SUMMARY OF THE ANNUAL REPORT 2010

APRIL 2011

BANK OF GREECE

EUROSYSTEM

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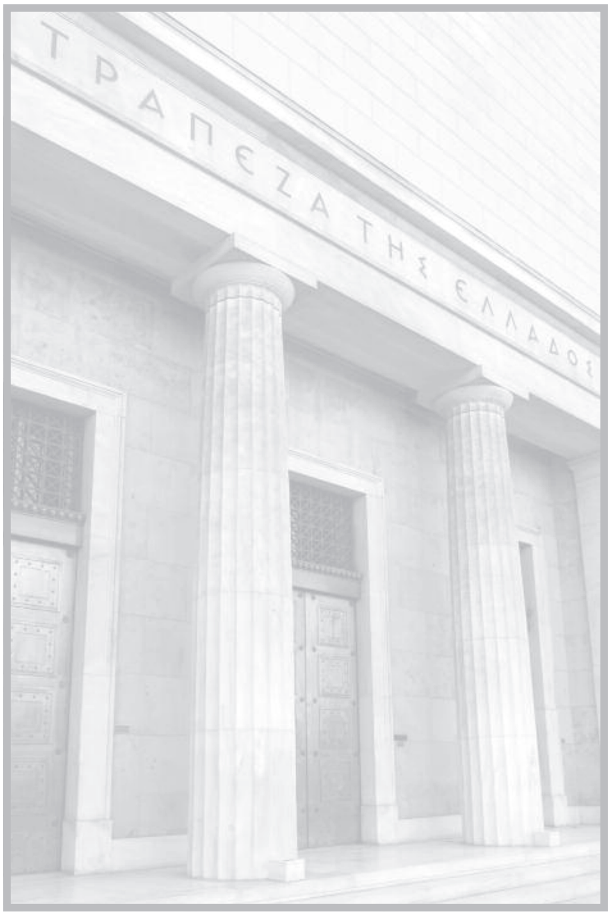
2010

Presented to the General Meeting of Shareholders
by Governor George Provopoulos



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Printed in Athens, Greece
at the Bank of Greece Printing Works

ISSN 1105 - 0527

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1 INTRODUCTION

One year after Greece had recourse to the support mechanism is a good time to take stock of the course of the Greek economy and assess the achievements and delays in implementing the Economic Adjustment Programme; the current outlook – against the backdrop of changes in the international environment, in particular the EU and the euro area; and, finally, the policies required in the immediate future.

1.1 MAIN ECONOMIC DEVELOPMENTS OVER THE LAST TWELVE MONTHS

• **Implementation of the Memorandum of Economic and Financial Policies averted Greece's default.** The first and foremost development in the year under review has been the ongoing implementation of the support agreement. The European Commission and the IMF, in three successive reviews, acknowledged the progress made, rendering possible the smooth inflow of funding. This averted the disastrous developments that seemed inevitable back in April 2010, and the economy was given a window of opportunity to carry out the major changes required.

• **The real economy performed worse than expected.** The drop in domestic demand, which was to be expected due to the necessary fiscal adjustment, was the key factor behind the recession; GDP contracted by 4.5% in 2010, exclusively weighed down by domestic demand, in particular declines of 4.5% in private consumption, 6.5% in government consumption and 16.5% in gross fixed capital formation.

• **The recession would, however, have been milder if faster progress had been made with the measures and policies that, in the face of fiscal constraints, can foster recovery and create the conditions for a transition to a new, export- and investment-led growth model.** Such measures and policies include increasing the efficiency of public spending, maximising the use of Community funding available under the National Strategic Reference Framework (NSRF) and promoting reforms to improve the business environment.

• **Developments in the external sector of the economy somewhat softened the recession, despite the limited outward-orientedness of the Greek economy.** Indeed, changes in the real external balance made a positive contribution to GDP growth in 2010 (just as in 2009, compared with a negative contribution in the 2006-2008 period). As imports fell and exports rose, the positive contribution of the external sector partly offset the negative impact of domestic demand.

The decline in imports came as a result of lower consumption and investment. However, to the extent that the observed drop in consumer goods imports is attributable to adjustments in consumption behaviour, it could become a more durable feature of the future evolution of the trade deficit.

• **Competitiveness has improved, but there are still substantial accumulated losses to be recovered.** The rise in exports was primarily driven by the recovery of world trade and, to a lesser extent, by improved competitiveness. However, two points should be made in this respect: First, the improvement in competitiveness in terms of relative unit labour costs (taking into account the evolution of the effective exchange rate of the euro) came to roughly 6% in the total economy and to 5% in the business sector in 2010, which must be weighed against cumulative losses of 28% over the 2001-2009 period, implying that there is still a long way to go. Second, exports of goods and services account for only 21% of GDP (compared with 40.5% in the euro area as a whole). This low share, in the short term, constrains the ability of exports to visibly mitigate the recession and foster recovery, even if they rise due to improved cost competitiveness; in the medium term, however, it implies that there is considerable room to increase exports, provided that structural competitiveness also improves. A positive contribution to GDP growth could also come from import substitution *in those categories of products where this would be feasible, given Greece's comparative advantages as they would shape up following the structural changes and reforms.*

• **The recession has led to job losses across all sectors of the economy and to a rise in unemployment.** In the last quarter of 2010, employment fell by 4% year-on-year, which translates into 180,000 jobs lost, while the rate of unemployment reached 14.2% of the workforce. The average annual decrease in employment (-2.7%) was smaller than the decline in GDP, **causing productivity to fall** by 1.8%.

1.2 THE ECONOMIC CRISIS REFLECTS THE COLLAPSE OF A NO LONGER SUSTAINABLE GROWTH MODEL

The characteristics of the current recession – in particular the decisive role played by the drop in consumer demand (alongside the decrease in gross fixed capital formation) – underscore the main weaknesses of the Greek economy that have left their negative mark on the distorted growth model that prevailed for decades. This growth model relied on domestic consumption, both public and private, and was sustained by public and household borrowing. The business sector did not manage to sufficiently tap into the opportunities opened up by Greece's participation in the euro area, while the boost in households' expectations generated by this participation and the swelling of the public sector encouraged consumerism. This led to negative net national saving from 2002 onwards and to a continuous transfer of resources from the business sector to the oversized, low-productivity public sector. This model favoured present consumption at the expense of the future and was underpinned by the illusion that growth could be driven by the public sector *ad infinitum*. The rise in consumption, characterised by a high propensity to consume imported goods, encouraged and supported "shallow" domestic entrepreneurial initiatives, focused on the distribution sector and the end consumer. However, as the factors that previously underpinned consumption have now been reversed, this type of business activity has inevitably suffered a serious blow. Meanwhile, as already mentioned, the necessary conditions to foster a new type of entrepreneurship, geared towards a new growth model, have not yet been created.

In this sense, the current economic crisis is the crisis of a growth model that could no longer be sustained. The cost that society is summoned to pay today is – to a considerable extent – due to the delay in moving on to the new model.

1.3 THE REORIENTATION OF ECONOMIC POLICY WAS A NECESSITY, NOT AN OPTION

Since May 2010, economic policy has been reoriented in two main directions: rapid fiscal consolidation and structural reforms in the public sector and markets. The Bank of Greece has repeatedly stressed that this shift was long overdue and that implementing the announced plans was the only way for the economy to get back on a track of sustainable growth.

• **The effort to drive down the fiscal deficit delivered tangible results.** This policy produced tangible results mainly on the fiscal front, as the general government deficit was reduced by approximately five percentage points of GDP in 2010 compared to 2009. It should, of course, be noted that deficit reduction during this first phase of adjustment was mainly achieved through across-the-board cuts in wages and pensions, a freeze in public sector hiring, the slashing of operating costs and grants, increases in indirect taxes, the imposition of extraordinary levies on businesses and individuals, and the collection of revenue from back tax settlements.

• **Progress with reforms has been made, but has been slow.** On the other hand, despite the announcement of important reforms to the public sector, there has yet to be any substantial improvement in the deficit-generating areas – public administration, governmentcontrolled organisations and local government – or in the tax collection mechanism. In the area of structural changes, many new laws were adopted concerning such crucial sectors as social security, healthcare, closed-shop professions and the labour market, and in certain cases substantial progress has been made. In some other cases, however, the reforms do not go deep enough and their implementation is often delayed, either because of administrative inefficiency or because of a reluctance to push ahead, in the face of opposition.

1.4 SOCIETY AND THE REFORM EFFORT

• **The causes of the crisis and the effort required have not been adequately explained to the public.** The policy launched in May 2010 called into question certainties long considered unchallengeable and came up against entrenched attitudes. Nevertheless, there are still a number of questions that call for convincing answers: How did we get to where we stand today? Why did the growth model of the last 30 years collapse and what is the meaning of a "new growth model"? What is the real situation today? What rights, obligations, opportunities, possibilities, responsibilities and constraints does our participation in the EU and the euro area give rise to? What are the alternatives and what would they cost? What risks lie ahead and how can we address them? What will the final outcome of this effort be and, more importantly, how is it connected to the changes being promoted?

• **A part of the public remains perplexed and reserved in the face of the unfolding changes, while there are also reactions that aim to revert to the practices of the past.** Owing to a significant information deficit, the public, though aware of the critical turning point we have reached, has yet to fully grasp the causes of the crisis, or the scope, duration and absolute necessity of the effort required. Many of the reactions observed can therefore be attributed to the uncertainty caused by inadequate information, while there are also reactions that aim to obstruct change and revert to the practices of the past. Meanwhile, much of the public debate tends to overstate the direct impact of the reforms, without mentioning why these changes are so imperative and, above all, what the positive outcome will be. Moreover, in several cases, the backing of reforms has proved timid.

1.5 THE CHANGES IN THE EUROPEAN UNION HERALD A NEW ENVIRONMENT

Over the past twelve months, important changes have taken place in the rest of the world, in particular in the EU and the euro area.

• **The ECB's monetary policy stance remained accommodative.** At the same time, the Eurosystem continued to use non-standard monetary policy measures, which improved the liquidity position of banks and supported the flow of credit to the economy. In 2010, the ECB Governing Council reactivated some of the non-standard monetary policy measures that it had planned to phase out and launched another one, the Securities Markets Programme. As far as Greece is concerned, the Governing Council took the important decision that debt securities issued or guaranteed by the Greek government shall constitute eligible collateral for the purposes of Eurosystem monetary policy operations, irrespective of their external credit rating.

• **Work continued towards a reinforced framework of economic governance and policies to prevent a recurrence of the crisis – The implications for the conduct of economic policy in Greece are positive.** The European Stability Mechanism and the "Euro Plus Pact" that were recently agreed upon will shape a new economic environment imposing stricter fiscal discipline and introducing new rules in other areas of economic policy. The "Euro Plus Pact" marks the beginning of a path leading to stronger economic policy convergence among Member States. **The new framework will require all Member States to make long-term commitments, especially in terms of fiscal**

discipline and in focusing their economic policies on improving competitiveness – i.e. precisely the two major challenges to which Greece, in any case, must rise.

1.6 ECONOMIC POLICY CHALLENGES REMAIN SERIOUS, DUE TO FACTORS CONSTRAINING THE PROSPECTS OF THE ECONOMY

The year 2010 marked a shift in economic policy, in response to the need to address the impasses caused by a long period of wrong choices. This shift had broadly positive results, as it averted the worst and gave Greece a time margin to implement the necessary far-reaching adjustment.

However, the challenges facing economic policy remain serious, given a number of key factors constraining the prospects of the economy.

- **The domestic funds that could finance growth are extremely limited**, both because net national saving is negative and because banks are facing serious challenges. Tapping into international savings, in the form of foreign direct investment (FDI) or bank funding from the international money and capital markets, is difficult, given the negative climate abroad concerning Greece and the prevailing high uncertainties.

- **Debt dynamics are unfavourable.** Despite the progress with fiscal adjustment, the debt dynamics are extremely adverse and feed market cautiousness. The fact that fiscal adjustment is more difficult in times of recession adds to this.

- **There have been delays in implementing reforms to create a business-friendly environment, an "entrepreneurial ecosystem" that would encourage domestic investment initiatives and attract FDI.**[1] The undertaking of major private investment projects —which would dramatically change the economic climate— presupposes, among other things, fast-track **site planning** and **licensing** procedures, a stable **taxation** and market regulation regime, as well as a radical upgrade of the **system of justice** to ensure faster resolution of disputes. Admittedly, certain positive steps have been made, but they are not enough to boost the economy's **structural competitiveness**. As repeatedly stressed, **the sooner and more efficiently structural reforms are implemented, the sooner growth is likely to resume**.

2 THE MAIN CHARACTERISTICS OF DEVELOPMENTS IN 2010 – THE CURRENT PICTURE OF THE ECONOMY

2.1 THE ECONOMY AT A CRITICAL JUNCTURE

In 2010, the general government deficit fell by a substantial 5 percentage points of GDP, but real GDP contracted by 4.5%, total employment dropped by 2.7% and salaried employment by 3%, while the average unemployment rate reached 12.5%. Meanwhile, the current account deficit receded only slightly to 10.4% of GDP (from 11% in 2009), inflation rose to 4.7%, the average *nominal* earnings of employees in the total economy decreased by 5.0% (according to Bank of Greece estimates) and the annual rate of credit expansion to the private sector was zero in December (slightly negative for households, slightly positive for businesses).

At the same time, there were two worrying developments:

- First, according to rough estimates, the potential growth rate, which averaged close to 3.5% from 2000 to 2008 before dropping to below 1.5% in 2009, is currently at 0.5% or lower.

- Second, gross national saving came to a mere 2.1% of GDP in 2009 and 2.8% in 2010. *Net* national saving (excluding depreciation) was negative in 2009 (-12.1% of GDP) and in 2010 (-13.9% of GDP); it has been negative since 2002 (it was just positive in 2001, at 0.2% of GDP).

1 See also Bank of Greece, *Monetary Policy – Interim Report 2010*, October 2010; *Monetary Policy 2010-2011*, February 2011.

2.2 POSITIVE ASPECTS OF DEVELOPMENTS

The main positive development in 2010, apart from the large decline in the fiscal deficit, was the recovery in goods exports, which became visible from the second half of the year onwards and is confirmed by all indicators; exports have yet though to recoup the sharp declines of 2009 and return to their 2008 level. The recovery of goods exports is no coincidence and can, of course, be attributed to the recovery of the world economy and, therefore, of demand from Greece's trading partners, as well as to the increasing shift of Greek firms to foreign markets, to compensate for the drop in domestic demand. However, this recovery in exports also reflects an incipient reversal of past competitiveness losses. According to Bank of Greece estimates, over the 2001-2009 period, Greece's international competitiveness *vis-à-vis 28 trading partners* fell by a cumulative 19% in terms of relative consumer prices (CPI) and by some 28% in terms of relative unit labour costs (ULC) in the total economy. In 2010, however, CPI-based competitiveness improved slightly (by 0.5%, despite high inflation and exclusively as a result of the fall in the nominal effective exchange rate of the euro), whereas ULC-based competitiveness is estimated to have improved markedly, by some 6% in the total economy and 5% in the business sector, largely reflecting the considerable drop in wages and unit labour costs in both the public and the private sector, as well as the evolution of the nominal effective exchange rate of the euro.

There are two more developments that could, under certain conditions, be seen as positive.

• **Core inflation (i.e. excluding energy and unprocessed food) was 3.0% in December, but without the impact from indirect tax increases would have been just 0.3%.** This reflects a reversal of demand- and labour cost-driven inflationary pressures and supports the forecast that CPI-inflation will gradually recede as the impact from higher indirect taxes wanes. In any case, a risk of deflation seems unlikely, with inflationary pressures expected to build up, on account, at first, of external factors, such as increases in the prices of oil, food and other commodities (due to both structural and cyclical reasons) and upward price trends in countries from which Greece imports manufactured products and, later on, a gradual recovery of domestic activity.

• **The sharp drop in goods imports** continued in 2010, bringing the cumulative decline over the two years 2009 and 2010 to 25.4% at constant prices, according to national accounts data. This development is a direct reflection of the cumulative declines in domestic demand by 6.6% and in gross fixed capital formation by 25.9% over the same period, implying that it was the result of the recession. This however can be seen in a positive light, to the extent that lower consumer goods imports also reflect an adjustment in the consumption pattern of Greek households, capable of leading to a more permanent reduction in the trade deficit. In other words, it would appear that the crisis has made us realise that, for at least 13 years (1996-2008), we consumed more than we could afford, having become over-confident about the future (in part due to the liberalisation of credit), while at the same time rejecting the structural changes that would have helped those optimistic expectations to materialise.

3 THE MACROECONOMIC PROSPECTS FOR 2011

3.1 A RAPIDLY CHANGING ENVIRONMENT CALLING FOR NEW CHOICES IN KEY AREAS

The macroeconomic prospects for 2011 are unfolding in an international environment characterised by the growing importance of China, as well as the economies of India, Russia, Brazil and neighbouring Turkey. At the same time, **geopolitical uncertainty** has escalated sharply in recent months, with regime overthrows and unrest throughout North Africa and the Middle East. These developments are not unrelated to the increases in the prices of food and other commodities.

Meanwhile, it has become increasingly evident in recent years how vulnerable the global economy and the modern way of living can be to **extreme weather phenomena, natural disasters and epidemics**. Last month's disaster in Japan showed how dependence on nuclear energy coupled with insufficient safety measures can amplify —just how much remains to be seen— the initial impact of an earthquake and the subsequent tsunami. These considerations, as well as the need to start addressing climate change before it is too late, imply that new policy choices, on a global scale, will be required **in such areas as construction, town planning and zoning, transportation, as well as energy production and consumption**.

At the **European level**, as already mentioned, Greece is taking part in the intensive efforts for the necesary upgrading of the framework of economic governance and financial stability in the European Union and the euro area.

3.2 PROJECTIONS FOR KEY AGGREGATES OF THE GREEK ECONOMY: CONTINUED RECESSION, FURTHER RISE IN UNEMPLOYMENT, SIGNIFICANT DECLINE IN INFLATION, NEGATIVE ANNUAL RATE OF CREDIT EXPANSION TO THE PRIVATE SECTOR

The present report provides projections regarding Greece's main macroeconomic aggregates.

• With regard to **economic activity**, the projection of a 3% decline in GDP for 2011 included in the report *Monetary Policy 2010-2011* (February 2011) still holds, while a slightly bigger drop cannot be ruled out.

• The **unemployment rate** should continue to rise and may exceed 15%. In fact, if the year-on-year rates of change in the labour force and employment recorded in the fourth quarter of 2010 persist throughout 2011, the average rate of unemployment could rise to as high as 16.5% in 2011. This could be averted through the effective implementation of the active employment policies already announced and of the legislation enacted in May, July and December 2010 and enabling a more flexible use of labour inputs. As rising unemployment reflects not only the recession, but also the ongoing restructuring of production and employment in the context of the crisis, the available policy options and arrangements must be geared towards increasing labour mobility across sectors and jobs, reducing the duration of unemployment and supporting the income of the unemployed while in search of a job or in retraining.

• *According to recently revised projections*, the average annual rate of HICP **inflation** should decline significantly, despite the continued increase in oil prices, but could approach 3¼%. Average core inflation is expected to fall much lower, to less than 1.5%. Excluding the impact of increases in indirect taxes, core inflation should drop even lower, to below 1% on average, following negative rates in January and February 2011. Underlying these developments are the gradual unwinding of the impact from indirect tax increases and the continued fall in both demand and unit labour costs, especially in the business sector. A dampening effect on inflation should also arise from increased competition in the goods and services markets as the implementation of structural reforms progresses. **Average *nominal* earnings of employees** in the total economy are expected to fall by 2.7%.

• The **annual rate of credit expansion to the domestic private sector**, already slightly negative in January and February this year (at -0.2% and -0.3%, respectively), is expected to remain negative throughout 2011, due to both loan supply and loan demand related factors. On the demand side, access to credit, as well as willingness to incur debt, continue to be constrained by the weakened financial condition of households and enterprises. On the supply side, Greek banks have begun to gain some limited access to the international money and capital markets, after being virtually excluded from them, while they continued to face into early 2011 the considerable drop in deposits recorded in 2010 (partly as a result of heightened uncertainty, but to a large extent also because of the need of depositors —enterprises and households— to meet current liabilities). At the same time, banks have seen the quality of their loan portfolios to households and enterprises deteriorate due to the recession. These pressures are counterbalanced, first, by the liquidity support package introduced by Law 3723 in autumn 2008, later complemented and recently extended in duration and expanded in size and, second, the provision of substantial amounts of liquidity by the Eurosystem; at the same time, it was encouraging that banks' capital adequacy remained relatively high. An upward, yet limited effect on credit to businesses can be expected from further improvement in the absorption of EU funds through co-financed programmes under the National Strategic Reference Framework, while other positive effects should stem from the implementation of the new Development Law and the establishment and activation of the National Fund for Entrepreneurship and Development.

3.3 THE MAIN POSITIVE ASPECTS OF THE OUTLOOK FOR 2011

Apart from the targeted and projected **further reduction in the public deficit** and the anticipated **decline in inflation**, the main positive development in 2011 is expected to concern exports.

• Indeed, the **recovery of goods exports will continue**, driven both by the rise in foreign demand and by the continued improvement in competitiveness as a result of a further drop in unit labour costs. The declining trend of labour costs in the business sector from 2009 onwards initially reflected the response of businesses to the economic downturn (through reductions in average working hours, temporary lay-offs and wage cuts). Today, the lowering of labour costs is also facilitated by changes in the legal framework aimed at increasing labour market flexibility as a means of saving jobs, including the hiring of young people at sub-minimum wages, the *de facto* reduction in dismissal compensation, lower premia for overtime work and the introduction of "special firm-level collective agreements". Export prospects may also be boosted by other factors affecting the international competitiveness of Greek products, such as:

– (a) foreign direct investment, if the necessary conditions mentioned above are put in place. Foreign direct investment is typically associated with transfers of technology and thereby higher productivity.

– (b) A more efficient organisation of production and labour, provided that the aforementioned changes to the legal framework governing the labour market are put to use and the reforms to product markets are duly promoted.

– (c) The implementation of the specific measures included in the National Export Strategy launched by the Ministry of Regional Development and Competitiveness in December.

With tourism receipts also expected to recover and consumer goods imports expected to continue to decline, the current account deficit should further decrease in 2011, perhaps to below 9% of GDP, despite higher oil prices and interest payments.

• The forecasts for **tourism receipts** are positive, especially given both the reduction in the VAT rate charged on accommodation and the recent turmoil in countries of North Africa, which had been competitive tourist destinations.

• Finally, demand for **imported consumer goods** will continue to be weighed down by the correction of household consumption patterns, although this cannot translate into steadily high rates of decline, given that a significant reduction in demand has already taken place. By contrast, demand for **imported capital goods** should be driven upwards once investment starts to recover (probably towards year-end), and also due to special factors, e.g. the launching of major wind farm investment projects which have a high import content. Moreover, it should be noted that —*under the current production capacity profile*— sustained strong exports in the future would also entail higher imports of raw materials and intermediate goods used as inputs in the production of some (not all) exportable Greek products. This further compounds the need to speed up reforms in product and labour markets and to intensify the effort to attract foreign direct investment, so as not only to boost exports, but also —as just mentioned— to **substitute domestic products for imports *in as many product categories as realistically feasible taking into account Greece's comparative advantages*** as they will shape up following the structural changes and reforms.

4 FISCAL POLICY AND FISCAL REFORMS

4.1 SHARP DEFICIT REDUCTION IN 2010

According to data on an administrative basis (Ministry of Finance), the deficit of the state budget fell to 8.4% of GDP in 2010, from 13.1% of GDP in 2009 and compared with a target of 8.1% of GDP in the Economic Adjustment Programme. Despite the sharp reduction in the deficit, down by 37.0% relative to 2009, the deficit target was not met, due to a revenue shortfall that was only partly offset by a higher than targeted cutback in expenditure.

Furthermore, **according to cash data from the Bank of Greece**, the borrowing requirement (cash deficit) of the state budget[2] fell by 28.3% in 2010 to 10.2% of GDP, compared with 13.9% of GDP in 2009. This decline came mainly from the reduction in the deficit on the ordinary budget and, to a lesser extent, from a lower deficit on the public investment budget.

The final data on the general government deficit for 2010 (on a national accounts basis), for Greece as well as for the other EU countries, will be released by Eurostat on 26 April. It should be recalled that the recent EU/IMF reviews expected Greece's general government deficit for 2010 to be close to 9½% of GDP. The deficit may, however, turn out higher, due to the revision of individual components to be finalised between Eurostat and ELSTAT by the release date.

4.2 MAIN GUIDELINES IN THE 2011 BUDGET FOR FURTHER REDUCING THE DEFICIT

The 2011 budget marks a continuation of the significant effort, since the spring of 2010, to achieve fiscal consolidation and rein in the debt-to-GDP ratio and anticipates a reduction in the general government deficit to 7.4% of GDP (i.e. 2.2 percentage points lower than the 2010 deficit estimated in the Introductory Report on the 2011 Budget).

In 2011, contrary to 2010, the reduction in the general government deficit is expected to come mostly (by about three quarters) from entities outside central government. The deficit of the state budget will improve by only 0.5% of GDP. This low figure, despite the important measures taken on both the revenue and the expenditure sides, partly reflects how difficult it is to achieve fiscal adjustment when an economy is in recession. However, the primary deficit of the state budget is expected to show a much greater improvement (of 1.8% of GDP) than the overall deficit.

The reduction in the state budget deficit is expected to stem mainly from a significant increase in revenues of the ordinary budget (by 8.5%), while the revenues of the public investment budget are also expected to increase substantially (by 27.7%). On the other hand, ordinary budget expenditure in 2011 is expected to increase by 5.8%, mainly on account of interest payments, while primary expenditure under the ordinary budget is expected to rise by only 1.9% and investment expenditure by 0.6%.

2 Not including movements in OPEKEPE's account.

According to the Introductory Report on the 2011 Budget, the government aims to ensure that budgetary targets will be met by adopting additional measures (apart from those envisaged in the Economic Adjustment Programme) corresponding to a total 2.7% of GDP (1% of GDP from higher revenue and 1.7% from lower expenditure), which mostly involve expenditure cuts in public enterprises and organisations (DEKO), public hospitals, social security organisations and local government authorities – i.e. entities with substantial spending overruns in the past. Moreover, the latest (third) review of the Economic Adjustment Programme, taking into account the evolution of fiscal aggregates and the yield of certain measures, concluded that further measures of structural fiscal consolidation amounting to 3/4% of GDP will be required to ensure that the general government deficit falls to 7.4% in 2011. In any case, achieving the 2011 budget targets will require action on three fronts:

- better revenue performance by combating tax evasion and enhancing the efficiency of the tax collection mechanism;

- structural fiscal reforms to reduce the expenditure of general government entities; and

- stronger and more effective fiscal institutions.

4.3 KEY STRUCTURAL FISCAL REFORMS: SIGNIFICANT CHANGES HAVE BEEN ENACTED, BUT THE REAL CHALLENGE LIES IN THEIR IMPLEMENTATION

Important structural reforms were enacted in 2010 and are expected to further underpin fiscal adjustment. Several of these reforms focused on crucial sectors of the economy, such as the pension system, healthcare, public enterprises and local government. At the same time, the fiscal policy framework was radically overhauled, certain fiscal institutions were strengthened in order to ensure greater transparency and tighter expenditure control, while emphasis was also placed on the operation of tax administration and on combating tax evasion. In greater detail:

- The Kallikratis Programme, among other objectives, aims to save resources by reducing the number of local government authorities and associated entities and through economies of scale. To this end, the government has taken measures to limit borrowing by local authorities and has imposed a no-deficit rule on them until at least 2014.

- The social security reform (Law 3863/2010 and Law 3865/2010 applying to workers in the private and the public sector, respectively) aims to ensure the long-term sustainability of the pension system and is considered highly ambitious in the light of international experience. The next step will consist in evaluating the viability of the larger supplementary pension funds, so that relevant legislation can be adopted by September 2011.

- The social security reform of July 2010 also brought about changes in the field of healthcare, although these had to be supplemented by additional measures, designed to reduce expenditure, increase cost effectiveness and improve the level of service through introducing electronic prescribing and cutting back on pharmaceutical expenditure, rationalising the procurement system and establishing the National Healthcare Organisation. Carrying through these reforms represents a major challenge.

- Important institutional changes have also been made to public enterprises, which are now subject to stricter financial supervision coordinated by the Ministry of Finance. With a view to ensuring the economic viability of public utilities, new legislation was passed to restructure transport entities, namely the Hellenic Railways (OSE-TRAINOSE) and the Athens Urban Transport Organisation (OASA) groups of companies. A common aim of the reforms is to consolidate the finances of these groups through wage and operating cost cuts and tariff increases; the assumption of their accumulated debts by the State; the setting of ceilings on government subsidies; the transfer of surplus personnel in line with the "one recruitment for every five retirements or dismissals" rule that applies to the entire public sector; the requirement to regularly submit business plans; and permanent accountability of managements.

• Additional cost saving can be expected from the implementation of legislation providing for the closing or merger of services, organisations and entities of the public sector. However, implementation of this measure is lagging behind.

• The new fiscal management and responsibility framework, the aims of which are, among others, to increase expenditure control, has introduced stringent transparency and disclosure requirements and enlarged the scope of financial supervision by the Ministry of Finance to include, apart from central government, all the entities of general government, as it requires the submission to Parliament of consolidated annual budgets. Law 3871/2010 establishing this new fiscal management and responsibility framework also provides for a rolling three-year Medium-Term Fiscal Strategy Plan. However, progress in strengthening fiscal institutions has been slow, because of continued delays in such matters as budgeting practices and procedures, expenditure control and the regular reporting of fiscal data by general government entities. As a result, nearly a year after the launching of the Economic Adjustment Programme, there is still no full or clear picture of Greece's fiscal position on a monthly basis.

• Apart from the fiscal measures directly aimed at increasing tax revenue, numerous structural measures have been adopted to streamline tax administration, reform the tax system by broadening the tax base, curb tax evasion and enhance tax compliance, thereby making the tax system more equitable. The latest tax law contains a number of provisions that will help improve tax administration and fight tax evasion. It should be noted that, according to the 2011 budget, the fight against tax evasion should yield €1.6 billion in revenue this year, which underscores the importance of implementing the relevant provisions swiftly and rigorously. Any deviation from the 2011 budget target will need to be compensated for by additional measures.

4.4 THE SIGNIFICANCE OF RECENT EUROPEAN UNION DECISIONS AND OF THE MEDIUM-TERM FISCAL STRATEGY FRAMEWORK CURRENTLY IN PREPARATION

• The recent informal Eurogroup meeting of heads of state or government of the euro area on 11 March 2011 took **decisions favourable for Greece** (endorsed by the European Council on 24-25 March), i.e. to lower the interest rate and lengthen the maturity of loans extended to Greece under the Support Mechanism and enable the European Financial Stability Fund (EFSF) and the future European Stability Mechanism (ESM) to purchase government securities in the primary market in exceptional circumstances and in the context of a programme with strict conditionality. By virtue of the same decisions, Greece is called upon to rigorously continue structural reforms, fully and speedily complete the €50 billion privatisation and real estate development programme that the government has drawn up and to introduce a strict and stable fiscal framework with the strongest possible legal basis (to be decided by the Greek government). Against this background, **the implementation of an ambitious medium-term fiscal strategy framework clearly outlining the fiscal consolidation path and encompassing —as a crucial component— the privatisation and state asset management programme could substantially reduce the public debt, help restore confidence and optimism in the prospects of the Greek economy and, thus, facilitate Greece's return to the bond markets**.

• The government is expected to release the **Medium-Term Fiscal Strategy Framework** by mid-April,[3] as also provided for by Law 3871/2010, specifying the fiscal measures of a permanent nature and a binding time schedule for the period 2012-15, in order to reduce the

3 This Framework is to be released after the present report went to press.

general government deficit to below 3% by 2014 and to 1% of GDP by 2015.

5 THE CHALLENGES FOR BANKS AND THE NECESSITY OF THE LIQUIDITY SUPPORT PROGRAMME

5.1 THE GROWTH CONTRIBUTION OF THE FINANCIAL SECTOR PUT TO THE TEST

Generalised economic crises, irrespective of their causes and origins, put the ability of banks to contribute to the growth process to a severe test, by impeding their access to key sources of funding (e.g. deposits, markets) and impairing the quality of their assets (e.g. loans and securities holdings).

Banks as intermediaries play a pivotal role in the set-up and growth of an economy by ensuring the safe and efficient channelling of available savings towards investments and other uses. The uninterrupted fulfilment of this role is of paramount importance, especially in economies with a bank-based financial system, where business activity and households are financed primarily by banks, rather than directly by the markets. The Greek economy is a case in point, with the domestic banking system providing most of the private sector's debt financing.

5.2 DUE TO THE CRISIS, BANKS' LIQUIDITY NEEDS ARE SIGNIFICANTLY HIGHER

Throughout 2010 and the first months of 2011, the liquidity of Greek banks came under strong pressure, due to the fiscal crisis and the economic downturn.

- The successive downgrades of Greece's sovereign credit rating inevitably affected the ratings of domestic banks too, virtually cutting them off from **international money and capital markets**. This occurred at a time when Greek banks were faced with: (i) the need, within 2010, to repay maturing debt amounting to about €8 billion; and (ii) a significant contraction of their deposit base: relative to the beginning of 2010, this contraction had slightly exceeded €40 billion by the end of February 2011.

- During that same time, banks were also required to provide the Eurosystem with additional assets totalling some €26 billion, to replenish the fall in the assessed value of their collateral (consisting mostly of government securities, but also of bank bonds, covered bonds, etc.).[4] This need arose because, after the downgrades, a significant part of that collateral became ineligible. Meanwhile, the assets that remained eligible lost part of their collateral value, given their downward market valuations and the higher haircut rates.

5.3 THE PROVISION OF STATE GURANTEES TO SUPPORT BANK LIQUIDITY REMAINS NECESSARY FOR THE TIME BEING

The conditions described above called for a prolongation and expansion of the liquidity support measures introduced by Law 3723/2008; similar measures had been adopted by all EU countries in 2008, following the intensification of the global financial crisis.

It should be recalled that **under this scheme *the government, for a fee, guarantees bank-issued debt securities;* it does not provide banks with cash**. These guarantees enable the banks to obtain liquidity from the Eurosystem against eligible collateral. It should also be noted that, given the valuation haircuts involved, the liquidity that can be obtained against such government-guaranteed securities is considerably less than their nominal value.

Overall, between January 2010 and the end of February 2011, banks used guarantees for a nominal value of €50 billion, which, following

4 According to the statutory provisions governing the Eurosystem, liquidity from the national central banks to credit institutions can only be provided against adequate collateral, in the form of eligible assets, i.e. securities and other assets that satisfy the Eurosystem's eligibility criteria. The liquidity provided by the Eurosystem is lower than the market value of the underlying collateral, to an extent that depends on the haircut applicable to the respective type of asset. A haircut is the percentage which the Eurosystem subtracts from the market value of an asset, when calculating how much to lend to a credit institution against such collateral.

market valuation and haircuts, secured them some €35 billion in Eurosystem liquidity. The recent expansion of the guarantee scheme became necessary, for the following reasons:

- Greek banks remain virtually shut out of wholesale funding markets;

- the funds obtained so far using the guarantee scheme are not sufficient to meet the liquidity needs in the face of shrinking deposit bases, the fall in the assessed value of their collateral and maturing interbank liabilities;

- the ECB's non-standard measures to enhance liquidity in the euro area will be gradually phased out; and

- it is necessary to prevent recession from becoming deeper as a result of insufficient financing of the economy or of a sudden deleveraging by banks.

In view of these reasons, Article 19 of the draft law submitted to Parliament on 31 March 2011 ("Reform of the operational framework of the Deposits and Loans Fund") increases by €30 billion the amount of support available under the government guarantee scheme introduced by Article 2 of Law 3723/2008. *One difference between Article 19 and the provisions of Law 3723/2008 is that the support shall be conditional upon the preparation and implementation by each applicant credit institution of a detailed medium-term funding requirements plan, to be approved by the Bank of Greece and the ECB, in cooperation with the European Commission and the IMF.*

The option that credit institutions had of drawing liquidity from the Eurosystem by making use of government guarantees prevented credit growth rates from turning negative in 2010. Although nominal GDP fell by 2.1% in 2010, the outstanding amount of bank credit to the private sector in December 2010 remained unchanged year-on-year. Given the overall financial environment, without the extraordinary provision of liquidity by the Eurosystem the banks would have been forced to expedite the collection of their claims, cut back on loan rescheduling and reject new loan applications even from creditworthy customers. **The extraordinary monetary policy measures of the ECB and the government's liquidity support measures averted a credit crunch.**

However, the extraordinary liquidity support measures taken by the ECB and the government are temporary in nature. They aim to give banks time to adjust their asset and cost structure as required by present conditions. This adjustment must be orderly, so as not to further aggravate the current economic downturn or dampen recovery, once it begins. In other words, **banks must, as soon as possible, be in a position to intermediate between savers and investors and rely on their own resources, without the need for extraordinary support from the ECB or the government**.

5.4 CREDIT RISK, PROFITABILITY, CAPITAL ADEQUACY: TRENDS AND PROSPECTS

Pressure on the domestic banking system in 2010 was also exerted by the rise in credit risk on bank lending. The significant deterioration of the financial condition of businesses and households, owing to the adverse macroeconomic environment, was accompanied by a considerable increase in the non-performing loans ratio (NPL ratio) (December 2010: 10.4%, December 2009: 7.7%). The upward trend of non-performing loans is expected to continue in 2011.

The adverse macroeconomic conditions also affected the profitability of banks, which registered losses both on a solo and on a consolidated basis in 2010, due to lower operating income and higher impairment charges. The impact on profitability was only partially offset by a decline in operating expenses in 2010, which became more pronounced in the second half of the year.

By contrast, a positive contribution to financial stability in 2010 came from the increase in the capital adequacy of banks and banking groups. Compared with end-2009, regulatory own funds rose, while risk-weighted assets declined slightly. At end-December 2010, the Capital Adequacy Ratio (CAR) and the Tier I ratio for banks as a whole stood at 13.8% and 12.2%, respectively, and for banking groups as a whole at 12.2% and 10.9%, respectively.

Despite their satisfactory capital adequacy ratios, banks need to be very cautious at the current juncture in formulating their medium-term strategies for their capital base and uses of funds. In this respect, which is crucial for financial stability, banks must, with realism, caution and a forward-looking perspective, weigh not only the challenges posed by fiscal and macroeconomic conditions but also the upcoming major changes in banking regulation and supervision. The relevant work undertaken by European and international institutions and bodies is well under way.

5.5 THE FACTORS THAT WILL ENABLE BANKS TO DEAL WITH THE CHALLENGES OF 2011

The most important factors driving the performance of the domestic banking system in 2010 continue to be in play this year, while the medium-term outlook for profitability, the quality of loan and securities portfolios and bank liquidity is surrounded by high uncertainty. Even though this situation, in the case of Greece, was not the outcome of weaknesses, inadequacies or mistakes on behalf of the banking sector, as was the case in many other countries, there is still need for an active demonstration of increased vigilance and resolve. Banks, in particular, are called upon to flexibly adjust their business strategies, restructure their activities and review their objectives, cut operating costs and shift to market-based funding sources that would help them to wean themselves off liquidity support from the Eurosystem and the government.

Today's reality is a given; as for the future, the signals are clear as to the basic parameters of the economic environment and the regulatory framework. **Banks will therefore have to adjust their business models accordingly and muster all their forces. Reorganisation and alliances are more successful when they are carried out with foresight, take all the facts into account and are the outcome of friendly negotiation.**

The reorganisation of the banking sector would considerably enhance its contribution to the growth process, once the economy begins to recover. It would also support domestic financial stability, on condition of course that the primary factor for stability is in place, i.e. that the confidence of economic agents, markets and the international community is restored and consolidated. No reorganisation of the financial system can substitute for the need to pursue fiscal adjustment and speed up structural reforms in the public sector and the economy at large.

6 PRIORITIES OF ECONOMIC POLICY

Last year's developments and the outlook for the near future strictly set the objectives and map out the course for the next few years.

6.1 A DYNAMIC RE-LAUNCH OF OUR EFFORTS IS NEEDED TO GIVE NEW IMPETUS TO REFORM POLICIES

Today, the Greek economy is at a watershed. Progress with adjustment has been made, but is still too slow considering the debt dynamics. What is now needed is a strong re-launch of our efforts, to make up for the delays and give fresh impetus to reform policies. The key prerequisites for this to happen are the following:

- The government must actively demonstrate its firm commitment to moving forward, without ambivalence or hesitation, on the difficult path that it has mapped out.

- The public must be regularly informed about where the economy stands, which policy goals are being pursued, what difficulties and risks are present, how much ground still needs to be covered, what the ultimate goal is and what the consequences of failure would be.

• The positive aspect of the reforms, which are not only necessary, but also morally right, must be clearly highlighted as they abolish privileges and aim for equal and better opportunities for all.

• A minimum of consensus must be reached among the political and social forces so as to ensure continued adjustment, the duration of which will extend well beyond any one government's term.

6.2 FISCAL CONSOLIDATION AND THE RECOUPING OF LOST COMPETITIVENESS: TWO PREREQUISITES FOR GROWTH

There is absolutely no doubt today that growth remains the main *desideratum*.

• As shown by international experience, large public deficits and high public debt cannot possibly foster sustainable growth. Therefore, **the first step towards economic growth is to stabilise the economy**.

• **Growth means launching new productive businesses that are competitive and export-oriented. This hinges upon a radical change in the business climate brought about by the creation of a business- and investment-friendly environment.** Therefore, a much faster pace is needed for the structural reforms in the markets and especially the public sector; these reforms should focus, apart from recouping the losses in international cost competitiveness, on improving structural competitiveness.

6.3 KEY PRIORITIES

First, speeding up reforms in the public sector

The stabilisation process has entered its second and more difficult phase. Following the across-the-board wage cuts and the tax increases, it must now focus with determination on structural reforms in the public sector, so as to permanently reduce wasteful spending stemming from operational inefficiency.

There is actually ample room for such change. Two crucial opportunities, present today, must however be seized: first, the Medium-Term Fiscal Strategy Framework 2012-2015 and, second, the Privatisation and State Asset Management Programme. These could act as a catalyst for re-launching the reform effort.

• **The Medium-Term Fiscal Strategy Framework**, soon to be made public, provides the chance to design a fiscal policy with clear objectives, well-specified actions and concrete timetables, rather than piecemeal interventions and stop-gap measures. If the objectives of this strategy are to be achieved, the factors generating the deficit must be eliminated – most importantly, spending must be cut.

• The **Privatisation and State Asset Management Programme**, if boldly and rapidly implemented, could contribute to substantial debt reduction in the immediate years ahead.

Second, mitigating the impact of the recession

The —absolutely necessary— restrictive fiscal policy currently conducted is exacerbating the recession, which in turn makes improving the debt-to-GDP ratio even more difficult. Economic policy, without conceding anything in terms of fiscal adjustment, must aim simultaneously to mitigate the effects of the recession and to bring GDP growth back to positive territory as soon as possible.

• **For the time being, any further increase in the tax burden of tax compliant businesses, workers and pensioners must be avoided; instead, tangible progress must be made in the fight against tax and social-security contribution evasion. This is also crucial for bolstering a sense of equity and increasing consensus on the adjustment programme.**

• Moreover, since there is no room for an increase in public expenditure, all possibilities must be exhausted to:

– cut spending by eliminating the squandering of public funds and merging or eliminating public sector entities that are unproductive;

– re-allocate total expenditure towards growth-enhancing and socially beneficial uses; and

– increase the efficiency of public spending.

These actions will make it possible to support the more vulnerable groups of society, improve the effectiveness of social expenditure, facilitate labour mobility across sectors and jobs, and increase the share of public funds allocated to investment.

- The EU funds at the country's disposal under the National Strategic Reference Framework (NSRF) need to be absorbed at a quicker pace, by using the instruments introduced by the new development law and by fully activating the National Fund for Entrepreneurship and Development (ETEAN).

- Finally, the implementation of structural reforms that entail zero or low budgetary costs but which can yield quick results must begin immediately; such reforms include those that reduce red-tape, tackle corruption and remove product and labour market rigidities. This should encourage domestic firms to take up new investment, and could attract foreign direct investment, with the favourable side-effect of transferring technology.

Third, attracting foreign investment

Given that domestic resources for the financing of growth are currently very limited, FDI inflows must be attracted, so as to drastically increase imported resources. True, the conditions are unfavourable, with the prevailing negative climate and large uncertainties. However, some positive side-effects can be expected from the Privatisation Programme and the creation of attractive opportunities for capital inflows, and of course from all the urgently needed measures to upgrade the business environment.

Fourth, a new growth model

The constant invocation of growth as a remedy to the crisis would remain mere rhetoric, unless it is well understood that the new growth model that Greece needs means shifting from the present to the future, from consumption to saving, investment and exports, from statism and the perpetuation of privileges to competition and business initiative. In other words, it means new patterns of consumption, entrepreneurship and public administration. In particular, **the new model means increasing the share of investment and exports in GDP; reducing the share of private and public consumption; giving a substantial boost to saving (so that net national saving becomes positive); shifting entrepreneurial initiative to the competitive sector of production oriented towards the international markets; ensuring that public administration functions in a way that does not discourage investment and does not tolerate tax evasion**.

Fifth, an Action Plan for Growth: main lines of reform and sources of growth

Changing the current growth model will obviously be a long process. As proposed by the Bank of Greece last October, the first step in this direction should be a **coherent Action Plan for Growth**, capable of leading the economy away from the distorted old model to a new one, and characterised by an outward-looking growth dynamics based primarily on enhancing the productive base through investment and structural reforms. The new model should also encompass environmental protection and the strengthening of social cohesion. This means that structural reforms will have to be designed on the basis of a multi-faceted, "holistic" approach. Policies that facilitate fiscal consolidation also help to reduce the current account deficit. The same can also be said for policies that aim to rein in consumer borrowing and encourage private sector saving, as they contribute to reducing the shortfall in private saving against private investment.

• **The main lines of reform** — several of which are already in progress — should include:

– **Consolidating the public sector and improving its efficiency**, by streamlining public administration through cutting red tape and increasing transparency.

– **Enhancing labour market flexibility and mobility**, including by policies for vocational and on-the-job training and life-long learning, in order to increase the employment rate and ensure a continuous upgrading of human capital and higher productivity.

– **Strengthening competition** in the markets for goods and services.

– **Improving the absorption of Community funds through the National Strategic Reference Framework, promoting and facilitating investment and enhancing the export orientation of the economy.**

– **Increasing the efficiency of education at all levels and encouraging innovation and research.**

– **Changing the current patterns of energy production and consumption.** The Greek economy is particularly energy-consuming and has a high oil dependency, despite the use of renewable energy sources (hydroelectric and wind energy) and lignite. Moreover, current estimates suggest that Greece, as a Mediterranean country, will be considerably affected by climate change. In order to implement the European policy on energy and climate change, Greece would, *inter alia*, have to upgrade its production processes by introducing less energy-consuming technologies (but also by completing its site planning for energy) and improve life in the cities. The latter can be achieved by streamlining public transportation, so as to reduce the use of more energy-consuming means of transportation, and by promoting new energy technologies and alternative energy sources for the insulation and heating of homes and other buildings. Significant steps are already being taken in this direction, which is crucial for Greece, not only because of climate change and quality of life considerations but also because it can lead to large-scale investments, stronger competition in the energy sector and the creation of new businesses and jobs, while contributing to reducing the country's energy dependency and thereby the current account deficit.

• Apart from the **large-scale investments to change the current patterns of energy production and consumption, other main sources** of growth could be:

– The **upgrading of tourism**, by attracting higher-income visitors, encouraging well-off pensioners and active professionals from other countries to take up permanent or seasonal residence in Greece, promoting convention tourism, facilitating cruises and attracting foreign visitors to Greece's mainland and mountain areas. The limited public resources will have to be allocated more efficiently and, among other changes, will need to be channelled towards protecting and highlighting traditional villages and towns, promoting mountain tourism, upgrading services at museums and other sites, conserving areas of outstanding natural beauty, and reinforcing our infrastructure in transportation, communication and health services, if we want Greece's tourism to evolve in the directions set above. Special care will be needed to transform Athens, Greece's main gateway, while land planning for tourism will obviously need to be completed. Options worth considering are the co-financing of infrastructure projects through public-private partnerships, the collective financing by businesses of activities needed to prolong the tourist season and to boost tourist arrivals, improving the vocational training provided by Schools of Tourism Professions and the possible introduction of tourism studies in Universities (not only at a post-graduate level), so as to make Greece a centre for tourism education for the wider region.

– **The further growth of overseas maritime transport**, a sector where the Greek-owned merchant fleet has a strong presence and the receipts of which could prove crucial to reducing the current account deficit.

– In manufacturing, the **pharmaceuticals and petroleum products branches**, which have shown noteworthy export dynamism, and the further expansion of certain branches producing **metals** and **minerals**.[5] Dynamic export-oriented businesses can be found in all sectors.

– The **exploitation of Greece's agricultural produce, drawing on the processing of crops and livestock products**, deserves special attention. Apart from the potential for cotton (due to rising prices on the world markets), the beverages, juices and dairy products sectors have been quite successful.

– **Turning Greece into a major transit hub** by exploiting the potential of the country's ports, as well as into a **provider of high quality healthcare and education** to consumers from the wider Balkan and Eastern Mediterranean region. Greece has highly qualified human resources for the development of these sectors, which in turn could avert and even reverse the brain drain.

* * *

As a crucial **general condition for the success** of the efforts undertaken, the policies already conducted, as well as those proposed here, rather than being a simple sum of individual measures, must be balanced, internally coherent, well-synchronised or well-sequenced, as well as swiftly implemented. A partial or piecemeal implementation of the policies already legislated, announced or proposed could indeed entail the risk of a vicious circle of adjustment/recession. By contrast, a synchronised and balanced implementation can ensure that a virtuous circle for the economy is set in motion.

5 As pointed out in a recent report by the European Commission (*The Economic Adjustment Programme for Greece – Third Review*, Occasional Papers 77, February 2011).

APPENDIX

TABLES AND CHARTS

TABLES

CHARTS

Table 1 Gross expenditure of the economy and gross domestic product

(at constant market prices of 2000)

	Value in million euro	Annual percentage changes						
	2000	2004	2005	2006	2007	2008	2009	2010
1. Private consumption	98,627	3.8	4.5	5.2	2.8	3.2	-2.2	-4.5
2. Public consumption	24,271	3.5	1.1	8.8	8.2	1.5	10.3	-6.5
3. Gross fixed capital formation	29,450	0.4	-6.3	10.6	5.5	-7.5	-11.2	-16.5
3.1 Construction	17,944	-3.0	-7.8	16.4	-4.1	-18.9	-12.3	-12.5
3.2 Equipment	10,415	4.5	-4.8	3.0	22.3	6.6	-11.8	-23.5
3.3 Other investment	1,091	8.6	-1.9	7.1	-12.2	-11.7	13.6	22.0
4. Domestic final demand[1]	152,349	3.0	1.7	6.8	4.2	0.8	-1.8	-6.9
5. Change in inventories and statistical discrepancy (% of GDP)	2,328	0.5	-0.3	-0.6	1.1	1.6	-0.9	0.0
6. Exports of goods and services	33,882	17.3	2.5	5.3	5.8	4.0	-20.1	3.8
6.1 Exports of goods	14,253	9.4	6.3	11.7	1.5	3.8	-18.0	4.8
6.2 Exports of services	19,629	22.8	0.1	1.0	9.0	4.1	-21.5	3.2
7. Final demand	188,558	4.7	1.3	6.3	5.8	1.7	-6.8	-4.6
8. Imports of goods and services	52,277	5.7	-1.5	9.7	9.9	4.0	-18.6	-4.9
8.1 Imports of goods	40,730	4.4	-1.2	10.7	10.2	2.1	-18.5	-8.4
8.2 Imports of services	11,548	11.7	-2.9	4.9	8.1	13.7	-18.9	11.1
GDP at market prices	**136,281**	**4.4**	**2.3**	**5.2**	**4.3**	**1.0**	**-2.0**	**-4.5**
		Contribution to GDP change (percentage points)						
1. Private consumption		2.8	3.2	3.8	2.0	2.3	-1.6	-3.3
2. Public consumption		0.6	0.2	1.4	1.4	0.3	1.8	-1.3
3. Gross fixed capital formation		0.1	-1.5	2.3	1.2	-1.7	-2.3	-3.1
3.1 Construction		-0.4	-1.0	1.9	-0.5	-2.3	-1.2	-1.1
3.2 Equipment		0.4	-0.4	0.3	1.9	0.7	-1.2	-2.2
3.3 Other investment		0.1	0.0	0.1	-0.1	-0.1	0.1	0.2
4. Domestic final demand[1]		3.4	1.9	7.5	4.7	0.9	-2.0	-7.7
5. Inventories and statistical discrepancy		-0.7	-0.7	-0.4	1.7	0.5	-2.5	0.9
6. Exports of goods and services		3.6	0.6	1.2	1.3	0.9	-4.9	0.8
6.1 Exports of goods		0.8	0.6	1.1	0.2	0.4	-1.9	0.4
6.2 Exports of services		2.6	0.0	0.1	1.2	0.6	-3.0	0.4
7. Final demand		6.3	1.7	8.4	7.8	2.3	-9.4	-6.0
8. Imports of goods and services		2.0	-0.5	3.3	3.5	1.5	-7.1	-1.5
8.1 Imports of goods		1.3	-0.3	2.9	3.0	0.6	-5.7	-2.2
8.2 Imports of services		0.7	-0.2	0.3	0.5	0.9	-1.4	0.7
9. External balance of goods and services (net exports)		1.6	1.1	-2.0	-2.1	-0.5	2.2	2.3
GDP at market prices		**4.4**	**2.3**	**5.2**	**4.3**	**1.0**	**-2.0**	**-4.5**

Source: ELSTAT, National Accounts, revised data for 2004-2009 and provisional estimates for 2010, March 2011.
1 Excluding inventories and statistical discrepancy.

Table 2 Indicators of consumer demand (2009-2011)

(annual percentage changes)

	2009	2010	2011 (available period)
Volume of retail trade (excl. fuel and lubricants)	-9.3	-6.9	-14.8 (Jan.)
Food-beverages-tobacco[1]	-6.1	-5.5	-11.1 (»)
Clothing-footwear	1.4	-11.4	-25.3 (»)
Furniture-electrical appliances-household equipment	-15.3	-12.7	-20.6 (»)
Books-stationery-other	-24.0	-4.3	-7.2 (»)
Revenue from VAT (at constant prices)	-10.2	0.1	2.3 (Jan.- Feb.)
Retail trade business expectations index	-21.4	-26.4	-6.1 (Jan.- Mar.)
New private passenger car registrations	-17.4	-37.2	-55.9 (» »)
Tax revenue from mobile telephony[2]	13.2	37.1	-22.9 (Jan.- Feb.)
Outstanding balance of consumer credit[3]	2.0 (Dec.)	-4.2 (Dec.)	-4.2 (Feb.)

Sources: ELSTAT (retail trade, cars), Ministry of Finance (VAT revenue, tax revenue from mobile telephony), IOBE (expectations), Bank of Greece (consumer credit).
1 Comprising big food stores and specialised food-beverages-tobacco stores.
2 Monthly service fee per subscription until July 2009. As of August 2009, new progressive rates apply to mobile telephony contracts and different fees to prepaid mobile telephony.
3 Comprising bank loans and securitised loans. The rates of change are adjusted for loan write-offs, foreign exchange valuation differences and a transfer of loans by one bank to a domestic subsidiary finance company in 2009.

Table 3 Indicators of investment demand (2009-2011)

(annual percentage changes[1])

	2009	2010	2011 (available period)
Capital goods output	-22.5	-25.1	-6.8 (Jan.)
Capacity utilisation rate in the capital goods industry	(73.4)	(66.1)	(66.9) (Jan.-Mar.)
Bank credit to domestic enterprises[2]	5.1 (Dec.)	1.1 (Dec.)	0.9 (Feb.)
Disbursements under the Public Investment Programme	-2.8	-11.3	-41.4 (Jan.-Mar.)
Production index in construction (at constant prices)	-17.5	-31.6	...
Volume of private construction activity (on the basis of permits issued)	-26.5	-23.7	...
Cement production	-21.4	-14.3	-8.1 (Jan.)
Construction business expectations index	-31.4	-27.4	-40.9 (Jan.-Mar.)
Outstanding balance of total bank credit to housing[3]	3.7 (Dec.)	-0.4 (Dec.)	-1.1 (Feb.)

Sources: ELSTAT (capital goods output, volume of private construction activity, cement production), IOBE (capacity utilisation rate, business expectations index), Bank of Greece (bank credit to domestic enterprises and housing, disbursements under the Public Investment Programme).
1 Except for the capacity utilisation rate in the capital goods industry, which is measured in percentages.
2 Comprising loans and corporate bonds, securitised loans and securitised corporate bonds but excluding (as of June 2010) loans to sole proprietors and unincorporated partnerships. The rates of change are adjusted for loan write-offs, foreign exchange valuation differences, as well as loans and corporate bonds transferred by domestic MFIs to their subsidiaries operating abroad and to one domestic subsidiary finance company in 2009.
3 Comprising loans and securitised loans. The rates of change are adjusted for loan write-offs, foreign exchange valuation differences and a transfer of loans by one bank to a domestic subsidiary finance company in 2009.

Table 4 Industrial production

(2005=100)

	Weights 2005		Average annual percentage changes 2008	2009	2010	Level 2010 (2005=100)
Industry	**100.0**		**-4.0**	**-9.4**	**-5.8**	**84.5**
1. Mining and quarrying	***6.1***	***100.0***	***-4.5***	***-11.8***	***-6.5***	***76.2***
Mining of coal and lignite		56.6	0.4	-2.3	-13.1	80.7
Extraction of crude petroleum and natural gas		1.9	-17.1	31.2	42.5	117.8
Mining of metal ores		9.1	2.2	-23.3	16.2	74.3
Other mining and quarrying		32.4	-13.1	-27.7	0.0	66.5
2. Manufacturing	***69.8***	***100.0***	***-4.7***	***-11.2***	***-5.0***	***83.8***
Food		18.2	0.5	-2.7	-3.6	97.1
Beverages		6.0	-0.5	-4.8	-7.6	96.3
Tobacco		1.9	-3.3	-2.7	-17.5	74.6
Textiles		3.1	-21.7	-27.8	-20.4	42.0
Wearing apparel		3.4	-16.9	-23.6	-22.9	48.5
Leather and related products		0.6	-4.5	-14.9	-36.7	50.1
Wood and cork		1.2	-9.5	-27.3	9.4	60.4
Paper and paper products		2.3	-4.5	-3.0	-4.6	92.9
Printing and reproduction of recorded media		1.9	-4.9	-11.3	-14.1	75.7
Coke and refined petroleum products		11.3	-4.3	-0.1	5.7	110.8
Chemicals and chemical products		5.3	-4.8	-14.6	1.9	85.0
Basic pharmaceuticals		2.5	2.9	18.3	2.3	153.4
Rubber and plastic products		4.2	-2.8	-13.7	-6.3	86.0
Non-metallic mineral products		10.3	-6.6	-24.2	-14.3	59.4
Basic metals		8.0	-6.4	-17.9	12.0	92.6
Metal products		5.1	-9.8	-17.7	2.9	81.9
Computers, electronics and optical products		1.2	-2.7	-42.2	-19.7	33.5
Electrical equipment		3.0	-1.6	-20.1	4.4	86.1
Machinery and equipment n.e.c.		2.1	-0.5	-27.0	-17.1	68.1
Motor vehicles, trailers and semi-trailers		0.8	-15.4	-13.3	-7.4	67.4
Other transport equipment		1.6	-2.4	-18.6	-56.5	36.7
Furniture		1.5	-2.1	-27.2	-19.0	62.8
Other manufacturing		0.5	-16.4	-12.5	-9.4	65.2
Repair and installation of machinery and equipment		4.1	-9.2	-15.2	-26.7	55.1
3. Electricity	***20.8***	***100.0***	***-2.8***	***-4.2***	***-9.2***	***86.0***
4. Water supply	***3.3***	***100.0***	***2.5***	***-3.1***	***0.7***	***103.7***
Industry	**100.0**		**-4.0**	**-9.4**	**-5.8**	**84.5**
Main industrial groupings						
Energy	36.8		-2.4	-2.9	-4.9	92.7
Intermediate goods	28.0		-6.7	-18.4	-0.1	78.5
Capital goods	8.6		-7.4	-22.5	-25.1	53.6
Consumer durables	2.3		-5.7	-20.7	-13.4	67.2
Consumer non-durables	24.3		-2.0	-4.1	-7.0	91.6

Source: ELSTAT.

Table 5 Activity indicators in the services sector (2009-2011)

(annual percentage changes)

	2009	2010	2011 (available period)
Services turnover indicators			
Motor trades	-15.7	-36.4	...
Wholesale trade	-8.9	-6.2	...
Telecommunications	-8.9	-11.4	...
Land transport	-31.5	-18.1	...
Sea transport	-22.8	-8.4	...
Air transport	-12.6	-3.3	...
Storage and supporting transport activities	-33.3	-10.9	...
Travel agencies and related activities	-9.9	-24.5	...
Tourism (accommodation and food service activities)	-9.1	-8.2	...
Legal, accounting and management consulting services	-12.4	-7.2	...
Architectural and engineering services	-18.6	-21.9	...
Advertising and market research	-18.4	-23.8	...
Passenger traffic			
Athens International Airport	-1.5	-5.0	-15.6 (Jan.-Feb.)
Aegean Airlines[1]	9.9	-5.1	...
Piraeus port (OLP)	-3.8	-6.0	...
Business expectations index in the services sector	**-28.3**	**-9.3**	**-7.9 (Jan.-Mar.)**

Sources: ELSTAT (services turnover), Athens International Airport, Aegean Airlines, Piraeus Port Authority (OLP) and IOBE (expectations).
1 Including charter flights.

Table 6 Population, labour force and employment

	Q2 2010 (thousands of persons)	Annual percentage changes				
		Q2[4]				
		2006	2007	2008	2009	2010
Population aged 15+[1]	9,302	0.5	0.6	0.2	0.3	0.4
Population aged 15-64[1]	7,231	0.3	0.8	0.3	-0.1	0.2
Labour force[1]	5,021	0.6	0.8	0.4	0.7	0.9
Employment[1]	4,427	1.6	1.5	1.4	-1.1	-2.3
– Primary sector[1]	552	-1.7	-2.6	-0.6	2.1	4.2
– Secondary sector[1]	886	-0.2	3.1	1.1	-6.4	-7.4
– Tertiary sector	2,989	2.9	1.7	1.9	0.1	-3.8
Labour force participation rate[2]		67.0	67.0	67.2	67.7	68.3
Employment rate[3]		61.0	61.5	62.2	61.6	60.1
Unemployment as a percentage of the labour force		8.8	8.1	7.2	8.9	11.8

Source: ELSTAT, Labour Force Surveys.
1 Second quarter-on-second quarter.
2 Labour force participation rate of population aged 15-64.
3 Employed persons aged 15-64 as a percentage of population aged 15-64.
4 Average annual changes and average year levels are reported in the main text.

Table 7 Price indicators

(annual percentage changes)

Year or quarter	Consumer Price Index								Industrial Producer Price Index					Import price index in industry	
		Sub-indices							Domestic market				External market		
										Sub-indices					
	General index	Goods	Services	CPI excl. fuel & fresh fruit and vegetables	CPI excluding food & fuel	Food and non-alcoholic beverages	Fresh fruit and vegetables	Fuel	General index	General index excl. energy	Interme-diate goods	Consumer goods	General index	General index	General index excl. energy
2004	2.9	2.3	3.8	3.3	3.2	0.5	-11.9	7.5	3.5	4.7	3.2	6.0	5.0	3.1	0.8
2005	3.5	3.4	3.7	3.1	3.2	0.6	-8.1	18.0	5.9	3.0	3.8	2.5	3.7	8.8	1.2
2006	3.2	3.4	3.0	2.7	2.5	3.7	3.3	10.9	7.3	6.5	7.3	6.2	4.8	4.2	2.7
2007	2.9	2.5	3.5	2.9	3.0	3.2	5.6	1.3	4.1	2.7	6.1	-0.3	3.0	2.6	3.0
2008	4.2	4.3	3.9	3.4	3.0	5.4	4.6	14.7	10.0	6.4	8.4	4.5	6.4	7.1	2.5
2009	1.2	-0.5	3.6	2.4	2.6	1.9	5.3	-15.7	-5.8	-0.1	-1.2	0.9	-6.0	-1.8	0.5
2010	4.7	5.6	3.6	3.0	3.4	0.1	-4.3	36.2	6.1	0.9	2.3	-0.3	8.8	6.6	1.4
2007 Q1	2.7	2.1	3.4	3.2	3.3	3.1	4.9	-4.9	1.5	1.9	6.4	-1.7	0.4	-0.7	3.4
Q2	2.6	1.9	3.6	2.9	3.1	2.0	2.9	-1.5	2.7	1.9	5.8	-1.5	2.1	0.9	3.2
Q3	2.7	2.0	3.6	2.8	3.0	3.3	11.8	-3.1	3.4	2.3	5.7	-0.7	2.5	3.0	3.0
Q4	3.6	3.9	3.2	2.8	2.5	4.5	3.7	15.8	8.9	4.7	6.6	2.9	7.1	7.4	2.6
2008 Q1	4.3	5.0	3.3	2.9	2.3	6.1	7.1	24.0	11.5	6.9	9.3	4.9	8.5	8.1	2.5
Q2	4.8	5.6	3.6	3.6	3.0	6.4	5.3	21.5	13.5	7.2	9.4	5.3	10.0	10.1	2.3
Q3	4.7	5.1	4.2	3.7	3.2	4.5	-3.1	22.9	14.2	7.2	9.7	4.9	9.8	10.1	2.8
Q4	2.9	1.7	4.5	3.5	3.4	4.5	8.9	-7.4	1.3	4.2	5.4	3.0	-2.4	0.4	2.3
2009 Q1	1.5	-0.5	4.3	3.2	3.3	3.6	8.2	-22.6	-5.2	1.1	0.5	1.5	-7.8	-2.4	1.4
Q2	0.7	-1.5	3.7	2.3	2.5	2.7	11.0	-23.0	-8.8	-0.7	-2.2	0.5	-9.5	-4.4	0.5
Q3	0.7	-1.2	3.3	2.1	2.3	2.1	8.3	-18.5	-9.1	-1.0	-2.9	0.8	-8.2	-3.7	-0.2
Q4	2.0	1.0	3.2	2.0	2.4	-0.7	-5.8	4.8	0.4	0.4	0.1	0.7	2.0	3.7	0.1
2010 Q1	3.0	2.8	3.3	1.7	2.1	-1.7	-9.4	33.0	6.4	1.1	1.5	0.8	9.4	8.3	0.8
Q2	5.2	6.2	3.8	3.3	3.8	-0.9	-9.3	42.9	7.5	1.1	2.3	0.0	10.2	8.0	1.4
Q3	5.5	6.7	4.0	3.7	4.1	1.4	1.2	35.3	4.9	0.6	2.3	-0.9	7.5	5.2	1.4
Q4	5.1	6.6	3.1	3.3	3.6	1.6	2.1	33.5	5.6	1.0	3.2	-0.9	8.3	5.1	1.9

Source: ELSTAT.

Table 8 Price developments in Greece and the euro area

(annual percentage changes)

	2009	2010	2010 May	2010 June	2010 July	2010 Aug.	2010 Sept.	2010 Oct.	2010 Nov.	2010 Dec.	2011 Jan.	2011 Feb.
A. Euro area												
Harmonised Index of Consumer Prices (HICP) and its components												
Overall index	**0.3**	**1.6**	**1.7**	**1.5**	**1.7**	**1.6**	**1.9**	**1.9**	**1.9**	**2.2**	**2.3**	**2.4**
Goods	-0.9	1.8	2.0	1.6	2.0	1.7	2.2	2.4	2.3	2.9	2.9	3.0
Food	0.7	1.1	0.8	0.9	1.3	1.6	1.5	1.6	1.8	2.1	1.9	2.3
Processed food[1]	1.1	0.9	0.9	0.9	0.9	1.0	1.0	1.2	1.3	1.5	1.8	2.0
Unprocessed food	0.2	1.3	0.7	1.1	2.1	2.5	2.3	2.3	2.6	3.2	2.2	2.7
Industrial goods	-1.7	2.2	2.6	2.0	2.3	1.7	2.6	2.7	2.6	3.2	3.4	3.4
Non-energy industrial goods	0.6	0.5	0.5	0.6	0.4	0.3	0.9	0.8	0.9	0.7	0.5	0.1
Energy	-8.1	7.4	9.2	6.2	8.1	6.1	7.7	8.5	7.9	11.0	12.0	13.1
Services	2.0	1.4	1.3	1.3	1.4	1.4	1.4	1.4	1.3	1.3	1.5	1.6
Industrial producer prices	*-5.1*	*2.9*	*3.1*	*3.1*	*4.0*	*3.6*	*4.3*	*4.3*	*4.5*	*5.4*	*5.9*	*6.6*
B. Greece												
Harmonised Index of Consumer Prices (HICP) and its components												
Overall index	**1.3**	**4.7**	**5.3**	**5.2**	**5.5**	**5.6**	**5.7**	**5.2**	**4.8**	**5.2**	**4.9**	**4.2**
Goods	-0.1	5.9	6.9	6.7	6.8	7.1	7.4	6.8	6.4	7.4	6.6	5.1
Food	2.5	3.1	2.6	3.3	4.0	5.7	5.4	5.0	4.9	5.5	5.9	5.9
Processed food[1]	1.6	5.0	5.8	6.6	7.0	7.0	6.8	6.8	6.9	7.1	8.0	8.0
Unprocessed food	3.9	0.2	-2.4	-2.0	-0.7	3.6	3.1	2.3	1.7	2.8	2.7	2.6
Industrial goods	-1.7	7.7	9.7	8.8	8.6	8.0	8.7	8.0	7.3	8.6	7.1	4.6
Non-energy industrial goods	0.8	1.9	2.7	2.6	2.6	2.6	3.1	3.1	2.3	2.3	0.4	-1.9
Energy	-12.1	30.4	38.0	33.1	31.8	28.5	30.5	26.5	26.2	32.6	31.0	25.9
Services	3.2	3.1	3.1	3.2	3.8	3.6	3.3	3.1	2.7	2.2	2.6	2.9
Industrial producer prices	*-5.8*	*6.1*	*7.3*	*6.1*	*5.5*	*4.0*	*5.3*	*4.4*	*5.4*	*6.9*	*6.8*	*8.0*

Source: Calculations based on ECB and ELSTAT data.
1 Including alcoholic beverages and tobacco.

Table 9 Earnings and labour costs (2004-2011)

(annual percentage changes)

	2004	2005	2006	2007	2008	2009	2010 (estim.)	2011 (forecasts)
Greece								
Average gross earnings (nominal):								
– whole economy	7.2	4.4	5.7	5.2	6.2	4.6	-5.0	-2.7
– central government[1]	9.7	2.3	3.1	3.8	7.1	5.2	-9.5	-3.0
– public utilities	9.9	7.6	7.0	7.1	8.2	7.7	-5.5	-6.2
– banks	8.0	1.5[2]	10.8	8.9	0.0	3.7	-1.8	-3.3
– non-bank private sector	5.8	5.6	6.8	6.1	6.5	2.8	-2.9	-1.7
Minimum earnings	**4.8**	**4.9**	**6.2**	**5.4**	**6.2**	**5.7**	**1.7**	**0.9**
Average gross earnings (real)	**4.2**	**0.9**	**2.4**	**2.2**	**1.9**	**3.3**	**-9.3**	**-5.0 to -5.8**
Total compensation of employees	**8.9**	**5.8**	**7.8**	**8.2**	**8.5**	**3.2**	**-7.3**	**-5.1**
Compensation per employee	**7.6**	**3.9**	**5.9**	**5.6**	**6.8**	**4.9**	**-4.5**	**-2.2**
Unit labour costs[3]								
– whole economy	4.3	3.4	3.2	3.8	7.4	5.4	-3.0	-2.0
– business sector[4]	3.0	3.8	3.8	4.5	6.7	3.4	-1.8	-2.7

Sources: ELSTAT (GDP 2004-2010), Bank of Greece estimates/forecasts (for the 2011 GDP and the other annual aggregates in 2004-2011).
1 Outlays for salaries per employee.
2 The relatively low growth rate of bank employees' average earnings mainly reflects changes in staff structure.
3 ULC calculations based on revised GDP data (March 2011).
4 The business sector includes private and public enterprises and banks.

Table 10 Average earnings and unit labour costs in total economy: Greece and the euro area (2001-2011)

(annual percentage changes)

	Average earnings		Unit labour costs	
Year	**Greece**	**Euro area**	**Greece**	**Euro area**
2001	4.7	2.8	3.9	2.4
2002	6.6	2.7	5.5	2.5
2003	5.6	2.9	2.3	2.2
2004	7.2	2.6	4.3	1.0
2005	4.4	2.2	3.4	1.3
2006	5.7	2.5	3.2	1.1
2007	5.2	2.6	3.8	1.5
2008	6.2	3.3	7.1	3.6
2009	4.6	1.8	5.6	4.0
2010	-5.0	1.5	-3.0	-0.7
2011 (forecast)	-2.7	1.8	-2.0	0.6

Sources: For Greece, Bank of Greece estimates. For the euro area: European Commission, *Economic Forecasts, Autumn 2010*; ECB, *Monthly Bulletin*.

Table 11 General government and state budget deficits

(percentages of GDP)

	2006	2007	2008	2009	2010*
General government deficit[1] *(national accounts data – convergence criterion)*	**-5.7**	**-6.4**	**-9.4**	**-15.4**	**-9.5**
– Central government	-6.1	-6.4	-9.8	-15.1	-
– Social security organisations, local authorities, legal entities in public law	0.4	0.1	0.4	-0.3	-
State budget deficit[2] *(administrative data)*	**-3.9**	**-4.4**	**-5.9**	**-13.1**	**-8.4**
State budget deficit[3] *(cash data)*	**-5.4**	**-5.5**	**-7.3**	**-13.9**	**-10.2**

Sources: Bank of Greece, Ministry of Finance and ELSTAT.
* Provisional data.
1 ELSTAT data, as notified to the European Commission (Excessive Deficit Procedure). Data on the general government deficit for 2010 are estimates from the February 2011 update of the Economic Adjustment Programme for Greece. Figures may not add up due to rounding.
2 State General Accounting Office data, as shown in the state budget.
3 Bank of Greece data referring to the state budget deficit on a cash basis excluding movements in the OPEKEPE account.

Table 12 State budget deficit on a cash basis[1,2]

(million euro)

	2007	2008	2009	2010*
State budget	**12,432**	**17,361**	**32,622**	**23,396**
% of GDP	5.5	7.3	13.9	10.2
– Ordinary budget[3]	8,512[4]	12,585[5]	25,318[6]	18,333[7]
– Public investment budget	3,920	4,776	7,304	5,063

Source: Bank of Greece.
* Provisional data.
1 As shown by the respective accounts with the Bank of Greece and other credit institutions.
2 Excluding movements in the OPEKEPE (Payment and Control Agency for Guidance and Guarantee Community Aids) account.
3 Including movements in public debt management accounts.
4 Including privatisation proceeds of €1,107.5 million from the sale of Hellenic Telecommunications Organisation (OTE) shares and €502.8 million from the sale of Postal Savings Bank shares. Also including expenditure of €264.9 million paid as emergency relief to fire victims and a grant of €465.7 million to the Agricultural Insurance Organisation (OGA).
5 Including proceeds of €430.8 million from the sale of OTE shares and expenditure of €570.8 million for a grant to OGA but excluding the payment of Greek government debt to the Social Insurance Institute (IKA) by the issuance of bonds of €1,172 million. It should be noted that during the strike of the Bank of Greece personnel in March 2008, public debt service payments of €1,537 million were effected through commercial banks, of which €359 million in interest payments were not reflected in the cash data of the Bank of Greece. If this latter amount is included in interest payments, then the state budget deficit rises from 7.3% of GDP to 7.5% of GDP.
6 Excluding expenditure of €3,769 million for the acquisition of preference shares of Greek banks under Law 3723/2008 and of €1,500 million for the issuance of bonds to cover the capital increase of the Credit Guarantee Fund for Small and Very Small Enterprises (TEMPME SA), but including proceeds of €673.6 million from the sale of OTE shares and €72.3 million from the privatisation of Olympic Airlines, as well as the payment of Greek government debt to OGA by the issuance of bonds of €531 million.
7 Including expenditure of: (i) €297.9 million (bond issue reopening) for the payment of past government debt to the Social Insurance Institute (IKA); and (ii) €714.7 million (bond issuance) for the payment of past government debt to the Hellenic Petroleum SA (ELPE), EGNATIA MOTORWAY SA and the Agricultural Bank of Greece, but excluding expenditure of: (i) €849.2 million (bond issue reopening) for the repayment of public hospitals' arrears pursuant to Article 27 of Law 3867/2010, which burdens the 2010 debt; and (ii) €424.3 million (bond issuance) for the settlement of financial obligations of the Hellenic Agricultural Insurance Organisation (ELGA), a replacement of previous loan with the same terms. Also excluding expenditure of €1,500 million for the paying-up of the capital of the Financial Stability Fund.

Table 13 Financing of the state budget deficit

(million euro)

	2007		2008		2009		2010*	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Greek Treasury bills and government bonds[1]	15,310	123.1	17,283[4]	99.6	39,953[5]	122.5	1,155[6]	4.9
Change in the balances of central government accounts with the banking system[2]	-742	-6.0	-3,596	-20.7	-4,612[5]	-14.1	-8,148	-34.8
External borrowing[3]	-2,136	-17.2	3,674	21.2	-2,719	-8.3	-1,314	-5.6
Borrowing from the IMF/EU/ECB							31,703	135.5
– from the EU							21,000	
– from the IMF							10,703	
Total	**12,432**	**100.0**	**17,361**	**100.0**	**32,622**	**100.0**	**23,396**	**100.0**

Source: Bank of Greece.
* Provisional data.
1 Comprising Treasury bills, short-term securities and government bonds issued in Greece, as well as bonds convertible into shares.
2 Comprising changes in the central government accounts held with the Bank of Greece and other credit institutions. Excluding changes in the OPEKEPE account.
3 Comprising borrowing abroad and securities issuance abroad (all currencies). Excluding non-residents' holdings of bonds issued in Greece.
4 Excluding bonds issued by the Greek government for debt repayment to the Social Insurance Institute – IKA. See also footnote 5 in Table 12.
5 Including the issuance of bonds of €3,769 million for the acquisition of preference shares of Greek banks to help strengthen their liquidity position, as well as the issuance of bonds of €1,500 million for covering the capital increase of the Credit Guarantee Fund for Small and Very Small Enterprises (TEMPME SA).
6 Excluding bonds issued by the Greek government for the repayment of debts of public hospitals and of the Hellenic Agricultural Insurance Organisation (ELGA). See also footnote 7 in Table 12.

Table 14 Consolidated debt of general government[1]

(million euro)

	2004	2005	2006	2007	2008	2009	2010*
Short-term	2,839	1,337	2,347	1,940	5,551	12,065	-
– securities	2,568	1,156	943	1,625	5,496	10,820	-
– loans	271	181	1,404	315	55	1,245	-
Medium- and long-term	179,342	209,846	220,869	235,948	255,117	284,490	-
– securities	156,969	168,336	178,600	192,712	210,643	241,901	-
– loans	22,373	41,510	42,269	43,236	44,474	42,589	-
Coin and deposits	1,006	1,235	988	693	728	1,477	-
Total	**183,187**	**212,418**	**224,204**	**238,581**	**261,396**	**298,032**	**330,400**
% of GDP	*98.9*	*109.0*	*106.1*	*105.1*	*110.3*	*126.8*	*143.5*
– euro-denominated debt	180,684	209,671	222,148	236,665	259,764	296,772	324,387
of which:							
(to the Bank of Greece)	*(8,488)*	*(7,988)*	*(7,991)*	*(7,521)*	*(7,051)*	*(6,581)*	*(6,154)*
(to the IMF/EU/ECB)							*(27,121)*
– non-euro denominated debt	2,503	2,747	2,056	1,916	1,632	1,260	6,013[2]
(of which: to the IMF/EU/ECB)							*(4,704)*

Sources: State General Accounting Office and Bank of Greece.
* Provisional data.
1 According to the definition in the Maastricht Treaty.
2 Valuation using exchange rates as at 31.12.2010.

Table 15 Decomposition of changes in the general government debt-to-GDP ratio[1]

(percentages of GDP)

	2002	2003	2004	2005	2006	2007	2008	2009	2010*
General government debt-to-GDP ratio	101.7	97.4	98.9	109.0	106.1	105.1	110.3	126.8	143.5
Changes in the general government debt-to-GDP ratio	-2.1	-4.2	1.4	10.2	-2.9	-1.0	5.3	16.5	16.7
– Primary balance	-0.7	0.7	2.6	0.7	1.4	1.9	4.5	10.1	3.8
– Change in GDP and change in interest rates	-1.2	-4.4	-1.8	-0.4	-4.2	-2.9	0.5	6.2	8.4
– Deficit-debt adjustment[2]	-0.1	-0.5	0.7	9.8	-0.2	0.0	0.2	0.2	4.5

Source: Ministry of Finance, General Directorate of Economic Policy, “Hellas: Macroeconomic Aggregates”.
* Provisional data from the Introductory Report on the 2011 Budget.
1 Changes in the debt ratio have been decomposed using the following formula:

$$\left(\frac{D_t}{Y_t} - \frac{D_{t-1}}{Y_{t-1}}\right) = \frac{PB_t}{Y_t} + \left(\frac{D_{t-1}}{Y_{t-1}} * \frac{i_t - g_t}{1+g}\right) + \frac{SF_t}{Y_t}$$

where D_t = general government debt
PB_t = primary balance (deficit or surplus)
Y_t = GDP at current prices
g_t = nominal GDP growth rate
i_t = average nominal rates on government debt
SF_t = deficit-debt adjustment

2 The deficit-debt adjustment includes expenditure or liabilities assumed by the general government which do not affect the deficit but increase debt, as well as proceeds (e.g. from privatisation) which do not affect the deficit but reduce debt.

Table 16 State budget balance

(million euro)

	Annual data						Percentage changes				
				2010		2011			2010/2009		2011/10
	2007 (1)	2008 (2)	2009 (3)	Economic Adjustment Programme (4)	Execution* (5)	Budget (6)	2008/07 (7=2:1)	2009/08 (8=3:2)	Economic Adjustment Programme (9=4:3)	Execution* (10=5:3)	Budget/ Execution* (11=6:5)
I. Revenue[1]	**54,026**	**56,698**	**50,531**	**58,382**	**54,246**	**59,442**	**4.9**	**-10.9**	**15.5**	**7.4**	**9.6**
1. Ordinary budget[2]	49,154	51,680	48,491	55,124	51,174	55,520	5.1	-6.2	13.7	5.5	8.5
Revenue before tax refunds	51,777	55,334	53,443	60,224	56,156	59,320	6.9	-3.4	12.7	5.1	5.6
Tax refunds	2,623	3,654	4,952	5,100	4,982	3,800	39.3	35.5	3.0	0.6	-23.7
2. Public investment budget	4,872	5,018	2,040	3,258	3,072	3,922	3.0	-59.3	59.7	50.6	27.7
– Own revenue	61	350	183	149	271	200	473.8	-47.7	-18.6	48.1	-26.2
– Revenue from the EU	4,811	4,668	1,857	3,109	2,801	3,722	-3.0	-60.2	67.4	50.8	32.9
II. Expenditure[1]	**63,940**	**70,604**	**81,403**	**77,073**	**73,694**	**77,503**	**10.4**	**15.3**	**-5.3**	**-9.5**	**5.2**
State budget primary expenditure	54,144	59,397	69,078	64,056	60,471	61,583	9.7	16.3	-7.3	-12.5	1.8
1. Ordinary budget	55,137	60,980	71,815	67,873	65,247	69,003	10.6	17.8	-5.5	-9.1	5.8
– Interest payments	9,796	11,207	12,325	13,017	13,223	15,920	14.4	10.0	5.6	7.3	20.4
– Ordinary budget primary expenditure[3]	45,341	49,773	57,992	54,611	51,649	52,633	9.8	16.5	-5.8	-10.9	1.9
– Grants for the repayment of public hospitals' arrears			1,498	245	375	450					
2. Public investment budget	8,803	9,624	9,588	9,200	8,447	8,500	9.3	-0.4	-4.0	-11.9	0.6
III. State budget balance	**-9,914**	**-13,906**	**-30,872**	**-18,691**	**-19,448**	**-18,061**	**40.3**	**122.0**	**-39.5**	**-37.0**	**-7.1**
% of GDP	-4.4	-5.9	-13.1	-8.1	-8.4	-7.9					
1. Ordinary budget	-5,983	-9,300	-23,324	-12,749	-14,073	-13,483					
2. Public investment budget	-3,931	-4,606	-7,548	-5,942	-5,375	-4,578					
IV. State budget primary balance	**-118**	**-2,699**	**-18,547**	**-5,674**	**-6,225**	**-2,141**					
% of GDP	-0.1	-1.1	-7.9	-2.5	-2.7	-0.9					
V. General government balance											
% of GDP (on a national accounts basis)	-6.4	-9.4	-15.4	-8.1		-7.4					
Amortisation payments	22,544	26,246	29,135	22,375	19,549	28,130	16.4	11.0	-23.2	-32.9	43.9
Procurement of defence equipment	2,129	2,597	2,175	1,800	1,017	1,600	22.0	-16.2	-17.2	-53.2	57.3
GDP (at current prices)	227,074	236,917	235,017	231,000	230,173	228,408	4.3	-0.8	-1.7	-0.8	-0.8

Source: State General Accounting Office.
* Provisional data.
1 For comparability purposes, tax refunds are not included in expenditure and have been deducted from revenue, a practice followed by the Ministry of Finance in the past few years.
2 Including: for **2007**: "notional" revenue of €437 million from the settlement of positions vis-à-vis Olympic Airlines; for **2009**: revenue from special accounts (now abolished), amounting to €1,088 million, as well as revenue from the liquidity support package, amounting to €47 million; for **2010**: revenue from the liquidity support package, amounting to €485 million.
3 Including: for **2007**: "notional" expenditure of €840 million from the settlement of positions vis-à-vis Olympic Airlines, as well as contributions to the Community Budget (€1,108 million) due to the upward revision of past GDP figures; for **2008**: payment of €710 million to the Insurance Funds of DEH's personnel in exchange for property; for **2009**: payments out of special accounts (now abolished) amounting to €827 million, expenditure of €522 million for the Intergenerational Solidarity Fund, an amount of €350 million paid to the National Fund for Social Cohesion (home heating subsidies to pensioners entitled to the Social Solidarity Pension Supplement (EKAS), unemployed and disabled persons), extraordinary social solidarity aid amounting to €489 million, payments of €294 million to Olympic Airlines following an arbitration decision, expenditure of €1,498 for the repayment of public hospitals' arrears, as well as election expenditure amounting to €293 million; for **2010**: extraordinary social solidarity aid amounting to €113 million.

Table 17 Balance of payments

(million euro)

	January – December		
	2008	2009	2010*
I CURRENT ACCOUNT BALANCE (I.A+I.B+I.C+I.D)	**-34,797.6**	**-25,818.7**	**-24,060.5**
I.A Trade balance (I.A.1 – I.A.2)	**-44,048.8**	**-30,767.3**	**-28,279.6**
Oil trade balance	-12,154.6	-7,596.5	-8,627.2
Non-oil trade balance	-31,894.3	-23,170.8	-19,652.4
Ships balance	-4,705.0	-3,356.9	-3,621.3
Trade balance excl. oil and ships	-27,189.3	-19,813.9	-16,031.1
I.A.1 Exports of goods	*19,812.9*	*15,318.0*	*17,081.5*
Oil	4,254.5	3,063.2	4,950.0
Ships (receipts)	1,582.0	771.7	798.6
Other goods	13,976.5	11,483.1	11,332.9
I.A.2 Imports of goods	*63,861.7*	*46,085.3*	*45,361.0*
Oil	16,409.0	10,659.8	13,577.1
Ships (payments)	6,286.9	4,128.6	4,419.9
Other goods	41,165.8	31,296.9	27,364.0
I.B Services balance (I.B.1 – I.B.2)	**17,135.6**	**12,640.2**	**13,248.5**
I.B.1 Receipts	*34,066.2*	*26,983.3*	*28,477.8*
Travel	11,635.9	10,400.3	9,611.3
Transport	19,188.3	13,552.2	15,418.4
Other services	3,242.0	3,030.9	3,448.1
I.B.2 Payments	*16,930.6*	*14,343.2*	*15,229.4*
Travel	2,679.1	2,424.6	2,156.0
Transport	9,316.0	7,073.4	8,155.4
Other services	4,935.5	4,845.1	4,917.9
I.C Income balance (I.C.1 – I.C.2)	**-10,643.0**	**-8,984.3**	**-9,228.3**
I.C.1 Receipts	*5,573.2*	*4,282.9*	*3,791.5*
Wages, salaries	344.7	294.6	199.7
Interest, dividends, profits	5,228.5	3,988.3	3,591.8
I.C.2 Payments	*16,216.2*	*13,267.2*	*13,019.8*
Wages, salaries	410.1	411.9	377.6
Interest, dividends, profits	15,806.1	12,855.2	12,642.2
I.D Current transfers balance (I.D.1–I.D.2)	**2,758.6**	**1,292.6**	**198.9**
I.D.1 Receipts	*6,882.7*	*5,380.7*	*4,654.3*
General government (mainly receipts from the EU)	4,678.8	3,527.9	3,188.5
Other sectors (emigrants' remittances, etc.)	2,203.9	1,852.8	1,465.8
I.D.2 Payments	*4,124.1*	*4,088.1*	*4,455.4*
General government (mainly payments to the EU)	2,717.6	2,679.6	2,860.4
Other sectors	1,406.4	1,408.5	1,595.0
II CAPITAL TRANSFERS BALANCE (II.1–II.2)	**4,090.8**	**2,017.4**	**2,071.5**
II.1 Receipts	**4,637.8**	**2,328.1**	**2,356.2**
General government (mainly receipts from the EU)	4,241.9	2,133.2	2,239.3
Other sectors	395.9	194.9	116.9
II.2 Payments	**547.0**	**310.7**	**284.7**
General government (mainly payments to the EU)	192.0	14.4	15.8
Other sectors	354.9	296.3	268.9
III CURRENT ACCOUNT AND CAPITAL TRANSFERS BALANCE (I+II)	**-30,706.8**	**-23,801.3**	**-21,989.0**
IV FINANCIAL ACCOUNT BALANCE (IV.A+IV.B+IV.C+IV.D)	**29,914.2**	**24,395.4**	**22,068.4**
IV.A Direct investment[1]	**1,420.7**	**274.5**	**693.5**
By residents abroad	-1,650.4	-1,479.3	-958.4
By non-residents in Greece	3,071.1	1,753.8	1,651.9
IV.B Portfolio investment[1]	**16,428.0**	**27,863.8**	**-20,855.0**
Assets	-268.9	-3,773.0	13,278.7
Liabilities	16,696.9	31,636.8	-34,133.6
IV.C Other investment[1]	**12,094.6**	**-3,636.9**	**42,132.9**
Assets	-27,823.3	-23,875.7	7,639.4
Liabilities	39,917.8	20,238.8	34,493.6
(General government borrowing)	-572.7	-2,335.0	29,978.2
IV.D Change in reserve assets[2]	**-29.0**	**-106.0**	**97.0**
V ERRORS AND OMISSIONS	**792.6**	**-594.1**	**-79.4**
RESERVE ASSETS	**2,521.0**	**3,857.0**	**4,777.0**

Source: Bank of Greece.
* Provisional data.
1 (+) net inflow, (–) net outflow.
2 (+) decrease, (–) increase.

Table 18 Greece: nominal and real effective exchange rate (EER) indices[1]

(annual percentage changes in year averages)

		Real EER	
	Nominal EER	On the basis of relative consumer prices	On the basis of relative unit labour costs in total economy
2000	-6.3	-6.9	-5.0
2001	1.7	1.3	0.7
2002	2.3	2.6	4.1
2003	5.0	5.4	3.8
2004	1.7	1.9	4.1
2005	-1.0	-0.1	0.4
2006	0.0	0.8	1.7
2007	1.3	1.6	2.4
2008	2.4	2.5	5.4
2009	1.2	1.6	2.2
2010*	-2.8	-0.5	-6.1
Cumulative percentage change between 2001 and 2010	12.2	18.4	20.1

Sources: Exchange rates: ECB, euro reference exchange rates. CPI: ECB, HICP where available. Unit labour costs in total economy: Bank of Greece estimates for Greece, ECB for the other countries.
* Provisional data and estimates.
1 These indices are compiled by the Bank of Greece and include Greece's 28 main trading partners. Weights were revised on the basis of imports and exports of manufacturing goods (SITC 5-8) in the years 1998-2000 for the period 1993-2000 and in the years 2004-2006 for the period 2001-2010. Weights take account of third-market effects.

Table 19 Geographical breakdown of inward foreign direct investment

(million euro)

	2008	2009	2010*
EU-27	2,908	1,561	1,565
Euro area	3,043	1,601	1,764
Other OECD countries[1]	131	87	82
Balkan countries[2]	1	0	3
Middle East, Mediterranean and former USSR[3]	-5	6	9
Other countries	37	100	-7
Total direct investment by non-residents	**3,071**	**1,754**	**1,652**

Source: Bank of Greece.
* Provisional data.
1 Australia, Canada, Iceland, Japan, S. Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and United States.
2 Albania and former Yugoslavia (Bosnia-Herzegovina, Croatia, FYROM, Serbia and Montenegro).
3 Greece's main trading partners in the Middle East, the Mediterranean and former USSR countries.

Table 20 Geographical breakdown of outward foreign direct investment

(million euro)

	2008	2009	2010*
EU-27	685	1,142	638
Euro area	1,028	1,118	493
Other OECD countries[1]	620	18	24
Balkan countries[2]	164	143	111
Middle East, Mediterranean and former USSR[3]	64	21	28
Other countries	116	155	157
Total direct investment by residents	**1,650**	**1,479**	**958**

Source: Bank of Greece.
* Provisional data.
1 Australia, Canada, Iceland, Japan, S. Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and United States.
2 Albania and former Yugoslavia (Bosnia-Herzegovina, Croatia, FYROM, Serbia and Montenegro).
3 Greece's main trading partners in the Middle East, the Mediterranean and former USSR countries.

Table 21 Greece's international investment position

(million euro)

	2008	2009[1]	2010*
1. Direct investment	-637	-1,835	3,231
Abroad by residents	26,753	27,387	28,346
In Greece by non-residents	27,390	29,222	25,115
2. Portfolio investment	-120,763	-146,350	-94,410
Assets	88,216	92,215	73,350
Liabilities	208,979	238,565	167,760
3. Financial derivatives	970	1,771	1,395
4. Other investment	-61,273	-57,049	-140,932
Assets	106,695	129,561	112,576
Liabilities	167,968	186,610	253,508
5. Reserve assets	2,521	3,857	4,777
Net international investment position (iip) (1+2+3+4+5)	-179,182	-199,606	-225,939
GDP	236,917	235,017	230,173
Net iip as % of GDP	-75.6	-84.9	-98.2

Source: Bank of Greece.
* Provisional estimates.
1 Revised data.

Table 22 Bank interest rates on new deposits by households in the euro area and Greece

(percentages per annum)

	December 2009	February 2011	Change Feb. 2011/ Dec. 2009 (percentage points)
Overnight[1]			
Weighted average interest rate in the euro area	0.45	0.44	-0.01
Maximum interest rate	1.21	1.09	-0.12
Minimum interest rate	0.05	0.08	0.03
Interest rate in Greece	0.43	0.44	0.01
Interest rate differential between Greece and the euro area	-0.02	0.00	0.02
With an agreed maturity of up to one year[2]			
Weighted average interest rate in the euro area	1.67	2.36	0.69
Maximum interest rate	4.13	4.02	-0.11
Minimum interest rate	0.50	0.82	0.32
Interest rate in Greece	2.10	3.75	1.65
Interest rate differential between Greece and the euro area	0.43	1.39	0.96

Sources: ECB and euro area NCBs.
1 End-of-month rates.
2 Monthly averages.

Table 23 Bank interest rates on new deposits by households in euro area countries[1]

	Overnight[2]		With an agreed maturity of up to 1 year[3]	
	December 2009	February 2011	December 2009	February 2011
Austria	0.64	0.62	1.21	1.29
Belgium	0.37	0.35	0.73	0.87
Cyprus	1.21	1.09	4.13	4.02
Estonia	0.23	0.12	1.14	1.17
Finland	0.39	0.43	1.32	1.83
France	0.11	0.09	1.43	2.00
Germany	0.75	0.74	0.87	1.24
Greece	**0.43**	**0.44**	**2.10**	**3.75**
Ireland	0.64	0.63	1.62[4]	1.81[4]
Italy	0.26	0.29	1.01	1.61
Luxembourg	0.85	0.71	0.50	0.82
Malta	0.30	0.28	1.97	1.94
Netherlands	0.44	0.44	2.51	2.47
Portugal	0.05	0.08	1.52	2.82
Slovakia	0.34	0.38	1.88	2.33
Slovenia	0.23	0.21	2.00	1.98
Spain	0.36	0.29	2.15	2.47

Sources: ECB and euro area NCBs.
1 Despite the efforts to harmonise statistical methodologies across the euro area, considerable heterogeneity remains in the classification of banking products, which is partly due to differences in national conventions and practices as well as in regulatory and fiscal arrangements.
2 End-of-month rates.
3 Monthly averages.
4 The interest rate applies to all time deposits irrespective of maturity. The latest available data refer to January 2011.

Table 24 Credit[1] to the economy by domestic MFIs

(annual percentage changes, non-seasonally adjusted data)

	2007	2008	2009		2010					2011	
	Q4[2]	Q4[2]	Q4[2]	December[3]	Q1[2]	Q2[2]	Q3[2]	Q4[2]	December[3]	January[3]	February[3]
1. Total MFI credit	13.3	16.3	6.5	6.6	6.5	5.2	5.9	6.8	5.7	4.1	3.0
2. Credit to general government	-14.6	7.3	17.2	19.4	19.8	14.0	22.5	32.9	28.6	20.4	15.4
3. Credit to the private sector	21.7	18.3	4.4	4.1	3.8	3.0	2.0	0.8	0.0	-0.2	-0.3
3.1 Enterprises[4]	20.1	21.8	5.5	5.1	4.7	3.8	2.9	1.9	1.1	1.0	0.9
3.2 Sole proprietors and unincorporated partnerships[4]	-	-	-	-	-	-	2.4	1.3	0.3	0.2	0.0
3.3 Individuals and private non-profit institutions	23.6	14.8	3.3	3.1	2.8	2.2	0.9	-0.4	-1.3	-1.4	-1.6
of which:											
3.3.1 Lending for house purchase	23.3	13.4	3.9	3.7	3.6	3.1	1.7	0.4	-0.4	-0.7	-1.1
3.3.2 Consumer credit	22.6	18.4	2.4	2.0	1.4	0.3	-1.2	-2.9	-4.2	-4.1	-4.2

Source: Bank of Greece.
1 Including MFI loans and holdings of corporate bonds and government securities, as well as the outstanding amounts of securitised loans and securitised corporate bonds. The rates of change are adjusted for loan write-offs, reclassifications and exchange rate variations in respect of loans denominated in foreign currency. The rate of change in credit to enterprises is also adjusted for loans and corporate bonds transferred in 2009 by MFIs to subsidiaries abroad and to a domestic finance company. In February and March 2010, one bank repurchased bonds amounting to €686 million and, although this transaction led to an increase in the outstanding stock of credit, it does not represent a flow of new credit to the private sector in February and thus was not taken into account in the annual rate of change for that month.
2 The quarterly average is derived from monthly averages (which are calculated as the arithmetic means of two successive end-of-month figures) and is not the three-month average of end-of-month annual growth rates (see the Technical notes in the "Euro area statistics" section of the ECB *Monthly Bulletin*).
3 Based on end-of-month levels.
4 As of June 2010, loans to sole proprietors and unincorporated partnerships are presented separately and are no longer included under "credit to enterprises". This change, of a purely statistical nature, does not affect the rates of credit expansion.

Table 25 Credit[1] to the domestic private sector by domestic MFIs

(annual percentage changes, non-seasonally adjusted data)

	Outstanding balances on 28.02.10 (million euro)	2007	2008	2009		2010						
		Q4[2]	Q4[2]	Q4[2]	December[3]	Q1[2]	Q2[2]	Q3[2]	Q4[2]	December[3]	January[3]	February[3]
A. Enterprises [4,5]	**122,871**	**20.1**	**21.8**	**5.5**	**5.1**	**4.7**	**3.8**	**2.9**	**1.9**	**1.1**	**1.0**	**0.9**
1. Trade	25,134	17.9	22.2	5.0	4.2	2.4	-0.7	-1.1	-2.1	-3.5	-3.9	-3.0
2. Industry[6]	24,698	11.0	17.4	-2.8	-3.5	-2.8	-1.3	-1.5	-1.3	-2.0	-1.0	-0.9
3. Shipping	17,356	25.7	24.6	3.9	4.1	2.5	3.0	6.2	7.1	5.7	7.2	6.9
4. Construction	11,093	28.6	37.4	2.2	2.7	3.4	2.9	2.0	2.3	1.9	0.7	-0.9
5. Tourism	7,283	21.1	24.4	6.4	7.8	8.0	6.6	4.4	4.0	2.9	1.3	0.5
6. Other financial institutions (non-MFI)	6,387	14.6	-2.4	7.2	5.4	10.1	10.1	3.2	2.6	7.9	6.7	-1.5
7. Electricity - gas - water supply	5,322	40.2	36.5	14.8	14.7	20.2	23.4	27.4	23.1	21.6	19.6	20.0
8. Agriculture	2,057	10.8	20.5	3.7	3.8	5.1	2.6	1.3	0.6	1.1	-1.7	-1.6
9. Transport (excluding shipping)	1,938	39.6	35.7	19.5	25.2	27.0	25.9	8.0	-3.8	-8.7	-9.7	-10.0
10. Other sectors	21,603	27.4	23.8	12.3	10.3	7.6	6.4	7.0	5.1	3.6	3.9	4.8
B. Sole proprietors and unincorporated partnerships [5]	**16,540**	**-**	**-**	**-**	**-**	**-**	**-**	**2.4**	**1.3**	**0.3**	**0.2**	**0.0**
C. Individuals and private non-profit institutions	**117,198**	**23.6**	**14.8**	**3.3**	**3.1**	**2.8**	**2.2**	**0.9**	**-0.3**	**-1.3**	**-1.4**	**-1.6**
1. Housing loans	79,950	23.3	13.4	3.9	3.7	3.6	3.1	1.7	0.4	-0.4	-0.7	-1.1
2. Consumer loans	34,691	22.6	18.4	2.4	2.0	1.4	0.3	-1.2	-2.9	-4.2	-4.1	-4.2
– Credit cards	8,290	6.3	12.4	-0.4	-0.6	-1.4	-2.0	-2.4	-4.6	-5.4	-5.7	-6.0
– Other consumer loans[7]	26,401	30.9	20.9	3.5	3.1	2.5	1.2	-0.8	-2.2	-3.8	-3.5	-3.6
3. Other loans	2,558	42.2	7.5	-2.3	-1.1	0.0	2.5	3.9	9.6	10.7	11.1	13.5
TOTAL	**256,609**	**21.7**	**18.3**	**4.4**	**4.1**	**3.8**	**3.0**	**2.0**	**0.8**	**0.0**	**-0.2**	**-0.3**

Source: Bank of Greece.
1 Including MFI loans and holdings of corporate bonds, as well as the outstanding amounts of securitised loans and securitised corporate bonds. The rates of change are adjusted for loan write-offs, reclassifications and exchange rate variations in respect of loans denominated in foreign currency. The rate of change in credit to enterprises is also adjusted for loans and corporate bonds transferred in 2009 by domestic MFIs to subsidiaries abroad and to a domestic finance company. In February and March 2010, one bank repurchased bonds amounting to €686 million and, although this transaction led to an increase in the outstanding stock of credit, it does not represent a flow of new credit to the private sector in February and thus was not taken into account in the annual rate of change for that month.
2 The quarterly average is derived from monthly averages (which are calculated as the arithmetic means of two successive end-of-month figures) and is not the three-month average of end-of-month annual growth rates (see the Technical notes in the "Euro area statistics" section of the ECB *Monthly Bulletin*).
3 Based on end-of-month levels.
4 Sectors are listed in descending order of their share in total credit, with the exception of "other sectors". Growth rates are adjusted for loan write-offs.
5 As of June 2010, loans to sole proprietors and unincorporated partnerships are presented separately and are no longer included under "credit to enterprises". This change, of a purely statistical nature, does not affect the rates of credit expansion.
6 Comprising manufacturing and mining/quarrying.
7 Comprising personal loans and loans against supporting documents.

Table 26 Bank interest rates on new loans in the euro area and Greece

(percentages per annum)

	December 2009	February 2011	Change Feb. 2011/ Dec. 2009 (percentage points)
A. Loans with a floating rate or an initial rate fixation of up to one year[1]			
A.1. Loans up to €1 million to non-financial corporations			
Weighted average interest rate in the euro area	3.28	3.59	0.31
Maximum interest rate	6.00	6.48	0.48
Minimum interest rate	2.42	2.61	0.19
Interest rate in Greece[2]	4.70	6.23	1.96
Interest rate differential between Greece and the euro area	1.42	2.64	1.22
A.2. Loans of more than €1 million to non-financial corporations			
Weighted average interest rate in the euro area	2.19	2.61	0.42
Maximum interest rate	5.47	5.76	0.29
Minimum interest rate	1.63	2.01	0.38
Interest rate in Greece	3.24	5.37	2.13
Interest rate differential between Greece and the euro area	1.05	2.76	1.71
A.3. Housing loans			
Weighted average interest rate in the euro area	2.71	2.96	0.25
Maximum interest rate	5.26	4.98	-0.28
Minimum interest rate	1.92	1.81	-0.11
Interest rate in Greece	3.08	3.91	0.83
Interest rate differential between Greece and the euro area	0.37	0.95	0.58
A.4. Consumer loans			
Weighted average interest rate in the euro area	6.43	5.37	-1.06
Maximum interest rate	9.85	20.35	10.50
Minimum interest rate	3.04	3.30	0.26
Interest rate in Greece	8.18	10.44	2.26
Interest rate differential between Greece and the euro area	1.75	5.07	3.32
B. Loans with an initial rate fixation of over one and up to 5 years[2]			
B.1. Housing loans			
Weighted average interest rate in the euro area	3.96	3.83	-0.13
Maximum interest rate	5.57	4.89	-0.68
Minimum interest rate	2.94	2.30	-0.64
Interest rate in Greece	4.60	3.57	-1.03
Interest rate differential between Greece and the euro area	0.64	-0.26	-0.90
B.1. Consumer loans			
Weighted average interest rate in the euro area	6.26	6.13	-0.13
Maximum interest rate	22.83	21.98	-0.85
Minimum interest rate	4.44	3.60	-0.84
Interest rate in Greece	8.95	8.73	-0.22
Interest rate differential between Greece and the euro area	2.69	2.60	-0.09

Sources: ECB and euro area NCBs.
1 Monthly average rates.
2 As of June 2010, loans to sole proprietors and unincorporated partnerships are presented separately and are no longer included under "credit to enterprises". Changes in interest rates on loans to enterprises have been adjusted to reflect this reclassification.

Table 27 Bank interest rates on new loans in euro area countries[1]

(percentages per annum)

	New loans with a floating rate or an initial rate fixation of up to one year[2]								New loans with an initial rate fixation of over one and up to five years[2]	
	To non-financial corporations				Housing loans		Consumer loans		Consumer loans	
	Loans up to €1 million		Loans over €1 million							
	Dec. 2009	Feb. 2011	Dec. 2009	Feb. 2011	Dec. 2009	Feb. 2011	Dec. 2009	Feb. 2011	Dec. 2009	Feb. 2011
Austria	2.48	2.61	2.04	2.24	2.91	2.71	4.28	5.00	4.44	4.66
Belgium	2.42	2.72	1.63	2.01	2.92	3.27	5.27	5.22	6.50	5.78
Cyprus	6.00	6.48	5.47	5.76	5.01	4.98	7.00	6.78	-[3]	-[3]
Estonia	4.02	4.97	3.94	3.81	3.25	3.18	7.44	20.35	22.83	21.98
Finland	2.53	2.61	2.08	2.64	1.92	2.19	3.04	3.62	4.76	4.67
France	2.71	2.63	1.94	2.26	3.38	3.21	6.91	6.28	6.15	5.91
Germany	3.36	3.59	2.57	2.69	3.36	3.56	4.04	3.30	4.83	5.43
Greece	**4.70**	**6.23**	**3.24**	**5.37**	**3.08**	**3.91**	**8.18**	**10.44**	**8.95**	**8.73**
Ireland	3.32	4.32	2.50	3.09	2.61	2.99	3.63	7.26	-[3]	-[3]
Italy	2.95	3.28	1.78	2.50	2.24	2.59	9.85	7.32	8.28	7.31
Luxembourg	2.42	2.70	2.03	2.42	2.03	1.81	-[3]	-[3]	5.17	3.60
Malta	5.29	5.38	4.19	4.94	3.48	3.38	-[3]	-[3]	-[3]	-[3]
Netherlands	3.18	3.47	1.96	2.23	3.84	3.62	8.76	n.a.[4]	-[3]	-[3]
Portugal	4.95	6.28	3.27	4.46	2.22	3.03	5.53	7.41	12.17	11.46
Slovakia	3.70	4.16	2.57	2.76	5.26	4.62	7.11	13.40	15.47	14.71
Slovenia	5.65	5.69	4.63	4.75	3.36	3.41	4.99	4.83	7.35	7.01
Spain	3.63	4.16	2.16	2.90	2.45	2.84	9.72	5.88	8.08	8.70

Sources: ECB and euro area NCBs.
1 Despite the efforts to harmonise statistical methodologies across the euro area, considerable heterogeneity remains in the classification of banking products, which is partly due to differences in national conventions and practices as well as in regulatory and fiscal arrangements.
2 Monthly average rates.
3 These countries do not publish data on the respective interest rates.
4 Not published for reasons of confidentiality.

Table 28 Interest rate spread in Greece and the euro area

(percentage points)

	Average interest rate on new loans in Greece[1] (percentages per annum)	Average interest rate on new deposits in Greece[1] (percentages per annum)	Interest rate spread in Greece	Interest rate spread in Greece with euro area weighting	Interest rate spread in the euro area
December 1998	16.21	8.12	8.09	...	...
December 1999	14.02	6.98	7.04	...	...
December 2000	9.68	4.00	5.68	...	...
December 2001	7.26	1.96	5.30	...	...
December 2002	6.29	1.67	4.62	...	...
December 2003	5.92	1.2	4.72	4.45	2.77
December 2004	5.94	1.22	4.72	4.18	2.54
December 2005	5.79	1.27	4.52	3.59	2.56
December 2006	6.38	1.87	4.51	3.63	2.88
December 2007	6.67	2.53	4.14	3.48	3.09
December 2008	6.72	3.27	3.45	3.27	2.63
December 2009	5.09	1.32	3.77	3.40	2.29
December 2010	6.08	2.15	3.93	4.02	2.25
February 2011	6.43	2.18	4.25	4.39	2.38

Sources: Bank of Greece and ECB.
1 The average interest rate depends on the level of interest rates of individual categories of deposits/loans as well as on the weight of each type of deposit/loan in the corresponding total. Therefore, changes in the average interest rate reflect changes in the actual interest rates and/or changes in the weights of the instrument categories concerned. In order to smooth out the impact of abrupt changes in weights, the calculation of the average interest rate is based on the average of the weights over the past twelve months.

Table 29 Total number and value of mutual funds' assets[1]

Year	Number	Value of mutual funds' assets In million euro
2000	269	30,978.7
2001	272	26,826.1
2002	263	25,429.2
2003	265	30,384.0
2004	262	31,628.5
2005	258	27,089.9
2006	269	22.971
2007	260	20.701
2008	269	8.385
2009	236	8.070
2010	230	6.189

Source: Bank of Greece.
1 End-of-period levels.

Table 30 Financial results of Greek commercial banks and banking groups (2009-2010)

(amounts in million euro)

	Banks			Banking groups		
	2009	2010	Change (%)	2009	2010	Change (%)
Operating income	**10,627**	**9,486**	**-10.7**	**15,714**	**14,532**	**-7.5**
Net interest income	8,000	8,580	7.2	11,617	12,272	5.6
– Interest income	19,235	17,884	-7.0	24,203	22,780	-5.9
– Interest expenses	11,235	9,304	-17.2	12,586	10,508	-16.5
Net non-interest income	2,627	906	-65.5	4,096	2,260	-44.8
– Net fee income	1,316	1,245	-5.4	2,140	2,003	-6.4
– Income from financial operations	926	-552	-	1,360	-180	-
– Other income	386	214	-44.6	596	438	-26.6
Operating costs	**6,133**	**5,914**	**-3.6**	**8,631**	**8,451**	**-2.1**
Staff costs	3,598	3,465	-3.7	4,890	4,787	-2.1
Administrative costs	2,111	2,047	-3.1	3,000	2,924	-2.5
Depreciation	384	367	-4.3	696	701	0.8
Other costs	40	36	-11.2	46	39	-13.8
Net income (operating income less costs)	**4,494**	**3,571**	**-20.5**	**7,082**	**6,081**	**-14.1**
Provisions for credit and other risks	4,492	5,764	28.3	5,786	6,875	18.8
Share of profit (loss) of associates				10	-20	-
Pre-tax profits	**2**	**-2,193**	**-**	**1,306**	**-814**	**-**
Taxes	406	217	-46.5	659	537	-18.4
After tax profits	**-404**	**-2,410**	**-**	**648**	**-1,351**	**-**

Source: Financial statements of Greek commercial banks and banking groups.

Table 31 Key vulnerability and shock-absorption capacity indicators of Greek commercial banks and banking groups

(percentages)

	Banks		Banking groups	
	2009	2010	2009	2010
Asset quality[1]				
Non-performing loans (NPLs) - total	7.7	10.4		
– Housing loans	7.4	10.0		
– Consumer loans	13.4	20.5		
– Business loans	6.7	8.7		
Accumulated provisions over NPLs	41.5	44.7		
Ratio of net NPLs to regulatory own funds	38.2	47.8		
Liquidity				
Loan-to-deposit ratio	106.6	119.1	113.3	122.8
Liquid asset ratio	24.2	25.5		25.6
Asset/liability maturity mismatch ratio	-4.2	-6.9		-3.9
Capital adequacy				
Capital adequacy ratio (CAR)	13.2	13.8	11.7	12.2
Tier 1 ratio	12.0	12.2	10.7	10.9
Profitability				
Net interest margin	1.87	1.97	2.65	2.68
Cost-to-income ratio	57.7	62.3	54.9	58.2
Return on assets - ROA (after tax)	-0.09	-0.55	0.15	-0.30
Return on equity - ROE (after tax)	-1.66	-8.64	2.26	-4.16

Sources: Bank of Greece and financial statements of commercial banks and banking groups.
1 NPL data on international activities are not comparable and therefore the NPL ratio on a consolidated basis is not reported.

Table 32 Greenhouse gas emissions[1] and the Kyoto Protocol targets

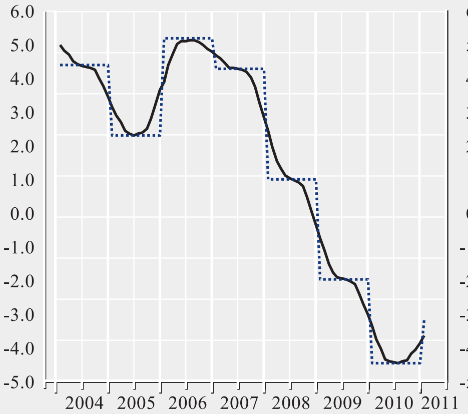
	1990	Kyoto Protocol (base year)[2]	2008	Change 2008 over 2007	Change 2008 over 1990	Change 2008 over base year	Kyoto targets 2008-2012
	(in million tonnes of CO_2 equivalents)			(percentage changes)			
Austria	78.2	79.0	86.6	-0.4	10.8	9.6	-13.0
Belgium	143.4	145.7	133.3	2.3	-7.1	-8.6	-7.5
Denmark	68.9	69.3	63.8	-4.5	-7.4	-7.9	-21.0
Finland	70.4	71.0	70.1	-10.2	-0.3	-1.2	0.0
France	563.2	563.9	527.0	-0.6	-6.4	-6.5	0.0
Germany	1,231.8	1,232.4	958.1	0.1	-22.2	-22.3	-21.0
Greece	*103.3*	*107.0*	*126.9*	*-3.8*	*22.8*	*18.6*	*25.0*
Ireland	54.8	55.6	67.4	-0.3	23.0	21.3	13.0
Italy	517.0	516.9	541.5	-2.0	4.7	4.8	-6.5
Luxembourg	13.1	13.2	12.5	-2.3	-4.8	-5.1	-28.0
Netherlands	212.0	213.0	206.9	0.0	-2.4	-2.9	-6.0
Portugal	59.3	60.1	78.4	-1.9	32.2	30.3	27.0
Spain	285.1	289.8	405.7	-7.5	42.3	40.0	15.0
Sweden	72.4	72.2	64.0	-3.3	-11.7	-11.3	4.0
United Kingdom	771.7	776.3	628.2	-1.8	-18.6	-19.1	-12.5
EU-15	**4,244.7**	**4,265.5**	**3,970.5**	**-1.9**	**-6.5**	**-6.9**	**-8.0**

Source: European Environment Agency, *Annual European Community greenhouse gas inventory 1990-2008 and inventory report 2010*, 27 May 2010.
1 Total emissions excluding the "land use, land use change and forestry" sector.
2 For the gases CO_2, CH_4 and N_2O, all the Member States chose 1990 as their base year. For the gases HFC, PFC and SF_6, 12 Member States chose 1995 as their base year, while Austria, France and Italy chose 1990.

Chart 1 Economic activity indicators

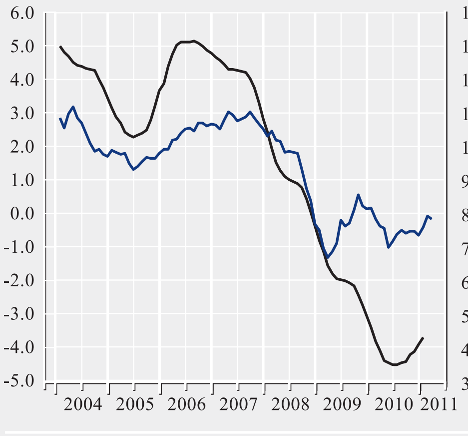
A. The coincident indicator of economic activity compiled by the Bank of Greece
(January 2004 - January 2011)

coincident indicator[1]
GDP[2]



B. The coincident indicator of economic activity compiled by the Bank of Greece and the European Commission's economic sentiment indicator for Greece
(January 2004 - March 2011)

coincident indicator (left-hand scale)[1]
economic sentiment indicator (right-hand scale)[3]



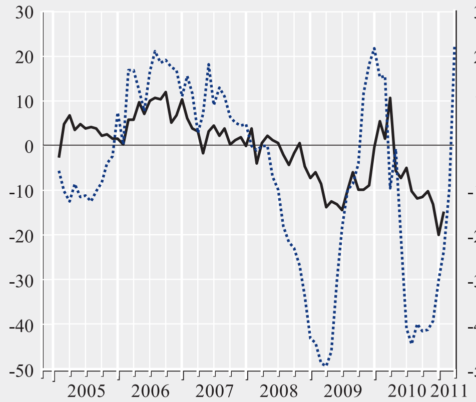
Sources: Bank of Greece (coincident indicator, as well as GDP for 2011), ELSTAT (GDP 2004-2010) and European Commission (economic sentiment indicator).

1 Annualised monthly percentage changes.
2 Annual rate of change.
3 Monthly data.

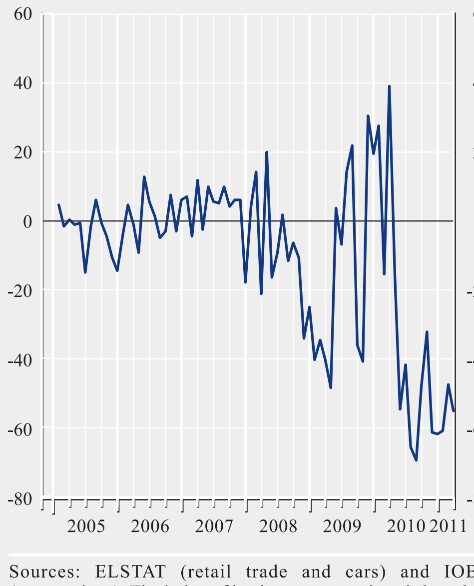
Chart 2 Consumer demand indicators

A. Retail trade volume and business expectations[1]
(January 2005 - March 2011)

retail trade volume - total (2005=100)
business expectations in retail trade (1996-2006=100)



B. New private passenger car registrations[1]
(January 2005 - March 2011)



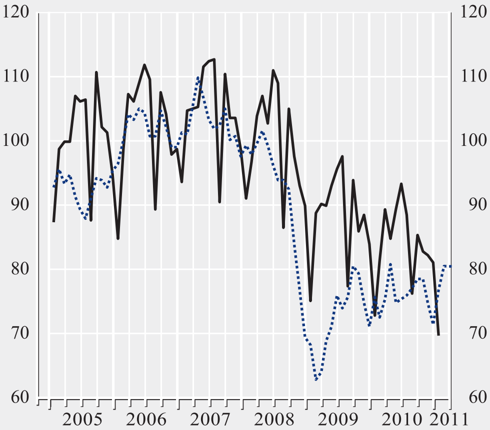
Sources: ELSTAT (retail trade and cars) and IOBE (expectations). The index of business expectations is based on firms' estimates of sales and stocks as well as on their forecasts on business activity over the next three months.

1 Percentage changes over same month of previous year.

Chart 3 Output and business expectations in manufacturing (January 2005 - March 2011)

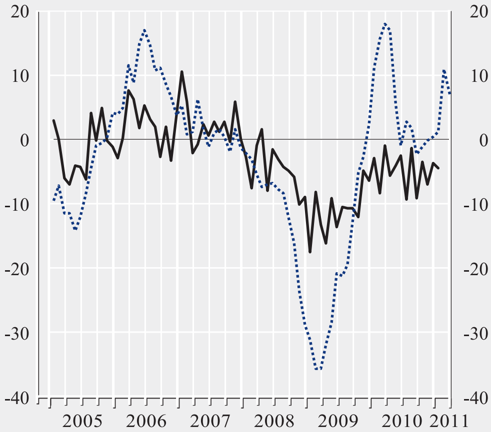
A. Indices

manufacturing output (2005=100)
index of business expectations in manufacturing (1996-2006=100)



B. Percentage changes over same month of previous year

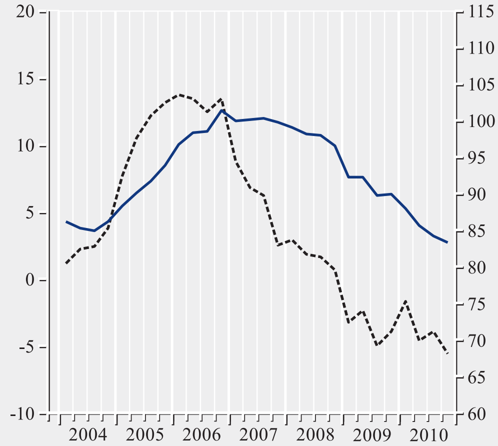
manufacturing output (2005=100)
index of business expectations in manufacturing (1996-2006=100)



Sources: ELSTAT (output) and IOBE (expectations). The index of business expectations is based on business firms' estimates of total demand and stocks, and on output forecasts for the next 3-4 months.

Chart 4 House price-to-rent ratio

average annual change in the house price index (left-hand scale)
house price-to-rent ratio (2007=100, right-hand scale)

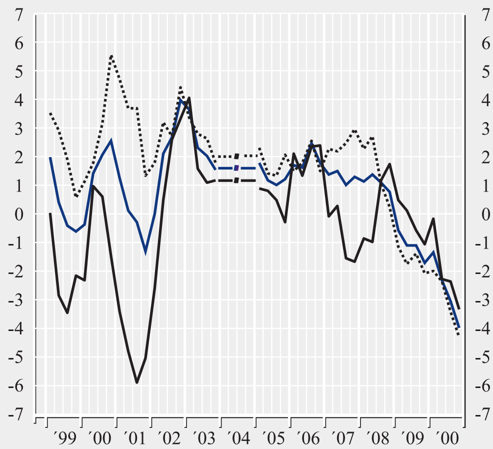


Source: Bank of Greece.

Chart 5 Employment (1999-2010)

(percentage changes over corresponding quarter of previous year)

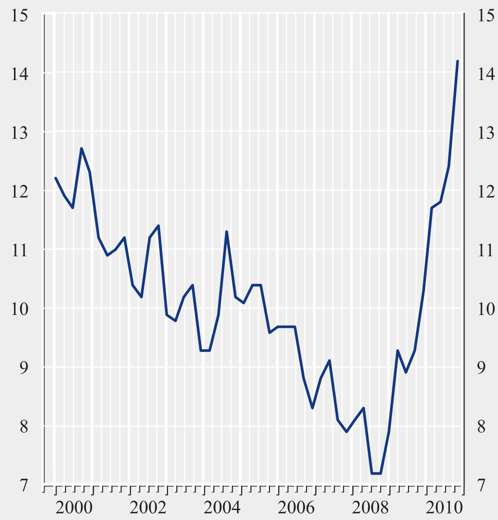
total
other employed persons*
employees



Source: ELSTAT, Labour Force Surveys.
Note: New revised data for 1998-2003, published in January 2005. No changes are shown for 2004, as data are not fully comparable due to a change in the survey sample.
* Other employed persons = self- employed with staff (employers) + self- employed without staff + assistants in family businesses.

Chart 6 Total unemployment rate (1999-2010)

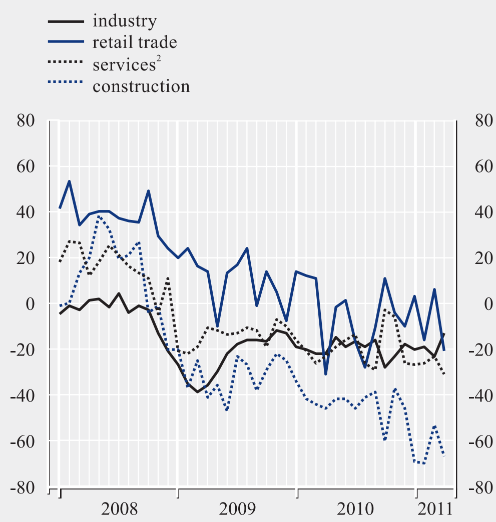
(percentage of labour force)



Source: ELSTAT, Labour Force Surveys.

Chart 7 Employment expectations[1] (December 2007 - March 2011)

(net percentage balances)



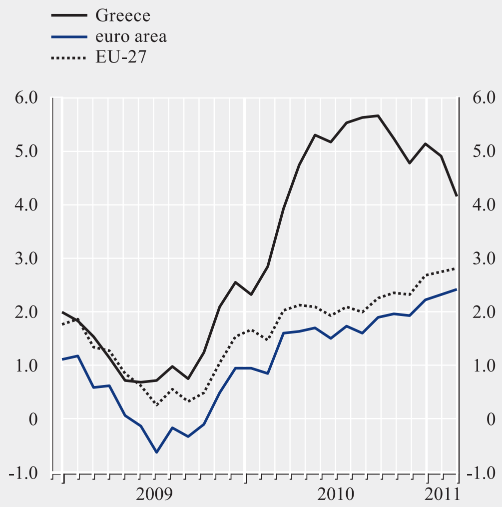
Source: IOBE, Business Surveys.

1 Firms were asked to assess the prospect of an increase in the number of their employees over the coming period.

2 Excluding banks and retail trade.

Chart 8 Harmonised index of consumer prices in Greece, the euro area and the European Union (January 2009 - February 2011)

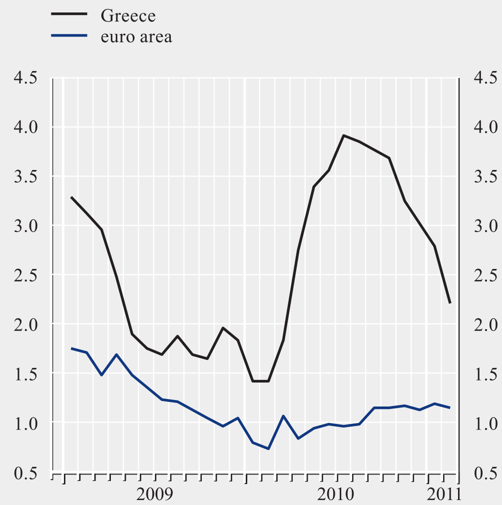
(year-on-year percentage changes)



Sources: ELSTAT and Eurostat.

Chart 9 Core inflation in Greece and the euro area on the basis of the HICP excluding energy and unprocessed food (January 2009 - February 2011)

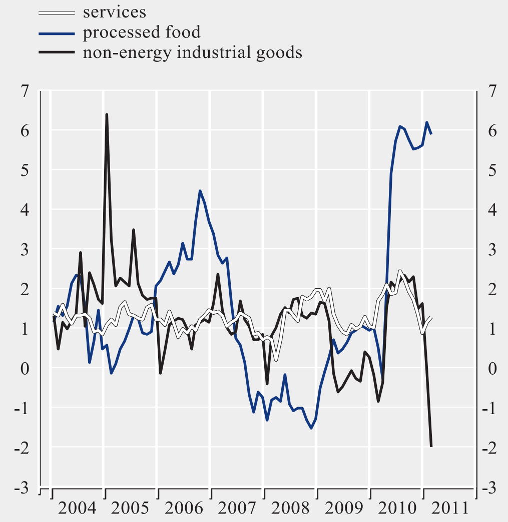
(year-on-year percentage changes)



Sources: ELSTAT and Eurostat.

Chart 10 Annual inflation differentials between Greece and the euro area (2004 - 2011)

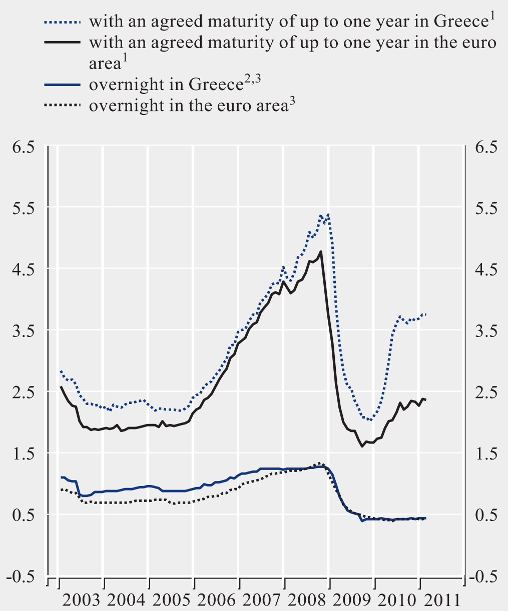
(selected price indicators; differentials in percentage points)



Source: Calculations based on Eurostat and ECB data.

Chart 11 Bank interest rates on new deposits by households in Greece and the euro area (January 2003 - February 2011)

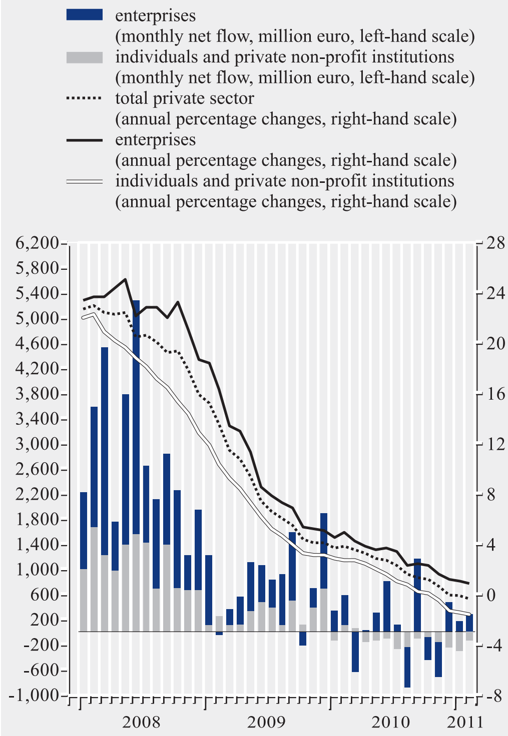
(percentages per annum)



Sources: Bank of Greece and ECB.
1 Monthly average rate.
2 Represented by the interest rate on savings deposits, which make up the bulk of overnight deposits.
3 End-of-month rate.

Chart 12 Credit[1] to the domestic private sector by domestic MFIs (January 2008- February 2011)

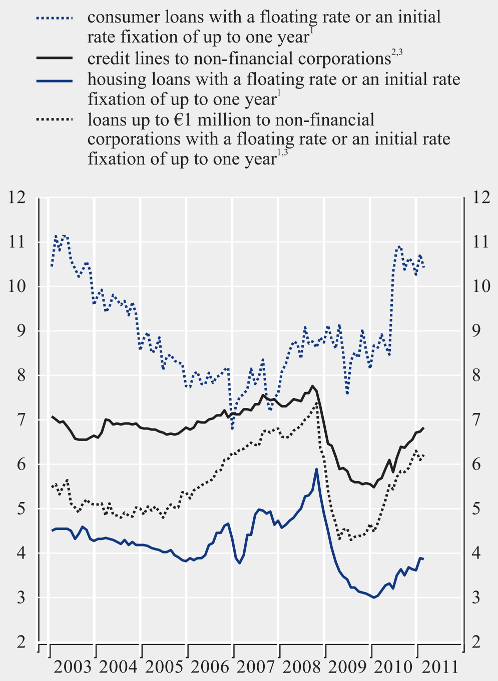
(monthly net flow[2]; annual percentage changes)



Source: Bank of Greece.
1 Including MFI holdings of bank loans and corporate bonds, as well as the outstanding amounts of securitised bank loans and securitised corporate bonds. The annual rates of change are adjusted for loan write-offs and foreign exchange valuation differences on loans denominated in foreign currency.
2 The monthly net flow of credit is defined as the difference in the outstanding stock of credit between the beginning and the end of a given month, adjusted for exchange rate variations in respect of loans denominated in foreign currency and loan write-offs during that month.

Chart 13 Bank interest rates on new loans in Greece (January 2003- February 2011)

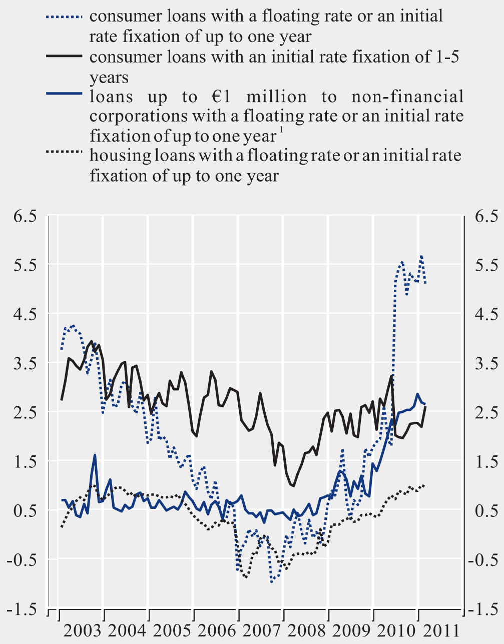
(percentages per annum)



Source: Bank of Greece.
1 Monthly average rate.
2 End-of-month rate.
3 See footnote 2 in Table 26.

Chart 14 Bank interest rates on new loans: differential between Greece and the euro area (January 2003 - February 2011)

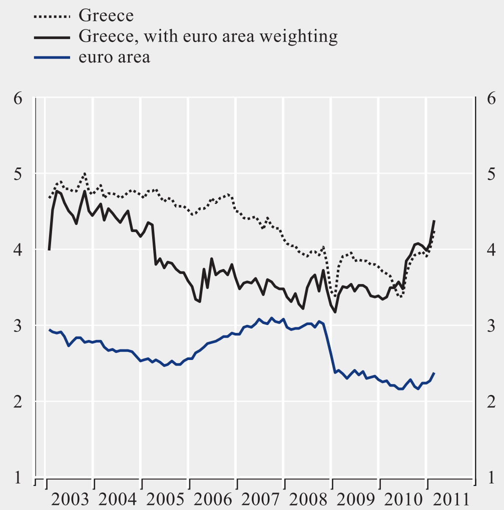
(percentage points)



Sources: Bank of Greece and ECB.
1 See footnote 2 in Table 26.

Chart 15 Average interest rate spread between new loans and new deposits in Greece and the euro area (January 2003 - February 2011)

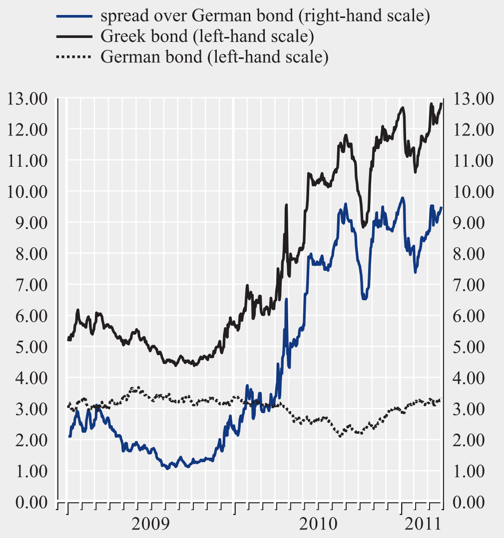
(percentage points)



Sources: Bank of Greece and ECB.

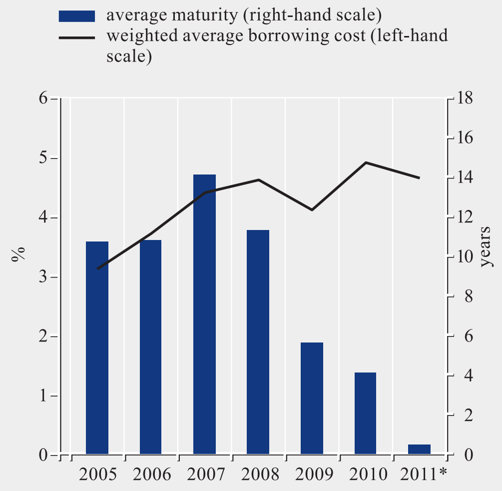
Chart 16 10-year government bond yields: Greece and Germany (January 2009-March 2011)

(daily data, percentages per annum, spread in percentage points)



Source: Bank of Greece.

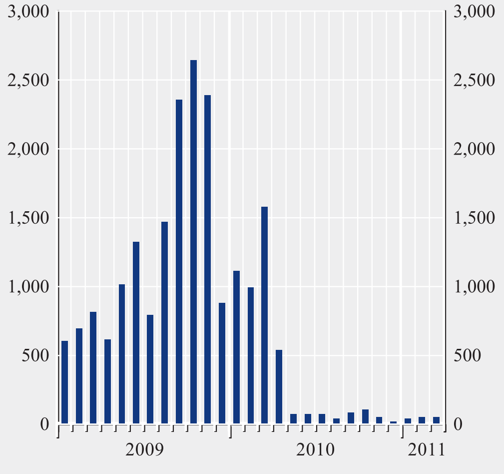
Chart 18 Greek government securities characteristics of new issues (per year)



Sources: Public Debt Management Agency and Bank of Greece.
* Note: The figure exclusively refers to Treasury bills issued in the first three months of the year.

Chart 17 Average daily trading volume in the Electronic Secondary Securities Market (HDAT) (January 2009 - March 2011)

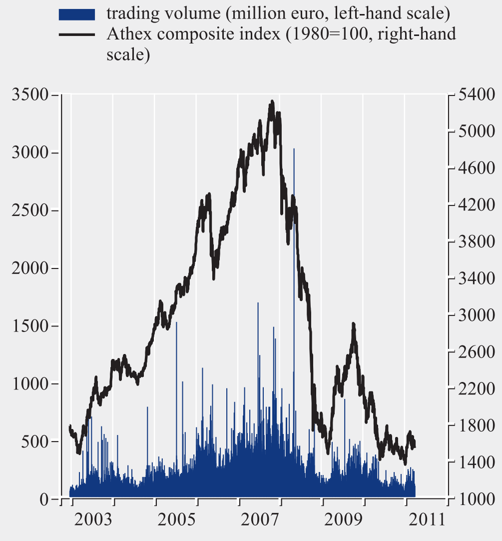
(million euro)



Source: Bank of Greece.

Chart 19 Athens Exchange: composite share price index and trading volume (January 2003 -March 2011)

(daily data)



Source: Athens Exchange.

ANNUAL ACCOUNTS OF THE BANK OF GREECE FOR THE YEAR 2010

BALANCE SHEET AS AT 31 DECEMBER 2010
EIGHTY THIRD YEAR

(in euro)

ASSETS	31.12.2010	31.12.2009
1. Gold and gold receivables	**5,005,114,533**	**3,633,315,395**
2. Claims on non-euro area residents denominated in foreign currency	**1,009,983,571**	**1,108,075,094**
2.1 Receivables from the International Monetary Fund (IMF)	908,925,790	947,530,824
2.2 Balances with banks and security investments, external loans and other external assets	101,057,781	160,544,270
3. Claims on euro area residents denominated in foreign currency	**283,797,006**	**281,553,987**
3.1 General government	200,915,553	270,390,666
3.2 Other claims	82,881,453	11,163,321
4. Claims on non-euro area residents denominated in euro	**165,813**	**177,285**
4.1 Balances with banks, security investments and loans	165,813	177,285
4.2 Claims arising from the credit facility under ERM II	0	0
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	**97,668,800,000**	**49,655,100,000**
5.1 Main refinancing operations	18,023,000,000	2,355,000,000
5.2 Longer-term refinancing operations	78,382,800,000	47,300,100,000
5.3 Fine-tuning reverse operations	1,263,000,000	0
6. Other claims on euro area credit institutions denominated in euro	**71,609,150**	**72,760,162**
7. Securities of euro area residents denominated in euro	**23,860,877,515**	**20,668,018,576**
7.1 Securities held for monetary policy purposes	4,898,275,295	674,147,384
7.2 Other securities of euro area residents denominated in euro	18,962,602,220	19,993,871,192
8. General government long-term debt denominated in euro	**6,867,002,312**	**7,294,205,864**
9. Intra-Eurosystem claims	**1,600,050,638**	**1,597,874,267**
9.1 Participating interest in the ECB	468,140,047	435,391,713
9.2 Claims equivalent to the transfer of foreign reserves to the ECB	1,131,910,591	1,131,910,591
9.3 Claims related to the allocation of euro banknotes within the Eurosystem (net)	0	0
9.4 Net claims arising from balances of TARGET2 accounts	0	0
9.5 Other claims within the Eurosystem (net)	0	30,571,963
10. Items in course of settlement	**415,701**	**2,369,833**
11. Other assets	**2,272,489,005**	**2,280,203,801**
11.1 Coins	69,322,438	58,087,539
11.2 Tangible and intangible fixed assets	755,550,905	763,695,749
11.3 Other financial assets	29,172,193	29,260,593
11.4 Off-balance-sheet instruments revaluation differences	1,653,134	0
11.5 Accruals and prepaid expenses	988,458,366	1,009,094,586
11.6 Sundry	428,331,969	420,065,334
TOTAL ASSETS	**138,640,305,244**	**86,593,654,264**

OFF-BALANCE-SHEET ITEMS	31.12.2010	31.12.2009
1. Greek government securities relating to the management of the "Common capital of legal entities in public law and social security funds" according to Law 2469/97	22,599,433,438	20,167,881,047
2. Greek government securities and other securities relating to the management and custody of funds of public entities, social security funds and private agents	9,408,108,799	9,624,298,900
3. Assets eligible as collateral for Eurosystem monetary policy operations and intra-day credit	162,000,732,695	77,190,735,706
4. Other off-balance-sheet items	10,870,038,657	282,506,757
TOTAL OFF-BALANCE-SHEET ITEMS	**204,878,313,589**	**107,265,422,410**

Notes:

1 Under Article 54A of the Bank's Statute, the financial statements of the Bank of Greece are drawn up in accordance with the accounting principles and rules established by the European Central Bank (ECB) and applying to all the members of the European System of Central Banks (ESCB).

2 The Bank's key for subscription to the ECB's capital fully paid up by the 16 national central banks of the Eurosystem is 2.81539%.

3 Claims/liabilities denominated in euro or foreign currency are broken down into claims on/liabilities to euro area residents and non-euro area residents.

(in euro)

LIABILITIES	31.12.2010	31.12.2009
1. Banknotes in circulation	**21,748,281,800**	**20,886,044,900**
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	**10,528,376,123**	**8,008,073,640**
2.1 Current accounts (covering the minimum reserve system)	3,303,376,123	4,616,073,640
2.2 Deposit facility	7,165,000,000	3,392,000,000
2.3 Fixed-term deposits	60,000,000	0
3. Other liabilities to euro area credit institutions denominated in euro	**0**	**0**
4. Liabilities to other euro area residents denominated in euro	**2,339,465,608**	**1,381,108,771**
4.1 General government	781,941,428	1,333,377,502
4.2 Other liabilities	1,557,524,180	47,731,269
5. Liabilities to non-euro area residents denominated in euro	**766,281,837**	**719,806,349**
6. Liabilities to euro area residents denominated in foreign currency	**22,321,537**	**73,079,424**
7. Liabilities to non-euro area residents denominated in foreign currency	**56,827**	**84,505,484**
7.1 Deposits and other liabilities	56,827	84,505,484
7.2 Liabilities arising from the credit facility under ERM II	0	0
8. Counterpart of special drawing rights allocated by the IMF	**905,349,233**	**851,675,401**
9. Intra-Eurosystem liabilities	**95,054,832,880**	**49,122,200,115**
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	0	0
9.2 Liabilities related to the allocation of euro banknotes within the Eurosystem (net)	7,921,552,125	86,137,460
9.3 Net liabilities arising from balances of TARGET2 accounts	87,088,090,137	49,036,062,655
9.4 Other liabilities within the Eurosystem (net)	45,190,618	0
10. Items in course of settlement	**23,305,724**	**26,358,624**
11. Other liabilities	**787,477,099**	**764,807,737**
11.1 Off-balance-sheet instruments revaluation differences	1,719	191,109
11.2 Accruals and income collected in advance	114,941,633	68,547,768
11.3 Sundry	672,533,747	696,068,860
12. Provisions	**2,385,419,686**	**1,953,462,075**
13. Revaluation accounts	**3,263,692,564**	**1,917,223,958**
14. Capital and reserves	**815,444,326**	**805,307,786**
14.1 Capital	111,243,362	111,243,362
14.2 Ordinary reserve	111,243,362	111,243,362
14.3 Extraordinary reserve	84,500,000	72,500,000
14.4 Special reserve from the revaluation of land and buildings	507,247,856	509,257,925
14.5 Other special reserves	1,209,746	1,063,137
TOTAL LIABILITIES	**138,640,305,244**	**86,593,654,264**

4 Account balances related to monetary policy operations are shown under distinct items.

5 Gold has been valued at the price provided by the ECB as at 31 December 2010: €1,055.418 per fine oz, compared with €766.347 as at 31 December 2009.

6 Claims/liabilities denominated in foreign currency have been converted into euro using the euro foreign exchange reference rates of the ECB as at 31 December 2010.

7 Marketable securities (other than held-to-maturity) are valued at the mid-market prices of 31 December 2010. Marketable securities classified as held-to-maturity and non-marketable securities are valued at amortised cost subject to impairment. In financial year 2010 no impairment losses incurred.

8 Fixed assets are valued at cost, with the exception of land and buildings which are valued at market prices determined by independent appraisers, less depreciation.

9 From 2005 onwards, depreciation of buildings is calculated at a rate of 2.5%, over their expected life (40 years).

10 In 2010 an amount of €47 million (2009: €45 million) was released from the provision of €149.5 million against counterparty risks related to the monetary policy operations of the Eurosystem, initially established in 2008. This amount of €47 million was transferred to income from unused provisions.

11 From the profit of financial year 2010, an amount of €12 million was transferred to the extraordinary reserve.

12 Certain items of the balance sheet and the profit and loss account for the year 2009 have been reclassified to ensure comparability with the respective items of the year 2010.

13 "Other off-balance-sheet items" include a promissory note of €10.6 billion (SDR 9.1 billion) issued by the Greek government for the total amount of the loan received from the IMF until 31 December 2010.

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2010

(in euro)

	2010	2009
1. Net interest income	**825,890,005**	**766,668,842**
1.1 Interest income	1,741,334,930	1,432,540,058
1.2 Interest expense	-915,444,925	-665,871,216
2. Net result of financial operations, write-downs and risk provisions	**50,321,799**	**58,209,232**
2.1 Realised gains arising from financial operations	50,321,799	58,209,232
2.2 Write-downs on financial assets and positions	-21,326,568	-5,170,554
2.3 Transfer from provisions for foreign exchange rate interest rate, credit and gold price risks	21,326,568	5,170,554
3. Net income from fees and commissions	**141,548,446**	**174,827,731**
3.1 Fees and commissions income	143,186,356	176,416,753
3.2 Fees and commissions expense	-1,637,910	-1,589,022
4. Income from equity shares and participating interests	**12,288,700**	**66,983,496**
5. Net result of pooling of monetary income	**1,834,971**	**53,376,709**
6. Other income	**12,630,271**	**19,410,623**
Total net income	**1,044,514,192**	**1,139,476,633**
7. Staff costs and pensions	**-319,516,458**	**-332,781,100**
8. Administrative and other expenses	**-48,198,051**	**-46,498,739**
9. Depreciation of tangible and intangible fixed assets	**-13,481,729**	**-59,807,274**
10. Provisions	**-472,865,662**	**-472,228,907**
Total expenses	**-854,061,900**	**-911,316,020**
PROFIT FOR THE YEAR	**190,452,292**	**228,160,613**

Note: *Item 5 "Net result of pooling of monetary income" includes amounts regarding the partial release of the provision of €149,522,606 against counterparty risks related to the monetary policy operations of the Eurosystem, first established in 2008 (2010: €47,025,589, 2009: €44,966,265).*

DISTRIBUTION OF NET PROFIT

(Article 71 of the Statute)

(in euro)

	2010	2009
Dividend €0.67 per share on 19,864,886 shares	13,309,473	13,309,473
Extraordinary reserve	12,000,000	17,500,000
Additional dividend €0.89 per share*	17,679,749	34,366,253
Tax payment on dividends**	20,659,482	15,891,909
To the Government	126,803,588	147,092,978
	190,452,292	**228,160,613**

* *The total dividend for financial year 2009 amounts to €2.40 per share. Dividends are subject to withholding tax of 10%, in accordance with Article 18 of Law 3697/2008.*

** *Dividends are subject to withholding tax of 40%, in accordance with Article 13 of Law 3842/23.4.2010. In case of the amendment of the above Law, before the dividend payment, the tax and the dividend amounts will be adjusted appropriately.*

Athens, 14 March 2011

THE GOVERNOR	THE DIRECTOR OF THE ACCOUNTS DEPARTMENT
GEORGE A. PROVOPOULOS	CHRISTOS K. PAPAKONSTANTINOU

To the Shareholders of the BANK OF GREECE S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of the BANK OF GREECE S.A. ("the Bank"), which comprise the Balance Sheet as at December 31, 2010, and the income statement, and the statement of profit distribution for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements: Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles prescribed by the European Central Bank (ECB) as adopted by the Bank in article 54A of its Statute, and note 12 in the financial statements as concerns the method used to provide for general risks and the Accounting Standards prescribed by Greek legislation, and for such internal controls as Management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility: Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The balance sheet item "Provisions" includes provision for pensions, other liabilities to employee funds amounting to €1,465 million (December 31, 2009: €1,275 million) for which we were unable to obtain audit evidence concerning their calculation and, consequently, we are unable to satisfy ourselves as to the adequacy of such provision.

Opinion: In our opinion, except for the possible effects of the matter described in the paragraph above, the financial statements present fairly, in all material respects, the financial position of the BANK OF GREECE S.A. as at December 31, 2010, and of its financial performance for the year then ended in accordance with the accounting principles prescribed by the European Central Bank as adopted by the Bank in article 54A of its Statute and note 12 in the financial statements as concerns the method used to provide for general risks and the Accounting Standards prescribed by the Greek legislation.

Report on Other Legal Requirements: We confirm the reconciliation and correspondence of the information given in the Report of the Governor with regard to the income statement for the year ended 2010 with the attached financial statements, according to articles 43a and 37 of the Law 2190/1920.

Athens, 14 March 2011

The Certified Auditors - Accountants

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ISSN: 1105 - 0527