

Greece: Central Government Budget Execution for January-June 2015

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- According to the final Central Government (CG) Budget Execution data for the January – June 2015 period, the budget balance recorded a ca €1.4bn deficit, significantly improved relative to the respective 2015 Budget target (deficit at ca €4.6bn). The primary balance recorded a surplus of ca €1.9bn, significantly outperforming the 2015 Budget target (primary deficit of ca €1.2bn).
- Ordinary Budget net revenue amounted to ca €19.7bn lower by ca €1.7bn (or -7.7%) compared with the respective 2015 Budget target and by ca €0.8bn (or -4.1%) 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: **a)** on the Personal and Corporate Income Tax, on the VAT excluding Oil and Tobacco (-13.3%, -84.0% and -8.7% compared with the respective 2015 Budget targets), **b)** on 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 1,317.0% compared with the respective 2015 Budget target) improved significantly the June 2015 revenues.
- Ordinary Budget expenditure amounted to ca €22.1 bn, undershooting both the respective 2015 Budget target by ca €3.0bn (or -12.1%) and the respective 2014 figure by ca €1.6bn (or -6.7%). Primary spending and military expenditure were lower than the respective 2015 Budget targets by ca €2.6bn (or -12.6%) and ca €0.3bn (or -92.2%), respectively.
- In the Public Investment Budget (PIB), total revenue amounted to ca €2.0bn, outperforming the respective 2015 Budget target by ca €0.8bn (or 59.8%) but lower by ca €0.9bn (or -31.7%) on an annual basis. PIB total expenditure amounted to ca €1.2 bn underperforming both the respective 2015 Budget target by ca €1.0bn (or -47.5%) and the respective 2014 figure by ca €1.2bn (or -51.1%).

Key takeaway

The year to June 2015 primary balance outperformance 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 €2.2bn. If we subtract also the BLSP then the primary deficit will be at ca €3.1bn.

The expenditure underperformance for the first six months of 2015 and before 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 (at ca €5.0bn at the end of May 2015 from ca €3.8bn at the end of December 2014).

Before June 28 2015, the target for the 2015 primary balance was at 1.0% of GDP. The achievement of this target will depend on the effect of the capital controls imposition and the subsequent downward revision of the real growth outlook. The European Commission already downgraded its 2015 real growth target from 0.5% of GDP on May 2015 to between -2.5% and -4.0% of GDP on July 2015. Currently, our own (Eurobank Research) respective projection for 2015 is between -2.1% and -3.8% of GDP.

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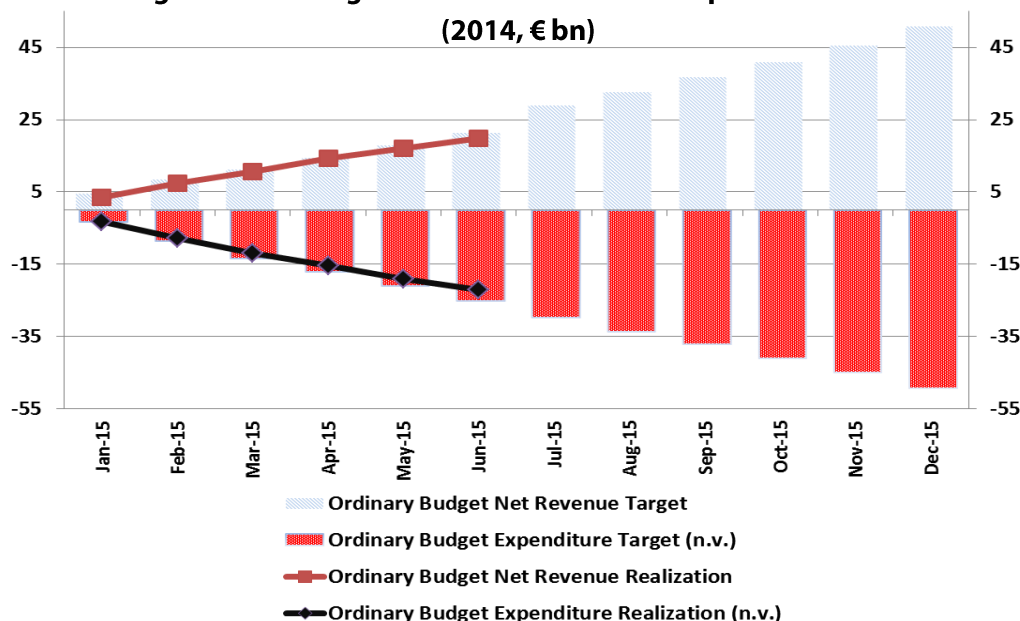
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	January-May 2014	January-May 2015	2015 Budget target January-May 2015	%YoY	%target
Primary balance	0.7	1.9	-1.2	166.5%	-252.6%
Fiscal Balance	-2.4	-1.4	-4.6	-41.5%	-69.3%
Ordinary Budget Net Revenue	20.6	19.8	21.5	-4.1%	-7.7%
Revenue before tax refunds	22.2	20.9	22.6	-5.7%	-7.4%
Privatizations revenue	0.0	0.2	0.3	-	-34.1%
Tax refunds	1.6	1.3	1.5	-14.6%	-8.3%
Total Ordinary Budget Expenditure	23.7	22.1	25.1	-6.7%	-12.1%
Ordinary Budget Primary Expenditure	20.1	18.3	20.9	-8.9%	-12.6%
Military equipment procurement payments	0.0	0.0	0.3	-30.6%	-92.2%
Guaranties	0.4	0.4	0.5	1.7%	-14.7%
Guaranties to bodies classified inside GG	0.4	0.4	0.4	7.2%	-2.1%
Guaranties to bodies classified outside GG	0.0	0.0	0.1	-67.7%	-86.7%
Net Interest Expenditure	3.1	3.3	3.4	5.5%	-2.2%
EFSF fee, etc	0.0	0.1	0.0	90.6%	110.3%
Total Public Investment Budget Revenue	3.0	2.0	1.3	-31.7%	59.8%
EU Revenues	2.9	1.8	1.1	-39.9%	67.8%
Own Participation	0.0	0.3	0.2	662.9%	21.4%
Total Public Investment Budget Expenditure	2.4	1.2	2.2	-51.1%	-47.5%
National Contribution	0.1	0.1	0.2	-16.1%	-51.5%
Cofinanced part	2.2	1.0	2.0	-53.3%	-47.1%

Source: Ministry of Finance

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

Figure 1: CG Budget Execution Revenue & Expenditure



Source: Ministry of Finance

Note: n.v. stands for negative values

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