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Greece: January – June 2017 State Budget Execution & June 2017 General Government Arrears

- According to the final State Budget Execution data for January – June 2017, the budget balance recorded a deficit of ca €1.60 bn, ca €1.50 bn narrower relatively to the respective medium Term 2018-21 (MTFS) target (deficit €3.09 bn). The primary balance recorded a surplus of ca €1.94 bn, outperforming the MTFS target by €0.43 bn (primary surplus €1.51 bn). Ordinary Budget net revenue, direct and indirect taxes over performed their MTFS targets by €0.07 bn, €0.13 bn and €0.32 bn respectively. However, ordinary expenditure were at €19.33 bn undershooting the respective MTFS target by €1.15 bn.
- In more detail, ordinary budget net revenue for January – June 2017 (Fig.1) amounted to ca €21.34 bn, higher compared to the respective MTFS target (€0.07 bn or 0.3%) and the corresponding 2016 figure (€0.30 bn or 1.4%).
- Total tax revenue over-performed by ca €0.45 bn (or 2.5%) with respect to the MTFS target. Direct taxes revenue registered an increase of 1.9% relative to the respective MTFS targets, mainly as a result of the over-performance of a) the revenue from the property taxes (15.5%), b) the direct taxes arrears (8.9%), c) the revenue from other direct taxes (1.9%) and d) the revenue from the corporate income tax (95.00% (June 2017 level at €0.2 bn)). Personal Income tax revenue was below the respective MTFS target by -1.2%. With respect to indirect taxes, total VAT revenue increased by 0.5% compared with the MTFS target. VAT revenue from tobacco rose by 0.6% compared to the respective MTFS target. VAT revenue from all other goods increased by 4.1% compared to the respective MTFS target. On the contrary, VAT revenue on fuel decreased by -0.1% relative to the MTFS target and consumption taxes revenue decreased by -0.3% in comparison with the respective MTFS targets. Tax refunds were at €1.84 bn (or 7.8%) higher relative to the respective MTFS target. Non-tax revenue outperformed their MTFS target by 2.9% mainly as a result of the higher than expected Bank of Greece dividend (February 2017).
- Ordinary budget expenditure (Fig.1) for January-June 2017 amounted to ca €22.86 bn, undershooting both the respective MTFS target by ca €1.15 (or -4.8%), and the respective 2016 figure by ca €0.76 bn (or -3.2%). Primary spending was lower by -5.7% compared to the respective MTFS target.
- Public Investment Budget (PIB) total revenue for January-June 2017 amounted to ca €0.84 bn, lower by just €0.2 bn (or-2.6%) compared to the respective MTFS target but lower by €1.19 bn (or -58.8%) relative to the respective 2016 realization. PIB total expenditure amounted to ca €0.91 bn, lower compare to both the respective MTFS target (by €0.29 bn or -24.5%) and the respective 2016 realization (by €0.39 bn or -30.3%).
- According to the Ministry of Finance, total General Government (GG) arrears (including tax arrears of €1.25 bn) at the end of June 2017 stood at €5.13 bn from €5.05 bn in the previous month (Fig.3). All the main categories of GG arrears were increased compared to the previous month with the exception of the state budget and local government arrears.

Key takeaway

The January-June 2017 adjusted primary balance (APB) (Fig.2) registered a surplus of just €0.65 bn lower on a monthly basis by €0.50 bn and just €0.22 bn higher compared to the MTFS primary balance target (Table 1). We expect that the value reached by the APB is the minimum for 2017. The payment of the income tax (the end of July 2017 was the deadline for the payment of the first installment) together with the payment of the property (ENFIA) tax from September 2017 onwards and the smooth execution of all the other budget categories will permit the achievement of the GG primary balance target for 2017 which is at 1.8% of GDP according to the 3rd Economic Adjustment Programme and at 1.9% according to the MTFS2018-2021.

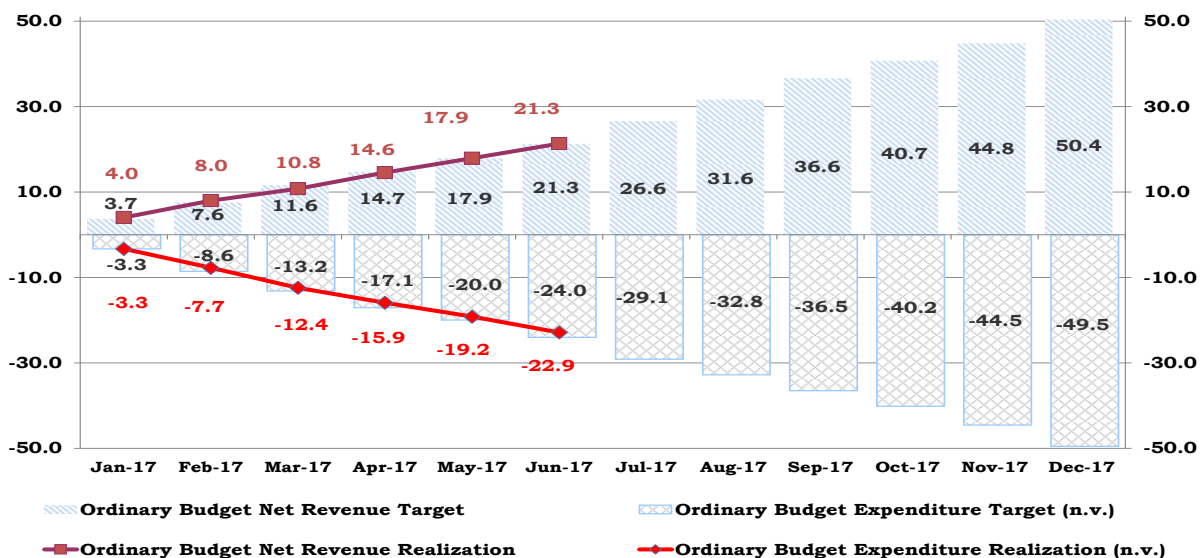
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	Jan-Jun. 2016	Jan-Jun. 2017	MTFS2018-21 target Jan-Jun. 2017	%YoY	%target
Primary balance	1.63	1.94	0.43	18.6%	349.2%
Fiscal Balance	-1.85	-1.60	-3.09	-13.8%	-48.4%
Ordinary Budget Net Revenue	21.04	21.34	21.27	1.4%	0.3%
Revenue before tax refunds	22.46	22.22	21.67	-1.1%	2.5%
Privatizations revenue	0.06	0.96	1.31	1650.9%	-26.3%
Tax refunds	1.47	1.84	1.71	25.2%	7.8%
Ordinary Budget Expenditure	23.62	22.86	24.01	-3.2%	-4.8%
Primary Expenditure	20.14	19.33	20.49	-4.0%	-5.7%
Military equipment procurement payments	0.04	0.13	0.14	217.5%	-11.8%
Guaranties	0.68	0.63	0.66	-7.2%	-4.9%
-Guaranties to bodies classified inside GG	0.66	0.62	0.62	-6.2%	-0.2%
-Guaranties to bodies classified outside GG	0.02	0.01	0.04	-50.0%	-79.5%
Debt Assumptions of General Government Bodies	0.55	0.19	0.19	-65.3%	0.0%
Disbursement fee to banks, EFSF, and other government debt expenses	0.05	0.01	0.02	-86.7%	-66.7%
Public Debt Commission revenue	0.01	0.00	0.00	-100.0%	-
Net Interest Expenditure	3.49	3.53	3.52	1.4%	0.3%
Total Public Investment Budget Revenue	2.03	0.84	0.86	-58.8%	-2.6%
EU Revenues	1.90	0.67	0.71	-64.8%	-5.4%
Own Participation	0.12	0.17	0.15	33.9%	10.7%
Total Public Investment Budget Expenditure	1.30	0.91	1.20	-30.3%	-24.5%
National Contribution	0.21	0.18	0.19	-14.6%	-4.7%
Cofinanced	1.09	0.73	1.01	-33.3%	-28.2%

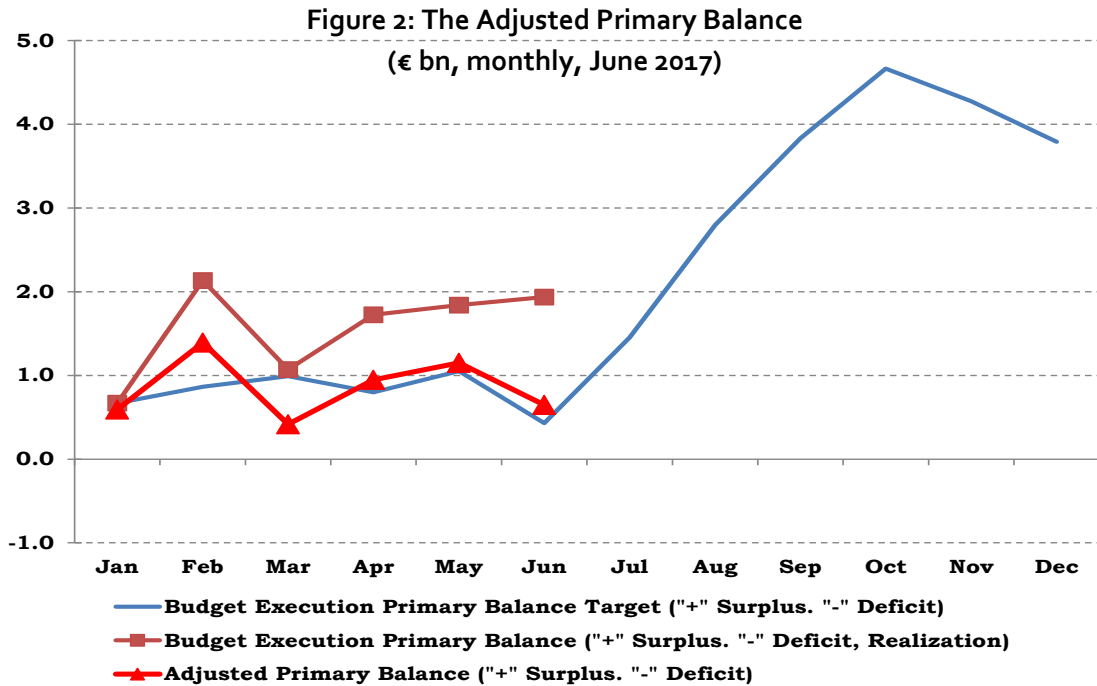
Source: Ministry of Finance

Figure 1: State Budget Execution Revenue & Expenditure
(2017, € bn)



Source: Ministry of Finance, Eurobank Research

Note: (n.v.) stands for negative value. 2017 Budget Targets for Jul.-Dec. 2017. MTSF2018-21 respective targets still not available on a monthly basis.

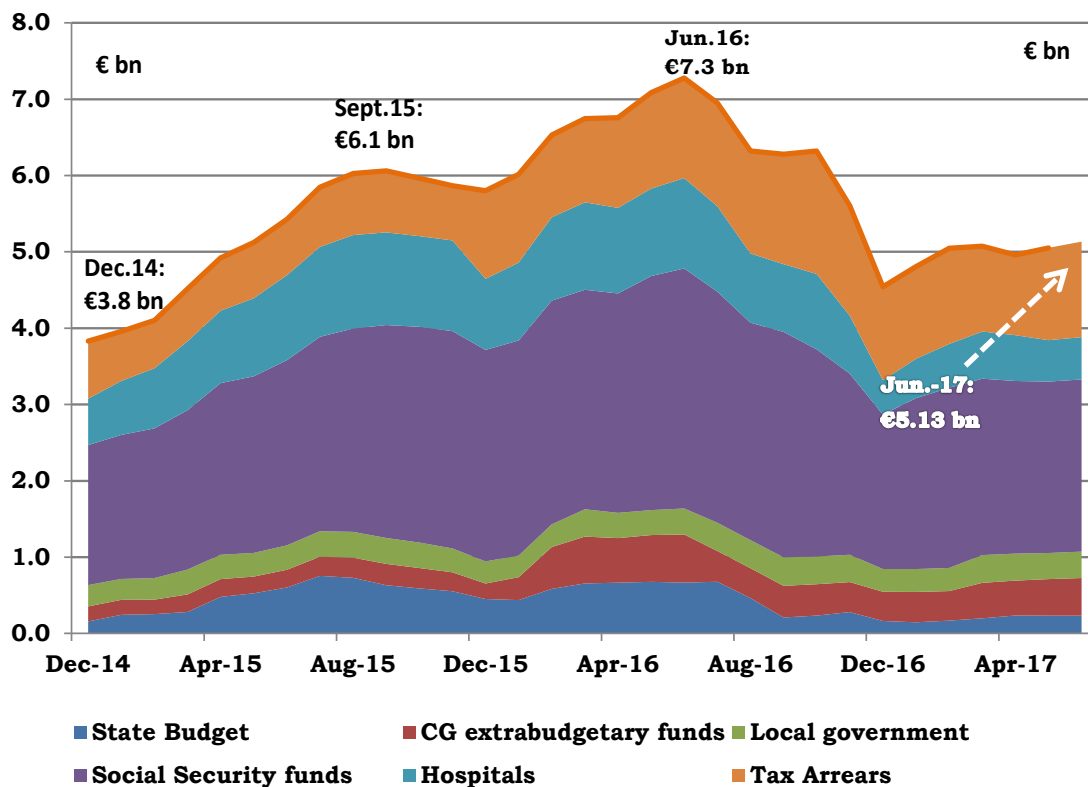


Source: Eurobank Research

Note: 1. The adjusted primary balance is calculated 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.

2. 2017 Budget Targets for Jul.-Dec. 2017. MTSF2018-21 respective targets still not available on a monthly basis.

Figure 3: GG Total Arrears including Tax Arrears
(€ bn, monthly, June 2017)



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