

Greek factoring industry

The Greek factoring industry experienced a strong growth of 16% for 2006, compared with the low 1.8% of 2005. Turnover in absolute figures reached € 5.23 billion, showing that factoring is becoming more popular and its services are starting to gain recognition from the business world.

Industry environment

During 2006 real GDP grew strongly and is expected to continue to expand at close to 4% over this year and next. The main reason for this growth has been the increase in domestic demand along with the strengthening of the productive capacity of the economy, which has been a result of investments and structural changes.

The reforms in the financial sector which took place during the 90's and the Euro zone participation have lowered substantially the borrowing costs, which lead to the fast expansion of credit resulting finally in higher consumption and investments. The Olympic Games and the high inflows of funds from the European Union have increased public investment which was directed mainly to infrastructure development, supported productivity growth while specific structural reforms improved labor and market competitiveness.

In addition to this, new markets for Greek exports have been developed. The countries in the area of New Europe (South-East European Region) have become major trading partners, absorbing substantial amounts of goods while investments in the manufacturing and service sector in these countries have improved the competitiveness of the companies in these markets.

Nevertheless, the challenges that the Greek economy has to face are very important. Although the main economic indicators are performing quite well, inflation still remains higher than the average inflation rate of EU, and has resulted in the deterioration of real income and to eroded international competitiveness of the economy. The outcome is the widening of the current account deficit, reaching 12,1% of GDP during 2006, higher than the 8,1% of 2005.

Market performance and supply

Although in 2005 the factoring market developed by only 2%, during 2006 the market performed dynamically and increased by 16%, reaching a total volume of € 5.23bil. Domestic turnover increased by 13% while International turnover by 65%!

Presently 12 independent companies and bank divisions offer factoring services in Greece. The number is likely to increase, as smaller sized banks are expected to develop factoring divisions and offer factoring services to their clientele. Despite the relatively high number of factoring companies, factoring turnover remains concentrated to 3 major players, ABC Factors, EFG Factors & Bank of Cyprus-Kyprou factors, accounting for almost 80% of the total volumes.

The shares of recourse and non-recourse factoring have not changed substantially during 2006, with the first being the most popular service requested, mainly due to the broad utilization of post-dated cheques as means of payment. On the other hand, non-recourse factoring continues to develop, as the market is positively assessing the benefits of credit risk coverage. Moreover, the off-balance sheet effect is becoming a commonly used service among large corporations and stock exchange listed companies.

Nevertheless, the highest increase has been realized in International factoring volumes. Export-oriented companies are seeking for support while expanding in new markets and export-factoring services seem to fit better their needs compared to conventional credit insurance policies. Import factoring has also increased as companies are promoting open account terms for their supplies rather than using the traditional banking products. In addition, the first indications for 2007 show that International factoring is going to experience high growth as well.

EFG Factors continues to be one of the major players in the market, being the leader in International factoring. It is the first Greek factoring company, which in cooperation with Microsoft has developed highly sophisticated factoring software, which adapts to the special needs of the market. In addition, it is the only Greek factor that started operations abroad, with its Branch in Bulgaria being fully operational offering all range of factoring services.

Future trends

The expansion of the Greek companies to new markets, mainly to those of New Europe, Russia & Turkey is expected to boost factoring volumes and support the development of factoring units in these countries, as the Greek banks are also participating in this expansion.

In the domestic market, as EU is pushing for the abolishment of post-dated cheques in the next couple of years, factoring companies can expect further growth, since open account sales will become for entrepreneurs the major source for short term financing.

Finally, the need for the establishment of a factoring association, 12 years after the establishment of the first factoring companies, has become a necessity, so that factoring and commercial finance services can be promoted more efficiently.

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