IN-DEPTH ANALYSIS

Greece's financial assistance programme (March 2016)

This briefing gives an overview if the economic situation in Greece and the main elements of the third financial assistance programme. This briefing is regularly updated. It served also as a background document for the delegation of the Financial Assistance Working Group to Athens end of March 2016. The previous update was made in view of an Economic Dialogue on 2 March 2016 with Mr Euclid Tsakalotos, Minister of Finance of the Hellenic Republic, in the competent Committee of the European Parliament.

1. Latest economic developments

After returning to growth in 2014 and showing unexpected resilience during the first half of 2015, Greece's economy has contracted, though less than initially expected, in the second half of 2015. This contraction reflects sharp deterioration in confidence and renewed stress within the banking system during summer 2015 that ultimately led to imposition of capital controls[1] in June 2015. Uncertainty stemming from prolonged negotiations in the context of Greece programme review also weighed on output developments. However, this contraction appears to be less pronounced than initially expected as evidenced by an upward revision in the latest Eurostat GDP estimates for 2015 (from 8 March 2016). In particular, the Greek economy had contracted by 1.2% (q-o-q) in Q3 2015, before posting a marginal growth of 0.1% (q-o-q) in Q4 2015. This revised data would bring real GDP growth for 2015 as a whole to -0.3%, as compared to -0.7% based on the preliminary Eurostat GDP estimates (published on 12 February 2016). Note that the Commission (COM) expected in its winter 2016 forecast[2] (released on 4 February 2016) a real GDP growth of 0.0% for 2015. Looking ahead, the COM foresees negative carryover effects from 2015 to weigh on output dynamics in 2016 (-0.7%) before a progressive rebound in confidence, along the *'expected easing of capital controls and compliance with the conditionality of the new ESM assistance programme'*, helps the Greek economy return to growth in 2017 (+2.7 %). Note that between 2007 and 2015 (provisional data), the size of the Greek economy shrank by around 26%.

Inflation, as measured by headline Harmonised Index of Consumer Prices (HICP), remained negative in 2015 for a third year in a row at -1.1%. This price decline reflects the negative effects of weak demand and lower energy prices which more than offset the impact of VAT increases implemented in summer 2015. For 2016[3] and 2017, the COM projects HICP inflation to

[1] On 29 June 2015, the Greek Government imposed capital controls to avert a collapse of its banking system. While it is still unclear for how long these controls will remain in place, they were somewhat eased in mid-August 2015.

[2] In its October 2015 World Economic Outlook, the IMF expects Greece real GDP to drop by 2.3% in 2015 and 1.3% in 2016. The updated January 2016 World Economic Outlook only shows projections for the euro area as a whole and its major economies, but not Greece. As to the OECD, its November 2051 World Economic Outlook projections pointed to real GDP growth of -1.4% in 2015 and -1.2% in 2016. The 2016 GDP estimate has been subsequently revised to -0.1% in the OECD Economic Survey for Greece released on 10 March 2016. For the sake of comparison, in the autumn 2015 forecast, the COM awaited real GDP growth of -1.4% in 2015 and -1.3% in 2016. To sum up, while all the institutions underestimated real GDP growth for 2015, the IMF was the most pessimistic, and by a wide margin, about the 2015 growth outlook (as of autumn 2015).

[3] According to the latest Eurostat data, annual HICP inflation declined from 0.4% in December 2015 to -0.1% in January 2016.

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return to the positive territory, 0.5% and 0.8% respectively, as Greece's economy is expected to gradually return to growth. The latest available monthly HICP data show that headline inflation was

Current account deficit has probably narrowed to 1.8% of GDP in 2015 reflecting predominantly a sharp contraction in imports**.** Moreover, the COM foresees further improvements in Greece's current account for 2016 and 2017, with deficit declining to 1.4% and 0.9% of GDP respectively, as *'past and ongoing structural reforms improve external competitiveness'*.

Unemployment is expected to further decline from very high levels over the period 2015-2017, mirroring output developments with a lag. According to the latest COM projections, the unemployment rate is to decline to 25.1% in 2015, 24.0% in 2016 and 22.8% in 2017. As to monthly data, after peaking at 27.9 % in September 2013, the unemployment rate stood at 24.6 % in November 2015[4]. The youth unemployment rate declined from a record high of 60.5 % in February 2013 to 48.0 % in November 2015. Indeed, as shown in a recent EP study "Employment and social developments in Greece", '*unemployment and poverty mostly hit younger people for whom a system focused on pensions offers no help'*. At the same time, this study concludes that actions agreed under the third economic adjustment programme aim at completing the unfinished reform agenda since 2010, while addressing criticism against earlier programmes.

Government deficit is estimated to have widened to 7.6 % of GDP in 2015, according to the COM winter 2016 forecast, reflecting the negative impact of uncertainty and economic downturn on public finances as well as the effect of one-off recapitalisation measure of the banking sector completed in late 2015 (provisionally estimated at 3.3% of GDP). Going forward, the headline deficit is projected to narrow to 3.4% of GDP in 2016 and 2.1 % of GDP in 2017, assuming that primary balance targets set under the ESM programme (see section 2) are met.

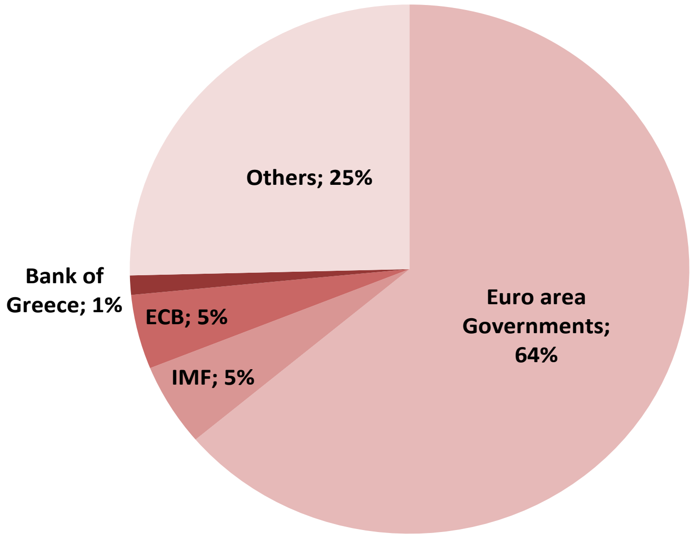
The COM estimates in its winter forecast from January 2016 that the **primary budget balance** was **-3.5%** in 2015 (which falls significantly short of the **target of -0.25%** of GDP), while the latest published IMF figures on Greece (Fiscal Monitor of October 2015) estimated a primary budget balance of **-0.5%** for 2015 (which is also a shortfall compared to the target).

The COM expects **general government gross debt to stand at 179% of GDP in 2015, before peaking at 185% of GDP in 2016**[5]**.** This is much below the 199.7% of GDP projected in the COM autumn 2015 forecast as the cost of banks' recapitalisation turned out to be lower than expected.

The **distribution of the outstanding debt** across different categories of bondholders is depicted in Figure 1. Note that, in absence of consolidated 2015 general government gross debt data as yet, cash data for central government is used as a proxy (EUR 321.3 billion as of 31 December 2015[67]). The figure shows that the share of Greece's debt held by the Euro area governments (including EFSF and ESM) stood at around 64 percent as of December 2015 (+ 4 percentage points compared to end 2014) as new funds were transferred under the third adjustment programme. At the same time, the shares of debt held by the IMF and the ECB stood at 5% each (namely 1.5 and 2 percentage points lower compared to end 2014 respectively) as bonds/loans coming to maturity during 2015 were reimbursed.

[4] The latest available Eurostat data for unemployment as of 16 March 2016.
[5] This compares with 201% of GDP assumed for 2016 in the European institutions Debt Sustainability Analysis (DSA) of July 2015.
[6] For example, the outstanding central government debt at the end of 2014 amounted to EUR 324.1 billion, while the consolidated general government debt was EUR 317.7 billion at the end of 2014.
[7] According to a Reuters article of 8 October 2015, *"two thirds of Greek debt is now held by euro-zone governments that extended loans to Athens with an average maturity of 31-32 years and an interest rate of around 1 percent"*.

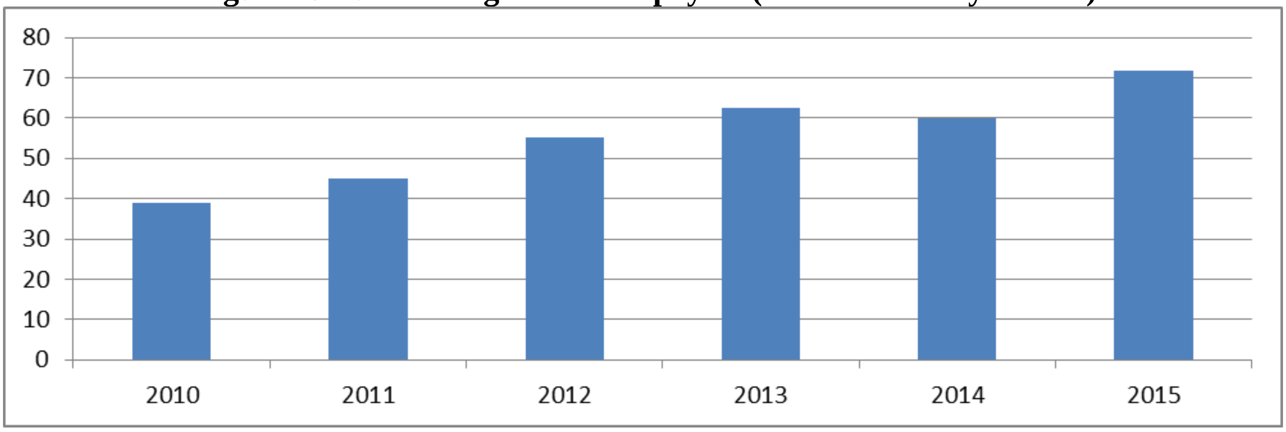
Figure 1: Greece's central government debt by holder as of 31. December 2015



Source: EGOV calculations based on COM, IMF, ECB and PDMA (Greece's Public Debt Management Agency).
Note: The share held by euro area governments comprises EFSF, ESM and bilateral loans.

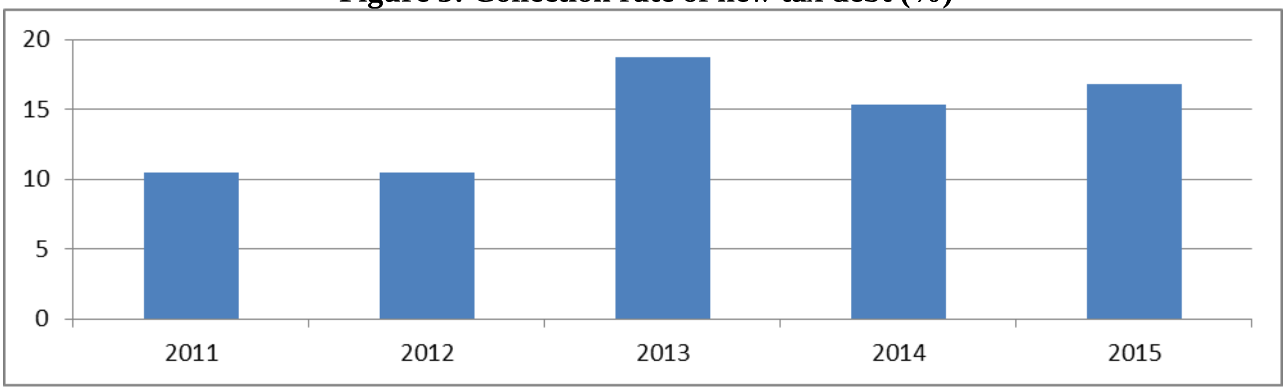
A COM study of 2015 estimated that more than one third of the potential VAT collection in 2012/2013 was lost in Greece due to fraud, tax evasion and avoidance and related problems. Also the latest OECD survey on Greece (released in March 2016, but based on tax data for the year 2013) shows that the performance of Greece is poor – compared to the EU and OECD median – in terms of tax debt and that the situation has even worsened between 2007 and 2013. More recent data (see below Figures 2 and 3) show that the trend of rising outstanding debt of taxpayers has continued in 2015. On the positive side, the collection rate of new tax debt has clearly increased between 2011 and 2015. While the number of criminal complaints has decreased from 3652 in 2014 to 3022 in 2015, the number of reports of confirmed tax evasion has increased from 248 in 2014 to 327 in 2015 (source: "Tax Administration Monitor" of IMF and EC).

Figure 2: Outstanding debt of taxpayers (EUR billion at year end)



Sources: Greek tax administration (http://www.publicrevenue.gr/kpi/) and "Tax Administration Monitor" of IMF and EC.

Figure 3: Collection rate of new tax debt (%)



Source: Greek tax administration (http://www.publicrevenue.gr/kpi/) and "Tax Administration Monitor" of IMF and EC.

Box 1: Statistics

The European Statistical Governance Advisory Board (ESGAB), as the body responsible for overseeing the implementation of the European Statistics Code of Practice with the aim of enhancing professional independence, integrity and accountability, issued in 2015 an Opinion on the implementation of the Hellenic Statistical Law (3832/2010) and Greece's commitment on confidence in statistics. It recognised in this opinion considerable progress since 2009, but it also highlighted the following concerns:

- The principle of professional independence must be implemented in practice. The relevant legislation and rules are in place but they need to be fully implemented, with the clear and active support of the government. The amendment of Regulation (EC) No 223/2009 on European statistics will further emphasise the role and position of the heads of national statistical institutes, by adding a requirement that the procedure for appointing institute heads is transparent and based on professional criteria.
- The Greek Government's commitment on confidence in statistics must be respected and put into practice, particularly in relation to ensuring institutional independence and providing adequate financial and other resources. More specifically, the Hellenic Statistical Authority (ELSTAT) must be able to recruit and maintain a sufficiently qualified workforce.
- ELSTAT's mandate must be explicit and be upheld in practice, especially regarding access to administrative records that could improve efficiency and quality while reducing the burden on respondents.
- The work and role of the Good Practice Advisory Committee (GPAC) as established in law should continue and its members for the next term of office should be appointed without delay.
- Principles of quality monitoring and quality assurance, as established in Regulation (EC) No 223/2009 and the European Statistics Code of Practice, must be respected. This includes the requirement that European statistics produced in accordance with Article 338 of the EU Treaty comply with the statistical principles laid down in that article, regardless of national distributions of tasks.

Box 2: Refugee Crisis

On 27 January 2016, the COM issued a press release on the outcome of its discussion on the draft **Schengen Evaluation Report on Greece**. This draft report (which is not public) finds '*serious deficiencies in the management of the external border in Greece*' following an unannounced control at the Turkish-Greek border in November 2015. While acknowledging that the Greek authorities have been under pressure, the report concludes that, among others, there is a lack of effective identification and registration of irregular migrants. Under the current Schengen Borders Code, the COM can propose recommendations to the Member State concerned which are to be approved by a Committee of the Member States (via qualified majority vote). If, after three months following the approval, the serious deficiencies persist, the COM may trigger the procedure provided for in Art. 26 of the Schengen Borders Code (reintroduction of border controls.

A conclusion of the **European Council of** February 2016 was that '*the objective must be to rapidly stem the flows, protect our external borders, reduce illegal migration and safeguard the integrity of the Schengen area*'.

On 7 March 2016, the European Council had a special meeting with the Prime Minister of Turkey to discuss the migration and refugee crisis, including the progress made in the implementation of the EU-Turkey action plan and the measures to reduce the illegal migration flows from Turkey. In particular, the involved parties agreed, among others, to (1) return of all new irregular migrants crossing from Turkey into the Greek islands with the costs covered by the EU and (2) resettle, for every Syrian readmitted by Turkey from Greek islands, another Syrian from Turkey to the EU Member States, within the framework of the existing commitments.

By 15 March 2016, out of 63302 relocations legally foreseen for refugees in Greece, 569 relocations to other EU Member States were effectively done.

On 16 March 2016, the COM issued a state of play report on Greece regarding the refugee crisis. It notes informs that "*The total number of places that are currently available in reception facilities in Greece is 40,351 (excluding the UNHCR rental scheme).*" It furthermore reports that "*four hotspots (Lesvos, Chios, Samos and Leros) are operational (...), although several actions still needed to be completed to make them function at full speed (e.g. third line of registration in Lesvos, connection of networks to accommodation container in Samos). Works have started in Kos (...) however no final completion date has been communicated.*" It also reports concrete progress on Coastal Patrol Teams, fingerprinting machines, help from Frontex and the European Asylum Support Office, Europol etc.

On 18 March 2016, EU leaders met with Prime Minister of Turkey Ahmed Davutoğlu. They reached an agreement aimed at stopping the flow of irregular migration via Turkey to Europe, breaking the business model of smugglers and offering migrants an alternative to putting their lives at risk. To achieve these goals, several actions points have been agreed, incl. returning to Turkey all irregular migrants crossing from Turkey to the Greek islands as from 20 March 2016.

2. Third financial assistance programme: Main elements and state of play

2.1. Main elements

Following Greece's request for further financial assistance of 9 July 2015, the COM signed on 19 August 2015[8] (on behalf of the members of the euro area) **a Memorandum of Understanding (MoU) with Greece for a third economic adjustment programme of up to EUR 86 billion for the period 2015-18** [9] (Article 13 of the ESM Treaty). In particular, it outlines a reform agenda in the following areas: (1) fiscal sustainability; (2) safeguarding financial stability; (3) growth, competitiveness, investment; and (4) modern state and public administration structure. Greece is to coordinate with the COM's Structural Reform Support Service to demonstrate its commitment.

The Greek authorities have made a commitment to achieve a **primary surplus** (revenues less expenses without interests payments) **over the medium-term of 3.5 % of GDP,** so as to progressively strengthen the sustainability of public finances (see Table 1 below).

Table 1: Primary surplus targets and GDP growth path underpinning the third financial assistance programme to Greece

Year	**Primary surplus target** (MoU)	**GDP growth** (EU eligibility analysis for ESM programme)
2015	-0.25%	-2.3%
2016	+0.5%	-1.3%
2017	+1.75%	+2.7%
2018	+3.5%	+3.1%

Sources: MoU and EU Debt Sustainability Analysis

In accordance with the MoU, the primary surplus targets are to be achieved by:

- **Pension savings** of around **0.25 % of GDP** in 2015 and **1.0 % of GDP** by 2016 (see pp. 13-14 of the MoU);
- **Health care sector:** various measures (see pp. 15-16 of the MoU);
- **Tax, revenue, and financial management reforms**, including various measures against tax fraud and evasion. A minimum VAT income of EUR 2.65 billion is to be ensured. Property tax rates will be aligned with market prices from 2017 and zonal property values are to be revised. The authorities are to improve the collection of tax debt, introduce independent agencies and make the Fiscal Council independent and operational. Many other tax related reform measures are included in the MoU (see pp. 6-11 of the MoU).

In addition, Greece was requested to enact, by October 2015, **structural measures expected to yield at least 0.75 % of GDP coming into effect in 2017 and 0.25 % of GDP in 2018**, so as to help achieve medium-term budgetary targets. The measures would include, inter alia, defence expenditure savings, personal income tax reform and the freezing of public spending.

The Greek authorities have made a commitment to finalise a **strategy for the monitoring of the financial system**, aimed at (i) normalising liquidity and payment conditions, (ii) recapitalising the banks, (iii) enhancing governance and (iv) addressing non-performing loans (NPL). All banks are required to submit quarterly funding plans to the Bank of Greece (BoG), and a buffer of up to EUR 25 billion was set aside to address potential recapitalisation needs and resolution of banks.

[8] On 19 August, the Greek Prime Minister also sent a letter to the European Parliament requesting its stronger involvement in the regular review process in implementing the programme. A day later, he resigned, triggering the sixth general elections in eight years on 20 September 2015. Following his re-election, PM Tsipras (Syriza) has renewed his party's coalition with the nationalist Independent Greeks (Anel), the junior partner in his previous government.

[9] According to Article 7.2 of Regulation (EU) No 472/2013, the Council shall, on a proposal by the Commission, approve the macroeconomic adjustment programme prepared by the Member State requesting financial assistance.

The Government has also made a commitment to review all labour market institutions, adopt an integrated action plan to fight undeclared and under-declared work, expand vocational education and training, increase the capacity of the Ministry of Labour, open restricted professions, reduce the administrative burden of companies based on OECD recommendations, facilitate trade, improve EU funds absorption for agriculture and reform the electricity and the gas markets.

Proceeds from privatisation (e.g. of national and regional airports, harbours, energy providers, railway services, telecommunication providers) are to help reduce the Government's financing needs. The implementation of the Asset Development Plan (ADP) is expected to generate EUR 1.4 billion in 2015, EUR 3.7 billion in 2016 and 1.3 billion in 2017.

A new independent guarantee fund is to be established and have in its possession valuable Greek assets. An independent Task Force[10] will identify potential assets as well as the best options for their monetisation, so as to help in the repayment of ESM loans. The fund is foreseen to generate about EUR 50 billion, of which the first EUR 25 billion are to be attributed to the repayment of the recapitalisation of banks, while the remaining proceeds are to be used for debt reduction and investments in the same proportions (up to EUR 12.5 billion each).

A comprehensive three-year strategy was to be defined by December 2015 (in agreement with the COM) for **the reorganisation of administrative structures**, involving the rationalisation of administrative processes, the optimisation of human resources, the strengthening of transparency and accountability, the introduction of e-government and the formulation and implementation of a communication strategy. Consequently, the Greek authorities have made a commitment to, among other things, reform the public sector wage grid and better link wages with the skill, performance, responsibility and position of staff (to be effective as of 1 January 2016).

2.2. State of play

Conditionality

The COM has so far issued three compliance reports (on **14 August 2015**, **20 November 2015** and- **21 December 2015**) on the implementation of so-called "prior actions" and related "milestones" , whose implementation by Greece is required ahead of disbursement(s). **While, according to these reports, most of required actions have been taken**, they also note areas where **follow-up work is needed or where actions are pending**. According to the **December report**, follow-up work is needed

(1) regarding the transfers of Telecom shares of the Hellenic government to the Hellenic Republic Asset Development Fund, in order to proceed to a privatisation once legal issues with Deutsche Telekom have been resolved;

(2) regarding some financial sector issues (appointment of a single special liquidator by the Bank of Greece, development of a detailed implementation plan for the establishment of an independent authority that will identify borrowers' payment capabilities for the facilitation of banking institutions, the non- performing loan strategy, inter alia regarding loans secured by primary residences as well as loans for SMEs and consumers)

According to **November compliance report** the conditionality in the area of pensions is pending, since a broader reform in that area needs to be addressed, which would entail a broader revision of contributions and benefits. The reports also mentions that some some-actions in the area of energy market rules need a follow-up and that there are clear implementation risks regarding the restructuring plan for the "Urban Transport Organisation for Athens - OASA".

The Eurogroup of 14 January 2016 called on the Greek authorities to cooperate constructively with the institutions to ensure a smooth and thorough first review, which started on 21 January:

[10] The mandate and composition of this Task Force is to be defined by the Greek authorities, in agreement with the European institutions and in consultation with the Eurogroup.

"*Successful completion of this exercise would pave the way for decisions on possible debt relief measures and an IMF programme, as agreed by the heads of state or government in July 2015.*"

Teams from the COM, ECB, ESM and **IMF were in February and March 2016 in Athens to assess the Greek authorities' progress on the reforms agreed**, including plans to reach their ambitious medium term fiscal targets. Syriza has so far resisted pressure from creditors to impose pension cuts by March (Financial Times). The pension reform has become an urgent priority as "*Greece's pension system is unaffordable. As it stands the contributions are not sufficient to finance the generous level of benefits requiring transfers of the state of close to 10 percent of GDP each year. Addressing the imbalance in the system through pension reform is essential to the sustainability of public finances*" the IMF said.

On 11 February 2016, the Eurogroup called on the Greek authorities and the mission staff to continue their constructive cooperation and to work towards the rapid finalisation of the review, which covers issues such as pension reform, fiscal strategy and making the privatisation fund operational.

On 7 March 2016, the Eurogroup stressed that more effort needs to be put in for a successful completion of the review. There are still fiscal gaps to be filled and some of the reforms will have to be deepened. The review covers issues such as **pension reform**, fiscal strategy and making the privatisation fund operational.

On 20 March 2016, the Eurogroup President stated that significant progress has been made on outstanding issues as income tax and pension reforms. He also stated that the mission chiefs of the institutions will return on 2 April to Athens to resume discussions.

Disbursements

The **first sub-tranche of EUR 16 billion** has been disbursed in several payments between August and December 2015 and is expected to be used by the government for debt service, budget financing, and co-financing projects funded by EU structural funds:

- A first disbursement of EUR 13 billion was made immediately on 20 August 2015 given that some of the called prior actions had already been implemented (see the COM's report of 14 August 2015 on Greece's compliance with the draft MoU commitments and the commitments in the Euro Summit statement of 12 July 2015);
- The remaining disbursements were made on 24 November 2015 (EUR 2 billion) and on 23 December 2015 (EUR 1 billion) as a follow-up to the following reforms:
  - (a) On 16 October 2015, the Greek government legislated up to 30% of the prior actions (16 out of 49), among which penalties on early retirement and an increase in property taxes (ESM, EU Observer and Ekathimerini).
  - (b) In November 2015, the Greek Parliament approved a bill which builds on previous legislation for the calculation of pensions, addresses compliance with EU energy efficiency rules, lifts obstacles for the sale of Greece's largest port and scraps tax breaks for farmers (Reuters).
  - (c) Measures to stimulate competition in the energy sector as well as a new law to help banks manage their exposure to non-performing assets (i.e. legislation on non-performing loans and household insolvency) which is supposed to help the recapitalisation process (see Eurogroup statement of 23 November).

Table 2: Overview of disbursements

Date	Amount (EUR)	Maturity	Cumulative amount (EUR)
20/08/2015	13 bn	Amortization from 2034 to 2059	13 bn
24/11/2015	2 bn	Amortization from 2034 to 2059	15 bn
01/12/2015	2.7 bn	Interim maturity coinciding with maturity of ESM notes[a)]	17.7 bn
08/12/2015	2.7 bn	Interim maturity coinciding with maturity of ESM notes[a)]	20.4 bn
23/12/2015	1 bn	Amortization from 2034 to 2059	21.4 bn

Source: ESM. a) The final maturity will be in line with the maximum weighted average loan maturity of 32.5 years.

The **second sub-tranche of up to EUR 10 billion was earmarked to cover recapitalization and resolution costs of the Greek banking sector**. Since the the country has cleared important hurdle by securing sufficient interest for the recapitalisation exercise among private investors, the four systemic banks in Greece are considered by the creditor institutions to stand on their own feet again, albeit two banks had to rely on public support to complement their recapitalisations (the concerned banks were Piraeus and National Bank of Greece). Therefore, the Eurogroup and subsequently the ESM Board of Directors authorised the transfer of two tranches of **EUR 2.7 billion each** on 1 December and 8 December 2015 respectively to the Hellenic Financial Stability Funds (HFSF). The transfers followed the COM's approval of additional state aid based on the bank's amended restructuring plan. EUR 4.6 billion remain available from the original EUR 10 billion designated for the Greek banking sector. These funds are held in a segregated account at the ESM. Future releases of funds to the HFSF will be decided by the ESM on a case-by-case basis.

The Eurogroup of 7 December 2015 was informed by the institutions and the Greek Minister for Finance that the recapitalisation of the Greek banking sector will not require more than the amount of up to EUR 10 billion currently available under the programme for this purpose. This is significantly lower than the envelope of up to EUR 25 billion earmarked for bank recapitalisation at the beginning of the Greece programme.

Since end of December 2015, the **total disbursed amount** of ESM financial assistance for Greece has remained at EUR 21.4 billion, which is around **25% of the maximum amount of assistance foreseen in the programme** (EUR 86 billion).

The timeline of the debt repayments to the institutions, treasury bill holders and private investors is provided on a database of the Wall Street Journal. The outstanding loans of Greece to the creditors of the three programmes is around EUR 220 bn, out of which around EUR 205 bn are due to euro area Member States, EFSF and ESM (see separate EGOV table on financial assistance).

Box 3: The EP's role in adjustment programmes as specified in Regulation 472/2013

Article 7(1) and 7(4): COM shall orally inform the Chair and Vice-Chairs of the competent committee of the EP of 1) the progress made in the preparation of the macroeconomic adjustment programme and 2) the conclusions drawn from its monitoring. That information shall be treated as confidential.

Article 7(10): The competent committee of the EP may offer the opportunity to the Member State concerned and to COM to participate in an exchange of views on the progress made in the implementation of the macroeconomic adjustment programme.

Article 18: The EP may invite representatives of the Council and of COM to enter into a dialogue on the application of this Regulation.

3. Debt Sustainability Analyses and related statements

Article 13.1 of the ESM Treaty, as well as Article 6 of Regulation (EU) No 472/2013 on surveillance of Member States with serious difficulties with respect to financial stability, requires the COM to assess whether the public debt of a Member State requesting financial assistance is sustainable, where appropriate with the IMF. Similarly, Article V.3 of the IMF agreements sets the conditions governing the use of IMF resources, including the capacity of the receiving country to repay its debt to IMF.

Box 4: Public Debt Sustainability Analysis

The Debt Sustainability Analysis (DSA) is an analytical framework that helps assessing a country's capacity to service its public debt over time, while financing its policy objectives without compromising its stability.

To this end, **two indicators** are typically used:

- The general government **Debt-to-GDP** ratio, which provides an overall measure of the country's debt compared to the size of its economy;
- The general government **Gross Financing Needs-to-GDP (GFN-to-GDP)**, which quantifies the country's debt payment obligations (principal plus interests), in relation to its economy. This indicator takes into account the debt structure (i.e. maturity, interest rates and interest deferrals).

The two indicators are interrelated, though the GFN-to-GDP ratio seems to better capture the country's short- and medium-term financial stability risks. In fact, low financing needs are generally associated with lower debt rollover and thereby reduced financial stability risks, and *vice versa*.

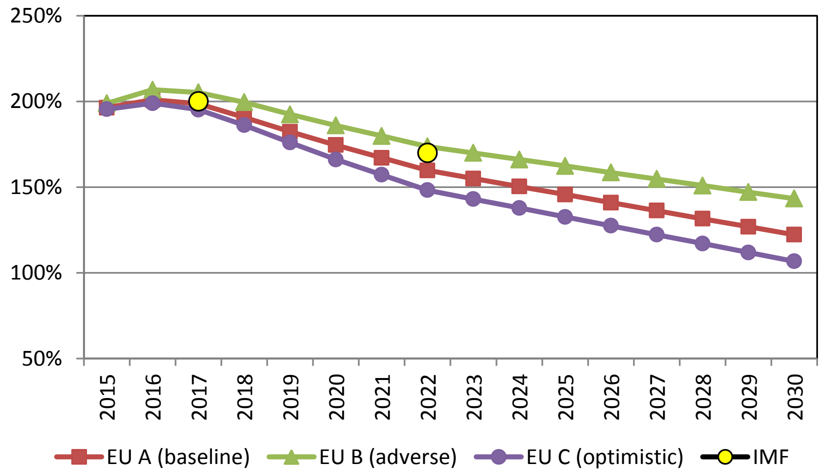
In practice, it is difficult to establish **numerical thresholds for debt sustainability**. As to debt-to-GDP ratio, thresholds appear to vary across countries depending on macroeconomic fundamentals and debt management capacities (e.g. Argentina defaulted when its debt was around 60% of GDP, while Japan has continued to sustain debt of more than 200% of GDP). The IMF benchmark is set at 85%.

Regarding the GFN-to-GDP indicator, the IMF guidelines (p. 32) indicate that the ratio would need to remain below 15%-20% to ensure debt sustainability.

The **DSAs** are essentially constituted of projections and forecasts for the relevant economic indicators. As with all forecasts and projections, they are based on models and assumptions that vary across institutions and time. Both the IMF and the Commission have developed their own methodological frameworks, which include a "baseline scenario" as well as "alternative scenarios" that are built up under different assumptions regarding policy variables, macroeconomic developments, and financial conditions.

In the latest DSA of 13 August 2015 (which updated the DSA of 10 July 2015) the **European institutions** stated that Greece's debt sustainability deteriorated significantly (with respect to the projections of April 2014, the date of the latest review, as well as to those of July 2015). Three scenarios were developed: scenario A corresponded to the latest growth forecasts and full implementation of the programme; scenario B was based on less optimistic assumptions on both the growth rate and the programme implementation; while scenario C was more optimistic and assumed higher growth and privatisation revenues. In all three scenarios, the debt-to-GDP ratios remain well above 110 % in 2022 – a level that the COM considered sustainable in 2012. Actually, debt-to-GDP would fall below 110 % only in 2030 and under the optimistic scenario C. For GFN-to-GDP, the COM estimates that they will amount to an average of 12 % in the 2020-2030 period, and will exceed the 15 % limit in the following decades; the COM made the estimate for GNF only under the adverse scenario B.

Figure 4: Greece's debt-to GDP ratio projections (Debt Sustainability Analysis)



Sources: EU institutions (COM, ECB and ESM) and IMF.

In July 2015, the **IMF** updated its detailed preliminary debt sustainability analysis of 26 June 2015: due to the deterioration in the economic situation as a result of the closing of the banking system, Greece's public debt was projected to peak at 200 % of GDP in 2017, before declining to about 170 % of GDP in 2022. GFN-to-GDP, already now above the 15 % threshold that is deemed safe, continues to rise in the long term. Therefore, "*The dramatic deterioration in debt sustainability points to the need for debt relief on a scale that would need to go well beyond what has been under consideration to date—and what has been proposed by the ESM. There are several options. If Europe prefers to again provide debt relief through maturity extension, there would have to be a very dramatic extension with grace periods of, say, 30 years on the entire stock of European debt, including new assistance. This reflects the basic premise that debt cannot be assumed to migrate back onto the balance sheet of the private sector at interest rates close to the current AAA rates before debt levels have been brought to much lower levels; borrowing at anything but AAA rates in the near term will bring about an unsustainable debt dynamic for the next several decades. Other options include explicit annual transfers to the Greek budget or deep upfront haircuts. The choice between the various options is for Greece and its European partners to decide*. (See also a transcript of a press briefing of 3 September 2015).

The **Eurogroup,** according to its statement on the ESM Programme of 14 August 2015:

- Stands ready to consider, if necessary, possible additional measures (possible longer grace and repayment periods) aiming at ensuring that Greece's gross financing needs remain at a sustainable level. These measures will be conditional upon full implementation of the measures agreed in the ESM programme and will be considered after the first positive completion of a programme review;
- Reiterates that nominal haircuts on official debt cannot be undertaken;
- Considers the continued programme involvement of the IMF as indispensable and welcomes the intention of the IMF management to recommend to the Fund's Executive Board to consider further financial support for Greece once the full specification of fiscal, structural and financial sector reforms has been completed, and once the need for additional measures has been considered and an agreement on possible debt relief to ensure debt sustainability has been reached. Resulting policy conditionality will be a shared one as the policy conditionality underlying the ESM macroeconomic adjustment programme is developed in parallel to the one of the IMF. Once approved, the full re-engagement of the IMF is expected to reduce the ESM financing envelope accordingly;
- Welcomes the positive assessment of IMF staff of the policy conditionality contained in the MoU as confirmed by the IMF Managing Director and looks forward to an IMF programme based on the latter.

Christine Lagarde, the **IMF**'s managing director, told Swiss newspaper *Le Temps* in an interview in August 2015 regarding Greece's debt restructuring that: "*We are talking about extending maturities, reducing rates, [making] exemptions for a certain period of time. We are not speaking about cancelling debt*." Also, she is reported to state on 22 January 2016 that "*the IMF stands ready to continue to support Greece in achieving robust economic growth and sustainable public finances through a credible and comprehensive medium-term economic program. Such a program would require strong economic policies, not least pension reforms as well as significant debt relief from Greece's European partners to ensure that debt is on a sustainable downward trajectory."* More recently, on 4 February 2015, Ms. Lagarde said, "*I have always said that the Greek program has to work on two legs, one leg is of significant reforms, and the other one is debt relief. We would proceed on that view, significant reform, debt relief. If the pension reform cannot be as significant, substantially, deeply reformed as needed, it will mean more debt relief on the other side*."

Alexis Tsipras, the Greek Prime Minister, mentioned during the presentation the budget to Parliament on 7 October 2015 that Greece will "*propose an extension of the loan maturities and a reduction of interest rates"* on the official loans, as well as a growth clause (linking interest payments to economic expansion) and a longer grace period on interest payments.

Jeroen Dijsselbloem, the President of the Eurogroup, commented in an interview with Reuters of 8 October 2015 on the IMF statement that, while capping annual debt servicing costs at 15 percent of GDP was a standard that worked for most economies, Greece might need more generous terms with annual costs limited to 10 percent of GDP. "*My understanding was that the IMF always works on the 15 percent standard, but if they say that this is too high for Greece, then this is one of the issues we will have to discuss with them*".

Following the Eurogroup meeting of 7 March 2016, Mr. Dijsselbloem stated that *"On their (authorities currently in Athens) return, which of course we don't know when that will be, we will have to take a political decision which also concerns the issue of debt and debt management, debt relief. As you know, we have a longstanding promise that if the Greek government fulfils its commitments in the programme and delivers a primary surplus, we will do what is necessary to make the annual debt surplus manageable, and that today also in Eurogroup we have realised and made explicit that that discussion is going to be on our table in the near future. So we will seriously try to bring those work strands together in the coming months. So that's where we are on Greece and work will continue. We have a joint interest to do it as quickly as possible."*

4. Banking sector and financial stability: Latest developments

The banks' financial positions deteriorated steadily in 2015

In 2014, the four largest Greek banks completed major achievements towards re-establishing profitability: after successfully raising significant amount of capital from private investors (EUR 8.3 billion), they continued to restructure their businesses and improved their interest margins while the deterioration in asset quality stabilised in the last quarter of the year. A robust increase in deposits, coupled with a renewed access to capital markets (all four banks issued bonds in the first half of 2014), enabled banks to repay the costly emergency liquidity assistance (ELA) provided by the Bank of Greece since the large deposit outflows of 2012. On the basis of the restructuring plans approved by the COM in 2014, the comprehensive assessment carried out by the ECB did not unveil additional capital needs on top of the capital raised from April to July 2014. At the end of 2014, the four banks were thereby able to report comfortable Common Equity Tier 1 capital ratios (from 12.4 % to 15.2 %).

The financial positions of the Greek banks have deteriorated steadily since the announcement of new elections in mid-December 2014. Significant and continuous deposit outflows strongly weakened their liquidity positions: from mid-December 2014 to end-June 2015, more than 25% of total deposits were withdrawn. Since Greek banks (and Greece itself) had lost access to money markets, they had to rely on central bank refinancing. In February 2015, the ECB lifted the waiver granted to Greek government bonds, which then became ineligible for regular refinancing operations. In the meantime, it allowed Greek banks to rely on ELA, and successively increased the ceiling in order to accommodate the rising needs of the Greek banking system. But the deteriorated economic environment and the political uncertainty had a detrimental impact on the quality of loans portfolio, with **a new acceleration in non-performing loans**. The impact of ELA on the funding costs, as well as the worsening asset quality, casted doubts as to the resilience of Greek banks.

Box 5: The 2015 comprehensive assessment of the four largest Greek banks

The comprehensive assessment consisted of an asset quality review and a stress test under two macroeconomic scenarios. The two macroeconomic scenarios were relatively severe (growth of -3.3%, -3.9% and +0.3% respectively in 2015, 2016 and 2017 in the adverse scenario), as were the thresholds used to calculate the capital shortfalls (9.5% of CET1 under the AQR and baseline scenario, 8% under the adverse scenario), notably when compared to the previous EU-wide exercise (8% and 5.5% respectively). However Greek government exposures bear a 0% risk-weight, in line with the EU regulatory framework.

Table: Results of the 2015 comprehensive assessment

		threshold	**NBG**	**Eurobank**	**Alpha**	**Piraeus**	**Total**
CET1 capital amount *in EUR*	*as of 30/06/2015*		7.412	5.389	6.792	6.189	**25.781**
Risk Weighted Assets *in EUR*	*as of 30/06/2015*		63.870	39.218	53.516	57.113	**213.716**
CET1 capital ratio	*as of 30/06/2015*		11,6%	13,7%	12,7%	10,8%	**12,1%**
in %	*post AQR*	*9,50%*	8,1%	8,6%	9,6%	5,5%	**7,9%**
	in the baseline scenario	*9,50%*	6,8%	8,7%	9,0%	5,2%	**7,6%**
	in the adverse scenario	*8,00%*	-0,2%	1,3%	2,1%	-2,3%	**0,1%**
Capital shortfall(-) / buffer(+)	*post AQR*	*9,50%*	- 831	- 339	73	- 2.188	- **3.285**
in EUR	*in the baseline scenario*	*9,50%*	- **1.576**	- **339**	- **263**	- **2.213**	- **4.391**
	in the adverse scenario	*8,00%*	- **4.602**	- **2.122**	- **2.743**	- **4.933**	- **14.401**

Source: ECB.

In the end of June 2015, following the failure of negotiations on the closure of the second programme, **the ECB decided to maintain the ELA facility but stopped raising the overall cap, which triggered the need for capital controls**. The banks remained closed for three weeks and a limit of EUR 60 per day per bank card was imposed, while transfers abroad would need government approval. On 12 July 2015, the Euro Summit agreement paved the way for an additional lift in the ELA ceiling and the subsequent reopening of Greek banks. However, the imposition of capital controls is likely to have long-lasting effects on their asset quality. As a result, the MoU provided that the ECB would carry-out a comprehensive assessment of the four Greek banks by end of 2015.

The recapitalisation process is completed

On 31 October 2015, the ECB unveiled the results of the 2015 comprehensive assessment. The four main Greek banks reported capital shortfalls of EUR 4.4 billion in the baseline scenario and EUR 14.4 billion in the adverse scenario. The outcome was better than initially expected, since an envelope of EUR 25 billion had been reserved for that purpose in the third economic adjustment programme. The Greek Parliament approved the new recapitalisation law on the same day (31 October 2015). Banks were requested to raise private capital through share capital increases, bond swaps or asset sales.

The capital raising exercise confirmed some investors were willing to invest again in the Greek banking sector, albeit most of the money injected in 2014 had been lost. Indeed, all four large Greek banks managed to raise significant amounts of capital (see table 3), and thereby escaped resolution:

- Both Alpha Bank and Eurobank managed to raise the full amount of capital required from private investors or through the conversion of creditors into equity;
- NBG and Piraeus Bank managed to raise from private investors or through conversion of creditors the amount of capital requested under the baseline scenario, that is to say those two injections of capital by the Greek authorities were considered *precautionary* in the meaning of article 32.4 of the BRRD and therefore did not trigger resolution. In line with State aid rules and with the Eurogroup statement of 14 August 2015, all subordinated and senior bondholders were bailed-in in those two banks through the conversion of their notes into new equity, thereby reducing the amount of State aid needed. The preference shares issued by NBG, which were held by the Hellenic Republic, were also converted into equity.

The HFSF subscribed two categories of instruments: ordinary shares (25% of the total amount injected by the HFSF in NBG and Piraeus Bank) and contingent convertible instruments. Those

State aid measures were approved by the COM on 29 November (Piraeus Bank) and 4 December 2015 (National Bank of Greece) on the basis of updated restructuring plans. On 22 December 2015, NBG announced the sale of its major Turkish subsidiary (Finansbank A.Ş), and indicated that, pending supervisory approval, the proceeds from the sale would be used to repay the contingent convertible instruments subscribed by the HFSF. This could further reduce the amount of funds needed in the framework of the Third programme.

Table 3: Summary of the 2015 capital raising exercise

m€	NBG	Eurobank	Alpha Bank	Piraeus Bank	Total	%
Conversion of creditors into equity	759	418	1.011	582	**2.769**	*19%*
Capital raised from private investors	757	1.621	1.552	1.340	**5.271**	*37%*
Capital injected by the HFSF	2.706	-	-	2.720	**5.426**	*38%*
of which ordinary shares	*676*			*680*	*1.356*	*9%*
of which contingent convertible instruments	*2.029*			*2.040*	*4.069*	*28%*
Other capital actions	380	83	180	291	**935**	*6%*
Total capital shortfall	**4.602**	**2.122**	**2.743**	**4.933**	**14.400**	*100%*

sources: EGOV based on banks' websites

The shareholding structure of all four banks has been significantly impacted by those recapitalisations, since former shareholders were heavily diluted, losing from 83% to 99% of the control over the Greek banks. The HFSF now owns between 2% and 40% of those banks when it held 35% to 67% as of 30 September 2015. However, the shares subscribed by the HFSF in 2013 had restricted voting rights, while the new shares subscribed in 2015 do not. Therefore the HFSF will be able to exercise an influence in those banks where it holds significant shareholdings. The HFSF announced on 14 January that it had initiated its assessment of the Boards of Directors of the four systemic banks. It is to be noted that the CEO of Piraeus Bank, Mr. Anthimos Thomopoulos, resigned from his function on 15 January 2015.

Table 4: Value of the HFSF shareholding in the four large Greek banks

		NBG	Eurobank	Alpha Bank	Piraeus Bank	Total
shareholding February 2016	HFSF	40,4%	2,4%	11,0%	26,4%	20,7%
	Other shareholders	59,6%	97,6%	89,0%	73,6%	79,3%
	Total former shareholders	100,0%	100,0%	100,0%	100,0%	100,0%
book value and market value	**Equity - 30/09/2015 pro forma**	**6.332**	**4.545**	**7.772**	**6.113**	**24.762**
	of which equity held by the HFSF	*2.558*	*108*	*856*	*1.615*	*5.137*
	Market value - 29/02/2016	**1.692**	**1.016**	**2.321**	**1.179**	**6.208**
	of which shares held by the HFSF	*683*	*24*	*256*	*311*	*1.275*

sources: EGOV based on HFSF's interim financial statements as of 30/09/2015 and www.helex.gr

As of 30 September 2015 (before the further dilution of its shareholding), the HFSH had already lost EUR 34.1 billion out of the invested capital amounting to EUR 38.8 billion[11]. As of 29 February 2016, the market value of the HFSF shareholding in those banks was less than EUR 1.3 billion[12] for a current book value estimated at about EUR 5 billion[13]. Therefore only a marginal part of the incurred loss could potentially be recovered over time through an appreciation of the market value.

Greeks banks remain vulnerable

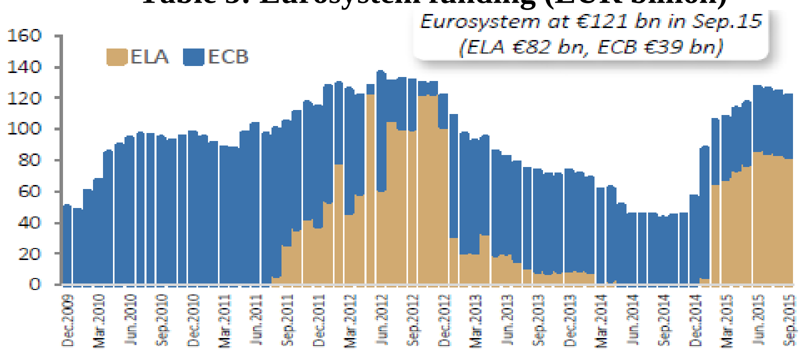
The burden of non-performing loans (NPL) constitutes an acute challenge for the Greek banks, with NPL (loans 90 days past due) amounting to more than 40% of total loans at the end of September 2015[14]. The Eurogroup statement of 14 August 2015 urged "*the authorities to take all*

[11] This includes losses related to the liquidation of small banks, amounting to about EUR 11.1 billion as of 30 September 2015.
[12] EGOV calculation based on the Hellenic Stock Exchange (www.helex.gr).
[13] EGOV estimation based on the common equity of the banks post AQR, taking into account the amount of capital raised and the conversion of debt instruments in the second half of 2015.
[14] Source: EBA Risk dashboard as of Q3 2015.

necessary steps (...) including opening the market for NPL servicing (...) and exploring the possibility of a bad bank". A number of measures were therefore committed to that end in the MoU of 19 August 2015, albeit it did not mention any concrete step toward the creation of a bad bank, beyond an assessment by the Bank of Greece of the banks' capacity to deal with each NPL segment.

In addition, the Greek banks remain heavily exposed to the Greek sovereign risk. At the end of March 2015, Greek banks held EUR 12.8 billion of State-guaranteed deferred tax assets, which are not deducted from capital. In addition, at the end of September 2015, the four Greek banks held EUR 5 billion of Greek government bonds and EUR 9 billion of treasury bills. That means the total exposure to the Greek sovereign risk amounts to about EUR 27 billion, to be compared to the total amount of equity as of 30 September 2015 (pro forma for the asset quality review and recapitalisation exercise), which stands at about EUR 25 billion.

Table 5: Eurosystem funding (EUR billion)



Source: Piraeus Bank, Q3 2015

Finally, the liquidity position of Greek banks remains very fragile, with a strong reliance on ELA (see table 5). Central bank refinancing amounted to EUR 120 billion for the four largest banks at the end of September 2015, that is to say about 35% of their total assets. As to the provision of ELA by the Bank of Greece, the ceiling set by the ECB decreased from EUR 91 billion at the peak in August 2015 to EUR 71.4 billion in February 2016, partly on the back of the recapitalisation of the four large banks.

Table 5: Selected banking indicators for Greece

End of period	*Dec-13*	*Dec-14*	*Jun-15*	*Sep-15*	*Dec-15*	*Jan-16*
Domestic residents deposits (in EUR million)	177.018	173.220	130.502	130.542	133.788	132.245
Market Capitalisation 4 largest banks (in EUR million)	26.905	19.473	12.910	3.526	11.666	8.304
NPL ratio in Greece (%)	37,1%	39,7%	42,0%	43,5%	*n.a.*	*n.a.*

Sources: Bank of Greece, Bankscope, Helex and EBA Risk Dashboards

Box 6: EBA Risk Dashboard: benchmarking Greek banks to EU peers

On 23 February 2016, the European Banking Authority (EBA) published its periodical update that summarises the main risks and vulnerabilities in the European banking sector ("Risk Dashboard Q4 2015"), showing the situation as per third quarter of 2015 for a sample of 154 European banks, among those four Greek banks (Alpha Bank; Eurobank; National Bank of Greece; Piraeus Bank).

Overall, the risk indicators used by EBA suggest that European banks are currently not in a very comfortable position, and Greek banks show even higher levels of risk.

While the EU banks' capital ratios further increased in Q3 2015 and reached 12.3% on average ("fully loaded", i.e. being calculated without applying the transitional provisions set out in Part Ten of the CRD IV Regulation), that of Greek banks stood below 10%, marking the last place in the sample at country level. However this refers to the capital position before the banks had to address their capital shortfalls of EUR 14.4 billion in aggregate. The asset quality review and the recapitalisation had a net impact of about 200 basis points (+2.0%) on the CET1 ratio of the four larger Greek lenders, which now stands closer to the EU average.

Annex 1: Greece's key economic indicators

	2011	2012	2013	2014	2015 (e)	2016 (f)	2017 (f)
GDP Growth (%)							
Greece	-9.1	-7.3	-3.2	0.7	**0.0**	**-0.7**	**2.7**
Euro area	1.6	-0.9	-0.3	0.9	**1.6**	**1.7**	**1.9**
Government balance (% of GDP)							
Greece	-10.2	-8.8	-12.4	-3.6	**-7.6**	**-3.4**	**-2.1**
Euro area	-4.2	-3.7	-3.0	-2.6	**-2.2**	**-1.9**	**-1.6**
Structural balance (% of potential GDP)							
Greece	-6.4	-0.2	2.3	1.3	**-0.6**	**-0.1**	**-0.7**
Euro area	-3.6	-2.1	-1.4	-1.0	**-1.1**	**-1.3**	**-1.4**
Government debt (% of GDP)							
Greece	172.0	159.4	177.0	178.6	**179.0**	**185.0**	**181.8**
Euro area	86.7	91.3	93.4	94.5	**93.5**	**92.7**	**91.3**
Inflation (%)							
Greece	3.1	1.0	-0.9	-1.4	**-1.1**	**0.5**	**0.8**
Euro area	2.7	2.5	1.3	0.4	**0.0**	**0.5**	**1.5**
Unemployment (% of labour force)							
Greece	17.9	24.5	27.5	26.5	**25.1**	**24.0**	**22.8**
Euro area	10.1	11.4	12.0	11.6	**11.0**	**10.5**	**10.2**
Youth Unemployment* (% of labour force)							
Greece	44.7	55.3	58.3	52.4	**49.7**	n.a.	n.a.
Euro area	21.3	23.4	24.2	23.8	**22.4**	n.a.	n.a.
Current account balance (% of GDP)							
Greece	-10.4	-4.2	-2.2	-3.0	**-1.8**	**-1.4**	**-0.9**
Euro area	0.6	1.9	2.5	3.0	**3.7**	**3.6**	**3.4**
Exports (% change)							
Greece	0.0	1.2	2.2	7.5	**0.0**	**1.9**	**3.9**
Euro area	6.5	2.6	2.1	4.1	**5.1**	**4.2**	**5.0**
Imports (% change)							
Greece	-9.4	-9.1	-1.9	7.7	**-1.9**	**0.6**	**2.7**
Euro area	4.3	-1.0	1.3	4.5	**5.7**	**5.0**	**5.6**
Domestic demand (% change)							
Greece	-11.1	-9.9	-4.2	0.9	**-0.7**	**-1.1**	**2.3**
Euro area	0.7	-2.4	-0.7	0.9	**1.7**	**2.0**	**2.0**
Investments (% change)							
Greece	-20.5	-23.5	-9.4	-2.8	**-8.4**	**-3.7**	**12.8**
Euro area	1.6	-3.3	-2.6	1.3	**2.3**	**2.8**	**4.2**
Income Inequality* (Gini Coef.) (scale from 0 to 100)							
Greece	33.5	34.3	34.4	34.5	n.a.	n.a.	n.a.
Euro area (18 countries)	30.5	30.3	30.6	30.9	n.a.	n.a.	n.a.
Labour Productivity (% change)							
Greece	-2.4	-1.1	0.4	0.5	**-1.4**	**-1.6**	**0.7**
Euro area	1.5	-0.2	0.5	0.3	**0.5**	**0.7**	**0.8**
Unit Labour Cost (% change)							
Greece	-1.4	-2.0	-7.4	-2.6	**-2.3**	**-0.6**	**0.1**
Euro area	0.6	1.9	1.1	1.1	**0.7**	**0.8**	**1.2**

Sources: European Commission (2016 Winter forecast; Eurostat for data marked with *. Euro area data correspond to EA19, except for the income inequality where only EU18 aggregate is available. Data as of 25 February 2016

Annex 2: Greece's Macroeconomic Imbalance Scoreboard

Indicators			Threshold	2007	2008	2009	2010	2011	2012	2013	2014
External imbalances and competitiveness	**Current account balance as % of GDP**	**3 year average**	-4/+6%	-11.9	-14.0	-14.2	-13.0	-11.3	-8.4	-5.3	-2.6
		Year value	-	-15.2	-15.1	-12.4	-11.4	-10.0	-3.8	-2.0	-2.1
	Net international investment position as % of GDP		-35%	-91.8	-73.7	-86.0	-96.7	-84.9	-108.9	-122.2	-124.1
	Real effective exchange rate - 42 trading partners	**% change (3 years)**	± 5% €A	- 0.4	2.3	4.8	2.9	1.8	-5.0	-4.4	-5.6
		% change y-o-y	-	0.7	1.6	2.4	-1.2	0.6	-4.4	-0.6	-0.6
	Share of world exports	**% change (5 years)**	-6%	n.a.	n.a.	-10.4	-14.3	-15.5	-24.9	-25.0	-17.5
		% change y-o-y		6.9	0.9	-5.5	-11.6	-6.2	-5.0	0.8	3.9
	Nominal unit labour cost	**% change (3 years)**	9% €A	11.0	7.4	15.8	14.0	6.8^{p}	-2.3^{p}	-10.5^{p}	-11.6^{p}
		% change y-o-y	-	2.6	5.3	7.1	1.0	-1.4^{p}	-2.0^{p}	-7.4^{p}	-2.6^{p}
Internal imbalances	**House prices** % change y-o-y deflated		6%	2.2^{e}	-2.5^{e}	-4.6^{e}	-8.0^{e}	-7.6^{e}	-12.0^{e}	-8.9^{e}	-4.9^{e}
	Private sector credit flow as % of GDP		14%	16.2	15.6	2.4	5.6	-6.5	-5.7	-6.2	-2.7
	Private sector debt as % of GDP		133%	101.9	113.5	117.1	128.9	131.1	132.5	131.1	130.5
	General government gross debt (EDP) as % of GDP		60%	103.1	109.4	126.7	146.2	172.0	159.4	177.0	178.6
	Unemployment rate	**3 year average**	10%	9.1	8.4	8.6	10.0	13.4	18.4	23.3	26.2
		Year value	-	8.4	7.8	9.6	12.7	17.9	24.5	27.5	26.5
	% change y-o-y in **Total Financial Sector Liabilities,** non-consolidated		16.5%	22.0	4.7	10.3	7.7	-3.2	-3.1	-16.9	-7.6
Employment indicators	**Activity rate % 15-64 total pop.** 3 year change		-0.2%	0.3	0.3	0.7	1.3	0.6	0.1	-0.3	0.1
	Long term unemployment active pop. 15-74 3 year change.		0.5%	-1.4	-1.5	-1.0	1.5	5.1	10.6	12.8	10.7
	Youth unemployment % active pop. 15-24 3 year change		0.2%	-3.8	-3.9	0.7	10.3	22.8	29.6	25.3	7.7

Source: Eurostat MIP Scoreboard indicators (data extracted on 25 February 2016 and therefore may not correspond to the 2016 AMR).
Note: Grey cells signal data falling outside the MIP thresholds; p = provisional and (:) = missing.

Annex 3: Greece's [progress towards EU2020 targets]

Indicator	Greece			EU28	
Employment rate (% of population aged 20-64)	**70**		**2020 target**	**75**	
	n.a.		2015	n.a.	
	53.3		2014	69.2	
	52.9		2013	68.4	
	55.0		2012	68.4	
Expenditure on R&D (% of GDP)	**1.21%**		**2020 target**	**3**	
	n.a.		2015	n.a.	
	0.83[p]		2014	2.03[p]	
	0.80		2013	2.03	
	0.69		2012	2.01	
Greenhouse gas emission[1]	**Total: ncst**[1] Index 1990 = 100	**Non-ETS: 96**[1] Index 2005 = 100	**2020 target**	**Total: 80**[1] Index 1990 = 100	
	n.a.	n.a.	2015	n.a	
	n.a.	n.a.	2014	n.a	
	100.12	n.a.	2013	80.20	
	107.12	77.64	2012	81.69	
Share of renewable energy (%)	**20**[2]		**2020 target**	**20**	
	n.a.		2015	n.a.	
	15.3		2014	16.0	
	15.0		2013	15.0	
	13.4		2012	14.3	
Primary energy consumption (million tonnes of oil equivalent-TOE)	**27.1**		**2020 target**	**1,483**	
	n.a.		2015	n.a.	
	23.7		2014	1,507.1	
	23.6		2013	1,569.1	
	26.9		2012	1,584.0	
Early school leaving (% of population aged 18-24)	**9.7**		**2020 target**	**10**	
	8.3[b]		2015	10.9[p]	
	9.0[b]		2014	11.2[b]	
	10.1		2013	11.9	
	11.3		2012	12.7	
Tertiary educational attainment (% of population aged 30-34)	**32**		**2020 target**	**40**	
	39.4[p]		2015	38.5[p]	
	37.2[b]		2014	37.9[b]	
	34.9		2013	37.1	
	31.2		2012	36.0	
Population at risk of poverty or social exclusion (thousand - % of total population)	**Reduction by 450 thousand**	**ncst**	**2020 target**	**Reduction by 20 million**	**ncst**
	n.a.	n.a.	2015	n.a.	n.a.
	3,885	36.0	2014	122,328	24.5
	3,904	35.7	2013	122,894	24.6
	3,795	34.6	2012	123,927	24.7

Source: Eurostat (data extracted on 16 March 2016).

Note: (1) The Effort Sharing Decision (2009/406/EC) sets country-specific targets for non-ETS emissions only and an EU target for ETS-emissions. For Greece, non-ETS emissions will be reduced by 4% compared to 2005 levels. For the EU, ETS-emissions will be reduced by 21% compared to 2005 level and overall emissions by 20% compared to 1990 levels.
(2) Greece committed to a target of 18% by 2020, increased to 20%, by national legislation (Law 3851/2010).
* = Estimate; n.c.s.t. = "no country specific target"; n.a = "not available"; p = provisional and b = break in time series.