

GREECE MACRO MONITOR

December 22, 2014

Latest on the domestic political front

Greek PM appears open to early national elections, if present Parliament elects President

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In a televised speech yesterday, Greece's Premier Antonis Samaras called for consensus over the government's nominee for the presidential post, offering in return to hold an early general election towards the end of 2015, *i.e.*, before the term of the current government expires. Mr. Samaras made his early elections offer conditional on the successful completion of the ongoing negotiations with official lenders as well as the implementation of a long-due constitutional reform. Moreover, he also offered to reshuffle his cabinet to include more pro-European lawmakers, a move broadly interpreted as a bid to win over undecided MPs from smaller parties.

As a reminder, the first parliamentary vote on December 17 for the election of the new President of the Hellenic Republic yielded 160 in favor votes, *i.e.*, 40 less than required for a positive outcome. A second ballot also requiring a 2/3^{ds} qualified majority, *i.e.*, 200 yes votes will take place tomorrow at 12:00 noon, with a third and final one (requiring 180 in favor votes) being scheduled for December 29. In case that the latter vote also fails to produce a qualified majority, Parliament will need to dissolve within ten days and general elections to be called. As per a number of official comments, the most likely date for a snap national election would be January 25, 2015.

Local media speculated this morning that the government may lure 168-170 positive votes in tomorrow's second parliamentary ballot, with these additional yes votes coming from independents. Note that five independent deputies voted in favor of the government's nominee in the first presidential ballot last week and, following Mr. Samaras' proposal yesterday, an additional two have already indicated that they will cast a positive vote. If these expectations are vindicated, then the government will still need to secure an additional 10 to 12 in favor votes so as for the new President to be elected by the present Parliament in the third and final round.

Even under the latter scenario, a number of additional yes votes would need to come from two smaller parties in Parliament; namely Democratic Left (10 seats) and Independent Greeks (12 seats). The official line of these two parties has so far been against the election of President, with an aim to trigger early national elections. According to press reports, both the parliamentary group and the executive board of Democratic Left (DL) are convening later today to access the latest political developments. Note also that DL Chairman Fotis Kouvelis was quoted earlier this month as saying that "if a Democratic Left parliamentarian votes in favor of the presidential candidate he would consider him to be neither a defector nor a venal".

As for the Independent Greeks party, the latest saga involving one of their MPs accusing a third person for trying to bribe him to vote in favor of the Presidential nominee appears to make it even harder for a party member to break the official line and cast a positive vote. Note that the person accused for attempting bribery claims that in reality Independent Greeks MP Pavlos Haikalidis tried to extract bribery in return for breaking the party line and voting for the government's presidential nominee. The affair dubbed by Greek media as "Haikalidis Gate" has created an unprecedented

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domestic political upheaval over the last several days and is currently investigated by a senior district attorney.

All in all, we reiterate that the arithmetic of the presidential vote remains difficult to say the least, with most domestic analysts and commentators now assigning a higher probability to a negative outcome.

Worryingly tight government finances in Q1 2015

Apart from the impact the latest bout of political uncertainty may have on the domestic economy, we reiterate that all this uncertainty is unfolding in an uncomfortably tight trajectory as regards government finances. According to our calculations, available liquidity at State coffers is currently less than €5bn, while the government is facing interest and amortization payments of c. €4.8bn during the first quarter of next year. To meet these payments, the government could further compress/delay some discretionary expenditure (*e.g.* related to the Public Investment Budget), strengthen its tax collection effort and increase short-term issuance, though the total outstanding amount of T-bills is currently close to the maximum program limit (€14.8bn vs. €15bn). Some additional liquidity could be potentially secured by short-term borrowing (via repo operations) from certain general government entities, though this borrowing has already reached levels above €6.5bn. Longer term, our revised projections point to a financing gap of ca. €13.6bn for the full-year 2015, followed by another shortfall of €6.9bn in 2016. All these suggest that the present troika review needs to be completed by the end-February deadline so as to: i) allow release of the next financing tranche of €7.2bn (=3.5bn IMF + 1.8bn EFSF + 1.9bn ANFA & SMP profits; and ii) provide the base of an agreement on a post-program precautionary credit facility. For a thorough analysis on the latter issue see *Greece Macro Monitor*, "Limited room for significant deviations from current policies", Eurobank Global Markets Research, December 18, 2014.

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