RPTB1 TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: ATHENS

Country: GREECE

OVERVIEW

THE GREEK ECONOMY CONTINUED TO IMPROVE AT A MODEST RATE IN 1987, LARGELY AS A RESULT OF THE STABILISATION PACKAGE OF OCTOBER 1985 WHICH INTRODUCED A TIGHT INCOMES POLICY AND PRICE CONTROLS. THIS POLICY WAS STILL IN EFFECT THROUGHOUT 1987 ALTHOUGH TOWARDS THE END OF THE YEAR WAGE AND PRICE CONTROLS WERE SOMEWHAT RELAXED, AND REFORMS IN THE FINANCIAL SYSTEM WERE INTRODUCED. DURING 1987 GNP FELL BY 0.5% TO ABOUT US$48 BILLION BUT AN INCREASE OF 2.5% IS FORECASTED FOR 1988. GREECE HAS A SMALL INDUSTRIAL BASE REPRESENTING ONLY 20% OF THE GNP. THE AGRICULTURAL SECTOR REPRESENTS 17% OF THE GNP WHILE THE HEART OF THE ECONOMY REMAINS THE SERVICE SECTOR WHICH REPRESENTS OVER 56% OF THE GNP. INFLATION DECREASED SLIGHTLY TO 15% IN 1987 AND THE OUTLOOK FOR 1988 IS 13%. THIS RATE IS ABOUT 4 TIMES HIGHER THAN THE AVERAGE RATE WITHIN THE EEC AND IS ONE OF THE WORRYING FACTORS FOR THE LONG-TERM COMPETITIVENESS OF GREEK GOODS WITHIN THE EEC. UNEMPLOYMENT REMAINS STABLE AT ABOUT 7.4% WHICH IS LOWER THAN THE EC AVERAGE. FOREIGN DEBT AT THE END OF 1987 WAS ABOUT US$19.0 BILLION AND HAS GROWN SLIGHTLY TO US$21 BILLION FOR 1988. ABOUT THREE QUARTERS OF THE DEBTS ARE LOANS TO THE GOVERNMENT SECTOR. THE DEBT SERVICING RATIO IS 27%. FOREIGN EXCHANGE RESERVES GREW TO US$3.2 BILLION AT THE END OF 1987 AND ARE NOW ABOUT US$5 BILLION. THE CURRENT ACCOUNT DEFICIT HAS SLIGHTLY IMPROVED IN 1987 TO THE US$1.25 BILLION LEVEL AND IS EXPECTED TO REMAIN AT THIS SAME LEVEL FOR 1988 - BASICALLY DUE TO INCREASED EEC RECEIPTS AND INCREASED INVISIBLE RECEIPTS. MOST OF THE INCREASE IN INVISIBLE RECEIPTS IS DUE TO TOURISM WHERE A 20% INCREASE OVER 1986 WAS REALISED WHILE THE INCREASE IN 1988 WAS ONLY 3%.

OUTLOOK

AS GREECE ENTERS A 3 TO 9 MONTH PRE-ELECTORAL PERIOD, THE OUTLOOK CONTINUES TO BE FAVOURABLE WITH MODEST IMPROVEMENTS FORESEEN FOR MOST INDICATORS. GNP IS EXPECTED TO GROW AT 2.5% WHILE THE INDUSTRIAL SECTOR OUTPUT IS EXPECTED TO INCREASE BY 6.5% AND AGRICULTURAL OUTPUT TO INCREASE BY 3%. INVESTMENT IS ALSO INCREASING.

OPPORTUNITIES

MAJOR DIFFICULTIES FOR CANADIAN EXPORTERS ARE STILL THE STRONG DUTY FREE EEC COMPETITION, REQUESTS FOR COUNTERTRADE AND OFFSETS AND OTHER NTB'S SUCH AS TENDERS IN GREEK, PAYMENT IN LOCAL CURRENCY AND BUREAUCRACY. THE VOLUME OF TRADE SHOULD INCREASE MODESTLY DUE TO GENERALLY IMPROVED ECONOMIC CONDITIONS AND NEW SPOT OPPORTUNITIES IN THE INDUSTRIAL AND DEFENCE SECTORS. THERE WILL LIKELY BE A SMALL INCREASE IN INDUSTRIAL EQUIPMENT INVESTMENTS. THE STRONG MILITARY SPENDING, ABOUT CDN.$2.5 BILLION (14% OF BUDGET AND 7% OF GNP) REPRESENTS ALONG WITH OTHER MAJOR GOVERNMENT EXPENDITURES THE MARKETS OPPORTUNITIES. IN THE LONGER TERM (4 TO 5 YEARS) BOTH THE ENERGY AND FORESTRY SECTORS APPEAR TO OFFER POTENTIAL FOR CANADIAN PRODUCTS. MORE TRADITIONAL SECTORS SUCH AS AGRICULTURAL AND FOOD PRODUCTS (FISH, SEED POTATOES AND BEANS), CRUDE MATERIALS (SKINS AND FUR CUTTINGS) OFFER A STABLE TRADE BASE OF ABOUT