

Dr Theodoros Stamatiou
 Senior Economist
tstamatiou@eurobank.gr

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

- According to the final State Budget Execution data for January – July 2017, the budget balance recorded a deficit of ca €1.35 bn, ca €0.93 bn narrower relatively to the respective Medium Term 2018-21 (MTFS) target (deficit €2.28 bn). The primary balance recorded a surplus of ca €3.02 bn, outperforming the MTFS target by €0.93 bn (primary surplus €2.10 bn). Ordinary Budget net revenue and direct taxes under-performed their MTFS targets by €0.68 bn, and €0.24 bn respectively. Indirect taxes over-performed their MTFS targets by €0.23 bn. Ordinary expenditure stood at €27.55 bn, undershooting the respective MTFS target by €1.04 bn.
- In more detail, ordinary budget net revenue for January – July 2017 (Fig.1) amounted to ca €26.25 bn, lower by €0.68 bn (or -2.5%) compared to the respective MTFS target but €0.22 bn (or 0.8%) above the corresponding 2016 figure.
- Total tax revenue under-performed by ca €0.68 bn (or -2.5%) the respective MTFS target. Direct taxes revenue fell short by 2.5% of the respective MTFS target, mainly on the back of the under-performance of revenue from the personal (-7.1%) and corporate taxes (-4.7%) and revenue from other income taxes (-2.5%) and other direct taxes (-8.5%), both compared to the respective MTFS target. On the other hand, revenue from property taxes as well as direct tax arrears exceeded the MTSF target by 22.9% and 10.6% respectively. As regards indirect taxes, total VAT revenue exceeded the MTFS target by 2.1%. On a similar positive note, VAT revenue from tobacco and VAT revenue from all other goods exceeded the respective MTFS target by 0.6% and 3.1%. On the flip side, VAT revenue on fuel and consumption taxes revenue were 2.3% and 2.0% lower relative to the respective MTFS target.
- Privatization revenues came in at €0.97 bn, lower by €0.34 bn (or 26.2%) compared to the respective MTFS target. Tax refunds were at €2.31 bn (or 19.4%) higher relative to the respective MTFS target. Non-tax revenue outperformed their MTFS target by 0.3% mainly as a result of the higher than expected Bank of Greece dividend (February 2017).
- Ordinary budget expenditure (Fig.1) for January-July 2017 amounted to ca €27.55 bn, undershooting both the respective MTFS target by ca €1.04 (or -3.6%), and the respective 2016 figure by ca €0.50 bn (or -1.8%). Primary spending was lower by -4.3% compared to the respective MTFS target.
- Public Investment Budget (PIB) total revenue for January-July 2017 amounted to ca €1.07 bn, €0.05 bn higher (or 4.5%) compared to the respective MTFS target but lower by €0.98 bn (or -48.0%) relative to the respective 2016 realization. PIB total expenditure amounted to ca €1.11 bn, lower compared to both the respective MTFS target (by €0.52 bn or -31.9%) and the respective 2016 realization (by €0.59 bn or -34.7%).
- According to the Ministry of Finance, total General Government (GG) arrears (including tax arrears of €1.52 bn) at the end of July 2017 stood at €5.44 bn from €5.13 bn in the previous month (Fig.3). All the main categories of GG arrears remained unchanged compared to the previous month with the exception of the social security funds arrears and the tax arrears that registered an increase of €0.04 bn and €0.27 bn respectively.

Key takeaway

The January-July 2017 adjusted primary balance (APB) (Fig.2) registered a surplus of just €1.79 bn increased by €1.14 bn on a monthly basis and just €0.32 bn higher compared to the MTFS primary balance target (Table 1). We expect that tax revenues over the next few months will assist the achievement of the GG primary balance programme target for 2017 which is at 1.75% of GDP. However, the delayed clearance of arrears creates a risk for the timely disbursement of the next sub-tranche (€0.80 bn) from the loan tranche under the 2nd programme review (June 2017). At the same time, delays in the completion of certain privatization projects create a risk for the achievement of the respective 2018 revenue target and thus for the achievement of the 2018 fiscal target, at least in ESA2010 terms.

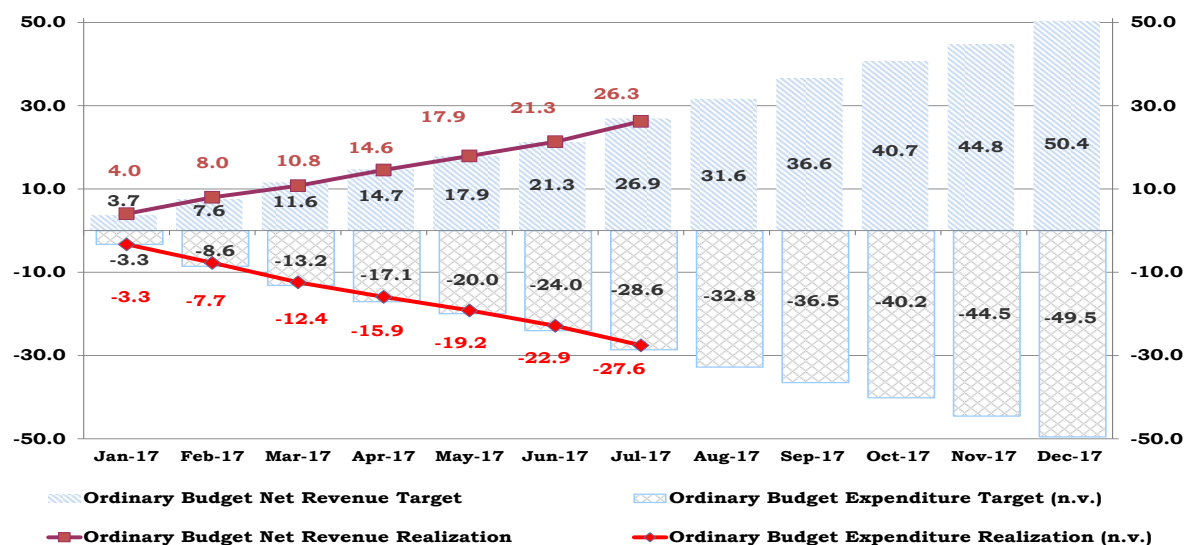
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	Jan-Jul. 2016	Jan-Jul. 2017	MTFS2018-21 target Jan-Jul. 2017	%YoY	%target
Primary balance	2.72	3.02	2.10	11.4%	44.1%
Fiscal Balance	-1.68	-1.35	-2.28	-19.4%	-40.7%
Ordinary Budget Net Revenue	26.03	26.25	26.93	0.8%	-2.5%
Revenue before tax refunds	27.70	27.59	27.56	-0.4%	0.1%
Privatizations revenue	0.06	0.97	1.31	1660.0%	-26.2%
Tax refunds	1.72	2.31	1.93	34.3%	19.4%
Ordinary Budget Expenditure	28.05	27.55	28.60	-1.8%	-3.6%
Primary Expenditure	23.66	23.18	24.22	-2.0%	-4.3%
Military equipment procurement payments	0.08	0.15	0.16	85.9%	-11.6%
Guaranties	0.68	0.63	0.67	-7.4%	-6.3%
-Guaranties to bodies classified inside GG	0.66	0.62	0.62	-6.2%	-0.2%
-Guaranties to bodies classified outside GG	0.02	0.01	0.05	-55.6%	-84.0%
Debt Assumptions of General Government Bodies	0.55	0.19	0.19	-65.3%	0.0%
Disbursement fee to banks, EFSF, and other government debt expenses	0.05	0.05	0.03	0.0%	36.4%
Public Debt Commission revenue	0.01	0.00	0.00	-100.0%	-
Net Interest Expenditure	4.39	4.38	4.38	-0.4%	-0.1%
Total Public Investment Budget Revenue	2.05	1.07	1.02	-48.0%	4.5%
EU Revenues	1.90	0.89	0.86	-53.2%	3.4%
Own Participation	0.14	0.17	0.16	20.3%	10.3%
Total Public Investment Budget Expenditure	1.71	1.11	1.64	-34.7%	-31.9%
National Contribution	0.26	0.26	0.23	1.6%	13.5%
Cofinanced	1.45	0.85	1.41	-41.1%	-39.3%

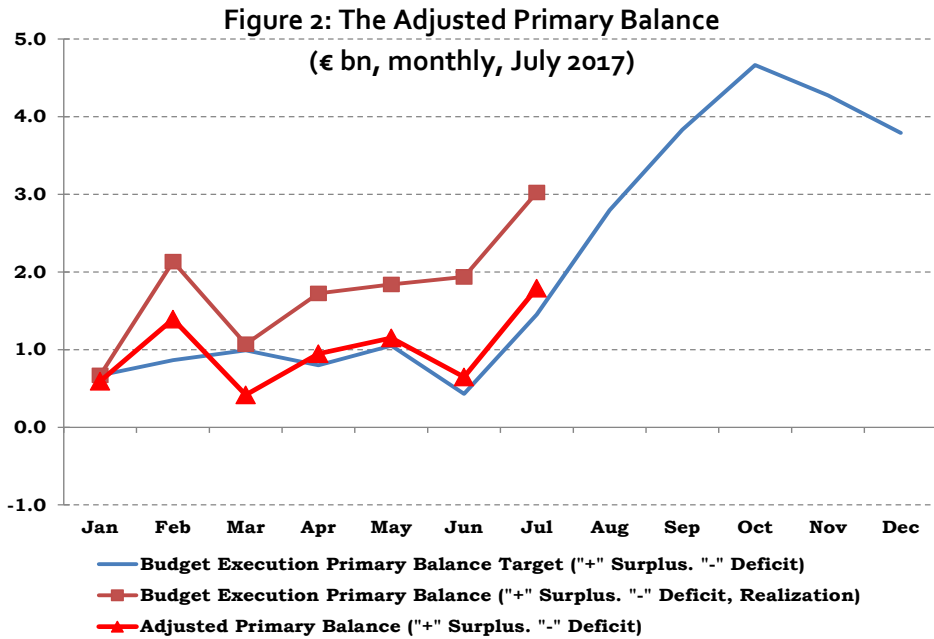
Source: Ministry of Finance

Figure 1: State Budget Execution Revenue & Expenditure
(2017, € bn)



Source: Ministry of Finance, Eurobank Research

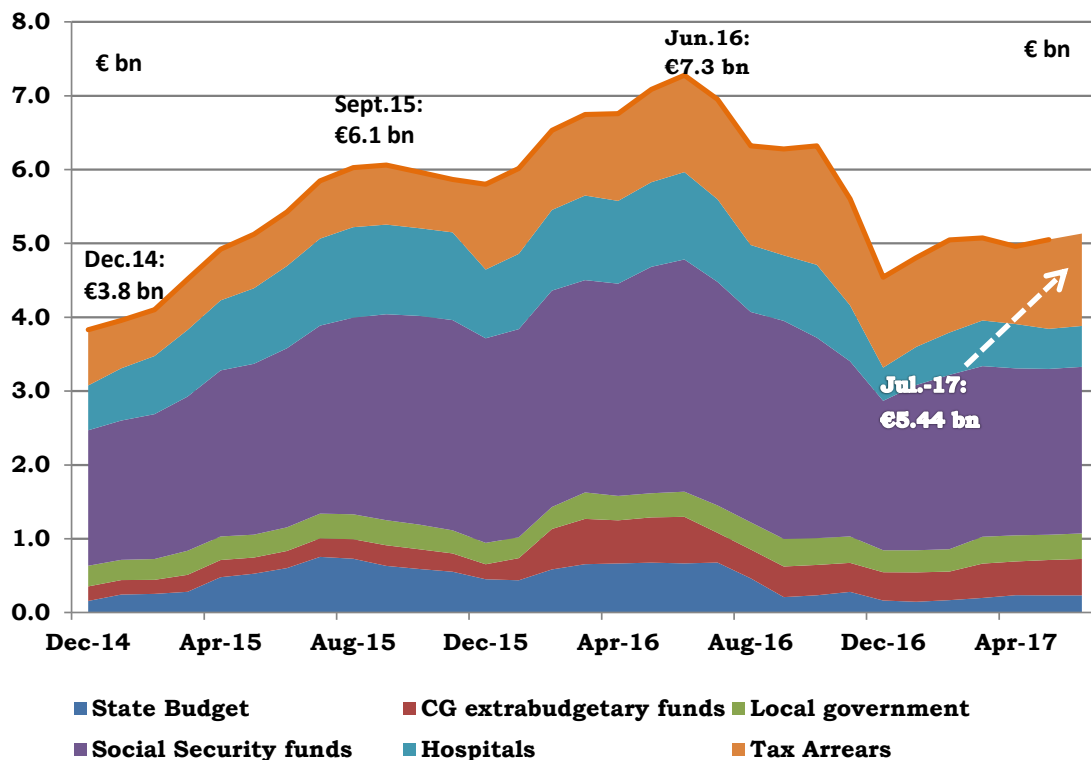
Note: (n.v.) stands for negative value. 2017 Budget Targets for Jul.-Dec. 2017. MTSF2018-21 respective targets still not available on a monthly basis.



Source: Eurobank Research

Note: 1. 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.
 2. 2017 Budget Targets for Jul.-Dec. 2017. MTSF2018-21 respective targets still not available on a monthly basis.

Figure 3: GG Total Arrears including Tax Arrears (€ bn, monthly, July 2017)



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

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

Olga Kosma: *Research Economist*
okosma@eurobank.gr +30 210 33 71 227

Mariana Papoutsaki:
mpapoutsaki@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

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

Elia Tsiampaou: *Economic Analyst*
etsiampaou@eurobank.gr, +30 210 3337871

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

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