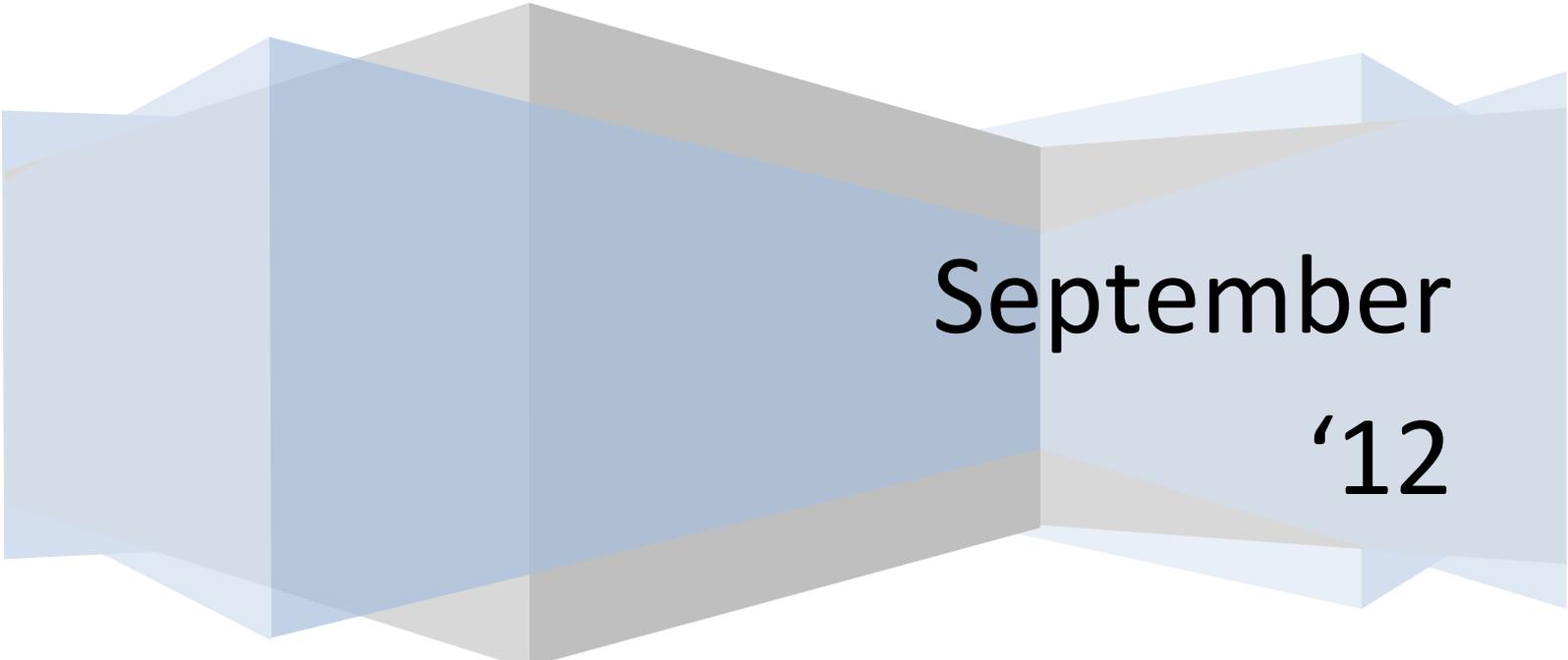


Thessaloniki Chamber of Commerce & Industry

TCCI BAROMETER

September 2012

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 **-68 points**, while the National one stands at **-76 points** and the European Union one stands at **-24 points** for September 2012. Compared to March 2012, a steadily negative climate among consumers is observed at the Prefecture of Thessaloniki (-68 from -72), while the relevant indicator loses three points at National level (-76 from -79). At the same time, the equivalent European Indicator appears slight drop (-24 from -19).

In particular, consumers at the Prefecture of Thessaloniki indicate:

- Constant deterioration of their economic situation and continuous (compared to March 2012) pessimism for the future.
- Deterioration of the national economic situation for the past year and decreased pessimism for the future.
- **Consumers in the Prefecture of Thessaloniki match the opinion of the average Greek consumer and predict that prices will slightly rise during the following period, probably due to the upcoming sharp rise of oil price for heating purposes.** Moreover, there is a sense that prices increased during the last twelve months.
- Widely expressed pessimism about the unemployment level in the country.
- Slightly reduced (compared to March 2012) reluctance to currently make major purchases, and steady reluctance for such purchases in the future.
- Extremely low intention to save. **Is must be mentioned, that when comparing to March 2012, there is an increase in the percentage of those who say they live at the expense of their savings or borrowed money (54%) and it is the first time since the incorporation of the TCCI Barometer that more than half of the prefecture's households state that they cannot cope with their income. Just 39% say that they just break even with their income. It is notable that the proportion of households saving money continues to decline and now stands at 7%.**
- 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 constantly negative compared to “March 2012”, and at the same level with the equivalent National one, who also appears constant compared to “March 2012”. On the other hand, the European indicator drops significantly compared to “March 2012” at negative grounds.

The balance of positive – negative estimates of the “Business Expectations Indicator for the Industrial Sector” stands at **-24 points** at the Prefecture of Thessaloniki (**-22 at National** and **-15 at European level**). It should be noted that this indicator shows stability compared to “March 2012” at local level (-24 from -22) and at National level (-22 from -22), while is significantly decreased at European level (-15 from -7).

Clearly improved (compared to “March 2012”) is the evaluation of the industrial sector in Thessaloniki for the past six months but the estimates for the next six months as far as production levels are concerned, are not as much improved. **Moreover, there is significant improvement both as far as orders level for the past six months is concerned, as for current orders level. There is also improvement as far as export activity in the near future at local level is concerned and there is much more similar picture to the National one. Additionally, current exports level is viewed much more positively compared to March 2012.** Slightly less pessimistic estimates appear as far as employment and price levels are concerned for the following period.

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

- There is a drop in production (less sharp compared to March 2012), with an equivalent (less sharp) 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.
- **Reduced pessimism** for the future is observed as far as exports, prices and employment are concerned.
- Their competitive position, as they mention, appears **significantly improved** within the external market.

3. SERVICES SURVEY

Less negative climate is observed within service companies at the Prefecture of Thessaloniki, compared to March 2012. Thus, the relevant **“Business Expectations Indicator for the Services Sector”** stands at **-43 points**, compared to **-41 points** nationally and **-13 points** at European level. Compared to “March 2012” there has been less negative climate at local level (-43 from -51), deterioration at National level (-41 from -32) and at European level (-13 from -04). **The previous summer business season seems to have lead to climate improvement within service companies, especially as far as the last six months are concerned.**

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

- Reduced drop in demand and slightly less deterioration of their financial situation.
- Slightly improved expectations for the next six months for demand, steadily negative forecast for employment and containment of the drop trend as far as prices are concerned.

4. RETAIL TRADE SURVEY

The “**Business Expectations Indicator for the Retail Trade sector**” remains at negative grounds – albeit slightly improved - at the Prefecture of Thessaloniki (compared to “March 2012”), whereas the National indicator appears constantly negative and the European indicator appears dropped.

Thus, the balance of positive - negative estimates of the “**Business Expectations Indicator for the Retail Trade sector**” stands at **-31 points** (from -37 points in “March 2012”) at the Prefecture of Thessaloniki, compared to **-37 points** (from -36 points in “March 2012”) at National and **-15 points** (from -11 points in “March 2012”) at European level.

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

- **Constant pessimism** for their activity and orders in the next six months compared to “March 2012”
- Despite their deep pessimism as far as their business activity is concerned, they consider their volume of stock below normal levels, **possibly due to the recent summer sales period which helped to reduce product stocks.**
- 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 negative **but it is the first time since the beginning of the TCCI Barometer surveys that there is an improvement trend, compared to its lower levels where it remained constantly since September 2010**. Moreover, it stands 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 **-49 points** at the Prefecture of Thessaloniki, at **-58 points** at National and **-33 points** at European level. Less negative is the evolution of construction activity in the past six months compared to “March 2012”.

There seems to be a price reduction trend compared to “March 2012” 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 constant 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".

- **Summertime Sales Period**

Just 39% of consumers in the Prefecture of Thessaloniki is "Very" (10%) of "Quite" (29%) satisfied with this year's summertime sales. On the other hand, 28% states "Little" (19%) or "Not at all" (9%) satisfied with the summertime sales **and 1 in 3 consumers have no opinion. The combined number of those who state low satisfaction and those who do not have an opinion for the summertime sales matches the number of Thessaloniki's consumers who did not buy any product or service during the recent sales period: 6 in 10 (58%) did not take the opportunity offered by sales to make any purchases!** These people refer mainly to the lack of available income for purchases as the main reason (74%) for not shopping during the summertime sales period and they also mention insecurity for the future (11%) and lack of desirable products during the sales period (5%).

It must be noted that the evaluation of the summertime period as far as every aspect is concerned (discount percentage, product quality, offers attractiveness, sales duration, products sufficiency) is positive – among those who have an opinion – with rates ranging between 58% and 76%.

- **Thessaloniki International Fair (TIF)**

Just 14% (almost 1 in 7) of Thessaloniki's consumers aged above sixteen visited this year's Thessaloniki International Fair. Among those, there is an impressive outcome: 8 in 10 (78%) say that this year's impressions from the Fair are worse compared to past years events and only 1 in 20 (5%) has improved impression this year compared to the past.

- **Operation of Shops/Retail Stores on Sundays**

A remarkable majority (62%) of Thessaloniki's consumers agrees with city center shops and retail stores opening on two specific Sundays during Thessaloniki's International Fair. The majority (53%) also agrees with city center shops and retail stores opening during five to seven Sundays of the year which have high commercial potential (for example, during the Agrotica fair, the Infacoma Fair, the first Sunday of the sales period etc), but the vast majority (72%) opposes opening city center shops and retail stores every Sunday of the year.

A slight majority of Thessaloniki's consumers agrees with shops and retail stores opening in the greater Thessaloniki area for five to seven Sundays during the year: 51% agrees, 46% opposes.

- **Why prices of primary goods don't fall**

According to Thessaloniki's consumers, the basic factors affecting primary goods prices and keeping them at relatively high levels are the intermediaries and the distortions observed in market operation (monopolies/ oligopolies/ cartels). Moreover, lack of proper state monitoring and controls as well as high demand are mentioned.

7. TCCI BAROMETER – AD HOC RETAIL TRADE QUESTIONS

Traders in the Thessaloniki area are disappointed with the recent summer sales period: 84% say they are "Not at all" (62%) and "A little" (22%) satisfied with summertime sales. This is slightly improved, however, when compared to the evaluation of the winter sales period, where the percentage of Thessaloniki area traders that states "Not at all" or "A little" satisfied reached 93%.

Traders in the Thessaloniki area consider primarily the lack of healthy competition and the operation of monopolies / oligopolies as the main reasons for keeping prices at relatively high levels, while they also state that intermediaries and inadequate controls by the authorities also play an important role.

Measures taken by the State to address trafficking and illegal trade are considered "Not at all" or "A little" efficient by 91% of traders, slightly better than in March 2012 (95%).

Only 15% of traders who rent their business premises, have not cut or entered discussions with owners to cut rent, compared to 21% in March 2012.

At the same time, 47% of traders said that among the measures taken to deal with the crisis is cutting rent costs of business premises (against 36% in March 2012), 28% are reducing salaries (compared to 33% in March 2012), 31% are enhancing marketing and promotion of their products (exactly the same with March 2012), 40% are changing pricing policies (compared to 30% in March 2012) and 25% are laying off employees (just the same with March 2012).

Thessaloniki, October 3rd, 2012

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