



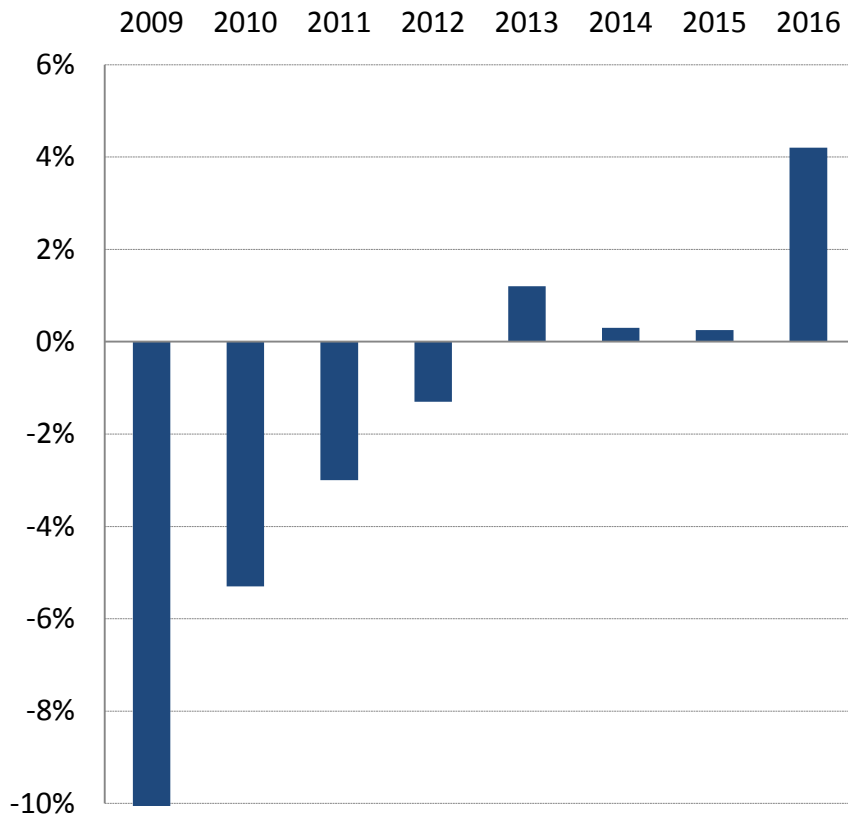
# Greece: a comeback to the financial markets. Are we near the finishing line?

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31 May 2017

# Fiscal and external adjustment

## General Government Primary Balance

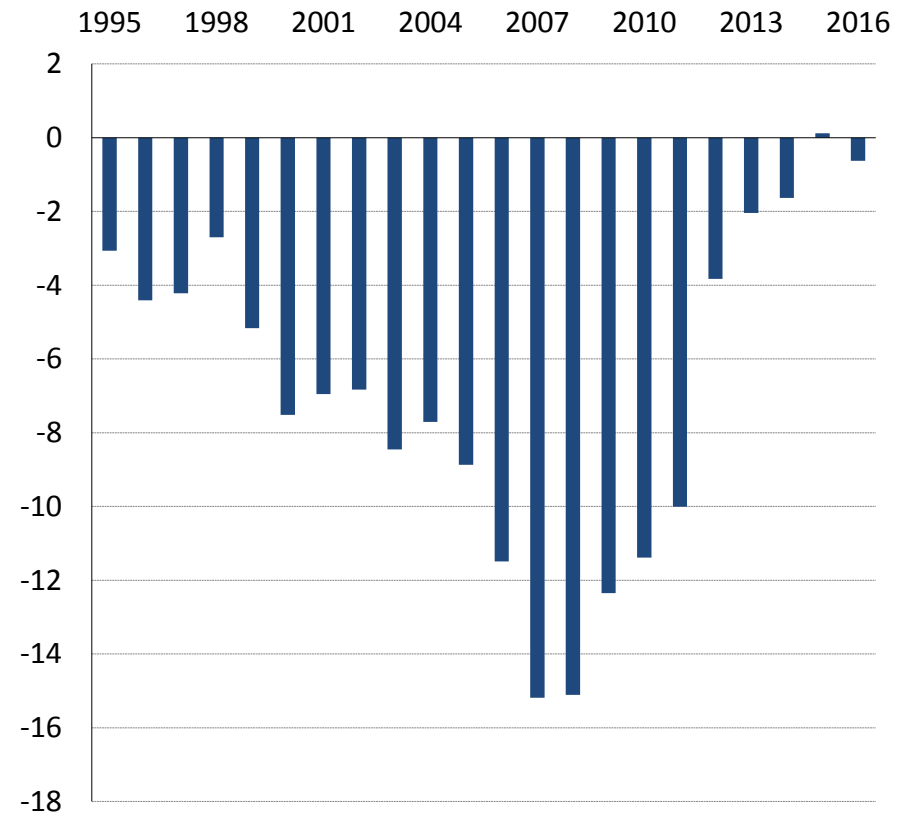
(% of GDP, programme definition)



Source: Ministry of Finance

## Current account balance

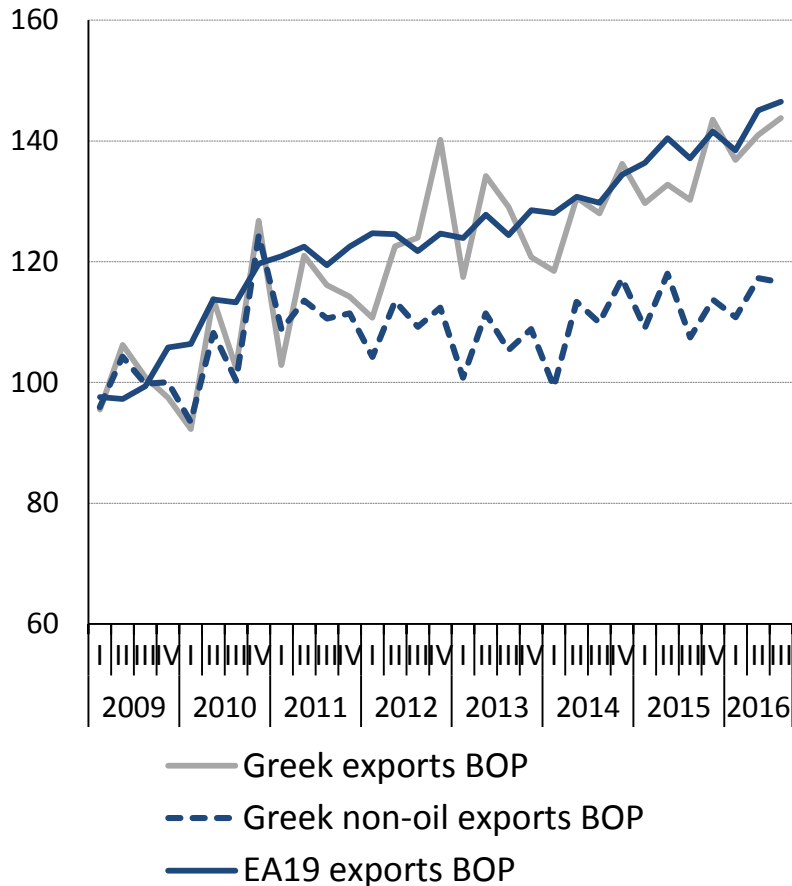
(% of GDP)



Source: AMECO

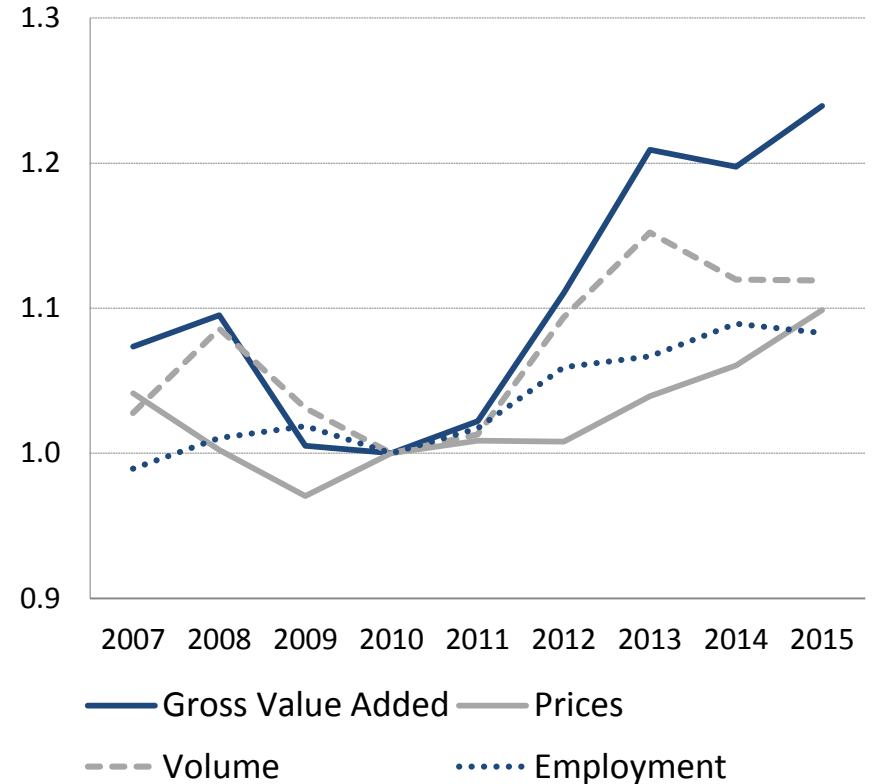
# Rebalancing the economy

**Real exports of goods**  
(index 2009=100)



Source: Bank of Greece (BoP statistics) and Eurostat (for EA19)

**Relative size of tradeable to non-tradeable sector**  
(index: 2010=1)



Note: Relative prices are based on (implicit) price deflators of value-added. Tradeables: agriculture, industry, business and financial services, telecommunications and services related to tourism (transport and accommodation and restaurants). Non-tradeables: else except public administration and non-market services.

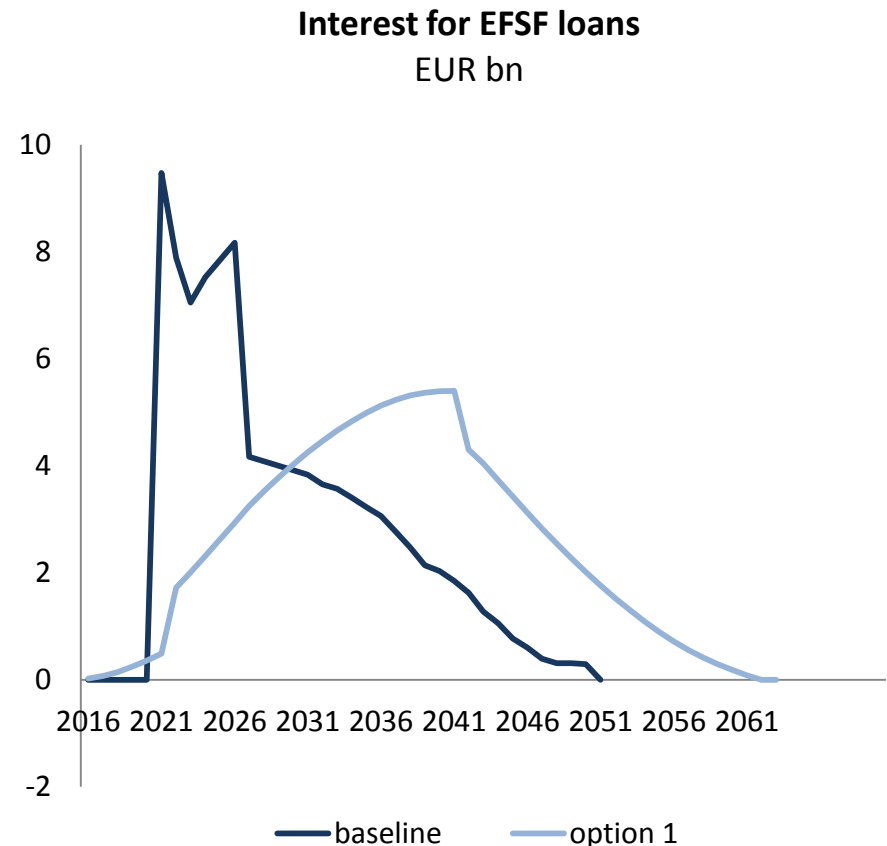
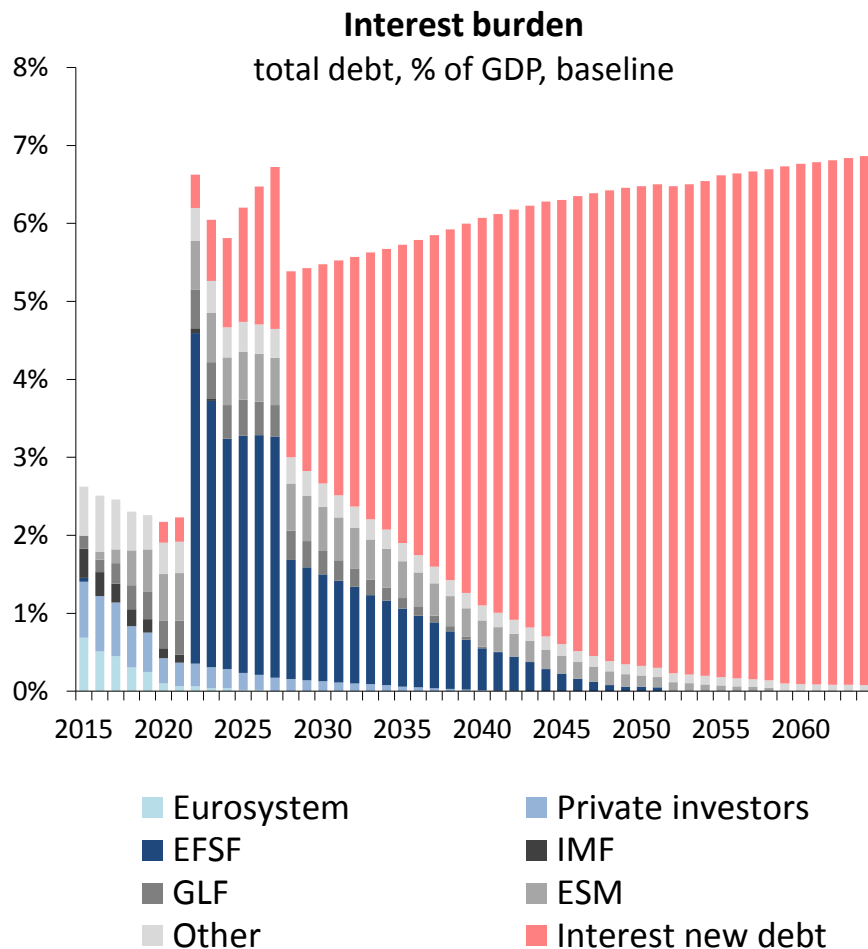
Source: Eurostat (National Accounts ESA 2010) and BoG calculations

# A sustainable comeback to financial markets

- Implementation of 2<sup>nd</sup> review reforms
- Further growth-enhancing reforms to boost exports and attract FDI
  - Business environment
  - High-skilled human capital
  - Private debt overhang
  - Fiscal policy
- Ensuring debt sustainability

# Mild debt relief exercise (Source: Bank of Greece)

- Option 1 defers interest for EFSF loans using the rule: interest due in year  $t$  is deferred to next 20 years in equal installments and capitalized. Weighted average maturity of EFSF interest payments increases by 8.5 years.



# Mild debt relief exercise

- **Baseline high surplus:** Primary surplus of 3.5% until 2027, gradual decline to 2% by 2037
- **Baseline low surplus:** Primary surplus of 3.5% in 2018-2020, 2% thereafter
- **Option 1:** Baseline low surplus + increase in WAM of interest payments for EFSF loans by 8.5 years (smoothing of €101 bn of projected interest payments to EFSF until 2060) + return of SMP and ANFA revenue from 2017 onwards
- **GDP growth:** 1.5% after 2022, 1.25% after 2029
- **Inflation:** 1.9% after 2019
- **Interest rates:** GGBs: 5%, ESM: gradual increase to 3.0% until 2021, 3.5% after 2027

