



**Ministry of Finance**  
**General Accounting Office**

# **The Current Situation of the Greek Economy**

Athens, April 11<sup>th</sup>, 2014

# Macroeconomic and fiscal developments

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- Recession weakened markedly in 2013, reaching -3.9%, slightly less pronounced than what was expected (-4.2%)
- Current account deficit has disappeared, with a surplus of 0.7% of GDP in 2013
- Fiscal targets were exceeded in 2013\*:
  - A primary surplus of 1.3% of GDP occurred for the first time in decades (the target was for 0% of GDP)
  - General Government deficit has been reduced to 2.6% of GDP (below the threshold of 3% of GDP)

\* European Commission, Fourth Review, March 2014

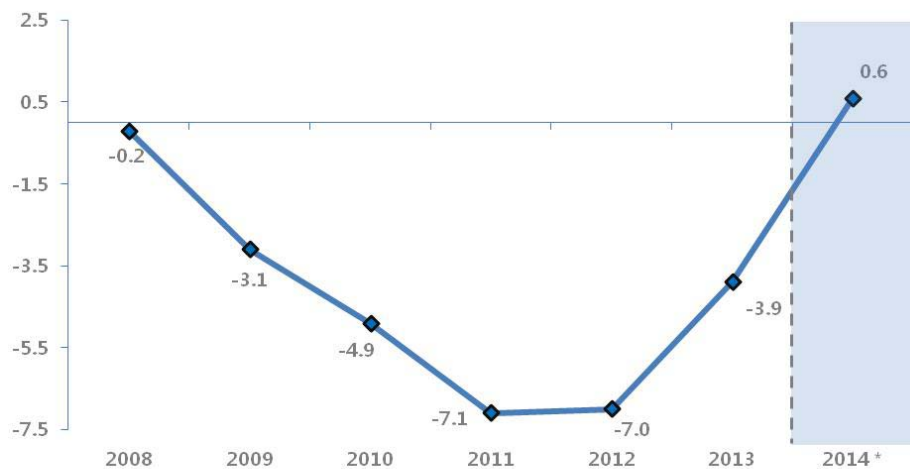
# Programme implementation

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- Financial sector conditions are steadily improving
  - Two out of the four systemic banks have successfully re-gained market access for capital increases
- The taxation system and the revenue administration have been greatly reshaped
- Significant progress has been achieved in public financial management
- Steps are being taken to reinforce the effectiveness of the privatization process
- The rationalization and modernization of the public administration advances further
- Substantial progress has been achieved in the reform of the pension system
- A comprehensive structural reform agenda is taking place in the health and energy sectors, the judicial system, the labor and product markets

# Recession is decelerating

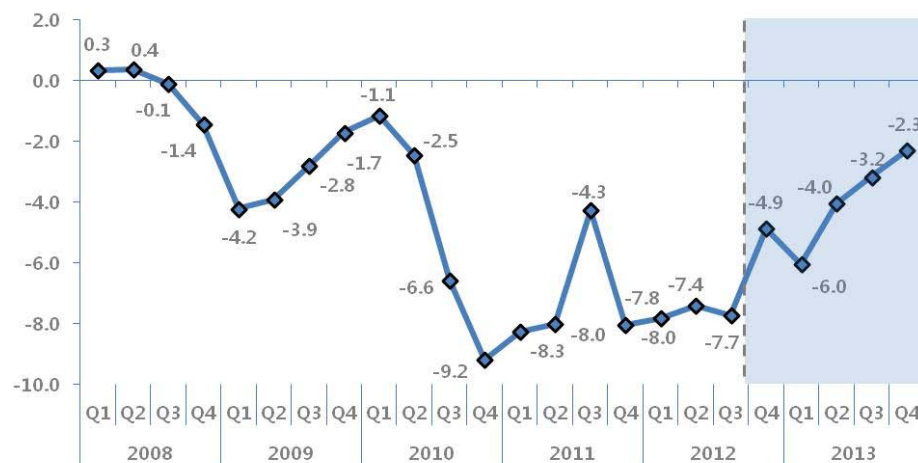
## GDP percentage change (y-o-y, 2005 prices)



Source: ELSTAT, Ministry of Finance

\*: Forecast

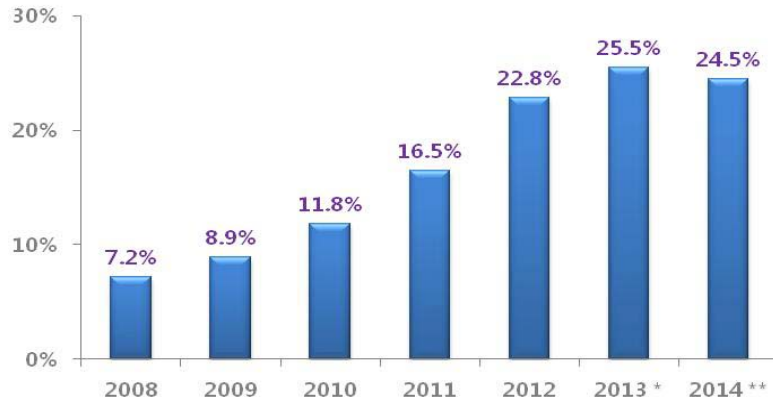
## Quarterly GDP percentage change (y-o-y, 2005 prices, non-seasonally adjusted data)



Source: ELSTAT, Ministry of Finance

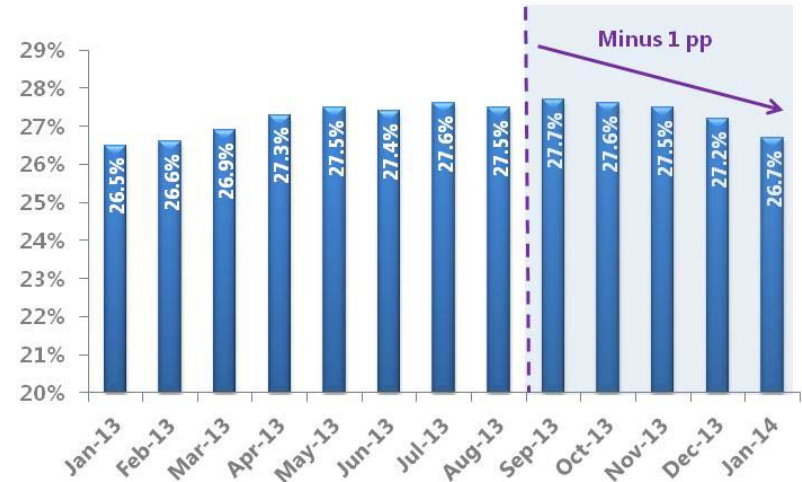
# Unemployment dynamics are slowing down

## Annual unemployment rate (%)



Source: Ministry of Finance, ELSTAT  
 \*: Estimation, \*\*: Forecast

## Monthly unemployment rate (%)



Source: ELSTAT

## Unemployed persons monthly rate of change (y-o-y, % change)



Source: ELSTAT

# Inflation is decreasing

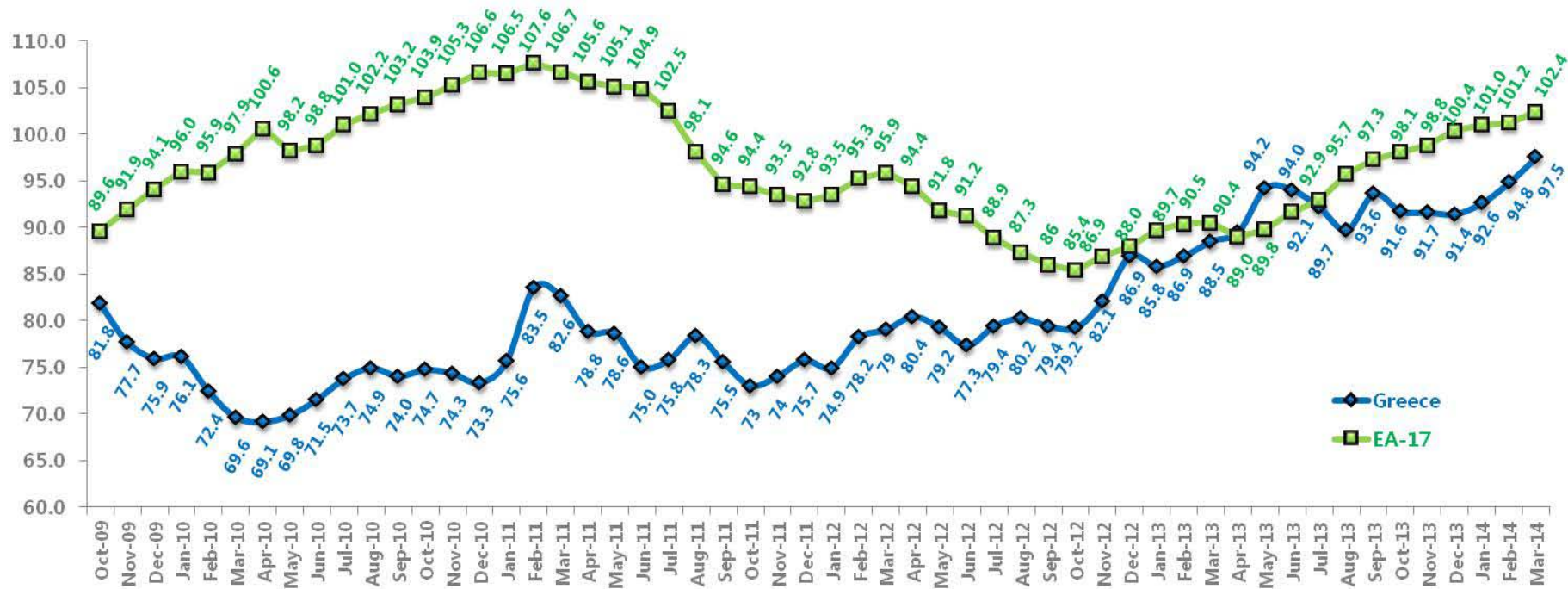
Harmonized index of consumer prices  
(Greece and EA-17, monthly data, y-o-y, % change, 2009-2014)



Source: ELSTAT, Eurostat

# Economic sentiment is improving

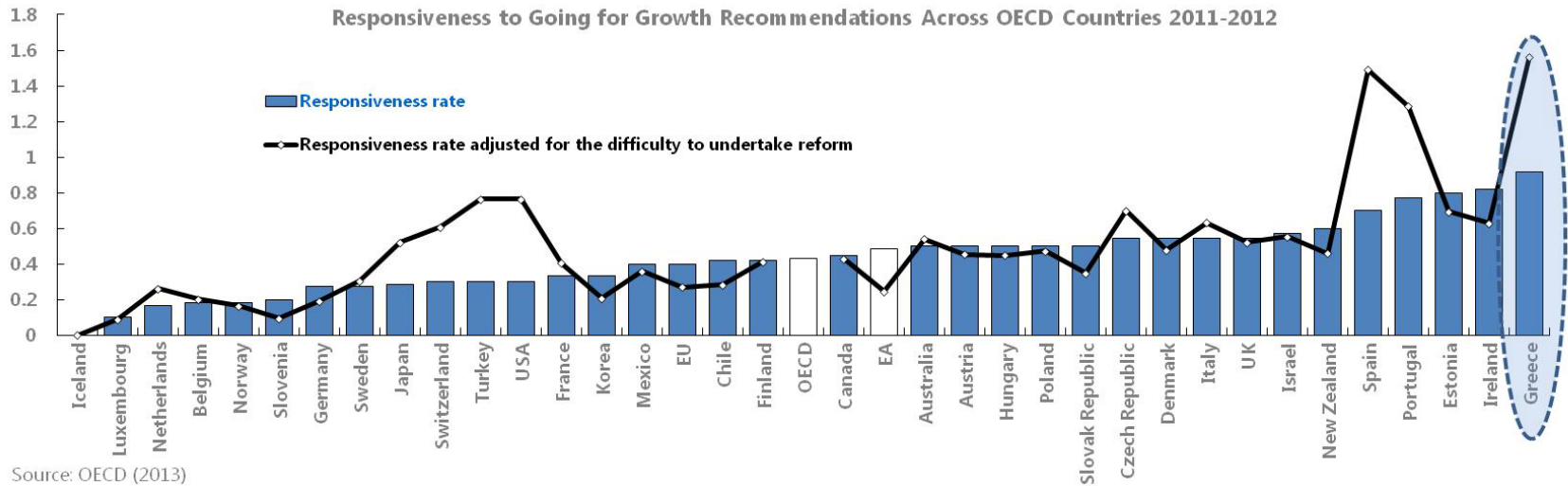
## Economic sentiment indicator (Greece and EA-17)



Source: European Commission

# Structural reforms are realized

## Change in responsiveness to “Going for Growth” recommendations across OECD countries, 2011–2012



Source: OECD (2013)

## No.1 in the Lisbon Council, 2013 Euro Plus Monitor, Adjustment Progress Indicator

Rank		Country	Total Score	External Adjustment	Fiscal Adjustment	Labour Cost Adjustment	Reform Drive
2013	2012						
1	1	Greece	8.6	6.8	9.6	8.3	10.0
2	2	Ireland	7.7	8.7	5.6	8.4	8.2
3	5	Spain	6.9	7.6	6.5	5.7	7.7
4	4	Portugal	6.7	7.1	6.7	5.3	7.7
5	6	Slovakia	6.3	7.7	7.2	4.9	5.5
6	3	Estonia	6.2	7.2	2.2	6.6	8.8
6	10	Cyprus	6.1	7.1	4.1	7.2	n.a.
8	7	Poland	5.0	5.4	6.2	2.2	6.1
9	8	Italy	4.6	4.4	6.5	2.5	5.2
10	12	UK	4.6	3.9	5.0	3.7	5.8
11	11	Slovenia	4.3	6.5	5.2	3.3	2.2
Euro Area 17			4.2	4.3	5.0	2.5	5.0



# Business environment is improving

## Remarkable improvements in certain areas

	2007	2008	2009	2010	2011	2012	2013
<b>World Bank</b>							
Ease of Doing Business	100	96	109	109	100	78	72
Starting a Business	152	133	140	149	135	146	36
Protecting Investors	158	150	154	154	155	117	80
Getting Credit	84	109	87	89	78	83	86
Dealing with Construction Permits	42	45	50	51	41	31	66
Registering Property	93	101	107	153	150	150	161
Paying Taxes	86	62	76	74	83	56	53
Trading Across Borders	65	70	80	84	84	62	52
Enforcing Contracts	87	85	89	88	90	87	98
<b>World Economic Forum</b>							
Global Competitiveness Index	65/130	67/134	71/133	83/139	90/142	96/144	91/148
<b>IMD</b>							
Overall Competitiveness			52	46	56	58	54
Economic Performance			52	48	58	58	59
Government Efficiency			53	54	56	58	56
Business Efficiency			49	45	53	56	47

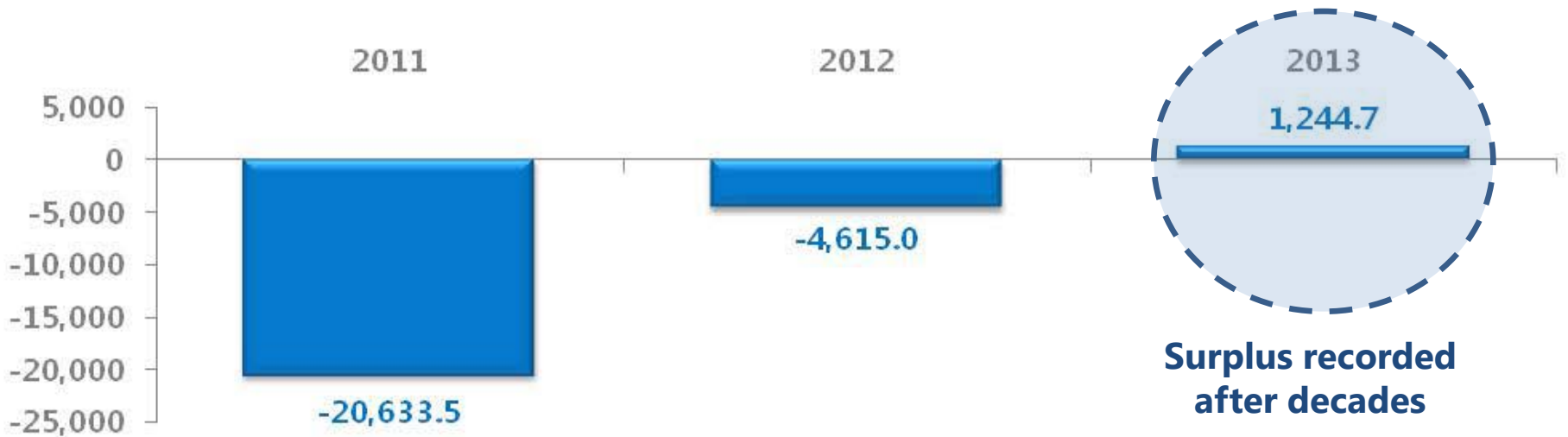
# Privatizations proceeds come in

## Receipts from privatizations (EUR million)

	Privatization	Total receipt	Already paid
<b>2011–2012</b>			
1	OTE 10% stock sale	392	392
2	Sale license to install and operate gaming machines (VLTs)	560	560
3	Contract extension between the Hellenic Republic and OPAP for 10 years	375	375
4	Granting rights to use radio frequencies in 900 MHz and 1800 MHz	381	317
5	Sale 2 Airbus aircrafts of ex-Olympic	16	16
<b>2013</b>			
6	Lease for 90 years of the building of the International Broadcasting Centre (IBC)	81	81
7	Sale of State Lottery licenses	770	190
8	Sale of selected real estate property abroad	41	27
9	OPAP 33% stock sale	652	622
10	DESFA	188	0
11	Sale and leaseback of selected public real estate	261	0
12	Other assets (real estate, stocks, etc.)	84	36
	<b>Total</b>	<b>3,801</b>	<b>2,616</b>

# Current account deficit has disappeared

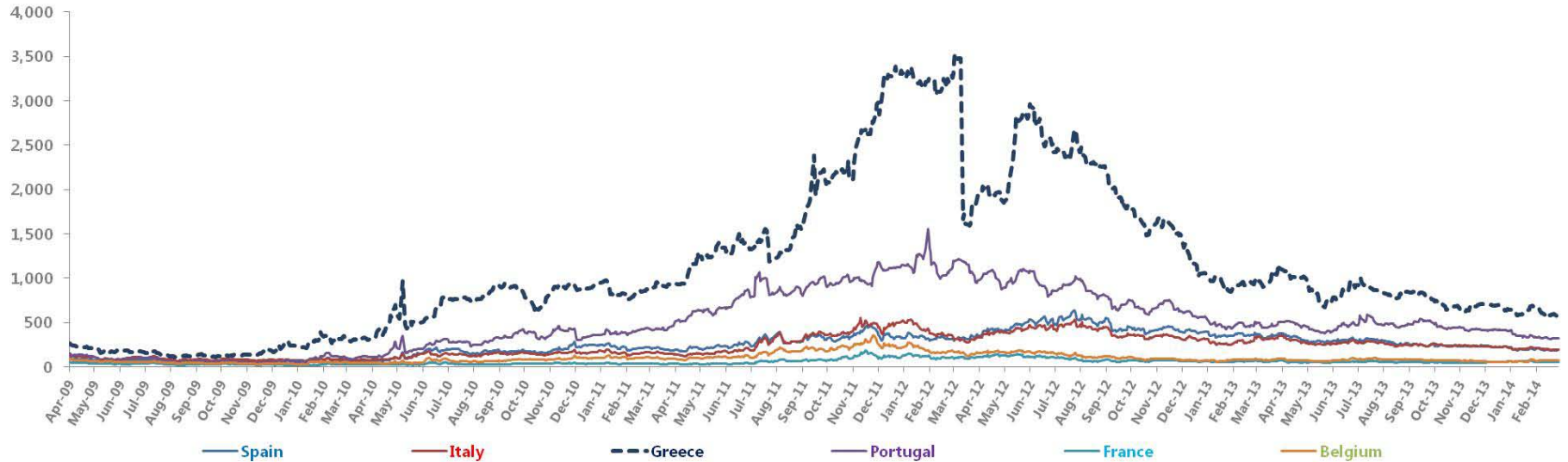
Current account balance, annual 2011–2013 (EUR million)



Source: Bank of Greece

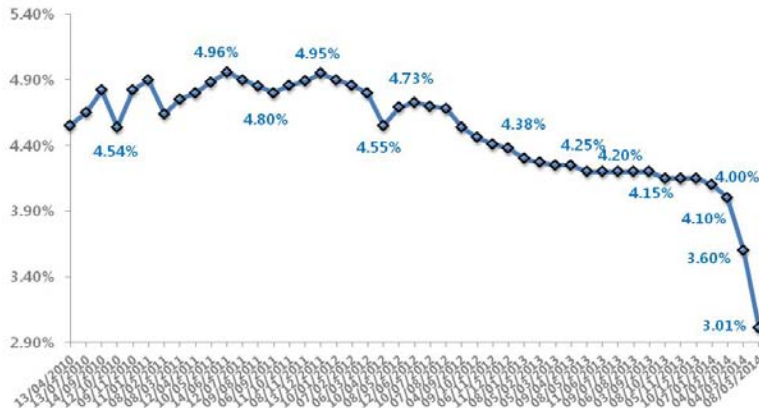
# Borrowing cost is decreasing

## 10Y GGB spread, 2009-2014



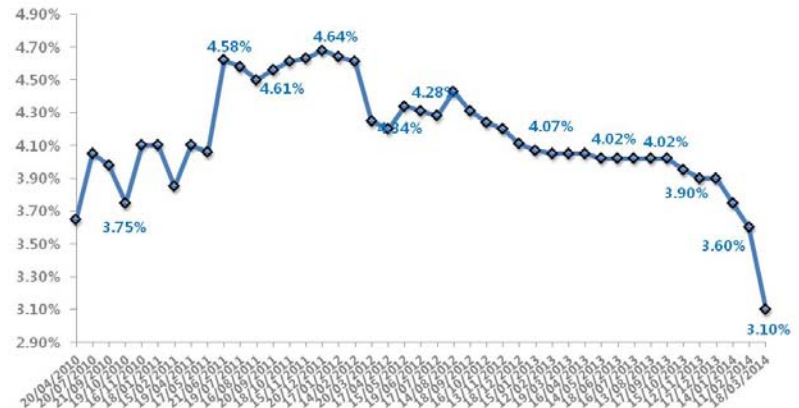
Source: Bloomberg

## 26W T-Bills yield



Source: Ministry of Finance

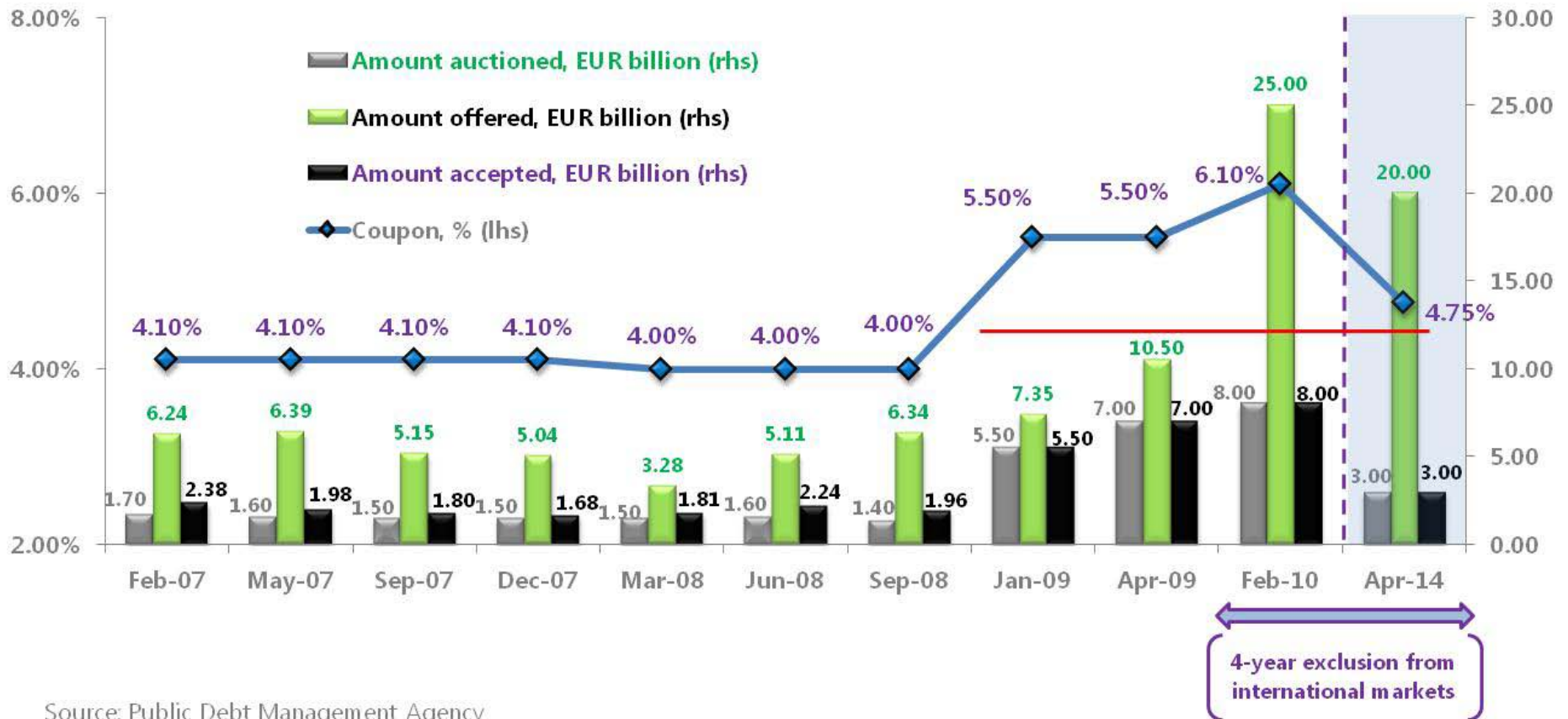
## 13W T-Bills yield



Source: Ministry of Finance

# Gradual market access successful after 4 years

## 5Y GGB issuance characteristics, 2007-2014



# Fiscal targets were met by a sizeable margin

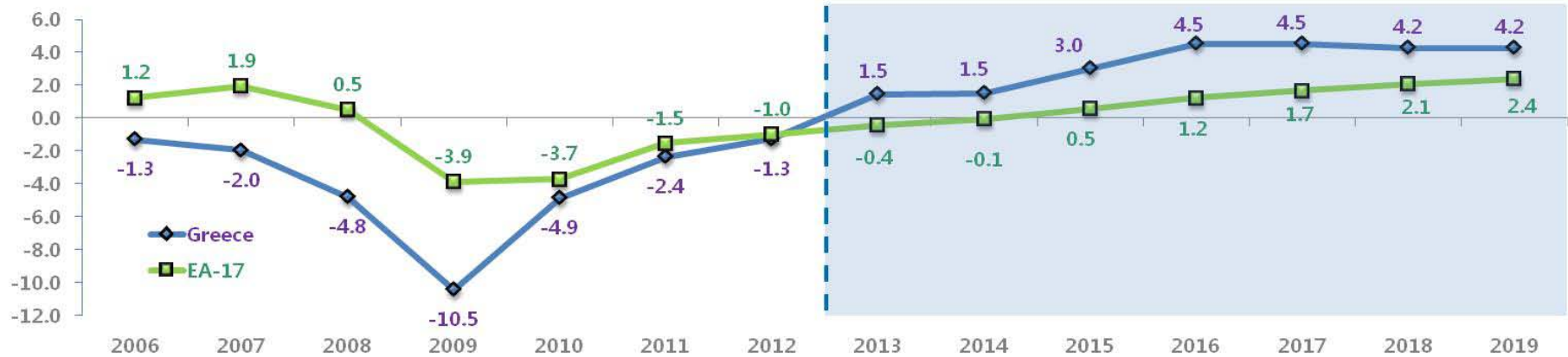
General Government balances for the period 2012–2014 (EUR billion and % GDP)

Economic Adjustment Programme methodology <sup>1</sup>	2012 Outcome	2013 Estimation	2014 Forecast
<b>General Government balance</b>	<b>-12.7</b>	<b>-4.7</b>	<b>-5.4</b>
<i>% GDP</i>	<i>-6.6</i>	<i>-2.6</i>	<i>-3.0</i>
<b>General Government primary balance</b>	<b>-3.0</b>	<b>2.4</b>	<b>2.7</b>
<b>(Economic Adjustment Programme targets)</b>	<b>(-2.9)</b>	<b>(0.0)</b>	<b>(2.7)</b>
<i>% GDP</i>	<i>-1.5</i>	<i>1.3</i>	<i>1.5</i>
<i>(Economic Adjustment Programme targets)</i>	<i>(-1.5)</i>	<i>(0.0)</i>	<i>(1.5)</i>

<sup>1</sup> European Commission, Fourth Review, March 2014

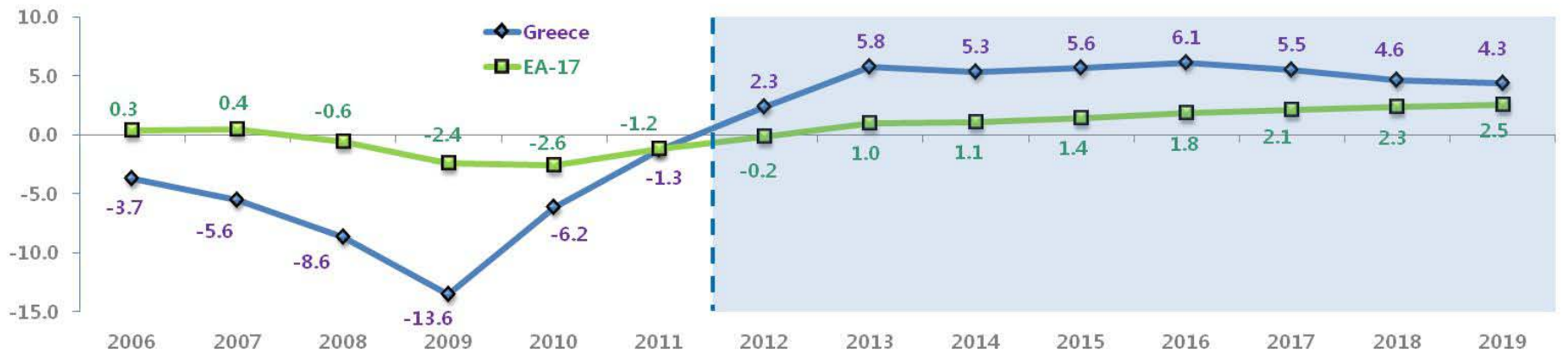
# Fiscal performance above Euro Area average

## Primary balance (Greece and EA-17, General Government, % GDP)



Source: IMF (Fiscal Monitor, Apr-2014)

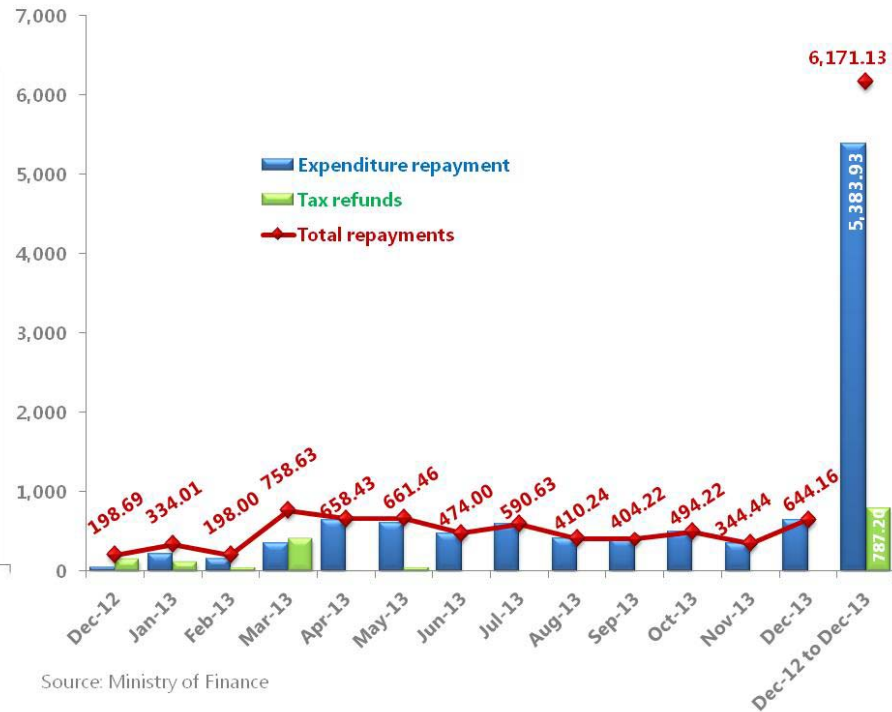
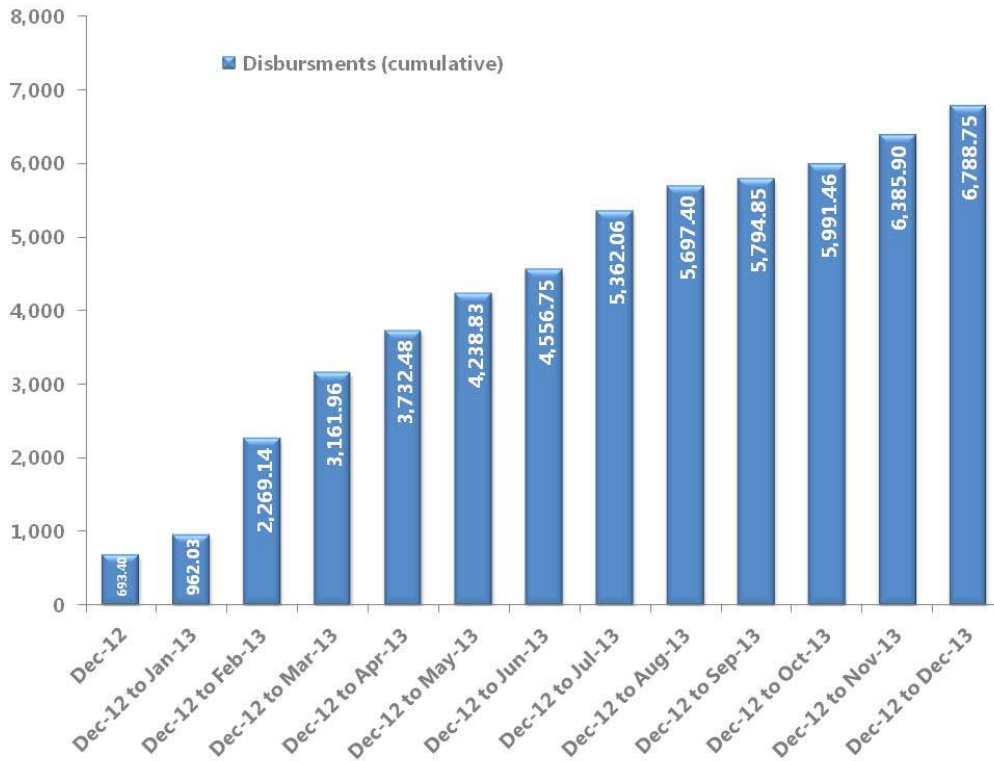
## Cyclically adjusted primary balance (Greece and EA-17, General Government, % GDP)



Source: IMF (Fiscal Monitor, Apr-2014)

# Arrears are being repaid

## General Government arrears repayment procedure (EUR million)

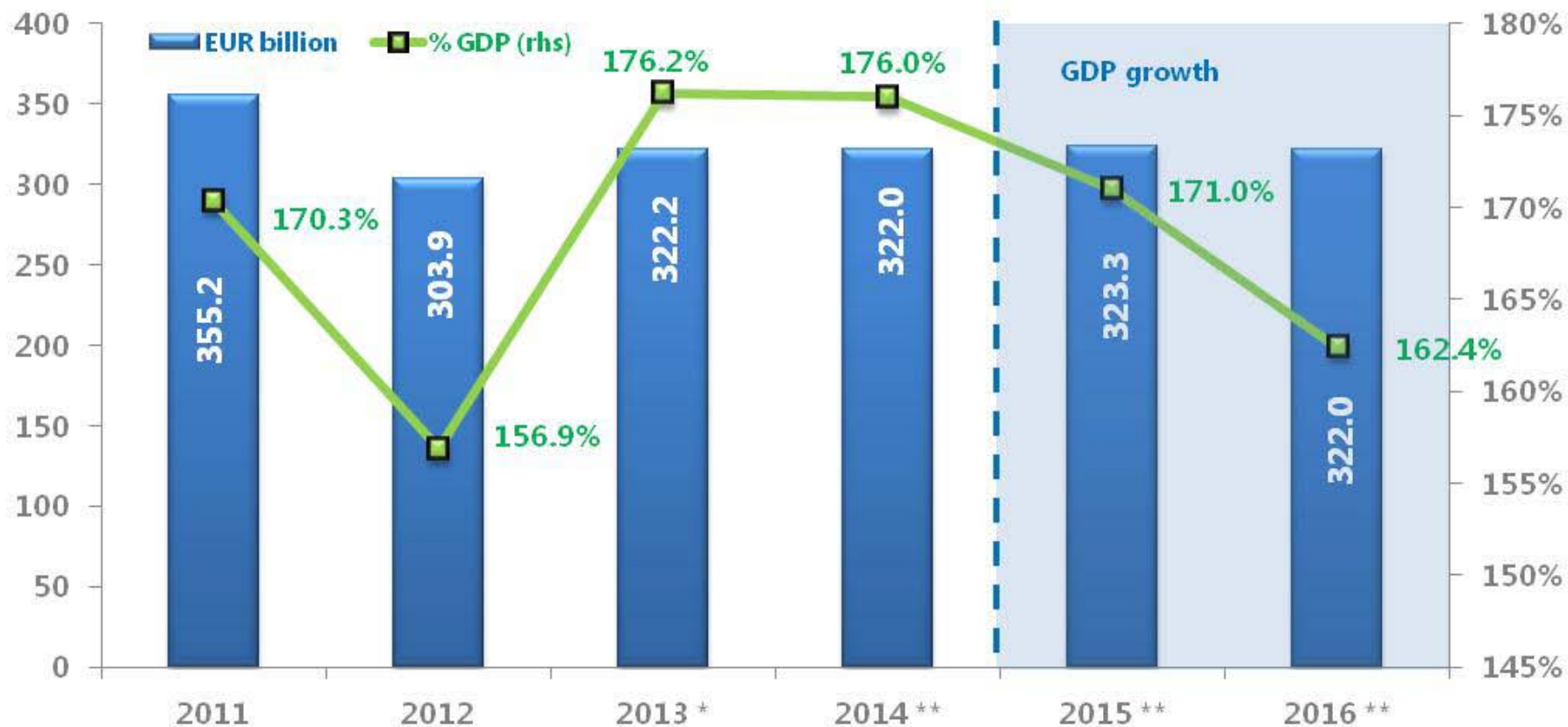


Source: Ministry of Finance



# Debt/GDP ratio is projected to decline

## General Government debt (EUR million and % GDP)



Source: European Commission, \*: Estimation, \*\*: Forecast

# Debt characteristics have improved

## Average residual maturity of Central Government debt

Date	Average maturity in years		
	Debt in EUR currency	Debt in other currency	Total debt
31.12.2010	7.21	3.34	7.14
31.12.2011	6.38	3,21	6.30
30.12.2012	15.72	2.36	15.29
30.09.2013	16.71	3.92	16.17

## Interest expenditure of Central Government debt (EUR million and % GDP)



Source: Ministry of Finance