

Quick Note 27/04/2018

Spain · The public sector deficit (ex. local authorities) was 0.8% of GDP in February

Data

- In February the combined public sector (P.S.) deficit, excluding local authorities (L.A.), stood at 0.8% of GDP¹, 1 tenth lower than the February 2017 figure.
- By administrations, Social Security showed a surplus in February of 0.1% of GDP (matching that of February 2017), while regional governments (R.G.) posted a deficit of 0.05% of GDP (-0.12% in February 2017). The state deficit was down 1 tenth to 0.4% of GDP in March.

Assessment

- The budget execution figures available up to February show a **slight adjustment to overall public sector accounts**, excluding local authorities. In particular, during the first two months of the year the public deficit was down 1 tenth against February 2017, of the total of 9 tenths required to secure the 2018 deficit target agreed with the European Commission of 2.2%.
- Overall public sector revenue (excluding local authorities) was up a robust 6.9% against February 2017, thanks to **stronger tax revenue, which climbed 9.7% year-on-year** (driven chiefly by rising VAT income), and social security contributions, which grew 4.9% against last year's figure.
- **Overall public sector spending (excluding local authorities) was up moderately year to date** (3.8% against February 2017). This uptick was driven by slight growth in social transfers in kind (3.4%), salary remuneration (1.0%) and capital expenditure (12.4%). Meanwhile, despite high debt levels (98.3% of GDP in 2017), the scenario of low interest rates ensured that interest payments remained in decline. Specifically, spending on interest was down 1.6% against February 2017.
- In terms of administrations, the state and regional governments improved their deficits by 1 tenth measured against the previous year's figure, in both cases due to current expenses being reined in and considerable revenue improvements. On the other hand, Social Security recorded the same figure as February 2017, again indicating the structural nature of the Social Security deficit.
- In the light of this data, **the risks in terms of our 2018 deficit forecast, of 2.4% of GDP, look balanced.**

¹This figure does not take into account losses linked to financial aid, which stand at 42 million euros (0.003% of GDP) in the year to date

Budget execution by government body

(Accumulated data year-to-date)

	Last figure	Millions of euros		% of GDP	
		2017	2018	2017	2018
State	March	-5,207	-4,459	-0.45	-0.37
Social Security	February	1,479	1,407	0.13	0.12
Regional governments	February	-1,384	-566	-0.12	-0.05
Total P.S. (excl. L.A.)*	February	-11,091	-9,955	-0.95	-0.82

Note: *Excluding financial aid.

Source: CaixaBank Research based on state public accounts data.

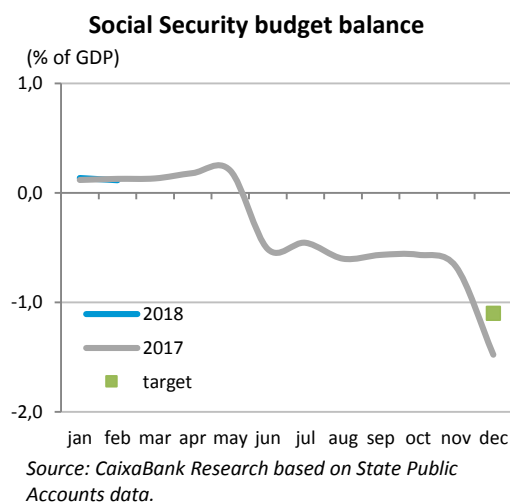
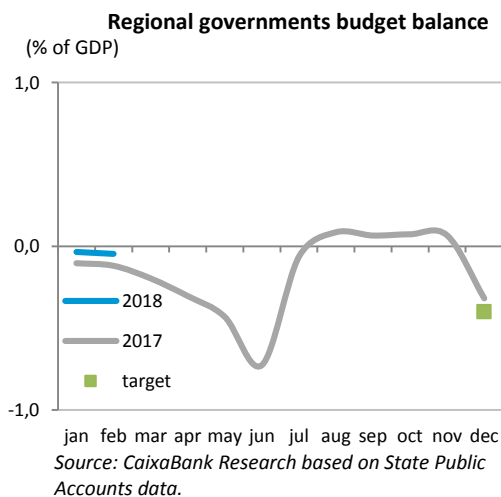
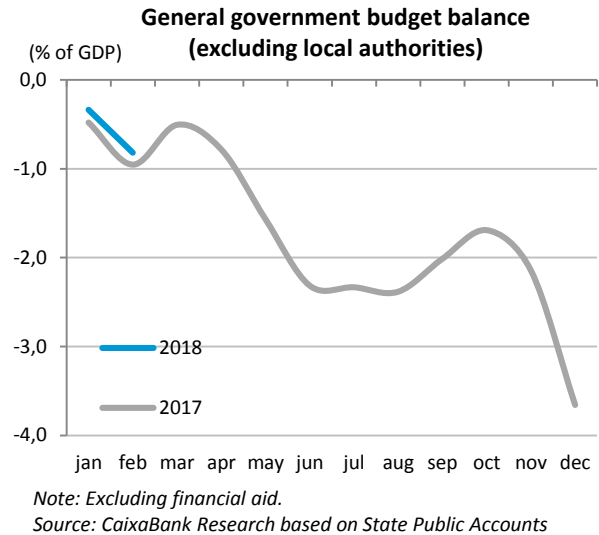
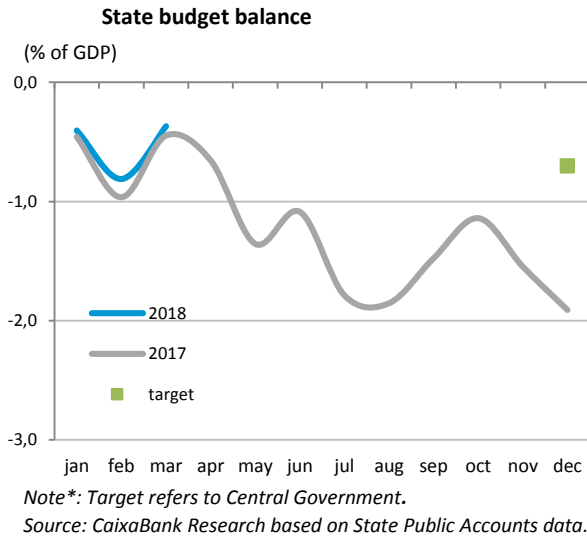
Overall public sector budget execution (excluding L.A.)

(Data accumulated up to February)

	Millions		Change %
	2017	2018	
Revenue	55,170	58,958	6.9
Tax Revenue	28,099	30,818	9.7
Social security contributions	22,197	23,278	4.9
Expenses	66,454	68,955	3.8
Salary remuneration	14,700	14,854	1.0
Social benefits*	25,552	26,423	3.4
Interests	4,823	4,745	-1.6

Source: CaixaBank Research based on state public accounts data.

Deficit by administrations



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