Analysis

Hopeless Greece-European Imbalances?

Expressed in “percent of GDP”, the Greece annual new indebtedness varies over the past three decades. Comparing the 80th and 90th with the EURO decade 1999-2010, the last one shows an overall decreasing trend as shown in figure 1. But what’s new in the EURO decade is an overshooting trade balance induced by rising imports and stagnating exports. The trade balance exceeds the 80th - 90th long term level by around 5 percent of GDP. And in addition: this imbalance has obviously not been covered by an additional indebtedness as in the past.

figure 1

Greece - absolute changes new indebtedness vs. trade balance

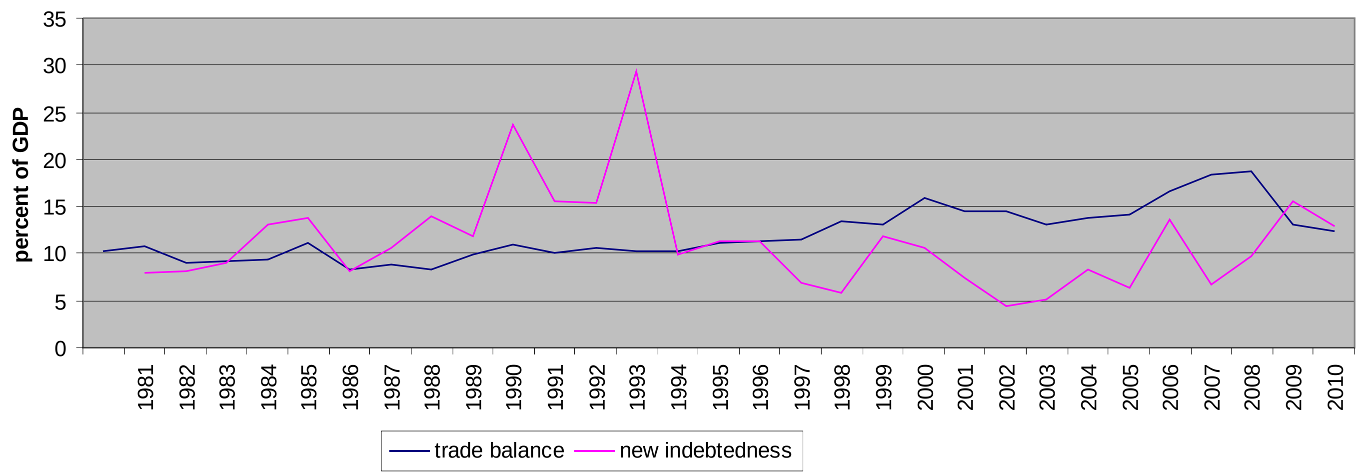
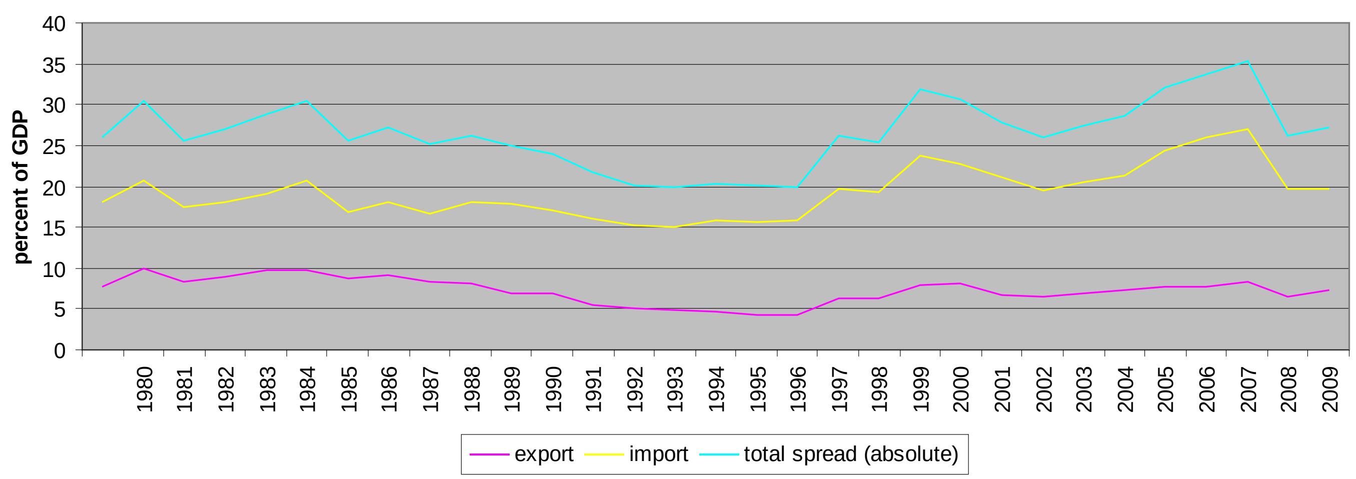


Figure 2 highlights that the gap between imports and exports exceeds nearly 1/3rd of Greece’ GDP during the EURO decade, compared to 1/5th in the 90th. Finally it describes an exodus of capital representing an amount of around 10 percent of Greece’ GDP per year. And there is no evidence that the imports have been used to build up a more powerful export industry to earn the gap in the future. In summary there seems to be four options: austerity to reduce the purchasing power for imports, leaving the eurozone and return to a national currency regime (devaluation!), massive (e.g. EU financed) investments into a new export orientated Greece economy or the implementing of an euro area wide financial equalisation scheme.

figure 2

Greece: goods imports and exports



Data Bank: Economic Facts & Forecasts, StatistikNetz.DE, DSI Campus Solution
Source: IMF Washington, OECD Paris, Eurostat Luxembourg, DSI Rheinberg