

MONTHLY STABILITY TARGET MONITORING 2024

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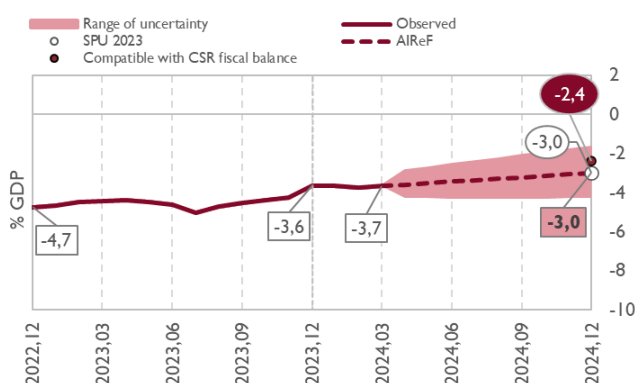
Independent Authority
for Fiscal Responsibility

General Government

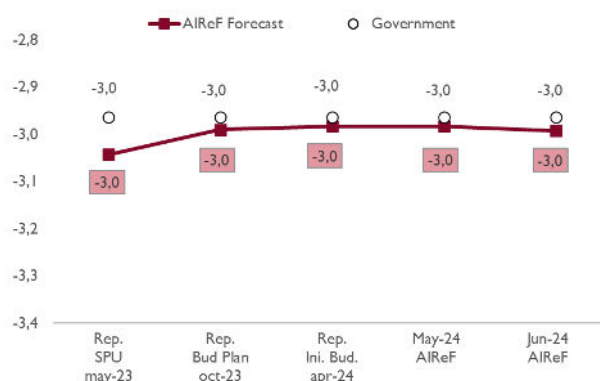
AIReF maintains its deficit estimate for the General Government (GG) at 3% of GDP, as published in the [Report on the Initial Budgets of the General Government for 2024](#) of April 11th, 2024, although minor changes are registered in the sub-sectors. Essentially, the increase in the forecast deficit of the Autonomous Regions is offset by the improvement for the Central Government. This factsheet incorporates the new information received, mainly the data published by the IGAE for April for the State and for March for the rest of the General Government sub-sectors for 2024, as well as the information on the April budget execution for the Social Security Funds.

- 1 The deficit forecast for 2024 remains at 3%, since, according to the data published in the first months of 2024, the changes in the sub-sectors are offset.
- 2 In the process of continuous evaluation of the budgetary cycle, AIReF maintains the deficit estimate at 3%, in line with the Government's estimate.

General Government deficit (% GDP)

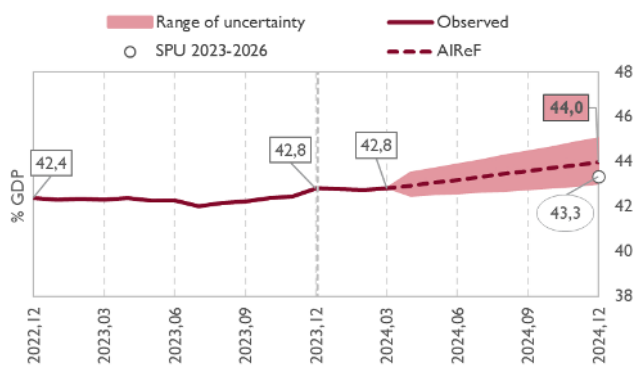


Updated GG deficit estimate (% GDP) (AIReF)

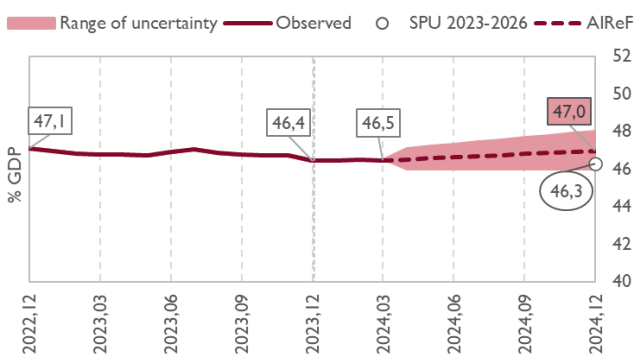


- 3 The revenue recorded up to March in cumulative 12-month terms maintains its weight in terms of GDP. AIReF expects an increase in revenue over the year to 44%. This growth would be lower if the Recovery, Transformation and Resilience Plan (RTRP) were not taken into account.
- 4 Annualised expenditure, compared with year-end 2023, seems to have risen slightly, after a downward trend in the last few months of 2023. It is expected to increase slightly during the rest of the year to close 2024 with a weight of 47%, driven by expenditure associated with the RTRP.

GG revenue (% GDP)

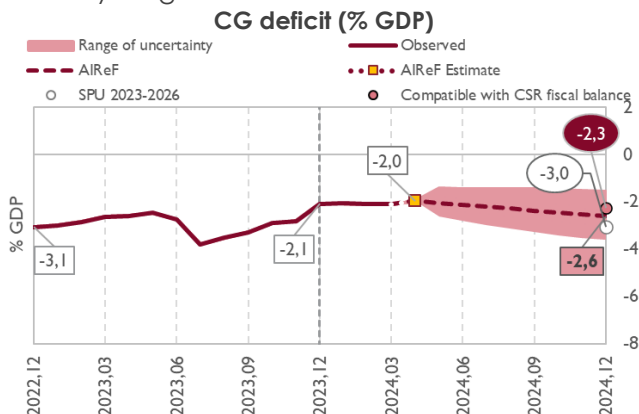


GG expenditure (% GDP)

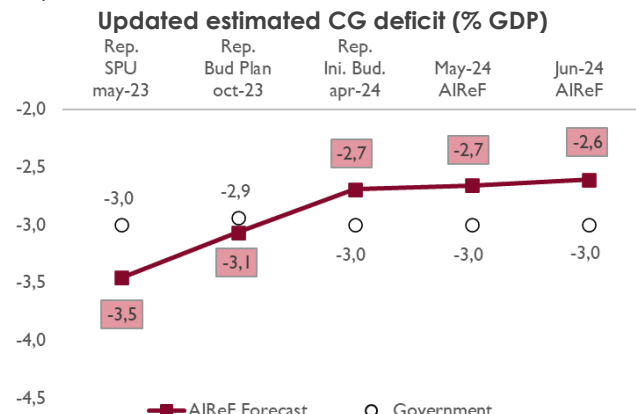


Central Government

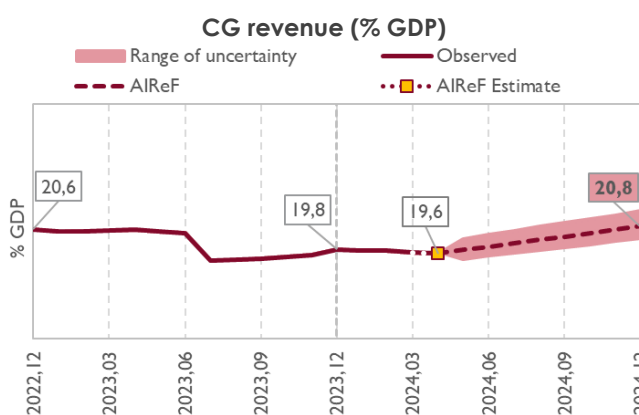
1 AIReF improves its deficit estimate for the Central Government in 2024 to 2.6%, 0.4 points lower than the Government's forecast in the Stability Programme.



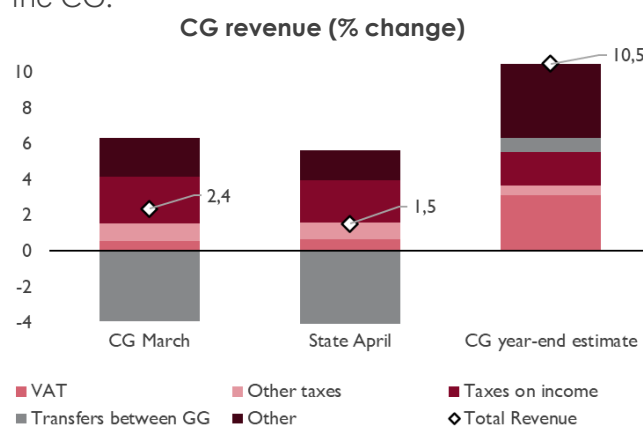
2 The deficit is slightly reduced following the incorporation of new information, which has led to minor improvements in both revenue and expenditure.



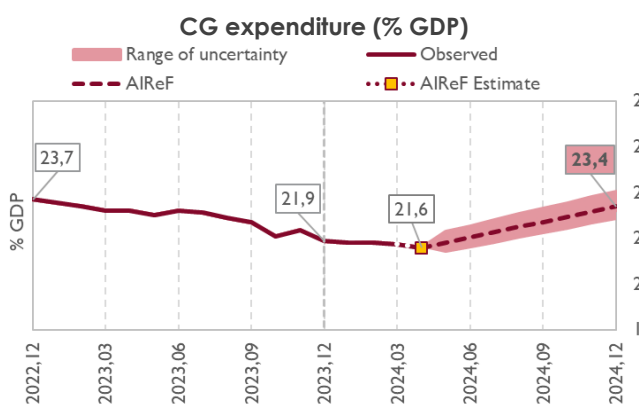
3 AIReF also maintains the revenue forecast at 20.8% of GDP at year-end 2024, mainly due to the receipt of RTRP funds and the gradual withdrawal of the reductions in the VAT rates on energy and food, the Special Tax on Electricity and the recovery of the Tax on the Value of Electricity Production.



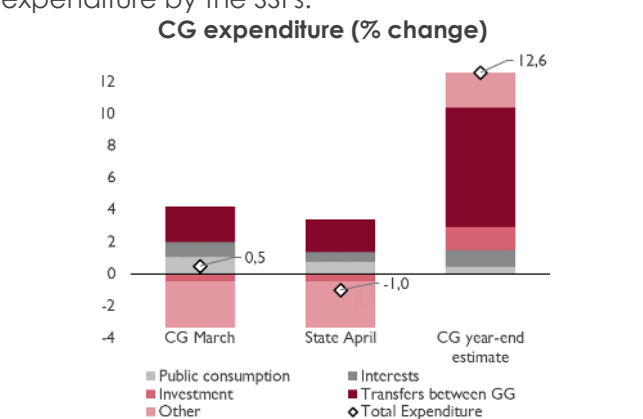
4 Revenue will increase its rate of growth throughout 2024, driven by higher revenue from the RTRP funds, the disappearance of VAT rate reductions and the positive contribution of transfers received, after a negative contribution in the previous year as a result of the 2022 settlement of the financing system in favour of the CG.



5 In terms of GDP, the forecast for an increase in expenditure in cumulative 12-month terms to 23.4% at year-end is maintained, mainly due to RTRP expenditure, as well as military spending, court rulings and interest.



6 In growth rates, lower growth in expenditure is expected than in the last estimate, to close 2024 at 12.6%, with a noteworthy positive contribution of transfers for the regional and local financing system and to finance the "unauthorised" expenditure by the SSFs.

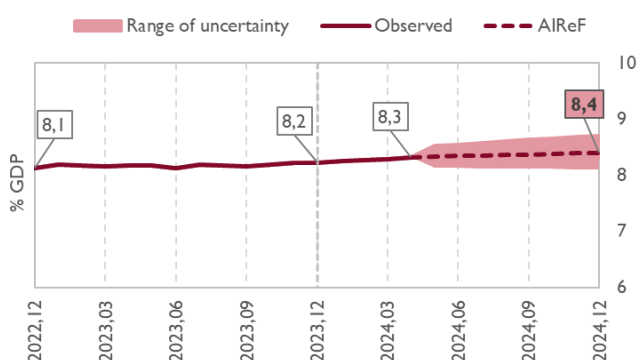


Main tax revenue and social contributions

AIReF updates its revenue estimates for 2024 with the April tax collection. In the year to date, tax revenue has grown by 7.3%, 0.2 points less than in the year to March, driven by the growth in withholdings from work and capital, by the good figure for the first instalment payment of Corporate Income Tax, and by the good evolution of VAT, where the moderate evolution of sales has been compounded by the gradual withdrawal of the rate reductions on energy products and basic foodstuffs. AIReF expects 2024 to close with tax revenue growth of 8.3%.

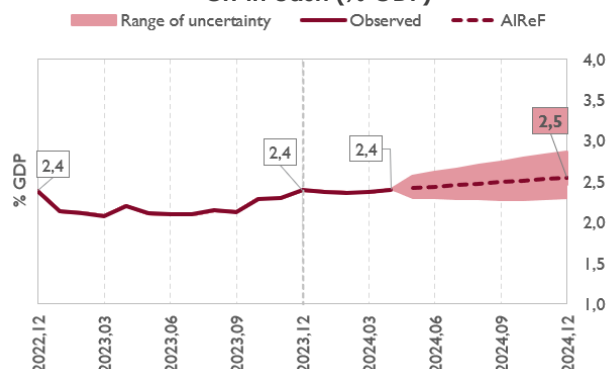
① In 2024, **PIT** will reach 8.4% of GDP, slightly above 0.1 points higher than in 2023. During the first four months, it has grown by 8.5% due to the boost from withholdings from work and capital, and despite the fact that the increase in the reduction of earnings from work approved in the last two years has already reduced 1.7 points from growth. By the end of 2024, a lower growth rate of 7.5% is expected, due to the effect of the aforementioned extension of the reduction in withholdings from work and the tax cuts in the Autonomous Regions.

PIT in cash (% GDP)



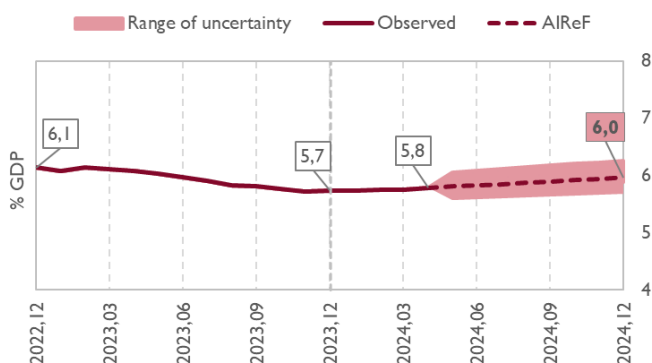
② AIReF maintains that **CIT** will reach 2.5% of GDP in 2024, 0.1 points more than in 2023. The first instalment payment was paid in April, which grew by 7.7%, a moderate rate compared with last year, when the 50% limit on the offsetting of intra-group tax bases boosted growth by 2.5 points, whereas this year this measure has not been extended. AIReF forecasts a higher increase by the end of 2024, of 11.9%, but this largely depends on whether or not this measure is extended.

CIT in cash (% GDP)



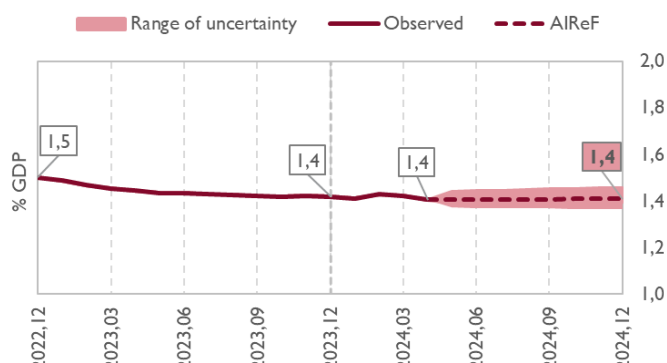
③ **VAT** will reach a weight of 6% of GDP by year-end 2024, 0.3 points more than in the previous year. Up to April, VAT revenue has grown by 6%, in line with the evolution of sales. Up to April, the tax rate reductions on foodstuffs and energy reduced tax collection by around €1.4bn. AIReF forecasts that the gradual withdrawal of these measures will enable it to reach 9.4% by year-end.

VAT in cash (% GDP)



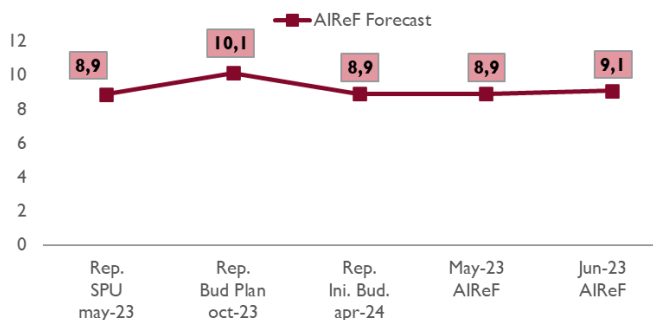
④ The weight of Special Taxes over GDP will remain at 1.4% in 2024. In the year to date, revenue has grown by 2% compared with 2023, a trend that is lower than the cumulative trend, after April saw the largest fall in these taxes for months (8.4%), dragged down by the poor performance of Hydrocarbons and Tobacco Products. AIReF expects growth of 6.3% by year-end.

Special Taxes in cash (% GDP)



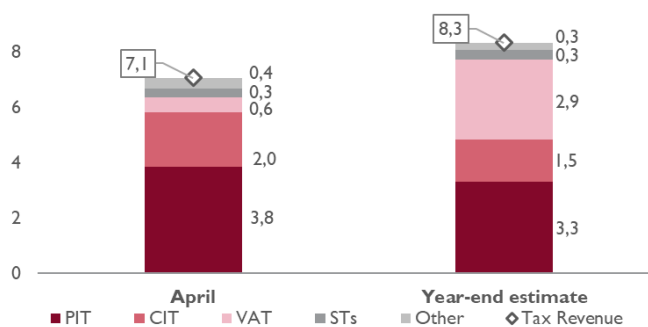
5 In national accounting terms, total tax revenue in 2024 will grow by 9.1% compared with 2023, 0.2 points above the previous estimate. The good performance expected of tax bases and tax rates will offset the increase in the reduction for withholdings from work in Personal Income Tax and the partial extension of the tax cuts in VAT rates to mitigate inflation.

Update of 2024 forecast of income tax under the general NA regime (% year-on-year change)



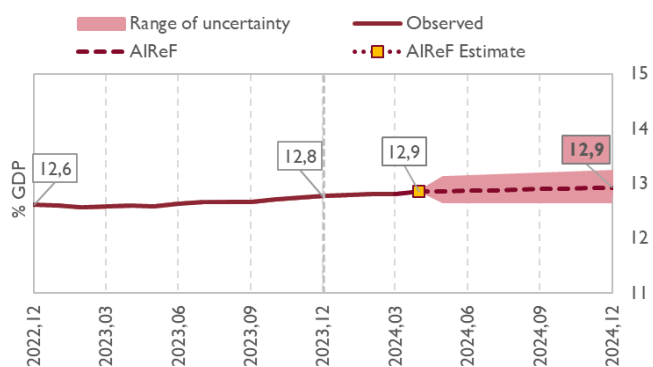
6 12-month cumulative tax revenue in cash terms up to April grew by 7.1%, mainly driven by growth in direct taxes (Personal Income Tax and Corporate Income Tax). By year-end 2024, growth of 8.3% is estimated, with a positive contribution from all components, particularly a noteworthy increase in the contribution from VAT due to the gradual reinstatement of the usual rates on food and energy products.

Contributions to change. Cash AIReF (% change)



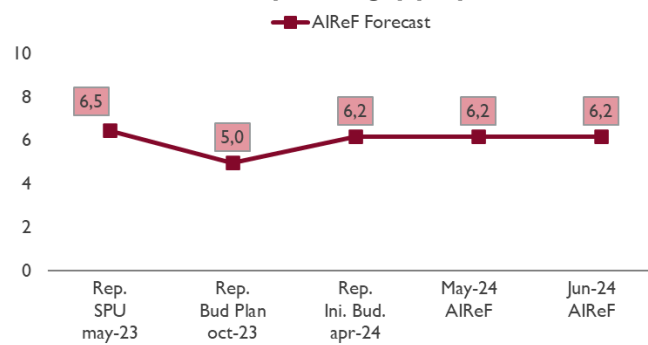
7 AIReF expects Social Security Fund contributions to end 2024 with a weight of 12.9% of GDP. The increase of 0.1 points on year-end 2023 is also due to a positive macroeconomic scenario and the increase in the IEM.

SSF social contributions (% GDP) (NA)



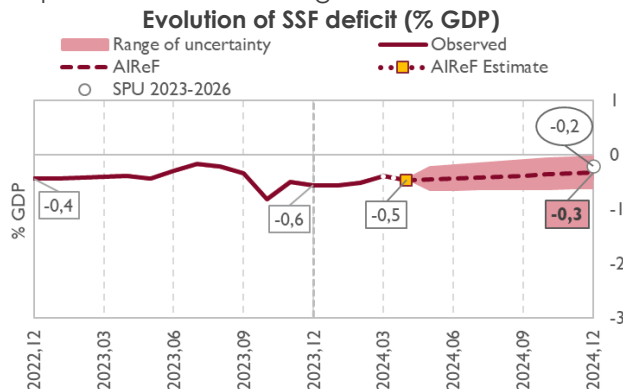
8 AIReF forecasts a 6.2% rate of growth in contributions from the GG sector. The May forecast thus remains unchanged.

Updated forecast for social contributions from the GG Sector (% change) (NA)

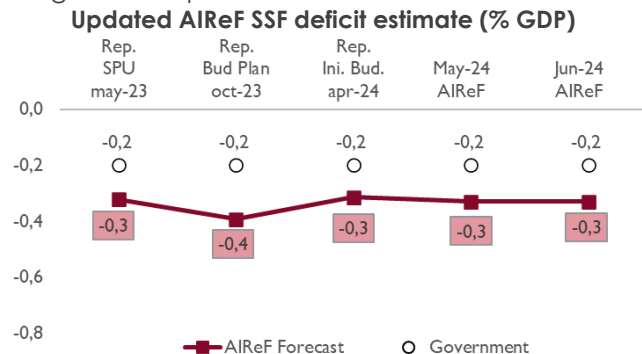


Social Security Funds

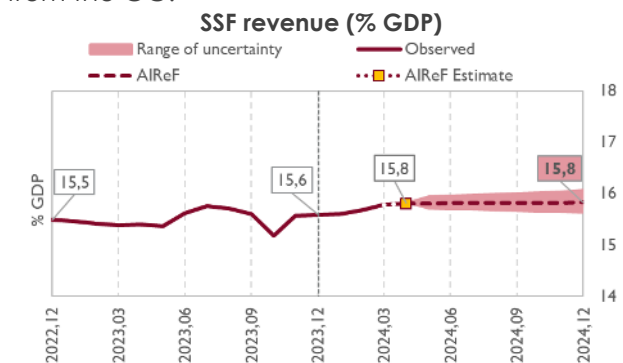
1 AIReF estimates that the SSF deficit will improve over the year to reach 0.3% of GDP in 2024, in line with the forecast in the April 2024 Report on the Initial Budgets.



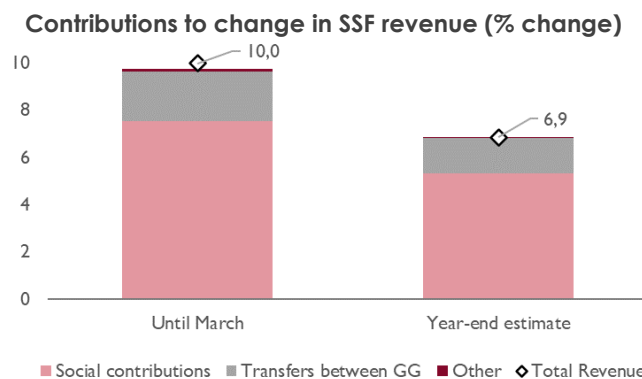
2 The estimate of the SSF deficit for 2024 is maintained at -0.3%, 0.1 points below the Government's estimate in the Stability Programme Update.



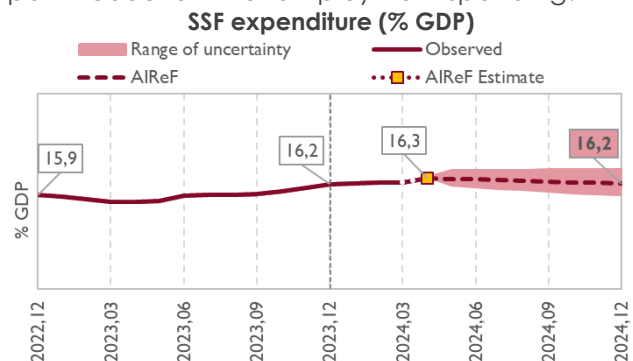
3 AIReF expects the weight of revenue as a percentage of GDP to remain at 15.8% over the course of 2024, due to both the dynamic nature of the growth of contributions and to the increase in the transfer of "unauthorised" expenditure from the CG.



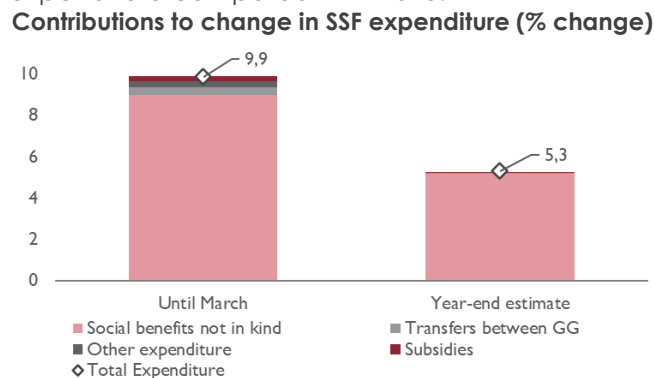
4 AIReF expects a slowdown in the rate of growth of revenue over the rest of the year, due to a moderation in the intensity of the growth of both contributions and transfers from the Central Government over the rest of the year.



5 Expenditure will maintain its weight of GDP at 16.2% over 2024. The 0.1% increase in the weight of GDP of spending on pensions is offset by the 0.1-point reduction in unemployment spending.

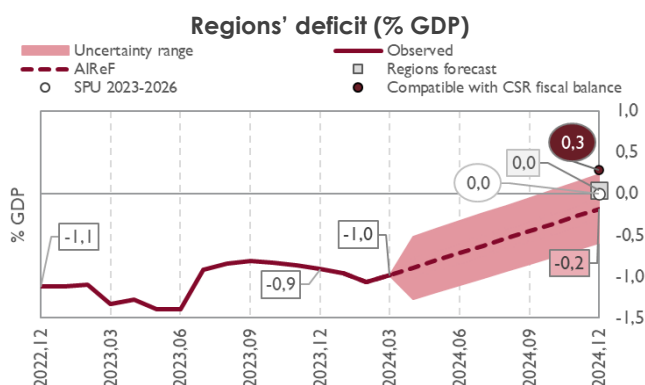


6 The pace of SSF expenditure growth is expected to slow over the year, mainly due to lower growth in pension and unemployment expenditure compared with 2023.

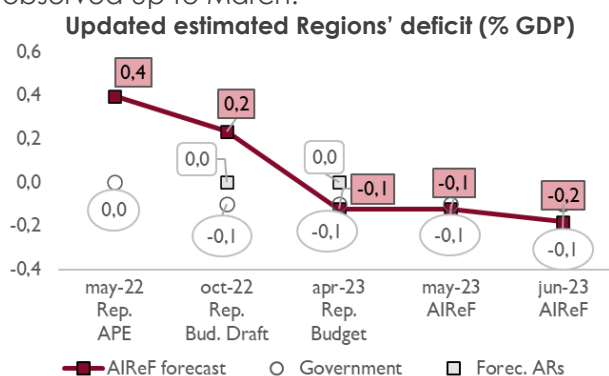


Autonomous Regions

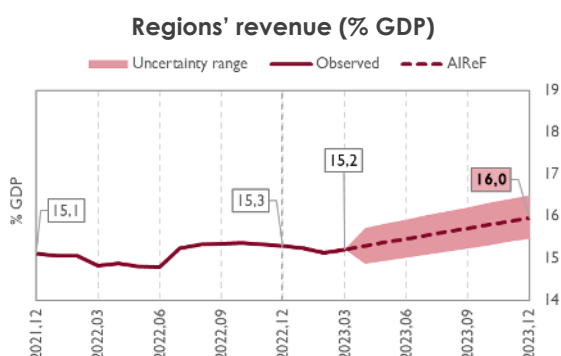
1 AIReF estimates that the Autonomous Regions will reach a deficit of 0.2% of GDP in 2024. Compliance with the expenditure rule would lead to a surplus of 0.3% of GDP.



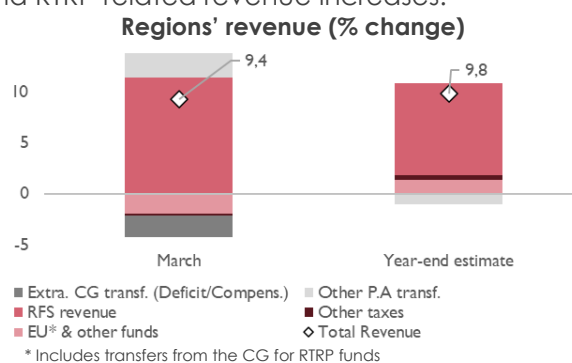
2 AIReF worsens the outlook for 2024 for the Autonomous Regions by 0.1 points, as it slightly revises the revenue not associated with the RTRP downwards and includes the higher spending observed up to March.



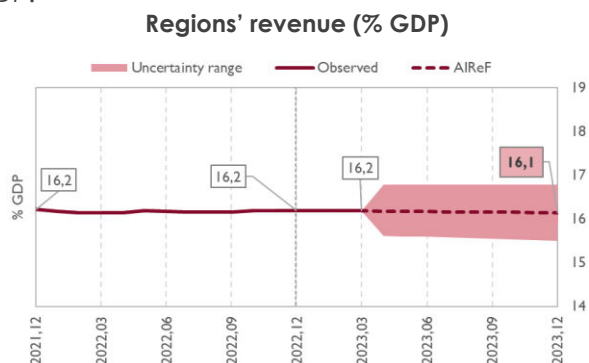
3 Revenue without the RTRP is still estimated to have increased by 9% by year-end, thanks to Regional Financing System revenue. Including the RTRP, the increase will reach 10% and stand at 16% of GDP.



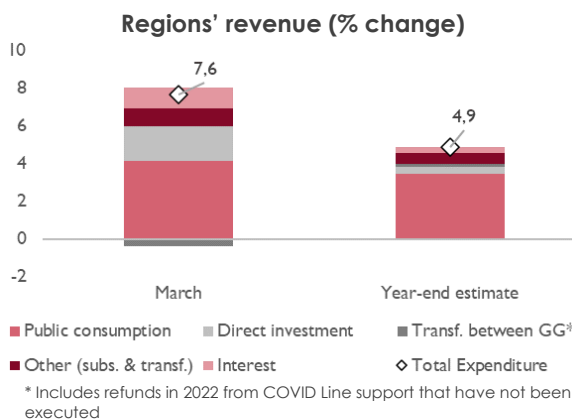
4 The last 12 months show a reduction in extraordinary transfers from the CG and the EU and an increase in revenue from the Regional Financing System and other GG transfers. By year-end, the contribution from the Regional Financing System moderates and the contribution of tax and RTRP-related revenue increases.



5 It is estimated that by year-end, non-RTRP expenditure will have increased by 4%, conditioned by the wage increase and the cost of servicing debt, despite the moderation in inflation. Including expenditure associated with the RTRP, the increase will be 5% and amount to 16.1% of GDP.



6 The last 12 months have seen significant growth, albeit lower than in the previous year, in interest, public consumption, investment, subsidies and transfers. By year-end, more moderate contributions from these items will be recorded.



Methodological note

- AIRcF's forecasts are updated monthly by incorporating the latest data published into its forecast models for taxes, contributions, unemployment benefits, pensions and interest. Any relevant, announced and approved information that may have an impact at year-end is also included.
- The forecasts also take into account the latest data published by the General Intervention Board of the State Administration (IGAE) in national accounting terms, as well as other monthly statistics, such as budgetary execution of the different sub-sectors (Central State Administration, Social Security System, State Public Employment Service (SEPE), Wage Guarantee Fund (FOGASA) and the Autonomous Regions), monthly information on tax collection from the State Tax Administration Agency (AEAT), the pension payroll (eSTADISS database) and unemployment benefit statistics.
- The figures included are expressed in annualised terms, i.e. as a sum of the last 12 months. The series expresses the flow of what has happened or expected for the last 12 months up to the reference month and the data for December therefore match the annual data.
- AIRcF does not aim to estimate a monthly total in these factsheets, rather it focuses on what it deems relevant: the flow over the whole of 2024, highlighting how the monthly information or new announcements lead to a change in its estimates.
- Since monthly data are not published on the local sub-sector, the consolidation of the General Government (GG) total has been estimated by taking into account a monthly calculation of the payments for transfers from the State to the Local Governments (LGs) from the financing system and the payments from the Provincial Councils to the CSA for the quota and to the Autonomous Region of the Basque Country.
- Given that the stability targets have not been approved, the Government considers as such the deficit path of the Stability Programme 2023-2026, which establishes a balance of -3% of GDP for the GG sector as a whole, with the following breakdown by sub-sector: a deficit of 3% of GDP for the Central Government (CG), a deficit of 0.2% of GDP for the Social Security Funds (SSFs), equilibrium for the Autonomous Regions (ARs) and a surplus of 0.2% of GDP for the Local Governments (LGs).
- As regards the expenditure rule, the publication of the Report on the Situation of the Spanish Economy has announced that the reference rate stands at 2.6% for 2024, which is mandatory for the CG, the ARs and the LGs, without parliamentary approval being necessary, unlike the stability and debt targets.
- AIRcF's total for the revenue and expenditure of the GG is measured including the RTRP, which AIRcF calculates at 1.5 points of GDP in 2024. In its comparisons with the Government, AIRcF has considered values without the RTRP, since there is no information on the total funds expected to be executed in 2024 in national accounting terms in either the Stability Programme 2023-2026 or in the 2024 Budgetary Plan.
- AIRcF's range of uncertainty is estimated using a VAR model with two lags that includes the seasonally-adjusted series of revenue (or income) and expenditure of the sub-sector, nominal GDP, sub-sector debt over GDP and ten-year interest rates. Monte Carlo simulations are performed based on this model. The result of these simulations is sorted in percentiles, from which the bands are obtained. The range of uncertainty of the balance is obtained as the difference between the corresponding revenue and expenditure.
- AIRcF's Report on Budgetary Execution, Public Debt and the Expenditure Rule 2020, of July 15th, 2020, contains an annex with the main abbreviations and acronyms used.