IN-DEPTH ANALYSIS

European Parliament

Greece's financial assistance programme - September 2017

This briefing provides an overview of the economic situation in Greece and the main developments under the third financial assistance programme. This version updates the briefing published on 22 June 2017.

Summary

- Greece's economy returned to growth in the first half of 2017 (expanding by +0.5% q-o-q in both Q1 and Q2 2017), driven by domestic demand. On the fiscal side, the budget execution data for January-August 2017 showed that the primary surplus (on cash basis) amounted to EUR 3.54 billion and was only marginally below the target. The Greek authorities see the primary surplus at 2.1% to 2.2% of GDP for 2017 as a whole, overachieving the corresponding MoU target of 1.75% of GDP.
- In July 2017, Greece returned to bond markets for the first time since 2014, raising EUR 3 billion in five-year bonds at 4.625 per cent. The issue was oversubscribed as market participants' bids amounted to EUR 6.5 billion.

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- The Eurogroup meeting of June 2017 finalized the second review. It considered that all actions prior to the disbursement of the third tranche have been adopted, therefore the ESM disbursed the third tranche, amounting to EUR 8.5 billion euros, to cover current financing needs, arrears clearing, and a possible cash buffer. On debt measures, the Eurogroup stated that they would be implemented after successful completion of the programme, if a new debt sustainability analysis were to confirm that such measures are necessary.
- Against this background, the IMF has approved "*in principle*" a new, 14-month Standby Arrangement for Greece. Its implementation depends on the IMF assessment of sustainability of the Greek public debt before the end of the ESM programme, in August 2018.
- Both the COM and the IMF published their latest Debt Sustainability Analyses in summer 2017. The analyses incorporate new estimates and assumptions, as well as political agreements on the primary surplus (namely 3.5% of GDP from 2019 until 2022, and 1.5-2% afterwards) and on the short-term measure adopted to re-profile Greece's debt with EFSF/ESM. The sustainability is

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assessed on the basis of two indicators, namely the Debt-to-GDP ratio and Gross Financing Needs. Both the IMF and COM analyses suggests that the Greek debt remains unsustainable.

- While the liquidity position of Greek banks has much improved since their recapitalisation at the end of 2015, they continue to rely on Emergency Liquidity Assistance (ELA) and Eurosystem refinancing. They report comfortable capital ratios but remain burdened by record levels of non-performing loans (NPL). Those NPL are closely monitored by the supervisors and the measures implemented under the third programme have yet to bear fruits.

1. Latest economic developments

After stabilising in the course of 2016, Greece's economy returned to growth in the first half of 2017, driven by domestic demand. According to the latest Eurostat data, real GDP expanded by 0.5% q-o-q in both the first and second quarters. Successful completion of the second review and disbursement of additional ESM funds helped dispelling the uncertainty that significantly weighed on macroeconomic activity at the end of the previous year, as evidenced in Table 1 (the sizeable contraction in GDP during Q4 2016 was largely unexpected). However, it should be noted in this regard that Greek GDP data are subject to frequent and large revisions.

Table 1: Revisions in Greece's quarterly GDP data
(% growth compared to the previous quarter)

	2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2
Flash estimate May 2016	-0.4	-	-	-	-	-
Estimate June 2016	-0.5	-	-	-	-	-
Flash estimate Q2 2016 (August 2016)	-0.1	0.3	-	-	-	-
Estimate Q2 2016 (September 2016)	-0.2	0.2	-	-	-	-
Flash estimate Q3 2016 (November 2016)	-0.6	0.4	0.8	-	-	-
Estimate Q3 2016 (December 2016)	-0.6	0.4	0.8	-	-	-
Flash estimate Q4 2016 (February 2017)	-0.6	0.3	0.9	-0.4	-	-
Estimate Q4 2016 (March 2017)	-0.7	0.3	0.6	-1.2	-	-
Flash estimate Q1 2017 (May 2017)	-	0.3	0.6	-1.2	-0.1	-
Estimate Q1 2017 (June 2017)	-	0.4	0.7	-1.1	0.4	-
Flash estimate Q2 2017 (August 2017)	-	-	0.7	-1.1	0.4	-
Estimate Q1 2017 (September 2017)	-	-	0.8	-1.0	0.5	0.5

Source: Eurostat

Looking ahead, the COM expected in its Spring 2017 forecast that Greece's economy will grow by 2.1% in 2017 and 2.5% in 2018. As shown in Table 2, these estimates imply a downward revision of 0.6 pp in both years compared to the previous round of projections (Winter 2017), reflecting delayed completion of the second review of the ESM programme and lower carry-over effect from the previous year. The projected recovery remains conditional upon programme implementation and is to be mainly driven by the resilience of private consumption. Investment is also expected to contribute positively to growth, against the backdrop of improving financing conditions as capital controls are gradually eased. Note that both the IMF and COM will publish new round of projections in October and November 2017, respectively.

Table 2: Comparison of the Commission and the IMF growth projections for Greece

	2016	2017	2018
COM Winter 2017 Forecast (February 2017)	0.3	2.7	3.1
COM Spring 2017 Forecast (May 2017)	0.0	2.1	2.5
IMF February 2017 Article IV Report	0.4	2.7	-
IMF April 2017 WEO	0.0	2.2	2.7

Sources: Commission and the IMF forecasts

Inflation, as measured by the Harmonised Index of Consumer Prices (HICP), **accelerated to 1.4% over the first half of 2017** on the back of broad-based price increases across most categories of goods (including energy) and services. However, the latest Eurostat data show that headline HICP inflation dynamics somewhat decelerated at the start of the second half of 2017 (0.9% y-o-y in July and 0.6% y-o-y in August), following contraction in prices of unprocessed food, rentals as well as pharmaceutical products. Underlying price pressures have gathered some momentum, though they still remain subdued overall[1]. Note that in the latest round of COM projections, the inflation rate was expected to stand at 1.2% for 2017 as a whole.

Greece's current account balance turned into a slight deficit of 0.6% of GDP in 2016[2]**,** mainly reflecting widening trade balance deficit (as decline in net exports of services more than offset reduction in net imports of goods). For 2017 as a whole, Greece is projected to continue earning less from its exports than from imports, though current account deficit is expected to stabilise and remain small relative to the size of the economy, at 0.5% of GDP. On quarterly basis, the current account recorded a deficit of about EUR 2.6 billion in the three months to March (about 1.5% in terms of annualised GDP). However, this quarterly data should be taken with caution, as Greece typically records large current account surpluses in the third quarter due, *inter alia,* to the importance of tourism sector[3].

After peaking at 27.9% in September 2013, the unemployment rate further declined to 21.2% in June 2017, the latest available Eurostat data. This downward trend reflects the impact of labour market reforms, including employment schemes promoting labour participation, as well as gradual improvement in the economic activity. Despite these achievements, Greece's unemployment rate still remains the highest within the EU and continues to affect mainly women[4] and young people[5]. In the COM Spring 2017 forecast, Greece's unemployment rate was projected to decline to 22.8% in 2017.

Greece's general government balance turned into surplus of 0.7% of GDP in 2016, as the primary surplus came in at 3.9% of GDP and considerably exceeded the target of 0.5% of GDP

[1] Underlying inflation, as measured by headline HICP excluding unprocessed food and energy, has remained at or below 1.0% since the start of this year. The August 2017 reading was 0.4%.

[2] Greece's current account deficit peaked at a record high of 15.8% of GDP in 2008, then gradually declined and reached a balance in 2015. This remarkable adjustment was initially driven by sharp decline in imports, as the economy entered into unprecedented recession before structural reforms put into place have gradually improved external competitiveness. Note that last time Greece recorded a current account surplus was in 1994 (+1.3% of GDP).

[3] Services provided by tourism sector are recorded as exports in National accounts.

[4] In June 2017, the unemployment rate among women came in at 25.3% as compared with 17.9% for men.

[5] The youth unemployment rate declined from a record high of 60.5 % in February 2013 to 43.3% in June 2017.

established under the ESM programme[6]. The surge in the primary balance mainly resulted from higher-than-expected tax revenues, on the back of growing underlying tax bases and several one-off effects[7]. As to 2017, the state budget execution data for the first eight months showed that the primary surplus (on cash basis) amounted to EUR 3.54 billion, only marginally below the target of EUR 3.57 billion. While net tax revenues came in below expectations[8], spending has also been kept below the budgeted targets. The Greek authorities see the primary surplus at 2.1% to 2.2% of GDP over 2017 as a whole, overachieving the corresponding MoU target of 1.75% of GDP. The general government deficit over the period January-August 2017 turned out to be slightly higher than expected (EUR 1.27 billion as compared with the target of EUR 1.22 billion set in the budget). Note that according to the COM Spring 2017 forecast, Greece's general government deficit is projected to stand at 1.2% of GDP.

Greece's general government gross debt increased to 179.0% of GDP at the end of 2016 as debt-reducing impact of the (large) primary balance surplus was more than offset by debt-increasing effect of stock-flow adjustment9. According to the COM Spring 2017 forecast, Greece's general government deficit is projected to stand at 1.2% of GDP. Finally note that the Greek government presented the 2018 draft budget to the Parliament on 2 October 2017. This proposal is based on an assumption of 2.4% real GDP growth and foresees primary surplus at 3.57% of GDP (narrowly meeting the corresponding target of 3.5% of GDP under the ESM programme).

In July 2017, Greece **returned to bond markets** for the first time since 2014, raising EUR 3 billion in five-year bonds at 4.625 per cent. The issue was oversubscribed as market participants' bids amounted to EUR 6.5 billion.

Figure 1 depicts the **distribution of the outstanding debt across different categories of bondholders**. The latest available data show that by March 2017, the Euro area governments (including EFSF and ESM) were holding about 70% of Greece's general government gross debt, while the shares corresponding to the Bank of Greece, the ECB and the IMF were at 1.1%, 4.2% and 4.1% respectively. These shares are little changed compared with the end of 2016 as (1) Greece general government gross debt only marginally decreased from EUR 314.9 billion in Q4 2016 to EUR 310.6 billion in Q1 2017; (2) no additional ESM funds were disbursed during the first quarter of this year and (3) Greece made, in line with its contractual agreement, only a small repayment to the IMF amounting to SDR 0.12 billion (EUR 0.15 billion) on 17 March 2017[10].

[6] Under the ESM programme, primary surplus target is defined as the primary balance, excluding one-off costs of bank recapitalisations, the Securities Markets Programme and the Agreement on Net Financial Assets revenues, as well as part of the privatisation proceeds.

[7] Including clearing of tax liabilities from previous years, higher claims on EU funds and stock-piling effects in view of the 2017 increase of excise duties on tobacco.

[8] This deviation is due to several factors, including the transfer of the payment of the first instalment of the single property tax (ENFIA) from August to September, higher-than-expected tax refunds as well as lower-than-projected personal income tax revenues.

[9] This debt increasing stock-flow adjustment predominantly reflects elevated cash deposits and reduction in arrears.

[10] Greece made additional repayments on 18 July 2017 and 19 September 2017. The next repayment is due on 4 December 2017 (see WSJ).

Box 1: Legal proceedings against of Mr Georgiu, formerly head of ELSTAT

After its meeting of **7 September 2017**, the European Statistical Governance Advisory Board (ESGAB) published a press release on recent developments concerning the Greek statistical system and the legal proceedings against Mr Georgiou. The press release reads: "*Although in May 2017 the Council of the Appeals Court acquitted Mr Georgiou, and his co-accused, of the criminal charges of falsifying the 2009 deficit figures, in July 2017 the Chief Prosecutor of the Greek Supreme Court proposed to annul this decision and recommended that the case again be re-examined by the Court, but with a different composition. This is the second time that the Chief Prosecutor has taken this action and would be the third occasion in which these criminal charges are pursued by the Council of the Appeals Court.*

ESGAB is deeply concerned and disturbed by this behaviour and hopes that the case will soon be finally closed. On the other hand, it should be underlined that, as noted in ESGAB's Opinion in May, "no legal action has been taken by the Greek government to bring to account those responsible for the misreporting, during two different periods, of Greek deficit and debt data, which was detected following the transmission of revised figures in 2004 and 2009".

Mr Georgiou has recently been involved in two other judicial cases. In the first case, he was found guilty of failing to inform the Board of ELSTAT about his decision to transmit revised 2009 deficit figures to the Commission (Eurostat). Mr Georgiou was given a two-year suspended prison sentence.

In the second case, he was ordered by a civil court to pay damages for slander. At the moment, details of the legal arguments underpinning the Court decisions are not available and the amount of damages which Mr Georgiou will have to pay in the slander case is also unknown".

At its meeting in September 2017, the Eurogroup **expressed concerns on the convictions of Mr Georgiou**: *"(...) we have also addressed ongoing court cases and expressed our strong concerns over recent developments related to the convictions of the former President of ELSTAT, which attracted widespread international coverage and condemnation. We concurred that this is damaging for the reputation of Greek statistics and the confidence in Greek public institutions in general (...)."*

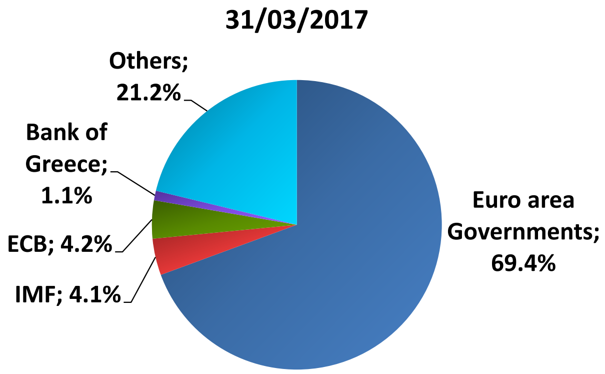
Early 2017, Eurostat had visited ELSTAT in the framework of the Excessive Deficit procedure; in order to promote transparency, ELSTAT invited COM/ECB/IMF as observers to these meetings.

On **22 November 2016**, at a meeting of the Financial Assistance Working Group (FAWG) of the EP, Mr Radermacher, then the Director General of Eurostat, and Mr Georgiou presented the situation of official statistics in Greece, as well as the legal proceedings before the Greek courts against Mr. Georgiou on the ground of the accusation that he inflated 2009 Greek deficit figures:

- Mr. Radermacher highlighted the **important contribution** of Mr. Georgiou in ELSTAT since he modernised the latter and fully observed EU statistical means. He also stated that the situation in Greek statistics significantly improved since 2009. The weaknesses are now only of **technical nature** (e.g implementation, capacity and skills), while there was a deliberate false deficit reporting until 2009.
- Mr **Georgiou referred** to the numerous prosecutions and investigations against him. He stressed that if official statisticians cannot keep accurate official statistics without fear of being attacked and dragged through courts for years, the integrity of the EU and its economic system is critically undermined.

In **August 2016**, the COM expressed concerns regarding statements calling into question the quality of official Greek statistics. It called upon the Greek authorities to actively and publicly challenge the false impression that data were manipulated during 2010-2015 and to protect ELSTAT and its staff from such unfounded claims. It also urged the Greek authorities to support and preserve the quality of Greek statistics, as well as the independence of the Hellenic Statistical System. A letter from Vice-President Dombrovskis and Commissioners Moscovici and Thyssen was sent in this regard to Greek Finance Minister Tsakalotos.

Figure 1: Greece's general government gross debt by creditor



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.

2. Main elements of the third programme

Following Greece's request for further financial assistance of 9 July 2015, the COM signed on 19 August 2015[11] (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 July 2015 - August 2018** [12], in accordance to Article 13 of the ESM Treaty. The MoU outlined a reform agenda focused on the following areas:

(1) fiscal sustainability;
(2) safeguarding financial stability;
(3) growth, competitiveness, investment; and
(4) modern state and public administration structure.

Greece was to cooperate with the COM's Structural Reform Support Service to demonstrate its commitment. The Greek authorities made a commitment to achieve a **primary surplus**[13] **over the medium-term of 3.5 % of GDP,** so as to progressively strengthen the sustainability of public finances (see Table 3).

Table 3: Primary surplus targets and GDP growth path

Year	Primary surplus target	GDP growth
2015	-0.25%	-2.3%
2016	+0.50%	-1.3%
2017	+1.75%	+2.7%
2018	+3.50%	+3.1%

Sources: MoU and EU DSA of July 2015 (also included in the COM eligibility report of 10 July 2015)

[11] On 19 August 2015, the Mr Tsipras, 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. The following day, he resigned, triggering the sixth general elections in eight years, which took place on 20 September. Following his re-election, Mr Tsipras (Syriza) renewed his party's coalition with the Independent Greeks (Anel), the junior partner in his previous government.

[12] In accordance with Art. 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.

[13] Under the ESM programme, primary surplus target is set in terms of primary balance, excluding one-off costs of bank recapitalisations, Securities Markets Programme and Agreement on Net Financial Assets revenues as well as part of the privatisation proceeds.

3. Latest developments under the third adjustment programme

The MoU of August 2015 had foreseen that "*the conditionality will be updated on a quarterly basis, taking into account the progress in reforms achieved over the previous quarter. In each review the specific policy measures and other instruments to achieve these broad objectives outlined here will be fully specified in detail and timeline*". So far two reviews (leading to disbursements and an updated conditionality) have been concluded since August 2015: The first in June 2016 and the second in June 2017 .

3.1 The first review, June 2016

In June 2016, upon the **conclusion of the first review under the third programme,** the COM published a report on the compliance with the MoU and a supplemental Memorandum of Understanding (sMoU 2016). The sMoU 2016 included, *inter alia*, a number of legislative acts that the Greek Parliament had to adopt prior to the disbursement of the second tranche of the ESM programme (p. 20-23). The report provided an overall positive assessment of Greece's programme implementation.

The ESM authorised in June 2016 the disbursement of the second tranche of EUR 10.3 billion, since the COM compliance report of 9 June 2016 assessed that the Greek parliament had adopted the agreed legislative acts.

The sMoU 2016 updated the policy conditionality set out in the MoU of August 2015, by **including fifteen key deliverables to be delivered between mid-September 2016 and September 2017** (measures nr. 41-56 in the chapter 6 of the compliance report of June 2016). The sMoU 2016 also stated that the Greek authorities committed to ensuring sustainable public finances, by pursuing the fiscal path agreed in August 2015 that was based on primary surplus targets of 0.5, 1.75 and 3.5 percent of GDP in 2016, 2017 and 2018 respectively. Furthermore, the programme definition of the primary balance was adjusted to exclude migration-related expenditure net of EU transfers to the Greek budget, subject to a proper monitoring mechanism and a cap being defined. To meet the fiscal targets, as a prior action the Government would adopt supporting legislation generating savings equivalent to ¾, 2¼ and 3 percent of GDP in 2016, 2017 and 2018 respectively, through parametric measures, including a holistic pension reform.

3.2 Developments between June 2016 and May 2017

In December 2016**,** the Eurogroup welcomed the agreement on a 2017 budget which confirmed the primary balance target of 1.75% of GDP and allowed for the rollout of the Guaranteed Minimum Income; it noted that a staff-level agreement should include measures to reach the fiscal target for 2018 (primary balance of 3.5% of GDP), as well as reforms enhancing growth and competitiveness.

The Eurogroup also endorsed **short-term debt relief measures,** which were adopted by the ESM on 23 January 2017**.** In its "Explainer of the Short term relief measures for Greece", the ESM states that "*When implemented in full, these measures should lead to a cumulative reduction of Greece's debt-to-GDP ratio of 20 percentage points until 2060, according to ESM estimates in a baseline scenario. It is also expected that Greece's gross financing needs will fall by almost five percentage points over the same time horizon*". However, the ESM did not provide detailed information on its analysis, nor on the assumptions of the model or the specific path of the debt indicators.

On 20 February 2017, Greece paid back €2 billion to the ESM following the sale of an asset by one of the banks that took part in the 2015 banking recapitalisation, financed with ESM loans.

The Eurogroup President stated after the February 2017 meeting that the institutions would work with the Greek authorities on the **additional package of structural reforms, looking at the tax system, the pensions system and the labour market regulation**[14]: *"There will be a change in the policy mix, moving away from austerity and putting more emphasis on deep reforms, which has also been a key element for the IMF."* He also added that there were no liquidity issues in the short run for Greece, *"... but I think we all feel a sense of urgency because of the key issue of confidence. If you want economic growth in Greece to continue and to start picking up, confidence is a key factor. That confidence has been returning in the last year and needs to strengthen, and we don't want to jeopardize that."*

The Eurogroup meeting of 22 May 2017 concluded that the on-going second review can be closed if an agreement can be reached at the Eurogroup of 15 June 2017 on the topics of debt sustainability and potential debt relief; a participation of the IMF would also depend on the Eurogroup agreements on the issue of debt.

Box 2: ECJ Judgement on collective redundancies

On 21 December 2016 the European Court of Justice (Judgment in Case C-201/15) ruled in respect of a case related to Greek labour legislation that EU law does not, in principle, prevent a Member State **from** opposing **collective redundancies** in certain circumstances in the interests of the protection of workers and of employment. However, under such national legislation, which must in that case seek to reconcile and strike a fair balance between, on the one hand, the protection of workers and of employment and, on the other, employers' freedom of establishment and their freedom to conduct a business, the legal criteria which the competent authority is to apply in order to be able to oppose projected collective redundancies cannot be formulated in general and imprecise terms.

3.3 The second review: June 2017

The Eurogroup of 15 June 2017 **finalized its discussion on the ongoing second review.** It welcomed the **adoption of the agreed prior** actions for the second review by Greece's parliament. The actions were part of the set of policy reforms forming **a new supplementary Memorandum of Understanding** (sMou 2017) the country had agreed with the institutions (COM, ECB, ESM and IMF) in May 2017, such as pensions, income tax, the labour market as well as the financial and energy sectors. Their purpose is to make Greece's medium-term fiscal strategy more robust and support the growth-friendly rebalancing of the economy.

The Eurogroup of 15 June 2017 also invited Greece, together with the institutions and relevant third parties, to develop and support a holistic, growth enhancing strategy. On debt measures, it referred to its approach to the **sustainability of Greece's public debt** that was agreed in May 2016: They would be implemented after successful completion of the programme, if a new debt sustainability analysis were to confirm that such measures are necessary (see Section 4 below). The Eurogroup welcomed Greece's commitment to maintain a **primary surplus of 3.5% of GDP until 2022 and a fiscal path consistent with the European fiscal framework thereafter** (according to COM, "equal

[14] On 5 December 2016, Mr Pedro Martins, Professor from the London School of Business and Management in London and a member of the "**Expert Group for the review of the Greek labour market institutions**" presented to the European Parliament the recommendations adopted by the labour market expert group on 27 September 2016.

to or above but close to 2.0% of GDP" in the period of 2023-2060). Against this background, during the Eurogroup meeting, **the IMF** informed of its intention to recommend to the IMF's Executive Board the approval in principle **of Greece's request for a 14-month standby arrangement**; indeed, the in-principle approval by the IMF was decided in July 2017 (see Box 3). More information on the June 2017 Eurogroup decisions on Greece is available in the Eurogroup statement on that meeting.

On 16 June 2017, the COM published the Compliance Report, linked to the completion of the Second Review. It assessed that "*The Greek authorities have acted to complete the prior actions agreed in the supplemental sMoU 2016 required for the disbursement of the third tranche of the ESM programme (...) **Based on the above considerations, the ESM programme is on track, paving the way for the next disbursement to Greece** of an amount necessary to cover the outstanding debt service until the expected completion of the next review, and an amount to help clear the sizeable stock of arrears in line with the agreed clearance plan."* The report presents a list of 140 prior actions that have been completed in 2016 and 2017; these concern mainly the adoption of legislation on the following thematic areas: fiscal policies, post-programme fiscal package, tax policies, public revenue reforms, public administration, public financial management, public procurements, social welfare system, financial stability, labour and product markets, education and training, regulated professions, land use incl. cadaster, network industries and privatization.

Between 26 and 27 June 2017, a twelve-member **European Parliament** delegation belonging to the Financial Assistance Working Group conducted a fact-finding mission in Athens. Roberto Gualtieri, mission leader and chair of the FAWG, stated at the end of the meeting: "*The agreement reached at the last Eurogroup is a good step forward. However, more can be done, more has to be done to clarify what will be the required profile of the primary surplus in the coming years. This is directly linked to the details of debt relief measures, on which maximum certainty has to be provided.*"

In addition to the Compliance Report of June 2017, two MoU-related documents were published in July 2017: The second Supplemental Memorandum of Understanding (sMoU 2017) updating the policy conditionality set out in the original MoU, and the updated Technical Memorandum of Understanding accompanying the MoU.

On the basis of the Eurogroup agreement of 15 June 2017, the compliance report of 16 June 2017 and the completion of national procedures, the ESM **disbursed** in July 2017 €7.7 billion (€6.9 billion were disbursed for debt servicing needs and €0.8 billion for arrears clearance). With this disbursement, the creditors acknowledged that Greece adopted the agreed prior actions for the second review in the areas of pensions, income tax, labour market as well as the financial and energy sectors. A second disbursement for arrears clearance of €0.8 billion still depends on the progress regarding arrears clearance, using its own resources as well as the funding from the disbursement of 10 July 2017. Greece needs to provide data, showing that previous amounts earmarked to this scope were actually spent, before end October. This would bring the total amount of disbursed ESM funds to Greece to €40.2bn (out of a programme volume of up to €86 billion).

The **September 2017 Eurogroup** discussed the state of play regarding the Greek programme. The Eurogroup President stated that: *"The institutions and the Greek authorities debriefed us on the state of play in Greece and the planning for the third review of the ESM programme. We welcomed reports from the institutions that technical teams have already started their fact-finding mission in Athens earlier this week. We concurred that the third review should be concluded as soon as possible and ideally by the end of the year."* In addition, the Eurogroup raised concerns over recent developments related to the convictions of the former President of the Hellenic Statistical Authority (see Box 3).

For information on latest financial aspects of the programme, see separate EGOV briefing.

Box 3: The role of the IMF in the second and third Greek programmes

The second programme (2012-2015): In February 2017, the IMF published its critical ex-post evaluation. The report draws a number of lessons, including that "*When the political base for reforms is fragile, or insufficient ownership is apparent or likely, program design should be more conservative from the start*".

As regards the **third programme** (2015-2018): While the European Institutions still expect that the IMF comes on board financially, the IMF is ready to participate financially only if euro area creditors provide further debt-relief:

- The June 2017 Eurogroup welcomed Greece's commitment to maintain a primary surplus of 3.5% of GDP until 2022 and a fiscal path consistent with the European fiscal framework thereafter (according to COM of equal to or above but close to 2.0% of GDP in the period of 2023-2060). Against this background, the Eurogroup announced that the IMF management will shortly recommend that its Executive Board approve in principle a new, 14-month Standby Arrangement for Greece.
- The June 2017 Compliance report on the completion of the second Review of the third programme includes a section on post-programme debt sustainability measures which states inter alia: "*Taking on board the statements of the Eurogroup, the policy package agreed with the Greek authorities in the context of the second review of the ESM programme has been developed on the basis of a shared conditionality among all institutions, which could provide a basis for the IMF to come on board with a new financing programme. This includes policies to enable Greece to achieve and sustain a primary surplus of 3.5% of GDP over the medium-term. To this end, it includes a fiscal package that was enacted on 18 May 2017, but which would enter in to force as of 2019. This provides additional guarantees to the achievement of the fiscal targets in the medium term, in view of divergences in projections between the European institutions and the IMF. Moreover, it helps restructure public finances in a more growth-friendly manner and brings pension expenditure and the tax-free threshold closer to the European average.*"
- The IMF Executive Board approved on 20 July 2017 an "in Principle €1.6 Billion Stand-By Arrangement" for Greece: "*The arrangement, which supports the authorities' economic adjustment program, has been approved in principle, which means it will become effective only after the Fund receives specific and credible assurances from Greece's European partners to ensure debt sustainability, and provided that Greece's economic program remains on track. A second Executive Board decision is needed to make the arrangement effective. The arrangement will expire on August 31, 2018, shortly after the expiration of the European Stability Mechanism program.*"
- However, the IMF managing Director stated on 20 July 2017 on the conditions of the application of the In-principle Agreement: "*As we have said many times, even with full program implementation, Greece will not be able to restore debt sustainability and needs further debt relief from its European partners. A debt strategy anchored in more realistic assumptions needs to be agreed. I expect a plan to restore debt sustainability to be agreed soon between Greece and its European partners. Effectiveness of the new Stand-By Arrangement is contingent on this agreement on debt relief, as well as implementation of the program.*"

4. Debt Sustainability Analyses

The Debt Sustainability Analysis (DSA) is a tool used to assess whether a country has the capacity to pay its debt (see Box 4). In the context of lending activities of international institutions:

- Article 13.1 of the ESM Treaty, as well as Article 6 of EU 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.
- Similarly, Article V.3 of the IMF agreements, which sets the conditions governing the use of IMF resources, requires that the receiving country have the capacity to repay its debt to IMF.

For Greece, DSAs are developed by the COM, by the IMF and by the ECB. The latter requires a positive assessment of debt sustainability as an eligibility criterion for it to buy treasury bonds in the context of *Quantitative Easing*; on 29 May 2017, Mario Draghi stated at the "Monetary dialogue" in ECON that the ECB will decide on the basis of "the ECB's own assessment of debt sustainability". Nevertheless, the ECB has not published, so far, its DSA for Greece.

Both the COM and the IMF published their latest Debt Sustainability Analyses in summer 2017. The analyses incorporate new estimates and assumptions, as well as political agreements on the primary surplus targets and on the short-term measures adopted to re-profile Greece's debt with EFSF/ESM. Nevertheless, **the two DSAs differ substantially**, for both the methodological framework and the assumptions of the models.

Table 4 overleaf presents the main assumptions underlying the COM and IMF models, together with the more recent estimates and projections. The COM document is much less detailed than the IMF's one, and while the IMF time horizon extends to 2080, the COM's one extends to 2060.
Among the main differences, one can note that:

- **GDP growth** forecasts differ slightly, but the long term percentage growth is 1.25% for the COM and 1% for IMF.
- The **primary surplus**: in June 2017, the Eurogroup welcomed "*the commitment of Greece to maintain a primary surplus of 3.5% of GDP until 2022 and thereafter a fiscal trajectory that is consistent with its commitments under the European fiscal framework, which would be achieved according to the analysis of the European Commission with a primary surplus of equal to or above but close to* ***2% of GDP*** *in the period from 2023 to 2060*". Nevertheless, the IMF assumes 1.5% at most after 2022.
- The **spending projections** are affected also by demographic assumptions that impact the pension system: Greek authorities expect lower inflows and higher exits than the IMF, due to much higher mortality rate than the one assumed by the IMF (p.28).
- **Expected privatisation revenues** differ substantially: the IMF expects EUR 2 billion, while the COM estimates them at 17billion, of which 4 billion from the privatisation of banks assets.
- The IMF expects **banks recapitalization** needs to be EUR 10 billion, while the COM foresees no further bank recapitalization (on this issue, the IMF requests to carry out an AQR before the end of the programme, opposed by Greek authorities and the ECB, see section 5).

As regards **debt sustainability**, both analyses provided a path for the evolution of the two main indicators used to assess the debt sustainability, namely the **Debt-to-GDP** ratio and the **Gross Financing Needs-to-GDP** ratio (see Box 4).

Table 4: Debt Sustainability Analyses - Key assumptions used by COM and IMF

	Year	**EU** (June 2017)	**IMF - DSA** (July 2017)
GDP real growth (year-on-year)	2016	0.0%	0.0%
	2017	2.1%	2.1%
	2018	2.5%	2.6%
	2019		1.9%
	2020		1.9%
	2021	1.5%	1.8%
	2022	1.5%	1.0%
	2023	1.5%	2.0%
	2024	1.5%	1.4%
	Long-term	1.25%	1.0%
Primary surplus (percentage GDP)	2016	4.2%	4.2%
	2017	1.75%	1.7%
	2018	3.5%	2.2%
	2019-2022	3.5*	3.5%*
	2023	3%	1.5%
	After 2040	2%	
Privatisation revenues	2017-2060	17bn	2bn
Banks' recapitalisation needs	2017-2018	0	10bn euro
Long-term market interest rate in the euro area (ECB)	After 2018		0.3%
	2030 onwards		3.8%
Interest rates on Greek Government bonds	2018	5.1%	6%
	After 2018	4.3-5.5%	4.5-6%

Sources: COM DSA 2017; COM Spring forecast, and IMF-DSA (2017)
Note: * agreed at the Eurogroup meeting of 15 June 2017, for 2019-2022

Box 4: The analytical frameworks for Debt Sustainability Analyses

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.

DSAs are essentially constituted of projections and forecasts for the relevant economic indicators. As for all forecasts and projections, they are based on models and assumptions that vary across institutions and time. The longer the forecast horizon, the greater small differences in the assumptions will impact the outcomes.

The IMF, the Commission and the ECB have developed their own methodological frameworks, which include a "**baseline scenario**" as well as "**alternative scenarios**" that are built up under different assumptions regarding macroeconomic developments, financial conditions and policy variables (i.e. budgetary decisions, including expenditures, revenues and privatisations).

* * *

For the assessment of the debt sustainability, **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, plus new primary deficit), 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 the 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 continues 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.

In its publication on Greece, however, the IMF states that "*Under the GFN framework, achieving debt sustainability requires maintaining low GFNs for an extended period to allow debt to decline before Greece can return to markets on a larger scale. Thus, any debt restructuring solution would need to achieve two key objectives. First, it should maintain gross financing needs well within the 15-20 percent of GDP thresholds ... throughout the projection period. Second, it should ensure that debt is on a sustained downward path. In other words, solutions that provide only temporary flow relief but do not deliver a declining debt path over the projection horizon would not be consistent with sustainability.*"

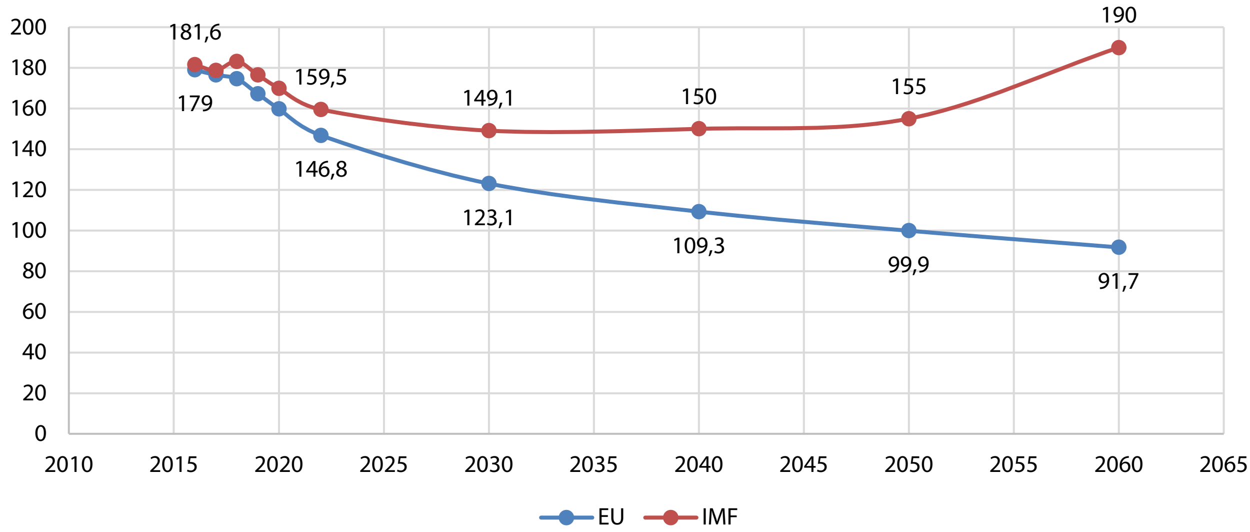
A recent ESM publication presents the results of a study that shows how the combination of the two indicators (debt stock and GNF flow) increases the sovereign risk, measured in terms of sovereign bond yields. It also documents that the sovereign roll-over needs are critical in increasing this risk.

In its statement of May 2016, the Eurogroup agreed to assess debt sustainability for Greece in terms of the GFN-to-GDP ratio, which "*should remain below 15% during the post programme period for the medium term, and below 20% of GDP thereafter.*"

As shown in Figures 3 and 4, based on the latest DSAs, **the EU institutions have a significantly more optimistic baseline scenario than the IMF**. As a result, debt relief needs seem significantly smaller under the EU scenario. These Figures also show that the differences between the EU and the IMF baseline projections increase over time for both the Debt-to-GDP and the GFN-to GDP indicators, with the IMF analysis being substantially more pessimistic in each case.

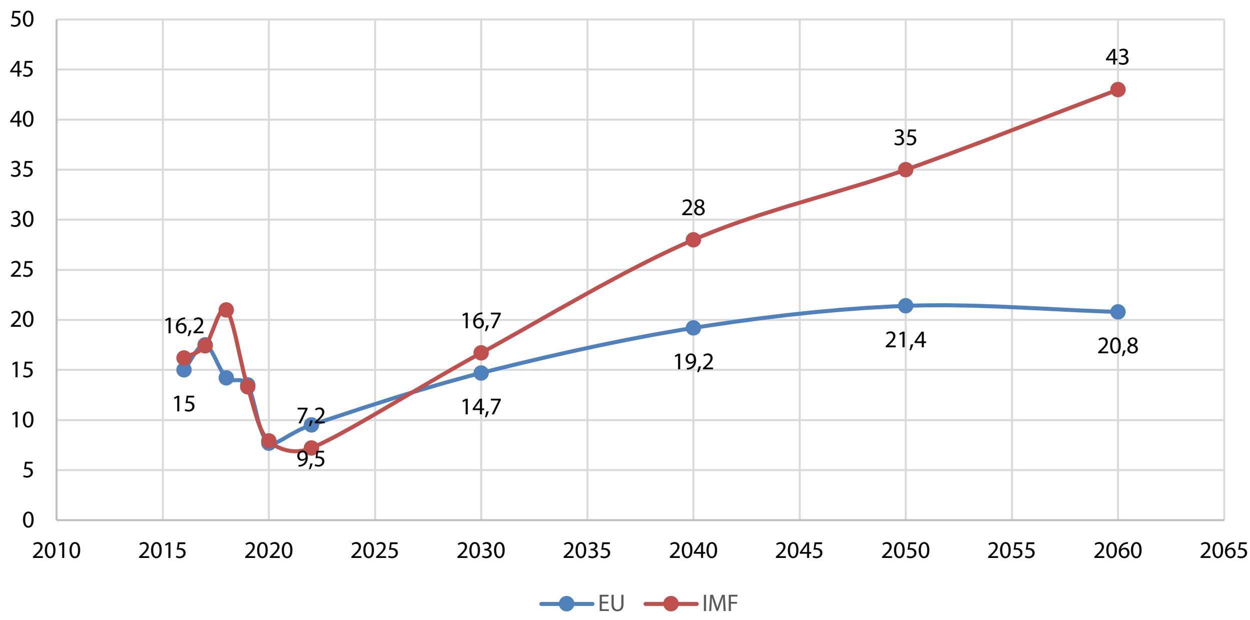
Nevertheless, **both analyses point to serious concerns regarding the sustainability of Greece's public debt over the projection horizon**.

Figure 3: Debt-to-GDP (%)



Source: EGOV calculus based on COM 2017 DSA and IMF July 2017 DSA

Figure 4: GFN-to-GDP (%)



Source: EGOV calculus based on COM 2017 DSA and IMF July 2017 DSA

According to the IMF's staff, (p.21) "*debt and GFN are projected to reach around 150 and 17 percent of GDP by 2030, respectively, but become explosive thereafter. These unsustainable dynamics reflect the need to gradually replace a large amount of concessional debt with market financing at much higher rates.*"

On 15 June 2017, the Eurogroup stated that "***In order to take into account possible differences between growth assumptions in the DSA and actual growth developments over the post-programme period, the EFSF reprofiling would be recalibrated according to an operational***

***growth-adjustment mechanism to be agreed**. This mechanism will be fully specified as part of the medium-term debt relief measures, following the successful implementation of the ESM programme to make sure the GFN benchmarks (...) are respected and to ensure that the ceiling established by the EFSF Programme Authorized Amount is respected. The Eurogroup mandates the Eurogroup Working Group (EWG) to work further on this as of 2018. At the end of the programme, conditional upon its successful implementation and to the extent necessary, this second set of measures will be implemented. The exact calibration of these measures will be confirmed at the end of the programme by the Eurogroup **on the basis of an updated DSA** in cooperation with the European institutions, so as to ensure debt sustainability and compliance with the European fiscal policy framework. This DSA, while based on cautious assumptions, will also take into account the impact of growth enhancing reforms and investment initiatives."*

The IMF Managing Director stated in a press release of 15 June 2017 that "*release of resources under the IMF approval in principle arrangement would be conditional upon Greece's European creditors providing commitments for debt relief sufficient to secure debt sustainability... Furthermore, **assessment of debt sustainability would be guided solely by the IMF's own debt sustainability analysis***". In a previous statement, the IMF had declared that sustainability is expressed in terms of GFN, which should not exceed 20% of GDP.

5. Banking sector and financial stability

The financial position of the four main Greek lenders -under the direct supervision of the ECB/SSM- is progressively normalizing. Since they completed their recapitalisation in late 2015, the capital position of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank remains comfortable. According to the EBA quarterly dashboard (see Box 5) they report high CET 1 ratios at end March 2017, at 15.9% on average compared to 13.8% for their EU peers ("fully loaded", i.e. being calculated without applying the transitional provisions set out in Part Ten of the CRD IV Regulation).

As regards profitability, Greek banks improved their performance in the first quarter with a Return-on-Equity of 1.3 % at end March 2017 (compared to a RoE of -7.4 % in December 2016). They however continue to perform worse than the EU average which stands at 6.9 %.

On the other hand, the net interest income on interest bearing liabilities is twice as high as the EU average (3 % vs 1.5%) while the cost-to-income ratio of Greek banks remains lower than the EU averages (49.3% and 63.8% respectively).

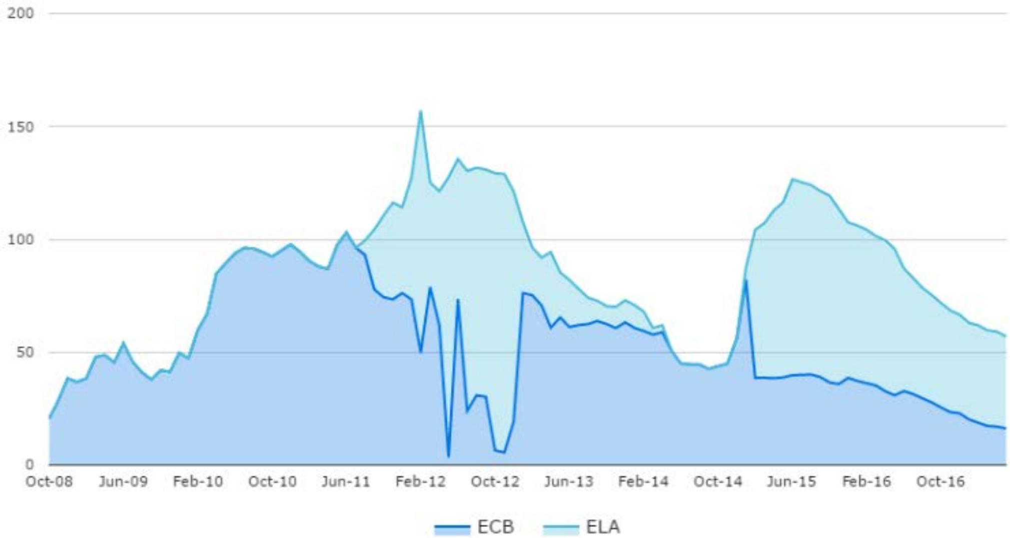
Liquidity conditions have steadily improved, with a slow decrease in ELA funding since June 2015, to EUR 33.6 billion (see Figure 5). The gradual decrease in ELA funding also allowed for the gradual relaxation of capital controls, with further flexibility introduced in July 2016. Amounts which are deposited in cash in Greek bank accounts can now be fully withdrawn (see Box 5). Authorities expected that such measures would facilitate the inflows of deposits from excess liquidity held in cash by Greek residents. Greek banks still strongly rely on central bank funding, which requires pledging their assets in order to secure or collateralise the transactions. According to the EBA risk dashboard, Greek banks have an asset encumbrance ratio of 42.5%, which is markedly higher than the EU average (27.7%). As to their loan-to-deposit ratio, it is close to the EU average.

Non-performing loans (NPL) continue to burden the recovery of Greek banks. According to the EBA risk dashboard, the NPL ratio (loans 90 days past due) had reached a peak in September 2016 (47.1 %) and started to decrease at the end of 2016 (45.9 %) before rising back in the first quarter of 2017 (46.2 % at end March 2017). The overall level of NPLs is actively monitored by the authorities.

The Bank of Greece publishes a quarterly report on the operational targets agreed with commercial banks in cooperation with the ECB. Those targets, declined by bank and by portfolio over a three-year horizon, cover a wide range of indicators (gross volumes, cash recoveries, loans with long term modifications, ratio of viability analysis carried out over the past 12 months for active SMEs,...). The outstanding amount of non-performing exposures (NPE) is decreasing in line with the operational targets (See Table 5).

The supervisory framework governing the management of NPL has been further enhanced. Several legislative measures have been taken in the context of the third programme to encourage voluntary debt restructuring of viable debtors, enhance the insolvency framework, reinforce the enforcement procedure through the introduction of electronic auctions and support external NPL servicing. Timely and effective implementation of these measures is key.

Figure 5: Progressive decline in ECB and ELA funding (EUR billion)



Source: Macropolis

Table 5: Operational targets on NPE and NPL gross volumes in Greece

A- Result oriented operational targets	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2018	2019
Target 1: NPE Volume (Gross)	106.9	106.9	105.8	105.2	103.4	102.0	98.2	83.3	66.7
Monitoring: NPL ratio	50.5%	50.9%	50.5%	50.6%	50.0%	49.6%	48.0%	41.8%	33.9%
Target 2: NPL Volume (Gross)	78.3	78.1	76.3	74.7	72.4	70.5	65.9	53.0	40.2
Monitoring: NPL Ratio	37.0%	37.2%	36.4%	36.0%	35.0%	34.3%	32.2%	26.6%	20.4%

Source: Bank of Greece, September 2017.

The SSM plans to start stress tests for the country's four systemic banks in late February 2018 with a view to determining by June if they need fresh capital before the end of the Greek bailout programme (see also IMF reaction).

Box 5: Capital controls

Greek sets remained closed for three weeks from 29 June to 20 July 2015, while customers were not allowed to withdraw more than 60 euros per bank card and per day. All transactions to foreign banks had to get prior approval from a government body. There was no limit on domestic transactions by debit/credit cards, nor on withdrawal with cards issued outside Greece.

From 20 July 2015 onwards the cumulative withdrawal of deposits was allowed, up to EUR 420 per week (i.e. if part of the EUR 60 daily allowance was not withdrawn on any day, it could be withdrawn at a later stage within one weeks). In addition, a number of exceptions were introduced, as for instance transfers on foreign bank accounts for the payment of medical fees or tuition fees, and the re-transfer of amounts transferred from abroad.

On 24 July 2015 a ministerial decision further relaxed a bit the capital controls in place, notably regarding amounts which were transferred from abroad. In addition transfers of currency abroad were allowed up to EUR 2000 euros per individual and per trip abroad.

On 20 August 2015 a new ministerial decision allowed for the transfer abroad of EUR 500 per individual and per month, as well as for a number of transactions necessary for the management of banks' liquidity.

On 25 September 2015 the rules governing the restriction on the opening of new bank accounts and the use of fixed-term deposits were relaxed. In addition cash withdrawals on amounts transferred from abroad were allowed up to 10% of the amount transferred, and a number of further exceptions were introduced.

On 22 July 2016 a further relaxation of capital controls increased the amount of cumulative withdrawal allowed, up to EUR 840 every two weeks. In addition, amounts deposited in cash after 22 July 2015 could be fully withdrawn, and early repayment of bank loans was allowed. Other restrictions were relaxed, in particular rules regarding the opening of bank accounts, with exceptions benefiting Erasmus students and pensioners abroad.

On 15 May 2017, a roadmap for the relaxation of capital controls was designed and published by the Greek Ministry of Finance.

On 1 of September 2017, the new capital controls revision was implemented, following Greece's Minister of Finances' decision, as it was published by the Greek government on the 3 of August 2017 (issue no. 2723). The new revision stipulates a cumulative deposit withdrawal (of Greek accounts) up to the amount of EUR 1800 on a monthly basis.

Furthermore, new provisions (subject to specific conditions) set out the loosening of requirements pertaining to opening a bank account both by companies and individuals.

In addition, the realisation of cash withdrawals up until of 50% in total from amounts transferred from foreign accounts through credit transferring to existing accounts, held in a credit institution in Greece. The procedure is designated by the Approval Committee for Bank Transactions.

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Annex 1: Greece - Key macroeconomic indicators

	2012	2013	2014	2015	2016	2017[f]	2018[f]
Real GDP growth – *% change on previous year*							
Greece	-7.3	-3.2	0.4	-0.2	0.0	2.1	2.5
EA	-0.9	-0.3	1.3	2.0	1.8	1.7	1.8
GDP per capita – *Purchasing power parities, Euro*							
Greece	19,100	19,200	19,400	19,700	19.500	n.a.	n.a.
EA	28,700	28,800	29,500	30,800	30.900	n.a.	n.a.
General government budget balance – *% of GDP*							
Greece	-8.9	-13.1	-3.7	-5.9	0.7	-1.2	0.6
EA	-3.6	-3.0	-2.6	-2.1	-1.5	-1.4	-1.3
General government structural budget balance* – *% of potential GDP*							
Greece	0.2	2.4	2.4	3.4	5.5	2.5	3.1
EA	-2.1	-1.4	-1.0	-1.0	-1.0	-1.1	-1.3
General government gross debt** – *% of GDP*							
Greece	159.6	177.4	179.7	177.4	179.0	178.8	174.6
EA	89.5	91.4	92.0	90.3	89.2	90.3	89.0
Interests paid on general government debt – *% of GDP*							
Greece	5.1	4.0	4.0	3.6	3.2	3.2	3.3
EA	3.0	2.8	2.7	2.4	2.2	2.1	2.0
Inflation (HICP) – *% change on previous year*							
Greece	1.0	-0.9	-1.4	-1.1	0.0	1.2	1.1
EA	2.5	1.4	0.4	0.0	0.2	1.6	1.3
Unemployment – *% of labour force*							
Greece	24.5	27.5	26.5	24.9	23.6	22.8	21.6
EA	11.3	12.0	11.6	10.9	10.0	9.4	8.9
Youth unemployment – *% of labour force (15 – 24 years)*							
Greece	55.3	58.3	52.4	49.8	47.3	n.a.	n.a.
EA	23.5	24.4	23.8	22.4	20.9	n.a.	n.a.
Current account balance** – *% of GDP*							
Greece	-3.8	-2.0	-1.6	0.1	-0.6	-0.5	-0.3
EA, adjusted	1.4	2.2	2.5	3.2	3.5	3.0	2.8
Exports – *% change on previous year*							
Greece	1.2	1.5	7.8	3.4	-2.0	3.8	4.2
EA	2.6	2.1	4.6	6.6	3.2	3.8	4.1
Imports – *% change on previous year*							
Greece	-9.1	-2.4	7.6	0.3	-0.4	3.0	3.8
EA	-0.9	1.3	4.8	6.8	4.6	4.2	4.6
Total investments – *% change on previous year*							
Greece	-23.5	-8.4	-4.6	-0.2	0.1	6.3	10.8
EA	-3.5	-2.5	1.7	3.1	4.4	2.9	3.5
Total investments – *% of GDP*							
Greece	12.6	12.2	11.6	11.5	11.4	n.a.	n.a.
EA	20.2	19.6	19.6	19.7	20.2	n.a.	n.a.
General government investments – *% of GDP*							
Greece	2.5	3.4	3.7	3.9	3.1	3.6	3.1
EA	2.9	2.8	2.7	2.7	2.6	2.6	2.7
Total final consumption expenditure – *% change on previous year*							
Greece	-7.5	-3.5	0.0	-0.2	0.6	n.a.	n.a.
EA	-0.9	-0.4	0.8	1.6	2.0	n.a.	n.a.
Households final consumption expenditure – *% change on previous year*							
Greece	-8.3	-2.8	0.5	-0.2	1.4	n.a.	n.a.
EA	-1.2	-0.8	0.8	1.7	2.1	n.a.	n.a.
Income Inequality (Gini Coefficient) – *Scale 0-100: 0 = total income equality; 100 = total income inequality*							
Greece	34.3	34.4	34.5	34.2	34.3	n.a.	n.a.
EA	30.4	30.6	30.9	30.8	n.a.	n.a.	n.a.
Unit labour cost – nominal – *% change on previous year*							
Greece	-2.0	-6.9	-2.4	-2.2	2.1	0.9	1.3
EA	1.9	1.1	0.6	0.2	0.8	1.2	1.4

*Source: all indicators, if not indicated differently, are from Eurostat, with data extracted on 25/09/2017; (f) * from DG ECFIN/AMECO; the Euro Area composition is EA11-2000, (…), EA18-2014, EA19 and ** from the European Economic Forecasts Spring 2017.*

Annex 2: Greece's Macroeconomic Imbalance Scoreboard

Indicators			Threshold	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
External imbalances and competitiveness	**Current account balance as % of GDP**	**3 year average**	-4/+6%	-11.8	-13.9	-14.2	-12.9	-11.2	-8.4	-5.3	-2.5	-1.2	-0.7
		Year value	-	-15.2	-15.1	-12.3	-11.4	-10.0	-3.8	-2.0	-1.6	0.1	-0.6
	Net international investment position as % of GDP		-35%	-93.7	-75.8	-87.5	-99.0	-88.8	-115.9	-130.4	-132.5	-134.6	-136.1
	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	-5.5	-3.6
		% change y-o-y	-	0.7	1.6	2.4	-1.2	0.6	-4.4	-0.6	-0.7	-4.3	1.3
	Share of world exports	**% change (5 years)**	-6%	9.3	4.8	-10.3	-14.1	-15.6	-24.9	-25.3	-18.0	-20.5	-18.7
		% change y-o-y		6.9	1.2	-5.7	-11.5	-6.6	-4.8	0.6	3.6	-14.2	-4.4
	Nominal unit labour cost	**% change (3 years)**	9% €A	11.0	7.4	15.8	14.0	6.8^{p}	-2.3^{p}	-10.0^{p}	-10.9^{p}	-11.1^{p}	-2.6^{p}
		% change y-o-y	-	2.6	5.3	7.1	1.0	-1.4^{p}	-2.0^{p}	-6.9^{p}	-2.4^{p}	-2.2^{p}	-2.1^{p}
Internal imbalances	**House prices** % change y-o-y deflated		6%	2.1^{e}	-2.5^{e}	-4.6^{e}	-8.1^{e}	-7.5^{e}	-12.0^{e}	-9.2^{e}	-5.0^{e}	-3.5^{e}	-2.0^{e}
	Private sector credit flow as % of GDP		14%	16.2	15.5	2.2	5.5	-6.5^{p}	-5.9^{p}	-6.4^{p}	-2.8^{p}	-3.1^{p}	-1.7^{p}
	Private sector debt as % of GDP		133%	101.5	113.0	116.5	128.1	130.2^{p}	131.5^{p}	129.1^{p}	128.5^{p}	126.4^{p}	123.3^{p}
	General government gross debt (EDP) as % of GDP		60%	103.1	109.4	126.7	146.2	172.1	159.6	177.4	179.7	177.4	179.0
	Unemployment rate	**3 year average**	10%	9.1	8.4	8.6	10.0	13.4	18.4	23.3	26.2	26.3	25.0
		Year value	-	8.4	7.8	9.6	12.7	17.9	24.5	27.5	26.5	24.9	23.6
	% change y-o-y in **Total Financial Sector Liabilities,** non-consolidated		16.5%	22.2	4.4	10.1	8.3	-3.7	-2.6	-17.2	-6.7	15.7	-18.5
Employment indicators	**Activity rate % 15-64 total pop.** (3 year change)		-0.2%	0.3b	0.3	0.7b	1.3	0.6	0.1b	-0.3	0.1	0.3	0.7
	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	3.7	-1.5
	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	-5.5	-11.0

Source: Eurostat MIP Scoreboard indicators, data updated on 25/09/2017.
Notes: ^{p} (Provisional); ^{e} (Estimated); b (Break in time series). See also MIP procedure.

Indicators above/ below the thresholds

Annex 3: Greece's progress towards EU2020 targets

Indicator	Greece			EU28	
Employment rate (% of population aged 20-64)	**70**		**Target 2020**	**75**	
	56.2		2016	71.1	
	54.9		2015	70.1	
	53.3		2014	69.2	
	52.9		2013	68.4	
Expenditure on R&D (% of GDP)	**1.21**		**Target 2020**	**3**	
	n.a.		2016	n.a.	
	0.96		2015	2.03	
	0.84		2014	2.04	
	0.81		2013	2.03	
Greenhouse gas emission[1]	**Total n.c.s.t.**[1] (Index 1990 = 100)	**Non-ETS 96**[1] (Index 2005 = 100)	**Target 2020**	**Total 80** (Index 1990 = 100)	
	n.a.	n.a.	2016	n.a.	
	93.40	69.78	2015	77.88	
	96.81	69.61	2014	77.39	
	99.38	69.26	2013	80.45	
Share of renewable energy (%)	**18**[2]		**Target 2020**	**20**	
	n.a.		2016	n.a.	
	15.4		2015	16.7	
	15.3		2014	16.1	
	15.0		2013	15.2	
Primary energy consumption (million tonnes of oil equivalent-TOE)	**27.1**		**Target 2020**	**1,483**	
	n.a.		2016	n.a.	
	23.7		2015	1,529.6	
	23.7		2014	1,508.3	
	23.6		2013	1,569.9	
Early school leaving (% of population aged 18-24)	**9.7**		**Target 2020**	**10**	
	6.2		2016	10.7	
	7.9		2015	11.0	
	9.0		2014	11.2	
	10.1		2013	11.9	
Tertiary educational attainment (% of population aged 30-34)	**32**		**Target 2020**	**40**	
	42.7		2016	39.1	
	40.4		2015	38.7	
	37.2		2014	37.9	
	34.9		2013	37.1	
Population at risk of poverty or social exclusion (thousand - % of total population)	**Reduction by 450 thousand**	**n.c.s.t.**	**Target 2020**	**Reduction by 20 million**	**n.c.s.t.**
	3,789	35.6	2016	n.a.	n.a.
	3,829	35.7	2015	119,049	23.8
	3,885	36.0	2014	121,910	24.4
	3,904	35.7	2013	122,703	24.6

Source: Eurostat (data extracted on 25/09/2017).
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).
n.c.s.t. = "no country specific target"; n.a = "not available".