



Autoridad Independiente
de Responsabilidad Fiscal

Report on the initial budgets of General Government 2022

April 7th 2022

AIReF has the legal mandate to issue a report on the initial budgets of the General Government

The Organic Law on Budgetary Stability and Financial Sustainability establishes the obligation to prepare a report on the level of compliance with the budgetary stability and public debt targets of the initial budgets of the General Government

This report assesses changes since the previous report (October 25th 2021) and analyses all new available information

Both the Central Government and most of the Territorial Administrations have approved their budgets for 2021.

Russia's invasion of Ukraine has a strong impact on the global and Spanish economies, mainly through energy markets, making it necessary to update the macroeconomic and fiscal forecasts for 2022, and introduces an additional element of uncertainty.

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2. Macroeconomic scenario

3. Fiscal scenario

4. Recommendations

2. Macroeconomic scenario: The environment of the new macroeconomic scenario

The macroeconomic outlook for 2022 has deteriorated significantly since the third quarter of 2021

Extreme uncertainty, whose epicentre has shifted from the health sector to the supply side of the economy and, in particular, to raw material markets

Disruptions in production chains and energy markets have been amplified more recently by the invasion of Ukraine by the Russian Army in February 2022.

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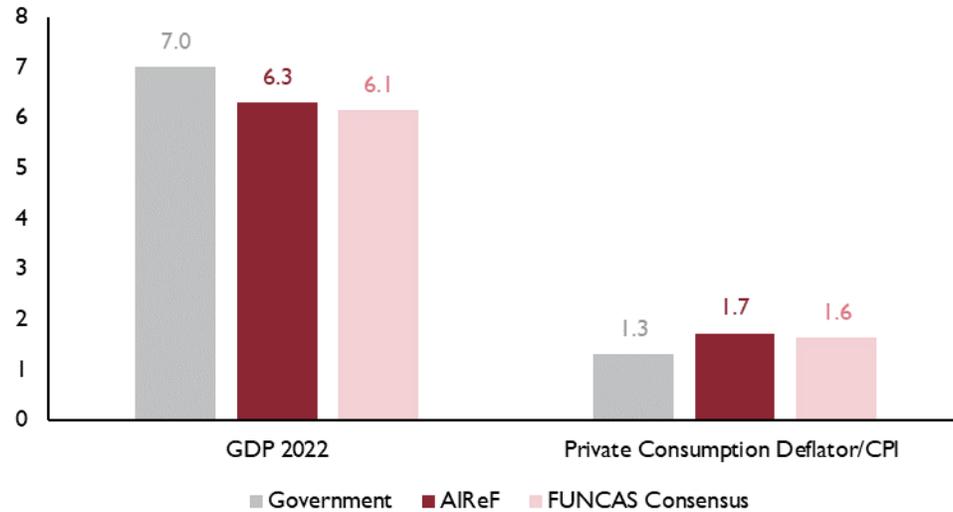
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In the autumn, macroeconomic conditions set the stage for strong growth in 2022

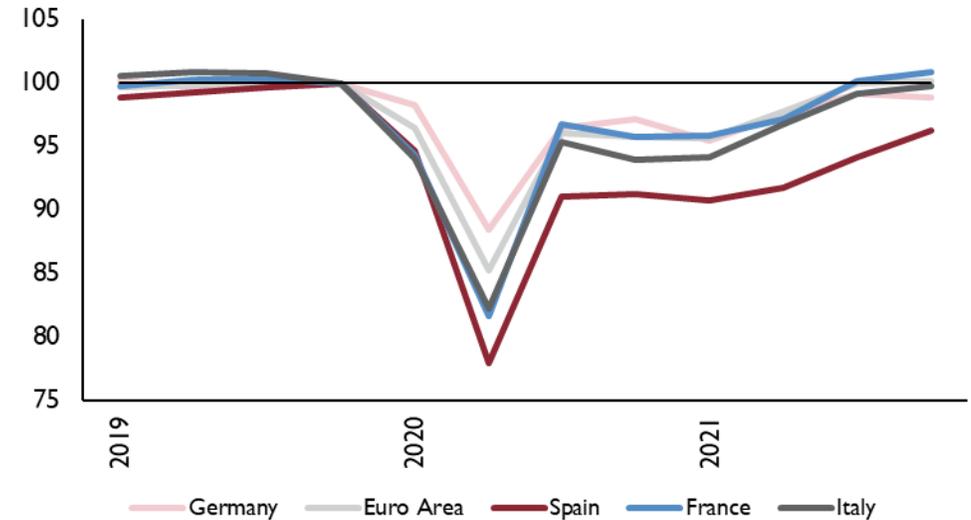
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GDP GROWTH FORECASTS FOR 2022 (%)



Sources: AIReF, Government (2022 GSB) and FUNCAS Consensus (September-2021).

GDP VOLUME INDICES 2019Q4=100



Sources: INE and EUROSTAT.

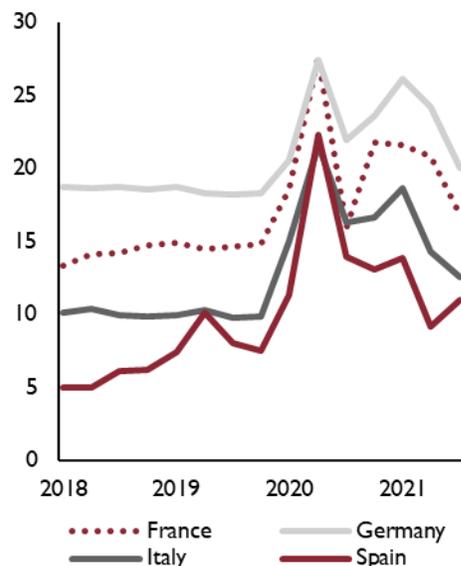
After a recovery that was initially slower than expected, the most recent figures indicated growth similar to that of the other European economies and even higher than that of Germany, which was more affected by OMICRON and by the bottlenecks in the production chains at the end of 2022.



Numerous factors supported the forecasts of high growth in 2022

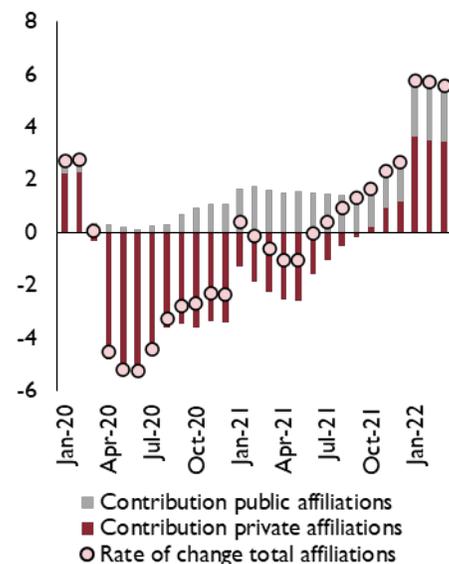
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Private Savings Rate (% GDI)



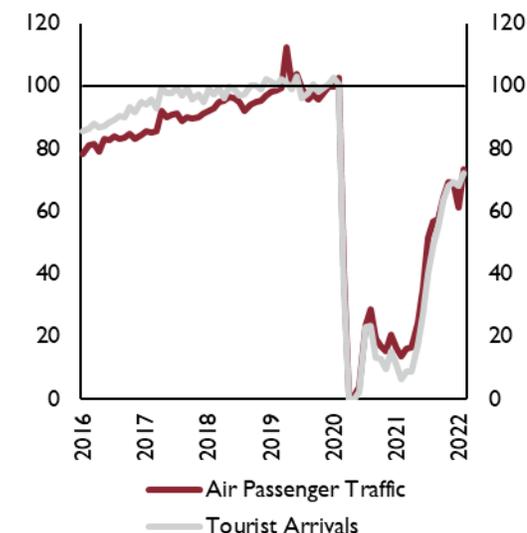
Source: Eurostat.

Social Security Affiliations (Annual Rate of Change)



Source: Ministry of Inclusion, Social Security and Migration.

Evolution of Air Traffic and Arrival of Tourists (2019=100)



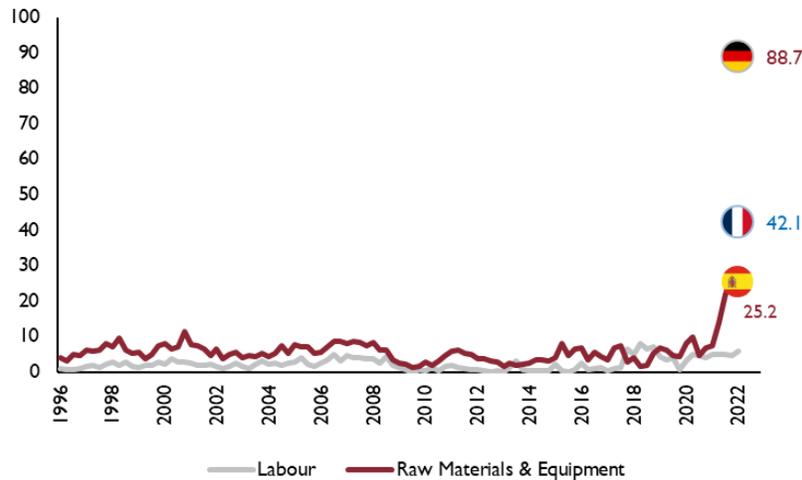
Source: Ministry of Economic Affairs and Digital Transformation.

The good performance of employment, the gradual materialisation of savings accumulated over the pandemic, the normalisation of tourist movements, the persistence of very accommodative financial conditions and the expected deployment of the RTRP made it possible to anticipate a few months ago a continuation of the recovery in 2022.

However, over 2021, bottlenecks emerged on the supply side of the economy, especially in energy markets, which have intensified severely after the outbreak of war in Ukraine

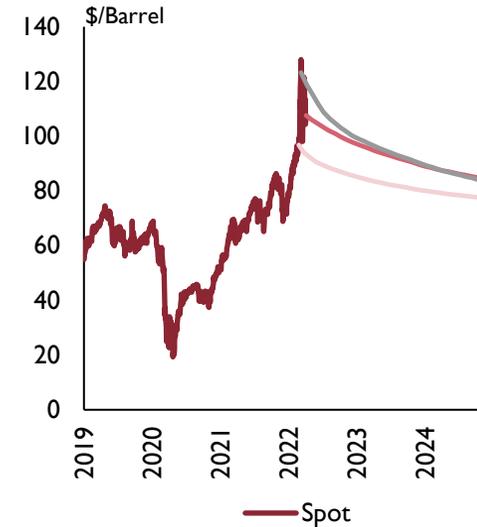
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Limiting Factors, Manufacturing Industry. % of Companies Affected. SWDA



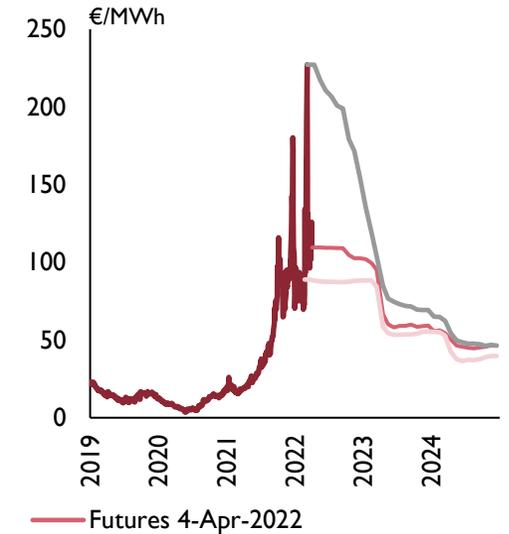
Source: European Commission.

Barrel of Brent



Source: Refinitiv.

Natural gas. Dutch market



The mismatch between supply and demand that emerged in 2021 continued in early 2022. The Russian invasion of Ukraine has aggravated the impact of disruptions in global value chains and the energy crisis, making the growth-inflation combination particularly adverse.

AIReF revises the macroeconomic forecasts for 2022 downwards

Lower impact associated with the RTRP in the current context

Additional impact of the increase in raw material prices

Worsening mismatch in Value Chains

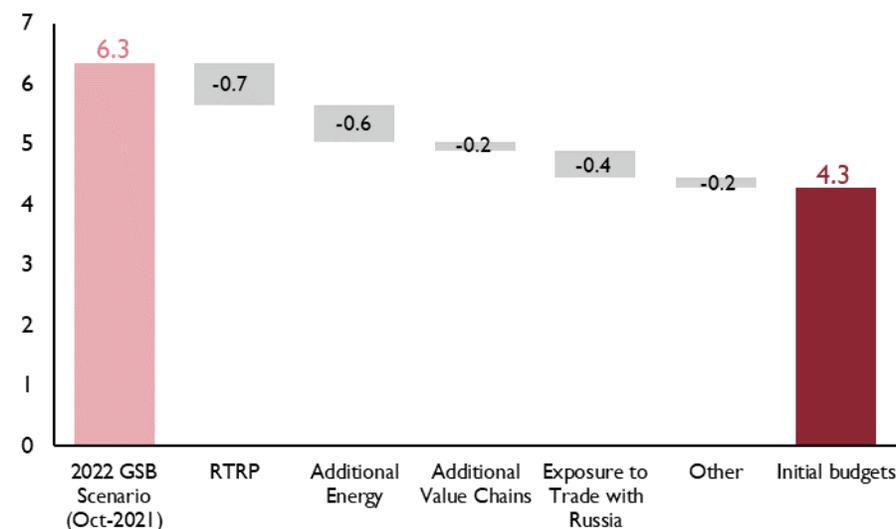
Trade Exposure to Russia and Ukraine

MACROECONOMIC SCENARIO FOR 2022

Year-on-Year Rates of Change	2020	2021	2022	2022 Report GSB
Domestic Demand*	-8.6	4.7	3.9	6.2
External Balance*	-2.2	0.5	0.4	0.2
Gross Domestic Product	-10.8	5.1	4.3	6.3
Nominal Gross Domestic Product	-9.8	7.4	8.0	8.1
Gross Domestic Product Deflator	1.1	2.2	3.6	1.6
CPI	-0.3	3.1	6.2	1.8
Full-Time Equivalent Employment	-7.6	6.6	2.9	3.8
Unem. Rate LFS (% active population)	15.5	14.8	13.2	14.0

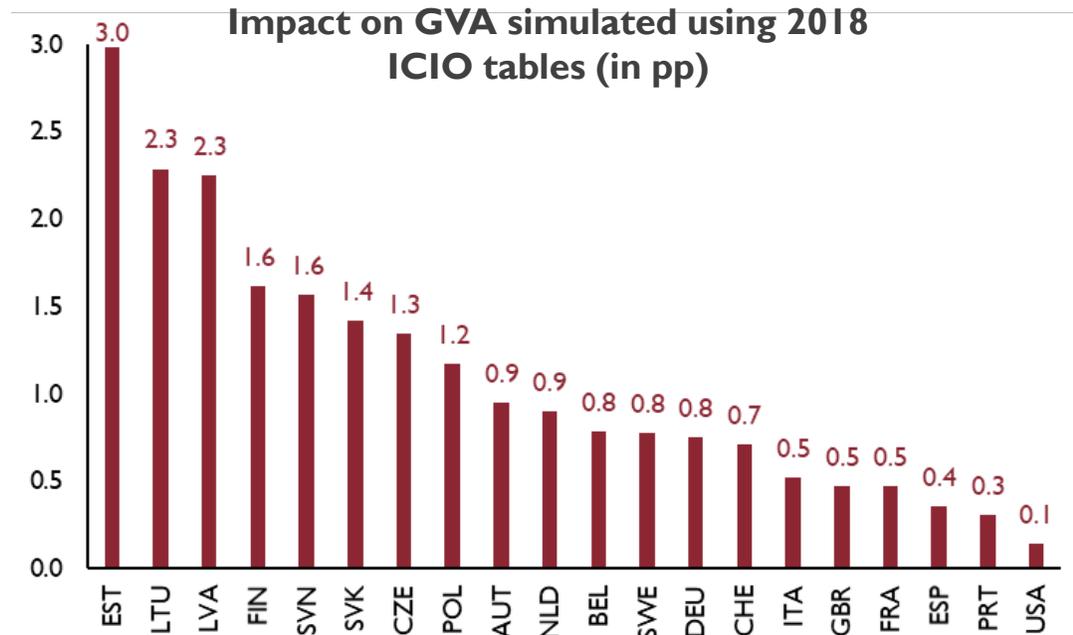
* Contribution to GDP growth

Sources of Revision of the Macroeconomic Scenario for 2022. GDP Volume (%)



The Russian invasion of Ukraine has aggravated the impact of disruptions in global value chains and the energy crisis, making the growth-inflation combination particularly adverse. The recovery of pre-pandemic activity levels is delayed until the second quarter of 2023.

The effects of the Russian war run through numerous channels. The trade channel



Source: Prepared by AIReF based on the OECD's ICIO-2018 tables.

Note: a complete extraction of the final demand of the Russian Federation is simulated, although it does not include the impact of the disappearance of intermediate consumption, which would accentuate the impact on other EU economies more integrated with the production chains of the Russian Federation, although with little impact in the case of Spain.

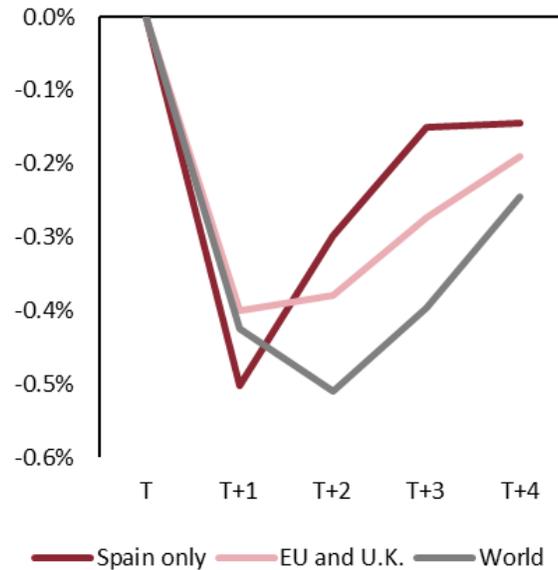
Spain's trade exposure to Russia is comparatively small. Exports from Spain to the Russian economy are moderate, but indirect effects can be expected through the exposure of our trading partners.

It is also important to bear in mind the importance of Russia and Ukraine as producers of energy and industrial raw materials.

The effects of the Russian war: The energy price channel

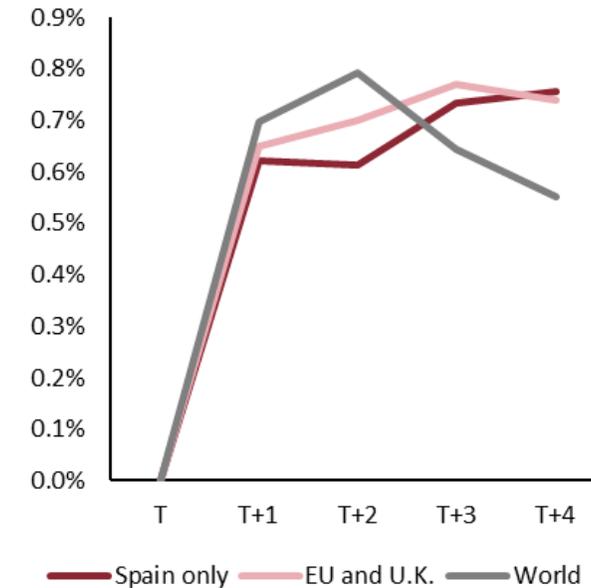
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Impact on Real GDP (15% Increase in Energy Prices)



Source: Prepared by AIReF based on the Oxford Economics model.

Impact on the GDP Deflator (15% Increase in Energy Prices)



Source: Prepared by AIReF based on the Oxford Economics model.

Spain does not have a high dependence on Russian gas or oil imports. Spain imports natural gas from Algeria and the United States by sea. However, the increase in energy raw material prices globally has a significant negative impact on growth and inflation.

Other transmission channels

1. Introduction

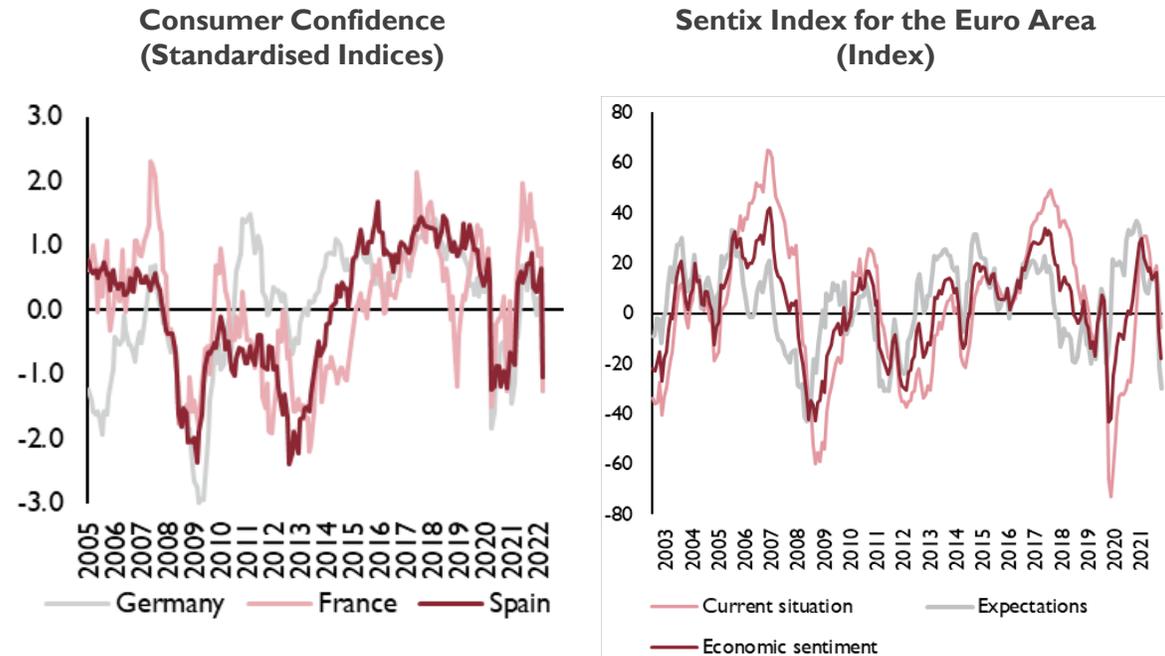
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- **Agri-food sector.** The importance of Ukraine and Russia as producers of certain agricultural (wheat, maize, soya) and industrial (nickel) raw materials poses global difficulties.
- The financial exposure of the Spanish economy to Russia is low.
- **Uncertainty.** The invasion results in an increase in uncertainty, which adds to that generated by the pandemic.

Confidence Indices

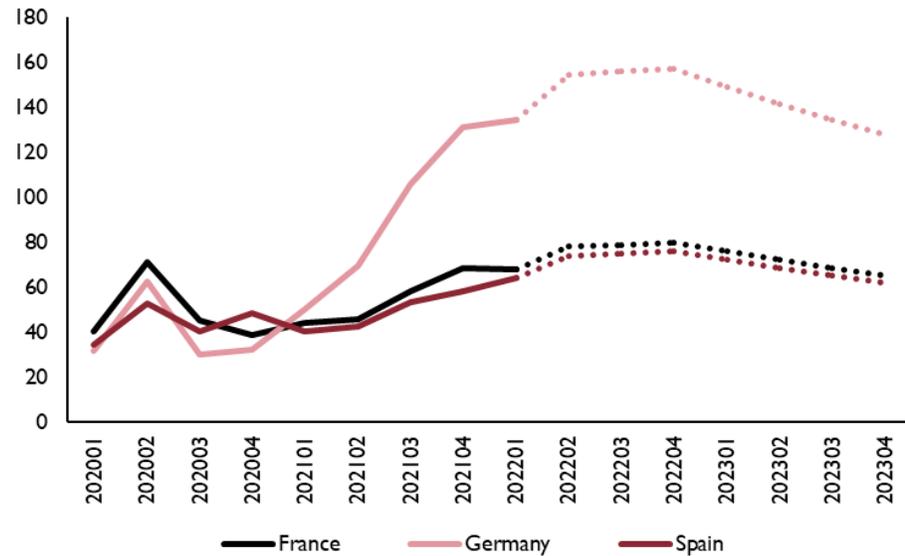


Sources: Ministry of Economic Affairs and Digital Transformation and Refinitiv.

The supply problems that emerged over 2021 are intensifying after the outbreak of war in Ukraine

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**Projected Path of Limiting Factors
(Aggregate of Limiting Factors excl. Demand %)**



Source: AIReF.

	Shock €m	Shock to production €m	Effect on GVA €m	% GVAbp
Austria	0.0	-1,210.5	-458.6	-0.13
Belgium	0.0	-952.2	-313.7	-0.08
Czech Republic	0.0	-1,640.1	-476.3	-0.28
Denmark	0.0	-235.1	-104.1	-0.04
Estonia	0.0	-19.3	-7.1	-0.04
Finland	0.0	-264.0	-92.4	-0.05
France	-7,064.6	-14,547.3	-5,180.2	-0.24
Germany	-44,473.0	-78,434.5	-29,397.9	-0.97
Greece	0.0	-58.1	-25.1	-0.01
Hungary	0.0	-818.6	-228.5	-0.22
Ireland	0.0	-303.9	-134.1	-0.05
Italy	0.0	-2,311.4	-811.3	-0.05
Netherlands	0.0	-979.3	-395.8	-0.06
Poland	0.0	-1,493.4	-547.2	-0.13
Portugal	0.0	-358.2	-124.9	-0.07
Slovakia	0.0	-742.0	-181.5	-0.23
Slovenia	0.0	-170.9	-59.5	-0.16
Spain	-5,321.0	-11,658.2	-3,810.3	-0.35
Croatia	0.0	-24.7	-10.2	-0.02
Cyprus	0.0	-7.6	-3.2	-0.02
Malta	0.0	-20.8	-4.5	-0.05

Direct+Indirect and Induced Effects
 Induced Effects

The direct and indirect effects for Spain, France and Germany are estimated using the ICIO-2018 tables:

- Germany would suffer a heavy impact.
- The impact in Spain is -0.4pp of GDP in 2022 as a whole.

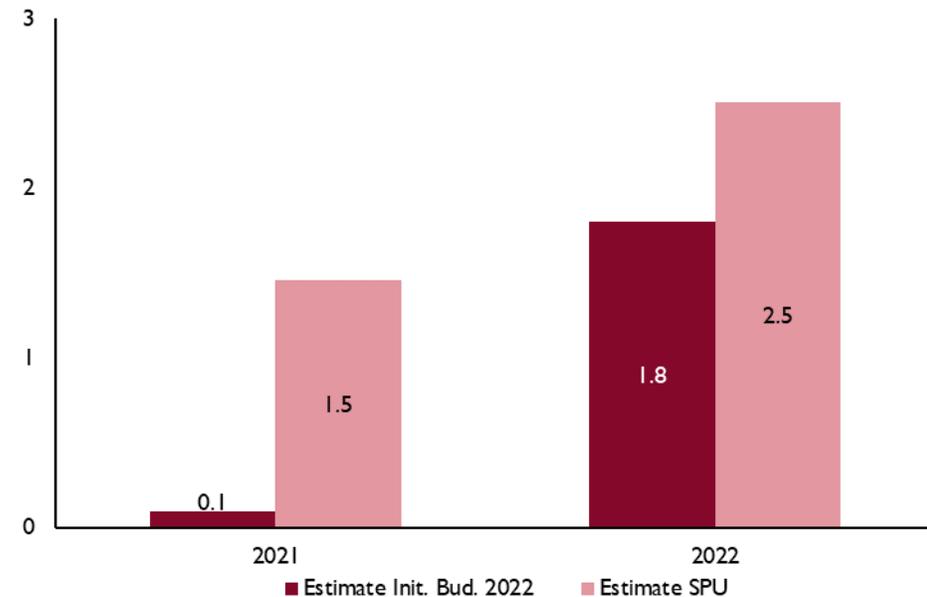


The macroeconomic impact of the RTRP is also revised downwards

Assumptions

- Before: Multiplier 1.2 (low interest rates and inflation, idle resources)
- Now: Multiplier 0.9. Bottlenecks (in relevant sectors of the Plan: digitalisation, automotive) and inflation scenario points to downward revisions in RTRP impact in 2022

IMPACT ON GDP ASSOCIATED WITH RTRP (AIREF ESTIMATES)



2021 closes with a modest impact of the RTRP on the real economy, despite the drive from administrative actions and reforms at the end of the year.

The macroeconomic environment in which funds reach the real economy has changed and their multiplier impact might be less.

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Risks

Persistence of the pandemic may aggravate supply problems

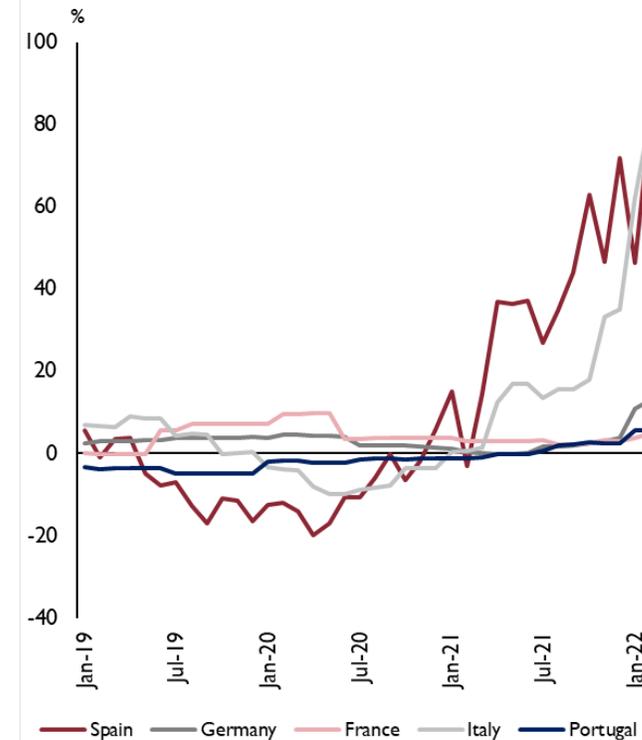
Risks regarding RTRP in an adverse environment

Sharper and more persistent upturn in inflation than expected.

Change of stance of monetary policies and greater tightening of financing conditions.

The energy crisis has a greater impact in Spain: loss of competitiveness and risk of wage-price-wage spirals.

ELECTRICITY INFLATION (YEAR-ON-YEAR RATE OF CHANGE. %)



Source: INE and Eurostat.

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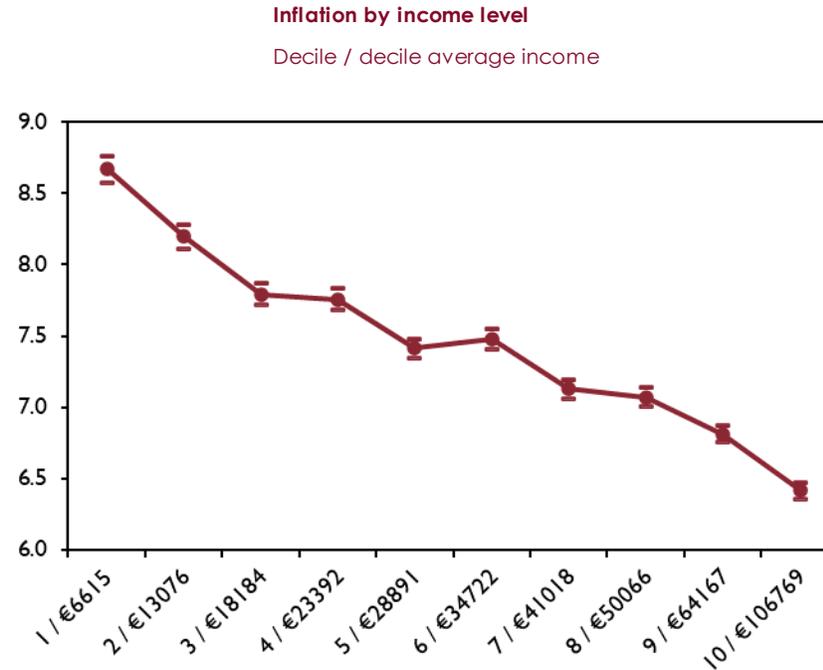
Inflation affects individuals very unevenly according to their income level

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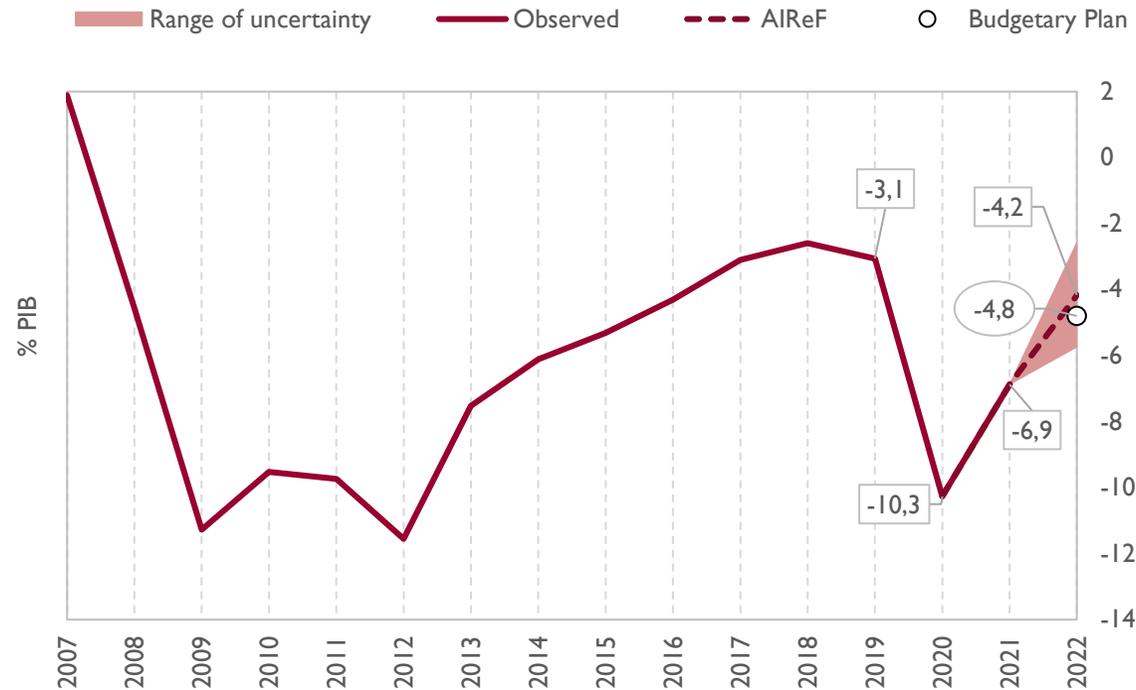


Source: Prepared by the authors based on HBS and CPI (INE)

Inflation affects to a greater extent lower income individuals, who had already suffered to a greater extent from the effects of the pandemic

3. Fiscal scenario: AIReF estimates a deficit for the GG of 4.2% of GDP in 2022.

EVOLUTION OF GG BALANCE (% GDP)



- The year-end 2021 figure was 1 point better than expected in the October report and 0.1 points better than the latest AIReF estimate

AIReF has reduced its deficit estimate by 0.6 points of GDP for 2022

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**Report on Main Lines
(October 25th 2021)**

GG deficit 2022
- 4.8% GDP

CG	-3.9
SSFs	-0.5
ARs	-0.6
LGs	0.2

**New information:
+1.3% of GDP**

- Year-end 2021:
improved collection
- Initial data for 2022

**Revision of macro scenario:
-0.1% of GDP**

- Increased collection
- Increased interest

**New measures:
-0.6% of GDP**

- Measures to mitigate
the effects of war in
Ukraine

**Report on Initial Budgets
(April 7th 2022)**

GG deficit 2022
- 4.2% GDP

CG	-3.3
SSFs	-0.4
ARs	-0.7
LGs	0.3

• The new incorporated information more than offsets the increase in the deficit caused by the revision of the macroeconomic scenario and the new measures approved by governments



The improvement in the 2021 deficit is partially transferred to the 2022 forecast, mainly in revenue



Difference DBP – Initial Budgets

	2021 (change in year-end)		2022 (change due to new information)
VAT/STs	0.5	→	0.6
PIT	0.0	→	0.1
CIT	0.4	→	0.2
Contributions	0.4	→	0.4
TOTAL	1.3	→	1.3

The dynamism observed at the end of 2021 remains in the initial data for 2022

This increase in revenue made it possible to absorb some unforeseen expenditure, such as deferred tax credits and the allocation of bad debts due to COVID guarantees in 2021, which are not carried forward to 2022

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The worsening macroeconomic scenario affects fiscal forecasts through various channels with opposing effects



Higher nominal GDP

**Higher prices.
Inflation**

Short term

- Increased collection: More than €2bn per point of inflation
- Increase in interest: €500m per point of inflation
- Some increase in expenditure due to price transfer, limited by approved budgets

2022

Revenue

+ 0.3

Medium term

- Increase in the cost of pensions in 2023: €1.5bn per additional point of inflation
- Greater transfer of prices to expenditure in new contracts and budgets

Expenditure

+ 0.4

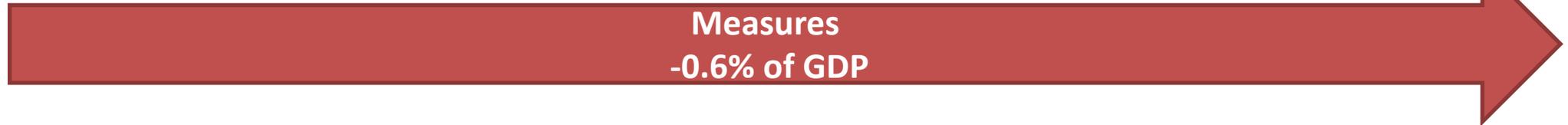
Lower real growth

- Negative impact on the deficit:
 - Reduction in tax collection
 - Increase in unemployment expenditure

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The new geopolitical situation and its effect on the macroeconomic scenario have prompted the adoption of new measures



Measures reducing revenue

- Aimed at offsetting increases in energy prices through tax reductions or suspensions

Measures increasing expenditure

- Aimed at mitigating the effects of the price increase:
 - On individuals: consumers and refugees
 - On affected sectors

The central scenario includes the measures already approved by governments

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The tax measures adopted since the previous report represent a reduction in revenue of almost €2.5bn

Revenue measures (Total annual impact)	AIReF GSB22	AIReF Current	Differences
	2022	2022	€m
PIT	750	728	-23
Increase in rates on the highest income bases	523	501	-23
Modification of pension plan contribution limits	761	761	0
Increase in deductions for donations, deductions for housing rehabilitation and COVID measures	-534	-534	0
Corporate Income Tax	1,516	1,422	-94
Limitation on exemption for dividends and capital gains	1,520	1,426	-94
Increase in deductions for films, increase in SOCIMI (Spanish REIT company) tax rate and COVID measures	-4	-4	0
VAT	89	-1,293	-1,382
Increase in rates on sugary drinks	309	419	110
Reduction in electricity rate	-219	-1,712	-1,493
COVID measures	0	0	0
STs	-104	-963	-859
Reduction in electricity rate	-104	-963	-859
OTHER	914	-2,196	-3,109
Financial Transaction Tax: Establishment	340	319	-21
Tax on Certain Digital Services: Establishment	203	260	57
Tax on Insurance Premiums: Increase in rates	493	522	29
Tax on the Value of Electricity Production: Suspension	-309	-3,297	-2,987
Tax on single-use plastics: Establishment	188	0	-188
TOTAL	3,165	-2,302	-5,467
TOTAL excluding Tax on the Value of Electricity Production	3,475	995	-2,480

- ✓ The changes in tax measures are valued at a reduction in revenue of over €5.5bn.
- ✓ Excluding the Tax on the Value of Electricity Production, these measures imply a reduction in revenue of almost €2.5bn.

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The impact of the spending measures provided for in Royal Decree-Law 6/2022 raises the deficit by over €4bn

Expenditure measures		IMPACT (€m)	
		Government	AIReF
Support for individuals	Reduction in the price per litre of fuel for individuals	823	1,053
	MLI increase until June 30		78
	Subsidies for the prevention of gender violence	2	2
	Extra credit for refugee care Ukraine	1,200	1,200
	New beneficiaries Thermal social voucher	75	75
Support for affected sectors	Agriculture and fishing sector	351	351
	Electro-intensive and gas-intensive industry	437	437
	Transportation sector	1,071	1,071
TOTAL MEASURES RDL 6/2022		3,958	4,266
Liquidity measures	New line of ICO guarantees until 31 December	10,000	10,000
	Extension of maturity of guaranteed loans and grace period for sectors affected by the energy crisis*		

- Support for individuals accounts for just over half of the total approved measures (over €2.4bn), and support for the transport sector will amount to almost €1.1bn.
- In addition, ICO lines are increased by €10bn

The reduction in the deficit of 2.7 points of GDP in 2022 is based on several factors

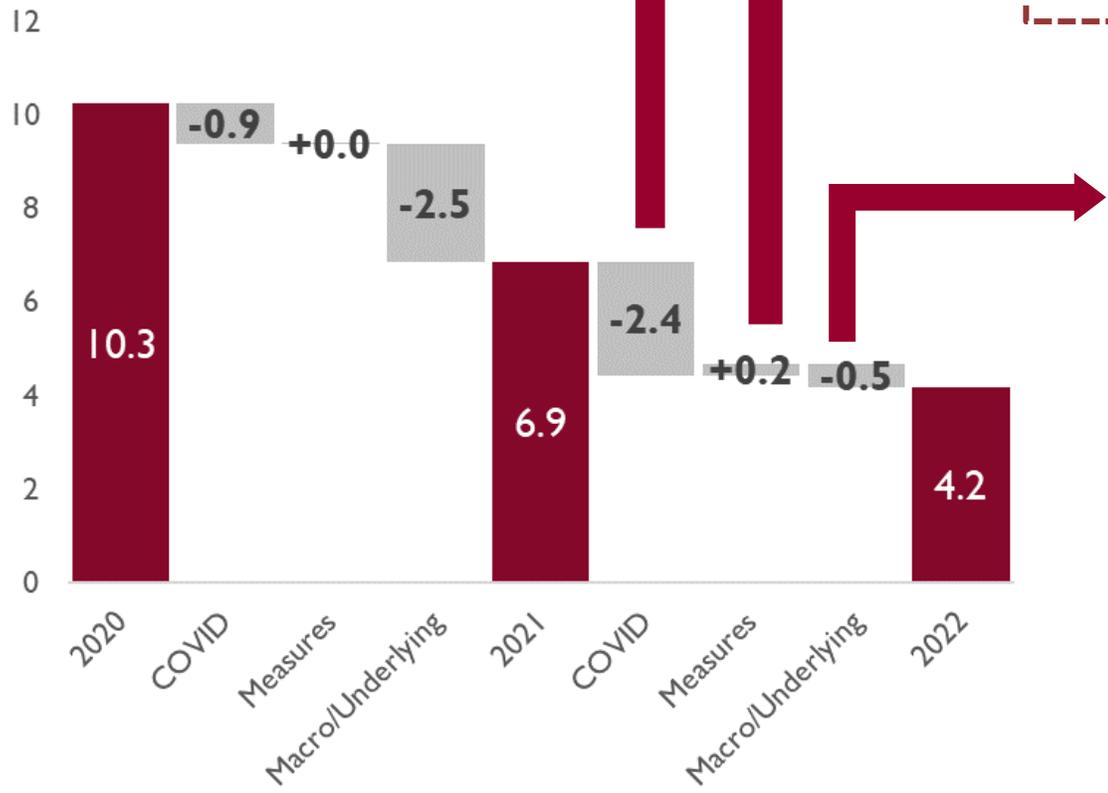
COVID measures:
The cost of COVID measures is substantially lower in 2022, although a part may remain structural

Measures:

- To mitigate the effects of the energy crisis and the war in Ukraine: Increase in deficit
- Tax measures in the 2022 GSB Reduce the deficit

Macro/Underlying:

- Evolution of revenue associated with the macroeconomic outlook
- Evolution of expenditure not linked to COVID or the new measures



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AIReF estimates that revenue in 2022 will stand of 42% of GDP, 1.3 points higher than in the previous report.

**New information:
+1.4% of GDP**

- Year-end 2021
- Initial data for 2022

**Revision of macro scenario:
+0.3% of GDP**

- Denominator effect
- Increased tax collection

**New measures:
-0.3% of GDP**

- Measures to control energy price

	Report Main Lines
REVENUE	40.7
TAXES	23.1
<i>On production</i>	11.5
<i>On income</i>	11.1
<i>Capital</i>	0.4
CONTRIBUTIONS:	13.3
Other Revenue	4.3

	Current
REVENUE	42.0
TAXES	23.9
<i>On production</i>	12.0
<i>On income</i>	11.5
<i>Capital</i>	0.4
CONTRIBUTIONS:	13.8
Other Revenue	4.3

- **VAT:** The dynamism of VAT during the second half of 2021 will be sustained by the increase in inflation
- **STs** The change in special taxes will be more moderate, as they are more linked to real growth
- **PIT:** The good pace of employment and the greater dynamism of wages increase the weight of the tax
- **CIT:** The instalment payments in 2021 have increased the weight over GDP of this tax
- **Contributions:** The contribution bases of recent months push its weight upwards

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AIReF raises its expenditure forecast by 0.7 points to 46.2% of GDP

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	Report Main Lines
EXPENDITURE	45.5
Compensation of employees	11.6
IC + STK purch. mark.	8.0
Social benefits in cash	17.2
Interest	1.8
GFCF	2.4
<i>Other expenditure</i>	4.5

**New information:
0.1% of GDP**

- Year-end 2021

**Revision of macro scenario:
+0.3% of GDP**

- Denominator effect
- Increase in interest

**New measures:
+0.4% of GDP**

- Measures - energy crisis and Ukraine
- Temporary incapacity

	Current
EXPENDITURE	46.2
Compensation of employees	11.6
IC + STK purch. mark.	8.3
Social benefits in cash	17.4
Interes	2.0
GFCF	2.4
<i>Other expenditure</i>	4.5

- **Public consumption:** Upward revision of 0.3 points due to the measures to mitigate the energy crisis and the war in Ukraine and due to the inflation effect
- **Social benefits in cash:** Increase of 0.2 points due to the year-end data and the increase in expenditure on temporary incapacity as a result of the sixth wave of COVID-19
- **Interest:** Increase of 0.2 points due to the inflation effect



The expected improvement in the balance is unevenly distributed among the different GG sub-sectors

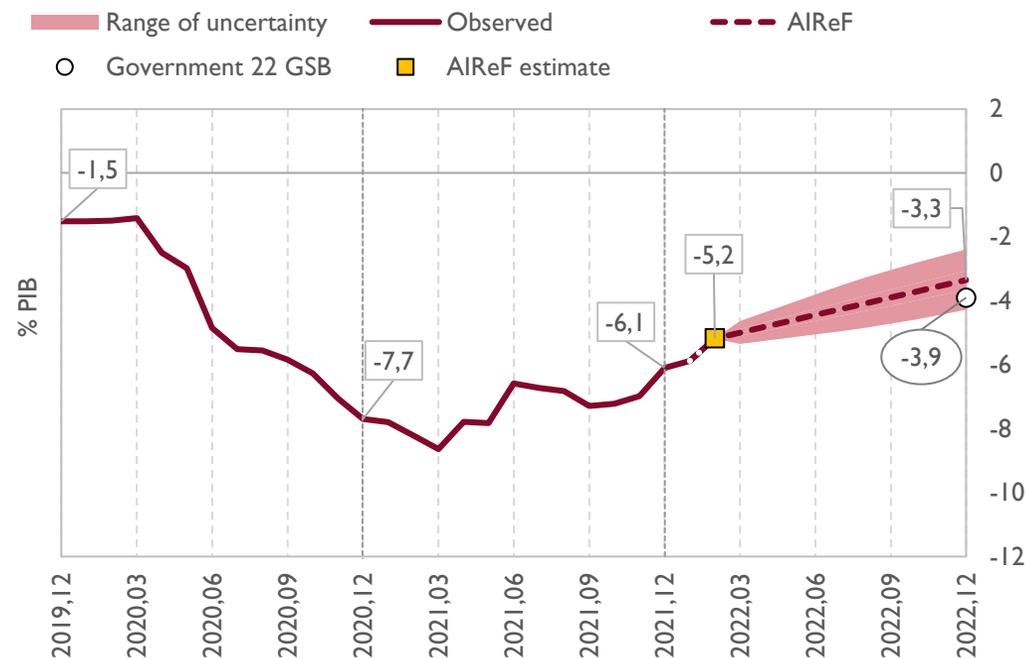
DIFFERENCE IN THE BALANCE BY SUB-SECTOR IN AIREF'S SCENARIOS (% GDP)

	2021		2022	
	2022 Budgetary Plan	Year-end	2022 Budgetary Plan	Initial Budgets 2022
GG	-7.9	-6.9	-4.8	-4.2
CG	-6.3	-6.1	-3.9	-3.3
SSFs	-1.5	-1.0	-0.5	-0.4
ARs	-0.4	0.0	-0.6	-0.7
LGs	0.3	0.3	0.2	0.3

- The improvement in the balance in 2022 corresponds almost entirely to the CG due to the improvement in forecast revenue, which counteracts the increase from the measures due to the crisis
- The estimate for the balance of the Autonomous Regions falls by 0.1 points
- The other sub-sectors (LGs and SSFs) improve their balance forecast slightly

Central Government: AIReF estimates a deficit of 3.3% of GDP in 2022, a reduction of 0.5 points on the previous forecast

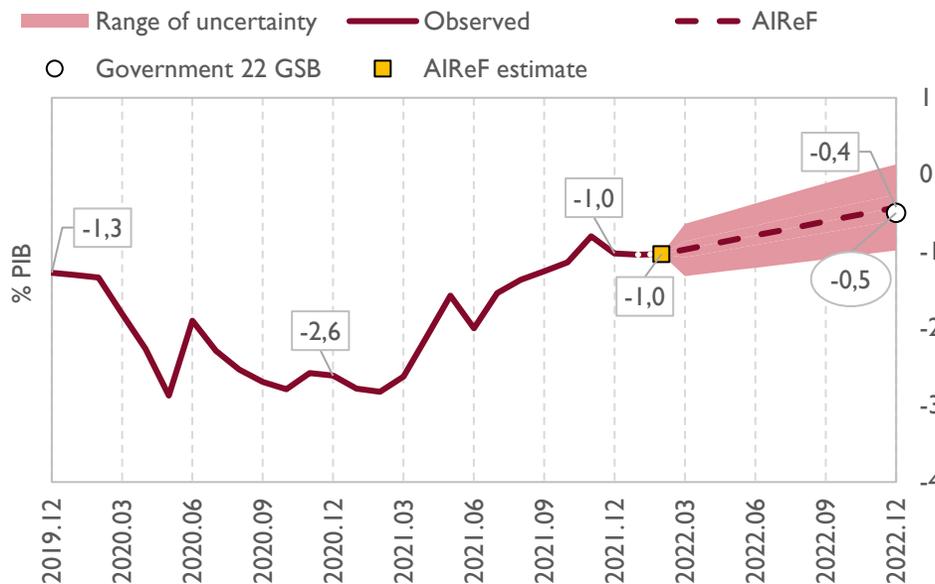
AIREF FORECASTS CG BALANCE (% GDP)



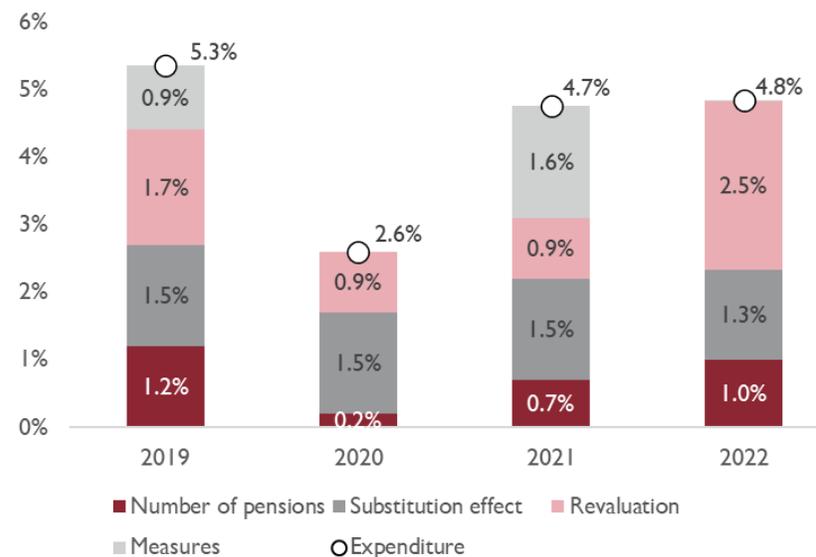
- The improvement in the collection forecast is concentrated in the CG in 2022, although it will translate into a more positive settlement of the financing system of the Territorial Administrations in 2024
- The measures adopted as a result of the energy crisis and the war in Ukraine increase the deficit, but do not offset the positive effect of the year-end data

Social Security Funds: The deficit forecast for the SSFs falls by 0.1 points compared with the previous report

EVOLUTION OF AIREF FORECASTS OF SSF BALANCE (% GDP)



GROWTH IN PENSION EXPENDITURE (% CHANGE)

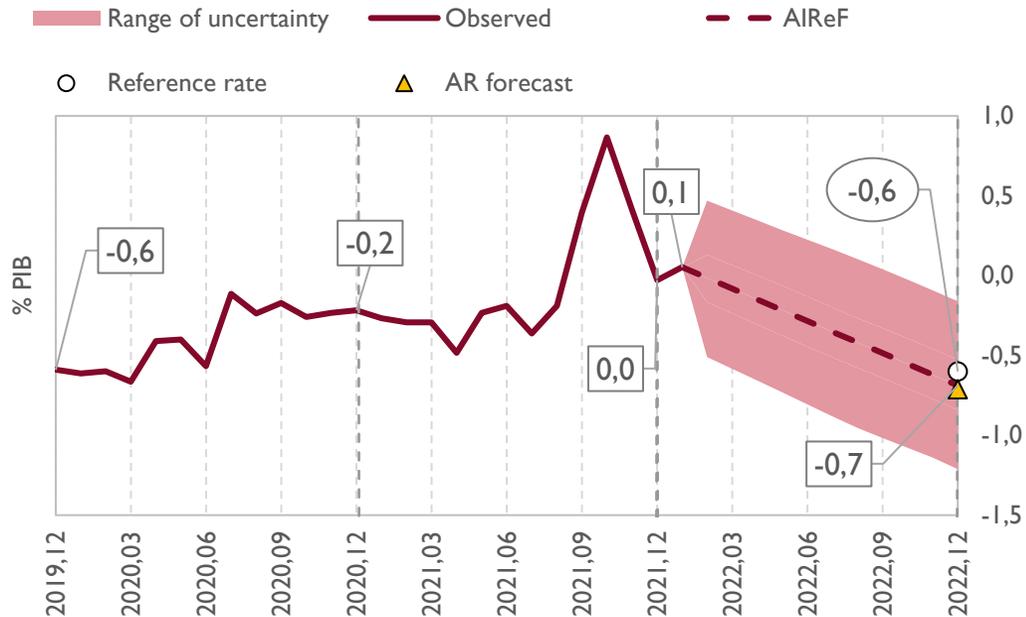


- The higher inflation in 2021 (2.5% versus 2.1%) raises pension expenditure in 2022 due to the higher revaluation and the additional pension payment to correct for inflation (included in 2021 expenditure, but raises the starting level in 2022)
- Higher inflation in 2022 will be transferred to 2023 according to the pension reform
- The higher than expected revenue from contributions in 2021 is carried over to 2022
- The State transfer of €5bn at the end of 2021 is not consolidated in 2022
- A higher cost of the measures is estimated, especially due to the increase in the cost of temporary incapacity for work due to the sixth wave of COVID-19

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ARs: The deficit forecast rises from the previous report to 0.7% of GDP

EVOLUTION OF AIREF FORECASTS OF AR BALANCE (% GDP)



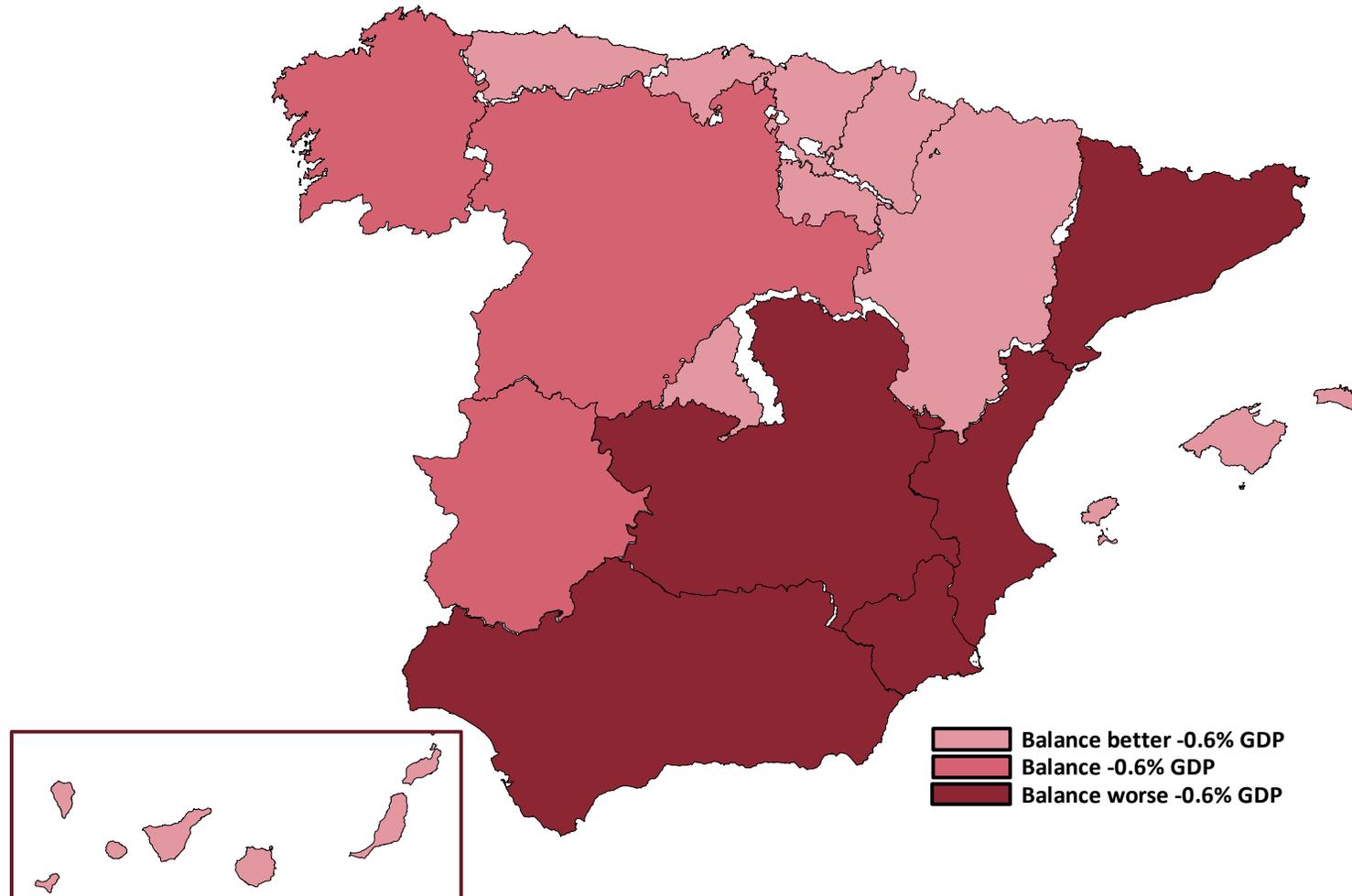
CHANGES IN THE 2022 FORECAST (% GDP)

Report on Main Lines	-0.6
<i>REACT-EU revenue</i>	-0.1
<i>Support for companies</i>	-0.1
<i>Year-End 2021</i>	-0.8
<i>Other factors</i>	0.8
Report on Budgets	-0.7

- The positive year-end 2021 figures have a moderate effect on the forecasts for 2022: some elements that were favourable in 2021 worsen in 2022
- In 2022, revenue will fall due to lower State transfers compared with 2021, both extraordinary transfers and those associated with the financing system
- Expenditure, excluding the RTRP, will grow very moderately, by 1.4% in 2022, due to the progressive reduction in COVID-related spending, although AIREF estimates that a part will become structural

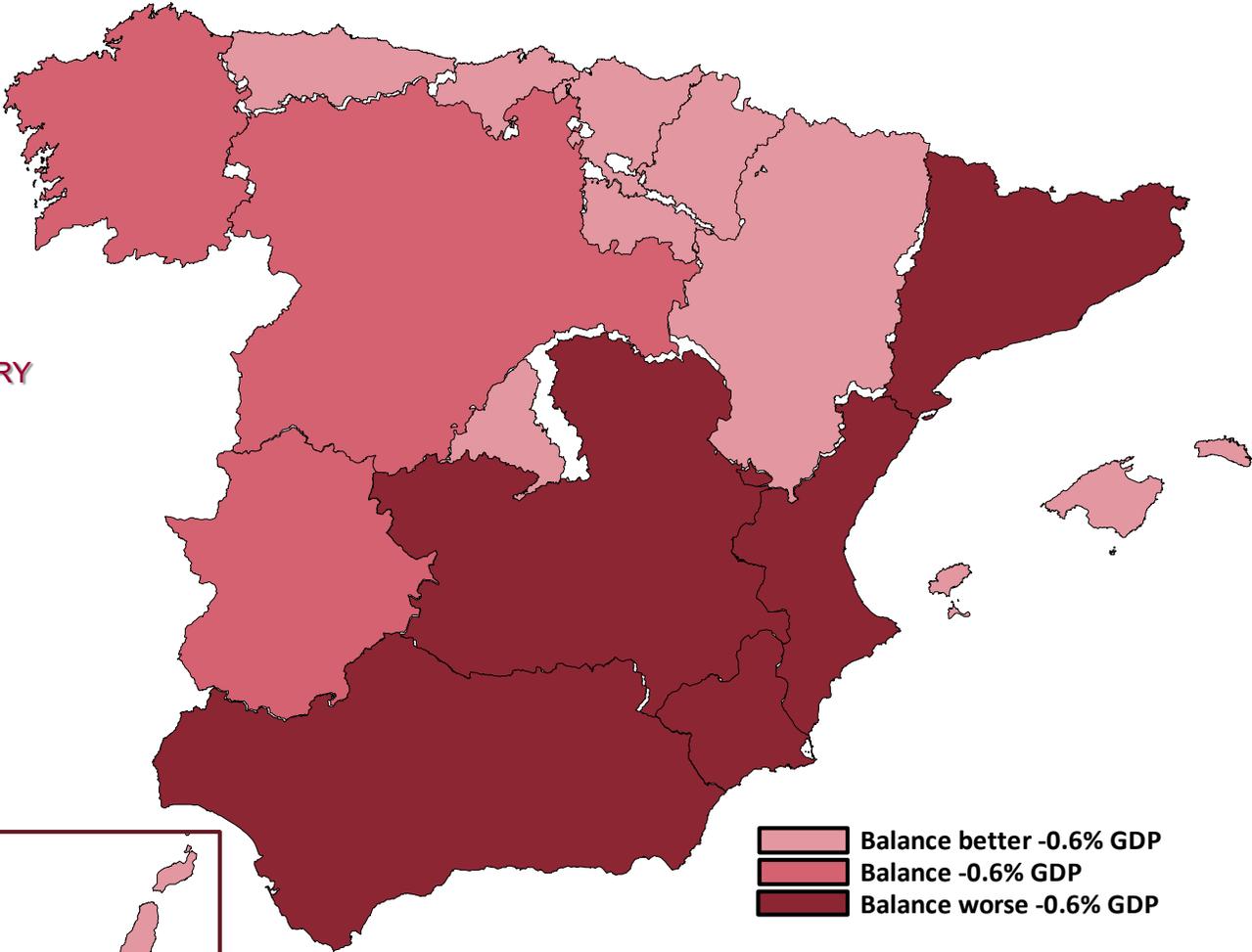
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ARs: Nine ARs would close the year below the reference rate of -0.6% of GDP



- Three would end the year with a deficit similar to the reference rate and five with a higher deficit
- Most of the ARs expect to reach the reference of -0.6% in 2022, although there are exceptions. The aggregate forecasts would bring the sub-sector to -0.7%

Analysis by AR



		
ANDALUSIA	CANTABRIA	
		
ARAGON	CATALONIA	
		
ASTURIAS	EXTREMADURA	
		
BALEARIC ISLANDS	GALICIA	BASQUE COUNTRY
		
CANARY ISLANDS	MADRID	RIOJA
		
CASTILE-LA MANCHA	MURCIA	VALENCIA
		
CASTILE AND LEON	NAVARRRE	

Balance better -0.6% GDP
Balance -0.6% GDP
Balance worse -0.6% GDP

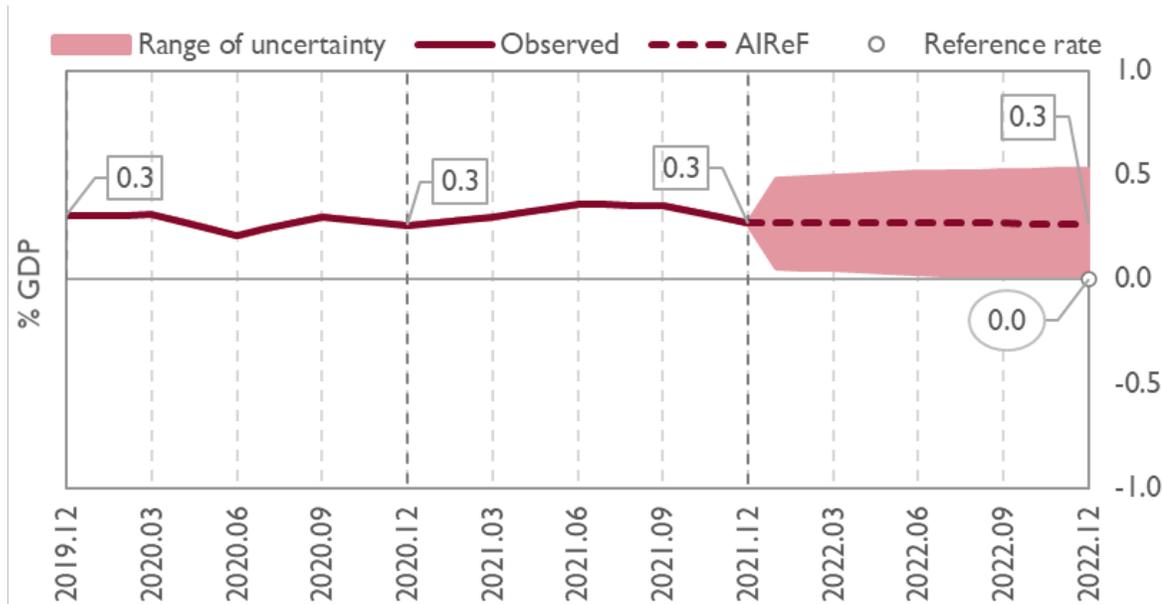
[AR Monitor Tool](#)



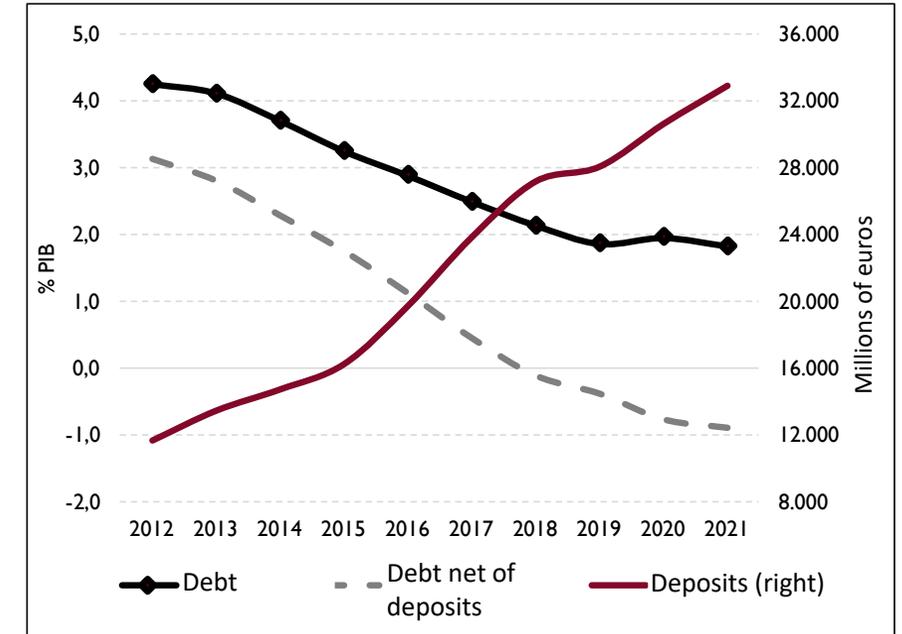
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LGs: AIReF estimates that the LGs will maintain the surplus of 0.3% of GDP obtained in 2021

EVOLUTION OF AIREF FORECASTS OF LG BALANCE (% GDP)



EVOLUTION OF DEBT AND LIQUID ASSETS IN THE LG SUBSECTOR IN THE PERIOD 2012-2021 (AS A PERCENTAGE OF GDP)



- The year-end 2021 data, despite the suspension of fiscal rules, show a similar surplus to that of 2020 and 2019
- The available information on the evolution of local debt and deposits corroborates AIReF's forecasts on the results to be achieved by LGs in 2022

LGs: The analysis of the group of large LGs shows a sharp increase in spending

AIREF'S FORECASTS 24 LARGE LGS

LOCAL GOVERNMENTS	EVOLUTION OF ECONOMIC AND FINANCIAL PLANS (EFP)	Stability		Computable expenditure		Debt ratio (DR)
		Year-end 2021	Forecast 2022	Year-end 2020	Year-end 2021	Forecast 2022
MADRID	Did not comply with ER15 and ER16. After 3 EFPs approved by Plenary Session but not by supervisory body, on Dec 17 EFP 17-18 is definitively approved. Did not comply with ER 19	+	+	>6%	>6%	38%
BARCELONA	EFP for non-compliance ER15 approved for 15-16. Revised for non-comp. forecast. 16. New EFP 16-17. Did not comply with SR 18, new EFP 19-20	-	-		>6%	31%
VALENCIA	Did not comply with SR17, following the standardised criteria for calculating the SR of the IGAE guide. Should have submitted an EFP, which it has not done. Did not comply with ER 19	+	+			29%
SEVILLE	EFP for non-compliance ER18 approved for 19-20.	+	+	<2019	<2020	23%
ZARAGOZA	EFP for non-compliance ER15 approved for 16-17. Did not comply with ER 17 committed to in EFP due to time lag	+	+	>6%	<2020	77%
MÁLAGA	EFP for non-compliance ER15 approved for 16-17. Did not comply with ER 19	+	+		>6%	38%
MURCIA	EFP for non-compliance ST and ER18 approved for 17-18. Did not comply with ER 19	+	+			87%
PALMA	EFP for non-compliance ER15 approved for 16-17.	+	+	>6%		45%
LAS PALMAS DE GRAN CANARIA	EFP for non-compliance ER17 approved for 18-19.	+	+	>6%	<2020	0%
BILBAO	EFP 17-18 approved due to approving the 2017 budget with deficit, in breach of the provisions of the Law on Budgetary Stability and Financial Sustainability. In October 2019, faced with the forecast of non-compliance with SR 2019, they approved a new EFP 19-20.	-	-	<2019	>6%	2%
Alicante	EFP for non-compliance ER15 approved for 16-17.	+	+	>6%		7%
CÓRDOBA	Did not comply with ER 19	-	+		>6%	46%

LOCAL GOVERNMENTS	EVOLUTION OF ECONOMIC AND FINANCIAL PLANS (EFP)	Stability		Computable expenditure		Debt ratio (DR)
		Year-end 2021	Forecast 2022	Year-end 2020	Year-end 2021	Forecast 2022
VALLADOLID		+	-		>6%	63%
VIGO	EFP for non-compliance ST and ER18 approved for 19-20.	+	+	<2019	>6%	0%
GIJÓN	Did not comply with ER17. It did not approve the EFP in plenary session.	-	+		>6%	40%
L'HOSPITALET DE LLOBREGAT	EFP for non-compliance ER18 approved for 19-20.	+	+		<2020	30%
Prov. Council. BARCELONA	EFP for non-compliance ER17 approved for 18-19. Did not comply with ER19.	+	+	<2019		0%
Prov. Council. VALENCIA	EFP for non-compliance ER15 approved for 16-17. Did not comply with ER19.	+	+	>6%	>6%	4%
Prov. Council. SEVILLE		-	+		>6%	0%
ISLAND GOV. OF TENERIFE		-	+		>6%	14%
ISLAND GOV. OF MALLORCA	EFP for non-compliance ST and ER17 approved for 18-19.	+	+		>6%	23%
PROV. COUNCIL. ARABA/ÁLAVA		+	+			69%
PROV. COUNCIL. GIPUZKOA		+	+	>6%	<2020	32%
PROV. COUNCIL. BIZKAIA		+	+			93%

<2019 2020 or 2021 computable expenditure less than 2019 (in the case of 2020) or 2020 (in the case of 2021). If it is an increase but this is less than 6%, blank box.
 <2020
 >6% Growth in computable expenditure of 2020 or 2021 greater than 6%
 + Forecast surplus
 - Forecast deficit

Improves in valuation: from deficit in Report on ML 2022 to surplus
 Worsens in valuation: from surplus in Report on ML 2022 to deficit

Note: The background colours in the debt column represent the tranche of DR: green if <75%, yellow if between 75% and 110% and red if >110%

These large LGs are the ones that are making the most use of the escape clause due to their high accumulated savings and their more specialised procurement structures, with forecast results very close to a balanced budget in 2022



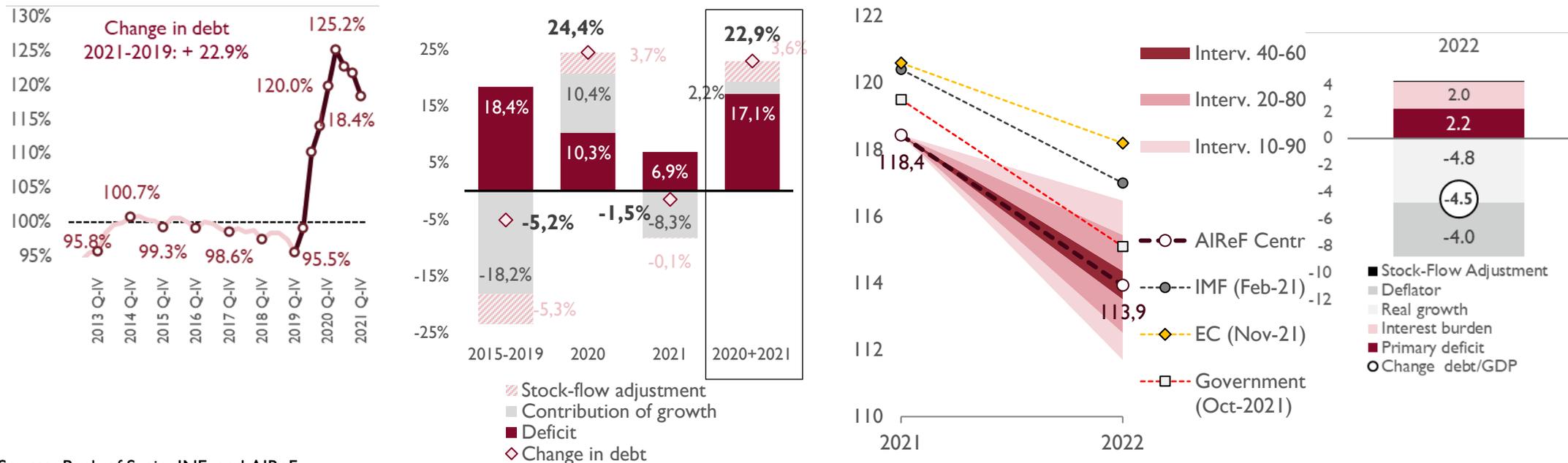
AIReF's macro-fiscal forecasts project a reduction in the debt ratio of 4.5 points of GDP, placing it at 113.9% at the end of 2022

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The Spanish debt-to-GDP ratio stood at 118.4% at the end of 2021, a reduction of 1.6 points over the year and an increase of 22.9 points on the pre-pandemic level.

The reduction in the ratio will be mainly supported by the nominal growth of GDP, where the deflator will play a very significant contribution. The deficit will continue to contribute significantly to the increase in debt

DEBT (% GDP) Quarter-on-quarter evolution, 2022 forecast and contributions to change



Source: Bank of Spain, INE, and AIReF.



Recommendations

AIReF reiterates the need to establish a medium-term fiscal consolidation strategy that will act as fiscal guidance and will realistically and credibly ensure the financial sustainability of the General Government.

- This is established in the Organic Law on Budgetary Stability and Financial Sustainability itself: it is not suspended
- The projects and reforms to be financed with EU resources have a multi-year perspective
- While the geopolitical and economic context requires fiscal policy action in the short term, it needs to be accompanied by a medium-term strategy that makes it possible to achieve a realistic and credible path of debt reduction once the measures are withdrawn.
- It must preserve economic growth
- Flexibility in the face of the changes that arise in the economic situation
- The Stability Programme Update is a good opportunity to fully and adequately reflect all these elements.

And one new recommendation is made.....

Recommendations

New recommendations to the Ministry of Finance

Publishing detailed information on the execution of the RTRP in national accounting terms:

- **By revenue and expenditure headings in the monthly reports**
- **Amount transferred and the target sub-sector of current and capital transfers between GG sub-sectors**

- Need for full information on the implementation of the RTRP
- Measuring the impact on economic activity
- Allowing the analysis of the evolution of the expenditure not associated with the RTRP
- Neutral effect on national accounting during implementation, but medium and long term impact

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