



Report on the main budgetary lines for 2015 of the Autonomous Region of Asturias

In the two years 2014-2015, the Autonomous Region of Asturias must make a fiscal effort equivalent to 0.3% of its expected regional GDP for 2015. At year-end 2013, the Region's net borrowing was €224m, which is 1% of its regional GDP. Using the year-end as a starting point, in order to meet its stability target in 2015 it has to reduce its deficit by €64m. This is 0.3% of the regional GDP forecast for 2015.

The Autonomous Region of Asturias is deemed likely to achieve the deficit target for 2015, which has been set at 0.7% of its regional GDP. However, the tension observed in the 2014 year-end estimate and in the 2015 forecasts for certain items could mean that additional retrenchment not initially envisaged in the plans would be required in 2015. On the basis of the information available in the main budget lines questionnaire submitted by the Region, facilitated by the General Government Financial Information Centre (Ministry of Finance & Public Administration, MINHAP) and in the draft budget published by the Region for 2015, it is deemed likely that the Region will comply with the stability target for this year.

The mission of AIReF, the Independent Authority for Fiscal Responsibility, is to ensure strict compliance with the principles of budgetary stability and financial sustainability contained in article 135 of the Spanish Constitution.

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However, the Region's 2014 year-end forecasts are very tight. Tension can be observed in the revenue estimates, especially from the disposal of property assets. Should this uncertainty materialise, it would mean that additional retrenchment not initially envisaged in the plans presented would be required in 2015. This situation is accentuated by the uncertainty surrounding the forecasts for revenues of this kind observed in the 2015 draft budget.

Analysis of compliance with the 2014 budget stability target

The Autonomous Region of Asturias expects to achieve its 2014 stability target with a 0.1% increase in revenues and a 1.7% increase in expenditure in public-sector accounting terms. On the basis of the information facilitated in the main budget lines questionnaires submitted to the Ministry of Finance & Public Administration, by year-end 2014 the Region expects to achieve the stability target set for the year at -1% of its GDP. This outcome would be obtained by a 0.1% increase in non-financial revenues, driven basically by its own taxes and capital transactions, and a 1.7% increase in non-financial expenditure, which affects current expenditure. Likewise, estimates of adjustments in national accounts terms are expected to correct the budget outcome and bring down the deficit by €37m.

The primary deficit expected by the Region is 0.4% of regional GDP in public-sector accounting terms. Expected non-financial interest expenditure (chapter 3 of the expenditure budget) for year-end 2014, accounts for 0.7% of regional GDP.

Revenues from the funding system paid out by the State to the Region in 2014 went down 3.3% against 2013. The largest items recorded as non-financial revenues are the revenues from the funding system payable with interim instalments and final

settlement. These were down 3.3% against the amount received by the Region in 2013. This is equal to the average reduction for all the Autonomous Regions under the common regime.

The Region has not quantified the measures adopted for this year. The Region has not reported on the measures adopted for 2014 with respect to either revenues or expenditure in the main budget lines questionnaire.

Tension can be observed in certain revenues at year-end 2014, but these could be offset by favourable performance from other budget headings. The 2014 year-end forecast expected by the Region is very tight. Possible deviations can be observed in the revenue scenario estimated for 2014, specifically in the following items:

- **Disposal of property assets:** The Region expects to obtain €22m more than in 2013. However, to September, revenues from this item have fallen 77.3% year-on-year and the Region has provided no documentation with a specific list of the assets it plans to sell or the calendar and procedure it intends to use, to underpin this increase materialising in 2014.
- **Other direct and indirect taxes, which basically includes the Region's own taxes.** The Region expects a €19m increase, 18% up against 2013, without reporting on any measures to underpin this increase.

Nonetheless, the tension observed in the above revenue items could be offset by the favourable performance of the expenditure budget.

Analysis of compliance with the 2015 stability target

The Autonomous Region of Asturias expects to achieve its 2015 stability target with a 3.1% increase in revenues and a 0.4% increase in expenditure in public-sector accounting terms. For 2015, the budget stability target for the Autonomous Regions is -0.7% of GDP. According to the available information, this outcome would be obtained with a 3.1% increase in non-financial revenues, driven mainly by capital transfers, and a 0.4% increase in non-financial expenditure, with an increase against expected 2014 year-end in all expenditure items except for current expenditure on goods and services and interest expenditure. Additionally, negative changes to public accounts would bring the deficit down by an estimated €8m in national accounts terms. According to the Region, this would enable it to bring its borrowing needs in line with the stability target set.

The primary deficit expected by the Region is 0.1% of regional GDP in public-sector accounting terms. Expected non-financial interest expenditure (chapter 3 of the expenditure Budget) for year-end 2015, accounts for 0.6% of regional GDP.

Revenues from the funding system that the State is expected to pay out to the Region increase 4.7% against 2014. The largest item recorded as non-financial revenues are from the funding system payable with interim instalments and final settlement. The 2015 General State Budget envisages a 4.7% increase in these funds against 2014. The average increase for all the Autonomous Regions under the common regime is 2.8%.

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The Autonomous Region of Asturias is deemed likely to achieve the deficit target for 2015, which has been set at - 0.7% of its regional GDP. The scenario forecast by the Region in the plans presented seems to be consistent with achieving the fiscal stability target set for this year. However, the tension observed in the 2014 year-end revenues estimate could mean that additional retrenchment not initially envisaged in the plans would be required in 2015. This situation is accentuated by the fact that uncertainties appear in the 2015 draft budget concerning the forecasts for property asset disposals. The Region expects to obtain €24m in revenues. Given the performance of these revenues in previous years and the lack of a detailed sales plan, the materialisation of the forecast does not seem to be supported.