

MONTHLY STABILITY TARGET MONITORING 2024

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Independent Authority
for Fiscal Responsibility

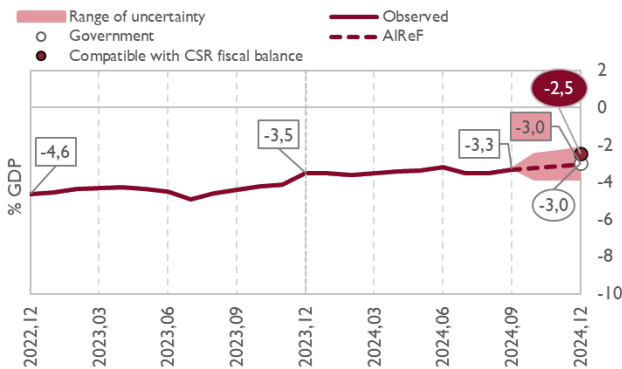
General Government

AIReF maintains its deficit estimate for 2024 for the General Government (GG) Sector at 3% of GDP as it does not yet have sufficient information to estimate the fiscal impact of the DANA of 9 October 29th. This estimate coincides with that contained in the Report on the Main Lines of the Budget of the General Government for 2025 published on November 5th and incorporates the new information available: October data for the State and September data for the rest of the GG sub-sectors in the IGAE's national accounts, October tax collections from the AEAT and budgetary execution also for October for the Social Security Funds. AIReF expects to have an initial estimate of the fiscal impact of the DANA in the next monitoring factsheet in January.

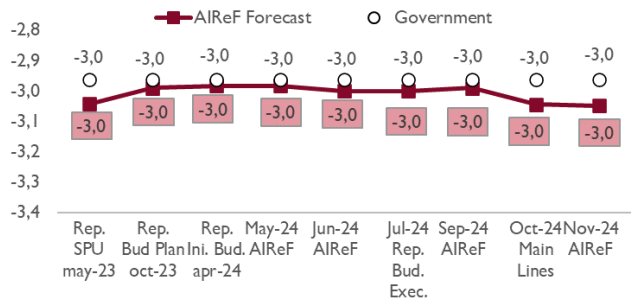
1 The deficit forecast for 2024 remains at 3% of GDP, although there are changes in the different revenue and expenditure headings with respect to the October monitoring.

2 In the process of continuous evaluation of the budgetary cycle, AIReF maintains the deficit estimate at 3%, in line with its previous estimate and with that of the Government.

General Government deficit (% GDP)



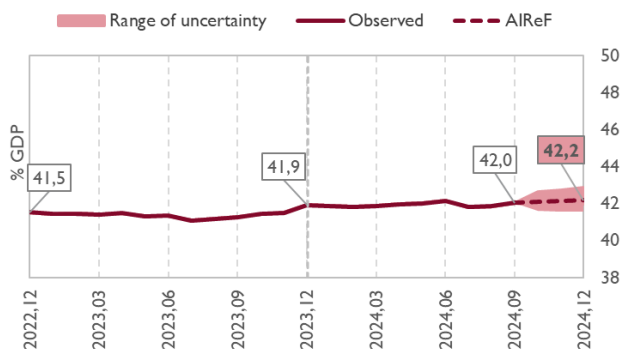
Updated GG deficit estimate (% GDP) (AIReF)



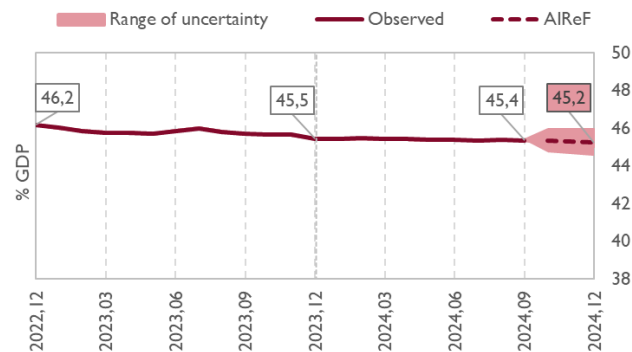
3 The revenue observed up to September, in cumulative 12-month terms, are 0.1 points higher as a percentage of GDP compared with the end of 2023. AIReF forecasts that this weight will increase by 0.2 additional points to 42.2% over the rest of the year.

4 September'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)

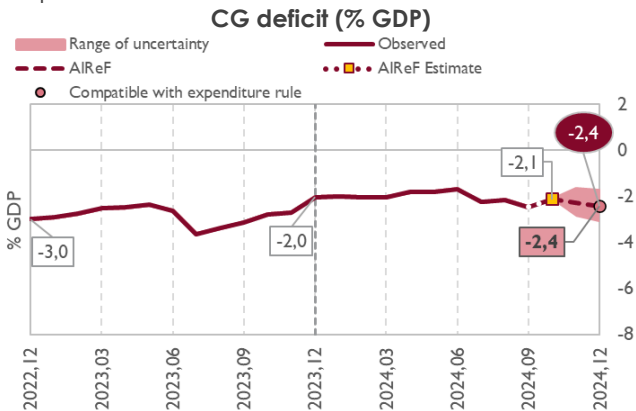


GG expenditure (% GDP)

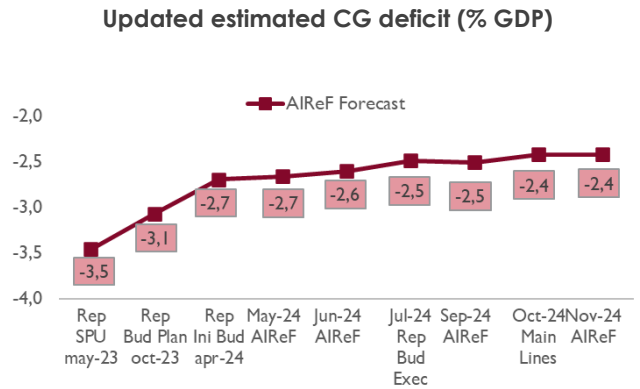


Central Government

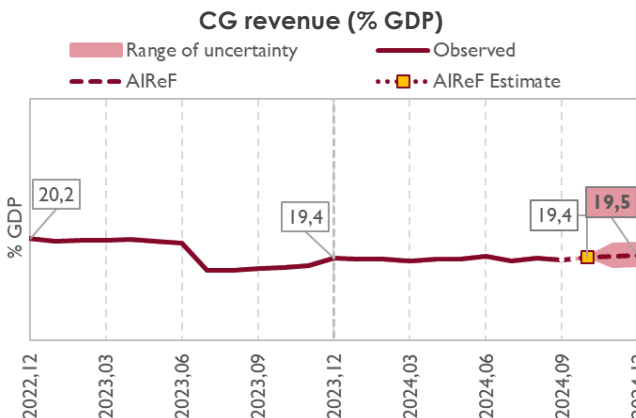
1 AIReF maintains the forecast for the Central Government (CG) deficit at 2.4% of GDP for 2024. According to the latest data published on eligible expenditure for 2023 as a starting point for the 2024 calculation, this fiscal balance would be compatible with compliance with the expenditure rule.



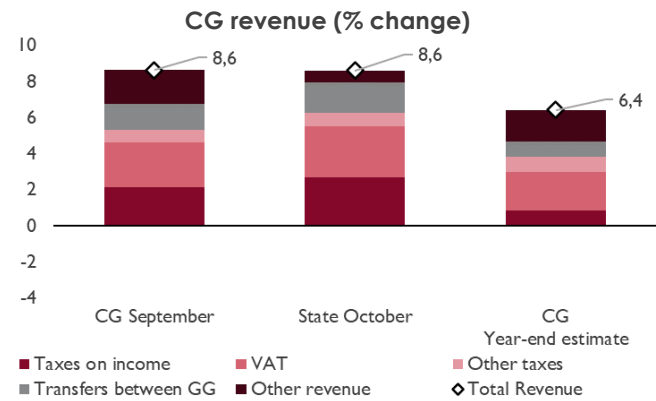
2 The deficit estimate is maintained as there is little change in revenue and expenditure following the latest budgetary execution data published. For the time being, it has not been possible to estimate the fiscal impact of the DANA, so it has not yet been included in AIReF's forecasts.



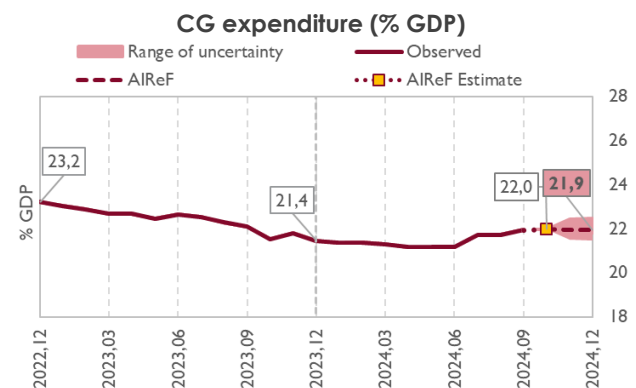
3 AIReF also maintains the estimated revenue of the CG at the close of 2024 at 19.5% of GDP, 0.1 points higher than the weight observed in 2023, with tax revenue being the main contributor to this evolution.



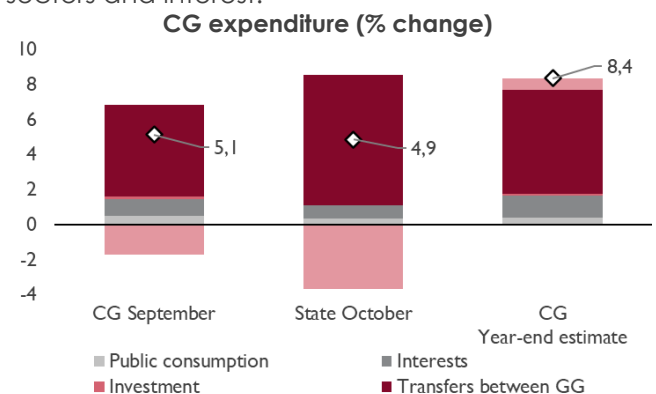
4 Up to September this year, revenue in cumulative 12-month terms grew by 8.6%. This growth is expected to be 2.2 points lower by the end of 2024, to 6.4%, as a result of a lower contribution of 1.3 points from income taxes, 0.3 points from VAT and 0.6 points from transfers between GG sub-sectors.



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



6 The growth rate in expenditure at the end of the year remains at 8.4%, with a noteworthy contribution from transfers between GG sub-sectors and interest.

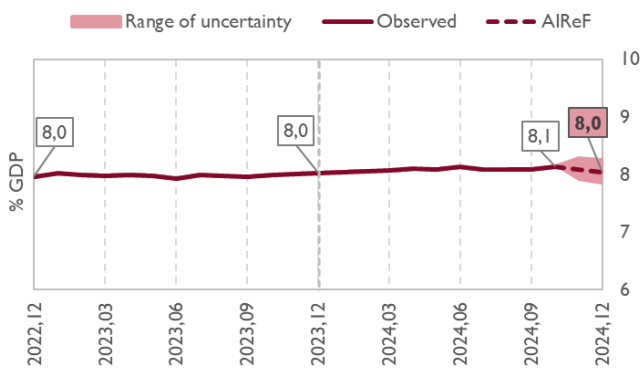


Main tax revenue and social contributions

AIReF updates its tax revenue estimates for 2024 with the incorporation of the October tax collection data and the tax bases for the third quarter. In the year to date, tax revenue has grown by 8.3%, 0.4 points up on the cumulative figure to September. The improvement in tax collection is mainly due to the buoyant data from the second CIT instalment payment and the third quarter returns filed by SMEs, which improve on the evolution of the previous two quarters.

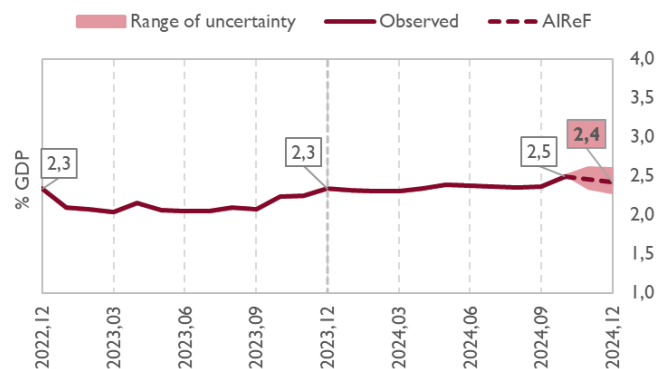
① In 2024, **Personal Income Tax** would maintain its share of GDP at 8%, the same level as in 2023. In the year to date, growth has been 7.8%. On the positive side, the boost from withholding taxes on work and capital continues, contributing 9.7 points to growth. On the negative side, refunds from annual tax returns subtract 2 points. In addition to this, the increase in the reduction of earnings from work and the court ruling on the pensions of the mutual insurance companies account for 1.2 and 1.4 points of lower income respectively. By the end of 2024, growth of 6.1% is expected.

PIT in cash (% GDP)



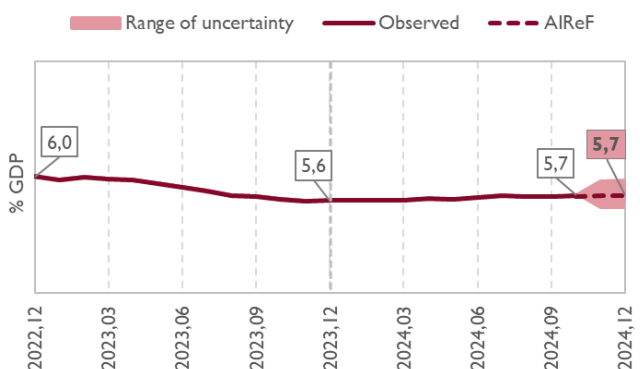
② AIReF expects **Corporate Income Tax** growth of 0.1 points in the weight of GDP compared with 2023, placing it at 2.4%. However, the previous estimate is reduced by 0.1 points, mainly as a result of the fact that measures in their passage through Parliament relating to the limitation to 50% of intra-group tax losses and to mitigate the effects of the ruling of the Constitutional Court that declared Royal Legislative Decree 3/2016 unconstitutional, if approved before the year-end, will not have an impact on cash revenue in 2024. With this, CIT would grow by 9.7% at year-end 2024.

CIT in cash (% GDP)



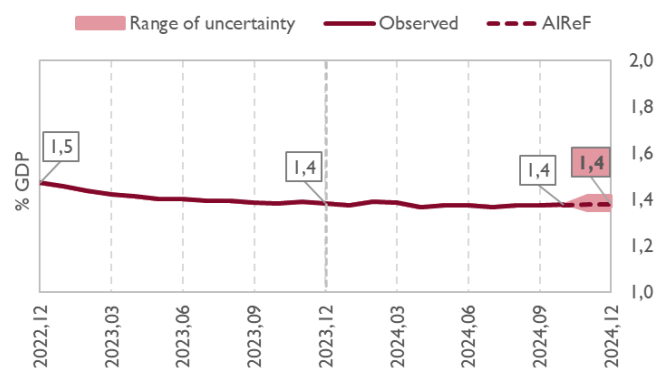
③ **VAT** will reach a weight of GDP of 5.7% by the end of 2024, 0.1 points more than in 2023. Up to October, VAT revenue has grown by 7.4%, despite the fact that the partial maintenance of the reduction in rates on food and energy has reduced tax collection by €2.9 bn. 7.6% growth is expected for the year-end.

VAT in cash (% GDP)



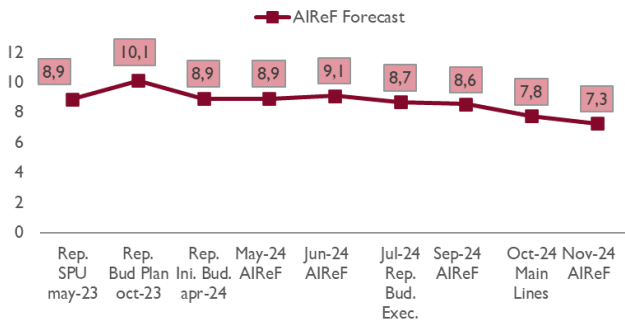
④ **Special Taxes** improve slightly, but the estimate of their weight of GDP by the end of 2024 remains at 1.4%. In the year to date, tax collection has risen by 5.6%, improving by 0.3 points on the cumulative figure up to September. The only component with a significant positive impact is the Special Tax on Electricity due to the partial recovery of the rate. AIReF expects growth of 5.6% by year-end.

Special Taxes in cash (% GDP)



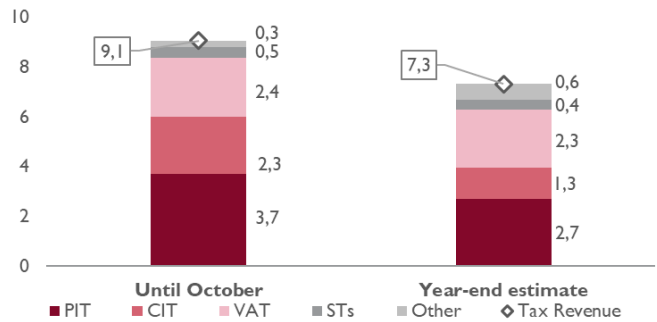
5 In national accounting terms, total tax revenue in 2024 will grow by 7.3% compared with 2023, 0.5 points below the previous estimate. Of these 0.5 points, 0.3 are due to the estimate for the closing of Corporate Income Tax and 0.2 to the VAT estimate.

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



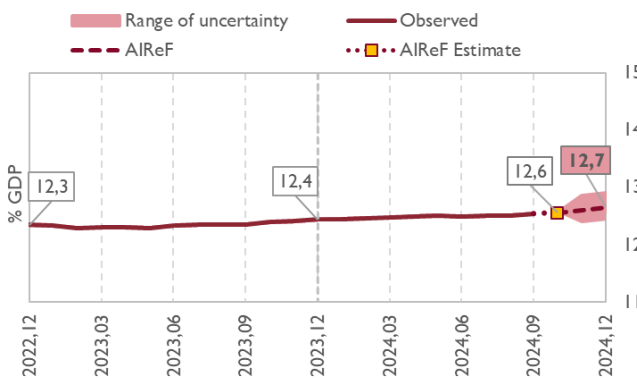
6 12-month cumulative tax revenue in cash terms up to October grew by 9.1%, mainly driven by the buoyant figure for the second CIT instalment payment and secondly by withholdings, which maintain their trend. At year-end 2024, growth of 7.3% is estimated, with a positive contribution from all figures.

Contributions to change. Cash AIReF (% change)



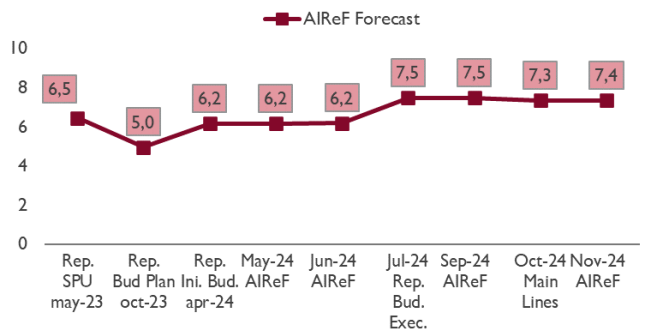
7 AIReF expects Social Security Fund contributions to end 2024 with a weight of 12.7% of GDP. The increase of 0.3 points compared with the end of 2023 is due to a favourable macroeconomic scenario - mainly in the compensation of employees - and to the increase in both the MEI and the maximum contribution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

SSF social contributions (% GDP) (NA)



8 AIReF forecasts a rate of growth in contributions for the General Government sector of 7.3% in 2024, thus maintaining the forecasts made in the previous report.

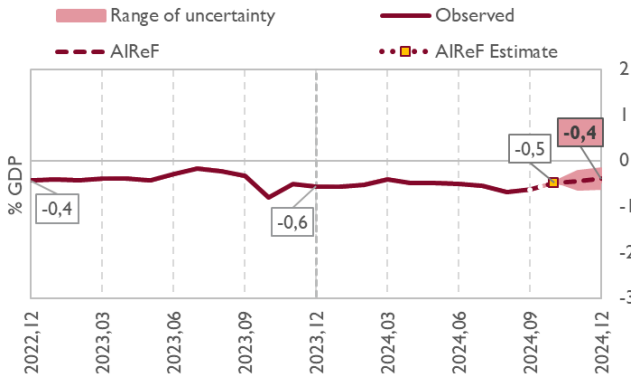
Updated forecast for social contributions from the GG Sector (% change) (NA)



Social Security Funds

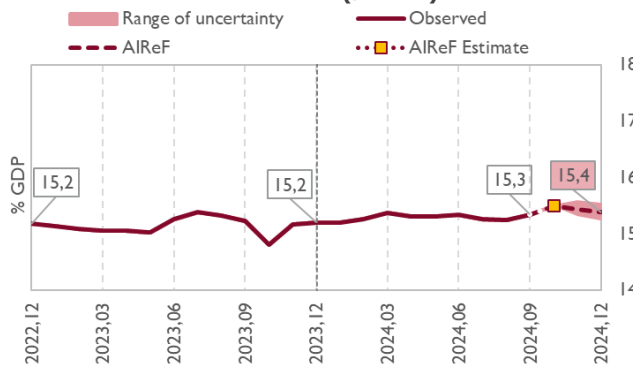
1 AIReF estimates that the SSF deficit will improve over the year by 0.2 points to 0.4% of GDP in 2024.

Evolution of SSF deficit (% GDP)



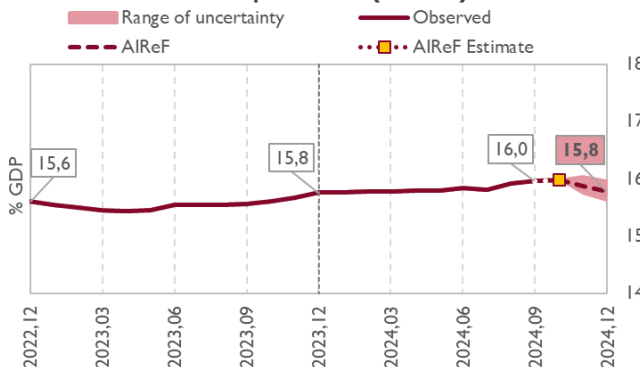
3 AIReF expects the weight of revenue as a percentage of GDP to reach 15.4% by the end of 2024, due to the increase in tax collection from social contributions, which is explained by the buoyant labour market.

SSF revenue (% GDP)



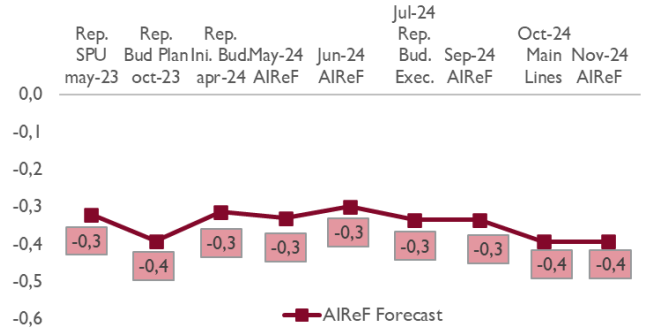
5 AIReF expects expenditure to maintain its weight of GDP at 15.8% throughout 2024. The spending on pensions increases by 0.1 points compared with 2023 and will be offset by a reduction in spending on unemployment.

SSF expenditure (% GDP)



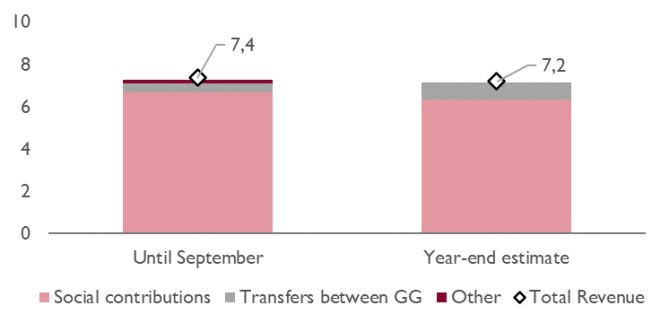
2 The estimate for 2024 established in the Report on the Main Lines of the Budget of the GG is maintained.

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



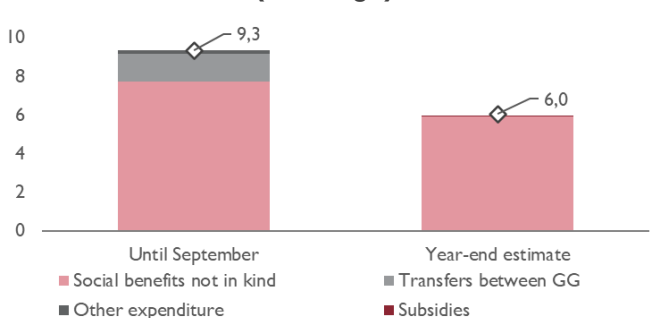
4 AIReF expects a moderate slowdown in revenue growth for the rest of the year due to a slowdown in the increase in contributions, the intensity of which will be greater than the estimated increase in the transfers forecast by the Central Government.

Contributions to change in SSF revenue (% change)



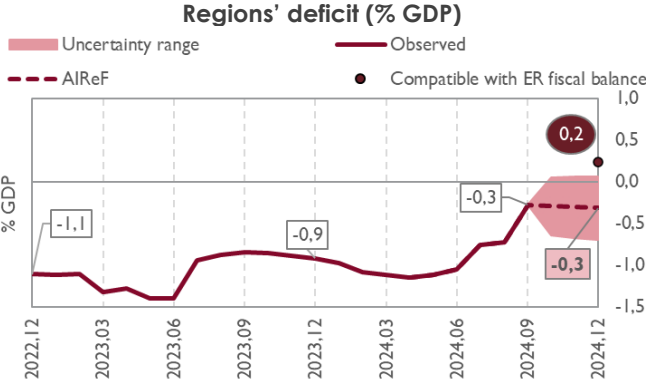
6 The pace of growth in SSF expenditure is expected to slow over the year, mainly due to lower growth than in 2023 in spending on pensions and unemployment and a reduction in the weight of transfers to other GG sub-sectors.

Contributions to the change in SSF expenditure (% change)

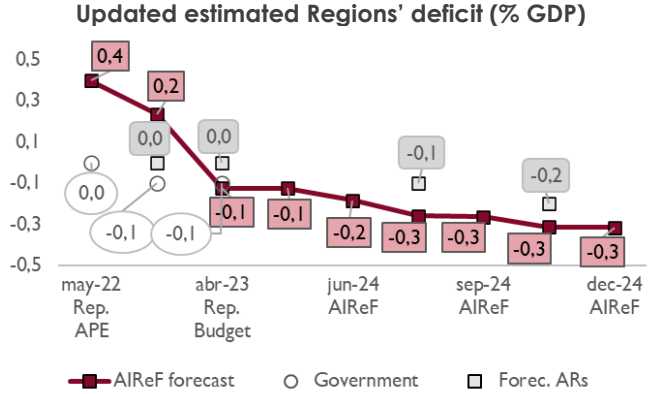


Autonomous Regions

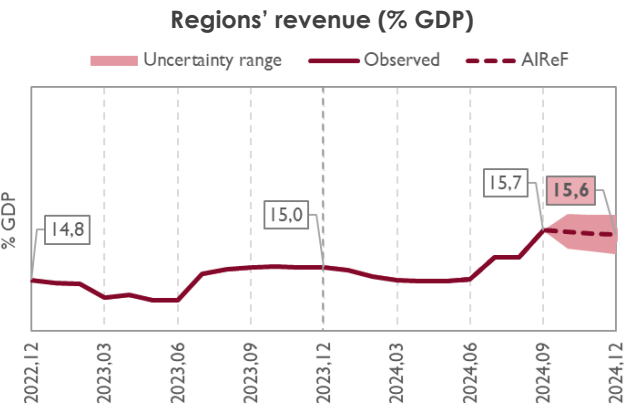
1 Without incorporating the impact of the DANA, AIReF estimates that the Autonomous Regions (ARs) will post a deficit of 0.3% of GDP in 2024, non complying with the expenditure rule.



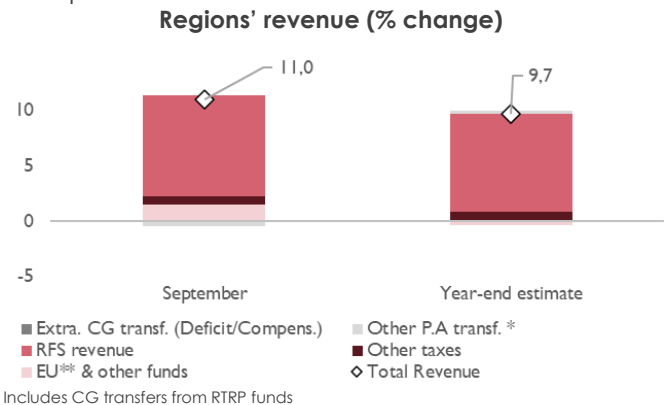
2 With the budgetary execution data up to September and without the evaluation of the possible impact of the DANA, AIReF maintains the forecast for 2024 for the ARs.



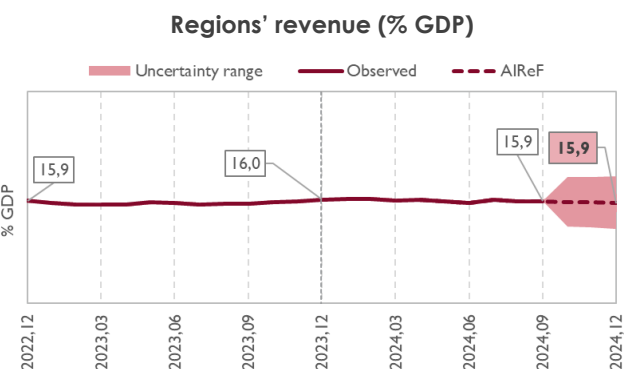
3 Revenue will increase by nearly 10% at year-end, thanks to the settlement of the regional financing system (RFS). Including the RTRP, revenue will reach 15.6% of GDP, or 0.3 points lower without these funds.



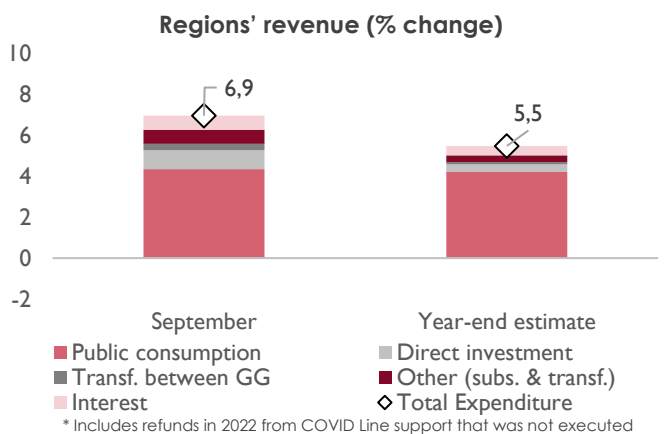
4 Revenue growth in the last 12 months is affected by the increase in revenue from the RFS, tax and EU funds. At year-end, the contribution of the RFS is maintained and the contribution of European funds is reduced.



5 Considering the execution up to September, and without incorporating the impact of the DANA, by the end of the year expenditure will have increased by more than 5%. It will reach 15.9% of GDP including expenditure associated with the RTRP, 0.3 points less without including the RTRP.



6 The last 12 months have seen significant growth concentrated in public consumption, and to a lesser extent, investment, interest and subsidies and transfers. At year-end, similar contributions are expected from public consumption and more moderate contributions from other items.



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.