Eurofin
Lateral Thinking

NEWSLETTER

JUL 2017
ISSUE 43

Business Opportunity Outlook

Greece

EUROFIN GROUP

This Newsletter is the official newsletter published by Eurofin Group on a monthly basis. The purpose of the Newsletter is to provide an up-to-date summary and insight on current developments in both the private and public sectors in Greece and to highlight potential opportunities. The intended audience of the Newsletter is our clients, prospective investors and market participants all over the world.

The Eurofin Group is an investment banking boutique founded in 1984. With offices established in London, Athens and Singapore, Eurofin offers financial advisory services and assistance to corporates and individuals conducting business or considering investments in a number of different industries and countries.

Although the main focus of the Group has been the shipping industry, over the years, Eurofin has also been active in other sectors such as Real Estate, Energy, Telecoms and Tourism among others.

Having established and operated our Athens office for over 25 years, we have been witnessing, monitoring and analysing the developments in Greece. During the recent years nonetheless, where the country has been in the forefront of global news for all the wrong reasons, we have kept a close watch on these developments, in an effort to share our observations with our audience.

IN THIS ISSUE

NATIONAL ECONOMY NEWS AND TRENDS

- The **utilization of state properties** is supposed to fetch revenues of €2.15 billion this year and €2.07 billion next year according to the Government midterm fiscal plan. After that, revenues are slashed drastically to about €100 million per annum.
- No more than an eighth of the sum of the **expired debts to tax authorities** can be collected. According to the Independent Authority for Public Revenue just €11.4 billion of the €92 billion of taxpayers' arrears are considered collectible, with the greatest chance of collection being from small debtors.
- The European Commission has revised downward its **forecast of Greece's economic growth** to 2.1% this year, from a previously estimate of 2.7%, and to 2.5% in 2018 from 3.1%. A day after the European Commission revised downwardly its Greek growth forecast, the Finance Ministry took its own projection even lower, to just 1.8%. The OECD has further doused hopes regarding Greek growth this year, forecasting an expansion of 1.1%. OECD stresses the need for Greece to implement reforms and for the national debt to be lightened.
- Greece mapped just 25.3% of its territory for the **Land Register**, at a cost of €1.1 billion – and counting – by the end of 2016 because of needless delays and waste. According to the World Bank's annual Doing Business report for 2017, these delays, along with outdated procedures, put Greece in 141st place among 200 countries in registering properties.
- The data of the Independent Authority for Public Revenue suggest that the s**tate's unofficial debt to the private sector** is close to €2 billion. This figure concerns thousands of tax rebate applications that have not yet been examined by the competent agencies and as a result are not considered "ascertained debt". Therefore, the actual amount of money the state owes to the market in May may be more than €7 billion.
- The Greek state has the worst solvency in Europe, as the real time of **repayment of supplier companies** has averaged out at 103 days this year, beating even the Italian state, which had held the dubious lead until last year, according to data in the "European Payment Report 2017" released by Swedish company Intrum Justitia.
- The recent hikes in **indirect taxes** have not fetched the desired results, leading instead to a €247 million shortfall in state revenues, according to figures issued by the State General Accounting Office.
- **Greece's GDP per capita** last year reached its lowest point since the outbreak of the economic crisis, at just 67% of the EU average, placing the country 23rd among the bloc's 28 member-states, according to Eurostat figures. In 2009 Greek GDP had been at 94% of the EU average.
- In terms of **real private consumption**, the average living standard of Greek households was at 77% of the EU average, the same as in 2015. At the same time the level of prices, including indirect taxes, increased in 2016 from the year before to reach 86.2% of the EU average.
- While **private consumption** shrank from €162 billion in 2009 to €124 billion last year, it grew as a percentage of GDP from 68% in 2009 to 71% in 2016, according to data from Hellenic Federation of Enterprises' (SEV) macroeconomic analysis department.
- The **digitization of tenders for public contracts** has led to savings of up to 10% of expenditure for procurements, or €340 million in just one year, official data show.
- Moody's has upgraded **Greece's bond rating** after the country reached a deal with bailout lenders for continued rescue fund payments. The credit ratings agency said that it was revising Greece's investment status up one notch, from Caa3 to Caa2, after the country received a cash installment pledge worth €8.5 billion from international creditors in exchange for a new round of austerity measures.
- A European Commission report seen by Bloomberg puts the target for **Greek privatization revenues** at €17 billion from 2017 to 2060. This will include €4 billion from bank assets.
- According to Finance Ministry figures, the **primary budget surplus** has beaten its targets for the first five months of the year due to the increase in revenues and the decline in

expenditures. Tax revenues have exceeded expectations by €386 million, boosted by the €44 million from the property transaction levy collected from the concession of the 14 regional airports.

- Hundreds of thousands of **tax audits** of outstanding cases will be canceled following a decision of the Plenary Session of the Council of State. According to the ruling, any audits conducted that stretch back beyond a five-year limit have been deemed unconstitutional. The state's audits must be conducted within a "reasonable" time frame as defined by the applying laws.
- Statistics from the Independent Authority for Public Revenue show that from January 2014 to April 2017, taxpayers failed to meet **tax obligations** adding up to €43.4 billion. In 2014 their debts reached €13.8 billion, in 2015 they came to €13.5 billion, last year they amounted to €12.2 and in the first 4 months of 2017 they totaled €4.0 billion.

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FINANCIAL MARKETS NEWS

- **Alpha Bank** was profitable for a third straight quarter in January-to-March as provisions for impaired loans declined.
- **Piraeus bank**, which is 26.2% owned by Greece's HFSF bank rescue fund and is the country's largest bank by assets, reported for Q1 a narrower net loss of €6 million due to lower provisions for impaired loans. The bank aims to sell its Balkan businesses and certain other holdings and shrink its bad loans portfolio, its new CEO told reporters, outlining the group's plans up to 2020. It has also won a shareholder approval at a meeting for a reverse stock split to reduce the number of its outstanding shares, which it hopes will improve their tradability.
- **National Bank of Greece** (NBG), which is 40% owned by the HFSF bank rescue fund, posted a net profit of €5 million, excluding assets held for sale and discontinued operations, versus net earnings of €73 million in the fourth quarter of last year.
- The governing board of **Attica Bank** has accepted an offer from British financial group Aldridge EDC for the management of a loan portfolio worth €1.3 billion.
- Greece will spend at least 3.5 years under the restrictions of **capital controls** as their abolition is not expected to come any earlier than the end of 2018, according to a competent credit sector source.
- The **value of card transactions** in Greece in the first 4 months of 2017 totaled €5.5 billion, posting an annual 22% annual increase according to estimates by Cardlink.
- **Deposits** in Greek banks declined by more than €2.4 billion in the first 4 months of 2017, while **credit** contraction continued in 2017 for an 8th consecutive year, yet April was the 2nd month of credit expansion.
- The **financing of the private sector** has decreased by some €20 billion since the end of 2014, taking the total loss for the economy to about €65 billion since the outbreak of the crisis.
- Greek **private sector bank deposits** rose in May after a small drop in the previous month, remaining at levels last seen 16 years ago, according to central bank data. **Business and household deposits** rose to €119.4 billion, their lowest level since November 2001, from €119.0 billion in April.
- **EBRD** expects their financing in Greece to keep growing and reach the €2 billion mark by 2018, according to one of its top officials.
- ECB lowered the cap on **emergency liquidity assistance** (ELA) Greek banks draw from the domestic central bank by €600 million to €43.6 billion in June.
- Entrepreneurs with debts to the state and the banks will as of 5th August be able to apply to settle their arrears under the so-called **extrajudicial mechanism**.
- Greek banks will pick up the pace of **bad-loan write-offs** in a bid to stay on course to meet

their NPL reduction targets as, NPLs have grown by €2 billion since the start of the year.

- Moody's is maintaining its stable outlook on the **Greek banking system** amid improved profitability prospects, balanced by still very high problem loans. This expresses Moody's expectation of how bank creditworthiness will evolve in Greece over the next 12-18 months.
- Greece's central bank has granted a license to **Pillarstone**, the platform set up by private equity firm KKR, to provide long-term capital to large Greek corporate borrowers and manage non-performing exposures for Greek banks.
- The **restructuring plans** that domestic lenders have agreed with the European authorities are approaching completion, as all actions provided will have to be implemented by the end of next year.
- The loans portfolio put up for sale by **Eurobank** is attracting strong investment interest but low offers as the lender begins the process for the transfer of NPLs. This is a portfolio valued at €2.8 billion which has attracted the interest of about 20 investment funds in the data room, illustrating the strong leverage the NPL market commands, partly due to the banks' commitment to reducing their bad loans by 40% by the end of 2019. The prices in the market are expected to be particularly low for the portfolio, with estimates speaking of just 5% of the original value.
- Banks are planning for **new loans** adding up to over €10 billion within the year, mainly to enterprises, provided of course that estimates for an improvement in the economic environment are confirmed.

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BUSINESS NEWS

- Greek industrial group **Mytilineos** raised €300 million through a 5-year bond with an annual yield at 3.1%, the issue being oversubscribed more than twice.
- Greece's largest carrier **Aegean Airlines** posted a net loss of €35.8 million for the first quarter, up from €21.5 million in the same period a year ago.
- The **CFOs** of companies operating in Greece are quite pessimistic about the course of the Greek economy and market according to a European survey of CFOs conducted by Deloitte in the first quarter of the year.
- The number of **companies active in the construction sector** has declined by 35.4% since 2004 as a result of the financial crisis and the considerable drop in investment in infrastructure. Compared to the 401,000 employees in the construction sector during Q3 of 2008 – just before the recession cycle started – construction employed just 141,800 workers at end-2016, which means that at least 64.6% of the construction workers 8.5 years ago have now been forced out of the sector.
- **Piraeus Port** (OLP), operator of Greece's biggest port and majority-owned by China's COSCO Shipping, has agreed to team up with the operator of Shanghai port, the world's largest container port, to promote container shipping traffic. OLP is not only planning to create 4 new mooring slots for cruise ships at the southern side of the port that will be able to receive vessels of up to 390 meters in length, but in the medium term it is also preparing the creation of a luxurious hotel and shopping center, as well as entertainment and food service spots.
- Consumers have cut their **supermarket spending** by up to 38% from 2015, according to an MRB Hellas survey. It revealed that the reduction in monthly expenditure not only concerns consumers who could not afford to spend much, but also those who up until a few years ago viewed shopping as a pleasure and liked to check out new products. Sales at supermarkets remained in negative territory after the first 5 months of the year, with turnover shrinking by between 5% and 6%, according to sector estimates.

- **Greek exports** remain below their 2008 level in absolute figures, reflecting the country's difficulty in completing its transition to a new competitive growth model, according to a study by Eurobank. Greek exports posted double-digit growth both in March and in Q1 of 2017, but they were outpaced by imports in both cases, sending the **trade deficit** to €6.5 billion, against €4.5 billion in Q1 of 2016, according to Hellenic Statistical Authority (ELSTAT) data.
- **Greek insurance companies** have passed (with minor notes) the first European solvency test based on the new capital regulations known as Solvency II.
- The board of NBG approved the sale of a majority stake in the group's wholly owned insurance subsidiary **Ethniki Insurance** to American-Dutch consortium Calamos-Exin.
- Athens-listed gaming systems provider and sports betting firm **Intralot** may consider listing on another international stock market as business in its domestic Greek market shrinks, according to its chairman.
- **Greek manufacturing activity** contracted in April for the 8th month in a row as a marked decline in new business led to production cuts and job cuts, according to a Markit's Purchasing Managers' Index (PMI) survey. It shrank in May too for the 9th month in a row, but the pace of decline in new business and production slowed from April, leading companies to add jobs for the first time in six months, according to monthly PMI survey.
- **Greek retail sales by volume** rose by 3% in April compared to the same month a year ago, after an upwardly revised 1.2% decline in March, according to statistics service ELSTAT.
- Greece's largest cement maker **Titan** said Q1 net loss narrowed, helped by robust growth in the US. Titan reported a net loss of €3.9 million versus a loss of €18.6 million a year earlier.
- ELSTAT announced that the **unemployment index** had posted a significant drop to 22.5% in March from a revised 22.9% in February and 23.8% in March 2016. The tourism season's head start thanks to the early Easter as well as the emigration of young people contributed considerably toward the index's decline to levels unseen since early 2012 (emigration factor is evident in the notably bigger reduction in jobless figure compared to that of people employed).
- Almost 3 in every 10 **stores in the Athens city center** remain closed, and on certain streets, shuttered shops approach 50%, according to a new survey conducted by the Institute of Commerce and Services of the Hellenic Confederation of Commerce and Enterprises.
- **Employees in Greece's private sector** are typically young – aged up to 49 years – and on low salaries, according to statistics on worker data submitted to the Single Social Security Entity (EFKA) by employers, with the average salary from the year starting in August 2015 dropping by 2.07% across the sector.
- The **Chipita** food company is investing €63 million in the construction of a major factory at Trnava in Southern Slovakia to add to its production units in Poland as it strengthens its presence in Central Europe. The new plant will employ more than 600 people and produce more than 72,000 tons of yeast products and snacks.
- A series of enterprises in the sectors of sales, marketing and information technology in Greece intend to **conduct hirings and raise salaries**, according to a survey by Randstad Greece. Although 70% of the 460 firms surveyed said Greece's financial state has had a considerable impact on their activities, the market is showing signs of improvement, as 71% expressed their intent to hire workers and 37.1% to raise monthly salaries – which range from €800 (for IT assistants) to €7,000 (for human resource directors).
- The contractual obligation for investing €180 million in **Thessaloniki port** should be rapidly implemented, according to the chief executive officer of CMA CGM subsidiary Terminal Link and the managing director of DIEP. The two companies control 33% and 47% respectively of the consortium that is the preferred bidder for the 67% stake in Thessaloniki Port Authority (OLTH) with an offer of €231.9 million.
- For the first time since 2013, the General Commercial Register has recorded an inc**rease in the number of new businesses launched** over the first half of the year. The register's data show that in January-June 2017 16,354 new businesses were set up against 15,981 a year earlier, posting an annual rise of 2.33%.

Real Estate

- Apartments in Plaka and other parts of **the historic centre of Athens** are increasingly only available to short-term visitors through online platforms and not to the capital's permanent residents. **Home rentals in Attica** are evolving into a two-tier market: One side is fed by demand for short-term leases through popular online platforms such as Airbnb or Homeaway, and the other suffers from the decline in prices for conventional household rentals.
- The **property rates used for tax purposes** (known as "objective values") will not be adjusted before next year after all, and neither will the Single Property Tax (ENFIA).
- The latest available data from the BoG showed that nominal acquisition rates of high-standard office space rose by 0.6% in 2016 from 2015, the first annual growth recorded since 2010. Lease rates for this same property category fell by 0.6% last year.
- **Property buyers from abroad** are this year growing at the fastest pace in a decade, as booming Greek tourism has had a positive impact on the property market too. According to the latest data from the BoG, in Q1 of 2017 the inflow of capital from abroad for real estate acquisitions increased by 61.7% on an annual basis.
- The **Greek homes market** has the lowest rates among 18 European countries according to an international survey by the RE/MAX Europe network of estate agents. In 2016 a 100-square meter apartment in a Greek city cost €92,200 on average, or €922 per sq.m., while outside urban areas the average price of a house of the same size stood at €67,000 (670 €/sq.m.).
- **Lamda Development** has bought out HSBC Property Investments' stake in Greece's biggest shopping center and plans to list its shopping mall business on the Athens stock exchange. The country's largest listed property developer said its decision to buy HSBC Property's 50% stake in The Mall Athens for €200 million and take full ownership, reflected its optimism about Greece's economic outlook.
- One year after its closure, the **Athens Ledra Hotel** is passing into the hands of Sygrou 115 Hotel SA, a company controlled by US property investment firm Hines, for just over €33 million.
- **London & Regional Properties** (L&R Properties) is in advanced discussions with Greek banks and private entities for the acquisition of mainly tourism but also commercial properties. The value of such investments may reach up to €300 million according to the latest information from company sources.

Tourism

- The **tourism sector** is showing genuine signs of growth this year that suggest it will be the main driver of the Greek recovery, as it will help state revenues, the private economy, the country's current accounts and employment. The government is for the first time speaking of 30 million arrivals in 2017.
- A large number of hotel units at Greek destinations that are particularly popular with foreign visitors have stopped taking **bookings for peak summer season** earlier than ever before, having already reached their full capacity for August bookings.
- Greece can only expect a moderate increase in **Chinese tourism arrivals** this year, less than 10% up on last season, according to the General Panhellenic Federation of Tourism Enterprises (GEPOET), which took part in the ITB China 2017 fair earlier this month.
- **Cruise tourism activity** is projected to record a 15% decline this year as the sector is going through a recession in the Eastern Mediterranean, according to Theodore Kontes, head of the Union of Cruise Ship Owners & Associated Members (EEKFN). Even so, estimates suggest cruise tourism revenues will be maintained or even rise this year, although a forecast of €500 million appears rather an optimistic target given the current circumstances.
- **Airline seat occupancy** on flights to Greece posted a 0.9% increase last year according to data processed by the Institute of the Greek Tourism Confederation (SETE). Planes into Greece were 80% full in 2016 against 79.1% in 2015, while the number of seats available came to 23 million against 21.65 million in 2015.

- **Fosun International Ltd**., China's largest private conglomerate, wants to use its stake in UK-listed tour operator Thomas Cook Group to offer vacation packages in Greece tailored to the needs and preferences of the Chinese market, Senior Vice President Jim Jiannong Qian has told Bloomberg. Furthermore, revenues at Thomas Cook rose 3% thanks to strong demand for winter holidays in Greece and long-haul destinations, the tour operator said while describing the country as a "standout" destination for this summer.
- **Investment in new hotels in Greece** has suffered considerably in the last few years, according to a survey by the Institute for Tourism Research and Forecasts (ITEP). The research, presented by the president of the Hellenic Chamber of Hotels, Giorgos Tsakiris, showed that in 2015 and 2016 the annual growth rate in the number of hotel rooms amounted to just 0.3% and 0.6% respectively.
- 15 **new investment initiatives by business groups in the tourism sector** for the creation, expansion and modernization of hotel units at popular Greek destinations are currently unfolding.
- Greece is one of the **cheaper holiday options** for most Europeans, as accommodation rates here are currently lower than in their own countries, according to data compiled by the Trivago travel website.
- Greece has **a two-speed tourism industr**y, both in terms of travel revenues and international arrivals as there are great differences between the different regions according to the first analytical survey on regional variations by the BoG. The report confirmed that travel takings last year amounted to €12.75 billion, not including revenues from cruise passengers. The bulk of that figure, 87.5% of the entire sum for 2016, was recorded in 5 regions: the Southern Aegean (€3.14 billion), Crete (€3.1 billion), Attica (€1.73 billion), Central Macedonia (€1.69 billion) and the Ionian Islands (€1.5 billion).
- Dozens of **tourism investments are under threat** due to the lack of zoning plans, while over-taxation is putting the future course of the sector at risk according to data and estimates presented during annual general meeting of the Greek Tourism Confederation (SETE).
- In the broader area of Athens centre – not including the southern suburbs, which have also seen short-term property rentals rocketing – the **number of properties up for lease** amounts to 5,127 according to the latest statistics supplied by the independent Inside Airbnb service, while just nine months ago the supply in Athens did not exceed 2,500 options.
- The government has given the green light for the creation of a holiday village next to the famous Koukounaries beach on the northern Aegean island of **Skiathos**.

Energy

- Greece's **Energean** said it signed contracts to supply up to 23 billion cubic meters of natural gas to private Israeli power stations from the Tanin and Karish gas fields off the coast of Israel.
- **Demand for fuel** in the domestic market recorded an unexpected drop in April, led by diesel, which slumped 14% on an annual basis and 8.5% from March. Traders in the various forms of gasoline posted notable y-o-y losses ranging from 5 to 10%. Furthermore, unofficial data for May showed that the drop in consumption had eased significantly, amounting to -4% for gasoline (from -11% in April) and -3% for diesel (from -14% the previous month).
- Greece approved applications submitted by a consortium of Total, ExxonMobil and Hellenic Petroleum for **oil and gas exploration and drilling off the island of Crete** according to the Energy Ministry.
- Greece will begin the process of opening up **new onshore oil and gas prospects to exploration** next year, according to the chief executive of the country's oil and gas resources' management company.
- Public Power Corporation (PPC) is considering a plan for the **securitization of customers' expired debts** to the company in a bid to fill its empty coffers. The company sees **core profit** of around €700 million this year, down from about €1 billion in 2016, according to its chairman.
- The plan to save fuel firm **Jetoil** of the Mamidakis group has survived delays and

disagreements and appears to be back on track, paving the way for entry in the local fuel market of Rosneft with access to cheap Russian oil.

- The Regulatory Authority for Energy has begun scanning the market for the concession of the project to connect the **power supply** of Chania and the rest of Crete with Greece's main grid to another investor in case the Independent Power Transmission Operator (ADMIE) proves unable to meet the timetables set.
- **Wind power** accounted for 10.1% of the total amount of electrical energy produced in Greece in 2016, just above the EU average, which stood at 10%.

Investments

- Greece remains a laggard in attracting **Foreign Direct Investment** despite a 123% increase in 2016 compared to the year before, according to the latest annual report by Ernst & Young. Among the 44 European countries surveyed for FDI attractiveness, Greece ranked 34th in the number of FDI projects and 35th in the number of jobs created. According to the BoG, Foreign Direct Investment in 2016 came to just €2.8 billion. This is a far cry from the pre-crisis period (€4.23 billion in 2006) but better than the just over €1 billion recorded in 2015. Investment in Greece amounted to 11.4% of the country's 2016 GDP, which is the lowest rate among all 28 EU member-states and much lower than the 19.7% average.
- Foreign investors were net buyers of **Greek stocks** in April, taking their share of ownership in Greek listed companies to 63.9%, against 61.6% in March and 61.8% in February.
- **Papastratos** and its parent company Philip Morris feel justified regarding the €300 million investment announced in March, one of the biggest by a foreign group in Greece since 2009.
- Nearly 7 years since the first law was introduced on the **fast-track process for investments**, only a handful of the projects that entered the scheme have been completed, and not 1 has started operating. In most cases the implementation of the investments has been delayed, not due to the non-application of the law but because of the inability to fund them.

Technology - Communications

- Greek telecoms company **Forthnet and Chinese telecom equipment maker ZTE Corp** have teamed up with 2 other Chinese firms to finance a fiber optic network in Greece.
- Greece's biggest betting company **OPAP** has selected Deutsche Telekom-controlled Greek telecoms group OTE to upgrade telecoms infrastructure at its outlets across the country. The company reported an 8.7% drop in Q1 net profit, hurt by costs for the rollout of a new video lottery business.
- Greece's biggest telecoms operator **OTE** posted a 1.7% drop in Q1 core profit, hurt by tough conditions in crisis-hit Greece and Romania.
- The **special tax on pay-TV services** introduced last year has damaged the sector to the extent that growth in Greece's pay-TV market grounded to a virtual halt in 2016, posting a negligible increase of 0.2% over the 2015 level.

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TENDERS - PROCUREMENTS

- The Athens International Airports' Canadian investors **PSP** submitted an improved offer for the concession contract's extension by 20 years, amounting to €600 million plus 15% of annual operating profits, which state sell-off fund TAIPED accepted.
- Greek construction group **GEK Terna and India's GMR Infrastructure** hope to start building a new €850 million airport on Crete (Kasteli Airport) early next year, according to a source from GEK Terna. Greece awarded the contract to the Greek-Indian JV, which was the sole bidder.
- Greece's privatization agency TAIPED is scrambling to keep **Elliniko**, a major privatization project, afloat following a decision by the Piraeus forestry authority to declare as woodland a section of the old Athens airport plot at Elliniko, which was conceded to a consortium of Greek, Chinese and Arab investors last year.
- Greece will complete a shortlist by the end of the year of potential contractors for a €1.45 billion project to **expand the Athens metro**, according to the head of operator Attiko Metro.
- Greece re-launched a tender for the **sale of a majority stake in its natural gas grid operator DESFA**, the country's privatization agency said. Under its latest international bailout, Greece has agreed to sell state assets including a 66% stake in DESFA.

GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

The past two months have been bad for the shipping markets. Tankers, bulk carrier and containership rates have all dropped since May. In the tanker market, it seems that a worldwide glut in crude oil is causing the drop in rates. There seems to be a lot of supply, but demand isn't as high as shipowners would like. Despite the OPEC cuts going on as planned, the USA is still pumping out shale oil as the economics continue to make sense. In the past traders would charter tankers for storage as they anticipated an increase in the price of oil, whereas now demand is low enough that VLCCs are being chartered out for storage purposes by producers.

The dry bulk sector also dipped after a promising March and April, where the BDI went from a high of 1338 to a low of 820 in early July. At the time of writing, this has improved to 932. However, the end of the South American grain exporting season has left smaller vessels with fewer cargoes and the larger vessels have to contend with Chinese demand. During one month China imports iron ore and coal for its steel mills, the following month they have stockpiles and demand drops. The only solace for the dry market in recent months was the increase in Panamax coal cargoes. This has been attributed to the unexpectedly warm June in China, which required additional coal to help power an increased use in air-conditioning.

Containerships have been performing badly for years now and the improving market had been attributed to an increase in vessel scrapping (especially in the 4,400 Teu sector) and to the re-organisation of logistics for the liner alliances. However, many of the vessels chartered were for short-term periods. Now, liner companies are putting pressure on tonnage providers and managing to get more competitive rates. Additionally, the improvement in the market prompted owners to slow down scrapping. With the drop in market rates, it is expected that scrapping will again increase.

On the sale and purchase market, there is a lull in activity, which is fairly standard in the summertime. Owners are off on holiday to escape the heat of the cities and, as a result, the S&P market quietens down. Hopefully, the activity will increase in September.

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