), while neutral are the estimates for price levels.

In particular, the views of the industrial sector at the Prefecture of Thessaloniki are summarized as follows:

- There is a drop in production, with an equivalent decrease in orders. There is a contrasting picture as far as export activity is concerned, where improvement is evident.
- There has been a much more effective adjustment of stocks and production levels at local level than it has been done at National level.
- A reduced pessimism for the future is observed as far as production and orders level are concerned (mostly from exports), while a slightly reduced pessimism is observed as far as employment and a slight slowdown of the increase of unemployment in the next months is expected.
- Their competitive position, as they mention, appear slightly improved within the internal and the external market (which is in line with the overall containment of pessimism).

3. SERVICES SURVEY

Negative climate is observed within service companies at the Prefecture of Thessaloniki. Thus, the relevant “Business Expectations Indicator for the Services Sector” stands at -40 points, compared to -26 points nationally and +10 points at European level. Compared to September 2010 there has been a slight improvement of the climate at local level (-40 from -47), deterioration at National level (-26 from -17) and a slight improvement at European level (+10 from +05). A slight recovery trend is evident, perhaps because of the forthcoming tourist season.

In particular, service companies at the Prefecture of Thessaloniki mention:

- Drop in demand and further deterioration of their financial situation.
- Significant recovery in demand expectations for the next six months, slight further decrease in employment, and apparent downward trend in prices of services.

4. RETAIL TRADE SURVEY

The “Business Expectations Indicator for the Retail Trade sector” remains at a negative level at the Prefecture of Thessaloniki, but improved compared to September 2010, as well as the National one (which shows an impressive growth over the last six months), whereas the respective European indicator remained almost neutral.

Thus, the balance of positive - negative estimates of the “Business Expectations Indicator for the Retail Trade sector” stands at -32 (from -43 points in September 2010) at the Prefecture of Thessaloniki, compared to -22 points (from -45 points in September 2010) at National and +0,5 points (from +1 point in September 2010) at European level.

In particular, the views of retail companies at the Prefecture of Thessaloniki can be summarized as follows:

- They still predict (at reduced majority) deterioration of their activity (sales volume). However, the percentage of those who predict growth of their activity (sales) and their orders placed with suppliers, is significantly increased (8% to 16% and 7% to 12% respectively).
- The improved expectations are also reflected in the volume of stock, which is described as slightly below normal.
- They mention a downward trend for the employment level as well as for prices level over the next months.

5. CONSTRUCTION SURVEY

The “**Business Expectations Indicator for the Construction Sector**” dropped at its lower level since the commencement of the TCCI Barometer surveys at the Prefecture of Thessaloniki, although it remains higher than the National Indicator but significantly lower than the European one.

Thus, the balance of positive – negative estimates of the “Business Expectations Indicator for the Construction Sector” stands at -57 points at the Prefecture of Thessaloniki, at -68 points at National and -27 at European level. Negative remains the evolution of construction activity in the past six months compared to the rest of Greece and the European Union.

Although the current level of orders at the Prefecture of Thessaloniki continuously deteriorates, the intention of decreasing prices not only remains at very low level, but there is an increasing number of companies who intend to increase prices over the next months! **This particular finding shows a significant irregularity in the market, as the drop in demand does not appear to lead to lower prices by the manufacturers.** The intention of reducing staff in the next six months remains strong.

In particular, the views of construction enterprises at the Prefecture of Thessaloniki can be summarized as follows:

- A further drop is observed in construction activity with a respective drop at the amount of new orders.
- The construction enterprises seem to be moderate about dropping real estate prices, while a further decline in employment is predicted.

Thessaloniki, 11th April 2011

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Note: the results of “TCCI Barometer” are available at the website www.ebeth.gr