

Primary surplus beat target in 2015 on higher revenues and restrained spending

Greece's budget primary balance was confirmed at 2.27 billion euros in 2015 from 1.87 billion in 2014, the Finance Ministry (MoF) final budget bulletin showed on Friday.

The reported fiscal outcome for 2015 indicates an underperformance of 987 million euros compared to the target but this is entirely attributed to the non-collection of SMP and ANFA income of 3.59 billion euros. Stripping out this non-recurring revenue, which is not included in the fiscal target agreed with lenders, we get an over-performance of 2.6 billion.

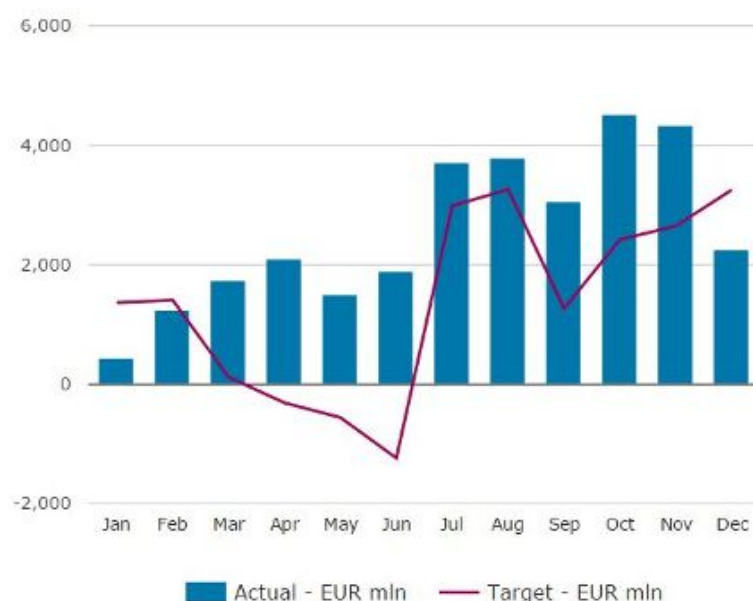


Similarly, reported revenues (before tax refunds) fell short of the target by 2.46 billion, which turns to an outperformance of 1.13 billion excluding the non-collected SMP and ANFA income.

On top of revenue outperformance, the budget performance in 2015 was also marked by lower than expected primary expenditure by 626 million as well as higher than targeted Public Investment Budget (PIB) balance by 353 million.

State Budget Execution, 2015, Year to Date, Budget Primary Balance

State Budget Execution, 2015, Year to Date



The monthly outcome showed a primary deficit of 2.07 billion euros in December primarily reflecting PIB expenditure of 2.71 billion, which is historically exceptionally high in the last month of the year.

Revenues

Revenues (before tax refunds) continued heading north for the third successive month increasing by 13.2 percent to 5.86 billion in December, which is by far the highest reading for 2015. The monthly revenues were boosted by seasonal road taxes of 1.07 billion, slightly short of the 1.1 billion target.

For the whole year, revenues slipped 379 million to 49.26 billion (28 percent of GDP). The breakdown showed tax revenues reached 43.53 billion (24.8 percent of GDP) in 2015, down by 709 million, yet outperforming the target by 769 million.

Direct taxes in particular fell 706 million to 19.76 billion (11.2 percent of GDP), 593 million above the target and indirect taxes remained stable at 23.77 billion (13.5 percent of GDP), 176 million above target.

Income tax eased 114 million to 12.09 billion (6.9 percent of GDP), 251 million higher than target. Despite dropping by 294 million to 3.18 billion (1.8 percent of GDP), property taxes also outperformed the target by 312 million.

VAT revenues remained almost stable at 13.63 billion (7.8 percent of GDP), 100 million above target, while consumption taxes edged up 58 million to 8.76 billion (5 percent of GDP), marginally short of target by 38 million.

State Budget Execution, 2015, Monthly, Revenues Before Tax Refunds

State Budget Execution, 2015, Monthly



Tax refunds rose at double-digit rates for the second straight month, yet the full year figure decreased by 13.3 percent to 2.92 billion, 448 million lower than target.

As a result, net revenues remained almost unchanged (-0.1 percent) at 46.59 billion for 2015.

Expenditure

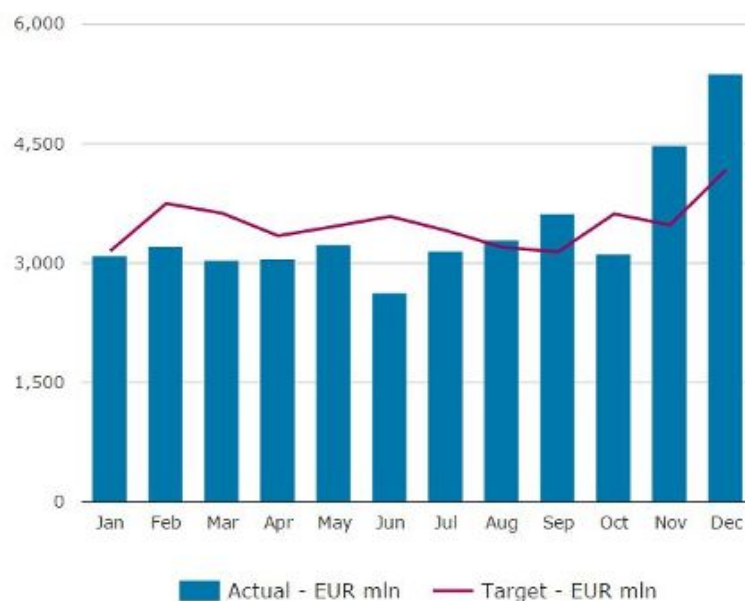
Primary expenditure rose by 10.4 percent to 5.37 billion in December, which is the highest reading in the year, as a number of deferred expenses, particularly in the social security sector (SSC), were actually paid in December.

For the whole year, primary expenditure fell by 1.5 percent to 41.3 billion, 626 million below target. This largely reflects lower operational and other expenditure (by 324 million), contingency reserve (126 million) and grants to SSC (by 107 million).

It is worth noting that salaries and pensions rose by 1.4 percent to 18.74 billion in 2015, while grants to social security funds increased by 4.1 percent to 11.56 billion.

State Budget Execution, 2015, Monthly, Primary Expenditure

State Budget Execution, 2015, Monthly



Interest payments grew by 22.7 percent in December and 4.1 percent for the whole year to 5.8 billion, in line with target.

Overall, total expenditure remained almost stable (+0.2 percent) to 48.55 billion for 2015, 719 million better than target.

PIB

The exceptionally high PIB expenditure of 2.71 billion euros in December led the PIB balance to post a deficit of 1.78 billion in that month. For the full year, PIB showed a deficit of 1.57 billion, 353 million lower than target.

This is fully attributed to higher than expected PIB revenues (by 359 million), while the corresponding expenditure was broadly on target. Compared to last year, PIB revenues rose by 2.4 percent to 4.83 billion, while PIB expenses declined by 2.8 percent to 6.41 billion.