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INFORMATION

February 10, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Greece - Staff Report for the 1983 Article IV Consultation

The attached supplement to the staff report for the 1983 Article IV consultation with Greece has been prepared on the basis of additional information.

This subject has been tentatively scheduled for discussion on Friday, February 17, 1984.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

GREECE

Staff Report for the 1983 Article IV Consultation
Supplementary Information

Approved by L.A. Whittome

February 9, 1984

Since the Staff Report for the 1983 Article IV Consultation was prepared, the Greek authorities have provided more specific information on the stance of monetary policy in 1984, including a number of quantitative targets for the annual monetary and credit program. In addition, there have been some increases in administered prices in line with the authorities' objectives of reducing the operating deficits of the public enterprises. The authorities have confirmed that the stance of incomes policy may require revisions to the projections for 1984, but no changes have yet been communicated to the staff.

1. Monetary policy

The targets for monetary and credit expansion set forth in the recently announced 1984 monetary program, as well as revised figures for the 1983 outturn, are shown below. For the 1983 outturn, domestic credit to the public sector has been revised downwards by about 1 percentage point from the preliminary figure reported earlier.

	<u>1983</u>	<u>1984</u>
	<u>Outturn</u>	<u>Program</u>
	<u>Percentage change</u>	
Broad money (M3)	19.5	21.7
Domestic credit (net)	19.8	19.2
Private sector	17.0	18.0
Public sector	23.4	20.7

The authorities have indicated that the monetary program in 1984 will be characterized by greater flexibility than those of previous years, as the targets will be reviewed on a quarterly basis in light of developments in the real and financial sectors of the economy. In addition, the 1984 program provides for a reserve (about 6 percent of the total supply of funds) which is designed to absorb unanticipated deviations in either the demand for or supply of funds.

Effective February 15 interest rates on savings deposits are to be increased by 1.5 percentage points, and on time deposits of up to Dr 1 million by 0.5-1 percentage point. At the same time, interest rates on treasury bills will be raised by 2.75 percentage points (and will range from 17.5-18.0 percent depending on maturity). The authorities believe that at this new rate the Government will be able to borrow directly from the market. To this end procedural changes are envisioned to allow private investors and also public entities to invest directly in treasury bills.

2. Incomes policy

For public sector employees, adjustments were made as of January 1, 1984 for the rise in the cost of living for the period September-December 1983. For private sector employees, the authorities believe that a similar adjustment is likely, although the adjustment has now been submitted for arbitration. The Government has ruled out any lump sum payment to public sector employees to compensate them for the decline in their real wages in 1983; such a lump sum payment is also considered unlikely in the private sector.

3. Administered prices

Increases have been announced for the following items: diesel fuel (16.3 percent), gasoline (14.5 percent), gas oil (14.7 percent), taxi fares (17 percent). Other increases are also planned but the magnitudes have yet to be established. These include electricity prices and bus fares.