



HELLENIC REPUBLIC

MINISTRY OF ECONOMY AND FINANCE  
GENERAL ACCOUNTING OFFICE

# GOVERNMENT BUDGET REPORT

## Executive Summary

2007

ATHENS, JANUARY 2007

## Overview of the Greek Economy in 2006

Over the last two and a half years, the new government implemented structural reforms through all sectors of the Greek economy. In 2006, these reforms started to bear the expected results.

In particular:

- The tax reform, mainly through the gradual reduction in corporate income tax rates, encouraged entrepreneurship, enhanced private sector investment initiatives and facilitated the attraction of foreign direct investment.
- The new investment law offered strong incentives for undertaking new private investment projects, accelerating regional convergence and promoting the business model of small and medium sized companies.
- The public-private partnerships (PPPs) created a new legal and business framework of cooperation and collaboration between the public and the private sector that develops the country's infrastructure and improves the quality of public services.
- The pension reform regarding bank employees secured the smooth functioning of the Greek banking system.
- The new legal framework regarding the functioning of public entities and enterprises contributes to their reform effort and the enhancement of their competitive position.
- The newly adopted exports policy promotes the competitiveness of Greek products and services. Enterprises are becoming increasingly outward looking. Exports are currently increasing by two-digit numbers thus contributing to the rapid and sustainable growth of the Greek economy.

The aforementioned national program of economic reforms and the implementation of a long-term strategy for economic development and growth have already positively affected the Greek economy in the following areas:

- The achievement of significant fiscal consolidation through the sizeable reduction of the public deficit (2.6% of GDP in 2006 compared to 7.8% in 2004).
- The growth rate reached 4.1% in the first half of 2006.
- Increased competitiveness (improvement of 8 positions in the international rating of the Institute for Management Development – IMD).

- Improvement in the Gross Domestic Product per capita in PPS which accounts for 77.2% of the European average (E.U.-15) in 2005 compared to 75.3% in 2004.
- The reduction of unemployment (in the second quarter of 2006 unemployment decreased to 8.8% down from 11.3% in the first quarter of 2004).
- The rise in total investment by 10.4% in the first half of 2006 compared to 2005 and robust growth in foreign direct investment (FDI), which increased remarkably by 305.6% in the first eight months of 2006.
- The increase in the disposable income of the Greek households (average annual growth rate of 4.3% for the last two years).
- Improved exports (by 13.1% in 2005 compared to 2004 and by 19.7% in the first eight months of 2006).
- Continuously increasing economic sentiment indicators since June 2005.
- The acceleration of regional convergence.

### Privatizations

Privatizations and the opening up of new markets in general reduce public sector participation and market intervention and allow private sector funds to be activated. As a result of the remarkably successful privatization program followed in 2005, proceeds reached 2.1 billion euros, outreaching the initial target of the budget by 30%. In a similar vein, the proceeds target of 2006 budget was overshot by 140 million euros reaching 1.74 billion euros.

The strategic privatization planning for the coming year entails:

- The stock market listing of the National Gas Company (DEPA) in the Athens Stock Exchange (ASE).
- The market exploitation of the public sector participation share in the Athens International Airport (El. Venizelos).
- Improved public management and use of public sector real estate assets that are currently under the control of the Public Tourist Development Company (ETA).
- Further privatization of the Hellenic Telecommunications Organization (OTE).
- Better utilization of all public shareholdings in both listed and non-listed companies.

The aforementioned privatization schedule is expected to be further bolstered by the implementation of the legal framework regarding public-private partnerships. More specifically, co-operation and collaboration with the private sector will enable effective exploitation and utilization of public sector real estate assets such as Olympic Game facilities, tourist resorts, ports and marinas, further facilitating their successful privatization.

Privatization revenues for the fiscal year of 2007 are expected to reach 1.7 billion euros.

### Labor Market

For the first time in recent years, the employment rate in Greece exceeded 60%, while the long-term unemployment rate fell to 5.3% of the labor force as compared to 5.8 % in 2004. In the context of robust economic growth in 2006 and the structural reforms that took place during the same period, labor market prospects look favorable. In the second half of 2006, employment improved by 1.7% and, for the first time since 1998, the unemployment rate dropped below 9% (8.8%).

In total, employment in 2006 is expected to rise by 1.7%, while the unemployment rate is projected to decrease to 9.2% from 10.4% in 2005.

### Prospects for 2007

The solid growth of the Greek economy is expected to continue in 2007. The rate of growth, which is expected to be enhanced by increased investment expenditure, is forecast at around 3.8%. In constant prices, private consumption is forecast to increase by 3.8% and investment by 7.4%. Exports of goods and services are expected to increase by 6.5%, while imports by 7%.

Robust economic activity and productivity will further improve employment rates, reducing the unemployment rate at 8.2%. Total employment increase is predicted at 1.7%, while productivity growth rates are expected to sustain their dynamics.

Assuming that oil prices will not follow an unexpectedly high course, the consumer price index (CPI) will continue to decelerate in 2007, even more than in 2006.

### Implementation of the 2006 budget

The basic priorities set out in the 2006 budget were:

- the reduction of the general government deficit below 3% of GDP,
- the acceleration of the reduction in public debt,
- the restraint of public consumption expenditure as a ratio to GDP,
- the enhancement of social cohesion.

The target of the 2006 government budget is being achieved, as the general government deficit is contained at 2.6% of GDP and the public debt is being decreased by 3.2 percentage points of GDP compared to 2005.

More specifically, the central government deficit is going to reach 4.4 % of GDP, reduced by 1.8 p.p. and 3.2 p.p. of GDP compared to 2005 and 2004 respectively. Overall, the general government deficit is restricted within the budgetary prospects (2.6% of GDP), recording a decrease of 2.6 p.p. and 5.2 p.p. of GDP compared to 2005 and 2004 respectively.

## 1. Ordinary Budget

### *Revenue*

Total ordinary budget revenue for the fiscal year 2006 is estimated to reach 48,600 million euros, recording an increase of 8.6% compared to 2005.

A positive impact on 2006 revenue is expected as a result of the following tax measures:

- The restructuring of the rates in the excise tax on fuel, in compliance to the 2003/96/EC Directive of the European Council (resulting to an average increase of 5% for 2006).
- The increase in the rate of income tax pre-payment for enterprises set to 65% up from 55%. Especially for banks, the rate is set to 80% up from 60%.
- The increase of the minimum excise tax on cigarettes.
- The increase in the tax duty imposed on mobile connection bills.

Ordinary budget revenue is estimated to be strongly affected by:

- The thorough tax and custom audits by the Service for Special Audits, fully in force since last year.
- The operation of special units in the tax offices aiming at the faster collection of overdue payments.

### *Expenditure*

The latest estimates available suggest a marginal deviation of actual ordinary budget expenditure from budgeted figures.

Total expenditure is expected to record a deviation from budgeted figures of about 223 million euros. In particular, primary expenditure is estimated to show an overrun of about 293 million euros, whereas interest payments will be lower than budgeted figures by 70 million euros.

Overall, significant progress has been achieved on the expenditure side. Primary expenditure is estimated to increase at a rate slower than that of nominal GDP (6.0% vs. 7.6%), resulting to a decline of total expenditure from 26.9% of GDP in 2005 to 25.9% in 2006. This development is attributed to the decline of primary expenditure by 0.5 p.p. of GDP, as well as the reduction in the servicing of public debt by another 0.5 p.p. of GDP.

## 2. Public Investment Budget

Public Investment expenditure is anticipated to reach 8,100 million euros, 5,500 million of which is distributed to projects co-financed by EU Structural Funds, while the remaining 2,600 million euros to projects financed only by national resources.

Compared to the previous year, in 2006 a significant increase is recorded in expenditure related to the following sectors:

- public administration (increase by 125.4%),
- environment (55.7%),
- water supply – drainage (88.5%),
- regional programmes (30.9%),
- professional training (57.5%),
- health care (22.4%),
- special projects (26.0%),
- culture (27.7%),
- projects in prefectures (23.4%).

## The 2007 Government Budget

The priorities of the Government in 2007 include the safeguarding of economic growth performance, a further increase of the employment rate, strengthening of social cohesion, as well as regional convergence. The above targets are to be achieved through the implementation of structural reforms, already underway.

The basic priorities in the 2007 budget are:

- the further reduction in the general government deficit,
- the restraint of public debt,
- the enhancing of the economy's competitiveness,
- the further decline in the unemployment rate,
- the income improvement of low earners,
- to boost investment and growth rate.

The 2007 budget targets a general government deficit of 2.4% of GDP, given a 3.8% growth rate.

### 1. The main figures of the 2007 budget

The forecast for net revenue in 2007 is for an increase by 3,110 million euros (2,770 million euros of which stem from the ordinary budget revenue, while the remaining 340 million euros from the Public Investment Budget (PIB)), i.e. a rise of 6.2% compared to the previous year. According to this development, the 2007 net revenue is standing at 25.4% of GDP compared to 25.6% and 24.8% of GDP in 2006 and 2005 respectively.

The total amount of central government expenditure is significantly lower in 2007 versus those incurred in 2006 and 2005 (29.8% of GDP in 2007 vs 30.0% and 31.0% in 2006 and 2005 respectively), despite the significant increase in the Public Investment Budget expenditure, aiming at enhancing investment expenditure and the growth dynamism of the country. A significant part of this decline is due to lower interest payments and ordinary budget primary expenditure, because of the curtailment in lower priority government consumption expenditure items.

The central government deficit is restricted at 4.3% of GDP, as compared to 4.4% of GDP in 2006 and 6.2% of GDP in 2005, while the general government deficit is expected to decline to 2.4% of GDP compared to 2.6% and 5.2% of GDP in 2006 and 2005 respectively.

It should be noted that the decrease of central government deficit by 3.3 p.p. of GDP from 2004 to 2007 is mainly due to the curtailment in expenditure by 2.9 p.p. of GDP and only by 0.4 p.p. of GDP to revenue increases.

## 2. Ordinary Budget

### *Revenue*

The goals of the government's tax policy for the next three years are:

- To alleviate the tax burden on households, especially those with medium and low income, through the gradual reduction of the tax rates, the extension of the central tax-bracket and the increase of the tax-free bracket, starting from 2007.
- The further improvement of the tax environment for legal entities, through the gradual reduction, by the year 2008, of the corporate income tax rate, in order to boost entrepreneurship, enhance the competitiveness of the Greek economy and make it attractive to foreign investors.
- To combat the tax evasion, corruption and smuggling as well as to incorporate the shadow economy.

Ordinary budget revenue forecasts for the fiscal year 2007 are based on a nominal GDP growth of 7.1%, the elasticity of tax revenue and on various temporary factors affecting specific categories of revenue.

Total ordinary revenue for 2007 is expected to reach 51,370 million euros, increasing by 5.7% compared to 2006. The budget figures are based to a significant degree on the carry-over of the tax measures taken in 2006 – i.e. the increase in the excise tax rates on fuel and tobacco, the imposition of VAT on the real estate transfers of new buildings, as well as the further change of objective values for real estate.

### *Expenditure*

Ordinary budget expenditure (excluding amortization payments) is expected to be lower as a ratio to GDP and is estimated to reach 25.6% of GDP in 2007, down from 25.9% of GDP in 2006 and 26.9% in 2005, despite the significant increase in the expenditure promoting social cohesion: more specifically, almost 1,200 million euros, or 0.6% of GDP, are provided for the support of the financially weaker social groups, through the increase in farmers' and military pensions, in pensioners' social solidarity allowance and the refund of the contributions on behalf of the Solidarity Account of Social Security Funds (LAFKA).

## Expenditure per categories

### Wages and pensions

The wage bill is expected to increase by 6.4% as a result of:

- the income policy,
- wage maturity,
- new personnel hiring mainly in the health and educational sector,
- the provision of special income allowances to teachers,
- the increase of special income allowances to police, coast-guard and military employees, and
- the rate of growth of pensions, which will exceed that of wages, along with the aforementioned arrangements for military personnel and relevant categories.

### Grants to social security funds and medical care

Expenditure on social security and medical care is expected to increase at a higher rate (13%) compared to other ordinary budget primary expenditure items, thus still accounting for a significant part (22%) of total primary expenditure.

The main part of this expenditure involves grants to social security funds, which increase by 14.6%. This expenditure item is expected to cover:

- the financing of the increase in farmers' pensions (OGA -Farmers' Insurance Fund),
- the increase in EKAS (Pensioners' Social Solidarity Allowance),
- the increase in seamen's pensions,
- the grant to IKA (Wage Earners' Social Insurance Fund) and
- the refund of the contribution on behalf of the Solidarity Account of Social Security Funds (LAFKA).
- the state contribution to social security funds.

### Operating and miscellaneous expenditure

Operating expenditure is expected to rise by 2.1% in 2007 due to the following reasons:

- grants to universities,
- commitments already undertaken, such as subsidies to the Greek Farmers' Social Security Compensation Account (ELGA) and increased subsidies to farmers, co-financed by EU funds,
- higher national contributions to the EU,
- higher social protection allowances.

On the contrary, consumption expenditure is expected to decrease by 2.3% compared to 2006.

### Returned resources

This item, which is expected to increase by 4.3% in 2007, refers to revenue allocations to local authorities and social security funds (in particular, to the Farmers' Insurance Fund, Greek Farmers' Social Security Compensation Account and the Attorneys Insurance Fund).

## Interest payments

Interest payments are estimated to reach 4.7% of GDP in 2007, significantly lower compared to 4.9% of GDP in 2006.

### 3. Public Investment Budget

The Public Investment Budget (PIB) expenditure is forecasted to reach 8,750 million euros; 6,350 million euros are allocated to projects co-financed by EU Structural Funds, while the remaining 2,400 million euros correspond to the national strand of the PIB.

## Public debt

The consistent fiscal policy over the last three years, mainly aiming at the reduction of the deficit below 3% of GDP, is already reflected in the rapidly diminishing debt to GDP ratio. For the 2004-2007 period, this reduction is estimated to exceed 8 percentage points, thus ranking Greece among the highly performing countries in the eurozone.

The overall fiscal consolidation effort, aiming at the alleviation of the factors affecting the debt, is supported by the restructuring of the budget framework through the reform of public expenditure and by the implementation of extended structural reforms in the Greek economy. To this end, the well performing privatization program and the increased absorption of the 3<sup>rd</sup> Community Support Framework funds are expected to contribute significantly to the reduction of debt.

Moreover, the adoption and development of modern debt management techniques contributes to the optimization of the debt portfolio, thus leading to the minimization of the debt servicing cost and of the risk assumption associated with interest rate fluctuations and the international market conditions in general.

In addition, significant attempts have been undertaken over the last three years towards establishing market transparency, not only in terms of issuing procedures and securities transactions, but, also, in providing European and International Organizations, Rating Agencies and all other interested parties with detailed and symmetric information.

### 1. Composition of public debt

#### Composition of Central Government Debt

The outstanding Central Government Debt is estimated to reach 226,087 million euros in 2006 or 116.0% of GDP, compared to 215,416 million euros or 119.0% of GDP in 2005. It is estimated that the Central Government Debt on 31/12/2007 will reach 234,400 million euros, leading to a further decrease in the debt/GDP ratio to 112.3%.

At the end of 2006 the non-euro denominated central government debt accounts for only 0.9% of the total outstanding debt, a share that practically eliminates the exchange rate risk of the debt portfolio.

### Structure and characteristics of the Central Government Debt

The share of short-term securities (T-bills) in the Central Government Debt accounts for 0.5% in 2006, compared to 0.7% in 2005. On 31/10/2006, 48.4% of the central government debt had a residual maturity exceeding 5 years, contributing to an overall increase of the average residual maturity of the debt portfolio.

The total expenditure for debt servicing (interest payments, amortization and other related expenditure) in 2006 is estimated to reach 26,020 million euros, compared to 30,066 in 2005. Interest payments as a percentage of GDP show a diminishing trend and the ratio is expected to fall to 4.9% in 2006 down from 6.4% in 2002. For 2007, interest payments are forecast to be further reduced to 4.7 % of GDP.

## 2. General government debt

The General Government Debt on 31/12/06 is estimated to reach 104.3% of GDP, while a further reduction down to 100.4% of GDP is foreseen for 2007.

## 3. The Greek Government Securities Market

The Greek Government Securities market has closely followed the general trends of the integrated eurobond market. Thus, during the 3<sup>rd</sup> quarter of 2006 a significant decrease in the yields has been observed, which was more intense in the long-term segment of the yield curve. As a result, the Greek yield curve shifted downwards and, at the same time, its slope decreased further.

### Primary market

The major part of the total annual issuance activity had been carried out by 31/10/2006.

The prime objective of 2006 issuance policy (as in previous years) was the establishment of 3, 5 and 10-year new benchmark bonds with high liquidity (at least 5 bn euros). Furthermore, the historically low levels of the long-term interest rates permitted the successful re-opening of the 30-year benchmark bond (September 2037).

In addition, the Euro Index-linked bond (July 2025) has been re-opened in 2006 reaching a total volume of 7.2 bn euros.

### Secondary market

During the 3<sup>rd</sup> quarter of 2006, the turnover of transactions in Government Securities both in the Electronic Secondary market (HDAT) and the Securities Settlement System (BOGSS) remained at high levels. Prices followed the international trends, recording net earnings at the

end of the 3<sup>rd</sup> quarter. The new 10 year benchmark bond (maturity 20/7/2016) accounts for 47.76 % of the total volume of transactions.

#### 4. Basic characteristics of the issuance strategy and management targets of 2007

The issuance strategy for 2007 is again determined by the cash requirements arising from the redemption schedule and the financing needs of the State Budget.

The main characteristics of the issuance strategy are the following:

- bond issuance will be focused again on the 3, 5 and 10-year tenors, as well as T-Bills,
- further issuance of long term benchmark bonds beyond the 30-year tenor will be attempted, if permitted by prevailing market conditions,
- the inflation-linked bonds' issuance is intended to be resumed, depending on market conditions, by issuing a new benchmark bond of the same or different tenor, and
- strategic issues via private placement will be additionally undertaken, in order to diversify the investor base and exploit potential investment opportunities.

The portfolio debt management targets will be focused on:

- keeping the modified duration within the desired band of 4.3 - 4.5 years,
- keeping the ratio of debt with fixed and floating interest rates around the level of 80% - 20% respectively, and
- developing new methods of measuring and assessing portfolio risks.

Table 1. Central Government Budget 2007  
(million euros)

	2004	2005	2006		2007	Change %		
	Outcome	Outcome	Budget	Estimate	Budget	05/04	06/05	07/06
	(a)	(b)	(c)	(d)	(e)	(b)/(a)	(d)/(b)	(e)/(d)
<b>Ordinary budget</b>								
1. Net revenue (a+b-c)	39,257	42,206	46,550	46,400	49,170	7.5	9.9	6.0
a. Revenue	42,055	44,760	47,650	47,830	51,370	6.4	6.9	7.4
b. Non-ordinary revenue			1,100	770				
c. Tax refunds	2,799	2,554	2,200	2,200	2,200	-8.7	-13.9	0.0
2. Expenditure (a+b+c)	45,490	48,685	50,190	50,413	53,360	7.0	3.5	5.8
a. Interest payments	9,464	9,774	9,600	9,530	9,750	3.3	-2.5	2.3
b. Primary expenditure	36,025	38,566	40,590	40,883	43,610	7.1	6.0	6.7
c. Non-recurring expenditure		345						
3. Ordinary budget balance (1-2)	-6,233	-6,479	-3,640	-4,013	-4,190	3.9	-38.1	4.4
<b>Public Investment Program</b>								
4. Revenue (a+b)	2,894	2,686	3,490	3,550	3,890	-7.2	32.2	9.6
a. Inflows from EU	2,811	2,623	3,400	3,400	3,750	-6.7	29.6	10.3
b. Other	83	63	90	150	140	-24.1	138.1	-6.7
5. Expenditure	9,522	7,524	8,400	8,100	8,750	-21.0	7.7	8.0
6. Public investment program balance (4-5)	-6,628	-4,838	-4,910	-4,550	-4,860	-27.0	-6.0	6.8
7. Central Government balance (3+6)	-12,861	-11,317	-8,550	-8,563	-9,050	-12.0	-24.3	5.7
(% of GDP)	-7.6	-6.2	-4.4	-4.4	-4.3			
GDP	168,417	181,088	193,427	194,902	208,740	7.5	7.6	7.1

Table 2. General Government Deficit  
(million euros)

	2004	2005	2006		2007
	Outcome	Outcome	Budget	Estimate	Budget
a. Central Government balance	-12,861	-11,317	-8,550	-8,563	-9,050
b. Surplus of public entities etc.	3,765	2,423	4,990	4,138	4,383
c. Financing of social security funds	-1,916	-425	-400	-423	-415
d. Payments for military equipment procurement	-1,792	-1,394	-1,500	-1,500	-1,700
e. Other adjustments (ESA 95)	-306	1,219	450	1,194	1,680
f. General Government balance (a+b+c+d+e)	-13,110	-9,495	-5,010	-5,154	-5,102
(% of GDP)	-7.8	-5.2	-2.6	-2.6	-2.4
GDP	168,417	181,088	193,427	194,902	208,740

Table 3. Ordinary budget revenue (million euros)								
	2004	2005	2006		2007	Change %		
	Outcome	Outcome	Budget	Estimate	Budget	2005/04	2006/05	2007/06
<b>A. Ordinary revenue (I + II + III + IV)</b>	42,055	44,760	47,650	47,830	51,370	6.4	6.9	7.4
<b>I. Direct taxes</b>	16,484	18,371	19,065	18,560	19,450	11.4	1.0	4.8
Income tax	13,307	14,165	14,760	14,790	15,380	6.4	4.4	4.0
Personal income tax	7,785	8,292	8,860	9,100	9,720	6.5	9.7	6.8
Corporate income tax	4,724	4,730	4,900	4,500	4,620	0.1	-4.9	2.7
Other	798	1,143	1,000	1,190	1,040	43.2	4.1	-12.6
Property taxes	422	548	550	490	510	29.9	-10.6	4.1
Tax arrears	1,569	2,410	2,410	1,910	2,080	53.6	-20.7	8.9
Other direct taxes	1,186	1,248	1,345	1,370	1,480	5.2	9.8	8.0
<b>II. Indirect taxes</b>	23,000	23,722	25,540	26,260	28,580	3.1	10.7	8.8
Transaction taxes	15,255	15,817	16,828	17,675	19,375	3.7	11.7	9.6
VAT	13,741	14,131	15,148	15,855	17,435	2.8	12.2	10.0
Fuel	1,141	1,480	1,600	1,760	1,950	29.7	18.9	10.8
Tobacco	550	574	593	645	705	4.4	12.4	9.3
Other	12,050	12,077	12,955	13,450	14,780	0.2	11.4	9.9
Other transaction taxes	1,514	1,686	1,680	1,820	1,940	11.4	7.9	6.6
(Capital transfers)	(798)	(905)	(918)	(1,015)	(1,103)	(13.4)	(12.2)	(8.7)
(Stamp duty)	(624)	(681)	(650)	(685)	(655)	(9.1)	(0.6)	(-4.4)
Consumption taxes	7,051	7,077	7,797	7,535	8,210	0.4	6.5	9.0
On insurance premiums	269	270	300	300	330	0.4	11.1	10.0
On vehicles	908	891	886	918	965	-1.9	3.0	5.1
Excise tax on fuel	2,461	2,478	2,848	2,620	2,954	0.7	5.7	12.7
Other excise taxes (tobacco etc)	2,524	2,564	2,778	2,785	3,010	1.6	8.6	8.1
Road duties	694	705	802	774	815	1.6	9.8	5.3
Other	195	169	183	138	136	-13.3	-18.3	-1.4
Tax arrears	290	400	455	440	445	37.9	10.0	1.1
Other indirect taxes	404	428	460	610	550	5.9	42.5	-9.8
(for E.U.)	(269)	(264)	(267)	(274)	(281)	(-1.9)	(3.8)	(2.6)
Tax revenue (I+II)	39,484	42,093	44,605	44,820	48,030	6.6	6.5	7.2
<b>III. From E..U.</b>	164	109	190	305	396	-33.5	179.8	29.8
<b>IV. Other non-tax revenue</b>	2,407	2,558	2,855	2,705	2,944	6.3	5.7	8.8
Non-tax revenue (III+IV)	2,571	2,667	3,045	3,010	3,340	3.7	12.9	11.0
<b>B. Non-recurring revenue</b>			1,100	770				
<b>Total (A + B)</b>	42,055	44,760	48,750	48,600	51,370	6.4	8.6	5.7
Tax refunds	2,798	2,554	2,200	2,200	2,200	-8.7	-13.9	0.0
<b>Net revenue</b>	39,257	42,206	46,550	46,400	49,170	7.5	9.9	6.0

Table 4. Central Government Budget 2007  
(million euros)

	Outcome 2004	Outcome 2005	Budget 2006	Estimate 2006	Budget 2007	Change %			
						In progress 2006	2005/04	2006/05	2007/06
						(4:3)	(2:1)	(4:2)	(5:4)
	(1)	(2)	(3)	(4)	(5)	(4:3)	(2:1)	(4:2)	(5:4)
<b>Ordinary budget</b>									
Revenue	42,055	44,760	48,750	48,600	51,370	-0.3	6.4	8.6	5.7
Tax revenue	39,484	42,093	44,605	44,820	48,030	0.5	6.6	6.5	7.2
Non-tax revenue and EU	2,571	2,667	3,045	3,010	3,340	-1.1	3.7	12.9	11.0
Non-recurring revenue			1,100	770					
Tax refunds (-)	2,798	2,554	2,200	2,200	2,200	-0.0	-8.7	-13.9	0.0
<b>Net revenue</b>	<b>39,257</b>	<b>42,206</b>	<b>46,550</b>	<b>46,400</b>	<b>49,170</b>	<b>-0.3</b>	<b>7.5</b>	<b>9.9</b>	<b>6.0</b>
<b>Primary expenditure</b>	<b>36,025</b>	<b>38,912</b>	<b>40,590</b>	<b>40,883</b>	<b>43,610</b>	<b>0.7</b>	<b>8.0</b>	<b>5.1</b>	<b>6.7</b>
Salaries and pensions	17,496	18,347	19,648	19,555	20,799	-0.5	4.9	6.6	6.4
<i>Wages</i>	<i>12,427</i>	<i>13,095</i>	<i>14,093</i>	<i>13,913</i>	<i>14,814</i>	<i>-1.3</i>	<i>5.4</i>	<i>6.2</i>	<i>6.5</i>
Grants to social security funds and medical care	7,236	8,415	8,530	8,662	9,786	1.5	16.3	2.9	13.0
Operating expenditure	7,883	7,931	8,387	8,551	8,732	2.0	0.6	7.8	2.1
Returned resources	3,410	3,873	4,026	4,114	4,293	2.2	13.6	6.2	4.4
Non-recurring expenditure		345							
Primary surplus	3,231	3,295	5,960	5,518	5,560	-7.4	2.0	67.5	0.8
<b>Interest payments</b>	<b>9,464</b>	<b>9,774</b>	<b>9,600</b>	<b>9,530</b>	<b>9,750</b>	<b>-0.7</b>	<b>3.3</b>	<b>-2.5</b>	<b>2.3</b>
<b>Total expenditure</b>	<b>45,490</b>	<b>48,686</b>	<b>50,190</b>	<b>50,413</b>	<b>53,360</b>	<b>0.4</b>	<b>7.0</b>	<b>3.5</b>	<b>5.8</b>
Ordinary budget balance	-6,233	-6,479	-3,640	-4,013	-4,190	10.2	3.9	-38.1	4.4
Amortization	20,356	21,752	18,136	16,950	24,247	-6.5	6.9	-22.1	43.1
Payments for military equipment procurement	826	1,394	1,500	1,500	1,700	0.0	68.8	7.6	13.3
<b>Public investment program</b>									
Revenue	2,894	2,686	3,490	3,550	3,890	1.7	-7.2	32.2	9.6
<i>Inflows from E.U.</i>	<i>2,811</i>	<i>2,623</i>	<i>3,400</i>	<i>3,400</i>	<i>3,750</i>	<i>0.0</i>	<i>-6.7</i>	<i>29.6</i>	<i>10.3</i>
<i>Other</i>	<i>83</i>	<i>63</i>	<i>90</i>	<i>150</i>	<i>140</i>	<i>66.7</i>	<i>-24.1</i>	<i>138.1</i>	<i>-6.7</i>
Expenditure	9,522	7,524	8,400	8,100	8,750	-3.6	-21.0	7.7	8.0
Public Investment Program balance	-6,628	-4,838	-4,910	-4,550	-4,860	-7.3	-27.0	-6.0	6.8
<b>Central Government budget</b>									
Net revenue	42,151	44,892	50,040	49,950	53,060	-0.2	6.5	11.3	6.2
Expenditure	55,011	56,210	58,590	58,513	62,110	-0.1	2.2	4.1	6.1
<b>Central Government balance</b>	<b>-12,861</b>	<b>-11,317</b>	<b>-8,550</b>	<b>-8,563</b>	<b>-9,050</b>	<b>0.1</b>	<b>-12.0</b>	<b>-24.3</b>	<b>5.7</b>
GDP	168,417	181,088	193,427	194,902	208,740	0.8	7.5	7.6	7.1

Source: Ministry of Economy and Finance

Table 5. Central Government Budget 2007 (% of GDP)					
	Outcome 2004	Outcome 2005	Budget 2006	Estimate 2006	Budget 2007
	(1)	(2)	(3)	(4)	(5)
<b>Ordinary budget</b>					
Revenue	25.0	24.7	25.2	24.9	24.6
Tax revenue	23.4	23.2	23.1	23.0	23.0
Non-tax revenue and EU	1.5	1.5	1.6	1.5	1.6
Non-recurring revenue			0.6	0.4	
Tax refunds (-)	1.7	1.4	1.1	1.1	1.1
<b>Net revenue</b>	<b>23.3</b>	<b>23.3</b>	<b>24.1</b>	<b>23.8</b>	<b>23.6</b>
<b>Primary expenditure</b>					
Salaries and pensions	10.4	10.1	10.2	10.0	10.0
<i>Wages</i>	<i>7.4</i>	<i>7.2</i>	<i>7.3</i>	<i>7.1</i>	<i>7.1</i>
Grants to social security funds and medical care	4.3	4.6	4.4	4.4	4.7
Operating expenditure	4.7	4.4	4.3	4.4	4.2
Returned resources	2.0	2.1	2.1	2.1	2.1
Non-recurring expenditure		0.2			
Primary surplus	1.9	1.8	3.1	2.8	2.7
<b>Interest payments</b>	<b>5.6</b>	<b>5.4</b>	<b>5.0</b>	<b>4.9</b>	<b>4.7</b>
<b>Total expenditure</b>	<b>27.0</b>	<b>26.9</b>	<b>25.9</b>	<b>25.9</b>	<b>25.6</b>
Ordinary budget balance	-3.7	-3.6	-1.9	-2.1	-2.0
Amortization	12.1	12.0	9.4	8.7	11.6
Payments for military equipment procurement	0.5	0.8	0.8	0.8	0.8
<b>Public investment program</b>					
Revenue	1.7	1.5	1.8	1.8	1.9
<i>Inflows from E.U.</i>	<i>1.7</i>	<i>1.4</i>	<i>1.8</i>	<i>1.7</i>	<i>1.8</i>
<i>Other</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>
Expenditure	5.7	4.2	4.3	4.2	4.2
Public Investment Program balance	-3.9	-2.7	-2.5	-2.3	-2.3
<b>Central Government budget</b>					
Net revenue	25.0	24.8	25.9	25.6	25.4
Expenditure	32.7	31.0	30.3	30.0	29.8
<b>Central Government balance</b>	<b>-7.6</b>	<b>-6.2</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-4.3</b>
GDP	168,417	181,088	193,427	194,902	208,740

Table 6. Central and General Government Debt (million euros)				
	2004	2005	2006*	2007**
<b>A. Debt in Euro</b>	<b>198,741</b>	<b>212,669</b>	<b>223,989</b>	<b>232,347</b>
(as % of GDP)	118.0%	117.4%	114.9%	111.3%
1. Treasury Bills	1,842	1,456	1,115	1,106
<i>(held by the public sector)</i>	369	301	176	156
<i>(held by the private sector)</i>	1,473	1,155	939	950
2. Government bonds (auctions and other issues)	157,124	173,803	184,303	195,274
<i>Bonds</i>	155,930	172,648	183,255	194,226
<i>Consolidated loans</i>	1,194	1,155	1,048	1,048
3. Syndicated and other loans in euro	26,779	27,050	28,476	27,500
4. Liabilities to the Bank of Greece	8,488	7,988	7,989	7,517
5. ESA 95 adjustments ( <i>privatization certificates, securitization, convertible bonds</i> )	4,508	2,372	2,106	950
<b>B. Non eurozone debt</b>	<b>2,503</b>	<b>2,747</b>	<b>2,098</b>	<b>2,053</b>
(as % of GDP)	1.5%	1.5%	1.1%	1.0%
1. Loans in foreign currency	2,003	2,206	2,098	2,053
2. Foreign currency-linked bonds and loans	500	541	0	0
<b>C. Total Central Government Debt (A+B)</b>	<b>201,244</b>	<b>215,416</b>	<b>226,087</b>	<b>234,400</b>
(as % of GDP)	119.5%	119.0%	116.0%	112.3%
D. Debt of public entities, coins etc	513	610	814	921
<b>E. Central Government Debt (ESA adjustments)(C+D)</b>	<b>201,757</b>	<b>216,026</b>	<b>226,901</b>	<b>235,321</b>
F. Debt of Local Authorities and Social Security Funds	2,152	1,946	1,838	1,800
G. Intragovernmental Debt (-)	-21,207	-23,306	-25,549	-27,566
<b>H. General Government Debt (E+F+G)</b>	<b>182,702</b>	<b>194,666</b>	<b>203,190</b>	<b>209,555</b>
as % of GDP	108.5%	107.5%	104.3%	100.4%
<b>GDP</b>	<b>168,417</b>	<b>181,088</b>	<b>194,902</b>	<b>208,740</b>

\* Estimates

\*\* Forecasts

Source: Ministry of Economy and Finance