

Post-war

1. Total outstanding foreign obligations

31/12/66

\$ 1128  
mills

31/12/71

\$ 2328

31/12/72

\$ 2700



ECONOMIC REVIEW

In 1972 the consumer price index rose by 4.3 percent over the previous year and the wholesale price index was up 6.3 percent. Between December 1971 and 1972 the increases were higher, 6.5 percent and 10.5 percent, respectively, in view of the dramatic price rises during the last quarter of 1972. One serious inflationary pressure has been the high level of overall liquidity. Total money supply (including saving deposits which can be withdrawn on demand) during 1972 increased by 21.8 percent or at much faster rate than the anticipated rise in GNP at current prices. During the same period private deposits in local currency within commercial banks and other financing institutions (excluding Bank of Greece) rose by 25.9 percent over the \$4.2 billion level of December 31, 1971 (mostly in the form of savings deposits). As of November 30, 1972 deposits in convertible foreign exchange reached \$507 million up 51 percent from the end of 1971. About 53 percent of the total represents deposits by tourists and Greek emigrant workers. During January-November 1972, outstanding bank credits to the private sector rose by \$861 million, or 18.6 percent to a total of \$5.5 billion.

The February 1973 currency realignments left the drachma tied to the dollar. Par value is 30 drachmas to \$1. According to a statement issued by the Deputy Prime Minister Makris the maintenance of dollar parity was influenced mostly by the desire to increase export competitiveness. The Prime Minister also mentioned that new specific measures will be adopted to combat inflationary

pressures from higher-priced imports and excess monetary liquidity. Increases in wages, salaries and services will be limited to 6 percent (see Athens 1003).

The major balance of payments operations during 1972, based on preliminary Bank of Greece data, may be summarized as follows: Total imports rose by 21.9 percent to \$2,407 million, while exports increased by 33.7 percent to \$835 million. Thus the merchandise deficit increased by 20.7 percent to \$1,572 million. On the other hand net invisible earnings rose by 22.8 percent to \$1,198 million. Based on above evolutions the current account deficit for 1972 amounted to \$374 million, but including about \$30 million machinery imports under PL 2687 without payment in foreign exchange the real current account deficit will exceed \$400 million, as against \$345 million in the previous year 1971. This \$400 million has been fully covered by sizable inflows of private capital (mostly from Greek seamen, migrant workers and shipowners). In addition \$315 million in long-term loans to the Bank of Greece and the Public Trust Corporation, an increase in supplier credits of about 187 million, revaluation of gold and key European currencies, and a transfer of gold from the Special Fund in gold boosted official reserves to \$1,004 million at the end of 1972, as compared to \$503 million at the close of 1971.

GDP at Factor Cost growth in real terms in 1972 is officially foreseen at 10.3 percent. Agricultural output is anticipated to rise by 4 percent, industrial output by 15.1 percent and income from services by 8.3 percent. Secondary production (excluding construction and handicraft), based on National Statistical Service data rose 13.0 percent during 1972 over 1971. Components of this increase are as follows: industrial production, up 12.8 percent; electricity and gas production, up 17.6 percent; and mining output, up 3.6 percent. The Public Power Corporation will float in the capital market a new bond loan of Drs. 2,500 million (\$83 million) at the end of May 1972. The main terms of this loan are as follows: 20 years duration, with 5 years grace period and interest 7.5 percent per annum.

Text

March 1, 1973