

**ALFRED NOBEL UNIVERSITY  
DEPARTMENT OF THE GLOBAL ECONOMICS**

## **Bachelor's Thesis**

“Development and ways of realization of the international investment project “Lounge bar” in Greece”

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Specialty: 292 “International economic relations”

Supervisor: Kuzminov S.V., Doctor of economic sciences

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**ALFRED NOBEL UNIVERSITY  
DEPARTMENT OF THE GLOBAL ECONOMICS**

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**The Bachelor's Thesis  
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INTRODUCTION

SECTION 1 THE MAIN TRENDS OF THE ECONOMY OF GREECE: THE CURRENT PROBLEMS AND VECTORS OF DEVELOPMENT

1.1. General characteristics of the development of the economy of Greece over the last 15 years

1.2. The analysis of structure of the economy of Greece

1.3. The main trends of the development of services and tourism in Greece and their role in international tourist market

SECTION 2 FOREIGN ECONOMIC ACTIVITY OF GREECE: INTERNATIONAL TRADE AND CAPITAL MOVEMENT

2.1. The main trends in export and import of goods and services in Greece

2.2. Evaluation of the investment climate and the international investment position of Greece

2.3. Assessment of business environment and the degree of its attractiveness to Ukrainian investors

SECTION 3 DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT “LOUNGE BAR” IN GREECE”

3.1. Substantiation of the investment project of the organization of the lounge bar in Greece

3.2. The necessary investment resources and the sources of their involvement

3.3. Estimation of financial results and economic efficiency of the international investment project

CONCLUSIONS AND PROPOSALS

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## SUMMARY

*“Development and ways of realization of the international investment project  
“Lounge bar” in Greece”*

The bachelor’s thesis considers general characteristics of the development of the economy of Greece. The macroeconomic situation and the factors of the development of the economy of Greece, the main industries and their contribution to the economic growth of Greece are presented. The structure of the economy of Greece is analyzed. It is shown that the most important industries in Greece are tourism and restaurant business. The impact of global pandemic on the current trends of the international tourism market and restaurant business is analyzed. The main trends of export and import of goods and services in Greece are studied. The analysis of investment climate and the dynamics of the foreign direct investment of Greece is provided. The business climate in Greece and its attractiveness to Ukrainian investors, the main benefits and potential threats for foreign investors are considered. The international investment project of organization of a lounge bar in Greece is developed. The necessary investments and their sources are substantiated. The calculation of financial results and indicators of the economic performance of the investment project in restaurant business are presented.

Key words: Greece, restaurant business, international trade, foreign direct investment, investment climate, investment project, lounge bar, performance indicators

## АНОТАЦІЯ

*«Розробка та шляхи реалізації міжнародного інвестиційного проекту «Лаунж бар» у Греції»*

Кваліфікаційна робота бакалавра присвячена розгляду загальних характеристик розвитку економіки Греції. Представлено макроекономічну ситуацію та фактори економічного розвитку, основні галузі та їх внесок у економічне зростання Греції. Проаналізовано структуру економіки Греції. Показано, що найважливішими галузями економіки Греції є туризм та ресторанний бізнес. Проаналізовано вплив глобальної пандемії на сучасні тенденції розвитку міжнародного туристичного ринку та ресторанного бізнесу. Вивчено основні тенденції експорту та імпорту товарів та послуг у Греції. Надано аналіз інвестиційного клімату та динаміки прямих іноземних інвестицій Греції. Розглянуто діловий клімат у Греції та його привабливість для українських інвесторів, основні переваги та потенційні загрози для іноземних інвесторів. Розроблено міжнародний інвестиційний проект організації лаунж-бару в Греції. Обґрунтовано необхідні інвестиції та джерела їх залучення. Представлено розрахунок фінансових результатів та економічних показників інвестиційного проекту в ресторанному бізнесі.

Ключові слова: Греція, ресторанний бізнес, міжнародна торгівля, прямі іноземні інвестиції, інвестиційний клімат, інвестиційний проект, лаунж-бар, показники ефективності

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## INTRODUCTION

*The actuality of the research topic* is that Greece is in the process of reforming its economy, which requires significant investment in service projects. The tourism and restaurant industry in Greece plays a leading role in the country's economic development. As Greece is heavily dependent on the export of services, projects aimed at developing the restaurant business are a priority and are attractive for foreign investors.

The developed service industry, which is part of the restaurant industry, is a sign of the high socio-economic level of Greece, the progressive structure of its economy. The transformations that have taken place in the global economy in recent decades have led to significant changes in the restaurant industry. In modern conditions, the restaurant business is a profitable type of economic activity, which is characterized by high levels of capital liquidity and competitiveness. In recent years, there has been an increase in the role of restaurants in the tourism sector of the economy. Therefore, the study of the development of investment activities of the restaurant industry is relevant and of great practical importance.

*The aim* of the thesis is to analyze the main indicators of the development of the economy of Greece and its investment climate, to develop an investment project for opening a lounge bar in Greece and evaluate its performance.

*The objectives* of the thesis are:

- to research the macroeconomic situation and the factors of the development of the economy of Greece;
- to evaluate structure of the economy of Greece;
- to identify the main trends of the development of services and tourism in Greece and their perspectives;
- to analyze main trends in export and import of goods and services in Greece;
- to consider the investment climate and the international investment position of Greece;

- to assess the business environment and the degree of its attractiveness to Ukrainian investors;
- to create the concept of the investment project of the organization of the lounge bar in Greece;
- to substantiate the necessary investment resources and the sources of their involvement;
- to assess financial results and economic efficiency of the international investment project of the organization of the lounge bar in Greece.

***The object*** of research is the international relations and investment climate in Greece for foreign investors in the restaurant industry.

***The subject*** of research is the international investment project of the organization of the lounge bar in Greece.

***Method.*** For achieving the objectives of the research, general scientific methods of cognition, analysis and synthesis, a process approach, methods of systemic, strategic, economic and statistical analysis were used.

***The practical significance*** of the work means the possibility of development directions for the development of foreign economic relations in the restaurant industry, development and ways of implementation a real investment project to open a lounge bar in Greece.

## SECTION 1

### THE MAIN TRENDS OF THE ECONOMY OF GREECE: THE CURRENT PROBLEMS AND VECTORS OF DEVELOPMENT

1.1. General characteristics of the development of the economy of Greece over the last 15 years

Greece has a capitalist economy, in which the share of the public sector in 2020 was about 40% of GDP. GDP per capita is about 2/3 of the GDP of developed European countries. The share of tourism reaches 18% of GDP. Almost 20% of the labor force is occupied by immigrants, mainly in agricultural and blue-collar professions. Greece receives strong financial assistance from the EU, which accounts for approximately 3.3% of GDP per year.

The average annual growth rate of the Greek economy from 2003 to 2007 was about 4%. 2009 marked the beginning of a deep economic recession caused by the global financial crisis, tightening of the credit policy of world financial institutions and the inability to pay off the growing budget deficit. The decline in the economy by 2013 was 26% compared to 2007, before the crisis. Greece met the EU's Growth and Stability Pact budget deficit criterion of no more than 3% of GDP in 2007-2008, but violated it in 2009 with a deficit of 15% of GDP. Major credit rating agencies downgraded Greece's international debt rating in 2009. Internal reasons for this situation are ineffective public finance management, ignorance of the need for reforms, caused the financial crisis as the result (Alogoskoufis, 2021).

The financial assistance program from the EU and international financial organizations was aimed at reducing public spending, reducing tax burden, reforming state administration system, health care and pension systems, as well as reforming the labor market and the product market.

Management measures in public sector led to a decrease in the deficit to 1.3% in 2017. The Greek government, however, did not implement most of the declared reforms

due to strong opposition from the political opposition, as well as opposition from some of the country's influential labour unions and citizens.

In April 2010, a leading credit agency assigned the lowest credit rating to government debt. In May 2010, the IMF and the EU provided Greece with the loan in the amount of \$ 147 billion with the intended purpose to pay off public debt. The Greek government has made efforts to achieve the goals set by the EU and the IMF. Eurostat raised the indicators of the budget deficit and public debt of Greece for 2009 and 2010 (Alogoskoufis, 2012). The EU countries and the IMF in October 2011 provided Greece with the second part of the loan in the amount of \$ 169 billion. A sine qua non of the loan was the write-off of a significant portion of its assets, prompting holders of Greek government bonds to write off to try to ease the burden of Greece's public debt. However, Greek banks, burdened with a large chunk of sovereign debt, were hit by the write-off, and \$ 60 billion of the second bailout was set aside to ensure adequate capitalization of the banking system (Alogoskoufis, 2021).

In 2014, the Greek economy overcame the recession, achieving a balanced state budget, excluding debt repayment. For the first time since 2010, government securities have been issued on global financial markets. GDP has grown by 0.7% for the first time since 2007 (Baldwin and Giavazzi, 2015).

Despite the beginning of gradual economic growth, in the first half of 2015, the Greek government and lenders from the EU and the IMF could not come to an agreement on measures to restore the economy and repay loans. The Greek government has accumulated significant debt to creditors, with commercial banks expecting for emergent loans. As a result, Greece's future in the euro zone was called into question (Xafa, 2014).

To avoid a loss of liquidity in the banking system, Greece introduced capital controls in June 2015. In the same year, Greece became the first developed country to fail to repay a loan to the IMF according the schedule, affecting global financial markets. Amid political divisions within the country, as a result, the government agreed to receive a new financial tranche of \$ 96 billion to prevent default. In August 2015, Greece received the third tranche, which was aimed at repaying debts to creditors from

the EU and the IMF and guaranteeing the liquidity of the banking system. The stated requirements for financial assistance were successfully met. Despite the crisis, Greece's GDP did not fall as sharply as it could, in particular due to the contribution of the tourism sector (Xafa, 2014).

In 2017, Greece's GDP increased and unemployment fell. However, the ongoing economic reforms have not been successful. Credit funds were not used for their intended purpose and did not bring the desired effect. Political instability and the shadow economy are holding back economic growth. According to some estimates, Greece's shadow market accounts for 20 to 25% of GDP, as citizens work illegally and hide incomes by evading taxes, which in some cases have grown to 70% of a person's gross income.

Table 1.1 contains the main economic indicators of Greece over last 5 years and forecast of the IMF.

Table 1.1

The main economic indicators of Greece

Main Indicators	2018	2019	2020 (e)	2021 (e)	2022 (e)
GDP (billions USD)	218.24	209.88e	194.38	219.01	235.68
GDP (Constant Prices, Annual % Change)	1.9	1.9e	-9.5	4.1	5.6
GDP per Capita (USD)	20	19e	18	20	22
General Government Balance (in % of GDP)	4.0	3.5	3.5	2.7	0.8
General Government Gross Debt (in % of GDP)	184.8	180.9	205.2	200.5	187.3
Inflation Rate (%)	0.8	0.5	-0.6	0.7	0.9
Unemployment Rate (% of the Labour Force)	19.3	17.3	19.9	18.3	16.6
Current Account (billions USD)	-7.58	-4.40	-15.04	-9.78	-7.90
Current Account (in % of GDP)	-3.5	-2.1	-7.7	-4.5	-3.4

Source: IMF – World Economic Outlook Database, October 2020

Note: (e) Estimated Data

The current stage of development of the Greek economy is determined by the significant role of the service sector and its dependence on external factors, in particular, the global pandemic. The morbidity situation was better compared to the EU countries. However, the Greek economy suffered the most significant losses from Covid-19 in 2020. This was due to Greece's increased reliance on tourism and the

hospitality industry, whose revenues affect the trade balance, current account balance, and employment and domestic consumption. According to preliminary estimates, Greece's GDP contracted by 9.5% in 2020. Experts predict economic growth by 4.1% in 2021, subject to the recovery of the global economy after the pandemic and the resumption of international tourism.

Greece's GDP contraction was observed already in the first quarter of 2020. It contrasted with the trends of the last two years, when the Greek economy grew steadily mainly due to the services sector. Covid-19 anti-crisis and quarantine measures have begun to affect the economy. The decline in GDP reached a record level of 17.5% in the second quarter and slowed down to only 11% in the third quarter of 2020. The main reason for this situation was the sharp drop in tourism revenues, the share of which in Greece's GDP is quite high. The dependence of the Greek economy on tourism and services was hampered by economic recovery, which in other EU countries was made possible by industry sectors.

The government provided compensation for income to both citizens and businesses. According to government plans, taxes and social security contributions will be cut in 2021. Gross debt in the general government, which was gigantic before the pandemic, was estimated at 205.2% of total GDP in 2020, up from 181% a year earlier. Government spending on health care and social security has increased significantly. In 2021, the government plans to boost investment, in part through EU's Next Generation grants. The decline in domestic consumption and the decline in prices for imported energy resources led to a decrease in inflation to negative values (-0.6% in 2020 and 0.5% in 2019).

The government is implementing the "Rebrain Greece" program, which aims to attract young professionals and provide them with new jobs with a competitive salary (€ 3,000), which is higher than the average salary in Greece at the moment. However, in 2020, the program was frozen due to the pandemic. One of the negative factors of economic growth is the decline and aging of the population. At the beginning of 2020, the government began to provide financial assistance in the amount of € 2,000 for a newborn child.

The creation of new jobs was able to partially restore the economy in 2018-2019. The unemployment rate forecast was nearly 20% in 2020, up from 17.3% a year earlier (according to the Greek Statistical Office). Government vacation support programs have prevented further job losses. A gradual decrease in unemployment is predicted to 18.3% in 2021 and to 16.6% in 2022 (Alogoskoufis, 2021).

We can summarize that the development of the Greek economy over the past 15 years has been characterized by many obstacles and negative factors. Political instability, imbalance in economic sectors and, as a result, imbalance in the budget. Dependence on tourism and hospitality have made Greece's position very shaky, but these industries can help to recover the economy. The global pandemic has dealt a devastating blow. However, the government's efforts are aimed at maintaining domestic demand and reducing social tensions in the country, which is partially yielding results. Attracting foreign investment could provide an additional chance for economic growth.

1.2. The analysis of structure of the economy of Greece

The structure of the Greek economy today is not balanced. Table 1.2 shows the employment and value added by sector in the economy of Greece.

Table 1.2

The employment and value added by sector in the economy of Greece in 2020

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	11.7	15.2	73.1
Value Added (in % of GDP)	3.7	15.3	68.1
Value Added (Annual % Change)	-1.8	1.4	1.0

Source: World Bank

Figure 1.1 shows the distribution of gross domestic product (GDP) across economic sectors from 2009 to 2019. This statistic shows the distribution of the gross domestic product (GDP) across economic sectors in Greece from 2009 to 2019. In 2019, agriculture contributed around 3.65 percent to the GDP of Greece, 15.28 percent came from the industry and 68.07 percent from the service sector.

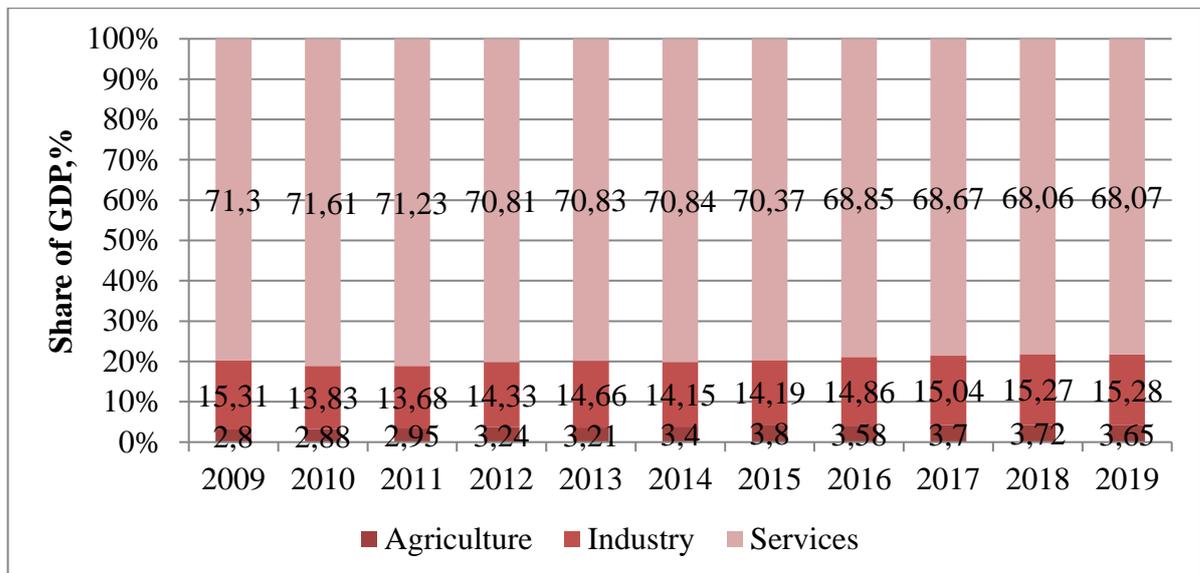


Figure 1.1. Distribution of gross domestic product (GDP) across economic sectors in Greece

Source: <https://www.statista.com>

Previously, the key sector of the Greek economy was agriculture. However, according to the World Bank for 2020, now its share is only 3.7% of GDP. It provides employment for 11.7% of the workforce. The main crops grown are tobacco (Greece ranks 3rd in the production of this crop in Europe, and 23rd in the world) and cotton. Greece is the main producer of cotton and pistachios in the EU. In Greece, crops such as rice, olives, tomatoes, watermelons and tobacco are also grown. Organic farming has been developing in recent years.

Greece has a huge pasture, and in the coastal areas fishing is highly developed.

In the industrial sector, the pandemic and the protracted previous economic crisis have significantly worsened the position of manufacturers. The main industries in Greece include cement, concrete, pharmaceuticals, food and beverage, tobacco, electronics, transportation equipment, clothing and construction.

As a result of the diversification of the economy, industry replaced agriculture and became the second source of replenishment of the country's budget after services. Industry employs 15.3% of jobs. Its share was 15.2% of GDP (before the 2007 crisis, the share of industry was higher and amounted to 20%).

In the tertiary services sector, shipping plays a key role in the economy. This is a historical trend, and the shipping magnates Onassis and Niarchos financed and intensified it in the 1960s. Greece now owns the largest maritime fleet in the world.

The service sector in 2020 accounts for 68.1% of Greece's GDP and provides 73% of jobs. The tourism sector has long been a key source of budget revenues and a driver of economic growth. After the 1950s, Greece has consistently ranked 10th in the world in terms of tourist spending. Tourism is an important source of revenue for the Greek state budget and accounts for 12.5% of GDP, being the main contributor to national GDP. The tourism industry employs about 400,000 people, which is 10% of the country's total employment (according to the OECD). Recently, well-known travel organizations such as Lonely Planet have included Greece in their "hot" travel guides and lists.

The Greek economy has suffered significant losses from the pandemic. Tourism was particularly affected. Before the coronavirus crisis, the economy grew at around 2% per year (Galvani, Lew, Perez, 2020). However, the economy is now expected to contract by more than 7% in 2020 due to quarantine measures at home and abroad, as well as due to the global recession. Private consumption and investment are forecast to decline by 7% and 10%, respectively, while exports will fall by 9.5%. Tourism accounts for almost 27% of GDP. Tourism revenues fell 99% during the pandemic. Unemployment has grown substantially over the past couple of months, peaking at 19.9% in 2020. Despite a gradual economic recovery in the third quarter of 2020, quarterly growth is expected to remain negative until the second quarter of 2021.

With the reduction of the impact of the pandemic, experts forecast a sustainable recovery in investment, private consumption and export volumes. It will lead to an economic recovery of almost 7.5% in 2021 and a decrease in unemployment.

The banking sector has increased its stability and capitalization. The capital adequacy ratio is over 16%. However, the vulnerability of the financial sector during the crisis is still high. The banking sector only became profitable in 2019. Prior to the pandemic, property prices rose and mortgage lending increased. At the same time, non-performing loans (NPL) remain very high, accounting for more than 35% of total loans.

Banks have reduced this ratio from more than 48% in 2018, mainly due to the sale of distressed assets and debt write-offs.

The banking sector's risks are partially offset by government policies, which include interest rate subsidies, additional guarantees and business loans.

The public debt is quite high. The government is taking measures to manage public finances. Financial and fiscal measures have been introduced in the amount of about 14% of GDP, including loan guarantees, health care costs, financial support for households, businesses, and a reduction in VAT rates. Banks have given a deferral to repay loans to some citizens and businesses in 2020.

Some of these additional costs are financed by EU grants and loans. Greece is also receiving monetary support from the European Central Bank, including the Pandemic Emergency Purchase Programme, which deals with government bonds (Micossi, 2020).

Despite all the support measures, the pandemic-related spending and tax cuts led to a budget deficit of 7% of GDP in 2020. As a result, public debt grew from 180% of GDP in 2019 to 205% of GDP in 2020.

According to the European Commission (EC), the government's debt service spending in 2020 and 2021 will be under control. The EC also secured the Greek government's cash reserves (€34 billion, or about 19% of GDP), which will help in the event of a sharp drop in liquidity. The loyal monetary policy of the ECB and low global government bond yields are positive factors. The high share of loans with a fixed interest rate (over 90%) and a high average maturity of 21 years further reduce the risks of Greece's external debt growth in the post-crisis period (Micossi, 2020).

Greece's international competitiveness remains weak due to problems with property rights, labor skills, lack of competition and low levels of innovation. Also, Greece has high taxes, restrictive labor laws and unavailability of loans for SMEs. Low competitiveness is also caused by fluctuations in the euro exchange rate, which is dependent on the Greek economy. As a result, the euro is overvalued domestically by about 10%, which means that Greek exports abroad are relatively expensive (Gourinchas, Philippon, and Vayanos, 2016).

The government seeks to improve the country's competitiveness for global investors. Measures have been taken to simplify the bureaucracy, increase the level of competition, increase the transparency of procurement and interaction between the state and the private sector. However, now these initiatives have not been implemented due to the coronavirus pandemic.

Greece remains under the supervision of EU regulators and monitored by economic, financial indicators and public debt. Greece completed the ESM program in August 2018 without the possibility of providing a precautionary credit line. However, the Government reached an agreement with creditors to continue implementing the agreed reforms under the program until 2022. In June 2020, EU finance ministers agreed to issue a tranche to Greece in the amount of € 748 million, as progress in Greek reforms was deemed sufficient. Once the pandemic is under control, the EC expects the continuation of major investment projects, especially in the oil and gas and infrastructure sectors.

### 1.3. The main trends of the development of services and tourism in Greece and their role in international tourist market

Tourism is the most important driver of economic growth in Greece, as evidenced by scientific researches (Cárdenas-García, Sánchez-Rivero, Pulido-Fernández, 2015). Its share in the country's GDP in 2019 was 20.8%, and its share in employment is 21.7% of total employment, which was estimated at 846,200 jobs before the COVID-19 pandemic (WTTC, 2019). A Bank of Greece report for 2020 showed the results of the COVID-19 pandemic, according to which tourism revenues in June 2020 amounted to €64 million, compared with €2.56 billion in June 2019 (Bank of Greece, 2020).

Tourism revenues in Greece in 2019 amounted to €17.7 billion according to the official information of the Bank of Greece (Bank of Greece, 2020). According to the Hellenic Chamber of Hotels, hotel companies are the main component of tourism development. There are 10,121 hotels in the country with a capacity of 798,650 beds (Hellenic Chamber of Hotels, 2020).

The 2008 global financial crisis affected the Greek economy, including tourism. The accession of Greece after 2010 to the International Monetary Fund led to a constantly growing deficit, an increase in public debt and the amount of current transactions (Baldwin and Giavazzi, 2015).

At that time, the decline in income from the Greek tourism industry was caused primarily by the loss of the country's prestige and solvency in foreign countries, especially during the period of credits from international financial institutions. The result was a decrease in household income and a decrease in tourism spending. Household income in Greece fell by 25% and loans were no longer available to them.

It can be said that in each country the factors that influence tourism are different, and global and domestic financial crises contribute (Sánchez-Rivero, Pulido-Fernández, Cárdenas-García, 2013).

Despite the crisis, travel companies were able to withstand the negative effects of the 2008 financial crisis. Due to the stable growth of inbound tourism, revenues from it doubled compared to the pre-crisis period and amounted to € 17.7 billion in 2019, compared to € 9144.5 billion in 2010.

The most important driver of income growth and inbound tourism in the last 10 years after the financial crisis of 2008 was the Arab Spring and the crisis in the countries of North Africa. As a result, tourists began to actively visit the countries of the Mediterranean Basin. In 2020, tourism in Greece is facing a new challenge - the COVID-19 pandemic. As a result of the crisis, according to forecasts by the Association of Business and Retail Sales of Greece (H.R.B.A.), revenue will decrease by 20-25% compared to 2019, for a total of €4-5 billion. According to the data of the Bank of Greece, by June 2020, the revenues from tourism were already 93% less than those of June 2019 (Bank of Greece, 2020).

According to the European Commission (2020a, p. 9), "... revenue losses at the European level reached 50% for hotels and restaurants, 85% for tour operators and travel agencies, 85% for long-distance trains and 90% for cruise lines and airlines. Travel and tourism companies in EU has cut reservations by 60% to 90% from previous years. The crisis has affected SMEs the most, as they lack financial reserves and

struggle to stay afloat, gain access to funding and keep their staff.” (Gössling, Scott, Hall, 2020).

Even with the lifting of quarantine measures, uncertainty and risk will remain, which will affect the demand for tourism, especially international tourism. Therefore, it is likely that the Greek tourism industry will suffer losses in the next few years. This will halt the growth of tourism over the past two decades.

Table 1.3 shows the dynamics of international tourism indicators in Greece in terms of receipts and arrivals. As a percentage of GDP, revenues from international tourism increased their share of GDP from 5% in 2005 to almost 10% in 2019.

Table 1.3

International Tourism Arrivals and Receipts in Greece, 2005-2019

Year	International Tourism Receipts Billion €	International Tourism Arrivals Millions of Tourists	Spending per Tourist Arrival €	GDP Billion €	Tourism Receipt as a % of GDP
2005	10.73	14.39	746	199.2	5.39%
2006	11.36	15.23	746	217.9	5.21%
2007	11.32	16.17	700	232.7	4.86%
2008	11.64	15.94	730	242.0	4.81%
2009	10.40	14.91	697	237.5	4.38%
2010	9.61	15.01	640	226.0	4.25%
2011	10.50	16.43	639	207.0	5.07%
2012	10.44	16.95	616	191.2	5.46%
2013	12.15	20.11	604	180.7	6.73%
2014	13.39	24.27	552	178.7	7.50%
2015	14.13	26.11	541	177.3	7.97%
2016	13.21	28.07	470	176.5	7.48%
2017	14.63	30.16	485	180.2	8.12%
2018	16.09	33.07	486	184.7	8.71%
2019	18.18	34.00	535	187.5	9.70%

Data Source: GDP (AMECO). International Tourism Receipts (Bank of Greece).

Quarantine measures have led to a drop in the income of enterprises in the service sector. Revenue in the Greek restaurant sector declined by almost 20%, from USD 4.4 billion in 2011 to nearly USD 3.6 billion in 2020. Household spending on restaurants and hotels is still below 2008 levels (Gössling, Scott, Hall, 2020).

The decline in the income of the population, the increase in taxes restrict the development of the service sector, including the restaurant sector. The increase in the VAT rate from 17% to 24% in 2017, together with excise taxes on beer and wine, will

negatively affect the industry in the near future. Statista experts forecast restaurant revenues to fall to about US \$ 3.1 billion by 2023. A declining population and an aging population will also be negative factors.

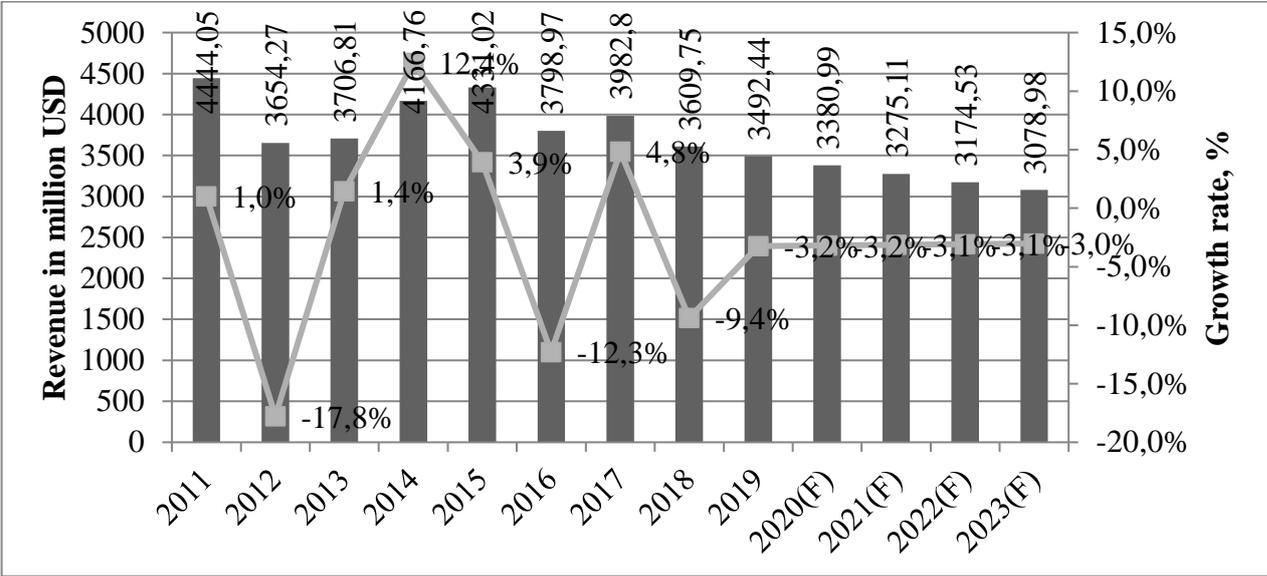


Figure 1.2. Industry revenue of restaurants and mobile food service activities in Greece 2011-2023

Source: Statista Research Department, Jan 13, 2020

Following the opening of restaurants and bars on May 25, 2020, following a coronavirus lockdown in Greece, a huge drop in revenue was reported during its business. Attendance at restaurants in 2020 dropped 80% and bar visits by 60%.

According to industry data, one in four restaurants or bars in Greece has yet to reopen since the quarantine. Most of the food and drink vendors and restaurants that remained closed are located on the islands. Quarantine restrictions for business restaurants have been eased. Restaurants and bars were allowed to serve customers at tables outside their buildings.

The restaurants, which used to be visited by 300 people a day, had no more than 12 customers. Some restaurants served no more than 2-3 customers a day. Prices in restaurants and bars have not declined, although the VAT has been reduced by the government from 24% to 13%. In addition, 25 to 30% of restaurants in Greece have remained closed because they cannot offer outdoor seating or only operate during the tourist season.

The growth in income from international tourism in previous years will surely end in 2020. It is now difficult to predict the economic consequences of the pandemic for the Greek economy in general and for tourism in particular. After the end of the pandemic, the process of economic recovery and acceleration of economic growth begins. International investment in the services sector in Greece will help restore the economy and create new jobs. Therefore, the Greek service sector, especially the restaurant business, despite its dependence on the pandemic, is an attractive destination for international investment after the pandemic ends and tourism resumes.

## SECTION 2

### FOREIGN ECONOMIC ACTIVITY OF GREECE: INTERNATIONAL TRADE AND CAPITAL MOVEMENT

#### 2.1. The main trends in export and import of goods and services in Greece

The Greek economy is characterized by a highly developed system of foreign trade relations with many partner countries and a moderately diversified commodity structure of exports. The country's economy is export-oriented. Over the past 5 years, Greece's trade balance has been consistently negative. The highest trade deficit was in 2018 (26532 million USD) (Bank of Greece, 2020). The share of foreign trade in GDP was 63.1 in 2015 and increased to 74.4% in 2019, according to the data of the World Bank (fig. 2.1).

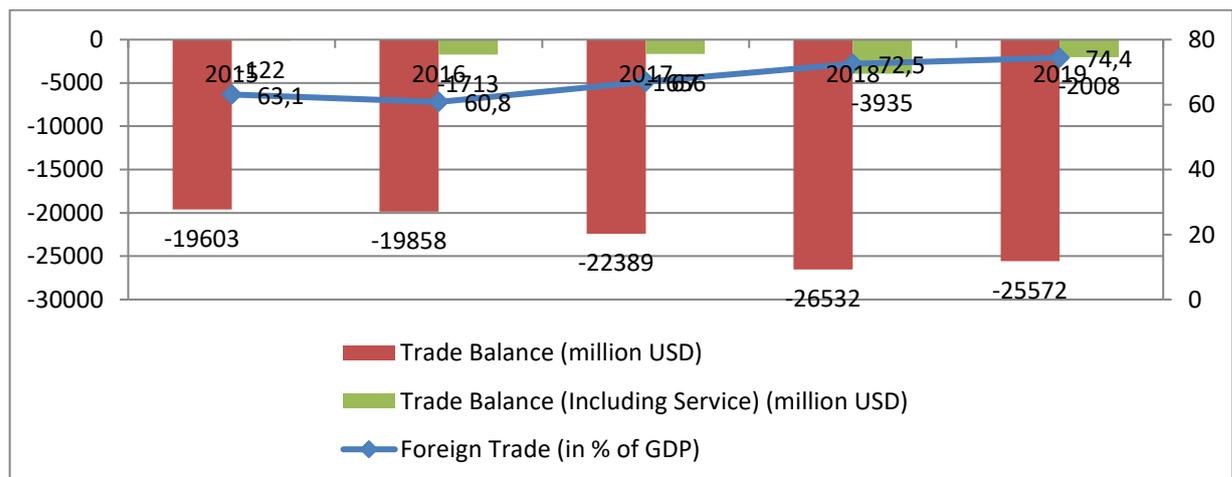


Fig. 2.1. The main foreign trade indicators of Greece

Source: World Bank

With a structural trade deficit, Greece's trade balance improved between 2009 and 2016. During this period, the country's imports declined faster than exports. Imports increased and peaked at \$ 63.9 billion in 2018. After that, imports fell to \$ 62.3 billion in 2019 and to \$ 50 billion in 2020, according to the WTO. The decline in imports in 2020 was the result not only of the pandemic, but also of lower oil and gas import costs. The rate of decline in exports was slower after the 2018 peak. Imports amounted to

USD 37.9 billion in 2019 and USD 31.6 billion in 2020. The result was a significant reduction in the trade deficit to USD 18.4 billion in 2020 (Bank of Greece, 2020).

Analysis of the absolute indicators of exports and imports of Greece allows us to conclude that the country imports more goods than services. At the same time, the export of services exceeds the import. This means that the Greek economy, as well as foreign trade, is dominated by services, which are the main strategic advantage in world markets and allow the country to form a competitive advantage, allowing it to take a leading position among trading partners (fig.2.2).

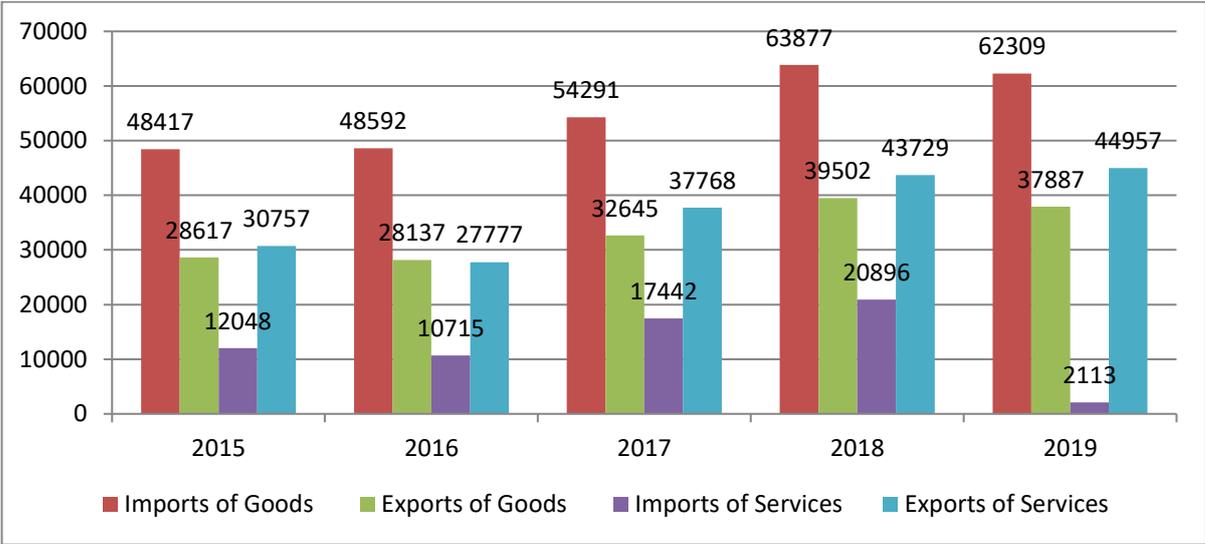


Fig. 2.2. The main foreign trade values of Greece, million USD

Source: World Trade Organisation (WTO)

The analysis showed that Greece's foreign trade peaked in 2018, while exports and imports declined in 2019.

The main trends in the import of goods and services in Greece were characterized by an increase from 2015 to 2018 and a decrease in 2019.

The share of imports in the structure of GDP increased from 31.5% (\$ 60,465 million) in 2015 to 37.2% (\$ 64,422 million) in 2019 (fig. 2.3).

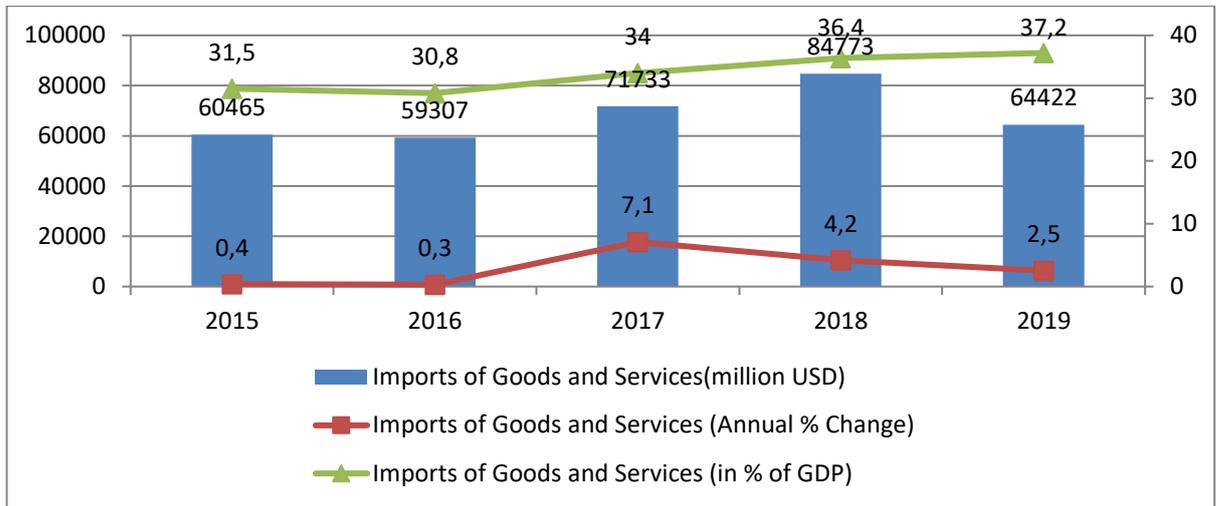


Fig. 2.3. The main indicators of imports in Greece

Source: World Bank, WTO

Greece's export trends for goods and services were similar to those for imports, with gradual steady growth from 2015 to 2018 and declining in 2019.

The share of exports in the structure of GDP increased from 31.6% (\$ 59,374 million) in 2015 to 37.2% (\$ 82,844 million) in 2019 (fig. 2.4).

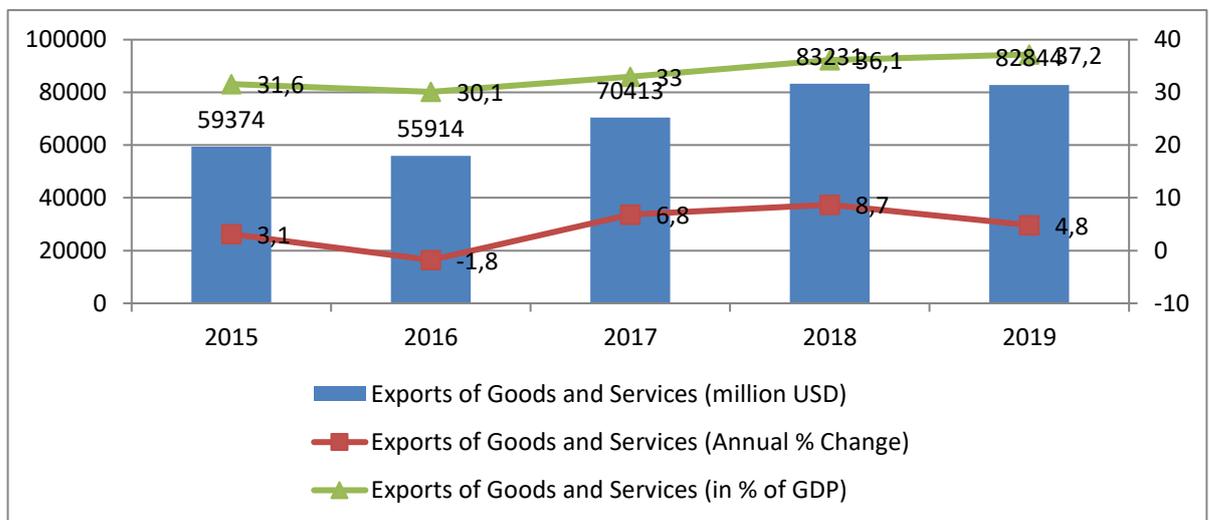


Fig. 2.4. The main indicators of exports in Greece

Source: World Bank, WTO

Next we analyze the main positions of exports and imports of Greece considering goods and services (Appendix A).

A significant part of the foreign trade structure belongs to oil and oil products. Greek enterprises import crude oil. Petroleum products produced in the country are exported.

In the structure of exports, a significant share is accounted for pharmaceutical products, fish and olive oil. The main goods of export of Greece in 2020 are shown in fig. 2.5.

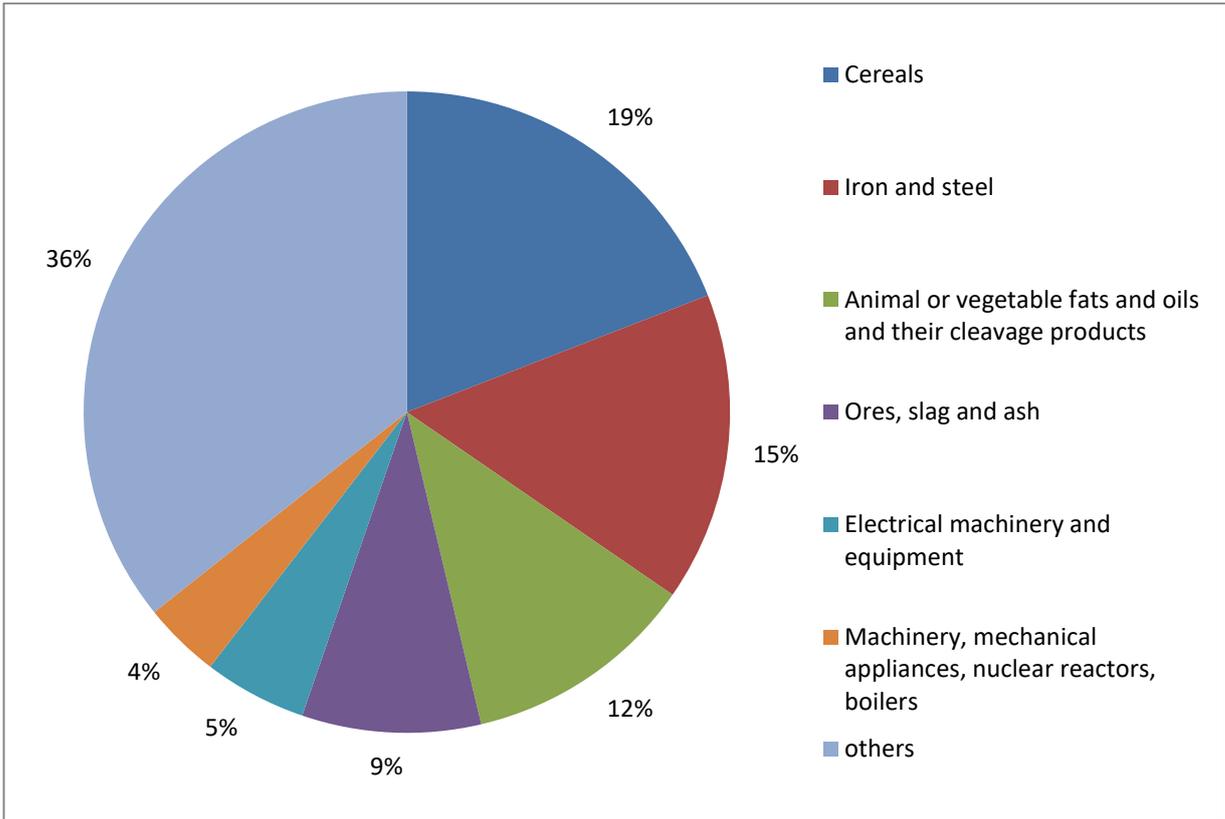


Fig. 2.5. The main goods of export of Greece in 2020

Source: International Trade Center, 2020.

In the structure of exports, the share of cereals was 19% in 2020; the share of iron and steel was 15%; the share of animal or vegetable fats and oils and their cleavage products was 12%.

The main goods of import of Greece in 2020 are shown in fig. 2.6. According to the analysis, Greece imported mineral fuels, mineral oils and products of their distillation (14% in the structure of import); machinery, mechanical appliances, nuclear reactors, boilers (11%); vehicles other than railway or tramway rolling stock (10%) and

other goods. A part of imports belongs to medicines (3.7%), as well as cars and cruise ships.

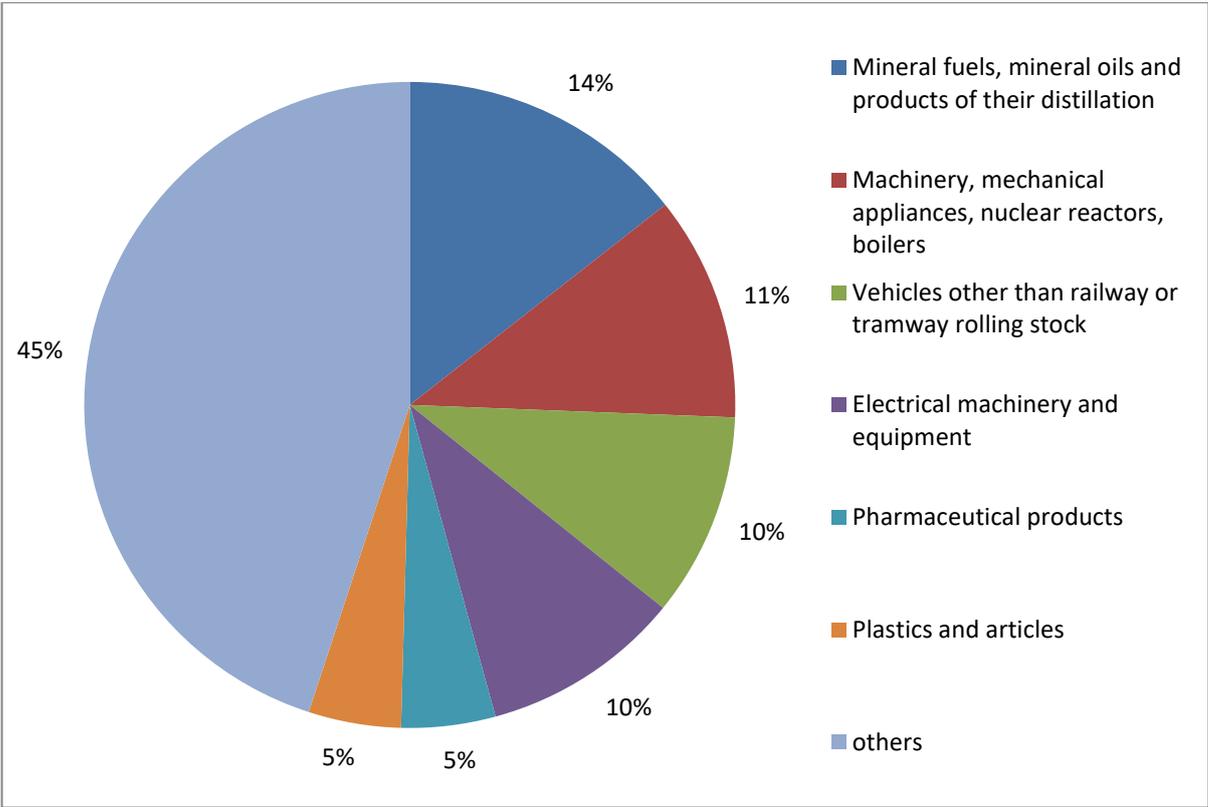


Fig. 2.6. The main goods of import of Greece in 2020

Source: International Trade Center, 2020.

The main services of export of Greece in 2020 are shown in fig. 2.7.

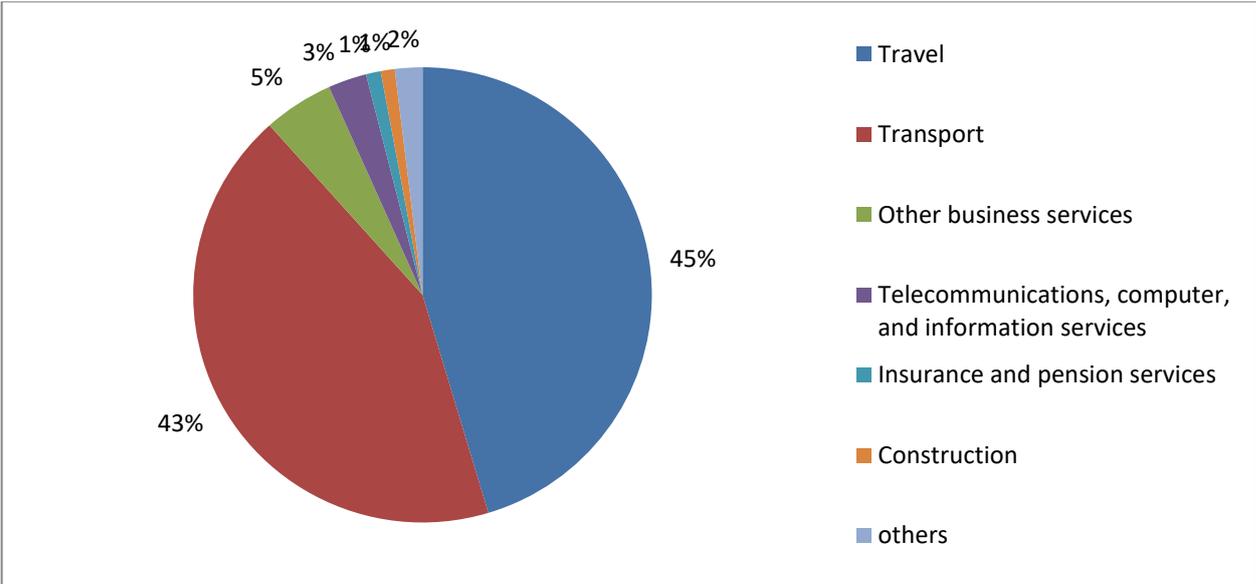


Fig. 2.7. The main services of export of Greece in 2020

Source: International Trade Center, 2020.

Taking into account the high tourist attraction of Greece for visitors from all over the world, it is not surprising that about half (45%) of imports were tourism services and related transport services (43%). This factor is not favorable both for foreign trade and for the economy as a whole, because the economy is becoming poorly diversified. The country's budget depends on the income of companies in a few sectors of the economy (Bank of Greece, 2020).

The main services of import of Greece in 2020 are shown in fig. 2.8.

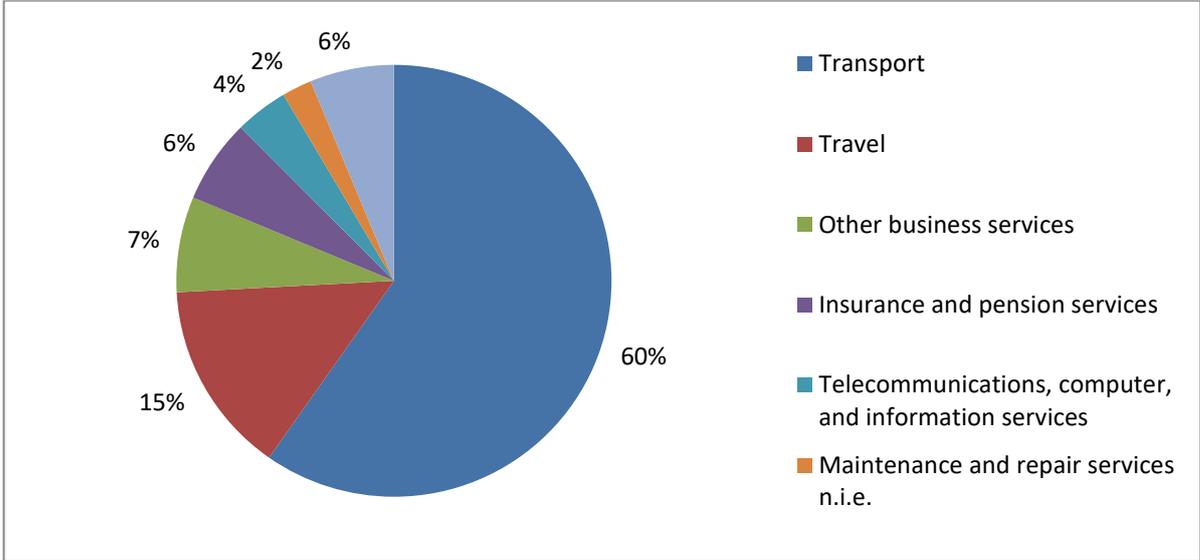


Fig. 2.8. The main services of import of Greece in 2020

Source: International Trade Center, 2020.

As shown by the analysis data, transport services (60%) and tourism services (15%) prevail in the structure of Greece's exports. It is obvious that the structure of exports is also slightly diversified and there is a dependence on the same sectors of the economy, which is similar to imports. This factor creates high economic risks for the Greek economy; however, the service sector is favorable for investment in this country.

Next we consider the main partner countries of Greece in 2020. The leading trading partners of the country are the EU countries. The volume of foreign trade is about 50% of total imports and exports. The largest volume of trade in Greece is with Italy and Germany. Italy is the largest export destination for goods and services from Greece, and Germany is the main supplier of goods and services to Greece. Outside the EU, Greece's foreign trade relations are most developed with Turkey, Russia and China.

The main customers of Greece in 2020 are shown in fig. 2.9.

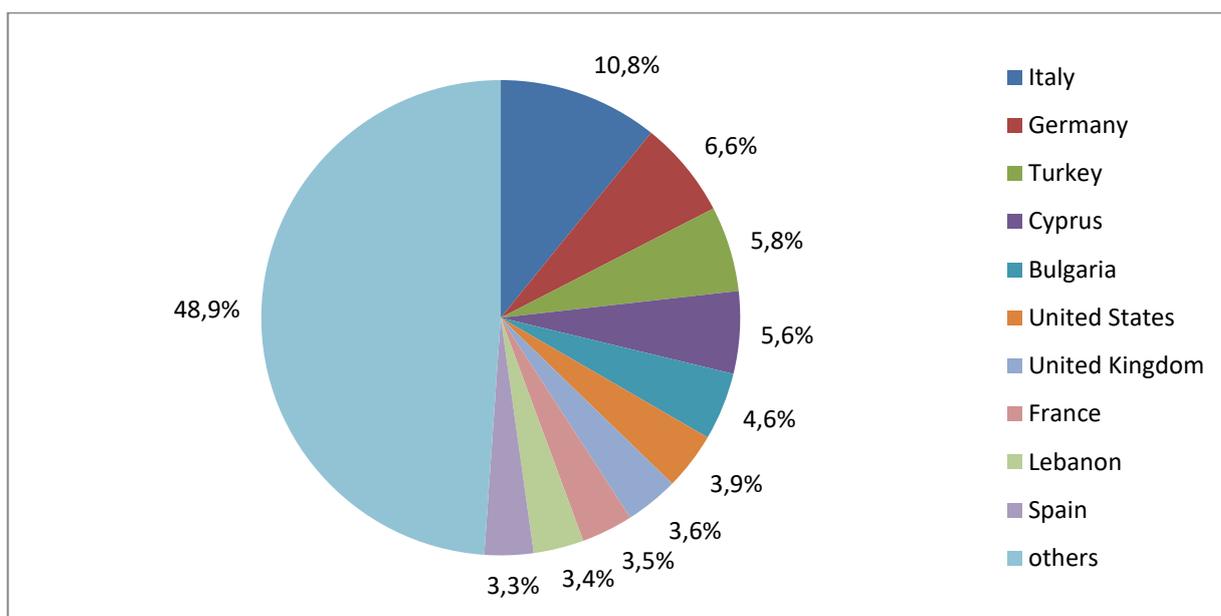


Fig. 2.9. The main customers of Greece in 2020 (% of exports)

Source: Comtrade, 2020.

In the structure of exports, the highest share was in Italy (10.8%), Germany (6.6), Turkey (5.8). They are followed by Cyprus, Bulgaria, USA, UK, France and others.

The main suppliers of Greece in 2020 are shown in fig. 2.10.

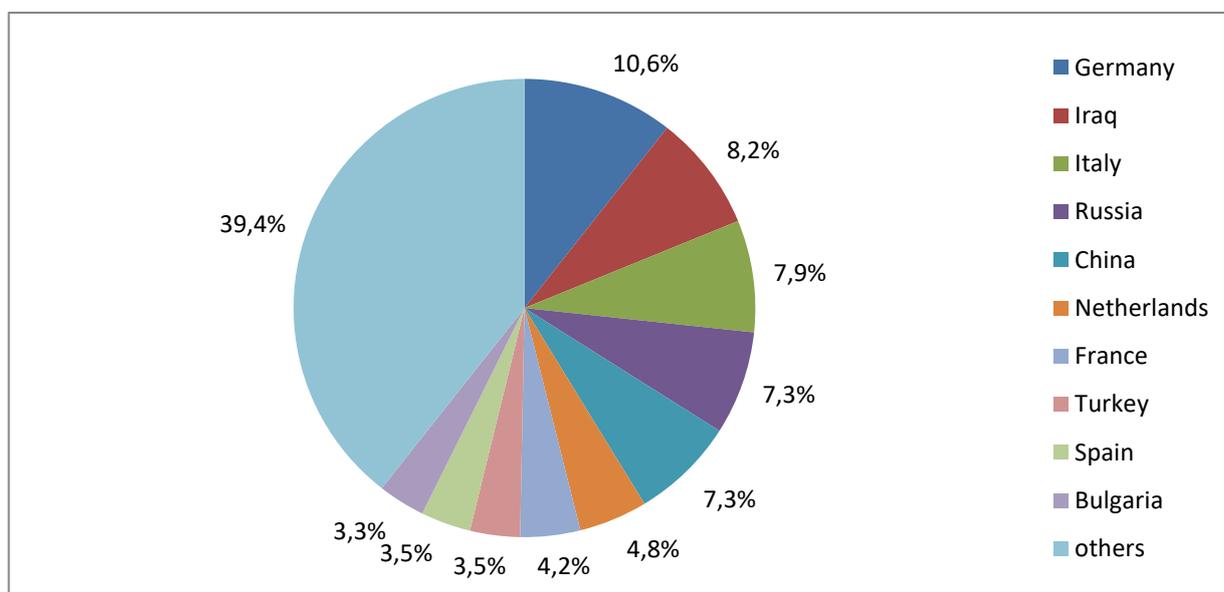


Fig. 2.10. The main suppliers of Greece in 2020 (% of imports)

Source: Comtrade, 2020.

The share of Germany (10.6%), Iraq (8.2), Italy (7.9), Russia and China (7.3%) was the highest in the structure of imports. They are followed by the Netherlands, France, Turkey, Spain, Bulgaria, and others.

The forecasts of main indicators of foreign trade in Greece are in fig. 2.11.

When assessing the impact of the global pandemic on the Greek economy, exports are expected to decline by 22.5% in 2020. The main reason for the decline is the decline in the services sector.

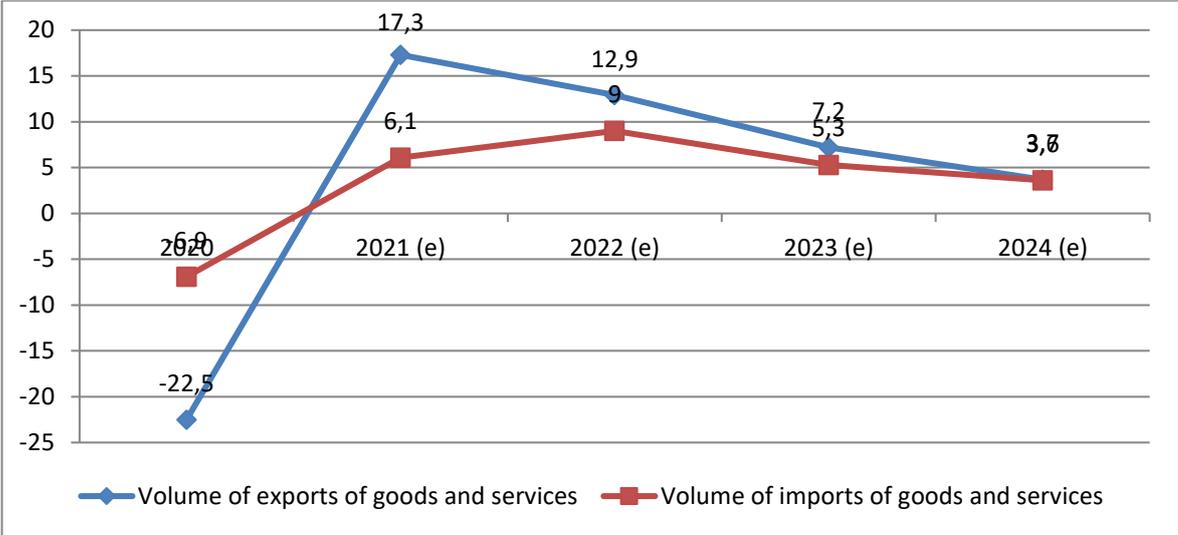


Fig. 2.11. The forecasts of main indicators of foreign trade in Greece, annual % change

Source: IMF, World Economic Outlook  
 Note: (e) Estimated Data

The impact of the Covid-19 pandemic on imports will be less devastating, with a drop of only 6.9%. Experts expect that in 2021 the growth of exports of goods and services will be 17.3%, significantly outstripping imports. This trend will continue until 2024.

It can be concluded that Greece's foreign trade plays an extremely important role in the development of the economy. Despite the negative impact of the global pandemic on the dynamics of foreign trade, the prospects for its recovery and growth after the pandemic are very high. The country is characterized by a highly developed market and stable trade relations with the EU countries, which makes Greece a promising investment destination. In my opinion, the most promising trade in services, which are the country's competitive advantage in the world market.

## 2.2. Evaluation of the investment climate and the international investment position of Greece

The investment climate in Greece is highly dependent on the development of the economy in the post-crisis period. The economy is projected to start recovering in 2021. Higher private and capital spending and more funding from the EU are expected. This will lead to an increase in investment in the country. Easing restrictions due to the pandemic in the world will help restore tourism, which plays a very important role in the Greek economy. Among the main risks for investors are the high share of non-performing loans in the banking sector and high government debt in Greece. FocusEconomics experts expect GDP growth of 5.1% in 2021, and 4.0% in 2022.

Compared to other EU countries, foreign direct investment (FDI) in Greece has been at a fairly low level since 2009. This trend has developed over the last decade. According to the UNCTAD's World Investment Report 2020, FDI flows totaled US \$ 4.6 billion in 2019 and reached their all-time high since 2009. This exceeds FDI in 2018 by 16%.

Foreign direct investment reached USD 40.5 billion in 2019 (table 2.1).

Table 2.1

### The main indicators of investment climate in Greece

Foreign Direct Investment	2017	2018	2019
FDI Inward Flow (million USD)	3,485	3,973	4,631
FDI Stock (million USD)	33,403	34,853	40,513
Number of Greenfield Investments*	23	43	34
Value of Greenfield Investments (million USD)	918	981	1,842

Source: UNCTAD

Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

According to the Bank of Greece, net FDI inflows to Greece in 2019 amounted to EUR 4,484 million. This is the highest annual FDI value since 2002. FDI growth in

2019 was 33.3% compared to 3.364 million in 2018, according to the Bank of Greece. 2019 is the fourth year in a row to see positive growth in net FDI in Greece after an annual increase of 9.0% from 2017 to 2018, 23.5% from 2016 to 2017 and 118.5% from 2015 to 2016 (fig).

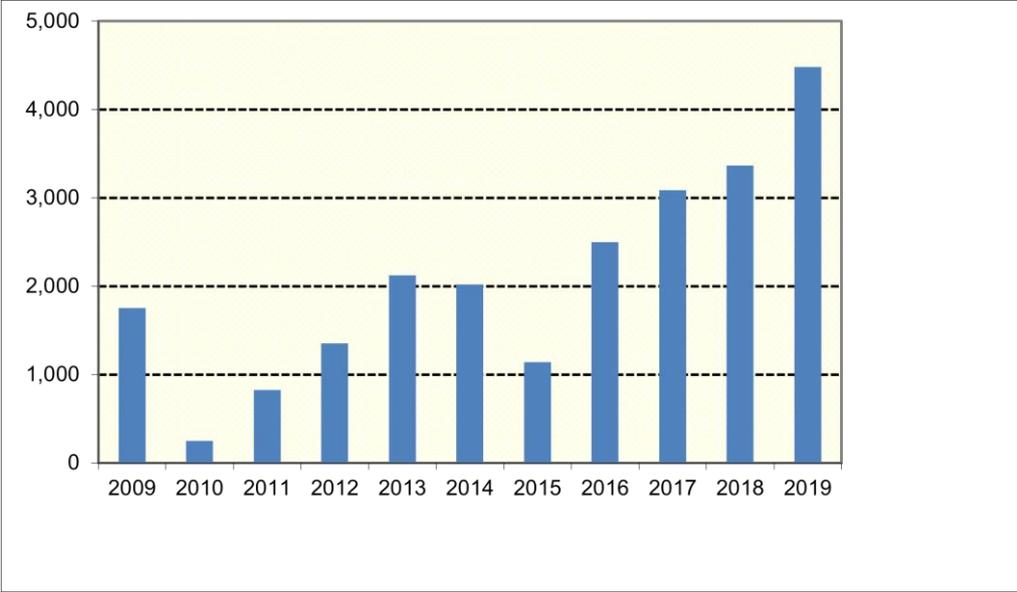


Fig. 2.13. The net FDI inflows in Greece in 2009-2019 (in millions of Euro)  
 Source: Bank of Greece

Detailed information on FDI flows to Greece in 2020 is not yet available. However, it is known that FDI inflows to Europe were negative in the first half of 2020 and amounted to minus USD 7 billion, compared to USD 203 billion in 2019. This was the result of a predominantly global pandemic.

Analyzing the latest available year, FDI in Greece grew at \$ 427.9 million in December 2020, compared with an increase of \$ 265.2 million in November 2020 (fig. 2.12). Greece FDI data in millions of dollars is available from January 2000 to December 2020. The data is updated monthly by Bank of Greece. FDI peaked at \$ 4.1 billion in May 2008. Record FDI low was \$ 651.2 million in September 2005. Greece's current account deficit in December 2020 was reported to be USD 795.6 million. Greece's FDI increased by USD 122.0 million in December 2020. Foreign portfolio investment decreased by USD 5.1 billion in December 2020. The country's nominal GDP was USD 49.1 billion in December 2020.

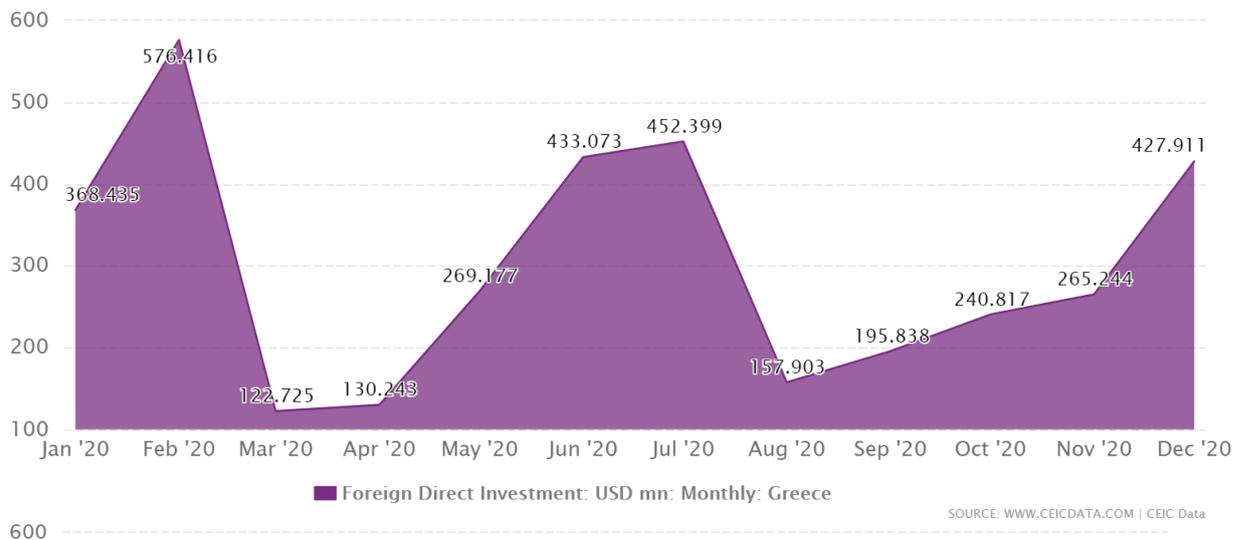


Fig. 2.14. The Greece Foreign Direct Investment, USD million

Source: <https://www.ceicdata.com/en/indicator/greece/foreign-direct-investment>

Investment growth is stimulated by a global strategy of extraversion, international partnerships, and economic relations with major partners. The largest investing countries in the Greek economy are the EU member states (Germany, Luxembourg, Netherlands, France, Italy and Belgium). In fact, the share of FDI from EU countries is 75-80% in the total FDI structure per year. Among the non-EU countries, the largest investors are Switzerland, Hong Kong, Canada and the United States.

Next, we analyze FDI by country of origin of investment funds. Investments in Greece over the past 10 years have come mainly from investors from EU countries. At the same time, Germany and France were the main countries of origin of investment funds. Cyprus and Switzerland are also investing in Greece. In the list of major investor countries, the first ten positions were taken by the Netherlands, China (with Hong Kong), which has significantly strengthened its positions in previous years, Canada, the USA, Luxembourg and Spain.

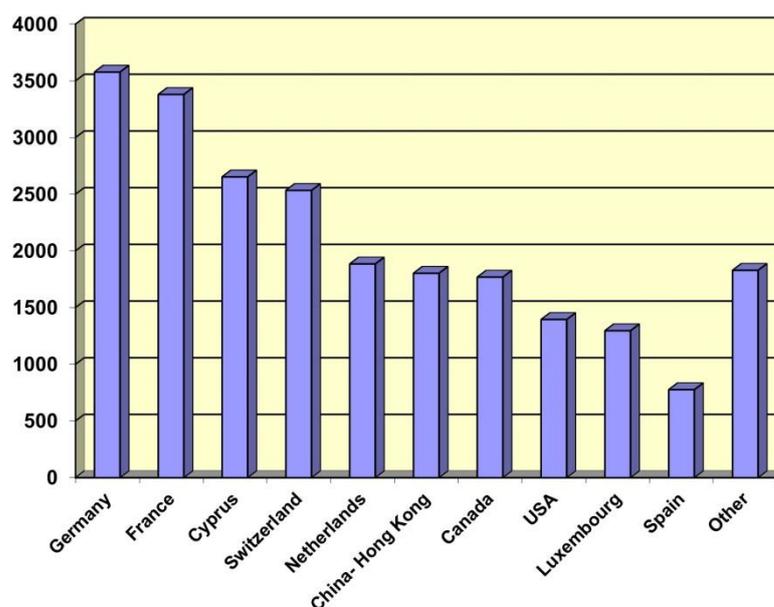


Fig. 2.15. Distribution of net FDI inflows by countries of origin of investments in the period 2009-2019 (in millions of Euro)

Source: Bank of Greece

*Findings:*

- The main countries-investors in the Greek economy are the EU countries.
- Germany and France are the main countries that invest in Greece for the period 2009-2019. They are followed by Cyprus and Switzerland.
- The first ten positions in the list of countries-investors in the Greek economy over the past decade are occupied by several countries outside the EU, namely: China (with Hong Kong), Canada and the United States. These countries have significantly increased their investment presence in Greece over the past years.

Let's analyze the distribution of FDI by industry in Greece. During the previous period, net FDI inflows by sector of the Greek economy were directed to companies in the tertiary sector. It was followed by the secondary sector by a significant margin. In most European countries, the structure of FDI is similar.

Investments in the Greek economy are mainly directed to the sectors of trade, information and communication, service and maintenance, transport and storage, electricity and gas, as well as real estate. In 2020 Greece liberalized its electricity

market and reformed its renewable energy licensing procedure. This allowed energy companies to attract significant investment from Spain, France and China (fig. 2.16).

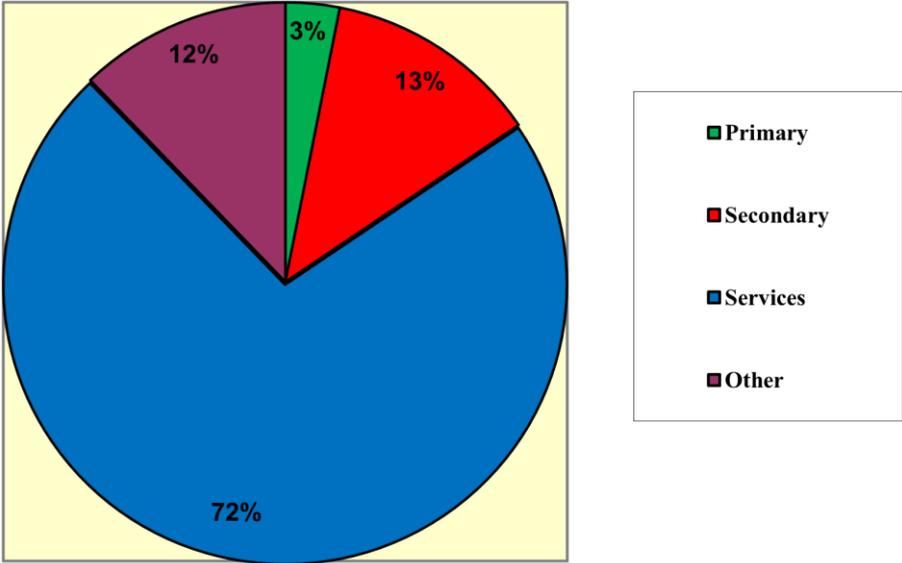


Fig. 2.16. Distribution of net FDI inflows by sector of the economy in the period 2009-2019

Source: Bank of Greece

*Findings:*

– The key FDI flows are concentrated in the service sector. This trend has developed as a result of the strengthening of the competitive position of the Greek financial system and the increased access of enterprises to finance. Also, the structure of investments was influenced by the development of telecommunications, stimulation of trade and services in the pre-crisis period. Over the past few years, the concentration of investments in real estate and logistics has remained consistently high.

– The share of the secondary sector in the structure of FDI is quite low compared to other sectors of the Greek economy. The potential of enterprises in this sector is not unlocked for investment opportunities. A similar situation has developed with the primary sector, in which FDI indicators are low despite the advantages for the development of these sectors of the economy (climate, natural conditions).

The most promising areas of investment among the primary and secondary sectors:

## 1) Production

Manufacturing industries are characterized by increased investment interest in the period 2009-2019. These industries are represented by the chemical industry, the production of food and tobacco, petroleum products, equipment and computers (fig. 2.17).

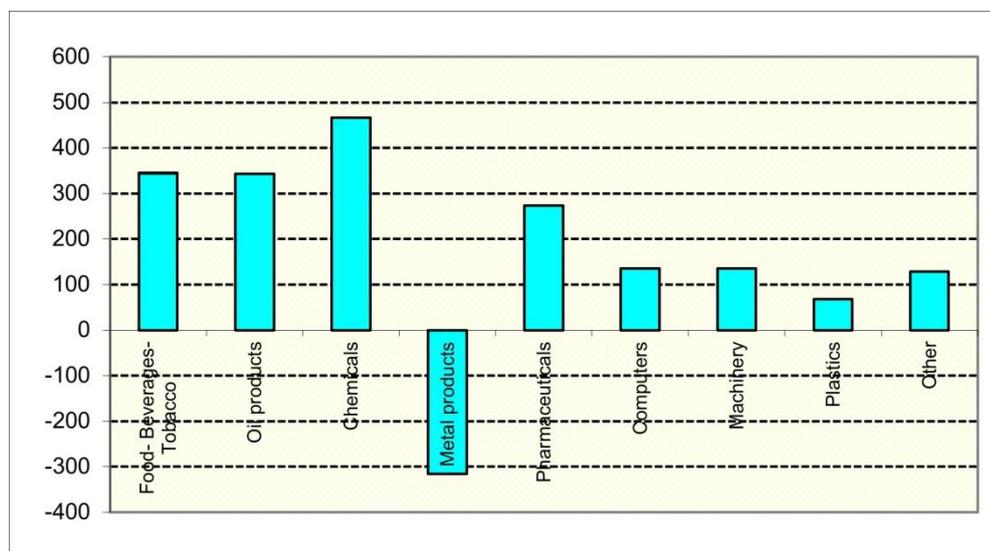


Fig. 2.17. Composition of the net inflow of FDI into the manufacturing industry for the period 2009-2019

Source: Bank of Greece

### *Findings:*

– In the last decade, production sectors have enjoyed the greatest interest among investors: the chemical industry, food production, tobacco and oil products. The pharmaceutical and plastics sectors were also attractive for investment. Other sectors preferred by foreign investors are manufacturing, in particular machinery, computers and equipment.

– The concentration of business activity in these sectors stimulates the Greenfield investments with the creation of new companies in Greece, as well as investment cooperation between foreign and Greek enterprises for the production and sale of products in the domestic and global markets.

## 2) Services

The service sector in Greece is characterized by the greatest investment attractiveness, which is confirmed by the results of the analysis in the period 2009-2019 (fig. 2.18).

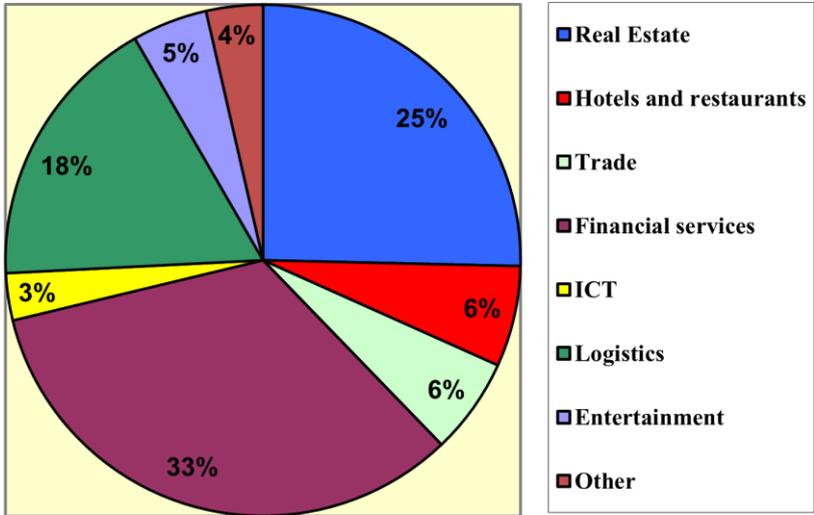


Fig. 2.12. Composition of net FDI inflows to the service sector for the period 2009-2019  
 Source: Bank of Greece

The most attractive were financial and insurance activities, real estate management (especially in 2018 and 2019), tourism and logistics. The property management category (as classified by the Bank of Greece) does not include private property sales, which amounted to almost € 2,705 million in 2009-2019.

2.3. Assessment of business environment and the degree of its attractiveness to Ukrainian investors

Greece applies government measures to stimulate or restrict FDI.

The Legislative Decree No. 2687/53, as well as the Constitution, provide foreign investors with ownership rights to “productive investments”, preferential taxation and work permits for foreign workers.

Law 4146/2013 “Creation of a Business-Friendly Environment for Strategic and Private Investments” aims to stimulate investment, develop the institutional framework for private investment, increase liquidity, speed up investment procedures and increase

transparency. The government also created Enterprise Greece, which includes the “Invest in Greece investment promotion agency” and the “Hellenic Foreign Trade Board”, to optimize coordination with investors. Starting a business is available online through the Greek General Register of Commerce.

The global crisis has led to a deterioration in the business climate in Greece and a decrease in its investment attractiveness. Economic reforms in recent years have not changed investors' fears of the risks of bureaucracy and corruption. The government is taking measures to stimulate FDI inflows into the country. Law 4487/2017 provides a government subsidy (cash rebate) of up to 40% to businesses in the audio-visual production industry in Greece. The legislation on integrated tourist resorts and holiday accommodation operates in conjunction with the Law for Residence permits (4251/2019). The legal provisions regulate obtaining a residence permit for investors from outside the EU if they own immovable property in the amount of at least 250,000 euros, or have entered into an agreement for the joint use of real estate in accordance with Law 1652/1986, or have rented hotel rooms for 10 years, or furnished tourist accommodation (houses) in tourist residential complexes in accordance with Law 4002/2011.

Greece is ranked 79th out of 190 countries in the World Bank's Doing Business 2020 ranking. After significant progress, the country lost seven positions compared to 2019. The Greek government has simplified a number of procedures for starting a business and protecting minority investors. However, other countries with economic performance similar to Greece did better in 2020 compared to 2019. Table 2.2 demonstrates the country comparison for the protection of investors.

Table 2.2

Country comparison for the protection of investors

Indexes	Greece	OECD	United States	Germany
Index of Transaction Transparency	7.0	6.0	7.4	5.0
Index of Manager’s Responsibility	4.0	5.0	8.6	5.0
Index of Shareholders’ Power	5.0	7.0	9.0	5.0

Source: Doing Business, 2019

The higher the index of transaction transparency, the more transparent conditions of transactions. The higher the index of manager's responsibility, the more the manager is personally responsible in the country. The higher the index of shareholders' power, the easier it will be for shareholders to take legal action.

Comparing the main countries and considering the main indexes, the United States has the higher level of investor protection. Greece has lower level of investor protection, but the indexes can be also acceptable for foreign investors. Foreign and domestic private entities have the legal right to establish and own businesses in Greece at the same conditions.

The important argument for investments to the economy of Greece is the taxation of business. The first group of taxes are consumption taxes (value-added Tax (VAT)).

The tax rate is 24%. For a number of service enterprises, a reduced tax rate of 13% is applied. Such enterprises are hotels, restaurants, grills, taverns, cafes, cafeterias, pastry shops and others. Enterprises providing services to boarding schools, various medical and social institutions are entitled to VAT at 13% rate. Also, the tax benefit applies to the trade in food oils; meat and fish semi-finished products; sugar and sugar confectionery; cocoa and cocoa products; production and sale of certain food products.

The sale of books, magazines, theater tickets is subject to an ultra-low rate of 6%. The same rate applies to the supply of electricity and gas.

The excise tax applies to energy and electrical products (such as gasoline, natural gas and electricity), industrial tobacco, alcohol and coffee.

Other important taxes for business are corporate taxes and social security contributions.

Income tax for companies in Greece is 24%. At the same time, resident companies pay this tax regardless of the location of the business. And non-resident companies pay tax only on business at the territory of Greece.

Capital gains are taxed at the standard rate of 24%.

Companies in Greece are eligible for certain deductions and tax breaks. Ordinary business and R&D costs are deductible. The Income Tax Code includes a list of non-

deductible expenses. Net operating losses can be carried forward for up to 5 years to offset the company's benefits, while losses are not carried forward.

According to accounting standards (Law 4308/2014), start-up costs are not included in the tax base during the year in which they were incurred, if they are not assets (tangible and intangible).

Royalties, interest and service fees paid to foreign affiliates are deductible expenses under certain conditions. Withholding interest is subject to restrictions.

Social security contributions are due from wages and all types of incentives provided by an employer to its employees. In the primary social security fund (EFKA), social security contributions are withheld at 16% for the employee and 24.81% for the employer (maximum EUR 6,500 per month). Employers are required to file withholding payroll taxes on monthly payroll payments through Pay-As-You-Earn (PAYE).

Table 2.3 shows the country comparison for corporate taxation. The important factors influencing on the investment are the business practices and marketing opportunities in Greece. Purchasing power, consumer’s profile and consumer behavior are important for the foreign investor.

Table 2.3

Country comparison for corporate taxation

	Greece	OECD	United States	Germany
Number of Payments of Taxes per Year	8.0	10.9	10.6	9.0
Time Taken For Administrative Formalities (Hours)	193.0	163.4	175.0	218.0
Total Share of Taxes (% of Profit)	51.9	40.9	43.8	49.0

Source: Doing Business, 2019

Greece's population was 10.6 million in 2020, according to the CIA. The growth rate is -0.31%. The median age in Greece is 45.3 years, which is an acceptable figure similar to other developed countries. For every 100 females there are 95 males.

A household in Greece has an average of 2.4 people. At the same time, 27% of households consist of 1 person, 50% of households consist of 2 or 3 people, 21% of households consist of 4 or 5 people. Most residents live in cities (79.7%), the annual

urbanization rate is 0.22%. The largest cities: Athens, where 3.156 million inhabitants are concentrated, and Thessaloniki, where 811 thousand people live.

According to the World Bank, in 2020 the majority of the population (73%) was employed in the service sector. 12% of the population is employed in agriculture, 15% of the population is employed in industry.

In Greece, 72% of people aged 25-64 have completed upper secondary education, less than the OECD average of 74%.

Greece has a fairly high purchasing power and a promising consumer market. GDP per capita (PPP) in 2019 was \$ 31,400. Average annual net-adjusted disposable household income per capita is \$ 17,700. This is lower than in OECD countries, where the comparable figure was USD 33,600, with a growth rate of 2.7% in 2018.

Legal Weekly Duration is 8-hour day and 48-hour week. Retirement Age is 65 years. Working Contracts can be part time or fixed term.

Minimum wage is EUR 758 per month (Eurostat, 2020). Average gross monthly earnings of full-time employees: EUR 1466 per month (OECD, 2019). Social Security Contributions Paid By Employers: 24.33%, with a monthly cap fixed at EUR 6,500. Social Security Contributions Paid By Employees: 11.05% with a monthly cap fixed at EUR 5 546.80.

Greece has a high gap between the richest and the poorest. The income of 20% of the population is more than 6 times higher than the income of the poorest 20% of the population. According to the World Bank, in 2020, the Gini Index in Greece was 34.4, which is equivalent to the 57th place in the world ranking.

Greece has a highly developed consumer culture. Consumer behavior is based on income, habits and lifestyle. After the crisis, consumers significantly changed their habits and began to control their spending and monitor prices. More and more residents are buying goods online, as online stores have a wider range of goods and lower prices. It is predicted that in the future, only 1 in 10 consumers will reduce their online spending. At the same time, 6 out of 10 consumers will increase their online purchases. According to research by Nielsen, 69% of the Greek population prefers online shopping more convenient.

Shoppers are less likely to use credit cards, and credit card issuance by banks has also declined.

Consumers tend to buy more nationally produced products and are increasingly abandoning imported food and goods. Residents are increasingly striving for health and well-being, proper nutrition, and are switching to organic food and drinks. This has a positive effect on the consumption structure.

Consumers have recently been inclined to extend the service life of the goods they have in use, rather than buy new ones (clothes, cars, shoes, household appliances). In the period before the pandemic, the political situation in Greece improved and confidence in the government increased. This has improved tourism performance.

Considering the features and conditions for starting a business in Greece, we analyze the main legal forms of companies.

Table 2.4

#### Legal forms of companies in Greece

	Eteria Periorismenis Efthynis (EPE): Private Limited Company	Anonymos Eteria (AE): Limited Company	Omorithmos Eteria (OE): General Partnership	Eterorithmos Eteria (EE): Limited Partnership
Number of partners	Minimum of 1 partner and 1 executive	Minimum of 1 partner and 3 executives	Minimum of two partners	Minimum of two partners
Capital (max/min)	Minimum 4,500 EUR totally released up to this amount	Minimum 60,000 EUR totally released up to this amount	No minimum capital	No minimum capital
Shareholders and liability	Liability is limited to the amount contributed	Liability is limited to the amount contributed	Partners' liability is joint and unlimited	Liability is unlimited for at least one active partner. Liability of sleeping partners is limited to the amount contributed

Upon establishment, the company is required to register with the Tax Office, procure accounting and company books stamped by the Tax Authorities and register with the Local Chamber of Commerce.

Table 2.5

#### Setting up a company in Greece and OECD

	Greece	OECD
Procedures (number)	4.0	4.8
Time (days)	12.5	8.3

Source: Doing Business, 2019

A potential investor needs to consider the merits and demerits of deciding to invest in Greece. The main advantages of investing in Greece:

- the country is a member of the EU and the European Monetary Union;
- Greece is the center of Southeast Europe. The advantageous geographical position provides strategic advantages and connections with the markets of the Balkans, the Black Sea, Eastern Europe and the Eastern Mediterranean;
- the country has one of the most developed shipping industries in the world;
- economic and labor market reforms are being actively pursued after the economic crisis;
- effective financial management at the national level and access to capital in the EU;
- Greece has developed tourism and related service sectors. The prospects for the development of tourism in the future after the removal of restrictions are quite high. This industry is promising for investment, especially against the background of infrastructure modernization.

At the same time, investing in Greece is characterized by a number of problems and risks:

- decline in economic growth prospects as a result of the global crisis, which has affected almost all sectors of the economy. Consumer demand and purchasing power have declined. Falling incomes of the population reduced access to credit;
- high government debt and high competition in the business environment;
- underdeveloped industrial and banking sectors;
- insufficient investment in research and development;
- increased bureaucracy, ineffective government regulation of business and uncertainty about future changes and simplifications;
- high level of corruption, which reduces investment attractiveness (according to Transparency International);
- increased social tension;

– an oligopolistic market in many sectors of the economy, which creates barriers for new businesses.

Despite a number of problems and risks, Greece remains an attractive country for foreign investment.

## SECTION 3

### DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT “LOUNGE BAR” IN GREECE”

#### 3.1. Substantiation of the investment project of the organization of the lounge bar in Greece

In Greece, there is an active popularization of recreation and entertainment places, the so-called lounge-bars. Young people more and more often choose such places for spending a joint vacation with friends. Obviously, relaxation requires a calm, relaxed atmosphere. Nightclubs, beer bars and other places are too noisy.

The restaurant business associated with lounge bars is one of the most promising in the entertainment area. Greece is one of the largest producers of high quality tobacco. The constant high flow of tourists influenced the formation of this market and increased competition.

Therefore, in this section of the study, it is proposed to substantiate and implement a business idea to create a lounge bar "NeonSmoke" in the city of Athens.

Lounge-bars are calm places for relaxation, the main feature of which is a relaxing atmosphere and all the necessary conditions for a pleasant pastime with friends or alone. People can play board games, watch movies in a relaxing environment, and smoke hookahs.

The following advantages of a lounge-bar can be distinguished from other similar establishments:

- Possibility of using tobacco products, which is prohibited in other establishments;
- A special atmosphere that attracts people to spend time with friends for relaxation and / or entertainment;
- Ability to engage in various types of activities, such as work. Do it in a relaxing atmosphere, without various distractions;

- Activities for young people. The absence of alcohol and other drinks allows the young audience to spend time calmly with friends, while independently deciding about the desire to use tobacco products;
- Watching films in a more comfortable atmosphere than in cinemas and similar places;
- For the main visitors of our institution, tourists, there will be walking distance from the hostel, which will save time spent looking for various institutions;
- The place will be focused on tourists, which means it will adapt to their preferences, which will make the quality of service and the atmosphere even more attractive to visitors.

The main factors determining the success of a lounge-bar are:

- Design of the place. It is the design and the created atmosphere that will determine the emotional state of the client, and, consequently, his desire to return again and again.
- Product quality. Customer satisfaction will depend on the quality of the products provided - hookahs. The better the hookah the client gets, the better the impression he will have.
- Location. As a rule, one of the criteria for choosing such places is their location. In our case, this is walking distance from the prospective client, which, together with excellent quality, design and atmosphere, will create an excellent demand for the establishment (Pappas, Brown, 2020).

Creation of the concept of the future lounge bar, its promotion and marketing are important components in the successful launch of a business project. For a clearer understanding of the goals and opportunities, we will use the 4P marketing concept (Raju, 2009).

#### 1) Product

The peculiarity of our place will be that it will not have the usual menu that can be found in classic catering establishments. We will not have the usual menu of first and second courses, salads and other things. “Tasty meal” is not for us, there are hundreds of other cafes and restaurants for this. The main focus of our place is a wide variety of

hookahs, methods of their preparation and an unforgettable atmosphere. Prices in our lounge bar will not be lower than those of franchise organizations. However, the quality of the hookahs offered will be high.

Table 3.1

Menu of lounge-bar "NeonSmoke"

№	Name	Price, €
<b>1</b>	<b>Hookah hammering on a clay bowl</b>	
	Al Fakher	12,0 €
<b>2</b>	Afzal	12,0 €
<b>3</b>	Nakhla	11,0 €
<b>4</b>	Sherbettli	11,0 €
<b>5</b>	Starbuzz	10,0 €
<b>6</b>	Fumari	10,0 €
<b>7</b>	Dark Side	9,0 €
<b>8</b>	Tangers	9,0 €
<b>9</b>	Rent of VIP rooms (1) per hour, payment includes Play Station	8,0 €
<b>10</b>	Rent of VIP rooms (2) per hour, payment includes X	8,0 €
<b>11</b>	<b>Hookah hammering on a fruit bowl</b>	
	Al Fakher	7,0 €
<b>12</b>	Afzal	7,0 €
<b>13</b>	Nakhla	7,0 €
<b>14</b>	Sherbettli	6,0 €
<b>15</b>	Starbuzz	6,0 €
<b>16</b>	Fumari	6,0 €
<b>17</b>	Dark Side	6,0 €
<b>18</b>	Tangers	6,0 €
<b>19</b>	Tea list (kettle 500ml) (Pu-erh, all kinds of black tea, green tea, fruit teas)	free

Our menu and services will include:

- Hookahs on water, milk, juice, cocktail;
- Tobacco: NAKHLA (Nakhla), Al Fakher (alfakir), Starbuzz (Starbaz), Serbetli (Sherbetli), Darkside (Dark side), Afzal (Afzal), Fumari (Fumari), Tangers (Tangers) and others;
- Free Wi-Fi;

- Free board games (chess, backgammon), games on Xbox One or Play Station 4;
- Sale of hookahs and tobacco.

Greece is a member of the EU, therefore it is subject to certain laws adopted in Europe. In particular, the tough fight against cigarette smoking is gaining momentum. It is forbidden to smoke in any public places, ashtrays are removed in restaurants and bars. However, the Greeks took the law quite flexibly, so smoking is allowed only on terraces, open areas and summer areas.

A kettle of tea is provided in the hookah lounge exclusively as a gift when ordering a hookah. There is no separate payment for tea.

## 2) Promotion

Since the hookah bar focuses on the audience aged 18 to 35 years, mainly tourists, it is advisable to form the image of the institution through advertising on social networks, namely Facebook, Instagram, Twitter. The more active the page on social networks, the more people will be interested in visiting our place.

It is also necessary to create a website for our lounge bar in order to increase the range of our potential customers who will learn about us simply by using a query in search engines such as Google and others.

As many experienced hookah bar owners point out, “word of mouth” is the best advertisement for a place like this. In order for this tool to work, we can carry out such promotions as “Bring three friends and get a hookah as a gift” or provide discounts after a certain number of visits.

To arouse the interest of the public, we will hold themed evenings, decorate the hall in a thematic style, and select the appropriate musical accompaniment.

To ensure the flow of customers from the very beginning, a separate event should be organized to mark the official opening of the hookah bar. This usually happens after the official opening of the lounge bar.

We need to place ads on social networks in advance, invite a famous DJ or music group. It will not be superfluous to point out that the number of places is limited. Registration and table reservations can be done through a mobile application or website.

This way, potential customers will see our logo every time they use their mobile phone. At the opening it is necessary to demonstrate to all guests the high level of service and excellent quality of hookahs. Then they will come back to us again and again.

In the future, a very effective tool for the promotion of a hookah bar is the use of event or seasonal marketing. Regular invitations of popular live music performers, artists, organization of film screenings and other events will not let our clients get bored and will turn every visitor into a regular guest. Such days in the lounge bar may be associated with any holiday or event in the country (Raju, 2009).

Also, for the effectiveness of sales promotion, club cards with a discount will be used. Cards will be issued to new customers when filling out the questionnaire. For example, after 6 visits to the hookah bar, 7 visits will be free (that is, the order of the hookah and tea itself). There will also be a discount on the client's birthday in the amount of 15% of the order.

### 3) Price

Our hookah bar will accommodate up to 65 people. The main traffic of the place will be on Friday, Saturday and Sunday. Peak hours: from 20 to 00 h.

We are considering two possible payment options:

- Payment on time. For example, a table reservation for one hour costs 10€. At the same time, no more than 6 people fit at one table. The maximum number of hookahs on the table with simultaneous use is 2 pieces. Hookahs are served only on a simple bowl. A kettle of tea is offered as a gift for each hookah.

- Payment for hookah. One hookah can cost from 5 to 12 €, depending on the brand of tobacco, the chosen bowl (traditional or fruit) and the liquid used as a filter (water, milk, juice). A kettle of tea is offered as a gift for each hookah.

In order to ensure a more or less even flow of customers throughout the day, you can use flexible prices depending on the time of day. For example, before 19.00 the cost of a hookah is 5 €, and after the specified hour, 8 €. Thus, less well-to-do students will come to us during the day, and in the evening a more solvent audience will gather in the hookah bar.

### 4) Place

The area of Thissio was chosen as the place of our activity, which contains parks, offices, hotels and hostels, many tourist sites and attractions of the city, attractive for tourists, residential buildings. We are planning to open our lounge bar right next to these facilities (fig. 3.1).

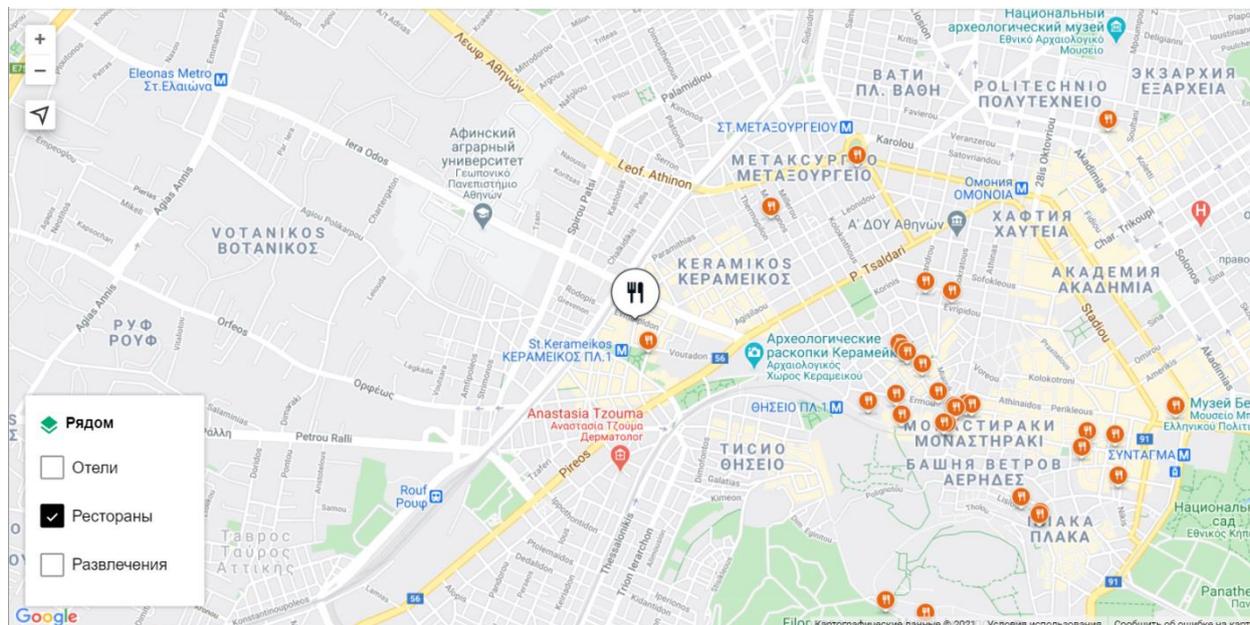


Fig. 3.1. Layout of the future lounge bar

The advantage of this location is due to the fact that hookah bars are most popular among students and tourists. In this area, there are few not only hookahs, but also other places for fun, which makes our potential project promising.

First, we need to decide on the organizational and legal form of entrepreneurial activity.

In Greece, businessmen most often register Omorithmos Eteria (OE) (General Partnership), because there is no minimum share capital required to register a company. Liability of founders for losses is limited to the size of the contribution to the authorized capital. Enterprises have simple management and structure. There are many activities available to them. The owners of the OE can always quickly sell the business.

That is why we propose to organize our business in the form of a General Partnership.

The leaders of the organization are its founders.

In order to open a hookah club, it is necessary to carry out a number of documentary procedures. Upon establishment, the company is required to register with

the Tax Office, procure accounting and company books stamped by the Tax Authorities and register with the Local Chamber of Commerce. Consult The Athens Chamber of Commerce and Industry for additional guidance.

The official fees required for the registration of the company will total 4,000 euros, including the services of law firms.

For successful business development, it is necessary to form a real team that will act for the good of the common cause. To begin with, you need to select staff who will be able to draw attention to lounge bar's, helping to form positive reviews about the new project at the first stage of the work.

Let's consider in detail the key employees of the hookah bar, the requirements for their qualifications and the main tasks in their work (Raju, 2009).

The manager of a hookah club must have the following qualities: the ability to manage the establishment as a whole, the ability to manage personnel, knowledge of the laws, the ability to negotiate, a creative approach, planning for further development, career development. The director can be either a man or a woman between the ages of 20 and 35. It is advisable that he / she has received a higher education in economics. He deals with issues of staff selection, incentives and penalties; carries out financial control, interacts with supervisory services. Working hours: from 09:00 to 17:00.

Administrator. This employee are central to shaping the lounge bar experience. The main task of the administrator is to meet visitors, process an order, inform about promotions, keep order so that the staff is not late and does their job. The main qualities of the administrator: sociability, accuracy, diligence, high efficiency. Working hours: from 10:00 to 22:00, weekend 5/2.

Hookah workers. These employees are key figures in the hookah club. Hookah workers serve visitors. The level and quality of service in the lounge bar depends on these employees. The most important quality is the desire to work efficiently and beautifully, to be creative in work, to be cheerful, always in a good mood, to be able to communicate with guests and be the face of the institution. Applicants must have work experience, knowledge of the hookah business, the ability to prepare any type of hookah with any tobacco and on any bowl. Working hours: from 18:00 to 06:00, weekend 2/2

The organizational structure of the management will look like this:

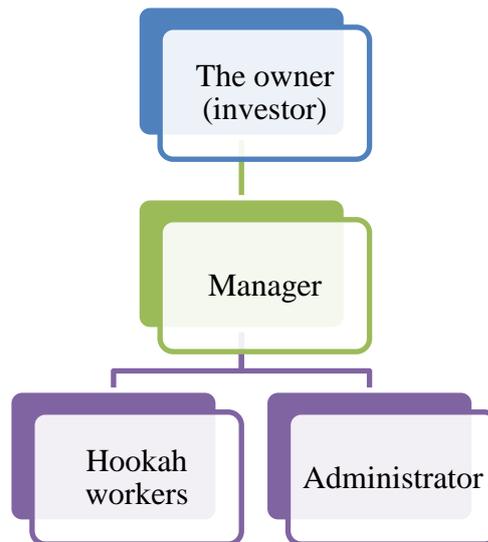


Fig. 3.2. Organizational structure of management

To open the lounge bar, we have chosen a commercial premises in Athens with an area of 167 sq. meters. Of these, 107.5 sq. m. is directed to the client's turnover. The total capacity is from 40 people, of which 6 to 9 tables are in the main hall. About one table, designed for two sofas, can accommodate from 4 to 6 people. There are also two tables in the VIP-halls that the visitor can borrow for an additional cost, the capacity of one such hall is from 4 to 10 people.

### 3.2. The necessary investment resources and the sources of their involvement

Let's analyze the capital investment for a start-up. The initial investment consists of fixed assets, working capital and the cost of company registration services.

The table below shows the basic funds required to open a hookah bar.

Some of the prices shown above are taken as averages. The only reason for this is the lack of information on the exact cost of providing services. However, most of the prices are real and taken as retail prices. If you buy lamps, dishes, accessories and hookahs in bulk, you can reduce the total amount of fixed assets. The cost of equipment is 109600 €.

Table 3.2

## Fixed assets and equipment for starting the project

Expenditures	Quantity	price per unit, €	Amount, €
Hookah Temple 45	12	1 000	12 000,0
Hookah Khalil Mamoon	15	600	9 000,0
Hookah Amy	10	800	8 000,0
Coconut charcoal	20	65	1 300,0
Accessories (hoses, flasks, cups, tongs)			500,0
Fridge	1	1 500	1 500,0
Hood	5	1 500	7 500,0
Armchairs	5	500	2 500,0
Sofas	25	800	20 000,0
Tables	12	900	10 800,0
Bar counter	1	1 100	1 100,0
Wardrobe equipment	per 100 persons	120	12 000,0
Dishes, cutlery, glasses	per 100 persons	60	6 000,0
Plumbing			5 000,0
Repair and installation work: wallpaper, floor, ceilings, etc.			10 000,0
Staff closet	1	400	400,0
Stationery			500,0
Light fixtures			1 500,0
Total			109600

The next step is the calculation of working capital. Working capital in our case will be: tobacco, fruit, tea. Tobacco calculations were made for 100 hookahs. That is, we expect that about 100 hookahs will be involved in the work every day. Considering the average cost of tobacco, fruit and tea, our calculations are in table 3.3.

Working capital for the start of the project is 167 700 €.

To start a business, we must complete the necessary documents, go through state registration and obtain a license. The services of a law firm that will help in solving these problems are 4000 €.

Table 3.3

## Working capital for the start of the project

Name	Quantity, pieces	Price, 250 grams, euro	Amount per month, €	Amount per year, €
Tobacco:				
Al Fakher	2500	3	625	7 500
Afzal	4000	3	1 000	12 000
Nakhla	3500	4	1 167	14 000
Sherbettli	4000	3	1 000	12 000
Starbuzz	3500	6	1 750	21 000
Fumari	4000	4	1 333	16 000
Dark Side	5000	10	4 167	50 000
Tangers	2000	10	1 667	20 000
Fruits			633	7600
Tea (Pu-erh, all kinds of black tea, green tea, fruit teas)			633	7600
<b>Total</b>			<b>13 975</b>	<b>167 700</b>

The rental price, according to the agreement, was 2,000 € per month. On an annual basis, we get 24,000 € per year. This should be included in the fixed costs.

The table 3.4 contains the costs of salary of employees, payroll and insurance premiums.

Payments of wages will be once a month. Therefore, the annual payroll is € 88,800.0. Social security contributions, according to Greek law, will amount to € 21,605.0 per year (24.33% of wages). Labor costs are 110,405.0 € per year.

Table 3.4

## Wage fund of a lounge bar

	Job	Number, people	Wage	Wage fund, €		Contributions for social security	
				month	year	month	year
1	Manager	1	2 500,0 €	2 500,0 €	30 000,0 €	608,3 €	7 299,0 €
2	Administrator	2	1 700,0 €	3 400,0 €	40 800,0 €	827,2 €	9 926,6 €
3	Hookah workers	1	1 500,0 €	1 500,0 €	18 000,0 €	365,0 €	4 379,4 €
<b>Total</b>				<b>7 400,0 €</b>	<b>88 800,0 €</b>	<b>1 800,4 €</b>	<b>21 605,0 €</b>

Let's calculate the marketing budget. Below is a table containing the marketing costs.

Table 3.5

### Marketing budget

Name	Number of units / month	Cost per unit, €	Number of times per year	Total number	Total cost per year, €
Branded clothing for staff and T-shirts with advertising	8	70	1	8	560,0 €
Advertising on websites and social networks	20	10	12	240	2 400,0 €
Business cards, club cards	1000	7	1	1000	7 000,0 €
Badges	8	25	1	8	200,0 €
Print menu	80	10	1	80	800,0 €
Total					10 960,0 €

Branded clothing for staff, business and club cards, badges and menus will be purchased one-time with a reserve. While ads on sites like Facebook and Instagram will run 24/7. The total marketing expenses per year are € 10,960.0.

Thus, calculating the totality of all costs, including: one-time expenses for opening (fixed assets), renting premises, working capital calculated for the first month of the work of lounge bar, funds for wages and social security contributions, we will receive the amount of necessary investments:

Table 3.6

### Initial investment for opening a lounge bar

Cost items	Amount, €
Fixed assets and equipment	109600
Working capital for the start of the project (the 1 <sup>st</sup> month)	13 975,0 €
Registration a company	4 000,0 €
Fixed costs in the 1 <sup>st</sup> month of work	13 363,8 €
Total	140 938,8 €

Then we substantiate the investing of opening a lounge bar and sources of the capital involvement.

The total cost of start the lounge bar will amount to 140,938.8 €. It is assumed that the founders raise their own funds in the amount of € 40,938.8, and the rest of the amount € 100,000.0 is borrowed with a bank loan.

Consider the option of attracting investment through lending. It is planned to take a loan in the amount of € 100,000.0 for 2 years with monthly loan and interest payments. The average interest rate among banks is 4% (Bank of Greece, 2020). Payments will be made monthly in the amount of 4,506.7 € over 2 years.

Loan payments are included in pre-tax expense in accordance with accounting rules.

The forecast of sales is based on the average prices of similar places in Athens (table 3.7).

Table 3.7

Lounge bar sales per year

Services / goods	Average sales volume, units	Price per unit	Sales
Al Fakher	2500	12,0 €	30 000,0 €
Afzal	4000	12,0 €	48 000,0 €
Nakhla	3500	11,0 €	38 500,0 €
Sherbettli	4000	11,0 €	44 000,0 €
Starbuzz	3500	10,0 €	35 000,0 €
Fumari	4000	10,0 €	40 000,0 €
Dark Side	5000	9,0 €	45 000,0 €
Tangers	2000	9,0 €	18 000,0 €
Rent of VIP rooms (1) per hour, payment includes Play Station	3000	8,0 €	24 000,0 €
Rent of VIP rooms (2) per hour, payment includes X	3000	8,0 €	24 000,0 €
Al Fakher	5600	7,0 €	39 200,0 €
Afzal	2000	7,0 €	14 000,0 €
Nakhla	1000	7,0 €	7 000,0 €
Sherbettli	1000	6,0 €	6 000,0 €
Starbuzz	1000	6,0 €	6 000,0 €
Fumari	1000	6,0 €	6 000,0 €
Dark Side	1000	6,0 €	6 000,0 €
Tangers	1000	6,0 €	6 000,0 €
Total per year			436 700,0 €
Total per month			36 391,7 €

Our menu includes: hookahs on earthenware and fruit bowls, rent of VIP rooms with PS3 or Xbox. All values in the table below were predicted based on the research of the web-sites of restaurants and their pages in social media networks, and online interviews with tourists that visited Athens at the popular publics in Facebook and the Internet. It was found that the average traffic will be about 40 people per day (with 400 people surveyed), for whom hookahs on an earthenware bowl are preferable because of their price. It is calculated that, on average, about 20 hookahs will be ordered per day, as well as, on average, two VIP-hall rentals for two hours a day.

The sales proceeds are € 436 700,0 per year or € 36 391,7 per month. Taking into account the fact that in Greece in 2020 the inflation rate was 0.0%, and in 2021 it was -0.6%, the calculations did not take into account the growth of prices for goods and services. But our lounge bar will become more popular and we suggest that increase in sales will be 3% per year.

### 3.3. Estimation of financial results and economic efficiency of the international investment project

The calculation of monthly financial indicators of revenue, costs, net profit are given in the Appendix B, table B.1.

The table below shows the calculation of the projected profit for 2022-2024 and costs.

Calculation of net profit includes tax deduction (24%).

Table 3.8

P&L statement of the lounge bar in Greece, €

Indicators	2022	2023	2024
Sales	436 700,0 €	449 801,0 €	463 295,0 €
Purchases	167 700,0 €	167 700,0 €	167 700,0 €
Gross Profit	269 000,0 €	282 101,0 €	295 595,0 €
Wages	110 405,0 €	110 405,0 €	110 405,0 €
Rent	24 000,0 €	24 000,0 €	24 000,0 €
Administrative expense	13 800,0 €	13 800,0 €	13 800,0 €
Management expense	1 200,0 €	1 200,0 €	1 200,0 €
Selling&Marketing	10 960,0 €	10 960,0 €	10 960,0 €

expense			
Debts	54 080,0 €	54 080,0 €	- €
Operating profit	54 555,0 €	67 656,0 €	135 230,0 €
Tax (24%)	13 093,2 €	16 237,4 €	32 455,2 €
Net income	41 461,8 €	51 418,5 €	102 774,8 €

Table 3.9

Cash flows statement of the travel company, €

Cash Flow	2020	2021	2022
<b>Cash Flow from operating activities</b>	<b>54 555,0 €</b>	<b>67 656,0 €</b>	<b>135 230,0 €</b>
Operating profit	54 555,0 €	67 656,0 €	135 230,0 €
<b>Cash flow from financing activities</b>	<b>32 826,8 €</b>	<b>- 70 317,4 €</b>	<b>- 32 455,2 €</b>
Credit	100 000,0 €		
Credit payment	- 54 080,0 €	- 54 080,0 €	- €
Taxation paid	- 13 093,2 €	- 16 237,4 €	- 32 455,2 €
<b>Cash flow from investing activities</b>	<b>40 938,8 €</b>		
Investments	40 938,8 €		
Net cash from all activities	128 320,5 €	- 2 661,5 €	102 774,8 €

Also, in order to obtain a more accurate financial analysis, it is required to calculate the break-even point (BEP) of the project.

Let's start with the breakeven point (BEP).

The formula for calculating the break-even point (in our case, in monetary terms):

$$\text{BEP} = \text{FC}/\text{KMR}, \quad (1)$$

FC - fixed costs;

KMR - margin income ratio.

First, let's calculate the KMR:

$$\text{KMR} = \text{MR}/\text{TR}, \quad (2)$$

MR - margin income,

TR - sales.

$$\text{MR} = \text{TR} - \text{VC} \quad (3)$$

In our case, the potential revenue for the first year of operation of the company is 436,700.0 €. Variable costs will include: coconut coal, components, tobacco, tea and fruits (€ 167,700.0).

FC - fixed costs, which in our case are: rent, wages and utilities (160 365.0 €).

Considering this, we get the calculated marginal income:

$$MR = 436\,700,0 - 167\,700,0 = 285\,100,0 \text{ €}.$$

Now let's find the calculated margin ratio KMR:

$$KMR = 285\,100,0 \text{ €} / 436\,700,0 \text{ €} = 0,616$$

Now, the breakeven point (BEP):

$$BEP = 160\,365,0 \text{ €} / 0,616 = 260\,339,8 \text{ €}$$

In other words, our lounge bar must provide services in the amount of 260,339.8 € in order to achieve zero profit.

Let's evaluate the efficiency and investment attractiveness of the project using the main indicators of investment efficiency.

The economic efficiency of the investment project is assessed by a number of indicators.

Net present value (NPV) - the amount of the expected flow of payments, reduced to the value at the moment. Most often, the NPV is calculated when assessing the economic efficiency of investments for future payment flows. The need to calculate NPV reflects the fact that the amount of investment currently has a higher real value than the income we will receive in the future. This is due to several reasons, for example: the available finance resources can be invested in profitable transactions and bring a profit; inflation, reduction of real purchasing power of money; there is a risk of not receiving the expected sales. Bringing future cash flows to present value is called discounting and is performed at a given discount rate with calculation a discount coefficient.

We will use the cumulative method to calculate the discount rate for our project, as it takes into account inflation and the risk premium. As a greater guarantee of future income, we can use the cumulative method of determining the discount rate. It assesses the impact of risk factors on planned cash flows. The indicator is calculated using a risk-free rate of return and its main principle is that the lower the risk level of the project, the more money the investor seeks to obtain from investments. We calculate the discount rate by the formula:

$$r = r_f + i + p \quad (4)$$

$r_f$  – the minimum real discount rate (risk-free rate);

$i$  – inflation rate;

$p$  - coefficient that takes into account the level of inflation risk (risk premium) and is often determined by the expert method.

The discount rate of the Bank of Greece is the key interest rate, which is the main indicator of changes in monetary policy and the benchmark value of borrowed and placed funds for banks and other money market players. The Bank of Greece has set a risk-free rate of 0% per annum since December 2020. We will take into account the minimum interest rate as a loan rate of 4%, as this is the value of borrowed funds. The annual inflation rate in Greece in 2020 was 0% (Bank of Greece, 2020). We will set a risk premium of 3.5% focusing on the instability and increased risks due to the pandemic. The discount rate will be 7.5%.

The discount coefficient ( $d$ ) is calculated by the following formula:

$$d = \frac{1}{(1+r)^n} \quad (5)$$

$r$  – discount rate;

$n$  – the number of the period,  $n = 1 \dots N$ .

NPV is calculated by the following formula:

$$NPV = \sum_{n=1}^N \frac{CF_n}{(1+r)^n} - I \quad (6)$$

$CF_n$  – cash flow in the  $n$  year of the project;

$r$  – discount rate;

$I$  – investments,

$n$  – the number of the period,  $n = 1 \dots N$ .

Table 3.10 presents the results of cash flow calculations for the project, cash flow discount coefficients according to a discount rate of 7.5%, and discounted cash flow taking into account certain parameters. The total amount of discounted cash flows for the entire project implementation period is equal to NPV.

Table 3.10

Calculation of cash flows and NPV for the entire period of implementation of the investment project

Period	Discount coefficient, d	CF, €	DCF, €
0	1	- 140 938,8 €	- 140 938,8 €
1	0,930	41 461,8 €	38 569,1 €
2	0,865	51 418,5 €	44 494,1 €
3	0,805	102 774,8 €	82 729,7 €
NPV			24 854,1 €

All indicators indicate the high economic efficiency of the project, which is confirmed by the fulfillment of the condition:

$$\sum_{n=1}^N \frac{CF_n}{(1+r)^n} + I > 0 \quad (7)$$

$$NPV = 24\,854,1 \text{ €} > 0$$

The result is positive, and therefore, the project to organize a lounge bar in the city of Athens should be accepted for implementation.

Profitability Index (PI) is used to determine the level of income per unit of costs incurred for the project. The indicator can be calculated by the formula:

$$PI = \frac{\sum_{n=1}^N \frac{CF_n}{(1+r)^n}}{I} \quad (8)$$

$\sum_{n=1}^N \frac{CF_n}{(1+r)^n}$  – net cash flow for the entire project implementation period;

I – investments.

Discounted payback period (DPP) is the period during which the investor's capital investment in the project is returned in the form of net discounted cash flow, and the business will make a profit. This efficiency indicator is calculated by the formula:

$$DPP = \sum_{n=1}^N \frac{CF_n}{(1+r)^n} \geq I \quad (9)$$

$CF_n$  – the cash flow in n year;

r – discount rate;

I – investments;

n – the number of the period,  $n = 1 \dots N$ .

Let's calculate the internal rate of return of the project according to the following formula:

$$0 = \sum \frac{CF_n}{(1+IRR)^n} - I \quad (10)$$

де  $CF_n$  – the cash flow in n year;

IRR – internal rate of return, %;

n – the number of the period,  $n = 1 \dots N$ ;

I – investments.

IRR was calculated using the IRR function in MS Excel:

$$IRR = 8\%$$

Table 3.11 shows the values of NPV, IRR, DPP and PI of the investment project.

Table 3.11

Break-even point and investment efficiency indicators of the investment project.

BEP	NPV	IRR	DPP	PI
260 339,8 €	24 854,1 €	8%	5,67	18%

The minimum amount of income at which all costs are fully recouped (profit is 0) is 260 339.8 €, NPV is 24 854,1 €, the payback period of the investment - 5.67 years. Return on investment is 18%.

I would like to summarize and highlight the main difficulties and advantages of opening our investment project of starting a lounge bar in Greece. Among the advantages are:

- Low level of competition in the market. The market will be relatively free, so it will be easier to enter.

- Accurate assessment of the target consumer. We assume that our consumers will be people aged 18 to 35 (mostly tourists), among whom the demand for our services is quite high.

- Direct targeting to the target consumer. It can be combined with the previous paragraph, but here is one of the main advantages. We aim for high demand from

tourists due to the convenient location of our lounge bar (in the city center in the park area).

The difficulties will be:

- Lack of professional knowledge in the marketing, especially the lack of competent advertising. It plays a significant role in shaping the demand for the product. However, due to our inexperience in this aspect, it is possible to lose a certain amount of demand.

- Limited time. Convenient location of hookah - the main “catalyst” of demand for our place of fun. Therefore, the closer the rented space to the hostels and other sightseeing in the city, the greater the demand. We are considering more than one option of renting premises in a suitable location, however, the more we delay the implementation of the project, the less chance we have to "win" a favorable place for us.

- Starting capital. Opening a lounge bar requires significant investment. Investors do not have the full amount of investment needed to launch the project. There are two ways out: finding funds from investors and borrowing funds from a bank.

On the basis of all the above calculations and data, taking into account all the complexities and advantages, we can conclude that our project is attractive to investors. Indeed, with a profitability of 18%, it makes sense to open a lounge bar in Athens.

## CONCLUSIONS AND PROPOSALS

Greece has a capitalist economy, in which the share of the public sector in 2020 was about 40% of GDP. GDP per capita is about 2/3 of the GDP of developed European countries. The share of tourism reaches 18% of GDP. Almost 20% of the labor force is occupied by immigrants, mainly in agricultural and blue-collar professions. Greece receives strong financial assistance from the EU, which accounts for approximately 3.3% of GDP per year.

The development of the Greek economy over the past 15 years has been characterized by many obstacles and negative factors. Political instability, imbalance in economic sectors caused imbalance in the budget. Dependence on tourism and hospitality have made Greece's position very shaky, but these industries can help to recover the economy. The global pandemic has dealt a devastating blow. However, the government's efforts are aimed at maintaining domestic demand and reducing social tensions in the country, which is partially yielding results. Attracting foreign investment could provide an additional chance for economic growth.

The service sector in 2020 accounts for 68.1% of Greece's GDP and provides 73% of jobs. The tourism sector has long been a key source of budget revenues and a driver of economic growth. After the 1950s, Greece has consistently ranked 10th in the world in terms of tourist spending. Tourism is an important source of revenue for the Greek state budget and accounts for 12.5% of GDP, being the main contributor to national GDP. The tourism industry employs about 400,000 people, which is 10% of the country's total employment (according to the OECD).

Tourism is the most important driver of economic growth in Greece. Its share in the country's GDP in 2019 was 20.8%, and its share in employment is 21.7% of total employment. According to industry data, one in four restaurants or bars in Greece has yet to reopen since the quarantine. Most of the food and drink vendors and restaurants that remained closed are located on the islands. Quarantine restrictions for business restaurants have been eased. Restaurants and bars were allowed to serve customers at tables outside their buildings.

The Greek economy is characterized by a highly developed system of foreign trade relations with many partner countries and a moderately diversified commodity structure of exports. The country's economy is export-oriented. Over the past 5 years, Greece's trade balance has been consistently negative.

Greece's foreign trade plays an extremely important role in the development of the economy. Despite the negative impact of the global pandemic on the dynamics of foreign trade, the prospects for its recovery and growth after the pandemic are very high. The country is characterized by a highly developed market and stable trade relations with the EU countries, which makes Greece a promising investment destination. In my opinion, the most promising is trade in services, which are the country's competitive advantage in the world market.

The global crisis has led to a deterioration in the business climate in Greece and a decrease in its investment attractiveness. Economic reforms in recent years have not changed investors' fears of the risks of bureaucracy and corruption. The government is taking measures to stimulate FDI inflows into the country.

The restaurant business associated with lounge bars is one of the most promising in the entertainment area. Greece is one of the largest producers of high quality tobacco. The constant high flow of tourists influenced the formation of this market and increased competition.

Creation of the concept of the future lounge bar, its promotion and marketing are important components in the successful launch of a business project. For a clearer understanding of the goals and opportunities, we will use the 4P marketing concept.

We propose to organize our business in the form of a General Partnership. The initial investment consists of fixed assets, working capital and the cost of company registration services. The cost of equipment is 109600 €. Working capital for the start of the project is 167 700 €. Labor costs are 110,405.0 € per year, including social security contributions. The total marketing expenses per year are € 10,960.0. The total investments of start the lounge bar will amount to 140,938.8 €. It is assumed that the founders raise their own funds in the amount of € 40,938.8, and the rest of the amount € 100,000.0 is borrowed with a bank loan at the average interest rate among banks is 4%.

The sales proceeds are € 436 700,0 per year or € 36 391,7 per month. Our lounge bar will become more popular and we suggest that increase in sales will be 3% per year.

The break-even point is 260 339.8 €, NPV is 24 854,1 €, the payback period of the investment - 5.67 years. Return on investment is 18%. Taking into account all the complexities and advantages, calculations and analytics, we can conclude that our project is efficient. Indeed, with a profitability of 18%, it makes sense to open a lounge bar in Athens.

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## APPENDICES

### Appendix A

#### Total foreign trade of Greece

The total of the foreign trade of goods transactions (imports + exports) of Greece amounted to €79,327.1 in 2020. The exports of goods are lower than the imports, however large part of the trade deficit (which decreased by 18.5% in 2020) is covered, mainly by the export of services like shipping, tourism, financial services, etc.

#### Import-Export Data

##### Greek Exports/Country (in millions Euros)

Country	2020	2019	2018
Italy	3,256	3,680	3,479
Germany	2,395	2,295	2,146
Cyprus	1,980	2,069	1,896
France	1,786	1,196	1,018
Bulgaria	1,535	1,640	1,493
Turkey	1,338	1,974	2,035
UK	1,179	1,249	1,213
Spain	1,138	1,117	1,111
USA	1,137	1,305	1,371
Romania	1,118	1,044	970
China	854	892	901
Other	12,989	15,406	15,838
<b>TOTAL</b>	<b>30,705</b>	<b>33,867</b>	<b>33,471</b>

##### Greek Imports / Country (in million Euros)

Country	2020	2019	2018
Germany	6,031	6,187	5,823
Italy	4,398	4,822	4,526
China	3,743	4,061	3,445
Netherlands	3,087	2,833	2,815
Russia	2,921	4,084	4,141
France	2,148	2,433	2,181
Iraq	1,999	4,553	4,524
Ireland	1,751	868	520
Bulgaria	1,724	1,996	1,888
Spain	1,690	2,065	2,071
Belgium	1,642	1,727	1,707
Other	17,488	20,218	20,479
<b>TOTAL</b>	<b>48,622</b>	<b>55,847</b>	<b>54,120</b>

##### Greek Exports / Sector (in million Euros)

	2020	2019	2018
Mineral fuels and lubricants	6,715	10,668	11,485
Industrial goods mainly classified by material	4,872	5,035	5,243
Food and live animals	5,302	4,820	4,616
Chemicals	5,040	4,108	3,494

Machinery and transport equipment	3,258	3,178	2,928
Various industrial products	2,430	2,872	2,345
Other	3,088	3,186	3,361
<b>TOTAL</b>	<b>30,705</b>	<b>33,867</b>	<b>33,472</b>

### Greek Imports / Sector (in million Euros)

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Mineral fuels and lubricants	9,678	15,030	15,963
Machinery and transport equipment	9,796	10,532	9,698
Chemicals	9,922	8,652	7,983
Industrial goods mainly classified by material	5,915	6,321	6,527
Various industrial products	5,561	6,651	5,832
Food and live animals	5,612	6,081	5,757
Other	2,138	2,570	2,360
<b>TOTAL</b>	<b>48,622</b>	<b>55,847</b>	<b>54,120</b>

Source: Hellenic Statistical Authority (ELSTAT), provisional data. Small differences in the totals per country and per sector are due to continuous revisions by ELSTAT.

## Appendix B

Table B.1

## Key financial indicators for revenue, cash flow, net profit of the investment project, €

Indicators	Months											
	1	2	3	4	5	6	7	8	9	10	11	12
Sales	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €	36 391,7 €
Variable	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €
Gross	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €	22 416,7 €
Fixed costs	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €
Profit	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €	4 546,2 €
Income tax	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €	1 091,1 €
Net profit	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €	3 455,1 €
Indicators	Months											
	13	14	15	16	17	18	19	20	21	22	23	24
Sales	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €	37 483,4 €
Variable	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €
Gross	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €	23 508,4 €
Fixed costs	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €	17 870,4 €
Profit	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €	5 638,0 €
Income tax	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €	1 353,1 €
Net profit	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €	4 284,9 €
Indicators	Months											
	25	26	27	28	29	30	31	32	33	34	35	36
Sales	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €	38 607,9 €
Variable	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €	13 975,0 €
Gross	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €	24 632,9 €
Fixed costs	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €	13 363,8 €
Profit	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €	11 269,2 €
Income tax	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €	2 704,6 €
Net profit	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €	8 564,6 €



