Fitch 'Not Convinced' Greece Understands Debt Crisis's Severity
2009-12-09 12:04:02.124 GMT

By Anna Rascouet

Dec. 9 (Bloomberg) -- Christopher Pryce, a London-based analyst at Fitch Ratings, said he's "not convinced" Prime Minister George Papandreou or his cabinet understands the severity of the nation's fiscal problems.

Fitch cut Greece's credit rating yesterday one step to BBB+, the third-lowest investment grade, on concern the nation may struggle to meet its debt commitments as public finances deteriorate.

Pryce spoke in two interviews today.

On the European Central Bank's promise not to let euro-region countries default on their debt:

"Their intention is not to let a euro-area country default. Whether they are prepared to do what might be necessary to save Greece under certain circumstances, I can't be sure."

On why Fitch cut Greece's rating:

"The inadequate response of the government, as indicated by their draft budget for 2010. It did not effect a big enough reduction in the deficit.

"I spent two hours on the phone with the finance minister a couple of days ago, and he understands the position they're in. I am not convinced that the cabinet, even the prime minister, understand just how severe the situation is.

"The jury is still out on whether the cabinet really backs the austerity measures that are necessary. This budget has been put together by a very hard-working, conscientious finance minister, but nothing in it is substantial. They tell us they sacked 11,000 public-sector employees. It turns out they were hired in the last weeks of the last government."

On whether Greece faces a further rating cut:

"We've left it on negative outlook, which means it is possible. I wouldn't say it is likely any time soon. Our intention is to give the new government a year or so if we can. Who can tell what storms will hit next?

"If the deficit was cut next year by some concrete expenditure-reducing measures, then that would make us look more favorably at Greece. If expenditure continues to run out of control, then obviously we'd have to take further measures."

On Greece's falling bonds:

"It's in the hands of the government. The market changes, but not unless the government does something that convinces people that it understands the problem and is prepared to make their voters suffer."

On likelihood of downgrades elsewhere in Europe:

"In Europe, I think not, and certainly not in the euro area. Ireland is a wholly different case. The government is in control, knows what it is doing and is prepared to inflict quite harsh measures to its budget.

"I'm reasonably confident about Great Britain and reasonably confident about Italy too."

For Related News and Information:
Top Stories: TOP <GO>

--Editors: Dennis Fitzgerald, Daniel Tilles

To contact the reporter on this story:
Matthew Brown in London at +44-20-3216-4059 or
mbrown42@bloomberg.net

To contact the editor responsible for this story:
Justin Carrigan at +44-20-7673-2502 or
jcarrigan@bloomberg.net