



Strategic Planning & Research Division

Survey of Greek SMEs Second half of 2012

Special Issue: Internationalization



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- In the last months of 2012, NBG's **business confidence index** for SMEs, although remaining in negative territory, posted an improvement (mainly in the sectors of **export-oriented manufacturing** and **tourism**). In particular, while the expectations component has remained flat over time, the assessment of current demand component has improved.
- This survey confirms that at the end of 2012 **layoffs** and **store closures** intensified - layoffs occurred at 51% of SMEs (compared with 43% at the beginning of the year) and store closures affected 17% of SMEs (compared with 13% at the beginning of the year). Likewise, at year end 2012 lack of liquidity remains a serious problem for 40% of SMEs (mainly under the pressure from the quicker payment of suppliers and the decline in use of post-dated cheques).
- With a view to exploring growth prospects, this survey focuses primarily on the most dynamic part of the small and medium business sector, i.e. **firms with international activity**.
 - ✓ In Greece, SMEs contribute to total **exports** by **35%** vs. 24% for European SMEs. Specifically, $\frac{1}{3}$ of Greek SMEs are export-oriented, while $\frac{1}{4}$ of them generate most of their turnover abroad.
 - ✓ Medium-sized companies have an obvious comparative advantage with respect to the ability to promote their sales abroad, as 42% of medium-sized enterprises export compared with just 17% of small enterprises. As a result medium-sized firms account for a significant share of exports (21% vs. 12% for their European counterparts).
 - ✓ Several SMEs start out their international activity in the less competitive markets of SE Europe, before managing to break into the developed Western European markets.
 - ✓ A significant part of SMEs (circa $\frac{1}{3}$) are engaged in international activity not on their own initiative, but after being approached by foreign customers. This indicates that there is a significant potential for Greek products to further penetrate overseas markets (mainly in Western Europe), in the event that Greek SMEs decide to embrace a more active outward-looking strategy.



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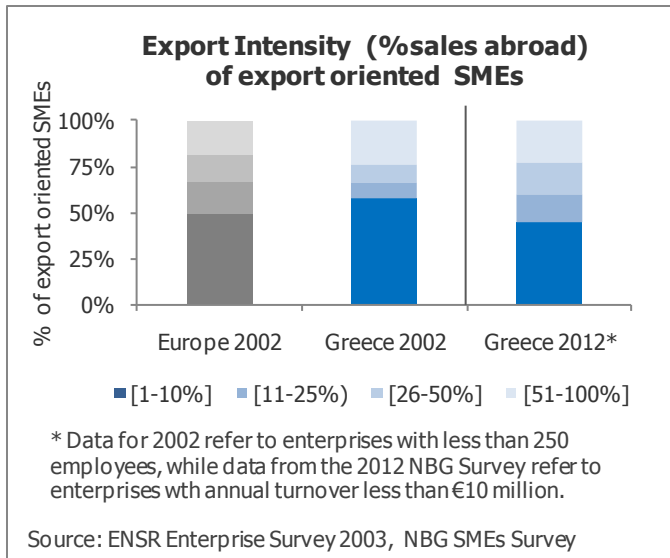
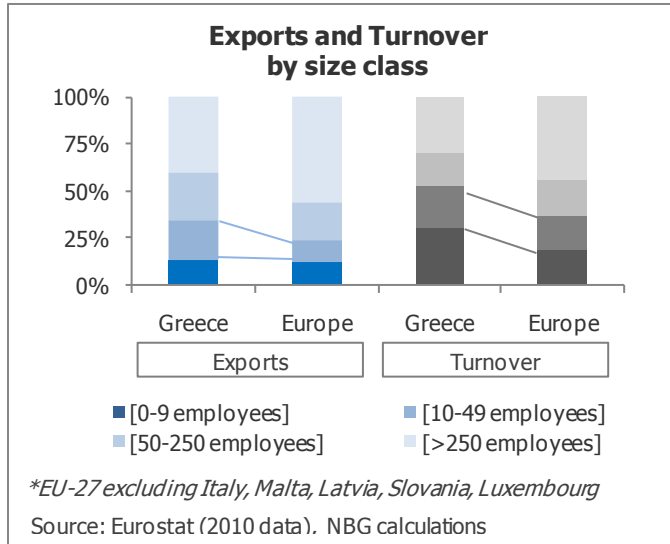
INTERNATIONAL ACTIVITY OF SMEs

NBG's survey findings





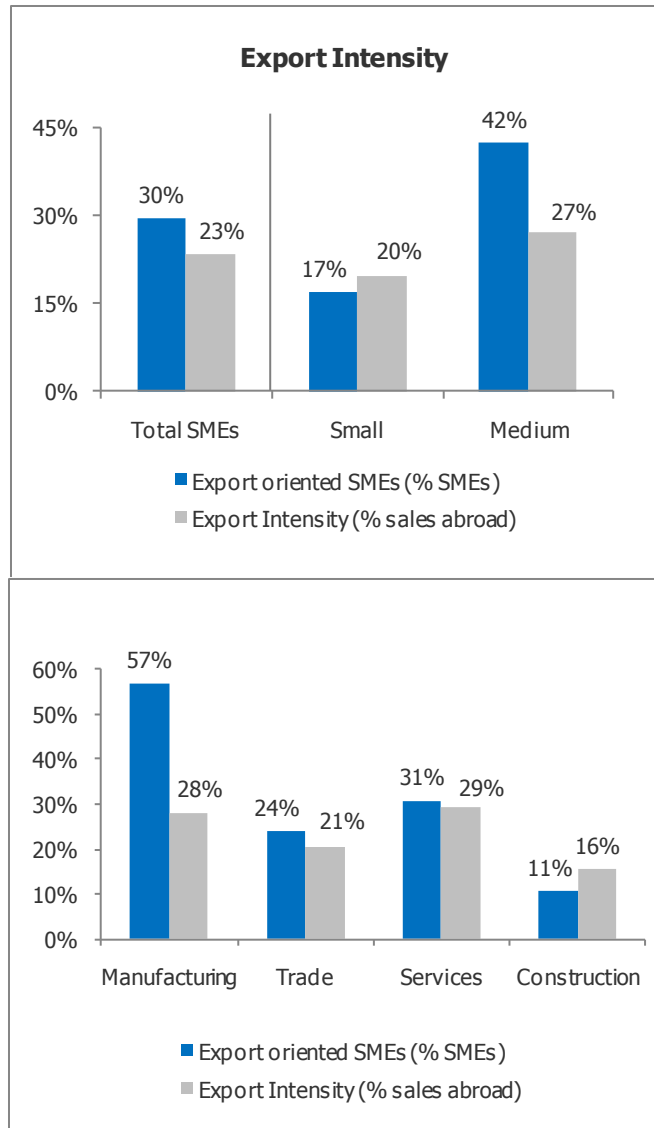
SMEs in Greece account for a larger export share than their European counterparts



- In Greece, SMEs (firms with less than 50 employees) **contribute to total exports by 35%** vs. 24% for European SMEs. This gap mainly reflects the fact that more than $\frac{1}{2}$ of business sector sales in Greece are generated by SMEs, while the corresponding figure in Europe stands at $\frac{1}{3}$.
- Over the last decade, SMEs that **export more than 10% of their turnover** increased to 55% of total export-oriented SMEs (compared with 45% in 2002) - thereby approaching European levels.
- The following facts reflect the significant international activity of Greek SMEs:
 - ✓ **highly export-oriented SMEs** (those making most of their sales abroad) represent a larger part of internationally active SMEs in Greece compared with those in Europe (23% vs. 18%)
 - ✓ **medium-sized companies** (10-50 employees) in Greece, while contributing to total turnover at a rate similar to the rest of Europe (20%), account for a larger export share (21% in Greece, vs. 12% in Europe).



$\frac{1}{3}$ of Greek SMEs are export-oriented* and $\frac{1}{4}$ of them focus mainly on export activity

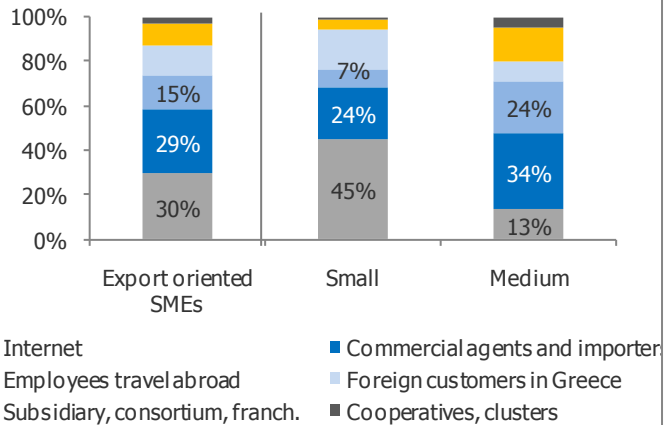


- According to our survey, almost $\frac{1}{3}$ of SMEs are **internationally active**, while sales generated abroad correspond to 23% of turnover of export-oriented enterprises.
- Medium-sized companies have an obvious comparative advantage with respect to the ability to promote sales abroad, as 42% of medium-sized enterprises export compared to only 17% of small firms. Accordingly, **company size** determines significantly a firm's international orientation.
- As regards SME subsectors, we note the following:
 - ✓ **The highest export intensity** is found in the **manufacturing sector** (more than 1/2 of manufacturing firms generate sales abroad, compared with less than 30% for the other sectors).
 - ✓ **Less export-oriented** is the construction sector (in terms of both number of firms and degree of export orientation), which includes companies with limited international experience (7 years vs. an average of 11 years for internationally active SMEs).



While medium-sized enterprises choose traditional means of international activity, small firms use the internet

Types of international activity

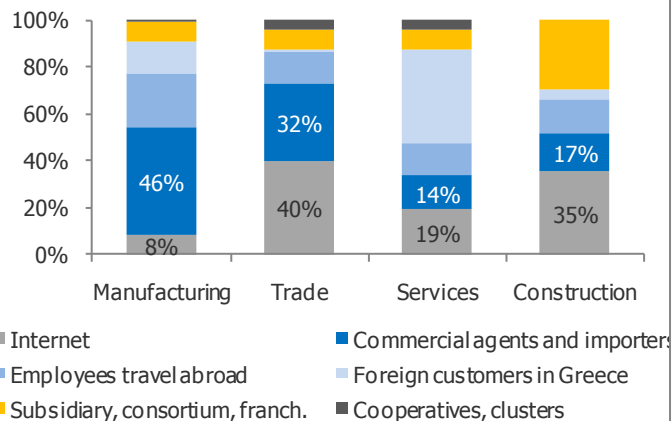


➤ Medium-sized enterprises approach overseas markets through **commercial agents and importers** (34% of medium companies). On the other hand, small firms use the **internet** (45% of small companies) to support their international activity, which mainly reflects their difficulty in accessing other distribution channels.

➤ With respect to specific sectors, we note the following:

- ✓ The **basic type of cross-border sales** in the case of services is to sell to foreign customers visiting Greece (40% vs. 6% for the other sectors), mainly reflecting the impact of tourism enterprises.
- ✓ **Construction firms** prefer sales through subsidiaries and consortia (main sales type for 30% of construction companies compared with less than 10% for the other sectors).

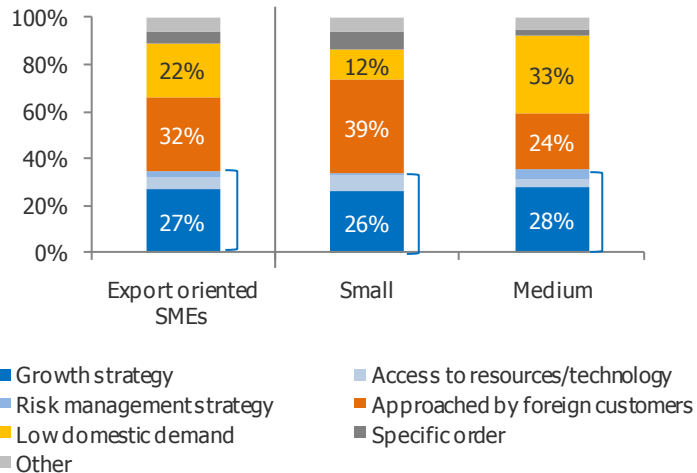
➤ Notably, sales through **clusters and cooperatives**, which could boost the marketing of SME products abroad, are carried out by just 6% of export-oriented companies (mainly medium-sized firms in the trade and services sectors).





International activity is a strategic choice for just 1/3 of export-oriented SMEs

Motives for international activity



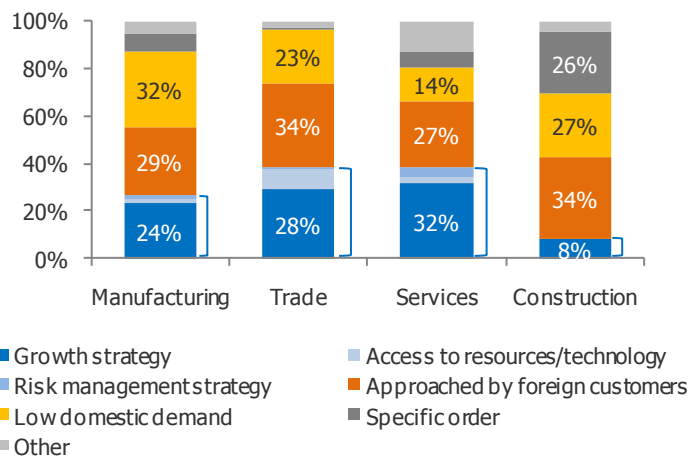
➤ Our analysis of what motivates the international activity of SMEs reveals that:

- ✓ 1/3 of firms are engaged in international activity **by strategic choice**, (mainly as part of their growth strategy)
- ✓ 1/3 of them were **approached by foreign customers** (this applies more often in the case of small companies)
- ✓ the remaining companies turned to foreign markets for various reasons, such as the **low domestic demand** or because of **specific orders**.

➤ We note that the high number of SMEs that export not on their own initiative (but because they were approached by foreign customers) is indicative of the **significant potential for further growth in international markets**, provided that Greek SMEs set exporting activity as a key priority.

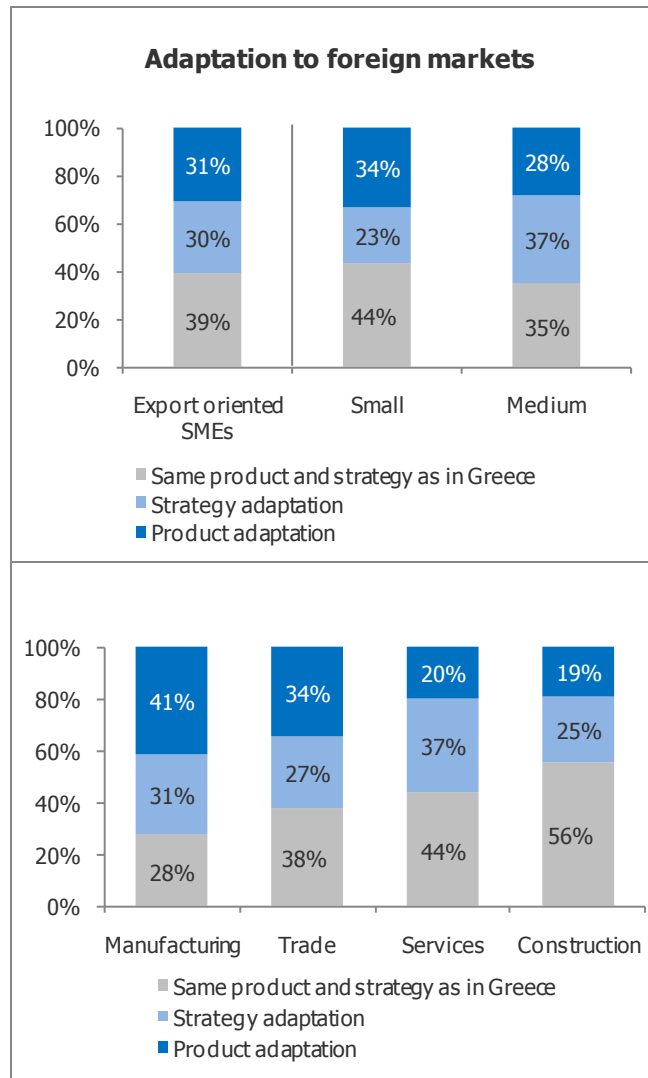
➤ With respect to differences across the various sectors,

- ✓ **trade and services** firms export mostly by strategic choice
- ✓ **manufacturing** SMEs state that they are obliged to export mainly due to low domestic demand, while
- ✓ the nature of **construction** activity means that there is a high percentage of one-off orders.





With the exception of manufacturing, SMEs mostly stick to the same product and strategy irrespective of market



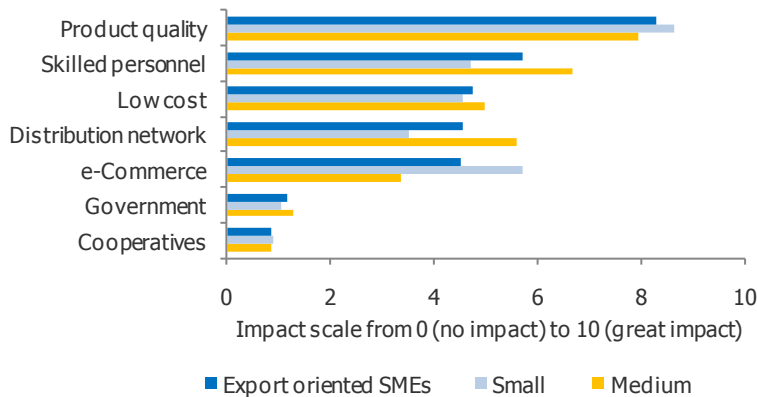
- As regards their **marketing approach**, 60% of export-oriented SMEs adjust their product, strategy or both to comply with the requirements of the target market, while the remaining 40% stick to the same approach that they use in the domestic market. Specifically:
 - ✓ Medium-sized firms adjust their strategy to a greater extent (65% vs. 56% for small companies), while a large percentage of manufacturing enterprises adjust both their strategy and product to match the target market.
 - ✓ The remaining SMEs tend to adopt the same strategy and product features irrespective of the target market, while construction firms present the lowest degree of adaptation to the needs of foreign markets.
- The above differentiation of the **manufacturing** sector vis-a-vis the rest SMEs reflects its greater ability to focus on foreign markets and its stronger interest to invest in them, compared with other SMEs.
- At this point, we should note that only $\frac{1}{3}$ of export-oriented SMEs consider foreign markets important enough to warrant appointing a person **in charge of international activities** (36% and 21% of medium-sized and small companies respectively).



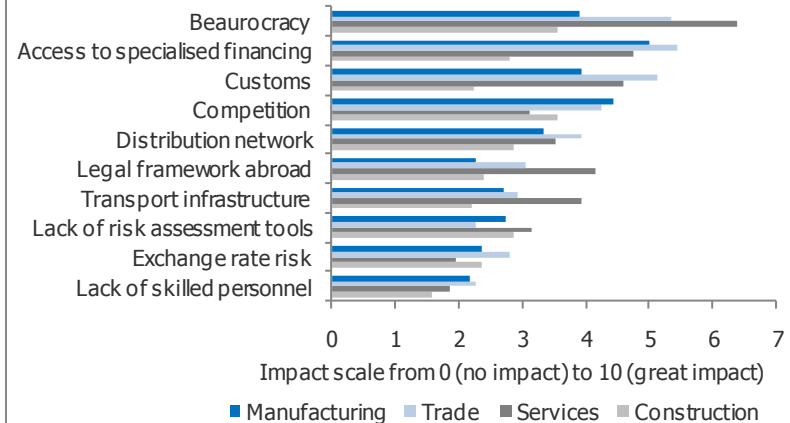
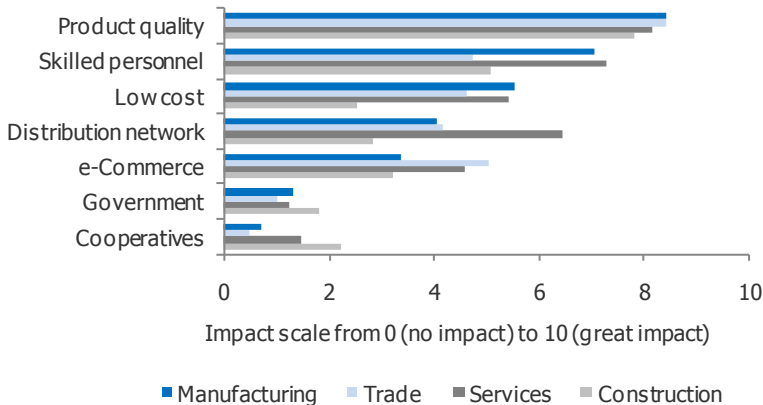
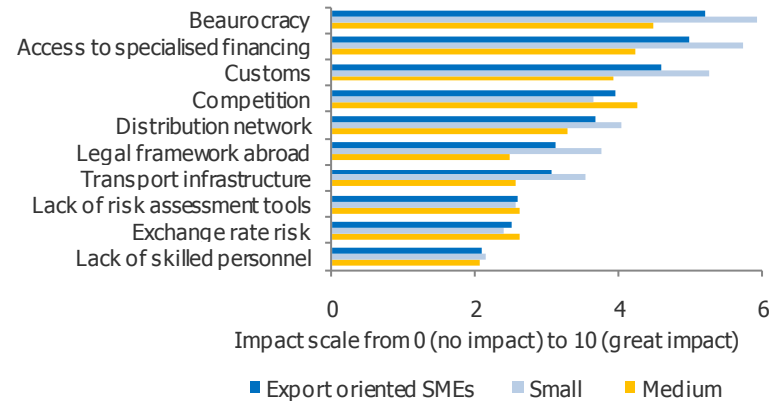
International activity is supported by the firm's comparative advantages, but constrained by exogenous factors

- ✓ International activity is reinforced mainly by internally generated factors, such as product quality, skilled and experienced personnel and low cost.
- ✓ On the other hand, factors that hinder international activity are mainly exogenous, such as bureaucracy, lack of access to special financing, and customs procedures.

Factors reinforcing international activity



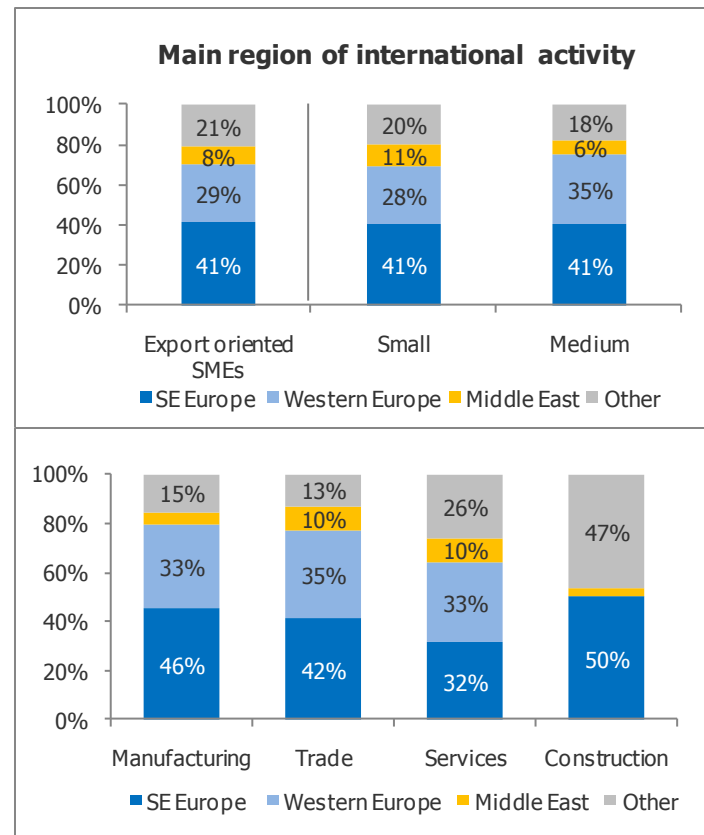
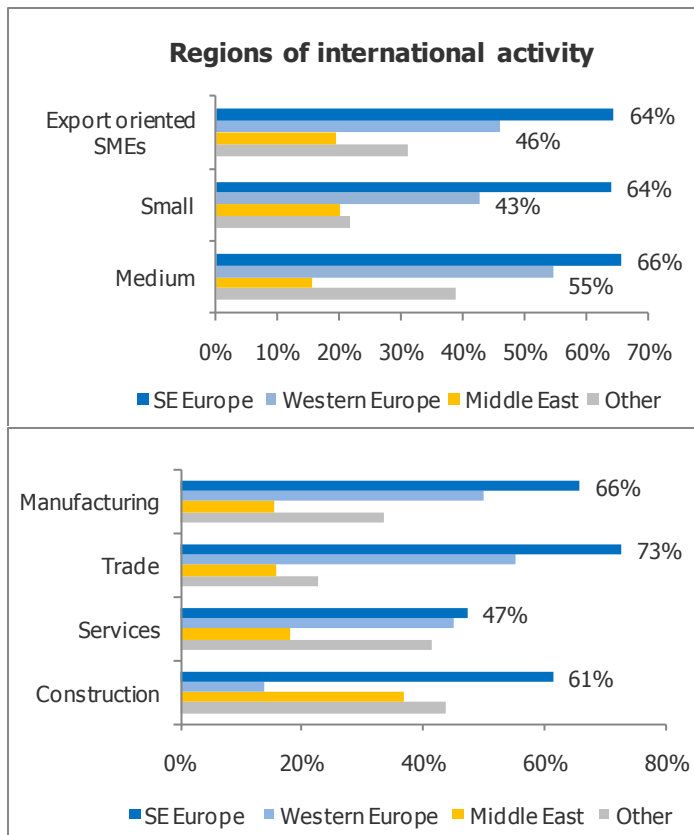
Factors hindering international activity





Geographic proximity is a key consideration for SMEs when choosing target markets

- SE Europe is the most popular export market (for 64% of SMEs), followed by Western Europe (for 46% of exporting SMEs).
- The Middle East is high on the list of preferences for construction firms.
- The more competitive Western European market is the main target market for 35% of medium-sized firms, vs. 28% of small companies, reflecting the significance of company size with regard to international competitiveness on the international level.

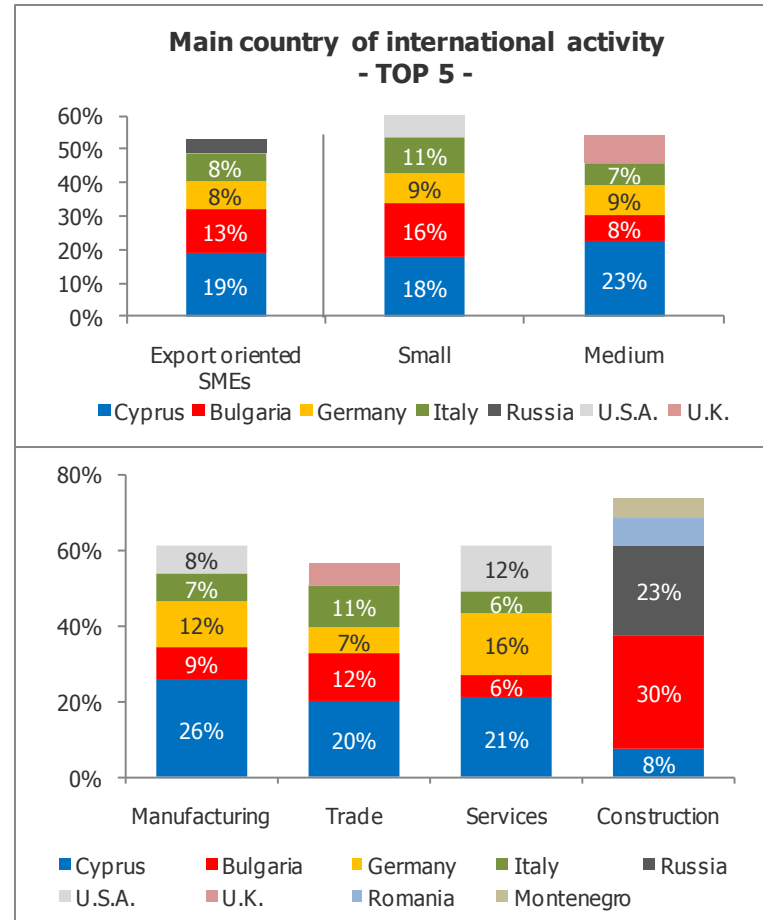
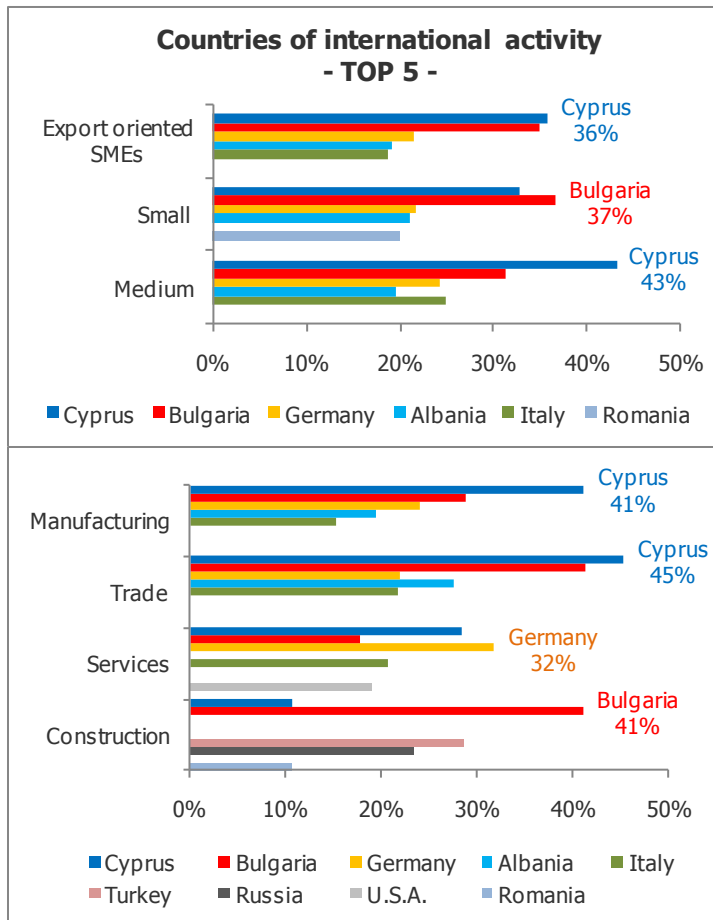


* The main export markets for Greek SMEs concern the following geographic areas: **SE Europe** (Albania, Bulgaria, Cyprus, Montenegro, Hungary, Ukraine, Former Yugoslav Republic of Macedonia, Romania, Serbia, Slovenia), **Western Europe** (Belgium, France, Germany, Denmark, Switzerland, UK, Spain, Italy, Luxembourg, Holland, Sweden, Poland, rest of Europe), **Middle East** (Egypt, UAE, Israel, Lebanon, Saudi Arabia, Syria, Turkey) and **Other** countries (America, Africa, Asia).



Cyprus, Bulgaria and Germany stand out as key export markets for Greek SMEs

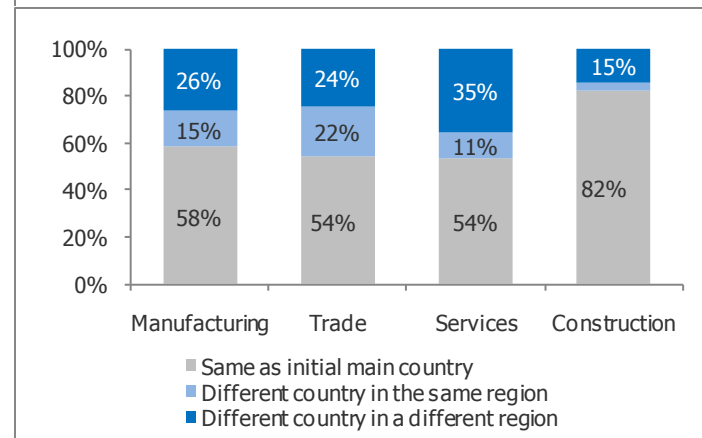
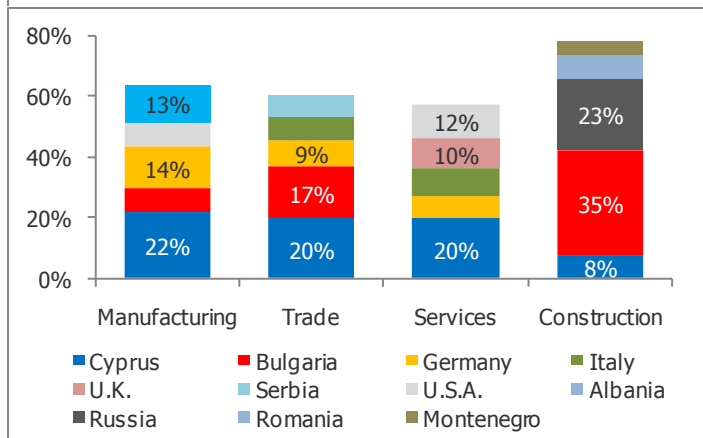
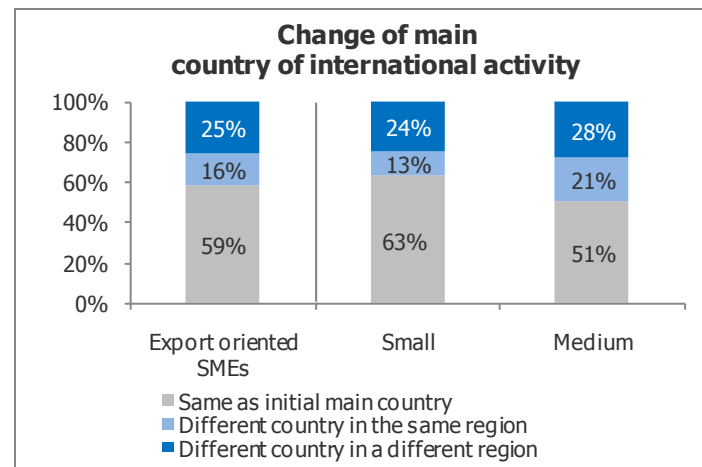
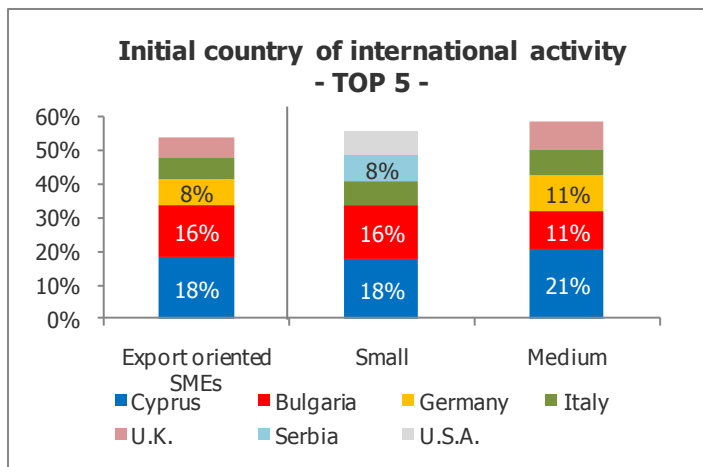
- The top 5 trading partners of Greek SMEs are:
 - ✓ Cyprus, mainly for medium-sized manufacturing and trade companies
 - ✓ Bulgaria, mainly for small construction and trade companies
 - ✓ Germany, mainly for services (tourism and transportation)
 - ✓ Italy, mainly for trade
 - ✓ Russia, mainly for construction





Several SMEs begin from less competitive SE European markets and then move on to Western European markets

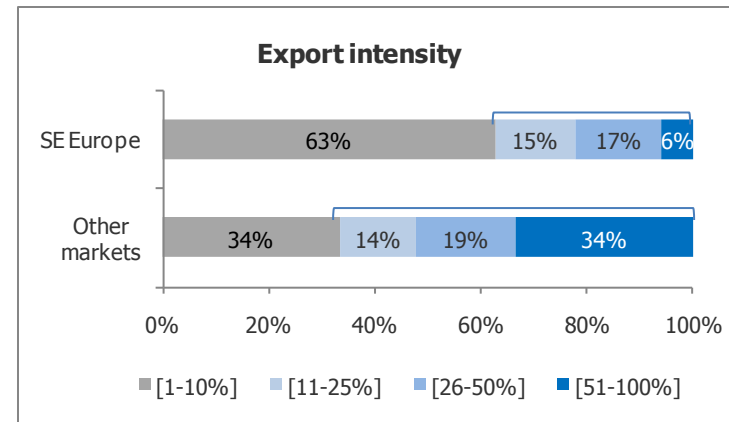
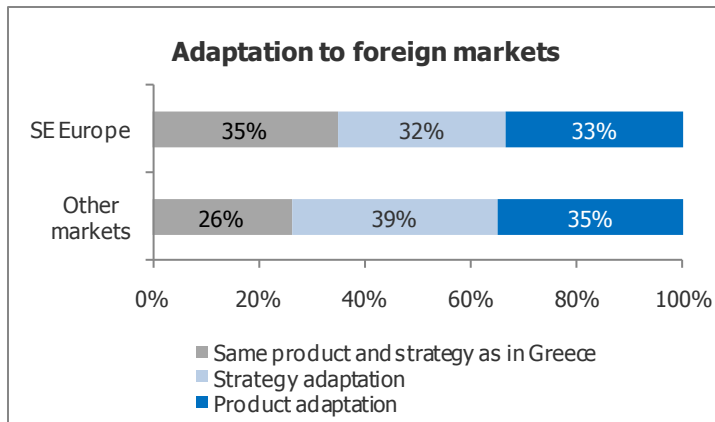
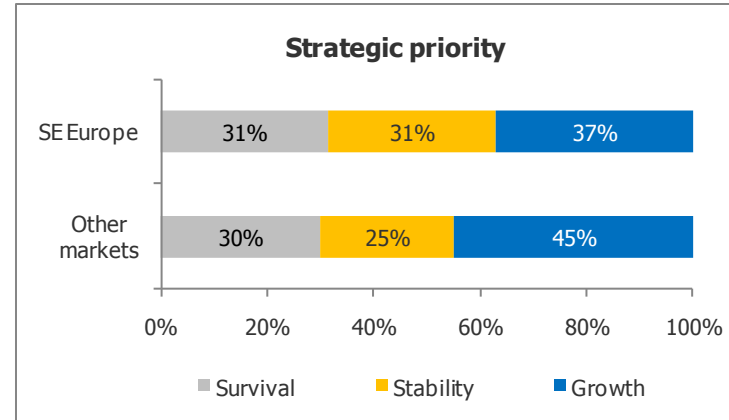
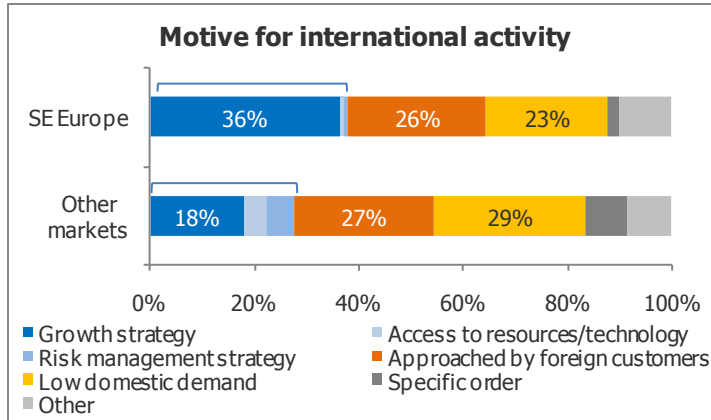
- Only 60% of SMEs remain mainly active in the foreign market where they initially started their international activity, while $\frac{1}{4}$ of SMEs have switched target location or even entire geographic area.
- The switch of geographic area of international activity applies more often to SMEs that started from less competitive SE European markets and after gaining experience and know-how moved on to more developed Western European countries.





SE Europe: Chosen because of proximity, but the recent crisis has not allowed significant earnings to be generated

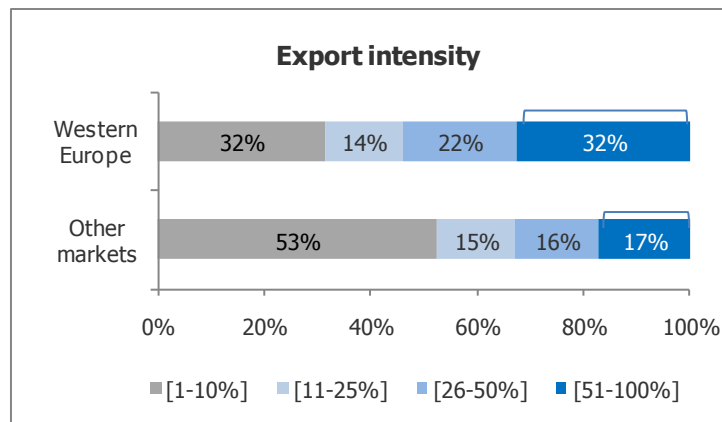
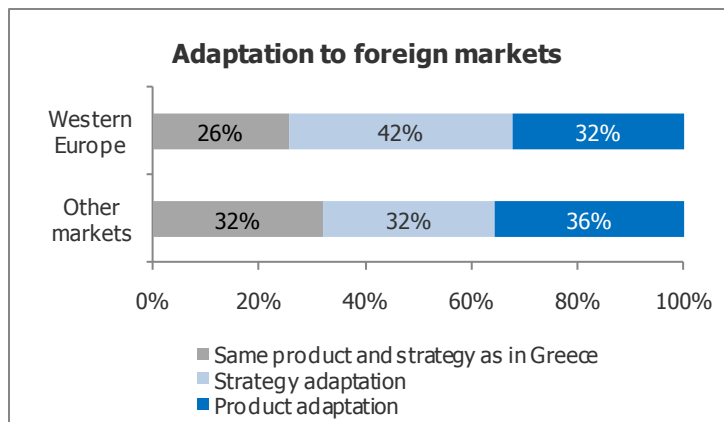
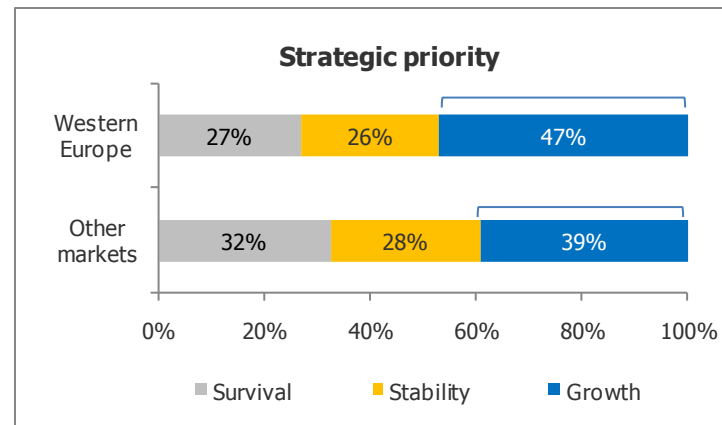
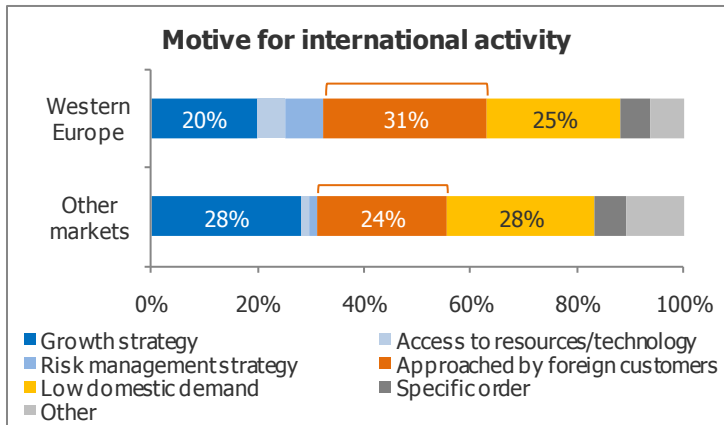
- Most SMEs generate sales in SE Europe out of strategic choice (38% vs. 28% for the remaining export-oriented SMEs) and for the most part maintained the same strategy and product as in the Greek market.
- The severe crisis over the last years has not allowed anticipated earnings to be generated, as
 - ✓ Only a small percentage of SMEs active in SE Europe are in a growth-phase (37% compared with 45% for other exporting companies)
 - ✓ 63% of SMEs active in SE Europe export less than 10% of their sales (while only 34% of SMEs active in other markets export less than 10% of their sales).





Western Europe: Significant margin for further market penetration, should Greek SMEs become more aggressive

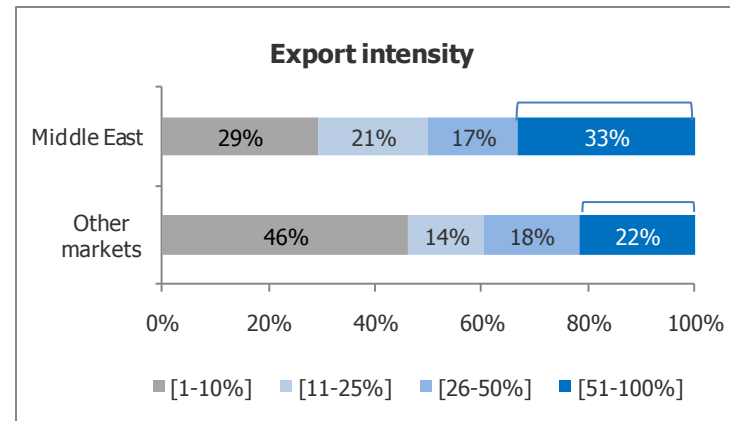
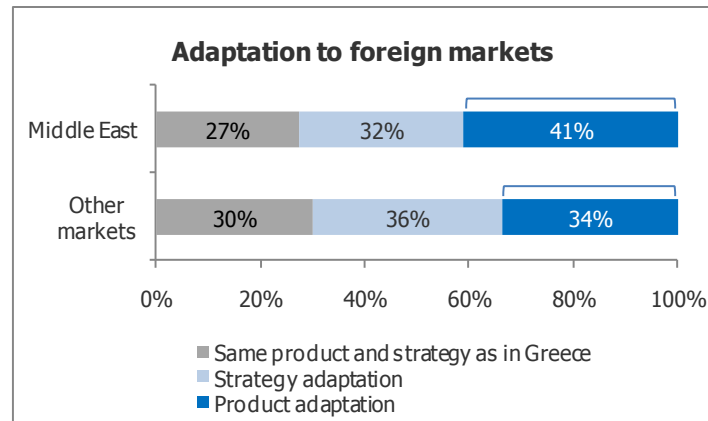
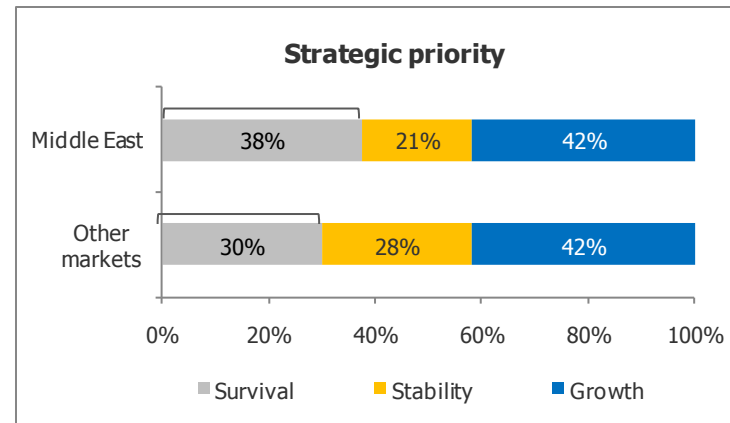
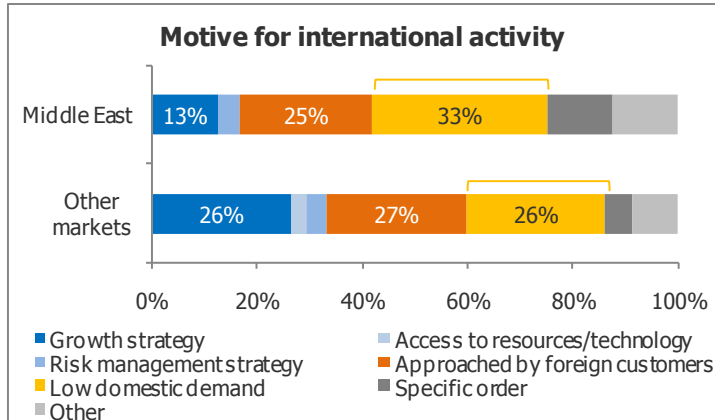
- Most companies active in Western Europe were approached by foreign customers (31% vs. 24% for SMEs with other destination markets). This fact indicates the high potential demand for Greek products abroad - which Greek SMEs can exploit.
- Furthermore, SMEs generating sales in Western Europe seem to enjoy significant benefits:
 - ✓ A great part of them are in a growth phase (47% vs. 39% for SMEs exporting to other markets).
 - ✓ $\frac{1}{3}$ of them exports the greater part of their sales (vs. 17% for SMEs exporting to other markets).
- Note that $\frac{1}{2}$ of SMEs active in Western Europe are manufacturing firms, while the corresponding rate for SMEs active in other geographic areas is circa $\frac{1}{4}$.





Middle East: SMEs are directed there mostly as a response to the crisis in Greece

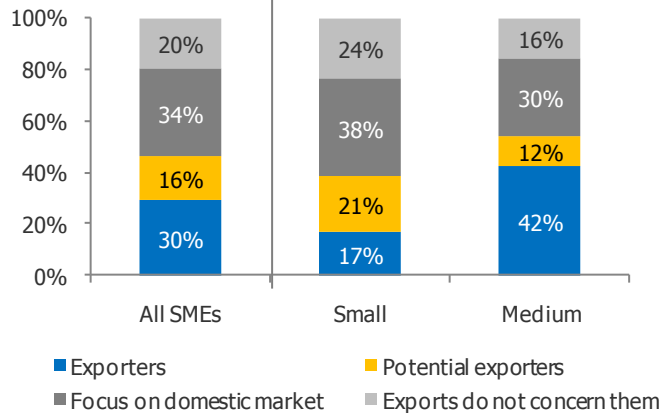
- A significant percentage of the SMEs directed to the Middle East seem to have engaged in this activity in reaction to the Greek crisis (33% vs. 26% for SMEs active in other markets), while to a great extent they had to adjust both their strategy and product (41% vs. 34% for SMEs active in other markets).
- This shift to the Middle East has proved to be quite dynamic, as $\frac{1}{3}$ of these SMEs generate most of their turnover abroad (compared with 22% for SMEs active in other markets), but also entails high risk, as 38% of these enterprises' strategic priority is survival (compared with 30% for SMEs active in other markets).





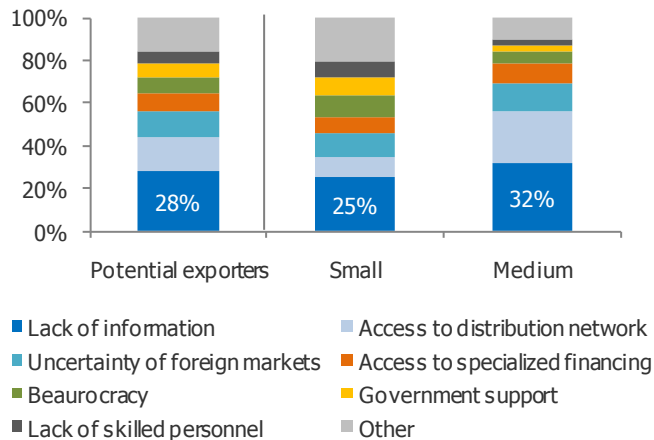
Besides the 30% of export-oriented SMEs, there is a further 16% of potentially export-oriented companies

International activity of SMEs



- Besides the 30% of SMEs that are already active abroad, there are firms that either **focus on the domestic market** out of strategic choice (34%) or consider that **export activity does not concern them** mainly due to the type of product (or service) of their firm (20%).
- The remaining 16% of SMEs (21% of small and 12% of medium-sized firms) present special interest, as they are **potential export-oriented companies**.
- The key obstacle faced by these potentially exporting SMEs is **lack of information** (on markets or required procedures), mainly affecting 28% of enterprises (25% and 32% for small and medium-sized firms respectively). In addition, medium-sized companies are greatly obstructed by lack of access to **distribution networks** (24% vs. 10% of small firms), **high uncertainty regarding foreign markets** and insufficient access to **special financing** for exports. Besides these problems, small firms are greatly impeded by factors such as **bureaucracy** and insufficient **government support**.

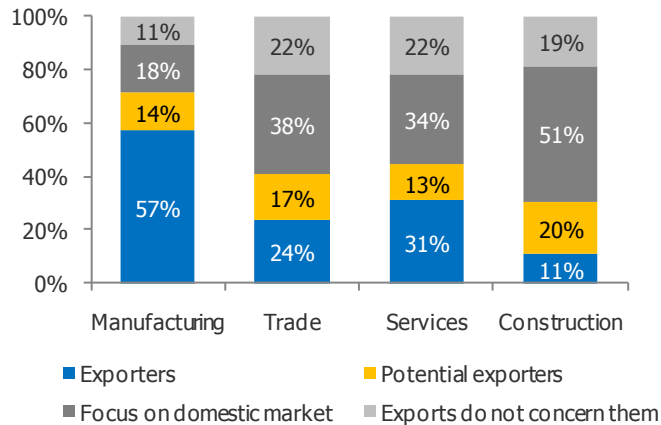
Potential exporters:
main reason for not exporting



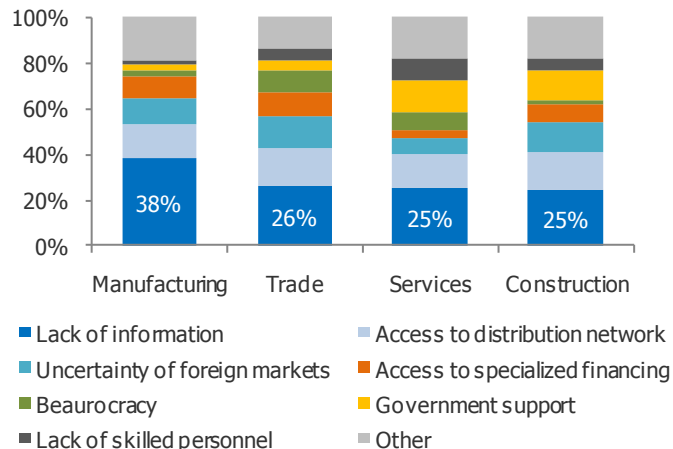


Lack of information is a fundamental obstacle to international activity in all sectors

International activity of SMEs



**Potential exporters:
main reason for not exporting**



- Taking a more detailed look at the various subsectors, we see that most of potentially export-oriented SMEs are **construction firms** (20% vs. approximately 15% in other subsectors), which today present the lowest degree of international activity.
- With respect to the key obstacles standing in the way of potential exporters, we note the following:
 - ✓ **Lack of information** seems to affect more manufacturing firms (38% of potential exporters, vs. 25% in other sectors).
 - ✓ Access to **specialized export financing** could be more helpful to trade and manufacturing.
 - ✓ Services and construction seek in general **support from government and European institutions**.
- Consequently, international activity (mainly regarding manufacturing SMEs) can be easily further increased through policies that promote information on foreign market conditions and the steps that potential exporters need to take.



Support policies: National Export Strategy

- Export-oriented SMEs highlighted the obstacles presented by bureaucracy and customs procedures, while potential exporters stressed the lack of information. These problems are being targeted by the new policies in support of an international business culture, as part of Greece's **National Export Strategy**, which focuses on:
 - ✓ enlarging Greece's export base (increasing the number of exporting businesses and the products exported)
 - ✓ promoting exports (re-approaching traditional markets and penetrating new ones)
 - ✓ facilitating the export process, through the following actions:
 - codifying and simplifying Greek legislation
 - recording and analyzing existing processes with a view to simplifying them
 - reducing the cost for exporters (reducing/abolishing respective charges in line with EU standards)
 - modernizing internal customs processes (and promoting customs clearance by the companies)
 - modernizing and expanding existing risk assessment and analysis tools
 - e-filing of requests for certificates, licenses and authorizations
 - operating a national "single window" electronic system to meet all export-related requirements
- The key **quantitative goals of the programme** are as follows:
 - ✓ to increase commodity exports from 10.3% of GDP currently to 16% in 2014
 - ✓ to reduce the days required to complete the export process from 19 currently to 10 by end-2014
 - ✓ to reduce administrative costs by 20% by end-2014 (to \$892 per TEU compared with \$1,115 currently)
- Besides bureaucracy and customs, exporting and potentially exporting SMEs underlined insufficient access to **specialized financing** as an impediment to international activity. As part of the NSRF programmes, with the support of the EIB, various plans have been initiated to support exporting SMEs with guarantees (see p. 31)

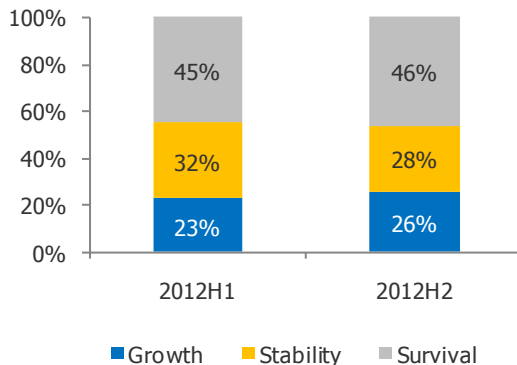
BUSINESS CONFIDENCE INDEX FOR SMEs & CURRENT ECONOMIC ENVIRONMENT: Second half of 2012



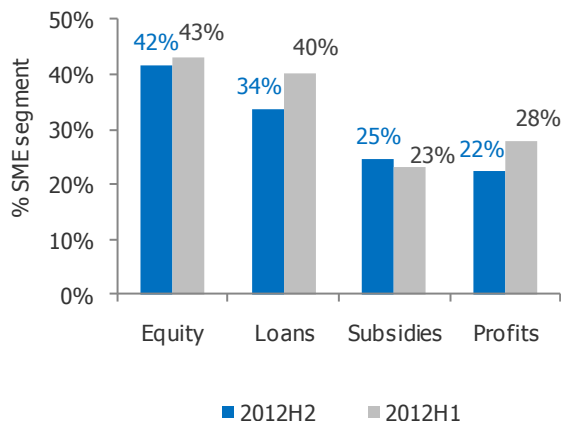


Survival remains the primary goal for SMEs

Strategic priority of SMEs



Financing of future investments

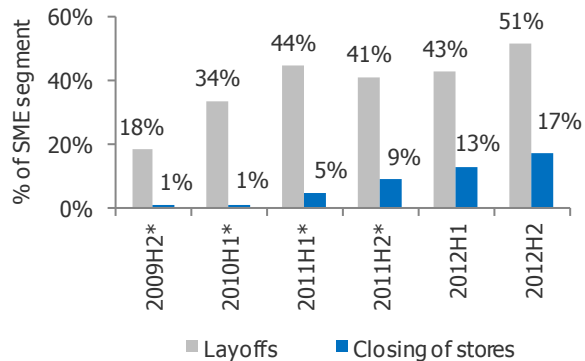


- Throughout the second half of 2012, the current economic crisis continued to severely affect SMEs, while half of them continue to set **survival as their strategic priority**.
- A marginal increase in the companies who state that they are pursuing a growth strategy (26% compared with 23% in H1 2012) indicates a stabilization trend in the current economic environment.
- However, a closer look at how SMEs intend to **finance their growth** gives cause for renewed doubts, since:
 - ✓ declining profitability reduces the ability to fund future investments through earnings
 - ✓ the use of borrowed funds to finance investment needs is following a downward trend.



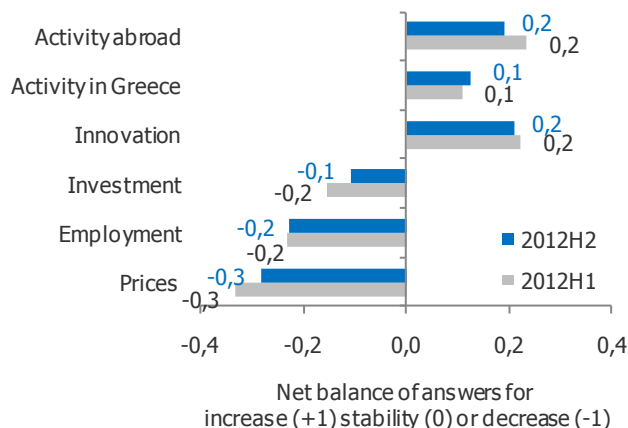
The responses to declining demand are intensifying

Measures against the crisis



* The observations for the period 2009H2-2011H2 are based on the trend resulting from an NBS survey for the subsegment of small enterprises (turnover less than €1 million).

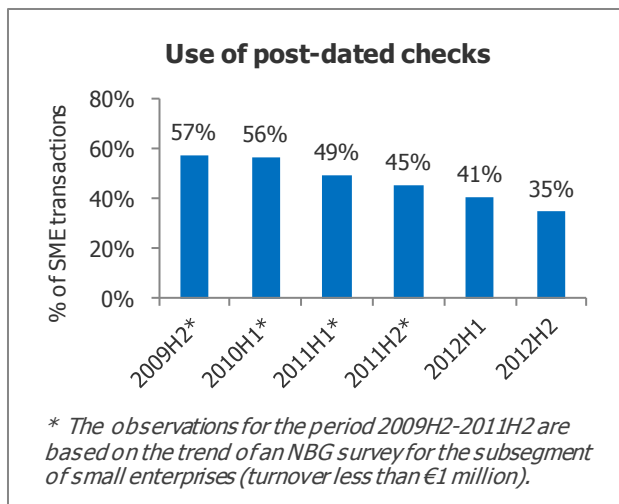
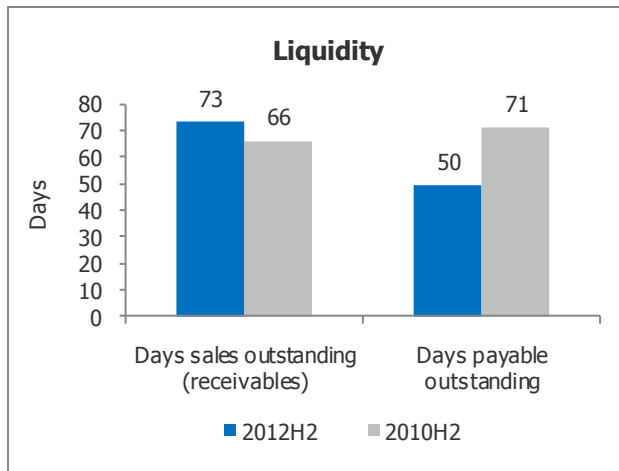
Activity estimates about the next 6 months



- SMEs appear to be adjusting more and more to the new economic conditions, adopting structural measures to confront reduced demand. Thus, layoffs have occurred at 51% of SMEs (vs. 18% in 2009), while 17% report that they have shut down stores (vs. 1% in 2009)
- Against this backdrop, **short-term strategies** for the majority of SMEs continue to focus on cutting back, since
 - ✓ 21% anticipate a reduction in investments in the next 6 months (compared with 24% at the beginning of 2012), while
 - ✓ 30% report layoffs in the next 6 months (vs. 31% at the beginning of 2012).
- However, there are also healthier reactions to the current recession environment, as reflected by:
 - ✓ a steady strong trend for innovation in the next 6 months (which concerns 30% of SMEs vs. 32% at the beginning of 2012), as well as
 - ✓ a strong trend for international activity in the next 6 months (which concerns 22% of SMEs vs. 28% at the beginning of 2012).



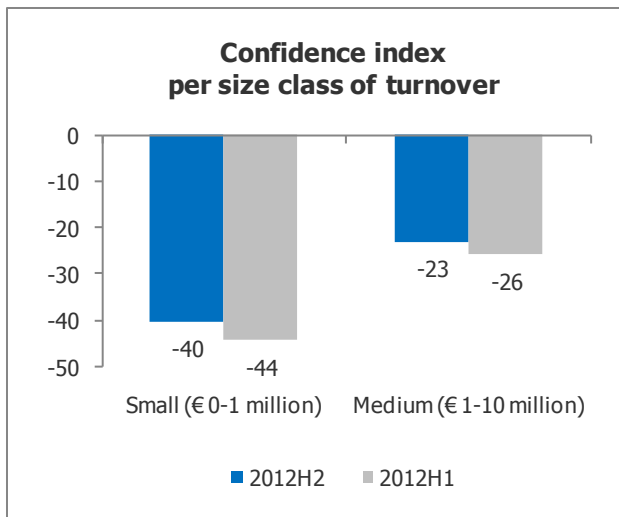
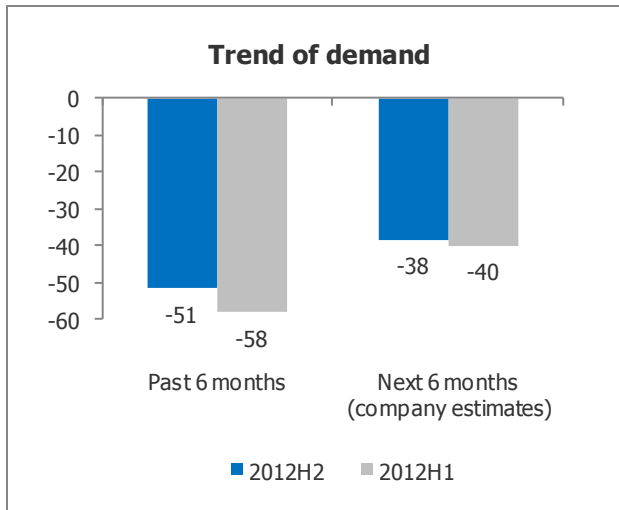
Lack of liquidity continues to be the key concern for SMEs



- Lack of liquidity is a serious problem for nearly 40% of SMEs. Indeed, over the last two year delays in receivables from customers have grown, while payments to suppliers are made faster. Specifically, the time gap between collection of receivables and payments to suppliers is circa 25 days (while in 2010 collection and payment times were more balanced).
- The continuous reduction in the use of **post-dated cheques** (35% of SME transactions in H2 2012, compared with 57% in 2009) is squeezing a key channel of liquidity, and amplifying businesses' liquidity problems.
- As regards **leverage**, almost $\frac{3}{4}$ of SMEs have some sort of loan and 30% of these companies feel they are overleveraged in light of the current crisis (vs. $\frac{1}{4}$ during H1 2012). However, access to borrowing is considered by enterprises to be worse than the previous year, while the general difficulty in accessing finance is the most pressing problem faced by $\frac{1}{3}$ of SMEs.



The business confidence index for SMEs shows a slight improvement

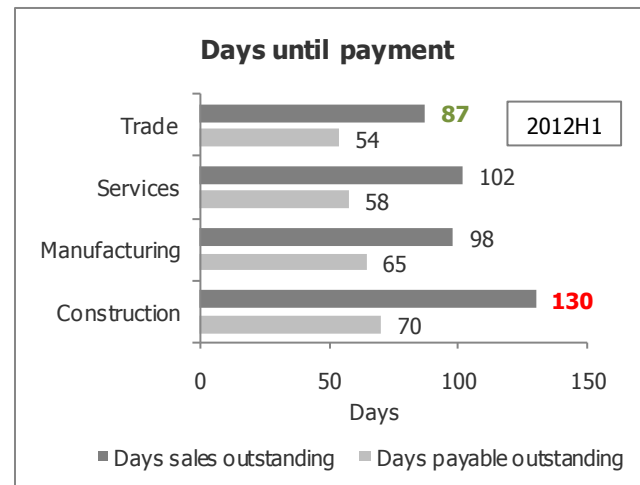
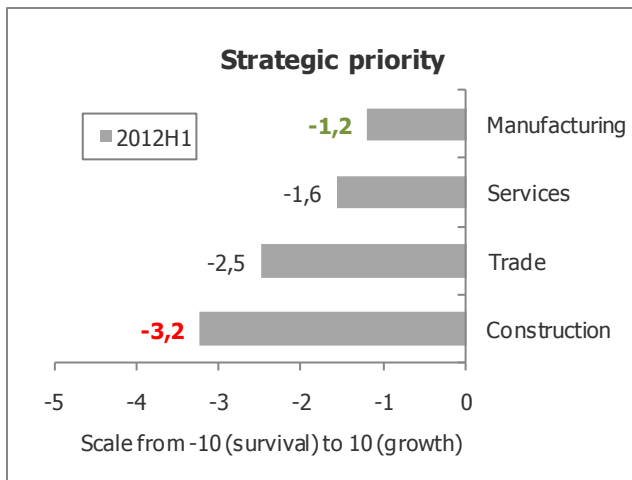
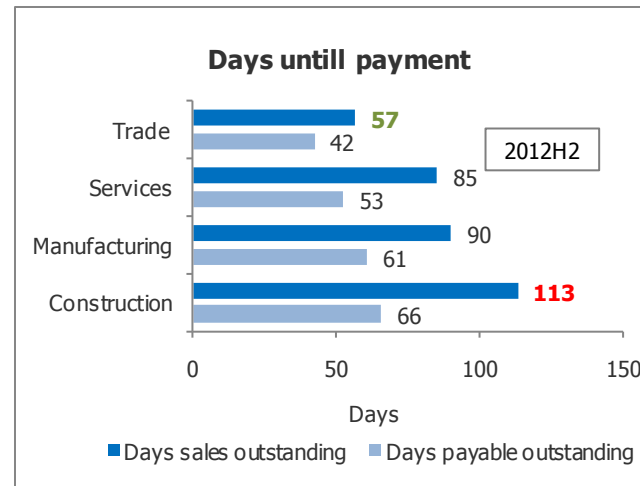
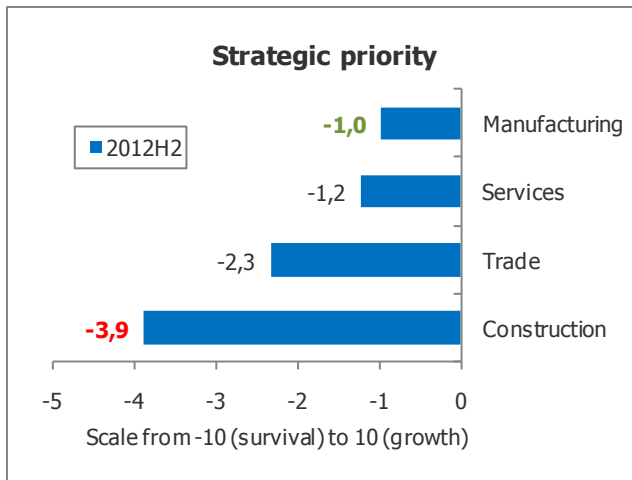


- The **business confidence index** for SMEs, although remaining in negative territory, moved up marginally by 3 points in H2 2012 (-32 vs. -35 in H1 2012). In particular, although the expectations component of the index (indicating the trend for future demand) may have remained unchanged over time, the assessment of current demand component has improved. Accordingly, 13% of SMEs reported increased demand in the past half year (up from 11% in H1).
- The upward course of the confidence index applies both to **small** and **medium-sized** enterprises across all SMEs sectors. Notably, however:
 - ✓ a slightly higher increase is presented by **manufacturing**, up by 4 points vs. an average of 3.2 in the other sectors
 - ✓ in the subsectors of **small construction and services firms** the index has declined mainly due to the impact of expectations for the following 6 months.



Sector variations

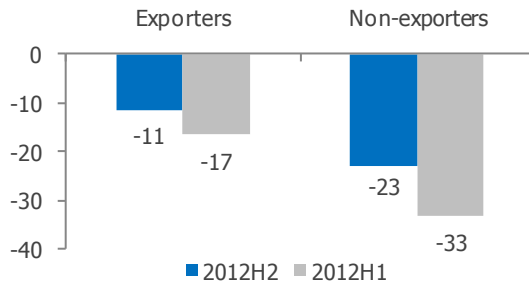
- With the exception of construction, the other sectors present a better picture in respect of **outlook** (26% report that they have growth as a strategic priority vs. 23% in H1 2010).
- Although **days sales outstanding** remain significantly higher than days payable outstanding, days sales outstanding declined considerably in H2 2012 (primarily in trade, where they dropped to 57 days vs. 87 days in H1 2012).





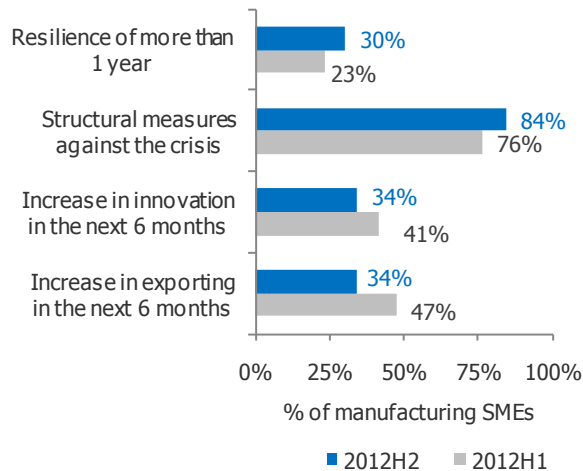
Manufacturing: The sector presenting the greatest improvement in the business confidence index

Confidence Index: Manufacturing



**The manufacturing confidence index corresponds to the net balance of positive and negative answers concerning the level of orders, the level of stock and the estimated trend of future production.*

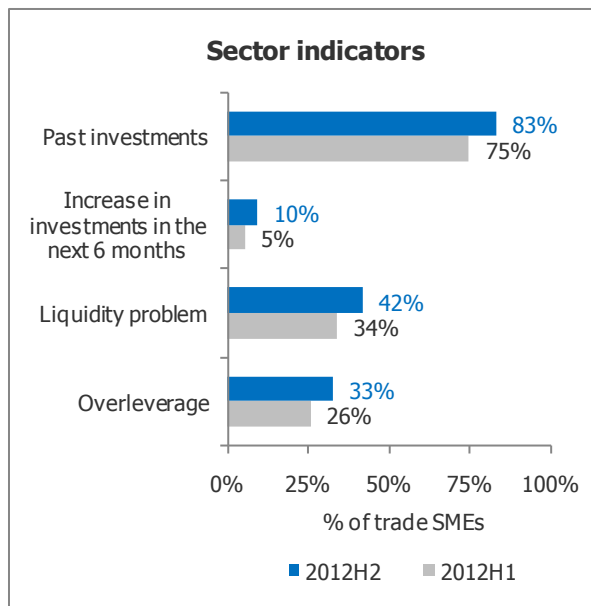
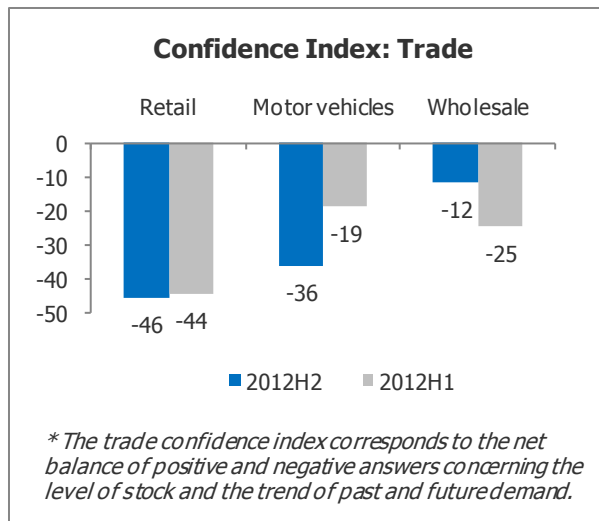
Sector indicators



- Manufacturing SMEs make up the sector where the **business confidence index** posts its greatest improvement between H1 and H2 2012. This trend is even more evident in the segment of export-oriented enterprises (up by 10 points vs. 5 points for non-exporting firms). Notably, 23% of manufacturing firms have positive expectations for demand in the next 6 months, compared with just 12% in other sectors (on average).
- Likewise, in the second half of 2012 manufacturing continues to combine the lowest impact from the crisis with the greatest **growth target** compared with other sectors. Specifically, 34% of the sector has growth as a strategic priority, vs. 23% of the remaining SMEs.
- The increase in the percentage of manufacturing firms reporting resilience to the crisis of more than one year is considered encouraging (30% in H2 2012 vs. 23% in H1). At the same time, however, the **strategy** they appear to be adopting is becoming increasingly restrictive, as:
 - ✓ more structural measures are being taken
 - ✓ the trend toward innovation is decreasing, and
 - ✓ the trend toward international activity is decreasing (possibly implying that most SMEs have already made moves in this direction).



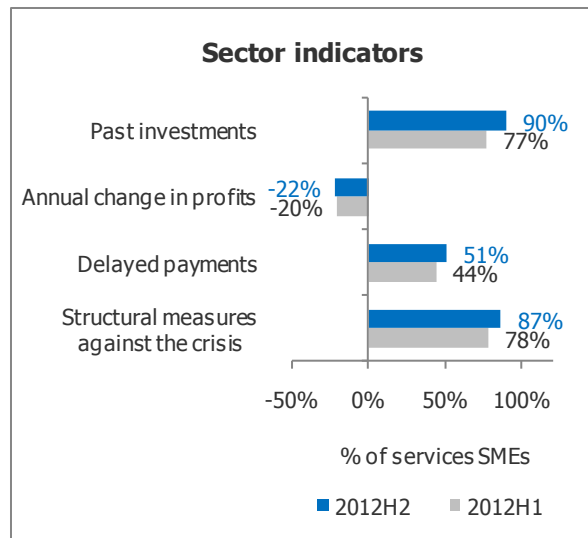
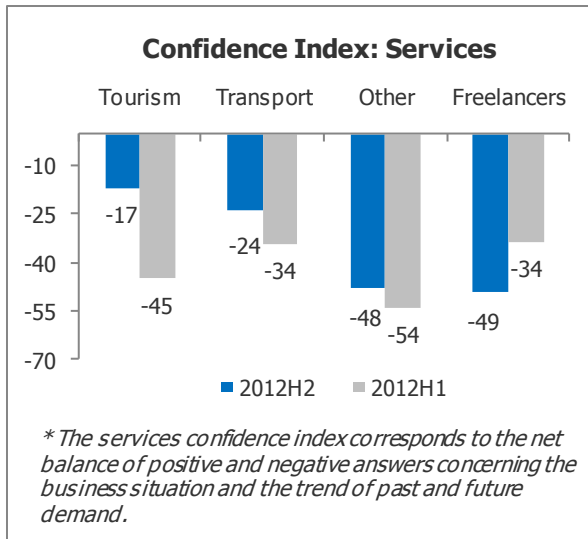
Trade: Wholesale trade in better position



- Wholesale trade appears to be in a better position at the current juncture, given its higher **business confidence index** which actually presents an upward trend compared with performance in the previous half year (less negative expectations). On the other hand, the retail and motor vehicle sectors have been affected more severely by reduced demand; 80% of the SMEs in each of these sectors posted a decline in sales during the previous 6 months (vs. 54% in wholesale trade) and almost 60% anticipate further decline in the next 6 months (vs. 40% in wholesale trade).
- Likewise, **wholesale trade** continues to be in better position than other trade sectors, as it continues to be supported by its export activity (almost $\frac{1}{2}$ of these companies are exporting).
- A notable feature of the current juncture is the increased trend of trade companies to carry out investments - though to realize their investment plans they have to overcome the constantly growing problems of liquidity and overleverage. Specifically, **retail** and **motor vehicles trade** face more intense liquidity problems (resulting in payment delays) that conflict with investment needs over the next 5 years (this applies to $\frac{3}{4}$ of retail and motor vehicles trade firms vs. 58% of wholesale traders).



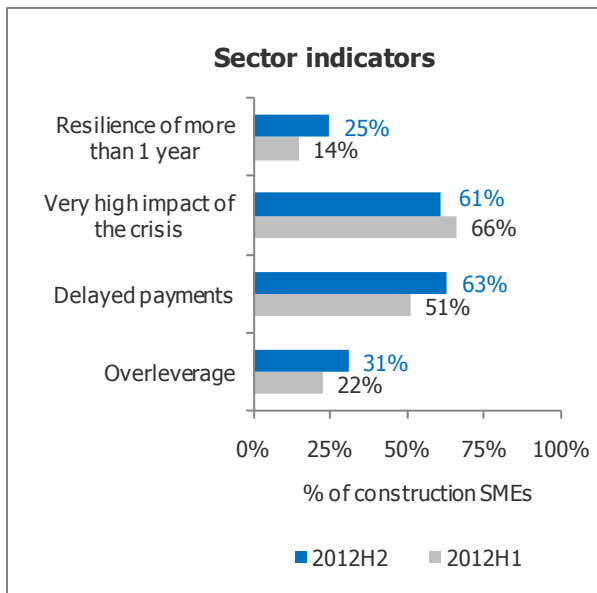
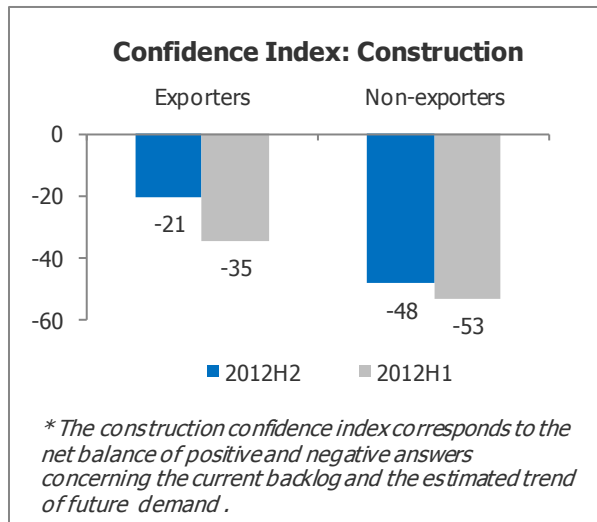
Services: Tourism appears significantly enhanced



- The services sector presents an uneven picture, with respect to business confidence. For example:
 - ✓ Business confidence in **tourism** increased significantly in the second half of 2012 (25 points vs. 10 points in other services), possibly reflecting increased bookings for 2013 (up by 15%-20% compared with 2012). At this point, note that tourism presents the highest **resilience in the face of the crisis** (over 2 years, vs. 15 months for other services).
 - ✓ By contrast, **freelancers'** confidence index fell by 15 points. The deterioration in this sector's business environment may be linked to the gradual implementation of higher tax obligations and the opening up of closed professions.
- Regarding the **service sector's responses** to the environment of reduced demand, it seems that:
 - ✓ delays in debt repayments and payments to suppliers have increased (51% of the sector vs. 44% in H12012).
 - ✓ more structural measures are being taken, such as layoffs and closing stores (87% of the sector vs. 78% in H1 2012).



Construction: Internationally active SMEs show greater resilience in the face of the crisis



- Construction continues to be in the worst position, as it is the sector most severely affected by the crisis and less oriented to growth (just 16% of the sector, vs. 30% in other sectors) This reflects also the ongoing liquidity problems faced by the sector (44% of construction SMEs vs. 38% for other sectors) as the payment gap between receivables and suppliers has contracted by 1.5 months within the past 2 years (vs. contraction of less than 1 month for the other sectors).
- As a result of continually deteriorating liquidity, delays in debt and suppliers' payments and difficulty in debt repayment seem to be affecting an ever greater number of construction firms. The only sign of stabilization is the increase in SMEs reporting **resilience of more than one year in the face of the crisis** (25% in H2 2012 vs. 14% in H1)
- **Internationally active** construction firms present a better picture, as they post an improved business confidence index and higher resilience in the face of the crisis (16 months vs. less than a year for non-exporting enterprises). At the same time, they report a stronger investment appetite backed by equity funds.



Programmes supporting liquidity of Greek SMEs

Lack of liquidity remains the fundamental problem for Greek SMEs. In this light, a significant effort is being made to enhance liquidity, mainly through the following sources of finance:

➤ **ETEAN (Hellenic Fund for Entrepreneurship and Development)**

- ✓ **Financing Funds** that offer low-interest loans subsidized through ETEAN
 - i. **Business Growth Fund:** Through this fund SMEs will be able to tap **€450** million in the form of 4-year low-interest working capital loans
 - ii. **Entrepreneurship Fund:** This fund continues to provide low-interest loans of a total worth of **€315** million through 5 banking schemes that promote entrepreneurship, exporting, thematic tourism, RES and innovation (while working capital requirements can also be financed).
- ✓ The **Guarantee Fund** which is being launched to provide SMEs with guarantees for working capital and investment loans. The fund, with own resources of €100 million, should be able to provide guarantees for loans amounting to a total of **€350** million.
- ✓ A **Guarantee Programme** granting €45 million to cover **€90** million-worth letters of guarantee supplied by banks to SME suppliers in exchange for products and services. Maximum coverage per company €150,000 valid for 2 years.

➤ **NSRF (National Strategic Reference Framework)**

- ✓ Following the restructuring of NSRF programmes, **grants of €450 million are available to SMEs for investments** in manufacturing, tourism, trade and services.

➤ **Guarantees by the EIB**

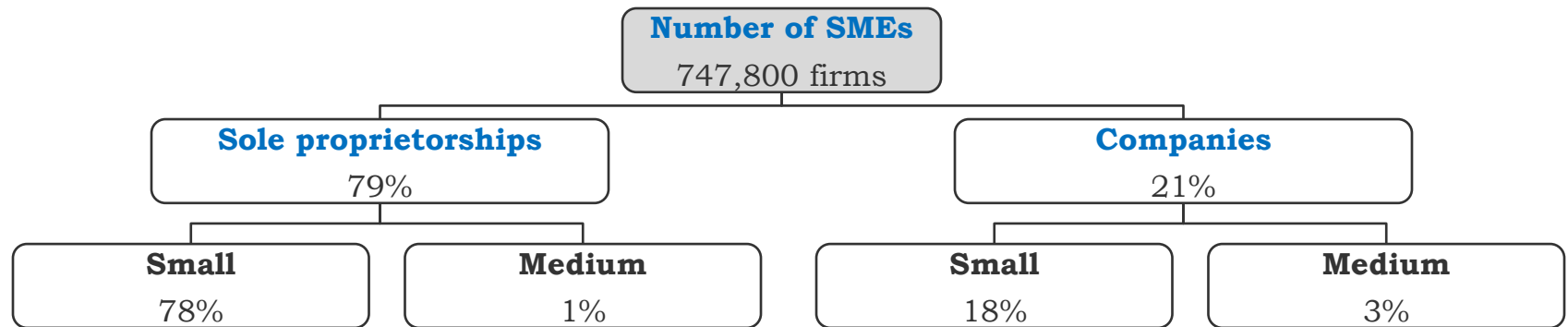
- ✓ **Support to SMEs through low-interest loans amounting in aggregate to €1.44 billion until 2015**, from resources of the NSRF and the EIB special Guarantee Fund for Greek SMEs. Agreements for €600 million-worth of loans have already been entered into with commercial banks (acting as intermediaries).
- ✓ **Support to export-oriented SMEs with €500 million-worth of guarantees** for foreign trade transactions (imports and exports). In the form of revolving credit, the said guarantees are expected to support transactions of an aggregate €1.5 billion on an annual basis.

ANNEX

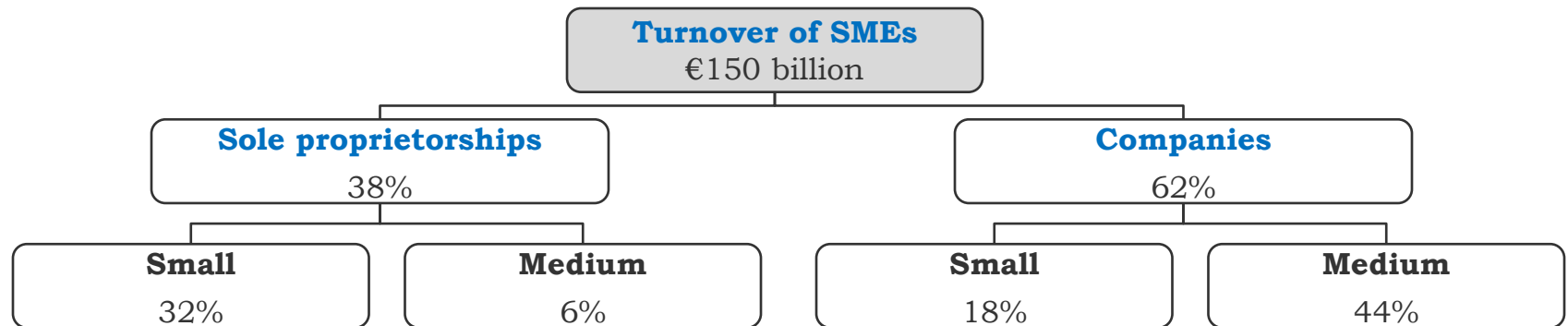




Mapping the SME sector in Greece



** For the purposes of the survey, small enterprises are those reporting turnover of less than €1 million and medium-sized enterprises are those reporting turnover of between €1 million and €10 million.*



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- The approximately 750,000 SMEs in Greece generate turnover of circa €150 billion.
- 4/5 of SMEs are sole proprietorships, which account for a corresponding share of the total domestic business sector (compared with just ½ of the business sector in Europe).
- Although sole proprietorships comprise the majority of SMEs, the greater share of turnover (over 60%) is generated by companies of various legal status (SA, limited partnership, limited liability, etc.).



Sample description

Sample structure (number of companies)					
Turnover (million €)	Manufacturing	Trade	Services	Construction	Total
(0 - 0,1]	40	40	40	40	160
(0,1 - 0,5]	40	40	40	40	160
(0,5 - 1]	40	40	40	40	160
(1 - 2,5]	40	40	40	40	160
(2,5 - 5]	40	40	40	40	160
(5 - 10]	40	40	40	40	160
Total	240	240	240	240	960

*Due to changes in the availability of data, there is a possibility of deviations of circa 10 per cent.

Greek SMEs structure (based on turnover contribution)					
Turnover (million €)	Manufacturing	Trade	Services	Construction	Total
(0 - 0,1]	1%	4%	5%	1%	11%
(0,1 - 0,5]	3%	14%	6%	2%	24%
(0,5 - 1]	2%	9%	3%	1%	15%
(1 - 2,5]	3%	11%	4%	2%	20%
(2,5 - 5]	3%	8%	3%	1%	15%
(5 - 10]	3%	8%	3%	1%	15%
Total	15%	53%	23%	8%	100%

Source: Hellenic Statistical Authority - business register 2007

- Our survey examines a sample of enterprises with a turnover of below €10 million, which, for the purposes of the analysis, we define as small and medium-sized enterprises (SMEs).
- Enterprises were selected using a stratified sampling method, in line with the standards of similar surveys carried out by international organizations. Specifically, a total of 960 enterprises were selected in such a way as to enable even distribution of the sample on the basis of two key factors: scale of turnover (6 scales) and activity sector (Manufacturing, Trade, Services, Construction).
- In order to draw conclusions that are representative of the SME segment, answers were weighted according to the participation of each sub-set in the total turnover of the segment. Thus, findings were arranged (i) by size, (ii) by sector, and (iii) for the whole SME business sector. On the basis of the methodology, the segments are weighted based on their shares in total turnover and not the number of enterprises.



Constructing a business confidence index

- In order to construct a confidence index for SMEs, we included a number of basic questions regarding the level of business activity in the previous and in the coming semester. The model for the questions is based on the harmonized questionnaire recommended by the OECD and the European Commission, thereby enhancing the predictability of the index.
- The Index questions have 3 alternative answers: increase (+), no change (=), decrease (-), or above normal (+), normal (=), below normal (-). To begin with, we convert the number of answers per category (+,=,-) to percentages and then we calculate the net result by subtracting the (-) from the (+) percentage. Last, the confidence index for each sector is the average of the net results for the following questions:
 - ✓ For **manufacturing**: The level of orders, inventories, and future production trend.
 - ✓ For **services**: The business situation of the firm in the previous semester, past and future demand trend.
 - ✓ For **trade**: Level of inventories, past and future demand.
 - ✓ For **construction**: Level of backlog, and future employment trend.
- For the SME sector, the business confidence index has been estimated as a weighted average of its subsectors (the weights being the shares of the sectors' turnover in the economy).
- By carrying out the survey on a regular 6-month basis we should be able to form a picture of SMEs' course over time, as reflected in the index. To draw reliable conclusions, comparison will be made between the current index level and its long-term average (so as to correct possible over-optimism or over-pessimism bias).



- *Company: TNS ICAP*
- *Methodology: Quantitative research in the form of Computer Aided Telephone Interviewing - C.A.T.I., using a 25-minute structured questionnaire.*
- *Sample: A total of 960 interviews:*
 - ✓ *480 enterprises with annual turnover up to EUR 1 million (freelancers, sole proprietorships, unlimited companies, limited partnerships, limited liability companies, SAs)*
 - ✓ *480 enterprises with annual turnover between EUR 1 million and 10 million (unlimited companies, limited partnerships, SAs, limited liability companies)*
- *Geographical coverage: Athens, Thessaloniki, Heraklion, Ioannina, Kavala, Larissa, Patras.*
- *Sampling: multi-stage, stratified, non-proportional sampling for sector, turnover size and geographical area in each of the two sets of samples.*
- *Statistical error: in each of the two sets of samples of 480 enterprises the maximum statistical error is estimated at +/- 4.5% at a 95% confidence level*
- *Period of survey: 01/11/2012 - 20/12/2012*
- *Survey framework: The survey was carried out in line with ESOMAR and SEDEA (Association of Greek Market and Opinion Research Companies) codes of conduct and the quality control requirements set by PESS (Quality Control in Data Collection). A total of 33 researchers and 3 reviewers with experience and know-how in business surveys participated in the field research.*

Strategic Planning & Research Division

Survey of Greek SMEs March 2013



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