

2. Public finance

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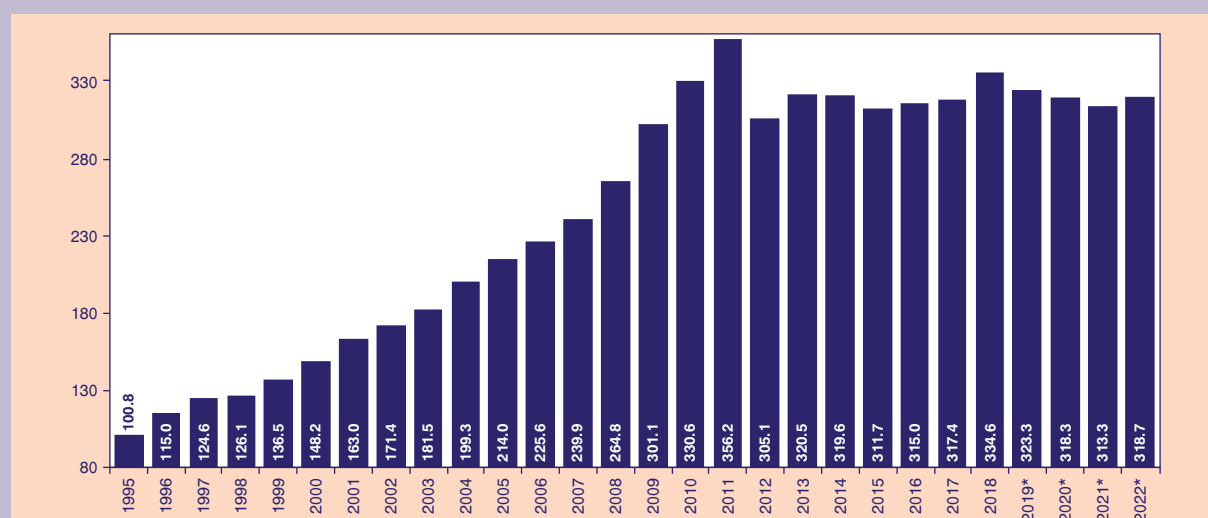
2.1. The evolution and structure of public debt

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The level of public debt in 2018 was influenced, in parallel with the outcome of the fiscal policy pursued, by the treasury management policy in the context of the creation of a “safety net” to secure liquidity, once the country completed the financial support program. In 2018, according to the Hellenic Statistical Authority, the General Government debt amounted to 334.6 billion euros, compared to 335 billion euros, which was the State Budget 2019 estimate (November 2018). Despite this marginally better performance, however, the ratio of public debt as a percentage of GDP has deteriorated due to the lower than expected GDP performance. In particular, the GDP level of 2018 is

estimated, according to the provisional data of the Hellenic Statistical Authority, to stand at 184.7 billion euros, while the State Budget 2019 estimate was 185.7 billion euros (the corresponding estimate in the Medium-Term Fiscal Strategy 2019-2022 was 182.9 billion euros). Therefore, in 2018 the public debt as a percentage of GDP is estimated at 181.2% of GDP instead of 180.4% of GDP which was estimated in the State Budget 2019 (the corresponding estimate in the Medium-Term Fiscal Strategy 2019-2022 was 183.1% of GDP). As for 2019, according to the Medium-Term Fiscal Strategy 2019-2022, the General Government debt is estimated to fall by about 12 billion euros and thus be limited to 323.3 billion euros, as part of last year’s liquidity will be utilized for the needs arising from the current year’s debt obligations. Finally, for the period thereafter, it is estimated that the General Government debt will reach 318.3 billion euros in 2020, 313.3 billion euros in 2021 and 318.7 billion euros in 2022 (Figure 2.1.1).

FIGURE 2.1.1
General Government debt (1995-2022)



Source: European Commission (1995-2015), Hellenic Statistical Authority (2016-2018) and Medium-Term Fiscal Strategy (2019-2022).

Note: *Estimate.

TABLE 2.1.1 Structure of Central Government debt

	2011		2013		2017		2018		March 2019	
	Million euros	% debt	Million euros	% debt	Million euros	% debt	Million euros	% debt	Million euros	% debt
A. Bonds	259,774	70.6	76,296	23.7	50,457	15.4	51,551	14.4	59,828	16.7
Bonds issued domestically	240,940	65.5	73,415	22.8	48,681	14.8	49,779	13.9	58,109	16.2
Bonds issued abroad*	18,833	5.1	2,880	0.9	1,776	0.5	1,771	0.5	1,719	0.5
B. T-Bills	15,058	4.1	14,970	4.7	14,943	4.5	15,280	4.3	15,269	4.3
C. Loans	93,145	25.3	230,210	71.6	248,373	75.6	267,598	74.6	263,121	73.6
Bank of Greece	5,683	1.5	4,734	1.5	2,849	0.9	2,377	0.7	2,377	0.7
Other domestic loans	836	0.2	115	0.0	247	0.1	229	0.1	224	0.1
Financial Support Mechanism loans	73,210	19.9	213,152	66.3	232,959	70.9	253,105	70.5	252,667	70.6
Other external loans **	13,414	3.6	12,208	3.8	12,318	3.7	11,887	3.3	7,853	2.2
D. Short-term loans ***	0	0.0	0	0.0	14,931	4.5	24,521	6.8	19,475	5.4
Total (A + B + C + D)	367,978	100.0	321,477	100.0	328,704	100.0	358,950	100.0	357,693	100.0

Source: Public Debt Bulletin (December 2011, December 2013, December 2018) and General Government Bulletin (March 2019).

Notes: * Including securitization issued abroad.

** Including special purpose and bilateral loans.

*** Including repos.

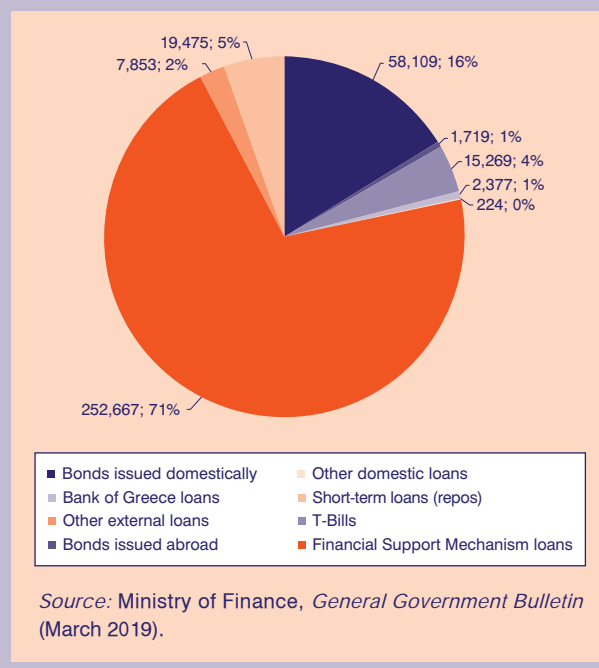
Regarding the Central Government debt, according to the General Government Monthly Bulletin, it stood at 357.7 billion euros in March 2019, showing a decrease of 1.2 billion euros compared to the end of 2018 (358.9 billion euros in 2018 and 328.7 billion euros in 2017), while in 2019 –according to the State Budget 2019– it is expected to reach 346.2 billion euros. As noted before, the fact that the Central Government debt is higher than the General Government debt is due to the intergovernmental debt, which includes the short-term borrowing through repos agreements with General Government entities. Also, the structure of the Central Government debt changed in the first quarter of 2019, compared to the end of last year, as a result of the country’s borrowing from the international capital markets. Thus, the share of debt in bonds was set at 59.8 billion euros in March 2019, from 51.5 billion euros at the end of 2018. Bonds now account for 16.7% of the total Central Government debt, compared to 14.4% at the end of 2018 (Table 2.1.1 above).

Also, there was no significant change in Central Government funding through short-term securities and, in particular, Treasury bills, which amounted to 15.2 billion euros. On the contrary, both external loans and short-term loans (including repos) declined. Specifically, the share of debt in loans was limited to 263.1 billion euros, mainly as a result of the decline in other external loans by 4 billion euros. Thus, as a whole, the volume of Central Government debt recorded in loans declined to 263.1 billion euros, constituting 73.6% of the debt in March 2019 against 74.6% of the debt at the end of 2018 (Figure 2.1.2).

Finally, the source of funding that was limited in the first quarter of 2019 was that of short-term borrowing through repos agreements with General Government entities. More specifically, in March 2019 the intergovernmental borrowing through repos amounted to 19.5 billion euros, which is about 5 billion euros lower than December 2018, when it reached 24.5 billion euros (Figure 2.1.3). Thus, this specific source of funding, according to data released in March 2019, equals now to 5.4% of the Central Government debt, from 6.8% in December 2018. It is worth noting that this limited exposure to intergovernmental borrowing through repos has an increasing effect on the level of the General Government debt, as it reduces the intergovernmental debt of the Central Government that ‘covers’ part of the General Government debt.

As far as the structural characteristics of the Central Government debt are concerned, there were changes

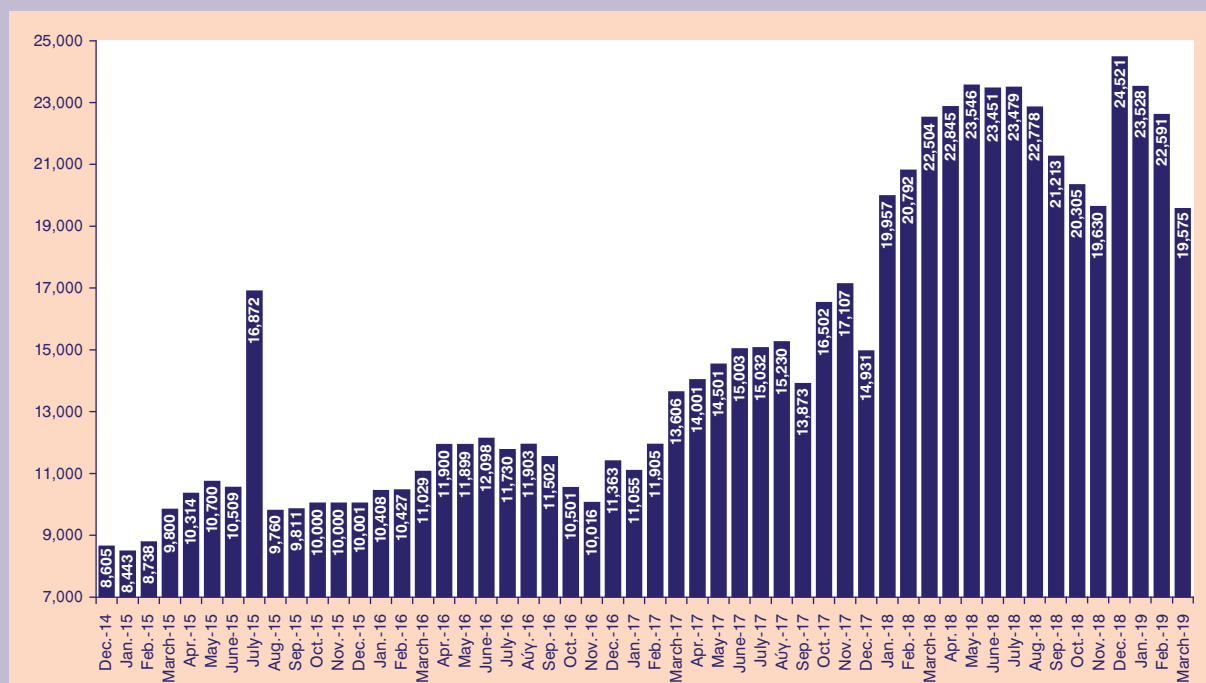
FIGURE 2.1.2
Central Government debt (March 2019),
(million €; % debt)



as a result of the promotion of short-term measures to strengthen the long-term sustainability of the public debt. In particular, the structure of the Central Government debt was mainly affected by the stability or instability of the interest rate. Thus, in December 2018, the Central Government debt at fixed-rate stood at 89.2% of the debt, against 48.1% of the debt in December 2017 and 28.5% of the debt in December 2013 (Table 2.1.2). This is a share that increased further in 2019 in the context of the country’s borrowing from the international capital markets, resulting in 90.9% in March 2019. The result is, therefore, the strengthening of the country’s public debt against risks associated with interest rate fluctuations and changes in the monetary policy. With regard to the other characteristics, in March 2019, the non-negotiable debt fell to 79.0% of the total debt compared to 81.4% of the debt in December 2018, due to the country’s financing through bonds from the international capital markets, while the share of debt expressed in euros increased to 98.0% (Table 2.1.2).

As a final remark, regarding the debt management strategy in the following period, in line with the Medium-Term Fiscal Strategy framework, it will include: (a) covering the annual gross financing needs of the Greek government through the establishment of continuous and permanent access to the inter-

FIGURE 2.1.3
Central Government short-term loans (repos)



Source: Ministry of Finance, General Government Bulletin (various months).

Note: The July 2015 performance is widely diverted as it includes the short-term "bridge" loan of €7.16 billion from the European Financial Stability Facility that Greece received during the period between the second and third adjustment programs.

TABLE 2.1.2 Composition of Central Government debt

	December 2011	December 2012	December 2013	December 2017	December 2018	March 2019
A. Rate						
Fixed rate ¹	62.0%	32.7%	28.5%	48.1%	89.2%	90.9%
Floating rate ^{1, 2}	38.0%	67.3%	71.5%	51.9%	10.8%	9.1%
B. Trade						
Tradable	74.7%	34.3%	28.4%	19.9%	18.6%	21.0%
Non-tradable	25.3%	65.7%	71.6%	80.1%	81.4%	79.0%
C. Currency						
Euro	97.5%	96.7%	95.9%	97.4%	97.9%	98.0%
Non-Euro area currencies	2.5%	3.3%	4.1%	2.6%	2.1%	2.0%

Source: Public Debt Bulletin (December 2011, December 2012, December 2013, December 2017, March 2019).

Notes: 1. Fixed/floating participation is calculated including Interest Rate Swap transactions.

2. Index-linked bonds are classified as floating rate bonds.

national capital markets, (b) actively managing the market risks in the Greek public debt portfolio, (c) managing of the cash reserves of both the Government and the General Government entities, and (d) managing the Greek Government's short-term liquidity. In this context, as mentioned above, the "safety

net" (in terms of liquidity) established in 2018 is also included; thus, according to the Public Debt Bulletin, in March 2019 the Greek Government's cash reserves stood at 22.5 billion euros and the reserves in the special public debt account stood at 1.8 billion euros.