

## Key messages:

- Greek economy is recovering in the process of completing the 8-year adjustment program.
- Fiscal performance for the third consecutive year in 2017 is a positive signal for Greece's international credibility.
- The fiscal framework should remain transparent and fiscal policy should stick to the agreed primary surplus targets.
- The recently agreed debt relief measures are expected to improve the manageability of gross financing needs facilitating Greece's sustainable return to financial markets.

## Macroeconomic outlook

The recovery of the Greek economy is evident in almost all data concerning flow variables: GDP is growing, employment is rising, the current account deficit is eliminated and the fiscal balance is in surplus. Nevertheless, the prolonged crisis has generated problematic stocks such as large public debt, massive tax arrears and high non-performing exposures as well as diminished human and physical capital.

## Short-term fiscal outlook

Greece has over-performed the primary balance fiscal targets for three consecutive years and recorded a total surplus (i.e. including interest) for two years in a row. This had substantially improved Greece's international credibility resulting in reduced government bond yields.

According to PBO estimations, the primary balance is above target in the first 4-months of 2018, suggesting that the annual target of the adjustment program for 2018 is within reach.

## Medium-term fiscal outlook

The projections in the latest Medium Term Fiscal Strategy 2019-22 (MTFS) indicate the achievement of the ambitious fiscal targets (primary surplus 3.5% of GDP) and imply the presence of increasing fiscal space on top of these targets. This fiscal space is available for introducing tax allowances and increasing social protection spending in order to accelerate the recovery.

## Fiscal framework and national fiscal rules

There have been many recent reforms of Public Financial Management, as part of the implementation of the Economic Adjustment Program that substantially improved fiscal monitoring, auditing and reporting. Some of these reforms (namely the new single Chart of accounts, the Treasury single account, the Spending review and performance budgeting, etc.) are still in progress and their implementation will be phased-in gradually in the coming years.

## Key indicator forecast

		2016	2017	2018	2019	2020	2021	2022	Source
Real GDP growth rate	[% y-to-y]	-0.2	1.4	2	2.4	2.3	2.1	1.8	MTFS
GDP Deflator change	[% y-to-y]	-1	0.7	0.9	1.3	1.6	1.6	1.8	MTFS
Total GG Revenue - ESA	[% of GDP]	49.85	48.22	47.70	45.63	44.55	43.84	43.26	MTFS
Total GG Expenditure - ESA	[% of GDP]	49.22	47.40	47.33	44.84	43.52	42.47	41.30	MTFS
Interest Expenditure (consolidated)	[% of GDP]	3.22	3.17	3.39	3.32	3.24	3.27	3.25	MTFS
Fiscal Balance - ESA	[% of GDP]	0.63	0.82	0.36	0.79	1.03	1.37	1.96	MTFS
Primary Fiscal Balance - ESA	[% of GDP]	3.85	3.98	3.75	4.11	4.27	4.64	5.21	MTFS
GG Debt to GDP	[% of GDP]	180.8	178.6	183.1	170.4	161.4	153.1	150.3	MTFS

