

Flash Note 30/10/2018

**Spain** · The public sector deficit (excl. LAs) stood at 2.0% of GDP in August**Data**

- The overall public sector deficit in August, excluding local authorities (LAs), stood at 2.0% of GDP<sup>1</sup>, 4 tenths lower than the 2Q 2017 figure
- By administrations, **Social Security posted a deficit of 0.4% of GDP** up to August (0.6% in August 2017) and **regional governments (RG)** showed a surplus of 0.1% of GDP (matching the August 2017 figure).
- The **State deficit**, for which data is available up to September, was down to **1.1% of GDP** (1.5% in September 2017).

**Assessment**

- Overall budget execution figures up to August show a slight adjustment to public sector accounts. In particular, **in the first eight months of the year the public deficit would have already secured the 0.4 pp decline required to deliver the 2018 public deficit target of 2.7% of GDP**. Over the rest of the year we expect a slight uptick in expenditure, particularly due to higher remuneration for public servants and the pension increase envisaged in 2018 General State Budget, which should not pose a threat to the deficit target.
- **Overall public sector revenue (excluding local authorities) up to August expanded considerably**, rising by 6.5% against the same period of the previous year, thanks to the tax revenue growth of 6.8% YoY and the social security contributions rising 5.5% YoY.
- **Total public sector spending (excluding local authorities) up to August was up 4.3% compared to the same month of the previous year**. Said uptick has largely been driven by rising Social Security benefits (4.0%) and gross capital formation (18.4%). Meanwhile, despite high debt levels (98.1% of GDP in 2Q 2018), a scenario of low interest rates ensured that the interest payments heading declined. Specifically, spending on interest was down 0.2% against August 2017.
- By public sector administrations, the State improved its deficit by 4 tenths compared to a year ago, while the Social Security deficit shrank 2 tenths and that of Regional Governments was down by just 1 tenth.
- In the light of this data, **the risks in terms of our 2018 full-year deficit forecast of 2.7% of GDP look balanced**.

<sup>1</sup> This figure does not factor in the net balance of aid to financial institutions, which amounts to +86 million euros (0.01% GDP) in the first half of 2018.

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

	Last figure	Millions of euros		% of GDP	
		2017	2018	2017	2018
State	September	-17,190	-13,245	-1.5	-1.1
Social Security	August	-7,004	-5,199	-0.6	-0.4
Regional Govs.	August	1,003	1,689	0.1	0.1
Total P.S. (excl. L.A.)*	August	-27,734	-23,674	-2.4	-2.0
Local Authorities	June	1,446	615	0.1	0.1
Total Public Sector	2Q 2018	-25,452	-22,083	-2.2	-1.8

Note: \*Excluding financial aid.

Source: CaixaBank Research based on state public accounts data.

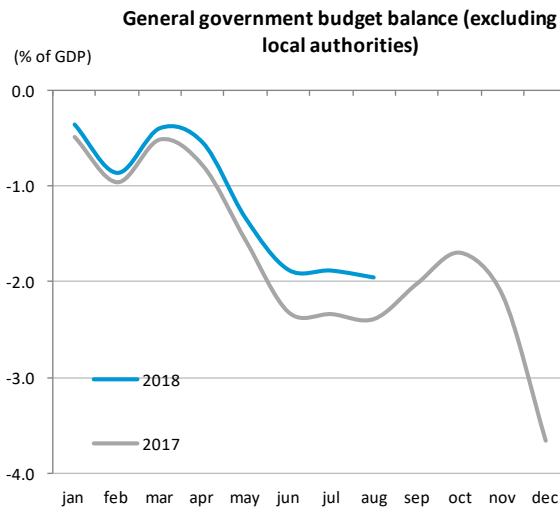
### Overall public sector budget execution (excluding L.A.) (Data accumulated up to June)

	Millions		Change %
	2017	2018	
<b>Revenue</b>	<b>257,099</b>	<b>273,704</b>	<b>6.5%</b>
Tax revenue	140,469	150,006	6.8%
Social security contributions	89,779	94,728	5.5%
<b>Expenses</b>	<b>285,168</b>	<b>297,315</b>	<b>4.3%</b>
Salary remuneration	64,649	66,047	2.2%
Social benefits*	114,276	118,857	4.0%
Gross Capital Formation	11,507	13,628	18.4%
Interests	19,575	19,532	-0.2%

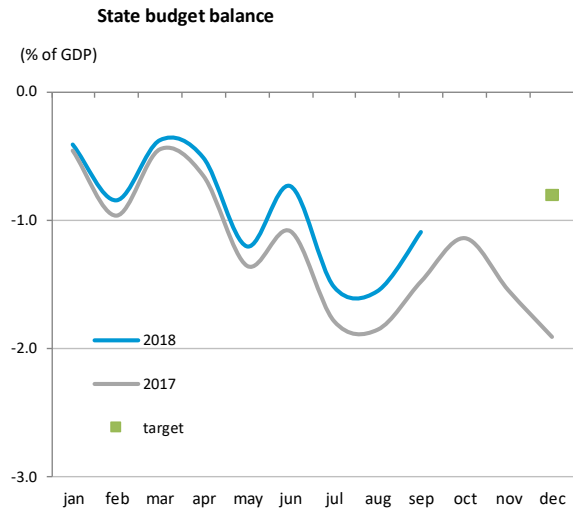
Note: \*Social benefits other than transfers in kind.

Source: CaixaBank Research based on state public accounts data.

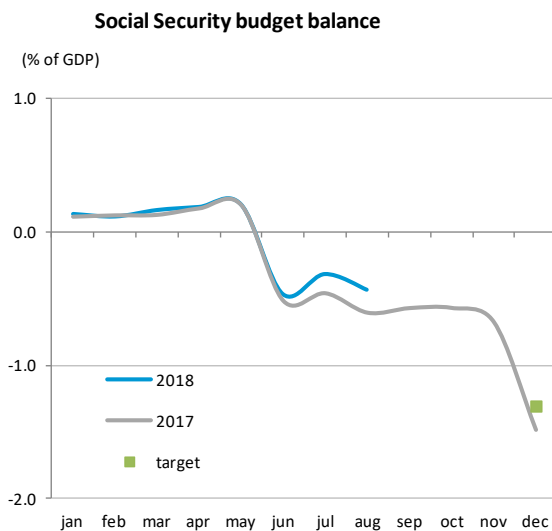
## Deficit by administrations



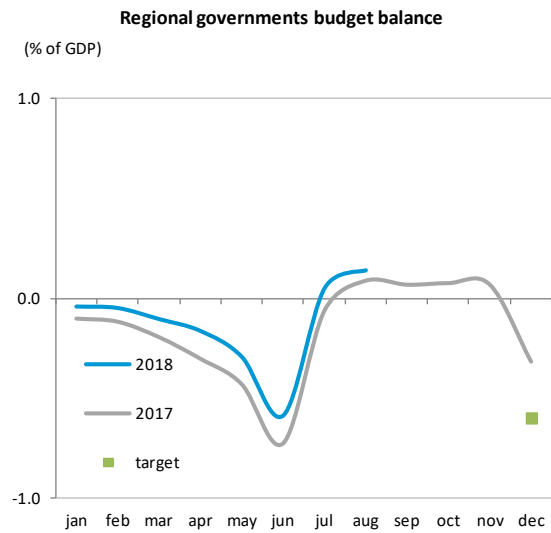
Note: Excluding financial aid.  
Source: CaixaBank Research based on State Public Accounts data.



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



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