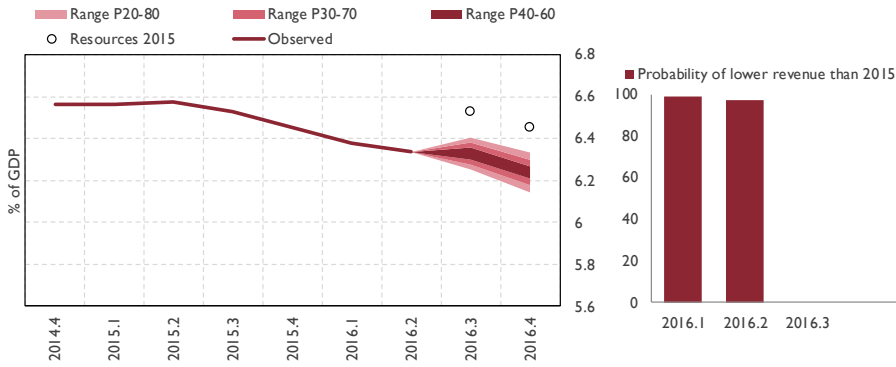


# Quarterly monitoring of the stability target

## G. Local Corporations

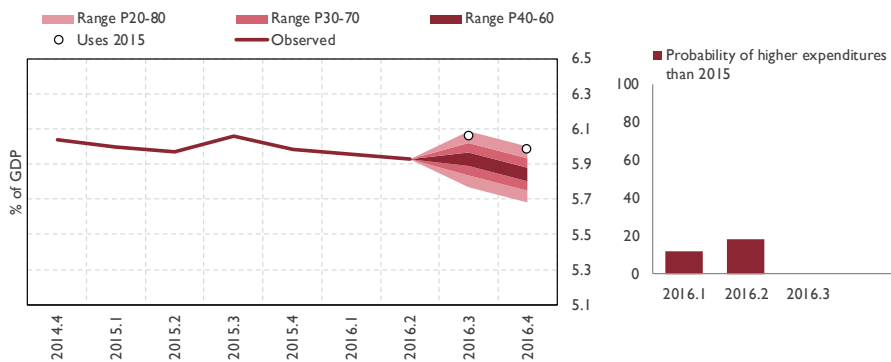
2016/Q2<sup>(\*)</sup>

**CHART 1. TOTAL NON-FINANCIAL REVENUE**



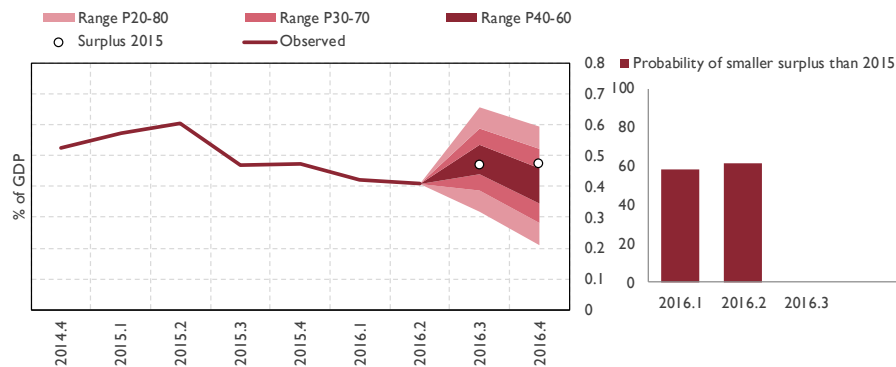
- Non-financial resources are expected to reach around 6.2% of GDP by the end of 2016.
- Non-financial resources have decreased in Q2 by 0.11% of GDP in cumulative terms.
- For Q3, a positive growth is envisaged for resources resulting from the financing system settlement (for approximately 0.18% of GDP) although the share of GDP seen in the same quarter in 2015 would not be attained.

**CHART 2. TOTAL NON-FINANCIAL EXPENDITURE**



- Non-financial expenditure are expected to be around 5.8% of GDP by the end 2016. This involves a growth rate in 2016 of around 1%.
- Non-financial uses reveal a slight decrease in the cumulative figure for Q2 2016, maintaining their weight in GDP.

**CHART 3. TOTAL NET LENDING/BORROWING**



- The year-end forecast for all Local Corporations is at around a surplus of 0.4% of GDP.
- Data for the first half of 2016 confirm the downward trend in the subsector surplus.
- Cumulative non-financial revenues in the first semester have fallen by one tenth of a percentage point of GDP which has not been offset by expenditure developments.



### **(\*) Assumptions and notes related to quarterly monitoring**

- AIRcF's projections for non-financial resources, non-financial uses and balance are updated quarterly taking into account the results of its own models for taxes and National Accounting data known from Local Corporations' first and second quarters.
- Chart 1, 2 and 3 show moving cumulative figures of the last four quarters as percentage of GDP.
- AIRcF's updated forecast is allocated to quarters applying the same weights assigned by Tramo/Seats ARIMA projections to each quarter, for each of these components, including both the effects of seasonality and the series trend. The quarterly profile of the balance is obtained from the difference between resources and uses.
- Confidence intervals are obtained in two stages. Firstly, a VAR model is estimated for the following variables: (i) variables that are specific to the subsector, such as uses, resources 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. The probabilistic intervals cannot be compared with the official path in this publication as there is no distribution by subsectors.