

The IMF and the Greek Crisis: myths and realities

#LSEGreece

Welcome: Louis Loizou

Chairman of the Hellenic Bankers Association UK.

Poul Thomsen

Director of the European Department at the International Monetary Fund.

Chair: Professor Kevin Featherstone

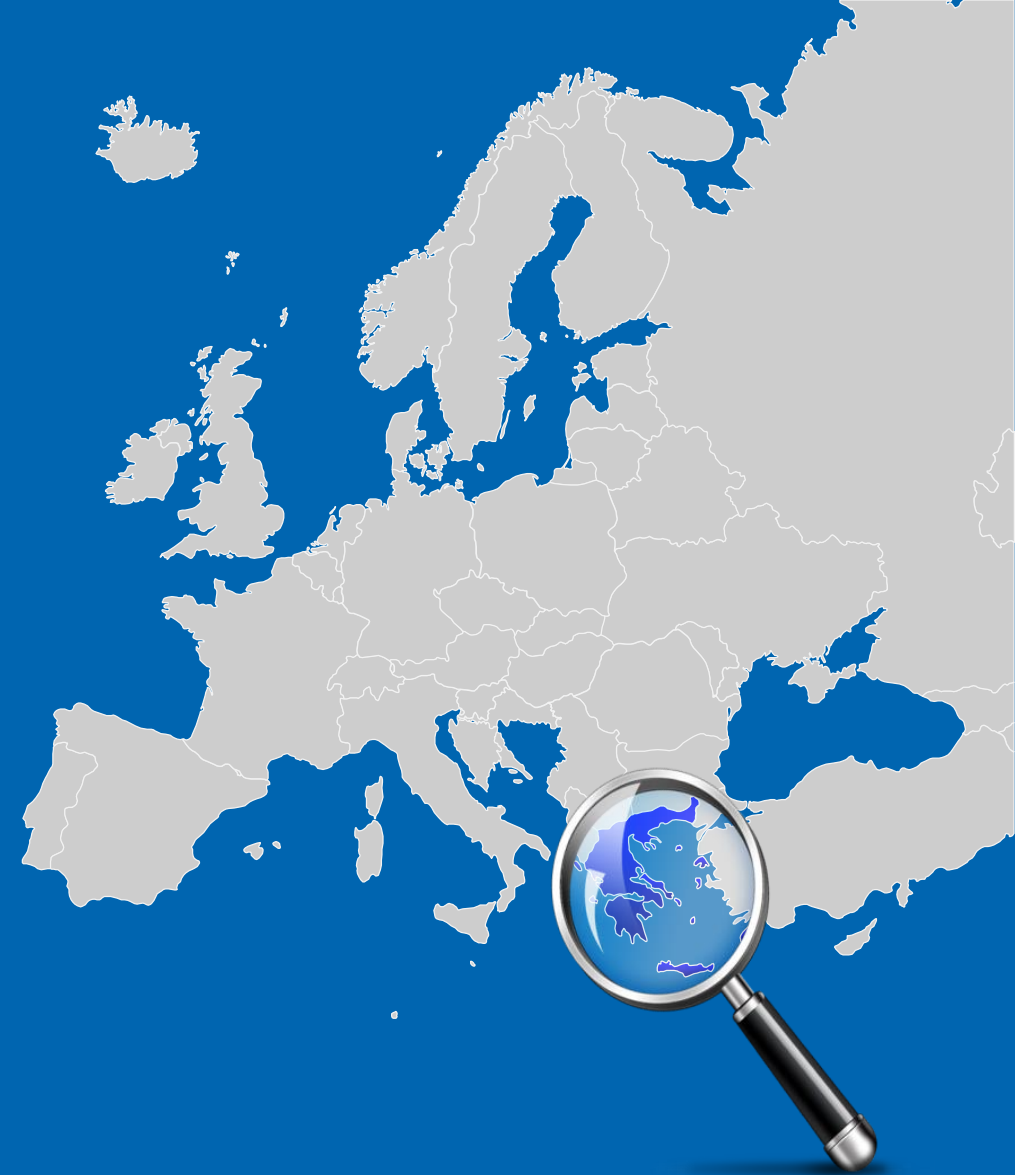
Eleftherios Venizelos Professor in Contemporary Greek Studies and Professor in European Politics and the Director of the Hellenic Observatory

Hosted by the Hellenic Observatory and Hellenic Bankers Association-UK

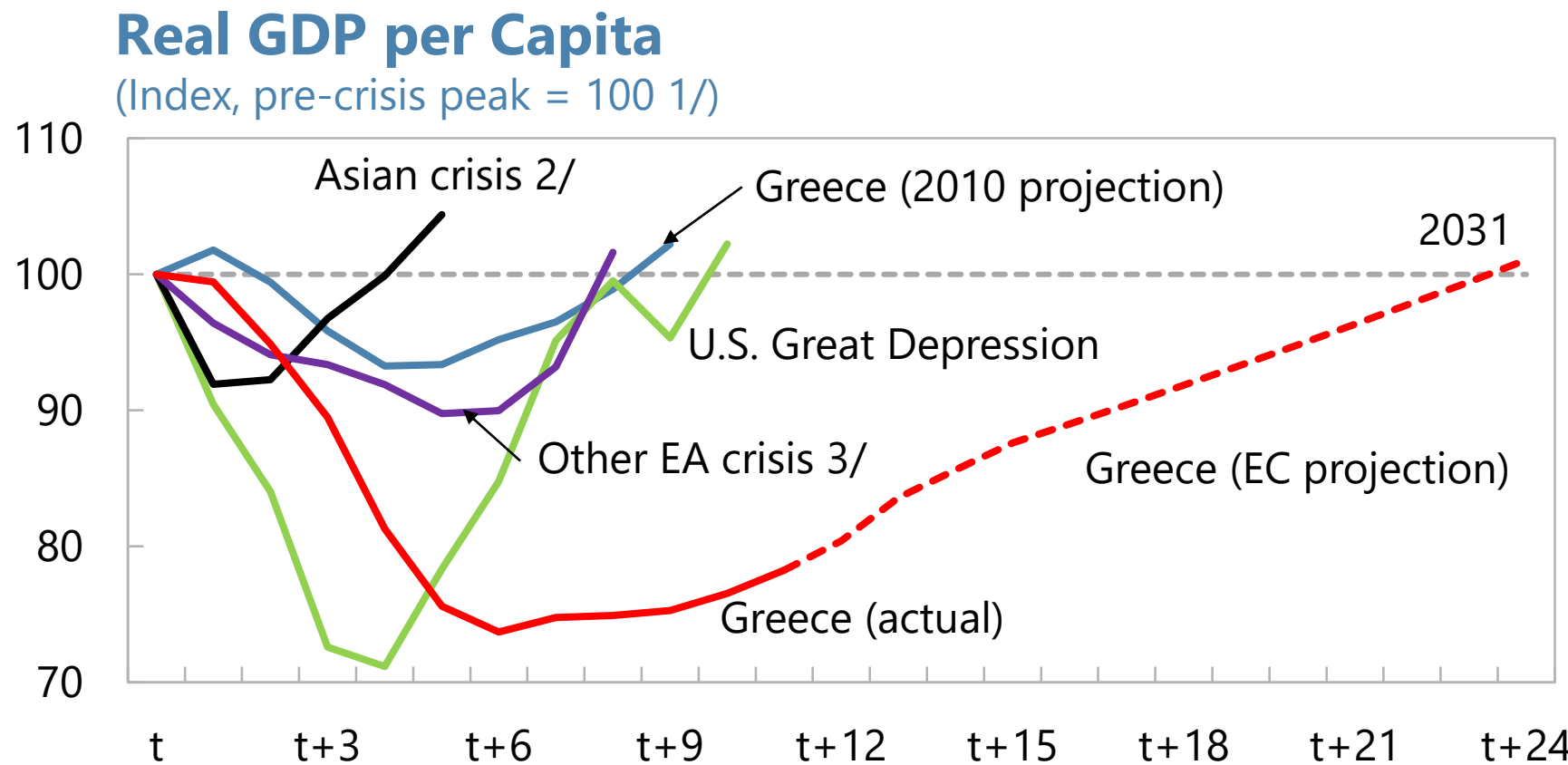
The IMF and the Greek Crisis: Myths and Realities

Hellenic Observatory
London School of Economics
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Poul M. Thomsen
Director, European Department
International Monetary Fund



Growth projections have been too optimistic and the length of a recovery unprecedented

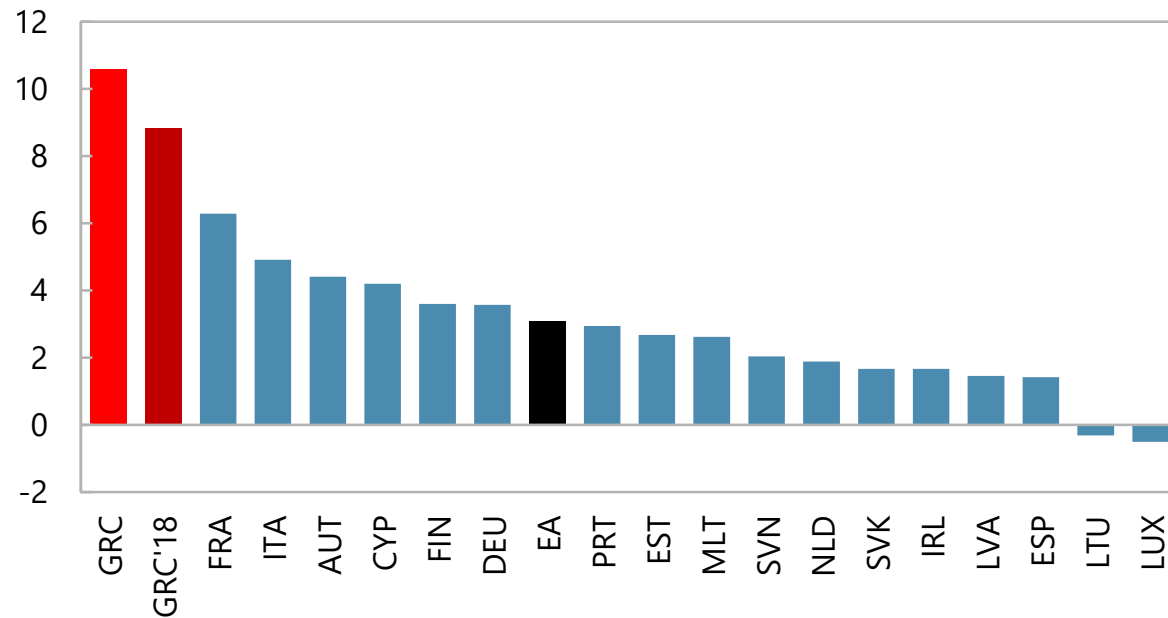


Sources: European Commission; Eurostat; Haver Analytics; and IMF staff projections.
1/ Pre-crisis peaks are: 1929 for Great Depression; 1997 for Asian crisis; 2007 for Greece, Ireland, and Spain; 2008 for Cyprus and Portugal.
2/ Indonesia, Republic of Korea, and Thailand.

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)

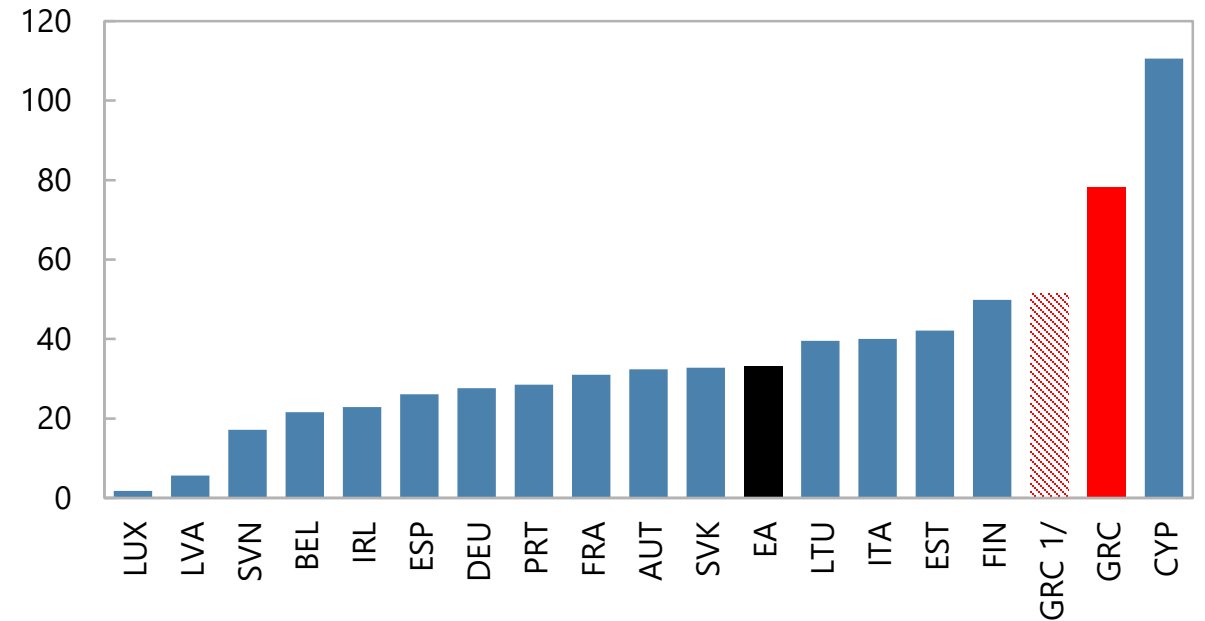


Sources: 2018 Aging Report; and IMF staff calculations.

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

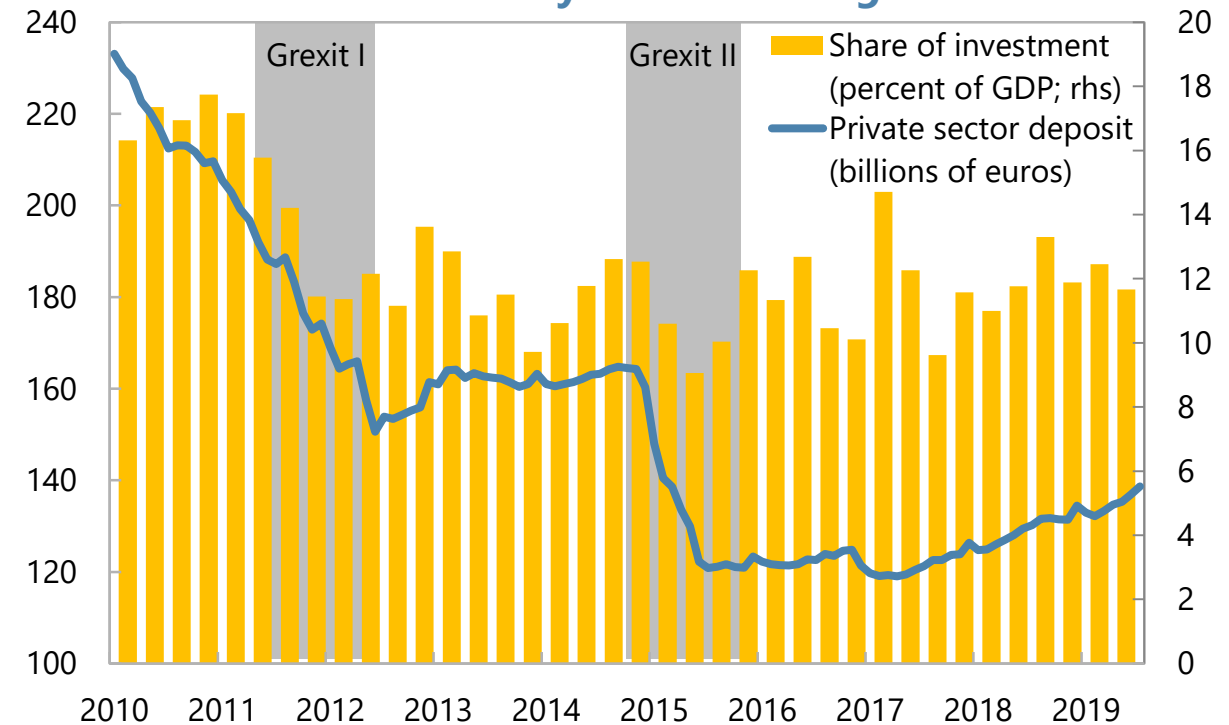
Greece: 10-Year Bond Yield Spread

(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

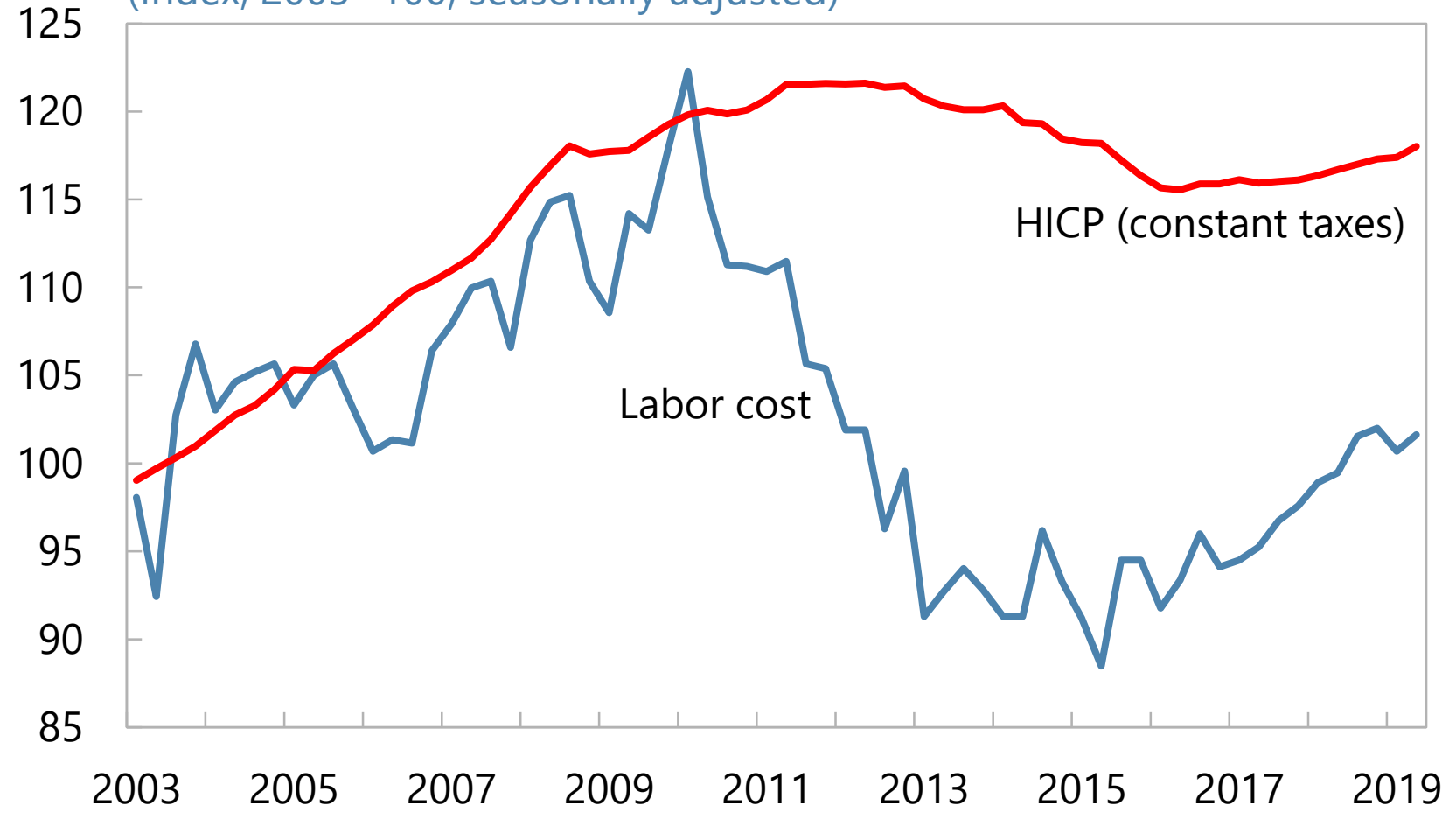


Sources: Bank of Greece; ELSTAT; and IMF staff calculations.

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

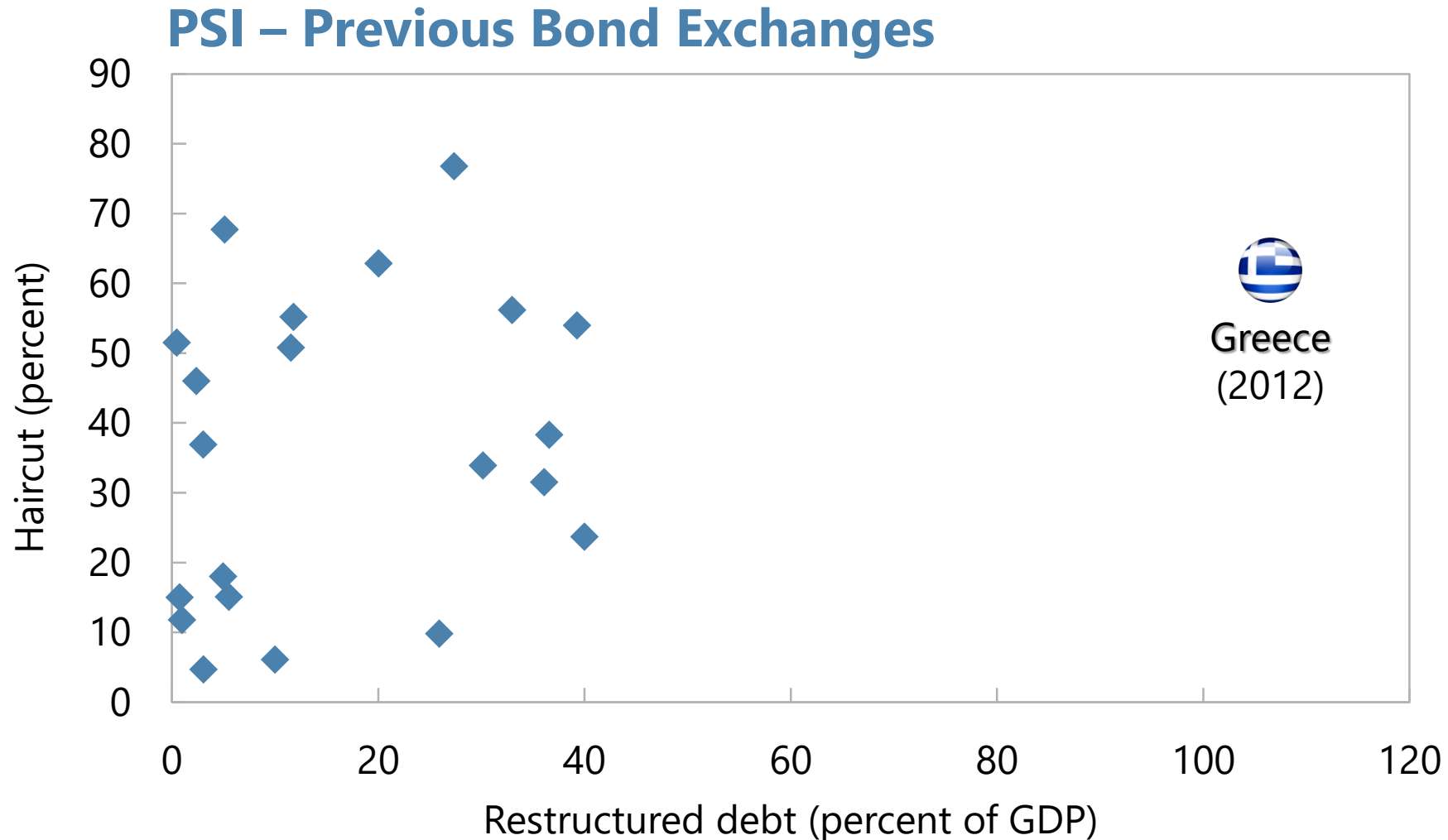
Wage Flexibility vs. Price Rigidity

(Index, 2003=100; seasonally adjusted)



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

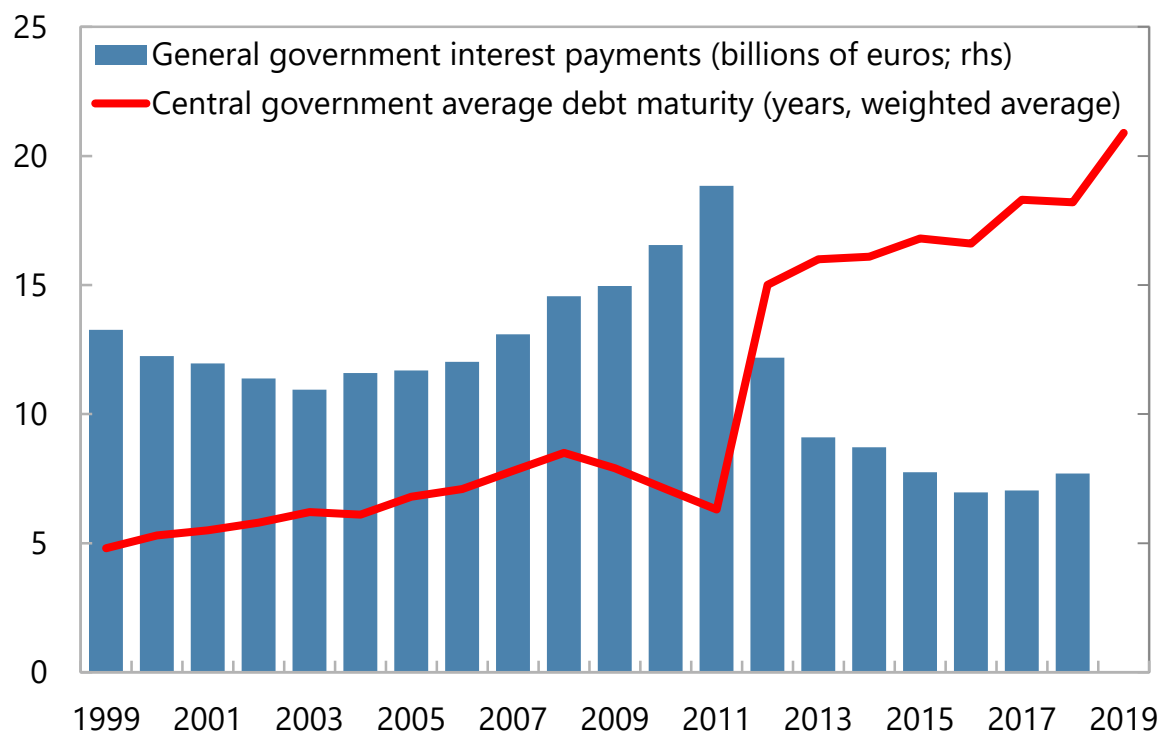
Unprecedented PSI in 2012 as systemic concerns began to fade



Source: Zettelmeyer, Trebesch and Gulati (2013)

PSI and OSI significantly lowered the debt burden

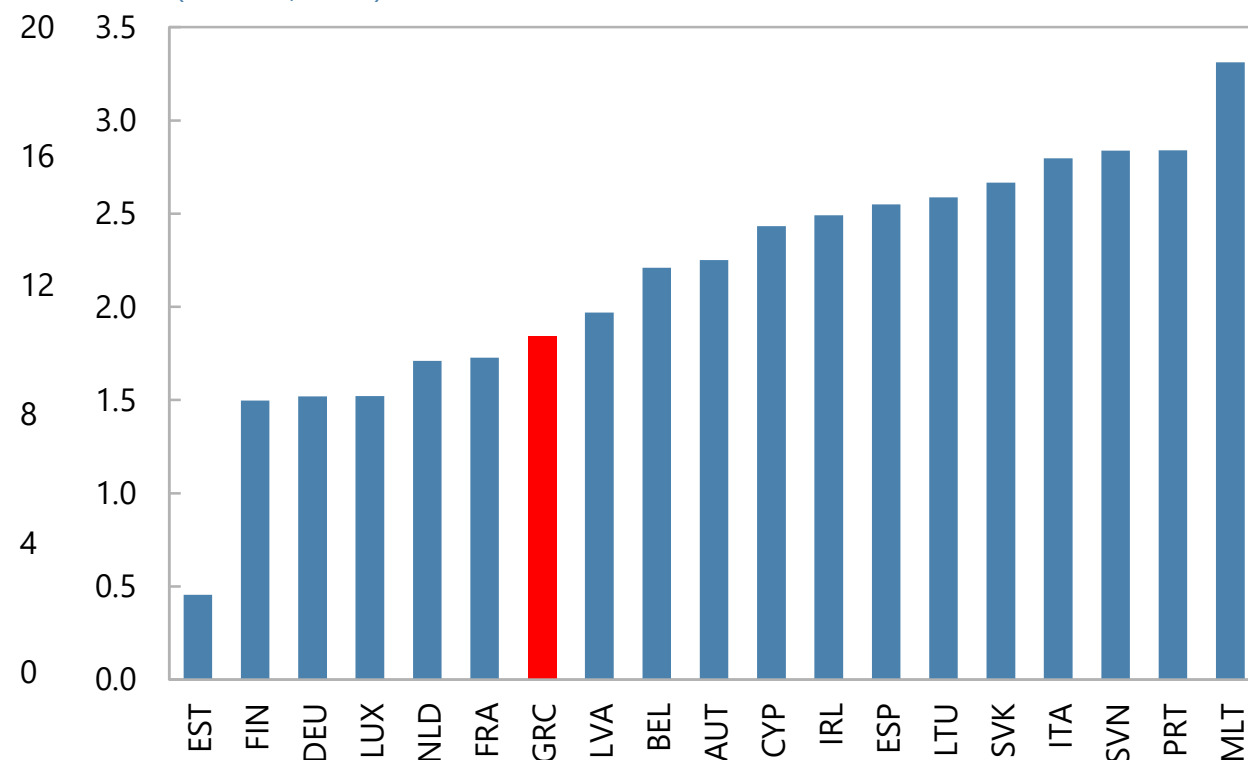
Interest Payments and Debt Maturity



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

General Government Average Effective Interest Rate

(Percent; 2018)



Sources: Eurostat; and IMF staff calculations.

THANK YOU

