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# Stability Programme Update 2016-2019

29th April 2016



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## Macroeconomic scenario

<i>Year on year % change</i>	2014	2015	2016f	2017f	2018f	2019f
Real GDP	1.4	3.2	2.7	2.4	2.5	2.5
GDP deflator	-0.4	0.6	0.9	1.2	1.5	1.8
Private Consumption	1.2	3.1	3.2	2.6	2.4	2.4
Public Consumption	0.0	2.7	1.0	0.9	0.7	0.7
Gross Fixed Capital Formation	3.5	6.4	5.6	4.6	4.7	4.8
Domestic Demand(*)	1.6	3.7	3.1	2.6	2.5	2.5
Exports of goods and services	5.1	5.4	5.3	5.7	5.6	5.7
Imports of goods and services	6.4	7.5	7.0	6.7	6.3	6.1
External Demand(*)	-0.2	-0.5	-0.4	-0.2	0.0	0.0
Employment (**)	1.1	3.0	2.5	2.2	2.3	2.3
Unemployment rate (average)	24.4	22.0	19.9	17.9	15.8	14.0
Employees affiliated to the Social Security	1.6	3.2	3.0 (Q1)	-	-	-
Net lending (+)/ borrowing (-) vs RoW (***)	1.6	2.1	2.4	2.2	2.2	2.3
Public sector net lending (+)/ borrowing (-) (***) (1)	-5.8	5.0	-3.6	-2.9	-2.2	-1.6
(*) Contribution to GDP growth; (**) full -time equivalent (***) % GDP						

Real GDP (y-o-y % change )	2016f	2017f
Banco de España (April 2015)	2.7	2.3

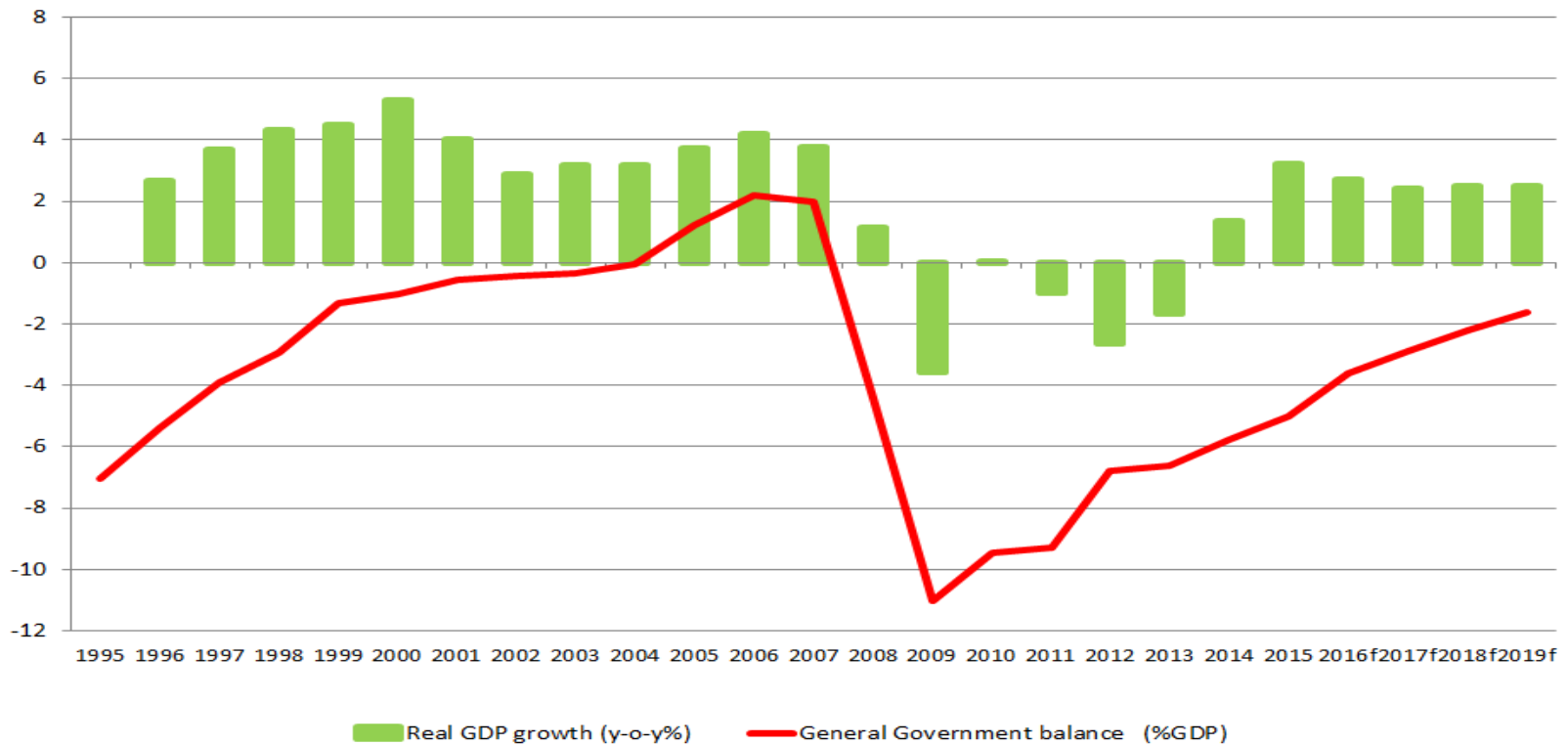
Real GDP (y-o-y % change )	2016f	2017f
National Consensus (March 2016)	2,7	2,3



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## General Government outturn balance

Net lending (+)/net borrowing (-)  
(%GDP)



Source: IGAE, MINHAP. Net of financial sector assistance one-off. Excluding 2008-2009 Settlements of the territorial financing system for 2010-2011.



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## Budgetary stability targets

Net lending (+)/net borrowing (-)  
( % of GDP)

	Stability Targets				
	2015 (A)	2016	2017	2018	2019
Central Government	-2.53	-1.8	-1.5	-1.1	-0.9
Regional Governments	-1.66	-0.7	-0.5	-0.3	0.0
Local Governments	0.44	0.0	0.0	0.0	0.0
Social Security	-1.26	-1.1	-0.9	-0.8	-0.7
<b>General Government</b>	<b>-5.00</b>	<b>-3.6</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-1.6</b>

Source: IGAE . MINHAP. Excluding financial sector assistance.

Main one-off 2015 (M€)	
PPPs reclassification	-2,033
Hepatitis C	-1,094
Guarantee execution	-200
Restitution of the extra pay 2012(net)	-1,930
UMTS concessions revenue	1,643

Source: MINHAP.

Main measures 2016	
Expenditure (M€)	
Non-availability agreement of the Central Government	2,000
CORA	729
Autonomous Communities measures	2,037
Revenue (M€)	
Tax fraud figth	1,000
Tax reform	-4,091

Source: Stability Programme 2016.



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## Revenues

### Impact of tax reform (bn€)

Ex ante	2015	2016 (march)	Cumulative 2015-2016
PIT	-4.813	-1.582	-6.395
CIT	-1.089	-42	-1.131
<b>Total</b>	<b>-5.902</b>	<b>-1.624</b>	<b>-7.526</b>

Source: AEAT.

Ex post	2015	2016 (whole year)	Cumulative 2015-2016
PIT	-3.872	-2.577	-6.449
CIT	-871	-1.514	-2.385
<b>Total</b>	<b>-4.743</b>	<b>-4.091</b>	<b>-8.834</b>

Source: Stability Programme 2016.

### General Government Consolidated Revenues (bn€)

	2014	2015	2016p	2017p	2018p	2019p	% 2015/2014	% 2016/2015
<b>Total Taxes</b>	230.398	242.265	250.723	262.448	276.282	292.675	5.2	3.5
Taxes on products	99.226	106.479	112.996	117.710	122.621	127.736	7.3	6.1
Other taxes on production	20.083	20.035	21.013	20.832	21.353	21.887	-0.2	4.9
Taxes on income and wealth paid by households and NPISH	84.502	84.039	86.684	91.651	96.576	103.446	-0.5	3.1
Taxes on income and wealth paid by corporations	20.891	25.450	23.456	25.826	28.925	32.396	21.8	-7.8
Capital taxes	5.696	6.262	6.574	6.429	6.807	7.209	9.9	5.0
Social contributions	130.063	132.333	136.303	141.210	146.435	151.853	1.7	3.0
Sales and other current revenue	41.018	38.717	39.729	40.166	40.166	40.166	-5.6	2.6
<b>General Government consolidated revenues</b>	<b>401.722</b>	<b>413.456</b>	<b>427.875</b>	<b>445.335</b>	<b>464.450</b>	<b>486.103</b>	<b>2.9</b>	<b>3.5</b>
<i>"Fiscal burden" (Revenue/GDP)</i>	38.6	38.2	38.2	38.3	38.4	38.5		

Source: IGAE



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## Expenditure by function

### General government expenditure by function (bn€)

	2007	2011	2012	2013	2014	2015	2016	2017	2018	2019
01 General public services	53.122	66.326	68.921	73.339	72.002	69.895	68.297	68.901	69.922	71.416
02 Defence	10.803	11.138	9.679	9.862	9.023	10.333	9.665	10.198	11.746	11.782
03 Public order and safety	20.141	23.229	21.194	21.048	21.064	22.035	21.504	22.293	22.846	23.611
04 Economic affairs	55.955	60.636	82.901	46.553	46.008	45.568	46.271	47.300	47.448	49.893
* <i>financial sector assistance</i>		5.442	39.584	3.854	1.463	1.352				
05 Environmental protection	10.764	10.174	9.302	8.621	8.701	8.900	8.753	9.039	9.335	9.752
06 Housing and community amenities	9.814	6.063	4.824	4.681	5.171	5.154	5.054	5.197	5.423	5.742
07 Health	61.238	69.240	64.685	63.152	63.339	66.744	66.508	68.533	70.214	72.412
08 Receration, culture and religion	16.933	16.214	12.653	11.809	11.992	12.018	12.027	12.436	12.816	13.346
09 Education	43.336	47.137	43.307	42.079	42.298	43.547	43.483	44.913	46.020	47.504
10 Social protection	138.574	180.104	182.605	184.293	183.443	184.227	187.211	190.697	195.434	200.396
<b>Total Expenditure</b>	<b>420.680</b>	<b>490.261</b>	<b>500.071</b>	<b>465.437</b>	<b>463.041</b>	<b>468.421</b>	<b>468.774</b>	<b>479.507</b>	<b>491.204</b>	<b>505.854</b>
<b>Total Expenditure/GDP (%)</b>	<b>38.9</b>	<b>45.8</b>	<b>48.0</b>	<b>45.1</b>	<b>44.5</b>	<b>43.3</b>	<b>41.8</b>	<b>41.2</b>	<b>40.6</b>	<b>40.1</b>

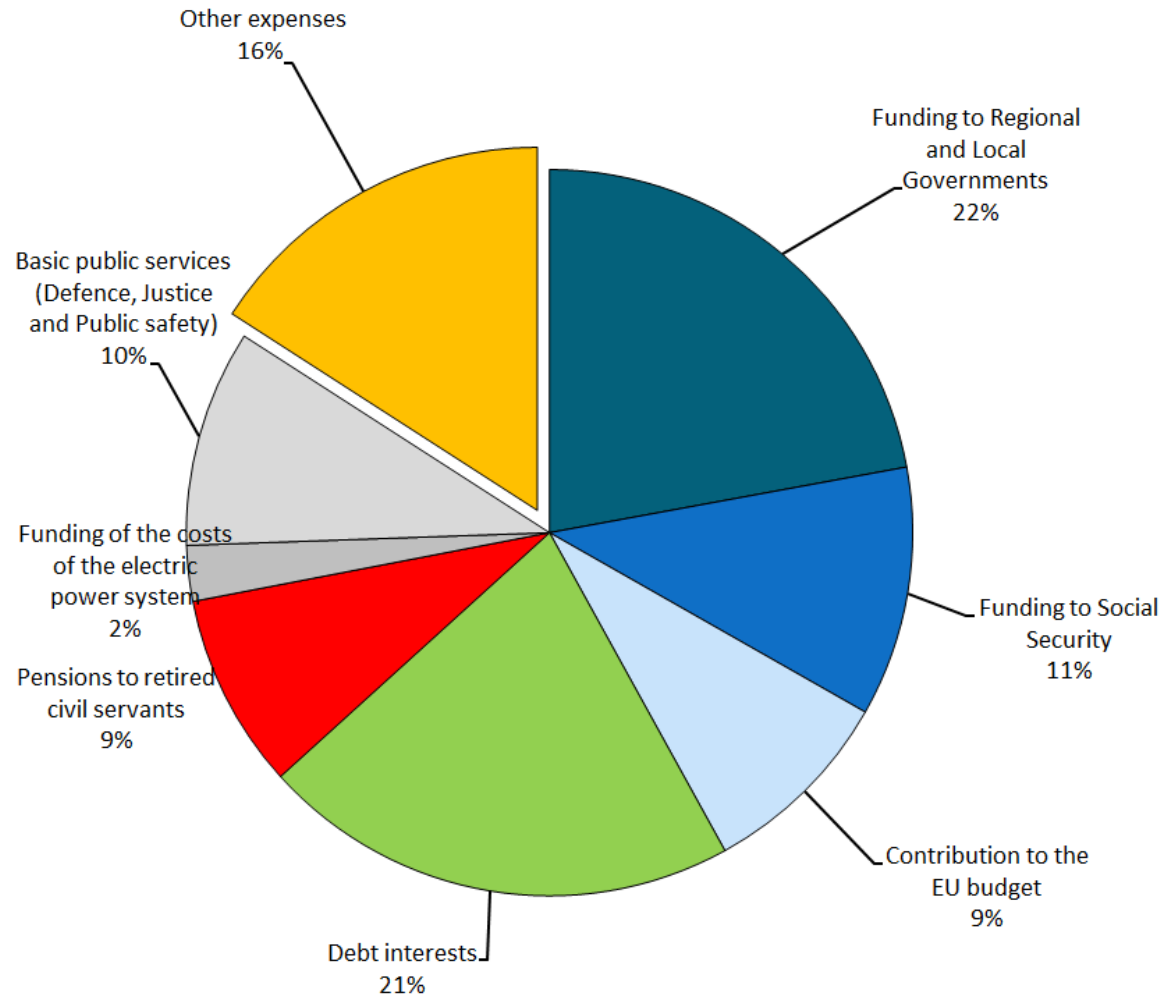
Source: IGAE



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## The Central Government budget has a strong funding character

Central Government Budget 2016 (M€)	157,189
Funding of Territorial governments and debt interests	99,470
-Funding to Regional and Local Governments	34,742
-Funding to Social Security	17,480
-Contribution to the EU budget	13,758
-Debt interest	33,490
Pensions to retired civil servants	13,651
Funding of the costs of the electric power system	3,895
Basic public services (Defence, Justice and Public safety)	15,190
Other expenses	24,983



Source: MINHAP.



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## Fiscal balances and public debt 2011-2019

% GDP	General Government Balance	Interests	General Government Primary Balance	Nominal GDP (y-o-y %)	Public Debt
2011	-9,1	2,5	-6,7	-1,0	69,5
2012	-6,8	3,0	-3,8	-2,6	85,4
2013	-6,6	3,4	-3,3	-1,1	93,7
2014	-5,8	3,4	-2,4	1,0	99,3
2015	-5,0	3,1	-1,9	3,8	99,2
2016p	-3,6	2,9	-0,8	3,7	99,1
2017p	-2,9	2,7	-0,2	3,7	99,0
2018p	-2,2	2,6	0,4	4,0	97,9
2019p	-1,6	2,5	0,9	4,4	96,0

Source: MINHAP Net of one-offs to the financial sector

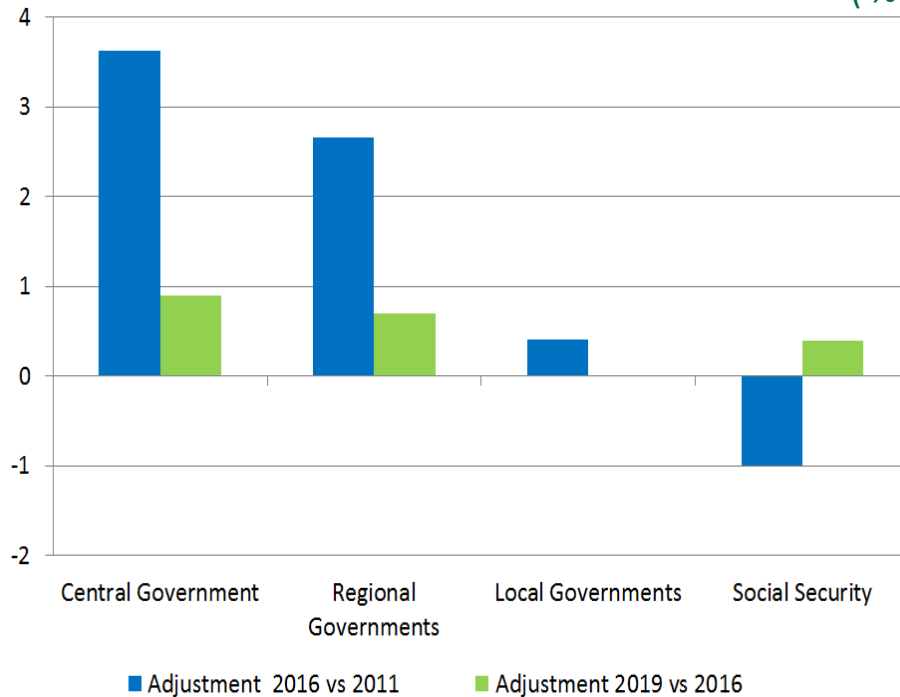




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## Fiscal effort 2011 - 2019

Change in Net lending (+)/net borrowing (-)  
( % of GDP)



(p.p.)	Adjustment 2016 vs 2011	Adjustment 2019 vs 2016	Total Adjustment
Central Government	3.63	0.90	4.53
Regional Governments	2.65	0.70	3.35
Local Governments	0.40	0.00	0.40
Social Security	-1.00	0.40	-0.60
<b>General Government</b>	<b>5.69</b>	<b>2.00</b>	<b>7.69</b>

Excluding financial sector assistance. 2011 Excluding 2009 Settlements of the regional financing system

Source: IGAE. MINHAP.



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## Autonomous Commission Recommendation: Apply the Stability at regional government level

- Preventive and corrective measures of the Stability Law: request for an economic-financial plan for breach of financial stability objectives; and, for the first time, direct payment to suppliers, with a discount of the equivalent amount in the territorial funds of the Autonomous Communities affected .
- Enforcement measures of the Stability Law: bilateral meetings with the Autonomous Communities to adjust the implementation of their budgets, by means of non-availability agreements, to their new stability targets ( 0.7 % vs 0.3 % GDP).
- Adjustment plan approved as an essential condition for the new liquidity from the Regional Liquidity Fund (FLA).
- New conditionality of the liquidity instruments: accession to FARMAINDUSTRIA protocol, permanent accessibility to FACe, institutional strengthening of regional financial comptroller functions.
- More transparency: monthly publication of the expenditure rule, and the adjustment plans.