

Flash Note 03/05/2019

**Spain** · The public sector deficit (excluding local authorities) was 0.95% in February

## Data

---

- In February the combined public sector deficit (public administrations, P.A.), excluding local authorities (L.A.), stood at 0.95% of GDP<sup>1</sup>, 1-tenth higher than the February 2018 figure.
- By administrations, Social Security showed a surplus in February of 0.11% of GDP (0.06% in February 2018), while regional governments (R.G.) posted a deficit of 0.01% of GDP (-0.05% in February 2018). The state deficit expanded 2 tenths in March to 0.54% of GDP.

## Assessment

---

- The budget execution figures available up to February show **slight impairment of overall public sector accounts**, excluding local authorities. In particular, in the first two months of the year the public deficit expanded by one tenth compared to February 2019. However, it is worth pointing out that this result was shaped by **several extraordinary factors** (accounting effects, regulatory changes, etc.) both on the income and expenditure sides.
- Overall public administration income (excluding local authorities) expanded 4.4% against February 2018. **Tax revenues were up a slight 1.3% yoy**, partly due to the temporary eradication of taxes on power production and reimbursements associated with maternity benefits. Meanwhile, **Social Security contributions climbed a robust 7.1%** compared to the previous year's figure, driven by an improving labour market, as well as a higher minimum wage.
- **Overall public sector spending (excluding local authorities) was up significantly year-to-date** (5.9% against February 2018). The increase was due to higher remuneration for public sector employees (5.3%) and social benefits (8.5%). Both items were shaped by hikes in 2019 and an accounting effect, given that higher public sector wages and pensions in 2018 became effective as of 1 January but were not paid until the second half of 2018. Meanwhile, despite high levels of public debt (97.1% of GDP in 2018), the current scenario of low interest rates meant the heading for expenditure on interest payments remained in decline. Specifically, spending on interest was down 9.2% against February 2018.
- By government bodies, the central state saw the deficit deteriorate by 2 tenths compared to the figure a year ago, as a result of higher current expenditure and a more modest revenue improvement. Neither item posted a buoyant trend, although partly due to extraordinary factors. Meanwhile, Social Security showed the same figure as February of the previous year.
- In the light of this data, **the risks in terms of our 2019 deficit forecast, of 2.3% of GDP, look balanced.**

---

<sup>1</sup> This number does not take into account losses linked to financial aid, which stand at 45 million euros (0.004% of GDP) in the year to date.

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

	Last figure	Millions of euros		% of GDP	
		2018	2019	2018	2019
State	March	-4,289	-6,754	-0.35	-0.54
Social Security	February	1,385	773	0.11	0.06
Regional Govs.	February	-635	-175	-0.05	-0.01
Total P.S. (excl. L.A.)*	February	-10,369	-11,908	-0.86	-0.95

**Note:** \*Excluding financial aid.

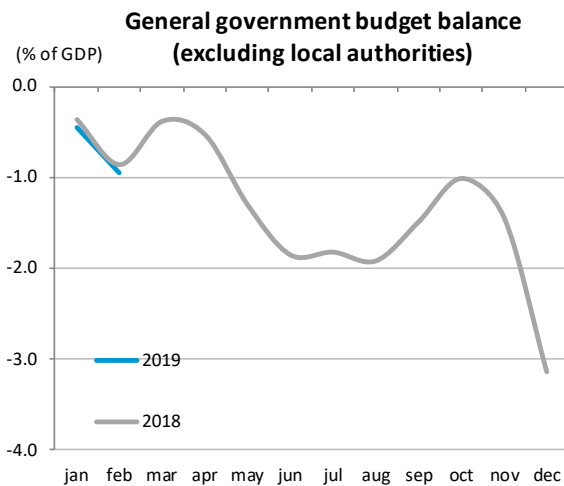
**Source:** CaixaBank Research based on state public accounts data.

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

	Millions		Change %
	2018	2019	
<b>Revenue</b>	<b>58,847</b>	<b>61,425</b>	<b>4.4%</b>
Tax Revenue	30,634	31,039	1.3%
Social security contributions	23,286	24,934	7.1%
<b>Expenses</b>	<b>69,257</b>	<b>73,362</b>	<b>5.9%</b>
Salary remuneration	14,871	15,653	5.3%
Social benefits*	26,416	28,650	8.5%
Gross capital formation	2,910	2,859	-1.8%
Interests	4,757	4,320	-9.2%

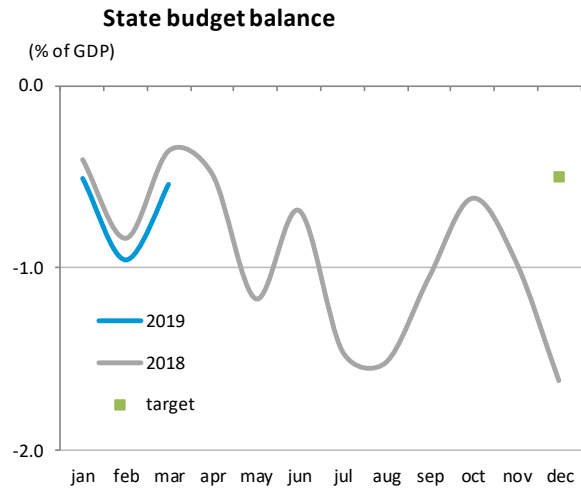
**Source:** CaixaBank Research based on state public accounts data.

## Deficit by administrations



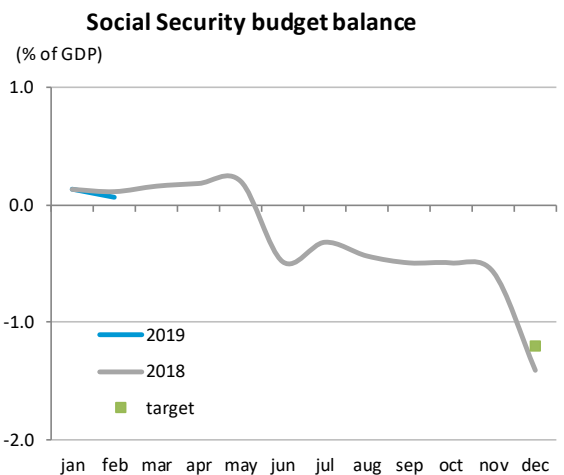
Note: Excluding financial aid.

Source: CaixaBank Research based on State Public Accounts data.

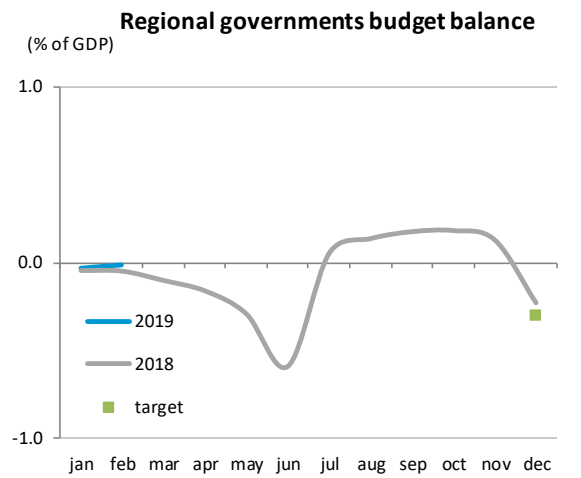


Nota\*: Target refers to Central Government.

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)

### A NOTICE REGARDING PUBLICATION OF THE CAIXABANK "FLASH NOTE"

Flash Notes are publications produced in conjunction by CaixaBank Research and BPI Research (UEEF), containing information and opinions from sources that we consider reliable. This document is provided for informational purposes only, and CaixaBank and BPI accept no responsibility under any circumstances for any use made of the same. The opinions and estimates herein are those of CaixaBank and BPI and may be subject to change without prior notice.