

## Key upcoming events in resolving Greece debt problems

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The Greek crisis has commanded a disproportionate amount of the headlines over the past few months. Greece is looking to secure another round of bailouts, while Germany, France, and the rest of the Eurozone members are negotiating how to both stabilize Greece's economy and prevent any spillover into their own economies. Meanwhile, investors have been carefully analyzing every development and are impatiently waiting for any temporary resolution. The attached timeline reviews the key past and upcoming events that will provide some clarity on the Greek crisis.

We believe that the following events will determine the next disbursement of Greek aid that will allow the country to avoid default.

- On Oct 4, finance ministers from the European Union (EU) postponed the release of the next installment of aid to Greece. Greece Finance Minister Evangelos Venizelos said the country has enough cash to operate until mid-November. With cash needs covered until then, the Greek Parliament has time to pass more austerity measures required by the bailout plan.
  - Finland secured the right to have collateral backing its contribution to Greek aid. The collateral program found no other takers but Finland.
  - The Oct 4 meeting ended with a new sense of urgency among ministers that more has to be done to ring-fence the Greek debt problems to prevent contagion. A plan for concerted bank recapitalizations was discussed, but specific deals were not provided.
- On Oct 9, Germany and France will meet in Berlin to discuss banks' finances. Germany has cited the need to prepare for a Greek default that investors see as a sure thing. France, whose banks have the most to lose, is unwilling to gamble on letting Greece go.
  - On Oct 14-15, finance ministers from the Group of 20 (G20) nations will meet. Solutions to the Greek crisis should be discussed, but decisions for implementation (if any) should be considered during the November 3-4 meeting of G20 leaders.
  - On Oct 17-18, EU council leaders are expected to meet to finalize the expansion of the European Financial Stability Fund (EFSF) to 440 billion euros.
  - On Oct 24, inspectors from the EU and IMF are expected to present their audit reports on Greece finances and recommend the disbursement of aid to Greece, according to the Luxembourg Prime Minister.
  - Greece is working with inspectors from the EU and IMF in coming up with more austerity measures, such as the reduction of the minimum wage of government employees. Depending on the timing and pace at which Greece comes up with more reform plans to meet demands, disbursement for aid can occur between Oct 17 and late November. We expect aid to be disbursed before December, during which 10 billion euros of bond payments are due.

**Conclusion: The passage of austerity measures, such as the unpopular property tax increase, demonstrates Greece's commitment to reduce its budget deficit. We believe that the next installment of aid will be given to Greece. Financial markets should start to normalize after the next aid package is granted and continues to do so in November when a longer term plan is expected from the EU.**

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### Key past and upcoming events

**May 2010** - Greece reached an agreement with the EU and IMF, opening door to bailouts (worth 110 billion euros over three years) in return for extra budget cuts of 30 billion euros (\$43 billion).

**July 2010** - Greek parliament passed pension reforms, a key requirement of the EU/IMF deal, which included the raising of women's retirement age from 60 to match men's at 65.

**June 2011** - Greece agreed to 6.48 billion euros of extra austerity measures for 2011 and savings up to 2015 to cut deficits and get aid. S&P downgraded Greece's debt by three notches to CCC from B.

**July 2011** - IMF approved disbursement of 3.2 billion euros to help Greece pay debts due this month. This tranche brought IMF disbursements to about 17.4 billion euros. Euro zone leaders agreed on a second rescue package for Greece with extra 109 billion euros (\$157 billion) of government money, with contributions estimated to total 50 billion euros by private sector bondholders.

**September 9-10, 2011** - G-7 finance ministers met in Marseilles. Discussions were centered on supporting weak global economic growth. It was also the deadline for non-binding commitments from private-sector creditors to participate in Greece's proposed bond-exchange program, although a formal bond exchange isn't due to take place until some time in October, assuming European Financial Stability Facility (EFSF) changes are ratified by euro-zone members (see below for dates on which Eurozone members votes for changes to EFSF)

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**September 13-15, 2011** - Timothy Geithner, US Treasury Secretary, met EU financial ministers in Poland. Geithner pressed for the 440 billion euros EFSF to be scaled up to give greater capacity to combat the Eurozone debt by buying sovereign debt (at a discount) issued by Greece and possibly other peripheral economies.

**September 21, 2011** - Greece adopted more austerity measures, including cutting high pensions by 20 percent. The country placed 30,000 civil servants in "labour reserve" on road to redundancy.

**September 27, 2011** - Greece passed an unpopular property tax increase to persuade IMF and EU that it deserves the 8-billion-euro loan needed to pay October salaries for public employees and avoid bankruptcy.

**September 27, 2011** - Slovenia approved changes to the EFSF. This change will boost the fund's lending capacity from 250 billion euros to 440 billion euros. All Eurozone members have to approve the EFSF's expansion.

**September 28, 2011** - Finland passes vote on EFSF expansion.

**September 28 – ongoing, 2011** - The Troika (referring to the European Commission (EC), the International Monetary Fund (IMF), and the European Central Bank (ECB)) return to Athens to continue assessing Greece's progress in cutting its budget deficit. On Oct 24, inspectors from the EU and IMF are expected to present their audit reports on Greece finances and recommend the disbursement of aid to Greece, according to the Luxembourg Prime Minister.

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**September 29, 2011** – Germany passes vote on the expansion of the EFSF. German guarantees for the EFSF fund increase to €211 billion from €123 billion. Estonia and Cyprus are due to vote on EFSF changes. Spanish banks face a deadline to meet new capitalization requirements.

**September 30, 2011** - Austria votes on increasing the country's share of contribution to the EFSF.

**Early October, 2011** - Dutch parliament votes on changes to the EFSF.

**October 3-4, 2011** - Euro-zone finance ministers meet at Luxemburg. Finance ministers postponed moves to release the next installment of aid to Greece. Finland secured the right to have collateral backing its contribution to Greek aid.

**October 6, 2011** – ECB leaves interest rates unchanged.

**October 11, 2011** - Greek and Italian T-bill auctions. Slovakia parliament votes on EFSF changes.

**October 14-15, 2011** - G-20 finance ministers meeting.

**October 17-18, 2011** - EU Council meeting

**October 18, 2011** - Spanish and Greek T-bill auctions.

**November 3-4, 2011** – The Group of 20 (G20) nations meet in France. G20 officials have said that the euro zone needs to end the uncertainty about Greece by the meeting. Markets expect the meeting to announce progress on a solution to the Greek debt issues.

**November 2011** – Aid package approval expected.