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www.eurobank.gr/research
EurobankGlobalMarkets
Research@eurobank.gr.

GREECE MACRO MONITOR

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QE for Greece: a necessary precondition for stabilizing investor sentiment and preventing the need for further official sector financing post-2018

Dr. Platon Monokroussos
Group Chief Economist
Deputy General Manager
Eurobank Ergasias S.A
pmonokrousos@eurobank.gr

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Introduction

Taking into consideration the most recent comments by a number of key EU officials on Greece's possible inclusion in the ECB's quantitative easing (QE) program this note updates our recent analysis on the issue, focusing on the key preconditions for and the potential timeline of such a development. Furthermore, it revisits the issue of sustainability of Greece's fiscal position, analyzing the potential medium- and long-term drivers of Greek public debt and explaining why new substantial debt relief from the official sector is a crucial prerequisite for stabilizing investor sentiment and allowing the domestic economy the necessary breathing space to grow its way out of the present recessionary environment. At this point it appears that PSPP purchases of Greek debt following the successful completion of the 2nd program review would be the only way to engineer a quick de-escalation of government bond spreads and potentially allow the Hellenic Republic to restore market access before the expiration of the present bailout program (August 2018). As we explained in our earlier analysis on the issue, inclusion in the QE program is not a panacea for solving Greece's lingering structural economic problems. Yet, it appears to be a necessary precondition for stabilizing the domestic economy and averting the need for further official-sector financing following the expiration of the current bailout. Assuming that there is limited appetite by euro area governments for such a development, it may be concluded that a return of the country to wholesale funding markets before the present program expires is in the best interest of all key stakeholders. Yet, political-economy considerations may prevent a front-loading of the debt relief measures for Greece that were agreed at the Eurogroup meetings of May 9 and 24, 2016. In any case, a quite possible scenario in our view is the specification (and the gradual implementation) of measures in the context of the agreed short-term debt relief framework upon the successful completion of the 2nd program review. This would send a strong signal to financial markets that EU partners remain committed to restore Greek debt sustainability in a gradual (and conditional) fashion. It would also allow the ECB to complete its independent DSA and decide whether to include Greece in the QE program. The rest of this document is structured as follows: Part 1, discusses in greater detail some of the aforementioned issues and provides a preliminary analysis on the measures that are likely to be implemented in the context of the short-term debt relief framework for Greece; Part 2, provides an outline of the agreed medium- and long-term debt relief frameworks; Part 3 analyses the evolution of Greek public debt and the general government gross borrowing requirement under a range of scenarios for the short-, medium- and long-term relief measures; and Part 4 discusses where the key stakeholders stand with respect to the current program and the need for new debt relief for Greece.

Part 1 – Specification of short-term debt relief measures for Greece & potential inclusion in QE program

QE for Greece: prerequisites, potential timeline and market impact

Greece's potential inclusion in the Eurosystem's secondary markets public sector asset purchase program (PSPP) has been thoroughly analyzed in our recent report *"Possible QE for Greece: a game changer?"*[1], and readers interested in the timeline, prerequisites, size and market impact of such purchases may refer to that analysis. To summarize, 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 (notional terms), 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. 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.

Short-term debt relief for Greece: timing and modalities

In our view, the specification (and the gradual implementation) by the ESM of the short-term debt relief measures for Greece agreed at the Eurogroup meetings of May 9 and 24, 2016 constitutes a key prerequisite for allowing the ECB to complete their independent DSA and taking a decision on whether to initiate PSPP purchases of Greek eligible securities. That is, following the successful (and timely) completion of the 2nd program review. Our understanding is that the Greek government's aim at this point is to complete the 2nd review without major delays, so as to allow the Eurogroup of December 5th to make all relevant decisions. In what follows we briefly analyze the potential structure of the said short-term debt relief package. Our analysis is based on the official statement released following the completion of the May 24th Eurogroup, relevant comments made by key EU officials, media reports and our understanding of the whole process. In more detail, the said package is expected to include the following items: a) "smoothening" of the EFSF repayment profile i.e., potential extension of the weighted average maturity of the entire package of EFSF loans to Greece by up to 2 years; b) use of the ESM's diversified funding strategy to reduce interest rate risk -- this could involve a swap of part of the EFSF/ESM facilities with new ESM loans of a longer maturity and lower interest cost. Indicatively, the swap of outstanding EFSF/ESM loans given to Greece for bank recapitalization purposes (up to €42.7bn = €37.3bn for the first bank recap + €5.4bn for the latest bank recap) with new ESM loans of longer maturity & lower interests could produce cumulative savings equivalent to 8-9ppts of GDP over the next three decades or so; and c) a waiver of the step-up interest rate margin related to the debt buy-back tranche (€11.3bn) that could reduce the 2017 debt service burden by c. €226mn.

Part 2 – Outline and preliminary assessment of the debt relief framework for Greece agreed at the May 24th Eurogroup

Arguably, serious concerns remain as regards the medium- and long-term sustainability of Greece's fiscal position. In order to address this issue, the Eurogroup of May 24, 2016 elaborated further on the general guidelines for debt relief measures agreed earlier that month (May 9). Specifically, following the successful completion of the 1st program review, euro area finance ministers reached an agreement on the implementation of a three-layer roadmap of relief measures to be phased in progressively so as to ensure Greece's debt servicing profile remains broadly manageable in the medium- and long-term under the new definition of sustainability[2] and subject to the pre-defined conditionality of the ESM program. However, the debt relief measures presented in the May 24th Eurogroup statement are yet to be fully specified, quantified and implemented. In a newspaper interview earlier this month, ESM Secretary General Kalin Anev Janse stated that the ESM is currently working on short-term debt relief measures, but has reached no conclusion yet. He added that a lot of work has to be done since the whole process is political and stakeholders of the

[1] Greece Marco Monitor, "Possible QE for Greece: a game changer?", Eurobank Research September 28, 2016. https://www.eurobank.gr/Uploads/Reports/GREECE_MACRO_Monitor_20160928.pdf

[2] Annual government gross financing need < 15% of GDP during the post-programme period for the medium-term and < 20% of GDP thereafter

Greek adjustment program have different preferences. *Table A in Appendix presents the list of the aforementioned relief measures, while a preliminary analysis on their potential impact on the government's borrowing requirement and the nominal debt stock is provided below.*

Debt relief framework for Greece: preliminary assessment[3]
The gradual implementation of debt relief package announced on May 24 is not expected to have too much of an impact on the evolution of the government's gross borrowing needs in the short-term (i.e., over the duration of the current program). This is because Greece already enjoys a 10-year grace period for both principal and interest payments on EFSF loans, with the exception of a €34.5bn loan tranche released for financing the PSI operation in early 2012. The latter loan does carry a 10 year grace on principal, but it regularly pays an annual interest of around EFSF funding cost + 12bps. However, the impact of the aforementioned measures could be material in the medium and long-term (see relevant analysis in Part 3 of this paper).

Short-term debt relief framework
See relevant analysis in the prior section.

Medium-term debt relief framework
For the medium term, the Eurogroup committed to implementing a possible second set of relief measures, contingent on: a) successful implementation of the ESM program; and b) the release by the institutions at the end of the program of an updated DSA showing that such measures are needed to meet the agreed GFN benchmark. As per the earlier analysis, the potential impact of the first of these measures (i.e., the abolishment of the step-up interest rate margin related to the debt buy-back tranche) would secure an annual saving of c. 226mn over the period 2018-2022 along with additional, though gradually declining relief in the outer years (until 2040/41). On the second item i.e., the use of SMP and ANFA profits for the creation of an internal buffer to reduce future gross financing needs, the estimated amounts to be accrued to the relevant ESM segregated account are: €5.96bn over the period 2017-2020 and €1.2-1.5bn between 2021 and 2026. This buffer could potentially be used to reduce future gross financing needs. In addition, any remaining resources within the ESM program (say, a significant part of the c. 19.6bn bank recapitalization commitments that remain unutilized) could be used to swap outstanding official funding (say, from the IMF) with longer duration and/or lower interest bearing loans. Finally, some targeted EFSF reprofiling (e.g. extension of weighted average maturities, re-profiling of amortization payments and caps/deferrals of interest payments) could be used to keep government gross financing needs under the agreed benchmark. The latest measure would clearly have a significant impact on the long-term evolution of borrowing needs. Note that the overall outstanding notional amount of EFSF loans provided to Greece in the context of the 2nd program is currently €130.9bn.

Long-term debt relief framework
For the long-run (and after the finalization of the ESM program), the agreement envisages the activation of a contingency debt relief mechanism to safeguard debt sustainability in case a more adverse scenario were to materialize. This contingency mechanism could incorporate a whole range of strategies to ensure observance of the annual GFN benchmark target. The Eurogroup statement explicitly mentions the possibility of further EFSF reprofiling along with caps and deferrals of interest payments. We would add the possibility of extending this kind of reprofiling to the GLF facility (EU bilateral loans under the first program – €52.9bn in outstanding notional) and/or the ESM loans in the context of the current program (see relevant analysis below).

Part 3 – Revising Greek public debt sustainability: relief measures and scenarios

This part looks at the projected evolution of Greece's public debt and gross borrowing requirement to GDP ratios and explains why in the absence of further significant debt relief from the official sector Greece's fiscal position will remain unsustainable in the medium- and long-term.

[3] This section constitutes an Excerpt of our Greece Macro Monitor "May 24th Eurogroup: *Key highlights and a preliminary analysis of debt relief measures"*, Eurobank Research, May 25, 2016.

Greek public debt DSA scenarios

This section presents a number of scenarios for the evolution of Greek public debt and gross borrowing requirement ratios to GDP under different underlying assumptions for the future path of key macroeconomic and fiscal variables. The main take away from the analysis is that without further substantial relief from the official sector Greek public debt will remain unsustainable under a whole range of (more or less plausible) underlying scenarios. That is, regardless of whether debt dynamics are examined on the basis of the old or the new operational definition of sustainability used in the Greek program i.e., terminal debt to GDP ratio no higher than a projected threshold at a certain point in the future or annual government gross financing needs no higher than 15% of GDP during the post-program period for the medium-term and 20% of GDP thereafter. The analysis draws on a technical study we presented some time ago and readers who are interested in a more detailed presentation of this topic may refer to *Greece Macro Monitor "Greece public debt restructuring strategies & evaluation of the agreed framework for debt relief", June 2016.*[4]

Assumptions common to all scenarios: All DSA scenarios presented herein share a number of common underlying assumptions. The most important of these are: **a)** ESM loan disbursements to Greece are assumed to amount to €10.3bn in 2016, €20.6bn in €2017 and €12.5bn in 2018; **b)** funding required for the clearance of state arrears is assumed to amount to: €3.5bn in 2016, €2.5 in 2017 and €1.5bn in 2018; **c)** funding required for the gradual rebuilding of the state cash buffer envisaged in the present program is assumed to amount to €2.5 in 2016, €2.5 in 2017 and €2.5bn in 2018; **e)** a gradual reduction of inter-governmental borrowing to the tune of €2bn in 2017 and €2bn in 2018**;** and **f)** outstanding issuance of T-bills is assumed to remain constant at c. €15bn/annum over the entire projection horizon 2016-2060.

Baseline scenario I – Conservative: For illustration purposes, the assumptions of this scenario are broadly in line with the IMF's latest DSA for Greece (May 2016). The most important of these are: **a)** long-term real GDP growth between 1.2% & 1.3% and long-term GDP deflator inflation of 1.9%; **b)** annual general government primary balance of 1.5% of GDP from 2018 onwards; **d)** €10bn set aside to address any new bank recapitalization needs; **e)** privatization revenue in line with the IMF's baseline DSA (i.e., c. €20bn cumulatively over the projection horizon 2016-2060); **f)** 3m & 6m Euribor and EFSF/ESM funding rates in line with the IMF's DSA; **g)** market rate for refinancing Greek debt assumed at c. 6.0% in 2019 and increasing/decreasing afterwards by 4bps per 1ppt increase/decline in debt ratio; **h)** for simplicity, it is assumed that market refinancing takes place through issuance of 5 years fixed coupon bonds throughout the entire projection horizon (2016-2060).[5]

Debt relief scenario: This scenario adjusts the previous one (*Baseline scenario I – Conservative*) assuming that substantial debt relief is provided to Greece from the official creditors (OSI) after the expiration of the present bailout program. The debt relief modalities assumed herein are only indicative; they bear similarities with those presented in the IMF's May 2016 DSA and they fall within the general boundaries set by the debt relief framework agreed at the Eurogroup meetings of May 9 & 24, 2016. In more detail, our indicative debt relief package assumes, inter alia: **a)** 30 year maturity extension of GLF loans along with further deferrals on interest and principal payments by 21 and 20 years, respectively; **b)** 14 year maturity extension of EFSF loans along with further deferrals on interest and principal payments by 20 and 17 years, respectively; **c)** 10 year maturity extension of ESM loans along with further deferrals on interest and principal by 19 and 6 years, respectively; **d)** interest on deferred interest is assumed to accrue at a fixed rate of 1.5% per year until 2040 and a long-run official rate of 3.8% afterwards; and **e)** return of ANFA and SMP profits (€1.8bn pending from 2014 plus profits accrued from 2019 onwards).

Why unsustainable without further substantial debt relief?

Figures 1.1 & 1.2 below portray the projected path of Greek gross public debt and gross funding needs (both expressed as % of GDP) under the two scenarios presented above plus a third one, which broadly simulates the baseline macro scenario presented in the IMF's DSA for Greece that was published in June 2015. As these figures demonstrate, Greece's fiscal position remains highly unsustainable under a no debt relief scenario, with the debt ratio following an explosive path in outer years and the GFN ratio surpassing by the end of the coming decade the upper boundary of the 15%-20% sustainability threshold, reaching levels around 60% by the end of the projection horizon (2060).

[4] https://www.eurobank.gr/Uploads/Reports/GR_DSA_June2016.pdf
[5] Although somewhat arbitrary, this assumption does not significantly influence the main findings of our study.

Figure 1.1 - Greece: evolution of general government debt to GDP ratio

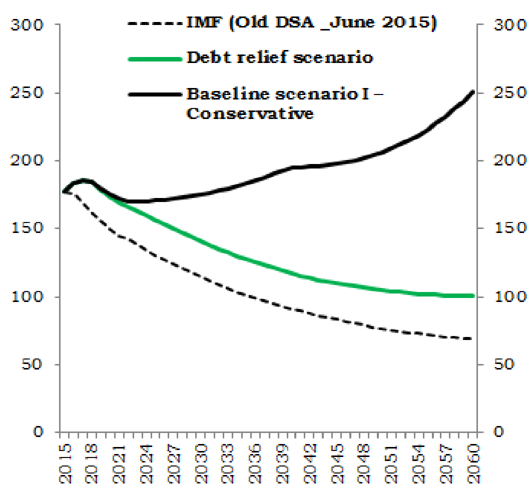
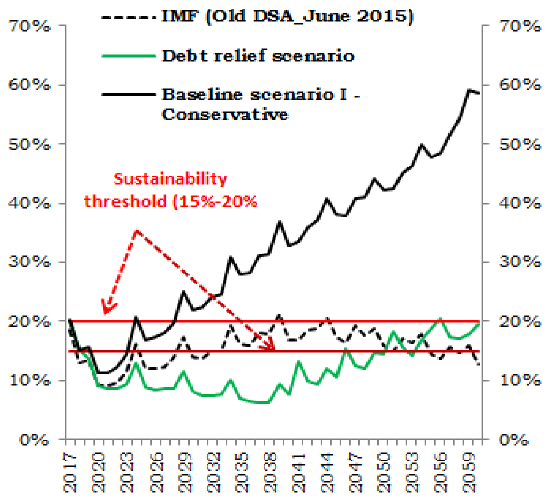


Figure 1.2 - Greece: General government GFN as % of GDP



Source: IMF (June 2015 & May 2016); Eurobank Economic Research

But, what explains this unsustainable trajectory? The answer lies primarily in the fact that a) the "*Baseline Scenario I – Conservative"* portrayed in Figures 1.1 & 1.2 broadly simulates the latest (May 2016) IMF DSA, which features much more downbeat projections for GDP growth and the primary balance relative to their earlier DSA (June 2015); and b) it is assumed that after the termination of the present bailout program, Greece will need to re-access market financing and thus, roll over maturing debt at much higher interest rates relative to current (concessional) ones paid on official loan. On the former point, note that the May 2016 DSA envisages: long-term (post-2021) real GDP growth between 1.2% and 1.3%; long-term GDP deflator inflation of 1.9%; and a general government primary balance of 1.5% of GDP/annum from 2018 onwards. These compare with the following baseline assumptions presented in the June 2015 DSA: long-term real GDP growth 1.5%; long-term GDP deflator inflation 2.0%; and general government primary balance (2018 onwards) 3.5% of GDP, which is also the assumption of the present ESM program for Greece. On the latter point, our analysis projects an explosive path for future interest and amortization payments under the assumption of no new debt relief (figures 1.3 & 1.4).

Figure 1.3 - Greece: interest & amortization payments as % of GDP assuming no debt relief
Baseline scenario I – Conservative

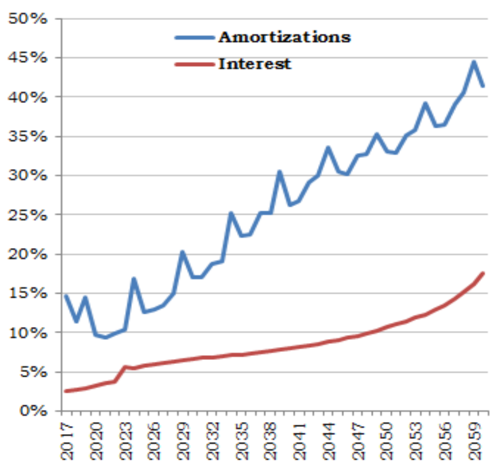
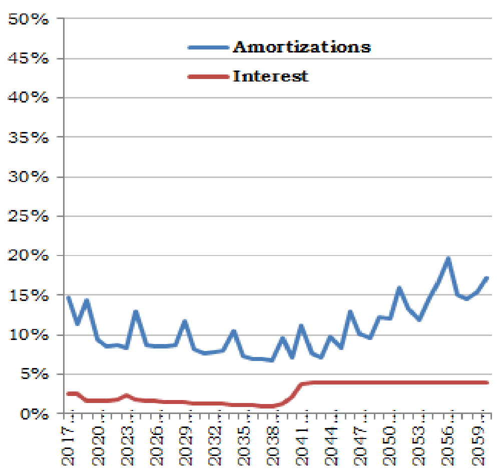


Figure 1.4 - Greece: interest & amortization payments as % of GDP assuming debt relief
Debt relief scenario



Source: IMF (June 2015 & May 2016); Eurobank Economic Research

As demonstrated in the figures above, total interest and amortization payments under *Baseline Scenario I – Conservative* (which assumes no debt relief) follow an increasing path, reaching around 60% of GDP in 2060, from sub-20% levels in 2017. On the other hand, such payments are broadly contained between 10% and 20% of GDP, assuming that substantial debt relief is provided to Greece following the termination of the current ESM program (*Debt relief scenario*). Note, furthermore, that in the latter scenario the maintained assumptions for: a) an annual primary surplus of 1.5% of GDP from 2018 onwards, and b) privatization receipts of c. €20bn over the entire projection horizon help to compress the general government gross funding needs (GFN)[6] to levels below 20% of GDP (and mostly below 10% of GDP) throughout the entire projection horizon.

Size of cash flow and stock relief under the assumed OSI package

Looked at from another angle, the *Debt relief scenario* presented above is expected to deliver a cumulative cash flow relief close to 45ppts of GDP in net present value (NPV) terms and to reduce the debt ratio by a cumulative 150ppts of GDP over the projection horizon 2016-2060. That is, under the maintained macro scenario and relative to the no debt relief situation (*Baseline Scenario I – Conservative).* These points are demonstrated in figures 1.5 & 1.6 below.

Figure 1.5 - Greece: Cash flow relief
Time evolution of NPV savings as % of GDP (*) from T_0 = 2017 to T = 2060
Debt relief scenario

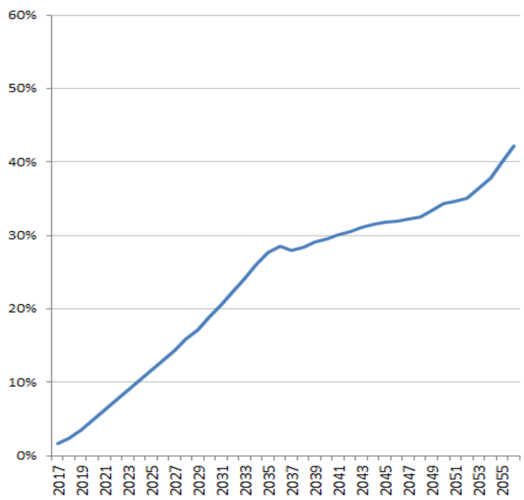
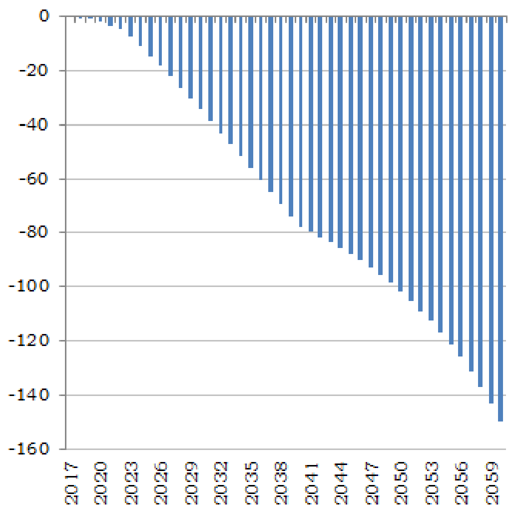


Figure 1.6 – Greece: Stock relief
Decline of debt to GDP ratio due to debt re-profiling
Debt relief scenario



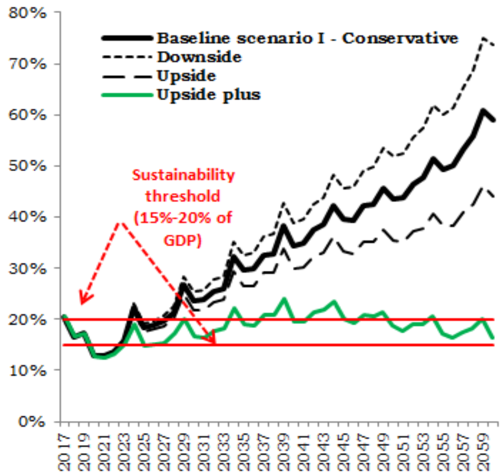
Source: IMF (June 2015 & May 2016); Eurobank Economic Research

Other scenarios

This section looks at the evolution of the general government gross funding need (GFN) under four distinct macro scenarios, none of which assumes debt relief. A graphical depiction of these scenarios is presented in Figure 1.7 (also see accompanying Explanatory Table).

[6] Gross funding need (GFN) = debt amortization & interest payments + cash primary balance + required funding for clearing arrears, rebuilding cash buffer & reducing inter-governmental borrowing.

Figure 1.7: Greece - General government gross funding needs as % of GDP



Explanatory Table for Figure 1.7

Baseline scenario I – Conservative: as specified above
"Upside": baseline scenario adjusted for higher long-term real GDP growth (1.5% vs. 1.2%) and no additional bank recap needs (vs. up to €10bn assumed in the baseline)
"Downside": baseline scenario adjusted for lower long-term real GDP growth (1.0% vs. 1.2%) & a lower primary balance (1.0% vs. 1.5% of GDP)
"Upside plus": baseline adjusted for higher long-term real GDP growth (1.5% vs. 1.2%), higher long-term primary balance (3.5% vs. 1.5% of GDP), higher privatization revenue (€50bn vs. c. €20bn in 2016-2060) and no additional bank recap needs (vs. up to €10bn assumed in the baseline)

Source: IMF (June 2015 & May 2016); Eurobank Economic Research

The main takeaway from the analysis of these scenarios is that the projected evolution of Greek public debt does not entirely meet the new operational definition of sustainability, even under a macro scenario like the *"Upside plus"* above that incorporates rather heroic assumptions about the future evolution of GDP growth and the general government primary balance.

Concluding remarks

The analysis presented in this section argues strongly in favor of substantial debt relief for Greece from the official sector, with characteristics and modalities that are in broad agreement with the framework decided at the Eurogroup meetings of May 9 & 24, 2016. This would be necessary to address increased funding challenges in the years after the expiration of the present program due to the need to refinance a rising volume of expiring public debt at market interest rates significantly higher than the current (concessional) ones applied on official loans. The main aim of such debt relief would be to postpone interest and amortization payments on official loans for an extended period of time, lengthen loan maturities and fix interest rates so as to provide the necessary fiscal space for the economy to grow, allow substantial savings in NPV terms and hedge the risk of unforeseen spikes in Euribor & EFSF/ESM funding rates in outer years. Even more importantly, our analysis demonstrates (in broad agreement with the IMF's May 2016 DSA) that a debt re-profiling package involving no notional haircuts could be structured in such a way so as to ensure debt sustainability (under the revised, cash-flow related definition) even under scenarios that assume a substantial relaxation of the primary fiscal target of the present ESM program (3.5% of GDP from 2018 onwards). As we have repeatedly noted in our earlier studies on the subject, a quick resumption of domestic growth and compliance with program targets would be instrumental in improving debt dynamics and facilitating the provision of a substantial debt relief package from the official sector. Furthermore, the front loading of substantial debt relief (based on e.g. certain program milestones) could engineer a quicker stabilization of investor confidence towards Greece than would otherwise be the case.

Part 4 - Where the key stakeholders stand with respect to the current Greek program and the need for further debt relief

Reportedly, the IMF and the EU creditors seem to be at odds over the urgency to provide further debt relief for Greece. With Germany's next federal elections just a few months away (expected between August 27th and October 22nd), German minister Wolfgang Schaeuble has stated publicly on several occasions that Greece enjoys generous loan repayment terms and the required political decisions on the debt issue will be made, under certain conditions, upon completion of the current adjustment program in mid-2018. Furthermore, he has repeatedly argued that debt is not a problem for the Greek economy and instead, the Greek government should focus on the agreed reforms to boost competitiveness.

This line of reasoning is vehemently opposed by the IMF, which reportedly pushes for the implementation of substantial debt relief for Greece in a frontloaded fashion, so as to help stabilize investor sentiment and allow the Greek economy the necessary breathing space to grow. Speaking on the sidelines of the recent IMF/World Bank Annual Meetings, IMF Managing Director Christine Lagarde stated that the Fund has shown flexibility in the past in assessing the sustainability of Greek debt but, as things stand, the debt is not considered sustainable. She reiterated that there are two preconditions for the Fund's involvement in the new program: (i) implementation by the Greek side of "very significant" structural reforms; and (iii) long-term debt sustainability. The Fund is expected to update its own DSA analysis for Greece by the end of the year, and then make a decision on whether or not to participate financially in the present bailout program.

Specification of debt relief measures, at least those for the short-term, would be necessary to facilitate the ECB to complete its own debt sustainability analysis (expected by the end of this year) and determine the timeline of Greece's participation in the public sector asset purchase program (PSPP). Responding to a relevant question in the Q&A session following the conclusion of the October 20th ECB meeting, President Mario Draghi stated that it is premature to speculate about potential purchases of Greek sovereign bonds in the context of the QE program until the Central Bank's Governing Council assesses Greece's debt sustainability "in an independent way". Along these lines, ECB Governing Council member Benoit Coeure clarified in a recent speech before the European Parliament that the successful conclusion of the second program review is necessary but not sufficient condition for Greece's inclusion in the QE program, adding that clarification of debt relief measures is also a key prerequisite.

The European Commission appears to favor a speedy conclusion of debt relief discussions. In response to a letter signed by 36 lawmakers from Greece's Syriza governing party and other allied European parties that urged for immediate debt relief, European Commissioner for Economic and Financial Affairs Pierre Moscovici reportedly underlined the need for an agreement on Greece's public debt as a necessary condition for the country to restore confidence towards its economy and eventually regain market access. Mr. Moscovici emphasized that the European Commission will play its role as an "honest intermediary" and expressed his confidence that an overall agreement on reforms and on public debt relief could be reached by the end of this year.

According to the local press, Greece's Prime Minister Alexis Tsipras intends to pursue a political agreement for debt relief at the last Eurogroup of the year scheduled for December 5th with the aim to achieve the inclusion of the country in the ECB's QE program before the end of 2016. Speaking at the Syriza party congress earlier this month, Greece's Premier said that the 2nd program review will be completed in due course, so as to facilitate Greece's participation in the ECB's QE program and that the debt relief measures will be specified by the end of this year.

On his part, Governor of the Bank of Greece Yannis Stournaras emphasized in a recent interview the importance of debt relief both in the short-term and the medium- to long-term, adding that, unless Greece's public debt is deemed viable, the country will not be able to restore full market access in 2018. Supporting this argument, the Governor highlighted that the envisaged measures for the management of public debt need to be specified, quantified and frontloaded to enhance the credibility and acceptance of the policies pursued, contribute to improved investor confidence and lower risk premia and strengthen economic growth prospects. Furthermore, he urged EU official lenders to "commit realistically to debt relief" as there has been a commitment since 2012 which has not yet been fulfilled.

Appendix

Table A – Debt relief measures agreed at the May 24 Eurogroup

Time horizon	Measures
Short term (From completion of 1st review to the expiration of the current programme in Aug 2018)	Smoothening the EFSF repayment profile under the current weighted average maturity
	Use EFSF/ESM diversified funding strategy to reduce interest rate risk without incurring any additional costs for former programme countries
	Waiver of the step-up interest rate margin related to the debt buy-back tranche of the 2nd Greek programme for the year 2017
Medium term (Upon successful completion of ESM programme)	Abolish the step-up interest rate margin related to the debt buy-back tranche of the 2nd Greek programme as of 2018
	Use of 2014 SMP profits from the ESM segregated account and the restoration of the transfer of ANFA and SMP profits to Greece (as of budget year 2017) to the ESM segregated account as an ESM internal buffer to reduce future gross financing needs.
	Liability management - early partial repayment of existing official loans to Greece by utilizing unused resources within the ESM programme to reduce interest rate costs and to extend maturities. Due account will be taken of exceptionally high burden of some Member States.
	If necessary, some targeted EFSF reprofiling (e.g. extension of the weighted average maturities, re-profiling of the EFSF amortization as well as capping and deferral of interest payments) to the extent needed to keep GFN under the agreed benchmark in order to give comfort to the IMF and without incurring any additional costs for former programme countries or to the EFSF.
Long term (After finalization of the ESM programme)	Activation of a contingency debt relief mechanism after the finalization of the ESM programme so as to ensure debt sustainability in the long run in case that a more adverse scenario were to materialize.

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: *Group Chief Economist*
pmonokrousos@eurobank.gr, + 30 210 37 18 903

Dr. Tassos Anastasatos: *Deputy Chief Economist*
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: *Economic Analyst*
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: *Research Economist*
igkionis@eurobank.gr + 30 210 33 71 225

Stylianos Gogos: *Economic Analyst*
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: *Economic Analyst*
okosma@eurobank.gr + 30 210 33 71 227

Arkadia Konstantopoulou: *Research Assistant*
arkonstantopoulou@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: *G10 Markets Analyst*
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: *Research Economist*
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatiou: *Senior Economist*
tstamatiou@eurobank.gr, + 30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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