

Quick Note 29/11/2017

**Spain · The public sector deficit (excluding L.A.) stood at 2.0% of GDP in September****Data**

- The deficit for Spain's public sector as a whole, excluding local authorities (L. A.), stood at 2.0% of GDP<sup>1</sup> in September, 1.2 pp lower than the September 2016 figure.
- By public authority:
  - **The state deficit**, for which data is available up to October, was down to 1.1% of GDP compared to 2.0% in October 2016.
  - **Social Security posted a deficit of 0.6% of GDP** up to September, the same figure as in September 2016.
  - **Regional governments (R.G.) showed a surplus of 0.1% of GDP** up to September (3 tenths higher than in September 2016).

**Assessment**

- **The overall budget execution figures up to September show an adjustment to public sector accounts.** Specifically, up to September the public deficit was cut by 1.2 p.p., of the 1.3 p.p. total 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 means the country is likely to meet its deficit target.
- **Up to September public sector revenue (excluding L.A.) was up 5.1%** against the same period 2016, thanks to increased tax revenue, which rose 6.9% YoY, and Social Security contributions, which grew 5.5%.
- **Public sector spending (excluding L.A.) was unchanged** against September 2016, due to increased social benefits (1.7%) and declining interest spending (-6.8%), 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 October, represented 1.1% of GDP, meaning an improvement of 0.9 p.p. compared to the previous year, driven by a 3.0% increase in non-financial resources for the state, and non-financial costs declining 3.2% 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.**

<sup>1</sup> This figure does not factor in losses linked to financial aid, which stood at 403 million euros (0.03% of GDP) in the year to date data.

### Budget execution by government body

(Accumulated data year-to-date)

	Last figure	Millions of euros		% of GDP	
		2016	2017	2016	2017
State	October	-22,823	-12,867	-2.0	-1.1
Social Security	September	-6,196	-6,858	-0.6	-0.6
Regional governments	September	-2,044	992	-0.2	0.1
Total P.S. (excl. L.A.)*	September	-35,318	-22,981	-3.2	-2.0
L.A.	June	1,169	1,874	0.1	0.2
Total P.S.	22 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.)

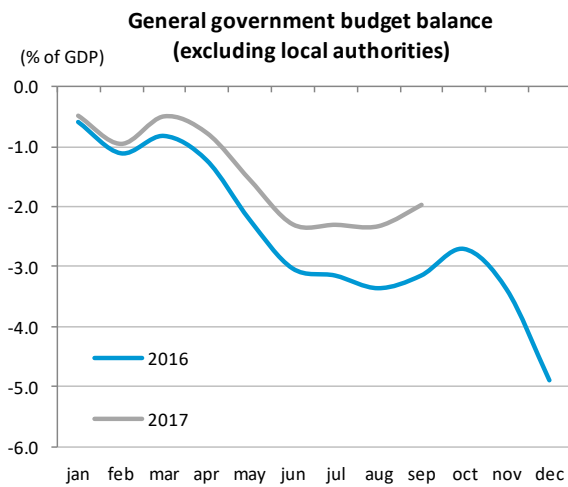
(Data accumulated up to September)

	Millions		Change %
	2016	2017	
<b>Revenue</b>	<b>279,564</b>	<b>293,693</b>	<b>5.1%</b>
Tax Revenue	152,570	163,156	6.9%
Social security contributions	96,054	101,310	5.5%
<b>Expenses</b>	<b>317,060</b>	<b>317,077</b>	<b>0.0%</b>
Salary remuneration	71,736	72,120	0.5%
Social benefits*	124,799	126,944	1.7%
Interests	23,137	21,555	-6.8%

Note: \*Social benefits other than transfers in kind.

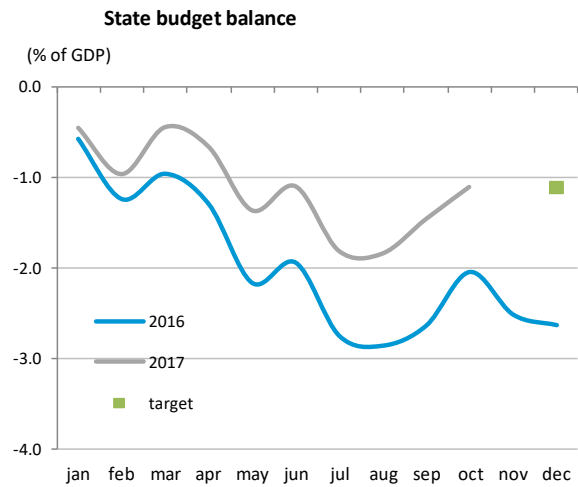
Source: CaixaBank Research based on state public accounts data.

## Deficit by administrations



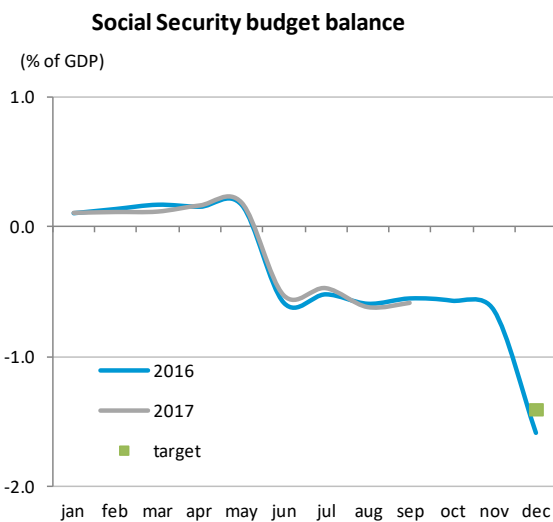
Note: Excluding financial aid.

Source: CaixaBank Research based on State Public Accounts data.

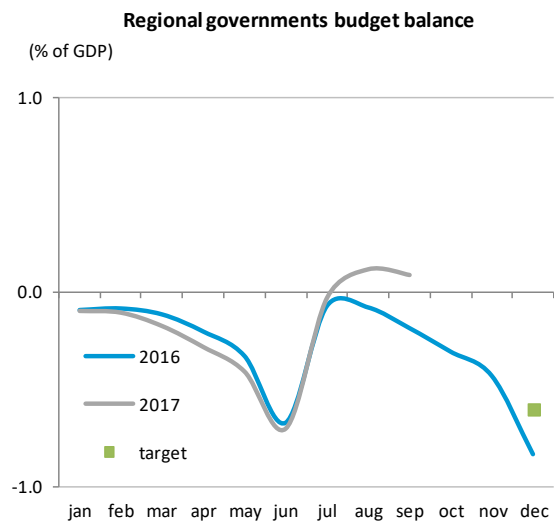


Nota\*: Target refers to Central Government.

Source: CaixaBank Research based on State Public Accounts data.



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