

April 7, 2015 7:31 pm

## **Athens scrapes together cash for April but default looms in May**

Kerin Hope in Athens

Greece has scraped together funds to repay international creditors this month but will exhaust its cash reserves by the end of April, raising the possibility of a sovereign default next month if it fails to agree [a new reform package with the eurozone](#).

A senior Greek official gave reassurances that a €458m loan instalment owed to the International Monetary Fund would be paid on April 9 as scheduled, along with another €420bn due to international investors when a six-month treasury bill expires on April 14.

"We'll meet international obligations without any problem but it will be a squeeze to raise cash for domestic payments in the second half [of the month]," the official said.

"Next month is a different matter. We are going to run out of money unless reforms are legislated to make some bailout funds available," he said.

Greece has to make two further payments to the IMF in May amounting to €950m on top of €2.4bn of pension and salary payments. But Athens cannot raise financing by selling more treasury bills to Greek banks following a ban by the European Central Bank on increasing their exposure to the government, while foreign investors have been scared off by the country's increased political risk.

The radical anti-austerity government has been unable to reach an agreement with the EU and IMF that would unlock €7.2bn in European funding because of [foot-dragging by its economic team](#) over reforms that would contradict Syriza's election promises not to raise taxes or back further privatisations.

Finance ministry experts are scrambling to wrap up technical talks this week with officials from the European Commission, the IMF and the ECB with the aim of reaching a deal with eurozone finance ministers in Riga on April 24.

"Our proposals are a work in progress but they're advancing," said a government official.

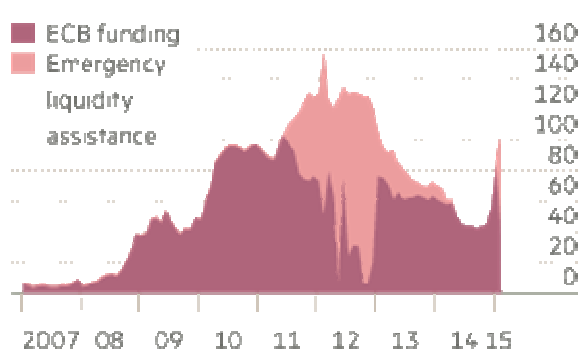
After stabilising throughout 2013–14, deposits in Greek banks have collapsed since the start of this year ...

Greek banking sector private deposits (€bn)



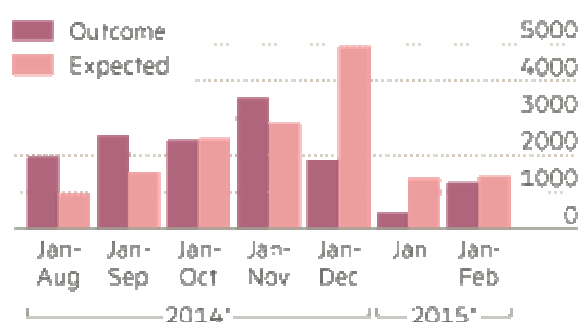
... making institutions once again heavily reliant on emergency funding from the European Central Bank

Greek banks' reliance on ECB funding (€bn)



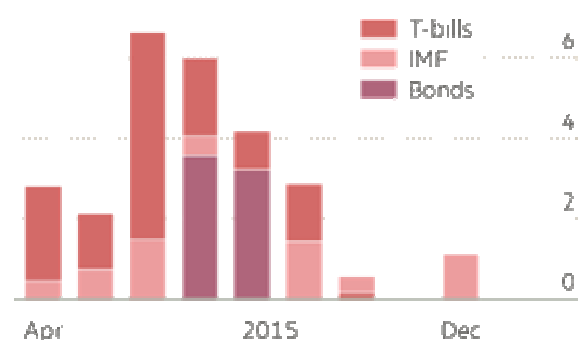
Meanwhile, the state of Greece's public finances disappointed expectations for much of the past six months ...

Greek state budget primary balance (€bn)



... which doesn't bode well as the country faces a slew of substantial debt repayments this year

2015 debt repayment profile for Greece (€bn)



\* Bars and line cumulative totals in each year  
 source: Thomson Reuters Datastream; M4; Bloomberg LBS



Dimitris Mardas, deputy finance minister, tried to calm concerns that pension and salary payments amounting to €1.4bn at the end of the month may be delayed, saying, "We will make these payments on the due dates following the normal practice."

We'll meet international obligations without any problem but it will be a squeeze to raise cash for domestic payments in the second half [of the month]. Next month is a different matter

- Senior Greek official

The finance ministry managed to pay pensions and salaries last month by requiring state entities such as the unemployment benefits organisation to transfer their cash reserves

to the central bank's Common Fund for investment in short-term repos — repurchase agreements — at higher interest rates than at commercial banks.

This month the ministry is targeting almost €1bn of cash held by state pension funds and state-controlled corporations that until now have been reluctant to allow the central bank to manage their reserves.

The government's cash grab has extended to EU structural funds, with some €260m of transfers for construction projects kept back last month by the national accounting office which handles disbursement of European transfers, according to local contractors.

"It's not just about delaying projects ... We can't pay suppliers, wages, VAT and social security contributions without this funding and we can't turn to the banks because they have frozen new lending," said Dimitris Constantinidis, who runs a family-owned construction company formerly listed on the Athens stock exchange.