Eurobank Research
www.eurobank.gr/research
research@eurobank.gr

Eurobank

GREECE MACRO MONITOR

October 2, 2012

Focus notes: Greece

Platon Monokroussos
Assistant General Manager
Head of Financial Markets Research
pmonokrousos@eurobank.gr

Greece's 2013 Draft Budget: Key Targets and Assessment

Key points

Greece's draft budget for FY-2013 is framed on an exceptionally adverse macroeconomic environment, envisaging a continuation of domestic output contraction for the 6th year in a row. The General Government deficit is now expected to come in at 4.2%-of-GDP in 2013, from 6.6%-of-GDP this year. These compare with deficit targets of 6.7%-of-GDP for FY-2012 and 4.6%-of-GDP for FY-2013 envisaged in the government's 2012 supplementary budget. In line with the new budget projections, the General Government *primary* balance is now expected to reach a surplus of 1.1%-of-GDP next year, following a 1.4%-of-GDP deficit in 2012

The latest available data on the execution of the State budget and the General Government accounts strengthen our conviction regarding the attainability of the revised fiscal targets for FY-2012. In a nutshell, the expected underperformance of tax revenue this year due to the deeper than expected recession, administrative constraints hindering the revenue collection mechanism and lingering tax and contributions evasion are expected to be more than offset by lower primary spending, a further significant downsizing of the public investment program and lower interest costs.

Notwithstanding the unprecedented progress in stabilizing the fiscal position attained over the last three years, the new budget's aim of reaching a primary surplus for the first year in more than a decade is of outmost importance from a solvency standpoint. According to our estimates, Greece needs to run for a number of years primary surpluses of at least 1.5%-of-GDP so as to merely stabilize its public debt dynamics. Even higher primary balances are needed to start reducing the debt-to-GDP ratio.

The deeper-than-expected recession and ensuing slippages in the earlier-agreed targets as regards the evolution of the General Government primary balance and the privatization programme have led to worsened debt dynamics relative to what was forecasted in the troika's March 2012 baseline scenario. Apparently, the aforementioned argue in favor a rigorous implementation of the agreed fiscal adjustment and privatizations programme and, more importantly, a return to positive and sustainable growth rates by 2014 onwards.

The Greek government unveiled on October 1st its draft budget for FY-2013. The new budget was submitted to Parliament yesterday, with a vote on the final document expected as soon as the troika of official lenders gives the green light to a new austerity package that needs to be implemented over the coming two years so as to facilitate fulfillment of the agreed fiscal targets. The new package consists of €10.6bn in expenditure measures and ca €3bn in revenue measures (both in projected net fiscal terms). Official negotiations for the finalization of the austerity package resumed yesterday and according to local press reports the troika technocrats expressed reservations over the enforceability of ca €2bn worth of expenditure-side measures, mainly related to proposed cuts in health care, national defense and local government operations. According to the same reports, proposed revenue measures worth €1.7bn was another sticking point in negotiations between the two sides. As such, the final budget for FY-2013 may contain significant deviations from the draft that was unveiled yesterday. The government intends to have the 2013 budget and new austerity package for 2013-2014 being voted in Parliament as a single article, under an emergency procedure. Optimally, the whole procedure should be finalized ahead of the October 8 Eurogroup so as to speed up decisions leading to the release of the next EU/IMF loan tranche.

Underlying assumptions

Greece's 2013 draft budget is framed on an exceptionally adverse macroeconomic environment, envisaging a continuation of the domestic output contraction for the 6th year in a row. Following an expected contraction of 6.5% this year, real GDP growth is forecasted to decline by a further 3.8% in 2013, bringing cumulative output losses since the crisis erupted (2008) to slightly over 24ppts (***Table 1.1***).

Table 1.1 – Greece: main macroeconomic aggregates (realizations and forecasts, % YoY)

	2011	2012	2013
GDP	-6.9	-6.5	-3.8
Private consumption	-7.1	-7.7	-5.9
Public consumption	-9.1	-6.5	-7.2
Investment	-20.7	-18.5	-3.7
Exports of goods & services	-0.3	0.4	2.5
Imports of goods & services	-8.1	-10.1	-5.3
Harmonized CPI	3.1	1.2	0.7
GDP deflator	1.6	-0.1	-0.1
Employment	-6.7	-8.2	-3.0
Unemployment rate	17.3	23.5	24.7

Source: FinMin, Eurobank Research

As a reminder, the last troika review of Greece's stabilization programme (March 2012) projected a real GDP decline of 4.8% this year, an output stabilization in 2013 and a return to positive and significant growth rates thereafter. According to the most recent national accounts statistics, Greece's real GDP declined by an average annual rate of 6.35% YoY in H1-2012 (non-seasonally adjusted series). Looking ahead, the implementation of the bulk of austerity measures envisaged in the *2012* supplementary budget and the new austerity package for 2013-2014 are expected to continue unleashing deflationary pressures on the domestic economy in the months and quarters to come. Overall, domestic demand is expected to remain in recessionary territory in 2013, with net exports continuing to provide a positive contribution as a result of declining imports and higher exports. As regards the new austerity package for 2013-2014, the draft FY-2013 budget assumes that €7.8bn worth of austerity measures (in terms of net fiscal impact) will be implemented next year, with the bulk of these measures coming from the expenditure side (***Table 1.2***). As we alluded to earlier on, this breakdown should be considered as preliminary and subject to revisions, not only because the troika has yet to give its final approval to the new austerity package, but also because a 2-year extension in Greece's adjustment programme could alter the distribution of measures over a lengthened implementation horizon (2013-2016).

Table 1.2 -New fiscal measures for FY-2013 currently negotiated with the troika (Net projected impact in millions of euros)

	2013
Expenditure	
1. Restructuring of public sector	483
2. Restructuring of local governments	100
3. Wage bill	1,000
4, Pensions bill	3,799
5. Social benefits	347
6. Healthcare costs	803
7. National defense	304
8. Education	132
9. Streamlining of public utilities & other enterprises	241
A. Total expenditure measures	**7,308**
Revenue	
1. Streamlining of family allowances	427
2. Increase in retirement age by 2 years	5
3. Reduction of revenue refunds	60
B. Total revenue measures	**492**
Total projected impact of measures (A + B)*	7,800

* Of which, €118mn to impact FY-2012 budget
Source: FinMin, Eurobank Research

2013 draft budget – Key targets and assessment

Table 1.3 at the end of this section portrays the main parameters of Greece's FY-2013 draft budget. Starting with the main targets of the new budget, the General Government deficit (ESA95 terms) is now expected to come in at 4.2%-of-GDP in 2013, from 6.6%-of-GDP this year. These compare with General Government deficit targets of 6.7%-of-GDP for FY-2012 and 4.6%-of-GDP for FY-2013 envisaged in the government's 2012 supplementary budget and the troika's earlier baseline forecasts. In fact, the troika's March 2012 assessment of Greece's stabilization programme forecasted a 7.3%-of-GDP fiscal deficit for this year. In line with the new budget projections, the General Government *primary* balance is now expected to reach a surplus of 1.1%-of-GDP next year (the first positive primary balance since 2002), following a 1.4%-of-GDP deficit in 2012. The aforementioned targets assume full implementation of new austerity measures in FY-2013 with a net fiscal impact of €7.8bn. Under a *no-policy-change* scenario (*i.e.,* no new measures applied in 2013), the General Government deficit rises instead to 7.1%-of-GDP, while the primary balance remains in a deficit of 2.0%-of-GDP.

Comments and assessment

1. Though the 2013 draft budget forecasts a higher-than-earlier-targeted primary deficit this year (1.4%-of-GDP vs. 1%-of-GDP), the overall General Government shortfall is now seen at slightly lower levels than expected earlier (6.6%-of-GDP vs. 6.7%-of-GDP projected in the 2012 supplementary budget). This can be explained by the fact that new budget incorporates a downwardly revised estimate for total interest expenditure this year relative to what was assumed in the 2012 supplementary budget. Specifically, General Government interest expenditure in 2012 are now re-estimated to be ca €1.32bn (or 0.66ppts-of-GDP) lower than expected earlier, so as to take full account of the PSI impact and the other debt-reducing operations decided at the Feb 21, 2012 Eurogroup.

2. The latest available data on the execution of the State budget and the General Government accounts strengthen our conviction regarding the attainability of the revised fiscal targets for FY-2012 (the next section of this report provides a more thorough analysis on the latter issue). In a nutshell, the expected underperformance of tax revenue this year due to the deeper than expected recession, administrative constraints hindering the revenue collection mechanism and lingering tax and

contributions evasion are expected to be more than offset by lower primary spending, a further significant downsizing of the public investment program and lower interest costs.

3. The progress attained so far in stabilizing the county's fiscal position has indeed been impressive by historical standards. The primary balance of the General government was improved by 8.4ppts-of-GDP (and by ca 10ppts-of-GDP in cyclically-adjusted terms) in 2009-2011, with further significant improvements expected this year and the next. Yet, the new budget's aim of reaching a surplus primary fiscal position is of outmost importance, especially from a solvency standpoint. According to our estimates, Greece needs to run for a number of years primary surpluses of at least 1.5%-of-GDP so as to merely stabilize its public debt dynamics. Even higher primary balances are needed to start reducing the debt-to-GDP ratio. *Strictly speaking, the debt-stabilizing primary position is the level of the primary surplus that is required to satisfy the government's intertemporal budget constraint (i.e., equalize the current debt level with the NPV of future expected primary surpluses). Its estimation requires assumptions regarding long-term growth, inflation and interest rates.*

4. The draft budget implies a real GDP growth forecast of ca -1.15% in 2013 under a no-policy-change scenario (i.e., no new austerity measures implemented next year). This compares with a real output contraction of 3.8% in the baseline scenario, envisaging new austerity measures worth €7.8bn being implemented in 2013. According to our calculations, the above imply, in turn, an output elasticity of the primary balance ranging between 0.5-0.6 in 2013, so as to take account of the interplay of automatic fiscal stabilizers. The latter elasticity values are not far from what earlier studies (by OECD and others) have estimated for Greece.

5. Interestingly, the new budget projects Central Government revenue under the baseline scenario (€7.8bn of new measures implemented in 2013) to be lower than under the no-policy-change scenario. As already alluded to in the previous paragraph, this is to take into account the dampening effect of the steeper-than-expected recession (assumed under the baseline scenario) on government receipts from direct and indirect taxation. On a more comforting note, the scenario assuming full implementation of the new austerity package forecasts that lower primary expenditure relative to that assumed in the no-policy-change-scenario will more than offset the ensuing slippage in tax collections, leading to a more favorable outcome as regards the General Government overall deficit and its primary position.

6. The deeper-than-expected recession and ensuing slippages in the earlier-agreed targets as regards the evolution of the General Government primary balance and the privatization programme have, unsurprisingly, led to worsened debt dynamics relative to what was forecasted in the troika's March 2012 baseline scenario (*Table 1.4*). The FY-2013 draft budget now sees the General Government debt to GDP ratio rising to 169.5% at the end of 2012 (vs. 163.2% seen in the troika March 2012 baseline) and to 179.3% next year (vs. 167.3% in the March 2012 baseline).

7. A preliminary debt sustainability analysis (DSA) for the period 2012-2020, taking into account the FY-2013 draft budget's projections for real GDP growth the General Government primary balance this year and the next - and also assuming: **(i)** privatization revenue of €1bn in 2012 (vs. €3.2bn envisaged in the troika's March 2012 baseline); and **(ii)** underlying macro & fiscal projections from 2014 onwards that are similar to these assumed in the EC/IMF March 2012 baseline - results in a terminal debt ratio of ca 127.5%-of-GDP in FY-2020 (vs. 116.5%-of-GDP envisaged in the March 2012 baseline).

Projected debt dynamics are worsened even further if one also assumes: **(i)** a further GDP contraction of 1.5% in 2014; and **(ii)** a €10bn cumulative slippage in privatization revenue in 2012-2020 relative to what was assumed in the troika's March 2012 baseline. Under the latter (adverse) scenario, the terminal debt ratio in 2020 rises to 140%-of-GDP or higher. Apparently, the aforementioned argue in favor a rigorous implementation of the agreed fiscal adjustment and privatizations programme and, more importantly, a return to positive and sustainable growth rates by 2014 onwards. New debt reducing operations (involving e.g. more favorable terms on official loans), over and above these agreed at the Feb. 21, 2012 Eurogroup could also go a long way in stabilizing debt dynamics and improving sustainability perceptions over the country's fiscal position.

Table 1.3 – General Government draft budget 2013 (ESA-95; millions of euros)

	2011 realisations (preliminary data)	2012		2013 targets/forecasts	
		2012 Supplementary Budget targets	Forecast	Before new measures	After new measures (€7.8bn)
I. Central government revenue (1+2)	**53,859**	**56,159**	**53,707**	**54,207**	**51,840**
1. Ordinary budget net revenue (α+β-γ+δ+ε)	**50,090**	**51,409**	**48,952**	**49,109**	**46,742**
α. Ordinary budget revenue (1+2+3+4)	52,295	52,868	49,648	50,180	47,631
1. Direct tax	20,317	23,522	20,767	21,726	20,250
2. Indirect tax	28,632	26,881	26,271	26,236	25,193
3. EU transfers	274	165	227	232	232
4. Non tax revenue	3,072	2,300	2,383	1,986	1,956
β. Non ordinary revenue	1,921	2,081	2,207	1,501	1,537
γ. Tax refunds	5,283	3,810	3,691	3,293	3,147
δ. Special revenue from licensing & loyalties	1,157	270	32	86	86
ε. Tranfer of revenue from EZ Central Banks			756	635	635
2.Public Investment Budget (PIB) revenue	**3,769**	**4,750**	**4,755**	**5,098**	**5,098**
II. Central government expenditure (1+2)	**76,743**	**70,297**	**69,109**	**67,047**	**63,430**
1. Ordinary budget expenditure (α+β+γ+δ+ε+6)	**70,135**	**62,997**	**61,809**	**60,047**	**56,580**
α. Primary expenditure (1+2+3+4+5)	**51,547**	**47,684**	**47,385**	**48,495**	**45,295**
1. Salaries & pensions	21,815	20,520	20,394	20,769	18,242
2. Social security & health care	17,715	15,579	15,663	15,865	15,751
3. Operating & other expenditure	7,016	6,573	6,900	6,481	5,972
4. Payments to third parties	5,001	4,012	4,005	4,280	4,230
5. Reserves		1,000	423	1,100	1,100
6. Payment to EFSF			565	75	75
β. 1. Guarantees to General Government entities	1,254	1,026	846	558	558
2. Guarantees to entities outside the General Government	192	137	178	469	469
γ. Interest payments (cash basis)	16,348	13,050	11,735	8,950	8,950
δ. Payments for the settlement of old hospital debts	435	400	400	400	400
ε. Cash payments for armament programs	359	700	700	1,100	833
2. PIB outlays	**6,608**	**7,300**	**7,300**	**7,000**	**6,850**
III. Central Government Balance Ισοζύγιο (I-II)	**-22,884**	**-14,138**	**-15,402**	**-12,840**	**-11,590**
% GDP	-10.6	-6.9	-7.7	-6.5	-6.0
III.α. Central government primary balance - (III+γ)	**-6,536**	**-1,088**	**-3,667**	**-3,890**	**-2,640**
III.β. National accounts adjustments - Central Government	2,371	-945	2,417	-2,025	-2,169
III.γ. Central Government entities (other than public enterprises - DEKOs)	695	1,196	868	707	769
III.δ. Balance of public enterprises (DEKOs)	1,047	1,175	881	316	595
B. Central Government Balance - ESA95 (III + III.β+ III.γ + III.δ)	**-18,771**	**-12,712**	**-11,236**	**-13,842**	**-12,395**
C1. Local Governments - ESA95	**502**	**133**	**481**	**-120**	**184**
C2. Social security funds - ESA95	**-1,125**	**-1,153**	**-2,525**	**-119**	**4,163**
A. General Government Balance - ESA95 (B+C1+C2)	**-19,394**	**-13,732**	**-13,280**	**-14,081**	**-8,048**
% GDP	**-9.0**	**-6.7**	**-6.6**	**-7.1**	**-4.2**
A.1. General Government interest payments	**14,901**	**11,241**	**10,486**	**10,160**	**10,210**
% GDP	**6.9**	**5.4**	**5.2**	**5.1**	**5.3**
General Government primary balance - ESA95 (A-A.1)	**-4,493**	**-2,491**	**-2,794**	**-3,921**	**2,162**
% ΑΕΠ	**-2.1**	**-1.2**	**-1.4**	**-2.0**	**-1.1**
GDP	*215,088*	*206,319*	*200,906*	*198,414*	*193,078*
Clearance of general government arrears		*6,000*	*3,500*	*3,500*	*3,500*

Source: FinMin, Eurobank Research

Table 1.4 – General Government debt (ESA-95; millions of euros)

Composition of public debt (EUR million)						
	2008	2009	2010	2011	2012*	2013**
Total debt in euros	260,439	297,264	334,273	358,793	328,412	331,120
Total debt in foreign currency	1,632	1,260	6,013	9,185	14,818	21,200
A. Central Government debt	**262,071**	**298,524**	**340,286**	**367,978**	**343,230**	**352,320**
(% of GDP)	***112.5***	***128.9***	***149.7***	***171.1***	***170.8***	***182.5***
B. Central Government debt - ESA95	**287,113**	**323,206**	**353,841**	**377,888**	**347,820**	**356,920**
(% of GDP)	***123.3***	***139.5***	***155.7***	***175.7***	***173.1***	***184.9***
Γ. Debt of Local Governments & social security funds and intergovernmental debt	-23,829	-23,522	-24,307	-22,288	-7,220	-10,720
D. General Government debt (B+Γ)	**263,284**	**299,684**	**329,534**	**355,600**	**340,600**	**346,200**
(% of GDP)	**113.0**	**129.4**	**145.0**	**165.3**	**169.5**	**179.3**

* Assumes disbursement of full EU/IMF funding earmarked for Greece in FY-2012 under 2nd bailout agreement. Debt to be reduced equiproportionally if part of available funds are not disbursed in 2012.

** Forecast

Source: FinMin, Eurobank Research

Latest budget execution data suggest government broadly on track to meet FY-2012 fiscal targets despite the deeper than expected recession

Greece's state budget execution cash data for the first eight months of 2012 recorded a better-than-expected deficit outcome (**Table 2.1**). Specifically, the overall deficit of the central government budget amounted to ca €12.48bn, compared to a targeted shortfall of €15.21bn envisaged in the *2012 Supplementary Budget* that was approved by the Greek Parliament in February 2012. More importantly, the state budget primary balance recorded a shortfall of €1.4bn, compared to a deficit target of €4.2bn for the period January-August 2012 and a shortfall of €5.9bn realized in the same period a year earlier.

Ordinary budget gross revenue declined by 3.1% YoY in January-August 2012, underperforming by ca €1.45bn the corresponding 8-month target set in the 2012 Supplementary Budget. This was mainly the result of lower than expected tax receipts. Total (direct and indirect) tax receipts in the first eight months of this year amounted to €30.46bn, recording a slight increase (+0.5% YoY) from the same period a year earlier, but undershooting by €763mn (ca 0.35ppts-of-GDP) the respective eight-month target of the FY-2012 budget.

Indirect tax revenue (~52.5% of net ordinary budget revenue) declined by 7.9% YoY, underperforming by €576mn the respective official target for the January-August 2012 period. Transaction tax and VAT receipts were the two items in the aforementioned aggregate revenue category recording the biggest declines (11.3% YoY and 10.9% YoY, respectively). In a similar vein, direct tax revenue (~45.8% of net ordinary budget revenue) undershot by €187mn the respective 8-month target of the FY-2012 budget, but actually grew by 13.5% YoY from the same period a year earlier, purportedly as a result of higher taxation on individual incomes and property assets as well as improved collections of tax arrears. Furthermore, tax refunds declined by 29.6% YoY relative to the January-August 2011 period. Reflecting these developments, *net* ordinary budget revenue in the eight months to August 2012 remained broadly unchanged from the same period a year earlier, but undershot the respective FY-2012 budget target by ca €1.48bn or 0.7ppts-of-projected GDP.

On the expenditure side, ordinary budget primary outlays in January-August 2012 declined by 9.3% YoY, undershooting the respective FY-2012 budget target by €2.28bn (or by 1.1ppts-of-projected GDP). The breakdown of the data showed central government salary and pension payments (~43% of ordinary budget primary expenditure) declined by 7.5% YoY, while transfers to public health and the social security system fell by ca 7.6% YoY. Elsewhere, interest payments to service public debt in January-August 2012 declined by 13.2%YoY to €11.07bn, already covering ca 85% of the respective full-year budget target. Finally, in the Public Investment Budget, sharply higher revenue and lower-than-budgeted PIB expenditure facilitated the attainment of a better-than-expected state budget deficit outcome in the first eight months of 2012.

At the general government level (=State budget + Local Governments + Social Security Funds and other public entities), the most recently released data (January-July 2012), showed that the overall fiscal deficit on a cash basis reached ca €10.61bn (or 5.2% of projected full-year GDP), while the primary balance recorded a shortfall of just €0.23bn on a *non-consolidated* basis or 0.1%-of-projected GDP **(Table 2.2).** According to the Finance Ministry data, the primary balance on a *consolidated basis* would be lower by ca €0.58bn relative to respective *non-consolidated* basis reading, with the primary deficit rising to €0.81bn or 0.4%-of-projected GDP. As a reminder, the *2012 Supplementary Budget* that was approved by the Greek Parliament earlier this year envisaged a general government deficit of €13.7bn (6.7%-of-GDP), compared to last year's 9.1%-of-GDP realized shortfall (ESA95). Furthermore, the primary balance was expected to reach a deficit of 1%-of-GDP in FY-2012, compared to deficit of 2.2%-of-GDP in the prior year.

A particularly worrying development threatening the attainability of the fiscal targets is the continuing accumulation of arrears *i.e.*, government debts to third parties outstanding for more than 3 months. According to the latest general government account, the total stock of arrears stood at ca €6.68bn in July 2012, up from €5.73bn at the end of 2011. Note that the government plans to utilize part of the next EU/IMF loan tranche (€31.3bn) to settle a significant part of arrears.

As an overall assessment, the latest official data on state budget execution and the general government accounts portray a somewhat encouraging picture despite the deeper-than-expected recession and certain underlying soft spots, primarily in the form of weak VAT (as well as other direct and indirect tax) collections, a further drastic reduction in public investment outlays and increased state transfers to the social security system to offset weak business and employee contributions. Apparently, the domestic macroeconomic outlook remains clouded by an exceptionally high degree of uncertainty and more data are needed to form a better assessment of underlying fiscal developments. Nonetheless, the budget execution data released so far suggest that the government remains broadly on track to meet this year's fiscal targets.

Table 2.1 – State budget execution data (January-August 2012)

	Jan-Mar 2011	Jan-Mar 2012				FY-2011	FY-2012	FY-2012
	Realization €mn (1)	Realization €mn (2)	*Realization YoY %*	Target (*) €mn (3)	Deviation from target €mn (4) =(2)-(3)	Realization €mn (5)	Target €mn (6)	Target YoY % (7)
I. Ordinary budget balance (A-B)	**-17,290**	**-12,331**		**-13,394**	**1,063**	**-20,044**	**-11,589**	***-42.2%***
A. Ordinary budget net revenue (a1+a2-a3)	**30,694**	**30,640**	***-0.2%***	**32,119**	**-1,479**	**50,091**	**51,409**	***2.6%***
a1. Ordinary budget gross revenue	34,101	33,037	*-3.1%*	34,484	-1,447	54,217	54,949	*1.4%*
a2. Special revenue from licencing and public rights	0	0		40	-40	1,157	270	
a3. Tax refunds	3,407	2,397	*-29.6%*	2,405	-8	5,283	3,810	*-27.9%*
B. Ordinary budget expenditure (b1+b2+b3+b4+b5)	**47,984**	**42,971**	***-10.4%***	**45,513**	**-2,542**	**70,135**	**62,998**	***-10.2%***
b1. Primary expenditure	34,054	30,884	*-9.3%*	33,160	-2,276	51,548	47,685	*-7.5%*
b2. Grants to hospitals for the settlement of old debts	434	392	*-9.7%*	400	-8	435	400	*-8.0%*
b3. Military procurements	135	188		420	-232	359	700	
b4. Guatantees called	612	437	*-28.6%*	521	-84	1,445	1,163	*-19.5%*
b5. Net interest payments	12,749	11,070	*-13.2%*	11,012	58	16,348	13,050	*-20.2%*
II. Public investment budget (PIB) (C1-C2)	**-1,382**	**-152**		**-1,820**	**1,668**	**-2,838**	**-2,550**	
C1. PIB net revenue	1,877	2,463	*31.2%*	3,039	-576	3,770	4,750	*26.0%*
C2. PIB expenditure	3,259	2,615	*-19.8%*	4,859	-2,244	6,608	7,300	*10.5%*
III. Central government budget balance (I+II)	**-18,672**	**-12,483**	***-33.1%***	**-15,214**	**2,731**	**-22,882**	**-14,139**	
Central government primary balance (III+b5)	-5,923	-1,413		-4,202		-6,534	-1,089	

Source: FinMin, Eurobank Research

Table 2.2 – General Government accounts January-July 2012 (provisional cash data in EURmn)

Table 2.2 - General government acounts
cash-basis provisions data in mn €

	Jan-Jul 2011 Realization	Jan-Jul 2012 Realization	YoY, % Change	FY-2011 Realization	FY-2012 Target	YoY, % Change
A. State budget						
a1. Revenue	28,019	27,638	*-1.4%*	53,861	56,159	*4.3%*
a2. Primary expenditure	33,785	30,719	*-9.1%*	60,395	57,248	*-5.2%*
a3. Interest payments	10,218	10,133	*-0.8%*	16,348	13,050	*-20.2%*
A1. Balance (a1-a2-a3)	-15,984	-13,214	*-17.3%*	-22,882	-14,139	*-38.2%*
Correction/1	-256	1,026		-316	0.0	
A2. State budget balance (after corrections)	-16,240	-12,188	*-25.0%*	-23,198	-14,139	*-39.1%*
B. Extrabudgetary funds						
b1. Revenue	3,109	3,044	*-2.1%*	7,289		
of which grants from the State	*1,442*	*979*	*-32.1%*	*4,065*		
b2. Primary expenditure	2,210	2,345	*6.1%*	4,169		
b3. Interest payments	320	171	*-46.6%*	628		
B1. Balance (b1-b2-b3)	580	527	*-9.1%*	2,492	2,371	
C. Local governments						
c1. Revenue	4,128	3,966	*-3.9%*	7,839		
of which grants from the State	*2,570*	*1,954*	*-24.0%*	*4,279*		
c2. Primary expenditure	3,086	3,509	*13.7%*	7,007		
c3. Interest payments	50	59		101		
C1. Balance (c1-c2-c3)	992	398		730	0.0	
D. Social security funds						
d1. Revenue	24,886	23,552	*-5.4%*	43,560		
of which grants from State	*10,596*	*9,479*	*-10.5%*	*18,158*		
d2. Primary expenditure	24,862	22,881	*-8.0%*	44,269		
d3. Interest payments	4	18		71		
D1. Balance (d1-d2-d3)	20	655		-779	-1,533	
E. General government						
e1. Revenue (a1+b1+c1+d1)	60,142	58,200	*-3.2%*	112,549		
of which intra-government transactions	*-14,609*	*-12,413*		*-26,502*		
e2. Primary expenditure (a2+b2+b3+b4)	64,199	58,429	*-9.0%*	116,155		
of which intra-government transactions	-14,609	-12,413		*-26,502*		
e3. Primary balance (e1-e2) / 2	-4,057	-229		-3,607		
e4. Interest payments (a3+b3+c3+d3)	10,592	10,381		17,148		
E1. Balance (e3-e4)	-14,649	-10,610	*-27.6%*	-20,755	-13,301	
ESA adjustment				*1,168*	*-432*	
ESA 95 general government balance				**-19,586**	**-13,733**	
(% of GDP)				-9.1%	-6.7%	

Source: FinMin; Eurobank research

<u>*Notes*</u>

/1 Correction

Advance payment in Dec 2011 against next year expenditure	924	1,171	-247
Other expenditure	-1,180	-145	-69

/2 On a non-consolidated basis

Eurobank 20 Amalias Av & 5 Souri Str, 10557 Athens, tel: +30.210.333 .7365, fax: +30.210.333.7687, contact email: Research@eurobank.gr