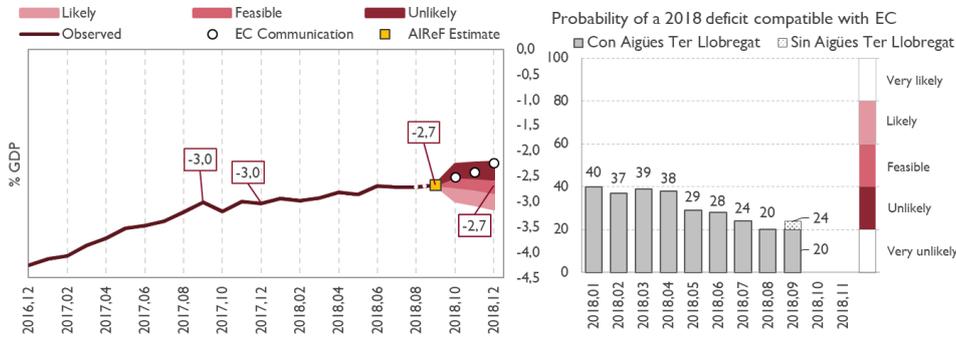


Monthly monitoring of the stability objective

A. Total Public Administrations*

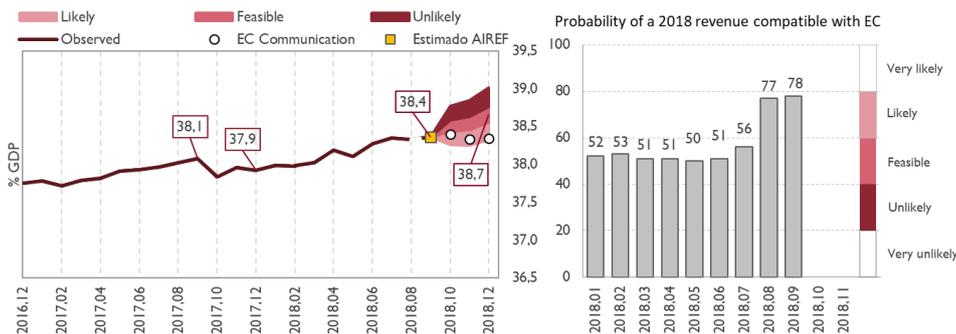
September 2018

FIGURE 1. TOTAL GENERAL GOVERNMENT DEFICIT



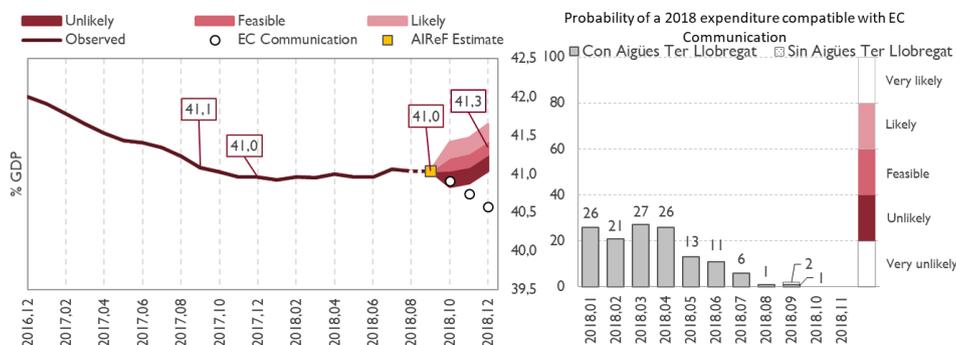
- The AIReF maintains its forecast of the deficit of 2.7% of GDP as compared with the previous month.
- The effect of the Aigües Ter - Llobregat judgement in 2018 is offset by a reduction in the forecast of investments of the Central Government in agreement with the last implementation data.
- The deficit has fallen by 0.3% GDP so far this year, standing at 2.7%.
- It is expected that this percentage will be maintained until the end of the year, since the measures included in the 2018 General State Budget have already begun to be implemented.

GRAPH 2. TOTAL GENERAL GOVERNMENT REVENUE



- The likelihood of attaining the expected resources is likely, as it was in the previous month.
- From January, resources have increased by 5 tenths of the GDP to stand at 38.4% of the GDP, a tendency that will continue, reaching 38.7% at the close of the financial year.
- The AIReF's forecasts remain practically stable after last month's improvement.

GRAPH 3. TOTAL GENERAL GOVERNMENT EXPENDITURE



Sources: General State Comptroller (IGAE) and AIReF estimates

* The estimated accumulated monthly figure for the GG was estimated on the basis of all the information available until the publication date.

- AIReF continues to consider it very unlikely to achieve the expenditure envisaged in the SPU for 2018.
- The costs have maintained their weight over the GDP of 41% from the close of 2017, although it is expected that this weight will increase to 41.3% due to the impact of measures included in the General State Budget.
- According to the latest information received, the Aigües Ter - Llobregat judgement would impact in 2018, instead of in 2019, raising the forecast of jobs in the general government as a whole.
- This effect is offset by a reduction in the forecast of investments in the Central Government in agreement with the last implementation data.



Assumptions and Notes on Monthly Monitoring

- AIReF's forecasts for non-financial revenue, non-financial expenditure and fiscal balances are updated monthly, considering the results of its own models for taxes, contributions, unemployment benefits, pensions and interests and the known national accounting data.
- The figures represent the fiscal balances, revenue and expenditure of the last twelve months, accumulated as a percentage of GDP for the GG without financial aid. The estimated accumulated figure until this month for the GG was estimated on the basis of all the information published to date, in addition to AIReF's forecasts. The LG data have been estimated taking into account the monthly payments from the State to the LGs from the financing system and payments from the Provincial Councils to the AGE for the quota and to the Autonomous Region of the Basque Country. The remaining revenue and expenditure is based on their historical behaviour. The forecasts are conditioned by the updates continuously carried out by General Intervention Board of the State Administration (IGAE) on the GG Accounts.
- The 2018 target for the GG was set by the Council of Ministers on 13 July, 2017 at -2.2% GDP, which coincides with the forecast included in the first deficit and debt notification of 30 March, 2018 sent to the European Commission. The GG revenue and expenditure forecasts are those included in the 2018-2021 Stability Programme Update sent to the European Commission in April 2018
- AIReF's updated forecast and the official forecast of the fiscal balance, revenue and expenditure by month apply the same weights as assigned by the ARIMA Tramo Seats projection to each month for each of these components, considering the effect of both seasonality and series trends.
- Confidence intervals are obtained in two stages. First, a VAR model is estimated for the following variables: (i) variables specific to the subsector, such as jobs; resources and public debt ratio over GDP; and (ii) common variables referring to the national aggregate: real GDP, GDP deflator and ten-year government bond yields. Second, using projected trajectories for the different variables and the estimated joint distribution of VAR shocks, 15,000 probabilistic scenarios are constructed. The intervals shown have been used to assess the achievement of targets according to the following probabilities:

Very likely	80-99%: compliance highly likely.
Likely	60-79%: compliance likely.
Feasible	40-59%: compliance feasible.
Unlikely	20-39%: compliance unlikely.
Very unlikely	0-19%: compliance highly unlikely.