

2.2. The evolution and structure of public debt

Christos Triantopoulos

The level of public debt in 2017 was determined – among other factors– by the General Government balance, which, exceeding relevant estimates also showed a surplus over the past year. In particular, according to the initial estimates, of the Hellenic Statistical Authority (ELSTAT), the General Government surplus in 2017 stood at €1.4 billion or 0.8% of GDP and the primary General Government surplus increased to €7.1 billion or 4.0% (according to the Eurostat methodology and not that of the fiscal adjustment program). This better-than-expected fiscal performance – a result of the overperformance of fiscal policy measures– also affected the level of General Government debt, which stood at the end of 2017 at 317.4 billion (or 178.6% of GDP), whereas the estimate of the State Budget of 2018 –in November 2017– stood at €318.3 billion (178.2% of GDP). Compared to the previous year, the General Government debt increased by €2.4 billion in 2017, as a

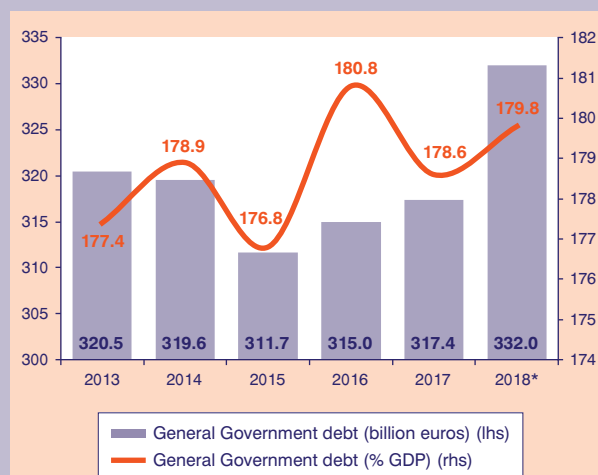
result of fiscal performance, the increase in cash flow through the European Stability Mechanism (ESM), and the funding –also provided by the support mechanism– of the arrears program (Figure 2.2.1). During the current year, according to the State Budget 2018 estimates, the General Government debt is projected to increase to €332 billion (or 179.8% of GDP) as a result of: (a) the even larger funding by the ESM that is expected to increase cash flow (b) the funding – by the support mechanism– of the arrears clearance program, and (c) the substitution of the part of the debt that is based on short-term loans. Regarding, in particular, the latter factor, it is worth noting that a significant part of short-term loans corresponds to intergovernmental debt (see repos); thus, its substitution will result in an increase in the General Government debt.

The Central Government debt emerges when intergovernmental debt is not taken into account (e.g. short-term borrowing through repos agreements with General Government entities). According to the data of the General Government Monthly Bulletin, the Central Government debt in February 2018 stood at €337.1 billion, increased by €8.4 billion compared to the end of 2017 (Table 2.2.1). This increase is due to the issuance of a new 7-year Greek Government bond of €3 billion as well as the increase in short-term loans by approximately €6 billion. Thus, the share of Central Government debt held in bonds stood in February 2018 at 15.3% of the debt (€53.5 billion), while the share of debt which is based on the loans of the support mechanism remained stable at 69% of debt (Table 2.2.1). In addition, Central Government funding is maintained at the same levels as in the previous months through short-term securities and, in particular, Treasury bills, which remained stable at €14.9 billion (Figure 2.2.2).

Additionally, as mentioned above, short-term loans through repos agreements with General Government entities increased significantly in the first two months of 2018, standing at €20.8 billion in February 2018, compared to €14.9 billion at the end of 2017, constituting 6% of the total Central Government debt. However, this is expected to be limited, since, according to the State Budget 2018, it is estimated that these loans will be reduced –in the context of replacing short-term with long-term debt– to the amount of €9 billion at the end of the year (Figure 2.2.3).

Alongside the debt structure, a significant change was noted in the Central Government debt characteristics

FIGURE 2.2.1
General Government debt performance and estimates



Source: Hellenic Statistical Authority (ELSTAT) (for years 2013-2017) and State Budget 2018 (for 2018).

Note: * Estimate.

TABLE 2.2.1 Structure of Central Government debt

	2011		2013		2017		February 2018	
	Million euros	% debt	Million euros	% debt	Million euros	% debt	Million euros	% debt
A. Bonds	259,774.18	70.6	76,296.25	23.7	50,457	15.4	53,462	15.9
Bonds issued domestically	240,940.37	65.5	73,415.28	22.8	48,681	14.8	51,682	15.3
Bonds issued abroad*	18,833.81	5.1	2,880.97	0.9	1,776	0.5	1,780	0.5
B. T-Bills	15,058.63	4.1	14,970.82	4.7	14,943	4.5	14,934	4.4
C. Loans	93,145.19	25.3	230,210.90	71.6	248,373	75.6	247,959	73.5
Bank of Greece	5,683.99	1.5	4,734.61	1.5	2,849	0.9	2,849	0.8
Other domestic loans	836.71	0.2	115.50	0.0	247	0.1	242	0.1
Financial Support Mechanism loans	73,210.36	19.9	213,152.48	66.3	232,959	70.9	232,550	69.0
Other external loans **	13,414.13	3.6	12,208.31	3.8	12,318	3.7	12,318	3.7
D. Short-term loans ***	0.00	0.0	0.00	0.0	14,931	4.5	20,792	6.2
Total (A+B+C+D)	367,978.00	100.0	321,477.97	100.0	328,704	100.0	337,148	100.0

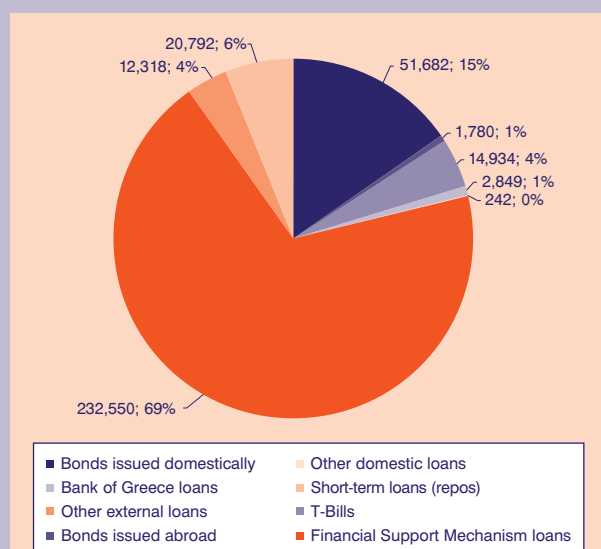
Source: Public Debt Bulletin (December 2011, December 2013) and General Government Bulletin (February 2018).

Notes: * Including securitization issued abroad.

** Including special purpose and bilateral loans.

*** Including repos.

FIGURE 2.2.2
Central Government debt (February 2018),
(million €; % debt)

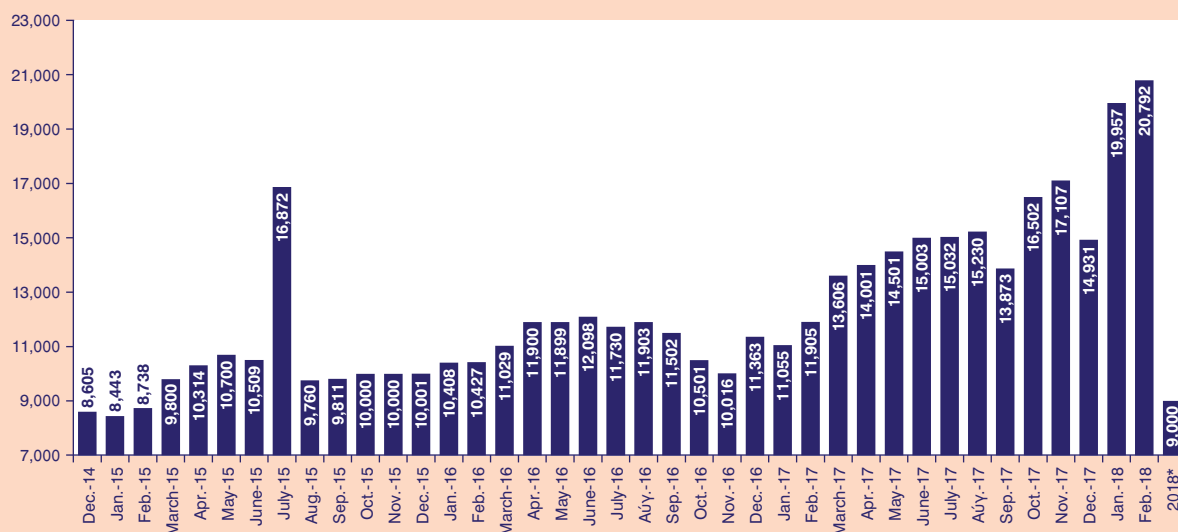


Source: Ministry of Finance, *General Government Bulletin* (February 2018).

and, in particular, in the stability or instability of the interest rate. Specifically, in December 2017, the fixed-rate debt ratio rose to 48.1% of debt versus 30.0% in December 2016, as a result of the increase in fixed-rate debt, which was 11.1% of the 2017 new loans. As for the other characteristics, there was no differentiation compared to the previous year; thus, the non-negotiable debt stood, in December 2017, at 80.1% of the total debt, while 97.4% of the debt was in euro(s) (Table 2.2.2 below).

Finally, with regard to public debt management, in 2018 –following the implementation of the first 2017 short-term measures to enhance sustainability– the focus is on shaping a strong “buffer” of liquidity, as part of an effort to increase non-program funding. This is an attempt based on both the fiscal outturn as well as the inflows of the planned ESM funding, which are expected to increase the cash flows of the State, which already stand at quite satisfactory levels.

FIGURE 2.2.3
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.

* Estimate.

TABLE 2.2.2 Composition of Central Government debt

	December 2011	December 2012	December 2013	December 2016	December 2017
A. Rate					
Fixed rate ¹	62.0%	32.7%	28.5%	30.0%	48.1%
Floating rate ^{1,2}	38.0%	67.3%	71.5%	70.0%	51.9%
B. Trade					
Tradable	74.7%	34.3%	28.4%	21.9%	19.9%
Non-tradable	25.3%	65.7%	71.6%	78.1%	80.1%
C. Currency					
Euro	97.5%	96.7%	95.9%	97.0%	97.4%
Non-Euro area currencies	2.5%	3.3%	4.1%	3.0%	2.6%

Source: Public Debt Bulletin (December 2011, December 2012, December 2013, December 2016, September 2017).

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

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