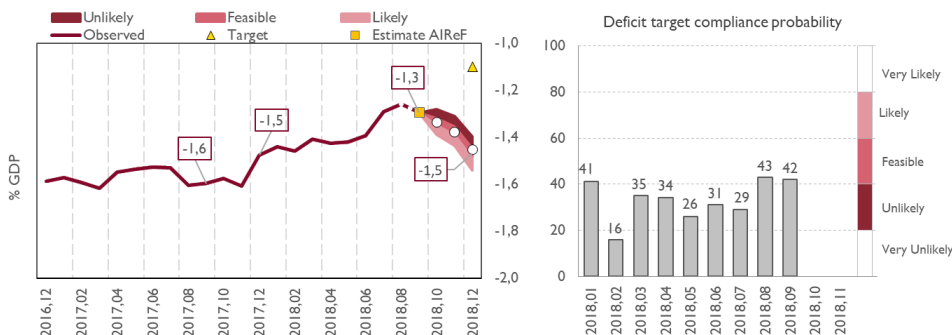


Monthly monitoring of the stability target

D. Social Security Funds

October 2018

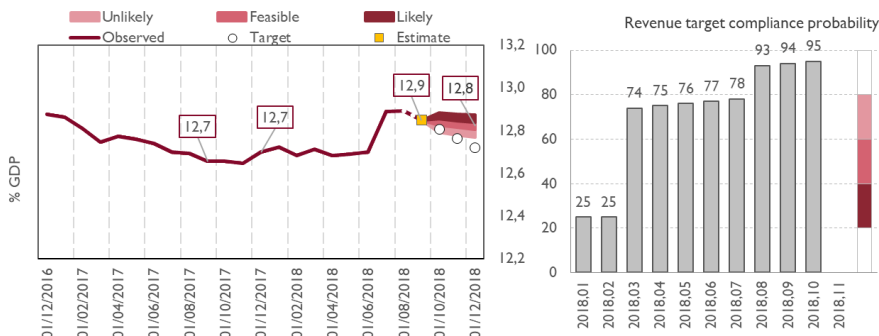
FIGURE 1. NET LENDING/BORROWING



(*) The deficit and the debt notification sent to the European Commission on 30 September included a 2018 closing forecast that reflected a SSF deficit of 1.4% GDP.

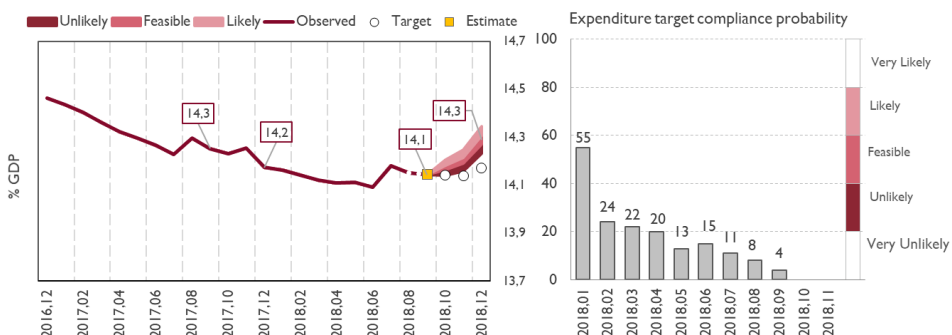
- Achievement of the deficit of 1.4% GDP notified to the EC is considered unlikely.
- The deficit has been reduced by one tenth from the beginning of the year; this reduction will gradually reverse due to the impact of the increase in pensions.
- The SSF sub-sector deficit will stand at around 1.5% GDP, in line with that observed the previous year.

FIGURE 2. NON-FINANCIAL RESOURCES



- Compliance of resources is considered to be very likely.
- The price forecast is maintained after the upwards revision carried out in August, confirmed by the October affiliation data and cash collection.
- The Central Government's transference included in the State General Budgets and largely received in July increases the weight of the resources to 12.9% of GDP.

GRAPH 3. NON-FINANCIAL EXPENDITURE



Source: Comptroller General of the State (IGAE) and AIReF estimations from October 2018 cash data

- Compliance with the GSB expenditure projections is considered highly unlikely.
- From the beginning of the year, the weight of jobs remains stable and in line with the AIReF's forecasts
- The increase in pensions forecast in the State General Budgets amounts to an increase of one tenth by the end of the year, with the weight over GDP of jobs in this sector being maintained at 14.3%, one tenth more than the close of 2017.
- The reduction in unemployment expenditure and the increase in expenditure on temporary disability benefits remain the same.



Cases and notes relating to monthly monitoring

- AIReF's forecasts for non-financial expenditure, non-financial revenue and the fiscal balance are updated considering the results of its own models for contributions, pensions and unemployment, and the latest national accounting data and budgetary execution data available for the Social Security System, the State Public Employment Service and the Wage Guarantee Fund. The forecasts are conditioned by the updates continuously carried out by General Intervention Board of the State Administration (IGAE) on the GG Accounts.
- The figures represent the fiscal balance, revenue and expenditure of the last twelve months accumulated as a percentage of GDP.
- The deficit target of -1.1% GDP was set by the Council of Ministers on 13 July 2017. However, the first deficit and debt notification, sent to the European Commission on 30 March 2018, included a 2018 deficit forecast that reflects that the deficit foreseen for the Social Security Agencies is greater than the target approved, standing at -1.4% GDP. There is no official revenue and expenditure forecast in terms of ESA 2010 for the Social Security Funds compatible with this target. This forecast is estimated by the AIReF.
- The updated AIReF 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) specific variables of 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, 1500 probabilistic scenarios are constructed. The intervals shown have been used to assess the achievement of targets according to the following probabilities:

