Greece’s return to the markets: the financial outlook - speech by Nicola Giammarioli

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Speeches

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(*Please check against delivery*)

Many thanks for having invited me once again –the fourth year in a row – to exchange views with colleagues from the other institutions and the private sector.

The third ESM programme was completed successfully last year in August. We have been in the post-programme period for almost a year and we have recently had elections, resulting with a new administration in Greece.

I think it is now the right time to take stock and look back at what was achieved and move forward to the next steps. It is especially important to focus on Greece's return to the markets – the title of this session – which is indeed the ultimate goal of any adjustment programme. This is the case now for Greece but was the same for the other countries which have benefitted from EFSF and ESM financial assistance: Portugal, Ireland, Spain, and Cyprus.

I concluded my speech last year saying that "if Greece follows the path of the other countries having benefitted from EFSF/ESM loans, it will be well on its way to become the next success case of the ESM, and of the euro area's crisis response".

A year later, I can say that Greece is on the right path to becoming another success story. The precondition for such a success story was the completion of the programme, with a number of key reforms implemented and targets achieved. For that we should recognise the efforts and good collaboration we have experienced with the past administration.

The other condition was the incredible amount of resources deployed by the European partners through the EFSF and ESM. The favourable conditions of the loans, the unprecedented debt relief granted and the sizeable amount of cash buffers available have been indispensable for Greece to tap the markets again.

The return to the markets was gradual at the beginning and has improved more recently with the first 10-year bond issuance since 2010. Markets reacted positively, and rating agencies have been upgrading Greece steadily since 2017.

I underscored this long journey in my previous interventions at this conference, focussing on debt relief in 2016, reforms in 2017 and growth in 2018.

All these conditions are now in place for Greece to be considered a standard sovereign in the bond markets, issuing bonds according to the needs at an acceptable price. Overall market conditions are also favourable, contributing to the positive picture.

However, the good results reached so far and the positive momentum are subject to risks. Some of the risks are not under the control of the Greek authorities, while others are. It is therefore important that Greece avoids domestic risks and addresses properly those stemming from the global economic developments.

In this respect, we have been very critical on some policy reversals we have seen in the last few months, most of which had broad support in the parliament, across all the major parties.

The result of the elections was welcomed by markets and the new government will start operating under benign conditions. Nevertheless, there are key elements that need to be preserved in order for Greece to continue its path toward success and to face appropriately the risks I mentioned earlier.

Those elements are also underscored by all rating agencies in their most recent reports.

First, good cooperation between the Greek authorities and the institutions should be established. And I have no doubt that this can be easily achievable. We have already started good discussions with all actors involved.

Second, reform momentum should not be lost. Building on the good reforms implemented during the programme, reform effort should continue along the same path. The lesson we learned from the other successful programme cases was that while it normal in our democracies that different governments with different programmes alternate, programme achievements and commitments should be maintained and improved.

And indeed the third successful element for a full restoration of market access and long-term sustainable growth is related to commitments. In June 2018, and subsequently in the course of the last 12 months, Greece took a number of commitments for the period until 2022 and beyond. Such commitments paved the way to the debt relief measures already granted and that will continue to be granted. Those commitments were meant to remain irrespective of changes in government.

All the elements I touched upon are intertwined: debt relief, reforms, commitments, growth, and market access. I am convinced that if commitments are maintained and reform effort continues, sustainable long-term growth and full market access will be finally achieved.

Thank you.

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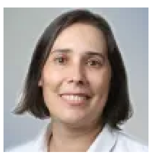

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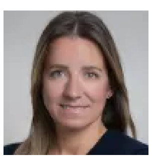

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