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INFORMATION PAPER BY PCCI's PRESIDENT, VASILIS KORKIDIS, TO EUROCOMMERCE TASK FORCE

«The overall impact of the war on the European economy is unspecified»

The current geopolitical developments on the Ukrainian front after the Russian invasion of the country reinforce the uncertainty about the course of the Greek economy in 2022, which was on track to grow by more than 5% this year. The first estimates of economists indicate that only high energy prices, which will burden significant parts of the economy, such as primary production, industry, transport and tourism, could have a negative impact on Greece's GDP growth rate by 1% this year, with the total cost of the war yet to be determined yet.

● The growth of the eurozone

As Morgan Stanley estimated, the Russian invasion is a historic moment in the geopolitical balance of the world, with the overall impact on global security, political alliances and, of course, the global economy still undetermined. In the "dark" scenario, as he calls it, the Oxford Economics scenario, in which the conflicts in Ukraine continue in 2023, with the West imposing additional sanctions and Russia retaliating by restricting gas supplies, the effects on growth of the euro area in relation to the baseline scenario will exceed 3.2% of GDP, with similar implications for Greece.

● The dangers of the Russian invasion

For Finance Minister Christos Staikouras, the Russian invasion creates four pillars of uncertainty: First, in trade, where Europe as a whole is heavily dependent on the two countries for specific products such as cereals (about a third of European imports of this species). Secondly, in the reduction of investor confidence, as in times of crisis investors traditionally turn to "safe havens". This affects Greece more, which does not yet have the "investment grade", something that is reflected in the bond spreads. Thirdly, in the field of inflation, which brings about price increases in energy, fertilizers and wheat and shocks in tourism, and, fourthly, in the increase of budgetary costs.

With oil, gas and electricity prices soaring, energy market disruptions tend to slow down and investment in sectors of the economy with relatively high energy dependence, leading economists point out.

● The increase in energy costs

The main negative impact in Europe and Greece will come from the increase in energy costs, which will probably be much more significant in the near future, with analysts "seeing" that oil will reach $ 150 a barrel soon, while If Russia, in retaliation for Western sanctions, cuts off gas supplies to Europe, prices could skyrocket. If the war does not end soon, the positive forecasts for tourism, with revenues expected to exceed those of 2019 in 2022, will be mitigated as it will cause travel uncertainty and higher costs for European households, despite the fact that of the 18 billion euros in travel receipts in 2019, only 433 million came from Russia, which is no longer a significant market.

● How much is the borrowing cost affected?

At the same time, the turmoil in the capital markets affects the borrowing costs of companies and economies such as the Greek one, which does not yet have the "investment grade", while increasing the fiscal costs at a time when the country wants to return to primary surpluses. The new data, however, open a "window" for the extension of fiscal flexibility at the level of the eurozone, with the possibility of being extended and in 2023 the escape clause cannot be ruled out. Based on the estimates of the financial staff that any increase in the price of gas by 10 euros / MWh has a net impact of 600 million euros or about 0.3% of GDP on an annual basis, although the corresponding estimate of the Commission reaches 0.5 % of eurozone GDP, while Axia Ventures estimated the total cost to the Greek economy at 1% of GDP.

• Account subsidies

As the government continues its subsidy program for electricity and gas bills for households and SMEs, it estimates an annual cost of 3-4.5 billion euros in order to maintain current subsidy levels. However, the financing of subsidies comes from 3-3.5 billion euros, depending on the prevailing power and CO2 prices, from the surplus accumulated in the RES account (ELAPE) due to the return of the main revenue streams in a high price environment, the which is also budget neutral. Thus the final impact on the budget is limited to 0.5-2 billion euros or 0.3% to 1% of GDP.

• Imports and exports

In any case, the war has partially affected Greek companies, imports, exports and the economy itself. Greek exports to the Russian Federation, however, move annually to the level of only 206 million euros, while Russian exports to 4 billion euros. There are about 45 Greek companies operating in Ukraine, which are mainly active in the field of food, fruit and vegetable trade, selection of personnel for the Greek shipping, consulting services, tourism and catering. The capital of Russian interests, which has been invested in Greece or is to be invested on the basis of the strategic investments approved by DESE, exceeds 1.5 billion euros. To this must be added the 596 Russians who have received "Golden Visa", although the program is now "frozen".

New wave of price increases in «housewife's basket»

The frantic rise in energy prices pushes up production costs and accuracy with inflation heading to break the 7% "barrier" in March. A "twin crisis" of uncontrollable proportions threatens family budgets in the shadow of the war in Ukraine. The nightmarish price increases in energy prices, which are driving up production costs, combined with the unprecedented rise in agricultural prices, are creating a new wave of price increases in commodities and commodities, starting with cereals and oils. With Russia and Ukraine accounting for 1/3 of world wheat exports, 20% of maize supplies and 70% -80% of sunflower oil exports, daily food items such as flour, bread, pastries, biscuits, even pasta made from durum wheat, a product in which the country is proficient, are estimated to be re-priced. The price of bread has increased by 10% -28% since the summer of 2021 and now a simple loaf of 350 grams has reached the point of sale from 0.90 to 1 euro. A kilo of branded flour for all uses costs without the discount from 1.52 to 1.73 euros (with the discount it "goes down" to 1.15 to 1.43 euros), while last summer it cost 1 euro. At the same time, rising feed prices are causing a domino effect in milk, yogurt, cheese and meat. For a kilo of packaged feta the average price today ranges from 11.03 to 13.08 euros compared to 9.7 - 11.2 euros 8 months ago in 2021.

• The price lists

It should be noted that according to market executives, the wholesale price lists, before the Russian invasion, predicted price increases of 8% -20%. New ones will be added to these increases. It is noteworthy that the member companies of the Piraeus Chamber of Commerce and Industry that participated in a survey on energy costs said that they have already implemented increases in their products and are expected to make new price increases in the near future due to the surge in energy costs, including the dimension of the war and the impact it has on trade.

• The Food products

From the research conducted on basic foodstuffs sold in supermarkets, it is clear that the course of prices is pushing household finances, especially the most vulnerable. A basket of 20 branded products on January 1, 2022 cost 48.72 euros based on the average prices presented on the electronic platform e-Consumer of the General Secretariat of Commerce and Consumer Protection. The bill for the same basket on January 29 was 49.93 euros, while on March 1 the bill had risen to 50.94 euros.

The percentage increase over a period of two months was of the order of 4.5%, although for several products due to offers and promotions the prices decreased. The course of accuracy with the breaking of another record in the index is expected to be officially certified by the publication on March 10 of the February Consumer Price Index. Already, according to preliminary data from the European Statistical Office for Greece, inflation in February is very likely to break the "barrier" of 7% from 6.2% in January.

• Profit ceiling on fuel, cereals and other products

The "tool" of the ceiling on gross profit in fuels and products affected by the Russian-Ukrainian crisis, such as cereals, is recruited by the Ministry of Development and Investment. The aim of the amendment tabled by the Minister of Development and Investment, Adonis Georgiadis, is to tackle the phenomenon of profiteering and to prevent the arrival of a new wave of accuracy. The imposition of a ceiling covers the entire supply chain, for example in fuel the ceiling starts from the refinery and reaches up to the gas station owner, while it concerns the sale of any product or the provision of any service necessary for health, nutrition, living, transportation and consumer safety during the geopolitical crisis. The measure is valid until June 30, 2022. The reduction of unfair profitability is sought through the determination of a maximum amount of gross profit margin, which will not be able to exceed, for the duration of the crisis, the gross profit margin of each company on 1st September 2021. Therefore, a gross profit margin greater than that which existed before September 2021 is not tolerated, while fines from 5,000 to 1,000,000 euros are provided. "No one will be able to sell at a higher profit than, for the product itself, in September 2021", Mr. Georgiadis noted in his statements, emphasizing that "we do not want to allow anyone to take advantage of the crisis to make excessive profits ". From the market point of view, the reception of the measure is rather restrained. Especially in fuels, as market participants explain, the jump in consumer prices is attributed to the unprecedented race of international oil and gas prices and not to shaky cases of scandal. However, the Inter-Service Market Control Unit (DIMEA) has detected phenomena of profiteering in the prices of goods, imposing hefty fines of hundreds of thousands of euros. In particular, for the phenomena of scandal, DIMEA carries out inspections in the flour industry, fruit and vegetables, fuels, meat, supermarkets, as well as in the sale prices of protection masks and coronavirus detection tests.

• Plan for rapid decoupling from Russian gas

The European Commission will this week propose a plan to reduce Europe's dependence on Russian gas imports by up to 40% and to strengthen the resilience of countries' energy systems to supply disruptions or price spikes. According to the draft proposal, the EU's gas storage should be at 80% by at least 30 September this year as a bulwark against any shock for next winter. EU stocks are currently at 29%, about 8 percentage points lower than in the same period last year. The commission said the EU could face a partial shutdown of Russian gas supplies this winter, based on storage and emergency plans. Concerns about disruptions to gas flows from Russia have prompted the EU to seek alternative supplies from the US, Qatar and Japan. Europe's liquefied natural gas (LNG) imports hit a record 11 billion cubic meters in January. The draft said the EU would discuss medium-term developments with major gas buyers to try to avoid "market practices" that could push up prices. It has also pledged to provide more support for green hydrogen projects, and the Commission will make recommendations in June to speed up the licensing of new wind and solar projects. Another proposal would include measures to speed up solar energy projects, including photovoltaics on the roof, the draft said.

• Greek companies on the war front

Anxiety about the future of groups that have exposure, productively, commercially and export-wise, in the markets of Russia and Ukraine, which are affected by the war. Greek companies with exposure, productively, commercially and exportally, to the Russian and Ukrainian markets are currently operating under a protracted war scenario, at a time when the entire business world is "watching" with horror that energy costs are soaring to unprecedented levels. Those who are dependent on these countries in terms of raw materials, such as the flour industry and the steel industry, are embarking on a difficult road race looking for alternative suppliers, while those with production and commercial facilities in Ukraine and Russia are looking at ways to keep "alive" supply chains. Exporters are also facing completely new data. The conflict has "frozen" trade deals, while anxiety is widespread about the future, which is extremely uncertain, given the expulsion of Russia from the international payment network SWIFT.

Coca-Cola HBC and Frigoglass are being severely affected by the war in Ukraine, a fact that especially for Coca-Cola HBC, the second largest Coca-Cola bottler in the world, is reflected in the stock market. The Coca-Cola HBC plant in Kyiv, with 11 production lines employing more than 1,300 people, has closed. According to the company's CEO Zoran Bogdanovic, alternative scenarios have already been prepared to deal with unforeseen situations, including the alternative supply of products from Africa and Asia. Coca-Cola HBC ranks Russia in its largest markets and employs 8,000

people in 10 factories. For Frigoglass, the Russian and Ukrainian markets account for 14.5% and 2.4% of the group's sales, respectively. Frigoglass's subsidiary in Russia, Frigoglass Eurasia LLC, had significant exports (finished and semi-finished products) to other countries and to the group's subsidiaries in 2021. The subsidiary in Russia constitutes 20% of the Frigoglass group's assets for 2021 At the same time, Sarantis announced the temporary closure of its subsidiary Ergopack LLC, located in Kaniv, Ukraine. The listed company also has a subsidiary in Russia, Hoztorg LLC, which produces household goods. In 2021, Ergopack LLC sales accounted for 6.7% of the group's total sales, while Hoztorg LLC sales in 2021 accounted for 0.5%. It is noted that almost 50% of Ergopack's sales come from exports to neighboring countries and are based on the dollar. Although the effects of the closure of its factory are unknown, Sarantis launched a counterattack, announcing the acquisition of 100% of the Polish company Stella Pack consumer goods through its subsidiary Sarantis Polska SA The Elton group also suspended the operation of its subsidiary. On the other hand, it continues to operate the factory owned by the Hellenic Glass Industry (formerly Yioula), interests of the Voulgarakis family, in the Ukrainian city of Zhytomyr.

● Flour and steel industries

The domestic flour mills, which supplied wheat from Ukraine and Russia, have also been hit hard. Delivery problems for Greek companies have already begun, while the search for alternative suppliers is becoming more difficult as Russia and Ukraine represent 32.85% of world wheat exports, with the result that everyone is "crowded" in the markets of Bulgaria, Poland and Romania. and Hungary, as the cereals of France and Germany are more expensive. In addition, Ukraine and Russia are important sources of raw material production for the domestic steel industry. According to the company Jirakian Pipeworks, in 2021 17% of its steel needs were supplied from the two countries, while since the beginning of the year it is looking for alternative suppliers. Purchases by Kordellos Bros. from Ukraine accounted for 17% of total merchandise purchases in 2021. Turnover related to sales of imported products from Ukraine and Russia accounted for about 6.5% of the total, according to SIDMA, while the percentage of product purchases from the above countries concerned about 6.8% of the total imports of the company.

Today in Ukraine, there are about 45 Greek companies active in the field of food, fruit and vegetable trading, selection of staff for Greek shipping, consulting services, tourism and catering. The companies of Greek interests operating in the Russian territory are about 70. The stock of Greek investments in Russia is distributed in the sectors of processing, wholesale - retail, transport - storage, accommodation - catering, financial services, real estate, transport, professional, scientific and technical services and health services. In addition to Coca-Cola HBC, Frigoglass and Sarantis, Chipita, which has been owned by Mondelez International since last year, the Greek chain of home textile stores Togas, the company Plastika Kritis through its subsidiary production company, is active in the Russian market. Global Colors, Cenergy (joint venture of Corinth Pipeworks), the Kopelouzos group, the companies Oxette Jewelery, BSB and Lapin House with commercial stores, Piraeus Bank (representative office) and Eurobank (representative office).

● Fruit and vegetable markets

Greek fruit and vegetable producers are watching the war with bated breath. Since the beginning of the war, exports to Ukraine have stopped, while collateral losses have begun to be perceived, as indirect exports to Russia through Latvia and Lithuania have also decreased significantly. It is recalled that there are no direct exports of fruits and vegetables to Russia due to the embargo imposed by the Russian government since August 2014. In addition, there is great concern in the Greek canning of peach juices, as Russia absorbs 1/3 of the quantities exported. that is, 8,000-9,000 tons out of a total of 25,000 tons. At the same time, the Ukrainian market, which is in the top 3 of the export markets for Greek peaches and nectarines, is "lost". In 2020, Greek exports to Ukraine in fresh apricots, cherries, peaches, plums and wild plums, were worth 20.39 million euros.

In total, fruit and vegetable exports to Ukraine in 2021 amounted to 17.60 million euros and amounted to 32,078 tons. Greek producers and traders of the domestic fur industry characterize the EU sanctions in Russia, which is their largest market, as a "tombstone". They predict that the industry will enter a new crisis after the drop in turnover of more than 70% in the pandemic, as the developments concern their best customers, mainly the Russians and secondarily the Ukrainians. Several companies in Kastoria are at a disadvantage as goods destined for Russia and Ukraine will remain unavailable. According to data from the Hellenic Fur Federation, in 2019, which was a bad

year for the industry, fur exports to Russia were about 46 million euros. The value of Ukraine's share in the same year was 6 million euros. During the two years of the pandemic, 2020 and 2021, the two countries had a share that did not exceed 8-9 million euros per year, i.e. cumulatively during the pandemic period around 17 million euros

● Energy bills burn two salaries

One and a half to two basic salaries are lost annually to households due to energy precision, which is also exacerbated by the effects of the war in Ukraine. The prices of gasoline, electricity, heating oil and gas are burning the family budgets, causing them to increase by 33% up to 52% annual expenses. Based on the prices of the Fuel Price Observatory, Eurostat and the HEPI index, taking into account the current prices and comparing them with the corresponding last year, calculated that a household this year on a 12-month basis will pay 1,087 to 1,239 euros more to travel by car, to meet its energy needs with electricity and to be heated with oil or gas. If we take into account that the basic salary in Greece is 663 euros, then it is easy to conclude that energy accuracy throws two salaries a year into the fire.

● Household and business support tools

Greek Prime Minister's Kyriakos Mitsotakis announcements

«I want Greek citizens to know that I will do everything in my power to support households and businesses. Whatever is allowed within our capabilities will be done to support Greek society in this difficult time. Beyond that, however, when we talk about this kind of turmoil in world markets, it is that there will be consequences that we cannot deal with on our own. So we have to move on two levels.

National policies: supporting citizens' disposable income in all ways:

* Subsidizing bills primarily for electricity, we will continue to do so. I want to reiterate today that households with low consumption, up to 300 kilowatt hours per month have seen small increases. Other households with higher consumption have seen larger increases.

* The best policy to support disposable income is to reduce taxes. ENFIA will be reduced from next month. And we are talking about a reduction that will affect 80% of Greek households and will be greater in households with lower incomes.

* And I can tell you that there will be another, certainly, extraordinary support of our fellow citizens, who are in the greatest need today.

* We choose not to limit, not to cut excise taxes today for two reasons: Very large budgetary impact, small ultimate benefit in the final price, say of gasoline, but the biggest benefit will be those who have the highest consumption. So, if we can - and will - create a fiscal space to support society, I would rather use this space than everyone else, and especially those with the biggest cars. which I will create to support those who need it most today.

* Wages in Greece are low and this is unfortunately the result of a ten-year crisis. And in an economy that is growing, because the Greek economy is growing despite the difficulties, this growth should be reflected in the wages of workers. This is an issue that concerns employers to some extent, but also the government. That is why I have announced in advance that on May 1 there will be a significant increase in the minimum wage. It cannot come faster for technical, legal reasons, because we are committed to a European framework.

There is also the European level. As you know, we have already put forward proposals for a European line of defence against rising energy prices. »