

GREECE MACRO MONITOR

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Possible QE for Greece: a game changer?

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Introduction

In this report we update our earlier analysis on the potential timing, prerequisites, size and market impact of central bank purchases of eligible marketable instruments issued or guaranteed by the Hellenic Republic in the context of the quantitative easing program (PSPP) currently conducted by the Eurosystem. Our analysis suggests that an inclusion of Greek marketable debt in the aforementioned program is possible by early 2017, provided that the ECB Governing Council makes a positive assessment of the progress made in the analysis and reinforcement of the sustainability of Greek public debt and assuming no major delays in the completion of the 2nd program review. Total central bank purchases of Greek debt could reach a maximum of c. €4.2bn, with the potential for a further increase to over €5bn if the present QE program were to be extended beyond March 2017. This would be equivalent to well over a year's worth of the present daily trading volume in Greek government securities. Undoubtedly, PSPP purchases of Greek eligible securities could go a long way towards improving investor perceptions over the near-term outlook of the Greek economy and the long-term sustainability of public debt under the relief framework agreed at the Eurogroup meetings of May 9 and 24, 2016. Such purchases could facilitate a sharp compression of bond yield spreads, strong follow-up buying by private-sector investors, easier (and cheaper) access to wholesale funding markets for domestic banks and large non-financial corporations and increased inward direct investment due to reduced country risk. Under a positive scenario and barring any unforeseen circumstances, they could even allow the Hellenic Republic to re-access market funding before the end of 2017. Yet, such a positive development should not be considered a panacea for addressing the huge challenges facing the Greek economy in the current trajectory. Among others, a rigorous implementation of program conditionality and reforms in public administration and domestic product markets is needed with a view to attract sizeable foreign investment and boost extroversion. Furthermore, competent authorities and domestic lenders need to effectively address the elevated level of non-performing loans in the Greek banking system so as to facilitate a resumption of positive credit creation for financing the real economy. Though there is little doubt that domestic economic conditions remain difficult (and the new fiscal measures will likely take a heavier toll during the second half of this year), it is not all doom and gloom. Indeed, recent national account statistics and higher frequency indicators raise hopes for a bottoming out of the domestic recession in Q2 2016. Furthermore, domestic financial conditions continue to improve following the new recapitalization of the country's four systemic banks, recent budget execution data suggest that the 2016 primary surplus target remains well within reach and a great number of important reforms to address some of the most pressing issues currently clouding the domestic macroeconomic outlook have been legislated since the signing of the new stabilization program in August 2015. All in all, QE for Greece would undoubtedly be positive for Greek asset markets and could open up a valuable window of opportunity to leverage ongoing efforts to stabilize the Greek economy.

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PART I – Greece’s possible inclusion in PSPP: potential timing, prerequisites, purchasing volumes & market impact

Greece’s potential inclusion in the Eurosystem’s secondary markets public sector asset purchase program (PSPP) has been thoroughly analyzed in “*Greece outlook for H2 2016 and beyond: Domestic growth, program milestones, challenges & investment opportunities*”, Eurobank Research, 8 September, 2016.¹ Some important points of this report, relevant to our analysis, are summarized below:

PSPP scope and modalities: The scope and modalities of the secondary markets public sector asset purchase program (PSPP) that is currently conducted by the Eurosystem of central banks is laid out in Decision (EU) 2015/774 of the European Central Bank. For a euro area member state that is under a financial assistance program (and for which a waiver on the required credit quality threshold has been granted)², eligibility for PSPP purchases should be suspended during a program review and resume only in the event of its successful completion. Furthermore, the period of purchases under the PSPP is generally limited to two months following the successful completion of a review. That is, unless there are exceptional circumstances justifying a suspension of purchases before or a continuation of purchases after this period and until the start of the next review. All other PSPP modalities as regards eligibility criteria, purchase eligibility limits and allocation of portfolios are the same for both program and non-program euro area countries.

Potential timing of Greece’s inclusion: Based on the aforementioned, and taking into account that the next couple of months will be a quite frantic period of negotiations on the 2nd program review, we see the successful completion of the latter as the earliest possible milestone for allowing Greece’s inclusion in the PSPP. At this point, no formal timeline exists regarding the duration of the 2nd review, though our current working assumption (and baseline scenario) is that this will be completed before the end of the current year. Provided that the latter scenario is verified, central bank purchases of eligible marketable instruments issued or guaranteed by the Hellenic Republic in the context of the present quantitative easing program (PSPP) could be initiated in early 2017 and last for (at least) two consecutive months. *Table III in Annex provides a summary of recent comments made by key EU officials on Greece’s prospective inclusion in the PSPP program.*

Prerequisites: As per the ECB statement of June 22nd, a decision to include such instruments in the PSPP should follow “a positive assessment by the Governing Council of the progress made in the analysis and reinforcement of the sustainability of Greek public debt and other risk management considerations”. Besides a positive assessment of the sustainability of Greek public debt on the basis of the debt relief framework agreed at the Eurogroup meetings of May 9 & 24, 2016, we believe that the ECB wants to see additional evidence that the Greek program remains on track and such evidence could be provided by a swift completion of the 2nd program review.

ECB Governing Council’s assessment of Greek public debt sustainability - when and on what basis: As discussed, a positive assessment by the Governing Council of the progress made in the analysis and reinforcement of the sustainability of Greek public debt constitutes a key precondition for Greece’s inclusion in the ECB’s QE program. In our view, such an analysis would require the finalization of the short-term debt relief framework for Greece that was agreed at the Eurogroup of May 9, 2016 (and elaborated further at the Eurogroup of May 24) and, possibly, some further clarity on the part of official lenders on the medium-term relief measures to be considered after the successful termination of the current bailout program in August 2018.³ Our understanding is that the competent authorities are currently working on the specification/quantification of the short-term relief measures to be implemented in the interim period until the program’s termination with a view to have the relevant analysis finalized before year-end. On the other hand, not enough clarity has yet been provided on the medium- and long-term measures to be considered after August 2018. Further upfront clarity on the latter would probably allow the IMF to make a decision on whether to financially participate in the current bailout program⁴, but such a development is not a strict prerequisite for PSPP purchases of Greek debt, in our view. As a final note to this section, we reiterate that a debt relief package for Greece could be constructed within the framework

¹ https://www.eurobank.gr/Uploads/Reports/GREECE_MACRO_Monitor_20160909.pdf

² Following the successful completion of negotiations on the 1st review of Greece’s current bailout program, the ECB reinstated its waiver affecting the eligibility of Greek bonds used as collateral in Eurosystem monetary policy operations (22 June 2016).

³ As per that agreement, the said relief package will be subject to the pre-defined conditionality of the ESM program and be phased in progressively so as to ensure that Greek public debt remains sustainable under the new definition of sustainability (annual government gross financing need < 15% of GDP during the post-program period for the medium-term and < 20% of GDP thereafter).

⁴ IMF Managing Director Christine Lagarde was recently quoted saying “We are not party to the program because I have said repeatedly that the program has to walk on two legs. One, there has to be significant reforms and second there has to be a debt that is sustainable by our standards and our measurements and this at this point in time is not the case.”

of May 9th Eurogroup agreement that would be adequate to meet the new definition of sustainability and even allow a significant relaxation of the primary surplus target post-2018.⁵

Eurosystem Central Bank's buying capacity: According to our analysis, total PSPP purchases of Greek marketable debt could amount to a maximum of c. €4.2bn and they might increase further should the present QE program were extended beyond March 2017. For instance, if the QE program were extended to, say, September 2017, total PSPP purchases of Greek debt would amount to more than €5bn. A detailed analysis on this topic is provided in *Table I* of the *Appendix* section. .

Potential market impact: As per the analysis above, total purchases of Greek marketable debt in the context of the present PSPP could reach a maximum of €4.2bn or even more if the latter program were to be extended beyond March 2017. In nominal terms, this may not sound like an extraordinary amount, but still corresponds to c. 7% of Greece's total outstanding marketable debt (or c. 9% if ECB and euro area NCB holdings of Greek government securities are excluded). Eventually (by mid-2017), PSPP purchases and Greek debt held by the Eurosystem Central Bank would reach c. 33% of Greece's total outstanding marketable debt, a considerable amount especially taking into account the current, extremely thin trading volume in Greek Government Bonds (GGBs). Looked at from another angle, PSPP purchases of Greek marketable debt could be equivalent to well over a year's worth of the present daily trading volume in GGBs (c. €15mn). The above suggest that the initiation of PSPP purchases of Greek debt could have a pronounced impact on risk premia, leading to a further compression of bond yield spreads of at least 150bps, in our view. As a matter of historical precedence (and taking as reference the Portuguese 10 year bond yield spread to Germany), the cumulative compression of that spread in the 2-month period surrounding the ECB's QE program announcement (January 2015) was close to 140bps (from a peak of 265bps in October 2014 to c. 125bps in March 2015).

A positive scenario for the near-term outlook of the Greek economy: Based on the above analysis, *Table II* in *Appendix* provides a potential timeline of key dates and events that would lead to Greece's inclusion in the ECB's QE program sometime in early 2017. This would coincide with an upbeat scenario for the near term outlook of the Greek economy, allowing a further significant compression of Greek bond spreads and risk premia. Needless to say, substantial deviations from that scenario could give rise to a whole range of alternative (less positive or even outright negative) paths and conjectures.

Possible QE for Greece: A game changer? Undoubtedly, PSPP purchases of eligible marketable instruments issued or guaranteed by the Hellenic Republic could go a long way towards improving investor perceptions over the near-term outlook of the Greek economy and the long-term sustainability of public debt under the relief framework agreed at the May 24th Eurogroup. Such purchases could facilitate a sharp compression of bond yield spreads, strong follow-up buying by private-sector investors, easier (and cheaper) access to wholesale funding markets for domestic banks and large non-financial corporations and increased inward direct investment due to reduced country risk. Under a positive scenario and barring any unforeseen (negative) developments down the road, they could even allow the Hellenic Republic to re-access market funding before the end of 2017. Yet, such positive developments should not be considered a panacea for addressing the huge challenges facing the Greek economy in the present trajectory.

Some important challenges on the way to stabilizing the domestic economy and creating the conditions for sustainable medium-term growth: Although a thorough analysis on this topic is beyond the scope of this paper, we briefly highlight below some important challenges on the way to restoring sustainable economic growth and social prosperity in Greece.

- *Rigorous implementation of the program conditionality and reforms in public administration and domestic product markets with a view to attract sizeable foreign investment and boost extroversion.* Despite the relative strong performance of merchandise and services (mainly, tourism) exports in recent years, Greece is still a relatively closed economy, with its ratio of total exports to GDP remaining way below the respective EA average (c. 30% vs. 44%). Furthermore, the huge disinvestment that took place in recent years has left domestic investment spending to GDP ratio at pretty low levels (c. 11.5% of GDP, currently) relative to both its level in the pre-crisis years (>20% of GDP) and the current EA average (c. 19% of GDP). Apparently, the required boost in domestic investment to bring it in line with the rest of the euro area cannot be financed by domestic savings (Greece's gross national savings currently lower than 10% of GDP vs. levels close to 23% of GDP in the EA). Such a boost would require increased inflows of foreign private sector investment and full utilization of committed EU structural funding (c. €35bn until 2020). A rigorous implementation of the agreed privatization program and a major effort to exploit opportunities provided by

⁵ "Greece Public debt restructuring strategies & evaluation of the agreed framework for debt relief", Eurobank Research, June 2016. https://www.eurobank.gr/Uploads/Reports/GR_DSA_June2016.pdf

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the Juncker plan could also be of valuable contribution in this direction. Note that Greece needs several years of strong economic growth to close its sizeable output gap, reduce unemployment to more socially-acceptable levels, prevent a particularly elevated long-term unemployment rate (currently above 70%) from translating into higher structural unemployment at steady-state compared to the pre-crisis period and reverse the brain drain that is now eroding the human capital of the country.

- *Deal with elevated level of problematic and bad debts in the Greek banking system so as to allow a resumption of positive credit creation for financing the real economy.* A more thorough analysis on the challenges currently facing the domestic banking system and the regulatory initiatives already taken to deal with them is presented in Part II of this document. More imminently, a fast restoration of depositor confidence is needed, to facilitate a swift removal of capital controls and allow domestic lenders to gradually reduce their dependence on Eurosystem funding (€78.5bn in August 2018).

PART II – Recent signs of stabilization in the domestic banking system and the economy

Domestic economic conditions remain difficult...

Following nearly eight years of an unprecedented contraction in domestic economic activity, Greece is still struggling to get back to a sustainable recovery path. In 2014, the economy showed some signs of stabilization (real output growth of 0.7%), but heightened uncertainty over the country's euro membership status during the first half of last year took its toll on domestic economic activity. Real GDP recorded negative year-on-year growth over the period Q3 2015 to Q2 2016, mainly on the back of deteriorating consumption dynamics and lower exports. On the other hand, a sharp contraction of imports after the imposition of capital controls, higher gross fixed capital formation (Q4 2015 & 2016 Q2) and a bounce of inventories (H1 2016) provided a partial offset. Potential factors explaining the aforementioned developments include, inter alia, households' declining disposable income, economic sentiment & expectations (consumers' confidence indicator remains at record low levels) as well as the effects of capital controls. Especially the latter parameter marked a turning point for Greek exports. National accounts data provide clear evidence of this development. Exports of goods and services exhibited positive growth (average rate: 6.2% YoY) for 6 consecutive quarters to Q3 2015 i.e., the first quarter following the imposition of CC's. Then, for the next 3 quarters exports set out to a declining path, recording average annual growth of -10.9%. Notably, this deterioration came exclusively from the services sector (mainly from shipping). More specifically, the average annual growth of exports of services fell from 9.0% (Q1 2014 to Q2 2015) to -26.3% (Q3 2015 to Q2 2016), while the respective figures for goods exports were 4.0% and 2.4%. Lastly, on the supply side, labour productivity still constitutes a major obstacle to growth, with the increase of employment and the concurrent fall of real GDP in Q2 2016 pointing to a further productivity decline during that quarter.

...but it is not all doom and gloom

Though there is little doubt that domestic economic conditions remain exceptionally difficult (and the new fiscal measures will likely take a heavier toll during the second half of this year), it may not all be doom and gloom. Indeed, recent national account statistics and higher frequency indicators raise hopes for a bottoming out of the domestic recession in Q2 2016. Furthermore, domestic financial conditions continue to improve following the new recapitalization of the country's four systemic banks, recent budget execution data suggest that the 2016 primary surplus target remains well within reach and a great number of important reforms to address some of the most pressing issues currently clouding the domestic macroeconomic outlook have been legislated since the signing of the new stabilization program in August 2015. Certainly, an important trigger for a swift return to positive GDP growth that would be strong enough to close the output gap and allow a meaningful reduction in unemployment within a reasonable time span is still missing. Yet, the most recent signs of stabilization should not be ignored as they may open a valuable window for some positive developments to unfold in the coming quarters. As we already noted, one such development could be Greece's inclusion in the ECB's PSPP program (QE) sometime in early 2017, which would be outright positive for investor sentiment and Greek asset markets. In what follows, we briefly summarize some recent signs of stabilization supporting the view that the worst is probably behind us.

Some recent signs of stabilization in sentiment and domestic macroeconomic conditions

Grexit not any more a primary concern for policy makers & financial markets: In the context of the new (3rd) stabilization program for Greece agreed in August 2015, adequate official-sector financing has been committed over a three-year horizon (until August 2018) to assist the country to meet its external debt service obligations, implement a new recapitalization of the domestic banking system (on the basis of an exceptionally adverse macro scenario), clear state arrears to third parties (including to taxpayers), reduce intergovernmental borrowing and rebuild an adequate state buffer to deal with unforeseen cash shortages. In addition, and as a way of creating a sound base for the economy to grow, an extensive agenda of fiscal and structural measures has been agreed (and, to a significant extent, already legislated) to safeguard domestic fiscal and financial system stability, accelerate privatization of state assets, deal with a large stock of non-performing loans and promote important reforms in the domestic product and labour markets. On the basis of these developments and the more recent signs of stabilization in domestic economic activity, Grexit risk seems to have moved out of the radar of financial market participants, at least for the time being. In fact, EU policy makers and international investors alike now have other important risk factors to be concerned with, including, inter alia, the potential ramifications of the U.S. presidential elections, a heavy election calendar in a number of euro area economies in the months and quarters ahead, the ongoing refugee crisis and heightened geopolitical tensions in the broader region.

Second leg of domestic economic double-dip proved less severe than expected: Initial expectations following the dramatic events of the summer months of 2015 (Greek referendum, short-term bank holiday and capital controls) were for a full-year real output drop of at least 2%.⁶ Domestic economic activity indeed embarked on a declining path in H2 2015, with annual real GDP growth averaging -1.2% compared to +0.8% in the prior semester. Yet, for the year as a whole, the pace of annual real GDP contraction was contained to just -0.2%. This was primarily thanks to a positive contribution from net exports, relatively resilient private consumption and a bounce in public investment towards the end of last year. Certain domestic and external factors contributed to this development, including, inter alia, the agreement on the 3rd economic adjustment program in August 2015, a good tourism season, the successful bank recapitalization late last year as well as the drop in oil prices and the devaluation of the euro. Another potential explanation relates to the heavy deposit outflows witnessed in the domestic banking system between October 2014 and June 2015, which arguably allowed domestic households and businesses to perform some consumption smoothing in the initial months following the imposition of capital controls. On the latter point, note that cash outside the Greek banking system -- as proxied by the M0 monetary aggregate -- currently amounts to c. 27% of GDP compared to c. 17.5% of GDP in September 2014 (and c. 18% of GDP in the rest of the euro area). Furthermore, we estimate that more than €20bn of excess liquidity currently remains "under the mattress" and within the country.

Hopes for a bottoming out of the domestic recession in Q2 2016: During the 1st half of 2016 real GDP continued its decreasing path, albeit at a slightly slower pace relative to the second semester of last year (-1.0% compared to -1.2%).⁷ Private consumption, government consumption and exports had a negative contribution to the tune of -0.9, -0.6 and -3.3ppts respectively. On the other hand, a positive impact came from gross capital formation (+1.3ppts, out of which 1.1 ppts was due to higher inventories) and imports (+3.1ppts). Furthermore, the pace of annual real output contraction slightly slowed down in Q2 2016 (-0.9% vs. -1.0% in the previous quarter), while on a quarter-on-quarter basis real GDP growth turned positive (+0.2%), mainly thanks to higher gross fixed capital formation. EC's spring 2016 forecast for a mild economic recession in Greece this year (-0.3% in terms of real GDP) is consistent with an average quarter-on-quarter growth rate of +0.2% in the second semester. Available hard and soft economic data pertaining to Q3 2016 portray a rather mixed picture as regards the short-term economic outlook. Yet, our preliminary estimates are for another positive quarter-on-quarter growth figure (between 0.3% and 0.4%) in Q3, followed by a broadly flattish reading in the fourth quarter. Realisation of the above forecasts would provide support to the view that the domestic double-dip recession has probably bottomed out in the second quarter of this year.

2016 GDP growth expected broadly in line with the official forecasts: At this point, our forecast for 2016 real GDP growth stands at -0.5% (revised upwards from a -1.0% rate we were forecasting in early 2016), with the respective figures for private consumption, government consumption, gross capital formation, exports and imports standing at -0.9%, -1.7%, +3.2%, -3.0% and -3.5%. However, we would not entirely exclude an even better outcome, provided that initial expectations for another strong year in the Greek tourism sector materialise (particularly important for Q3 GDP). Another positive factor that will possibly facilitate stronger than anticipated GDP growth in Q4 is the expected concentration of public investment spending towards the end of this year. Overall, we

⁶ The initial European Commission forecast that was published in August 2015 envisaged a real output contraction between 2.0% and 4.0%.

⁷ Up to this point, quarterly national accounts data are available only up to Q2-2016. The publication of the national accounts for Q3-2016 is scheduled for release on November 14th (flash estimates) and November 29th (provisional data).

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currently believe that the balance of risks to our revised forecast for 2016 GDP is slightly tilted to the upside. This view seems to also be shared by the IMF staff, which now expects growth of +0.1% for the full year (as per a number of domestic press reports).

Factors affecting short-term GDP growth: Some key factors that are expected to affect Greek GDP growth in H2 2016 and beyond are: *first*, the magnitude and the persistence of the fiscal drag and how it will affect consumer confidence; it should, however, be noted that the said impact may be outweighed to a large extent by the use of committed program financing to speed up the clearance of outstanding state arrears to tax payers and suppliers -- €1.8bn already released to Greece in June as part of the €7.5bn ESM loan disbursement and another €1.7bn is expected to be received by end-October, as part of the €2.8bn pending disbursement; *second*, the performance of the tourism industry during the crucial July-September period; *third*, the speed of completion of the upcoming negotiations with official creditors in the context of the 3rd economic adjustment program; and *fourth*, the refugee crisis and other external factors.

2016 fiscal target well within reach: According to preliminary data available for the execution of the state budget on a modified cash basis, the overall budget balance for the period January-August 2016 recorded a deficit of €1,035mn, against a targeted shortfall of €3,880mn. Furthermore, the state budget primary balance (which excludes interest payments) recorded a surplus of €3,756mn (c. 2.1% of GDP), against a targeted balance of €980mn (c. 0.6% of GDP) and a primary surplus of €3,798mn (c. 2.1% of GDP) performed at the same period of the previous year.⁸ In more detail, state budget net revenues amounted to €31,950mn, underperforming the respective budget target by €584mn. However, this was entirely due to lower than projected public investment program (PIB) receipts, while ordinary budget revenue (consisting, mainly, of indirect and direct tax receipts) exceeded the year-to-August target penciled in the 2016 budget by €464mn or 1.6%. Particularly, in August 2016 state budget net revenues amounted to €3,952mn, €58mn higher than the monthly target. In the same month, ordinary budget net revenues amounted to €3,932mn, €62mn higher than the monthly target. On the expenditure side, state budget outlays for the period January-August 2016 amounted to €32,985mn, coming in significantly lower than the respective budget target (€36,414mn). This was primarily due to the under-execution of primary expenditure by c. €2bn. Year-to-August PIB outlays were also lower (by €883mn) than the target. The overall picture emerging from the analysis above is that of a significant outperformance of the primary surplus target envisaged in the 2016 budget for the period January-August 2016. This outperformance is equivalent to c. 1.9% of GDP, adjusted for the fact that the first instalment of the property tax (ENFIA) will actually be received in September this year, instead of August as envisaged in the budget. This comes without any under-execution of tax refunding (relative to what has been accounted for in the budget) and supports the argument that the targeted primary surplus for 2016 remains well within reach. A great part of the excess primary surplus will likely be spent towards the end of this year (in the form of public investment and other expenditure), but, again, this would be supportive for Q4 GDP growth.

Conditions in the domestic financial sector continue to improve: Following the last major recapitalization exercise that was successfully completed in December 2015, Greece's four systemic banks⁹: enjoy strong capital adequacy (core tier I capital c. 18%, among the highest in Europe and well in excess of the EU average of 12.5%); are well provisioned against loan losses (they have set aside provisions in excess of € 57bn against a total stock of troubled and bad loans of c. €115bn at group level and based on the NPEs definition, while troubled loans are more than 60% collateralized with, mainly, real estate assets)¹⁰; generate healthy PPI (c. €4.3bn), which constitutes a sizeable capital buffer for future losses; have managed to significantly reduce their dependence on Eurosystem funding, to €78.5bn (out of which, €48.9bn from Bank of Greece's ELA facility), from highs around €126.6bn and €86.8bn, respectively reached in June 2015; and, are restoring their access to the interbank market through repo transactions of non-correlated and, more recently, correlated assets (such as Greek government T-bills and covered bonds), and this is happening at a much faster pace than in the previous stabilization phase between July 2012 and July 2014.

A great number of regulatory reforms to deal with NPLs have already been legislated: In the context of negotiations with official creditors for the completion of the 1st program review, a great number of the required legislation to deal with banks' non-performing loans have already been legislated by the Greek parliament. Among others: Law 4345/2015 has been amended to allow (without Greek law requiring a license) the sale of all performing and non-performing loans to eligible legal entities, with the exception of loans secured by primary residences with an objective value below €140k (but, even for such loans the liberalization will enter into

⁸ As a reminder, the current stabilization program envisages a primary surplus of 0.5% of GDP (program definition), with any downward deviation from this target to be compensated by the automatic triggering of additional fiscal measures of permanent nature, up to the size of 2% of GDP on an annual basis.

⁹ These four institutions control around 95% of the domestic market for bank deposits and loans.

¹⁰ For a relevant analysis see "The Road to Recovery: Are Greek banks able to finance Greece's economic recovery?" Eurobank Research, Economy and Markets, September 2016.

force on January 1, 2018); the licensing regime for loan services (based on the principle of proportionality and in line with EU rules and international best practice) has been fully liberalized and our understanding is that the Bank of Greece is currently examining a number of applications for the provision of relevant licenses; income tax law has been amended to ensure that for a specified period of time debt write-offs as a result of restructuring agreements are not considered as taxable income of the borrower, also with a view to incentivize the borrowers to timely engage in out-of-court settlements; and the general principles have been set (and a relevant roadmap has been devised) for amending the legislation on the out-of-court workout and setting up a coordination mechanism for the assessment of distressed business and restructuring public and private debt of viable debtors.¹¹ All in all, a great deal of primary legislation to deal with high household bad debts has already been introduced, while a major overhaul of the corporate insolvency law will be one of the key items in the agenda of the 2nd program review, which is expected to commence in mid-October. As regards household bad debts in particular, the overall philosophy of the recent regulatory changes (and the primary aim of domestic lenders) is to address strategic default behavior and bring borrowers to the negotiations table to discuss potential long term solutions that may include, inter alia, loan tenor extensions, payment deferrals, lower interest rates or even outright notional haircuts. That said, a number of property foreclosures is likely to materialize in the period ahead not least for signaling purposes.

Domestic banks have committed to specific targets to significantly reduce NPLs: On their part, domestic banks have agreed with the BoG and the SSM concrete targets for key financial and operational indicators with a view to reduce non-performing exposures (NPEs) and reach sustainable restructuring solutions for borrowers -- from November 2016, the BoG will be publishing on a quarterly basis an aggregated summary report on the evolution of selective relevant KPIs and targets. In more detail, the four systemic banks have committed to reduce their overall NPL stock by 40% by the end of 2019. This target is ambitious yet attainable under the present baseline macro scenario for a return to strong positive growth from 2017 onwards. Latest data on domestic banks' NPEs are encouraging, showing an overall reduction in the quarterly flow of non-performing exposures in Q2 2016 and supporting expectations of a stabilization/gradual reduction in the corresponding stock of NPEs from its current elevated levels (~45% of total outstanding loans).

¹¹ The amended legislation on out-of-court workout aims to improve its efficiency by, inter alia, allowing for both large and small debtors into the mechanism, including debtors with state and/or bank debt; and establishing coordination and decision-making mechanisms among creditors (both private and public).

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Appendix

Table I - Eligible pool of Greek marketable debt for PSPP purchases (notional amounts in EUR billions)

	PSI & post-PSI bonds (eligible outstanding amount)	SMP bonds (eligible outstanding amount)	ANFA bonds (eligible outstanding amount)	Total eligible amount	of which, ECB and euro area NCB holdings	% owned by ECB & euro area NCBs	Remaining percentage to reach 33% issuer limit	Eurosystem Central Bank purchases
Sep-16	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Oct-16	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Nov-16	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Dec-16	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Jan-17	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Feb-17	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Mar-17	34.9	8.4	2.6	45.9	10.95	23.9%	9.1%	4.2
Apr-17	34.9	8.4	2.6	45.8	10.95	23.9%	9.1%	4.2
May-17	30.8	8.4	2.6	41.8	10.95	26.2%	6.8%	2.8
Jun-17	30.8	8.4	2.6	41.8	10.95	26.2%	6.8%	2.8
Jul-17	30.8	8.4	2.6	41.8	10.95	26.2%	6.8%	2.8
Aug-17	30.8	5.1	2.1	38.0	7.20	18.9%	14.1%	5.4
Sep-17	30.1	5.1	2.1	37.3	7.20	19.3%	13.7%	5.1
Oct-17	30.1	5.1	2.1	37.3	7.20	19.3%	13.7%	5.1
Nov-17	30.1	3.6	1.6	35.3	5.18	14.7%	18.3%	6.5
Dec-17	30.1	3.6	1.6	35.3	5.18	14.7%	18.3%	6.5

Source: ECB, Bloomberg, Eurobank Economic Research

Note: Certain restrictions should be taken into account in estimating the potential size of Greek marketable debt that can be purchased by the ECB and NCBs of the euro area in the context of the PSPP program. Among others, these include: a security-specific limit of 33% and an issuer-specific limit of 33% (both in terms of nominal amounts) as well as the eligible security tenor (remaining maturity), which should be a minimum of 2 years and a maximum of 30 years plus 364 days. In addition, the *monthly* notional amount of Greek debt that could be purchased should not exceed €1.48bn (=2.9055% x 90% x €80bn), where 2.9055% is Bank of Greece's subscription key in the ECB capital; 90% is the share of PSPP purchases of securities issued by eligible central governments and recognized agencies and €80bn is the amount of combined monthly purchases (average monthly purchases) under the expanded asset purchase program. Furthermore, assuming an average discount to par of 35% for the market price of eligible Greek securities at the time of PSPP purchases, the maximum monthly amount of such purchases should not be higher than c. €4.2bn (Table 1). The last column of the table "Eurosystem Central Bank purchases" depicts the maximum (cumulative) notional amount of PSPP purchases in the absence of the ECB capital key limit, which would restrict monthly purchases of Greek marketable debt to no more than c. €1.48bn (notional terms) or c. €2.3bn in prevailing market prices. In other words, the €4.2bn maximum purchases limit could be attained over a period of at least two months. Also, the numbers presented in the last column of Table 1 are not additive i.e., they depict the evolution (across time) of maximum notional amount of Greek marketable debt that could potentially be purchases in the context of the QE program. Moreover, the respective estimates for the period beyond March 2017 assume implicitly an extension of the current duration of the PSPP, with its scope & modalities remaining unchanged relative to the current program. All in all, total PSPP purchases of Greek marketable debt could amount to a maximum of c. €4.2bn with the potential to increase further if the present QE program were to be extended beyond March 2017. For instance, if the QE program were to be extended to, say, September 2017, total PSPP purchases of Greek debt would amount to more than €5bn.

Table II – Timeline of key data and events that could lead to Greece’s inclusion in the PSPP program sometime in early 2017**September 27, 2016 – Greek parliament approves multi-bill of prior actions for release of €2.8bn ESM loan sub-tranche.**

Note 1: A multi-bill containing the required legislation for the implementation of a number of prior actions attached to the release of the pending ESM sub-tranche (€2.8b) was endorsed by the Hellenic Parliament earlier this week (Tuesday, September 27th) with the support of all SYRIZA-ANEL coalition MPs. In addition, the Greek government has already taken a number of relevant actions for the fulfillment of certain milestones that do not require parliamentary approval. All in all, out of the 15 prior actions, more than half have reportedly been fulfilled, including, inter alia: (i) transfer of a second group of state-owned enterprises to the new Privatization Fund; (ii) parliamentary ratification of the Share Purchase Agreement for Hellinikon; and (iii) adoption of the EU target model for the electricity market. Reportedly, a bill containing the required legislation for an additional prior action (i.e., reinforcement of the operational framework of the Hellenic Civil Aviation Authority) will be submitted to parliament for vote by the end of the week. As per a number of domestic press reports, with official creditors’ consent, any remaining items will have been closed ahead of the next scheduled Eurogroup on October 10.

Note 2: Assuming that everything goes as planned the Euroworking Group which is due to meet on September 29 is anticipated to give a positive assessment on Greece’s compliance with the attached conditionality. Should this be the case, the October 10th Eurogroup is expected to ratify the release of the next sub-tranche and give the green light for the initiation of official discussions in the context of the 2nd review of the current adjustment program. The aforementioned sub-tranche constitutes the second (and last) part of the €10.3bn disbursement approved by official creditors in May.

Note 3: According to ESM Managing Director Klaus Regling, the availability period for the disbursement of the pending sub-tranche expires at the end of October.

September 29, 2016 – EWG gives positive assessment on Greece’s compliance with the required conditionality for the release of the €2.8bn sub-tranche.**October 7-9, 2016 – Greece’s program and public debt sustainability is discussed on the sidelines of the IMF/World Bank annual meeting.****October 10, 2016 - Eurogroup approves disbursement of the €2.8bn ESM loan sub-tranche and gives green light for the inception of official discussions in the context of the 2nd program review.****October 17, 2016 - EC/ECB/ESM/IMF mission heads arrive in Athens to formally begin the 2nd program review.**

Note: Relevant prior actions will reportedly amount to around 43 and will include politically (and socially) sensitive issues, such as, additional labor market reform and further steps in the management and resolution of NPLs.

November 5, 2016 – Eurogroup ratifies staff level agreement between the institutions and the Greek government on the 2nd program review.

Note: As per the latest EC Compliance Report on Greece’s stabilization program (June 2016), the second review could “realistically” be closed by the beginning of November. We consider that to be a rather optimistic scenario, though we maintain our view that the 2nd review will likely be completed by the end of the year. Note that the successful completion of that review is expected to open the door for the release of the next ESM loan tranche (€6.1bn).

November to December (conditional on successful completion of 2nd review) - ESM proceeds with gradual implementation of the short-term debt relief measures agreed at Eurogroup meetings of May 9 & 24, 2016.

Note: ESM Managing Director Klaus Regling was quoted saying in an interview with a local newspaper a couple of months earlier that short-term measures smoothing the repayment profile of Greek public debt would likely take effect in 2016.

November to December (conditional on successful completion of 2nd review) - EU partners provide more clarity on the medium-term debt relief framework agreed at the Eurogroup meetings of May 9 & 24, 2016

Note: We consider such a development to be possible, but not certain.

December (conditional on successful completion of 2nd review) - ECB finalizes updated DSA for Greek public debt which allows “a positive assessment by the Governing Council of the progress made in the analysis and reinforcement of the sustainability of Greek public debt and other risk management considerations”.

December (conditional on successful completion of 2nd review) - IMF releases updated DSA and the Board of Directors decides whether the Fund will financially participate in the new adjustment program of Greece.

January 2017 - Eurosystem starts purchases of eligible Greek debt.

Table III - Official statements related to Greece's inclusion in the QE program

ECB President Mario Draghi in response to a relevant question during the Q&A session that followed the conclusion of the March 5, 2015 meeting: "... and if the waiver has been reinstated of course, then we would be able to buy Greek bonds via this new asset purchase program".

ECB statement on reinstatement of Greek waiver (June 2, 2016): "The Governing Council will examine possible purchases of Greek government bonds under the public sector purchase program (PSPP) at a later stage, taking into account the progress made in the analysis and reinforcement of Greece's debt sustainability, as well as other risk management considerations".

ECB Member of the Executive Board Benoît Coeuré in an interview with France 24 (June 6, 2016) "Relief measures are needed to reduce Greece's debt and put it back on a sustainable path. The Eurogroup is committed to this and I welcome this decision".

EU Commissioner Pierre Moscovici in response to a question posed by a Greek MEP (June 7, 2016): "The discussion on debt relief will begin after the end of the summer ...A year ago we were discussing about the possibility of a Grexit. This is not an issue any more."

ESM Managing Director Klaus Regling (in an interview to a local newspaper on June 23, 2016): "The (Eurozone) ministers gave the ESM a mandate to implement in the first step short-term measures that we can implement immediately and we will do that this year".

EU Commissioner Pierre Moscovici speaking to reporters after a meeting with the Greek Minister of Finance (July 18, 2016): "It is essential to accelerate the return of confidence and to boost recovery which is our common goal ... and secondly to create an environment of constructive dialogue in discussions that we need to open in the autumn on the issue of debt sustainability and the involvement of the International Monetary Fund ... We need to reach a positive agreement involving the IMF by the end of the year".

ECB President Mario Draghi in response to a written question posed by a Greek MEP (August 29, 2016): "A precise timeline for the possible purchase of marketable instruments issued or guaranteed by the Hellenic Republic under the PSPP cannot be specified at the current juncture".

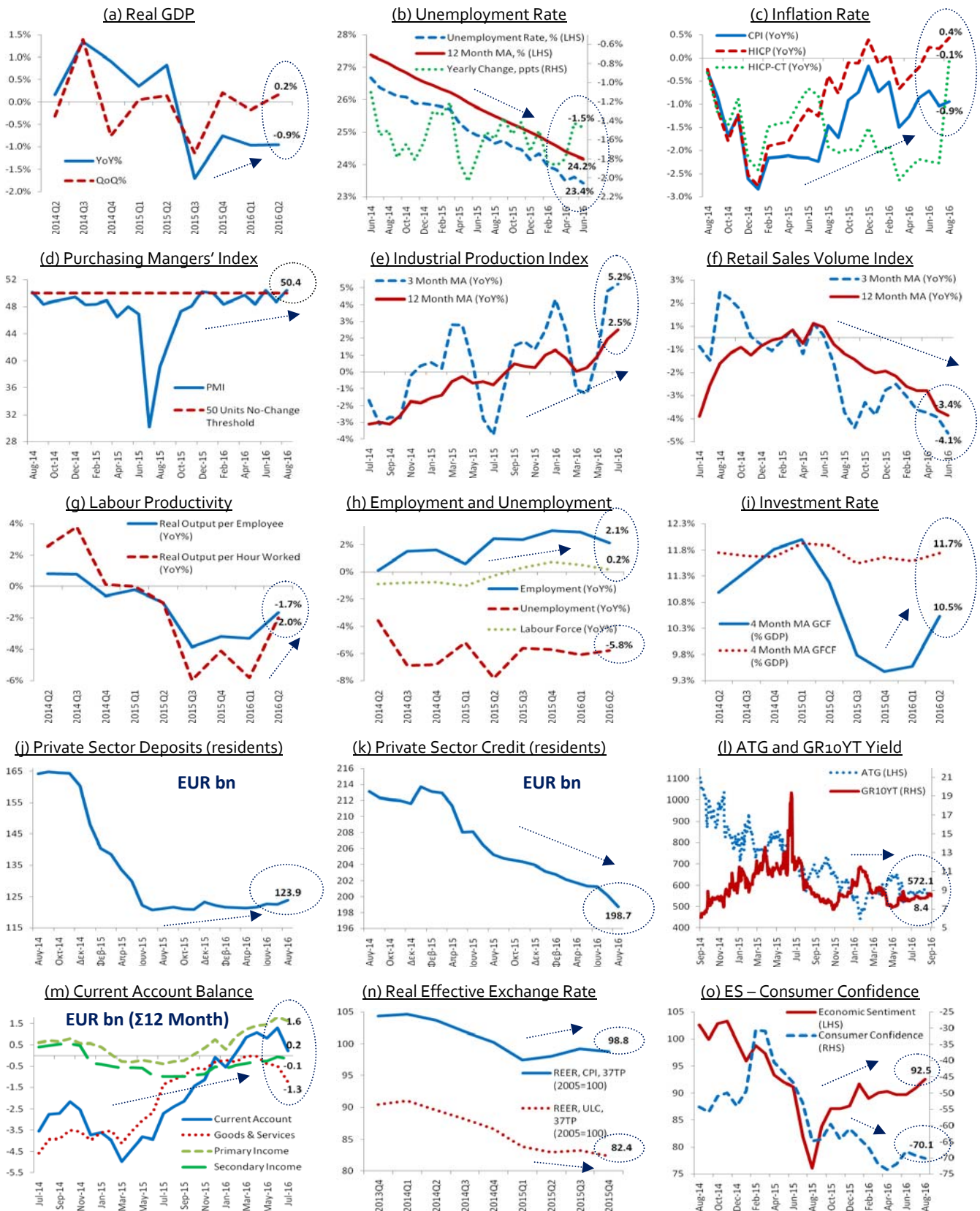
BoG Governor & ECB Governing Council Member Yannis Stournaras in a newspaper interview (September 4, 2016): "Realistically, I could see something like that – i.e., Greece's inclusion in QE -, at the end of the year".

ESM Managing Director Klaus Regling (in the press conference following the conclusion of the September 9 Eurogroup, 2016): "On short-term debt relief of course we continue to work with the Greek authorities and other borrowing countries to implement the mandate we received from the Eurogroup in May".

Greece's Prime Minister Alexis Tsipras in an interview to Reuters (September 21, 2016): "Greece, within the next six months, be included in the ECB's QE program from which it has so far been excluded because of its low credit rating"

EU Commissioner Pierre Moscovici speaking at Morning Exchange Live event organized by the Brussels-based weekly "Politico" (September 27, 2016) "We want to build a success story with Greece. We are making good progress".

Figure : Basic Macroeconomic – Microeconomic Figures of the Greek Economy



Source: (a) EL.STAT., (b) Eurostat, (c) BoG, (d) EC, (e) Markit, (f) Thomson Reuters Eikon.

Basic Macroeconomic - Microeconomic Figures of the Greek Economy																	
Update: 27/9/2016	Variables	Frequency	Source	Presentation	Seasonal Adjustment	Latest Period Observation	Previous Period Observation	Observations From Previous Years									
Basic Overview																	
Real Gross Domestic Product	y	(1), (7)	Δ (yoy, %)	-	-0.23%	2015	0.65%	2014	-3.20%	2013	-7.30%	2012	-9.13%	2011	-5.48%	2010	
Real Gross Domestic Product			€ bn			185.08	185.51	184.31	184.31	190.39	205.39	205.39	205.39	205.39	226.03	226.03	
Real Gross Domestic Product			Δ (qoq, %)			176.02	177.56	180.39	191.20	207.03	226.03	226.03	226.03	226.03	226.03	226.03	
Unemployment Rate			%			24.90%	26.49%	27.47%	24.44%	17.87%	12.72%	12.72%	12.72%	12.72%	12.72%	12.72%	
Consumer Price Index			Δ (yoy, %)			-1.73%	-1.31%	-0.92%	1.51%	3.34%	4.71%	4.71%	4.71%	4.71%	4.71%	4.71%	
Harmonized Index of Consumer Prices			%			-1.05%	-1.39%	-0.85%	1.04%	3.13%	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%	
Gross Domestic Product Deflator			Δ (yoy, %)			-0.90%	-2.25%	-2.49%	-0.36%	0.81%	0.76%	0.76%	0.76%	0.76%	0.76%	0.76%	
Real Gross Domestic Product	q	(1), (7)	Δ (yoy, %)	Yes	-0.95%	2016 Q2	-0.97%	2016 Q1	0.82%	2015 Q2	0.17%	2014 Q2	-3.49%	2013 Q2	-8.35%	2012 Q2	
Real Gross Domestic Product			Δ (qoq, %)			0.17%	-0.17%	0.15%	-0.32%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	
Unemployment Rate	m	(1), (7)	%			23.43%	23.61%	May-16	24.90%	Jun-15	26.68%	Jun-14	27.78%	Jun-13	24.91%	Jun-12	
Consumer Price Index			Δ (yoy, %)	No	-0.95%	Aug-16	-1.04%	Jul-16	-1.46%	Aug-15	-0.30%	Aug-14	-1.28%	Aug-13	1.74%	Aug-12	
Harmonized Index of Consumer Prices			%			0.43%	0.20%	-0.39%	-0.24%	-0.97%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	
Gross Domestic Product Deflator	q	(1), (7)	Δ (yoy, %)	Yes	1.51%	2016 Q2	-0.06%	2016 Q1	-0.74%	2015 Q2	-3.20%	2014 Q2	-2.12%	2013 Q2	-0.02%	2012 Q2	
Product Components																	
Real Private Consumption	q	(1), (7)	Δ (yoy, %)	Yes	-1.72%	2016 Q2	-1.02%	2016 Q1	1.64%	2015 Q2	0.13%	2014 Q2	-2.95%	2013 Q2	-8.79%	2012 Q2	
Real Government Consumption			%			-2.66%	-2.55%	-1.47%	1.94%	-8.11%	-6.94%	-6.94%	-6.94%	-6.94%	-6.94%	-6.94%	
Real Gross Fixed Capital Formation			%			6.97%	-2.53%	0.11%	-7.65%	-11.83%	-21.21%	-21.21%	-21.21%	-21.21%	-21.21%	-21.21%	
Real Exports of Goods and Services			%			-11.38%	-11.51%	1.51%	4.72%	4.68%	-1.43%	-1.43%	-1.43%	-1.43%	-1.43%	-1.43%	
Real Imports of Goods and Services			%			-7.13%	-11.86%	-3.28%	9.70%	-2.82%	-12.58%	-12.58%	-12.58%	-12.58%	-12.58%	-12.58%	
Efficiency																	
Real Labour Productivity (per employee)	q	(4), (7)	Δ (yoy, %)	No	-1.65%	2016 Q2	-3.31%	2016 Q1	-1.02%	2015 Q2	0.82%	2014 Q2	0.21%	2013 Q2	-1.52%	2012 Q2	
Real Labour Productivity (per hour worked)			%			-2.00%	-5.83%	-1.04%	-0.85%	2.56%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	
Unit Labour Cost (per employee)			%			2.46%	3.53%	-3.17%	-5.76%	-5.54%	-0.70%	-0.70%	-0.70%	-0.70%	-0.70%	-0.70%	
Unit Labour Cost (per hour worked)			%			3.19%	3.50%	-2.66%	-6.62%	-4.45%	-0.39%	-0.39%	-0.39%	-0.39%	-0.39%	-0.39%	
Labour Market																	
Employment	m	(1), (7)	'000' People	Yes		3675.00	Jun-16	3660.00	May-16	3613.30	Jun-15	3545.70	Jun-14	3508.40	Jun-13	3676.20	Jun-12
Unemployment						1124.50	1131.30	1198.00	1290.00	1349.40	1219.40	1219.40	1219.40	1219.40	1219.40	1219.40	
Labour Force						4799.50	4791.30	4811.30	4835.70	4857.80	4895.60	4895.60	4895.60	4895.60	4895.60	4895.60	
Inactive Population						3249.10	3260.40	3276.40	3301.10	3327.80	3353.70	3353.70	3353.70	3353.70	3353.70	3353.70	
Real Estate																	
Index of Apartment Prices	q	(2), (7)	Δ (yoy, %)	No	-2.61%	2016 Q2	-4.77%	2016 Q1	-4.97%	2015 Q2	-8.26%	2014 Q2	-11.92%	2013 Q2	-10.85%	2012 Q2	
Building Activity (Issued Building Permits)	m	(1), (7)	%			-21.67%	Jun-16	-31.53%	May-16	14.71%	Jun-15	-10.69%	Jun-14	-31.35%	Jun-13	-41.76%	Jun-12
Industry and Commerce																	
Purchasing Managers' Indexes (PMI)	m	(6), (7)	Index Units	Yes	50.4	Aug-16	48.7	Jul-16	39.1	Aug-15	50.1	Aug-14	48.7	Aug-13	42.10	Aug-12	
Production Index in Industry		(1), (7)	Δ (yoy, %)			4.39%	Jul-16	8.02%	Jun-16	-2.28%	Jul-15	0.18%	Jul-14	-7.19%	Jul-13	-3.31%	Jul-12
Turnover Index in Industry			%			-5.90%	-8.21%	-15.10%	0.52%	3.26%	-7.46%	-7.46%	-7.46%	-7.46%	-7.46%	-7.46%	
Turnover Index in Retail Trade			%			-5.44%	Jun-16	-7.63%	May-16	-2.28%	Jun-15	-0.33%	Jun-14	-8.40%	Jun-13	-10.25%	Jun-12
Volume Index in Retail Trade			%			-3.83%	-6.31%	-1.01%	0.89%	-8.68%	-11.15%	-11.15%	-11.15%	-11.15%	-11.15%	-11.15%	
Turnover Index in Wholesale Trade	q	(1), (7)	Δ (yoy, %)			-4.01%	2016 Q2	-5.00%	2016 Q1	-3.85%	2015 Q2	-0.30%	2014 Q2	-10.05%	2013 Q2	-15.68%	2012 Q2
Turnover Index for Motor Trade			%			14.34%	-1.04%	4.95%	25.53%	-3.39%	-39.25%	-39.25%	-39.25%	-39.25%	-39.25%	-39.25%	
Foreign Sector																	
Current Account Balance (A+B+C+D)	m	(2), (7)	€12m € bn	No	1.30	Jun-16	0.80	May-16	-3.92	Jun-15	-2.26	Jun-14	-5.35	Jun-13	-15.13	Jun-12	
A. Balance of Goods (A1+A2+A3)						-15.93	-16.00	-20.91	-21.47	-19.74	-19.74	-19.74	-19.74	-19.74	-24.12	-24.12	
A1. Oil						-3.14	-3.23	-5.83	-6.13	-6.70	-9.06	-9.06	-9.06	-9.06	-9.06	-9.06	
A2. Ships						-0.16	-0.19	-0.95	-2.49	-0.93	-2.24	-2.24	-2.24	-2.24	-2.24	-2.24	
A3. Other Goods						-12.63	-12.58	-14.13	-12.86	-12.11	-12.82	-12.82	-12.82	-12.82	-12.82	-12.82	
B. Services (B1+B2+B3)						15.46	15.60	18.24	16.83	14.37	14.04	14.04	14.04	14.04	14.04	14.04	
B1. Travel						11.87	11.94	11.68	10.57	9.15	8.26	8.26	8.26	8.26	8.26	8.26	
B2. Transportation						3.06	3.22	6.63	6.16	5.46	6.37	6.37	6.37	6.37	6.37	6.37	
B3. Other Services						0.53	0.45	-0.07	0.10	-0.24	-0.59	-0.59	-0.59	-0.59	-0.59	-0.59	
C. Primary Income (C1+C2+C3)						1.82	1.45	-0.30	0.51	0.60	-3.95	-3.95	-3.95	-3.95	-3.95	-3.95	
C1. Compensation of Employees						-0.07	-0.10	-0.38	-0.23	-0.24	-0.31	-0.31	-0.31	-0.31	-0.31	-0.31	
C2. Investment and Income						-1.17	-1.13	-2.59	-2.30	-1.62	-5.85	-5.85	-5.85	-5.85	-5.85	-5.85	
C3. Other Primary Income						3.06	2.68	2.66	3.03	2.47	2.21	2.21	2.21	2.21	2.21	2.21	
D. Secondary Income (D1+D2)						-0.05	-0.26	-0.95	1.88	-0.58	-1.10	-1.10	-1.10	-1.10	-1.10	-1.10	
D1. General Government						-0.29	-0.45	-0.97	1.50	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	
D2. Other Sectors						0.24	0.20	0.01	0.38	0.42	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	
Fiscal Data (General Government)																	
General Government Balance % of GDP	y	(1), (7)	%	-	-7.20%	2015	-3.60%	2014	-13.00%	2013	-8.80%	2012	-10.20%	2011	-11.20%	2010	
General Government Primary Balance % of GDP						-3.40%	0.40%	-9.00%	-3.70%	-2.90%	-5.30%	-5.30%	-5.30%	-5.30%	-5.30%	-5.30%	
General Government Debt % of GDP						176.90%	180.10%	177.70%	159.60%	172.00%	146.20%	146.20%	146.20%	146.20%	146.20%	146.20%	
State Budget Execution																	
A. State Budget Net Revenue (Realized)		(5), (7)	€ bn	-		31.95	Aug-16	28.00	Jul-16	22.99	Jun-16	19.21	May-16	16.01	Apr-16	12.50	Mar-16
B. State Budget Net Revenue (Target)						32.53	28.64	22.85	18.88	16.16	12.57	12.57	12.57	12.57	12.57	12.57	
Divergence in Net Revenue (A-B)						-0.58	-0.64	0.13	0.33	-0.15	-0.08	-0.08	-0.08	-0.08	-0.08	-0.08	
C. State Budget Expenditure (Realized)						32.99	28.83	24.00	20.02	16.17	12.28	12.28	12.28	12.28	12.28	12.28	
D. State Budget Expenditure (Target)						36.41	32.13	27.35	22.76	18.45	13.91	13.91	13.91	13.91	13.91	13.91	
Divergence in Expenditure (C-D)						-3.43	-3.30	-3.35	-2.74	-2.28	-1.63	-1.63	-1.63	-1.63	-1.63	-1.63	
State Budget Primary Balance (Realized)						3.76	3.55	2.47	2.28	2.72	2.67	2.67	2.67	2.67	2.67	2.67	
State Budget Primary Balance (Target)						0.98	0.87	-1.03	-0.82	0.57	1.10	1.10	1.10	1.10	1.10	1.10	
State Budget Balance (Realized)						-1.04	-0.83	-1.01	-0.81	-0.45	0.22	0.22	0.22	0.22	0.22	0.22	
State Budget Balance (Target)						-3.88	-3.49	-4.49	-3.88	-2.28	-1.34	-1.34	-1.34	-1.34	-1.34	-1.34	
European Central Bank Interest Rates																	
Deposit Facility Rate		(2), (7)	%	-	-0.40%	Mar-16	-0.30%	Dec-14	-0.20%	Sep-14	-0.10%	Jun-14	0.00%	Nov-13	0.00%	May-13	
Fixed Rate Tenders						0.00%	0.05%	0.05%	0.15%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	
Marginal Lending Facility Rate						0.25%	0.30%	0.30%	0.40%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
Greek Government Securities and Bank D/L IR																	
Government Benchmark Bond Yield (10 Years)	m	(2), (7)	%	-	8.19%	Aug-16	7.99%	Jul-16	10.26%	Aug-15	6.09%	Aug-14	10.01%	Aug-13	24.34%	Aug-12	
Average Bank Interest Rates on New Deposits						0.42%	Jul-16	0.42%	Jun-16	0.78%	Jul-15	1.45%	Jul-14	2.26%	Jul-13	2.86%	Jul-12
Average Bank Interest Rates on New Loans						5.01%	4.87%	4.72%	5.36%	5.55%	5.92%	5.92%	5.92%	5.92%	5.92%	5.92%	
Average Bank Interest Rates on Outstanding Deposits						0.41%	0.41%	0.87%	1.66%	2.58%	2.86%	2.86%	2.86%	2.86%	2.86%	2.86%	
Average Bank Interest Rates on Outstanding Loans						4.90%	4.90%	5.04%	5.41%	5.							

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