



ECONOMIC SURVEYS

I. 2. b. 6.

GREECE

ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

PARIS APRIL 1967

# BASIC STATISTICS OF GREECE

## THE LAND

Area (1,000 sq. km).....	130.9	Main urban areas (census of 1961):	
Cultivated area (1,000 sq. km).....	36.5	Greater Athens (including Piraeus).....	1,853,000
		Salonika.....	374,000

## THE PEOPLE

Population (1965).....	8,551,000	Labour force total (1965).....	5,592,000
No. of inhabitants per sq. km....	65	Agricultural labour force as a percentage of the total (1961).....	49
Average natural increase in population (annual average 1954-1964).....	7 ‰	Emigration (average 1963-1965)....	107,600

## PRODUCTION

Gross National Product in 1965 (millions of drachmae).....	176,341	Origin of GDP at factor cost in 1965:	
GNP per head US \$.....	687	— Agriculture.....	25
Gross fixed investment (average 1964-1965):		— Industry.....	26
— Per cent of GNP.....	22	— Services.....	49
— Per head US \$.....	151		

## THE GOVERNMENT

Public current expenditure on goods and services in 1965 (percentage of GNP)....	22	Public gross fixed investment in 1965 (percentage of GNP).....	6
General Government current revenue in 1965 (percentage of GNP).....	23		

## LIVING STANDARDS

Calories per head, per day (1963)....	2,950	No. of passenger cars in use per 1,000 in-habs (1966).....	12
Percentage of expenditure on food in private consumption (1965).....	40	No. of telephones per 1,000 in-habs (1965)....	58
Consumption of electricity per head (1965) (kWh).....	445		

## FOREIGN TRADE

Exports of goods and services as a percentage of the GNP (1965).....	9.1	Imports of goods and services as a percentage of the GNP (1965).....	20.5
Main exports as a percentage of total exports (1966):		Main imports as a percentage of total imports (1966):	
— Tobacco.....	30	— Durable consumer goods.....	31
— Raw materials.....	17	— Raw materials.....	22
— Currants.....	10	— Capital goods.....	23
— Cotton.....	8	— Foodstuffs.....	16

## THE CURRENCY

Monetary unit: drachma.

Currency units per US \$..... 30

ECONOMIC STUDIES

GREECE

*ERRATUM*

Page 34 : last paragraph, second line,  
*instead of* : " 8 and 11 per cent "  
*read* : " 8 and 9 per cent "

**ECONOMIC SURVEYS BY THE OECD**

# **GREECE**

**ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**

*The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the OECD shall promote policies designed:*

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;*
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

*The legal personality possessed by the Organisation for European Economic Co-operation continues in the OECD, which came into being on 30th September 1961.*

*The members of OECD are: Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.*

This document was approved  
by the Economic and Development Review Committee  
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## INTRODUCTION

In 1966 the economic situation in Greece underwent a remarkable improvement. From a condition of some uncertainty, confidence in the economy was restored; and a marked improvement in the public finances made possible a substantial increase in public investment expenditure. The growth in the gross national product exceeded 8 per cent. The deficit on current foreign transactions levelled off, and thanks to a large inflow of public and private capital the overall balance of payments showed a slight surplus.

Prospects for 1967 are more worrying. The elections, due in the spring, are a source of uncertainty. The probable decline in capital inflows and reduced emigration to Germany could well have adverse effects on the balance of payments. At the same time the financing of the public investment budget, which will be considerably larger than in 1966, will undoubtedly raise problems, given that ordinary expenditure is also increasing as a result of arrangements already in force and given the difficulty of increasing taxation before the election. Although domestic production will probably expand at a satisfactory rate (about 7.5 per cent by volume), the problem of internal and external financial equilibrium could once again become acute.

Part I of this survey analyses trends in the Greek economy in 1966. Prospects for 1967 and policy problems are discussed in Part II and the Conclusions.

## I. ECONOMIC DEVELOPMENT IN 1966

### *Demand*

As in the previous year, final domestic demand expanded considerably in 1966—by some 9.4 per cent in value. The additional demand was met partly by an important increase in the volume of production (estimated at 8.2 per cent) but resulted also in a significant rise of the general price level. On the other hand, sales abroad of surplus wheat, accumulated during the previous three years, resulted in a decrease of stocks and



TABLE 1. THE GROWTH OF DEMAND AND ITS EFFECTS

*Billion drachmae.*

	1963		1964		1965		1966	
1. Domestic production (previous year) <sup>1</sup> .....	127.4		141.0		157.7		176.3	
2. Total domestic expenditure <sup>2</sup> .....	148.8		169.3		192.9		211.0	
a) Consumption .....	117.2		130.5		147.0		166.8	
b) Fixed investment .....	27.5		34.3		39.3		45.7	
c) Changes in stocks <sup>3</sup> .....	4.1		4.6		6.6		-1.4	
3. Growth in demand during the year (2-1) broken down into	21.4	(100.0)	28.4	(100.0)	35.2	(100.0)	34.7	(100.0)
4. Increase in production by volume .....	10.6	(49.5 %)	12.7	(44.7 %)	12.0	(34.1 %)	14.8	(42.7 %)
5. Excess demand (3-4) .....	10.8	(50.5 %)	15.7	(55.3 %)	23.2	(65.9 %)	19.9	(57.3 %)
covered by:								
a) Increase in prices .....	2.9	(13.6 %)	4.0	(14.1 %)	6.6	(18.7 %)	8.2	(23.8 %)
b) Balance of payment deficit .....	7.9	(36.9 %)	11.7	(41.2 %)	16.6	(47.2 %)	11.6	(33.5 %)

1. These data are expressed in prices of the previous year. The other data in the table are expressed in prices of the current year in each case.

2. Excluding ships.

3. Including non-monetary gold.

Source: Bank of Greece and Secretariat estimates.

TABLE 2. SUPPLY AND USE OF RESOURCES<sup>1</sup>*Millions drachmae.*

	1965		VOLUME INCREASE % (1958 PRICES)				
	AT CURRENT PRICES	PERCENTAGE	1963	1964	1965	1966*	1967*
1. Private consumption .....	124,972	70.9	7.6	8.8	7.7	8.4	8.3
2. Public consumption .....	22,036	12.5	3.4	7.9	17.2	9.5	8.7
3. Fixed investment:							
a) by private enterprises .....	28,979	16.4	13.6	24.2	12.5	12.3	1.3
b) by Government and public enterprises .....	10,367	5.9	— 3.9	5.9	7.4	14.5	17.5
4. Change in stocks .....	(5,295)	3.0	—	—	—	—	—
5. Exports of goods and services <sup>4</sup> .....	20,510	11.6	9.9	5.1	10.2	15.5	..
6. <i>Minus:</i> imports of goods and services <sup>4</sup> .....	35,818	20.3	14.2	12.8	23.0	6.3	..
7. Gross national product at market prices .....	176,341	100.0	8.3	9.0	7.6	8.4	8.0

1. Excluding ships and non-monetary gold.

2. Provisional estimates.

3. Forecasts.

4. Including factor income payments.

Source: Ministry of Co-ordination.

contributed to a considerable expansion of exports. Since exports of services (mainly tourism) also rose sharply, the external deficit on goods and services, which had more than doubled from 1963 to 1965, showed only a modest increase last year.

According to provisional estimates, total consumption increased about as fast as in 1965, i.e. 8.5 per cent in real terms. As shown in Table 1, this was the result of a smaller (but still very high) increase in public consumption and of an acceleration in the growth of private consumers' expenditure. The latter reflected rising employment in industry and services and a continuing sharp increase of wages and salaries (see page 20 below). It was also sustained by the expansion of farm incomes and by higher transfers through the budget and the social security system to lower-income groups with a high propensity to consume. As far as can be judged from the available evidence, the consumption of higher income groups must also have increased considerably. The notable change observed in 1966 with regard to the form of savings (dis-hoarding of gold and sharp increase in time and saving deposits) is unlikely to have affected the trend of consumption.

An important indicator of the strong rise in private consumption is the sharp expansion of imports of consumers manufactures, which continued unabated throughout the year. Certain partial indicators suggesting some dampening of consumers demand in the course of the year largely reflect special factors. For instance, the fall in private car registrations by 20 per cent between the first halves of 1965 and 1966 was clearly the result of the very sharp rise in the last months of 1965, in anticipation of the tax increases applied at the beginning of last year. The more recent trend of wages and salaries in the private and public sectors and the continuing expansion of official support for agricultural production suggest that no significant weakening in the growth of consumers expenditure has occurred so far.

The volume of total fixed investment increased in 1966 by 12.8 per cent, compared to 11.2 per cent the year before. The acceleration was more pronounced in the case of public<sup>1</sup> than of private investment, although the investment programmes of public corporations were curtailed in the course of the year as part of the effort to restore financial stability. According to the provisional national accounts, construction of dwellings continued to represent about one third of total fixed investment—a rather excessive share in view of the limited resources available and the pressing need to expand productive investment. Other building and construction also accounted for the same high share as in recent years (see Table 3). In general, a relatively high proportion for this type of investment seems normal at the present stage of the country's economic development, when

1. Total of government and public corporation investment; the breakdown is not available.

TABLE 3. GROSS FIXED INVESTMENT<sup>1</sup>

	% SHARES AT CURRENT PRICES			% VOLUME INCREASES (1958 PRICES)			
	AVERAGE 1962-63	AVERAGE 1964-65	1966	1965	1966	INDICES 1962 = 100	
						1965	1966
<b>A. Commodity classification:</b>							
1. Dwellings .....	31.9	33.0	33.5	12.5	13.0	157	177
2. Other construction .....	38.7	35.9	36.1	10.7	12.5	128	144
3. Transport equipment .....	8.6	8.4	10.8	6.2	48.8	126	188
4. Other equipment .....	20.8	22.7	19.6	11.7	- 1.0	158	156
Total fixed investment .....	100.0	100.0	100.0	11.2	13.8	143	161
<b>B. Industrial classification:</b>							
1. Agriculture .....	13.9	12.3		6.6		125	
2. Mining and manufacturing .....	13.7	14.7		33.0		164	
3. Dwellings .....	31.9	33.0		12.5		157	
4. Transport and communication, electricity, gas, water .....	25.6	26.6		9.9		136	
5. Services .....	14.9	13.4		- 2.3		123	

1. Excluding ships registered under the Greek flag.

Source: Greek submission to the OECD.

the need for basic infrastructure is still very important. However, this category comprises investments of widely different economic priorities (e.g. factories, harbours and irrigation works as well as office buildings or certain public works of a welfare<sup>1</sup> character). And there is sufficient evidence that the selection of public works and the planning of their implementation are in urgent need of improvement. The estimated value of public works in hand—some 35 billion drachmae—still amounts to about five times the annual public investment budget, so that no progress in reducing the backlog has so far been achieved<sup>2</sup>.

The exceptional increase of investment in transport equipment last year was largely due to the purchase of aircrafts<sup>3</sup>. On the other hand investment in other equipment remained practically at the previous year's level and amounted to hardly one fifth of total fixed investment. The completion of certain major projects was probably the main reason for this development. Nevertheless, that one of the most productive types of investment should appear to stagnate is a matter for concern. Implementation of these major projects had raised the share of mining and manufacturing in total investment from 13.5 per cent in 1964 to 15.7 per cent in 1965. Even if this higher share was maintained in 1966 (which seems doubtful) it would be insufficient, in view of the vast needs of modernisation and expansion of Greek industry. Indications of the most recent trends of investment are discussed in pages 35 and 36 below.

The accumulation of stocks, quite heavy in 1965 (about 3 per cent of the national product), declined last year. The main reason for this was the liquidation of wheat stocks. No estimates are available yet for the trend of non-agricultural stocks. But current statistics about inventories and commerce are scarce and the estimates in the national accounts are subject to a large margin of error.

### *The public sector*

After exerting a considerable inflationary impact on the economy in 1964 and 1965, the operations of the public sector showed an important reversal last year. Economic analysis of public finance (in national accounting terms) is only possible up to 1965. As shown in the table, the central government's current saving became negative in that year, since current expenditure rose much faster than current revenue. The sharpest increase

1. i.e. which have an undoubtedly high income effect, but an extremely modest influence on overall productivity even in the medium term.

2. This problem was discussed in the 1966 Survey, pages 36-37.

3. The tables in the present survey exclude the value of ships both from imports and from investment. During the last few years a considerable number of ships were transferred to the Greek flag and their inclusion could give rise to serious mis-interpretation of the relations between various aggregates of the Greek economy.

TABLE 4. PUBLIC SECTOR ACCOUNTS  
NATIONAL ACCOUNTS CONCEPTS

Billion drachmae.

	1960	1963	1964	1965	CHANGES 1963 to 1965 BILL. DRs.	INDICES 1965	
						1963 = 100	1960 = 100
<i>Central Government:</i>							
1. Current revenue .....	13.5	18.5	21.7	24.6	+ 6.1	133	182
2. Current expenditure .....	12.2	16.6	20.0	25.8	+ 9.2	155	211
<i>of which:</i>							
a) goods and services .....	9.3	11.7	13.8	17.7	+ 6.0	151	190
b) subsidies and transfers .....	2.9	4.9	6.2	8.1	+ 3.2	165	279
3. Net current saving .....	1.4	1.9	1.6	- 1.2	- 3.1		
<i>General Government:</i>							
4. Current revenue .....	20.7	30.2	34.7	39.8	+ 9.6	132	192
5. Current expenditure .....	18.3	26.2	30.6	38.3	+ 12.1	146	209
6. Net current saving .....	2.4	4.1	4.1	1.5	- 2.6		
<i>of which:</i>							
a) Central Government .....	1.4	1.9	1.6	- 1.2	- 2.1		
b) Local Authorities .....	0.4	1.2	1.4	1.4	+ 0.2		
c) Social Security Funds .....	0.6	0.9	1.0	1.3	+ 0.4		
7. Net saving of public corporations .....	0.7	1.3	1.7	2.0	+ 0.7		
8. (= 6 + 7) Net saving of the public sector .....	3.1	5.3	5.8	3.0	- 1.8		
9. Gross fixed investment <sup>1</sup> .....	6.6	8.2	9.3	10.4	+ 2.2	127	158
10. Increase in stocks <sup>1</sup> .....	- 0.1	- 0.9	3.0	2.2	+ 3.1	...	...
11. Financial deficit (= 8 - 9 - 10) .....	- 3.4	- 2.0	- 6.6	- 9.1	- 7.1		

1. Government and public corporations; no breakdown is available.

Source: Greek submission to the OECD.

occurred in subsidies and transfers from the central budget, which nearly trebled in the five years to 1965. The consolidated account of the general government (central administration, local authorities and social security funds) showed roughly parallel trends: in 1965 both current revenue and current expenditure were about twice as high as in 1960, with a tendency towards a deterioration in the more recent period. By 1965 total current saving was mainly confined to the social security funds; in other words, central and local administration combined made practically no contribution at all to the finance of public investment. As the total saving of the public sector (including the public corporations) declined, while gross capital formation increased (mainly because of large stock accumulations) the overall financial deficit of the public sector grew considerably. It represented more than 4 per cent of the gross national product in 1964 and over 5 per cent in 1965, compared to just over 1 per cent in 1963.

According to the provisional budget out-turn (administrative basis) and the development of other treasury accounts, the deterioration of public finance was redressed to a considerable extent in 1966. The current deficit of the central government was turned back into a considerable surplus. Thus, it was possible to raise investment expenditure substantially and still probably achieve a reduction of the overall financial deficit (partly because of the disposal of stocks held by the public sector).

### *The ordinary budget*

At the end of 1965 the authorities decided to increase certain indirect taxes (turnover tax, stamp duty) and also put before Parliament a bill providing for a uniform increase of 10 per cent in personal income tax rates. Parliament finally rejected the bill in August 1966. This, coupled with the fact that it was long before the Government was in a position to know what amount of external assistance it could expect in financing the investment budget, explains why the 1966 budget was not laid before Parliament until November 1966.

Owing to this delay the final out-turn is very close to the budget estimates<sup>1</sup>. Ordinary revenue from internal sources increased by 20.5 per cent. Despite the rejection of the proposal to raise personal income tax rates, the increase in incomes in money terms has resulted in significantly higher tax revenues than in 1965 (+ 25 per cent), while the steep increases in imports and consumption raised the yield from indirect taxation considerably. It is estimated that the indirect tax adjustments introduced at the beginning of 1966 alone have produced additional revenue of the order of Dr. 1 billion (about 3 per cent of total tax receipts). Owing to the delay in approving the budget, ordinary expenditure rose more slowly

1. The financial year ends on 28th February, and in the case of expenditure, one or two months later.

TABLE 5. PUBLIC FINANCE: BUDGET OUTTURNS

Million drachmae.

	1962	1963	1964	1965	1966 <sup>1</sup>	JANUARY-DECEMBER	
						1965	1966
<b>A. ORDINARY BUDGET</b>							
a) Revenue:							
Direct taxes .....	3,591	3,606	4,467	4,493	6,022	4,319	5,378
Indirect taxes .....	13,177	14,943	17,162	20,366	24,906	19,803	23,907
(of which: customs duties) .....	(5,907)	(6,481)	(7,550)	9,221	(11,274)	(8,996)	(10,720)
Other .....	2,740	2,808	3,096	3,329	3,271	3,327	3,302
Total .....	19,508	21,357	24,725	28,188	34,215	27,449	32,587
b) Expenditure:							
Current .....	17,677	19,683	23,646	27,664	( )	( )	( )
Investment .....	549	659	677	595	( )	( )	( )
Total .....	18,226	20,342	24,323	28,259	32,315	25,615	28,366
Balance .....	+ 1,282	+ 1,015	+ 402	- 61	+ 1,900	+ 1,834	+ 4,221
<b>B. INVESTMENT BUDGET</b>							
a) Revenue .....	637	543	747	1 320	1 045	1,216	676
b) Expenditure .....	5,592	4,745	5,032	5,102	6,700	5,330	7,041
Balance .....	- 4,955	- 4,202	- 4,285	- 3,782	- 5,655	- 4,114	- 6,365
Overall balance .....	- 3,673	- 3,187	- 3,883	- 3,843	3,755	- 2,280	- 2,144
<b>C. FINANCING</b>							
a) Internal resources:							
Treasury bills .....	1,084	600	1,200	1,000	1,200	1,000	1,200
Long-term borrowing .....	1,000	1,526	624	7	900	7	795
Total .....	2,084	2,126	1,824	1,007	2,100	1,007	1,995
b) External resources:							
Aid by the United States Government .....	595	32	10	172	200	172	24
Loans .....	541	58	1,429	1,874	1,455	807	410
Other resources .....	356	364	204			540	377
Total .....	1,496	454	1,643	2,046	1,655	1,519	811
c) Advances by the Bank of Greece .....	100	135	417	790		—	—
Total .....	3,676	2,715	3,884	3,843	3,755	2,526	2,806

1. Budget estimates.

Sources: 'Statistical Yearbook of Public Finances, 1965' and Statistical Bulletin of the Bank of Greece.

NOTE. The figures for the year 1965 and the first ten months of 1965 and 1966, as given by the Bank of Greece, are not strictly comparable to the earlier figures.



than ordinary revenue (9.2 per cent) so that at the end of the thirteen months covered by the budget there was a surplus of Dr. 5.7 billion. Some important items of expenditure still have to be met out of the 1966 budget, however, so that the final surplus will be only slightly larger than that originally provided for (2.1 billion). The increase in ordinary expenditure is due to higher salaries for civil servants and to additional spending on national defence, education, servicing of the public debt and social services (insurance and public health).

### *The investment budget*

According to the official estimates, actual expenditure under the investment budget<sup>1</sup> have amounted to Dr. 7 billion in 1966 as against Dr. 5.4 billion in 1965 (+ 25 per cent). The problem of how to finance the deficit was much less acute than in previous years. Funds from abroad (the contribution from NATO, Consortium, EIB) amounted to Dr. 1.7 billion, to which must be added the revenue specially earmarked for the investment budget (about Dr. 1,000 million), the ordinary budget surplus, the proceeds of the successful public loan raised at the end of November (900 million), and Treasury Bonds amounting to Dr. 1.2 billion which the banks were able to absorb without difficulty thanks to their high level of liquidity throughout the year.

### *Agricultural products accounts*

As a result of the substantial increases in the protected prices of certain agricultural products since 1963 and the bumper crops which these helped to bring about, large quantities of produce (mainly wheat and tobacco) were purchased and stocked in 1964 and 1965. These purchases added considerably to the debit balance of the Government's "consumer goods account" with the Bank of Greece (by Dr. 1,770 million in 1964, 664 million in 1965 and 274 million in 1966) and to the debit balance on the bank financing accounts of the various public bodies responsible for purchases of agricultural products (by Dr. 913 million in 1964, 1,733 million in 1965 and 1,386 million in 1966). For 1964 and 1965, leaving aside other resources earmarked for the financing of these operations (budget appropriations, special transfers, etc.), the Bank of Greece had to finance these accounts to an amount of the order of Dr. 7,500 million. Part of this sum will of course be made good later on by the sale of products stocked and not yet marketed. It is estimated, however, that the final losses on wheat transactions (exported at a price lower than the domestic purchase price)

1. It should be noted that part of the Government's normal investment spending is included in the "Investment Budget" (e.g. administrative buildings, schools, etc.).

will amount to Dr. 1,300 million, on tobacco transactions 900 million, and on raisins 550 million. In 1966, even though the protection of certain agricultural prices was somewhat reduced, the total deficit once again rose appreciably (by Dr. 1,660 million). This was due to larger wheat purchases than in the previous year and to olive oil purchases following exceptionally good harvests in 1965 and 1966.

### *Supply*

The increase in the gross domestic product in 1966 is estimated at 8.3 per cent in volume (7.3 per cent in 1965 and 8.5 per cent in 1964). There was only a small rise in the agricultural product (1.6 per cent as against 2.5 per cent in 1965), but industrial production made appreciable headway (+ 14 per cent in 1966 compared with 9.5 per cent in 1965). Services moved forward somewhat less rapidly than in 1965 (8.1 per cent compared with 8.5 per cent). The way in which the economy is developing is clearly reflected in the changes in the pattern of production implicit in these figures: a relative fall in the share of agriculture, an increase in industrial production and a more or less constant rate of growth in services. It should be noted, however, that these changes are more obvious if the comparison is made with the domestic product estimated at constant prices (1958 prices).

The performance in agriculture is satisfactory as regards the quantities produced, the improvement of crop yields and the diversification of crops now gathering momentum. The traditional cereal crops (wheat) are being replaced by maize, barley and fodder crops. Production of fodder has risen by 30 per cent, enabling livestock production to be expanded. Beef output has progressed considerably over the last few years, and so has poultry. Wheat has fallen off slightly from the peak reached in 1964, with a total acreage under cultivation much smaller but yields appreciably higher. Tobacco was the only crop which declined sharply in 1966, but given the level of present stocks this trend need give no cause for concern. Production of olive oil continued at much the same level as in the previous year (although 1966 was a trough year in the two-year crop cycle). Of the irrigated crops cotton resumed its progress without, however, reaching the levels achieved in 1962-1963. Output of sugar beet, a crop introduced recently in conjunction with the establishment of a sugar industry, amounted to 740,000 tons, which would seem to be approaching the limit of the existing refining capacity. Stocks of agricultural products with government-guaranteed prices (wheat and tobacco) are not likely to have risen much. Of the present stock of wheat—some 1,100,000 tons at the end of 1966—150,000 tons may remain at the end of the crop year 1966-67. Tobacco stocks would seem more difficult to dispose of. At present the Government holds 70,000 tons but because of the smaller crop only 5,000 tons will be added to them this year.

TABLE 6. COMPOSITION OF GROSS DOMESTIC PRODUCT

	1965		VOLUME INCREASES % (1958 PRICES)						
	MILL. DRS CURRENT PRICES	% SHARES	1961	1962	1963	1964	1965	1966 <sup>1</sup>	1967 <sup>2</sup>
1. Agriculture, forestry and fishing .....	38,093	25.1	22.4	- 7.7	7.8	6.3	2.5	1.6	5.0
2. Mining and quarrying .....	1,776	1.2	5.8	4.7	6.3	12.1	14.2	...	
3. Manufacturing .....	24,476	16.1	7.1	5.4	10.9	9.6	9.0	15.3	9.5
4. Electricity, gas and water works .....	2,637	1.7	12.8	10.1	14.0	11.9	12.5	20.0	
5. Construction .....	11,235	7.4	8.6	7.7	7.4	16.0	9.3	...	
6. Public administration, defence, health and education..	18,635	12.3	2.9	5.1	3.8	5.3	3.4	8.1	7.5 <sup>3</sup>
7. Other services .....	54,817	36.2	7.6	6.7	7.3	8.8	9.8		
8. Gross domestic product at factor cost.....	151,669	100.0	10.8	2.6	7.7	8.5	7.3	8.3	7.5 <sup>4</sup>
9. Net income payments to factors of production from the rest of the world .....	3,630	2.4	20.6	10.8	16.0	10.0	5.9		

1. Estimated.
2. Forecast.
3. Including income from abroad.
4. Gross national income at factor cost.

Source: Ministry of Co-ordination.

This encouraging trend in the pattern of agricultural production was assisted by a number of measures taken in 1965 and 1966. The price of wheat was lowered slightly, the price of cereal fodder was raised and all price protection for wheat grown on irrigated land was removed. The cotton subsidy was no longer granted according to the acreage under cultivation but according to the quantity of ginned cotton harvested. Similarly, livestock production seems to have been encouraged, after an inevitable timelag, by the various measures taken during previous years: a subsidy of 3 drachmae per kg. live weight is granted for beef cattle weighing more than 250 kg. at slaughter. Improvement of local breeds, is encouraged by subsidies of up to 50 per cent of the animal's price and by the introduction of imported stock. A subsidy has been granted in respect of fodder crop growing. Milk production has been subsidised for several years now.

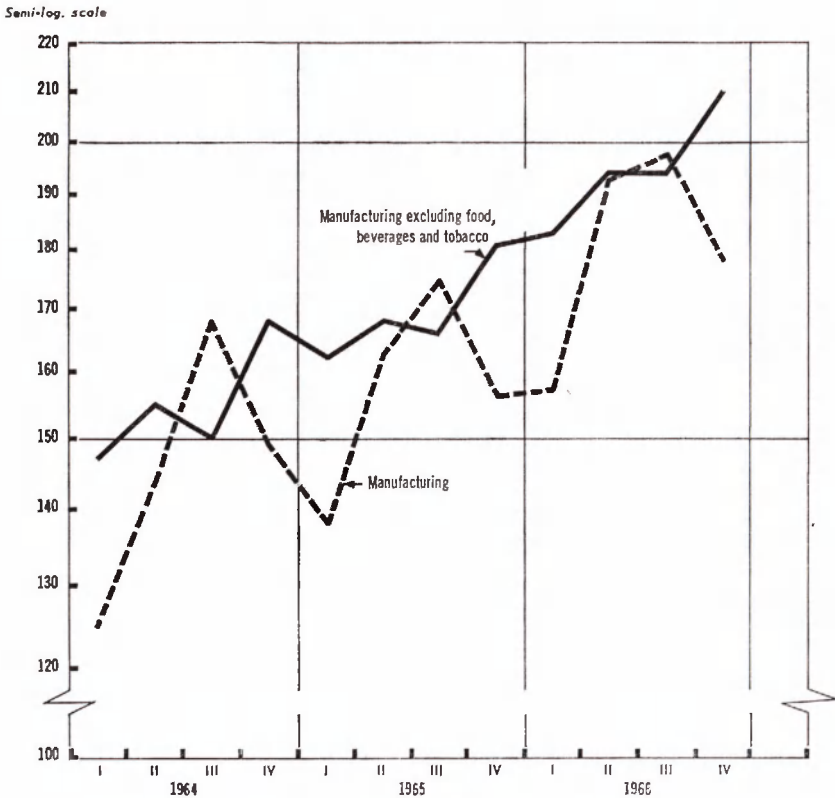
Industrial production, after a slower progress in 1965, went ahead very strongly in 1966. According to the industrial production indices, mining output increased by 10 per cent, construction by 9 per cent and output of electricity, gas and water by 20 per cent. Manufactures increased by 15 per cent (as against only 7.5 per cent in 1965). This faster rate of growth was due both to the progress made by the traditional industries (food products and textiles) for which domestic and, in some cases, foreign markets are expanding, and to the entry into production of large industrial complexes. Production rose very considerably in 1966 in the petroleum industry (+ 44 per cent), basic metals (+ 40 per cent) and chemicals (+ 22 per cent). Textiles, building materials and metal manufactures moved forward at a rate of approximately 8 to 10 per cent.

In 1966 a number of projects with important implications for the future of Greek industry were completed. In May part of a new industrial complex at Diavata near Thessalonica came into production. This comprises a petroleum refinery and ancillary industries: processing of petroleum derivatives, production of solvents, chlorine and various detergents, plastic resins and a plant for making ammonia for use in the production of fertilizer. The same scheme provides for a steel works, construction of which has now begun. In the same area a fertilizer plant began operation in May. It has a production capacity of 200,000 tons of compound fertilizer (nitrogen-phosphoric acid). This is the fourth fertilizer plant now operating in the country. Aluminium production, which is located in the Delphos region, is already the source of large-scale exports. Nickel processing, which has just begun at Larymna, will also produce significant amounts for export.

Over the last few years the growth of the service industries seems roughly to have kept pace with that of the national product, i.e. almost 8 per cent a year on average. This very high rate of growth in volume may appear somewhat surprising. It can be explained in part by the rapid expansion of transport. The progress made in the tourist industry is important. Tourist arrivals in 1966 amounted to 1,132,000 as compared with 976,000 in 1965 (an increase of 16 per cent), and gross receipts from tourism went up by 33 per cent from \$ 108 million in 1965 to \$ 143 million in 1966.

Diagram 1. INDUSTRIAL PRODUCTION INDICES, 1959 = 100

Quarterly averages unadjusted for seasonal variations



Source : National Statistical Service, Monthly Bulletin.

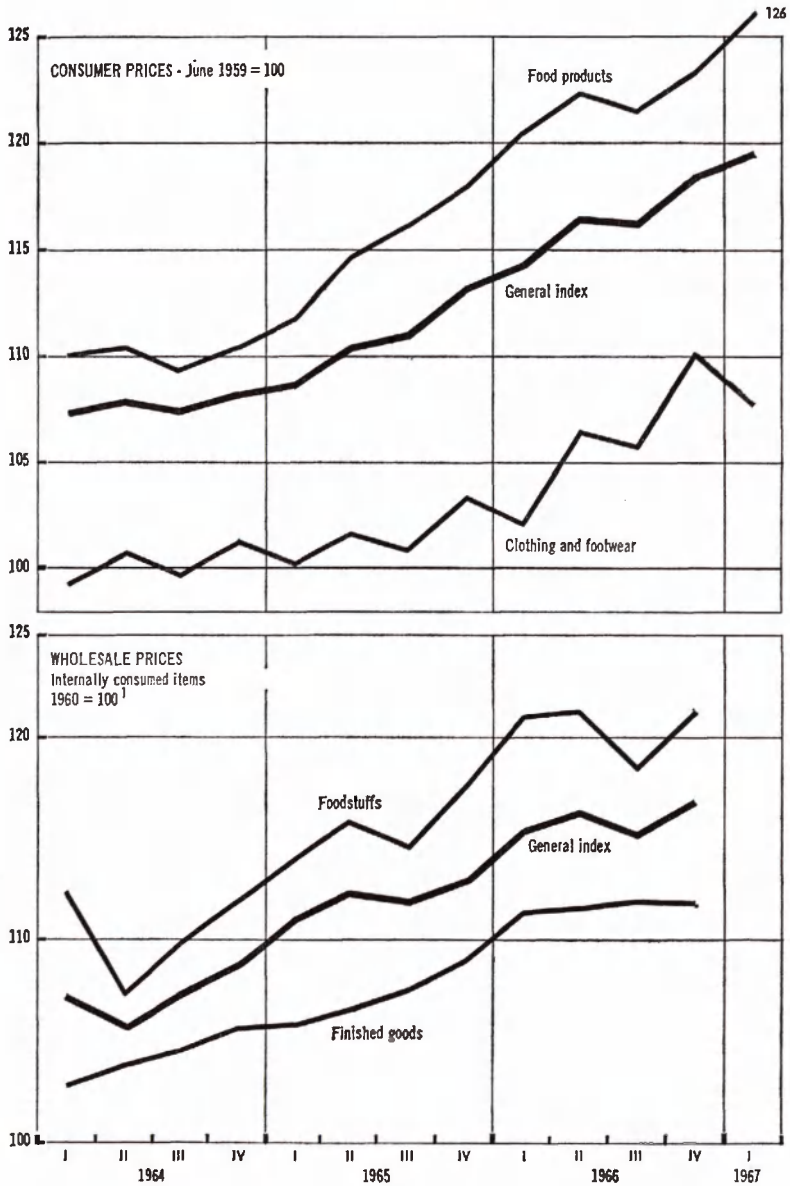
### *The balance of the economy*

#### *Employment*

Available statistics show a slightly higher level of employment. (According to the National Statistical Service employment rose by about 1 per cent during the first half-year in firms employing ten persons or more. A similar percentage increase is given by social security statistics based on a sample survey of some hundred firms in the Athens area.) The number of registered unemployed fell by 5 per cent between the first halves

Diagram 2. PRICE INDICES

Quarterly averages



1. Original base, 1952 = 100.

Source: Monthly Statistical Bulletin of the Bank of Greece.

of 1965 and 1966. But these statistics cover only a small proportion (about 10 per cent) of the active population and the new enterprises which have entered into operation during recent years have not been taken into account. It is very probable that employment in manufacturing has risen much more than these figures would indicate, and the same is almost certainly true of employment in construction, public works, transport (especially shipping) and services. On the other hand, there are no figures whatsoever to reveal the trend of agricultural employment (which accounts for about one half of the active population). Qualitative indications would suggest that much of the chronic under-employment in this sector has been absorbed. The drift from the land accounted for 100,000 persons annually during the period 1960-1965, most of whom emigrated abroad, in particular to Germany. According to the statistics (gross emigration) the number of Greek workers in the Federal Republic of Germany was of the order of 350,000 in 1966. German sources state that the number of Greek workers employed in Germany as at 30th June, 1966 amounted to 194,000. The answer is probably that the number of returning emigrants is very large and that net emigration falls far short of the Greek figures. Greek statistics show that the number of emigrants during the first nine months of 1966 was 23 per cent lower than in the corresponding period of 1965 (when there was an increase of 12% over the same period in 1964). As in other Mediterranean countries which export labour, the impact of the German recession has therefore been considerable.

### *Wages*

The national collective agreement, which was signed in December 1965 and entered into force on 1st January, 1966, raised the minimum wage for adult workers between 17 and 23 per cent over the level fixed by the last agreement (April 1964). The upward trend in wages does not seem to have slackened during the year, and there were adjustments in several industries. But, the statistics are far from complete, and do not provide even an approximate picture of the real trend of wages. According to social security figures (based on the same sample survey as that used to obtain employment statistics) wages were about 12 per cent higher in August 1966 than in August 1965. In September 1966 the General Federation of Workers condemned the prevailing collective agreement and demanded new minimum levels 60 per cent higher than those laid down in December 1965. A new national collective agreement was signed in February, 1967. It applies only to minimum daily wage rates, which are set at 20 per cent above those prescribed in December 1965. Two thirds of the increase is payable as from 1st February, 1967, the remainder as from 1st July, 1967. The entry into force of the system standardizing civil service salaries (decree of 15th December, 1965) involved an increase of the order of 10 per cent of total wages and salaries paid by the State from 1st January, 1966, and there were similar adjustments in civil and

military pensions. On the basis of such indications average wages and salaries in the non-agricultural sector may be estimated to have risen by 12 to 13 per cent in 1966.

### *Prices*

Prices continued to move upwards in 1966, although there was some levelling off in the second and third quarters. In December 1966 the consumer price index was 4.6 per cent above the December 1965 level (itself 5 per cent up on the previous year). In terms of annual averages, the increase was 5 per cent in 1966, as against 3 per cent in 1965 and 0.8 per cent in 1964. The December-to-December rise in the index of food prices (43.75 per cent of the total), which kept pace with the trend of the general index, was smaller than in 1965. The rise in consumer prices was mainly the result of measures taken by the Government during the year (increases in cigarette prices, public transport rates, stamp duty and turnover tax). The upward trend in food prices was due to inadequate domestic supply, notably of animal products. It is likely that rising costs during recent years have begun to affect consumer prices. Wholesale prices are also moving up. The average annual increase was 3.2 per cent, compared with 1.8 per cent in 1965 and 3.1 per cent in 1964. Primary products for home consumption showed the biggest increase (6.2 per cent). Wholesale prices of internally produced industrial products rose less (2.7 per cent), while those of imported products remained steady.

### *Credit and money*

There was a slower rate of increase in the money supply in 1966: 10.6 per cent as against 14.7 per cent and 19.3 per cent in 1965 and 1964 respectively. This slowdown was particularly noticeable for notes and coin. There was a marked increase in the supply of near-money, especially from the second quarter onwards. Savings deposits, in particular, resumed the very high rate of growth recorded in the years 1962-63 (about 20 per cent annually). This trend was all the more remarkable in that three loan issues totalling Dr. 2,200 million were negotiated in 1966 and almost entirely subscribed by the public: Dr. 900 million issued in March by the National Electricity Company, Dr. 400 million issued in September by the telecommunications organisation, and Dr. 900 million issued by the Government in December.

A number of factors helped to slow down the growth of the money supply in 1966. The following observations are based on a comparison of the figures for the first eleven months of 1966 with those for the same period in 1965:

- a) The growth of credit to the private sector, much more rapid than in 1965, was more than offset by the considerable increase in time and savings deposits.



TABLE 7. LIQUID ASSETS  
INCREASES DURING THE PERIODS INDICATED

Million drachmae.

	1964		1965		JANUARY-NOVEMBER			
	%		%		1965		1966	
I. MONEY SUPPLY:								
1. Banknotes .....	3,199	19.8	3,018	15.6	1,042	5.4	187	0.8
2. Coins .....	158	23.2	101	12.0	57	6.8	42	4.5
3. Sight deposits, private .....	708	15.7	578	11.1	834	16.0	290	5.0
public entities .....	579	28.5	409	15.6	285	10.9	197	6.5
public enterprises .....	— 80	—	49	—	158	—	316	—
4. Total money supply .....	4,564	19.3	4,155	14.7	2,376	8.4	638	2.1
II. OTHER DEPOSITS:								
5. Private:								
Savings .....	2,929	14.8	2,554	11.2	2,009	8.8	4,765	18.8
Time .....	107	2.7	382	9.3	347	8.4	919	20.4
Restricted .....	822	36.6	317	10.3	399	13.0	1 427	42.1
Total private .....	3,858	14.8	3,253	10.9	2,753	9.2	7,111	21.4
6. Public entities .....	602	7.4	412	4.7	1,292	14.7	1,805	19.8
7. Total quasi-money .....	4,460	13.0	3,665	9.5	4,031	10.4	8,916	21.1
8. (= 4 + 7) Total liquid assets .....	9,024	15.6	7,280	11.7	6,407	9.6	9,554	12.8

Source: Monthly Statistical Bulletin of the Bank of Greece.

- b) The public sector once again exerted an expansionary influence, although less so than in 1965. The very substantial improvement in the ordinary budget position and the issues of government or public loans made it possible to step up both public investment spending and the financing of transactions on the „ agricultural products accounts”, whilst reducing the volume of bank financing required for these operations.
- c) Foreign transactions had a deflationary effect, as in 1965 and by about the same amount. The transition from a reduction in official reserves in 1965 to an increase in 1966 was neutralised by the non-utilisation of the drachma equivalent of certain public loans raised in 1966 and by a rise in foreign exchange deposits.

TABLE 8. FACTORS AFFECTING LIQUIDITY DEMAND

Changes: million drachmae.

	1965	JANVIER-NOVEMBRE	
		1965	1966
A. PUBLIC SECTOR .....	+ 5,579	+ 3,269	+ 2,564
I. Central Government*	+ 5,350	+ 4,514	+ 3,917
of which: Loans and advances .....	+ 3,212	+ 3,913	+ 4 008
Treasury Bills .....	+ 1,001	+ 1	+ 1,199
Withdrawals of counterpart funds and foreign loans .....	+ 1,282	+ 1,083	+ 868
II. Public entities .....	- 112	- 1,032	- 1,502
III. Public enterprises .....	+ 341	- 213	+ 149
B. PRIVATE SECTOR .....	+ 1,100	+ 1,213	- 171,4
of which: Loans and advances .....	+ 4,174	+ 3,780	+ 5,691
Deposits .....	- 3,253	- 2,755	- 7,111
C. FOREIGN SECTOR .....	- 1,743	- 1,509	- 1,289
of which: Changes in foreign exchange re- serves .....	- 683	- 389	+ 865
Foreign exchange liabilities .....	- 468	- 359	- 1,560
Counterpart funds .....	- 552	- 536	- 479
D. OTHER FACTORS .....	- 781	- 597	+ 537
Changes in the money supply .....	+ 4,155	+ 2,376	+ 638
of which: Currency in circulation .....	+ 3,018	+ 1,042	+ 187
Sight deposits .....	+ 1,036	+ 1,277	+ 409
* Analysis of Central Government:			
1. Current expenditure .....	- 1,382	- 1,510	- 3,052
2. Investments .....	+ 4,581	+ 4,189	+ 5,152
3. Consumer goods account .....	+ 664	+ 246	+ 803
4. Advances to public agencies collecting agri- cultural products (tobacco and currents)	+ 1,733	+ 1,823	+ 1,378
5. Other .....	- 246	- 234	- 364

Source: Monthly Statistical Bulletin of the Bank of Greece.

- d) The slower rate of increase in total money supply in 1966 was all the more remarkable in that, following the successful steps taken in December 1965 to abolish the unofficial gold market, the Bank of Greece was able to buy back nearly all the gold which it had sold on the home market in the two preceding years to check the rise in the gold price and, at the same time, cause the price to fall appreciably. Net purchases by the Bank of Greece during 1966 are estimated at about Dr. 2,900 million (these being partly reflected by the item "other factors" in Table 8). The restoration of confidence made it possible to channel the additional liquidity into time and savings deposits, and into purchases of securities (just as in 1965 the deflationary effect of the Bank's gold sales was probably lessened by the slower growth of these forms of assets).

#### *Trends in credit*

In 1965 the growth of credit, particularly to the private sector, had slowed down considerably owing to the squeeze on bank liquidity. In 1966 the trend was reversed, the rate of growth reaching once again levels recorded in the years previous to 1965. Next to credit for housing construction (which only represents 6 per cent of the total), credit to industry shows the highest rate of growth. Although the Bank of Greece (which administers a number of special funds in this connection) continues to play an active role in the provision of credit, the commercial banks, after being compelled to reduce their activity in 1965, again becomes an important source. The contribution made by the other financial establishments (Deposit Fund, savings banks, investment banks) was also significantly larger than in the previous year. The activities of the National Economic Development Bank (whose assets and liabilities have been incorporated in the consolidated balance sheet of the banking system since October 1964) seem to be developing only very slowly.

#### *New instruments of credit policy*

For several years, the total supply of credit has been controlled and apportioned among the different sectors by means of a complex set of policy instruments (quantitative credit ceilings were abolished in 1957). The range of interest rates varied according to the sector for which the credit was intended. Under a rather complex system of deposits and compulsory reserves, the banks were required: (a) to invest at least 24 per cent of their deposits in Treasury Bonds; (b) to deposit with the Bank of Greece, and at no interest, 5 per cent of their sight and savings deposits; (c) to make medium and long-term loans to industry equivalent to 15 per cent of their deposits and, if this level was not reached,

TABLE 9. TREND OF CREDIT TO THE ECONOMY  
CHANGES DURING THE YEAR

	1964		1965		1966	
	DR. MILL.	%	DR. MILL.	%	DR. MILL.	%
<b>A. BY SECTOR:</b>						
1. <i>Private sector</i> .....	5,654	14.2	4,377	9.6	6,902	13.9
Agriculture .....	1,263	12.5	1,379	12.1	1,172	9.2
Manufacturing .....	2,427	14.5	1,633	8.5	3,399	16.4
Trade .....	697	9.0	336	4.0	908	10.4
Housing .....	585	28.0	579	21.7	880	27.1
Other .....	687	21.6	450	11.6	544	12.6
2. <i>Public enterprises</i> .....	418	15.7	272	8.8	840	25.0
3. <i>Public entities</i> .....	248	11.6	300	12.5	380	14.1
4. <i>Government agencies purchasing agricultural products</i> .....	913	111.0	1,734	100.0	1,364	39.3
TOTAL CRÉDIT .....	7,232	15.9	6,683	12.7	9,486	16.0
<b>B. BY SOURCE OF FUNDS:</b>						
Bank of Greece .....	2,083	15.7	3,246	21.2	3,397	18.3
Commercial banks .....	2,462	11.8	1,152	4.9	3,953	16.2
Other financial institutions .....	2,701	25.5	2,379	17.9	2,055	13.1
<i>of which:</i> Greek Industrial Development Bank .....	(399)	(11.0)	(169)	(4.2)	52	1.2
Agricultural Bank .....	(1,056)	(30.0)	(927)	(20.3)	— 116	2.1
Government funds .....	— 13	—	— 95	— 14	81	13.8

Source: Monthly Statistical Bulletin of the Bank of Greece.

to deposit the difference with the Bank of Greece at an interest rate of 3 per cent. Strict ceilings were fixed for credit to the commercial sector and to other non-priority activities, and the commercial banks were not allowed to make loans for building.

Quite apart from its complexity, the system did not do much to help the authorities achieve their aims. The banks continued to direct their credit to the most remunerative uses, the very ones which high interest rates were supposed to hit hardest (internal trade, financing of imports). Medium and long-term credit to industry failed to expand in the desired proportions owing to insufficient demand from industry and lack of enthusiasm on the part of the banks, most of which were ill-equipped to handle this kind of transaction. Credit to owner-operated businesses remained very low. For these reasons, a major reform of credit policy was introduced as from 1st September, 1966. The chief aspect of this reform—probably unprecedented in the history of credit control—is that the banks' compulsory reserves are no longer related to their *liabilities* (the deposits they receive) but to their *assets* (the credit they advance). Thus the long-standing pretence that the object of compulsory reserves or deposits is to ensure that the banks are able to meet their commitments has finally been abandoned. The real function of compulsory reserves in a modern economy—to enable the monetary authorities to influence the volume of credit—has been recognised and implemented, not indirectly and partially, but directly and completely. It is now also possible to exercise qualitative control of credit, since reserve ratios can be (and indeed are in the new Greek system) differentiated according to the types of credit.

Thus, under the new system, the banks are no longer compelled to deposit 5 per cent of their sight or savings deposits with the Bank of Greece. From now on, the amount of the compulsory deposits with the Bank of Greece and the rates of interest charged depend on the type of credit.

- a) Credit for internal trade and imports involve compulsory deposits of 25 per cent and carry 11 per cent interest.
- b) Current advances to industry involve a compulsory deposit of 10 per cent and carry 9 per cent interest.
- c) Medium and long-term loans, the rediscount of industrial securities, export credits and tobacco credits entail no compulsory deposit and carry 4 to 8 per cent interest.

The new system is accompanied by a set of provisions of a more particular nature. As from 1st January, 1966, a fixed percentage (6 per cent) of the net increase in deposits is reserved for special advances (mostly industrial investment). A special credit system has been set up in favour of the craft trades, whereby the Bank of Greece can make funds deposited by public bodies available to the commercial banks and the State can guarantee up to 65 per cent of loans made to small enterprises. Credit regulations have been simplified. The banks can now choose the type of credit

best suited to them and to the firms concerned, and advances on current account have been authorised. Loan accounts may be opened for small enterprises. A new ceiling has been fixed for forms of credit to productive undertakings which are not covered by the present regulations. The upper limit for internal trade financing has been raised by 15 per cent. To encourage saving, the interest rate for savings accounts and time deposits has been raised by half a point and the maximum amounts for deposits increased. On the other hand, interest on sight deposits by private persons has been cut by three-quarters of a point. Certain rates of credit interest have been raised (see Statistical Annex, Table VII b). Lastly, to make for a smoother transition from the old system to the new, certain existing provisions have been temporarily maintained. The commercial banks are still required to invest 25 per cent of their deposit holdings in Treasury Bonds (on which the interest has been raised by half a point), and to reserve 15 per cent of their deposits for medium and long-term advances to industry. Some of the authorised ceilings have also been retained.

It is clearly too early yet to form any estimate of how the new system will work out, but its usefulness and its logicity seem apparent. In all probability it will permit a more efficient selective channelling of credit, by more rational and economical means than therefore. Experience may enable further simplifications. It will probably be possible to make the combinations of interest rates and percentages of compulsory deposits more selective in their effects. (These still seem to make loans to commerce more advantageous for the banks than loans to other sectors.) But such improvements cannot alter the basic problem—beyond the power of monetary policy to solve—of persistently weak demand for credit for productive purposes.

### *Balance of payments*

The marked deterioration of the current balance of payments during 1964 and 1965 was arrested in 1966, when the deficit on current account—though still important—was slightly smaller than in the previous year (some \$ 220 million on a cash basis). The trade deficit widened further, though more slowly than in 1965; but this was approximately offset by a new appreciable increase of net earnings on invisibles. Moreover, increased public borrowing abroad and a continuing net inflow of private capital led to an increase of official reserves by \$ 12 million (\$ 23 millions including the IMF gold tranche) compared to a decrease of \$ 31 million in 1965.

### *Imports*

The growth of imports—quite considerable in the preceding two years—slowed down in 1966. The extent of the deceleration is difficult to judge owing to the discrepancies between customs returns and statis-

TABLE 10. BALANCE OF PAYMENTS  
ON A PAYMENTS BASIS

\$ million.

	1964	1965	1966 <sup>1</sup>	1967 FORE- CASTS
1. Imports cif <sup>2</sup> .....	831	979	1,104	1,230
2. Exports fob.....	308	331	404	460
3. Trade balance.....	- 523	- 647	- 700	- 770
4. Invisible receipts.....	479	549	636	700
5. Invisible payments.....	129	137	155	175
6. Balance on invisibles.....	350	412	481	525
7. Current account balance.....	- 173	- 235	- 219	- 245
8. Capital inflow.....	157	215	250	235
of which:				
Government.....	44	26	83	65
State enterprises.....	3	27	7	
Private corporations.....	48	85	70	170
Other <sup>3</sup> .....	62	77	90	
9. Capital outflow.....	16	30	32	50
10. Capital account balance (excluding item 11).....	141	190 <sup>4</sup>	218	185
11. Aid, reparations, etc.....	38	12	3	
12. Errors and omissions.....	- 18	2	20	
13. Overall balance.....	- 12	- 31	22	- 60
14. Variations in:				
a) Official reserves (increase = +).....	- 12	- 31	12	
b) IMF gold tranche position.....	-	-	10	

1. Provisional estimates.
  2. Excluding imports against foreign supplier's credits, imports of capital goods for direct investment and other imports not giving rise to foreign exchange expenditure.
  3. Other private capital, financial institutions and increase in foreign exchange deposits under Law 2687/1953.
  4. Including net reduction of clearing balances.
- Source: Greek submission to the OECD.

tics of international settlements. Foreign exchange payments for imports increased last year by about 13 per cent, compared to more than 17 per cent in both 1964 and 1965. The trade returns (excluding ships) show increases of 14 per cent for 1964, 25 per cent for 1965 and only 8 per cent for 1966<sup>1</sup>. The more recent data available indicate an annual rate of increase of the order of 10 per cent. The deceleration was mainly due to the trend of food imports, but other important changes in the composition of imports also took place in 1966. Payments for imported foodstuffs increased by less than 3 per cent, following the excep-

1. See the special note on Statistical Problems of Foreign Trade in the Statistical Annex.

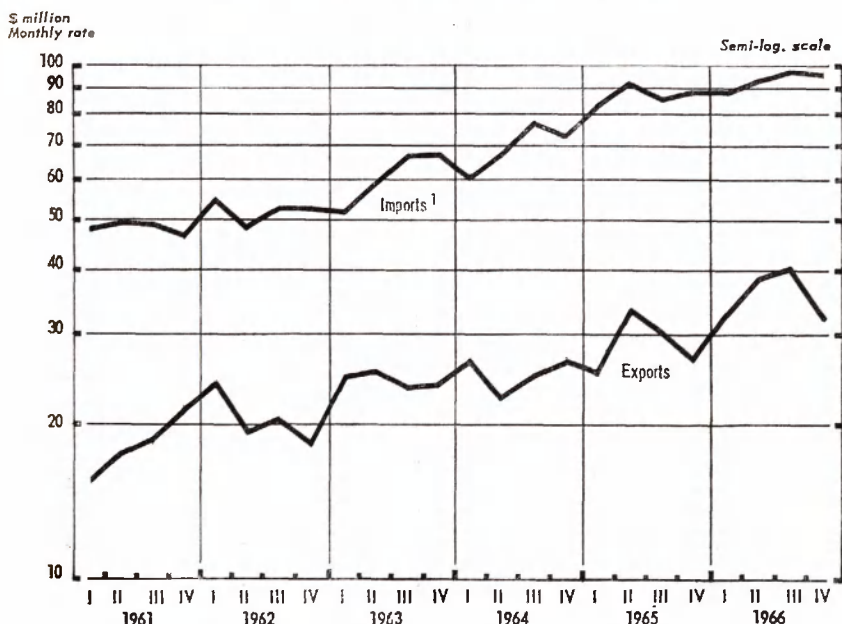
tionally sharp rise of 1965 (27 per cent). The increase for all other groups combined was hardly less rapid than in 1965 (15 per cent compared to 16 per cent). Imports of raw materials and fuel increased at about the same rate as the year before (13 per cent). But whereas imports of capital goods expanded less fast (11 per cent compared to 26 per cent in 1965) imports of consumers' manufactures accelerated considerably (24 per cent as against 11 per cent in 1965). This marked change in the relative trends of the two categories of imports—even if partly due to special factors—points to an excessive growth of consumption and to a possible dampening of productive investment.

The slower expansion of capital goods imports reflects, to a large extent, the completion of certain major investment projects with the participation of foreign capital. It suggests, nonetheless, that investment demand in the rest of Greek industry may not be particularly buoyant at

**Diagram 3. FOREIGN TRADE**

**A. TOTAL IMPORTS AND EXPORTS**

*Customs, returns, adjusted for seasonal variations*



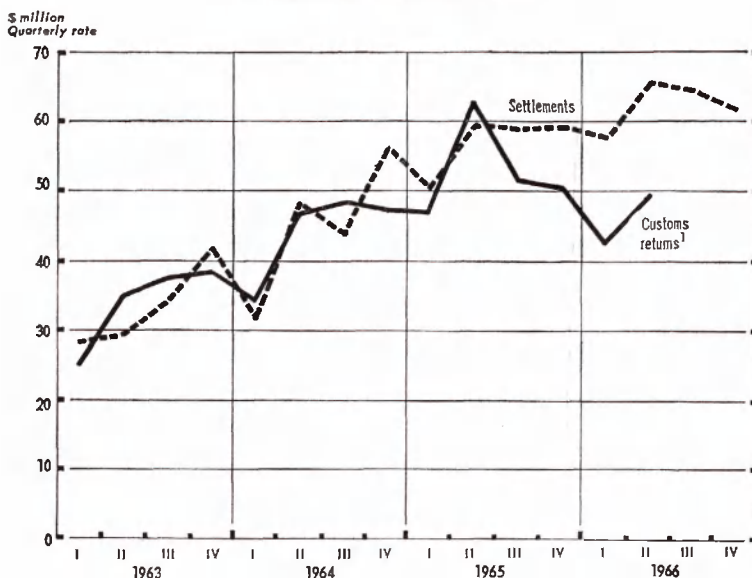
1. Excluding ships.

Sources: National Statistical Service of Greece and OECD Main Economic Indicators.



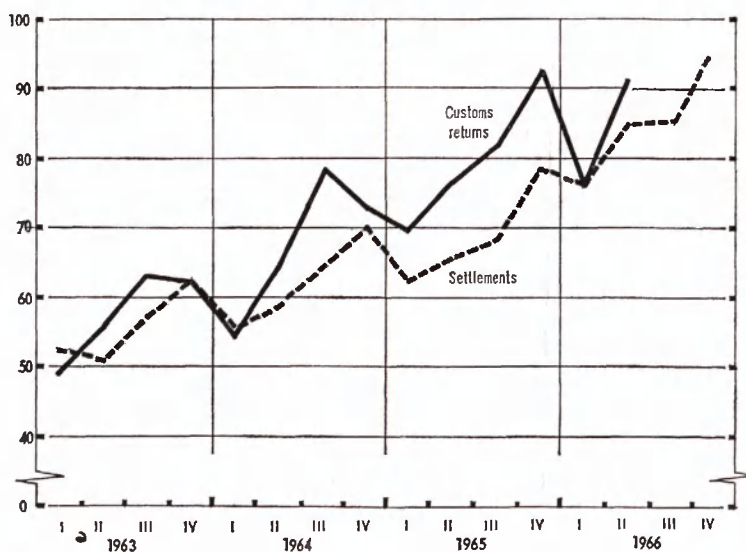
Diagram 3. FOREIGN TRADE

B. IMPORTS OF CAPITAL GOODS



1. Excluding aircraft.

C. IMPORTS OF CONSUMERS' MANUFACTURES



Source: Monthly Statistical Bulletin of the Bank of Greece.

present. The sharp rise in imports of consumers' manufactures represented nearly half the total increase in payments for imports, compared to 20 per cent of the increase in 1965. This was all the more remarkable given the more stringent rules applied to this category of imports (credit and import deposits). Moreover, the less essential types of goods within this group showed the more rapid rate of increase. There is a fair amount of evidence that, at the present stage of the Greek economy, increments in consumers' demand for non-food products have a high import content. This may be linked, *inter alia*, to the fact that in recent years a large part of the population has become familiar with patterns of consumption in the highly industrialised countries (through workers' emigration and the expansion of foreign tourism). Nevertheless, such „Structural” factors cannot fully explain the very rapid growth of imports of consumers' manufactures. The principal reason must be a very appreciable increase of consumers' expenditure<sup>1</sup>.

### *Exports*

The value of exports rose considerably in 1966—by nearly 22 per cent compared to 7 per cent the year before. Crop variations and changes in the international prices of the few agricultural products which still account for a large part of Greek exports (e.g. tobacco and currants) help to explain the irregular rate of expansion of total exports during the last few years<sup>2</sup>. Their average increase from 1960 to 1965 was about 10 per cent. The acceleration of 1966 was the result of a combination of factors differing greatly in economic significance. Out of a total increase of about \$ 70 million, some \$ 28 million came from the export of surplus wheat stocks at prices representing roughly half of their cost to the Government. Such exceptional sales abroad are expected to continue in the near future, thus cutting the losses incurred from the excessive protection of wheat growing. But they are clearly the result of an uneconomic use of the country's resources. On the other hand, a favourable feature was the recovery of cotton exports (which had dropped sharply in 1965) owing to the new measures mentioned above. But the most encouraging development was the considerable increase in exports of industrial products.

The major investment projects completed in the period under review have given rise to some export lines (aluminium, nickel, iron products and liquid fuel) representing in total \$ 13 million in 1966. But the marked increase in exports of other industrial products is perhaps of even greater

1. There are no adequate data on stock movements in industry and trade, except for the main Greek agricultural products.

2. Moreover, accidental shifts between December and January (at the height of the export season for tobacco and other agricultural products) have often significantly influenced year-to-year rates of increase in the past.

TABLE 11. INVISIBLES

	\$ MILLION							PERCENTAGES			
	1960	1961	1962	1963	1964	1965	1966 <sup>1</sup>	ANNUAL INCREASES			AS PERCENTAGE OF TOTAL IN 1966
								1960 to 1963 <sup>2</sup>	1963 to 1966 <sup>2</sup>	1966	
<b>RECEIPTS:</b>											
1. Emigrants' remittances, wages and salaries .....	94	111	141	170	180	209	237	22	12	14	37
2. Shipping .....	77	102	109	125	147	164	183	17	14	11	29
3. Foreign travel .....	49	62	76	95	91	108	143	25	15	33	22
4. Other .....	53	45	54	64	61	68	73	73	4	9	12
5. Total .....	273	320	380	454	479	549	636	18	12	16	100
<b>PAYMENTS:</b>											
1. Foreign travel .....	19	19	22	38	39	41	41	14	3	—	26
2. Transport .....	9	11	15	16	15	18	33	21	27	83	21
3. Other .....	37	46	51	55	74	77	81	14	14	5	53
4. Total .....	65	76	88	99	129	136	155	15	16	14	100
Net receipts .....	208	244	292	355	350	413	480	20	11	16	
<i>Pro. mem.</i>											
Trade deficit <sup>3</sup> .....	290	327	366	412	532	645	700				
Current account deficit <sup>3</sup> .....	82	83	374	57	173	233	217				

1. Provisional.
2. Compound annual rates.
3. On a payments basis.

Source: Bank of Greece.

importance. Despite the rapid progress of industrial output and of the national product during most of the post-war period, the share of manufactures in Greek exports remained, until recently, exceptionally low. In 1963 manufacturing and handicraft products<sup>1</sup> still represented only 3.5 per cent of total exports. They have since expanded rapidly, their share rising in 1966 to about 12 per cent. Their relative importance remains small, but the fact that the expansion was spread over a wide range of commodity groups, and occurred largely in sales to convertible currency areas, is a very encouraging sign for the future.

### *Invisibles*

The growth of net invisible receipts was also satisfactory last year (+ 16 per cent). Their contribution to the Greek balance of payments has increased considerably during the 'sixties. Approximately equal to total exports receipts in 1960 (just over \$ 200 million), they reached \$ 480 million in 1966, exceeding by 20 per cent the value of commodity exports. As shown in Table 11, however, the rate of increase of both gross and net receipts has tended to fall in recent years. The interruption of progress in 1964 was largely due to confidence factors<sup>2</sup>, which diverted foreign exchange receipts from the official channels and continued to exert a similar influence in 1965. The gains of 1966 reflect to some extent the reversal of these factors<sup>3</sup>. Nevertheless, the real increase of invisible receipts was undoubtedly considerable, especially from tourism.

Emigrants' and workers' remittances from abroad continued to represent the largest source of current invisible earnings (nearly 37 per cent of gross receipts). Their relative importance is even greater than Table 11 suggests, because receipts from shipping—the largest item— seem to include some capital inflow besides current payments by shipowners and transfers of seamen's wages and salaries. Tourism, despite the progress of recent years, only represents 22 per cent of current invisibles.

### *Capital movements and reserves*

While the current deficits were approximately equal in 1965 and 1966, their financing changed significantly. The net inflow of private capital had increased considerably in 1965, mainly because of the rise in foreign direct investment in certain important projects. Net public borrowing abroad (by the State and public corporations) changed little, but

1. Excluding processed food and exports under " off-shore procurement " contracts.

2. Cf. the 1966 Survey of Greece, page 24.

3. For instance, the flattening-out of payments for foreign travel reflects the reduction of illegal exports of Greek banknotes; their repurchase by the Bank of Greece is statistically recorded under this heading.

foreign aid (including public loans repayable in drachmae) declined considerably. And the official reserves decreased significantly. In 1966, net receipts of private capital remained nearly at the previous year's level and the amount of foreign aid received became negligible. It was the considerable increase in public borrowing abroad which enabled the official reserves to be maintained at the level reached at the end of 1965. The \$ 90 million of gross public borrowing included a \$ 30 million five-year credit granted in early 1966 by the European Monetary Fund of the OECD and credits from private foreign banks amounting to \$ 16 million. The \$ 23 million increase recorded during 1966 is of the same magnitude as the transfer to the official reserves of a part of the non-monetary gold purchased by the Bank of Greece on the internal market. Nonetheless, at the end of 1966 official reserves still stood at only \$ 273 million (including the net IMF position of \$ 25 million) corresponding to less than three months' imports.

## II. PROSPECTS AND ECONOMIC POLICY PROBLEMS IN 1967

Current estimates for 1967 indicate an appreciable increase in domestic production, but not to the same extent as in 1966 (*about 7.5 per cent*). Agricultural output may rise by 5 per cent (compared with an average of 2 per cent for the two previous years) with a better pattern of production (increased production of cotton, fruit, and animal products). On the other hand the growth in industrial production may fall back to 9,5 from 14 per cent owing to a reduction in the rate of growth of construction (6 per cent instead of 9 per cent in 1966) and even more of manufactures (10 per cent instead of 15 per cent in 1966). This slowdown will be due to three factors: the expected decline in residential construction and the direct and indirect repercussions arising therefrom; the decline in activity in the tobacco industry following the reduction in tobacco production in 1966; and the fact that 1967 will not see the inauguration of large new industrial ventures (a second oil refinery, aluminium) which marked 1966.

The main components of demand, private and public consumption, should increase at the same average rates as in recent years (8 and 11 per cent respectively). Bearing in mind the increases already agreed in wages and salaries, the considerable growth in farm incomes, and current assumptions about taxation (cf. below), forecasts for private consumption seem very reasonable. Nevertheless the maintenance for several years now of a rate of expansion of private consumption parallel with that of the national product seems difficult to reconcile with the need—still as urgent as ever—to increase productive investment, and to keep the external deficit within reasonable limits. As for public consumption, the prospect

of an expansion of about 9 per cent *in volume* comes as something of a surprise. Forecasts of budget expenditure are discussed below.

Forecasts for private fixed investment show no appreciable growth (little over 1 per cent). They seem strongly influenced by prospects for residential construction, which is expected to decline. This sector, however, accounts for only 40 per cent of all private fixed investment. Unless the decline expected in housing construction is very large, the forecasts seem to imply a very much slower growth in private productive investment. Current trends in imports of machinery and equipment would seem to confirm this, although the factors which have caused the slowdown are not clear. In particular, it is hard to reconcile the trend implicitly foreseen for disposable incomes in the private sector with the sum of the uses to which it is to be put.

A decisive factor in the development of the economy in 1967 will clearly be budgetary policy. In the current budget of the Central Government, the increase in revenues foreseen (allowing for the growth of incomes and the elasticity of the yield from taxation) is of the order of 15 per cent. Ordinary expenditure, apart from a minimum of automatic growth, will reflect the effects of measures already taken in previous years (in the main the step-by-step application since 1966 of the new civil service salary scales, which will cost an estimated Dr. 2 billion in 1967) and the increase in public debt servicing (about 500 million), etc. Overall, and allowing for unspent credits and certain possible reductions, the surplus on the ordinary budget should be of the order of 3 billion drachmae. For this surplus to be achieved without any increase in rates of taxation (unlikely anyway and difficult to accomplish before the elections) a strict check will have to be kept on ordinary expenditure—holding it, apart from the items mentioned above, at more or less the same real level as in 1966.

Even with a surplus on the ordinary budget of this order, certain problems will remain concerning the financing of 8.2 billion of public investment in 1967 (as against 7 billion in 1966). The ordinary budget surplus and the revenues specifically allocated to the investment budget (1 billion) will only cover half of this. Of the remainder, it is calculated that half will be financed by internal borrowing, and the remaining amount (the equivalent of \$ 70 million) by loans and financial aid from abroad.

#### *Balance-of-payments prospects*

After last year's relative improvement, the balance of payments is likely to raise difficult problems in 1967—and, indeed, during the next few years. Given that imports are nearly three times as high as exports and that the income elasticity for imports has been around 1.8 in recent years, the foreign trade deficit can only stop growing appreciably in rather

exceptional circumstances. And even assuming that the growth of invisible receipts again cancels out the widening of the trade gap, the financing of the current deficit in 1967 looks for the moment problematical.

### *Imports*

The trend of imports will be of decisive importance. According to official forecasts (see Table 10) payments for imports should rise in 1967 by 10-11 per cent, i.e. at about the annual rate observed in recent months. But this estimate might be exceeded if imports of capital goods were to accelerate. (In the last few months payments for such imports showed an annual increase of only 6 per cent, compared to 12 per cent for all other imports combined.) Furthermore, imports of food and agricultural products rose only slightly in 1966. Assuming normal harvests, their rise could be only moderate in 1967 (less than the probable rise in domestic demand for such products) if some of the recent policy changes are reinforced. In fact, the price support measures of past years created such great distortions in the pattern of agricultural production<sup>1</sup>, that a certain degree of rationalisation of policy could produce import substitution effects even in the short run. For example, changes in relative support prices have already encouraged a shift from wheat growing to secondary cereals and fodder. Further significant results are undoubtedly feasible on these lines. It need hardly be stressed, however, that the measures envisaged here do not include any new restrictions on imports of food aimed at cushioning high-cost domestic production. Experience from other countries<sup>2</sup> shows clearly that excessive support of domestic farm prices and undue restrictions on food imports can very quickly produce intolerable strains on the cost of living.

Unless the growth of industrial production were to slow down appreciably, the trend of imports of raw materials and intermediate products would be unlikely to change so much as to affect the trend of total imports significantly. A noticeable effect of import substitution is expected, however, from certain new or expanded production lines—e.g. iron and steel products and fertilizers. The more important factor is likely to be the trend of imports of consumers' manufactures<sup>3</sup>. As stated earlier, it is improbable that stock variations were responsible to any large extent for the sharp increase of these imports in 1966. And the latest figures (payments for September-November) still show an increase of 21 per cent compared to a year earlier. It seems, therefore, that (barring an undesirable stagnation of productive investment) the official forecasts for total imports risk being exceeded unless the rise of personal incomes and consumers' demand were to become more moderate.

1. Cf. the 1966 OECD Survey, page 33 and *passim*.

2. Cf. *inter alia* the 1965 OECD Survey on Spain.

3. About 10 per cent of the imports classified under this heading are intermediate products used predominantly by consumer goods industries.

## *Exports*

Following last year's substantial increase, exports are expected to rise again considerably in 1967—by 15 per cent. The large share of agricultural exports and the uncertainty about their international prices make forecasts particularly hazardous. But if foreign demand for traditional Greek exports is not unfavourable, the development of the new export lines renders the official forecasts plausible<sup>1</sup>. Exports from the new large production units (notably aluminium) only started in the course of 1966, so that their total value this year should increase considerably. Moreover, it seems that the rapid expansion of other industrial exports observed recently could well continue, even to those Member countries where a dampening of imports is expected this year. Greek manufactures still represent an insignificant proportion of imports in most foreign markets, so that their trend does not necessarily depend on cyclical fluctuations in the importing countries. It depends rather more on the pressure of domestic demand, on the trend of Greek prices and costs and on official measures to encourage the search for export markets—still something of a novelty for large sectors of industry. Comparisons with other countries at the same stage of development show clearly enough the relatively small share of industrial products in Greek exports.

With regard to invisible earnings, present forecasts (implying an increase of about 10 per cent gross and 9.5 per cent net) seem well founded. There will probably be a smaller increase—perhaps an absolute decline—in remittances from Greek workers who have emigrated to Germany, but this should be offset by the continued expansion of tourist receipts and other invisibles.

Gross inflows of foreign capital in 1967 are estimated at \$ 235 million (excluding suppliers' credits and direct imports of capital goods). This figure is well below that for 1966 (\$ 260 million) which included large exceptional official borrowing (e.g. the 30 million units of account from the European Fund). Bearing in mind the slow but steady increase in outflows of capital (mainly for servicing the foreign debt) net inflows of foreign capital may decline this year to around \$ 185 million, leaving an overall balance-of-payments deficit of some \$ 60 million.

## *Conclusions*

At the beginning of 1966, when the OECD's previous Survey was written, economic equilibrium was seriously threatened internally and externally. An excessive expansion of internal demand, due in part to the public expenditure policy pursued in 1964 and 1965, had accelerated the upward movement of prices and worsened the balance-of-payments

1. These forecasts assume about the same volume of exceptional wheat exports as in 1966.



position. Prospects for 1966 seemed particularly dubious, one of the chief features being the danger of excessive growth in consumer demand. The Survey defined the main task of the authorities in 1966 as the restoration of internal and external economic equilibrium, and said it would be difficult.

In the main, the results for 1966 show that the task was successfully accomplished. From the beginning of the year onwards, new regulations for the gold market combined with a skilful gold price policy put a stop to speculation and restored confidence in the currency. Gathering strength as the year progressed, this resulted in a considerable increase in savings deposits and made possible the successful issue of several large domestic loans. Although Parliament rejected the increases in direct taxation proposed by the Government, other fiscal measures produced a very large increase in budget revenues. A substantial surplus on the ordinary budget was thus achieved, enabling a programme of public investment 30 per cent greater than that for 1965 to be financed without difficulty.

The recovery in the public finances was accompanied by a vigorous growth in the national product, due in the main to industrial expansion. At the same time the deficit on current foreign transactions—which had widened considerably in 1964 and 1965—was stabilized, and an increase in official borrowing from abroad made it possible to recover part of the losses of official reserves of gold and foreign exchange experienced during the two previous years. It was in respect of prices, where the upward movement remained of the same order as in 1965, that the results obtained were least satisfactory. The expansion of consumption also remained excessive.

1967 may be a difficult year for the Greek economy. Apart from the political position prevailing in the early months, there are uncertainties as to how demand will develop, the after-effects of the strong pressures exerted on wages and costs for several years now, and the problem of financing the external deficit.

Private consumption has been increasing for several years now at a very high rate—in line with the growth in the national product. There is some justification for this, not only on social grounds—the level of consumption is still very low for the great majority of the population—but on economic also. Unless there was perfect mobility of resource and policy measures were completely effective, it could not be argued that every increase in consumption was made at the expense of investment and reflected in the external deficit. There is idle capacity in the traditional consumer goods industries which could not easily be transferred to other sectors of activity. A high rate of growth of consumption, moreover, has favourable autonomous effects on investment in that it allows profits, and therefore savings to be made and constitutes a stimulus to progress which would otherwise not occur. But this is only true within

limits. If consumption were to continue to expand at the rate experienced in recent years, it is difficult to see how the resources necessary to increase the rate of investment could be released and how the external deficit could gradually be reduced. When imports of manufactured consumer goods are growing as rapidly as they have done in recent years in Greece, the argument of non-substitutability of resources loses much of its validity.

Several factors have contributed to this trend in consumption. The most important, and the most difficult to counteract, has been the steep and continuous increase in wages over the last few years. This process at first contained an important element of adjustment and catching-up. Thanks to rapid improvements in productivity, it seems to have been absorbed for a time without significant pressure on industrial costs. But it is clear that annual increases of the order of 10 to 20 per cent could not continue for long without distorting the economic system and making eventual resort to a policy of deflation inevitable, with a consequent reduction in living standards. The authorities should make every effort to enlighten public opinion as to the dangers inherent in present trends, and develop some form of co-operation with workers' and employers' organisations which would make it possible to restrain wage increases within economically feasible limits.

The second factor has been the excessively high rate of growth of farmers' incomes. This has, in part, been the result of price policies, which have had the additional defect of distorting structural trends in agriculture. Some progress has recently been made in rectifying these policies, but much remains to be done to establish a price system which directs agricultural production towards the sectors which it is most appropriate to expand (cattle fodder and livestock, exportable crops, etc.).

The third factor lies in the fiscal policy pursued. It would have been possible to offset the effects of the growth in incomes by making direct taxes more progressive. But these were reduced by 10 per cent in 1964 and Parliament refused to restore them to their previous level in 1966. Considering the income-groups which contribute the bulk of taxes, and their consumption habits, it is probable that the marginal effect of such reductions on imports is very great. Although the yield from the fiscal system in Greece compares favourably with that of other countries at the same stage of development, it will certainly be necessary in the period ahead to increase the proportion of taxes on incomes (which still only amounts to 10 per cent of budget revenues) and intensify efforts to combat tax evasion. The growth of public expenditure in the years to come, especially in the field of investment, will necessitate a steep increase in government revenues. This at least requires that the progressive principle is fully exploited to increase tax yields.

Public consumption has also expanded very fast, and this seems bound to continue in 1967. From 1963 to 1965 at current prices it grew

by 46 per cent, and in 1966 it seems to have gone up by 14 per cent. Forecasts for 1967 imply even faster growth, with a further increase of 12 per cent. However fast budget revenues grow, such rates of increase in public consumption are clearly excessive from the point of view of a rational allocation of the country's resources.

Industrial development in recent years has been highly encouraging, both as regards the expansion of domestic production and its contribution towards the increase and diversification of exports. But it still depends heavily on foreign capital and initiative. Signs of a productive mobilisation of domestic savings and the establishment of large new enterprises by Greek entrepreneurs and capital remain few and far between; indeed the fluctuations in the growth of private productive investment seems to depend mainly on the rate of implementation of foreign investments. The new measures for controlling credit constitute a positive reform of the highest importance and should channel some of the available funds into more productive uses. But the problem is not so much supply, but the demand for capital for investment purposes and entrepreneurial attitudes. Credit to industry is expanding much more slowly than overall credit. And the special funds created for this purpose by the Bank of Greece are not being fully used. Institutions for the financing and promotion of industrial development have been set up in recent years. One of these, the National Bank for Industrial Development, disposes of considerable capital. Up to now, however, they do not seem to have had much impact. This may be due to the time-lag bound to be required for them to get going; but it may also be due to lack of business initiative, which must be a priority problem for the Greek authorities.

The deterioration in the balance of payments was halted in 1966, and the current deficit is not likely to increase significantly in 1967. Nevertheless, foreseeable inflows of capital will not be sufficient to cover it, and in the medium term the balance-of-payments position remains a matter for concern. The expansion and diversification of exports already in progress and the steady increase in tourist receipts are very encouraging developments which will no doubt gather momentum in the coming years. But the rate of growth of imports must be slowed down. For the immediate future this will mean taking fiscal and other measures to restrain the growth of consumption. In the longer term such measures will have to be combined with the development of industry and agriculture. Until these policies bear fruit, private capital inflows will have to be supplemented by contributions of public capital in a form suited to the country's requirements. Apart from credit from the European Investment Bank the possibility of obtaining loans from the International Bank for Reconstruction and Development is now open to the Greek authorities. It is to be hoped that the OECD Consortium for Greece will also contribute to the inflow of external resources.

*STATISTICAL ANNEX*

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TABLE I. SUPPLY AND USE OF RESOURCES

Billion drachmae.

	AT CURRENT PRICES					1958 PRICES				
	1962	1963	1964	1965	1966	1962	1963	1964	1965	1966 <sup>1</sup>
1. Private consumption .....	94.2	102.1	112.9	125.0		89.1	94.9	104.3	112.3	122.1
2. Public consumption .....	13.9	15.1	17.6	22.0		11.8	12.2	13.1	15.4	16.9
3. Fixed investment <sup>2</sup> .....	25.2	27.5	34.3	39.6		22.7	24.5	29.5	32.4	37.0
4. Change in stocks <sup>3</sup> .....	1.4	4.1	4.6	6.6		1.5	3.4	4.2	6.0	1.3
5. Exports of goods and services .....	12.0	14.1	14.5	16.1		12.9	3.1	14.3	16.1	23.9
6. Income payments from the rest of the world	3.0	3.5	4.2	4.4		3.2	3.7	4.4	4.5	
7. Total used resources .....	149.7	166.4	188.1	213.7		141.2	153.8	169.8	186.7	201.2
8. Imports of goods and services .....	21.8	24.9	29.5	36.3		23.3	26.0	30.3	36.8	39.5
9. Income payments to the rest of the world..	0.4	0.5	0.9	0.8		0.5	0.5	0.9	0.8	
10. Gross national product at market prices ...	127.4	141.0	157.7	176.3		117.3	127.1	138.5	149.0	161.6
11. Gross domestic product at factor cost .....	110.5	121.6	135.8	151.7		101.0	108.8	118.1	126.7	137.2
<i>of which:</i>										
12. Agriculture, forestry and fishing .....	28.1	31.4	34.7	38.1		25.2	27.1	28.9	29.6	30.1
13. Mining and quarrying .....	1.2	1.2	1.5	1.8		1.1	1.2	1.3	1.5	1.6
14. Manufacturing .....	18.0	19.9	21.9	24.5		17.4	19.3	21.2	23.1	26.6
15. Electricity, gas and water works .....	1.8	2.0	2.3	2.6		1.6	1.8	2.0	2.3	13.2
16. Construction .....	7.5	8.1	9.9	11.2		6.9	7.4	8.6	9.4	
17. Services .....	53.9	59.0	65.5	73.5		48.8	52.0	56.1	60.8	65.7

1. Provisional data.

2. Excluding ships to the value of .....

2,7

0,3

1,9

1,7

2,7

0,4

1,6

1,7

3. Including non-monetary gold.

Source: Greek submission to the OECD.

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TABLE II. GROSS FIXED INVESTMENT

Billion drachmae.

	AT CURRENT PRICES					1958 PRICES				
	1962	1963	1964	1965	1966	1962	1963	1964	1965	1966
Total fixed investment <sup>1</sup> .....	25.23	27.50	34.28	39.35	45.85	22.69	24.47	29.09	32.35	37.00
A. INSTITUTIONAL CLASSIFICATION:	16.77	19.32	25.00	28.98	33.75	15.22	17.29	21.49	24.18	27.65
Private enterprises <sup>1</sup> .....										
General government and public corporations.....	8.46	8.18	9.28	10.37	12.10	7.47	7.18	7.60	8.17	9.35
B. PRODUCT CLASSIFICATION:										
Land and dwellings.....	7.82	9.02	11.26	13.06	21.05	7.57	8.72	10.53	11.85	18.59
Other buildings.....	3.43	3.89	4.85	5.00		3.25	3.68	4.35	4.29	
Other construction and works.....	6.52	6.54	7.32	9.27	10.66	5.78	5.80	6.06	7.23	8.10
Transport equipment <sup>1</sup> .....	2.29	2.26	2.97	3.20	5.24	2.03	1.82	2.40	2.56	3.91
Other equipment.....	5.17	5.79	7.88	8.82	8.90	4.06	4.45	4.75	6.42	6.40
C. INDUSTRIAL CLASSIFICATION:										
Agriculture, forestry and fishing.....	3.48	3.85	4.33	4.73		3.09	3.40	3.62	3.86	
Mining, quarrying and manufacturing....	3.54	3.68	4.63	6.16		2.63	2.72	3.25	4.32	
Dwellings.....	7.82	9.02	11.26	13.06		7.57	8.73	10.53	11.85	
Transportation and communication.....	4.76	4.90	6.34	6.90		4.20	4.11	5.17	5.41	
Electricity, gas and water works.....	1.96	1.84	2.82	3.54		1.74	1.59	2.17	2.65	
Public administration.....	0.23	0.26	0.23	0.19		0.21	0.24	0.21	0.17	
Other service industries.....	3.44	3.95	4.67	4.77		3.25	3.68	4.14	4.09	
1. Excluding ships to the value of.....	2,74	0,31	1,85	1,72		2,69	0,39	1,57	1,67	

Source: Ministry of Coordination.

TABLE III. INDUSTRIAL PRODUCTION INDICES

MONTHLY AVERAGES : 1959 = 100

	WEIGHT	1962	1963	1964	1965	1966	1964	1965				1966			
							IV	I	II	III	IV	I	II	III	IV
1. Total industrial production index...	100	124	132	147	160	185	151	143	162	174	159	160	193	200	185
2. Manufacturing .....	83.3	125	133	147	158	182	149	138	163	175	156	157	193	198	178
A. Food, beverages and tobacco ..	23.8	107	118	127	130	146	102	80	150	196	94	90	191	208	94
<i>of which:</i>															
Tobacco.....	9.8	104	117	136	132	150	76	40	178	262	47	41	255	254	51
Food .....	11.0	109	118	118	120	131	124	106	113	132	129	118	126	148	130
B. Other branches .....	59.5	130	139	155	170	195	168	162	168	166	181	183	194	194	210
<i>of which:</i>															
Textile .....	15.2	126	130	142	154	169	162	147	146	151	171	168	163	162	181
Chemicals .....	7.6	135	146	168	181	217	183	179	178	168	200	203	203	205	255
Petroleum products.....	3.7	110	117	120	121	175	122	120	109	130	126	121	199	203	176
Non metallic minerals .....	6.3	116	131	148	170	186	157	139	163	187	187	165	188	202	189
Basic metals .....	2.7	164	186	265	331	462	335	324	331	306	363	357	414	507	571
Metal products .....	3.6	167	164	197	246	266	196	238	266	251	228	279	281	251	252

Source: National Statistical Service: Monthly bulletin.



TABLE IV. AGRICULTURAL PRODUCTION

Thousands of tons.

	1962	1963	1964	1965	1966
<b>I. VEGETABLE PRODUCTS:</b>					
<i>Cereals:</i>					
Wheat .....	1,770	1,387	2,170	1,989	1,962
Maize .....	266	312	289	298	336
Rice .....	76	83	113	105	86
Other cereals .....	441	413	466	617	829
<i>Fruit and vegetables:</i>					
Oranges .....	213	204	296	297	397
Lemons .....	91	84	88	98	90
Apples and peaches .....	209	190	253	259	247
Potatoes .....	495	585	632	589	612
Tomatoes .....	422	527	532	548	597
Sultanas .....	109	78	78	79	90
Currents .....	84	51	68	95	82
Table grapes .....	120	113	131	149	190
<i>Olive-tree products:</i>					
Olives .....	12	56	29	46	70
Olive oil .....	56	208	129	191	182
<i>Fodder-plants</i> .....	1,366	1,314	1,400	1,560	1,685
<i>Industrial plants:</i>					
Tobacco .....	93	127	132	121	91
Cotton (seed cotton) .....	253	266	184	205	230
Beetroot .....	231	351	533	661	740
<b>II. ANIMAL PRODUCTS:</b>					
Milk .....	1,092	1,102	1,104	1,129	1,150
Butter .....	12	12	13	13	14
Meat .....	185	200	216	229	233
Cheese .....	105	107	98	99	105

Source: Statistical Yearbook of Greece.

TABLE V. OTHER INDICES OF ACTIVITY

	1964	1965	1964	1965				1966			
			IV	I	II	III	IV	I	II	III	IV
<b>CONSTRUCTION:</b>											
Number of new dwellings .....	66,236	79,446	17,619	16,091	21,583	21,542	20,230	19,514	25,098		
<i>of which: in the Athens area.</i> .....	32,582	40,210	9,471	8,704	10,793	9,901	10,812	10,078	11,995		
<b>TOURISM:</b>											
Number of foreign tourists entering Greece ( <i>thousands</i> ) ..	757.5	976.1	116.1	96.0	293.1	448.4	138.7	106.4	335.4	582.2	161.6
<b>MERCHANT NAVY:</b>											
Total tonnage ( <i>thousands of GRT</i> ) .....	7,248	7,256	7,248	7,290	7,202	7,263	7,256	7,433	7,606	7,721	
<b>EMPLOYMENT AND UNEMPLOYMENT:</b>											
Registered unemployed <sup>1</sup> ( <i>Monthly averages, thousands</i> ) ..	65	64	64	66	65	62	64	64	61	66	
Employment index (in manufacturing) ( <i>November 1964</i> <i>= 100, Quaterly averages</i> ) .....	99.0	98.1	99.0	96.2	100.2	104.2	100.5	97.0	101.0		
<b>EMIGRATION:</b>											
Departures .....	105.6	117.2	25.5	29.6	29.2	34.6	23.8	20.8	23.8	27.1	
<i>of which: North America (thousands)</i> .....	7.1	8.3	1.9	1.3	1.6	2.4	3.0	1.9	5.7	7.0	
Australia ( <i>thousands</i> ) .....	16.0	18.6	3.8	5.6	4.1	4.9	3.9	2.7	3.8	3.3	
West Europe ( <i>thousands</i> ) .....	79.5	87.2	18.3	21.8	22.8	26.5	16.1	14.5	13.7	17.2	

1. Adjusted for seasonal variations.

Source: National Statistical Service—Monthly Bulletin OECD Main Economic Indicators.

TABLE VIa. PRICE INDICES

	WEIGHT	1964	1965	1966	1964	1965				1966			
					IV	I	II	III	IV	I	II	III	IV
<b>A. Consumer price index (June 1959 = 100):</b>													
1. General index .....	100.0	107.8	111.0	116.6	108.3	108.9	110.6	111.2	113.4	114.5	116.7	116.4	118.7
2. Food .....	43.7	110.2	115.3	122.0	110.6	112.0	114.8	116.3	118.0	120.5	122.4	121.6	123.4
3. Clothing and footwear .....	14.3	100.3	101.6	106.8	101.4	100.3	101.8	100.9	103.4	102.2	106.5	105.8	110.2
<b>B. Wholesale prices (internally consumed items):</b>													
4. General index .....		161.8	169.1	174.9	164.3	167.6	169.5	168.9	170.5	174.0	175.4	174.0	176.1
5. Foodstuffs .....		160.6	167.5	174.9	162.2	165.1	167.8	166.6	170.3	175.4	175.7	172.0	176.6
6. Finished goods .....		149.7	154.1	160.4	151.8	152.2	153.2	154.5	156.6	159.9	160.2	160.8	160.7

Source: Bank of Greece: Monthly statistical bulletin.

TABLE VIb. AGREED BASIC WAGES<sup>1</sup>

	DRACHMAE					INDEX, JUNE 1962 = 100			
	JUNE 1962	JANUARY 1964	JANUARY 1966	FEBRUARY 1967	JULY 1967	JANUARY 1964	JANUARY 1966	FEBRUARY 1967	JULY 1967
A. Monthly wages:									
Men .....	1,430	1,600	1,900	1,900	1,900	111.9	132.9	132.9	132.9
Women .....	1,150	1,300	1,600	1,600	1,600	113.0	139.1	139.1	139.1
B. Daily wages:									
Men .....	57	64	75	85	90	112.3	131.6	149.1	157.9
Women .....	44	50	60	70	75	113.6	136.4	159.1	170.5
C. Daily wages (apprentices) <sup>2</sup> :									
Manufacturing industry .....	24	27	35	40	43	112.5	145.8	166.7	179.2
Other industries .....	22	25	35	40	43	113.6	159.1	181.8	181.8

1. Date of implementation of the new national collective agreement.

2. Employees up to the age of 19 and engaged for the first time.

Source: Bank of Greece: Greek Economy in 1964 and Greek Press.

TABLE VIIa. MONEY AND CREDIT

END OF PERIOD

Million drachmae.

	1964	1965	1966	1965				1966			
				I	II	III	IV	I	II	III	IV
<b>I. MONEY SUPPLY:</b>											
1. Notes in circulation .....	19,320	22,338		17,394	18,570	20,584	22,338	21,122	21,782	23,068	25,091
2. Coinage .....	840	940		819	843	879	940	926	946	973	1,023
3. Sight deposits .....	8,021	9,057		7,726	8,230	8,669	9,057	9,074	9,412	9,846	9,654
4. Total available money .....	28,181	32,335		25,943	27,643	30,132	32,335	31,122	32,140	33,864	35,768
5. Saving deposits .....	22,768	25,320		23,790	24,799	24,493	25,320	26,150	27,820	29,172	
6. Time deposits .....	4,996	4,975		5,226	5,257	5,040	4,975	4,956	5,171	5,471	
7. Other deposits .....	10,887	12,021		11,543	11,357	12,153	12,021	12,867	13,559	14,254	
8. Total quasi-money .....	36,651	42,416		40,559	41,413	41,686	42,316	43,973	46,550	48,897	
<b>II. CREDIT TO THE ECONOMY:</b>											
9. Total credit to the economy .....	52,632	59,314		53,193	56,070	57,291	59,314	59,931	63,216	65,522	
10. Credit financed by the Bank of Greece .....	15,325	18,571		15,482	16,528	17,252	18,571	18,572	19,113	21,096	
11. Credit financed by commercial banks .....	23,316	24,468		23,281	24,384	24,890	24,468	24,622	26,377	27,204	

Source: Monthly Statistical Bulletin of the Bank of Greece.

TABLE VIIIb. INTEREST RATES

*Per cent.*

	UNTIL 31-8-1966	FROM 1-9-1966
1. Official discount rate .....	5.5	5.5
2. Sight deposits .....	1.5	0.75
3. Savings deposits (up to 100,000 drs.) .....	4.5	5.0
4. Time deposits (six months to one year) .....	5.75	6.25
Basic rates of interest for credit to :		
5. Industry (short-term) .....	7.5 — 9.0	8.0 — 9.0
6. Industry (long term) .....	7.0	5.0
7. Trade .....	10.0	11.0
8. Tobacco and export trade .....	5.5	6.0
Compulsory non interest bearing deposits of the commercial banks with the Bank of Greece. (As percentage of each category of credit):		
9. Industry (short-term) .....		10.0
10. Industry (long-term) .....		—
11. Trade .....		25.0
12. Tobacco and export trade .....		—

*Source: Bank of Greece.*

TABLE VIII. FOREIGN TRADE BY COMMODITY GROUPS

On a settlements basis

a) IMPORTS<sup>1</sup>

Million US dollars.

	1960	1961	1962	1963	1964	1965	1966
1. Foodstuffs . . . . .	94	100	85	132	140	177	181
2. Raw materials . . . . .	132	141	151	166	199	215	242
3. Fuels—lubricants . . . . .	47	47	48	52	55	67	77
4. Capital goods . . . . .	78	100	136	134	181	228	249
of which: Machinery . . . . .	64	78	99	107	151	189	...
Transport equipment . . . . .	15	22	37	26	30	39	...
5. Manufacturing consumer goods <sup>1</sup> . . . . .	146	174	188	224	249	275	342
Total <sup>2</sup> . . . . .	497	561	609	708	831	976	1,103

1. Excluding ships. The 1962 figure includes however an amount of \$ 11 million, representing the value of ships received as war reparations.

2. Including unallocated freight.

b) EXPORTS

Million US dollars.

	1960	1961	1962	1963	1964	1965	1966
1. Food and beverages . . . . .	58	60	70	71	80	104	133 <sup>1</sup>
2. Tobacco . . . . .	72	81	68	128	118	111	120
3. Raw materials and semi-finished goods . . . . .	42	55	63	58	60	48	62
4. Minerals and ores . . . . .	18	16	16	16	21	25	27
5. Manufactured and handicraft articles . . . . .	8	8	11	10	17	27	47
6. Miscellaneous . . . . .	11	14	15	13	13	17	14
7. Total . . . . .	209	234	243	296	308	331	403

1. Of which: wheat amounting to 28 millions dollars.

Source: Monthly Statistical Bulletin of the Bank of Greece.

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