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Greece: January – April 2017 State Budget Execution & April 2017 General Government Arrears

- According to the final State Budget Execution data for January – April 2017, the budget balance recorded a deficit of ca €1.14 bn, ca €0.90 bn narrower relatively to the respective 2017 Budget (B17) target (deficit €2.04 bn). The primary balance recorded a surplus of ca €1.73 bn, outperforming the B17 target (primary surplus €0.80 bn) (Table 1).
- In more detail, ordinary budget net revenue for January – April 2017 (Fig.1) amounted to ca €14.56 bn, lower by ca €0.16 bn (or -1.1%) compared to the respective B17 target but €0.45 bn (or 3.2%) higher than the corresponding 2016 figure.
- Total tax revenue underperformed by ca €0.07 bn (or 0.6%) with respect to the B17 target. Direct taxes revenue registered an increase of 7.9%, mainly as a result of the over-performance relative to the respective B17 targets of a) the revenue from the property taxes (50.3%), b) the direct taxes arrears (44.3%), c) the revenue from other direct taxes (10.5%) and d) the revenue from the corporate income tax (67.7%). Personal Income tax revenue was below the respective B17 target by -8.7%. With respect to indirect taxes, total VAT revenue decreased by -4.5% compared with the B17 target. VAT revenue on fuel fell by -3.9% relative to the B17 target while VAT revenue from tobacco rose by 0.6% compared to the respective B17 target. VAT revenue from all other goods decreased by -3.4% compared to the respective B17 target and consumption taxes decreased by -8.8% in comparison with the respective B17 target. Tax refunds grew by €0.28 bn (or 29.0%) relative to the respective B17 target. Non-tax revenue outperformed their B17 target by 8.1% mainly as a result of the higher than expected Bank of Greece dividend (February 2017).
- Ordinary budget expenditure (Fig.1) for January-April 2017 amounted to ca €15.91 bn, undershooting both the respective B17 target by ca €1.16 (or -6.8%), and the respective 2016 figure by ca €0.16 bn (or -1.0%). Primary spending was lower by -8.3% compared to the respective B17 target.
- Public Investment Budget (PIB) total revenue for January-April 2017 amounted to ca €0.74 bn, lower by ca €0.67 bn (or -47.3%) and €1.17 bn (or -61.2%) relative to the respective B17 target and the 2016 realization. PIB total expenditure amounted to ca €0.54 bn, lower by ca €0.57 bn (or -51.5%) and ca €0.38 bn (or -41.8%) compared with the respective B17 target and the 2016 realization.
- According to the General Government (GG) Budget Execution data for January-April 2017, total GG arrears (including tax arrears of €1.05 bn) at the end of April 2017 stood at €4.96 bn from €5.08 bn in the previous month. All the main categories of GG arrears were lower compared to the previous month with the exception of the State Budget arrears that increased by ca €0.04 bn (or 18.7%) on a monthly basis

Key takeaway

The January-April 2017 adjusted primary balance (APB) (Fig.2) registered a surplus of €0.95 bn. Even though it was improved on a monthly basis, it was just €0.15 bn higher compared to the B17 primary balance target (Table 1). This result signals a downward risk for the achievement of the 2017 GG primary balance target (1.75% of GDP). VAT revenue excluding fuel and tobacco, underperformed despite a) the improved GDP performance in Q1:2017 (GDP growth at 0.4% yoy, ELSTAT), b) the various VAT rate hikes decided in the context of the 1st review (June 2016) of the Third Economic Adjustment Programme (TEAP), and c) the increase in the use of electronic means of payments (and the curbing of tax evasion) as a result of the new tax regulations effective from January 1st 2017 that relate income tax reduction with e-payments.

The expected conclusion of the 2nd TEAP review and the ensuing disbursement of the respective installment for the payment of the July 2017 public debt obligations will permit the use of the GG cash buffer that now remains idle at the Bank of Greece for the partial payment of arrears. However, the total GG arrears (including tax refund and pensions arrears of ca 2.4 bn currently not included in the aforementioned official figure) are expected to be eliminated by the end of June 2018 (instead of end 2017 previously), a negative development for domestic economy liquidity conditions.

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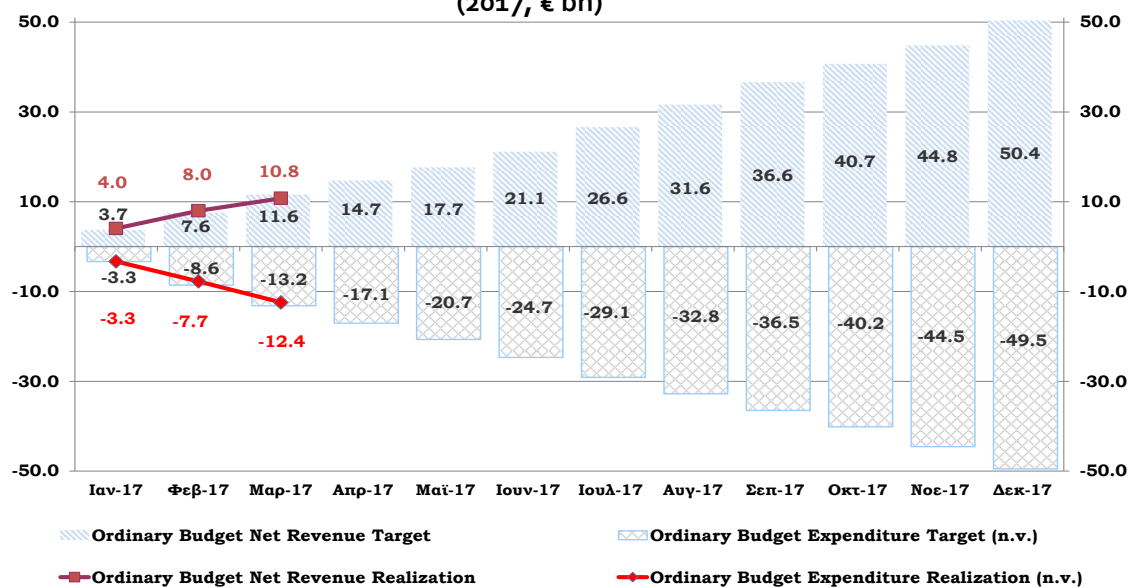
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	Jan-April 2016	Jan-April 2017	2017 Budget target Jan-April 2017	%YoY	%target
Primary balance	1.91	1.73	0.80	-9.4%	116.3%
Fiscal Balance	-0.97	-1.14	-2.04	17.4%	-44.1%
Ordinary Budget Net Revenue	14.11	14.56	14.72	3.2%	-1.1%
Revenue before tax refunds	15.03	14.87	14.33	-1.1%	3.7%
Privatizations revenue	0.05	0.96	1.37	-	-
Tax refunds	0.98	1.26	0.98	29.0%	29.0%
Ordinary Budget Expenditure	16.07	15.91	17.07	-1.0%	-6.8%
Primary Expenditure	13.19	13.04	14.23	-1.2%	-8.3%
Military equipment procurement payments	0.03	0.10	0.03	285.2%	246.7%
Guaranties	0.31	0.53	0.57	70.8%	-8.4%
-Guaranties to bodies classified inside GG	0.31	0.52	0.53	71.1%	-0.8%
-Guaranties to bodies classified outside GG	0.00	0.01	0.05	25.0%	-89.6%
Debt Assumptions of General Government Bodies	0.54	0.19	0.00	-64.7%	#DIV/0!
Disbursement fee to banks, EFSF, and other government debt expenses	0.00	0.00	0.03	-50.0%	-96.7%
Public Debt Commission revenue	0.09	0.00	0.00	-100.0%	#DIV/0!
Net Interest Expenditure	2.88	2.87	2.84	-0.3%	1.0%
Total Public Investment Budget Revenue	1.91	0.74	1.41	-61.2%	-47.3%
EU Revenues	1.85	0.60	1.33	-67.6%	-55.0%
Own Participation	0.06	0.14	0.08	149.1%	86.8%
Total Public Investment Budget Expenditure	0.92	0.54	1.10	-41.8%	-51.5%
National Contribution	0.14	0.09	0.11	-35.5%	-16.5%
Cofinanced	0.78	0.44	1.00	-42.9%	-55.4%

Source: Ministry of Finance

Figure 1: State Budget Execution Revenue & Expenditure

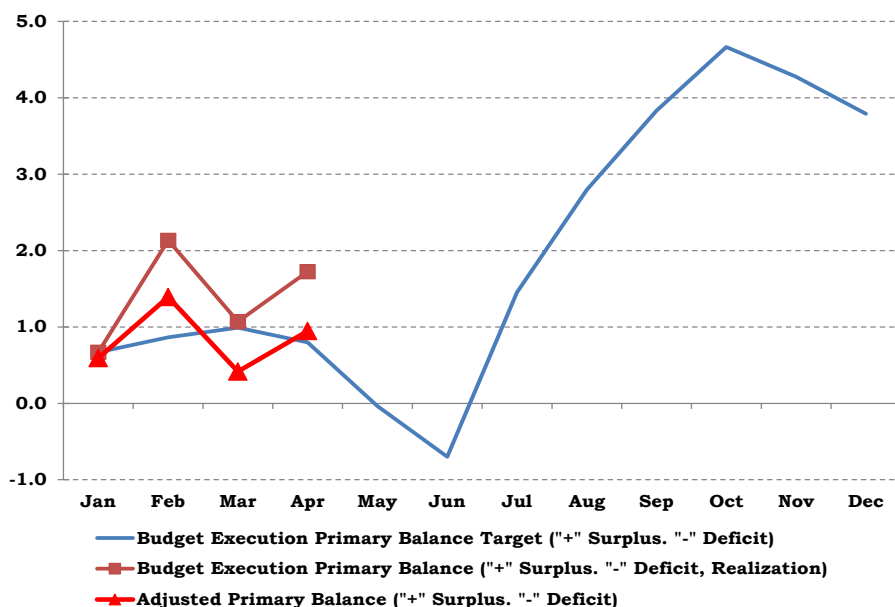
(2017, € bn)



Source: Ministry of Finance, Eurobank Research

Note: n.v. stands for negative value

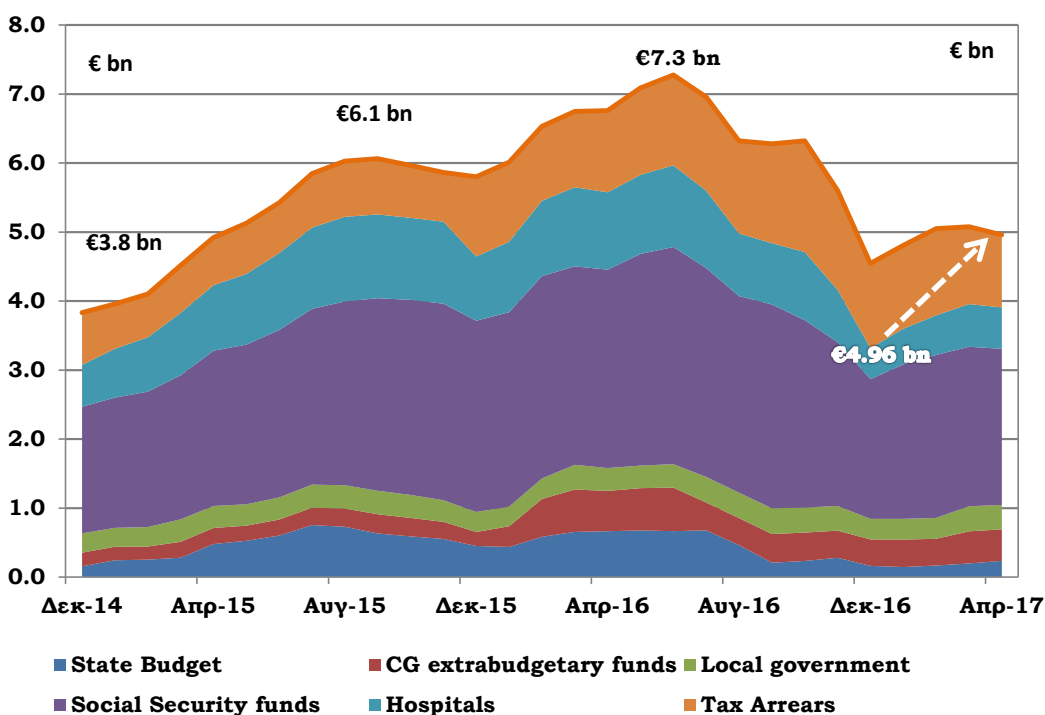
Figure 2: The Adjusted Primary Balance
(€ bn, monthly, April 2017)



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, April 2017)



Source: Ministry of Finance, Eurobank Research

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