

Flash Note 12/09/2018

**Spain · Public sector deficit (excluding local authorities) of 1.9% of GDP in June**

## Data

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- In June the **combined public sector deficit excluding local authorities (L.A.)**, stood at **1.9% of GDP**, four tenths lower than the June 2017 figure.
- By administrations, **Social Security showed a surplus in June of 0.5% of GDP** (matching that of June 2017), while **regional governments (R.G.) posted a deficit of 0.6% of GDP** (1 tenth down on June 2017).
- Based on the figures up to July, the **state deficit stood at 1.5% of GDP** (1.8% in July 2017).

## Assessment

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- The budget execution figures available up to June show a slight adjustment to overall public sector accounts as a whole, excluding local authorities. Specifically in the first half the **public deficit was down the 4 tenths required to secure the new deficit target agreed with the European Commission of 2.7% in 2018**.
- **Overall public sector revenue (excluding local authorities) up to June expanded considerably again**, rising 6.6% against the same period of the previous year, thanks to robust tax revenue growth of 7.4% year-on-year and social security contributions rising 5.1% YoY.
- **Consolidated public sector spending (excluding local governments) in June climbed 3.7% against the previous year**, a somewhat smaller increase than posted in May 2018 (+4.1%). This uptick has largely been driven by increased Social Security benefits (2.7%) and gross capital formation (26.6%). Meanwhile, despite high debt levels (98.8% of GDP in 1Q 2018), the current scenario of low interest rates ensured that interest payments continue declining. Specifically, spending on interest was down 1.9% against June 2017.
- By administrations, the regional governments and state deficits improved 1 and 3 tenths respectively compared to a year ago. On the other hand, Social Security recorded the same figure as June 2017, again indicating the structural nature of the Social Security deficit.
- In the light of this data, **the risks in terms of our full-year 2018 deficit forecast of 2.7% of GDP look balanced**.

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

	Last figure	Millions of euros		% of GDP	
		2017	2018	2017	2018
State	July	-20,822	-18,080	-1.8	-1.5
Social Security	June	-5,979	-5,591	-0.5	-0.5
Regional Govs.	June	-8,463	-7,133	-0.7	-0.6
Total P.S. (excl. L.A.)*	June	-26,944	-22,698	-2.3	-1.9
L.A.	March	668	735	0.0	0.1
Total Public Sector	1Q 2018	-5,205	-3,918	-0.4	-0.3

Note: \*Excluding financial aid.

Source: CaixaBank Research based on state public accounts data.

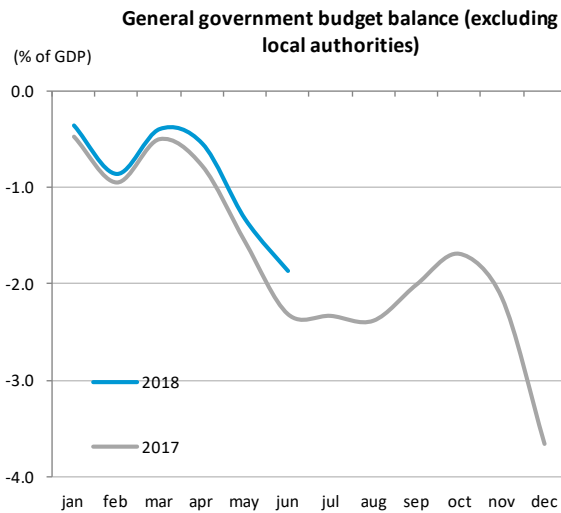
**Overall public sector budget execution (excluding L.A.)**  
 (Data accumulated up to June)

	Millions		Change %
	2017	2018	
<b>Revenue</b>	<b>190,232</b>	<b>202,841</b>	<b>6.6%</b>
Tax Revenue	103,096	110,713	7.4%
Social security contributions	67,241	70,679	5.1%
<b>Expenses</b>	<b>217,483</b>	<b>225,453</b>	<b>3.7%</b>
Salary remuneration	49,039	49,849	1.7%
Social benefits*	88,090	90,436	2.7%
Gross capital formation	8,601	10,892	26.6%
Interests	14,755	14,478	-1.9%

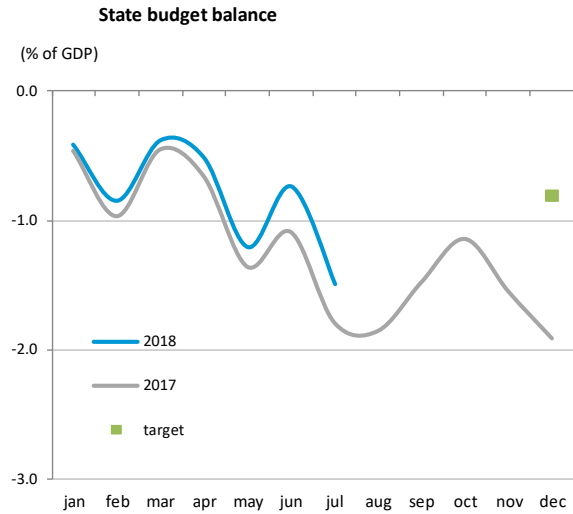
\*Social benefits other than transfers in kind.

Source: CaixaBank Research based on state public accounts data. .

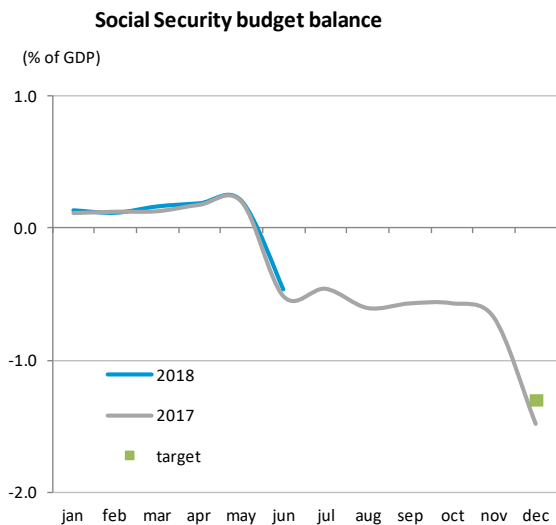
### Deficit by administrations



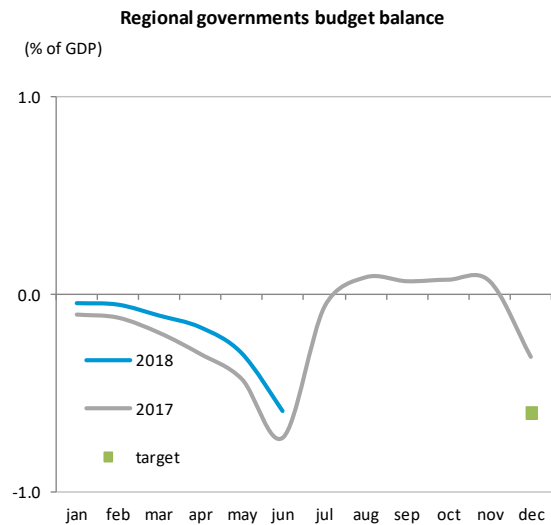
Note: Excluding financial aid.  
Source: CaixaBank Research based on State Public Accounts data.



Nota\*: Target refers to Central Government.  
Source: CaixaBank Research based on State Public Accounts data.



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