

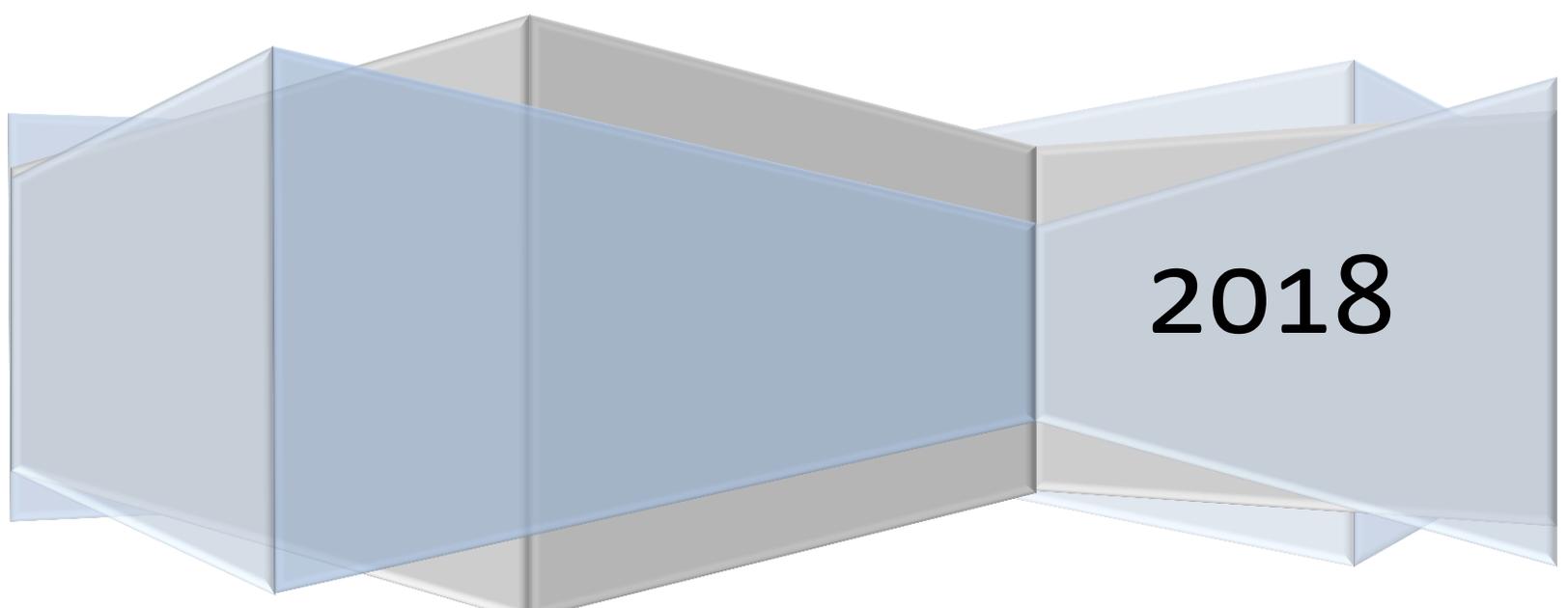


ΕΛΛΗΝΙΚΗ ΔΗΜΟΚΡΑΤΙΑ  
Υπουργείο Οικονομικών

Hellenic Republic  
Ministry of Finance

# Borrowing and Debt

Annual Report



2018

Ministry of Finance

Public Debt Management Agency  
Borrowing and Debt 2018

The annual report is available at the following websites:

[www.minfin.gr](http://www.minfin.gr)

[www.pdma.gr](http://www.pdma.gr)

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## 1. BRIEF REVIEW OF THE GREEK ECONOMY

The year 2018 was a milestone for the recovery of the Greek economy after a long period of recession. On August 20, 2018 Greece successfully completed the three-year economic adjustment programme of the European Stability Mechanism (ESM) and ensured a package of public debt relief measures that makes it dynamically sustainable.

The new medium-term debt measures, following the short-term measures implemented in January 2017, are the outcome of the Eurogroup Agreement on June 22, 2018 regarding the exit of Greece from the programme. As part of the same agreement, the medium to long-term budgetary targets were set and the last tranche of EUR 15 billion was disbursed.

Within the 9.5 billion-euro segment, the last installment was placed in the so called "cash-buffer account", with the aim of serving the country's financial needs in the post-programme period and facilitating return to the markets. As a result, the total cash flows of the Greek state are sufficient to cover the gross financial needs of at least two years even under the most unfavorable conditions.

Real GDP grew in 2018. The following table provides detailed data for the years 2017-2018. Inflation rate amounted to 0.8% in 2018, as a result of the different effects of declining overcapacity, increased protectionism in international trade, the variance of the international oil price and the maintenance of key interest rates of the ECB at the current low levels at least until the summer of 2019 (despite the decision to end the Quantitative Easing-QE program next December).

After the smooth fulfillment of the milestones that, a year ago, were requested for the country's development perspective (successful completion of the support programme, creation of a cash buffer, implementation of medium-term debt measures, de-escalation of Greek bond yields), the remaining difficulties in the internal environment are concentrated around the liquidity of the real economy, its sources and its funding potential. In the direction of dealing with the relevant weaknesses, Greek government focuses on the repayment of arrears to the private sector and the management tools for non-performing loans in the Greek banking system (secondary loan market, electronic auctions, out-of-court settlement mechanism).

### Basic figures of the Greek economy (% annual changes, constant prices)

	2017	2018
GDP	1,5	1,9
Private Consumption	0,9	1,1
Public Consumption	-0,4	-2,5
Gross fixed capital formation	9,1	-12,2
Exports of goods and services	6,8	8,7
Imports of goods and services	7,1	4,2
Harmonized index CPI	1,1	0,8
Unemployment rate	19,9	19,3

## 2. BORROWING 2018

In 2018, the utilization and optimum management of the general government entities cash reserves, was continued, through the implementation of a cash liquidity management scheme in the form of repo agreements, which contracted by the Public Debt Management Agency.

With this programme, 75% of the total cash reserves of these entities are now being exploited in a very effective way, providing them with competitive high yields, for the benefit of them, ensuring a corresponding benefit in terms of the general government, with a cumulative positive impact on the sustainability of sovereign debt.

The gross financing needs of the State budget in the year 2018 (excluding the stock of short-term and repos debt) amounted to a sum of €10,310 million and covered by:

- Loans amounting to EUR €34,640 million.
- Income from privatizations (sale of shares) of €752 million
- Revenue from financial transactions of €789 million

Cash reserves amounted at the end of 2018 to €26,819 million, compared with €948 million which was at the end of 2017, increased by €25,871 million.

In particular, debt versions of EUR €34,640 million are consist of:

- The long-term loans of the European Stability Mechanism (ESM) support program in the year amounted to €21,700 million. With a weighted average cost of 1.43%.
- Issuance of a new 7-year bond at a nominal value of €3,000 million, fixed interest rate of 3.375%, maturity at 15-2-2025 and efficiency 3.50% with a 99.236% issuance price, so cash inflow of 2,977 million.
- European Investment Bank €36 million with an interest rate of 1.771%.
- Net issuances of treasury bills of €337 million forming the stock of the treasury bills at the end of 2018 to €15.280 million. Mixed issuance of 13, 26 and 52 weeks T-Bills for 2018 amounted to €35.005 million. With a weighted average borrowing cost of 0.93% while the year-end T-Bill maturities were €34.669 million.
- Issuance of new short-term debt REPO €9.590 million Repo's stock at the end of 2018 at €24.521 million.

The average weighted maturity of the new borrowing for the 2018 was formed at 19.8 years and the weighted average cost of the new borrowing – excluding the REPO agreements – stood at 1.39%.

### 3. PORTFOLIO MANAGEMENT & CONTROL

The strategy of portfolio management through interest rate derivatives continued during 2018, with the main aim of converting the variable rate debt to a historically low fixed rate. The reasons come from the large rate of variable interest rate in total debt due to the loans of the official sector, but also the benefit of historically low interest rates of the euro.

The following results have been obtained from all the above mentioned transactions:

- The participation of variable rate liabilities in the entire public debt portfolio decreased to 10.75%, thereby reducing the risk of interest.
- The above- mentioned transactions led to a further increase of the index "Weighted Average Time to Next Re-fixing" or else of the "average re-pricing time of public debt", reaching 13.01 years. It should be noted that this indicator on the merits shows the years in which the public debt service costs will remain stable at current levels. In the case of Greece, these years are around 13. This indicator is a combination of the indices of the average weighted maturity of debt which at the end of 2018 was 18.17 years and the participation of fixed rate liabilities in the entire portfolio, respectively being 89.25%.
- The above indicator in conjunction with the index "annual public debt service costs (on a cash basis)" which at the end of 2018 was 1.61%, leads to the conclusion that the aforementioned "effective" cost, which is among the lowest in the countries of the euro area, will remain substantially the same for the next 13 or so years.

#### **Risk Factors and Controls:**

The debt portfolio had the following characteristics:

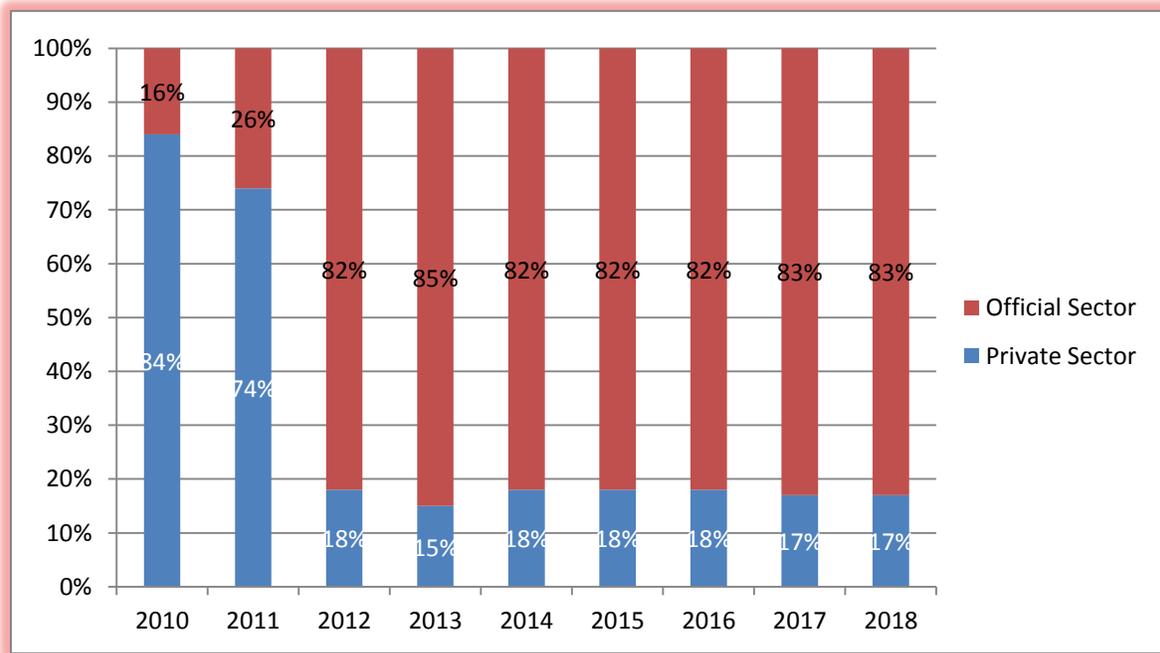
<b>Risk Factors</b>	31/12/2018
Refinancing Risk 1Y (%)	<b>14,38%</b>
Refinancing Risk 5Y (%)	<b>23,41%</b>
Refixing Risk 1Y (%)	<b>35,97%</b>
Refixing Risk 5Y (%)	<b>38,99%</b>
Ratio Foreign Debt to Total Debt (before derivatives) (%)	<b>2,74%</b>
Ratio Foreign Debt to Total Debt (after derivatives) (%)	<b>2,07%</b>
Ratio Floating Debt to Total Debt (before derivatives) (%)	<b>23,21%</b>
Ratio Floating Debt to Total Debt (after derivatives) (%)	<b>10,75%</b>
Average Time to next refixing	<b>13,01 έτη</b>
Average Life (years)	<b>18,17 έτη</b>

## 4. ANALYSIS OF DEBT

The following table shows a complete breakdown of the change in central (state) government debt from 2017 to 2018.

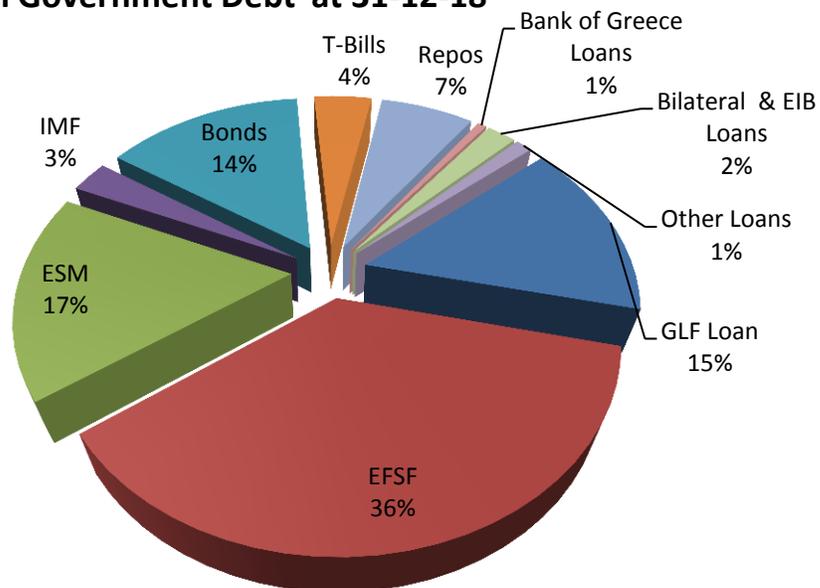
(amounts in million €)	Stock 31/12/2017	Net	New issues	Principal	Due to exch. rates changes	Other	31/12/2018
<b>Total gross debt</b>							
<b>Breakdown by type of debt instrument, original maturity and creditor</b>	<b>328.703,84</b>	<b>30.050,18</b>	<b>844.911,45</b>	<b>814.861,27</b>	<b>118,74</b>	<b>75,89</b>	<b>358.948,65</b>
<b>Debt Securities</b>	<b>65.400,41</b>	<b>1.379,15</b>	<b>37.981,42</b>	<b>36.602,27</b>	<b>0,00</b>	<b>50,68</b>	<b>66.830,24</b>
Short Term	14.943,40	336,26	35.004,34	34.668,08	0,00	0,00	15.279,66
T-Bills	14.943,40	336,26	35.004,34	34.668,08	0,00	0,00	15.279,66
Long Term	50.457,01	1.042,89	2.977,08	1.934,19	0,00	50,68	51.550,58
issued domestically	48.681,35	1.071,70	2.977,08	1.905,38	0,00	26,05	49.779,10
issued abroad	1.775,66	-28,81	0,00	28,81	0,00	24,63	1.771,48
<b>Loans</b>	<b>263.303,43</b>	<b>28.671,03</b>	<b>806.930,03</b>	<b>778.259,00</b>	<b>118,74</b>	<b>25,21</b>	<b>292.118,41</b>
Short Term	14.930,56	9.590,71	782.194,32	772.603,61	0,00	0,00	24.521,27
Long Term	248.372,87	19.080,32	24.735,71	5.655,39	118,74	25,21	267.597,14
Vis-a vis residents	3.095,59	-490,10	0,00	490,10	0,57	0,00	2.606,06
Bank of Greece	2.848,67	-472,27	0,00	472,27	0,57	0,00	2.376,97
Other residents	246,92	-17,83	0,00	17,83	0,00	0,00	229,09
Vis-a vis non residents	245.277,28	19.570,42	24.735,71	5.165,29	118,17	25,21	264.991,08
EFSF/ESM/IMF	232.959,26	20.003,04	24.699,71	4.696,67	117,05	25,21	253.104,56
Other nonresidents	12.318,02	-432,62	36,00	468,62	1,12	0,00	11.886,52
<b>Breakdown by currency of denomination</b>	<b>328.703,84</b>	<b>30.050,18</b>	<b>844.911,45</b>	<b>814.861,27</b>	<b>118,74</b>	<b>75,89</b>	<b>358.948,65</b>
<b>Domestic currency denominated</b>	<b>320.063,08</b>	<b>31.375,43</b>	<b>844.911,45</b>	<b>813.536,02</b>	<b>0,00</b>	<b>75,89</b>	<b>351.514,40</b>
Debt securities	65.400,41	1.379,15	37.981,42	36.602,27	0,00	50,68	66.830,24
Loans	254.662,67	29.996,28	806.930,03	776.933,75	0,00	25,21	284.684,16
<b>Foreign currency denominated</b>	<b>8.640,76</b>	<b>-1.325,25</b>	<b>0,00</b>	<b>1.325,25</b>	<b>118,74</b>	<b>0,00</b>	<b>7.434,25</b>
Debt securities	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Loans	8.640,76	-1.325,25	0,00	1.325,25	118,74	0,00	7.434,25

The structure of government debt by category of creditors, since 2010, is reflected in the graph below:



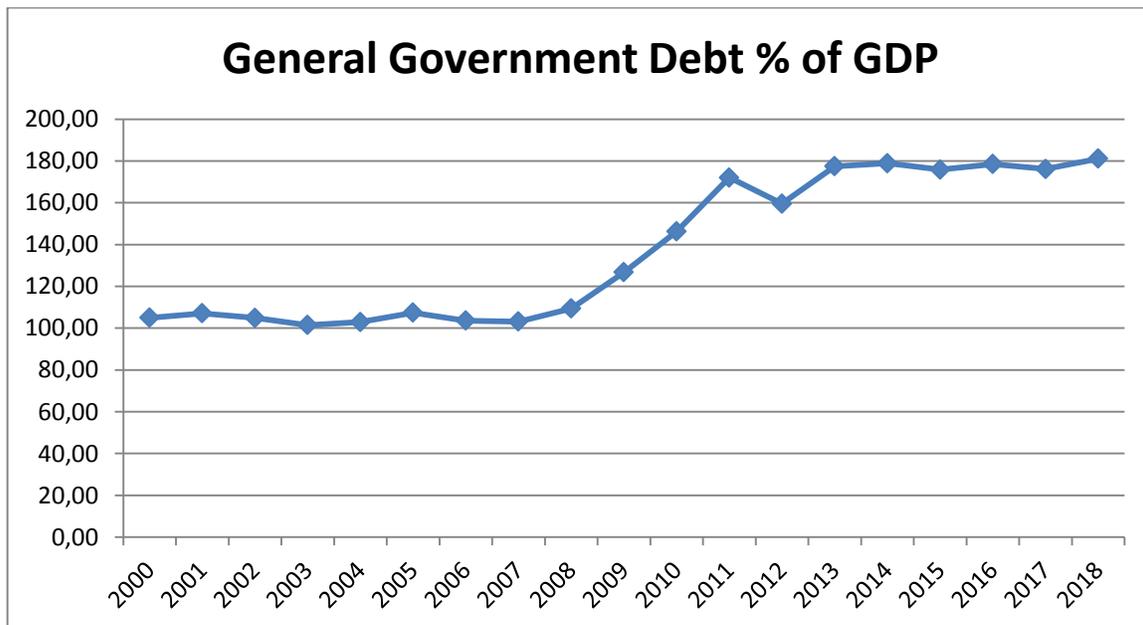
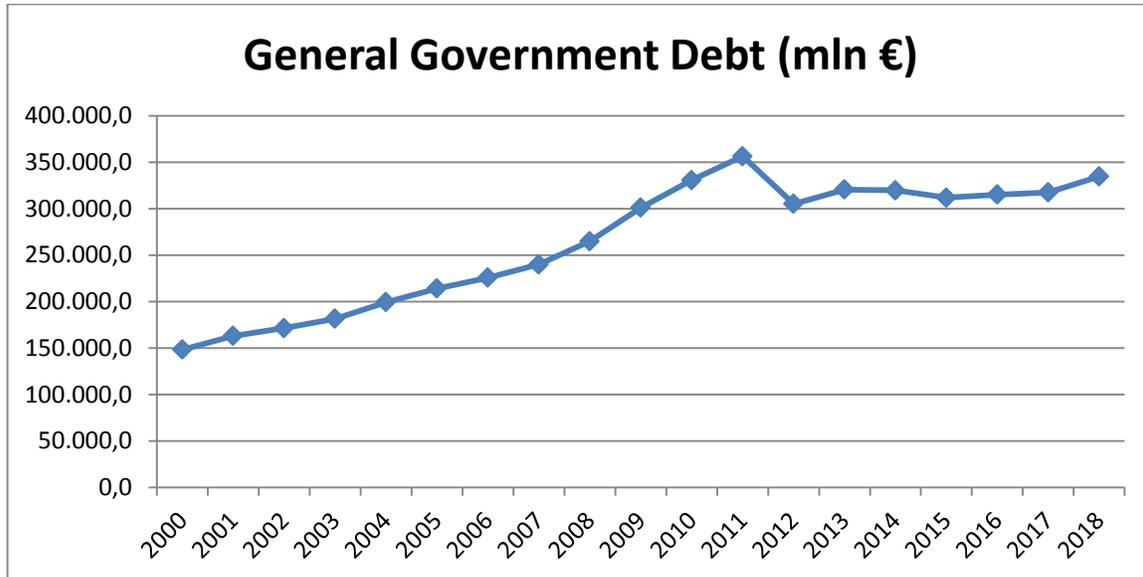
At 31.12.2018 the stock of the central government debt by creditor showed the following breakdown:

### Central Government Debt at 31-12-18



## 5. GENERAL GOVERNMENT DEBT

The historical evolution of the general government debt is reflected in the following graphs:



Detailed information and data for all countries in the Eurozone are available on Eurostat's website and the Greek Statistical Authority (EL.ST.A) at the following links:

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdde410&plugin=1%22>

<http://www.statistics.gr/el/european-statistics-tables>

The breakdown of general government debt for the year 2018 is shown in the table below. These figures are official and announced by the Hellenic and European statistical authorities in the last ten days of April each year.

Year 2018 (Amounts in million €)	State (S1311.1)	SOE(State Owned Enterprises) & EBFs (Extra Budgetary Funds) (S1311.2)	Consolidation of Central Government (S1311.1&2)	Central Government (S1311)	Local Government (S1313)	Social Security Funds (S1314)	Consolidation of General Government	General Government Debt(S13)
Currency & Deposits (AF2)	1.707	5.858	-392	<b>7.173</b>			-1.066	<b>6.107</b>
Bills & Short-Term Securities (AF331)	15.280		-2.100	<b>13.180</b>			-1.978	<b>11.202</b>
Long Term Securities (AF332)	51.510	1.772	-5.627	<b>47.655</b>			-5.975	<b>41.680</b>
Short Term Loans (AF41)	26.136	7	-15.813	<b>10.330</b>	13	0	-8.102	<b>2.241</b>
Long Term Loans (AF42)	269.721	3.010	0	<b>272.731</b>	1.329	128	-845	<b>273.343</b>
Total	<b>364.354</b>	10.647	-23.932	<b>351.069</b>	1.342	128	-17.966	<b>334.573</b>
GG Debt (% GDP)								<b>181,1%</b>

#### Table Glossary:

Column 1 (State): The Central government debt with the adjustments made in the context of compliance with the European System of Accounts 2010 (ESA10).

Column 2 (DEKOs & EBFs): Debt of Public Utility Public Enterprise and Public Legal Entities (Other central government bodies).

Column 3 (Consolidation of Central Government): Government securities and loans held by central government entities.

Column 4 (Central Government): All of the central government debt as defined by the European System of Accounts 2010.

Column 5 (Local Government): The debt of local governments.

Column 6 (Social Security Funds): The debt of Social Security Funds.

Column 7 (Consolidation of General Government): Government securities and loans held by general government entities.

Column 8 (General Government Debt): All of the general government debt as defined by the European System of Accounts 2010.