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October 21, 1981

To: Members of the Executive Board

From: The Secretary

Subject: Greece - Supplementary Background Material for Use of
the CONTRACTING PARTIES to the GATT

The attached paper has been prepared by the staff to supply more recent background information on Greece in connection with the forthcoming consultation between the CONTRACTING PARTIES to the GATT and Greece. In the absence of objection from an Executive Director by noon on Tuesday, October 27, 1981, the paper will be transmitted to the CONTRACTING PARTIES for their information and use.

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INTERNATIONAL MONETARY FUND

GREECE

Supplementary Background Material for GATT

Prepared by the European and the
Exchange and Trade Relations Departments

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This supplement updates the Fund reports "Greece--Recent Economic Developments" (8/18/80 and Sup. 1, 9/2/80).

I. Introduction

The slowdown of Greece's economic activity, which had started in 1979 after four years of strong expansion, continued in 1980 when real GNP growth amounted to only 1.6 per cent. The main reasons for the downturn since 1979 were external factors, especially the adverse effects of the second oil crisis and the slackening of economic expansion in Western Europe. Nevertheless, a positive contribution to growth from the foreign balance offset a decrease in total domestic demand, and helped to stabilize employment. Despite a further relaxation in the overall stance of fiscal policy in 1981 and an easing of monetary policy, real growth appears to have remained very low. Inflation reached a new peak in early 1981, and despite some slight easing in mid 1981, the underlying inflationary pressures in the economy remain strong. Nevertheless, the Greek economy appears to have retained its international competitiveness, in part because of an effective devaluation of the drachma. For 1981, therefore, the Greek authorities expect only a small increase in the current account deficit over its 1980 level.

II. Internal Developments

1. Aggregate supply and demand, 1980-81

The growth of real GNP declined from 3.9 per cent in 1979 to 1.6 per cent in 1980 (Table 1). Industrial production, which accounts for about one third of GNP, rose by only 1 per cent, compared to 6.1 per cent in 1979 (Table 2). Agricultural output, on the other hand, registered a strong increase of 11.5 per cent, due to favorable weather conditions.

The main factor that contributed to sustaining economic activity in 1980 was the real foreign balance, while total domestic demand declined. The decline in domestic demand was mainly due to lower gross fixed investment, which fell 8.3 per cent from its level in 1979. Private investment was particularly weak, with a real decrease of 9.9 per cent, compared to an increase of 7.0 per cent in 1979. Public investment also decreased in real terms, reflecting efforts by the authorities to cut back public expenditures.

These efforts also led to a small decrease (0.4 per cent) in real public consumption, compared to an increase of 5.8 per cent in 1979. At the same time, private consumption stagnated (a decline of 0.2 per cent) due mainly to the erosion of real incomes by high inflation and fiscal drag. As a result, total consumption was 0.3 per cent below its level in 1979.

Detailed estimates for 1981 are not yet available. Real GDP growth was originally forecast by the Ministry of Coordination at 1.5 to 2 per cent (Table 1), but most recent indicators suggest that the likely outcome will be close to the lower end of this range. This modest increase can be attributed mainly to an increase in real public expenditures of some 3 to 4 per cent, as private domestic demand is expected to have declined further. Private investment, especially in construction, has been depressed, and private consumption has continued to be dampened by the continuing pressure on real disposable incomes by inflation and fiscal drag. As in the previous year, the contribution of the real net foreign balance to economic growth is expected to be positive in 1981, with an increase in real exports and a decrease in real imports.

2. Wages, prices, and employment

For 1980, the Government had announced a general limit of 15 per cent on increases in wages and salaries for all private sector employees. However, wages and salaries in the nonagricultural sector rose by 20.8 per cent on average in that year, following an increase of 23.9 per cent in 1979 (Table 4). Since the increase in 1980 was considerably less than the increase in the consumer price index, it led to a decline in real wages and salaries, which had risen only slightly in 1979. In 1981 so far pressure on labor markets has apparently been strong, and the increase in nominal wages and salaries may exceed the increase registered in 1980. The increase of wages has been particularly high in manufacturing and, in combination with decreasing productivity, is estimated to have led to an increase in unit labor costs of about 30 per cent in the first quarter of 1981 compared with the same quarter of 1980.

Consumer prices increased by 24.9 per cent on an average annual basis in 1980, marking a further acceleration of inflation from 1979, when the increase in consumer prices was 19.0 per cent on average. The acceleration of inflation since 1979 has been partly due to the rise in oil prices and partly to

the adjustment of agricultural prices, as a result of the accession of Greece to the European Community (EC). In addition, controls over the prices of some manufactured goods were eased during 1980 and in 1981. During 1981, there has been some deceleration in price increases. According to provisional data, the consumer price index increased by 9.8 per cent during the first eight months of 1981, compared to 12 per cent in the same period in 1980. Part of this deceleration has been due to its delay in increasing prices charged by public enterprises and intensified competitive pressures due to low domestic demand. But the underlying rate of inflation is thought to be high, as evidenced by the high increase in labor costs.

The registered unemployment rate increased from 2.2 per cent in 1979 to 2.4 per cent in 1980; although it remains strikingly low by comparison with other European countries, there may be significant unreported unemployment and underemployment. In 1981, employment has continued to be high despite the low level of activity, and it even increased in manufacturing by 1 per cent. To some extent this may be due to official policies aimed at discouraging large firms from laying off workers.

3. Fiscal and monetary policies

In 1980, despite considerable efforts by the Greek authorities to reduce the budget deficit through containment of Central Government expenditure and increases in tax receipts, the overall budget position worsened. The combined deficit of the ordinary and the investment budgets was targeted at Dr 56.6 billion, some 9 per cent below the deficit in 1979. Similarly, the overall cash deficit of governmental enterprises was scheduled to be reduced to Dr 17.3 billion in 1980 (Table 7). Consequently the authorities aimed at reducing the public sector borrowing requirement to about 5.8 per cent of GNP, as compared to 7.2 per cent in 1979.

The overall stance of fiscal policy in 1980 turned out to be less tight than planned in the original budget. Despite cyclically depressed revenues, the authorities were able to limit the increase in the Central Government's deficit to 2.4 per cent, mainly by holding the increase in expenditures to 12.6 per cent, compared to an increase of 25.6 per cent in 1979. However, the deficits of other public sector entities rose substantially: the deficit of governmental enterprises, including the Consumer Goods Account, and the deficit of the public enterprises, the most important of which are the Public Power Corporation and the Hellenic Telecommunication Organization, more than doubled. In addition, the surplus of public entities, chiefly pension funds, declined. As a consequence, the overall public sector borrowing requirement increased by 77 per cent from Dr 106.3 billion in 1979 to Dr 187.8 billion in 1980. As a percentage of GNP, the public sector borrowing requirement increased to 10.6 per cent, compared to 7.2 per cent in 1979 (Table 6).

The 1981 budget envisaged a return to a somewhat more restrictive fiscal policy stance. It targeted a decrease of the public sector borrowing requirement to Dr. 155.6 billion or 7.2 per cent of GNP. However, in response to the depressed level of domestic activity, fiscal policy seems to have been more expansionary so far in 1981 than initially planned, and there are indications that the public sector borrowing requirement will be considerably higher than forecast. Revenues may be lower than budgeted, due to a cyclical stagnation of tax receipts, and to selective reductions in income tax rates for middle- and lower-income groups. As a result, the current budget of the Central Government may well show a deficit. On the other hand, the investment budget is expected to be balanced. The deficit of the Consumer Goods Account, which was planned to be reduced considerably, is now expected to be larger than the previous year's deficit. The deficit of the public enterprises is also expected to be higher in 1981 than in 1980 due to an increase in investment programs, especially of the Public Power Corporation, and the stabilization of the prices of public enterprises.

Because of heavy public sector reliance on financing from the banking system, including the central bank, the expansionary fiscal policy in 1980 contributed to an acceleration of the pace of monetary growth. The increase in bank credit to the public sector was 28.4 per cent, exceeding the target of 22.7 per cent, and credits to the private sector rose by 19.6 per cent compared to a target of 13.4 per cent. As a result, net domestic credit expanded by 22.9 per cent in 1980 (Table 8), whereas the monetary program for 1980 had envisaged an expansion of 17.1 per cent. Despite this increase, however, overall credit expansion remained below the inflation rate, as consumer prices rose by some 26 per cent during 1980. The increase of narrow money, 18.4 per cent, and of broad money, 22.8 per cent, also were below the inflation rate.

Complementing the easing of fiscal policy in 1981, monetary policy also became somewhat more expansionary. Interest rates were reduced, and with continued high inflation, the real interest charged for bank credits became more strongly negative. This contributed to a rapid expansion of credit to the private sector. As credit to the public sector also rose markedly, it is likely that both the expansion of domestic credit, and the increase in monetary aggregates, are likely to overshoot the original targets set for 1981.

III. External Developments

1. Balance of payments

Mainly due to a further worsening in the terms of trade, the current account deficit increased further in 1980, to US\$2.2 billion, from US\$1.9 billion in 1979 (Table 10). The value of exports increased by 4.1 per cent

over the 1979 level, while imports rose by 7.9 per cent. As a result, the trade balance deteriorated by US\$0.6 billion or 10.2 per cent to US\$6.8 billion. About two-fifths of the trade deficit was due to net oil imports (Table 3). Even though the surplus on services account in 1980 improved by 12 per cent over its level in the preceding year to US\$3.5 billion, it was insufficient to completely offset the increase in the trade deficit. Emigrants' remittances also declined slightly to US\$1.1 billion.

Private medium- and long-term net capital inflows remained more or less unchanged at US\$1.2 billion in 1980. Public sector medium- and long-term capital inflows were US\$166 million in 1980, US\$47 million higher than in 1979. Together with short-term capital inflows of US\$461 million, private medium- and long-term capital inflows covered 73 per cent of the current account deficit, compared to 69 per cent in 1979. Consequently, Greece registered an overall balance of payments deficit of US\$434 million in 1980, after a small surplus in the previous year. This was more than covered by long-term loans of US\$677 million, taken up by the central bank. As a consequence, the official reserves increased by about US\$175 million to US\$1,301.1 million in 1980 (Table 11).

For 1981 the Greek authorities expect only a small increase in the current account deficit over 1980. Provisional figures for the first seven months of 1981 indicate some improvement in the balance of payments. Imports decreased in real terms compared to the corresponding period of 1980 presumably as a result of the slow domestic demand and higher taxes on some imported goods, such as automobiles. Real exports, on the other hand, increased in the first seven months of 1981. This was helped by the maintenance of competitiveness (despite the high increase in unit labor costs and rapid inflation) through an effective depreciation of the drachma in 1980 and so far in 1981. In September 1981, the effective exchange rate for the drachma showed a depreciation of 7 per cent from a year earlier. This effective depreciation resulted from the stability of the drachma against the main European currencies for the last 15 months preceding October 1981, and the appreciation of the U.S. dollar vis-à-vis those currencies.

6. Exchange and trade system

A detailed description of the Greek exchange and trade system through the end of 1980 is included in the 1981 Annual Report on Exchange Arrangements and Exchange Restrictions.

The measures listed below represent the Fund staff's understanding of the main changes in 1980 and the first half of 1981.

Changes during 1980

February 23. A voluntary understanding was reached between the Government and importers to restrict imports of luxury goods. Nonessential imports were to be reduced in 1980 by 15 per cent below the level in 1978; imports of transportation equipment were to be reduced by 20 per cent.

March 7. Subsidized interest rates for exports to EC countries were reduced by the same percentage rate as in 1979, with the exception of ten categories of goods for which the reduction was 20 per cent below the level in 1979.

April 25. The additional advance import deposit of 75 per cent and the 25 per cent tax on certain imports were abolished.

May 1. New rates of deposits were set concerning prepayment and security of imports of goods included in Lists F-50/1-2 and F-100/1-2.

May 1. Banks were permitted to freely set interest rates, the period, and other terms for deposits in U.S. dollars, Canadian dollars, and pounds sterling.

August 1. Banks were permitted to freely set the period and other terms of deposits in other convertible currencies (excluding U.S. dollars, Canadian dollars, and pounds sterling). The Bank of Greece would establish maximum interest rates for each type and currency of deposit based on developments in the internal money markets of the countries in whose currencies the deposits are denominated.

August 27. A managed interbank foreign exchange market was introduced on a limited basis. By the middle of October the market was to begin a phased replacement of the existing system wherein the Bank of Greece fixed the value of the drachma each day against currencies of Greece's major trading partners.

November 10. Foreign exchange controls were liberalized for specified foreign trade related expenses, such as promotion, freight, fees for technical advice, and similar expenses, from US\$1,000 to US\$5,000. Commercial banks may, without prior approval of the Bank of Greece, allot increased foreign exchange for expenses, such as insurance for imported products, from US\$100 to US\$500 and for packing, US\$1,000 to US\$5,000.

November 12. The interbank foreign exchange market replaced the quotation of exchange rates by the Bank of Greece.

November 15. The voluntary understanding between the Government and importers to limit imports was terminated.

December 31. All bilateral payments agreements were terminated. A transitional period of six months was set for the liquidation of all clearing balances outstanding on January 1, 1981 (four months for the agreement with the People's Republic of China).

Changes during 1981

January 1. Greece became a full member of the EC, and the following steps were taken in this connection:

(a) Balances on blocked accounts as of December 31, 1980, held by private individuals residing in the member countries of EC, are to be released in installments over the period January 1, 1981 to January 1, 1986.

(b) The rates of advance import requirements were reduced by 25 per cent.

(c) The distinction between import procedures "D" and "E" was abolished, and most imports were carried out under what was formerly procedure "E" with approval being granted by commercial banks.

(d) The annual tourist allowance per person was raised to the equivalent of ECU 400 for travel to EC member countries March 16. The number of items included in Lists A and B, that are subject to import licenses, was increased.

July 1. Foreign exchange allocations for undergraduate and postgraduate studies were raised to US\$510 and US\$560 per month respectively for the USA and Canada, to |230 and |290 per month respectively for the United Kingdom, and to DM830 and DM980 per month respectively for the Federal Republic of Germany.

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Table 1. Greece: National Accounts
(Percentage change; at constant 1970 prices)

	1977	1978	1979	1980	1981 Forecast
Consumption	5.0	5.6	3.5	-0.3	1.5
Private	4.7	6.1	3.0	-0.2	1.0
Public	6.5	3.5	5.8	-0.4	4.0
Gross fixed investment	7.8	6.0	7.9	-8.3	3.0
Private	14.3	5.8	7.0	-9.9	2.5
Public	-10.2	6.8	10.9	-3.0	4.5
Change in stocks <u>1/</u>	(-0.5)	(-0.2)	(0.6)	(0.1)	(0.1)
Total domestic demand	4.7	5.3	4.7	-1.7	2.5
Change in foreign balance	28.2	-12.4	9.6	-27.4	-1.5
Exports of goods and services	1.0	15.8	6.3	6.4	4.0
Imports of goods and services	8.0	7.2	7.2	-2.3	3.0
Statistical discrepancy <u>2/</u>	-9.2	-8.6	-12.1	-3.3	-4.3
Net income from abroad	19.6	-6.3	8.2	-0.9	1.9
GNP at market prices	3.8	6.4	3.9	1.6	2.0

Sources: Ministry of Coordination, National Accounts Service; and Bank of Greece.

1/ Per cent contribution to GNP.

2/ In billions of drachmas; at 1970 prices.

Table 2. Greece: Industrial Production

(Percentage change over corresponding
period of previous year)

	1977	1978	1979	1980	1981
Total <u>1/</u>					
I	4.3	6.9	7.8	2.1	-3.6
II	-0.1	9.2	8.9	0.8	...
III	2.9	5.3	6.6	0.9	...
IV	<u>1.2</u>	<u>9.0</u>	<u>1.5</u>	<u>0.2</u>	<u>...</u>
Annual change	1.5	7.5	6.1	1.0	...
Consumer goods					
I	7.4	3.3	9.8	-0.1	-0.2
II	1.3	8.8	9.3	-2.4	...
III	2.8	8.6	6.5	-2.7	...
IV	<u>-0.8</u>	<u>11.2</u>	<u>0.8</u>	<u>-0.4</u>	<u>...</u>
Annual change	2.4	8.1	6.4	-1.4	...
Capital goods					
I	-2.9	14.5	4.0	4.7	-10.6
II	-7.1	13.0	11.0	2.3	...
III	0.6	--	8.3	4.0	...
IV	<u>1.6</u>	<u>6.7</u>	<u>1.6</u>	<u>1.7</u>	<u>...</u>
Annual change	-1.9	8.1	6.2	3.2	...

Source: Data supplied by the Greek authorities.

1/ Including manufacturing, mining and quarrying, electricity and gas, and construction; includes some intermediate production.

Table 3. Greece: Production, Domestic Consumption, Exports, and Imports of Oil and Oil Products

	1977	1978	1979	1980	1981 Forecast
(In thousands of tons)					
Crude oil					
Production	--	--	--	--	500
Imports	11,840	12,572	17,153	17,708	18,000
Domestic consumption	10,689	11,524	15,420	14,282	15,500
Stock changes and statistical error	-791	40	261	252	...
Re-exports	1,942	1,008	1,472	3,174	3,000
Refined products					
Production	10,603	11,444	15,274	14,134	15,300
Imports	3,012	3,881	4,605	5,974	6,000
Domestic consumption <u>1/</u>	9,608	10,820	11,332	11,470	11,500
Re-exports	2,486	3,455	7,296	7,317	8,800
Bunkers	1,047	1,035	990	855	...
Stock changes, residual, and losses	474	15	261	466	...
(In millions of U.S. dollars)					
Total petroleum products					
Exports <u>2/</u>	102.4	230.3	465.1	248.5	...
Imports	1,034.3	1,179.7	2,201.3	2,897.9	...
Of which:					
Crude oil	(775.3)	(882.9)	(1,856.2)	(2,548.4)	(...)
Balance	-931.9	-949.4	-1,736.2	-2,649.4	...
Memorandum items:					
Petroleum balance					
As percentage of trade deficit	23.9	21.9	28.1	38.9	...
As percentage of GNP	3.5	2.9	4.4	6.3	...

Source: Data supplied by the Greek authorities.

1/ Including international air transport but not consumption at refineries; includes self-consumption by refineries.

2/ Excludes independent refineries.

Table 4. Greece: Wages and Salaries in the
Nonagricultural Sector

(Percentage change over previous year; period averages)

	1977	1978	1979	1980	1981 <u>1/</u>
Industry and handicraft					
Hourly receipts of workers	20.9	23.6	20.6	27.2	26.2
Males	20.8	23.9	21.8	27.0	25.5
Females	19.3	24.4	19.9	26.7	26.4
Monthly receipts of employees	19.8	19.0	18.6	22.0	22.4
Males	19.6	19.1	18.7	21.8	21.7
Females	21.7	19.3	19.4	22.4	23.2
Wages and salaries of nonagricultural sector	24.9	24.2	23.9	20.8	...

Source: Data supplied by the Greek authorities.

1/ First quarter.

Table 5. Greece: Price Developments, 1977-81

(Average percentage changes over preceding period, except as indicated)

	Weights <u>1/</u>	1977	1978	1979	1980	1981
Wholesale prices	100	13.7	10.3	21.0	28.4	28.8 <u>2/</u>
Of which:						
First half of the year		8.5	6.1	12.7	15.3	15.0
Second half of the year		4.0	3.9	10.8	11.9	...
Domestic industrial products	50	12.5	9.7	20.2	30.4	27.8 <u>2/</u>
Domestic primary products	18	14.1	12.5	21.0	24.8	22.7 <u>2/</u>
Foreign final products	19	12.1	12.9	20.0	28.3	37.1 <u>2/</u>
Exported products	13	19.9	5.4	25.7	26.3	27.2 <u>2/</u>
Consumer prices	100	12.1	12.6	19.0	24.9	24.7 <u>3/</u>
Of which:						
First half of year		7.2	7.6	11.8	14.4	14.3
Second half of year		5.3	3.8	9.0	9.3	...
Food	36	14.0	14.3	18.8	27.6	28.1 <u>3/</u>
Alcoholic beverages, tobacco	4	5.8	8.2	10.2	15.7	14.4 <u>3/</u>
Housing	13	11.8	11.4	19.4	29.0	32.1 <u>3/</u>
Clothing and footwear	12	12.8	14.1	22.4	18.7	20.3 <u>3/</u>
Durable goods & household supplies	8	10.1	8.5	12.7	24.9	23.4 <u>3/</u>
Transport and communications	12	7.5	6.3	24.5	22.5	15.0
Other services	15	14.3	16.1	17.7	24.2	...
GDP deflator		12.6	13.1	18.3	20.0	23.0 <u>4/</u>
Seasonally adjusted increase in consumer prices						
First quarter		2.2	2.2	6.1	7.3	6.9
Second quarter		3.7	3.8	4.5	6.0	4.3
Third quarter		3.8	2.0	6.5	5.1	...
Fourth quarter		3.0	3.1	5.5	6.7	...
<u>Memorandum items:</u>						
Through-the-year increase						
Wholesale prices		10.7	11.6	26.9	28.8	24.5 <u>5/</u>
Consumer prices		12.8	11.5	24.8	26.2	23.5 <u>6/</u>

Sources: Bank of Greece, Monthly Statistical Bulletin; IMF, International Financial Statistics; and data supplied by the Greek authorities.

1/ Weights in per cent of total; as of November 1977 for the wholesale price index, and as of April 1976 for the consumer price index.

2/ Average level 6 months (Jan.-June).

3/ Average level 7 months (Jan.-July).

4/ Estimate.

5/ 12 months until June 1981.

6/ 12 months until July 1981.

Table 6. Greece: Public Sector Borrowing Requirement 1/

(In billions of drachmas)

	1977	1978	1979	1980	<u>1981</u> Budget
Central government gross borrowing requirement	44.0	50.7	61.9	63.4	85.0
Overall deficit of governmental enterprises <u>2/</u>	25.0	20.7 <u>3/</u>	33.0 <u>4/</u>	74.1	26.6 <u>5/</u>
Public enterprises' deficit	14.6	18.1	31.4	64.6	59.0
Public entities' surplus (-) <u>2/</u>	<u>-19.5</u>	<u>-14.0</u>	<u>-20.0</u>	<u>-14.3</u>	<u>-15.0</u> <u>6/</u>
Public sector borrowing requirement (PSBR)	64.1	75.5	106.3	187.8	155.6
<u>Memorandum item:</u>					
PSBR as per cent of GNP	6.4	6.3	7.2	10.6	7.2

Source: Data supplied by the Greek authorities.

1/ Including amortization.

2/ Cash basis.

3/ Including transfers from the proceeds of the Dr 70 billion loan granted to the Greek State by the Bank of Greece.

4/ Including Dr 9.4 billion transferred from the 1979 ordinary budget, effected in April 1980.

5/ Including the deficit of the Agricultural Markets Management Service.

6/ Estimate.

Table 7. Greece: Summary of Central Government Finance 1/

	1978		1979		1980		1981		1980		1981	
	1978	1979	1978	1979	1980	1981	1980	1981	1980		1981	
									Proposal	Outturn	Proposal	Outturn
In billions of drachmas												
Revenue, total	249.2	314.5	249.2	314.5	367.0	359.1	466.3	18.5	26.2	16.7	14.2	29.9
Ordinary budget	248.3	312.4	248.3	312.4	365.5	358.2	457.3	18.6	25.8	17.0	14.7	27.7
Investment budget	0.9	2.1	0.9	2.1	1.5	0.9	9.0 3/	-10.0	133.3	-28.6	-57.1	...
Expenditure, total	291.3	365.9	291.3	365.9	412.9	411.9	534.9	18.4	25.6	12.8	12.6	29.9
Ordinary budget	239.7	309.4	239.7	309.4	363.7	356.4	455.9	19.2	29.1	17.6	15.2	27.9
Investment budget	51.6	56.5	51.6	56.5	49.2	55.5	79.0	14.7	9.5	-12.9	-1.8	42.3
Balance (excluding amortization)												
Overall budget deficit	-42.1	-51.5	-42.1	-51.5	-45.9	-52.8	-68.6	17.6	22.3	-10.9	2.5	29.9
Ordinary budget surplus	8.6	2.9	8.6	2.9	1.8	1.8	1.4	4.9	-66.3	-37.9	-37.9	-22.2
Investment budget deficit	-50.7	-54.4	-50.7	-54.4	-47.7	-54.6	-70.0	15.2	7.3	-12.3	0.4	28.2
Amortization												
Domestic	-8.6	-10.4	-8.6	-10.4	-10.6	-10.6	-16.4	4.9	20.9	1.9	1.9	54.7
External	-3.0	-2.9	-3.0	-2.9	-2.3	-1.5	-1.2	11.1	-3.3	-20.7	-48.3	-20.0
	-5.6	-7.5	-5.6	-7.5	-8.3	-9.1	-15.2	1.8	33.9	10.7	21.3	67.0
Gross borrowing requirement	50.7	61.9	50.7	61.9	56.5	63.4	85.0	15.2	22.1	-8.7	2.4	34.1
Domestic borrowing	36.1	41.4	36.1	41.4	34.5	37.3	59.0	-7.9	14.7	-16.7	-9.9	58.2
Treasury bills	(36.1)	(41.4)	(36.1)	(41.4)	(34.5)	(37.3)	(59.0)	(-7.9)	(14.7)	(-16.7)	(-9.9)	(58.2)
Bank of Greece	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
External borrowing	14.6	20.5	14.6	20.5	22.0	26.1	26.0	204.2	40.4	7.3	27.3	-0.4
Memorandum item:												
Overall balance of governmental enterprises 4/	-20.7	5/-33.0 6/	-20.7	5/-33.0 6/	-17.3	-74.1	-26.6	-17.2	59.4	-47.6	124.5	-64.1
Cash deficit												

Source: Data supplied by the Greek authorities.

1/ Excludes NATO operations.

2/ Proposal compared with outturn of previous year.

3/ Including receipts of Dr 7.5 billion from the EEC.

4/ Including the Consumer Goods Account, National Tobacco Organization, Autonomous Curcants Association, Cooperative Sultana Association, and fertilizers' account with the Agricultural Bank. These cash deficits are financed by Bank of Greece advances.

5/ Excluding transfers from the proceeds of the Dr 70 billion loan granted to the Greek State by the Bank of Greece.

6/ Including Dr 9.4 billion transferred from the 1979 ordinary budget, effected April 1980.

Table 8. Greece: Monetary Survey, 1977-81 1/
(Annual percentage change; end of period)

	1980 In billions of drachmas	1977	1978	1979	1980	1981
Program						
Money supply						
Narrow money (M1)	313.1	16.9	22.2	15.7	18.4	16.0
Of which:						
Currency outside banks	209.6	18.3	21.1	14.2	14.6	17.2
Sight deposits	103.5	13.5	24.8	19.2	26.9	13.5
Quasi-money	853.7	26.1	26.6	19.8	24.5	21.8
Of which:						
Savings deposits (private)	541.2	26.3	25.7	17.3	21.3	22.5
Time deposits (private)	212.8	23.4	35.6	27.6	46.8	22.5
Deposits by social security funds	77.4	32.3	19.6	19.3	9.5	16.0
Other public deposits	22.3	19.4	18.4	24.4	-6.8	20.2
Broad money	1,166.8	23.3	25.3	18.6	22.8	20.2
Counterparts						
Foreign assets (net) 2/	-126.2	34.5	65.3	30.2	23.6	...
Domestic credit (net) 3/	1,423.0	27.6	26.6	22.3	22.9	24.5
Of which:						
Private sector	861.5	25.3	23.0	18.3	19.6	19.5
Public sector	561.5	32.1	33.4	29.5	28.4	32.1
Of which:						
Central government	(428.9)	(40.6)	(38.7)	(31.1)	(24.9)	(28.7)
Public enterprises	(112.1)	(13.2)	(19.9)	(26.3)	(51.8)	(44.6)
Other public 4/	(20.5)	(9.1)	(11.8)	(15.5)	(1.8)	(34.2)
Other items (net)	--	--	--	--	--	--
Memorandum item:						
Currency outside banks, target		13.4	16.6	15.6	15.0	17.2
Private sector credit, excl. securities						
Target		19.2	21.4	17.8	12.8	19.3
Outcome		25.4	24.4	19.0	20.4	...

Sources: Bank of Greece, Monthly Statistical Bulletin; data supplied by the Greek authorities; and staff calculations.

1/ National definitions; including special credit institutions.

2/ Accounts denominated in foreign currency.

3/ Including securities.

4/ Mainly local authorities and social security funds.

Table 9. Greece: Interest Rates on Bank Deposits, 1978-81 1/

(In per cent, per annum)

	1978		1979		1980		1981 June
	March	June	Feb.	June	April	July	
Drachma deposit rates							
Sight deposits							
Regular							
Current deposit accounts 2/		9.0	8.5				
Savings deposits 3/		10.0-11.5	9.5-11.0	12.5			
Time deposits 4/		11.0-12.5	10.5-12.0	13.5-15.0			
Deposits by Postal Savings Bank		12.0-12.5 5/	11.5-12.0	14.5-16.0		14.5-22.0	14.5-20.0
Interbank rate		6/		15.5-16.0		18.0-18.5	
Foreign exchange deposit rates					7/		
Sight deposits							
Greek seamen and workers abroad 8/			2.5	2.5-3.0			
Other residents							
Time deposits							
Greek seamen and workers abroad 8/	8.5-9.5		8.0-9.0	8.0-11.25	9.0-13.0	8.0-13.0 7/	
Convertible under Law 2687/53 9/							
Other 10/			6.5-8.5	2.0-10.0	2.0-11.5	5.0-12.0 7/	
Housing Loan Deposit Scheme							

Sources: Bank of Greece, Monthly Statistical Bulletin; and data supplied by the Greek authorities.

1/ Changes in maximum permissible rates.

2/ For personal deposits only.

3/ The actual rate depends on the credit institution, on the period of notice, and on the savings scheme.

4/ Deposits by individuals and private enterprises; actual rate depends on the period of notice and on the amount deposited.

5/ Following an increase to 9.0-9.5 per cent in May 1978.

6/ The interest rate on deposits among banks was freed in June 1978 to encourage the development of an interbank credit market.

7/ The interest rate on time deposits by Greek seamen was freed in March 1980. In May 1980, the liberalization was extended to interest rates on all categories of deposits in U.S. dollars, Canadian dollars, and pounds sterling. In August 1980 the liberalization was extended to deposits in the remaining foreign currencies.

8/ Including deposits by Greek nationals residing abroad, if made in U.S. dollars or in Canadian dollars.

9/ Deposits by nonresidents above US\$10,000; convertibility is constitutionally guaranteed.

10/ Deposits need not be surrendered to the Bank of Greece; withdrawals are generally made in domestic currency, but conversion may be authorized. Excluding deposits by Greek shipping companies and other nonresidents for which interest rates are determined freely.

Table 10. Greece: Summary Balance of Payments

(In millions of U.S. dollars)

	1977	1978	1979	1980	1st Half 1981 Provisional
A. Goods, services, and transfers					
Exports, f.o.b.	2,522.4	2,998.5	3,932.0	4,093.9	2,558
Imports, c.i.f.	<u>6,425.1</u>	<u>7,341.3</u>	<u>10,109.8</u>	<u>10,903.4</u>	<u>5,830</u>
Trade balance	-3,902.7	-4,342.8	-6,177.8	-6,809.5	-3,272
Travel (net)	816.6	1,102.5	1,359.9	1,424.4	488
Transportation (net)	971.5	999.6	1,312.0	1,550.2	773
Investment income (net)	-141.3	-145.4	-157.9	-267.1	-231
Other services (net)	257.2	450.1	617.0	805.7	307
Of which:					
Convertible drachma account	<u>(202.1)</u>	<u>(295.0)</u>	<u>(394.8)</u>	<u>(490.8)</u>	<u>(181)</u>
Balance of services	1,904.0	2,406.8	3,131.0	3,513.2	1,337
Emigrants' remittances (net)	922.1	981.0	1,164.6	1,079.4	451
Official transfer	<u>0.7</u>	<u>1.0</u>	<u>0.8</u>	<u>0.8</u>	<u>...</u>
Balance on transfers	922.8	982.0	1,165.4	1,080.2	451
Balance on current account	-1,075.9	-954.0	-1,881.4	-2,216.1	-1,484
B. Medium- and long-term capital					
Private sector	<u>718.8</u>	<u>728.5</u>	<u>1,134.2</u>	<u>1,151.6</u>	<u>436</u>
Drawings on loans and direct investment					
Corporations	288.8	328.9	364.2	502.4	205
Financial institutions	125.1	39.6	125.9	77.7	50
Amortization of loans	-96.5	-62.9	-58.6	-92.6	-48
Trade credits received	-37.7	-43.4	58.9	48.7	-3
Other private capital (net) 1/	439.1	466.3	643.8	615.4	232
Public sector	<u>0.3</u>	<u>114.1</u>	<u>118.6</u>	<u>165.5</u>	<u>66</u>
Loans received					
Central government 2/	116.7	183.4	122.6	44.4	25
Public enterprises and banks	90.2	133.7	257.0	354.4	149
Amortization of loans	-206.6	-203.0	-261.0	-233.3	-108
Total long-term capital	719.1	842.6	1,252.8	1,317.1	502
C. Short-term capital	<u>436.3</u>	<u>258.9</u>	<u>161.5</u>	<u>460.9</u>	<u>123</u>
Trade credits and barter (net)	45.9	-27.5	116.0	262.3	34
Deposits at financial institutions (net) 3/	390.4	386.4	45.5	198.6	89
D. Net errors and omissions	-107.9	-288.4	486.4	-21.7	474
E. Allocation of SDRs	—	—	24.5	25.5	—
F. Overall balance (A+B+C+D)	-28.4	-40.9	43.8	-434.3	-385
G. Monetary movement 4/					
Central Bank					
Monetary gold	-10.1 5/	-13.3 5/	-3.7 5/	5.0	16
SDRs	3.4 5/	-1.1 5/	16.3 5/	1.1	-11
Reserve position in the Fund	—	-43.6 5/	-0.8 5/	0.8	6
Foreign exchange assets	-88.7	-93.0	31.0	-151.9	442
Payments agreements (net)	12.6	19.7	-65.5	13.0	-88
IMF accounts liabilities	-73.4 5/	26.9 5/	-48.9 5/	-109.0	-21
Long-term	144.7	205.2	78.0	676.7	41
Amortization of loans	(-88.0)	(-94.8)	(-122.0)	(-173.3)	(-52)
Loans and credits received	(232.7)	(300.0)	(200.0)	(850.0)	(93)
Short-term	<u>39.9</u>	<u>-59.9</u>	<u>-50.2</u>	<u>-1.4</u>	<u>—</u>
Total monetary movements	28.4	40.9	-43.8	434.3	385

Sources: (i) Bank of Greece, Monthly Statistical Bulletin; (ii) IMF, International Financial Statistics; and (iii) data provided by the Greek authorities.

1/ Mostly capital intended for real estate investment.

2/ Excluding official transfers.

3/ Mostly foreign exchange deposits of emigrants and seamen.

4/ Data are changes in stocks from source (ii) calculated with end-of-period exchange rates, except for "payments agreements (net)," and data on the Central Bank which are taken from source (i).

5/ IMF, International Financial Statistics, and Treasurer's Department.

Table 11. Greece: Official Reserves 1/

(In millions of U.S. dollars;
end of period)

	1977	1978	1979	1980	August 1981
Gold <u>2/</u>	158.6	171.9	175.6	171.2	151.8
SDRs	16.3	17.4	1.1	--	--
Reserve position in the Fund	--	43.6	42.8	70.9	63.4
Foreign exchange	<u>845.2</u>	<u>938.1</u>	<u>907.1</u>	<u>1,059.0</u>	<u>830.3</u>
Total	1,020.1	1,171.0	1,126.6	1,301.1	1,045.5

Source: IMF, International Financial Statistics.

1/ Detail may not add because of rounding.

2/ Valued at SDR 35 per ounce.

Table 12. Greece: Exchange Rate Indices

(1975 = 100)

		Dollars per Drachma	Trade-Weighted Effective Rate <u>1/</u>
1976	I	90.2	96.0
	II	87.7	95.8
	III	87.2	94.8
	IV	86.4	93.0
1977	I	86.0	92.4
	II	86.5	92.3
	III	87.6	92.8
	IV	88.9	92.1
1978	I	88.5	87.8
	II	86.8	85.8
	III	87.3	82.8
	IV	88.1	80.5
1979	I	88.1	80.6
	II	86.4	80.6
	III	87.4	79.2
	IV	84.7	76.6
1980	I	80.27	73.84
	II	74.78	69.72
	III	74.41	68.38
	IV	71.42	68.81
1981	I	64.39	66.36
	II	57.99	64.98
	III <u>2/</u>	53.54	64.08

Sources: Data supplied by the Greek authorities; and staff estimates.

1/ Vis-a-vis currencies of 27 trading partners; 1975 trade weights.

2/ Provisional.

