

# businessfile

Newsletter

PUBLISHER: KERYRA PUBLICATIONS S.A.  
6-8 VLAHAVA STREET - 10551  
ATHENS-GREECE  
tel: +30210-3314.714 - fax:  
+30210-3252.283  
www.economia.gr  
sales@economia.gr



## Contents

- 1 Greece accelerates stability plan
- 2 Romania re-elects populist president
- 2 Croatia elects new president
- 3 Serbia applies for EU membership
- 3 West Balkan states line up to join EU
- 4 Bulgaria to apply to join euro
- 4 Turkey set for economic recovery
- 6 Greece faces negative creditwatch
- 6 Fitch and Standard & Poor's on Greece
- 7 Cyprus economy declines
- 7 Viohalco acquires Danube port in Bulgaria
- 8 **In brief:** Government wobbles in Croatia; Greece to overhaul tax system; Fyrom set for economic recovery; Moody's predicts tension in Bosnia; Ukraine bank sector faces problems; Cyprus to build LNG terminal; Kosovo gets electricity funding; Turkish Cypriots spend heavily in south Cyprus; EBRD and IFC fund Moldova power project; Turkey may sell another telco equity stake

The publication is available by subscription only  
SUBSCRIPTIONS: 1 year (12 issues) €46; 2 years (24 issues) €83.  
Also available in PDF format monthly via e-mail. 1 year €32.  
For more information contact our sales department

ISSN 1108-992X



9 771108 992009

## Greece accelerates stability plan

Greece has accelerated its plan to reduce the budget deficit from 12.7 per cent to below 3 per cent of gross domestic product – the limit for eurozone member states – in three years rather than four, according to the finance ministry.

Its stability and growth plan, which is due to be approved this month by the European Commission, has been revised in an effort to restore the country's credibility with international financial markets.

Greece plans to borrow about €54bn this year to finance a rising public debt projected to increase this year from 113 per cent to 124 per cent of gross domestic product – the highest level in the eurozone.

Fears of a possible default by Greece on its debt payments appeared to recede last month with spreads on Greek 10-year bonds falling from 285 basis points in mid-December to around 220 basis points over their German bund equivalents.

The stability plan calls for cutting the deficit this year by four percentage points to 8.7 per cent of GDP through a mix of spending cuts and revenue increases, and by another 3 percentage points in 2011 and 2012.

EU experts visiting Athens last month to examine details of the stability plan proposed additional spending cuts, citing uncertainty about collecting additional tax revenues.

The government's first move to boost revenues came last month with significant hikes

announced in excise taxes on cigarettes and alcohol, which are expected to raise more than €710m.

The EU experts also expressed doubts about growth projections in the plan, which foresees the economy shrinking this year by 0.3 per cent on top of a 1.5 per cent contraction in 2009.

The plan forecasts a rebound in 2011 and 2012 with annual growth forecast at 1.5 per cent and 2 per cent.

Structural reforms are also a priority for cutting the deficit on a long-term basis and improving the Greek economy's competitiveness – among the lowest in the eurozone.

The government has brought forward its plans for overhauling the pension system, with a restructuring plan due to be completed in April rather than June.

The retirement age will be re-aligned at 65 for both men and women, while the number of state pension funds is likely to be reduced from 13 to three.

A new tax law, which aims at broadening the tax base and cutting down on widespread VAT evasion, will be presented to parliament next month, while legislation on implementing the EU services directive will be passed in the first half.

The government has also decided to push through legislation to open up closed professions, ranging from notaries to truck transport – a move that is expected to have an immediate positive impact on growth. ■