



Greece: State Budget Execution, January - October 2015

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- According to the final State Budget (SG) Execution data for the year-to-October 2015 period, the budget balance recorded a deficit of ca €0.8bn, improved relative to the respective 2016 Budget (B16) target (deficit of €2.9bn). The primary balance recorded a surplus of ca €4.5bn, significantly outperforming the B16 target (primary deficit of ca €2.4bn).
- Ordinary Budget net revenue amounted to ca €36.7bn, lower by ca €1.9bn (or -4.9%) compared with the respective B16 target and by ca €1.1bn (or -3.0%) on an annual basis. According to the Ministry of Finance, this underperformance was due to the non-recurring revenue shortfall of ca €1.9bn from the Eurosystem's ANFA & SMP holdings (-86.5% compared with the respective B16 target).
- However, Direct tax revenue fell by -0.3% with respect to the B16 target. In more detail, Personal & Corporate Income tax revenue fell on average -3.9% while property tax revenue (mainly ENFIA) increased by ca 12.0% compared with the respective B16 targets. VAT revenue fell by -1.7% compared with the respective B16 target. VAT revenue on fuel and tobacco increased by 0.4% and 0.6% respectively while VAT revenue on all other goods and services decreased by ca -2.0% compared with the B16 targets.
- Ordinary Budget expenditure amounted to ca €40.9bn, undershooting both the respective B16 target by ca €3.2bn (or -7.7%) and the respective 2014 figure by ca €1.9bn (or -4.8%). Primary spending and military expenditure were lower than their respective B16 targets by ca €2.8bn (or -8.2%) and ca €0.4bn (or -77.0%), respectively.
- In the Public Investment Budget (PIB), total revenue amounted to ca €3.3bn, lower by -0.2bn (or -6.3%) compared with the respective B16 target and 0.4bn (or -11.9%) on an annual basis. PIB total expenditure amounted to ca €3.9bn. It underperformed both the respective B16 target by ca €1.0bn (or -26.7%) and the respective 2014 figure by ca €1.3bn (or -31.5%).

Key takeaway

The year-to-October 2015 primary balance figure is mainly due to the State 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 again positive (primary surplus) but only at ca €0.3bn.

The 10-months expenditure underperformance is attributed to the rescheduling of the respective payments due to the tight current liquidity conditions of the Greek State. As a result, the General Government (GG) total arrears (including tax – refund arrears), were already at ca €5.9bn at the end of September 2015 from ca €3.8bn at the end of December 2014, a 58.9% increase. On a positive note, arrears remained almost unchanged compared with August 2015. The recent disbursement of the €2.0bn from the first installment of the Third Economic Adjustment Programme (TEAP) and the expected disbursement of the next tranche (€1.0bn), after the fulfillment of the necessary conditionalities, will contribute significantly on the improvement of the public sector's liquidity conditions.

The B16 (expected to be voted on December 6 2015) target for the 2015 GG primary balance is at -0.20% of GDP (primary deficit), slightly improved compared with the respective TEAP target (-0.25% of GDP). The respective B16 target for the State Budget in cash terms is at -1.5% of GDP (or €2.6bn). However, ca €11.2bn in additional tax revenue (before refunds) need to be collected by (the fiscal) year-end. The resolution of the uncertainty over the conclusion of the 1st Review of the TEAP will contribute on the achievement of the latter target. It is encouraging that the real GDP growth rate for 2015 is expected at 0.0% in the B16 significantly improved compared with the most recent European Commission's official forecast of -1.4% (November 2015).

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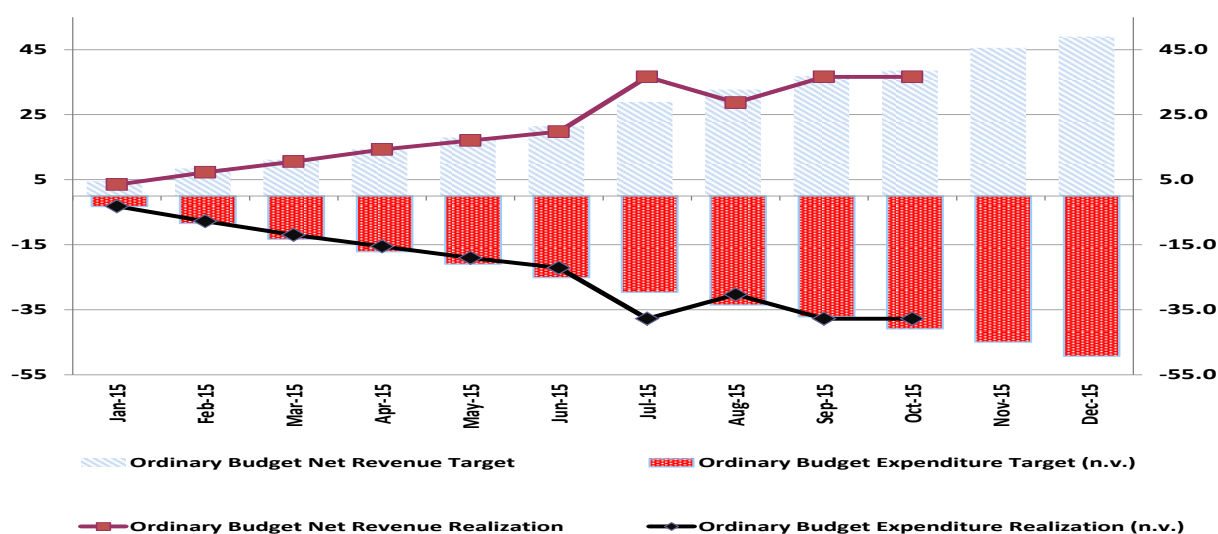
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Table 1: Central Government Budget Execution (€ bn, January- October 2015)					
	January-October 2014	January-October 2015	2016 Budget target January-October 2015	%YoY	%target
Primary balance	2.7	4.5	2.4	70.8%	87.0%
Fiscal Balance	-2.4	-0.8	-2.9	-67.6%	-72.5%
Ordinary Budget Net Revenue	37.8	36.7	38.6	-3.0%	-4.9%
Revenue before tax refunds	40.4	38.7	41.0	-4.1%	-5.5%
Privatizations revenue	0.3	0.2	0.2	-	-0.9%
Tax refunds	2.8	2.3	2.6	-19.9%	-13.1%
Total Ordinary Budget Expenditure	39.7	37.7	40.9	-4.8%	-7.7%
Ordinary Budget Primary Expenditure	33.8	31.5	34.3	-7.0%	-8.2%
Military equipment procurement payments	0.1	0.1	0.5	-13.9%	-77.0%
Guaranties	0.5	0.7	0.7	28.6%	2.0%
Guaranties to bodies classified inside GG	0.4	0.7	0.7	62.8%	2.5%
Guaranties to bodies classified outside GG	0.1	0.0	0.0	-76.1%	-5.9%
Net Interest Expenditure	5.1	5.3	5.3	4.4%	0.4%
EFSF fee, etc	0.0	0.1	0.1	211.9%	15.9%
Total Public Investment Budget Revenue	3.5	3.1	3.3	-11.9%	-6.3%
EU Revenues	3.5	2.8	3.0	-18.5%	-6.2%
Own Participation	0.1	0.3	0.3	398.2%	-7.3%
Total Public Investment Budget Expenditure	4.1	2.8	3.9	-31.5%	-26.7%
National Contribution	0.3	0.2	0.4	-25.1%	-51.2%
Cofinanced part	3.8	2.6	3.4	-31.9%	-23.7%

Source: Ministry of Finance

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

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



Source: Ministry of Finance, Eurobank Research

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