



Business Opportunity Outlook

Greece

We are pleased to attach the twelfth issue of Eurofin's monthly Greek Newsletter providing business news and highlighting investment opportunities in Greece.

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EUROFIN GROUP

Celebrating 30 Years! (1984 - 2014)

The purpose of this newsletter is to provide an up-to-date summary of current developments in both the private and public sectors in Greece and highlight areas of potential interest for prospective investors all over the world.

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

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

Having established our Athens office in 1989, we have kept a close watch on the developments in Greece, especially in the past few years as the country has been in the forefront of global news due to all the wrong reasons.

NATIONAL ECONOMY NEWS AND TRENDS

- Greece raised €3 billion from the sale of 5-year bonds last April, the first such action since April 2010, and another €1.5 billion of 3-year bonds in July. It plans to raise more money, estimated between €1.5 to €3 billion in the autumn by selling 7-year bonds or short-dated debt instruments maturing in more than a year, as well as several billion in the next two years.

- In its fifth review of the Greek program, the IMF projected that gross financing needs will exceed gross financing sources by €12.6 billion in 2015. The gap, which opens after May 2015, is calculated on the assumptions of arrears clearances, the collection of privatization proceeds equal to €7 billion during the 2014-2016 period and the repayment of IMF loans totaling €19.1 billion over the 2014-2016 time span.
- Alpha Bank, in its newly released weekly report, highlights that the over-taxation of property is suppressing the potential of an economic recovery. This could have been achieved, as far back as the first quarter of 2013, had faulty and detrimental property taxes not been imposed.
- The European Financial Stability Facility (EFSF) approved recently the disbursement of a €1 billion sub-tranche of bailout loans to Greece. The next three months however, are considered crucial, as the government will have to deal with all open fiscal fronts, starting with the 2015 budget, in order to obtain a favorable agreement on the debt.
- Greece's hopes of a 2014 exit from its deepest recession in a half-century may hit a stumbling block after Russia banned European Union food imports in retaliation for sanctions stemming from the insurgency in Ukraine. Russia is Greece's biggest trading partner, according to data compiled by Bloomberg. The value of total trade between the two nations reached €9.3 billion (\$12.5 billion) in 2013, surpassing trade flows between Greece and fellow EU-member Germany. In addition, tourist arrivals from Ukraine are likely to drop by 50 % while arrivals from Russia are expected to reach 1.1 million, instead of 1.3 million.
- Moody's raised Greece's sovereign credit rating by two notches from 'Caa3' to 'Caa1' and gave it a stable outlook, saying it believed the government's fiscal position had improved significantly. Fitch assigns Greece a B credit rating, while S&P rates it B-/B. All three credit ratings are still in junk territory, reflecting a high debt level of about 175 % of the country's gross domestic product.
- According to figures recently published by the Labour Ministry from its "Ergani" database, new hiring outstripped lay-offs by 13,275 job positions in July. Moreover according to the country's statistics agency ELSTAT, Greece's jobless rate eased to 27.2 % in May from 27.3 % in the previous month.
- The German bank Berenberg noted that the slight contraction of 0.2 % in gross domestic product (GDP), was the smallest in the six-year period and strengthens hopes that Greece could achieve the first actual rise in GDP this year since the crisis began.
- The central government budget had a €2.3 billion primary surplus in the first seven months of the year, topping a target of €800 million according to the Finance Ministry.

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FINANCIAL MARKETS NEWS

- July proved to be the fourth consecutive month of decline for the Greek Stock Exchange as its benchmark shed 3.73 %, which was in line with most international stock markets on account of the Argentinean selective default. International sanctions on Russia and the Ukraine crisis have also played their part.

- According to the restructuring plan approved by the European Commission, National Bank will retain a presence in neighbouring Turkey by retaining majority control of Finansbank, but will have to withdraw from all other countries in Southeast Europe. By June 2018, it has to sell its subsidiaries in Albania, Bulgaria, the Former Yugoslav Republic of Macedonia, Romania, Serbia, South Africa and the branches it operates in Egypt.
- Piraeus Bank's restructuring plan provides for a maximum of 870 branches and no more than 15,350 employees by the end of 2017, while the value of its foreign assets will either have to be reduced to €3.1 billion by June 2018 or they will have to be sold altogether except certain combinations (Cyprus-Romania, Cyprus-Bulgaria, or Bulgaria-Albania-Serbia).
- Piraeus Bank, Greece's second-largest lender by assets, has agreed to sell its ATE Insurance business to Ergo Insurance Group, a subsidiary of German reinsurer Munich Re, for €90.1 million in cash.
- Greece's third-largest lender Eurobank said it had agreed to sell its Ukrainian unit to Ukraine's Delta Bank Group for €95 million. The deal for Eurobank to sell PJSC Universal Bank and transfer its Ukrainian assets is expected to be completed during 2014.
- Greek banking sources are denying reports that the sector will need a new round of increased capital support, announcing that no such news has been delivered to them by the European Central Bank.
- Greece's banks are on healthy capital bases, and should any capital injections be needed, the sum should not exceed €3.5 billion, Morgan Stanley notes in a new report. The Morgan Stanley report says that Greek banks' capital reserves appear sufficient ahead of a new round of stress tests scheduled to be conducted on all European Union banks in October.
- The private-equity units of Goldman Sachs Group Inc. and Deutsche Bank AG are nearing an agreement to purchase the buyout arm NBGI Private Equity Ltd. of National Bank of Greece SA, according to people with knowledge of the matter.

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BUSINESS NEWS

- Car sales in Greece continued to rise during July, according to data published by the Hellenic Statistical Authority (ELSTAT). The number of new cars to go into circulation in July this year came to 10,744, representing a 13.9 % rise compared to the same month in 2013.
- ELSTAT also reported that in the seven-month period from January to July, the number of new cars to go into circulation stood at 63,026, or 28.1 % above last year's 49,214 new registered vehicles.
- The government has introduced a legislative amendment aimed at promoting electric cars in Greece and bringing it closer to European Union targets for the proliferation of electric mobility.
- The European Commission has cut this year's fishing quotas for 10 member countries to compensate for overfishing in 2013 as it seeks to regenerate Europe's depleted fish stocks. This year's deductions will affect Europe's top fishing nations – Denmark, Spain, Britain and France – as well as Belgium, Greece, Ireland, the Netherlands, Poland and Portugal. The Commission estimates that 75 % of European fish stocks are currently overfished, compared with 25 % worldwide.

- The return to growth of the manufacturing sector proved short-lived, as the Purchasing Managers Index (PMI) dropped to a nine-month low in July to 48.7 points, against 49.4 points in June, according to Markit Economics. The survey's report attributes the decline to two main factors – shrinking production and an accelerating reduction of new orders in the sector
- Productive small and mid-sized enterprises are nearly three times as likely to introduce some form of innovation than commercial firms, a study has found. According to a research paper by the Applied Marketing Department of the Thessaly Technological School (TEI), 44.6 % of all enterprises included research and development (R&D) into their growth model in the 2012-2014 period. The largest segment of them were productive concerns (48.3%), while commercial firms lagged far behind (17.2 %). Food manufacturing and metal construction firms appear as leaders in innovation.
- The "Competitiveness, Entrepreneurship and Innovation" program, part of the new European Union-subsidized National Strategic Reference Framework (NSRF) for the 2014-20 period will make a major contribution to the revamping of the Greek economy. The program, budgeted at €3.6 billion, will focus on strategic sectors such as agricultural production, the food industry, energy, logistics, the cultural and creative domains, the environment, tourism, information technology and communications, health and construction.
- Domestic consumption of olive oil has been on a mild slide on recent years, as the recession has led to cutbacks even in basic foodstuffs. Total turnover fell 4 % in 2012, to €409.77 million. The fall mainly concerned labelled brands, as consumers mainly prefer buying in bulk. Olive oil production this year is forecast for a sharp 62 % drop, mainly due to adverse weather conditions.
- The payments that Greek firms received via PayPal increased by 30 % in the first half of the year compared to the same period in 2013, according to new data from the online payment company. Most payments were from North America and Canada (31 %), followed by Great Britain (16 %) and Germany (10 %).
- Eight small and medium-sized public work projects, including the completion of a new stretch of highway at the notorious Maliakos Gulf in central Greece, are due to be completed by the end of the year according to Infrastructure Minister Michalis Chrysochoidis.
- Greek retail sales fell by 3.8 % in May compared to the same month last year, after a downwardly revised 7.1 % rise in April, statistics service ELSTAT.
- Listed cement maker Titan said that its second-quarter net profit more than doubled thanks to strong growth in the United States.
- Greek firms are forced to wait an average of 298 days, or nearly 10 months, for their VAT refunds to come through, according to data provided by the General Secretariat of Public Revenue.
- The average salary at Greek enterprises fell a further 10.27 % in 2013, while the earnings drop in the construction sector was even steeper, at 15.82 %, according to data compiled by the Social Security Foundation (IKA, the country's largest social security fund for private sector employees). Average daily wages fell 6.92 % and 7.11 % respectively. According to the data, the average daily wage of those in full-time employment (excluding the financial sector) came to €54.66 and the average monthly salary to €1,265.08. In part-time employment the respective rates were €25.07 and €445.33. The average wage in the construction sector was €43.08 and the average salary €561.33.
- The data – compiled by IKA – showed that the number of enterprises employing between one and five persons decreased from 206,615 in 2008 to 164,245 in 2013, a contraction that led to 66,531 job losses. The data also showed that 42.29 % of private sector firms provided a mere 5.25 % of total employment in the private sector.

- The market share of Greek-style yogurt sales in the US has shot up from just 1 % in 2007 to 49 % this year, according to a report by Bernstein Research. Greek consular authorities in Washington estimate total turnover in the US grew to \$2.66 billion last year from just \$35.4 million seven years before.
- According to data compiled by Nielsen, the turnover of Greek-style yogurt in the UK rose to €265.4 million last year from €150.7 million in 2011.
- Piraeus Container Terminal SA, a subsidiary of Chinese company Cosco Pacific which manages container terminal facilities and operations at Piraeus port, achieved a 22 percent profit increase in the first half of the year, according to the parent company.
- A record number of containers were processed in July at Terminal 1, which is run by the Piraeus Port Authority (OLP). A total of 50,517 containers were handled, which is the most during a single month in OLP's history. Management also revealed that productivity at Terminal 1 has increased by about 40 percent since 2009, with 161 containers now being processed each shift rather than 115.

Real Estate

- Savills estate agents annual report states that Athens offers the smallest discounts in rental rates for professional properties among 21 cities in the Europe. The average lease rate discount recorded in the Greek capital was 2.5 %, which translates to a free rent period of just a-month-and-a-half on a five-year lease for a renovated office space at a prime location.
- The Church of Greece is expected to proceed with a bidding process for the first of its properties during September; 83,000-square meter plot at Vouliagmeni near the Astir Palace Resort. The Church's property utilization company (EAEAP) and consultants Cushman & Wakefield will start by choosing an administrator.
- Bank of Greece data showed Greek property prices declined at a slower pace in the second quarter of 2014. Apartment prices fell 7.3 % from a year earlier. The annual pace of decline, which was 8.5 % in the first three months of the year, has gradually eased since the third quarter of 2013. The market has been hit by property taxes which the government has raised to help plug the budget deficit. Apart from their negative wealth effect, falling property prices also affect the collateral value on banks' outstanding real estate loans.

Tourism

- An extremely important discovery dating from the era of Alexander the Great was found in Amfipoli-Macedonia by archaeologists who have been excavating the area for the last two years. Archaeologists have discovered the entrance of a tomb which is guarded by two Sphinxes, each two-meters-tall, dated between 325BC and 300 BC. The archaeological excavations continue.
- Official figures showed that passenger traffic at the Athens International Airport posted an annual rise of 22.2 % in July. More than 1.7 million passengers passed through the airport in July, up from 1.4 million last year.
- According to the same data, passenger traffic in the first seven months of 2014 rose by 18.1 % compared to the same period last year.
- The marked increase in passenger traffic in coastal shipping this year is creating the necessary conditions for the restructuring of the sector, which is essential for its survival. The passenger traffic to date and the growth anticipated in August and September, thanks to the soaring of tourism, can vindicate the forecast by the McKinsey consultants for Piraeus Bank, which suggested that the coastal shipping sector can return to profits and to sustainable groups. The study cautioned that potential total profits of €170-180 million per year to be realized were contingent on companies proceeding to establish best possible synergies and rationalize their operations.

- The upheaval in the Middle East and a restructuring of schedules by international cruise groups are expected to weigh on cruise tourism visiting Greece this year, an Infobank Hellastat study has found.
- The sector registered revenue losses of 2.3 % last year, generating €574 million versus €588 million in 2012 and €605 million in 2011. Greece ranked third in cruise traffic in Europe in 2013, behind Italy and Spain. The report also said the main ports of popular islands such as Myconos and Santorini are too small for large luxury liners.
- According to the Centre of Economic Planning and Research (KEPE) tourism in Greece and the development of related industries are in urgent need of research to achieve better results. A related OECD study showed that in several large economies the value produced by industries related to their cultural activities is of the order of 3-6% of GDP. The KEPE study draws attention to the fact that, according to 2012 data, the number of admission tickets issued for Greece's largest museums and archaeological sites lagged far behind those issued for their counterparts abroad.
- Thanks to its improved image, Greece seems to be attracting an increasing number of visitors from emerging economies. Brazilians, Koreans, Filipinos, Indians and Mexicans among others who often spend more money than those from the so-called "traditional" origin countries.
- Greece will overshoot the target of 19 million foreign visitors this year – and that's not counting cruise passengers – according to tourism industry officials. Including cruise ship visitors the total will reach to more than 21 million. The projection is based on the number of arrivals at the country's main airports in the first seven months of the year, which was up 16.5 % on an annual basis. The total number in 2013 was 20.1 million.
- For the first time ever, Greece is projected to receive about 1 million Turkish tourists this year – representing a roughly 50 % increase on the figure three years ago – according to the association of hoteliers in Thrace, northern Greece.

Energy

- The government intends to implement measures reducing energy costs for enterprises, even without the approval of the European Commission, according to the Development Minister.
- According to the head of the Hellenic Federation of Enterprises (SEV), there is an immediate need for decisions to cut energy costs for industry.
- The international tender issued by the government for oil drilling in 20 areas in the Ionian Sea, Western Greece and off Crete, contains terms that can only be met by very large oil companies. Environment and Energy Ministry officials confirmed that these terms result from a targeted strategy to attract oil giants, mainly dictated by the great depths of the areas to be drilled. Small and mid-sized companies may participate in consortia led by very large operators, which include Greece's Hellenic Petroleum and Energean.
- Energy Minister has forwarded a request to the European Commission for the establishment of an emergency mechanism that would offer support to Greece and other EU member states in the event that they were affected by a natural gas supply stoppage from Russia via Ukraine. Possible increased energy costs would threaten the ongoing effort being made to revive Greece's depressed economy.
- Russian energy firm Gazprom has prepared an alternative plan for the prospective South Stream natural gas pipeline's route in the event that the project does not pass through Bulgaria, as originally intended. The pipeline, whose final destinations are seen being Italy and Austria, could pass through Greece and Turkey rather than Bulgaria, according to the Russian newspaper Vzglyad.

Investments

- Eurobank' shareholder Fairfax Financial Holdings Ltd announced that Quebec's securities regulator is investigating Chief Executive Officer Prem Watsa and President Paul Rivett as part of a probe into possible insider trading.
- Deputy Development Minister has approved state subsidies, through a tourism sector investment law, for the development of 16 hotels on the islands of Myconos, Santorini, Crete, Cephalonia and Ios, as well as the mainland town of Pylos worth a total of €100 million in investments.
- In an official filing MIG informed that it has sold its entire participation in MIG Real Estate (34.96% of the company's share capital) to NBG Pangaea REIC for a cash consideration of €12.3 million.

Technology - Communications

- Google announced a plan to bolster Greek tourism's online communication tools, in collaboration with the Greek National Tourism Organization (GNTO) and the Association of Greek Tourism Enterprises (SETE). The Google's "Grow Greek Tourism Online" initiative aims to provide enterprises in the sector with the necessary Internet-related skills and tools that will help them to up their business even beyond the summer season.
- Greece's biggest telecoms company OTE reported a 21 % rise in profit in the second quarter as the country's austerity-hit economy stabilized. Revenue at the firm, which is 40% owned and managed by Germany's Deutsche Telekom, fell 5.2 % to €950.6 million, while net income rose 21 % year-on-year to €69.3 million.
- Britain's Vodafone has agreed to acquire a further 73 % stake in Greece's broadband and fixed-line telephony provider Hellas Online for €73 million, to help it better compete in the highly competitive market.

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TENDERS - PROCUREMENTS

- Commuters will be able to travel from Athens to the western port city of Patras by train in just two hours once the construction of the Suburban Railway (Proastiakos) section from Kiato to Rododafni is completed in 2017 by METKA SA, the listed company that won the project's tender. METKA offered a 178.24 % discount to the original budget of €227.04 million, not including value-added tax.
- Intralot confirmed previous reports to emerge as the sole bidder in a tender for the license to operate Greek horse-race betting held by state privatization fund TAIPED. However, the fund has decided to relaunch a tender for the 20-year mutual horsebetting license after failing to accept an improved bid from the gaming systems firm Intralot. This was the first time that the privatization fund has turned down an improved offer from an investor for any of the assets it is selling.
- In addition, it is noticed that the investment firm Global Family Partners sent a letter to TAIPED expressing an interest in the permit and pledging to invest €40 million toward the development of Greek horse racing.

- Greece's privatization agency (TAIPED) expects to raise €300-380 million by March 2015 by auctioning frequencies to cell phone operators.
- TAIPED proceeds with the sale of five state properties abroad – two in the USA (New York and Washington), one in South Africa (Pretoria), another in Slovenia (Ljubljana) and the last in Serbia (Belgrade). The tender will be held in just one stage with a deadline for offers set on 3rd October. TAIPED aims at announcing its preferred bidders by November 5.

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GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

The summer holiday period was reflected in the shipowning community, which was rather quiet during August; Greek shipowners haven't been very active in their S&P activity this month. The Baltic Dry Index dropped by 116 points (13%) in August from the previous month and 327 points (29%) from the previous year's levels. In the freight market August ended with a decrease in dry bulk and tanker spot rates but a positive reverse in the container market.

Traditional debt ship-finance availability still remains limited while other institutions and funds are still keen in shipping and are entering in the sector providing the necessary funding for traditional big shipping names.

Petros Pappas, who has managed during his 35 years existence in shipping over 230 vessel acquisitions and disposals, seems to be on the way to build on this number again. In a filing with the Securities & Exchange Commission (SEC), the Oaktree Capital and Pappas Star Bulk Carriers has filed a US\$1 billion shelf registration, clarifying that cash from any fundraiser will be used to clear debt and/ or complete further acquisitions.

Attica Holdings, a member of Marfin Investment Group (MIG), has reached a comprehensive agreement with all of its lenders for the full and long-term refinancing of existing loans. According to the refinancing package, funds managed by Fortress Investment Group will invest €75m (US\$101.25m) in Attica Group, the owner of Blue Star Ferries and Superfast Ferries.

Diana Containerships has collected US\$92m from a private placement which shall be used for working capital and vessel acquisitions.

DryShips is close to complete the refinancing of a US\$700m bond maturity, after two banks stepped in with loans covering most of the payment. The first bank is Dutch bank ABN Amro which extended a bridge loan facility of US\$350m. Nordea, also intends to extend a loan DryShips up to \$170m for five years. The deal will be backed by six bulkers.

Tsakos Energy Navigation (TEN) is close to a long-awaited listing of a master limited partnership (MLP) within the next 12 months. TEN principals aim to complete the spin-off during the first half of 2015 and proceed with newbuilding orders.

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