

Greece: Central Government Budget Execution for January-May 2015

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- According to the preliminary data on the Central Government Budget Execution for the January – May 2015 period the budget balance recorded a ca €1.4bn deficit, significantly improved relative to the respective 2015 Budget target (deficit at ca €3.5bn). The primary balance recorded a surplus of ca €1.5bn, significantly outperforming the 2015 Budget target (primary deficit of ca €0.6bn).
- Ordinary Budget net revenue amounted to ca €17.1bn lower by ca €0.3bn (or -1.5%) on a YoY basis and by ca €1.0bn (or -5.4%) compared with the respective 2015 Budget target. According to the Ministry of Finance, part of this underperformance (ca €0.7bn) was due to the non-collection of: a) the first installment of the Corporate Income Tax (initially planned for May 2015 but postponed due to technical reasons) and b) the revenues from the Eurosystem's ANFA holdings.
- Ordinary Budget expenditure amounted to ca €19.1bn, undershooting both the respective 2015 Budget target by ca €1.9bn (or -9.2%) and the respective 2014 figure by ca €0.8bn (or -3.8%). Primary spending and military expenditure were lower than the respective 2015 Budget targets by ca €1.7bn (or -9.7%) and ca €0.2bn (or -91.3%), respectively.
- In the Public Investment Budget (PIB), total revenue amounted to ca €1.6bn, outperforming the respective 2015 Budget target by ca €0.4bn (or 35.9%) but lower by ca €0.7bn (or -31.5%) on a YoY basis. EU transfers to the Greek PIB increased by ca €0.5bn (or 55.1%) while Greek PIB revenues decreased by ca €0.2bn (or -54.2%) relative to the respective 2015 Budget targets. PIB total expenditure amounted to ca €0.97bn underperforming both the respective 2015 Budget target by ca €0.7bn (or -41.5%) and the respective 2014 figure by ca €0.8bn (or -45.4%). PIB expenditure financed via Greek State Resources decreased by -49.8% relative to the 2015 Budget target, while the EU co-financed part decreased by -40.3% relative to the respective 2015 Budget targets.

Key takeaway

The year to May 2015 primary balance outperformance is mainly due to the Budget and PIB expenditure underperformance and the better than expected inflows from the EU. Otherwise (i.e. if revenues were at their current level, and PIB inflows, PIB and Budget expenditure at their target levels), the primary balance would have been negative (primary deficit) at ca €1.1bn. The expenditure underperformance for the first five months of 2015 is attributed to a rescheduling of the respective payments due to the tight current liquidity conditions of the Greek State but has a direct effect on the creation of state total arrears (at ca €4.8 bn at the end of April 2015 from ca €3.8 bn at the end of December 2014).

However, we expect that the situation will improve in the following months not only because the closure of the agreement with the institutions by the end-of-June 2015 will permit the resolution of uncertainty and give a boost on growth (via mainly tourism) and tax revenues, but also because:

- The end of the personal and corporate income tax declaration period.
- The Supplementary 2015 Budget that the government will submit in Parliament in July 2015, which will include the lowering of the target for the primary surplus from 3.0% in 2015 Budget to ca 1.0%.

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Table 1: Central Government Budget Execution (€ bn, January- May 2015)					
	January-May 2014	January-May 2015	2015 Budget target January-May 2015	%YoY	%target
Primary balance	0.7	1.5	-0.6	113.0%	-370.9%
Fiscal Balance	-2.0	-1.4	-3.5	-29.7%	-59.8%
Ordinary Budget Net Revenue	17.3	17.0	18.0	-1.5%	-5.4%
Revenue before tax refunds	18.6	18.0	18.9	-3.3%	-5.2%
Privatizations revenue	0.0	0.2	0.3	-	-23.0%
Tax refunds	1.3	1.1	1.2	-12.5%	-6.0%
Total Ordinary Budget Expenditure	19.8	19.1	21.0	-3.8%	-9.2%
Ordinary Budget	16.6	15.7	17.3	-6.0%	-9.7%
Primary Expenditure					
Military equipment procurement payments	0.0	0.0	0.2	-36.4%	-91.3%
Guaranties	0.4	0.4	0.5	2.2%	-13.4%
Guaranties to bodies classified inside GG	0.4	0.4	0.4	4.9%	-2.2%
Guaranties to bodies classified outside GG	0.0	0.0	0.1	-62.5%	-90.2%
Net Interest Expenditure	2.7	2.9	2.9	7.7%	-0.7%
EFSS fee, etc	0.0	0.1	0.0	87.5%	140.0%
Total Public Investment Budget Revenue	2.3	1.6	1.2	-31.5%	35.9%
EU Revenues	2.3	1.5	0.957	-34.8%	55.1%
Own Participation	0.0	0.1	0.203	257.7%	-54.2%
Total Public Investment Budget Expenditure	1.8	1.0	1.7	-45.4%	-41.5%
National Contribution	0.1	0.1	0.2	-3.7%	-49.8%
Cofinanced part	1.7	0.9	1.5	-48.2%	-40.3%

Source: Ministry of Finance

Note: Available at <http://minfin.gr/?q=en/content/state-budget-execution-january-may-2015>

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