

Quick Note 28/09/2017

Spain · The public sector deficit stood at 2.1% of GDP in 2Q 2017

Data

- The overall public sector deficit in 2Q, including local authorities (LAs), stood at 2.1% of GDP¹, 8 tenths lower than the 2Q 2016 figure.
- By public authority:
 - **The State deficit**, for which data is available up to August, was down to 1.8% of GDP (2.9% in August 2016).
 - **Social Security posted a deficit of 0.5% of GDP** up to July (the same figure as in July 2016).
 - **Regional governments (RGs) posted a zero balance** up to July (improving on the -0.1% of GDP figure in July 2016).
 - **LAs posted a surplus of 0.2% of GDP in 2Q** (1 tenth higher than 2Q 2016).

Assessment

- The overall budget execution figures for 2Q 2017 showed an adjustment to public sector accounts. Specifically, in the first half of the year the public deficit was cut by 0.8 p.p., of the 1.3 p.p. total required to secure the 2017 deficit target of 3.0% of GDP (3.1% including losses linked to financial aid). This strong performance from public accounts, combined with the high likelihood that the impact had by contingencies linked to the tollroad bailout will be transferred entirely to 2018, should help Spain to achieve its deficit target.
- **Up to July, public sector revenue (excluding LAs) was up 4.8%** against the same period 2016, thanks to higher tax revenue, which rose 6.7% YoY, and Social Security contributions, which grew 5.2%.
- **Public sector spending (excluding LAs) was up 0.1%** against July 2016. This slight uptick was due to an increase in social benefits (1.6%) and salary remuneration (0.5%), which was largely offset by a notable decline in interest spending (-6.1%), which continues to benefit from current low interest rates.
- By administrations, the State, and to a lesser degree regional governments, improved on the previous year. Specifically, the State deficit, for which figures are available up to August, represented 1.8% of GDP, meaning an improvement of 1.0 p.p. against the previous year's figure. This is due to a 5.0% increase in non-financial resources for the State, and a decline in non-financial spending of 3.6% against the same period 2016.
- In the light of this data, **the risks in terms of our deficit forecast for the full year 2017, of 3.1% of GDP, look balanced.**

¹ This figure does not take into account losses linked to financial aid, which stand at 344 million euros (0.03% of GDP) year-to-date.

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

	Last figure	Millions of euros		% of GDP	
		2016	2017	2016	2017
State	August	-31,913	-21,502	-2.9	-1.8
Social Security	July	-5,843	-5,610	-0.5	-0.5
RGs	July	-771	35	-0.1	0.0
Total public sector (excl. LAs)*	July	-35,293	-26,940	-3.2	-2.3
LAs	June	1,169	1,874	0.1	0.2
Total public sector*	2Q 2017	-32,768	-25,108	-2.9	-2.1

Note: *Excluding financial aid.

Source: CaixaBank Research, based on State Public Accounts data.

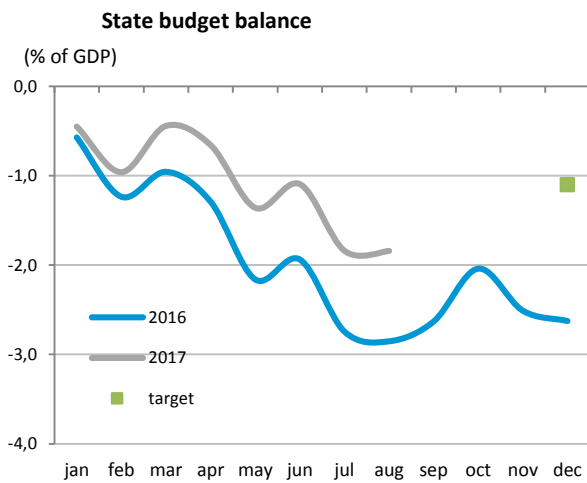
Overall public sector budget execution (excluding LAs) (Accumulated data up to July)

	Millions		Change %
	2016	2017	
Revenue	214,026	224,197	4.8%
Tax revenue	115,358	123,123	6.7%
Social Security Cont.	74,406	78,284	5.2%
Expenditure	251,296	251,489	0.1%
Salaried Worker Remun.	56,744	57,035	0.5%
Social benefits*	99,339	100,911	1.6%
Interests	18,165	17,056	-6.1%

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

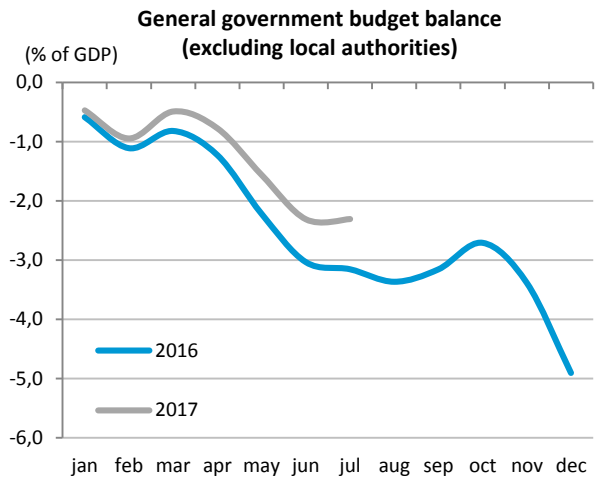
Source: CaixaBank Research, based on State Public Accounts data.

Deficit by administrations



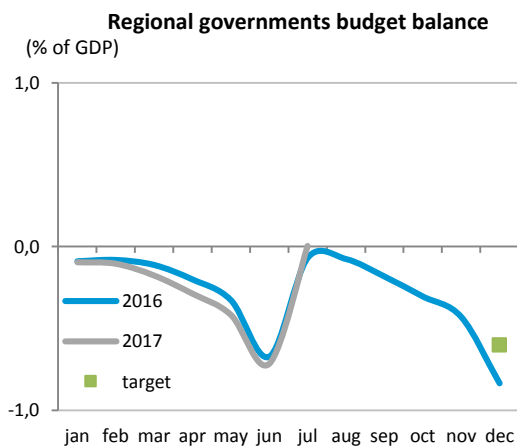
Nota*: Target refers to Central Government.

Source: CaixaBank Research based on State Public Accounts data.

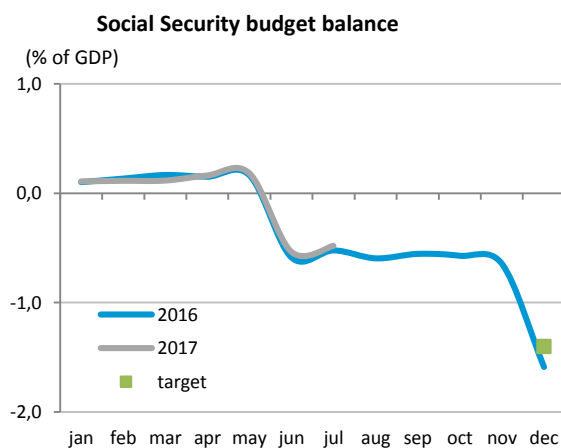


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