MONTHLY STABILITY TARGET MONITORING 2024

PUBLICATION DATE: MAY 8TH, 2024

Independent Authority *for* Fiscal Responsibility

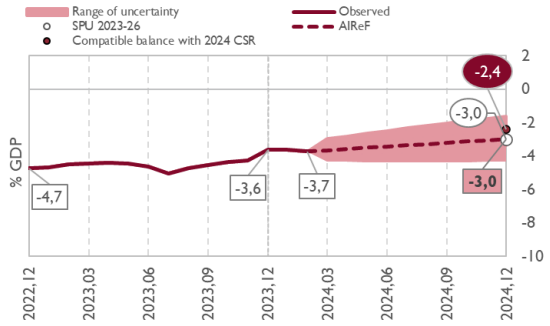
General Government

AIReF maintains its deficit estimate for the General Government (GG) at 3% of GDP, as published in the Report on the Initial Budgets of the General Government for 2024 of April 11th, 2024. This factsheet incorporates the new information received, mainly the data published by the IGAE for March for the State and for February for the rest of the General Government sub-sectors for 2024, as well as the information on the March budget execution for the Social Security Funds.

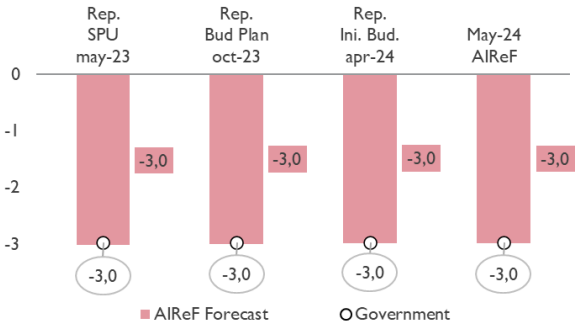
1 The deficit forecast for 2024 remains at 3%, with little change in the trend in the data published in the first few months of 2024.

2 In the process of continuous evaluation of the budgetary cycle, AIReF maintains the deficit estimate at 3%, in line with the Government's estimate.

General Government deficit (% GDP)



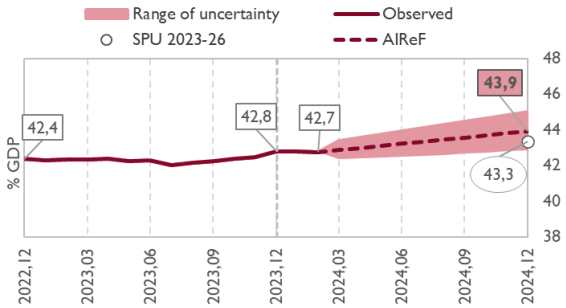
Updated GG deficit estimate (% GDP) (AIReF)



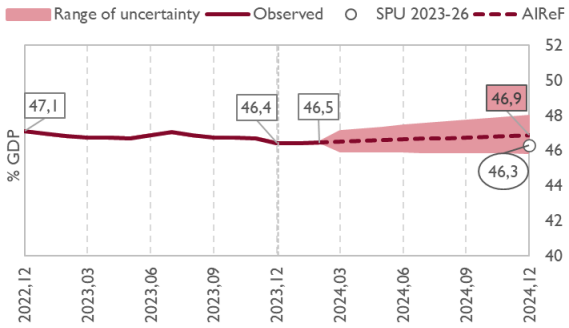
3 The revenue recorded up to February in cumulative 12-month terms practically maintains its weight in terms of GDP. AIReF expects an increase in revenue over the year to 43.9%. This growth would be lower if the Recovery, Transformation and Resilience Plan (RTRP) were not taken into account.

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. It 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)



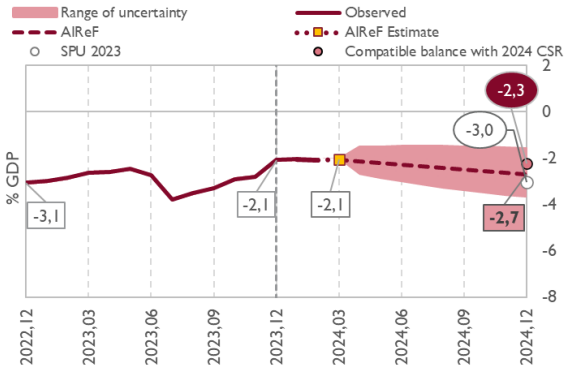
GG expenditure (% GDP)



Central Government

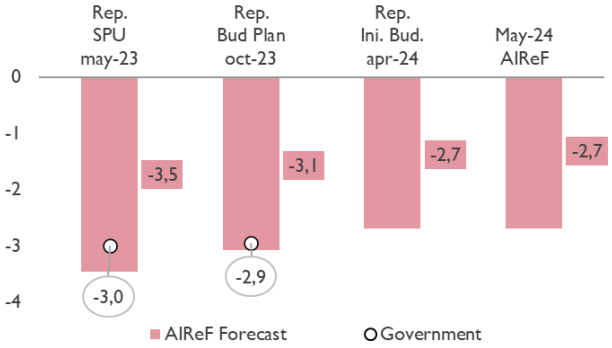
1 AIReF maintains its deficit estimate for the CG in 2024 at 2.7%, 0.3 points lower than the Government's estimate in the Stability Programme.

CG deficit (% GDP)



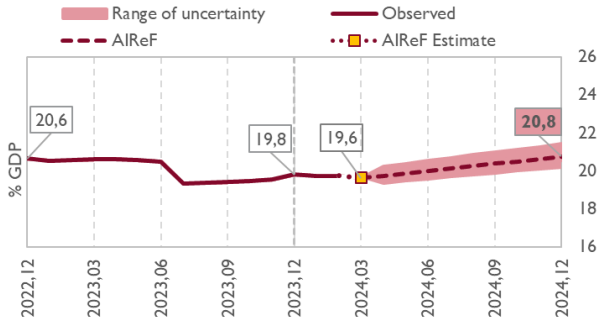
2 The deficit is maintained after incorporating the new information, which has resulted in little change in revenue and expenditure.

Updated estimated CG deficit (% GDP)



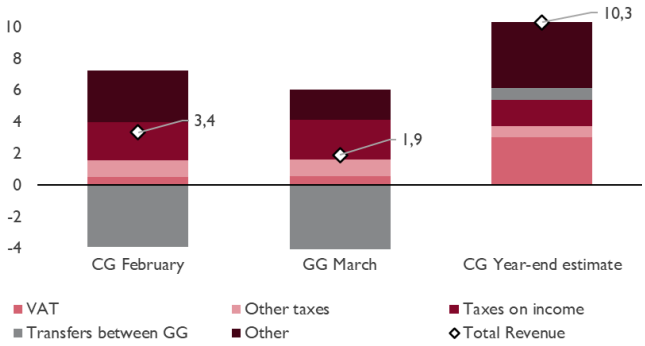
3 AIReF also maintains the revenue forecast at 20.8% of GDP at year-end 2024, mainly due to the receipt of RTRP funds and the gradual withdrawal of the reductions in the VAT rates on energy and food, the Special Tax on Electricity and the recovery of the Tax on the Value of Electricity Production.

CG revenue (% GDP)



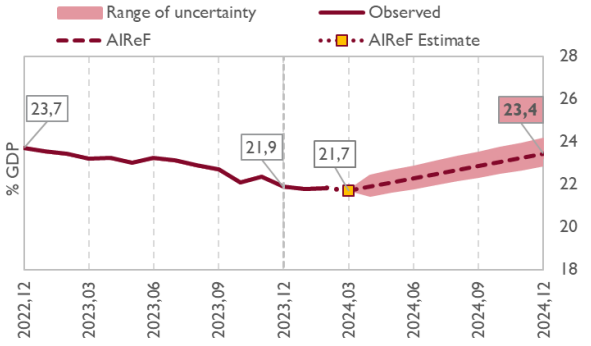
4 Revenue will increase its rate of growth throughout 2024, driven by higher revenue from the RTRP funds, the disappearance of VAT rate reductions and the positive contribution of transfers received, after a negative contribution in the previous year as a result of the 2022 settlement of the financing system in favour of the CG.

CG revenue (% change)



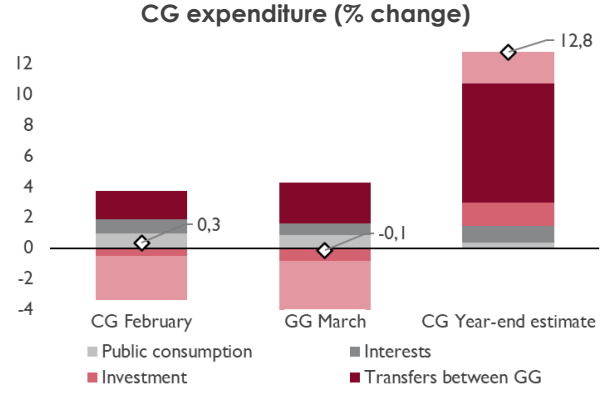
5 Expenditure in cumulative 12-month terms will increase to 23.4% of GDP at year-end, mainly due to RTRP spending, as well as military spending, court rulings and interest.

CG expenditure (% GDP)



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

CG expenditure (% change)



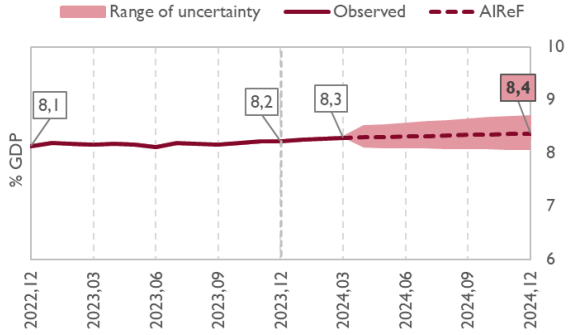
Main tax revenue and social contributions

AIReF updates its revenue estimates for 2024 with the March tax collection. In the first quarter of the year tax revenues grew by 7.5%, driven by the increase in withholding taxes on work, in addition to the gradual disappearance of the temporary tax reductions in force since January.

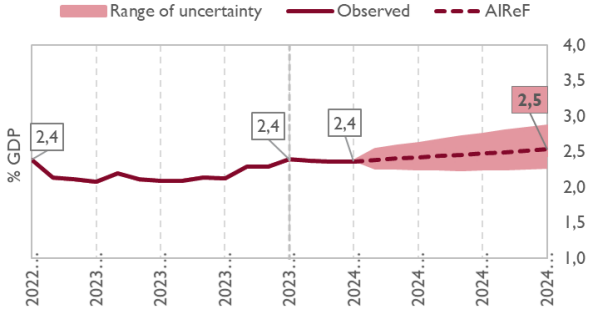
❶ In 2024, **PIT** will reach 8.4% of GDP, slightly above 0.1 points higher than in 2023. During the first quarter, it has grown by 8.3% due to the boost from withholdings from work, both from the public and private sectors, despite the increase in the reduction on income from work approved the previous year. Lower growth of 7.1% is forecast for the end of 2024, due to the new extension of the reduction on income from work, in line with the increase in the minimum wage, and the tax reductions of the Autonomous Regions.

❷ AIReF estimates that **CIT** will reach 2.5% of GDP in 2024, 0.1 points more than the previous year. In the first quarter, its evolution was barely appreciable, as it mainly records refunds that have increased exceptionally due to the enforcement of a court ruling. AIReF forecasts an increase of 11.3% by the end of 2024, driven by the good evolution of company profits and the temporary extension of the 50% limitation on the offsetting of intragroup tax loss carryforwards.

PIT in cash (% GDP)



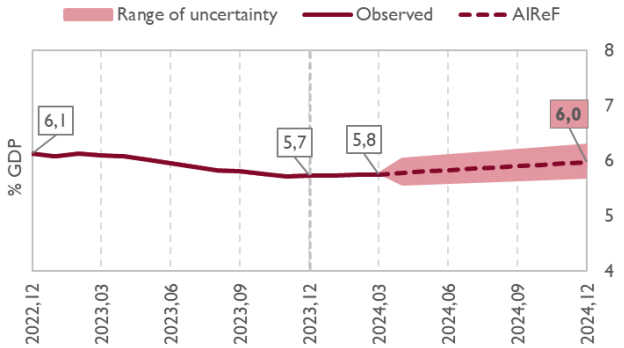
CIT in cash (% GDP)



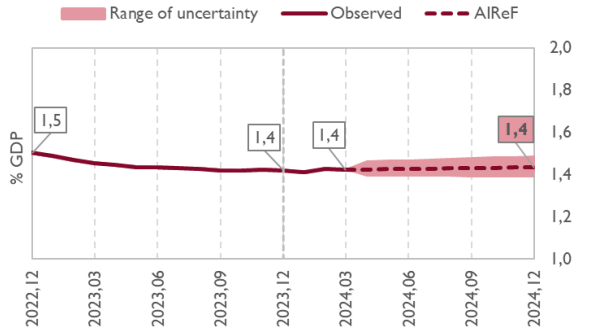
❸ AIReF forecasts an increase in **VAT** revenue to 6% of GDP. In the year to date, net revenue has been 5.4% higher than in 2023, with a lower volume of refunds and a reduction in the lower rates for energy products (from January electricity and gas change from 5% to 10% and from March the usual rate will be restored). Up to March, the rate reductions on food and energy reduced tax collection by €1.125bn. With their gradual withdrawal, year-on-year growth of 9.5% is expected at year-end.

❹ **Special Taxes** will remain at 1.4% of GDP. Tax collection up to March has grown by 6.6% compared with 2023, driven by the impact of the partial reinstatement of the rate of the Special Tax on Electricity (from 0.5% to 2.5% as from January), whose reduction so far this year is valued at €222m compared with €396m in the same period last year. Throughout the first half of the year, the normal rate will gradually be restored and, according to AIReF's estimates, collection of Special Taxes as a whole at year-end will grow by 6.3% on the previous year.

VAT in cash (% GDP)



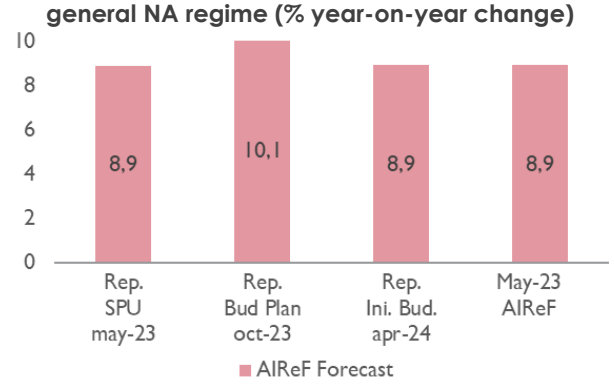
Special Taxes in cash (% GDP)



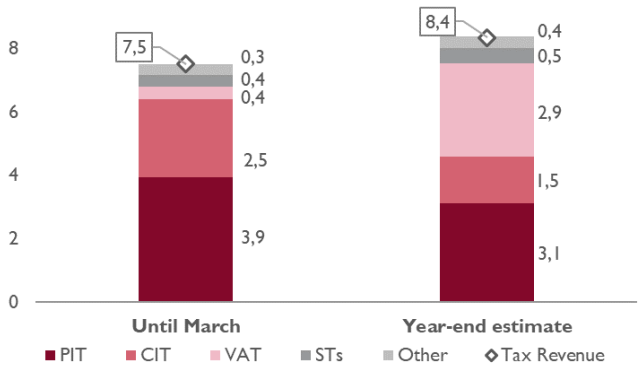
❺ **In national accounting terms, total tax revenue** in 2024 will grow by 8.9% compared with 2023, limited by the partial extension of tax cuts to mitigate the effects of inflation and new Personal Income Tax cuts on lower incomes, and driven by the growth of income taxes and the gradual recovery of the rates of VAT and the Special Tax on Electricity, as well as the gradual restoration of the Tax on the Value of Electricity Production.

❻ **12-month cumulative tax revenue in cash terms** up to March grew by 7.5%, driven by growth in direct taxes (Personal Income Tax and Corporate Income Tax). By year-end 2024, growth of 8.4% is estimated, with a positive contribution from all components, particularly a noteworthy increase in the contribution from VAT due to the gradual reinstatement of the usual rates on food and energy products.

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



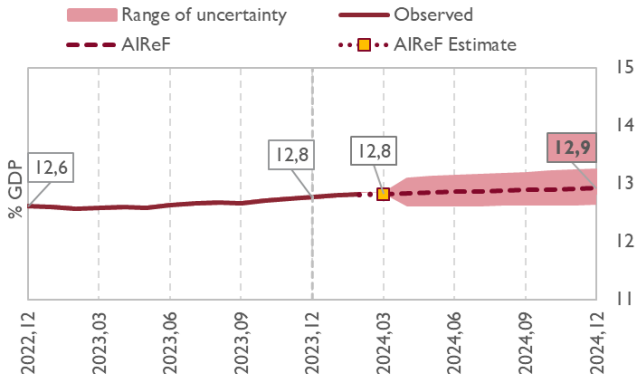
Contributions to change. Cash AIReF (% change)



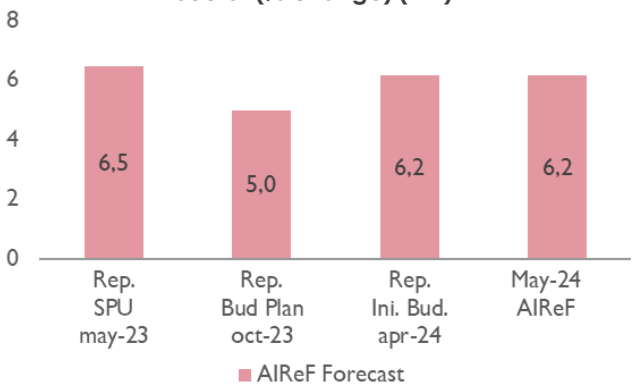
❼ AIReF expects **Social Security Fund contributions** to end 2024 with a weight of 12.9% of GDP. The increase of 0.1 points on year-end 2023 is also due to a positive macroeconomic scenario and the increase in the IEM.

❽ AIReF forecasts a **6.2% rate of growth in contributions from the GG sector.** This means that the forecast in the Report on the Initial Budgets remains unchanged.

SSF social contributions (% GDP) (NA)



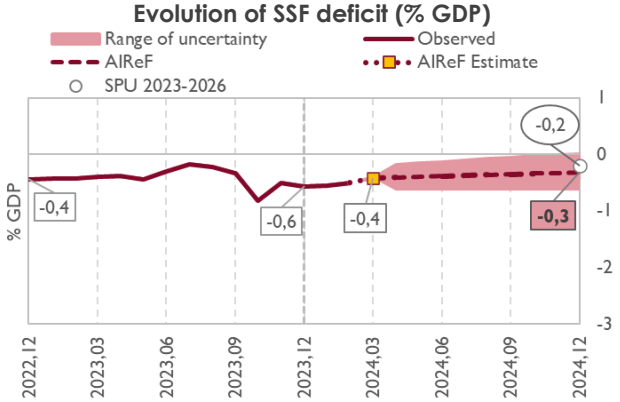
Updated forecast for social contributions from the GG Sector (% change) (NA)



Social Security Funds

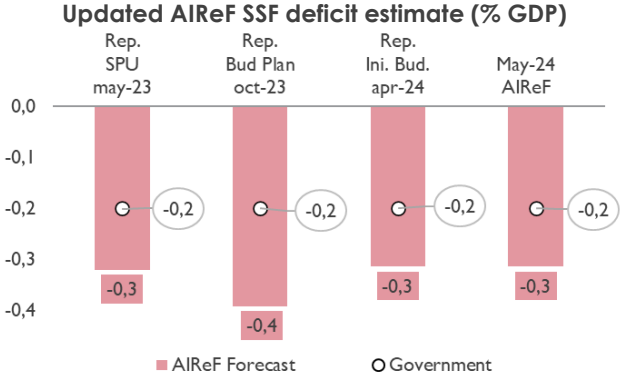
❶ AIReF estimates that the SSF deficit will improve over the year to reach 0.3% of GDP in 2024, in line with the forecast in the April 2024 Report on the Initial Budgets.

Evolution of SSF deficit (% GDP)



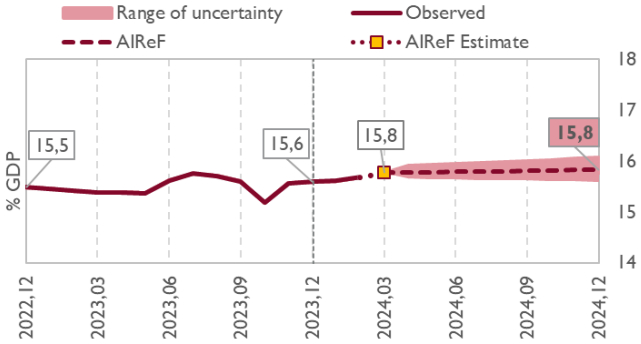
❷ The estimate of the balance of the SSFs for 2024 is maintained at -0.3% as forecast in the 2024 Report on the Initial Budgets, 0.1 points below the Government's estimate in the 2023 Stability Programme Update.

Updated AIReF SSF deficit estimate (% GDP)



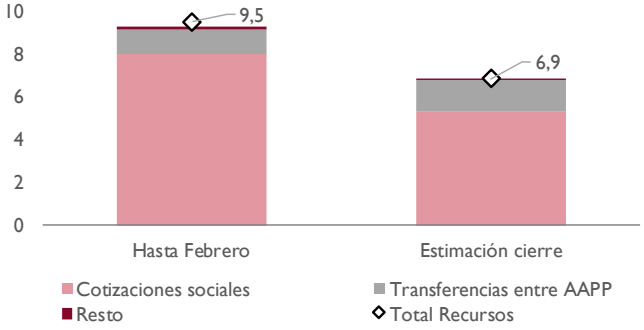
❸ AIReF expects the weight of revenue as a percentage of GDP to maintain a slight upward trend over the course of 2024 to reach 15.8%, due to both the dynamic nature of the growth of contributions and to the increase in the transfer of "unauthorised" expenditure from the CG.

SSF revenue (% GDP)



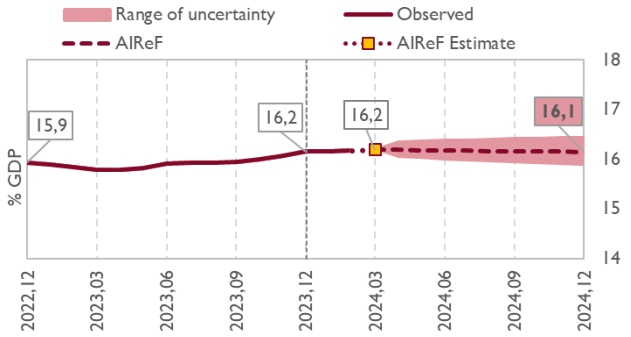
❹ AIReF expects a slowdown in the rate of growth of revenue over the rest of the year, due to the moderation of the rate of growth of contributions compared with the previous year, which is not offset by the increase in CG transfers to cover "unauthorised" expenditure.

Contributions to change in SSF revenue (% change)



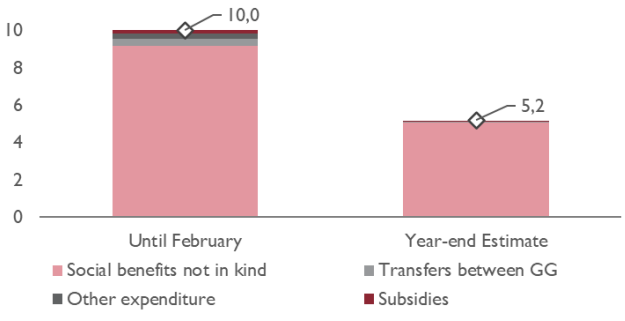
❺ AIReF expects expenditure to slightly moderate its weight of GDP over the course of 2024 to 16.1%. The 0.1% increase in the weight of GDP of spending on pensions is offset by the 0.1-point reduction in unemployment spending.

SSF expenditure (% GDP)



❻ Expenditure by the SSFs is expected to slow over the course of the year, mainly due to less growth in spending on pensions and unemployment.

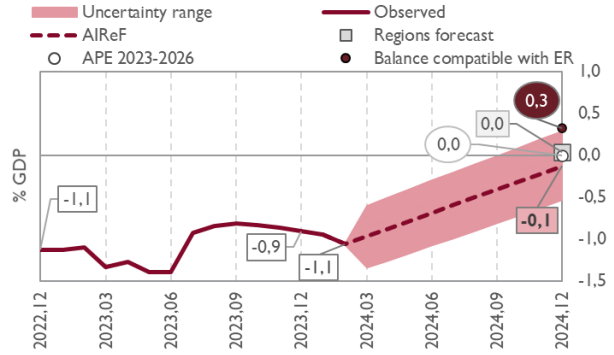
SSF expenditure (% GDP)



Autonomous Regions

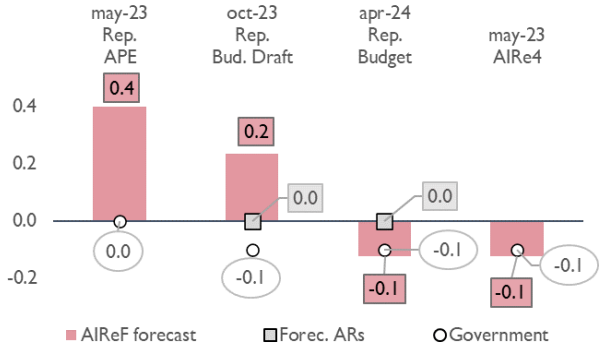
1 AIReF continues to estimate that the ARs will reach a deficit of 0.1% of GDP in 2024, although compliance with the expenditure rule would require a surplus of 0.3% of GDP.

Regions' deficit (% GDP)



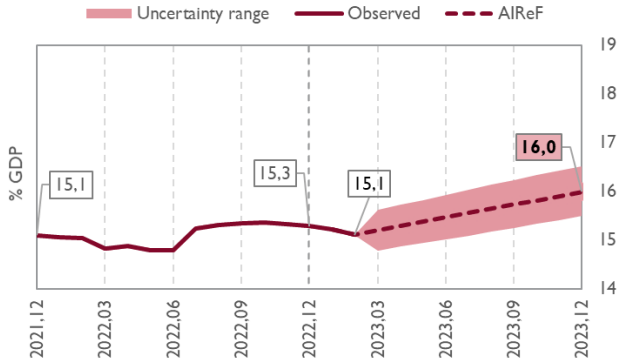
2 With the budgetary execution data up to February 2024, AIReF maintains the outlook for the Autonomous Regions at year-end.

Updated estimated Regions' deficit (% GDP)



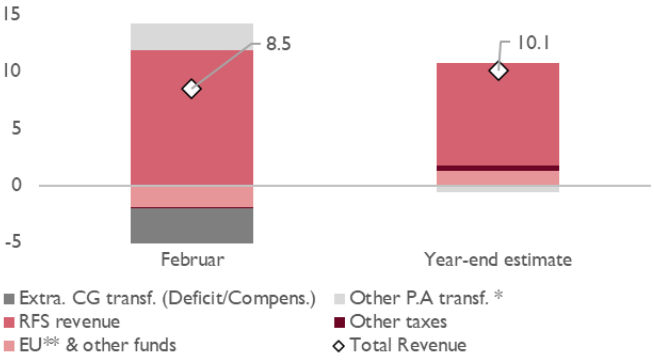
3 Revenue excluding the RTRP will rise by 9% year-on-year, thanks to growth in revenue under the RFS. Including the RTRP, the increase will be 10%, amounting to 16% of GDP.

Regions' revenue (% GDP)



4 In the last 12 months, extraordinary transfers from the CG and the EU have been reduced and revenue from the RFS and other GG transfers have increased. At year-end, the contribution from the RFS will have moderated and the funds linked to the RTRP will have increased.

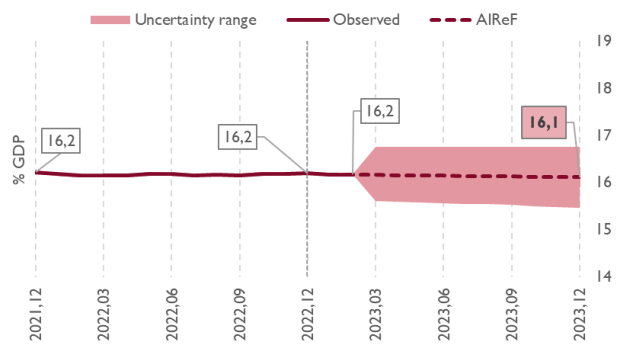
Regions' revenue (% change)



* Includes transfers from the CG for RTRP funds.

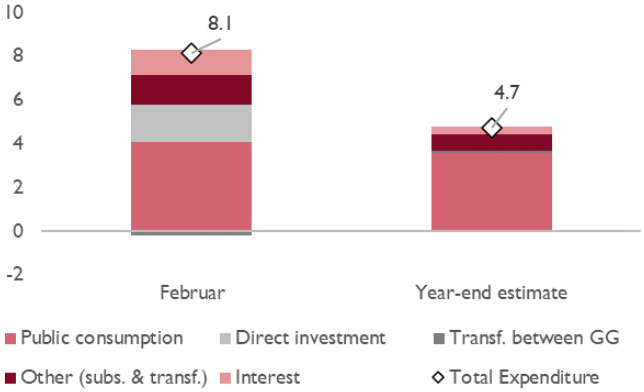
5 Non-RTRP expenditure will increase by 3%, conditioned by the wage rise and the cost of debt, despite moderation in inflation and spending linked to other European funds. Including spending financed by the RTRP, expenditure will grow by 5%, to 16.1% of GDP.

Regions' expenditure (% GDP)



6 The last 12 months have seen significant growth in interest and public consumption, investment, subsidies and transfers, associated with inflation, wages and the execution of European funds. At year-end, more moderate increases in public consumption, interest and subsidies, and transfers will be maintained.

Regions' expenditure (% change)



* Includes repayments in 2022 of unimplemented COVID Line aid.

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 expressed in annualised terms, i.e. as a sum of the last 12 months. The series expresses the flow of what has happened or 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, rather it focuses on what it deems relevant: the flow over the whole of 2024, 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 2024 Budgetary Plan.
- 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 15th, 2020, contains an annex with the main abbreviations and acronyms used.