

Flash Note 27/11/2018

**Spain** · The public sector deficit (excl. LAs) stood at 1.5% of GDP up to September**Data**

- The overall public sector deficit through to September, excluding local authorities (LAs), stood at 1.5% of GDP<sup>1</sup>, 5 tenths lower than the September 2017 figure.
- By administrations, **Social Security posted a deficit of 0.5% of GDP** up to September (0.6% in September 2017) and **regional governments (RG) showed a surplus of 0.2% of GDP** (0.1% of GDP in September 2017 figure).
- The **State deficit**, for which data is available up to October, was down to **0.7% of GDP** (1.1% in October 2017).

**Assessment**

- Overall budget execution figures up to September showed a slight adjustment to public sector accounts. In particular, **in the first nine months of the year the public deficit comfortably secured the 0.4 pp decline required to deliver on 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 budgets, which should not pose a threat to the deficit target.
- **Overall public sector revenue (excluding local authorities) up to September expanded considerably**, rising by 6.4% against the same period of the previous year, thanks to robust tax revenue growth of 6.8% year-on-year and social security contributions expanding 5.2% YoY.
- **Total public sector spending (excluding local authorities) was up 4.2% through to September compared to the same month of the previous year**. Said uptick has largely been driven by rising Social Security benefits (4.1%) and gross capital formation (15.1%). Meanwhile, despite high debt levels (98.1% of GDP in 3Q 2018), a scenario of low interest rates ensured that the interest payments heading only expanded 0.1% against September 2017.
- By public sector administrations, the State improved its deficit by 4 tenths compared to a year ago, while regional governments and Social Security did so 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	October	-13,279	-8,384	-1.1	-0.7
Social Security	September	-6,599	-5,848	-0.6	-0.5
Regional Govs.	September	769	2,035	0.1	0.2
Total P.S. (excl. L.A.)*	September	-23,418	-18,585	-2.0	-1.5
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 LAs)

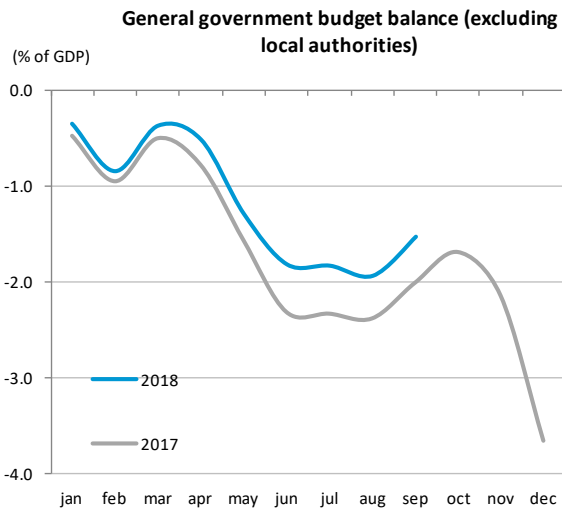
(Data accumulated up to September)

	Millions		Change %
	2017	2018	
<b>Income</b>	<b>295,222</b>	<b>313,972</b>	<b>6.4%</b>
Tax Income	163,438	174,511	6.8%
Social Security Contributions	101,354	106,669	5.2%
<b>Expenditure</b>	<b>319,006</b>	<b>332,524</b>	<b>4.2%</b>
Salary Remuneration	72,190	74,118	2.7%
Social Benefits*	127,207	132,461	4.1%
Gross Capital Formation	12,984	14,951	15.1%
Interests	21,709	21,730	0.1%

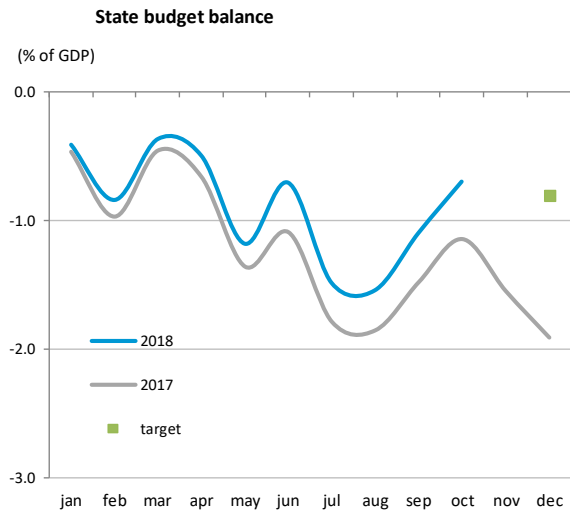
Note: \*Social benefits other than transfers in kind.

Source: CaixaBank Research based on state public accounts data.

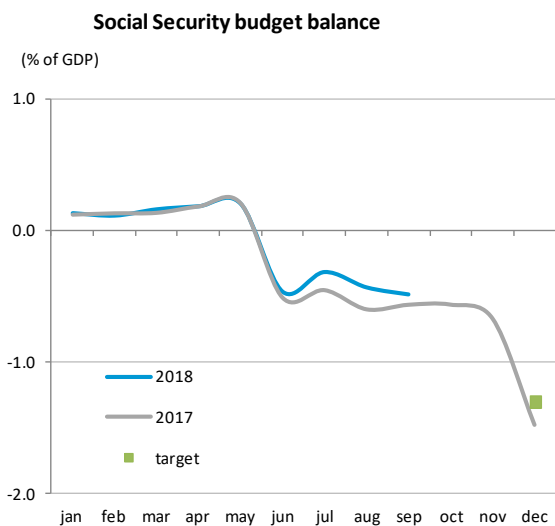
## Deficit by administrations



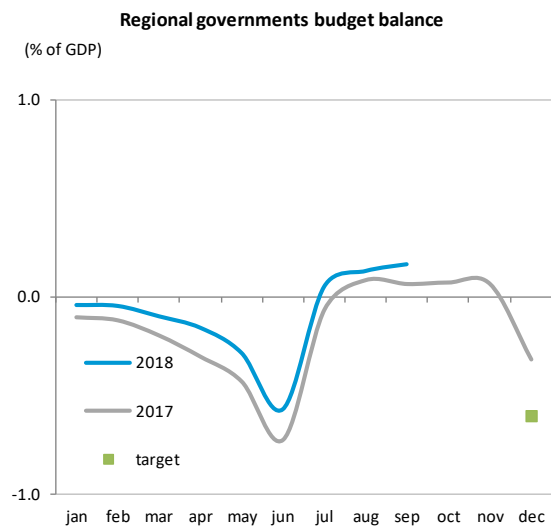
Note: Excluding financial aid.  
Source: CaixaBank Research based on State Public Accounts data.



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



Source: CaixaBank Research based on State Public Accounts data.



Source: CaixaBank Research based on State Public Accounts data.

Josep Mestres, Economist, CaixaBank Research, e-mail: [research@caixabank.com](mailto:research@caixabank.com)

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