

## GREECE AND ITS ECONOMY

Greece is situated in the Southeastern part of Europe. Its economy is growing strongly and although income, fiscal and monetary policies (including exchange rate policy) continue to be restrictive, all available evidence suggests that actual growth is still below potential while expectations, in general, are now much more favourable than before. The policy mix aims primarily at bringing down inflation and interest rates by reducing the growth of production costs and by affecting expectations.

Despite the restrictive stance, GDP growth is expected to accelerate further in 1996 to about 2.5 per cent, led primarily by capital formation, public and private. Inflation is expected to be around 7 per cent, down from 9.3 per cent in 1995. It should be noted that it was exactly 22 years ago that single digit inflation was last recorded in Greece. Unemployment will continue to be at around 9.5 per cent.

Fiscal policy aims at bringing the budget deficit further down to 8.7 per cent of GDP, while monetary and exchange-rate policy will also remain tight. The rate of depreciation of the exchange-rate of the drachma vis-a-vis the ECU will be about 1 per cent. A further drop of interest rates is expected. It should be note that lending rates in 1995 dropped by almost 10 percentage points.

Greece's economic policy aims at achieving convergence with the European Union. The Maastricht Treaty has set strict targets. Through its adherence to those targets, Greece is attempting to reduce the total level of government debt, the government's budget deficit as well as inflation and interest rates in order to bring the Greek economy in line with the economies of its European partners.

Greece makes full use of European Union funds, which co-finance its extensive public investment programme, in an effort to develop rapidly its physical infrastructure, upgrade its human capital and modernize its economy up to the year 2000.

Greece's population is ten point five million. A further seven million Greeks live overseas, thus binding our economy closely with markets abroad. Greece's GDP last year totaled one hundred and seventeen billion dollars. Viewed in per capita terms, that represented an annual figure of eleven thousand three hundred dollars.

The Greek economy relies on the Athens stock exchange as a source of capital, not only to finance private companies-but also to extend private ownership into state controlled companies. Moreover, the government has taken measures aimed at higher transparency and efficiency of the Stock and Capital markets as well as reforming the financial market.

During 1996 the Athens Stock Exchange Index has already risen by over 15 per cent. It remains a relatively small exchange, with

a total market capitalization of eighteen point two billion dollars.

The average daily trading volume is around twenty five million dollars. Yet the exchange is fully automated - and its regulatory authorities strictly enforce and exercise all relevant European Union legislation.

In conclusion, there are several chief attractions of investing in Greece. The Greek economy is growing strongly, underpinned by increasingly solid fundamentals. Inflation and interest rates have dropped dramatically. The drachma is firm against foreign currencies and unemployment is consistently below the European Union average.

Greece has around twenty five billion dollars of EU funds available over the next five years. We have a stable political environment and circumstance conducive to growth.

Moreover, privatization has an important role to play in structural reform. Privatization of industrial conglomerates has proceeded successfully. "State" controlled banks are in a process of restructuring their portfolios and, in certain cases, will increase their equity capital with more private sector participation. Privatization of other public enterprises and utilities and utilities will also take the form of stock market flotation. At the same time the government is currently introducing new legislation regarding public enterprises to the effect of securing management independence, efficiency and better quality of services.

As a result of all this, equities in the Greek Stock Market- when compared to other similar growth countries - present very attractive investment opportunities for the future. Finally, I should underline the comparative advantage Greece has for the expansion of entrepreneurial activities in the Balkans, the Countries of Central and Eastern Europe and the Ex-Soviet Republics as well as the region of the Middle East.