

Quick Note 03/08/2017

Spain · The public sector deficit (excl. LAs) stood at 1.6% of GDP in May**Data**

- The combined deficit for the public sector as a whole (excluding local authorities, LAs) stood at 1.6% of GDP in May¹, 6 tenths lower than the May 2016 figure.
- Broken down into the various government bodies:
 - **The state deficit**, for which data is available up to June, **was down to 1.1% of GDP** (1.9% in June 2016).
 - **Social Security sustained a surplus of 0.2% of GDP** up to May (matching that of May 2016).
 - **Regional Governments (RGs) posted a deficit of 0.4% of GDP** up to May (1 tenth higher than May 2016).

Valuation

- **The overall budgetary execution figures up to May show an adjustment to public sector accounts.** In particular, during the first 5 months of the year the public deficit was cut by 0.6 p.p., out of the 1.3 p.p. required to secure the deficit target of 3.0% of GDP in 2017 (3.1% including losses linked to financial support). A positive performance from public accounts, combined with the high likelihood of any contingencies linked to the bailout of tollroads being transferred entirely to 2018, should help Spain achieve its deficit target.
- **Up to May, overall public sector revenue (excluding LAs) was up 4.7%** compared the same period 2016, thanks to increased tax revenue, which was up to 6.6% YoY and Social Security contributions, which jumped 4.9% against last year's figure. The tax revenue improvement was chiefly driven by increased VAT and corporate tax revenue, which in the first half were up 9.3% and 12.8% respectively, while personal income tax revenue grew 5.2%.²
- **Overall public sector spending (excluding LAs) was down 0.1%** against May 2016. This decline was due to a minor dip in salary remuneration (-0.5%) and a slight increase in social transfers (1.4%). Meanwhile, despite high debt levels (100.4% of GDP in 1Q 2017), low interest rates ensured that the interest payments heading remained in decline. Specifically, interest expenditure was down 5.8%.
- By government bodies, while Regional Governments saw figures deteriorate against 2016, Social Security matched the May 2016 figure. As for the State, for which data is available up to June, the deficit stood at 1.1% of GDP, which represents an improvement of 0.8 p.p. against the figure a year ago, as a result of a 6.3% uptick in the state's non-financial resources and a reduction in non-financial spending of 3.9% against the same period 2016.
- In the light of this data, **the risks in terms of our deficit forecast for the full-year 2017, of 3.1% of GDP, look balanced.**

¹ This figure does not take into account losses linked to financial aid, which stand at 299 million euros (0.03% of GDP) in the year to date.

² Growth in standardised terms (corrected for the impact of several regulatory measures).

Budget execution by administrations

(Accumulated figures year-to-date)

	Last figure	Millions of euros		% of GDP	
		2016	2017	2016	2017
State	June	-21,503	-13,252	-1.9	-1.1
Social Security	May	1,836	2,131	0.2	0.2
RGs	May	-3,437	-4,820	-0.3	-0.4
Total (excl. LAs)*	May	-24,140	-18,441	-2.2	-1.6
LAs	March	675	1,475	0.1	0.1
Total public sector	1Q 2017	-7,823	-4,500	-0.7	-0.4

Note*: Excluding financial aid.

Source: CaixaBank Research, based on State Public Accounts data.

Overall public sector budget execution (excluding LAs)

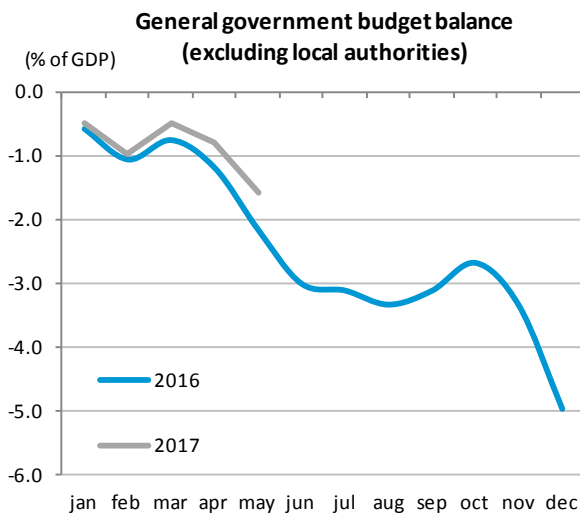
(Accumulated figures up to May)

	Millions		Change
	2016	2017	%
Revenue	142,386	149,066	4.7%
Tax Revenues	73,864	78,732	6.6%
Social Security Contributions	52,808	55,379	4.9%
Expenditure	167,933	167,806	-0.1%
Salary Remuneration	37,430	37,249	-0.5%
Social benefits*	63,994	64,863	1.4%
Interests	12,908	12,165	-5.8%

Note: *Social benefits other than transfers in kind

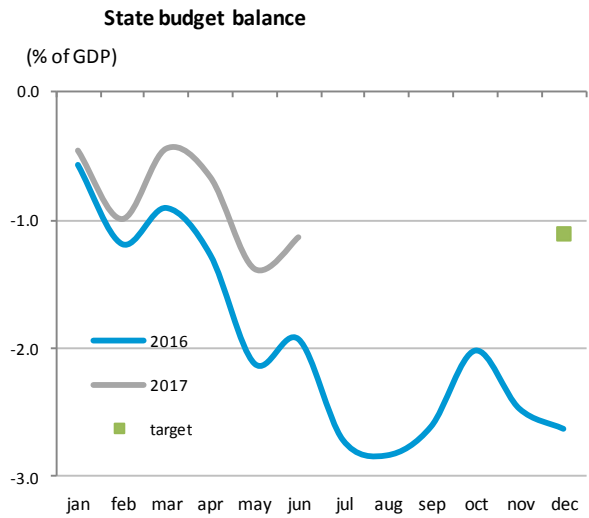
Source: CaixaBank Research, based on State Public Accounts data.

Deficit by administrations



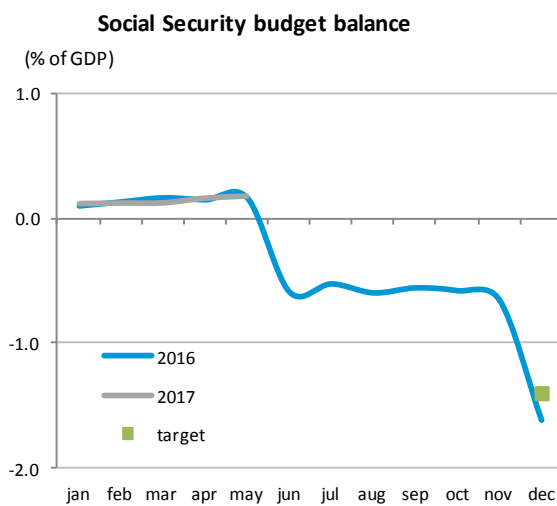
Note: Excluding financial aid.

Source: CaixaBank Research based on State Public Accounts data

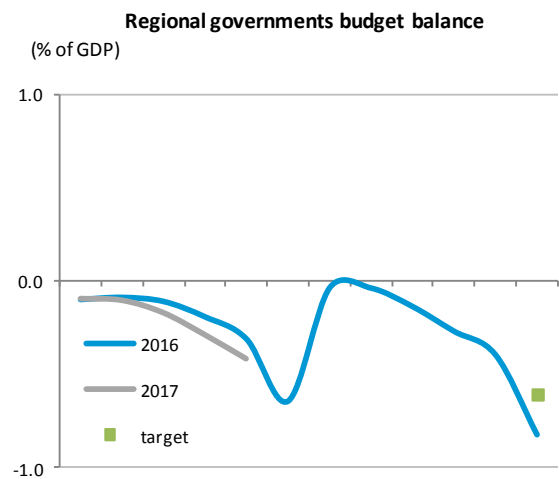


Nota*: Target refers to Central Government.

Source: CaixaBank Research based on State Public Accounts data.



Source: CaixaBank Research based on State Public Accounts data.



Source: CaixaBank Research based on State Public Accounts data.

Anna Campos, Economist, Macroeconomics Department, Strategy Planning and Research Division, CaixaBank
e-mail: research@caixabank.com

NOTICE REGARDING PUBLICATION OF THE CAIXABANK "QUICK REPORT"

The "Quick Report" (Nota Breve) is a publication from the CaixaBank Strategy Planning and Research Department, which includes information and opinions derived from sources that we consider reliable. This document is provided for informational purposes only, and CaixaBank accept no responsibility under any circumstances for any use made of the same. The opinions and estimates contained herein are those the Strategy Planning and Research Department and may be subject to change without notice. Total or partial reproduction of the document, its transformation, distribution, public communication, provision, extraction, re-use, forwarding or use of any kind, by any means or process, is strictly prohibited without the express authorization of CaixaBank.