

Greece: January – February 2016 State Budget Execution, & January 2016 arrears

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- According to the final State Budget Execution data for January – February 2016, the budget balance recorded a deficit of ca €1.32 bn, improved relative to the respective 2016 Budget (B16) target (deficit €0.062 bn). The primary balance recorded a surplus of ca €3.04 bn, significantly outperforming the B16 target (primary surplus of ca €1.07bn).
- In more detail, ordinary net revenue for January – February 2016 amounted to ca €8.10 bn, higher by ca €0.32 bn (or 4.1%) compared with the respective B16 target and by ca €0.81 bn (or 11.1%) on an annual basis.
- Ordinary budget revenue (Fig.1) over-performed mainly due to the higher than targeted total non-tax revenue by ca €0.43 bn (or 48.9%) on the higher than expected dividend received by the Bank of Greece.
- On the other hand, total tax revenue underperformed by ca €0.15 bn (or -2.1%) with respect to the B16 target. Personal & Corporate Income tax revenue increased by ca 0.2% compared with the respective B16 target. Property tax revenue (mainly ENFIA) decreased by ca -22.2%, compared with its B16 target. On the indirect taxes, VAT revenue decreased by -5.2% compared with the B16 target. VAT revenue on fuel and all other goods decreased by -26.9% (which is mainly due to the drop on the oil prices) and -2.9%, respectively, compared with their B16 targets. VAT revenue from tobacco increased by ca 0.6%, compared with its B16 target. Furthermore, the under-performance of tax refunds by ca 0.04bn (or -7.6%) compared with the respective B16 target improved the general picture of the ordinary budget revenue.
- Ordinary budget expenditure (Fig.1) for January-February 2016 amounted to ca €7.94 bn, undershooting the respective B16 target by ca €0.96 bn (or -10.8%), but higher than the respective 2015 figure by ca €0.19 bn (or 2.5%). Primary spending was lower than the respective B16 target by ca €0.91bn (or -12.8%). Military spending remained close to zero, lower than the respective B16 target by €0.06 bn (or -99.6%).
- In the Public Investment Budget (PIB), total revenue for January-February 2016 amounted to ca €1.52 bn, significantly higher by ca €0.64 bn (or 73.0%) relative to the respective B16 target and 1.03 bn (or 206.9%) on an annual basis. This over performance of PIB revenue also contributed to the improved picture of the primary surplus. PIB total expenditure amounted to ca €0.36 bn, lower compared with the respective B16 target by ca €0.02bn (or -4.0%) but higher than the respective 2015 figure by ca €0.12 bn (or 51.3%).

Key takeaway

The January-February 2016 primary balance figure would have been again positive (primary surplus) but only at ca €1.4 bn under the working assumptions that: a) ordinary budget revenue was at its current level, and b) tax refunds, budget expenditure and PIB revenue and expenditure were at their target levels. This is not an encouraging result in view of the ongoing discussions over the 2016 fiscal gap.

According to the General Government (GG) data for January 2016 GG arrears to the private sector (including tax refunds arrears) were at ca €5.47 bn increased by ca €1.64 bn (or 42.8%) relative to the end of December 2014, and by ca €0.08 bn (or 1.6%) on a monthly basis. Total arrears were reduced by ca €0.59 bn (or -9.7%) relative to the September 2015 total arrears peak (Fig. 2). According to the January-February 2016 state budget execution data, the total budgeted amount for arrears payments is at €5.5 bn. No such payment was made during the first two months of 2016. The plan for the arrears payment is still part of the ongoing 1st review of the 3rd Economic Adjustment Programme. Furthermore, the actual payments will be conditional on the disbursements from the ESM loan (and on the respective reviews).

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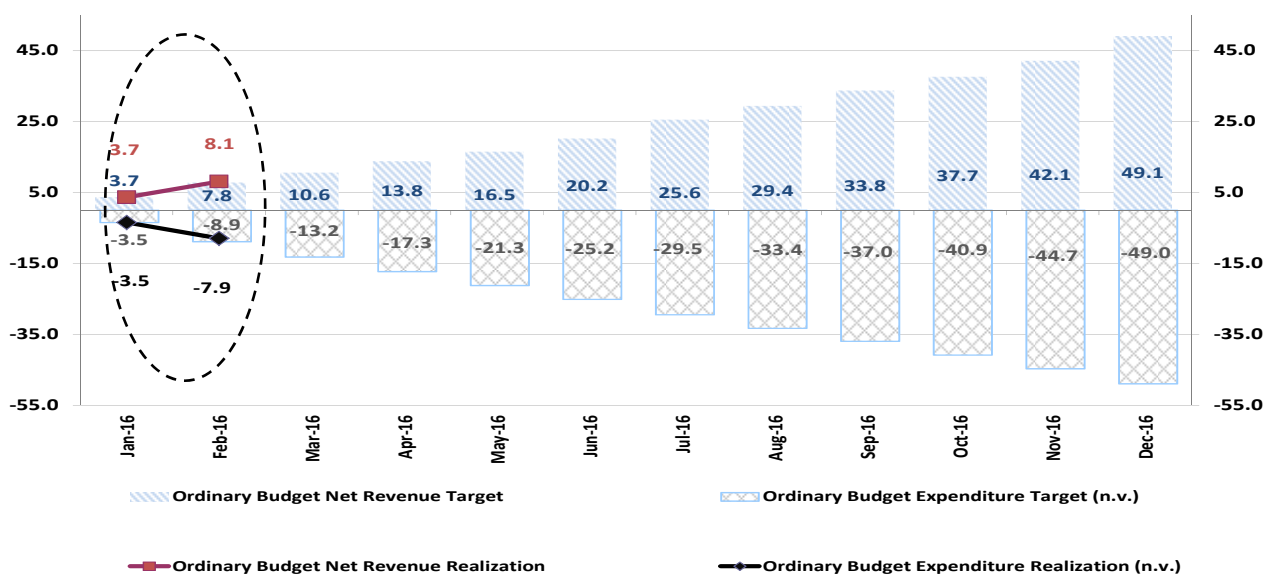
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	January 2015	January 2016	2016 Budget target January	%YoY	%target
Primary balance	1.24	3.04	1.07	145.4%	185.3%
Fiscal Balance	-0.19	1.32	-0.62	-780.9%	-314.8%
Ordinary Budget Net Revenue	7.29	8.10	7.78	11.1%	4.1%
Revenue before tax refunds	7.90	8.63	8.35	9.3%	3.4%
Privatizations revenue	0.00	0.01	0.03	-	-
Tax refunds	0.61	0.54	0.59	-10.5%	-7.6%
Total Ordinary Budget Expenditure	7.75	7.94	8.90	2.5%	-10.8%
Ordinary Budget Primary Expenditure	6.31	6.22	7.13	-1.5%	-12.8%
Military equipment procurement payments	0.00	0.00	0.55	-	-99.6%
Guaranties	0.01	0.01	0.29	-	-97.6%
Guaranties to bodies classified inside GG	0.06	0.05	0.06	-	-
Guaranties to bodies classified outside GG	0.01	0.02	0.23	-	-91.3%
Net Interest Expenditure	1.43	1.72	1.68	19.9%	2.2%
EFSF fee, etc	0.00	0.01	0.10	-	-
Total Public Investment Budget Revenue	0.50	1.52	0.88	206.9%	73.0%
EU Revenues	0.45	1.49	0.86	233.5%	74.5%
Own Participation	0.48	0.28	0.24	-41.7%	16.7%
Total Public Investment Budget Expenditure	0.24	0.36	0.38	51.3%	-4.0%
National Contribution	0.32	0.59	0.27	84.4%	118.5%
Cofinanced part	0.21	0.30	0.35	46.1%	-13.5%

Source: Ministry of Finance

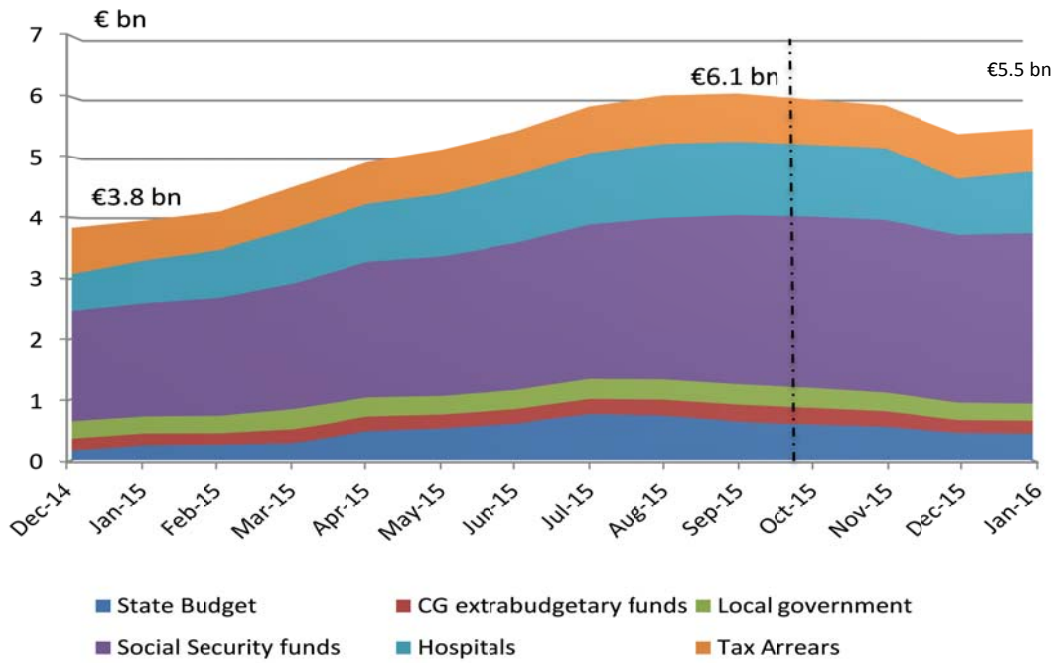
Note: Available at http://www.minfin.gr/sites/default/files/financial_files/STATE_%20BUDGET_%20EXECUTION_FEB_2016_F.pdf

**Figure 1: State Budget Execution Revenue & Expenditure
(2016, € bn)**



Source: Ministry of Finance, Eurobank Research

**Figure 2: GG Total Arrears including Tax Arrears
(2014-16, monthly basis, € bn)**



Source: Ministry of Finance

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