

Greece today:  
A Collection of Positive Signs

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...Today the Greek economy means:

**1.... the achievement of three positive signs:**

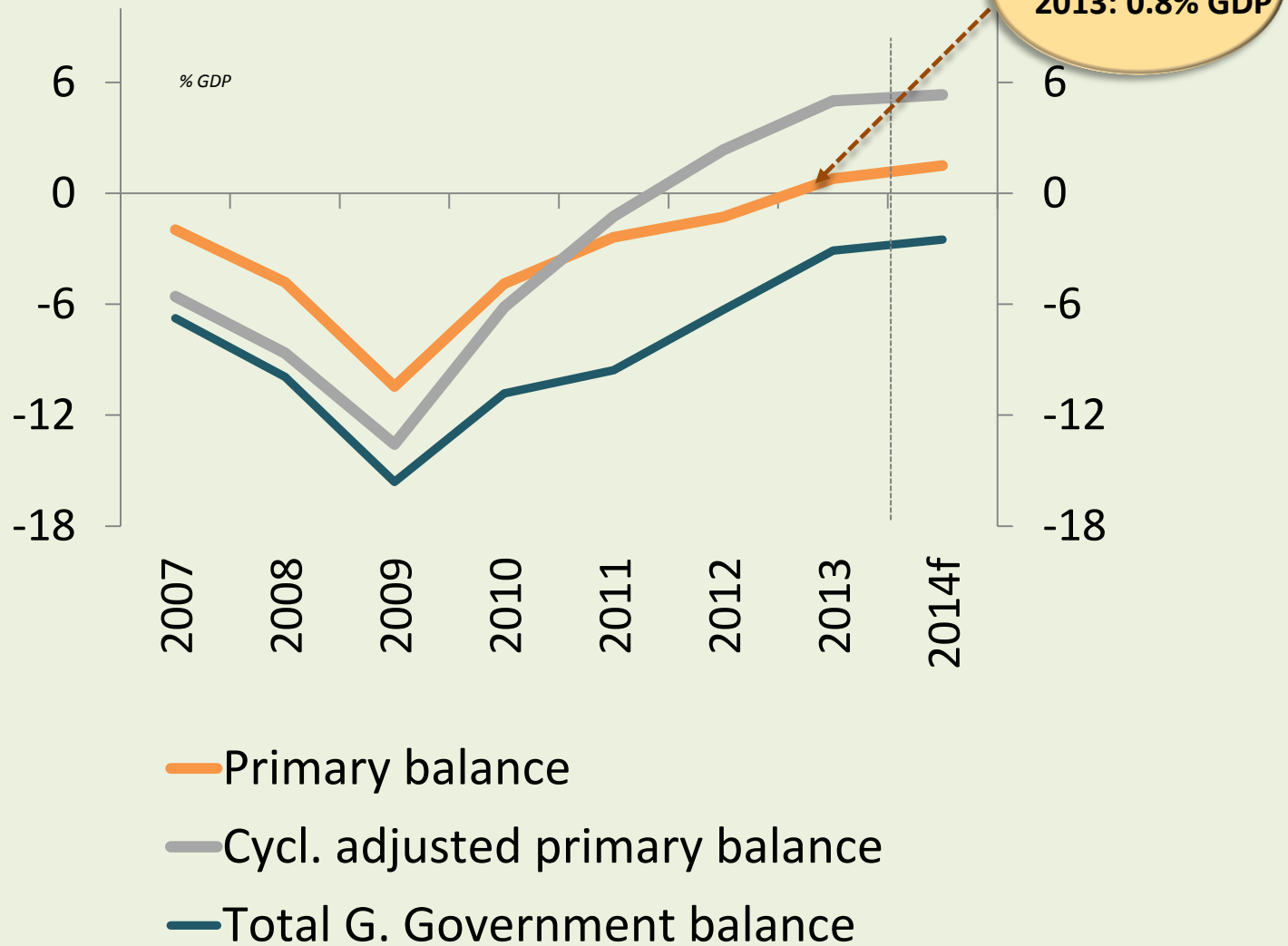
- ✓ fiscal deficits turned into surpluses
- ✓ external deficits turned into surpluses
- ✓ economic recession is turning into growth

**2... positive prospects on four critical issues going forward:**

- the public debt
- the potential growth
- the banking sector
- the remaining risks

“+” in fiscal imbalances

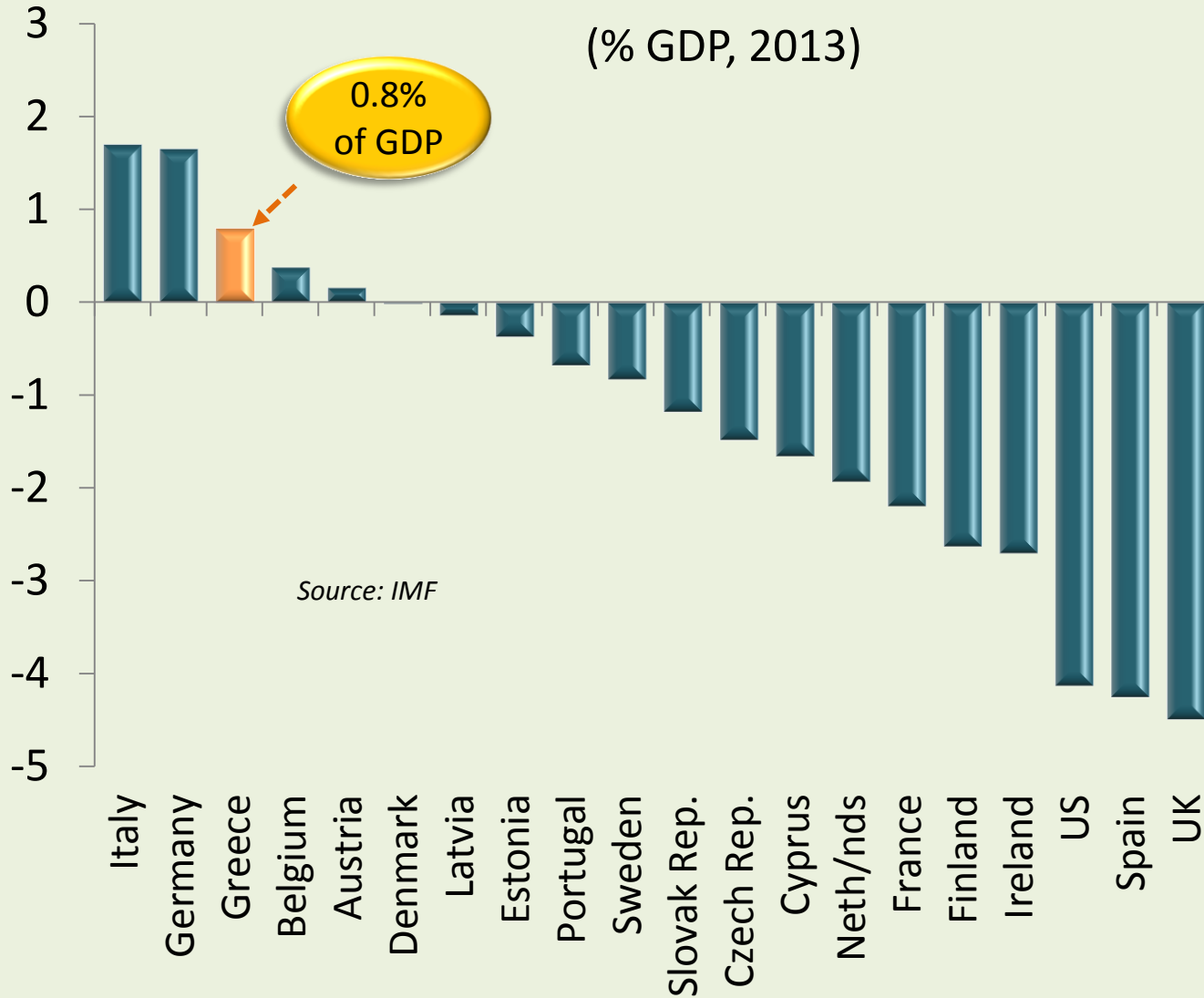
# Fiscal Balance



Source: IMF

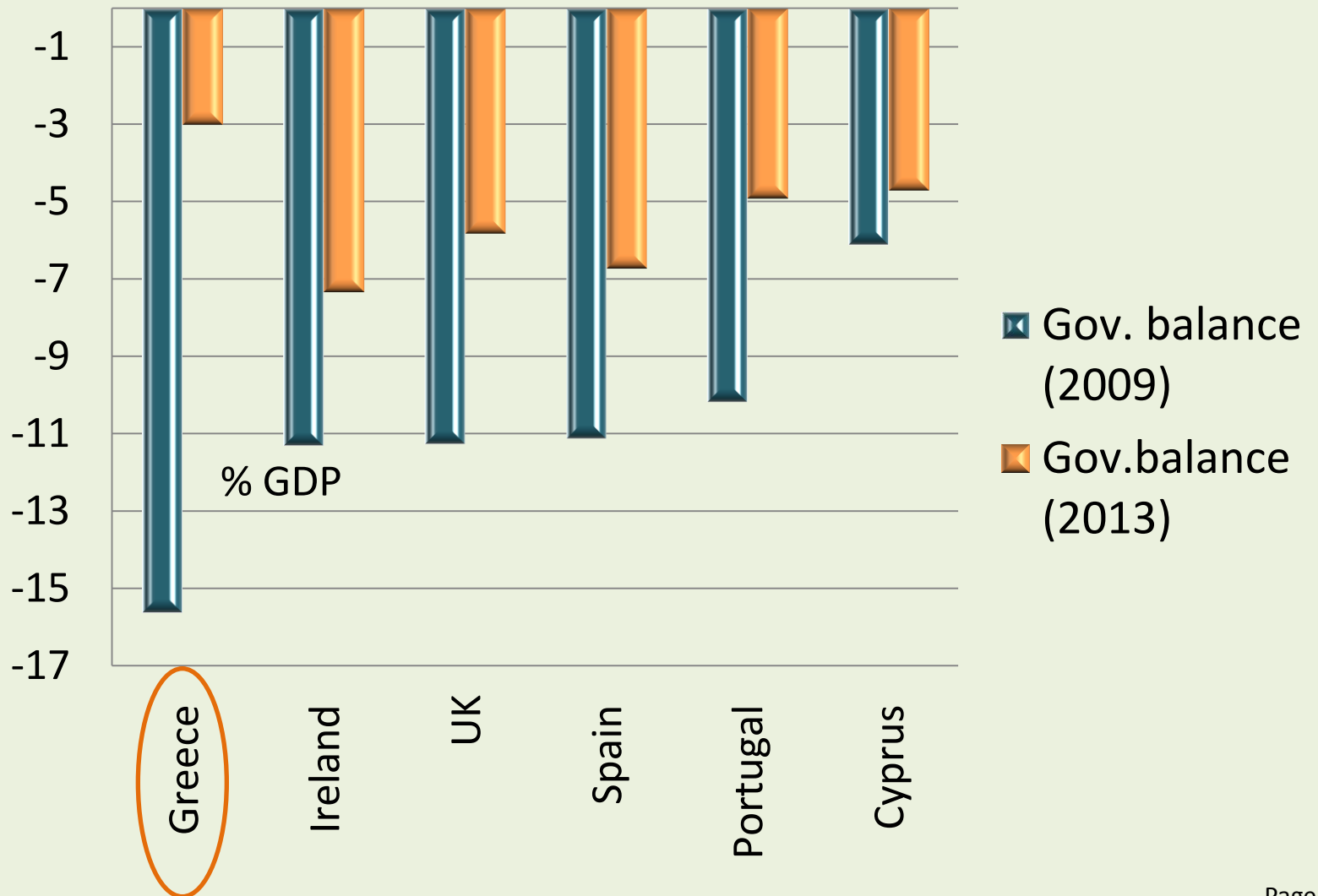
# Primary fiscal balance

(% GDP, 2013)



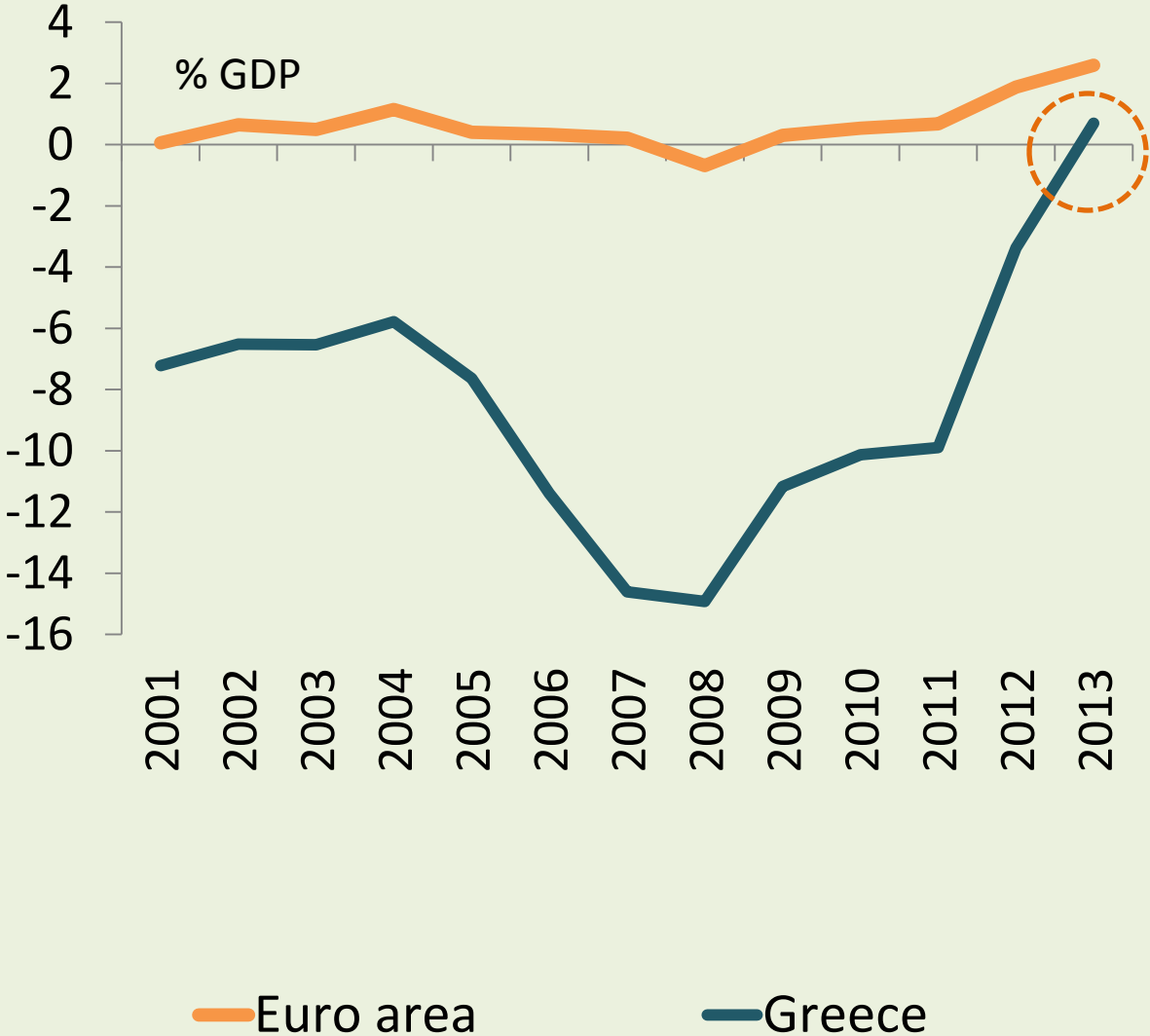
Source: IMF

# Improvement in total fiscal Government balance



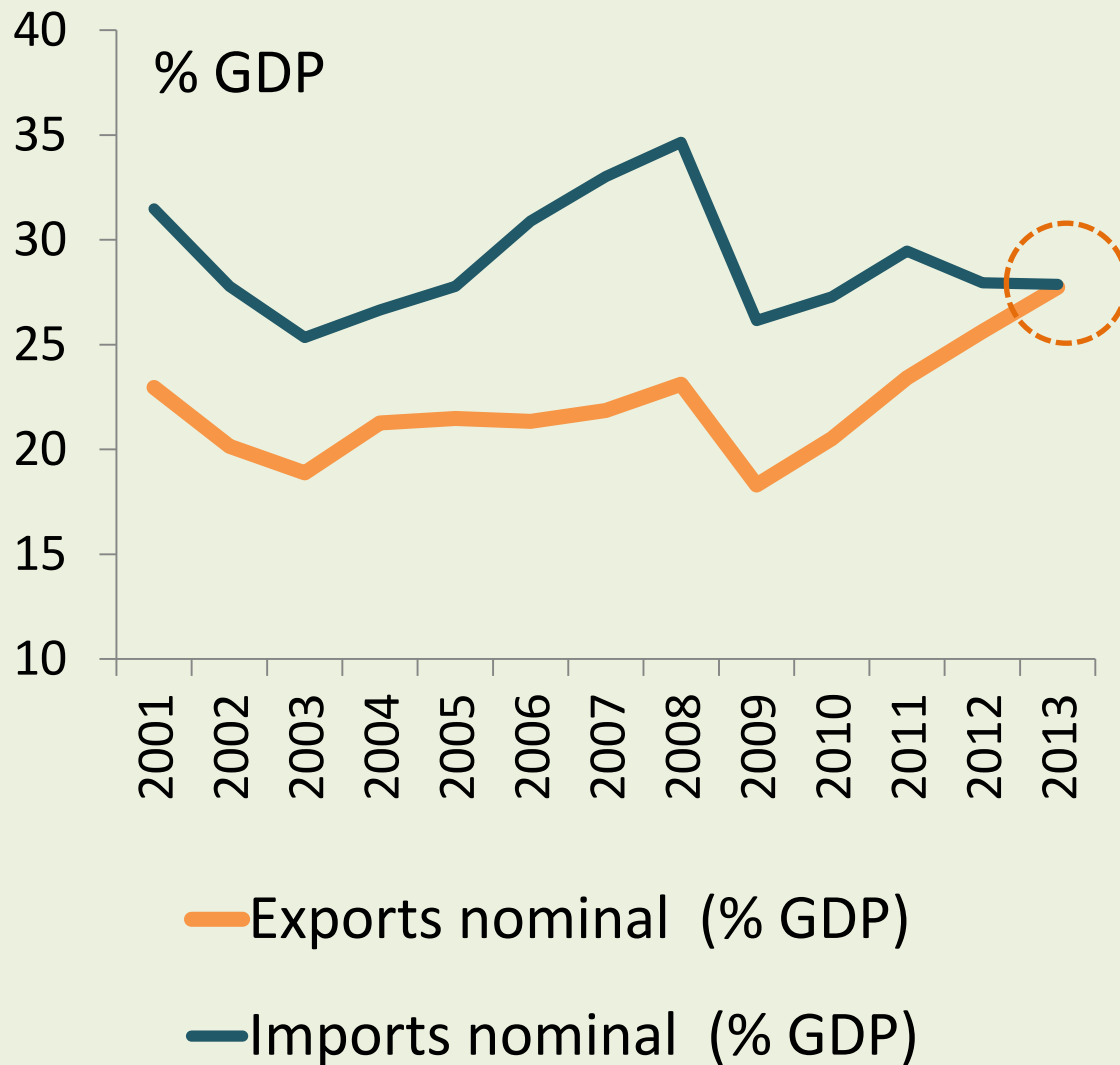
“+” in external imbalances

# Current account balance

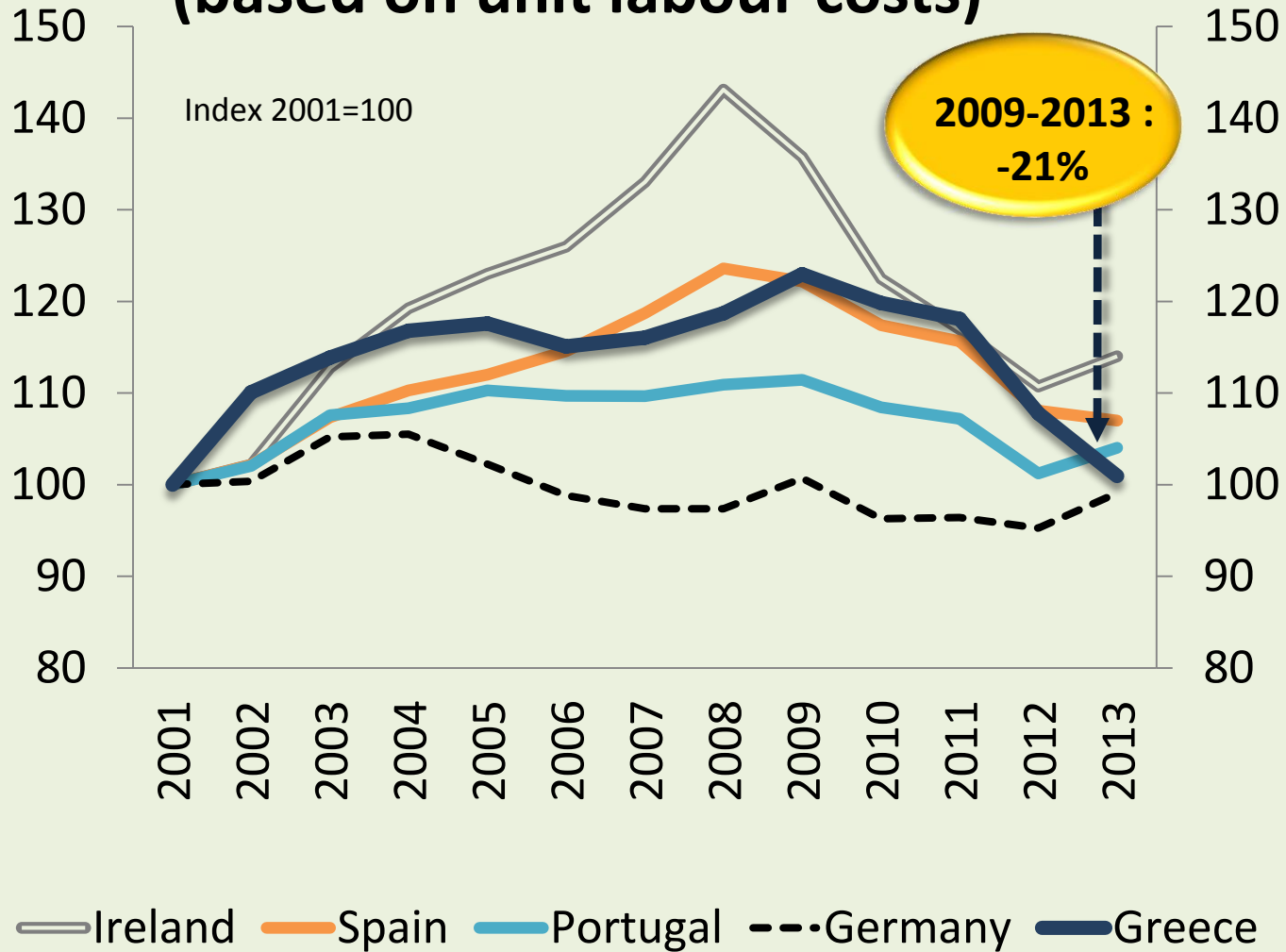




# Exports & imports of goods and services



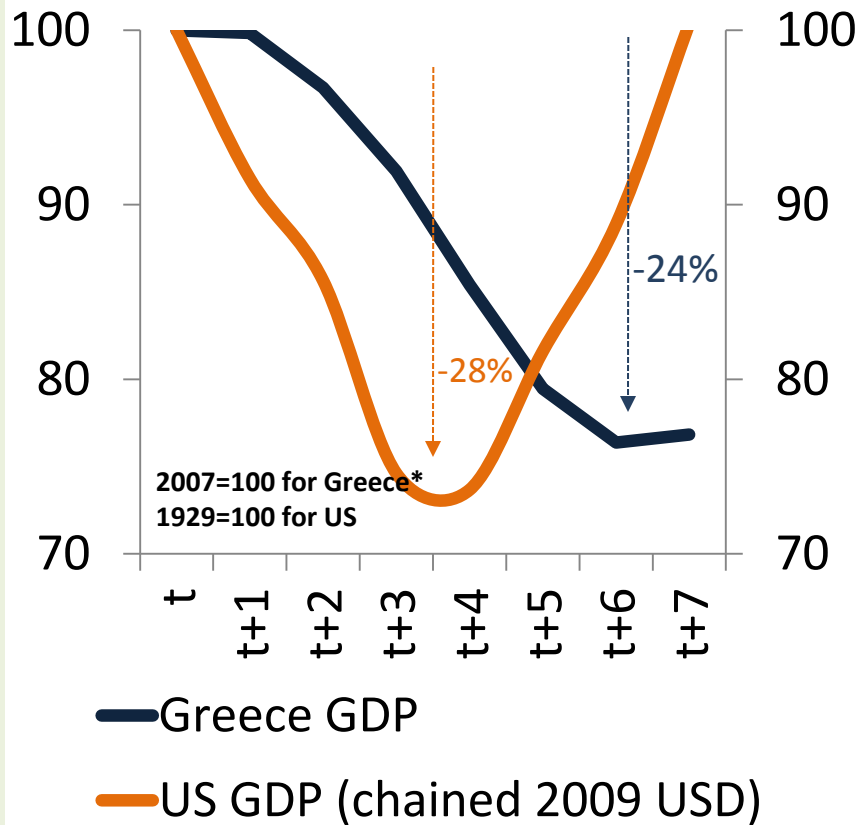
# Real effective exchange rate (based on unit labour costs)



...but, huge adjustment was done  
at high cost

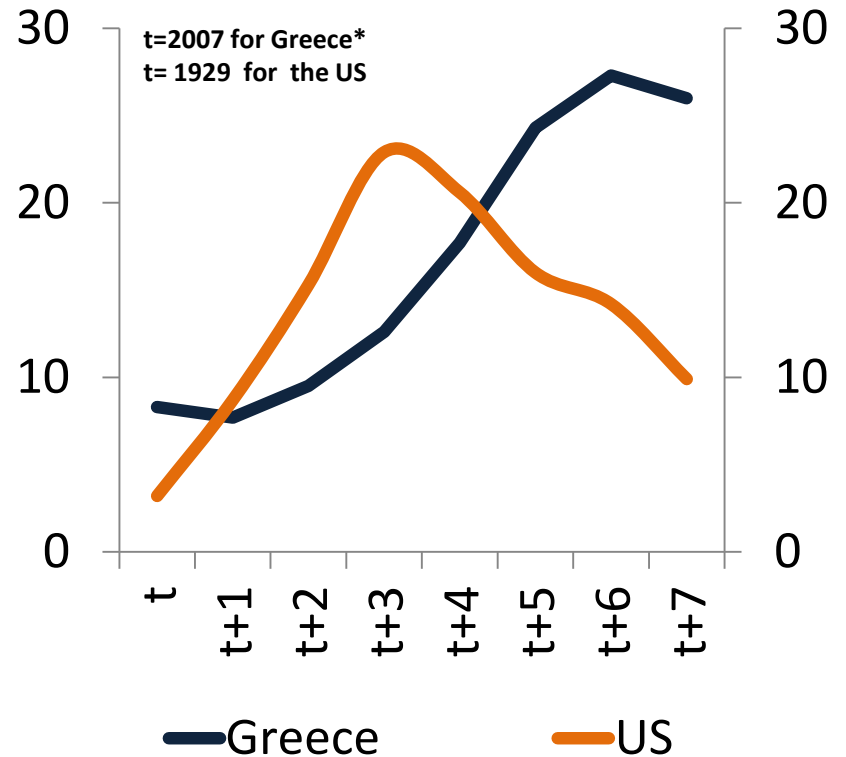
# Greece went through its own “Great Depression”

## Real GDP contraction Greek



Source: ELSTAT, US BOA      \*t+7 corresponds to 2014 est. for Greece

## Unemployment rate

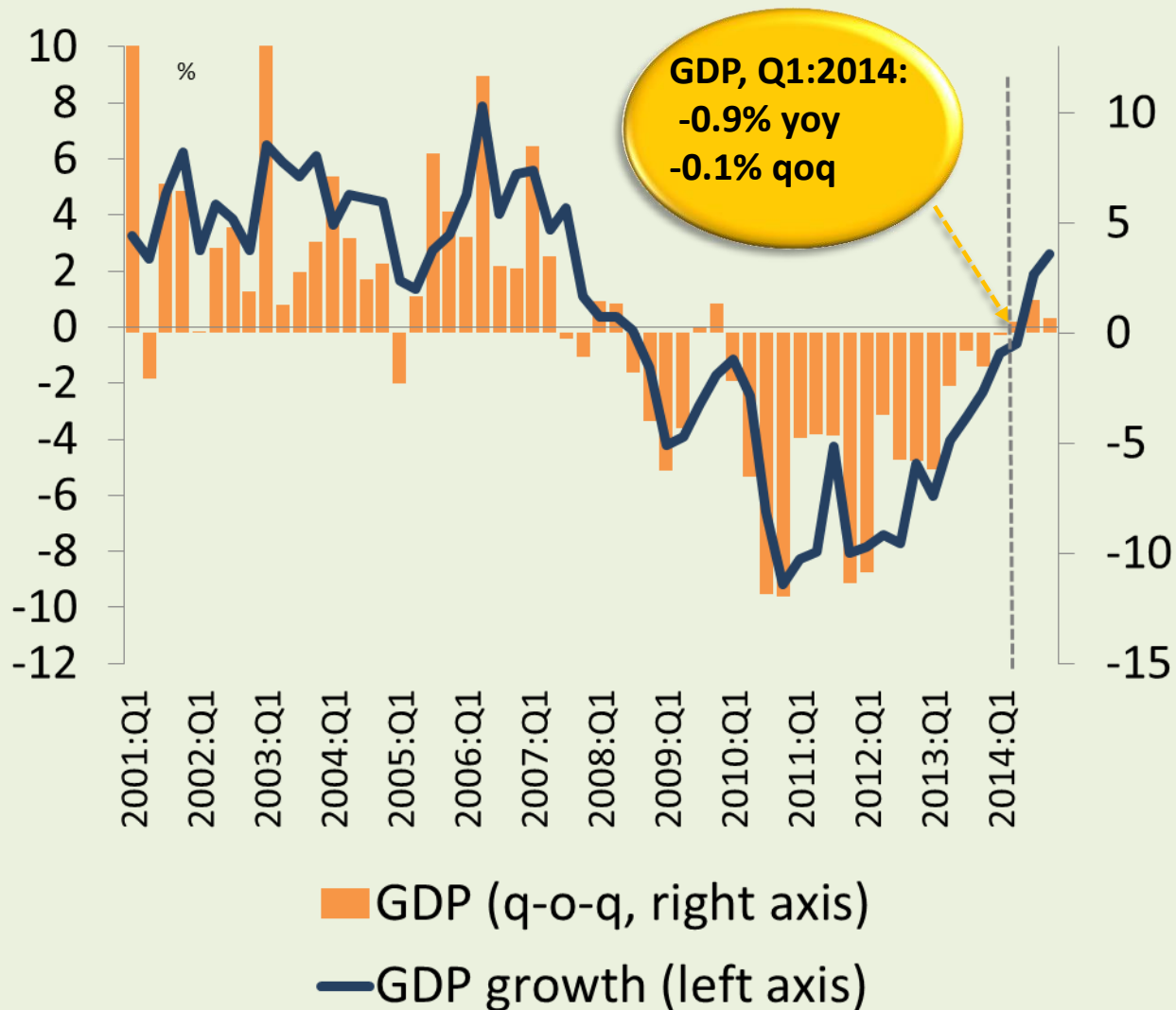


\*t+7 corresponds to 2014 est. for Greece

Source: ELSTAT, Lebergott 1957 & NBER

...Switching to “+” in economic activity

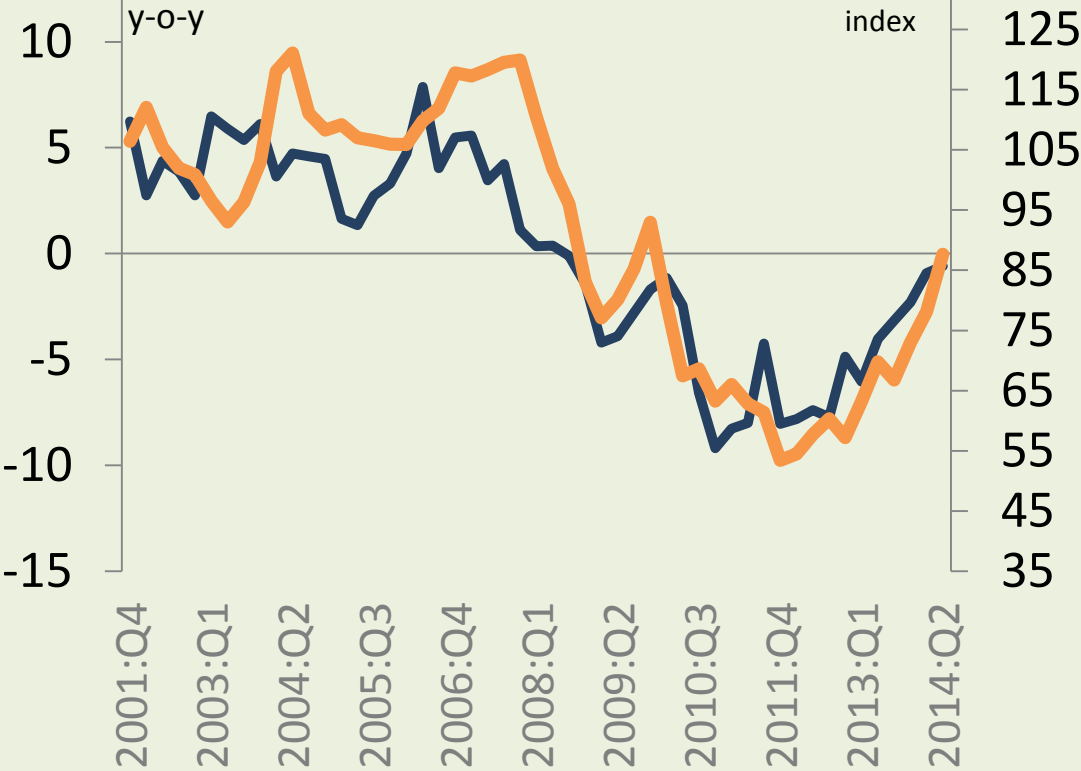
# GDP growth - y-o-y and s.a. q-o-q



## Why “+” in economic activity

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

# GDP growth and economic sentiment indicator

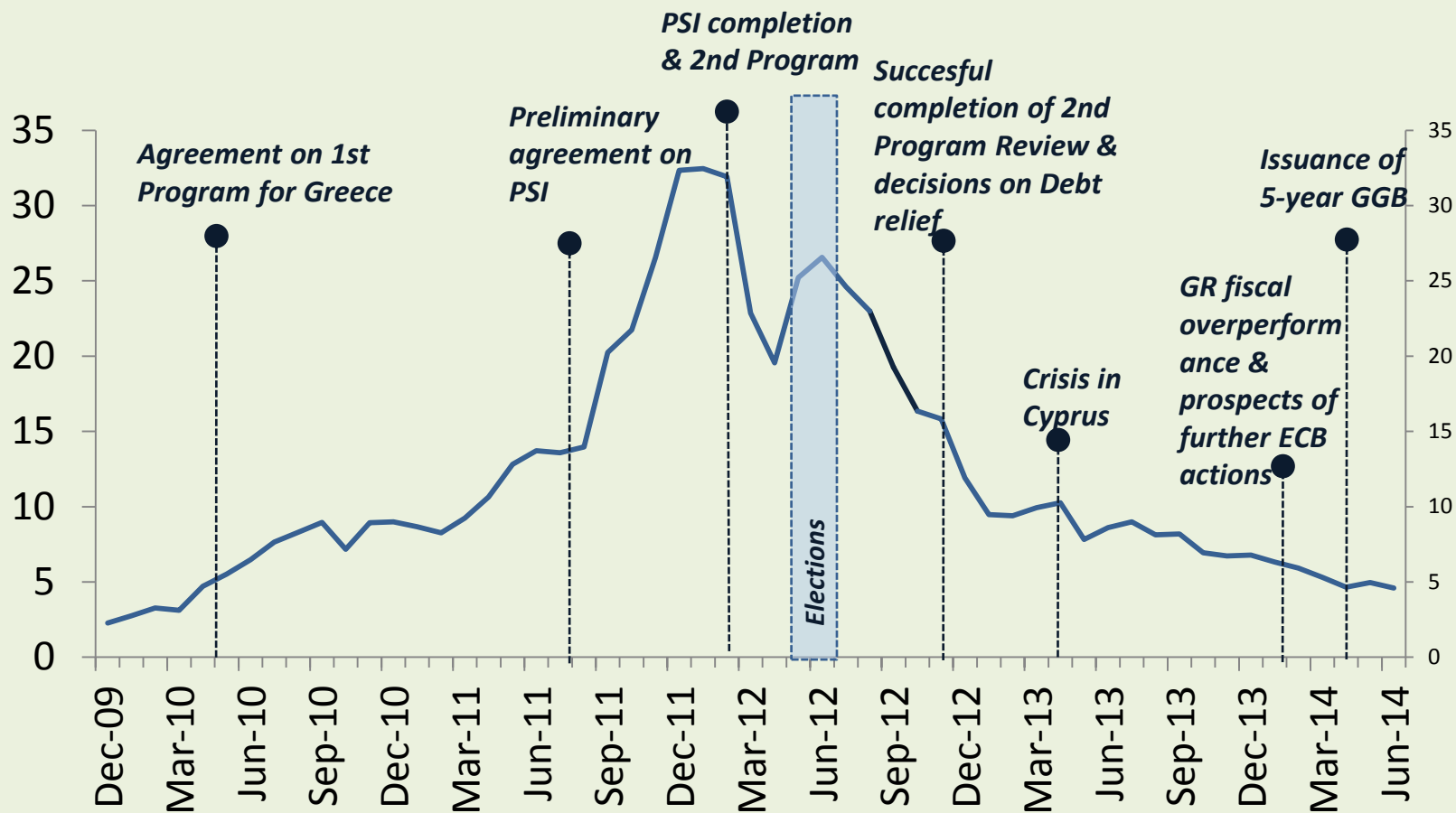


- GDP growth (left axis)
- Economic sentiment indicator (right axis)



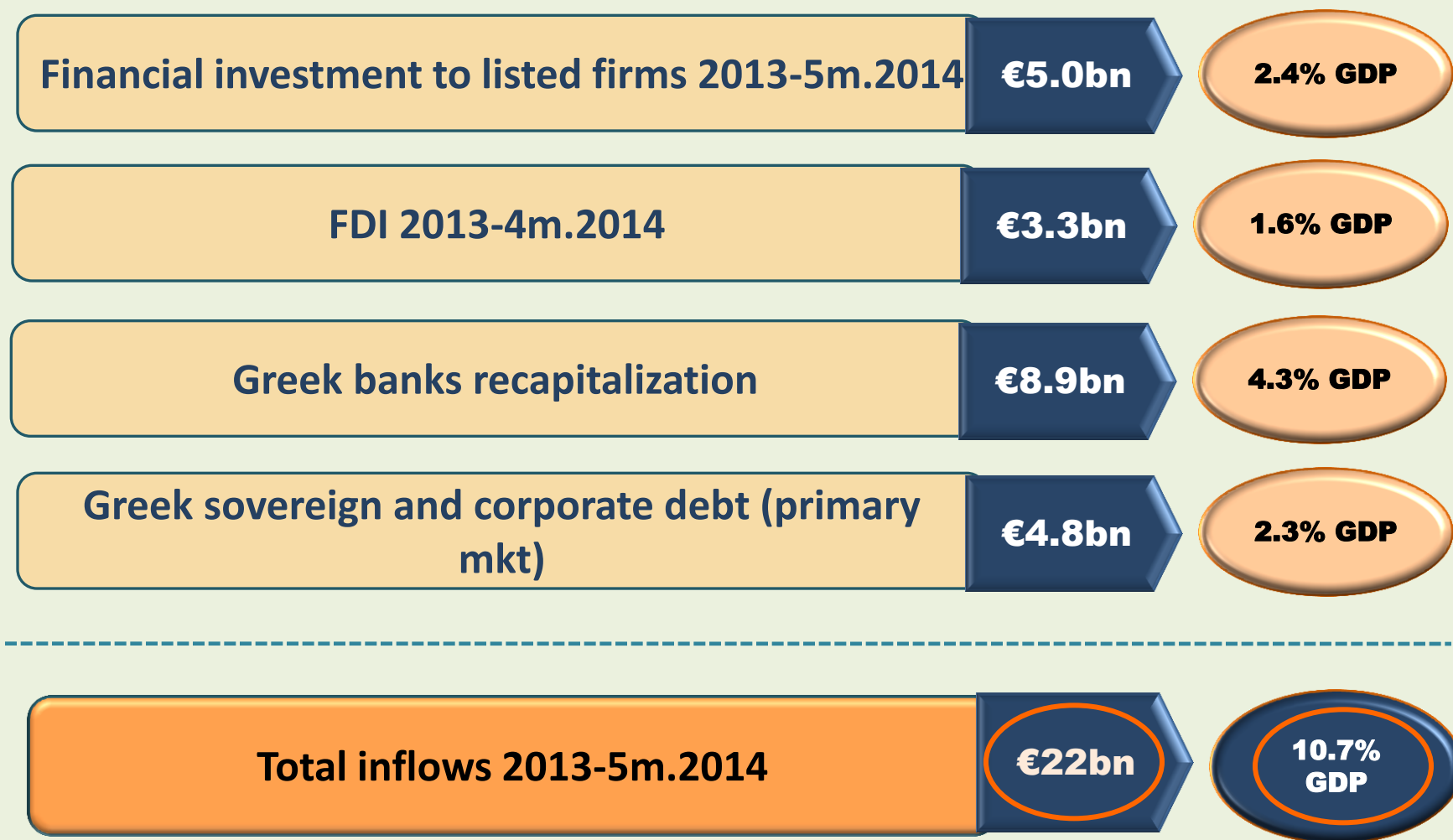
# Effort and Reward

# Greece 10-year government bond spread over bund



Source: Bloomberg

# Investors becoming increasingly confident



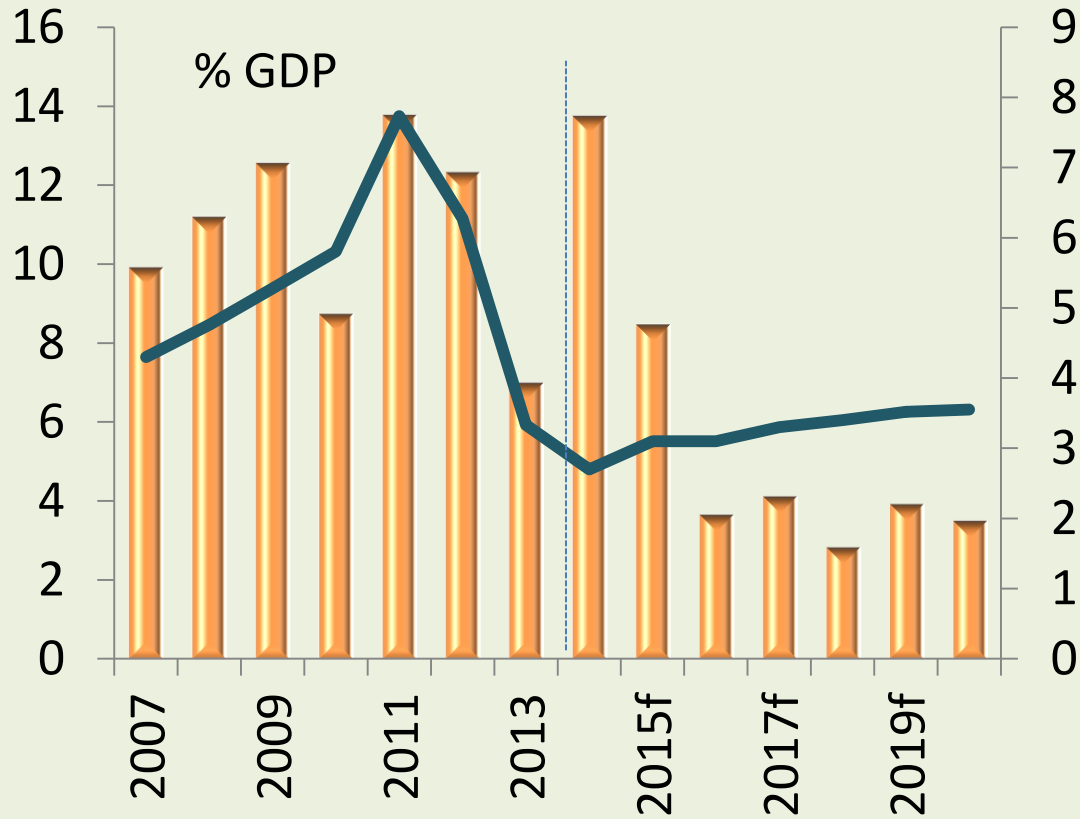
# Greek public debt: a unique case

# 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)

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 constrained to high long term growth rates



# Aspects of Greece's competitive advantages

## Traditional sectors

- ✓ Tourism
- ✓ Shipping
- ✓ Manufacturing-food processing
- ✓ Energy (I) (renewables, transnational pipelines)
- ✓ Agriculture, aquaculture
- ✓ Retail/Wholesale
- ✓ Oil refining

# Aspects of Greece's competitive advantage (continued)

## **Emerging sectors**

- ✓ Chemicals/Pharmaceuticals
- ✓ Higher value added components of the tourism cluster
- ✓ Regional cargo hub activities (cargo handling, transportation, logistics, light manufacturing)
- ✓ Real estate
- ✓ Financials/IT activities
- ✓ Health services
- ✓ Energy (II) unexploited major hydrocarbon fields (long term yields up to € 150 bn)

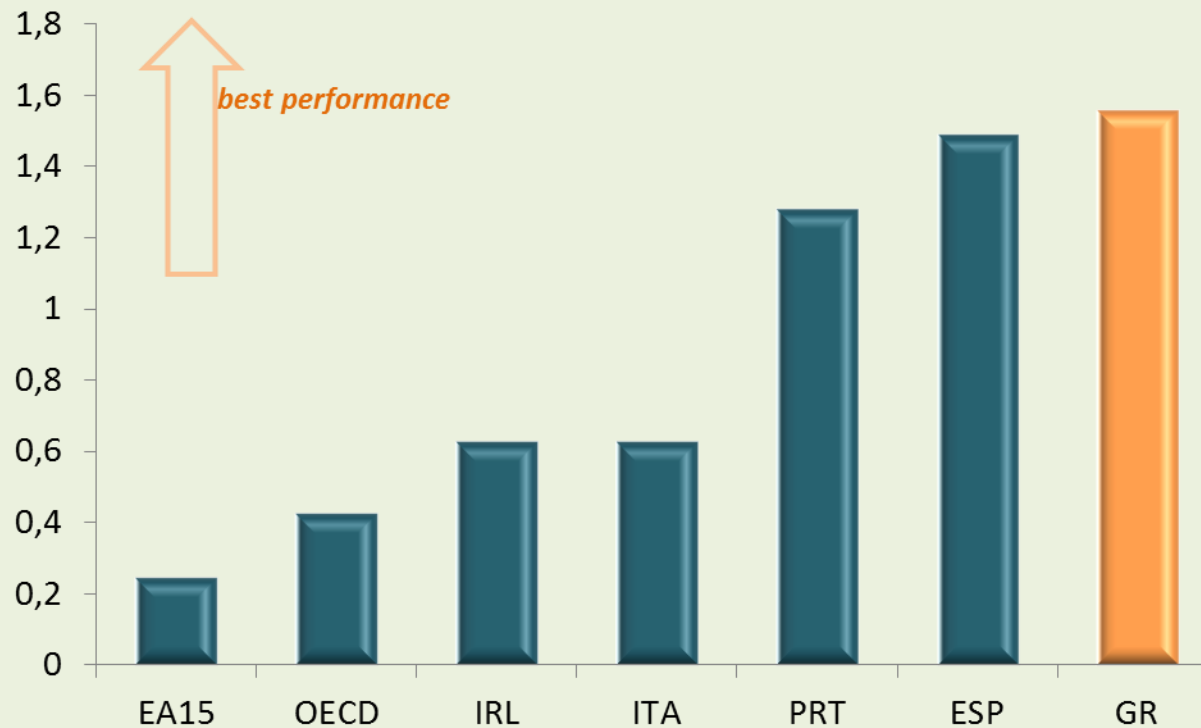
## Reforming for growth...

- *“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)

- “*Strictness of Employment Protection indicator*” (OECD) from 2008 to 2013
  - 10 positions improvement
- “*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)



# 2014-2020: A substantial boost to economic recovery & transition to “new growth” model

## Funding/Liquidity sources looking forward



Banking sector:  
Healthy capital base  
Intensive restructuring

- ✓Capital adequacy is restored (CET1 ratio >13% for 2014 and >11% proforma Basel III - fully loaded) for systemic banks following two successive rounds of recapitalization, a comprehensive system evaluation & stress testing, supplementary capital actions and an increasing participation of private investors (full coverage of the 2<sup>nd</sup> round of recapitalization by private capital)
- ✓NPL formation is slowing along with improving macroeconomic conditions permitting a decline in the cost of risk
- ✓Intensive restructuring, sharp reductions in operational costs, focus on core activities, declining liquidity cost and cost of risk, point to a strong recovery in profitability in following years



## ...Key risk factors contained

- Political and social stability: remarkable resilience despite high cost of adjustment
- Commitment to reform: breaking taboos
  - Cutting wages/pensions
  - Labour market flexibility
  - Dismissing public sector employees
  - Attacking vested interests (closed professions etc)
  - Privatisations

## In conclusion...

- ✓ the economy is fiscally stabilised
- ✓ external imbalance have been fixed
- ✓ economic recession is turning into growth
- ✓ public debt is unique and sustainable
- ✓ potential growth is significant
- ✓ banking sector has restored strength
- ✓ remaining risks are contained



***Thank you for your attention***