MONTHLY STABILITY TARGET MONITORING 2024

PUBLICATION DATE: NOVEMBER 11TH, 2024

Independent Authority *for* Fiscal Responsibility

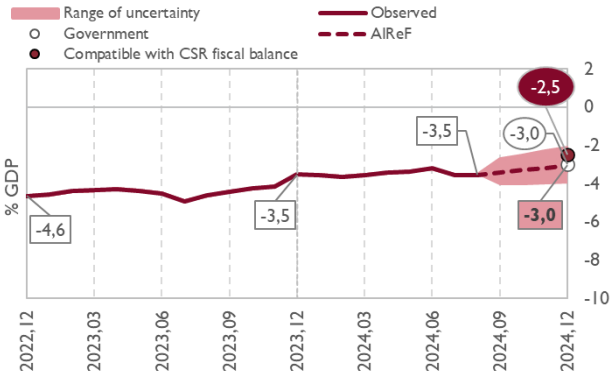
General Government

AIReF maintains its deficit estimate for the General Government (GG) at 3% of GDP contained in the previous factsheet. This factsheet includes the macroeconomic and fiscal forecasts published in the Report on the Main Lines of the Budget of the General Government for 2025 of November 5th, which incorporates the statistical revision of the National Statistics Institute (INE) and the new information received: data published by the General Intervention Board of the State Administration (IGAE) for September for the State and for the rest of the GG authorities for August, as well as the budgetary execution data for September for the Social Security Funds.

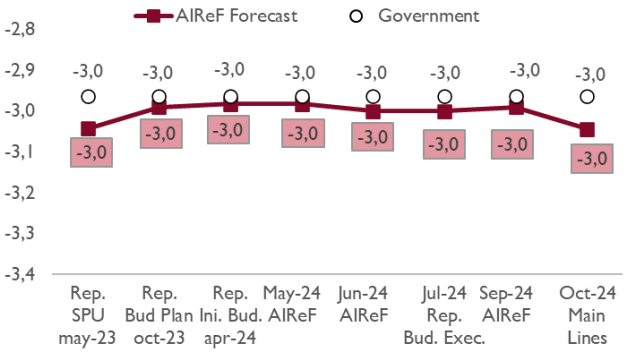
1 The deficit forecast for 2024 remains at 3% of GDP. As regards the September monitoring, it is in line with its previous estimate and the Government's estimate.

2 In the process of continuous evaluation of the budgetary cycle, AIReF maintains the deficit estimate at 3%. However, the new information received, especially the revision of the GDP, substantially reduces the weight of GDP of revenue and expenditure.

General Government deficit (% GDP)



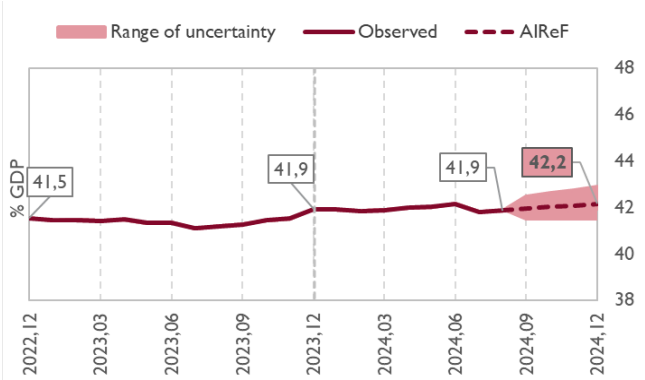
Updated GG deficit estimate (% GDP) (AIReF)



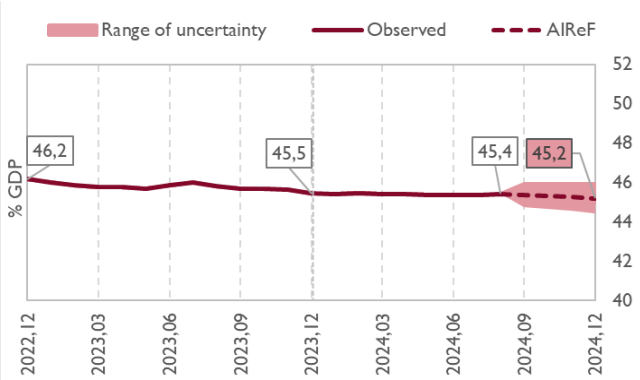
3 The revenue observed up to August, in cumulative twelve-month terms, maintains its weight in terms of GDP compared with the end of 2023. AIReF forecasts that this weight will increase by 0.3 points to 42.2% over the rest of the year.

4 August's annualised expenditure has been reduced by 0.1 points compared with the end of 2023. For the rest of the year, a further reduction of 0.2 points is expected, ending 2024 with a weight of 45.2%.

GG revenue (% GDP)



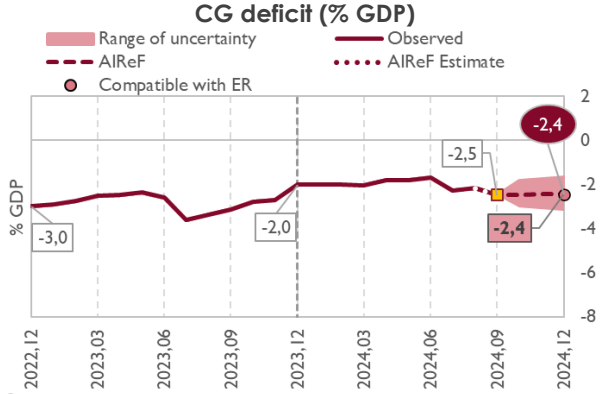
GG expenditure (% GDP)



Central Government

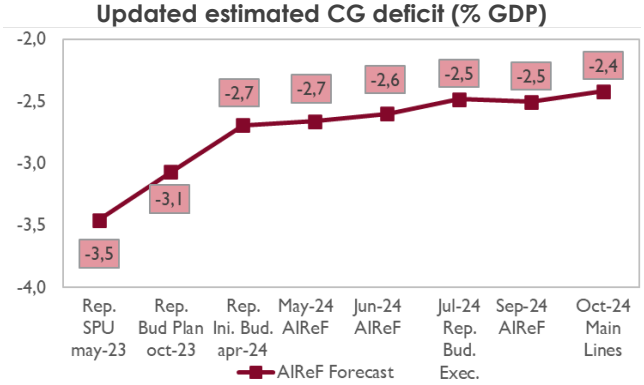
1 AIReF improves its deficit forecast for the CG by 0.1 points of GDP for 2024, estimating it at 2.4%. This balance is compatible with compliance with the expenditure rule.

CG deficit (% GDP)



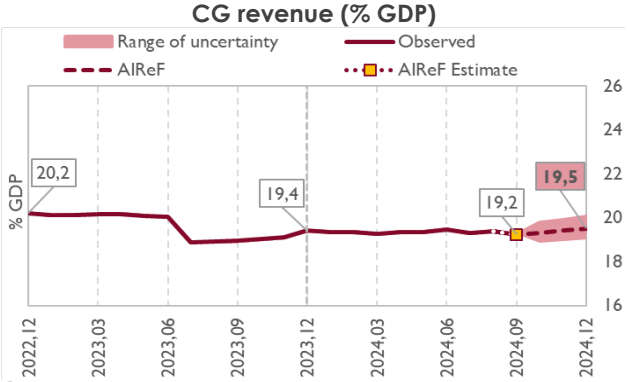
2 The slight upward revision of the deficit estimate is due to lower expected expenditure growth than revenue growth, combined with the improved GDP forecast for 2024.

Updated estimated CG deficit (% GDP)



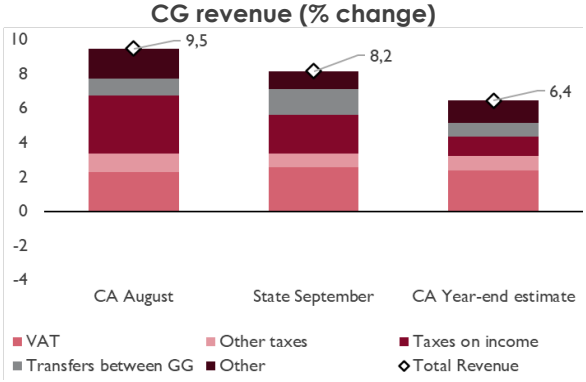
3 AIReF estimates the level of revenue of the CG at the close of 2024 at 19.5% of GDP, 0.1 points higher than the weight observed in 2023, mainly driven by the evolution of tax revenue.

CG revenue (% GDP)



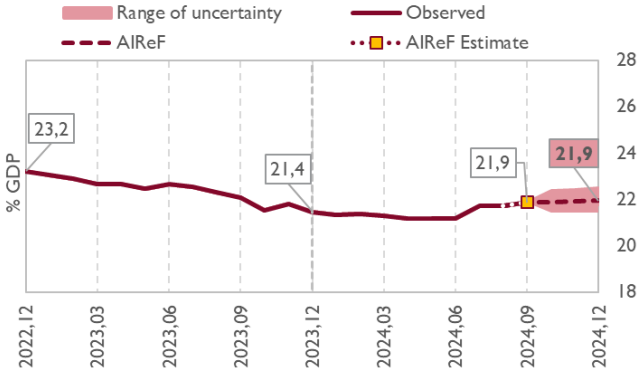
4 Up to August this year, revenue in cumulative 12-month terms grew by 9.5%. This growth is expected to slow to 6.4% by the end of the year, as a result of a lower contribution from income taxes and transfers between GG sub-sectors, while VAT and other revenue will continue to make a stable contribution. VAT and other revenue will maintain a stable contribution.

CG revenue (% change)



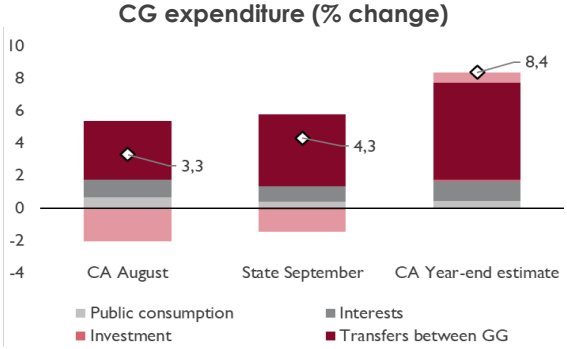
5 The year-end expenditure forecast in cumulative 12-month terms is reduced to 21.9% of GDP, 0.5 points higher than at the end of 2023.

CG expenditure (% GDP)



6 Compared with the previous estimate, a lower growth rate of 8.4% in expenditure is forecast at the end of the year, mainly due to a lower contribution from investment spending. Furthermore, the contribution from transfers between GG sub-sectors and of interest is noteworthy at year-end.

CG expenditure (% change)



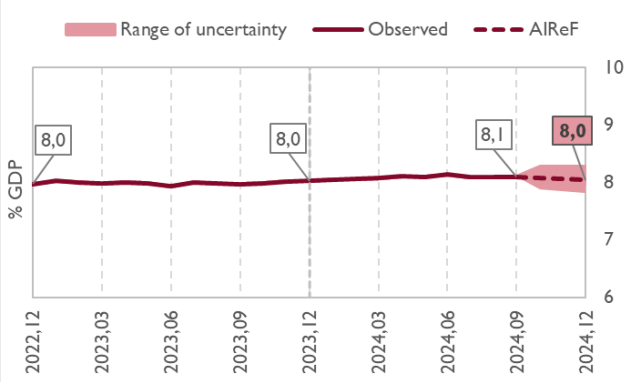
Main tax revenue and social contributions

AIReF updates its tax revenue estimates for 2024 with its macroeconomic scenario for the Report on the Main Lines of the Budget and with the tax collection up to September. In the year to date, tax revenue has grown by 7.9%, 0.5 points up on the cumulative figure to August. This better evolution is mainly due to the upturn in VAT collection (accrued in July) and the recovery of the IPVEE, which was suspended in 2023. AIReF expects 2024 to close with growth of 7.7%.

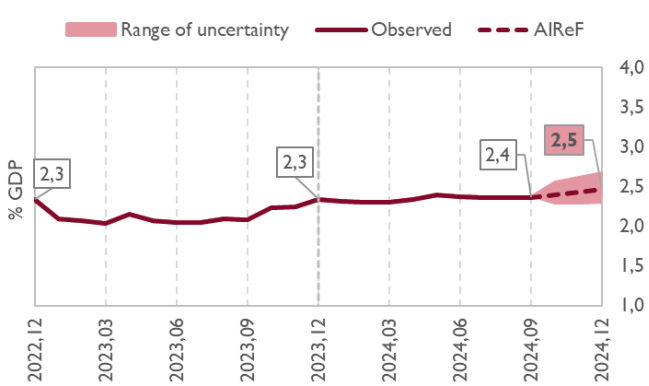
❶ In 2024, **Personal Income Tax** will reach 8% of GDP, maintaining its weight from the previous year. During the first nine months of the year, Personal Income Tax has grown by 7.6%. On the positive side, there is a boost from withholding taxes on work and capital. On the negative side, the annual tax return for 2023 reduces by 2.1 points from growth, while the increase in the reduction of earnings from work reduces by 1.2 points, and the court ruling on mutual funds adds 1.4 points. By the end of 2024, growth of 6.1% is expected.

❷ AIReF estimates a weight of 2.5% of GDP in **Corporate Income Tax** at the end of 2024, increasing its weight by 0.2 points compared with 2023. The result of the tax amount in 2023 was lower than expected, due to both lower revenue and higher rebates. Nevertheless, AIReF estimates a significant increase in tax collection in the last two instalment payments. Thus, Corporate Income Tax Taxes will grow by 11.8% at the end of 2024, although this is conditional on the extension of the 50% cap on the offsetting of intra-group tax losses.

PIT in cash (% GDP)



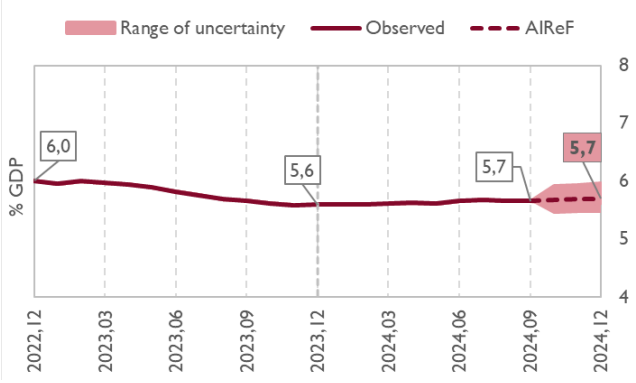
CIT in cash (% GDP)



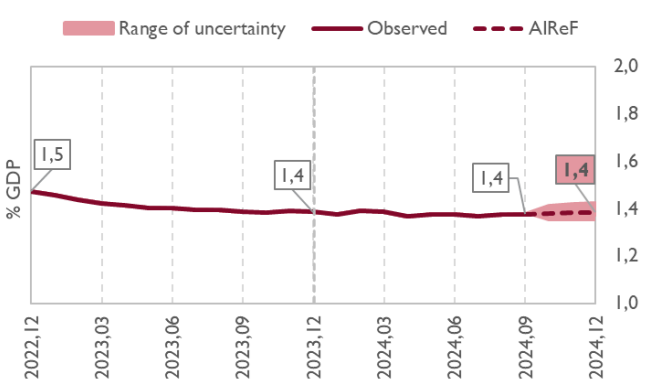
❸ **VAT** will reach a weight of GDP of 5.7% by the end of 2024, 0.1 points more than in 2023. Up to September, VAT revenue has grown by 7.6%, higher than the increase in sales. The partial maintenance of the reduction in rates on food and energy has reduced tax collection by €1.3 bn. AIReF forecasts that, with the recovery of rates in the fourth quarter, VAT will accelerate by 0.2 points to 7.8% at year-end.

❹ **Special Taxes** will maintain their weight of GDP at 1.4% in 2024. In the year to date, tax collection has risen by 5.3%, improving by 0.2 points on the cumulative figure up to August. Both Hydrocarbons and Tobacco recorded a very flat evolution; hence, it is the recovery in the rate of Electricity that is driving the growth of Special Taxes. AIReF expects growth of 5.8% at the end of the year.

VAT in cash (% GDP)

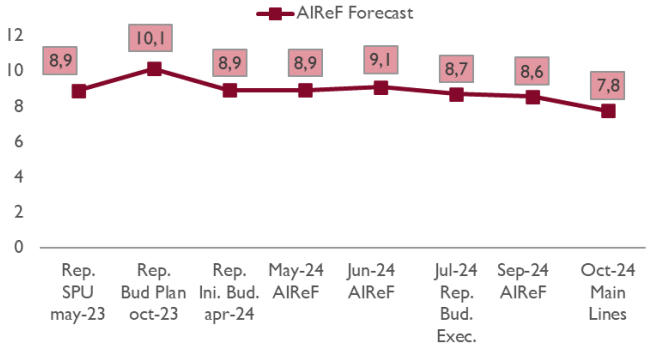


Special Taxes in cash (% GDP)



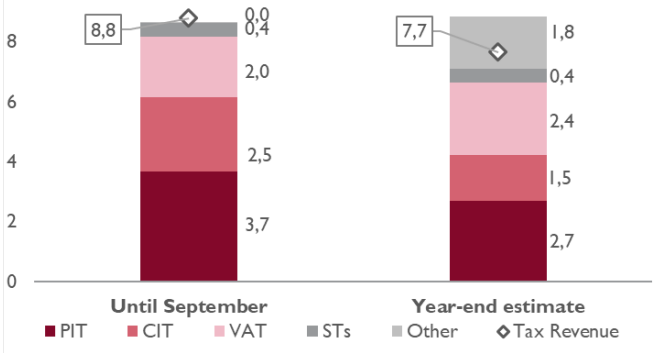
❺ **In national accounting terms, total tax revenue** in 2024 will grow by 7.8% compared with 2023, 0.7 points below the previous estimate. AIReF revises downwards the estimate for the closing of Corporate Income Tax by 7 percentage points and the VAT estimate by 1 percentage point. In contrast, and with a lower weight, it revises upwards both Personal Income Tax and Corporate Income Tax by 0.5 points and Other Tax Revenue by just over 2 points.

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



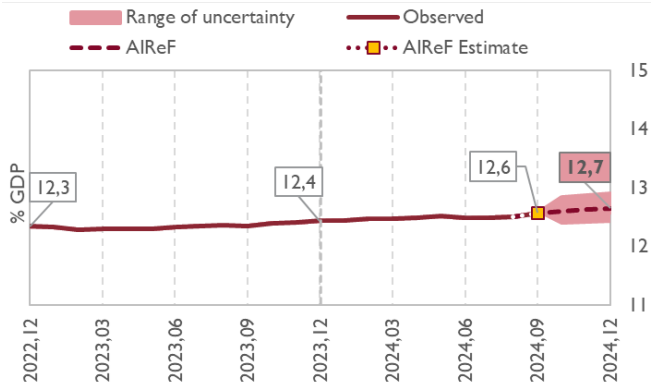
❻ **12-month cumulative tax revenue in cash terms** up to September grew by 8.8%, mainly driven by direct taxes (Personal Income Tax and Corporate Income Tax). At the end of 2024, growth of 7.7% is estimated, with a positive contribution from all figures: Personal Income Tax due to the good evolution of withholdings, VAT due to the recovery in sales and the gradual restoration of tax rates, and Corporate Income Tax due to the improvement in company profits (although conditional on the extension of the cap on offsetting intra-group tax losses).

Contributions to change. Cash AIReF (% change)



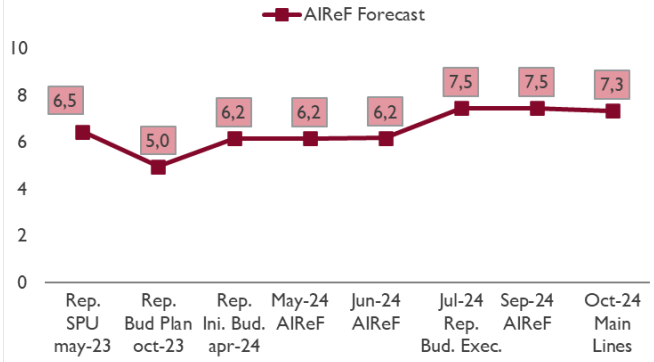
❼ AIReF expects **Social Security Fund contributions** to end 2024 with a weight of 12.7% of GDP. The increase of 0.3 points compared with the end of 2023 is due to a favourable macroeconomic scenario - mainly in the compensation of employees - and to the increase in both the MEI and the maximum contribution bases.

SSF social contributions (% GDP) (NA)



❽ AIReF forecasts a rate of **growth in contributions for the General Government sector of 7.3% in 2024**, which is a downward revision of 0.2 points compared with previous estimates.

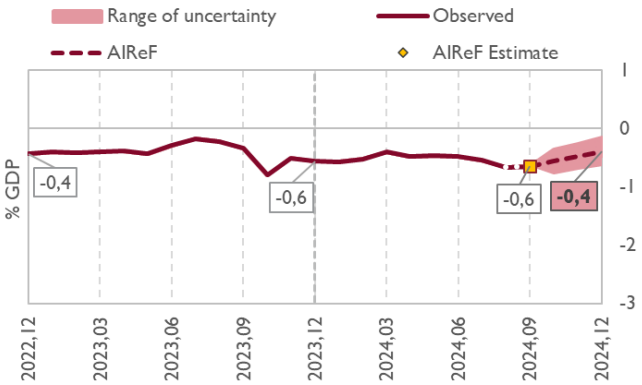
Updated forecast for social contributions from the GG Sector (% change) (NA)



Social Security Funds

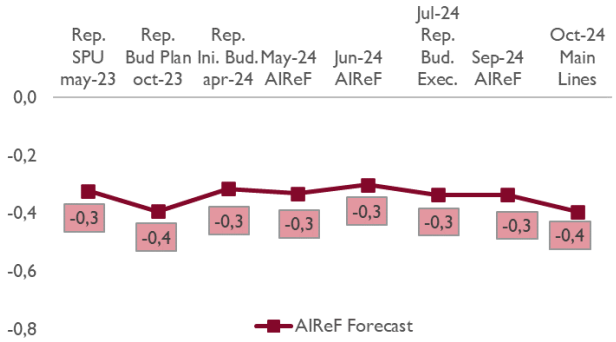
1 AIReF estimates that the SSF deficit will improve over the year by 0.2 points to 0.4% of GDP in 2024.

Evolution of SSF deficit (% GDP)



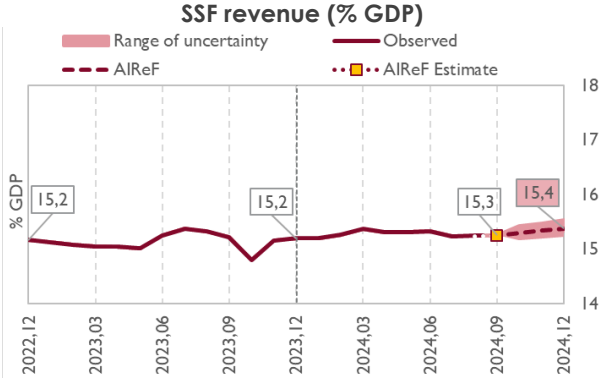
2 The estimate for 2024 established in the Report on the Main Lines of the Budget of the GG for 2025 assumes an increase in the deficit by 0.1 points of GDP compared with previous estimates.

Updated AIReF SSF deficit estimate (% GDP)
(% PIB)



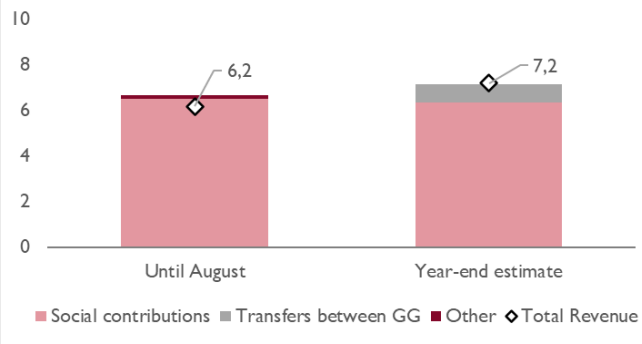
3 AIReF expects the weight of revenue as a percentage of GDP to reach 15.4% by the end of 2024, due to the increase in tax collection from social contributions, which is explained by the buoyant labour market and the increase in transfers from the Central Government.

SSF revenue (% GDP)



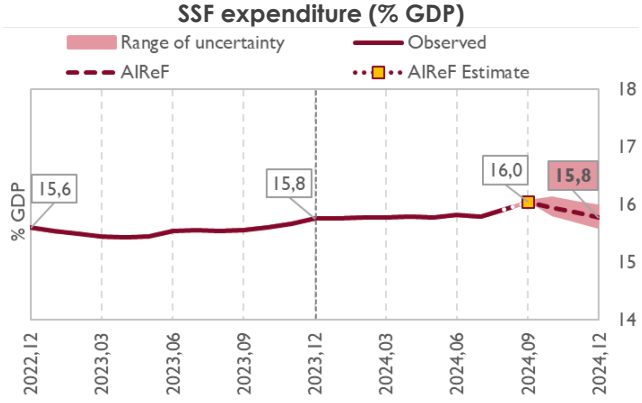
4 AIReF expects an acceleration in the rate of growth of revenue for the rest of the year due to an increase in the contribution of the transfers forecast by the Central Government.

Contributions to change in SSF revenue (% change)



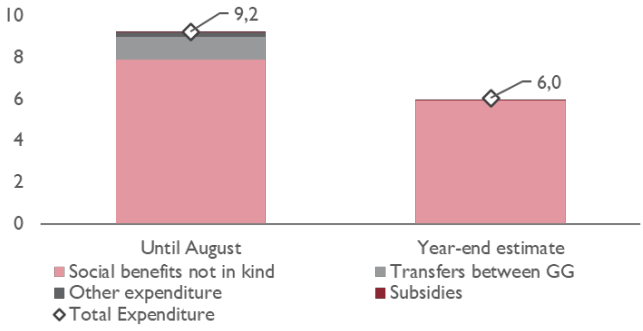
5 AIReF expects expenditure to maintain its weight of GDP at 15.8% throughout 2024. The increase in the weight of spending on pensions in GDP is offset by the reduction in spending on unemployment.

SSF expenditure (% GDP)



6 The pace of growth in SSF expenditure will slow over the year, mainly due to lower growth than in 2023 in spending on pensions and unemployment and a reduction in the weight of transfers to other GG sub-sectors.

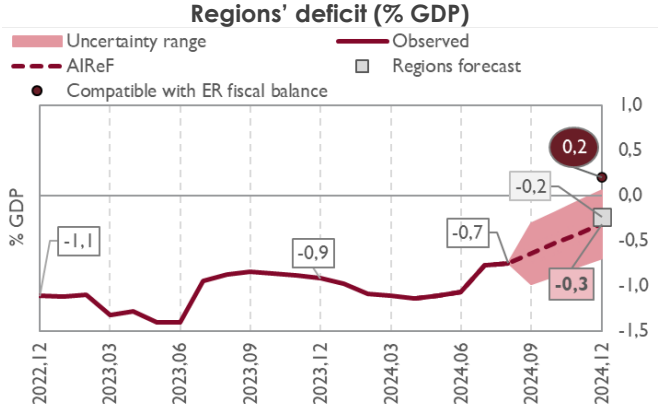
Contributions to the change in SSF expenditure (% change)



Autonomous Regions

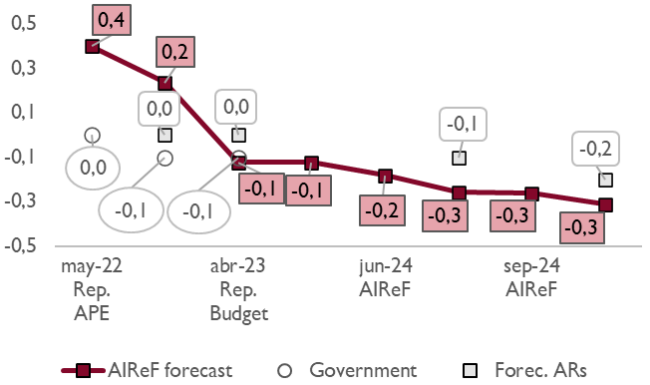
1 AIReF continues to estimate that the Autonomous Regions will reach a deficit of 0.3% of GDP in 2024. Compliance with the expenditure rule would lead to a surplus of 0.2% of GDP.

Regions' deficit (% GDP)



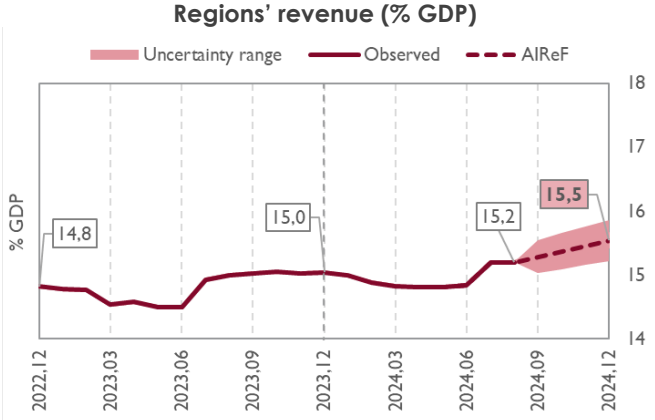
2 AIReF maintains the outlook for 2024 in the Autonomous Regions (ARs) after incorporating the update of the year-end data for 2023, the data up to August and the information provided by the ARs in the main lines of their budgets for 2025.

Updated estimated Regions' deficit (% GDP)



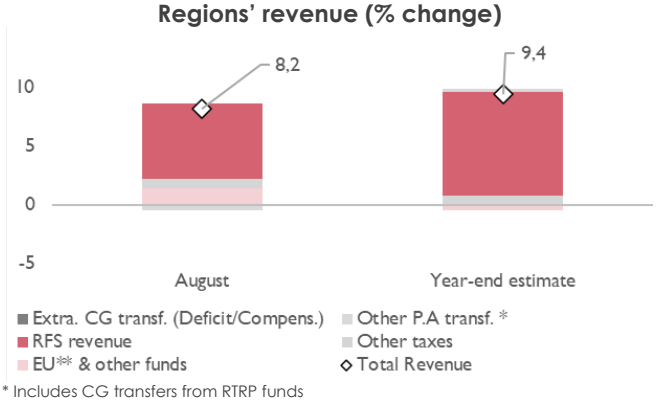
3 Revenue will increase by 9% at year-end, with and without the RTRP, thanks to the settlement of the regional financing system (RFS). It will stand at 15.5% of GDP at year-end, including the revenue associated with the plan, or 0.2 points lower without these funds.

Regions' revenue (% GDP)



4 Revenue growth in the last 12 months is affected by the increase in revenue from the RFS, tax and EU funds. At year-end, the contribution of the RFS will increase and the contribution of the other factors will decrease.

Regions' revenue (% change)

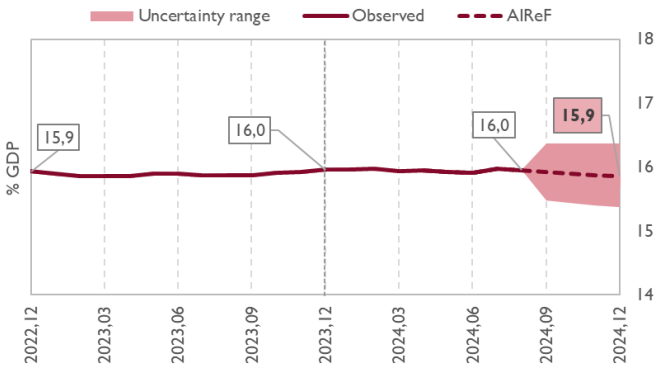


* Includes CG transfers from RTRP funds

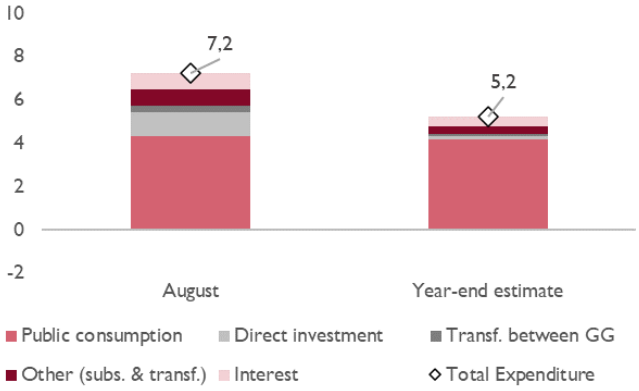
5 Based on budgetary execution data, it is estimated that by the end of the year, expenditure will have increased by 5%, both with and without expenditure financed under the RTRP. It will reach 15.6% of GDP including expenditure associated with the plan, 0.2 points less without them.

6 The last 12 months have seen significant growth in public consumption, investment, interest and subsidies and transfers. At year-end, more moderate growth is expected, with similar contributions from public consumption and more moderate contributions from other items.

Regions' expenditure (% GDP)



Regions' expenditure (% change)



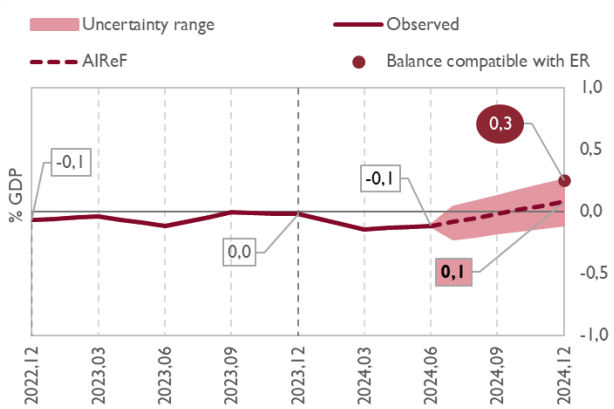
* Includes refunds in 2022 from COVID Line support that was not executed

Local Governments

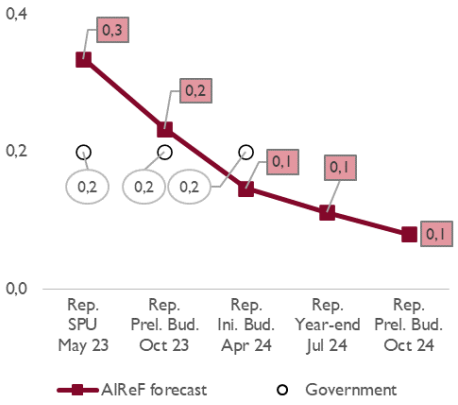
1 AIReF estimates a LG surplus of around 0.1% of GDP for 2024, slightly worsening previous forecasts. The surplus needed to comply with the expenditure rule would be 0.3%.

2 The worsening of the July estimates is mainly a result of the budgetary execution data for the first half of 2024 and the updating of previous years by the Ministry of Finance (MINHAC).

Evolution of LG surplus (% GDP)



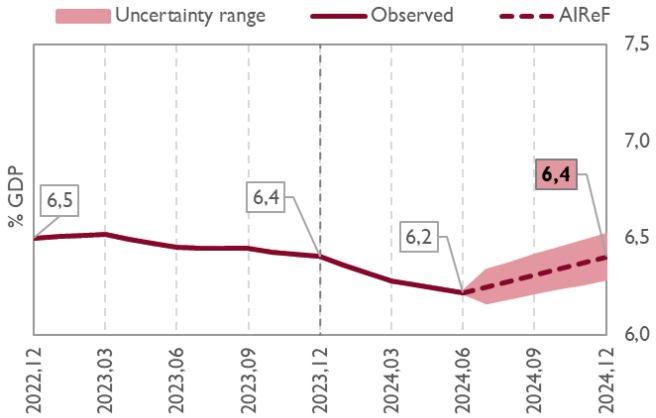
Updated estimated LG surplus (% GDP)



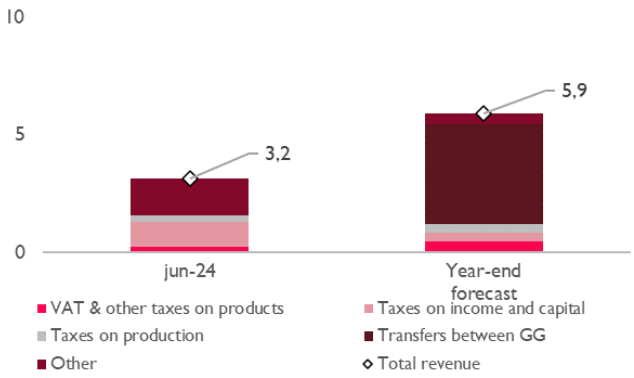
3 The growth of revenue without the RTRP is estimated to be close to 6%, mainly due to the extraordinary settlement of the financing system, maintaining its weight of GDP at 6.3% (6.4% with the RTRP).

4 The weight of transfers between GG sub-sectors compared with 2023 increases considerably due to the 2022 settlement of the financing system, which is more than 0.2 points of GDP higher than that of the previous year.

LG revenue (% GDP)



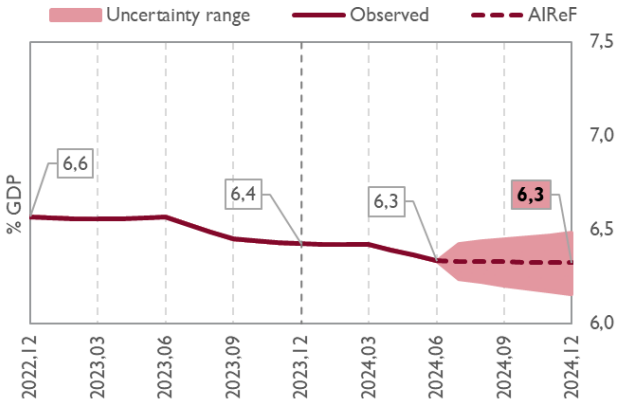
LG revenue (% change)



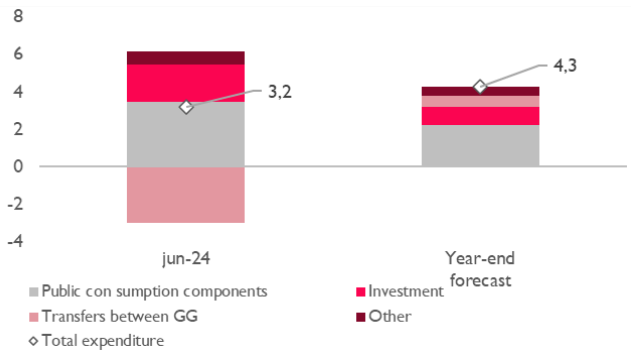
5 Expenditure without the RTRP will grow by around 4%, decreasing its weight of GDP to 6.2% (6.3% with the RTRP), 0.1 points less than in 2023.

6 The lower contribution to growth in public consumption and investment in 2024 is due to the return to the application of the expenditure rule, which will limit the growth observed in previous years.

Evolution of LG expenditure (% GDP)



LG expenditure (% change)



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 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, 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.
- In the absence of approval of the stability targets, AIReF only takes into account the balance of the GG sector as the Government's forecast - a deficit of 3% of GDP - which has been published in the Medium-Term Fiscal and Structural Plan.
- 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 expenditure and revenue forecasts of the GG are measured including the RTRP funds, which AIReF estimates at 0.8 points of GDP in 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 15th, 2020, contains an annex with the main abbreviations and acronyms used.