



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

In the two years 2014-2015, the Autonomous Region of Galicia must make a fiscal effort equivalent to 0.4% of its expected regional GDP for 2015. At year-end 2013, the Region's net borrowing was €626m, which is 1.1% 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 €213m. This is 0.4% of the regional GDP forecast for 2015.

The Autonomous Region of Galicia is deemed likely to achieve the deficit target for 2015, which has been set at -0.7% of its regional GDP. 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) and in the draft budget published by the Region for 2015, it is deemed likely that the Region will comply with the stability targets set for 2014 and 2015 at -1% and -0.7% of regional GDP respectively.

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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Analysis of compliance with the 2014 budget stability target

The Autonomous Region of Galicia expects to achieve its 2014 stability target with a 3.7% reduction in revenues and a 2.4% reduction 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 (MINHAP), by year-end 2014 the Region expects to achieve the stability target set for the year at -1% of regional GDP. This outcome would be obtained with a 3.7% reduction in non-financial revenues and a 2.4% reduction in non-financial expenditure. Likewise, adjustments in public accounts are expected that would bring the deficit down by an estimated €98m in national accounts terms.

The primary deficit expected by the Region is 0.5% 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 0.6% of regional GDP.

Revenues from the funding system paid out by the State to the Region went down 3.4% 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 3.4% against the amount received by the Region in 2013. The average reduction for all the Autonomous Regions under the common regime is 3.3%.

The measures adopted by the Region for 2014 have an impact valued at €301m. The Region has reported revenue measures for this year that will have an impact valued at €116m and expenditure measures valued at €185m.

The Autonomous Region of Galicia is deemed likely to achieve its 2014 stability target, which has been set at -1% of its regional GDP.

Analysis of compliance with the 2015 stability target

The Autonomous Region of Galicia expects to achieve its 2015 stability target with a 5.4% increase in revenues and a 1.6% increase in expenditure in public-sector accounting terms. For 2015, the budget stability target for the Region is -0.7% of regional GDP. According to the information available, this outcome would be obtained with a 5.4% increase in non-financial revenues and a 1.6% increase in non-financial expenditure against the Region's 2014 forecasts. Likewise, negative adjustments to public sector accounts would increase the deficit by an estimated €44m in national accounts terms. According to the Region, this would enable it to bring its borrowing needs in line with the stability target set.

According to the Region's forecast, there will be a balanced primary budget 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 3.9% against 2014. The largest items recorded as non-financial revenues are from the funding system payable with interim instalments and final settlement. The 2015 General State Budget envisages a 3.9% increase in these funds against 2014. The average increase for all the Autonomous Regions under the common regime is 2.8%.

The measures adopted by the Region for 2015 have an impact valued at €170m. The expenditure measures adopted by the Region for 2015 represent savings of €211m. However, returning part of the public employee extra pay packet that was suppressed in 2012 will mitigate the savings expected by the Region, bringing the net figure down to €170m.

The Autonomous Region of Galicia is deemed likely to achieve its 2015 stability target, which has been set at - 0.7% of its regional GDP.