

# Non-Performing Loans (NPLs) in the Greek hospitality sector

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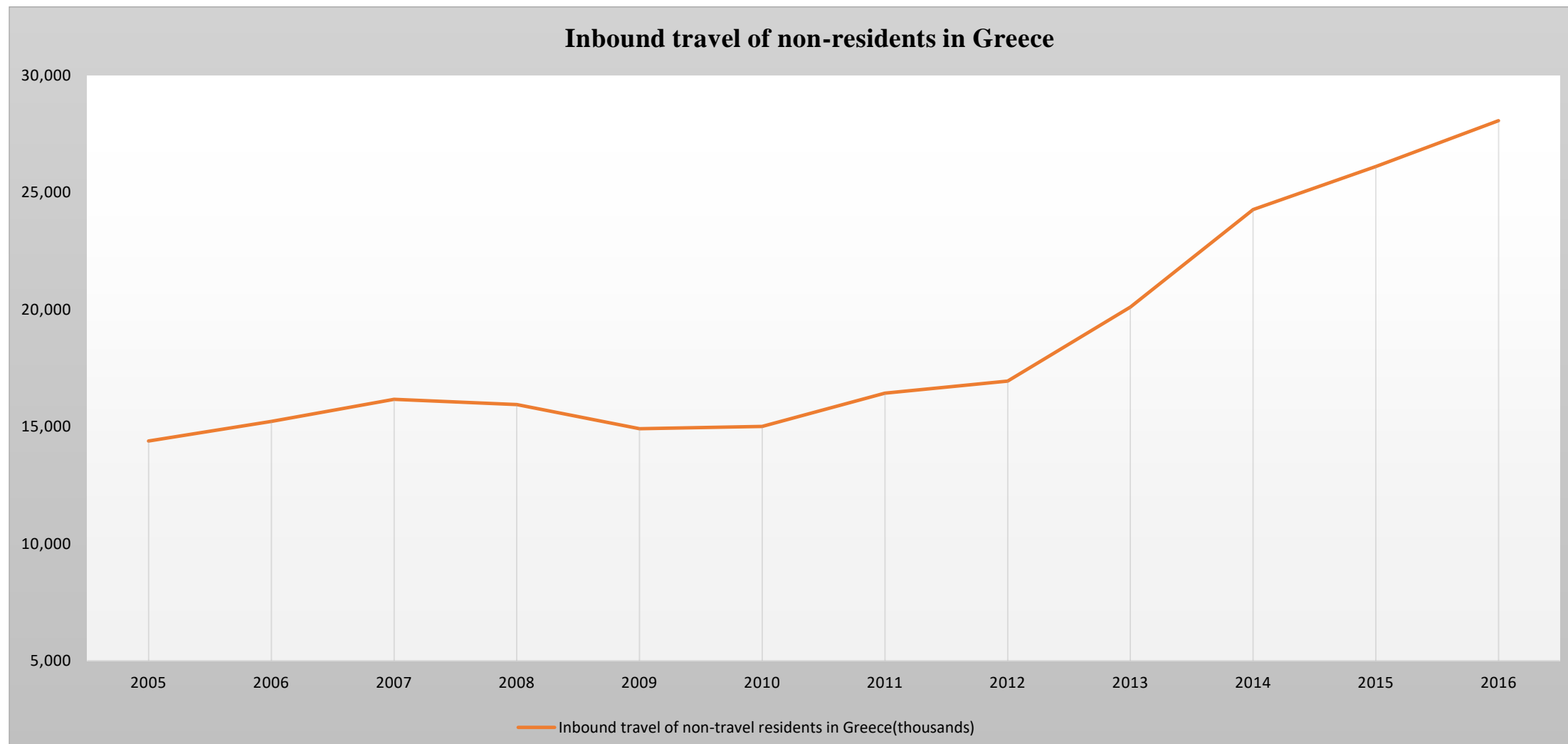
The research work is descriptive and focuses on:

- The contribution of the tourism sector to the Greek economy
- The size of the hotel sector
- The portion of the hotel industry which is associated with NPLs
- A sectoral analysis of business loans of the economy over 2016

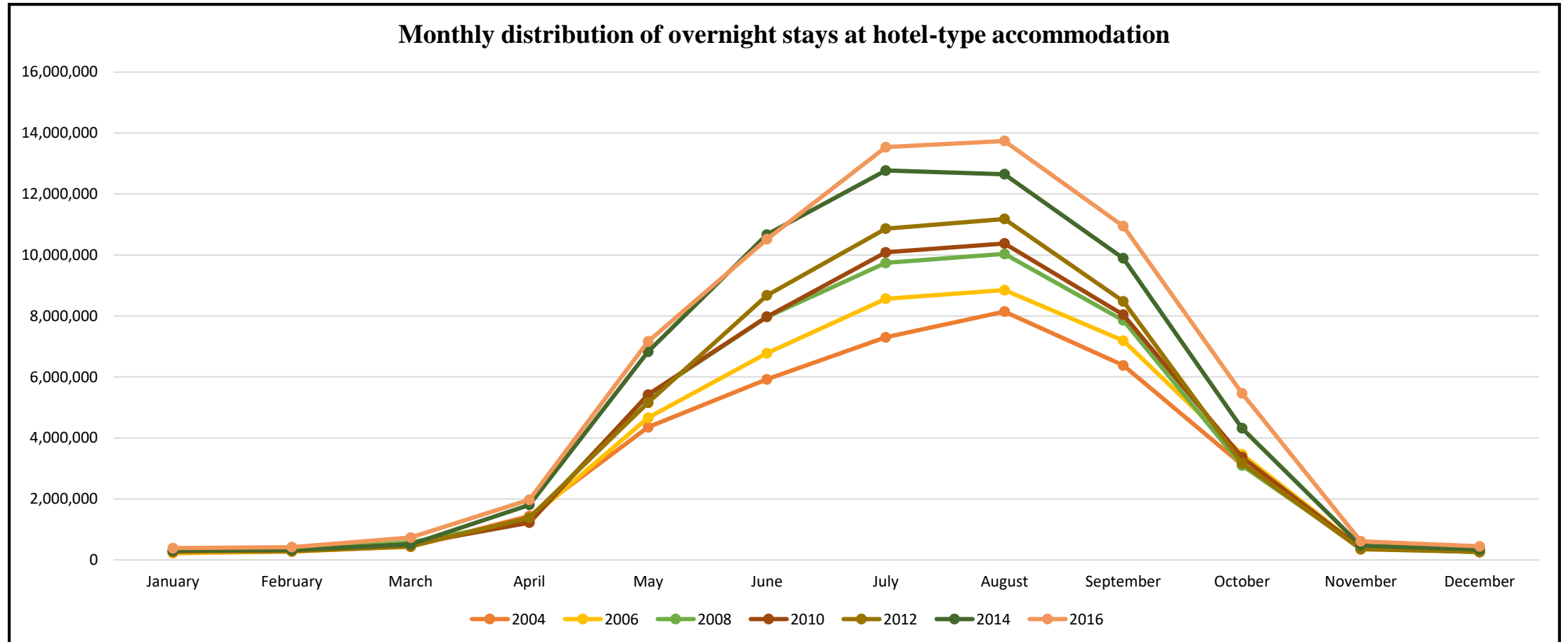
**Contribution of tourism to Greek GDP and employment, 2013-2017**

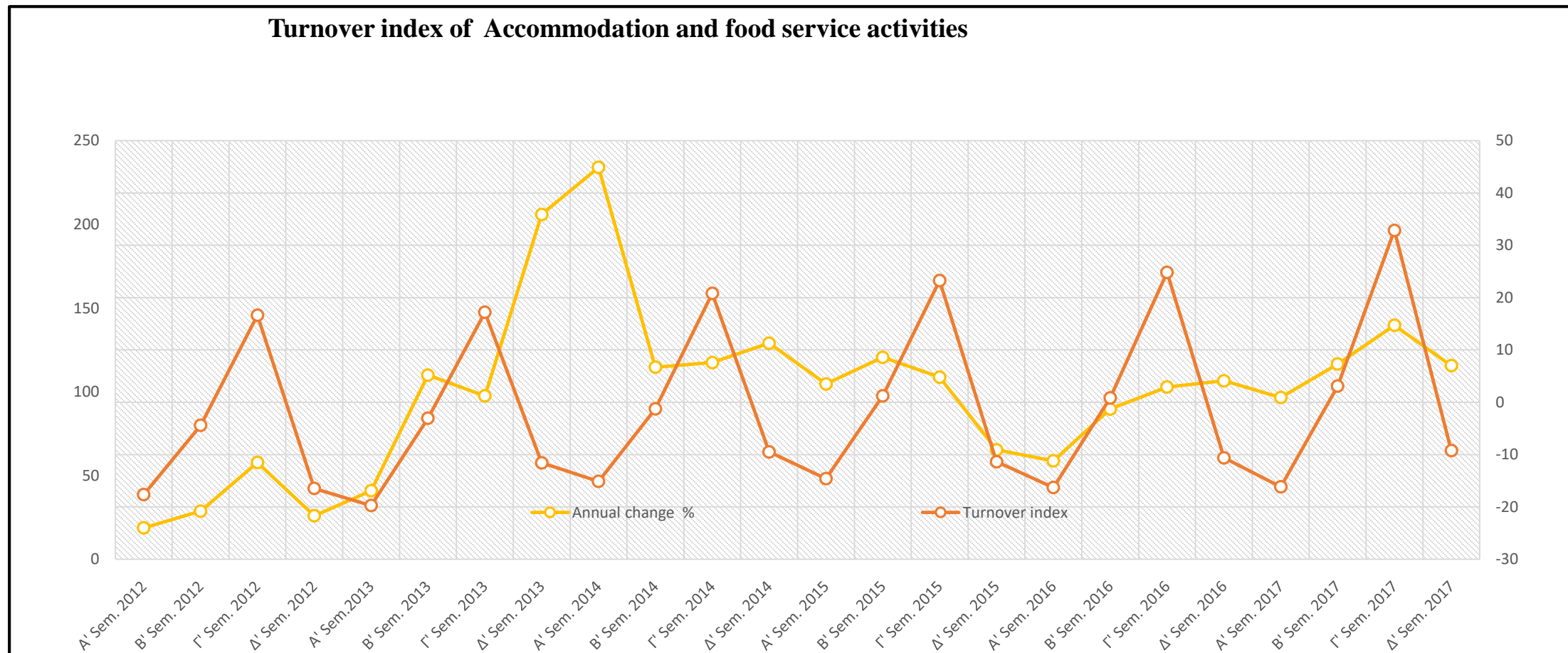
	2013	2014	2015	2016	2017
<b>Contribution to GDP (bn €)</b>					
Direct contribution	12.20	13.10	13.60	13.20	14.20
Total contribution	30.50	32.10	33.30	32.79	35.10
Total contribution as a %	17.42	18.21	19.04	18.63	19.61
<b>Contribution to employment (thousands of employees)</b>					
Direct contribution	382.75	406.26	426.86	422.62	447.92
Total contribution	769.20	808.80	860.70	860.30	914.70
Total contribution as a %	21.93	22.92	23.92	23.40	24.62

Source: World Travel and Tourism Council, 2017











Source :Greek statistical authority, 2016

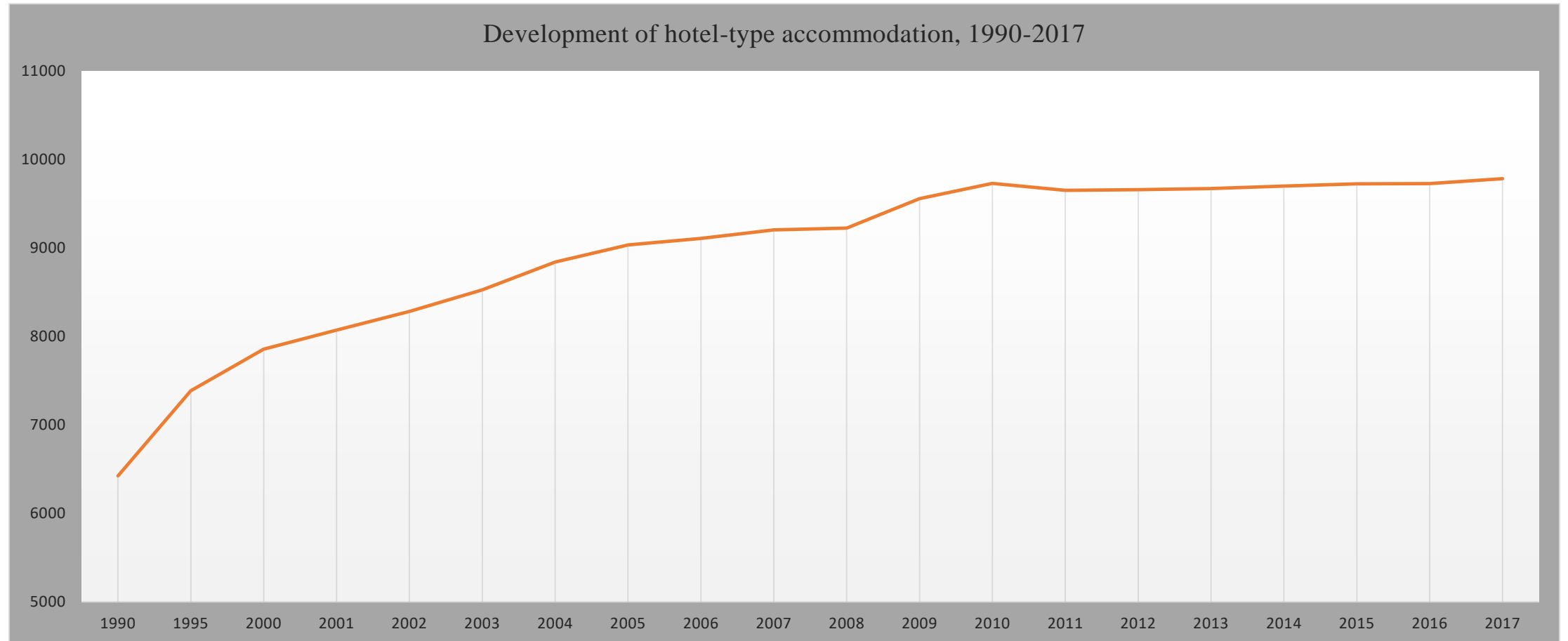
The contribution of tourism to Greece in 2017 corresponds to:

- 35 bil €  19.6% of GDP
- 915,000 jobs  24.6% of total employment

Specifically, the hotel industry contributes:

- 17 bil €  10% of GDP
- 240,000 jobs  6.5% of total employment

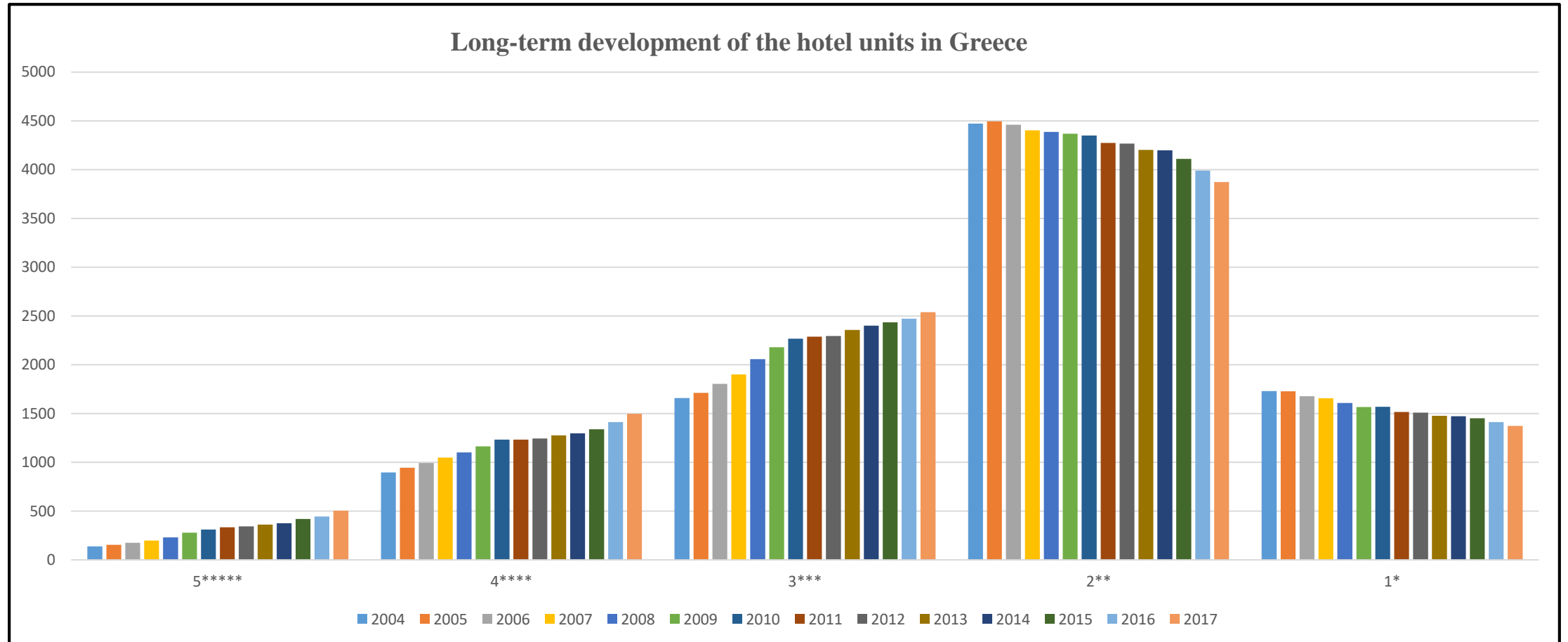




## Development of Greek hotel types and categories

Year	5*****	4****	3***	2**	1*	Sum
2004	139	896	1,660	4,473	1,731	8,899
2005	155	944	1,712	4,496	1,729	9,036
2006	176	994	1,804	4,460	1,677	9,011
2007	199	1,048	1,900	4,403	1,657	9,207
2008	230	1,102	2,058	4,387	1,608	9,385
2009	280	1,164	2,179	4,368	1,568	9,559
2010	312	1,234	2,268	4,349	1,569	9,732
2011	334	1,234	2,289	4,274	1,517	9,648
2012	343	1,245	2,295	4,268	1,510	9,661
2013	361	1,277	2,358	4,203	1,478	9,677
2014	375	1,298	2,402	4,198	1,472	9,745
2015	419	1,340	2,436	4,110	1,452	9,757
2016	444	1,412	2,472	3,990	1,412	9,730
2017*	504	1,497	2,538	3,874	1,373	9,786

Source :Hotel chamber of Greece,2017



## Distribution of hotel by category and operation for year 2016

Mode	5*****	4****	3***	2**	1*	Sum
Seasonal	224	678	1,129	2,369	840	5,240
All year	220	734	1,343	1,621	572	4,490
Total	444	1,412	2,472	3,990	1,412	9,730
	Percentage allocation					
Seasonal	50.5%	48%	45.7%	59.4%	59.5%	53.9%
All year	49.5%	52%	54.3%	40.6%	40.5%	46.1%
Total	100%	100%	100%	100%	100%	100%

## Allocation of the hotel units by region for the years 2014-2017

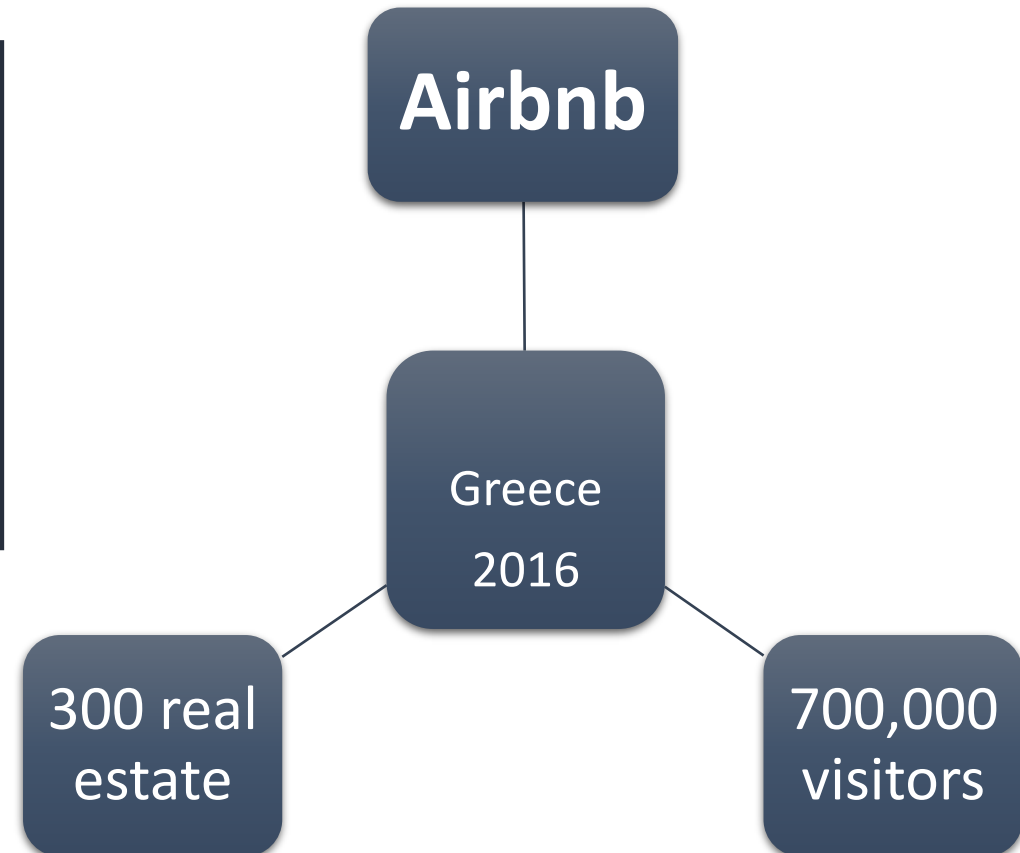
Region	2014	2015	2016	2017
East Macedonia and Thrace	386	384	379	383
Attica	663	664	649	647
North Aegean	391	389	382	391
West Greece	270	270	269	270
West Macedonia	125	126	126	126
Hpeiros	391	397	411	415
Thessaly	577	571	568	567
Ionian Islands	925	931	930	933
Central Macedonia	1,195	1,195	1,195	1,192
Crete	1,545	1,558	1,568	1,576
South Aegean	2,082	2,076	2,068	2,102
Peloponnisos	657	664	660	661
Central Greece	538	532	525	523




## A sharing economy in accommodation provision

Lost annually...

- 525 mil. € in hotel industry
- 13,860 employment
- 88 mil. € in Greek government



The financial crisis also hit the banking scene :

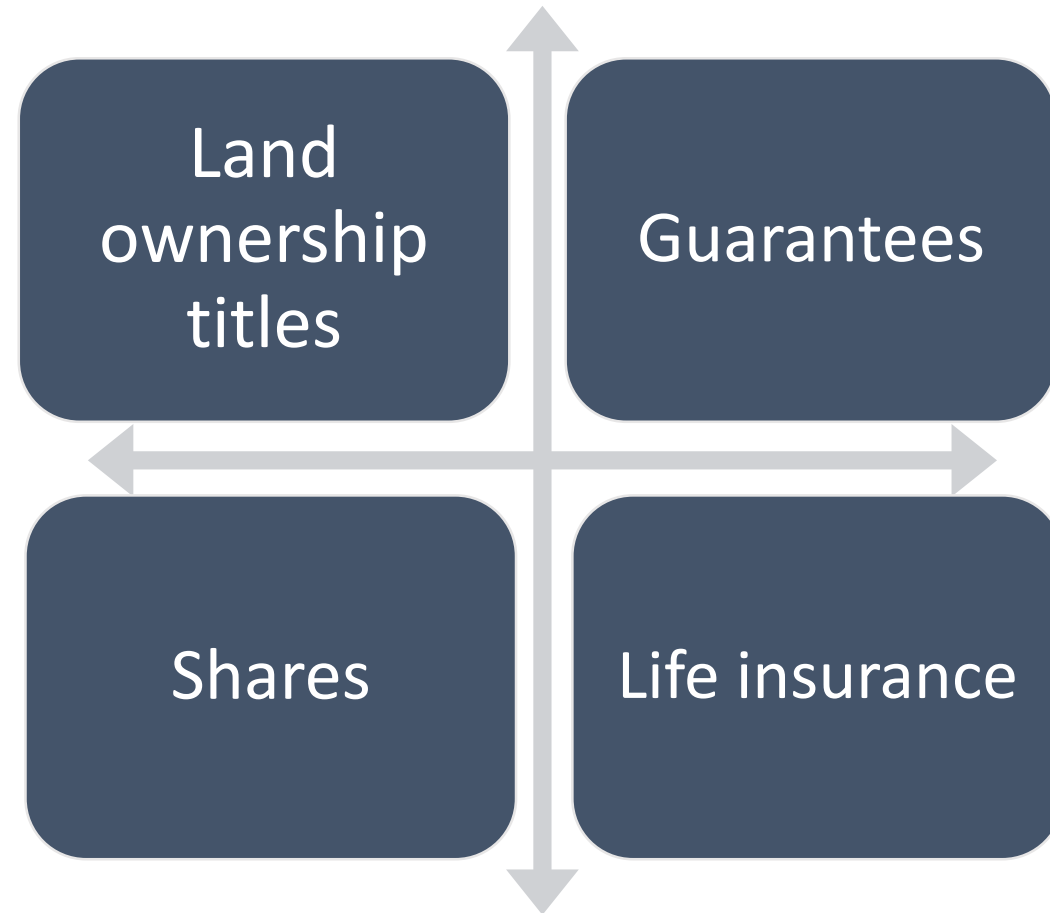
- Reduction of banking institutions: 64  39
- Reduction of staff by 29% = 19,000 persons
- Reduction of bank stores by 42.5% = 1,736 banks
- Reduction of ATM by 26% = 2,350 ATM



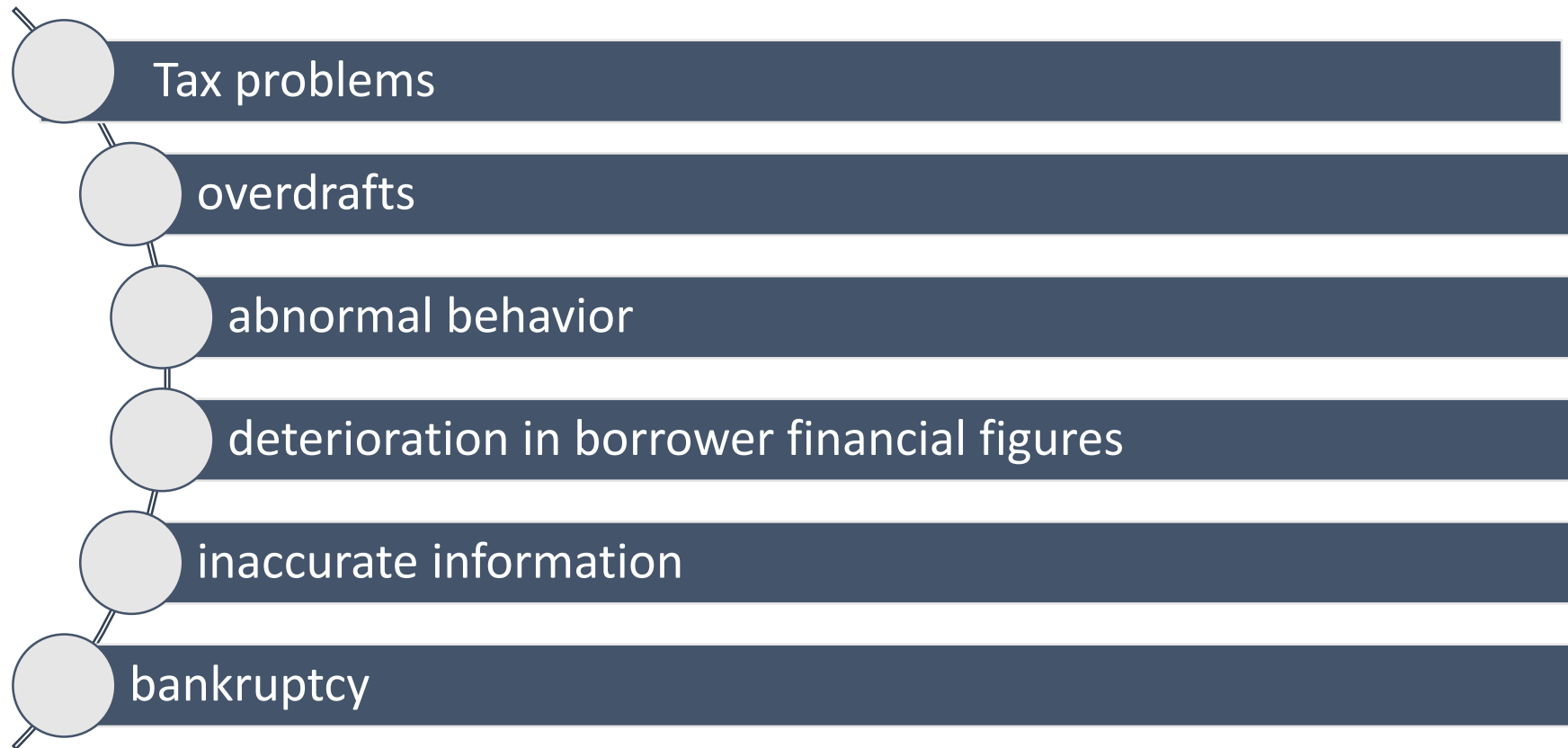
Every bank loan involves  
risks



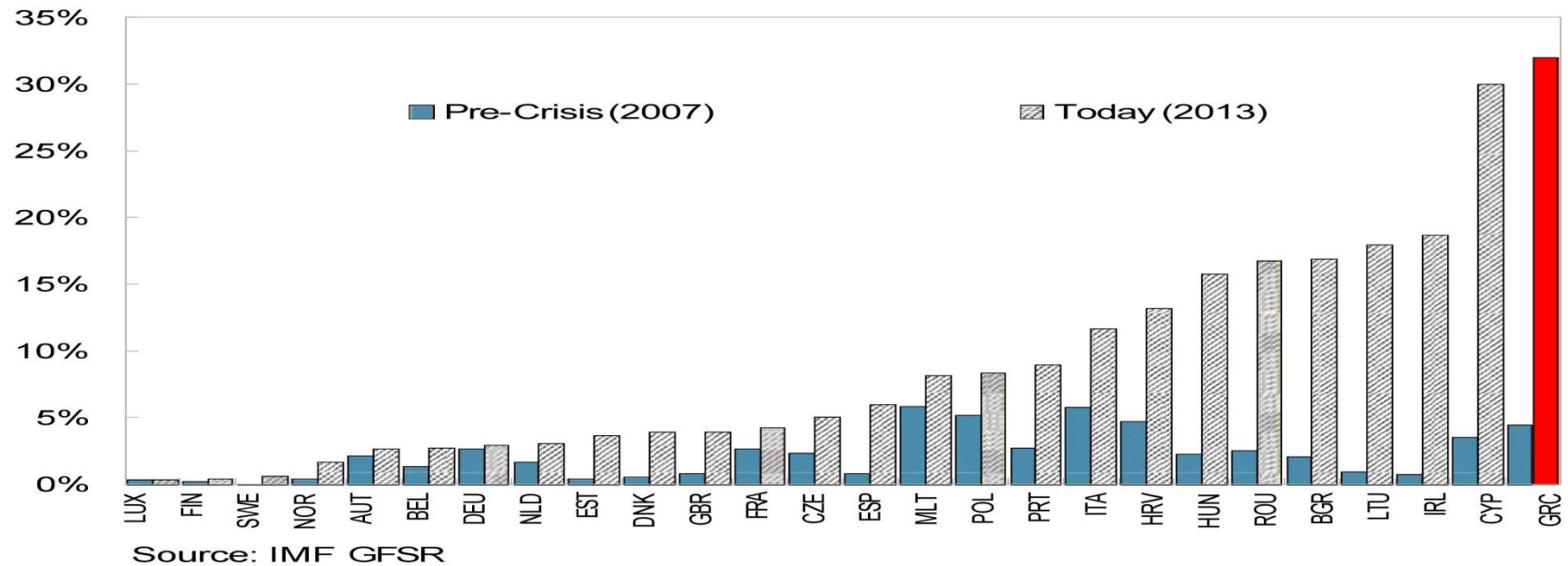
the bank uses collateral



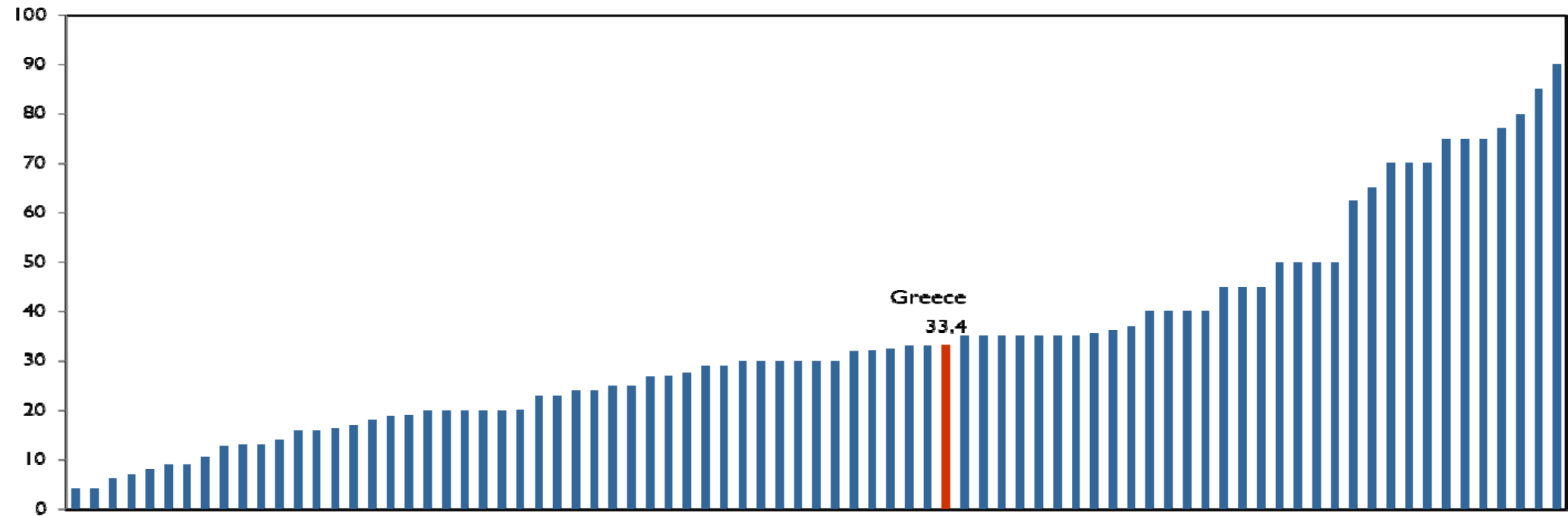
## Signs to identify problematic loans



# Non-Performing Loans



➤ NPLs in significantly higher level in Greece compared to Europe.



➤...But somewhere in the middle when compared to other countries who suffered systemic crises.

## Tactics for dealing with non-performing loans:

State

- Law 4469/2017

Banks

- Executive committee act 42/30.5.2014 of Bank of Greece

## Objective of research

Collection of available data on the amount of non-performing loans of Greek hotel industry

Secondary research

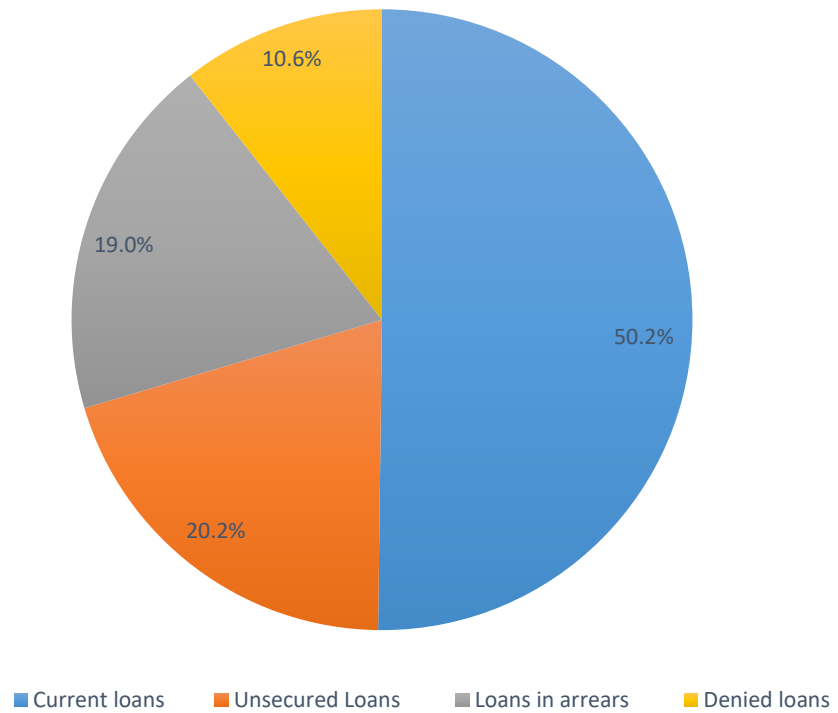
Statistical data

- Bank of Greece
- ICAP Group

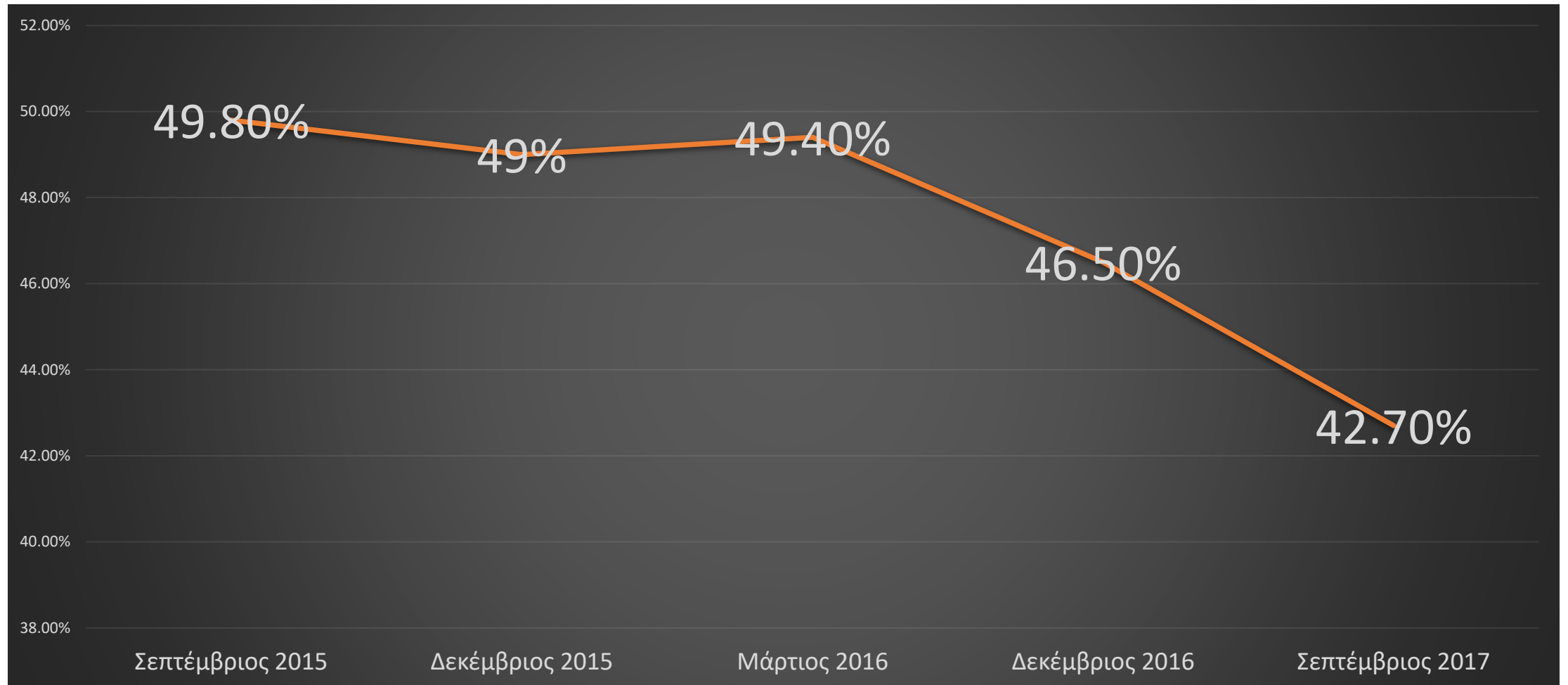
### DISADVANTAGES:

- Limited number of published data on non-performing loans to hotel industry
- Unsupported archive material over time

### Total loans- Hotel sector



## Indicators of non-performing loans in hotel industry in Greece



Source: Bank of Greece, 2016

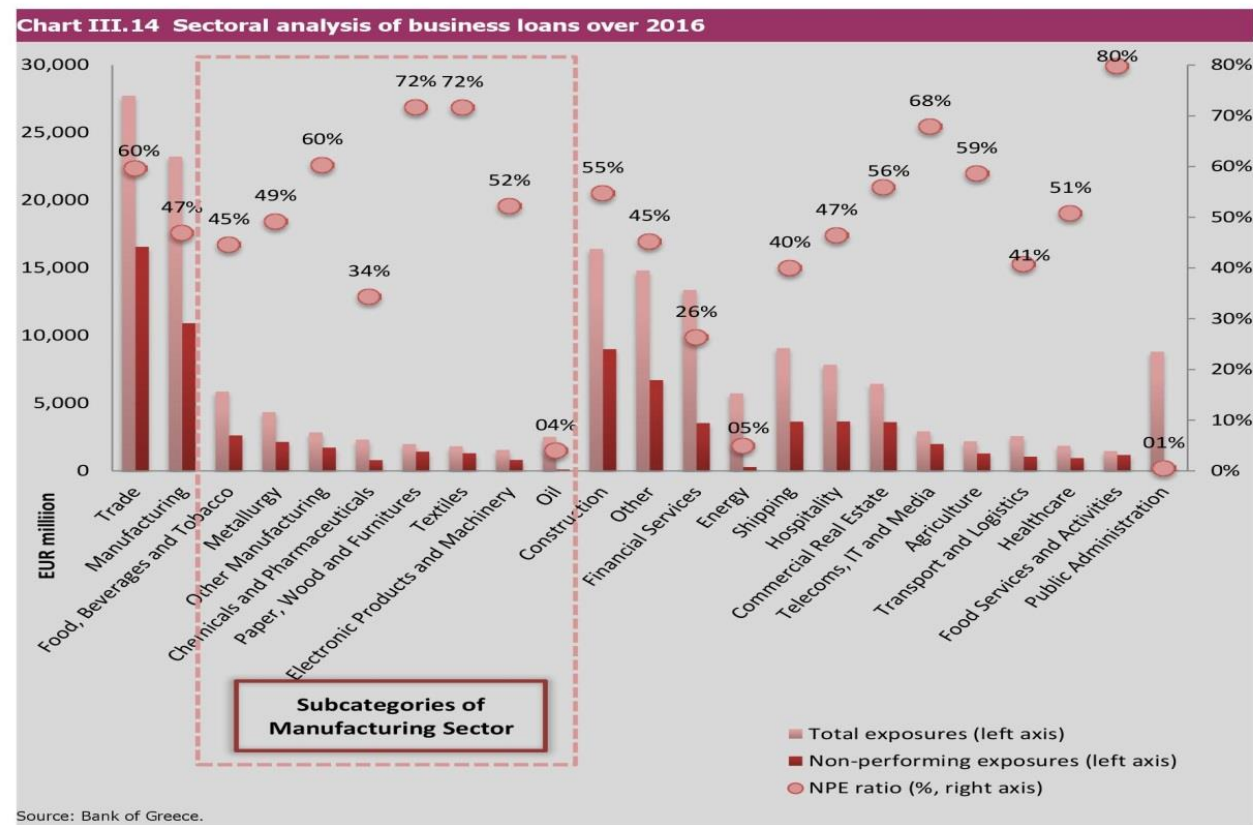


### Credit Capacity of Greek Hotels (8month 2017)

<b><i>ICAP Score</i></b>	Number of Companies	Rate
Low Credit Risk	16	2.4%
Medium Credit Risk	231	34.9%
High Credit Risk	415	62.7%
<b>Total</b>	662	100%

Source: ICAP Group, 2017

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## Conclusions

- 1) Strong performance of the Greek tourism, despite the recession of the overall economy.
- 2) Quality improvement of the hotel capacity.
- 3) Despite the good performance of the Greek tourism, hotel loans score equally problematic as the rest of the Greek economy and 63% of hotel business has a high credit risk.
- 4) Nevertheless, NPLs in the hotel industry decrease by 7.1% over a two-year period, therefore there is an improvement in the number of hotel NPLs, most likely induced by the good performance of the tourism industry.

# Conclusions

So ...

The small and steady decline in non-performing loans,

The continuous and correct guidance of the Bank of Greece,

The boom of Greek tourism and

The optimistic side of bank employees,



Satisfy aspirations to further reduce the ratio  
of non-performing loans!



Thank you for  
your  
attention!