



Greece: Central Government Budget Execution for January - July 2015

Dr Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr

- According to the final Central Government (CG) Budget Execution data for the January – July 2015 period, the budget balance recorded a ca €0.8bn deficit, slightly improved relative to the respective 2015 Budget target (deficit at ca €1.4bn). The primary balance recorded a surplus of ca €3.7bn, significantly outperforming the 2015 Budget target (primary deficit of ca €3.0bn).
- Ordinary Budget net revenue amounted to ca €24.8bn, lower by ca €4.3bn (or -14.2%) compared with the respective 2015 Budget target and by ca €2.1bn (or -7.3%) on an annual basis. According to the Ministry of Finance, this underperformance was due – besides the extension of the income declaration period until the end of August 2015 – to shortfalls on: **a)** the Personal and Corporate Income Tax, the VAT (-18.2%, -36.7% and -7.2% compared with the respective 2015 Budget targets), **b)** the postponement of the payment of the first instalment of the ENFIA (property tax), **c)** the revenues from the Eurosystem's ANFA & SMP holdings on the privatization revenues (47.6% and 34.3% compared with the respective 2015 Budget targets). The over performance of the non-recurring revenue due to the increase of the Bank Liquidity Support Proceeds (BLSP) (by €0.8bn or 1,162.0% compared with the respective 2015 Budget target) improved significantly the July 2015 revenues.
- Ordinary Budget expenditure amounted to ca €26.5 bn, undershooting both the respective 2015 Budget target by ca €3.1bn (or -10.5%) and the respective 2014 figure by ca €1.8bn (or -6.3%). Primary spending and military expenditure were lower than the respective 2015 Budget targets by ca €2.9bn (or -11.9%) and ca €0.4bn (or -91.8%), respectively.
- In the Public Investment Budget (PIB), total revenue amounted to ca €2.0bn, outperforming the respective 2015 Budget target by ca €0.2bn (or 8.2%) but lower by ca €1.3bn (or -38.1%) on an annual basis. PIB total expenditure amounted to ca €1.2 bn almost unchanged relative to the previous month figure and underperforming both the respective 2015 Budget target by ca €1.4bn (or -53.4%) and the respective 2014 figure by ca €1.8bn (or -59.6%).

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.

Key takeaway

The year to July 2015 primary balance figure is mainly due to the Budget and PIB expenditure underperformance, the better than expected EU inflows and the significant increase on BLSP. Otherwise (i.e. if revenues were at their current level, and PIB and Budget expenditure at their target levels), the primary balance would have been negative (primary deficit) at ca €0.8bn. If we also subtract the excess BLSP then the primary deficit will be at ca €1.6bn.

The expenditure underperformance for the first seven months of 2015 and after the imposition of capital controls is attributed to a rescheduling of the respective payments due to the tight current liquidity conditions of the Greek State. It has a direct effect on the creation of General Government total arrears including tax – refunds arrears (already at ca €5.3bn at the end of June 2015 from ca €3.8bn at the end of December 2014, a 41.2% increase).

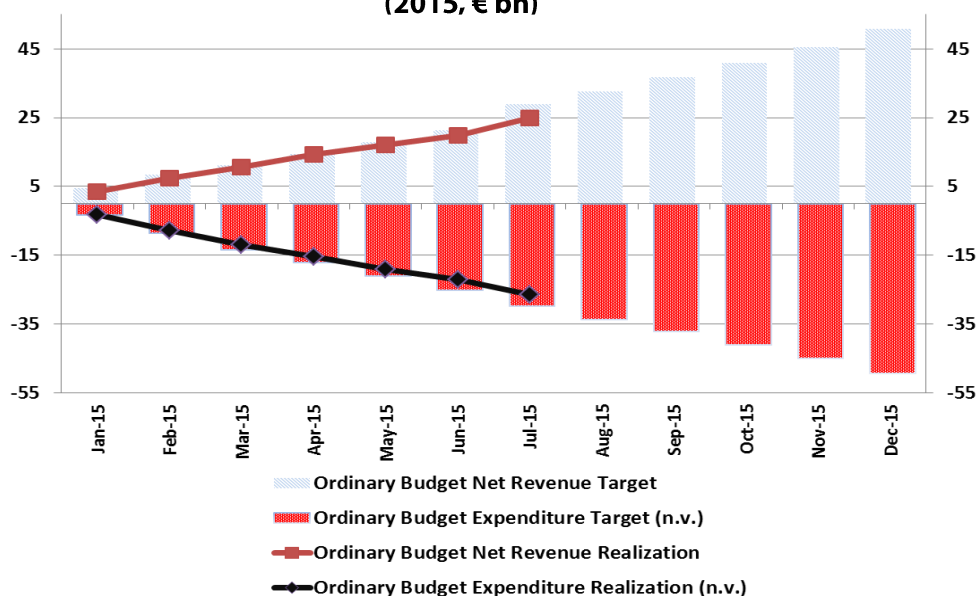
The target for the 2015 primary balance in the new ESM programme for Greece, is at -0.25% of GDP (a primary deficit). The achievement of this target will depend on the effect of the capital controls imposition and the quick resolution of the uncertainty after the upcoming snap elections. The real growth outlook for 2015 is expected at -2.3% of GDP according to the new programme. Currently, our (Eurobank Research) respective projection for 2015 is between -2.1% and -1.5% of GDP.

Table 1: Central Government Budget Ececution (€ bn, January- July 2015)					
	January-July 2014	January-July 2015	2015 Buget target January-July 2015	%YoY	%target
Primary balance	2.3	3.7	3.0	62.9%	24.2%
Fiscal Balance	-1.7	-0.8	-1.4	-51.6%	-38.9%
Ordinary Budget Net Revenue	26.2	24.8	28.9	-5.3%	-14.2%
Revenue before tax refunds	28.2	26.2	30.5	-7.3%	-14.2%
Privatizations revenue	0.0	0.2	0.3	-	-31.1%
Tax refunds	2.0	1.5	1.9	-22.8%	-17.0%
Total Ordinary Budget Expenditure	28.3	26.5	29.6	-6.3%	-10.5%
Ordinary Budget Primary Expenditure	23.6	21.4	24.3	-9.4%	-11.9%
Military equipment procurement payments	0.1	0.0	0.4	-69.8%	-91.8%
Guaranties	0.5	0.4	0.5	-12.5%	-15.6%
Guaranties to bodies classified inside GG	0.4	0.4	0.4	7.9%	-1.4%
Guaranties to bodies classified outside GG	0.1	0.0	0.9	-89.5%	-98.7%
Net Interest Expenditure	4.0	4.6	4.4	13.3%	4.3%
EFSF fee, etc	0.0	0.1	0.0	75.7%	75.7%
Total Public Investment Budget Revenue	3.3	2.0	1.9	-38.1%	8.2%
EU Revenues	3.3	1.8	1.6	-45.7%	7.5%
Own Participation	0.0	0.3	0.2	575.0%	13.9%
Total Public Investment Budget Expenditure	3.0	1.2	2.6	-59.6%	-53.4%
National Contribution	0.2	0.1	0.3	-27.8%	-59.2%
Cofinanced part	2.8	1.1	2.3	-61.4%	-52.7%

Source: Ministry of Finance

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

**Figure 1: CG Budget Execution Revenue & Expenditure
(2015, € bn)**



Source: Ministry of Finance

Note: n.v. stands for negative values

Eurobank Economic Analysis and Financial Markets Research

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

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 37 18 793

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

Stylianios 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

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, + 30 210 33 71 228

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, + 30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, + 30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, + 30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, + 30 210 37 18 904

George Petrogianis: Head of Shipping Sales
gpetrogianis@eurobank.gr, + 30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, + 30 210 3 718 995

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: <http://twitter.com/Eurobank>

