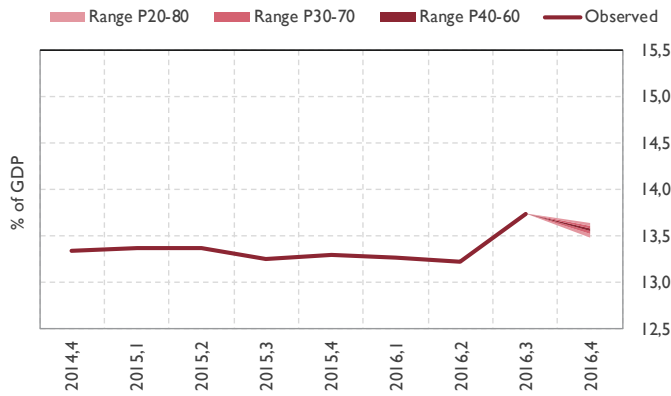


Quarterly monitoring of the stability target

F. Autonomous Regions

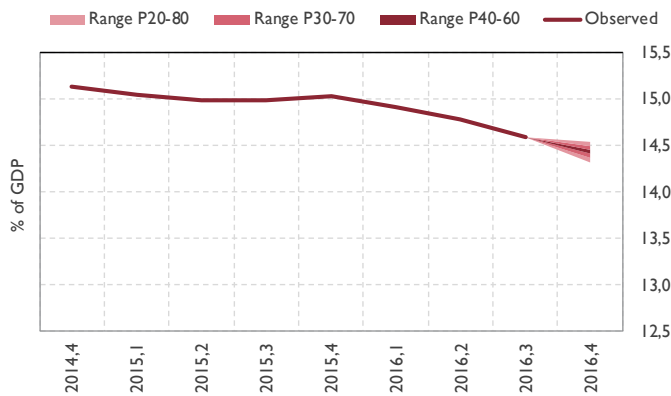
Q3 2016^(*)

CHART 1. NON-FINANCIAL REVENUE NET OF PAYMENTS THROUGH THE FINANCING SYSTEM



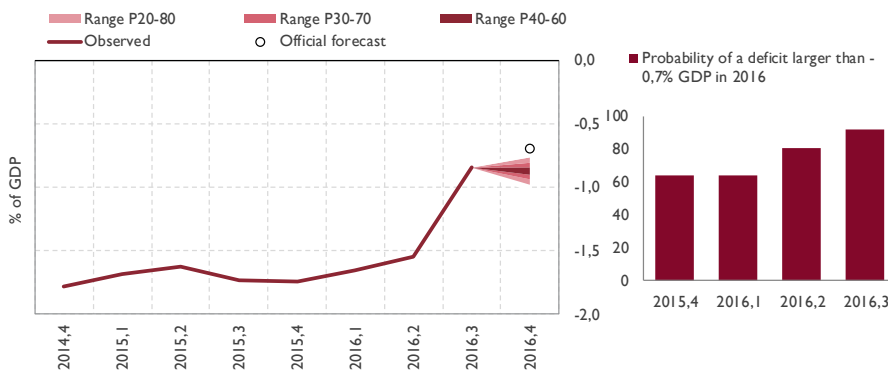
- By year-end 2016, revenues (net of payments through the financing system) are expected to show a year-on-year growth rate of 6.4%, with a weight of three tenths of a percentage point of GDP above the previous year, for the most part due to the performance of financing system revenue subject to interim payments. Other resources would grow 1.8% above the 2015 level, shedding one tenth of their weight over GDP, fundamentally as a result of smaller revenues expected from EU funds.

CHART 2. NON-FINANCIAL EXPENDITURE NET OF PAYMENTS THROUGH THE FINANCING SYSTEM



- The year-end expenditure forecast for 2016 (not considering the effect of payments to the State through the financing system), has increased by 2.5% with regard to 2015 expenditure, after factoring out this year's expenses deemed non-recurring in 2016.
- This puts expenditure, in terms of contribution to GDP, 3 tenths of a percentage point below the previous year's level (6 tenths of a percentage point, before factoring out the effects of one-off operations in 2016).

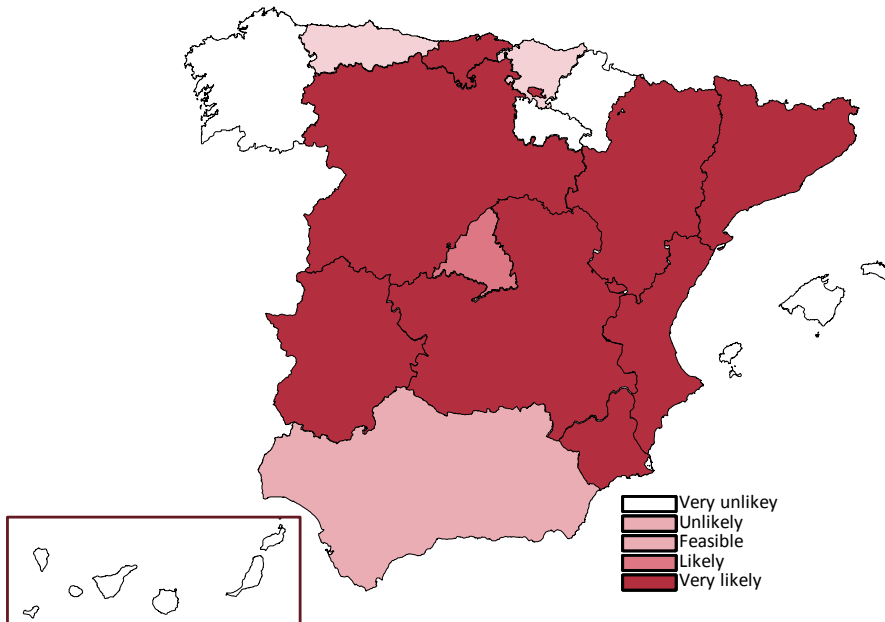
CHART 3. NET LENDING/BORROWING REQUIREMENT



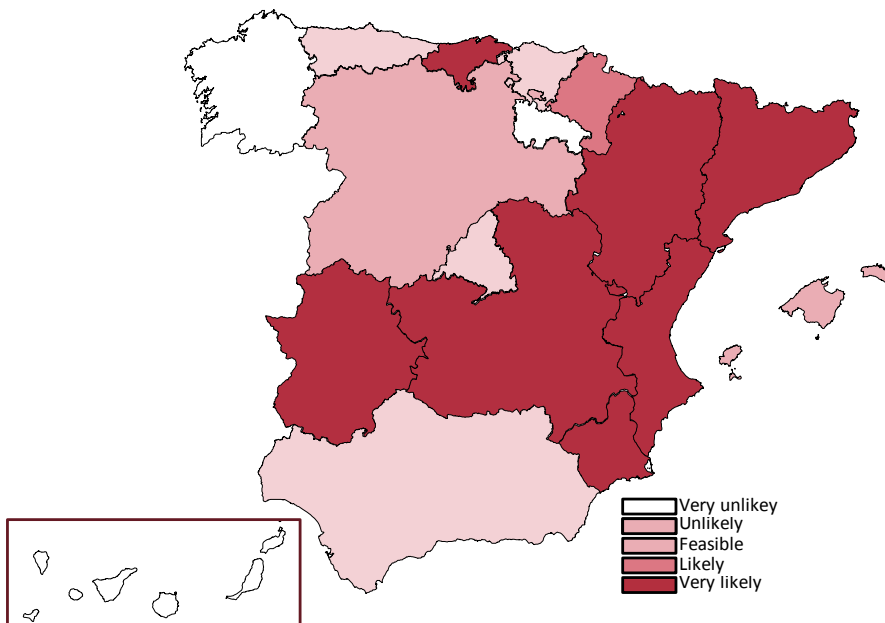
- Deficit-to-GDP ratio for the Autonomous Regions is forecast at 0.9% for 2016.
- The year-end balance forecast has worsened slightly with respect to monitoring in Q2. Over the last quarter, revenue from EU funds has worsened while a slight improvement is observed in implementation of expenditure, partly owing to one-off operations communicated by the Autonomous Regions and less restraint in comparison to the previous quarter.

CHART 4. LIKELIHOOD OF YEAR-END 2016 SURPASSING THE TARGET OF -0.7% OF GDP

2.1. Data for Q3



2.2. Data for the second quarter



- By Autonomous Regions, the probability of reaching a deficit above 0.7% has been classified on a scale ranging from very unlikely in Canary Islands, Navarra, La Rioja, Galicia and Balearic Islands, to very probable in Extremadura, Murcia, Cantabria, Valencia, Aragón, Catalonia, Castilla -La Mancha and Castilla y León
- The most significant changes, leading to a modification in the classifications based on the implementation data for the second quarter, have been seen in the following regions:
 - Year-end forecasts have improved for Balearic Islands and Navarra, such that the chances of registering a deficit above the target are very unlikely.
 - By contrast, the likelihood of exceeding the -0.7% target has increased in three Autonomous Regions:
 - Andalusia: from unlikely to feasible;
 - Madrid: from unlikely to likely;
 - Castilla y León from feasible to very likely.



(*) Assumptions and notes relating to quarterly monitoring

- The graphs show the balance, revenue and expenditure over the last four quarters as cumulative percentage of GDP for all the Autonomous Regions, and, in each region, the likelihood of reaching year-end with borrowing requirements exceeding the target for the subsector.
- AIRcF's projections for non-financial revenue, non-financial expenditure and balance are updated quarterly taking into account the results of its own models for taxation and interest, the national accounting data known for the first, second and third quarters, as well as any other data provided by the Autonomous Regions. In the analysis of revenue and non-financial expenditure, the effect of payments to the State through the financing system are factored out (deemed minor revenues).
- The quarterly profile in AIRcF's forecasts and in the official forecast for Autonomous Regions is based on the balance resulting from aggregating the estimated revenues and expenditures for each of the regions. In drafting these individual forecasts, previously known data are combined, such as revenues from the financing system, interim payments, which are paid monthly and whose settlement for the fiscal year n-2 is due in July, together with other estimates that depend on each Autonomous Region's monthly execution percentage in recent years; this usually offers a regular profile, but differences may appear in the rate of execution of revenue and expenditure in each region, which are features that cannot be captured in an aggregate approach. The balance forecasts are calculated from the difference between known and forecast revenue and expenditure for each quarter.
- Confidence intervals are obtained in two steps. Firstly, a VAR model is estimated using the following variables: (i) variables that are specific to the subsector, such as expenditure; revenue and the Government debt-to-GDP ratio; and (ii) common variables referring to the national aggregate: Real GDP, the GDP deflator and yields on Government 10-year bonds. Secondly, from the projected paths for the different variables and the estimated joint distribution of the VAR shocks, 1500 probabilistic scenarios are built. The intervals displayed on the charts refer to the percentiles 20-80, 30-70 and 40-60.