

Dr Theodoros Stamatou  
 Senior Economist  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

## Greece: January 2016 State Budget Execution, end-of-2015 arrears and public debt

- According to the final State Budget Execution data for January 2016, the budget balance recorded a deficit of ca €1.07 bn, improved relative to the respective 2016 Budget (B16) target (surplus €0.20 bn). The primary balance recorded a surplus of ca €1.19 bn, significantly outperforming the B16 target (primary surplus of ca €0.31bn).
- In more detail, ordinary net revenue for January 2016 amounted to ca €3.65bn, lower by ca €0.01bn (or -0.4%) compared with the respective B16 target but higher by ca €0.16bn (or 4.6%) on an annual basis.
- Ordinary budget revenue (Fig.1), under-performed (despite the over-performance of the total non-tax revenue by 30.7%). The underperformance was due to the lower than targeted total tax revenue by ca 0.2 bn (or -4.9%). In more detail, direct tax revenue decreased by -3.2% with respect to the B16 target. Personal & Corporate Income tax revenue decreased on average by -8.4%, while property tax revenue (mainly ENFIA) decreased by ca -20.0% compared with their B16 targets. On the indirect taxes, VAT revenue decreased by -9.0% compared with the B16 target. VAT revenue on fuel and all other goods decreased by -22.7% (which is mainly due to the drop on the oil prices) and -7.6% respectively compared with their B16 targets. VAT revenue from tobacco increased by ca 0.6%, compared with its B16 target. The under-performance of tax refunds by ca 0.05bn (or -14.5%) compared with the respective B16 target improved the general picture of the ordinary budget revenue.
- Ordinary budget expenditure (Fig.1) for January 2016 amounted to ca €3.01 bn, undershooting the respective B16 target by ca €0.47 bn (or -13.5%), and the respective 2015 figure by ca €0.16 bn (or -5.3%). Primary spending was lower than the respective B16 target by ca €0.44 bn (or -13.2%). Military spending remained at zero lower than the respective B16 target by €0.03 bn (or -100%).
- In the Public Investment Budget (PIB), total revenue for January to December 2015 amounted to ca €0.57 bn, significantly higher by ca €0.41 bn (or 253.8%) relative to the respective B16 target and 0.38bn (or 193.3%) on an annual basis. PIB total expenditure amounted to ca €0.14 bn lower compared with the respective B16 target by ca €0.2bn (or -10.0%) and the 2015 figure by ca €0.1 bn (or -4.3%).

### Key takeaway

The January 2016 primary balance figure would have been again positive (primary surplus) but only at ca €0.2 bn (=1.19-0.05-0.47-0.02-0.41) 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 December 2015, GG arrears to the private sector (including tax refunds arrears) were at ca €5.4bn increased by ca €1.6 bn (or 40.6%) relative to the end of December 2015, but decreased by ca €0.4bn (or -7.1%) on a monthly basis and by €0.7 bn (or -11.2%) relative to the September 2015 total arrears peak (Fig. 2). According to the January 2016 state budget execution data, the total budgeted amount for arrears payments is at €5.5 bn. No such payment was made during January 2016. The plan for the arrears payment is still part of the ongoing 1<sup>st</sup> review of the 3<sup>rd</sup> Economic Adjustment Programme. Furthermore, the actual payments will be conditional on the disbursements from the ESM loan (and on the respective reviews).

Central Government (CG) Debt for 2015, according to the Public Debt Bulletin was a €321.3 bn or 182.6% of GDP. We expect GG Debt at €311.8 bn or 177.2% of GDP lower than the respective B16 target of 180.2% mainly due to the lower cost of the bank recapitalization process.

### DISCLAIMER

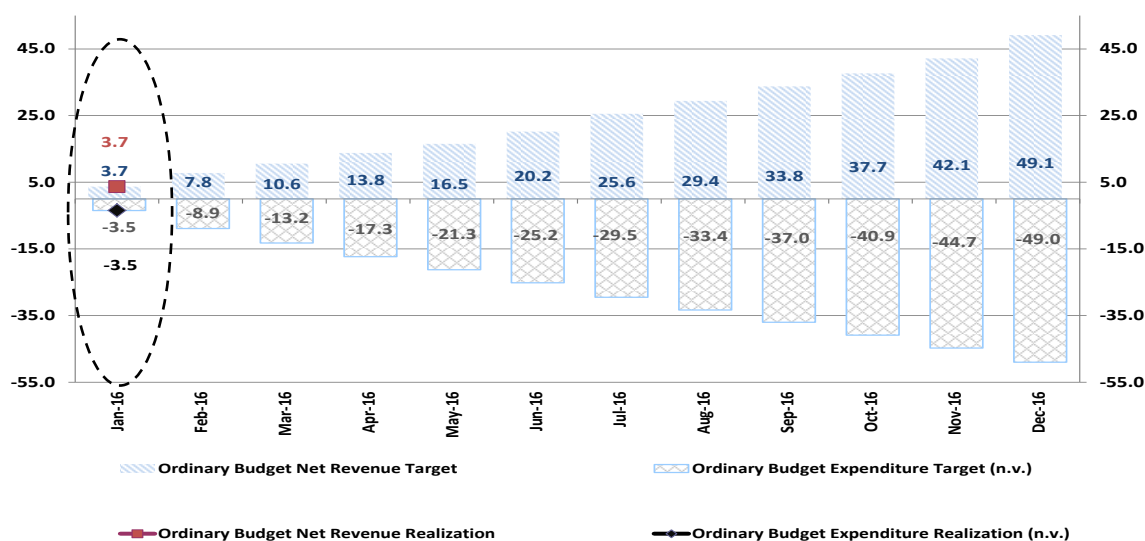
This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

	January 2015	January 2016	2016 Budget target January	%YoY	%target
Primary balance	0.44	1.19	0.31	168.4%	287.3%
Fiscal Balance	0.37	1.07	0.20	192.4%	444.7%
Ordinary Budget Net Revenue	3.49	3.65	3.66	4.6%	-0.4%
Revenue before tax refunds	3.85	3.93	4.01	2.3%	-1.8%
Privatizations revenue	0.00	0.01	0.00	-	-
Tax refunds	0.36	0.30	0.35	-16.9%	-14.5%
Total Ordinary Budget Expenditure	3.17	3.01	3.48	-5.3%	-13.5%
Ordinary Budget Primary Expenditure	3.10	2.89	3.33	-6.7%	-13.2%
Military equipment procurement payments	0.00	0.00	0.03	-	-100.0%
Guaranties	0.00	0.00	0.01	-	-100.0%
Guaranties to bodies classified inside GG	0.00	0.00	0.00	-	-
Guaranties to bodies classified outside GG	0.00	0.00	0.11	-	-100.0%
Net Interest Expenditure	0.08	0.12	0.11	52.6%	5.5%
EFSF fee, etc	0.00	0.00	0.00	-	-
Total Public Investment Budget Revenue	0.19	0.57	0.16	193.3%	253.8%
EU Revenues	0.15	0.54	0.15	261.7%	257.0%
Own Participation	0.04	0.03	0.01	-37.2%	200.0%
Total Public Investment Budget Expenditure	0.14	0.14	0.15	-4.3%	-10.0%
National Contribution	0.02	0.03	0.00	29.2%	1450.0%
Cofinanced part	0.12	0.10	0.15	-11.1%	-29.7%

Source: Ministry of Finance

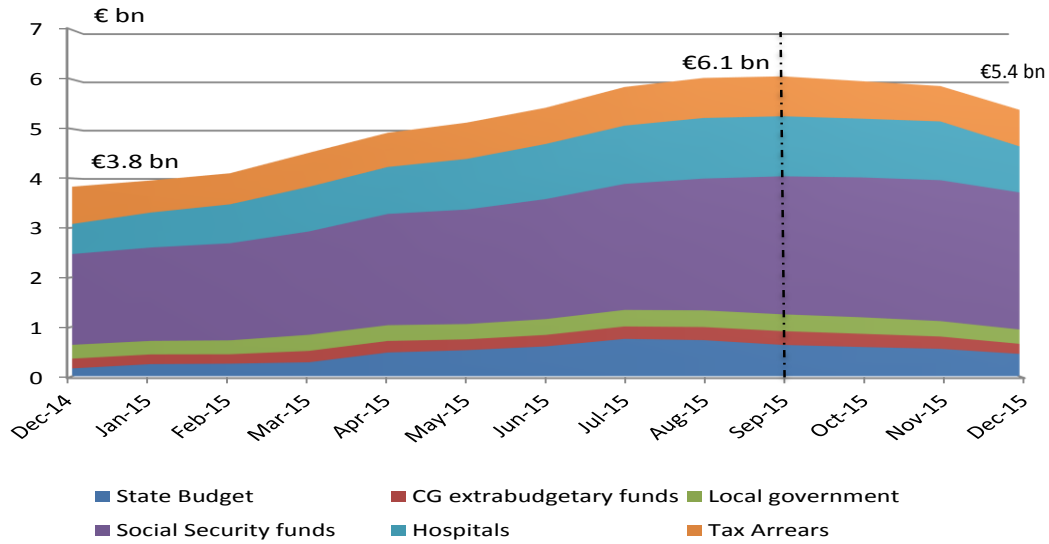
Note: Available at <http://www.minfin.gr/?q=en/content/state-budget-execution-january-2016-0>

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



Source: Ministry of Finance, Eurobank Research

**Figure 2: GG Total Arrears including Tax Arrears  
(2014-5, monthly basis, € bn)**



Source: Ministry of Finance

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos:** *Group Chief Economist*  
pmonokroussos@eurobank.gr, + 30 210 37 18 903

**Dr. Tassos Anastasatos:** *Deputy Chief Economist*  
tanastasatos@eurobank.gr, + 30 210 33 71 178

### Research Team

**Anna Dimitriadou:** *Economic Analyst*  
andimitriadou@eurobank.gr, + 30 210 3718 793

**Ioannis Gkionis:** *Research Economist*  
igkionis@eurobank.gr + 30 210 33 71 225

**Dr. Stylianos Gogos:** *Economic Analyst*  
sgogos@eurobank.gr + 30 210 33 71 226

**Olga Kosma:** *Economic Analyst*  
okosma@eurobank.gr + 30 210 33 71 227

**Arkadia Konstantopoulou:** *Research Assistant*  
arkonstantopoulou@eurobank.gr + 30 210 33 71 224

**Paraskevi Petropoulou:** *G10 Markets Analyst*  
ppetropoulou@eurobank.gr, + 30 210 37 18 991

**Galatia Phoka:** *Research Economist*  
gphoka@eurobank.gr, + 30 210 37 18 922

**Dr. Theodoros Stamatiou:** *Senior Economist*  
tstamatiou@eurobank.gr, + 30 210 33 71 228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

