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Basic Document for Consultation¹

Addendum

Balance-of-Payments Developments²

Fast rate of growth of the Greek Economy and demand pressures, coupled with inflationary pressures from abroad, accentuated the chronic structural deficit of the Greek trade balance and caused a sharp deterioration in the balance-of-payments account during 1973.

The main reason for the relatively poor performance during 1973, as can be seen from Table 1a, may be found in rapidly growing imports. Imports during 1973 were 67.5 per cent larger than in 1972. The main reason underlying this development can be found in the increase of commodity prices, though import volume increased as well, reflecting among other factors the rapid growth of real gross national product, and the increased uncertainty regarding product availability, resulting in increased stockpiling by Greek importers. As can be seen from Table 2, there was a particularly strong demand for imported capital equipment and raw materials, which together accounted for 47.3 per cent of total imports, reflecting the past investment boom in Greece. Another large increase was also registered in the rate of growth of foodstuff imports which amounted at the end of December 1973 to 157.7 per cent against a relatively moderate increase of 19 per cent between 1971-1972.

On the other hand, exports increased by 47.3 per cent between 1972-73. Three different factors accounted for this improved export performance; the effective depreciation of the national currency, increased domestic supply of export goods, and better marketing of export articles abroad. The increase in exports, during the first

¹ Material supplied by the Government of Greece

² All comparisons are based on values expressed in United States dollars.

eleven months of 1973, stemmed mainly from manufactured goods exports which were 60.3 per cent higher than the comparable period of 1972, while primary products exports increased by 39.8 per cent. The increase for the same groups of commodities between 1971 and 1972 for the same period, were 60 per cent and 17 per cent, respectively.

The rise in imports, however, by far exceeded the increase in exports, and as a result the deficit on trade balance widened by 78 per cent in 1973 in comparison with the previous year.

Net invisible receipts, which usually bridged the gap, had another year of good performance. Thus, invisible receipts increased by 33 per cent between 1972-73 as against 21.2 per cent between 1971-72. Taking into account that invisible payments increased by 42 per cent in 1973, the resulting increase in the balance of invisibles was 30 per cent.

In contrast to the trend established in the previous years, the deficit in current account increased substantially. Thus, this account in 1973, showed a deficit 199 per cent larger than a year earlier. In absolute terms, this deficit amounted to \$1,342 million.

Even an increase in net capital inflow of about 26 per cent during 1973 could not prevent a marked decline in the rate of increase of official reserves to 1.2 per cent, compared with 100 per cent increase in 1972.