

Quick Note 31/10/2017

Spain · The public sector deficit (excluding L.A.) stood at 2.3% of GDP in August**Data**

- The deficit for Spain's public sector as a whole, excluding local authorities (L. A.)— stood at 2.3% of GDP¹ in August, 1 p.p. below the figure of August 2016.
- By public authority:
 - **The state deficit**, for which data is available up to September, was down to 1.5% of GDP compared to 2.6% in September 2016.
 - **Social Security posted a deficit of 0.6% of GDP** up to August, the same figure as August 2016.
 - **Regional governments (R.G.) showed a surplus of 0.1% of GDP** up to August (2 tenths higher than in August 2016).

Assessment

- **The overall budget execution figures up to August show an adjustment to public sector accounts.** Specifically, up to August the public deficit was cut by 1 p.p., of the 1.3 p.p. total reduction required to secure the 2017 deficit target of 3.0% of GDP (3.1% including losses linked to financial aid). This good performance from public accounts should help the country to achieve its deficit target.
- **Up to August public sector revenue (excluding L.A.) was up 5.0%** against the same period 2016 thanks to increased tax revenue, which rose 7.1% YoY, and Social Security contributions, which grew 5.4%. The tax revenue improvement has been driven by rising VAT revenue, which up to September climbed 9.2%², a sharper increase than envisaged in 2017 general budgets (7.3%). Furthermore, personal tax income was also up significantly (6.8%³), albeit short of the figure enshrined in 2017 general budgets (7.7%).
- **Public sector spending (excluding L.A.) was unchanged** against August 2016, due to increased social benefits (1.8%) and declining interest spending (-6.4%), underpinned by the current low interest rate scenario.
- By administrations, the state and regional governments improved figures against the previous year, while Social Security was unchanged. Specifically, the state deficit, for which data is available up to September, represented 1.5% of GDP, meaning an improvement of 1.1 p.p. compared to the previous year, driven by a 5.0% increase in non-financial resources for the state, and non-financial costs declining 3.9% against the same period 2016.

In the light of this data, **the risks in terms of our full-year 2017 deficit forecast of 3.1% of GDP look balanced.**

¹ This figure does not factor in losses linked to financial aid, which stood at 372 million euros (0.03% of GDP) in the year to date.

² Growth in standardised terms (corrected for the impacts had by various regulatory measures).

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Budget execution by government body
(Accumulated data year-to-date)

	Latest data	Millions of euros		% of GDP	
		2016	2017	2016	2017
State	September	-29,435	-17,028	-2.6	-1.5
Social Security	August	-6,653	-7,334	-0.6	-0.6
CC. AA.	August	-852	1,366	-0.1	0.1
Total P.S. (excl. L.A.)*	August	-37,655	-27,273	-3.4	-2.3
CC. LL.	June	1,169	1,874	0.1	0.2
Total AA. PP.	2Q 2017	-34,519	-25,452	-3.1	-2.2

Note: *Excluding financial aid.

Source: CaixaBank Research based on state public accounts data.

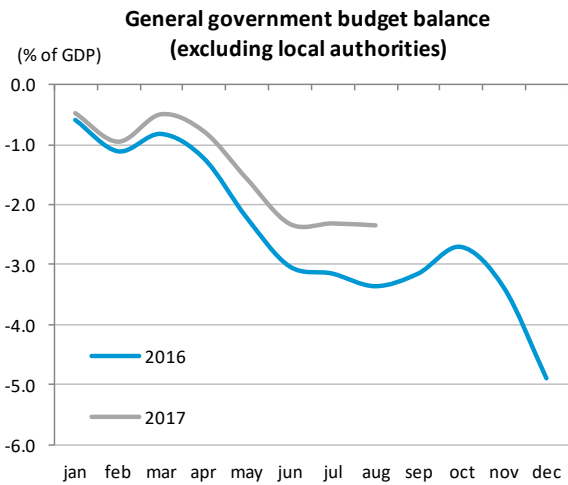
Overall public sector budget execution (excluding L.A.)
(Data accumulated up to August)

	Million		Change
	2016	2017	%
Revenue	243,516	255,717	5.0%
Tax Revenue	130.885	140,205	7.1%
Social security contributions	85.133	89,757	5.4%
Expenses	283,252	283,362	0.0%
Salary remuneration	64.076	64,589	0.8%
Social benefits*	112.024	114,043	1.8%
Interests	20,784	19,458	-6.4%

Nota: *Social benefits other than transfers in kind.

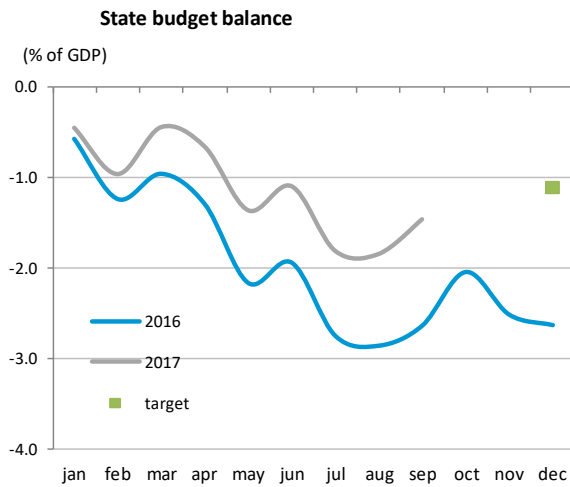
Source: CaixaBank Research based on state public accounts data

Deficit by administrations



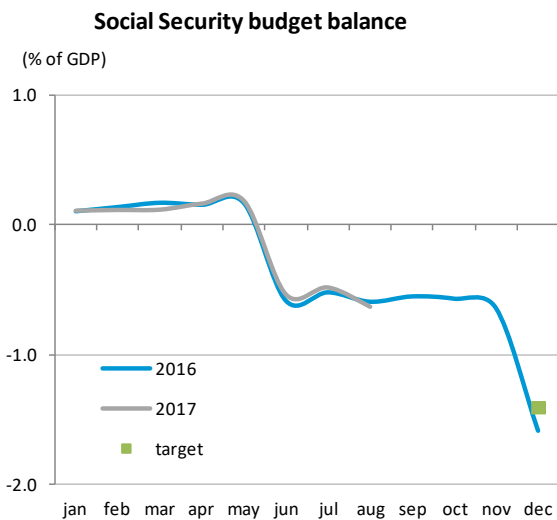
Note: Excluding financial aid.

Source: CaixaBank Research based on State Public Accounts data.

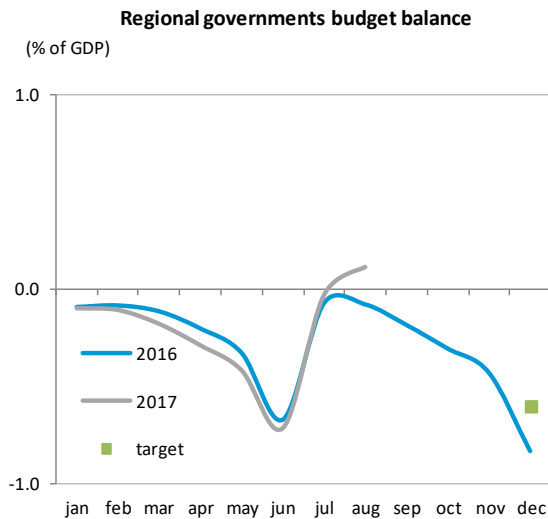


Nota*: Target refers to Central Government.

Source: CaixaBank Research based on State Public Accounts data.



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