# 2. Fiscal developments

KEPE, *Greek Economic Outlook,* issue 53, 2024, pp. 33-41

## State Budget, public debt and fiscal figures perspectives

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### 2.1. Execution of the 2023 State Budget

The 2023 State Budget execution, according to the most recent data of the General Accounting Office,[1] on a modified cash basis, shows a deficit of 3,989 million euros or 1.8% of Gross Domestic Product (GPD),[2] against 11,656 million euros or 5.6% of GDP in 2022, while it is much lower compared to the 2024 State Budget estimate of 8,338 million euros or 3.7% of GDP, as well as the 2023 State Budget target of 7,806 million euros or 3.5% of GDP (Table 2.1.1). The primary balance, for the first time since the pandemic, is surplus, as it reached 3,920 million euros or 1.8% of GDP, against a deficit of 6,652 million or 3.2% in 2022 and a target for primary surplus of 2,134 million or 1% of GDP based on the 2023 State Budget. The primary deficit is also slightly higher than the 2023 State Budget estimate, which was foreseen at 851 million euros or 0.4% of GDP (Table 2.1.1). It is obvious that the State Budget execution is clearly improved compared to the 2024 State Budget estimates due to the significant growth of the Greek economy, significantly higher than the Eurozone average, which exceeded the ominous forecasts due to the energy crisis and the inflationary pressures on energy and basic products that created the need to take measures to address them and support citizens, especially the vulnerable.

Both economic recovery and inflation resulted in a significant increase in net revenues of the 2023 State Budget. At the same time, the expenses also increased compared to the corresponding period of the previous year due to the increased needs for relief measures for citizens burdened by the summer fires and the subsequent autumn floods, as well as from high prices in goods and services. More specifically, net revenue of the 2023 State Budget, amounting to 67,005 million euros or 30.1% of GDP, increased by 7,382 million euros or 12.4% compared to 2022, as well as the target set by the 2023 State Budget, which projected that revenues were set to reach 63,885 million euros, an increase of 3,120 million euros or 4.9%. This led to an upward revision of the revenue figures to 65,196 million euros in the latest estimate in the 2024 State Budget, with the deviation narrowing to just 1,809 million euros or 2%. This increase came mainly from increased tax revenues, i.e., from 55,127 million euros in 2022, tax collection jumped to 61,627 million euros or 11.6% in 2023, an increase that translates to about a percentage point of GDP. More specifically, the higher increase is from income tax collections of both individuals and companies, as the economy operates in an environment of normality with significant economic growth, higher than the European average, and employment, with the parallel increase of the minimum wage, that led to increased incomes for workers and businesses. More specifically, income taxes increased from 17,012 million euros in 2022 to 23,385 million euros in 2023, i.e., an increase of 3,872 million euros or 22.8%. This increase translates to more than a percentage point of GDP (1.1%). In addition, VAT collections increased from 21,424 million euros in 2022 to 23,385 million euros in 2023, an increase of 1,961 million euros or 9.2%. This increase stemmed from the significant increase in the prices of goods that yielded significantly higher VAT, but also from the significant increase in tourism receipts that were higher than in 2019.

As regards expenditures, these amounted to 70,765 million euros or 31.8% of GDP, showing a reduction of 514 million euros or 0.7% compared to 2022. They also show a larger discrepancy in relation to the expenditures initially predicted by the 2023 State Budget by 1,106 million euros or 1.5%, as during the period of its submission, extraordinary measures had been launched to deal with the major energy crisis and the

1. The State Budget Execution Bulletin, December 2023, Ministry of Finance, January 2024.

2. According to the GDP projections for 2023 from the 2024 State Budget.

**TABLE 2.1.1 State Budget 2022, million euros on a modified cash basis**

| | 2022 | 2023 | | |
|---|---|---|---|---|
| | Outcome[1] | Outcome[1] | Budget forecasts 2023[2] | Budget estimates 2024[3] |
| **State Budget** | | | | |
| ***Net Revenue*** | **59,623** | **67,005** | **63,885** | **65,196** |
| *Taxes* | 55,217 | 61,627 | 57,421 | **61,019** |
| *From which:* | | | | |
| *VAT* | 21,424 | 23,385 | 22,198 | 23,231 |
| *Excise taxes* | 6,984 | 7,018 | 7,117 | 7,038 |
| *Property taxes* | 2,692 | 2,491 | 2,380 | 2,539 |
| *Income taxes* | 17,012 | 20,884 | 17,772 | 20,566 |
| *Social contributions* | 56 | 58 | 55 | 56 |
| *Transfers* | 6,357 | 7,530 | 7,953 | 6,230 |
| *Sales of goods and services* | 883 | 848 | 2,418 | 968 |
| *Other current revenue* | 3,301 | 3,930 | 2,124 | 3,592 |
| *Sales of fixed assets* | 35 | 25 | 24 | 7 |
| *Tax refunds* | 6,153 | 6,993 | 6,110 | 6,677 |
| ***Expenditure***[4] | **71,279** | **70,765** | **71,871** | **73,533** |
| *Compensation of employees* | 13,640 | 14,039 | 13,796 | 14,150 |
| *Social benefits* | 391 | 417 | 397 | 414 |
| *Transfers* | 35,086 | 33,399 | 32,476 | 33,870 |
| *Purchases of goods and services* | 2,145 | 2,145 | 1,541 | 2,364 |
| *Subsidies* | 400 | 118 | 80 | 180 |
| *Interest payments (gross basis)* | 5,039 | 7,706 | 5,851 | 7,503 |
| *Other current expenditure* | 55 | 49 | 81 | 96 |
| *Non allocated expenditure (without PIP and DRF)* | 0 | 0 | 3,156 | 1,777 |
| *Purchase of fixed assets* | 3,496 | 1,691 | 2,531 | 2,358 |
| ***PIP***[5] | | | | |
| *Revenue* | 3,581 | 3,323 | 4,449 | 3,763 |
| *Expenditures* | 8,182 | 9,112 | 8,300 | 8,750 |
| ***Development and Resilience Fund***[6] | | | | |
| *Revenue* | 1,718 | 3,405 | 3,436 | 1,718 |
| *Expenditures* | 2,843 | 2,089 | 3,662 | 2,072 |

**TABLE 2.1.1 (continued)**

| | 2022 | 2023 | | |
|---|---|---|---|---|
| | Outcome[1] | Outcome[1] | Budget forecasts 2023[2] | Budget estimates 2024[3] |
| ***State Budget Primary Balance***[7] | -6,652 | 3,920 | -2,134 | -851 |
| ***% GDP*** | -3.2% | 1.8% | -1.0% | 0.4% |
| ***State Budget Balance***[7] | -11,656 | -3,989 | -7,806 | -8,338 |
| ***% GPD*** | -5.6% | -1.8% | -3.5% | -3.7% |
| **GDP**[8] | 206,620 | 222,766 | 224,134 | 222,766 |

*Sources:* Budget Introductory Report 2023 and 2024, Ministry of Finance.
2023 State Budget Execution, General Accounting Office, Ministry of Finance, January 2024.

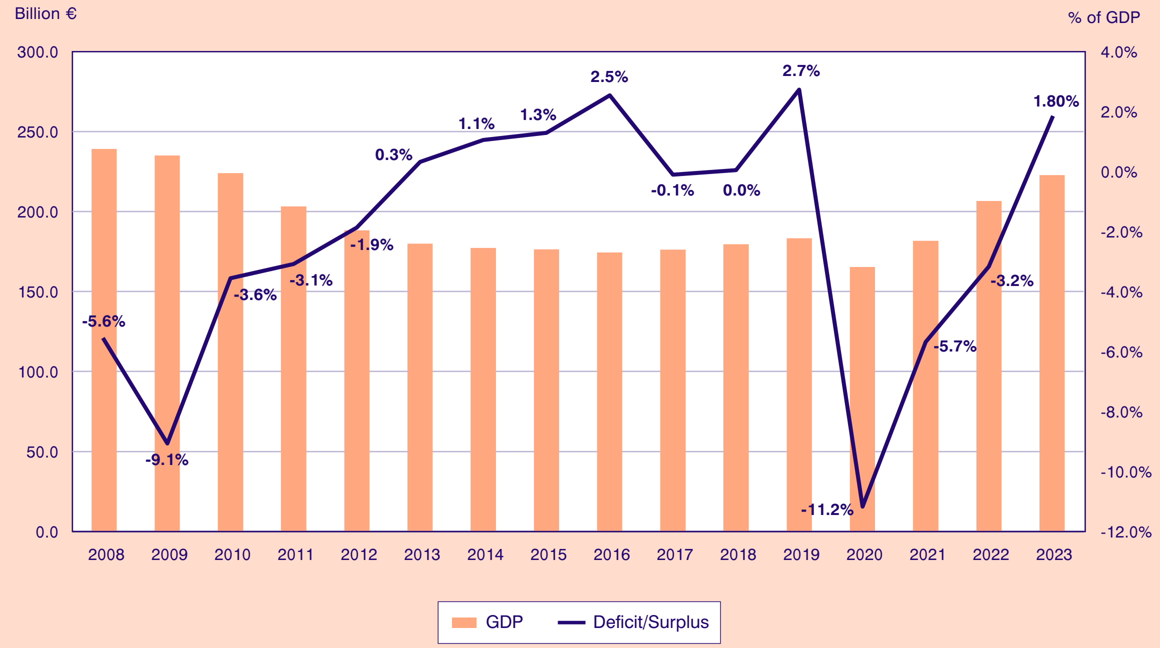
*Notes:*
1. The data for the revenues and expenditures of the State Budget for the years 2022 and 2023 are temporary and will be finalized with the ratification of the Revenue and Expenditure Report of the State for the fiscal years 2022 and 2023.
2. 2023 Budget forecasts, adjusted to aggregate figures as depicted in the 2023 Budget Introductory Report.
3. 2023 Budget estimates, adjusted to aggregate figures as depicted in the 2024 Budget Introductory Report.
4. Data is presented according to the new economic classification (Presidential Decree 54/2018).
5. Public Investment Programme revenues are included in lines "Transfers" and "Other current revenues", while expenditures are included in "Non allocated expenditure".
6. Development and Resilience Fund revenues are included in lines "Transfers", while expenditures are included in "Non allocated expenditure".
7. + surplus, - deficit.
8. The GDP estimate for 2023 as reflected in the estimates of the Introductory Report of the 2024 Budget.

consequent global economic crisis, as well as the large price increases of basic products. This expenditure decrease came from transfers (1,687 million euros or 4.8% compared to 2022), a fact that was foreseen in all the relevant targets and estimates, as well as the acquisition of fixed assets and more specifically from the reduced cash payments of the equipment programmes of the Ministry of National Defense (1,841 million euros or 54.1% compared to 2022). However, there is a decrease in expenditures compared to the 2024 State Budget estimate, in which they were estimated to reach 73,533 million euros or 33% of GDP. This reduction (1.2% of GDP) is mainly due to non-allocated expenditures which were ultimately not needed, as part of the General Government bodies needs were served using their own resources, without the need for an additional state grant.

The Public Investment Programme (PIP) shows a decrease in revenues, as they amount to 3,323 million euros or 1.5% of GDP, decreased by 258 million euros or 7.2% compared to the 2022 outcome, and 1.126 million euros or 25.3% against the target set in the 2023 State Budget. The deviation is smaller than the 2024 State Budget estimate and reaches 440 million euros or 11.4%. On the contrary, expenditures, amounting to 9.112 million euros or 4.1% of GDP, show an increase by 930 million euros or 11.4% compared to 2022, 812 million euros or 9.8% compared to the 2023 State Budget target, and 362 million euros or 4.1% compared to the 2024 State Budget estimate. In addition, 2,089 million euros or 0.9% of GDP was spent from the Recovery and Resilience Fund for 2023, while revenues amounted to 3,405 million euros or 1.5% of GDP. TAA's revenues are very close to the 2023 State Budget forecast (3,436 million euros) but far from that of the 2024 State Budget estimate, which was 1,718 million euros.

Overall, the improved course of revenues as well as the reduction in expenditure significantly improved the fiscal outcome and the State Budget balance. Figure 2.1.1 shows the evolution of the primary deficit/surplus in the period 2008-2023 together with the evolution

**FIGURE 2.1.1**
**Gross Domestic Product (GDP) and State Budget Primary Deficit/Surplus 2008-2023 (in % of GDP and billion €)**



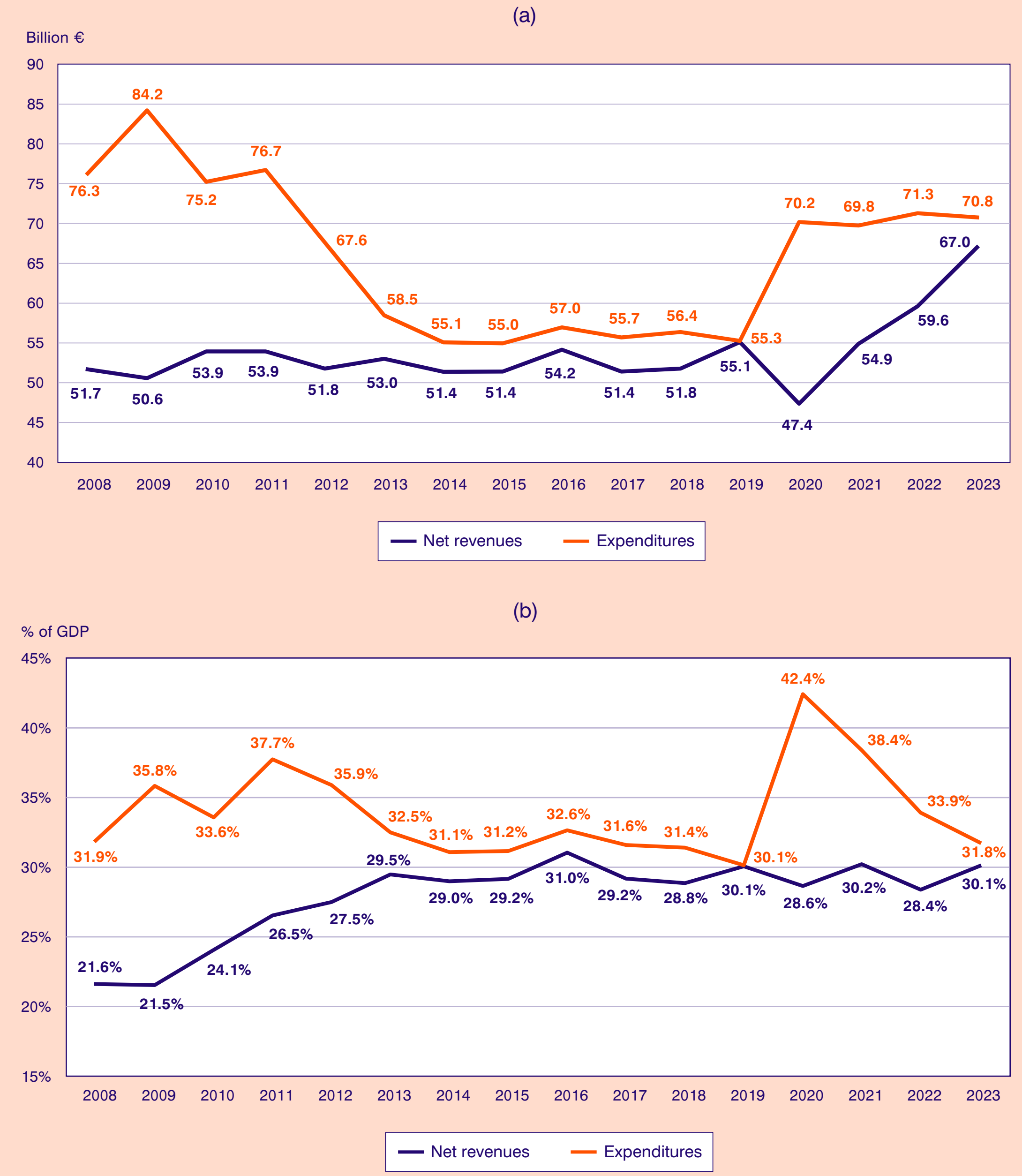

*Source:* Budget Introductory Report, several issues.
2023 State Budget Execution, General Accounting Office, Ministry of Finance, January 2024.

*Note:* 2023 is an estimation from the State Budget of 2024.

of the GDP. The period spans from 2008, before the debt crisis of the Greek economy, until the most recent data. From the figure it becomes clear that, in 2023, the estimate for the GDP shows significant growth and thus, with its continuous rise since 2018, a significant part of the losses both from the pandemic and from the economic crisis has been recovered, since it approaches the country's GDP in 2010, the year Greece joined the support mechanism. In addition, 2023 is the first year since 2016 that the primary balance shows a surplus of 1.8% of GDP.

It is interesting to see the course of the State Budget revenues and expenditures in the same period (Figure 2.1.2). Until 2019, a year when revenues and expenditures are almost balanced (Figure 2.1.2a), revenues remained at the same level, with small fluctuations per year around 50-55 billion euros, while expenditures showed a significant decrease until 2014, with a particular drop in the years when the consolidation programme contained cost reduction measures and relative stabilization until 2019, around 55 billion euros. In 2020, due to the Covid-19 pandemic and the consequent significant recession, as well as the measures taken to cover the needs arising from it, revenues fell well below 50 billion euros, while expenditures jumped to 70 billion euros. In 2021, revenues returned to 55 billion euros, and for the first time in 2022, they exceeded the threshold of 55 billion euros, reaching 60 billion euros, while in 2023 they reached the level of 67 billion euros, due to high income and VAT tax collections. On the other hand, spending stabilized in the three-year period 2021-23 at the high levels of 70 billion euros, due to the pandemic (in 2021), the energy crisis and inflationary pressures that required the financial support of vulnerable households, but also as a result of the climate crisis in the country–fires and floods (2022-2023). It should be noted that more important than the absolute size of revenues and expenses are their prices as a percentage of GDP, in order to have a measure of comparison. Thus, although the decrease in spending as a percentage of GDP in the period up to 2019 is very small, the increase in 2020 is particularly significant, as GDP reached its lowest level in the period under review. Conversely, revenues as a percentage of GDP increased from 21.6% of GDP in 2008 to 29.5% of GDP in 2013 and stabilized around 30% of GDP in the rest of the period (Figure 2.1.2b).

**FIGURE 2.1.2**
**State Budget's net revenues and expenditures 2008-2023 (in billion € and % of GDP)**




*Source:* Budget Introductory Report, several issues.
2023 State Budget Execution, General Accounting Office, Ministry of Finance, January 2024.
*Note:* 2023 is an estimation from the State Budget of 2024.

## 2.2. The evolution of Greek public debt, third quarter 2023

According to the latest data available from the General Accounting Office,[3] for the third quarter of 2023, the Central Government's debt amounted to 402,877.43 million euros, showing a reduction of approximately 1.8 billion euros (0.5%) compared to the previous quarter, while it is increased by 2.6 billion euros (0.6%) in relation to end of the year 2022 and 9.4 billion euros (2.4%) compared to the corresponding quarter of 2022. In addition, cash deposits showed an increase of 447.5 million euros (0.1%) compared to the previous quarter, 1.3 billion euros (0.3%) compared to the end of 2022, and 2 billion euros (0.5%) in relation to the corresponding quarter in 2022.

The composition of Central Government debt in the third quarter of 2023 is presented in Table 2.2.1. The Central Government debt was converted in its entirety into a fixed interest rate and into euros. Regarding the way of trading, the change in the composition of debt in favor of non-tradable debt, compared to tradable, was 25.2% and 74.8%, respectively, during the period under review. In addition, as regards the guarantees granted by the Greek State, they stabilized in the last quarter under 30 billion euros.

The distribution of debt, based on the residual maturity in the third quarter of 2023, is reflected in Table 2.2.2. Short-term Greek Government securities (with maturity of less than one year) represent 16.8% of the total, compared to 11.8% from the medium-term notes (with maturities of one to five years), and 71.4% from

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

| Period | 2022 (C΄ quar.) | 2022 (D΄ quar.) | 2023 (B΄ quar.) | 2023 (C΄ quar.) |
|---|---|---|---|---|
| **Outstanding Central Government debt** | **393,489.34** | **400,275.64** | **404,685.60** | **402,877.43** |
| **Debt by type of interest rate** | | | | |
| Fixed rate[2] | 393,489.34 | 400,275.64 | 404,685.60 | 402,877.43 |
| Floating rate[2,3] | 0.00 | 0.00 | 0.00 | 0.00 |
| **Debt by way of trading** | | | | |
| Tradable | 96,404.89 | 96,866.70 | 99,147.97 | 101,525.11 |
| Non-tradable | 297,084.45 | 303,408.94 | 305,537.63 | 301,352.32 |
| **Debt by currency** | | | | |
| Eurozone | 393,489.34 | 400,275.64 | 404,685.60 | 402,877.43 |
| Non-Eurozone currencies | 0.00 | 0.00 | 0.00 | 0.00 |
| **Cash deposits of the H.R.[4]** | **18,133.5** | **18,796.70** | **19,655.20** | **20,102.7** |
| **Debt guaranteed by the Central Government** | **29,960.98** | **29,631.20** | **29,432.30** | **29,384.90** |

*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 the EFSF's liability portfolio into the Greek debt portfolio.
3. Index-linked bonds are classified as floating rate bonds.
4. Included balance of dedicated cash buffer account, 15,697.3 million euros on 30/6/2023 and 30/9/2023.

* Estimates.

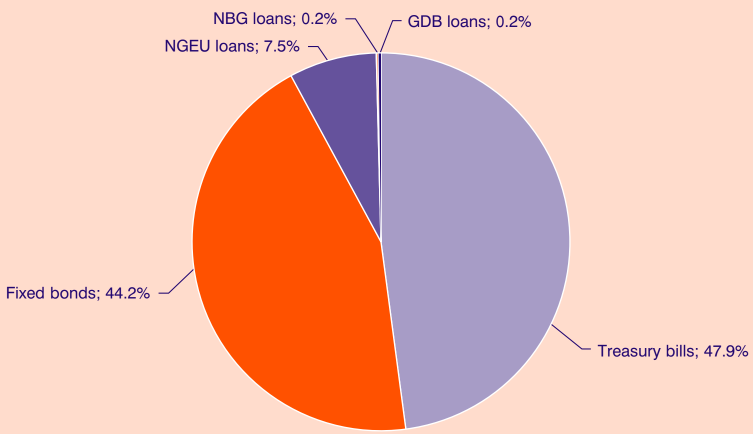
3. *Public Debt Bulletin,* September 2023, General Accounting Office, Ministry of Finance.

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

| Period | 2022 (C΄ quar.) | 2022 (D΄ quar.) | 2023 (B΄ quar.) | 2023 (C΄ quar.) |
|---|---|---|---|---|
| **Total volume** | **393,489.34** | **400,275.64** | **404,685.60** | **402,877.43** |
| Short-term (up to 1 year) | 63,665.41 | 68,876.94 | 71,385.66 | 67,518.65 |
| Medium-term (1 to 5 years) | 40,485.46 | 42,656.63 | 48,205.73 | 47,523.54 |
| Long-term (more than 5 years) | 289,338.47 | 288,742.07 | 285,094.21 | 287,835.24 |

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

**FIGURE 2.2.1**
**Composition of borrowing for the third quarter of 2023**




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

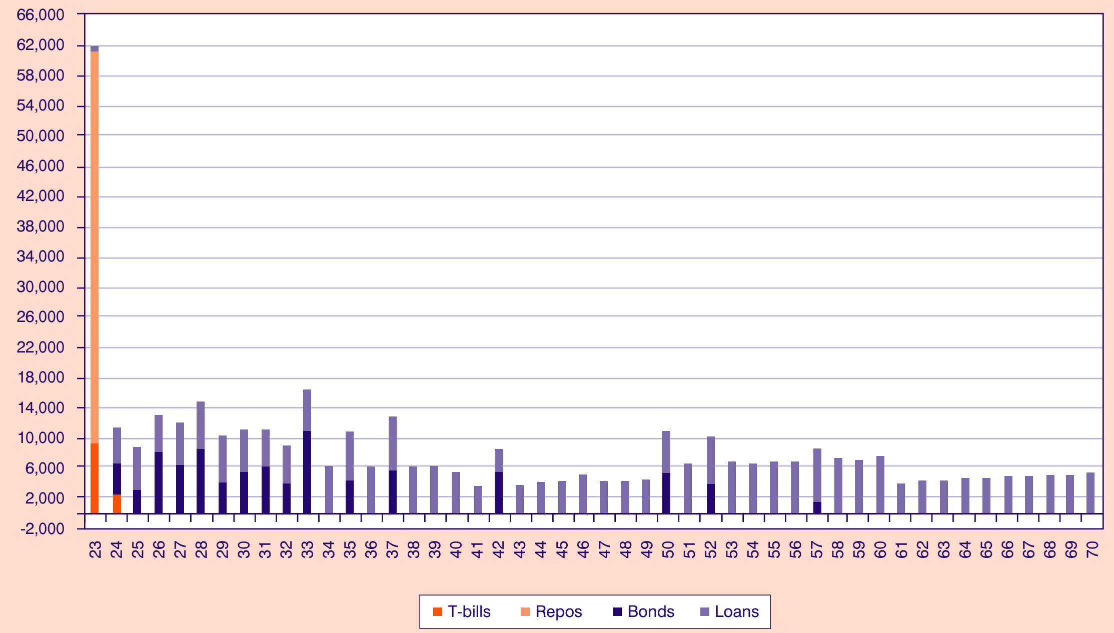
long-term issues (maturity after five years) from 17.6%, 11.9% and 70.4%, respectively, in the previous quarter of 2023. Compared to the same quarter of 2022, an increase in the share of short-term and medium-term securities is observed with a corresponding decrease in the long-term securities.

The average residual maturity of the total Central Government debt stood at 7.18 years, slightly reduced from that of 18.01 years in the corresponding quarter of 2022. Moreover, the average residual maturity of the total Central Government debt amounted to 5.03 years, almost half of the 9.80 years in 2021. The new borrowing for the third quarter of 2023 decomposes to 47.9% in Treasury bills, 44.2% in fixed bonds, 7.5% in NGEU loans and 0.2% in bonds coming from the National Bank of Greece (NBG) and the Greek Development Bank (GDB) (Figure 2.2.1).

Figure 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 rest of the year (2023), the dispersion of the burden of redemption of public debt has now leveled, with few exceptions, at less than 14 billion euros per year until 2070.

In conclusion, the debt decreased compared to the second quarter of 2023, which demonstrates that the financing needs of the Greek economy in this period, although increased due to the financing needs of measures to deal with disasters from the climate crisis

**FIGURE 2.2.2**
**Redemption schedule of Budgetary Central Government debt on 30/9/2023 (amounts in million euro)**




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

*Notes:* Securities' maturities are smoothed with debt repurchases and management operations. Including extension of EFSF loans agreed at the Eurogroup of 22-6-2018.

and the price increases in basic goods, were covered in a fiscally neutral way.

## 2.3. Fiscal figures perspectives

In an international environment of increased economic uncertainty, stemming both from increased geopolitical tensions in various regions of the world and monetary tightening policies followed by Central Banks, expectations for the Greek economy in 2024 remain optimistic. The country's growth rate is expected to reach 2.9% from the 2.4% estimated to close in 2023, which, in nominal terms, will exceed for the first time the country's GDP in 2010, the year Greece entered the first economic adjustment programme. Nevertheless, it will still be higher than the Eurozone average, which is expected to be 1.2%.

The Greek economy still has a positive outlook mainly due to the fiscal policy measures implemented at the end of 2023 and from the beginning of 2024, the damage restoration from recent disasters, as well as the expected positive effect of the implementation of the "Greece 2.0" plan, which, together with the investment grade, will lead to an increase in investments. In addition, limiting the reduction in private consumption, despite the significant inflationary pressures, through civil servants' salary increases, minimum wage and employment, and the re-introduction of the maturity allowance (the so-called three-years allowance) in the private sector will increase this optimism. Finally, the further reduction of the debt-to-GDP ratio, mainly due to economic growth, gives the Greek economy a new dynamic in the international financial markets.

However, in addition to the unfavorable international environment, the Greek economy is also burdened by the European Central Bank's (ECB) high interest rates, which increase the cost of borrowing, as well as the effect of the geopolitical crises in Ukraine and Gaza on the prices of both energy and imports (products and inputs). Continued inflation, mainly in basic goods and energy, may undermine confidence in the Greek economy. However, the foreign trade balance remains the main issue of the Greek economy, which increases with increased incomes, as imports of consumer goods and inputs increase, without a corresponding increase in exports, indicating the problematic production model of the country.

Regarding the 2024 State Budget execution, it is estimated that the country, even though the escape clause of the Stability and Development Pact was abolished, will exceed the 2% of GDP limit for primary surpluses. In addition, the exclusion of defense spending from the deficit, if these limits are exceeded, is a safety net for meeting the Pact's goals. The significant increase in tax revenues, both from income tax and VAT, is expected to continue in 2024, given the growth rates, salary increases and product prices, giving the necessary fiscal space for fiscal interventions where deemed necessary, without burdening the budget. Expected tourism receipts that look set to be even higher from 2023 are another reason for optimism about fiscal stability. Finally, interventions aimed at combating tax evasion will increase tax revenues even more but will also contribute to the fair distribution of tax burdens and the strengthening of social policy.

On the contrary, risk factors can be considered among others: (a) the increased costs due to the natural disasters experienced by the country in 2023, as well as new ones given the climate crisis, as compensations must be given to those affected, (b) the significant restriction of consumption due to inflation that will have an impact on VAT collections, (c) the higher cost of servicing the debt, since, despite the upgrade to investment grade, the debt is refinanced at a higher interest rate than the average interest rate of the existing debt (around 2%), due to the increase in ECB interest rates and (d) the untimely absorption of European funds, and especially those of the Recovery and Resilience Fund, which have a pressing time horizon.

Based on the above, the possibility of interventions and state support for households and businesses should be targeted and temporary in nature and financed from the available fiscal space, maintaining a "restrictive" fiscal policy, so as to create the necessary primary surpluses and not to fuel inflationary pressures and contain the increase in borrowing costs.