



Greece: Central Government Budget Execution, January - August 2015

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- According to the final Central Government (CG) Budget Execution data for the year-to-August 2015 period, the budget balance recorded a ca €1.1bn deficit, improved relative to the respective 2015 Budget target (deficit at ca €1.7bn). The primary balance recorded a surplus of ca €3.8bn, significantly outperforming the 2015 Budget target (primary deficit of ca €3.3bn).
- Ordinary Budget net revenue amounted to ca €28.7bn, lower by ca €4.1bn (or -12.4%) compared with the respective 2015 Budget target and by ca €0.9bn (or -2.9%) 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 and Corporate Income Tax, the VAT (-8.6%, -18.2% and -7.2% respectively compared with the respective 2015 Budget targets), **b)** the revenue shortfall of ca €0.9bn from the postponement of the payment of the 1st and 2nd ENFIA (property tax) instalments, **c)** the revenue shortfall of ca €1.7 bn from the Eurosystem's ANFA & SMP holdings. The over performance of the non-recurring revenue due to the increase of the Bank Liquidity Support Proceeds (BLSP) (by €0.8bn or 1,162.0% compared with the respective 2015 Budget target) improved significantly the year-to-August 2015 revenues.
- Ordinary Budget expenditure amounted to ca €30.3bn, undershooting both the respective 2015 Budget target by ca €3.2bn (or -9.6%) and the respective 2014 figure by ca €2.2bn (or -6.6%). Primary spending and military expenditure was lower than the respective 2015 Budget targets by ca €2.8bn (or -10.2%) and ca €0.4bn (or -81.1%), respectively.
- In the Public Investment Budget (PIB), total revenue amounted to ca €2.1bn, outperforming the respective 2015 Budget target by ca €0.1bn (or 3.9%) but lower by ca €1.3bn (or -38.3%) on an annual basis. PIB total expenditure amounted to ca €1.6 bn slightly above the previous 2-months' figure and underperforming both the respective 2015 Budget target by ca €1.5bn (or -49.4%) and the respective 2014 figure by ca €1.7bn (or -52.8%).

Key takeaway

The year-to-August 2015 primary balance figure is mainly due to the Budget and PIB expenditure underperformance, the better than expected EU inflows and the significant increase on BLSP. Otherwise (i.e. if revenues were at their current level, and PIB and Budget expenditure at their target levels), the primary balance would have been negative (primary deficit) at ca €0.9bn. If we also subtract the excess BLSP, then the primary deficit will be at ca €1.8bn. The expenditure underperformance for the first eight months of 2015 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 – refunds arrears (already at ca €5.7bn at the end of July 2015 from ca €3.8bn at the end of December 2014, a 52.1% increase).

The target for the 2015 primary balance in the new ESM programme for Greece is at -0.25% of GDP (a primary deficit). The achievement of this target will depend on the effect of the capital controls imposition and the quick resolution of the uncertainty, conditional on the successful completion of the upcoming review of the programme and the bank recapitalization process. The European Commission's 2015 real growth projection is -2.3%. Currently, our (Eurobank Research) respective projection for 2015 is between -2.1% and -1.5%.

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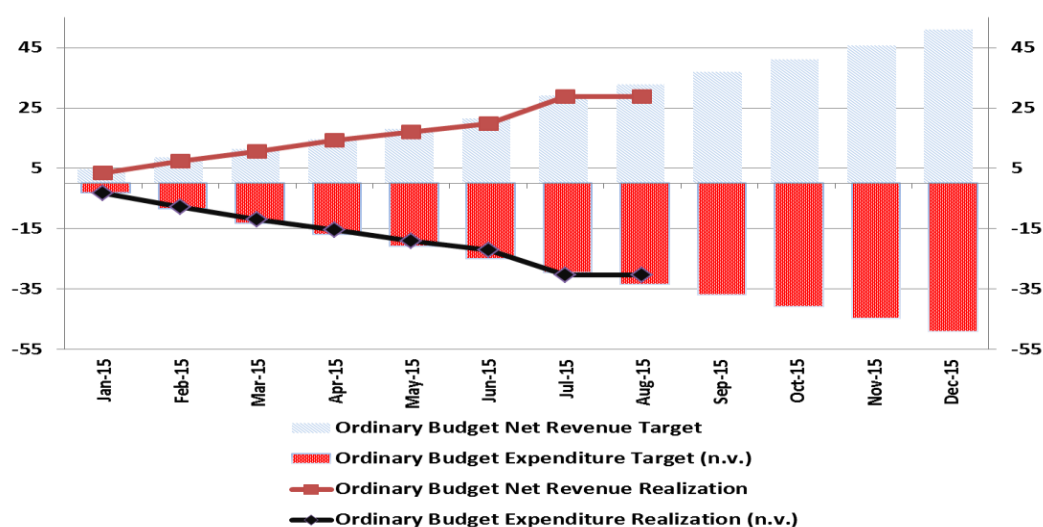
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Table 1: Central Government Budget Ececution (€ bn, January- August 2015)					
	January-August 2014	January-August 2015	2015 Budget target January-August 2015	%YoY	%target
Primary balance	1.9	3.8	3.3	95.2%	16.4%
Fiscal Balance	-2.8	-1.1	-1.7	-61.2%	-34.8%
Ordinary Budget Net Revenue	29.6	28.7	32.8	-2.9%	-12.4%
Revenue before tax refunds	31.7	30.3	34.5	-4.7%	-12.3%
Privatizations revenue	0.0	0.2	0.3	-	-30.5%
Tax refunds	2.2	1.8	2.0	-18.6%	-12.4%
Total Ordinary Budget Expenditure	32.5	30.3	33.5	-6.6%	-9.6%
Ordinary Budget Primary Expenditure	27.0	24.7	27.5	-8.4%	-10.2%
Military equipment procurement payments	0.1	0.1	0.4	-25.7%	-81.1%
Guaranties	0.5	0.5	0.6	-8.2%	-16.3%
Guaranties to bodies classified inside GG	0.4	0.5	0.5	15.7%	-1.3%
Guaranties to bodies classified outside GG	0.1	0.0	0.1	-89.6%	-87.8%
Net Interest Expenditure	4.8	4.9	5.0	2.2%	-1.1%
EFSF fee, etc	0.0	0.1	0.0	211.9%	211.9%
Total Public Investment Budget Revenue	3.3	2.1	2.2	-38.3%	-3.9%
EU Revenues	3.3	1.8	1.9	-45.7%	-5.5%
Own Participation	0.0	0.3	0.3	485.1%	8.7%
Total Public Investment Budget Expenditure	3.3	1.6	3.1	-52.8%	-49.4%
National Contribution	0.2	0.1	0.4	-29.8%	-63.0%
Cofinanced part	3.1	1.4	2.7	-54.2%	-47.6%

Source: Ministry of Finance

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

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



Source: Ministry of Finance

Note: n.v. stands for negative values

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