

DRAFT

SHARP RISE IN EXTERNAL PUBLIC DEBT SERVICING
DURING THE NEXT 6 YEARS

13/11/68

Greece's outstanding external public debt (including Government corporations) at the end of 1968 is estimated at \$857 million, of which \$689 million for the Central Budget and \$168 million for Government corporations, according to the analysis shown in enclosed table 1. Thus during calendar 1968 the external debt of the General Government is estimated to increase by \$155 million, 22% more over 1967, as compared with an increase of \$79 million during 1967 over the previous year 1966. The net \$155 million growth in the external public debt will derive from a \$135 million rise in Central Budget external borrowing and a \$20 million increase in Government Corporations lending. Included in the above \$155 million rise in General Government external debt are about \$100 million ~~from~~ commitments representing US Commodity Credit Corporation credits (~~\$100 million~~), for the purchase of US surplus agricultural commodities, and foreign petroleum companies loans (\$20 million), the actual utilization of which may not be effected through the end of 1968 but early in 1969.

The great recourse in external public borrowing, mostly in the form of short or medium term loans, to cover Greece's balance of payments current account deficit, will increase the debt burden for the servicing of the outstanding public debt at the end of 1968 during the next six years (1969 through 1974 inclusive).

Enclosed tables 2 and 3 show the anticipated evolution of the debt burden during the next six years or from 1969 through 1974 inclusive.

According to the analysis shown in tables 2 and 3 during the 1969-1974 six years period the total servicing of the outstanding public debt as of December 31, 1968 is estimated at \$597 million, without taking into account any additional borrowing after CY 1968, as compared with only \$264 million during the previous six years 1963-1968.

Above amounts are further analyzed as follows in millions of dollars:

	Central Budget			Gov't Corporat.			Total		
	Prin.	Int.	Total	Prin.	Int.	Total	Prin.	Int.	Total
1963-1968	<u>106</u>	<u>80</u>	<u>186</u>	<u>57</u>	<u>21</u>	<u>78</u>	<u>163</u>	<u>101</u>	<u>264</u>
1963-1968 annual average	<u>18</u>	<u>13</u>	<u>31</u>	<u>9</u>	<u>4</u>	<u>13</u>	<u>27</u>	<u>17</u>	<u>44</u>
1969-1974	<u>313</u>	<u>135</u>	<u>448</u>	<u>110</u>	<u>39</u>	<u>149</u>	<u>423</u>	<u>174</u>	<u>597</u>
1969-1974 annual average	<u>52</u>	<u>23</u>	<u>75</u>	<u>18</u>	<u>7</u>	<u>25</u>	<u>70</u>	<u>30</u>	<u>100</u>

The above analysis indicates that a significant rise in the relative burden of debt servicing on Central Budget and Government Corporations outstanding debt will take place during the 1969-1974 six years period over 1963-1968. Thus the total burden of the Central Budget will rise from \$186 million to \$448 million or 2.4 times higher and that of Government corporations from \$78 million to \$149 million or 1.9 times more. The overall burden (Central Budget and Government Corporation) is anticipated to rise from \$264 million to \$597 million or by 2.3 times higher.

The annual average external debt burden, according to the analysis shown in enclosed table 2, is estimated to rise from \$44 million during the 1963-1968 period to about \$100 million or 2.3 higher, ~~is~~ without taking into account any additional borrowing during the 1969-1974 period. It should be noted also that in the estimated outstanding total of \$569 million for foreign supplier credits at the end of 1968 about \$80 million represent obligations of Government Corporations (PPC, Telecommunications Company & State Railways) for imports of capital goods under time settlement. Therefore including the above amount of \$80 million for supplier credits to Government Corporations in the repayment schedule during the 1969-1974 period the total debt burden (Central Budget & Government Corporation) will increase to \$677 million or \$113 million on an average annual basis.

Whether the sharply increasing future burden can be sustained without refinancing will depend to a large extent on the trend in other elements of the balance of payments, namely exports and invisible earnings. In any event the arising conclusion^{is} is that the Greek Government should try to obtain from onwards 1969 long-term loans and not medium-term credits for the financing of productive investment projects in Greece requiring foreign exchange cost (mainly capital goods), in order to avoid any further rise in the repayment schedule during the next six years.

Enclosures: Tables 1, 2 & 3

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