IN BRIEF

Gov't aims at jobs creation, growth and curbing fiscal deficits

The government is aiming at moderate reforms in favor of economic growth that will reduce unemployment, Economy Minister Giorgos Alogoskoufis said yesterday. An immediate priority of economic policy will be the bolstering of the dynamism of sectors such as construction, tourism, energy, telecommunications, transport and a large section of industry, he said. These sectors should be given added impetus through policies that will attract new investment, both domestic and foreign. Alogoskoufis said a new development law of investment incentives and taxation reform measures will be introduced in September. He said the government aims at keeping the fiscal deficit under 3 percent for 2004, with a view to creating a basis for healthy, honest and credible budgets as of 2005.

Labor union chief sticks to his guns on 8 percent pay rise, 39-hour week

Labor union umbrella group (GSEE) President Christos Polyzogopoulos said the 8 percent pay rise demand in the negotiations for a national pact with employers is both realistic and fair, as it mainly applies to the lowest daily wages, which today stand at 23 euros. Urging mass participation in tomorrow's general strike, he said the demand for a 39-hour week was non-negotiable, and called for an incomes redistribution policy and the granting of permanent employment status to about 250,000 public sector, limited-term contract workers, in line with EU directives. He said this is a major issue of credibility for the government.

SoGen for Egnatia? France's Societe Generale (SoGen), which recently acquired a strategic stake in General Bank, is showing renewed interest in Egnatia Bank and is in discussions for the acquisition of a major stake, sources say. A first attempt had borne no fruit as Egnatia's basic shareholders, the Theocharakis family, had rejected SoGen's overtures. The French have declared they are aiming at turning General into a leading force among midsized financial institutions in SE Europe, through both autonomous growth and possible acquisitions. General and Egnatia have respective stock market capitalizations of 191 million and 270 million euros. Other banking sources dismissed rumors of major realignments involving the big players in the sector, citing Economy Minister Giorgos Alogoskoufis's recent statements that the government is opposed to the further growth of the big groups, considering that it would undermine healthy competition.

S&B. S&B Industrial Minerals has obtained four licenses for exploration of bentonite deposits in NE Morocco. The company has such deposits in Greece, Germany, Bulgaria, Hungary and Georgia.

German visit. A German trade delegation will be at the Athens Chamber of Commerce and Industry at 10 a.m. tomorrow for contacts with Greek businessmen. For more information, tel 210.338.2246, fax 210.362.4643.

Deficits, inflation and a high jobless rate all threaten growth

Bank of Greece report shows fiscal policy loosening over past three years

ANA *Bank of Greece governor Nicholas Garganas presenting the interim report on the economy to reporters yesterday.*

Excessive deficits, high inflation, and a slow job creation rate are the biggest challenges the Greek economy faces as a full member of the eurozone, the Bank of Greece says in its interim economic report, published yesterday.

Instead of fiscal adjustment, Greece has followed a very loose policy in the three years since entering the European Monetary Union on January 1, 2003. As a result, budget deficits are rising and the debt, still at over 100 percent of the country's gross domestic product (GDP), is falling only marginally.

The Bank of Greece recommends a tight fiscal policy to redress deficits and reforms to stimulate growth.

Bank of Greece governor Nicholas Garganas also expressed his concern about rising household indebtedness. He said that rising interest rates, expected after the eurozone economy recovers fully, will be an added burden. The government's assessment that the 2003 budget will show a deficit between 2.7 and 3 percent of GDP, and its estimate of economic growth for 2003, 4 percent, is even lower than the 4.2 percent announced last week by Economy and Finance Minister Giorgos Alogoskoufis. The National Statistics Service (NSS) had announced that GDP growth in 2003 was 4.7 percent. Garganas avoiding delving into the issue of whether NSS figures were accurate — an issue frequently raised by the conservatives when they were in opposition — by saying NSS figures were preliminary and that they might be revised downward.

The central bank estimates that GDP will grow 4.1 percent in 2004. Internal demand remains the prime motor of growth but its importance will be lower than in 2003, because investment projects related to the Athens Olympics will have been completed.

Average inflation, measured by the Harmonized Index of Consumer Prices (HICP) used by the European Central Bank, dropped to 3.4 percent in 2003 from 3.9 percent in 2004. Still, it was far higher than the eurozone average, which hovered around 2 percent. Besides, the Bank of Greece expects inflation to rise in coming months, partly because the Olympic Games will result in even higher demand and partly because of the expected rise in unit labor costs. The central bank urges employees, producers and retailers to contribute, through pricing and the collective wage bargaining process, to price stability and an increase in competitiveness. Government spending, if held under control, will also contribute to lower inflation in the medium term, the bank says.

There are signs, however, that none of this could happen. The General Confederation of Greek Labor (GSEE) is demanding wage rises of 8 percent and has already announced a one-day general strike for tomorrow to back its demand, which is coupled with another, for a shorter working week. Producers and retailers, considering themselves liberated from the previous government's desire to control the market, have raised prices considerably since the March 7 election, prompting the current government to plead for "self-restraint." The government itself, although it has promised to keep spending under wraps, has already come under pressure to deliver on its extravagant pre-election promises. It has attempted to buy time by declaring that it will fulfill all its promises by the end of its four-year mandate. Shaking the habits of decades of state overspending will be difficult, as the experience of the last government has shown: initially committed to fiscal reform, it essentially gave up after Greece entered the eurozone and ended up being pilloried for trying to cook the books.

Garganas recommends nominal pay rises of 4 percent for 2004, slightly higher than the employers have initially offered. He also urged employers and employees to change the collective bargaining procedures, which he considers too centralized.

The Bank of Greece believes firmly that, until the inflation differential with the other eurozone countries is bridged, real wage rises — that is, after accounting for inflation — should be lower than increases in productivity. The Bank of Greece also believes that a decentralized procedure on pay rises will help create more jobs and also help enterprises adjust better to changing economic conditions.

The central bank remarks that, although the unemployment rate is slowly falling, it is still the third highest in the EU and that job creation is too slow considering the growth level.

Structural reforms, that is, making the market more flexible, will help reduce joblessness, the report stresses.

Household indebtedness has increased from 9.3 percent of GDP in 1998 to 26.2 percent in 2003. Although the rate of growing indebtedness is slowing down, the bank says this is due to a historically low level of interest rates, which may not be sustained for long.

Sioufas appeals to gloomy traders for price restraint

By Maria Sideri
Kathimerini

Development Minister Dimitris Sioufas yesterday appealed to traders to show restraint in price rises and prevent profiteering.

"Those attempting to exploit circumstantial developments and reap opportunistic superprofits do a disservice to commerce and do not contribute to the growth of healthy entrepreneurship," he said in an address at the presentation of the National Confederation of Greek Commerce's (ESEE) report for 2001-2002.

Sioufas said the government's initiatives in support of small and medium-sized commercial enterprises (SMEs) include an extension of investment incentives to the sector, the activation of a credit surety fund and the rationalization of requirements for access to credit facilities.

The ESEE report paints a dismal picture of developments in the commercial SMEs sector in the last two years, with increasingly lower turnover and profits for most firms, particularly in the urban centers of Athens and Thessaloniki. As a result, four in five firms were not able to carry out any investment and the volume of credit to customers rose.

Ninety-five percent of Greece's 281,120 commercial enterprises are SMEs; of these, 40 percent said sales in 2002 were lower than in 2001 — a rate double that for one year earlier. An even higher rate, 46.5 percent, said their profits were down appreciably. The percentage of businesses that was not able to carry out any investment rose from 51.8 percent in 2001 to 80 percent in 2002; almost half (48.2 percent) said they had increased credit to customers, particularly in the regions, against 30 percent in 2001.

In sectoral terms, car and spare parts dealers had come under the strongest pressure, with 52.9 percent of them reporting lower sales, although the total was up 5 percent for the sector.

As a whole, it appears that large commercial enterprises benefited from the worse position of SMEs; their sales in 2002 rose 6.9 percent and net profits were up 16.2 percent to 1.66 billion euros. As a whole, retailing profits were up 11.7 percent, compared to 5.8 percent for wholesale trading firms.

According to the report, commerce in 2003 accounted for 698,500 jobs, or 17 percent of total Greek employment; retailing accounts for 68.4 percent of them. Commerce also accounts for 25 percent of Greek employers, 21.5 percent of self-employed and 13.8 percent of salary and wage earners.

Bulgaria's GDP growth slows down to 4.3 percent in 2003

By Tsvetelia Ilieva
Reuters

SOFIA - Bulgaria's economic growth slowed to 4.3 percent last year but the government and analysts said the rise in the country's gross domestic product (GDP) was still one of the highest in Europe and would grow even faster this year.

The European Union aspirant's 2003 growth, announced by the statistics office yesterday, was below a robust 4.9 percent rise in 2002 and an initial government target of 5.0 percent.

Analysts said the slight slowdown was not alarming because Bulgaria had been establishing a track record of consistent growth and had left behind the economic instability which accompanied its transition from communism to market economy.

"It is still a fairly healthy growth rate. A moment of hope is that as the European economy continues to gather strength, Bulgaria would grow at a faster pace in 2004," said Andrew Roberts, emerging market analyst at Schroder Salomon Smith Barney in London.

Finance Minister Milen Velchev told reporters he was still pleased with last year's growth, and that the government's target of a 2004 rise of above 5.0 percent was achievable.

"We are yet to analyze the reasons that led to a lower (2003) growth," Velchev said. "But that growth of above 4.0 percent should not be underestimated as it is still one of the highest in Europe."

Analysts said economic reforms launched more than a decade ago and aimed at preparing Bulgaria for EU entry in 2007 had begun to pay off and the country's GDP grew by over 4.0 percent annually in the last four years.

NSI's data showed that last year's slowdown was mainly due to a 1.3 percent decline in the agriculture sector, where bad weather damaged crops. Farming accounted for 10 percent of Bulgaria's GDP last year.

A sharp jump in banking credits last year boosted imports by 14.8 percent from a year earlier, outpacing export growth of 8.0 percent and driving Bulgaria's trade deficit up to 3.356 billion levs ($2.1 billion), the data showed.

The Bulgarian economy is poised to keep on expanding this year and attract further investments due to its low production costs and well-educated and cheap labor force, analysts said.

"We expect this year's growth to reach 4.5-4.8 percent... and to be driven by sustained investment in production and services, and rising exports," said Peter Botoucharov, head of emerging markets strategy at Commerzbank Securities in London.

Roberts said he expected a 4.6 percent rise in GDP this year, which would depend on the economic recovery in the EU and the euro's fluctuations as over half of Bulgaria's exports are destined to western Europe.

Immigrants and jobs

COMMENTARY
By Babis Papadimitriou

It may sound far-fetched, but two key public issues — on one hand, the large number of temporary (but long-term) contract workers in the public sector, and, on the other, the influx of immigrants in Greece — are related in some ways and have common explanations.

The unacceptable practice of having temporary contracts renewed for many years, time after time, originated in the late 1980s, when the government at the time found this to be a useful way of both meeting fiscal constraints and supporting its drive to staff an expanding public sector mostly with political clients — at a lower cost.

The number of immigrant workers grew noticeably along with the growing division in society between private and public sectors, and it coincided with an acceleration of job losses in the farm sector. It also took place at a time when the underground economy grew ever more robust, the official economy was fast absorbing the bonanza of EU investment subsidies and private consumption was growing strong on the back of economic stabilization and the conversion of drachmas into euros.

The part of the population not born in Greece is now estimated at more than 10 percent. Most of them earn a living on the underground labor market, but the number of those with work permits is rising. And so the country has achieved an employment level much higher than that which appears on the official statistics — in any case, much nearer to the European average.

The more foreign workers settle here, the more Greeks aspire — and ultimately manage — to find a job in the public sector. Bureaucracy is growing at a fast rate and is ever more protective of those serving it, while the private sector labor market is becoming ever more competitive. EU and national funding of a better social protection network are feeding a huge mass of privileged employees in the public sector.

The overprotected labor market has three tiers: the public sector, the private sector and the "hidden" sector.

If the influx of immigrants was absorbed without any particular problems, this is due to two main reasons:

First, improved prices and incomes in the farm sector (largely through EU subsidies), which nevertheless were apparently not good enough to stem the exodus to the public sector and to private sector service industries. The mass presence of immigrants in the farm sector explains why salaries in the urban centers were not adversely affected and which, combined with public sector employment, prevented a surge in unemployment.

Second, the strong growth of the construction sector, whose share of added value to the gross domestic product grew from 6 percent to 7.5 percent in the second half of the last decade. In this case, the supply of immigrant workers functioned competitively to Greek workers and dampened wages.

Friction between private and public sector employees seems unavoidable as conditions in the two sectors diverge. Comparisons regarding work hours, pressure and job (in)security are already part of daily conversation. If the labor union movement remains a prisoner of statism and its one-sided political orientation, if market deregulation affects (as expected) the private sector more, and if hopes for jobs in the public sector are trimmed, the cleavage is bound to deepen.

SHIPPING REPORT / *D. Sigalas*

TANKERS

A quiet start, with Aframax rates in the Med. holding around W/S 215, while 140,000-ton cargoes out of the Black Sea are still being fixed at W/S 220.

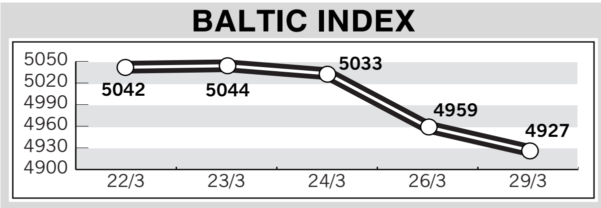
■ Lukoil for 80,000 tons of cargo, loading April 6, Black Sea, discharging Med., has fixed M/T "Sea Scout" at W/S 220, while Alpine for 140,000 tons of cargo, loading April 24, discharging UKC/Med., has fixed M/T "Iran Saveh" at same levels.

■ N. Sea quieter, with the latest Aframax fixtures at W/S 135-140, while Caribs remain stable.

■ Valero has fixed M/T "Jag Laxmi" for 70,000 tons of cargo, loading April 7 East Coast Mexico, discharging US Gulf, at W/S 247.5.

■ Latest W. Africa rates for Suezmaxes at around W/S 160. Sun has fixed M/T "Wilmina" for 130,000 tons of cargo, loading April 24, discharging USAC, at W/S 157.5.

■ VLCCs out of Arabian Gulf around W/S 90. Shell has fixed M/T "Navix Astral" for 260,000 tons of cargo, loading April 26, discharging Far East, at W/S 89.



■ In the Med., Hess for 90,000 tons of cargo, loading April 9 Algeria, discharging USAC, has fixed M/T "Arafura Sea" at W/S 175.

■ On Suezmaxes, Exxonmobil has fixed M/T "Besiktas" for 140,000 tons of cargo, loading April 18 Egypt, discharging Italy, at W/S 197.5.

■ In the Cont., Exxonmobil has fixed M/T "Krymsk" for 80,000 tons of cargo, loading April 7 East Coast UK, discharging UKC, at W/S 135.

■ In Caribs, Valero for 70,000 tons of cargo, loading April 8 East Coast Mexico, discharging US Gulf, has fixed M/T "Sintra" at W/S 235.

DRY CARGO

Another uninspiring day for Capers in both the Atlantic and Far East. Markets largely steady.

■ In the Atlantic, North China has fixed M/V "Front Driver," 169,416 dwt, built 1991, delivery Ijmuiden, redelivery Far East, at USD 81,500 daily, while M/V "Moon Dancer," 135,160 dwt, built 1983, delivery China March 30-31, was fixed to Noble for a trip via S. Africa to China at USD 45,000 daily.

■ Active market for Panamaxes in the Atlantic basin, with most of the trips to the East via S. America hovering around USD 50,000-53,000 daily.

■ Transatlantic round trips have slipped below USD 40,000 daily.

■ China Steel has fixed M/V "Tetien Trader," 73,910 dwt, built 2001, delivery Skaw end March, trip via Canada, redelivery Taiwan, at USD 56,500 daily, while M/V "Filippo Lembo," 75,264 dwt, built 1997, delivery end March Genoa for Transatlantic round-trip voyage, redelivery Skaw-Passero was fixed at USD 39,500 daily.

■ On Panamax in Far East, Shinwa has fixed M/V "Ariadne," 73,018 dwt, built 1999, delivery March 29-31 Japan, for 4-6 month period at USD 50,000 daily.

■ In Atlantic, Coeclerici has fixed M/V "Alaska," 71,694 dwt, built 1997, delivery Algeria end March, trip via Venezuela, redelivery UKC, at USD 41,500 daily.

■ On smaller sizes, Eitzen has fixed M/V "Sea Blessing," 42,620 dwt, built 1987, delivery China end March, redelivery Philippines, at USD 28,000 daily.

■ On coal cargoes, AEP for 150,000 tons of cargo, loading S. Africa May 1-15, discharging Rotterdam, has fixed M/V "Mineral Azalea" at USD 20.00 per ton with 2-day load and 20,000 tons discharge.

As deadline looms, no EU member has submitted CO2 emission plan

By Jeremy Smith
Reuters

BRUSSELS - EU countries will wait until the last minute to submit plans for curbing carbon dioxide (CO2) emissions and know they face legal action if they fail to meet this week's deadline, Europe's environment chief said yesterday.

All the EU's 15 governments must send in their plans by tomorrow for distributing CO2 credits in their countries, as part of the EU's scheme to launch emissions trading from next January. So far, none has submitted a formal plan.

Around eight countries have published draft plans and are likely to hand in their official versions to Brussels on time. But several more are widely expected to miss the deadline.

If they do, they would be breaking international law, according to the European Commission, which would be entitled to issue an "infringement letter" — a first warning of legal action.

"I'm not surprised they are waiting until the last day," said EU Environment Commissioner Margot Wallstrom. "But I was much more worried a few weeks ago, now I think we will manage."

"I don't think this is a matter of bad will or bad faith. We will do all we can to help them," she told reporters.

Privately, Commission officials say it would be unrealistic to expect to receive all 15 plans by Wednesday, especially from Spain and Greece due to their recent changes of government.

Wallstrom said no member state had yet requested extra time to meet the deadline and declined to be drawn about the possibility of launching legal action against laggards.

"We know fairly well which countries are most advanced. The others are coming on, but more slowly. We will have to analyze that, when we see where they are (with their plans). Then we will have to decide how to act," she said.

"Hopefully, we will be able to avoid talking about infringements. But member states know what our role is."

The EU's emissions scheme is the cornerstone of the bloc's efforts to meet its commitments under the Kyoto Protocol to reduce the emissions that scientists say cause global warming.

The EU's pioneering trading scheme will apply from 2005 and obliges energy-intensive companies in the oil refining, smelting, steel, cement, ceramics, glass and paper sectors to obtain special permits, or allowances, to emit carbon dioxide.

Before this, the EU's 15 governments must decide limits and how to allocate permits by sector, and company by company, in allocation plans that must be first approved by Brussels.

Some of the larger states with influential power sectors, such as France and Germany, are ironing out the last difficulties in their plans, but there are doubts they will meet the deadline.

France has said it will not be able to submit on time, while Germany's plan may be delayed by bickering between ministries.