

Greece: State Budget Execution, January - September 2015

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- According to the final State Budget (SG) Execution data for the year-to-September 2015 period, the budget balance recorded a ca €1.9bn deficit, improved relative to the respective Draft 2016 Budget (D16B) target (deficit at ca €3.1bn). The primary balance recorded a surplus of ca €3.1bn, significantly outperforming the D16B target (primary deficit of ca €1.3bn).
- The new revised D16B compared with the 2015 Budget (15B) includes lower targets for: **a)** Ordinary Budget Net Revenue by ca €1.8bn for 2015 (€4.6bn for the 9-month period) due mainly to lower tax revenue and tax refunds, **b)** Ordinary Budget Expenditure by ca €0.8bn for 2015 (€3.1bn for the 9-month period) due mainly to lower military expenditure and state guarantees. PIB revenue and expenditure targets remained unchanged. As a result of the above, both the fiscal and the primary balance are lower by ca €2.1bn (€0.5bn for the 9-month period).
- Ordinary Budget net revenue amounted to ca €32.2bn, lower by ca €2.0bn (or -6.0%) compared with the respective D16B target and by ca €1.6bn (or -4.9%) 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 Income Tax and the VAT (-1.7%, -1.0% respectively compared with the respective D16B targets), **b)** the non-recurring revenue shortfall of ca €1.9bn from the Eurosystem's ANFA & SMP holdings (-86.5% respectively compared with the respective D16B target). At the same time, the Bank Liquidity Support Proceeds (non-recurring revenue too) are in line with the D16B target for the 9-month period.
- Ordinary Budget expenditure amounted to ca €34.0bn, undershooting both the respective D16B target by ca €2.6bn (or -7.2%) and the respective 2014 figure by ca €1.9bn (or -5.3%). Primary spending and military expenditure was lower than the respective D16B targets by ca €2.3bn (or -7.6%) and ca €0.4bn (or -79.2%), respectively.
- In the Public Investment Budget (PIB), total revenue amounted to ca €2.1bn, in line with the respective D16B but lower by ca €1.3bn (or -39.3%) on an annual basis. PIB total expenditure amounted to ca €2.2 bn for the first time higher than the previous 3-months' figure. However, it underperformed both the respective D16B target by ca €1.2bn (or -36.4%) and the respective 2014 figure by ca €1.5bn (or -40.5%).

Key takeaway

The year-to-September 2015 primary balance figure is mainly due to the Budget expenditure underperformance. Otherwise (i.e. if revenues were at their current level, and Budget expenditure at their target levels), the primary balance would have been negative (primary deficit) at ca €0.8bn almost unchanged since last month. The 9-months expenditure underperformance 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 – refund arrears), already at ca €5.9bn at the end of August 2015 from ca €3.8bn at the end of December 2014, a 58.9% increase. The target for the 2015 GG primary balance in the Third Economic Adjustment Programme (TEAP) is at -0.25% of GDP (a primary deficit). However, for the achievement of this figure, ca €18.1bn in additional tax revenue (before refunds) need to be collected by year-end. The achievement of this target will depend on the effect of the capital controls imposition, the successful completion of the upcoming review of the TEAP and the bank recap. process. The European Commission's 2015 real growth projection is -2.3%. Currently, our (Eurobank Research) respective projection for 2015 is – significantly improved compared with the official target – in the area of -1.0%.

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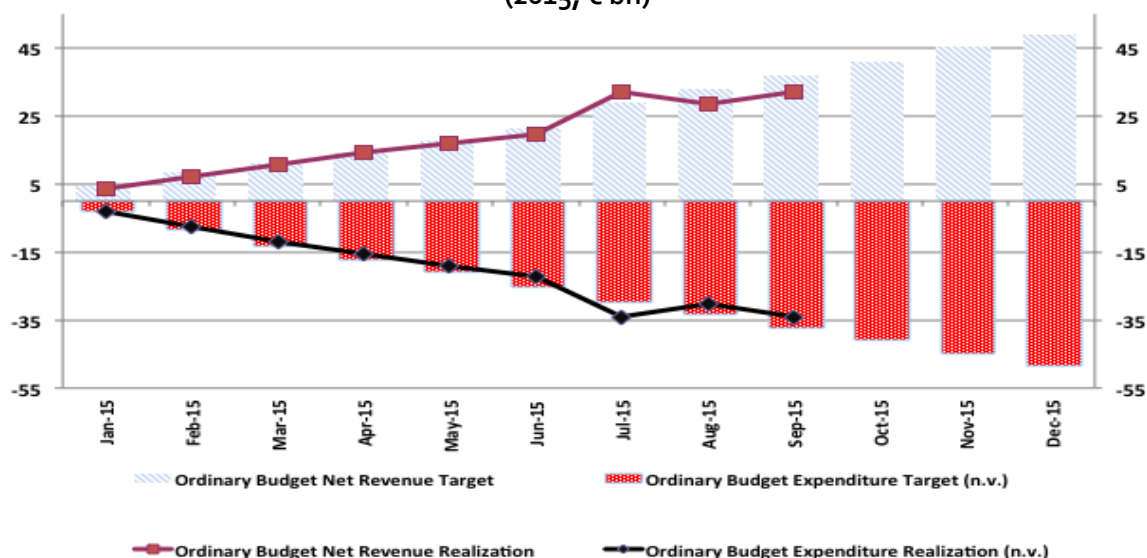
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	January-September 2014	January-September 2015	2016 Draft Budget target January-September 2015	%YoY	%target
Primary balance	2.5	3.1	1.3	21.3%	141.7%
Fiscal Balance	-2.3	-1.9	-3.7	-16.7%	-19.1%
Ordinary Budget Net Revenue	33.9	32.2	34.3	-4.9%	-6.0%
Revenue before tax refunds	36.5	34.0	36.3	-6.7%	-6.3%
Privatizations revenue	0.0	0.2	0.2	-	0.0%
Tax refunds	2.6	2.0	2.2	-22.2%	-9.9%
Total Ordinary Budget Expenditure	35.9	34.0	36.7	-5.3%	-7.2%
Ordinary Budget Primary Expenditure	30.4	28.3	30.7	-6.8%	-7.6%
Military equipment procurement payments	0.1	0.1	0.5	-22.7%	-79.2%
Guaranties	0.5	0.5	0.5	-7.9%	-0.6%
Guaranties to bodies classified inside GG	0.4	0.5	0.5	14.8%	-1.3%
Guaranties to bodies classified outside GG	0.1	0.0	0.0	-80.5%	14.3%
Net Interest Expenditure	4.8	5.0	5.0	3.3%	-0.6%
EPSF fee, etc	0.0	0.1	0.0	211.9%	204.7%
Total Public Investment Budget Revenue	3.4	2.1	2.1	-39.3%	0.0%
EU Revenues	3.4	1.8	1.8	-46.5%	0.0%
Own Participation	0.1	0.3	0.3	100.0%	-0.4%
Total Public Investment Budget Expenditure	3.6	2.2	3.4	-10.5%	-36.4%
National Contribution	0.2	0.2	0.4	-25.8%	-58.2%
Cofinanced part	3.4	2.0	3.0	-41.4%	-33.5%

Source: Ministry of Finance

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

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



Source: Ministry of Finance, Eurobank Research

Note: Targets for October to December adjusted in accordance of the D16B

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