



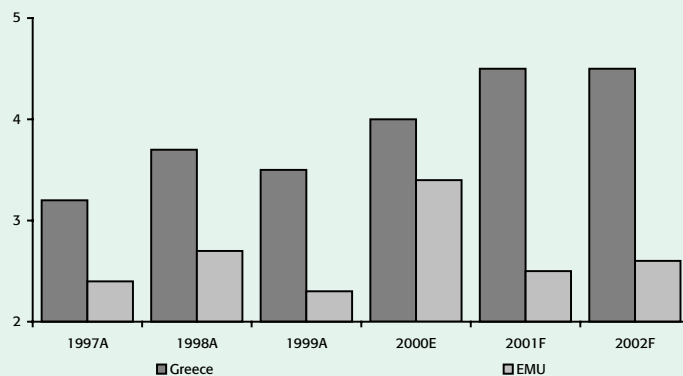
# Macroeconomics: Greece

EME strategy | 16 March 2001

## A new era

- ▶ Greece exchanged the drachma for the euro at the beginning of this year, significantly reducing its macroeconomic risks.
- ▶ We expect GDP growth of 4.5% in 2001, though a slowdown in private consumption.
- ▶ Strong growth and low interest rates may overheat the economy. Fiscal policy could be tighter, but it should suffice to control inflation.
- ▶ The main concern for Greece is not the possibility of the economy being thrown off course but rather that the opportunity to catch up with the rest of the eurozone could be missed.
- ▶ In 2000, the current account deficit widened due to non-recurring factors. A failure to narrow in 2001 will be a reflection of competitiveness problems.

Growth comparison: Greece vs EU (%)



Source: Eurostat. ABN AMRO estimates and forecasts

### Key macroeconomic indicators

(%)	1999A	2000E	2001F	2002F
Real GDP growth (y-o-y)	3.5	4.1	4.5	4.5
Unemployment (eop)	11.7	11.3	10.6	10.0
Budget deficit (% GDP)	-1.6	-0.8	0.7	2.0
Public debt (% GDP)	104.2	103.6	101.3	95.9
Inflation (avg.)	2.6	3.2	3.2	2.1
Current account balance (% GDP)	-4.1	-6.7	-4.7	-4.0

Source: BoG, National Statistical Service of Greece, ABN AMRO estimates and forecasts

Please refer to terms relating to the provision of this research at the end of document

### Economics/fixed-income strategy

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# A new era

## A challenging year ahead

*Greece swapped the drachma for the euro in January...*

As of the beginning of this year, Greece has adopted the euro and abolished the drachma. The transition to the eurozone has been fairly smooth, and the Bank of Greece (BoG) has been very competent in handling a number of delicate issues in its conduct of monetary policy, minimising the short-term inflationary impact of interest-rate convergence.

*...and joined a lower-risk macroeconomic environment*

The Greek economy is now functioning in a macroeconomic environment where the element of risk is far lower than has been customary. The new environment is characterised by a strong currency, low interest rates and free markets. At the same time, Greece no longer has control over monetary policy, which in the past has been instrumental in curbing inflation.

*The international economic environment in 2001 should be favourable for Greece*

The macroeconomic situation is positive. We expect oil prices, which had a negative impact on inflation and the trade deficit in 2000, to stabilise at below US\$30 per bbl. Moreover, eurozone interest rates, though still too low for a small, rapidly growing economy such as Greece, are almost double than what they were two years ago, when the eurozone was formed.

*High levels of investment and strong growth rates mean there are risks of overheating*

Furthermore, Greece has secured high levels of investment over the next six years, partly from EU funds and partly in connection with the 2004 Olympic Games. We believe that this should suffice to secure growth rates that consistently exceed the European average. These growth rates, together with the low interest rate environment, entail inflationary risks, just as there are risks of the economy overheating. The government's immediate task, therefore, will be to control inflation. To do so, the government needs to be firm on fiscal tightness. Thus far, the government appears determined to target an increasing surplus in the years ahead and for tax cuts to be accompanied by spending cuts.

*Despite sharp improvement in macroeconomic fundamentals, there is still some way to go*

The real challenge for Greece, however, is to catch up with the rest of Europe, both in terms of per-capita income and in terms of competitiveness. For instance, despite consistently high growth rates, Greece lags behind its European partners in job creation and still has one of the highest unemployment rates in Europe. The trade deficit still reflects competitiveness problems, as it remains vulnerable to exchange-rate volatility. The public sector still maintains a number of loss-making enterprises, to the detriment of consumers, production capacity and fiscal fundamentals. Meanwhile, the social security system is being threatened by demographic developments, as the ratio of the employed to pensioners declines.



*The real challenge is to catch up with the rest of Europe*

By and large, Greek macroeconomic fundamentals are in line with eurozone averages and in some respects the pace of structural reform is not slower than in the rest of Europe. There is little risk of the economy being thrown off course, as this would require a policy reversal, which does not seem at all likely. Nothing dramatic is therefore likely to happen if the government fails to deliver on structural reforms. The implication is that Greece would stay some distance behind its European partners and that the country's benefits from euro-participation would be limited to currency stability and perhaps an increased political importance in the eastern Mediterranean. In that case, a great opportunity would have been missed.

*We now expect real GDP growth in 2000 of 4.1%*

### **Strong growth, but how strong?**

Final growth figures for 2000 are not yet available, but economic activity has been quite robust. We now expect real growth for the year of 4.1%, ahead of the 3.2%-3.8% forecasts by the government and international organisations and our previous forecast of 4%. We expect domestic demand to have grown by 4.4%, driven by a 3.3% increase in private consumption and a 9.8% increase in investment.

*We expect a growth rate of 4.5% in 2001, with domestic demand growing by 4.3%*

For 2001, we forecast growth of 4.5%. We base this forecast on 11.3% growth in gross fixed-capital formation, a 2.8% increase in private consumption and a 0.6% decline in public consumption, with domestic demand growing by 4.3%. We expect exports to increase by 6.1% and imports by 5.0%, resulting in the negative contribution of the external balance improving from 0.7% in 2000 to 0.2%.

*2001 growth forecasts for Greece range from 3.2% to 5%; we expect 4.5%*

Forecasts for Greek GDP growth range from 3.2% to the government's 5%. Our 4.5% forecast is in line with both the OECD and EU projections, though it is worth noting that the OECD's forecasts for the past three years have been consistently lower than the respective outcomes. We regard the government's 5% target as over-optimistic. However, the Greek macroeconomic environment in 2001 will be very different from the environment seen in the past few years, so that accurate macroeconomic forecasts are hindered by a large number of uncertainties.

<b>GDP (demand)</b> <b>(real change, %)</b>	<b>1996A</b>	<b>1997A</b>	<b>1998A</b>	<b>1999A</b>	<b>2000E</b>	<b>2001F</b>	<b>2002F</b>
Private consumption	2.4	2.7	2.1	2.6	3.3	2.8	2.7
Public consumption	0.9	1.7	2.0	-0.2	1.0	-0.6	-0.8
Gross fixed capital formation	8.4	13.1	8.1	8.3	9.8	11.3	11.5
Construction	1.8	17.3	9.0	7.7	9.9	11.0	11.1
Equipment	19.7	7.0	6.5	9.3	9.7	11.8	12.1
Total domestic demand	3.3	4.1	3.2	3.6	4.4	4.3	4.5
Exports G&S	3.5	7.9	4.2	5.4	8.6	6.1	6.5
Imports G&S	7.0	9.5	1.9	5.1	8.4	5.0	5.9
<b>Real GDP</b>	<b>2.4</b>	<b>3.2</b>	<b>3.7</b>	<b>3.5</b>	<b>4.1</b>	<b>4.5</b>	<b>4.5</b>
GDP deflator	7.4	6.7	4.9	3.1	2.8	3.0	2.6
Nominal GDP	9.9	10.3	8.7	6.7	7.1	7.6	7.2

Source: Bank of Greece, OECD, ABN AMRO estimates and forecasts



*It is difficult to quantify the impact of lower interest rates on investment and consumption*

The key fundamental parameter that has changed is the interest rate environment. For more than a generation, the Greek economy had interest rates in excess of 20%, which impeded both direct and portfolio investment. The new monetary environment—although inflation-unfriendly—is generating significant investment opportunities. At the same time, however, it implies reduced income for households that have historically been interest rate earners. Real deposit interest rates are set to be negative for the better part of the coming two years.

<b>Contributions to growth (%)</b>	<b>1996A</b>	<b>1997A</b>	<b>1998A</b>	<b>1999A</b>	<b>2000E</b>	<b>2001F</b>	<b>2002F</b>
Private consumption	1.7	2.0	1.5	1.9	2.3	1.9	1.9
Public consumption	0.1	0.3	0.3	0.0	0.1	-0.1	-0.1
Gross fixed capital formation	1.6	2.6	1.7	1.9	2.3	2.7	3.0
<i>Construction</i>	<i>0.2</i>	<i>2.0</i>	<i>1.2</i>	<i>1.1</i>	<i>1.4</i>	<i>1.6</i>	<i>1.8</i>
<i>Equipment</i>	<i>1.3</i>	<i>0.6</i>	<i>0.5</i>	<i>0.8</i>	<i>0.9</i>	<i>1.1</i>	<i>1.2</i>
Total domestic demand	3.5	4.4	3.4	3.9	4.8	4.5	4.9
Exports G&S	0.6	1.4	0.8	1.0	1.6	1.2	1.3
Imports G&S	1.7	2.5	0.5	1.4	2.3	1.4	1.7
External balance	-1.1	-1.1	0.3	-0.4	-0.7	-0.2	-0.4
<b>Real GDP</b>	<b>2.4</b>	<b>3.2</b>	<b>3.7</b>	<b>3.5</b>	<b>4.1</b>	<b>4.3</b>	<b>4.5</b>

Source: ABN AMRO estimates and forecasts

*The recent decline of the ASE has had a significant impact on household wealth*

The negative course of the ASE over the past year and a half has delivered a real blow to household income and wealth. The 1999 rally of the ASE to its 6,300 peak was driven by retail investors, a large proportion of whom established long positions at (or close to) those levels. Since then, the general index has fallen by 50% and several small caps are 90% lower. The consequent decline in household savings will have a negative impact on private consumption. The relevant data for Q1 2001—such as retail sales—are not yet available, but automobile sales appear to have declined sharply, reflecting this wealth contraction. If this is the case, there would be a positive impact on the external balance, without any significant impact on overall retail trade. Demand for durables is also expected to slow down, although the extent is difficult to forecast. We expect private consumption to grow by 5.9% in nominal terms, slowing down from 6.4% in 2000. We expect real disposable income to increase by 2.8%, down from 3.2% in 2000.

#### Household data

	<b>1996A</b>	<b>1997A</b>	<b>1998A</b>	<b>1999F</b>	<b>2000E</b>	<b>2001F</b>	<b>2002F</b>
Private consumption (nominal, Dr bn)	22,050.8	23,905.7	25,541.6	26,860.8	28,579.6	30,273.0	31,699.8
Growth (% , y-o-y)	10.3	8.2	6.6	5.2	6.4	5.9	4.7
Wages & salaries (Dr bn)	6,400.1	7,193.7	7,915.9	8,544.7	9,214.7	9,918.3	10,686.4
Growth (% , y-o-y)	8.2	12.4	10.0	7.9	7.8	7.6	7.7
Total income (Dr bn)	23,863.4	25,024.3	26,696.9	27,841.1	29,323.3	30,842.6	32,609.4
Growth (% , y-o-y)	7.9	4.9	6.7	4.3	5.3	5.2	5.7
Disposable income (Dr bn)	26,126.1	27,278.3	29,171.2	30,672.3	32,573.1	34,527.5	36,633.7
Growth (% , y-o-y)	7.9	4.4	6.9	5.1	6.2	6.0	6.1
Saving (Dr bn)	4,075.3	3,372.6	3,629.6	3,811.5	4,325.5	4,647.7	5,102.9
% of disposable income	15.6	12.4	12.4	12.4	13.3	13.5	13.9

Source: OECD, ABN AMRO estimates and forecasts



*The main risk of ASE decline is the impact on small-business liquidity*

We do not believe that the main risk for the real sector arising from the decline of the ASE over the past one and a half years is a slowdown in private consumption per se, due to the resulting loss of wealth. Instead, we believe the main risk is the potential shortage of liquidity in the medium and small businesses sector. With no clear distinction between the use of personal and corporate accounts, the loss of personal wealth to a large extent implies a loss of capital liquidity. Shortage of liquidity in that sector could potentially have a chain-reaction effect on the whole economy. If there is a problem, we would normally expect it to appear first in smaller urban areas, where the impact on local economic activity would be relatively more widespread. We shall be looking for relevant indications in the second quarter.

## Production & employment

*Industrial production expected to remain robust in 2001*

Industrial production was robust throughout 2000. We estimate that the industrial production index grew by 7.5% year-on-year in 2000, up from 2.8% in 1999. We estimate that manufacturing output increased by 5.3% year-on-year, up from 0.7% in 1999. This is important, because during the second part of the 1990s industrial output growth was largely driven by electricity and natural gas. This time the manufacturing sector has been strong as well and we expect this trend to continue in 2001. The rate of growth in manufacturing output historically weakens at the beginning of each year, but we expect it to pick up in March and sustain growth rates in excess of 5% for the better part of 2001.

<b>Industrial production</b>							
(% y-o-y)	General index	Manufacturing	Electricity, gas & water	Mining	Capital goods	Durables	Energy
1995A	2.4	2.0	3.6	2.5	2.4	1.7	2.3
1996A	1.3	0.2	4.4	4.0	-6.4	10.6	6.7
1997A	1.7	2.0	1.1	-1.0	-2.6	4.3	0.6
1998A	5.9	4.2	13.8	-1.5	13.6	15.7	12.8
1999A	2.8	0.7	11.6	-6.0	0.2	7.3	4.8
2000E	7.5	5.3	12.9	15.0	6.8	16.5	14.7
Q4-98A	5.6	0.9	24.1	0.6	12.0	14.7	20.2
Q1-99A	1.5	-2.2	17.0	-12.3	-7.0	-1.1	9.7
Q2-99A	2.5	0.2	12.7	-5.1	5.0	-8.1	2.0
Q3-99A	3.7	2.7	8.6	-5.8	4.0	16.8	3.2
Q4-99A	3.4	2.0	8.7	-0.7	-0.8	22.9	3.5
Q1-00A	8.9	6.3	15.9	11.6	2.6	20.1	17.7
Q2-00A	7.6	5.8	11.6	16.6	14.2	26.7	15.0
Q3-00A	7.4	4.6	13.7	14.4	2.3	11.4	14.8
Q4-00E	6.0	4.3	10.1	17.0	7.8	7.5	11.1

Source: National Statistical Service of Greece, Bank of Greece, ABN AMRO estimates



*Unemployment exceeds the European average, despite investment and output growth*

Despite strong growth in both investment and output over the past few years, unemployment has been rising and remains above EU average levels. Revised figures show unemployment at 11.7% in 1999, up from 11.1% in 1998 (also revised) and 9.6% in 1997, with the total number of unemployed at 518,500, out of a workforce of four and a half million. For 2000, we estimate that the unemployment rate marginally declined to 11.3%. Employment increased by 3.4% year-on-year in 1998 and by just 1.2% in 1999, so that the overall employment rate remains below European levels.

*Labour market segmentation increased*

For the better part of the nineties, the Greek labour market was characterised by a disproportionate increase in the labour force, rather than job growth, due to the increased participation in the workplace of women and young people, and large-scale (legal or illegal) immigration. At the same time, the segmentation of the labour market intensified, increasing youth, female and long-term unemployment.

**Labour market indicators**

	1996A	1997A	1998A	1999A	2000E	2001F	2002F
Population (millions)	10.47	10.52	10.56	10.58	10.6	10.61	10.62
Labour force (millions)	4.219	4.201	4.400	4.435	4.470	4.502	4.533
Employment (millions)	3.805	3.792	3.921	3.968	4.020	4.076	4.137
Change (% y-o-y)	-0.4	-0.3	3.4	1.2	1.3	1.4	1.5
Unemployment (millions)	0.371	0.403	0.488	0.519	0.505	0.477	0.453
Unemployment rate	8.8	9.6	11.1	11.7	11.3	10.6	10.0
Employee compensation (% y-o-y)	8.8	12.4	5.8	4.8	4.5	4.2	4.2
Output per head (% y-o-y)	2.8	3.7	0.3	2.3	2.5	2.7	2.8
Unit wage costs (% y-o-y)	5.9	8.4	5.5	2.5	2.0	1.5	1.4

Source: Ministry of Employment, OECD, ABN AMRO estimates and forecasts

*New government measures on unemployment are not wide ranging enough*

In Q4 2000, the government introduced wide-ranging reforms, focusing on the creation of new jobs and the reduction of structural unemployment. Among other things, the plan includes subsidies for employers who create jobs and support training schemes, extends part-time employment and flexibility of working hours and is targeting the creation of 75,000 new jobs in 2001 and 2002, at a total cost of Dr880bn. However, a number of key issues are hardly addressed, such as long-term unemployment, wage rigidities, productivity differentials and differentials between sectoral and geographical wage agreements. Finally, the government's policy appears to rely disproportionately on subsidising employment schemes, rather than on correcting administrative inefficiencies and implementing existing legislation. In any event, we do not expect the impact of the reforms on the labour market to be felt before Q3 2001.



*Fuel price and a depreciating currency reversed the downtrend in Greek inflation in 2000*

## Inflation

The downward trend in Greek inflation was reversed in the course of 2000, so that average annual headline inflation increased from 2.6% year-on-year in 1999 to 3.2%. The main factor behind this increase was fuel prices. Out of the total 320 basis points of inflation in 2000, fuels accounted for 130 basis points: assuming that fuel prices had remained constant in 2000, headline inflation would have actually fallen to 1.9%. Energy costs also had a profound impact on wholesale price inflation, which increased from 2.1% year-on-year in 1999 to an estimated 7.8% in 2000. The depreciation of the drachma against all major currencies last year also brought about inflationary pressures, as approximately 25% of the CPI basket consists of imported goods and services. In addition, there have been several base-rate effects from indirect tax cuts in the course of 1999.

### Contributions to headline inflation

(%)	1996A	1997A	1998A	1999A	2000E
Food & non-alcoholic beverages	1.4	0.8	0.9	0.5	0.4
Alcoholic beverages & tobacco	0.3	0.3	0.3	0.2	0.1
Clothing & footwear	1.0	0.8	0.7	0.5	0.2
Housing	1.3	0.4	0.4	0.2	0.8
Durables & household services	0.6	0.5	0.5	0.2	0.1
Health	0.5	0.2	0.2	0.3	0.2
Transport	0.7	0.7	0.4	-0.2	0.8
Communication	0.2	0.1	0.0	-0.1	-0.2
Recreation & culture	0.3	0.3	0.3	0.2	0.1
Education	0.3	0.2	0.2	0.1	0.1
Hotels, cafes & restaurants	0.9	0.6	0.7	0.6	0.4
Other	0.7	0.5	0.4	0.2	0.1
<b>CPI</b>	<b>8.2</b>	<b>5.5</b>	<b>4.8</b>	<b>2.6</b>	<b>3.2</b>
Fuels (6.5% of CPI)	0.0	0.0	5.3	-0.1	1.3
Core (89.8% of CPI)	7.3	5.4	4.8	2.9	2.0
Goods (62.9% of CPI)	4.5	2.3	2.3	1.0	2.0
Services (37.1% of CPI)	3.7	3.2	2.4	1.6	1.1

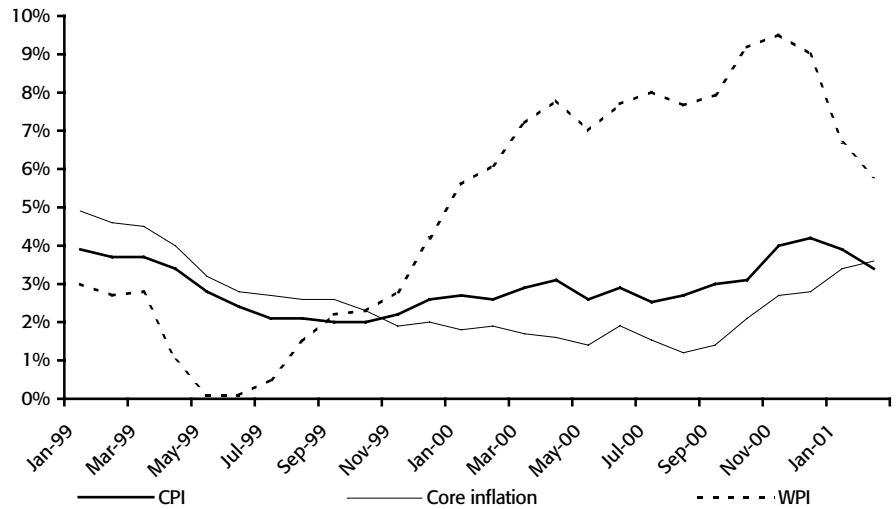
Source: National Statistical Service of Greece, Bank of Greece, ABN AMRO estimates

*Core inflation increased and the differential between wholesale and retail inflation widened*

On an average annual basis, core inflation declined from 2.9% year-on-year in 1999 to 2% in 2000. However, there was a sharp increase in monthly core inflation in the second half of 2000, from a historical low of 1.2% year-on-year in July 2000 to 3.4% year-on-year in December. It increased further to an estimated 3.8% in February. Greece's pattern of rising core inflation and an increasing differential between producer and consumer inflation is consistent with eurozone inflation patterns.



### Monthly inflation

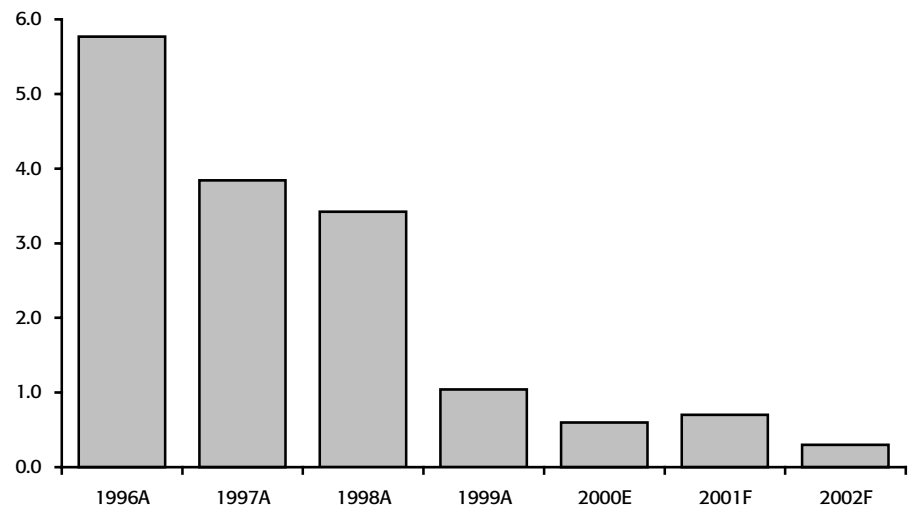


Source: Source: National Statistical Service of Greece

*Base rate effects should push headline inflation lower*

Looking ahead, we forecast average annual inflation of 3.2% for 2001. We believe that second-round effects of fuel price increases—price increases originating from the impact of rising energy costs on the cost of production—were exhausted in Q4 2000 and the differential between wholesale and retail inflation has begun narrowing. Assuming that fuel prices do not exceed US\$30 per bbl in the coming months, the year-on-year impact of fuels on monthly inflation should moderate in the coming months and—all things being equal—approach zero towards the end of Q2 2001. This implies that sub-inflation for transport will ease down from the current 6.4% to below 3%.

### Greece-EMU annual inflation difference (percentage points)



Source: Eurostat, ABN AMRO estimates and forecasts



*We expect pressure on housing inflation*

Although housing inflation will be subject to a moderating impact from the year-on-year decline of household fuels, house rents will be pressed upwards by the government's decision to revise property's assessment values (i.e. the taxable base). In many cases, these values have been raised by 100%. In theory, the revision of property's assessment values should not have any impact on the level of rental values. In practice, however, we expect rents to be affected as well, because the property market in Greece is imperfect: apart from exploiting the general upgrade of property values, we expect house owners to pass on to tenants increased property taxation and the increased costs of buying property. As well as pressures on rents, this increase may affect other components of housing inflation, such as taxation by local authorities. Overall, we expect housing inflation to exceed 6.5% in 2001.

*Prices of food, clothing and durables are expected to moderate...*

Increases in the prices of food, clothing and durables, which jointly account for almost two fifths of headline index, are expected to remain below 2.5% this year. Preliminary evidence suggests that the decline in interest rates will not boost private consumption, as the wealth effect does not appear to be prevailing. There is still a relatively high spread between commercial banks' borrowing and lending rates and this is unlikely to change before Q2 2001. Credit expansion is therefore expected to remain moderate, both in terms of consumer and mortgage credit.

*...while health, education and hotels have some way to go*

The services sub-index is set to come under pressure in the coming months, especially in the areas of education and health, due to increases in the cost of medical and dental services and of private clinics in general. We expect the sub-index for hotels, cafes and restaurants to continue growing at rates in excess of 4%, as the sector is currently expanding and the impact of increasing competition at the regional level will not be reflected before 2002.

*We expect monthly inflation to exceed 3% in Q1 and most of Q2 and decelerate in June*

We expect monthly inflation to exceed 3% throughout Q1 2001 and for the better part of Q2. By June, we expect it to have retreated below 3%. Towards the fourth quarter of the year, we expect inflation to decelerate at a faster pace, reflecting the base-rate effects from the substantial increases in Q4 2000, to reach 2.4% year-on-year in December.

*The CPI underwent a major revision this January...*

We should note that there are large margins for error in our inflation forecasts because in January the National Statistical Service of Greece (NSSG) revised its consumer price index and past series have not yet been released. The NSSG changed the base year (from 1994 previously to 1999), as well as the individual weights of the various sub-components. It also extended the geographical coverage of the index to non-urban areas, whereas in the past the price sampling only took place in urban areas. The new CPI includes 725 different categories of goods and services. Compared with the previous one, it includes 136 additional items and excludes seven.



*...to reflect new consumption patterns*

The revision was based on a survey of household budgets that took place between November 1998 and October 1999. The results suggest that, compared with the first half of the nineties, the majority of consumers have reduced the percentage of their expenditures allocated to food, clothing and housing and have increased the percentage allocated to alcoholic beverages and tobacco. They also spend more on education, communication, recreation, hotels, cafes and restaurants and other goods and services than in the past. These changes in consumption patterns are consistent with the patterns observed in other economies during periods of rising income. The new weights attached to the various components are closer to the weightings used by Eurostat in the composition of the HICP.

*The revised inflation rate diverges from the previous one by 10-20bps*

From a technical point of view, it is only a coincidence that the leading factors pushing inflation up during the past twelve months have reduced weights in the revised index. The implication is that there is a 10-20bps divergence between the revised inflation rate and the previous one: we estimate that the revised rate was lower during the past two years, but higher before 1999.

*Core inflation index has a greater weight in headline inflation*

The core inflation index—which excludes fuels, and fresh fruits and vegetables and is closely monitored by the BoG—has increased to 91.7% of headline inflation, compared with 89.8% before. Fuels have been downgraded, with petrol falling from 4.2% of total headline inflation previously to 3.3% and household fuels from 2.2% to 1.5%. The weight of seasonal fresh fruits and vegetables has also been reduced from 3.2% to 2.8%. It remains to be seen whether the BoG will revise its core-inflation index in line with the National Statistical Service’s changes. In any event, the significance of core inflation is now limited, as the BoG is no longer responsible for monetary policy.

**Weights of CPI components**

(%)	Previous (base year 1994)	Revised (base year 1999)
Food & non-alcoholic beverages	20.57	18.49
Alcoholic beverages & tobacco	3.50	3.89
Clothing & footwear	11.11	9.91
Housing	13.58	11.71
Durables & household services	8.39	8.64
Health	5.74	6.91
Transport	13.59	12.98
Communication	1.81	3.76
Recreation & culture	5.04	4.91
Education	2.73	2.74
Hotels, cafes & restaurants	8.29	9.66
Other	5.65	6.42

Source: National Statistical Service of Greece

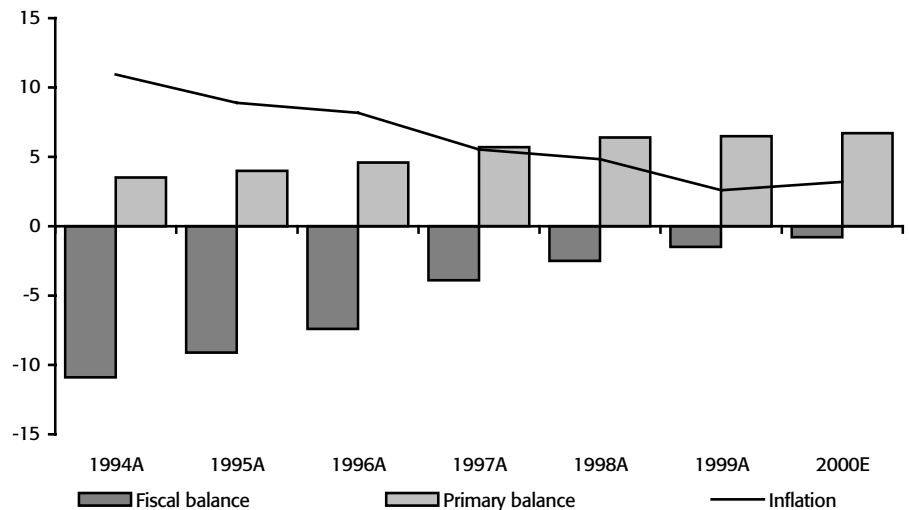


## Fiscal policy

*Strong revenue growth produced a better-than-budgeted deficit in 2000...*

Overall, the implementation of the 2000 budget was a success. Final data are not yet available, but the deficit looks set to end up at 0.8% of GDP, against a 1.2% budgetary target and our earlier 1% forecast. This has been achieved by 10.7% year-on-year growth in revenues, versus a 6.2% budgetary target. There were excess revenues of Dr735bn therefore. This figure compares well with estimated excess expenditures of approximately Dr600bn in all three spending categories (primary spending, interest payments and amortisation). As a result, the gross deficit of the central government (net public sector borrowing requirement, which includes amortisation) is expected at 14.3% of GDP, against a 14.9% budgetary target.

Fiscal balance (% of GDP)



Source: Bank of Greece, ABN AMRO estimates

*...while general government balance is budgeted to move into a surplus in 2001*

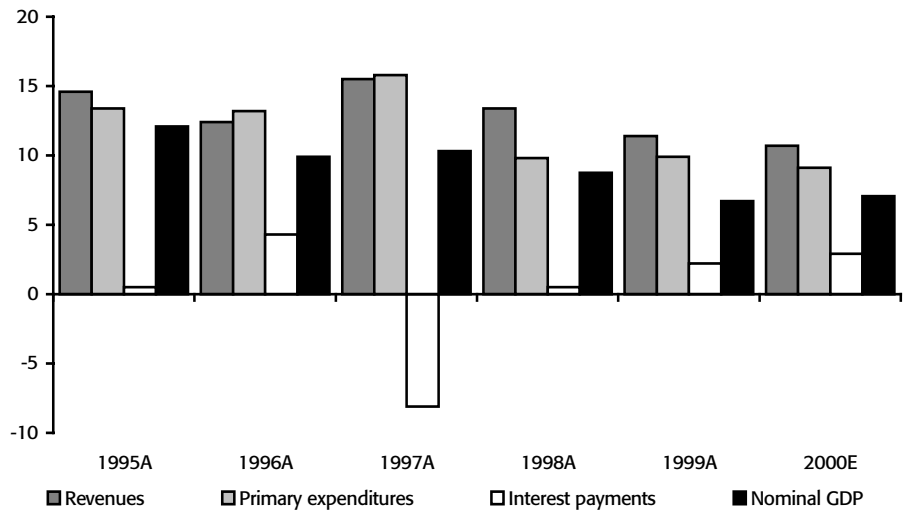
In 2001, meanwhile, the general government balance is budgeted to move into a surplus equivalent to 0.5% to GDP, with nominal GDP growth projected at 8%. We expect the central government's total revenues to increase by 8.2% year-on-year, with direct tax revenues increasing by 7.8% and indirect tax revenues by 8.3%. On the other hand, we expect expenditures to increase by 5.8%, with current primary spending rising by 7.9%, investment spending rising by 10.3% and interest payments declining by 2.6%.

*Despite the switch to a surplus the new budget is not a tight one*

We do not see major risks of fiscal loosening in the years ahead, nor do we regard the fiscal targets set for 2001 as unrealistic. Although EMU countries are generally expected to loosen their fiscal stances in the course of 2001, we believe it is highly likely that the 0.5% surplus to GDP ratio will be met. Our main worry is that despite the switch into a surplus, the new budget is hardly a contractionary, counter-inflationary budget. We expect the general government primary surplus to increase to 7% of GDP (from an estimated 6.5% last year), but the central government primary surplus should actually decrease to 5.6% of GDP (from an expected 5.8% last year). In absolute terms, the fiscal balance is set to improve by Dr535bn. Of this, Dr335bn should come from the increase in the surplus of public entities. If we add a further Dr100bn from the expected reduction in interest payments, the remaining improvement is simply due to GDP growth.



### Main fiscal indicators (% y-o-y)



Source: Bank of Greece, ABN AMRO estimates

*We forecast the surplus to GDP ratio at 0.7%, versus a 0.5% budgetary target...*

We forecast a surplus to GDP ratio of 0.7% in 2001. We believe that the government has under-projected revenues for a fourth consecutive year, by not budgeting for benefits arising from declining tax evasion. We expect direct tax revenues to increase by 11.5%, based on higher revenues from all three categories of direct tax (personal, corporate and property). The budget projects an increase of 8.3% in indirect tax revenues. We forecast a 9.5% rise from VAT and special consumption taxes and also allowing for a Dr50bn over-projection by the budget on equity sales tax revenues. Our assumption for under-projected revenues is supported by January's fiscal revenue results, which increased by 14.7% year-on-year, well ahead of target.

*...notwithstanding expectations of excess spending*

In addition, our 0.7% surplus forecast allows room for a Dr100bn underestimation by the government of its expenditures. The budget is based on a GDP growth projection of 5%, which we regard as over-optimistic. However, the budget's average annual inflation projection is 2.3%, which we also believe is over-optimistic. The implication is that the nominal GDP growth rate on which fiscal fundamentals are based is realistic.



## Government budget

	1999A	2000E		2001 government budget			2001 ABN forecasts	
	Dr bn	Dr bn	% GDP	Dr bn	% YoY	% GDP	Dr bn	% GDP
Revenue	11,603	12,850	31.4	13,905	8.2	31.5	14,150	31.9
Current budget	10,593	11,650	28.5	12,600	8.2	28.5	12,845	28.9
Direct taxes	4,044	4,527	11.1	4,879	7.8	11.0	5,046	11.4
Indirect taxes	5,854	6,363	15.6	6,890	8.3	15.6	6,967	15.7
Non-tax revenues	695	760	1.9	831	9.3	1.9	831	1.9
Capital budget	1,010	1,200	2.9	1,305	8.7	3.0	1,305	2.9
Expenditures	13,511	14,515	35.5	15,360	5.8	34.8	15,460	34.8
Current primary	7,973	8,595	21.0	9,270	7.9	21.0	9,350	21.1
Personnel	3,895	4,239	10.4	4,486	5.8	10.2	4,550	10.3
Investment	2,235	2,520	6.2	2,780	10.3	6.3	2,800	6.3
Asset acquisition	480	640	1.6	630	-1.6	1.4	600	1.4
Interest payments	3,303	3,400	8.3	3,310	-2.6	7.5	3,310	7.5
Central government primary balance	1,875	2,375	5.8	2,485	4.6	5.6	2,600	5.9
Central government balance	-1,428	-1,025	-2.5	-825	-19.5	-1.9	-710	-1.6
Amortisation	3,406	4,149	10.1	3,806	-8.3	8.6	3,806	8.6
Net public sector borrowing requirement	-5,330	-5,854	-14.3	-5,281	-9.8	-12.0	-5,166	-11.6
Surplus of public entities	756	700	1.7	1,035	47.9	2.3	1,000	2.3
General government primary surplus	2,209	2,640	6.5	3,097	17.3	7.0	3,200	7.2
General government balance	-672	-325	-0.8	210	-164.6	0.5	290	0.7
GDP (current prices)	38,147	40,900	-	44,180	8.0	-	44,376	-

Source: Finance Ministry, Bank of Greece, ABN AMRO estimates and forecasts

## General government revenues

(Dr bn)	1996A	1997A	1998A	1999A	2000E	2001F	2002F
Total receipts	13,448	15,339	16,910	18,402	19,611	21,004	22,810
Direct taxes	2,237	2,643	3,458	3,914	4,482	5,046	5,589
Households	1,019	1,180	1,587	1,825	1,830	2,029	2,158
Business	522	759	1,018	1,137	1,600	1,802	2,037
Other	696	704	853	952	1,052	1,216	1,395
Indirect taxes	4,300	4,834	5,248	5,854	6,463	6,967	7,666
Property income	79	124	133	130	146	150	149
Social security	3,864	4,231	4,641	5,059	5,549	6,077	6,259
Other transfers	2,968	3,507	3,428	3,445	2,972	2,765	3,147

Source: Finance Ministry, OECD, ABN AMRO forecasts

## Progress on lowering debt is slow

*The debt ratio remained virtually unchanged in 2000*

The debt/GDP ratio continued to decline last year but at a slower pace than the trend of the budget deficit would suggest. In the course of 2000, foreign debt has suffered from the depreciation of the drachma against the dollar and the yen (which jointly account for 34% of Greece's foreign debt) and—to a lesser extent—against the euro (which constitutes 60% of foreign debt). We estimate that the depreciation of the drachma added approximately Dr200bn to the foreign debt stock. In the course of 2000, the debt ratio remained virtually unchanged. The decline from 104.1% to 103.6% has to a large extent been achieved through some Dr200bn of equity swaps.



*The real problem for Greek debt arises from public entities and corporations*

The real problem regarding the debt arises from earlier government guarantees on loans raised by public entities and enterprises: once the latter default on payments, their obligations automatically become part of the public debt. Although the government has made a credible effort to reduce its guarantees, these still amounted to 0.9% of GDP in 2000, the same as in 1999. Defaults on publicly guaranteed loans amounted to 0.3% of GDP in 2000, which is a percentage largely unchanged since 1995. Outstanding publicly guaranteed loans amounted to 5.7% of GDP in 2000. In addition, the central government has had to take on the debts of certain public entities or corporations. Past examples include the Athens Bus Company and the Hellenic Railways Organisation (jointly estimated at Dr1.5trl). Given that the government appears determined to privatise Olympic Airways in the course of 2001, we expect it to take on part of the airline's debt.

*We expect the debt ratio to decline to 101.3% in 2001...*

In 2001, we expect defaults on publicly guaranteed debt of around Dr100bn and for the government to take on public-enterprise debt of Dr1trn. Our projection for the net public sector borrowing requirement is Dr5.2trn, Dr4.1trn of which are amortisation payments. Under such circumstances, the general government debt would increase to Dr44.7trn, but would decrease to 101.3% of GDP. We expect debt-servicing costs (including amortisation) to decline from 18.6% in 2000 to 16.6% of GDP. As from this year, the portion of foreign debt that was denominated in euros automatically becomes part of the domestic debt. As a result, foreign debt should decline from 27.4% of total general government debt in 2000 to an estimated 6.7% in 2001.

*...and then at a faster pace in 2002 and 2003*

We expect the debt ratio to begin declining at a faster pace after 2002. The impact of earlier government guarantees on loans raised by public entities as well as the latter's defaults is expected to decline significantly in 2002. Barring any unforeseen developments, we expect the central government deficit to decline to just 0.3% of GDP in 2002 and to turn into a surplus in 2003. This implies that in 2003, the gross deficit—i.e. the net public sector borrowing requirement—will be less than the required amortisation payments. As a result, the debt stock should stop increasing, so that the debt ratio could approach 90% of GDP.

<b>Public debt (Dr bn)</b>	<b>1996A</b>	<b>1997A</b>	<b>1998A</b>	<b>1999A</b>	<b>2000E</b>	<b>2001F</b>	<b>2002F</b>
Central government	36,246	39,040	41,552	44,014	47,412	50,010	50,700
% of GDP	121.1	118.2	115.7	115.4	115.9	112.6	106.9
Internal debt	29,014	30,709	32,402	33,820	35,778	47,010	47,850
T-bills	10,012	6,800	5,322	3,078	1,480	1,351	1,250
Govt. bonds	14,748	19,563	22,649	26,269	29,750	41,048	41,960
BoG & other loans	4,254	4,347	4,431	4,473	4,548	4,610	4,320
Foreign debt	7,232	8,330	9,150	10,194	11,634	3,000	2,850
Intergovernmental debt	-2,923.0	-3,198.0	-3,718.0	-4,111.0	-4,897	-5,300	-5,300
<b>General government</b>	<b>33,323</b>	<b>35,842</b>	<b>37,834</b>	<b>39,903</b>	<b>42,515</b>	<b>44,710</b>	<b>45,400</b>
% of GDP	111.3	108.5	105.4	104.1	103.6	101.3	95.9

Note: In 2001 the euro-denominated component of foreign debt becomes part of domestic debt  
Source: Finance Ministry, ABN AMRO estimates and forecasts



<b>Debt servicing (Dr bn)</b>	<b>Total</b>	<b>% of GDP</b>	<b>Amortisation</b>	<b>Interest</b>	<b>Collateral</b>
1990A	1,514.6	11.5	338.6	1,163.1	12.9
1991A	2,369.4	14.6	921.3	1,432.3	15.8
1992A	3,611.7	19.2	2,182.9	1,404.7	24.1
1993A	3,772.2	17.8	1,604.0	2,122.3	45.9
1994A	5,602.6	23.4	2,440.3	3,063.4	98.9
1995A	5,899.1	21.7	2,694.1	3,100.3	104.7
1996A	6,897.9	23.0	3,497.3	3,285.3	115.3
1997A	6,563.1	19.9	3,457.2	3,001.8	104.7
1998A	6,430.3	17.9	3,299.2	3,073.1	58.0
1999A	6,352.7	16.6	3,152.3	3,165.8	34.6
2000E	7,657.6	18.6	4,377.9	3,253.3	26.0
2001F	7,348.0	16.6	4,026.0	3,300.0	22.0

Source: Finance Ministry, ABN AMRO estimates and forecasts

## Structural reforms

*Progress in structural reforms is slow...*

Progress on the structural reform front has been rather slow. In the course of 2000, the government dealt with labour market reforms. The major project moving forwards is a complete overhaul of the social security system. Initially, government proposals were expected to be announced in Q4 2000. Now they are expected some time before the end of March.

*...and the overhaul of the social security system is now top of the agenda*

The government remains tight-lipped regarding its intentions and over the past few months has simply impressed on the public the need for a restructuring of the social security system. The broader reform to the present pay-as-you-go system will probably involve three legs—a compulsory pay-as-you-go first leg, a compulsory occupationally funded second leg and a voluntary, private third leg—but the role of the private sector has not yet been specified. An increase in the age of retirement, from the present 65 to 70, will also be considered, although trade unions are expected to oppose this move. Although Greece's pension system is not yet in deficit, in line with the rest of Europe it is threatened by demographic developments: in 1998, there were 2.8 employed persons per pensioner and in 1999 2.7. The reform of the social security system is expected to dominate the country's political agenda throughout the second quarter and possibly through to the summer months. The main conservative ND opposition party is unlikely to resist reforms. Trade unions are expected strongly to oppose reforms, however. Whatever form the reforms take, we do not expect a major impact on the equity market.

*Privatisations are on the back burner pending completion of social security reforms*

The privatisation programme appears to have been put on the back burner, pending the completion of the social security system reforms, as the government is hesitant to press on with policies that do not appeal to its supporters, such as the trade unions. The next phase of privatisation policy is the sale of majority stakes in major public enterprises, including management control. The key project in this area is OTE, whose search for a strategic partner has been unsuccessful because management control was to remain with the state.



## Privatisations

Company	Stake offered (%)	Method	Initial timetable	Revised schedule	Comments
Commercial Bank	10	Strategic investor	Q1 2000	Concluded	Credit Agricole acquired a 6.7% stake in June 2000
Agricultural Bank	13	IPO	Q2 2000	Concluded	
Pireaus Port	20-25	IPO	Q2 2000	H1 2001	
Thessalonika Port	20-25	IPO	Q2 2000	H1 2001	
Public Power Corporation	10-15	IPO	Q4 2000	H1 2001	
Hellenic Aerospace Industry	49	Part privatisation	Q1 2000	H1 2001	The first tender was declared void due to low bids in November 2000
Athens Stock Exchange	10-15	IPO	Q1 2000	Concluded	The IPO was concluded successfully in July 2000
Water Company of Thessalonika	20-25	IPO	Q3 2000	H1 2001	
Hellenic Vehicle Industry	43	Part privatisation	Q1 2000	Concluded	Mytilinaios Group winner of the contest in Sep 2000
Corinth Canal Company	-	Contract assignment	Q1 2000	H1 2001	
Olympic Airways	up to 65	Strategic investor	Q1 2000	In progress	
Horse Racing Organisation	-	Contract assignment	Q2 2000	H1 2001	Problems with the relocation to new facilities
Football Bets Organisation	10-20	IPO	Q1 2001		
Hellenic Post office	15-25	Strategic investor	Q1 2001	In progress	
Hellexpo	30 + mgmt	Part privatisation	H1 2001		
Hellenic Telecoms Organisation	20	Strategic investor	H1 2001	In progress	
Hellenic Industrial Bank (ETBA)	additional 26	Strategic investor	H2 2001		
CosmOTE	10-15	IPO	Q3 2000	Concluded	The IPO was concluded successfully in Oct 2000
Skaramanga Shipyards	51	Privatisation	H2 2001		
Public Gas Corporation	-	Strategic investor	H1 2001		Hellenic Petroleum is interested in buying 16% in order to reach 51%
Hellenic Salt-Lake Organisation	25	Part privatisation	2001		
Industrial real estate	-	Part privatisation	2001		
Hellenic Tourist Organisation's real estate	-	Part privatisation	2001		

Source: ABN AMRO

*Equity market conditions are impeding the flotation of state enterprises*

Meanwhile, equity market sentiment—both global and domestic—has made it more difficult to sell state assets through the stock exchange. It is indicative that of the seven state enterprises that were slated for listing on the ASE between January 2000 and March 2001, only three have actually been listed. The listing of the Public Power Corporation (PPC), which would add significant depth to the market due to its size, has been delayed because of market conditions and is now expected in H2 2001. Once the social security system reforms have been completed, we expect momentum in privatisation policy to pick up.

## Current account

*The current account deficit widened considerably in 2000...*

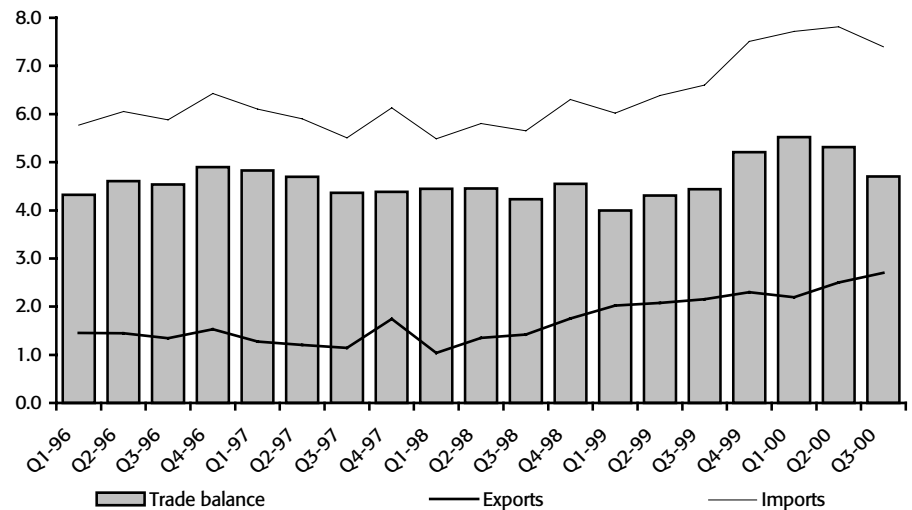
The current account deficit deteriorated significantly in 2000 and in the ten months to October (the latest available data) amounted to US\$5.7bn, compared with just US\$3.3bn during the first ten months of 1999. The trade deficit in the first ten months of 2000 increased by a record US\$2.6bn, to reach US\$16.9bn. We estimate that the 2000 current account deficit reached 6.7% of GDP, up from 4.1% in 1999.



*...as both oil and non-oil imports soared*

The significant deterioration of the trade deficit in 2000 was only partially caused by the rise in international oil prices. The consequent increase in spending on oil imports accounts for approximately two fifths of the increase in the trade deficit. The non-oil trade deficit increased by 12% in dollar terms, accounting for three fifths of the widening of the trade deficit versus 1999. In euro terms, non-oil exports increased by 23.1% and imports—which are three times higher than exports—by 27%.

Trade deficit (US\$ bn)



Source: Bank of Greece

*The depreciation of the drachma increased import spending*

There was a large increase in imports of capital goods, such as electrical and electronic appliances, telecoms equipment, automobiles and machinery. To some extent, the sharp increase in import spending was caused by a depreciation of the drachma against virtually all major currencies in the course of 2000. On an average annual basis, the drachma depreciated by 3.5% against the euro, by 19.5% against the dollar and by 27.7% against the yen. Almost 80% of Greek imports are denominated in these three currencies. We estimate that these changes in the value of the drachma have cost the trade balance US\$0.9bn.

*Exporters do not seem to have fully exploited currency advantages*

Exporters do not appear to have fully exploited the respective currency advantages. Average wholesale inflation for exported goods was up by 11.5% in 2000, compared with 8.6% for the same goods that were directed to domestic markets. This suggests that Greek producers have, to some extent, shifted the cost impact of rising fuel prices to exports. It also suggests that instead of reducing the foreign-currency price of their exports, aiming for market share as the drachma depreciated, some of them have simply opted for greater drachma returns.

*The surplus of the services balance was up by 7%*

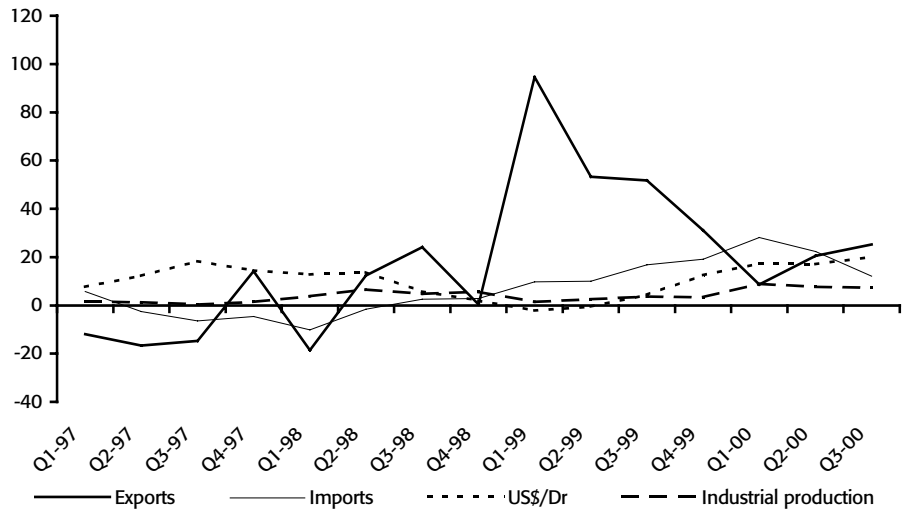
As for the other components of the current account balance, the surplus of the services account increased by US\$0.5bn (up by 7% year-on-year), due to higher receipts from tourism and transport. The incomes and transfers balances are relatively small and have no significant impact on the current account. The transfers balance largely reflects EU transfers, whereas the incomes balance reflects interest and dividends.



*Relative currency stability and slowing private consumption should reduce the trade deficit*

The replacement of the drachma with the euro this year should result in relative currency stability. We expect this factor, together with slowing private consumption (which should reduce demand for imported consumer goods, such as automobiles), to lead to a declining trade deficit this year.

Trade patterns (% year-on-year)



Source: Bank of Greece

*We expect the current account deficit to decline to 4.7% of GDP in 2001*

We expect the trade deficit to decline by 6.3% in the course of 2001, on the back of a 5% increase in export receipts and a 2.7% decline in import payments. Assuming that the services surplus increases by just 2.4%, the current account deficit should decline by 20%, to reach 4.7% of GDP. By and large, the underlying factors behind the significant increase in the trade deficit during the course of 2000 were one-off factors. Further widening of the trade deficit in the course of 2001 would therefore imply competitiveness problems for Greek exports and the economy overall.

*FDI turned into the negative in 2000 as Greek companies started expanding abroad*

Net foreign direct investment turned into the negative in the course of 2000, as there was a sharp increase in outflows. This was the outcome of Greek companies expanding abroad, especially in the wider Balkan region. Net inflows for portfolio investment increased by US\$1.4bn, largely in fixed income, rather than equities, where there were net outflows. The financial account also reflects a decline in bank deposits, which is associated with the drachma's entry into the eurozone and the consequent interest rate convergence. Broadly speaking, we expect a similar picture in the financial account this year, with relatively larger inflows of portfolio investment, for both equities and fixed income.



<b>Balance of payments (US\$ bn)</b>	<b>1997A</b>	<b>1998A</b>	<b>1999A</b>	<b>2000E</b>	<b>2001F</b>	<b>2002F</b>
<b>Current balance</b>	<b>-4.8</b>	<b>-3.6</b>	<b>-5.1</b>	<b>-7.5</b>	<b>-6.0</b>	<b>-5.3</b>
As % of GDP	-4.0	-3.0	-4.1	-6.7	-4.7	-4.0
Trade balance	-17.2	-16.6	-17.9	-20.5	-19.2	-19.8
<i>Non-fuels</i>	<i>-15.0</i>	<i>-15.3</i>	<i>-16.4</i>	<i>-18.0</i>	<i>-17.2</i>	<i>-18.2</i>
<i>Fuels</i>	<i>-2.2</i>	<i>-1.3</i>	<i>-1.5</i>	<i>-2.5</i>	<i>-2.0</i>	<i>-1.6</i>
Exports	6.4	6.7	8.5	9.9	10.4	10.9
<i>Fuels</i>	<i>0.6</i>	<i>0.7</i>	<i>1.1</i>	<i>2.1</i>	<i>1.3</i>	<i>1.5</i>
<i>Non-fuels</i>	<i>5.8</i>	<i>5.9</i>	<i>7.4</i>	<i>7.8</i>	<i>9.1</i>	<i>9.4</i>
Imports	23.7	23.3	26.5	30.4	29.6	30.7
<i>Fuels</i>	<i>2.8</i>	<i>2.0</i>	<i>2.7</i>	<i>4.6</i>	<i>3.3</i>	<i>3.1</i>
<i>Non-fuels</i>	<i>20.9</i>	<i>21.3</i>	<i>23.8</i>	<i>25.8</i>	<i>26.3</i>	<i>27.6</i>
Services balance	6.5	6.8	7.3	7.7	7.9	8.3
<i>Travel</i>	<i>5.2</i>	<i>6.2</i>	<i>8.8</i>	<i>9.2</i>	<i>9.6</i>	<i>10.3</i>
Incomes account	-1.6	-1.5	-0.7	-0.9	-1.0	-0.8
Transfers account	7.5	7.7	6.3	6.2	6.3	7.0
<b>Financial account</b>	<b>6.1</b>	<b>3.8</b>	<b>5.0</b>	<b>7.6</b>	<b>7.2</b>	<b>7.0</b>
Direct investment	1.6	0.3	0.0	-1.3	-1.1	-0.7
Portfolio investment	1.6	12.1	6.5	8.0	8.1	8.3
Other investment	-3.0	-3.8	-0.8	-2.9	-2.7	-2.7
FX reserves	13.3	18.2	18.9	15.0	16.5	18.5
Dr/US\$ (avg)	273.1	295.5	305.7	365.4	350.4	358.4

Source: Bank of Greece, ABN AMRO estimates and forecasts

## Political outlook

*Next elections are likely to be held in autumn 2003*

Having won the general elections in April 2000, the Simitis administration is set to stay in office until spring 2004. As Athens will host the Olympic Games during the summer of 2004, the consensus is that the next general elections will take place in 2003. We believe that autumn 2003 is the most likely period.

*The government is suffering from political fatigue after twenty years in power*

Notwithstanding a comfortable parliamentary majority and the general absence of political risks, the governing party appears to be suffering from political fatigue. With the exception of a three-year respite between 1990 and 1993, the PASOK social democrats have been in power since 1981. In many respects, the Simitis administration's present term resembles the UK political arena during the last term of the Major administration. The government frequently finds itself in disarray, caught up in internal conflicts, which has an obvious impact on the opinion polls. This has little or no impact at all on fiscal policy, however. In fact, we expect fiscal policy to be characterised by a tightening bias until the next election year. The disarray is, however, having an adverse effect on structural reforms, where progress is painfully slowly, especially where co-operation between different ministries is required.



*Mayor of Athens' new party is unlikely to have a significant impact on domestic politics*

The mayor of Athens, Dimitris Avramopoulos, recently formed a new party. The mayor is attempting to capitalise on his personal popularity and appeal in the capital, and exploit the low morale in the conservative camp, following a third consecutive electoral defeat, and the growing discontent in the governing camp. Although the mayor was originally in the conservative ND party, he received votes from PASOK supporters as well at the last local elections. In the coming months, we expect growing speculation in the press about the percentage of votes that the new party would receive in an election. We believe that the new party will have a limited impact on politics. The present electoral law permits the formation of single-party governments even with the narrowest election victories. In the next general elections, we believe that the new party's impact will largely be limited to taking votes off the two major parties.



## Greece—key indicators

Year to December		1995A	1996A	1997A	1998A	1999A	2000E	2001F	2002F
<b>Real activity</b>									
Real GDP growth	% yoy	2.1	2.4	3.2	3.7	3.5	4.1	4.5	4.5
Industrial production	% yoy	2.4	1.3	1.7	5.9	2.8	7.5	4.6	5.0
Private consumption	% yoy	2.7	2.4	2.7	2.1	2.6	3.3	2.8	2.7
Public consumption	% yoy	5.6	0.9	1.7	2.0	-0.2	1.0	-0.6	-0.8
Gross fixed investment	% yoy	4.2	8.4	13.1	8.1	8.3	9.8	11.3	11.5
Gross domestic savings	% GDP	58.6	60.6	60.3	56.3	60.0	61.9	59.0	58.4
Unemployment	%	7.9	8.8	9.9	11.1	11.7	11.3	10.6	10.0
Nominal GDP	US\$ bn	117.5	124.4	120.9	121.5	125.4	112.3	126.0	132.2
GDP per capita	US\$	11,248.3	11,877.1	11,493.8	11,508.0	11,849.5	10,583.7	11,854.6	12,420.3
<b>Fiscal and monetary policy</b>									
Fiscal balance (GFS, cash base)	% GDP	-9.1	-7.6	-4.0	-2.4	-1.6	-0.8	0.1	2.0
Primary balance (GFS)	% GDP	4.0	4.6	5.7	6.4	7.0	6.7	7.2	7.6
Fiscal revenue	% GDP	26.3	26.8	28.0	29.2	31.4	31.5	31.9	31.7
Non-interest expenditure	% GDP	24.1	24.7	25.9	26.1	26.8	26.8	26.2	24.8
Monetisation M4N	% GDP	92.4	96.5	94.3	94.5	93.4	96.3	-	-
Money supply growth M4N	% yoy	13.0	15.3	7.8	9.8	5.5	10.4	-	-
Private credit growth	% yoy	22.0	16.2	15.3	15.0	14.2	24.0	20.0	20.5
Interest rate (3m deposit)	% p.a.	14.2	12.4	13.2	10.5	8.5	6.3	4.5	5.5
Consumer prices	% avg	8.9	8.2	5.5	4.8	2.6	3.2	3.2	2.1
Consumer prices	% eop	7.9	7.3	4.7	3.9	2.7	3.9	2.4	1.8
Producer prices	% eop	6.7	3.9	3.5	3.0	5.6	7.8	3.1	2.0
Real wage growth	% yoy	4.5	0.7	3.7	0.1	0.3	0.2	0.2	0.3
<b>External balance and debt*</b>									
Exports (fob)	US\$ bn	5.8	5.8	6.4	6.7	8.5	9.9	10.4	10.9
Imports (cif)	US\$ bn	22.9	24.1	23.7	23.3	26.5	30.4	29.6	30.7
Current account balance	US\$ bn	-2.9	-4.5	-4.8	-3.6	-5.1	-7.5	-6.0	-5.3
	% GDP	-2.5	-3.7	-4.0	-3.0	-4.1	-6.7	-4.7	-4.0
FDI net inflows	US\$ bn	1.1	1.1	1.6	0.3	0.0	-1.3	-1.1	-0.7
Intl reserves (excl. gold)	US\$ bn	15.7	19.2	13.3	18.2	18.9	15.0	16.5	18.5
Import cover	Months	30.0	38.6	26.3	35.3	41.7	38.0	40.7	47.3
External debt (gross)	US\$ bn	27.8	29.3	29.5	32.4	31.1	31.8	8.5	8.4
	% GDP	23.7	23.5	24.4	26.6	24.8	28.3	6.7	6.4
	% exports	479.5	504.8	545.8	578.2	494.1	316.4	271.4	263.7
Short-term debt	US\$ bn	4.9	6.2	6.4	6.0	3.4	2.1	1.5	1.2
External debt service	US\$ bn	2.9	2.7	3.8	4.1	3.0	4.3	0.8	0.7
	% exports	50.0	46.6	70.4	76.8	77.8	58.8	46.9	41.4
Interest payments	% exports	38.2	38.0	37.9	42.8	33.7	27.6	22.4	21.3
Total public debt	US\$ bn	127.8	134.9	126.8	133.9	121.8	116.3	127.7	126.7
	% GDP	110.1	111.3	108.5	105.4	104.2	103.6	101.3	95.9
Exchange rate (Dr/US\$)	eop	237.0	247.0	282.6	282.6	327.5	365.6	354.9	340.8
	avg	231.7	240.7	273.1	295.5	305.7	365.4	350.4	358.4

\* Euro denominated foreign debt becomes domestic debt in 2001

Source: Bank of Greece, finance ministry, OECD, IMF, National Statistical Service of Greece, ABN AMRO estimates and forecasts





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