GOBIERNO DE ESPAÑA
MINISTERIO DE HACIENDA Y FUNCIÓN PÚBLICA

2024 DRAFT BUDGETARY PLAN

15-10-2023

1. MACROECONOMIC SCENARIO 2023-2024 (endorsed by AIReF)

Chained volume indexes, Year 2015=100, unless otherwise indicated.

	ESA Code	2022 Level	2022 % Variation	2023 % Variation	2024 % Variation
1. Real GDP	B1*g	110.7	5.8	2.4	2.0
2. Potential GDP		1,198	1.0	1.5	1.6
Contributions:					
Employment			*0.2*	*0.7*	*0.7*
Capital			*0.5*	*0.4*	*0.5*
Total factor productivity			*0.4*	*0.4*	*0.4*
3. Nominal GDP (billions of Euros)	B1*g	1,346	10.2	8.5	5.6
Components of real GDP					
4. Private domestic final consumption expenditure	P.3	107.0	4.7	1.5	2.5
5. Final consumption expenditure of the General Government	P.3	113.6	-0.2	1.9	0.2
6. Gross fixed capital formation	P.51	116.3	2.4	3.0	4.0
7. Inventory variation (% of GDP)	P.52 + P.53		-0.2	-0.2	0.0
8. Exports of goods and services	P.6	120.8	15.2	3.4	2.4
9. Imports of goods and services	P.7	120.6	7.0	1.4	3.3
Contributions to real GDP growth					
10. Final national demand			3.1	1.9	2.2
11. Inventory variation	P.52 + P.53		-0.2	-0.2	0.0
12. External balance	B.11		2.9	0.8	-0.2

Sources: *INE and Ministry of Economic Affairs and Digital Transformation.*

Spain will lead economic growth in the 2023-2024 period due to four factors:

- the rapid deployment of the Recovery, Transformation and Resilience Plan,
- the dynamism of the labor market,
- the positive performance of the foreign sector, and
- the soundness of households and corporate assets.

1.1 The growth of high quality employment and increase of productivity

The reduction in precariousness and the strong dynamism of employment have made it possible to increase the supply of the Spanish labor market.

The structural reforms adopted have improved the performance of the Spanish labor market, serving as an incentive to increase the size of the domestic and foreign labor force.

Productivity gains during the period are reflected in two key aspects: i) the change in the composition of the sectoral structure of employment, with a greater role for ICT services and scientific and professional activities and ii) the increase in the stock of intangible capital derived from the digitalization process of the Spanish economy, which is being driven by the Recovery Plan.

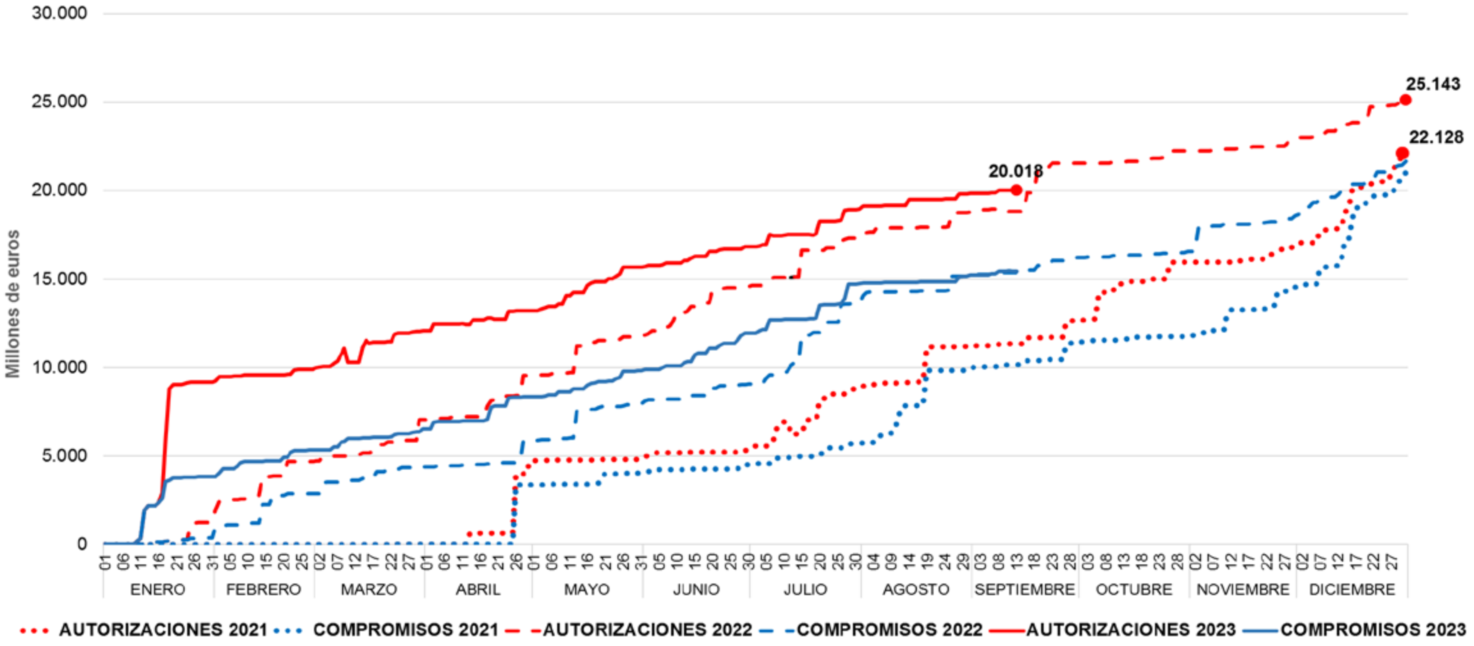
	2022	2022	2023	2024
	Level	% Variation		
1. Total working population (Full-Time Equivalent Employment. Millions)	19,2	3.7	2.2	1.4
2. Unemployment rate (% labor force, LFS)		12.9	11.8	10.9
3. Productivity per employed person EETC (thousands of euros)	62,1	2.0	0.2	0.5
4. Remuneration of employees (billions of euros)	643,0	7.3	7.4	5.4
5. Remuneration per employee FTEE (thousands of euros)	39,0	2.9	4.8	3.7

(*) Data in National Accounts terms, except for the unemployment rate.
Sources: *INE and Ministry of Economic Affairs and Digital Transformation.*

1.2 The Recovery, Transformation and Resilience Plan maximizes its impact in the early years

Spain has been a pioneer in the deployment of the Recovery Plan in Europe and is one of the most advanced countries in the execution of investments and reforms, as well as in the receipt of the corresponding payments. Up to October 2023, Spain has received 37,036 billion euros from the Recovery and Resilience Mechanism, following the satisfactory of 121 milestones and targets met out of a total of 416, equivalent to almost 30 percent of the total Recovery Plan.

On 20 December, Spain submitted its fourth payment request, of over EUR 10 bn. It is currently under evaluation by the European Commission.



Source: Ministry of Finance and Civil Service

1.2 Recovery, Transformation and Resilience Plan addendum

The European Commission has approved the Addendum to the Recovery, Transformation and Resilience Plan for Spain, raising to 3.5 p.p. the impact that the economic modernization process already underway may have on GDP.

In quantitative terms, the Recovery Plan will enable an amount of up to **€163,014 million euros to be mobilized over the period 2021-2026.** This represents more than 12 percent of Spain's GDP. These funds are in addition to the €36.7 billion from the Structural Funds within the multiannual financial framework 2021-2027, which will allow the conclusion of an ambitious investment program aimed at modernizing the country.

With the Addendum, **almost €27 billion** in additional resources will be allocated to **PERTEs*,** from transfers, loans and the RepowerEU program. This will make it possible to provide continuity and complete the calls for aid, finance incentives and make additional investments.

* Strategic Projects for Economic Recovery and Transformation.

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1.2 Recovery, Transformation and Resilience Plan addendum: PERTEs

million euros

PERTE	Transfers Phase 1st Plan	Addendum				Total Phase 1 Plan + Addendum
		Additional Transfers	Loans	REPowerEU	Total	
Microelectronics and Semi-conductors (Chip)	275	1,225	10,750	-	11,975	12,250
Renewable Energy, Renewable Hydrogen and Storage	6.600	1,557	-	2,640 (*)	4,197	10,797
Electric and Connected Vehicle (EVC)	2,870	250	1,000	-	1,250	4,120
Water Cycle Digitalization	430	1,250	1,805	-	3,055	3,485
Industrial Decarbonization	450	1,020	1,700	-	2,720	3,170
Care Economy	766	1,000	-	-	1,000	1,766
Cutting-Edge Health	810	500	330	-	830	1,640
Agri-Food Industry	747	150	460	-	610	1,357
Aerospace	591	100	240	-	340	931
Circular Economy	192	600	-	-	600	792
New Language Economy	324	-	401	-	401	725
Naval	150	-	-	-	-	150
Total	**14,205**	**7,652**	**16,686**	**2,640**	**26,978**	**41,182**

(*) €2,640M = €2,582M from the allocation to Spain under REPowerEU and €58M from the allocation to Spain from the Brexit Adjustment Fund.
Source: *Ministry of Finance and Civil Service*

1.3 Complementary indicators

The economic growth of recent years is reflected in **greater social welfare**. The progress in economic activity shown by traditional short-term statistics is accompanied by an improvement in social welfare indicators, supported by the investments and reforms of the Recovery Plan.

- Thanks to the measures adopted to protect incomes and the social shield, structural reforms and investment support, **inequality has fallen back to pre-2008 financial crisis levels**, despite the shock of the pandemic and the context of the international and energy crisis.
- In terms of the **dual green and digital transition**, Spain leads Europe in the deployment of renewables and connectivity.
- Since 2018, **gender inequality** has also been progressively reduced thanks to the good performance of the labor market and the increased presence of women on boards of directors.

The economic policy strategy is making fiscal consolidation compatible with high rates of economic growth and job creation, progress in the green and digital transitions, and reduced inequality.

2. ORIENTATION OF FISCAL POLICY

On 8 March, the European Commission issued a Communication outlining the “Fiscal Policy Guidelines for 2024”. This document confirmed that **the escape clause will be deactivated in 2024**.

In accordance with these guidelines, the government updated the Stability Programme for 2023-2026. This programme sets forth a roadmap for the **systematic reduction of the government deficit and public debt**. Concurrently, it targets medium-term fiscal sustainability, with the aim of achieving a deficit below 3% of GDP by 2024.

The Budgetary Plan for 2024 introduces an non policy change scenario, underscoring the government’s commitment to the consolidation path outlined in the Stability Programme Update. It projects a general government **deficit of 3% of GDP in 2024.**

% GDP

Subsectors	2023	2024
Central Government	-2.9	-2.9
Autonomous Communities	-0.6	-0.1
Local Entities	0.1	0.2
Social Security Funds	-0.5	-0.2
Total Public Administrations	**-3.9**	**-3.0**

Source: *Ministry of Finance and Civil Service*

Amounts associated with the Recovery and Resilience Mechanism are not included as these flows have no impact on the government deficit due to the principle of neutrality approved by Eurostat.

2023-2024 revenue and expenditure projections for all government levels

General government revenue will increase slightly, reflecting the government's commitment to reduce the gap with the European average. In turn, expenditure will continue to fall over the period.

% GDP

		RRF Included	*RRF Not included*	
	ESA Code	**2022**	**2023**	**2024**
1. Total revenue	**TR**	**42.6**	**41.9**	**42.0**
1.1. Taxes on production and imports	D.2	11.9	11.3	11.4
1.2. Current taxes on income and wealth, etc.	D.5	12.2	12.7	13.1
1.3. Taxes on capital	D.91	0.4	0.4	0.3
1.4. Social contributions	D.61	13.4	13.5	13.6
1.5. All other resources		4.7	4.1	3.6
p.m.: Tax Burden (D.2+D.5+D.61+D.91)		**38.3**	**38.1**	**38.6**
2. Total expenditure	**TE**	**47.4**	**45.8**	**45.0**
2.1. Remuneration of employees	D.1	11.5	11.1	11.0
2.2. Intermediate consumption	P.2	5.9	5.7	5.7
2.3. Social transfers	D.62, D.63	19.8	19.8	19.7
2.4. Interest	D.41	2.4	2.4	2.5
2.5. Subsidies	D.3	2.0	1.6	1.2
2.6 Gross capital formation	P.5	2.8	2.6	2.6
2.7. Capital transfers	D.9	1.1	0.7	0.7
2.8. Others		1.9	1.8	1.6

Notes:
- The tax burden is the sum of tax revenues and social contributions, as well as taxes paid by resident sectors to the rest of the world.
- Forecasts for 2023 and 2024 do not include revenues and expenditures associated with the MRR.

Source: *Ministry of Finance and Civil Service*

COMPARISON WITH EUROPEAN COMMISSION FORECASTS

% GDP

	2023		2024	
	Spain	European Commission	Spain	European Commission
Total revenue	41.9%	43.5%	42.0%	43.8%
Total expenditure	45.8%	47.6%	45.0%	47.1%
Public deficit	**-3.9%**	**-4.1%**	**-3.0%**	**-3.3%**

Source: *Ministry of Finance and Civil Service, European Commission Spring Forecast*

The forecasts have been made against a background of high uncertainty, currently marked by geopolitical tensions, the energy crisis and inflationary pressures.

It is important to emphasize that these Government projections are based on updated data and the latest available macroeconomic forecasts. However, it is necessary to mention that the European Commission's estimates date back to May, which may not fully reflect the current economic situation and subsequent decisions taken by Spain.

STRUCTURAL BALANCE

In a scenario where there is “no policy change”, the Spanish economy is projected to make a fiscal effort of approximately more than 1 percentage point.

	Código ESA	2022	2023	2024
General Government balance as a % of GDP				
1. Total Public Administrations	S.13	-4.7	-3.9	-3.0
Total Public Administrations (S.13) (% GDP, unless otherwise stated:)				
6. Interest	D.41	2.4	2.4	2.5
7. Primary balance		-2.4	-1.4	-0.4
8. One-off measures and other temporary measures		0.0	0.0	0.0
of which financial support		*0.0*	*0.0*	*0.0*
9. Real GDP (% variation)		5.8	2.4	2
10. Potential GDP (% variation)		1.0	1.5	1.6
contributions:		*0.0*	*0.0*	*0.0*
Employment		*0.2*	*0.7*	*0.7*
Capital		*0.5*	*0.4*	*0.5*
Total factor productivity		*0.4*	*0.4*	*0.4*
11. Output gap		-0.4	0.5	0.8
12. Cyclical balance		-0.2	0.3	0.5
13. Adjusted cyclical balance (1-12)		-4.5	-4.2	-3.4
14. Adjusted primary cyclical balance (13+6)		-2.1	-1.7	-0.9
15. Structural balance (13-8)		-4.5	-4.2	-3.4

Sources: *Ministry of Economic Affairs and Digital Transformation and Ministry of Finance and Civil Service*

EXPENDITURE RULE

The expenditure path will adhere to the guidelines established by Ecofin.

	2023	2024
Total General Government Expenditure (1) (withour RRF)	668,7	694,3
Interests (2)	35,6	39,1
Cyclical expenditure on unemployment benefits (3) (*)	2,0	739,8
Expenditure financed with European funds (4) (without RRF)	4,7	5,4
COVID measures (5)	0,0	0,0
One-offs of expenditures (6) (**)	0,0	0,0
National primary expenditure net of cyclical unemployment expenditure, COVID measures and expenditure one-offs (7) = (1)-(2)-(3)-(4)-(5)-(6	**626,5**	**649,0**
Discretionary revenue measures (8) (***)	2,6	6,5
Revenue one-offs (9) (**)	0,0	0,0
Discretionary revenue measures net of income one-offs (10) = (8) - $(9)_{t}$ + $(9)_{t-1}$ (***)	2,6	6,5
Net national primary spending (11) = (7)-(10)	**623,9**	**642,5**
Growth of net national primary expenditure (12) = [(11)t / (7)t-1 - 1]*100 (% var)		**2.5**
Maximum allowable growth of net national primary expenditure (EU Council Recommendation of July 14, 2023)		**2.6**

***(*)** European Commission methodology: unemployment expenditure * (unemployment rate - NAWRU) / NAWRU.*
***(**)** Positive sign is higher expenditure one-off and higher income one-off.*
***(***)** In incremental terms; positive sign is higher incremental.*
***Source:** Ministry of Finance and Civil Service*

THE RECOVERY, TRANSFORMATION AND RESILIENCE PLAN IN 2024

Revenue from RRF transfers (millions of euros)							
	2020	2021	2022	2023	2024	2025	2026
Revenue considered to ensure the principle of neutrality	487.6	21,484.4	25,722.0	23,930.2	6,320.9	1,463.6	445.5
Cash disbursements of RRM transfers		19,036.6	18,000.0	11,405.0	10,231.0	9,351.0	11,831.0

Expenditure financed by transfers from the RRF (millions of euros)							
	2020	2021	2022	2023	2024	2025	2026
Remuneration of employees (D.1)	0.1	4	10	5	0	0	0
Intermediate spending (P.2.)	5.7	239.2	318.1	226.6	19.7	8.6	3.1
Social transfers, current transfers and subsidies (D.62+D.632+D.3+D.7)	61.0	2,978.8	2,853.9	2,406.3	209.4	91.2	33.2
Interest (D.41)	0.0	0	0	0	0	0	0
TOTAL CURRENT EXPENDITURE	**66.8**	**3,221.8**	**3,181.5**	**2,638.2**	**229.6**	**100.0**	**36.4**
Gross fixed capital formation P.51g	34.6	1,680.6	1,635.5	1,367.1	119.0	51.8	18.9
Capital transfers D.9	386.1	16,582.0	20,905.0	19,924.9	5,972.3	1,311.7	390.2
TOTAL CAPITAL EXPENDITURE	**420.8**	**18,262.5**	**22,540.5**	**21,292.0**	**6,091.3**	**1,363.6**	**409.1**
TOTAL	**487.6**	**21,484.4**	**25,722.0**	**23,930.2**	**6,320.9**	**1,463.6**	**445.5**

Note: *these revenues and expenditures of the Recovery, Transformation and Resilience Plan have not been included in the DBP revenue and expenditure projections because their impact is neutral in terms of deficit due to the principle of neutrality set by Eurostat. Furthermore, this distribution of headings is a reflection of the economic classification of the General State Budget, since it is the State which receives all the funds from the EU and which subsequently distributes them (hence, for example, most of the capital transfers included here will subsequently be transformed into productive investment).*

Source: *Ministry of Finance and Civil Service*

THE RECOVERY, TRANSFORMATION AND RESILIENCE PLAN IN 2024

Recovery and Resilience Facility Loans

Planned annualization of RRF loans (M€)							
	2020	2021	2022	2023	2024	2025	2026
Planned annualization of RRF loans from the EU		626,5	543,8	5.480,0	22.965,5	26.429,6	27.114,6

Source: Ministry of Finance and Public Function and Ministry of Economic Affairs and Digital Transformation.

IMPACT OF THE MEASURES INCLUDED IN THE GENERAL STATE BUDGETS FOR 2024 AND COMPLEMENTARY INITIATIVES

2021, 2022 or 2023 General State Budget Measures	Differential impact M€	
	2023	2024
Personal Income Tax (PIT)	-1,915	-59
Increase in PIT rate		204
Modification of the limit on pension plan contributions	74	0
Additional 5% module reduction	-306	155
Increase in reduction of earned income	-1,565	-316
Extension of the maternity deduction	-118	-102
CORPORATE TAX	540	-425
Minimum taxation	540	0
Special regime	-	-133
Reduced tax rate for SMEs	-	-292
VAT	-21	-3
Reduction in the rate for feminine hygiene products and contraceptives	-21	-3
TOTAL	**-1,396**	**-487**

Other complementary measures	Differential impact M€	
	2023	2024
Personal Income Tax (PIT)	-1,706.0	170.0
Changes in rates, minimus and deductions of the Autonomous Regions	-1,677.0	170.0
Compensation for rental price reductions and deductions for energy rehabilitation of homes	-102.0	-
Measures to mitigate the effects of the pandemic	73.0	-
CORPORATE TAX	885.0	609.0
Other measures	27.0	-
Group taxation	840.0	609.0
Measures to mitigate the effects of the pandemic	18.0	-
VAT	-2,210.0	2,917.0
Reduced rates for sanitary purchases	58.0	154.0
Measures to mitigate the effects of the pandemic	3.0	-
VAT rate reduction on electricity	-514.0	1,016.0
VAT rate reduction on gas, wood and pellets	-307.0	397.0
VAT rebate on foodstuffs	-1,450.0	1,350.0
Special Taxes	630.0	1,090.0
Single-use plastics	630.0	58.0
IE Electricity	-	1,032.0
Other taxes and duties	3,519.0	1,121.0
Temporary Solidarity Tax on Large Fortunes	619.0	21.0
Tax on the Value of Electricity Production	-	1,100.0
Temporary tax on energy and banks	2,900.0	-
Social Security	2,922.4	1,089.1
Replacement of the sustainability factor with and intergenerational equity mechanism	2,922.4	780.5
Adjustment of the maximun contribution base of the system	-	308.6
TOTAL	**4,040.4**	**6,996.1**

CLASSIFICATION OF EXPENDITURE BY FUNCTIONS

Function	Code COFOG	2023	2024
		% GDP	% GDP
1. General public services	1	5.7	5.6
2. Defence	2	1.2	1.3
3. Public order and security	3	1.9	1.7
4. Economic affairs	4	5.0	4.6
5. Environmental protection	5	1.0	1.0
6. Housing and community services	6	0.5	0.5
7. Health	7	6.7	6.7
8. Recreational activities and religion	8	1.1	1.0
9. Education	9	4.3	4.3
10. Social protection	10	18.7	18.3
11. Total expenditure	TE	45.8	45.0

Source: *Ministry of Finance and Civil Service*

CSR COMPLIANCE

CSR / concrete measures	Compliant / in process
1. CSRs Phase out existing emergency energy support measures, savings to reduce the public deficit, as soon as possible in 2023 and 2024.	✓
Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary spending in 2024 to a maximum of 2.6 percent.	✓
Maintain nationally financed public investment and ensure effective absorption of grants from the Facility and other Union funds, in particular to promote green and digital transitions.	✓
Continue to implement a medium-term fiscal policy strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, in order to achieve a prudent fiscal position in the medium term.	✓
2. CSRs Maintain the momentum in the ongoing implementation of its Recovery and Resilience Plan and, following the recent submission of the addendum, including the REPowerEU chapter and the additional loan request, to rapidly initiate the implementation of related measures.	✓
Ensure that it continues to have sufficient administrative capacity given the expected increase in the scope of the Recovery and Resilience Plan.	✓
Proceed with the rapid implementation of cohesion policy programs, in close complementarity and synergy with the Recovery and Resilience Plan.	✓
3. CSRs Reduce dependence on fossil fuels.	✓
Accelerate the implementation of renewable energies, in particular by further simplifying and digitizing permitting procedures, supporting the work of permitting authorities, and improving grid access and investment in energy storage, electricity transmission and distribution, and electricity interconnections.	✓
Increase the availability of energy-efficient affordable and social housing, including through renovation, and accelerate the electrification of buildings and the penetration of electromobility.	✓
Intensify policy efforts aimed at providing and acquiring the necessary skills for the green transition.	✓