

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

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- According to the final State Budget Execution data for January – May 2016, the budget balance recorded a deficit of ca €0.81 bn, improved relatively to the respective 2016 Budget (B16) target (deficit €3.88 bn). The primary balance recorded a surplus of ca €2.28 bn, significantly outperforming the B16 target (primary deficit of ca €0.82 bn).
- In more detail, ordinary budget net revenue for January – May 2016 (Fig.1) amounted to ca €17.26 bn, higher by ca €0.77 bn (or 4.7%) compared with the respective B16 target and lower by ca €0.15 bn (or -0.8%) on an annual basis.
- Ordinary budget net revenue over-performed mainly due to the higher than targeted total non-tax revenue which was at ca € 2.2 bn (increased by ca €0.57bn (or 35.7%) compared to the respective B16 target). This increase was mainly due to the higher than expected Bank of Greece's dividend (by €0.45 bn) received in February 2016 and to higher drawings of funds from the EU (by €0.15 bn).
- Total tax revenue over-performed by ca €0.36 bn (or 2.3%) with respect to the B16 target. Personal & Corporate Income tax revenue increased by ca 0.1% compared with the respective B16 target. Property tax revenue (mainly ENFIA) decreased by ca -6.0%, compared with its B16 target. On the indirect taxes, VAT revenue increased by 0.4% compared with the B16 target. VAT revenue on fuel decreased by -18.0% (which is mainly due to the drop of the oil prices) compared with the B16 target. VAT in tobacco and all other goods increased by 0.6% and 2.3%, respectively, compared with their B16 targets. Tax refunds increased by 11.9% (or €0.13bn) relative to the respective B16 target.
- Ordinary budget expenditure (Fig.1) for January-May 2016 amounted to ca €18.91 bn, undershooting the respective B16 target by ca €2.37 bn (or -11.1%), and the respective 2015 figure by ca €0.15 bn (or -0.8%). Primary spending was lower than the respective B16 target by ca €1.97 bn (or -11.3%). Military spending remained close to zero, lower than the respective B16 target by €0.26 bn (or -89.2%).
- In the Public Investment Budget (PIB), total revenue for January-May 2016 amounted to ca €1.95 bn, lower by ca €0.45 bn (or -18.6%) relative to the respective B16 target and higher by €0.37 bn (or 23.3%) on an annual basis. PIB total expenditure amounted to ca €1.11 bn, lower compared with the respective B16 target by ca €0.37 bn (or -25.0%) but higher than the respective 2015 figure by ca €0.14 bn (or 14.7%).

Key takeaway

The January-May 2016 adjusted (Eurobank Research) primary balance figure would have been again positive (primary surplus) but only at ca €0.12 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. The respective figure for January-April 2016 was at €0.97 bn, a deterioration of the adjusted primary surplus. The achievement of a primary surplus of 0.5% of GDP (in programme terms) for 2016 will be conditional on the success of the new fiscal measures agreed in May and June 2016.

According to the General Government (GG) data, the GG arrears to the private sector increased on a monthly basis in May 2016 (Fig.2). GG arrears were at €5.77 bn at the end of May 2016, increased by 4% on a monthly basis. Tax refund arrears were at €1.26 bn, increased by ca 6.1% on a monthly basis. According to the January-May 2016 state budget execution data, the total budgeted amount for arrears payments is at €5.5 bn. No such payment was made so far. Reportedly arrears were on the rise in June 2016. According to the ESM Compliance Report for the 3rd Economic Adjustment Programme (June 2016), ca €3.5 bn will be disbursed for the payment of GG arrears until the end of 2016 (€1.7 bn from the 1st sub-tranche already disbursed & €1.8 bn from the 2nd sub-tranche expected to be disbursed by September 2016 conditional on the fulfillment of the prior actions attached to it).

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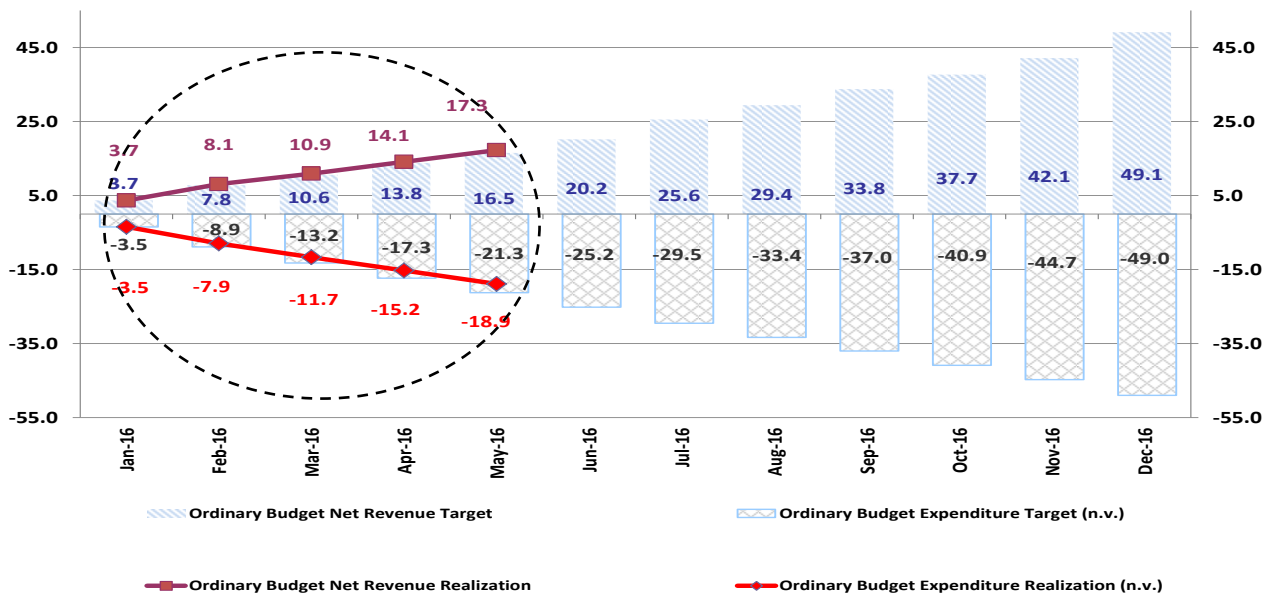
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	Jan-May 2015	Jan-May 2016	2016 Budget target Jan-May 2016	%YoY	%target
Primary balance	1.51	2.28	-0.82	51.5%	-378.3%
Fiscal Balance	-1.40	-0.81	-3.88	-41.8%	-79.0%
Ordinary Budget Net Revenue	17.41	17.26	16.49	-0.8%	4.7%
Revenue before tax refunds	17.96	18.41	17.52	2.5%	5.1%
Privatizations revenue	0.20	0.05	0.05	-	-
Tax refunds	1.11	1.21	1.08	8.6%	11.9%
Ordinary Budget Expenditure	19.05	18.91	21.28	-0.8%	-11.1%
Primary Expenditure	15.65	15.49	17.45	-1.1%	-11.3%
Military equipment procurement payments	0.02	0.03	0.29	47.6%	-89.2%
Guaranties	0.41	0.29	0.35	-29.2%	-16.0%
Guaranties to bodies classified inside GG	0.41	0.28	0.29	-31.9%	-3.1%
Guaranties to bodies classified outside GG	0.06	0.02	0.06	-75.0%	-75.8%
Net Interest Expenditure	2.91	3.10	3.06	6.6%	1.2%
EFSF fee, etc	0.06	0.00	0.04	-96.7%	-94.3%
Total Public Investment Budget Revenue	1.58	1.95	2.39	23.3%	-18.6%
EU Revenues	1.48	1.86	2.28	25.3%	-18.3%
Own Participation	0.09	0.09	0.11	-8.6%	-24.8%
Total Public Investment Budget Expenditure	0.97	1.11	1.49	14.7%	-25.0%
National Contribution	0.10	0.16	0.11	55.8%	51.4%
Cofinanced part	0.87	0.95	1.38	9.8%	-30.9%

Source: Ministry of Finance

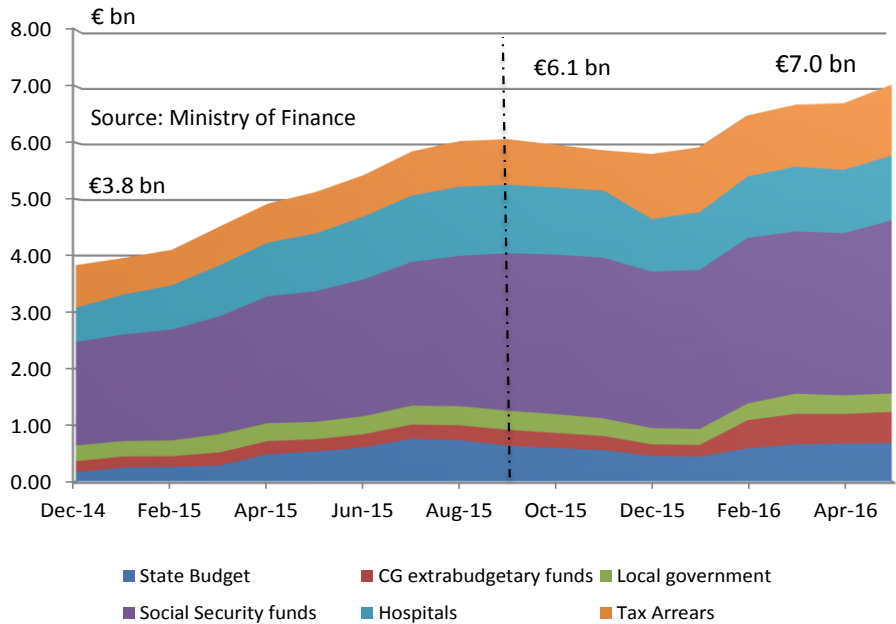
Note: Available at http://www.minfin.gr/sites/default/files/financial_files/STATE_BUDGET_EXECUTION_MAY_2016_FINAL.pdf

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)**



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