2. Fiscal developments

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State Budget, public debt and fiscal figures perspectives

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2.1. The 2023 State Budget execution and the 2024 Preliminary Draft State Budget

The 2024 Preliminary Draft State Budget was recently submitted to the Greek Parliament. The Draft, in addition to the 2024 Budget, also contains estimations of both the macroeconomic figures and the execution of the 2023 Budget. Table 2.1.1 presents the State Budget data of 2023 and 2024.

The 2023 State Budget execution

For the present year, 2023, and according to the data, the country's real Gross Domestic Product (GPD) growth rate is estimated to reach 2.3%, according to the forecast of the 2023 Stability Program. This forecast of the Ministry of Finance is related to the increase in private consumption, investments, as well as the gradual shrinking of the current account deficit with the increase in exports of goods and services, as tourism receipts increased significantly. The recovery of the investment grade was particularly important, as it ensures the security of access to the markets, reduces the financing costs of the country and credit institutions, and is expected to significantly strengthen the attraction of foreign investments. This forecast is higher than the forecasts of the 2023 State Budget by 0.5%.

The 2022 fiscal figures of the 2024 Draft Budget display a deviation from the forecasts of the 2023 Budget forecasts, as it was submitted. The primary State Budget result, according to the ESA, is estimated to be a surplus of 1.1 billion euros (0.5% of GDP), against a deficit of 806 million euros, i.e., 1.9 billion euros more (0.9% of GDP) than was foreseen in the 2023 State Budget Introductory Report. Compared to 2022, when the primary deficit reached €2.4 billion (1.2% of GDP), the improvement amounts to €3.5 billion euros (1.7% of GDP). The State Budget overall result is estimated to be a deficit of 7.5 billion euros (3.4% of GDP), against a deficit of 7.8 billion euros, i.e., 281 million euros less (0.1% of GDP) than was foreseen in the 2023 State Budget Introductory Report. Compared to 2022, when the Central Government deficit reached €8.5 billion (4.1% of GDP), the improvement amounts to €973 million euros (0.7% of GDP).

More specifically, revenues are expected at 65.2 billion euros (29.1% of GDP), increased by 3.0 billion euros or 4.9% compared to the 2023 Budget forecast, and 3.6 billion euros or 5.8% compared to 2022. This increase will mainly occur from tax collection and more specifically from business income tax of 2.0 billion euros or 39.8%, personal income tax of 954 million euros or 8.4% and VAT of 925 million euros or 4.2%. On the contrary, transfers reduced revenue by 1.5 billion euros or 21.7%. The increase in tax revenues is due to the economy's restart and the subsequent increase in economic activity that, together with the increase in the minimum wage and all remunerations and transfers related to it, increased employee incomes and thus the tax yield. Moreover, the increase in tax revenues can also be attributed to tourism receipts, the increase in the use of credit cards and electronic transactions and the inflationary pressures following the global energy crisis.

Revenues from the Public Investment Program (PIP) decreased by 508 million euros or 11.1% compared to the 2024 Budget forecast, while they increased by 392 million euros or 10.7% from 2022. In contrast, the Recovery and Resilience Fund's revenue fell by €1.8 billion or 48.1% compared to the 2023 Budget forecast and by €773 million or 27.2% compared to 2022.

Accordingly, the expenditures are estimated at 72.7 billion euros (32.4% of GDP), increased by 2.8 billion euros or 4% from the 2022 Budget and 2.6 billion euros or 3.8% from 2022. This increase arises mainly from transfers, by 1.6 billion euros or 5.2%, and interest paid, by 1.6 billion euros or 23.6%, from the 2023 State Budget forecast, while from 2022, there is an increase in non-allocated expenditure by 1.9 billion eu-

TABLE 2.1.1 State Budget figures according to the European System of Accounts Methodology (ESA), million €

	2022	2023		2024
	DYE April 2022	Budget forecast 2023[1]	Preliminary Draft Budget estimate 2024	Preliminary Draft Budget forecast 2024
State Budget				
Net revenue	**61,583**	**62,139**	**65,184**	**68,140**
Taxes from which:	56,207	56,748	61,325	62,901
VAT	21,931	22,198	23,123	24,271
Excise taxes	7,009	7,117	7,108	7,136
Property taxes	2,497	2,380	2,540	2,487
Personal income tax	11,219	11,318	12,272	13,011
Business income tax	4,694	5,094	7,120	6,935
Other current taxes	2,321	2,375	2,345	2,391
Social contributions	56	55	56	56
Transfers	8,548	6,972	5,456	6,890
Sales of goods and services	721	837	824	987
Other current revenue	2,052	3,613	4,221	3,932
Sales of fixed assets	27	24	10	8
Tax refunds	6,028	6,110	6,707	6,634
Expenditure[2]	**70,081**	**69,945**	**72,710**	**74,087**
Compensation of employees	13,640	13,756	14,158	14,715
Social benefits	391	397	403	410
Transfers	34,564	31,620	33,250	31,944
Purchases of goods and services	2,133	1,431	2,153	1,656
Subsidies	400	80	180	81
Interest payments (gross basis)	6,107	7,000	8,650	8,800
Other current expenditure	55	81	96	111
Non-allocated expenditure (without PIB)	11,216	15,351	13,130	15,114
Purchase of fixed assets	1,573	229	689	1,255
Public Investment Program (PIP)[3]				
Revenue	3,666	4,566	4,058	4,668
Expenditure	8,182	8,300	8,750	8,500
Recovery and Resilience Fund[1]				
Revenue	2,753	3,662	1,902	3,138
Expenditure	2,843	3,662	2,070	3,617

TABLE 2.1.1 (continued)

	2022	2023		2024
	DYE April 2022	Budget forecast 2023[1]	Preliminary Draft Budget estimate 2024	Preliminary Draft Budget forecast 2024
***State Budget Primary Balance by ESA*[4]**	**-2,427**	**-806**	**1,112**	**2,853**
% GDP	-1.2%	-0,4%	0.5%	1,2%
***State Budget Balance by ESA*[4]**	**-8,498**	**-7,806**	**-7,525**	**-5,947**
% GDP	-4,1%	-3,5%	-3,4%	-2,5%
GDP	208,030	224,134	224,134	235,147

Sources: Preliminary Draft State Budget 2024, *Ministry of Finance;*
State Budget Introductory Report 2023, *Ministry of Finance;*
Stability Program 2023, *Ministry of Finance.*

Notes:
1. The revenues of the Recovery and Resilience Fund are included in the transfers, while the corresponding expenses are included in the appropriations under allocation.
2. The expenses of the central administration are analyzed according to the major categories of the p.d. 54/2018 (A' 103).
3. PIP revenues are included in transfers and other current revenues, while PIP expenses are included in appropriations under allocation.
4. Deficit (-)/Surplus (+).

ros or 17.1% and by 2.5 billion euros or 41.6%. This increase is primarily due to the increase in State Budget expenditures to deal with the energy crisis as a result of the adverse geopolitical developments. Compared to 2022, urgent emergencies due to fires and floods increased appropriations under allocation. The allocation of these funds was implemented with the passing of two supplementary Budgets.

Finally, PIP expenditures increased by 450 million euros or 5.4% compared to the 2023 Budget estimate and 568 million euros or 6.9% compared to 2022, while expenditures of the Recovery and Resilience Fund are significantly reduced from 2022 expenditures (773 million euros or 27.2%), but mainly compared to the 2023 Budget forecast (1.6 billion euros or 43.5%).

Preliminary Draft Budget 2024

Regarding the 2024 Preliminary Draft Budget, the macroeconomic forecast for the country's GDP growth rate is 3%, higher than 2023 by 0.7%. However, it should be noted that this forecast is higher than the Eurozone average (1.3% according to the European Commission's summer forecasts and 0.9% according to the IMF forecasts). It seems that after the blow of the pandemic, the Greek economy will continue to grow due to the increased economic activity, with a significant increase in investments, due to the resources of the PIP and the Recovery and Resilience Fund, despite the significant increase in inflation caused by the energy crisis. The growth perspective of the Greek economy is due to the credibility of the country's economic policy, which, with the successive upgrades of the credit rating by international rating agencies, shows the Greek economy's perspective, and its resistance to the continuous problems caused by the climate crisis.

In fiscal terms, the 2024 Preliminary Draft foresees a significant improvement of the State Budget's deficits with a simultaneous increase of revenues, even though expenditures tend to increase, but less than revenues, compared to the estimates for 2023. The State Budget's result, according to the ESA, will be restricted to a deficit of 5.9 billion euros (2.5% of GDP), reduced by 1.6 billion euros or 21%, while the primary result will be a surplus of 2.9 billion euros (1.2% of GDP), increased by 1.7 billion euros or 156.6%.

More specifically, net revenues, expected to reach 68.1 billion euros (29% of GDP), are increased by 3 billion euros or 4.5%. The increase in revenue is projected to come mainly due to the economy's projected growth leading to increased VAT collectability, by 1.1 billion euros or 5% and transfers by 1.4 billion euros or 26.3%, mainly due to the increased, ESA-adjusted, revenues of the TAA by 1.2 billion euros and the co-financed part of the PIP by 274 million euros. Expenditures will reach 74.1 billion (31.5% of GDP), increased by 1.4 billion euros or 1.9% compared to the 2024 State Budget Draft estimates for 2023 and will arise primarily from non-allocated expenditures (2 billion euros or 15.1% more than in 2023) and, secondly, from purchases of goods and services (566 million euros or 82.1%). In addition, 3.6 billion euros are expected from the Recovery and Resilience Fund, which will be used for the implementation of actions included in the National Recovery and Resilience Plan "Greece 2.0", as well as 8.5 billion euros from the PIP, mainly through the execution of programs that are part of the new NSRF 2021-2027.

2.2. The evolution of Greek public debt, second quarter 2023

According to the latest data available from the General Accounting Office,[1] for the second quarter of 2023, the Central Government's debt amounted to 404.7 billion euros, showing an increase of 3.2 billion euros (0.8%) compared to the previous quarter, while increased by 4.4 billion euros (1.1%) in relation to the end of the year 2022 and 10.5 billion euros (2.7%) compared to the corresponding quarter of 2022. In addition, cash deposits decreased compared to the previous quarter by 556.4 million euros (2.9%), by 858.5 million euros (4.6%) compared to the end of 2022 and by 2.6 billion euros (15.2%) compared to the corresponding quarter of 2022.

The composition of Central Government debt in the second quarter of 2023 is presented in Table 2.2.1.

TABLE 2.2.1 Central Government debt[1] (in million €)*

Period	2022 (B΄ quar.)	2022 (D΄ quar.)	2023 (A΄ quar.)	2023 (B΄ quar.)
Outstanding Central Government debt	**394,182.48**	**400,275.64**	**401,528.24**	**404,685.60**
Debt by type of interest rate				
Fixed rate[2]	394,182.48	400,275.64	401,528.24	404,685.60
Floating rate[2,3]	0.00	0.00	0.00	0.00
Debt by way of trading				
Tradable	98,151.44	96,866.70	95,563.72	99,147.97
Non-Tradable	296,031.04	303,408.94	305,964.52	305,537.63
Debt by currency				
Eurozone	394,182.48	400,275.64	401,528.24	404,685.60
Non-Eurozone currencies	0.00	0.00	0.00	0.00
Cash deposits of the H.R.[4]	**17,059.4**	**18,796.70**	**19,098.80**	**19,655.20**
Debt guaranteed by the Central Government	**30,153.53**	**29,631.20**	**29,339.40**	**29,432.30**

Source: Public Debt Bulletin, General Accounting Office, Ministry of Finance.

Notes:
1. Central Government debt differs from General Government debt (Maastricht definition) by the amount of intra-sectoral debt holdings and other ESA '95 adjustments.
2. Fixed/floating ratio is calculated taking into account: i) interest rate swap transactions, ii) the use of funding instruments by the ESM regarding the loans that have been granted to the Hellenic Republic and iii) the incorporation of the risk metrics of EFSF's liability portfolio into the Greek debt portfolio.
3. Index-linked bonds are classified as floating rate bonds.
4. Including balance of dedicated cash buffer account, 15,697.3 million euros on 31/3/2023 and 30/6/2023.
* Estimates.

1. Public Debt Bulletin, June 2023, General Accounting Office, Ministry of Finance.

The Central Government's debt was structured in fixed interest and euros. There is a change in the composition of debt in favor of negotiable debt over non-negotiable, compared to the previous quarter (3.6 billion or 3.8%) and to the end of 2022 (2.3 billion or 2.4%), as well as of the corresponding quarter of 2022 (1 billion or 1%). Finally, guarantees of the Greek State show a relative stability, at 29.4 billion euros, increased by 92 million euros (0.3%) compared to the previous quarter, while they are reduced by 721 million euros or 2.4% compared to the corresponding quarter of 2022.

The distribution of the debt, based on its remaining duration in the first half of 2023, is reflected in Table 2.2.2. Short-term Greek government securities (with a maturity of less than one year) represent 17.6% of the total, against 11.9% from the medium-term securities (with a maturity of one to five years), and 70.3% from long-term issues (maturity after five years) from 17.0%, 11.8% and 71.2%, respectively, which were in the previous quarter of 2023. Compared to the corresponding quarter of 2022, an increase in the share of short-term and medium-term securities and a corresponding reduction in long-term securities is exhibited.

The average residual maturity of the total Central Government debt stood at 17.18 years, slightly decreased from that of 18.17 years in the corresponding quarter of 2022. It should be noted that the average residual maturity of the total Central Government debt has tripled since the country's entry into the support mechanism, which amounted to 7.65 years in the second quarter of 2010. Furthermore, regarding the new borrowing of the Greek government during the reporting

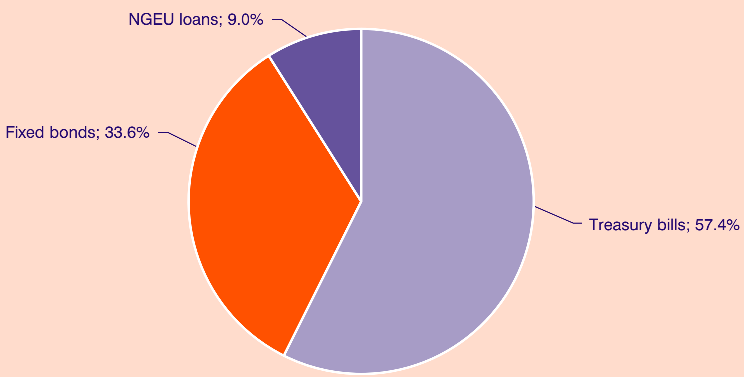
TABLE 2.2.2 Budgetary Central Government debt by residual maturity* (amounts in mil. €)

Period	2022 (B΄ quar.)	2022 (D΄ quar.)	2023 (A΄ quar.)	2023 (B΄ quar.)
Total volume	**394,182.48**	**400,275.64**	**401,528.24**	**404,685.60**
Short-term (up to 1 year)	64,742.23	68,876.94	68,241.03	71,385.66
Medium-term (1 to 5 years)	40,446.51	42,656.63	47,402.77	48,205.73
Long-term (more than 5 years)	288,993.75	288,742.07	285,884.44	285,094.21

Source: Public Debt Bulletin, General Accounting Office, Ministry of Finance.

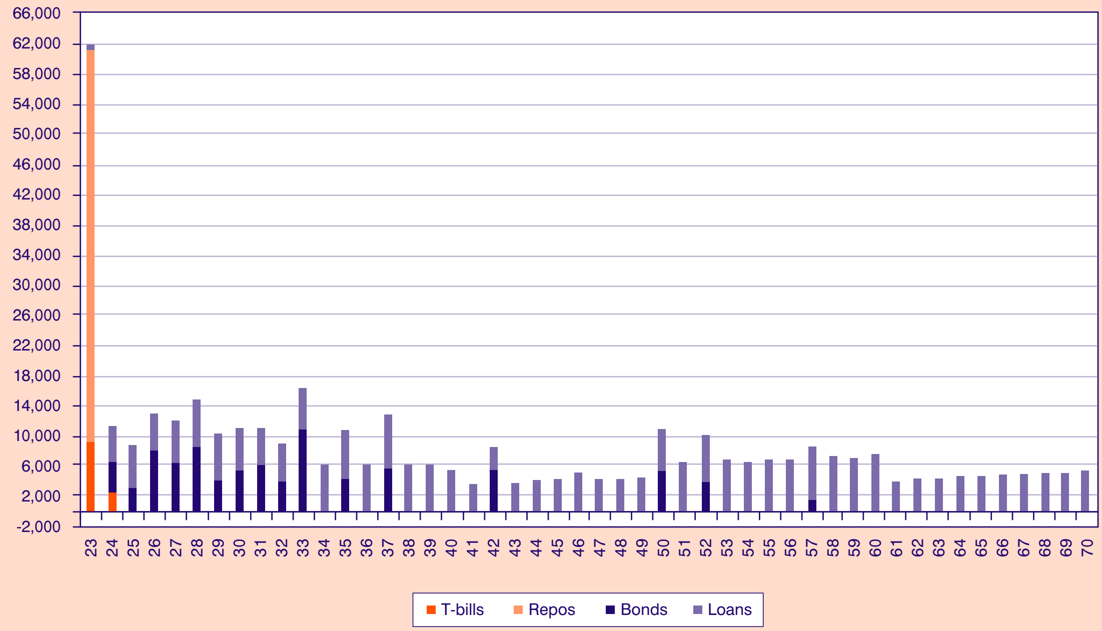
* It concerns the volume of bonds, treasury bills and short-term securities and not the total debt of the Central Administration.

FIGURE 2.2.1
Composition of new borrowing, A' Semester 2023



Source: Public Debt Bulletin, General Accounting Office, Ministry of Finance.

FIGURE 2.2.2
Redemption schedule of Budgetary Central Government Debt on 30/6/2023 (amounts in million euro)



Source: Public Debt Bulletin, General Accounting Office, Ministry of Finance.

Notes: Buy-backs are scheduled for the smoothening of redemptions.
Including extension of EFSF loans agreed on at the Eurogroup of 22-6-2018.

period, the weighted average maturity rose to 5.03 years, a decrease from the level of 5.53 years at which it had formed in 2022.

The new borrowing for the first half of 2023 decomposes to 57.4% of treasury bills, 33.6% of fixed bonds and only 9% comes from the European recovery instrument NextGenerationEU (NGEU) (Graph 2.2.1).

Graph 2.2.2 shows the redemption schedule of the Central Government debt based on the latest published data. From the display of newer data, it seems that apart from the current year (2023), the dispersion of the burden of redemption of public debt has now leveled, with few exceptions, at less than 15 billion euros per year until 2070.

2.3. Fiscal figures perspectives

The 2024 Draft Budget was drawn up under the weight of the natural disasters that hit the country and demonstrated the need to deal with the consequences of climate change on a permanent basis. This acknowledgement leads to the inclusion of relevant funds in future Budgets so as to strengthen security with infrastructure projects and to strengthen civil protection and prevention, as well as state aid. At the same time, however, it is also the first Budget drawn up after the recovery of the investment grade by the DBRS Ratings house, an achievement that came from the prudent fiscal policy and the reaction to the successive crises, i.e., energy, inflationary, etc.

The growth forecast for 2024 at 3%, higher than 2023 (2.3%), can be considered feasible, as the fiscal targets are adjusted to conditions of normality, structural reforms implemented in recent years are paying off and the accelerating implementation of the “Greece 2.0” plan is estimated to contribute to the achievement of the forecast for the growth rate of 2024. In addition, tackling tax evasion is an important goal for the country’s economic policy. Investments covered by grants and loans from the Recovery and Resilience Fund, with structural reforms in the areas of the green economy, digital transformation, business environment, export capacity, human capital and labor market are expected to lead to productivity growth of the economy and in assisting the transformation of the economy towards a production model of higher added value.

The possible faster de-escalation of inflation, the increase in tourist receipts, the effective utilization of the resources of the Recovery and Resilience Fund, the strengthening of the competitiveness of the financial system, as well as the upgrading of the credit rating to investment grade from the other rating agencies too (Standard & Poor's Global Ratings upgraded the credit of the country, at the end of October showing confidence in the Greek economy), could also have an upward effect on the growth rate. Finally, the rapid restoration of productive activity, with an emphasis on agricultural production, as well as the infrastructure of the areas affected by the recent floods, is considered important in this direction.

An important new geopolitical factor that could negatively affect the global economy is the crisis in the Middle East and the possible ground operation of the Israeli forces in the Gaza Strip, especially if, in addition to Israel and the Palestinians, other powers are also involved, such as Iran, Lebanon, Turkey, etc. The war in Israel could also create chain economic effects on the Greek economy. The prices of energy, oil and natural gas are likely to increase significantly, depending on the duration of the war and on the range of countries that may be involved. Such an increase would also lead to a further increase in food prices, resulting not in the reduction of inflation expected by the Budget, but, on the contrary, in its increase. The Greek economy would also be affected by the reduction of its exports to the region (exports to Israel have increased significantly recently), as well as by the limitation of both imports and tourism. The above would lead, if not to a recession, at least to a restriction of the expected growth.

As for public debt, this is expected to deescalate to 152.2% of GDP in 2024. Although the debt-to-GDP ratio is decreasing, in nominal terms the debt shows a stabilizing trend, albeit with an upward trend. This is due to the growth of the Greek economy and not to the reduction of the debt. Of course, this forecast also follows the assumptions for the growth of the economy.