

Greece: State Budget Execution, January - November 2015

Dr Theodoros Stamatiou
 Senior Economist
tstamatiou@eurobank.gr

- According to the final State Budget Execution data for the year-to-November 2015 period, the budget balance recorded a deficit of ca €1.2bn, improved relative to the respective 2016 Budget (B16) target (deficit of €3.0bn). The primary balance recorded a surplus of ca €4.4bn, significantly outperforming the B16 target (primary deficit of ca €2.7bn).
- In more detail, ordinary net revenue for the January to November 2015 period amounted to ca €41.0bn, lower by ca €1.4bn (or -3.2%) compared with the respective B16 target and by ca €0.8bn (or -1.8%) on an annual basis. This underperformance was due to the non-recurring revenue shortfall of ca €1.9bn from the Eurosystem's ANFA & SMP holdings.
- Ordinary budget revenue over-performed and managed to cover part of the revenue shortfall from the Eurosystem's ANFA & SMP holdings. Direct tax revenues increased by 1.8% with respect to their B16 target. In more detail, Personal & Corporate Income tax revenue increased on average by 1.4%, while property tax revenue (mainly ENFIA) increased by ca 5.9% compared with their B16 targets. At the same time, VAT revenue increased by 0.3% compared with their B16 targets. VAT revenue on fuel decreased by -1.9%, while the respective revenue from tobacco and on all other goods and services increased by ca 0.6% and 0.7%, respectively, compared with their B16 targets.
- Ordinary expenditure for January to November 2015 amounted to ca €42.5bn, undershooting both the respective B16 target by ca €2.3bn (or -5.2%), and the respective 2014 figure by ca €0.7bn (or -1.7%). Primary spending and military expenditure were lower than their respective B16 targets by ca €1.9bn (or -4.8%) and ca €0.4bn (or -71.5%), respectively.
- In the Public Investment Budget (PIB), total revenue for January to November 2015 amounted to ca €3.9bn, slightly higher by ca €0.04bn (or 1.2%) relative to the respective B16 target and 0.3bn (or -6.0%) on an annual basis. PIB total expenditure amounted to ca €3.7bn. It underperformed both the respective B16 target by ca €0.7bn (or -16.6%), and the respective 2014 figure by ca €0.8bn (or -18.7%).

Key takeaway

The year-to-November 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 €1.3bn. As a result, the General Government (GG) total arrears (including tax – refund arrears) were already at ca €5.9bn at the end of October 2015 from ca €3.8bn at the end of December 2014, marking a 55.7% increase. On a positive note, GG total arrears remained almost unchanged compared with August and September 2015, reflecting the improvement in the cash position of the budget due to the payment of income and property tax revenues from September 2015 onwards, and the disbursement of the second tranche (€2.0bn) from the first installment of the Third Economic Adjustment Programme (TEAP) in late November 2015. According to the B16, the financing of the GG arrears will take place during 2016 conditional on the smooth continuation of the financing from the TEAP.

The B16 target for the 2015 GG primary balance is at -0.20% of GDP (primary deficit), slightly improved compared with the respective TEAP (-0.25% of GDP). The respective B16 target for the State Budget in cash terms is at -1.5% of GDP (or €2.6bn). As a result, ca €7.9bn in additional tax revenue (before refunds) need to be collected by (the fiscal) year-end (i.e. until the end of February 2016) and ordinary budget net expenditure need to be lower than ca €6.8bn for the achievement of the State Budget target of -1.5% of GDP. Otherwise, the risk for the adoption of additional fiscal measures in 2016 will increase.

DISCLAIMER

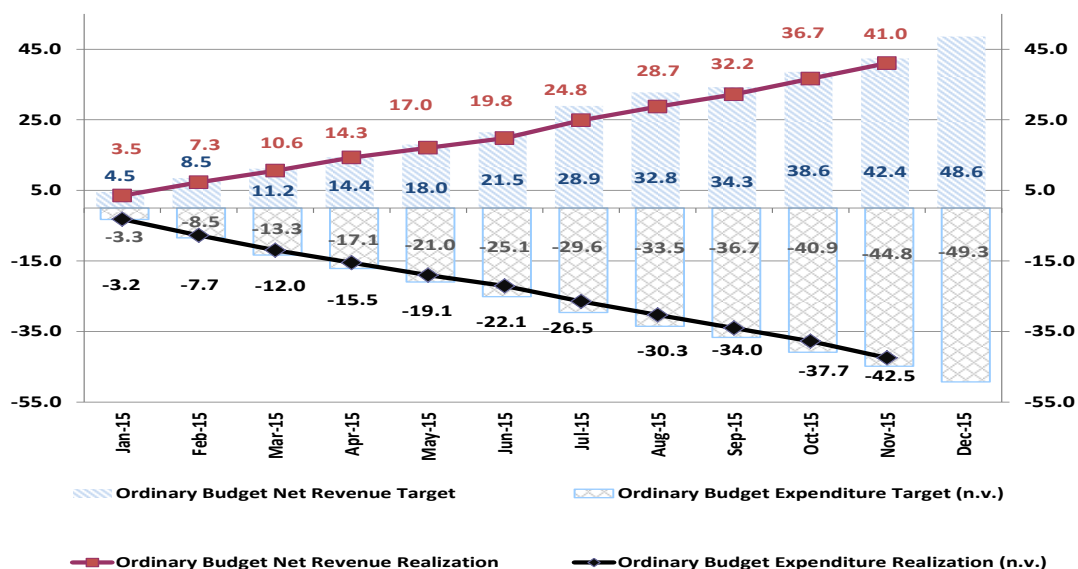
This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information 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-November 2014	January-November 2015	2016 Budget target January-November 2015	%YoY	%target
Primary balance	3.6	4.3	2.7	21.7%	63.7%
Fiscal Balance	-1.8	-1.2	-3.0	-31.9%	-58.5%
Ordinary Budget Net Revenue	41.8	41.0	42.4	-1.8%	-3.2%
Revenue before tax refunds	44.5	43.4	44.8	-2.4%	-3.2%
Privatizations revenue	0.8	0.2	0.2	-	-12.3%
Tax refunds	3.1	2.6	2.7	-15.9%	-3.8%
Total Ordinary Budget Expenditure	43.2	42.5	44.8	-1.7%	-5.2%
Ordinary Budget Primary Expenditure	37.1	35.9	37.8	-3.1%	-4.8%
Military equipment procurement payments	0.2	0.2	0.6	0.6%	-71.5%
Guaranties	0.6	0.7	0.7	22.5%	-3.6%
Guaranties to bodies classified inside GG	0.4	0.6	0.7	55.2%	-2.0%
Guaranties to bodies classified outside GG	0.1	0.0	0.0	-75.0%	-25.5%
Net Interest Expenditure	5.4	5.6	5.7	3.5%	-1.2%
EFSF fee, etc	0.0	0.1	0.2	235.7%	-11.3%
Total Public Investment Budget Revenue	4.2	3.9	3.9	-6.0%	1.2%
EU Revenues	4.1	3.5	3.5	-14.4%	1.0%
Own Participation	0.1	0.4	0.4	562.3%	3.3%
Total Public Investment Budget Expenditure	4.5	3.7	4.4	-18.7%	-16.6%
National Contribution	0.3	0.3	0.4	3.5%	-26.5%
Cofinanced part	4.2	3.4	4.0	-20.4%	-15.5%

Source: Ministry of Finance

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

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



Source: Ministry of Finance, Eurobank Research

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

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

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

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>

