

The IMF and the Greek Crisis: myths and realities

#LSEGreece

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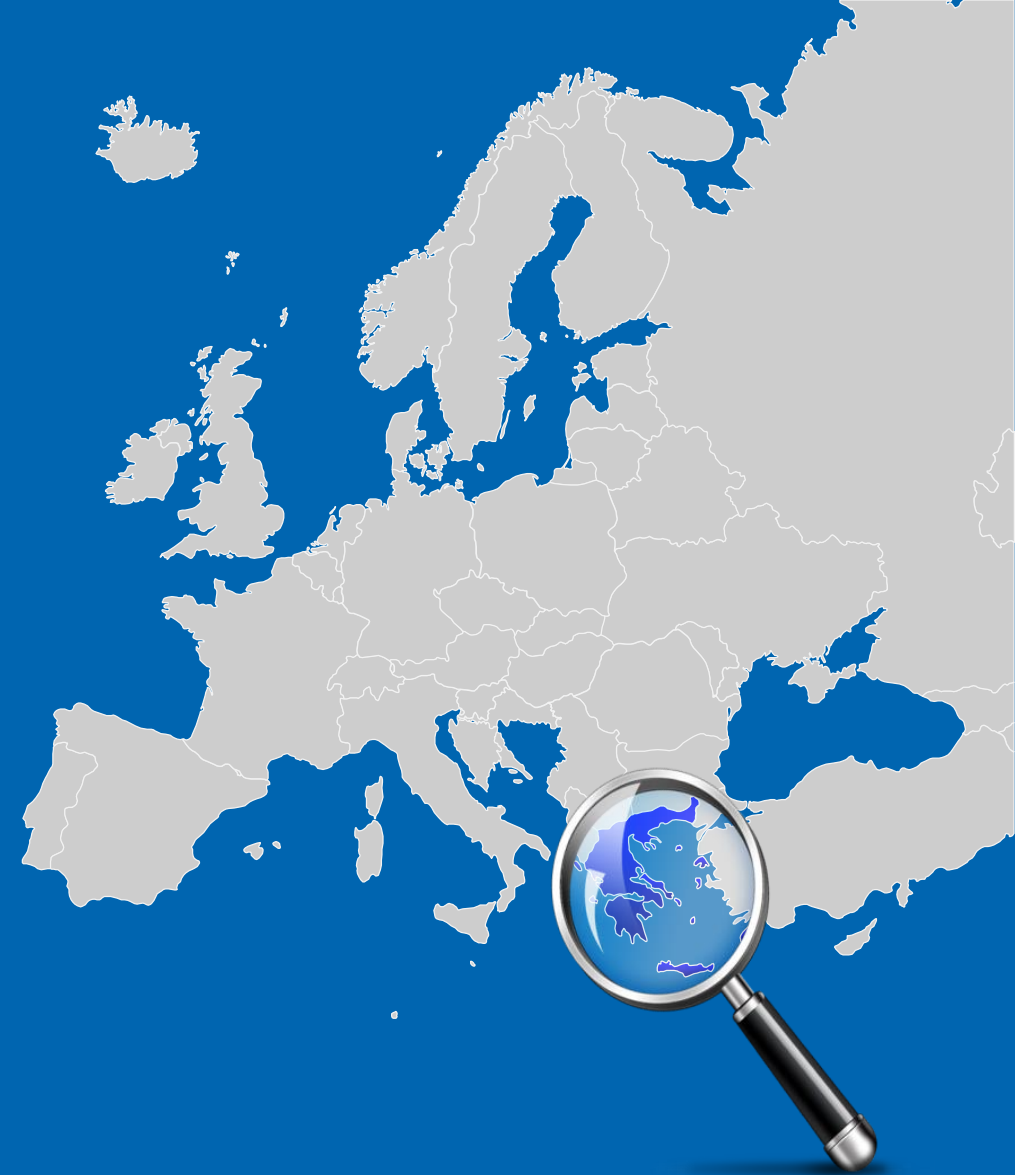
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Hosted by the Hellenic Observatory and Hellenic Bankers Association-UK

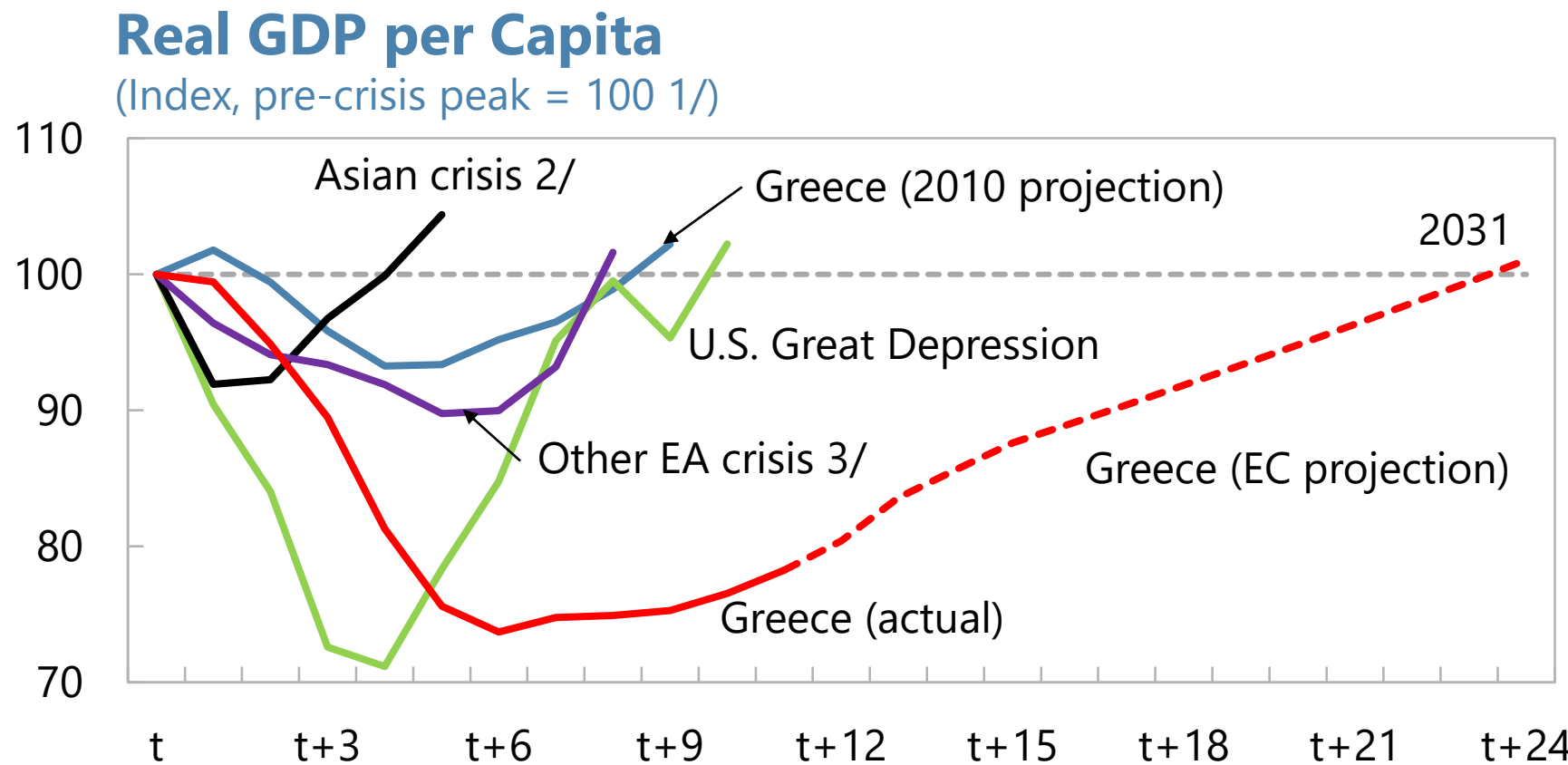
The IMF and the Greek Crisis: Myths and Realities

Hellenic Observatory
London School of Economics
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Growth projections have been too optimistic and the length of a recovery unprecedented

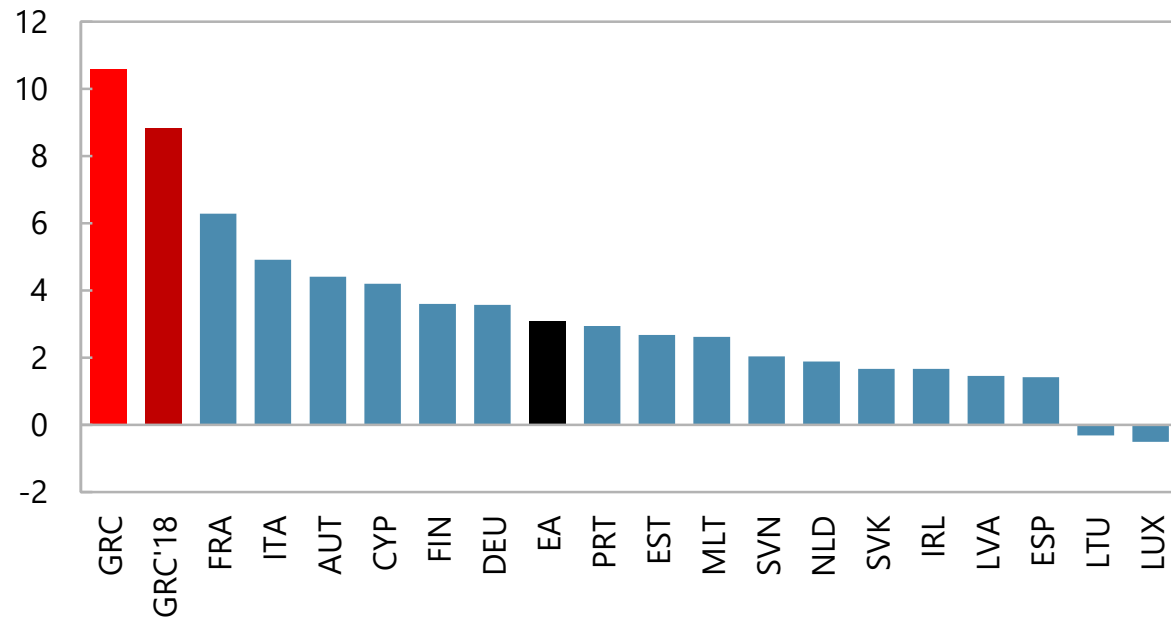


Sources: European Commission; Eurostat; Haver Analytics; and IMF staff projections.
 1/ Pre-crisis peaks are: 1929 for Great Depression; 1997 for Asian crisis; 2007 for Greece, Ireland, and Spain; 2008 for Cyprus and Portugal.
 2/ Indonesia, Republic of Korea, and Thailand.

Public pension and income tax reforms remain critical for growth-friendly rebalancing of public finances

State Transfers to the Public Pension System

(2016, percent of GDP)

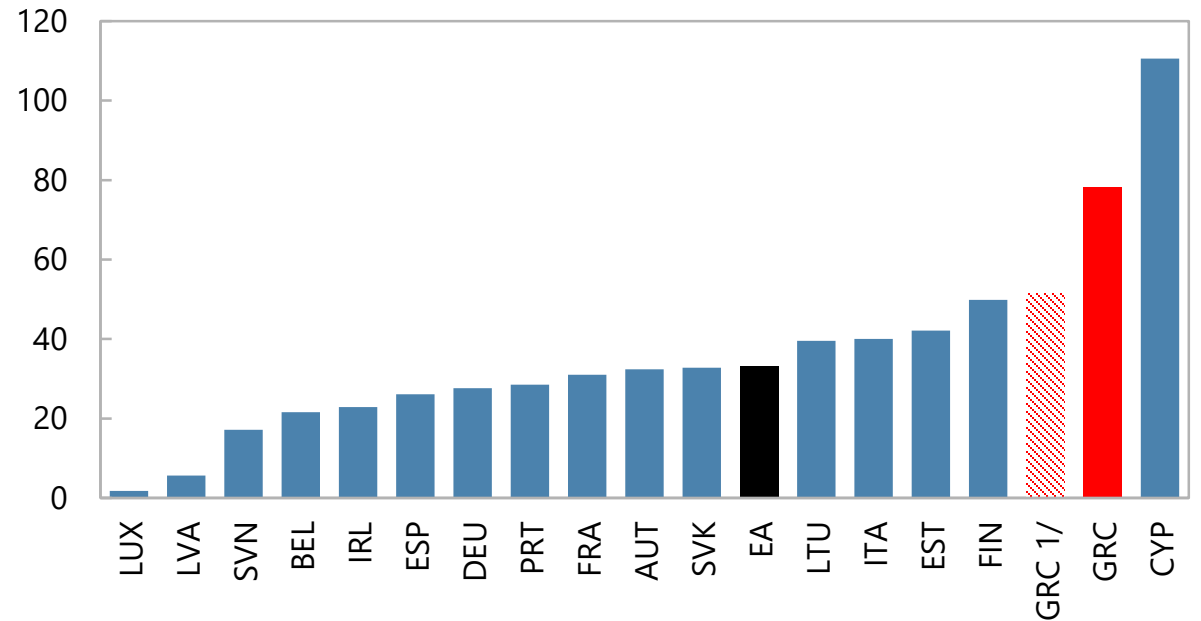


Sources: 2018 Aging Report; and IMF staff calculations.

Note: State transfer is defined as a difference between pension spending and actual employer and employee pension contributions as defined in the Aging Report, excluding third-party revenues and non-contributory state transfers.

Personal Income Tax-Free Thresholds in the Euro Area

(Percent of 2018 average wages and salaries per employment)



Sources: Deloitte; Eurostat; the Greek authorities; KPMG; OECD; and IMF staff calculation 1/ Income tax reform pre-legislated in 2017, though subsequently cancelled.

Note: national accounts concept of wages and salaries is used. The euro area average excludes Greece.

Political crises led to confidence shocks that halved deposits and collapsed investment

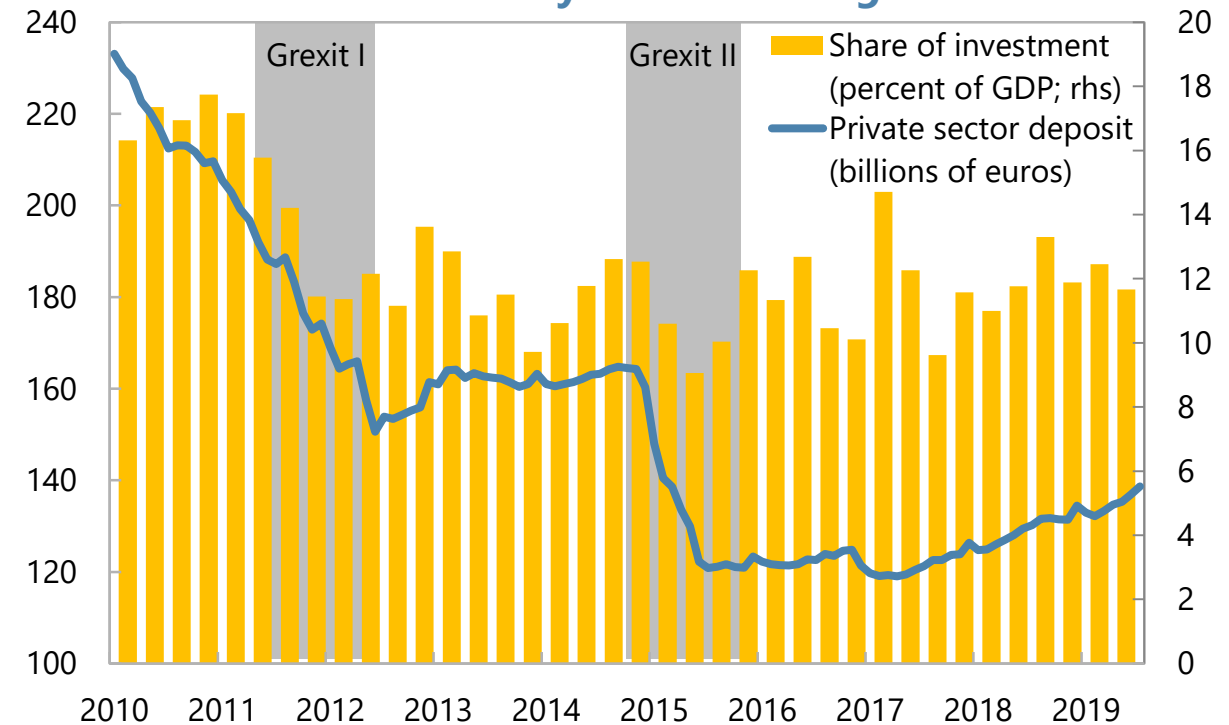
Greece: 10-Year Bond Yield Spread

(Percentage points; against German bond)



Sources: Bloomberg Financial L.P.; and IMF staff calculations.

Private Sector Bank Deposits Halved and the Share of Investment Declined by a Third During the Crisis

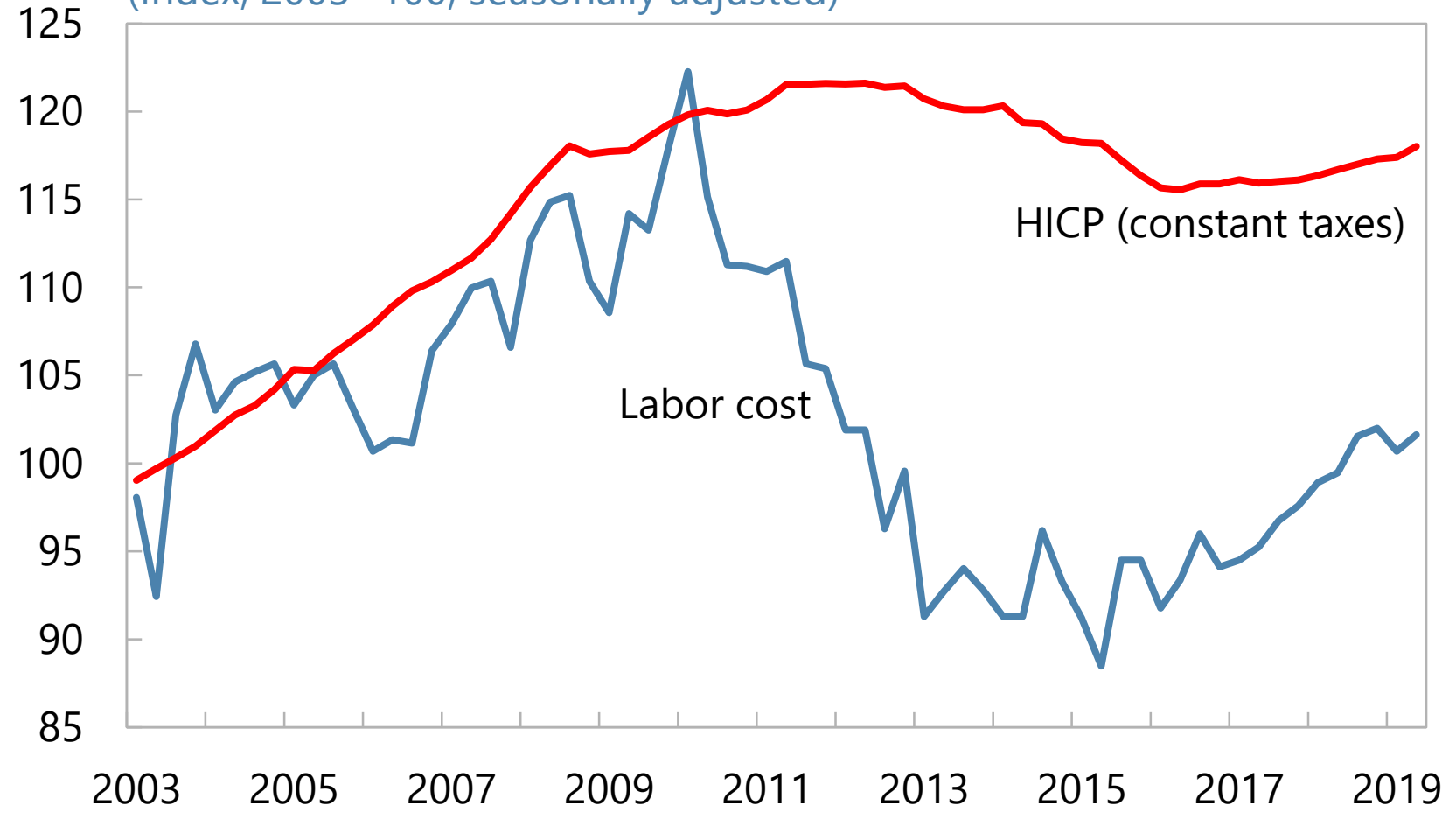


Sources: Bank of Greece; ELSTAT; and IMF staff calculations.

Unbalanced structural reforms undermined credibility and broader support by imposing an excessive burden on labor

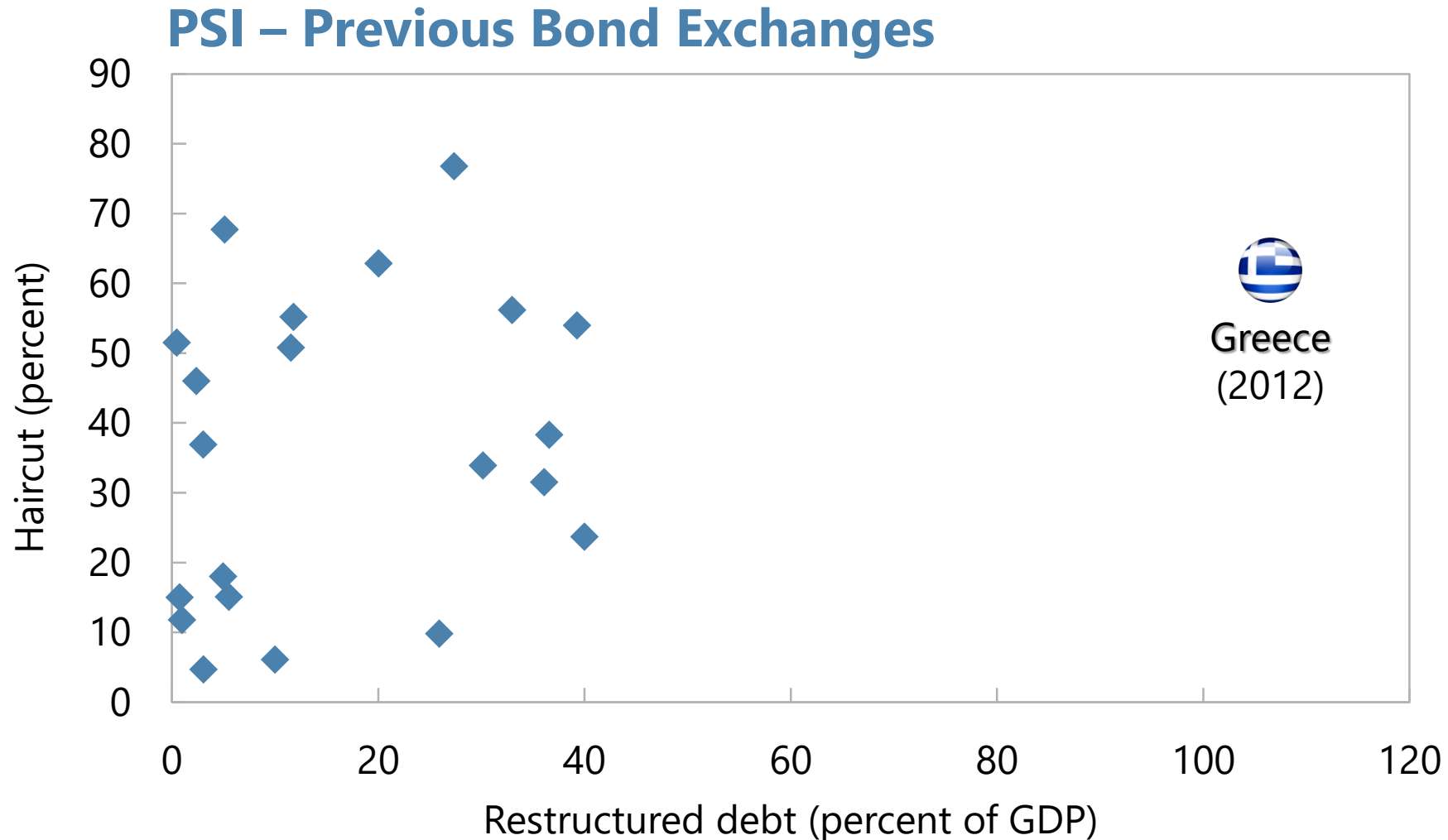
Wage Flexibility vs. Price Rigidity

(Index, 2003=100; seasonally adjusted)



Sources: ELSTAT; Eurostat; Haver Analytics; and IMF staff calculations.

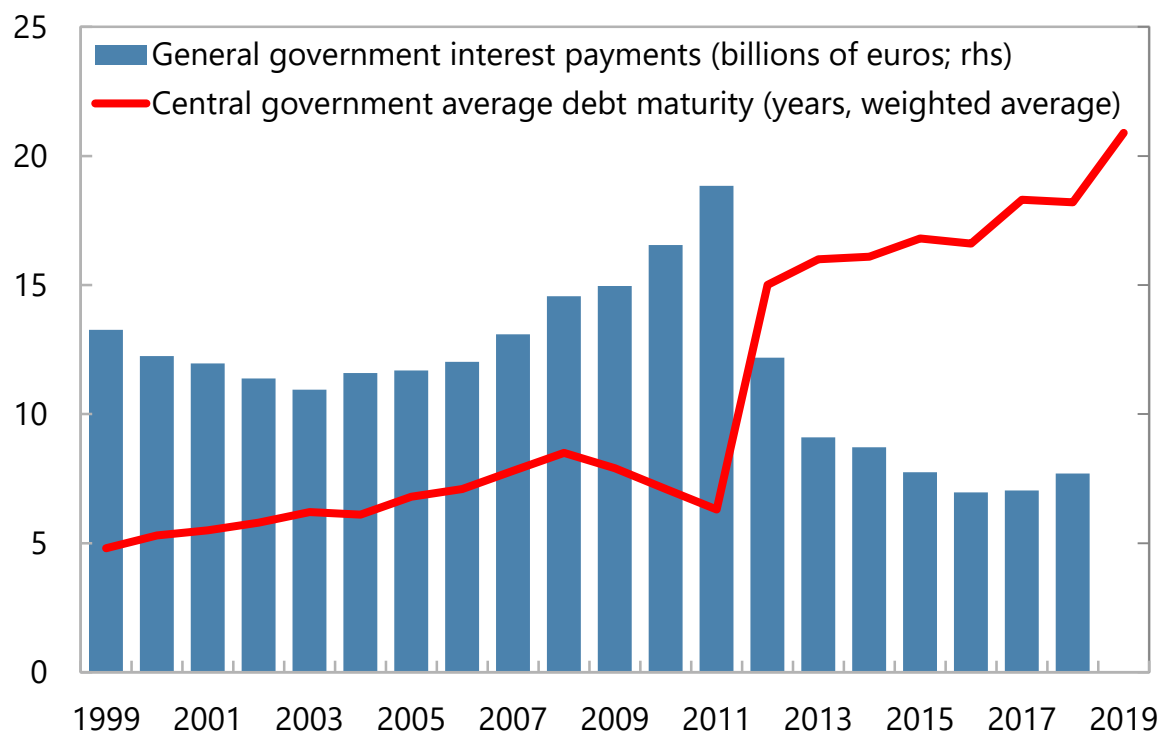
Unprecedented PSI in 2012 as systemic concerns began to fade



Source: Zettelmeyer, Trebesch and Gulati (2013)

PSI and OSI significantly lowered the debt burden

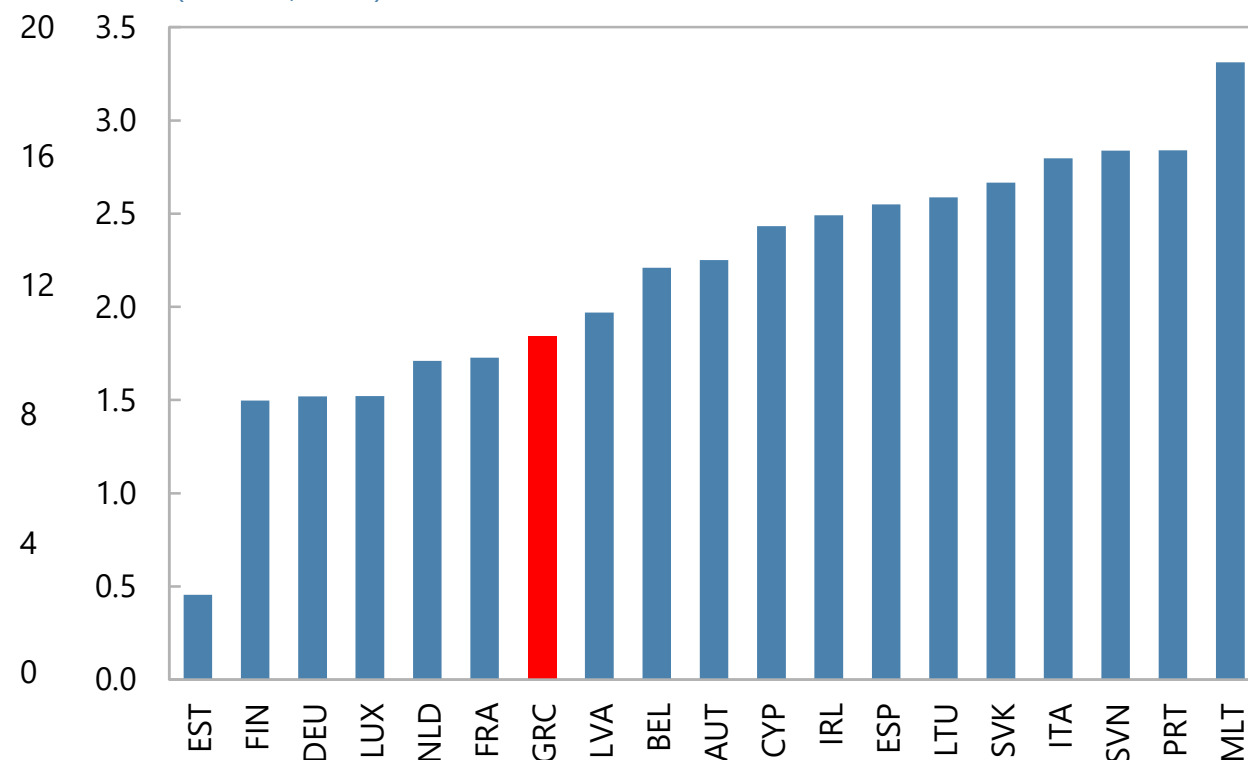
Interest Payments and Debt Maturity



Sources: Eurostat and Public Debt Management Agency (PDMA).

General Government Average Effective Interest Rate

(Percent; 2018)



Sources: Eurostat; and IMF staff calculations.

THANK YOU

