

Greece: January – October 2016 State Budget Execution & September 2016 General Government arrears

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- According to the final State Budget Execution data for January – September 2016, the budget balance recorded a surplus of ca €1.31 bn, €2.92 bn narrower relatively to the respective 2017 Budget (B17) target (deficit €1.61 bn). The primary balance recorded a surplus of ca €6.50 bn, significantly outperforming the B17 target (primary surplus €3.57 bn) (Table 1). Note that we use the B17 fiscal targets for 2016. The B17 was tabled in the Hellenic Parliament a week ago and a roll call vote is expected by December 10th 2016.
- In more detail, ordinary budget net revenue for January – October 2016 (Fig.1) amounted to ca €40.08 bn, higher by ca €0.92 bn (or 2.3%) and €3.42 bn (or 9.3%) compared with the monthly B17 target and the corresponding 2015 figure, respectively.
- Total tax revenue over-performed by ca €0.62 bn (or 1.7%) with respect to the B17 target. On the direct taxes, revenues from the personal income tax (by 1.2%) & corporate income tax (by 11.8%) and revenue from other direct taxes (0.8%) outperformed the respective B17 targets. Revenue from property taxes decreased by ca -0.9% relative to their respective B17 targets. Direct tax arrears revenue was in line with the respective B17 target. With regard to indirect taxes, VAT revenue increased by 1.2% compared with the B17 target. VAT revenue on fuel decreased by -0.2% (which is mainly due to lower oil prices and good weather conditions (heating oil)) compared with the B17 target. VAT revenues from tobacco and all other goods increased by 0.6% and 1.3%, respectively, in comparison with their B17 targets, as a result of: (i) the planned increase on the tobacco products' indirect taxes from January 2017 onwards; (ii) the VAT rate hike decided on May 2016 in the context of the 1st programme review; (iii) the abolition of lower VAT rates on a series of Greek islands; and (iv) the improved use of electronic means of payment. Consumption taxes increased by 0.6% compared with the respective B17 target. Tax refunds grew by -3.6% (or €0.09 bn) relative to the respective B17 target. Non-tax revenue outperformed their B17 target by ca €0.21bn or 5.4%.
- Ordinary budget expenditure (Fig.1) for January-October 2016, amounted to ca €38.51 bn, undershooting the respective B17 target by ca €1.12 bn (or -2.8%), but were ca €0.78 bn (or 2.1%). higher than the respective 2015 figure. Primary spending was lower than the respective B17 target by ca €0.73 bn (or -2.2%). Military spending was at €0.15 bn, undershooting the respective B16 target by €0.30 bn (or -67.4%).
- Public Investment Budget (PIB) total revenue for January-October 2016 amounted to ca €2.73 bn, higher by ca €0.02 bn (or 0.7%) relative to the respective B17 target albeit lower by €0.36 bn (or -11.7%) on an annual basis. PIB total expenditure amounted to ca €2.99 bn, ca €0.86 bn (or -22.3%) lower compared with the respective B17 target but higher than the respective 2015 figure by ca €0.17bn (or 6.0%).

Key takeaway

The January-October 2016 adjusted primary balance (APS) (Fig.2) registered a surplus of €4.41 bn from €1.47 bn in August 2016, as a result of the revenue improving factors mentioned above, raising expectations for the achievement of the 1.1% of GDP¹ upwardly reassessed B17 primary surplus target. The latter will also be conditional on the strict implementation of the fiscal measures agreed in the context of the 1st programme review, the ability of the Revenue Agency to deliver in its targets and the taxpayers' ability to meet their tax obligations and the nonoccurrence of negative surprises on the expenditure targets for 2016 in B17.

According to the bulletin on General Government (GG) arrears, by the end of September 2016 total funds that were transferred to the various GG entities for arrears clearance stood at €2.15 bn. The actual payments to the private sector were only at €1.87 bn. As a result total GG arrears (including tax arrears) at the end of September were reduced at €6.21 bn, an encouraging development.

¹ For information on the B17: https://www.eurobank.gr/Uploads/Reports/GLOBAL_FOCUS_NOTE_20161125.pdf

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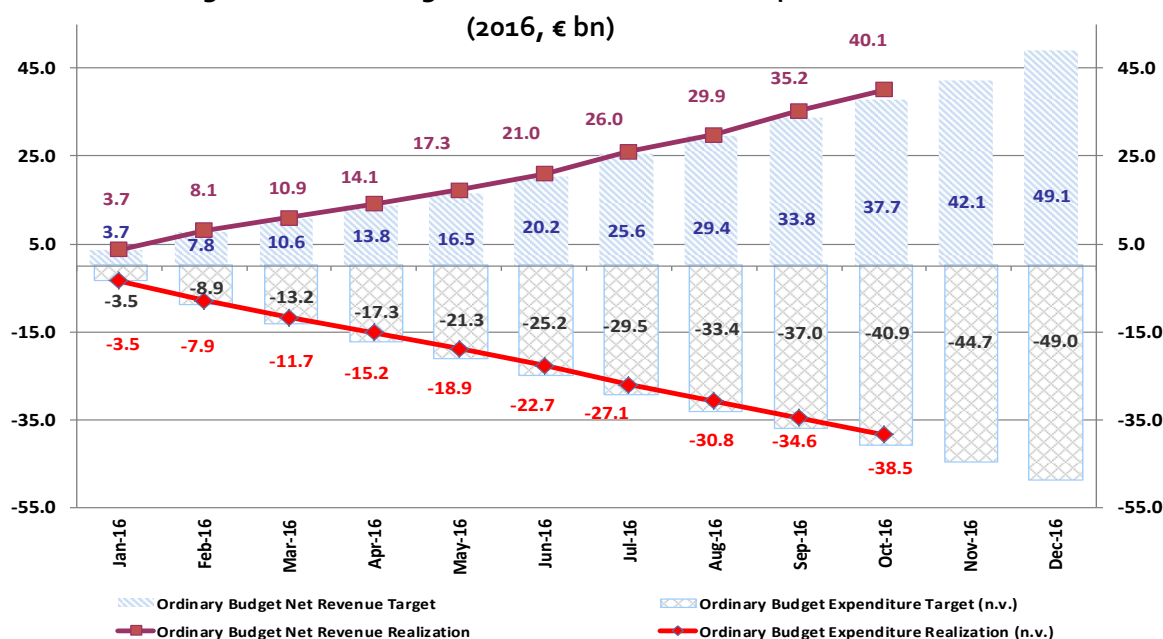
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	Jan-October 2015	Jan-October 2016	2017 Budget target Jan-Oct 2016	%YoY	%target
Primary balance	4.53	6.50	3.57	43.5%	82.0%
Fiscal Balance	-0.79	1.31	-1.61	-265.4%	-181.6%
Ordinary Budget Net Revenue	36.66	40.08	39.16	9.3%	2.3%
Revenue before tax refunds	38.72	42.39	41.56	9.5%	2.0%
Privatizations revenue	0.21	0.08	0.07	-	-
Tax refunds	2.28	2.39	2.48	4.8%	-3.6%
Ordinary Budget Expenditure	37.73	38.51	39.63	2.1%	-2.8%
Primary Expenditure	31.45	32.79	33.51	4.2%	-2.2%
Military equipment procurement payments	0.12	0.15	0.45	25.4%	-67.4%
Guaranties	0.70	0.32	0.43	-54.2%	-24.5%
Guaranties to bodies classified inside GG	0.67	0.30	0.30	-55.9%	-2.3%
Guaranties to bodies classified outside GG	0.03	0.03	0.12	-18.8%	-78.9%
Net Interest Expenditure	5.33	5.19	5.18	-2.5%	0.2%
EFSF fee, etc	0.13	0.06	0.06	-54.2%	9.1%
Total Public Investment Budget Revenue	3.10	2.73	2.72	-11.7%	0.7%
EU Revenues	2.82	2.53	2.54	-10.0%	-0.1%
Own Participation	0.28	0.20	0.18	-28.3%	11.1%
Total Public Investment Budget Expenditure	2.82	2.99	3.85	6.0%	-22.3%
National Contribution	0.21	0.39	0.34	88.3%	13.5%
Cofinanced part	2.62	2.60	3.51	-0.5%	-25.8%

Source: Ministry of Finance

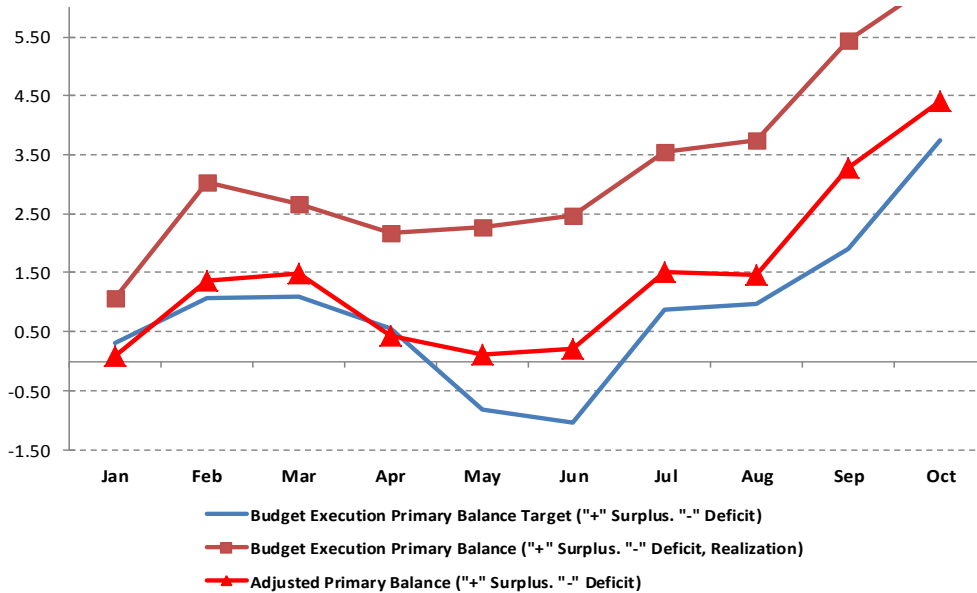
Note: Available at http://minfin.gr/sites/default/files/financial_files/STATE_BUDGET_EXECUTION_BULLETIN_10_2016_F.pdf

Figure 1: State Budget Execution Revenue & Expenditure



Source: Ministry of Finance, Eurobank Research

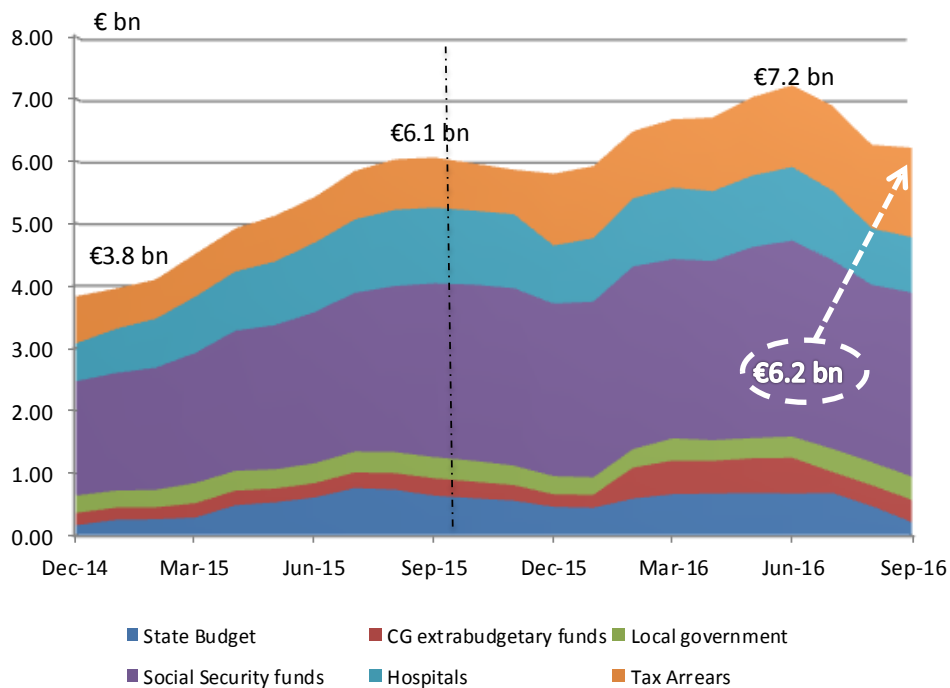
Figure 2: The Adjusted Primary Balance
(€ bn, monthly, October 2016)



Source: Eurobank Research

Note: The adjusted primary balance is calculated under the working assumptions that: a) ordinary budget revenue was at its current level, and b) tax refunds, budget expenditure and PIB revenue and expenditure were at their target levels.

Figure 3: GG Total Arrears including Tax Arrears
(€ bn, monthly, September 2016)



Source: Ministry of Finance, Eurobank Research

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