

# Greece today: The Return of Optimism

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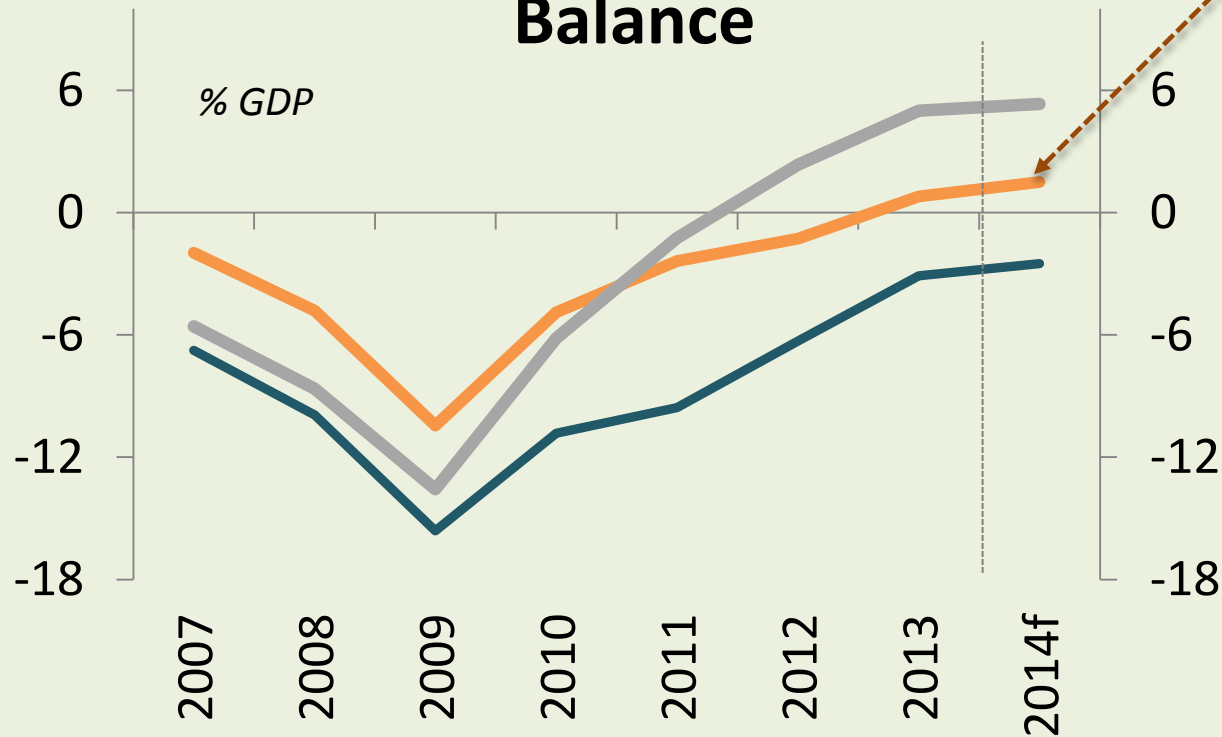
*National Bank of Greece*

# Why be optimistic?

1. Fiscal and external imbalances corrected
2. Growth returned, on a q-o-q basis. Soon on y-o-y basis
3. There is strong growth potential
4. Banks restored strength
5. Risks contained
  - Public Debt
  - Socio – political risks
  - Commitment to reforms

# Corrected Fiscal Imbalances

# General Government Fiscal Balance

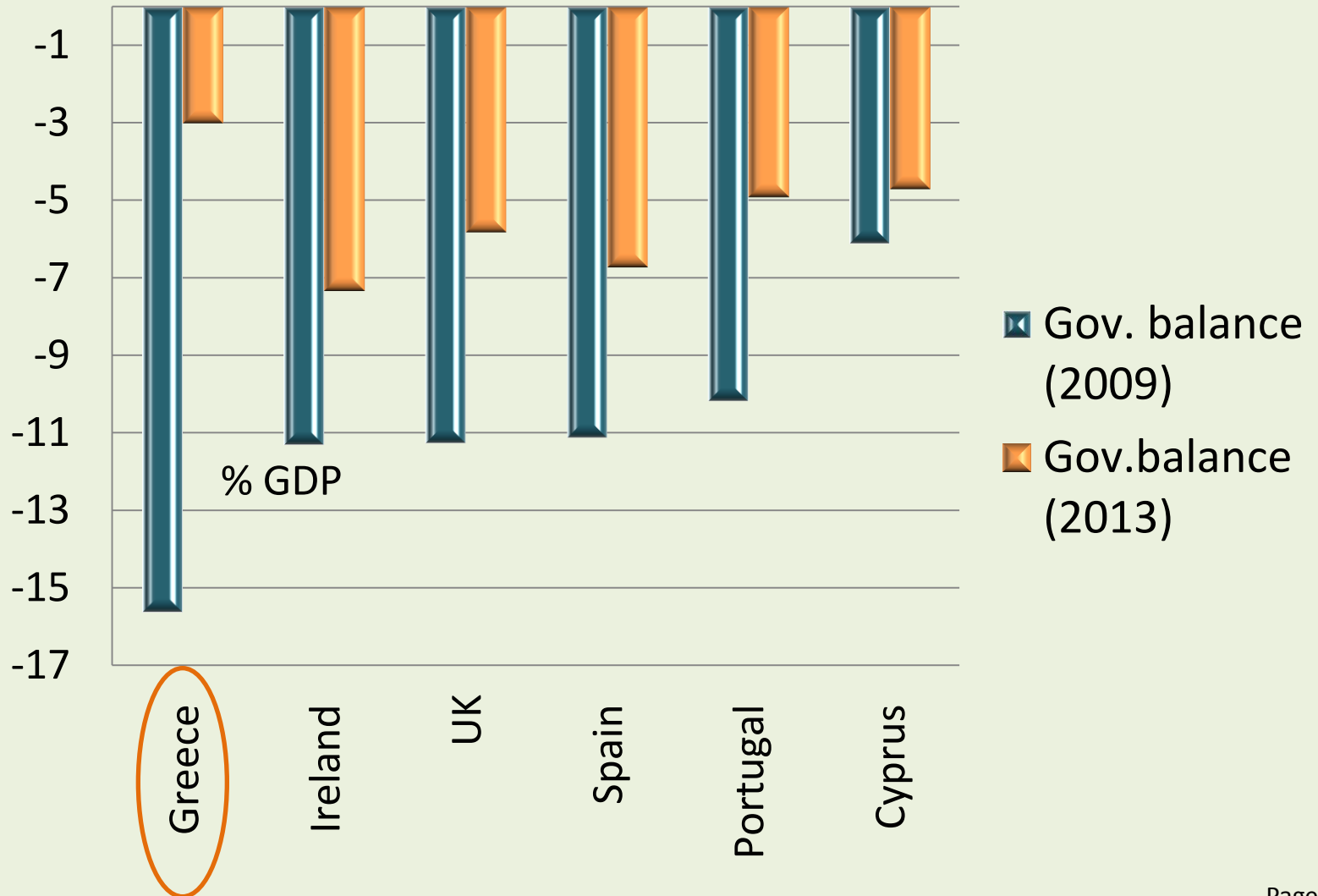


Primary surplus  
2013: 0.8% GDP  
and an over  
performance of  
0.5% of GDP at a  
State Budget  
level in 8M:2014

- Primary balance
- Cycl. adjusted primary balance
- Total G. Government balance

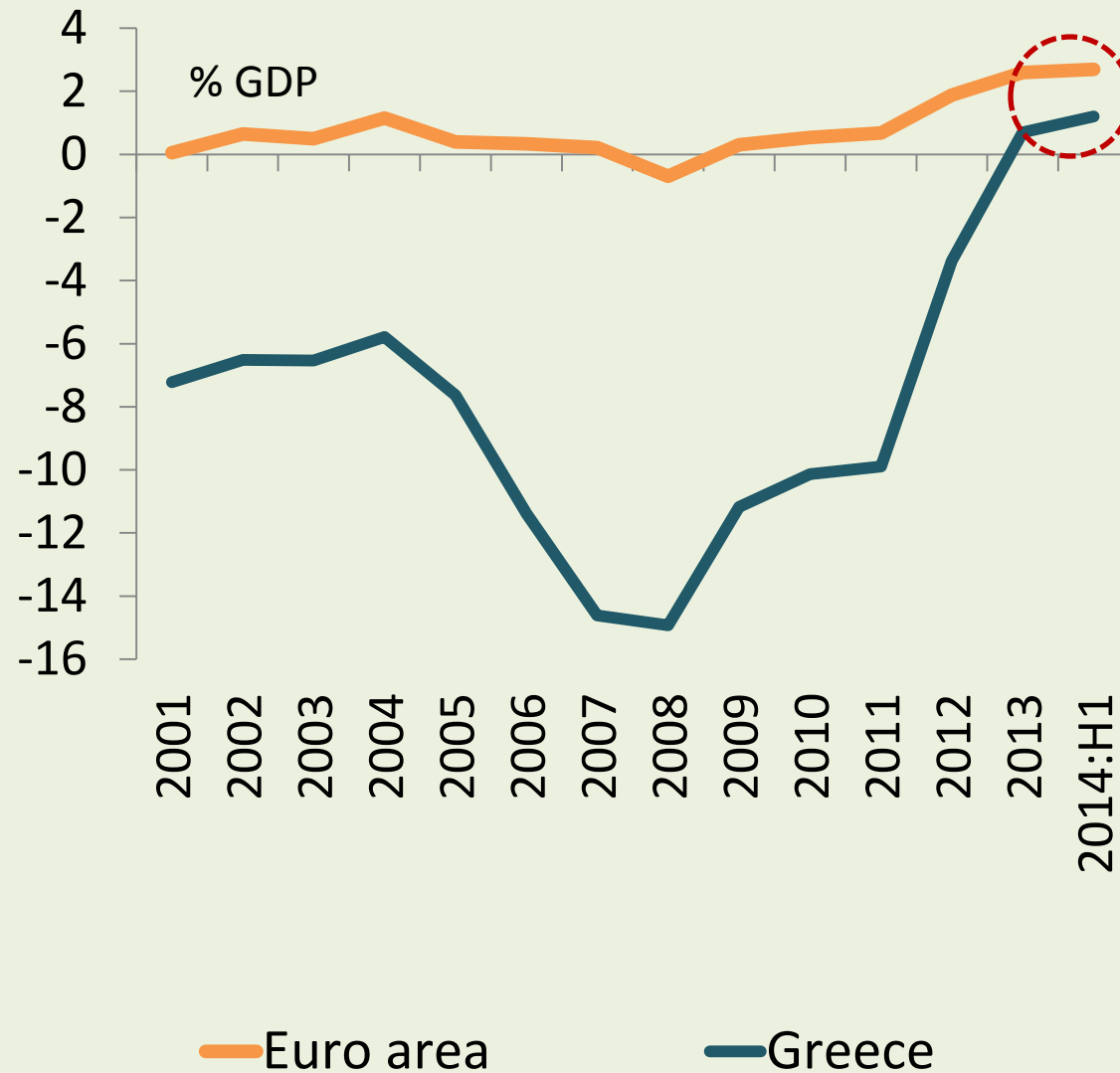
Source: IMF, MinFin

## Improvement in total fiscal Government balance

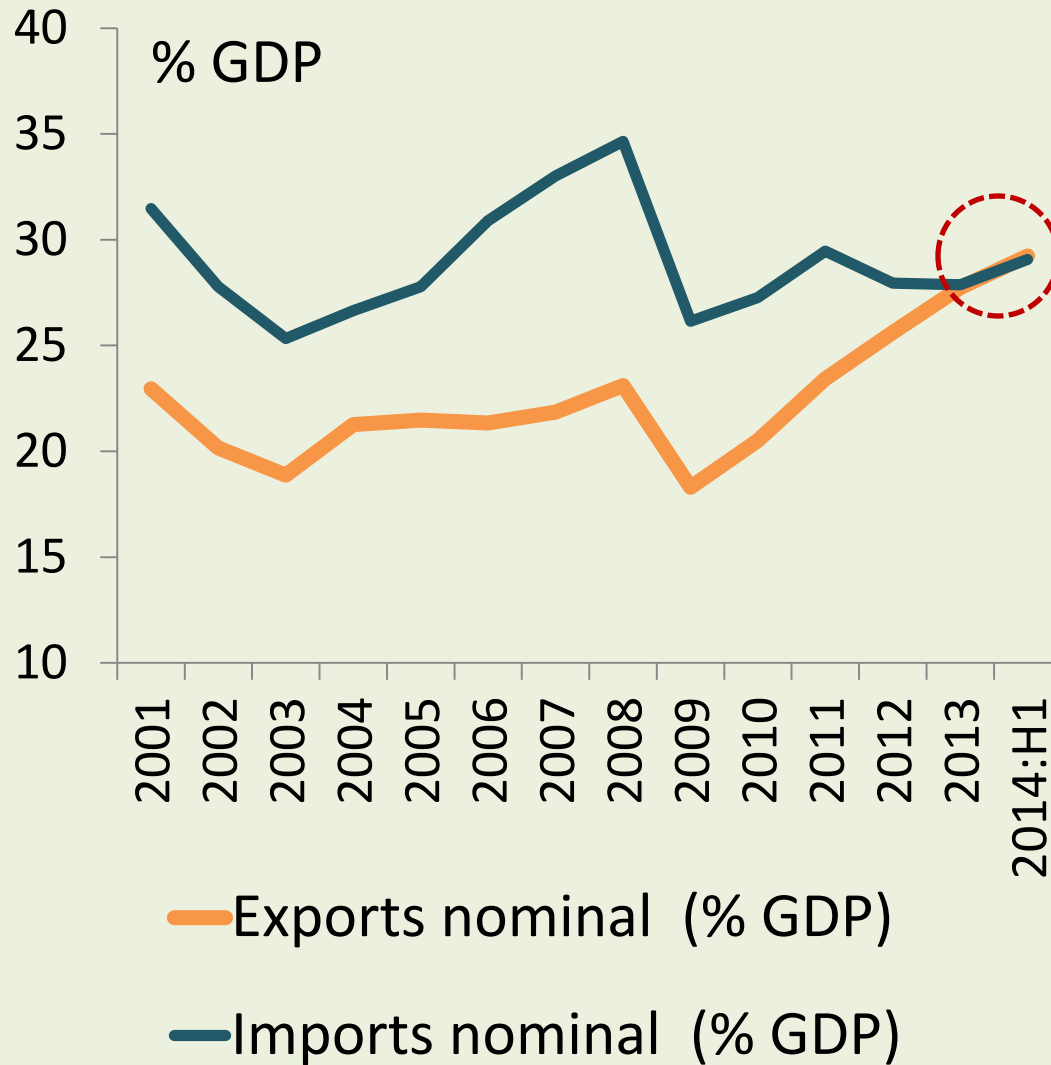


# Corrected External Imbalances

# Current account balance

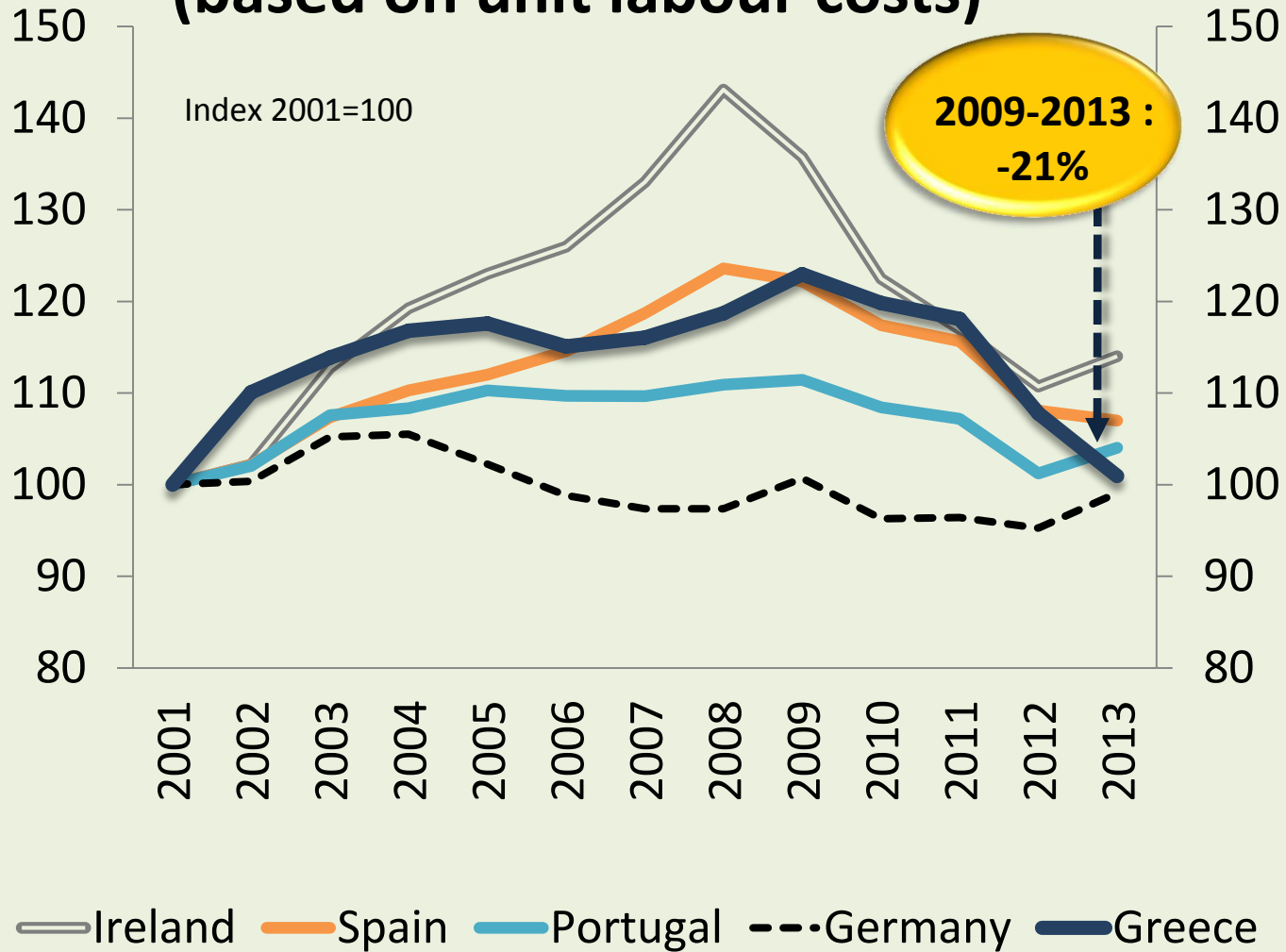


# Nominal exports & imports of goods and services



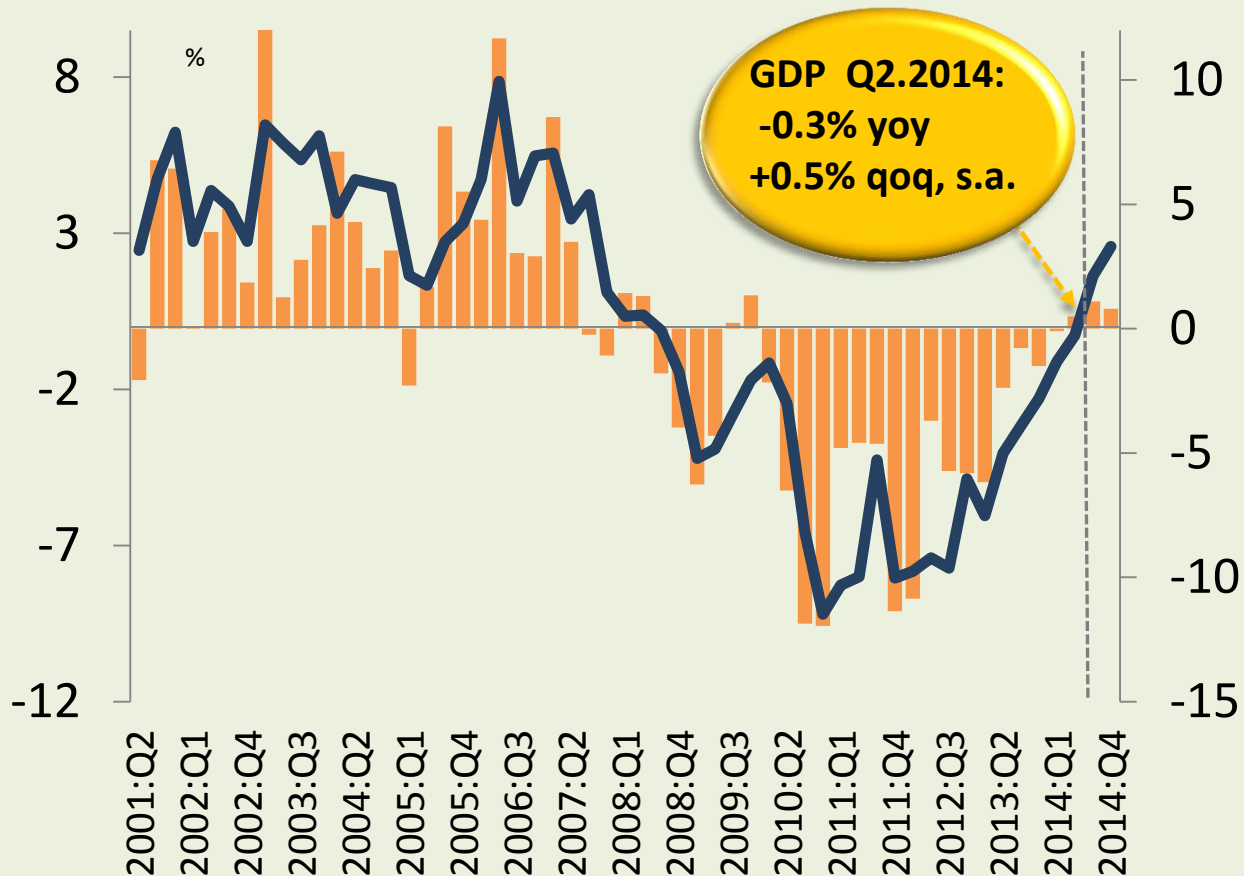


## Real effective exchange rate (based on unit labour costs)



# Return to Growth

## GDP growth - y-o-y and s.a. q-o-q



■ GDP (q-o-q, right axis)

— GDP growth (left axis)

## Why “+” in economic activity

- Uncertainly contained / confidence indicators rising
- Liquidity conditions improving
- Absorption of structural funds improving
- Better than expected tourism season
- Structural reforms working
- The crisis brought opportunities
- Hitting targets

Significant Growth Potential

## .... Significant growth potential

- Competitive advantage in a number of sectors
- Large development stock released by reforms
- Access to significant structural funds with minimal national contribution
- Significantly reduced labour cost
- Labour supply not a constraint to high long term growth rates

## Reforming for growth...

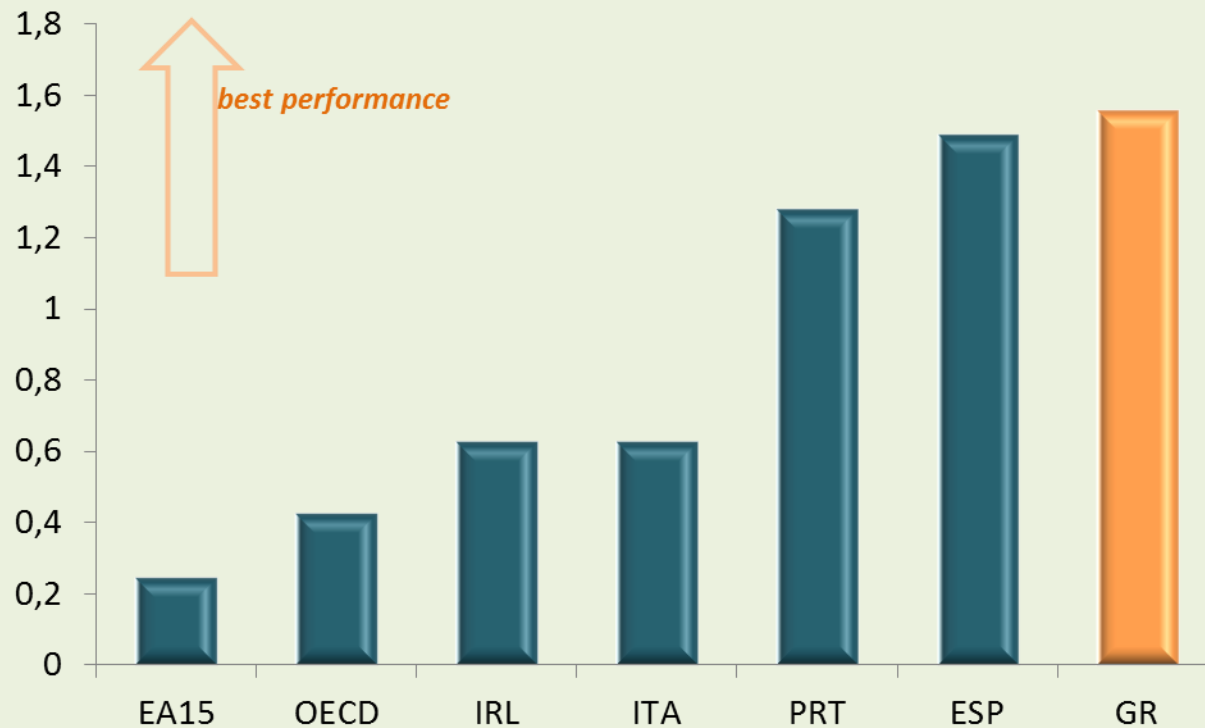
- ***“Adjustment Progress indicator”*** (Berenberg & Lisbon Council)
  - Greece ranks 1<sup>st</sup> in 2012 and 2013
- ***“Product Market Regulation”*** indicator (OECD) from 2008 to 2013
  - 5 positions improvement
  - Greece is the country with the biggest improvement

## Reforming for growth (continued)

- ***“Doing business”*** (World Bank) from 2009 to 2013  
improvement by
  - 97 positions in “starting a business”
  - 70 positions in “protecting investors”
  - 24 positions in the “ease of doing business”
  - 9 positions in “paying taxes”



## Responsiveness to OECD structural/growth-enhancing reforms recommendations (2011-13)



# Banks Restored Strength

## Restored strength through:

- Surviving one real and two “virtual” stress tests
- Consolidating/exploiting synergies
- Cost cutting (including significant reduction in the cost of deposits)
- Two rounds of capital rises
- Implementing restructuring plans

# Well equipped to address remaining challenges:

## ➤ ECB stress tests

- ✓ the more the dynamic elements in the test the better
- ✓ significant capital buffer/more in Restructuring Plans

## ➤ NPLs

- ✓ still rising but decelerated
- ✓ provisions coverage > 50%
- ✓ capital buffer (CET1 > 16%, CRD IV > 10%)
- ✓ capital actions in Restructuring Plans
- ✓ collateral in NPLs
- ✓ economy starts growing
- ✓ profitability improving
- ✓ HFSF buffer funds

## Key Risk Factors Contained

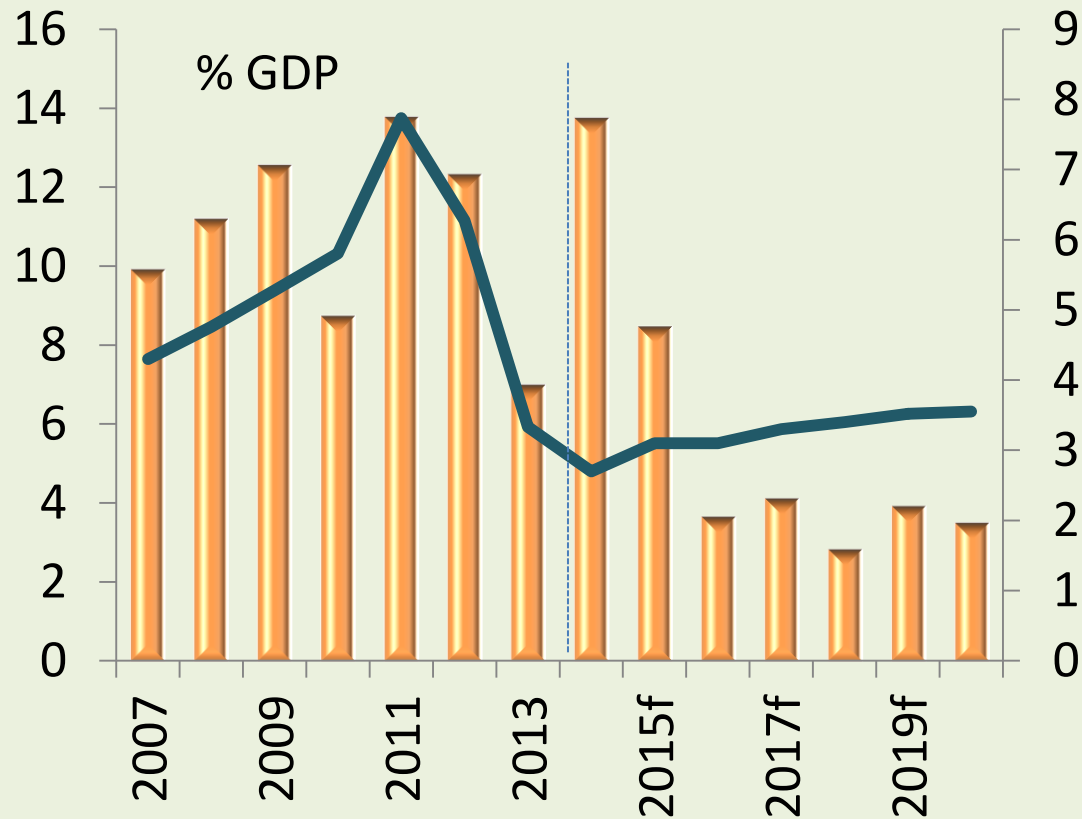
- **Social and political stability**: remarkable resilience despite high cost of adjustment
- **Commitment to reform**: breaking taboos
  - Severe cuts in wages/pensions
  - Labour market flexibility
  - Dismissing public sector employees
  - Attacking vested interests (closed professions etc)
  - Privatisations

# The unique characteristics of the Greek debt

High nominal debt but:

- ✓ In NPV terms Greek debt is far more manageable
- ✓ Average residual maturity of Greek debt exceeds 16½ years.  
(2.5 times longer than the euro area average)
- ✓ Redemption profile and debt servicing costs reasonably low until 2022
- ✓ 87% of Greek public debt is currently held by the “official sector”
- ✓ Even “soft/indirect” types of OSI strengthen long-term debt sustainability
- ✓ Significant growth potential
- ✓ Privatisations

## Public Debt: Interest payments and redemptions



Redemptions (left axis)

Interest payments (right axis)



## Summarising...

- ✓ economy fiscally stabilised
- ✓ external imbalances fixed
- ✓ economic recession turned into growth
- ✓ public debt characteristics are unique
- ✓ potential growth is significant
- ✓ banking sector restored strength
- ✓ remaining risks are contained

Thank you  
for your attention