



Post-MoU Greece amid global risks and prospects

29th Greek Economy Conference



**AMERICAN-HELLENIC
CHAMBER OF COMMERCE**

Prof. John (Iannis) Mourmouras*
Senior Deputy Governor, Bank of Greece/Eurosystem
Former Deputy Finance Minister
Former Chief Economic Advisor to the Prime Minister

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I. Global risks and prospects

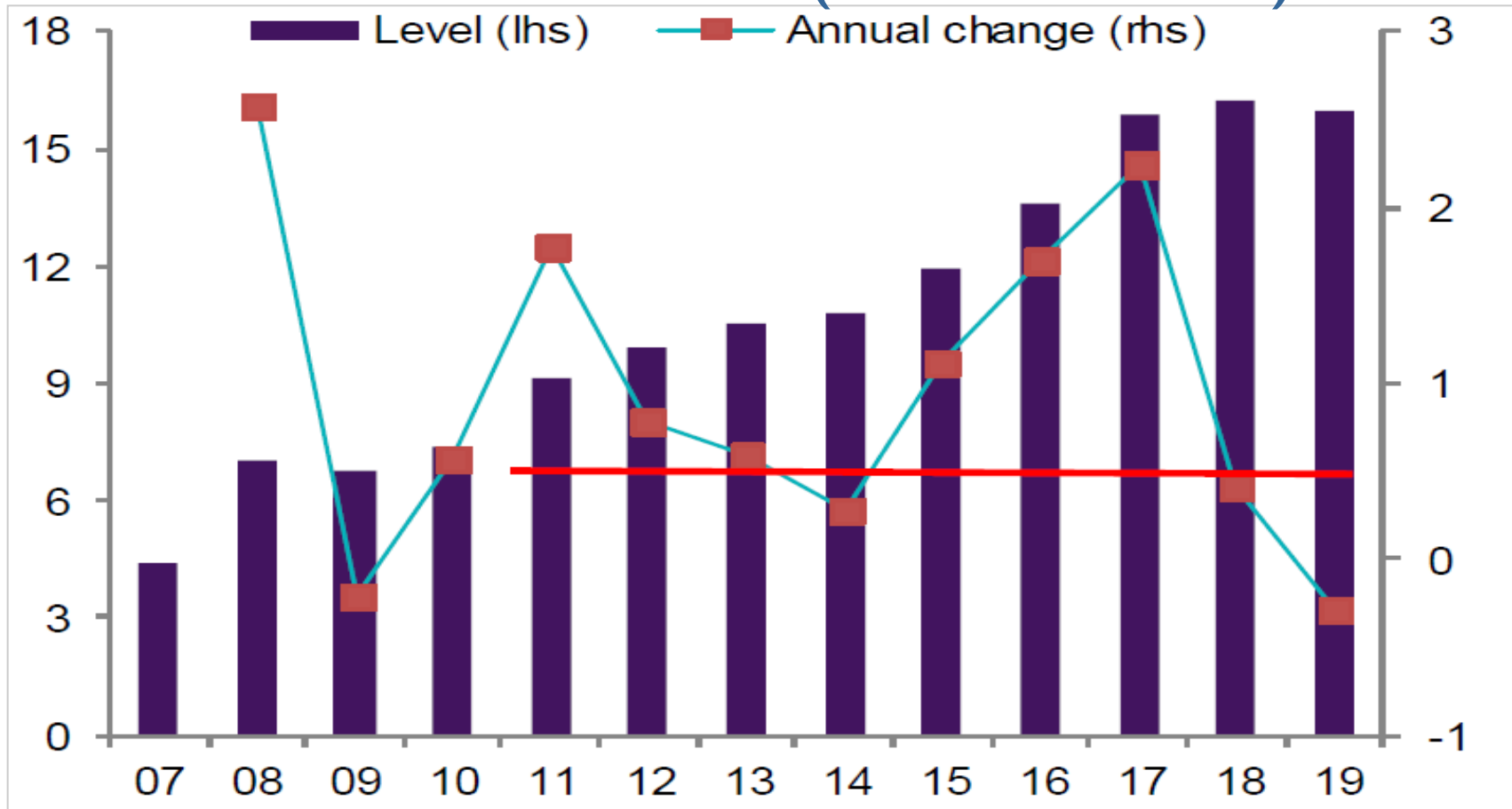
- ✓ Central banks became **less accommodative** after almost ten years of super-loose monetary policy.
- ✓ 2018 growth will be remembered mainly for the **divergence** between strong US growth, and disappointing growth in much of the rest of the world.
- ✓ Geopolitics took a decidedly bad turn in 2018, most notably in the surge in US-led **trade protectionism** and the formation of Italy's **populist coalition**.

Global imbalances on the rise shifting the balance of risks to the downside



I. Central banks' monetary policies: QE turns decisively into QT

G4 central bank balance sheets (in trillion US dollars)



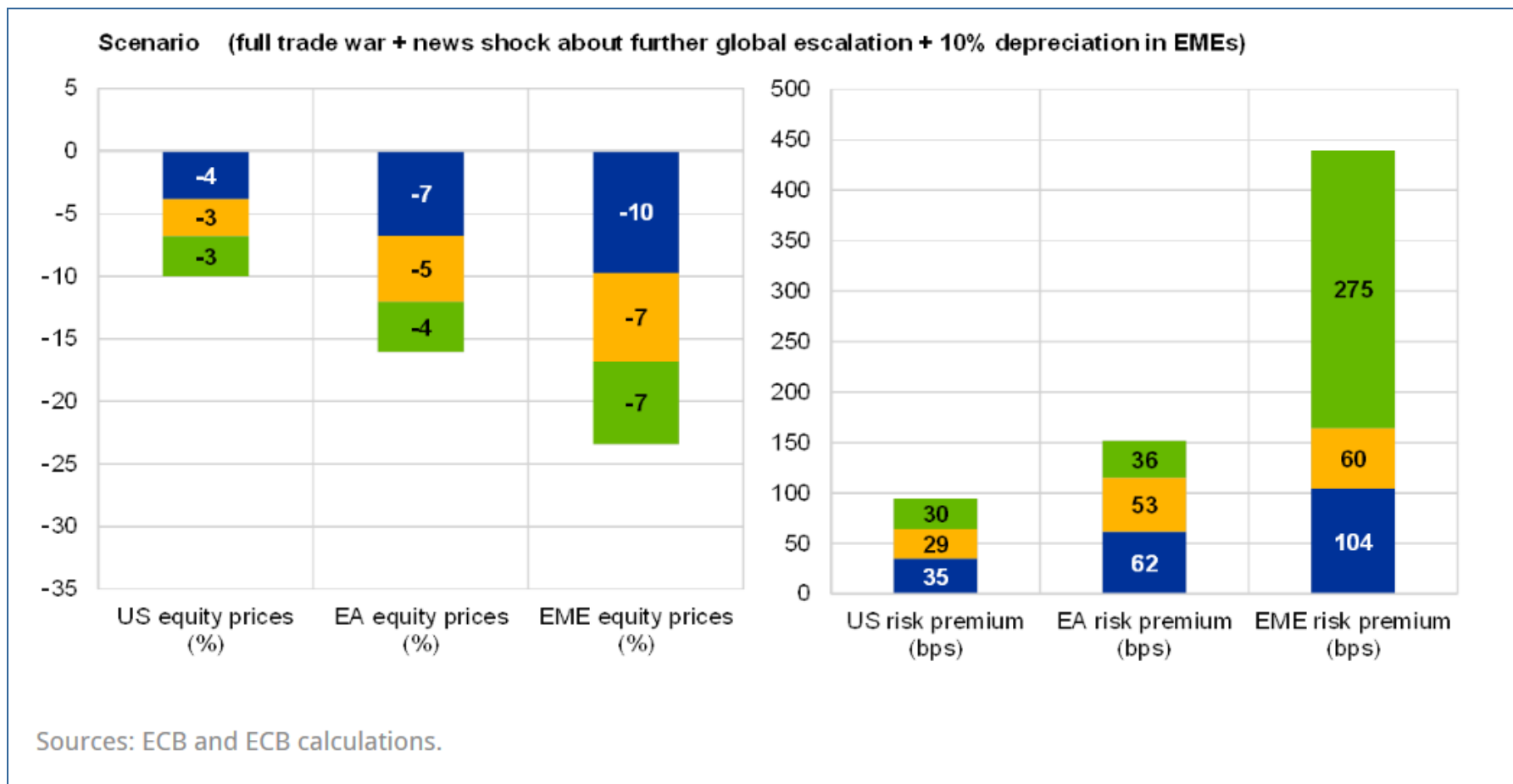
Source: Bloomberg.

Global imbalances on the rise shifting the balance of risks to the downside



II. Trade war: the next round of tariffs

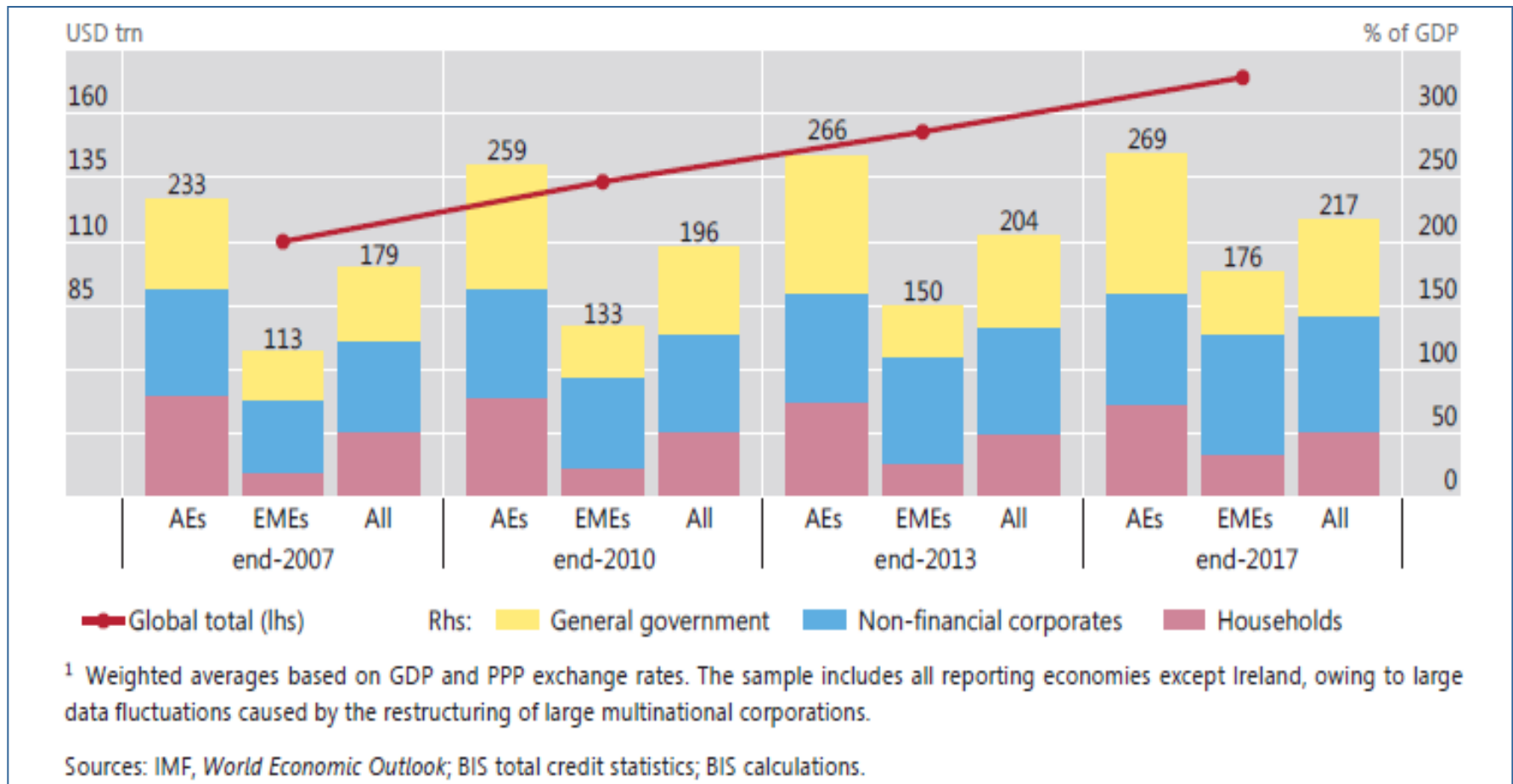
Full trade war impact on asset prices across the globe



Global imbalances on the rise shifting the balance of risks to the downside



III. The US \$200 trillion global debt mountain Global debt levels since end-2007



Global imbalances on the rise shifting the balance of risks to the downside



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IV. Geopolitics: a big swing factor?

Geopolitical risks and domestic strife affect the outlook in several economies, especially in the Middle East and sub-Saharan Africa.

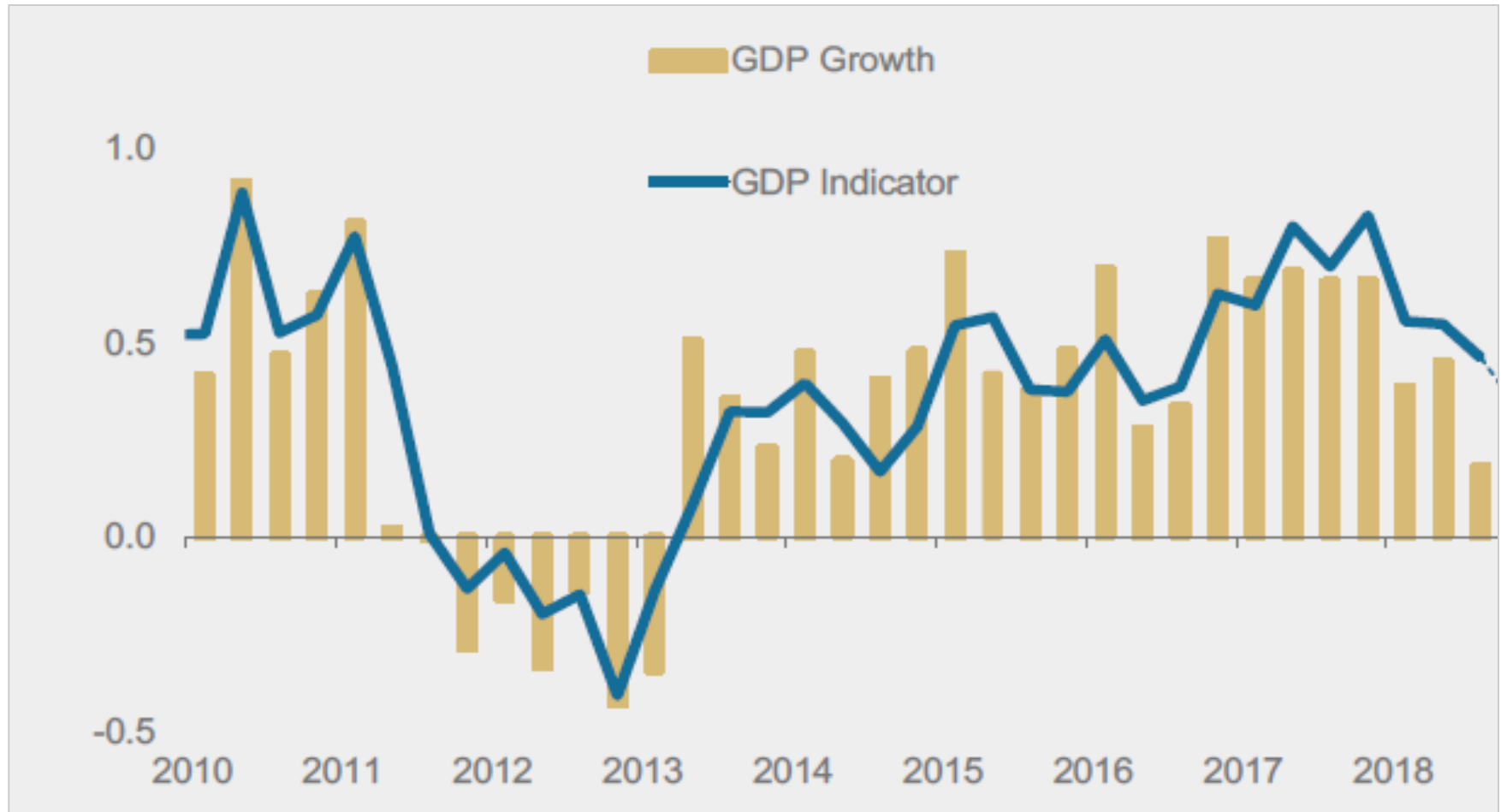
An intensification of conflicts in the Middle East and Africa would not only have large negative domestic repercussions, but could trigger a rise in migrant flows into Europe, potentially deepening political divisions undermining regional cohesion.

The euro area's recent economic developments and risks



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Euro area: GDP growth & GDP indicator (%Q)



Source: Eurostat.

The euro area's recent economic developments and risks

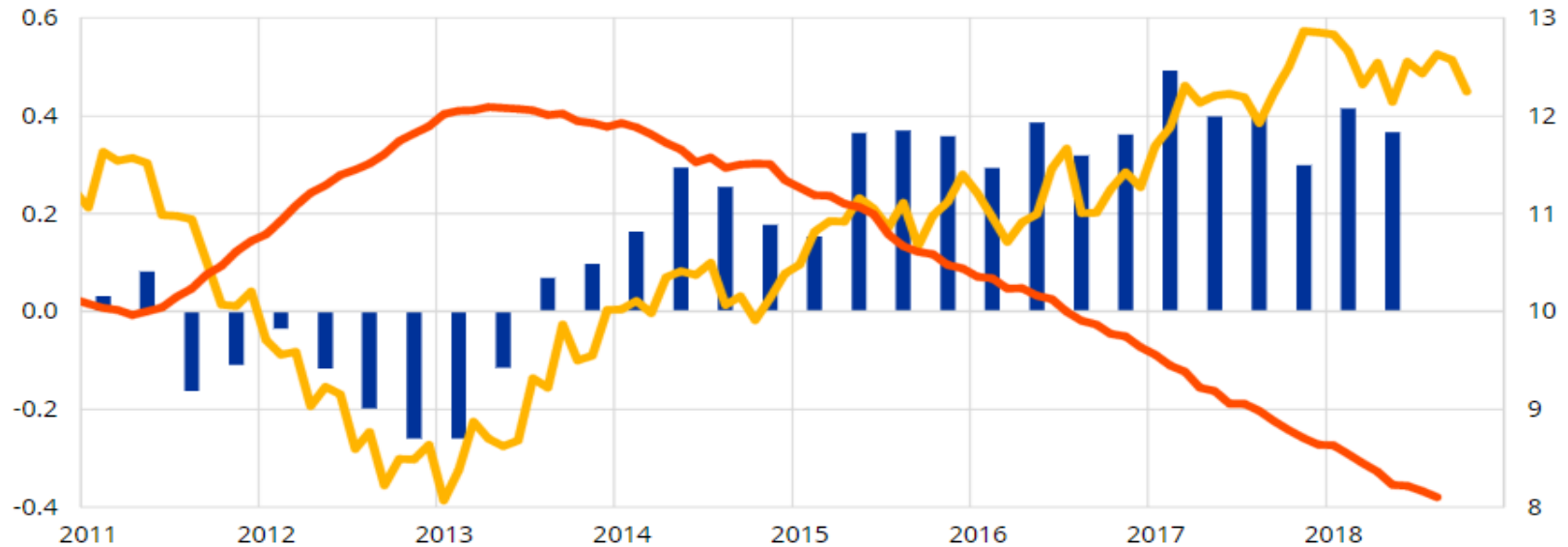


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Euro area employment, PMI assessment of employment and unemployment

(left-hand scale: quarter-on-quarter percentage changes; diffusion index; right-hand scale: percentage of labour force)

- Employment (left-hand scale)
- PMI assessment of employment (left-hand scale)
- Unemployment rate (right-hand scale)



Sources: Eurostat, Markit and ECB calculations.

Euro area's recent economic developments and risks



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Euro area risks

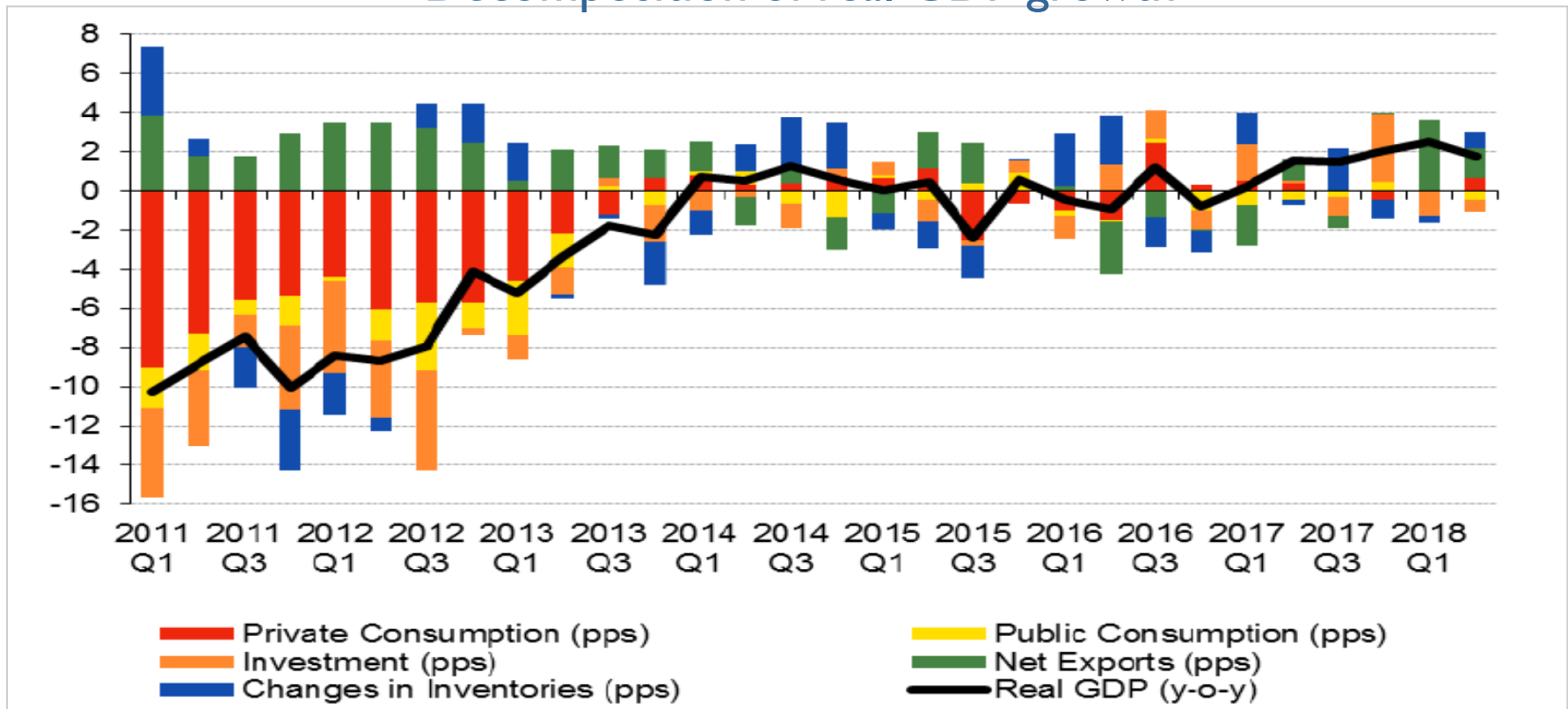
- Italy
- Populism and European Parliament elections

Post-MoU Greece

A. Evidence of Greece returning to normality

i. The real economy: positive short- and medium-term outlook

Decomposition of real GDP growth



Source: ELSTAT, National Accounts, September 2018 (provisional, sa data).



Post-MoU Greece

Two proposals for the problem of NPE resolution

- One proposal by the **HFSF** (based on State guarantees)
- One proposal by the **Financial Stability Department at the Bank of Greece** (based on DTCs)
- Both proposals are based on the ideas of **securitisation** and a **systemic** approach to the problem.



Post-MoU Greece

A credit enhancement instrument

- A neat idea, that can be seen as a **credit enhancement instrument** to both the previous proposals.
- It is based on the concept of **guarantee certificates**, provided by the State to the banks, that can be used to **cover all the tranches** of NPE securitisation transactions (senior, mezzanine and junior), making them more attractive to private investors.



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B. Evidence on reduced sovereign risk

- i. Improving debt sustainability
- ii. Improved sovereign credit rating
- iii. A sizeable cash buffer
- iv. Improved confidence in domestic government bond markets



THANK YOU FOR YOUR ATTENTION!