



NATIONAL BANK OF GREECE
Strategic Planning & Research Division

Survey of Greek SMEs
First half of 2014

Special Issue: Exports



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July 2014



Survey: First half of 2014 – Key findings

- The **business climate continued to improve** in H1.2014 (up by 37 points from its lowest point in H1.2012), posting - for the first time since the beginning of the crisis - a positive trend.
- This improvement is more evident among **larger SMEs**, as the majority of smaller SMEs still aim for survival.
- **Liquidity problems** persist, with the pressure increasing mainly from the faster payment of suppliers. That said, liquidity conditions in H1.2014 are nevertheless better compared with H1.2013.
- As regards the various sectors of SME activity, it is worth noting the following:
 - ✓ **Manufacturing** reports the best expectations, with foods and chemicals standing out for their positive outlook.
 - ✓ **Services** also report a pick-up in demand (mainly tourism and transport), while the service sector overall presents the biggest improvement in the business confidence index in H1.2014.
 - ✓ Financial weaknesses (mainly net losses and overleverage) put a strain on **trade** SMEs, preventing them from being able to exploit improved demand conditions.
 - ✓ **Construction** continues to be the weakest sector, as it is the only sector anticipating a decline in demand over the next 6 months.
- SMEs active in Thessaloniki present the strongest picture, with higher resilience, better profitability and fewer liquidity problems compared to their peers in Athens and other regions. Overall, SMEs in other regions look weaker compared to those in the two main urban centers of Athens and Thessaloniki, although they have posted the biggest improvement in terms of export activity over the last two years.



Special Issue: Exports

- Although the degree of export orientation has marginally increased over the last 5 years (9 per cent of turnover in 2013 from 8 per cent in 2008), the **level of exports** by the average SME has **declined** over the same period, reflecting the existence of obstacles preventing exports from becoming the driver for economic recovery. Specifically, only 1/3 of exporting SMEs have managed to increase their export level, while 15 per cent have actually reduced their share of cross-border sales.
 - ✓ **Food** and **chemicals manufacturing, tourism** and **transport** stand out, as increased exporting activity moderated or even offset the declining trend of domestic demand.
 - ✓ **Regional SMEs** presented an impressive export performance, as they **significantly increased their export orientation** over the last two years (with exporting SMEs producing 44 per cent of their sales abroad in 2013 compared with 24 per cent in 2012), pursuing targeted strategies to counter low domestic demand. By contrast, SMEs in Athens and Thessaloniki became less export-oriented over the same period, as expansion opportunities were the key motive for exports.
- The relatively weak export performance of SMEs indicates that the significant improvement in **cost competitiveness**, achieved through the 50 per cent reduction in labor costs over the last five years, is not sufficient for exports to become the driving force behind recovery.
- SMEs state that in order for the improvement in cost competitiveness to lead to an increase in exports, significant **structural deficiencies** need to be eliminated, such as (i) institutional inflexibilities, the most important being excessive bureaucracy and inefficiencies in customs procedures, (ii) poor access to special financing for exports (such as trade credit), and (iii) shortcomings in distribution networks and transport infrastructure.



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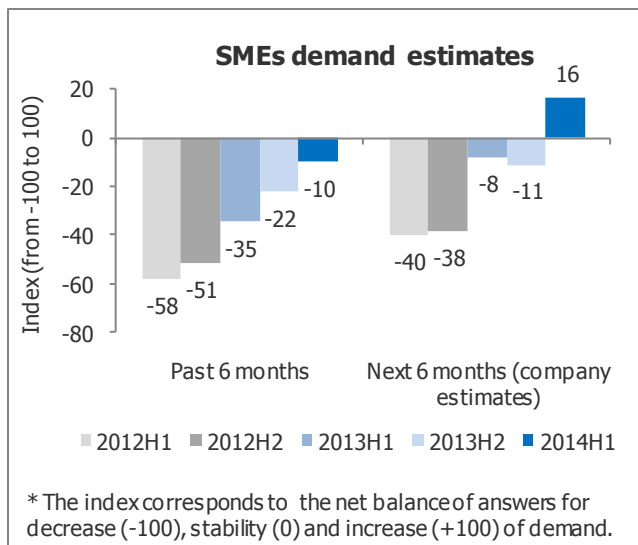
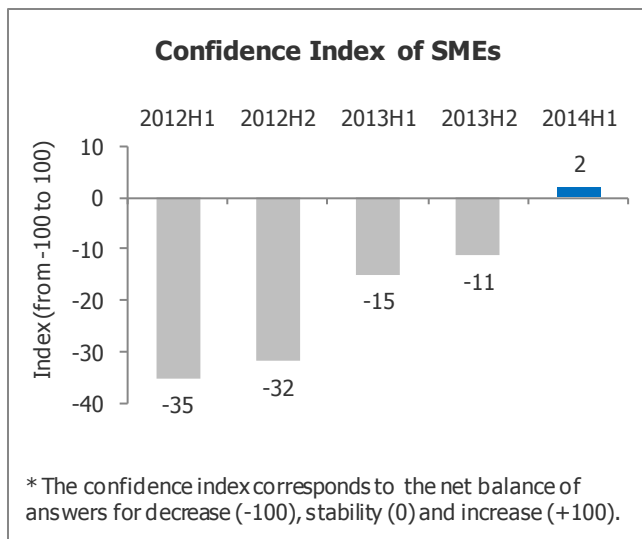
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CURRENT ECONOMIC ENVIRONMENT AND BUSINESS CONFIDENCE INDEX FOR SMEs:H1.2014





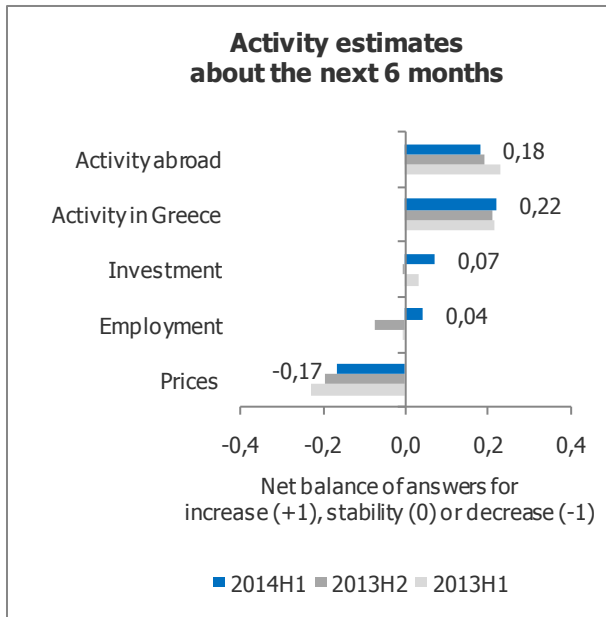
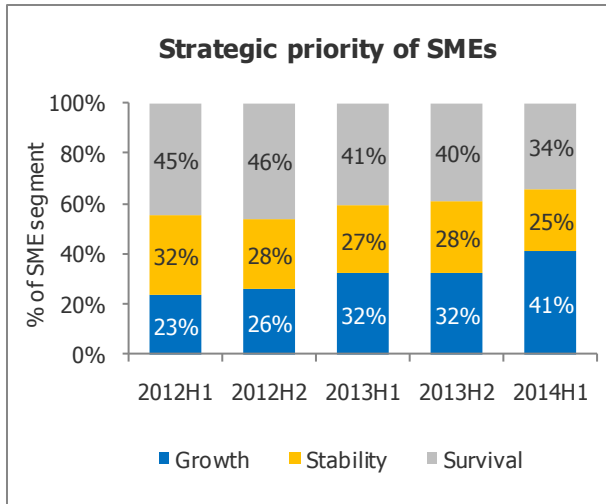
Positive outlook for the next 6 months, while the downward trend of current demand keeps getting milder



- The business climate continued to **improve** in H1.2014, up by 13 points from H2.2013 and 37 points from H1.2012. Note that for the first time in the last two years SMEs with positive expectations were marginally more than those with negative expectations. As a result, the index moved into positive territory.
- Besides the positive balance of answers, the estimates for future demand contributed the most to the improvement of the business confidence index, increasing by 27 points, compared to an increase 12 points in the **current demand** index (performance of the past 6 months), which, despite its ongoing decline, is gradually bottoming out.
- As regards future demand, 37 per cent of SMEs anticipate an increase and only 20 per cent expect a decline in the next 6 months. Given that the seasonality effect of the summer months leads to increased optimism for future demand, it remains to be seen whether this trend will remain.



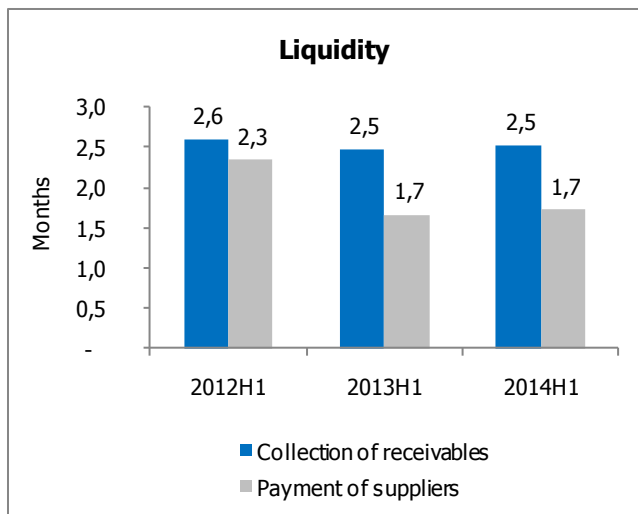
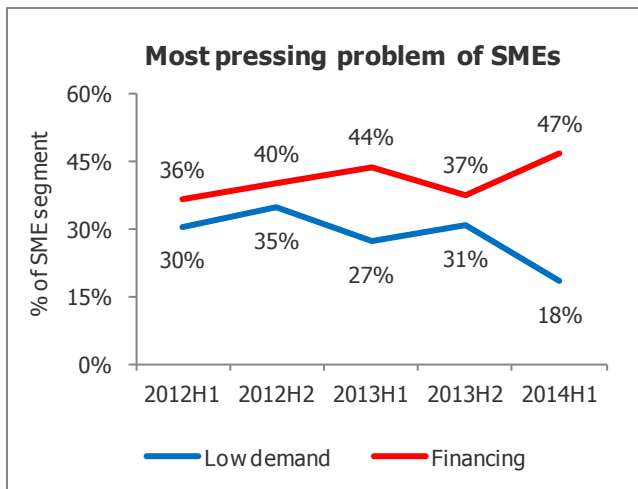
Positive expectations are accompanied by growth strategies



- Alongside the estimated increase in future demand, SMEs appear to be turning to a greater extent to **growth strategies**. For the first time during the crisis, in H1.2014 SMEs with growth as a strategic priority are more than those merely aiming for survival (41 per cent of SMEs compared with 34 per cent of SMEs respectively).
- The positive climate is confirmed by SMEs' appetite for:
 - ✓ **more investments** (an increase is expected by 17 per cent of SMEs in H1.2014 compared with 14 per cent in H2.2013)
 - ✓ **increasing employment**– for the first time in the last two years (by 17 per cent of SMEs in H1.2014 compared with 10 per cent in H2.2013)
 - ✓ **increased activity in Greece and abroad**. Note that the estimates for a pick-up in demand in H2.2014 concern mostly the domestic market and to a lesser extent foreign markets (an increase is expected by 26 per cent of SMEs for Greece and by 20 per cent of SMEs for the foreign market).
- In addition, it is notable that 22 per cent of SMEs intend to reduce prices in the next 6 months, while only 5 per cent plan to raise prices.



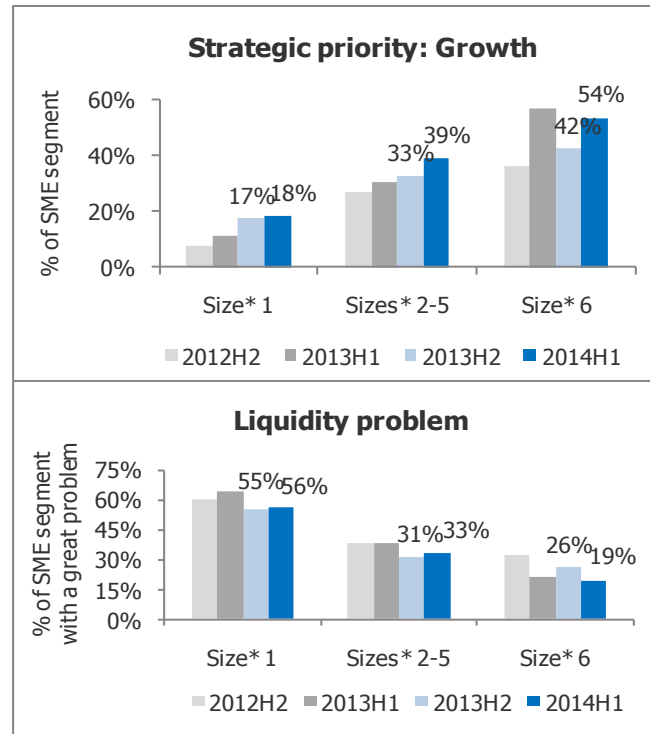
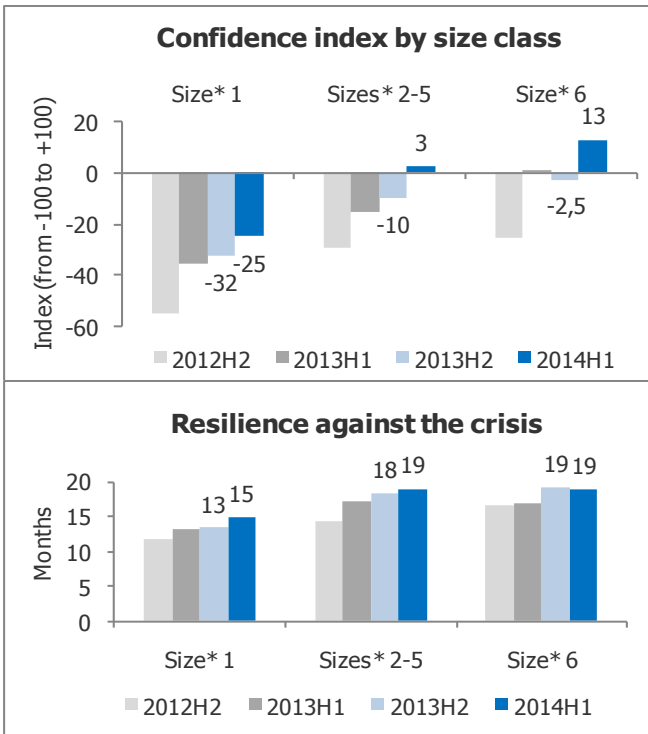
Lack of liquidity remains a serious problem



- The improvement in business sentiment is confirmed by the lower number of SMEs that consider low demand as their most pressing problem in the current juncture (18 per cent of SMEs in H1.2014 from 30 per cent of SMEs in H1.2012). By contrast, the impact of **limited access to financing** (mainly due to pressure from suppliers) seems to be increasing, this being a key problem for 47 per cent of SMEs in H1.2014 from 36 per cent in H1.2012.
- Growing liquidity problems are reflected by the fact that the cash gap (the gap between collection of receivables and the **payment of suppliers**) in H1.2014 remains at triple than the level of the beginning of 2012 (24 days from 8 days respectively). Pressure has increased mainly on the part of suppliers, while collection of customer receivables remains unchanged at 2.5 months.
- Increased **tax obligations** stand out as the secondary source of pressure, as approximately 1/4 of SMEs considers them as the key problem.

Smaller SMEs have not managed to benefit from the improved climate and thus are still aiming primarily at survival

- The **business confidence index** has improved for all SME segments. However, positive expectations are to be found mainly in SMEs with sales more than €5 million (which also posted an increase in demand in the previous 6 months), while micro enterprises expect that even future demand will decline.
- In the meantime, the **advantageous position of larger SMEs** continues to be evident in H1.2014:
 - ✓ Larger SMEs maintain higher resilience against the crisis, turn more to growth strategies and face limited liquidity problems.
 - ✓ On the other hand, smaller SMEs aim to a great extent at survival (63 per cent compared with 28 per cent of larger SMEs), while 56 per cent continue to face severe liquidity problems.



* The scale of 1-6 in the graphs above indicates turnover in € million: 1=(0-0.1], 2=(0.1-0.5], 3=(0.5-1], 4=(1-2.5], 5=(2.5-5] and 6=(5-10].
 ** The business confidence index corresponds to the net balance of answers for decrease (-100), stability (0) or increase (100).

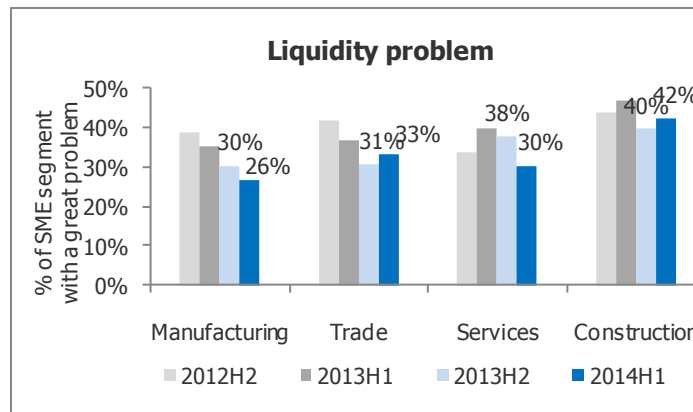
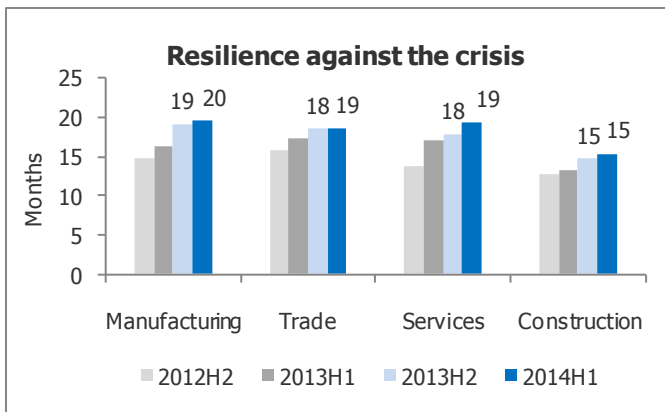
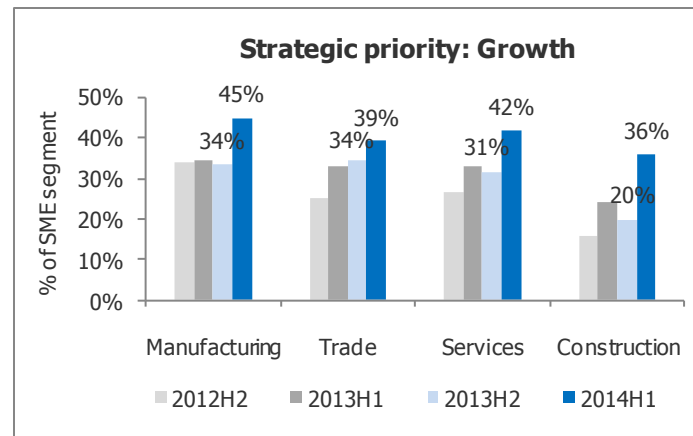
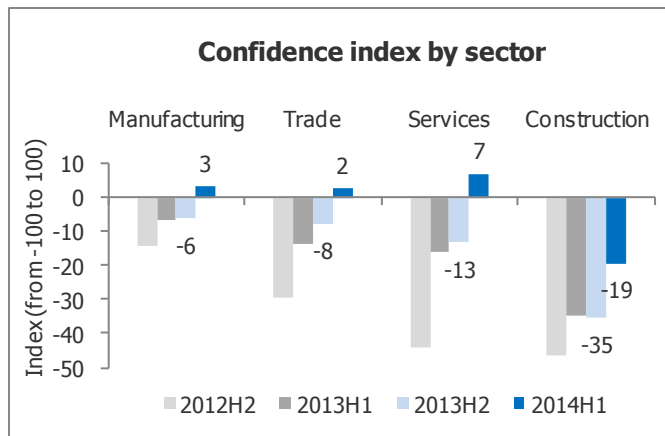
VARIATIONS BY SECTOR





Manufacturing and services SMEs stand out positively, while construction remains the weakest sector

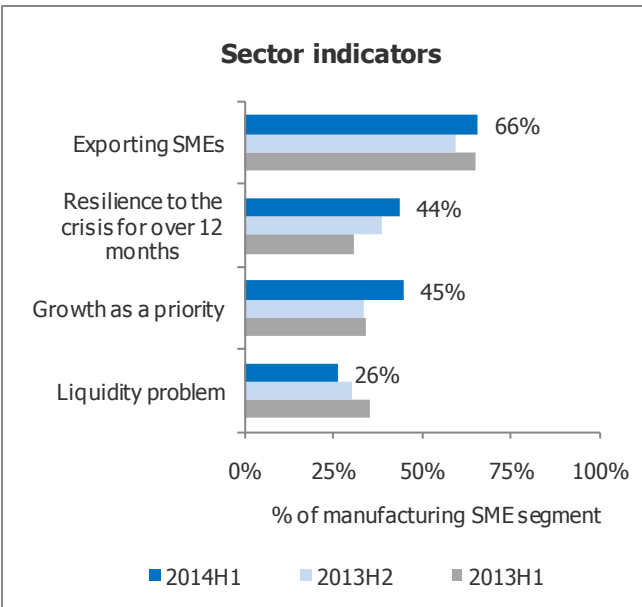
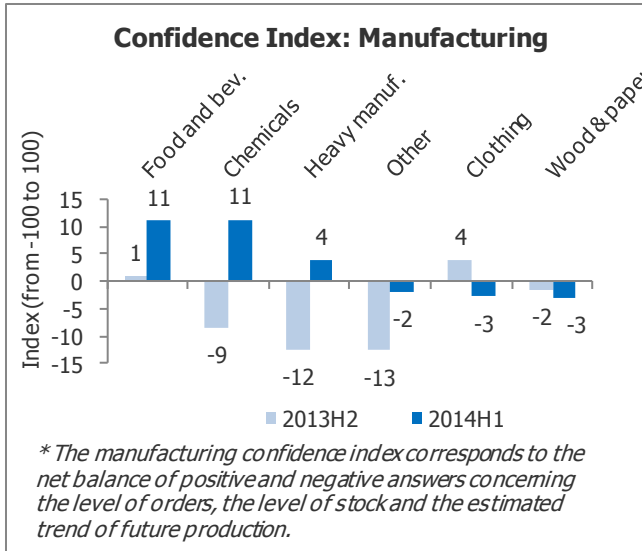
- The services sector presents the biggest improvement in the **business confidence index**, as it posted a pick-up in demand in the previous semester and further increase is expected by SMEs for the following 6 months. Construction SMEs are the only ones reporting negative expectations, however even that negative trend shows signs of improvement.
- **Liquidity** conditions in H1.2014 remain better compared with H1.2013 for all sectors. However, while the improving trend continues in services and manufacturing, trade and construction are worse off compared with H2.2013.



* The business confidence levels are not comparable by sector (only over time), due to different calculation (see p. 31).



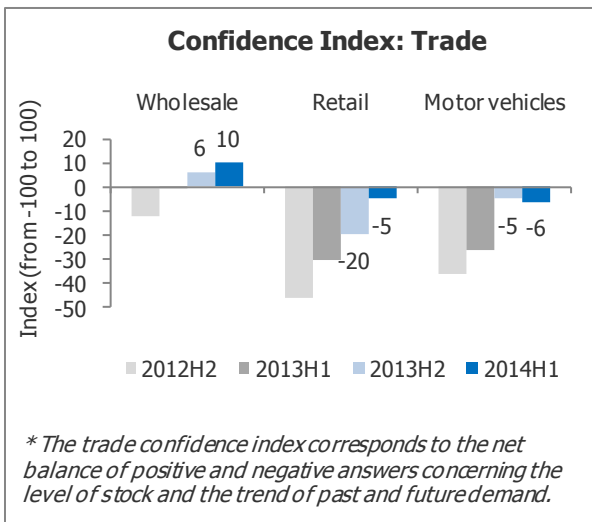
Manufacturing: Increasing demand during the previous and the following semester, with food and chemical industries standing out



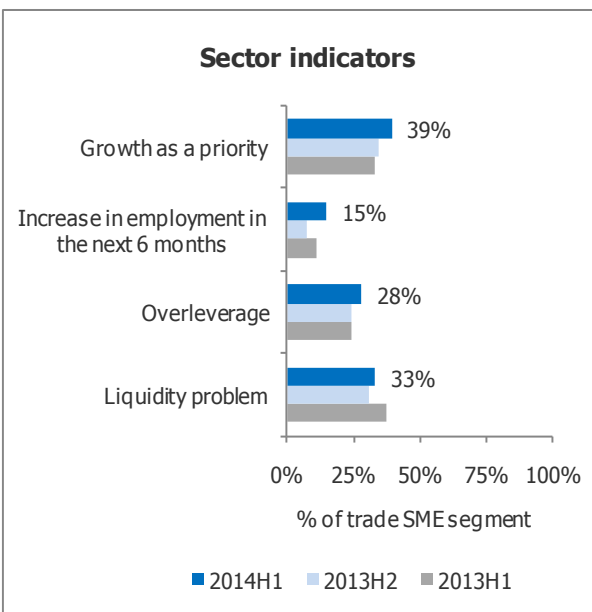
- All manufacturing sectors expect an increase in demand in the next 6 months, while the majority (excluding **heavy manufacturing**) posted an increase in demand in the past semester as well.
- **Food-beverages** and **chemicals** stand out, with the best expectations for demand, the strongest resilience against the crisis and the fewest liquidity problems. Notably, chemicals:
 - ✓ report the smallest cash gap (18 days compared with 30 days for the other manufacturing segments), which has remained unchanged over the last two years
 - ✓ present the biggest improvement compared with H2.2013 in terms of resilience against the crisis and targeting growth.
- **Clothing** SMEs – although being among the most export-oriented segment of the manufacturing sector (22 per cent of sales are produced abroad compared with 15 per cent for other manufacturing SMEs) – are under significant pressure due to low order books in H1.2014 (along with **wood manufacturers**). Note that the above-mentioned sectors have reported the most job losses and highest number of closing of stores during the crisis.



Trade: Positive prospects but persistent financial problems in retail and motor vehicles trade



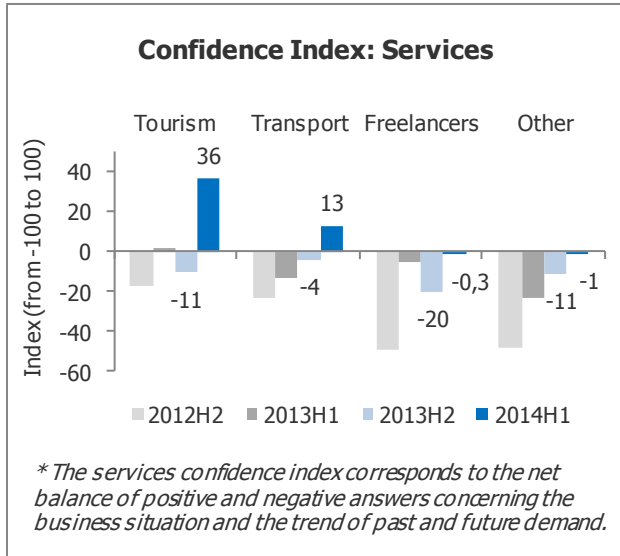
- Trade SMEs, irrespective of segment, posted a downward trend in demand in the previous 6 months, but expect increased sales in the next semester alongside a trend for increased employment and growth-focused strategies.
- **Retail** SMEs posted the biggest increase in the business confidence index (up 15 points in H1.2014 compared with H2.2013), reaching the same level as **motor vehicles trade** that remained relatively stable. **Wholesale traders** continue to state the best expectations, posting a marginal increase of 4 points in the business confidence index.



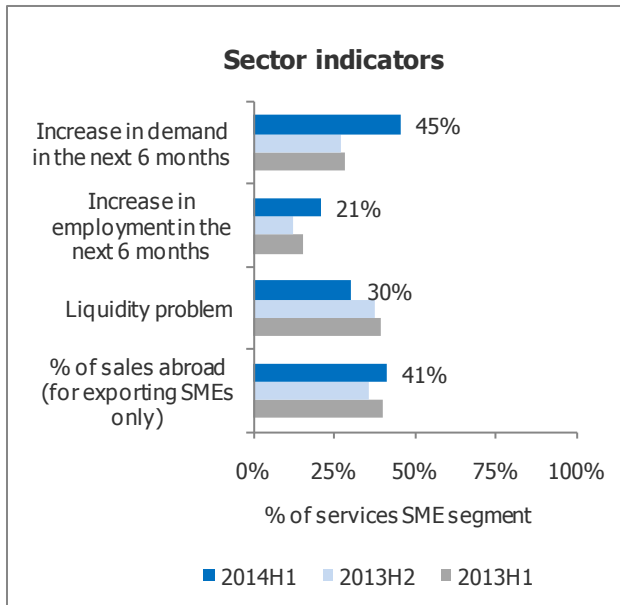
- The **financial problems** of retail and motor vehicles trade impact negatively the entire trade sector, which displays:
 - ✓ the greatest number of loss-making enterprises (40 per cent compared with an average of 25 per cent in other sectors)
 - ✓ the highest debt-to-sales and debt-to-equity ratios. As a result, 28 per cent of trade SMEs feel overleveraged (36 per cent in retail) compared to 20 per cent in other sectors.



Services: Posted the biggest improvement in expectations mainly due to tourism, while freelancers remain weak

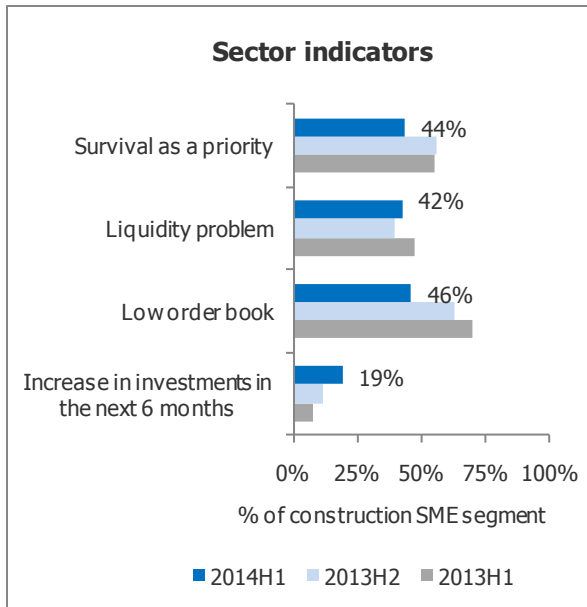
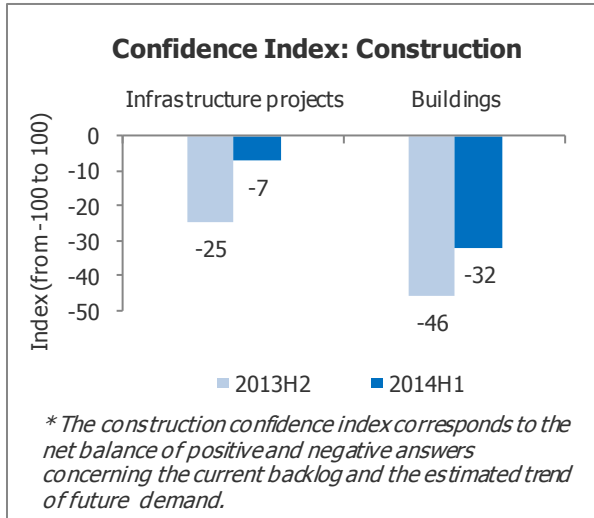


- Services SMEs posted the **biggest improvement in the business confidence index** in H1.2014 compared with H2.2013 (up 20 points compared with an average increase of 12 points in other sectors), both in respect of current and future demand.
- **Tourism** and **transport** SMEs maintain their advantageous position, posting:
 - ✓ **increased demand** in the past 6 months,
 - ✓ and estimates for **increased sales in the next 6 months**, along with a significant trend for increased employment – mainly in tourism (37 per cent of tourist SMEs in H1.2014 compared with 17 per cent in H1.2013).
- **Freelancers** continue to be in a weaker position, with declining demand in the past 6 months (despite the expectations they had had for growth), low resilience against the crisis, and significant liquidity problems.





Construction: The only sector that expects declining future demand



- The business confidence index increased in H1.2014 (up 18 points in infrastructure projects and 14 points in building construction) on the back of:
 - ✓ a pick-up in demand for infrastructure projects in the past 6 months
 - ✓ and the less negative expectations for the next 6 months regarding the construction sector overall.
- Despite a certain trend toward normalization of conditions, the construction sector largely targets **survival** (44 per cent of construction SMEs in H1.2014 compared with 56 per cent in H2.2013), while it is the only sector that **anticipates declining demand** in the next semester.
- Moreover, the sector is under pressure from severe **liquidity problems**, as it reports the biggest cash gap (40 days compared with 25 days for other sectors).
- Note that **infrastructure constructors**, despite the pressure from delayed payments mostly from the public sector (this is the main problem for 45 per cent of the segment), continue to be better off than building constructors in terms of financial health and expectations for demand.

VARIATIONS BY REGION

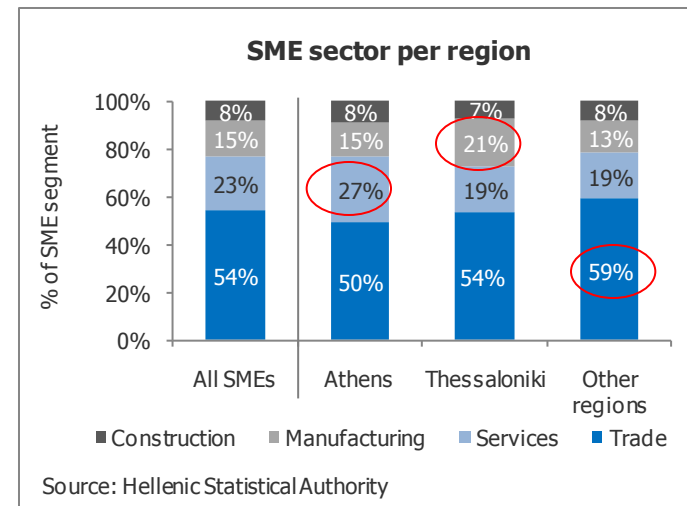
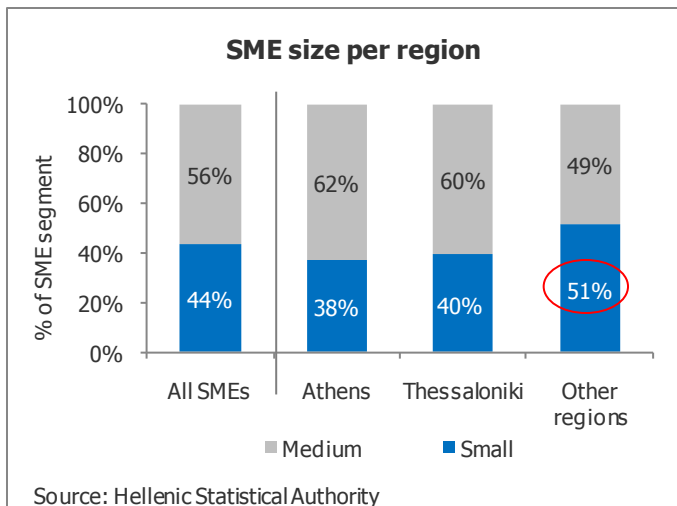
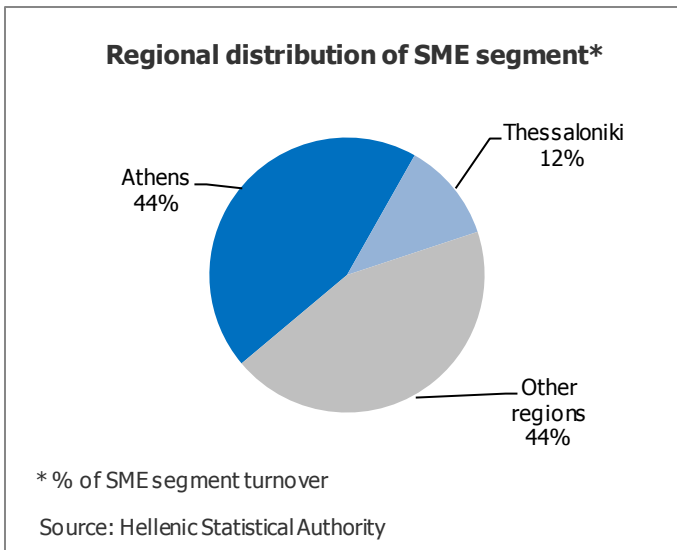




Relatively larger firms and more efficient sectors are concentrated in Athens and Thessaloniki rather than the other regions

➤ The greater part of business activity is conducted in the country's two principal cities, which generate 56 per cent of SME turnover, while the remaining 44 per cent is spread across the smaller regional towns and cities. The main features of SMEs by geographic region are the following:

- ✓ In the smaller regions the greater part of turnover is generated by **small*** enterprises (50 per cent of SMEs are small, compared with about 40 per cent of SMEs in Athens and Thessaloniki).
- ✓ As regards **business sectors**, Athens attracts more services SMEs, Thessaloniki manufacturing SMEs, and the other regions trade SMEs.

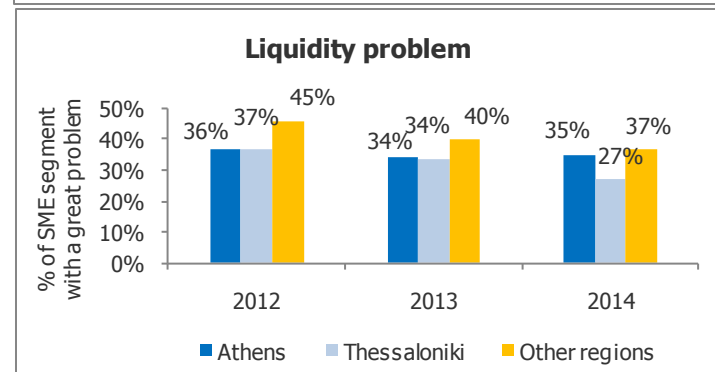
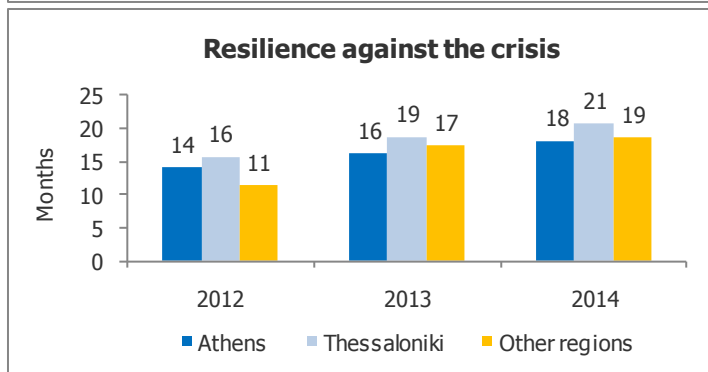
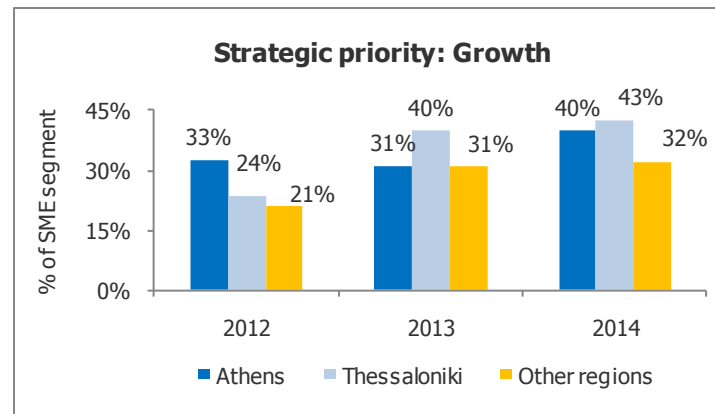
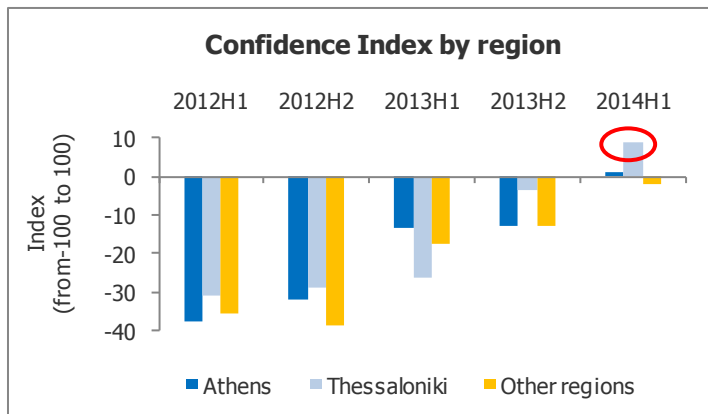


*We define as small enterprises those with turnover lower than €1 million and as medium those between €1 million - €10 million.



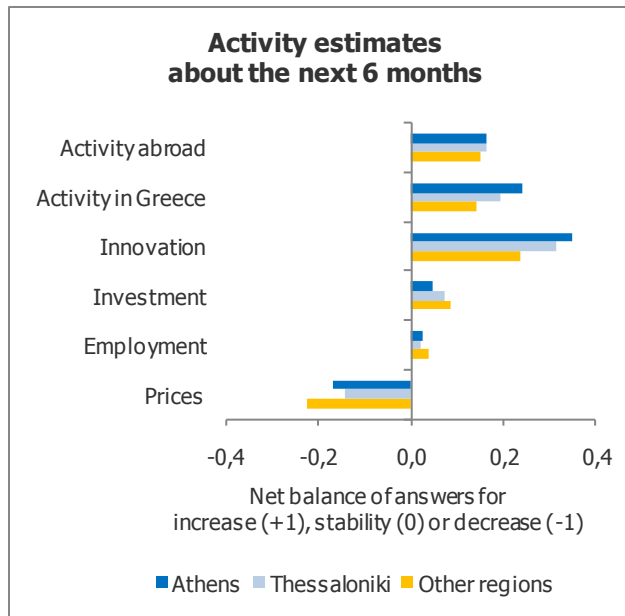
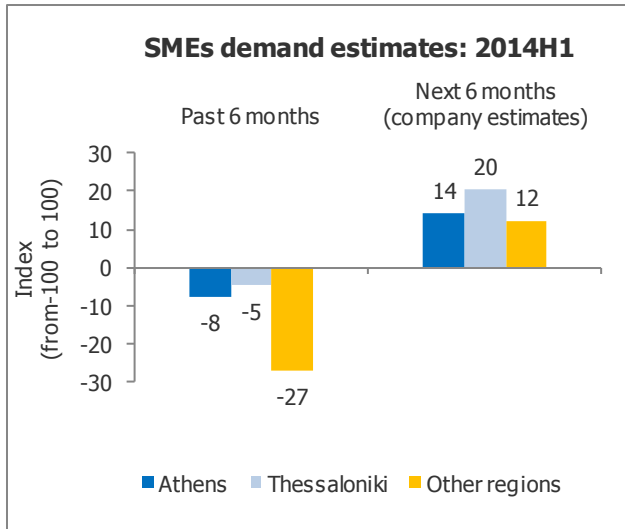
Proximity to the markets of SE Europe has helped SMEs located in Thessaloniki to stand out

- Concerning the wider picture by region, **SMEs in Thessaloniki** stand out, presenting higher resilience, better profitability and fewer liquidity problems. This is partly due to the easier access to SEE markets (which absorb 1/2 of their exports). Additionally, increased competition from these countries has motivated SMEs in Thessaloniki to operate more efficiently, since (i) labor costs as a percentage of sales are 26 per cent in Thessaloniki compared with 30 per cent in the rest of Greece, and (ii) 67 per cent of SMEs in Thessaloniki consider the high quality of their products as the comparative advantage of exports (compared to 57 per cent in the rest of Greece).
- On the other hand, **regional SMEs** are the weakest financially, comprising mainly micro enterprises (51 per cent compared with 39 per cent in the major cities) and are focused on less dynamic sectors (60 per cent are trade SMEs compared with 51 per cent in the major cities).





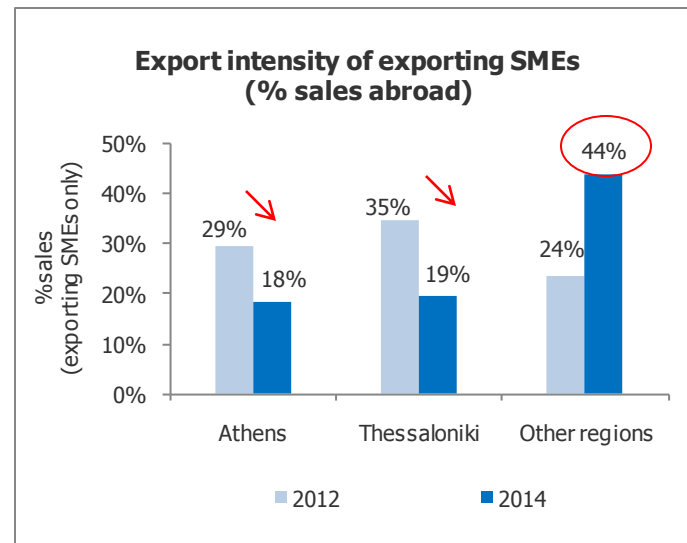
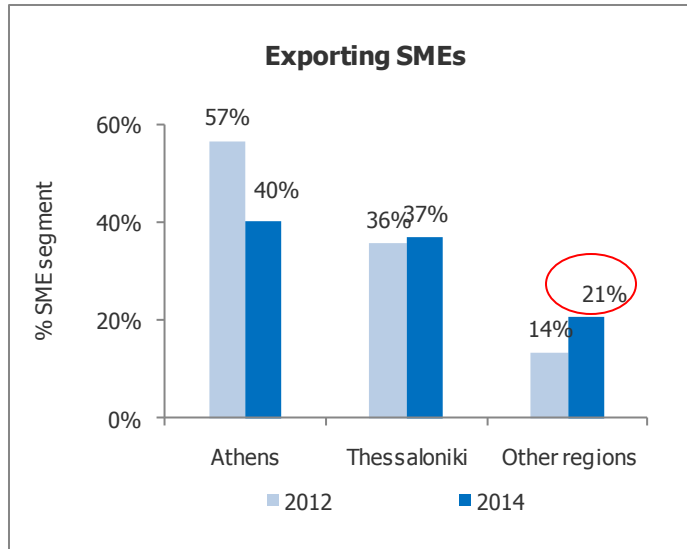
Demand conditions are better in Thessaloniki, while SMEs in Athens present growth trends



- On average all the regions have expectations for increased demand in the next semester, while the trend in the previous 6 months was declining.
 - ✓ **Thessaloniki** stands out positively, with the fewest SMEs posting declining demand in the past 6 months and the most SMEs with positive expectations for future demand.
 - ✓ By contrast, **regional SMEs** are more severely hit, as many enterprises report declining demand in the previous 6 months (1/2 of SMEs in smaller regions compared with 1/3 in Athens and Thessaloniki).
- As regards **strategy**:
 - ✓ SMEs in Athens and to a smaller extent in Thessaloniki express a greater desire to focus on innovative activity and expand in the domestic market in the following 6 months.
 - ✓ Regional SMEs intend to increase their investments and employment and to reduce prices.



Regional SMEs increase their export orientation ...

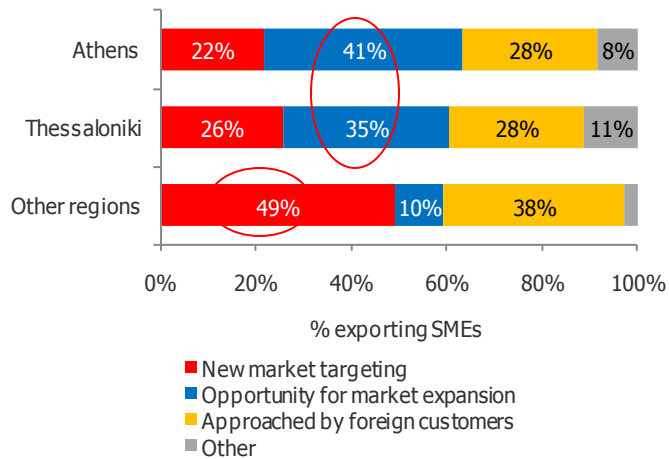


- Exporting SMEs **tend to be based in Athens and Thessaloniki**, with circa 40 per cent of SMEs in the major cities directing their sales abroad, compared with 20 per cent of SMEs in other regions.
- However, it is worth noting that, in the midst of the economic crisis, **regional SMEs have increased the degree of export orientation** over the last two years, as:
 - ✓ the **share of regional SMEs with exporting activity** has almost doubled (21 per cent in 2014, from 14 per cent in 2012), while it has remained unchanged in Thessaloniki and decreased significantly in Athens
 - ✓ in addition, the **share of turnover** of regional exporting SMEs that is generated **abroad** has also nearly doubled (44 per cent of sales in 2014, from 24 per cent in 2012), ending up higher than the exports of SMEs in the two major cities which in the same period reduced their export orientation (exporting circa 1/5 of their turnover in 2014 from 1/3 in 2012).

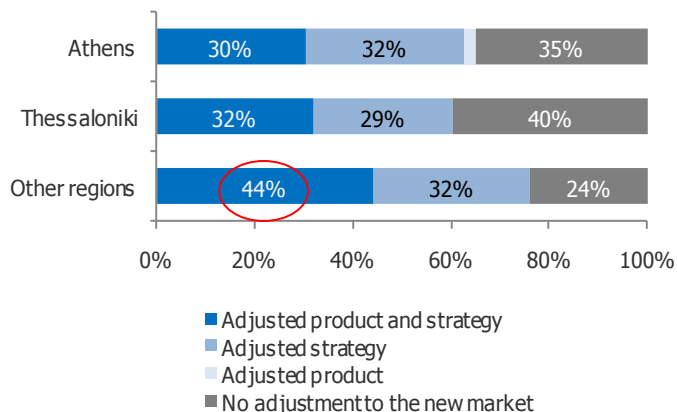


... using more effective strategies

Motives for exporting activity



Export strategy



- Alongside its upward momentum, the **export activity of regional SMEs appears to be more efficient**, as the expectations of exporting SMEs based in small regions are better than those of exporting SMEs in Athens and Thessaloniki (business confidence index: 23 points compared with 10 points respectively).
- The degree and effectiveness of exporting activity in each region can be explained to a large extent by the **motives** which led those SMEs to seek foreign markets and the **strategies** that they apply. Specifically:
 - ✓ Regional SMEs appear to be driven more by the **clear objective of seeking out a new market** (this applies to 1/2 of regional SMEs compared with 1/4 in Athens and Thessaloniki), partly propelled by the pressure of anaemic domestic demand. By contrast, in Athens and Thessaloniki SMEs look abroad mainly when they find **opportunities to expand** their activities (40 per cent of those SMEs compared with 10 per cent in the other regions), though such opportunities rarely occur during the crisis.
 - ✓ The fact that export activity by regional SMEs is more of a conscious choice leads them to adjust their products and strategies to the new market to a greater extent than the SMEs in the major cities.

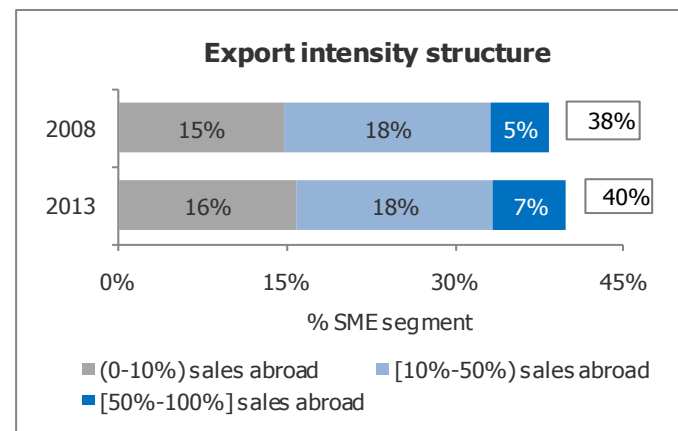
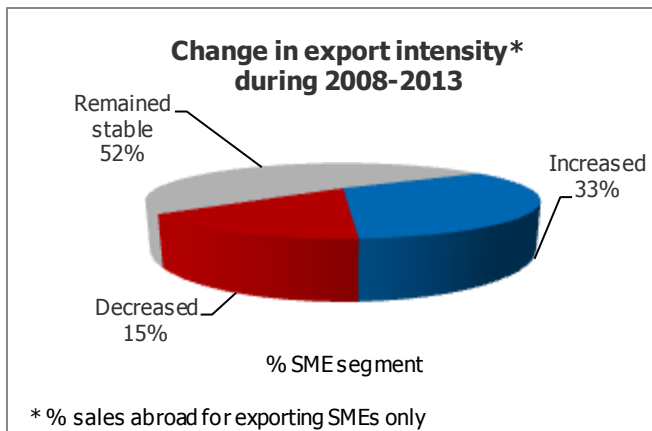
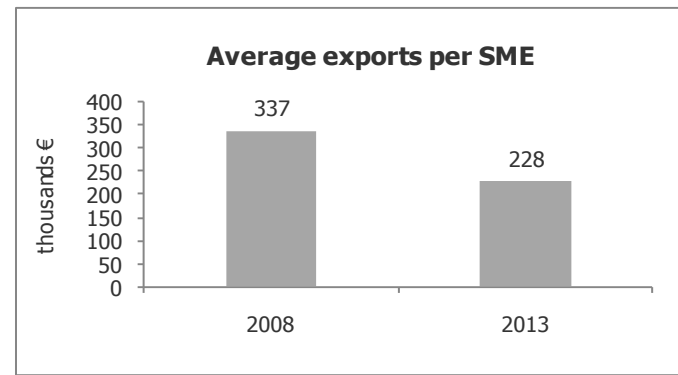
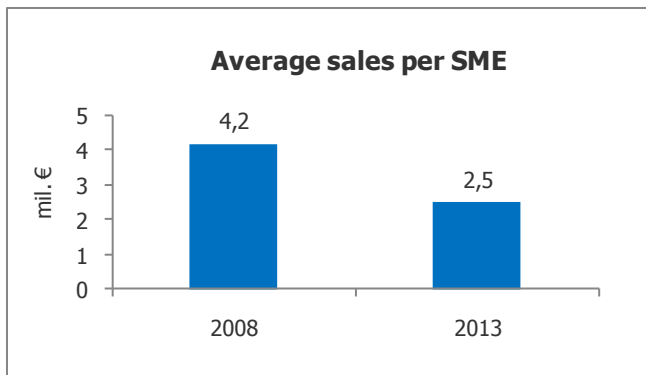
EXPORTING ACTIVITY OF SMEs





Despite anaemic domestic demand, exporting activity (as a way out) posted marginal growth

- The contraction of domestic demand over the past 5 years appears to have led to a respective **decline in SME exports**, probably due to liquidity problems or lack of a clear export strategy. Specifically:
 - ✓ Despite the sharp decline in domestic demand, the export intensity of SMEs increased only marginally (9 per cent of turnover of total SMEs was exported in 2013, from 8 per cent in 2008).
 - ✓ Over the past 5 years almost 1/2 of exporting SMEs maintained a steady share of exports in their sales 1/3 sought to boost their sales abroad, and 15 per cent reduced their export intensity.
 - ✓ Overall, exporting SMEs remain at about 40 per cent of the segment, with just 7 per cent of SMEs generating more than 1/2 their sales abroad (i.e. 15 per cent of exporting SMEs).

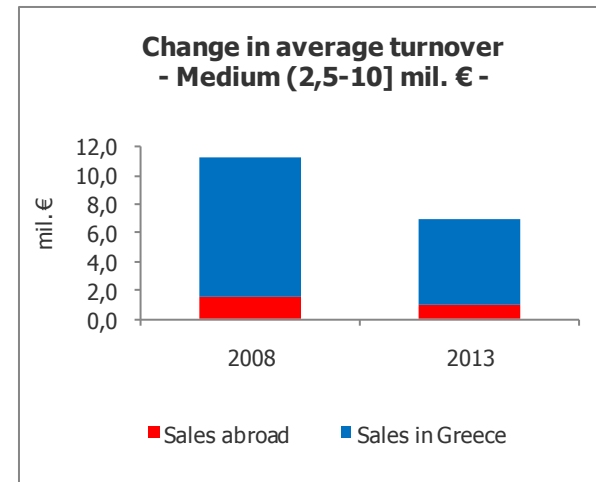
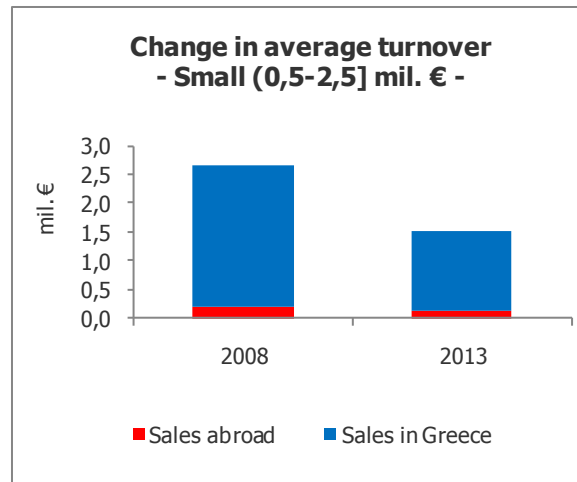
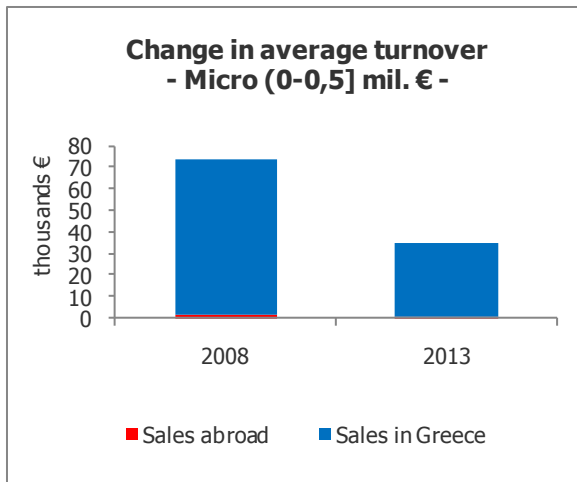




The slight improvement in export intensity concerns SMEs of all sizes, with medium-sized enterprises still being the most export-oriented

Turnover size class (mil. €)	Export intensity (% sales abroad)		Drivers of change in export intensity (2008-2013)	
	2008	2013	% change in exporting SMEs	% change in export intensity of avg exporting SME
(0-0,5] mil. €	1,6%	2,1%	-5%	40%
(0,5-2,5] mil. €	7,1%	8,1%	3%	12%
(2,5-10] mil. €	13,8%	15,3%	8%	3%
All SMEs	8%	9%	4%	9%

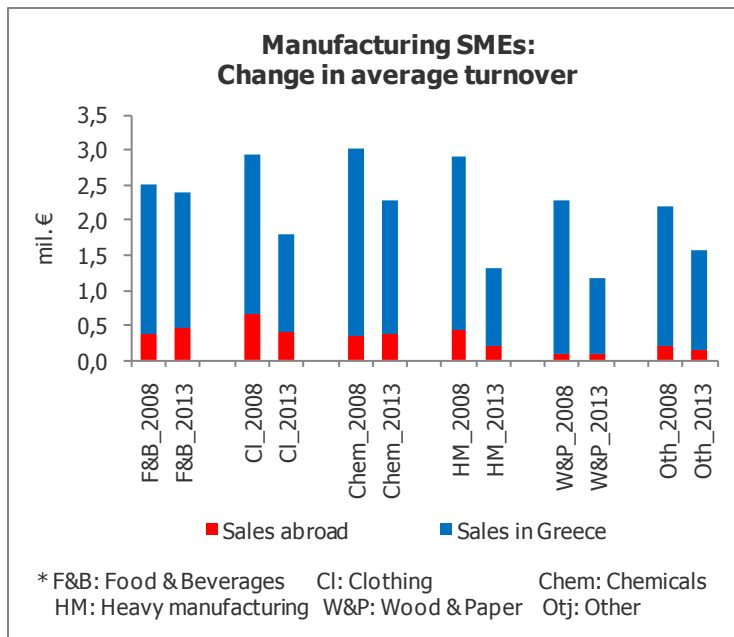
- Export intensity seems to have a **positive relation to the size of enterprises**: 15 per cent of the turnover of medium-sized enterprises was generated abroad in 2013 (with 60 per cent of those enterprises exporting), compared with only 2 per cent of the turnover of micro enterprises (just 8 per cent of them exporting).
- Over the last 5 years exporting activity presented a **slight increase across all SMEs sizes**, though it was not able to prevent the decline in the average level of exports (down by 38 per cent in micro enterprises and 32 per cent in medium-sized enterprises).
- Note that while the number of exporting **micro enterprises** has fallen by 5 per cent in the last 5 years, those few businesses in this category that do export managed to increase their export intensity by 40 per cent.





Manufacturing: Increase in exports in food and chemical sectors

- Manufacturing SMEs present the greatest export intensity - 15 per cent of turnover was generated abroad in 2013 from 13 per cent in 2008. Specifically, while domestic sales contracted by 36 per cent over the last 5 years, exports declined by 25 per cent over the same period.
 - ✓ The **food-beverage** sector and to a smaller extent **chemicals** stand out, as they **increased the level of exports** by 24 per cent and 7 per cent respectively. In food firms, this increase (mainly due to enhanced export intensity by SMEs that were already exporting) managed to mitigate the decline in total turnover, by offsetting the decline in domestic activity. Conversely, in the chemicals sector, the increase of exports from 11 per cent to 16 per cent of turnover was not sufficient, thereby total turnover declined by 25 per cent.
 - ✓ **Clothing** SMEs remain the **most lively exporters** of the manufacturing sector (22 per cent of turnover is generated abroad). However, over the past 5 years the **export intensity** of this segment has **remained unchanged** and, as a result, total turnover has followed the downward trend of domestic demand.

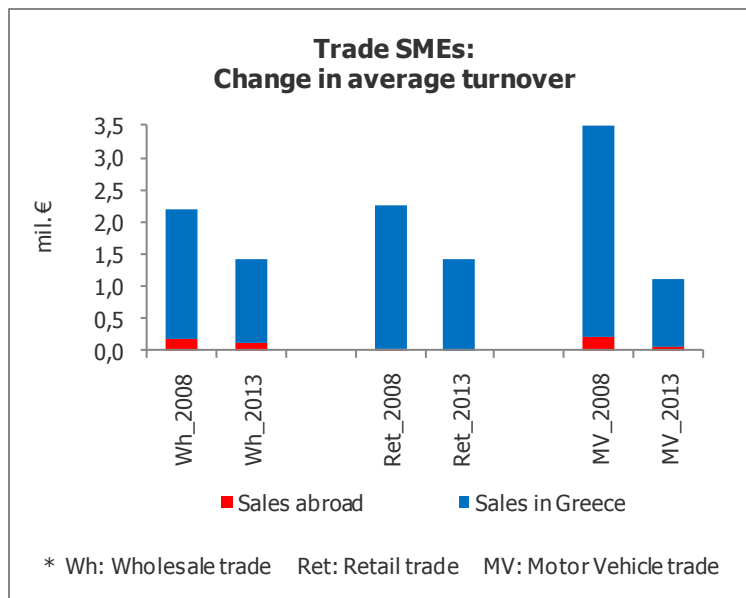


Manufacturing	Export intensity (% sales abroad)		Drivers of change in export intensity (2008-2013)	
	2008	2013	% change in exporting SMEs	% change in export intensity of avg exporting SME
Food-beverages	15%	19%	4%	24%
Clothing	22%	22%	15%	-14%
Chemicals	11%	16%	9%	30%
Heavy manuf.	15%	16%	2%	4%
Wood - paper	5%	8%	69%	1%
Other manuf.	10%	10%	4%	3%
Manufacturing SMEs	13%	15%	9%	5%



Trade: All sectors posted lower export level, while retail trade reduced yet further its already low export intensity

- Trade SMEs involved in export activity stayed at 36 per cent over the last 5 years, while the share of turnover generated abroad also remained flat, at 5.5 per cent. The **decline in average export level concerns all three trade sectors**, which either reduced or kept unchanged their export intensity, meaning that they were unable to moderate declining domestic activity.
 - ✓ **Wholesale trade** continues to be the most export-oriented segment, presenting a small increase both in the number of SMEs exporting as well as the degree of export intensity.
 - ✓ **Retail trade** still shows the greatest dependence on the domestic market, with only 1 per cent of turnover generated abroad in 2013, while even those few firms with exporting activity reduced their export intensity by 30 per cent over the last 5 years.
 - ✓ **Motor vehicle** trade reported the biggest contraction in the level of exports (by circa 70 per cent).

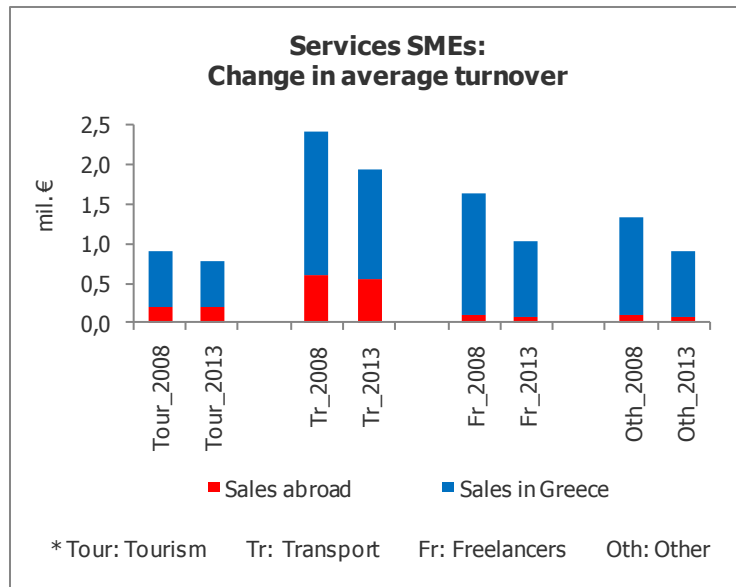


Trade	Export intensity (% sales abroad)		Drivers of change in export intensity (2008-2013)	
	2008	2013	% change in exporting SMEs	% change in export intensity of avg exporting SME
Wholesale	8%	9%	3%	6%
Retail	2%	1%	-6%	-30%
Motor vehicle	6%	6%	-11%	13%
Trade SMEs	5,2%	5,5%	0,1%	3,9%



Services: Tourism and transport managed to keep their export activity relatively buoyant

- The degree of export intensity of all subsectors of services SMEs increased slightly over the last 5 years, thereby offsetting to some extent the decline in domestic sales.
 - ✓ **Tourism** and (to a smaller degree) **transport** SMEs managed to keep their average level of sales abroad relatively stable, while they are also the sectors that present the strongest export intensity (circa 30 per cent of turnover was generated abroad in 2013 compared with 8 per cent in the other services sectors).
 - ✓ **Freelancers** failed to sustain their export level (down by 12 per cent) despite the 34 per cent increase in export intensity by the average exporting enterprise of the segment.

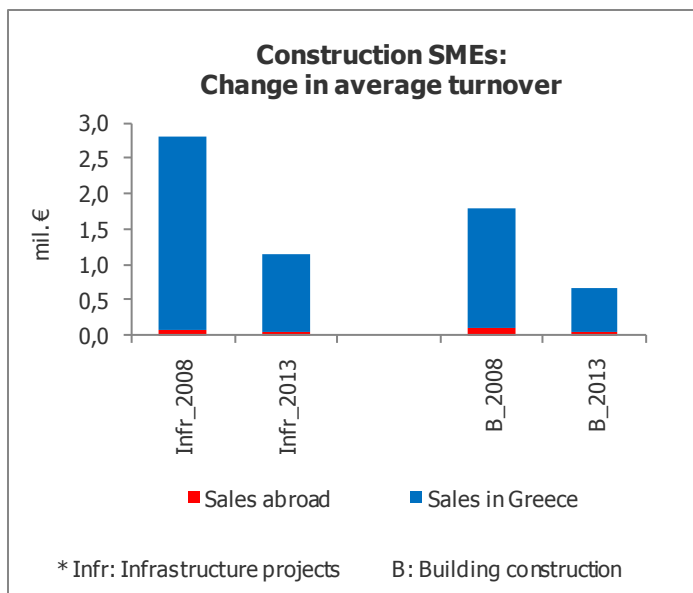


Services	Export intensity (% sales abroad)		Drivers of change in export intensity (2008-2013)	
	2008	2013	% change in exporting SMEs	% change in export intensity of avg exporting SME
Tourism	23%	27%	10%	6%
Trans[port]	25%	29%	11%	5%
Freelancers	6%	8%	4%	34%
Other	7%	8%	8%	8%
Services SMEs	12%	14%	8%	10%



Construction: The increase in export intensity in infrastructure projects (though small) mitigated the fall in the level of exports

- Construction SMEs, though they have been hit hardest by the fall in turnover over the last 5 years (down by 60 per cent compared with 35 per cent on average in other sectors), have not by and large sought to capture more projects abroad, and accordingly just 6 per cent of sales was generated abroad in 2013 from 4 per cent in 2008.
 - ✓ The **export intensity of construction SMEs**, both in the building and infrastructure project segments, **stands at similar levels** (5-6 per cent).
 - ✓ However, a somewhat higher increase in export intensity was reported by **infrastructure project construction**, thereby mitigating the fall in the average level of exports (down by 24 per cent, compared with a 60 per cent fall in total turnover). The increase derived mainly from the bigger share of sales abroad by already exporting SMEs (up 63 per cent) and to a lesser extent from the increase in the number of exporting SMEs (up 12 per cent).
 - ✓ On the other hand, the average level of exports in **building construction** collapsed along with domestic turnover, as the increase in export intensity was unable to reverse the downward trend.

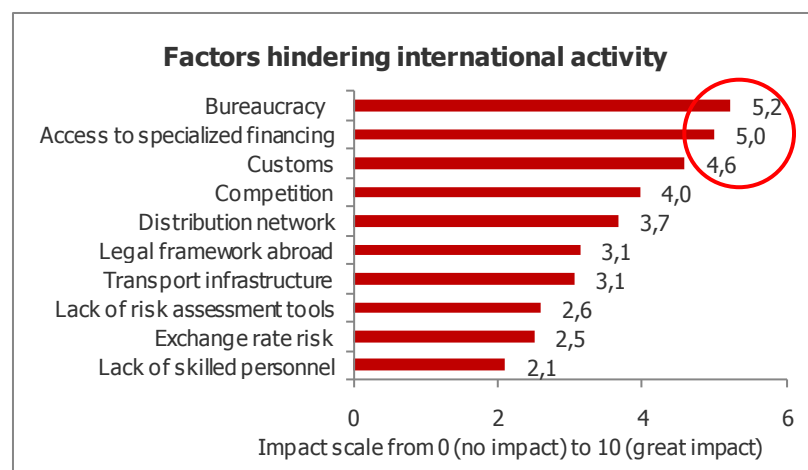
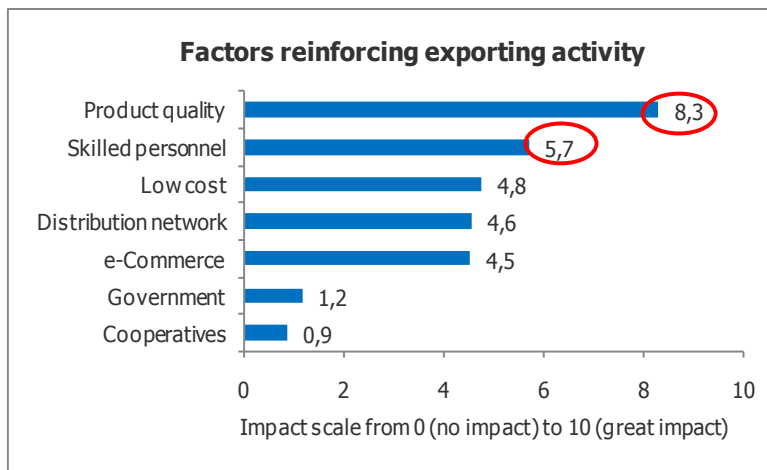


Construction	Export intensity (% sales abroad)		Drivers of change in export intensity (2008-2013)	
	2008	2013	% change in exporting SMEs	% change in export intensity of avg exporting SME
Infrastructure projects	3%	5%	12%	63%
Building construction	5%	6%	7%	12%
Construction SMEs	4%	6%	10%	33%



Beyond cost cutting, institutional reforms and special financing tools are essential for export activity to regain momentum

- With export intensity of SMEs increasing only slightly, the fact that the **level of exports** of the average SME has declined over the last 5 years is worrying, since it indicates that export activity is not being sufficiently leveraged as a counterweight for weak domestic demand.
- As SMEs have reduced wages and laid off employees, thereby reducing **labor costs** by 50 per cent, the reasons for the still low competitiveness of Greek SMEs' exports need to be sought and addressed elsewhere.
- According to SMEs, the **key factors inhibiting export competitiveness** are (i) institutional inflexibilities – mainly excessive bureaucracy and customs procedures' inefficiencies, (ii) inadequate access to special financing for exports (such as trade credit) and (iii) weaknesses in the distribution network and transport infrastructure.
- If such obstacles are eliminated and incentives to export enhanced, there are **significant prospects** for positive outcomes, as SMEs appear to base their export activity on strongly endogenous competitive advantages (such as product quality and the skills of employees). It should be noted that circa 16 per cent of SMEs are **potential exporters**, i.e. they do not currently export, but intend to export if certain obstacles as those described above are removed.

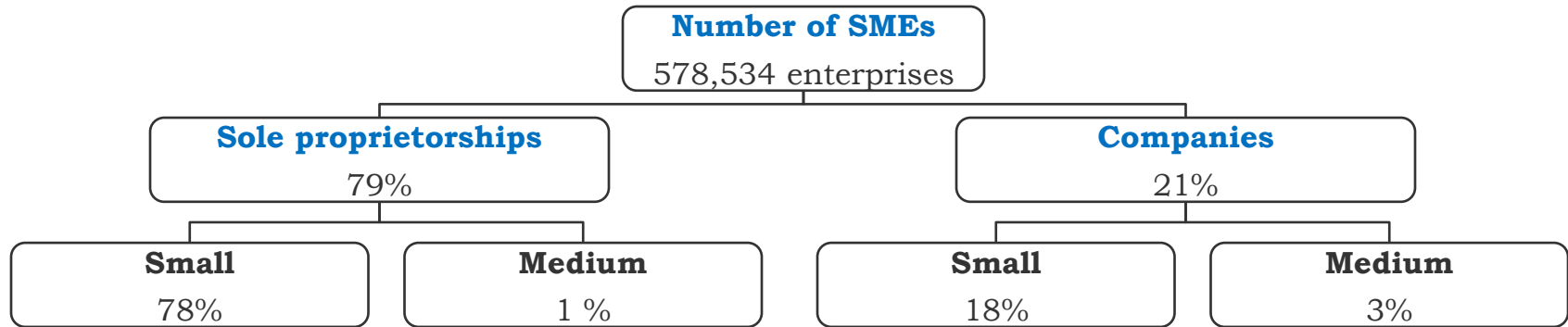


ANNEX

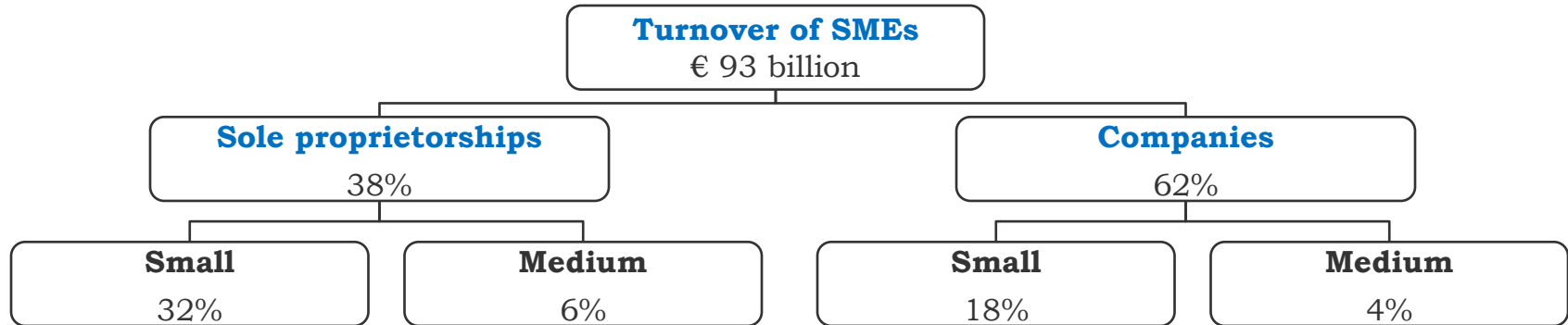




Mapping the SME segment in Greece



* 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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** Data reflect NBG's estimates for 2012 (Sources: Eurostat, SBA Factsheets, EL.STAT.).

- The circa 580,000 SMEs in Greece generate turnover of around €93 billion.
- 4/5 of SMEs are sole proprietorships, which account for a corresponding share of the total domestic business sector (as 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 per cent) 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]	65	65	65	40	235
(1 - 2,5]	65	65	65	40	235
(2,5 - 5]	40	40	40	40	160
(5 - 10]	40	40	40	40	160
Total	290	290	290	240	1.110

*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)					
Turnover (million €)	Manufacturing	Trade	Services	Construction	Total
(0 - 0,1]	1%	3%	5%	1%	10%
(0,1 - 0,5]	3%	13%	6%	1%	23%
(0,5 - 1]	2%	9%	3%	1%	15%
(1 - 2,5]	3%	11%	4%	1%	19%
(2,5 - 5]	4%	8%	4%	1%	17%
(5 - 10]	4%	8%	3%	1%	18%
Total	17%	52%	24%	7%	100%

* based on average 2007-2013

Source: Hellenic Statistical Authority - Business Register (2007), ICAP

- 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-size 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 1,110 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 entire SME business sector. In line with the methodology, the segments are weighted on the basis of their shares in total turnover and not the number of enterprises.



Constructing the business confidence index for SMEs

- *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 half year. The model for the questions is based on the harmonized questionnaire recommended by the OECD and the European Commission, thereby enhancing the comparability 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 half year, 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 the 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' progress 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).*
- *The evolution of the confidence index (and any other time-series analysis) does not take into account the closing of enterprises, just the developments regarding enterprises operating during the period this survey is carried out.*



- *Company: TNS ICAP*
- *Methodology: Quantitative research in the form of Computer Aided Telephone Interviewing - C.A.T.I., using a 20-minute structured questionnaire.*
- *Sample: A total of 1,110 interviews:*
 - ✓ *555 enterprises with annual turnover up to EUR 1 million (freelancers, sole proprietorships, unlimited companies, limited partnerships, limited liability companies, SAs)*
 - ✓ *555 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 555 enterprises the maximum statistical error is estimated at +/- 4.15 per cent at a 95 per cent confidence level*
- *Period of survey: 26/03/2014 - 08/05/2014*
- *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 44 researchers and 5 reviewers with experience and know-how in business surveys participated in the field research.*

NATIONAL BANK OF GREECE
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Survey of Greek SMEs
July 2014



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