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DEFAULT RISK AND FISCAL SUSTAINABILITY IN PIIGS COUNTRIES

Nadiya Kazakova

PhD in Geography, Associate Professor
Head of the Department of Artur Golikov
International Relations
V.N. Karazin Kharkiv National University
Svobody Sq. 6, Kharkiv. 61022
e-mail: n.a.kazakova@karazin.ua
ORCID: <http://orcid.org/0000-0002-4592-1466>

Heorhii Petrov

Master of International Relations, Public Communications and Regional Studies, International Relations and Regional Studies:
European Studies
V. N. Karazin Kharkiv National University
Svobody Sq. 6, Kharkiv. 61022
e-mail: petrov2021.9717635@student.karazin.ua
ORCID: <http://orcid.org/0000-0002-1413-8997>

During the entire period of existence and expansion of the European Union, the integration of the economies of the new countries of the union was strengthened. Thus, in the 1990s, the term “PIIGS countries” was born, which became the most widespread after the financial crisis in the EU in 2008, and which was often used in relation to the southern European countries of the EU (Portugal, Ireland, Italy, Greece and Spain), which were the most affected from growing debt and economic vulnerability. There have always been less developed states and more problematic countries in the economic environment, which today fall under the classification of peripheral countries of the European Union. The subject of research in the article is the default risk and fiscal stability of the PIIGS countries. The goal is to identify existing default risks and existing violations of fiscal stability in the PIIGS countries. The objective is to research the dynamics of the development of the economies of the PIIGS countries in the conditions of modern crises and challenges. General scientific methods are used, such as system analysis - to determine the peculiarities of the development of the economies of the PIIGS countries, the method of comparative analysis, thanks to which the peculiarities of the economies of the PIIGS countries, the peculiarities of their debt and fiscal policies are analyzed. Also, comparative analysis is used to study the difference between the PIIGS countries in terms of their default risk and fiscal sustainability. The following results were obtained: based on the analysis of the debt and fiscal stability of the PIIGS countries, problematic aspects were identified and the components of the economies of these countries were determined, as well as the factors influencing the risk of default and the quality of the fiscal stability of the PIIGS countries were calculated. Conclusions: The article identifies default risks for each of the PIIGS countries and their level of fiscal sustainability. Various methods of solving economic problems for the PIIGS countries have been studied and proposed, which will help these countries avoid default and improve their fiscal sustainability. Each of the PIIGS countries was studied separately. This made it possible to draw acceptable conclusions about each country.

Keywords: *debt crisis, public debt, inflation, PIIGS countries, default risk, fiscal sustainability.*

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Formulation of the problem. Economic crises in the group of countries known as the PIIGS (Portugal, Italy, Ireland, Greece and Spain) reduced GDP growth in the euro area as a whole. These countries are the most affected by economic crises in the European Union. They were, and some of them still are, the largest among EU countries in terms of the ratio of public debt to GDP. In almost all of these PIIGS countries, this ratio has seen little or no decline in recent years. As a result, all this added significant risks of default of these countries, as well as endangered their fiscal stability. The study

of the national economies of PIIGS countries can provide key knowledge on how to avoid mistakes and improve the general economic situation of peripheral countries through the implementation of sustainable development programs of the European Union. However, even sustainable development programs do not exclude the possibility of sudden economic crises leading to economic downturns, which naturally occur in peripheral countries, and which can lead to the deterioration of the fiscal stability of countries, or even their default.

Literature review. The specificity of the source base is related to its limited volume due to outdated relevance and the shift in world economic accents. For example, various researchers paid the greatest attention to the PIIGS countries during the world crisis of 2008-2009, when the main attention was focused on the European continent, which was most visibly affected by this crisis, and the PIIGS countries were the most affected. At present, we can say that the crisis due to the COVID-19 pandemic was too global in nature, which left the PIIGS countries without due attention, and the crisis due to the Russian invasion of Ukraine, although it had a rather strong negative impact on the economy of the European continent, felt, on the contrary, too local. due to the understandable attachment of world attention to the demonstrably difficult problems of Ukraine. As a result of the literature review, it can be seen that various researchers, analyzing the economic problems of the PIIGS countries, are reduced to the analysis of a single country as a component of the general economic problems of the PIIGS countries. Researchers D. Torres and S. Coutinho (2022) analyzed Portugal, as one of the most indebted countries in the Eurozone, and the sustainability of Portuguese public debt in the context of rising interest rates against the background of current events, and N. Verdial and A. Afonso (2019) analyzed the consequences of the 2008-2009 financial crisis and the European sovereign debt crisis for Portugal. Researcher F. Cárdenas García(2018), in turn, examines Ireland in the field of PIIGS countries, highlighting the Irish economy among other countries due to significant economic growth in 2015 in the context of austerity,

which subsequently caused a significant reduction in Ireland's default risk and an improvement in its fiscal sustainability, against the background other PIIGS countries. The analysis of the fiscal sustainability and sustainability of the Italian public debt is the subject of research by economists such as C. Magazzino, M. Mutascu (2019), P. Della Posta, E. Marelli, M. Signorelli (2022), W. Daniel Gregori, L. Marattin (2017), M. Alessia Aiello, C. Angelico (2022). Greece's public debt and default risk issues are described by economists such as T. Anagnostopoulos, A. Skouloudis, N. Khan, K. Evangelinos (2018), Betty C. Daniel, J. Nam (2021), Timm M. Prein, A. Scholl (2021), M. Nikiforos, Dimitri B. Papadimitriou, G. Zezza (2015). The default risk and fiscal stability of Spain are analyzed in their scientific works by such economists as J. Andrés, P. Burriel, W. Shen (2021), M. Pedro Rodríguez Bolívar, M. Deseada López Subires, L. Alcaide Muñoz, A. Navarro Galera (2019), P. Gómez-Fernández-Aguado, P. Parrado-Martínez, A. Partal-Ureña (2018), A. Afonso, N. Verdial (2019).

As during the global crisis of 2008-2009, the five countries of the European Union - Portugal, Ireland, Italy, Greece and Spain (often combined with the abbreviation PIIGS) - have again proven to be the weakest link of the European Union economy during the recent crises, initially with the COVID-19 pandemic, and then with the war in Ukraine. Since the crisis of 2008-2009, the PIIGS countries, especially Greece with its legendary debts, have had a long and painful exit, and the same scenario may await them now. However, now Greece, having learned from the recent bitter experience,

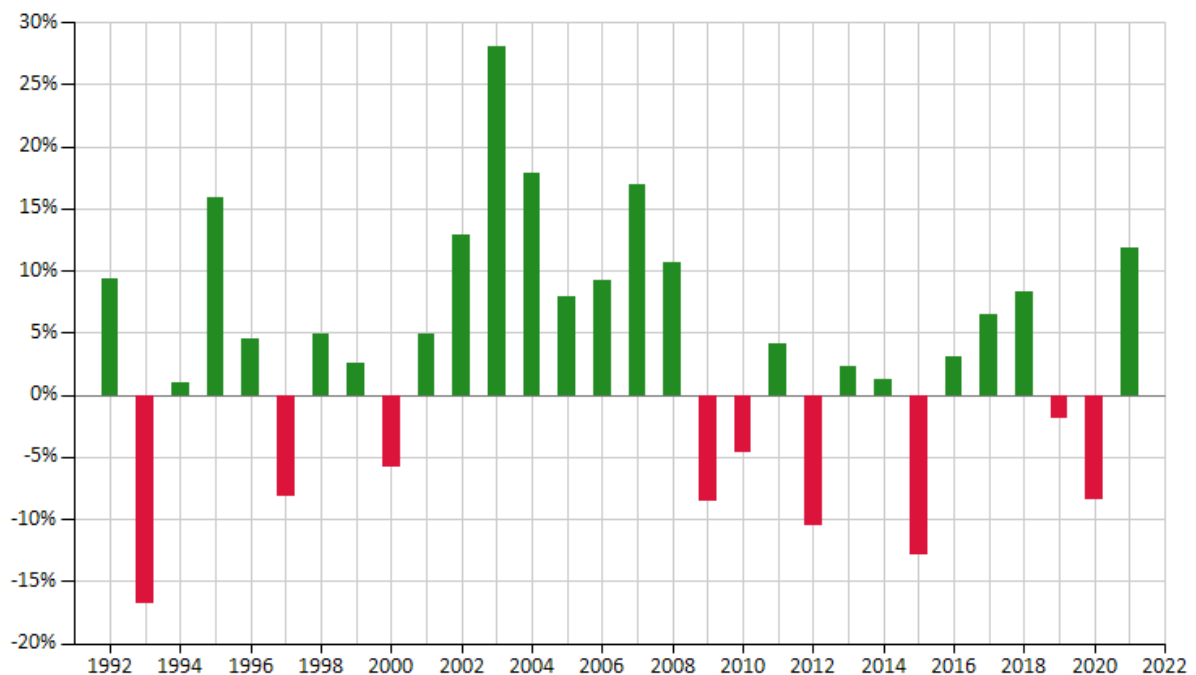


Fig. 1. Change in Spain's GDP in percent by years
Source: author own calculations on the basis analysis

demonstrates a more effective interaction with the EU in obtaining financial assistance, and Ireland has improved its economic situation over the past 10 years. Although Spain and Portugal have enough problems, the situation in these countries is still considered under control. Among the PIIGS countries, Italy is causing the greatest concern.

The biggest economic downturn of the European Union countries, after the 2008-2009 crisis, occurred in 2020, which was a consequence of the economic crisis caused by the COVID-19 pandemic. Among the PIIGS countries, Spain experienced the biggest economic downturn in 2020 — its GDP fell immediately by about 8% (in 2009, the Spanish economy, which was hit hard by the Great Recession, also fell by about 8%) (Fig. 1).

The arrival of COVID-19 immediately became a test in practice of those expectations that were associated with the coming to power of the socialists (another left-wing party, Podemos, appeared in a coalition with Sanchez's party). Already in March, the country's government announced plans to spend 200 billion euros, or about a fifth of Spain's national GDP, to overcome the coronavirus crisis, of which 117 billion were to come from public funds. In addition, the left announced a number of popular initiatives such as the introduction of a minimum basic income (at first for the least well-off citizens), and later also began an experiment to shift the economy to a four-day work week.

The Spanish government announced its anti-crisis program as the largest plan to help the economy in the entire democratic period of the country's history. The flip side of this quickly became that in September 2020 Spain's national debt reached €1.3 trillion, or 114% of GDP. The budget deficit for nine months increased sevenfold compared to 2019, exceeding 56 billion euros, or more than 5% of GDP.

According to the Bank of Spain, almost 100 billion euros of loans granted by Spanish banks are on the verge of default. And everything points to the fact that in 2023 the situation may worsen, so difficult times await the Spanish banking sector.

According to the latest report from the Bank of Spain, as of the end of 2021, Spanish banks accumulated about 94 billion euros in non-performing loans, an increase of 14% in the last quarter of 2021. These are loans that the Spanish banking watchdog classifies as «special observations» because these loans are not yet close to default, but are at risk of becoming unsecured. In total, they make up 8% of the total debt of companies and households, which is 2.2 percentage points higher than before the pandemic.

Business loans that are on the verge of default are the most alarming, they have risen in price by almost 26% and make up almost two-thirds of the total amount under «special supervision». Despite this, one should not overlook the fact that the likely increase in short-term interest rates may make it difficult for many families to pay off mortgage loans.

The situation with loans that the Bank of Spain considers doubtful is also not good. Although the total fell by 5.5%, it is still close to €50 billion. Of the total amount, 27 billion is accounted for by companies, and 22 billion by households.

The business sectors most affected by Covid-19, which account for 24% of total non-performing loans and are under special supervision, are showing the greatest signs of deterioration. For example, 35.5% of loans granted to hotel and catering enterprises are under special supervision, and 6.5% are doubtful loans, so problem loans make up about half. In the case of transport, problem loans make up 27.5% of the total amount. And it should be borne in mind that these industries are particularly sensitive to rising energy and food prices.

The Bank of Spain also notes a deterioration in corporate loans under ICO guarantees in the second half of 2021. The total volume of ICO loans under special supervision increased by almost four percentage points in the last six months of the year to 20%.

The end of the principal repayment grace period, which many companies with ICO loans will face in the coming months, increases the risk of credit deterioration. It should be borne in mind that, according to a report by the Bank of Spain, more than a third of these loans are still in the grace period for principal repayment.

The Bank of Spain notes in its report that Spain's banking sector as a whole demonstrates «adequate» overall resilience to a possible worsening of the economic situation. However, he admits that «in the short term, the combination of higher inflation, which erodes the real incomes of households and companies, and higher interest rates could reduce their ability to pay.»

The fact is that the combination of several circumstances can cause a perfect storm for Spanish banks. The economy has already shown signs of slowing down in the first quarter of 2021, inflation is still soaring, only to worsen in 2022 following the Ukraine war crisis, household consumption is also shrinking, and many companies will soon have to start repaying principal on ICO loans.

If you add to all this the likely increase in interest rates by the European Central Bank, which will make it difficult to repay all the loans with a variable rate, the risk of a Spanish default could increase sharply already in 2023.

If we analyze the readiness of the Spanish banking sector as a whole for such a scenario, the «adequate» stability indicated by the Bank of Spain may not be sufficient in this case.

The risks to Spain's fiscal stability and their possible solutions are vividly described in a report by the Institute for Economic Studies (IEE) entitled «White Paper on Tax Reform in Spain». According to the report, effective and competitive tax reform should strengthen growth and employment by increasing the tax base in the

long term and should not be designed only to raise tax rates in the short term. The report presents numerous recommendations for future reforms proposed by the government and presents the «International Fiscal Competitiveness Index 2021», which ranks Spain 30th out of 37 countries analyzed.

According to Eurostat, in 2020 the tax burden in the EU was 41.3% compared to 37.5% in Spain. In 2021, according to official data, tax collection in Spain increased by 15.1%, more than twice the GDP, so the tax burden in Spain will be around 41%, which is in line with the European Union average.

The difference in the tax burden with the EU is not due to business taxation (15% in Spain adjusted for the shadow economy compared to 11.1% on average across the EU), but to personal income tax and VAT.

According to the IEE report, the only way to sustainably increase tax collections and reduce the gap in the tax burden (however small it is today) is to prioritize economic recovery and reduce our shadow economy.

The IEE estimates that a tax increase of up to 3 points of GDP will not solve the problem of fiscal stability in the medium term and could lead to a reduction in activity of up to 5 points of GDP and the destruction of about one million jobs. An alternative to raising taxes would be to increase the efficiency of public spending, which in Spain is 14% lower than the OECD (Organization for Economic Cooperation and Development) average, which puts it in 26th place out of 37 OECD countries in terms of public spending efficiency.

When considering the risk of an Italian default, one can start with the fact that Italy's public debt is currently approaching trillions of euros. The debt itself, although

huge, does not pose a threat, but it becomes so if there are no prerequisites for repayment. In this regard, a number that can be reassuring is the debt-to-GDP ratio, or the country's ability to pay.

Italy's debt-to-GDP ratio is over 150% (Fig. 2), and that doesn't help the global and European markets to look at the situation positively, and above all, it doesn't help them to look at it from a distance, because the opportunity is too big not to see a short bet on her.

The objective difficulties of payment by the state were aggravated by the crisis due to the war between Ukraine and the Russian Federation, which, among other things, in addition to the general increase in prices for all goods and energy carriers, led to the Russian Federation blocking the supply of gas to Italy.

The situation is so serious that there is talk of rationing, which should already have happened in a normal, forward-looking country, and may yet begin, and this is, above all, the winter of restrictions 2022-2023, when people are being asked to sacrifice things like a drop in heating temperatures of one to two degrees, rising utility bills and inflation undermining already tax-burdened wages.

The dire situation in Italy is highlighted by data from S&P Market Intelligence, which shows that Italian bonds outstanding as of August 23 stood at €37.20 billion, the highest since January 2008, the height of the Great Recession.

As for fiscal stability in Italy, it has two clear problems: progressiveness and stability. The Italian tax system has such a small tax base that progressivity cannot be applied except to the detriment of income from work and pensions. Currently, tax revenues are too



Fig. 2. Ratio of Italy's debt to GDP, in percent by year

Source: author own calculations on the basis analysis



Fig. 3. Number of employed population in Italy, million people by year
 Source: author own calculations on the basis analysis

dependent on personal income tax, which is paid almost exclusively by employees and pensioners. In addition to income from work and pensions, flat taxes have increased manifold and the almost total tax exemption for digital platforms continues.

At the same time, income from work and pensions are penalized in terms of social spending because the application of distorted progressivity means that they often pay for benefits they do not receive, while all other forms of income receive benefits for which they are very significantly they do not pay the measure. In sum, unless the tax base is changed by broadening it to include all income (not just income from work and pensions), progressivity is a tool to impoverish the social base that today supports most tax-financed government spending.

The number of employed people in Italy fell below 23 million (Fig. 3), which is significantly lower than in other European countries. Of these 23 million, about five million are self-employed, while 3.2 million employees are on fixed-term contracts; and more than half of the new workers fall into the last group of workers with temporary contracts. If these data are translated into tax modeling, then all the difficulties in maintaining the tax revenues necessary for the life of the country emerge.

According to the latest data, among the approximately 40 million taxpayers in Italy, about twenty are employees, who pay about 90 billion euros in income tax out of a total of 150. Of these 90 billion, almost 40% of taxpayers, however, pay nothing. In other words, the lowest incomes do not bring in money: therefore, if employment shifts towards the latter, with insufficient wages, the tax burden is concentrated even

more on a too limited segment of the population. And when the maximum rate is increased - as we would like - the stability of the entire system becomes very difficult.

The situation in the field of self-employment is even more critical. Of the five million self-employed, about 1.8 million have an active income, but in this case the number of «real» taxpayers is even more concentrated than that of employees: 48% of the self-employed pay 95% of the income of the entire category.

Two aspects are added to this serious picture. The first concerns pensioners: there are about 16 million of them, of which about 10 million are taxpayers, that is, in this case, 54% of pensioners declare 93% of all personal income tax paid by this category. The second aspect concerns the fact that there are about four million «recipients of other income», including owners of financial income, but they pay only a little more than five billion euros, which is equal to about 3% of the total tax. If we do not take measures on the structure of wages and income formation, improving their quality, it will be increasingly difficult to force the tax system to function as a redistributive tool, and in this case fiscal stability in Italy can be forgotten.

Moving on to the analysis of default risk in Portugal, we can start with the fact that this country had 127.40% of public debt to GDP in 2021 according to the latest data (Fig. 4). According to the forecasts of one of the world's leading rating agencies, FitchRatings, Portugal's debt ratio will decrease by 10.5 percentage points in 2022 to 115.0% of GDP, with a further drop to 108.3% in 2024. FitchRatings substantiates its forecasts by the fact that the indicators of fiscal discipline under the current ruling party in Portugal confirm the baseline level for maintaining debt reduction. Also, in the

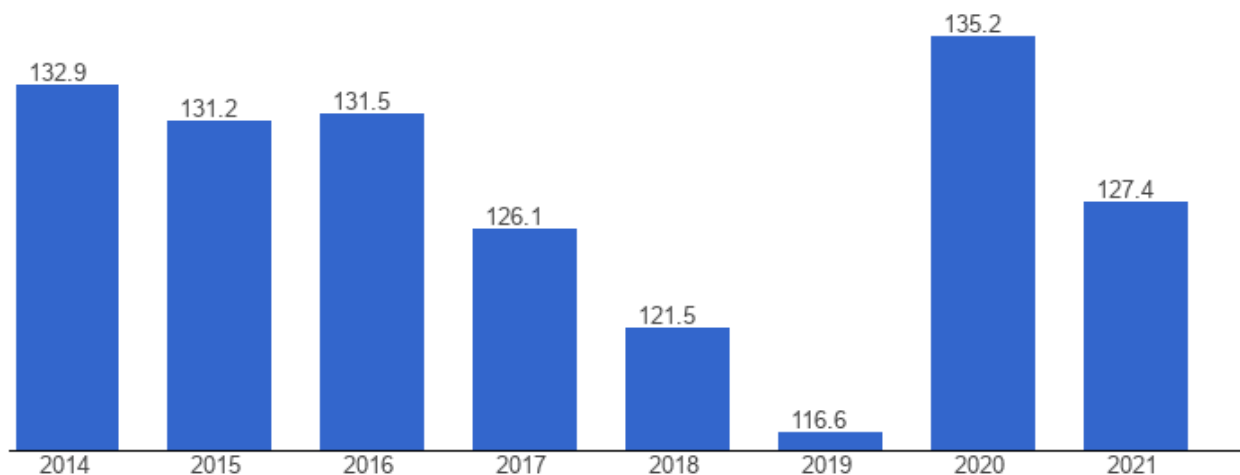


Fig. 4. Public debt to GDP of Portugal, in percent by year
Source: author own calculations on the basis analysis

medium term, the primary budget surplus of Portugal is forecast at the level of 0.2% of GDP in 2022 and 1.5% of GDP in 2023. Despite current headwinds due to high inflation and crisis-related external factors, Portugal's fiscal policy is expected to remain broadly in line with public debt targets. Thanks to a firm commitment to prudent fiscal policy and despite significant external shocks, Portugal's fiscal performance has consistently outperformed its European counterparts.

Also, with the help of the report of one of the leading insurance companies, «Crédito y Caución», it is possible to analyze the risk of default in the most important sectors of industries in Portugal, on which its entire economy rests, which means that the risk of default of Portugal itself depends on their risks of default.

Thus, Portugal's agricultural sector has a medium risk of default because, in addition to higher commodity prices, environmental concerns and restrained sales prices, the sector has been affected by transport problems and a shortage of foreign seasonal workers due to restrictions related to the COVID-19 pandemic. Although agriculture has been less affected by the pandemic than other industries, the sector continues to face pre-crisis uncertainties such as price volatility and weather conditions.

Portugal's food sector also has a medium risk of default due to price pressure from large distributors on food producers and processors. Many food companies are highly leveraged in the short term. Companies supplying hotels and restaurants, especially in the beverage segment, have been seriously affected by the pandemic. But in the near future, no noticeable increase in the volume of problem loans and bankruptcies is expected.

The automotive and transport sector in Portugal has a very high risk of default due to the fact that suppliers and dealers of the automotive industry have

experienced a sharp deterioration in sales of cars and commercial vehicles, which has led to a general decrease in prices and which in turn has caused severe liquidity stress for many companies. As for transport, the sector has been hit hard by the pandemic and subsequent containment measures, especially in the passenger transport segment.

Portugal's construction and materials sector has a very high risk of default. The sector was already underperforming before the pandemic as higher credit risk was concentrated in smaller players. Due to the strong recession of 2020, companies were further affected by supply chain problems, project postponements and reduced orders. NPLs and insolvencies increased in the second half of 2020, but may decline again in the near term depending on the gradual recovery in activity.

Portugal's durable goods sector also has a very high risk of default. Retail value added is estimated to have declined by 14% in 2020, with an increase of only 6% in 2021. Private consumption of non-food consumer goods has worsened due to the impact of the coronavirus, with many businesses temporarily closed during the quarantine. Although there was some recovery in sales in the third quarter of 2020, the second wave of the pandemic caused a new series of restrictive measures by the administration, which threatened the prospects of the recovery. In addition, the deterioration of consumer confidence and the sharp rise in unemployment in Portugal may also complicate the recovery in the near term. The financial stability of many companies has seriously deteriorated, and the number of delinquencies and insolvencies is expected to increase in the near future.

Portugal's Electronics and ICT sector has a high risk of default. Sales worsened due to store closures due to quarantines. Deteriorating consumer confidence, lower household consumption and a sharp rise in

unemployment could make it difficult to make a significant recovery in the near term. Although growth in e-commerce and telecommunications equipment sales partially offset the decline in sales, ICT value added is estimated to have declined by 11% in 2020. The number of arrears and insolvencies is not expected to increase significantly in the near future.

Portugal's financial sector has a high risk of default. The sector has been hit hard by the general economic downturn, with growing financial problems for both businesses and consumers, leading to a deterioration in profits. The credit moratorium, applied by the Administration as a support measure during the pandemic, allowed the payment of billions of euros to be postponed until September 2021. However, there are already some signs of a reversal of the trend towards the reduction of arrears.

Portugal's machinery and equipment sector has a high risk of default. After increasing in the second and third quarters of 2020, non-performing loans and insolvencies of engineering companies decreased again in the last quarter of 2020. However, the business outlook remains weak as orders and production have fallen sharply. Demand from key buyer sectors such as automotive and construction remains weak for now.

Portugal's steel sector has a very high risk of default. Metal producers and sellers were hit by the deterioration in demand from key purchasing sectors such as automotive, construction and engineering. According to the latest estimates, value added in the sector fell by more than 15% in 2020. The financial condition of companies has seriously deteriorated, which has led to additional pressure on prices. Nevertheless, both problem loans and bad debts improved in the second half of 2020 after worsening in the first, and this improving trend should continue.

Portugal's paper sector has a high risk of default. In 2019, the industry was strongly affected by the continued increase in pulp prices on international markets, combined with a very competitive market environment. This led to a deterioration in business profitability. Some leading companies in the industry suffered significant losses. A further deterioration in demand due to the 2020 economic downturn and social distancing measures led to a reduction in value added of almost 9% in 2020.

The Chemicals and Pharmaceuticals sector in Portugal has a medium risk of default. Many chemical companies have been affected by the deterioration in demand from major purchasing sectors at the national and global levels. However, chemical value added is expected to continue to grow after a 6.5% contraction in 2020. The value added of pharmaceuticals is estimated to have increased by 7% in 2020 due to increased healthcare spending.

Portugal's services sector has a very high risk of default. Due to extensive social distancing measures, many segments have been hit hard, especially hotels,

restaurants, bars, shows, cultural events, travel agencies and tour operators. The value added of the hotel industry is estimated to have fallen by approximately 32% in 2020. The second wave of the pandemic led to a new series of restrictive measures introduced by the Portuguese administration, including early closures and safety measures such as mandatory work from home. This and the scope of various other measures could further complicate the outlook for the sector going forward. Non-performing loans and insolvencies rose sharply in the first nine months of 2020. Although they fell again in the fourth quarter of 2020, new growth is unlikely. An increase in the future is not excluded, depending on the development of the pandemic and various other external factors.

Portugal's textile sector has a very high risk of default. Manufacturers, wholesalers and retailers suffered from stiff competition and low margins even before the pandemic. In addition, they were affected by the deterioration of sales in the country and on foreign markets. After a 4.6% contraction in 2019, value added in the sector is estimated to have fallen again in 2020 by 15% and is expected to recover gradually and slowly in the future, unless there are unexpected restraints. Small retailers have been particularly hard hit by the negative effects of Portugal's lockdown during the pandemic and a lack of consumer confidence. In 2020, loan delinquencies have increased significantly in this sector. The number of bankruptcies is high and is expected to remain high in the near future.

Turning to the characterization of Ireland's default risk, it can be emphasized that after the last crisis economic situation, which was associated with the economic crisis of 2008-2009, Ireland experienced a real economic boom, significantly normalizing and stabilizing its economic situation.

According to a report by rating agency FitchRatings, Ireland's default risk is low because Ireland has strong institutions and one of the highest GDP per capita figures, even when accounting for the large influence of multinational companies (MNEs) on national accounts data. Ireland's credit profile also benefits from very favorable governance performance and the euro's reserve currency status. These features are offset by high government debt-to-income ratios and risks to medium-term growth due to potential changes in international corporate tax policy and continued uncertainty about the impact of Brexit.

Ireland's debt-to-GDP ratio fell by around 9 percentage points in 2022 to 46.5% (Fig. 5). If we compare this figure with other PIIGS countries, it is almost 3 times less than in the «sister countries» due to debt and economic problems in the past. Steady economic growth and a sizeable primary surplus are projected to contribute to a rapid reduction in debt to 35.3% of GDP by the end of 2024.

Looking at Ireland's fiscal sustainability, Ireland's exceptional revenue performance and the disruption of

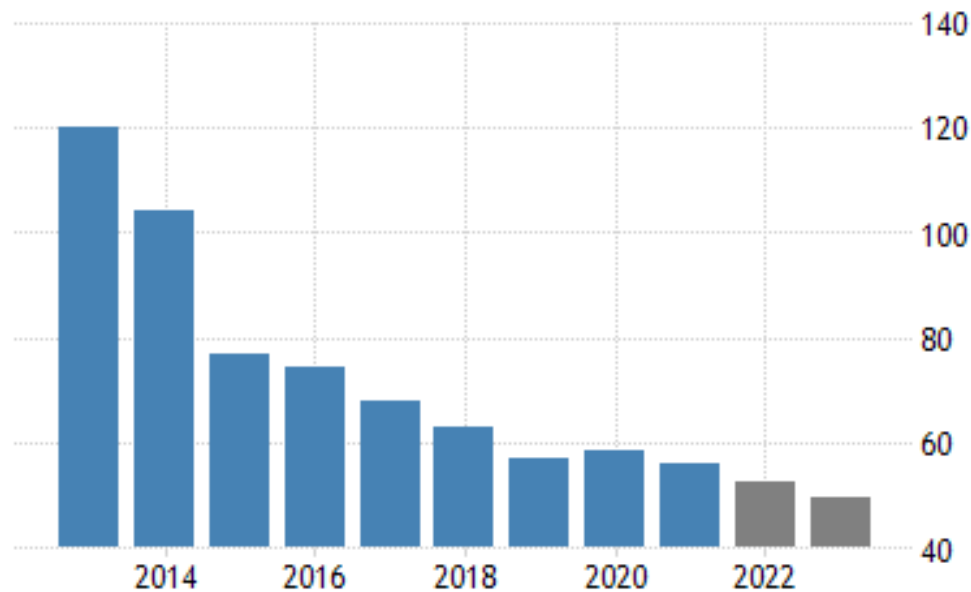


Fig. 5. Public debt to GDP of Ireland, in percent by year

Source: author own calculations on the basis analysis

support from COVID-19 are forecast to lead to a general government surplus of around 1% of GDP in 2023. Despite the significant cost of living support package approved in the Irish budget for 2023 (€11 billion, equal to 2.2% of GDP or 4.2% of modified national income;) and the slowdown in growth, the budget surplus is expected to continue to strengthen and reach 1.7% of GDP in 2023 and 2.3% of GDP in 2024 compared to a weighted average for the Eurozone of -3.9% of GDP and -3.3% of GDP, respectively.

In 2022, Treasury receipts increased by €14.2 billion (2.9% of GDP), or 16.5%, with approximately half of this increase coming from corporate income tax (up 47.8%). The rapid growth was caused by both temporary and permanent factors.

Ireland's economy is expected to grow much faster than similar countries, including PIIGS countries. Adjusted domestic demand, which excludes the effects of MNCs, is forecast to increase by 2.3% and 3.3%, compared to the Eurozone weighted average of 0.4% and 1.9%, respectively. A tight labor market, a strong pipeline of MNE investment and increased government spending are key factors behind Ireland's relative economic strength, and consequently its low default risk and strong and effective fiscal sustainability.

Turning to the situation with the risk of Greek default, it is worth saying that although Greece has a very large indicator according to the latest data, economic activity in Greece in 2021 recovered at a faster pace after the consequences of the pandemic, which still hit the Greek economy in 2020 and the beginning of 2021. Real GDP growth for 2021 is estimated to be approximately 8.3% overall. Real GDP growth in Q1-Q3 2021 was 9.5% compared to the corresponding period in 2020, and

real GDP in Q3 2021 was estimated to be about 1% higher than in Q4 2019, which was before the COVID-19 pandemic.

The strong dynamics of economic growth and the reduction of the budget deficit will contribute to a faster-than-expected reduction in public sector indebtedness in the context of low current and expected borrowing costs. Greek banks have made significant progress in improving asset quality, sharply reducing the level of non-performing loans (NPLs) in the banking sector and increasing their ability to lend to the real economy.

Greece's economic recovery is expected to continue in 2023 as the deployment of NGEU funds gathers pace, and the Greek economy will grow by another 4.1%. The grant component is included in the Greek recovery program. and the Resilience Plan (RRP) is around €18 billion (just under 10% of 2019 nominal GDP) to be paid out over six years.

The combination of stronger-than-expected economic growth in Greece and a narrowing of the public budget deficit thanks to a significant reduction in pandemic-related support will help reduce its public debt-to-GDP ratio. Greece's debt ratio is estimated to have fallen to 198.4% in 2021 from 206.3% in 2020, and is forecast to fall to 190.3% in 2022 and then to 185.3% by the end of 2023 (Fig. 6).

Greece fully repaid outstanding loans from the IMF in 2022 and early repaid loan tranches in 2022 from the Greek Credit Facility, the first financial support program for Greece agreed in 2010. In total, these payments amount to €7.2 billion (about 3.8% of projected GDP), with around half of this estimated to have been financed from cash reserves. The monetary policy of the European Central Bank (ECB) supports such financing



Fig. 6. Public debt to GDP of Greece, in percent by year
Source: author own calculations on the basis analysis

conditions. Thus, the default of Greece is not threatened in the near future.

As for fiscal sustainability, one can only positively assess Greece's commitment to fiscal discipline, which it is trying to maintain. However, the consequences of the Russian invasion of Ukraine create additional uncertainty around the forecasts of further fiscal sustainability. A longer-term impact on commodity prices and inflation could lead to lower growth in the Greek economy. Additional measures may be needed to mitigate impacts on businesses and households. A prolonged or wider conflict could exacerbate the existing effects of the pandemic, lead to weaker growth and further delay the rebalancing of the fiscal accounts. Despite the lack of strong economic ties with the Russian Federation, Greece's economic growth slowed to 3.1% in 2022, according to the Stability Program, from initial estimates of 4.5%. This is mainly due to rising commodity prices and the negative impact of high inflation. Successive crises, first the pandemic and then the war in Ukraine, confirm the importance of strengthening economic fundamentals, increasing economic diversification and maintaining fiscal buffers that could support the economy's ability to cope with unexpected economic shocks.

So, to summarize, Spain was the most affected by the crisis related to the COVID-19 pandemic, due to which its economy suffered significant losses and the debt crisis worsened, but the help of the European Union and the gradual recovery of the economy after the decline of restrictive pandemic measures made the economic

situation in Spain is more or less stable and controlled, however, a new possible wave of the COVID-19 pandemic may make the situation critical, which may seriously shake the fiscal stability of Spain and bring the risk of default of this country closer. In Italy, the situation is difficult because it has a very large national debt and any economic problems or crises can bring the situation out of control, and the fiscal stability of Italy rests only on a limited part of the population, which is mainly officially employed workers and pensioners, which puts Italy's fiscal stability in a precarious position. Although the situation in Portugal is closely monitored by various European Union structures, as in Spain, and Portugal itself has a strong commitment to a prudent fiscal policy, many different sectors of industries in Portugal are still in a difficult position, and some of them have very high level of default, so helping these enterprises should be a priority for Portugal to ensure both fiscal stability and a low default risk of its country. In Ireland, the risk of default is low due to the fact that Ireland has strong government institutions and one of the highest indicators of GDP per capita, so there are no risks to the country's fiscal stability. Looking at Greece, one can only positively highlight its commitment to fiscal discipline and the fact that it has a positive trend in debt repayment, even despite the crisis related to the COVID-19 pandemic, but it remains to be seen how strong the crisis from the Russian invasion to Ukraine will affect the still weak economy of Greece, which has only just recovered from the consequences of past crises.

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РИЗИК ДЕФОЛТУ ТА ФІСКАЛЬНА СТІЙКІСТЬ У КРАЇНАХ PIIGS

Казакова Надія Артурівна, канд. геогр. наук, доцент, завідувач кафедри міжнародних економічних відносин, імені Артура Голікова, Харківський національний університет імені В. Н. Каразіна, м. Свободи, 6, м. Харків, Україна, 61022, e-mail: n.a.kazakova@karazin.ua,
ORCID: <http://orcid.org/0000-0002-4592-1466>

Петров Георгій Андрійович, магістр міжнародних відносин, суспільних комунікацій та регіональних студій, міжнародні відносини та регіональні студії: європеїстика, Харківський національний університет імені В. Н. Каразіна, м. Свободи, 6, м. Харків, Україна, 61022, e-mail: petrov2021.9717635@student.karazin.ua,
ORCID: <http://orcid.org/0000-0002-1413-8997>

За весь час існування та розширення Європейського Союзу, посилювалася і інтеграція економік нових країн союзу. Таким чином у 1990-х роках і виник термін «країни PIIGS», який набув найбільшого поширення після фінансової кризи в ЄС 2008 року, і який часто використовувався щодо південноєвропейських країн ЄС (Португалії, Ірландії, Італії, Греції та Іспанії), які найбільш постраждали від зростаючої заборгованості та економічної вразливості. Завжди в економічному середовищі були менш розвинені держави та більш проблемні країни, які сьогодні і підпадають під класифікацію периферійних країн Європейського Союзу. Предметом дослідження в статті є ризик дефолту і фінансова стійкість країн PIIGS. Мета – полягає у визначенні існуючих ризиків дефолту і наявних порушень фінансової стійкості в країнах PIIGS. Завдання: дослідження динаміки розвитку економік країн PIIGS в умовах сучасних криз і викликів. Використовуються загальнонаукові методи: системний аналіз - для визначення особливостей розвитку економік країн PIIGS, метод порівняльного аналізу, завдяки якому проаналізовано особливості економік країн PIIGS, особливості їх боргової та фінансової політики. Також порівняльний аналіз – використаний для дослідження різниці між країнами PIIGS у питаннях їх ризику дефолту і фінансової стійкості. Отримано такі результати: на основі проведеного аналізу боргової та фінансової стійкості країн PIIGS виявлено проблемні аспекти та визначено складові економік цих країн, а також обчислено фактори, що мають вплив на ризик дефолту і якість фінансової стійкості країн PIIGS. Висновки: У статті визначено ризики дефолту для кожної із країн PIIGS і їх рівень фінансової стійкості. Досліджені і запропоновані різні методи вирішення економічних проблем для країн PIIGS, які допоможуть цим країнам уникнути дефолту, та покращити свою фінансову стійкість. Проведено дослідження кожної із країн PIIGS окремо. Це дало можливість зробити прийнятні висновки щодо кожної країни.

Ключові слова: боргова криза, державний борг, інфляція, країни PIIGS, ризик дефолту, фінансова стійкість.