The response of the Greek companies to the pandemic

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Introduction

Coronavirus has established itself as a part of our daily lives. Since the beginning of the year, and the outbreak of the pandemic in China, no one could anticipate the current reality and how much it would change as a result of the general health destabilization.

Greece, coming out recently from a period of financial stress, showing positive signs of returning to social and economic normality. The pandemic, however, drastically changed the country's momentum, having a significant impact on health, social cohesion and the economy as a whole.

This report documents and analyses the effects of the pandemic on the Greek economy and more specifically on listed companies that are undoubtedly an integral part of country's production process.

1st Chapter

The **first chapter** presents the economic environment of Greece prior to the break out of the pandemic in March 2020.

2nd Chapter

The **second chapter** analyses the reaction of listed companies during the first half of 2020, illustrating the adjustments required by the companies towards the pandemic, as well as the performance of important financial indicators and the rearrangements that took place within the market compared to the corresponding period of 2019.

3rd Chapter

The **third chapter** presents a more in depth analysis of the data based on the sectoral classification of the listed companies included in the study sample, highlighting those sectors that were the most financially compressed due to the pandemic, those that showed resilience to the crisis, as well as those that came out stronger.

4th Chapter

Finally, the **fourth chapter** presents the country's future challenges inherited from the pandemic, the opportunities as well as the short and long-term risks that may arise and require an immediate and collective response.

1[st] Chapter

The impact of the pandemic

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The pandemic crisis “found” Greece in a better condition

The period prior to the outbreak of the pandemic, Greece was in a completely different level of readiness compared to the debt crisis in 2009. Having completed the adjustment programs, the pandemic found Greece’s economy in a situation with positive fiscal figures, improved levels of trust and easier access to international markets.

This gave Greece the ability, in combination with the necessary support from the European Union, to create sufficient fiscal space for the support of businesses and employees who were exposed to the pandemic’s effects.

Main comparison indices of the economic crisis of 2009 with the country’s situation before the health crisis in 2020*

GDP
Economic crisis

175.2 € bn

Prior to the pandemic

183.6 € bn

Unemployment
Economic crisis

27.5%

Prior to the pandemic

17.3%

Economic Climate Index[1]
Economic crisis

79.3 points

Prior to the pandemic

110.4 points

Yield of the 10-year Greek Bond
Economic crisis

29.2%

Prior to the pandemic

1.1%

Exports of Goods & Services
Economic crisis

20% of GDP

Prior to the pandemic

38.1% of GDP

Non-performing loans
Economic crisis

49.1% of total loans

Prior to the pandemic

40.1% of total loans

Fiscal Deficit (-) / Surplus (+)
Economic crisis

-15.1% of GDP

Prior to the pandemic

1.5% of GDP

Index of Infrastructure[2]
Economic crisis

49 points

Prior to the pandemic

78 points

* The “economic crisis” refers to the lowest index value for the period 2009 – 2017 (2010-2017 for cases where no data of the index was available for the year 2009), while data “prior to the pandemic” refer to the value of the index in 2019.

Source: ELSTAT, Eurostat, Federal Reserve Bank of St. Louis, Bank of Greece, World Economic Forum

[1] Values above 100 mean that the country finds itself above its long-term average, while values under 100 the opposite

[2] Quality of Infrastructure Index

The characteristics and inefficiencies of the country's economic model constituted at the outset a source of uncertainty with regards to the management of the crisis

The Greek economy, despite its long-term adjustment during the 10 years crisis, did not manage to solve its structural inefficiencies. Greece's economic model remained weak, cultivating adverse expectations on the effects of the pandemic to the domestic economy.

The country's significant reliance on tourism and accommodation services rendered the economy quite vulnerable to the pandemic, which had an immediate and drastic effect to the aforementioned sectors. At the same time, an important structural weakness is the high level of consumption as a percentage of GDP, which stands above the historic European average by no less than 20 percentage points.

At the same time, the Greek economy is characterised by a low digitisation rate of both the state and the business sector. According to the Digital Economy & Society Index (DESI), Greece was placed second to last (27th)* among the other EU countries, reflecting the low use of technological solutions and especially the reduced penetration of e-commerce and e-banking that prevailed before the pandemic.

Additionally, the small size of Greek companies traps them in an environment of low productivity and introversion, while it significantly hinders their ability to draw liquidity, invest and innovate. These innate characteristics, which historically constituted an obstacle towards entrepreneurship, intensified the concerns regarding the potential damage the Greek economy would incur due to the pandemic.

*__Source__: DESI Report 2020. European Commission

Remarkable resilience of the Greek economy to the pandemic crisis

In contrast to the general negative climate following the outbreak of the pandemic, Greece demonstrated quick reflexes in managing the health crisis. The digitisation of critical public administrative operations was accelerated, enhancing state's modernisation process and creating the base for next day.

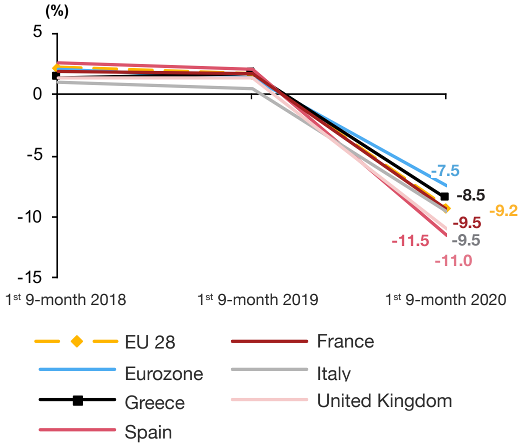
At the same time, a significant part of Greek businesses, despite their digital deficit, successfully adapted techniques to confront the pandemic, like the remote working model and other digital solutions required, such as e-commerce. According to data published by the Ministry of Finance, there was an increase of electronic transactions by € 3 bn in October compared to last year.

Looking at the 9 months of 2020, the Greek economy shrunk at a lower pace relative to the Eurozone* (8.5% versus 9.2%), while strong European economies experienced a much deeper recession in the first 9 months.

Greece's positive trend prior to the pandemic, in combination with the strengthening of critical sectors in the midst of the health crisis, boosted the country's global place on the International Institute for Management Development (IMD) rank regarding the international competitiveness. The rank takes into consideration the economic performance of the country, the performance of its public and private sector as well as the quality of its infrastructure. Amidst the crisis, Greece managed to ensure financing of €12 bn** in 2020 from global markets with an interest rate of around 1.7%** on average. The low loan rates, despite the difficult circumstances that the Greek economy is facing due to the pandemic, are not only supported by the inclusion of the Greek Bonds to the European Central Bank's quantitative easing program, but also they reflect lenders' trust towards the country's future prospects.

Greece's relatively better economic course in comparison to the other European countries, the effective management of the pandemic and the progress achieved, especially during adverse circumstances, empowers confidence towards the country and bolsters its image internationally.

9-month GDP change (yearly basis)



Source: Eurostat
Seasonal and calendar corrected data, fixed prices 2015

International ranking of International Institute for Management Development (IMD)

Competitiveness

2019	2020
58th place	49th place

Digital modernisation

2019	2020
53rd place	46th place

Businesses starting frame

2019	2020
26th place	6th place

IMD Business School. Switzerland

Digitization of Public Administration (DESI report)

500 electronic services from "gov.gr"

Creation of platforms for distance learning & teleworking in public sector

Electronic health services for prescribing medicines for chronic patients

* Excluding Slovakia and Luxembourg due to incomplete data
** Public Debt Management Agency

Source: DESI Report 2020. European Commission

The response of the Greek companies to the pandemic

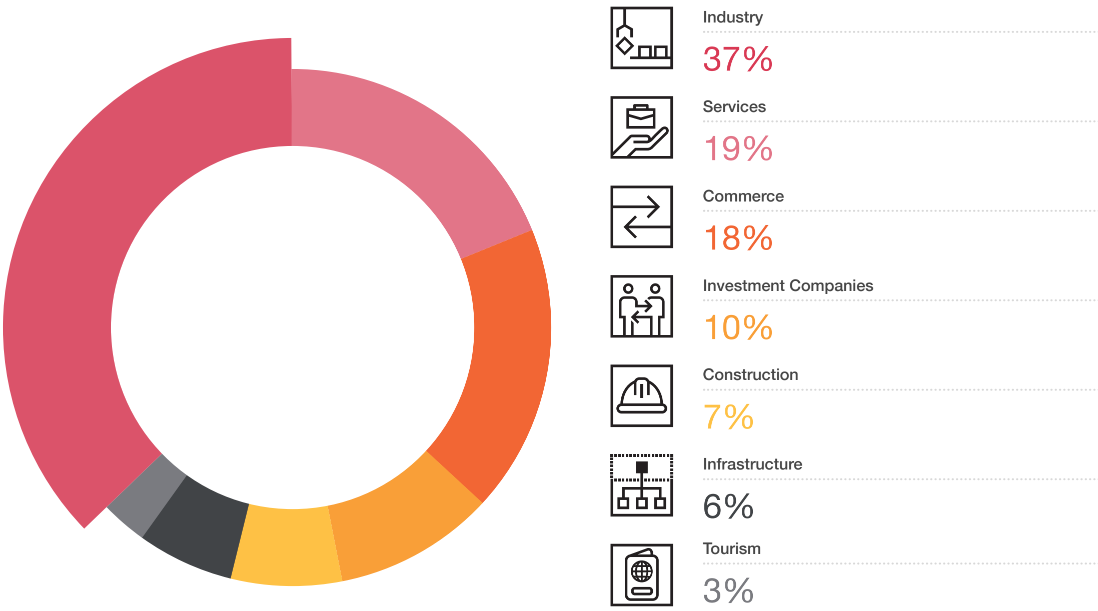
2nd Chapter

The companies' response to the pandemic crisis

Impact analysis of the pandemic to the Greek companies – Comparative assessment of 142 listed companies during the first semester of 2019 and 2020

The scope of this chapter is to present a snapshot of the Greek corporate economy during the first semester of 2020 and to compare it to the respective period of 2019, in order to determine the companies' level of response to the outbreak of the crisis. In order to conduct the analysis, a sample of 142 companies listed on the Athens Stock Exchange was used, since only listed companies are legally bound to publish half year financial statements, making the research feasible. Banks and insurance companies have been excluded from the sample.

Companies per sector



From a total of 142 companies in the sample, 53 (37%) belong to the Industry sector. Companies in the sectors of Services and Commerce follow. The sectors of Infrastructure and Construction are represented by a small number of companies, but their size is relatively large. It is noteworthy that Tourism, despite its large impact on the economy, has a small participation on the stock market, representing only 3% of the sample.This is attributed to the high fragmentation of the sector, having plenty of small companies, which is pointed out later in the study as one of the structural weaknesses of the Greek economy.

Sample analysis in sectors and subsectors depending on the categorisation of the listed companies

Number of companies per sector and subsector

Industry	**53**
Light Industry	26
Heavy Industry	12
Food and Beverage	9
Energy	3
Pharmaceuticals	3
Services	**27**
Professional Services	18
Transportation and Logistics	4
Entertainment	3
Health	2
Commerce	**25**
Other Retail	16
Fuel Retail	6
Food and Beverage	2
Health Equipment	1
Investment companies	**14**
Investment companies	14
Construction	**10**
Infrastructure	**9**
Energy	2
Telecoms	2
Transportation and Logistics	2
Utilities	2
Heavy Industry	1
Tourism	**4**
Total	**142**

Industry is comprised of companies that are part of heavy and light industry, food and beverage production and pharmaceutical and energy companies (petroleum refining, renewable energy sources).
Commerce is comprised of companies active in retail and wholesale commerce, fuel retail and food and beverage commerce.
Services consist of enterprises that are active in providing services to other companies, IT & technology companies and transportation companies.
Infrastructure consists of energy production companies, telecom service providers as well as utility companies (DEKO etc).
Tourism is represented by two hotel companies, a car rental company and a cruise enterprise.

Petroleum companies ranked first on the Top 10 list by revenues, with their profitability however being heavily impacted

Top 10 of listed companies

	Revenues 6M 2020		EBITDA 6M 2020	
Rank	Company name	Revenues (in € bn)	Company name	EBITDA (in € mn)
1	HELLENIC PETROLEUM GROUP	2.99	OTE GROUP	628.5
2	MOTOR OIL GROUP	2.83	PPC GROUP	475.7
3	PPC GROUP	2.25	MYTILINEOS GROUP	145.0
4	OTE GROUP	1.86	GEK TERNA GROUP	142.2
5	OPAP GROUP	1.41	TERNA ENERGY	108.4
6	ELVALHALKOR	1.00	OPAP GROUP	102.5
7	MYTILINEOS GROUP	0.93	ADMIE HOLDING S.A.	96.9
8	ELINOIL	0.83	JUMBO S.A.	75.2
9	KARELIA TOBACCO COMPANY S.A.	0.52	ELLAKTOR S.A.	72.3
10	GEK TERNA GROUP	0.47	AUTOHELLAS (HERTZ)	57.7

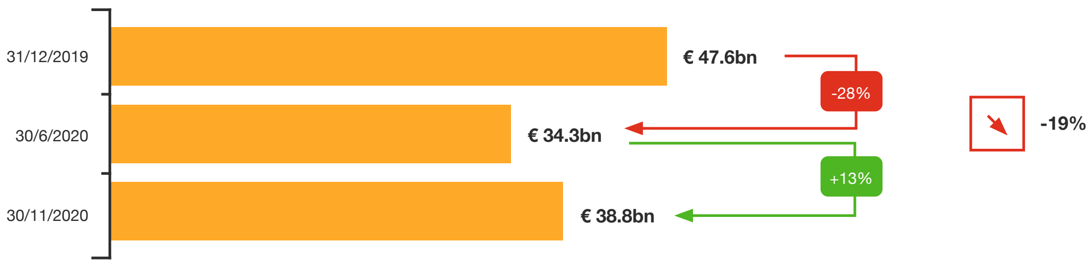
The Top 10 by revenues list is represented mainly by companies from the Energy and Construction subsectors as HELPE and Motor Oil.

However, the profits of the two aforementioned energy groups were largely impacted, reporting operating losses during the first semester of 2020, placing them outside the Top 10 by EBITDA list.

As a result, the Top 10 by profitability list is dominated by OTE, PPC and Mytilineos Groups.

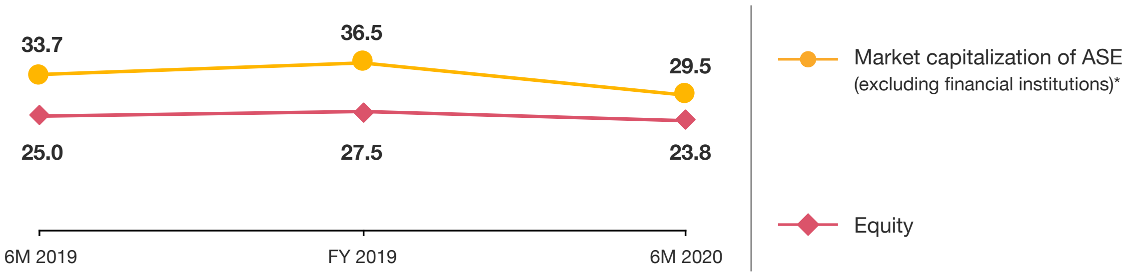
ASE's capitalization during the first semester of 2020 shrunk by 28% compared to the end of 2019

Market capitalisation of ASE



Source: Athens Stock Exchange

Value loss (in € bn)



Source: Athens Stock Exchange   * The excluded companies are banks and insurance companies

The total market capitalization of listed companies decreased by € 13.3bn (-28%) during the first semester of 2020, compared to the end of 2019. This decreasing trend has reversed and as of the end of November, market capitalization had recovered by € 4.5bn (13%) compared to the end of June.

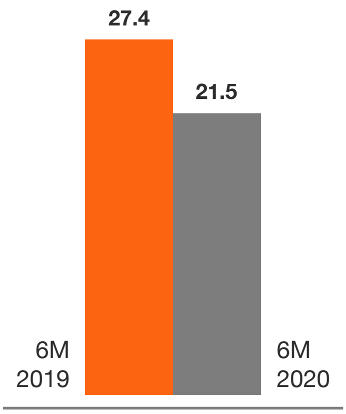
The market capitalization of the 10 largest non financial listed companies decreased by approximately € 5bn (-24%) during the first semester of 2020, compared to the end of 2019.

The large value loss of the corporate economy came as a direct consequence of the uncertain business environment and the diminished demand and led, apart from the shrinking of market capitalization, to a simultaneous drop of equity due to the losses that were recorded, reporting a decrease of 7% between 2019 and the first semester of 2020.

The listed companies have reacted immediately to the lower demand by decreasing their operating costs and restraining their investments

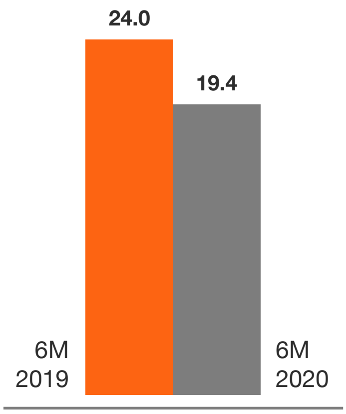
Revenues
(in € bn)

-21.4%



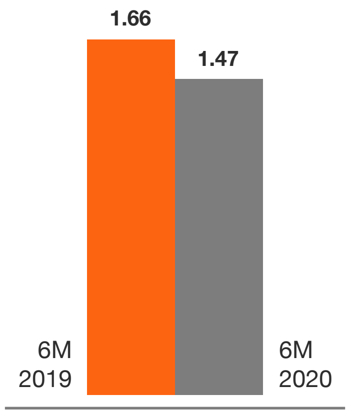
Operating costs
(in € bn)

-19.2%



Investments*
(in € bn)

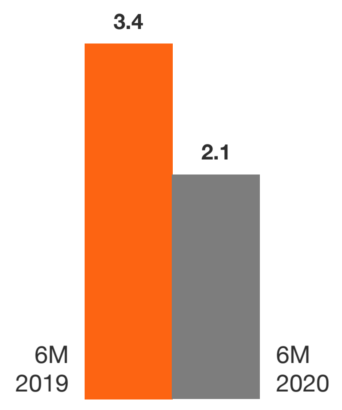
-11.2%



* Purchase of assets is used for the calculation of the investments

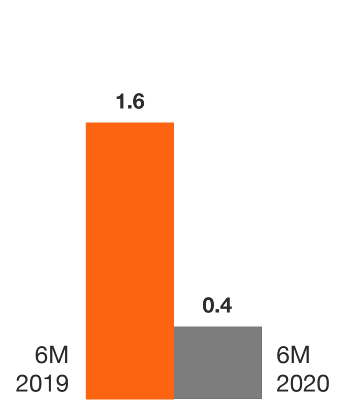
EBITDA
(in € bn)

-37.2%



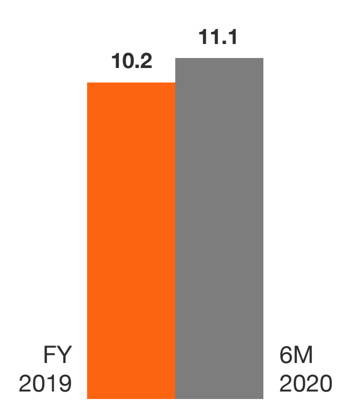
EBIT
(in € bn)

-74.1%



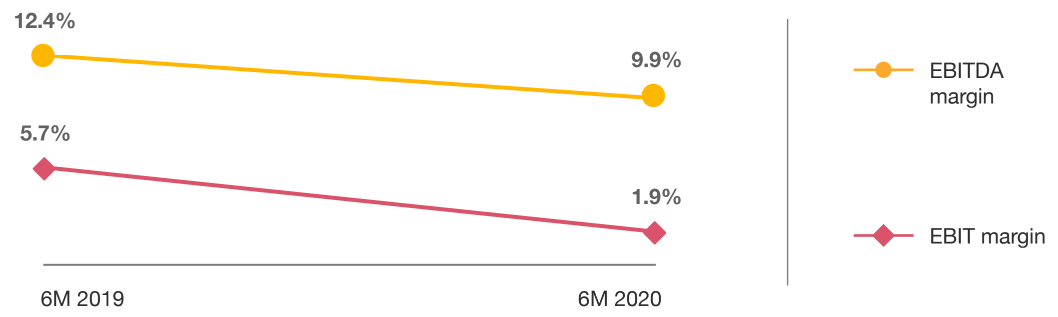
Cash
(in € bn)

+9%

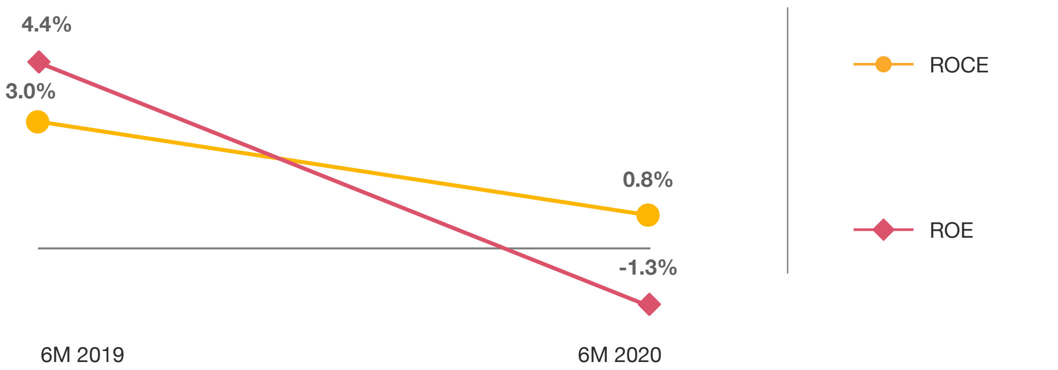


The drop in demand generated losses for listed companies

EBITDA and EBIT margin



ROCE and ROE



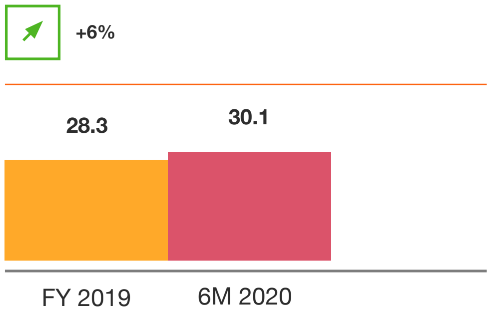
The effects of the pandemic on the sample were once again visible, decreasing revenues by 21.4%. The limited economic activity has put a lot of pressure to the companies, which despite the immediate reduction of operating costs and the support from government measures, could not avoid the shrinking of their profitability with EBITDA dropping significantly by 37.2%, during the first semester of 2020, and EBIT collapsing by 74.1%.

EBITDA and EBIT margins plummeted from 12.4% to 9.9% and from 5.7% to 1.9% respectively. The drop in the returns on equity and capital employed was similar. More specifically, return on equity (ROE) decreased by 5.7 percentage points, from 4.4% to -1.3%, whilst return on capital employed (ROCE) decreased by 2.2 percentage points, from 3.0% to 0.8%.

In the wake of the pandemic, listed companies were particularly hesitant as not only they did not proceed to new investments, but at the same time they created cash buffers, as a safeguard to the increasing uncertainty.

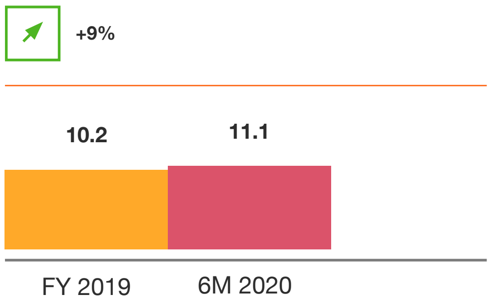
Listed companies responded to the pandemic by increasing their borrowing in order to absorb losses and create liquidity as a safeguard for the period ahead

Total Debt
(€ bn)



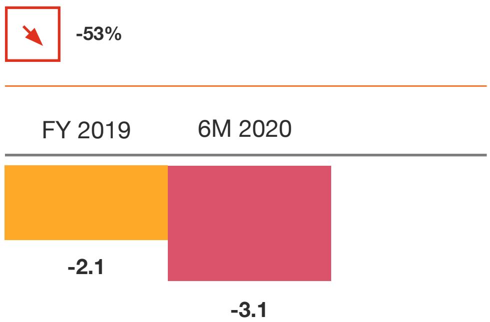
Increase of total debt in order to tackle the crisis

Cash
(€ bn)



Accumulation of cash as a safeguard against the uncertainty caused by the pandemic

Working Capital
(€ bn)



Creation of extra liquidity by increasing net short-term borrowing (negative working capital) by € 1bn

78% of investments of the first semester of 2020 came from 10 companies

Listed companies with the largest investments* during the first semester of 2020

Rank	Company name	Asset purchases (in € bn)
1	OTE GROUP	317.5
2	PPC GROUP	197.7
3	MOTOR OIL GROUP	126.0
4	ADMIE HOLDING S.A.	98.6
5	HELLENIC PETROLEUM GROUP	78.6
6	GEK TERNA GROUP	76.7
7	TERNA ENERGY	69.6
8	ELVALHALCOR	60.6
9	MYTILINEOS GROUP	59.5
10	AEGEAN AIRLINES S.A.	59.5

*Purchase of assets is used for the calculation of the investments

The majority of investments came from the Industry and Infrastructure sectors and more specifically from the Energy subsector. OTE Group realized the largest investments during the first semester of the year followed by PPC Group.

The appearance of Aegean on the table with the largest investments is due to the purchase of new aircrafts before the outbreak of the pandemic.

The large decrease in revenues combined with the higher level of payables do not benefit trading conditions

Receivables (in € bn)

Receivables declined at a slower rate than revenues suggesting longer delays in their payment

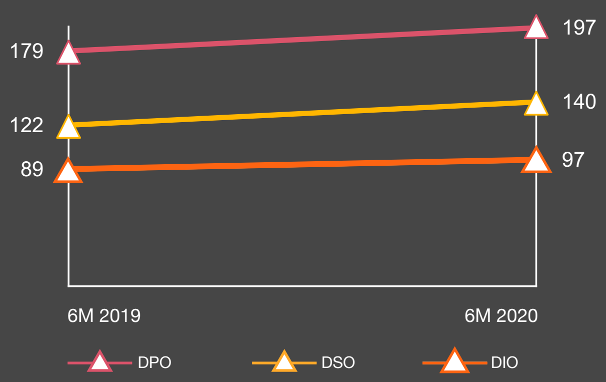
Inventories (in € bn)

Inventories seem to decrease marginally, suggesting prompt containment of new orders due to uncertainty

Payables (in € bn)

The increase of payables suggests an attempt to create extra liquidity through the delay of payments by the companies

DPO, DSO, DIO*



Days payable, sales and inventory outstanding increased by 18, 18 and 8 days respectively reflecting a difficult trading environment

*__DSO__: Days Sales Outstanding, **DIO**: Days Inventory Outstanding, **DPO**: Days Payable Outstanding

Summary

The examination of the sample brought out the effects of the pandemic to the corporate economy. The increased uncertainty and the lockdown that was imposed during March and April 2020, inevitably led to decreased demand from the consumer side which in turn was reflected on the depressed financial results of the listed companies.

During the first semester of the year, total market capitalization plummeted by € 13.3bn (-28%) but since then and especially after the announcement of the positive news regarding the vaccine, recovered presenting a 13% increase by the end of November. In total, listed companies reported lower revenues by 21% compared to the first semester of 2019 and decreased operating costs by 19% which were not enough to halt the negative trend of profitability.

In order to absorb the losses and to fortify against the possibility of a further economic deterioration and a decline of the business activity in the upcoming period, listed companies accumulated cash (cash stock increased by €0.9bn) raising liquidity from borrowings. Furthermore, they proceeded in a total debt increase of € 1.8bn in order to absorb the losses of the semester. Despite the deterioration of Equity-to-Total Debt, the ratio still remains at manageable levels given that this effect is caused by temporary disruptions on the demand and supply of the economy, which are anticipated to return to their steady-state once the pandemic crisis ends.

Finally, the increased days payable and days sales outstanding, by 18 days each, suggest signs of market instability and a possible deterioration of the credit environment.

3rd Chapter

The effects of the pandemic to the sectors of the economy

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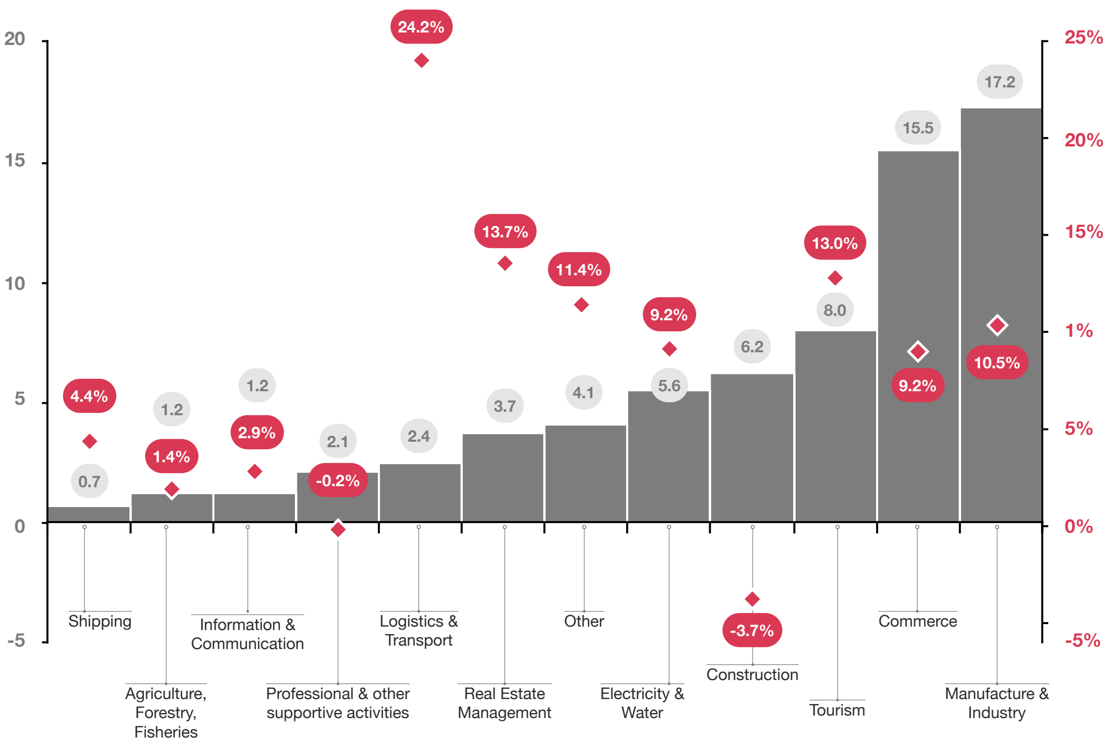
Increased uncertainty and reduced demand for products led to an increase in borrowing for almost all sectors

Business Financing
By Sector, October 2020



Source: Bank of Greece

The trend of increased borrowing and cash reserves of the sample is confirmed by Bank of Greece's latest monthly data concerning loans to the private sector as well as deposits. Specifically, in October 2020, the annual change of funding reached 8%, being the largest since July 2009, while the annual change of total deposits amounted to 8.3% as a result of the increase of cash holding by companies in order to tackle the increased instability and uncertainty of the Greek economy and also the reduced household consumption.

The sectors that received the most funding in October 2020 were Manufacture & Industry, Commerce and Tourism, i.e. sectors that were most affected by the pandemic, with annual changes of 10.5%, 9.2% and 13% respectively. The largest annual change was recorded by the logistics and transport sector (24%) in its attempt to adequately finance the increased activity that resulted from the recent lockdown.

The Commerce sector has suffered the largest decline in terms of market value

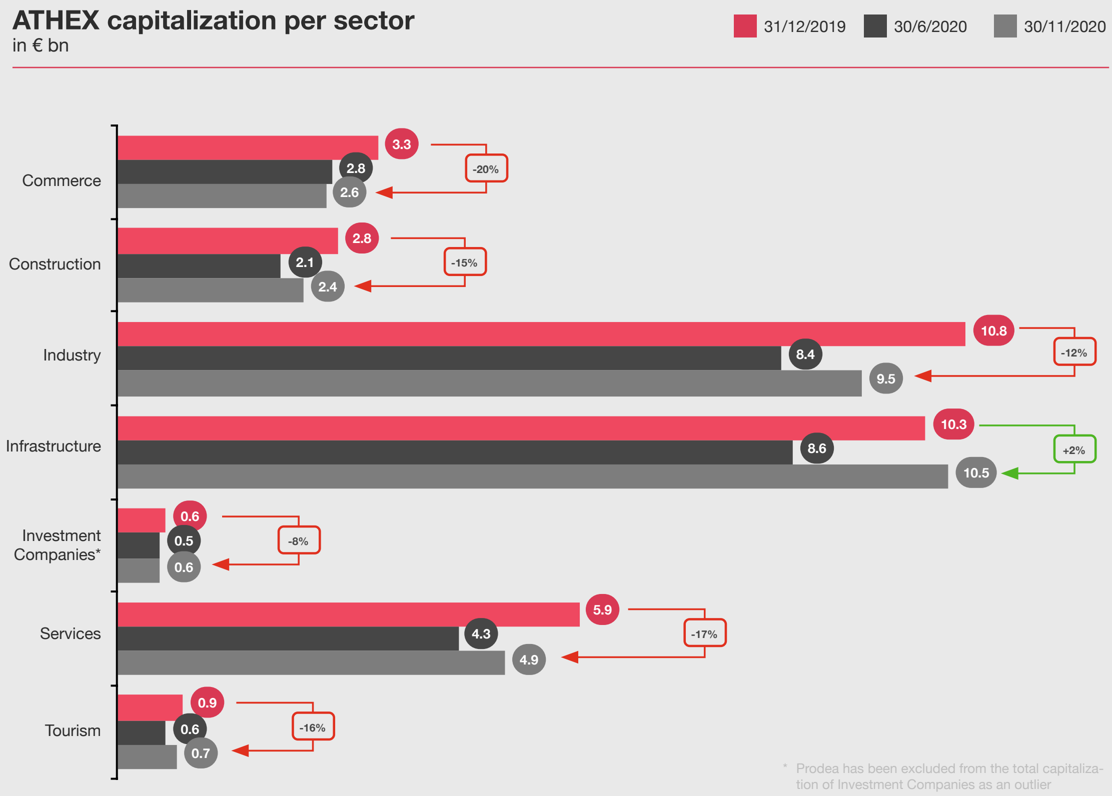
The capitalization level of each sector is analogous to the pandemic hit encountered. Trade, Services and Tourism are the sectors which were hit the most, as they faced the most restraining measures which forced a plethora of companies in these sectors to temporary suspend operations. On the contrary, Infrastructure, which is a critical sector for the proper function of the economy, increased its capitalization, albeit marginally. By the end of November, capitalization had overall recovered a fact which can in large be attributed to the optimistic expectations emerging from the announcement of incoming vaccines efficient to fight the virus.

Specifically, Infrastructure's positive trend is reflected in the ATHEX where, after the shock generated by first wave of the virus and the subsequent drop of € 1.7 bn (-16%) as opposed to the end of 2019, the sector managed to recover and exceed pre-Covid levels due to its steady course during the pandemic.The market value of companies specializing in commerce decreased by € 0.5 bn (-16%) in the first half of 2020, compared to the end of 2019, while the downward trend continues with a further decrease of 4%, as investors remain cautious regarding the outlook of the sector that is directly affected by the development of the pandemic.

Despite the bad course of the Industry sector, and the reduction of its capitalization by € 2.4 bn (-22%), in the first half of 2020, investors seem to preserve their trust towards the sector, leading to its recovery by 12% from late June to late November. The capitalization of the very few companies in the tourism sector decreased by 26% during the first wave of the pandemic, but has shown signs of recovery since then with a 13% increase in capitalization.

The capitalization level of the Services sector is on a positive trajectory after an initial decline of € 1.6bn (-26%) in the first half of 2020, while the Construction sector shows similar signs of recovery following its initial reduction of € 0.7 bn (-26%). The capitalization of Investment companies decreased by 11% during the first wave of the pandemic but by the end of November the decline was limited to 8% compared to the end of 2019.

ATHEX capitalization per sector
in € bn



* Prodea has been excluded from the total capitalization of Investment Companies as an outlier

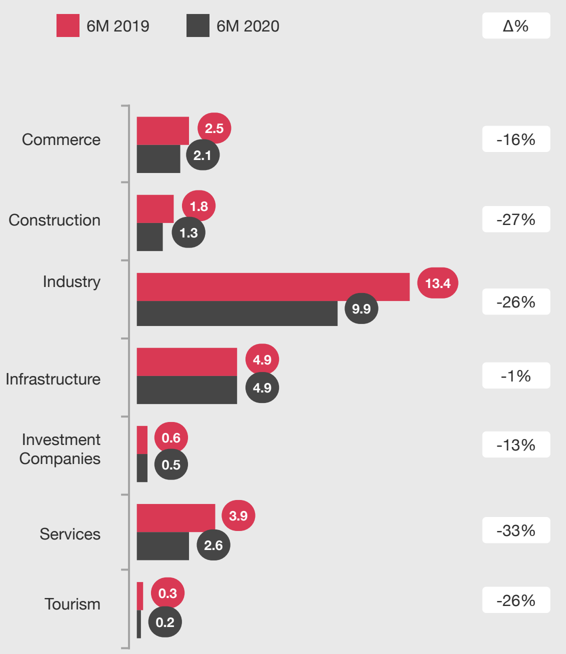
The pandemic hit the Industry and Services sector the most

Total revenues of the listed companies shrank by almost € 6bn (-21.4%) in the first half of 2020 compared to the same period in 2019. The largest decline, in absolute terms, was recorded in the Industry sector (€ 3.5bn), with the Services sector following (€ 1.5 bn). This decline was expected as Industry and Services sectors were among the sectors of the Greek economy that were directly affected from the pandemic.

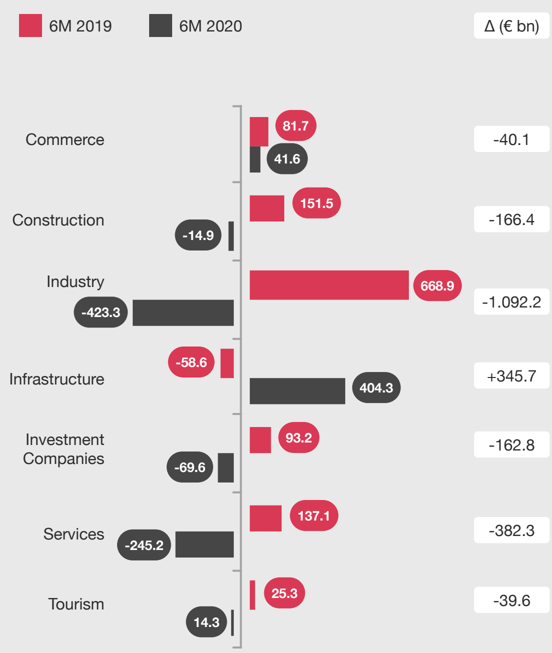
It is worth noting that the revenues of the listed commercial companies did not collapse, but fell by 16%, supported by the increase in e-commerce during the 1st lockdown onwards, as well as the ability of large companies to trade online. Indicatively, the weekly change in consumer spending via e-shops rose by up to 171% during the first 4 months of 2020*.
Infrastructure, due to its organic importance in the economy, withstood the pressure from the pandemic and remained almost unaffected in revenue terms.
As regards to the profitability of the listed companies, all sectors, with the exception of Trade and Infrastructure, were deeply affected by the pandemic crisis exhibiting significant losses. In total, during the first half of 2020, listed companies experienced pre-tax losses of € 321mn. Like in revenues, Industry had the largest decline in profitability which exceeded € 1bn, with the Services sector following again with losses of about € 400mn.
The Infrastructure sector exhibited a significant increase in profitability during the first half of 2020, driven mainly by the robust financial performance of PPC and OTE. Commerce recorded a drop in profitability, which reached almost 50%, but managed to restrain its losses against the general loss trend of most industries due to the increased demand for commerce.

*Greek e-Commerce Association

Revenue
in € bn



Earnings before tax
in € bn



The response of the Greek companies to the pandemic

Industry, Construction and Services were the sectors that increased their borrowing

The need for liquidity in the economy, due to the pandemic measures, increased the net borrowing of the sample companies.

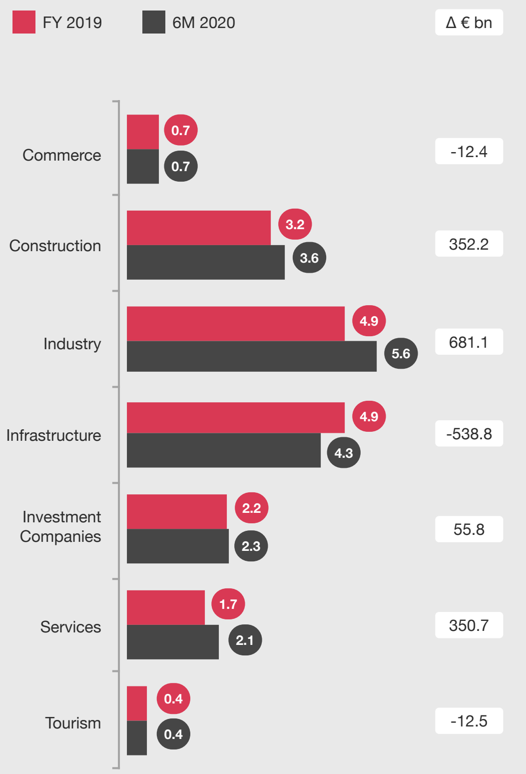
Specifically, the net debt of all listed companies rose by € 850mn. The Infrastructure sector managed to reduce its net debt by € 540mn mainly due to a large increase in cash reserves from OTE and PPC, while most debt exposures, after the first wave of pandemic, appeared in the Services (+ € 351mn) and Industry (+ € 681mn) sectors. Tourism did not increase its net debt levels due to a large cash accumulation of Autohellas.

The severity of the hit that certain sectors suffered, is better reflected in the sustainability of their borrowing. The consumption squeeze and the decline in exports further affected sectors such as Industry, with Net Debt/EBITDA increasing by 33.7pps. At the same time, restrictions on transports had a negative impact on the Services sector, with its debt sustainability declining by 3.2 pps.

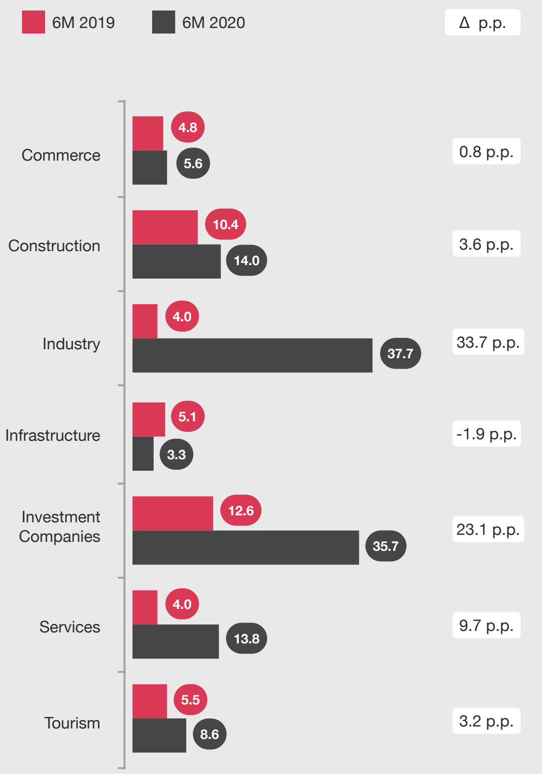
The decline in debt sustainability in these sectors was mainly affected by the deterioration of their profitability in the midst of the pandemic and to a lesser extent by an increase in their debt. Debt sustainability remains at manageable levels given that profitability will gradually return after the end of the pandemic.

The exception, on the other hand, is Infrastructure which is less vulnerable to cyclical changes imposed by the crisis, as their goods and services are considered "vital".

Net Debt
in € bn



Debt Sustainability
Net Debt/EBITDA



Commerce

Sectoral Top 10 in revenue

Commerce sector is represented in our sample by 25 companies with total revenues that exceeded € 2.1bn in the first half of 2020. Most companies are active in general trade, followed by a number of companies specializing in fuel trade. The sector's composition is also complemented by companies active in the trade of food & beverages and health products.

The sector's main feature is the concentration of revenues in the largest companies, with 10 of them having a total turnover of € 2bn or equivalently 95% of the industry.

Elinoil was in the first place in terms of revenue for the first half of 2020 with a turnover of over € 800mn, despite the fact that there was a 24% revenue decline compared to the first half of 2019.

Revoil is in the second place with first half 2020 revenues of almost € 300mn, shrank by 14% comparing to the first half of 2019.

Top 3 was secured by Jumbo, being in a similar state, i.e. first half 2020 revenues standing close to € 280mn reduced by about 17% when compared to the same period of 2019.

In general, the commerce sector although moving downwards overall, did not exhibit any large revenue losses and generally managed to keep its financial position quite stable at the pandemic pressure.

Position	Company Name	Revenue 6M 2020*	Δ% Revenue 6M 2020 - 6M 2019
1	ELINOIL S.A.	825.4	-23.9%
2	REVOIL	299.5	-14.0%
3	JUMBO S.A.	278.8	-16.9%
4	FOURLIS	159.5	-23.0%
5	PLAISO COMPUTERS	148.6	8.0%
6	ELGEKA S.A.	92.2	10.4%
7	ELTON GLOBAL TRADE	65.4	-2.9%
8	AVE S.A.	58.6	-**
9	ELASTRON	47.3	-18.6%
10	MOTODYNAMIKI	33.8	-13.7%

* in € mn
** AVE's financial results are not comparable to those of the previous year due to the acquisition and integration of a new business sector

Commerce

Earnings before taxes of commerce companies decreased by almost 50%

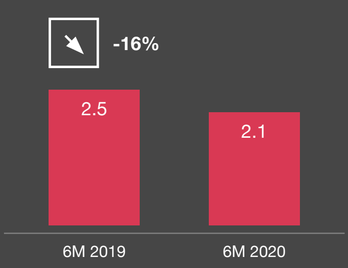
Commerce was one of the sectors hardest hit by the pandemic, as most retailers suspended the operation of physical stores. Despite the unfavorable conditions, those companies that continued their operations through online stores, managed to compensate for their losses, to a significant degree, as reflected in the findings of the analysis of listed companies. It is worth noting that the negative effects on commerce were restrained to some extent by the fact that it was one of the first industries to reopen after the imposition of the lockdown.

In particular, listed companies in the Commerce sector suffered a turnover drop of 16%, but the compressed operating expenses helped to prevent the collapse of EBITDA margin and kept the industry in positive profitability.

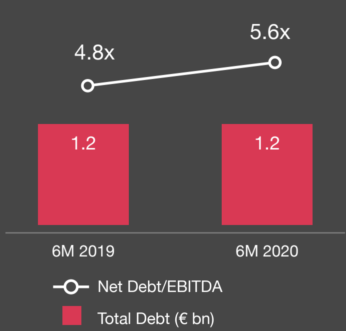
The amount of equity and debt remained at the same levels compared to the end of the year. Listed companies operating in the Commerce sector managed to keep their debt at sustainable levels as the Net Debt/EBITDA ratio increased slightly from 4.8x in the first half of 2019 to 5.6x in the corresponding period of 2020, mainly due to decreasing profitability.

Return on equity and employed capital levels also shrunk to 2.4% and 2.2% respectively, while the market value of the sector decreased by 16%.

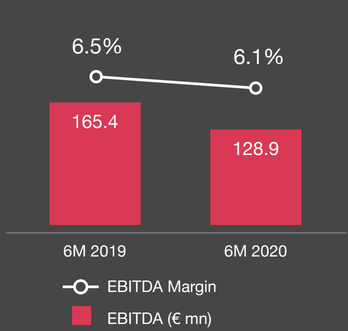
Revenue



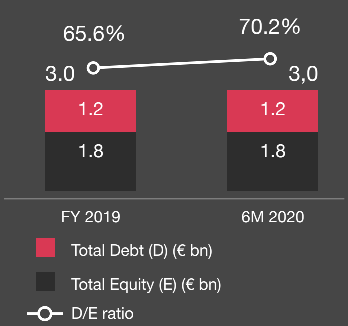
Net Debt/EBITDA & Total Debt



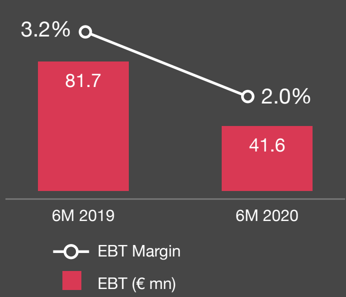
EBITDA & EBITDA Margin



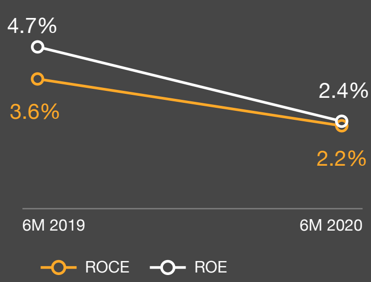
Total Debt & Total Equity



Earnings Before Tax (EBT) & EBT Margin



ROCE & ROE



Construction

Sectoral Top 4 in revenue

The Construction sector is represented in our sample by 10 companies with total revenue ranging close to € 1.3bn in the first half of 2020. The composition of the sector, in terms of specialization of each company, is very uniform with all companies dealing with large-scale construction projects.

Only four companies represent the 97% of the sector's total revenue with 72% of the turnover corresponding to the first two.

In the first place in revenue terms is GEK TERNA Group with revenues reaching € 470mn in the first half of 2020, reduced by 17% compared to the same period in 2019. ELLAKTOR Group came second with revenues of € 440mn, but facing almost a 38% drop compared to the first half of 2019.

In general, the sector can be characterized as a "two-speed sector", since it consists of both large companies that are more resilient to exogenous shocks, and much smaller ones that show signs of being more volatile to the health crisis and the suspension of their operation. Specifically, the first four companies in the sector showed an average drop in revenue of 26%, while the other six companies reported an average revenue reduction of 34%, which clearly exhibits the increase in revenue sensitivity, as company size decreases.

Position	Company Name	Revenue 6M 2020*	Δ% Revenue 6M 2020 - 6M 2019
1	GEK TERNA GROUP	469.7	-17.1%
2	ELLAKTOR GROUP	437.8	-37.9%
3	AVAX GROUP	260.0	-17.5%
4	INTRACOM CONSTRUCTIONS (INTRAKAT)	87.0	-31.1%

* in € mn

Construction

The pandemic restrained financially the Construction sector resulting in marginal losses and a debt increase of € 300mn

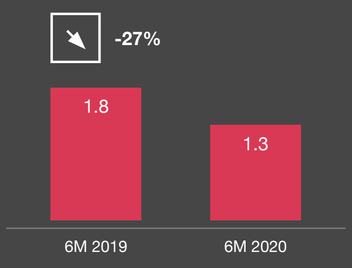
The pandemic crisis put significant pressure on the construction sector, a sector already heavily strained from the previous crisis. Restrictions imposed in response to the health crisis led to delays in the execution of projects and the undertaking of new ones, as well as a general inability to make future plans. The sample of listed companies in the sector contains large construction groups, and therefore delays and postponements in the implementation of projects have a significant impact on the overall financials of the sector.

Large construction groups were particularly affected by the pandemic, exhibiting reduced turnover of 27%, which in turn led to a reduction in EBITDA margin. As a result, the sector has suffered from significant losses before tax, with its EBT margin collapsing by 9.6 percentage points.

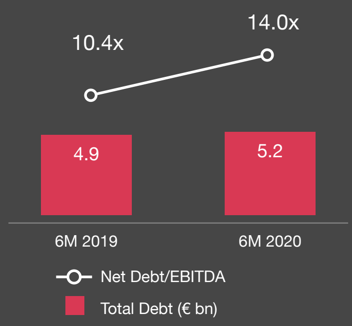
At the same time, the sector showed signs of increase of its already high leverage as the Net Debt/EBITDA ratio rose to 14x as a result of reduced profitability, but also due to the increase in debt by € 300mn, while equity marginally decreased.

The negative performance of the sector during the outbreak of the pandemic is also reflected in its returns on equity and working capital levels, which decreased by 7.3pps and 1.9pps respectively, while the capitalization of the sector decreased by 26%.

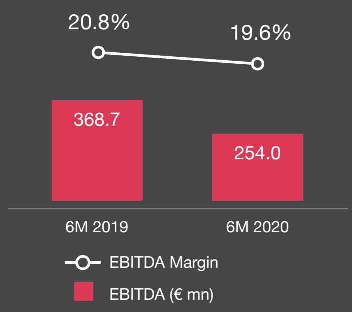
Revenue



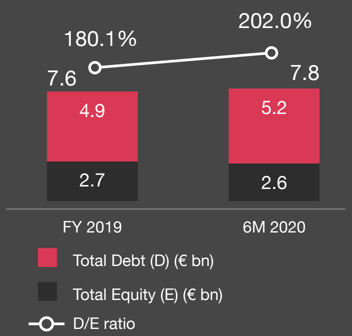
Net Debt/EBITDA & Total Debt



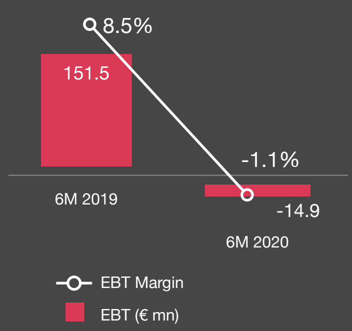
EBITDA & EBITDA Margin



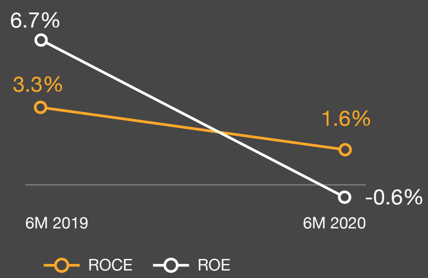
Total Debt & Total Equity



Earnings Before Tax (EBT) & EBT Margin



ROCE & ROE



Industry

Sectoral Top 10 in revenue

Industry is one of the most widely represented sectors in the sample with a total number of 53 companies. Most companies (49%) relate to light industry activities, followed by a large number of heavy industry companies. The sector's composition is complemented by companies with activity in Food & Beverage, Energy and Medicine.

The 10 largest companies in the industry produced 92% of the total turnover in the first half of 2020, with the first two companies being responsible for 64% of the total turnover. In particular, ELPE and Motor Oil ranked first in terms of sectoral revenues. The former company had revenues of almost € 3bn, which were decreased however by 33% compared to 2019, and the second had a turnover of more than € 2.8bn, decreased as well by 38% compared to the first half of 2019. Sector's strong top 5 companies include by heavy industry companies such as ELVAL HALCOR group, Mytilineos group, and Karelia tobacco company.
The decline in the sector's revenue was largely driven by energy and fuel companies. This particular sub-sector, apart from the drop coming from the travel restrictions, the lower demand for aviation and marine fuels, was also affected by the lower prices in the international oil markets due to the global oil production and demand imbalances.

Other than that, revenue decline was evenly distributed in the light and heavy industry sub-sectors, averaging at 9%, while the food & beverage and pharma sub-sectors exhibited a 10% revenue increase, the first due to inelastic food demand and the latter due to the general uncertainty caused by the pandemic and the increased demand for medicines and medical services.

Position	Company Name	Revenue 6M 2020*	Δ% Revenue 6M 2020 - 6M 2019
1	ELPE GROUP	2,986.0	-33.0%
2	MOTOR OIL GROUP	2,833.4	-38.0%
3	ELVALHALCOR GROUP	998.8	-7.6%
4	MYTILINAIOS GROUP	926.7	-6.5%
5	KARELIA TOBACCO COMPANY S.A.	515.4	8.2%
6	FRIGOGLASS	208.7	-27.6%
7	SARANTIS	183.7	6.7%
8	TERNA ENERGY	166.5	17.6%
9	THRACE HOLDING S.A.	155.4	0.1%
10	CRETA PLASTICS	151.5	5.8%

* in € mn

Industry

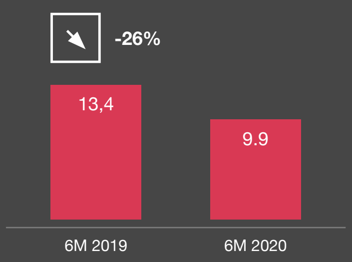
Industry suffered the highest losses during the pandemic crisis, losing more than € 3.5bn in revenue and increasing its debt by € 0.8bn within the first half of the year

The industry sector suffered the most compared to other sectors, as falling demand and international oil prices had a negative effect on the industry's financials. Equally important were the travel restrictions that put further pressure on the sector's export activity. The drop in turnover of the sector's two oil groups was also very important, since from the total € 3.5 bn in revenue losses, € 3.2bn came from ELPE and Motor Oil as a result of limited transportation and oil demand, as well as the reduced price of oil during the first half of 2020.

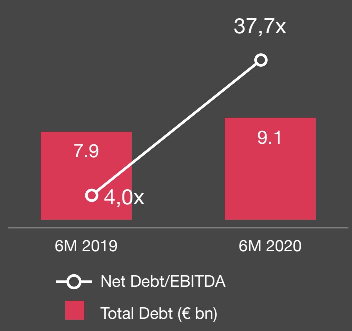
As a result, there was a significant reduction in profit margins with a parallel spike of the Net Debt/EBITDA ratio to almost 38x. The total debt of the sector increased by 10% or € 0.8bn compared to the end of 2019, while the ratio of Debt to Equity increased by 21.9pps.

Finally, the return on equity and working capital decreased by 14.3 and 6.8 percentage points respectively, while the capitalization of industrial companies decreased by € 2.4bn (-22%).

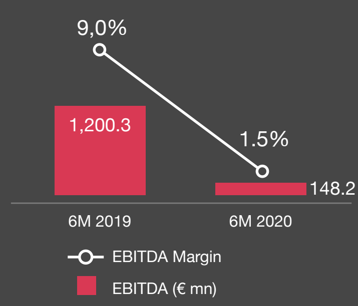
Revenue



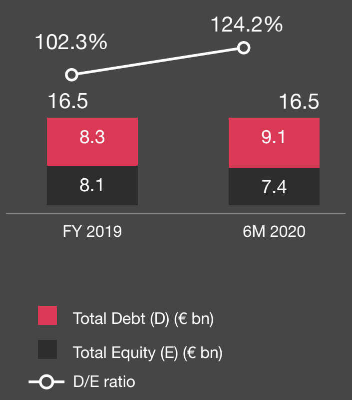
Net Debt/EBITDA & Total Debt



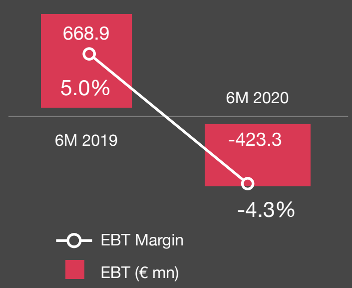
EBITDA & EBITDA Margin



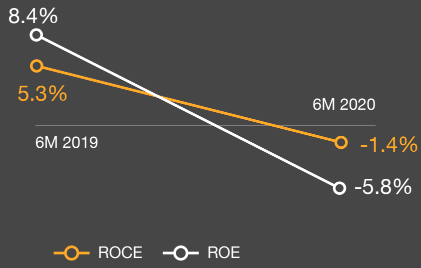
Total Debt & Total Equity



Earnings Before Tax (EBT) & EBT Margin



ROCE & ROE



Infrastructure

Sectoral Top 9 in revenue

A total of 9 companies represent the Infrastructure sector, mainly coming from the sub-sectors of Energy, Water, Telecommunications and Transport. Companies in this sector coped very well with the pandemic as their revenues decreased by only 1.2% in the first half of 2020 compared to the corresponding period of 2019.

The good performance of the sector can be mostly attributed to its two largest companies, PPC and OTE groups that kept their turnover at the same level and managed to increase their profitability by approximately € 480mn in total.

The rest of the sector's companies reported a small deviance compared to last year's turnover, attributed to their high significance in the economic activity.
The largest increase in revenue was recorded by ADMIE mainly due to the increase in international interconnection rights revenue. In contrast, Forthnet had the largest decline in the sector as a result of the wider problems it has faced in recent years.

Position	Company Name	Revenue 6M 2020*	Δ% Revenue 6M 2020 - 6M 2019
1	PPC GROUP	2,249.6	-2.4%
2	OTE GROUP	1,859.3	0.2%
3	INTRAKOM HOLDING S.A.	216.6	-5.5%
4	EYDAP S.A.	158.3	4.4%
5	ADMIE HOLDING S.A.	137.6	9.2%
6	FORTHNET S.A.	124.2	-6.2%
7	PIRAEUS PORT AUTHORITY S.A.	66.5	-5.8%
8	THESSALONIKI PORT AUTHORITY S.A.	34.7	5.3%
9	EYATH S.A.	34.5	-3.3%

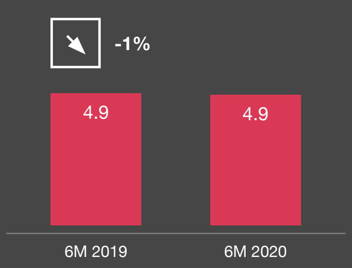
*in € mn

Infrastructure

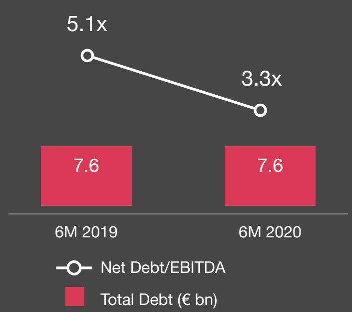
The infrastructure sector was resilient exhibiting profitability due to the steady course of revenues

Infrastructure was the best performing sector during the pandemic crisis as its operation is critical regardless of any restrictive measures. Within the sector, the sample includes listed companies that are vital to the wider operation of the economy, such as electricity, water and telecommunications companies.
As a result of the contribution of the sector's goods, infrastructure companies suffered a very small drop in their turnover in the first half of 2020 (1% compared to the first half of 2019), and the sector managed to maintain profitability by squeezing its operating costs. There was also an increase in EBITDA margins and pre-tax profits. The results of the sector were positively affected by the remarkable performance of PPC and OTE groups.
The ratio of Debt to Equity reported a small rise of about 5 p.p.s. as a result of the increase of debt by € 0.2bn, while Infrastructure was the only sector that managed to reduce its Net Debt/EBITDA ratio from 5.1x to 3.3x.
Finally, return on equity and working capital increased by 5.8 and 3.3pps respectively, mainly due to the improvement of PPC results, while the market value of companies decreased by 16%.

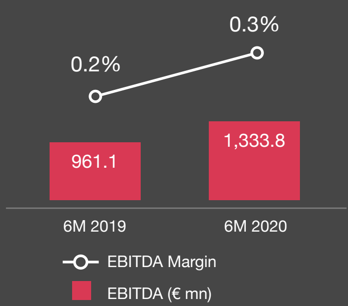
Revenue



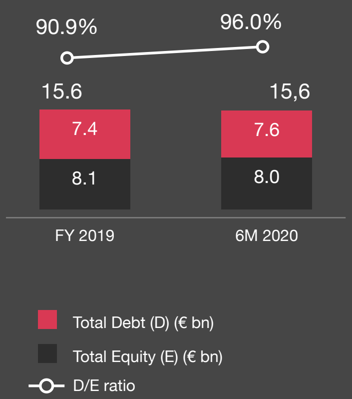
Net Debt/EBITDA & Total Debt



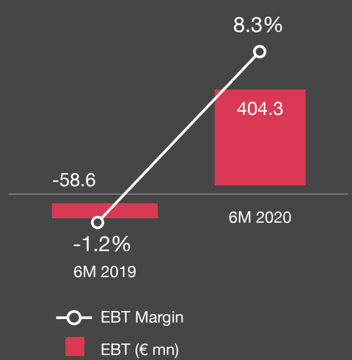
EBITDA & EBITDA Margin



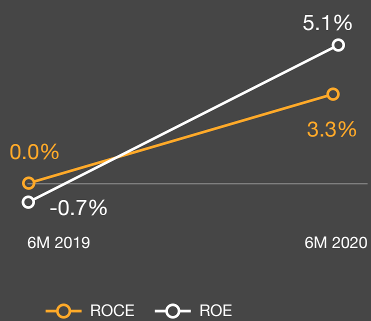
Total Debt & Total Equity



Earnings Before Tax (EBT) & EBT Margin



ROCE & ROE



Services

Sectoral Top 10 in revenue

The Services sector comprises of 27 companies coming from sub-sectors such as professional services, transport, entertainment and health.

Travel restrictions have had a very serious impact on companies in the transportation sub-sector. In particular, Aegean Airlines had the largest drop in revenue among all companies in the sector due to generalized country's travel restrictions and the disruption of inbound tourism.

The impact on ATTICA and ANEK ferries was quite large, due to the delays in restarting tourist activity and the uncertainty that significantly reduced tourist arrivals to the Greek islands and finally leading to a decrease in turnover by 29% and 24% respectively.

Although being the largest group in the sector in terms of turnover, OPAP's revenues decreased by 34%, mainly due to the interruption of sports activities and the suspension of operation of its physical stores.

Position	Company Name	Revenue 6M 2020*	Δ% Revenue 6M 2020 - 6M 2019
1	OPAP GROUP	1,412.7	-33.7%
2	QUEST HOLDING S.A.	303.9	17.7%
3	AEGEAN AIRLINES S.A.	194.9	-63.1%
4	INTRALOT S.A.	168.2	-55.5%
5	ATTICA HOLDING S.A.	117.0	-28.7%
6	ATHENS MEDICAL CENTRE S.A.	90.3	-7.6%
7	ANEK LINES S.A.	55.4	-23.6%
8	IASO S.A.	46.5	-5.4%
9	INFORM P. LYKOS HOLDING S.A.	33.7	-12.4%
10	FOODLINK S.A.	33.4	20.1%

*in € mn

Services

Companies in the Services sector recorded a significant decline in profits and a large drop in equity

The services sector was rendered “inactive” due to the measures imposed to control the spread of the pandemic. The travel restrictions and the subsequent restrictions combined with the strong reduction of tourist arrivals by 77.2%* for the period Jan-Sept 2020 compared to the corresponding period of 2019, hit the transport sub-sector companies represented in the wider service sector.

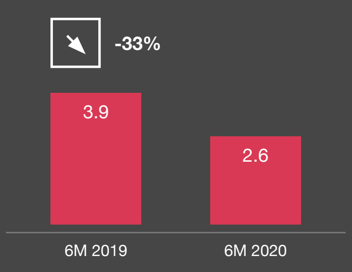
As a result, the sector’s listed company revenues decreased by 33% compared to the first half of 2019. Profit margins collapsed and the sector presented pre-tax losses of € 245mn.

The financial position of companies in the sector deteriorated as the ratio of Debt to Equity amounted to 240%, an increase of 75pps compared to the end of 2019, on the back of a large decrease in Equity by 28% over the same period.

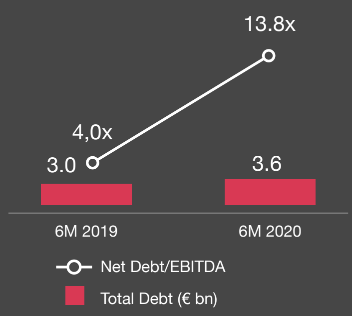
Finally, return on equity and working capital reflect the impact of the pandemic on the sector as they decreased by 23.5 and 5.8pps respectively compared to the first half of 2019, while the capitalization of listed companies decreased by € 1.6bn (-26%).

*INSETE Intelligence data, November 2020 Issue

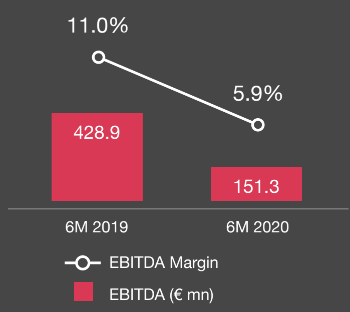
Revenue



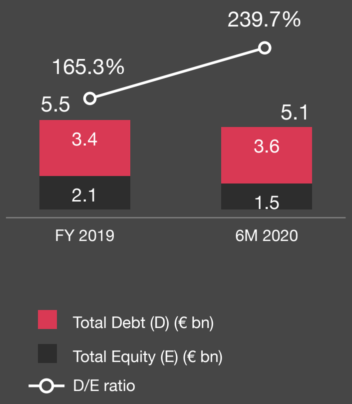
Net Debt/EBITDA & Total Debt



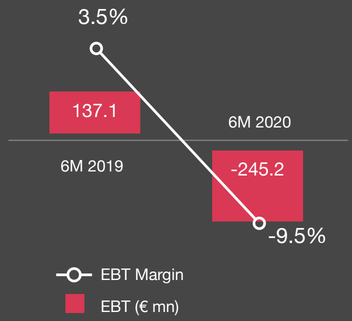
EBITDA & EBITDA Margin



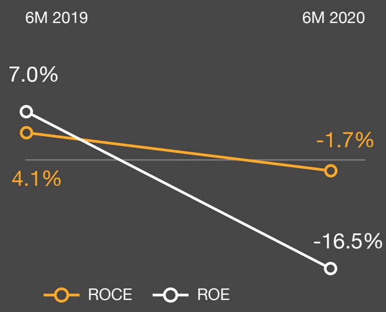
Total Debt & Total Equity



Earnings Before Tax (EBT) & EBT Margin



ROCE & ROE



Tourism

Sectoral Top 4 in revenue

Tourism sector, contrary to its importance in the national economy, is represented by only four companies on the Athens Stock Exchange, two listed hotel companies, a car rental company and a cruise company

The two hotel companies are the smallest in the industry in terms of revenue and also sustained the largest revenue decline during the pandemic crisis.

AUTOHELLAS has managed to mitigate the impact of the pandemic on its turnover due to its involvement in other activities such as long-term vehicle leasing.

The drop in revenue of KYRIAKOULIS group was quite noticeable due to the reduced tourist activity and the movement restriction measures.

Position	Company Name	Revenue 6M 2020*	Δ% Revenue 6M 2020 - 6M 2019
1	AUTOHELLAS (HERTZ)	211.4	-18.3%
2	KYRIAKOULIS MEDDITERANEAN CRUISES	16.0	-34.9%
3	LAMPSA GREEK HOTELS	8.3	-74.7%
4	GEKE S.A.	1.4	-73.6%

*in € mn

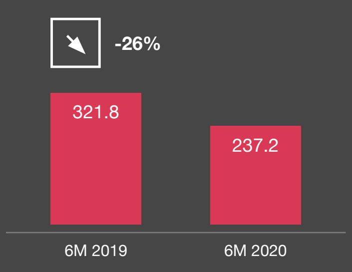
Tourism

The representation of Tourism sector in the stock market is very small as a result of its fragmented structure and the very small size of its companies

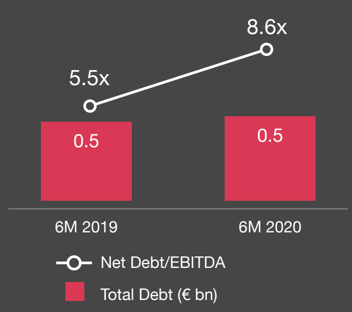
Tourism sector has a significant contribution to the Greek economy, reaching 21%* of GDP on an annual basis. Due to the restrictive measures in the tourist arrivals, the companies of the sector, regardless of their size, recorded strong losses, as tourist receipts for the period Jan-Sept 2020 suffered a decrease of 78%** compared to the corresponding period of 2019.
The listed companies were not unaffected by the course of the pandemic. Specifically, the hotel companies in the sample suffered a reduction in turnover by 75% due to reduced tourist flows and revenues, resulting in pre-tax losses and negative profit margins.
Their debt increased by 4% while their equity decreased by 6%, leading to an increased ratio of debt to equity by 9pps.
The decline in revenues of other listed tourism companies amounted to 20%, while EBITDA decreased by 22% marking a total loss of € 3.3mn.

* World Travel & Tourism Council, 2019 data
** INSETE Intelligence data, November 2020 Issue

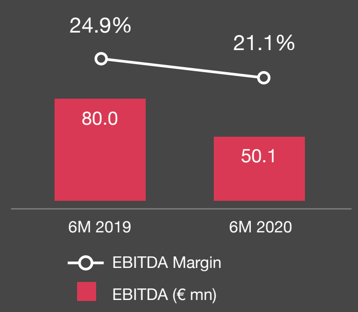
Revenue



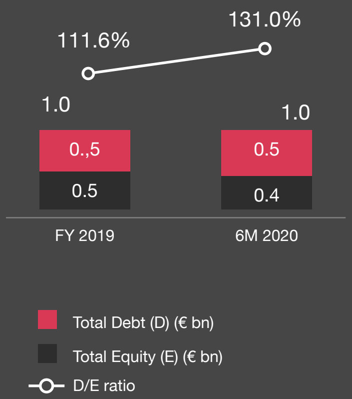
Net Debt/EBITDA & Total Debt



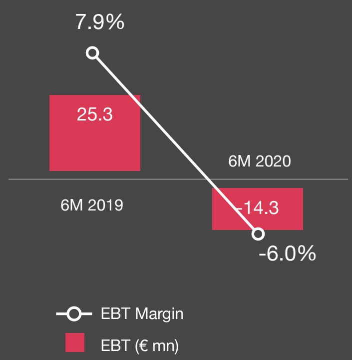
EBITDA & EBITDA Margin



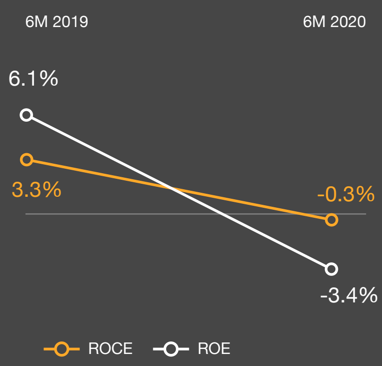
Total Debt & Total Equity



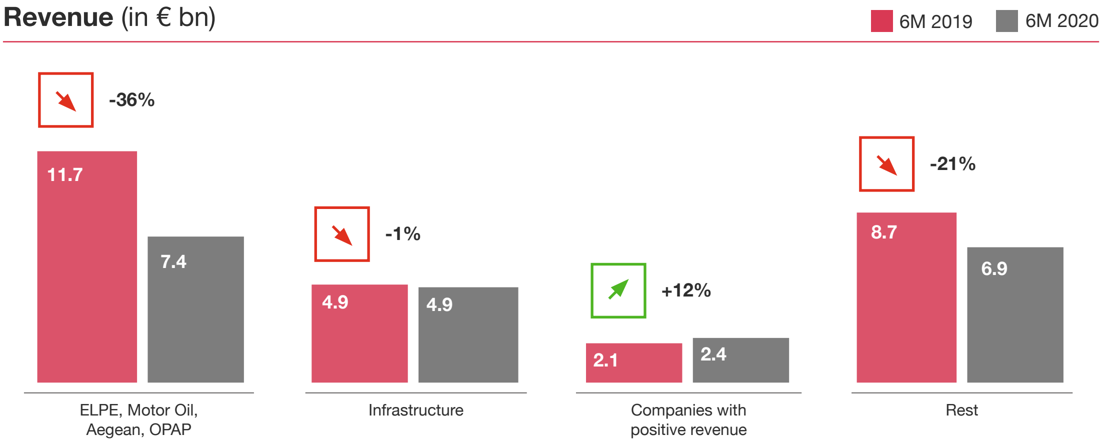
Earnings Before Tax (EBT) & EBT Margin

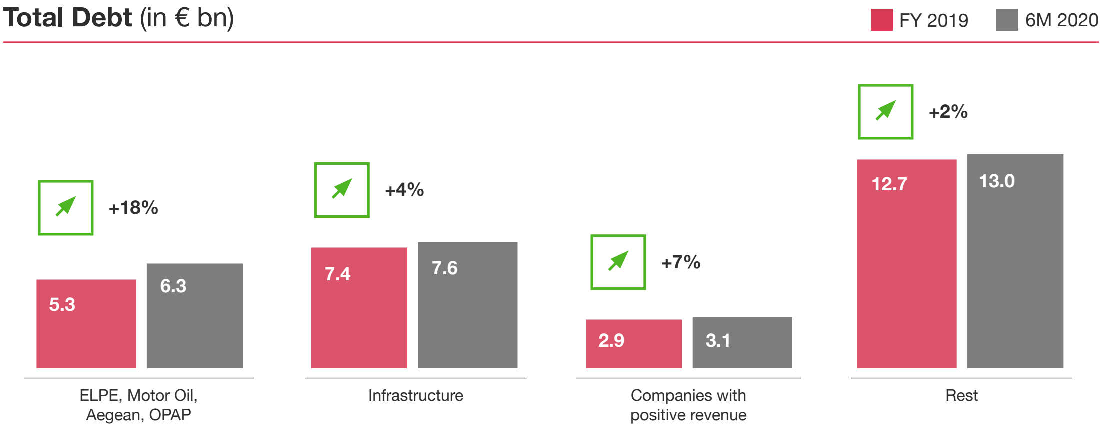


ROCE & ROE



The companies with the largest revenue decline during the pandemic were Aegean, ELPE, Motor Oil and OPAP





It seems that the companies most affected by the pandemic crisis were Aegean (-63%), ELPE (-33%), Motor Oil (-38%) and OPAP (-34%), exhibiting reduced turnover by € 4.2bn compared to the corresponding period in 2019 and representing 73% of the total decrease in the turnover of the sample, while at the same time they went through the largest increase in borrowing compared to the other companies in the sample. In particular, the results of the two energy companies were significantly affected by the decline in international oil prices due to the imbalance of world oil production and demand, as well as the reduced demand for fuel by the aviation and shipping sectors, and also by the travel restrictions imposed in the country. Aegean reported a reduced turnover of 63% due to the almost complete interruption of tourist activity, while at the same time the interruption of sports activities and the closure of stores for about 2 months significantly affected OPAP which had its revenues reduced by 34%.

In contrast, those companies that showed flexibility and adapted to the pandemic environment, increased their revenues by 12% and their debt by 7%. In addition, the resilience of the Infrastructure sector is once again visible compared to the companies in the rest of the sample, which led to a 21% reduction in revenue and a marginal 2% increase in debt.

Companies that managed to show resilience and flexibility to the pandemic, increased their revenues in the first half of 2020

41 companies in the sample managed to cope with the impact of the pandemic crisis, increasing their turnover in the first half of 2020. The majority of them (21 companies) belong to the Industry sector, where they produce, or adapted to produce products that had a high demand during the first wave of the pandemic, such as sanitary products and personal hygiene items (Papoutsanis, Sarantis), medicines (Lavipharm) and food items (Nikas, Kri-Kri, ELGEKA).

Technology companies (Plaisio, Quest, Performance Technologies, Epsilon Net, Space Hellas) saw their revenues increasing due to the increased demand for their products and services. At the same time, companies in the logistics sub-sector (Foodlink, ACS member of Quest) managed to maintain their results due to the increased demand for their services.

Real estate investment companies reported an increase in their turnover, reflecting their portfolio gains through investments during 2019 and early 2020.

At the same time, Dromeas and Sato increased their revenues as a result of additional sales due to the remote work measures that were imposed during the lockdown.

Position	Company Name	Revenue 6M 2020**	Δ% Revenue 6M 2020 - 6M 2019
1	PAPOUTSANIS	20.9	45.8%
2	TRASTOR	6.0	43.8%
3	NIKAS	28.3	43.5%
4	PERFORMANCE TECHNOLOGIES S.A.	13.1	25.6%
5	DROMEAS PAPAPANAGIOTOU	9.9	25.3%
6	FOODLINK S.A.	33.4	20.1%
7	ELVE	15.5	18.3%
8	QUEST HOLDING S.A.	303.9	17.7%
9	TERNA ENERGY	166.5	17.6%
10	KRI-KRI	65.9	14.8%
11	FLEXOPACK PLASTICS	51.4	13.7%
12	LAVIPHARM S.A.	18.3	12.9%
13	SPACE HELLAS S.A.	33.0	11.1%
14	SATO S.A.	7.0	10.5%
15	ELGEKA S.A.	92.2	10.4%
16	KARAMOLEGOS BREAD INDUSTRY S.A.	47.9	10.0%
17	EUROXX	6.2	8.3%
18	KARELIA TOBACCO COMPANY S.A.	515.4	8.2%
19	PLAISIO COMPUTERS	148.6	8.0%
20	MYLOI LOULI S.A.	54.5	7.9%
21	EPSILON NET S.A.	8.4	7.3%
22	SARANTIS	183.7	6.7%
23	ATHEX S.A.	14.5	6.1%
24	CRETA PLASTICS GROUP	151.5	5.8%
25	IDEAL GROUP	10.6	5.2%
26	MYLOI KEPENOU	16.6	5.0%

* The table includes companies with revenue growth of more than 5% during the period and with a turnover of over € 6m. AVE SA has been excluded from the list. as its results are not comparable to the previous period

** in€ mn

Financial results 9M 2020

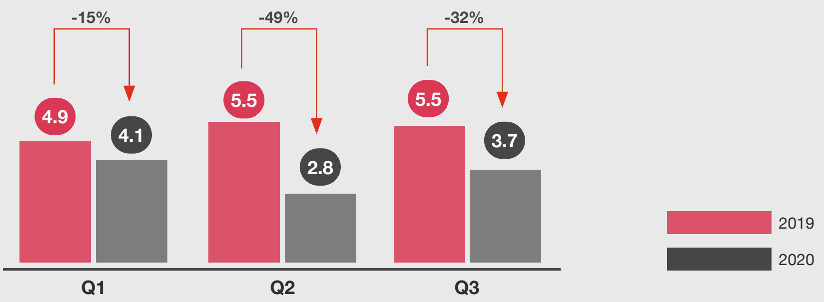
Out of the 142 companies in the sample, 12 have published financial results for 9M 2020*. Company revenues continue to show a negative trend in the first nine months of 2020 with the companies of the Industry and Construction sectors exhibiting a decrease of 34% on average.

Companies with increased turnover during the first half of the year continued to display a positive course in nine month results. In addition, Thrace Group created new production lines for protective masks, thus significantly improving its results during this period.

In contrast, the losses of the two major oil groups, which continued in the third quarter of 2020, as a result of continued declining demand in the shipping and aviation sectors, as well as lower crude oil prices compared to 2019, are squeezing revenues and significantly affecting all companies.

Revenue by quarter**

in € bn.



From the analysis of the turnover of listed companies that published nine-month results, it appears that their revenue drop continued in the third quarter of the year. Specifically, in Q3 2020, their revenues shrank by 32% (- € 1.8 bn) compared to the corresponding quarter of 2019. During the second quarter of 2020, where full measures for the pandemic were in place, revenue reached its lowest level, almost 50% compared to the same period in 2019, while in the first quarter of the year there was a drop of 15%. Overall, the 9M 2020 turnover is reduced compared to the corresponding period of 2019 by 33%.

* Last available data 1/12/2020

** The number of listed companies that have issued financial results for the first nine months of 2020 and were used for the above analysis is 12

Position	Company Name	Revenue 9M 2020*	Δ% Revenue 9M 2020 - 9M 2019
1	MOTOR OIL GROUP	4,472.0	-36.6%
2	ELPE GROUP	4,459.7	-34.5%
3	ELLAKTOR GROUP	667.1	-34.4%
4	QUEST HOLDING S.A.	481.0	20.2%
5	THRACE HOLDING S.A.	253.7	10.1%
6	PRODEA S.A.	119.6	-8.7%
7	KRI-KRI	102.7	10.6%
8	LAMDA DEVELOPMENT S.A.	51.4	-13.8%
9	PAPOUTSANIS	30.8	37.7%
10	ATHEX S.A.	22.1	-13.6%
11	PAPERPACK	13.1	-7.8%
12	BRIQ PROPERTIES S.A.	2.8	31.7%
TOTAL		10,676.0	-32.6%

*in € mn

Summary

The sectoral analysis of the performance and financial results of listed companies in the sample in the midst of a pandemic is in line with the broader picture of the economy affected by the health crisis

Industries like Commerce that are associated with products of inelastic demand, such as products that meet vital needs, have remained marginally unaffected by the pandemic. In the same direction, Infrastructure managed to increase their size, as the goods and services they produce directly affect the daily life and the operation of the economy (energy, water, telecommunications).

At the same time, in certain sectors there were companies that increased their turnover in the midst of the crisis, a fact that is attributed to two main factors. One is related to increases in demand due to the characteristics of their already produced products, such as technology products, while the second is related to the immediate response to the new needs created by the pandemic, transforming their production lines and creating sanitary material such as masks and antiseptics. Several companies had a similar reaction, mainly in the commerce sector, which despite the operation suspensions of physical stores, continued through their online stores, recovering to a large extent the sector's financials.

In the service sector, on the contrary, transport companies were hit hard by the crisis due to the travel restrictions and subsequent pandemic measures. Oil companies moved in the same direction as the combination of transport constraints, fuel demand and a significant drop in international oil prices dragged on.

4th Chapter

Challenges and risks

pwc

Responding to emerging challenges is crucial for the country's growth path in the upcoming years

How quickly will Greece recover from the pandemic crisis?

Will Greece effectively absorb the funds from the Recovery Fund and in turn smoothly proceed to the implementation of structural reforms?

Will the economy manage to move towards a new growth model?

How the transition towards a more environmental friendly model will be achieved?

What will be the next day of the banking sector?

How does the pandemic affect the corporate digital transformation?

How quickly will Greece recover from the pandemic crisis?

Maintenance of trust

Contrary to the economic crisis where Greece lost its access to the markets due to the lack of trust, this time the country can finance its additional fiscal needs by borrowing from international markets and also by receiving financial aid programs from the EU. The ability to borrow with low interest rates constitutes a crucial factor, but also a significant challenge for the long-term sustainability of the Greek debt. Therefore, it is indispensable for the country to maintain the trust built over the past few years, through a combination of prudent fiscal policy and structural reform implementation.

Quantitative easing and liquidity supply

The economy's smooth transition to the post-Covid era and its recovery rate are greatly affected by the ability to raise funding. The expansion of quantitative easing by the ECB constitutes a key challenge for the country since it maintains investors' trust. Changes in this monetary policy framework will most likely increase long-term interest rates which will in turn adversely impact the country's debt sustainability.

Smoother fiscal adjustment

Comparatively to the previous years, where the memoranda of structural adjustment imposed an austere fiscal policy, nowadays the disciplinary framework of the European supervision for Greece has somewhat relaxed, making the divergence from the targets of high surplus feasible for the current fiscal year. The easing of fiscal targets by the EU contributed significantly in tackling the current crisis limiting the negative impact on business and the labor market. Therefore, it is important that this easing is further extended and that fiscal targets are pursued in a gradual manner in order for the economy to smoothly transition to the post-Covid era rushing to achieve the fiscal target of a primary surplus of 3.5% would further harm the already feeble Greek economy, hence restraining the dynamics of the economic recovery.

Will Greece effectively absorb the funds from the Recovery Fund and in turn smoothly proceed to the implementation of structural reforms?

Absorption and management of funds

The Greek economy in the last decade has suffered a significant investment backlog with gross fixed capital formation falling from 22% * of GDP in 2008 to just 10% * in 2019, while the European average is moving over time to 20% * of GDP. It is clear that the attraction of investments and the use of the available resources of the Recovery Fund, amounting to € 32 billion **, where with the rest of the European resources that will flow by 2027, they are expected to reach a total of € 72 billion ** stand out as catalysts for the acceleration of country's economic recovery. A key challenge for Greece after the end of the pandemic is the efficient of the absorption of the available funding through strategic projects that generate a high GDP multiplier, as well as through the upgrade of public infrastructure.

Businesses will also play an important role in the absorption of the Fund's resources. Based on the National Recovery Plan, they should be properly prepared for the opportunities that will present in the economy, submitting comprehensive business plans for financing, especially in the fields of digitization and energy upgrading.

Acceleration of reforms

Greece's long-term reform deficit still forms an impediment in adapting to the new reality amid the health crisis while also slowing down economic recovery prospects. Key challenge for the country will be to use the provided liquidity of the Stability Fund to promote structural reforms, which will in turn allow the economy to transition from recession to growth.

Particular attention should be paid to the reorganization of the public sector in order to incentivize investors and also improving the legal framework to ensure investors' rights. Introducing a stable taxation framework that reduces both taxes and social security contributions, weeds out bureaucracy and other administrative barriers for firms and also simplifies the licensing procedures constitutes a fundamental challenge for Greece, which will determine the economy's state in the post-Covid era.

* Eurostat
** Components of budget's plan 2012

Will the economy manage to move towards a new growth model?

Shift to more productive sectors

Through the pandemic outbreak some of the fundamental structural weaknesses of the Greek economy resurfaced, such as the large dependence on the service sector and more specifically on tourism and catering. The Greek economy, in order to stand on its own two feet, is called upon to build a new growth model with stronger foundations, proceeding with changes in its productive base. In this direction, the country should focus on strengthening sectors that are more resilient to cyclical changes of the economy, such as manufacturing.

Boosting exports

The low level of investments during the crisis years, especially in in technological transformation and research & development combined with a large domestic market reliance of Greek companies, restrains their ability to compete internationally. The increase of the value added of the Greek products, through the promotion of innovation and the emphasis on the connection with the Greek brand is an essential condition for the enhancement of the international competitiveness and the increase of the Greek exports.

Tourist product upgrade

The Greek tourist product is characterized by massiveness and seasonality as tourist flows are particularly dense at certain period of the year. Greece is called upon to upgrade its tourism product by investing in less seasonal and more qualitative forms of tourism, such as conference and medical tourism.

How the transition towards a more environmental friendly model will be achieved?

Shift towards more environmental friendly forms of energy

The transition to circular economy is the response to sustainable development goal, given the growing concern over natural resource depletion and environmental degradation. A new green growth model that focuses on reducing the resource waste of the production process is required. In this context, emphasis should be placed on the production and use of cleaner forms of energy from renewable sources.

Lignite phase-out and job substitution

The termination of dependence on lignite and the shift to more environmentally friendly forms of energy will create relative job losses, as the economy of some areas in Greece is intertwined with lignite-fired power plants. In the process of moving to a "green" growth model, an effective plan needs to be developed and implemented, taking into account the need to replace lost jobs, eliminating the risk of rising unemployment.

Support for "green" investments

The transition towards the circular economy implies that firms must change their methods of production in order to reduce their environmental footprint. For small businesses, this is a major challenge for their future, as "green" investments entail high costs, making it vital for the State to provide incentives and the facilitate their access to liquidity for such investments.

What will be the next day of the banking sector?

Further reduction of non-performing loans

Despite the positive actions realized the recent years to reduce non-performing loans, they still remain relatively high (35.8% of total loans) *, while the pandemic poses additional challenges due to the new non-performing loans that are expected to emerge after the end of the repayment moratorium. Of course, with the completion of the securitization procedures that have already been announced by the Greek banks, the NPLs ratio is expected to decrease to approximately 25% **. The current crisis is affecting all European banks and the European Central Bank is therefore taking decisions to assist banks at a supervisory level At the same time, new monetary tools and mechanisms for battling the new wave of non-performing loans that will arise due to the pandemic are under discussion in Europe. Following the objective of restoration of the banking system, the banks should continue with the same intensity the efforts to reduce the non-performing loans that increased in the previous financial crisis.

Providing liquidity to healthy businesses affected by covid-19

The recession caused by the pandemic further increases the need of companies for liquidity. A number of companies operating mainly in the most affected sectors may not survive. In order to avoid the creation of new zombie companies, the rate of response of the banking sector stands out as a decisive factor. The domestic financial system in cooperation with the state needs to create mechanisms for the evaluation of the healthy companies from the problematic ones, in order to provide liquidity to the performing companies as well as to effectively manage those that will not survive.

Financing of development

The Greek banks, given the growth model shift, need to reshape their strategy and also shift their portfolio diversification from traditional sectors, such as tourism and real-estate to sectors where new growth opportunities are emerging. In this way they will be able to support companies that will be able adapt to the new reality, while at the same time they will generate higher yields for themselves.

How does the pandemic affect the corporate digital transformation?

State and corporate transformation

Greece faces problems assimilating new technologies, innovations and high-digitization services, as well as low employment in high-tech manufacturing industries, occupying the 26th place in the "Digital Economy DESI" index compared to the other 28 EU countries. Businesses and banking institutions in the country need to plan from now on the next day, taking into account the impact of the current crisis on the future consumer behavior of their customers, their supply chain and ultimately their operating model. The promotion of new and emerging technologies is now a key issue for businesses and the immediate implementation of effective corporate transformation strategies will be a major challenge in the future.

In this regard, the state should focus on the digitization of the public administration and the services it offers to businesses and citizens, while continuing to invest in the complete modernization of its structure, in the promotion of digital transactions to reduce tax evasion, but also in supporting innovation through incentivization. The latter is in fact a particularly important challenge for small businesses, which constitute the overwhelming percentage of the Greek corporate economy, as the transition to the new digital era may be a costly investment for most of them.

Labor force training

The current public health crisis formed an indispensable need to find technological solutions in order to achieve remote work, resulting in the immediate "digital adulthood" of companies. Accelerating digital modernization, through investments in systems and networks, has at the same time created unprecedented working conditions and certainly the smooth transition of staff to the new reality will be both a short-term and long-term challenge. Therefore, upskilling of the workforce through subsidized programs (70% of the training period as an internship within a company), as well as the reskilling and upgrading its digital skills should be a priority for the Greek businesses.

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