



## Greece: State Budget Execution, January - December 2015

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- According to the final State Budget Execution data for the year-to-December 2015 period, the budget balance recorded a deficit of ca €3.5bn, deteriorated relative to the respective 2016 Budget (B16) target (deficit of €2.6bn). The primary balance recorded a surplus of ca €2.3bn, significantly outperforming the B16 target (primary surplus of ca €3.3bn).
- In more detail, ordinary net revenue for the January to December 2015 period amounted to ca €46.6bn, lower by ca €2.0bn (or -4.2%) compared with the respective B16 target and by ca €0.1bn (or -0.1%) on an annual basis. This underperformance was due to the non-recurring revenue shortfall of ca €3.6bn from the Eurosystem's ANFA & SMP holdings.
- Ordinary budget revenue, excluding ANFA & SMP revenue, over-performed. This was due to:
  1. The over-performance of the total tax revenue by ca 0.8 bn (or 1.8%) compared with the respective B16 target. In more detail, direct tax revenues increased by 3.1% with respect to their B16 target. Personal & Corporate Income tax revenue increased on average by 2.1%, while property tax revenue (mainly ENFIA) increased by ca 10.9% compared with their B16 targets. On the indirect taxes, VAT revenue increased by 0.8% compared with their B16 targets. VAT revenue on fuel decreased by 0.2%, while the respective revenue from tobacco and on all other goods and services increased by ca 0.6% and 1.2%, respectively, compared with their B16 targets.
  2. The over-performance of total non-tax revenue by ca 0.4 bn (or 9.9%) compared with the respective B16 target mainly due to an increase of drawings from the EU.
  3. The under-performance of tax refunds by ca 0.4bn (or -13.3%) compared with the respective B16 target. This contributed significantly on revenue over-performance.
- Ordinary expenditure for January to December 2015 amounted to ca €48.5bn, undershooting the respective B16 target by ca €0.7bn (or -1.5%), and slightly higher than the respective 2014 figure by ca €0.7bn (or 0.2%). Primary spending and military expenditure were lower than their respective B16 targets by ca €0.6bn (or -1.5%) and ca €0.03bn (or -4.2%) respectively.
- In the Public Investment Budget (PIB), total revenue for January to December 2015 amounted to ca €4.8bn, slightly higher by ca €0.04bn (or 8.0%) relative to the respective B16 target and 0.1bn (or 2.4%) on an annual basis. PIB total expenditure amounted to ca €6.4bn online with the respective B16, but lower than the 2014 figure by ca €0.2bn (or -2.8%).

### Key takeaway

The year-to-December 2015 primary balance figure would have been again positive (primary surplus) but only at ca €0.5 bn (=2.3-0.4-0.3-0.4-0.7) under the working assumptions that: a) revenues were at their current level, b) tax refunds and budget expenditure were at their target levels c) PIB revenues remained at their target levels and d) realized revenues from ANFA & SMP holdings are excluded (in any case these revenues are not included in the computation of the primary balance in "programme" terms). However, this figure is still higher from the difference between the State Budget primary balance target for January to December 2015 and the total budgeted revenues from ANFA & SMP holdings which is at ca €-0.6 bn (=3.3-3.9, a primary deficit). In other words, the overperformance of total tax and non-tax revenues led to a better than expected primary balance. This might be attributed to the lower than previously expected recession during 2015 (growth is currently expected at -0.3%, compared with -0.7% of GDP in the B16 and -1.4% of GDP in the Autumn EC Forecast).

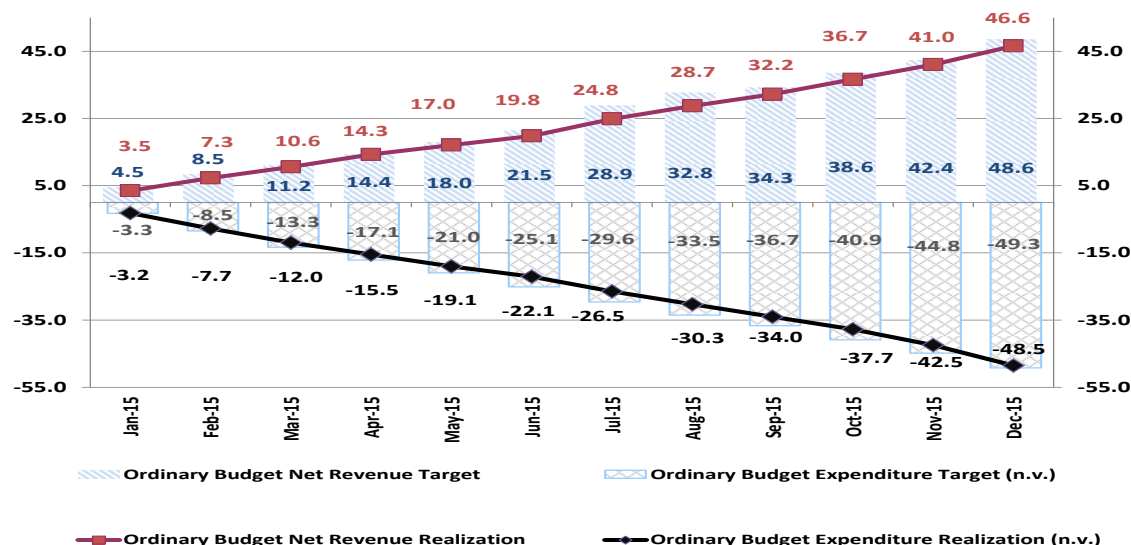
According to the General Government (GG) data for November 2015, GG arrears to the private sector (including tax refunds arrears) were at ca €5.7 bn increased by ca €2.9 bn (or 50.7%) relative to the end of December 2015, but decreased by ca €0.2 bn (or 2.9%) on a monthly basis.

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Table 1: Central Government Budget Execution (€ bn, January- December 2015)					
	January-December 2014	January-December 2015	2016 Budget target January-December 2015	%YoY	%target
Primary balance	1.9	2.3	3.3	21.3%	-30.3%
Fiscal Balance	-3.7	-3.5	-2.6	-4.5%	37.2%
Ordinary Budget Net Revenue	46.7	46.6	48.6	-0.1%	-4.2%
Revenue before tax refunds	49.6	49.3	51.3	-0.8%	-3.9%
Privatizations revenue	0.4	0.3	0.3	-33.9%	-5.2%
Tax refunds	3.4	2.9	3.4	-13.3%	-13.3%
Total Ordinary Budget Expenditure	48.5	48.5	49.3	0.2%	-1.5%
Ordinary Budget Primary Expenditure	41.9	41.3	41.9	-1.5%	-1.5%
Military equipment procurement payments	0.3	0.6	0.6	63.8%	-4.2%
Guaranties	0.6	0.7	0.7	19.8%	-2.4%
Guaranties to bodies classified inside GG	0.4	0.7	0.7	48.2%	-0.8%
Guaranties to bodies classified outside GG	0.1	0.0	0.1	-66.9%	-20.0%
Net Interest Expenditure	5.6	5.8	5.8	4.1%	-0.5%
EFSF fee, etc	0.0	0.2	0.2	323.8%	-11.0%
Total Public Investment Budget Revenue	4.7	4.8	4.5	2.4%	8.0%
EU Revenues	4.6	3.9	3.9	-16.1%	-1.1%
Own Participation	0.1	0.9	0.5	1291.0%	75.8%
Total Public Investment Budget Expenditure	6.6	6.4	6.4	-2.8%	0.1%
National Contribution	0.7	0.7	0.7	-4.1%	-2.7%
Cofinanced part	5.9	5.3	5.7	-10.3%	-7.5%

Source: Ministry of Finance

Note: Available at <http://minfin.gr/?q=en/content/state-budget-execution-january-december-2015>Figure 1: State Budget Execution Revenue & Expenditure  
(2015, € bn)

Source: Ministry of Finance, Eurobank Research

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