

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

GREECE

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

AUGUST 1979

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BASIC STATISTICS OF GREECE

THE LAND

Area (1 000 sq. km)	132.0	Main urban areas,	
Cultivated area (1 000 sq. km) 1976	39.2	14.3.1971 census (1 000):	
		Greater Athens (incl. Piraeus)	2 540
		Salonika	557

THE PEOPLE

Population, 1978 mid-year (1 000)	9 360	Total employment, 1976 (1 000)	(3 230)
No. of inhabitants per sq. km	71	Agriculture (%)	(34.4)
Net natural population increase, 1977 (1 000)	60	Industry and construction (%)	(28.9)
		Other activities (mainly services) (%)	(36.7)

PRODUCTION

GNP, 1978 (billion drachmae)	1 182.3	Origin of GDP at factor cost,	
GNP per head (\$), 1978	3 440	1978 (billion drs.)	1 005.4
Gross fixed investment (excl. ships): per cent of GNP, 1978	22.8	Agriculture (%)	17.3
per head (\$), 1978	785	Mining and manufacturing (%)	20.4
		Construction (%)	9.0
		Services (%)	53.3

THE GOVERNMENT

General government current expenditure, 1978 (% of GNP)	29.4	Composition of Parliament (No. of seats):	
General government current revenue, 1978 (% of GNP)	29.4	New Democracy	172
		Panhellenic Socialist Movement	93
		Communist Party	11
		Other	24
		Total	300
		Last general election: 20.11.1977	
		Next general election: 1981	

FOREIGN TRADE

Exports of goods and invisible receipts, 1978 (% of GNP)	20.2	Imports of goods and invisible payments, 1978 (% of GNP)	24.7
Tourism earnings, gross, 1978 (% of GNP)	4.1	Main imports, 1977 (% of total commodity imports):	
Emigrant remittances, 1978 (% of GNP)	3.1	Mineral fuels, lubricants and related materials	19.2
Shipping earnings, gross, 1978 (% of GNP)	3.7	Machinery other than transport equipment	18.8
Main exports, 1977 (% of total commodity exports):		Manufactured goods classified chiefly by material	16.5
Iron and steel	4.5	Food and live animals	9.7
Tobacco	5.6	Transport equipment	38.7
Fresh fruits	7.3		
Dried fruits	4.9		
Aluminium	4.5		
Cotton	1.3		

THE CURRENCY

Monetary unit: Drachma		Currency units per \$ US, average of daily figures:	
		Year 1978	36.7
		June 1979	37.2

NOTE: An international comparison of certain basic statistics is given in an annex table.

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AUGUST 1979

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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*The annual review of Greece
by the OECD Economic and Development Review Committee
took place on 10th July 1979*

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INTRODUCTION

Mainly in response to expansionary fiscal and monetary policies in 1977 and the first half of 1978, real GDP rose by 6 per cent, or slightly faster than the average in the preceding three years. Employment, which, partly associated with a slowdown in productivity growth, has been rising since around mid-1975, again increased substantially last year and unemployment remained stable at a rate of about 2½ per cent. Although the terms of trade deteriorated, the current external deficit remained broadly unchanged between 1977 and 1978 as there was a considerable improvement in the real foreign balance; after stagnating in 1977, the volume of exports turned up strongly while the rise in the volume of imports was moderate. The current deficit was, once again, financed to a large extent by autonomous private capital flows. Despite a strengthening of inflationary pressures, reflecting largely continuing substantial increases of nominal incomes and the effects of speculative forces arising from the house-building boom which started in 1975, the rise in consumer prices was kept to just over 12 per cent, much the same rate as in 1977. The better than expected price developments owed much to the effects of special factors and a freeze for part of the year on administered prices. Non-residential investment performance, however, was less than satisfactory, with private manufacturing investment falling by 6½ per cent to bring it to about 22 per cent below the 1974 level.

The early months of this year have witnessed a sharp acceleration in the rate of inflation following the end of the temporary price measures and the marked rise in commodity and particularly oil prices. Higher oil prices were also an important factor leading to a considerable widening in the current external deficit. Some moderation in these unsatisfactory developments is expected in the second half of 1979 but in the year as a whole the current external deficit will be somewhat bigger than in 1978 as will the rise in prices. Reflecting the successive tightening of policy since mid-1978 and the adverse effects of the expected acceleration in prices on real disposable incomes, the outlook is for a marked deceleration in the growth of real GDP accompanied by a small rise in unemployment. According to the treaty of accession signed in May 1979, Greece will become in January 1981 the tenth member country of the European Economic Community.

Recent economic developments are reviewed in Part I. Part II contains an analysis of economic policy as well as a brief discussion of a number of medium-term issues bearing on fiscal policy. Part III examines the outlook for 1979, paying particular attention to prospects for inflation and the balance of payments. The Survey concludes with a discussion of the main policy considerations (Part IV).

I RECENT DEVELOPMENTS

The previous OECD Economic Survey of Greece¹ suggested that real GDP would rise by about 4½ per cent in 1978, accompanied by stronger inflation and a small widening in the current balance of payments deficit. Although domestic demand grew by 5 per cent, roughly in line with the forecast, real GDP rose by about 6 per cent, considerably more than expected. Most of the difference between the forecast and outturn was attributable to an exceptionally strong increase of 19 per cent in the volume of exports which occurred partly because of special factors². Accordingly, the current external deficit narrowed slightly. The rise in consumer prices in 1978 was much the same as in 1977, but less than was forecast. An excellent harvest resulting in a 6½ per cent rise in agricultural production (the largest increase since 1970) produced an unusually favourable movement in seasonal food prices which, together with stricter price controls and the freezing of administered prices, exerted a marked dampening effect on price rises in the second half of the year. After the effects of the special factors petered out at around the turn of the year, the current external position deteriorated considerably and price rises accelerated sharply, indicating underlying trends broadly in line with the forecast in the Survey.

In 1978, contrary to the pattern in the three preceding years, private consumption was the fastest growing domestic demand component. The growth of both government consumption and fixed investment slowed down markedly to almost half the longer-run trend rate up to the 1974 oil crisis. Despite a small deceleration in the rate of growth — as had been expected — private residential investment (almost half of total private investment) continued to rise strongly in 1978 (16 per cent). Except for investment in transport equipment, other private investment fell considerably, pulling down the rate of growth of total private investment to 4½ per cent, about one-third of that in 1977. The unusually strong increase of 43 per cent in public corporations investment more than offset the continuing decline in general government investment, to give a significant rise in total public sector investment for the first time since 1972.

Although output growth has decelerated since 1974, there has been a fast increase in non-agricultural employment, both in industry and in services, which has been made possible by a sharp fall in productivity growth. The recorded unemployment rate has remained at a fairly low level of about 2½ per cent. While there is still under-employment, especially in agriculture and in some services, overall labour market conditions are tight. Social factors, considerable pay distortions, the marked seasonal employment patterns due to agriculture and also influenced partly by the substantial expansion of tourism and the sizeable rise in incomes in rural areas over the last few years, have tended to discourage mobility of labour, so that labour shortages have appeared in certain professions and skills. Reflecting this, there has been immigration from the Middle Eastern countries.

Demand and output

Total personal income increased by 19½ per cent in 1978 which is slightly faster than in 1977. Although higher social security contributions were levied to fund a rising

1 OECD Economic Survey of Greece, July 1978.

2 In late spring, the authorities began to export substantial quantities of olive oil, olives and wheat out of their stocks. Because of the disturbances in international oil markets, oil exports surged in volume and value towards the end of 1978. Moreover, there was a strong rise (34 per cent) in net tourist earnings.

level of pensions, this was mostly offset by a slowdown in other direct tax payments and the growth of nominal personal disposable income was much the same as in 1977. Income tax receipts decelerated markedly from 36 per cent on average in 1976 and 1977 to 24½ per cent in 1978, reflecting partly weaker fiscal drag due to substantial income tax reliefs provided in the 1978 budget and the slower rate of growth of declared incomes from property and entrepreneurship where tax pressure on declared income is higher than average. To some extent tax evasion may also have contributed. Real household disposable income rose at almost the same rate as in 1977 (5 per cent) and with practically no change in the saving rate³, private consumption grew at about 5 per cent, much the same rate as in the previous three years.

The composition of private consumption was considerably influenced by the introduction in mid-1978 of external signs of wealth (including motor cars, boats and yachts) as a criterion for assessing taxable income; the annual rate of increase of consumers' demand for personal transport equipment slowed down markedly from about 67 per cent on average between 1974 and 1977 to 15 per cent in 1978. The rate of increase of demand for private motor cars fell from 53 per cent to 17½ per cent between the same periods. Associated with the housebuilding boom since 1977, sales of furniture and furnishings were buoyant. The volume of retail sales and car registrations

Table 1 Expenditure and output

	1978 Bill Dr. current prices	Percentage volume changes					
		Average 1963-73 ¹	From previous year				
			1974	1975	1976	1977	1978 ²
Private consumption	759.4	7.0	0.2	6.5	4.8	5.0	5.1
Government consumption	186.2	6.2	12.1	11.9	5.1	6.5	2.9
Gross fixed investment	269.6	10.2	-25.6	0.2	6.8	8.6	5.2
Final domestic demand	1 215.2	7.6	-5.0	6.0	5.2	5.9	4.8
Plus: Change in stockbuilding ³	20.8	0.1	-1.1	-0.5	-0.4	-0.8	—
Total domestic demand	1 236.0	7.7	-5.8	3.5	4.6	4.9	4.7
Exports	193.6	12.2	-5.3	9.8	15.6	2.3	19.1
Imports	279.7	11.2	-16.8	6.4	6.2	7.9	6.8
Plus: Change in foreign balance ³	-86.1	-0.1	3.3	—	0.9	-1.3	1.4
Plus: Error of estimate ²	..	0.1	-0.7	0.3	0.3	-0.5	-0.2
GDP at market prices	1 149.9	7.7	-3.6	6.1	6.2	3.5	6.3
Net factor income from abroad	32.4	10.4	-10.0	-13.0	15.4	19.6	-5.1
GNP at market prices	1 182.3	7.8	-3.8	5.6	6.4	3.8	5.9
Agriculture	173.6	2.6	4.8	5.7	-1.3	-6.9	6.5
Industry	311.6	11.8	-11.1	5.8	9.3	4.7	6.6
of which:							
Manufacturing	191.2	11.7	-2.8	5.5	10.0	1.5	6.5
Construction	90.3	8.4	-31.2	5.4	6.2	11.8	7.2
Other	30.1	12.9	-5.6	8.1	11.8	9.9	6.5
Services	520.3	7.3	2.4	4.5	6.1	4.9	5.2
Public administration	95.7	5.3	10.1	3.3	5.2	5.4	4.3
Other	424.6	8.0	1.2	4.7	6.2	4.8	5.3
GDP at factor cost	1 005.4	7.4	-1.8	5.1	5.9	3.0	5.8

1 Trend growth rates.

2 Preliminary estimates.

3 Percentage point contribution to GDP growth rate.

Sources: National Accounts of Greece and direct communication to the OECD.

3 Savings of households also includes a statistical discrepancy.

suggest that the rise in consumers' expenditure was particularly strong in the first half of 1978, with the rate of growth slowing down in the second half, after the introduction of the measures. In the early months of 1979 consumer demand seems to have risen moderately. The growth of government consumption fell from 5¼ per cent on average in 1976 and 1977 to less than 3 per cent in 1978. This was largely due to a decline in demand for goods compared with a substantial rise in the two previous years.

The deceleration in the growth of total fixed investment from 8½ per cent in 1977 to 5¼ per cent in 1978 was due to weaker private investment, public sector investment turning up strongly in 1978. Largely because of government policy which aimed at stemming the marked upward trend of public expenditure, public sector investment had steadily declined by about one-fourth between 1972 and 1977 with a particularly big fall (just over 50 per cent) in public corporations investment. Policy was reversed in 1978 and the resultant surge (43 per cent) in public corporations investment was widespread, raising the level of investment in 1978 to about one-third below the 1972 peak. General government investment, however, continued to decline bringing the cumulative fall to one-fourth since the peak for 1972.

After two years of rapid growth, especially in trade, investment in services (excluding transport and communications) declined a little in 1978. With the aim of supporting a fast growth in domestic demand, the authorities strongly encouraged housebuilding in 1977 and 1978, making residential investment over these two years the most expansionary element of private investment; in 1978, the rise of residential investment accounted for over 90 per cent of the increase in total investment. Credits for housing rose by about one-fourth on average in both 1977 and 1978, almost twice as fast as in the previous two years. Allowing for a deceleration in 1978 in the rate of increase of capital inflows for real estate purchases from Greeks living abroad, which

Table 2 Investment

	1978 current prices Bill. Dr.	Average 1963- 1973	Percentage volume changes				
			From previous year				
			1974	1975	1976	1977	1978
Total	269.6	10.2	-25.6	0.2	6.8	8.6	5.2
<i>By type of purchaser</i>							
Public	60.8	9.8	-20.1	-6.0	2.0	-10.2	7.7
General government	37.7	6.8	-24.6	16.6	2.5	-6.7	-7.4
Public corporations	23.1	14.1	-14.1	-32.6	0.8	-17.3	42.9
Private	208.8	11.3	-27.7	2.9	8.7	15.5	4.5
<i>By type of asset</i>							
Dwellings and other buildings	128.7	11.0	-36.6	8.5	8.2	16.6	10.9
Other construction and works	45.8	8.2	-26.2	6.2	0.4	-1.5	-1.5
Transport equipment	34.1	17.8	-27.5	-5.0	32.6	21.9	12.2
Other equipment	61.0	14.0	-4.6	-11.8	1.0	-2.2	-4.2
<i>By sector</i>							
Agriculture, fisheries, etc.	21.9	6.7	-27.6	11.5	-1.1	8.8	-14.8
Mining and quarrying	4.7	18.2	-26.3	14.2	11.3	-17.5	2.3
Manufacturing	38.5	13.3	3.2	-11.9	1.2	-5.6	0.1
Electricity, gas, etc.	18.3	14.8	-6.4	-26.2	-0.3	-5.2	13.8
Dwellings	91.8	11.7	-48.1	29.0	7.0	20.7	15.7
Transportation and communication	50.7	12.1	-26.4	-7.2	12.8	8.1	6.8
Other services	43.7	9.5	-15.4	-3.8	14.1	13.2	-2.7

Sources: National Accounts of Greece and direct communication to the OECD.

may represent as much as one-fifth to one-fourth of total residential investment⁴, demand for new housing and apartments from residents in Greece continued to rise markedly (almost one-fourth up on 1977). The strong demand for housing is also an important reason behind the maintenance of the personal saving ratio at the record level reached in 1977. Housing starts in the second half of 1978 may have been speeded up to forestall the introduction of more severe building laws concerning housing standards. This affected building activity in urban areas, notably in the Athens area, where about 41 per cent of total residential investment was concentrated in 1978, some 5 percentage points more than in the previous few years. In addition to exacerbating further regional disparities, the residential boom in the Athens area caused disproportionately big rises in housing prices and strengthened speculative forces which, in turn, reinforced overall inflationary pressures.

The decline in manufacturing investment at an average annual rate of about 5½ per cent between 1974 and 1977 was arrested in 1978, when investment was stabilised at the depressed 1977 level. However, the improvement was due to a small number of major plants in the public sector which offset a 6½ per cent fall in private sector manufacturing investment⁵. The development of private investment was sufficient to increase the capital stock a little⁶, but the increases, as in 1977, were concentrated in traditional branches — textiles, clothing and footwear and cement — in which the potential for substantial further expansion — except for cement⁷ — is less great than previously⁸. New private investment initiatives in more sophisticated manufacturing sectors were limited, probably reflecting structural difficulties⁹ (reinforced by the slow growth of world trade) of Greek industry in expanding new sectors which are more consistent with its level of overall development and where, over the longer run, Greece could have a comparative advantage.

The development of manufacturing investment since 1973 in relation to manufacturing output suggests that the substantial margin of excess capacity existing over much of this period has not been fully absorbed despite the decline in the growth of investment. From 1974 to 1978, manufacturing production rose at an average annual rate of nearly 6 per cent. As would be expected, these trends contrast strikingly with those in the earlier period when there may have been a tendency to increase capacity ahead of demand. Indeed, between the early 1950s and early 1970s, the rate

4 Inflows of capital from abroad for real estate purchases from Greeks living abroad is the equivalent of about 18½ per cent of the value of residential investment in current prices. Allowing for some land purchases and also the complementary bank credit to which Greeks living abroad who import capital for residential investment are entitled, demand from Greeks living abroad may roughly be between 20 per cent and 26 per cent of total residential investment in recent years.

5 The 1978 level of private manufacturing investment was almost one-fourth lower than the 1974 peak level.

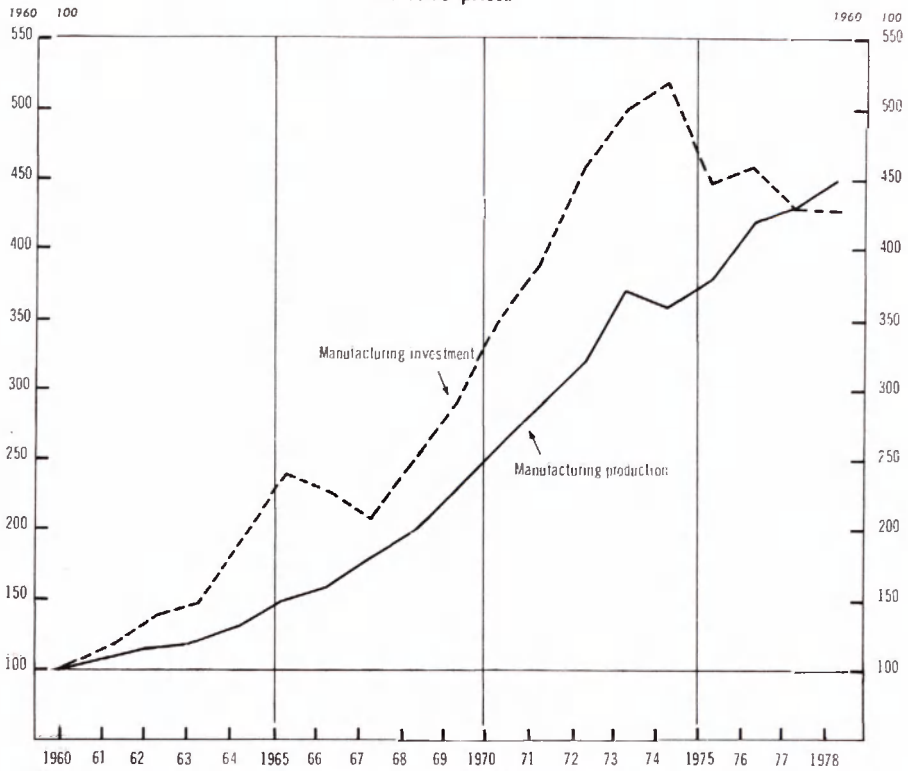
6 The Secretariat has made rough net capital stock estimates in manufacturing on the basis of gross fixed investment data since 1948 and on a net capital stock estimate for 1948 of Dr. 13½ billion at 1970 prices. The original value of gross investments is deemed to reduce gradually over their service lives. Two assumptions have been made: first, the average life of an asset is 16 years and secondly, 24 years, which gives a consumption of 6 per cent per year of the original gross fixed investment and of 4 per cent per year respectively. Because of the large margin of error included in this kind of estimate, the derived net capital stock figures show only the rough order of magnitude (see Diagram 7 in Part III).

7 Partly due to the proximity to buoyant Middle Eastern markets and to the need to expand infrastructure in Greece, there is still substantial scope for increasing cement production and exports.

8 The emergence of newly-industrialised countries with cheap labour with a considerable potential for textiles, clothing and footwear, and the gradual adoption by Greece of the EEC common external tariff should adversely affect these branches and their rate of expansion will in future probably be considerably smaller than up to the mid-1970s.

9 There is a very large proportion of small and medium-sized firms in Greek industry which, combined with the shortage of efficient management, makes difficult the extension into new branches. In addition, there are bureaucratic obstacles and other limitations which hamper entrepreneurial initiatives in sophisticated large-scale industries. Skilled labour is also in short supply.

Diagram 1 Manufacturing Investment and Output
At 1970 prices



Sources: National Accounts of Greece, 1958-1975, and direct communication to the OECD.

of growth of manufacturing investment was somewhat higher than that of manufacturing production¹⁰. Buoyant domestic demand, some big industrial projects processing Greek raw materials, fast-growing export markets and enhanced export prospects due to the association agreement with the EEC, easy availability of finance and relatively cheap capital are important factors behind the sustained high rate of growth of manufacturing investment over this period¹¹. Also, due to low rates of increase in wages and salaries between 1968 and 1973, profit margins seem to have risen considerably, which partly explains continuing rapid investment growth over this period despite the creation of substantial excess capacity in most branches. However, the worldwide recession after 1973 affected significantly manufacturing industry and, due

10 Average annual rates of growth (percentage changes):

	1950-53 to 1960-63	1960-63 to 1970-73	1968 to 1973	1973 to 1978	1974 to 1978
Manufacturing investment	9½	12½	14¾	-2¾	-4¾
Manufacturing production	8	11	13¾	4	5¾

11 In the 1960s, substantial investments were made by foreign companies in aluminium, refineries, chemicals and steel. In addition, Greek shipping interests abroad established a number of shipyards.

to the excess capacity, combined with a fast recovery in wages and salaries, profit margins were considerably reduced in many branches over the last five years¹². In addition, weak world-trade prospects and uncertainty regarding Greece's entry into the EEC¹³ may have contributed to the sluggishness of manufacturing investment discussed above.

The rise in final domestic demand in 1978 was slower than in the two previous years. This was partly offset by a smaller negative contribution of stockbuilding to the growth of GDP, with the result that total domestic demand grew at roughly the same rate as in 1976 and 1977. Because of the pick-up in agricultural production, it appears that there was a substantial increase in agricultural stocks, whereas non-agricultural stocks may have increased at a somewhat slower rate than in 1977. Because of the sharp rise in exports the contribution of the real foreign balance to GDP growth turned round from negative in 1977 to positive in 1978, which, together with the change in stockbuilding, accounted for the acceleration in the rate of growth of GDP at market prices from 3½ per cent in 1977 to 6¼ per cent last year. However, partly reflecting sluggish shipping conditions, net factor income from abroad declined in real terms by 5 per cent (compared with an average rise of some 17½ per cent in the two previous years), lowering the growth of GNP to a little less than 6 per cent, some 2 percentage points higher than in 1977. There was also a substantial deterioration in the terms of trade of 5 per cent (compared with a 5 per cent improvement in 1977) which lowered the growth of real national disposable income¹⁴ by about ¾ percentage points to almost 5 per cent, somewhat faster than in 1977.

The turnaround in agricultural production from a decline in 1977 to an increase in 1978 accounted for nearly two-thirds of the acceleration in the growth of output (GDP at factor cost) from 3 per cent in 1977 to 5¾ per cent in 1978¹⁵. There was also a marked acceleration in the rate of growth of industrial production and the growth of services gathered pace but less so. The faster rate of growth of industrial production was due to an upturn in manufacturing and electricity production, while there was a slowdown in the growth of construction and mining production declined a little. Manufacturing production was adversely affected by a long strike in basic metals and a temporary closure of a papermill in 1977 and the return to normal conditions in these two sectors explains about one-half of the improvement in manufacturing production from a growth rate of 1½ per cent in 1977 to 6½ per cent in 1978¹⁶. Reflecting strong demand, the rise in non-metallic minerals, mainly cement, was also faster than average. In fact, whereas in almost all manufacturing branches there is excess capacity, cement production hit capacity ceilings in 1978; due to a rapid increase in external demand, cement production increased at an annual rate of nearly 15 per cent between 1974 and 1977. Despite strong demand, the increase in cement output was only 8¼ per cent in 1978. Owing to a strong rise in domestic demand and in exports, textile production, which had fallen in 1977, increased by just over 6 per cent in 1978.

12 According to the Confederation of Greek Industries, the average profit rate (after depreciation) fell from about 15 per cent in the period 1972 to 1974 to 6 per cent between 1975 and 1977. The rate was 5 per cent in 1977.

13 There was uncertainty, especially regarding the timing of entry and conditions, including the length of the transitional period.

14 Real national disposable income is national income adjusted for terms of trade changes. This measures the changes in absorptive capacity and indicates the appropriate rate of total domestic demand which is consistent with an unchanged balance of payments position.

15 About 0.3 percentage points of the 6¼ per cent growth of GDP at market prices in 1978 were due to a rate of growth of net indirect taxes about one-half times faster than GDP at factor cost (8.9 per cent and 5.9 per cent respectively).

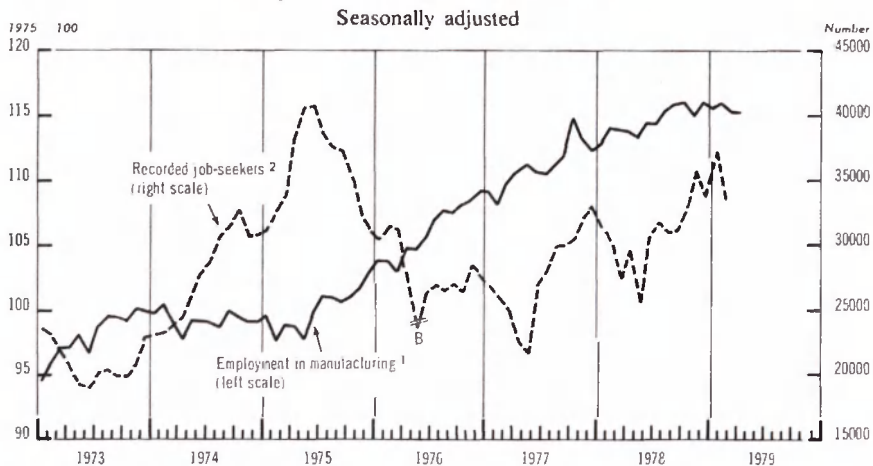
16 The growth of manufacturing production in 1978 was less than two-thirds of the longer-term trend rate prior to 1974.

Labour market conditions

Despite the slower growth of output and a higher rate of increase in the non-agricultural labour force since 1974, labour market conditions have improved considerably since the 1974-75 recession. The change from net emigration up to 1974 to net immigration since then has been partly offset by the considerable decline from some 70 000 around 1970 to some 40 000 at present in the number of people leaving agriculture every year. The fall is fully accounted for by the considerable contraction of the total agricultural labour force from about 1 300 000 in 1970 to some 850 000 in 1978¹⁷ (about 27½ per cent of total labour force)¹⁸. Nevertheless, the annual reduction in the agricultural labour force is the equivalent of about 2 per cent of the total non-agricultural labour force which, combined with net immigration and the slow natural increase of the population of working age, makes for an increase in the total non-agricultural labour force of about 3 per cent, annual rate, after 1974¹⁹, compared with just over 2 per cent between the early 1960s and the early 1970s.

Concurrent with the acceleration in the rate of growth of the total non-agricultural labour force, the rate of increase in non-agricultural output decelerated from an average annual rate of about 7¼ per cent between the early 1960s and early 1970s to some 5½ per cent after 1974. Nevertheless, employment increased considerably and recorded unemployment gradually fell substantially from the 1975 cyclical peak to some 2½ per cent of total employees by 1978. The counterpart of the

Diagram 2 Labour Market Indicators



1 Enterprises with at least 10 employees.

2 The break in April 1976 was due to a change in legislation.

Sources: National Statistical Service. *Monthly Bulletin*.

17 However, the rate of people leaving agricultural employment has tended to increase from about 4½ per cent, annual rate, between 1961 and 1971 to almost 5¼ per cent since then.

18 This figure is based on a study made by the National Statistical Service of Greece (NSSG) with the cooperation of the Ministry of Agriculture, which study shows somewhat different results from the one made in May 1977 by the Agricultural Bank. (See: OECD Economic Survey of Greece, July 1978, Annex II, page 55.) The divergencies in the results are mainly due to somewhat different definitions applied by the NSSG.

19 Because of the sizeable share of self-employed and family members in the total non-agricultural labour force and also because many farmers or members of their families have seasonal or occasional jobs outside agricultural employment, the margin of error of Greek employment statistics may be relatively high.

improvement in employment trends was a marked decline in productivity growth in non-agricultural sectors from an average annual rate of 4¾ per cent in the ten years to 1971-74 to a little less than 3 per cent on average since 1975.

All sectors incurred weaker productivity growth. The small shift of output in favour of the labour-intensive service sector since 1974 accounts for a very small part of the total slowdown. After the completion of some major capital-intensive manufacturing projects in the early 1970s, labour-intensive sectors such as textiles, clothing and footwear, food and handicrafts had an above-average expansion, especially after the 1974 recession. Productivity growth in manufacturing fell to about 2 per cent, annual rate, between 1974 and 1978, compared with a longer-term rate of 6½ per cent up to 1974. This decline is also partly due to official policy and regulations which discourage lay-offs and overtime work and which, combined with the substantial increase in overtime pay, have favoured the extension to two shifts instead of one. Consumer demand was also biased in favour of the labour-intensive service sectors²⁰, a trend which was reinforced by the substantial expansion of tourism.

In response to the fast rate of growth of demand and output, employment grew at about 2½ per cent in 1978, much slower than in the previous three years. However, in contrast to experience between 1975 and 1977, the number of self-employed (which accounts for about one-third of total non-agricultural labour force) increased in 1978 much faster than total employees. The expansion of tourism and growing demand for services may partly explain this faster rise. Manufacturing employment decelerated from 4½ per cent in 1977 to 3 per cent in 1978. It seems that there may have been some labour hoarding in 1977 which allowed a recovery in output growth in 1978 without much increase in employment, thus giving rise to a sharp increase to 4¼ per cent in the rate of growth in productivity in manufacturing, which nevertheless was still considerably below the longer-run trend rate of 6½ per cent from 1961-64 to 1971-74. Unemployment remained broadly unchanged at about 2½ per cent of total employees in 1978 as a whole. However, towards the end of the year, labour market conditions appear to have eased a little with unfilled vacancies falling by about one-fifth between December 1977 and December 1978. In addition, unemployment among young people, which is relatively higher than for other age groups and which is not fully recorded in the unemployment statistics, had also apparently risen a little further towards the end of 1978.

Prices and incomes

In 1978 as a whole, retail prices increased by 12½ per cent — much the same as in 1977 — but the pattern was uneven in the course of the year, the annual rate accelerating as a result of domestic pressures to about 13½ per cent during the first half of the year. Thereafter, there was a slowdown to just less than 10 per cent during the second half. The improved performance after mid-year was partly attributable to a favourable movement in fruit and vegetable prices and partly to counter-inflation measures taken in June. Some of the measures were of a general character (cuts in government expenditure, notably investment expenditure, a ceiling on the number of civil servants, action against tax evasion, etc.) but the most important were directly concerned with prices and included the freezing of rents and administered prices (electricity, telephones and transport) up to the end of 1978 and measures to control prices more strictly, particularly food prices. As noted earlier, with the phasing out of some of the measures and the ending of other special factors, the rise in prices accelerated sharply

20 Expenditure on recreation and entertainment grew at an annual rate of 8¾ per cent between 1974 and 1978, compared with 2½ per cent, annual rate, during the four preceding years.

in the early months of 1979. In the five months to May 1979, the increase was almost 11 per cent, roughly double that during the same period in 1978.

Partly because of government policy encouraging fast growth in farmers' incomes and despite a sizeable increase in food production, the rise in food prices in 1978 was again faster than for total retail prices. Similarly, because of strong demand and the sharp increase in tourism, prices of private services rose faster than total retail prices and more than in the previous two years. Though the authorities placed under control the prices of clothing and footwear, their price rose by 22 per cent in 1978, which is about two and one half times faster than in 1977, and despite the freezing of rents during the second half of 1978 the rate of increase in 1978²¹ on a yearly basis was probably considerably above that for total retail prices. The rapid increase in rents was induced by a lagged response to the substantial rise in the price of new houses and apartments, which appears to have been over a quarter both in 1976 and in 1977²². Influenced by the June measures and by the slower rise in basic pay for construction workers, a small deceleration in the price rise for new houses and apartments probably took place in 1978²³, while the freezing of administered prices during the second half of the year resulted in the rise in prices of telecommunications and transport services in 1978 as a whole being almost half that for total retail prices.

The faster productivity growth in non-agricultural sectors in 1978, led to a somewhat smaller contribution of labour costs to the consumer price rise than in 1977. The contribution of non-wage costs in the non-farm sector was also less than in 1977, and the smallest since 1973. The rise in profits and in income from property and entrepreneurship, especially the part accruing the government, slowed down. There was also a small decrease in the contribution of net indirect taxes.

The rise in import prices was substantially faster than in 1977, with the result that it more than doubled its contribution to the consumer price rise in 1978, compared with 1977. However, despite this acceleration, the rise in import prices, as in the previous two years, was considerably slower than the rise in domestic costs, thus exerting an overall moderating influence on inflation. Moreover, allowing for regular and seasonal movements, the rise in import prices up to the third quarter of 1978 was modest (less than 7 per cent year-on-year on average) and it was only in the fourth quarter that the rise accelerated strongly to about 20 per cent, year-on-year, thus pulling the rise for the year as a whole up to 11 per cent. Accordingly, the real impact of import prices on the consumer price rise in 1978 as a whole may be smaller than the estimates of the contributions of the individual sources of inflation shown in Table 4 which, because of lack of data, does not fully take account of the lags involved in passing on to consumer prices the changes in import prices. Inversely, the contribution of domestic sources to inflation last year may have been stronger than indicated in Table 4²⁴.

21 There are no official series on rents. The national accounts implicit price deflators for rent and water charges and for the ownership of dwellings could be used as an indicator for the direction of change and also to show the rough orders of magnitude. The implicit price deflator of these two items rose by about 16½ per cent in 1978 as a whole, compared with 11¾ per cent in 1977 and about 9 per cent in 1976 and 1975 on average.

22 Building costs of private housing rose by almost 20 per cent annual rate in 1976 and 1977, while land prices (for which no records exist) especially in big cities, appear to have risen even faster. In addition, the housing boom induced a proportionately faster rise in profits from housebuilding which is probably not fully reflected in the implicit price deflator of residential investment.

23 The rise in the deflator for private residential investment decelerated from 20 per cent in 1977 to 15½ per cent in 1978. However, when account is taken of land prices and profits from housing, the rise in the price of new houses and apartments may not be markedly different from that in 1977.

24 An analysis of the intersectoral contributions of costs to price formation in Greece by the Department of Economic Research (Messrs. N. Garganos and P. Monferatos). Bank of Greece, February 1979, gives a detailed breakdown of the weights in 1970 of the individual factors contributing to inflation.

Table 3 Prices, wages and salaries
Percentage changes

	From previous year					During 12 months up to:			
	1974	1975	1976	1977	1978 ¹	Dec. 1977	Dec. 1978	Mar. 1979	May 1979
1 PRICES									
<i>Retail prices</i>									
Total	26.9	13.4	13.3	12.2	12.5	12.8	11.5	16.1	16.7
of which:									
Food	27.7	11.8	13.9	14.0	14.2	15.8	9.2	16.2	15.3
Housing	27.4	11.7	11.0	11.8	11.4	13.5	8.3	11.2	15.3
Durables	26.7	6.7	10.6	10.1	8.5	9.5	9.3	12.3	11.8
<i>Wholesale prices</i>									
Total	31.3	8.3	14.0	13.7	10.3	10.7	11.6	17.2	18.0
Final products for home consumption, total	32.5	9.2	13.4	12.7	11.1	11.8	11.1	16.6	17.3
Domestic	34.1	8.4	12.9	12.9	10.5	11.4	10.4	16.5	17.4
Primary	22.7	8.9	18.9	14.1	12.5	11.4	11.6	23.6	18.9
Industrial	38.7	8.0	10.8	12.5	9.7	11.5	10.0	13.2	16.8
Foreign	28.0	11.6	15.0	12.1	12.9	12.6	12.9	17.0	16.9
Exports (primary and industrial)	24.2	3.0	18.3	19.9	5.4	4.5	15.1	20.8	22.6
<i>Import prices</i>									
Total	45.2	19.0	11.5	4.9	11.0	-17.2	18.5		
Total excluding oil	33.3	18.0	10.0	5.6	8.7	-9.7	20.0		
of which: Food	29.2	15.2	5.8	13.1	-2.4	-16.8	2.5		
<i>Effective exchange rate</i>	-0.1	-9.5	-7.1	-3.8	-10.0	-2.5	-12.2	-6.7	-5.9
2 WAGES AND SALARIES									
<i>Manufacturing²</i>									
Salaries	23	20½	23	19¾	19	19½ ⁰	18¾ ^a	16½ ^a	
Hourly wages	26½	24½	28¾	20¾	23½	27 ^c	31½ ^a	22½ ^a	
Weekly wages	27¾	21½	27½	18¾					
<i>Total economy</i>									
Minimum wage rates	10	22	18	16	23			15 ^a	
Wage and salary bill ³	21¾	23	27¾	23¾	23½				
Average earnings ⁴	(21½)	(21)	(23)	(19)	(21)				
<i>General government</i>									
Average pay ⁵	30	20½	22½	18	26				

1 Provisional; partly based on incomplete information for 1978 and partly on OECD estimates.

2 Plants with ten workers or more.

3 National accounts basis (excluding agriculture) and including other labour costs.

4 Rough estimates for non-agricultural sector, excluding earnings from abroad.

5 Budget expenditure on wages and salaries and other pay divided by the number of people working in the public service (including teachers, etc.) and military personnel.

6 Quarterly data.

Sources: Budgets; National Accounts of Greece, 1970-1977, *Statistical Yearbook*; OECD, *Main Economic Indicators*, direct information to the OECD and OECD estimates.

The rise in the index of wholesale prices slowed down from 13¾ per cent in 1977 to 10¼ per cent in 1978, largely reflecting a markedly slower increase in export prices from 20 per cent in 1977 to 5½ per cent in 1978. It appears that in order to boost exports of tobacco, drinks, edible oils and textiles, which had experienced a substantial decline in volume terms in 1977, export profit margins of these products were reduced; in the case of edible oil export prices were reduced by as much as 28½ per cent. The

Table 4 Contribution to consumer price increases
Percentage change from previous year

	1975	1976	1977	1978
Wage costs ¹ (non-agricultural sectors)	4.5	4.4	4.2	4.0
Non-wage costs ² (non-agricultural sectors)	3.4	2.6	4.8	2.2
Agricultural costs ³	0.7	3.7	1.9	2.2
Net indirect taxes ⁴	3.4	1.7	1.9	1.7
Import prices ⁵	2.5	1.5	0.6	1.4
Residual ⁶	-2.2	-1.1	-1.3	0.8
Consumers' expenditure deflator ⁷	12.3	12.8	12.1	12.3

1 Domestic wages and salaries per unit of non-agricultural output.
2 Income from property and entrepreneurship accruing to households per unit of non-agricultural output.
3 Implicit national accounts deflator of gross domestic product at factor cost in agriculture.
4 Per unit of non-agricultural output.
5 Goods only.
6 The varying importance of the residual item may reflect in part variations in the weights. Positive and negative values over a number of years should cancel out.
7 Implicit national accounts deflator of consumers' expenditure.
Sources: National Accounts of Greece and OECD estimates.

rise of wholesale prices of domestically-produced industrial goods also decelerated moderately; the recovery in productivity may have contributed to this but continuing excess capacity may also have played a role. The rise in the wholesale price index also showed a slowdown between the two halves of the year, but this was less marked than for retail prices.

Despite large fluctuations in the annual rise of overall basic pay rates and the important differences in the annual level of pay settlements among sectors, professional categories and skills, there has been a remarkably stable rate of increase in average earnings of a little over 20 per cent, annual rate, since 1973. However, in 1978 as in previous years, there were considerable differences in sectoral pay rises. Largely reflecting the introduction of a unified pay structure²⁵ in the civil service, government employees received the biggest average pay rises (26 per cent), followed by manufacturing workers (23 per cent). The rise in average pay in retail trade (22 per cent) was also above average. The continuing consumption boom and the upturn in manufacturing production in 1978 appear to have considerably strengthened wagedrift in the two latter sectors. In most other services the increase was below average and, due to government policy aimed at narrowing pay differentials, the average pay rise of bank employees (14 per cent) was for the second year running lower than the average rise in the economy as a whole. For the same reasons, construction workers' average pay rise was relatively small. In total, the increase of almost 21 per cent in average pay was substantially higher than the rise in the consumer deflator resulting in an increase of about 7½ per cent in real earnings, compared with 6 per cent in 1977.

The turnaround from a 7 per cent decline in 1977 to a 6½ per cent increase in agricultural production combined with a slightly stronger rise in agricultural farm gate prices, led to a sharp acceleration in agricultural incomes from 4 per cent in 1977 to 22 per cent in 1978. In 1978, as in the previous four years, the increase in government transfers to households continued to be substantially higher than other personal income. Between 1968 and 1973, pensions and other government transfers to households rose considerably slower than other personal income with the result that their

25 A new unified pay structure was introduced in 1978 by consolidating into the basic rate extra pay (premium, committee fees, etc.) and by changing the grade structure.

Table 5 Household incomes¹

	1978 Dr. billion	Percentage changes			
		1975	1976	1977	1978
Agricultural income	165.6	10.0	22.6	3.9	22.0
Wages and salaries	435.0	23.2	26.7	23.5	22.7
<i>of which: From domestic sources</i>	426.1	23.0	27.4	23.7	23.2
Income from property and entrepreneurship	337.5	18.7	15.2	19.3	12.7
Current transfers from government	104.0	24.0	28.2	29.0	31.2
Current transfers from abroad	35.8	22.8	17.0	16.2	6.1
Total income	1 077.9	19.2	21.7	18.9	19.4
<i>less: Direct taxes</i>	136.4	13.6	27.6	29.6	30.3
<i>of which: Social Security contributions</i>	96.4	24.4	28.5	27.4	30.9
Disposable income	941.6	19.9	21.0	17.6	18.0
Consumers expenditure	759.3	19.5	18.2	17.7	18.0
<i>Memorandum items:</i>					
Saving rate ²		17.5	19.4	19.3	19.4
Real household income		6.8	7.3	4.9	5.1

1 Including non-profit institutions.

2 Including statistical discrepancy and savings of corporations.

Sources: Greek National Accounts and direct communication to the OECD.

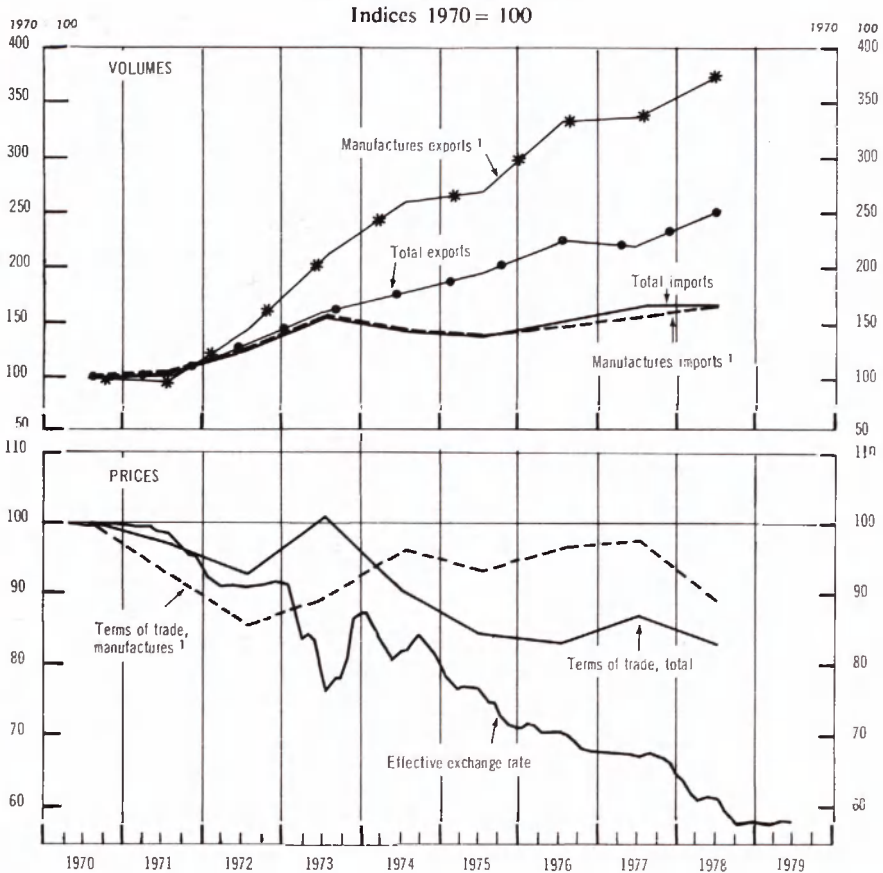
relative level had fallen considerably. Since 1974, there has been an effort to adjust their level and the marked rise in government transfers in 1978 largely reflects a substantial increase in pension levels, especially minimum pension rates. Despite buoyant domestic demand, official statistics indicate a substantial slowdown in income from property and entrepreneurship in 1978 which may partly reflect measures to control certain trading profits and a somewhat slower rise in residential and other building investment which is an important source of profits and self-employment income in Greece²⁶. Current transfers from abroad also rose modestly in 1978 probably because of a continuing small decline in the number of Greek workers in the EEC and sluggish world shipping conditions.

Balance of payments

The balance of payments position improved in 1978. The current external deficit, after being steady at about 5 per cent of GDP in the three years to 1977, fell to almost 4 per cent in 1978. And in contrast to the trend in the two previous years, the rise in the value of merchandise exports exceeded that of merchandise imports, resulting in a considerably smaller increase in the trade deficit than in 1977. Favourable movements in trade volumes more than offset the adverse effect of the large swing in the terms of trade (an improvement of nearly 5 per cent in 1977, followed by a deterioration of 5 per cent in 1978). In addition, a strong rise in net invisible receipts exceeded the rise in the trade deficit. Autonomous capital inflows and foreign exchange deposits by Greeks living abroad financed most of the current deficit, with the result that the account on official settlements was in approximate balance, as had been the case in 1977. Borrowing by the authorities was largely used to increase reserves. The effective rate of the Drachma fell by about 12¼ per cent through the year (10 per cent year-on-year), considerably more than the annual falls of 3¼ per cent on average in 1976 and 1977.

26 The sharp deceleration in the rate of growth of income from property and entrepreneurship between 1977 and 1978 is, however, surprising in view of the buoyancy of domestic demand and in particular of the acceleration in non-agricultural output. There may have been some under-recording partly associated with tax evasion last year.

Diagram 3 Foreign Trade



1 SITC 5 to 8.

Sources: National Statistical Service. *Monthly Statistical Bulletin* and OECD estimates.

The volume of merchandise exports (on a customs basis) recovered sharply from a 1½ per cent decline in 1977 to a 15½ per cent rise in 1978. Exports of agricultural products (40 per cent of total exports) which had fallen by over 6 per cent in 1977, rose by 15½ per cent (in volume) in 1978, largely reflecting a small decline in the price of agricultural products and the authorities' decision to run down their stocks and export olive oil and cereals. There was also a strong acceleration in the volume of exports of semi-processed and manufactured products²⁷ from 1½ per cent in 1977 to 11 per cent in 1978, nearly double the rate of growth of export markets. The acceleration also reflected an 8 per cent decline in foreign currency export prices for industrial goods²⁸ and the end of a long strike in the ferro-nickel industry, whose exports in volume rose by almost one-half in 1978 after falling by about one-fourth in 1977. This swing alone contributed almost 1½ percentage points to the acceleration in 1978. Of the other important industrial categories, textiles also experienced a fast growth in

27 S.I.T.C. 5 to 8.

28 Composed of a 10 per cent effective depreciation of the Drachma and 1½ per cent rise in the price of industrial goods in Drachmae.

volume (about 20 per cent) compared with near stagnation between 1976 and 1977, while exports of chemicals and of transport equipment and machinery fell. About 9 percentage points of the overall rise in non-agricultural exports²⁹ was attributable to a substantial increase in shipments of petroleum products, particularly in the fourth quarter of the year³⁰.

Reflecting the deceleration in the growth of final domestic demand, and the anti-inflationary measures taken in June 1978, the rate of growth of the volume of merchandise imports (customs basis) slowed down from 6¼ per cent in 1977 to 5 per cent in 1978. Largely because of a substantial rise in meat imports allowed by the Government in order to curb the rise in meat prices and because of a shortfall in domestic production of milk, butter and cheese, imports of food and drinks rose by almost one-fifth in 1978 (the 1977 increase was 2½ per cent). In response to the continuing consumer boom, the rise in the volume of imports of goods under S.I.T.C. 8 — mainly “luxury” consumer goods — was a substantial 16 per cent. Following a moderate decline, import volumes of raw materials³¹ increased very little (1¼ per cent) in 1978. The relatively weak trend in raw material imports in 1977 and 1978 may be partly due to the slow growth in industrial production in 1977 and may also reflect some destocking last year. Similarly, after the June measures, private car imports decelerated sharply, bringing the 1978 year-on-year increase to 12 per cent in dollar terms, compared with 70 per cent in 1977, which suggests very little rise if at all in real terms, between 1977 and 1978. As would be expected given the stagnation in manufacturing investment, imports of capital goods seem to have declined a little last year.

Net invisible receipts rose by almost 18 per cent last year, but of the three main invisible items — tourism, shipping and emigrants’ remittances — only tourism showed any buoyancy. In fact, net tourist receipts rose by 35 per cent and accounted for nearly two-thirds of the \$470 million increase in net invisibles. The rise was due to an increase in the number of tourists of about 14 per cent (which was roughly the same as in other Northern Mediterranean countries) and a jump in per tourist expenditure of about 18 per cent, the latter partly reflecting the decline in the value of the dollar vis-à-vis the currencies of most European countries.

Following rapid growth (23 per cent) in 1977, recorded net shipping receipts rose very little (2¾ per cent) last year. In addition to sluggish world shipping conditions, the yearly rises in net shipping receipts are influenced by the timing of the pay settlements which partly explains the sharp rebound in 1977 and the subsequent slowdown. There may also be a recording problem, as an increasing part of the expenditure by shipping companies in Greece is made by sending to Greece convertible drachmas, which are recorded as monetary capital inflows. But even allowing for this, the rise in net shipping receipts was still less than 4 per cent in 1978. Emigrant remittances increased very little (6 per cent) and when account is taken of the fact that many of these are denominated in Deutschemarks which appreciated vis-à-vis the United States dollar by some 13½ per cent in 1978, there was an actual decline in the value of remittances in terms of the Deutschemark³² and other European currencies.

29 S.I.T.C. 3, 5, 6, 7, 8.

30 Exports of petroleum products (million tons):

1977	4th Quarter 1977	1978	4th Quarter 1978
1.1	0.2	2.6	1.3

31 S.I.T.C. 2.

32 The bulk of emigrants’ remittances from Europe are sent in Deutschemarks by Greeks living in Germany.

Table 6 **Balance of payments**
\$ million

	1974	1975	1976	1977	1978
Exports, fob	1 803	2 030	2 228	2 522	2 999
Imports, cif	4 715	5 072	5 561	6 425	7 341
Trade balance (cif/fob)	-2 912	-3 042	-3 333	-3 903	-4 342
Services and transfers, net	1 679	1 977	2 246	2 621	3 089
Credits	2 407	2 746	3 033	3 498	4 128
Travel	448	644	824	981	1 326
Shipping	867	845	914	1 127	1 177
Migrants' remittances	674	782	803	925	985
Other	418	475	492	465	640
Debits	728	769	787	877	1 038
Current balance	-1 233	-1 065	-1 087	-1 282	-1 253
Private long-term capital	425	511	545	634	706
of which: Entrepreneurial	137	113	175	233	283
Real estate	233	299	295	363	410
Suppliers' credits	38	78	10	-38	-43
Public entities, long-term	41	-42	-4	18	38
Official, long-term	56	7	-26	-15	54
Basic balance	-711	-589	-581	-646	-455
Short-term suppliers' credits	87	151	-6	46	-28
Errors and omissions	65	-225	-129	-97	-269
Private monetary institutions	186	277	598	679	729
of which: Deposits in foreign exchange	182	267	485	592	681
Balance on official settlements	-373	-386	-108	-18	-22
Use of IMF credits	43	186	67	-42	-33
Central Bank borrowing	245	225	-19	184	145
Change in clearing and barter accounts	-27	-30	53	13	20
Change in official reserves (- = increase in assets)	113	-7	6	-141	-109
Use of SDR's (- = increase)	-1	12	1	3	-1

Sources: Bank of Greece, *Monthly Statistical Bulletin* and direct communication to the OECD.

Indeed, there was a small decline in remittances received directly in foreign exchange from abroad and the total increase was due to the withdrawal in Drachma from the deposits in foreign exchange that Greeks living abroad have with Greek banks. The decline in migrant remittances sent directly from abroad was the first since about the mid-1950s³³.

For the second year running, capital inflow was considerable. Capital inflows for real estate purchases — mainly on account of Greeks living abroad — increased markedly less than in the three years to 1977, but they remained the most important category of private long-term capital inflow. There was a further (but somewhat slower than in 1977) increase in gross entrepreneurial capital inflow, but because outflows on servicing were smaller than in 1977, the net inflow was still substantial. An important feature since 1975 is that entrepreneurial gross capital inflows under the Law 2687/53 which gives special privileges and guarantees to foreign investors, have been declining in value, whereas the rest of entrepreneurial capital, including borrowing, which does not benefit from these same advantages, has been increasing rapidly.

33 In 1967 and 1974 there were declines due to the 1967 coup d'Etat and the Cyprus crisis respectively.

Moreover, after allowing for repayments under Law 2687/53, there has been a net capital outflow since 1975 under this Law. The increase in private net capital inflows and somewhat greater long-term public sector borrowing (excluding Bank of Greece borrowing) contributed by approximately the same amounts to the substantial decline of almost \$200 million in the basic balance of payments deficit, to some \$450 million in 1978, the lowest since 1973.

Due to the appreciable increase in the first half of the 1970s, foreign exchange deposits in Greek banks by Greeks living abroad have become an important source of financing the balance of payments deficit. About \$60 million foreign exchange deposits were made in 1970. By 1978, net deposits reached \$390 million covering one half of the deficit (balance on official settlements less these deposits and public sector borrowing) of \$795 million. However, in the last couple of years, the rate of increase in gross deposits has declined reaching 24 per cent in 1978, compared with 36 per cent over the previous two years. Simultaneously, the rate of increase in withdrawals, notably in foreign exchange, has increased substantially.

It seems likely that part of the foreign exchange dollar deposits represented short-term hot money, attracted by the high interest rate differential in favour of deposits with Greek banks. The narrowing of these differentials may have caused some withdrawals. This, combined with a continuation of the slow rate of inflow and the high rate of outflow, may render this source of finance less stable in the future and, in any case, its relative importance in financing the current deficit, though remaining substantial, is expected to decline. As in 1977, the Bank of Greece borrowed a net \$¼ billion last year, which permitted a second repayment to the IMF of \$33 million and a \$100 million increase in official reserves to \$1¼ billion at the end of 1978, when reserves represented just over two months of merchandise imports.

II ECONOMIC POLICIES

Expansionary demand management in the three years to mid-1978 accompanied by substantial pay increases resulted in a continuing strong expansion of final domestic demand, with the inflation rate remaining comparatively high and accelerating in the first half of 1978. In response to these developments the policy stance was modified in June last year. Restrictive monetary and fiscal measures were introduced while some prices were temporarily frozen. The move towards less expansionary policies was continued in the 1979 budget presented to Parliament in late 1978. And following the surge in inflation and the widening in the current external deficit in the first months of 1979, additional action was taken in order to restrain the growth of domestic demand and to reduce the budget deficit which has been an important influence on the strong inflationary pressures in recent years. Price controls were also strengthened and, in order to alleviate the impact of external price rises on domestic inflation, exchange rate policy, which had earlier been directed towards maintaining competitiveness, was shifted to keeping stable the effective rate as of November 1978³⁴.

1978 and 1979 have also seen the beginning of a systematic approach to the serious problem of tax evasion³⁵. Other long-term policies were also announced, aimed at

34 The effective depreciation of the Drachma was 13½ per cent during the previous twelve months.

35 See OECD Economic Survey of Greece, 1977, page 24.

reducing gradually the substantial deficits of public enterprises, and of the "agricultural products and government supplies" accounts³⁶ as well as the phasing out of certain agricultural subsidies. The budgetary accounts of the public sector were consolidated for the first time, thus enabling the authorities to monitor better overall public expenditure and estimate the economic impact of the public sector.

Monetary policy

Over the last four years monetary policy has been faced with the difficult task of reconciling the Government's objective of reducing the rate of inflation with the need to finance the substantial government deficits, while continuing to provide sufficient credit to support private sector activity. At the beginning of each year targets for currency in circulation, M1 (money supply narrowly defined) and bank credit consistent with the projected GDP growth rate and the target rate of inflation fixed by the Government, are set for the year as a whole. As a rule, however, realised monetary

Table 7 Monetary indicators
Change during period, billion drachmae

	1973	1974	1975	1976	1977	1978 ¹
<i>Factors affecting money supply</i>						
Private sector	17.0	10.2	-3.7	14.0	13.0	8.0
Public sector borrowing ²	22.5	24.6	38.2	40.0	51.6	68.2
(From domestic banks)	(19.2)	(15.7)	(17.0)	(35.3)	(54.5)	(54.6)
Central government	20.0	26.0	36.1	40.2	59.3	69.3
Public entities	-3.2	-7.0	-3.8	-8.1	-13.5	-10.8
Public corporations	5.8	5.7	5.9	8.0	5.7	9.7
Foreign sector (excl. public borrowing)	-8.5	-16.5	-26.6	-30.0	-28.8	-46.2
Unspecified	-13.9	—	9.5	7.1	-8.8	11.6
Money supply narrowly defined, M1 ³	17.1	18.3	17.4	31.1	27.0	41.6
Quasi-money (M3 ⁴ - M1)	19.3	33.8	61.7	70.8	81.6	110.5
Total money supply, M3	31.4	52.1	79.1	101.9	108.6	152.1
<i>Memorandum items:</i>						
(percentage changes)						
M1	22.5	19.7	15.6	24.1	16.9	22.2
M3	14.6	21.1	26.4	27.0	22.6	25.9
(end of period, billion drachmae)						
Monetary sector's net foreign assets	15.2	5.4	-0.5	-24.7	-46.1	-76.2
Deposits in foreign exchange	20.8	26.4	40.0	63.1	85.6	111.8
Velocity of circulation (GDP/M3)	1.86	1.86	1.75	1.69	1.63	1.55
Commercial banks liquidity ratio ⁵	12.4	16.9	13.1	14.7	8.4	9.1 ⁶

1 Provisional; excluding the Dr. 70 billion loan⁵ to the State by the Bank of Greece for the settlement of the cumulative deficit of the "agricultural products and government supplies" account.

2 Including foreign borrowing.

3 M1 includes notes and coins outside the banking system and sight deposits.

4 M3, the broader definition of money supply, includes savings deposits and private and public time deposits with commercial banks and special credit institutions.

5 Ratio of cash deposits with the Bank of Greece, treasury bills and foreign exchange assets minus compulsory deposits with the Bank of Greece and compulsory holdings of treasury bills, over total drachma deposits.

6 November 1978.

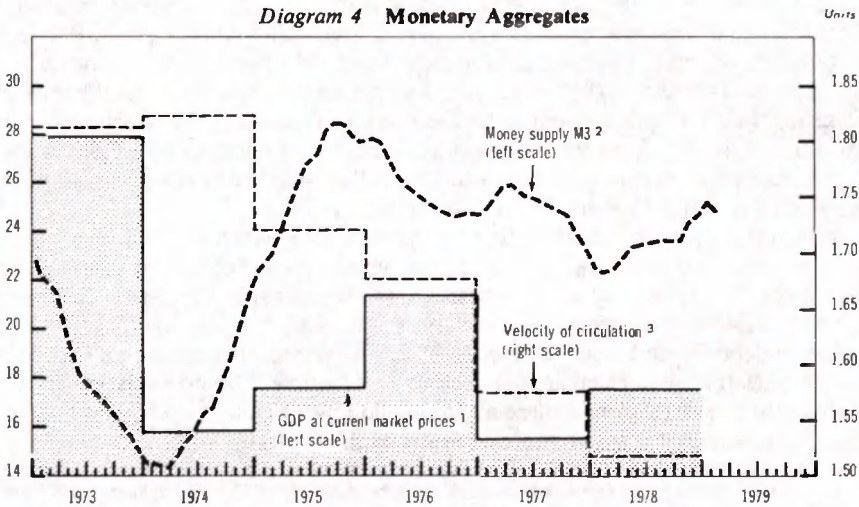
Sources: Bank of Greece, *Monthly Statistical Bulletin* and direct communication to the OECD.

36 A number of accounts are included under this heading which reflect government support mainly for agricultural prices and incomes resulting from the difference between buying and selling prices. The deficit has been mainly covered by the Bank of Greece.

growth has exceeded the targets and hence monetary policy has in general facilitated the maintenance of a high inflation rate. In particular, the provision of ample credit to finance housing³⁷ and domestic trade activities has reinforced speculative pressures and exacerbated inflationary strains in these sectors which eventually feed through to the rest of the economy.

After taking account of some exceptional factors³⁸ which led to a temporary upsurge in monetary aggregates in December 1978, the growth in 1978 of both currency in circulation and bank credit to the private sector was again higher (by about one-fourth) than the targets. The rate of growth of M1 was 22¼ per cent during 1978³⁹; excluding the special factors in December, the rise may be almost 21 per cent, nearly 4 percentage points higher than during 1977. The acceleration of the growth of M3 was smaller, from 22½ per cent in 1977 to 26 per cent in 1978 (excluding the December temporary acceleration), but again considerably higher than the growth of nominal GNP (18¾ per cent) indicating continuing strong monetary stimulation of underlying inflationary trends.

The main expansionary factor behind the growth of M1 was again public sector borrowing, particularly central government. Moreover, due to the reduced surplus of public entities (mainly social insurance funds) and to the rise in the deficit of public enterprises⁴⁰, the rest of the public sector did not exert a contractionary impact as was the case in 1976 and 1977. The contribution of the private sector to money creation



- 1 Percentage changes over previous year.
- 2 Percentage changes over 12 months.
- 3 GDP at current market prices divided by M3.

Sources: Bank of Greece, *Monthly Statistical Bulletin* and OECD estimates.

37 According to official sources a small part of bank credit to industry was also used to purchase real estate.

38 In December 1978, both the growth of bank credit and money supply accelerated sharply. However, the growth decelerated in the first few months of 1979 to about the trend rate up to November 1978. The acceleration was probably due to an increase in company borrowing towards the end of the year to forestall any credit restrictions which it was feared might be imposed early in 1979.

39 The increase in currency in circulation was 21¼ per cent during 1978 compared with a target rate of growth of 16½ per cent.

40 The increase in the public enterprises deficit reflects the freezing of administered prices and the upturn in investment.

(M1) declined further in 1978 to about half that in 1977, the reduction reflecting the continuing high rate of household savings, in particular the upturn in private sector deposits in the second half year, the lower level of company investment and the smaller increase in housing investment. The foreign sector exerted a somewhat stronger negative contribution⁴¹ in 1978 as a whole than in 1977.

Partly influenced by the worsening inflationary situation, the rate of increase of private sector deposits slowed down substantially around the end of 1977 and into the first half of 1978. Nevertheless, domestic credit expansion again accelerated during the first half of 1978 in response to pressure to meet the growing public sector need for funds and the strong private sector demand for credit (which was also influenced by the worsening inflationary outlook⁴²). With the commercial banks' liquidity ratio at the end of 1977 almost 40 per cent below the average of the four previous years, commercial banks had insufficient funds to satisfy the sizeable increase in demand for credit and a major part of this was financed by the Bank of Greece⁴³. All these developments suggested that without a correction of policy the growth of monetary aggregates would continue to be excessive carrying the risk of further exacerbating domestic inflation.

Accordingly, monetary policy was tightened in June 1978. For the first time since the adoption of a more flexible system for monetary management (mainly based on reserve requirements) in the mid-1970s, the June 1978 measures relied heavily on officially-controlled interest rates for the implementation of the monetary objectives. Most deposit and lending rates rose by 1 to 3 percentage points, the largest rise in the last twenty years⁴⁴. In the past when the key instrument for monetary management was credit controls, interest rate changes were fairly small and infrequent. Particularly important was the rise in two successive steps from 14½ per cent at the end of May to 20 per cent by July 20 1978⁴⁵ in the penalty rate applied to commercial banks' debit position on their current account with the Bank of Greece. These accounts were an important source of finance for credit expansion in the previous twelve months and the 14½ per cent penalty rate applied up to the end of May was insufficient to dissuade banks from resorting to Bank of Greece funds.

The authorities also decided to free the interbank interest rate previously fixed administratively at 3 per cent in order to encourage the development of an interbank credit market. The effect of these measures was fairly rapid. Private sector deposits with commercial banks turned up strongly in July and August, leading to a marked rise in total deposits and also, influenced by the fiscal measures, demand for credit by the private sector moderated in the second half-year⁴⁶. These trends led to a considerable improvement in commercial banks' liquidity position and permitted repayment of a substantial part of the overdrafts with the Bank of Greece.

41 Table 7 shows negative contributions of the foreign sector of Dr. 28.8 billion in 1977 and Dr. 46.2 in 1978. The increase is partly an accounting difference arising from the sizeable fall of the Drachma rate of exchange vis-à-vis the Deutschmark, in which currency a major part of the increase in foreign liabilities is denominated. In fact, excluding this accounting factor, the contractionary effect of the foreign sector was about Dr. 36.0 billion in 1978.

42 In times of accelerating inflation, Greek households tend to increase their purchase of durables, private motor cars and real estate by drawing on their savings and increasing borrowing.

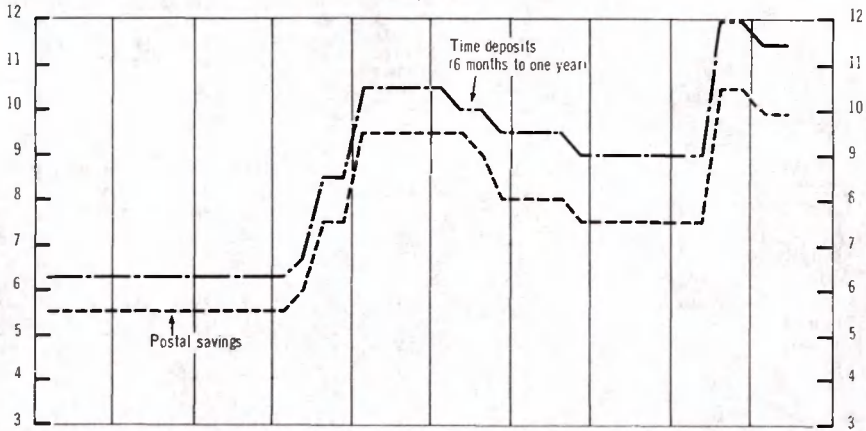
43 The commercial banks overdraw their current account with the Bank of Greece.

44 Lending rates applied to export credits remained unchanged at 9 per cent. interest rates on long-term loans to manufacturing rose by 1 percentage point to 11½ per cent; similarly, the increase in interest rates on agricultural loans was small. On the contrary, interest rates on loans to domestic and import trade rose by 3 percentage points to 17 per cent.

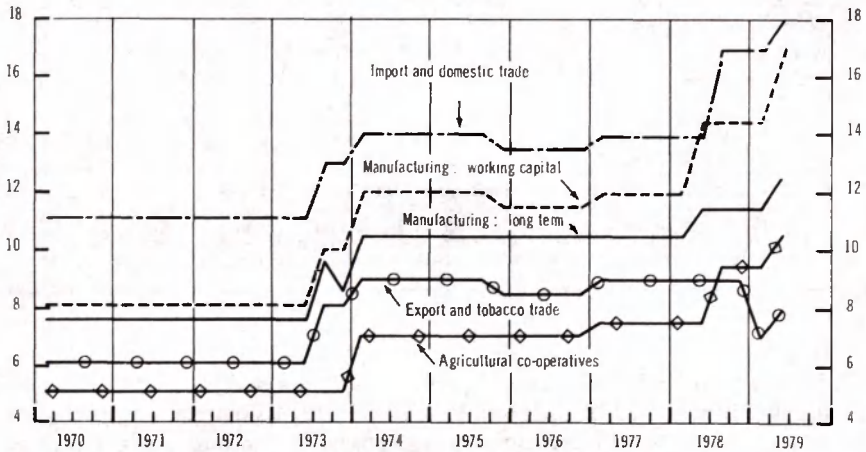
45 As from July 20 a 14 per cent penalty rate is applied to overdrafts up to 1 per thousand of total deposits rising to 20 per cent penalty rate for bigger overdrafts.

46 Private sector deposits rose considerably less during the first half of 1978 compared with the same period in 1977 and almost one-half faster during the second half of 1978 than during the second half of 1977, while credit expansion to the private sector decelerated markedly during the second half of 1978.

Diagram 5 Interest Rates
Deposits



Bank Credits



Sources: Bank of Greece, *Monthly Statistical Bulletin* and direct communication to the OECD.

Total bank credit expansion in 1978 was exactly the same as in 1977 (23.8 per cent), a somewhat slower rise to the private sector⁴⁷ than in 1977 being offset by a strong acceleration of credit to the public sector. The extension of bank credit to trade decelerated markedly, influenced by the sharp increase in interest rates by 3 percentage points to 17 per cent in June 1978; it was largely concentrated in the second half of 1978 and broadly in line with the slowdown in the rise of consumer demand. Reflecting the decline in real investment the rise in credit to manufacturing was lower than in 1977. Credit for housing, however, rose (25¾ per cent) a little faster than in 1977.

⁴⁷ Bank credit expansion to the private sector decelerated even more than shown in Table 8. Exceptional loans were given to farmers whose crops were destroyed by bad weather; also, outstanding credit denominated in foreign currency reflecting the depreciation of the drachma rose considerably in 1978. Allowing for these two factors, domestic credit expansion to the private sector was 22.8 per cent in 1978.

Table 8 Domestic credit expansion

	Out- standing end 1978 billion drachmae	Percentage changes during 12 months up to					
		Dec. 1973	Dec. 1974	Dec. 1975	Dec. 1976	Dec. 1977	Dec. 1978 ¹
<i>Bank credit</i>							
Private sector	592	18.0	20.0	24.5	25.3	25.4	24.4
Agriculture	117	27.8	32.0	24.2	20.4	35.5	29.8
Manufacturing and mining	269	16.3	23.5	30.9	24.8	25.4	25.7
short-term	189	11.9	25.0	34.9	27.4	26.5	25.6
long-term	80	25.6	20.4	23.0	18.0	23.0	26.2
Trade	66	20.0	9.4	27.2	34.3	31.4	20.1
of which: Domestic trade	49	4.8	15.3	29.6	37.9	34.3	23.3
Housing	68	15.9	4.0	11.8	17.4	24.1	25.8
Tourism	33	28.5	25.2	13.9	13.4	13.9	17.4
Other	39	1.5	18.4	37.6	33.7	17.5	12.2
Government purchasing agencies and public entities ²	34	16.0	14.5	12.7	19.8	16.7	18.2
Public enterprises	53	39.3	29.2	22.5	26.1	13.3	21.7
Total	679	19.4	20.4	23.6	25.0	23.9	23.8
<i>Total monetary system's claims on:</i>							
Private sector ³	592	18.3	21.2	24.5	25.9	25.4	24.4
Central government, net	259	31.7	27.9	23.4	38.3	33.8	28.0
General government, net	177	32.6	26.7	26.7	42.4	34.3	32.4
Public enterprises, net	54	35.3	20.7	23.1	13.6	19.8	17.0
Public sector, net	231	33.5	24.7	25.5	33.2	30.3	28.5

1 Provisional data; excluding the Dr. 70 billion loan to the State by the Bank of Greece for the settlement of the cumulative deficit of the "agricultural products and government supplies" account.

2 Including Bank of Greece finance for government purchasing agencies.

3 Loans to private sector and holdings of private sector's securities by total monetary system.

Sources: Bank of Greece, *Monthly Statistical Bulletin* and direct communication to the OECD.

The upturn in private sector deposits in the second half of 1978 led the authorities in February 1979 to lower by $\frac{1}{2}$ percentage point the interest rates on drachma and interest rates on Deutschemark deposits were also reduced, while lending rates remained unchanged⁴⁸. In order to reduce liquidity, the commercial banks' obligatory deposits with the Bank of Greece and investment in government paper were raised from 37 per cent of their total stock of deposits to 38 per cent in January 1979 and to 39 per cent in March. In addition, with the aim of limiting the inflationary consequences stemming from the rapid rise in the monetary aggregates, the authorities fixed fairly restrictive targets for the growth of currency in circulation and for total credit to the private sector of 16 per cent and 18 per cent respectively during 1979. These targets are substantially lower than the realised growth rates in 1978 (21 $\frac{1}{4}$ per cent and 24 $\frac{1}{2}$ per cent respectively) but consistent with the original government objectives of reducing inflation to 10 per cent during 1979 and GDP growth of about 5 per cent. Additionally, the maturity term on commercial paper was shortened and the authorities announced that credit expansion for housing, notably for residential construction in the Athens area, would be reduced in 1979⁴⁹. At the end of May, lending rates were further raised by about 1 percentage point, but except for interest rates

48 Only interest rates for export credit were lowered, by 2 $\frac{1}{2}$ percentage points to 7 per cent, in January 1979.

49 However, there are no indications on the measures the authorities intend to apply to achieve a reduction in mortgage lending.

applied to credits for commerce and to industry for operational funds, the level of the other rates remains lower than the rate of inflation, thus entailing negative real interest rates for most categories of loans.

Fiscal policy

Budgetary policy — as noted earlier — was modified in the course of the year to take account of the need to combat inflationary pressures as well as the expenditures arising from the earthquakes in Salonica in the early summer. In June the authorities announced cuts in government investment and current expenditure of Dr. 5 billion and Dr. 2½ billion respectively. In addition, an extraordinary tax was imposed which was expected to yield some Dr. 3¼ billion on persons and on companies. Fuel taxes were raised by Dr. 1¼ billion. Despite these additional taxes, however, revenue in 1978 as a whole was a little less than had been budgeted. The shortfall was partly concentrated on real estate taxes and seems to have occurred largely because of tax evasion. In addition, reflecting the inclusion of the value of private motor cars in assessing taxable income as from June 1978, there was a substantial slowdown in private car registrations in the second half of the year⁵⁰ leading to a shortfall in road taxes. But as there was a small decline in ordinary expenditure, the ordinary budget was balanced as had been originally planned and as a result of the June measures investment expenditure was also less than had been originally budgeted.

The deficit of the "agricultural products and government supplies account" declined a little as the increased receipts from petroleum products sold in previous years more than offset the large increase in expenditure — particularly on cereals — resulting from the substantial rise in agricultural production. The total budget deficit rose marginally in 1978, but fell as a per cent of GDP by 1¼ percentage points to 6 per cent. There was a significant rise in foreign borrowing while recourse to domestic credit, and especially for Bank of Greece funds, was less than in 1977.

The 1979 Budget, prepared late in 1978, provided for a substantially faster rise in both ordinary and investment revenues and expenditures than in 1978 and 1977. A marked increase in direct taxes was planned for 1979; in particular, personal income tax is expected to increase by about 56 per cent, which is twice as high as the average rate of increase of the last three years⁵¹. The fight against tax evasion is expected to yield some Dr. 10 billion, a large part of which will come from households. With nominal incomes continuing to rise rapidly, and without offsetting increases in tax allowances and in tax thresholds, fiscal drag due to inflation is expected to rise considerably and alone may account for about two-thirds to one-half of the budgeted increase in personal income tax revenues. Indirect tax receipts are also expected to rise markedly faster than in 1978 partly as a result of the estimated further substantial increase in nominal demand and output and also because of the expected reduction in tax evasion. Total ordinary revenues are estimated to increase by some 28 per cent compared with 19 per cent in 1978.

Ordinary expenditure (excluding debt repayments) were budgeted to rise somewhat faster than revenues. Though slower than in 1978, the increase (24 per cent) in wages, salaries and pensions, because of the second final phase of the introduction of the unified pay system in the civil service, will still be substantial in 1979. Also, the Government decided to gradually phase out the "agricultural products and government supply account" notably the consumer goods account and incorporate the

50 Car registrations in the first half of 1978 were about 30 per cent up on the corresponding period in 1977 and in the second half of 1978 almost 7 per cent up on the second half of 1977.

51 Preliminary estimates suggest that the increase in personal income tax receipts may be less than was expected at the time the Budget was presented.

Table 9 **Ordinary budget**
Administrative basis, billion drachmae

	1975	1976	1977	1978 provisional data	1979 Budget forecast	Percentage change from previous year			
						1976	1977	1978	1979
ORDINARY BUDGET									
REVENUE¹	137.2	173.8	209.0	248.3	319.0	26.7	20.3	18.8	28.5
<i>Direct taxes</i>	29.2	47.3	48.0	60.9	85.0	62.0	1.5	26.9	39.6
Income and profits	19.6	24.4	33.2	39.7	59.7	24.5	36.1	19.6	50.4
<i>of which: On personal income</i>	14.0	17.6	24.9	30.4	47.5	25.7	41.5	22.1	56.3
Property	2.1	2.9	3.8	4.7	5.9	38.1	31.0	23.7	25.5
Other	7.5	20.0	11.0	16.5	19.4	166.7	-45.0	50.0	17.6
<i>Indirect taxes</i>	91.6	113.8	140.5	167.6	210.9	24.2	23.5	19.3	25.8
Customs duties	20.6	27.3	35.3	42.7	52.1	32.5	29.3	21.0	22.0
Consumption levies	38.1	44.0	53.6	64.9	81.9	15.5	21.8	21.1	26.2
Other	32.9	42.5	51.6	60.0	76.9	29.2	21.4	16.5	28.2
<i>Non-tax revenue</i>	16.4	12.7	20.5	19.8	23.1	-22.6	61.4	-3.4	16.7
EXPENDITURE	132.1	165.7	201.0	239.7	314.5	25.4	21.3	19.3	31.2
Wages, salaries and pensions	56.2	68.6	84.3	107.6	133.0	22.1	22.9	27.6	23.6
Other consumption	29.6	35.8	55.4	52.3	75.3 ²	20.9	54.7	-5.6	44.0
Subsidies to agriculture and grants	17.3	25.0	26.0	29.7	52.2 ³	44.5	4.0	14.2	75.8
Transfers to social security schemes	8.4	10.6	12.3	15.6	14.9	26.2	16.0	26.8	-4.5
Other expenditure	20.6	25.7	23.0	34.5	39.1	24.8	-10.5	50.0	13.3
BALANCE (excl. debt repayment)	5.1	8.1	8.0	8.6	4.5				
Debt repayment	5.1	5.6	8.0	8.6	2.5 ⁴				
TOTAL BALANCE	—	2.5	—	—	2.0				

1 According to the new revenue items classification.

2 Including reserve fund of Dr. 12.6 billions.

3 Including Dr. 9½ billion transferred from the agricultural products and government supplies account to the ordinary budget expenditure.

4 In total.

Sources: Budget and direct communication to the OECD.

deficit into the ordinary budget. Earlier, these deficits were fully financed by the Bank of Greece⁵² but for the first time some part (Dr. 9½ billion) of the consumer goods account deficit will be paid out of the ordinary budget and correspondingly there will be less need for Bank of Greece finance. The Dr. 9½ billion accounts for almost one-sixth of the increase in total ordinary expenditure which, together with a transfer of certain agricultural subsidies of about Dr. 4 billion from the investment budget to the ordinary budget⁵³, accounts for a little over one-half of the increase in ordinary expenditure for subsidies to agriculture and grants. Allowing for a net transfer of expenditure of Dr. 2 billion from the ordinary to the investment budget the ordinary budget is again estimated to be in balance as in the previous two years. Nevertheless, investment was budgeted to increase at about twice the 1978 rate and for the first time since 1975 roughly at the same rate as current expenditure.

With the smaller total deficit in the "agricultural products and government supplies account" and the transfer of part of the deficit to the ordinary budget, direct monetary financing on this account by the Bank of Greece should be substantially reduced. Of the overall deficit, Bank of Greece financing was expected to fall to 11¾ per cent this year compared with 28 per cent in 1978 and 36 per cent in 1977. The share of the deficit planned to be financed by foreign loans was 20 per cent, 3 percentage points higher than last year, while a substantial 31 per cent rise in sales of Treasury bills is expected⁵⁴.

Further counter-inflationary measures were taken in February 1979. Substantial cuts of about Dr. 8 billion were announced in investment expenditure for 1979 to bring the growth of total investment expenditure to around 16 per cent compared with 31 per cent in the Budget⁵⁵, and the Government announced that ordinary expenditure will also be somewhat lower than originally budgeted. However, because of the higher rate of inflation than had been assumed in the Budget it may be difficult to reduce ordinary expenditure to any significant extent and if the Dr. 8 billion cuts in investment expenditure are realised, the overall deficit will fall to about Dr. 65 billion in 1979, some Dr. 5 billion less than in 1978 and from 6 per cent of GDP in 1978 to a little over 5 per cent in 1979. The overall effect of the reduction in the deficit on demand and output is not, however, expected to be large as the components having the strongest impact on activity are likely to continue rising considerably faster than total expenditure. Overall, fiscal policy posture will continue to be expansionary in 1979 though somewhat less than in the previous three years.

In recent years, public corporations either had small operating surpluses or incurred operating deficits (1 per cent of GDP in 1978) which have become an important disincentive to investment. Investment by the public corporations has fallen from 4½ per cent of GDP on average in the period 1971-1974 to 2½ per cent between 1975 and 1978. The authorities aimed in the 1979 Budget to begin eliminating operating deficits and increase the share of self-financed investment; for the first time the consolidated financial situation of public corporations was reported and the phasing out of

52 The outstanding debt with the Bank of Greece was Dr. 70 billion at the end of 1977 or 6 per cent of GDP. In June 1978 the Bank of Greece gave a twenty-year loan with three years grace period of Dr. 70 billion to the Government to cover its deficit from the agricultural products and government supplies account. The interest rate was fixed at 2 per cent and the servicing of the debt will be paid by ordinary expenditure.

53 In total, due to new classification in 1979, some Dr. 7.5 billion of debt servicing costs was transferred from the ordinary budget to the investment budget. However, some Dr. 4 billion of agricultural subsidies and Dr. 1.7 billion of other expenditure was transferred from the investment budget to the ordinary budget, resulting in net transfers in favour of the ordinary budget of Dr. 2 billion.

54 This reflects the increase in obligatory commercial bank investment in Treasury bills by almost 2 percentage points to 32 per cent in 1979.

55 A 16 per cent rise in nominal investment expenditures will probably entail a decline in real terms.

Table 10 **Budget deficit and financing**
Billion drachmae

	1975	1976	1977	1978	1979 Budget forecast	Percentage change from previous year			
						1976	1977	1978	1979
INVESTMENT BUDGET									
Revenue	1.1	0.8	1.0	1.2	1.5	-27.3	25.0	20.0	25.0
Expenditure	32.5	40.2	45.0	51.7	67.8	23.7	11.9	14.9	31.1
Deficit	31.4	39.4	44.0	50.5	66.3	25.5	11.7	14.8	31.3
ORDINARY AND INVESTMENT BUDGET DEFICIT	32.2	37.6	44.6	50.5	64.3	16.8	18.6	13.2	27.3
Financing									
Domestic loans	16.0	35.8	39.3	36.0	47.3	123.8	9.8	-8.4	31.4
Foreign loans	15.4	1.0	4.6	14.5	17.0	-93.5	360.0	215.2	17.2
Foreign transfers	0.8	0.8	0.7	—	—	—	-12.5	-100.0	—
AGRICULTURAL PRODUCTS AND GOVERNMENT SUPPLIES DEFICIT	11.5	22.0	25.3	19.8	8.6	91.3	15.0	-21.7	-56.6
TOTAL DEFICIT	43.7	59.6	69.9	70.3	72.9	36.4	17.3	0.6	3.7
Financing									
Domestic loans	22.6	52.3	56.1	47.7	55.1	131.4	7.3	-15.0	15.5
Treasury bills	16.0	33.3	39.3	36.0	47.3	108.1	18.0	-8.4	31.4
Bank of Greece loans	—	2.5	—	—	—	—	—	—	—
Financing by the Bank of Greece	11.5	22.0	25.3	19.8	8.6	91.3	15.0	-21.7	-56.6
Foreign loans	15.4	1.0	4.6	14.5	17.0	-93.5	360.0	215.2	17.2
Foreign transfers	0.8	0.8	0.7	—	—	—	-12.5	-100.0	—
<i>Memorandum item:</i>									
Total deficit, per cent of GDP at market prices	6½	7½	7½	6	5½				

Sources: Budget, direct communication to the OECD and OECD estimates.

certain government subsidies was announced together with a gradual adjustment of prices in 1979. However, together with the other restrictive fiscal and monetary measures of February 1979, the authorities announced sizeable cuts in public enterprises investment plans, with the exception of investment by the Public Power Corporation.

Price and income policies

The Government's anti-inflationary policy places considerable emphasis on the moderation of labour cost increases, and it was announced in June 1978 — some seven months before the discussions for the next pay round were to begin — that wage and salary increases in 1979 should be substantially below those of 1978. The social partners failed to reach agreement on pay rises and the case was referred to the Court of Arbitration which, on 8th February this year, granted an increase of 15 per cent (compared with about 20 per cent in 1978) in minimum wage rates from the beginning of 1979 instead of the usual two-step increase (one early in the year and the other towards the middle of the year) in previous years. Similarly, the increase in average pay of less than 10 per cent of most categories of public sector (excluding the civil service) employees was fixed considerably below that in 1978. However, reflecting the second phase of the unified pay system introduced in 1978, civil servants seem likely to receive an average increase of over 20 per cent in 1979 which, even though higher than the increase in other sectors, is some 5 percentage points down from 1978.

Following the surge in the rate of inflation in January 1979, the authorities passed a law at the end of February, reinforcing the price control system. Whereas up to early 1979, about one-fourth of all goods and services were under price control, it was decided in February to extend controls to all goods and services. Moreover, all prices which had risen in the course of January without justification had to be brought back to their end-December 1978 level. The price control system was modified to include the introduction of a pre-notification period of four months before price rises. Applications for price increases have to be submitted to the Ministry of Commerce, which grants permission for price rises after assessing the rise in input costs. Wages and salary increases of more than 10 per cent are not allowed to be passed on to prices. The Minister of Commerce has the power to fix the level of prices and the trading profit margins and heavy fines have been announced for companies or persons breaking the four-month rule and/or raising prices more than permitted.

With the aim of preventing a surge in rents after the end of the freeze (December 1978) the authorities, early in January, fixed the allowable rise in rents at 8 per cent in 1979⁵⁶. The lack of competition and high profit margins in certain activities have also contributed in maintaining a high rate of inflation. Accordingly, early in the year the authorities announced that they will take measures to encourage competition and also to reduce the large number of intermediaries who tend to make substantial profits in certain activities, and thus inflate costs. At the beginning of April 1979, a small relaxation of the rules was announced, allowing 10 per cent price increases without prior notification, which was deemed by the authorities to reflect the rise in allowable costs. However, this decision was subsequently partly modified by a number of decrees; in mid-May a limit of 25 per cent on gross profit margins was imposed for both domestic goods and imports.

Energy policy

Greece is heavily dependent on imported energy. Total oil requirements, which are imported, accounted for about 70 per cent of all energy demand and represent

⁵⁶ For leases contracted in 1977 or earlier years. For leases agreed in 1978 rent increases will be examined at the end of 1979.

nearly 18 per cent of the value of total imports. Indigenous resources are relatively small, being mainly confined to lignite and hydropower. Prior to the recent large rises in oil prices and the tightening of oil supplies, the authorities had energy policy under constant review. It was recognised that the Greek economy requires a considerable increase in energy consumption over the medium term, but at the same time the rising costs of fuel necessitated restraint in energy consumption. The energy programme enunciated in 1977 called for a reduction in the ratio of energy consumption to GDP over time and the minimisation of the total social cost of energy. The basic tools of implementing the broad policy objectives are through a co-ordinated conservation programme, development of industrial investment, an integrated price system, utilisation of domestic energy sources, diversification of supply sources, rational production of electricity and the development of a new oil policy.

Complementing the 1977 programme a number of measures have been taken to further encourage energy conservation and the substitution of other forms of energy for oil. In September 1978 Parliament passed a taxation bill which permitted the deduction of expenditures on domestic solar water heaters from taxable income. A standard thermal insulation code for all new buildings has been approved by the Ministry of Public Works. The National Energy Council and the Public Power Corporation have begun a conservation information programme directed at the residential and commercial sectors. A number of other measures are presently under way including an energy research and development programme. These measures are essentially of a medium-term nature and, in response to the oil price increases and tight supplies in the recent period, Greece has commenced an oil reduction programme based on price increases and demand reduction through regulations and rationing. Between January and April 1979 petroleum product prices have been increased, gasoline by 18 per cent, diesel oil by 17 per cent and heavy fuel oil by 23 per cent. Voluntary and mandatory measures to reduce the demand for energy, particularly oil, include parking restrictions, a maximum speed limit of 100 kilometres per hour, restrictions on weekend use of private motor vehicles, limits on commercial neon lighting and the installation of thermostatic controls in large heating systems, the maximum temperature setting being 18°C. Early in July additional measures were introduced: most oil prices were raised by about 10% and diesel oil by some 50%; the special tax on cars was doubled, stricter energy saving measures were imposed on heating of buildings, energy consumed in industries was to be lowered and working hours were modified to ease circulation problems. Also, plans are being prepared to ration the supply of heating oil and to introduce a gasoline rationing system.

Some medium-term fiscal issues

Increasing concern in recent years about the effects of high budget deficits has focused attention on the question of tax evasion in a number of OECD countries. In Greece, tax evasion would seem to be on a considerable scale and since mid-1978 serious efforts have been launched to try and combat it. No official estimates of the size of the problem exist but the Government considers the Dr. 10 billion extra tax receipts they expect in 1979 due to measures against evasion to be only part of what can be recovered by gradually building up a more efficient tax control and collection system⁵⁷.

⁵⁷ The Government is proceeding with a significant re-organisation of the tax department and tax control methods. The introduction of a central file (made possible by the establishment of a computerised control system) is planned.

Action in Greece to reduce tax evasion is related to the objectives of reducing income inequalities and curbing — partly speculative — intermediary and other service activities which have proliferated since the early 1960s and in which tax evasion is largely concentrated. As a result, profit rates in these sectors appear to be fairly high leading to an increasing diversion of resources away from productive ends, and particularly from the manufacturing sector. The reduction of tax evasion also concerns the need to increase tax revenues so as to lower the budget deficit from the high levels of recent years and thus improve the budgetary position. Partly reflecting tax evasion, tax revenues have been rising comparatively slowly over a long period which has led to a marked deterioration of the central government saving position from a surplus of 2 per cent of GDP⁵⁸ in the early 1960s, to a deficit of 1¼ per cent of GDP over the last three years despite the fact that in the early 1960s there was still substantial unemployment, whereas at present the economy is near full employment level. The slow rise in tax revenues coupled with the desire to avoid a greater deterioration in the budgetary position appears to have had an important influence on public expenditure, notably entailing investment cuts.

Table 11 **General Government expenditure**
Percentage of GDP, average 1975-1977

	Total expenditure	Final consumption	Transfers and subsidies	Investment	Current welfare expenditure ¹	Elasticities with respect to GDP	
						Total expenditure	Current welfare expenditure
Greece	34½	17½	11½	3½	11½	1.10	1.23
OECD Europe ²	45½	18½	19½	4	21½	1.24	1.47
OECD total ²	42½	18½	16½	4	18½	1.21	1.44

1 In the mid-1970s, excluding housing.

2 Unweighted average, excluding Greece, Portugal and Turkey.

Sources: Public Expenditure Trends, OECD, June 1978, and OECD estimates.

The elasticity of public expenditure with respect to GDP was about 1.1 in Greece between the early 1960s and mid-1970s, compared with 1.25 for OECD Europe. The difference is largely related to public welfare expenditure and less to public investment, two areas of some concern in Greece. The increase in the share of GDP of public welfare expenditure on education, income maintenance and health was considerably slower than for the OECD Europe average, despite the fairly small original share in GDP of this type of expenditure. As regards government fixed investment, its share in GDP has consistently been smaller in Greece than in OECD Europe (3½ per cent and just over 4 per cent respectively) between the early 1960s and the mid-1970s. In the last few years, as a result of a decline in the Greek share to almost 3¼ per cent, the gap further widened to almost three-quarters of 1 percentage point. However, the gap is significantly greater, considering that the other OECD European countries had appreciably larger capital stock than Greece, which, as a developing country, had and still has a narrow capital base and therefore requires a markedly higher investment ratio to satisfy the need for infrastructure and other state investment, especially when growth was associated with fast-increasing urbanisation⁵⁹. In fact, infrastructure investment and investment in other fields usually provided by government (education,

58 On a national accounts basis.

59 Urban population was some 43¼ per cent of the total in 1961 and almost 60 per cent in 1978.

health, etc.) has lagged behind developments in the rest of the economy. As a result, shortages of essential services have developed and infrastructure is still deficient in a number of sectors.

The problem of tax evasion which concerns mainly direct taxation has also influenced the structure of taxation, namely the comparatively high reliance on indirect taxes. In general, indirect taxes are easier to collect than taxes on income, particularly in Greece where the share of employees in the total labour force is small and, therefore, only a small percentage of income can be taxed at source. Accordingly, the Greek authorities have tended to emphasize indirect taxes. However, in order to mitigate the inequities of the tax system arising from tax evasion and also from the associated overall tax pattern (due to the small share of direct taxes) indirect taxation is applied at different rates. In comparison with other OECD countries, indirect tax rates are very high on expensive cars, luxury entertainment, and other non-essential goods and services consumed by the higher income groups. In addition to the high share of indirect taxes in total taxes in Greece in comparison with the rest of the OECD, the elasticity of indirect taxes with respect to GDP is also slightly higher in Greece than in the rest of the OECD.

Direct tax pressure⁶⁰ is very weak in Greece⁶¹. Excluding social insurance taxes, direct tax pressure represented 3½ per cent of GDP in 1955-57 and 4¾ per cent in 1974-77 compared with 9¼ per cent and 14½ per cent in the same periods in OECD Europe⁶². However, in addition to tax evasion, the low tax pressure is also due to the

Table 12 The structure of taxation

	1955-1957			1962-1964			1974-1977		
	Greece	OECD Europe ¹	OECD total ¹	Greece	OECD Europe ¹	OECD total ¹	Greece	OECD Europe ¹	OECD total ¹
Share of direct taxes									
In total taxes	18.9	40.4	36.2	13.7	34.6	34.6	18.7	38.9	38.3
In total GDP	3.5	9.7	8.9	2.9	9.9	9.2	4.7	14.6	13.0
of which: direct taxes on households									
In total taxes	..	..	..	11.8	29.7	27.1	11.9	32.5	34.5
In total GDP	..	..	..	2.5	7.9	7.2	3.0	12.2	11.7
Share of social security contributions									
In total taxes	20.5	18.8	13.8	26.1	21.3	17.3	26.6	27.7	22.4
In total GDP	3.8	4.5	3.4	5.5	6.1	4.6	6.7	10.4	7.6
Share of indirect taxes									
In total taxes	60.5	50.4	44.7	60.2	44.1	43.2	54.8	35.2	34.5
In total GDP	11.2	12.1	11.0	12.7	12.6	11.5	13.8	13.2	11.7
Share of total taxes in GDP	18.5	24.0	24.6	21.1	28.6	26.6	25.2	37.5	33.9

¹ Unweighted average, excluding Greece.

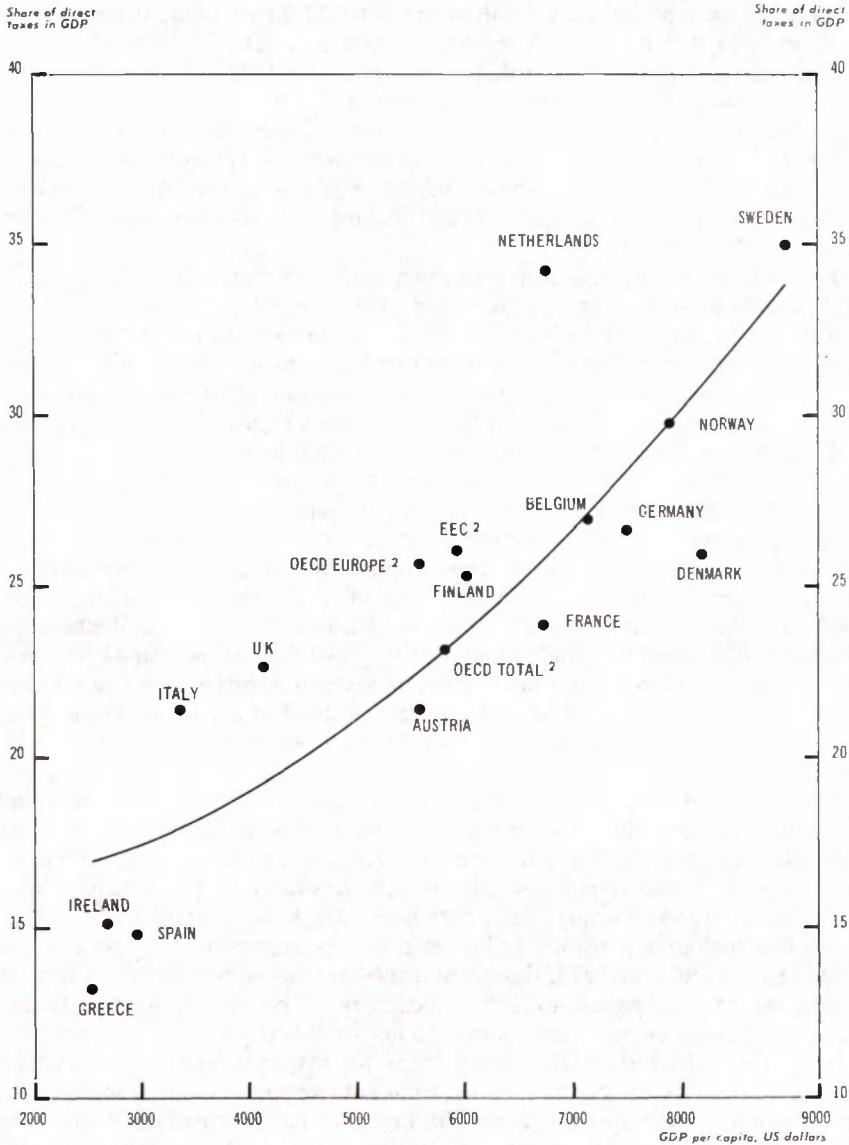
Sources: Public Expenditure Trends, OECD, June 1978 and National Accounts of OECD countries.

⁶⁰ Tax pressure is the ratio of tax receipts to GDP.

⁶¹ Low per capita incomes compared with the rest of the OECD explain only a part of the large difference in tax pressures between Greece and the OECD average.

⁶² Unweighted averages. Including social insurance rates, the direct tax pressure was 8½ per cent of GDP in 1955-57, rising to 11¼ per cent in 1975-77, compared with 13¼ per cent and 23 per cent for OECD Europe respectively.

Diagram 6 Direct¹ Tax Pressure
Average 1975-1977



1 Income tax and social security contributions.

2 Data for OECD total, OECD Europe and EEC are unweighted averages of the relevant shares of direct taxes in GDP and of the relevant levels of GDP per capita.

Note: On a cross-country basis, the relationship between the share of direct taxes in GDP (T) and the level of GDP per capita in thousand dollars (G) was estimated to be:
 $T = 15.54 + 0.2281G^2$

Sources: OECD National Accounts; Public Expenditure Trends, OECD, 1978; and OECD estimates.

narrow tax base, the substantial tax exemptions and the low rate. Reported household income in the income tax returns amounted to about 27 per cent of total household income in 1978 (22½ per cent of GDP). This relatively low proportion reflects a number of factors. First, agricultural incomes (17 per cent of total household income) are practically tax exempt and only 1 646 out of 800 000 farmers paid taxes of some Dr. 6½ million in 1978, out of a total personal income tax of Dr. 20 billion. Secondly, the rest of households have considerable tax exemptions and allowances which amounted to 41 per cent of reported income in the tax returns. Thirdly, the effective tax rate (tax paid as a per cent of taxable income) is very low, 12½ per cent in 1978 (11¼ per cent in 1970), or 7¾ per cent of total reported income in 1978. Institutionalised tax avoidance is probably an important factor behind these low ratios. In total, personal income tax was about 3 per cent of personal income in 1976, compared with some 13 per cent in OECD Europe⁶³.

Tax evasion and avoidance have grown over time, especially between 1967 and 1974. The annual average rate of growth in total income tax paid by households was 19½ per cent between 1967 and 1974. This was composed of an annual rise in the number of taxpayers of about 15½ per cent and an annual rate of increase in average tax paid per taxpayer of about 3¼ per cent. The high rate of increase of persons entering the tax net was due to some changes in reporting regulations, to the high rate of growth of non-agricultural population over this period, and also to the substantial rise in nominal incomes, notably of profits, rents and self-employment income. However, the rate of increase in average tax per taxpayer was lower over this period than the rate of increase in consumer prices (7¼ per cent), indicating a substantial decline in real terms of about 4 per cent, annual rate, in taxes paid per taxpayer. In contrast, real per head household income (excluding transfers) outside agriculture increased at a little over 6 per cent annual rate over this period. Because of the progressivity of income tax, such a high rate of growth of real per capita incomes between 1967 and 1974 should normally have caused a proportionately faster rate of increase in real tax per taxpayer than 6 per cent, instead of a decline. These divergent trends illustrate the considerable expansion of tax evasion and tax avoidance in this period.

After 1974, the annual rate of increase in tax per taxpayer was substantially higher than the rise in the consumer price deflator (16½ per cent and 12½ per cent respectively), indicating growing tax pressure. However, the annual rate of increase in tax per taxpayer in real terms was again slightly less (about 1 percentage point) than the real rise in average earnings and other non-agricultural average income and even less than that including pensions and other transfers, suggesting that tax evasion has continued to expand after 1974, though at a substantially slower rate than up to 1974. Over the eleven-year period to 1978, the index of per capita income (excluding transfers) in non-agricultural sectors rose to just over 400 (1967 = 100), while the tax per taxpayer rose to 230 (1967 = 100). If tax per taxpayer had risen by at least the same percentage⁶⁴ as per capita income, total government revenue from personal income tax would have been almost one-fifth higher in 1978 (some Dr. 35 billion more) than it was.

The importance of self-employment in total non-agricultural employment (about 65 per cent in Greece) is a major reason for the considerable tax evasion. This source of income, together with rent and profits of small businesses, which is also a very large sector, is considerably more difficult to control than wages and salaries. Total income

63 Including social security contributions direct taxes as a per cent of total household income were 10 per cent in Greece and 23 per cent in OECD Europe.

64 Because of the progressivity in income tax, the rise in per capita tax under normal conditions should be even faster than the rise in real per capita personal income.

Table 13 Tax elasticities with respect to GDP
1960-1976

	Greece	OECD Europe ¹	OECD total ¹
Total taxes	1.13	1.22	1.20
Direct taxes	1.26	1.27	1.26
<i>of which:</i> on households	1.12	1.37	1.36
on corporations	1.69	0.91	0.96
Social security taxes	1.17	1.38	1.38
Indirect taxes	1.07	1.04	1.03

¹ Unweighted average, excluding Greece.

Sources: Public Expenditure Trends, OECD, June 1978 and National Accounts of OECD countries.

from property and entrepreneurship (excluding agriculture) accruing to households accounts for about 45 per cent of total non-agricultural incomes (excluding transfers)⁶⁵. Despite the small starting base combined with the appreciable increase in per capita GDP, which has been faster than in most other OECD countries, and also the important structural changes over the last quarter of a century, the elasticity of total tax revenue with respect to GDP has been lower in Greece than in OECD Europe in the last eighteen years. The low elasticity is largely due to the pattern of taxation — a small share of direct taxes which usually have a higher income elasticity than other taxes — but also to the fact that the elasticity of direct taxes with respect to GDP is smaller than for OECD Europe. This is particularly true for the elasticity of household income tax, where probably most tax evasion occurs.

III THE OUTLOOK IN 1979

The tightening of policy since around the middle of 1978 is expected to affect developments in the economy into the early part of 1980. Despite the adoption of measures⁶⁶ aimed at reducing the commercial banks' lending capacity and moderating the strong upward trend in private demand for credit and a steady fall in the velocity of circulation of money supply⁶⁷ (indicating that there has been a substantial increase in liquidity in the economy which could be used to finance an increase in activity without a proportional rise in bank credit) there will be some slippage from the relatively low credit and monetary targets. However, this will be largely due to the higher rate of inflation than had been expected when the targets were set, which will more than offset the slower growth in demand and output than had been originally forecast. Consequently, monetary policy may be less than accommodating in 1979.

65 To the extent that national accounts estimates of self-employment income, profits, rents, etc. are partly based on income tax returns which under-record actual income, the level of total income from property and entrepreneurship is also underestimated in the national accounts and therefore, their real share in total household income is greater than shown in the statistics.

66 Banks' obligatory investment in non-marketable treasury bills was raised from 30 per cent to 32 per cent of their stock of deposits, most lending rates increased by 1 to 3 percentage points and the Bank of Greece overdraft rate was raised by 6 percentage points to 20 per cent.

67 GDP divided by M3 at market prices. In 1974 and 1975 the ratio was 1.86 and by 1978 it had fallen to 1.55.

The large budgetary deficit is expected to continue being an important stimulatory factor behind the growth of the monetary aggregates. Broadly in line with the 1979 Budget and the February measures, fiscal policy is assumed to be somewhat less expansionary than it was last year.

The public expenditure cuts should contribute to restraining the growth of the claims on resources and, together with the income and price measures taken in the first half of 1979, put an early brake on the development of strong inflationary expectations arising from the deteriorating inflationary outlook in the first few months of 1979. Although there is clearly a risk of a price-wages spiral developing as a result of both speculative forces and recent price developments this possibility has been discounted in the forecast. Though price controls may have some restraining influence on the rise in prices, it may not be significant. First, there may be important teething problems associated with the sudden move from a partial to complete control over all goods and services. Secondly, it seems extremely difficult to efficiently control the multitude of small firms, independent traders, handicraft units and the big number of self-employed, which are a characteristic of the Greek economy. And thirdly, it may, as was the case a few years ago, give rise to parallel markets where the increase in prices is not usually recorded officially.

In January 1979, the retail price index rose by nearly 4 per cent; about half of the rise was due to the lifting of the freeze on administered prices (transport fees, electricity charges, etc.) and to the rise in meat prices resulting from the reduction in budget subsidies being passed on directly to consumers. Prices continued to rise strongly in the following four months, resulting in an increase of almost 17 per cent during the year to June 1979, which compares with 13½ per cent during the year to June 1978. The increase between December 1978 and June 1979 was 12 per cent or 5 percentage points higher than in the same period a year earlier. The slower rise in earnings and the normal seasonal slowdown in the third quarter of the year are expected to more than offset the July increase in oil prices, leading to a deceleration in the rate of increase of retail prices during the second half of the year.

Reflecting the slower rise in earnings, the contribution of labour costs to the rise in prices may be slightly smaller than in 1978. But this should be more than offset by a larger contribution of non-wage costs than in 1978. And, on the basis of Budget estimates, net indirect taxes will also contribute more this year. Apart from the rise in oil prices, other import prices should rise more slowly than domestic costs, thus continuing to exert a dampening effect on price rises in 1979. It is assumed, in line with government policy, that the effective exchange rate will not change much from its end-1978 level. This should roughly offset the acceleration in import prices⁶⁸ in foreign currency terms, resulting in a broadly similar rate of increase of import prices (excluding oil) in drachma as in 1978⁶⁹. In total, retail prices may rise by 17½ per cent between 1978 and 1979 and by a little more than this in the twelve months to December. Of the increase through the year, the end of the freeze and the reduction in subsidies account for about 2½ percentage points and the rise in oil prices for about 3½ percentage points. After allowing for these factors, the rate of rise would be roughly 14½ per cent, somewhat higher than in 1978.

The lower rise in basic pay rates in 1979, together with weakening activity, should lead to a deceleration in the rate of growth of the wage and salary bill to below 20 per cent, the smallest rise since 1972. Similarly, a small deceleration in the rate of growth of government transfers to households is budgeted for 1979. Agricultural in-

68 During 1978 the effective depreciation of the drachma was 12¼ per cent.

69 In the first couple of months of 1979, the rise in import prices (wholesale price index) was 13¼ over a year earlier which is the same increase as between January-February 1978 and January-February 1977.

Table 14 Prospects for 1979

	Percentage changes from previous year	
	1978 ¹	1979
<i>Demand and output:</i>		
Private consumption	5	2
Government consumption	3	3
Gross fixed investment	5½	4½
of which: Public	7½	9
Private	4½	3½
Final domestic demand	4½	2½
Plus: Change in stockbuilding ²	—	½
Plus: Change in foreign balance ²	1½	½
GNP at market prices ⁴	6	3½
GDP at factor cost	5½	3
<i>Prices:</i>		
GDP implicit price deflator	12	15
Private consumption implicit price deflator	12½	17½
\$ billion		
<i>Balance of payments:</i>		
Exports, fob	3	3½
Imports, cif	7½	8½
Trade balance	-4½	-5½
Services and transfers, net	3	3½
Current balance	-1½	-1½

1 Preliminary estimates.

2 Percentage point contribution to GNP growth rate.

3 Including factor income.

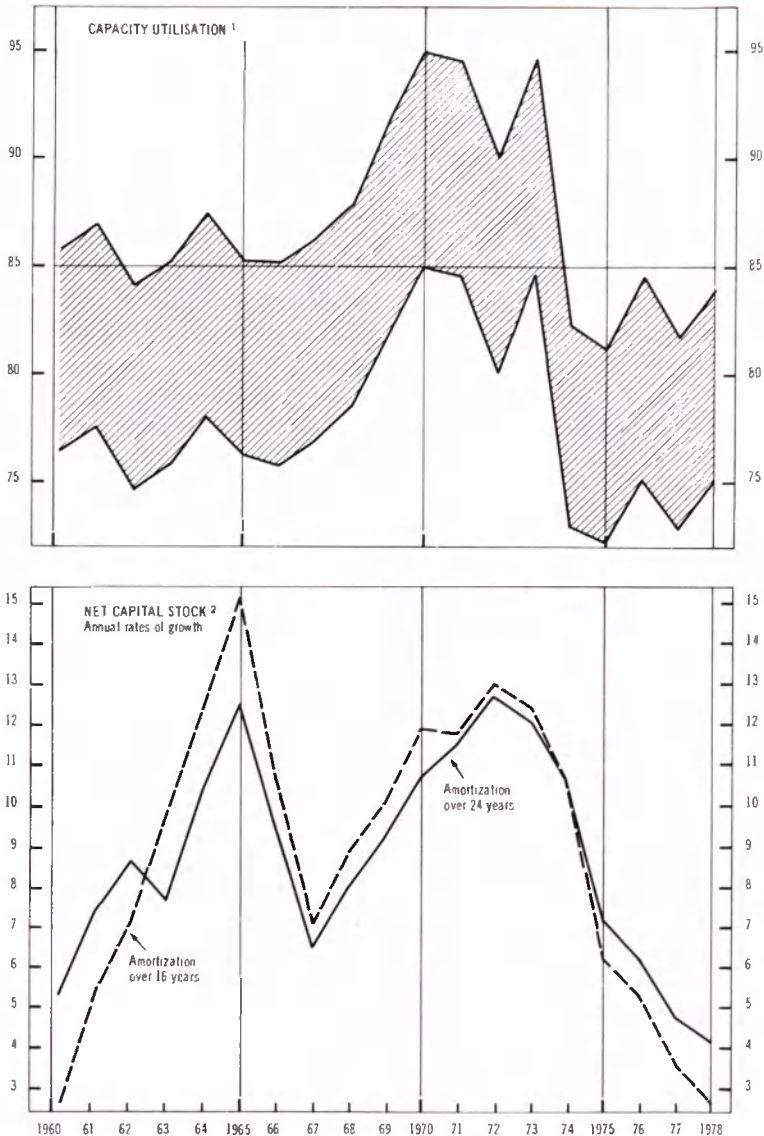
4 Including error of estimate.

Sources: Direct communication to the OECD and OECD forecasts.

comes reflecting the slower growth in output should also rise at a slower pace than in 1978. A small upturn in the growth of income from property and entrepreneurship and of current transfers from abroad is expected. Nominal incomes overall may rise a little slower than in 1978. However, partly due to the fight against tax evasion, but also to fiscal drag, taxes⁷⁰ are expected to increase at about the same high rate (30 per cent) as in 1978, which could give an increase in personal nominal disposable income of about 18 per cent, broadly the same as in 1978. Because of the higher rate of inflation, the growth of real disposable income is expected to be markedly less than that of 1978. A small decline from the high saving ratio in 1978 is built into the forecast, giving a rise in private consumption of 2 per cent, less than half the rate in 1978. The inclusion of private motor cars in assessing taxable income, the important increase in tax on cars and the fuel-saving measures are expected to cause a marked slowdown in the rate of growth of demand for private motor cars, which up to 1978 had been the fastest-growing private demand component. Demand for furniture may again increase. Demand for other items in consumption is expected to be weaker.

70 The rise in direct taxes will be largely due to the marked increase in income tax (reflecting inflation, fiscal drag and also the fight against tax evasion) whereas the rise in social insurance contributions may slow down a little, compared with 1978. Between January 1st and April 4th 1979, 1 508 000 tax returns were submitted by taxpayers, compared with 1 194 000 during the same period in 1978. The 26 per cent rise is one of the largest ever recorded.

Diagram 7 Capacity Utilisation and Net Capital Stock in Manufacturing
At 1970 prices



1 Owing to the lack of official series on capacity utilisation, the OECD has made a rough estimate based on net capital stock series, assuming a 20-year lifetime of assets, which is the median of the two assumptions in note 2 below. Estimates of capacity were obtained by applying the 1970 capital-output ratio to the net capital stock series. Because of the large margin of error usually attached to such estimates, the graph shows the range of capacity utilisation under two assumptions regarding the degree of under-utilization of capacity in the cyclical peak in 1970: a minimum of 5 per cent and a maximum of 15 per cent (see Annex 2).

2 Net capital stock has been calculated on the basis of annual data of gross investment at constant 1970 prices for the years 1948 to 1978, assuming that the net capital stock in 1948 was Dr. 13.4 billion at 1970 prices. Because of the lack of information the OECD has made two assumptions regarding the average life of assets: i) 16 years, and ii) 24 years. (In the first case, 6¼ per cent of the initial value of gross investment is retired every year and, in the second case, 4¼ per cent). (See Annex 2.)

Sources: National Accounts of Greece 1958-75, direct communication to the OECD and OECD estimates.

Sources: Comptes nationaux de la Grèce (1958-1975), renseignements communiqués directement à l'OCDE et estimations de l'OCDE.

The growth of public consumption is expected to remain at about the same low rate as in 1978 — less than 3 per cent. Total public sector investment will probably rise at a somewhat faster rate than last year. After the budgetary cuts in early 1979, government fixed investment may continue to fall in 1979. In contrast, public corporations investment should again rise strongly mainly due to important projects under way by the Public Power Corporation. Investment by this body is officially projected to be almost double the 1978 level (in current prices). Despite a weaker increase in investment (in real terms) by other corporations, total public corporations investment should rise by about one-third in 1979.

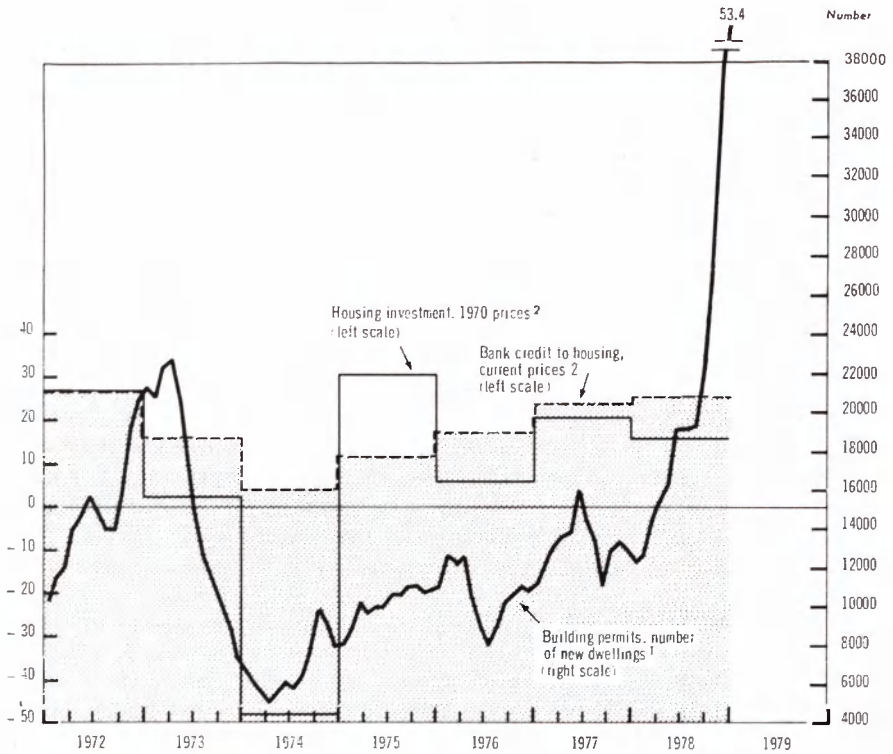
Manufacturing investment is expected to be broadly unchanged from last year's depressed level. Despite the weakness of gross fixed investment net capital stock is growing at a moderate rate which, combined with excess capacity, is sufficient to accommodate the slow growth in production. This coupled with the moderate medium-term prospects for world growth is hindering manufacturing investment. Low profit rates since 1974 are also an important disincentive. Two recent changes could, however, improve the investment climate in the near future. First, after frequent policy changes which created uncertainty and may have delayed some investment a new investment incentive law has recently been passed. Secondly, Greece's expected entry into the EEC on 1st January, 1981, should provide new investment opportunities and also should stimulate replacement investment to enhance competitiveness. However, in view of structural difficulties, administrative delays and the lags in bringing plans to fruition, the influence of EEC entry on manufacturing investment may take longer to realise.

The outlook for other private investment is uncertain. A continuing strong increase in tourism may stimulate investment directly in this sector as well as in other associated activities such as trade, transportation, etc. Accordingly, no further decline is expected in 1979. As noted earlier, the rise in private housing investment is expected to decelerate further in 1979. One of the measures to combat tax evasion adopted in June 1978 is the justification of the sources of income for financing real estate purchases, and this has adversely influenced real estate purchases, notably residential investment. In addition, the substantial rise in house prices over the last few years also has had a depressive effect. Nevertheless, the introduction of additional strict building rules in the second quarter of 1979, which would raise the price of apartments, has led to a temporary surge in building activity in the first half of 1979. This, together with the strong effective demand for housing facilitated by a continuing rapid rise in bank credit, which is partly induced by the negative real interest rates on mortgage loans, should support a rate of increase of private residential investment of about 5 to 10 per cent, compared with 15¼ per cent in 1978. In total, the rise in fixed investment may be a little less than 5 per cent, much the same as last year.

The growth of final domestic demand may decelerate to around 2¼ per cent in 1979. After declining for four years, stockbuilding is expected to recover a little. Agricultural stocks are not expected to increase but stocks of industrial products should increase somewhat, partly due to voluntary stockbuilding of raw materials, but, more importantly, reflecting involuntary stockbuilding due to the sharp slowdown in demand in 1979; the change in stockbuilding may add about ½ a percentage point to GDP growth to bring the rise in total domestic demand to almost 3 per cent in 1979 (4¾ per cent in 1978).

The prospects for merchandise exports (volume) are fairly good. The volume of agricultural exports is expected to continue rising. And despite the slowdown in world trade, the volume of manufactured exports should continue to be buoyant, entailing further gains in market shares. Ferro-nickel exports on the other hand are not expected to rise as fast as in 1978 and the volume of net exports of petroleum goods,

Diagram 8 Residential Construction



- 1 Three-month moving average.
- 2 Percentage change over previous year.

Sources: National Statistical Service, *Monthly Statistical Bulletin* and National Accounts of Greece.

which increased appreciably in 1978, may increase more slowly this year. After the substantial rise (20 per cent) in 1978, the rise in exports of services (in real terms) is expected to slow down considerably, but still be over 10 per cent. Tourism, which was the principal factor behind last year's rapid growth, is expected to remain buoyant and some upturn in shipping earnings is also forecast. The rise in the total volume of exports of goods and services may be of the order of 10 per cent.

The slow increase in the volume of merchandise imports last year was partly due to sluggish demand for raw materials and the higher rate of stockbuilding should induce a small rise in imports in this category. Imports of oil and oil products may also increase a little faster than in 1978; the increase in consumer goods' imports, particularly private motor cars, however, may be modest. A faster rise in the total volume of merchandise imports than in 1978 may be partly offset by a somewhat slower rise in imports of services and total import volumes are expected to rise at about 7½ per cent. On this basis, the real foreign balance would be broadly unchanged between 1978 and 1979 to give a forecast increase in real GDP at market prices of a little over 3 per cent. With net factor income from abroad expected to rise at a faster rate, real GNP at market prices could increase by nearly 3¼ per cent.

A further strong deterioration in the terms of trade is expected in 1979. This deterioration is a real income loss and measures approximately the extent to which domestic demand has to be reduced in order to allow a transfer of resources to the external sector. The terms of trade deterioration in 1979 is estimated to be exclusively due to the rise in the price of oil which is expected to be about 45 per cent in 1979 year-on-year. This deterioration, which is the equivalent of a loss of about 1½ per cent of national income⁷¹ on a yearly basis would further reduce the growth of real national disposable income⁷² to somewhat below that of GNP. Real national disposable income could be taken as a norm, indicating the allowable rise in domestic demand in order to avoid a worsening balance of payments position. Because a reduction in investment has adverse effects on the growth potential the reduction in domestic demand should be borne principally by consumption. However, since the 1974 rise in oil prices, the growth of consumption has exceeded on average the rise of real national disposable income⁷³ mainly at the expense of a fall in the investment ratio⁷⁴. This pattern of growth whereby the rates of increase of real personal incomes and hence of private consumption and also of real government consumption exceed that of real national disposable income is not sustainable. Moreover, even if there is no further increase in oil prices after July 1979, the steep rise in oil prices during 1979⁷⁵ will lead to a further rise of over 20 per cent in 1980, year-on-year, which would produce an additional real income loss in 1980 of about 1 per cent of national income.

71 1½ per cent of national income is about \$½ billion which is the estimated rise in the oil bill owing to the rise in the price of oil.

72 Real national disposable income is real national income adjusted for terms of trade changes. An improvement in the terms of trade raises real national disposable income since, with the same amount of national income more can be obtained from abroad and inversely, a deterioration of the terms of trade entails a reduction in real national disposable income since more domestic resources have to be given to abroad in exchange for the same amount of imports. A simple method for estimating real national disposable income is to multiply the yearly percentage change of the terms of trade by the share of the foreign sector (total current receipts and payments divided by two) in national income and the resulting percentage figure is added to the percentage real change of national income. This is an approximate method. A more exact formula for measuring the real income effect — for year *i* in relation to the base year — of a change in relative foreign prices (T_i) is as follows:

$$a) T_i = X_{i-1}(P_i^{-1} - P_{x,i}^{-1}) + M_{i-1}(P_{m,i}^{-1} - P_i^{-1}) \text{ where}$$

X = exports in current prices
 M = imports in current prices
 P_x = export deflator, set equal to 1 in base year
 P_m = import deflator, set equal to 1 in base year
 P_i = $(P_x + P_m)/2$.

Exponent -1 denotes that reciprocal of price indices are used.

An alternative definition, which gives approximately the same result and is more directly relevant for the problem at hand, would be:

$$b) T_i = \text{GNP}_{i-1} (P_{\text{gnp},i}^{-1} - P_{\text{dd},i}^{-1}) \text{ where}$$

P_{gnp} = GNP deflator
 P_{dd} = domestic demand deflator

While *a*) is based on the relative change in foreign prices — measured in relation to the base year — *b*) focuses on the corresponding deviation between the domestic output and demand deflators.

73 The average annual loss of real income due to a deterioration of the terms of trade has been estimated at about 1 per cent of national income in the six years to 1979 and the annual rate of growth of consumption has exceeded the annual rate of growth of real national disposable income by an average of 1¼ percentage points over the same period. Because of the difficulties in estimating terms of trade changes for goods and notably for services, the above figures indicate only the orders of magnitude.

74 Fixed investment as a proportion of national income at 1970 prices fell from 32 per cent on average in 1972-73 to an estimated 25 per cent in 1979.

75 The estimated average rise in the price of oil at producer level is about 62 per cent between end-1978 and end-1979, and probably a little more for exports to Greece.

The rise in output from all three sectors is forecast to decelerate in 1979, but particularly agricultural production which may remain roughly stable, after a 6½ per cent rise in 1978. Slow growth in consumption should affect the rise in output from services, while the deceleration in residential investment and the cuts in government investment are likely to induce a further slowdown in the rate of growth of construction activity. Also, some deceleration in manufacturing production is forecast to take place. But due to the usual lags, the deceleration in output growth in 1979 may have a limited effect on employment which is expected to increase in 1979, but less so than in 1978. Nevertheless, unemployment may rise steadily in the course of the year.

The value of merchandise exports rebounded sharply in the first five months of 1979 from the depressed level of early 1978 to be about 36 per cent higher over the same period a year earlier⁷⁶. But the rate of growth is expected to slow down considerably and in 1979 as a whole the rise may be one-fifth. Price and volume changes are expected to contribute approximately equally to this development. The increase in the value of merchandise imports in the first five months of 1979 compared with a year earlier was 35 per cent, but in view of the larger size of imports than exports, the trade deficit widened by \$0.6 billion to \$2.4 billion in the same period. In the year as a whole, import values may also rise by a little over 20 per cent, some two-thirds of which may stem from price changes. Developments along these lines would produce a trade deficit of about \$5½ billion, \$1 billion higher than last year.

The fairly regular increase⁷⁷ in net invisible receipts since the late 1950s has covered a substantial part of the trade deficit. The steady rise in net invisibles is explained by the fact that the annual fluctuations in tourist receipts, shipping earnings and emigrant remittances have roughly cancelled out. However, the long-run growth rates of these three items have differed considerably, net tourist earnings being the fastest-growing item and emigrant remittances the slowest. In the 1970s, these divergencies widened further⁷⁸. The rate of growth of net shipping receipts since 1974 has been affected by sluggish world shipping conditions with the result that despite a continuing increase in Greek-owned ships, coupled with the substantial increase in the share of ships under Greek flag⁷⁹, the annual rate of growth of net shipping receipts has declined a little. Similarly, due to returning emigrants the rate of growth of emigrant remittances has also fallen. Allowing for the acceleration in the rate of inflation

76 Trade statistics on a balance of payments basis are recorded in dollars.

77 Except for 1967, due to the military coup d'Etat, and for 1974 due to the Cyprus crisis.

78

	1960	1970	1978
	\$ million		
Net tourist receipts	30	138	1 103
Net shipping receipts	67	235	1 000
Net emigrant remittances	90	343	981
Net invisible receipts	199	509	3 089

79

	1960	1970	1975	1978
	million g.r.t.			
Total Greek-owned ships	12	31½	48	53
of which:				
under Greek flag	5½	13½	24¾	37
other	6½	18	23¾	16

since 1974, the annual increase in real terms of both emigrant remittances and shipping receipts has been small. However, this was offset by a strong acceleration in the annual rate of increase in net tourist receipts to an average 37 per cent since 1975, compared with 24 per cent between 1959 and 1974.

The forecast assumes that, as discussed above, net tourist earnings will remain buoyant in 1979, but that the growth rate will be lower than the 35 per cent recorded in 1978. However, there may be some recovery in net shipping receipts, while emigrant remittances will probably continue to be sluggish. Net invisible receipts overall could on this basis rise at a slightly slower rate than in 1978 but still cover more than half of the rise in the trade deficit, giving a current account deficit for the year as a whole in the region of \$1¼ billion.

Most of the current account deficit is expected to be covered by autonomous private capital inflows. After a small deceleration in 1978, capital inflow for real estate purchases by Greeks living abroad is expected to rise strongly in 1979. The easy accessibility to complementary bank credit with low interest rates for this category of capital inflow is an important factor behind the continuing rapid growth. Net entrepreneurial capital inflow seems likely to be roughly stagnant and may even show a small decline. Similarly, the weakening trend over the last few years in the growth of deposits in foreign exchange by Greeks living abroad is expected to continue with the result that the share of the current deficit covered by this item could decline substantially. Under these conditions, public sector compensatory borrowing is expected to increase but still remain overall within reasonable limits.

The forecast above, as well as being based on the specific assumptions referred to, takes into account the most recent indicators shown in Table 15. These indicators, together with the estimated effects of policy provide some guide to the possible profile of the growth of real GDP during the course of the year. As regards consumers' expenditure, there may be stagnation in the second half-year. As noted earlier, the annual pay increase was made in one instalment early in the year rather than in two stages as in previous years. As a result, the rise in nominal earnings is expected to decelerate which, together with higher inflation, will squeeze real incomes. Private housing investment is also expected to be sluggish in the second half of the year. The steep upward trend in housebuilding appears to have continued in the first quarter of 1979 (judging from cement sales), but it is not expected to continue in view of the weakening in the growth of real incomes and the introduction of severe housebuilding regulations. Most other components of domestic demand seem unlikely to show any great strength through the year. In the first five months of this year the substantial rise in export values suggests an important rise in volume terms, but the expected slowdown in the growth of world trade in the second half of the year may lead to a weakening in exports. In balance, demand and output are likely to remain roughly flat in the second half-year.

Table 15 **Current indicators**
Percentage changes over a year earlier

	1978		1979				
	Year	Dec.	Jan.	Feb.	March	April	May
<i>Output</i>							
Industrial production s.a.	7.5	9.2	13.6	3.8	4.4	5.3	
Manufacturing production	7.6	9.3	14.6	3.3	3.8	4.6	
Cement output	8.3	10.5	22.5	1.2	—	3.4	10.0
<i>Business indicators</i>							
Cement consumption	6.5	40.6	58.2	18.1			
Construction permits (M3)	16.0	27.1	57.6	77.5	25.0	-1.7	
Retail sales volume	4.3	9.6	3.1	-1.1	-3.4	-0.3	
Car registrations	17.6	21.3	5.9				
<i>Labour</i>							
Employment, manufacturing	3.1	3.4	2.3	1.9	2.9	3.8	
Unemployment rate, n.s.a.	2.1	3.2	3.9	3.5			
Hourly earnings, manufacturing	23.7	25.2	..	..	22.4		
<i>Prices</i>							
Wholesale prices, home market	10.3	11.6	14.8	16.3	17.1	17.6	18.0
Imported	12.9	12.9	13.4	14.1	17.0	17.4	16.9
Agricultural	12.5	11.6	18.2	22.0	23.6	19.1	18.9
Industrial	9.7	10.0	12.9	13.8	13.7	16.1	16.8
Consumer prices	12.5	11.5	14.9	15.8	16.1	16.4	16.7
Exchange rate Dr. \$	-0.3	2.4	0.6	1.0	-0.2	-0.1	-0.9
Effective exchange rate	-10.0	-12.2	-10.3	-9.3	-6.7	-5.1	-5.9
<i>Money and banking</i>							
M1	21.2	22.2	17.0	20.0	19.1	16.6	20.6
M3	24.0	25.8	24.4	25.3	24.7		
Total bank credit ¹	23.8	21.3	23.4	23.0	22.5		
Bank credit to manufacturing	26.7	25.7	25.1	24.7	23.9		

¹ For comparison purposes data for 1978 and the early months of 1979 do not include the effects of the settlement (July-August 1978) of accumulated deficits on the "agricultural and government supplies" account.
Sources: NSSG, *Monthly Statistical Bulletin*; Bank of Greece, *Monthly Statistical Bulletin*; direct communication to the OECD and OECD estimates.

IV POLICY CONSIDERATIONS

For the fourth year running, expansionary policies sustained a fairly rapid growth of GDP in 1978 — 6 per cent — which is just less than 1 percentage point below the longer-run trend rate up to the 1974 crisis. This relatively better growth performance than in the rest of the OECD has been accompanied by a fall in recorded unemployment to a rate of less than 3 per cent since 1977. However, this satisfactory record has masked the development of strong imbalances which, combined with the high rates of increase in average pay, self-employment income and other costs, has greatly reinforced domestic inflationary pressures. Special factors and policy measures stemmed the acceleration of inflation in 1978 and at the same time helped in slightly reducing the current external deficit. However, in the first few months of 1979 strong domestic inflationary forces surfaced and, combined with the effect of the sizeable rise in oil prices, led to a strong acceleration in the rate of increase in consumer prices and a marked rise in the current balance of payments deficit.

The stance of policy was slightly tightened in mid-1978 and, with the aim of stemming the mounting inflationary pressures, additional measures were taken at the beginning of 1979. In particular, budgetary cuts were announced, extensive price controls were introduced and monetary policy was made less expansionary. Energy-saving measures were also introduced. The rate of growth of real demand and output is forecast to decelerate to about 3 per cent in 1979 partly because of the deflationary impact of the rise in oil prices. The increase of consumer prices is expected to slow down in the second half of the year but to remain still substantially higher than the OECD average. The current external deficit will probably widen for the year as a whole and the pattern of its financing may not be as favourable as in previous years. The measures taken so far will probably alleviate the most immediate inflationary strains, but a major question is whether they will be sufficient to bring a lasting improvement in the underlying trends. The difficulties of combatting inflation should not be under-estimated, especially when inflation is associated with deep-rooted habits, structural problems and institutional practices. Moreover, the external environment in 1979 is much less favourable than last year and a transfer of resources to the external sector is now required in order to pay for the large increase in the oil bill. According to provisional estimates, the deterioration of the terms of trade due to the price of oil this year corresponds to a loss of about 1½ per cent of national income in 1979 and to almost 1 per cent in 1980, and any attempts to offset this burden on the economy by increases in nominal incomes would be self-defeating.

Accordingly, it seems necessary that both demand management and price and incomes policies should contribute to the ineluctable stabilisation effort in 1979 and 1980. As noted earlier, the price controls applied in 1978 have merely suppressed inflationary pressures. But the concentration of price increases in the early months of 1979 has exaggerated the underlying rate of inflation with very unfavourable effects on expectations. Extensive price controls can be justified in these conditions as a temporary measure. But experience in Greece and many other countries show that,

Table 16 Recent balance of payments trends
\$ million

	January-May		
	1977	1978	1979
Exports, fob	1 116	1 154	1 564
Imports, cif	2 647	2 921	3 943
Trade balance	-1 531	-1 767	-2 379
of which: Oil balance	-445	-432	-625
Invisibles, credits	1 220	1 373	1 701
of which:			
Tourism	250	320	389
Shipping	454	460	587
Migrants remittances	323	356	408
Invisibles, debits	339	389	497
Invisibles, net	881	984	1 204
Current balance	-650	-783	-1 175
<i>Memorandum items:</i>			
Capital movements ¹ , net	614	610	680
Changes in reserves	-25	-7	-32
Reserves (end of period)	880	1 038	1 123

¹ Including errors and omissions and central bank borrowing.
Source: Direct communication to the OECD.

over the medium term, their effectiveness is very limited. As has been argued in earlier OECD Surveys, the very high increase of nominal incomes of recent years have been a major cause of inflation. It is highly desirable to achieve public understanding that sustained growth and rising standards of living over the medium term are not possible if high inflation rates were to continue. Because of the large number of self-employed and the predominance of small firms, there are special difficulties in applying a structured incomes policy in Greece. However, unless a substantial slowdown in the rise of nominal earnings is achieved in the next wage round, beginning in January 1980, accompanied by a similar deceleration in the rate of growth of self-employment income and other personal income from property and entrepreneurship, both real income and employment risk being curtailed by the more stringent demand management policies that continued high inflation would render inevitable. Appropriate fiscal policies, and in particular success in the efforts to combat tax evasion, can help in producing a consensus on the need to moderate the growth in incomes with the heavier burden carried by the more affluent social groups.

The role of demand management for stabilisation remains crucial. Slower growth of GDP, and especially of domestic demand, should be aimed at for both 1979 and 1980 in order to ensure that demand pressures are not excessive. But the most difficult task is to ensure at the same time a shift in the composition of demand towards productive investment so as to lay the ground for sustainable high growth in the future. Lax monetary policy has importantly contributed to the worsening of inflationary trends over the last four years, when the annual rate of increase in credit and in monetary aggregates has been considerably faster than GNP growth. Easy credit availability has weakened employers' resistance to high pay claims, which is reflected in the considerably faster rise in average earnings than implied in the collective agreements. Moreover, relatively cheap bank finance has facilitated the proliferation of intermediary activities and inefficient firms and thus reinforced the upward trend in costs. In addition, the housing boom since 1977, which has created strong speculative forces and has led to an appreciable rise in land prices with important medium-term inflationary effects, was also supported by ample and relatively cheap bank credit. It is important that the significantly lower targets for monetary growth and credit expansion announced for 1979 should be broadly observed. This would create strains on the financial position of enterprises, but a tightening of domestic liquidity is the most effective general measure for dampening in a short period the apparently widespread inflationary expectations. As regards the restrictions on credits for housebuilding, however, there is a risk of past developments being repeated — an excessive building boom being followed by a deep recession in the construction sector.

Equally pressing is the need to further reduce the sizeable budget deficits. Under conditions of near full employment, deficits equivalent to over 5 per cent of GDP no doubt contribute to inflation, the more so that they are largely the result of the steep upward trend in current expenditure, partly reflecting substantial increases in the public sector pay bill in recent years as well as the rapid increase in the number of government employees. The efforts to curb tax evasion may begin to bear fruit over the next few years and will help to reduce the budget deficit. However, over the next couple of years, it is important to control the rise of total government expenditure and in particular to reduce the share of current public expenditure in GDP. The authorities are in the process of reassessing the principal expenditure items. In this context, particular attention should be paid to certain transfers and subsidies. These, when originally introduced, were either on a temporary basis or served social and economic needs which, after the rapid transformation of the Greek economy and society and the considerable rise in living standards during the last twenty years, do not correspond to their original objectives, but instead, help to perpetuate distortions and thus inhibit

continuous development. The early adoption of measures to reduce unnecessary current expenditure is all the more necessary to pave the way for revival of government investment. In fact, the volume of government and other public sector investment has declined significantly since 1974. This has adversely affected the development of certain essential "welfare" services but equally important is the fact that if infrastructure investment does not keep pace with the developments in the rest of the economy there is a risk of creating serious bottlenecks over the medium term that would render more difficult the return to a sustained fast rate of growth.

It is remarkable that the current balance of payments deficit has been maintained approximately at the same level, in current dollar terms, over the last five years (and thus gradually declined as a proportion of GNP) despite the comparatively rapid growth of output and domestic demand. This was partly due to the weak trend of investment in machinery and equipment which has a high import content, but also to fairly good progress in certain industrial exports and to considerable gains in net invisible receipts — helped by a flexible managed floating regime of the exchange rate. Moreover, the current deficit has been financed to a large extent by autonomous capital inflows. The increase in the current deficit expected for 1979 should not create financing problems, although — as pointed out in last year's Survey — it would be unwise to rely too much on an increase in foreign currency deposits of a short-term character and at high interest rates. Successful anti-inflationary policies will clearly help in containing the current deficit within reasonable limits. But over the medium term the balance of payments situation is a potential important constraint on growth. Due to the protracted world shipping crisis, receipts from shipping are likely to grow less fast in the coming few years, although the relative performance of the Greek merchant marine has so far been particularly good. The partial reversal of net emigration has already led to a distinct slowdown of remittances from abroad. And, while net receipts from tourism may continue to grow fast, a healthy balance of payments position will largely depend on adequate growth and diversification of commodity exports. This in turn will be mainly determined by the application of appropriate development policies.

A reappraisal of medium-term policies that can best promote sustainable growth with an acceptable balance of payments position is made more urgent by Greece's forthcoming entry into the European Economic Community. EEC membership can be expected to confer considerable advantages and opportunities to the Greek economy but it will also imply, over time, significant adjustments in the structure of production, demand and costs if the new opportunities are to be exploited and competition from some of the most advanced industrial nations are to be successfully met. A basic requirement is sufficiently large gains in productivity. There is considerable evidence that over the past several years increases in employment took place to some extent at the expense of productivity in large sectors protected from external and domestic competition. Furthermore, the persistently weak trend of manufacturing investment has reduced adaptation of industrial production and exports to changing patterns of demand in domestic and foreign markets. Beyond the immediate task of arresting inflationary developments, economic policies will need to place much greater emphasis in the future on increases in both directly productive and infrastructure investment and on the introduction of advanced production and marketing techniques. Provided that a reallocation of resources in favour of non-residential investment is achieved and sufficient efforts are made to increase the efficiency of industry, and also of the public sector, Greece could reasonably look forward to reaping considerable benefits from the new conditions of increased economic integration within the EEC framework.

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Annex I

CALENDAR OF MAIN ECONOMIC EVENTS

1978

June

A package of measures announced, the principal being:

- budget expenditure cuts of about Dr. 8 billion (Dr. 5½ billion investment cuts and Dr. 2½ billion ordinary expenditure cuts);
- in order to combat tax evasion:
 - i) wealth criteria (cars, yachts, rents, etc.) will be used in estimating income for tax purposes;
 - ii) sources of funds for purchases of cars and of real estate have to be justified; and
 - iii) greater sanctions against tax evaders;
- interest rates on domestic deposits were raised by 2 to 3 percentage points. Interest rates on bank credit were also raised by 1 to 3 percentage points (no change for export credit);
- freezing of many administered prices up to the end of the year;
- in addition to the credit facilities introduced in May, the handicraft industry was granted new tax allowances. All incentives for handicraft and industrial investment will be extended to 1982;
- suspension of new recruitment in the public service.

Investment incentives were extended to industries in the Greater Athens area.

The Bank of Greece granted a Dr. 70 billion loan over 20 years to the Greek state to offset debts accumulated since 1970 from the "Agricultural Products and Government Supplies Account". There will be a 3-year period of grace and the loan will carry a 2 per cent rate of interest.

August

A price freeze was announced on rents, foodstuff, clothing, footwear and building materials up to the end of 1978.

Rents for commercial premises to be fixed for six years and increases to be authorized by the Government in light of the cost of living.

An increase in the inland revenue stamp fee on bills and promissory notes from 0.6 per cent to 0.75 per cent.

Extraordinary taxes of Dr. 5 billion were imposed to cater for the victims, the damages and the loss of revenue due to the Salonica earthquakes. A one-time tax on income is expected to yield some Dr. 3 billion and an increase in tax on petroleum products and road circulation taxes to yield about Dr. 2 billion.

September

The Government announced that it is studying the introduction of VAT in order to combat tax evasion, largely arising from overpricing on import invoices.

October

A law against tax evasion was presented.

November

1979 Budget presented to Parliament.

Export incentives were announced:

- subsidies on interest charged to exporters restored to 60 per cent, the original percentage granted in 1970 up to 31st December 1974, for exports to all European countries outside the EEC, and to 75 per cent for countries in America, Africa, Australia and New Zealand;
- interest subsidies on exports to EEC countries are gradually reduced in view of the entry of Greece into the EEC;
- Banks' interest rates on operating funds lent to exporters reduced from 9½ per cent to 7 per cent.

December

A new law for regional and economic development was presented.

An anti-inflationary monetary and credit plan for 1979 was announced, setting a 17 per cent target for currency circulation (an increase of Dr. 27 billion in 1979 against an increase of Dr. 25 billion in 1978). The ceiling on the increase of commercial banks' credit to the productive part of the private sector was set at Dr. 74 billion (effective increase of Dr. 59 billion in 1978). Housing loans and food subsidies will be cut.

The bill on investment incentives is passed, providing fiscal advantages and long-term loans to companies. It will be operative up to 31st December 1982.

1979*January*

An interbank market for foreign exchange was instituted, operating both spot and forward.

Commercial banks' obligatory investment in government paper and deposits with the Bank of Greece was raised by 1 percentage point to 38 per cent of assets.

A number of price increases were authorized:

— daily newspapers	43 per cent
— electricity	32 per cent
— Athens public transportation	33 per cent
— cigarettes	15 per cent
— meat and dairy products	13-28 per cent

The Government fixed the increase in rents at 8 per cent for 1979, provided that leases were drawn up in 1977 or earlier.

Local authority rates in Athens were raised by 40 per cent for street lighting and garbage collection.

A bill is presented to Parliament making compulsory the creation of garages in proportion to the number of flats in each new building.

February

A new law for the promotion of the capital market was passed, giving substantial fiscal advantages to shareholders.

The Court of Arbitration granted a 15 per cent increase in the daily wage for unskilled workers from Dr. 360 to Dr. 414. The working week will be reduced from 45 hours to 42 hours by 1st October 1981.

The report of the Committee of the Bank of Greece on the obstacles for economic development highlights bureaucratic inefficiencies and administrative delays, fiscal impediments and the shortcomings in the banking sector.

The extension of price controls to all goods and services was announced and also a pre-notification period of four months before price rises was introduced, during which the Ministry of Commerce may veto the proposed price rises. Authorizations for price increases will be based on the rise in raw material prices and on wages and salaries, but not exceeding 10 per cent.

March

Fees for professionals and artisan services were fixed.

Increase in incentives given to industrial investment in peripheral areas.

The Currency Committee announced a package to reduce the liquidity in the economy:

- the increase in banknote circulation was limited at 16 per cent during 1979;
- commercial banks' obligatory investment in government paper and deposits with the Bank of Greece were raised from 38 per cent to 39 per cent;
- increase in credits by commercial banks and by special credit institutions limited at 18 per cent (housing loans pegged at 1978 level of Dr. 17 billion) instead of 25 per cent, during 1978;
- interest rate on foreign currency deposits by Greeks abroad was reduced by ½ percentage point.

A 12 per cent cut in government investment expenditure announced, bringing the planned increase in investment expenditure to 15½ per cent in value between 1978 and 1979.

Investment programmes of Public Power Corporation, Postal Service and Telecommunications Organization were also cut.

April

Publication of the Statement of the Governor and the Annual Report by the Bank of Greece.

The Government announced the following energy-saving increases: *i*) private cars will not circulate one weekend out of two; *ii*) maximum temperature in buildings and apartments set at 18°; *iii*) neon lighting reduced; and *iv*) increase in the price of petrol.

Price policy changes allowing 10 per cent increase in prices (from the end of December level) without prior approval by the Ministry of Commerce. Retail prices should not be more than double the price of imported goods (after customs) or the factory gate price for domestic goods. Wholesale profit margins should not be more than 25 per cent of the price paid by wholesalers.

May

The Public Power Corporation was given a Dr. 50 million investment loans for distribution in rural areas and negotiated a \$125 million Eurodollar loan.

The Government announced that the 1978-1982 Five-Year Plan for economic development will be presented to Parliament in October 1979.

Interest rate on dollar-denominated foreign exchange deposits raised.

The Treaty for Greece's entry into the EEC is signed in Athens. A period of 18 months is foreseen for ratification by the Parliaments of the ten countries, with Greece becoming a full member on 1st January 1981. The Treaty provides for a 5-year transitional period ending on 31st December 1985 (7-year transition period is provided for peaches and tomatoes and for the free circulation of labour in the EEC). During the 5-year period, Greece will gradually eliminate all tariffs and other trade obstacles for imports from the rest of the EEC and will adopt the common EEC external tariff for imports from other countries.

The Bank of Greece increased its capital by issuing a total of Dr. 7 billion of new shares.

Bank lending rates were raised:

- loans to industry for operational funds: from 15.5 per cent to 17 per cent;
- loans to commerce: from 18 per cent to 19 per cent;
- long-term loans for investment: from 12 per cent to 13 per cent;
- loans to handicraft: from 13.5 per cent to 14.5 per cent (from 9.5 per cent to 10.5 per cent for loans from special fund 1421);
- loans to agricultural industries: from 11 per cent to 12 per cent;
- loans to mining and tobacco trade: from 7 per cent to 8 per cent;
- housing loans: from 11.5 per cent to 12.5 per cent;
- housing loans in foreign currency: from 8.5 per cent to 9.5 per cent;
- prefinancing of exports from 7 per cent to 10.5 per cent.

Commercial bank's obligatory deposits with the Bank of Greece were further raised.

June

Postal charges were raised by 50 per cent.

July

Energy-saving measures announced:

- new flexible working hours were announced as from 1st August, 1979 with the aim of alleviating traffic problems;
- oil price rises of about 10 per cent for gas oil and 50 per cent for diesel oil;
- 100 per cent increase of the special tax on cars;
- energy consumption in buildings to be reduced by 10 per cent in 1979 compared with 1978;
- energy consumption by industry to be reduced by 5 per cent in 1979 compared with 1978;
- closing time of night-clubs and restaurants at 2.00 a.m.

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Annex 2

The following Tables show the figures used for estimating net capital stock and capacity utilisation presented in diagram 7 in the text. The method is explained in the footnotes of the diagram.

Table 1 Capacity utilisation and net capital stock in manufacturing
At 1970 prices

	Manufacturing production	Gross Investment	Net Capital stock ¹		Capacity utilisation	
			Dr. million	Percentage change	High estimate ²	Low estimate ³
1960	18 430	2 873	22 567.1	4.4	86.0	76.0
1961	19 886	3 634	24 096.3	6.8	86.9	76.9
1962	20 934	4 280	26 057.5	8.1	84.6	74.6
1963	22 661	4 390	27 909.2	7.1	85.5	75.5
1964	25 537	5 628	30 717.5	10.1	87.5	77.5
1965	28 146	7 006	34 553.5	12.5	85.8	75.8
1966	30 672	6 660	37 710.5	9.1	85.6	75.6
1967	33 346	6 053	40 627.8	7.7	86.4	76.4
1968	37 208	7 245	44 383.5	9.2	88.3	78.3
1969	42 537	8 426	48 918.6	10.2	91.5	81.5
1970	49 266	10 044	54 597.5	11.6	95.0	85.0
1971	54 586	11 198	60 977.8	11.7	94.2	84.2
1972	58 892	13 238	68 806.8	12.8	90.1	80.1
1973	69 228	14 457	77 233.8	12.2	94.4	84.4
1974	67 226	14 914	85 461.3	10.7	82.8	72.8
1975	70 944	13 132	91 347.1	6.9	81.8	71.8
1976	78 029	13 288	96 843.2	6.0	84.8	74.8
1977	79 215	12 538	101 103.3	4.4	82.5	72.5
1978	84 350	12 551	104 922.5	3.8	84.6	74.6

1 Assuming a linear amortization over 20 years.

2 Assuming that 95 per cent of capacity was used in the peak year of 1970.

3 Assuming that 85 per cent of capacity was used in the peak year of 1970.

Sources: National Accounts of Greece and OECD estimates.

Table 2 Net capital stock and amortization in manufacturing
At 1970 prices

	Amortization over 16 years				Amortization over 24 years			
	Net capital stock		Replacement investment		Net capital stock		Replacement investment	
	Dr. million	Percentage change	Dr. million	Percentage of gross investment	Dr. million	Percentage change	Dr. million	Percentage of gross investment
1960	18 593.4	2.6	2 403.9	83.7	25 216.3	5.3	1 602.6	55.8
1961	19 596.4	5.4	2 631.0	72.4	27 096.3	7.5	1 754.0	48.3
1962	20 977.9	7.0	2 898.5	67.7	29 443.9	8.7	1 932.3	45.1
1963	23 032.5	9.8	2 335.4	53.2	31 718.7	7.7	2 115.3	48.2
1964	25 984.1	12.8	2 676.4	47.6	34 996.9	10.3	2 349.8	41.8
1965	29 900.5	15.1	3 089.6	44.1	39 361.3	12.5	2 641.7	37.7
1966	33 089.6	10.7	3 470.9	52.1	43 102.1	9.5	2 919.2	43.8
1967	35 427.6	7.1	3 715.0	61.4	45 983.7	6.7	3 171.4	52.4
1968	38 592.9	8.9	4 079.7	56.3	49 755.5	8.2	3 473.3	47.9
1969	42 540.0	10.2	4 478.9	53.2	54 357.1	9.2	3 824.3	45.4
1970	47 588.7	11.9	4 995.3	49.7	60 158.3	10.7	4 242.8	42.2
1971	53 212.8	11.8	5 573.9	49.8	67 205.2	11.7	4 151.1	37.1
1972	60 197.8	13.1	6 253.0	47.2	75 747.7	12.7	4 695.5	35.5
1973	67 674.4	12.4	6 980.4	48.3	84 923.3	12.1	5 281.5	36.5
1974	74 893.0	10.7	7 695.4	51.6	93 957.7	10.6	5 879.6	39.4
1975	79 701.4	6.4	8 323.6	63.4	100 752.4	7.2	6 337.2	48.3
1976	84 014.8	5.4	8 974.6	67.5	107 208.3	6.4	6 832.2	51.4
1977	87 021.8	3.6	9 531.1	76.0	112 476.6	4.9	7 269.6	58.0
1978	89 524.8	2.9	10 048.0	80.1	117 309.3	4.3	7 718.4	61.5

Sources: National Accounts of Greece, 1958-1975 and OECD estimates.

STATISTICAL ANNEX

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Table A National product and expenditure
Billion drachmae, current prices

	1969	1970	1971	1972	1973	1974	1975	1976	1977 ¹	1978 ²
Consumers' expenditure	184.32	206.39	222.00	250.57	310.04	386.83	462.45	546.81	643.76	759.35
Government current expenditure	33.87	37.74	41.36	45.94	55.44	78.07	102.01	124.33	153.84	186.20
Gross fixed asset formation ³	65.59	70.66	83.30	104.83	135.68	125.48	139.95	175.00	222.30	269.60
Change in stocks	3.45	13.35	8.95	6.85	37.52	39.90	41.40	44.70	41.70	..
Exports of goods and services ⁴	32.66	37.76	44.88	57.33	86.51	112.61	136.57	174.44	195.56	238.25
less: Imports of goods and services ^{3 4}	51.52	57.27	63.81	79.17	126.61	151.57	188.12	223.03	253.61	291.90
Statistical discrepancy	3.12	-4.21	1.50	0.95	-1.34	-9.25	-2.90	6.12	-7.68	..
Gross national product at market prices	271.49	304.42	338.18	387.30	497.24	582.07	691.37	848.38	995.87	1 182.30
Gross domestic product at factor cost	228.99	258.00	287.42	329.98	428.22	507.33	593.18	727.24	846.49	1 005.35
Agriculture, forestry, fishing and hunting	43.11	47.06	52.33	61.47	87.31	100.36	110.97	136.20	142.47	173.55
Mining and quarrying	3.25	3.54	4.22	4.91	6.05	6.74	8.46	10.61	13.16	14.00
Manufacturing	40.83	49.27	55.57	61.94	86.15	102.62	118.08	146.52	165.52	191.20
Construction	21.60	23.02	26.26	33.57	42.74	37.76	43.01	53.61	72.95	90.25
Electricity, gas and water	4.49	5.15	5.65	6.27	7.11	8.07	9.31	12.04	13.90	16.10
Transport, storage and communications	17.67	19.76	22.03	25.30	29.07	35.32	47.96	59.66	69.74	78.80
Other services	98.04	110.20	121.36	136.52	169.79	216.46	255.39	308.60	368.75	441.45

1 Provisional data.

2 Estimates.

3 Excluding ships operating overseas.

4 Including factor income.

Source: Ministry of Coordination and Planning, National Accounts of Greece.

Table B National product and expenditure
Billion drachmae, 1970 prices

	1969	1970	1971	1972	1973	1974	1975	1976	1977 ¹	1978 ²
Consumers' expenditure	190.09	206.39	218.05	233.08	250.46	250.97	267.26	280.20	294.15	309.10
Government current expenditure	35.64	37.74	39.61	41.85	44.70	50.10	56.07	58.95	62.80	64.65
Gross fixed asset formation ³	71.65	70.66	80.56	92.98	100.09	74.50	74.66	79.75	86.60	91.10
Change in stocks	3.74	13.35	8.71	6.49	26.51	21.65	21.10	19.40	16.30	16.00
Exports of goods and services ⁴	33.73	37.76	43.95	52.79	63.93	60.82	74.55	77.39	89.50	89.50
less: Imports of goods and services ⁴	53.57	57.27	62.08	71.64	93.68	79.02		89.49	96.01	102.90
Statistical discrepancy	0.89	-4.21	-1.08	1.34	-8.09	-9.70	-9.69	-8.52	-10.51	-11.25
Gross national product at market prices	282.17	304.42	327.72	356.89	383.92	369.32	390.00	414.84	430.72	456.20
Gross domestic product at factor cost	238.20	258.00	278.55	303.97	329.27	323.31	339.83	359.95	370.58	392.25
Agriculture, forestry, fishing and hunting	43.08	47.06	48.66	51.54	51.20	53.67	56.73	55.97	52.10	55.50
Mining and quarrying	3.33	3.54	4.03	4.49	5.08	4.77	4.88	5.24	5.75	5.65
Manufacturing	42.64	49.27	54.59	58.89	69.23	67.27	70.94	78.03	79.22	84.35
Construction	24.48	23.02	26.27	31.18	31.92	21.97	23.15	24.58	27.48	29.45
Electricity, gas and water	4.50	5.15	5.91	7.39	8.13	7.70	8.60	9.75	10.73	11.90
Transport, storage and communications	18.30	19.76	21.86	24.45	27.19	27.43	28.62	30.97	32.62	34.55
Other services	101.87	110.20	117.23	126.03	136.52	140.50	146.91	155.41	162.68	170.85
<i>Implied price deflators:</i>										
GNP at market prices	96.2	100.0	103.2	108.5	129.5	157.6	177.3	204.5	231.2	259.2
GDP at factor cost	96.1	100.0	103.2	108.6	130.0	156.9	174.6	202.2	228.4	256.3

1 Provisional data.

2 Estimates.

3 Excluding ships operating overseas.

4 Including factor income.

Source: Ministry of Coordination and Planning, National Accounts of Greece.

Table C Gross domestic fixed asset formation
 Million drachmae, current prices

	1969	1970	1971	1972	1973	1974	1975	1976	1977 ¹	1978 ²
Gross fixed asset formation	65 587	70 663	83 298	104 833	135 677	125 476	139 950	175 000	222 300	269 600
Dwellings	21 078	19 740	23 603	32 565	41 544	27 771	37 983	47 477	68 769	91 790
Other buildings	8 829	9 579	10 483	13 556	18 956	21 670	18 865	24 396	31 974	36 912
Other construction and works	13 894	16 169	19 312	22 232	26 737	25 392	29 380	34 985	40 416	45 813
Transport equipment	6 515	6 548	7 492	7 990	12 746	9 752	11 012	17 484	25 492	34 085
Machinery and other equipment	15 271	18 627	22 408	28 490	35 694	40 891	42 710	50 658	55 829	61 000
Agriculture, animal breeding, fishing	6 730	7 523	8 231	9 789	12 857	11 777	14 998	17 428	22 080	21 937
Mining and quarrying	1 110	1 471	1 981	1 763	2 736	2 482	3 270	4 212	3 965	4 651
Manufacturing	7 777	10 044	12 413	16 688	20 919	25 981	26 584	31 346	33 621	38 547
Electricity, gas, etc.	6 101	5 091	7 765	9 026	12 201	14 207	11 002	13 188	14 068	18 343
Transportation, storage and communication	13 311	14 677	17 992	20 609	26 456	22 766	24 095	31 998	40 498	50 683
Dwellings	21 078	19 740	23 603	32 565	41 544	27 771	37 983	47 477	68 769	91 790
Public administration	566	828	816	862	908	1 000	1 048	1 432	1 538	1 702
Other service industries	8 914	11 289	10 497	13 531	18 056	19 492	20 970	27 919	37 761	41 949
Private	47 137	50 737	57 251	73 043	98 010	87 665	101 130	128 100	173 200	208 800
Public	18 450	19 926	26 047	31 790	37 667	37 811	38 820	46 900	49 100	60 800

NOTE: Data exclude investment in ships operating overseas.

1 Provisional data.

2 Estimates.

Source: Ministry of Coordination and Planning, National Accounts of Greece.

Table D **Gross domestic fixed asset formation**
Million drachmae, 1970 prices

	1969	1970	1971	1972	1973	1974	1975	1976	1977 ¹	1978 ²
Gross fixed asset formation	71 653	70 663	80 558	92 977	100 093	74 500	74 660	79 750	86 600	91 100
Dwellings	23 212	19 740	23 641	29 964	30 576	15 869	20 476	21 909	26 450	30 595
Other buildings	9 729	9 579	10 504	12 472	13 951	12 381	10 170	11 258	12 228	12 300
Other construction and works	15 722	16 169	19 424	21 139	20 426	15 076	16 010	16 078	15 835	15 600
Transport equipment	6 634	6 548	7 083	7 021	10 236	7 418	7 050	9 346	11 397	12 791
Machinery and other equipment	16 356	18 627	19 906	22 381	24 904	23 756	20 954	21 159	20 690	19 814
Agriculture, animal breeding, fishing	7 443	7 523	8 052	8 949	9 685	7 015	7 825	7 740	8 420	7 171
Mining and quarrying	1 219	1 471	1 827	1 478	1 985	1 462	1 670	1 859	1 534	1 569
Manufacturing	8 426	10 044	11 198	13 238	14 457	14 914	13 132	13 288	12 538	12 551
Electricity, gas, etc.	6 827	5 091	7 480	7 987	8 736	8 181	6 039	6 021	5 705	6 490
Transportation, storage and communication	14 181	14 677	17 348	18 529	20 570	15 142	14 050	15 853	17 143	18 317
Dwellings	23 212	19 740	23 641	29 964	30 576	15 869	20 476	21 909	26 450	30 595
Public administration	628	828	803	781	675	580	563	642	584	564
Other service industries	9 717	11 289	10 209	12 051	13 409	11 337	10 905	12 438	14 226	13 843
Private	51 091	50 737	55 112	64 122	72 187	52 211	53 702	58 380	67 400	70 430
Public	20 562	19 926	25 446	28 855	27 906	22 289	20 958	21 370	19 200	20 670

NOTE Data exclude investment in ships operating overseas.

1 Provisional data.

2 Estimates.

Source: Ministry of Coordination and Planning, National Accounts of Greece.

Table E **Income and expenditure of households and private non-profit institutions**
 Million drachmae, current prices

	1969	1970	1971	1972	1973	1974	1975	1976	1977 ¹	1978 ²
Agricultural income	41 561	45 355	50 425	59 332	84 657	96 874	106 568	130 688	135 735	165 600
Wages and salaries outside agriculture	85 915	95 913	107 713	124 814	150 675	184 078	226 740	287 193	354 545	435 000
Income from property and entrepreneurship	84 287	94 963	108 264	118 825	156 350	183 608	217 992	251 105	299 497	337 520
Current transfers from government	20 453	22 841	25 397	27 421	31 318	38 664	47 956	61 465	79 272	103 990
Current transfers from the rest of the world, net	8 319	10 337	14 090	17 259	21 782	20 205	24 821	29 036	33 727	35 800
INCOME OF HOUSEHOLDS AND PRIVATE NON-PROFIT INSTITUTIONS	240 535	269 409	305 889	347 651	444 782	523 429	624 077	759 487	902 776	1 077 910
<i>less: Direct taxes</i>	25 310	28 585	32 756	36 176	44 057	55 725	63 281	80 718	104 630	136 360
DISPOSABLE INCOME	215 225	240 824	273 133	311 475	400 725	467 704	560 796	678 769	798 146	941 550
CONSUMPTION, RESIDUAL COMPONENT	184 316	206 390	222 004	250 570	310 041	386 834	462 451	546 814	643 768	759 350
CONSUMPTION BY MAIN EXPENDITURE COMPONENTS³	187 363	210 538	228 953	259 477	322 131	396 930	477 999	571 062	673 430	799 276
food, drinks, tobacco	82 738	87 835	93 041	106 063	135 257	169 977	201 300	235 607	271 261	322 411
clothing, shoes	20 438	26 775	29 737	32 997	39 271	45 991	55 274	66 923	76 080	89 971
rent	22 552	24 555	26 666	29 373	34 223	40 779	46 068	52 975	62 615	77 308
durable household goods	9 210	10 960	11 938	14 830	22 206	24 777	32 156	44 897	63 347	75 385
other	52 425	60 413	67 571	76 214	91 174	115 406	143 201	170 660	200 127	234 201

1 Provisional data.

2 Estimates.

3 Based on direct estimate of private consumption, but includes non-residents' expenditure and excludes residents' expenditure abroad.

Source: Ministry of Coordination and Planning, National Accounts of Greece.

Table F Government revenue and expenditure
National accounts basis
Million drachmae

	1969	1970	1971	1972	1973	1974	1975	1976	1977 ¹	1978 ²
<i>Central government</i>										
Current revenue	43 524	48 664	53 710	60 803	76 671	98 623	117 556	156 929	181 734	219 540
Direct taxes	7 431	8 829	10 976	12 425	15 025	25 339	22 747	40 024	38 620	51 200
Indirect taxes	34 079	37 236	40 700	45 758	57 676	63 147	85 846	107 184	133 000	160 350
Other	2 014	2 599	2 034	2 620	3 970	10 137	8 963	9 721	10 114	7 990
Current expenditure	38 892	43 169	49 034	55 069	70 102	101 605	131 531	166 234	199 492	243 190
Goods and services	27 043	29 751	32 685	36 496	44 187	63 835	84 500	100 875	125 056	150 590
Interest on public debt	2 167	2 815	3 270	3 746	4 852	7 139	9 261	12 940	14 066	21 100
Transfers and subsidies	9 682	10 603	13 079	14 827	21 063	30 631	37 770	52 419	60 370	71 500
Saving	4 632	5 495	4 676	5 734	6 569	-2 982	-13 975	-9 305	-17 758	-23 650
<i>General government</i>										
Current revenue	71 506	79 223	86 924	99 269	121 440	150 836	182 134	236 908	280 890	348 140
Direct taxes	26 690	30 139	34 791	40 024	47 978	64 023	70 322	100 044	114 630	150 360
Indirect taxes	39 891	43 406	46 833	52 526	64 826	71 562	95 961	119 254	147 600	179 000
Other	4 925	5 678	5 300	6 719	8 636	15 251	15 851	17 610	18 660	18 780
Current expenditure	59 053	66 021	74 115	82 020	100 658	139 558	177 587	223 428	277 128	347 690
Goods and services	33 872	37 742	41 362	45 943	55 444	78 071	102 007	124 332	153 840	186 200
Interest on public debt	2 167	2 815	3 270	3 746	4 852	7 139	9 261	12 940	14 066	21 100
Transfers and subsidies	23 014	25 464	29 483	32 331	40 362	54 348	66 319	86 156	109 222	140 390
Saving	12 453	13 202	12 809	17 249	20 782	11 278	4 547	13 480	3 762	450

1 Provisional data.

2 Estimates.

Source: Ministry of Coordination and Planning, National Accounts of Greece.

Table G Industrial production¹

	1968	1969	1970	1970	1971	1972	1973	1974	1975	1976	1977	1978
Total industrial production index	214	239	264	100	111	127	147	144	151	166	170	183
Mining and quarrying	158	183	217	100	114	118	133	136	133	143	149	145
Manufacturing	206	229	254	100	110	127	147	144	150	166	169	182
Food, beverages and tobacco	154	152	162	100	108	110	119	117	119	136	144	162
of which:												
Tobacco	141	135	142	100	110	107	117	124	121	141	153	148
Food	150	154	161	100	106	107	114	108	113	130	130	156
Other manufacturing	230	265	297	100	110	131	153	150	158	173	175	186
of which:												
Textiles	180	201	229	100	114	127	147	147	174	200	196	208
Chemicals	356	407	449	100	112	126	148	150	163	177	183	207
Non-metallic minerals	206	245	270	100	106	123	137	139	146	168	189	205
Basic metals	719	943	1 075	100	111	136	161	163	158	169	141	177
Metal products	245	270	298	100	114	132	155	135	130	157	173	175
Consumer goods industries	194	209	231	100	110	121	139	138	150	168	172	186
Capital goods industries	260	313	355	100	109	131	150	149	151	161	158	171

¹ 1959 = 100 up to 1970, 1970 = 100 from 1970. Due to reweighting, data for the two periods are not fully comparable.

Source: National Statistical Service of Greece, *Monthly Statistical Bulletin*.

Table H Prices and wages

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Consumer prices (1974 = 100)											
Total	60.2	61.7	63.5	65.4	68.2	78.8	100.0	113.4	128.5	144.1	162.1
<i>of which:</i> Food	55.4	57.3	59.1	62.1	64.6	78.3	100.0	111.8	127.3	145.1	165.8
Alcoholic beverages and tobacco	84.0	84.1	84.1	84.1	84.4	87.8	100.0	117.4	127.4	134.8	145.8
Clothing and footwear	66.6	67.0	68.3	69.1	71.9	82.0	100.0	111.2	126.2	142.3	162.4
Housing	70.4	71.7	72.0	72.5	73.6	78.5	100.0	111.7	124.0	138.6	154.4
Durable goods and household supplies	63.7	64.0	65.5	67.4	69.7	78.9	100.0	106.7	118.0	129.9	141.0
Transport and communications	53.4	57.1	59.4	60.9	66.1	72.8	100.0	119.6	133.4	143.4	152.4
Wholesale prices (1970 = 100)											
Total			100.0	104.5	111.1	135.4	177.8	192.6	219.6	249.7	275.4
Finished products of local primary and secondary production for home consumption			100.0	102.5	106.7	127.5	171.0	185.3	209.2	236.2	261.0
Local primary production			100.0	104.9	111.4	138.0	169.3	184.4	219.2	250.2	281.5
Local industrial production			100.0	101.7	105.0	123.9	171.7	185.6	205.7	231.4	254.0
Finished products of foreign origin			100.0	113.1	127.4	154.4	197.7	220.7	253.8	284.4	321.1
<i>of which:</i> Agriculture			100.0	100.0	106.7	152.5	224.1	158.6	184.6	260.2	364.4
Livestock			100.0	106.4	118.7	161.9	173.3	172.7	192.3	203.6	235.6
Food manufacturing industries, except beverage industries			100.0	117.0	169.2	201.4	369.3	413.6	378.0	396.1	417.7
Manufacture of petroleum and coal derivatives			100.0	143.5	134.7	196.8	371.2	411.8	549.2	588.7	644.7
Basic metal industries			100.0	87.7	93.3	137.7	211.4	150.5	182.4	169.2	194.9
Manufacture of metal products, except machinery and transport equipment			100.0	113.4	123.8	147.6	184.7	225.0	262.9	296.2	347.5
Manufacture of machinery and appliances except electrical			100.0	107.9	117.3	137.2	157.2	182.9	222.8	260.6	296.3
Manufacture of electrical machinery apparatus, appliances and supplies			100.0	104.2	113.2	126.6	140.6	166.9	187.2	205.1	240.4
Manufacture of transport equipment			100.0	106.6	127.5	140.2	158.1	180.8	229.2	274.2	338.3
Exported products of local primary and industrial production			100.0	102.8	110.6	148.5	184.4	189.9	224.6	269.4	284.0
Agriculture			100.0	101.3	118.1	202.6	233.0	216.0	248.1	353.9	373.9
Livestock			100.0	97.3	117.0	155.7	159.0	150.9	210.7	232.3	261.0

Manufacture of textiles			100.0	109.0	124.3	152.0	196.7	184.9	258.3	274.7	261.5
Chemical industries			100.0	116.2	124.7	135.0	172.7	222.7	239.0	236.2	261.7
Manufacture of non-metallic mineral products, except petroleum and coal derivatives			100.0	101.9	115.1	151.0	207.5	219.9	250.7	287.1	327.4
Average unit value ¹											
Exports	111.3	112.2	100.0	110.4	104.1	136.0	177.0	196.6	215.5	236.6	250.2
Imports	104.7	104.8	100.0	103.5	112.6	134.6	195.4	233.1	259.8	272.4	302.4
Wages (1970 = 100)											
Hourly earnings: manufacturing (wage earners) ²	86	94	100	109	118	138	174	217	279	338	419

1 1961 = 100 up to 1969; 1970 = 100 from 1970.

2 Enterprises employing at least 10 persons.

Sources: Bank of Greece, *Monthly Statistical Bulletin*; National Statistical Service of Greece, *Monthly Statistical Bulletin*; OECD, *Main Economic Indicators*.

Table I Exports by commodity group

Fob — customs basis

\$ million

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978 ¹
Total	468.24	553.62	642.54	662.48	870.86	1 443.90	2 038.25	2 308.30	2 543.1	2 723.2	3 335.2
Food and live animals	133.70	128.88	147.29	167.70	217.24	306.68	391.98	512.88	571.0	686.7	757.7
Fruits, fresh and nuts	30.37	37.52	41.27	42.73	52.24	74.73	107.35	177.40	133.2	198.5	176.7
Fruits, dried	37.42	45.54	40.61	38.39	48.67	83.74	100.00	82.43	96.6	134.0	149.5
Beverages and tobacco	108.79	114.75	112.35	106.24	138.94	117.48	197.98	187.57	215.6	188.4	255.8
Tobacco, unmanufactured	99.85	102.71	92.47	86.48	113.86	77.21	170.31	156.60	177.2	151.3	211.4
Crude materials, inedible, except fuels	88.82	92.79	108.59	124.48	122.60	194.60	215.20	201.75	255.5	243.2	280.3
Cotton	34.73	30.26	41.15	53.64	40.80	80.63	52.71	32.08	44.5	34.8	42.4
Iron, sulphur and other minerals	31.47	37.38	43.36	44.83	47.64	69.81	40.11	120.70	150.4	148.3	161.5
Mineral fuels, lubricants	6.07	5.51	6.41	6.07	10.90	202.04	182.60	253.89	148.7	131.7	316.0
Animal and vegetable oils and fats	26.35	10.72	4.94	5.68	13.03	16.70	29.47	42.45	20.8	11.5	70.6
Fixed vegetable oils and fats	25.98	8.07	2.75	3.11	12.94	16.60	29.10	21.00	16.5	8.6	69.0
Chemicals	31.65	31.34	46.15	48.44	64.20	79.28	101.21	134.62	103.0	131.3	142.7
Manufactured goods classified chiefly by material	77.42	144.58	183.59	159.57	229.95	391.23	710.56	659.14	804.1	864.7	1 053.0
Iron and steel	6.40	49.00	72.54	21.64	39.38	111.05	213.65	153.94	165.0	123.7	204.8
Aluminium	32.46	37.60	38.42	48.38	54.99	67.44	96.22	83.18	102.9	121.4	142.5
Textiles	14.00	23.10	36.80	47.30	78.70	130.00	185.00	175.00	240.4	279.4	327.9
Leather and leather products	11.90	17.31	16.12	16.57	21.80	33.53	50.74	49.40	58.2	74.3	72.8
Machinery and transport equipment	3.62	6.35	9.56	12.23	20.34	31.22	54.15	89.65	125.6	143.1	101.6
Miscellaneous manufactures	11.82	18.69	23.65	32.05	53.65	104.64	155.10	226.10	297.9	321.8	353.0
Clothing	5.55	8.16	8.65	9.28	17.66	48.39	79.63	133.30	198.5	214.4	249.5
Footwear	1.36	3.80	5.82	9.63	17.06	24.81	35.59	54.86	58.0	53.4	49.0

NOTE: Original figures in drachmae have been converted into US dollars by applying a constant trade conversion factor of 30 drachmae per dollar from 1968 through 1972 and for 1974. For 1973 and 1975, average conversion factors of 29.65 and 32.25 were applied respectively, for 1976 conversion factor 36.889, for 1977 37.209, for 1978 37.090, (obtained from OECD, Overall Trade by Countries, Statistics of Foreign Trade, Series A).

¹ Provisional data.

Sources: National Statistical Service of Greece, *Statistical Yearbook of Greece* and *Monthly Statistical Bulletin of Trade*.

Table J Imports by commodity group

Cif — customs basis

\$ million

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978 ¹
Total	1 394.36	1 594.16	1 958.34	2 098.09	2 345.79	3 465.34	4 385.23	5 334.62	6 013.2	6 776.5	7 556.0
Total excluding ships	1 239.89	1 104.46	1 553.05	1 719.74	2 145.14	3 267.14	4 278.36	4 639.00	4 869.9	5 377.4	6 202.6
Food and live animals	168.05	182.15	189.05	234.44	234.30	392.69	459.00	473.97	456.0	521.7	615.6
Meat and live animals	77.19	74.08	95.45	106.28	104.50	186.07	64.46	77.84	134.9	192.4	260.9
Beverages and tobacco	1.82	1.88	2.49	3.52	4.84	11.43	9.45	6.59	10.3	13.9	22.0
Crude materials, inedible, except fuels	133.01	155.67	164.71	174.21	203.74	327.47	414.72	416.63	416.0	483.8	479.2
Wood	40.47	40.03	43.12	44.01	53.29	82.68	81.95	65.20	77.0	97.5	110.2
Wool, cotton, fibres	41.15	48.51	45.66	55.66	66.31	105.82	141.38	95.10	24.1	202.1	164.5
Mineral fuels, lubricants	100.50	118.61	134.65	153.44	231.17	426.02	974.37	1 180.77	1 227.0	1 030.9	1 412.3
Petroleum, crude	63.98	75.53	76.73	85.30	142.84	328.75	845.54	1 028.01	1 034.8	853.6	1 164.9
Petroleum products	28.35	32.51	38.00	54.42	72.28	74.54	82.00	93.51	—	145.5	222.2
Animal, vegetable oils, and fats	1.85	4.52	13.32	8.57	3.36	10.63	13.92	20.22	13.8	12.5	12.8
Chemicals	125.38	143.18	158.61	186.09	228.70	318.65	390.77	440.70	495.2	537.5	601.3
Medicinal products	38.05	43.06	47.28	52.26	58.22	74.52	76.20	92.03	92.6	109.2	130.0
Manufactured goods classified chiefly by material	228.96	264.89	306.63	325.16	402.08	609.79	779.35	738.35	746.2	889.5	973.6
Textiles	47.37	53.43	53.11	59.55	67.37	92.30	101.29	82.10	88.7	155.8	164.3
Machinery and transport equipment	588.48	675.59	931.24	949.95	960.82	1 265.33	1 234.13	1 903.86	2 491.3	3 091.7	3 186.0
Ships and boats	154.47	189.70	405.29	378.35	200.65	198.20	106.87	695.61	1 143.3	1 399.1	1 264.5
Aircraft	28.65	61.60	24.91	20.35	33.82	99.50	23.75	14.42	54.5	23.1	14.0
Road motor vehicles	76.84	88.50	104.71	126.32	142.44	204.98	195.32	274.14	386.0	659.0	833.4
Other machinery and equipment	328.52	335.79	396.33	424.93	583.91	762.66	908.19	919.69	907.5	1 009.9	1 074.1

NOTE Original figures in drachmae have been converted into US dollars by applying a constant trade conversion factor of 30 drachmae per dollar from 1968 through 1972 and for 1974. For 1973 and 1975, average conversion factors of 29.65 and 32.25 were applied respectively, for 1976 conversion factor 36.889, for 1977 37.209, for 1978 37.090, (obtained from OECD, Overall Trade by Countries, Statistics of Foreign Trade, Series A).

¹ Provisional data.

Sources: National Statistical Service of Greece, *Statistical Yearbook of Greece and Monthly Statistical Bulletin of Trade*.

Table K Exports and imports by area

Customs basis

\$ million

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978 ¹
<i>Exports, fob</i>											
Total OECD ²	335.0	379.5	439.7	475.3	628.1	1 043.1	1 372.1	1 497.7	1 603.8	1 614.2	2 044.0
OECD Europe	275.6	312.3	373.9	396.0	512.7	909.2	1 189.8	1 320.7	1 398.0	1 432.0	1 822.7
EEC ³	243.5	277.3	335.9	350.4	457.5	793.6	1 025.1	1 150.0	1 271.0	1 299.8	1 695.7
Germany	91.7	109.9	129.6	133.6	188.0	311.8	428.7	492.4	542.9	581.3	694.2
France	33.7	37.3	36.2	62.1	70.8	95.7	121.1	167.3	170.6	188.3	223.1
Italy	62.4	53.7	64.4	57.0	87.8	137.1	181.9	190.1	233.6	191.6	362.4
United Kingdom	19.4	25.5	38.2	28.4	28.7	101.1	116.7	100.0	105.3	136.4	145.0
Other OECD Europe	32.1	35.0	38.0	45.6	55.3	115.6	164.7	170.7	127.0	132.2	127.0
North America	49.7	57.4	52.3	64.9	92.1	112.7	142.4	132.1	173.7	150.5	173.8
Centrally planned economies	71.5	89.7	106.5	86.0	118.6	169.7	246.2	263.6	372.9	343.7	397.5
Other ⁴	61.7	84.4	96.3	101.2	124.2	231.1	420.0	547.0	566.4	765.3	893.7
Total	468.2	553.6	642.5	662.5	870.9	1 443.9	2 038.3	2 308.3	2 543.1	2 723.2	3 335.2
<i>Imports, cif</i>											
Total OECD ²	1 082.0	1 253.4	1 585.9	1 712.9	1 881.3	2 667.9	3 055.8	3 110.2	3 175.3	3 701.5	4 114.8
OECD Europe	886.9	971.0	1 184.5	1 256.9	1 472.3	2 011.4	2 251.2	2 340.3	2 451.0	2 973.7	3 422.0
EEC ³	753.0	826.0	976.1	1 067.1	1 289.6	1 736.6	1 897.3	2 004.9	2 131.0	2 602.3	2 990.3
Germany	256.9	307.2	363.4	408.8	489.6	676.6	714.0	713.5	798.2	927.7	1 075.3
Italy	143.6	143.3	163.9	192.7	256.8	316.3	376.1	431.7	466.4	602.1	738.3
United Kingdom	134.9	142.3	168.8	153.9	163.8	195.4	202.8	204.6	211.8	289.4	289.5
Other OECD Europe	133.9	144.9	208.4	189.8	182.7	274.8	353.9	335.4	320.0	371.4	431.7
North America	116.5	165.6	133.7	204.5	164.4	307.6	453.1	438.7	440.4	372.4	339.7
Centrally planned economies	111.6	96.9	101.5	104.8	128.6	189.7	204.1	298.3	384.1	375.8	591.0
Other ⁴	200.8	243.8	271.0	280.3	335.9	607.7	1 125.3	1 926.1	2 453.7	2 699.3	2 850.2
Total	1 394.4	1 594.2	1 958.3	2 098.1	2 345.8	3 465.3	4 385.2	5 334.6	6 013.2	6 776.5	7 556.0

NOTE: Original figures in drachmae have been converted into US dollars by applying a constant trade conversion factor of 30 drachmae per dollar from 1968 through 1972 and for 1974. For 1973 and 1975, average conversion factors of 29.65 and 32.25 were applied respectively, for 1976 conversion factor 36.889, for 1977 37.209, for 1978 37.090, (obtained from OECD, Overall Trade by Countries, Statistics of Foreign Trade, Series A).

¹ Provisional data.

² Including Australia and New Zealand.

³ Including United Kingdom, Ireland and Denmark.

⁴ Including ships for 1975, 1976, 1977, 1978.

Sources: National Statistical Service of Greece, *Statistical Yearbook of Greece* and *Monthly Statistical Bulletin of Trade*.

Table L. Balance of payments, OECD basis
\$ million

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978 ¹
Exports, fob	465	530	612	625	860	1 231	1 803	2 030	2 228	2 522	2 999
Imports, fob ²	1 124	1 291	1 535	1 751	2 197	3 642	4 243	4 565	5 005	5 783	6 607
Trade balance	-659	-761	-923	-1 126	-1 337	-2 411	-2 440	-2 535	-2 777	-3 261	-3 608
Invisibles, net ³	400	403	503	751	957	1 223	1 207	1 471	1 690	1 979	2 355
of which: Travel	78	101	139	231	297	402	318	489	673	817	1 103
Transportation	88	69	57	88	112	53	242	166	213	327	265
Migrant remittances	239	277	343	458	567	735	673	782	803	925	985
Current balance	-259	-358	-420	-375	-380	-1 188	-1 233	-1 064	-1 087	-1 282	-1 253
Long-term capital (excl. spec. trans.)	203	212	290	269	534	688	522	475	512	633	798
Basic balance	-56	-146	-130	-106	154	-500	-711	-589	-573	-645	-455
Short-term private capital, including errors and omissions	93	140	48	47	53	226	151	-73	-135	-51	-297
Balance on non-monetary transactions	37	-6	-82	-59	207	-274	-560	-662	-708	-696	-752
Private monetary institutions											
short-term capital	-1	1	50	125	146	202	187	275	600	679	729
Balance on official settlements	36	-5	-32	66	353	-72	-373	-387	-108	-17	-23
Use of IMF credit	—	—	—	—	—	—	43	186	67	-42	-33
Miscellaneous official accounts	—	—	9	123	138	66	216	204	35	197	165
Allocation of SDRs	—	—	17	15	16	—	—	—	—	—	—
Change in reserves (+ = increase)	36	-5	-6	204	507	-6	-114	3	-6	138	110
(a) Gold	10	-10	-13	-18	26	1	4	1	1	10	13
(b) Currency assets	26	5	-3	217	458	-7	-78	13	-6	89	93
(c) Reserve position in IMF	—	—	10	—	—	—	-42	—	—	42	3
(d) Special Drawing Rights	—	—	—	5	23	—	2	-11	-1	-3	1

1 Provisional data.

2 Original figures for imports are on a cif basis. They are adjusted to fob basis by deduction of 10 per cent representing the estimated cif-fob margin.

3 Services debits include 10 per cent of imports as an approximation of the freight content of imports not recorded in original figures.

Sources: Bank of Greece, *Monthly Statistical Bulletin* and direct communication to the OECD.

Table M Money and banking
Million drachmae, end of period

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978 ¹
Money	45 241	48 972	54 326	61 798	76 055	93 138	111 474	128 887	160 002	187 038	228 771
Currency in circulation	33 094	35 441	38 878	43 007	50 556	64 859	80 212	91 647	111 721	132 214	160 444
Sight deposits	12 147	13 531	15 448	18 791	25 499	28 279	31 262	37 240	48 281	54 824	68 327
Private	7 446	8 256	9 781	11 459	16 654	19 020	19 992	24 014	28 511	33 377	42 543
Public entities	4 041	4 615	4 764	6 230	7 524	7 982	8 835	11 042	15 310	18 941	21 415
Public enterprises	660	661	903	1 102	1 321	1 277	2 435	2 183	4 460	2 505	4 369
Quasi-money	71 278	87 098	107 748	134 725	167 878	188 381	226 783	294 052	370 896	469 041	591 765
Savings deposits	46 646	56 012	69 609	87 532	106 694	116 481	141 518	188 984	239 661	302 742	380 770
Time deposits	8 966	12 267	15 859	21 483	28 353	32 287	39 870	52 680	70 272	87 341	118 443
Private	8 629	11 785	15 388	21 189	27 966	31 609	38 670	51 042	67 922	83 787	113 562
Public entities	337	482	471	294	387	678	1 200	1 638	2 350	3 554	4 881
Other deposits	15 666	18 819	22 280	25 710	32 831	39 613	45 395	52 388	60 963	78 958	92 552
Total money and quasi-money	116 520	136 070	162 074	196 523	243 933	281 519	338 257	422 939	530 898	656 079	820 536
Total bank lending by sector	91 823	111 004	134 390	162 816	199 149	237 725	286 284	353 793	442 317	547 990	664 717
Private sector	76 039	92 424	113 277	138 502	171 657	202 600	243 229	302 823	379 337	475 823	584 029
Agriculture	13 489	15 025	17 744	21 422	26 383	33 718	44 523	55 260	66 537	90 160	110 193
Manufacturing and mining	33 781	40 117	48 827	59 999	72 808	84 676	104 520	136 785	170 749	214 148	268 732
of which:											
Short and medium-term	24 671	28 917	34 700	42 195	49 955	56 145	70 184	94 772	121 162	153 680	194 333
Long-term	9 110	11 200	14 127	17 804	22 853	28 531	34 336	42 013	49 587	60 468	74 399
Trade	11 185	13 276	14 890	16 601	18 699	22 432	24 534	31 198	41 908	55 057	66 094
Housing	9 742	14 040	17 581	21 702	27 454	31 831	33 111	37 008	43 462	53 923	67 800
Other	7 842	9 966	14 235	18 780	26 313	29 943	36 541	42 571	56 681	62 536	71 211
Public sector	15 783	18 580	21 113	24 314	27 492	35 125	43 055	50 971	62 981	72 166	80 688
Public enterprises	5 906	7 379	9 334	11 538	13 891	19 354	25 003	30 619	38 606	43 721	53 233
Public entities	5 050	6 136	6 999	7 955	9 677	11 807	11 708	12 708	14 283	15 584	18 182
Gov. purchasing agencies	4 827	5 065	4 780	4 821	3 924	3 964	6 344	7 644	10 092	12 861	9 273
By lending institution											
Bank of Greece	4 294	4 461	5 097	5 083	4 380	9 049	10 433	12 334	13 660	15 952	12 067
Commercial banks	42 327	50 437	60 296	72 759	89 567	100 369	120 995	161 556	213 504	267 593	335 682
Special credit institutions	45 202	56 106	68 997	84 974	105 202	128 307	154 856	179 903	215 153	264 445	316 968

1 Provisional data.

Source: Bank of Greece, *Monthly Statistical Bulletin*.

INTERNATIONAL COMPARISONS

BASIC STATISTICS: INTERNATIONAL COMPARISONS

	Reference period	Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia ¹
POPULATION	Mid-1977	Thousands	14 073	7 520	9 830	23 316	5 089	4 740	53 084	61 400	9 268	221	3 180	56 446 ³	113 860	355	13 853	3 128	4 043	9 773	36 672	8 255	6 327	42 135	55 919	216 817	21 775
	»	Inhabitants per sq. km	2	90	322	2	118	16	96	247	70	2	45	187	302	137	410	12	12	106	73	20	153	54	229	23	85
	Mid-1967 to Mid-1977	Net average annual increase %	1.8	0.3	0.3	1.3	0.5	0.3	0.7	0.4	0.6	1.1	0.9	0.7	1.3	0.6	1.0	1.4	0.7	0.7	1.1	0.5	0.4	2.5	0.2	0.9	0.9
EMPLOYMENT	1977	Thousands	6 000	2 988	3 711	9 754	2 414	2 101	20 884	24 488	(3 167)	98 ¹⁴	1 022	19 847	53 420	147	4 555	1 215	1 824	3 781	12 462	4 099	2 817	14 151	24 550	90 546	9 234 ⁵
	»	Total civilian	6.6	11.8	3.3	5.7	9.1	12.9	9.6	6.8	(28.4)	14.2	23.1	15.9	11.9	5.9	6.3	11.6	9.0	32.5	20.7	6.1	8.5	55.8	2.7	3.6	42.6
	»	of which: Agriculture, forestry, fishing	32.5	40.6	37.9	28.9	30.4	34.8	37.7	45.3	(30.3)	37.9	30.3	38.6	35.4	45.1	33.2	34.6	32.3	33.1	37.4	34.3	42.7	13.6	40.0	(28.9)	21.2
GROSS DOMESTIC PRODUCT at market prices	1977	US \$ billion ¹¹	95.8	48.0	79.2	200.3	46.0	30.2	380.7	516.2	26.2	1.9	9.4	196.1	691.2	2.8	106.4	14.2	35.6	16.3	115.6	78.3	60.6	44.8	244.3	1 878.8	33.9 ⁵
	1972 to 1977	Average annual volume growth ⁶	3.3	3.6	3.2	4.2	2.5	2.4	3.3	2.3	3.8	3.5	3.2	3.0	4.5	1.5	3.0	1.9	4.7	3.8	3.7	1.3	-0.5	7.2	1.8	2.6	5.7
	1977	Per capita	6 810	6 380	8 060	8 590	9 040	6 360	7 170	8 410	2 830	8 680	2 940	3 470	6 070	7 700	7 680	4 550	8 800	1 670	3 150	9 480	9 580	1 170	4 370	8 670	1 560
GROSS FIXED CAPITAL FORMATION	1977	% of GDP	23.1	27.2	21.2	22.7	23.3	26.7	22.6	20.9	23.0 ⁸	27.3	24.7	19.8	29.9	25.8	21.1	22.7 ⁹	36.6	20.4	21.5	20.5	20.7	25.8	18.1	17.5	34.3
	»	of which: Transport, machinery and equipment	7.4 ¹⁹	10.6	6.4	7.6	7.4	10.3	..	8.3	8.4	7.6	14.7	8.5	13.8	8.6 ²⁰	8.6	..	13.3	5.5 ¹⁴	8.9 ¹⁴	8.5	6.9	..	9.0	7.3	..
	1972 to 1977	Average annual volume growth ⁶	1.0	2.1	2.9	4.5	-0.3	-0.2	1.5	-1.1	-1.4	4.9	1.8	-0.2	4.4	0.3	0.9	..	8.1	-1.6 ²¹	3.7	-0.4	-5.0	10.3	-0.6	0.3	7.1
NATIONAL SAVINGS RATIO ¹²	1977	% of GNP	18.3	24.6	21.7	21.3	18.8	27.2	23.4	24.2	19.9	27.1	17.0	22.1	32.2	38.3 ¹⁴	23.5	23.6	23.2	11.0	20.2	16.7	26.5	17.2	20.3	17.7	35.2
GENERAL GOVERNMENT	1977	% of GDP	16.3	17.3	17.3	20.3	24.3	20.4	14.9	20.0	15.9	11.2	18.6	14.0	19.1	15.4	18.3	18.7	18.7	14.0	10.3	28.5	12.9	14.5	20.8	18.4	17.4
	»	Current expenditure on goods and services	9.6	20.6	22.0	12.4	15.8	14.5	24.8	19.5	11.6	..	13.3	22.7	9.2	28.7 ¹⁴	30.9	..	24.6	15.8 ¹⁴	12.7	24.4	15.3	9.2	13.9	11.6	..
	»	Current transfer payments	25.9	43.0	41.8	36.4	45.5	43.5	42.2	43.5	29.4	..	35.6	37.7	24.5	52.8 ¹⁴	54.0	..	51.2	28.3 ¹⁴	26.7	60.9	34.3	21.6	40.0	32.0	43.1
NET OFFICIAL DEVELOPMENT ASSISTANCE	1977	% of GNP	0.5	0.2	0.5	0.5	0.6	0.2	0.6	0.3	..	..	..	0.1	0.2	..	0.9	0.4	0.8	..	..	1.0	0.2	..	0.4	0.2	..
INDICATORS OF LIVING STANDARDS	1977	US \$ ¹¹	4 000	3 660	5 000	4 870	5 080	3 250	4 450	4 690	1 890	5 200	1 900	2 220	3 510	4 760	4 480	2 590 ⁹	4 940	1 260	2 180	5 140	6 100	810	2 580	5 600	849
	1976	Private consumption per capita	366	243	279	388 ²⁰	265	218	300	308	55	298	175	283	163	367	273	383	253	107	148	350	281 ²⁰	11	255	505	80
	»	Passenger cars, per 1 000 inhabitants	395	303	300	596	494	409	293	343	238	411	150	271	426	442	391	515	366	119	237	689	634	28	394	721	66
	1975	Telephones, per 1 000 inhabitants	274	247 ¹⁶	255	411	308	306	268	306	126	234	192	213 ¹⁶	235	257 ¹⁶	259	259	255	65	184	352	273	12 ¹⁶	320	571 ¹⁶	159
	»	Doctors, per 1 000 inhabitants	1.4 ¹³	2.1	1.9	1.7	1.6	1.4	1.5	2.0	2.0	1.6 ¹⁰	1.2	2.1	1.2	1.1	1.6	1.3	1.7	1.3	1.8 ¹⁴	1.7	1.8	0.6	1.3	1.6	1.4
	»	Access to higher education ¹⁵	39.7	15.9 ¹⁶	34.4 ¹⁶	49.8 ¹³	36.3 ¹⁸	24.5	31.4 ¹⁸	24.2 ¹⁴	..	..	..	31.0	34.3 ¹⁸	..	21.1 ¹⁸	..	40.3 ¹⁶	(9.8) ¹⁰	29.3 ¹⁰	(31.1) ¹³	..	..	21.8 ¹⁶	43.2	..
	»	Infant mortality ¹⁷	14.3	20.5	14.6	15.0 ¹⁶	10.6	10.2 ¹⁶	12.6	15.7	24.1	11.1	18.4	20.7	10.1	14.8	10.6	16.0	10.5 ¹⁶	37.9 ¹⁶	18.9	8.3	10.7	..	16.0	16.1	39.7
WAGES AND PRICES	Average annual increase																										
	1972 to 1977	Hourly earnings in industry ¹⁸	16.9	11.9	15.4	12.5	16.4	16.7	15.7	8.7	23.2	33.6	20.0	24.4	16.4	..	12.0	13.2	15.0	17.5	23.2	11.7	5.8	27.5	16.5	8.1	..
FOREIGN TRADE	1977	US \$ million ¹¹	13 260	9 792	37 488 ⁷	41 556	10 068	7 680	63 516	117 936	2 724	516	4 392	45 036	80 496	..	43 680	3 219	8 712	2 028	10 223	19 080	17 544	1 753	57 516	120 168	5 254
	»	Exports of goods, fob	13.9	20.5	47.2	21.1	23.3	25.7	16.7	22.9	10.6	27.2	47.7	23.0	11.7	..	41.1	22.4	24.5	11.9	8.8	24.3	28.7	3.9	23.5	6.4	16.2
	1972 to 1977	Average annual volume increase	2.7	6.0	4.8	3.7	3.5	2.8	6.3	6.7	11.3	..	9.0	6.1	10.5	..	5.4	2.9	4.9	1.8	8.6	1.6	5.9	1.8	6.7	6.4	2.9
TOTAL OFFICIAL RESERVES	1977	US \$ million ¹¹	12 240	14 208	40 248 ⁷	39 540	13 260	7 620	70 488	100 704	780	612	5 388	47 556	70 809	..	45 600	3 379	12 876	4 956	17 835	20 112	17 904	5 796	63 696	147 852	9 634
	»	Imports of goods, cif	12.8	29.7	50.7	20.1	30.7	25.5	18.5	19.6	26.3	32.2	58.6	24.3	10.3	..	42.9	23.5	36.2	29.2	15.4	25.7	29.3	12.9	26.1	7.8	29.7
	1972 to 1977	Average annual volume increase	5.9	7.3	5.8	5.4	4.3	1.5	5.5	5.5	5.1	..	6.3	1.4	3.8	..	3.8	1.8	8.1	3.4	3.8	3.6	1.5	8.7	3.1	4.5	7.2
TOTAL OFFICIAL RESERVES	End-1977	US \$ million	2 384	4 244	5 761 ⁷	4 608	1 671	570	10 194	39 737	020	100	2 372	11 629	22 848	..	8 065	445	2 200	1 377	6 590	3 668	13 830	630	21 057	19 390	2 600
	In 1977	As percentage of imports of goods	19.5	29.9	14.3 ⁷	11.7	12.6	7.5	14.5	39.5	15.0	16.3	44.0	24.5	32.3	..	17.7	13.2	17.1	27.8	36.9	18.2	77.2	10.9	33.1	13.1	26.9

1 Partly from national sources.
 2 Total resident population.
 3 Private and socialised sector.
 4 According to the definition used in OECD: Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
 5 Social product.
 6 At constant prices.

7 Including Luxembourg.
 8 Excluding ships operating overseas.
 9 Fiscal year beginning April 1st.
 10 1973.
 11 At current prices and exchange rates.
 12 $\left[\frac{\text{GNP} - (\text{Priv. cons.} + \text{Pub. cons.})}{\text{GNP}} \right] \times 100$.

13 1972.
 14 1976.
 15 Figures are not strictly comparable due to differences in coverage. For more details see "Educational Statistics Yearbook - Volume 1 (1974) and volume 2 (1975) - OECD, Paris".
 16 1974.
 17 Deaths in first year per 1 000 live births.
 18 Figures are not strictly comparable due to differences in coverage.
 19 Private.

20 1975.
 21 1971 to 1976.
 Note: Figures within brackets are estimates by the OECD Secretariat.
 Sources: Common to all subjects and countries: OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Observer, Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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