European Parliament

BRIEFING

Exchange of views with the President of the Eurogroup on Greece

ECON on 22 September 2015

The Eurogroup President Jeroen Dijsselbloem has been invited for an ad hoc Exchange of views relating to the macro-economic adjustment programme for Greece. Jeroen Dijsselbloem has been Eurogroup President since 21 January 2013. He was re-appointed for a second term on 13 July 2015. As the President of the Eurogroup, he is also chairing the Board of Governors of the European Stability Mechanism (ESM).

1. Latest economic developments

Following Greece's request for further financial assistance on 9 July 2015, the leaders from the euro area member states agreed under strict conditions on 12 July to start negotiations on an ESM assistance programme (of up to EUR 86 billion) for Greece. After the approval of these conditions by the Greek Parliament and subsequent negotiations between the creditors and the Greek government, the Commission eventually signed (on behalf of the Members of the Euro Area) on 19 August 2015 **a Memorandum of Understanding (MoU) with Greece for a third economic adjustment programme**[1]**.** A first disbursement of EUR 13 billion was made on 20 August[2].

On 20 August, PM Tsipras announced his resignation, triggering the **sixth general elections in eight years** on 20 September 2015. The day before his resignation he sent a letter to the European Parliament requesting its **stronger involvement** in the regular review process in implementing the programme.

Box 1: The EP role in adjustment programmes as specified in Regulation 472/2013

Article 7(1) and 7(4): COM shall orally inform the Chair and Vice-Chairs of the competent committee of the EP of 1) the progress made in the preparation of the macroeconomic adjustment programme and 2) the conclusions drawn from its monitoring. That information shall be treated as confidential.

Article 7(10): The competent committee of the EP may offer the opportunity to the Member State concerned and to COM to participate in an exchange of views on the progress made in the implementation of the macroeconomic adjustment programme.

Article 18: The EP may invite representatives of the Council and of COM to enter into a dialogue on the application of this Regulation.

The Greek economy is now widely expected to contract in 2015[3], although the latest Eurostat data point to a moderate growth over the first half of the year. Greece emerged from six years of recession in 2014 and while this positive growth momentum has continued into 2015, it has been hindered by high political uncertainty and tighter financing conditions. Greece's real GDP expanded by 0.1% (q-o-q) and 0.9% (q-o-q) in Q1 2015 and Q2 2015 and was mainly driven by private

[1] According to Art.7.2 of Regulation 472/2013, the Council shall, on a proposal by the Commission, approve the macroeconomic adjustment programme prepared by the Member State requesting financial assistance.
[2] See also EGOV notes: Financial assistance to EU Member States and A set of indicators for Greece, Cyprus, Portugal and Ireland.
[3] In the Debt Sustainability Analysis of July 2015 prepared in the context of negotiations on the third financial assistance programme, the European institutions revised significantly downwards Greece's growth projections to -2.3% in 2015 and -1.3% in 2016.

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consumption. On the other hand, investment continued to contract as business conditions further deteriorated. All in all, the size of the Greek economy shrank by more than 25% between 2007 and 2014.

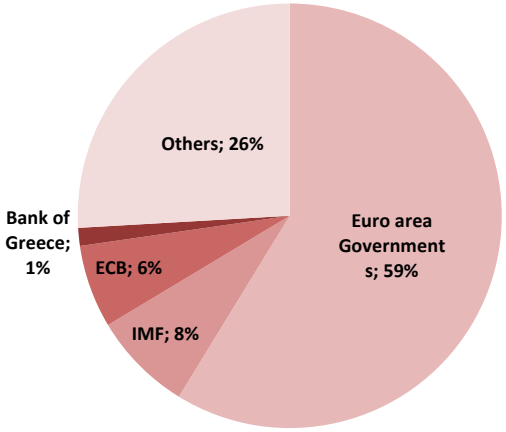
On 29 June 2015, the Greek government imposed capital controls to avert a collapse of its banking system. While it is still unclear for how long these controls will remain in place, they were somewhat eased in mid-August 2015. Their impact on the economic activity will become visible in Q3 2015 real GDP data which are to be published by Eurostat on 13 November 2015.

Headline HICP inflation has remained in the negative territory since March 2013, although the rate of price declines has moderated since the start of 2015 as Greece's GDP moderately expanded. This is evidenced in core inflation developments (HICP inflation excluding energy and unprocessed food) which turned positive in June 2015 for the first time in almost three years. In annual terms, headline HICP inflation stood at -0.4% in August 2015, while core inflation edged up to 0.8%.

Current account deficit has been narrowing since 2012, reflecting improvement in trade deficit (as exports grew at a higher pace than imports[4]) on the back of implemented structural and institutional reforms as well as Greece's weaker real effective exchange rate[5]. The current account deficit stood at 2.3% in 2013 and, according to the Commission's spring 2015 economic forecast, it is expected to progressively narrow to 2.2% in 2014 and 1.6% in 2015.

Unemployment has slightly declined from its 2013 peaks but still remains at very high levels. After peaking at 27.9% in September 2013, the unemployment rate decreased to 25.0% in May 2015 as the Greek economy returned to growth. The youth unemployment rate declined from a record high of 60.5% in February 2013 to 51.8% in May 2015.

Figure 1: Greece's outstanding debt by holder as of 30 June 2015



Source: EGOV calculations based on EC, IMF, ECB and PDMA (Greece's Public Debt Management Agency).

In 2014, general government deficit stood at 3.5% of GDP, while general government gross debt rose to 177.1% of GDP. Greece's public debt is expected to peak at 201% of GDP in 2016 according to the assumptions underpinning the European institutions Debt Sustainability Analysis (DSA) of July 2015. The distribution of the outstanding debt across different categories of bondholders as of end June 2015 (EUR 312.8 billion[6]) is depicted in Figure 1 above.

[4] According to Eurostat data, Greece's exports grew by 11.3% between 2012 and 2014, while imports rose by 5.6% over the same period. Note that exports broadly returned to their pre-crisis levels in 2014, but imports remained around 33% below their pre-crisis peaks.

[5] Greece's real effective exchange rate (CPI-based) declined by nearly 11% between January 2012 and July 2015 (based on the Bank for International Settlements data).

[6] The latest Eurostat data show that Greece's general government gross debt declined to 168.8 % at the end of Q1 of 2015. This decrease predominantly reflects redelivery, by Hellenic Financial Stability Fund (HFSF), of unused EFSF bonds worth EUR 10.9 billion on 27 February 2015.

2. Third financial assistance programme: Main elements

The MoU signed on 19 August 2015 specifies the conditionality attached to the financial assistance programme amounting to up to **EUR 86 billion** for the period 2015-18 (Art. 13 of the ESM Treaty). In particular, it outlines a reform agenda in the following areas: (1) fiscal sustainability, (2) safeguarding financial stability, (3) growth, competitiveness, investment and (4) modern state and public administration structure. Greece is to coordinate with the Commission's Structural Reform Support Service to demonstrate its commitment.

The Greek authorities have committed to **achieve a primary surplus** (revenues less expenses without interest rate payments) over the **medium-term of 3.5% of GDP** so as to progressively strengthen sustainability of public finances (see Table 1 below).

Table 1: Primary surplus targets and GDP growth path underpinning the third financial assistance programme to Greece

Year	Primary surplus target (MoU)	GDP growth (analysis of European institutions underpinning the eligibility for ESM programme)
2015	-0.25%	-2.3%
2016	+0.5%	-1.3%
2017	+1.75%	+2.7%
2018	+3.5%	+3.1%

Sources: MoU and EU Debt Sustainability Analysis.

The MoU foresees to achieve the primary surplus targets with the following measures:

- **Pension's savings** of around **0.25% of GDP** in 2015 and **1.0% of GDP** by 2016 (see pp. 13-14 of the MoU);
- Various measures in the **health care sector** (see pp. 15-16 of the MoU);
- **Tax, revenue, and financial management reforms,** including various measures against tax fraud and evasion. A minimum VAT income of EUR 2.65 billion is to be ensured. Property tax rate will be aligned with market prices from 2017 and zonal property values are to be revised. The authorities are to improve the collection of tax debt and introduce independent agencies and make the Fiscal Council independent and operational. Many other tax related reform measures are included in the MoU (see pp. 6-11 of the MoU).

In addition, Greece is requested to enact **structural measures** by October 2015, which are expected to yield at least **0.75% of GDP** coming into effect in 2017 and **0.25% of GDP** coming into effect in 2018 so as to help achieving the medium-term budgetary targets. The measures would include inter alia defence expenditure savings, personal income tax reform and the freezing of public spending.

The Greek authorities have committed to **finalise a strategy for the monitoring of the financial system**, where all banks are required to submit quarterly funding plans to the Bank of Greece (BoG). A buffer of up to EUR 25 billion is to address potential recapitalisation needs and resolution of banks (see Section 4).

The government has committed to **review all labour market institutions**, adopt an integrated action plan to fight undeclared and under-declared work, expand vocational education and training, increase the capacity of the Ministry of Labour, open the restricted professions, reduce administrative burden of companies based on the OECD recommendations, facilitate trade, improve the EU funds absorption for agriculture, reform the electricity and the gas markets, privatize the electricity transmission company, or equivalent measures.

Proceeds from privatisation (e.g. national and regional airports, harbours, gas operator, railway services, oil distributor, telecommunication, power producer and electricity supply) are to help reducing the government's financing needs. The implementation of the Asset Development Plan (ADP) is expected to generate EUR 1.4 billion in 2015, EUR 3.7 billion in 2016 and 1.3 billion in 2017. **A new independent guarantee Fund** is to be established and have in its possession valuable Greek assets. An independent Task Force[7] will identify potential assets as well as the best options for their monetization so as to help repaying ESM loans. The fund is foreseen to generate about EUR 50 billion, of which the first EUR 25 billion are to be attributed to the repayment of the recapitalization of banks, while the remaining proceeds are to be used for debt reduction and investments in the same proportions (up to EUR 12.5 billion each).

A comprehensive three-year strategy is to be defined by December 2015 (in agreement with the Commission) for the **reorganisation of administrative structures**, the rationalisation of administrative processes, the optimisation of human resources; the strengthening transparency and accountability; e-government and a communication strategy. Consequently, the Greek authorities have committed, among others, to reform the public sector wage grid and better link wages with the skill, performance, responsibility and position of the staff (to be effective as of 1 January 2016).

Some of the MoU measures referred to above are the so-called "prior actions" and have already been implemented (see the Commission's report of 14 August 2015 on Greece's compliance with the draft MoU commitments and the commitments in the Euro Summit statement of 12 July 2015).

Box 2: Social impact assessment of the third financial assistance programme to Greece

On the request of President Jean-Claude Juncker, in line with his Political Guidelines for the next European Commission of 15 July 2014, the Commission services prepared an assessment of the social impact of the new three-year ESM stability support programme for Greece. This report, published on 19 August 2015, explores 1) the employment and social considerations of the main reforms (pension, VAT and income tax reforms) and 2) effectiveness of the social protection system.

As such, the report details the composition of the adjustment effort over the programme period but does not quantify the combined impact of different reforms on households across the income spectrum (although it presents estimates of average tax reduction for selected product categories). It is predominantly of exploratory nature and concludes that:

"*Taking all measures together, it is reasonable to conclude that if implemented fully and timely, the measures envisaged under the new ESM stability support programme will bring Greece back to stability and growth, in a financially and socially sustainable way. In so doing, the burden of adjustment is distributed as equitably and as fairly as possible across society, and adequately takes account of the most pressing social needs and challenges in Greece.*"

3. Assessment of debt sustainability

The ESM Treaty (Art. 13.1), as well as Regulation 472/2013 on surveillance of Member States with serious difficulties with respect to financial stability (Art. 6), requires the COM to assess whether the public debt of a Member State requesting financial assistance is sustainable, where appropriate with the IMF. Similarly, Art V.3 of the IMF agreements sets the conditions governing the use of the IMF resources, including the capacity of the receiving country to repay its debt to IMF.

[7] The mandate and composition of this Task Force would be defined by the Greek authorities, in agreement with the European Institutions and in consultation with the Europgroup.

Box 3: Debt Sustainability Analysis

Debt Sustainability Analysis (DSA) helps to assess country's capacity to finance its policy objectives and service its debt without unduly large adjustments, which could otherwise compromise its stability. The reference framework for DSA was developed by the IMF and became operational in 2002.

The framework includes a baseline and alternative scenarios under different assumptions regarding policy variables, macroeconomic developments, and financing costs. This is the reason why debt projections may differ across time and institutions.

As such, two indicators are typically used within this framework:

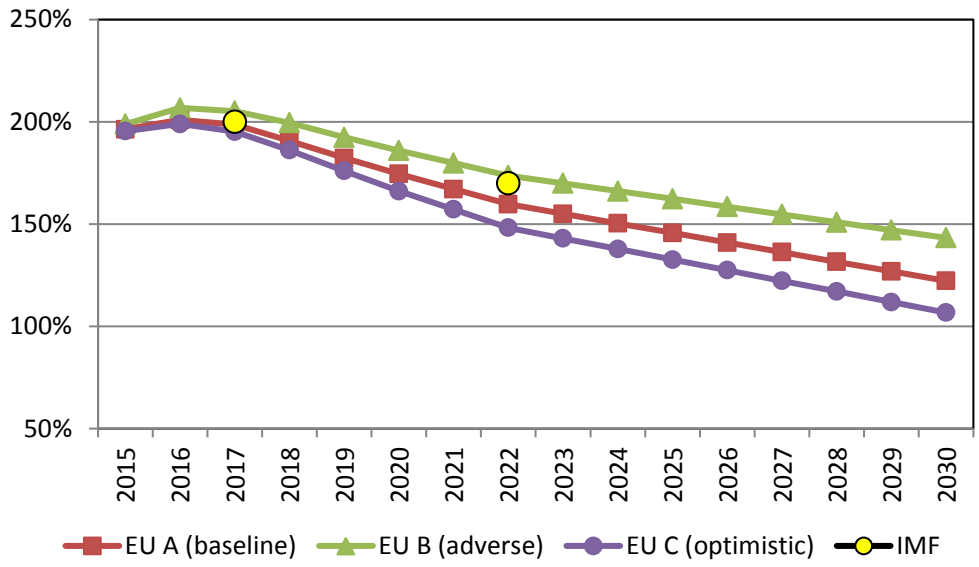
- The general government **Debt-to-GDP** ratio;
- The general government **Gross financing needs-to-GDP (GFN-to-GDP)**, which captures country's debt payment obligations (interests plus amortisation payments) in relation to the size of the economy.

While the two indicators are interrelated, the ratio of GFN to GDP better captures the country's short- and medium-term debt sustainability as it takes into account the debt structure (i.e. maturity, interest rates and interest deferrals). For instance, low financing needs are associated with lower debt rollover and thereby reduce financial stability risks.

In practice, it is difficult to establish numerical thresholds for debt sustainability. As to debt-to-GDP ratio, thresholds appear to vary across countries depending on macroeconomic fundamentals and debt management capacities (e.g. Argentina defaulted when its debt was around 60% of GDP, while Japan has continued to sustain debt of more than 200% of GDP). Regarding GFN-to-GDP indicator, the IMF guidelines (p. 32) indicate that the ratio would need to remain below 15%-20% to ensure debt sustainability.

In its latest DSA of 13 August 2015 (which updates the DSA of 10 July 2015) the EU **Institutions** (COM, ECB and ESM) stated that Greece's debt sustainability deteriorated significantly (with respect to both the projections of April 2014, the date of the latest review, and those of July 2015).

Figure 2: Greece's debt-to GDP ratio projections (Debt Sustainability Analysis)



Sources: EU Institutions (COM, ECB and ESM) and IMF.

Figure 2 shows the Greek debt-to-GDP projections under three alternative scenarios envisaged in the DSA prepared by the European Institutions: scenario A corresponds to the latest growth forecasts and implementation of the programme; scenario B is less optimistic on both the growth rate and the programme implementation, while scenario C is more optimistic and assumes higher growth and privatisation revenues. In all three scenarios, the debt-to-GDP ratios remain well above 110% in 2022 - a level that was considered as sustainable by the COM in 2012. Actually, debt-to-

GDP would fall below 110% only in 2030 and under the optimistic scenario C. For GFN-to-GDP, the COM estimates that they will amount to an average of 12% in the 2020-2030 period, and will exceed the 15% limit in the following decades; the COM made the estimate for GNF only under the "adverse scenario B".

According to the **IMF**'s update of 14 July 2015 (see also a transcript of a press briefing of 3 September 2015) of its detailed preliminary debt sustainability analysis of 26 June 2015, Greece's public debt is projected to peak at 200% of GDP in 2016 before declining to about 170% of GDP in 2022. GFN-to-GDP is already now above 15% threshold deemed safe and continues rising in the long term. As a consequence of the dramatic deterioration in debt sustainability, IMF recommends the European partners to choose among the following debt relief options:

- Extend maturity with grace periods of, say, 30 years on the entire stock of European debt;
- Explicit annual transfers to the Greek budget;
- Deep upfront haircuts.

Christine Lagarde, the IMF's managing director, told Swiss newspaper Le Temps in an interview published on 29 August 2015 regarding Greece's debt restructuring that: "*We are talking about extending maturities, reducing rates, [making] exemptions for a certain period of time. We are not speaking about cancelling debt.*"

According to its statement on ESM Programme of 14 August 2015, the **Eurogroup**:

- Stands ready to consider, if necessary, possible additional measures (possible longer grace and repayment periods) aiming at ensuring that Greece's gross financing needs remain at a sustainable level. These measures will be conditional upon full implementation of the measures agreed in the ESM programme and will be considered after the first positive completion of a programme review;
- Reiterates that nominal haircuts on official debt cannot be undertaken;
- Considers the continued programme involvement of the IMF as indispensable and welcomes the intention of the IMF management to recommend to the Fund's Executive Board to consider further financial support for Greece once the full specification of fiscal, structural and financial sector reforms has been completed and once the need for additional measures has been considered and an agreement on possible debt relief to ensure debt sustainability has been reached. Resulting policy conditionality will be a shared one as the policy conditionality underlying the ESM macroeconomic adjustment programme is developed in parallel to the one of the IMF. Once approved, the full re-engagement of the IMF is expected to reduce the ESM financing envelope accordingly;
- Welcomes the positive assessment of IMF staff of the policy conditionality contained in the MoU as confirmed by the IMF Managing Director and looks forward to an IMF programme based on the latter.

4. Banking sector and financial stability: recent developments

In 2014, the four largest Greek banks completed major achievements towards re-establishing profitability: after successfully raising significant amount of capital from private investors (EUR 8.3 billion in total), they continued to restructure their businesses and improved their interest margin (mainly through decrease in cost of funding) while the deterioration in asset quality stabilised in the last quarter of the year. On the liquidity side, a robust increase in deposits coupled with a renewed access to capital markets (all banks issued bonds in the first half of 2014) enabled banks to repay the costly emergency liquidity assistance (ELA) provided by the Bank of Greece since the large deposit outflows of 2012. As a result, and on the basis of the restructuring plans approved by the Commission in April and July 2014, the asset quality review and the stress test carried out by the ECB in the autumn 2014 did not unveil additional capital needs. At the end of

2014, the four banks thereby reported comfortable Common Equity Tier 1 capital ratios (from 12.4% to 15.20%).

The financial position of the banks steadily deteriorated since the announcement of new elections in mid-December 2014 which raised concerns over the future of the second economic adjustment programme.

Significant and continuous deposit outflows strongly weakened the liquidity position of Greek banks: **from mid-December 2014 to end-June 2015, more than 25% of total deposits were withdrawn**. Since banks (and Greece) had lost access to money markets, they had to rely on **central bank refinancing**. In February 2015, the ECB lifted the waiver granted to Greek government bonds, which then became ineligible for regular refinancing operations. In the meantime, it allowed Greek banks to rely on ELA, and successively increased the ceiling in order to accommodate the rising needs of the Greek banking system. But the uncertainty over the conclusion of the second programme and the associated risk of "Grexit", as well as the announcement of new measures favouring indebted borrowers worsened the quality of loans portfolio, with **a new acceleration in non-performing loans**. The impact of ELA on the funding costs as well as the worsening asset quality casted doubts as to the return of banks to long-term profitability.

In the end of June 2015, following the failure of negotiations on the closure of the second programme, **the ECB decided to maintain the ELA facility but stopped raising the overall cap, which triggered the need for capital controls**. The banks remained closed for three weeks and a limit of 60 euros per day per bank card was imposed while transfers abroad would need a government approval. On 12 July 2015, the Euro Summit agreement paved the way for the additional lift in the ELA ceiling and the subsequent reopening of Greek banks. However, the imposition of capital controls is likely to have long-lasting effects on their asset quality. As a result, the MoU agreed on 19 August 2015 provides that **a forward-looking assessment of the four core banks will be carried out by the SSM so that banks raise additional capital by the end of 2015**.

The recapitalization process which will follow the publication of the results of the assessment by the SSM will be crucial for the stability of the Greek banking system in various regards. First, **the success or the failure to raise private capital will signal whether investors are willing to invest again in the Greek banking sector**, as most of the money injected in 2014 has been lost. If banks can not cover the capital needs stemming from the asset quality review and the baseline scenario of the stress test from private sources, they will be put into resolution. At this junction, the likelihood that some or all of them go into such resolution process is hard to project.

The recapitalisation of the Greek banks could therefore constitute the first large scale implementation of the Bank Recovery and Resolution Directive (BRRD). If resolution takes place before 31 December 2015, only subordinated debt and capital instruments must be mandatorily bailed-in (through write-down or conversion into equity) before public support be provided to the banks. However, the Eurogroup statement of 14 August 2015 foresees the application of the bail-in instrument to senior bondholders as well, while excluding the bail-in of depositors. It remains unclear whether senior bondholders would have to contribute in all scenarios, notably if banks are recapitalized outside resolution (with private investors covering the capital needs stemming from the asset quality review and the baseline scenario, and public money covering only the additional needs of the stress scenario).

The bail-in of senior creditors entails legal risks. While the requirement made by the Eurogroup to bail-in some senior creditors in 2015 actually supplements the BRRD[8], the potential discrimination introduced among senior creditors (if only senior bonds are bailed-in while other senior creditors of the same rank - e.g. senior loans or unpreferred depositors - would remain

[8] Since, under the BRRD, the mandatory bail-in of creditors for a minimum amount of 8% of total liabilities including own funds is only applicable as of 1 January 2016.

untouched) could infringe the overarching principle of compliance with the hierarchy of claims. The potential bail-in of senior bonds also raises legal questions as to the guarantees granted by the Hellenic Republic to Greek banks, which have issued EUR 49 billion of State-guaranteed bonds which were not subscribed by investors but used as collateral for central bank refinancing. If those bonds are not converted (to protect the State from additional liabilities) while other senior bonds are bailed-in, then the litigation risks will be further increased.

Depending on the amount of capital needed and on the modalities of the recapitalisation, the governance of Greek banks and the shareholding owned by the Hellenic Financial Stability Fund (HFSF) will be deeply impacted (as of 31 December 2014the HFSF owned 66.9% of Piraeus Bank, 66.2% of Alpha Bank, 57.2% of National Bank of Greece and 35.4% of Eurobank). The HFSF owns non-voting shares, which ensures that banks are run on a commercial basis and avoid any competition issue as per EU Law. As of 31 August 2015, the market value of the HFSF shareholding in those banks was EUR 2.3 billion, that is to say that **the HFSF has already lost most of the capital injected in those banks in 2012 and 2013** (net injection of EUR 25 billion[9]). The upcoming capital increase and/or conversion of subordinated and senior creditors will further dilute this former shareholding. If the Greek banks do not succeed in attracting private investors, the HFSF will have to inject new capital in line with state aid rules and the BRRD framework. A total amount of EUR 25 billion has been earmarked in the third programme to that end. The possibility that the HFSF becomes again majority shareholder cannot be excluded at this stage. **The MoU does only indicates that, in order to avoid a full nationalisation of the Greek banking sector, "*the recapitalisation framework will be developed with a view to preserving private management of recapitalised banks and to facilitating private strategic investments*"**.

The burden of **non-performing loans** (NPL) constitutes in any case an acute challenge for the Greek banks, with NPL (loans 90 days past due) amounting to 34.3% of total loans at the end of 2014[10] (see Table 3 below). The Eurogroup statement of 14 August 2015 urged "*the authorities to take all necessary steps (...) including opening the market for NPL servicing (...) and exploring the possibility of a bad bank*". A number of measures were therefore committed to that end in the MoU of 19 August 2015, albeit it did not mention any concrete step toward the creation of a bad bank, beyond an assessment by the Bank of Greece (by the end of October 2015) of the banks' capacity to deal with each NPL segment.

Table 3: Selected banking indicators for Greece

End of period	*Dec-09*	*Dec-10*	*Dec-11*	*Dec-12*	*Dec-13*	*Dec-14*	*Jun-15*	*Aug-15*
Domestic residents deposits (EUR billion)	245.5	222.9	182.8	173.3	177.0	173.2	130.5	*n.a.*
Market Capitalisation 4 largest banks (EUR billion)	24.1	12.0	2.3	2.4	26.9	19.5	12.9	4.0
NPL ratio in Greece	7%	9%	14%	23%	32%	34%	36%	*n.a.*

Sources: Bank of Greece, Bankscope, Yahoo Finance and World Bank.

[9] On top of losses related to the liquidation of smaller banks, that is to say EUR 10.7 billion as of 31 March 2015.
[10] http://data.worldbank.org/indicator/FB.AST.NPER.ZS/countries.

Annex 1: Greece's key economic indicators

	2010	2011	2012	2013	2014	2015 (f)	2016 (f)
GDP Growth (%)							
Greece	-5.4	-8.9	-6.6	-3.9	0.8	**0.5**	**2.9**
Euro area	2.0	1.6	-0.8	-0.3	0.9	**1.5**	**1.9**
Government balance (% of GDP)							
Greece	-11.1	-10.2	-8.7	-12.3	-3.5	**-2.1**	**-2.2**
Euro area	-6.1	-4.1	-3.6	-2.9	-2.4	**-2.0**	**-1.7**
Structural balance (% of GDP)							
Greece	-9.8	-6.3	-0.6	2.2	0.4	**-1.4**	**-2.3**
Euro area	-4.2	-3.5	-2.0	-1.1	-0.8	**-0.9**	**-1.1**
Government debt (% of GDP)							
Greece	146.0	171.3	156.9	175.0	177.1	**180.2**	**173.5**
Euro area	83.9	85.8	89.1	90.9	91.9	**94.0**	**92.5**
Inflation (%)							
Greece	4.7	3.1	1.0	-0.9	-1.4	**-1.5**	**0.8**
Euro area	1.6	2.7	2.5	1.3	0.4	**0.1**	**1.5**
Unemployment (% of labour force)							
Greece	12.7	17.9	24.5	27.5	26.5	**25.6**	**23.2**
Euro area	10.2	10.1	11.4	12.0	11.6	**11.0**	**10.5**
Youth Unemployment (% of labour force)							
Greece	33.0	44.7	55.3	58.3	52.4	**n.a.**	**n.a.**
Euro area	21.4	21.3	23.6	24.4	23.7	**n.a.**	**n.a.**
Current account balance (% of GDP)							
Greece	-9.9	-9.9	-2.4	0.6	0.9	**-1.6**	**-1.3**
Euro area	0.4	0.5	1.9	2.5	3.0	**3.5**	**3.4**
Exports (% change)							
Greece	4.6	0.0	1.2	2.1	9.0	**4.1**	**5.1**
Euro area	11.3	6.7	2.7	2.1	3.9	**4.4**	**5.4**
Imports (% change)							
Greece	5.5	-9.0	-9.1	-1.6	**7.4**	**2.0**	**3.6**
Euro area	-3.3	-1.6	0.3	-0.5	-1.7	**4.6**	**5.9**
Domestic demand (% change)							
Greece	-7.2	-10.7	-9.2	-4.8	0.5	**-0.1**	**2.4**
Euro area	0.5	-0.4	-1.2	-0.6	0.7	**1.5**	**1.9**
Investments (% change)							
Greece	-20.9	-16.8	-28.7	-9.5	**2.7**	**-3.1**	**7.2**
Euro area	-0.4	1.6	-3.6	-2.6	**1.2**	**1.7**	**4.0**
Income Inequality Gini Coef. (scale from 0 to 100)							
Greece	32.9	33.5	34.3	34.4	34.5	**n.a.**	**n.a.**
Euro area	30.2	30.5	30.3	30.6	n.a.	**n.a.**	**n.a.**
People at risk of poverty or social exclusion (% total population)							
Greece	27.7	31.0	34.6	35.7	36.0	**n.a.**	**n.a.**
Euro area	21.8	22.9	23.2	23.1	n.a.	**n.a.**	**n.a.**
Unit labour cost (% change)							
Greece	-0.1	-1.8	-5.1	-6.8	**-1.6**	**0.1**	**1.7**
Euro area	-0.6	0.8	1.9	1.2	**1.0**	**0.7**	**0.6**

Sources: European Commission (Eurostat for 2010-14 figures; 2015 Spring forecast for 2015-16 forecasts and AMECO for the Structural Balance). Euro area data correspond to EA19, except for the People at risk of poverty indicator where only EU18 aggregate is available. Data as of 17 September 2015.

Annex 2: Macroeconomic Imbalance Procedure Scoreboard

Indicators			Thresholds	2008	2009	2010	2011	2012	2013	2014
External imbalances and competitiveness	**Current account balance as % of GDP**	**3 year average**	-4/+6%	-13.6	-13.6	-12.1	-10.3	-7.4	-3.9	-0.3
		Year value	-	-14.9	-10.9	-9.9	-9.9	-2.4	0.6	0.9
	Net international investment position as % of GDP		-35%	-74.1	-86.4	-98.3	-85.2	-109.2	-120.8	-121.9
	Real effective exchange rate - 42 trading partners	**% change (3 years)**	± 5% €A	1.6	2.4	-1.2	0.6	-4.4	-0.6	-0.6
		% change y-o-y	-	2.3	4.8	2.9	1.8	-5.0	-4.4	-5.6
	Share of world exports	**% change (5 years)**	-6%	1.1	-13.9	-20.0	-19.1	-26.9	-27.3	-17.50
		% change y-o-y		3.3	-6.6	-14.06	-5.49	-7.10	2.32	6.85
	Nominal unit labour cost	**% Change (3 years)**	9% €A	6.4	15.6	13.1	7.5	-3.2	-10.3	-11.6
		% change y-o-y	-	5.1	7.4	0.3	-0.2	-3.3	-7.0	-1.6
Internal imbalances	% change y-o-y deflated **House prices**		6%	-2.5	-4.6	-8.1	-6.5	-12.4	-9.3	-5.6
	Private sector credit flow as % of GDP		14%	15.6	2.4	5.6	-6.5	-5.7	-6.1	-2.5
	Private sector debt as % of GDP		133%	113.5	117.2	128.8	130.6	130.5	130.5	129.0
	General government gross debt (EDP) as % of GDP		60%	109.3	126.8	146.0	171.3	156.9	175.0	177.1
	Unemployment rate	**3 year average**	10%	8.4	8.6	10.0	13.4	18.4	23.3	26.2
		Year value	-	7.8	9.6	12.7	17.9	24.5	27.5	26.5
	% change y-o-y in **Total Financial Sector Liabilities,** non-consolidated		16.5%	4.7	10.3	7.7	-3.2	-3.1	-16.6	-7.7

Sources: Eurostat MIP Scoreboard indicators (data as of 9 September 2015) and EC Alert Mechanism Report 2015.
Note: Figures falling outside the threshold established by the Alert Mechanism Report are highlighted in blue.