

# MONTHLY STABILITY TARGET MONITORING 2024

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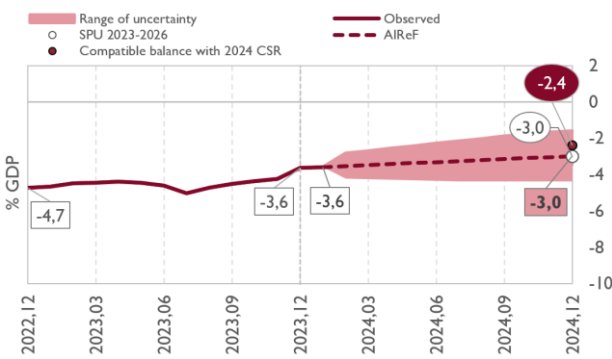
## General Government

AIReF maintains its deficit estimate for the General Government (GG) Sector at 3% of GDP, as published in the [Report on the Main Lines of the GG Budgets for 2024](#) on October 26<sup>th</sup>, 2024, albeit with changes recorded for the sub-sectors, estimating better CG and SSF deficits and a worse balance for the Autonomous Regions and Local Governments. This factsheet includes the macroeconomic and fiscal forecasts contained in the [Report on the Initial Budgets of the GG for 2024](#) published on April 11<sup>th</sup>, 2024 and incorporates the new information received, including for year-end 2023, the measures contained in RDL 8/2023 and all the information received on the first few months of 2024.

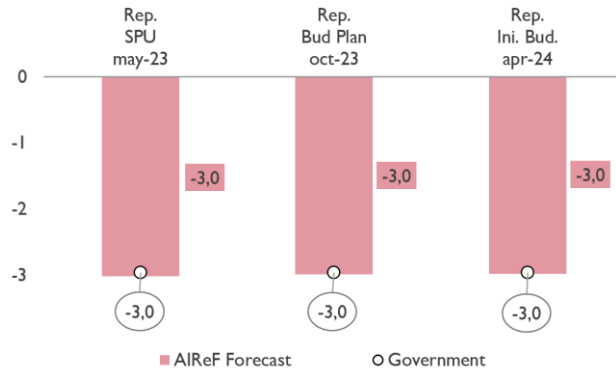
**1** The deficit forecast for 2024 stands at 3%, in line with the Government's forecast, albeit modifying the revenue and expenditure forecasts, and the distribution by sub-sector.

**2** In the process of continuous evaluation of the budgetary cycle, AIReF maintains the deficit estimate at 3%. The better macroeconomic scenario offsets the increase in the cost of the measures and the new information.

**General Government deficit (% GDP)**



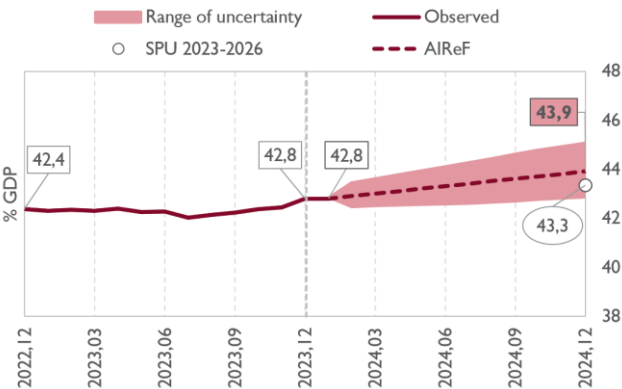
**Updated GG deficit estimate (% GDP) (AIReF)**



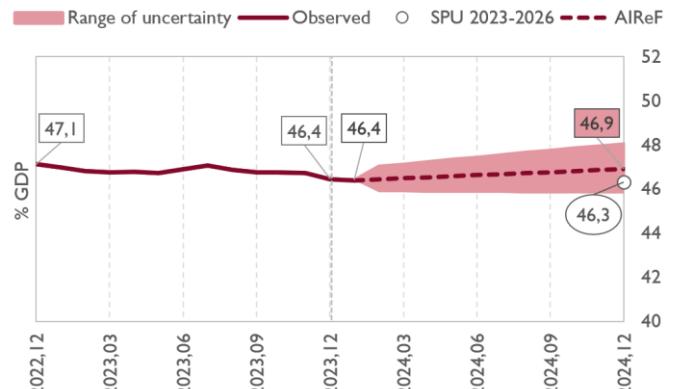
**3** Observed revenue up to January, in cumulative 12-month terms, maintains the upward trend that began in August last year. AIReF expects this trend to continue until the end of 2024, reaching 43.9%. This growth would be lower if the Recovery, Transformation and Resilience Plan (RTRP) were not taken into account.

**4** Annualised expenditure, compared with year-end 2023, seems to have experienced, in the first part of the year, a certain stagnation following a downward trend in the last few months of 2023. This is expected to increase slightly during the rest of the year to close 2024 with a weight of 46.9%, driven by expenditure associated with the RTRP.

**GG revenue (% GDP)**

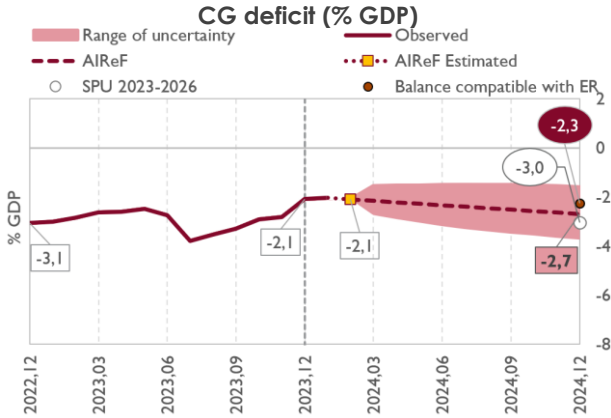


**GG expenditure (% GDP)**

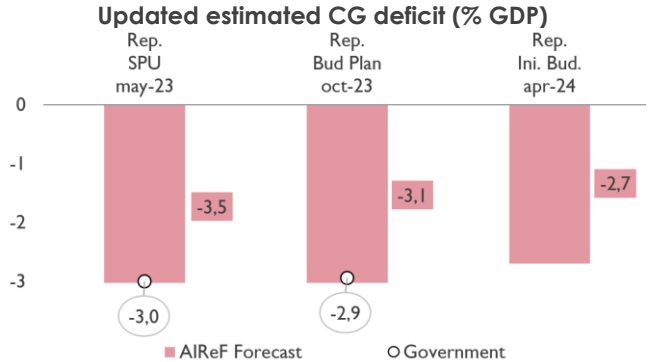


## Central Government

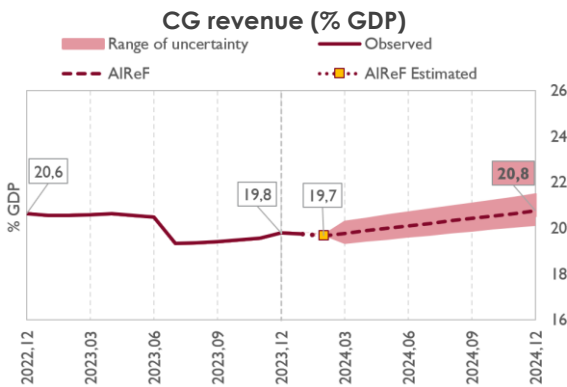
1 AIReF reduces its estimate for the CG in 2024 to 2.7%, 0.3 points lower than forecast by the Government in the Stability Programme. Compliance with the expenditure rule would require a deficit of 2.3% of GDP.



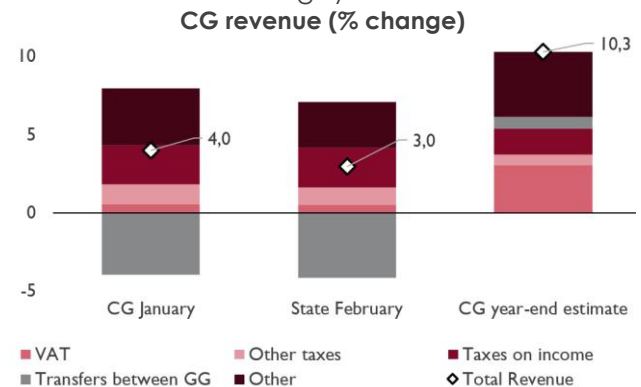
2 The deficit mainly drops due to the incorporation of new information, specifically the year-end 2023 data, which was much more positive than expected.



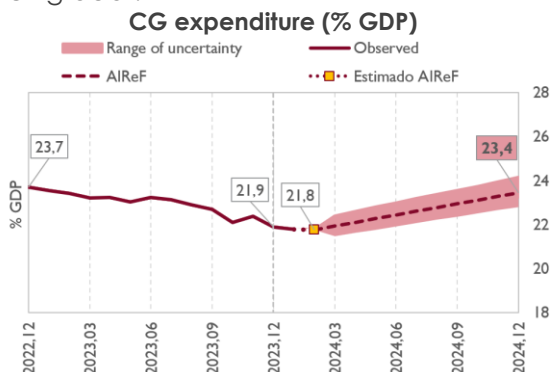
3 AIReF expects cumulative 12-month revenue to increase its weight to close 2024 at 20.8%, primarily due to receiving the RTRP funds and the gradual withdrawal of the reductions in the VAT rate on food and energy products.



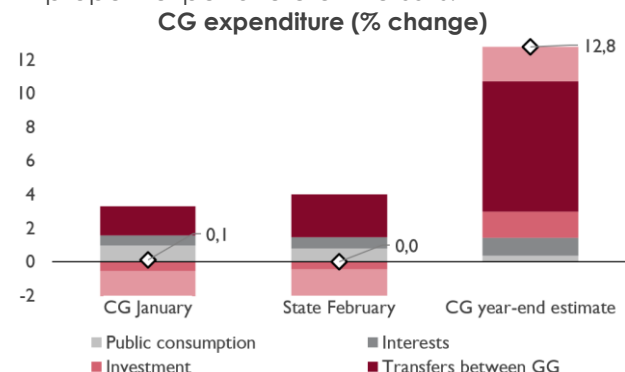
4 Revenue is expected to increase its rate of growth in 2024, driven by the RTRP funds, a higher contribution from VAT following the gradual withdrawal of the measures to reduce VAT rates and the disappearance of the negative contribution from the lower transfers received in 2023 compared with the previous year as a result of the settlement to the CG in 2022 from the financing system.



5 Expenditure in cumulative 12-month terms will increase to reach 23.4% of GDP at year-end, mainly from the RTRP funds and the expected increase in defence spending, court rulings and servicing debt.



6 Expenditure is expected to grow to 12.8% by year-end 2024, with a noteworthy contribution from expenditure on transfers between the GG, to the territorial financing system and to finance "improper" expenditure of the SSFs.

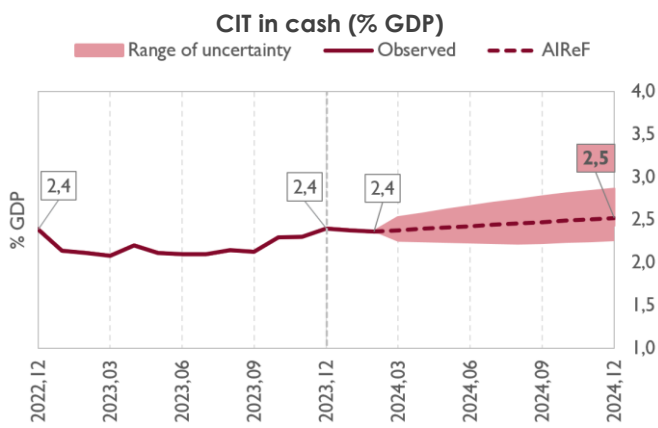
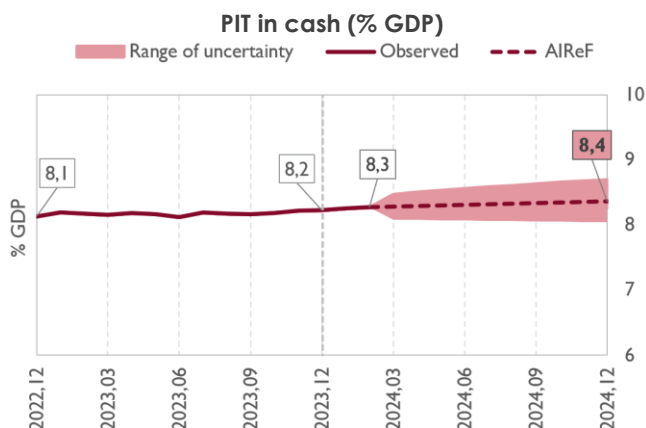


## Main tax revenue and social contribution items

AIReF updates its estimates with the incorporation of collection data up to February, the tax bases up to the fourth quarter of 2023 and the updated macroeconomic scenario. Tax revenue up to February mainly corresponds to accruals from 2023, posting growth of 6.2%, still affected by the temporary tax reductions in place that year, except for the Special Tax on Electricity, which began the gradual recovery of its usual rate in January.

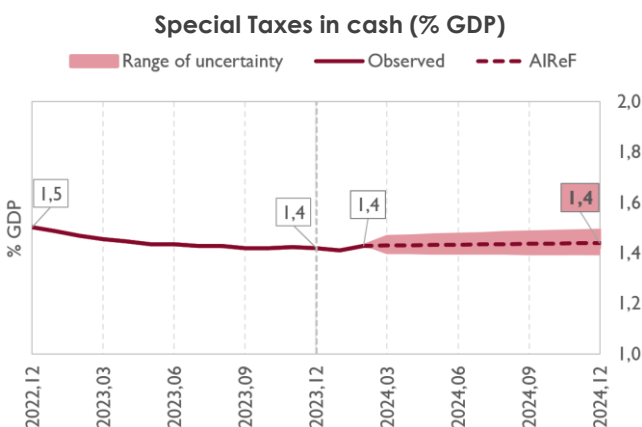
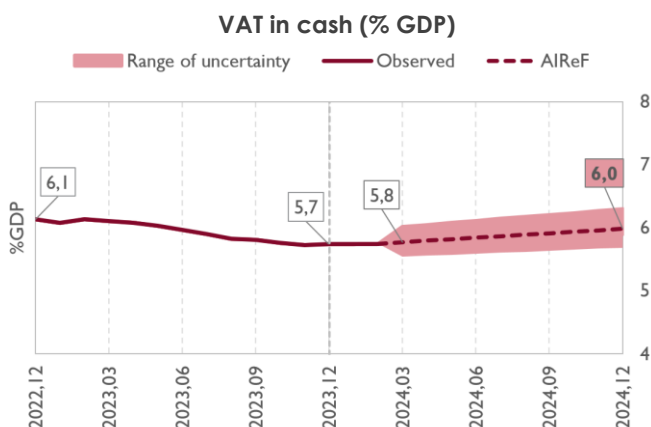
❶ In 2024, **PIT** will reach 8.4% of GDP, slightly above 0.1 points higher than in 2023. It grew by 7.3% to February, driven by withholdings from work, both in the public and private sector, and despite the increase in the reduction on withholdings from work approved the previous year. An increase of 7% is expected by year-end 2024, affected by the new increase in the reduction on withholdings from work in line with the rise in the minimum wage and the tax reductions of the ARs.

❷ AIReF estimates that **CIT** will reach 2.5% of GDP, 0.1 points more than in 2023. Its evolution to February is not particularly representative, because rebates, above all, were recorded in the first few months of the year, which exceptionally increase this year due to the enforcement of a court ruling. AIReF forecasts an increase of 10.7% at year-end 2024, driven by the temporary extension of the 50% limitation on the offsetting of intragroup tax loss carryforwards.



❸ AIReF forecasts an increase in **VAT** revenue to 6% of GDP. In the year to date, net revenue has been 4% higher than in 2023, driven by a lower volume of rebates, despite the ongoing effect of all the reductions in VAT rates, since accruals in these months correspond to 2023. To February, these reductions are estimated at €838m; following their gradual withdrawal, year-on-year growth of 9.7% is forecast.

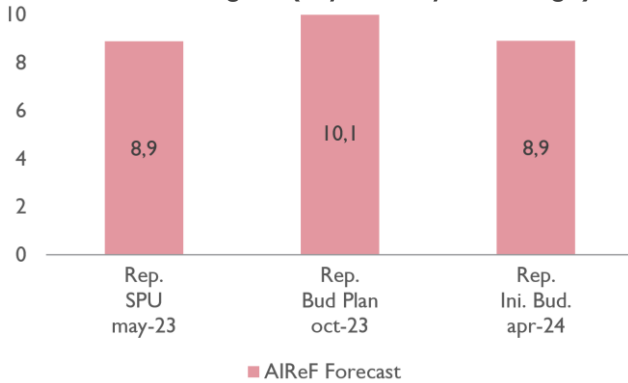
❹ **Special Taxes** will remain at 1.4% of GDP. Collection up to February has grown by 9.8% on the figure for 2023, driven by the impact of the partial reestablishment of the Special Tax on Electricity, the reduction of which is valued at €166m in the year to date. The reduced rate will be gradually reestablished over the first half of the year and, according to AIReF's estimates, collection of Special Taxes as a whole at year-end will grow by 6.7% on the previous year.



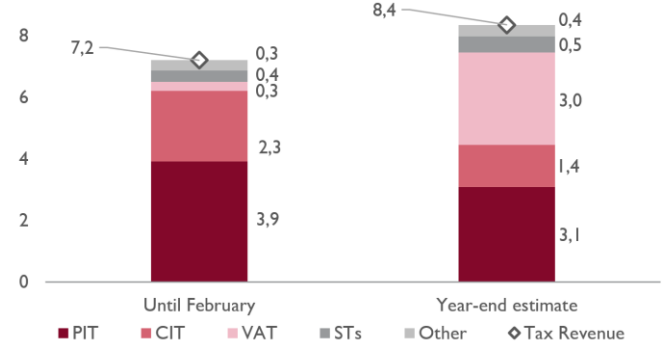
⑤ In National Accounting terms, total tax revenue in 2024 will grow by 8.9% compared with 2023, 1.2 points less than the previous estimate. Forecast revenue will drop as a result of the extension of the tax reductions to alleviate the effects of inflation and the new PIT reductions on the lowest incomes, despite the updated macroeconomic scenario resulting in an increase in the income tax projections.

⑥ 12-month cumulative tax revenue in cash terms up to February grew by 7.2%, driven by the growth in direct taxes (PIT and Special Taxes). By year-end 2024, growth of 8.4% is estimated, with a positive contribution from all components, with a noteworthy increase in the contribution from indirect taxes due to the gradual recovery of the reduced tax rates and to the gradual reestablishment of the Tax on the Value of Electricity Production.

Update of 2024 forecast of income tax under the common NA regime (% year-on-year change)



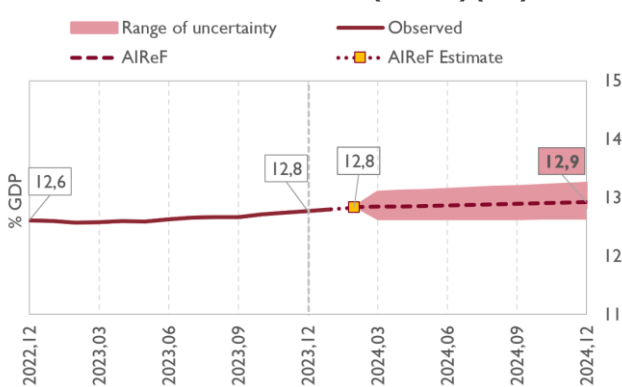
Contributions to change. Cash AIReF (% change)



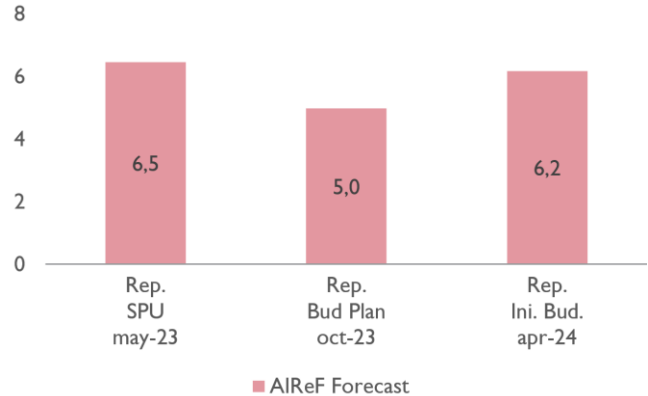
⑦ AIReF expects Social Security Fund contributions to end 2024 with a weight of 12.9% of GDP. The increase of 0.1 points on year-end 2023 is also due to a positive macroeconomic scenario and the increase in the IEM.

⑧ AIReF increases its forecast of the rate of growth of contributions of the whole GG sector by 1.2 points to 6.2%, due to the greater dynamism of the macroeconomic scenario in 2024.

SSF social contributions (% GDP) (NA)



Updated forecast for social contributions from the GG Sector (% change) (NA)

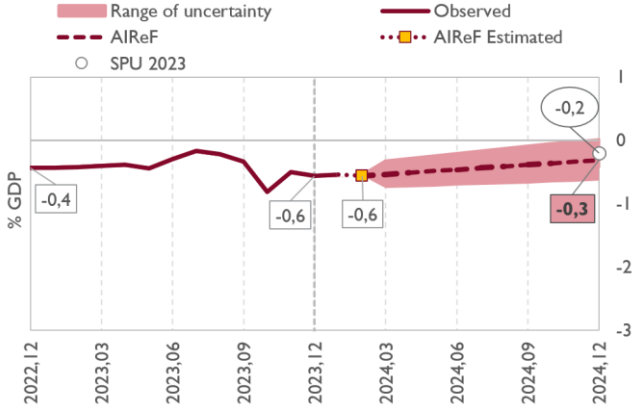


## Social Security Funds

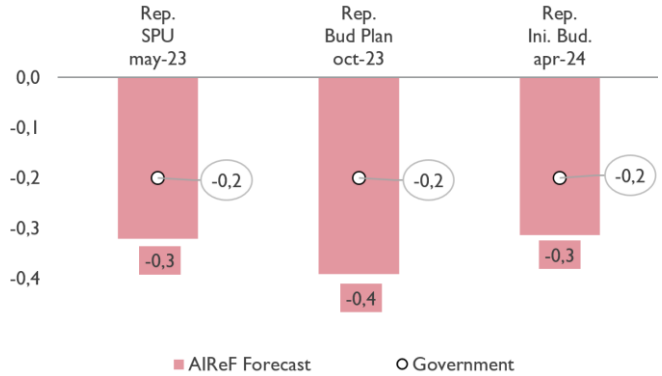
1 AIREF estimates that the SSF deficit will moderate to 0.3% of GDP in 2024, 0.3 points less than at year-end 2023. Both revenue and expenditure have been revised upwards, the former by a larger amount.

2 The estimate of the balance of the SSFs is increased for 2024, from -0.4% in the Report on the Budgetary Plan to -0.3% of GDP, 0.1 points below the estimate made by the Government in the Stability Programme Update.

**Evolution of SSF deficit (% GDP)**



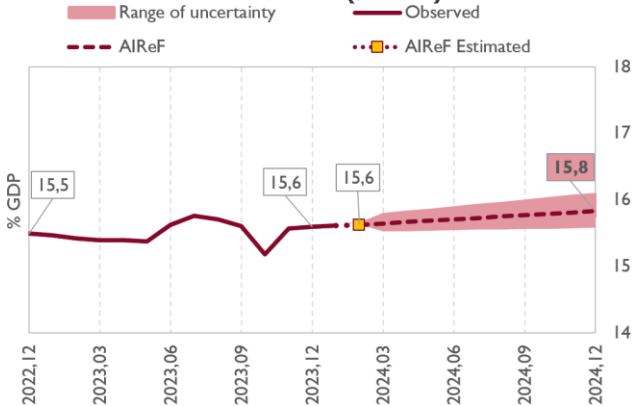
**Updated AIREF SSF deficit estimate (% GDP)**



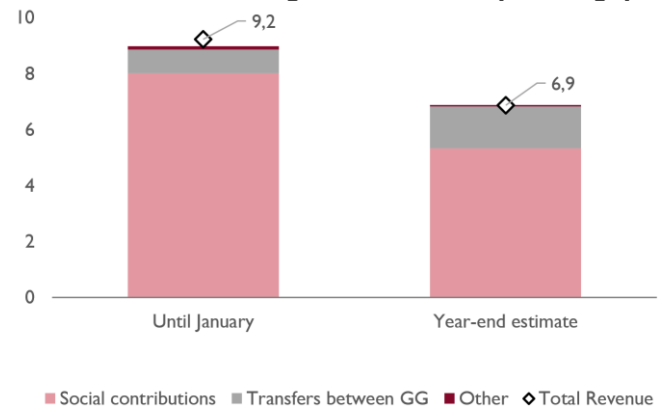
3 The weight of revenue as a percentage of GDP will maintain a slight upward trend over the course of 2024 to reach 15.8%, due to both the dynamic nature of the growth of contributions and to the increase in the transfer of "improper" expenditure from the CG.

4 AIREF expects a slowdown in the rate of growth of revenue over the rest of the year, due to the moderation of the rate of growth of contributions compared with the previous year, not fully offset by the increase in CG transfers to cover "improper" expenditure.

**SSF revenue (% GDP)**



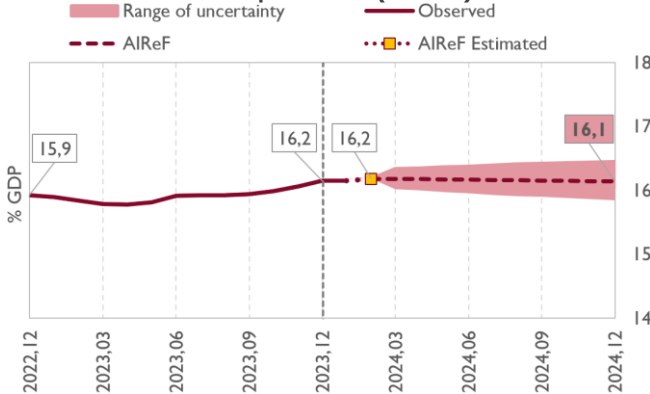
**Contributions to change in SSF revenue (% change)**



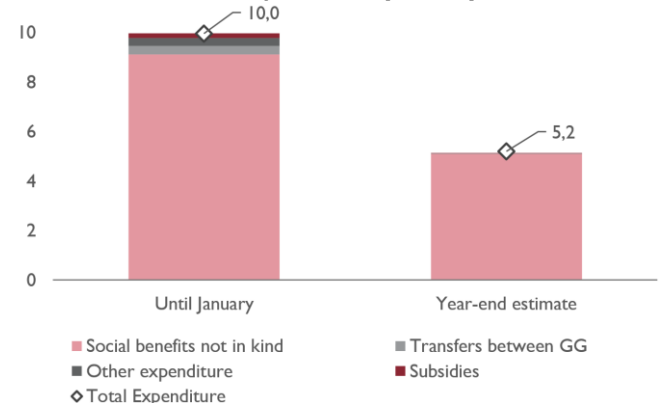
5 Expenditure will very slightly reduce its weight of GDP over the course of 2024 to close the year at 16.1%. The increase in its weight of GDP of pension expenditure is offset by a 0.1-point reduction in unemployment expenditure.

6 Expenditure by the SSFs is expected to slow over the course of the year, mainly due to less growth in pension and unemployment expenditure.

**SSF expenditure (% GDP)**



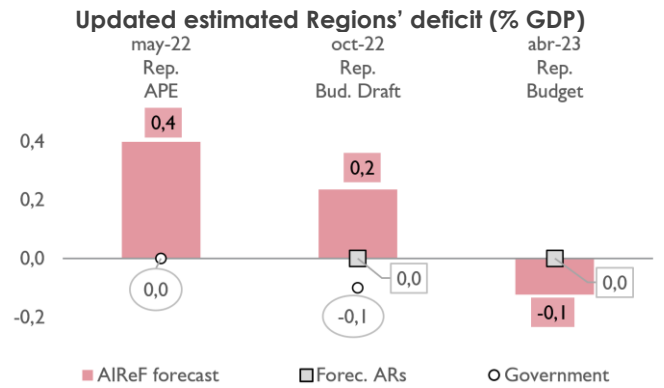
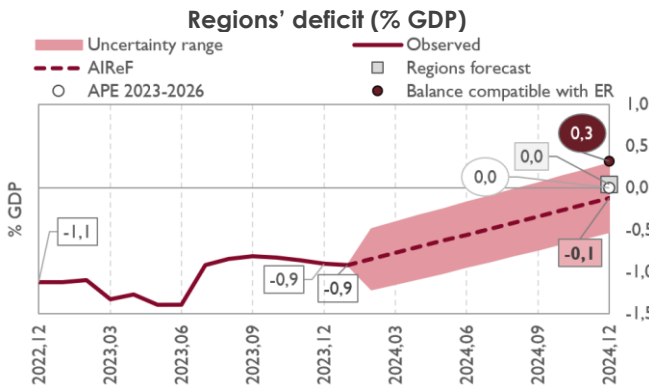
**SSF expenditure (% GDP)**



## Autonomous Regions

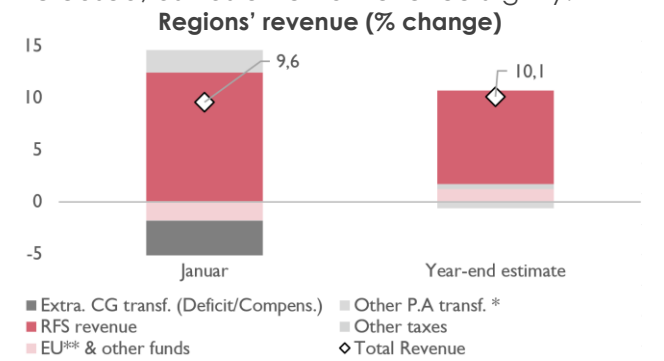
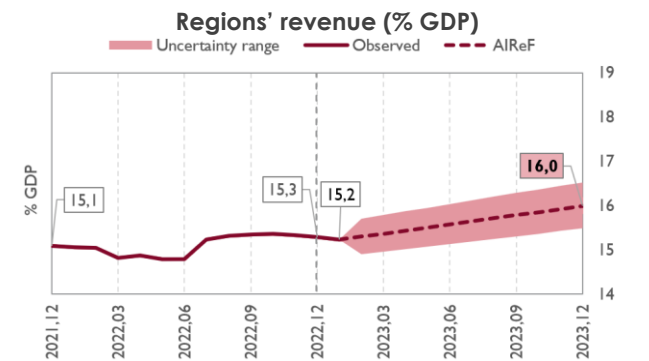
1 AIReF forecasts that in 2024 the ARs will reach a deficit of 0.1% of GDP, exceeding the reference rate of 0% contained in the SPU, although compliance with the expenditure rule would require a surplus of 0.3% of GDP.

2 The outlook for the ARs for 2024 has worsened due to the budget execution of 2023, which has raised the level of expenditure, along with the new information on revenue under the regional financing system (RFS) and European funds for 2024.



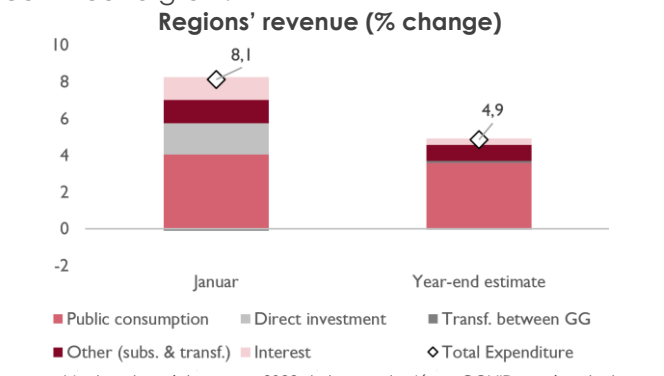
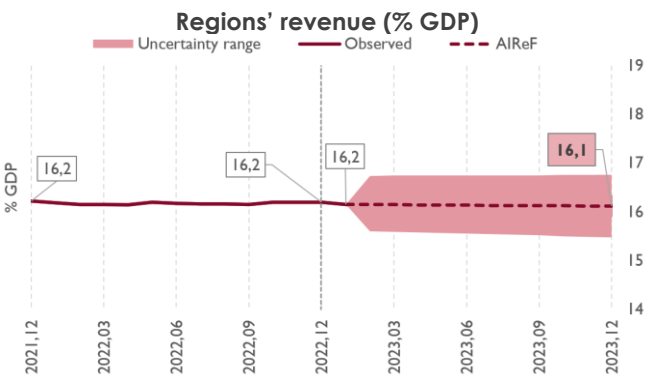
3 Revenue excluding the RTRP will rise by 9% year-on-year, thanks to growth in revenue under the RFS. Including the RTRP, the increase will be 10%, amounting to 16% of GDP.

4 In the last 12 months, extraordinary transfers from the CG and EU funds have fallen and the revenue from the RFS has increased. At year-end, the contribution from the RFS has moderated and funds linked to the RTRP have increased, as has other tax revenue slightly.



5 Expenditure without including the RTRP will rise by 3%, affected by the moderation of inflation and the reduction in expenditure associated with other European funds and, in the opposite direction, by the cost of servicing debt and the updates to public wages. Including expenditure financed under the RTRP, expenditure will grow by 5%, to 16.1% of GDP.

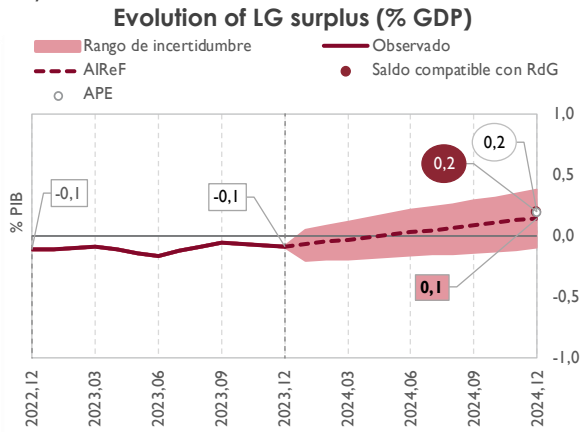
6 Over the last 12 months, growth has been recorded in public consumption, investment, subsidies and transfers, partly associated with inflation, updated wages and the execution of European funds and interest. At year-end, the increase in public consumption and interest will moderate, investment will be maintained and other expenditure associated with EU funds will continue to grow.



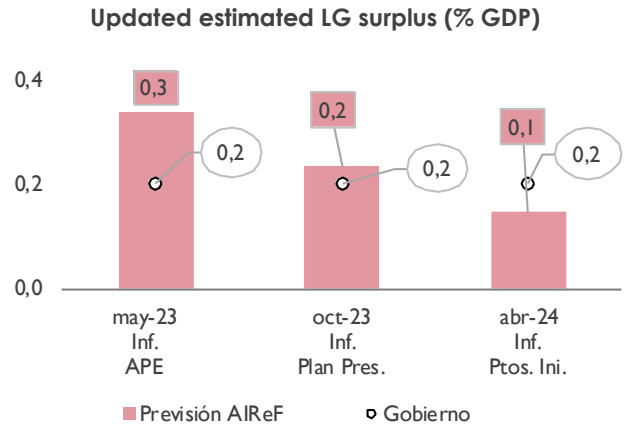


## Local Governments

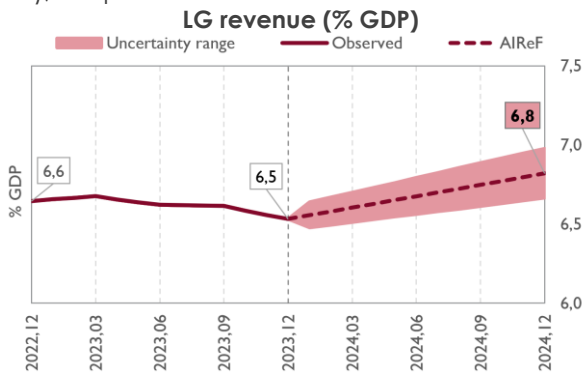
1 AIReF estimates a LG surplus of around 0.1% of GDP for 2023, 0.1 points lower than the reference rate established in the SPU and the surplus required to comply with the expenditure rule (0.2%).



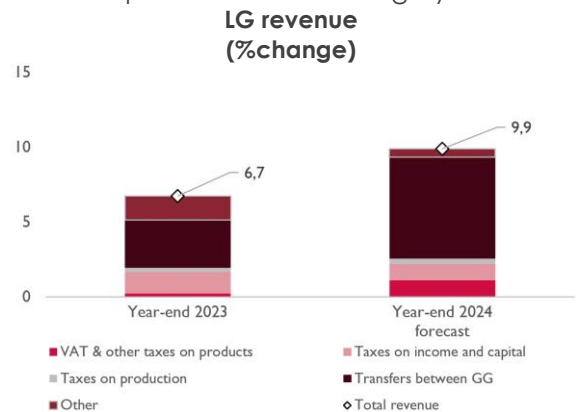
2 The baseline estimates made in October worsen, mainly due to the year-end 2023 information, which revised the information previously published downward.



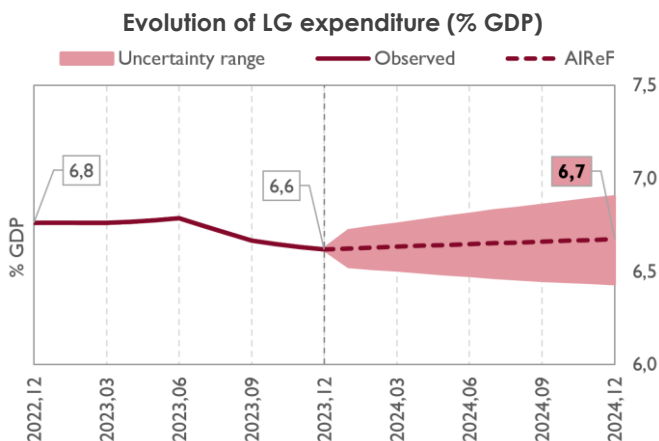
3 Revenue without the RTRP will grow by 7% (by almost 10% with the RTRP), mainly driven by the extraordinary revenue under the financing system, increasing its weight of GDP to 6.6% (6.8% with the RTRP), 0.1 points more than in 2023.



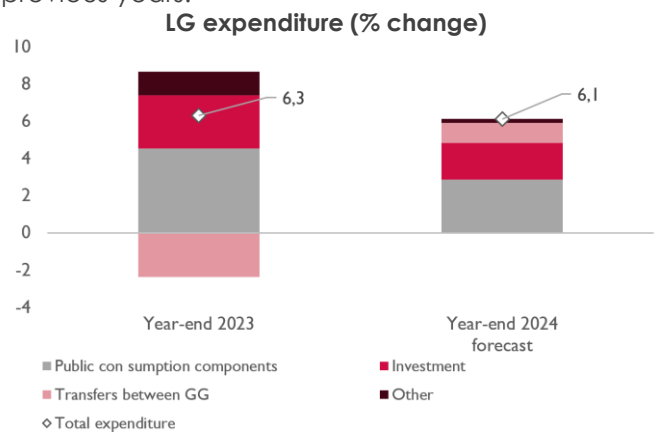
4 In 2024, the weight of the transfers between GG sub-sectors will increase significantly on 2023, due to the 2022 settlement of the financing system, extraordinary to an amount of 0.2 points of GDP compared with an average year.



5 Expenditure without the RTRP will grow by almost 4% (by 6% with the RTRP), reducing its weight of GDP to 6.5% (6.7% with the RTRP), 0.1 points less than in 2023.



6 In 2024, a lower contribution to growth from public consumption and investment is forecast, due to the return of the application of the expenditure rule that limits the growth observed in previous years.





## Methodological note

- AIReF's forecasts are updated monthly by incorporating the latest data published into its forecast models for taxes, contributions, unemployment benefits, pensions and interest. Any relevant, announced and approved information that may have an impact at year-end is also included.
- The forecasts also take into account the latest data published by the General Intervention Board of the State Administration (IGAE) in national accounting terms, as well as other monthly statistics, such as budgetary execution of the different sub-sectors (Central State Administration, Social Security System, State Public Employment Service (SEPE), Wage Guarantee Fund (FOGASA) and the Autonomous Regions), monthly information on tax collection from the State Tax Administration Agency (AEAT), the pension payroll (eSTADISS database) and unemployment benefit statistics.
- The figures included are declared in annualised terms, i.e. as a sum of the last 12 months. The series expresses the flow of what has happened or is expected for the last 12 months up to the reference month and the data for December therefore match the annual data.
- AIReF does not aim to estimate a monthly total in these factsheets, however, instead focuses on what it deems relevant: the flow over the whole of 2023, highlighting how the monthly information, or new announcements lead to a change in its estimates.
- Since monthly data are not published on the local sub-sector, the consolidation of the General Government (GG) total has been estimated by taking into account a monthly calculation of the payments for transfers from the State to the Local Governments (LGs) from the financing system and the payments from the Provincial Councils to the CSA for the quota and to the Autonomous Region of the Basque Country.
- Given that the stability targets have not been approved, the Government considers as such the deficit path of the Stability Programme 2023-2026, which establishes a balance of -3% of GDP for the GG sector as a whole, with the following breakdown by sub-sector: a deficit of 3% of GDP for the Central Government (CG), a deficit of 0.2% of GDP for the Social Security Funds (SSFs), equilibrium for the Autonomous Regions (ARs) and a surplus of 0.2% of GDP for the Local Governments (LGs).
- As regards the expenditure rule, the publication of the Report on the Situation of the Spanish Economy has announced that the reference rate stands at 2.6% for 2024, which is mandatory for the CG, the ARs and the LGs, without parliamentary approval being necessary, unlike the stability and debt targets.
- AIReF's total for the revenue and expenditure of the GG is measured including the RTRP, which AIReF calculates at 1.5 points of GDP in 2024. In its comparisons with the Government, AIReF has considered values without the RTRP, since there is no information on the total funds expected to be executed in 2024 in National Accounting terms in either the Stability Programme 2023-2026 or in the Budgetary Plan 2024.
- AIReF's range of uncertainty is estimated using a VAR model with two lags that includes the seasonally-adjusted series of revenue (or income) and expenditure of the sub-sector, nominal GDP, sub-sector debt over GDP and ten-year interest rates. Monte Carlo simulations are performed based on this model. The result of these simulations is sorted in percentiles, from which the bands are obtained. The range of uncertainty of the balance is obtained as the difference between the corresponding revenue and expenditure.
- AIReF's Report on Budgetary Execution, Public Debt and the Expenditure Rule 2020, of July 15<sup>th</sup>, 2020, contains an annex with the main abbreviations and acronyms used.