GREECE:
MONTHLY MACROECONOMIC OUTLOOK
Strategy and Economic Research Division

NATIONAL BANK OF GREECE

December 2010

Greek 2011 Budget:
Another year of challenges

Main Macroeconomic Indicators

	2007	2008	2009	2010f	2011f
GDP Greece (y-o-y change)	4,5	1,3	-2,3	-4,0	-2,9
CPI inflation (y-o-y change)	2,9	4,2	1,2	4,6	2,1
Current Account Deficit (% GDP)	14,1	14,4	11,2	9,5	7,8
Gen. Government Deficit (% GDP)[1]	6,4	9,4	15,4	9,4	7,4
GDP Euro area (y-o-y change)	2,9	0,4	-4,1	1,7	1,5
GDP SEE-5 (y-o-y change)	6,2	6,6	-5,5	-0,8	2,3
Oil prices (in euro, pa)	53	66	44	61	68
ECB main refinancing rate (eop)	3,75	2,75	1,00	1,00	1,75
Baltic Dry Index (pa)	7070	6010	2760	2850	3600

Source: EU Commission, El.Stat, BoG and NBG forecasts
[1] Revised by Eurostat in November 2010

Macroeconomic projections included at the end of report

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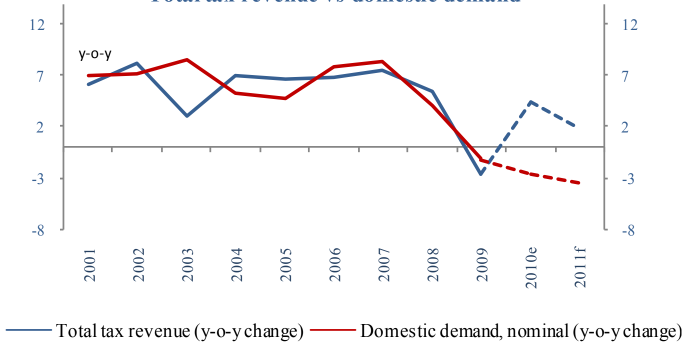
- Greece's fiscal adjustment effort is ambitious and front loaded. The deficit of general government is on track to decline by 6 per cent of GDP in 2010, and is targeted to decline by another 2 per cent of GDP in 2011. Over the 2 years, adjustment measures equivalent to an impressive 13½ per cent of GDP will have been implemented. It is also noteworthy that the Government took additional measures to fully offset in 2011 the upward revision to the deficit following the recent Eurostat decisions (c. 2 per cent of GDP).
- The adjustment in the fiscal accounts in 2010 targeted "quick wins". The 2011 adjustment focuses more on attacking the chronic structural weaknesses of the deficit (e.g. tax evasion, inefficiencies in public enterprises, the health system and local government). The 2011 adjustment contains larger implementation risk, but also the possibility of larger-than-expected gains from their appropriate execution. Indeed, if all of the announced measures are fully implemented, the budget should overperform.
- Despite the large adjustment, the deficit in 2011 will still be 7.4 per cent of GDP, implying a primary deficit of 0.8 per cent of GDP, and will leave the debt of general government at a level which exceeds 150 per cent of GDP. Clearly there is little room for slippage and further efforts will be needed to attack the structural weaknesses of the deficit in 2012 and 2013. The main ones are: i) broadening the tax base including, most importantly, the fight against tax evasion which -- according to NBG estimates -- exceeds 6 per cent of (official) GDP (i.e. not accounting for the grey economy); and ii) an expenditure-to-GDP ratio that is near 50 per cent of GDP, with weaker productivity from public expenditure compared with peers. In view of the poor performance in these areas, there exist "low hanging fruit", which should yield significant results quickly in what otherwise are drawn out reforms.

Total tax revenue vs domestic demand



Source: MFIN, ELSTAT and NBG estimates

General and Central Government Budget Trends	2008*	2009	2010e	2011f
	% GDP			
GG Deficit (ESA adj)	**9,4**	**15,4**	**9,4**	**7,4**
Revenue	**39,9**	**37,8**	**40,7**	**42,2**
Prim. Expenditure	**44,5**	**47,8**	**44,1**	**43,0**
Interest payments	**4,8**	**5,3**	**6,1**	**6,7**
Memorandum item				
Ordinary Budget	**-4,2**	**-11,1**	**-7,5**	**-7,1**
Net Revenue	**21,6**	**20,7**	**22,2**	**24,3**
Tax	*23,1*	*21,2*	*22,4*	*23,1*
Non-tax	*0,7*	*1,1*	*1,3*	*2,0*
Tax refund & other	*-2,2*	*-1,6*	*-1,5*	*-0,9*
Expenditure	*25,8*	*31,8*	*29,7*	*31,5*
Pub. Invest. Budget	**-1,9**	**-3,2**	**-2,4**	**-2,0**
Revenue	*2,1*	*0,9*	*1,2*	*1,7*
Expenditure	*4,0*	*4,1*	*3,7*	*3,7*
Rest of Gen. Gov.	**-3,3**	**-1,1**	**0,5**	**1,8**

* before Eurostat revision

*****For 2008, we assume that all Eurostat revision applies to the rest of General Government***

Fiscal measures 2010 (% of GDP)*	Jan.	Mar.	May	Cumul. Impact
Revenue measures				
• *VAT hikes*	…	0,5	0,3	**0,8**
• *rise in excise taxes*	0,5	0,6	0,2	**1,3**
• *tax system reform*	0,7	…	…	***0,7***
• *Other measures**	0,4	0,1	…	***0,5***
• ***Carry from 2009 revenue measures***	…	…	…	**0,2**
Total revenue	**1,6**	**1,2**	**0,5**	**3,5**
Expenditure measures				
• *Cut in public sector wage bill*	0,5	0,3	0,5	***1,3***
• *Cut in pensions bill*	0,2	0,2	0,7	***1,1***
• *Cuts in Pub. Invest.*	…	0,3	*0,2*	***0,5***
• *Other measures*	0,2	…	*0,5*	***0,7***
• *Carry from 2009 expend. measures*	…	…	…	***0,2***
Total expenditure	**0,9**	**0,8**	**1,9**	**3,8**
Total Measures	**2,5**	**2,0**	**2,4**	**7,4**

****including one offs*** ****Source MFIN and NBG calculations***

The 2010 Budget

The fiscal adjustment in 2010 is expected to reduce the deficit of general government from 15.4 per cent of GDP in 2009 to 9.4 per cent of GDP in 2010. In view of the speed at which the adjustment programme had to be implemented due to the ongoing financial crisis in May 2010, the programme focused on easily-implementable measures. The adjustment was more focused on expenditure cuts than on revenue enhancement (a reduction of 3.8 percentage points of GDP in primary expenditure compared with a 2.8 percentage point of GDP increase in revenue).

Its key components comprised increases in direct taxes (the VAT rates rose from 9 to 11 per cent for the basic rate and from 19 per cent to 23 per cent for the high rate, an approximately one third increase in fuel taxes, the elimination of tax exemptions for individuals, the non-indexation of tax brackets, and large hikes in excise taxes on alcohol and tobacco) as well as cuts in civil servant wages (by about 12 per cent) and reductions in all pensions (by 14 per cent with the exception of the very low ones). In total, measures worth 7½ per cent of GDP were implemented in several stages, the largest being at the time of agreement on the IMF programme in May (see table).

The deficit reduction achieved by these measures was less than the headline amount due to the sharp recession. Real GDP declined by approximately 4 per cent y-o-y in 2010, and nominal domestic demand, excluding the impact of indirect tax increases, by about 5.5 per cent. These developments resulted in revenue losses due to the cycle of about 2.5 per cent of GDP, according to estimates by NBG Research. The deficit improvement in 2010 was also due to non-recurrence of 2009 expenditure (e.g. clearance of arrears to hospitals, the run up in government consumption due to the electoral cycle and cash/accrual differences on defense and EU expenditure).

The ambitious fiscal consolidation is broadly on track through October. At the level of central government -- where the data is announced on a monthly basis -- the deficit has declined to 7.7 per cent of GDP from 11.4 per cent in January-October 2010; being broadly in line with the targeted level for January-October. There has been an impressive reduction in primary ordinary budget spending (-11.2 per cent y-o-y in January-October against an annual target of -9.0 per cent), which stands 1.9 percentage points of GDP lower than January-October 2009. Moreover, the public investment programme has experienced a tighter-than-budgeted management (2.6 per cent of GDP compared with an annual target

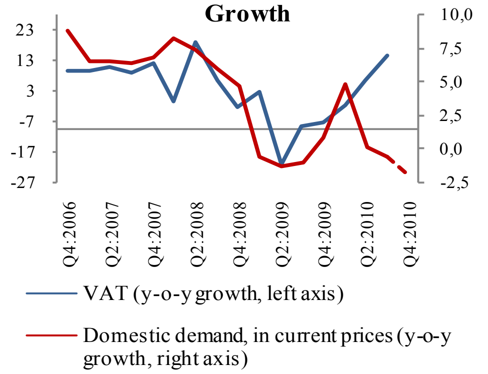
Budget Implementation (% GDP)	2009 Jan-Oct	2010 Jan-Oct	2009 FY	2010 Annual Target
1.Net Revenues (a - b)	**16,8**	**17,7**	**20,7**	**22,2**
a. Revenues before tax refund	18,5	19,2	23,0	24,3
b. Tax Refund	1,7	1,6	2,1	2,2
2. Expenditure	**25,4**	**23,4**	**31,8**	**29,7**
of which				
Primary Expenditure	*19,4*	*17,5*	*25,0*	*22,8*
Interest Payments	*5,1*	*5,5*	*5,3*	*5,7*
Public Inv. Budget	**-2,3**	**-1,2**	**-3,2**	**-2,4**
3. Revenues	**0,6**	**0,6**	**0,9**	**1,2**
4. Expenditure	**3,4**	**2,6**	**4,1**	**3,7**
5. CG Budget Deficit	**11,4**	**7,7**	**14,3**	**9,9**
6. Gen Budget Deficit	**…**	**…**	**15,4**	**9,4**

Source:Budget 2011 and latest Budget Implement. report (Oct 2010)
**On the basis of Eurostat revision (Nov 2010)*

General and Ordinary Budget Balances	2010	2011
	annual change as % GDP	
Change in GG deficit	**6,0**	**2,0**
Interest payments (GG def)	**0,8**	**0,6**
Primary deficit reduction	**6,8**	**2,6**
Primary expenditure	**3,8**	**1,0**
Revenue	2,9	1,6
Fiscal measures	**7,4**	**6,3**
***Cyclical impact** (change)*	***-2,5***	***-2,0***
Cycl adj. fiscal measures	**4,9**	**4,3**
Once off	***1,9***	***-1,7***
Cycl. and one-off adj. fiscal measures	**6,8**	**2,6**

Source: MFIN and NBG Research estimates

VAT Tax Revenues against GDP Growth



Source: Ministry of Finance, ELSTAT

of 3.7 per of GDP). Tighter expenditure control has counterbalanced the weaker-than-expected net revenue performance (+3.7 per cent y-o-y in January-October against an annual target of +8.7 per cent; a shortfall of about €1.9 billion against the programme target for the first 10 months of the year).

The release of data on the rest of general government (on a cash basis), covering data for the January-September period, suggests a surplus of 0.5 per cent of GDP in the first 9 months of the year, compared with an annual target of 0.4 per cent of GDP, and is also in line with target. Note that the IMF performance criteria are based on the primary deficit of general government on a cash basis as defined by the MoF (central government and rest of general government); the performance target on arrears accumulation is indicative.

Boding well for Q4, a significant improvement in revenue from indirect taxes occurred in September-October, with total tax revenue increasing by an estimated 5.1 per cent y-o-y (from about 3.4 per cent through August). The improvement was the result of the substantial improvement in VAT revenue (+15.8 per cent over the respective period of the previous year), despite the significant deterioration in private consumption (-0.9 per cent y-o-y in nominal terms in Q3:2010 versus +2.5 per cent y-o-y in H1:2010). However, other tax categories still remain weak, reflecting the drop in disposable income (estimated at about 8 per cent y-o-y in nominal terms), weak corporate profits, low interest rates holding back withholding taxes and delays in collecting real estate taxes.

Budget implementation in November-December 2010 will benefit by about €1.0 billion (0.5 per cent of GDP) from revenue measures taken earlier in 2010 (including revenue from the tax amnesty and increases in property taxes) as well as from the above-mentioned improving momentum in VAT collection, which should support revenue by another €0.4 billion (or by 0.2 per cent of GDP). Spending restraint will benefit from the curtailing of the Christmas bonus and pension payments for most public servants and employees (1 month's payment with an estimated fiscal benefit of €0.5 billion). Finally, interest payments, on a cash basis, will be almost 1 per cent of GDP lower in Q4 than the average for the first 3 quarters. These savings of about 1.8 per cent of GDP will provide the additional adjustment necessary to meet a total Q4 deficit of 1.4 per cent of GDP, compared with 2.3 per cent of GDP, on average, in the first three quarters of the year, as well as the resources necessary to clear general government arrears amounting to €2.3 billion (through September) equivalent to 1.0 per cent of

Fiscal measures 2011

	bn euro	% GDP
Expendit. measures total	**6,6**	**2,9**
• *Carry over from 2010 expenditure measures*	1,2	0,5
• *MoU Measures - 2011*	1,5	0,7
• *NEW Measures - 2011*	3,9	1,7
Revenue measures total	**7,8**	**3,4**
• *Carry over from 2010 expenditure measures*	1,5	0,7
• *MoU Measures - 2011*	4,1	1,8
• *NEW Measures - 2011*	2,3	1,0
Total	**14,4**	**6,3**

Non-tax revenue decomposition

	2009	2010e	2011f
	% GDP		
Total	1,6	2,0	2,8
Property and business activity income	**0,6**	**0,9**	**1,2**
of which			
Dividend of PEs and other	0,4	0,4	0,4
Revenue from other gov.property (extension of lease of Athens airport)	0,0	0,0	0,3
Other non-tax revenue	**0,9**	**1,0**	**1,5**
of which			
Levies on illegal buildings	0,0	0,0	0,2
Gaming licences,gaming royalties, broadband licences	0,0	0,0	0,3
Bank support program	0,0	0,2	0,3
Other	0,6	0,5	0,4

*including non-ordinary revenue

Government Spending

	2010e	
	% GDP	% Total
Total Expenditure (ESA 95)	**50,2**	**100,0**
Interest payments (ESA 95)	**6,1**	**12,2**
Primary expenditure	**44,1**	**87,8**
Ord. Budget Expend. (cash basis) (excl. transfers)	**12,0**	**23,9**
of which		
Wages and pensions	9,4	18,7
Pub. Consumption & milit. equipt.	1,4	2,7
Public investment	**3,7**	**7,3**
Social Security	**16,7**	**33,2**
Social protection	**2,2**	**4,3**
Local governments	**3,8**	**7,6**
Hospitals	**1,1**	**2,2**
Public enteprises	**1,4**	**2,8**
Tertiary education	**0,3**	**0,6**
Other legal entities	**0,3**	**0,6**
Other	**2,7**	**5,4**

Source: MFIN and NBG estimates

GDP. If needed, capital expenditure will be cut further (e.g. to offset a larger arrears build-up).

Eurostat revised the general government deficit and debt numbers for 2009 (as well as in previous years) in November 2010, to 15.4 per cent of GDP and 126.8 per cent of GDP compared with previous (preliminary) estimates of 13.6 per cent and 115.1 per cent of GDP, respectively. The deficit revision mainly reflects: i) the reclassification of perennially loss-making non-market public corporations (those with revenue less than 50 per cent of operating costs) into the general government (increasing the deficit by 0.7 per cent of GDP); and ii) the adjustment to the performance of social security funds and local governments (increasing the deficit by 0.9 per cent of GDP). The reclassification of public corporations has also affected debt figures for 2009 (increasing the stock of debt by 7.8 per cent of GDP), while the adjustment for off-market debt swaps added another 2.3 per cent of GDP.

The 2011 Budget

The fiscal adjustment in 2011 is targeted to reduce the deficit of general government from 9.4 per cent to 7.4 per cent of GDP. The budget includes measures equivalent to 6.3 per cent of GDP, more or less evenly divided between expenditure and revenue measures (see summary table and detailed annex table).

The main measures on the revenue side comprise carryover effects from 2010, especially as regards the aforementioned indirect tax increases as well as further increases in VAT (2 percentage points on the basic rate and the minimum VAT rates, and a broadening of VAT to previously non-taxed goods and services), an increase in the tax on heating oil and increases in imputed taxation, as well as some once-off revenues (the sale of gaming licenses, broadband licenses and levies on illegal buildings) and financing fees from the extension of the lease at Athens Airport.

The crux of the 2011 Budget comprises the following structural measures:

a) An improved effort against tax evasion (0.7 per cent of GDP, through implementation of the action plan formulated with IMF technical assistance, including widening the definition of what constitutes a penal offence and when firms can be shut down for tax offences, widening requirements for the provision of electronic receipts, and intercompany payments through banks).

b) Reduction in the deficit of public enterprises, mainly in the transportation sector (0.4 per cent of GDP, two thirds of which come from tariff increases).

Total financing needs of State Budget

	2010	2011	2010	2011
	% GDP		in bn euro	
C.G.Budget Deficit	*9,9*	*9,1*	*23,1*	*20,9*
*Special bonds issuance***	*0,0*	*0,2*	*0,0*	*0,4*
Hospital arrears	*2,3*	*0,0*	*5,3*	*0,0*
FSF and bank capital incr.	*1,1*	*0,9*	*2,6*	*2,1*
i. Net lending	**13,4**	**10,2**	**31,0**	**23,3**
ii. Debt amortization *(m-l term)*	8,4	12,3	19,5	28,1
iii. Repayment of *s-t* debt	5,0	7,9	11,5	18,0
Total financing needs (i+ii+ii)	**26,7**	**30,4**	**62,0**	**69,5**
Financing sources				
Greek Government Bonds	*4,9*	*0,2*	*11,4*	*0,4*
EU/IMF support mechanism	*13,6*	*20,4*	*31,5*	*46,5*
Short-term lending	*8,2*	*9,9*	*19,1*	*22,5*
Total lending	**26,7**	**30,4**	**62,0**	**69,5**

** Third disbursment in Dec for IMF (2.5 bn euro) and in Jan for EU (6.5 bn euro)*

*** Judicial decisions for payments to Judges and Olympic Airways employees*

c) Improved administration in hospitals (0.9 per cent of GDP, mostly from a reduction in drug prescriptions through the application of an electronic prescription system, as well as operating expenditure).

d) Reduction in spending by local governments, following a radical reorganization, which has reduced the number of municipalities from 1,034 to 370 (0.2 per cent of GDP).

e) Reduction in military expenditure (0.2 per cent of GDP).

Progress on these measures is key to solving Greece's budgetary woes, as they attack key shortcomings at a time when the room for further tax hikes appears limited, as most tax rates are at the high end in peer comparisons, and further cuts in wages are politically difficult. Indeed, the fight against tax evasion will also be "pro-growth", as it will eliminate incentives for firms to remain small and uncompetitive (see NBG Economic and Market Analysis, November 2010). Wasteful expenditure management results in relatively poor -- yet not less expensive -- public services compared with peers, suggesting that resources can be saved at the same time as service quality is improved.

Contributions to the change of public debt

	2010	2011	2010	2011
	% GDP		in bn euro	
1. Government lending	**16,2**	**9,3**	**37,6**	**21,3**
Central Gov. Deficit	*9,9*	*9,1*	*23,1*	*20,9*
*Special bonds issuance **	*0,0*	*0,2*	*0,0*	*0,4*
Hospital arrears	*2,3*	*0,0*	*5,3*	*0,0*
*Debts takeover***	*3,9*	*0,0*	*9,1*	*0,0*
2. Privatizations & capit.tran.	**1,1**	**0,5**	**2,6**	**1,1**
Privatization revenue	*0,0*	*-0,4*	*0,0*	*-1,0*
FSF and Bank Capital incr.	*1,1*	*0,9*	*2,6*	*2,1*
3. Change in reserves***	**2,0**	**-1,4**	**4,6**	**-3,3**
4. Change in debt (1+2+3+4)	**19,3**	**8,3**	**44,7**	**19,0**
5. CG Debt Level	**148,0**	**158,6**	**343,2**	**362,2**
6. Intra-goverment debt	**-5,5**	**-6,0**	**-12,8**	**-13,7**
7. Gen Gov. debt (5+6)	**142,5**	**152,6**	**330,4**	**348,5**

**Judicial System, Olympic Airways employees*

*** Completion of ESA 95 adjustment, 3 more public entities were included in GG Government accounts (ELGA, OPEKEPE, ELEGEP)*

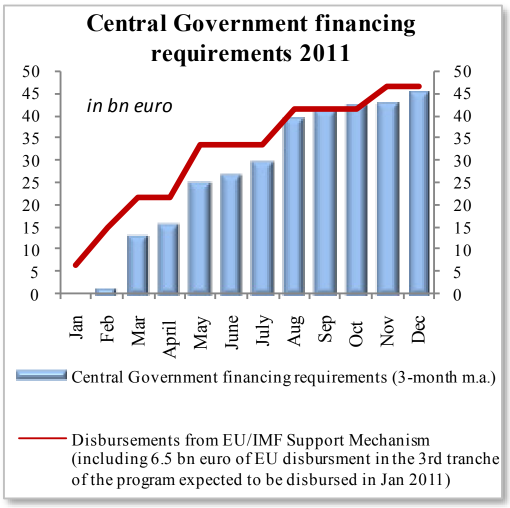
****Third disbursment in Dec for IMF (2.5 bn euro) and in Jan for EU (6.5 bn euro)*

The difference between the size of the measures taken and the resulting fiscal adjustment is again due to the impact of the recession (an estimated 2 per cent of GDP), higher interest payments (about 1 per cent of GDP), the introduction of a contingency reserve (0.3 per cent of GDP), the non-recurrence of once-off taxes in 2010 (0.3 per cent of GDP) as well as higher social spending (0.5 per cent of GDP). As a result, the bulk of the adjustment will occur from an increase in revenue (1.6 per cent of GDP), while primary expenditure will decline by 1.0 percentage point of GDP.

The 2011 Budget is ambitious, but is clearly attainable. However, it leaves no room for delays in implementation.

- The macroeconomic assumptions are realistic (a further decline in activity by 3 per cent, resulting in a nominal decline in GDP by 1½ per cent).
- One third of the adjustment is from measures already taken in 2010, and another third will arise from measures that are relatively easy to implement.
- The implementation of the structural measures carries execution risk, but their budgetary impact appears to have been conservatively estimated.

The key risks arise from delays in implementing the "by their nature difficult" structural reforms. Downside risks are balanced by the possibility of higher yields on these same measures if they are implemented well.



The return of the Greek economy on a sustainable growth path…

Debt dynamics - Level of General Government Debt (% GDP) in 2024*

GDP growth (y-o-y)	Primary surplus (% GDP): 3%	4%	5%
1,0	153	143	132
2,0	139	128	118
3,0	125	115	99

* Assuming level of Debt 2014:150% of GDP and annual real interest rate: 3.5% for the whole period, corresponding to an average spread over bund of 200 bps

Financing needs and debt dynamics

The financing needs of the 2011 Budget amount to almost €70 billion comprising €21 billion from the deficit of central government, €28 billion of medium and long-term debt repayments and €18 billion of short-term debt rollovers. It is expected to be financed by EU/IMF disbursements equivalent to about €46 billion, as well as the issuance of short term T-Bills amounting to €22.5 billion. The schedule of debt repayments leaves little room for delay in receiving disbursements in the EU/IMF programme.

The debt of general government to GDP is expected to be about 150 per cent of GDP at the end of 2011. In view of the expected further reduction in the deficit to below 3 per cent of GDP in 2014 (6.5 per cent of GDP in 2012, and 4.9 per cent of GDP in 2013), the debt is expected to peak at about 160 per cent of GDP in 2013. Under the assumption that real growth can exceed 2 per cent per year from 2014 and onwards, and the spread over Bunds is 200 basis points, the debt dynamics are positive and permit the deficit to decline to below 100 per cent of GDP over the next decade. In view of the uncertainties surrounding the attainment as well as the maintenance of the fiscal effort, the Government has announced a more ambitious privatization plan which would include sales equivalent to about €7 billion in 2012 and 2013 (nearly 3 per cent of GDP), following privatizations expected to be only €1 billion in 2011.

Appendix

Ordinary Budget Revenue Decomposition	2009	2010	2010e	2011f	2010/09	2011/10f
	Implem.	Program	Estimat.	Proj.	10/9	11/10
	per cent of GDP				y-o-y	y-o-y
A. Ordinary budget revenue	**22,3**	**25,4**	**23,7**	**25,2**	**4,9**	**4,9**
I. Direct taxes	**9,1**	**9,5**	**8,8**	**9,1**	**-4,6**	**2,2**
Income taxes	**7,1**	**6,8**	**6,4**	**6,5**	*-10,2*	*-0,5*
PIT	*4,6*	*4,7*	*4,3*	*4,6*	*-8,2*	*6,5*
CIT	*1,6*	*1,3*	*1,4*	*1,2*	*-12,5*	*-16,0*
Other	*0,8*	*0,8*	*0,7*	*0,6*	*-16,5*	*-12,1*
Property tax	**0,2**	**0,4**	**0,3**	**0,4**	*14,1*	*51,7*
Direct taxes *(of prev. fiscal years)*	**1,0**	**1,1**	**1,0**	**1,2**	*-5,6*	*16,9*
Other Direct Taxes /1	**0,8**	**1,2**	**1,1**	**1,1**	*40,6*	*-6,8*
II. Indirect taxes	**12,0**	**14,6**	**13,6**	**14,0**	**11,2**	**1,6**
Transaction taxes	**7,6**	**8,7**	**8,1**	**8,4**	*5,2*	*2,6*
VAT	*7,1*	*8,2*	*7,6*	*7,9*	*6,6*	*2,0*
Other transaction taxes	*0,5*	*0,5*	*0,5*	*0,6*	*-12,5*	*11,5*
Consumption taxes	**4,1**	**5,6**	**5,1**	**5,1**	*24,5*	*-2,3*
Indirect taxes *(of prev. fiscal years)*	**0,2**	**0,2**	**0,2**	**0,2**	*-13,4*	*41,0*
Other indirect Taxes	**0,2**	**0,2**	**0,2**	**0,2**	*-11,5*	*41,3*
I+II Total tax revenue	**21,2**	**24,1**	**22,4**	**23,1**	**4,4**	**1,8**
III. Non-tax revenue	**1,1**	**1,3**	**1,3**	**2,0**	**13,9**	**58,4**
B. Non-ordinary revenue /2	**0,5**	**0,7**	**0,7**	**0,8**	**41,3**	**9,5**
C. Total revenue (A+B)	**22,8**	**26,1**	**24,4**	**26,0**	**5,7**	**5,0**
D. Tax refunds /3	**2,1**	**2,2**	**2,2**	**1,7**	**3,0**	**-25,5**
E. Net revenue (C-D)	**20,7**	**23,9**	**22,2**	**24,3**	**6,0**	**8,0**

1/Includes once off taxes on individual corporates and real estate in 2010, and corporate and real estate (completion of 2010 tax) in 2011

2/Includes revenue on bank liquidity of € 455 million in 2010 and €643 million in 2011, penalties on illegal buildings, fees from sale of gaming licenses and the extension of the lease of Athens airport

3/Decline in 2011 reflects elimination withholding tax on fuels , which more than offsets lower collections on fuel taxes

Ordinary Budget Spending Decomposition	2009	2010*e*	2011*f*	2010/09	2011/10*f*
	Implem.	Estimat.	Proj.	10/9	11/10
	per cent of GDP			y-o-y	y-o-y
Total primary spending	**26,5**	**24,0**	**24,5**	**-10,7**	**0,5**
Wages, pensions & other benefits	**10,3**	**9,4**	**9,3**	**-8,5**	**-0,7**
Wages	**6,7**	**6,0**	**5,9**	*-10,9*	*-3,1*
Pensions	**2,8**	**2,7**	**2,7**	*-5,5*	*0,2*
Other wage benefits	**0,8**	**0,7**	**0,7**	*-14,7*	*-4,2*
Consumption (incl. military equipm.)	**1,7**	**1,4**	**1,2**	**-17,9**	**-13,1**
of which					
Military equipment purchases	**0,9**	**0,6**	**0,7**		
Transfer payments & other	**14,6**	**13,2**	**13,9**	**-10,7**	**3,1**
Social security system	**6,2**	**5,2**	**5,6**	*-16,7*	*5,1*
Social protection	**0,9**	**0,9**	**1,0**	*-6,6*	*11,7*
Hospitals	**0,6**	**0,3**	**0,5**	*-42,3*	*48,1*
Local governments	**1,9**	**2,0**	**1,9**	*2,0*	*-5,5*
Public enteprises	**0,1**	**0,1**	**0,3**	*-9,9*	*181,8*
Tertiary and Technical Education	**0,2**	**0,2**	**0,2**	*-1,8*	*-8,0*
Other legal entities	**0,1**	**0,1**	**0,1**	*6,4*	*-7,0*
EU	**1,1**	**1,1**	**1,1**	*2,1*	*-1,9*
Expropriations, RE purchases etc	**0,3**	**0,3**	**0,3**	*-20,0*	*4,3*
Transfers to Agric. Iscur. Organisation	**0,4**	**0,3**	**0,1**	*-38,9*	*-51,2*
Other transfers	**1,5**	**1,6**	**1,4**	*9,7*	*-13,8*
Debt ser.cost (excl. amortiz. & interest)	**1,3**	**1,1**	**1,3**	**-12,5**	**14,1**
Cash reserves	**0,0**	**0,0**	**0,2**	**…**	**…**
Interest payments	**5,2**	**5,7**	**7,0**	**7,6**	**20,1**
Total OB Spending (excl. amortization)	**31,8**	**29,7**	**31,5**	**-7,7**	**4,3**

Central & General Government Balances	2008	2009	2010e	2011f
		Implem.	Estimat.	Proj.
		per cent of GDP		
Ordinary Budget (OB)				
1. Net Revenue (a+b+c-d)	**21,6**	**20,7**	**22,2**	**24,3**
a. Ordinary revenue	23,1	22,3	23,7	25,2
b. Revenue of incorporated off-budget accounts	…	0,5	0,5	0,5
c. Revenue from bank liquidity support programs	…	0,0	0,2	0,3
d. Tax refunds	1,5	2,1	2,2	1,7
2. Expenditures (a+b+c)	**25,8**	**31,8**	**29,7**	**31,5**
a. Interest payments	4,7	5,2	5,7	7,0
b. Primary expenditure	21,1	24,7	22,8	23,0
c. Settlement of past hospital debts	…	0,6	0,1	0,2
e. Other	…	1,2	1,1	1,2
3. Deficit (OB) (1-2)	**4,2**	**11,1**	**7,5**	**7,1**
Public Investment Budget				
4. Revenue	2,1	0,9	1,2	1,7
a. EU flows	0,0	0,8	1,2	1,6
b. Own resources	0,0	0,1	0,1	0,1
5. Expenditures	4,0	4,1	3,7	3,7
6. PIB deficit (4-5)	**1,9**	**3,2**	**2,4**	**2,0**
7. Central Government (3+6)	**-6,1**	**-14,3**	**-9,9**	**-9,1**
a. Entities outside central government	**-0,4**	**-1,0**	**-0,4**	**0,7**
Social security	**0,2**	**0,2**	**0,4**	**0,3**
Local Government (incl. arrears)	**-0,1**	**-0,2**	**-0,2**	**0,1**
Hospitals	**-0,2**	**-0,3**	**-0,4**	**0,0**
Public enteprises	**-0,6**	**-0,7**	**-0,2**	**0,1**
Other	**0,2**	**0,1**	**0,0**	**0,1**
b. Special bonds issuance	**-0,7**	**-0,2**	**0,0**	**-0,2**
c. ESA 95 adjustments *(cash/accrual differences)*	**-2,2**	**0,2**	**0,9**	**1,3**
of which				
Military Equipment (Payments/deliveries)	**-0,2**	**-0,3**	**0,1**	**0,4**
Interest payments	**-0,2**	**-0,3**	**-0,4**	**0,3**
Payments of hospital debts	**0,0**	**0,0**	**0,1**	**0,2**
Net EU flows	**-0,4**	**0,3**	**0,5**	**0,0**
2. General government* balance (7+a+b+c)	**-9,4**	**-15,4**	**-9,4**	**-7,4**

****For 2008, we assume that all Eurostat revision applies to the rest of General Government***
Source: MFIN

Fiscal measures 2011	bn euro	% GDP
Expenditure measures total	**6,6**	**2,9**
Carry over from 2010 expenditure measures	**1,2**	**0,5**
of which		
-Containment of the public sector wage and allowance bill	0,5	0,2
-Containment of the pensions bill	0,7	0,3
MoU expenditure measures for 2011	**1,5**	**0,7**
• *Cut intermediate consumption*	0,3	0,1
• *Savings from local administration law (Kallikrates)*	0,5	0,2
• *Savings from the Single Payments Authority*	0,1	0,0
• *Increased use of EU financing of the PIB*	0,5	0,2
• *Freeze of pensions' indexation*	0,1	0,0
New expenditure measures	**3,9**	**1,7**
• *Rationalization of health expenditure*	2,1	0,9
• *Savings from the efficient PEs Management*	0,8	0,4
• *Decline in military spending*	0,5	0,2
• *Cuts in tranfers and operational expences*	0,2	0,1
• *Non-renewal of part-time employment contracts*	0,1	0,0
• *Other*	0,2	0,1
Revenue measures total	**7,8**	**3,4**
Carry over from 2010 revenue measures	**1,5**	**0,7**
of which		
Increase of excise taxes	0,6	0,2
VAT hikes in 2010	0,8	0,3
other	0,2	0,1
MoU revenue measures for 2011	**4,1**	**1,8**
• *VAT – 2 pps increase of the basic VAT rate and net impact of shift of specific good and services categories at different rates*	0,7	0,3
• *Equalization of transport and heating oil taxes*	0,6	0,3
• *Heating oil allowance for very low income earners*	-0,2	-0,1
• *Imputed taxation*	0,7	0,3
• *Taxation of income in kind (leased cars etc)*	0,2	0,1
• *Accounting based determination of income*	0,1	0,02
• *Special levy to profitable firms*	1,0	0,4
• *Tax rate cut on undistrib.profits (from 24% to 20%)*	-0,3	-0,1
• *Gaming licenses*	0,5	0,2
• *Gaming royalties*	0,2	0,1
• *Levies on illegal buildings*	0,3	0,1
• *Increase of presumptive values of real estates*	0,3	0,1
• *Green taxes*	0,2	0,1
NEW revenue measures	**2,3**	**1,0**
• *Specific measures against tax and SSC evasion*	1,6	0,7
• *Revenue from government property (mobile telephony and frequency broadcast licences, Athens airport contract extension, etc)*	0,7	0,3
Total	**14,4**	**6,3**
Total permanent	**11,5**	**5,0**

General Government Entities

	2009	2010e	2011f
	% GDP		
Social Security (Pensions & Health)			
Expenditure	**17,0**	**16,7**	**17,0**
Revenue	**17,6**	**17,3**	**18,0**
Ord. Budget Tranfers	*5,6*	*4,6*	*4,4*
Other	*12,0*	*12,7*	*13,6*
Balance	**0,6**	**0,7**	**0,9**
Memo item:			
Pensions of civil servants	*2,8*	*2,7*	*2,7*
Deficit on social sec.excl. tranfers	*-7,8*	*-6,7*	*-6,2*
Social protection			
Expenditure	**1,5**	**2,2**	**2,0**
Revenue	**1,4**	**2,0**	**2,1**
Ord. Budget Tranfers	*0,2*	*0,4*	*0,5*
Other	*1,1*	*1,6*	*1,6*
Balance	**-0,1**	**-0,2**	**0,1**
Hospitals			
Expenditure	**1,2**	**1,1**	**1,1**
Revenue	**1,3**	**1,0**	**1,1**
Ord. Budget Tranfers	*0,6*	*0,4*	*0,6*
Other	*0,7*	*0,6*	*0,6*
Balance*	**0,1**	**-0,2**	**0,0**
** excluding settlement of hospital arrears of previous years*			
Local Governments			
Expenditure	**4,2**	**3,8**	**4,1**
Revenue	**4,2**	**3,8**	**4,3**
Ord. Budget Tranfers	*2,6*	*2,2*	*2,6*
Other	*1,6*	*1,7*	*1,7*
Local gov. balance	**0,0**	**0,0**	**0,2**
PEs (Incl. in GG)			
Expenditure	*1,4*	*1,3*	*1,2*
Revenue	*0,6*	*0,6*	*0,9*
of which ***Ord. Budget transfers***	*0,1*	*0,1*	*0,3*
Balance	*-0,7*	*-0,6*	*-0,1*

Public Enterprises included in General Government

	2009	2010e	2011f
	in euro mn		
OSE - Railway corporation			
Expenditure	**627,2**	**719,0**	**392,7**
of which: Wages	*282,0*	*271,0*	*122,5*
Revenue	**182,3**	**182,3**	**230,2**
Balance	**-418,8**	**-513,0**	**-52,5**
TRAINOSE - Railway services			
Expenditure	**337,1**	**277,3**	**249,9**
of which: Wages	*116,4*	*105,2*	*48,5*
Revenue	**106,0**	**123,0**	**199,7**
Balance	**-231,1**	**-154,3**	**-0,2**
ETHEL - Bus Company			
Expenditure	**585,2**	**545,6**	**650,9**
of which: Wages	*319,4*	*274,3*	*222,4*
Revenue	**193,9**	**177,6**	**354,6**
Balance	**-316,0**	**-301,7**	**-82,6**
EDISI - Railway Infrastructure Management			
Expenditure	**433,7**	**338,8**	**0,0**
of which: Wages	*259,2*	*214,2*	*0,0*
Revenue	**263,7**	**220,4**	**0,0**
Balance	**-170,0**	**-118,4**	**0,0**
EAS - Milit. Defence Systems			
Expenditure	**213,6**	**199,5**	**150,0**
of which: Wages	*77,8*	*65,1*	*53,5*
Revenue	**48,9**	**56,8**	**60,0**
Balance	**-164,7**	**-142,7**	**-90,0**

	2009	2010e	2011f
	in euro mn		
EAB - Aerospace Industry			
Expenditure	**246,4**	**211,9**	**193,6**
of which: Wages	*147,3*	*128,2*	*108,6*
Revenue	**155,3**	**171,0**	**193,6**
Balance	**-91,1**	**-40,9**	**0,0**
ISAP - Athens Piraeus Electric Railways			
Expenditure	**210,0**	**181,6**	**179,7**
of which: Wages	*100,5*	*78,4*	*72,1*
Revenue	**90,6**	**77,0**	**123,4**
Balance	**-93,3**	**-80,9**	**-1,4**
ILPAP - Trolley buses company			
Expenditure	**139,6**	**126,1**	**125,9**
of which: Wages	*72,0*	*60,0*	*57,0*
Revenue	**48,8**	**43,8**	**77,7**
Balance	**-69,3**	**-62,6**	**-1,0**
Total Balance of 13 major loss making enterprises (in bn euro)			
Expenditure	**3,4**	**3,0**	**2,7**
of which: Wages	**1,2**	**1,0**	**0,7**
Revenue	**1,5**	**1,4**	**1,8**
*of which:Transfers**	**0,2**	**0,2**	**0,7**
Balance**	**-1,6**	**-1,4**	**-0,2**
Fixed investment***	**0,9**	**0,8**	**0,1**
Total Balance of Public Enterprises (% GDP)			
Expenditure	**1,4**	**1,3**	**1,2**
of which: Wages	**0,5**	**0,4**	**0,3**
Revenue	**0,6**	**0,6**	**0,9**
*of which:Transfers**	**0,1**	**0,1**	**0,3**
Balance**	**-0,7**	**-0,6**	**-0,1**
Fixed investment***	**0,4**	**0,3**	**0,0**

* Mostly to OSE and to ETHEL

** Includes depreciation which is not included in ESA 95; excluding depreciation the operating balance improves by 800 mn euro in 2011. The deficit had been covered by the issuance of government guaranteed debt, now included in GG debt.

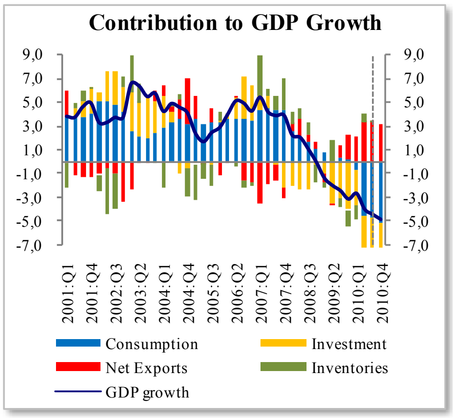
*** Mostly OSE

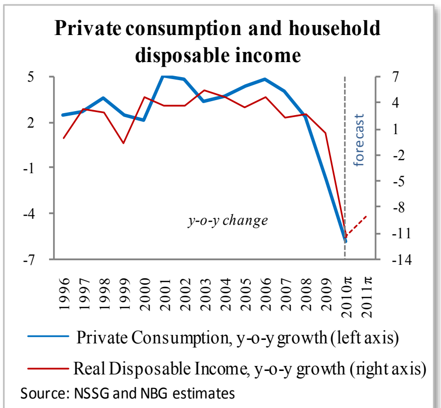
Macroeconomic Outlook

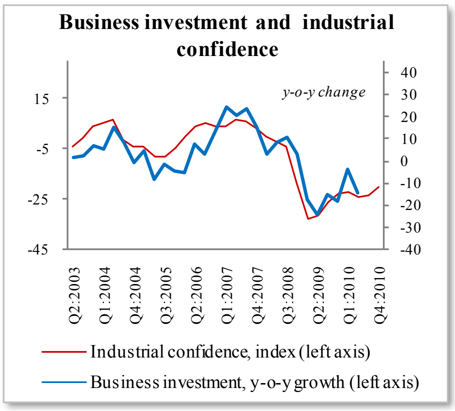
Greece: Growth Outlook*

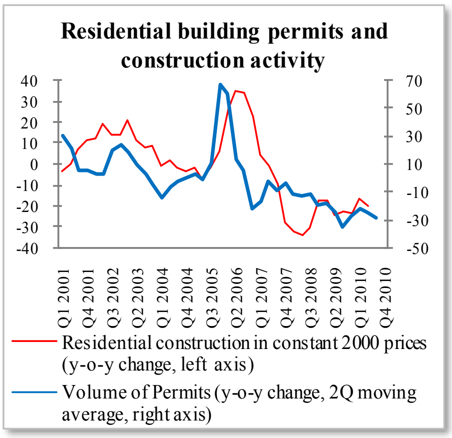
	2009	2010f	2011f	2009		2010f				2011f			
seasonally adjusted data				Q3	Q4	Q1	Q2	Q3e	Q4f	Q1f	Q2f	Q3f	Q4f
GDP (per cent y-o-y)	**-2,3**	**-4,0**	**-2,9**	-2,5	-3,2	-2,7	-4,0	-4,5	-4,9	-5,1	-4,1	-2,4	0,1
GDP (per cent q-o-q)	**…**	**…**	**…**	-0,7	-1,1	-0,6	-1,7	-1,1	-1,5	-0,8	-0,7	0,6	0,9
Domestic Demand (y-o-y)	**-2,5**	**-6,3**	**-5,1**	-3,1	-4,6	-4,2	-6,6	-7,2	-7,3	-7,5	-5,8	-4,5	-2,7
Final Consumption (y-o-y)	**0,3**	**-4,2**	**-4,6**	0,3	0,2	-0,8	-5,1	-5,2	-5,6	-6,1	-5,5	-3,9	-3,0
Private Consumption (y-o-y)	**-1,8**	**-3,4**	**-3,7**	-1,9	-1,6	1,5	-4,2	…	…	…	…	…	…
Public Consumption (y-o-y)	**9,6**	**-9,3**	**-9,8**	9,8	8,4	-9,8	-8,4	…	…	…	…	…	…
Fixed Capital Formation (y-o-y)	**-13,9**	**-16,3**	**-7,9**	-14,8	-19,0	-14,6	-18,6	-17,0	-15,0	-13,6	-7,9	-7,2	-3,0
Construction	**-8,8**	**-16,9**	**-8,5**	-13,4	-18,3	-16,7	-23,2	…	…	…	…	…	…
Equipment	**-23,9**	**-12,8**	**-7,0**	-15,2	-22,0	-10,0	-15,7	…	…	…	…	…	…
Inventories (contribution to GDP)	**-0,1**	**-0,1**	**0,0**	-0,6	-1,3	-1,1	0,7	0,0	-0,1	-0,2	-0,1	-0,1	0,3
Net exports (contribution to GDP)	**0,5**	**3,0**	**2,7**	1,0	2,0	2,1	3,3	3,4	3,1	3,3	2,2	2,5	3,0
Exports (y-o-y)	**-18,1**	**-0,5**	**5,6**	-19,8	-15,5	-0,5	-5,0	2,1	1,5	2,2	6,7	5,6	8,0
Imports (y-o-y)	**-13,6**	**-9,7**	**-5,1**	-16,2	-16,0	-6,6	-13,5	-10,0	-8,9	-8,7	-3,0	-4,5	-4,0

*Source: EL.STAT. and NBG Research Estimates * General Government Data series and GDP decomposition for 2009 and 2010 are subject to revision by ELSTAT*





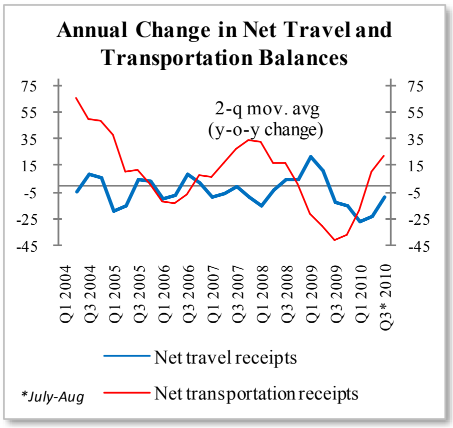


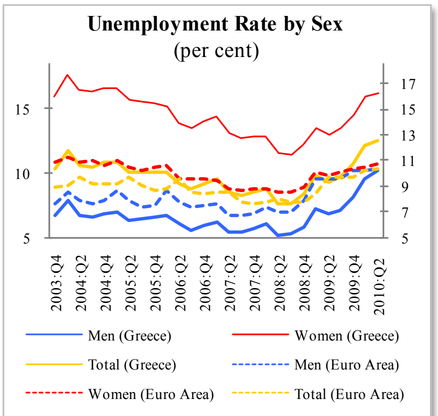


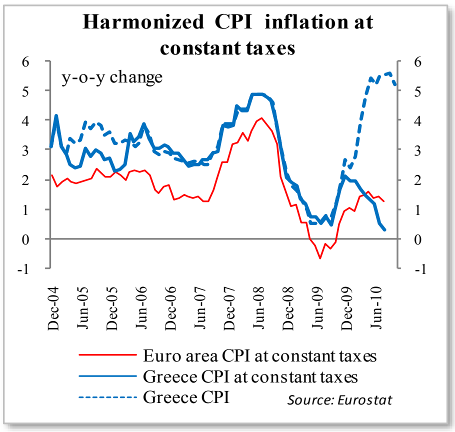
Balance of Payments (in billion EUR)

Source: Bank of Greece	2008	2009	2010f	2011f	2009			2010		
					Q1	Q2	Q3*	Q1	Q2	Q3*
Current Account	-35,0	-26,6	-22,5	-18,6	-7,3	-7,2	-1,7	-9,9	-4,6	-1,3
Current Account (% of GDP)	**-14,6**	**-11,2**	**-9,5**	**-7,8**	**-3,1**	**-3,0**	**-0,7**	**-4,2**	**-2,0**	**-0,5**
Non-oil Trade Balance	-31,9	-23,2	-17,9	-14,3	-5,8	-6,0	-3,7	-5,5	-5,3	-3,0
Non-oil Exports	15,6	12,3	12,6	14,1	3,1	3,0	2,0	2,7	2,9	2,0
Non-oil Imports	-47,5	-35,4	-30,5	-28,3	-8,8	-9,0	-5,7	-8,3	-8,2	-5,0
Oil Balance	-12,2	-7,6	-8,7	-9,0	-1,9	-1,7	-1,5	-2,7	-1,7	-1,7
Services Balance	17,2	12,6	13,2	14,1	1,2	3,1	4,8	1,2	3,3	4,9
Income Balance	-10,9	-9,8	-10,2	-10,6	-2,2	-2,8	-1,3	-2,1	-2,7	-1,3
Current Transfers, net	2,8	1,3	1,0	1,2	1,4	0,1	0,1	-0,7	1,8	-0,2
Capital transfers	4,1	2,0	1,5	1,6	0,5	0,4	0,6	0,1	0,0	0,7
Financial Account	30,2	24,2	…	…	6,9	7,2	1,1	9,5	5,6	1,4
Foreign Direct Investment, net	1,7	1,1	…	…	0,0	1,1	0,1	0,9	0,0	-0,4
Portfolio Investment, net	1,7	28,7	…	…	15,3	3,9	2,1	5,2	-10,2	-13,1
Other Investment, net	12,1	-3,6	…	…	-8,3	2,7	-1,1	3,6	15,5	14,9
Change in Reserve Assets	0,0	-0,3	…	…	0,1	-0,3	…	0,0	0,1	…

Source: Bank of Greece **July-Aug 2010*







NBG Inflation Projections

y-o-y change	CPI	Core
Average 2009	1,2	2,5
Q1:2010 (p.a)	3,0	1,7
Q2:2010 (p.a)	5,2	3,2
Q3:2010f (p.a)	5,5	3,6
Q4:2010f (p.a)	4,8	3,4
Average 2010 (1)	4,6	3,0
Average 2011 (2)	2,1	1,6

(1) Assuming oil prices at 79$/brl and $/€ of 1.30 for 2010

(2) Assuming oil prices at 88$/brl and $/€ of 1.34 for 2011

GREECE:

MONTHLY MACROECONOMIC OUTLOOK

Strategy and Economic Research Division

December 2010

NATIONAL BANK

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Note: The report is based on data up to November 29 2010, unless otherwise indicated.