Independent Authority for Fiscal Responsibility

Debt Monitor

July 2024

- *The Spanish debt-to-GDP ratio stood at 108.9% in the first quarter of 2024, up 1.2 points from the end of 2023, and 10.7 points from the pre-pandemic level. It is worth noting that historically the first quarter of the year has a significant positive seasonal effect as public issuers tend to take advantage of favourable demand at the start of the year.*

- *Nevertheless, in annual terms, the pace of the fall in the ratio has decelerated, and in quarterly terms it has broken a streak of 11 consecutive quarters of continuous falls.*

- *Spain is currently one of the EMU countries with the highest levels of debt, behind Greece, Italy and France, and with a similar level to Belgium.*

- *Despite the reduction of 16.4 points from the peak reached in the first quarter of 2021 (125.3%), Spain, along with France and Belgium, are the countries with high ratios that have increased their debt the most due to the Covid crisis. With the exception of Greece, it should be noted that the most indebted EU countries are the ones with the highest deficits.*

- *After a significant decline in 2023, inflation has moderated its fall in 2024 showing some signs of stabilising at levels somewhat above those desired by central banks. At present, a final correction to the 2% target is expected to be much more gradual than expected a few months ago.*

- *The central banks of the major developed economies are facing a potential change of cycle in monetary policy decisions.*

- *After a few months of pause, following almost two years of continuous interest rate hikes, central banks are taking the first steps in easing the monetary policy stance.*

- *Following the Swiss and Swedish central banks, the ECB announced a 25 bp cut last June, as had already been widely discounted by the markets.*

- *Despite these initial moves, there is still great uncertainty about the pace of interest rate cuts in the coming months. Market expectations of rate cuts have been cooling over the last few months.*

- *The latest data have not helped gain the necessary confidence for a first rate cut in the U.S., when at the beginning of the year it was assumed that by this point in the calendar the FED would have already reduced its policy rate once or twice. For its part, the ECB is giving no clear signals about future moves.*

- *What does seem to be a certainty is that monetary policy will remain in restrictive territory for an extended period of time, closely linked to the evolution of the various price and economic activity indicators.*

- *Over the last year and a half, sovereign debt yields have shown a more stable trend. After the sharp and rapid rise in sovereign debt yield curves in the wake of the inflationary episode and the reaction of central banks, the last 18 months have seen a more sideways movement in yields across maturities and countries.*

- *Since mid-2022, the Eurosystem's balance sheet has shrunk by €2.27 trillion, i.e. by more than 22%. Most of this decline is due to the fact that banks have repaid a substantial part of the Eurosystem's borrowing through targeted long-term refinancing operations (TLTROs). This has returned many assets previously used as collateral, including government bonds, to the market.*

- *The shrinking of the Eurosystem's balance sheet and the fact that governments across the euro area have issued record amounts of debt have substantially increased the availability of bonds in the market.*

- *The ECB is reducing the amount of bonds in its portfolio that it started buying in 2014 with the launch of the first debt purchase programme by not reinvesting maturing bonds under its Public Sector Purchase Programme (PSPP). Since the June 2022 highs, public debt holdings under the programme have fallen by €321 bn by the end of May 2024. Over the next 12 months, the balance sheet is expected to be reduced by €255 bn due to maturities.*

- *The reduction of public debt holdings on the ECB's balance sheet is set to accelerate at the end of 2024 with the discontinuation of reinvestments under the Pandemic Emergency Purchase Programme (PEPP). Since the June 2022 peaks, public debt holdings under the programme had fallen by €38 bn by the end of May 2024.*

- *Public debt holdings held by the ECB under the PSPP and PEPP programmes are still very high, amounting to almost €4 tn. The process of "quantitative tightening" is in its early SCENARIOS, with the ECB not yet a net seller of bonds.*

- *The ECB has been the main buyer of European bonds in recent years, thus contributing to maintaining risk premiums and helping to keep borrowing costs low.*

- *Bond yields have risen as monetary policy has tightened, but not alarmingly so, and risk premiums have softened in recent months despite debt issuance being at an all-time high at the start of the year, and the ECB's asset balance having shrunk by 22%.*

- *Following the European elections and the early elections in France, there has been some uncertainty in the markets with increases in the spreads of southern European countries and France.*

- *The reduction in the Eurosystem's balance sheet has taken place against a backdrop of high public debt issuance, forcing private investors to step up their demand in the bond markets.*

- *Of particular note was the speed and intensity of household purchases of public debt as a result of rising yields and the failure of commercial banks to pass on rising interest rates to their deposits. The increase in savings during the pandemic meant that households had more money available to invest in bonds and bills.*

- *Since mid-2022, foreign investors have increased their holdings of government bonds and debentures by 3.3 points to 43.4% of the total. For their part, resident investors have increased their holdings by 1.9 points to complete the reduction in debt held by the Bank of Spain of 5.2 points.*

- *Households accounted for more than one third (36.1%) of total treasury bill holdings at that date, and are the main type of investor in this segment. Financial companies increased their share to 8%. These increases in treasury bill holdings came at the expense of a reduction in the share of non-residents (-40.1 points) and financial institutions (-9.1 points).*

AUTONOMOUS REGIONS

- *From a low in 2007 (5.8%), the debt-to-GDP ratio of the ARs increased by more than 21 points to reach a peak in 2020 (27.2%), coinciding with the upturn of the pandemic. Since that point, the ratio has fallen by 4.9 points to 22.2% of GDP at the end of 2023, somewhat below the levels of around 24% where the ratio had stabilised in the years prior to Covid.*

- *The debt situation of the Autonomous Regions varies considerably from one region to another, with significant differences in debt levels per capita and as a percentage of GDP. These differences have widened markedly in the crisis episodes.*

- *The difference between the Region with the highest debt (Valencia, 42.2 points of GDP) and the Region with the lowest (Canary Islands, 12.2 points) is 30 points. In per capita terms, the debt per inhabitant varies by 8,000 euros between the Canary Islands (2,828 euros) and Catalonia (10,878 euros).*

- *In general, most Regions have debt levels that exceed the reference value established by law (13% of regional GDP). At the end of 2023, the ratio for the whole Autonomous Region sub-sector was 9.2 points above the reference level. Of the 17 Regions, 14 exceed the reference of 13% of regional GDP.*

- *The projection for the first year of the fiscal plan (2025) places a group of five Autonomous Regions below the reference level of 13% of regional GDP and another two very close. Another group of six Regions are hovering at an average distance of around 5-7 points. Three regions are in a more worrying situation with a level of around 30%. Finally, Valencia stands out as having the most critical situation, at 30 points above the reference level.*

- *The baseline scenario projects a reduction in the ratio of 2.6 points for the Autonomous Regions as a whole over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would place it at 17.6% of GDP.*

- *Under the latest macro-fiscal forecasts published by AIReF in the Report on the Initial Budgets, which show a budgetary scenario with a positive evolution of the primary balance in 2024 and some easing in the medium term, and assuming that the surplus remains constant from 2028 onwards, the path of the debt ratio shows a sustained but very gradual reduction, converging towards the level of 17% of GDP.*

- *If we consider a less favourable evolution of the primary balance of 0.1points of GDP per year over the period 2024-2028 to bring the fiscal balance in that year to half a point below that observed in the central scenario, the debt ratio would show an unfavourable evolution from 2028 onwards, rising to above historical highs in the medium term.*

- *Calibrating three different fiscal consolidation scenarios for the period of a four-year adjustment plan (from 2025 to 2028), where the following conditions are met:*

  (i) the legal reference of 13% is reached in 5, 10 or 15 years depending on the starting point of each Autonomous Regions (2028, 2033 or 2038),

  (ii) primary expenditure grows at the same rate of 2.7% in all the ARs (a rate calculated on the basis of the adjustment required to comply with the new framework of rules for all GG sub-sectors) and

  (iii) achieving budgetary balance in 2028 conditional on a feasibility criterion (minimum primary expenditure growth of 2%),

  a structural adjustment of between 0.1 and 0.3 points of GDP would be needed to reduce the debt ratio to 13% between 2031 and 2041.

	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	1.22	0.30	2031
Scenario (ii)	0.44	0.11	2037
Scenario (iii)	0.30	0.08	2041

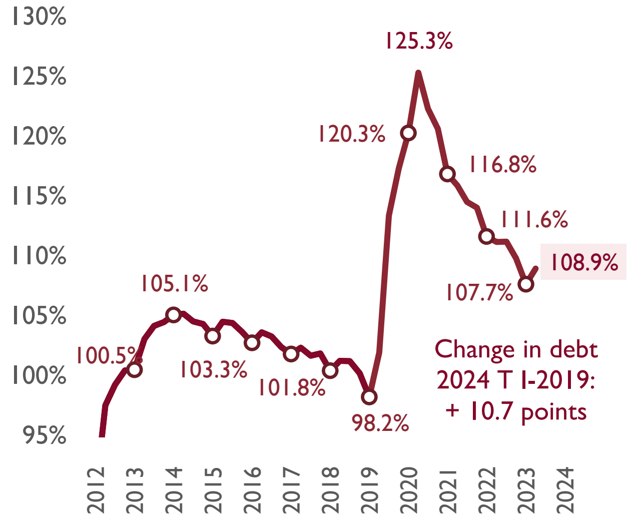
- *The weight of the extraordinary financing mechanisms of the Autonomous Regions has remained stable over the last six years at around 60%, after a very rapid growth between 2012 and 2016.*

- *Three ARs - Catalonia, Valencia and Andalusia - account for 75% of the total value of the funds.*

- *The use of the mechanisms has been very heterogeneous across the Regions, and even very different within each one over time.*

- *The start-up of funding mechanisms has provided great liquidity to the Autonomous Regions and Local Governments at very low costs.*

Debt (GDP), quarterly evolution



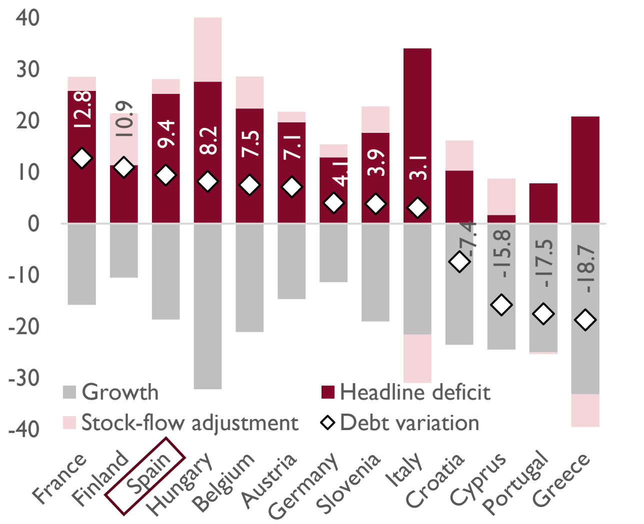
Source: INE and Bank of Spain

The Spanish debt-to-GDP ratio stood at 108.9% in the first quarter of 2024, an increase of 1.2 percentage points from year-end 2023, and 10.7 percentage points from the pre-pandemic level. In annual terms, the rate of decline in the ratio has slowed, 2.2 points in the last four quarters, and in quarterly terms it has broken a streak of 11 consecutive quarters of continuous decline. It is worth noting that historically the first quarter of the year has a significant positive seasonality as public issuers tend to take advantage of the favourable demand at the start of the year. The cumulative reduction since the peak reached in the first quarter of 2021 (125.3%) is 16.4 points. In monetary terms, public debt continued to grow in 2024 to reach €1.604 tn in April.

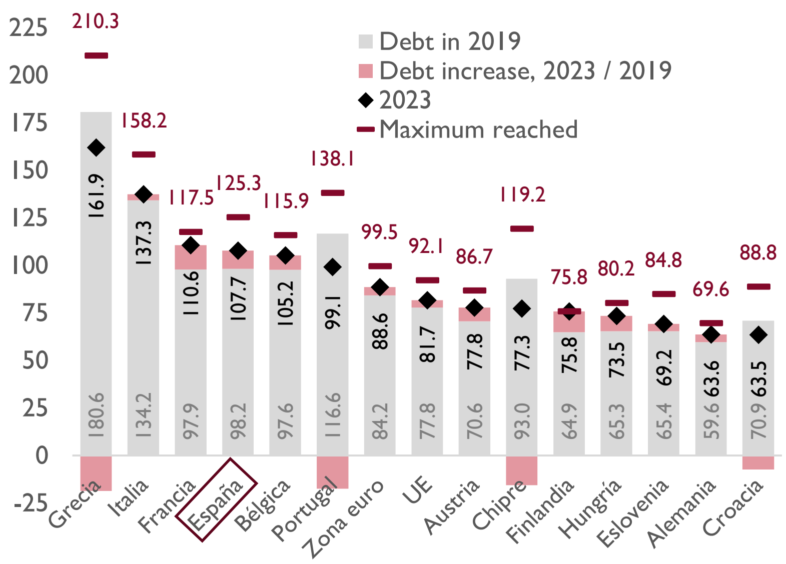
Spain is currently one of the EMU countries with the highest debt levels, behind Greece, Italy and France, and with a similar level to Belgium. In 2019, Spain was already one of the euro area countries with the highest debt ratios, and the pandemic has contributed to consolidating this situation. Despite the 16-point reduction from the peak, Spain, together with France and Belgium, are the countries with high ratios that have increased their debt the most due to the Covid crisis. With the exception of Greece, it should also be noted that the most indebted EU countries are those that maintain some of the largest imbalances in their public accounts. Portugal, after a very considerable initial upturn, has managed to reduce its deficit in the last three years to reach a budgetary surplus that has allowed it to reduce its debt considerably.

European Union countries with a debt ratio above 60% of GDP

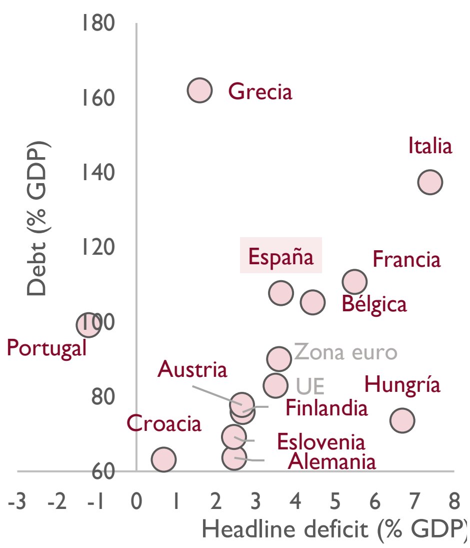
Contributions to the change in debt 2019 - 2023



Debt (% GDP) in 2023, and change from pre-Covid level

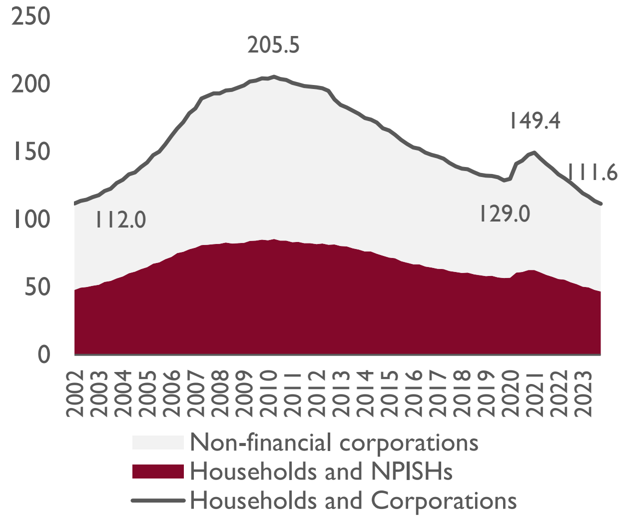


Deficit and debt (% GDP) in 2023



Source: Eurostat and Ameco

Consolidated debt of non-financial corporations and households and NPISHs (% GDP)

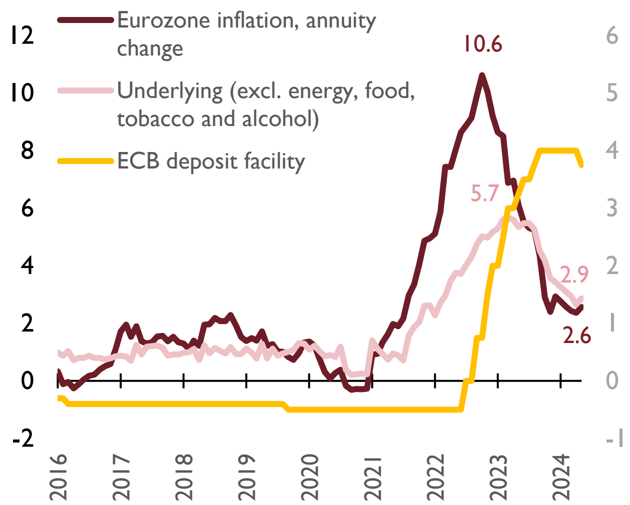


Source: Bank of Spain

The debt-to-GDP ratio of non-financial corporations and households has continued to fall sharply. This reduction has been supported both by a certain fall and stabilisation of outstanding debt and by inflation and growth in real terms. The company's ratio stood at 65% of GDP at year-end 2023, a level not seen since 2002 and almost 3 p.p. below the EMU average. The household debt ratio stood at 47% of GDP, the lowest level since 2001 and 4 p.p. below the EMU average. The sum of both sectors reached 111.6%, a ratio similar to that of the whole General Government sector. Despite the fall in indebtedness, the rise in interest rates has caused the financial burden of companies and households to increase in 2023.

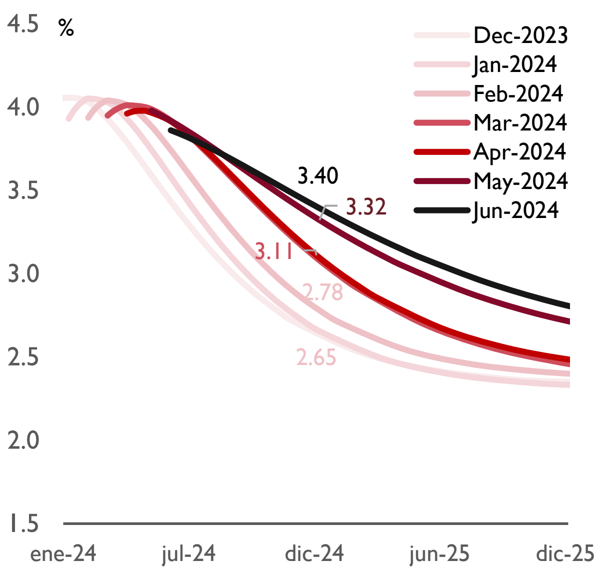
After a significant decline in 2023, inflation has moderated its fall in 2024, showing some signs of stabilising at levels somewhat above those desired by central banks. After a record high in 2022, inflation declined significantly in 2023. In 2024, inflation is showing some signs of stabilising at levels not far from, but above the central banks' reference levels and a final correction to the 2% target is expected to be much more gradual. Headline inflation in the euro area stood at 2.6% in May, a rise of 0.2 points on the previous month, bringing it to between 2.5-3% for eight consecutive months. Core inflation also accelerated by 0.2 points in May (the first rise in the last ten months) to 2.9%.

Harmonised inflation in the euro area and the ECB's deposit facility rate



Source: Eurostat and ECB

Expected rate of the ECB's deposit facility (*)



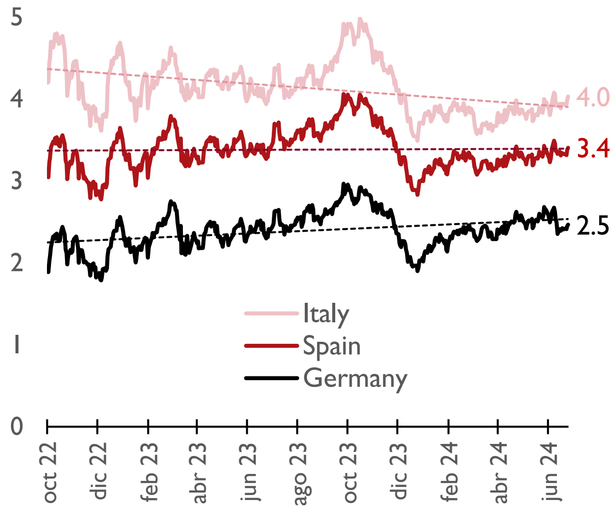
(*) Discounted through the instantaneous forward curve of the OIS.

Source: Refinitiv and AIReF

The central banks of the main developed economies are facing a possible change of cycle in monetary policy decisions. After a few months of pause following almost two years of continuous interest rate hikes, central banks are taking the first steps to ease the monetary policy stance. The Bank of Switzerland initiated the cycle of interest rate drops in developed economies last March. It was subsequently joined by the Swedish central bank, with an announcement of a 25 b.p. cut in May, and the ECB with the same cut in June, bringing the deposit rate to 3.75% and the refinancing rate to 4.25%, as had already been widely discounted by the markets.

Despite these initial movements, the pace of decline over the coming months remains highly uncertain. Market expectations have been cooling over the last few months, from cumulative cuts of 100-150 b.p. in 2024 as a whole to the 40-50 b.p. discounted in June. The latest data have not helped to gain the necessary confidence for a first rate cut in the U.S., when at the start of the year it was taken for granted that by this point in the calendar the FED would have already reduced its polcy rate once or twice. For its part, the ECB is giving no clear signals about future moves. What does seem to be a certainty is that monetary policy will move in restrictive territory for a prolonged period of time, closely linked to the evolution of the different price and economic activity indicators.

10-year debt yields (%)

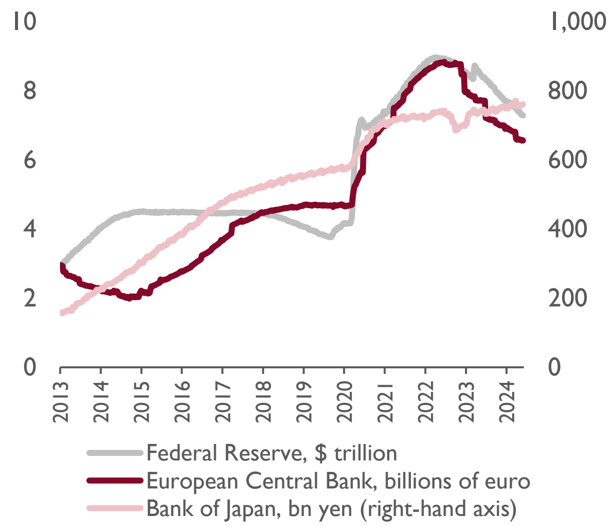


Source: Refinitiv

Over the last year and a half, sovereign debt yields have shown a more stable trend. After the sharp and rapid rise in sovereign debt yield curves as a result of the inflationary episode and the reaction of central banks, there has been a fairly lateral movement in yields in the different maturities and countries over the last 18 months. This evolution has not been exempt from certain fluctuations, as price and activity indicators have been reflecting the expectations of the monetary authorities' future decisions.

The ECB has cut its balance sheet by more than €2 trillion since the June 2022 peak. Since mid-2022, the Eurosystem's balance sheet has shrunk by €2.27 trillion, or more than 22%. Most of this decline is due to the fact that banks have repaid a substantial part of the Eurosystem's borrowing through targeted long-term refinancing operations (TLTROs). This has returned many assets previously used as collateral, including government bonds, to the market. The reduction in the Eurosystem's balance sheet and the fact that governments across the euro area have issued record amounts of debt have substantially increased the availability of bonds in the market.

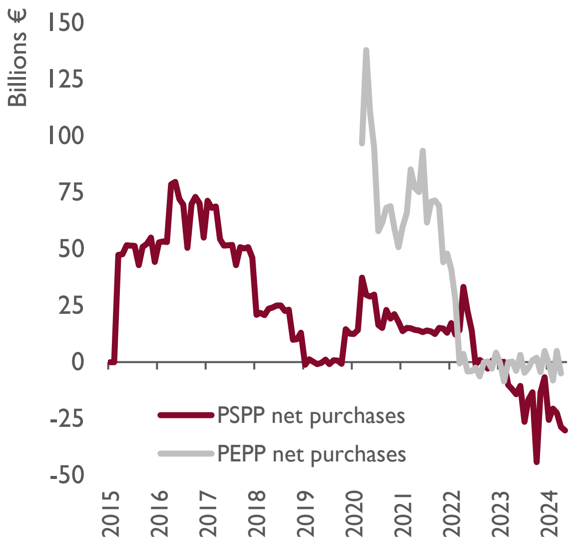
Central bank balance sheets



Source: European Central Bank, Federal Reserve and Bank of Japan.

In addition, the ECB is reducing the amount of bonds in its portfolio that it started buying in 2014 with the launch of the first debt purchase programme by not reinvesting maturing bonds under its Public Sector Purchase Programme (PSPP). In June 2022 the ECB's Governing Council decided to discontinue net asset purchases under the PSPP, but to continue reinvesting all repayments between July 2022 and February 2023. In December 2022, the decision was taken that as of March 2023 the portfolio would decrease at a moderate and predictable pace with no net purchases and partial reinvestments. In June 2023, it was confirmed that reinvestments under the PSPP would be discontinued as of July 2023. Since the June 2022 peaks, public debt holdings under the programme have fallen by €321 bn by the end of May 2024. Maturities over the next 12 months are estimated at €255 bn.

Net purchases under the ECB's PSPP and PEPP programmes

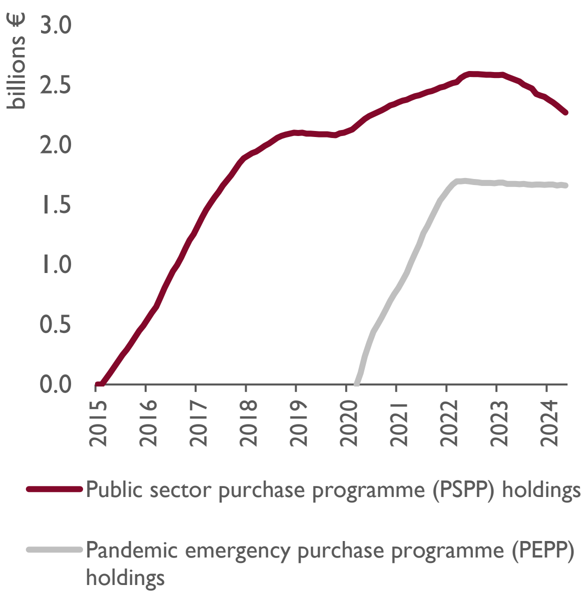


Source: European Central Bank

The reduction of the ECB's balance sheet holdings of public debt is set to accelerate towards the end of 2024 with the discontinuation of reinvestments under the Pandemic Emergency Purchase Programme (PEPP). In December 2023, the ECB's Governing Council announced its intention to continue reinvesting, in full, the principal payments on maturing securities purchased under the PEPP during the first half of 2024 and to reduce the PEPP portfolio by €7.5 bn per month, on average, during the second half of the year. At the same time, the Governing Council announced its intention to discontinue reinvestments under the PEPP at the end of 2024. Since the June 2022 peaks, public debt holdings under the programme had fallen by €38 bn by the end of May 2024.

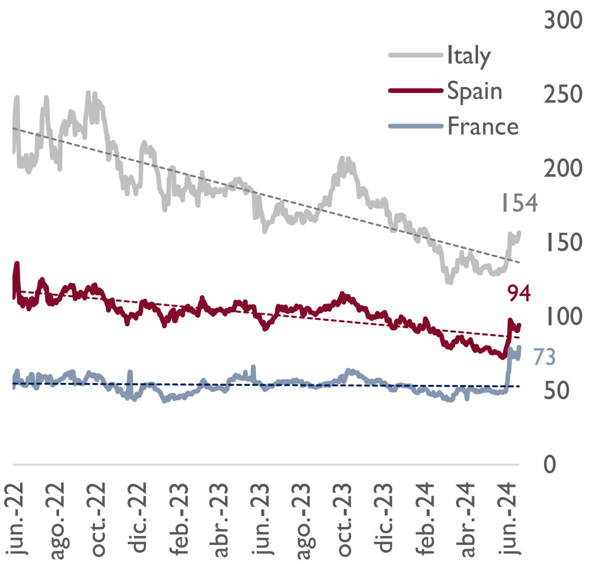
Public debt holdings held by the ECB under the PSPP and PEPP programmes are still very high, amounting to almost €4 trillion. The process of "quantitative tightening" is taking its first steps in terms of government bond flows, with a long way to go (the ECB has not yet become a net seller of bonds). Holdings have been reduced overall (PSPP+PEPP) by €355 bn since end-June 2022, or 8%. At the end of May 2024, the portfolio stood at €3.93 trillion. It is still too early to assess the impact of the divestment on both public debt yields and spreads in the different euro countries, although the ECB has equipped itself with tools such as the "The Transmission Protection Instrument" to moderate and control potential adverse effects.

ECB Asset Purchase Programme holdings



Source: European Central Bank

Spread with Germany (risk premium)

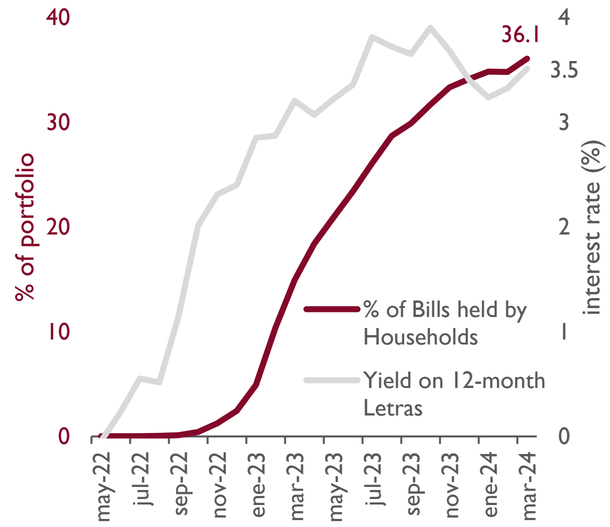


In the two years since the ECB started to raise interest rates and reduce its balance sheet, the bond market has been relatively quiet. The ECB has been the main buyer of European bonds in recent years, thus helping to contain risk premiums and maintain low borrowing costs. Bond yields have risen as monetary policy has tightened, but not alarmingly so for the ECB, and risk premiums have softened in recent months despite debt issuance being at an all-time high at the start of the year, and the ECB's asset balance having fallen by 22%. Following the European elections and the early elections in France, there has been some uncertainty in the markets with increases in the spreads of southern European countries and France.

Source: Refinitiv

The reduction in the Eurosystem's balance sheet has taken place against a backdrop of high public debt issues, which has led private investors to intensify their demand in the bond markets.
Historically, foreign investors have been the largest holders of public debt in Spain and the euro area, accounting for around 40% of holdings before the start of the Eurosystem's Asset Purchase Programme. However, when the Eurosystem expanded its balance sheet, foreign investors halved their holdings of euro area government bonds. When the Eurosystem ended reinvestments under the PSPP, they returned and absorbed a considerable share of net public debt issues. However, their share is still much lower than it was a decade ago.

Yields and holdings of treasury bills held by households (Spain)

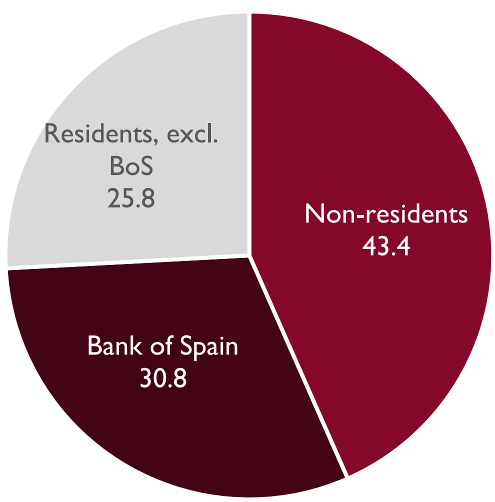


Source: Refinitiv and Bank of Spain

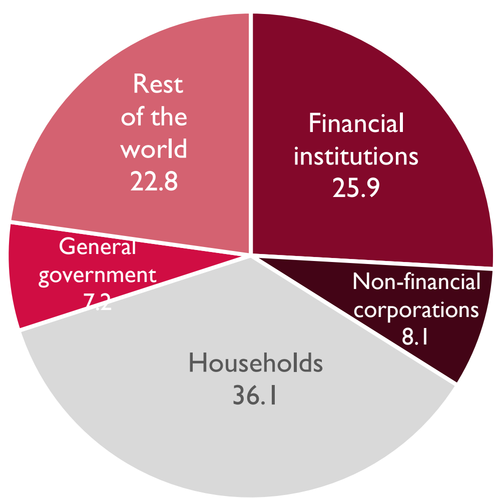
Of note is the speed and intensity of purchases by the household sector. The share of public debt held by households has returned to around 3.5%, close to the level before the Eurosystem launched its Public Sector Purchase Programme (PSPP) in 2015. Several factors have made the purchase of public debt attractive for households. Rising yields, together with governments offering specific products for individuals, attracted household investment, especially as many commercial banks were slow to pass on the increase in policy rates to deposit rates. In addition, the increase in savings during the pandemic meant more money was available for households to invest in bonds and bills.

Since mid-2022, foreign investors have increased their holdings of governments bonds and debentures by 3.3 points to 43.4% of the total. For their part, resident investors have increased their holdings by 1.9 points to complete the reduction in debt held by the Bank of Spain of 5.2 points. Retail investors' high interest in treasury bills was very significant during this period, becoming the main holder, with a record increase of €25.806 bn up to March 2024. As a result, households accounted for more than one third (36.1%) of total treasury bill holdings at that date, making them the main type of investor in this segment. Financial companies have increased their share to 8%. These increases in treasury bill holdings came at the expense of a reduction in the share of non-residents (-40.1 points) and financial institutions (-9.1 points).

Holdings of government bonds and debentures by type of investor (%), March 2024



Treasury bill holdings by type of investor (%), March 202



Source: Bank of Spain

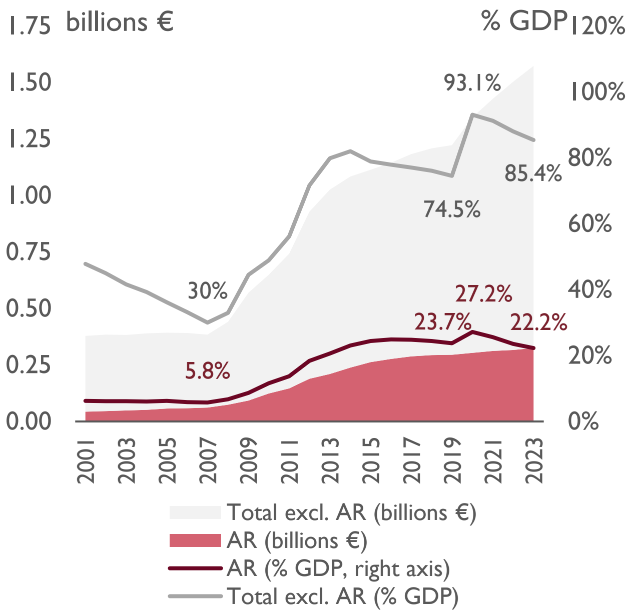
From a low of 5.8% in 2007, the debt-to-GDP ratio of the Autonomous Regions increased by more than 21 points to reach a maximum of 27.2% in 2020, coinciding with the upturn in the pandemic. Since then, the ratio has fallen by 4.9 points to 22.2% of GDP at the end of 2023, below the levels of around 24% where the ratio had stabilised in the years prior to the pandemic. The sub-sector as a whole exceeds the legal reference of 13% established by the Organic Law on Budgetary Stability and Financial Sustainability by 9.2 points, with 2010 being the last year in which it fell below this reference.

The debt situation of the Autonomous Regions varies considerably from one Region to another, with significant differences in debt levels in relation to their GDP. These differences have widened considerably during the crisis episodes. The difference between the Region with the highest level of debt (Valencia, 42.4 points of GDP) and the Region with the lowest (Canary Islands, 12.1 points) is 30.4 points. In general, most of the Regions have debt levels that exceed the reference established by law. Of the 17 Regions, 14 exceed the value of 13% of regional GDP.

The accumulation of historical debt levels has been marked by the financial crisis of 2008 and, to a much lesser extent, that caused by the pandemic in 2020. The sharp increases in debt seen in periods of recession are accompanied by some hysteresis or downward resistance in periods of expansion. When viewed in an historical perspective, the distribution of the annual change in the debt of advanced economies reveals a long rightward tail which warns that, just as some extreme shocks have led to sharp increases in debt, countervailing shocks that offset these movements are rare. The impact of these asymmetric shocks adds to an underlying upward trajectory in most advanced economies. Periods of debt restraint have generally been few and short.

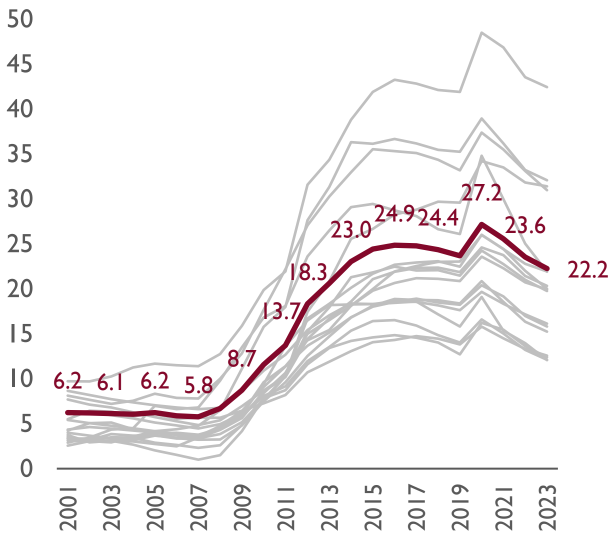
The response to both crises has been very different at the sub-sector level. The shocks caused by debt accumulation episodes tend to have a greater impact on the Central Government than on the Autonomous Regions and Local Governments, both on the expenditure and on the revenue side. While in the financial crisis three quarters of the increase in the debt ratio was absorbed by the CG and the SSFs (51 of the 69.3 points of GDP) and one quarter by the ARs and LGs (18.3 points), in the Covid crisis the CG and the SFFs have assumed the entire cost (11.2 points) neutralising the impact on the ARs and LGs, which have even seen their debt level reduced (-1.7 points).

Debt (billion euros and % GDP), ARs and others



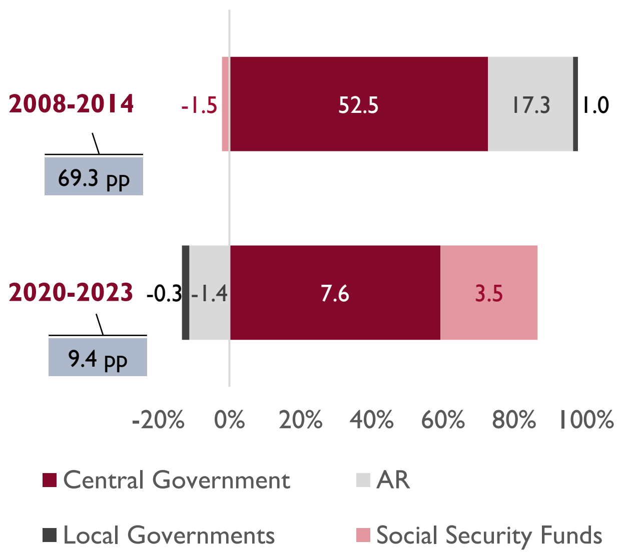
Source: Bank of Spain

Debt (% GDP) by sub-sector and ARs



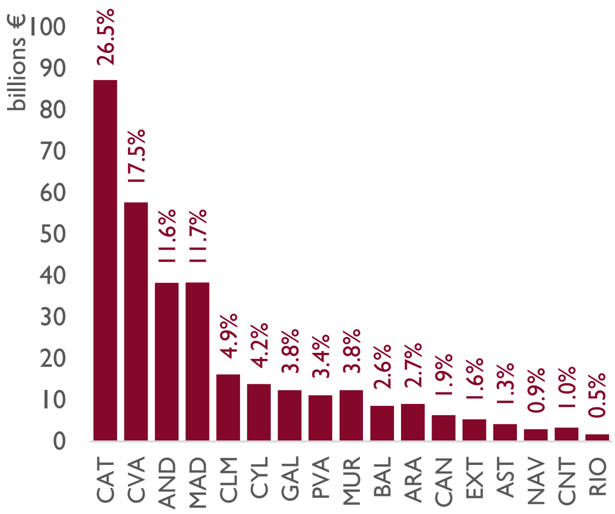
Source: Bank of Spain

Contributions by sub-sector (points of GDP)

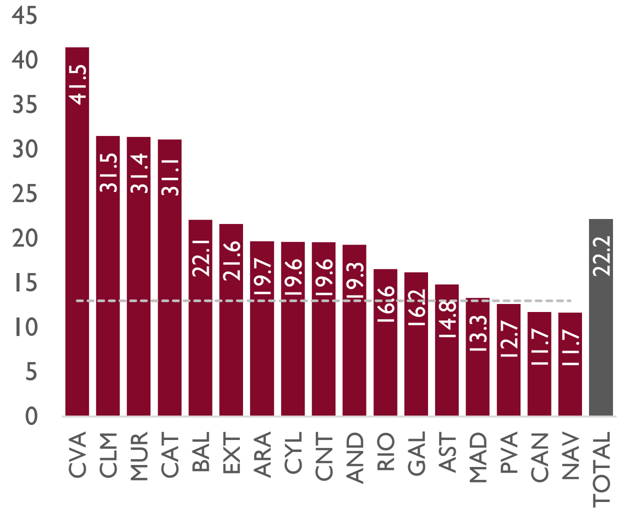


Source: Bank of Spain

Autonomous Regions debt (billion euros and % of total), first quarter 2024



Debt of the Autonomous Regions (% Regional GDP), first quarter 2024



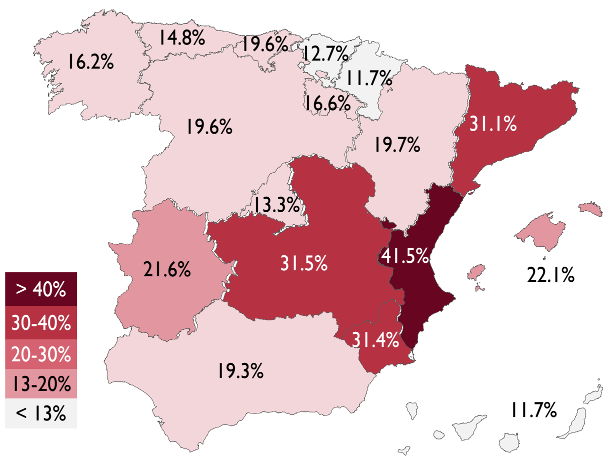
Source: Bank of Spain

The Regions with the highest levels of indebtedness in relation to their GDP are Valencia, Castile-La Mancha, Murcia and Catalonia, with debts amounting to more than 30% of their respective economies. Catalonia is the Region with the highest amount of debt in absolute and per capita terms, closely followed by Valencia. In the first quarter of 2024, Catalonia had debt of €87.3 bn, equivalent to €10,878 per inhabitant, while Valencia had debt of €57.7 bn, or €10,842 per inhabitant. Madrid, the Basque Country, Navarre and the Canary Islands, on the other hand, have debt levels at or below the reference of 13% of their GDP, making them the least indebted Regions.

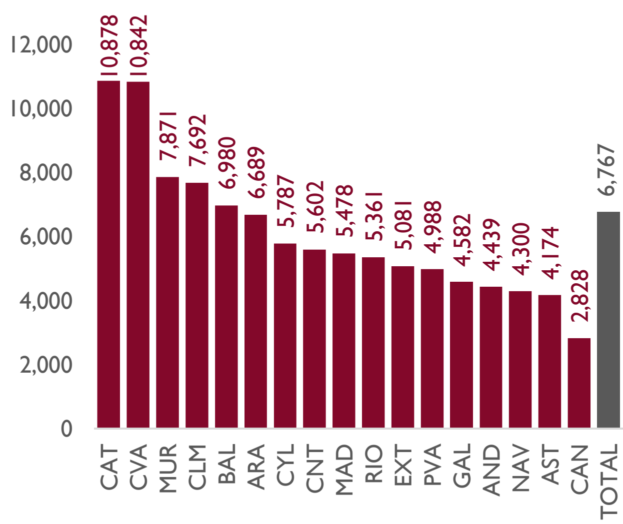
The debt ratio has been reduced compared with the pre-pandemic level in most Regions. With the exception of Murcia and Valencia, the debt ratio at the end of 2023 is lower than at the end of 2019. Since the peak reached in 2020, the ARs that have reduced their debt the most have been the Balearic Islands and Navarre (12 and 7 points respectively) and they are the ARs that have also reduced their debt the most in relation to the pre-pandemic level (by around 4 points). In contrast, Murcia and Valencia, although they have reduced their debt from the peak (3 and 6 points of GDP), have increased their debt (1.6 and 0.3 points) since 2019.

Compared with 2008, the level of debt of all the ARs remains considerably higher, with the growth in the debt of the Valencia, Murcia and Castile-La Mancha standing out.

Debt map of Autonomous Regions (% Regional GDP), first quarter 2024

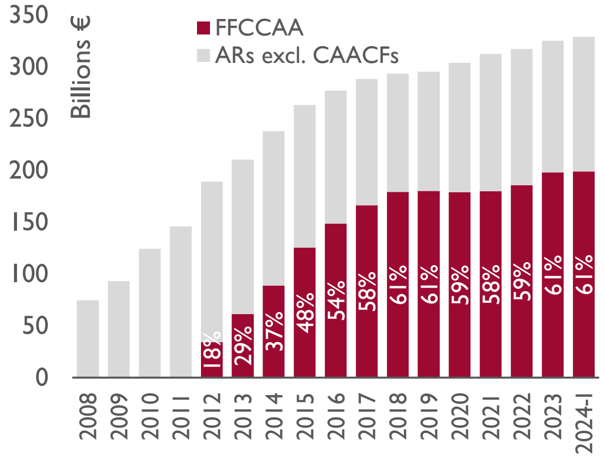


Debt per capita (euros), first quarter 2024

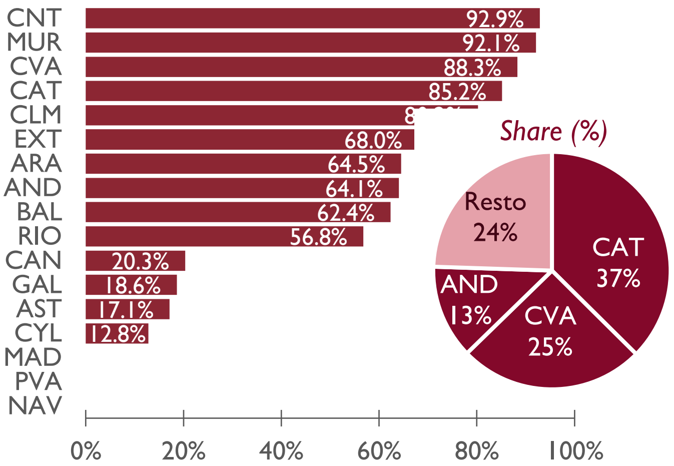


Source: Bank of Spain; INE (Continuous population statistics as at January 1st, 2024) and AIReF.

Debt of Autonomous Regions: extraordinary mechanisms and other (bn euros and % of total), 2024-I



Share (%) of Regional Financing Fund in total debt



Source: Bank of Spain

The weight of the extraordinary financing mechanisms of the Autonomous Regions has remained stable in recent years at around 60%. After very rapid growth between 2012 and 2016 in the use of the mechanisms responsible for providing liquidity to the Autonomous Regions (Autonomous Regions Liquidity Fund, Financial Facility and Supplier Payment Fund), the weight of these funds in regional financing has remained very stable in the last period (2017-2023), at around 60%.

The use of the mechanisms has been very heterogeneous among the Regions, and even very different within each one over time. Regions such as Navarre and the Basque Country have never used this type of funding, while Madrid has not participated since 2020. Some Regions have reduced their participation significantly – Canary Islands (from 88% to 20%), Galicia (from 57% to 18%), Asturias (from 48% to 17%) - while others have increased it - Extremadura (from 23% to 68%), Rioja (from 24% to 57%).

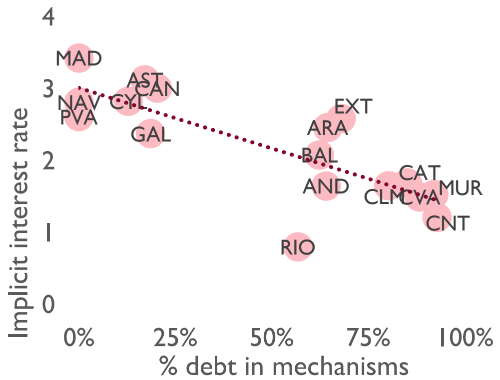
At present, four groups of Autonomous Regions can be distinguished in the use of the funds:

- **Intensive** use (>75%) Murcia, Cantabria, Valencia, Catalonia, Castile-La Mancha
- **High** use (>50%) Andalusia, Aragon, Balearic Islands, Extremadura and Rioja
- **Low** use (15-20%) Galicia, Canary Islands, Asturias, Castile and Leon
- **No** use Navarre, Madrid, Basque Country

Three ARs - Catalonia, Valencia and Andalusia - account for 75% of the total value of the funds.

2014, Q-I	CVA	CLM	MUR	CAT	BAL	EXT	ARA	CYL	CNT	AND	RIO	GAL	AST	MAD	PVA	CAN	NAV	TOTAL
Public Debt																		
(GDP %)	41.5	31.5	31.4	31.1	22.1	21.6	19.7	19.6	19.6	19.3	16.6	16.2	14.8	13.3	12.7	11.7	11.7	22.2
(% over subsector)	17.5	4.9	3.8	26.5	2.6	1.6	2.7	4.2	1.0	11.6	0.5	3.8	1.3	11.7	3.4	1.9	0.9	100.0
FFCCAA Debt																		
(% over AR debt)	88.3	80.2	92.1	85.2	62.4	68.0	64.5	12.8	92.9	64.1	56.8	18.6	17.1	0.0	0.0	20.3	0.0	60.5
(% over total FFCCAA)	25.6	6.5	5.7	37.3	2.7	1.8	2.9	0.9	1.5	12.3	0.5	1.2	0.4	0.0	0.0	0.6	0.0	100.0

Implicit interest rate in relation to the use of extraordinary mechanisms, 2013

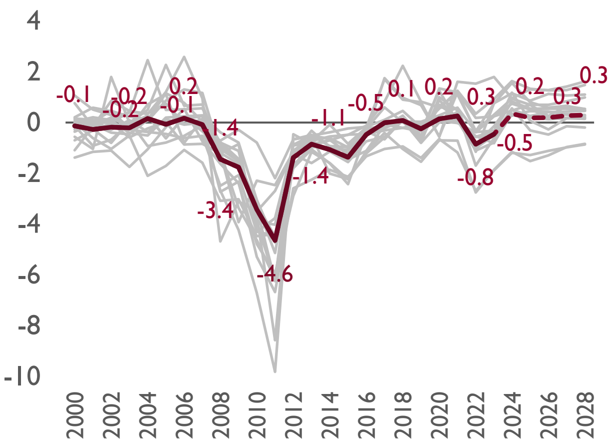


The implementation of the financing mechanisms has provided high liquidity to Autonomous Regions and Local Governments at very low costs. In a period of economic crisis that required greater net borrowing and in an environment of major instability in financial markets, which in many cases prevented them from accessing financing and in others required very high costs, the extraordinary mechanisms have helped to reduce the financial burden of the most indebted ARs. There is a (fairly linear) inverse relationship between the weight of the extraordinary mechanisms and the implicit financing rate of the Autonomous Regions.

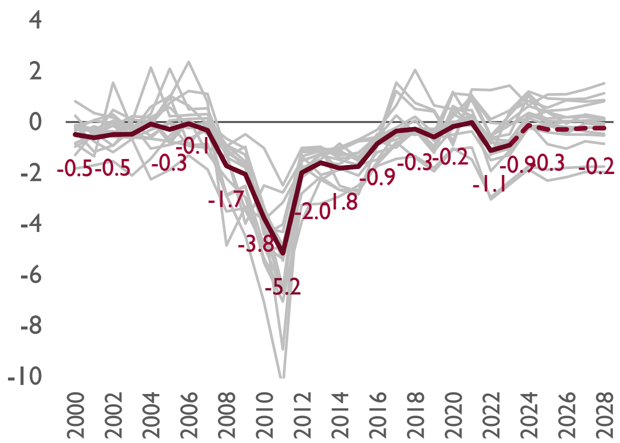
Source: Bank of Spain and AIReF

In terms of the fiscal balance, AIReF's forecasts show a fairly heterogeneous situation among the various ARs. The latest macro-fiscal forecasts published in the *Report on the Initial Budgets* project an improvement in the primary balance for the sub-sector as a whole, which would bring it to a surplus of 0.2-0.3 points in the medium term, an improvement that is passed on to the public balance, which would record a total deficit of 0.2-0.3 points. The situation is very different across the different Autonomous Regions, although it converges slightly over the forecast horizon. The range of the primary balance narrows from 2.8 points (-1.2 to 1.6%) in 2023 to 2.5 points in 2028 (-0.9 to 1.6%) in 2028. Similarly, the range of the total fiscal balance narrows from 3.9 points (-2.4 to 1.4%) in 2023 to 3.5 points in 2028 (-2 to 1.5%) in 2028.

Primary balance (% GDP), historical and projections



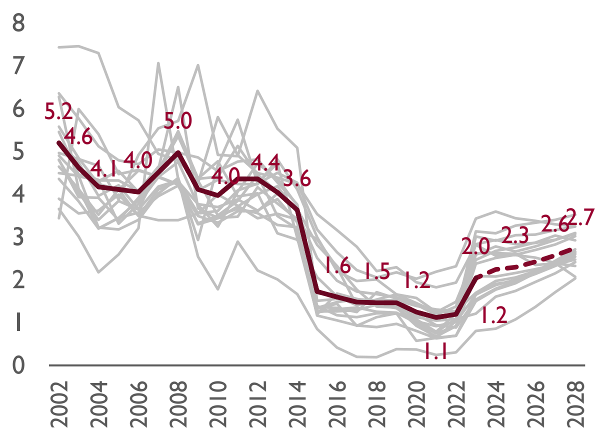
Government fiscal balance (% GDP), historical and projections

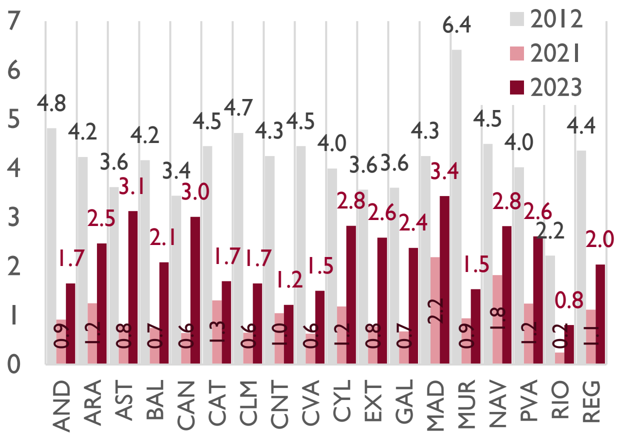


Source: IGAE and AIReF

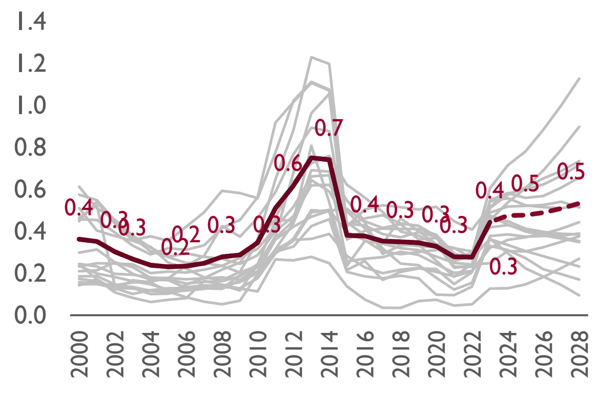
The implicit rate has risen in 2023 after a period of stability at a very low level. It is expected to continue to rise in the coming years, but to levels lower than those recorded during the financial crisis. Interest spending has also increased in 2023, with the situation being very different across the Autonomous Regions. The most indebted Regions will increase their financial burden the most in the future.

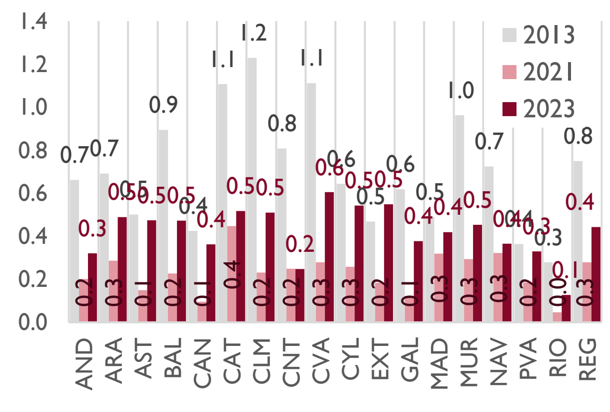
Implicit interest rate (% GDP), historical and projections





Interest spending (% GDP), historical and projections



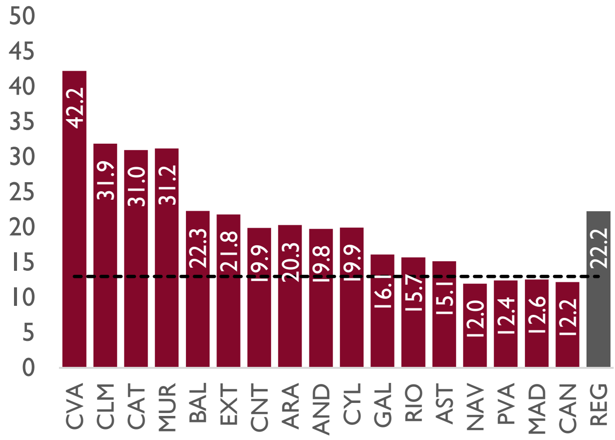


Source: IGAE and AIReF

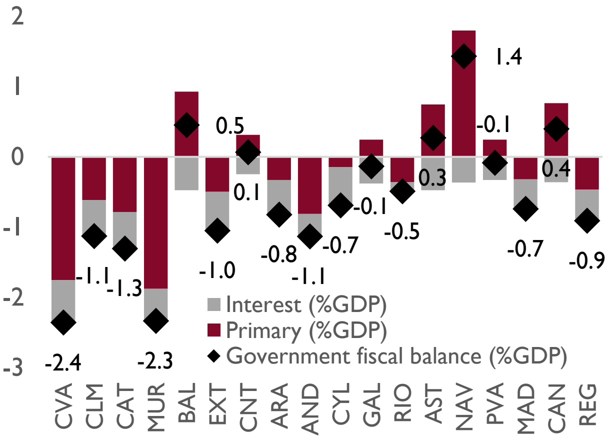
Autonomous Regions' initial debt situation, 2023

At the end of 2023, the ratio for the Autonomous Region sub-sector as a whole stood at 22.2%, 9.2 points above the reference level. The situation is quite heterogeneous among the different ARs, in terms of both flow and stock.

Debt (% GDP)



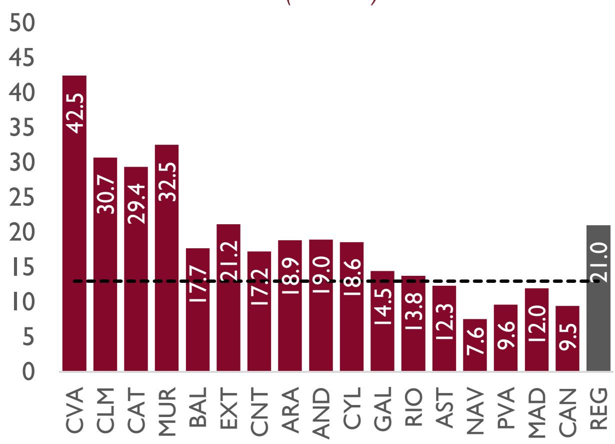
Government fiscal balance (% GDP)



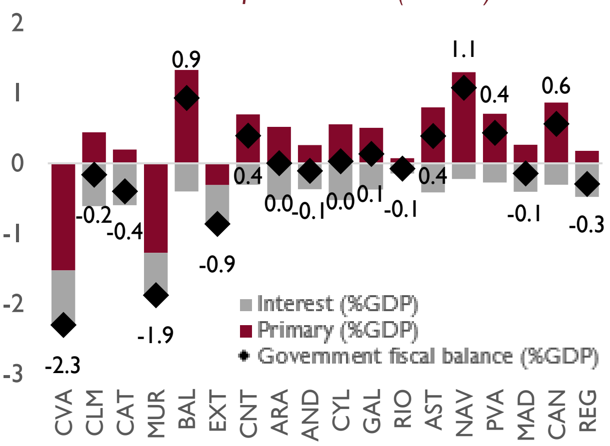
Autonomous Regions' baseline debt projection, first year of the fiscal plan (2025)

The projection for the first year of the fiscal plan places a group of five Autonomous Regions below the reference level and another two very close. Another group of six Regions are hovering around 5-7 points away on average. Three Regions have debt levels of around 30%. Finally, Valencia stands out for having the highest level of debt, 30 points above the reference level.

Debt (% GDP)



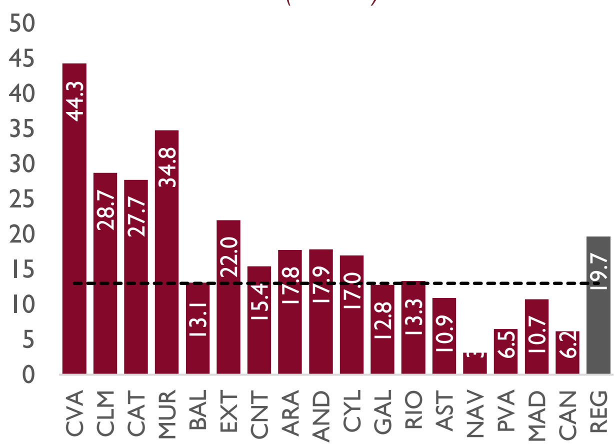
Government fiscal balance (% GDP)



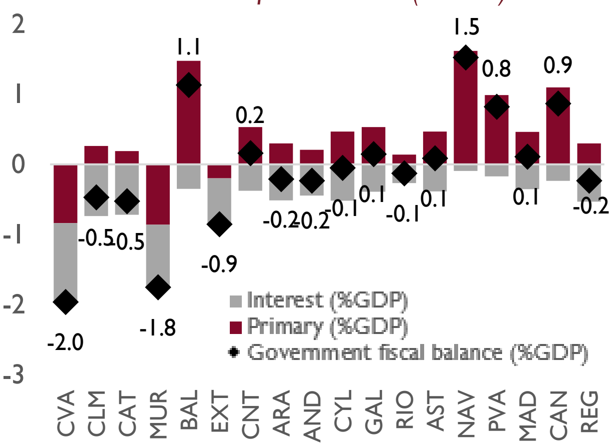
Autonomous Regions' baseline debt projection, last year of the fiscal plan (2028)

Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets* in terms of flow (public balance), over the horizon of the Plan, the negative debt dynamics in Valencia and Murcia stand out. In contrast, the less indebted Regions show a surplus that will rapidly accelerate the deleveraging.

Debt (% GDP)



Government fiscal balance (% GDP)

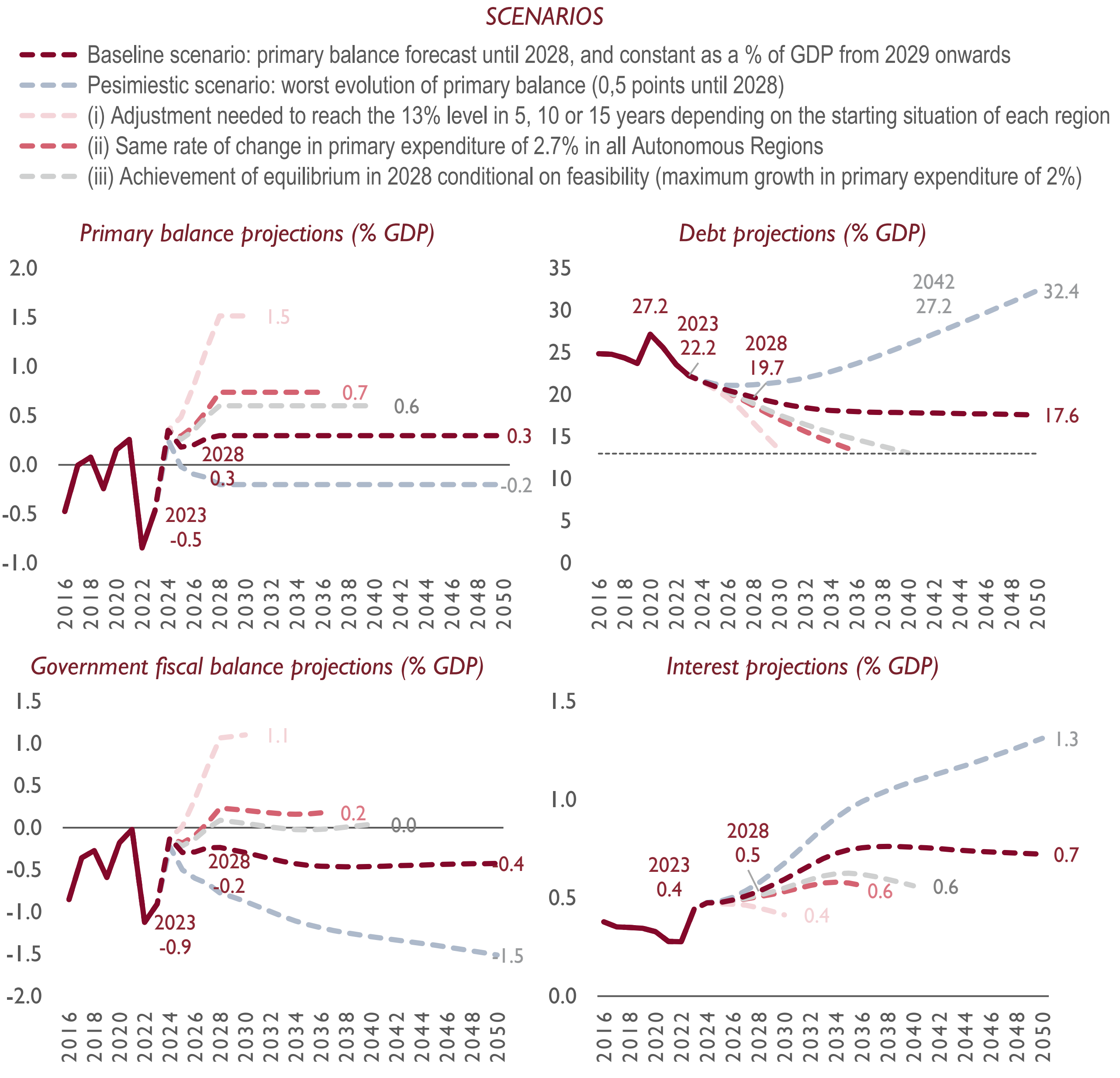


Source: AIReF

The baseline scenario projects a reduction in the ratio of 2.6 points for the Autonomous Regions as a whole over the medium-term forecast horizon (from 2024 to 2028, the year of completion of the future structural plan), which would place it at 17.6% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 0.8 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.1 points until 2028), assuming that the surplus of 0.3% remains constant from that year onwards, the path of the debt ratio shows a sustained but very gradual reduction, converging towards the level of 17% of GDP. If we consider a less favourable evolution of the primary balance, 0.1% points of GDP per year in the period 2024-2028 until the balance in that year is half a percentage point lower, i.e. a primary deficit of 0.2 percentage points, the debt ratio would show an unfavourable evolution from 2028 onwards, growing to exceed the historical maximum in the medium term (2042).

By calibrating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (from 2025 to 2028), where: (i) the legal reference of 13% is reached in 5, 10 or 15 years depending on the starting position of each AR (2028, 2033 or 2038), (ii) primary expenditure grows at the same rate of 2.7% in all ARs (rate calculated on the basis of the adjustment necessary to comply with the new framework of rules for the GG as a whole) and (iii) achievement of budget balance in 2028 conditional on feasibility (minimum growth in primary expenditure of 2%, with a maximum ceiling of 3.3% according to the change in potential nominal GDP), would be necessary:

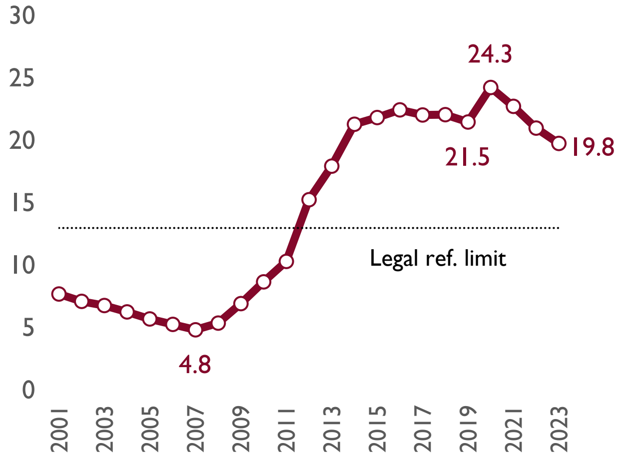
	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	1.22	0.30	2031
Scenario (ii)	0.44	0.11	2037
Scenario (iii)	0.30	0.08	2041



Source AIReF

ANDALUSIA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

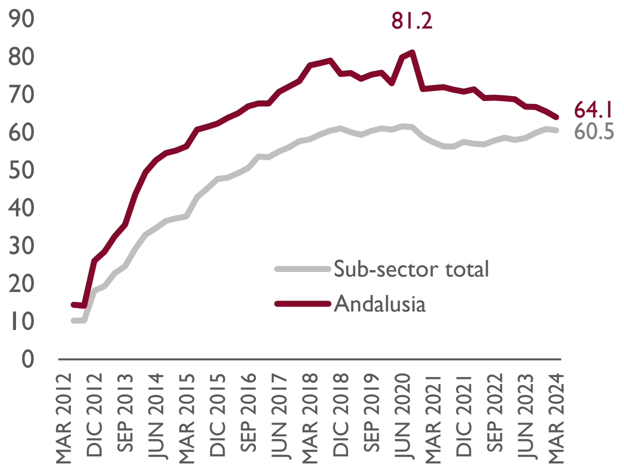
From a low of 4.8% in 2007, Andalusia's debt-to-GDP ratio increased by more than 19 points to a peak of 24.3% in 2020, coinciding with the upturn of the pandemic. Since then, the ratio has fallen by 4.5 points to 19.8% of GDP at the end of 2023, below the levels of around 21% where the ratio had stabilised in the years prior to the pandemic. Andalusia exceeds the legal reference of 13% by 6.8 points, with 2011 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

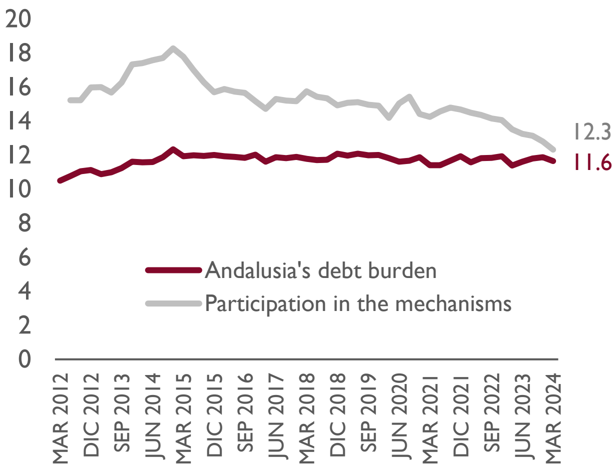
Public Debt		*FFCCAA Debt*	
GDP %: 19.3	% over total AR: 11.6	Weight on debt 64.1	% over total of FFCCAA: 12.3

The weight of Andalusia's financing through **extraordinary mechanisms has fallen by more than 15 percentage points in recent years to account for 64.1%** of its total debt, slightly above that of the ARs as a whole (60.5%). Andalusia is the third most indebted Region (after Catalonia and Valencia) to the Regional Financing Fund, with a share of 12.3% of the total, slightly higher than its share (11.6%) of total regional debt.

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

In March 2024, Fitch upgraded Andalusia's rating from 'BBB-' to 'BBB', placing it two notches below its rating for Spain (A-). Previously, in April 2023, Standard & Poor's raised Andalusia's rating from 'BBB+' to 'A-', placing it in the upper-medium grade category, in this case only one notch below its rating for Spain's government debt (A). The rating agency Moody's has maintained the rating at the lower-medium grade category (Baa2) since 2018, one notch below its rating for Spain (Baa1).

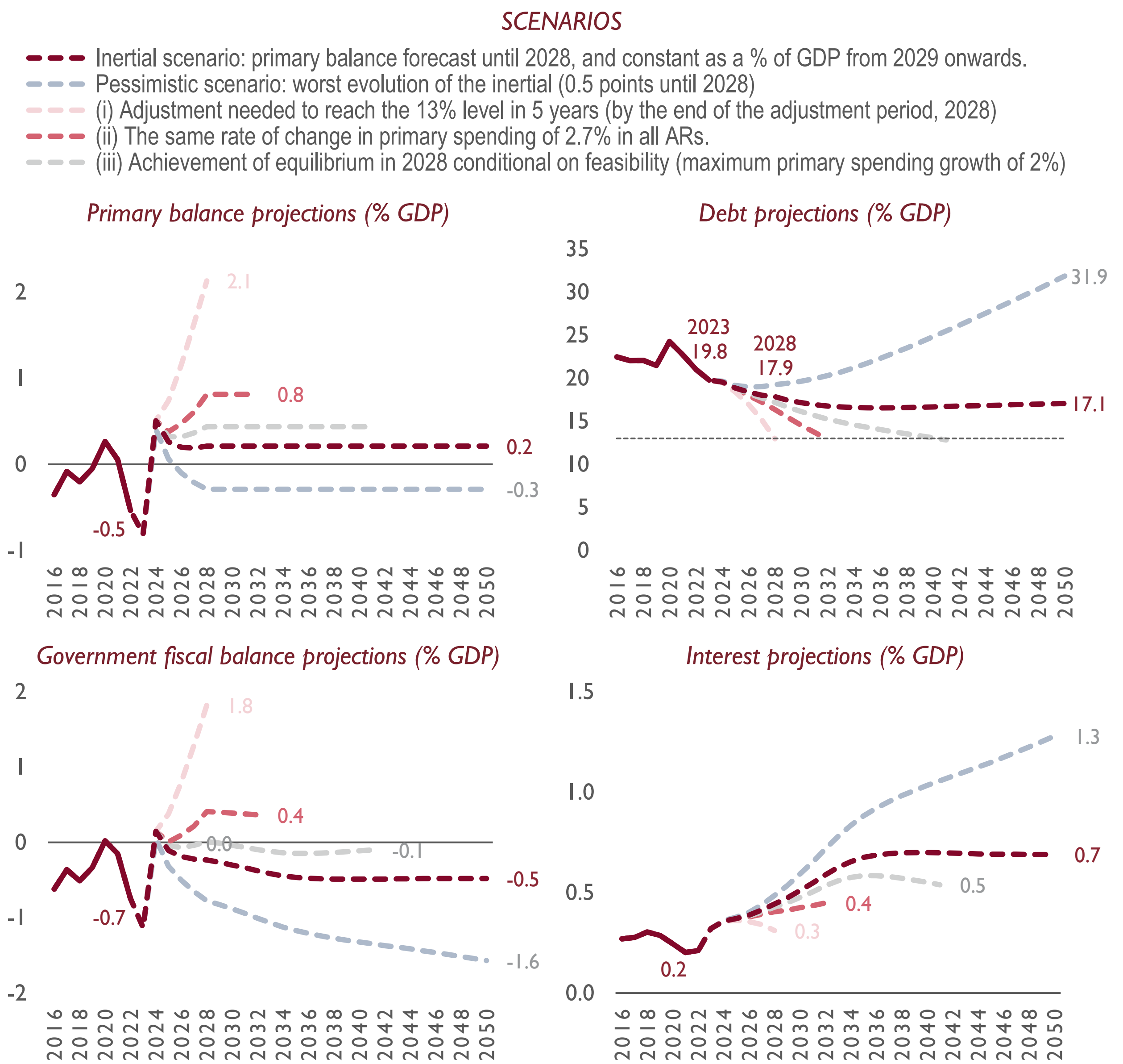
AND	Baa2	A-	BBB
Calidad	Moody's	S&P	Fitch
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

Long-term projections and adjustment to reach the 13% reference level

The baseline scenario projects a reduction in the ratio of 1.9 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 17.9% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 1.3 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.3 points until 2028), assuming that the balance remains constant from that year onwards, the path of the debt ratio shows a sustained but very gradual reduction, converging towards the level of 17% of GDP. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, rising to above the maximum in the medium term.

Calibrating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in five years (at the end of the adjustment period, 2028), (ii) primary expenditure grows at the same rate of 2.7% in all ARs (rate calculated on the basis of the adjustment required to comply with the new framework of rules for the GG as a whole), (iii) budgetary balance is achieved in 2028 conditional on feasibility (minimum growth in primary expenditure of 2%), the following would be necessary:

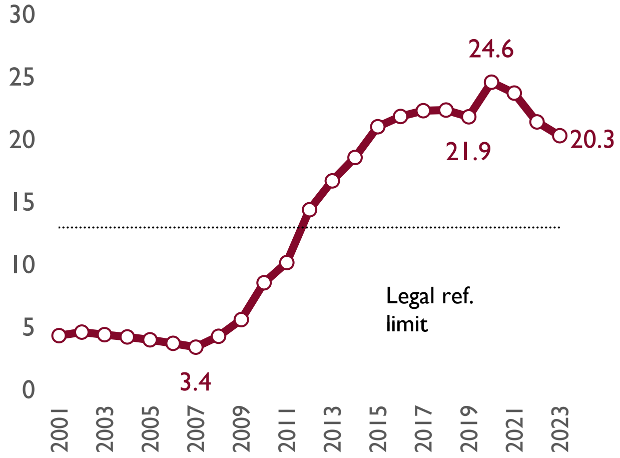
	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	1.92	0.48	2028
Scenario (ii)	0.60	0.15	2032
Scenario (iii)	0.23	0.06	2041



Source AIReF

ARAGON

Evolution of the debt ratio (% GDP)



Source Bank of Spain

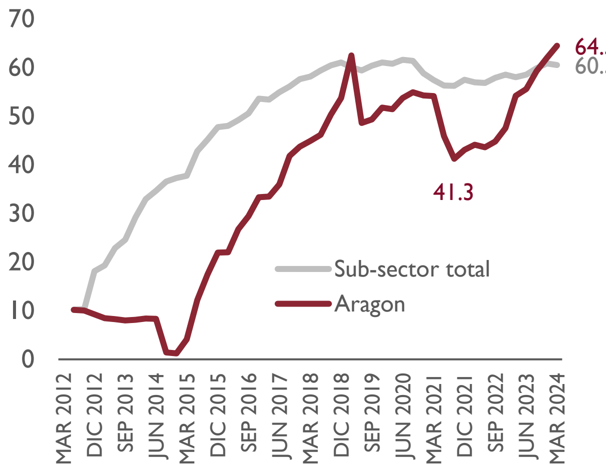
From a low of 3.4% in 2007, Aragon's debt-to-GDP ratio increased by more than 21 points to reach a maximum of 24.6% in 2020, coinciding with the peak of the pandemic. Since that point, the ratio has fallen by 4.3 points to 20.3% of GDP at the end of 2023, below the levels of around 22% where the ratio had stabilised in the years prior to the pandemic. Aragon exceeds the legal reference of 13% by 7.3 points, with 2011 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

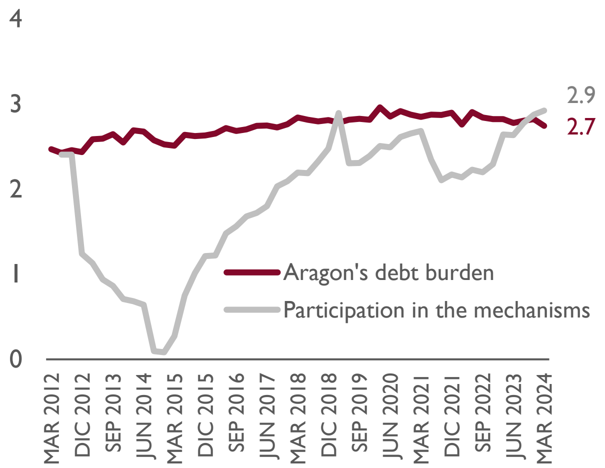
Public Debt		*FFCCAA Debt*	
GDP %: 19.7	% over total AR: 2.7	Weight on debt 64.5	% over total of FFCCAA: 2.9

The weight of Aragon's financing through **extraordinary mechanisms has increased in recent years by more than 20 points to 64.5%** of its total debt, slightly above that of the ARs as a whole (60.5%). These funds account for 2.9% of the total of the mechanisms, a very similar percentage to that of its indebtedness as a proportion of the regional total (2.7%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

The rating agency S&P places the long-term debt in the investment grade category BBB+ (lower-medium grade), two notches below its rating of the Spanish government's debt (A, upper-medium grade).

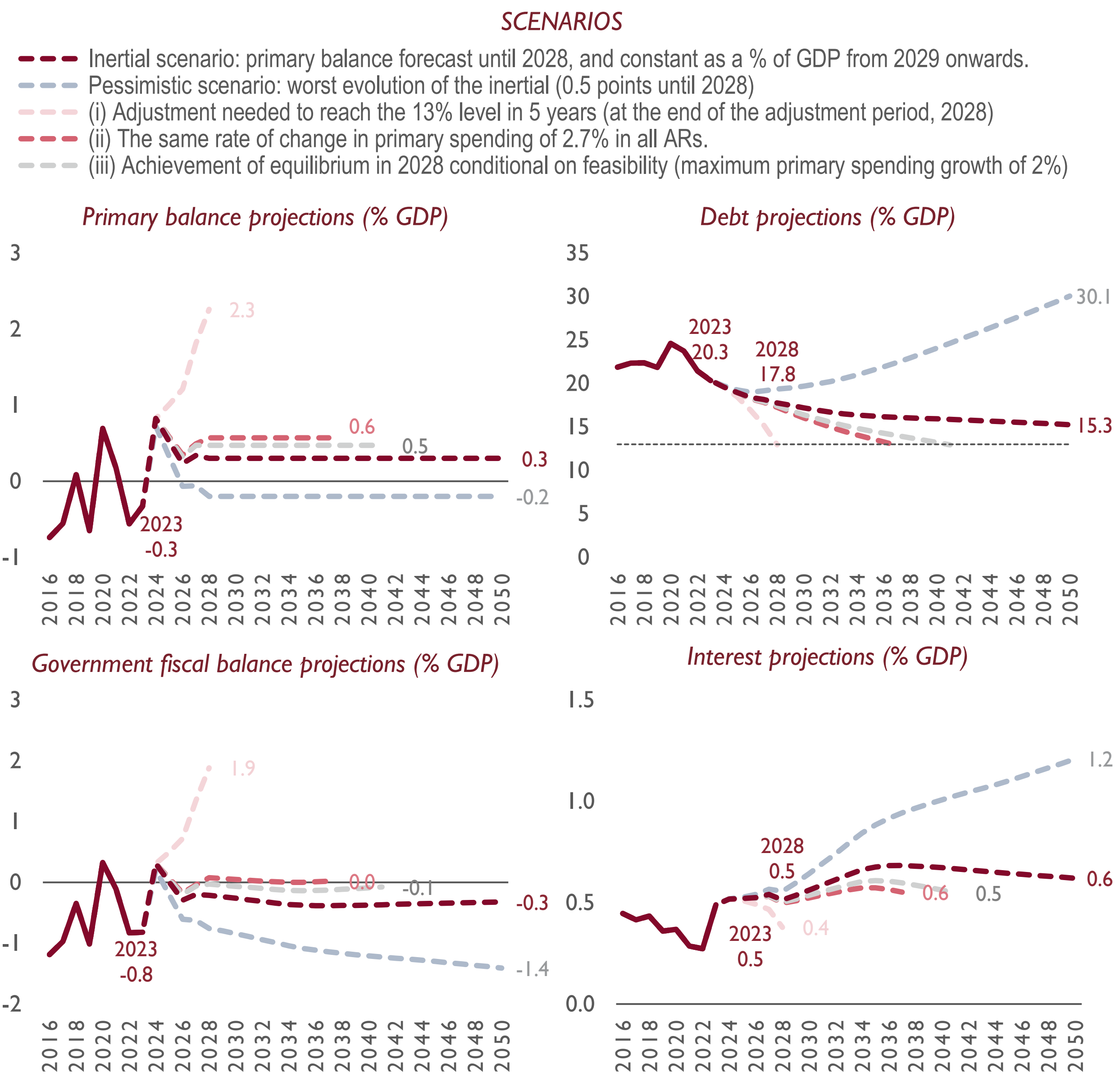
ARA	..	BBB+	..
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	**BBB+**	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

Long-term projections and adjustment to reach the 13% reference level

The baseline scenario projects a reduction in the ratio of 2.5 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 17.8% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 1.2 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.5 points until 2028), assuming that the balance remains constant from that year onwards, the path of the debt ratio shows a sustained but very gradual reduction, converging towards the level of 15% of GDP. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, rising to above the maximum in the medium term.

Calibrating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in five years (at the end of the adjustment period, 2028), (ii) primary expenditure grows at the same rate of 2.7% in all ARs (rate calculated on the basis of the adjustment required to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (minimum growth in primary expenditure of 2%), the following would be necessary:

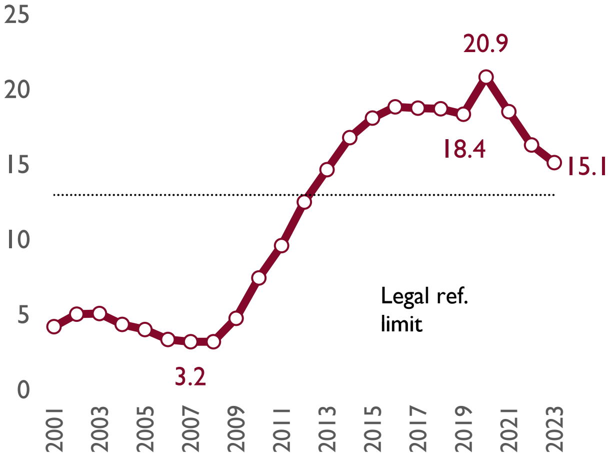
	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	1.96	0.49	2028
Scenario (ii)	0.27	0.07	2037
Scenario (iii)	0.17	0.04	2041



Source AIReF

ASTURIAS

Evolution of the debt ratio (% GDP)



Source Bank of Spain

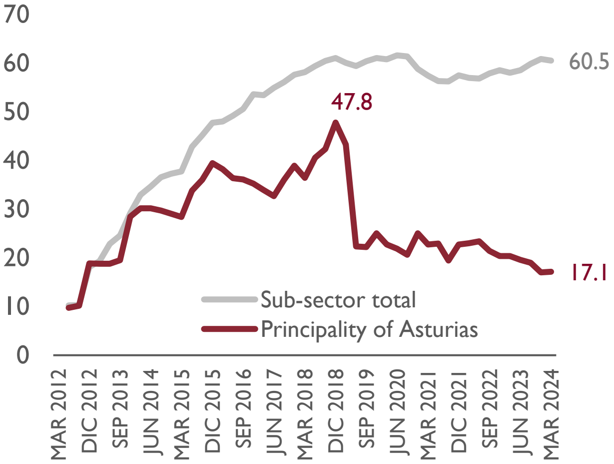
From a low of 3.2% in 2007, Asturias' debt-to-GDP ratio increased by more than 17 points to reach a maximum of 20.9% in 2020, coinciding with the peak of the pandemic. Since then, the ratio has fallen by 5.8 points to 15.1% of GDP at the end of 2023, below the levels of around 18% where the ratio had stabilised in the years prior to the pandemic. Asturias exceeds the legal reference of 13% by 2.1 points, with 2012 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

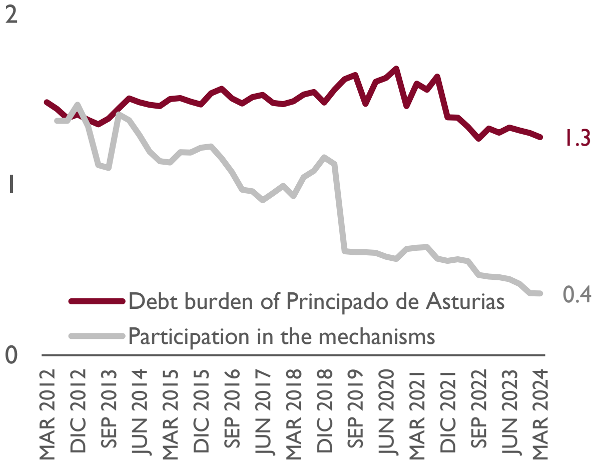
Public Debt		FFCCAA Debt	
GDP %: 14.8	% over total AR: 1.3	Weight on debt 17.1	% over total of FFCCAA: 0.4

The weight of Asturias' financing through **extraordinary mechanisms has fallen in recent years by more than 5 points (more than 30 points from the maximum) to 17.1%** of its total debt, well below that of the ARs as a whole (60.5%). These funds account for 0.4% of the total of the mechanisms, a lower percentage than its indebtedness as a percentage of the regional total (1.3%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

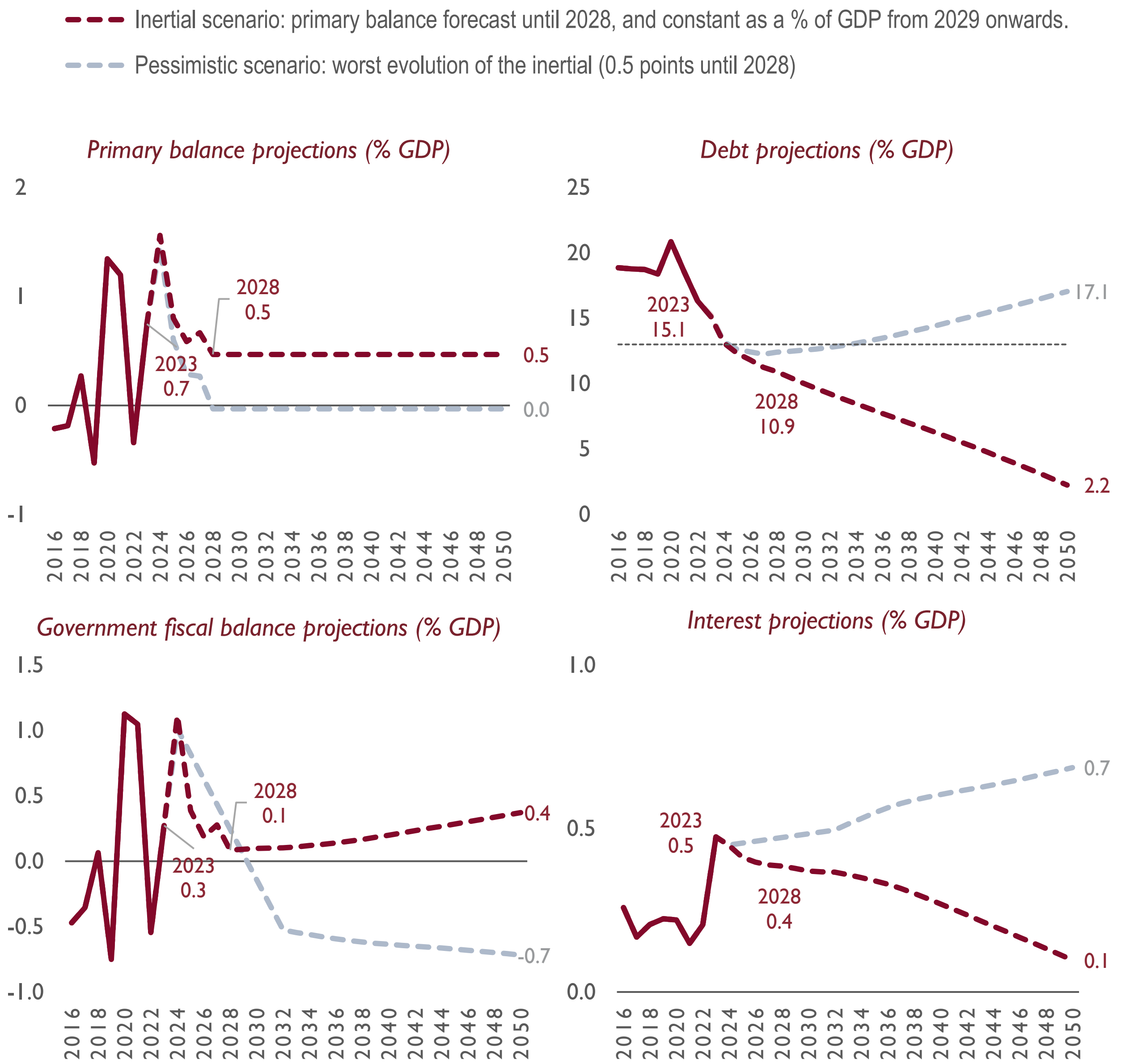
The rating agency Moody's has maintained the investment grade (Baa1) rating of the Region's long-term debt since May 2018, the same rating as the Spanish government's debt.

AST	Baa1	..	..
Calidad	Moody's	S&P	Fitch
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 4.2 percentage points over the medium-term forecast horizon (between 2024 and 2028, the year of completion of the future structural plan), which would bring it to 10.9% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with an improvement of 0.8 points of GDP), and some easing in the medium term (i.e. a deterioration of 1.1 points until 2028), assuming that the surplus of 0.5% remains constant from that year onwards, the path of the debt ratio shows a sustained reduction. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a point below the primary balance, the debt ratio would show an increasing evolution thereafter, returning to the level of 13% in 2034.

As the debt ratio remains below the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 0.5 points of GDP from 2028 onwards, fiscal consolidation scenarios are not simulated.

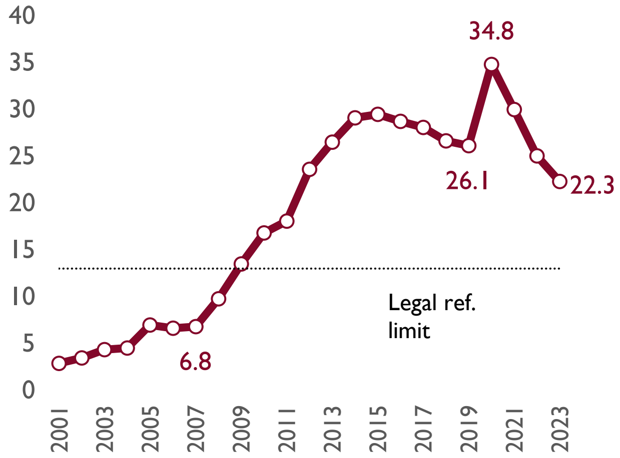
SCENARIOS



Source AIReF

BALEARIC ISLANDS

Evolution of the debt ratio (% GDP)



Source Bank of Spain

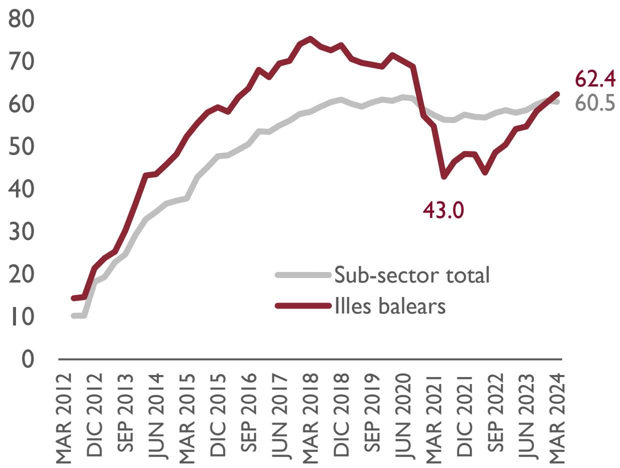
Since 2007 (6.8%), the debt-to-GDP ratio of the Balearic Islands increased by more than 28 points to reach its maximum value in 2020 (34.8%), coinciding with the peak of the pandemic. Since that point, the ratio has fallen by more than 12.5 points to 22.3% of GDP at the end of 2023, significantly below the levels where the ratio had stood in the years prior to the pandemic. The Balearic Islands exceeded the legal reference of 13% by 9.3 points, with 2008 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

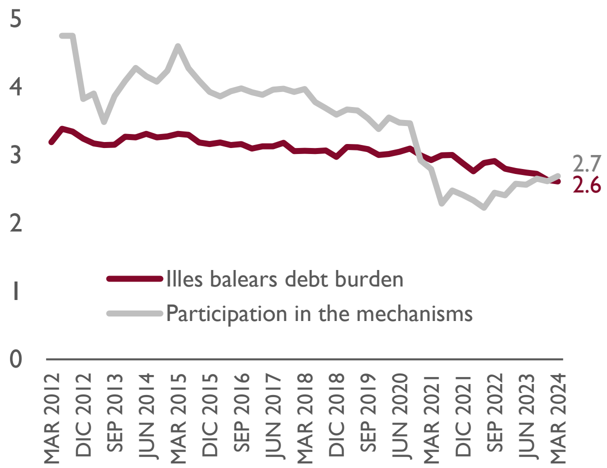
Public Debt		*FFCCAA Debt*	
GDP %: 22.1	% over total AR: 2.6	Weight on debt 62.4	% over total of FFCCAA: 2.7

The weight of Balearic Islands financing through **extraordinary mechanisms has increased in recent years by almost 20 points to 62.4%** of its total debt, in line with the weight of the Autonomous Regions as a whole (60.5%). These funds account for 2.7% of the total of the mechanisms, practically the same percentage as its indebtedness as a percentage of the regional total (2.6%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

In November 2023, the rating agency S&P raised the rating of the Balearic Islands from 'BBB+' to 'A-', placing it in the upper-medium grade category, just one notch below the Spanish government's debt rating (A).

BAL	..	A-	..
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	**A-**	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

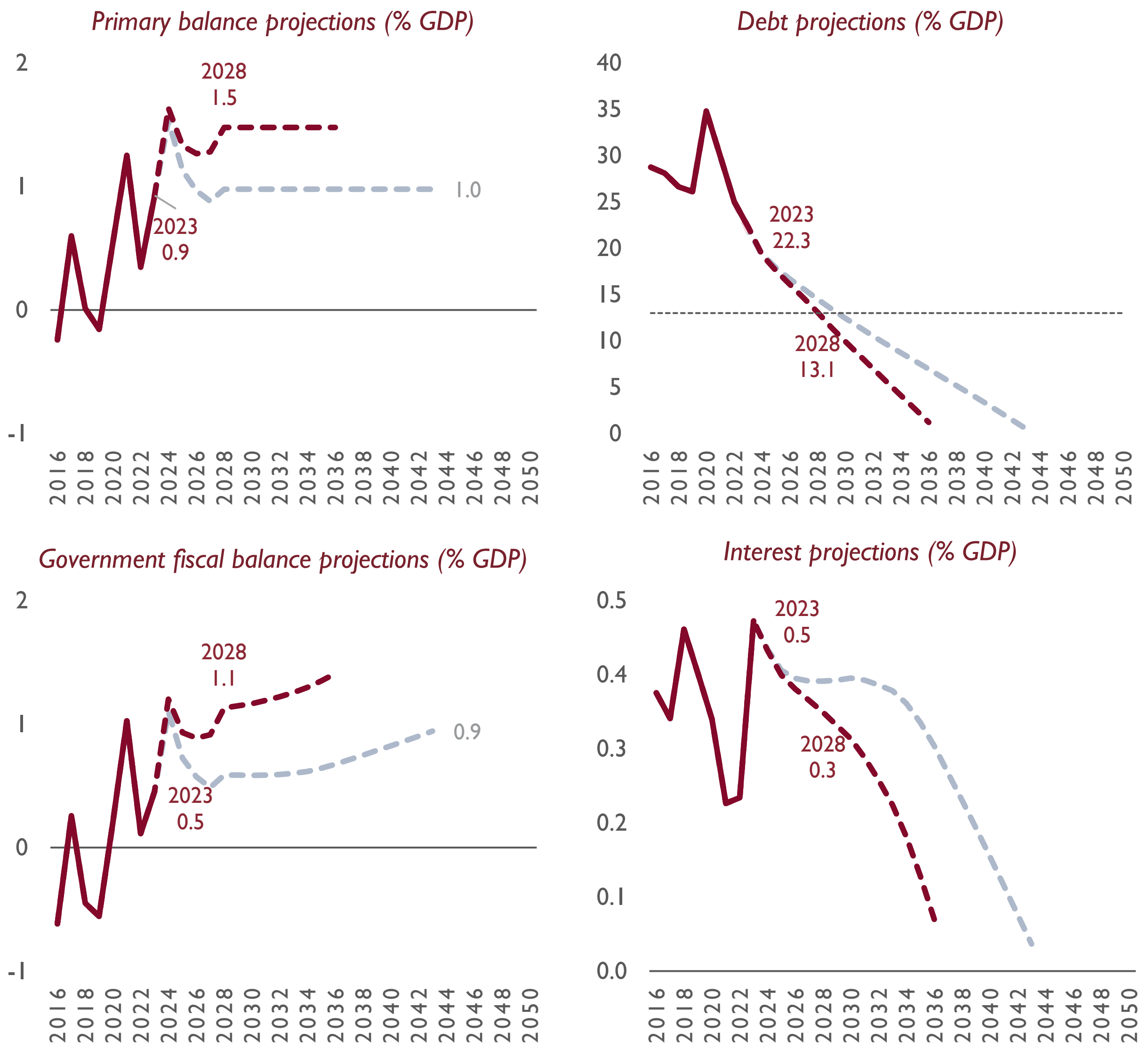
The baseline scenario projects a reduction in the ratio of 9.2 percentage points over the medium-term forecast horizon (between 2024 and 2028, the year of completion of the future structural plan), which would bring it to 13.1% of GDP. Under the latest macro-fiscal projections published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with an improvement of 0.7 points of GDP), and some easing in the medium-term (i.e, a deterioration of 0.2 percentage points until 2028), assuming that the surplus of 1.5% remains constant thereafter, the debt ratio forecast shows a sharp and sustained decline, reaching the reference level of 13% of GDP in 2028. If we consider a less favourable evolution of the primary balance, 0.1 points of a percentage point of GDP per year over the period 2024-2028 to bring the balance in that year half a percentage point lower at a surplus of 1%, the debt ratio would still show a favourable evolution, albeit with a less steep slope.

As the debt ratio remains below the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 1.5 points of GDP from 2028 onwards, fiscal consolidation scenarios are not simulated.

SCENARIOS

Inertial scenario: primary balance forecast until 2028, and constant as a % of GDP from 2029 onwards.

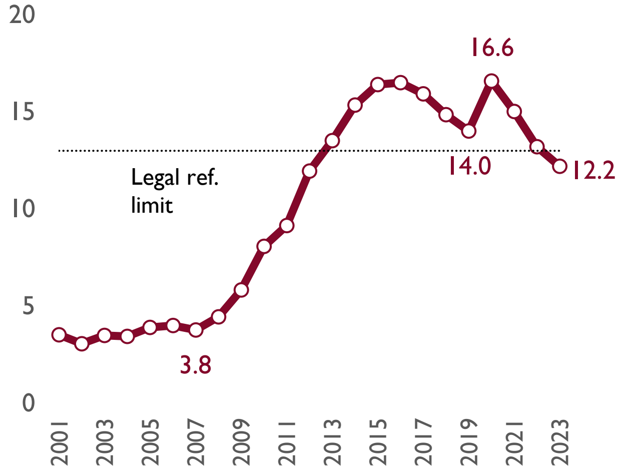
Pessimistic scenario: worst evolution of the inertial (0.5 points until 2028)



Source AIReF

CANARY ISLANDS

Evolution of the debt ratio (% GDP)



Source Bank of Spain

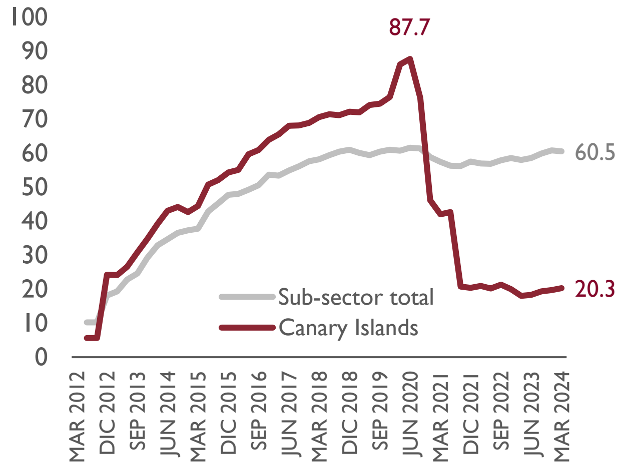
Since 2007 (3.8%), the debt-to-GDP ratio of the Canary Islands increased by more than 12 points to reach its maximum value in 2020 (16.6%), coinciding with the peak of the pandemic. Since that point, the ratio has fallen by 4.4 points to 12.2% of GDP at the end of 2023, notably below the levels where the ratio had stood in the years prior to the pandemic. The Canary Islands is one of the three Regions below the legal reference of 13%, at levels similar to those of 2012, the last year in which the Region was below this reference.

Latest information: 2024 Q-I

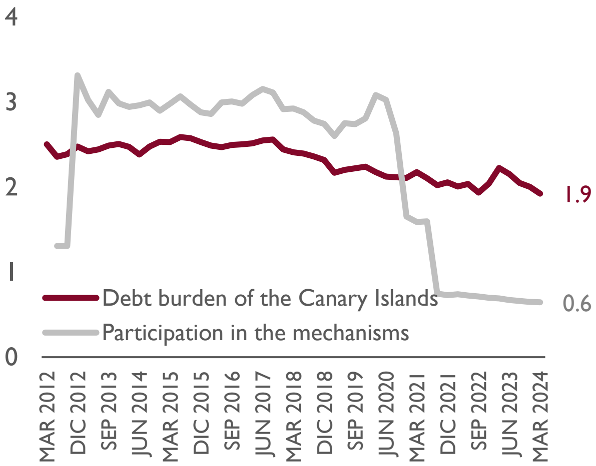
Public Debt		*FFCCAA Debt*	
GDP %: 11.7	% over total AR: 1.9	Weight on debt 20.3	% over total of FFCCAA: 0.6

The weight of the Canary Islands' financing through **extraordinary mechanisms has fallen in recent years by more than 67 points to 20.3%** of its total debt, well below the weight of the Autonomous Regions as a whole (60.5%). These funds account for 0.6% of the total of the mechanisms, a lower percentage than its indebtedness as a percentage of the regional total (1.9%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

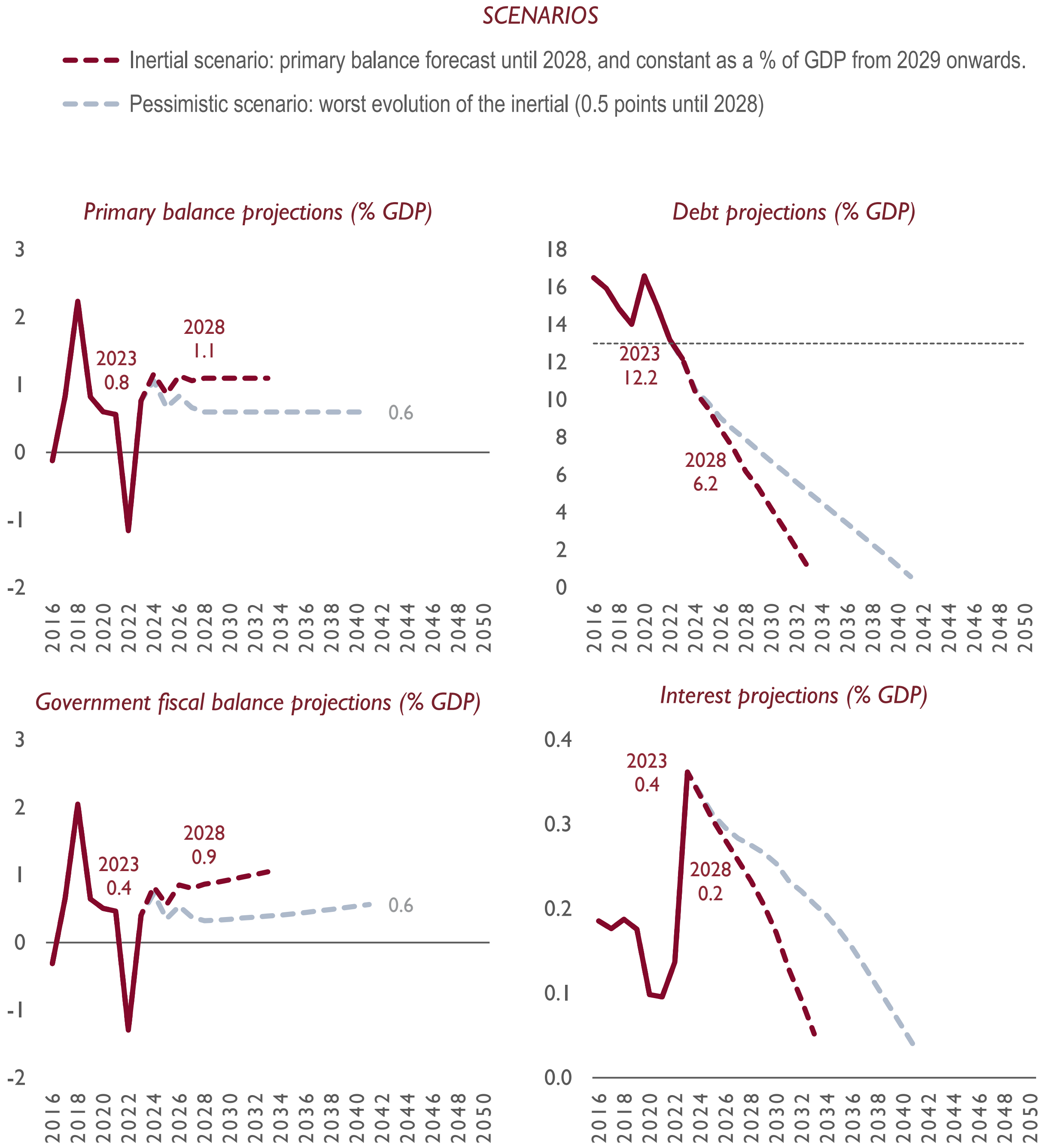
Credit rating

The rating agencies S&P and Fitch maintain the long-term debt investment grade category with ratings of A and BBB- respectively, in the same grade and three notches below Spain's rating (A and A-) respectively.

CAN	..	A	BBB-
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	**A**	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	**BBB-**
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 6 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 6.2% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with an improvement of 0.4 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.1 points until 2028), assuming that the surplus of 1.1% remains constant from that year onwards, the debt ratio forecast shows an intense and sustained reduction. If we consider a less favourable evolution of the primary balance, 0.1 points of a percentage point of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower at a surplus of 0.6%, the debt ratio would still show a favourable evolution, albeit with a less pronounced slope.

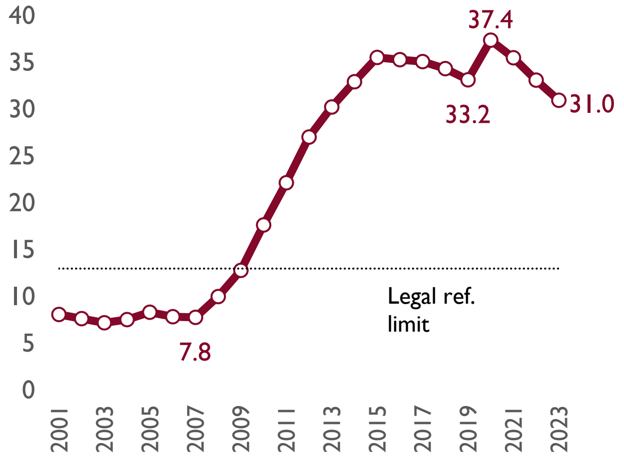
As the debt ratio remains below the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 1.1 points of GDP from 2028 onwards, fiscal consolidation scenarios are not simulated.



Source AIReF

CATALONIA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

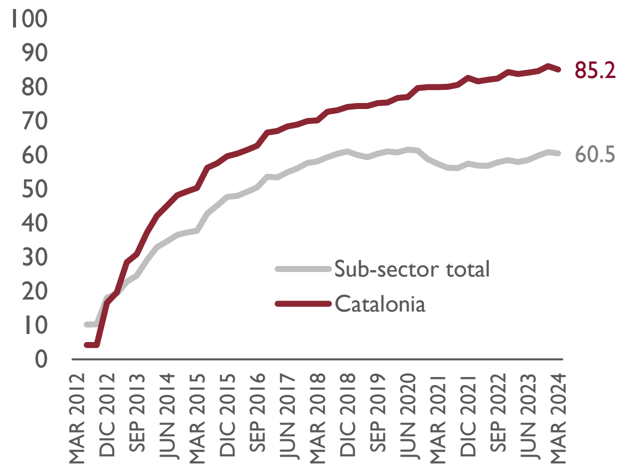
Since 2007 (7.8%), Catalonia's debt-to-GDP ratio increased by 29 points to reach its maximum in 2020 (37.4%), coinciding with the peak of the pandemic. Since that point, the ratio has fallen by 6.4 points to 31% of GDP at the end of 2023, somewhat below the levels where the ratio had stood in the years prior to the pandemic. Catalonia exceeds the legal reference of 13% by 18 points, with 2009 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

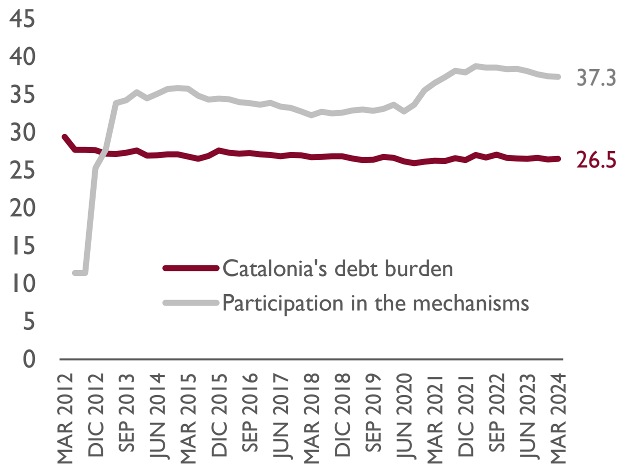
Public Debt		*FFCCAA Debt*	
GDP %: 31.1	% over total AR: 26.5	Weight on debt 85.2	% over total of FFCCAA: 37.3

The weight of Catalonia's financing through **extraordinary mechanisms has been growing steadily in recent years to stand at 85.3%** of its total debt, well above the weight of the Autonomous Regions as a whole (60.5%). Catalonia is the Region most indebted to the Regional Financing Fund, with a share of 37.3% of the total, a significantly higher percentage than its indebtedness as a proportion of the total for the Autonomous Regions (26.5%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

The rating agencies Fitch and Moody's revised Catalonia's long-term debt rating upwards in March 2024 and July 2022 to BBB and Ba1 respectively. The debt remains in the speculative grade category in the case of Moody's and in the lower-medium grade category for Fitch, three and two notches below Spain's rating (Baa1 and A).

CAT	Ba1	..	BBB
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	**BBB**
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	**Ba1**	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

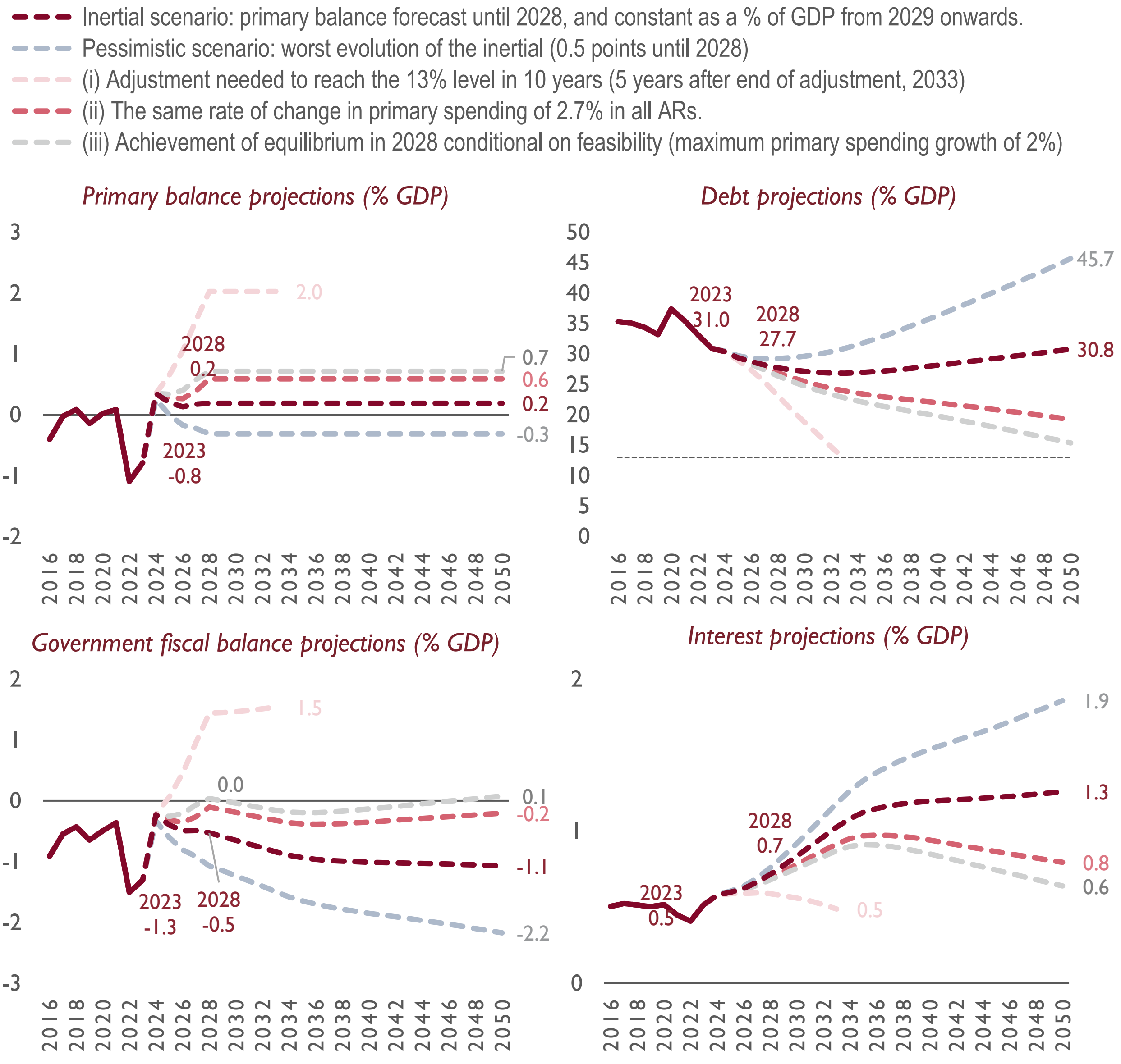
Long-term projections and adjustment to reach the 13% reference level

The baseline scenario projects a reduction in the ratio of 3.2 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 27.7% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 1.1 points of GDP), and some easing in the medium-term (i.e, assuming that the fiscal balance remains constant from 2028 onwards, the debt ratio forecast shows a gradual decline until the end of the decade, stabilising at around 27% of GDP, before resuming a rising forecast thereafter. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, rising to above the maximum in the medium term.

By calculating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in 10 years (five years after the end of the adjustment period, 2033), (ii) primary expenditure grows at the same rate of 2.7% in all the ARs (rate calculated on the basis of the adjustment necessary to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (minimum growth in primary expenditure of 2%), the following would be necessary:

	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	1.84	0.46	2033
Scenario (ii)	0.40	0.10	2066
Scenario (iii)	0.53	0.13	2055

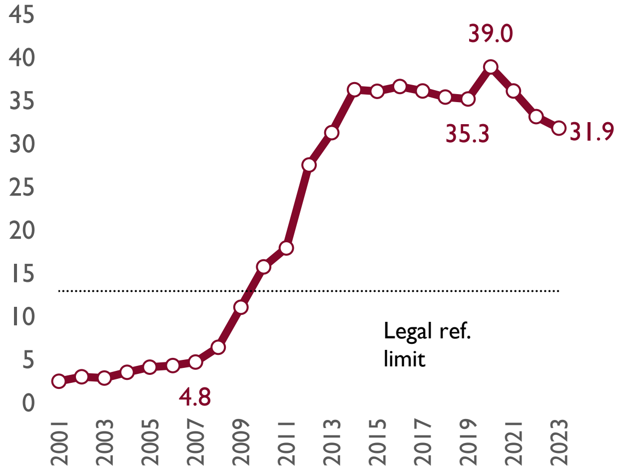
SCENARIOS



Source AIReF

CASTILE - LA MANCHA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

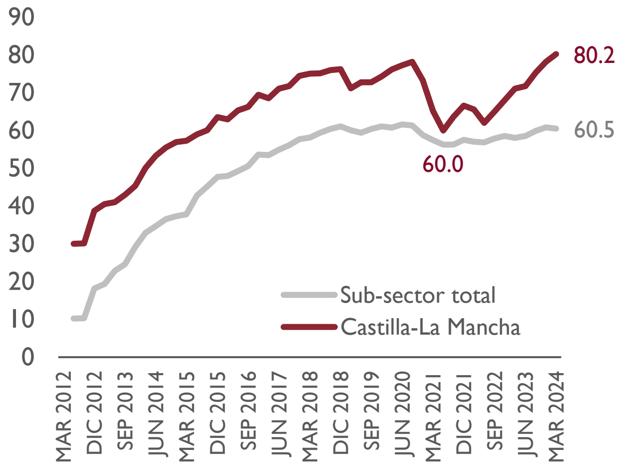
Since 2007 (4.8%), the debt-to-GDP ratio of Castile-La Mancha increased by 34 points to reach its maximum in 2020 (39%), coinciding with the peak of the pandemic. Since then, the ratio has fallen by 7.1 points to 31.9% of GDP at the end of 2023, below the levels of around 36% where the ratio had stabilised in the years prior to the pandemic. Castile-La Mancha exceeds the legal reference of 13% by 18.9 points, with 2009 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

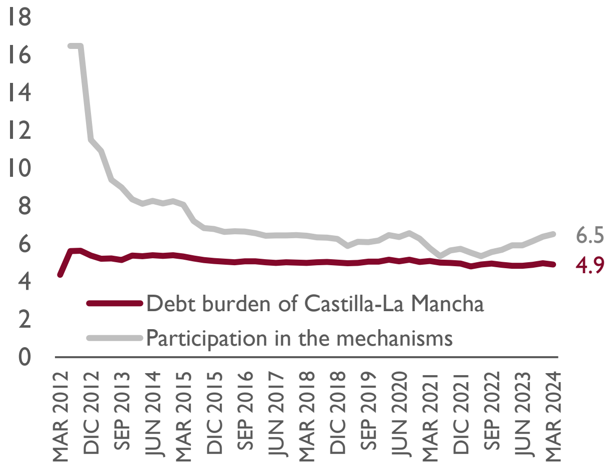
Public Debt		FFCCAA Debt	
GDP %: 31.5	% over total AR: 4.9	Weight on debt 80.2	% over total of FFCCAA: 6.5

The weight of Castile-La Mancha's financing through **extraordinary mechanisms has grown in recent years by more than 20 points to 80.2%** of its total debt, well above the weight of the Autonomous Regions as a whole (60.5%). These funds account for 6.5% of the total of the mechanisms, a higher percentage than its indebtedness as a percentage of the regional total (4.9%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

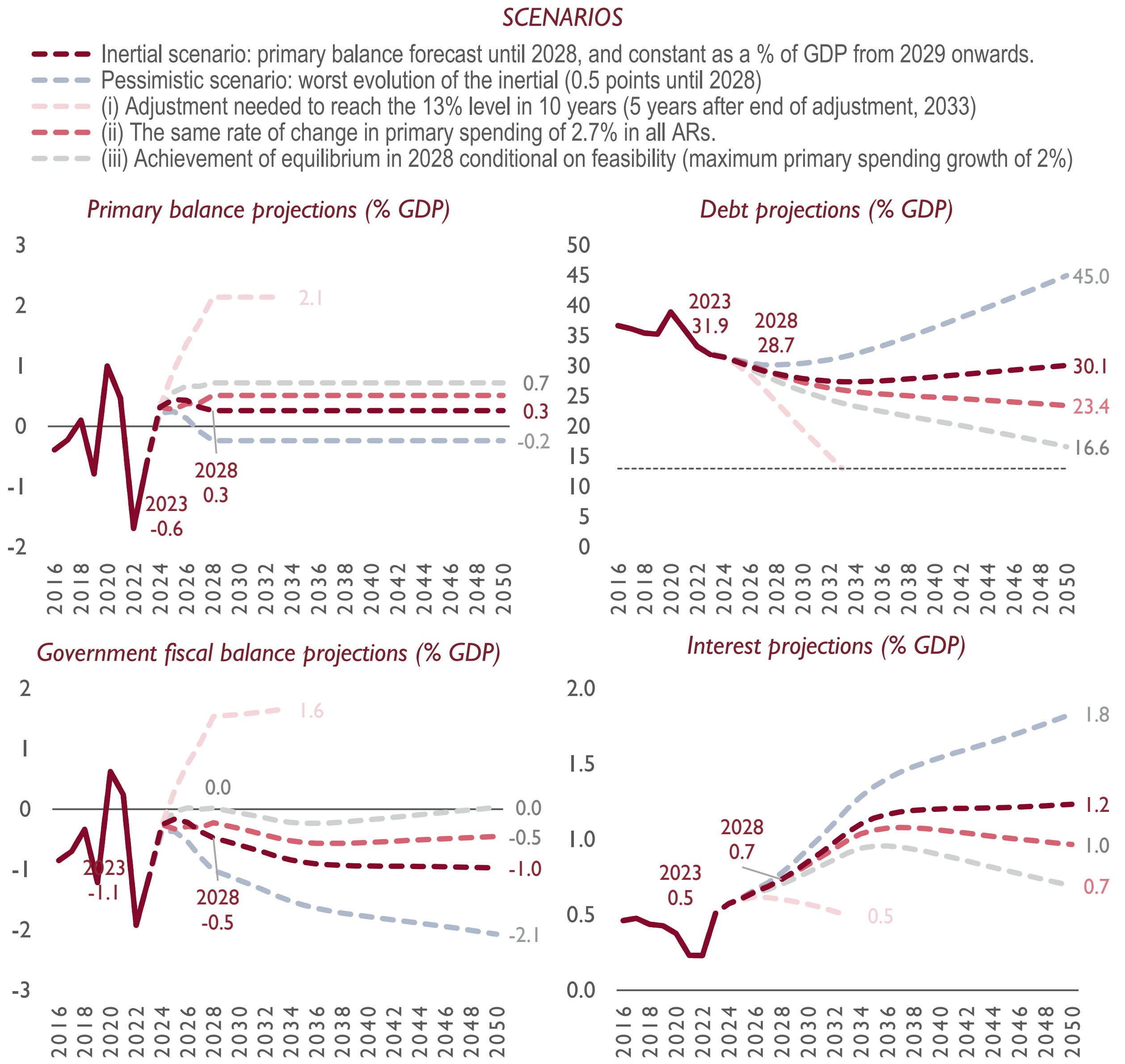
The rating agency Moody's has maintained its long-term debt rating in the speculative grade category (Ba1) since April 2018, while Fitch has considered it to be investment grade (BBB-) since March 2012, albeit at its lowest limit. Spain's debt rating (Baa1 and A-) is three notches lower.

CLM	Ba1	..	BBB-
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	**BBB-**
Grado de no inversión especulativo	**Ba1**	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 3.2 percentage points over the medium-term forecast horizon (between 2024 and 2028, the year of completion of the future structural plan), which would bring it to 28.7% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 0.9 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.1 points until 2028), assuming that the balance remains constant from that year onwards, the path of the debt ratio shows a sustained but very gradual reduction, converging towards the level of 30% of GDP. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, rising to above the maximum in the medium term.

By calculating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in 10 years (five years after the end of the adjustment period, 2033), (ii) primary expenditure grows at the same rate of 2.7% in all the ARs (rate calculated on the basis of the adjustment necessary to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (maximum growth in primary expenditure of 2%), the following would be necessary:

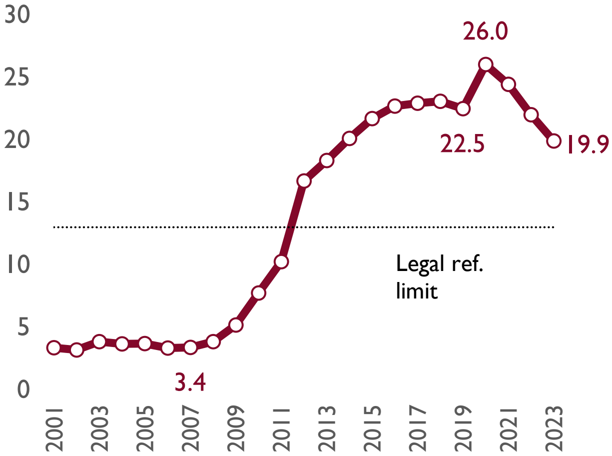
	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	1.88	0.47	2033
Scenario (ii)	0.25	0.06	..
Scenario (iii)	0.46	0.12	2057



Source AIReF

CANTABRIA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

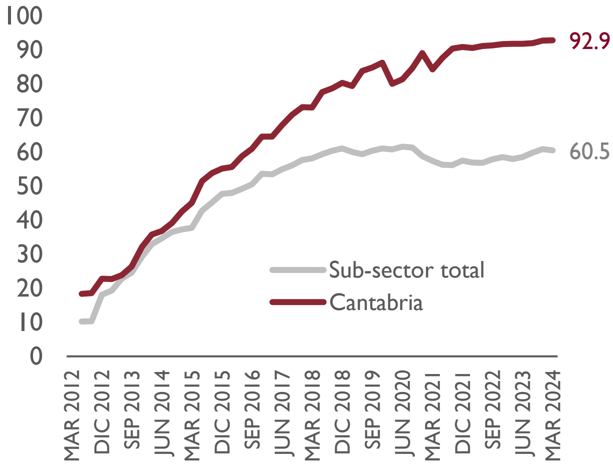
Since 2007 (3.4%), Cantabria's debt-to-GDP ratio has risen by more than 22 points to reach its maximum in 2020 (26%), coinciding with the peak of the pandemic. Since then, the ratio has fallen by 6.1 points to 19.9% of GDP at the end of 2023, below the levels of around 23% where the ratio had stabilised in the years prior to the pandemic. Cantabria exceeds the legal reference of 13% by 6.9 points, with 2011 being the last year in which the Region was below this reference.

Latest information: 2024 Q-I

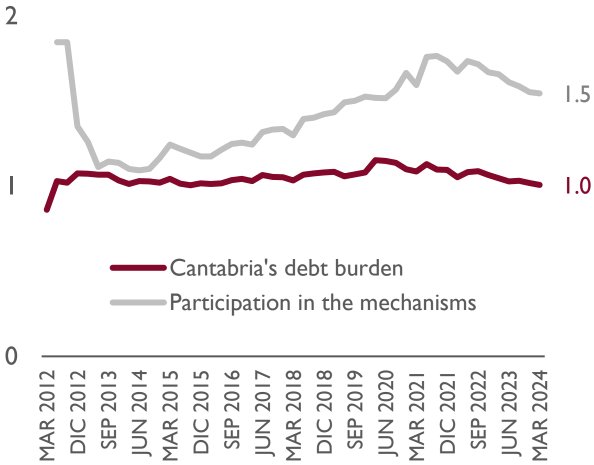
Public Debt		*FFCCAA Debt*	
GDP %: 19.6	% over total AR: 1.0	Weight on debt 92.9	% over total of FFCCAA: 1.5

The weight of Cantabria's financing through **extraordinary mechanisms has grown steadily over the years to reach 92.2%** of its total debt, well above the weight of the Autonomous Regions as a whole (60.5%), being the Region with the highest percentage of financing. These funds account for 1.5% of the total of the mechanisms, a higher percentage than its indebtedness as a percentage of the regional total (1%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

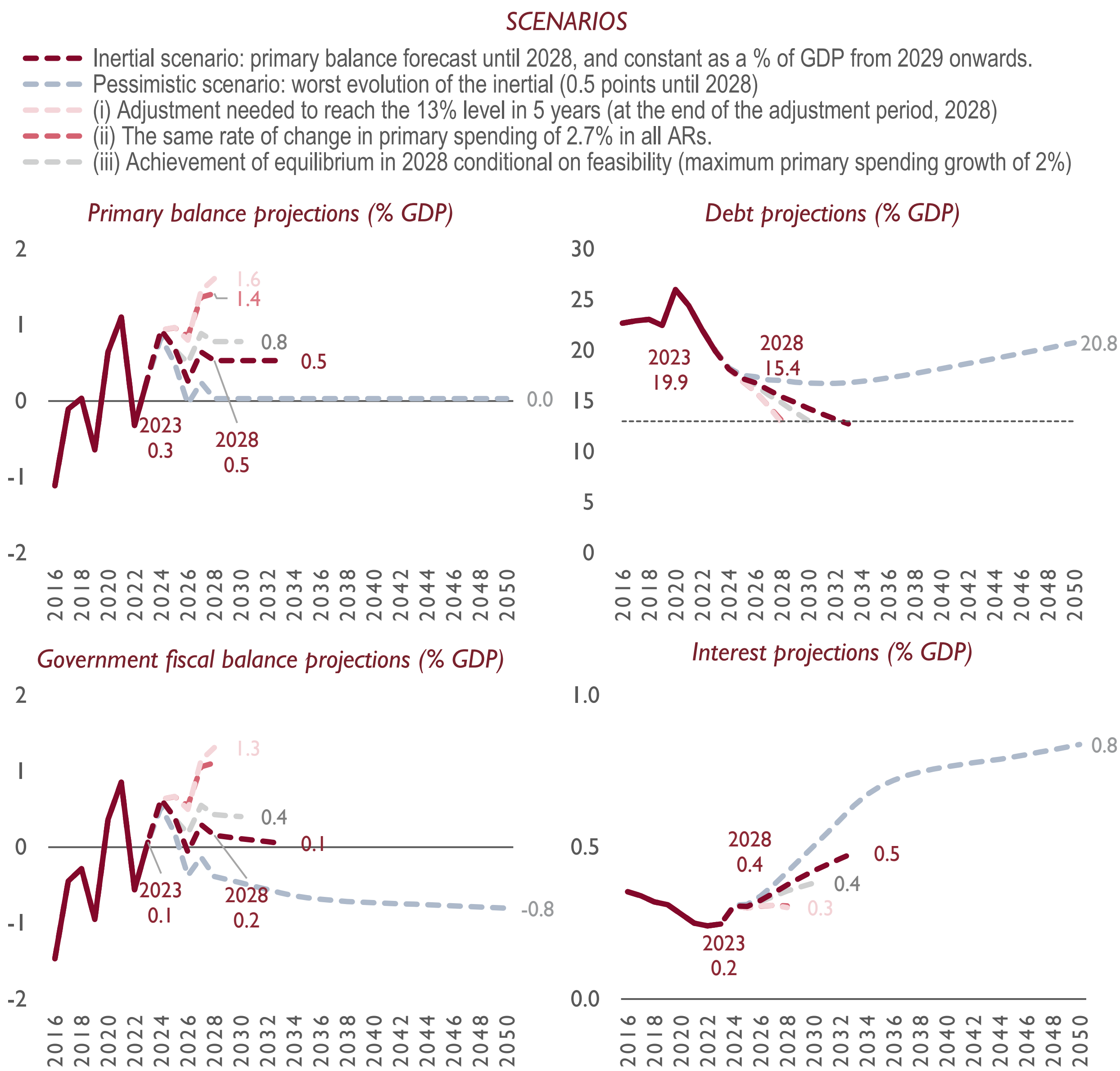
In March 2024, the rating agency Fitch raised the long-term debt rating by one notch to 'BBB', within the investment grade category of lower-medium grade. This rating is two notches below Spain's rating (A-).

CNT	..	..	BBB
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	**BBB**
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 4.5 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 15.4% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 0.6 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.4 points until 2028), assuming that the balance remains constant from that year onwards, the path of the debt ratio shows a sustained reduction, reaching a level of 13% of GDP in 2033. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, resuming an upward forecast.

Calibrating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in five years (at the end of the adjustment period, 2028), (ii) primary expenditure grows at the same rate of 2.7% in all the ARs (rate calculated from the adjustment necessary to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (maximum primary expenditure growth of 2%), the following would be necessary:

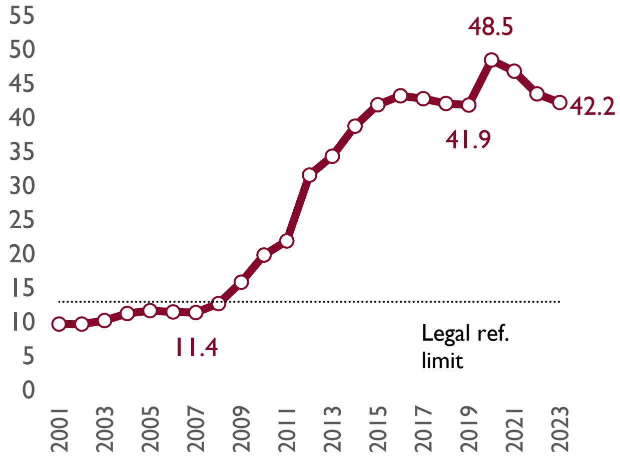
	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	2033
Scenario (i)	1.08	0.27	2028
Scenario (ii)	0.88	0.22	2029
Scenario (iii)	0.25	0.06	2031



Source AIReF

VALENCIA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

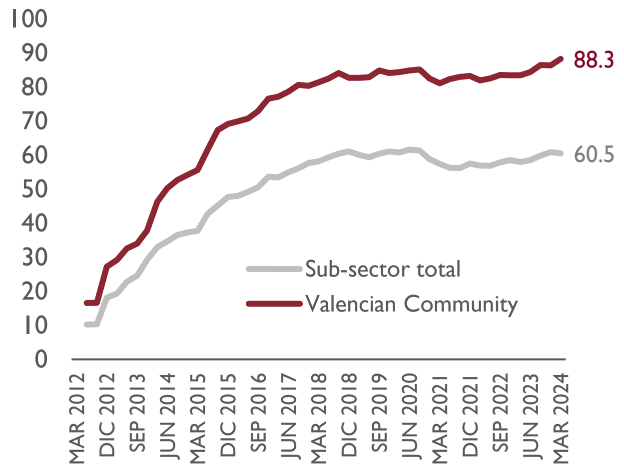
Since 2007 (11.4%), the debt-to-GDP ratio of Valencia increased by 37 points to reach its maximum value in 2020 (48.5%), coinciding with the peak of the pandemic. Since that point, the ratio has fallen by 6.3 points to 42.2% of GDP at the end of 2023, although it remains 0.3 points above the pre-pandemic level of 41.9% where the ratio had stood in 2019, and in line with the values of previous years. Valencia is the Region with the highest debt in relation to its GDP, exceeding the legal reference of 13% by 29.2 points. 2008 was the last year in which the Region was below this reference.

Latest information: 2024 Q-I

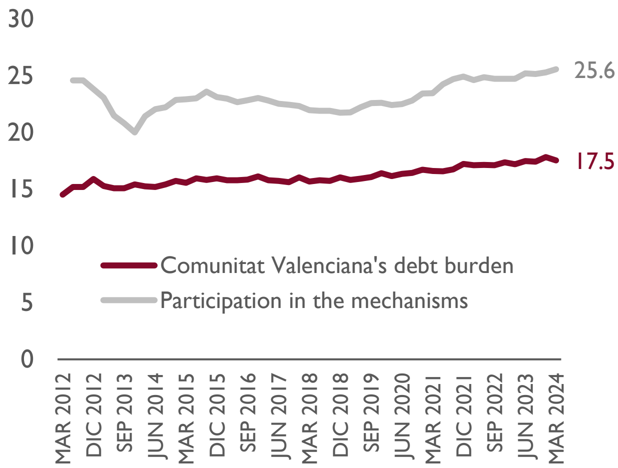
Public Debt		*FFCCAA Debt*	
GDP %: 41.5	% over total AR: 17.5	Weight on debt 88.3	% over total of FFCCAA: 25.6

The weight of Valencia's financing through **extraordinary mechanisms has grown steadily to 88.3%** of its total debt, one of the highest percentages. Valencia is the second most indebted Autonomous Region (after Catalonia) to the Regional Financing Fund, with a share of 25.6% of the total, a much higher percentage than its indebtedness (17.5%) of the regional total.

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

The rating agencies have not revised the Region's rating since 2015, with two of the three main agencies placing its long-term debt in the speculative grade category - Ba1 (Moody's), BB (S&P) - while the third (Fitch) considers it to be investment grade (BBB-), albeit at its lowest limit.

CVA	Ba1	BB	BBB-
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	**BBB-**
Grado de no inversión especulativo	**Ba1**	BB+	BB+
	Ba2	**BB**	BB
	Ba3	BB-	BB-

Long-term projections and adjustment to reach the 13% reference level

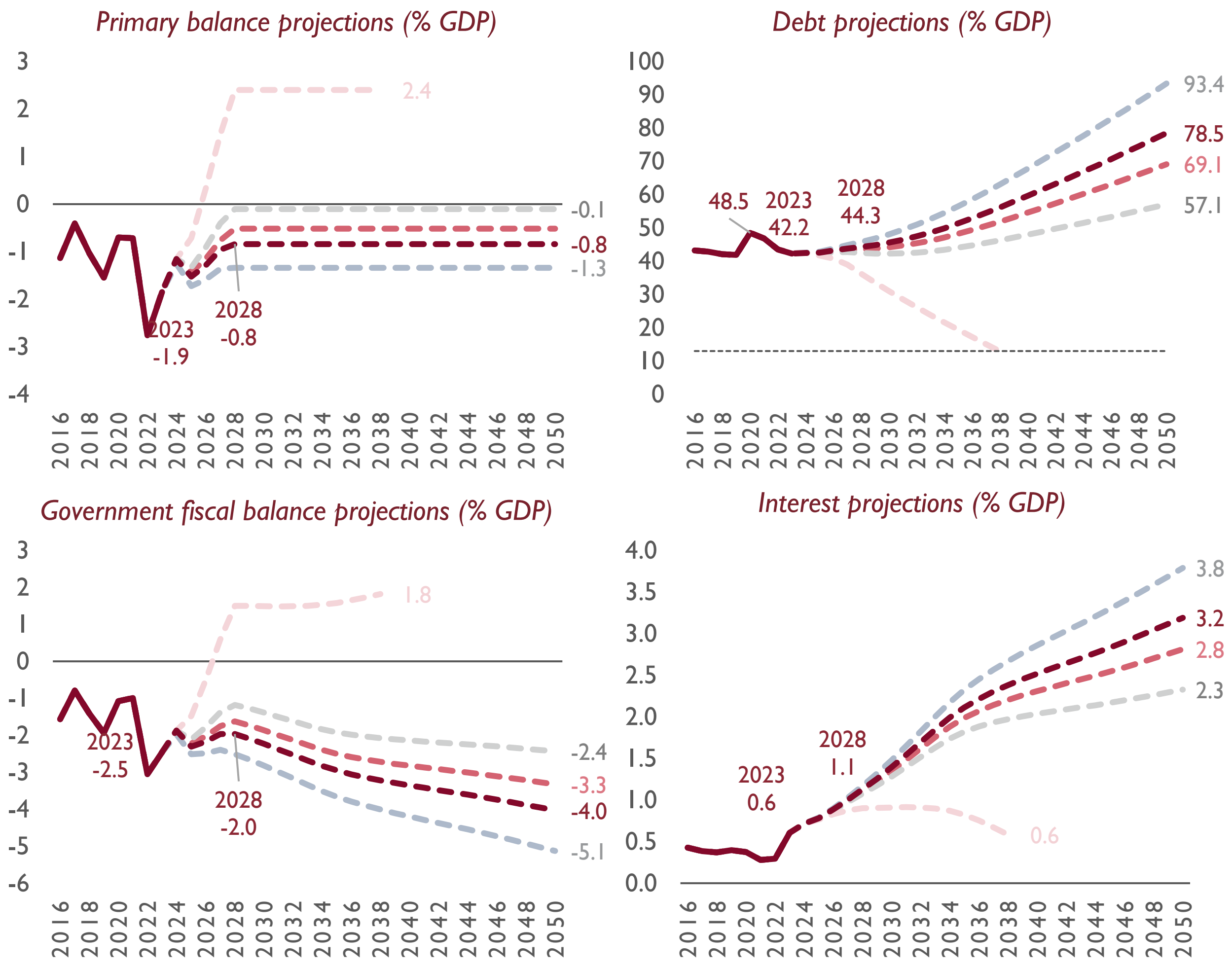
The baseline scenario projects an increase in the ratio of 2 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 44.3% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance until 2028 (with a correction of 1 point of GDP), assuming that the balance remains constant from that year onwards, the debt ratio forecast shows a continued increase, exceeding the maximum level of 2020 in the medium term (2033). This situation would worsen if we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a point below.

By calculating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in 15 years (10 years after the end of the adjustment period, 2038), (ii) primary expenditure grows at the same rate of 2.7% in all the ARs (rate calculated on the basis of the adjustment necessary to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (maximum growth in primary expenditure of 2%), the following would be necessary:

	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	2033
Scenario (i)	3.24	0.81	..
Scenario (ii)	0.32	0.08	..
Scenario (iii)	0.73	0.18	..

SCENARIOS

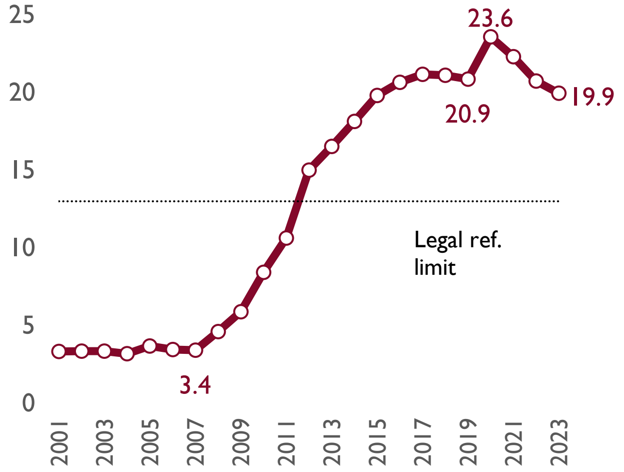
Inertial scenario: primary balance forecast until 2028, and constant as a % of GDP from 2029 onwards.
Pessimistic scenario: worst evolution of the inertial (0.5 points until 2028)
(i) Adjustment needed to reach the 13% level in 15 years (10 years after completion of the adjustment, 2033)
(ii) The same rate of change in primary spending of 2.7% in all ARs.
(iii) Achievement of equilibrium in 2028 conditional on feasibility (maximum primary spending growth of 2%)



Source AIReF

CASTILE AND LEON

Evolution of the debt ratio (% GDP)



Source Bank of Spain

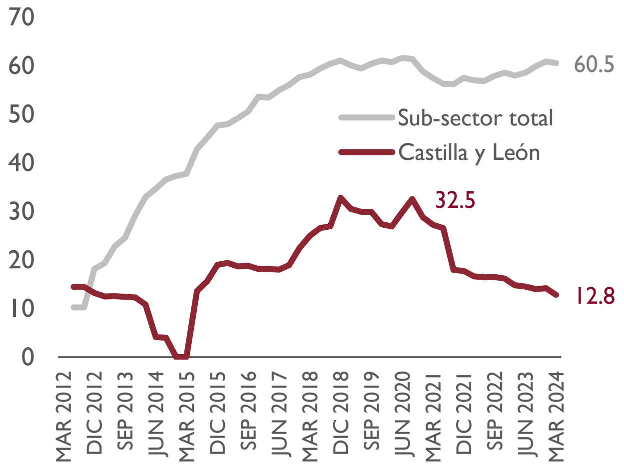
Since 2007 (3.4%), Castile and Leon's debt-to-GDP ratio increased by 20 percentage points to reach its maximum in 2020 (23.6%), coinciding with the peak of the pandemic. Since then, the ratio has fallen by 3.6 points to 19.9% of GDP at the end of 2023, below the levels of around 21% where the ratio had stabilised in the years prior to the pandemic. Castile and Leon exceeds the legal reference of 13% by 6.9 points, with 2011 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

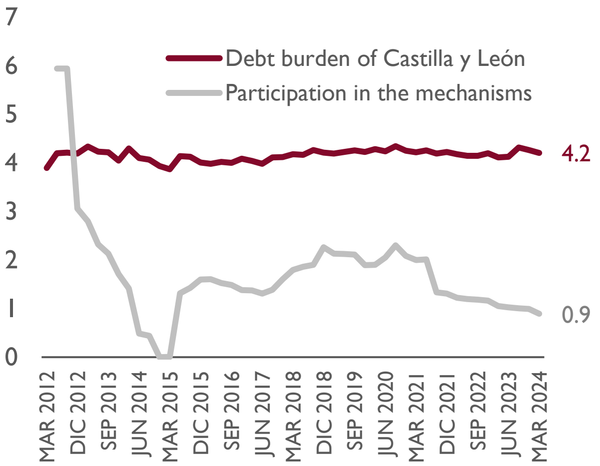
Public Debt		FFCCAA Debt	
GDP %: 19.6	% over total AR: 4.2	Weight on debt 12.8	% over total of FFCCAA: 0.9

The weight of Castile and Leon's financing through **extraordinary mechanisms has fallen by 20 points in recent years to 12.8%** of its total debt, well below the weight of the Autonomous Regions as a whole (60.5%). These funds account for 0.9% of the total of the mechanisms, a much lower percentage than its indebtedness as a percentage of the regional total (4.2%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

The rating agency Moody's has maintained Spain's long-term debt in the investment grade category (Baa1) of lower-medium grade since 2018, the same rating as Spain's debt.

CYL	Baa1	..	..
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	**Baa1**	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

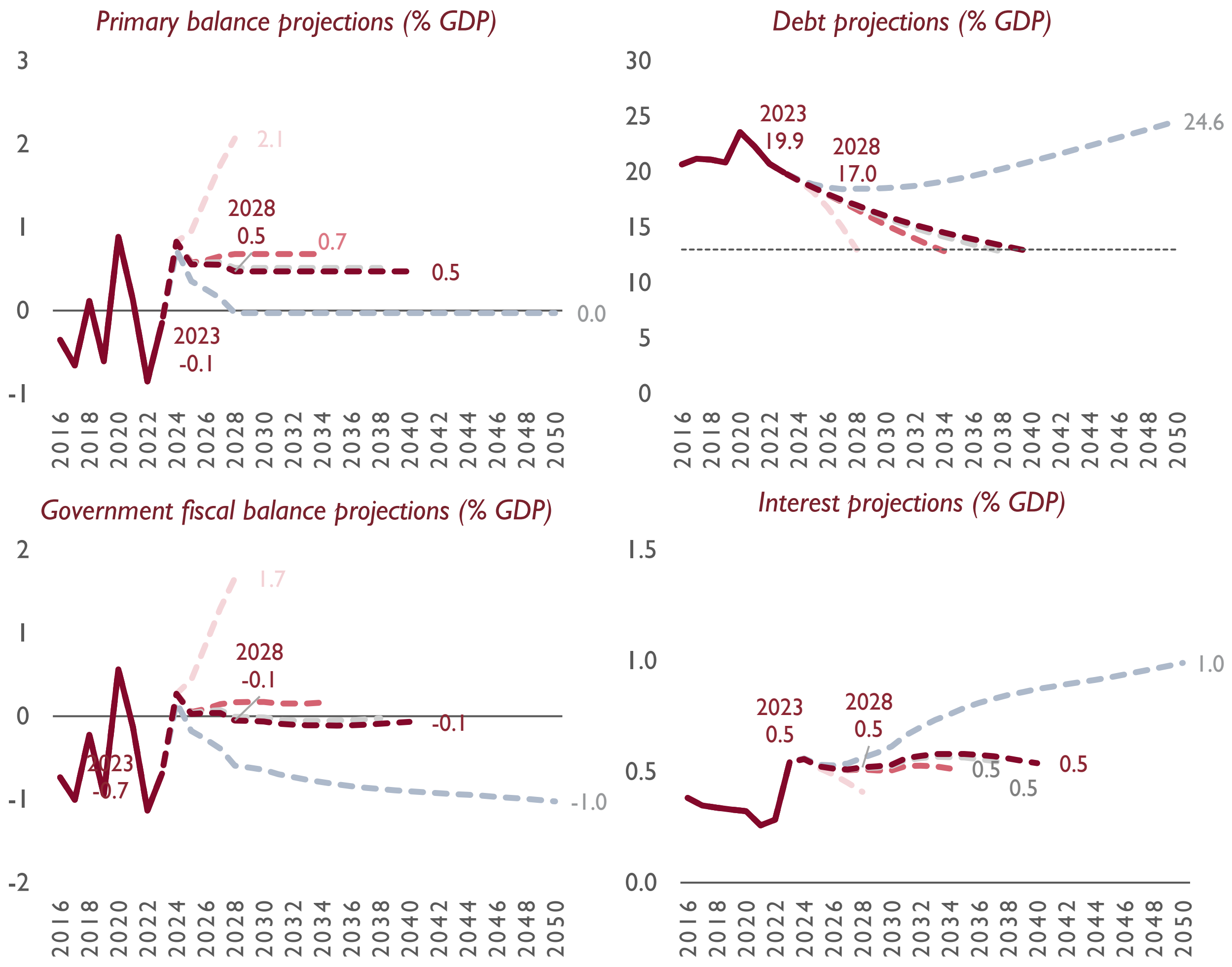
The baseline scenario projects a reduction in the ratio of 3 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would place it at 17% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 1 point of GDP), and some easing in the medium term (i.e. a decline of 0.4 points until 2028), assuming that the balance remains constant from that year onwards, the debt ratio path shows a sustained reduction to reach the reference level of 13% of GDP in 2040. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, resuming an increasing forecast.

Calibrating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in five years (at the end of the adjustment period, 2028), (ii) primary expenditure grows at the same rate of 2.7% in all ARs (rate calculated on the basis of the adjustment necessary to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (maximum growth in primary expenditure of 2%), the following would be necessary:

	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	2040
Scenario (i)	1.60	0.40	2028
Scenario (ii)	0.21	0.05	2034
Scenario (iii)	0.04	0.01	2038

SCENARIOS

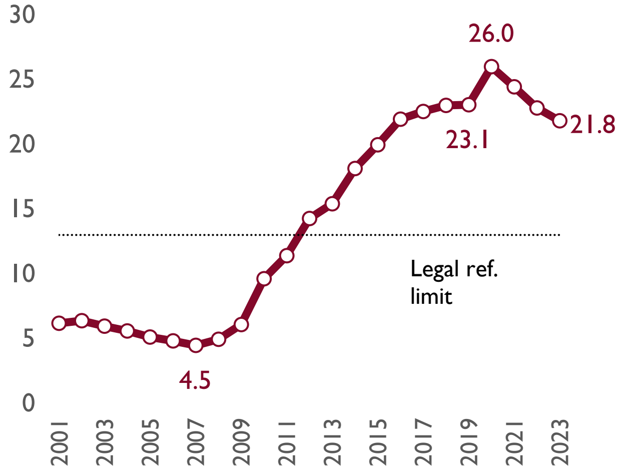
- Inertial scenario: primary balance forecast until 2028, and constant as a % of GDP from 2029 onwards.
- Pessimistic scenario: worst evolution of the inertial (0.5 points until 2028)
- (i) Adjustment needed to reach the 13% level in 5 years (at the end of the adjustment period 2028)
- (ii) The same rate of change in primary spending of 2.7% in all ARs.
- (iii) Achievement of equilibrium in 2028 conditional on feasibility (maximum primary spending growth of 2%)



Source AIReF

EXTREMADURA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

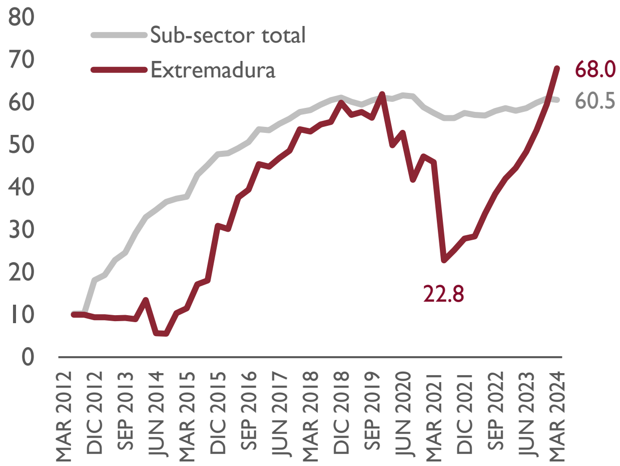
From the minimum of 4.5% in 2007, Extremadura's debt-to-GDP ratio increased by more than 21 points to reach its maximum of 26% in 2020, coinciding with the upturn of the pandemic. Since then, the ratio has fallen by 4.2 points to 21.8% of GDP at the end of 2023, below the levels of around 23% where the ratio had stabilised in the years prior to the pandemic. Extremadura exceeds the legal reference of 13% by 8.8 points, with 2011 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

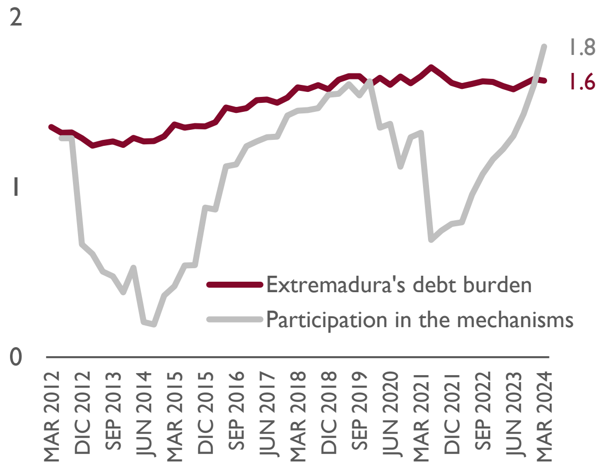
Public Debt		FFCCAA Debt	
GDP %: 21.6	% over total AR: 1.6	Weight on debt 68.0	% over total of FFCCAA: 1.8

The weight of Extremadura's financing through **extraordinary mechanisms has increased significantly, by more than 45 points in recent years to 68%** of its total debt, exceeding the weight of the Autonomous Regions as a whole (60.5%). These funds account for 1.8% of the total of the mechanisms, a slightly higher percentage than its debt as a percentage of the regional total (1.6%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

The rating agencies Moody's and S&P have maintained long-term debt in the investment grade category (lower-medium grade) since 2018 and 2014, with ratings of Baa2 and BBB respectively, one and three notches below Spain's rating (Baa1 and A).

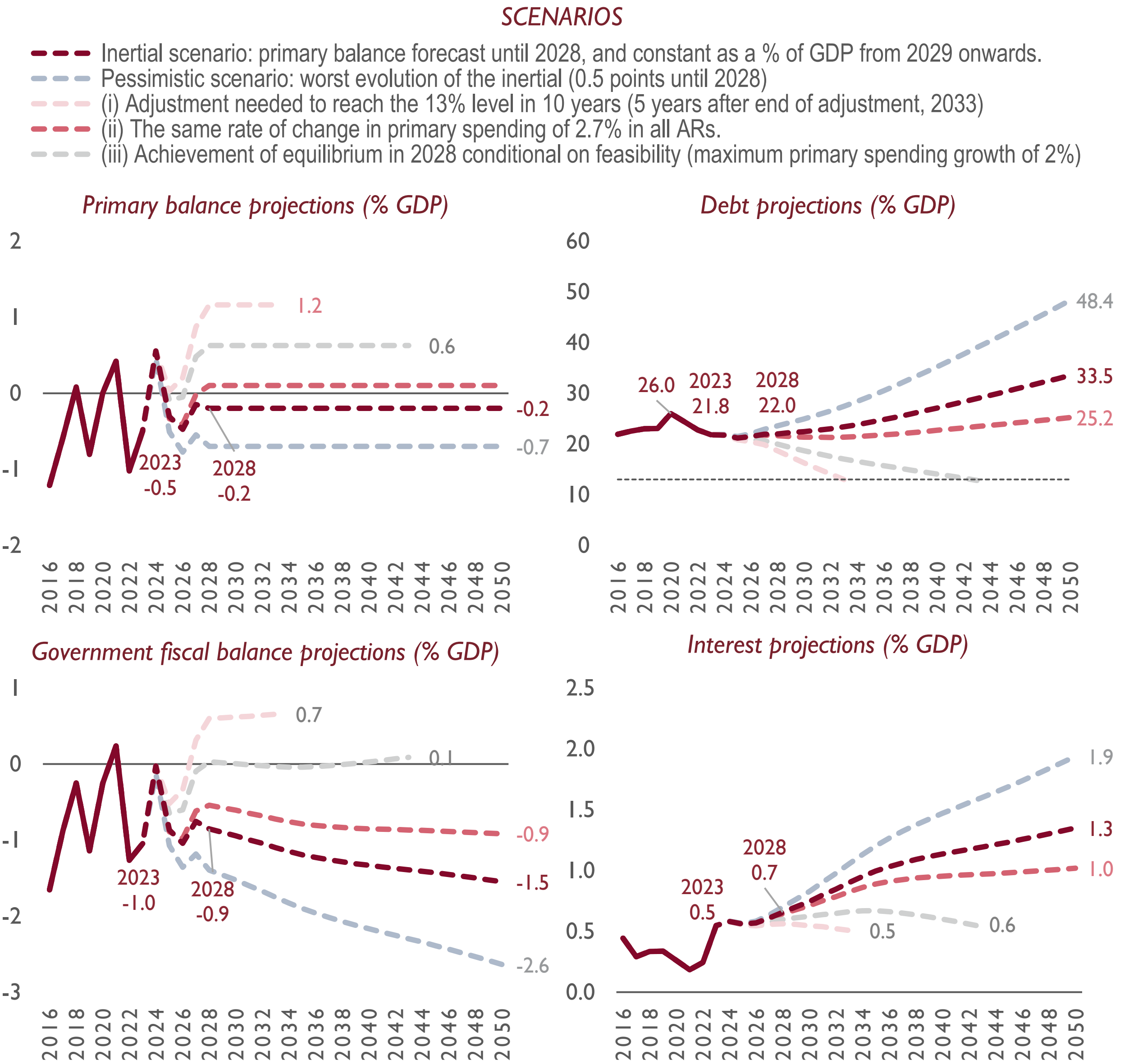
EXT	Baa2	BBB	..
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	**BBB**	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

Long-term projections and adjustment to reach the 13% reference level

The baseline scenario projects an increase in the ratio of 0.2 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 22% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 1.1 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.8 points until 2028), assuming that the balance remains constant from that year onwards, the debt ratio shows a gradual and sustained growth forecast, exceeding its maximum in the medium term (2039). If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show a much more unfavourable evolution.

By calculating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in 10 years (five years after the end of the adjustment period, 2033), (ii) primary expenditure grows at the same rate of 2.7% in all the ARs (rate calculated on the basis of the adjustment necessary to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (maximum growth in primary expenditure of 2%), the following would be necessary:

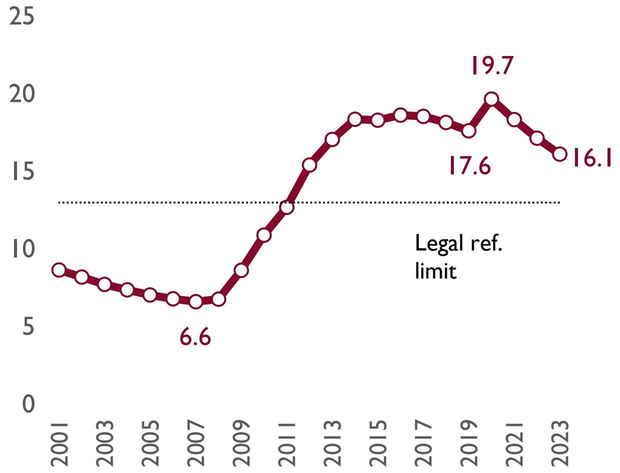
	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	1.36	0.34	2033
Scenario (ii)	0.30	0.07	..
Scenario (iii)	0.83	0.21	2043



Source AIReF

GALICIA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

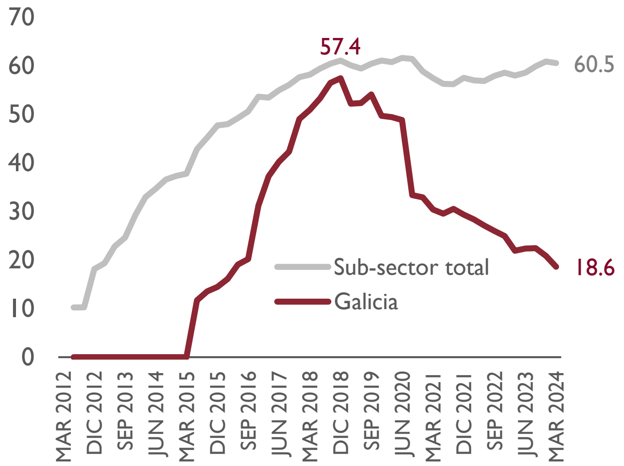
From the minimum of 6.6% in 2007, Galicia's debt-to-GDP ratio increased by 13 points to reach a maximum in 2020 (19.7%), coinciding with the upturn of the pandemic. Since then, the ratio has fallen by 3.5 points to 16.1% of GDP at the end of 2023, below the levels of around 18% where the ratio had stabilised in the years prior to the pandemic. Galicia exceeds the legal reference of 13% by 3.1 points, with 2011 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

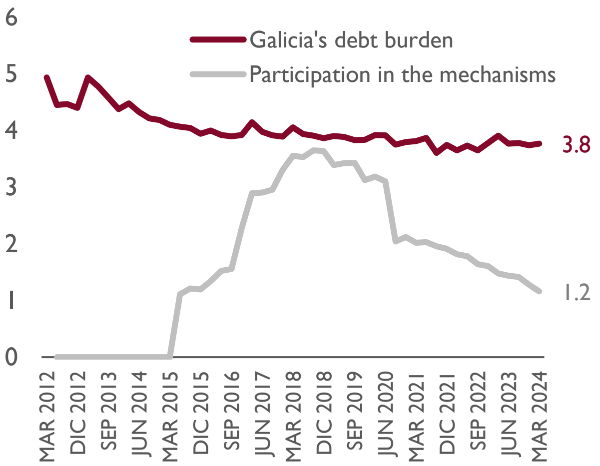
Public Debt		*FFCCAA Debt*	
GDP %: 16.2	% over total AR: 3.8	Weight on debt 18.6	% over total of FFCCAA: 1.2

The weight of Galicia's financing through **extraordinary mechanisms has fallen in recent years by almost 40 points to 18.6%** of its total debt, well below the weight of the Autonomous Regions as a whole (60.5%). These funds account for 1.2% of the total of the mechanisms, a lower percentage than its indebtedness as a percentage of the regional total (3.8%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

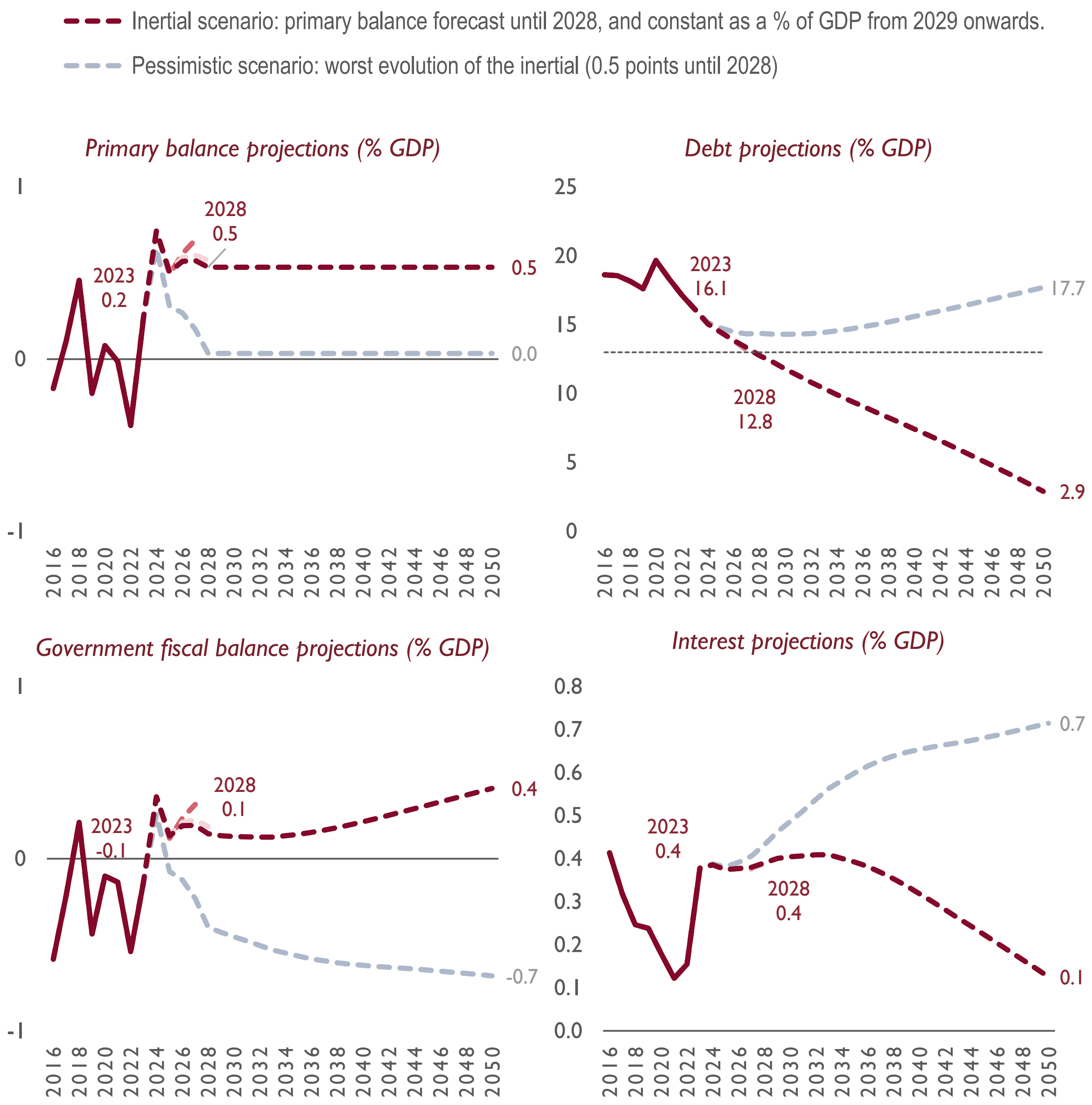
The rating agencies Moody's and S&P have maintained the long-term debt within the investment grade category (lower-medium/upper-medium grade), with ratings of Baa1 and A respectively, the same rating as the Kingdom of Spain since 2018 and 2019.

GAL	Baa1	A	..
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 3.4 percentage points over the medium-term forecast horizon (between 2024 and 2028, the year of completion of the future structural plan), which would bring it to 12.8% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 0.5 points of GDP), and some easing in the medium term (i.e. a deterioration of 0.2 points until 2028), assuming that the surplus of half a percentage point remains constant from that year onwards, the debt ratio forecast shows a reduction, reaching a level of 13% of GDP in 2028. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 until the fiscal balance in that year is half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, resuming an increasing forecast.

As the debt ratio remains below the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 0.5 points of GDP from 2028 onwards, fiscal consolidation scenarios are not simulated.

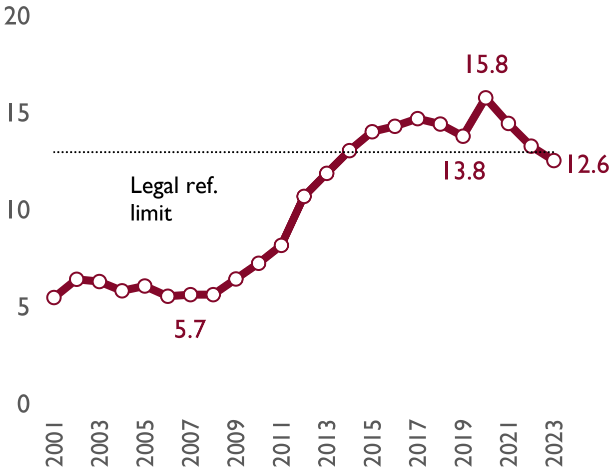
SCENARIOS



Source AIReF

MADRID

Evolution of the debt ratio (% GDP)



Source Bank of Spain

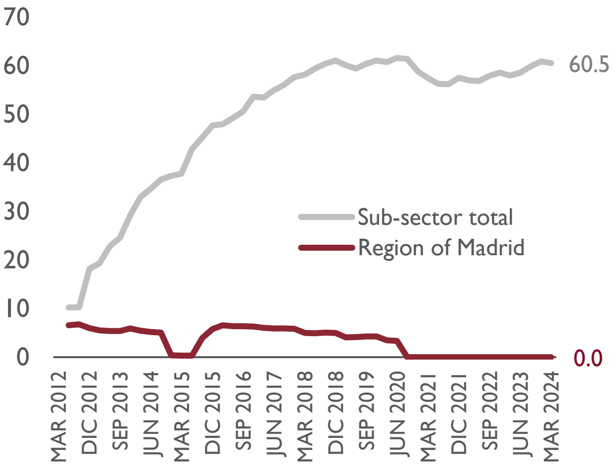
Since 2007 (5.7%), Madrid's debt-to-GDP ratio increased by 10 points to reach a peak in 2020 (15.8%) coinciding with the upturn of the pandemic. Since then, the ratio has fallen by 3.2 points to 12.6% of GDP at the end of 2023, below the levels of around 14% where the ratio had stabilised in the years prior to the pandemic. At the end of 2023, Madrid is below the legal reference value of 13%, a situation not seen since 2013.

Latest information: 2024 Q-I

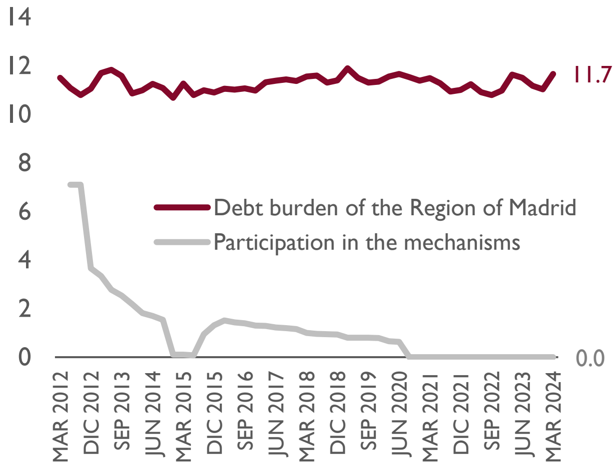
Public Debt		*FFCCAA Debt*	
GDP %: 13.3	% over total AR: 11.7	Weight on debt 0.0	% over total of FFCCAA: 0.0

In 2020, Madrid extinguished its debt with the extraordinary financing mechanisms. After the initial start-up of these funds, the Region's participation in the mechanisms has always been very marginal, being completely extinguished at the end of 2020. Madrid's debt accounts for 11.7% of the total regional debt, a percentage that has remained fairly stable over the years.

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

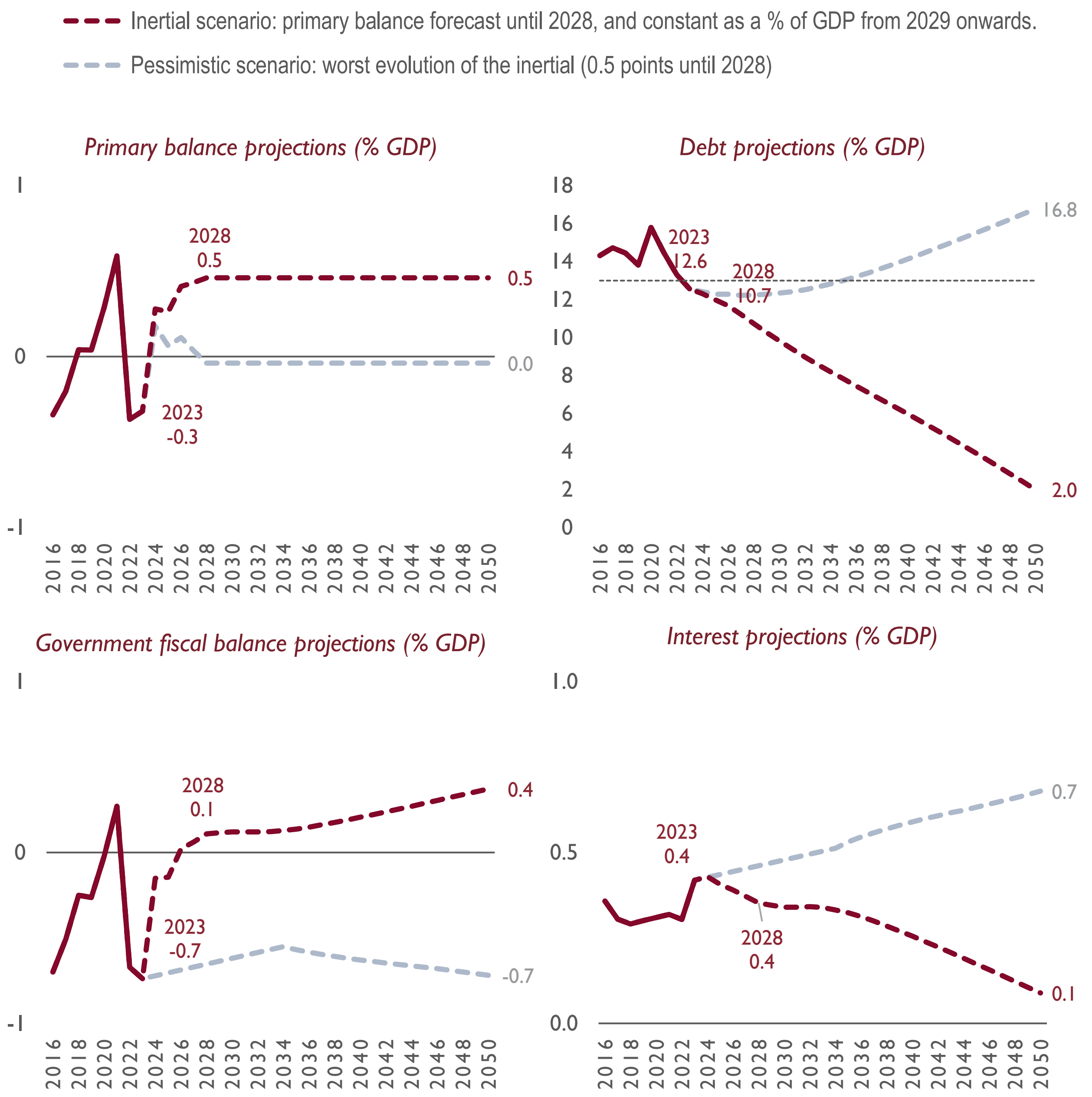
The rating agencies place the Region of Madrid's long-term debt in the investment grade category - 'Baa1' (Moody's), 'A' (S&P) and 'A- (Fitch), which recently upgraded the rating - exactly the same rating as the debt of the Kingdom of Spain.

MAD	Baa1	A	A-
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	**A**	A
	A3	A-	**A-**
Grado medio inferior	**Baa1**	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 1.8 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 10.7% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance with a correction of 0.8 points of GDP until 2028, assuming that the surplus of half a percentage point remains constant from that year onwards, the path of the debt ratio shows a sustained reduction, standing well below the level of 13% of GDP. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 until the fiscal balance in that year is half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, resuming an increasing forecast.

As the debt ratio remains below the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 0.5 points of GDP from 2028 onwards, fiscal consolidation scenarios are not simulated.

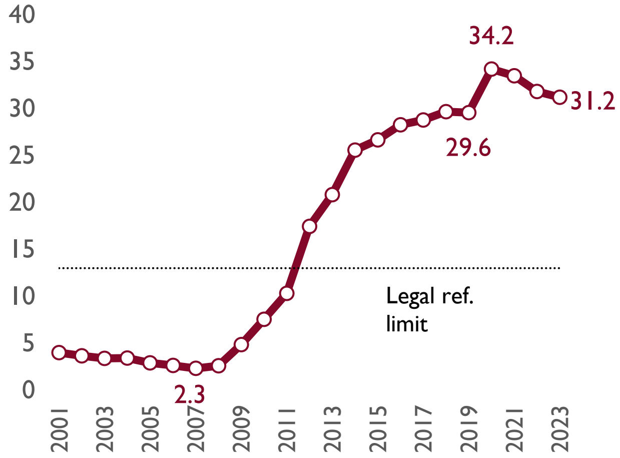
SCENARIOS



Source AIReF

MURCIA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

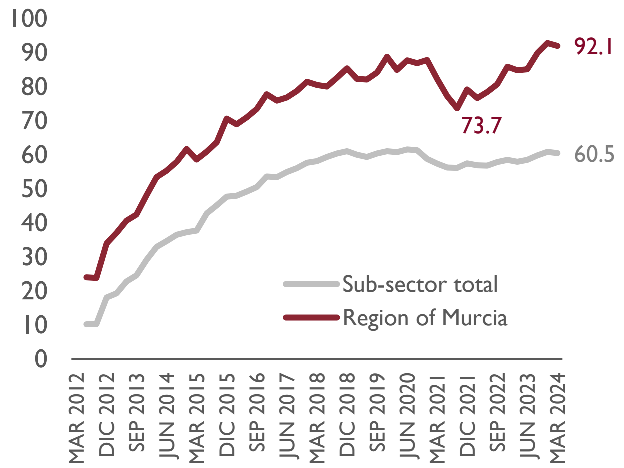
From the minimum of 2.3% in 2007, Murcia's debt-to-GDP ratio increased by more than 31 points to reach its maximum in 2020 (34.2%), coinciding with the upturn of the pandemic. Since then, the ratio has fallen by 3 points to 31.2% of GDP at the end of 2023, which is 1.6 points higher than before the pandemic. Murcia exceeds the legal reference of 13% by 18.2 points, with 2011 being the last year in which the Region fell below this reference.

Latest information: 2024 Q-I

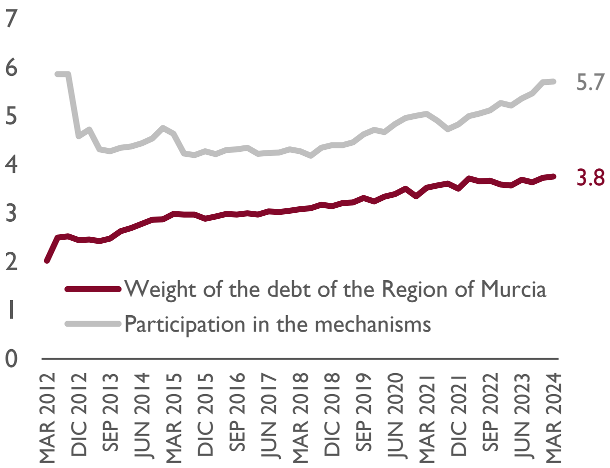
Public Debt		*FFCCAA Debt*	
GDP %: 31.4	% over total AR: 3.8	Weight on debt 92.1	% over total of FFCCAA: 5.7

The weight of Murcia's financing through **extraordinary mechanisms has increased by almost 20 points in recent years to 92.1%** of its total debt, making it the Region with the second highest percentage, and far exceeding the weight of the Autonomous Regions as a whole (60.5%). These funds account for 5.7% of the total of the mechanisms, a higher percentage than its indebtedness as a percentage of the regional total (3.8%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

The rating agencies have not recently revised the Region's rating, with Moody's placing its long-term debt in the speculative grade category (Ba1) since 2018, and Fitch the investment grade (BBB-) at its lowest limit since 2013. This rating is, in both cases, three notches below the rating of the Kingdom of Spain (Baa1 and A-).

MUR	Ba1	..	BBB-
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

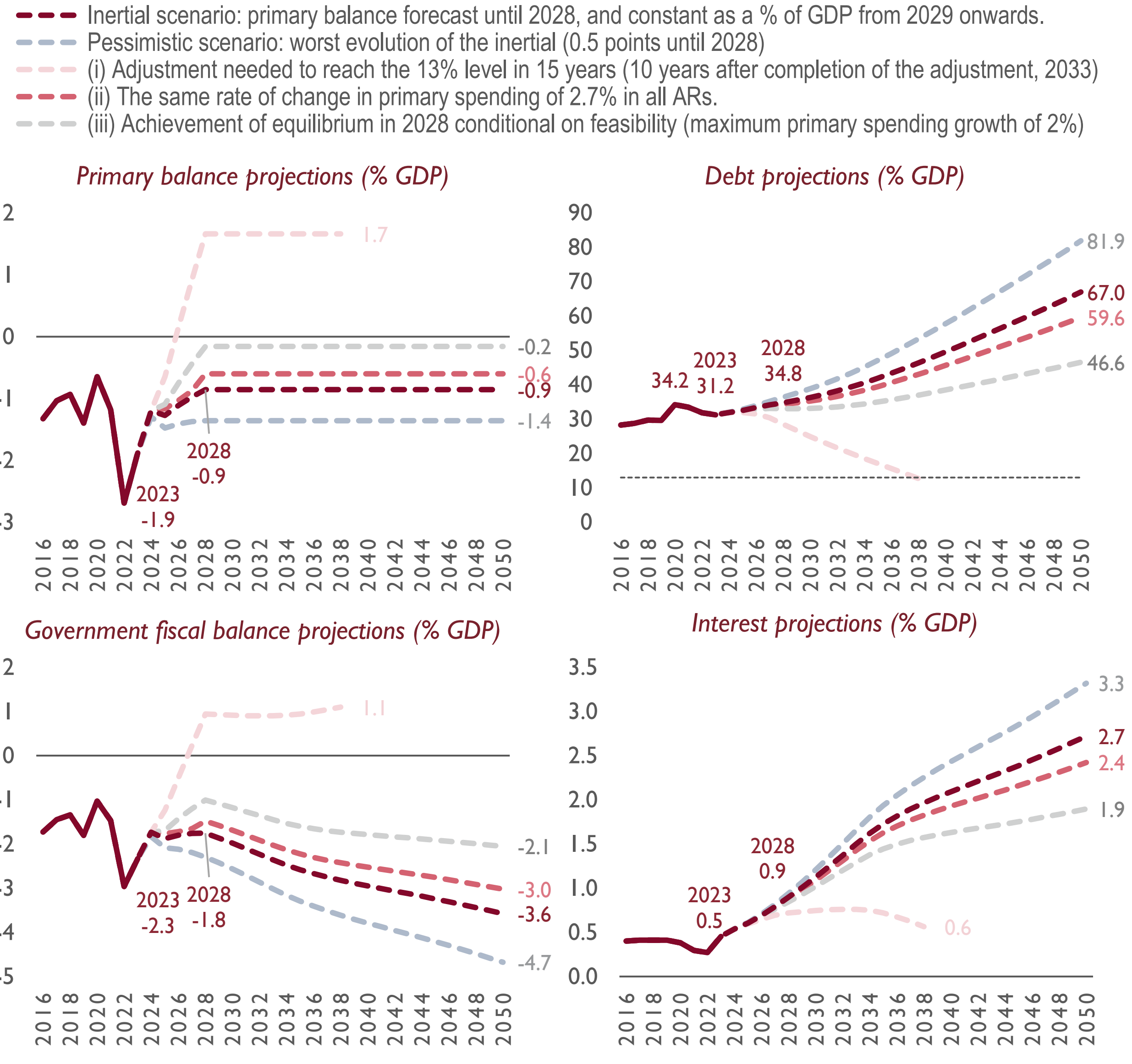
Long-term projections and adjustment to reach the 13% reference level

The baseline scenario projects an increase in the ratio of 3.5 percentage points over the medium-term forecast horizon (between 2024 and 2028, the year of completion of the future structural plan), which would bring it to 34.8% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance with a correction of 1 point of GDP until 2028, assuming that the balance remains constant from that year onwards, the debt ratio shows an increasing forecast over time, exceeding the maximum level of 2020 in the medium term (2028). This situation would worsen if we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower.

By calculating **three different fiscal consolidation scenarios** for the period of a four-year adjustment plan (2025-2028), where it is assumed that: (i) the legal reference of 13% is reached in 15 years (10 years after the end of the adjustment period, 2038), (ii) primary expenditure grows at the same rate of 2.7% in all the ARs (rate calculated on the basis of the adjustment necessary to comply with the new framework of rules for the GG as a whole), and (iii) budgetary balance is achieved in 2028 conditional on feasibility (maximum growth in primary expenditure of 2%), the following would be necessary:

	4-year adjustment plan	Annual adjustment	Year where ratio <13%
Baseline scenario	0.00	0.00	..
Scenario (i)	2.52	0.63	2038
Scenario (ii)	0.26	0.06	..
Scenario (iii)	0.70	0.18	..

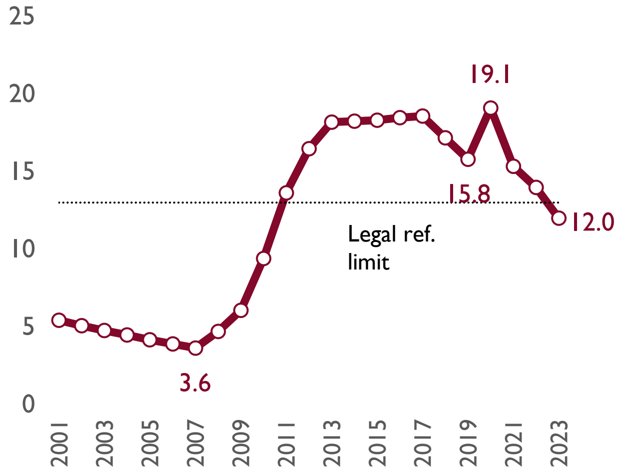
SCENARIOS



Source AIReF

NAVARRE

Evolution of the debt ratio (% GDP)



Source Bank of Spain

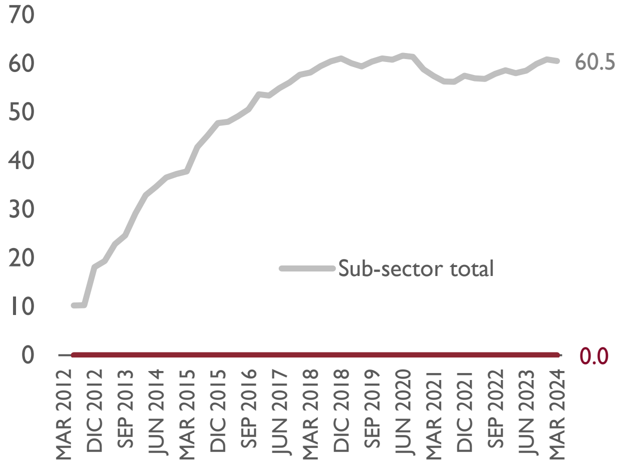
From the 2007 minimum of 3.6%, the debt-to-GDP ratio in Navarre increased by more than 15 points to reach its maximum value in 2020 (19.1%), coinciding with the upturn in the pandemic. Since then, the ratio has fallen by 7.1 points to 12% of GDP at the end of 2023, below the levels of around 18% where the ratio had stabilised in the years prior to the pandemic. At the end of 2023, Navarre will be below the legal reference value of 13%, a situation that has not been recorded since 2010.

Latest information: 2024 Q-I

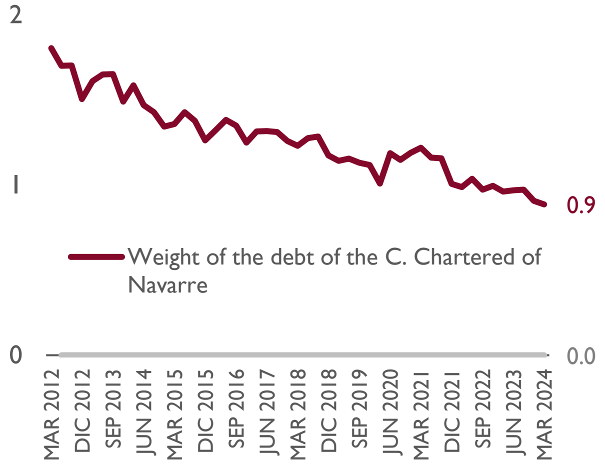
Public Debt		*FFCCAA Debt*	
GDP %: 11.7	% over total AR: 0.9	Weight on debt 0.0	% over total of FFCCAA: 0.0

Navarre, together with the Basque Country, are the only Regions that have never financed themselves through the extraordinary financing mechanisms. Navarre's debt accounts for 0.9% of the total regional debt, a percentage which has been decreasing over the years.

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

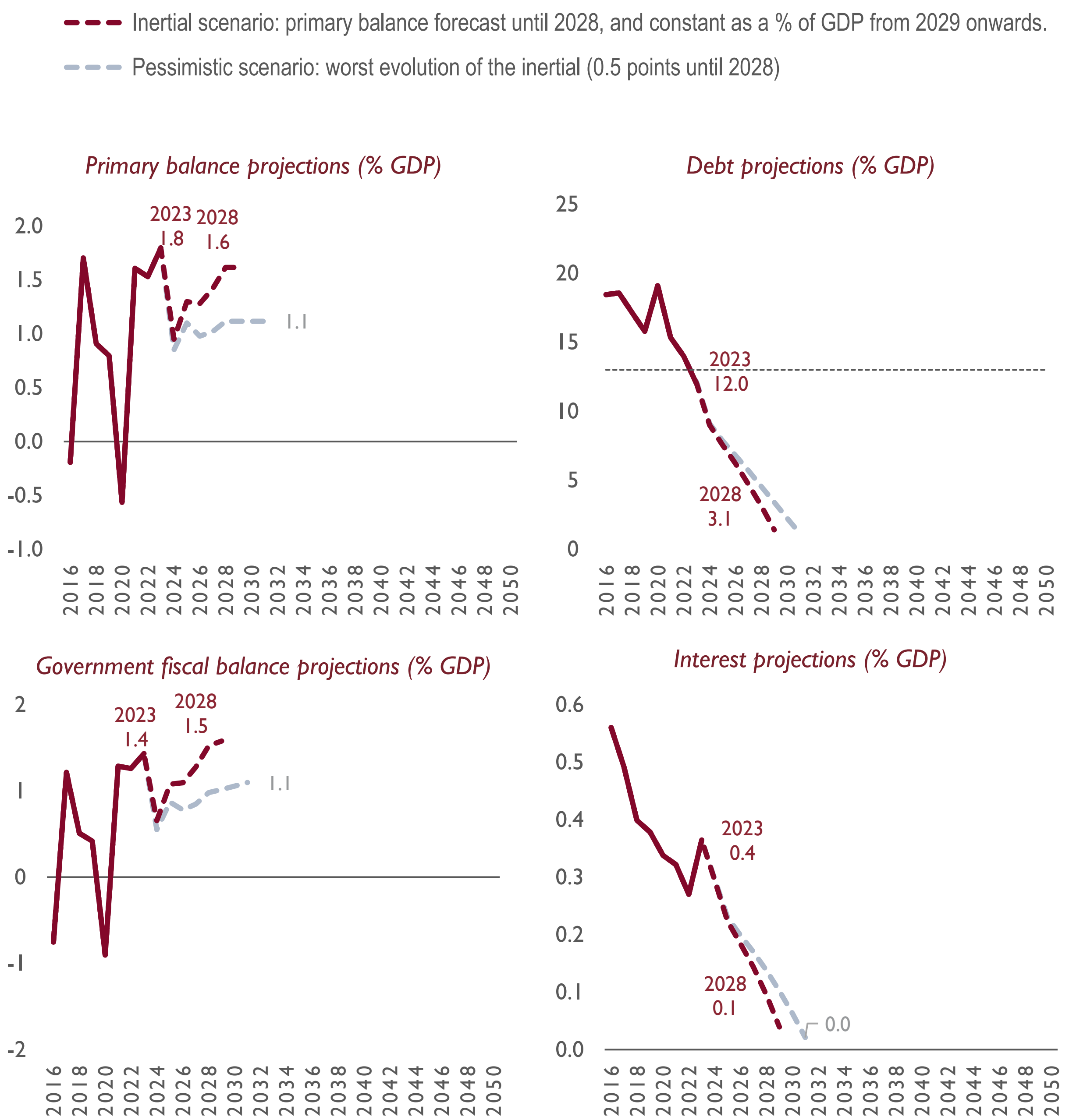
The rating agency S&P has maintained the long-term debt of Navarre within the high grade of the investment grade category ('AA-') since 2019, placing it two notches above the rating of the Kingdom of Spain (A).

NAV	..	AA-	..
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 8.8 points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 3.1% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a negative evolution of the primary balance in 2024 (with a decline of 0.8 points of GDP), and some improvement in the medium term (0.7 points until 2028), assuming that the surplus remains constant from that year onwards, the path of the debt ratio shows a sustained reduction, disappearing completely in 2030. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 until the fiscal balance in that year is half a percentage point lower, the debt would disappear two years later, in 2032.

As the debt ratio remains below the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 1.6 points of GDP from 2028 onwards, fiscal consolidation scenarios are not simulated.

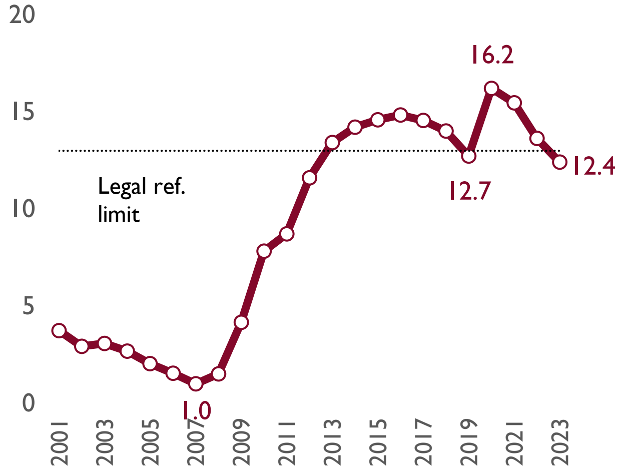
SCENARIOS



Source AIReF

BASQUE COUNTRY

Evolution of the debt ratio (% GDP)



Source Bank of Spain

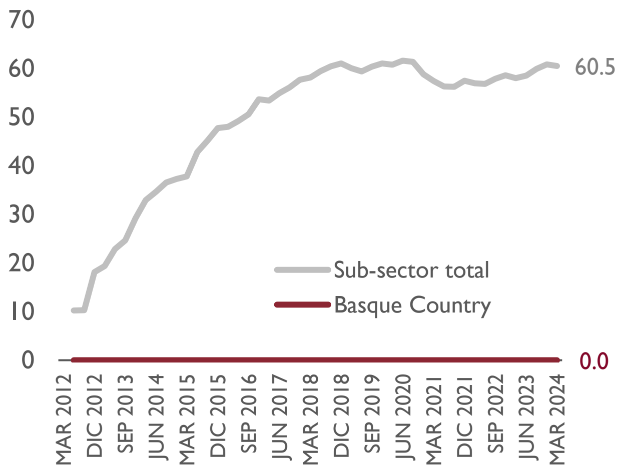
From the 2007 minimum of 1%, the debt-to-GDP ratio of the Basque Country increased by more than 15 points to reach its maximum value in 2020 (16.2%), coinciding with the upturn in the pandemic. Since then, the ratio has fallen by 3.8 points to 12.4% of GDP at the end of 2023, below the levels of around 14% where the ratio had stabilised in the years prior to the pandemic. At the end of 2023, the Basque Country was below the legal reference value of 13%, a situation that had not been recorded since 2012.

Latest information: 2024 Q-I

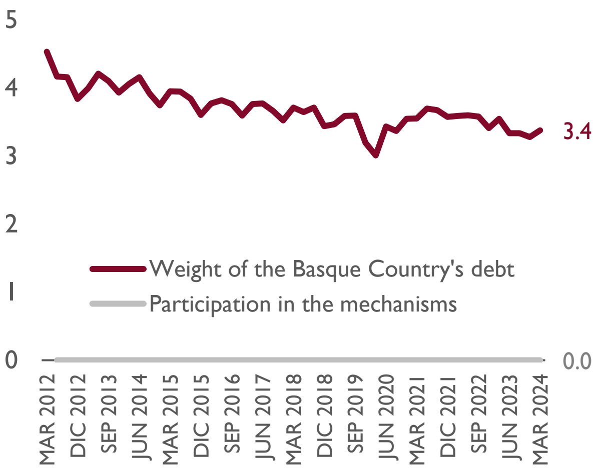
Public Debt		*FFCCAA Debt*	
GDP %: 12.7	% over total AR: 3.4	Weight on debt 0.0	% over total of FFCCAA: 0.0

The Basque Country, together with Navarre, are the only Regions that have never financed themselves through extraordinary financing mechanisms. The Basque Country's debt accounts for 3.4% of total regional debt, a percentage that has remained fairly stable over the years.

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

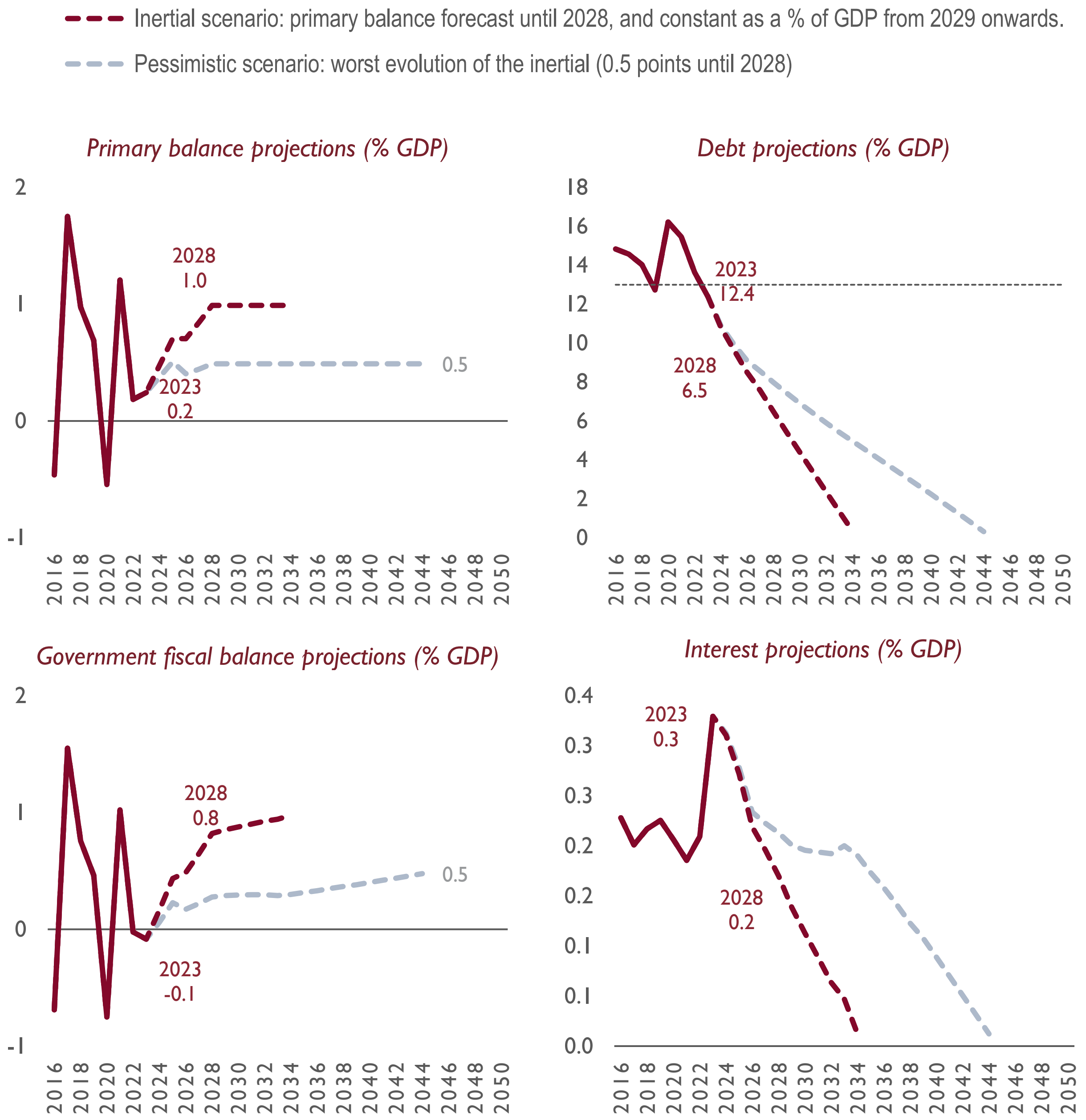
The rating agencies place the long-term debt of the Basque Country in the investment grade category, medium grade in the case of Moody's and Fitch ('A3' and 'A' respectively), and high grade in the case of S&P (AA-), placing it one and two notches above the rating of the Kingdom of Spain ('Baa1', 'A', 'A-').

PVA	A3	AA-	A
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 5.9 percentage points over the medium-term forecast horizon (between 2024 and 2028, the year of completion of the future structural plan), which would bring it to 6.5% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance with a correction of 0.7 points of GDP until 2028, assuming that the surplus remains constant from that year onwards, the debt ratio forecast shows a sustained reduction, disappearing completely in 2035. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 until the fiscal balance in that year is half a percentage point lower, the debt would disappear ten years later, in 2045.

As the debt ratio remains below the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 1 GDP point from 2028 onwards, fiscal consolidation scenarios are not simulated.

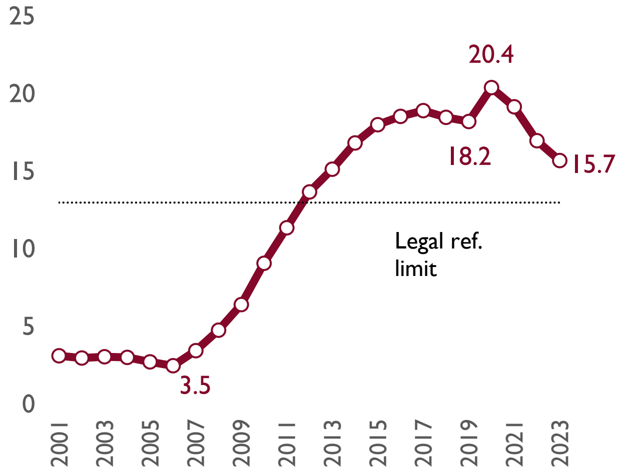
SCENARIOS



Source AIReF

RIOJA

Evolution of the debt ratio (% GDP)



Source Bank of Spain

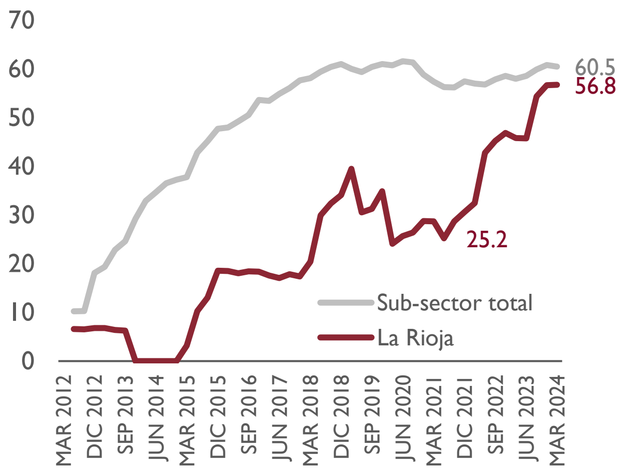
Since 2007 (3.5%), the debt-to-GDP ratio of Rioja increased by more than 16 points to reach its maximum in 2020 (20.4%), coinciding with the upturn of the pandemic. Since then, the ratio has fallen by 4.7 points to 15.7% of GDP at the end of 2023, below the levels of around 18% where the ratio had stabilised in the years prior to the pandemic. Rioja exceeds the legal reference of 13% by 2.7 points, with 2011 being the last year in which the Region was below this reference.

Latest information: 2024 Q-I

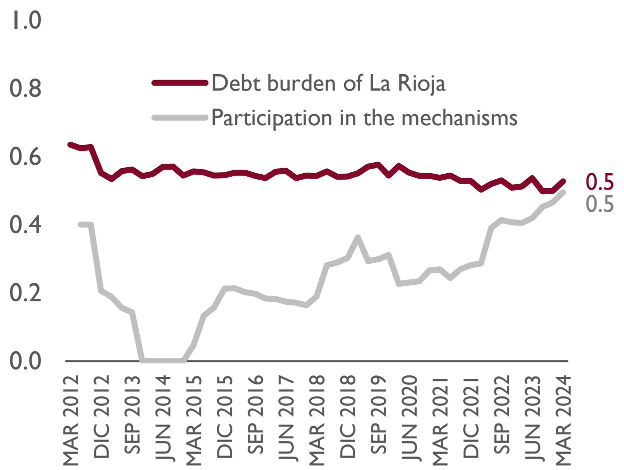
Public Debt		*FFCCAA Debt*	
GDP %: 16.6	% over total AR: 0.5	Weight on debt 56.8	% over total of FFCCAA: 0.5

The weight of Rioja's financing through **extraordinary mechanisms has increased by more than 30 points in recent years to 56.8%** of its total debt, **in** line with the weight of the Autonomous Regions as a whole (60.5%). These funds account for 0.5% of the total of the mechanisms, an identical percentage to that of its indebtedness as a proportion of the regional total (0.5%).

Weight of extraordinary mechanisms in the total debt of the Region (%)



Weight of debt in the total and participation in extraordinary mechanisms



Source Bank of Spain

Credit rating

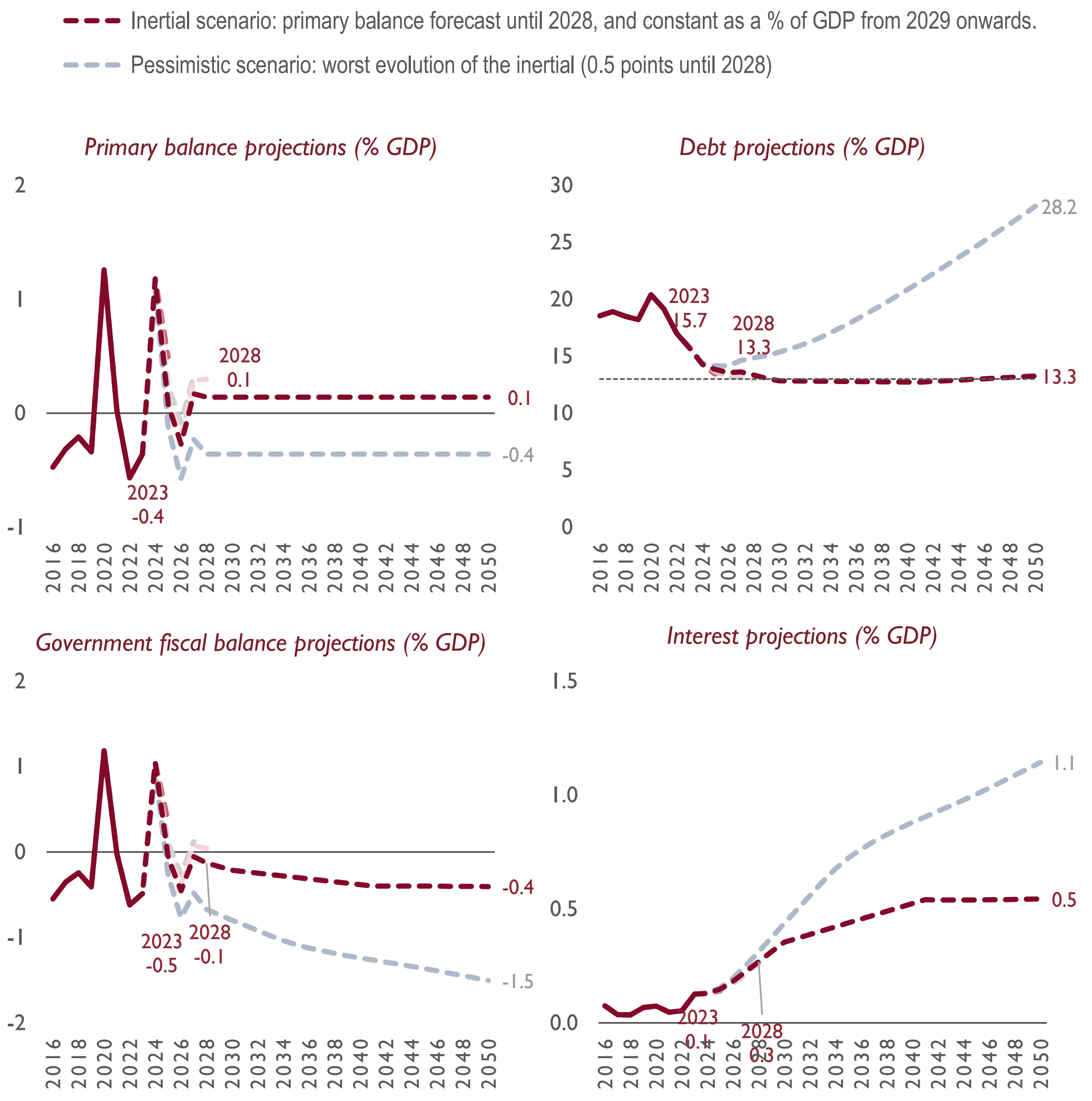
In March 2024, the rating agency Fitch upgraded the long-term debt rating to the investment grade category of lower-medium grade with a rating of 'BBB+', one notch below the rating of the Kingdom of Spain ('A-').

RIO	..	..	BBB+
Calidad	**Moody's**	**S&P**	**Fitch**
Principal	Aaa	AAA	AAA
Alto grado	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Grado medio superior	A1	A+	A+
	A2	A	A
	A3	A-	A-
Grado medio inferior	Baa1	BBB+	**BBB+**
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Grado de no inversión especulativo	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

The baseline scenario projects a reduction in the ratio of 2.4 percentage points over the medium-term forecast horizon (from 2024 and 2028, the year of completion of the future structural plan), which would bring it to 13.3% of GDP. Under the latest macro-fiscal forecasts published in the *Report on the Initial Budgets*, which show a budgetary scenario with a positive evolution of the primary balance in 2024 (with a correction of 1.5 points of GDP), and some easing in the medium term (i.e. a decline of 1 point until 2028), assuming that the balance remains constant from that year onwards, the debt ratio forecast shows a stabilise at the level of 13% of GDP. If we consider a less favourable evolution of the primary balance, 0.1 points of GDP per year in the period 2024-2028 to bring the fiscal balance in that year half a percentage point lower, the debt ratio would show an unfavourable evolution thereafter, rising to above the maximum in the medium term.

As the debt ratio is sustained at the reference value of 13% in the baseline scenario under the assumption of a primary surplus of 0.1 GDP point from 2028 onwards, no fiscal consolidation scenarios are simulated.

SCENARIOS



Source AIReF

SUMMARY OF AR INDICATORS

Indicadores de Deuda	2008	2012	2016	2019	2023	Proyec. 2024	Proyec. 2028	Rating Moody's	Rating S&P	Rating Fitch	Coste financiero 2023 Tipo Implícito	Coste financiero 2023 %PIB	FLA y resto mecanismos (% deuda) 2023-IV
TOTAL CCAA 2)	6.7	18.3	24.9	23.7	22.2	21.6	19.7	-	-	-	2.0	0.4	60.9
ANDALUCIA	5.4	15.3	22.5	21.5	19.8	19.7	17.9	Baa2	A-	BBB	1.7	0.3	65.6
ARAGÓN	4.3	14.4	21.9	21.9	20.3	19.6	17.8	-	BBB+	-	2.5	0.5	62.0
P. DE ASTURIAS	3.2	12.5	18.9	18.4	15.1	13.1	10.9	Baa1	-	-	3.1	0.5	17.0
ILLES BALEARS	9.8	23.6	28.7	26.1	22.3	19.4	13.1	-	A-	-	2.1	0.5	60.4
CANARIAS	4.5	12.0	16.5	14.0	12.2	10.4	6.2	-	A	BBB-	3.0	0.4	19.8
CANTABRIA	3.9	16.7	22.7	22.5	19.9	18.2	15.4	-	-	BBB	1.2	0.2	92.8
CASTILLA Y LEÓN	4.6	15.0	20.7	20.9	19.9	19.2	17.0	Baa1	-	-	2.8	0.5	14.2
CASTILLA –LA MANCHA	6.5	27.6	36.7	35.3	31.9	31.5	28.7	Ba1	-	BBB-	1.7	0.5	78.2
CATALUÑA	10.0	27.1	35.3	33.2	31.0	30.4	27.7	Ba1	-	BBB	1.7	0.5	86.2
EXTREMADURA	5.0	14.3	21.9	23.1	21.8	21.8	22.0	Baa2	BBB	-	2.6	0.5	59.5
GALICIA	6.8	15.4	18.6	17.6	16.1	15.1	12.8	Baa1	A	-	2.4	0.4	20.9
COMUNIDAD DE MADRID	5.7	10.7	14.3	13.8	12.6	12.3	10.7	Baa1	A	A-	3.4	0.4	0.0
REGIÓN DE MURCIA	2.6	17.5	28.3	29.6	31.2	31.9	34.8	Ba1	-	BBB-	1.5	0.5	92.9
C. FORAL DE NAVARRA	4.7	16.5	18.5	15.8	12.0	9.0	3.1	-	AA-	-	2.8	0.4	-
PAÍS VASCO	1.5	11.6	14.8	12.7	12.4	10.8	6.5	A3	AA-	A	2.6	0.3	-
LA RIOJA	4.8	13.7	18.6	18.2	15.7	14.3	13.3	-	-	BBB+	0.8	0.1	56.7
COMUNITAT VALENCIANA	12.7	31.6	43.3	41.9	42.2	42.4	44.3	Ba1	BB	BBB-	1.5	0.6	86.4