Thessaloniki Chamber of Commerce & Industry

TCCI BAROMETER

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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 **almost absolutely pessimistic**, as the Indicator of Consumer Confidence at the Prefecture of Thessaloniki stands at **-72 points**, while the National one stands at **-79 points** and the European Union one stands at **-19 points** for March 2012. Compared to September 2011, a steadily negative climate among consumers is observed at the Prefecture of Thessaloniki (-72 from -76), while the relevant indicator loses five points at National level (-79 from -74). At the same time, the equivalent European Indicator appears unchanged (-19 from -19).

In particular, consumers at the Prefecture of Thessaloniki indicate:

- Constant deterioration of their economic situation and deep (although slightly milder compared to September 2011) pessimism for the future.

- Constant deterioration of the national economic situation for the past year and slightly milder pessimism for the future.

- **For the first time since TCCI's Barometer begun in March 2009, there is optimism about the level of inflation in the future, as customers marginally predict that prices will drop during the next twelve months.** On the other hand, there is a sense that prices increased during the last twelve months (although less intense compared to September 2011).

- Widely expressed pessimism about the unemployment level in the country.

- Stable (compared to September 2011) reluctance to currently make major purchases, and even more reluctance for such purchases in the future.

- Extremely low and further reduced intention to save. **Is must be mentioned, that when comparing to September 2011,** a constant majority of those who say they live at the expense of their savings or borrowed money (49%) is observed, while 43% say that they just break even with their income. It is notable that the proportion of households saving money continues to decline and is at 8%.

- Constantly very low sales level as far as the car market in the Prefecture of Thessaloniki is concerned for the next 12 months. There is no evident recovery trend and further drop in purchasing intention is observed.

- 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 slightly increased compared to "September 2011", and at the same level with the equivalent National one, who also appears constant compared to "September 2011". In line with the Greek indicators, the European indicator shows stability compared to "September 2011" at negative grounds.

The balance of positive – negative estimates of the "Business Expectations Indicator for the Industrial Sector" stands at **-22 points** at the Prefecture of Thessaloniki **(-22 at National** and **-7 at European level**). It should be noted that this indicator shows significant increase compared to "September 2011" at local level (-22 from -34) and stability at National level (-22 from -24) and European level (-7 from -6).

Increasingly negative (compared to "September 2011") is the evaluation of the industrial sector in Thessaloniki for the past six months but there are improved estimates for the next six months as far as production levels are concerned**. It must be noticed that there is significant improvement of the production expectations in the near future, while the gap between the expectations at local and at national level is narrowing. It is also impressive that exports expectations are improving at local level and almost match the ones at national level, although there is still significant gap between the evaluation of current exports level at local and at national level.** Steadily negative remain the estimates for employment, while the estimates for price levels have been worsened.

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 has been a much more effective adjustment of stocks and production levels at local level than it has been done at National level.
- **Significantly reduced pessimism** for the future is observed as far as production and orders level are concerned (**especially exports**), while a constant pessimism is observed as far as employment is concerned.
- Their competitive position, as they mention, appears steady within the internal market as well as within the external market.

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 **-51 points**, compared to **-32 points** nationally and **-04 points** at European level. Compared to "September 2011" there has been constantly negative climate at local level (-51 from -51), deterioration at National level (-32 from -25) and stability at European level (-04 from -04). **The imminent summer business season doesn't seem to lead to climate improvement within service companies**.

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

- Drop in demand and further deterioration of their financial situation.
- Slightly reduced pessimism for the next six months for demand, steadily negative forecast for employment and obvious price drop trend.

4. RETAIL TRADE SURVEY

The **“Business Expectations Indicator for the Retail Trade sector”** remains at negative grounds at the Prefecture of Thessaloniki (steady compared to “September 2011”), as well as the National and the European indicator.

Thus, the balance of positive - negative estimates of the **“Business Expectations Indicator for the Retail Trade sector”** stands at **-37 points** (from -37 points in “September 2011”) at the Prefecture of Thessaloniki, compared to **-36 points** (from -41 points in “September 2011”) at National and **-11 points** (from -13 points in “September 2011”) at European level.

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

- They show **significantly reduced pessimism** for their activity (sales volume) in the next six months, significantly decreased compared to “September 2011”
- Despite their deep pessimism as far as their business activity is concerned, they consider their volume of stock below normal levels, although closer to normal levels compared to “September 2011”
- 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”** stands steadily 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 **-55 points** at the Prefecture of Thessaloniki, at **-61 points** at National and **-29 points** at European level. Especially negative is the evolution of construction activity in the past six months compared to the rest of Greece and the European Union and there is further decrease compared to “September 2011”.

There seems to be a price reduction trend compared to “September 2011” at local as well as at National and European level. Intention to reduce personnel over the next six months remains strong but slightly milder.

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 more willing about dropping real estate prices, while a further decline in employment is predicted.

6. TCCI Barometer – AD HOC CONSUMER QUESTIONS

Aiming at the optimum use of "TCCI Barometer" as a research tool with a view to better inform the business community of Thessaloniki, new ad-hoc questions were incorporated "TCCI Barometer's" questionnaires on various topics such as consumer behavior and business environment. The questions were placed at the end of standardized questionnaires used "TCCI Barometer" to ensure continuity and reliability of the results of "TCCI Barometer".

- **Malls vs. Local Markets**

The questions posed to consumers of the Prefecture of Thessaloniki for the shopping malls and local markets were the same as those raised in a major survey run on behalf of TCCI back in June 2008 and aim to detect any changes brought about by the severe economic crisis of the past three years.

It was found that the economic crisis has significantly reduced consumer visits to shopping malls, as the percentage of those answering that they do not visit malls or department stores jumped from 4% to 19%. Moreover, the crisis has particularly hit the market at the city center of Thessaloniki, as the percentage of visits to the center of Thessaloniki fell from 41% in June 2008 to 26% nowadays whereas visits to local markets rose from 54% to 68%. At the same time, the percentage of visitors of shopping centers and department stores which mention intention to buy products as their main reason for their visit has dropped to 26% from 51% four years ago, while the percentage of those who mention entertainment as their main reason for their visit rises from 35% in 2008 to 46% nowadays. Similar but milder are the trends as far as local markets are concerned. Finally, both visiting frequency as well as buying expenditure is reduced both for shopping centers and department stores as well as for local markets. It must be mentioned that the percentage of those saying they have not spent any money at all during their most recent visit to a shopping mall or department store to purchase products rose to 30% from 19% in 2008 and to 47% from 32% as far as services buying is concerned.

- **Consumer behavior**

Only 15% of consumers in the Prefecture of Thessaloniki say they carry out market research in relation to product or service prices before they buy. At the same time, 55% of consumers say they always ask for receipt when there are not getting one and 31% say they sometimes ask for receipt and only 14% say they never ask for receipt. Not issuing receipts is widespread among taxi drivers, among technicians (plumbers, electricians, etc.) and secondarily among other professionals (doctors, lawyers, engineers etc). On the other hand, retail shops and restaurants/cafeterias show greater consistency in issuing receipts. Over 1 in 4 consumers (27%) in the Prefecture of Thessaloniki say they prefer to buy from multinational stores, mainly citing better prices (68%) than better quality (15%). One in six (16%) inhabitants of the Prefecture of Thessaloniki say they sometimes make purchases from illegal street vendors, citing lower prices (67%) and emotional reasons

(25%). However, they are almost fully aware of the devastating consequences arising from the activity of illegal street vendors for the Greek Economy. Finally, consumers generally express their satisfaction with the recent sales period.

7. TCCI BAROMETER – AD HOC RETAIL TRADE QUESTIONS

Traders in the Prefecture of Thessaloniki seem disappointed by the recent sales period. At the same 95% among them state that they considered ineffective measures taken by the State to restrict illegal street vendors and address smuggling.

Almost 50% of retail trade businesses that are housed in rented premises say they have already reduced rent, while 28% is negotiating or intends to negotiate reduction of rent. At the same time, 36% of retailers say that among measures taken to remedy crisis are reducing rent, 33% say they have been making payroll cuts, 31% say they adopted new marketing and promotion techniques, 30% say they changed credit policies and 25% say they had to proceed to layoffs.

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