

Dr Theodoros Stamatiou
 Senior Economist
tstamatiou@eurobank.gr

Greece: January – December 2016 State Budget Execution & November 2016 General Government arrears

- According to the final State Budget Execution data for January – December 2016, the budget balance recorded a deficit of ca €1.14 bn, ca €2.48 bn narrower relatively to the respective 2017 Budget (B17) target (deficit €3.62 bn). The primary balance recorded a surplus of ca €4.44 bn, significantly outperforming the B17 target (primary surplus €1.98 bn) (Table 1).
- In more detail, ordinary budget net revenue for January – December 2016 (Fig.1) amounted to ca €49.86 bn, higher by ca €1.88 bn (or 3.9%) and €3.27 bn (or 7.0%) compared with the monthly B17 target and the corresponding 2015 figure, respectively.
- Total tax revenue over-performed by ca €1.70 bn (or 3.7%) with respect to the B17 target. On the direct taxes, revenue from the personal income tax (by 2.0%), the corporate income tax (by 14.1%), the property taxes (8.7%), as well as revenue from other direct taxes (2.0%), outperformed the respective B17 targets. Direct tax arrears revenue was above the respective B17 target by 8.7%. On the indirect taxes, VAT revenue increased by 2.1% compared with the B17 target. VAT revenue on fuel increased by 3.5% [as a result of the higher than previously expected oil prices and the adverse weather conditions (heating oil)] compared with the B17 target. VAT revenue from tobacco and all other goods increased by 0.6% and 1.5%, 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 2.2% compared with the respective B17 target. Tax refunds grew by €0.02 bn (or -0.7%) relative to the respective B17 target. Non-tax revenue outperformed their B17 target by ca €0.16bn or 3.6%.
- Ordinary budget expenditure (Fig.1) for January-December 2016 amounted to ca €48.89 bn, undershooting the respective B17 target by ca €0.33 (or -0.7%), but were ca €0.35 bn (or 0.7%) higher than the respective 2015 figure. Primary spending was more or less in line with the respective B17 target. Military spending was at €0.01 bn, undershooting the respective B16 target by €0.01 bn (or -0.3%).
- Public Investment Budget (PIB) total revenue for January-December 2016 amounted to ca €4.18 bn, lower by ca €0.02 bn (or -4.5%) and €0.75 bn (or -13.5%) relative to the respective B17 and 2015 realization. PIB total expenditure amounted to ca €6.29 bn, lower by ca €0.46 bn (or -6.8%) and ca €0.12 bn (or -1.8%) compared with the respective B17 target and the 2015 realization.

Key takeaway

The January-December 2016 adjusted primary balance (APB) (Fig.2) registered a surplus of €3.82 bn (from €1.47 bn in August 2016), as a result of the revenue improving factors mentioned above. Even though the APB is lower by ca €0.62 bn compared to the realized primary balance, still is ca 0.98% above the respective B17 primary surplus target. Thus conditional on no-major negative surprises from the economic activity in Q4:2016 and on the balances of the various General Government (GG) entities, the achievement of a primary surplus of 1.1% of GDP is well within reach. As a result, 2016 will be the fourth consecutive year with a positive primary balance. However, only the 2014 outcome was mainly due to higher economic activity and not in additional fiscal measures.

According to the bulletin on General Government (GG) arrears, by the end of November 2016 total funds that were transferred to the various GG entities for arrears clearance stood at €3.28 bn [still lower from the respective ESM target of €4.3 bn (June 2016)]. The actual payments to the private sector were only at €2.56 bn. As a result, total GG arrears (including tax arrears) at the end of November 2016 stood at €5.60 bn from €6.32 bn the previous month. We expect that by the end of December 2016 the total stock of arrears will be reduced further as a result of a) the increase in the rate of actual payments and b) the disbursement of the remaining €0.32 bn from the October 2016 ESM installment .

DISCLAIMER

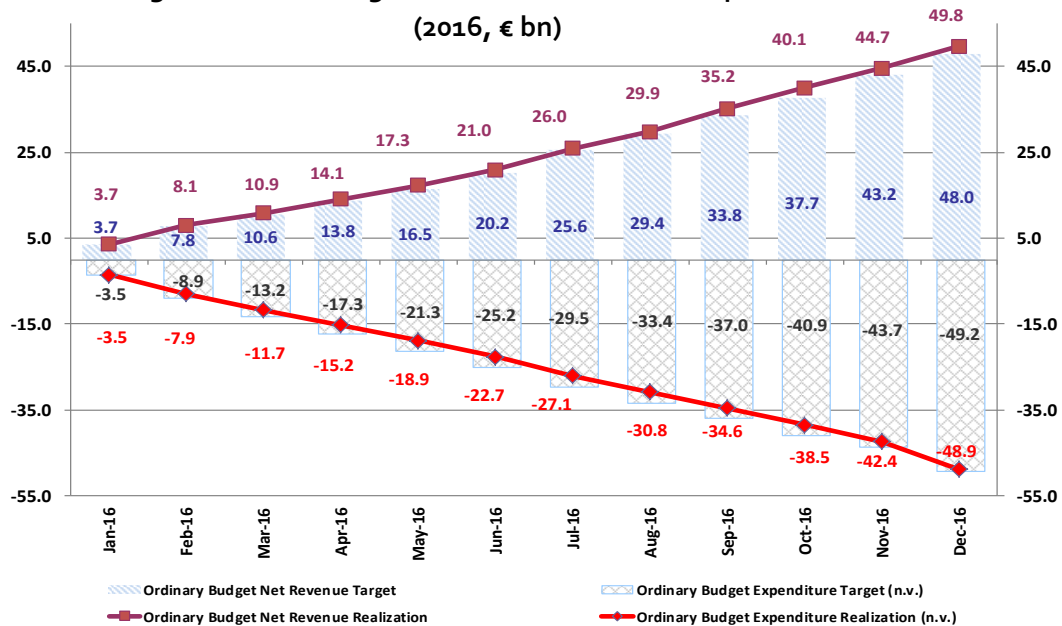
This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

	Jan-December 2015	Jan-December 2016	2017 Budget target Jan-Dec 2016	%YoY	%target
Primary balance	2.27	4.44	1.98	95.5%	123.8%
Fiscal Balance	-3.53	-1.14	-3.62	-67.7%	-68.5%
Ordinary Budget Net Revenue	46.59	49.86	47.98	7.0%	3.9%
Revenue before tax refunds	49.26	53.02	51.14	7.6%	3.7%
Privatizations revenue	0.25	0.11	0.12	-	-
Tax refunds	2.92	3.26	3.29	11.7%	-0.7%
Ordinary Budget Expenditure	48.55	48.89	49.22	0.7%	-0.7%
Primary Expenditure	41.30	42.25	42.27	2.3%	0.0%
Military equipment procurement payments	0.57	0.58	0.59	3.4%	-0.3%
Guaranties	0.70	0.41	0.51	-41.4%	-18.4%
Guaranties to bodies classified inside GG	0.66	0.38	0.36	-42.0%	4.4%
Guaranties to bodies classified outside GG	0.05	0.03	0.14	-33.3%	-77.3%
Net Interest Expenditure	5.80	5.58	5.60	-3.8%	-0.4%
EFSF fee, etc	0.18	0.07	0.06	-63.5%	18.2%
Total Public Investment Budget Revenue	4.83	4.18	4.38	-13.5%	-4.5%
EU Revenues	3.90	3.86	4.20	-1.0%	-8.0%
Own Participation	0.93	0.32	0.18	-66.0%	76.1%
Total Public Investment Budget Expenditure	6.41	6.29	6.75	-1.8%	-6.8%
National Contribution	0.68	0.83	0.75	22.3%	11.1%
Cofinanced part	5.73	5.45	6.00	-4.7%	-9.1%

Source: Ministry of Finance

Note: Available at <http://www.minfin.gr/?q=en/content/state-budget-execution-january-december-2016>

Figure 1: State Budget Execution Revenue & Expenditure



Source: Ministry of Finance, Eurobank Research

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

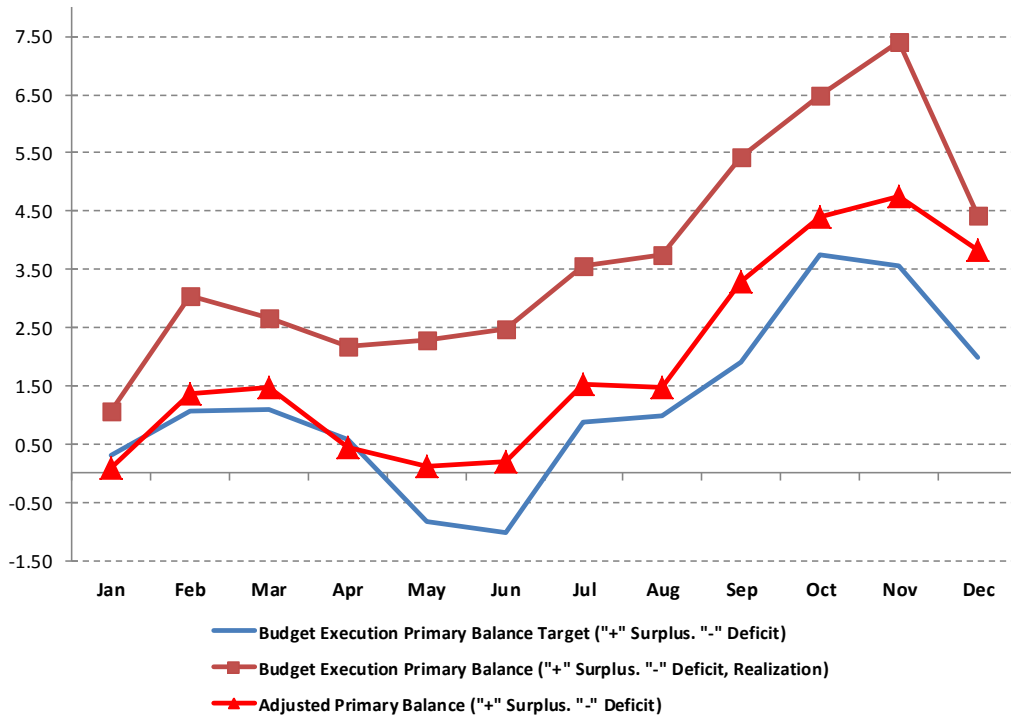
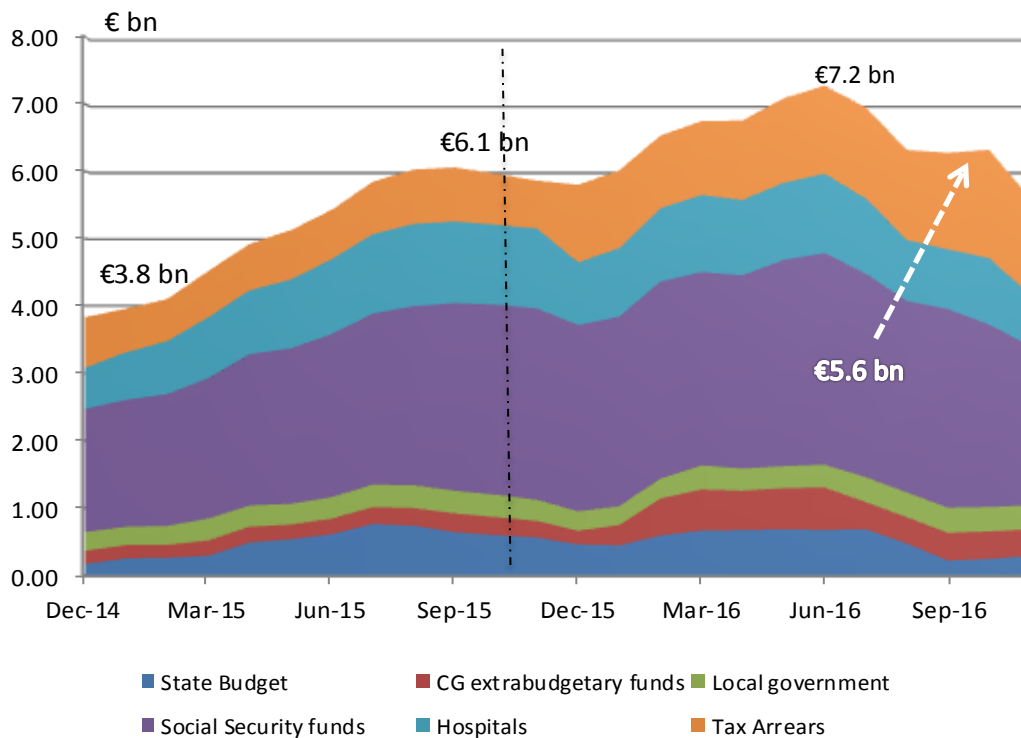


Figure 3: GG Total Arrears including Tax Arrears
(€ bn, monthly, November 2016)



Source: Ministry of Finance, Eurobank Research

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: *Group Chief Economist*
 pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: *Deputy Chief Economist*
 tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: *Economic Analyst*
 andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: *Research Economist*
 igkionis@eurobank.gr +30 210 33 71 225

Dr. Stylianos Gogos: *Economic Analyst*
 sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: *Economic Analyst*
 okosma@eurobank.gr +30 210 33 71 227

Arkadia Konstantopoulou: *Research Assistant*
 arkonstantopoulou@eurobank.gr +30 210 33 71 224

Paraskevi Petropoulou: *G10 Markets Analyst*
 ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: *Research Economist*
 gphoka@eurobank.gr, +30 210 37 18 922

Dr. Theodoros Stamatiou: *Senior Economist*
 tstamatiou@eurobank.gr, +30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: https://twitter.com/Eurobank_Group

